Singapore Credit Outlook 2021

Treasury Advisory
Corporate FX & Structured Products
Tel: 6349-1888 / 1881

Fixed Income & Structured Products
Tel: 6349-1810

Interest Rate Derivatives
Tel: 6349-1899

Investments & Structured Products
Tel: 6349-1886

OCBC Credit Research

Andrew Wong
+65 6530 4736
wongVKAM@ocbc.com

Ezien Hoo, CFA
+65 6722 2215
EzienHoo@ocbc.com

Wong Hong Wei, CFA
+65 6722 2533
WongHongWei@ocbc.com

Seow Zhi Qi, CFA
+65 6530 7348
ZhiQiSeow@ocbc.com

- **Credit markets ended 2020 on a constructive note with y/y movements in credit indices hiding unprecedented developments in credit markets. With rates plunging and substantial government support, the search for yield drove credit spreads south despite prevailing pandemic developments.**

- **Spread movements were also driven by lower y/y supply in the SGD corporate bond market by number of issues and issuance size that reflected a worsened business environment, weaker corporate fundamentals as well as the uncertain outlook connected with the pandemic.**

- **Four key themes will influence credit in 2021 in our view including a K-shaped Recovery, expiring government stimulus, accelerated digital shift and rising Environmental, Social Responsibility and Governance ("ESG") issues. In particular, the direction of ESG investment is looking more and more like a one way street as the passage of time and the COVID-19 pandemic has addressed certain questions that existed 12 months ago or made them obsolete. There is an increasingly explicit cost of failing in ESG targets in addition to the previously existing implicit ones. This continues to raise the overall quantum of operating risks for issuers as awareness of ESG issues by various stakeholders continues to grow. To this end, we have included in our appendix key ESG influences for the companies we cover based on their disclosures. We hope this enables a better understanding of where these issuers are along the ESG journey.**

- **Amongst these key themes and the prevailing rates environment we think investors can push out along the risk spectrum. We also advocate a focus on the shorter-to-belly part of the yield curve. That said, technical considerations should not dominate decision making, and fundamentals continue to remain key given the still fluid COVID-19 situation and stretched valuations in some parts of the SGD bond market. System-wide credit risk remains elevated and this should limit appetite among market participants for true high yield issuers (with a knock on impact on secondary market liquidity).**

- **Developments for Financial Institutions in 2020 were a jigsaw puzzle of sorts with government support and bank actions (both past and current) smoothing out the impact of the pandemic on capital and solvency. While risks will continue to dominate in our view, we see Financial Institutions as adequately prepared for higher certainty in 2021, even if that certainty is an awareness of the uncertainty that remains.**

- **In early 2020, we opined that REITs are becoming increasingly demarcated by size. Notwithstanding the pandemic, the theme of "big gets bigger" has played out through 2020, with cost of funding compressing, allowing big REITs to continue their acquisitive trend and scale expansion. With the expansionary trend seeing no sign of abating, we expect aggregate leverage for the REIT sector to creep up in 2021 with the market becoming more concentrated.**

- **Within the Office REIT sector, we think companies will continue to anchor the workforce in office spaces but adjust the nature of office spaces. That said, demand for office spaces may continue to fall in the short term, leading to higher vacancy rate. For Retail REITs, we continue to experience structural shift towards ecommerce leading to the departure of nonperforming tenants, and negative rental reversion to bring in new tenants. Industrial REITs had been resilient in 2020 and this should likely continue despite some pockets of concern over SME tenants. Upside for Industrial properties though is capped in our view as we expect supply to come back to fore with much of the expected supply in 2020 pushed into 2021 and 2022 instead. With domestic and international borders curbs along with health and safety concerns, travel and hospitality activities remain curtailed which means survivability continues to be a key focus. We expect recovery in the sector though gradual and expect structural changes to the business travel market.**

- **Singapore private residential property displayed no sign of recession with property prices increasing 2.2% in 2020. Never mind the fall in GDP, we think the K-shaped recovery and cheaper borrowing costs lends confidence for home buyers. The average Singapore household is cash-rich and still getting richer quickly, even through 2020. Using cash and CPF, we estimate that the average household can afford the down payment of a ~SGD2mn property. Supported by an aspirational and wealthy society looking to upgrade, we expect property prices to increase by 5-8% in 2021.**

Contents

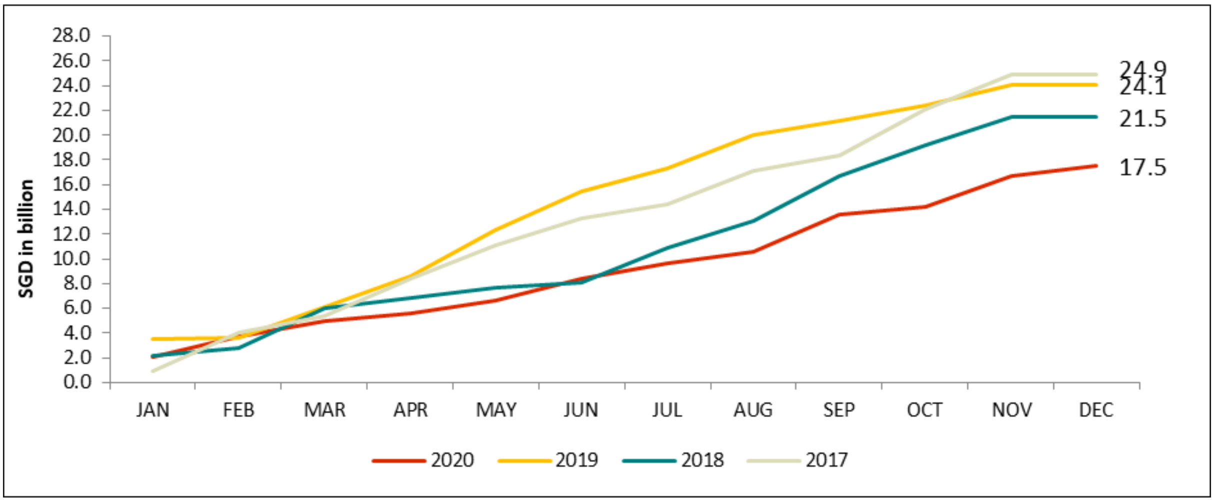
A. MARKET AND INDUSTRY OVERVIEW		Page No.
1.	2020 Singapore Corporate Bond Market Review	iii
2.	Credit Outlook for 2021 – Rising Up To Challenges	xi
3.	Top Trade Ideas	xvi
4.	Model Bond Portfolio	xvii
5.	Private Debt to Play a Bigger Role in Asia	xviii
6.	Temasek Linked Companies at an Inflection Point	xx
7.	Building Sustainable Momentum in ESG	xxvi
8.	Financial Institutions – Down but Not Out	xxix
9.	Singapore REITs – The Big Gets Bigger	xxxiv
10.	Singapore Industrial REITs – Property sub-segment matters for industrial-zone properties	xxxviii
11.	Singapore Office REITs – New Beginnings	xxxix
12.	Singapore Retail REITs – Languishing	xl
13.	Singapore Hospitality REITs – Braving through COVID-19	xli
14.	Singapore Property – No Recession in the Singapore Residential Property Market	xlii
15.	Urban Solutions & Sustainability	xlvii
B. COMPANY OUTLOOKS – CORPORATES		5-48
C. COMPANY OUTLOOKS - FINANCIAL INSTITUTIONS		50-68
D. ESG Influences		73-135

2020 Singapore Corporate Bond Market Review

Weaker overall issuance volume y/y as fundamental headwinds lingered

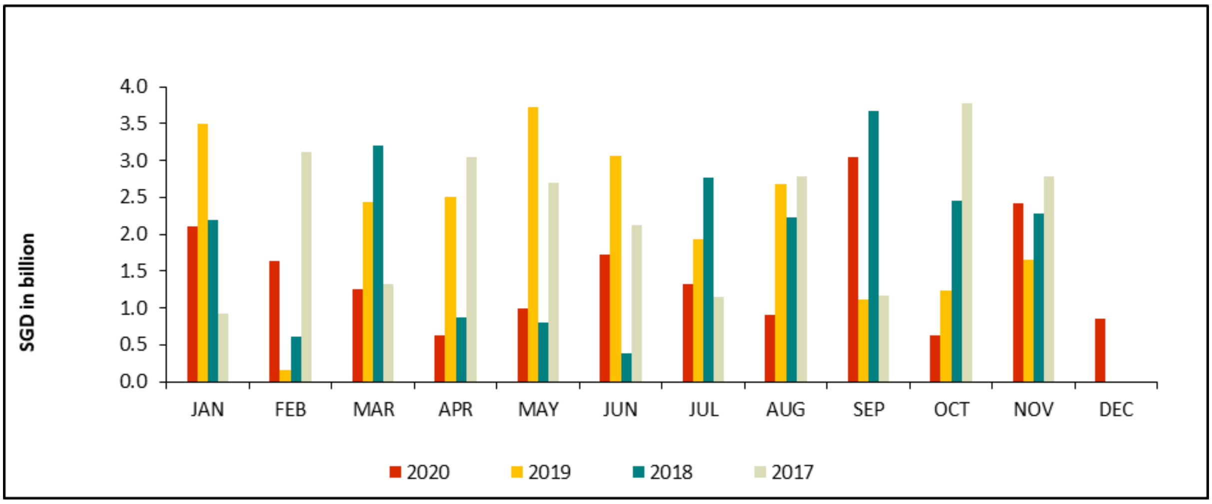
Total new issuances in 2020 were at SGD17.5bn across 79 issues, down 38% y/y compared to the new issuance volume in 2019 of SGD24.1bn across 89 issues. The significant fall in number of issues and issuance size was mainly driven by a worsened business environment, weaker corporate fundamentals following the global outbreak of the COVID-19 pandemic as well as the uncertain outlook connected with the pandemic.

Figure 1: SGD bond issuances monthly volume (cumulative)



Source: Bloomberg, OCBC Credit Research

Figure 2: SGD bond issuances monthly volume by individual months (non-cumulative)



Source: Bloomberg, OCBC Credit Research

As mentioned in our Singapore Mid-Year 2020 Credit Outlook, the SGD corporate bond market started off quieter than anticipated before risk-off sentiments and market instability spiked as COVID-19 fears rippled through markets globally. March in particular was a month to remember for all the wrong reasons as credit markets crumbled from collapsing valuations and disappearing market liquidity. This led to historic declines in credit indices and funds outflows from bond markets while the VIX (Cboe Volatility Index), commonly used as a gauge of market fear, skyrocketed from 14.4 on 19 February to 82.8 on 16 March, a level not seen in history. The rapid and extreme cash crunch experienced during March forced investors to sell their most prized assets to generate urgent liquidity. In the peak of panic, treasuries saw 10Y USTs widening while gold prices fell as cash became the biggest outperformer in the multi-asset class sell off. In the SGD space, we downgraded 14 issuers under our coverage during February and March (mostly Airlines and Hospitality names) due to the weakening of fundamentals and poorer operating environment brought about by the pandemic. With the quickly evolving situation and no clarity on the end of

COVID-19, we ceased providing bond-level recommendations for a period as it was difficult to price risk as evidenced by the drop off in primary market activity and the widening in bid-ask spreads. Selling was driven mostly by forced selling resulting in prices falling materially while buyers preferred to hold onto cash until the future became clearer. After governments and central banks globally sprung into action launching unprecedented stimulus packages both in scope and in size that drove a dramatic recovery in sentiments and the resumption of issuance, we gradually resumed our bond recommendations in parts of the market where we thought there was sufficient liquidity and price stability.

While increased investor demand was seen through April 2020 on government and central bank actions which led to further increases in prices (particularly in high grade) and bid-ask spreads narrowing from the earlier dislocation, the market saw a relatively muted six months in 2H2020 despite the worst of the credit crunch likely behind us and prevailing low interest rates with no vaccines immediately available and uncertainty revolving around the virus' trajectory and the US Presidential Election outcome. That said, issuance volumes in 2H2020 were still slightly higher at SGD9.2bn compared to the SGD8.3bn issued in 1H2020.

After a slight pick-up in SGD issuance in June with SGD1.7bn recorded (largely attributed to the Housing & Development Board's large issuance of SGD800mn), issuance momentum cooled down in the following two months as the majority of Singapore corporates were in blackout and markets were focusing on Singapore's General Elections. Issuances in July were anchored by NTUC Income Insurance (SGD800mn 30NC20 subordinated Tier 2) and STT GDC Pte. Ltd. (SG400mn 8Y) that saw large secondary flows, indicating a desire by investors to search for yields through duration and structure from relatively better quality issuers, driven by the low interest environment. Nevertheless, as we went into 2H2020, default risks still remained elevated globally and in the SGD space, Century Sunshine Group Holdings Ltd ("CENSUN"), a HKSE-listed magnesium product and fertiliser production company, became the first issuer this year to default as the company was unsuccessful in refinancing its SGD-bond that came due, highlighting the heightened risks associated with true high yield issuers amidst the market downturn. 2H2020 also saw the commencement of debt restructuring at Pacific International Lines ("PIL"), an unlisted shipping company, which is on-going as of writing. While the company had signaled its debt difficulties in 1H2020, the company defaulted on its sole SGD bond in November 2020. On the other hand, several issuers whom we had expected to face difficulties to return to market at reasonable costs (due to idiosyncratic reasons that are not COVID-19 related) managed to successfully raise funds via private placements.

Boosted by the Fed's dovish shift to average inflation targeting of 2%, US Treasury's record debt issuance and increasing optimism of economies re-opening, 10Y USTs started to pick up after early August. While the US and Asiadollar credit markets saw a constructive month in August, the SGD primary market was relatively quiet. Separately, in an initiative to support the adoption of the Singapore Overnight Rate Average ("SORA"), the Monetary Authority of Singapore ("MAS") auctioned SGD500mn of six-month floating-rate notes with a spread over the SORA, which is set to replace the SGD swap as an interest rate benchmark with the likely discontinuation of the London Interbank Offer Rate ("LIBOR") after end-2021.

September marked the busiest month for SGD Credits in 2020 with SGD3.1bn of deals printed, up 171% y/y. This was driven by a SGD800mn 5Y paper from the Housing & Development Board ("HDB") and a bumper SGD800mn printed by CapitaLand Ltd ("CAPL") in a 12Y bullet, its longest dated bond on issuance. Other noticeable issuers were seen from S-REITs, Financial Institutions, and property developers. Out of the nine deals, only two were from high yield names and four were structured as perpetuals, reflecting the market's continual preference for high grade papers with relatively higher-yielding structures. Despite the enthusiasm seen from investors for senior paper from high grade issuers, part of the pick-up in issuance volume may be explained by corporates' desire to lock in funding in September prior to any politically driven market volatility during the US Presidential Election and further developments surrounding the COVID-19 resurgence.

With credit investors mostly allergic to uncertainty, trading volume reduced significantly in October as markets waited for the US election. Though the primary market for SGD credits saw a quiet month with only five new issues, the secondary market was relatively active with buying interest largely seen in the short-dated space with selling in the long-end especially going into the US elections. Entering November, despite a further surge in COVID-19 cases and tougher lockdown restrictions in several countries, vaccine optimism from Pfizer's and Moderna's vaccine trial results and euphoria over Joe Biden's triumph as the president-elect buoyed market sentiment, sending the intra-day high of 10Y UST to 0.97%, the highest since the March trough. Tracking the US market somewhat, Singapore swap rates also rallied. With market sentiment elevated, new issue activity in SGD credits returned with SGD2.4bn priced in November. Longer dated bonds were priced by high grade issuers such as Singapore Post Ltd ("SingPost") and Housing & Development Board ("HDB"), catering to the pent-up demand in the SGD market given a lack of supply in 2H2020. Singapore Airlines Limited ("SIA"), which has seen travel demand crater, was particularly active in fund raising in November with issues of a SGD500mn 10Y senior unsecured paper and another SGD850mn in 5Y convertible bonds as well as upsizing its multi-currency medium term note programme to SGD10bn from SGD5bn for general corporate or working capital purposes.

Unlike the past two years, the SGD credit market saw a busy week in early December this year with SGD860mn printed across six issuers, anchored by Mapletree Investments Pte Ltd ("MAPL") (a SGD200mn 3Y at 1.2%) and City Developments Ltd ("CDL") (a SGD200mn 6Y at 2%). Starhill Global REIT ("SGREIT") also joined the rally and issued its maiden SGD100mn PerpNC5 at 3.85%. We think the funds raised may be used to refinance the SGD100mn SGREIT 3.5% '21s that mature on 26 February 2021. Thereafter as markets entered holiday season, the SGD credit market remained quiet in both primary and secondary markets in the second half of December.

To help ease the financial strain brought by the COVID-19 pandemic, MAS and local banks have been providing support measures to individuals and SMEs since April. These measures include, but are not limited to: 1) payment deferrals for individuals and SMEs facing short term challenges in servicing their loan instalments; 2) supporting SMEs with continued access to bank credit and insurance cover; 3) ensuring interbank funding markets remain liquid and well-functioning; and 4) extension of the permissible period for S-REITs to distribute at least 90% of their taxable income from three months to 12 months and raising the leverage limit for S-REITs from 45% to 50%. Elsewhere, in July, MAS called on local banks to cap dividends for FY2020 at 60% of FY2019's dividend so as to maintain a strong capital position and continue lending to businesses and individuals.

Finally, credit markets saw increasing dispersion with sentiments riding the COVID-19 rollercoaster in 2020, with both the Bloomberg Barclays US Aggregate Corporate Index OAS and Bloomberg Barclays US Corporate High Yield Index OAS tighter by 285bps and 741bps respectively (as of writing) since the 23 March 2020 spike but the HY-IG Index Spread wider by 16bps to 261bps as of writing compared to end 2019. Similarly, the Bloomberg Barclays Asia USD HY Index OAS tightened 630bps and the Bloomberg Barclays Asia USD IG Index OAS tightened 129bps (as of writing) since late March with the HY-IG Index Spread wider by 124bps to 495bps as of writing compared to end 2019. With pandemic developments still fluid and vaccine deployment still questionable, downside credit risks are likely to linger into 2021 but are expected to be more manageable depending on the continuation of government stimulus judging by spreads compression and movements in 10Y UST yields through 2020. Combined with solid market liquidity, we expect credit market fundamentals to stay constructive in 1H2021 as countries vault back from pandemic-induced downturns.

<u>Government-linked issuers slow, with Financial Institutions carrying the day</u>

2020 saw a significantly smaller amount of issuances y/y from statutory boards and the Government-linked sector with issuance volume of SGD3.2bn across five issues (1H2020: SGD1.8bn across three issues, 2019: SGD6.5bn across eight issues). The Government-linked sector was the third largest contributor to total SGD credits issuance. Only two Government-linked issuers came to the market this year, namely the National University of Singapore ("NUS"), which issued its first green bond through a private placement deal in 1H2020, and the Housing & Development Board ("HDB"). As a frequent issuer of SGD corporate bonds, we saw a slight drop in HDB's issuance volume this year, with a total of SGD2.9bn priced across four issues (2019: SGD3.6bn across six issues, 2018: SGD3.5bn across six issues). After Fitch assigned a AAA rating to HDB's issuer profile and its SGD32bn multicurrency MTN programme in November 2020, HDB issued its last offering of the year, a SGD600mn 15Y senior unsecured at 1.3%, or around 29bps over SGD SOR. The yield was significantly higher than HDB's SGD800mn 5Y deal in September, which was priced at 0.69% with a spread of 13bps over SGD SOR. Unlike the past two years, the Land Transport Authority of Singapore ("LTA") did not issue any SGD bonds in 2020. The last time LTA tapped the bond market was in May 2019. Part of the reason might be LTA is not facing immediate refinancing pressure as only one bond of SGD650mn is maturing in the next two years. As at 31 March 2020, LTA had cash and cash equivalents of SGD15.9bn versus short-term debt of SGD1.1bn (including short-term lease liabilities), which is manageable in our view.

Taking over the Real Estate sector, the Financial Institutions sector became the largest contributor to total issuance volume (22.4%) this year, though the issuances slowed y/y to SGD3.9bn (2019: SGD5.4bn). For Financial Institutions under our coverage, only China Construction Bank Corp/Singapore ("CCB") issued a SGD500mn 3Y bond at 1.073%. Aside from Oversea-Chinese Banking Corp Ltd ("OCBC") which issued a SGD200mn Additional Tier 1 PerpNC10 at 3.0% via a private placement, the two other local banks issued new capital instruments in other currencies with DBS Group Holdings Ltd. ("DBS") issuing a USD1bn PerpNC5 at 3.3% and United Overseas Bank Ltd ("UOB") issuing

EUR1bn of covered bonds at a yield of negative 0.21% for a 7Y paper, with orderbooks of slightly above 2x. This is the first time an issuer out of Singapore has raised debt at negative yields. DBS and UOB may have been reluctant to issue new capital in SGD due to wider credit spreads than pre-COVID given Financial Institutions' declining earnings from lower net interest margins and higher provisions made in view of the worsened business environment. That being said, capital levels for the Financial Institutions under our coverage are currently well above minimum requirements as a result of still decent earnings and ongoing business activity as well as regulatory forbearance in the recognition of non-performing loans and reduction in minimum requirements while most of them have the ability to issue bonds in different currencies which allows them to be opportunistic issuers in different currencies in order to minimise their cost of capital. Other issuers in the Financial Institutions sector include insurance companies like NTUC Income Insurance Co-Operative Ltd ("NTUC") which issued SGD800mn of 30NC20 T2 subordinated notes at 3.1% and Aviva Singlife Holdings Pte Ltd ("Aviva Singlife"), which holds Singapore Life ("SingLife") and Aviva Singapore. Aviva Singlife, as a first-time issuer, priced a SGD550mn 10.25NC5.25 T2 note at 3.375% in a heavily subscribed deal with the proceeds used to take out the existing acquisition bridge loan. SingLife and Aviva Singapore combined recently to become one of the largest insurance companies in South East Asia.

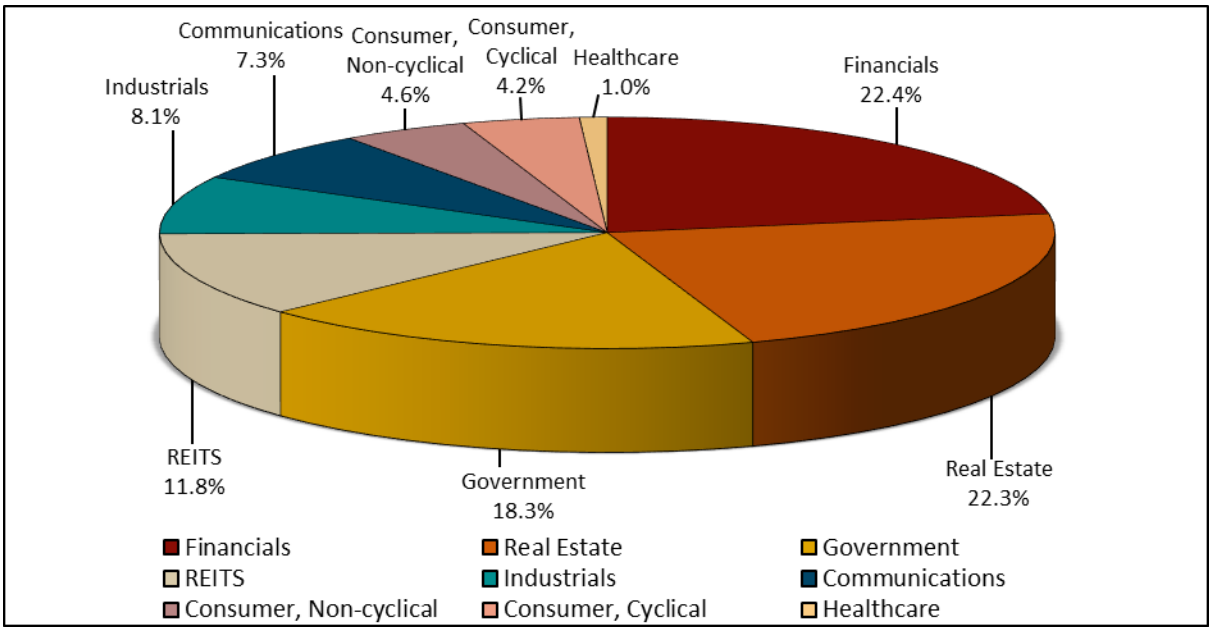
Despite marginally losing its position as the top issuing sector, Real Estate issuers were still a large contributor to total issuance volume at 22.3%. In a rather quiet SGD credit market in 2020, property developers were still busy, printing a total of SGD3.9bn across 21 issuers. In 2H2020, Mapletree Investments Pte Ltd ("MAPL") issued a SGD200mn 3Y senior unsecured bond at 1.2%. City Developments Ltd ("CDL") priced a SGD200mn 5.5Y at 2%, which was CDL's third bond this year, following the issuance of SGD200mn CITSP 2.7% '25s and SGD200mn CITSP 2.3% '25s in January and May respectively. Both new issuances in 2H2020 were priced tighter than their own curves, likely due to technical demand from fund managers and banks given the dearth of primary supply in the SGD high grade space. Within the true high yield space in 2H2020, we saw a deal priced by a foreign company, LOGOS Property Group Ltd (albeit majority owned by Singapore-based ARA Asset Management Ltd) which tapped the SGD bond market for the first time as well as local property developer Heeton Holdings Ltd ("HTON") which last tapped the bond market in 2018. HTON came back to the market with a SGD70.3mn 3Y senior at 6.8% and the bond offering was done via a two-part exercise, consisting of an Exchange Offer for the HTONSP 6.08 '21s and subsequent issuance of new 3Y notes. Perennial Real Estate Holdings Ltd and Centurion Corp Ltd also priced senior papers which were likely privately placed.

Despite the global outbreak of COVID-19, issuance from the S-REITs sector skyrocketed to SGD2.1bn across 13 issues in 2020 (2019: SGD1.125bn across seven issues). Within the REITs sector, the hospitality sector, followed by the retail sector, was most negatively affected by the pandemic while industrial sector REITs fared better. Among the 13 new issues, nine were priced in 2H2020 and issuers ranged from Singapore's large cap high grade REITs like Ascendas Real Estate Investment Trust ("AREIT") to "crossover" names like AIMS APAC REIT ("AAREIT") which raised its first perpetual securities at 5.65%. After MAS announced on 16 April 2020 that the leverage limit for S-REITS would be raised from 45% to 50% with immediate effect, we have seen S-REITs come to market with perpetuals priced at an average yield of ~3.4% for high grade papers, providing an alternative way for the issuers to boost liquidity. In todays near zero interest rate environment, all-in yields around 3% in SGD still compare very well against peers globally.

Though SGD perpetuals appear to be largely supported by technical factors, we still see heightened risks for distribution deferral of perpetuals as a quick turnaround in the operating environment is uncertain. Following the non-call of ARTSP 3.07%-PERP in June, Lippo Malls Indonesia Retail Trust ("LMRT") announced in December that it will not pay distributions for its SGD120mn 6.6% PERP as it has insufficient distributable income. As such, LMRT became the first S-REIT that missed distributions while it is not in default.

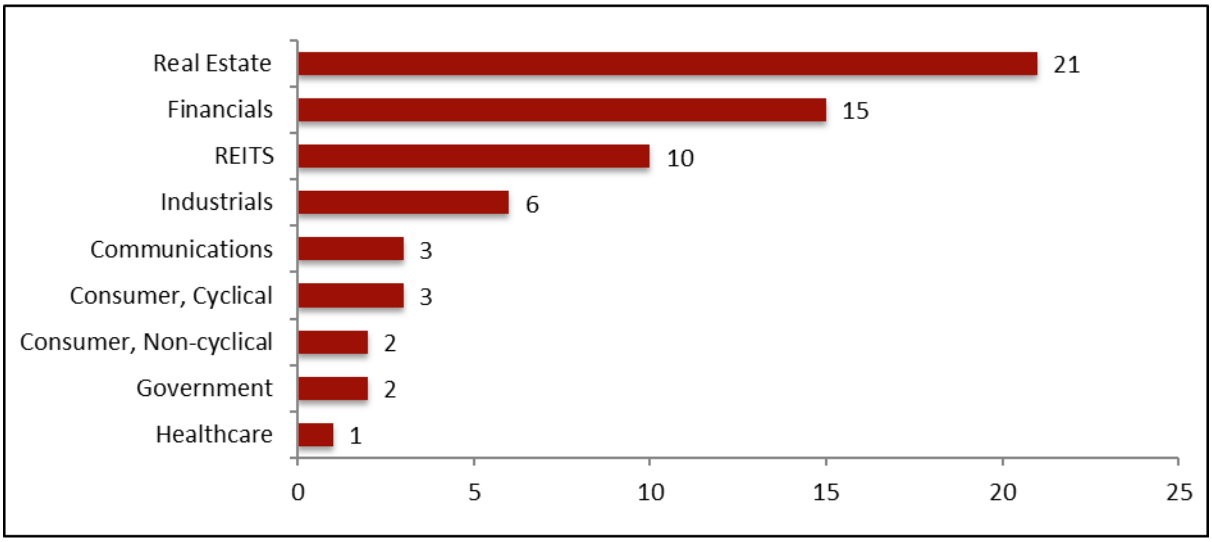
Aside from the above-mentioned sectors and issuers, we saw Olam International Ltd ("OLAM") returning to the SGD bond market after its last SGD issue in 2017 while the company also has access to the JPY and USD credit markets. Other prominent names that came back to the SGD credit market in 2H2020 included Singapore Post Ltd ("SingPost"), which priced its first SGD bond since 2012, pricing SGD250mn of 10Y seniors at 2.53% and Wilmar International Ltd ("Wilmar") which priced two 2Y bonds at 0.9% in July and November for SGD100mn and SGD200mn respectively that was likely privately placed. Another notable repeat issuer was Singapore Airlines Ltd ("SIA"), which has been actively raising capital in 2020. Revenue at SIA collapsed in 2020 following nearly nine months of border controls and travel restrictions from COVID-19. SIA kickstarted 2020 with a SGD3.5bn 10Y zero coupon mandatory convertible bond in May (where the convertible option is held by SIA). This was followed by a SGD850mn 5Y convertible bond (where the convertible option is held by holders) at 1.625% in November, and twelve days later, SIA priced another SGD500mn 10Y senior unsecured bond at 3.5%.

Figure 3: Breakdown of 2020 issuance size by sector



Source: Bloomberg, OCBC Credit Research

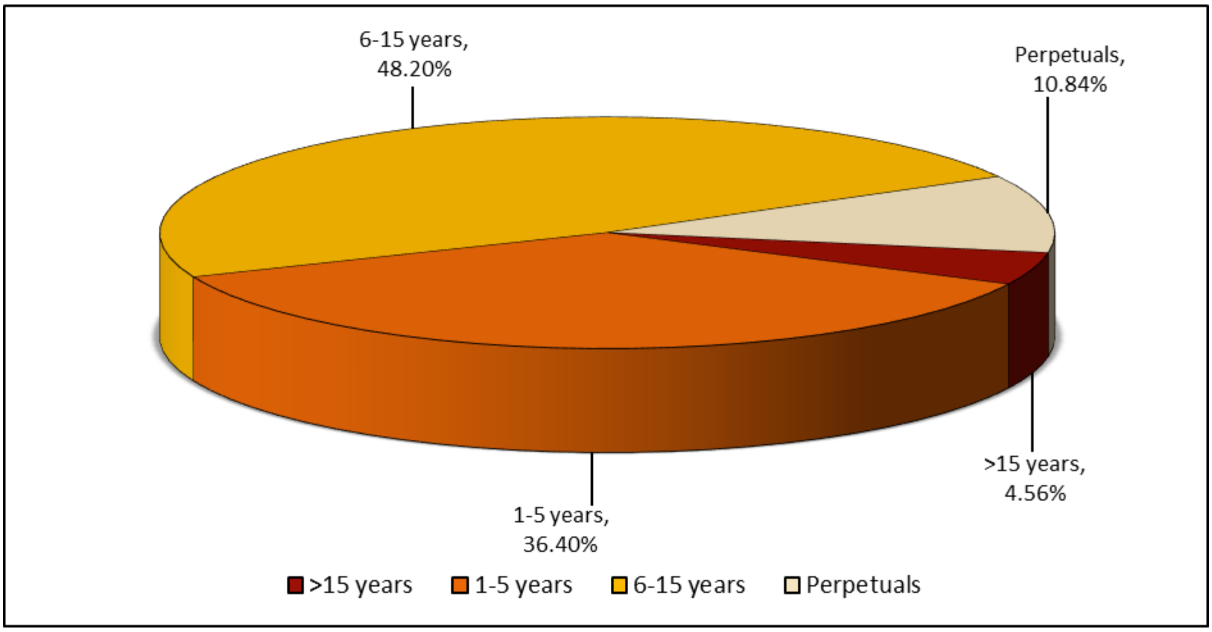
Figure 4: Breakdown of 2020 issuers by sectors



Source: Bloomberg, OCBC Credit Research

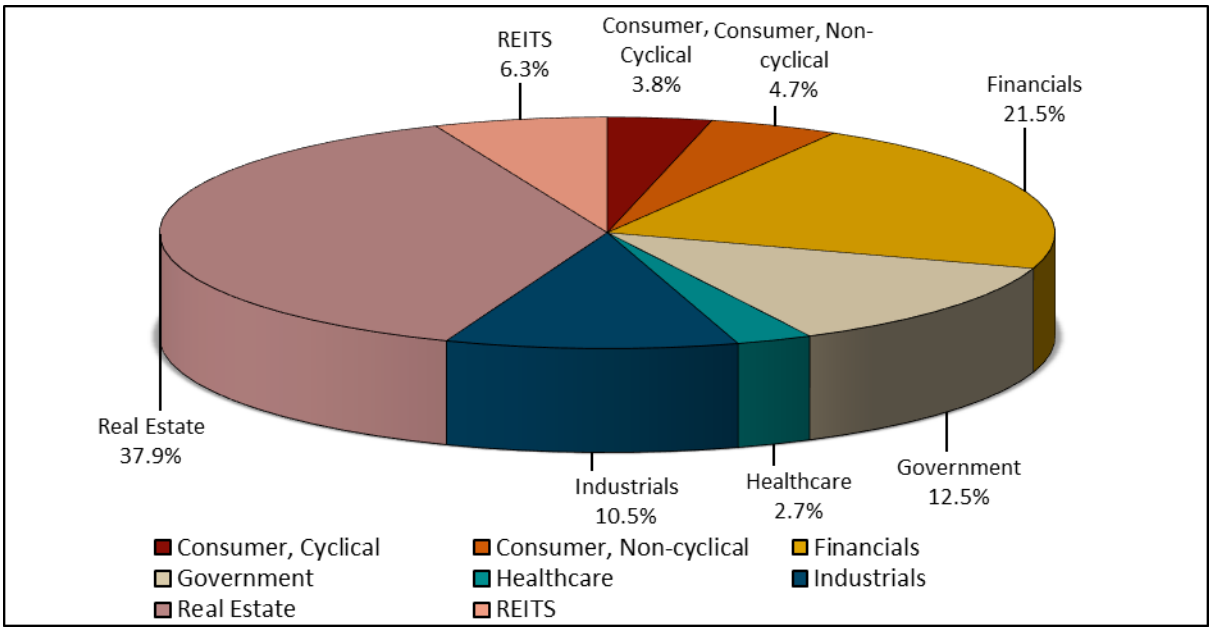
In 2020, we saw a significant shift towards the belly-to-long end of the curve, with issuances in the 6-15 years bucket comprising 48.2% of total issuances by deal size, doubled from 24.1% in 2019. Similar to 2019, issuance in the 6-15Y bucket continued to be driven by government-linked entities. Among the 22 issues in this bucket, eleven were 10Y papers while only two were 15Y papers. Short dated issuances (1-5 years) remained largely stable y/y, contributing 36.4% to total issuances in 2020. Unlike 2019 where perpetuals and bonds above 15Y made up 42.4% of total issuances, perpetual issuance shrank substantially to 10.8% while that of >15Y dropped to only 4.6% with perpetual issues mostly from REITs and Financial Institutions. This was in line with our underweight call on perpetuals earlier in the year from elevated non-call risks and was despite lower benchmark rates which should incentivise issuers to lock in the low rates for longer and extend duration without having to pay up much relative to historical cost. Instead, it appears that the low interest rate environment encouraged yield-chasing investors to buy belly to long-dated papers from better quality issuers without structural risks. As should be the case with an extremely uncertain operating environment in 2020 from COVID-19 (and unlike prior years), fundamentals trumped technicals in 2020. In SGD credit, few corporates were able to price bonds >15Y beyond that of government-linked issuers, which explains the small percentage of issuance in 2020 without government-linked issuers stepping up.

Figure 5: Breakdown of 2020 issuance size by tenor



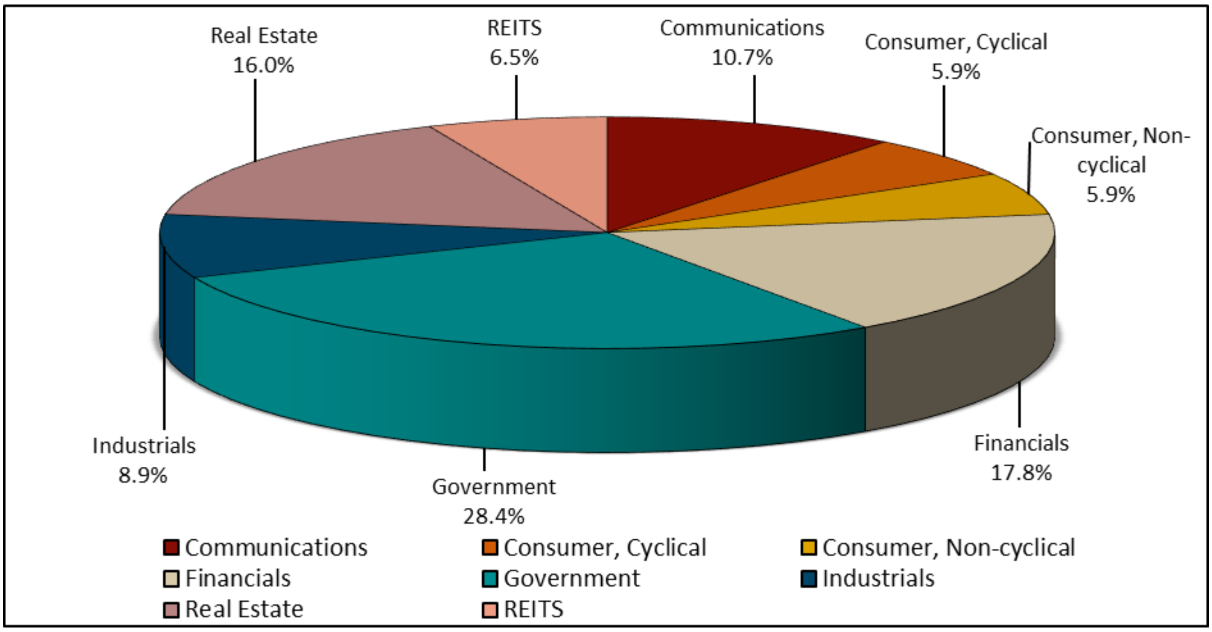
Source: Bloomberg, OCBC Credit Research

Figure 6: Breakdown of 2020 issuance size by sector for 1-5Y tenor



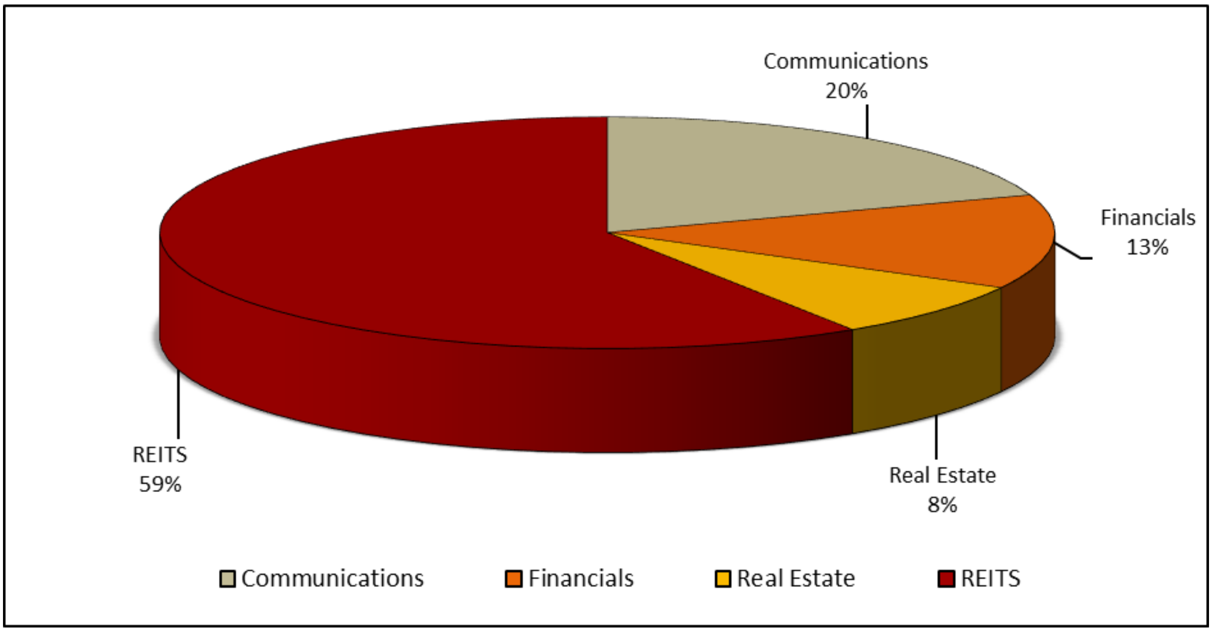
Source: Bloomberg, OCBC Credit Research

Figure 7: Breakdown of 2020 issuance size by sector for 6-15Y tenor



Source: Bloomberg, OCBC Credit Research

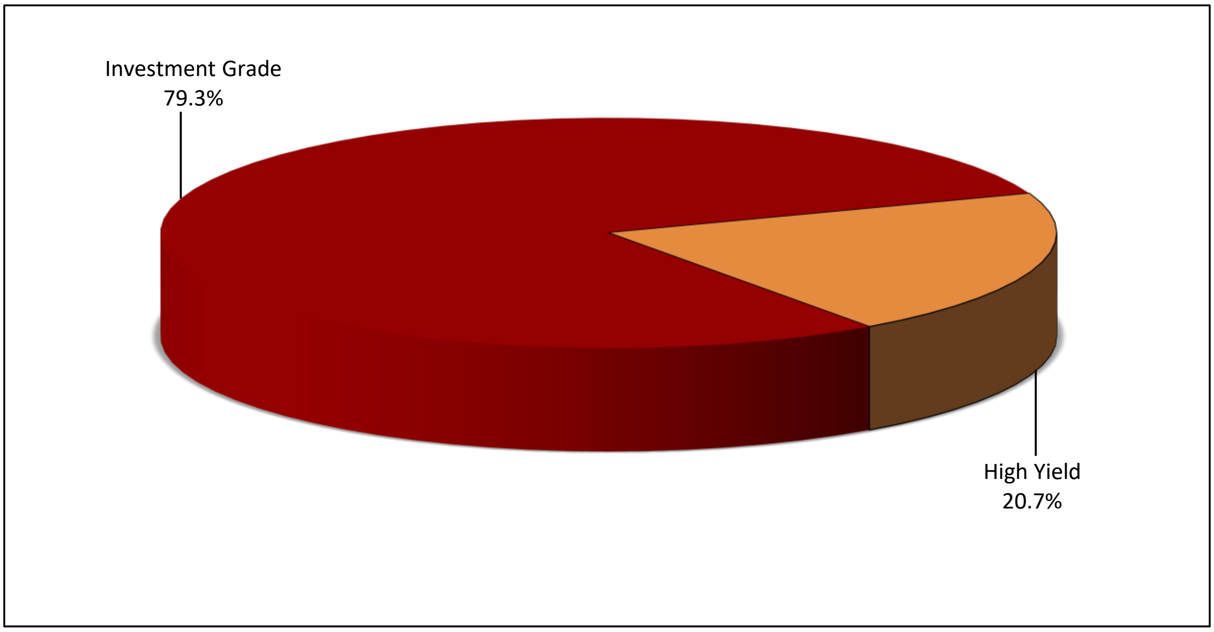
Figure 8: Breakdown of 2020 issuance size by sector for perpetuals



Source: Bloomberg, OCBC Credit Research

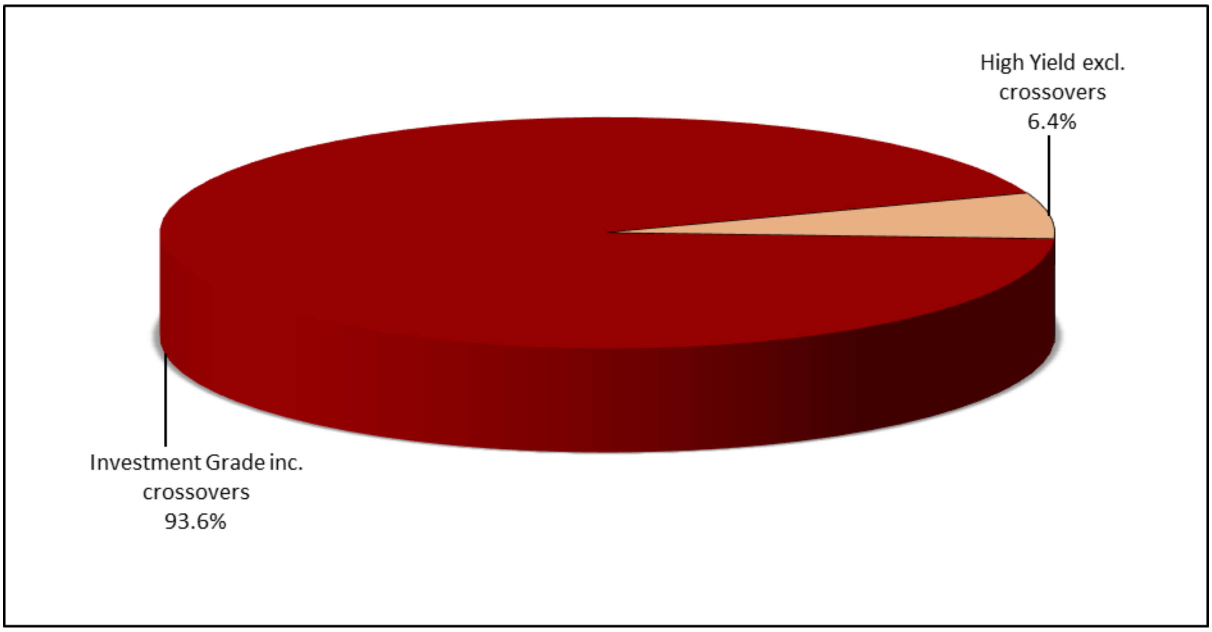
Given the significant rally in rates with the 10Y SGD Government Yield compressing ~100bps y/y, we revise our definition of HY as papers with yields higher than 3.5% (2019: 4.5%). The proportion of high-yielding papers, at 20.7% is similar to the previous year (2019: 22.6%). That said, this also includes "crossover" credits (those on the cusp of IG or borderline high-yield) and structurally high yield issuance (ie perpetuals). Diving deeper into this data, it is apparent that the true high yielding market covering weaker and more vulnerable credits and which we define as papers with yields higher than 4.5% has been largely shunned and comprised just 6.4% of the total issuances. This is attributed to (1) keen interest from investors for higher grade issues (including "crossover" credits) and investors looking for safe-haven shelter from volatility given the ongoing geopolitical and macroeconomic uncertainty, (2) lack of secondary market liquidity for true high yield issues and (3) elevated credit spreads for true high yield issuers, which is more pronounced given the environment of higher default risks from generally weaker business profiles due to lack of scale and market position and tighter liquidity positions. The 2018 Hyflux saga could still call investor's attention to high profile defaults and credit risks might linger in investors' minds especially after the default of CENSUN and China's onshore credit storm this year. With all these factors in place, issuers with a weaker issuer profile likely experienced upward pressure on yields for their bond issuances, resulting in a divergence between what the true high yield issuers are capable of and willing to pay and what investors wish to accept.

Figure 9: Breakdown of 2020 High-Yield issuances (>3.5% coupon rate)



Source: Bloomberg, OCBC Credit Research

Figure 10: Breakdown of 2020 True High-Yield issuances (>4.5% coupon rate)



Source: Bloomberg, OCBC Credit Research

Credit Outlook for 2021 – Rising Up To Challenges

2020 has been like no other, especially when taking into account the speed of the COVID-19 spread (both in countries and financial markets), the severity of lockdowns, the size of government fiscal stimulus, the extent of monetary policy support and the dramatic equity market recovery in 2H2020. The outbreak of COVID-19 has brought challenges and stress to livelihoods, economies, and financial markets worldwide. Among major economies, China has reported an impressive economic recovery and despite having been the epicentre of the outbreak, the virus has been largely under control within China as early as 2Q2020. Despite global lockdowns in 1H2020, the resurgence of COVID-19, or failure to contain the initial wave, has forced some countries to slow down economic re-opening and impose partial lockdowns in heavily affected areas.

With deteriorating corporate earnings due to mobility restrictions, business fundamentals weakened in 2020 despite central banks' support. As the virus went global, unsurprisingly we saw a sharp expansion in credit spreads. This, however, subsequently tightened dramatically with technicals clearly prevailing through 2020 on government fiscal stimulus and monetary policy support. This contrasts with 2019 where fundamentals and technical drivers were more delicately balanced. In early 2020, we noted that credit fundamentals had weakened after a multi-year expansion in leverage and decline in profitability though with the macroenvironment remaining conducive, we expected investors to continue putting money to work and spreads to tighten further.

Looking towards 2021, we expect growth to remain under some pressure in 1H2021 with the global economy expected to return to normalcy through 2H2021 on the back of positive economic developments and deployment of vaccines. In our view, the key themes for 2021 are as follows:

(1) **The K-shaped Recovery**: In the OCBC Global Outlook 2021 published on 7th December, our macroeconomic research colleagues expect a slow and uneven recovery for the global economy from the depths of a recession in 2020 to growth in 2021. The initial sharp rebound from the 2020 coronavirus-induced economic shock will give way to an unprecedented, multispeed recovery in 2021. Vast policy support will propel a stronger rebound in advanced economies than in some emerging markets. Recovery from the unprecedented economic shock of the coronavirus will be tenuous and inconsistent across countries, regions and sectors.

That said, Emerging Markets ("EM") corporates appear to have held up better through 2020 compared to some of the Developed Markets ("DM") corporates with credit easing, better handling of COVID-19 and conservative corporate behaviours (a focus on refinancing, instead of capex-related funding) which contributed to EM corporate's improved resilience against adverse market conditions. We expect this momentum to continue in 2021 with select EM driving global GDP growth followed by DM as they emerge from renewed lockdowns.

For households, a K-shaped recovery will potentially widen the wealth gap, accelerating a pre-pandemic trend. Taking the US as an example, while nearly 11mn people were unemployed due to COVID-19 as of November 2020, many other US citizens had become wealthier because of rising equity market and property prices, spurring the "K-shaped recovery" and widening US inequality. Barring policy intervention, a K-shaped recovery for households may lead to a multi-year implication beyond that of the direct impact of the virus on public health.

(2) **Expiring Government Stimulus**: Central Banks' fiscal stimulus and monetary policy have helped to cushion the blow, mitigate credit risks and better position the economy for an eventual recovery. We expect the market to increasingly focus on the fiscal capacity and political will of governments around the world to sustain crisis support to households, businesses and financial institutions. Risk of political and geopolitical tensions are likely to persist, as is the risk of an escalation of disputes. While these may not lead to an outright default situation, both the prospects of an unwinding of extraordinary fiscal support measures as well as geopolitical tensions, trade disputes and spats over technology, especially between the US and China, may lead to bond price volatility in 2021. The Fed is expected to increase its balance sheet mostly through a continuation of its bond purchase programme to the tune of around USD2trn in 2021, more than double the level seen in past years. Continued central bank policy support will help buffer demand for corporate bonds, including for higher yielding bonds in the US.

(3) **Accelerated Digital Shift**: COVID-19 has accelerated and altered industry prospects through digitalisation and changes in consumer preferences. Given the change in landscape, companies will continue to invest in new technologies and capabilities to retain customers. Growth of digital service delivery, e-commerce and remote working arrangements will accelerate changes in sectors such as retail, healthcare, education, banking and commercial real estate. Cybersecurity risks will remain a major focus with growing credit implications.

The impact of digitalisation on profitability and hence on credit metrics, will be increasingly apparent and we expect this to affect cost of debt funding where issuers who are unable to change their business model and strategies will increasingly face wider spreads. We saw this play out in equity markets in 2020, where companies that were able to pivot quicker were able to garner a higher valuation and hence lower their cost of equity. For example, industrial REITs in the SGD space historically trade at more than 5% dividend yield. However, Mapletree Industrial Trust, which has aggressively expanded into data centres, now trades at a 3.75% dividend yield while Mapletree Logistics Trust, which owns logistics warehouses catered for e-commerce, trades at 3.00%.

(4) **ESG Issues**: Environmental considerations are likely to further drive revenue and investment in 2021 toward sectors with low environmental impact, and away from sectors that are involved in carbon-intensive activities. Companies will need to analyse climate risks affecting their business, execute risk mitigation strategies and provide more transparency to the market. In December 2020, the Monetary Authority of Singapore ("MAS") issued Environmental Risk Management guidelines for banks, insurers and asset managers where the MAS expects implementation in an 18-month timeframe. The consequences of climate change will require increased adaptation and mitigation efforts, with wide-ranging effects on governments and companies. In 2020, we have seen National University of Singapore ("NUS") and Ascendas Real Estate Investment Trust ("AREIT") tapping the SGD green bond market. The first green bond in the SGD bond space was issued in 2017 by Manulife Financial Corp ("MFC"). Heading into 2021, we expect more SGD corporates to raise green capital as investors factor ESG elements into investment considerations. While MAS guidelines focus on "E" for now, we expect investors to also increasingly focus on social issues pertaining to occupational, health and safety, labour rights, and human rights issues in 2021. Already in 2020, we saw investors and equity analysts in Malaysia factor labour issues in their investment thesis for glovemakers.

Challenging Environment for Bonds

During the Global Financial Crisis in 2008, the 5Y Treasury which reflects inflation expectations rose 167bps in six months after the Fed deployed the quantitative easing programme where it bought nearly USD2.1trn of treasury bonds and mortgaged backed securities. However, this time the 5Y Treasury remained largely flat after the Fed pumped in around USD3tr into the economy since March 2020 through various support programs. While inflation expectations for the real economy have been on the rise, there has yet to be a consensus on the timing and mechanism which will trigger inflation. Meanwhile, interest rates and yields have plummeted to a record low in 2020 for many major markets. Despite supportive central policies, the Fed appears to have ruled out the prospect of negative interest rates while the Bank of England has left it open for discussion.

This backdrop has thrown up various investing challenges including a lack of yield to cover future income needs and the threat of future inflation and rate rises. For individual investors, a low-yield environment means that investors will either need to (1) lower current spending and set aside more for savings; (2) contend with the lower returns, thereby opening up to the risk of insufficient income in the future; or (3) take on higher investment risk. For bond investors desiring higher yields, this means taking higher credit risk, duration risk or investing in subordinated structures.

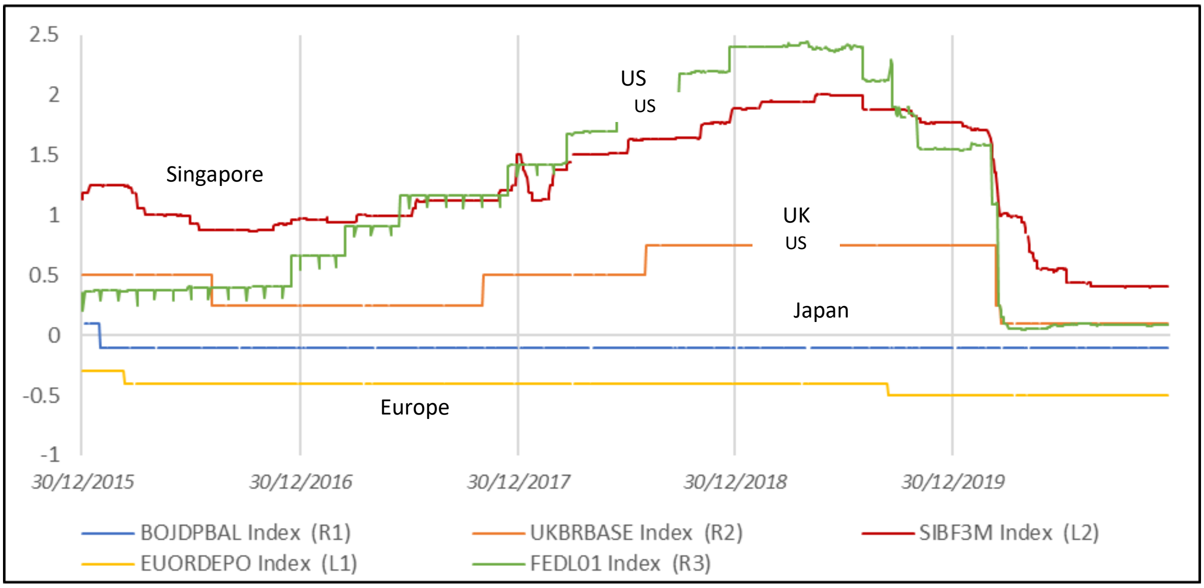
On the back of the low-rates environment and abundant liquidity in financial markets, major risk asset classes have rallied strongly from the March 2020 lows after the Fed intervened. Looking ahead, we expect investors to be pushed further out along the risk spectrum, with the shift towards riskier assets (i.e. equities, private equity, venture capital and infrastructure assets etc.) accelerating in 2021.

On technicals, we expect higher probability of a bear steepening on rising economic recovery in 1H2021. For high grade bond investors, particularly those with mandates only in the strongest credits within high grade, the market environment may remain challenging given very low all-in yields, even if credit spreads are still wider than pre-COVID-19. Consequently, we may see high grade funds underperform on a net return basis when fees are factored in.

Pockets of Opportunities in SGD Bonds

Tracking the movement of central bank policy rates, yields in certain parts of the global credit market are low versus history. In today's environment, yields around 2-3% in the SGD bond market still compare very well against global DM on a relative basis. For tenors not exceeding 10Y, BBB-rated corporates in the US trade at less than 2% yield to maturity while Europe fares worse at less than 1% (in implied USD-terms). Based on Bloomberg's CSI A Index, the US Corporate A/A- spread is 75bps above the benchmark 10Y US Treasury as at 22 December 2020. For SGD credits rated at a similar level, e.g. Ascendas Real Estate Investment Trust ("AREIT"), the implied USD-yield of AREIT 2.65% '30s is at 1.97%, 105bps above 10Y US Treasury.

Figure 11: Central Bank policy rates for the past 5 years



Source: Bloomberg, OCBC Credit Research, data as at 23 December 2020

Under the Fed's guidance, short end rates are likely to remain where they are until employment and inflation reach desired levels 'over the longer run.' With our macroeconomic research colleagues expecting US inflation to remain below the target rate of 2.0% through 2022, short end rates are likely to stay constant until 1H2023 at the earliest. On an absolute level, rates are still the lowest it has been for the past 25 years. Existing high-grade bondholders would have benefitted from the recent rates rally, with prices of bonds recovering from the March 2020 lows. Based on the forecast from our macro colleagues, interest rates for major central banks are likely to remain unchanged through 2022. Since a negative rate environment and simultaneously rising short end rates is not in our base case, this means that bond investors who are constrained to invest in bonds should still stay invested, though focus on the shorter-to-belly part of the curve and consider select bonds with higher credit spreads to compensate for the elevated risk that an interest rate increase will lead to a fall in bond prices, in our view.

For example, the AREIT 3.14% '25s are trading at a yield to maturity of 1.21% while the AREIT 2.65% '30s are trading at a yield to maturity of 1.96%, implying a yield differential of 0.75% for taking a 5Y longer maturity. A mere 25bps increase in rates will lead to the price on the longer dated AREIT 2.65% '30s falling by 2.24pts outweighing the 1.08pts price decline of AREIT 3.14% '25s. This suggests that a small increase in rates will quite easily result in a decline in price, which will wipe out the gains in yield pickup by stretching duration. The belly of the curve though is steeper versus a year ago and is the most interesting part of the curve in our view.

.

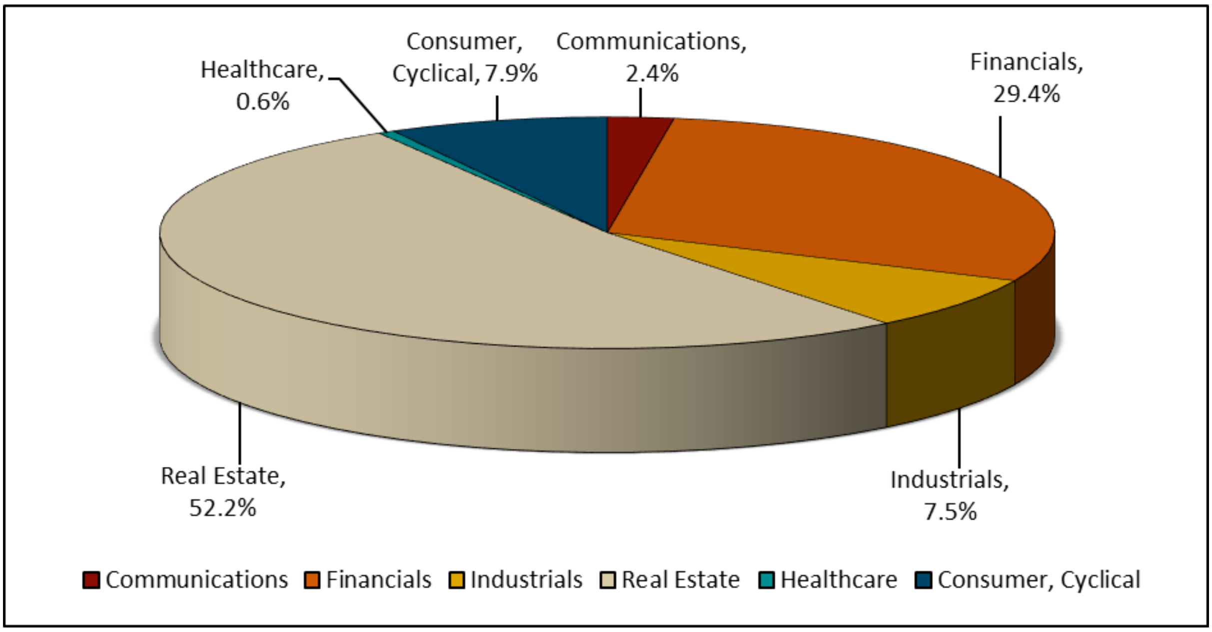
In our view, within bond portfolios, investors would need to take on higher credit risk and/or subordination risk to generate yields >3%. We like "crossover" credits and continue to advocate for bank capital and selected corporate perpetuals that generate structurally higher yields. While we are still closely monitoring liquidity risk among travel and hospitality related issuers, we think the worst of the credit risk in SGD credits is behind us. That being said, system-wide credit risk in Singapore is still elevated. Given that the buffers from debt moratoriums have not expired, it remains uncertain as to actual default levels when such buffers are removed, particularly among households and small to medium enterprises. While we think actual defaults in the SGD bond space will remain limited in 1H2021, higher risk aversion from system-wide credit risk could mean limited appetite among market participants for true high yield (with knock on impacts on secondary market liquidity). As such, we do not advocate a solely true high yield SGD bond investment position.

Supply Outlook for 2021

As at 31 December 2020, we expect approximately SGD8.4bn of SGD bonds to mature/become callable in 2021 (excluding Certificate of Deposits, amounts smaller than SGD50mn, and MAS or Singapore Treasury and government bonds) with the largest contributions from the Real Estate, Financial Institutions and Consumer, Cyclical segments. This amount is nearly half of what was expected in 2020. Consumer, Cyclical relates to Singapore Airlines Ltd ("SIA"). How supply evolves in 2021 in terms of quantity will somewhat remain a function of the pace of economic recovery and the trajectory of both the pandemic and wind-back of government stimulus. That said, we still expect issuers to remain incentivized by the low rate environment and investors to be on the hunt for yield. Against the backdrop of an economic recovery in 1H2021, we expect constructive conditions for SGD bond issuance in 2021.

In terms of quality, supply will be driven in our view by the previously mentioned key themes for 2021. Rising credit dispersion from the K-shaped recovery will continue to drive demand for higher quality credits and issuers that are progressing their digitalisation or business evolution to conform with recent developments along the ESG spectrum will likely need capital to fund these transformations. We also expect higher quality credits to look for more organic and inorganic expansion opportunities to improve their business positions and scale while valuations are depressed. While this indicates a level of opportunistic issuance in our expectations, we also expect the low rates environment and depressed revenue conditions to create an ongoing need for capital market activity, especially for refinancing.

Figure 12: SGD Bond Maturities breakdown by sector for 2021



Source: Bloomberg, OCBC Credit Research

Conclusion

We enter 2021 with high optimism in risk markets as investors brush aside still escalating virus cases, the prospect of an uneven and tepid economic recovery and a mix of past, present and future risks which presents a complex picture for credit in 2021. While on balance this indicates more potential downside than upside, we think downside credit risks can be more manageable in 1H2021 in combination with solid market liquidity as we hopefully enter a post pandemic world.

In this context and against a challenging technical backdrop characterized by low expected total returns and small upticks in interest rate expectation possibly leading to capital losses on very high grade long dated bonds, we think investors can push out along the risk spectrum to chase returns. From a duration perspective, a negative rate environment and rising short end rates is not in our base case so we advocate a focus on the shorter-to-belly part of the yield curve over taking duration risk. We think investors should consider select "crossover" bonds and subordinated securities with higher credit spreads to compensate for the elevated risk that an interest rate increase will lead to a fall in bond prices. A synthetic "crossover" portfolio can also be created via a barbell of high grade and true high yield bonds. Please see our "Model Portfolio – in search of the delicate balance" for an idea of how to achieve this.

That said, technical considerations should not dominate decision making, and fundamentals continue to remain key given the still fluid COVID-19 situation and stretched valuations. System-wide credit risk remains elevated and this should limit appetite among market participants for true high yield issuers (with a knock on impact on secondary market liquidity). As such we do not advocate a solely true high yield portfolio as the returns in our view do not justify the risks.

We look towards 2021 with hope for better circumstances and an ability to re-connect with the people and places that matter the most to each of us. After an unprecedented 2020, we continue to be ever grateful for our readers' support and feedback and hope you find our publications useful in the rest of the year ahead. We hope you and your close ones stay healthy in mind and body.

With appreciation, OCBC Credit Research

Top Trade Ideas

Table 1

Top Picks

Company	Ticker	Coupon	Maturity/ Call Date	Amount	Offer Price	Offer YTM/YTC	Rationale
Fraser and Neave Ltd	FNNSP	3.800%	21-Apr-27	SGD100mn	105.75	2.80%	FNNSP '27s provide good value given its wide spreads. FNN is also a rare beverages issuer, which provide diversification for SGD bond investors. FNN has not been negatively impacted much despite the outbreak of COVID-19.
GuocoLand Ltd	GUOLSP	3.400%	10-Aug-25	SGD200mn	101.85	2.97%	Given the resilient Singapore property market, we think GUOL's results may remain supported. We Overweight GUOLSP 3.4% '25 given its wide spreads over peers.
Suntec REIT	SUNSP	3.800%	27-Oct-25	SGD200mn	100.07	3.79%	SUNSP 3.8% 'PERP is interesting for investors at a yield of 3.79%. The perpetual security is trading at a senior-sub spread of over 100bps which we think more than compensates for the subordinating risk.
Metro Holdings Ltd	METRO	4.300%	2-Apr-24	SGD200mn	100.92	4.01%	We think METRO'24s look interesting as it is offering an attractive yield of around 4% for a slightly over 3 years tenor.
Credit Suisse Group AG	CS	5.625%	6-Jun-24	SGD750mn	104.90	4.08%	Operating conditions in 2021 favoured swiss banks through their high quality exposures and markets businesses. With a recovery expected in 2021, we are OW the AT1s of swiss banks amongst a constructive view for bank capital.

Top Pans

Company	Ticker	Coupon	Maturity/ Call Date	Amount	Offer Price	Offer YTM/YTC	Rationale
City Developments Ltd	CITSP	3.480%	15-Jun-26	SGD150mn	107.85	1.95%	We think CITSP 3.48% '26s is trading somewhat too tight, preferring to switch into LLCAU 3.9% '27s. We think the drag on hospitality performance and increasing leverage may impact credit metrics. We also note the resignations of several directors from CDL.
Frasers Property Ltd	FPLSP	3.950%	5-Oct-22	SGD350mn	97.50	3.37%	Given that FPLSP 3.95% PERP would reset to SGD 5Y Swap + 2.245% at first call date, we think the risk of non call is elevated. Therefore, we are underweight on this instrument.
Ascott Residence Trust	ARTSP	4.000%	22-Mar-24	SGD120mn	107.45	1.60%	Given the headwinds in the hospitality sector and the compressed yields, we are Underweight ARTSP 4% '24s. For exposure to the hospitality sector, we prefer switching to SLHSP 4.5% '25s
Ascendas REIT	AREIT	2.470%	10-Aug-23	SGD200mn	104.05	0.88%	We are underweight the AREIT 2.47% '23s given its compressed spreads. We prefer switching to higher yielding peers such as MINTSP 3.65% '22s which is yielding higher with a shorter tenor.
Société Générale	SocGen	4.300%	19-May-21	SGD425mn	101.20	1.04%	We see better value in SocGen's AT1 given the large pick up against its Tier 2s (facing near term call) which we believe more than compensates for the structural and duration risk.

Model Portfolio – In Search of the Delicate Balance

The low-yield environment has made the search more difficult for the "impossible trinity" of high yield, low risk and short duration. Today, one would be lucky to find a short-tenor investment grade paper yielding above 2%. Higher yielding alternatives will demand trade-offs, be it in the form of structure, duration or credit.

We think that the chase for the 'impossible trinity' can be best balanced by holding a diversified portfolio of bonds. In the following, we present our model portfolio, which incorporates our views of the market as well as our bottom up approach in bond selection.

Table 2: OCBC Model bond portfolio in SGD

Issue Name	Issuer Profile	Yield to Worst	Maturity / First Call Date	Offer Price	Invested amount (incl. acc. interest)
Property Developers					
WINGTA 3.68 01/16/30	4	3.51%	16/01/2030	100.89	$256,613.25
GUOLSP 3.4 08/10/25	5	2.96%	10/08/2025	101.66	$257,627.36
METRO 4.3 04/02/24	4	4.01%	02/04/2024	100.63	$254,397.40
FPLSP 4.98 PERP	5	3.98%	11/04/2024	102.81	$260,002.53
OHLSP 5.7 01/31/22	6	14.82%	31/01/2022	91.35	$234,590.03
LLCAU 3.9 04/27/27	3	2.97%	27/04/2027	104.91	$264,166.58
REITs					
SUNSP 3.355 02/07/25	4	2.49%	07/02/2025	103.08	$261,182.88
ALLTSP 5 1/2 PERP	4	4.14%	01/02/2023	101.95	$260,822.05
AAREIT 3.6 11/12/24	4	3.61%	12/11/2024	99.66	$250,516.16
Financial Institutions					
CMZB 4 7/8 03/01/27	4	3.45%	01/03/2027	100.92	$256,550.58
LBBW 3 3/4 05/18/27	4	2.73%	18/05/2027	100.04	$251,348.56
UBS 5 7/8 PERP	3	3.66%	28/11/2023	105.53	$265,396.85
STANLN 5 3/8 PERP	4	4.12%	03/10/2024	103.41	$262,019.93
Others					
KITSP 4 3/4 PERP	4	4.11%	12/06/2029	104.21	$261,345.86
FNNSP 3.8 04/21/27	4	2.77%	21/04/2027	105.45	$265,626.61
SIASP 3.16 10/25/23	5	2.61%	25/10/2023	101.28	$254,780.00
OLAMSP 4 02/24/26	5	3.98%	24/02/2026	99.86	$253,341.13
KEPSP 3 10/01/26	4	2.47%	01/10/2026	102.54	$258,333.15
SLHSP 4 1/2 11/12/25	4	2.94%	12/11/2025	106.59	$268,170.21
Cash					$103,168.87

Statistics	**Simple Avg, Issuer Profile**	**Simple Avg, Yield**	**Simple Avg, Tenor**		**Total, Invested Amount**
	4.2	**3.97%**	**4.7Y (6.2Y*)**		**$5,000,000**

*Assuming maturity of perpetuals = 10Y

The simple average Issuer Profile rating of our model portfolio is 4.2, which reflects our view that we see better value in crossover names. We have generally shunned issuers with stronger Issuer Profile ratings as their spreads have compressed significantly relative to their higher yielding peers. We positioned largely in the belly of the curve, balancing between the need for yield and bearing in mind the risk that interest rates may rise. While we attempt to diversify between sectors, fewer REITs were selected relative to other industries given the sector's relatively compressed spreads. With receding non-call risks, we included five perpetuals to enhance the yield. Believing that Negative (6) Issuer Profile names should not be shunned given their significant yield pickup, OHLSP 5.7% '22s is included. Without which, the yield of the portfolio would fall to 3.36% (from 3.97%). Finally, we selected the issues with better relative value from a bottom-up basis.

