

Research Update:

Ratings On O-Bank Number One REIT Affirmed At 'twBBB+/twA-2'; Liquidity Revised To Strong From Adequate; Outlook Stable

June 29, 2020

Rating Action Rationale

Taiwan Ratings Corp. today affirmed its 'twBBB+' long-term and 'twA-2' short-term issuer credit ratings on **O-Bank Number One Real Estate Investment Trust**. (O-Bank No.1 REIT). The outlook on the long-term rating is stable. The ratings on the REIT reflect our view that the trust's small asset base, relatively weak asset quality, and high property and tenant concentration will constrain the ratings over the next one to two years. The REIT's conservative debt leverage and anticipated stable profitability underpinned by a rental reserve from the tenants of Bank of Panhsin Banker building and early termination penalty on the tenant of Tainan Focus building until 2023, partly offset its credit weaknesses.

We have upwardly revised our assessment of the REIT's liquidity to strong from adequate, which has no impact on the ratings. The strong assessment mainly reflects our assumption that the REIT will not materialize its property acquisition plan before March 31, 2021. As a result, the trust's ratio of liquidity sources to liquidity uses will be close to 2x annually over the 12 months ending March 31, 2021, and 1.1x for the subsequent 12 months. We believe O-Bank No. 1 REIT's liquidity sources will continue to exceed uses even if the trust's EBITDA were to decline by 10%. We also believe the trust has generally prudent risk management underpinned by its conservative financial policy, a sound relationship with Taiwan banks and a generally satisfactory standing in Taiwan's credit market supported by its unpledged properties. O-Bank No. 1 REIT has no debt as of the end of March 2020.

Related Criteria

- Understanding Taiwan Ratings' Rating Definitions - June 26, 2018
- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments - April 01, 2019
- Criteria | Corporates | Industrials: Key Credit Factors For The Real Estate Industry - February 26, 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers - December 16, 2014

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- General Criteria: Country Risk Assessment Methodology And Assumptions - November 19, 2013
- General Criteria: Methodology: Industry Risk - November 19, 2013
- Criteria | Corporates | General: Corporate Methodology - November 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities - November 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

(Unless otherwise stated, these articles are published on www.taiwanratings.com)

Ratings List

Ratings Affirmed

O-Bank Number One Real Estate Investment Trust

| | |
|----------------------|---------------------|
| Issuer Credit Rating | twBBB+/Stable/twA-2 |
|----------------------|---------------------|

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.taiwanratings.com for further information. Complete ratings information is available to subscribers of Rating Research Service at rrs.taiwanratings.com.tw. All ratings affected by this rating action can be found on Taiwan Ratings' public website at www.taiwanratings.com.

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