In constructing the model portfolio, we started with SGD5mn cash and allocated the investment amount into 19 bonds, with the leftover amounts remaining as cash. For effective diversification, no issue should comprise more than 6% of the portfolio (in other words, we have not allocated twice the amount for the same issue) and no issuer should comprise more than 12% of the portfolio. Prices are based on Bloomberg Valuation ("BVAL"), as much as possible. While we acknowledge that prices on BVAL may occasionally diverge from actual prices, BVAL is the most accessible pricing source on Bloomberg (compared to brokers, who may not readily disclose or update prices) while BVAL will still provide a pricing for bonds even when liquidity recedes. As an additional filter, we include only SGD issues with outstanding amounts of at least SGD100mn with remaining tenor of at least 1Y.

We intend to review this portfolio on a monthly basis going forward. Hopefully, the portfolio will grow and our readers (like you) will grow along with us. Stay tuned!

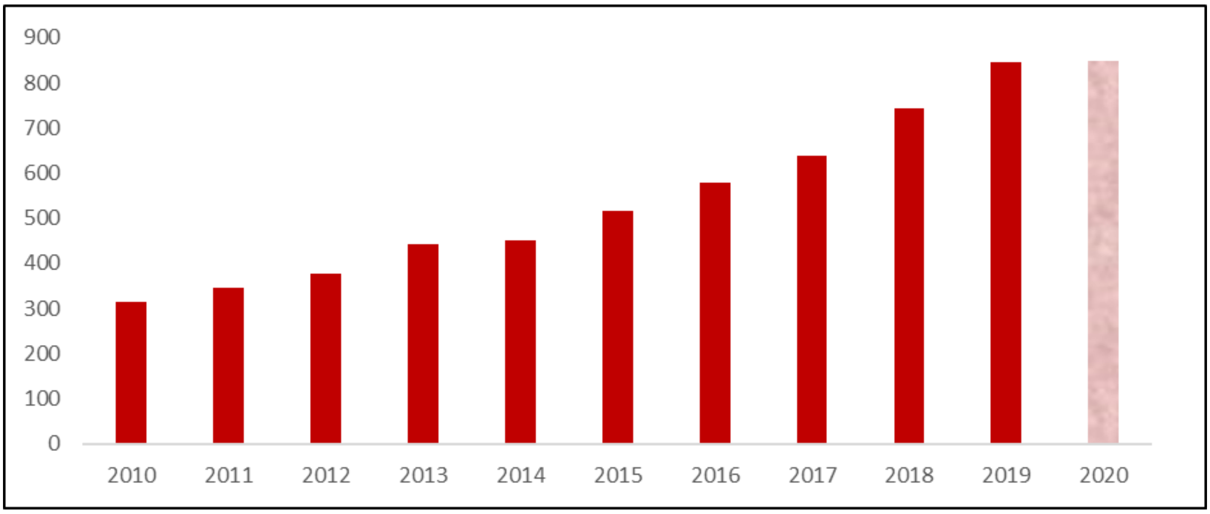
Private Debt to Play a Bigger Role in Asia

Private debt refers to debt transactions where a lending source directly provides a loan to the borrower without the use of an intermediary and the debt instrument is not traded in an open market. These debts are extended on a bilaterally negotiated basis, takes various forms, and include direct lending, real estate debt, infrastructure debt, distressed debt, mezzanine financing and structured financing.

The history of the titans in the industry goes back to the early 1990s. Apollo Global Management Inc, believe to be the largest alternative credit platform globally, has some USD312bn of assets under management. Oaktree Capital Management, formed in 1995, has credit assets under management of USD74.9bn as of 30 September 2020. These funds responded with flexibility and speed in 2008 when banks worldwide deleveraged and regulations tightened following the financial crisis, and thereby accelerated growth in private debt. Possibly private lenders may have a bigger role to play in the post COVID-19 pandemic world to support the recovery given their financial firepower.

In 2019, private debt assets under management grew 14% y/y to SGD845bn. Of the private debt mandates issued in 2019, the bulk originated from Europe (40%), followed by North America (39%), Asia (15%) and Rest of World (6%). Although deal activity in Asia continues to lag the US and Europe, interest in this asset class has been picking up. As commercial banks grow cautious on lending since the outbreak of the pandemic, we think private debt may find a bigger gap to fill even though central banks and governments have provided stimulus to ease the impact of COVID-19. That said, the opportunities within private debt could be concentrated in distressed debt and special situations.

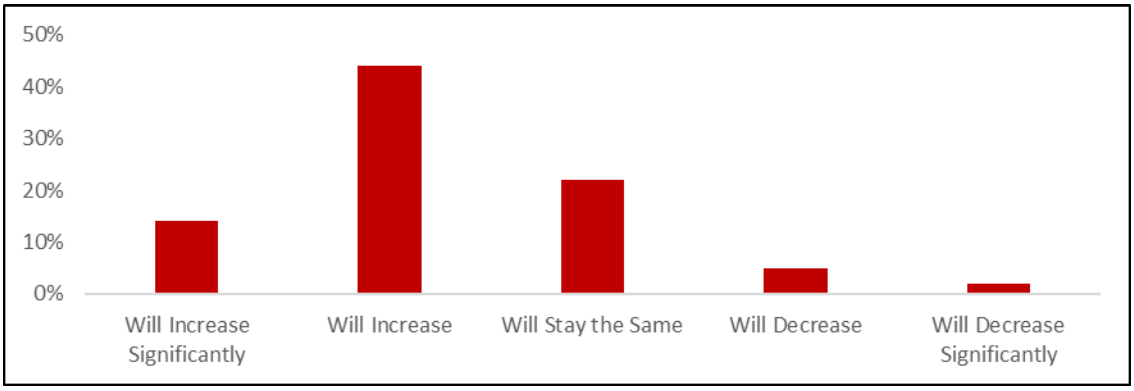
Figure 13: Private Debt Assets under Management (USD bn) over Time



Note: 2020 figure is annualised based on data to October
Source: Preqin

Closer to home, Singapore saw bank lending fall for the eighth straight session in October 2020, dragged down by a continued slump in business loans which fell 2% y/y. While this may be partially driven by a reduction in demand for credit by borrowers, we think this persistent slip is unlikely to be unique to Singapore and may spur the boom in private debt in Asia as a whole given the relatively better prospects for a post COVID-19 recovery. The growing interest in private debt is also a result of the search for yield in this low-rate environment. Private debt arguably is in a sweet spot where both the risk and returns are in the mid-range in the universe of asset classes. It is less risky when compared to private equity but returns more than public debt. As reflected in Preqin's survey, 58% of investors plan to either increase significantly or increase their exposure to private debt by 2025 while another 22% of the investors plans to maintain their exposure. Only 7% of the investors are looking to reduce their allocation over the next 5 years. While investors may have unique reasons for increasing their allocation to private debt, we think this depicts a strong broad interest in private debt as an asset class.

Figure 14: Investors' Plans for Their Allocation to Private Debt by 2025



Source: Preqin

According to Preqin, in 2019, the number of private debt investors in Asia had more than 4x since 2014 to a record 477 while assets under management held by private debt fund managers focused on the region more than doubled to over the same period. We expect these figures to rise going forward. Several new private debt funds have been announced in 2020. Some examples are CLSA Capital Partners raising USD226mn in its maiden private debt fund to bet on rising credit demand in Asia. Hong Kong-based OCP Asia raised USD500mn for a direct lending fund for Asian small and medium companies. Singapore based fund manager Pierfront Capital Fund Management raised USD200mn for its real asset private credit fund which aims to provide debt solutions to corporates and projects in real asset sectors within the Asia-Pacific region. KKR & Co is said to be preparing to raise its first dedicated credit fund for Asia-Pacific. Bain Capital is expanding its private credit business in Asia. Muzinuch & Co is also planning to launch an Asia-Pacific private debt strategy.

We have also seen targeted funds such as ADM Capital launching an Asia-focused private debt fund called ADM Capital Elkhorn Emerging Asia Renewable Energy Fund to invest in the renewable energy industry. AMP Capital has launched a new infrastructure debt Asia pacific strategy fund that will target infrastructure mezzanine debt opportunities. Investors too are allocating more to private debt. Ontario Teachers' Pension Plan is an example, where it agreed to invest USD350mn with Edelweiss Alternative Asset Advisors to put into Indian private credit. The fund is an ESOF III private credit fund with a fund size of USD900mn. Other investors include Florida's State Board of Administration, Swedish National Pension Fund – AP4, among others. Though the AUM allocated is not disclosed, sovereign funds in the region with interest in private debt include Australia's Future Fund, the Government of Singapore Investment Corporation, and the Korea Investment Corporation.

Along with more Asia pacific focused funds, we have seen the big players expand their operations footprints to Asia. Oaktree Capital Management, for instance, has set up a wholly owned unit in China earlier this year to seek direct access to the country's loan market. We think funds having a local office would further support the growth of the private debt market in Asia.

Looking at the Asia private debt market, we find that it can be separated into three groups – developed markets, emerging markets and frontier markets. Developed markets are the likes of Singapore, Hong Kong, and Japan. Emerging markets are India, Indonesia, and China. Frontier markets include Cambodia and Vietnam. This alone makes the Asia private debt market more fragmented than the US and Europe. Each country is also characterised by its own regulation and jurisdictions amongst others, leading to idiosyncratic risks and opportunities which raises the complexity of deal making. One example is when the collateral is a property. Offshore investors are not able to hold on to the property under the laws of certain countries, therefore understanding the jurisdiction of the country is crucial. Another set of challenges is understanding the cultures, language, local business practices and operating environment, though having a local partner helps. All these together raise the barriers of new inexperienced entrants, thereby favouring established players.

The typical borrowers of private debt are small medium enterprises and middle market companies who may have limited access to traditional bank lending. Their businesses may have a shorter operating track record or are in need of bridge financing to restructure and function as a going concern. Borrowers may also seek out private debt providers for mezzanine financing or highly negotiated terms which are not able to be provided by traditional bank lending. Private debt is also common for financing real estate and development activities, and infrastructure projects. In Asia, Australia, Hong Kong, Singapore, India, and Indonesia are the most active geographies for private debt.

Private debt tends to have short tenors of around three years. This has in some sense capped the risk that investors are exposed to. In addition, for high risk sectors or companies, it may be difficult to accurately assess the viability of the company too far into the future. Therefore, short tenors are favourable. Tenor aside, deals are reportedly between USD10mn and USD100mn with a yield of mid-single digits to the low double-digit region in part due to the illiquidity premium. Deals also include an equity incentive where the lender provides credit at a lower interest rate, in exchange for an equity position in the borrower's company. This can be in the form of warrants. With the equity incentive, the internal rate of return may be enhanced.

Pension funds, family offices and high net worth individuals are the key sources of capital for Asian private credit funds. The three players together make up slightly over 50% of the market.

A bright spot for Asia is perhaps infrastructure debt as infrastructure assets are typically more resilient and have contracted cash flows which are stable and visible. These traits have made such debt attractive for the private debt market especially in 2020 which saw heightened volatility. For distressed debt, an area which may be interesting is hospitality assets, particularly in the Philippines, Indonesia and Thailand.

In Singapore, we have seen the following developments over the years. CapitaLand Limited in 2019 launched CREDO I China, its first discretionary real estate debt fund. The fund, with a target capital raise of USD750mn, will invest in offshore USD-denominated subordinated instruments for real estate investment in China's first and second tier cities. Another example is First Sponsor Group Limited which has been involved in property financing since 2012 to provide short term property financing to borrowers, primarily through Entrusted Loan arrangements in China. Typically, these Entrusted Loans have a tenor of three to 12 months and are secured by a mortgage of land use rights and/or properties with a loan to value ratio of below 60% and an interest rate charge of between 16.5% to 24.0% p.a. Interestingly, we are also seeing private debt being utilised in emerging sectors such as fintech firm Rely which provides buy-now-pay-later ("BNPL") services where shoppers pay for their purchases over three to four equal payments, interest free. Rely has obtained a facility from a unit of local small and medium sized enterprise Goldbell Financial Services to finance up to SGD100mn in BNPL transactions.

Overall, we think there are plenty of opportunities the private debt market can capture as it matures and see more specialisation among the various players in the market. As more investors take an interest in private debt and it becomes more widely adopted to allocate capital to private debt, this asset class will provide an essential source of finance for the real economy and become indispensable, following a similar trajectory to that seen in Europe. Furthermore, we think private debt can be used to complement, enhance and diversify traditional allocations to fixed income in the current low interest rate environment. The caveat though is that returns do not come without risk with opportunities within private debt likely concentrated on high yield assets, based either on fundamentals or by structure.

Temasek-Linked Companies ("TLC") at an Inflection Point?

Where did THPL's initial portfolio come from? Temasek Holdings (Private) Limited ("THPL") was incorporated in 1974 to hold a portfolio of companies with initial portfolio value of SGD341mn (35 companies, start-ups and joint ventures) acquired from the Singapore Minister for Finance. Today, THPL holds many of the companies previously owned by the government.

Some of the portfolio assets came into government ownership via the Economic Development Board ("EDB"), set up in 1961 to spearhead Singapore's industrialisation efforts, starting with import substitution. Among EDB's objectives included investigating and evaluating new industrial opportunities, providing financial assistance, or guaranteeing loans and participate in establishing new industries according to the Straits Times.

At independence in 1965, Singapore shifted its focus towards export-led industrialisation and to attract multinational corporations for industrial growth. In 1968, the Singapore government set up the Development Bank of Singapore (now known as DBS Group Holdings Ltd ("DBS")) to take over the industrial financing responsibilities of the EDB. Keppel Shipyard (now known as Keppel Corporation Ltd ("KEP")) was corporatized from the dockyard department of the Port of Singapore Authority in 1968. In the same year, Neptune Orient Lines ("NOL"), a container shipping company and Intraco Limited, a trading business, was set up. Singapore Airlines Ltd ("SIA") started up two years before being acquired by THPL. In addition to setting up new companies, each with a particular focus area, Singapore put in place institutional frameworks and infrastructure development.

A commercial oriented long-term active investment holding company: While THPL is a wholly-owned subsidiary of the Singapore Minister for Finance and designated as a Fifth Schedule entity under the Singapore constitution, THPL is not a statutory board nor a government agency. At the outset, THPL was set up to manage investments and assets in a commercial manner. As an investment holding company, THPL has divested assets in the past and bought new ones in the process as part of its investment strategy. Today, ten of those initial 35 companies are still owned by THPL in various forms, with some of these companies having merged or acquired by other THPL companies.

Debt issued by THPL is not explicitly guaranteed by the government while THPL does not guarantee the obligations and debt issued by its portfolio companies. THPL has stated that it performs bottom-up intrinsic value tests for each opportunity to evaluate each investment opportunity on its own merits. In 2020, THPL has made new investments and has also extended sizeable additional investments to certain of its existing portfolio companies where it is a shareholder.

Assets outside of Singapore now make up 76% of net portfolio value while more assets are unlisted: In 2002, THPL made the strategic decision to diversify geographically. As at 31 March 2020, THPL's net portfolio value was SGD306bn (SGD77bn in 2002). By geography, only 24% of its net portfolio value as at 31 March 2020 is now in Singapore, 42% are in Asia (excluding Singapore) and the remaining in the rest of the world (mainly North America and Europe). In our view, the Singapore proportion is likely to fall due to the following (1) Slowing growth of the underlying portfolio companies in Singapore (2) THPL's increased focus on investments in the rest of the world (new offices in San Francisco, New York City and London set up in the past few years) and (3) THPL's pivot into fast growing sectors such as technology and life sciences that have a greater presence currently outside of Singapore. The underlying portfolio of THPL's assets have also tilted towards unlisted assets, comprising 48% of net portfolio value in 2020, from 39% in 2018.

There is no official definition of what is a "Temasek premium" though overtime, the market has ascribed a "Temasek premium" which results in a lower cost of funding for certain companies owned by Temasek ("TLC"), either wholly-owned or in part. In our view, this does not necessarily apply to all of its assets. As an investor holding a small minority stake, THPL is more likely to be viewed as a passive institutional investor by other market participants in foreign markets, thereby reducing the possibility of a "Temasek premium" on those assets. For example, THPL only owns a less than 5% stake in Bayer, Visa Inc and Ping An Insurance respectively, even though the market value of those stakes is significant. In our view, only when sufficient investors collectively view a company to be a TLC would a "Temasek premium" exist.

Who do we consider as a TLC? As such, we confine this section to companies who are known to market participants in Singapore, typically through their long operating history in the country and/or their presence in the local public capital markets. In our view, a lower cost of debt for TLCs is not an entirely irrational phenomenon as THPL holds its equity stakes as patient capital, typically with a multi-year horizon. All things equal, lenders would prefer lending to companies with higher permanency of capital, of which investment time horizon is a factor. Reuters calculation based on data from the New York Stock Exchange showed that the average holding period for equity investors was only 5.5 months in June 2020 versus 8.5 months in end-2019. The average stock holding period has declined significantly since the 1980s, where prior to that, holding periods were in multi-year time horizons. On a single-name exposure basis, the largest concentration of assets within THPL's portfolio include publicly listed Singapore Telecommunications Ltd ("SingTel") and DBS as well as unlisted Mapletree Investments Pte Ltd ("MAPL").

No official definition though market is in broad agreement on companies which are first tier TLCs: It is worth emphasising that there is no defined list of what a TLC is and is dependent on the market's interpretation. THPL does not disclose a full list of companies that it holds an equity stake in but sets out a list of major investments. From this list of major investments, we define first tier TLCs as those where THPL own a 20% or more stake either directly or via its various intermediate holding companies. Based on our observations, this is also in line with current market views of what constitutes a TLC and congruent with the concept of "associates" under Singapore accounting rules. For example, 30.1%-owned DBS is considered a TLC but Standard Chartered Plc which is 16.2%-owned is not. Under this definition, there are only ten listed first tier TLCs. There are several other first tier TLCs though unlisted. Within the unlisted first tier TLCs, we identify six which are bond issuers.

……though what is accepted by the market as a second tier TLC is more fluid: Second tier TLCs are not listed as major investments and typically seen by the market as those companies and REITs owned by first tier TLCs, rather than THPL's intermediate investment holding companies. We only include companies which are owned by first tier TLCs and where THPL's deemed stake in the entity is also at least 20%. Under this definition there are many second tier TLCs, though we exclude certain names which may be accepted by market participants as second tier TLCs such as Ascendas REIT, which is ~17%-owned by CapitaLand Ltd ("CAPL"). With only a ~17%-stake, it is also uncertain if Ascendas REIT would continue to be recorded as an associate of CAPL where CAPL has significant influence. Keppel REIT and Keppel Infrastructure Trust are also excluded as the deemed stakes held by THPL is below 20%. We include Singapore Post Ltd ("SPOST") as a second tier TLC, as THPL's deemed stake is 22.1% even if the effective stake is only 11.2%. We confine our focus to only those active in public capital markets. Under this definition, there are 11 second tier TLCs which are listed, though only ten are bond issuers. Five unlisted second tier TLCs are bond issuers.

Table 3: First Tier TLCs[1]

Company	Core Industry	Year of Incorpo-ration	Listed/ Unlisted Equities	Debt Capital Markets	SGD Bond Outstanding in SGDbn
Singapore Telecommunications Ltd	Telecommunications	1992	Listed	SGD / USD	0.4
CapitaLand Ltd	Real Estate	2000	Listed	SGD / USD	3.1[1]
Singapore Airlines Ltd	Airline	1972	Listed	SGD	4.7[1]
Olam International Ltd	Agribusiness	1995	Listed	SGD / USD / JPY	1.3
Sembcorp Industries Ltd	Energy and Urban Development	1998	Listed	SGD	0.6
Sembcorp Marine Ltd[2]	Shipbuilding	1963	Listed	SGD	0.6
DBS Bank	Financial Services	1968	Listed	Multi-currency	1.8
Keppel Corp Ltd	Conglomerate	1968	Listed	SGD / USD / JPY	2.1
SATS	Gateway services	1972	Listed	SGD	0.3
Singapore Technologies Engineering Ltd	Defense equipment	1997	Listed	USD	-
Mapletree Investments Pte Ltd	Real Estate	2000	Unlisted	SGD	2.9
PSA International	Ports	1997	Unlisted	SGD / USD / HKD	0.5
SP Group	Energy	1995	Unlisted	USD	-
SMRT	Transportation	1987	Unlisted	SGD	0.5
Singapore Technologies Telemedia	Communications and media	1994	Unlisted	SGD	1.2
Surbana Jurong	Infrastructure and urban development consultancy	2015	Unlisted	SGD	0.4

Source: OCBC Credit Research, Bloomberg
Note: (1) Excluding convertible bonds
(2) Until September 2020, Sembcorp Marine Ltd would be considered a second tier TLC per our definition
(3) As at 21 December 2020
(4) This list is not exhaustive and only focused on companies active in public capital markets

Table 4: Second Tier TLCs[1]

Company	Core Industry	Year of Incorpo-ration / Constitution	Listed/ Unlisted Equities	Debt Capital Markets	SGD Bond Outstanding in SGDbn
Starhub Ltd	Telecommunications	1998	Listed	SGD	0.7
Singapore Post Ltd	Postal and Parcels	1992	Listed	SGD	0.6
Mapletree Commercial Trust	REIT	2005	Listed	SGD / JPY	0.9
Mapletree Industrial Trust	REIT	2008	Listed	SGD	0.4
Mapletree Logistics Trust	REIT	2004	Listed	SGD	0.4
Mapletree North Asia Commercial Trust	REIT	2013	Listed	SGD / HKD	0.3
Ascott Residence Trust	REIT	2006	Listed	SGD / EUR / JPY	0.9[1]
Capitaland Integrated Commercial Trust	REIT	2001[2]	Listed	SGD / USD / HKD / JPY	2.6[3]
Capitaland China Retail Trust	REIT	2006	Listed	SGD	0.2
Capitaland Malaysia Mall Trust	REIT	2010	Listed on the Malaysia stock exchange	MYR	-
Optus	Telecommunications	1991	Unlisted	AUD	-
STT GDC	Telecommunications	2012	Unlisted	SGD	0.6
Fullerton India Credit Co Ltd	Financial Services	1994	Unlisted	SGD / INR	0.2
Keppel Land Ltd	Real Estate	1890	Unlisted	SGD	0.6
Keppel Telecommunications & Transportation	Logistics and Data Centre	1965	Unlisted	SGD	0.1

Source: OCBC Credit Research, Bloomberg
Note: (1) Including bonds issued by Ascendas Hospitality Trust
(2) Year of constitution for CapitaLand Mall Trust
(3) Includes bonds issued by both CapitaLand Commercial Trust and CapitaLand Mall Trust
(4) NetLink NBN Trust ("NBN") is excluded as notwithstanding SingTel's 25% ownership stake, SingTel does not has no control over NBN
(5) This list is not exhaustive and only focused on companies active in public capital markets
(6) As at 21 December 2020

How concentrated are Singapore public capital markets to TLCs? Singapore has a concentrated public equity market where the 30 member constituents of the Singapore Straits Times ("STI") index comprise 71% of the total market cap as at 21 December 2020 where listed TLCs make up 39% of the STI Index's market cap. Per Bloomberg data, the amount outstanding in the SGD corporate bond market (excluding government bonds, MAS papers and statutory boards) is SGD103.6bn as at 21 December 2020. We estimate that bonds outstanding from first tier TLCs comprise 19.7% of the market with an additional 8.2% from second tier TLCs. TLCs involved in public debt markets have historically been listed entities with sufficient on-going information disclosures for close monitoring, though in recent years, unlisted TLCs have emerged as new SGD corporate bond issuers. As at 17 November 2020, 22% of TLC bonds outstanding are now from unlisted entities where information disclosure is not uniform.

TLC equity performance has been mixed in the past few years: Re-basing share price performance to end-2014, only three out of the 11 TLCs (who are companies, rather than REITs) saw their share price increase as at December 2020. Using end-2019 numbers (which excludes COVID-19 impact), four saw higher share prices compared to end-2014. The four TLCs who saw an increase in share price are SATS Ltd, DBS, ST Engineering and CAPL with an average increase in share price of 30% over this five-year period. We do not include Sembcorp Marine Ltd ("SMM") as its financials are consolidated at SCI prior to its spin-off in September 2020 while SIA Engineering is also consolidated at SIA.

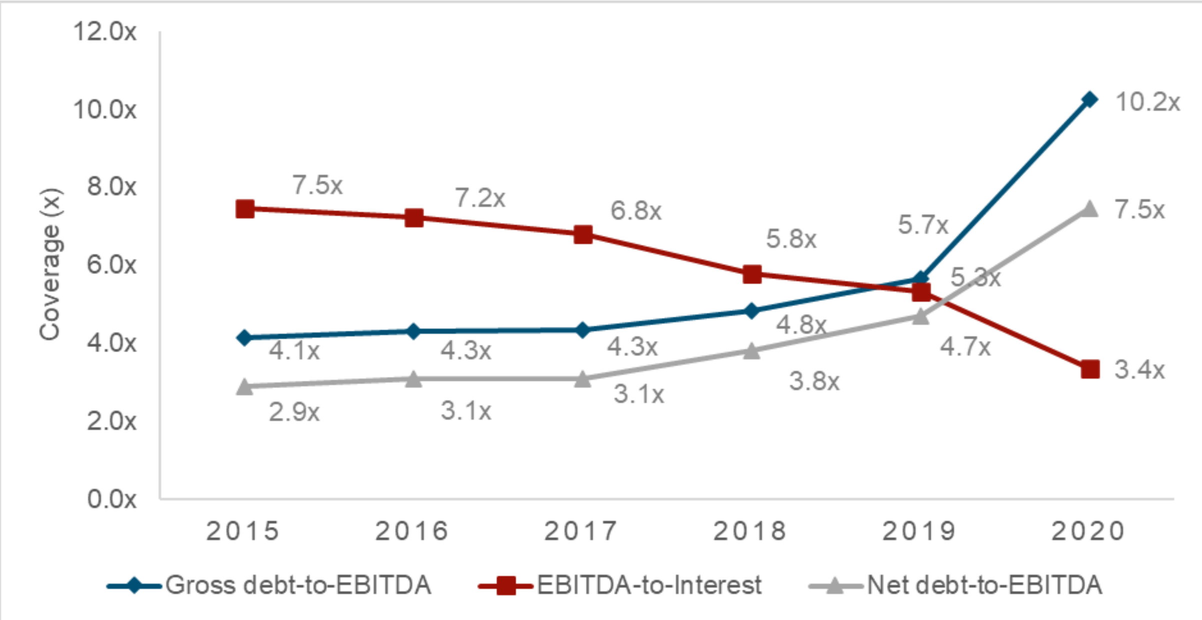
…..with bond investors for these same companies generating higher absolute returns: Despite the low yields on TLC bonds which are broadly viewed as high grade, bond holders of some of these companies would have generated higher total returns over the same holding period compared to equity holders, even after factoring in dividend income. Assuming an equal amount invested, bonds issued by high grade issuers are lower risk instruments versus equity of the same issuer due to priority of ranking. This means that while bond investors were happy with a sub-3% return p.a (assuming a 5Y tenor), this is understandably insufficient for equity investors, given the higher risk assumed.

REITs fared much better: Out of the eight REITs, seven of them (excluding CMMT listed on the Malaysia stock exchange) saw their equity price stay at least the same if not higher as of end-2019 with an average price increase of

35% on the equity units. REITs are not high growth vehicles but rather targets dividend income seeking investors. The rise of equity prices of these REITs is perhaps partly explained by the fall in benchmark interest rates. From end-2014 to end-2019, the 10Y Singapore swap rate fell 31%. Other reasons include available margin financing, changing demographics with investors preferring dividends and lack of investment alternatives resulting in money coagulating in REITs.

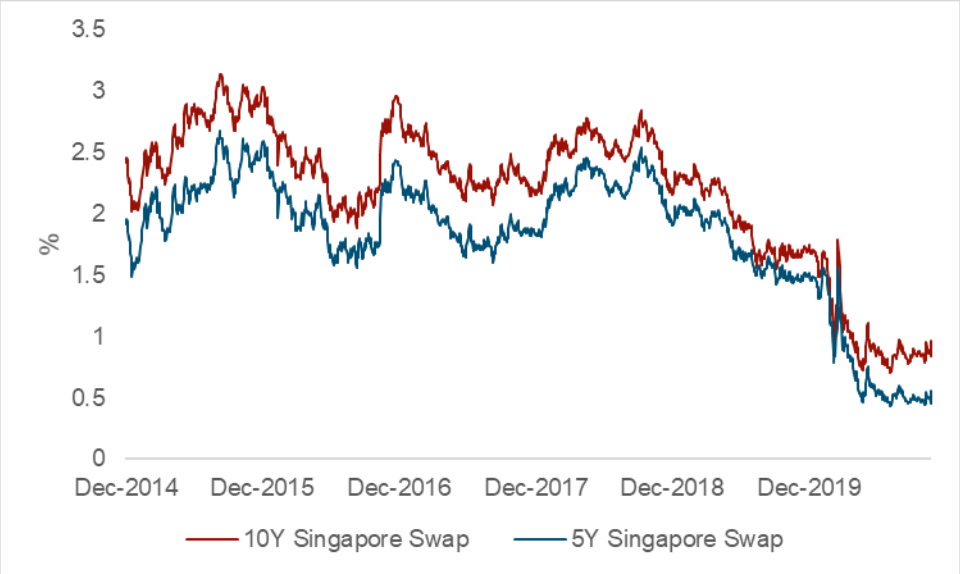
As a broad basket, TLCs credit metrics have been deteriorating: Based on our analysis of ten TLCs who are companies, we find that key credit metrics have been deteriorating in the past five years and unsurprisingly the deterioration has sharpened with the negative hit of COVID-19 on EBITDA generation in 1H2020. Ignoring the COVID-19 impact, EBITDA-to-Interest ratio had declined to 5.3x in 2019 (7.5x in 2015), despite benchmark interest rates declining which indicates higher leverage taken up by companies. We find that as at 31 December 2019, total debt and net debt was ~SGD93.8bn and SGD77.6bn respectively. Total debt had increased by 64% from end-2014 while net debt had increased by 95% during the same period while total EBITDA only increased by 20%. For the REITs, average reported aggregate leverage increased during this period, though only to 34.9% as at 31 December 2019 from 33.6% as at 31 December 2014.

Figure 15: Headline Credit Metrics for non-REIT TLCs 2015 – 2019



Source: Tabulated by OCBC Credit Research from Bloomberg data
Note: (1) All numbers adjusted to calendar year end (2) Only includes publicly listed non-REIT TLCs, DBS is excluded given that key credit metrics for bank differs from non-bank corporates (3) 2020 refers to estimates for 1H2020

Figure 16: Benchmark interest rates



Source: Bloomberg data

Companies spent on capex and expansion: Using Bloomberg data, we find that change in fixed assets and intangibles in aggregate was SGD55.2bn over 2015-1H2020. This only factors in cash spent (but not consideration via other sources) though for simplicity, we use this as a proxy for capex spent. Interest payments and cash dividends were collectively SGD43.6bn versus EBITDA generated in aggregate during this period of SGD79.8bn. Except for SIA, none of the companies had raised new equity during this period. We assume TLCs were able to roll-over/refinance existing debt, being among the strongest borrowers in Singapore and as such ignore the effects from paying down debt. With actual net debt increasing by SGD35.4bn during this period, this suggests that debt was also used towards inorganic expansion such as taking over other companies, in addition to helping to fund capex.

……however, profitability has declined over time: For comparability purposes, we use EBITDA-to-Debt plus Equity as a proxy for returns on invested capital ("ROIC") for the broad basket and find that ROIC has eroded in the past five years from 9.2% in 2014 to 8.0% in 2019. Individual performance differs, with some companies performing better than others. We note that CAPL uses 5.80% market risk premium for 2019 (5.08% for 2018) and 2.21% for the risk free rate and an ungeared beta of 0.5-0.93 which implies a cost of equity of ~5.1-7.6% and a weighted average cost of capital ("WACC") of ~4.3%-5.8%. CAPL's ROIC of 3.7% suggests that the company was earning below its cost of capital in 2019. One can argue that WACC is a theoretical concept, for example, (1) WACC is variable overtime and dependent on the risk free rate which has dropped precipitously in the past 24 months (2) No consensus on computation methodology of equity risk premium and (3) Companies with operations across multiple geographies and business segments complicates what is the right WACC.

However, companies exist to generate value to stakeholders, including investment returns to capital providers. In our view, given the lower cost of debt, the ability to boost ROIC using more debt in the capital structure may be a reason behind the higher debt levels. While we continue to monitor declining ROICs, especially among TLCs whose debt capacity has reduced, encouragingly, we have not seen widespread use of debt to fund dividends or share buybacks.

TLCs at an inflection point? Going by the various transformative corporate actions which TLCs have announced and completed since early 2019, in our view, major shareholders are aware of the risk of declining returns. For example, since early January 2019, there have been major corporate actions at half of the first tier TLCs and in our view, this is likely to expand to more companies including second tier TLCs, especially those facing headwinds from fast changing industry dynamics such as telecommunications companies.

Corporate actions so far include mergers and acquisitions (CAPL acquiring Ascendas Pte Ltd and Singbridge Pte Ltd), divestments and spin-offs of underperforming business units (OLAM, SCI), becoming asset light (KEP, CAPL and KEP selling assets into REITs and Business Trusts) and possible carve-outs and IPOs at Olam. Many of these corporate actions effectively would reset the company from a different base. For example, following the spin-off of SMM, we uplifted SCI's issuer profile to Neutral (4) in view of its stronger standalone credit profile. Some companies have also announced organic growth initiatives, though these are likely to take longer to take effect. Aside from Mapletree Investments Pte Ltd, Olam and KEP who have publicly disclosed their return targets, formalised growth targets are rare among listed Singapore companies, even though these are common across growth-oriented companies in other capital markets.

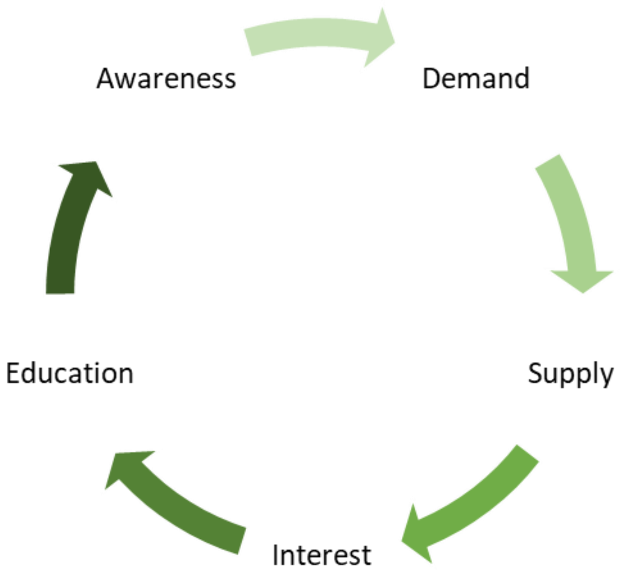
Encouragingly, TLCs rank among top 50 companies on governance matters according to the Singapore Governance and Transparency Index ("SGTI") and tend to have more diverse boards relative to other SGX listed companies, even if listed companies continue to grapple with this issue. While diversity may superfluously be considered a good to have, the crux of the matter in our view is whether homogeneity of thought and skillsets may hamper the ability of companies to grow. From the perspective of bondholders, TLCs continue to maintain ample access to debt capital markets and bank debt markets, though in our view, credit spreads may overtime start adjusting to reflect growth prospects and the profitability-linked decline in credit ratios amidst rising leverage levels.

Building Sustainable Momentum in ESG

Another year has passed since our first thoughts on Environmental, Social Responsibility and Governance ("ESG") Investment and its direction of development is looking more and more like a one-way street. Through the passage of time as well as the existence of the COVID-19 pandemic, certain questions raised in our Singapore Credit Outlook 2020 on ESG investment have either been addressed or have become somewhat obsolete. Doubts on the cost effectiveness of ESG investment have been answered as a consequence of both the higher demand for such products and resultant growing supply, as well as the growing reluctance of capital providers to support carbon intensive industries. This rise in demand as well as increased awareness of ESG has also overtaken any uncertainty on the lack of consistency in how and when corporations report their ESG efforts as well as the quantity and quality of information used by ESG rating firms and organisations to assess how far an issuer or borrower is along the ESG journey. While this is due to another year of refinements in how ESG actions are reported, it also speaks to the fact that as much as ESG exists so both investors and issuers "can do well by doing good," there is an increasingly explicit cost of failing in ESG targets in addition to the previously existing implicit ones. This continues to raise the overall quantum of operating risks for issuers as awareness of ESG issues by various stakeholders continues to grow.

In general, ESG analysis has an asymmetric impact as it raises more potential credit risks than strengths and this has incentivized individuals and corporations to embrace ESG issues and emboldened regulators and investors to act on them. There appears improving clarity on the ongoing development of the quality of issuer's disclosures (i.e. reporting benchmarks where key standard setters announced collaborations in 2020) and continued refinement of investors' understanding of what information is required and in what format as well as how to use that information to adequately assess ESG performance (i.e. assessment benchmarks). The pandemic as well possibly offers stakeholders a chance to understand if past and current ESG policies and performance were able to adequately mitigate its impact (i.e. impact benchmarks). These developments all seem set to continue in a continuous circle of development or influences.

Figure 17: The ESG Circle of Influences



Source: OCBC

That's not to say though that this inevitable direction will not have shortcomings. In our 2021 Global Outlook (p79), we highlighted four potential issues which may arise as asset owners take stock of what they are actually investing in and given the gravity of ESG risk (particularly climate change) and the associated hurried pace towards mass ESG adoption. These include conflicting ratings between providers, how well the ratings identify the areas that matter to investor risk and returns, greenwashing, and a misconception that being good at ESG means that you are a good company from a returns perspective.

There now exists a mountain of materials related to ESG, however the question that remains for many is just what being good at ESG actually means. Is the answer clouded by form over substance with words overshadowing actions as investors continue to build knowledge and awareness of ESG factors? Are rating methodologies still in their infancy and therefore somewhat untested as to their predictive capability for whether issuers are adequately mitigating ESG risks? In any case, similar to what has happened in the past 12 months, we expect these unknowns to further reduce with the inevitable ongoing development and improvement in understanding, reporting, assessing ESG risks. In addition, key pillars of "E", "S" and "G" risks on investment are more or less established, no matter what rating framework is used. These risks can appear somewhat standalone although as we discuss below, they are very much heavily intertwined.

"E" affects **E**veryone

Environmental or "E" analysis is somewhat more observable and quantifiable and while it affects everyone, its impact on issuers varies depending on the issuer's business. Industry classification is a good starting point with certain industries (extractive in particular) more susceptible to "E" risks through regulations and operations, both on an extraordinary and ongoing basis. Issuers more exposed to "E" risks also face a tighter financing environment going forward with many Financial Institutions reducing their exposure to these risks as part of their own ESG obligations (such as having net-zero financed emissions). In addition to bank lenders, a group of asset managers managing USD9tr collectively have launched the Net Zero Asset Managers initiative in December 2020, with a decarbonisation goal across all assets under management by 2050 or sooner and investing aligned with this goal. In November 2020, Singapore's sovereign wealth fund GIC joined Climate Action 100+ ("CA100+"), an advocacy group comprising of asset owners and managers that targets the largest corporate greenhouse gas emitters to take action on climate change. The higher exposure to "E" risks, the harder the issuer has to work to offset it and the higher the risks it is exposed to, be it direct risks or longer term risk of survival should the company fail to transition into a new business model. That said, assessing "E" risks by industry could be an overly simplistic view and could result in missed investment opportunities where "E" risk is high, yet those risks are adequately managed. Oil and gas companies in particular have had to manage "E" risks for some time through their regulatory responsibility for the reparation of the environment once oil and gas wells have ceased production. In addition, issuers with high "E" risks have been raising green financing to correct what they are doing or improve their existing "E" risks. Some issuers are also using green financing to diversify or expand their current businesses into green industries. This recognizes that while not everyone may look to be managing their "E" risk, they can use green financing to improve it.

Understanding of "E" risks have continued to rise of late together with the earth's temperature. With greater awareness of climate change, an issuer's extreme use of natural resources and production of pollutants and the establishment of more international standards related to climate change and regulatory limits for impacts such as greenhouse gas emissions make "E" risks somewhat more manageable from an assessment perspective. That said, transparency of disclosures and use of appropriate risk evaluation through internal or external expertise will also be an assessment tool for investors. Disclosures and assessments should cover the three layers of environmental impact or the three scopes of greenhouse gas emission ("GHG") categories under the GHG Protocol, a widely used international accounting tool. These three layers cover (1) direct emissions from owned or controlled sources; (2) indirect emissions from the purchase and consumption of electricity, steam, heating and cooling; and (3) all other indirect emissions that are produced through a company's value chain such as other goods and services consumed, business travel, waste production and transportation.

"S" signifies **S**acrifice

Social or "S" factors have historically been the more challenging to evaluate amongst ESG components, but its influence also stands to increase. Again referring back to our 2021 Global Outlook (p76), we expect to see a long-term increased focus on social issues or social responsibility at the government and corporate level that will sit aside to their documented commitments to environmental and governance issues. For example, issues such as human capital management, occupational, health and worker safety, supply chain transparency (such as labour practices of suppliers), impact on local communities and diversity policies have come to the forefront for many organizations.

These issues have also become increasingly penalizing in the world of social media where the impact of perceived negative developments are amplified well above the facts. "S" factors may also increasingly extend past governments and corporates and reach down to an individual level given the social responsibility we all share in addressing "E" and "S" risks, particular in the fight against COVID-19 which has responsibility across every level of society. We think "S" risks are somewhat more idiosyncratic to the issuer in question and likely harder to quantify outside of observationalist judgements. That said, how issuers align themselves in stated commitment and in practice to the common good and to government related goals to alleviate poverty and social inequality and promote safe working environments through demonstrated actions or charitable contributions can be ways to assess efficacy of an issuer in addressing "S" factors. These actions invariably have a bigger impact on the community then the issuer themselves. Whereas "G" risks are focused on what happens internally for an issuer, "S" speaks relatively more to what an issuer does outside the organisation.

"G" is the **G**uts

In practice, governance or the "G" in ESG has been a long-standing part of credit analysis. In some respects, governance is likely the driver of an issuer's competency in the "E" and "S" aspects of ESG. This is because good governance speaks to how effective management and the board are at ensuring an issuer's competitiveness by addressing prevailing risks that are both internal and external to the issuer. This can be achieved through appropriate strategic planning and risk identification that is matched with adequate resource allocation and preparedness. Thorough and periodic evaluation of performance and achievement against this strategic plan and the related influence on business fundamentals and financial performance is also a part of an issuer's governance framework. It is fair to say that "E" and "S" risks have risen considerably in 2020 due to the growing awareness of climate risks and weather-related disasters as well as the outbreak of COVID-19 and its impact on social equality. Hence, an issuer that scores well on governance "should" be better prepared for "E" and "S" risks. Scoring well for governance in general is focused on how an issuer manages conflicts of interest, compliance with relevant rules and regulations, board composition in terms of experience and the level of independence from management. Communication of timely and thorough information to stakeholders is also important in our view. Performance of the issuer compared to peers is another way to assess governance effectiveness as is how successful the board and management have been in fulfilling past promises or strategic plans. Adequately assessing "G" risk also speaks to an issuer's transparency on what it has done, is doing and planning to do. Governance is also somewhat related to the operating risk in certain jurisdictions where the rule of law and corruption can be an influence on this factor. However as mentioned above, assessing "G" risks based on location could be somewhat simplistic and could result in missed investment opportunities in countries where operating risk is high but the issuer's governance frameworks are sound.

ESG today may not be its final form

ESG can trace its roots to the rise of Corporate Social Responsibility or "CSR" over the past few decades where companies as "corporate citizens" showed how their existence benefited the societies in which they operated. It was mostly a subjective and an individually driven statement that was specific to the corporate itself and hard to assess consistently with no established benchmarks of reporting or assessment. Over time however as the inconvenient truth of global warming became more than theory, rising environmental concerns drove a need for a more standardized view of social responsibility as the investment community became involved in supporting ESG investments. Awareness of these two aspects also spoke to the governance culture within an organisation and the sustainability of its existence as an investment. This rise in demand from investors along with the ongoing development of standardized risk measurement factors has made the direction of ESG appear clearer. Also driving its path is as mentioned above, ESG factors are intertwined and not mutually exclusive. "S" can drive "E" while "G" influences preparedness for existing and emerging risks which at the moment is dominated by "E" and "S" concerns. This perhaps explains why we are of the view that high performance companies care about ESG matters and are increasingly focused on integrating ESG into their business practices, rather than concluding that companies with high ESG standards cause market outperformance.

As we seek to better understand the quality of issuers' disclosures and actions and decipher the rating methodologies that currently exist, it may be useful for now to look at the quantity of disclosures. This allows us at the very least to see how aware and prepared a company is for ESG risks. To this end, we have included in our appendix key ESG influences for the companies we cover based on their disclosures. We hope this enables a better understanding of where these issuers are along the ESG journey.

Financial Institutions – Down But Not Out

Financial Institutions were arguably in the centre of the pandemic in 2020 – on one hand the recipient of liquidity support and regulatory forbearance from governments; and on the other hand being a provider of liquidity support to the economy struggling under the weight of lockdowns and a sharp (albeit brief) withdrawal of liquidity from other funding markets. Yet despite this, we saw relative stability in our issuer profiles across the Financial Institutions we rate compared to our corporate coverage. There were three key drivers supporting this stability in our view:

1. <u>Past actions by Financial Institutions and regulators to improve bank fundamentals</u>. This was driven by the impact on the Financial Institutions sector from the Global Financial Crisis and a desire by management and regulators to improve the resilience of Financial Institutions through (a) business restructuring and simplification on higher return and defensible businesses; (b) strengthening balance sheet exposures towards higher quality borrowers; and (c) implementing standardized minimum liquidity and stable funding ratios and requiring higher minimum capital levels to improve liquidity and solvency. This enabled Financial Institutions to enter the crisis on relatively solid footing.

2. <u>Timely and explicit government support</u>. This brought both direct tangible benefits through access to emergency liquidity at low rates for on-lending to economies and indirect tangible benefits as wider government support assisted financial market stability and strong performance for various trading businesses within Financial Institutions. This was in the context of the overall intangible benefit from increased confidence and normalisation in financial markets from various governments' win at all costs attitude. Regulatory forbearance support through non-recognition of deferred loans as non-performing also perhaps provided the appearance of stability in the face of the pandemic.

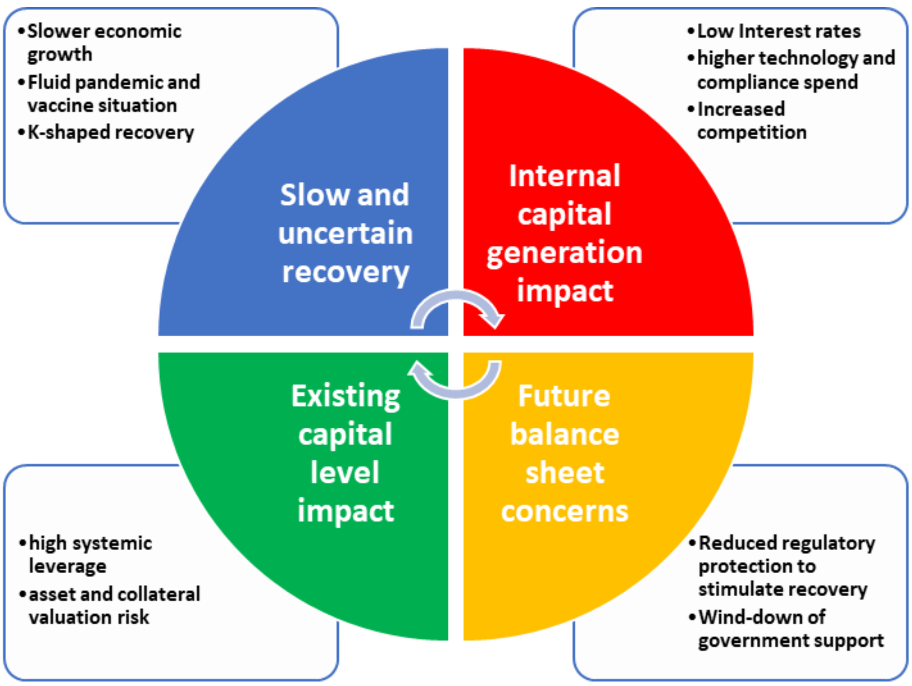
3. <u>Financial Institutions' systemic importance</u>. This not only facilitated the need for government support but Financial Institutions' role as an essential service effectively meant that business continued in some form as most others were forced to shut at the height of various waves of COVID-19, thus protecting or cushioning Financial Institutions' capital positions against reduced minimum regulatory requirements.

Only one issuer profile for Financial Institutions was lowered in 2020, with HSBC Holdings PLC ("HSBC") lowered to Neutral (3) from Positive (2) as the already challenging environment that necessitated a major restructuring plan to 2022 got tougher for HSBC as the COVID-19 impact amplified pre-existing conditions and looked to delay and alter the restructuring and anticipated benefits that would add additional pressure to earnings performance going forward. Other issuers under some pressure in 2020 were ABN Amro Bank N.V. ("ABN") on mounting challenges from COVID-19, anti-money laundering investigations, exposure to single name exposures and the ongoing execution of the restructuring of its Corporate & Institutional Banking. In addition, Commerzbank AG ("CMZB") swung to a pre-tax loss from continuing operations of EUR106mn for 9M2020 on a substantial rise in risk costs (+188.4% to EUR1.1bn), EUR191mn in other net losses (lower other income from absence of gain on sale of ebase in the prior year, higher allocations to provisions for legal risks and higher unfavourable FX movements) as well as EUR201mn in restructuring expenses related to two voluntary redundancy programs and the permanent closure of 200 branches. Through these issuers were a few common themes – pre-existing underlying fundamental weaknesses (geopolitical influences, anti-money laundering issues, fragmented markets), ongoing restructuring programs to address these weaknesses and the presence of relatively new CEOs (HSBC and ABN's CEOs commenced permanently in March and April respectively, while Manfred Knof will commence as CEO of CMZB in January 2021). Other Financial Institutions under new management include Credit Suisse Group AG (Thomas Gottstein replaced Mr Tidjane Thiam in mid-February 2020), UBS Group AG (new CEO Ralph Hamers started on 1 November 2020 replacing Sergio Ermotti) and Westpac Banking Corporation (Peter King was permanently appointed as CEO in April, replacing Brian Hartzer following anti-money laundering proceedings).

Benefits should be enduring

What do these drivers indicate for the way forward for Financial Institutions in 2021? In our view, two are enduring and should support fundamentals for Financial Institutions in 2021. Strengthened balance sheets and more focused businesses should protect risk adjusted returns while systemic importance can ensure ongoing government support and internal capital generation as a critical service to economies, particularly during a recovery. That said, government support is expected to be temporal and will wind down in 2021 as economies recover. This has the potential to uncover a truer picture of the cost of COVID-19 on Financial Institution balance sheets, heightening the importance of underlying fundamentals. As economies recover and government support winds back, we are likely to see fundamental improvement for Financial Institutions to lag improvements in economic fundamentals. We therefore expect fundamentals to continue to play an important part for Financial Institutions given the prevalence of risks that outweigh opportunities in 2021 and the expectation that the pandemic impact, whilst not being as deep as expected, could last longer than expected.

Figure 18: Key risks for Financial Institutions in 2021



Source: OCBC

Developments of 2020 and the rise of key risks for Financial Institutions will drive certain key trends in our view for 2021. Some trends will be new and some existing as the operating environment contains a mix of past, present and future risks.

Figure 19: Key themes for Financial Institutions in 2021

Source: OCBC, google images

With lower earnings capacity from slower growth, low interest rates and higher investments, the focus will invariably be on costs as this remains somewhat within control of management. This will see Financial Institutions continue to refine the business composition and strategy. Non-core businesses will continue to be divested due to their poor returns and hopefully positive contribution to capital positions. This will be balanced however by accelerated investment in technology and digitalisation, both as a means to control costs in the longer run as well as meet consumer expectations and address changing operating needs from the pandemic. We also expect more consolidation within the Financial Services sector to address higher competition in the search for a bigger slice of a smaller pie. Recent consolidations in India (Lakshmi Villas Bank by DBS Group Holdings Ltd's wholly owned Indian subsidiary DBS Bank India Ltd), Italy (Credito Valtellinese by Credit Agricole Group SA's 75.6% owned subsidiary Credit Agricole Italia) and Spain (CaixaBank SA's acquisition of Bankia SA) highlight the potential for this trend to continue in 2021 albeit on a domestic scale given the complexity with cross border consolidation.

While the regulatory environment has been accommodating in 2020 to generate balance sheet capacity for Financial Institutions to support economies during the pandemic, we think regulatory influences will increase to address issues with compliance, capital, competition, and crime. In particular, cyber risk is expected to rise in 2021. On the capital front, current bank capital regulations appear to have worked as intended in mitigating the creation of a financial crisis during the health crisis. While the relaxation of minimum capital requirements has been beneficial to banks and certain planned changes over the next few years have been delayed, we think that regulators may gain comfort and confidence that the benefit of increased financial stability in times of stress from higher loss absorbing capacity for a banking system far exceeds the higher cost of capital during normal times that may potentially impact economic growth through a reduction in credit availability or rise in the cost of credit. Regulators may eventually request higher loss absorbing capacity that may be driven by more severe stress test scenarios following the developments of the pandemic and the current elevated systemic risk from high systemic leverage. The practice of regulator intervention in shareholder returns may also become more enshrined going forward to preserve capital strength.

Credit dispersion will likely be enhanced in 2021 given the uneven impacts on countries and borrowers and the unpredictable return to some degree of normalcy. Countries that have fared better with COVID-19 such as China, Singapore and Australia to an extent will see a clearer recovery with those in Europe. That said, there remains the risk of subsequent waves as is seen in Hong Kong that can delay a recovery.

ESG as a compounding influence

One standout trend in our view will be the influence of ESG on Financial Institutions. This is given their role as a facilitator for the broader economy, and the critical services they provide and their sensitivity to sentiment and public confidence. The influence on environmental concerns stretches beyond their own footprint and operations but also to the activities that Financial Institutions chooses to fund. This has seen various banks announce limits or bans on the amount of financing for carbon intensive industries such as coal and establish ambitions for financing portfolios to be net zero emissions by 2050. One example of this is HSBC's ambition to prioritise financing and investment that supports the transition to a net zero global economy by 2050 using its scale and global reach. HSBC will target net zero carbon emissions across its entire customer base by 2050 at the latest and provide between USD750bn to USD1trillion in financing to help clients make the transition. To achieve this, financed emissions will align with the Paris Agreement and use the Paris Agreement Capital Transition Assessment Tool ("PACTA") to measure progress while disclosures will follow the Task Force on Climate-related Financial Disclosures. Other legs of HSBS's sustainability plan is (a) aiming to be net zero in its operations and supply chain by 2030; (b) the creation of HSBC Pollination Climate Asset Management as a manager of 'natural capital' as an asset class to support CleanTech innovation companies and target USD100mn in CleanTech investments and develop sustainable infrastructure into a global bankable asset class; and (c) a desire to partner with peers, customers, regulators, governments and wider society to effect change within the financial system and build a globally consistent standard for measuring financed emissions and develop a functioning carbon offset market.

Social issues will also be an influence on Financial Institutions given the functional and financial capacity of Financial Institutions to address problems with social inequality (Morgan Stanley recently announced USD2mn in support for New York's street vendors through its Robin Hood foundation) as well as the focus on how Financial Institutions manage staff reductions in the next few years as part of existing restructuring plans and new ones. CMZB is contemplating 10,000 in job cuts as part of its significant restructuring that will see a reduction in CMZB's branch network (20% of branches or 200 out of 1,000 branches have already been permanently closed following their temporary closure due to COVID-19, 3 years ahead of initial plans to close this number by 2023) and the scaling back of CMZB's foreign operations. That said, such job cuts need to be approved by union representatives on CMZB's board and must be "socially acceptable." Many banks also delayed existing job cut plans at the start of the pandemic, likely in compliance with social responsibility objectives but more so as it was the right thing to do. Financial Institutions can no longer afford to focus solely on shareholders – instead the focus is now on all stakeholders. This includes customers and how a bank can continue to adequately service its customers as it seeks to shift more services on-line for cost and pandemic related considerations.

Finally, governance will continue to be relevant for Financial Institutions given their systemic importance, highly regulated nature, and their role as a steward for the world of finance. This translates into how Financial Institutions guard the finances of individuals, corporates, governments, and entire economies against the rising risks of cyber-crime, the misuse of funds for criminal activities and the financing of non-ESG endeavours. According to the Cyber Security Agency of Singapore, cybercrime cases rose by more than 50% in 2019 in both scale and complexity with the pandemic providing a fertile ground for cases to rise further given the shift to more online transactions and digital activities. Financial Institutions are susceptible to confidence in view of their mismatched balance sheet and if this is eroded due to ESG issues then it can be impactful for a bank. Westpac Banking Corporation has faced a multitude of impacts from its substantial anti-money laundering investigation by Australia's financial crimes intelligence agency ('AUSTRAC') including senior management overhaul, increased compliance costs, a substantial fine of AUD1.3bn and a Court Enforceable Undertaking to address risk governance weaknesses. Added to this is the higher scrutiny likely going forward by both regulators and the public to ensure that remediation plans sufficiently address “wide-ranging and long standing risk governance gaps, recently emerged new governance issues and weak execution to address the bank’s risk governance issues. Governance issues for banks can also be influenced by developments on the environmental and social front.

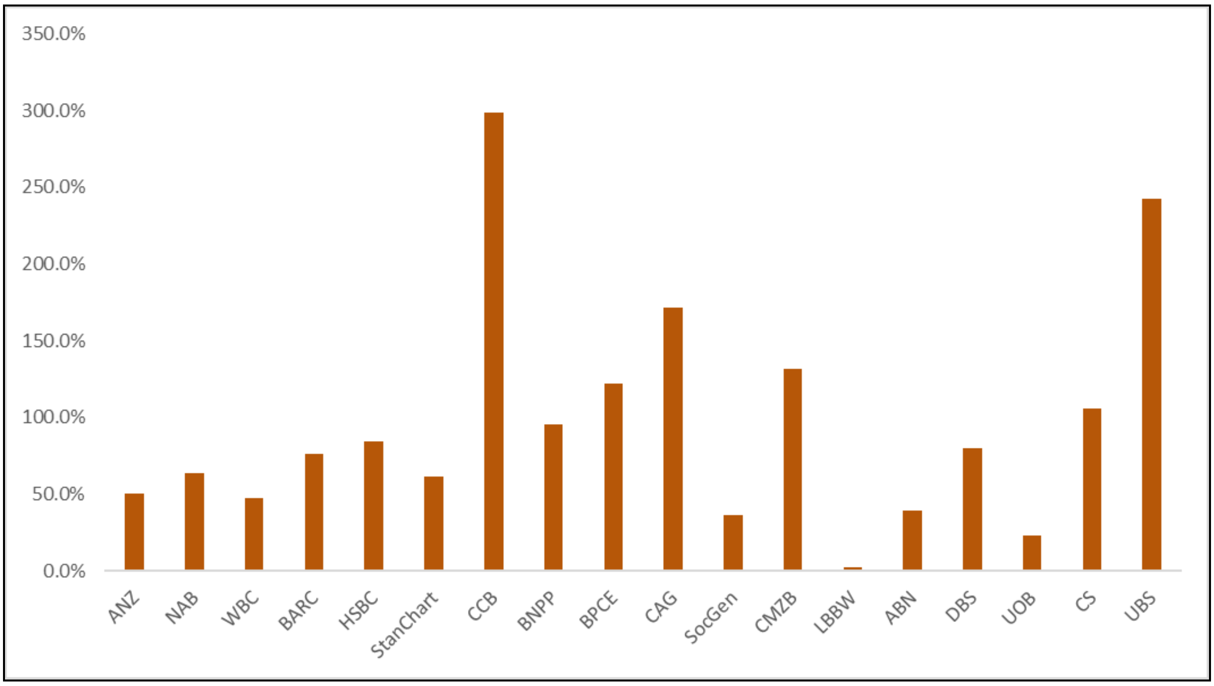
In all, while ESG is a credit supportive tool, it elevates the risk for Financial Institutions’ operating environment. Their solid profitability through criticality of services and market position and systemic importance means they are a lightning rod for criticism when things go wrong on the ESG front.

Better prepared for certainty

Developments for Financial Institutions in 2020 were a jigsaw puzzle of sorts with government support and bank actions (both past and current) smoothing out the impact of the pandemic on capital and solvency and thus allowing banks to become shock absorbers for the economy. While risks will continue to dominate in our view, we see Financial Institutions as adequately prepared for higher certainty in 2021, even if that certainty is an awareness of the uncertainty that remains. 2021 will likely see an acceleration of underlying trends so of some benefit is that Financial Institutions will not need to shift course perse (like those companies in industries undergoing seismic shifts and disruption such as travel and hospitality) but rather travel quicker along the same path.

Key risks highlighted above will have more impact on weaker Financial Institutions in our view as a K-shaped recovery will also result in K-shaped impacts across credits within various industries. In addition and as mentioned in our Singapore Mid-Year 2020 Credit Outlook, as governments turn their attention towards repairing their balance sheets and reducing their large stimulus programs, Financial Institutions could be left in a way to fend for themselves in this low yield and low growth environment that could put pressure on fundamentals. Dispersion will increase and a flight to quality will be apparent with downside risks dominating. This compels us to continue focusing on better quality credits in the Financial Institutions space. The importance of fundamentals also rises given the loss absorbing nature of bank capital instruments. Capital buffers in excess of minimum requirements appear adequate against potential loan losses for now, especially considering collateral and existing loan loss provisions. However, when including loans under deferment together with non-performing loans and excluding collateral and existing loan loss provisions, buffers fall below 100% indicating the built-up stress in Financial Institutions balance sheets.

Figure 20: Excess Capital against Deferred Loans not subject to government guarantee and non-performing loans



Source: Companies, Bloomberg, OCBC Credit Research estimates

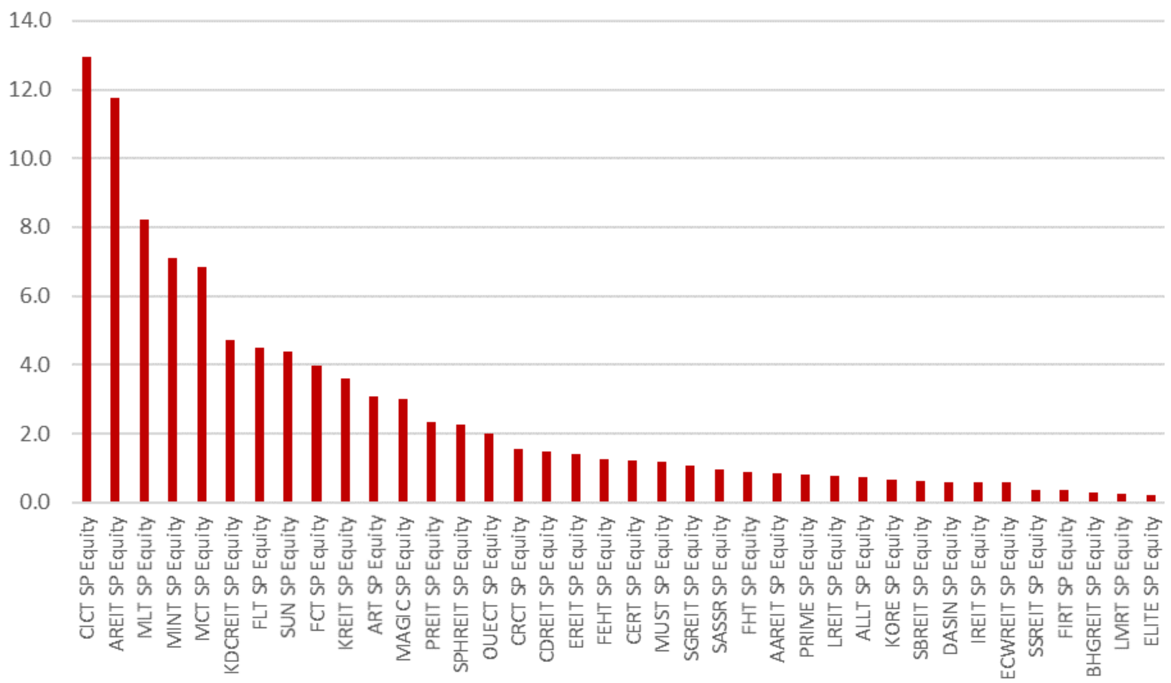
Against a weaker operating environment and higher systemic risk though are better underlying fundamentals. Government support as well is no longer hypothetical and has addressed both liquidity and solvency risks for Financial Institutions. Combined with stable and solid capital buffers, we are constructive on bank capital instruments for 2021.

Singapore REITS – The Big Gets Bigger

2018 saw the combination of ESR-REIT and VIVA Industrial Trust. 2019 saw the merger of OUE Commercial Trust and OUE Hospitality Trust, and Ascott Residence Trust and Ascendas Hospitality Trust. The trend has continued into 2020 where CapitaLand Mall Trust and CapitaLand Commercial Trust combined to form CapitaLand Integrated Commercial Trust ("CICT"). With a portfolio valuation of ~SGD22bn, CICT is the biggest REIT in Singapore, ahead of Ascendas REIT which is in the second largest (~SGD14bn). In the same year, Frasers Commercial Trust and Frasers Logistics Trust combined to become Frasers Logistics Commercial Trust ("FLCT"). Frasers Centrepoint Trust too acquired 100% stake in what used to be PGIM Real Estate Asia Retail Fund.

The two largest REITs make up an astounding 25% of the total market capitalisation of all the 38 REITs listed on the SGX combined (i.e. REIT market). The top five largest REITs make up almost half of the REIT market, at 47%, up from 41% a year ago. The big REITs are undoubtedly growing substantially and pulling away from the pack. In fact, they are arguably so far ahead that a dichotomy is forming in the REIT market.

Figure 21: Market capitalisation of REITs listed on the SGX (SGD'bn)



Source: Bloomberg (Data was retrieved on 25 November 2020)

We expect inorganic growth to continue to be the key driver of growth for the REITs in 2021. As the REITs pursue inorganic growth, they have become more diversified across property types and geographical locations. This leaves us with fewer pure-play REITs. While operational synergies exist for pure-play REITs, there are also benefits in being diversified and hence bigger. These benefits range from lower cost of funding to being able to better withstand business uncertainties and volatilities.

While the big gets bigger, some of the smaller REITs are playing catch-up. We have seen REITs expand their investment mandate to pave the way for more acquisition opportunities. Mapletree North Asia Commercial Trust ("MNACT") expanded its investment mandate to include South Korea and acquired an office building in Seoul to grow from a portfolio SGD8.3bn to SGD8.5bn. CapitaLand Retail China Trust ("CRCT"), previously a pure-play Mainland China shopping mall REIT, too expanded its investment mandate to include office and industrial real estate assets such as business parks, logistics facilities, data centres and integrated development in Mainland China, Hong

Kong SAR and Macau. Post the mandate change, CRCT announced that it will acquire approximately SGD1.0bn of assets from its Sponsor, CapitaLand Ltd ("CAPL") to grow by 29% to SGD4.5bn.

The common trait among these REITs is a strong sponsor who owns multiple REITs and has a pipeline of suitable assets. The REITs enjoy the right of first refusal to the assets held by their sponsors and are therefore presented with more opportunities to build scale. Furthermore, the big five REITs listed on SGX are either related to CAPL or Mapletree Investments Pte Ltd ("MAPL"). We think these trends bring to attention how the REITs with market cap in the range of ~SGD1bn or less may struggle to compete and fall further behind. Possibly, they may become acquisition targets in the future. Around 60% of the REITs (by count) have a market cap of SGD1.5bn or less.

Growing Abroad

Diversification can be in the form of property type as well as location. Apart from having fewer pure play REITs, we are also seeing the REITs venture into new geographical location as well as build on their existing overseas exposure. In our view, this can be partly attributed to the rich property valuation onshore and lack of suitable targets which has pushed the REITs to explore opportunities elsewhere.

In 2020, Keppel REIT ("KREIT") acquired a freehold Grade A commercial property in Sydney, increasing its exposure to Australia to 21% from 15% a year ago. Suntec REIT ("SUN") made its first foray into the UK with the purchase of a 50% stake in two Grade A office blocks with ancillary retail in London last year. The transaction reduced its exposure to Singapore from 83 % to 77%. Mapletree Industrial Trust ("MINT") acquired the balance 60% interest in 14 data centres located the US, as well as a data centre and office in the State of Virginia in the US. We estimate that North American data centres would make up as much as 35% of MINT's portfolio post the transactions. Following on from its 1H2020 acquisitions, Mapletree Logistics Trust ("MLT") also completed the acquisition of the balance 50% interest in 15 properties in Mainland China, along with a property in Malaysia, one in Vietnam and one in Australia in December 2020. On 21 December 2020, MLT announced the acquisition of a property in Japan. Relative to the other REITs, MLT has historically been more geographically diversified. Ascendas REIT ("AREIT") has purchased two office properties in San Francisco, in the US in late 2020 and is in the midst of evaluating a portfolio of data centre assets in Europe as acquisition targets.

Overall, many of the transactions that took place in 2020 involved REITs growing their presence abroad. We think that the existing high-quality attractive real estate assets across Singapore are mostly already held by the REITs and corporations. Therefore, opportunities locally are limited and harder to come by. As such, we expected the REITs to continue to pursue opportunities abroad in 2021.

Uneven Recovery

Singapore introduced multiple rounds of stimulus and underwent the circuit breaker to tackle the unprecedent challenges brought about by the COVID-19 pandemic. Travel restrictions have hurt the hospitality sector. Stay-at-home order have hurt the retail sector and the industrial sector, albeit to varying extent. Working from home have hurt the office sector. Some of the pain may be brief, while others may have cast a long shadow, resulting in an uneven recovery.

Ranked from the most resilient to the least in the event of COVID-19 pandemic, Industrial (particularly data centres and logistics assets) comes in first followed by Office, then Retail and Hospitality assets. The resilience is also reflected in asset valuation. The more resilient properties saw better valuations, and the REITs holding the more resilient properties saw price-to-book ratios hold up better amid the pandemic.

Industrial assets have generally held up well through the outbreak of COVID-19. Data centres were particularly resilient given their long leases and the hyper digitalisation observed across the nation. Warehouses were reported to have seen healthy demand, underpinned by increased stockpiling and e-commerce activities. While dips were recorded in other industrial assets such as business parks, they were mild. Overall, we expect industrial assets to remain broadly stable.

Office assets continue to face the threat of companies implementing work-from-home policies. While large corporates have historically been high-quality tenants and are highly sought-after by office landlords, they are also the group of tenants who are most likely to pursue a hybrid operating model and reduce their real estate footprint. We think this puts office REITs at risk of occupancy rates dipping, along with rental rates. We expect companies to gradually pivot their operating model, which would also give the office REITs time to adjust and handle the changes. That said, we are also seeing technology and finance firms open new offices in Singapore. In addition, it is also not our base case scenario that the large corporates would blatantly give up office spaces. In fact, we think some of the office spaces may be redesigned to complement working from home. Therefore, it is not all doom and gloom.

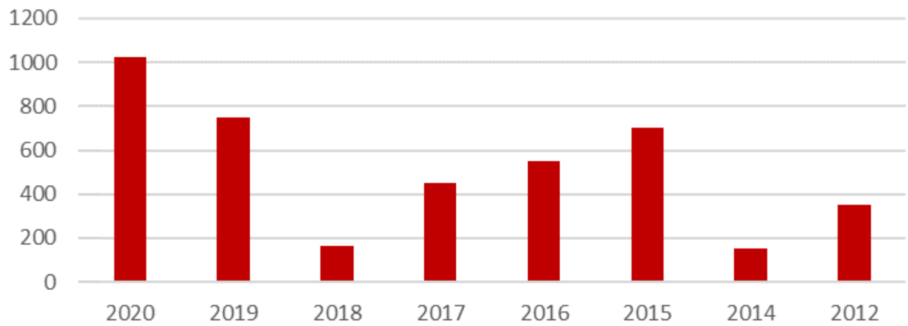
While the hospitality sector remains in the eye of the storm, we expect good recovery in room rates and occupancy at hotel assets located in cities and countries that have managed to contain the spread of the virus such as the North Asian countries. Larger sized countries also benefit from domestic tourism, which can partially offset the impact of international travel restrictions. Even though we have seen multiple positive news on COVID-19 vaccine, uncertainty surrounding the production, storage, transportation and etc remains.

For the retail sector, even though the recovery in tenants' sales have outperformed the recovery in footfall, both metrics remain below pre-COVID-19 levels. We have seen the suburban malls clock stronger performance relative to the malls located in the city centre, such as those along the Orchard Road Shopping belt which also derive their footfall from tourists. Suburban malls, located in residential estates, provide necessities for the residents in the area. Naturally, these malls have loyal repeat patrons and thus deliver better results in times of crisis.

REIT Perpetuals are in Style

In 2020, a total of SGD1.0bn of REIT perpetual securities were issued across five REITs. This was the largest in history. All the REIT perpetual securities were raised in the second half of 2020 where rates were low. Of the five issuers, AREIT and KREIT refinanced their perpetual security which was due for first call. On the other hand, CRCT, SUN and Aims APAC REIT ("AAREIT") were first time issuers who raised perpetual securities to manage their capital structure.

Figure 22: Total amount of REIT perpetuals issued across the REITs (SGD'mn)



Source: Bloomberg

Overall, we have observed that most of the REITs have become more levered while the cost of debt has come down. The REITs have also rushed to refinance their maturing debt obligations and hoarded more cash amid the uncertainty brought about by the pandemic.

With the pandemic having dragged equity stock prices of REITs down, equity fund raising was less popular in 2020. While the total amount of equity raised was somewhat stable y/y, 2020 saw fewer REITs tap the equity market though those who did raised significant amounts. AREIT for instance raised some SGD1.2bn. We note that AREIT's price-to-book ratio is ~1.4x. All but one of the REITs which raised equity in 2020 has a price-to-book ratio of more 1.0x. The one REIT is CRCT, whose price-to-book was ~0.8x, below its five-year average of ~0.9x. FCT, MLT and MINT are the other REITs that have raised significant amounts from the equity market. The big REITs continued to be favoured by investors and this has enabled them to raise equity funds at attractive valuations relative to their portfolio of assets. Should the big get bigger, we may continue to see equity fund raising by the bigger REITs. This would in turn make it more financially challenging for the smaller REITs to build scale.

Master leases – Blessing or Curse

Master leases where typically understood to be leases signed by anchor tenants, and these tenants are usually large corporates who have scale. Under normal business circumstances, master leases are perceived as credit positive where the pros (i.e. operating track record of master tenant and stable occupancy) outweigh the cons (i.e. concentration risk). Should the master lessee have a strong credit risk profile, it may also be able to provide of a stable flow of income to the REIT and help the REIT tide through difficult times. However, in 2020, we have also seen how master leases can become a daunting problem.

One example is Eagle Hospitality Trust ("EHT"). Sponsored by Urban Commons LLC, a privately-held real estate investment and development firm, EHT was listed in May 2019 and hold 18 hotel properties (including a historical ship conversion) located across the US. 100% of the income EHT receives are hinged on master lease agreements, where the master lessees are wholly-owned entities of the Sponsor. The master lessees of properties owned by EHT have an initial term of 20 years from IPO with a 14-year extension option. Evidently, EHT uses master leases extensively and this amplified the gravity of the other issues that come with master lease agreements and the master lessees being a related party. The issues include the conflict of interest between the sponsor/master lessee and the REIT, the appropriateness of master lease terms as asset valuation may be fully derived from lease terms rather than comparable transactions in the market.

Another example is First REIT ("FIRT"), the first healthcare-asset focused REIT listed on the SGX in December 2006. Bulk of the properties owned by FIRT are crucial properties used by PT Siloam International Hospitals Tbk ("Siloam") for its business operations, Siloam is a ~55%-owned subsidiary Lippo Karawaci Tbk ("LK"). FIRT had acquired its initial portfolio of properties from LK, with LK remaining as the main tenant contributing bulk of the REIT's rental income. FIRT received a non-binding rental restructuring proposal from LK in September 2020 and in November 2020 disclosed the proposed lease terms to the market. The proposed restructuring terms have more adverse base rents compared to existing terms while currency risk will be assumed by FIRT. Historically, LK was the sponsor of FIRT and owned a significant stake in the REIT. This helps align the interest between sponsor and the on-going underlying performance of the REIT as the sponsor is incentivized to see the REIT unit prices hold up. Since October 2018, has become FIRT's sponsor and owns an effective ~86% stake in FIRT's REIT manager.

Evidently, master leases can be difficult to manage. That said, we think both cases are idiosyncratic and do not expect such event to recur.

Singapore Industrial REITS – Property sub-segment matters for industrial-zone properties

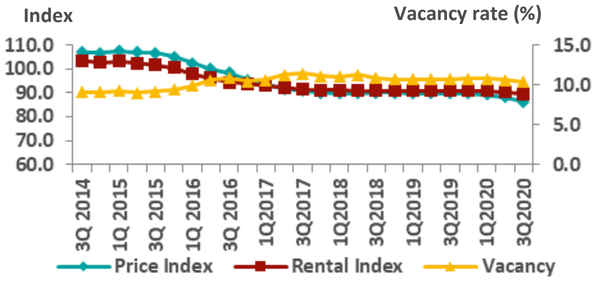
In 3Q2020, q/q price index was down 2.2% (3.9% y/y) for all industrial properties. While we are in a recessionary environment brought about by COVID-19, the fall in prices is likely capped by expected cap rate compression with benchmark interest rates falling ~80bps year to date. Per data from Colliers, over 9M2020, Singapore industrial investment sales grew 4.8% y/y to SGD1.87bn and was the only property sub-segment to see an increase in 9M2020. The rental index was down 0.9% q/q (down 1.6% y/y), with multiple-user factory and warehouses both falling by 1.1% q/q. While uncertainties persist and businesses are sensitive towards rental costs, Knight Frank opined that industrial rents and prices are not expected to decline by more than 5% for the full year 2020.

Construction schedules have been severely disrupted through 2020. At end-2019, 2020 was originally expected to be a heavily supplied year with 2.2mn sqm of new space coming online. However, industrial space added in 9M2020 was only a mere +0.3mn sqm. Much of the new supply will be pushed to 2021 and 2022 with JTC's updated supply expected for 4Q2020 to 2022 at 4.2mn sqm in aggregate. Of the new potential supply, 1.6mn sqm comprises multiple-user factory and 0.9mn sqm comprises warehouse. While single-user factory is also significant at 1.6mn sqm, these are typically built with an end-user in mind rather than speculative builds. All industrial vacancies held up at 10.4% (up 0.2% q/q), driven by increase in demand amid disruptions to supply of new space. Going forward though, we expect vacancies to increase for the multiple-user factory and warehouses sub-segment given the impending supply.

In November 2020, the Singapore Purchasing Manager Index was 50.4, rebounding from the troughs of 44.7 in April 2020. Singapore saw a sharp slump in 1H2020 with full year 2020 GDP growth likely to contract by 6.5% to 6.0% y/y per our macro colleagues and they are projecting a growth rebound of 4-6% in 2021 given the low base in 2020 and rising optimism over vaccine deployment.

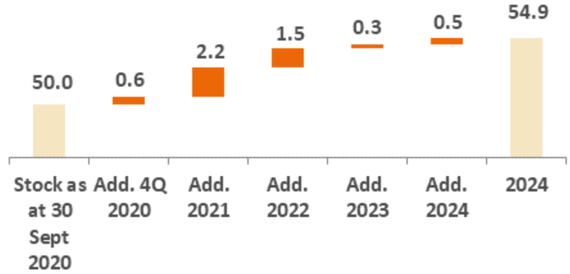
Industrial REITs own business and science parks (office-like properties sitting on industrial zoned land outside the central business district), logistics assets such as warehouses, factories and increasingly data centres. Specific Industrial REIT performance would differ given the divergence of property types within portfolios. Properties catering to SMEs are likely to see higher variability in rents and occupancy.

Figure 23: Industrial Price, Rental and Vacancy



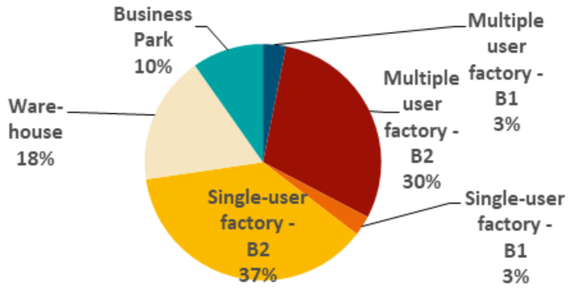
Source: JTC, OCBC Credit Research

Figure 24: Industrial stock and supply pipeline



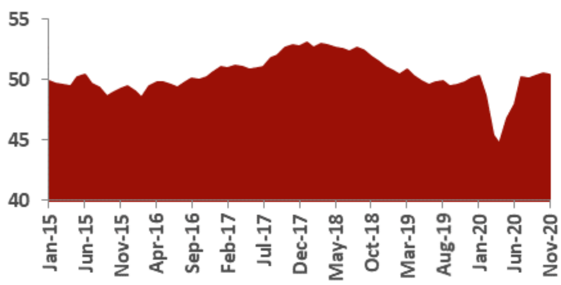
Source: JTC, OCBC Credit Research

Figure 25: Additional supply by sub-segment Cumulative 4Q2020 to 2024



Source: JTC, OCBC Credit Research
Note: Total of 5.0mn sqm additional supply over 4Q2020 to 2024

Figure 26: Singapore PMI - Manufacturing Index



Source: Singapore Institute of Purchasing and Materials Management

Singapore Office REITS – New Beginnings

Office prices and rents slipped in 2020 due to the outbreak of COVID-19 which dampened the economic outlook. Specifically, in 3Q2020, office prices fell 8.4% y/y and office rents was down by 8.3% y/y.

Within the office sector, we are seeing multiple factors at play. First, still tepid employment outlook for 2021, even if this is likely to improve from 2020. Corporations are in general putting their expansion plans on hold, thereby reducing new demand for spaces.

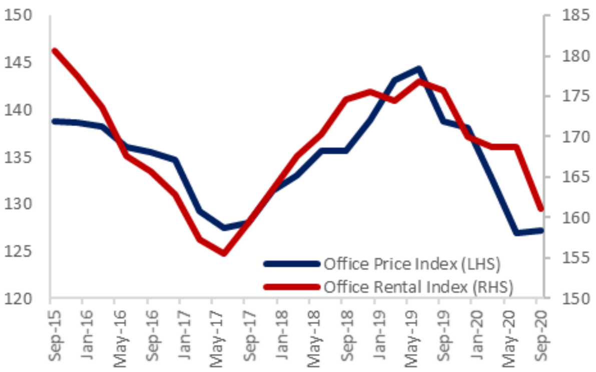
Second, remote working has become widely accepted following the pandemic. Unlike the bleak employment outlook which can be temporary, we think there has been a shift in psychology to embrace remote working and therefore, remote working is here to stay. We expect this to have a wider ripple effect through the office sector, as management adjust their operation plans and their real estate footprint. We also expect large corporations which typically are tenants at Grade A office buildings in the Central Business District to pivot their business more decisively as compared to small and medium sized enterprises.

Third, wave of companies relocating or expanding to Singapore. With the various political issues going on elsewhere in the world, we expect firms to become interested in diversifying their geographical footprint and to consider Singapore.

Lastly, despite all the ongoing changes, we think that office space may see new beginnings. Our longer-term view is that companies will continue to anchor the workforce in office spaces but adjust the nature of office spaces. Instead of office being a space packed with desks/ individual spaces, it may evolve to become space employers use to create an environment for employees to congregate in person to build culture, forge bonds and generate ideas.

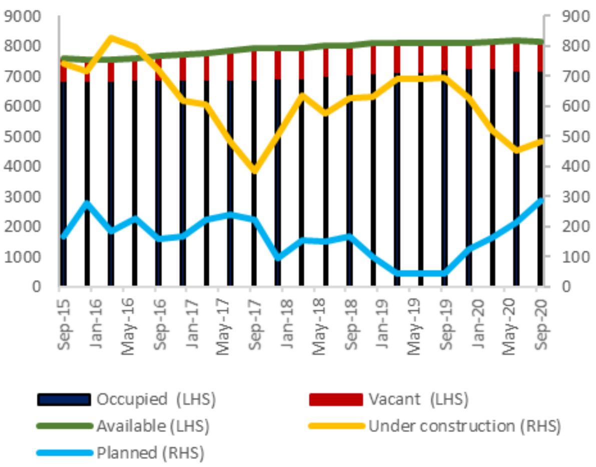
Balancing all the factors, we think demand for office spaces may continue to fall in the short term, leading to higher vacancy rate. Vacancy rate was 12.0% in 3Q2020 vs 10.6% a year ago. The increase in planned office spaces in 2021 may also add pressure to office rents.

Figure 27: Office Price and Rental Index



Source: URA, OCBC

Figure 28: Office stock and supply pipeline ('000 sq m)



Source: URA, OCBC

Figure 29: Vacancy rate (%)

Source: URA, OCBC

Singapore Retail REITS – Languishing

Amid the pandemic, prices of retail space slipped to a low in 2Q2020 before rebounding 2.2% q/q in 3Q2020 while rental rate was the lowest in 3Q2020. While a recovery is on the cards given the low base, the broad trend for physical retailing remains weak.

While supply under construction has come down meaningfully in the recent quarters, we are seeing an uptick in planned development. We think this can add pressure to the sector in the future. Vacancy rate rose to 9.6% in 3Q2020 vs 7.5% a year ago, with occupied space falling faster than total amount of available space. Evidently, demand has been weak.

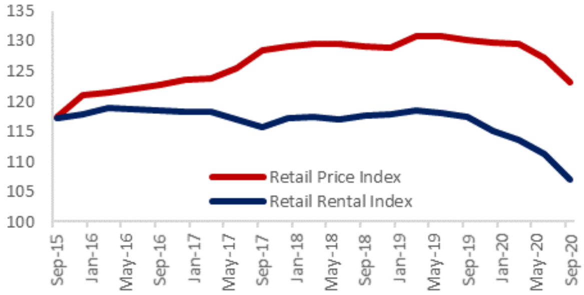
The weakness seen in the retail sector can also be deduced from lower retail sales. Over 9M2020, only two trade sectors – Supermarkets and Computer and telecommunication equipment saw better performance.

Simultaneously, online sales picked up and contributed to 13.1% of total sales in 9M2020 (2019: 5.8%, 2018: 5.0%). We think the accelerated adoption of online shopping can be attributed to COVID-19. Supporting our view that online sales is a leakage from the brick and mortar stores, the sales value generated by brick and mortar stores had declined to SGD23.6bn over 9M2020 (2019: SGD42.0bn, 2018: SGD43.5bn).

Broadly, we continue to experience structural changes within the retail landscape and are of the view that online sales will continue to grow. Over time, we can expect more efficient, reliable, and affordable delivery services (especially for last mile delivery which has historically been a problem) to further enhance the attractiveness of online shopping. That said, this does not equate to the end of brick and mortar stores in Singapore. We think our society would arrive at a new equilibrium where one engages to some extent in online shopping as well as physical shopping depending on their preferences and needs. With that, we can expect the offerings available in shopping mall to evolve.

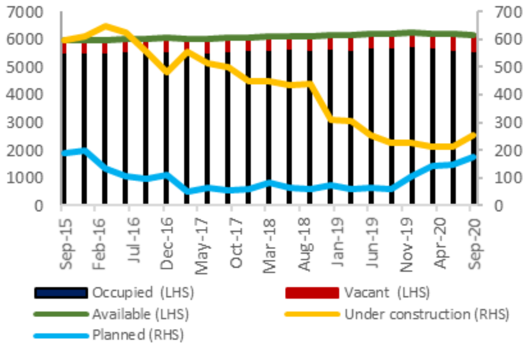
In the meantime, the suburban malls are expected to be more resilient than malls located elsewhere, and high-quality and well managed malls will continue to be able to attract new tenants and evolve with times (eg: as a community hub). That said, the retail sector will continue to experience pains where nonperforming tenants would depart, and malls may have to accept negative rental reversion to bring in new tenants.

Figure 30: Retail Price and Rental Index



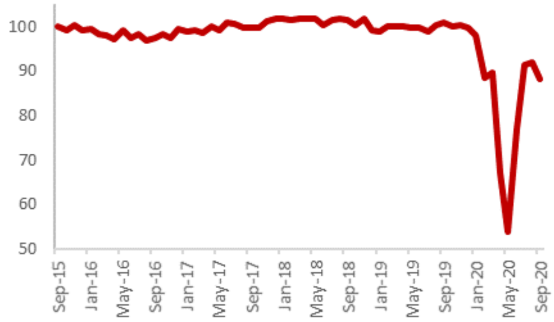
Source: URA, OCBC

Figure 31: Retail stock and supply pipeline ('000 sq m)



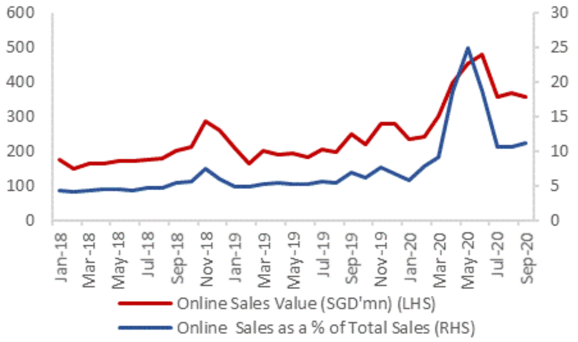
Source: URA, OCBC

Figure 32: Retail Sales Index (Excl. Motor Vehicles) At Current Prices, SA



Source: Singstat, OCBC

Figure 33: Online Sales



Source: Singstat, OCBC

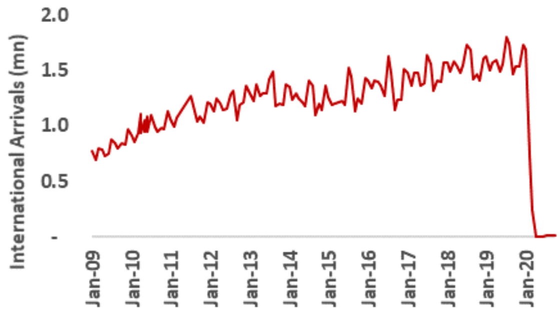
Singapore Hospitality REITS – Braving through COVID-19

The Hospitality sector was the weakest property sector among the REITs. With domestic and international borders curbs along with health and safety concerns, travel and hospitality activities have been significantly curtailed amidst COVID-19. For many hospitality assets owners and operators, survival during this period continues to be a key focus. In 2019, international visitor arrival to Singapore was 19.1mn (10M2019: 15.9mn). This fell to a miniscule of 2.7mn in 10M2020, 98% who arrived in 1Q2020, on the verge of the global spread of COVID-19. Occupancy in the Singapore market held up stronger compared to other key gateway cities through 2020 as occupancy were buffered by guests serving stay-home-notices and foreign workers who were unable to travel out of Singapore. On average, hotel occupancies for 10M2020 was 56.5% (2019: 86.9%) while average room rate ("ARR") for 10M2020 was SGD129, resulting in a revenue per available room ("RevPAR") of SGD75. In contrast, this was SGD221 and SGD192 respectively in 2019.

Hospitality assets in Singapore have historically been a "store of value" and this played out during the current crisis for the hospitality industry. While there has been distress sale and hotel closures regionally, especially among resort-type assets, there were no investment sales in Singapore in 9M2020 (2019: SGD5.7bn) per Colliers. Frasers Hospitality Trust which has announced its annual valuation as at 30 September 2020 only reported a 4.7% y/y decline for its Singapore portfolio.

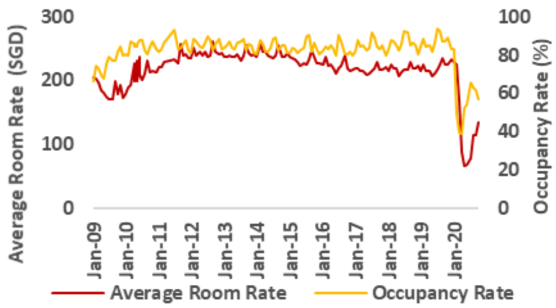
Going forward, the focus in Singapore is on gradual recovery. The Singapore Tourism Board ("STB"), Enterprise Singapore and representation from the industry has jointly establish a roadmap to address the safe and manageable pathway for the Singapore Meetings, Incentives, Conventions, Exhibitions ("MICE") industry and encouragingly, Singapore will be hosting the Davos World Economic Forum in 2021. In the near-term, Singapore hotels are reliant on staycations and ancillary revenue. Based on the rebound of activity in the Greater China region, underlying demand is expected to be strong when borders reopen. Hospitality operators with large domestic markets (eg: China, Australia, Japan) are likelier to recover first with leisure demand superseding business travel. Per STB data, Singapore has 63,122 gazetted hotel rooms in end-2019 (up 4.2% y/y). Based on data from the Urban Renewal Authority, in end-3Q2020, 8,659 rooms were in the pipeline. Assuming end-2019 numbers have stayed constant, the pipeline represents 13.7% of existing stock.

Figure 34: International Visitor Arrivals



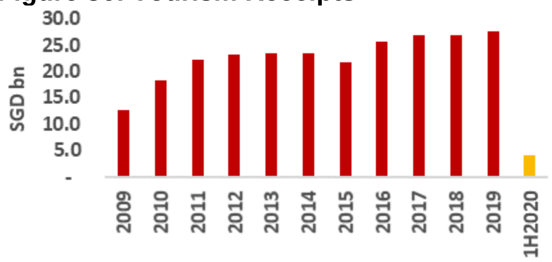
Source: Singapore Tourism Board

Figure 35: Singapore Historical Average Room Rate and Occupancy



Source: Singapore Tourism Board

Figure 36: Tourism Receipts



Source: Singapore Tourism Board

Table 5: Occupancy Rate Selected Cities

City	Oct' 2020	Description and Data Source
Singapore	49.9%	Average of mid-tier, upscale and luxury; STB
Shanghai	60.4%	Star rated hotels; CEIC
Hong Kong	31.0%	Hong Kong High Tariff A; Bloomberg
Tokyo	82.7%	Major hotels; Travel Daily News
London	29.3%	Preliminary numbers; STR
New York City	39.0%	Quoted by Bloomberg; STR
Sydney	16.0%	Forecast; HNN Newswire

OCBC Credit Research Views on REIT Property Sectors

Table 6: REIT statistics (as of 30 September 2020 unless otherwise stated)

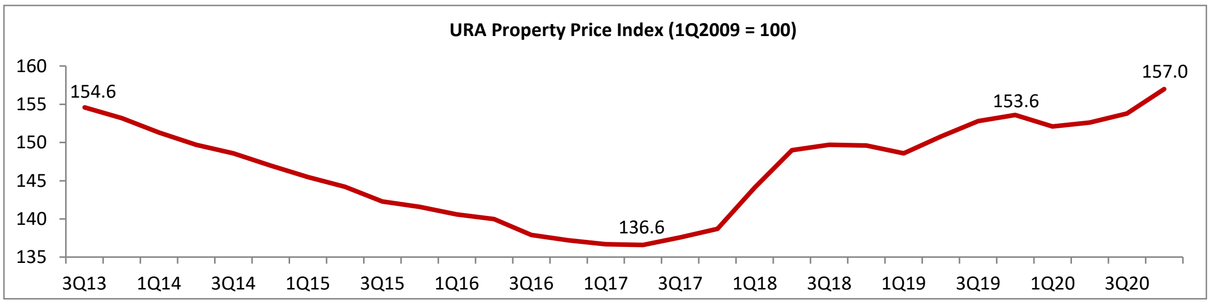
	Aggregate Leverage (%)	EBITDA/Interest (Latest available period)	EBITDA/Interest (previous year corresponding period)	Debt Duration (years)	Debt cost (%)	Proportion of debt fixed/hedged (%)
OFFICE						
CapitaLand Commercial Trust	36.9	3.9	4.5	3.2	2.20	88.0
Keppel REIT	35.0	1.3*	0.9	3.3	2.39	80.0
Mapletree Commercial Trust	33.8	3.8	4.5	4.5	2.57	71.5
Suntec REIT	41.5	1.3*	1.6	3.1	2.60	74.0
Average:	**36.8**	**2.6**	**2.9**	**3.5**	**2.44**	**78.4**
RETAIL						
CapitaLand Mall Trust	34.4	3.3	4.3	4.3	3.10	100.0
Frasers Centrepoint Trust	35.9	2.0	4.2	2.1	2.40	54.3
Lippo Malls Indonesia Retail Trust	42.5	1.8	4.1	2.6	5.85	95.1
Mapletree North Asia China Commercial Trust	40.1	3.4	4.0	3.1	2.09	77.0
Starhill Global REIT	39.1	1.8*	3.5	2.5	3.25	89.0
CapitaLand Retail China Trust	34.7	2.8*	4.4	3.2	2.77	80.0
Average:	**37.8**	**2.5**	**4.1**	**3.0**	**3.24**	**82.6**
INDUSTRIAL						
Ascendas REIT	34.9	4.1*	3.9	3.7	2.80	81.9
Mapletree Industrial Trust	38.1	6.0	6.3	3.2	2.70	93.8
Mapletree Logistics Trust	39.5	5.2	4.6	3.8	2.20	80.0
ARA LOGOS Logistics Trust	40.5	3.9*	3.8	3.3	3.32	68.1
AIMS APAC Industrial REIT	33.6	4.1	4.4	2.6	3.20	80.1
Average:	**37.3**	**4.7**	**4.6**	**3.3**	**2.8**	**80.8**
HOSPITALITY						
Ascott Residence Trust	34.6	2.5*	4.3	3.0	1.80	80.0
Frasers Hospitality Trust	37.7	1.1	4.7	3.6	2.30	74.9
Average:	**36.2**	**1.8**	**4.5**	**3.3**	**2.1**	**77.5**
OTHERS						
First REIT	34.9*	3.3*	5.0	1.5*	4.10*	39.9*

Source: OCBC Credit Research, Company
*as at 30 June 2020

Singapore Property – No Recession in the Singapore Residential Property Market

Resilience in the property market…: We have been proven wrong twice on the property market since the publication of our Credit Outlook 2020 in early January last year. The first error was to underestimate the virality of COVID-19; our bullish thesis was invalidated within weeks when it became apparent that the outbreak in Wuhan was not just a SARS-like epidemic within China but a pandemic that the world is still grappling to overcome. Believing a significant downturn would ensue, we turned bearish in March 2020 and therein lies the second error in underestimating the faith in the Singapore property market. Despite the economic headwinds and fall in property prices by 1.0% q/q in 1Q2020, Singapore private residential property prices has rebounded in 2Q-3Q2020. As of 3Q2020, prices are 0.1% higher than 4Q2019 (pre-COVID-19). URA flash estimates of 4Q2020 residential property prices paint an even rosier picture; 4Q2020 property prices increased by 2.1% q/q, surpassing the previous all-time high in 3Q2013 by 1.6%.

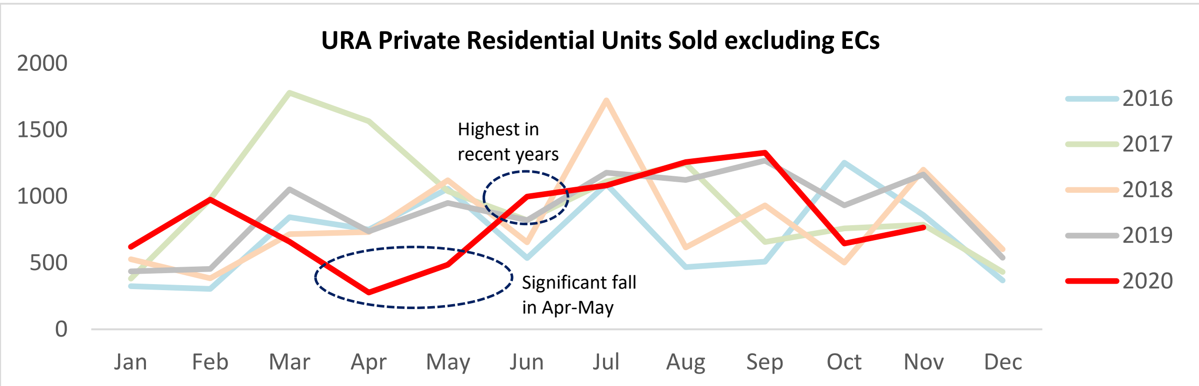
Figure 37: URA Property Price Index



Source: URA, OCBC

…regardless of bearish conditions: The fall in GDP in 2Q2020 (-13.3% y/y) and 3Q2020 (-7.0% y/y) are the largest since the 2007-09 Global Financial Crisis ("GFC"). Unemployment rate rose to 3.6% in Sep 2020, which surpassed the peak unemployment rates of 3.3% during the GFC. Given that property prices fell 25% from peak to trough over the recession in 2008-09, we were cautious of the outlook in 2020. The outlook in Apr-May 2020 looked bleak then as property transactions slowed significantly, exacerbated by the Circuit Breaker which disallowed physical viewing of property. The plunge in travel had also dampened demand from foreigners. Meanwhile, several developers reacted by offering discounts of 3-8% on a number of developments, with Bukit Sembawang offering the highest price discounts of 10-16% for the development at St Thomas Walk, as reported by Business Times in 16 June 2020. At that point in time, risks were rising that a dash for exit (e.g. by disposing inventory at lower prices) may materialise as supply (which had built up significantly following the 2017-18 en-bloc craze) was diverging further away from demand.

Figure 38: URA Private Residential Units Sold



Source: URA, OCBC

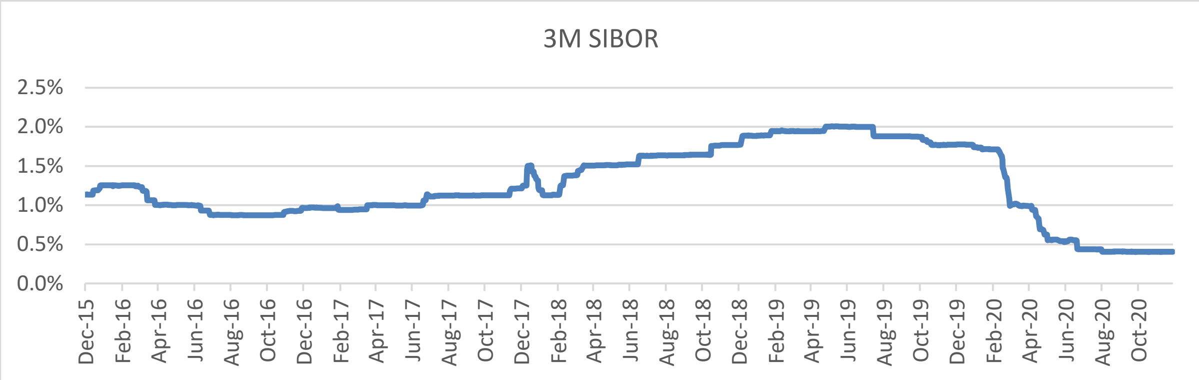
What's preventing property prices from falling despite a steep recession?: Unlike the GFC, things are different this time. There were few forced sellers, aided by new regulations allowing homeowners to defer mortgages which amount to more than SGD15bn[1], representing nearly 10% of all outstanding mortgages. Homeowners have stronger holding power after the successive rounds of property cooling measures in the past decade. Household debt to GDP fell from mid-70% levels in 2012-2014 to 63.1% as of 1Q2020 (though 3Q2020 saw an increase to 67.1% due to the fall in GDP). The rollout of the Job Support Scheme ("JSS"), which partly covers salaries of employees, also partly mitigated job losses. In any case, there was less room for property prices to correct given that the uptick in prices prior to 1Q2020 have been mild.

Who's buying?: With the Phase Two re-opening of the economy in 18 June 2020, buyers are allowed to visit show-flats. Developers sold 998 units (excluding ECs) in June-2020, which is the highest sales for June in recent years. Property sales (excluding ECs) continued to increase with each passing month, reaching a 2-year peak of 1,329 units sold in the month of Sep 2020, reflecting sustained demand and not just pent-up demand. With 9,100 units sold in 11M2020 (Jan 2020 to Nov 2020) and 26,483 units remaining unsold as at 3Q2020 (3Q2019: 31,948), supply-demand gap has narrowed y/y. Meanwhile, private residential prices increased 1.1% over 1Q-3Q2020, defying hopes of bargain hunters. We think buyers are emboldened, likely due to the K-shaped recovery which lends confidence for

[1] Amount of mortgages deferred by the local banks, according to the Monetary Authority of Singapore ("MAS")

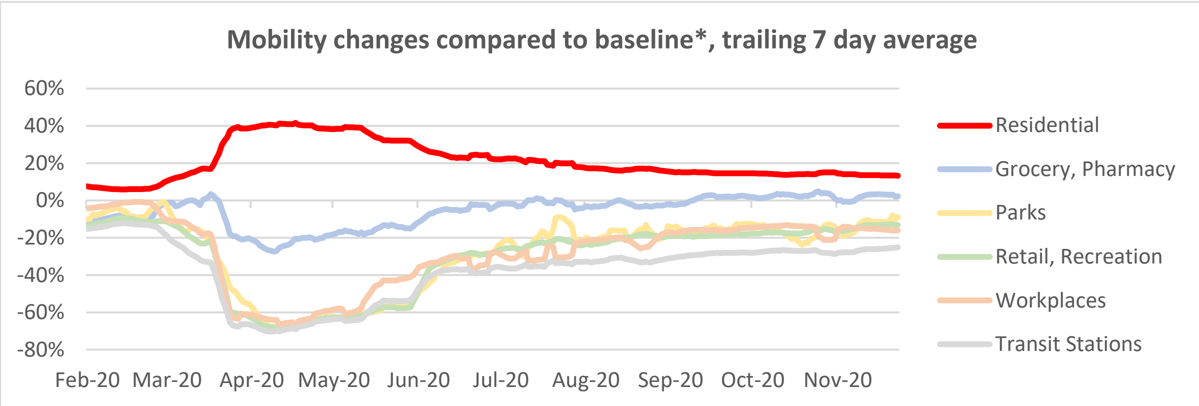
those who see stable job prospects or booming recovery, as well as cheaper borrowing costs given the fall in 3-month SIBOR by over 100bps since early 2020. With significantly more time spent at home relative to other activities following the outbreak of COVID-19, we believe this may spur several prospective homeowners to find a suitable abode which can accommodate live, work and play.

Figure 39: SM SIBOR



Source: Bloomberg, OCBC

Figure 40: Mobility Changes Compared To Baseline

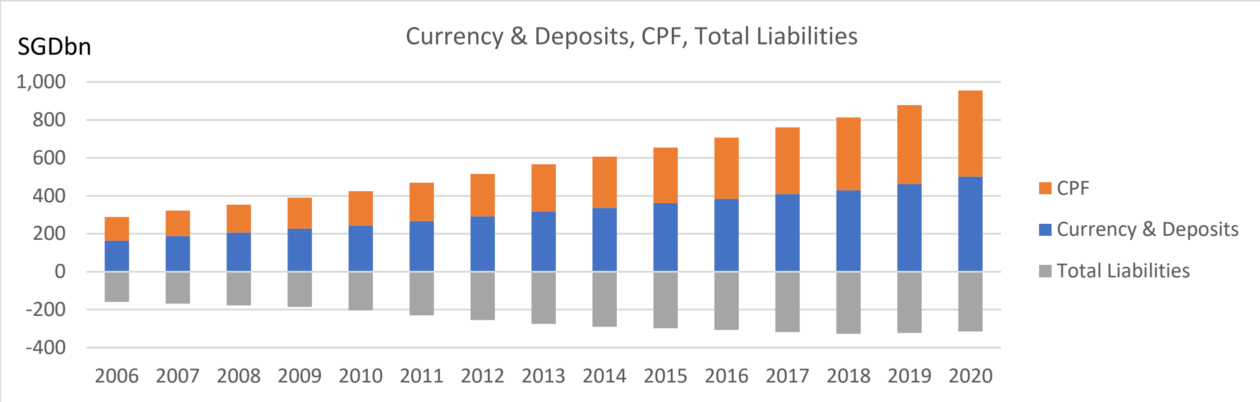


Source: Google COVID-19 Community Mobility Report, OCBC
*Baseline refers to the 5-week period from 3 Jan to 6 Feb 2020

Singapore households are rich and getting richer rather quickly: The average Singapore household is cash-rich and getting richer quickly. Currency & deposits grew by 8.3% p.a. over 2006-2020 to SGD502.2bn as of 3Q2020, outgrowing total liabilities (3Q2020: SGD315.0bn) by ~60% over the same period. We estimate that the average household has SGD365.3k of currency and deposits as of 3Q2020. This compares well against the average US family which has USD41.7k (~SGD55.3k) in transaction accounts[2] as of 2019, according to the Federal Reserve. Based solely on currency and deposits, the average Singapore household can afford the down payment for the first residential private property worth up to ~SGD1.5mn, assuming cash is not needed to be set aside for other purposes. Meanwhile, CPF has grown at a faster pace of 9.7% p.a. over 2006-2020 to SGD453.0bn as of 3Q2020 (3Q2006: SGD124.6bn). Assuming 50% of the CPF is in the ordinary account, which can be deployed for housing purchase, the average household can afford the down payment of a ~SGD2.1mn property. If we further assume that the household is willing to divest its public housing asset (SGD316.5k per household), less the value of total liabilities (SGD229.5k per household), the average household can afford the down payment of a ~SGD2.5mn property.

[2] Transaction accounts include checking, savings, money market, call accounts, prepaid debit cards

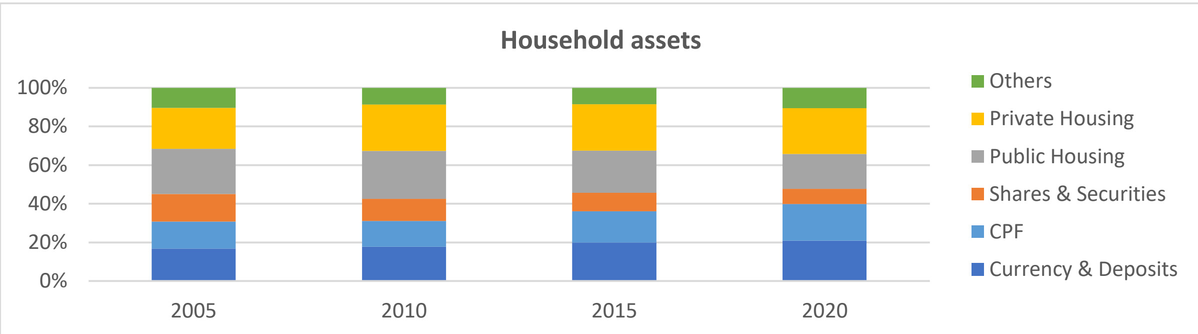
Figure 41: Currency & Deposits, CPF, Total Liabilities



Source: Singstat, OCBC estimates

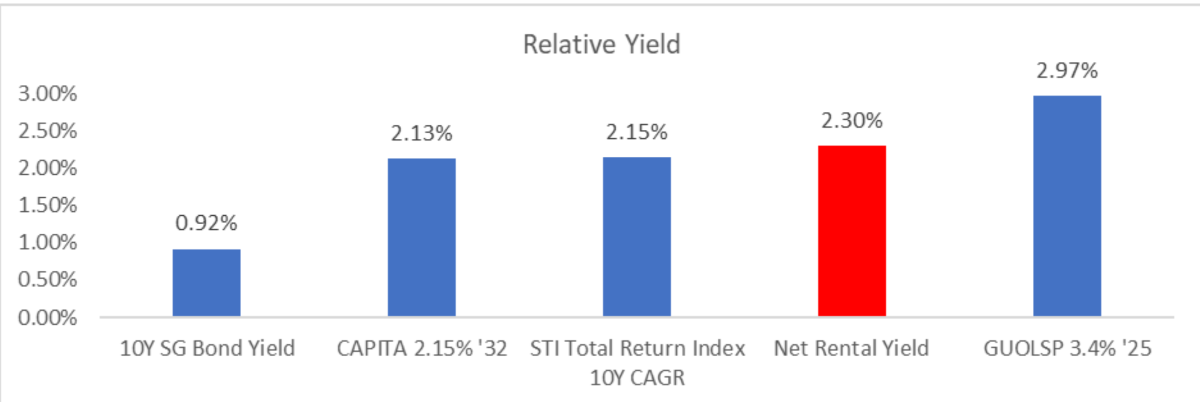
Where else should money go?: Investment choices today are less rewarding; due to the low interest rate environment, yields are depressed for a number of assets. 10Y Singapore government bonds currently yield just 0.97%, a significant decline from ~2% levels in recent years. Yields of highly rated corporate bonds such as CAPITA 2.15% '32s (YTM: 2.13%) are similarly compressed. Returns in the Singapore equity market has been somewhat dismal, delivering total returns of 2.15% p.a. in the last 10Y. Comparatively, Singapore property promises to deliver a higher yield; private residential property averages net rental yields of 2.3% as of 2019, according to 99.co, though we think yields are likely marginally lower now as URA rental index as of 3Q2020 has fallen ~0.7% since Dec 2019. As of 3Q2020, currency & deposits and CPF has grown to ~40% of the total household assets. With deposit rates falling and SGD financial assets no longer promising to yield much, we think local-biased investors may reallocate assets to the housing market. That said, we hope that our readers like you are not rushing to exit the Singapore bond market as there is still room for yield pickup. If we believe that Singapore property is a good investment, bonds of Singapore property companies such as GUOLSP 3.4% '25s are still yielding close to 3%.

Figure 42: Household Assets



Source: Singstat, OCBC estimates

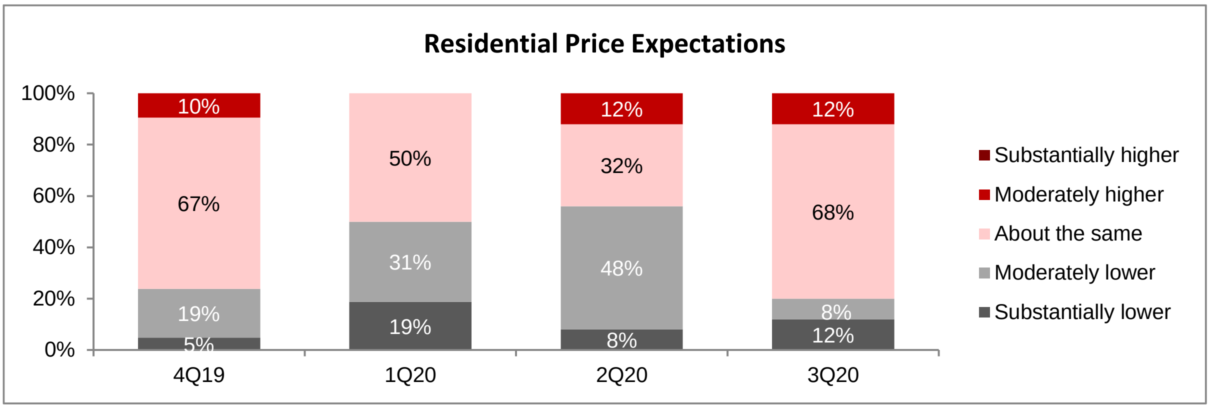
Figure 43: Relative Yield



Source: Bloomberg, 99.co, OCBC estimates

Developers look unlikely to cut prices from here: While half or more than half of the developers were expecting prices to decline in 1Q-2Q2020, such pessimism has largely faded away in 3Q2020 – price expectations have rebounded to levels similar to that of 4Q2019 (pre-COVID-19). This is likely buoyed by strong sales achieved recently including Penrose (385 units sold worth SGD487.2mn in Sep 2020), Treasure at Tampines (326 units sold worth SGD420.5mn in Jul-Sep 2020), Forett at Bukit Timah (244 units worth SGD395.4mn in Jul- Sep 2020). According to URA caveats, these developments continue to sell well into 4Q2020, which should lend confidence for developers to price higher.

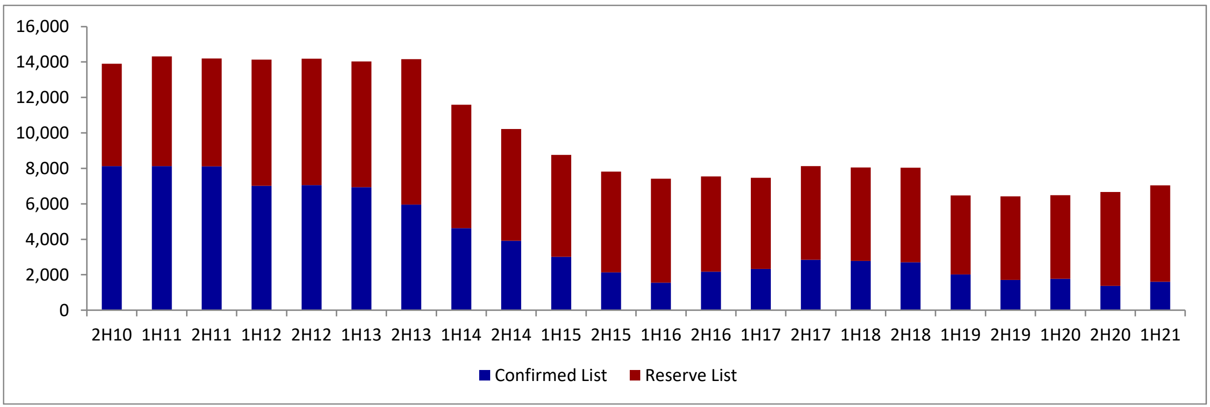
Figure 44: Residential Price Expectations



Source: NUS Real Estate, OCBC

The end of the property lost decade is near: Two years ago, we pondered if we were halfway through the lost decade for property, in part due to the rapid supply build-up, property cooling measures and the government's intention to keep the property market 'in line with income growth'. With changing times, we think that the end of the lost decade is near. Unsold units in the pipeline has declined significantly to 26,483 units as of 3Q2020 from the peak of 36,839 units as of 1Q2019. Demand-supply gap is expected to shrink further as demand (9M2011: 9,100 units sold) should continue to exceed new supply. Total units under the confirmed list under the Government Land Sales programme remains low (1H2021: 1,605 units) while sites under the reserve list, though substantial in total units, have rarely been triggered for sale in recent years. En-bloc activities have also quietened down. Although the URA is restricting the re-issue of Option to Purchase ("OTP") in a bid to encourage financial prudence, which led to fewer property transactions in Oct and Nov 2020, we think the reduction in transactions may be temporary. Without the re-issue of OTP, HDB upgraders will need time to sell their existing property to raise capital and find alternative accommodations before committing to purchase of a new property. It is unlikely for the government to significantly intensify property cooling measures, for now, despite the apparent divergence between property price (9M2020: +0.1%) and GDP (expected to decline by 6 to 6.5%). Unlike 2017-18 period when MAS sounded alarm bells of 'excessive exuberance' and 'considerable uncertainty', we do not find a similar language in the recently published Financial Stability Review 2020, except with a mention that the housing market requires close monitoring. With clearer skies ahead, we believe that the private residential property market will be supported by an aspirational society which is increasingly wealthy, and expect property prices to increase by 5-8% in 2021. (URA, OCBC)

Figure 45: Government Land Sales



Source: URA, OCBC

An orderly exit for developers, a much-needed reprieve: Developers have entered 2020 with a weakened hand, having leveraged up significantly for acquisitions (including en-bloc) in recent years. Construction delays due to social distancing measures at the work site and outbreaks of COVID-19 cases at worker dormitories have impacted cashflows. That said, the government will be allowing a six-month extension of the project completion period, which provides more leeway for developers to plan sales. According to the Financial Stability Review 2020, citizens and permanent residents accounted for 95% of all property transactions as of 3Q2020. We believe this has been the driver behind price increase as of 3Q2020 for properties located in Outside Central Region (+1.4% since 4Q2019) and Rest of Central Region (+0.26%), which are typically favoured by citizens and permanent residents. Although foreigner demand, which favour developments in Core Central Region (-3.4%), has yet to return, we believe a rising tide would eventually lift all boats. According to OrangeTee & Tie, homes sold above SGD2,000 psf has seen a substantial pickup in November. The reduction in unsold inventory and firm property prices should allow most developers to maintain margins and sell the remaining units, thereby generating cashflows and freeing up capital, which in turn will be credit positive for developers. Although the worst is likely over, the golden era for developers is unlikely to return. Land bids are likely to remain intense due to declining inventory in the pipeline. Hopefully, memories of ever-increasing prices during the en bloc craze in 2018 remains fresh in the minds of bidders, lest the price of flour exceed that of bread.

Urban Solutions & Sustainability

What is the Paris Agreement and Singapore's involvement? In 2015, countries globally came together to undertake an effort to combat and adapt to climate change. It is the main environmental accord on climate change with 188 parties having ratified this agreement as of writing. While the US, the second largest emitter globally formally withdrew from the Paris Agreement on 4 November 2020, the new President-elect of the US intends to apply to re-join the effort. Despite not being a party to the Paris Agreement, US-based companies have been advancing the country's USS industry, both as a supplier of new products and services and as a consumer.

Chiefly, countries have pledged to keep global temperature rise this century to below 2.0°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C. Rather than a one size fit all approach, under the agreement, each country is allowed to come up with their respective nationally determined contributions ("NDCs") that it intends to achieve, with a requirement for regular reporting on its implementation progress. Among the key targets of the Paris Agreement is to reach global peaking of greenhouse gas emissions as soon as possible. Carbon dioxide is the main greenhouse gas generated through human activities.

According to the 2019 Global Climate Summary report by the National Oceanic and Atmospheric Administration ("NOAA"), an agency under the US Department of Commerce, the combined land and ocean temperature has increased at an average rate of 0.07°C per decade since 1880, however, the average rate of increase since 1981 was 0.18°C. Effectively, the speed up in climate change has been known for about four decades though efforts to tackle this issue globally only accelerated in the past five years. Per data from the Meteorological Service Singapore, a division under the National Environment Agency, temperature records since 1948 to date show that mean surface air temperature for Singapore has risen by an average of 0.25°C per decade, about double that of the global average. Singapore ratified the Paris Agreement in September 2016 and originally the target only stated a reduction in emissions intensity by 36% from 2005 levels by 2030 and stabilising emissions with the aim of peaking around 2030.

However, in March 2020, Singapore had updated its pledge with an absolute target to peak emissions at 65 million tonnes of carbon dioxide equivalent ("$MTCO_2e$") by around 2030. In April 2020, the country further released a long-term low emissions development strategy which aspires to halve emissions from peak to 33 $MTCO_2e$ by 2050 with a view of achieving net zero emissions as soon as viable in the second half of the century. As a high income economy, Singapore's net zero emissions pledge that does not have a specific timeline is seen as less ambitious versus other high income countries, including Finland by 2035, Sweden by 2045, Norway by 2050 (2030 using flexible means including carbon trading and international cooperation on reduction in emissions), France, Germany, New Zealand and the UK by 2050. Many of these targets have been put into the national law of the respective countries. In October 2020, China publicly announced its intention to be net zero by 2060, followed by announcements from both Japan and South Korea by 2050. Net-zero means greenhouse gas emissions that are generated by human activities are offset by emissions removed from the atmosphere.

No longer a "good to have" as Singapore economically needs to prepare for a low carbon future: Singapore as a country contributes 0.11% to the world's emissions, with commendable emissions per-dollar GDP (126th out of 142 countries per the International Energy Agency), although Singapore's per capita carbon footprint is 27th globally. Singapore generated ~52$MTCO_2e$ in 2017, 60% of which is attributable to the industrial sector. With Singapore a leading hub for refining and petrochemicals in the region, it is not surprising that emissions from the industrial sector far supersedes other sources. In the short-term, climate change expenditure or opportunity cost (in cases where economic development plans are shelved), is akin to a "public good" that does not necessarily translate to investment returns. This is especially more so as countries are on different trajectories of economic growth.

Arguments about what is fair contribution aside, Singapore is facing an impending risk that the structural transition into a low carbon world would lead to a reduction in economic growth, in our view. Per the Economic Development Board of Singapore ("EDB"), the energy and chemicals industry contributed about SGD81bn to Singapore's total output in 2015, representing about a third of Singapore's total manufacturing output. In 2020, several international oil and gas majors announced targets to be net zero by 2050 while in October 2020, ConocoPhillips announced a goal of being net zero by 2045-2055, becoming the first major US oil and gas major to do so. National oil majors including Petronas, PetroChina, Sinopec Corp and CNOOC Ltd also announced in 2020 their plans to start allocating capex towards renewable energy. In December 2020, miner and commodity trader Glencore also announced its net zero target by 2050.

Economy aside, rising sea levels is a risk to island nations with 30% of Singapore being less than five metres above sea level. As a mitigation, in March 2020, the country announced an initial injection of SGD5bn into a new Coastal and Flood Protection Fund which will be topped up when the fiscal situation allows for it. The total climate change adaptation against rising sea levels might cost SGD100bn or more over 100 years.

Table 7: Selected Global Developments in 2020 Towards a Low Carbon World

Event	Time
Original deadline for countries to submit their new or revised national climate action plans under the Paris Agreement	• February 2020
BP announces net-zero by 2050	• February 2020
Extensive COVID-19 lockdown measures imposed	• March 2020
Oil price falls to a low of USD19.30 per barrel	• April 2020
Royal Dutch Shell announces net zero by 2050	• April 2020
Total announces net-zero by 2050	• May 2020
"Race to Zero" campaign launched with a focus to mobilise participants outside of national governments to join the Climate Ambition Alliance, targets businesses, cities and investors	• June 2020
BP takes USD17.5bn of impairments from value of assets after reducing its long-term oil and gas price forecasts	• June 2020
Morgan Stanley becomes first US-based bank to start measuring and disclosing emissions generated by businesses it lends to and finances	• July 2020
PetroChina announces near zero emission by 2050 and that it is drafting a new green and low carbon development plan	• August 2020
China announces policy direction on net zero by 2060	• September 2020
CNOOC's first offshore wind project connects to the grid	• September 2020
Japan and South Korea announces policy direction on net zero by 2050	• October 2020
World Business Council on Sustainable Development ("WBCSD") set out new criteria for membership which includes net zero emissions by 2050	• October 2020
Sinopec announces that it will expand its hydrogen energy business. In 2019, Sinopec had built the first hydrogen pumping station in China	• October 2020
Equinor announces net zero by 2050	• November 2020
ConocoPhillips announces net zero by 2050, becoming the first US-based oil major to do so	• November 2020
Petronas announces net zero by 2050 and signs a memorandum of understanding with Sarawak Energy to produce green hydrogen from hydropower	• November 2020
UK announces phasing out of internal combustion engine vehicles by 2040	• November 2020
Glencore announces net zero by 2050	• December 2020
Exxon announces that it plans to reduce its GHG intensity over the next five years and start reporting on Scope 3 emissions in 2021	• December 2020

Source: OCBC Credit Research

Many Singapore companies see the growth in sustainability with a neutral lens: Aside from a handful of companies in Singapore who are market leaders of their respective fields and financial institutions, companies in Singapore mostly still view the rise of sustainability in a neutral manner or at the very best, as part of broader Corporate Social Responsibility efforts. That being said, since the Singapore Stock Exchange introduced sustainability reporting on a "comply or explain" basis, we have seen a broader range of SGD bond issuers increase their dialogue with the investment community on sustainability matters while publicly available disclosures have become increasingly robust.

Looking more broadly beyond just listed companies, in the 2019/2020 National Business Survey conducted by the Singapore Business Federation, 76% of respondents view the growing focus on climate change and environmental sustainability as having little/no impact in terms of new growth opportunities, 15% view this trend to have a positive impact while 10% views this to have a negative impact. While there have been numerous indications that Singaporeans are aware about climate change and are conscious about the environment, especially younger Singaporeans, there is less evidence to indicate that this consciousness has translated into broad change in consumer behaviour beyond demand for financial services. For example, where consumers are willing to pay more for sustainable products and services.

However, new structural changes come with new business opportunities: We have seen multinationals being more conscious over their business practices where such practices are scrutinised by end-consumers located in diverse geographies, and/or global investors and their lenders, which in turn, is having a knock-on impact on companies in Singapore serving multinationals.

Broadly, we view that there are three main approaches to sustainability among companies (I) Integration of sustainability in business practices with a focus on cost savings (2) Reshaping existing products and services to a more sustainable version and (3) Seeking entirely new business growth opportunities from the USS industry. Overlaps could also occur where sustainable business practices evolve into a new income stream (for example, captive power plants selling electricity to the grid). In our view, to various extents (1) is currently practiced by large cap companies in Singapore while a handful of companies are benefitting from reshaping existing products and services and entering into new businesses. Arguably, compared to cost savings, it is harder to achieve revenue growth and profitability in the USS industry given the technical knowledge involved, skillsets which may be nonexistent internally and untested business models. Afterall, it is easier to set the air-conditioning temperature to 25°C office-wide than developing an entirely new business stream.

New growth sectors and business models have emerged from the transition to a low carbon world. Among those that are increasingly commercially viable are renewable energy, battery storage, electric vehicles and products and services targeting "green consumers". These sectors are currently in a high growth phase with continuous new scientific research and business models evolving swiftly. In 2019 4.7% of cars sold in China were electric vehicles per CleanTehnica, a trade journal for the industry, though the country is targeting the market share of new sales to increase to 25% by 2025. Cutting-edge companies in the USS industry that were unprofitable until recently include Tesla Inc and LG Chemical's battery division. While there have been new companies set up in Singapore to capture opportunities in these areas, so far none have entered public markets for fundraising.

There is yet no official data on how much the USS industry contributes to Singapore's GDP, employment numbers or nominal value added, though we have seen various developments occur in 2020.

Table 8: Selected 2020 Developments in Singapore in Relation to the USS Industry

Broad Category	Development	Time
Electric Vehicles	• Singapore aims to phase out all internal combustion engine vehicles by 2040. Presence of electric vehicles on the road in Singapore is currently negligible at 0.1% of total vehicle population • Rebates capped at SGD20,000 per vehicle will be rolled out for electric vehicle buyers in 2021 to 2023	• February 2020
Infrastructure	• Keppel Corporation Ltd ("KEP") announces that it is exploring floating data centres • A moratorium on new data centres to be built in Singapore was imposed since early 2019	• April 2020
Financial Services	• The Monetary Authority of Singapore issued consultation papers on proposed Guidelines on Environmental Risk Management for banks and asset managers • In 2019, all three domestic banks announced their decision to stop funding new coal projects	• June 2020
Public Policy	• Ministry of Environment and Water Resources ("MEWR") renamed into Ministry of Sustainability and the Environment ("MSE") • MSE announces that 55,000 new and upgraded jobs are expected to be created in the next 10 years	• July and August 2020
Infrastructure	• Pan-United Corporation, KEP, Chevron and Surbana Jurong Private Ltd ("Surbana Jurong") signed a memorandum of understanding to explore and develop Singapore's first carbon capture system	• July 2020
Energy and Real Estate	• Sembcorp Industries Ltd ("SCI") spins out Sembcorp Marine Ltd ("SMM"), which is a shipbuilder catering to the offshore oil and gas sector, via a two-step process • Going forward profitability for SCI will be driven by its Energy and Urban business segments	• September 2020
Electric Vehicles	• Construction of Hyundai's assembly plant and research & development ("R&D") centre in Singapore for electric vehicles begins	• October 2020
Financial Services	• Singapore to develop as Asia's carbon services hub • Tender for study has been called by Enterprise Singapore and the EDB • In 2019, Singapore became the first Southeast Asian country to impose a carbon tax, which will be reviewed in 2023	• September/ October 2020
Infrastructure R&D	• Research funding of SGD49mn set aside to fund low-carbon energy research and test-bedding efforts in hydrogen and carbon utilisation and storage	• October 2020
Energy	• Announces plan to deploy 2 gigawatt-peak ("GWp") of solar energy by 2030 • Announces a pilot trial where Singapore will import 100MW of electricity from Malaysia, with renewable energy sources preferred	• October 2020
Financial Services	• Singapore Management University and Imperial College collaborates to launch the Singapore Green Finance Centre, dedicated to green finance research and talent development • Supported by the MAS and nine financial institutions as founding partners	• October 2020
Real Estate R&D	• Led by CapitaLand Ltd, a Smart Urban Co-Innovation Lab has been set up in Singapore to test smart cities solutions in a live and localised environment	• November 2020
Electric Vehicles	• Hyundai and SP Group signs an agreement to expand electric vehicle charging infrastructure in Singapore and develop a new business model for battery leasing	• November 2020

Source: OCBC Credit Research, Straits Times, Business Times, CAN

Key SGD-bond issuers under our radar for the sustainability as a business sector: In our view, among SGD-bond issuers, six companies stand out as being the most able and willing to capture opportunities in sustainability as a business, though at different paces and at different percentage contribution to income. These are CapitaLand Ltd ("CAPL"), Olam International Ltd ("Olam"), SP Group ("SP"), Sembcorp Industries Ltd ("SCI") and Keppel Corporation Ltd ("KEP"). Relative to other SGD bond issuers, SCI and KEP have made bold strides into the USS industry, with SCI entering into the India market in 2011 and acquiring a wind and solar power company in 2015. KEP went even further by announcing in September 2020 that it will be divesting SGD17.5 billion of its assets as it becomes an asset light company and transitions into a company focused on the sustainability industry. We see Olam and CAPL's progression into sustainability more as a natural evolution than a leap, although both were early adopters among Singapore companies in integrating sustainability into business practices. With end-customers in developed markets demanding higher transparency across food supply chains, Olam's sustainability credentials have become a competitive edge while CAPL is continuously pushing the boundaries on green buildings beyond commercial offices. SP Group, which owns the main electricity infrastructure in Singapore is likely to benefit from the growth in electrification, beginning with electric vehicle charging stations.

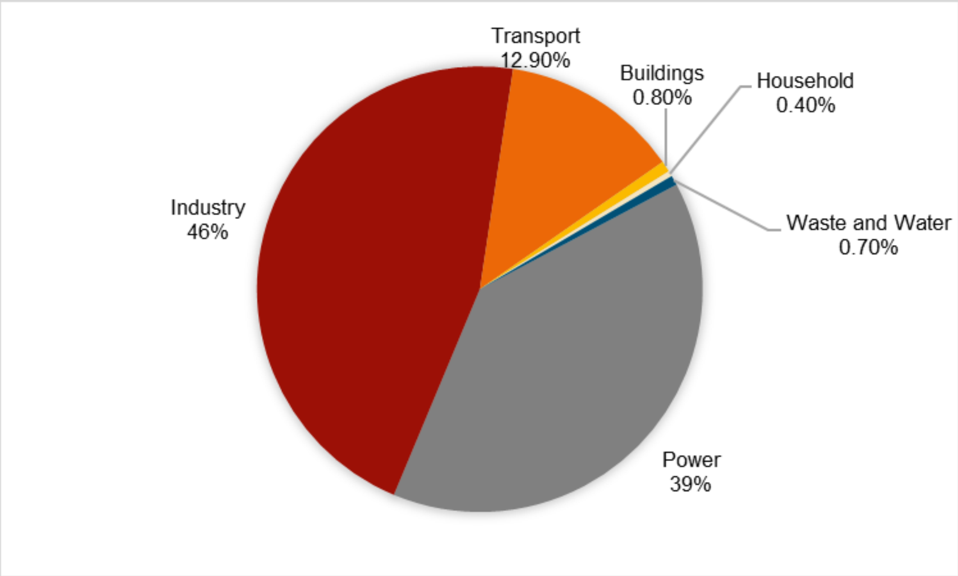
The USS industry is wide-ranging, though the EDB currently focuses on five sub-sectors under this industry.

Table 9: Sub-sectors within EDB's Urban Solutions and Sustainability Industry

Sub-sector	Brief Description	Relevant Bond Issuers
Infrastructure	• Singapore is a regional services hub for the infrastructure industry, including infrastructure consultancy, legal and accounting advisory, project financing and support from multilateral organisation. • Singapore manages 60% of project financing in the Southeast Asian region. • Consumers are increasingly demanding green data centres.	All SGD-bond issuing financial institutions Keppel Corporation Ltd Sembcorp Industries Ltd Keppel Infrastructure Trust Surbana Jurong SP Group
Clean Energy	• Singapore's topography is not conducive for many renewable energy sources, with solar being the most viable currently. • Singapore is positioned as a base for clean energy companies where commercialised products are exported (eg: REC Solar, Sunseap)	Sembcorp Industries Ltd
Water & Environment	• Singapore is a global leader in the water industry with 180 water companies based in Singapore. • Projects underway domestically include: TuasNexus comprising TuasWater Reclamation Plant and the Integrated Waste Management Facility	Sembcorp Industries Ltd Keppel Corporation Ltd Keppel Infrastructure Trust
Built Environment	• Growing Singapore as the global leader and innovation hub for smart and sustainable building solutions in Asia. • By 2030, 80% of Singapore buildings is targeted to be green. • More than 80 cities have adopted Singapore's "Green Mark" label. • Biophilic designed buildings include: PARKROYAL on Pickering, Solaris, CapitaSpring (in construction)	All SGD-bond issuing financial institutions Mapletree Investments Pte Ltd CapitaLand Ltd City Development Ltd Ascendas Real Estate Investment Trust
Urban Mobility	• Singapore is positioning itself as a city for companies to develop, test and commercialise smart mobility technologies and solutions that can be exported to the global market. • Public trials for autonomous electric busses are currently on-going.	NA

Source: EDB, OCBC Credit Research

Figure 46: Singapore's Primary Emission Profile 2017



Source: Charting Singapore's Low-Carbon and Climate Resilient Future published by the National Climate Change Secretariat Strategy Group, Prime Minister's Office

Table 10: Singapore's Secondary Emission Profile 2017

Sector	Secondary Emission	As a Percentage of Power
Industry	14.0%	35.9%
Transport	2.3%	5.9%
Buildings	13.8%	35.4%
Household	6.2%	15.9%
Waste and water	0.8%	2.1%
Others	1.9%	4.9%
Total	39.0%	100.0%

Source: OCBC Credit Research from data tabulated from "Charting Singapore's Low-Carbon and Climate Resilient Future" published by the National Climate Change Secretariat Strategy Group, Prime Minister's Office

How have SGD-bond issuers grown in the USS industry: SGD-bond issuers have predominantly grown organically in the USS industry though are increasingly pursuing partnerships given the technological leapfrogging that is required. As an illustration, KEP has partnered with Mitsubishi Heavy Industries to explore hydrogen powered data centres and has invested in Nautilus, a start-up that is developing a floating data centre in California, USA.

Apart from SCI's 2015 acquisition of a wind and solar company in India, we have not seen major mergers and acquisition activities happening in this space among SGD-bond issuers. Given the intense focus by global investors on the USS sector through 2020, valuations are at an all-time high and future acquirors would likely need to pay up for commercially viable technologies and companies.

SGD bond issuers most impacted by the growth in USS: KEP and SCI will be most impacted by the growth of the USS industry, in our view. With the growth of USS interlinked with top down policy planning, there are opportunities for KEP in public sector projects for its infrastructure business in the near term, though the company is also positioning itself in a myriad of businesses including green data centres, smart cities, vessels for the liquified nitrogen ("LNG") and the offshore wind sector. LNG, Singapore's main fuel source, is fossil based though an important transition fuel globally.

KEP's credit profile will undergo the most significant change while it transforms. Major business transformation tends to be fraught with risk versus taking incremental steps. That being said, KEP as a company has transformed a few times since its formation in 1968. As recently as five years ago, KEP's profitability was linked to the performance of the oil sector though with the oil price fallout then, the company took steps to transition into building vessels for new customers and to build up its other streams of income as a diversified conglomerate. In December 2020, KEP secured a SGD600mn contract to build the first Jones Act compliant wind turbine installation vessel. It is also worth noting that KEP has emerged as an asset manager since 2016, with assets under management of SGD33bn by December 2019. With the spin-out of SMM, a significant corporate action for SCI, immediate next steps in SCI's growth is likely to be more incremental in our view. We expect the company to continue its renewable energy push in India, China and Singapore though we see opportunities also in integrated energy solutions given the company's experience in centralised utilities for Jurong Island and Wilton International in the UK.

Globally, two high carbon companies have transformed successfully, though with two very different strategies. Reliance Industries Ltd (market cap of SGD237bn as at 17 December 2020) pursued emerging opportunities in India which had no direct overlap with its existing oil refining operations while the other, Ørsted A/S (market cap of SGD100bn as at 17 December 2020, formerly known as DONG Energy) was an energy company focused on fossil fuels which transformed into the largest offshore wind player. In November 2020, Ørsted A/S entered into a partnership with BP to develop green hydrogen in Germany.

Please note that due to OCBC's engagement in other business activities, we have suspended our coverage on the following names until these activities are completed:

1. **StarHub Ltd**

Please note that OCBC Credit Research has ceased coverage of the following issuers:

a) **Aspial Corp Ltd**
b) **CMA CGM**
c) **Perennial Real Estate Holdings Ltd**

Contents

B. COMPANY OUTLOOKS - CORPORATES		Page No.
1.	AIMS APAC Real Estate Investment Trust	5
2.	ARA LOGOS Logistics Trust (formerly Cache Logistics Trust)	6
3.	Ascendas Real Estate Investment Trust	7
4.	Ascott Residence Trust	8
5.	CapitaLand Ltd	9
6.	CapitaLand Integrated Commercial Trust	10
7.	Capitaland Retail China Trust	11
8.	China Aoyuan Property Group Limited	12
9.	City Developments Ltd	13
10.	First Real Estate Investment Trust	14
11.	Fraser & Neave Ltd	15
12.	Frasers Centrepoint Trust	16
13.	Frasers Hospitality Trust	17
14.	Frasers Property Ltd	18
15.	Golden Agri-Resources Ltd	19
16.	GuocoLand Ltd	20
17.	Heeton Holdings Ltd	21
18.	Hong Fok Corp Ltd	22
19.	Hongkong Land Holdings Ltd	23
20.	Hotel Properties Ltd	24
21.	Keppel Corp Ltd	25
22.	Keppel Infrastructure Trust	26
23.	Keppel Real Estate Investment Trust	27
24.	Lendlease Group	28
25.	Lippo Malls Indonesia Retail Trust	29
26.	Mapletree Commercial Trust	30
27.	Mapletree Industrial Trust	31
28.	Mapletree Investments Pte Ltd	32
29.	Mapletree Logistics Trust	33
30.	Mapletree North Asia Commercial Trust	34
31.	Metro Holdings Limited	35

B. COMPANY OUTLOOKS – CORPORATES (cont.)	Page No.
32. Olam International Ltd	36
33. OUE Ltd	37
34. Oxley Holdings Ltd	38
35. Sembcorp Industries Ltd	39
36. Shangri-La Asia Limited	40
37. Singapore Airlines Ltd	41
38. Singapore Post Ltd	42
39. Singapore Telecommunications Ltd	43
40. Starhill Global REIT	44
41. Suntec REIT	45
42. The Wharf (Holdings) Ltd	46
43. Wing Tai Holdings Ltd	47
44. Wing Tai Properties Ltd	48

C. COMPANY OUTLOOKS - FINANCIAL INSTITUTIONS **Page No.**

45.	ABN AMRO Bank N.V.	50
46.	Australia & New Zealand Banking Group Ltd	51
47.	Barclays PLC	52
48.	BNP Paribas SA	53
49.	BPCE SA	54
50.	China Construction Bank Corporation	55
51.	Commerzbank AG	56
52.	Crédit Agricole Group	57
53.	Credit Suisse Group AG	58
54.	DBS Group Holdings Ltd	59
55.	HSBC Holdings PLC	60
56.	Julius Baer Group Ltd	61
57.	Landesbank Baden-Württemberg	62
58.	National Australia Bank Ltd	63
59.	Société Générale	64
60.	Standard Chartered PLC	65
61.	UBS Group AG	66
62.	United Overseas Bank Ltd	67
63.	Westpac Banking Corporation	68

Corporate Outlooks

AIMS APAC REIT ("AAREIT")

Issuer Profile: Neutral (4)

Ticker: AAREIT

Background

AIMS APAC REIT ("AAREIT") is structured as a real estate investment trust ("REIT") and listed on the SGX with a market cap of SGD883.3mn as at 4 January 2021 and total assets of SGD1.8bn as at 30 September 2020. AAREIT focuses on investing in industrial real estate in the Asia-Pacific region. As at 18 December 2020, AREIT owns 28 industrial properties, 26 in Singapore, one in Queensland, Australia and a 49%-stake in a business park property (namely Optus Centre) in Macquarie Park, New South Wales, Australia. AAREIT is currently sponsored by AIMS Financial Group ("AIMS"), a privately owned non-bank financial services and investment group based in Australia. AAREIT was established in Singapore. The SGD perpetual and AAREIT 3.6% '24s is issued by HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of AAREIT. The AAREIT 3.6% '22 priced earlier in 2017 is issued by AACI REIT MTN Pte. Ltd, unconditionally and irrevocably guaranteed by HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of AAREIT.

Credit Outlook and Direction

REITs in Singapore were obliged to grant rental waivers ("Additional Rental Relief") to assist eligible tenants who were facing COVID-19 related challenges. AAREIT's 2QFY2021 revenue was up 11.7% q/q to SGD30.5mn, mainly driven by an estimated SGD2.6mn in Additional Rental Relief for eligible tenants recognized in 1Q FY2021. EBITDA (based on our calculation) was down by 14.0% y/y to SGD35.9mn in 1HFY2021, while interest cost was higher by 5.8% y/y due to the partly debt-funded acquisition of Boardriders Asia Pacific HQ and an asset enhancement initiative. Including AAREIT's dividends received from Optus Centre as EBITDA, we find adjusted EBITDA/Interest at 3.8x in 1HFY2021 (1HFY2020: 4.6x), though still manageable notwithstanding the more challenging business environment. AAREIT faced short term debt due of only SGD68.8mn as at 30 September 2020. The REIT has commendable unutilised funding available at SGD209.3mn as at 30 September 2020. However, we see financial flexibility at AAREIT from existing properties as lower than peers, considering its large percentage of secured debt (74% of total debts). As at 30 September 2020, reported aggregate leverage was manageable at 33.6%. **We expect AAREIT's issuer profile to be stable at Neutral (4) within 12 months.**

Bond Recommendation

We are Overweight the AAREIT curve as it provides decent yield relative to bonds and perpetuals issued by peer REITs.

Outstanding Issuance

Senior secured

Senior unsecured bullets

Senior unsecured callables/putable

Subordinated corporate perpetuals

Subordinated bank capital

Please click here for a recent write-up on the issuer.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW/YTC	Spread	Recommen-dation
AAREIT 3.6% '22s	Neutral (4)	22/03/2022	3.03%	286bps	OW
AAREIT 3.6% '24s	Neutral (4)	12/11/2024	3.52%	317bps	OW
AAREIT 5.65%-PERP	Neutral (4)	14/08/2025	5.73%	530bps	OW
SUNSP 3.025% '22s	Neutral (4)	16/03/2022	1.80%	163bps	OW
SUNSP 2.85% '23s	Neutral (4)	02/08/2023	2.11%	187bps	N
ALLTSP 5.5%-PERP	Neutral (4)	01/02/2023	4.14%	393bps	UW

Indicative prices as at 04 January 2021 Source: Bloomberg, OCBC

Key Ratios

FYE March	FY2019	FY2020	1H2021
EBITDA margin (%)	60.22	68.46	62.11
Net margin (%)	42.39	71.95	11.85
Gross debt to EBITDA (x)	7.00	7.73	9.31
Net debt to EBITDA (x)	6.74	7.48	7.33
Gross Debt to Equity (x)	0.54	0.66	0.62
Net Debt to Equity (x)	0.52	0.64	0.49
Gross debt/total asset (x)	0.34	0.38	0.37
Net debt/total asset (x)	0.32	0.37	0.29
Cash/current borrowings (x)	0.23	0.13	2.06
EBITDA/Total Interest (x)	3.81	3.68	3.14

Source: Company, OCBC estimates

ARA LOGOS Logistics Trust ("ALOG")

Issuer Profile: Neutral (4)

Ticker: ALLT

Background

On 28 April 2020, Cache Logistics Trust ("CACHE") was renamed as ARA LOGOS Logistics Trust ("ALOG"). This follows a broader strategic transaction between ARA Asset Management ("ARA"), a real estate asset manager and the LOGOS Group ("LOGOS"), a logistics property developer and manager. ARA Logos Logistics Trust ("ALOG"), structured as a real estate investment trust ("REIT"), is listed on the Singapore Stock Exchange ("SGX") with a market cap of ~SGD714mn as at 4 January 2021. ALOG focuses on logistics warehouse properties with a portfolio value of ~SGD1.3bn as at 30 September 2020, with ten of its properties located in Singapore while 17 are located in Australia. ALOG is managed by ARA LOGOS Logistics Trust Management Limited ("REIT Manager"). The REIT Manager is ultimately majority-owned by ARA. As at 26 October 2020, ~11.4%-stake in ALOG is directly owned by LOGOS Units No. 1 Ltd, an entity which is indirectly majority owned by ARA. ALOG is established in Singapore and the perpetual is issued by HSBC Institutional Trust Services (Singapore) Limited (in its capacity as trustee for Cache Logistics Trust).

Credit Outlook and Direction

On 26 October 2020, ALOG announced a major acquisition totaling SGD441.2mn (including costs), consisting of five logistics properties in Australia and stakes in two funds which in turn owns five logistics properties in Australia. The properties are currently managed by its Sponsor. We estimate that ALOG's total assets at the consolidated level will rise to SGD1.7bn. While the acquisition would be partly equity funded, we expect ALOG's reported aggregate leverage to tilt slightly higher to ~41% from 40.5% as at 30 September 2020. The transactions when completed will see ALOG's portfolio weighted average lease expiry increase to 4.6 years from only 2.6 years as at 30 September 2020. ALOG will also see the introduction of a wholly-owned subsidiary of Ivanhoé Cambridge, a Canada-based real estate company as its second largest unitholder. We expect ALOG's **issuer profile of Neutral (4) to be stable within the next 12 months**. In its business update, ALOG shared that gross revenue for 3Q2020 was SGD29.5mn (2Q2020: SGD29.0mn) while net property income was SGD22.9m (2Q2020: SGD21.9mn). ALOG only has SGD53.0mn of debt coming due in 2021 (representing 10% of total debt). Based on ALOG's 1H2020 financial statements, we find EBITDA/Interest coverage at 3.9x and 3.1x if we assume ALOG pays SGD5.5mn p.a in perpetual distribution and we take this as interest expense.

Bond Recommendation

Using YTP as we see a higher risk of non-call at first call on the ALLTSP 5.5%-PERP, the ALLTSP 5.5%-PERP is less attractive versus the AAREIT 5.65%-PERP.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTP[1]	Spread	Recommendation
ALLTSP 5.5%-PERP	Neutral (4)	01/02/2023	4.60%	352bps	UW
AAREIT 5.65%-PERP	Neutral (4)	14/08/2025	6.23%	514bps	OW
EREIT 4.6%-PERP	Unrated	03/11/2022	3.72%	264bps	NA

Indicative prices as at 04 January 2021 Source: Bloomberg, OCBC
Note: (1) Yield-to-perpetuity

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	1H2020
EBITDA margin (%)	68.16	68.59	69.27
Net margin (%)	24.43	-6.77	40.91
Gross debt to EBITDA (x)	5.68	7.55	7.45
Net debt to EBITDA (x)	5.27	7.35	7.22
Gross Debt to Equity (x)	0.58	0.79	0.81
Net Debt to Equity (x)	0.54	0.77	0.79
Gross debt/total asset (x)	0.36	0.43	0.43
Net debt/total asset (x)	0.33	0.42	0.42
Cash/current borrowings (x)	1.19	0.13	0.62
EBITDA/Total Interest (x)	4.46	3.60	3.87

Source: Company, OCBC estimates

Ascendas Real Estate Investment Trust ("AREIT")

Issuer Profile:
Neutral (3)

Ticker:
AREIT

Background

Ascendas REIT ("AREIT") is the largest business space and industrial REIT in Singapore, with a market cap as at 4 January 2021 of SGD12.4bn. Total assets were SGD13.8bn as at 30 September 2020, including interest in joint ventures. CapitaLand Ltd ("CAPL", Issuer profile: Neutral (3)) has a deemed interest of ~17% in AREIT. AREIT's immediately preceding financial year was a nine-month period from 1 April 2019 to 31 December 2019 ("2019") while the current financial year is a 12 month period from 1 January 2020 to 31 December 2020 ("2020"). AREIT is established in Singapore while the SGD perpetual and bonds are issued by HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of AREIT.

Credit Outlook and Direction

Gross revenue for 1H2020 was up 14.6% y/y to SGD521.2mn driven by the contribution of new business park properties. SGD59.6mn of 1H2020 revenue was from the US (portfolio acquired on 11 December 2019), which more than offset rental rebates provided and divestments. AREIT raised a replacement perpetual at only 3.0%, enabling the existing AREIT 4.75%-PERP to be called in October 2020. 3.0% is the all-time lowest distribution rate among SGD corporate perpetuals issued as of writing. As at 30 September 2020, reported aggregate leverage was 34.9% though expected to rise, narrowing the gap with other large cap REITs. AREIT has a number of yet to be completed acquisitions, green field developments, redevelopments and asset enhancement initiatives. Reflecting its ample financial flexibility, AREIT completed an equity fundraising of SGD1.2bn in 4Q2020 to fund SGD2.7bn of asset acquisitions. 13% of gross debt is due in 4Q2020 until end-2021, with ~SGD11.8bn of unencumbered properties and SGD200mn of committed debt facilities, we see refinancing risk at AREIT as manageable and **expect AREIT's issuer profile to be stable at Neutral (3) within 12 months.**

Bond Recommendation

We are broadly Underweight the AREIT seniors as we see better value in the CCTSP curve.

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
AREIT 4.0% '22s	Neutral (3)	03/02/2022	0.47%	29bps	UW
AREIT 3.2% '22s	Neutral (3)	03/06/2022	0.66%	48bps	UW
AREIT 2.47% '23s	Neutral (3)	10/08/2023	0.88%	63bps	UW
AREIT 3.14% '25s	Neutral (3)	02/03/2025	1.21%	82bps	UW
AREIT 2.65% '30s^	Neutral (3)	26/08/2030	1.96%	106bps	N
AREIT 3.0%-PERP^	Neutral (3)	17/09/2025	2.78%	234bps	N
CCTSP 2.77% '22s	Neutral (3)	04/07/2022	0.95%	77bps	N
CCTSP 3.327% '25s	Neutral (3)	21/03/2025	1.57%	118bps	N
CAPLSP 3.65%-PERP	Neutral (3)	17/10/2024	2.70%	236bps	N
MAPLSP 3.58% '29s	Neutral (4)	13/03/2029	2.21%	144bps	N

Indicative prices as at 04 January 2021 Source: Bloomberg, OCBC
^ Denote green bonds and green perpetuals

Key Ratios

FYE December	FYE Mar2018	FYE Mar2019	1H2020
EBITDA margin (%)	66.23	66.30	67.05
Net margin (%)	57.31	56.77	53.54
Gross debt to EBITDA (x)	6.16	6.97	7.89
Net debt to EBITDA (x)	6.12	6.89	7.37
Gross Debt to Equity (x)	0.54	0.59	0.67
Net Debt to Equity (x)	0.54	0.58	0.62
Gross debt/total asset (x)	0.34	0.36	0.39
Net debt/total asset (x)	0.34	0.35	0.36
Cash/current borrowings (x)	0.03	0.09	0.46
EBITDA/Total Interest (x)	5.20	4.64	4.12

Source: Company, OCBC estimates

OCBC Bank

Ascott Residence Trust ("ART")

Issuer Profile:	Ticker:
Neutral (5)	ARTSP

Background

ART is the largest hospitality trust listed on the SGX with a market cap of SGD3.4bn as at 4 January 2021. ART holds serviced residences, rental housing and hotels. As at 30 June 2020, total assets at ART was SGD7.6bn, with more than 16,000 units (including lyf units at one-North under construction) across its 88 properties in 39 cities. ART is ~40%-owned by its Sponsor, CapitaLand Ltd ("CAPL, Issuer profile: Neutral(3)), while its remaining units are dispersed. ART is established in Singapore. The perpetuals are issued by DBS Trustee Limited (in its capacity as trustee for ART) while the bonds are issued by Ascott REIT MTN Pte Ltd, guaranteed by DBS Trustee Limited (in its capacity as trustee for ART).

Credit Outlook and Direction

In 1H2020, ART's revenue was down 16.1% y/y to SGD208.5mn, mainly driven by lower revenue from its existing portfolio and the divestment of properties in Singapore and Hanoi. This was despite the contribution of SGD55.4mn in revenue from Ascendas Hospitality Trust ("ASCHTS") which has been consolidated and new acquisitions in Australia. In 1H2020, Sponsor Master Leases contributed revenue of ~SGD30mn which helped buffer the negative impact from COVID-19. 3Q2020 portfolio revenue per available unit ("RevPAU") fell 70% y/y to SGD47 (not including properties under Master Leases) but encouragingly had increased 27% q/q. With ART repaying some debt from divestment proceeds, reported aggregate leverage was lower at 34.6% as at 30 September 2020. This though has not factored in potential asset base corrosion as ART will only revalue its properties at end-2020. As at 30 September 2020, ART has SGD305mn of cash on hand (including deposits received), SGD180mn in net outstanding proceeds from asset sales to be received and SGD136mn of committed credit facilities versus only SGD461mn of debt due in 4Q2020 until end-2021. While short term liquidity is manageable, ART's maturity wall in 2022 poses a challenge, should travel restrictions remain in place and travel demand remains weak. **We lowered ART's issuer profile through 2020, with the Neutral (5) expected to be stable within 12 months.**

Bond Recommendation

Within hospitality senior bonds we prefer the SLHSP 4.5% '25s which offers a decent pick up of ~90bps though are neutral the ARTSP 3.07%-PERP which is trading at a higher YTP versus the ARTSP 3.88%-PERP.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
ARTSP 4.205% '22s	Neutral (5)	23/11/2022	1.49%	129bps	UW
ARTSP 3.523% '23s	Neutral (5)	09/11/2023	1.60%	134bps	UW
ARTSP 4.0% '24s	Neutral (5)	22/03/2024	1.72%	142bps	UW
ARTSP 3.07%-PERP	Neutral (5)	30/06/2020	3.61%[1]	251bps	N
ARTSP 3.88%-PERP	Neutral (5)	04/09/2024	3.44%[1]	234bps	UW
FHREIT 2.63% '22s	Neutral (5)	06/07/2022	1.87%	169bps	N
FHREIT 4.45%-PERP	Neutral (5)	12/05/2021	3.60%[1]	249bs	N
SLHSP 4.5% '25s	Neutral (4)	12/11/2025	2.96%	250bps	OW

Indicative prices as at 04 January 2021 Source: Bloomberg, OCBC
Note: (1) Yield-to-perpetuity

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for recent write-ups on the issuer.

Key Ratios

FYE December	FY2018	FY2019	1H2020
EBITDA margin (%)	43.23	45.88	37.89
Net margin (%)	29.53	42.01	14.15
Gross debt to EBITDA (x)	8.57	11.18	18.38
Net debt to EBITDA (x)	7.55	10.01	16.62
Gross Debt to Equity (x)	0.61	0.61	0.67
Net Debt to Equity (x)	0.54	0.54	0.61
Gross debt/total asset (x)	0.36	0.36	0.38
Net debt/total asset (x)	0.32	0.32	0.34
Cash/current borrowings (x)	3.25	0.78	0.49
EBITDA/Total Interest (x)	4.72	4.56	2.53

Source: Company, OCBC estimates

CapitaLand Ltd ("CAPL")

Issuer Profile:
Neutral (3)

Ticker:
CAPLSP

Background

CapitaLand Ltd ("CAPL") is Singapore's leading real estate company, with development and investments in retail, office, serviced residences, and residential properties. Following the completion of the acquisition of Ascendas-Singbridge Pte Ltd ("ASB") in 2019, CAPL structures its business segments along (1) CL China, (2) CL Singapore and International (comprising CL Singapore, Malaysia, Indonesia, CL Vietnam & CL International), (3) CL India, (4) CL Lodging, (5) CL Financial (which includes stakes in REIT managers) and (6) Centres of Excellence. Listed on the SGX with a market cap of SGD17.1bn as at 30 Dec 2020, CAPL holds SGD86.2bn in total assets as at 30 Sep 2020. CAPL is 50.8%-owned by Temasek.

Credit Outlook and Direction

1H2020 reported EBIT fell 71.0% y/y to SGD596.8mn due to negative impact from the outbreak of COVID-19, which in turn resulted in fair value losses and impairments of SGD173.9mn (1H2019: fair value gain of SGD379.4mn). Weaker results were not surprising given CAPL's larger exposure to development (15% by total assets), retail (33%), office (23%) and lodging (15%) in comparison to sectors less impacted by disruptions from COVID-19 such as business parks, industrials and logistics (9%). Operating metrics remained weaker y/y in 3Q2020 though significant improvements q/q were observed for the residential, retail and lodging segments. As such, CAPL has guided that 2020 financial performance will be materially adversely impacted, with longer term profitability likely to be shaded lower.

That said, we remain comfortable with CAPL. Net gearing remained unchanged q/q at 64% as of 3Q2020, with 9M2020 reported interest coverage of 4.8x (1H2020: 4.9x). Liquidity is also ample with SGD14.0bn of cash and available undrawn facilities. Going forward, we expect CAPL to tilt its portfolio towards China where it is planning to grow assets by SG3.5bn in business parks, logistics and data centres. With the announcement of its 2030 Sustainability Master Plan, CAPL would focus on both financial and sustainability metrics. CAPL may continue tapping green and sustainability-linked loans, such as the recently raised INR17bn (~SGD308mn) green loans to develop green-certified International Tech Parks in India.

Bond Recommendation

Though CAPL offers a stronger Issuer Profile than peers, we are largely Neutral on the CAPL curve given its somewhat tight spreads.

Issues outstanding

Senior secured
Senior unsecured bullets
Senior unsecured callables
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Relative Value

Bond	Issuer Profile	Maturity/Next Call Date	Ask YTW	Spread	Recommen-dation
CAPLSP 3.8% '24	Neutral (3)	28/08/2024	1.53%	121bps	N
CAPLSP 3.08% '27	Neutral (3)	19/10/2027	2.11%	145bps	N
CAPLSP 3.15% '29	Neutral (3)	29/08/2029	2.39%	158bps	N
CAPLSP 2.9% '32	Neutral (3)	21/09/2032	2.69%	170bps	N
CAPLSP 3.65% PERP	Neutral (3)	17/10/2024	2.71%	237bps	N
CITSP 3% '24	Neutral (4)	17/01/2024	1.66%	140bps	N
CITSP 3.48% '26	Neutral (4)	15/06/2026	1.96%	145bps	UW

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Key Ratios

FYE December	FY2018	FY2019	1H2020
EBITDA margin (%)	41.29	40.55	41.44
Net margin (%)	50.87	54.75	0.65
Gross debt to EBITDA (x)	10.22	12.43	19.76
Net debt to EBITDA (x)	8.03	9.99	15.56
Gross Debt to Equity (x)	0.71	0.78	0.82
Net Debt to Equity (x)	0.56	0.63	0.64
Gross debt/total asset (x)	0.37	0.38	0.39
Net debt/total asset (x)	0.29	0.31	0.31
Cash/current borrowings (x)	1.58	1.56	1.34
EBITDA/Total Interest (x)	3.63	3.01	1.84

Source: Company, OCBC estimates

CapitaLand Integrated Commercial Trust ("CICT")

Issuer Profile:
Neutral (3)

Ticker:
CAPITA / CCTSP

Background

CICT is the new name of CapitaLand Mall Trust ("CMT) which has since combined with CapitaLand Commercial Trust ("CCT"). CCT is held as a private sub-trust within CMT. CICT holds 24 office, retail and integrated properties including Raffles City Singapore ("RCS"). With a portfolio valuation of SGD22.4bn at 30 June 2020, CICT is the largest REIT in Singapore. CICT also owns an 11.0% interest in CapitaLand Retail China Trust and 10.9% of MRCB-Quill REIT, a commercial REIT listed in Malaysia. Sponsor, CapitaLand Ltd has a 36.45% stake in CICT. CICT is established in Singapore and the bonds are issued by HSBC Institutional Trust Services (Singapore) Ltd, in its capacity as the trustee of CMT and CCT.

Credit Outlook and Direction

CMT and CCT have announced separate sets of financial statements for 3Q2020, though we expect consolidated results from 4Q2020 onwards. We remain cautious over the outlook for CMT as retail headwinds persist. For 9M2020, CMT's performance was dragged by rental waivers granted to tenants. As of Sep 2020, almost all CMT's tenants have resumed operations with strong recovery seen in shopper traffic and tenants' sales. That said, negative rental reversion is expected to persist. Asset enhancement and upgrading works happening at CCT's 21 Collyer Quay and Six Battery Road. CapitaSpring is under construction and expected to complete in 2H2021. The lack of contribution from these properties has weighed on CCT's performance. We expect to see markedly improvement from 2H2021. Given CICT owns 100% of RCS post the combination, RCS' results will be consolidated into CICT going forward. Minimum rent from the Hotel and Convention Centre component master leased to RC Hotels (Pte) Ltd has helped cushion the blow from COVID-19. CICT's aggregate leverage is expected to climb to ~40% handle following the combination. We hold CICT at Neutral (3) Issuer Profile and **expects its credit profile to be stable within the next 12 months**.

Bond Recommendation

We are broadly Neutral on CCTSP and CAPITA as the bonds are mostly trading below 2% yield.

Issues outstanding

Senior secured
Senior unsecured bullets
Senior unsecured callables
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
CCTSP 2.96% '21	Neutral (3)	13/08/2021	0.29%	11bps	N
CCTSP 2.77% '22	Neutral (3)	04/07/2022	0.96%	77bps	N
CAPITA 2.8% '23	Neutral (3)	13/03/2023	1.02%	80bps	UW
CAPITA 3.2115% '23	Neutral (3)	09/11/2023	1.14%	87bps	UW
CCTSP 3.17% '24	Neutral (3)	05/03/2024	1.36%	106bps	N
CAPITA 3.48% '24	Neutral (3)	06/08/2024	1.27%	94bps	UW
CCTSP 3.327% '25	Neutral (3)	21/03/2025	1.57%	118bps	N
CAPITA 3.2% '25	Neutral (3)	21/08/2025	1.55%	111bps	N
CAPITA 3.15% '26	Neutral (3)	11/02/2026	1.66%	118bps	N
CAPITA 3.5% '26	Neutral (3)	25/02/2026	1.66%	117bps	N
CAPITA 2.88% '27	Neutral (3)	10/11/2027	1.88%	121bps	N
CAPITA 2.15% '32	Neutral (3)	07/12/2032	2.13%	111bps	N

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Key Ratios

FYE December	CMT FY2018	CMT FY2019	CMT 9M2020	CCT FY2018	CCT FY2019	CCT 9M2020
EBITDA margin (%)	63.86	64.28	61.08	74.84	72.66	69.34
Net margin (%)	97.02	88.58	-20.39	132.72	105.71	-6.12
Gross debt to EBITDA (x)	8.14	7.06	9.47	8.87	9.38	10.75
Net debt to EBITDA (x)	7.00	6.66	9.29	8.27	8.69	10.28
Gross Debt to Equity (x)	0.49	0.46	0.49	0.38	0.39	0.42
Net Debt to Equity (x)	0.42	0.43	0.48	0.35	0.36	0.40
Gross debt/total asset (x)	0.34	0.30	0.32	0.27	0.28	0.29
Net debt/total asset (x)	0.30	0.29	0.31	0.25	0.26	0.28
Cash/current borrowings (x)	0.96	0.77	0.10	1.45	4.81	0.50
EBITDA/Total Interest (x)	4.54	4.27	3.35	3.49	4.33	4.22

Source: Company, OCBC estimates

CapitaLand Retail China Trust ("CRCT")

Issuer Profile: Neutral (4)

Ticker: CRCTSP

Background

CRCT was listed on the SGX in 2006. Previously a pure-play Mainland China shopping mall REIT, CRCT has expanded its investment mandate to diversify into office and industrial real estate assts such as business parks, logistics facilities, data centres and integrated development in Mainland China, Hong Kong SAR and Macau in 2020. Post the completion of the acquisition of five business parks properties and balance 49% interest in Rock Square in 1Q2021, CRCT would have 18 properties and an AUM of SGD4.5bn. CAPL has a 35.84% effective stake in CRCT, which comprise a 26.99% stake held by CAPL, and a 8.85% stake held by CapitaLand Integrated Commercial Trust ("CICT", Issuer profile: Neutral (3)). CRCT is established in Singapore and its bonds are issued by HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of CRCT.

Credit Outlook and Direction

In 3Q2020 business update, shopper traffic has recovered to 89.0% with tenant sales' at 91.9% of levels seen over the same period last year. Portfolio occupancy has also improved q/q to 93.7% though still lower than a year ago (3Q2019: 98.3%). Broadly, the retailing situation has improved with all malls and trade sectors operating. Post quarter end, CRCT announced in November 2020 that it is acquiring ~SGD1.0bn of mostly business park assets from related parties – Ascendas China Business Parks Fund 4 and CAPL, after expanding its investment mandate. CRCT has since raised a SGD100 perpetual security and SGD326mn of equity funds. The acquisition is expected to complete in 1Q2021. Given that CRCT has access to CAPL's extension pipeline in Mainland China and its target portfolio mix is 40% in integrated developments, 30% in retail and 30% in assets catered to the new economy (business parks, logistics and data centres), we can expect further asset inject from CAPL in the future. As at 30 September 2020, aggregate leverage was 34.7%, with SGD356mn available credit facilities. We expect aggregate leverage to inch higher post the acquisition. Reported interest coverage was 3.7x. 89.7% of its total assets remain unencumbered. CRCT has very minimal debt maturing in 2021. We see CRCT's Issuer Profile at Neutral (4) as appropriate though **expect its credit profile to weaken slightly within the next 12 months**.

Bond Recommendation

We are overweight on CRCTSI 3.375% PERP as it is yielding 3.56% which is relatively attractive and more than 200bps wider than its only bullet which matures in ~1.5 years' time.

Relative Value

Bond	Issuer Profile	Maturity/ First Call Date	Ask YTW	Spread	Recommen-dation
CRCTSP 3.25% '22	Neutral (4)	04/07/2022	1.27%	108bps	N
MAGIC 3.43% '22	Neutral (4)	09/03/2022	1.02%	84bps	OW
SUNSP 3.025% '22	Neutral (4)	16/03/2022	1.82%	164bps	OW
CRCTSP 3.375% PERP	Neutral (4)	27/10/2025	3.56%	311bps	OW
KREITS 3.15% 'PERP	Neutral (4)	11/09/2025	3.22%	278bps	N
SUNSP 3.8% PERP	Neutral (4)	27/10/2025	3.79%	334bps	OW

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Issues outstanding

Senior secured
Senior unsecured bullets
Senior unsecured callables
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	1H2020
EBITDA margin (%)	59.96	62.97	56.52
Net margin (%)	57.23	69.96	49.07
Gross debt to EBITDA (x)	7.77	9.41	11.22
Net debt to EBITDA (x)	6.47	8.48	10.09
Gross Debt to Equity (x)	0.66	0.75	0.64
Net Debt to Equity (x)	0.55	0.68	0.58
Gross debt/total asset (x)	0.35	0.37	0.34
Net debt/total asset (x)	0.29	0.33	0.30
Cash/current borrowings (x)	1.08	0.66	0.54
EBITDA/Total Interest (x)	4.92	4.11	2.84

Source: Company, OCBC estimates

China Aoyuan Group Limited ("CAPG")

Issuer Profile: Negative (6)

Ticker: CAPG

Background

China Aoyuan Group Limited ("CAPG") is listed on the Hong Kong Stock Exchange ("HKSE"). As at 4 January 2021, CAPG has a market cap of HKD19.4bn (~SGD3.3bn). CAPG focuses on property development mainly in China. Headquartered in Guangzhou City, CAPG has an established position in the Greater Bay Area. Chairman Guo Zi Wen is CAPG's largest shareholder with a ~55%-deemed interest in the company. The rest of the shareholding is dispersed across institutional and retail shareholders. CAPG owns a ~54.6%-stake in Aoyuan Healthy Life Group Company Limited, a property management services company with a market cap of HKD3.5bn (~SGD592.3mn) as at 4 January 2021. CAPG is incorporated in the Cayman Islands. The SGD-bond is issued by the listed entity CAPG and guaranteed by certain existing subsidiaries other than those organized under Chinese law.

Credit Outlook and Direction

With the property market recovering from COVID-19 lockdowns in 1Q2020, CAPG's unaudited property contracted sales were encouragingly up by 12.0% y/y to ~RMB113.76bn for 11M2020. In 1H2020, revenue was up 19.3% y/y to RMB28.2bn while reported gross profit was up by 17.5% y/y to RMB8.3bn on the back of higher gross floor area delivered (up by 38.5% y/y) which more than offset the decline in average selling price (exclusive of tax) by 12.1% y/y. EBITDA (based on our calculation which does not include other income and other expenses) increased 16.9% y/y to RMB5.9bn as selling and distribution and administrative expenses were higher by 22.3% y/y. CAPG spent more on marketing, promotions and saw staff and other expenses increase from expansion of operations. Including capitalized interest which we think is more representative of CAPG's interest expense, we find EBITDA/Interest coverage of 1.3x in 1H2020, lower than the 1.6x for 2019. As at 30 June 2020, unadjusted gross gearing (excluding amounts due to minority interest investors, joint venture partners and lease liabilities) was 2.5x (down from 2.6x as at 31 December 2019) though higher from 2.2x as at 30 June 2019. **We maintain CAPG's issuer profile at Negative (6) in view of its levered credit profile and expect this to be stable within the next 12 months.** China has drafted a "Three Red Lines" policy which aims to cap debt levels of the property sector. As of writing, the methodology to calculate specific credit ratios which will determine how much additional debt can be taken by property companies has not been released. In our view, CAPG is at risk of failing at least one of the three credit ratios. That being said, we expect CAPG to maintain continued access to the Asiadollar high yield market, though issuance costs are dependent on sentiment towards levered property developers at point of issuance.

Bond Recommendation

We prefer CAPG's short dated USD bonds over the CAPG 7.15% '21s which is paying ~50bps less in implied SGD terms.

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Relative Value

Bond	Issuer Profile	Maturity Date	Ask YTM	Spread	Recommen-dation
CAPG 7.15% '21s	Negative (6)	07/09/2021	3.51%	333bps	UW
CAPG 7.95% '21s[1]	Negative (6)	07/09/2021	4.03%	386bps	NA
CAPG 8.50% '22s[1]	Negative (6)	23/01/2022	5.53%	534bps	NA

Indicative prices as at 04 January 2021 Source: Bloomberg, OCBC
Note: (1) These bonds are denominated in USD; Ask YTM and spread in implied-SGD terms

Key Ratios

FYE December	FY2018	FY2019	1H2020
EBITDA margin (%)	21.24	21.35	21.04
Net margin (%)	9.48	10.33	10.06
Gross debt to EBITDA (x)	8.81	8.96	8.74
Net debt to EBITDA (x)	3.34	3.58	4.28
Gross Debt to Equity (x)	1.89	2.61	2.47
Net Debt to Equity (x)	0.72	1.05	1.21
Gross debt/total asset (x)	0.31	0.33	0.35
Net debt/total asset (x)	0.12	0.13	0.17
Cash/current borrowings (x)	1.51	1.38	1.11
EBITDA/Total Interest (x)	1.66	1.45	1.34

Source: Company, OCBC estimates

City Developments Ltd ("CDL")

Issuer Profile:
Neutral (4)

Ticker:
CITSP

Background
Listed in 1963, City Developments Ltd ("CDL") is an international property and hotel conglomerate. CDL has three core business segments – property development, hotel operations and investment properties. CDL's hotel operations are conducted through its wholly-owned subsidiary, Millennium & Copthorne Hotels PLC ("M&C"), while the investment and development property portfolio is Singapore-centric. CDL is a subsidiary of Hong Leong Group Singapore, a conglomerate controlled by the Kwek family.

Credit Outlook and Direction
Reported EBITDA fell 66.2% y/y to SGD223.6mn in 1H2020, impacted by the outbreak of COVID-19. In particular, hotel operations turned into a detractor with -SGD92.1mn in reported EBITDA (1H2019: +SGD116mn) due to travel restrictions. Reported EBITDA also fell for segments in property development (-25% y/y to SGD147mn) and investment properties (-68% y/y to SGD108mn). No visibility of recovery to pre-COVID-19 levels was one key reason compelling us to downgrade CDL's Issuer Profile though CDL reported that its hotel segment has seen some improvement q/q in Sep 2020. In the limelight was also the resignation of Mr Kwek Leng Peck as non-Executive and Non-Independent Director due to disagreements with the board and management on the management of Millennium & Copthorne Hotels Ltd ("M&C") and the investment in and continuing provision of financial support to Sincere Property Group ("Sincere"). We understand that M&C had seen its ex-group CEO resign in Jul 2020 despite being appointed in Apr 2020 while its headcount has fallen by 36%. For Sincere, while it posted strong property sales, its liquidity position is challenged. All said, we remain comfortable with CDL. While net gearing has risen to 73% h/h (2019: 63%) due to the acquisition in Sincere with weakened profitability with EBITDA/Total Interest falling to 0.8x (2019: 3.7x), we think SGD2.4bn of cash and SGD1.6bn in undrawn committed bank facilities is sufficient to cover SGD1.8bn in near-term borrowings.

Bond Recommendation

We stay Neutral on the CDL curve despite it trading wider than CAPL though this is justified due to its weaker profile.

Issues outstanding
Senior secured
Senior unsecured bullets
Senior unsecured callables
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Relative Value

Bond	Issuer Profile	Maturity/Next Call Date	Ask YTW	Spread	Recommen-dation
CITSP 3.75% '22	Neutral (4)	06/07/2022	0.98%	79bps	UW
CITSP 3.48% '23	Neutral (4)	03/04/2023	1.35%	114bps	N
CITSP 2.8% '23	Neutral (4)	27/06/2023	1.47%	124bps	N
CITSP 3% '24	Neutral (4)	17/01/2024	1.66%	140bps	N
CITSP 3.9% '24	Neutral (4)	21/03/2024	1.68%	140bps	N
CITSP 3.78% '24	Neutral (4)	21/10/2024	1.79%	145bps	N
CITSP 2.7% '25	Neutral (4)	23/01/2025	1.90%	153bps	N
CITSP 2.3% '25	Neutral (4)	21/05/2025	1.48%	108bps	UW
CITSP 3.48% '26	Neutral (4)	15/06/2026	1.96%	145bps	UW
CITSP 2% '26	Neutral (4)	16/06/2026	1.94%	143bps	UW

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Key Ratios

FYE December	FY2018	FY2019	1H2020
EBITDA margin (%)	25.53	22.01	9.95
Net margin (%)	15.65	17.89	0.04
Gross debt to EBITDA (x)	5.87	13.14	49.90
Net debt to EBITDA (x)	3.75	9.44	38.65
Gross Debt to Equity (x)	0.52	0.88	0.94
Net Debt to Equity (x)	0.33	0.63	0.73
Gross debt/total asset (x)	0.30	0.43	0.45
Net debt/total asset (x)	0.19	0.31	0.35
Cash/current borrowings (x)	1.82	1.36	1.32
EBITDA/Total Interest (x)	6.46	3.26	0.84

Source: Company, OCBC estimates

First Real Estate Investment Trust ("FIRT")

Issuer Profile: Negative (7)

Ticker: FIRTSP

Background

FIRT is a REIT that invests primarily in real estate used for healthcare and healthcare-related sectors. FIRT owns 20 properties (17 are located in Indonesia, two nursing homes in Singapore and one small hospital in South Korea). FIRT is listed on the Singapore Stock Exchange with a market cap of SGD209.9mn as at 4 January 2021. OUE Ltd has a ~19.7%-deemed ownership stake in FIRT (via ~64.4% owned OUE Lippo Healthcare Ltd ("OUE-LH") and First REIT Management Limited ("FIRT REIT Manager")) while PT Lippo Karawaci Tbk ("LK"), FIRT's original sponsor and main tenant, has fully divested its direct stakes in FIRT. FIRT is established in Singapore. Upon a trustee replacement in November 2017, the SGD perpetuals are issued by Perpetual (Asia) Limited ("Perpetual") (in its capacity as trustee of FIRT).

Credit Outlook and Direction

In 1H2020, gross revenue declined 33.0% y/y to SGD38.6mn while net property income saw a similar drop to SGD37.5mn. Per FIRT, revenue declined mainly due to two months rental relief extended to all tenants amidst COVID-19. A further two months of rental relief has been extended to tenants in Indonesia for September and October 2020. In 2019, ~96% of FIRT's rental income was from LK (including contribution from LK's 55%-owned subsidiary, PT Siloam International Hospitals Tbk ("Siloam")), and PT Metropolis Propertindo Utama ("MPU") collectively. The hospitals in Indonesia are integral to Siloam's operations. Since mid-2020, LK and FIRT had been in discussions over restructuring the leases. The proposed restructuring terms entail adverse base rents compared to existing terms while currency risk will be assumed by FIRT rather than LK. FIRT's credit metrics are likely to weaken under the new lease terms and the REIT also faces SGD140mn of debt repayment as requested by bank lenders. Whilst support from bank lenders has compressed, bank lenders are still willing to refinance SGD260mn of FIRT debt (~53% of total debt as at 30 June 2020), subject to completion of an equity fundraising. In end-December 2020, FIRT announced a highly dilutive proposed equity rights issue to fund the debt repayment, working capital and other costs. FIRT's REIT Manager (in its own capacity) and OUE-LH has undertaken that they will take up their rights issue allocation while OUE announced that it will procure a wholly-owned subsidiary to take up excess rights units. **On balance, we do not see FIRT as a default candidate over the next 12 months although have lowered our issuer profile to Negative (7) on the back of still high counterparty credit risk from tenant liquidity stresses**. Our base case assumes that FIRT would not call the SGD60mn of perpetual at first call in July 2021.

Bond Recommendation

We are neutral the FIRTSP 5.68%-PERP as it is now trading in line with perpetuals issued by LMRTSP, its closest comps on a YTP basis.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTP[1]	Spread	Recommen-dation
FIRTSP 5.68%-PERP	Negative (7)	08/07/2021	7.13%	607bps	N
LMRTSP 7.0%-PERP	Negative (6)	27/09/2021	7.50%	644bps	N
LMRTSP 6.6%-PERP	Negative (6)	19/12/2022	7.19%	613bps	N

Indicative prices as at 04 January 2021 Source: Bloomberg, OCBC
Note: (1) Yield-to-perpetuity

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Subordinated corporate perpetuals
Subordinated bank capital

Key Ratios

FYE December	FY2018	FY2019	1H2020
EBITDA margin (%)	88.24	87.67	84.44
Net margin (%)	65.30	42.43	32.37
Gross debt to EBITDA (x)	4.84	4.81	7.50
Net debt to EBITDA (x)	4.57	4.49	7.22
Gross Debt to Equity (x)	0.57	0.57	0.58
Net Debt to Equity (x)	0.54	0.53	0.56
Gross debt/total asset (x)	0.35	0.34	0.35
Net debt/total asset (x)	0.33	0.32	0.33
Cash/current borrowings (x)	0.25	NM	0.09
EBITDA/Total Interest (x)	4.74	4.96	3.29

Source: Company, OCBC estimates

Please click here for a recent write-up on the issuer.

Fraser and Neave Ltd ("FNN")

Issuer Profile: Neutral (4)

Ticker: FNNSP

Background

Listed on SGX with a market cap of SGD2.1bn as at 30 Dec 2020, Fraser and Neave Ltd ("FNN") is a consumer group primarily engaged in Food & Beverage ("F&B"). FNN is an F&B market leader in Southeast Asia, with brands including 100Plus, F&N Nutrisoy, F&N Seasons, F&N Magnolia and Farmhouse. FNN also owns a Publishing and Printing ("P&P") business which includes Marshall Cavendish and Times Publishing. FNN owns 55.5% stake in Fraser & Neave Holdings Bhd and ~20% stake in Vietnam Dairy Products JSC ("Vinamilk"). FNN is owned by TCC Assets Ltd (59.2%) and Thai Beverage (28.4%), both linked to Thai billionaire Mr. Charoen.

Credit Outlook and Direction

Despite the outbreak of COVID-19, FNN appears to shrug off most of the negative impact. Revenue declined by a mere 3.6% y/y to SGD1.83bn with a mild 5.6% y/y fall in reported PBIT to SGD267.4mn in FY2020 for the year ended 30 Sep, mainly attributable to declines in P&P business rather than the core segments in Beverages and Dairies. Although Beverages saw a fall in revenue (-6.8% y/y to SGD439.4mn), reported PBIT edged up to SGD17.3mn (FY2019: SGD17.2mn) due to lower gestation losses. Dairies saw stronger sales (+0.9% y/y to SGD1.16bn), supported by higher exports and e-commerce sales though reported PBIT declined slightly to SGD263.5mn (FY2019: SGD265.0mn) due to higher commodity costs. P&P was significantly impacted with revenue falling 17.1% y/y to SGD230mn and reported PBIT falling to negative SGD10.5mn (from FY2019's +SGD9.3mn) with closure of non-essential book retail outlets and cancellation of textbook adoptions due to school closures.
Overall, we remain comfortable with FNN given its healthy credit metrics with net gearing of 17.5%. Liquidity also remains ample with cash of SGD285.5mn well-covering SGD57.0mn short-term debt.

Bond Recommendation

We prefer FNNSP '27s over the shorter dated FNNSP '22s given wider spreads and yield. FNN is a rare beverages issuer providing diversification for bond investors in the SGD space.

Relative Value

Bond	Issuer Profile	Maturity/Next Call Date	Ask YTW	Spread	Recommen-dation
FNNSP 3.09% '22	Neutral (4)	23/03/2022	1.49%	132bps	N
FNNSP 2.8% '22	Neutral (4)	22/08/2022	1.67%	149bps	N
FNNSP 3.8% '27	Neutral (4)	21/04/2027	2.72%	212bps	OW
FCTSP 2.77 '23	Neutral (4)	11/05/2023	1.43%	121bps	N
FHREIT 2.63 '22	Neutral (4)	6/07/2022	1.87%	169bps	OW
FHREIT 3.08% '24	Neutral (4)	8/11/2024	2.40%	206bps	N
FPLSP 4.15% '27	Neutral (5)	23/0/2/2027	3.40%	281bps	N

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Issues outstanding

Senior secured
Senior unsecured bullets
Senior unsecured callables
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	FY2020
EBITDA margin (%)	9.48	11.13	11.25
Net margin (%)	9.85	11.16	11.33
Gross debt to EBITDA (x)	5.01	3.92	4.26
Net debt to EBITDA (x)	1.96	1.93	2.87
Gross Debt to Equity (x)	0.28	0.25	0.26
Net Debt to Equity (x)	0.11	0.12	0.17
Gross debt/total asset (x)	0.19	0.18	0.18
Net debt/total asset (x)	0.08	0.09	0.12
Cash/current borrowings (x)	1.42	45.56	5.01
EBITDA/Total Interest (x)	5.70	9.77	8.32

Source: Company, OCBC estimates

Frasers Centrepoint Trust ("FCT")

Issuer Profile: Neutral (4)

Ticker: FCTSP

Background

Frasers Centrepoint Trust ("FCT") is a pure-play suburban retail REIT in Singapore listed on the SGX in July 2006. As at 30 December 2020, FCT had a market cap of SGD4.1bn while its portfolio value was SGD6.7bn as at end October 2020. FCT's portfolio comprises 11 suburban retail malls in Singapore, including Causeway Point, Northpoint City (North Wing), a 40% stake in Waterway Point and Tiong Bahru Plaza. FCT also owns a 31.15% stake in Malaysia-listed Hektar REIT ("H-REIT", a retail focused REIT). FCT is sponsored by Frasers Property Ltd ("FPL", Issuer Profile: Neutral (5)), which holds a 41.04% interest in FCT. FCT is established in Singapore and its bonds are issued by HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of FCT.

Credit Outlook and Direction

For second half results of financial year ended 30 September 2020 ("2HFY2020"), revenue declined 33.8%y/y to SGD64.5mn and net property income was down 42.8% y/y to SGD38.6mn, in part due to rental rebates provided to tenants (~SGD27.4mn). Portfolio occupancy fell slightly to 94.9%, from 96.5% a year ago. All its properties recorded lower occupancy levels except for Anchorpoint and YewTee Point. While portfolio rental reversion for FY2020 was in the positive region, at 4.2%, we remain cautious as a substantial portion of the renewals were completed prior to Singapore going into Circuit Breaker. FCT has 32.6% of leases expiring in FY2021 based on gross rental income. Tenant sales has recovered close to pre-COVID-19 levels since July while mall shopper traffic has stabilised at 60% - 70% of pre-COVID-19 levels. Overall property valuation was interestingly largely stable. FCT's financial position remains healthy with gearing level of 35.9% as at 30 September 2020. EBITDA/Interest based on our calculation is 3.3x for FY2020, down from 4.9x a year ago. ~SGD50mn of borrowings will come due in FY2021 against ~SGD136mn of cash on hand (including funds received from the divestment of Bedok Point post quarter end), after having prepaid SGD80mn secured loan and paid down SGD125mn of unsecured bank borrowings. Post quarter end, FCT has also completed the acquisition of AsiaRetail Fund Limited ("ARF") on 27 October 2020. **From here, we see room for FCT's credit profile to improve within the next 12 months** should FCT leverage on its scale to better manage the malls and thereby, improve operating performance. FCT is also divesting Anchorpoint Shopping Centre for SGD110mn. The sale is expected to complete in March 2021.

Bond Recommendation

We are neutral on FCTSP curve as we think it is trading fair. KREITS 3.275% '24s is comparatively more attractive as it is trading ~38bps wider for a 7 months longer tenor.

Issues outstanding

Senior secured

Senior unsecured bullets

Senior unsecured callables

Subordinated corporate perpetuals

Subordinated bank capital

Please click here for a recent write-up on the issuer.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
FCTSP 3.2% '23	Neutral (4)	11/05/2023	1.43%	120bps	N
FCTSP 2.77% '24	Neutral (4)	08/11/2024	1.87%	152bps	N
KREITS 3.275 '24	Neutral (4)	08/04/2024	2.20%	190bps	OW

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Key Ratios

FYE September	FY2018	FY2019	FY2020
EBITDA margin (%)	62.11	61.47	54.91
Net margin (%)	86.28	104.87	92.27
Gross debt to EBITDA (x)	6.77	8.61	13.88
Net debt to EBITDA (x)	6.58	8.51	13.56
Gross Debt to Equity (x)	0.42	0.42	0.49
Net Debt to Equity (x)	0.41	0.42	0.48
Gross debt/total asset (x)	0.29	0.29	0.32
Net debt/total asset (x)	0.28	0.28	0.32
Cash/current borrowings (x)	0.10	0.04	0.11
EBITDA/Total Interest (x)	5.99	4.90	3.27

Source: Company, OCBC estimates

Frasers Hospitality Trust ("FHREIT")

Issuer Profile: Neutral (5)

Ticker: FHREIT

Background

Frasers Hospitality Trust ("FHREIT") is a stapled group comprising a REIT and Business Trust. As at 4 January 2021, FHREIT's market cap was SGD1.0bn. FHREIT invests in hospitality assets globally (except Thailand) with total assets of SGD2.4bn as at 30 September 2020. It is sponsored by Frasers Property Limited, a major Singapore-based property developer. FPL owns a deemed 25.2%-stake in FHREIT while TCC Group Investments Limited holds a 37%-stake. Both FPL and TCC are entities controlled by the Sirivadhanabhakdi family (deemed interest in FHREIT at ~62%). FHREIT is established in Singapore. The SGD perpetual are issued by Perpetual (Asia) Limited in its capacity as the trustee of FHREIT while the SGD bonds are issued by FH-REIT Treasury Pte. Ltd. guaranteed by Perpetual (Asia) Limited in its capacity as the trustee of FHREIT.

Credit Outlook and Direction

For the second half of the financial year ended September 2020 ("2HFY2020"), FHREIT's gross revenue fell by 65.2% y/y to SGD26.0mn. As a buffer, FHREIT receives at least SGD49mn a year from its Sponsor under various corporate guarantees, which is enough to cover interest and perpetual distribution by ~2.0x, even if it is insufficient to fully cover operating expenses. EBITDA based on our calculation fell by 78.4% y/y to SGD10.6mn, with resultant EBITDA/Interest coverage at 1.1x. Driven by the hampered operating performance and a SGD146.0mn fair value loss on investment properties and revaluation of property, plant and equipment, FHREIT reported a net loss of SGD136.5mn in 2HFY2020. Reported aggregate leverage was at 37.7% as at 30 September 2020 (30 June 2020: 35.9%), taking 50% of FHREIT's perpetual as debt, adjusted aggregate leverage was 40%. As at 30 September 2020, FHREIT's portfolio was revalued at SGD2.25bn, interestingly enough this was only down by 3.5% y/y, with the appreciation of local currencies against SGD stymying some of the fall. Cap rates have also been stable despite equity markets inputting a higher cost of equity versus pre-COVID-19. FHREIT has SGD90mn in revolving credit facilities ("RCF") that can be drawn down. No significant debt is due until FY2022 when SGD150.7mn comes due which helps conserve short term liquidity. FHREIT's sole perpetual, the FHREIT 4.5%-PERP faces first call in May 2021 and our base case assumes that the perpetual would not be called at first call. **We lowered FHREIT's issuer profile through 2020, with the Neutral (5) expected to be stable within 12 months.**

Bond Recommendation

We are neutral the FHREIT curve and see better value in SHLSP 4.5% '25s.

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
FHREIT 2.63% '22s	Neutral (5)	06/07/2022	1.87%	169bps	N
FHREIT 3.08% '24s	Neutral (5)	08/11/2024	2.40%	206bps	N
FHREIT 4.45%-PERP	Neutral (5)	12/05/2021	3.60%[1]	249bs	N
ARTSP 4.205% '22s	Neutral (5)	23/11/2022	1.49%	129bps	UW
ARTSP 4.0% '24s	Neutral (5)	22/03/2024	1.72%	142bps	UW
SLHSP 4.5% '25s	Neutral (4)	12/11/2025	2.96%	250bps	OW

Indicative prices as at 04 January 2021 Source: Bloomberg, OCBC
Note: (1) Yield-to-perpetuity

Key Ratios

FYE September	FY2018	FY2019	FY2020
EBITDA margin (%)	66.77	66.19	56.73
Net margin (%)	42.67	34.55	-128.06
Gross debt to EBITDA (x)	8.02	8.62	17.70
Net debt to EBITDA (x)	7.28	7.76	15.86
Gross Debt to Equity (x)	0.54	0.58	0.66
Net Debt to Equity (x)	0.49	0.52	0.59
Gross debt/total asset (x)	0.33	0.35	0.38
Net debt/total asset (x)	0.30	0.31	0.34
Cash/current borrowings (x)	0.19	3.40	1.85
EBITDA/Total Interest (x)	5.05	4.84	2.54

Source: Company, OCBC estimates

Frasers Property Ltd ("FPL")

Issuer Profile:
Neutral (5)

Ticker:
FPLSP

Background

Frasers Property Limited ("FPL") is a leading Singapore developer with total assets of SGD38.7bn as at 30 September 2020. The core geographies are Singapore (39% of total property assets, totaling SGD12.7bn), Australia (23%; SGD7.7bn), Thailand (14%; SGD4.5bn) and the UK (10%; SGD3.3bn). FPL also have a significant presence in Continental Europe and Mainland China. FPL is most exposed to Industrial and Logistics properties (23% of total property assets, totaling SGD7.5bn). Sponsored REITs include Frasers Centrepoint Trust ("FCT"), Frasers Hospitality Trust ("FHREIT") and Frasers Logistics & Commercial Trust ("FLCT") which is the surviving entity of Frasers Logistics Trust and Frasers Commercial Trust. FPL considers its REITs as subsidiaries and consolidates them even though it only has an average 28% stake in them. Entities related to the Sirivadhanabhakdi family (of Thailand's TCC Group) control ~87% of FPL's stock. FPL is incorporated in Singapore and its bonds and perpetual securities are issued by Frasers Property Treasury Pte Ltd.

Credit Outlook and Direction

FPL's financial year ended 30 September 2020 ("FY2020") performance was expectedly weak despite consolidating AsiaRetail Fund Limited ("ARF") and Golden Land Property Development PCL. Revenue was down by 5.1% y/y to SGD3.6bn while Profit before interest, taxes, fair value changes and exceptional items ("PBIT") was down by 3.6% y/y to SGD1.2bn. Of all segments, Hospitality was the hardest hit with PBIT excluding contributions from REITs down by 99.8% y/y to just SGD0.1mn. Industrial, on the other hand, is the bright spot with strong occupancy rate though rental reversion had remained negative. FY2020 was also a record year for asset recycling through its REITs where SGD2.4bn of assets were divested. While credit metrics were weaker y/y, it remains manageable in our view. Based on our calculation, EBITDA/Interest was 2.1x (FY2019: 2.2x) while Net Debt/EBITDA was estimated to be 15.8x (FY2019:13.0x). Net gearing based on our calculation was 1.11x as at 30 September 2020. That said, reported proforma net gearing post-divestment of ARF to FCT and equity fund raising by FCT would be 0.96x as at 30 September 2020, in line with FPL's target of bringing its net gearing to below 1x. Given that FPL is likely to remain cash flow positive on the back of recurring income from its SGD21.9bn investment properties, we think FPL is likely able to refinance its debt as they come due. We see **FPL's credit profile as broadly stable within the next 12 months** with the Neutral (5) issuer profile as appropriate.

Bond Recommendation

We are largely neutral on FPLSP. We like FPLSP 4.98% PERP which is trading is 3.97% and callable in ~4 years' time. Relatively to other perpetuals, we think FPLSP 4.98% PERP remains likely to be called at first call.

Relative Value

Bond	Issuer Profile	Maturity/Next Call Date	Ask YTW	Spread	Recommen-dation
FPLSP 3.95% '21	Neutral (5)	07/10/2021	1.39%	121bps	N
FPLSP 3.65% '22	Neutral (5)	22/05/2022	2.22%	203bps	N
FPLSP 4.25% '26	Neutral (5)	21/04/2026	3.28%	278bps	N
FPLSP 4.15% '27	Neutral (5)	23/02/2027	3.39%	280bps	N
FPLSP 3.95% PERP	Neutral (5)	05/10/2022	3.39%	230bps	UW
FPLSP 4.38% PERP	Neutral (5)	17/01/2023	3.75%	353bps	N
FPLSP 4.98% PERP	Neutral (5)	11/04/2024	3.97%	366bps	OW

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Issues outstanding

Senior secured
Senior unsecured bullets
Senior unsecured callables
Subordinated corporate perpetuals
Subordinated bank capital

Key Ratios

FYE September	FY2018	FY2019	FY2020
EBITDA margin (%)	25.53	27.96	29.39
Net margin (%)	27.72	28.14	14.42
Gross debt to EBITDA (x)	13.56	16.41	18.95
Net debt to EBITDA (x)	11.21	13.03	15.80
Gross Debt to Equity (x)	1.02	1.08	1.33
Net Debt to Equity (x)	0.84	0.86	1.11
Gross debt/total asset (x)	0.46	0.46	0.52
Net debt/total asset (x)	0.38	0.37	0.43
Cash/current borrowings (x)	0.98	1.03	0.80
EBITDA/Total Interest (x)	2.78	2.17	2.06

Source: Company, OCBC estimates

Please click here for a recent write-up on the issuer.

Golden Agri-Resources Ltd ("GGR")

Issuer Profile:
Negative (6)

Ticker:
GGRSP

Background
Golden Agri-Resources Ltd ("GGR") is a major palm oil company, with a planted area of about 500,000 ha as at 30 September 2020 of palm oil plantations in Indonesia. The company's integrated operations include palm oil cultivation, crude palm oil ("CPO") and palm kernel processing and downstream refining to produce consumer products and biodiesel. GGR owns ~92%-stake in PT Sinar Mas Agro Resources and Technology Tbk ("PT SMART"), which contributed ~40% of GGR's total revenue in 9M2020. GGR is ~50.5%-owned by the Widjaja family and is listed on the SGX with a market cap of SGD2.0bn as at 4 January 2021. While palm oil as a sector continues to face sustainability challenges from European environmental activists, it is a high yielding oilseed that is unlikely to lose its usage in the long term. GGR is part of the FTSE4Good index (inclusion since 2018), an index that takes into account of environmental, social and governance factors. GGR is incorporated in Mauritius while the bonds are issued by Golden Assets International Investment Pte Ltd, unconditionally and irrevocably guaranteed by GGR.

Credit Outlook and Direction
In its interim business update for 3Q2020, GGR shared that revenue was USD1.6bn while EBITDA was USD124mn. Upstream palm output was up 10% q/q to 666,000 MT in 3Q2020, with higher CPO prices lifting EBITDA. Overall results continue to be impacted by the non-cash impact of foreign exchange losses and changes in fair value of biological assets, depreciation of bearer plants, and exceptional items including deferred tax expenses with a net loss of USD5mn for 3Q2020 and a net loss of USD162mn for 9M2020. On an underlying basis however, underlying profit of USD9mn for 9M2020 and USD21mn for 3Q2020 are improved on a y/y and q/q basis. 1H2020 EBITDA (based on our calculation) was USD178.6mn while interest expense was USD70.3mn, leading to an EBITDA/Interest coverage of 2.5x (2019: 2.7x). GGR has a higher levered profile versus its agribusiness peers, with 1H2020 unadjusted gross debt-to-EBITDA at 8.8x, and at 10.8x including other "debt-like" items (corporate guarantees and a liability on a put option). Despite its relatively steady EBITDA generation, we expect the company to intensify replanting which limits cash that can be set aside for debt amortisation. On the back of its looming refinancing amidst a tighter financing environment, we had lowered GGR's issuer profile in September 2020. We **hold GGR's issuer profile at Negative (6) though will be ceasing coverage at maturity of its sole SGD bond.** In our view, GGR's SGD-bond represents a more permanent part of its capital structure and as such rather than being paid down, it is likelier that GGR would seek to refinance the bond. Management have indicated that they intend to raise funds through the Indonesian local bond market as it is a relatively cheaper source of funding (in implied-SGD terms) and subsidiary PT SMART issued IDR1.4 trillion (~SGD129mn) in October 2020.

Bond Recommendation
We are neutral the GGRSP 4.75% '21s which is maturing on 25 January 2021.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
GGRSP 4.75% '21s	Negative (6)	25/01/2021	NM	NM	N
OHLSP 5.7% '22s	Negative (6)	31/01/2022	14.82%	1466bps	OW

Indicative prices as at 04 January 2021 Source: Bloomberg, OCBC

Outstanding Issuance
Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Subordinated corporate perpetuals
Subordinated bank capital

Key Ratios

FYE December	FY2018	FY2019	1H2020
EBITDA margin (%)	6.03	6.96	5.27
Net margin (%)	0.03	3.31	-4.32
Gross debt to EBITDA (x)	6.97	7.02	8.84
Net debt to EBITDA (x)	6.52	6.56	8.00
Gross Debt to Equity (x)	0.70	0.70	0.75
Net Debt to Equity (x)	0.65	0.65	0.67
Gross debt/total asset (x)	0.35	0.36	0.37
Net debt/total asset (x)	0.33	0.33	0.34
Cash/current borrowings (x)	0.13	0.11	0.15
EBITDA/Total Interest (x)	2.64	2.69	2.54

Source: Company, OCBC estimates

Please click here for a recent write-up on the issuer.

GuocoLand Ltd ("GUOL")

Issuer Profile:	**Ticker:**
Neutral (5)	**GUOLSP**

Background

Listed on the SGX in 1978 with a market cap of SGD1.8bn as at 30 Dec 2020, GuocoLand Ltd ("GUOL") is a property developer headquartered in Singapore, with investments in residential properties, commercial properties and integrated developments. GUOL's properties are located primarily in Singapore (e.g. Guoco Tower, Guoco Midtown) though there is also exposure to China, Malaysia and Vietnam. GUOL is a 69.2%-owned subsidiary of Guoco Group Ltd, which is listed on the HKSE. Guoco Group is in turn a member of the Hong Leong Group Malaysia, one of the largest conglomerates in South East Asia, which is controlled by the Quek family.

Credit Outlook and Direction

Although GUOL reported strong results (Revenue: +84% y/y to SGD572.1mn) for 1HFY2020 for the half-year ending 31 Dec 2019, the outbreak of COVID-19 has significantly impacted performance in 2HFY2020 (Revenue: -40% y/y to SGD369.8mn) as sales and construction progress slowed (which in turn affects revenue recognition). As a result, full-year revenue grew only 1.6% y/y to SGD941.8mn. However, reported PBT fell 45.9% y/y to SGD179.4mn despite gain from sale of Guoman Hotel in Shanghai (which netted SGD90.6mn gain) due to impairments including SGD47mn impairment loss on JV stake in EcoWorld International Berhad and SGD51.5mn fair value loss on derivative financial instruments in 2HFY2020. GUOL also recorded valuation losses on Guoco Tower (-SGD3mn y/y to SGD2.5bn). That said, we remain comfortable with GUOL's credit profile given that occupancy at Guoco Tower (99%) and 20 Collyer Quay (95%) remain firm. Meanwhile, Martin Modern (86% sold, out of 450 units) and Wallich Residence (54% sold, out of 181 units) also saw decent sales. Net gearing fell h/h to 91% as of FY2020 (1H2020: 97%) due to the divestment of Guoman Hotel while cash of SGD933.9mn covers SGD723.4mn of short-term borrowings.

Bond Recommendation

Given that the Singapore property market remains resilient, we Overweight GUOLSP '23s and GUOLSP '25s.

Issues outstanding

Senior secured
Senior unsecured bullets
Senior unsecured callables
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Relative Value

Bond	Issuer Profile	Maturity/Next Call Date	Ask YTW	Spread	Recommen-dation
GUOLSP 4% '22	Neutral (5)	31/01/2022	1.56%	140bps	UW
GUOLSP 3.85% '23	Neutral (5)	15/02/2023	2.55%	234bps	OW
GUOLSP 3.4% '25	Neutral (5)	10/08/2025	2.95%	253bps	OW
GUOLSP 4.6% PERP	Neutral (5)	23/01/2023	3.62%	342bps	N
FPLSP 3.95% '21	Neutral (5)	07/10/2021	2.22%	205bps	N
FPLSP 4.25% '26	Neutral (5)	21/04/2026	3.25%	276bps	N
FPLSP 3.95% PERP	Neutral (5)	05/10/2022	3.38%	229bps	UW

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Key Ratios

FYE December	FY2018	FY2019	FY2020
EBITDA margin (%)	17.72	23.67	24.32
Net margin (%)	33.85	31.03	9.56
Gross debt to EBITDA (x)	23.96	20.47	22.98
Net debt to EBITDA (x)	19.65	16.71	18.91
Gross Debt to Equity (x)	1.06	0.97	1.11
Net Debt to Equity (x)	0.87	0.79	0.91
Gross debt/total asset (x)	0.47	0.45	0.47
Net debt/total asset (x)	0.38	0.37	0.39
Cash/current borrowings (x)	0.54	2.89	1.29
EBITDA/Total Interest (x)	1.21	1.21	1.15

Source: Company, OCBC estimates

Heeton Holdings Ltd ("HHL")

Issuer Profile: Negative (6)

Ticker: HPLSP

Background

Heeton Holdings Ltd ("HHL") is a property company with assets and revenue predominantly in Singapore and UK. HHL focuses on property development, property investments and hospitality. HHL owns or holds stakes in 13 hospitality assets as of 31 Dec 2019, after having expanded rapidly following the initial entry in 2011. As of 2019, hospitality accounts for 55.7% of segment assets with the rest mainly accounted by property investments (17.1%) and property development (15.2%). The Toh family owns about 70% interest in HHL, which are represented by Heeton Investments Pte Ltd (27.88%), Hong Heng Co Pte Ltd (16.81%), Toh Giap Eng (12.64%), Toh Khai Cheng (6.79%) and Toh Gap Seng (5.83%).

Credit Outlook and Direction

1H2020 results was negatively impacted by the outbreak of COVID-19, with revenue falling 56.6% y/y to SGD12.7mn while HHL fell into a loss before tax of SGD8.9mn (1H2019 profit before tax: +SGD10.2mn). This is weighed by a reduction in revenue from all segments, especially hotel operation (-SGD9.2mn y/y) due to movement restrictions. As mentioned in our Credit Update in Apr 2020, the thrust towards hospitality in 2019 appears untimely. Hospitality's contribution as a proportion of revenue surged to 63.7% in 2019 (2018: 32.0%) following a series of acquisition of hospitality assets. Credit metrics look weak with net gearing at 0.93x (2019: 0.88x), net cash outflow of SGD12.4mn from operating activities in 1H2020 (1H2019: SGD26.5mn) while EBITDA/Interest has fallen to a mere 0.04x (1H2019: 0.77x). With HHL raising SGD70.3mn HTONSP 6.8% '23s through an offer to exchange (SGD51.75mn of HTONSP 6.08% '21s was exchanged for SGD41.4mn in cash, SGD28.9mn in new monies were raised), we believe HHL is in a much stronger position to redeem the remainder SGD66mn HTONSP 6.08% '21s. That said, the longer-term outlook depends on the speed of the recovery, which may require HHL to undertake asset divestments to bridge any funding gap.

Bond Recommendation

The exchange offer has relieved the near-term refinancing pressure and hence we Overweight HTONSP '21s.

Relative Value

Bond	Issuer Profile	Maturity / Call Date	Ask YTW	Spread	Recommen-dation
HTONSP 6.08% '21	Negative (6)	19/07/2021	17.97%	1779bps	OW
OHLSP 5.7% '22	Negative (6)	31/01/2022	14.82%	1465bps	OW
CHIPEN 6% '22	Unrated	15/03/2022	7.28%	711bps	Unrated
TSHSP 7.75% '22	Unrated	19/05/2021	6.31%	614bps	Unrated
HTONSP 6.8% '23	Negative (6)	13/11/2023	6.79%	654bps	Unrated
FRAG 6.125% '21	Unrated	26/04/2021	3.49%	330bps	Unrated

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Issues outstanding

Senior secured
Senior unsecured bullets
Senior unsecured callables
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	1H2020
EBITDA margin (%)	6.19	25.15	11.60
Net margin (%)	29.42	18.43	-70.53
Gross debt to EBITDA (x)	94.95	31.24	154.20
Net debt to EBITDA (x)	79.44	27.32	136.41
Gross Debt to Equity (x)	0.77	1.16	1.07
Net Debt to Equity (x)	0.64	1.02	0.94
Gross debt/total asset (x)	0.38	0.48	0.45
Net debt/total asset (x)	0.32	0.42	0.40
Cash/current borrowings (x)	0.51	0.67	1.48
EBITDA/Total Interest (x)	0.19	0.78	0.15

Source: Company, OCBC estimates

Hong Fok Corp Ltd ("HFC")

Issuer Profile:
Neutral (5)

Ticker:
HFCSP

Background

Hong Fok Corp Ltd ("HFC") is an investment holding company listed on the SGX with a market cap of SGD625mn as at 30 December 2020. Its principal activities are property investment, property development, construction and property management. HFC's investment properties, The Concourse and International Building, total over 75,000 sq. m by gross floor area. It also owns 610-room YOTEL. The Cheong family substantially controls HFC. Its top shareholders are Hong Fok Land International Ltd (21.00%), Cheong Sim Eng (13.58%), and P C Cheong Pte Ltd (11.36%). HFC is incorporated in Singapore and the bonds are issued by HFC.

Credit Outlook and Direction

For 1H2020, revenue fell 8%y/y to SGD43.6mn due to lower income from investment properties including YOTEL Singapore Orchard Road. Profit before tax was SGD5.2mn, down 40%y/y from SGD8.7mn in 1H2019. Over 1H2020, HFC recorded strong cash inflow of SGD27.8mn vs SGD1.1mn a year ago leading to cash on hand rising to SGD69.3mn from SGD40.4mn even though cash from operating activities was lower at SGD9.9mn vs SGD13.5mn. The increase was largely due to proceeds from disposal of other investments of SGD26.4mn and a net increase in loan and borrowings of SGD36.0mn. Based on our calculation, EBITDA/Total interest was 1.4x (2019: 1.5x, 2018: 1.8x). Gross debt rose 5.3% to SGD822.9mn. The increase was solely in short term debt (1H2020: SGD42.9mn) as loans were drawn down to maintain adequate cash and cash equivalents for working capital purposes. The proportion of secured debt as a percentage of total debt rose slightly to 82.8% from 82.3% a year ago. HFC has sufficient cash to repay all its short-term debt. Total debt over asset as at 30 June 2020 was 23.4%. Total Debt over Assets as at 30 June 2020 is 23.4%. Given that HFC still has more than sufficient cash on hand to cover its short-term borrowings, we think its credit metrics are still manageable. Management expects operation of YOTEL to remain challenging until COVID-19 pandemic is controlled with vaccines widely available, international borders re-open with no travel restriction and tourism confidence returns from its key markets. Sales of residential units of Concourse Skyline will continue to be adversely affected amid uncertainty wrought by COVID-19. Overall, we **expect HFC's credit profile to be broadly stable within the next 12 months** and to continue to fall within Neutral (5) Issuer Profile.

Bond Recommendation

We are overweight on HFCSP 4.2% '22 as yield of 3.86% looks attractive.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
HFCSP 4.2% '22	Neutral (5)	28/03/2022	3.86%	367bps	OW
OUESP 3.75% '22	Neutral (5)	17/04/2022	3.04%	286bps	UW

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Issues outstanding

Senior secured
Senior unsecured bullets
Senior unsecured callables
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	1H2020
EBITDA margin (%)	38.66	46.93	67.10
Net margin (%)	205.11	101.36	6.56
Gross debt to EBITDA (x)	15.32	14.74	14.10
Net debt to EBITDA (x)	14.33	13.98	12.91
Gross Debt to Equity (x)	0.31	0.30	0.31
Net Debt to Equity (x)	0.29	0.28	0.29
Gross debt/total asset (x)	0.23	0.23	0.23
Net debt/total asset (x)	0.21	0.21	0.21
Cash/current borrowings (x)	0.41	22.46	1.58
EBITDA/Total Interest (x)	1.79	1.74	2.26

Source: Company, OCBC estimates

HongKong Land Ltd ("HKL")

Issuer Profile: Positive (2)

Ticker: HKLSP

Background

Hongkong Land Holdings Limited ("HKL") was established in 1889 and listed in the London Stock Exchange, with secondary listings in Bermuda and Singapore. It is a leading Asian property investment, management, and development group, with its main portfolio in Hong Kong where it owns and manages some 450,000 sq. m of prime property. HKL also has several high quality residential, commercial, and mixed-use projects under development in cities across Greater China and Southeast Asia. In Singapore, its subsidiary, MCL Land, is a well-established residential developer. Its assets and investments are managed from Hong Kong and it is 50.41% owned by Jardine Matheson Holdings Ltd. HKL is incorporated in the Hong Kong SAR and the bond issuer is The Hongkong Land Finance (Cayman Islands) Company Limited.

Credit Outlook and Direction

Based on the interim management statement for 3Q2020, HKL continues to be negatively impacted by COVID-19 pandemic. Contributions from investment properties was reduced due to temporary retail rent relief while development properties in Mainland China saw a delay in timing of profit recognition due to construction delays. HKL also expects further losses on revaluation of investment properties due to adverse market conditions. HKL's office portfolio saw vacancy increase to 6.9% at 30 September 2020, compared to 5.0% at the end of June. Rental reversion for Hong Kong Central office portfolio was negative, reflecting subdued market conditions with few leasing enquiries. Retail market sentiment in Hong Kong remained weak in 3Q2020, despite a modest improvement in September due to an uptick in outlook as regards to the pandemic. HKL continues to provide temporary rent relief to support its tenants on a case-by-case basis. Base rental reversions in the Central retail portfolio were also negative, reflecting falling retail rents across the city. For development properties, HKL's recent sales launches in mainland China benefited from a rebound in market sentiment. For 9M2020, HKL's attributable interest in contracted sales was USD1.23bn, compared to USD1.29bn last year. HKL's overall financial position remains strong with net debt at USD4.7bn as at 30 September 2020 (end June: USD5.6bn, end March: 3.9bn). Committed liquidity was USD4.0bn vs USD2.7bn at end June. We expect **HKL's credit profile to be stable within the next 12 months** with the Positive (2) issuer profile as appropriate despite headwinds as HKL has the financial flexibility to tide through the pandemic.

Bond Recommendation

HKLSP'38s is illiquid. We are neutral on HKLSP 3.45% '39 given the long tenor.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
HKLSP 3.45% '39	Positive (2)	28/03/2039	2.96%	188bps	N
CAPITA 2.15% '32	Neutral (3)	07/12/2032	2.13%	111bps	N

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Issues outstanding

Senior secured
Senior unsecured bullets
Senior unsecured callables
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer

Key Ratios

FYE December	FY2018	FY2019	1H2020
EBITDA margin (%)	39.99	49.92	51.85
Net margin (%)	92.19	8.72	42.81
Gross debt to EBITDA (x)	4.63	4.33	7.71
Net debt to EBITDA (x)	3.34	3.10	6.62
Gross Debt to Equity (x)	0.13	0.13	0.18
Net Debt to Equity (x)	0.09	0.09	0.16
Gross debt/total asset (x)	0.11	0.11	0.14
Net debt/total asset (x)	0.08	0.08	0.12
Cash/current borrowings (x)	1.73	1.99	2.56
EBITDA/Total Interest (x)	5.89	5.62	4.27

Source: Company, OCBC estimates

Hotel Properties Ltd ("HPL")

Issuer Profile: Neutral (5)

Ticker: HPLSP

Background

Listed on the SGX with a market cap of SGD1.6b as at 30 Dec 2020, the principal activities of Hotel Properties Ltd ("HPL") include hotel ownership, management and operation, property development and investment properties. As of Dec 2019, we estimate that hotels account for ~65% of HPL's total assets, with hospitality revenues split nearly evenly between (1) Singapore, (2) Maldives and (3) other parts of the world including rest of Asia and UK/Europe. Investment properties account for ~28% of HPL's total assets, which are mainly represented by retail malls in Singapore. Managing Director/cofounder Mr. Ong Beng Seng has 21.1% direct and 39.4% deemed interest in HPL while Wheelock and Co Ltd has 22.52% stake in HPL.

Credit Outlook and Direction

The curb on travel and movement restrictions have significantly impacted HPL's results, with 1H2020 revenue falling 47.8% y/y to SGD144.8mn due to lower contribution from the hotel division (which contributed 95% of 2019's revenue). Notably, HPL sank into a gross loss of SGD3.8mn (1H2019 gross profit: SGD71.8mn) as costs have not fallen proportionately with revenue. While travel globally is still inhibited, we think that it is important for costs to be contained quicker. Acknowledging that HPL has already taken measures to curb operating expenditure and is deferring non-essential capital expenditure, though it remains to be seen if the cash outflow can be adequately stemmed, given SGD36.1mn cash used in operating activities and SGD21.4mn capex in 1H2020. Credit metrics have weakened with net gearing rising h/h to 43% (2019: 32%). Cash balances have dwindled to SGD111.3mn as of end-June 2020, despite raising SGD170mn from issuance of HPLSP 3.8% '25s in June 2020 and starting 2020 with SGD192.3mn in cash. According to HPL, it has unutilized committed credit facilities available (amount not disclosed) to be drawn, which should help HPL tide over the near-term.

Bond Recommendation

While HPL is significantly impacted by COVID-19, we see better value in its seniors than its perps.

Issues outstanding

Senior secured

Senior unsecured bullets

Senior unsecured callables

Subordinated corporate perpetuals

Subordinated bank capital

Please click here for a recent write-up on the issuer.

Relative Value

Bond	Issuer Profile	Maturity/Next Call Date	Ask YTW	Spread	Recommen-dation
HPLSP 3.85% '21s	Neutral (4)	27/05/2021	2.34%	215bps	OW
HPLSP 3.8% '25s	Neutral (4)	02/06/2025	3.85%	344bps	N
HPLSP 4.4% PERP	Neutral (4)	22/10/2024	4.35%	326bps	UW
HPLSP 4.65% PERP	Neutral (4)	05/05/2022	3.84%	275bps	UW
SLHSP 4.5% '25s	Neutral (4)	12/11/2025	2.95%	251bps	OW
ARTSP 4% '24s	Neutral (4)	22/03/2024	1.71%	143bps	UW
ARTSP 4.68% PERP	Neutral (4)	30/12/2020	3.57%	248bps	N
ARTSP 3.88% PERP	Neutral (4)	04/09/2024	3.44%	235bps	UW

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Key Ratios

FYE December	FY2018	FY2019	1H2020
EBITDA margin (%)	22.83	22.38	5.01
Net margin (%)	21.52	9.83	-54.56
Gross debt to EBITDA (x)	5.38	7.63	74.99
Net debt to EBITDA (x)	4.49	6.08	67.33
Gross Debt to Equity (x)	0.32	0.40	0.48
Net Debt to Equity (x)	0.26	0.32	0.43
Gross debt/total asset (x)	0.23	0.27	0.31
Net debt/total asset (x)	0.19	0.21	0.28
Cash/current borrowings (x)	1.24	1.23	0.49
EBITDA/Total Interest (x)	4.81	3.24	0.44

Source: Company, OCBC estimates

OCBC Bank

Keppel Corporation Ltd ("KEP")

Issuer Profile: Neutral (4)

Ticker: KEPSP

Background

Listed in 1986, Keppel Corp Ltd ("KEP") is a diversified conglomerate operating in the energy and environment, urban development, connectivity and asset management sectors. As at 4 January 2021, KEP has a market cap of SGD9.9bn. Significant associates include Keppel REIT ("KREIT", Issuer profile: Neutral(4)), Sino-Singapore Tianjin Eco-City Investment and Development Co, Limited, Keppel DC REIT, and Floatel International Limited. KEP is currently ~21%-owned by Temasek Holdings (Private) Limited ("Temasek") which did not proceed with the partial takeover offer. The remaining shareholding is dispersed. The SGD-bonds are issued by KEP, the listed entity.

Credit Outlook and Direction

In 9M2020, KEP's reported revenue was SGD4.8bn, down 10% y/y and reported net gearing of 0.96x was slightly lower than the 1.0x as at 30 June 2020. In its 3Q2020 business update, KEP shared that all segments were profitable except its offshore & marine arm ("KOM") which in 2Q2020 drove the company to a net loss of SGD698.8mn. KOM is undergoing a strategic review as of writing. In September 2020, KEP reaffirmed its Vision 2030 plan, where key focus businesses include renewables, environmental solutions, nearshore floating infrastructure, connectivity solutions and integrated smart district development. KEP has announced significant divestments worth SGD17.5bn in carrying value of assets that can be sold down progressively, where SGD3-5bn will be divested earlier over a three year period. 40% of divestments is targeted to come from its landbank and development projects. 28% is targeted to come from commercial buildings, infrastructure assets and data centres where KEP may consider selling into REITs and trusts. Pending deployment of recycled capital into new areas, net gearing may be lower on a temporal basis, though KEP is not expected to be on a deleveraging path while it transforms. **We see KEP's credit profile as having weakened versus 2019, though expect it to stay stable at Neutral (4) within the next 12 months.**

Bond Recommendation

We are broadly neutral the KEPSP curve and see better value in the belly.

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Subordinated corporate perpetuals
Subordinated bank capital

Please click [here](#) *for recent write-ups on the issuer.*

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
KEPSP 3.145% '22s	Neutral (4)	14/02/2022	1.20%	102bps	N
KEPSP 3.725% '23s	Neutral (4)	30/11/2023	1.80%	153bps	N
KEPSP 3.0% '24s	Neutral (4)	07/05/2024	1.90%	159bps	N
KEPSP 3.0% '26s	Neutral (4)	01/10/2026	2.46%	191bps	OW
KEPSP 3.8% '27c22s	Neutral (4)	23/04/2022	0.40%	22bps	UW
KEPSP 3.66% '29s	Neutral (4)	07/05/2029	2.75%	196bps	N
KEPSP 4.0% '42c32s	Neutral (4)	07/09/2032	3.59%	259bps	OW
SCISP 2.94% '21s	Neutral (4)	26/11/2021	1.19%	102bps	N
SCISP 3.64% '24s	Neutral (4)	27/05/2024	1.94%	163bps	N

Indicative prices as at 04 January 2021 Source: Bloomberg, OCBC

Key Ratios

FYE December	FY2018	FY2019	1H2020
EBITDA margin (%)	13.23	15.17	12.31
Net margin (%)	16.03	10.04	-16.85
Gross debt to EBITDA (x)	9.56	10.14	16.90
Net debt to EBITDA (x)	7.05	8.59	13.80
Gross Debt to Equity (x)	0.65	1.00	1.22
Net Debt to Equity (x)	0.48	0.85	1.00
Gross debt/total asset (x)	0.28	0.37	0.41
Net debt/total asset (x)	0.21	0.32	0.34
Cash/current borrowings (x)	1.34	0.39	0.44
EBITDA/Total Interest (x)	3.98	3.68	2.50

Source: Company, OCBC estimates

Keppel Infrastructure Trust ("KIT")

Issuer Profile: Neutral (4)

Ticker: KITSP

Background

Keppel Infrastructure Trust ("KIT") is structured as a Business Trust and domiciled in Singapore. The trust has nine assets across three main segments, namely Energy, Distribution & Network and Waste & Water. KIT is listed on the Singapore Stock Exchange with a market cap of SGD2.7bn as at 4 January 2021 and is Sponsored by Keppel Infrastructure Holdings Pte Ltd, the infrastructure holding company of Keppel Corp Ltd ("KEP", Issuer profile: Neutral(4)). KEP is the largest unitholder holding a ~16.6%-stake in KIT (KIT is no longer recorded as an associated company of KEP). Tembusu Capital Pte Ltd holds a ~12.3%-stake in the trust as the second largest unitholder. KIT is established in Singapore and the SGD perpetuals are issued by Keppel Infrastructure Fund Management Pte. Ltd. (in its capacity as trustee-manager of KIT).

Credit Outlook and Direction

KIT provides a breakdown of Funds from Operations ("FFO") for its main assets with FFO defined as income/(loss) before tax, adding back non-cash items and after deducting FFO that is attributable to minority interests. FFO can be used for debt repayment at the asset level, with the excess (what KIT terms as Distributable Cash Flow ("DCF")) upstreamed for KIT-obligations at the holding company level. KIT saw a 12.9% y/y higher FFO in 1H2020 of SGD127.4mn, driven by the full period contribution at IXOM. KIT's business and assets are deemed as essential services and continued to operate amidst COVID-19. As at 30 June 2020, including lease liabilities as debt and taking 50% of perpetual as debt (and 50% of perpetual as equity), we find adjusted gross gearing at 1.65x as at 30 June 2020. Including Basslink, whose debt is non-recourse, KIT's reported gross debt-to-EBITDA was 5.9x in 9M2020. While gross debt levels are high, in our view, KIT has a healthy interest coverage at the holding company level. In 9M2020, DCF from KIT's various businesses to the holding company was SGD179.7mn, up 7.2% y/y. The holding company has SGD100mn of senior debt as at 30 June 2020. Assuming this stayed the same as at 30 September 2020 with an interest cost of 3% p.a, and taking its full distribution payment on perpetuals as interest, we estimate the Adjusted DCF/Interest coverage was healthy at 13.9x. In June 2020, KIT obtained a loan facility to refinance the short-term debt due at Keppel Merlimau Cogen ("KMC") with amortization kicking in only between June 2023 and June 2026. In December 2020, KIT announced the proposed acquisition of a petroleum storage tank business in the Philippines for a purchase consideration of SGD357.6mn (representing KIT's proportionate 80%-stake). **For now, we maintain KIT's issuer profile at Neutral (4), albeit with a cautious outlook over rising leverage within 12 months.**

Bond Recommendation

Taking reference to the long dated senior bonds issued by KEPSP, the KITSP 4.75%-PERP is trading at a senior-sub spread of ~130bps which we see as attractive.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
KITSP 4.75%-PERP	Neutral (4)	12/06/2029	4.09%	329bps	OW
KEPSP 3.66% '29s	Neutral (4)	07/05/2029	2.75%	196bps	N
SCISP 3.593% '26s	Neutral (4)	26/06/2026	2.46%	189bps	OW

Indicative prices as at 04 January 2021 Source: Bloomberg, OCBC

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Subordinated corporate perpetuals
Subordinated bank capital

Key Ratios

FYE December	FY2018	FY2019	1H2020
EBITDA margin (%)	35.37	18.30	24.62
Net margin (%)	-0.37	0.65	4.49
Gross debt to EBITDA (x)	7.87	7.70	5.81
Net debt to EBITDA (x)	6.84	6.06	4.53
Gross Debt to Equity (x)	1.51	1.29	1.41
Net Debt to Equity (x)	1.31	1.01	1.10
Gross debt/total asset (x)	0.47	0.44	0.46
Net debt/total asset (x)	0.41	0.35	0.36
Cash/current borrowings (x)	0.22	0.35	0.72
EBITDA/Total Interest (x)	1.82	1.97	2.74

Source: Company, OCBC estimates

Please click here for recent write-ups on the issuer.

Keppel Real Estate Investment Trust ("KREIT")

Issuer Profile: Neutral (4)

Ticker: KREITS

Background

Listed on the Singapore Exchange on 28 April 2006, KREIT's portfolio comprises interests in ten property assets located in the central business districts of Singapore, Australian cities – Sydney, Melbourne, Brisbane and Perth, as well as Seoul, South Korea. On 13 September 2020, KREIT announced the acquisition of its sixth property in Australia. It is a freehold Grade A commercial property comprising three office buildings near the Macquarie Park Metro Station. As at 30 September 2020, asset under management is ~SGD8.4bn (Singapore: 75.9%, Australia: 20.5%, South Korea: 3.6%). Key assets are Ocean Financial Centre ("OFC", 79.9% interest), Marina Bay Financial Centre ("MBFC", 33% interest) and One Raffles Quay ("ORQ", 33% interest). KREIT is 44.31% owned by Keppel Land Ltd, it's Sponsor. KREIT is established in Singapore and its bonds are issued by RBC Investor Services Trust Singapore Limited, in its capacity as trustee of KREIT.

Credit Outlook and Direction

In 3Q2020's business updates, while KREIT recorded improvements over the quarter in part due to new contributions from 311 Spencer Street in Melbourne, overall 9M2020 gross revenue was down by 1.6% y/y at SGD120.3mn with net property income ("NPI") attributable to unitholders down by 1.3% y/y at SGD81.9mn. Its associates and joint ventures saw gains, with 9M2020 share of results up by 4.3% y/y to SGD85.5mn. Portfolio statistics remained healthy with occupancy at 98.3% as at 30 September 2020. While all of KREIT's top 10 tenants are strong tenants, we think large corporations could pursue Work-from-Home strategies and as a result we may see a gradual decline in demand for office spaces in the future. That said, KREIT has just 14.6% of leases expiring based on committed attributable area in 2021 and another 5.9% would be up for rent review in 2021. Also, the commencement of 311 Spencer Street has lengthened the weighted average lease expiry of KREIT's portfolio to 7.1 years from 4.6 years as at 30 June 2020. Though reported aggregate leverage fell to 35.0% (from 36.3% as at 30 June 2020), we note that it would have been 36.9% if we were to adjust for the acquisition of Pinnacle Office Park. All-in interest rate was lower at 2.39% p.a. vs 2.82% a year ago. KREIT has just SGD269.0mn of bank loan coming due in 2021 against SGD894mn of undrawn credit facilities (including SGD426mn of committed facilities). **Within the next 12 months, KREIT's credit profile is expected to be stable** with the Neutral (4) issuer profile as appropriate.

Bond Recommendation

We are overweight on KREITS 3.275% '24 as the yield of 2.20% is attractive for a ~4 year tenor.

Issues outstanding

Senior secured
Senior unsecured bullets
Senior unsecured callables
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Relative Value

Bond	Issuer Profile	Maturity/ First Call Date	Ask YTW	Spread	Recommen-dation
FCTSP 2.77% '24	Neutral (4)	08/11/2024	1.87%	152bps	N
KREITS 3.275 '24	Neutral (4)	08/04/2024	2.20%	190bps	OW
KREITS 3.15% PERP	Neutral (4)	11/09/2025	3.22%	278bps	N
CRCTSP 3.375% PERP	Neutral (4)	27/10/2025	3.56%	311bps	OW
SUNSP 3.8% PERP	Neutral (4)	27/10/2025	3.79%	334bps	OW

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Key Ratios

FYE December	FY2018	FY2019	1H2020
EBITDA margin (%)	47.50	42.37	42.76
Net margin (%)	93.20	86.36	93.66
Gross debt to EBITDA (x)	29.01	30.52	16.85
Net debt to EBITDA (x)	25.73	28.72	16.09
Gross Debt to Equity (x)	0.43	0.41	0.42
Net Debt to Equity (x)	0.38	0.39	0.40
Gross debt/total asset (x)	0.29	0.28	0.29
Net debt/total asset (x)	0.26	0.27	0.28
Cash/current borrowings (x)	4.32	1.25	0.69
EBITDA/Total Interest (x)	1.11	1.04	1.28

Source: Company, OCBC estimates

Lendlease Group ("LLC")

Issuer Profile:
Neutral (3)

Ticker:
LLCAU

Background

Founded in 1958, Lendlease Group ("LLC") today is a leading Australian property company listed on the Australian Securities Exchange ("ASX") with a market cap of AUD9.2b as at 30 Dec 2020. LLC structures its businesses along (1) Development, (2) Construction and (3) Investments. Australia is LLC's core market though LLC has been diversifying into Europe, Asia and America. There is no controlling shareholder.

Credit Outlook and Direction

COVID-19 has impacted FY2020 performance for the year ended 30 June 2020, with profit before tax falling 92% y/y to AUD92mn while reported EBITDA fell 70% y/y to AUD405mn. All segments saw significant declines in reported operating EBITDA, including (1) Development (-59% y/y to AUD322mn) due to fewer settlements/completions, exacerbated by delays, (2) Construction (-52% y/y to AUD101mn) due to delays in construction due to site shutdowns and lower productivity from adherence to physical distancing protocols and (3) Investments (-71% y/y to AUD140mn) from reduction in valuations of AUD188mn (LLC holds AUD4bn in investment portfolio, including co-investments). While a full recovery is unlikely in the near term, we believe that the worst is over. LLC has divested its Engineering segment (likely at AUD160mn), which is credit positive because the earnings of the segment has been volatile, which generated a pre-tax negative impact of AUD550mn. Going forward, LLC is targeting to complete AUD8bn of developments p.a. (from average AUD4.3bn p.a. historically). Fee income should be supported by funds under management of AUD36bn and AUD29bn assets under management. As such, the target EBITDA mix will remain heavier on Development (40%-50%) and Investments (35%-45%) as opposed to Construction (10%-20%). Credit metrics remain healthy with reported gearing of 5.7% and AUD5.8bn of liquidity (comprising cash of AUD1.6bn and undrawn debt facilities of AUD4.2bn).

Bond Recommendation

Despite the price rally, we think LLCAU '27s continue to provide good value with significant pickup over its peers.

Issues outstanding

Senior secured
Senior unsecured bullets
Senior unsecured callables
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Relative Value

Bond	Issuer Profile	Maturity/Next Call Date	Ask YTW	Spread	Recommen-dation
LLCAU 3.9% '27	Neutral (3)	27/04/2027	2.97%	236bps	OW
CITSP 3.48% '26	Neutral (4)	15/06/2026	1.96%	145bps	UW
CAPLSP 3.08% '27	Neutral (3)	19/10/2027	2.11%	145bps	N

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Key Ratios

FYE December	FY2018	FY2019	FY2020
EBITDA margin (%)	2.95	0.50	-5.49
Net margin (%)	4.83	2.85	-2.66
Gross debt to EBITDA (x)	4.87	33.11	-3.74
Net debt to EBITDA (x)	2.44	17.38	-2.00
Gross Debt to Equity (x)	0.37	0.43	0.35
Net Debt to Equity (x)	0.18	0.22	0.19
Gross debt/total asset (x)	0.14	0.16	0.13
Net debt/total asset (x)	0.07	0.08	0.07
Cash/current borrowings (x)	2.48	5.73	8.29
EBITDA/Total Interest (x)	3.90	0.49	-3.24

Source: Company, OCBC estimates

Lippo Malls Indonesia Retail Trust ("LMRT")

Issuer Profile:
Negative (6)

Ticker:
LMRTSP

Background

Listed on the SGX on 2007 with a market cap of SGD424mn as at 11 Jun 2020, Lippo Malls Indonesia Retail Trust ("LMRT") is a retail REIT with a portfolio of 23 retail malls and 7 retail spaces in Indonesia. LMRT is amongst the largest retail S-REIT by floor space, with an NLA over 900,000 sqm. The malls are mostly located within Greater Jakarta, Bundung, Medan and Palembang, targeted at the middle to upper-middle class domestic consumers. LMRT is 32.32%-owned by its sponsor, Lippo Karawaci Tbk PT ("LK"), which is an Indonesian property group. Sponsor-related parties accounts for ~20% of LMRT's gross revenue. LMRT is established in Singapore. Upon a trustee replacement in November 2017, the SGD perpetuals are issued by Perpetual (Asia) Limited ("Perpetual") (in its capacity as trustee of LMRT).

Credit Outlook and Direction

Results were significantly affected with 3Q2020 net property income falling 70.2% y/y to SGD13.1mn due to shorter operating hours (8hours instead of 12hours) while rental relief were provided for selected key tenants and rental waived for sectors remaining closed. Credit metrics have also been impacted by fair value losses including SGD181.0mn for investment properties and SGD100.9mn for foreign currency differences, resulting in aggregate leverage climbing to 42.5% (2Q2020: 35.7%). The outlook remains challenging. As a result of COVID-19 and measures to contain the outbreak, occupancy has fallen to 85.5% (2Q2020: 88.2%) while visitor traffic has fallen to ~50% from pre-COVID levels as of Aug 2020. Large scale social restrictions have been re-imposed in 14 Sep, and there is no certainty if there will be continued re-imposition. Distributions for LMRTSP 6.6% PERP has been deferred as distributable income has fallen. LMRT is intent on acquiring Lippo Mall Puri, which would be a credit positive if completed together with the proposed rights issue as LMRT would be able to resume distributions. The vendor is committing to guarantee IDR340bn net property income p.a. for Lippo Mall Puri till 31 Dec 2024. Even if the acquisition does not complete or gets delayed, liquidity should remain sufficient in the near-term with cash of SGD123.1mn and USD75mn loan facility covering SGD218.4mn in debt maturities in the coming 12 months.

Bond Recommendation

Although distributions have been deferred for LMRTSP 6.6% PERP, we stay Neutral as the rights issue and acquisition of Lippo Mall Puri should help restore the distributable income and hence distributions for the perpetuals.

Issues outstanding

Senior secured
Senior unsecured bullets
Senior unsecured callables
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Relative Value

Bond	Issuer Profile	Maturity/Next Call Date	Ask YTW	Spread	Recommen-dation
LMRTSP 7% PERP	Negative (6)	27/09/2021	7.59%	649bps	N
LMRTSP 6.6% PERP	Negative (6)	19/12/2022	7.29%	620bps	N
FIRTSP 5.68% PERP	Negative (6)	08/07/2021	7.24%	614bps	UW

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Key Ratios

FYE December	FY2018	FY2019	9M2020
EBITDA margin (%)	68.84	62.39	52.38
Net margin (%)	26.46	4.95	-164.49
Gross debt to EBITDA (x)	4.25	4.17	8.11
Net debt to EBITDA (x)	3.92	3.53	6.66
Gross Debt to Equity (x)	0.62	0.66	0.89
Net Debt to Equity (x)	0.58	0.56	0.73
Gross debt/total asset (x)	0.34	0.35	0.42
Net debt/total asset (x)	0.32	0.30	0.34
Cash/current borrowings (x)	0.44	1.47	0.56
EBITDA/Total Interest (x)	4.58	4.12	1.80

Source: Company, OCBC estimates

Mapletree Commercial Trust ("MCT")

Issuer Profile: Neutral (3)

Ticker: MCTSP

Background

Listed on the SGX on 27 April 2011, Mapletree Commercial Trust ("MCT") invests in office and retail assets in Singapore. As at 30 December 2020, MCT had a market cap of SGD7.0bn while its portfolio value was SGD8.7bn as at 30 September 2020, the last valuation date. MCT's portfolio comprises six properties - VivoCity, Mapletree Business City (comprising MBC I and MBC II), Bank of America Merrill Lynch Harbourfront ("MLHF"), PSA Building and Mapletree Anson. MBC II, MCT's latest addition, was acquired on 1 November 2019. MCT is 33.47% owned by Temasek Holdings Ltd ("Temasek") through Mapletree Investments Pte Ltd ("MAPL"), its Sponsor. MAPL is a real estate development, investment and capital management company 100% owned by Temasek. MCT is established in Singapore and the and its bonds are issued by DBS Trustee Limited, in its capacity as trustee of MCT.

Credit Outlook and Direction

For first half of financial year ending 31 March 2021 ("1HFY2021"), gross revenue was down 2.5% y/y to SGD218.7mn and net property income ("NPI") down 2.6% y/y to SGD171.5mn, mainly due to COVID-19 rental rebates and the circuit breaker from 7 April 2020 to 18 June 2020, though partially offset by contribution from Mapletree Business City II (acquired in November 2019). Excluding MBC II, gross revenue would have fallen by 21.3% y/y to SGD176.5mn, in tandem with NPI (-21.8%y/y to SGD137.7mn). Committed portfolio occupancy was 97.7% with expiring leases for FY2021 amounting to 9.9% of its gross rental income which we think is manageable. Rental reversion for retail is -8.9% while that for office is -1.6%, leading to overall rental reversion of -3.7%. Over 1HFY2021, shopper traffic was down 64.6% y/y while tenant sales were down 41.5% y/y. Interestingly, rebound in tenant sales has outpaced shopper traffic. MCT's total investment properties were valued at SGD8.7bn as at 30 September 2020, down 2.3% since 31 March 2020 due to impact from COVID-19. MCT has completed the refinancing of all bank debts due up till FY2022 (subsequent to the reporting period). As at 30 September 2020, the aggregate leverage was 33.8% with EBITDA/Interest based on our calculation was 3.8x, down from 4.5x a year ago. Given that MCT's assets remain fully unencumbered, we remain comfortable with maintaining its Issuer Profile at Neutral (3) and **its credit profile is expected to remain stable within the next 12 months.**

Bond Recommendation

We are neutral on MCTSP curve as we think the curve is trading fair relative to its peers.

Issues outstanding

Senior secured
Senior unsecured bullets
Senior unsecured callables
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
MCTSP 3.25% '23	Neutral (3)	03/02/2023	1.32%	111bps	N
MCTSP 3.28% '24	Neutral (3)	23/09/2024	1.53%	119bps	N
MCTSP 3.11% '26	Neutral (3)	24/08/2026	1.77%	123bps	N
MCTSP 3.045% '27	Neutral (3)	27/08/2027	1.89%	124bps	N
MCTSP 3.05% '29	Neutral (3)	22/11/2029	2.29%	146bps	N

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Key Ratios

FYE March	FY2019	FY2020	1H2021
EBITDA margin (%)	71.19	70.81	69.86
Net margin (%)	131.18	112.48	-42.07
Gross debt to EBITDA (x)	7.44	8.80	9.82
Net debt to EBITDA (x)	7.28	8.61	9.39
Gross Debt to Equity (x)	0.51	0.52	0.53
Net Debt to Equity (x)	0.50	0.51	0.51
Gross debt/total asset (x)	0.33	0.33	0.34
Net debt/total asset (x)	0.32	0.33	0.32
Cash/current borrowings (x)	0.98	0.41	0.79
EBITDA/Total Interest (x)	4.51	4.34	3.79

Source: Company, OCBC estimates

Mapletree Industrial Trust ("MINT")

Issuer Profile: Neutral (3)

Ticker: MINTSP

Background

Listed on the SGX in October 2010, Mapletree Industrial Trust ("MINT") invests in industrial properties in Singapore and data centres worldwide. As at 30 December 2020, MINT had a market cap of SGD6.7bn and an asset under management ("AUM") of SGD6.6bn as at 30 September 2020 across 84 industrial properties including flatted factories, business parks, stackup/ramp-up, data centres and light industrial buildings in Singapore and 27 data centers in the US (including 13 held through joint ventures with its sponsor, Mapletree Investments Pte Ltd ("MAPL")). MINT is 27.90% owned by Temasek Holdings Pte Ltd, who owns 100% stake in Sponsor, MAPL. MINT is established in Singapore and the and its bonds are issued by DBS Trustee Limited, in its capacity as trustee of MINT.

Credit Outlook and Direction

For the second quarter of financial year ending 31 March 2021 ("2QFY2021"), gross revenue was up by 1.5% y/y to SGD103.4mn and net property income was up 2.0% y/y to SGD81.6mn. The improvement was mainly driven by new revenue contribution from 14 data centres in the United States (which is now consolidated at MINT), though partly offset by the rental relief extended to tenants and the loss of revenue due to the redevelopment of the Kolam Ayer 2 Cluster. Following the completion of the acquisition of the remaining 60% stake in the 14 data centres in the US on 1 September 2020, data centres make up 38.7% of MINT's AUM as at 30 September 2020, up from 31.6% in the preceding quarter. Exposure to all other industrial property types such as flatted factories fell. Average Overall Portfolio occupancy increased to 92.3% from 91.1% in the preceding quarter, with occupancy rate for its Singapore properties at 91.5% and 98.0% for North America. Tenant retention rate for the quarter was 77.2%, down from 81.2% in 1QFY2021. Retention rate for Business Park buildings was the lowest amongst all property types at 65.7% (vs 84.1% a year ago). Aggregate leverage was 38.1% as at 30 September 2020. MINT does not have any debt maturing in FY2021 though has SGD511.0mn maturing in FY2022 against SGD151.8mn of cash on hand as well as over SGD400.0mn of committed facilities available. EBITDA/Interest based on our calculation is 6.0x. The Kolam Ayer 2 Flatted Factory Cluster is currently being demolished for redevelopment. Works is expected to complete in 2H2022. The acquisition of a data centre and office in Virginia, US is expected to complete in 1Q2021. Overall, we expect **MINT's credit profile to remain stable within the next 12 months** and able to withstand the impact of COVID-19 as such we will continue to hold MINT at Neutral (3) Issuer Profile.

Bond Recommendation

We are overweight on MINTSP 3.65% '22s and MINTSP 3.58% '29s. Relative to its own curve, we think the front and long end offers the best value.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
MINTSP 3.65% '22	Neutral (3)	07/09/2022	1.02%	83bps	OW
MINTSP 3.02% '23	Neutral (3)	11/05/2023	1.38%	115bps	N
MINTSP 3.16% '24	Neutral (3)	28/03/2024	1.54%	124bps	N
MINTSP 3.58% '29	Neutral (3)	26/03/2029	2.35%	157bps	OW

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Issues outstanding

Senior secured
Senior unsecured bullets
Senior unsecured callables
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE March	FY2019	FY2020	1H2021
EBITDA margin (%)	68.15	69.86	70.14
Net margin (%)	72.09	90.46	71.34
Gross debt to EBITDA (x)	5.45	5.15	7.23
Net debt to EBITDA (x)	5.29	4.96	6.70
Gross Debt to Equity (x)	0.46	0.41	0.52
Net Debt to Equity (x)	0.45	0.39	0.48
Gross debt/total asset (x)	0.30	0.28	0.33
Net debt/total asset (x)	0.29	0.27	0.30
Cash/current borrowings (x)	0.53	41.91	1.10
EBITDA/Total Interest (x)	6.39	6.30	6.29

Source: Company, OCBC estimates

Mapletree Investments Pte Ltd ("MAPL")

Issuer Profile:
Neutral (4)

Ticker:
MAPLSP

Background

MAPL is a real estate development, investment, capital, and property management company headquartered in Singapore. Established in 2000, MAPL's footprint spans across 13 geographical markets. MAPL has an asset under management ("AUM") of SGD60.5bn as of 31 March 2020, with Logistics making up 30% of total AUM, followed by Office (22%) and Retail (15%). SGD42.2bn of the AUM (69.8%) is held under four Singapore-listed REITs and six private equity real estate funds. MAPL considers its REITs as subsidiaries and consolidates them, even though it only has an average 32% stake in them. The private equity real estate funds are held as associated companies (average stake of 32%). MAPL is a private limited liability company and is not listed though it publishes financials annually. MAPL is directly owned by Fullerton Management Pte Ltd, which in turn is 100% owned by Temasek Holdings (Private) Ltd. MAPL is incorporated in Singapore and the bonds and perpetual securities are issued by Mapletree Treasury Services Limited.

Credit Outlook and Direction

In FY2020, MAPL saw a 5.4%y/y increase in recurring profit after tax after minority interest ("PATMI") to SGD752.0mn, driven by a full year's contribution from the US and Europe logistics portfolio and new acquisitions. We expect recurring PATMI to grow steadily along with MAPL's AUM over the long term. MAPL's overall PATMI (including non-recurring) though fell by 17.7%y/y to SGD1.8bn due to lower asset valuation and disposal gains. As at 31 March 2020, MAPL reduced its net debt over equity to 62.5%, down 15.5 ppt y/y. Net debt fell from SGD22.1bn a year ago to SGD19.1bn, primarily due to the closing of a new private trust in November 2019 and the successful syndication of another in March 2020. Funds derived through these transactions were used to repay its debt and finance expansion. EBITDA/Interest based on our calculation is 3.4x for FY2020, vs 3.6x a year ago. In FY2020, MAPL spent SGD5.9bn on capex and acquisitions (FY2019: SGD8.3bn). Looking ahead, we estimate that MAPL would have to invest a net amount of SGD7.5bn over four years and continue to syndicate funds and divest assets to its REITs to reach its AUM target of SGD80bn to SGD90bn by FY2024. **MAPL's credit profile is expected to remain stable within the next 12 months** with the Neutral (4) issuer profile as appropriate.

Bond Recommendation

We are neutral on MAPL curve. We think it is trading fair relative to its peers.

Issues outstanding

Senior secured
Senior unsecured bullets
Senior unsecured callables
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommendation
MAPLSP 2.888% '21	Neutral (4)	21/06/2021	0.65%	46bps	N
MAPLSP 4.5% PERP	Neutral (4)	19/01/2022	1.80%	162bps	N
MAPLSP 3.95% PERP	Neutral (4)	12/11/2022	2.10%	189bps	N
MAPLSP 2.85% '25	Neutral (4)	29/08/2025	1.65%	121bps	N
MAPLSP 3.4% '26	Neutral (4)	03/09/2026	1.83%	129bps	N
MAPLSP 3.58% '29	Neutral (4)	13/03/2029	2.23%	144bps	N

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Key Ratios

FYE March	FY2018	FY2019	FY2020
EBITDA margin (%)	54.38	56.45	60.34
Net margin (%)	58.66	52.89	42.32
Gross debt to EBITDA (x)	9.57	10.50	9.00
Net debt to EBITDA (x)	8.84	9.65	7.99
Gross Debt to Equity (x)	0.70	0.83	0.72
Net Debt to Equity (x)	0.64	0.76	0.64
Gross debt/total asset (x)	0.39	0.43	0.39
Net debt/total asset (x)	0.36	0.39	0.35
Cash/current borrowings (x)	0.59	0.81	0.86
EBITDA/Total Interest (x)	4.66	3.59	3.40

Source: Company, OCBC estimates

Mapletree Logistics Trust ("MLT")

Issuer Profile:
Neutral (3)

Ticker:
MLT

Background

Mapletree Logistics Trust ("MLT") is the first Asia-focused logistics REIT listed in Singapore with a market cap as at 4 January 2021 of SGD8.3bn. Total assets were SGD9.0bn as at 30 September 2020. By asset under management, as at 30 September 2020 MLT's assets are located in Singapore (29.2%), HKSAR (29.5%), Japan (12.5%), China (8.3%), Australia (7.6%) and others (12.9%). MLT is sponsored by Mapletree Investments Pte Ltd ("MAPL", Issuer profile: Neutral(3)) who also owns ~31.6% in MLT. MLT is established in Singapore while the SGD perpetuals are issued by HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of MLT.

Credit Outlook and Direction

On a y/y basis, MLT's gross revenue for the second quarter ended March 2020 ("2QFY2021") increased by 8.3% to SGD131.9mn, with the higher revenue from existing properties, acquisitions and completed redevelopment of Mapletree Ouluo Logistics Park Phase 2 ("Ouluo Phase 2") in 1Q2021, partly offset by rental rebates granted to eligible tenants impacted by COVID-19 and absence of revenue contribution from a property sold in December 2019. On a q/q basis, gross revenue had decreased marginally by 0.4% due to a weaker HKD against the SGD though partly offset by contribution from the completed redevelopment of Ouluo Phase 2. We find 1HFY2021 EBITDA/Interest coverage highly manageable at 4.9x. As at 30 September 2020, MLT faces minimal debt coming due at only SGD59mn in the short term. **<u>We expect the issuer profile of MLT at Neutral (3) to be stable within the next 12 months</u>.** In October 2020, MLT announced that it was buying SGD1.09bn of assets from its Sponsor and another in Australia for ~SGD118.3mn. The acquisition from the Sponsor includes the remaining 50%-stake in 15 existing properties in China which it does not already own. The transaction will double contribution from China to ~16% (by assets under management). MLT was astute with using its equity as purchase consideration and the transaction would mostly be equity-funded, which would result in the reported aggregate leverage reducing to ~37% (30 September 2020: 39.5%). In December 2020, MLT acquired a logistics property in Japan using debt. As the REIT is acquisitive, we expect MLT's reported aggregate leverage to revert to 39-40% in the short term.

Bond Recommendation

We like the MLTSP 4.18%-PERP relative to peers and see a 50:50 chance of a call at first call though see heightened risk of non-call at first call for its other perpetual.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
MLTSP 4.18%-PERP	Neutral (3)	25/11/2021	2.82%	264bps	OW
MLTSP 3.65%-PERP	Neutral (3)	28/03/2023	2.87%[1]	265bps	UW
AREIT 3.0%-PERP^	Neutral (3)	17/09/2025	2.78%	234bps	N
CAPLSP 3.65%-PERP	Neutral (3)	17/10/2024	2.70%	236bps	N
MAPLSP 4.5%-PERP	Neutral (4)	19/01/2022	2.09%	190bps	N
MAPLSP 3.95%-PERP	Neutral (4)	12/11/2022	1.63%	120bps	N

Indicative prices as 04 January 2021 Source: Bloomberg, OCBC
Note: (1) Yield-to-perpetuity
^ Denote green bonds and green perpetuals

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE March	FY2019	FY2020	1H2021
EBITDA margin (%)	75.01	78.57	78.95
Net margin (%)	100.50	80.55	55.65
Gross debt to EBITDA (x)	8.79	9.19	8.57
Net debt to EBITDA (x)	8.48	8.80	8.12
Gross Debt to Equity (x)	0.64	0.71	0.71
Net Debt to Equity (x)	0.62	0.68	0.68
Gross debt/total asset (x)	0.37	0.39	0.39
Net debt/total asset (x)	0.36	0.37	0.37
Cash/current borrowings (x)	3.30	0.72	3.21
EBITDA/Total Interest (x)	4.70	4.66	4.94

Source: Company, OCBC estimates

OCBC Bank

Mapletree North Asia Commercial Trust (“MNACT”)

Issuer Profile: Neutral (4)

Ticker: MAGIC

Background

Listed on the SGX on 7 March 2013, Mapletree North Asia Commercial Trust (“MNACT”) is a S-REIT with a mandate to invest in the North Asia region (Greater China and Japan). With a market cap of SGD3.3bn as at 30 December 2020 and total assets of SGD7.9bn as of 30 September 2020, MNACT holds 11 commercial properties located in Hong Kong, China and Japan. MNACT’s largest asset, Festival Walk (“FW”) in Hong Kong, make up 60% of its portfolio valuation while Gateway Plaza (“GP”) make up another 16%. Festival Walk is a territorial retail mall with office component in Kowloon Tong area of Hong Kong. Temasek Holdings Pte Ltd (“Temasek”) holds a 37.30% stake. Mapletree Investments Pte Ltd, wholly owned by Temasek, is the sponsor of MNACT. MNACT is established in Singapore and its bonds are issued by Mapletree North Asia Commercial Treasury Co HKSAR Ltd.

Credit Outlook and Direction

For the first half of the financial year ending 31 March 2021 (“1HFY2021”), gross revenue fell by 9.6% y/y to SGD190.1mn, while net property income (“NPI”) was down by 17.7% y/y to SGD139.7mn. This was primarily due to rental relief of SGD34.9mn granted to tenants at FW due to COVID-19 and lower average rental rate at FW and GP, though partially offset by contribution from its Japan properties acquired at end-February 2020 and favourable movement in HKD, JPY and RMB against SGD. With respect to FW, gross revenue fell 32.6% y/y to SGD87.9mn with NPI down further by 38.9% y/y to SGD64.1mn. Tenants’ sales and shopper traffic were down by 36.2% y/y and 45.5% y/y respectively. Although occupancy rate was somewhat stable at 99.0%, average rental reversion was -12% for retail and at -16% if we were to include retail leases that were renewed or re-let. We note that expiring leases at FW is 6.7% of gross rental income in FY2021. We expect MNACT to continue to prioritize occupancy rate over rental rates. Overall portfolio occupancy was 96.6% as at 30 September 2020. Aggregate leverage inched higher to 40.1% from 39.6% as at 30 June 2020, as property valuation fell 4.8% relative to six months ago as at 31 March 2020 largely due to lower market rents assumed by the valuers. The effective interest rate was lower at 2.09% p.a. vs 2.17% p.a. in the preceding quarter. EBITDA/Interest based on our calculation has fallen to 3.4x from 4.2x a year ago. MNACT has SGD78mn of borrowings maturing by March 2021 and another SGD476mn maturing by March by 2022, against SGD273.1mn of cash and bank balances and SGD600.0mn of committed and uncommitted undrawn credit facilities. We see the Neutral (4) issuer profile as appropriate though the headwinds on revenue and occupancy levels have yet to subside. We expect **MNACT’s credit profile to be stable within the next 12 months**.

Bond Recommendation

We are neutral on MAGIC 3.2% ‘21s and overweight on MAGIC 3.43% ‘22s. We think MAGIC 3.43% ‘ 22s which is returning 1.02% is somewhat interesting relative to its peers.

Issues outstanding

Senior secured
Senior unsecured bullets
Senior unsecured callables
bordinated bank capital

Please click here for a recent write-up on the issuer.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
MAGIC 3.2% '21	Neutral (4)	08/09/2021	0.70%	52bps	N
MAGIC 3.43% '22	Neutral (4)	09/03/2022	1.02%	84bps	OW

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Key Ratios

FYE March	FY2019	FY2020	1H2021
EBITDA margin (%)	74.18	71.26	67.72
Net margin (%)	155.23	35.06	-100.22
Gross debt to EBITDA (x)	9.46	13.35	12.86
Net debt to EBITDA (x)	8.87	12.53	11.80
Gross Debt to Equity (x)	0.62	0.71	0.73
Net Debt to Equity (x)	0.59	0.67	0.67
Gross debt/total asset (x)	0.37	0.39	0.40
Net debt/total asset (x)	0.34	0.37	0.37
Cash/current borrowings (x)	0.62	0.59	1.17
EBITDA/Total Interest (x)	4.08	3.37	3.39

Source: Company, OCBC estimates

Metro Holdings Ltd ("METRO")

Issuer Profile: Neutral (4)

Ticker: METRO

Background

Metro Holdings Ltd ("METRO") was listed on the SGX in 1973 and has a market cap of SGD627.4mn as at 30 December 2020. Over the years, METRO has evolved from an established household shopping brand to become a property investment and development group with two retail department stores in Singapore (Metro Woodlands and Metro Paragon). METRO has investment properties in Chengdu as well as first tier cities such as Shanghai and Guangzhou in China. Through its joint ventures and associates, METRO has stakes in properties in Singapore, Indonesia, the UK and Australia. As at 30 September 2020, METRO has investment properties of SGD109.0mn and stakes in associates and joint ventures of SGD1.10bn. METRO is incorporated in Singapore and is the issuer of the bonds.

Credit Outlook and Direction

For first half of the financial year ended 30 September 2020 ("1HFY2020"), revenue fell 71.5% y/y to SGD36.7mn due to lower sales of property rights of the residential development projects in Indonesia, the absence of contribution from Metro Centrepoint (closed in October 2019) and lower sales in departmental stores in Singapore during the lockdown. Profit After Tax ("PAT") fell 8.2% y/y to SGD19.8mn. This was mainly due to lower revenue and share of associates' loss of SGD7.5mn amidst the COVID-19 pandemic, partially offset by an increase in share of profit of joint ventures by SGD16.0mn which was largely from higher contributions from The Crest, a residential development with Wing Tai Holdings Limited. Over 1HFY2020, the property division saw revenue fall by 82.9% y/y to SGD11.5mn as sales of property plunged. The retail division saw revenue fall by 59.2% y/y to SGD25.2mn and an overall loss of SGD0.8mn. While net gearing remains low at 8.3%, we note that the total debt to total asset is 32.6%. **METRO's credit profile is expected to be stable within the next 12 months** with the Neutral (4) issuer profile as appropriate as it has SGD348.7mn cash on hand, sufficient to repay its short term debt of SGD154.8mn as well as its (short term) accounts and other payables and lease liabilities. METRO also announced in December 2020 that it has established a student accommodation fund called Paideia Capital UK Trust together with its partners Lee Kim Tah Holdings Limited and Woh Hup Holdings Pte Ltd. Each has a one-third stake. The fund will acquire purpose-built student accommodation properties in the UK to potentially grow its asset portfolio size to GBP150mn (~SGD270mn). METRO is also acquiring a 26% stake in a portfolio of 14 industrial, business park, high-spec industrial and logistics properties for SGD76.6mn. The portfolio of assets has a committed average occupancy rate of 99% and an overall weighted average lease expiry of ~7.7 years.

Bond Recommendation

We are overweight on both the METRO 4% '21s and METRO 4.2% '24s as the yields look attractive.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
METRO 4% '21	Neutral (4)	25/10/2021	2.92%	274bps	OW
METRO 4.3% '24	Neutral (4)	02/04/2024	4.01%	371bps	OW
WINGTA 4.7% '24	Neutral (4)	28/02/2024	2.28%	200bps	OW

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Issues outstanding

Senior secured
Senior unsecured bullets
Senior unsecured callables
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE March	FY2019	FY2020	1HFY2021
EBITDA margin (%)	-6.07	5.20	-9.21
Net margin (%)	55.64	15.73	53.99
Gross debt to EBITDA (x)	-22.01	50.99	-83.18
Net debt to EBITDA (x)	-3.29	19.06	-18.60
Gross Debt to Equity (x)	0.15	0.36	0.37
Net Debt to Equity (x)	0.02	0.14	0.08
Gross debt/total asset (x)	0.12	0.25	0.25
Net debt/total asset (x)	0.02	0.09	0.06
Cash/current borrowings (x)	2.43	2.2	2.64
EBITDA/Total Interest (x)	-1.80	0.58	-0.35

Source: Company, OCBC estimates

Olam International Ltd ("Olam")

Issuer Profile:
Neutral (5)

Ticker:
OLAMSP

Background

Olam International Limited ("Olam") is a diversified, vertically-integrated agri-commodities merchandiser, producer and trader. It also generates income from the sale of packaged food products, commodity financial services and holding minority stakes in longer term investments. As at 4 January 2021, Olam's market cap was SGD5.0bn, although the company's free float adjusted market cap was ~SGD864mn. Temasek is the largest shareholder with a ~53.4%-stake, followed by Mitsubishi Corp with ~17.4%. Kelwaram Chanrai Group (a co-founder of Olam) retains a 7%-stake while management team holds ~6%. Orbis Asset Management, a privately-owned asset manager has been a long time investor in Olam holding a ~7%-stake. Olam is incorporated in Singapore and the SGD-bonds are issued by Olam, the listed entity.

Credit Outlook and Direction

In 1H2020, Olam's revenue was up by 7.1% y/y in 1H2020 to SGD17.1bn while reported EBITDA was down 9.7% y/y to SGD696.3mn and reported EBIT was down 18.8% y/y to SGD423.7mn. Profit after tax to owners though was up 44.4% y/y to SGD332.7mn in 1H2020, driven by exceptional items of SGD130.6mn. In 1H2020, Olam reported gains from divestments following the sale of its remaining stake in its sugar refining business in Indonesia and partial stake sale of ARISE P&L, offset by one-off exit costs of deprioritised businesses. As at 30 June 2020, Olam's unadjusted net gearing was 1.28x (end-2019: 1.36x). Working capital days at Olam was 63 days as at 30 June 2020 versus 70 days as at 31 December 2019, with the company tightening working capital norms in 1H2020 amidst market volatility from COVID-19. Reported EBITDA/Interest was 2.4x in 1H2020 vis-à-vis 2.3x in 1H2019. Bulk of debt at Olam remains unsecured with only 1.1% of secured debt as a proportion of total debt. Short term debt is larger than usual as at 30 June 2020 at 62% of total debt though the company's cash balance of SGD5.9bn is similarly higher than usual. We think Olam had drawn down debt in 1H2020 (net of debt repayment of SGD2.1bn), much which was unutilized by period end. Olam had announced that it will be re-organising its business. It is still too early to tell how much debt (if any) would get pushed down to Olam Food Ingredients ("OFI") and Olam Global Agri ("OGA") though shared services functions including treasury functions would be retained at the Olam level. **We expect Olam's credit profile to stay stable at Neutral (5) within the next 12 months.**

Bond Recommendation

We are Overweight the OLAMSP SGD curve which is provides a decent yield pick up within the SGD space for an acceptable credit level.

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
OLAMSP 5.5%-PERP	Neutral (5)	11/7/2022	4.11%	392bps	OW
OLAMSP 6% '22	Neutral (5)	25/10/2022	2.86%	266bps	OW
OLAMSP 4% '26	Neutral (5)	29/11/2024	4.00%	351bps	OW
OLAMSP 4.375% '23s[1]	Neutral (5)	09/01/2023	2.80%	261bps	NA

Indicative prices as at 04 January 2021 Source: Bloomberg, OCBC
Note: (1) In SGD; Ask YTW and spread in implied-SGD terms

Key Ratios

FYE December	FY2018	FY2019	1H2020
EBITDA margin (%)	3.38	3.38	3.62
Net margin (%)	1.06	1.59	1.73
Gross debt to EBITDA (x)	10.93	11.30	12.20
Net debt to EBITDA (x)	8.53	8.45	7.41
Gross Debt to Equity (x)	1.74	1.93	2.24
Net Debt to Equity (x)	1.36	1.44	1.36
Gross debt/total asset (x)	0.48	0.49	0.53
Net debt/total asset (x)	0.37	0.37	0.32
Cash/current borrowings (x)	0.52	0.47	0.65
EBITDA/Total Interest (x)	1.88	1.77	2.15

Source: Company, OCBC estimates

OUE Limited ("OUE")

Issuer Profile:
Neutral (5)

Ticker:
OUESP

Background
OUE Limited ("OUE") is an investment holding company which owns investment properties and has stakes in healthcare and China property businesses. As at 4 January 2021, OUE's market cap was SGD1.0bn. OUE owns a ~48%-stake in OUE-Commercial REIT ("OUE-CT") and a ~64.4%-stake in OUE Lippo Healthcare Ltd ("OUE-LH"), both which are consolidated at the OUE-level. OUE also owns a ~23%-stake in Hong Kong-listed Gemdale Properties and Investment Corporation Limited ("Gemdale"), a deemed ~19.7%-stake in First Real Estate Investment Trust ("FIRT", Issuer profile: Negative(7)) and a deemed 100%-stake in First REIT Management Limited ("FRML", FIRT's REIT Manager). OUE is ~69%-indirectly owned by Lippo ASM Asia Property Limited ("LAAPL"). Lippo Limited has a deemed 50%-voting rights of LAAPL with ~94.3% of the profit share. Argyle Street Management Limited ("ASM") is deemed interested in OUE via its voting rights in LAAPL. The remaining shareholding in OUE is dispersed. OUE is incorporated in Singapore. OUE's SGD-bonds are issued by OUE Treasury Pte Ltd, unconditionally and irrevocably guaranteed by OUE.

Credit Outlook and Direction
3Q2020 revenue fell 52.5% y/y to SGD134.2mn due to lower revenues from all segments, including investment properties (-9.0% y/y), hospitality (-61.9% y/y), and development properties (-75.0% y/y). OUE pays rental support to partially owned OUE-CT for OUE Downtown and is also the master lessee of two hotel properties owned by OUE-CT which have been hampered by international border closures. We find Adjusted EBITDA/Interest at 2.2x in 1H2020, including cash dividends received of SGD59.5mn (mainly from Gemdale) as EBITDA. Removing the contribution from OUE-CT, we estimate that OUE's EBITDA was insufficient to cover its standalone interest expense of SGD24.4mn in 1H2020. OUE's credit profile continues to be underpinned by its significant asset base. In September 2020, OUE completed the sale of US Bank Tower, though at a fair value loss. In November 2020, OUE-CT announced that it is in talks to sell its OUE Bayfront office building. We expect OUE's short term liquidity to be manageable based on its cash balance and proceeds from the sale of the US Bank Tower. For now, we **maintain our issuer profile of OUE at Neutral (5) though are likely to downgrade this on expectation of tighter liquidity in 2021.** The hospitality segment in Singapore remains challenged while OUE, OUE-LH and FRML have announced respective undertakings in relation to a proposed highly dilutive equity rights issue at FIRT which may require up to ~SGD150mn of cash outlay from OUE (excluding amounts attributable minority investors at OUE-LH).

Bond Recommendation
We are underweight the OUESP curve in light of our view that OUE's issuer profile is weakening.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
OUESP 3.75% '22	Neutral (5)	17/04/2022	3.04%	286bps	UW
OUESP 3.55% '23	Neutral (5)	10/05/2023	3.26%	303bps	UW
HPLSP 3.85% '21s	Neutral (5)	27/05/2021	2.34%	215bps	OW
HPLSP 3.8% '25s	Neutral (5)	02/06/2025	3.85%	344bps	N

Indicative prices as at 04 January 2021 Source: Bloomberg, OCBC

Outstanding Issuance
Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	1H2020
EBITDA margin (%)	26.11	24.14	29.24
Net margin (%)	8.81	34.57	-59.84
Gross debt to EBITDA (x)	20.83	17.87	21.07
Net debt to EBITDA (x)	18.39	15.74	19.22
Gross Debt to Equity (x)	0.68	0.66	0.66
Net Debt to Equity (x)	0.60	0.58	0.60
Gross debt/total asset (x)	0.38	0.37	0.38
Net debt/total asset (x)	0.33	0.33	0.34
Cash/current borrowings (x)	0.87	0.36	0.47
EBITDA/Total Interest (x)	1.20	1.32	1.31

Source: Company, OCBC estimates

Oxley Holdings Ltd ("OHL")

Issuer Profile: Negative (6)

Ticker: OHLSP

Background

Listed on the SGX in Oct 2010 with a market cap of SGD928mn as at 30 Dec 2020, Oxley Holdings Ltd ("OHL") is a developer of residential and commercial projects in Singapore and abroad, including UK, Ireland, Malaysia, China, Cambodia, Myanmar, Indonesia and Cyprus. OHL holds 10%-stake in Aspen Group Holdings Ltd (SGX listed, market cap: SGD232.9mn), 20%-stake in Galliard Group Ltd (unlisted UK developer) and 100%- stake in Pindan Group Pty Ltd (unlisted Western Australia property and construction company). OHL's key shareholders are its Chairman and CEO Mr. Ching Chiat Kwong (42.6%-stake), its Deputy CEO and Executive Director Mr. Low See Ching (28.3%-stake) and Mr. Tee Wee Sien (11.2%) who appears to be a passive shareholder.

Credit Outlook and Direction

Weaker results were reported in FY2020 for the year ended 30 June 2020. OHL recorded a loss before tax of SGD258.3mn (FY2019: profit before tax of SGD105.4mn) despite revenue rising 80% y/y to SGD1.23bn, driven by one-off losses including (1) SGD72.6mn net fair value loss on investment properties, (2) SGD115.5mn loss on receivables as Chevron House was sold below valuations on the book and (3) SGD100.7mn loss on sale of OHL's 18.8%-stake in Galliard Group. Despite the outbreak of COVID-19, the Singapore property market remains resilient, with 3109 out of 3923 units sold in Singapore development projects. This should support OHL in moving the remaining units in the pipeline, with OHL expecting the remaining projects to be fully sold by end-2021. Credit metrics though weakened with net gearing surging to 2.48x h/h (1HFY2020: 1.94x) mainly due to the decline in equity resulting from the one-off losses. Liquidity is also in focus with cash of SGD384.7mn lower than SGD1.76bn of short term financial liabilities. That said, we believe OHL will be able to repay the short term debt, with SGD3.37bn in future progress billings (SGD2.59bn from Singapore). SGD472mn of debt in 2020-21 are tied to projects, which may roll off when projects are completed. We also expect proceeds from Royal Wharf (SGD160mn), Dublin Landings (SGD80mn-SGD100mn), The Peak (~SGD200mn) and Singapore property projects (SGD1.5bn). SGD184mn of investment property loan will also likely be refinanced.

Bond Recommendation

With the Singapore property market remaining resilient while we believe that OHL will overcome the near-term refinancing hurdle, we Overweight OHLSP curve which offers wide spreads.

Issues outstanding

Senior secured

Senior unsecured bullets

Senior unsecured callables

Subordinated corporate perpetuals

Subordinated bank capital

Please click here for a recent write-up on the issuer.

Relative Value

Bond	Issuer Profile	Maturity/Next Call Date	Ask YTW	Spread	Recommen-dation
OHLSP 5.7% '22	Negative (6)	31/01/2022	14.82%	1465bps	OW
OHLSP 6.5% '23	Negative (6)	28/02/2023	20.91%	2071bps	OW
CHIPEN 6% '22	Unrated	15/03/2022	7.28%	711bps	Unrated
HTONSP 6.08% '21	Negative (6)	19/07/2021	17.97%	1779bps	OW
HTONSP 6.8% '23	Negative (6)	13/11/2023	6.79%	654bps	Unrated

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Key Ratios

FYE December	FY2018	FY2019	FY2020
EBITDA margin (%)	11.16	9.09	14.37
Net margin (%)	23.74	20.07	-22.31
Gross debt to EBITDA (x)	26.08	57.41	17.08
Net debt to EBITDA (x)	24.16	49.80	14.90
Gross Debt to Equity (x)	2.34	2.54	2.84
Net Debt to Equity (x)	2.17	2.20	2.48
Gross debt/total asset (x)	0.58	0.59	0.59
Net debt/total asset (x)	0.53	0.51	0.51
Cash/current borrowings (x)	1.03	0.35	0.22
EBITDA/Total Interest (x)	1.02	0.38	1.02

Source: Company, OCBC estimates

OCBC Bank

Sembcorp Industries Ltd ("SCI")

Issuer Profile:
Neutral (4)

Ticker:
SCISP

Background

Sembcorp Industries Ltd ("SCI") is listed on the Singapore Stock Exchange with a market cap of SGD3.1bn as at January 2021. In September 2020, SCI spun off Sembcorp Marine Ltd ("SMM") and now focuses on utilities (energy and water solutions) and urban development (focused on development of industrial parks across the region). Temasek is the largest shareholder with a ~49.6%-stake, with the remaining shareholding dispersed. SCI is incorporated in Singapore and the bonds are issued by Sembcorp Financial Services Pte Ltd ("SFS"), unconditionally and irrevocably guaranteed by SCI.

Credit Outlook and Direction

In 1H2020, revenue was down 27.4% y/y to SGD3.5bn while reported gross profit was down 69.9% y/y to SGD160mn. This was driven by declines in both Energy and Marine (where in 1H2020, SCI still owned ~61%-stake in SMM). For the Energy business, revenue fell mainly due to the decrease in energy demand and prices from reduction in economic activity, particularly from the merchant business in Singapore, India and the UK on the back of COVID-19. Adjusted EBITDA (adding back non-cash write offs within cost of goods sold, but does not include other income and other expenses) was down 48.1% y/y to SGD335mn, with resultant Adjusted EBITDA/Interest only at 1.1x. Removing our estimated loss before interest, tax, depreciation and amortisation at SMM of SGD140.8mn, standalone SCI Adjusted EBITDA/Interest would have been higher at 2.2x in 1H2020. **We expect SCI's credit profile to be stable at Neutral (4) for the next 12 months.** In October 2020, SCI announced that they are electing to prepay and redeem the SCISP 3.55% '24s. While net debt levels are unlikely to fall, there is an expected interest cost savings of SGD25-35mn p.a. SCI has announced a negative profit warning for 2020 results due to SMM fair value losses of SGD1.1bn, and a SGD89mn impairment in relation to its assets in the UK, China and on Jurong Island. While the quantum of these impacts in relation to SMM is large, it is non-cash and non-recurring. We are monitoring other impairment impacts more closely, in line with gradual decarbonization effects.

Bond Recommendation

Among the SCISP bonds, we prefer the SCISP 3.593% '26s which has a decent yield pickup (~50bps more than the SCISP 3.64% '24s which more than compensates for tenor) versus its own curve and other issuers with a similar shareholder.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
SCISP 2.94% '21s	Neutral (4)	26/11/2021	1.19%	102bps	N
SCISP 3.64% '24s	Neutral (4)	27/05/2024	1.94%	163bps	N
SCISP 3.593% '26s	Neutral (4)	26/11/2026	2.46%	189bps	OW
KEPSP 3.145% '22s	Neutral (4)	14/02/2022	1.20%	102bps	N
KEPSP 3% '24s	Neutral (4)	07/05/2024	1.90%	159bps	N
KEPSP 3% '26s	Neutral (4)	01/10/2026	2.46%	191bps	OW
SIASP 3.03% '24s	Neutral (5)	28/03/2024	2.70%	240bps	OW
SIASP 3.13% '26s	Neutral (5)	17/11/2026	2.99%	242bps	N

Indicative prices as at 04 January 2021 Source: Bloomberg, OCBC

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	1H2020
EBITDA margin (%)	9.47	11.72	6.67
Net margin (%)	2.97	2.57	-3.72
Gross debt to EBITDA (x)	9.69	10.03	26.90
Net debt to EBITDA (x)	7.96	8.46	22.33
Gross Debt to Equity (x)	1.35	1.43	1.91
Net Debt to Equity (x)	1.11	1.21	1.58
Gross debt/total asset (x)	0.46	0.49	0.55
Net debt/total asset (x)	0.38	0.41	0.45
Cash/current borrowings (x)	1.03	0.66	0.67
EBITDA/Total Interest (x)	2.18	1.92	0.80

Source: Company, OCBC estimates

Shangri-La Asia Limited ("SHANG")

Issuer Profile: Neutral (4)

Ticker: SLHSP

Background

Shangri-La Asia Limited ("SHANG"), incorporated in Bermuda, is an investment holding company focused on the ownership and management of hotels. In addition, SHANG also holds a portfolio of investment properties and develops properties for sale. SHANG's primary listing is on the Hong Kong Stock Exchange, with a secondary listing in Singapore. SHANG's market cap was HKD24.3bn (~USD3.1bn) as at 4 January 2021. Kerry Group Limited (an unlisted entity owned by members of the Kuok family) holds a 50.19% deemed interest in SHANG. Kerry Group Limited is also the deemed controlling shareholder of Kerry Properties Limited ("KERPRO"). The remaining shareholding is dispersed. The SGD bonds are issued by Shangri-La Hotel Limited though unconditionally and irrevocably guaranteed by SHANG, the listed entity.

Credit Outlook and Direction

Relative to peers, SHANG's significant exposure to Mainland China which is recovering from COVID-19 steadily, resilient investment property segment and manageable short-term liquidity risk helped buffer its credit profile in 2020. Until such time international borders re-open, performance of SHANG's properties at gateway cities and its property development segment would continue to be hampered. **We are maintaining SHANG's issuer profile at Neutral (4) though expect its net gearing to tilt up from additional debt to cover operating shortfalls.** In 1H2020, reported revenue for 1H2020 was down 62.0% y/y to USD453.5mn, driven by a reduction in the revenue of the Hotel Properties segment with revenue declining across all geographical markets. Hotel Management and Related Services and Property Development segments also saw a fall in revenue though the exception was the Investment Property segment (driven by commercial offices) which reported a small revenue growth. At a consolidated level, the company reported an operating loss of USD254.5mn in 1H2020, against an operating profit of USD176.6mn in 1H2019. As at 30 June 2020, unadjusted net gearing of SHANG was 0.89x, increasing from 0.75x as at end-2019 (including lease liabilities as debt), driven by corrosion of SHANG's book value equity from operating losses, other comprehensive loss (currency translation difference) and additional debt taken during the period. As at 30 June 2020, SHANG's cash balance was USD875.3mn against short term debt of only USD468.0mn (including lease liabilities as debt) while undrawn committed banking facilities balance was ample at USD1.2bn.

Bond Recommendation

We like the SLHSP 4.5% '25 in light of its good spread pick-up of 40-110bps versus immediate peers which more than compensates for its longer tenor.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommendation
SLHSP 4.5% '25s	Neutral (4)	12/11/2025	2.96%	250bps	OW
SLHSP 3.5% '30s	Neutral (4)	29/01/2030	3.46%	261bps	N
HPLSP 3.8% '25s	Neutral (5)	02/06/2025	3.85%	344bps	N
ARTSP 4.0% '24s	Neutral (5)	22/03/2024	1.72%	142bps	UW
FHREIT 3.08% '24s	Neutral (5)	08/11/2024	2.40%	206bps	N

Indicative prices as at 04 January 2021 Source: Bloomberg, OCBC

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	1H2020
EBITDA margin (%)	26.20	23.87	-20.68
Net margin (%)	7.30	6.98	-68.84
Gross debt to EBITDA (x)	7.79	10.13	-32.73
Net debt to EBITDA (x)	6.18	8.38	-28.06
Gross Debt to Equity (x)	0.77	0.90	1.04
Net Debt to Equity (x)	0.61	0.75	0.89
Gross debt/total asset (x)	0.39	0.43	0.46
Net debt/total asset (x)	0.31	0.35	0.40
Cash/current borrowings (x)	2.46	2.38	1.87
EBITDA/Total Interest (x)	3.22	2.39	-0.89

Source: Company, OCBC estimates

Singapore Airlines Ltd ("SIA")

Issuer Profile:
Neutral (5)

Ticker:
SIASP

Background
Singapore Airlines Ltd ("SIA"), listed on the SGX, has a market cap of SGD12.7bn as at 4 January 2021. Apart from its flagship carrier, Singapore Airlines ("SQ"), the company also operates other airlines and businesses: SIA Engineering Company, SilkAir and Scoot. SIA owns a 49%-stake in TATA SIA Airlines Limited (operates Vistara Airlines). On a non-diluted basis, assuming no conversion of outstanding securities issued with conversion rights, Temasek has a deemed ~56%-stake in SIA while the remaining shareholding is dispersed. The Minister of Finance owns one Special Share in SIA.

Credit Outlook and Direction
With international borders mostly shut, in 1HFY2021, SIA reported a 80.4% y/y fall in revenue to SGD1.6bn, an operating loss of SGD1.9bn and an impairment of SGD1.7bn that drove SIA to report a net loss SGD3.5bn. SIA has raised significant amounts of equity of SGD8.8bn via a rights issue (equity and Mandatory Convertible Bonds where conversion rights is held by SIA), SGD850mn of convertible bonds and SGD500mn of new 10Y bonds. We see SIA's short-term liquidity situation as manageable, notwithstanding the still highly challenging environment for airlines. We **maintain our issuer profile on SIA at Neutral (5) and expect this to be stable within the next 12 months.** We view capex as an important lever for liquidity conservation especially beyond 12 months. SIA shared that it has concluded negotiations on deferral of aircraft with Airbus and is in advanced negotiations with Boeing, with details to be provided at finalisation. Tata, SIA's joint venture partner at Vistara, has reportedly put in an expression of interest to buy Air India. In our view, this continues to be an event risk given the impact of a sale of Air India on the competitive landscape and implications to SIA's investment in Vistara.

Bond Recommendation
We prefer the shorter to belly of the SIASP curve as see better value in the QANAU curve for the longer dated bonds.

Outstanding Issuance
Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for recent write-ups on the issuer.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
SIASP 3.16% '23s	Neutral (5)	25/10/2023	2.65%	239bps	OW
SIASP 3.03% '24s	Neutral (5)	28/03/2024	2.70%	240bps	OW
SIASP 3.035% '25s	Neutral (5)	11/04/2025	2.89%	249bps	OW
SIASP 3.13% '26s	Neutral (5)	17/11/2026	2.99%	242bps	N
SIASP 3.13% '27s	Neutral (5)	23/08/2027	3.00%	235bps	UW
SIASP 3.5% '30s	Neutral (5)	02/12/2030	3.39%	248bps	UW
QANAU 4.4% '23s[1]	Neutral (5)	10/10/2023	2.21%	196bps	UW
QANAU 4.75% '26s[1]	Neutral (5)	12/10/2026	2.82%	226bps	N
QANAU 2.95% '29s[1]	Neutral (5)	27/11/2029	3.37%	254bps	OW
QANAU 5.25% '30s[1]	Neutral (5)	09/09/2030	3.46%	255bps	OW

Indicative prices as at 04 January 2021 Source: Bloomberg, OCBC
Note: (1) QANAU bonds are denominated in AUD; Ask YTW and spread in implied-SGD terms

Key Ratios

FYE March	FY2019	FY2020	1H2021
EBITDA margin (%)	15.05	14.09	-44.52
Net margin (%)	4.42	-1.06	-212.79
Gross debt to EBITDA (x)	2.71	5.24	-7.66
Net debt to EBITDA (x)	1.51	4.04	-2.81
Gross Debt to Equity (x)	0.49	1.21	0.71
Net Debt to Equity (x)	0.27	0.93	0.26
Gross debt/total asset (x)	0.22	0.35	0.31
Net debt/total asset (x)	0.12	0.27	0.11
Cash/current borrowings (x)	12.74	0.85	4.93
EBITDA/Total Interest (x)	21.16	10.19	-6.01

Source: Company, OCBC estimates

Singapore Post Limited ("SPOST")

Issuer Profile:	**Ticker:**
Neutral (3)	**SPOST**

Background

Singapore Post Ltd ("SPOST") is the incumbent mail operator in Singapore and was granted the Public Postal License in 1992. Apart from postal and parcel delivery, SPOST also engages in logistics businesses – freight forwarding and eCommerce logistics, and the provision of commercial property rental and self-storage business. SPOST, listed on the SGX since 13 May 2003, has a market cap of SGD1.6bn as at 30 December 2020. Through Singapore Telecom Ltd and a few other corporations, Temasek Holdings (Private) Limited ("Temasek") has an indirect ownership of 22.09% of SPOST. Alibaba Group Holdings is the 2nd largest shareholder with 14.56% stake. SPOST is incorporated in Singapore and the bond is issued by Singpost Group Treasury Pte Ltd while the perpetual instrument is issued by SPOST.

Credit Outlook and Direction

SPOST announced first half results for financial year ending March 2021 ("1HFY2021"). Revenue rose 9.6% y/y to SGD707.8mn, led by growth in Post and Parcel as well as Logistics segments, with strong eCommerce volume growth. That said, profit on operating activities fell by 50.9% y/y to SGD39.8mn due to a 18.1% y/y increase in operating expenses. Volume-related expenses (i.e. traffic expenses and cost of sales) rose significantly by 26.7% y/y to SGD429.2mn from SGD338.8mn a year ago. This was due to higher eCommerce volumes, coupled with spikes in international conveyance and commercial freight costs as a result of COVID-19. Net profit before exceptional items, net of tax was down 40.0% y/y to SGD31.5mn. EBITDA (based on our calculation) fell 37.2% y/y to SGD70.5mn, with EBITDA/Interest at 13.9x, down from 17.7x a year ago. As at 30 September 2020, gross debt-to-equity fell to 0.21x. Perpetuals make up 13.1% of total capital and adjusting net debt upwards for the perpetuals (which rank pari passu as unsecured debt at the SPOST holding company level), we find adjusted net gearing at 0.12x. Excluding perpetual securities, SPOST is in a strong net cash position of SGD195.1mn. SPOST continues to be prudent in managing cashflows and has announced an interim dividend of 0.5 cent per share which represents ~36% of 1H underlying net profit. Post 1HFY2021, SPOST had raised SGD250mn 10-year bond. Overall, SPOST continues to face headwinds in its postal business with declining letter volumes. We think this is a structural change and the future for SPOST lies in its ability to transform and capture opportunities within the eCommerce / Logistics space. We expect SPOST to use the funds raised from issuing a new bond to pivot its business to deliver goods (beyond postal items) locally as well as to build on capabilities overseas in Australia. We maintain SPOST at an issuer profile of Neutral (3) and **expect its credit profile to be stable within the next 12 months.**

Bond Recommendation

We are neutral on SPOST curve. We think the bonds are trading fair relative to peers.

Issues outstanding

Senior secured
Senior unsecured bullets
Senior unsecured callables
Subordinated corporate perpetuals
Subordinated bank capita

Please click here for a recent write-up on the issuer.

Relative Value

Bond	Issuer Profile	First Call Date	Ask YTW	Spread	Recommen-dation
SPOST 4.25% 'PERP	Neutral (3)	02/03/2022	1.65%	147bps	N
SPOST 2.53% '30	Neutral (3)	19/11/2030	2.18%	126bps	

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Key Ratios

FYE March	FY2019	FY2020	1H2021
EBITDA margin (%)	16.43	15.87	9.96
Net margin (%)	2.03	6.72	4.35
Gross debt to EBITDA (x)	1.34	2.16	2.47
Net debt to EBITDA (x)	-0.47	-0.20	-0.78
Gross Debt to Equity (x)	0.18	0.27	0.21
Net Debt to Equity (x)	-0.06	-0.03	-0.07
Gross debt/total asset (x)	0.11	0.16	0.13
Net debt/total asset (x)	-0.04	-0.02	-0.04
Cash/current borrowings (x)	1.39	2.80	5.95
EBITDA/Total Interest (x)	26.31	16.48	13.94

Source: Company, OCBC estimates

Singapore Telecommunications Ltd ("SingTel")

Issuer Profile: Positive (2)

Ticker: STSP

Background

Singapore Telecommunications Ltd ("SingTel") is the largest listed company in Singapore with a market cap of SGD38bn as at 30 Dec 2020. SingTel is a communications company, providing various services including mobile, data, fixed, pay television, internet, video, infocomms technology ("ICT") and digital solutions. Through various subsidiaries and associates, SingTel is the leading mobile player in Singapore, Australia, Indonesia, Philippines, Thailand and India. Temasek Holdings is the majority shareholder with 52.5% stake.

Credit Outlook and Direction

COVID-19 has somewhat impacted results, with 1HFY2021 revenue declining by 10% y/y to SGD7.4bn for the half-year ended 30 Sep 2020 with reported EBITDA falling 19% y/y to SGD1.9bn. The decline is larger in the consumer segment, with reported EBITDA declines in Singapore (-14% y/y to SGD326mn) and Australia (-31% y/y to AUD924mn) due to lower roaming revenues, weaker consumer spend while Australia was impacted larger due to lower NBN migration revenue. While ICT revenues grew (+8% y/y to SGD1.52bn), Group Enterprise reported declines in EBITDA (-7% y/y to SGD750mn) as the legacy carriage segments which command higher margins saw revenue declines of 12% y/y to SGD1.34bn. The only relative brighter spot is regional associates, which posted pre-tax profit increase by 11% y/y to SGD833mn as Bharti Telecom/Bharti Airtel pre-tax losses narrowed 88.9% y/y to SGD30mn. Credit metrics have weakened with net debt gearing rising h/h to 32.1% (FY2020: 31.8%) and increase in reported net debt to EBITDA & share of associates' pre-tax profits to 2.3x (FY2020: 2.0x). Meanwhile, capex may remain elevated as SingTel is projecting SGD2.2bn capex (including 5G capex) for FY2021. Although Grab-SingTel consortium has been selected to set up Singapore's full digital bank, contribution (if any) will be unlikely in the near-term, with the launch of the digital bank in early 2022. We may downgrade SingTel should it face further significant deterioration in its credit metrics.

Bond Recommendation

Despite weakening credit profile, STSP curve continues to trade tight. We prefer switching to STHSP curve for yield pickup.

Issues outstanding

Senior secured
Senior unsecured bullets
Senior unsecured callables
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Relative Value

Bond	Issuer Profile	Maturity/Next Call Date	Ask YTW	Spread	Recommendation
STSP 2.72% '21	Positive (2)	03/09/2021	0.43%	25bps	UW
STSP 2.895% '23	Positive (2)	07/03/2023	1.03%	82bps	N
CAPITA 2.8% '23	Positive (2)	13/3/2023	1.01%	80bps	UW

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Key Ratios

FYE March	FY2019	FY2020	1H2021
EBITDA margin (%)	25.72	26.37	24.65
Net margin (%)	17.68	6.36	6.31
Gross debt to EBITDA (x)	2.39	3.25	3.66
Net debt to EBITDA (x)	2.27	3.02	3.47
Gross Debt to Equity (x)	0.36	0.53	0.50
Net Debt to Equity (x)	0.34	0.49	0.47
Gross debt/total asset (x)	0.22	0.29	0.28
Net debt/total asset (x)	0.21	0.27	0.27
Cash/current borrowings (x)	0.27	0.25	0.33
EBITDA/Total Interest (x)	11.37	9.45	8.69

Source: Company, OCBC estimates

OCBC Bank

Starhill Global REIT ("SGREIT")

Issuer Profile:
Neutral (4)

Ticker:
SGREIT

Background

Listed on the SGX in September 2005, Starhill Global REIT ("SGREIT") invests primarily in real estate used for retail and office purposes, both in Singapore and overseas. SGREIT's market cap is SGD1.1bn as at 30 December 2020. It owns 10 mid to high end retail properties in five countries, valued at ~SGD2.9bn as at 30 June 2020, the latest valuation date. SGREIT's properties include Wisma Atria (74.23% of strata lots) and Ngee Ann City (27.23% of strata lots) in Singapore, Myer Centre Adelaide, David Jones Building and Plaza Arcade in Adelaide and Perth, Australia, The Starhill and Lot 10 in Kuala Lumpur, Malaysia and 3 other malls in Chengdu, China and Tokyo, Japan. YTL Corp Bhd is SGREIT's sponsor and largest unitholder with ~34.10% stake. SGREIT is established in Singapore and its bonds are issued by HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of SGREIT.

Credit Outlook and Direction

In the first quarter for the financial year ending 30 June 2021 ("1QFY2021"), gross revenue declined 10.3% y/y to SGD43.1mn while net property income declined 19.2% y/y to SGD29.8mn. This was mainly due to rental assistance for eligible tenants due to COVID-19 pandemic. The rental relief extended to tenants (including allowance for rental arrears and rebates for the Australian tenants) was ~SGD7.3mn in 1QFY2021. Portfolio occupancy was 96.6% as at 30 September 2020. SGREIT has just 13.8% of leases based on gross rent expiring in FY2021. In Singapore, Wisma Atria property's tenants' sales have recovered to about two-thirds of pre-COVID-19 levels while shopper traffic has recovered to almost half. In Australia, post-lockdown sales in Perth assets have recovered to pre-COVID-19 levels over the quarter with Myer Centre Adelaide seeing improving sales. Majority of rental assistance negotiations have been concluded for its Australian tenants. Aggregate leverage rose to 39.1% from 39.7% as at 30 June 2020. Reported interest coverage was also lower q/q at 2.6x versus 2.9x in the preceding quarter. SGREIT has SGD140.0mn worth of debt coming due in FY2021 which we think is manageable. 74% of its assets are also unencumbered. **SGREIT's credit profile is expected to be stable within the next 12 months** with the Neutral (4) issuer profile as appropriate despite the headwinds in the retail segment.

Bond Recommendation

We are neutral on the 23s and 25s and overweight on the 26s and PERP. We think the SGREIT 3.85% PERP in particular is interesting as it is trading 180bps wider than the bullet.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
SGREIT 3.4% '23	Neutral (4)	26/05/2023	1.66%	142bps	N
SGREIT 3.15% '25	Neutral (4)	05/06/2025	2.01%	160bps	N
SGREIT 3.14% '26	Neutral (4)	03/10/2026	2.28%	172bps	OW
SGREIT 3.85% 'PERP	Neutral (4)	15/12/2025	3.86%	340bps	OW

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Issues outstanding

Senior secured

Senior unsecured bullets

Senior unsecured callables

Subordinated corporate perpetuals

Subordinated bank capital

Please click here for a recent write-up on the issuer

Key Ratios

FYE June	FY2018	FY2019	FY2020
EBITDA margin (%)	68.15	67.36	62.02
Net margin (%)	40.34	31.81	-53.89
Gross debt to EBITDA (x)	7.94	8.15	10.86
Net debt to EBITDA (x)	7.47	7.63	9.82
Gross Debt to Equity (x)	0.57	0.59	0.69
Net Debt to Equity (x)	0.53	0.55	0.62
Gross debt/total asset (x)	0.35	0.36	0.40
Net debt/total asset (x)	0.33	0.34	0.36
Cash/current borrowings (x)	1.05	0.57	0.73
EBITDA/Total Interest (x)	3.72	3.59	2.81

Source: Company, OCBC estimates

Suntec REIT ("SUN")

Issuer Profile:
Neutral (4)

Ticker:
SUNSP

Background

SUN owns office and retail properties in Singapore, Australia and the UK. Its portfolio of ~SGD11.5bn includes Suntec City (the mall, units in Towers 1 – 3, and Towers 4 & 5), a 66.3%-interest in Convention & Exhibition Centre ("Suntec Convention"), a one third interest in both One Raffles Quay ("ORQ") and Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall ("MBFC") and a 30.0%-interest in 9 Penang Road in Singapore. SUN also holds five properties in Australia and the Nova properties in the UK (acquired on 18 December 2020). SUN is managed by an external manager, ARA Trust Management (Suntec) Ltd. SUN is established in Singapore and its bonds and perpetual instruments are issued by HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of SUN.

Credit Outlook and Direction

COVID-19 continues to affect both the convention and retail businesses. For 3Q2020, gross revenue was down 13.4% y/y to SGD79.6mn, dragged by Suntec City Mall (-34.8%y/y) and Suntec Convention (-74.5% y/y). Net property income fell 19.0% y/y to SGD47.3mn and income contribution from joint ventures fell 14.7% y/y. Suntec City Mall saw the fall in tenant sales narrow to -20.6% y/y while shopper traffic narrowed to -53.3%. Rent reversion is expected to remain weak (3Q2020: -9.4%, 9M2020: +2.7%). The mall has an occupancy rate of 93.3% and 18.9% of leases expiring in 2021, and SUN has adopted short term and restructured rents for some tenants. A comprehensive business review is underway to identify medium- and long-term opportunities to pivot its Suntec Convention's core business. For Singapore office, positive rent reversion is likely to be moderate looking ahead (3Q2020: +4.6%, 9M2020: +9.0%) along with higher vacancies (3Q2020: 93.9%). Leases expiring in 2021 is 24.5% of the net lettable area of the Singapore office portfolio. Comparatively, SUN's Australia exposure is more stable with minimal lease expiries in 2021 and an occupancy rate of 94.0%. Post quarter end, SUN acquired a 50% interest in two Grade A office buildings with ancillary retail components in London, the UK for ~SGD766.5mn. As a result, aggregate leverage is estimated to increase to 45.2% from 41.5% as at 30 September 2020. SUN has SGD632mn of debt coming due in 2021 (including SGD370mn of bank facility which we expect to be refinanced). We **do not expect SUN's credit profile to weaken further within the next 12 months.**

Bond Recommendation

We are overweight on parts of the SUNSP curve. We like the 22s, 25s and the PERP. We think these bonds are offering attractive yields given their tenor and credit profile.

Issues outstanding

Senior secured
Senior unsecured bullets
Senior unsecured callables
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommendation
SUNSP 3.025% '22	Neutral (4)	16/03/2022	1.82%	164bps	OW
SUNSP 3.4% '23	Neutral (4)	10/05/2023	2.11%	188bps	N
SUNSP 2.85% '23	Neutral (4)	02/08/2023	2.12%	187bps	N
SUNSP 3.355% '25	Neutral (4)	07/02/2025	2.50%	212bps	OW
SUNSP 2.95% '27	Neutral (4)	05/02/2027	2.85%	226bps	N
SUNSP 3.8% PERP	Neutral (4)	27/10/2025	3.79%	334bps	OW

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Key Ratios

FYE December	FY2018	FY2019	1H2020
EBITDA margin (%)	52.37	50.23	43.17
Net margin (%)	87.53	107.73	-24.55
Gross debt to EBITDA (x)	18.34	19.71	16.35
Net debt to EBITDA (x)	17.63	18.85	14.97
Gross Debt to Equity (x)	0.61	0.59	0.70
Net Debt to Equity (x)	0.58	0.57	0.65
Gross debt/total asset (x)	0.37	0.36	0.40
Net debt/total asset (x)	0.35	0.35	0.37
Cash/current borrowings (x)	0.27	0.27	0.71
EBITDA/Total Interest (x)	1.94	1.68	1.32

Source: Company, OCBC estimates

Wharf Holdings Ltd ("WHARF")

Issuer Profile:
Neutral (3)

Ticker:
WHARF

Background

The Wharf (Holdings) Limited ("WHARF") was established and listed on the Hong Kong stock exchange in 1886. In November 2017, WHARF spun off its major portfolio of investment properties in Hong Kong which is currently listed as Wharf REIC. WHARF's businesses comprise Investment Properties ("IP"), leasing mainly retail and office properties in Mainland China, Development Properties ("DP") (i.e. activities related to acquisition of land, construction and sales of properties in Hong Kong and Mainland China), Hotels – operating 17 hotels in the Asia Pacific region, four of which owned by the Group and Logistics – container terminal operations in Hong Kong and Mainland China. WHARF is a subsidiary of Wheelock & Co. Ltd, which owns a 70.7% stake in the company. WHARF is incorporated in Hong Kong SAR and the issuer of its bond is Wharf Finance (No. 1) Limited, a special purpose entity and subsidiary of WHARF.

Credit Outlook and Direction

Revenue fell by 31% y/y to HKD5.6bn over 1H2020. All segments recorded declines, with DP in Mainland being the hardest hit (-60% y/y) followed by Hotel (-54%y/y) which was dragged by due to low occupancy and depressed room rates. Overall operating profit too fell by 32% y/y to HKD2.5bn. WHARF recorded revaluation losses for its IP portfolio as at 30 June 2020 of HKD641mn. On the DP front, an impairment provision of HKD2.9bn was made for a development property in Hong Kong. Inclusive of joint venture projects on an attributable basis, total DP contracted sales was somewhat stable at HKD9.1bn (2019: HKD9.2bn) while net order book had increased by 14%. Net debt as at 30 June 2020 rose to HKD23.9bn (2019: HKD19.0bn) due to net purchase of long term investments, mainly equity investment to Greentown China Holdings Ltd ("Greentown") of HKD4.3bn, a high yield China property developer. WHARF was introduced as a strategic shareholder of Greentown in June 2012 and has a ~22% stake in the company at end 2020. Excluding non-recourse debts, adjusted net debt was HKD18.1bn (2019: HKD13.1bn). Net gearing ratio was 16.7%, higher than the 13.0% in 2019. WHARF continues to have healthy liquidity with short term debt at HKD6.4bn (including ~HKD1.5bn of SGD bonds maturing in July 2021) against HKD18.3bn cash on hand. WHARF also has just a SGD260mn bond which will mature in July 2021 – WHARF 4.5% '21s. This bond is roughly ~HKD1.5bn. WHARF has more than enough cash on hand to repay the SGD bond based on our estimation. We expect **WHARF's credit profile to remain within Neutral (3) issuer profile for the next 12 months.**

Bond Recommendation

We are neutral on WHARF'21s. We think it is trading fair, that said MAPLSP'21s are trading 9bps wider.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
WHARF 4.5% '21	Neutral (3)	20/07/2021	0.55%	37bps	N
MAPLSP 2.888% '21	Neutral (4)	21/06/2021	0.65%	46bps	N

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Issues outstanding

Senior secured
Senior unsecured bullets
Senior unsecured callables
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	1H2020
EBITDA margin (%)	44.62	50.85	51.67
Net margin (%)	31.87	20.56	-31.00
Gross debt to EBITDA (x)	4.59	5.40	7.36
Net debt to EBITDA (x)	2.73	2.22	4.16
Gross Debt to Equity (x)	0.31	0.32	0.29
Net Debt to Equity (x)	0.18	0.13	0.17
Gross debt/total asset (x)	0.19	0.19	0.18
Net debt/total asset (x)	0.11	0.08	0.10
Cash/current borrowings (x)	1.55	2.56	2.86
EBITDA/Total Interest (x)	8.85	5.27	4.83

Source: Company, OCBC estimates

Wing Tai Holdings Ltd ("WTH")

Issuer Profile:
Neutral (4)

Ticker:
WINGTA

Background

Listed on the SGX since 1989, Wing Tai Holdings Ltd ("WTH") core businesses are in property investment and development, lifestyle retail and hospitality management in key Asian markets such as Singapore, Malaysia, Hong Kong and China. WTH's commercial properties include Winsland House in Singapore while its ~34%-owned associate Wing Tai Properties Ltd ("WTP") owns Landmark East in Hong Kong. WTH's owned and managed brands include Uniqlo, G2000, Dorothy Perkins. The group's Chairman Mr. Cheng Wai Kheung owns a ~51%- stake in WTH.

Credit Outlook and Direction

WTH recorded higher revenues (+46% y/y to SGD187.5mn) in FY2020 for the year ended 30 June 2020, mainly due to strong sales at The M at Middle Road (373 units sold for SGD510mn) while 18 units worth SGD18.3mn were sold at Le Nouvel Ardmore in the FY. The Garden Residences (Keppel Land-Wing Tai JV) sold units at a more moderate pace though, with the 613-unit development seeing 50% of total units sold. Overall, development properties reported EBIT surged to SGD100mn (FY2019: SGD14mn), with underlying profit increasing by 85% y/y to SGD69.6mn. The other segments did not perform well though. Despite Winsland House I and II achieving over 90% average occupancy, investment properties reported EBIT plunged to negative SGD11mn due to fair value losses (FY2019: +SGD53mn). Similarly, reported EBIT of retail fell to SGD6.9mn (FY2019: 40.2mn), likely due to the circuit breaker which impeded retail sales as physical stores of UNIQLO were not open. The most impacted was The Lanson Place Winsland Serviced Suites in Singapore, which saw occupancy fall to 55% as of 30 June 2020. That said, the credit profile of WTH remains healthy with SGD605.5mn in cash, which greatly exceeds its near-term liabilities of SGD208.7mn. We believe this is the reason behind WTH repurchasing SGD60.25mn of its bonds. Meanwhile, get gearing has fallen h/h to 5% as of FY2020 (1HFY2020: 10%).

Bond Recommendation

We like the WINGTA curve with its healthy credit metrics and it provides wider spreads than higher rated peers in the property development space.

Issues outstanding

Senior secured
Senior unsecured bullets
Senior unsecured callables
Subordinated corporate perpetuals
Subordinated bank capital

Please click [here]() for a recent write-up on the issuer.

Relative Value

Bond	Issuer Profile	Maturity/Next Call Date	Ask YTW	Spread	Recommen-dation
WINGTA 4.5% '22	Neutral (4)	26/09/2022	1.65%	146bps	OW
WINGTA 4.25% '23	Neutral (4)	15/03/2023	2.00%	179bps	OW
WINGTA 4.7% '24	Neutral (4)	28/02/2024	2.28%	200bps	OW
WINGTA 3.68% '30c25	Neutral (4)	16/01/2030	3.51%	267bps	OW
WINGTA 4.08% PERP	Neutral (4)	28/06/2022	3.33%	270bps	N
WINGTA 4.48% PERP	Neutral (4)	24/05/2024	3.69%	260bps	N
WINGTP 4.25% '22	Neutral (4)	29/11/2022	2.59%	240bps	OW
WINGTP 4.35% PERP	Neutral (4)	24/08/2020	4.26%	317bps	N

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Key Ratios

FYE December	FY2018	FY2019	FY2020
EBITDA margin (%)	9.50	1.73	19.05
Net margin (%)	59.24	15.11	4.23
Gross debt to EBITDA (x)	22.00	116.68	11.62
Net debt to EBITDA (x)	net cash	77.64	3.05
Gross Debt to Equity (x)	0.22	0.18	0.23
Net Debt to Equity (x)	net cash	0.12	0.06
Gross debt/total asset (x)	0.17	0.15	0.18
Net debt/total asset (x)	-0.00	0.10	0.05
Cash/current borrowings (x)	NA	9.69	18.12
EBITDA/Total Interest (x)	1.09	0.18	2.33

Source: Company, OCBC estimates

Wing Tai Properties Ltd ("WTP")

Issuer Profile: Neutral (4)

Ticker: WINGTA

Background

Listed in 1991 in HKSE, Wing Tai Properties Ltd ("WTP") principally engages in property development, property investment, and hospitality management in Hong Kong, China and South East Asia under the brand names of Wing Tai Asia and Lanson Place. It has developed an aggregate GFA of over 5mn sq. ft. in the luxury residential property projects and its premium serviced residences are located in Mainland China and South East Asia. WTP is 34.4% owned by Wing Tai Holdings Ltd and 13.7%-owned by Sun Hung Kai Properties Ltd.

Credit Outlook and Direction

Core results look decent with 1H2020 revenue surging to HKD1.96bn (1H2019: HKD423.9mn) and profit before changes in fair value up y/y to HKD348.3mn (1H2019: HKD147.9mn). This is mainly contributed by the property development segment with revenue recognition of The Carmel, which was completed in 1H2020 (93% sold). However, other segments saw weaker results, with profit before changes in fair value for property investment and management falling 5.3% y/y to HKD209.1mn while hospitality investment and management sank into a loss of HKD11.3mn (from profit of HKD18.9mn). The outlook appears dim with slower reported sales in the high-end property market though recently we note that sales are recovering. That said, we are not overly worried for property development results in 2021 as OMA OMA (expected completion: 2021) has already been largely de-risked with 83% of the units sold. Meanwhile, Landmark East's occupancy rate fell to 92% (previously 97%-98% occupied) as leasing demand slowed. Despite recording fair value losses of HKD438mn on investment properties (due to lower valuations on Landmark East and Lanson Place Hotel in Hong Kong) and HKD335mn mark to market loss from financial instruments (including HKD117mn loss on Suntec REIT units), credit metrics remain healthy. Net gearing is largely unchanged h/h at 10%, while cash of HKD2.35bn and HKD2.35bn unutilized revolving loan facilities well-covers HKD343mn of debt due within a year and HKD1.76bn of debt due within 1-2 years.

Bond Recommendation

We think WINGTP curve looks interesting. With the suppressed interest rate environment, WINGTP 4.35% PERP also looks interesting.

Relative Value

Bond	Issuer Profile	Maturity/Next Call Date	Ask YTW	Spread	Recommen-dation
WINGTP 4.25% '22	Neutral (4)	29/11/2022	2.59%	240bps	OW
WINGTP 4.35% PERP	Neutral (4)	24/08/2020	4.26%	317bps	N
WINGTA 4.5% '22	Neutral (4)	26/09/2022	1.65%	146bps	OW
WINGTA 4.25% '23	Neutral (4)	15/03/2023	2.00%	179bps	OW
WINGTA 4.08% PERP	Neutral (4)	28/06/2022	3.33%	270bps	N
WINGTA 4.48% PERP	Neutral (4)	24/05/2024	3.69%	260bps	N

Indicative prices as at 4 Jan 2021 Source: Bloomberg, OCBC

Issues outstanding

Senior secured
Senior unsecured bullets
Senior unsecured callables
Subordinated corporate perpetuals
Subordinated bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	1H2020
EBITDA margin (%)	42.08	33.04	18.10
Net margin (%)	155.93	36.77	-23.40
Gross debt to EBITDA (x)	13.52	17.08	7.15
Net debt to EBITDA (x)	5.80	10.73	3.84
Gross Debt to Equity (x)	0.18	0.16	0.18
Net Debt to Equity (x)	0.08	0.10	0.10
Gross debt/total asset (x)	0.14	0.13	0.14
Net debt/total asset (x)	0.06	0.08	0.08
Cash/current borrowings (x)	2.22	11.87	6.85
EBITDA/Total Interest (x)	2.05	1.48	7.63

Source: Company, OCBC estimates

Financial Institution Outlooks

ABN AMRO Bank N.V. ("ABN")

Issuer Profile:
Neutral (3)

Ticker:
ABNANV

Background

ABN Amro Bank NV ("ABN") is 56.3% owned by the Dutch government through a foundation linked to the Ministry of Finance who holds both shares and depositary receipts. It was formed on 1 July 2010 through the merger of Fortis Bank (Nederland) NV with the Dutch activities of ABN AMRO Holding NV. In FY2019, ABN derived 90.1% of operating profit before tax from the Netherlands followed by Europe (5.7%), Asia (3.4%) and USA (1.1%). As at 31 March 2020, it had total assets of EUR419.9bn.

Credit Outlook and Direction

ABN's outlook remains tilted to the downside with event risks and additional costs stemming from its strategic execution. Balancing this out for now is the solid capital position that should provide a buffer until uncertainty reduces. The Basel III CET1 ratio at 17.2% as at 30 September 2020 was down 10bps q/q and remained below the bank's capital target range of 17.5%-18.5% but was well above the 2020 revised Maximum Distributable Amount (MDA) trigger level of 9.6% per ECB and DNB capital relief measures (previously 12.09%). While 3Q2020 results are improved from 1H2020, the outlook remains challenged by (1) the ongoing execution of ABN's current restructuring of its Corporate & Institutional Banking to improve its risk profile and implementation of its recently announced strategy review based on simplified and focused banking services by location and product, sustainability and maintaining a moderate risk profile; and (2) the uncertain outlook on COVID-19. While recent vaccine news is promising, CEO Robert Swaak has sounded cautious given a more negative economic outlook drove a rise in impairment charges in 3Q2020. Operating expense control will also be a focus given the depressed income environment with ABN increasing its anti-money laundering capabilities that will offset current cost saving programmes.

Bond Recommendation

With the ABNANV 4.75% '26c21s facing first call on a constructive view on bank capital, we think investors can swap into AT1s from high quality credits including the DBS 3.98% PERP and swiss banks AT1s.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
ABNANV 4.75% '26c21s	Neutral (3)	01/04/2021	1.39%	120bps	N
BPCEGP 4.50% '26c21s	Neutral (3)	03/06/2021	0.85%	66bps	N
BNP 4.35% '29c24s	Neutral (3)	22/01/2024	1.79%	152bps	N

Indicative prices as at 4 January 2021 Source: Bloomberg, OCBC

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Senior corporate perpetuals
Subordinated corporate perpetuals
Tier 2 bank capital
Additional Tier 1 bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	9M2020
Cost-income Ratio	58.80%	61.20%	63.00%
Loan to Deposit Ratio	114.72%	114.09%	106.55%
Non-Performing Loan Ratio	2.17%	2.51%	3.30%
Allowance/NPLs	38.39%	35.99%	41.40%
Credit Costs	0.24%	0.25%	0.88%*
Equity/Assets	5.60%	5.72%	4.96%
CETier 1 Ratio (Full)	18.40%	18.10%	17.20%
Tier 1 Ratio	20.20%	19.90%	19.00%
Total CAR	26.30%	25.90%	23.40%
Return On Equity	11.40%	10.00%	-1.30%
Return On Assets	0.60%	0.54%	0.05%*

*Source: Company, Bloomberg, OCBC estimates, Bloomberg, * Trailing 12mths basis*

Australia & New Zealand Banking Group Ltd ("ANZ")

Issuer Profile:	Ticker:
Positive (2)	**ANZ**

Background

Australia & New Zealand Banking Group Limited ("ANZ") is one of Australia's big 4 banks and the largest bank in New Zealand. It is ranked in the top 50 globally by asset size with operations in 33 markets. Its business segments cover retail, commercial and institutional banking in Australia and New Zealand which is complemented by a Digital Banking Division. As at 30 September 2020, the bank had total assets of AUD1,042.3bn.

Credit Outlook and Direction

While earnings were challenged from the large rise in credit impairments, credit ratios have remained solid to position ANZ for a possible recovery in FY2021. ANZ's APRA compliant CET1 ratio remained broadly stable at 11.3% as at 30 September 2020, down 10bps y/y but up 50bps h/h, reflecting earnings as well as dividend payments and movements in credit risk weighted assets which rose 1% y/y and fell 7% h/h on similar movements in gross loans and advances. On an internationally comparable basis, the CET1 ratio rose noticeably to 16.7% as at 30 September 2020 against 16.4% as at 31 September 2019 and 15.5% as at 31 March 2020. Other credit ratios also remain solid with the liquidity coverage ratio and net stable funding ratio stable and improved h/h at 139% and 124% respectively against the 100% regulatory minimum (139% and 118% respectively as at 31 March 2020). The large rise in credit impairments in FY2020 comprise mostly collectively assessed credit impairments (~63%) recognizing the uncertainty surrounding the impact of COVID-19 and expected deterioration in the economic outlook along with impacts to credit quality from the withdrawal of COVID-19 stimulus and support programs. Individually assessed credit impairments relate to materially higher provisions from a single Institutional exposure while Australia Retail and Commercial individual impairment charges actually fell 15% y/y.

Bond Recommendation

Aussie bank Tier 2 papers look fairly valued amongst themselves but nevertheless provide decent pick up against local bank Tier 2 papers.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
ANZ 4.0% '25s	Positive (2)	12/02/2025	1.91%	153bps	OW
ANZ 3.75% '27c22s	Positive (2)	23/03/2022	1.43%	126bps	N
NAB 4.15% '28c23s	Positive (2)	19/05/2023	1.69%	147bps	N
WSTP 4.0% '27c22s	Positive (2)	12/08/2022	1.62%	143bps	N
DBSSP 3.8% '28c23s	Positive (2)	20/01/2023	1.28%	108bps	UW
UOBSP 3.5% '29c24s	Positive (2)	27/02/2024	1.08%	80bps	UW

Indicative prices as at 4 January 2021 Source: Bloomberg, OCBC

Outstanding Issuance

Senior secured
Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Senior corporate perpetuals
Subordinated corporate perpetuals
Tier 2 bank capital
Additional Tier 1 bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE September	FY2018	FY2019	FY2020
Cost-income Ratio	52.00%	50.20%	54.50%
Loan to Deposit Ratio	97.79%	96.48%	91.18%
Non-Performing Loan Ratio	0.21%	0.28%	0.32%
Allowance/NPLs	232.80%	172.94%	202.56%
Credit Costs	0.11%	0.13%	0.43%
Equity/Assets	6.30%	6.20%	5.88%
CETier 1 Ratio (Full)	11.40%	11.40%	11.30%
Tier 1 Ratio	13.40%	13.20%	13.20%
Total CAR	15.20%	15.30%	16.40%
Return On Equity	10.90%	10.00%	5.90%
Return On Assets	0.68%	0.61%	0.34%

Source: Company, OCBC estimates, Bloomberg

Barclays PLC ("Barclays")

Issuer Profile:
Neutral (4)

Ticker:
BACR

Background

Based in the UK, Barclays PLC ("Barclays") operates across two main business segments – Barclays UK and Barclays International. Its scale in the UK and globally makes Barclays systemically important on both a domestic and global level. As at 30 September 2020, it had total assets of GBP1,421.7bn. Its largest shareholders comprise institutional investors including The Capital Group Companies Inc., Qatar Investment Authority, and BlackRock Inc.

Credit Outlook and Direction

Underlying performance was decent in 9M2020 with Barclays generating positive JAWS that translated to a 9% y/y rise in pre-provision profits (excluding litigation and conduct expenses which were also down 94% y/y). Total income performance was supported by Barclays International and Corporate and Investment Bank ("CIB" - record 9M2020 performance driven by FICC) with income up 11% and 24% respectively that offset a 12% y/y fall in Barclays UK income (lower interest rates and unsecured loan balances, COVID-19 support measures) and a 21% y/y fall in Consumer, Cards and Payments (lower balances and margins as well as reduced payments activity). Q/q movements indicate more relevant trends with regards to the COVID-19 impact with CIB income down 12% q/q on lower activity in Markets but Consumer, Cards and Payments ("CC&P") up 26% q/q from a recovery in US cards spending, deposit repricing, UK merchant acquiring volumes and non-recurrence of valuation losses. Of note in 3Q2020 was that overall credit impairment charges of GBP608mn was up 32% y/y but down 63% q/q. Management has indicated that macro-economic assumptions are slightly weaker than prior expectations on a prolonged period of elevated unemployment. Despite that, 1H2020 impairment charges appear to be the peak in management's view given current expectations that 2H2020 credit impairment charges will be materially below 1H2020 and FY2021 credit impairment charges will be below FY2020.

Bond Recommendation

We see better value in other Euro Tier 2 names on a spread basis compared to BACR 3.75% '30c25s, notwithstanding ongoing pandemic pressures

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
BACR 3.75% '30c25s	Neutral (4)	23/05/2025	2.42%	202bps	N
CMZB 4.875% '27c22s	Neutral (4)	01/03/2022	3.58%	340bps	OW
CMZB 4.2% '28c23s	Neutral (4)	18/09/2023	3.71%	347bps	OW
LBBW 3.75% '27c22s	Neutral (4)	18/05/2022	3.42%	323bps	OW
SOCGEN 4.3% '26c21s	Neutral (4)	19/05/2021	1.04%	85bps	UW
STANLN 4.4% '26c21s	Neutral (4)	23/01/2021	2.09%	159bps	N

Indicative prices as at 4 January 2021 Source: Bloomberg, OCBC

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Senior corporate perpetuals
Subordinated corporate perpetuals
Tier 2 bank capital
Additional Tier 1 bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	9M2020
Cost-income Ratio	77.00%	71.00%	60.00%
Loan to Deposit Ratio	82.67%	81.56%	69.64%
Non-Performing Loan Ratio	2.55%	2.29%	2.51%
Allowance/NPLs	79.62%	79.62%	98.13%
Credit Costs	0.44%	0.55%	1.38%
Equity/Assets	5.63%	5.76%	4.86%
CETier 1 Ratio (Full)	13.20%	13.80%	14.60%
Tier 1 Ratio	17.00%	17.70%	18.70%
Total CAR	20.70%	21.60%	22.50%
Return On Equity	3.60%	5.30%	3.60%
Return On Assets	0.20%	0.29%	0.21%

Source: Company, OCBC estimates, Bloomberg

BNP Paribas SA ("BNPP")

Issuer Profile: Neutral (3)

Ticker: BNP

Background

BNP Paribas S.A. ("BNPP")'s operations span domestic and international retail banking as well as corporate and institutional banking. Concentrated in Europe, its businesses operate in 72 countries. It had total assets of EUR2,673.3bn as at 31 March, 2020 with the Belgian government as its largest shareholder at ~7.7%. Remaining shareholders are dispersed. BNP is also designated as a global systemically important bank.

Credit Outlook and Direction

With 9M2020 net income of EUR5.5bn being 13.4% down y/y, BNPP is ahead of its prior economic recovery expectations of FY2020 net income to fall 15-20% against FY2019. Offsetting the uncertain outlook is BNPP's solid business franchise and capital position, which improved 20bps q/q to 12.6% as at 30 September 2020 on earnings contribution after including a 50% dividend payout ratio for FY2020 (+10bps) and positive impacts from a reduction in risk weighted assets (+10bps). BNPP's CET1 ratio remains above the 12.0% CET1 ratio target announced in 2017 as part of its 2020 plan and well above its 2020 CET1 requirement of 9.22% and its Maximum Distributable Amount Restrictions level with a buffer of EUR20.7bn according to management. Capital buffers will be important with the stage 3 coverage ratio down YTD to 71.3% as at 30 September 2020 against 72.3% as at 30 June 2020 and 74.0% as at 31 December 2019 despite materially higher cost of risk in FY2020 due to the significant build-up of stage 1 and 2 provisions. Somewhat supporting the relatively lower stage 3 build-up is that loan quality metrics remain stable with the ratio of doubtful loans to gross outstandings at 2.2% as at 30 September 2020 as a 3.9% YTD rise in doubtful loans has been offset by loans growth. Although its 2020 plan is ending, BNPP's next strategic update will be in early 2022 with 2021 used to evaluate its performance through the pandemic.

Bond Recommendation

We are neutral the BNP 4.35% '29c24s given BNPP's solid fundamentals. For investors happy with higher risk, we are OW the SOCGEN 6.125% PERPc24s.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
BNP 4.35% '29c24s	Neutral (3)	22/01/2024	1.79%	152bps	N
ABNANV 4.75% '26c21s	Neutral (3)	01/04/2021	1.39%	120bps	N
BPCEGP 4.50% '26c21s	Neutral (3)	03/06/2021	0.85%	66bps	N
ACAFP 3.8% '31c26s	Neutral (3)	30/04/2026	2.38%	187bps	N
SOCGEN 4.3% '26c21s	Neutral (4)	19/05/2021	1.04%	85bps	UW
SOCGEN 6.125% 'PERPc24s	Neutral (4)	16/04/2024	4.17%	387bps	OW

Indicative prices as at 4 January 2021 Source: Bloomberg, OCBC

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Senior corporate perpetuals
Subordinated corporate perpetuals
Tier 2 bank capital
Additional Tier 1 bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	9M2020
Cost-income Ratio	71.90%	70.30%	70.10%
Loan to Deposit Ratio	96.15%	96.54%	85.74%
Non-Performing Loan Ratio	4.33%	3.63%	2.96%
Allowance/NPLs	79.20%	76.58%	71.25%
Credit Costs	0.35%	0.39%	0.63%*
Equity/Assets	5.18%	5.17%	4.49%
CETier 1 Ratio (Full)	11.80%	12.10%	12.60%
Tier 1 Ratio	13.10%	13.50%	14.10%
Total CAR	15.00%	15.50%	16.30%
Return On Equity	8.20%	8.50%	7.30%
Return On Assets	0.38%	0.40%	0.29%

*Source: Company, OCBC estimates, Bloomberg *annualized*

BPCE SA ("BPCE")

Issuer Profile: Neutral (3)

Ticker: BPCEGP

Background

Established in 2009, BPCE S.A. is the central entity of Groupe BPCE ("GBPCE") housing GBPCE's commercial banking, insurance subsidiaries and Natixis while also centralizing strategy. Through its retail cooperative networks and subsidiaries, it provides retail and wholesale financial services to individuals, small and medium-size enterprises (SMEs), and corporate and institutional customers in France and abroad. As at 30 September 2020, it had total assets of EUR1,455.2bn.

Credit Outlook and Direction

GBPCE's 9M2020 results showed a solid recovery in 3Q2020 on a q/q basis on a 40.0% q/q fall in the cost of risk to EUR585mn as well as a 19.3% y/y rise in gross operating income to EUR1.61bn. This was due to net banking income growth of 6.3% q/q on improved profitability in Corporate & Investment Banking and decent business volumes that was higher than the growth in operating expenses (+1.8% q/q). Otherwise, 3Q2020 income before tax was down 27.5% y/y on weakness in Asset & Wealth Management, Corporate and Investment Banking and a 84.2% y/y rise in the cost of risk. While the q/q fall in the cost of risk indicates a positive trend, the fall is mostly due to lower COVID-19 forward looking provisions (-71.1% q/q). Otherwise, the underlying cost of risk remains elevated (-17.9% q/q) and comprised 79.3% of total 3Q2020 risk costs (57.6% of 2Q2020 risk costs). For 9M2020, COVID-19 forward looking provisions contribute 32.5% to total risk costs of EUR2.1bn. Continuing to offset earnings pressures is GBPCE's solid capital position with its CET1 capital ratio at 15.9% as at 30 September 2020, up 30ps from 15.6% as at 31 December 2019 and well above its maximum distributable amount trigger of 10.82%. The ratio is also well above ECB minimum requirements of 9.32%. GBPCE's outlook still contains downside risks and will likely influence its next strategic plan that is to be presented in June 2021.

Bond Recommendation

With near term maturity of the BPCEGP 4.50% '26c21s, investors can look to the BNP 4.35% '29c24s for relative safety or the SOCGEN 6.125% PERPc24 if risk tolerance is higher.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommendation
BPCEGP 4.50% '26c21s	Neutral (3)	03/06/2021	0.85%	66bps	N
BNP 4.35% '29c24s	Neutral (3)	22/01/2024	1.79%	152bps	N
ABNANV 4.75% '26c21s	Neutral (3)	01/04/2021	1.39%	120bps	N
ACAFP 3.8% '31c26s	Neutral (3)	30/04/2026	2.38%	187bps	N
SOCGEN 4.3% '26c21s	Neutral (4)	19/05/2021	1.04%	85bps	UW
SOCGEN 6.125% 'PERPc24s	Neutral (4)	16/04/2024	4.17%	387bps	OW

Indicative prices as at 4 January 2021 Source: Bloomberg, OCBC

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Senior corporate perpetuals
Subordinated corporate perpetuals
Tier 2 bank capital
Additional Tier 1 bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	9M2020
Cost-income Ratio	73.70%	72.30%	73.30%
Loan to Deposit Ratio	124.32%	123.86%	116.23%
Non-Performing Loan Ratio	3.15%	2.96%	3.06%
Allowance/NPLs	59.55%	61.22%	44.10%
Credit Costs	0.19%	0.19%	0.38%
Equity/Assets	5.76%	5.78%	5.29%
CETier 1 Ratio (Full)	15.50%	15.70%	15.90%
Tier 1 Ratio	15.60%	15.70%	15.90%
Total CAR	19.20%	18.80%	18.70%
Return On Equity	5.60%	5.30%	2.56%
Return On Assets	0.30%	0.28%	0.13%

Source: Company, OCBC estimates, Bloomberg

China Construction Bank Corporation ("CCB")

Issuer Profile:
Neutral (3)

Ticker:
CCB

Background
China Construction Bank Corporation ("CCB") was formed as a joint-stock commercial bank in 2004, and listed in Hong Kong and Shanghai in 2005 and 2007 respectively. Its predecessor, the People's Construction Bank of China, initially provided government funds for construction and infrastructure projects at the direction of the Ministry of Finance before transitioning to a full service commercial bank. It had total assets of RMB28,298.1bn as at 30 September, 2020.

Credit Outlook and Direction
CCB's 9M2020 results were a slight improvement from 1H2020 indicating a slightly positive trend in recent quarterly results with 9M2020 profit before tax ("PBT") down 10.2% y/y to RMB249.9bn. 9M2020 results were impacted by the 46.7% y/y rise in credit impairments which offset a 5.9% y/y rise in operating income before credit impairments. Higher operating income was due to a rise in net fee commission income and volume growth that offset a fall in net interest margins. CCB achieved positive JAWS with lower growth in operating expenses and as such the cost to income ratio decreased to 22.3% for 9M2020 against 23.2% in 9M2019. The rise in credit impairments reflects the impact of COVID-19 as well as loans growth with non-performing loans up 20.3% YTD and the non-performing loan ratio at 1.53% as at 30 September 2020, up from 1.42% as at 31 December 2019. Deterioration in this metric was offset by the 11.2% YTD rise in gross loans and advances. The ratio of allowances to non-performing loans was 217.5% as at 30 September 2020, down from 227.7% as at 31 December 2019. CCB's capital position was stable to improved q/q given growth in capital from earnings and Tier 2 issuance. That said, the loans growth YTD has resulted in capital ratios weaker against 31 December 2019. As China's economic recovery continues, we expect CCB's earnings to remain resilient reflecting its dominant market position and systemic importance.

Bond Recommendation
Fundamentals for CCB should remain sound given its systemic importance and a supportive government stance towards the economy, which should recover relatively well in 2021.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
CCB 1.073% '23s	Neutral (3)	25/09/2023	0.92%	67bps	N
ANZ 4.0% '25s	Positive (2)	12/02/2025	1.91%	153bps	OW

Indicative prices as at 4 January 2021 Source: Bloomberg, OCBC

Outstanding Issuance
Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Senior corporate perpetuals
Subordinated corporate perpetuals
Tier 2 bank capital
Additional Tier 1 bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	1H2020
Cost-income Ratio	26.61%	26.75%	21.25%
Loan to Deposit Ratio	78.12%	79.17%	80.75%
Non-Performing Loan Ratio	1.46%	1.42%	1.49%
Allowance/NPLs	207.90%	226.93%	223.47%
Credit Costs	1.10%	1.09%	1.35%
Equity/Assets	8.51%	8.71%	8.32%
CETier 1 Ratio (Full)	13.80%	13.88%	13.15%
Tier 1 Ratio	14.40%	14.68%	13.88%
Total CAR	17.24%	17.52%	16.62%
Return On Equity	14.04%	13.18%	12.65%
Return On Assets	1.13%	1.11%	1.05%

Source: Company, OCBC estimates

Commerzbank AG ("CMZB")

Issuer Profile: Neutral (4)

Ticker: CMZB

Background

Commerzbank AG ("CMZB") is Germany's second largest publicly listed bank after Deutsche Bank AG. Headquartered in Frankfurt, it had total assets of EUR544.3bn as at 30 September, 2020. Its largest single shareholder at 15.6% is Germany's Special Fund for Financial Market Stabilization, set up during the Global Financial Crisis to stabilize Germany's banking system. The remaining shareholdings comprise institutional (~45%) and private (~25%) investors.

Credit Outlook and Direction

3Q2020 was a potentially significant quarter for CMZB's future with the appointment of Manfred Knof as its new CEO to commence 1 January 2021. Mr Knof will have to implement CMZB's significant restructuring that could involve job cuts of around 10,000, reducing CMZB's branch network (20% of branches or 200 out of 1,000 branches have already been permanently closed, 3 years ahead of initial plans) and scaling back CMZB's foreign operations. These plans could change given the ongoing developments with COVID-19 as well as the commencement of Mr Knof in January. A new strategic plan is likely to be announced in 1Q2021 with a weak FY2020 result to provide the context for CMZB's future path. CMZB swung to a pre-tax loss from continuing operations of EUR106mn for 9M2020, down from a pre-tax profit of EUR1.0bn in 9M2019 with results mostly influenced by a substantial rise in risk costs (+188.4% to EUR1.1bn) as well as EUR201mn in restructuring expenses related to two voluntary redundancy programs and the permanent closure of 200 branches. While 9M2020 performance has weakened, it nevertheless remains within expectation with management expecting to report a consolidated loss for FY2020 due to the challenging operating environment, higher risk costs and recognition of further restructuring expenses. The CET1 ratio is expected to be at least 13% by the end of 2020.

Bond Recommendation

On a spread basis, the CMZB Tier 2 papers look attractive notwithstanding the multiple challenges internally and externally. A new CEO should provide some stability in 2021.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
CMZB 4.875% '27c22s	Neutral (4)	01/03/2022	3.58%	340bps	OW
CMZB 4.2% '28c23s	Neutral (4)	18/09/2023	3.71%	347bps	OW
LBBW 3.75% '27c22s	Neutral (4)	18/05/2022	3.42%	323bps	OW
SOCGEN 4.3% '26c21s	Neutral (4)	19/05/2021	1.04%	85bps	UW
STANLN 4.4% '26c21s	Neutral (4)	23/01/2021	2.09%	159bps	N
BACR 3.75% '30c25s	Neutral (4)	23/05/2025	2.42%	202bps	N

Indicative prices as at 4 January 2021 Source: Bloomberg, OCBC

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Senior corporate perpetuals
Subordinated corporate perpetuals
Tier 2 bank capital
Additional Tier 1 bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	9M2020
Cost-income Ratio	80.30%	78.30%	81.10%
Loan to Deposit Ratio	92.70%	94.88%	81.75%
Non-Performing Loan Ratio	1.30%	1.30%	1.74%
Allowance/NPLs	42.61%	46.72%	46.25%
Credit Costs	0.16%	0.21%	0.53%
Equity/Assets	6.36%	6.61%	5.88%
CETier 1 Ratio (Full)	12.90%	13.40%	13.50%
Tier 1 Ratio	12.90%	13.90%	15.00%
Total CAR	15.90%	16.40%	17.70%
Return On Equity	3.10%	2.30%	-1.20%
Return On Assets	0.19%	0.17%	-0.03%

*Source: Company, OCBC estimates, * Annualized*

Credit Agricole Group ("CAG")

Issuer Profile: Neutral (3)

Ticker: ACAFP

Background

Founded in 1894, the Crédit Agricole Group ("CAG") has grown steadily through the years from a local farm co-operative to a universal bank operating across 47 countries and 11,000 branches. Its businesses comprise mostly domestic retail banking through its retail cooperative networks as well as international retail banking, asset gathering, specialized financial services and financing of large customers. As at 30 September, 2020, it had total assets of EUR2,218.8bn. Total assets of Crédit Agricole SA ("CA") were EUR1,969.3bn in the same period.

Credit Outlook and Direction

CAG's capital position appears adequate for the challenging operating environment ahead and the amount of support that CAG is currently providing. Nevertheless, trends in its support arrangements appear positive with more than 50% of the EUR29.5bn in state guaranteed loans provided placed as deposits and the 173,500 loan moratoriums as at 16 October 2020 (EUR23.9bn in loan principal with EUR15.7bn from corporates, SMEs and small businesses and farmers) representing a ~69% fall since mid-July 2020 with 97% of expired payment holidays recommencing payments. Management also believe that the pandemic is somewhat manageable for France's economy in totality given the solid business volumes seen y/y for CAG despite the ongoing pandemic. That said, management also recognize that certain sectors will remain vulnerable for longer. Sectors that remain vulnerable in CAG's view such as Air/Space, Tourism/Hotel/Restaurants, and Oil & Gas comprise around 10% of exposure at default ("EAD") although 72% of corporate EAD as at September 2020 are classified as investment grade and the current average default rate for vulnerable sectors is 3.3%. The recent acquisition of Credito Valtellinese in Italy caters to CAG's existing business and a possible industry trend in 2021 of consolidation in Europe's banking sector.

Bond Recommendation

We are neutral the ACAFP 3.8% 31c26s with better value in other Tier 2 papers with a shorter duration to call date.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
ACAFP 3.8% '31c26s	Neutral (3)	30/04/2026	2.38%	187bps	N
BPCEGP 4.50% '26c21s	Neutral (3)	03/06/2021	0.85%	66bps	N
BNP 4.35% '29c24s	Neutral (3)	22/01/2024	1.79%	152bps	N
SOCGEN 4.3% '26c21s	Neutral (4)	19/05/2021	1.04%	85bps	UW
SOCGEN 6.125% 'PERPc24s	Neutral (4)	16/04/2024	4.17%	387bps	OW

Indicative prices as at 4 January 2021 Source: Bloomberg, OCBC

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Senior corporate perpetuals
Subordinated corporate perpetuals
Tier 2 bank capital
Additional Tier 1 bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	9M2020
Cost-income Ratio	65.16%	65.44%	62.90%
Loan to Deposit Ratio	108.21%	106.78%	102.82%
Non-Performing Loan Ratio	2.64%	2.47%	2.52%
Allowance/NPLs	84.50%	82.57%	80.38%
Credit Costs	0.20%	0.19%	0.37%*
Equity/Assets	6.05%	6.04%	5.34%
CETier 1 Ratio (Full)	15.00%	15.90%	17.00%
Tier 1 Ratio	15.90%	16.60%	17.90%
Total CAR	18.30%	18.90%	20.50%
Return On Equity	6.03%	6.48%	6.02%*
Return On Assets	0.36%	0.39%	0.32%*

Source: Company, OCBC estimates, annualized

Credit Suisse Group AG ("CS")

Issuer Profile:	Ticker:
Neutral (4)	**CS**

Background

Based in Zurich and operating across 50 countries, Credit Suisse Group AG ("CS") operates three regionally focused divisions across (1) Switzerland, (2) Asia-Pacific and (3) Europe, the Middle East, Africa, and Latin America. Providing private banking and other universal banking services, these regional businesses are supplemented by two global investment banking divisions. As at 30 September, 2020 it had total assets under management of CHF1,478.3bn.

Credit Outlook and Direction

While 9M2020 results were relatively solid with pre-tax income up 1% y/y to CHF3.6bn on a 5% y/y rise in net revenues (that offset significantly higher provisions for credit losses), recent news has been less supportive. 3Q2020 was weak on a q/q basis (even considering the strong 2Q2020) due to lower client activity and net revenues that overshadowed a 68% q/q fall in provisions for credit losses. In addition, expected charges to be recognized in 4Q2020 including a USD380mn provision for legal damages related to U.S. residential mortgage backed securities and a USD450mn impairment charge on its stake in York Capital Management could result in CS reporting a loss in 4Q2020. Mixed amongst this is Swiss banking regulator FINMA's investigation into CS's spying case and potential violations of supervisory law (no fines but possible indirect higher costs and reputational impacts) and CS's restructuring program that includes the creation of a global Investment Bank and Global Trading Solutions and globally integrated Equities platform, combining the Chief Risk and Compliance Officer functions to solidify the control function and creating a new Sustainability, Research & Investment Solutions (SRI) function to fulfil their ambition to be sustainability finance leader. For now though, CS should enter 2021 with a solid capital position that is well above minimum requirements, even considering a possible loss in 4Q2020.

Bond Recommendation

Operating conditions in 2021 favoured swiss banks through their high quality exposures and market businesses. With a recovery expected in 2021, we are OW the AT1s of swiss banks amongst a constructive view for bank capital.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
CS 5.625% 'PERPc24s	Neutral (4)	06/06/2024	4.08%	376bps	OW
SOCGEN 6.125% 'PERPc24s	Neutral (4)	16/04/2024	4.17%	387bps	OW
STANLN 5.375% 'PERPc24s	Neutral (4)	03/10/2024	4.08%	374bps	OW
BAERVX 5.75% 'PERPc22s	Neutral (3)	20/04/2022	2.39%	221bps	N
UBS 5.875% 'PERPc23s	Neutral (3)	28/11/2023	3.48%	322bps	OW
UBS 4.85% 'PERPc24s	Neutral (3)	04/09/2024	3.84%	350bps	OW

Indicative prices as at 4 January 2021 Source: Bloomberg, OCBC

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Senior corporate perpetuals
Subordinated corporate perpetuals
Tier 2 bank capital
Additional Tier 1 bank capital

Please click <u>here</u> for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	9M2020
Cost-income Ratio	82.70%	77.60%	73.70%
Loan to Deposit Ratio	79.02%	77.33%	75.45%
Non-Performing Loan Ratio	0.76%	0.71%	1.12%
Allowance/NPLs	41.15%	44.50%	48.73%
Credit Costs	0.08%	0.11%	0.38%
Equity/Assets	5.72%	5.55%	5.57%
CETier 1 Ratio (Full)	12.60%	12.70%	13.00%
Tier 1 Ratio	16.20%	17.10%	18.30%
Total CAR	17.40%	18.20%	18.70%
Return On Equity	4.70%	7.70%	8.80%
Return On Assets	0.20%	0.40%	0.48%

Source: Company, OCBC estimates

DBS Group Holdings Ltd ("DBS")

Issuer Profile:

Positive (2)

Ticker:

DBSSP

Background

DBS Group Holdings Limited ("DBS") primarily operates in Singapore and Hong Kong and is a leading financial services group in Asia with a regional network across 18 markets. With total assets of SGD638.1bn as at 30 September 2020, it provides diversified services across consumer banking, wealth management institutional banking, and treasury. It is 30% indirectly owned by the Singapore government through Temasek Holdings Pte Ltd as of 4^{th} January, 2021.

Credit Outlook and Direction

Management expect improved business conditions in 2021 with supportive trends in 3Q2020 on underlying loan demand from stable loan balances driven by repayment of short-term facilities made in 1H2020, drawdown of non-trade corporate loans and a recovery in demand for Singapore housing loans. That said, with accelerated non-performing asset formation in 3Q2020 and 30% of 3Q2020 allowances for credit and other losses allocated for new non-performing loans, total allowance guidance over 2020-2021 was kept unchanged at SGD3-5bn (SGD2.5bn recognized to date) given likely ongoing non-performing asset formation as government relief programs wind down. Of note is that loan moratoriums to Corporates increased to SGD13.5bn in 3Q2020 (SGD12.6bn in 2Q2020) while Consumer moratoriums were unchanged at SGD5.7bn. Providing a cushion is DBS's sound credit metrics on solid earnings and stable loan quality performance. The CET1 ratio improved q/q and y/y by 20bps and 10bps respectively to 13.9% as at 30 September 2020 due to earnings and stable risk-weighted assets and remains well above the 9.1% minimum requirement. DBS will be hoping that 2021 performance is assisted by its recent expansion in India with the amalgamation of Lakshmi Vilas Bank with wholly owned subsidiary DBS Bank India Ltd which immediately increases its scale through an established retail and SME customer base.

Bond Recommendation

With an overall constructive view for bank capital, we look to other names for the yield pick-up compared to SG bank names, notwithstanding their relatively strong fundamentals.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
DBSSP 3.8% '28c23s	Positive (2)	20/01/2023	1.28%	108bps	UW
DBSSP 3.98% 'PERPc25s	Positive (2)	12/09/2025	2.44%	200bps	OW
UOBSP 3.5% '29c24s	Positive (2)	27/02/2024	1.08%	80bps	UW
UOBSP 4.0% 'PERPc21s	Positive (2)	18/05/2021	1.71%	152bps	N
UOBSP 3.58% 'PERPc26s	Positive (2)	17/07/2026	2.45%	192bps	N

Indicative prices as at 4 January 2021 Source: Bloomberg, OCBC

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Senior corporate perpetuals
Subordinated corporate perpetuals
Tier 2 bank capital
Additional Tier 1 bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	9M2019
Cost-income Ratio	44.00%	43.00%	40.40%
Loan to Deposit Ratio	87.61%	88.52%	83.10%
Non-Performing Loan Ratio	1.50%	1.49%	1.60%
Allowance/NPAs	88.40%	84.10%	107.20%
Credit Costs	0.20%	0.19%	0.89%*
Equity/Assets	9.06%	8.95%	8.47%
CETier 1 Ratio (Full)	13.90%	14.10%	13.90%
Tier 1 Ratio	15.10%	15.00%	15.10%
Total CAR	16.90%	16.70%	16.80%
Return On Equity	12.10%	13.20%	9.70%
Return On Assets	1.05%	1.13%	0.79%

*Source: Company, OCBC estimates, * Annualized*

HSBC Holdings PLC ("HSBC")

Issuer Profile:	**Ticker:**
Neutral (3)	HSBC

Background

HSBC Holdings PLC ("HSBC") is one of the world's largest banks by asset size and a global systemically important bank ('GSIB'). Based in London, it is the holding company for the HSBC Group which includes global banking operations across 64 countries and territories through major subsidiaries HSBC Bank PLC (in Europe and the UK) and The Hongkong and Shanghai Banking Corporation, Limited (in Asia) amongst others. As at 30 September 2020, it had total assets of USD2,955.9bn.

Credit Outlook and Direction

While recent results are encouraging as HSBC embarks on its significant restructuring exercise, the outlook remains more clouded than most given its exposure to geopolitical tensions between the US and China and in Hong Kong as well as the uncertainty surrounding BREXIT. This adds to the headwinds also facing other banks from likely low interest rates for longer and uncertainty on the end to COVID-19, hence we remain cautious on HSBC's prospects heading into 2021. On a somewhat supportive note, management appears to be either encouraged by the progress of its restructuring to date or is increasing the urgency behind it by indicating a better than expected reduction in its annual cost base by 2022 (digital adoption behaviours could reduce the bank's physical footprint in terms of branches and office space) and a risk weighted asset reduction exceeding its USD100bn target. This is expected to allow HSBC to deploy capital towards higher return businesses, mostly in Asia which continues to be the main profit generator and in China where HSBC is seeking to grow. More details and a full update of its transformation plan are expected in February 2021 in conjunction with its FY2020 full year results announcement. With regards to customer relief measures, USD14.9bn in personal loans (mostly mortgages) and USD52.3bn in wholesale customers were under relief programs as at 30 September 2020, ~2.3% of net loans and advances to customers.

Bond Recommendation

Various event risks have abated somewhat for HSBC and make HSBC's AT1s interesting given the decent spreads. That said, HSBC still faces challenges and a significant restructure.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
HSBC 4.7% 'PERPc22s	Neutral (3)	08/06/2022	3.51%	332bps	OW
HSBC 5.0% 'PERPc23s	Neutral (3)	24/09/2023	3.74%	349bps	OW
BAERVX 5.75% 'PERPc22s	Neutral (3)	20/04/2022	2.39%	221bps	N
UBS 5.875% 'PERPc23s	Neutral (3)	28/11/2023	3.48%	322bps	OW
UBS 4.85% 'PERPc24s	Neutral (3)	04/09/2024	3.84%	350bps	OW
SOCGEN 6.125% 'PERPc24s	Neutral (4)	16/04/2024	4.17%	387bps	OW
CS 5.625% 'PERPc24s	Neutral (4)	06/06/2024	4.08%	376bps	OW

Indicative prices as at 4 January 2021 Source: Bloomberg, OCBC

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Senior corporate perpetuals
Subordinated corporate perpetuals
Tier 2 bank capital
Additional Tier 1 bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	9M2020
Cost-income Ratio	64.45%	75.49%	63.50%
Loan to Deposit Ratio	72.04%	72.04%	66.38%
Non-Performing Loan Ratio	1.35%	1.31%	1.77%
Allowance/NPLs	64.62%	63.69%	73.35%
Credit Costs	0.18%	0.26%	0.97%
Equity/Assets	7.59%	7.10%	6.77%
CETier 1 Ratio (Full)	14.00%	14.70%	15.60%
Tier 1 Ratio	17.00%	17.60%	18.40%
Total CAR	20.00%	20.40%	21.20%
Return On Equity	7.70%	3.60%	2.70%*
Return On Assets	0.54%	0.28%	0.23%*

*Source: Company, OCBC estimates, *annualized*

Julius Baer Group Ltd ("JBG")

Issuer Profile:
Neutral (3)

Ticker:
BAERVX

Background

Present in 50 locations and 24 countries, Julius Baer Group Ltd. ("JBG") offers private banking services mainly through Bank Julius Baer & Co. Ltd. Headquartered in Zurich, its services include wealth management, financial planning and investments and mortgages and other lending. As at 30 June 2020, JBG had total client assets of CHF468bn. As at 30 September 2020, it had assets under management of CHF413bn.

Credit Outlook and Direction

Recent financial performance was sound and JBG's capital position remains solid with its CET1 ratio at 14.3% as at 30 September 2020, up from 13.9% as at 30 June 2020 and well above the regulatory minimum requirement of 7.9%. Resilience in JBG's capital position is seen in (1) its recent call of the 5.9% SGD450mn Additional Tier 1 ("AT1") capital instrument issued in Nov 2015 at first call date of 18 November 2020 and recent issue of its USD350mn 4.875% AT1 at the end of September, despite that JBG would have been able to reset the SGD AT1 at below 4.0%; (2) payment of the second 2019 dividend distribution to shareholders on 6 November 2020; and (3) the continued accrual of its FY2020 dividend in line with its dividend policy. Strategic positioning is continuing in line with CEO Philipp Rickenbacher's desire to simplify the business including the sale of its Bahamas operations and sell down of its Italian asset and wealth management company Kairos Investment Management SpA ("Kairos") to key investment managers. JBG will take a further non-cash impairment on Kairos of around CHF190mn to reflect its weaker financial performance and fund outflows. This impact will be incorporated into FY2020 results and reportedly represents more than half of what JBG paid for Kairos which was acquired in stages in the past. JBG will also raise a provision to settle investigations by the US DofJ regarding money laundering and corruption tied to world soccer federation FIFA.

Bond Recommendation

We think other swiss AT1s provide better value against the BAERVX 5.75% 'PERPc22s with the spread pick-up more than compensating for the longer call duration.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
BAERVX 5.75% 'PERPc22s	Neutral (3)	20/04/2022	2.39%	221bps	N
UBS 5.875% 'PERPc23s	Neutral (3)	28/11/2023	3.48%	322bps	OW
UBS 4.85% 'PERPc24s	Neutral (3)	04/09/2024	3.84%	350bps	OW
HSBC 4.7% 'PERPc22s	Neutral (3)	08/06/2022	3.51%	332bps	OW
HSBC 5.0% 'PERPc23s	Neutral (3)	24/09/2023	3.74%	349bps	OW
CS 5.625% 'PERPc24s	Neutral (4)	06/06/2024	4.08%	376bps	OW

Indicative prices as at 4 January 2021 Source: Bloomberg, OCBC

Outstanding Issuance

Senior unsecured bullets
Senior unsecured callables/putable
Senior corporate perpetuals
Subordinated corporate perpetuals
Tier 2 bank capital
Additional Tier 1 bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	1H2020
Cost-income Ratio	70.60%	71.1.%	66.6.%
Loan to Deposit Ratio	63.38%	66.42%	60.79%
Non-Performing Loan Ratio	0.21%	0.35%	0.33%
Allowance/NPLs	33.69%	27.79%	62.83%
Credit Costs	0.03%	0.02%	0.13%
Equity/Assets	5.87%	6.07%	5.86%
CETier 1 Ratio (Full)	12.80%	14.00%	13.90%
Tier 1 Ratio	18.40%	21.60%	19.30%
Total CAR	18.70%	22.10%	20.00%
Return On Equity	12.50%	7.60%	15.61%*
Return On Assets	0.73%	0.45%	0.91%*

*Source: Company, OCBC estimates, *annualized*

Landesbank Baden-Württemberg AG (“LBBW”)

Issuer Profile:
Neutral (4)

Ticker:
LBBW

Background
Based in Stuttgart Germany, Landesbank Baden-Württemberg (“LBBW”) is a public law institution providing universal services covering large corporates, capital markets businesses and real estate financing. As at 30 June 2020, it had total assets of EUR289.7bn. As per its website, the bank is 40.5% owned by the Savings Bank Association of Baden-Württemberg, the state capital of Stuttgart (18.9%) and the Federal State of Baden-Württemberg (40.5%).

Credit Outlook and Direction
Two trends were evident in LBBW’s 1H2020 results – first, solid business volumes (financing volumes for medium sized and large companies up 4.0% y/y with Corporate Customers looking to support liquidity positions during the pandemic and new renewable energy project finance loans) indicating the bank’s systemically important role to the economy; and second, its exposure to tough operating conditions with materially higher credit costs driving consolidated profit before tax down 68.7% y/y to EUR103mn. Allowances rose 346% y/y to cover weaker economic conditions going forward as well as a single exposure of EUR160mn which was not tied to the pandemic. While loan portfolio quality looks sound with the non-performing loan ratio at 0.8% as at 30 June 2020, this is heavily influenced by regulatory forbearance. While LBBW expects to achieve a profit before tax in FY2020, the earnings outlook remains uncertain with Germany extending restrictions to curb the spread of COVID-19 to early January 2020. This may put pressure on LBBW’s capital position which weakened h/h due to risk weighted asset growth from re-ratings and business growth. Its fully loaded common equity Tier 1 and total capital ratio was 14.2%/21.8% as at 30 June 2020 against 14.6%/22.9% as at 31 December 2019. That said, it continues to be above its 2020 minimum common equity Tier 1 capital ratio regulatory capital requirement of 8.98% (lowered due to COVID-19 from 9.75% previously) that includes the counter cyclical capital buffer and Pillar II guidance requirement. It is also above LBBW’s 9.37% CET1 requirement.

Bond Recommendation
Despite virus concerns, we remain overweight the LBBW 3.75% ‘27c22s on ongoing government support and an expected economic recovery later in 2021. Credit metrics continue to provide a buffer in the interim.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
LBBW 3.75% '27c22s	Neutral (4)	18/05/2022	3.42%	323bps	OW
CMZB 4.875% '27c22s	Neutral (4)	01/03/2022	3.58%	340bps	OW
CMZB 4.2% '28c23s	Neutral (4)	18/09/2023	3.71%	347bps	OW
SOCGEN 4.3% '26c21s	Neutral (4)	19/05/2021	1.04%	85bps	UW
STANLN 4.4% '26c21s	Neutral (4)	23/01/2021	2.09%	159bps	N
BACR 3.75% '30c25s	Neutral (4)	23/05/2025	2.42%	202bps	N

Indicative prices as at 4 January 2021 Source: Bloomberg, OCBC

Outstanding Issuance
Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Senior corporate perpetuals
Subordinated corporate perpetuals
Tier 2 bank capital
Additional Tier 1 bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	1H2020
Cost-income Ratio	73.10%	71.80%	71.20%
Loan to Deposit Ratio	132.43%	122.14%	122.94%
Non-Performing Loan Ratio	0.77%	0.85%	1.23%
Allowance/NPLs	100.12%	92.41%	79.00%
Credit Costs	0.13%	0.14%	0.10%
Equity/Assets	5.45%	5.41%	4.79%
CETier 1 Ratio (Full)	15.10%	14.60%	14.40%
Tier 1 Ratio	16.20%	16.50%	15.80%
Total CAR	22.00%	23.00%	22.00%
Return On Equity	4.30%	4.60%	1.50%
Return On Assets	0.18%	0.19%	0.10%

Source: Company, OCBC estimates

National Australia Bank ("NAB")

Issuer Profile: Positive (2)

Ticker: NAB

Background

National Australia Bank Ltd ("NAB") provides retail, business and corporate banking services mostly in Australia but also in New Zealand under the Bank of New Zealand brand. Following NAB's 2018 decision to exit wealth management and focus on NAB's core banking business, it recently entered into a Sale and Purchase Agreement for the sale of MLC Wealth to IOOF Holdings Ltd. As at 30 September 2020, the bank had total assets of AUD866.6bn.

Credit Outlook and Direction

Multiple challenges impacted NAB's FY2020 results including weaker net operating income, higher expenses, growth in abnormal or notable items (customer related and payroll remediation, capitalized software policy changes and property-related asset impairments) and finally a significant increase in credit impairment charges related to COVID-19. Excluding notable items, cash earnings were down 25.9% y/y. That said, we think NAB has done what was needed to position themselves for a potentially better operating environment in FY2021. The significant increase in credit impairment charges to AUD2.76bn (equal to total credit impairment charges recognized over FY2016-FY2019) is mostly made up of forward looking collective provisions (AUD1.86bn) and comprised around AUD1.47bn for revised economic assumptions and AUD388mn for specific sectors under pressure from COVID-19. In addition, NAB's capital position has been solidified in line with CEO Ross McEwan's desire to have a strong capital position entering the crisis to put the bank on a good footing to take advantage of any recovery and continue supporting affected customers. NAB's CET1 ratio as at 30 September 2020 was 11.47%, up 109bps y/y mostly due to capital management initiatives including an institutional placement and share purchase plan and payment of a reduced dividend. The ratio will improve a further 35bps on the sale of MLC Wealth to IOOF Holdings Ltd for AUD1.44bn. These along with expectations for better operating conditions in FY2021 from domestic state borders re-opening and a recovery in business activity as well as low interest rates and continuing government support should provide support for Australia's economy to recover.

Bond Recommendation

Aussie bank Tier 2 papers look fairly valued amongst themselves but nevertheless provide decent pick up against local bank Tier 2 papers.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
NAB 4.15% '28c23s	Positive (2)	19/05/2023	1.69%	147bps	N
ANZ 3.75% '27c22s	Positive (2)	23/03/2022	1.43%	126bps	N
WSTP 4.0% '27c22s	Positive (2)	12/08/2022	1.62%	143bps	N
DBSSP 3.8% '28c23s	Positive (2)	20/01/2023	1.28%	108bps	UW
UOBSP 3.5% '29c24s	Positive (2)	27/02/2024	1.08%	80bps	UW

Indicative prices as at 4 January 2021 Source: Bloomberg, OCBC

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Senior corporate perpetuals
Subordinated corporate perpetuals
Tier 2 bank capital
Additional Tier 1 bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE September	FY2018	FY2019	FY2020
Cost-income Ratio	44.60%	44.30%	52.40%
Loan to Deposit Ratio	112.89%	112.58%	106.65%
Non-Performing Loan Ratio	0.27%	0.33%	0.31%
Allowance/NPLs	230.97%	197.77%	322.13%
Credit Costs	0.14%	0.16%	0.46%
Equity/Assets	6.54%	6.56%	7.07%
CETier 1 Ratio (Full)	10.20%	10.38%	11.47%
Tier 1 Ratio	12.38%	12.36%	13.20%
Total CAR	14.12%	14.68%	16.62%
Return On Equity	11.20%	9.10%	4.40%
Return On Assets	0.71%	0.63%	0.42%

Source: Company, OCBC estimates

Société Générale ("SocGen")

Issuer Profile: Neutral (4)

Ticker: SOCGEN

Background

Headquartered in Paris, Société Générale ("SocGen") offers advisory services and financial solutions to individuals, large corporates, and institutional investors. It operates across 62 countries through three core businesses covering retail banking in France, International Retail Banking, Insurance and Financial Services and Global Banking and Investor Solutions. As at 30 September, 2020, it had total assets of EUR1,472.3bn.

Credit Outlook and Direction

Following the difficult results in 1H2020 and losses in the structured equities derivatives business, SocGen implemented various strategic initiatives at its investment bank including management changes, an impairment on goodwill in its Global Markets & Investor Services business, and a reduction in the risk profile and complexity of its products. Strategic repositioning is expected to continue on a broader scale given the vulnerabilities exposed in 1H2020, the current pandemic and the expected difficult and competitive operating environment in European Banking going forward. Some of these initiatives include the strategic merger of the retail businesses of SocGen and subsidiary Crédit du Nord announced in early December, a reduction in operating costs of EUR450mn until 2023 (SocGen is on track to reduce FY2020 costs by 5% y/y to EUR16.5n), the sale of asset management business Lyxor and acceleration of digitalisation. Management are expected to announce its new strategic plan and Global Banking & Investor Solutions' strategy sometime in 1Q2021 when the outlook is clearer. For now, SocGen's improved 3Q2020 performance on a substantial fall in net cost of risk charges (although around 74% of the 3Q2020 net cost of risk is related to stage 3 or credit impaired loans indicating some potential acceleration in loan quality issues), strategic execution and stronger capital buffer supports the Neutral (4) Issuer profile in our view.

Bond Recommendation

We see better value in SocGen's AT1 given the large pick up against its Tier 2s (facing near term call) which we believe more than compensates for the structural and duration risk.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
SOCGEN 4.3% '26c21s	Neutral (4)	19/05/2021	1.04%	85bps	UW
SOCGEN 6.125% 'PERPc24s	Neutral (4)	16/04/2024	4.17%	387bps	OW
BPCEGP 4.50% '26c21s	Neutral (3)	03/06/2021	0.85%	66bps	N
BNP 4.35% '29c24s	Neutral (3)	22/01/2024	1.79%	152bps	N
ACAFP 3.8% '31c26s	Neutral (3)	30/04/2026	2.38%	187bps	N
ABNANV 4.75% '26c21s	Neutral (3)	01/04/2021	1.39%	120bps	N

Indicative prices as at 4 January 2021 Source: Bloomberg, OCBC

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Senior corporate perpetuals
Subordinated corporate perpetuals
Tier 2 bank capital
Additional Tier 1 bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	9M2019
Cost-income Ratio	71.14%	71.85%	65.85%
Loan to Deposit Ratio	107.30%	107.56%	101.95%
Non-Performing Loan Ratio	3.93%	3.52%	3.42%
Allowance/NPLs	63.53%	66.22%	67.80%
Credit Costs	0.22%	0.28%	0.67%
Equity/Assets	5.03%	5.06%	4.46%
CETier 1 Ratio (Full)	11.20%	12.70%	12.90%
Tier 1 Ratio	13.70%	15.10%	15.10%
Total CAR	16.70%	18.30%	18.20%
Return On Equity	7.10%	5.00%	-3.00%
Return On Assets	0.33%	0.26%	-0.01%

Source: Company, OCBC estimates

Standard Chartered PLC ("StanChart")

Issuer Profile: Neutral (4)

Ticker: STANLN

Background

Formed in 1969, Standard Chartered PLC ("StanChart") is a universal bank, offering broad services aligned both globally and regionally. Although headquartered in the UK, StanChart's footprint is skewed towards emerging markets, mostly in Greater China & North Asia (Hong Kong). As at 30 September 2020, it had total assets of USD754.4bn.

Credit Outlook and Direction

StanChart appears more guarded on the outlook although sees positives from a stabilization of low interest rates and the possibility of economies opening up. 3Q2020 underlying profit before tax rose 2% q/q to USD745mn due to a 44% q/q fall in credit and other impairments and higher profit from associates (China Bohai Bank). This offset a 24% q/q fall in underlying operating profit before impairment and tax as underlying operating income fell 5% q/q due to a fall in net interest margins. While credit impairment trends were positive on a q/q basis, they continue to be elevated in terms of the composition that relates to stage 3 exposures with the fall in stage 3 impairments q/q lower (-38%) than the fall in stage 1 and 2 impairments (-50%). Stage 3 impairments continue to be focused on Retail and Commercial banking portfolios. For 9M2020, 59% of total credit impairments relate to Stage 3 and are up 189% y/y while stage 1 and 2 credit impairments are up 467% y/y indicating higher levels of management overlays for the weaker economic outlook. With the impact of rising cases in Europe likely limited given the relatively lower contribution of the region to earnings, the focus will remain on reducing costs including credit impairments and improving fee based income and its Financial Markets and Wealth Management business. It recently combined its retail banking, private banking and wealth management businesses into a single division.

Bond Recommendation

We are overweight the STANLN 5.375% PERPc24s on a spread basis. While EM is vulnerable to the pandemic, we think the spread pick up compensates for the risk.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
STANLN 5.375% 'PERPc24s	Neutral (4)	03/10/2024	4.08%	374bps	OW
BACR 3.75% '30c25s	Neutral (4)	23/05/2025	2.42%	202bps	N
CMZB 4.875% '27c22s	Neutral (4)	01/03/2022	3.58%	340bps	OW
CMZB 4.2% '28c23s	Neutral (4)	18/09/2023	3.71%	347bps	OW
LBBW 3.75% '27c22s	Neutral (4)	18/05/2022	3.42%	323bps	OW
SOCGEN 4.3% '26c21s	Neutral (4)	19/05/2021	1.04%	85bps	UW
SOCGEN 6.125% 'PERPc24s	Neutral (4)	16/04/2024	4.17%	387bps	OW

Indicative prices as at 4 January 2021 Source: Bloomberg, OCBC

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Senior corporate perpetuals
Subordinated corporate perpetuals
Tier 2 bank capital
Additional Tier 1 bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	3Q2020
Cost-income Ratio	78.80%	70.90%	71.73%
Loan to Deposit Ratio	65.61%	66.24%	68.99%
Non-Performing Loan Ratio	3.21%	2.70%	3.24%
Allowance/NPLs	76.04%	78.17%	71.40%
Credit Costs	0.32%	0.39%	0.91%*
Equity/Assets	7.31%	7.03%	6.70%
CETier 1 Ratio (Full)	14.20%	13.80%	14.40%
Tier 1 Ratio	16.80%	16.50%	16.50%
Total CAR	21.60%	21.20%	21.40%
Return On Equity	1.40%	4.20%	1.30%
Return On Assets	0.30%	0.30%	0.08%

*Source: Company, OCBC estimates, * YTD annualized*

UBS Group AG ("UBS")

Issuer Profile: Neutral (3)

Ticker: UBS

Background

UBS Group AG ("UBS") is the world's largest wealth manager by assets under management. Based in Zurich and operating across 50 countries, UBS also provides Personal & Corporate Banking, Asset Management, and Investment Banking through its four business divisions. As at 30 September 2020, it had total invested assets of USD3,807bn. Shareholdings of UBS are widely spread across institutional investors with BlackRock Inc. and Artisan Partners amongst the 5 largest.

Credit Outlook and Direction

UBS's capital position and future actions will be driven by the challenging operating outlook and the Swiss Financial Market Supervisory Authority FINMA's desire for Swiss banks to maintain appropriate levels of capital. That said, 2020 performance to date has been solid with 3Q2020 adjusted net profit before tax (excluding one-off or 'call-out' items such as sale of a majority stake in Fondcenter AG and intellectual property rights amongst others) of USD2.1bn up 41% y/y. Driving performance was strong revenue momentum from client activity (new business lending volumes, trading and net money inflows) and cost control (3Q2020 cost/income ratio of 70.4% was lower y/y by 10.2%) that offset higher credit loss expenses of USD89mn (net of credit loss recoveries in Global Wealth Management). Given the solid earnings as well as a USD3.3bn reduction in risk weighted assets due to a fall in assets, UBS's CET1 capital ratio continued to improve at 13.5% as at 30 September 2020 and remaining above its capital guidance of around 13.0% and at the upper end of expectations (12.7%-13.3%). The future will also be guided by new CEO Ralph Hamers, who joined in November, and recently made his first changes including management reshuffling to make way for a new COO, who is expected to drive UBS's growth in digitilisation together with Mr Hamers.

Bond Recommendation

2021 operating conditions favoured swiss banks through their high quality exposures and markets businesses. With a recovery expected in 2021, we are OW the AT1s of swiss banks amongst a constructive view for bank capital.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
UBS 5.875% 'PERPc23s	Neutral (3)	28/11/2023	3.48%	322bps	OW
UBS 4.85% 'PERPc24s	Neutral (3)	04/09/2024	3.84%	350bps	OW
BAERVX 5.75% 'PERPc22s	Neutral (3)	20/04/2022	2.39%	221bps	N
HSBC 4.7% 'PERPc22s	Neutral (3)	08/06/2022	3.51%	332bps	OW
HSBC 5.0% 'PERPc23s	Neutral (3)	24/09/2023	3.74%	349bps	OW
CS 5.625% 'PERPc24s	Neutral (4)	06/06/2024	4.08%	376bps	OW

Indicative prices as at 4 January 2021 Source: Bloomberg, OCBC

Outstanding Issuance

Senior secured

Senior unsecured bullets

Senior unsecured callables/putable

Senior corporate perpetuals

Subordinated corporate perpetuals

Tier 2 bank capital

Additional Tier 1 bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	9M2020
Cost-income Ratio	79.90%	80.50%	72.70%
Loan to Deposit Ratio	76.30%	72.90%	73.99%
Non-Performing Loan Ratio	0.75%	0.95%	0.75%
Allowance/NPLs	32.24%	33.05%	56.96%
Credit Costs	0.04%	0.02%	0.20%*
Equity/Assets	5.54%	5.63%	5.61%
CETier 1 Ratio (Full)	12.90%	13.70%	13.50%
Tier 1 Ratio	17.50%	20.00%	19.20%
Total CAR	19.80%	22.00%	21.90%
Return On Equity	8.60%	7.90%	11.50%
Return On Assets	0.48%	0.45%	0.55%

*Source: Company, OCBC estimates, * Annualized*

United Overseas Bank Ltd ("UOB")

Issuer Profile:
Positive (2)

Ticker:
UOBSP

Background

United Overseas Bank Limited ("UOB") is Singapore's third largest banking group with total assets of SGD422.1bn as at 30 September 2020. It has a global network of around 500 offices in 19 countries in Asia Pacific, Europe, and North America. Business segments comprise Group Retail, Group Wholesale Banking, Global Markets and Others. Wee Investments Pte Ltd and Wah Hin & co Pte Ltd have an 8.0% and 5.14% stake in UOB, respectively, as of 4th January, 2021.

Credit Outlook and Direction

3Q2020 performance highlighted a q/q recovery in margins and business conditions with operating profit up 3% q/q to SGD1.25bn however a 20% q/q rise in impairments dented net profit after tax which was down 5% q/q to SGD668mn. The higher impairment charges in 3Q2020 continue to be pre-emptive in management's view with 71% or SGD339mn of the SGD477mn impairment charges in 3Q2020 related to allowances for non-impaired assets. Supporting this to an extent is an improved non-performing loan ratio and non-performing asset coverage ratio q/q at 1.5% and 111% respectively as at 30 September 2020 (1.6% and 96% as at 30 June 2020) on higher upgrades and recoveries and lower non-performing asset formation in 3Q2020. The non-performing asset coverage ratio improves to 264% as at 30 September 2020 after taking collateral into account (230% as at 30 June 2020). Management did note however that the stability in non-performing loan balances is due to loan moratorium reliefs remaining in force with allowances on impaired loans rising 48.9% q/q to SGD134mn, lower than allowances on impaired loans recognized in 3Q2019 and 4Q2019 (SGD149mn and SGD161mn respectively). Loans under moratoriums reduced to 10% of total loans in October 2020 compared to 16% in July 2020 with the resumption of business activity and as loan moratorium schemes are extended, albeit on a more conditional basis.

Bond Recommendation

With an overall constructive view for bank capital, we look to other names for the yield pick-up compared to SG bank names, notwithstanding their relatively strong fundamentals.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
UOBSP 3.5% '29c24s	Positive (2)	27/02/2024	1.08%	80bps	UW
UOBSP 4.0% 'PERPc21s	Positive (2)	18/05/2021	1.71%	152bps	N
UOBSP 3.58% 'PERPc26s	Positive (2)	17/07/2026	2.45%	192bps	N
DBSSP 3.8% '28c23s	Positive (2)	20/01/2023	1.28%	108bps	UW
DBSSP 3.98% 'PERPc25s	Positive (2)	12/09/2025	2.44%	200bps	OW
NAB 4.15% '28c23s	Positive (2)	19/05/2023	1.69%	147bps	N

Indicative prices as at 4 January 2021 Source: Bloomberg, OCBC

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Senior corporate perpetuals
Subordinated corporate perpetuals
Tier 2 bank capital
Additional Tier 1 bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE December	FY2018	FY2019	9M2020
Cost-income Ratio	43.90%	44.60%	45.30%
Loan to Deposit Ratio	88.21%	85.43%	87.96%
Non-Performing Loan Ratio	1.53%	1.54%	1.53%
Allowance/NPLs	77.09%	77.80%	110.56%
Credit Costs	0.15%	0.16%	0.57%
Equity/Assets	9.74%	9.86%	9.47%
CETier 1 Ratio (Full)	13.90%	14.30%	14.00%
Tier 1 Ratio	14.90%	15.40%	15.00%
Total CAR	17.00%	17.40%	17.60%
Return On Equity	11.30%	11.60%	7.60%
Return On Assets	1.07%	1.08%	0.70%

Source: Company, OCBC estimates

Westpac Banking Corporation ("Westpac")

Issuer Profile: Positive (2)

Ticker: WSTP

Background

Westpac Banking Corporation ("Westpac") is Australia's oldest bank and second largest by market capitalization and total loans. It offers consumer, business, and institutional banking services as well as wealth management and insurance across Australia and New Zealand using a multi-branded strategy. As at 30 September 2020, it had total assets of AUD911.9bn.

Credit Outlook and Direction

FY2020 results highlighted the impacts of both internal and external events with cash earnings and statutory net profit down 62% and 66% y/y to AUD2.61bn and AUD2.29bn respectively. External influences relate to COVID-19 that impacted impairment charges of AUD3.18bn that were four times higher y/y. Internal events relate to provisions related to AUSTRAC proceedings (AUD1.4bn), customer remediation costs (AUD440mn including estimated refunds and litigation), write-down of intangibles (AUD614mn for Life Insurance and Auto Finance goodwill), and asset sales/revaluations (AUD123mn for life insurance liabilities, sale of Vendor Finance) that resulted in a AUD2.6bn impact to results. While FY2020 results contained some clear negative developments, several positives in the results include (1) Westpac's continuing solid capital position which has improved; (2) a steep reduction in the number of loans under deferment (AUD16.6bn in Australian home loans in deferral is down from AUD54.7bn at its peak while AUD1.0bn in Australian small business loans are in deferral, down from the peak of AUD10.1bn; and (3) the bank undertaking to resume dividend payments (albeit reduced in line with Australian Prudential Regulation Authority ("APRA") guidance). This along with the findings from APRA's review into Westpac's risk governance and Court Enforceable Undertaking may provide a solid basis for a recovery in FY2021. The bank is also focusing on its core banking in Australia and New Zealand while shrinking its international operations, recently announcing the sale of its Pacific businesses comprising Westpac Fiji and Westpac's 89.91% stake in Westpac PNG Limited as well as the sale of Westpac General Insurance Limited and Westpac General Insurance Services Limited to Allianz Australia.

Bond Recommendation

Aussie bank Tier 2 papers look fairly valued amongst themselves but nevertheless provide decent pick up against local bank Tier 2 papers.

Relative Value

Bond	Issuer Profile	Maturity/First Call Date	Ask YTW	Spread	Recommen-dation
WSTP 4.0% '27c22s	Positive (2)	12/08/2022	1.62%	143bps	N
ANZ 3.75% '27c22s	Positive (2)	23/03/2022	1.43%	126bps	N
NAB 4.15% '28c23s	Positive (2)	19/05/2023	1.69%	147bps	N
DBSSP 3.8% '28c23s	Positive (2)	20/01/2023	1.28%	108bps	UW
UOBSP 3.5% '29c24s	Positive (2)	27/02/2024	1.08%	80bps	UW

Indicative prices as at 4 January 2021 Source: Bloomberg, OCBC

Outstanding Issuance

Senior secured
Senior unsecured bullets
Senior unsecured callables/putable
Senior corporate perpetuals
Subordinated corporate perpetuals
Tier 2 bank capital
Additional Tier 1 bank capital

Please click here for a recent write-up on the issuer.

Key Ratios

FYE September	FY2018	FY2019	FY2020
Cost-income Ratio	43.79%	48.94%	63.12%
Loan to Deposit Ratio	126.89%	126.90%	118.19%
Non-Performing Loan Ratio	0.20%	0.25%	0.40%
Allowance/NPLs	198.73%	204.65%	237.68%
Credit Costs	0.10%	0.11%	0.45%
Equity/Assets	7.34%	7.23%	7.46%
CETier 1 Ratio (Full)	10.63%	10.67%	11.13%
Tier 1 Ratio	12.78%	12.84%	13.23%
Total CAR	14.74%	15.63%	16.38%
Return On Equity	13.10%	10.65%	3.37%
Return On Assets	0.92%	0.96%	0.25%

Source: Company, OCBC estimates

ESG Influences

Contents

A. ESG INFLUENCES – PROPERTY DEVELOPERS		Page No.
1.	CapitaLand Ltd	73
2.	China Aoyuan Group Ltd	74
3.	City Developments Ltd	75
4.	Frasers Property Ltd	76
5.	GuocoLand Ltd	77
6.	Heeton Holdings Ltd	78
7.	Hong Fok Corp Ltd	79
8.	Hongkong Land Holdings Ltd	80
9.	Hotel Properties Ltd	81
10.	Lendlease Group	82
11.	Mapletree Investments Pte Ltd	83
12.	Metro Holdings Ltd	84
13.	OUE Ltd	85
14.	Oxley Holdings Ltd	86
15.	The Wharf (Holdings) Ltd	87
16.	Wing Tai Holdings Ltd	88
17.	Wing Tai Properties Ltd	89
B. ESG INFLUENCES – REITs		**Page No.**
18.	AIMS APAC REIT	90
19.	ARA LOGOS Logistics Trust (f.k.a. Cache Logistics Trust)	91
20.	Ascendas REIT	92
21.	Ascott Residence Trust	93
22.	CapitaLand Integrated Commercial Trust	94
23.	CapitaLand Retail China Trust	95
24.	First REIT	96
25.	Frasers Centrepoint Trust	97
26.	Frasers Hospitality Trust	98
27.	Keppel REIT	99

28.	Lippo Malls Indonesia Retail Trust	100
29.	Mapletree Commercial Trust	101
30.	Mapletree Industrial Trust	102
31.	Mapletree Logistics Trust	103
32.	Mapletree North Asia Commercial Trust	104
33.	Starhill Global REIT	105
34.	Suntec REIT	106
C. ESG INFLUENCES – OTHER NON-FINANCIAL CORPORATES AND BUSINESS TRUSTS		**Page No.**
35.	Fraser and Neave Ltd	107
36.	Golden Agri-Resources Ltd	108
37.	Keppel Corp Ltd	109
38.	Keppel Infrastructure Trust	110
39.	Olam International Ltd	111
40.	Sembcorp Industries Ltd	112
41.	Shangri-La Asia Ltd	113
42.	Singapore Airlines Ltd	114
43.	Singapore Post Ltd	115
44.	Singapore Telecommunications Ltd	116
D. ESG INFLUENCES - FINANCIAL INSTITUTIONS		**Page No.**
45.	ABN AMRO Bank NV	117
46.	Australia & New Zealand Banking Group Ltd	118
47.	Barclays PLC	119
48.	BNP Paribas SA	120
49.	BPCE SA	121
50.	China Construction Bank Corporation	122
51.	Commerzbank AG	123
52.	Crédit Agricole SA	124
53.	Credit Suisse Group AG	125
54.	DBS Group Holdings Ltd	126
55.	HSBC Holdings PLC	127
56.	Julius Baer Group Ltd	128

57.	Landesbank Baden-Wuerttemberg	129
58.	National Australia Bank Ltd	130
59.	Standard Chartered PLC	131
60.	Société Générale SA	132
61.	UBS Group AG	133
62.	United Overseas Bank Ltd	134
63.	Westpac Banking Corp	135

Property Developers

CapitaLand Ltd

Main Industry	Property development, investment
Main Geographies	Singapore, China
General Comments	• Guided by its 2030 Sustainability Master Plan Framework, which revolves around (1) building portfolio resilience and resource efficiency, (2) enabling thriving and future-adaptive communities and (3) accelerating sustainability innovation and collaboration. • ESG efforts evaluated using self-developed metric of return on sustainability. Publishes sustainability report according to GRI. • CAPL is an active issuer of green bonds and loans.
Key Customer Types	• Retail, office, industrial, hospitality, multifamily tenants • End-customers in property development • REITs and other funds
Employees	• CAPL has 13,900 total employees, with 53% of the workforce and 34% of management consisting of women.
Environmental	• Environmental impact of property development and construction activities. • Tracks energy efficiency, emissions, water and biodiversity impact. Against its 2008 baseline, CAPL targets 78% reduction in carbon emissions intensity and 45% lower water consumption. • Supply chain environmental compliance.
Social	• Focused on occupational health and safety • Human rights and target diversity of workforce. • Facilitated accommodation for migrant workers undergoing quarantine • Provided rental relief for tenants and passed on tax rebate. • Avoids staff layoff in merger between CAPL and Ascendas, and cut costs to save jobs.
Governance	• Ranked 4th in the 2020 SGTI. • 9 out of 11 of the board members are independent directors.

China Aoyuan Group Ltd

Main Industry	Property development
Main Geographies	China
General Comments	• CAPG's publicly stated mission statement is "to create a joyful life" and become a world-class integrated healthy lifestyle service provider by providing customers with high-quality living environments, creating a healthy and positive lifestyle and building a healthy living ecosystem. • The board has established a comprehensive ESG approach, with an aim to integrate relevant elements into daily operations and business decisions to achieve green business in the long run. • Sustainability report available, subsumed under annual report.
Key Customer Types	• End-customers in property development business.
Employees	• In 2019 16,504 employees. By count, employees are mainly located in China.
Environmental	• Environmental impact of property development and construction activities. • Tracks and reports on energy use, water use and GHG emissions. • Supply chain transparency and traceability pertaining to environmental risk.
Social	• Responded early in the COVID-19 pandemic by delivering masks and medical supplies to Wuhan (CAPG has operations in Wuhan) and subsequently other cities. • Labour rights and occupational health and safety. • Supply chain transparency and traceability on labour rights, occupational health and safety and adherence to law. • Impact on local community and heritage sites in urban renewal projects. • Construction quality for end-customers. In 2018, CAPG along with other property developers were subject of mass buyer complaints over quality of property units. • Operates in countries and regions with known human rights violation and child labour issues.
Governance	• In 2020, CAPG was subject of a short-seller report alleging various issues. Company issued a clarification notice rebutting the allegations. • Some exposure to countries and regions with moderate-to-relatively high risk of bribery and corruption. • 7 members in the board of directors, 3 of which are considered as independent directors. No woman director. Board is relatively diverse in terms of experience.

City Developments Ltd

Main Industry	Property development, investment
Main Geographies	Singapore, China, UK, US
General Comments	• CDL is the top-ranked real estate company in the world, according to 2020 Global 100 Most Sustainable Corporations in the World. • CDL is guided by its sustainability blueprint 'CDL Future Value 2030'. Against base-year 2007, targets by 2030 to cut carbon emission by 59% and achieving 90% green mark certification for CDL owned/managed buildings. Main goals are to build sustainable cities and communities, reduce environmental impact and ensuring fair, safe and inclusive workplace. • Aligns with GRI, ISO 26000, ISO14001 and SDGs. Publishes sustainability report quarterly. • Issues green bonds and loans.
Key Customer Types	• Retail, office, hospitality tenants • End-customers in property development • REITs and other funds
Employees	• In 2019, CDL hired 403 employees (full-time: 401) for its core operations in Singapore. • 68% of its workforce are represented by women. 52% of HODs are females as of end 2019. • All employees have remuneration linked to ESG.
Environmental	• Environmental impact of property development and construction activities. • Achieved 38% reduction in carbon emission from 2007 levels, reducing carbon emissions to net-zero for corporate office operations. • Pledged support to UNGC's Business Ambition for 1.5°C campaign • Focus on energy use, water use and waste intensity.
Social	• Provides rent-free co-working space for social enterprises • Reduced global headcount by 36% compared to 2019 for Millennium & Copthorne (wholly-owned hotel group) • Workplace safety and launched Safe Worker Award in 2014. • Extends into supply chain by identify social risks (e.g. forced or child labour) of top suppliers. • Offers flexible work arrangements including flexibility on working time, working place and amount of work.
Governance	• Ranked 3rd in the 2020 SGTI. • 5 out of 8 members of the board are independent as of 2019 though Mr Kwek Leng Peck has resigned from his position as non-executive and non-independent director. • 3 directors have resigned in the past 6 months due to differences over the investments in Sincere Property Group

Frasers Property Limited

Main Industry	Develops, owns and manages a diverse, integrated portfolio of properties
Main Geographies	Southeast Asia, Australia, Europe and China
General Comments	• FPL aspires to be a world-class multi-national owner-operator-developer of real estate products in dynamic and resilient markets, and provider of real estate services. Guided by its unifying belief that experience matters, FPL is committed to deliver enriching and memorable experiences to meet the ever-evolving needs of businesses and communities. • FPL is a signatory to the UN Global Compact. • Received the prestigious Singapore Environmental Achievement Award 2019 (Services Category - Merit) from the Singapore Environment Council. This award recognised FPL's contribution to environmental sustainability efforts in green building developments in Singapore, Thailand and Australia, and in engaging stakeholders globally to create environmental awareness. • Sustainability report with reference to GRI standards available, subsumed under annual report.
Key Customer Types	• Multi-national and local tenants for investment properties. • Individuals and corporates looking to own residential properties. • Hotel guests at its hotel properties.
Employees	• 4,960 staff in 2019 (52% male, 48% female) • 58% are between 30-49 years old, 27% are below 30 years old, 15% are over 50 years old • 40% are in EMEA, 25% in Singapore, 15% in Australia • Woman represent 37% of FPL's senior management team (including those who report directly to the Executive Management)
Environmental	• FPL is committed to build a carbon-neutral business in Australia by 2028. FPA targets to reduce its Scope 1 and 2 GHG emissions by 50% per square metre and Scope 3 GHG emissions by 25% per square metre by 2028. Three buildings in Australia were successfully certified as Carbon Neutral Buildings in FY19. • Total energy consumption increased by 6.4% in FY19 due to the expansion of our portfolio. However, the overall energy intensity dropped by 0.3%y/y. In line with the reduction in energy intensity, Scope 2 GHG emissions intensity decreased by 2.1%y/y. • Total water consumption increased by 5.6y/y. However, water intensity decreased across our asset portfolio by 0.7%y/y. • Waste intensity decreased by 2.0% y/y • Attained a 11.8% recycling rate for our Singapore, Australia, China, Vietnam and the UK properties.
Social	• Responded early in the COVID-19 pandemic to provide rental rebates and other tenant relief measures. • Close to 90% of the commercial and retail properties in Singapore are certified with OHSAS 18001 and bizSAFE Star by the Workplace Safety and Health Council ("WSHC"). More than 80% of our Singapore commercial properties are also certified bizSAFE Partners by the WSHC. In Australia, our residential, retail, commercial and industrial units are certified with AS/NZS 4801 (Australia/New Zealand Standard for Occupational Health & Safety). • Recorded zero fatalities and strong improvements in our health and safety performance, especially in our Singapore and Australia development projects in FY2019. Overall, FPL saw a reduction of 45% and 87% y/y, respectively, in lost-time injury rate and severity rate.
Governance	• 11 members on the board, 6 of which are considered as independent directors. 1 woman director • High exposure to related party transactions. • Ranked 62nd in the 2020 SGTI.

GuocoLand Ltd

Main Industry	Property development, investment
Main Geographies	Singapore and Malaysia
General Comments	• Sustainability report in accordance with GRI. • ESG framework premised on being greener, empowerment of employees, conducting business with honour and caring for community.
Key Customer Types	• End-customers in property development • Retail, office, hospitality tenants
Employees	• 495 full time employees, of which 258 are female
Environmental	• Environmental impact of property development and construction activities. • Has appointed contractors which are ISO 1400-1 certified • Properties in Singapore except 20 Collyer Quay are BCA Green Mark certified, tracks energy consumption of development projects.
Social	• Provided rental relief for tenants and passed on tax rebate. • Engages in community programmes and event space sponsorship • Requires safety and health trainings for main contractors. Also encourages main contractors to address the accommodation, benefits and welfare of construction workers
Governance	• Ranked 21st in the 2020 SGTI. • 6 out of 10 board members are independent directors.

Heeton Holdings Ltd

Main Industry	Property investment, hospitality, development
Main Geographies	Singapore, UK, Japan
General Comments	• Sustainability reporting adheres to SGX Listing Rules Practice Note 7.6 Sustainability Reporting Guide. • Beginning to prepare more parts of the sustainability report to adhere with the GRI standards.
Key Customer Types	• End-customers and corporates in hospitality. • Retail tenants • End-customers in property development
Employees	• 173 employees as of Dec 2019, of which 98 are women.
Environmental	• Environmental impact of hospitality, property development and construction activities. Uses water extensively as part of hospitality business. • Reports on carbon emission and energy usage.
Social	• Employee and hotel guests' health and safety, especially amidst COVID-19. • Certain properties were temporarily closed amidst COVID-19 with likely knock-on impact on employees at the property operations level. • Engages in corporate volunteering supports certain social programmes.
Governance	• Ranked 487th in the 2020 SGTI. • Few corporate announcements on SGX between reporting of results. • 4 out of 7 members of the Board of Directors are independent.

Hong Fok Corporation

Main Industry	Investment holding of subsidiaries primarily engaged in property investment, property development and construction, property management, investment trading and investment holding and management
Main Geographies	Singapore
General Comments	• HFC's corporate purpose is to build and maintain a long term sustainable real estate related business. • The Concourse was recertified by the Singapore's Building and Construction Authority ("BCA") as Green Mark (Platinum) in 2018 • International Building was recertified by the BCA as Green Mark (Gold Plus) in 2019 • Sustainability report with reference to GRI available, subsumed under annual report.
Key Customer Types	• Multi-national and local tenants for investment properties. • Hotel guests at YOTEL Singapore Orchard Road
Employees	• 93 staff in 2019 (38% female, 62% male)
Environmental	• Energy consumption and intensity increased by 2.31%y/y in 2019. • GHG emissions and intensity have increased by 2.21%y/y in 2019, in line with the increase in energy consumption. Both energy and GHG emissions have maintained within the 5% targeted range from the baseline of 2018. • Water consumption has increased by 0.50%y/y in 2019, within the 5% targeted range from the baseline of 2018.
Social	• In 2019, Accident Frequency Rate was 4.75 (per million manhours worked) and Accident Severity Rate was 23.77 (per million manhours worked). There was one workplace accident reported where an employee fell from a ladder and fractured his left leg. • BizSAFE Level 3 certification certified by the Workplace Safety and Health Council.
Governance	• 6 members in the board, 3 of which are considered as independent directors. 1 woman director. • Ranked 23rd in the 2020 SGTI.

HongKong Land Limited

Main Industry	Owns and manages office and retail properties
Main Geographies	Hong Kong, China, Southeast Asia
General Comments	• HKL's publicly stated corporate purpose is to inspire, support, and empower the communities of today, so that together HKL can aspire for a better tomorrow • Attained highest Platinum rating of BEAM Plus certification for all 12 buildings in the Central Portfolio • Hong Kong Central Portfolio achieved the Certificate of Excellence in Environmental Stewardship from the IFMA • One, Two and Three Exchange Square and The Forum received the Grand Award of the Hong Kong Green Building Award • One Raffles Quay, Marina Bay Financial Tower 1, 2 and 3 in Singapore received the BCA Green Mark Platinum Award • Sustainability report with reference to GRI standards available, subsumed under annual report.
Key Customer Types	• Multi-national and local tenants for investment properties. • End-customers for property development
Employees	• 1,278 permanent and full time staff in 2019 (58% male, 42% female) • 64% are between 30 to 50 years old, 23% are over 50 and 13% are below 30
Environmental	• Met our Central Portfolio target of reducing carbon emissions by 30% in 2019 from our baseline year of 2008 ahead of schedule and set a new target for a total carbon emission reduction of 55% against our baseline by 2030 • Set emission reduction targets for One Raffles Link in Singapore, Exchange Square in Cambodia (15% by 2030 as compared to 2018 levels) and WF Central in Beijing, China (12% by 2030 as compared to 2019 levels) for the first time • All buildings in the Central Portfolio are certified for fresh and flushing water management under the Hong Kong Government's Quality Water Supply Scheme for Buildings • Encourage new tenants to retain the fit out left by previous tenants. Reused existing materials, such as the quality marble walls and floor finishes.
Social	• Zero fatalities or major accidents across the region • Planted 5,000 seedlings in Cebu, the Philippines to draw down carbon and improve air quality
Governance	• 13 members on the board, none of the members are considered as independent directors. 1 women director.

Hotel Properties Ltd

Main Industry	Property investment, hospitality, development
Main Geographies	Singapore, Maldives, Europe, Rest of Asia, USA
General Comments	• Key ESG aspects identified by HPL includes employee health and safety, employee training and education, energy consumption and water consumption. • Sustainability report prepared according to GRI standards.
Key Customer Types	• End-customers and corporates in hospitality. • Retail tenants • End-customers in property development
Employees	• 2,670 employees as of Dec 2019, of which 40.2% are women.
Environmental	• Environmental impact of hospitality, property development and construction activities. • Uses water and energy extensively as part of hospitality business. • Uses non-renewables, which comprises 45% of the total energy source • Targets to reduce water consumption and maximise energy efficiency.
Social	• Employee and hotel guests' health and safety, especially amidst COVID-19. • Certain properties were temporarily closed amidst COVID-19 with likely knock-on impact on employees at the property operations level. • Adheres to safety and conducts training for employees.
Governance	• Ranked 357th in the 2020 SGTI. • Few corporate announcements on SGX between reporting of results. • 3 out of 8 members of the Board of Directors are independent.

Lendlease Group

Main Industry	Property development, investment
Main Geographies	Australia, Singapore, Europe, USA
General Comments	• Lendlease is targeting a 20% reduction in energy use, energy emissions, water use and waste to landfill for FY2020, though fell short of the target. • Conducts ESG according to International Standard on Assurance Engagements ISAE 3000 • Signatory commitment under the United Nations supported Principles for Responsible Investment • Participates in green bond
Key Customer Types	• End-customers and corporates in property development • Aged care, retail, office, multifamily tenants
Employees	• 8,787 employees in 2019, with women comprising 31.9% of the workforce.
Environmental	• Targets to become net zero carbon by 2025 and absolute zero carbon by 2040. • Tracks and reports on energy use, total emissions, waste generated, water intensity.
Social	• Occupational health and workplace safety measures critical incident frequency rate. • Targets AUD250mn of social value by 2025. • Reduction of workforce following the onset of COVID-19. • Passes on property tax rebates to retail tenants.
Governance	• Rated “AAA” on ESG by MSCI. • 9 out of 10 members of the board are independent.

Mapletree Investments Pte Ltd

Main Industry	Owns, develops, and manages a diversified portfolio of office, retail, industrial, logistics, data centre and residential properties in 13 markets globally
Main Geographies	Singapore, North America, Hong Kong SAR, China, and India
General Comments	• MAPL's publicly stated corporate purpose is to deliver value to its stakeholders through its business model that maximises capital efficiency • Including properties held by its REITs, 10 properties have been certified Platinum and another 11 have been certified Gold / Gold Plus under the BCA Green Mark program as at FY19/20 • Obtained SGD1.4bn secured green / sustainability-linked loans between Oct 2019 – Mar 2020 (including those obtained by its REITs). These loans are tied to ESG related targets involving green buildings, energy, and water intensity reductions. • Sustainability report with reference to GRI available, subsumed under annual report
Key Customer Types	• Multi-national and local tenants for investment properties • Individuals / families for lodging assets (serviced apartments, student accommodations)
Employees	• 1,015 full-time permanent employees as at FY 19/20 (59% female, 41% male) • 71% are between 30 to 50 years old, 15% below 30 years old and 14% above 50 years old
Environmental	• Target to reduce the landlord energy consumption for stable assets by 30% by 2030, with reference to the energy consumption levels in FY09/10 • Enhancing energy efficiency through review / optimisation of air conditioning & mechanical ventilation systems and condenser water pumps, usage of energy efficient LED lightings • Total landlord electricity consumption of the four stable properties (i.e. HarbourFront Centre, HarbourFront Tower, PSA Vista and Tanjong Pagar Distripark) decreased by ~4.5%y/y in FY19/20. The electricity intensity decreased by 2.6%y/y. Likewise, these translate to a corresponding decrease in our energy indirect (Scope 2) GHG emissions by 4.5%y/y. • Reducing water usage through various initiatives, including usage of NEWater, optimising systems and promoting water conservation among tenants. Total landlord water withdrawal of the four stable properties decreased by 7.2% y/y. • Collected 3,172 tonnes of waste at four stable properties, of which 193 tonnes was recycled
Social	• Responded early in the COVID-19 pandemic to provide rental rebates and other tenant relief measures. Mapletree Commercial Trust ("MCT") for instance launched a SGD11mn program in Feb 2020 to support retail partners affected by COVID-19 outbreak with additional SGD18mn of rental relief in Mar 2020 in second round of assistance to retail tenants • Zero incidences resulting in employee permanent disability or fatality (scoped to Singapore staff only) • Committed AUD100,000 (~SGD90,588) in aid of the Australian bushfire relief efforts via the Australian Red Cross. • Donated via the Singapore Red Cross of RMB1mn (~SGD200,000) towards Covid-19 relief efforts in China
Governance	• 11 members on the board, 10 are considered as independent directors. 1 women director

Metro Holdings Limited

Main Industry	Property investment and development with retail track record.
Main Geographies	Singapore, China
General Comments	• No publicly stated corporate purpose. • Sustainability report with reference to GRI 2016 available, subsumed under annual report.
Key Customer Types	• Multi-national and local tenants for investment properties. • Distributors of retail products
Employees	• 469 employees as at 31 March 2020 (231 in Singapore retail, 30 in Singapore Metro Corporate HQ and 208 in China property) • 54% female, 46% male
Environmental	• In FY2020, total energy consumption for Metro City Shanghai, Metro Tower Shanghai and GIE Tower Guangzhou rose 0.2%y/y • In FY2020, we saw a significant decrease in diesel oil used due to a less cold winter. A corresponding decrease is also recorded in Scope 1 GHG emissions and emission intensity. • Excluding Metro Centrepoint (which was closed upon lease expiry in October 2019), METRO recorded a 1% y/y decrease in electricity consumed in FY2020 due to the shortening of operating hours in February and March 2020 brought about by COVID-19.
Social	• Temporarily closed our retail stores and corporate offices in Singapore from early-April 2020 to mid-June 2020 in compliance with the Singapore Government's circuit breaker measures for the safety of our staff and customers. • Responded early in the COVID-19 pandemic to provide rental rebates and waivers as well as extension of payment terms were granted to some tenants at Metro City, Metro Tower and GIE Tower who faced cashflow difficulties due to the closure of business operations.
Governance	• 7 members on the board, 5 of which are considered as independent directors. 2 woman directors • Ranked 157th in the 2020 SGTI.

OUE Limited

Main Industry	Investment holding of investment properties, property development, healthcare, and F&B businesses.
Main Geographies	Singapore, China, Japan, Indonesia
General Comments	• ESG focus area is on eco-efficient buildings where company strives to achieve higher performance for the BCA Green Mark certification for both existing and new buildings. • No publicly stated corporate purpose or mission statement. • Sustainability report with reference to GRI available, subsumed under annual report.
Key Customer Types	• Multi-national and local tenants for investment properties. • End-customers in property development, healthcare, hotels and F&B businesses.
Employees	• 1,149 permanent and temporary staff in 2019 (excluding casual labour employed on ad-hoc basis). By count, employees are mainly located in Singapore.
Environmental	• Aligned with Singapore's stance in cutting energy usage and carbon emissions. • Tracks and reports on GHG emission intensity, water and energy intensity and waste management.
Social	• Responded early in the COVID-19 pandemic to provide rental rebates and other tenant relief measures for its retail investment properties. • Employee and hotel guests' health and safety, especially amidst COVID-19. A hotel owned by OUE's subsidiary, which was used for guests serving stay-home-notices ("SHN") and staycations is being investigated by the Ministry of Health as of writing following a number of COVID-19 cases among SHN guests. • Some exposure to countries and regions with known human rights violation issues.
Governance	• 6 members in the board, 2 of which are considered as independent directors. CEO is also Chairman of board. Board is relatively diverse in terms of experience, age and cultural ethnicity. No woman director. • High exposure to related party transactions. • Some exposure to countries and regions with moderate-to-relatively high risk of bribery and corruption; anti-graft agency launched investigation on a related party in 2018. • Ranked 323 in the 2020 SGTI.

Oxley Holdings Ltd

Main Industry	Property Development, Hospitality and Property Investments
Main Geographies	Singapore, United Kingdom, Ireland, Cyprus, Cambodia, Malaysia, Myanmar, China, Vietnam, Australia
General Comments	• Sustainability report with reference to GRI Standards.
Key Customer Types	• End-customers in property development • Hospitality, industrial, retail and office tenants
Employees	• 601 total employees.
Environmental	• Tracks and reports on energy use and emissions. • Targets reduction in wastage, signed Plastic ACTion initiated by WWF Singapore to eliminate plastic pollution.
Social	• Occupational health and workplace safety. • Social distancing and sanitisation. • Protect the privacy and data of hotel guests, in compliance with PDPA.
Governance	• Ranked 304th in the 2020 SGTI. • 3 out of 6 members of the Board are independent directors.

Wharf Holdings Limited

Main Industry	Invests in investment properties, hotels and development properties in Hong Kong and mainland China with some exposure to logistics.
Main Geographies	Hong Kong, China
General Comments	• WHARF's long-established mission is to build for tomorrow • Constituent member of Hang Seng Corporate Sustainability Index • Shanghai Wheelock Square and Wuxi IFS received the Leadership in Energy and Environmental Design ("LEED") Gold certification and Changsha IFS was honoured to receive LEED Platinum certification in 2019Sustainability report with reference to GRI standards available, subsumed under annual report.
Key Customer Types	• Multi-national and local tenants for investment properties. • Individuals looking to purchase residential properties
Employees	• 8,400 staff (including those employed by managed operations)
Environmental	• ISO 14001-certified environmental management system in Chengdu IFS, Changsha IFS and Modern Terminals • Use renewable energy sources where possible. To improve lighting at the entrance of the car park in Changsha IFS at nighttime, 24 solar posts were installed which reduced annual energy consumption by 3,000 kWh. At Chengdu IFS, a Boiler Flue Gas Heat Recovery System was adopted in the reporting year which makes use of the heat within the waste flue gases to preheat the cold water entering the boiler. This lowers energy required in the process and reduces the amount of natural gas consumed. As of December 2019, 158,091 kWh of heat had been recovered. • Recovered condensing water to use as recycled water at Dalian Times Square. Rooftop drainage points and storage tanks are also designed at Chengdu IFS and Changsha IFS to facilitate rainwater harvesting. • Strengthened recycling management at Development Properties' sites, has been. Construction materials such as rubble and concrete material are reused for temporary road repair. Meanwhile, other construction materials such as scrap wood are also delivered to qualified contractors for recycling.
Social	• No incident of work-related fatality was recorded in both Hong Kong and Mainland China during 2017 to 2019 • WeCan, launched in 2011, has been our flagship programme in Business-in-Community initiative. The purpose of the programme is to provide secondary school students who are disadvantaged in learning with opportunities and care to empower them to pursue continuous education and future career goal.
Governance	• 10 members on the board, 5 of which are considered as independent directors. 2 woman directors. Some diversity in terms of cultural ethnicity.

Wing Tai Holdings Ltd

Main Industry	Property development, investment, retail, hospitality
Main Geographies	Singapore, Malaysia, Australia, Hong Kong
General Comments	• Sustainability report in accordance to GRI Standards and align efforts to certain United Nations Sustainability Development Goals ("SDG") • Identifies and prioritises stakeholders based on influence and dependence on the business
Key Customer Types	• End-customers in property development • Retail, office, hospitality tenants
Employees	• 1,009 total employees, of which 67.4% are women.
Environmental	• Tracks and reports on energy use and emissions generated. • Repurposes clothing for its retail division. Recycle and reduce textile wastage
Social	• Supports Zero Hunger, Gender Equality amidst other SDG goals. • Prioritises employee well-being and occupational health and safety • Requires contractors to meet international standards.
Governance	• Ranked 46th in the 2020 SGTI. • 6 out of 10 members of the Board are independent directors.

Wing Tai Properties Ltd

Main Industry	Property development, investment, retail, hospitality
Main Geographies	Hong Kong
General Comments	• Reports according to the HKEX ESG Reporting Guide
Key Customer Types	• End-customers in property development • Office tenants
Employees	• 470 total employees, of which 51% are female.
Environmental	• Tracks and reports on energy use, emissions generated and water use. • Incorporates environment consideration into building planning and supplier selection.
Social	• Focused on occupational health and safety • Upholds labour standards and provides employee training and development.
Governance	• 6 out of 10 members of the Board are independent directors.

Real Estate Investment Trusts

AIMS APAC REIT

Main Industry	Investing in high quality income-producing industrial real estate throughout Asia-Pacific.
Main Geographies	Singapore and Australia
General Comments	• AAREIT's publicly stated mission statement is to provide investors with sustainable long-term returns from an actively managed portfolio of quality industrial real estate located throughout Asia-Pacific. • ESG focus is on being an active advocate of water conservation in the Singapore REIT sector. Aim to progressively achieve Water Efficient Building ("WEB") certification for all eligible buildings. • Sustainability report with reference to GRI available, subsumed in annual report. • Sustainability framework mapped to UN Sustainable Development Goals. • Participates in Global Real Estate Sustainability Benchmark ("GRESB") assessment.
Key Customer Types	• Multi-national and local tenants for investment properties.
Employees	• 23 employees FY2020. All employees are permanent employees located in Singapore.
Environmental	• Tracks and reports on energy use and water use.
Social	• Occupational health and safety.
Governance	• 5 members in the board, 3 of which are considered as independent directors. No woman director. Board is relatively diverse in terms of experience. • Ranked 3rd in the GIFT 2020.

ARA LOGOS Logistics Trust

Main Industry	Investing in high quality income-producing industrial real estate in certain countries within the Asia-Pacific region.
Main Geographies	Singapore and Australia
General Comments	• ALOG's publicly stated mission statement is to deliver regular and stable distributions to Unitholders and achieve long-term sustainable growth in Distribution Per Unit and Net Asset Value. • Sustainability report with reference to GRI available as a separate report.
Key Customer Types	• Multi-national and local tenants for investment properties.
Employees	• 12 employees in 2019. All employees are permanent employees mainly located in Singapore.
Environmental	• Tracks and reports on energy use, energy intensity and GHG intensity. • Targets to reduce carbon emission intensity by 3% for multi-tenanted buildings in Singapore and increase annual green energy consumption to at least 1.5 million kWh by 2023 (using the 2018 multi-tenanted buildings portfolio emissions as the baseline).
Social	• Occupational health and safety.
Governance	• 6 members in the board, 3 of which are considered as independent directors. No woman director. Board is relatively diverse in terms of experience and cultural ethnicity. • High exposure to related party transactions. • Ranked 36th in the GIFT 2020.

Ascendas REIT

Main Industry	Owning and operating a diversified portfolio in the business space and industrial property in Singapore and other mature developed markets.
Main Geographies	Singapore, Australia, UK and the US
General Comments	• AREIT's publicly stated mission statement is to deliver predictable distributions and achieve long-term capital stability for unitholders. • CapitaLand Ltd, the parent company of AREIT's REIT manager is a signatory to the UN Global Compact. • AREIT's property, LogisTech received the BCA Green Mark Platinum award for Super Low Energy, for being a best-in-class energy efficient building. • Issued a green bond and a green perpetual in 2020 under a Green Finance Framework, first REIT in Singapore to do so. • Sustainability report with reference to GRI available as a separate report. • Environmental performance of 72 properties under operational control covered by 2019 report. AREIT did not have operational control of 129 properties. • Sustainability framework mapped to UN Sustainable Development Goals.
Key Customer Types	• Multi-national and local tenants for investment properties.
Employees	• 33 employees in 2019. All employees are permanent employees and located in Singapore.
Environmental	• Tracks and reports on energy use and intensity, GHG emissions and intensity, water use and intensity, • 35 properties have achieved BCA Green Mark certification, working towards achieving Green Mark certification for its other Singapore properties. • Contribute towards Singapore's solar target and vision to phase out internal combustion engine vehicles, some properties now have electric vehicle charging points.
Social	• Occupational health and safety. • Transitioned to ISO 45001 standard, local standard SS506 Part-1 and adopted other management systems including bizSAFE Star and SafeWork Australia National Standards and Model Codes of Practice in Australia. • Contractors are at least bizSAFE Level 3 and ISO 14001 (100% compliant in 2019).
Governance	• 9 members in the board, 6 of which are considered as independent directors. 2 woman directors. Has in placed a Board Diversity Policy. Board is relatively diverse in terms of experience and cultural ethnicity. • Some exposure to related party transactions. • Ranked 17th in the GIFT 2020.

Ascott Residence Trust

Main Industry	Invest in real estate and real estate-related assets which are income-producing and which are used, or predominantly used as serviced residences, hotels, rental housing properties and other hospitality assets in any country in the world.
Main Geographies	Japan, Singapore, Australia, USA, China, France, UK
General Comments	• ART's publicly stated corporate mission is to deliver stable and sustainable returns to stapled securityholders. • CapitaLand Ltd ("CAPL"), the parent company of ART's REIT manager is a signatory to the UN Global Compact. • Sustainability report with reference to selected GRI standards available, subsumed under annual report. 2019 report excludes properties acquired via Ascendas Hospitality Trust as the transaction completion date was 31 December 2019. • Sustainability framework mapped to UN Sustainable Development Goals.
Key Customer Types	• Master lessees who mainly consist of CAPL-owned entities. • End-customers in hospitality (hotels and serviced residences business).
Employees	• No publicly available information on employee count for 2019.
Environmental	• Environmental impact of hospitality, property development and construction activities. Uses water extensively as part of hospitality business. • Tracks and reports on energy use, water use and carbon emissions; third-party operated properties excluded. • Supply chain transparency and traceability pertaining to environmental risk.
Social	• Employee and hotel guests' health and safety, especially amidst COVID-19. • Certain properties were temporarily closed amidst COVID-19 with likely knock-on impact on employees at the property operations level. • Labour rights and occupational health and safety for property business. • Supply chain transparency and traceability on labour rights, occupational health and safety and adherence to law. • Data privacy and security of guests. • Some operations in countries and regions with known human rights violation and child labour issues.
Governance	• 7 members in the board of directors, 4 of which are considered as independent directors. 2 women directors. Has in place a Board Diversity Policy. Board is relatively diverse in terms of experience and cultural ethnicity. • High exposure to related party transactions. • Some exposure to countries and regions with moderate-to-relatively high risk of bribery and corruption. • Ranked 35th in the GIFT 2020.

CapitaLand Integrated Commercial Trust

Main Industry	Invests in income-producing real estate that is primarily used for commercial (including retail and office) purpose, located predominantly in Singapore
Main Geographies	Singapore
General Comments	• CICT's publicly stated mission statement is to deliver stable distributions and sustainable total returns to unitholders • Parent company, CapitaLand Ltd is a signatory to the UN Global Compact. • CapitaLand Mall Trust was awarded sector leader for Global Real Estate Sustainability Benchmark (GRESB) in the Asia 'Retail – Listed' category and scored 'A' for public disclosure for GRESB 2019. • All CapitaLand Mall Trust's properties are BCA Green Mark certified as at 31 December 2019. • Sustainability report with reference to GRI standards available, subsumed under annual report.
Key Customer Types	• Multi-national and local tenants for investment properties.
Employees	• CapitaLand Mall Trust is managed externally by wholly owned subsidiaries of CapitaLand which include the Manager and Property Managers who oversee daily property operations. CapitaLand Mall Trust does not have employees.

Environmental	• In 2019, CapitaLand Mall Trust reduced energy intensity by 24.5% from base year 2008.
	• In 2019, CapitaLand Mall Trust reduced carbon emission intensity by 43.1% compared to 2008.
	• In 2019, CapitaLand Mall Trust's water intensity was reduced by 20.0% compared to 2008. The decline was attributed to the remote monitoring of water usage across all properties. This allows us to identify and respond promptly to exceptions such as leakages and ad hoc operations in an effective manner
	• Collection and disposal of waste at all CapitaLand Mall Trust's properties are carried out by National Environment Agency licensed contractors. In 2019, 23,760 tonnes of non-renewable waste were collected, a reduction of 3.0% compared to a year ago.
	• CapitaLand Mall Trust's environmental commitments in terms of long-term targets (using 2008 as base year) are:
	  • Reduce energy intensity of 20.0% by 2020, and 25.0% by 2030
	  • Reduce carbon emissions intensity by 23.0% by 2020, and 30.0% by 2030
	  • Reduce water intensity of 20.0% by 2020, and 30.0% by 2030.

Social	• Responded early in the COVID-19 pandemic to provide rental rebates and other tenant relief measures. • Zero work-related fatality or permanent disability. There were three work-related injuries recorded during the year. The injured employees have since returned to work and safety measures and standard operating procedures have been reviewed and tightened. •
Governance	• 7 members on the board, all are considered as independent directors. 2 woman directors. • Some exposure to related party transactions. • CapitaLand Commercial Trust was ranked 4th while CapitaLand Mall Trust was ranked 7th in the GIFT 2020.

CapitaLand Retail China Trust

Main Industry	Invests in income-producing properties used primarily for retail, office and industrial purposes in China, Hong Kong and Macau
Main Geographies	China
General Comments	• CRCT's publicly stated mission statement is to deliver sustainable income growth to unitholders and value add to the community and stakeholders • Parent company, CapitaLand Ltd is a signatory to the UN Global Compact. • Sustainability report with reference to GRI standards available, subsumed under annual report.
Key Customer Types	• Multi-national and local tenants for investment properties.
Employees	• The ratio of male to female employees of the Manager and Property Managers is 57:43 in 2019. • 79% of the Manager and the Property Managers' workforce was aged between 30 and 50 (75% in 2018). • About 50% of senior management were women. • Almost 52% of staff have been with the Manager or the Property Managers for five years or longer.
Environmental	• For 2019, the reduction in water usage was 30.7% from the 2008 baseline, and the reduction in carbon intensity was 36.9% from the 2008 baseline. Energy usage was also reduced by 33.3% from the 2008 baseline. • Continue to implement energy and water conservation measures to ensure efficient operations and minimise resource wastage, which include replacing the lights within the malls with LED lights, changing to energy-efficient chillers and installing water efficient sanitary fittings in the malls' toilets.
Social	• Responded early in the COVID-19 pandemic to provide rental rebates and other tenant relief measures. • Safety talks and briefings are given to employees and tenants on a periodic basis, and regular emergency evacuation drills are conducted at least once a year at each property to familiarise both employees and tenants on the emergency response plan. The properties are subjected to fire safety audits and regular maintenance of safety equipment.
Governance	• 9 members on the board, 6 of which are considered as independent directors. 1 woman director. Board is relatively diverse in terms of experience and tenure. • High exposure to related party transactions. • Ranked 28th in the GIFT 2020.

First Real Estate Investment Trust

Main Industry	• Invests in a portfolio of yield-accretive healthcare and healthcare-related real-estate assets in Asia.
Main Geographies	Indonesia
General Comments	• No publicly stated corporate mission. • Sustainability report with reference to selected GRI standards available, subsumed under annual report.
Key Customer Types	• Master lessees who mainly consist of PT Lippo Karawaci Tbk-related entities. • Hospital patients and residents of nursing homes of properties owned by FIRT.
Employees	• No publicly available information on employee count for 2019.
Environmental	• Environmental impact of healthcare business specifically biohazardous waste management. • Supply chain transparency and traceability pertaining to environmental risk.
Social	• Employee and patients' health and safety, especially amidst COVID-19. • Occupational health and safety. • Supply chain transparency and traceability on occupational health and safety and adherence to law. • Data privacy and security of patients and nursing home residents.
Governance	• 7 members in the board of directors, 4 of which are considered as independent directors. One woman director. Has in place a Board Diversity Policy. Board is relatively diverse in terms of experience and cultural ethnicity. • High exposure to related party transactions. • Operates in countries and regions with moderate-to-relatively high risk of bribery and corruption. • Ranked 40th in the GIFT 2020.

Frasers Centrepoint Trust

Main Industry	Invests in income-producing properties used primarily for retail purposes in Singapore and overseas
Main Geographies	Singapore
General Comments	• FCT's publicly stated mission statement is to deliver regular and stable distributions to unitholders and to achieve long-term capital growth. • Rated 3 stars out of the maximum 5 stars and scored 72 out of the maximum 100 points in Global Real Estate Sustainability Benchmark ("GRESB") assessment 2019 • Causeway Point mall is certified to the highest certification – Building Construction Authority ("BCA") Green Mark Platinum. Northpoint City North Wing is certified to BCA Green Mark Gold and YewTee Point is certified to BCA Green Mark. • Sustainability report with reference to GRI 2016 available, subsumed under annual report.
Key Customer Types	• Multi-national and local tenants for investment properties.
Employees	• 18 staff in FY2019. All employees are full-time employees in Singapore.
Environmental	• Enhance energy efficiency to better manage consumption and reduce carbon footprint. Higher occupancy and rise in proportion of food & beverage tenants have led to increase in energy intensity. • Reduce water wastage through installing fittings in water taps, though higher occupancy rate has increased water consumption. • Reduce waste through awareness and recycling. Reverse vending machines for plastic bottles and aluminium cans can be found at the malls.
Social	• Responded early in the COVID-19 pandemic to provide rental rebates and other tenant relief measures Implemented OHSAS 18001 and SS506 Part1:2009 occupational health and safety management system at the properties • Properties are "BizSAFE Level Star" certified by the Workplace Safety and Health Council
Governance	• 6 members on the board, 4 of which are considered as independent directors. Board and management are separated. 1 woman director. • High exposure to related party transactions. • Ranked 17th in the GIFT 2020.

Frasers Hospitality Trust

Main Industry	Invests globally (excluding Thailand) on a long-term basis in income-producing real estate assets, used predominantly for hospitality purposes.
Main Geographies	Australia, Singapore, Japan and the UK
General Comments	• No publicly stated corporate mission. • Frasers Property Limited ("FPL"), the parent company of FHREIT's REIT manager is a signatory to the UN Global Compact. • Sustainability report with reference to selected GRI standards available, subsumed under annual report. • Sustainability framework mapped to UN Sustainable Development Goals. • Participated in GRESB assessment 2019.
Key Customer Types	• Master lessees who mainly consist of FPL-related entities. • Maritim Group as master lessee of the Maritim Dresden hotel in Germany. • End-customers in hospitality (hotels and serviced residences business).
Employees	• 18 employees in FY2020. All employees are permanent employees and mainly located in Singapore.
Environmental	• Environmental impact of hospitality, property development and construction activities. Uses water extensively as part of hospitality business. • Tracks and reports on energy use and intensity, GHG emissions and intensity, water use and intensity (Fraser Place Canary Wharf excluded), waste management for certain properties; exclude Maritim Dresden which is master leased. • Supply chain transparency and traceability pertaining to environmental risk.
Social	• Employee and hotel guests' health and safety, especially amidst COVID-19. • Certain properties were temporarily closed amidst COVID-19 with likely knock-on impact on employees at the property operations level. • Labour rights and occupational health and safety for property business. • Supply chain transparency and traceability on labour rights, occupational health and safety and adherence to law. • Data privacy and security of guests.
Governance	• 6 members in the board of directors, 4 of which are considered as independent directors. No women directors. Has in place a Board Diversity Policy. Board is relatively diverse in terms of experience and cultural ethnicity. • High exposure to related party transactions. • Ranked 32nd in the GIFT 2020.

Keppel REIT

Main Industry	Invests in income-producing Grade A commercial assets in prime businesses and financial districts pan-Asia
Main Geographies	Singapore, Australia
General Comments	• KREIT's publicly stated mission statement is to deliver stable and sustainable returns to unitholders by continually enhancing our assets and expanding our portfolio • Singapore assets are certified with the highest Green Mark Platinum Award by the Building and Construction Authority. • In Australia, most of the assets have achieved the 5 Stars National Australian Built Environmental Rating System (NABERS) Energy rating. • Awarded Green Star under Global Real Estate Sustainability Benchmark ("GRESB") assessment 2019 • Sustainability report with reference to GRI standard available, subsumed under annual report.
Key Customer Types	• Multi-national and local tenants for investment properties.
Employees	• 21 full time permanent employees (16 females, 5 males). All employees are hired and based in Singapore.

Environmental	• Environmental targets, with 2010 as the base year:
	    • Reduce energy usage intensity by 30% by 2030
	    • Reduce GHG emission intensity by 30% by 2030
	    • Reduce water usage intensity by 60% by 2030.
	• 2019's GHG emission level was 3.0% lower than 2018's level. Seeks to reduce GHG emissions through energy optimisation initiatives, as well as the use of renewable energy resources.
	    • Ocean Financial Centre's electricity needs are partially met by solar energy harvested through its rooftop solar panels. 8 Exhibition Street is also partially powered by purchased green energy that helps to reduce Scope 2 emissions
	• Optimise energy consumption at its buildings through the implementation of best practices in energy management, where feasible, such as through the adoption of energy-efficient technology and sustainable building design features.
	• Improve resource efficiency and reduce wastage.
	• Commit to responsible waste management. Recycling bins and electronic waste collection points are placed at KREIT's properties. Bioplastic sleeves for wet umbrellas have also been introduced at some properties to reduce plastic waste. In 2019, Keppel REIT properties generated 2,380 tonnes of non-hazardous waste (net of recycling). No hazardous waste was generated.

Social	• Responded early in the COVID-19 pandemic to provide rental rebates and other tenant relief measures.
Governance	• 7 members on the board, 4 of which are considered as independent directors. 2 woman directors. • High exposure to related party transactions. • Ranked 15th in the GIFT 2020.

Lippo Malls Indonesia Retail Trust

Main Industry	Retail property investment
Main Geographies	Indonesia
General Comments	• Sustainability report aligned with GRI. • Stated mission is to deliver regular and stable distributions to unitholders through retail and retail-related assets
Key Customer Types	• Multi-national and local tenants.
Employees	• 18 total employees. 6 are non-Singaporeans and 13 are females.
Environmental	• Tracks and reports on energy use and water use. • Participation in annual Earth Hour, tree planting and implement plastic-free day at several malls
Social	• Employee safety and welfare • Provided rental rebate to tenants as operating hours were affected
Governance	• Ranked 13th in the SGTI REIT and Business Trust Category. • Faced opposition from a number of unitholders on the acquisition of Lippo Mall Puri. LMRT has responded to their requests and queries. • 5 members on the board, of which 3 are independent directors

Mapletree Commercial Trust

Main Industry	Invests in income-producing real estate that is primarily used for office and/or retail purposes in Singapore.
Main Geographies	Singapore
General Comments	• MCT's publicly stated mission statement is to provide unitholders with relatively attractive rate of return on investment through regular and steady distributions, and to achieve long term stability. • All MCT's properties have achieved at least the BCA Green Mark GoldPlus Award. VivoCity received a Green Mark Platinum certification from BCA, a marked improvement from the Gold certification. With this, three out of five of MCT's properties have been certified Platinum by BCA, while the remaining two properties are certified Green Mark GoldPlus. In addition, MBC II was also awarded a LEED certification which further demonstrates our best-in-class building strategies and practices. • Sustainability report with reference to GRI standards available, subsumed under annual report.
Key Customer Types	• Multi-national and local tenants for investment properties.
Employees	• 184 full time, permanent employees in FY2019/2020 at the management and property manager. All based in Singapore (46% male, 54% female).
Environmental	• Maintain landlord's energy intensity (of all MCT's properties) to within ±1% of FY18/19's baseline • At VivoCity, MCT has commissioned the upgrading of FCUs on a progressive basis to improve energy efficiency and have achieved our target of 50,000 kWh energy savings from this enhancement. • The progressive installation of photovoltaic ("PV") panels at VivoCity and Merrill Lynch Harbourfront have been effective in reducing energy imported from the grid • MCT does not see significant room for reduction of water consumption, though they have adopted various initiatives to optimise its consumption and improve efficiency
Social	• Responded early in the COVID-19 pandemic to provide rental rebates and other tenant relief measures. • Zero reported incidents that resulted in employee permanent disability or fatality among the Manager's employees. However, there was an employee who sustained injuries while on duty. This resulted in a recordable work-related injury rate of 2.5, a 7% decrease from 2.7 in the prior year.
Governance	• 12 members on the board, 6 are considered as independent directors. 4 woman directors. • Moderate exposure to related party transactions. • Ranked 14th in the GIFT 2020.

Mapletree Industrial Trust

Main Industry	Invests in income-producing real estate that is primarily used for industrial purposes in Singapore and data centres worldwide beyond Singapore
Main Geographies	Singapore, United States
General Comments	• MINT's publicly stated mission statement is to deliver sustainable and growing returns to unitholders in the long term. • As at FY2019/2020, eight property clusters have attained BCA Green Mark Gold certifications and higher • Awarded the Friends of Water by PUB in recognition of its contribution towards water conservation • Sustainability report with reference to GRI 2016 available, subsumed under annual report.
Key Customer Types	• Multi-national and local tenants for investment properties.
Employees	• At the end of FY19/20, the employee headcount of the Manager and the Property Manager was 193 based in Singapore (47% are male and 53% are female). There was an increase in headcount as MINT shift towards in-house facilities management for all property clusters.
Environmental	• Reduced average building electricity intensity by 1.9%y/y for the existing portfolio from the base year of FY18/19 in FY19/20, which reflected MINT's efforts in reducing energy consumption and improving energy efficiency. • Improved in GHG intensity from by 2.7%, • 2.4% reduction in average building water intensity from FY18/19 in FY19/20 which reflected MIT's efforts in reducing water withdrawal and intensities • Up till end FY19/20, 37 clusters within MINT's portfolio have received the WEB certifications issued by PUB. These were achieved through the adoption of water efficient measures such as installing water efficient fittings and adopting the WEB recommended flow rates or flush volumes
Social	• Responded early in the COVID-19 pandemic to provide rental rebates and other tenant relief measures. • Zero work-related fatality or permanent disability.
Governance	• 9 members on the board, 6 are considered as independent directors. 2 woman directors. • Zero incidences of non-compliance with anti-corruption laws and regulations • High exposure to related party transactions. • Ranked 13th in the GIFT 2020.

Mapletree Logistics Trust

Main Industry	Owning and operating a diversified portfolio in the business space and industrial property in Singapore and other mature developed markets.
Main Geographies	Singapore, HKSAR, China, Japan and Australia
General Comments	• MLT's publicly stated mission statement is to provide unitholders with competitive total returns through regular distributions and growth in asset value. • Sustainability-linked loan borrower for rooftop solar installation programme, first REIT in Singapore to do so. • Sustainability report with reference to GRI available, subsumed in annual report. • Environmental performance of properties in Singapore, HKSAR, Vietnam, China and Malaysia included in reporting, other geographies not included. • Sustainability framework mapped to UN Sustainable Development Goals.
Key Customer Types	• Multi-national and local tenants for investment properties.
Employees	• 253 employees in FY2020 (including at both REIT manager and property manager). All employees are permanent employees mainly located in China and Singapore.
Environmental	• Tracks and reports on energy use and intensity, GHG emissions and intensity, water use and intensity. • Targets to reduce energy intensity across Singapore, HKSAR, Vietnam, China and Malaysia portfolios by 2.0%-2.5% in FY2021 from FY2020 baseline. • Targets to increase solar generating capacity by 15%-20% in FY2021 from FY2020 baseline.
Social	• Occupational health and safety. • Some exposure to countries and regions with known human rights violation issues.
Governance	• 11 members in the board, 6 of which are considered as independent directors. 3 women directors. Board is relatively diverse in terms of experience. • High exposure to related party transactions. • Some exposure to countries and regions with moderate-to-relatively high risk of bribery and corruption. • Ranked 21st in the GIFT 2020.

Mapletree North Asia Commercial Trust

Main Industry	Invests in income-producing real estate that is primarily used for commercial (including retail and office) purpose, located in Greater China and Japan. Investment mandate includes Hong Kong SAR, Tier-1 cities (Beijing, Shanghai, Guangzhou and Shenzhen) and key Tier-2 cities in China and Japan.
Main Geographies	Hong Kong, China, Japan
General Comments	• MNACT's publicly stated mission statement is to deliver regular and stable returns to unitholders and to achieve long term sustainable growth in distributions. • Festival Walk received the Final Platinum rating under Hong Kong Green Building Council's comprehensive green building certification, Building Environmental Assessment Method ("BEAM") Plus – Existing Buildings V1.2 • Sandhill Plaza received the Certificate of Green Building Label (2 Star) by China's Ministry of Construction • Sustainability report with reference to GRI standards available, subsumed under annual report.
Key Customer Types	• Multi-national and local tenants for investment properties.
Employees	• At the end of FY19/20, the employee headcount of the Manager and the Property Manager was 256, comprising full-time and permanent staff based in Hong Kong SAR, Beijing, Shanghai and Singapore (54% are male and 46% are female).

Environmental	• During FY19/20, a total of 550 solar panels spanning over 1,200 sqm were installed atop Festival Walk's office tower. These can collectively generate over 250,000 kWh of clean electricity per year, equivalent to one month of electricity used by 714 families in Hong Kong SAR
	• 14.9% decrease in total water consumption excluding mall closure period attributed to lower footfall
	• 20.2% decrease in total waste recycled excluding mall closure period, was mainly due to lower footfall at Festival Walk.
	• 6.0% decrease in total waste generated excluding mall closure period attributed to lower footfall
	• 1.7% decrease in total electricity consumption excluding mall closure period attributed to
	    • Installations of LED lighting in Festival Walk and Sandhill Plaza
	    • Reduced air-conditioning demand due to lower footfall at Festival Walk in view of the COVID-19 situation.
	    • Reduced air-conditioning demand due to fewer tenants returning to work during the extended Chinese New Year holiday at Gateway Plaza and Sandhill Plaza as a result of the COVID-19 situation.

Social	• Responded in the social unrests in Hong Kong and the COVID-19 pandemic to provide rental rebates and other tenant relief measures. • Zero work-related fatality or permanent disability. 14 safety drills held at Festival Walk, Gateway Plaza, Sandhill Plaza and Japan properties for frontline staff and tenants.
Governance	• 9 members on the board, 5 are considered as independent directors. 3 woman directors. • High exposure to related party transactions. • Ranked 7th in the GIFT 2020.

Starhill Global REIT

Main Industry	Invests in income-producing retail assets in Asia pacific
Main Geographies	Singapore, Australia, Malaysia
General Comments	• SGREIT's publicly stated mission statement is to deliver long term sustainable returns to unitholders through growth and value creation in its assts, backed by prudent capital management. • Ngee Ann City was certified with the highest Green Mark Platinum Award by the Building and Construction Authority in 2019. • Myer Centre in Australia has achieved the 5 Stars National Australian Built Environmental Rating System (NABERS) Energy rating. • Sustainability report with reference to GRI 2016 available, subsumed under annual report.
Key Customer Types	• Multi-national and local tenants for investment properties.
Employees	• 30 full time permanent employees (18 females, 12 males). All employees are hired and based in Singapore. No temporary or part-time employees.
Environmental	• Total electricity consumption on a portfolio basis fell 20.7% in FY2019/20 compared to a year ago, mainly due to The Starhill being partially closed for asset enhancement works from October 2019 onwards as well as movement restrictions imposed in Singapore and Malaysia to curb the spread of COVID-19 infections. • In FY2019/20, the total water consumption in our Singapore, Australia and Malaysia Properties was 29.9% lower than the previous financial year, mainly attributed to the partial opening of malls in Singapore due to the Circuit Breaker and the partial closure of The Starhill during its asset enhancement. • The collection and disposal of waste at our Singapore Properties are carried out by appointed contractors. In FY2019/20, we collected a total of 1,583 tonnes of waste from our Singapore, Australia and Malaysia Properties. A total of 125 tonnes of waste were recycled, representing 7.9% of our total waste.
Social	• Responded early in the COVID-19 pandemic to provide rental rebates and other tenant relief measures. • In compliance with the Singapore Workplace Safety and Health Act 2006.
Governance	• 6 members on the board, 3 of which are considered as independent directors. No woman directors. • Little exposure to related party transactions. • Ranked 30th in the GIFT 2020.

Suntec REIT

Main Industry	Invests in income-producing real estate that is primarily used for office and/or retail purposes.
Main Geographies	Singapore, Australia
General Comments	• SUN's publicly stated mission statement is to deliver regular and stable distributions to unitholders and to achieve long term growth in the asset value of the REIT so as to provide unitholders with a competitive rate of return on their investment. • Suntec City Mall and Suntec Singapore are certified with Green Mark Gold while One Raffles Quay and Marina Bay Financial Centre are certified with Green Mark Platinum by the Building and Construction Authority. • In Australia, 177 Pacific Highway and Southgate Complex have achieved the 5 Stars National Australian Built Environmental Rating System (NABERS) Energy rating. • Awarded 5 Star Rating under Global Real Estate Sustainability Benchmark ("GRESB") assessment 2020 • Sustainability report with reference to GRI standards available, subsumed under annual report.
Key Customer Types	• Multi-national and local tenants for investment properties.
Employees	• 19 full time permanent employees. All the employees are based in Singapore and more than half of them are women who hold middle and senior management positions.
Environmental	• Total energy consumption has stayed relatively consistent in FY2019 versus FY2019. • In FY2019, the total carbon emission and carbon emission intensity remained similar to FY2018 level. When compared to FY 2018, the average carbon emission intensity in FY 2019 was reduced by 0.65% despite the increase in business activities. • In FY2019, the total water consumption for properties in Singapore and Australia was 13.9% lower than FY2018 levels. The decrease in water consumption level was partly attributed to the various water efficiency initiatives implemented for water management in FY2019. The aggregated water consumption intensity was 14.0% lower than FY2018 level. • In FY2019, the amount of recyclable waste generated increased by 31% from 534 tonnes in FY2018 to 700 tonnes, which was in line with the initiatives to encourage tenants to recycle.
Social	• Responded early in the COVID-19 pandemic to provide rental rebates and other tenant relief measures. • Ensures the safety and security of the properties through the installation of security access control system (i.e. with access barriers and electromagnetic lock), closed-circuit television, deployment of security guards and put in place measures to comply with health and safety advisories directed by the authorities. • Regular inspections are carried out by the property managers to ensure a safe environment at the properties. To raise tenants' and visitors' awareness, fire drills and evacuation exercises are conducted to cover safety principles, fire hazards, use of preventive gears and exit routes.
Governance	• 8 members on the board, 4 of which are considered as independent directors. 2 woman directors. • Little exposure to related party transactions. • Ranked 37th in the GIFT 2020.

Other Non-Financial Corporates and Business Trusts

Fraser and Neave Ltd

Main Industry	Beverages
Main Geographies	Singapore, Malaysia, Thailand
General Comments	• Is a member of FTSE4Good Index Series • Sustainability report in accordance with GRI.
Key Customer Types	• Distributors & Trade Customers. • End Consumers
Employees	• 6,600 full-time employees and 1,100 contract employees. • 30% of employees are with F&N for over 10Y, with 39% Chinese, 23% Malay, 16% Thai. • 38% are female with females making up 44% of managerial positions.
Environmental	• Packaging used results in waste, which FNN is looking to reduce and recycle • Focused on reduction of water use intensity, energy intensity and GHG emissions
Social	• Health issues associated with sugared drinks. Reduced sugar progressively from 9.5g/100ml in 2004 to 5.3g/100ml in 2019, with 90% of ready-to-drink beverages in Malaysia containing less than 5g of sugar per 100ml. Healthier options are offered for beverages. • Re-entered into brewery following divestment of Asia Pacific Breweries Ltd.
Governance	• Ranked 111th in the 2020 SGTI. • 6 out of 12 non-executive Directors are independent.

Golden Agri-Resources Ltd

Main Industry	Agribusiness
Main Geographies	China, India, Indonesia, Europe
General Comments	• GGR is a member of the Round Table on Sustainable Palm Oil (“RSPO”). Its 92%-owned subsidiary PT Sinar Mas Agro Resources and Technology Tbk is a signatory to the UN Global Compact. • Part of a coalition of major palm oil producers and buyers that supports and fund the Radar Alerts for Detecting Deforestation (“RADD”) deforestation radar monitoring initiative. • GGR’s publicly stated mission statement is to efficiently provide sustainable and superior quality agribusiness and consumer products, solutions, and services to create value for all stakeholders. • Sustainability Framework mapped to UN Sustainable Development Goals. • Sustainability report with reference to GRI available as a separate report. • Participates in CDP’s disclosures.
Key Customer Types	• Multi-national and national food companies. • Pertamina, Indonesian state-owned oil and natural gas corporation for biodiesel. • Sells edible oil and fats and packaged food products directly to end-customers.
Employees	• In 2019 100,743 employees. By count, employees are mainly located in Indonesia. • Around 79% of workforce covered under collective bargaining agreements.
Environmental	• Deforestation for land use to produce palm oil products. In 2019, environment activists alleged that GGR bought oil from mills that sourced palm from plantations located in a wildlife conservation area. This issue along with other matters are being reviewed by RSPO as of writing. • In 2019, environment activists urged the London Stock Exchange (owner of FTSE Russell), to drop GGR from the FTSE4Good indices where GGR has been included since June 2018. • Tracks and reports on GHG emission, water use, water and waste management. • Supply chain transparency and traceability pertaining to environmental risk. • Impact of synthetic fertilisers, herbicide and pesticide on carbon emissions and soil quality. • Uses water extensively as part of agriculture business. • Impact on biodiversity.
Social	• Supplier inclusiveness and smallholder livelihoods • Supply chain transparency and traceability pertaining to labour matters and smallholders livelihoods. • Occupational health and safety issues. In 2019 there were six fatalities involving employees. • Palm products seen as containing high trans fatty acids. • Some exposure to countries with known human rights violation issues.
Governance	• Some exposure to countries and regions with moderate-to-relatively high risk of bribery and corruption; anti-graft agency launched investigation on GGR executives in 2018. • 8 members in the board of directors, 5 of which are considered as independent directors. No woman director. CEO is also Chairman of board. Board is relatively diverse in terms of experience and cultural ethnicity. • Ranked 99th in the 2020 Singapore Governance and Transparency Index (“SGTI”).

Keppel Corporation Ltd

Main Industry	Conglomerate (Energy & Environment, Urban Development, Connectivity and Asset Management)
Main Geographies	Asia (Singapore, China, Vietnam and Indonesia), USA and Europe
General Comments	• KEP's publicly stated mission statement is to deliver solutions for sustainable urbanisation safely, responsibly and profitably. • Sees sustainability as a corporate social responsibility as well as business opportunity. Avoids highly pollutive businesses. • Early adopter of green loan facilities in Singapore. Has a Sustainability Framework; UN Sustainable Development Goals incorporated as a supporting framework. • KEP is a signatory to the UN Global Compact, also support the Taskforce on Climate-related Financial Disclosures. • Sustainability report with reference to GRI available as a separate report. Founding member of GRI Singapore.
Key Customer Types	• Multi-national and local companies who use KEP's data centres and are tenants in commercial buildings. • Multi-national and national companies in the oil and gas sectors. • Mainly public sector clients in the infrastructure business. • End-customers in property development and telecommunication business. • End-users of infrastructure assets built and managed by KEP. • End-investors in the asset management business.
Employees	• In 2019, 21,049 employees and an additional 5,830 temporary staff. By count, employees are mainly located in Singapore. • Around 46% global workforce covered under collective bargaining agreements.
Environmental	• Tracks and reports on energy use, GHG emission (including Scope 3), water use, water and waste management. • Operates in high environmental impact businesses including shipyard, data centre, power generation, waste and water treatment facilities. • Supply chain transparency and traceability (eg: subcontractors and suppliers) on environmental impact.
Social	• Operational workforce at shipyard reduced to 1,200 at the start of circuit breaker from 24,000 in March 2020 as migrant workers staying in dormitories were locked-down during the COVID-19 outbreak. • Supply chain transparency and traceability on labour rights, occupational health and safety and adherence to law. • Data privacy and security for the data centre and connectivity business. • Not factoring ESG in asset management business.
Governance	• Some exposure to countries and regions with high risk of bribery and corruption. In 2017, reached a global resolution with criminal authorities in the USA, Brazil and Singapore in relation to corrupt payments where fines of SGD570mn paid/payable had been allocated across the three jurisdictions. In June 2020, an administrative enforcement procedure ("AEP") against five subsidiaries was initiated by the Office of the Comptroller General of Brazil, though the AEP was suspended in August 2020. • 10 members in the board of directors, 9 of which are considered as independent directors. 2 women directors. Has in place a Board Diversity Policy. Board is relatively diverse in terms of experience and cultural ethnicity. • Ranked 6th in the 2020 SGTI.

Keppel Infrastructure Trust

Main Industry	Infrastructure
Main Geographies	Singapore and Australia
General Comments	• KIT's publicly stated mission statement is to create value for investors by growing a well-diversified portfolio of infrastructure businesses and assets that generate long-term, regular and sustainable distributions. • Keppel Capital Holdings Pte Ltd, the parent company of KIT's trustee-manager is a signatory to the UN Global Compact. • Sustainability report with reference to GRI available, subsumed under annual report.
Key Customer Types	• Keppel Corporation Ltd, whose subsidiary has signed a tolling agreement on Keppel Merlimau Cogen, a power generation plant in Singapore. • Customers in water treatment, dairy processing, nickel mining and industries for the Ixom business. • Public sector clients for waste and water concession business. • State of Tasmania government and state-owned Hydro Tasmania for Basslink. • End-users of infrastructure assets owned by KIT.
Employees	• In 2019, 20 employees (19 permanent employees, one contract). By count, employees are mainly located in Singapore. • No employees are covered under collective bargaining agreements.
Environmental	• Owns assets that are useful for environmental conservation (such as waste to energy plants) though also own certain high environmental impact businesses including power generation, water treatment and chemical distributor. In December 2020, announced the proposed acquisition of a petroleum storage tank business in the Philippines. • Has a GHG emissions policy. Tracks and reports on energy use, GHG emission, water use, water and waste management. • Environmental impact from activities of operations and maintenance contractors.
Social	• Several businesses and assets are designated by the Singapore government as Key Installations ("KINS"), which are infrastructure assets of national importance providing essential services. • Power outage in the state of Tasmania linked to Basslink, a subsea cable. In December 2020, arbitrators determined that power outages in 2015 was not a force majeure event, with the operator of Basslink (a wholly-owned subsidiary of KIT) required to pay AUD38.5mn in damages to the government of Tasmania. • Occupational health and safety of asset-level employees and operations and maintenance contractors.
Governance	• 6 members in the board of directors of the trustee-manager, 5 of which are considered as independent directors. 1 woman director. Board is relatively diverse in terms of experience and cultural ethnicity. • Ranked 26th in the 2020 GIFT.

Olam International Ltd

Main Industry	Agribusiness
Main Geographies	More than 60 countries globally across Europe, Africa, Asia-Pacific and North America
General Comments	• Olam is a signatory to the UN Global Compact, has endorsed the UN Women's Empowerment Principles and is a member of the Round Table on Sustainable Palm Oil ("RSPO"). • Co-founder and current CEO of Olam is the Chairman of the World Business Council for Sustainable Development ("WBCSD"). • Olam's publicly stated corporate purpose is to reimagine global agriculture and food systems to produce food and fibre more sustainably. • Singapore market leader for sustainability-linked loans. Sustainability Framework mapped to UN Sustainable Development Goals. • Sustainability report with reference to GRI available as a separate report.
Key Customer Types	• Multi-national and national food, textile and manufacturing companies. • Also sells packaged food products directly to end-customers.
Employees	• Around 87,600 permanent, seasonal, contract and temporary workers. 40,800 are permanent employees. By count, employees are mainly located across Africa and Asia. • Around 32% of primary workforce covered under collective bargaining agreements.
Environmental	• Deforestation for land use to produce agricultural and timber products. In 2016, environment activists filed a complaint over Olam's alleged deforestation in Gabon. As of writing, this matter is being investigated by the Forest Stewardship Council ("FSC"), which focuses on sustainable forestry and product certification. • Impact of synthetic fertilisers, herbicide and pesticide on carbon emissions and soil quality. • Uses water extensively as part of agriculture business. • Impact on biodiversity. • Supply chain transparency and traceability pertaining to environmental risk.
Social	• Farmer poverty and economic livelihood. In December 2020, Côte d'Ivoire and Ghana accused chocolate and cocoa companies including Olam for circumventing Living Income Differential ("LID") payments aimed at improving farmer income and livelihoods. • Supply chain transparency and traceability pertaining to labour and famer matters. • Continues to monitor scientific developments on genetically modified organism ("GMO"); no broad stance against GMO though some products are certified non-GMO. • Operates in countries and regions with known human rights violation and child labour issues.
Governance	• Operates in countries and region with high perception of bribery and corruption. • 13 members in the board of directors, 8 of which are considered as independent directors. Has in place a Board Diversity Policy. 1 woman director. Board is relatively diverse in terms of experience and cultural ethnicity. • Ranked 30th in the 2020 SGTI.

Sembcorp Industries Ltd

Main Industry	Utilities (Power Generation) and Urban Development
Main Geographies	Singapore, India, China, UK, other Southeast Asian countries
General Comments	• SCI's publicly stated corporate purpose is to do good and play its part in creating a sustainable future. SCI delivers energy and innovative solutions that support development and create value for stakeholders and communities • Has 4,325 MW of coal and diesel power capacity in 2019 (~35% of total capacity). Company is committed to meeting GHG emissions intensity target of 0.42tCO2e/MWh in 2022 (~22% reduction from 2017 levels). SCI's 2030 target is to generate less than 0.40 tCO2 e/MWh under its publicly disclosed Climate Change Strategy. • SCI has been restricting investments in coal-fired power plants, reducing energy consumption, and growing green business lines to move towards a low-carbon portfolio. In July 2020, SCI was reportedly looking to sell its thermal power plant in Andhra Pradesh, India. • Sustainability Framework mapped to UN Sustainable Development Goals. • Climate-related disclosures are guided by the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and CDP's Climate Change Programme. • Sustainability report with reference to GRI available as a separate report.
Key Customer Types	• Industrial, commercial and residential customers for utilities businesses. Customers include high environmental impact oil and gas companies. • Land buyers for Urban Development business. • End-customers in property development.
Employees	• 4,500 in 2019 (excluding Sembcorp Marine Ltd). By count, employees are mainly located in Singapore, China and India.
Environmental	• Tracks and reports on energy use, energy and water intensity, GHG emissions and intensity, water and waste management. • Impact of power generation and utilities business (eg: Jurong Island). • Impact of waste management and wastewater treatment business. • In January 2020, SCI faced SGD54mn of fines and civil claims in relation to off-specification wastewater.
Social	• Occupational health and safety. • Supply chain transparency and traceability on labour rights and occupational health and safety. Significant portion of construction activities are performed by contractors. • In 2019 there were two fatalities in India involving contractors while one work-related injury resulted in permanent loss of eyesight on one eye due to hazardous chemicals.
Governance	• 12 members in the board of directors, 9 of which are considered as independent directors. 2 women directors. Board is diverse in terms of experience and cultural ethnicity. • Some exposure to countries and regions with moderate-to-relatively high risk of bribery and corruption. • Ranked 8th in the 2020 SGTI.

Shangri-La Asia Ltd

Main Industry	Hospitality, Property Development and Property Investments
Main Geographies	China, HKSAR, Singapore, Sri Lanka, Malaysia
General Comments	• SHANG's publicly stated mission statement is to operate in an economically, socially and environmentally responsible manner whilst balancing the interest of diverse stakeholders. • Sources sustainable seafood products certified by the Marine Stewardship Council ("MSC") and Aquaculture Stewardship Council ("ASC"). • Targets in place to reduce environmental footprints. • SHANG is a signatory to the UN Global Compact. • Sustainability report with reference to GRI available as a separate report, however, only covers the hospitality business. • Participates in CDP's disclosures.
Key Customer Types	• Multi-national and local tenants for investment properties. • End-customers in property development, hotels and F&B businesses.
Employees	• 46,439 in 2019 (including permanent and contract employees). By count, employees are mainly located in China and HKSAR.
Environmental	• Environmental impact of hospitality, property development and construction activities. Uses water extensively as part of hospitality business. • Impact on biodiversity as some operations located in ecological diverse regions. • Tracks and reports on energy use, water use, GHG emissions and intensity, energy and water intensity and waste management. • Supply chain transparency and traceability pertaining to environmental risk.
Social	• Employee and hotel guests' health and safety, especially amidst COVID-19. • Implemented voluntary no pay leave, wage reduction and director fee reduction amidst COVID-19. • Labour rights and occupational health and safety for property business. • Supply chain transparency and traceability on labour rights, occupational health and safety and adherence to law. • Data privacy and security of guests. In 2019, hotel in Colombo was the target of terrorist bombings involving fatalities. • Operates in countries and regions with known human rights violation and child labour issues. • Construction quality for end-customers in property business.
Governance	• 7 members in the board of directors, 4 of which are considered as independent directors. 1 woman director. Board is relatively diverse in terms of experience and cultural ethnicity. • Some exposure to countries and regions with moderate-to-relatively high risk of bribery and corruption.

Singapore Airlines Ltd

Main Industry	Airline
Main Geographies	Global
General Comments	• SIA's publicly stated mission statement is a global company dedicated to providing air transportation services of the highest quality and to maximising returns for the benefit of its shareholders and employees. • Focuses on having a young fleet comprising fuel efficient models. • Member of Sustainable Aviation Fuel Users Group. Trialed sustainable jet fuel on flights between Stockholm and Moscow in 2020 with an aim to scale up in Singapore. • Supports Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA") to achieve carbon-neutral growth beyond 2020. • SIA is a signatory to the UN Global Compact. SIA supports the 2030 Agenda for Sustainable Development and the UN Sustainable Development Goals. • Sustainability report with reference to GRI available as a separate report.
Key Customer Types	• Passengers. • Multi-national and local companies for cargo business. • Other airlines and aircraft owners for SIA Engineering business.
Employees	• 28,160 in 2019, 98% are covered by collective bargaining agreements. By count, employees are mainly located in Singapore.
Environmental	• Tracks and reports on energy use, GHG emission, water and energy intensity, water and waste management. • Impact of aviation fuel on GHG emissions and noise pollution. • Impact of airport activities and de-icing on water pollution. • Top ten suppliers include high environmental impact oil and gas companies.
Social	• Employee and passenger health and safety, especially amidst COVID-19. • 4,300 employees affected by retrenchment, early retirement scheme and other schemes that reduced roles at the company in 2020. Implemented job support programme to allow additional earnings as variable remuneration was cut with travel activities significantly curtailed. • Safety, maintenance, and quality management. • Slavery and human trafficking.
Governance	• 9 members in the board of directors, 8 of which are considered as independent directors. 1 woman director. Board is relatively diverse in terms of experience and cultural ethnicity. • Ranked 32nd in the 2020 SGTI.

Singapore Post Limited

Main Industry	Postal service provider with exposure to eCommerce logistics
Main Geographies	Singapore
General Comments	• SPOST's publicly stated corporate purpose is to focus on sustainable growth while delivering a reliable and affordable service. • Sustainability report with reference to GRI 2018 available, subsumed under annual report.
Key Customer Types	• Individuals and corporations requiring delivery services for letters and packages.
Employees	• 2,755 permanent and 1,428 contract staff in FY2019/2020 (52% male, 48% female).
Environmental	• Long-term target of 35% reduction in our absolute GHG emissions from FY2018/19 baseline level4 by FY2029/30. In FY2019/20, there was a slight decrease in our total direct (Scope 1) GHG emissions by approximately 3% from FY2018/19, mainly attributable to our Logistics segment. Total energy indirect (Scope 2) GHG emissions decreased by approximately 6% from FY2018/19, mainly attributable to our Logistics segment. • Explore to pilot the use of Electric Vehicles ("EV") as a more sustainable alternative to our current fleet of logistics. Pilot trial has been put on hold in light of the COVID-19 situation.
Social	• Launched The MyPostman campaign nationwide in 2019 to encourage Singapore residents to get to know their postmen better, and this is a bid to elevate SingPost's service levels and strengthen the bond between residents and postmen. Over the two month trial period that covered over 130,000 households served by 80 postmen, about 1,000 ratings were garnered, with an average score of 4.8 stars out of a maximum of 5, given to the postmen. • Food Distribution Initiative, which has been running for 11 years, taps on its delivery network to distribute unsold food from bakeries and hotels, to collection centres for seniors and families in need. In FY2019/20, the fleet collected and delivered approximately 20,640 buns and loaves of bread valued at an estimated $40,450. This helped to reduce food wastage and supported about 420 families weekly. • SingPost recertification of the bizSAFE Level 3 organisation in August 2016 by the Workplace Safety and Health Council of Singapore attests to our commitment to provide a safe work environment for all our employees.
Governance	• 9 members on the board, 8 of which are considered as independent directors. 4 woman directors • Fined SGD300,000 by Infocomm Media Development Authority in 2019 for failing to meet service standards for the delivery of local and international basic letters and registered basic mail in 2018 • Ranked 12th in the 2020 SGTI.

Singapore Telecommunications Ltd

Main Industry	**Telecommunications**
Main Geographies	Singapore, Australia, Indonesia, India, Thailand, Philippines
General Comments	• Sustainability report in accordance to GRI Standards with Ernst & Young to independently assure a selection of key ESG disclosures. • Engages internal and external stakeholders to assess concerns and priorities. • Assesses suppliers against ESG criteria
Key Customer Types	• Retail customers • Business customers
Employees	• 19,808 total employees (Singapore, Australia), of which 33.6% are women.
Environmental	• Tracks and reports on energy use, emissions, carbon intensity, water use, waste generated. • Sets a target towards net zero carbon by 2050, including all packaging to be 100% reusable, recyclable or compostable by 2025
Social	• Focus on customer data privacy and protection. • Encourages volunteering, including focus on cyber wellness and online safety. • Equip employees with digital skills and roll out Robotic Process Automation (“RPA”) to enhance work efficiency, improve customer and employee experience.
Governance	• Ranked 2nd in the 2020 SGTI. • 7 out of 10 members of the Board are independent directors. • Engages third party vendors on security risk governance.

Financial Institutions

ABN AMRO Bank NV

Main Industry	Financial Institution
Main Geographies	The Netherlands and Europe.
General Comments	• Founding signatory to the Principles for Responsible Banking of the UN Environmental Programme Finance Initiative. • 14% of the bank's energy portfolio is renewables, with a goal of hitting 26% by 2022. • The bank has built ESG factors into its decision-making. • The bank aims to have EUR7.5bn in sustainable financing and EUR30.0bn in sustainable investments by 2022. • A total of EUR750mn in investments through the ABN AMRO green bond. • ABN AMRO's Social Impact Fund made EUR8mn worth of investments. • Sustainability framework is tied to all 17 UN Sustainable Development Goals. • Integrated Annual Review report with reference to GRI is available as a separate report.
Key Customer Types	• Individual customers, businesses, and institutional investors
Employees	• 17,877 in 2019. Females account for 44% of total employees and 28% of senior leadership. • By count, employees are mainly located in the Netherlands.
Environmental	• Monitors customers' and suppliers' adherence to the bank's ESG standards. • Tracks and reports on energy use, total greenhouse gas intensity, water use, paper sources and waste sent for recycling. • Discontinued new financing of coal-fired power plants and prohibited the project financing of greenfield thermal coal mines. • Set environment related targets such as reducing its absolute carbon emissions by 25% by 2020 based on 2009 figures, reducing energy consumption, and using a high percentage of recycled paper, among others. • The bank has been meeting its electricity needs with power from renewable energies since 2009.
Social	• Efforts focused on increased digitalization capabilities to improve financial inclusion. • 6,700 employees contributed 31,900 hours of community investment through ABN AMRO Foundation. • The bank's Sustainable Home Mortgage finances home improvements, strengthening energy efficiency and reducing utility bills for clients. • In October, more than 1,000 employees took part in Diversity Week at the bank, which consisted of four days of workshops and lectures on diversity and inclusion. • The bank's aim is to have at least 30% women in senior management and 35% in upper-middle management. • Developed a cybersecurity framework. • Parental leave policies exceed legal standards in most locations.
Governance	• 10 members in the board of directors, of which 2 are female and all 10 are considered as independent directors. Board is relatively diverse in terms of experience.

Australia & New Zealand Banking Group Ltd

Main Industry	Financial Institution
Main Geographies	Australia, New Zealand, APAC and EAMEI
General Comments	• Included in the FTSE4Good Index and is a founding signatory to the Principles for Responsible Banking of the UN Environmental Programme Finance Initiative. • Targets funding at least AUD50bn by 2025 towards sustainable solutions for customers. • The bank has built ESG factors into its decision-making. • Since October 2019, the bank has funded and facilitated AUD9.1bn in sustainable finance transactions. • Became the first bank to issue an AUD1.3bn 10-year Tier 2 Sustainable Development Goals Bond in Australia in August 2020, where proceeds will promote a combination of SGDs across “green” or “social” categories. • The Ethics, Environment, Social and Governance Committee and the management Ethics and Responsible Business Committee oversees the bank’s ESG governance processes. • Sustainability framework is tied to all 17 UN Sustainable Development Goals. • Sustainability report with reference to GRI is available as a separate report. • Currently subject to additional temporary capital requirements to address higher operational risk in its risk governance self-assessments as announced by the regulator in July 2019.
Key Customer Types	• Individual customers, businesses, and institutional investors
Employees	• 40,464 in 2020. Females account for 52% of total employees and 33% of senior leadership. • By count, employees are mainly located in Australia and New Zealand
Environmental	• Monitors customers’ and suppliers’ adherence to the bank’s ESG standards. • Tracks and reports on energy use, total greenhouse gas intensity, paper sources and waste sent for recycling. • In 2020, 24% of the bank’s electricity use in Australian operations came from renewable sources. • Targets only directly financing low carbon gas and renewable projects by 2030, and no longer banking new customers with material thermal coal exposures. • Discontinued new financing of coal-fired power plants and prohibited the project financing of thermal coal mines. • Set environment related targets such as sourcing 100% of electricity needs from renewable sources by 2025, lowering greenhouse gas emissions by 24% by 2025 and 35% by 2030 (against a 2015 baseline), among others.
Social	• Efforts focused on increased digitalization capabilities to improve financial inclusion. • Implemented a program, in partnership with CareRing, providing triage support to customers requiring immediate financial assistance in order to leave a domestic violence situation. To date, the bank has assisted 30 customers and provided them with a total of almost $41,000 to assist them on the journey. • Since October 2018, the bank has funded and facilitated AUD1.0 bn in investment to deliver more affordable, secure and sustainable homes to buy and rent in Australia. • Partnered with the United Nations Development Programme to deliver MoneyMinded and Business Basics to female small business owners in rural areas in the Pacific Islands. • Invested AUD140mn in the community in 2020 and facilitated more than AUD19mn in donations. • Full-time employees completed 23.8 hours of training days in 2020. • Developed a cybersecurity framework. • 21% of employees volunteered 66,402 hours to community organizations.
Governance	• 8 members in the board of directors, of which 3 are female and 7 are considered as independent directors. Board is relatively diverse in terms of experience.

Barclays PLC

Main Industry	Financial Institution
Main Geographies	UK, Europe, APAC, and the Americas
General Comments	• Included in the FTSE4Good Index and is a founding signatory to the Principles for Responsible Banking of the UN Environmental Programme Finance Initiative. • In 2019, environmental and social financing was GBP34.8bn in 2019, a year on year increase of 22%. • The bank plans on increasing its commitment to green and sustainable finance, with a new target to provide at least GBP100bn of green finance by 2030. • Green portfolio was worth GBP2.7bn in 2019, of which 59% was related to renewable energy. • The first mainstream UK bank to launch a 'green mortgage' in 2018. • The CEO chairs the Environmental and Social Impact Committee. • Sustainability framework is tied to all 17 UN Sustainable Development Goals, with an emphasis on (7) Affordable and Clean Energy, (8) Decent Work and Economic Growth, (11) Sustainable Cities and Communities and (13) Climate Action. • Sustainability report with reference to GRI is available as a separate report.
Key Customer Types	• Individual customers, businesses, and institutional investors
Employees	• 83,900 in 2019. Females account for 46% of total employees and 25% of senior leadership. • By count, employees are mainly located in the UK, APAC, and Europe.
Environmental	• Monitors customers' and suppliers' adherence to the bank's ESG standards. • Tracks and reports on energy use, total greenhouse gas intensity, water use, paper sources and waste sent for recycling. • The bank prohibits financing to clients with more than 50% of their revenue from thermal coal as of 2020, transitioning to 30% as of 2025, and to 10% as of 2030. • Discontinued new financing of coal-fired power plants and prohibited the project financing of greenfield thermal coal mines. • Set environment related targets such as becoming a net zero bank by 2050, sourcing 100% renewable electricity by 2030 and reducing carbon intensity by 15% in its energy portfolio by 2025, among others.
Social	• Efforts focused on increased digitalization capabilities to improve financial inclusion. • The bank has a dedicated GBP14bn SME lending fund. • The bank provides free banking to over 130,000 small not-for-profit organisations through its Community Accounts. • Barclays' LifeSkills programme has helped over 10 million people since 2013 and is committed to helping a further 6 million people by 2022. • The bank invested GBP45mn in the community in 2019, including charitable giving, management costs and monetised work hours of employees. • In 2019, the bank supported over 9,800 colleagues globally to fundraise for their chosen charities, with a total of GBP18m raised for charities around the world. • Average training hours per year per employee in 2019 was 15. • Developed a cybersecurity framework. • Parental leave policies exceed legal standards in many locations.
Governance	• 12 members in the board of directors, of which 3 are female and 10 are considered as independent directors. Board is relatively diverse in terms of experience.

BNP Paribas SA

Main Industry	Financial Institution
Main Geographies	France, North America, APAC, rest of Europe
General Comments	• Included in the FTSE4Good Index and is a founding signatory to the Principles for Responsible Banking of the UN Environmental Programme Finance Initiative. • EU180bn corporate financing contributing to the energy transition and to sectors considered as contributing directly to the achievement of the 17 United Nations Sustainable Development Goals. • Starting in 2011, the bank incorporated social and environmental factors into its strategy. • The bank contributed EUR15.9bn to the financing of renewable energies, making it the European leader. • Sustainability framework is tied to all 17 UN Sustainable Development Goals. • Sustainability report with reference to GRI is available as a separate report.
Key Customer Types	• Individual customers, businesses, and institutional investors
Employees	• 198,816 in 2019. Females account for 52% of total employees and 29% of senior leadership. • By count, employees are mainly located in France, North America, APAC and the rest of Europe.
Environmental	• Monitors customers' and suppliers' adherence to the bank's ESG standards. • Tracks and reports on energy use, total greenhouse gas intensity, water use, paper sources and waste sent for recycling. • Discontinued new financing of coal-fired power plants and prohibited the project financing of greenfield thermal coal mines. • The bank stopped lending to clients who specialize in non-conventional hydrocarbons. • In the maritime transportation sector, the bank is devoting EUR1bn between 2019 to 2025 to finance the ecological transition of ships. • Set environment related targets such as financing EUR18bn by 2021 for the development of renewable energies. As at 2019, €56 million were invested in various start-ups contributing directly to the energy transition. • The bank has been carbon neutral at its operational level since 2017.
Social	• Efforts focused on increased digitalization capabilities to improve financial inclusion. • In 2019 the bank's support for associations and Social and Solidarity Economy enterprises amounted to EUR6.2bn. • The bank partnered with The Grameen Creative Lab, a leading institution working in the field of social business and founded by Nobel Peace Prize winner Professor Muhammad Yunus. • The Group has devoted €900 million to microfinance. • In 2019 the bank also became the first CAC 40 company to join the #JamaisSansElles movement; members of the Group's Executive Committee signed a charter declaring they would no longer take part in events if panels of more than three speakers did not have at least one woman. • 95% if employees attended at least 2 training courses. • As at the end of 2019 the number of volunteering hours totaled more than 450,000.
Governance	• 16 members in the board of directors, of which 6 are female and 12 are considered as independent directors. Board is relatively diverse in terms of experience.

BPCE SA

Main Industry	Financial Institution
Main Geographies	France, EMEA, APAC and the Americas
General Comments	• Founding signatory to the Principles for Responsible Banking of the UN Environmental Programme Finance Initiative. • SMEs accounted for 89% of all suppliers in 2019. • In 2019, Groupe BPCE remained the number one bank in France in personal and professional microloans with support. • The bank has built ESG factors into its decision-making. • The bank financed EUR196mn for energy and ecological transition. • Groupe BPCE's renewable energy loans outstanding amounted to EUR9.8bn as at September 30, 2019, focused on solar power (44%) and wind power (35%) assets predominantly located in France (64%). • The bank's CSR & Sustainable Development division reports to the Corporate Secretary's Office of BPCE's Retail Banking and Insurance division. • Sustainability framework is tied to all 17 UN Sustainable Development Goals. • Sustainability report with reference to GRI is subsumed under annual report.
Key Customer Types	• Individual customers, businesses, and institutional investors
Employees	• 105,019 in 2019. Females account for 52% of total employees and 27% of senior leadership. • By count, employees are mainly located in France.
Environmental	• Monitors customers' and suppliers' adherence to the bank's ESG standards. • Tracks and reports on energy use, total greenhouse gas intensity, water use, paper sources and waste sent for recycling. • The bank has a coal divestment strategy. • Set environment related targets such as reaching EUR10bn in outstanding loans to finance green growth, recording EUR35bn in responsible deposits and savings, issuing at least two sustainable bonds per year by 2020, among others.
Social	• Efforts focused on increased digitalization capabilities to improve financial inclusion. • The patronage activities by the bank's network totaled nearly EUR15mn. • In 2019, the bank was the number three provider of Eco-PTZ interest-free eco-loans in France, with a market share of 21%. • Employees completed 8mn training hours over the previous three years. • Developed a cybersecurity framework.
Governance	• 19 members in the supervisory board, of which 7 are female and 3 are considered as independent directors. Board is relatively diverse in terms of experience.

China Construction Bank Corporation

Main Industry	Financial Institution
Main Geographies	China
General Comments	• H-shares are included in the FTSE4Good Index and the Bank's ESG rating was upgraded to BBB from BB in 2019. • The Bank signed the Green Investment Principles for the Belt and Road which is supported by the United Nations Principles for Responsible Investment and International Financial Corporation. • At the end of 2019, balance of the Bank's green loans was RMB1.2trn, up 13% y/y. • The Bank issued its first green and sustainability bond in 2018 followed by another USD1bn and EUR500mn green bonds in 2019 on the theme of coping with global climate change. • The Bank ranked the highest level, "Excellence", in the energy-saving target responsibility assessment of energy consumption units in China. • A Related Party Transactions, Social Responsibilities & Consumer Protection Committee is set up under the Board of Directors for ESG management. • Corporate Social Responsibility report with reference to GRI is available as a separate report.
Key Customer Types	• Individual customers, businesses, and institutional investors
Employees	• 347,156 in 2019. Females account for 54% of total employees and 8% of senior leadership. • By count, employees are mainly located in Central and Western China.
Environmental	• The Bank offered support mainly to clean transportation and clean energy projects helpful for reducing greenhouse gas emissions and pollution prevention and control projects helpful for improving quality of air, water and soil. • Guangdong Branch pioneered with pledge financing on carbon emission rights in 2018 and launched products such as Green Zurongbao in 2019, which effectively saved 34,592 tons of standard goal and reduced 198,030 tons of carbon dioxide emissions annually.
Social	• Efforts focused on poverty alleviation and financial inclusion. • The bank set up the Rural Revitalization Finance Department to help the development of private enterprises and small and micro businesses. • At the end of 2019, the balance of inclusive finance loans was RMB963.2bn, the balance of loans to agriculture, rural areas and farmers was RMB1,812.5bn and the balance of loans for targeted poverty alleviation was RMB219.5bn. • The Bank donated RMB134mn for public welfare in 2019. • CCB University has held 14,700 sessions of free "Jinzhihuimin" (entrepreneurship) training courses for SMEs all over the country, benefiting 1.35mn people. • The Bank set up a total of 14,130 Workers' Harbour since 2018, providing various convenient services for outdoor workers in its physical outlets. • The Bank launched pilot programme, Start-up Loans for Women in 2019. • The Bank adopted "agricultural big data + FinTech" to realise online processing of loans, which substantially lowered the financing cost of agriculture-related customers.
Governance	• 13 members in the board of directors, of which 2 are female and 6 are considered as independent directors. Board is relatively diverse in terms of experience.

Commerzbank AG

Main Industry	Financial Institution
Main Geographies	Germany, UK, and the Americas
General Comments	• Included in the FTSE4Good Index and is a founding signatory to the Principles for Responsible Banking of the UN Environmental Programme Finance Initiative. • Renewable energy portfolio was worth EUR4.6bn as of September 2020, with 63% invested in onshore wind. • Total volume of green and social bond issuance under the lead management of the bank in 2019 was EUR12bn as of 2019. • The Reputational Risk Management department assesses environmental and social risks pertaining to the bank's core businesses. • Sustainability framework is tied to all 17 UN Sustainable Development Goals. • Sustainability report with reference to GRI is subsumed under annual report.
Key Customer Types	• Individual customers, businesses, and institutional investors
Employees	• 48,512 in 2019. Females account for 53% of total employees and 17% of senior leadership. • By count, employees are mainly located in the Germany and the UK.
Environmental	• Monitors customers' and suppliers' adherence to the bank's ESG standards. • Tracks and reports on energy use, total greenhouse gas intensity, water use, paper sources and waste sent for recycling. • Discontinued new financing of coal-fired power plants and prohibited the project financing of uranium mines. • Set environment related targets such as reducing its global greenhouse gas emissions by an additional 15% compared to 2018 (original reduction of 70% from its German banking operations between 2007 and 2018) by 2025. • The bank aims to triple the percentage of sustainable investments in the total volume of assets managed by the Asset Management arm for retailing banking by 2020 compared to 2017 levels.
Social	• Efforts focused on increased digitalization capabilities to improve financial inclusion. • The bank finances an environmental internship partnered with the German national parks for 75 students every year; more than 1,700 students have taken part since 1990. • The Commerzbank Foundation supports facilities and projects related to scientific, cultural and social activities throughout Germany. • In 2019, the bank donated a total of EUR380,000 to various institutions and charities. • Developed a cybersecurity framework.
Governance	• 20 members in the board of directors, of which 8 are female and 10 are considered as independent directors. Board is relatively diverse in terms of cultural ethnicity and experience.

Credit Agricole Group

Main Industry	Financial Institution
Main Geographies	France, EMEA, APAC and the Americas
General Comments	• Included in the FTSE4Good Index and is a founding signatory to the Principles for Responsible Banking of the UN Environmental Programme Finance Initiative. • No.1 bookrunner worldwide for green bonds in 2019 according to Bloomberg. • Issued over EUR1bn worth of green bonds in 2019. • EUR310.9bn assets under management using ESG criteria. • The bank's green financing portfolio was worth EUR7.1bn in 2019. • The Strategy and CSR Committee enhances the bank's strategic thinking on growth, investments and CSR, and reports to the board. • The bank has put in place a "transition rating" to measure the level of commitment and capacity of corporate customers to adapt their economic model to the challenges posed by the fight against global warming and the energy transition • Sustainability framework is tied to all 17 UN Sustainable Development Goals. • Sustainability report with reference to GRI is available as a separate report.
Key Customer Types	• Individual customers, businesses, and institutional investors
Employees	• 142,000 in 2019. Females account for 53% of total employees and 24% of senior leadership. • By count, employees are mainly located in France, EMEA, APAC and the Americas.
Environmental	• Monitors customers' and suppliers' adherence to the bank's ESG standards. • Tracks and reports on energy use, total greenhouse gas intensity, water use, paper sources and waste sent for recycling. • Discontinued new financing of coal-fired power plants and prohibited the project financing of greenfield thermal coal mines. • Set environment related targets such as doubling the size of the green finance portfolio to reach EUR13bn (Crédit Agricole CIB), having 100% of assets under active management with an ESG rating by 2021, investing EUR6bn of the cash portfolio in socially responsible financial products, among others.
Social	• Efforts focused on increased digitalization capabilities to improve financial inclusion. • The bank's Points Passerelle program supports customers in financial difficulty and prevent over-indebtedness at CACF and LCL. • The bank's First Internship/first Job System contributes to the employment of young people by connecting them with the companies that are recruiting • 95% of employees are trained in compliance requirements. • Developed a cybersecurity framework.
Governance	• 18 members in the board of directors, of which 6 are female and 5 are considered as independent directors. Board is relatively diverse in terms of experience.

Credit Suisse Group AG

Main Industry	Financial Institution
Main Geographies	The Americas, Switzerland, EMEA and Asia Pacific
General Comments	• Included in the FTSE4Good Index and is a founding signatory to the Principles for Responsible Banking of the UN Environmental Programme Finance Initiative. • Uses the Equator and Poseidon Principles to determine environmental and social risks related to project-related transactions. • Introduced a Group-wide Climate Risk Strategy in 2019 to support clients' transition to low-carbon and climate-resilient models. • Extended USD20bn worth of sustainability-linked loans in 2019. • Sustainability framework is tied to all 17 UN Sustainable Development Goals. • Corporate responsibility report with reference to GRI is available as a separate report.
Key Customer Types	• Provides services to 1 in 3 businesses in Switzerland • Bulk of loans in 2019 went to large businesses and individuals.
Employees	• 47,860 in 2019. Females account for 39% of total employees and 22% of senior leadership. • By count, employees are mainly located in North America, Switzerland, other European countries.
Environmental	• Monitors customers' and suppliers' adherence to the bank's ESG standards. • Tracks and reports on energy use, total greenhouse gas intensity, water intensity, water and waste sent for recycling. • 90% of electricity consumed globally in 2019 was generated via renewable resources. • Discontinued new financing of coal-fired power plants and prohibited the project financing of greenfield thermal coal mines. • Has various sustainable development targets such as aiming to reduce greenhouse gas emissions by 75% and procuring 100% renewable electricity by 2025.
Social	• Efforts focused on increased digitalization capabilities to improve financial inclusion. • 19,871 employees participated in 191,500 hours of volunteer work in 2019. • 17,600 hours of ESG training were provided to 17,200 participants. • Average training hours per year per employee in 2019 was 19.
Governance	• 13 members in the board of directors, of which 3 are female and all 13 are considered as independent directors. Board is relatively diverse in terms of cultural ethnicity and experience.

DBS Group Holdings Ltd

Main Industry	Financial Institution
Main Geographies	Singapore, China, India and other Southeast Asian countries
General Comments	• Included in the Bloomberg Gender-Equality Index and FTSE4Good Global Index. • First bank headquartered in Southeast Asia to adopt the Equator Principles. • CEO is assisted by the Group Sustainability Council regarding sustainability matters. • Adopted MSCI ESG ratings for wealth products, advisory and discretionary portfolio services. • Financed around SGD1.7bn of renewable and clean energy-related loans and provided over SGD3.3bn of green and sustainability-linked loans in 2019. • Sustainability framework is tied to six UN Sustainable Development Goals. • Sustainability report with reference to GRI available as a separate report.
Key Customer Types	• Over 240,000 institutional banking customers while the consumer banking base consists of over 10.8mn clients. • SMEs account for 95% of the Asian business. • 3.3mn digital bank customers in India and Indonesia.
Employees	• 28,526 in 2019. Females account for 52% of total employees and 40% of senior leadership. • 5% are covered by collective bargaining agreements. By count, employees are mainly located in Singapore, Hong Kong and Greater China.
Environmental	• Monitors customers' adherence to the bank's ESG standards. • Ceased financing new coal-fired power plants in April 2019 after honouring existing commitments. • Has various sustainable development targets such as aiming to finance SGD10bn of renewable and clean energy-developments and SGD10bn of green projects by 2024. • About 14% of total electricity consumption comes from renewable sources and aims to source 100% renewable energy for Singapore-based operations by 2030.
Social	• Efforts focused on increased digitalization capabilities to improve financial inclusion. • Reskilled/upskilled over 1,100 employees under the Professional Conversion Program. • Since 2018, over 772 employees have undergone ESG training. • Developed a cybersecurity framework and policy which resulted in no material instances of customer data loss in 2019. • Average training hours per year per employee increased from 36.6 to 38.7.
Governance	• 11 members in the board of directors, of which 3 are female and 6 are considered as independent directors. Board is relatively diverse in terms of experience. • Ranked 4th in the 2020 Singapore Governance and Transparency Index ("SGTI").

HSBC Holdings PLC

Main Industry	Financial Institution
Main Geographies	Hong Kong, UK, North America, APAC and EMEA
General Comments	• Included in the FTSE4Good Index and is a signatory to the Principles for Responsible Banking of the UN Environmental Programme Finance Initiative. • Targets delivering USD100bn of sustainable financing by the end of 2025 (delivered USD52.4bn between 2017 and 2019). • The bank has built ESG factors into its decision-making. • In 2019, nearly 90% of total assets under management was considered responsibly invested. • At September 2019, HSBC Asset Management had around USD5bn in sustainable investments. • The bank has a sustainable supply chain finance programme and green deposits for corporate and institutional customers. • The ESG Steering Committee and Group Risk Committee handles ESG-related matters and risks. • Sustainability framework is tied to all 17 UN Sustainable Development Goals. • Sustainability report with reference to GRI is available as a separate report.
Key Customer Types	• Individual customers, businesses, and institutional investors
Employees	• 235,000 in 2019. Females account for 52% of total employees and 29% of senior leadership. • By count, employees are mainly located in Hong Kong and the UK.
Environmental	• Monitors customers' and suppliers' adherence to the bank's ESG standards. • Tracks and reports on energy use, total greenhouse gas intensity, paper sources and waste sent for recycling. • In 2019, 19% of the bank's electricity came from renewable sources. • In 2019, HSBC Global Asset Management announced the creation of a new green bond fund, the HSBC Real Economy Green Investment Opportunity GEM Bond Fund. • Discontinued new financing of coal-fired power plants and prohibited the project financing of thermal coal mines. • Set environment related targets such as sourcing 100% of electricity from renewable sources by 2030.
Social	• Efforts focused on increased digitalization capabilities to improve financial inclusion. • In 2018, the bank signed up to a commitment, led by the gender diversity campaign group 30% Club, to reach 30% women in senior leadership roles by 2020. • HSBC UK's green lending is available for SMEs through to large corporates, includes a green loan, a UK industry first green revolving credit facility and a green hire purchase, lease and asset loan. • In 2019, the bank contributed USD101m to charities and non-governmental organisations. • 98.2% of staff completed conduct training in 2019. • Full-time employees completed 3.5 days of training days in 2019. • Developed a cybersecurity framework. • In 2019, employees gave 257,000 hours to community activities during work time.
Governance	• 15 members in the board of directors, of which 6 are female and 11 are considered as independent directors. Board is relatively diverse in terms of experience and cultural ethnicity.

Julius Baer Group Ltd

Main Industry	Financial Institution
Main Geographies	The Americas, Switzerland, EMEA and Asia-Pacific
General Comments	• Included in the FTSE4Good Index and is a founding signatory to the Principles for Responsible Banking of the UN Environmental Programme Finance Initiative. • Corporate Sustainability & Responsible Investment Team reports to the Sustainability Board, which in turn advises the Executive Board. • CHF53bn assets with ESG integration which accounts for 12.3% of total AUM. • Since 2015, the bank has rated Julius Baer-recommended funds on ESG through a Responsible Investment Fund Rating, which is expressed on a seven-point scale. • Sustainability framework is tied to all 17 UN Sustainable Development Goals. • Corporate responsibility report with reference to GRI is available as a separate report.
Key Customer Types	• Mostly individuals, private clients.
Employees	• 6,958 in 2019. Females account for 42% of total employees and 27% of senior leadership. • By count, employees are mainly located in Switzerland, Asia-Pacific and other European countries.
Environmental	• Monitors customers' and suppliers' adherence to the bank's ESG standards. • Tracks and reports on energy use, total greenhouse gas intensity and water use. • In 2019, the bank's Swiss locations sources 100% renewable electricity, which accounted for 75% of reported global electricity consumption. • The bank has been climate neutral since 2015. • Set environment related KPIs in 2015 such as reducing energy consumption by 10%, water use by 5% and switching to renewable electricity when possible.
Social	• Efforts focused on increased digitalization capabilities to improve financial inclusion. • The Julius Baer Foundation collaborated with 27 partner organizations in 2019, and overall grant funding increased by 16.7% from CHF2.4mn in 2018 to CHF2.8mn in 2019. • Recorded over 570 hours of volunteer work in 2019. • Aims to have 30% of women in senior management. • Developed a cybersecurity framework and ran training and awareness campaigns on information and data security for employees. • Average training hours per year per employee increased from 10.3 in 2018 to 14.0 in 2019.
Governance	• 10 members in the board of directors, of which 4 are female and all 10 are considered as independent directors. Board is relatively diverse in terms of cultural ethnicity, experience, and gender.

Landesbank Baden-Württemberg

Main Industry	Financial Institution
Main Geographies	Germany
General Comments	• Founding signatory to the Principles for Responsible Banking of the UN Environmental Programme Finance Initiative. • Sustainable assets managed was around EUR23bn at the end of 2019. • Issue base of green bond program was EUR6.4bn as of 31 December 2019, of which EUR2bn was related to renewable energy. • In 2018, the bank developed the LBBW Social Bond Program, which finances social and community projects. • The bank issued its first social bond (EUR 500mn) in September 2019 and had a total volume of EUR2.7bn as at 2019. • A member of the Board of Directors is responsible for the bank's sustainability actions and heads the Sustainability Steering Committee. • In 2019, the bank's sustainability program comprised a total of 33 projects, where 31 were completed while two were partially completed. • Sustainability framework is tied to all 17 UN Sustainable Development Goals. • Sustainability report with reference to GRI is available as a separate report.
Key Customer Types	• Individual customers, businesses, and institutional investors
Employees	• 10,005 in 2019. Females account for 52% of total employees and 19.3% of senior leadership. • 2.4% are covered by collective bargaining agreements. By count, employees are mainly located in Germany.
Environmental	• Monitors customers' and suppliers' adherence to the bank's ESG standards. • Tracks and reports on energy use, total greenhouse gas intensity, water use, paper sources and waste sent for recycling. • Discontinued new financing of coal-fired power plants and prohibited the project financing of greenfield thermal coal mines. • Set environment related targets such as reducing its absolute carbon emissions by 25% by 2020 based on 2009 figures, reducing energy consumption, and using a high percentage of recycled paper, among others. • The bank has been meeting its electricity needs with power from renewable energies since 2009.
Social	• Efforts focused on increased digitalization capabilities to improve financial inclusion. • In 2019, the bank assisted 360 charitable institutions with total donations of around EUR919,000. • Since it was established in 1984, the Landesbank Baden-Württemberg Foundation has donated EUR26mn to nearly 11,100 projects. • In 2018, LBBW signed up to the "Chefsache" initiative, a network aimed at achieving gender balance in management positions. • Employees completed 1.9 days' worth of seminars in 2019, and the training rate was 3%. • Rate of workplace accidents per 1,000 employees was 0.6. • Developed a cybersecurity framework. • Parental leave policies exceed legal standards in most locations.
Governance	• 19 members in the supervisory board, of which 7 are female and 6 are considered as independent directors. Board is relatively diverse in terms of experience.

National Australia Bank Ltd

Main Industry	Financial Institution
Main Geographies	Australia and New Zealand
General Comments	• Included in the FTSE4Good Index and is a signatory to the Principles for Responsible Banking of the UN Environmental Programme Finance Initiative. • Targets AUD70bn in environmental financing by 2025 and AUD2bn in affordable housing financing by 2023, among others. • The bank has built ESG factors into its decision-making. • In 2020, the bank participated in 12 public green, social and sustainability bond deals, one sustainability linked US Private Placement, two Climate Bond Certified green loans, and two sustainability-linked loans. • The Climate Change Working Group handles ESG-related matters and risks. • Sustainability framework is tied to all 17 UN Sustainable Development Goals. • Sustainability report with reference to GRI is available as a separate report. • Currently subject to additional temporary capital requirements to address higher operational risk in its risk governance self-assessments as announced by the regulator in July 2019.
Key Customer Types	• Individual customers, businesses, and institutional investors
Employees	• 44,133 in 2020. Females account for 50% of total employees and 36% of senior leadership. • 100% of employees in Australia and 8% in New Zealand are covered by collective bargaining agreements. By count, employees are mainly located in Australia and New Zealand.
Environmental	• Monitors customers' and suppliers' adherence to the bank's ESG standards. • Tracks and reports on energy use, total greenhouse gas intensity, paper sources and waste sent for recycling. • Renewables represent 72% of the bank's power generation exposures. • Capped thermal coal mining exposures at 2019 levels, followed by a reduction of 50% by 2028 and complete reduction by 2035, apart from residual performance guarantees to rehabilitate existing coal assets • Set environment related targets such as sourcing 100% of electricity from renewable sources by 2025.
Social	• Efforts focused on increased digitalization capabilities to improve financial inclusion. • Committed capital of AUD130mn in Australia and NZD60mn million in New Zealand to support loans that build financial inclusion. • Introduced a quick exit button on the bank's domestic and family violence support page, to support customers in being able to quickly move away from the browser if their activity is being monitored. • Supported 6,906 no and low interest loans to Indigenous Australians, making progress towards the three-year target of 19,000 by 2021. • Committed AUD5mn to the bank's Disaster Relief Fund. • Invested more than AUD42mn in community activities. • Full-time employees completed an average of 26 days of training days in 2020. • Developed a cybersecurity framework. • Over 500 days of volunteering were contributed to bushfire recovery.
Governance	• 9 members in the board of directors, of which 3 are female and 6 are considered as independent directors. Board is relatively diverse in terms of experience.

Société Générale

Main Industry	Financial Institution
Main Geographies	France, EMEA, APAC and the Americas
General Comments	• Included in the FTSE4Good Index and is a founding signatory to the Principles for Responsible Banking of the UN Environmental Programme Finance Initiative. • The bank has EUR11bn in sustainable and positive impact financing, and EUR19bn in sustainable and positive impact investments. • The bank has EUR120bn allocated to finance the 2019-2023 energy transition. • The bank's Assurances arm incorporates ESG criteria into its investment policy. • At the end of 2019, nearly €87.7bn in assets under management were rated according to ESG and carbon criteria. • The bank supports growth in Africa via supporting SMEs, infrastructure financing, financial inclusion, financing the farming and renewables sectors. • Sustainability framework is tied to all 17 UN Sustainable Development Goals. • Sustainability report with reference to GRI is available as a separate report.
Key Customer Types	• Individual customers, businesses, and institutional investors
Employees	• 138,000 in 2019. Females account for 57% of total employees and 20% of senior leadership. • By count, employees are mainly located in France, EMEA, APAC and the Americas.
Environmental	• Monitors customers' and suppliers' adherence to the bank's ESG standards. • Tracks and reports on energy use, total greenhouse gas intensity, water use, paper sources and waste sent for recycling. • The bank plans on a total exit from thermal coal for EU and OECD countries by 2030, and by 2040 for the rest of the world. • 100% achieved in goal of reducing carbon emissions: 25% reduction in carbon emissions per occupant by 2020 (compared to 2014).
Social	• Efforts focused on increased digitalization capabilities to improve financial inclusion. • The bank launched the Pride & Allies France network in 2019, which promotes equal rights for LGBT+ staff members. • The bank has EUR75mn in outstanding loans to microfinance institutions. • The Société Générale Foundation has supported 1,105 non-profit projects since 1006, in 33 countries for a total of EUR31mn. • 90% of staff members completed training in 2019. • Developed a cybersecurity framework. • 21,476 employees took part in solidarity initiatives in 2019.
Governance	• 14 members in the board of directors, of which 6 are female and 10 are considered as independent directors. Board is relatively diverse in terms of cultural ethnicity and experience.

Standard Chartered PLC

Main Industry	Financial Institution
Main Geographies	Greater China and North Asia, Southeast and South Asia, Europe, Americas
General Comments	• Included in the Bloomberg Gender-Equality Index and is a signatory of the United Nations Collective Commitment to Climate Action. • 11 Sustainability Aspirations are aligned to the UN Sustainable Development Goals. • Recognized as a diversity leader in the Financial Times list of European 2021 leaders for workplace diversity and inclusion. • Signed the Women in Finance Charter that commits to having women occupy 30% of the top four levels of senior roles by 2020. • CEO Bill Winters signed a statement of support for the United Nations Women Empowerment Principles in April 2018. • Brand, Values and Conduct Committee reviews the development and management of its Sustainability culture and values, including diversity and inclusion and employee engagement while the Global Diversity and Inclusion Council oversees the development and delivery of the Diversity and Inclusion strategy. • Corporate & Institutional Banking CEO has responsibility for Sustainable Finance (incorporates Environmental and Social Risk management) while the Group Head, Corporate Affairs, Brand & Marketing, Conduct, Financial Crime and Compliance leads a cross-business Sustainability Forum to develop and deliver the broader sustainability strategy and champion sustainability across the Group. • 2020 Sustainability Aspirations established in support of the United Nations Sustainable Development Goals with measurable targets related to Sustainable Finance (ESG focused financing to support sustainability and combat climate change), Responsible Company (conduct focused on improving staff, environment, ethics and financial crime aspirations) and Inclusive Communities (community engagement). • Implemented a Green and Sustainable Product Framework to support its Responsible Company goal including financing restrictions on extractive industries (tar sands, arctic exploration) and others harmful to the environment (coal fired power projects, nuclear power plants where there is the risk of irresponsible use of nuclear technology. • Met USD4bn target for funding and facilitating renewable energy early and increased the target to USD35bn from 2020 to end 2024. • Launched in 2019 its first emerging market focused sustainability bonds and world's first sustainable deposit.
Key Customer Types	• Over 9mn customers that are mostly individuals and small businesses although larger clients (Corporate & Institutional Banking) contribute 47% of underlying operating income. • Retail Banking and Private Banking represented 45% of total customer loans and advances in 2019.
Employees	• 85,000 globally. Females account for 46% of all employees and 29% of senior leadership in 2019. • Analyses gender pay gap for the UK, Hong Kong, Singapore, UAE and the US. • Implemented a Living Wage for all employed workers in 2019.
Environmental	• Committed to reducing environmental impact through targets to reduce energy, water and paper consumption. • Reduced energy use in tropical climate premises (80% of total) between January 2008 and December 2019 by 38% against a target of 35%. For temperate climate premises, annual energy use reduced by 44% against a target of 31%. Targeting to reach zero emissions from operations to source only renewable energy by 2030. • Calculates greenhouse gas ("GHG") emissions while an independent party (Global Documentation) provides assurance of Scope 1 and 2 GHG emissions and waste and water data.
Social	• Efforts focused on increased digitalization capabilities to improve financial inclusion, particularly in Africa. • Established employee resource groups covering gender equality, LGBT & Allies and people with disabilities and an Inclusive Leadership Programme. • Goal in 2020 for 80% of employees to have a growth plan in place. • Targeting to have 35% of senior roles filled by women by 2021. • Supplier Diversity principles aim to incorporate diversity and inclusion into Standard Chartered's supply chain. • Employees given three days of volunteering leave with 51,300 volunteering days in 2019.
Governance	• 14 members in the board of directors, of which 5 is female and 10 are considered as independent directors. Board is relatively diverse in terms of experience and cultural ethnicity. • Has established a Board Diversity Policy which seeks to ensure that diversity remains a central feature of the board with merit based appointments also considering diversity of gender, social and ethnic background, skills and experience.

UBS Group AG

Main Industry	Financial Institution
Main Geographies	The Americas, Switzerland, EMEA and Asia-Pacific
General Comments	• Included in the FTSE4Good Index and is a founding signatory to the Principles for Responsible Banking of the UN Environmental Programme Finance Initiative. • The Corporate Culture and Responsibility Committee and the Global Environmental and Social Risk Committee are responsible for ESG-related developments and risks. • USD488.5bn of sustainable investing assets (13.5% of total invested assets). • Has been presenting white papers to the World Economic Forum regarding recommendations for ways in which private capital can achieve the long-term Sustainable Development Goals. • 25 issuances of green and sustainable bonds in 2019. • Sustainability framework is tied to all 17 UN Sustainable Development Goals, with an emphasis on (4) Quality Education, (8) Decent Work and Economic Growth, (12) Responsible Consumption, (13) Climate Action and (17) Partnerships for the Goals. • Sustainability report with reference to GRI is available as a separate report.
Key Customer Types	• Individual customers, businesses, and institutional investors
Employees	• 69,966 in 2019. Females account for 39% of total employees and 25% of senior leadership. • By count, employees are mainly located in Switzerland, EMEA, Asia-Pacific and the Americas.
Environmental	• Monitors customers' and suppliers' adherence to the bank's ESG standards. • Tracks and reports on energy use, total greenhouse gas intensity, water use, paper sources and waste sent for recycling. • In 2019, the bank sourced 72% of its electricity from renewable sources and achieved 100% by mid-2020. • Exposure to carbon-related assets on the banking balance sheet of 0.8% as of 31 December 2019. • Discontinued new financing of coal-fired power plants and prohibited the project financing of greenfield thermal coal mines. • Set environment related targets such as reducing its greenhouse gas footprint by 71% from the 2004 baseline year by the end of 2020.
Social	• Efforts focused on increased digitalization capabilities to improve financial inclusion. • In 2019, UBS Optimal Foundation raised USD89.5mn in donations, approved USD109.5mn in grants and helped improve the well-being of 3.3mn children worldwide. • Permanent employees averaged over two days of training activities in 2019, which included mandatory training on compliance, business and other types. • Parental leave policies exceed legal standards in most locations. • Direct vendors are bound to the UBS Responsible Supply Chain Standard which defines the bank's expectations regarding environmental protection, avoidance of illegal labour, health and safety issues among others. • 38% of the workforce volunteered 202,784 hours in 2019.
Governance	• 11 members in the board of directors, of which 4 are female and 10 are considered as independent directors. Board is relatively diverse in terms of cultural ethnicity and experience.

United Overseas Bank Ltd

Main Industry	Financial Institution
Main Geographies	Singapore, Malaysia, China, and other Southeast Asian countries
General Comments	• Included in the Bloomberg Gender-Equality Index and is a signatory of the United Nations-Supported Principles for Responsible Investment. • Extended SGD6bn worth of sustainable financing to corporates in 2019. • The Group ESG Committee reports to the Management Executive Committee, which in turn reports to the Executive Committee and the Board. • Financed around SGD6bn of green and sustainability-linked loans in 2019. • Manages AUM of SGD1bn worth of investments that incorporate ESG/social impact factors in the investment process. • Sustainability framework is tied to all 17 UN Sustainable Development Goals. • Sustainability report with reference to GRI is subsumed under annual report.
Key Customer Types	• Over 5.3mn customers. • Bulk of loans in 2019 went to large businesses and individuals.
Employees	• 26,872 in 2019. Females account for 61% of total employees and 35% of senior leadership. • 32% of employees in Singapore are covered by collective bargaining agreements. By count, employees are mainly located in Singapore, Hong Kong and Greater China.
Environmental	• Monitors customers' and suppliers' adherence to the bank's ESG standards. • Tracks and reports on energy use, total greenhouse gas intensity, water intensity, water and waste sent for recycling. • Discontinued new financing of coal-fired power plants and prohibited the project financing of greenfield thermal coal mines. • Discontinued new financing of greenfield palm oil plantations. • Has various sustainable development targets such as aiming to double the renewables portfolio (consisted of 24% of the bank's power-related portfolio in 2019) by 2023 and implementing targeted programs to support the growth of emerging 3R (Reduce, Reuse, Recycle) businesses.
Social	• Efforts focused on increased digitalization capabilities to improve financial inclusion. • Volunteer hours per year per employee was 2.2 in 2019. • Developed a cybersecurity framework and policy which resulted in no material instances of customer data loss in 2019. • Average training hours per year per employee increased from 46.2 to 52.5.
Governance	• 11 members in the board of directors, of which 1 is female and 8 are considered as independent directors. Board is relatively diverse in terms of experience. • Ranked 10th in the 2020 Singapore Governance and Transparency Index ("SGTI").

Westpac Banking Corporation

Main Industry	Financial Institution
Main Geographies	Australia and New Zealand
General Comments	• Included in the FTSE4Good Index and is a signatory to the Principles for Responsible Banking of the UN Environmental Programme Finance Initiative. • Largest financier to greenfield renewable energy projects in Australia, funding 13 projects over three years. • Targets AUD3.5bn of new lending to climate change solutions by 2023 and AUD15bn by 2030. • The bank has built ESG factors into its decision-making. • The Sustainability Council manages the bank's sustainability agenda and reports to the Executive Team and board twice a year. • Sustainability framework is tied to all 17 UN Sustainable Development Goals. • Sustainability report with reference to GRI is available as a separate report. • Currently under a Court Enforceable Undertaking to address governance weaknesses arising from breaches of the Anti-Money Laundering and Counter-Terrorism Financing Act and subject to additional temporary capital requirements to address higher operational risk in its risk governance self-assessments as announced by the regulator in July 2019.
Key Customer Types	• Individual customers, businesses, and institutional investors
Employees	• 40,225 in 2020. Females account for 57% of total employees and 50% of leadership. • By count, employees are mainly located in Australia and New Zealand.
Environmental	• Monitors customers' and suppliers' adherence to the bank's ESG standards. • Tracks and reports on energy use, total greenhouse gas intensity, and paper sources. • The bank was carbon neutral in 2020. • The bank plans on managing its thermal coal mining portfolio in line with a commitment to reduce its exposure to zero by 2030. • Set environment related targets such as reducing Scope 1 and 2 emissions by 90% and Scope 3 supply chain emissions by 35% by 2030, and sourcing 100% of global electricity consumption from renewable sources by 2025, among others.
Social	• Efforts focused on increased digitalization capabilities to improve financial inclusion. • Procured goods and services worth AUD6.5bn with AUD6mn in spend towards Indigenous-owned businesses in 2020. • Lent AUD1.7bn to the social and affordable housing sector since 2013. • Invested AUD150mn in the community in 2020 and donated over AUD1mn to community groups and charities. • Lost Time Injury Frequency Rate was 0.4 in 2020. • Developed a cybersecurity framework. • Westpac employees contributed over 14,300 skilled volunteering hours.
Governance	• 10 members in the board of directors, of which 2 are female and 9 are considered as independent directors. Board is relatively diverse in terms of experience.

Notes: (1) Singapore Governance and Transparency Index ("SGTI")
(2) Governance Index For Trusts ("GIFT")

[This page has been intentionally left blank]

Treasury Research & Strategy

Macro Research

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

Tommy Xie Dongming
Head of Greater China Research
XieD@ocbc.com

Wellian Wiranto
Malaysia & Indonesia
WellianWiranto@ocbc.com

Terence Wu
FX Strategist
TerenceWu@ocbc.com

Howie Lee
Thailand, Korea & Commodities
HowieLee@ocbc.com

Carie Li
Hong Kong & Macau
carierli@ocbcwh.com

Credit Research

Andrew Wong
Credit Research Analyst
WongVKAM@ocbc.com

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

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

Seow Zhi Qi
Credit Research Analyst
ZhiQiSeow@ocbc.com

Explanation of Issuer Profile Rating / Issuer Profile Score

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 into a 7-point Issuer Profile Score scale.

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

Explanation of Bond Recommendation

Overweight ("OW") – The bond represents **better relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

Neutral ("N") – The represents **fair relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

Underweight ("UW") – The represents **weaker relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

Please note that Bond Recommendations are dependent on a bond's price, underlying risk-free rates and an implied credit spread that reflects the strength of the issuer's credit profile. Bond Recommendations may not be relied upon if one or more of these factors change.

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. We may also suspend our issuer rating and bond level recommendation in the ordinary course of business if (1) we believe the current issuer profile is incorrect and we have incomplete information to complete a review; or (2) where evolving circumstances and increasingly divergent outcomes for different investors results in less conviction on providing a bond level recommendation.

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.

*OCBC Credit Research team would like to acknowledge and give due credit to the contributions of **Zhou Ziqi** and **Wu Yao Hua**.*

Analyst Declaration

The analyst(s) who wrote this report and/or her or his respective connected persons held financial interests in the following above-mentioned issuers or companies as at the time of the publication of this report: Singapore Airlines Ltd, GuocoLand Ltd, Perennial Real Estate Holdings Ltd, Oxley Holdings Ltd, Suntec Real Estate Investment, Mapletree Commercial Trust, Frasers Hospitality Trust, United Overseas Bank Ltd, BreadTalk Group Ltd, CapitaLand Integrated Commercial Trust, Aims APAC REIT and Ascott Residence Trust.

Co.Reg.no.:193200032W