

UOB advances Singapore's SORA transition with the first capital securities resettable against SORA Overnight Indexed Swap rate

Singapore, 8 January 2021 – UOB has successfully priced Singapore's first capital securities with a reset coupon rate that references the Singapore Overnight Rate Average Overnight Indexed Swap (SORA-OIS) rate¹. The Bank's latest issuance underpins its commitment to promoting the adoption of a SORA-based pricing benchmark in the Singapore dollar (SGD) bond market.

Mr Lee Wai Fai, Group Chief Financial Officer, UOB, said, "2021 is an important year in Singapore's transition to a SORA-centered interest rate market and UOB is pleased to be the first issuer to reference SORA for a capital security. This transaction is another step to encourage the use of the new benchmark rate for pricing in the SGD bond market as part of broader industry efforts to develop deep and robust SORA-based cash and derivative markets. As the industry progresses on the transition to SORA, we will continue to step up our efforts and play our part in expanding the use of SORA across more financial products."

The reset coupon rate of UOB's perpetual, non-call five-year additional Tier 1 (AT1) securities on the first call date² will reference the five-year SORA-OIS rate, instead of the five-year Swap Offer Rate (SOR) interest rate swap (IRS) that had been the benchmark reference rate in the market. SORA had earlier been identified by The Association of Banks in Singapore (ABS) and Singapore Foreign Exchange Market Committee (SFEMC) as the rate to replace SOR in the SGD cash and derivatives market³. This will see liquidity in the SGD interest rate derivatives market shift over time from SOR IRS to SORA-OIS, with the latter set to replace SOR IRS as the primary reference curve for SGD capital market issuances.

¹ An Overnight Indexed Swap is an interest rate swap agreement where a fixed rate is swapped against a pre-determined published index of a daily overnight reference rate, with SORA being the reference rate in this instance.

² Perpetual debt securities may have a "call" feature which enables the issuer to redeem the bonds at a stated date, also known as the "first call date". In the event that the issuer does not redeem the bonds at the first call date, the maturity of the bonds will be extended and the coupon rate reset.

³ Please refer to MAS news release: ["MAS Sets Up Steering Committee to Drive the Interest Rate Benchmark Transition from SGD Swap Offer Rate \(SOR\) to Singapore Overnight Rate Average \(SORA\)"](#), 30 August 2019.

To support the transition, the Monetary Authority of Singapore in June 2020 established a daily auction process to facilitate price discovery in SORA-OIS. The use of SORA-OIS as a reference rate for pricing of SGD bonds will contribute to the further deepening of the liquidity of the SORA-based derivative market.

Priced at a coupon of 2.25 per cent per annum, 181 basis points above the prevailing five-year SORA-OIS as at 7 January 2021, UOB's latest AT1 securities with a transaction size of S\$150 million were subscribed by high-net-worth and institutional investors. If the bonds are not redeemed in 2026, the coupon will be reset based on 181 basis points above the five-year SORA-OIS on the first call date.

UOB was the sole bookrunner and sole lead manager of this perpetual issuance.

ABS and the Steering Committee for SOR and SIBOR Transition to SORA (SC-STs) are leading industry efforts to accelerate usage of SORA, which is a robust benchmark underpinned by a deep and liquid overnight interbank funding market. The transition from SOR and SIBOR to SORA is in line with global reform efforts to improve the robustness and integrity of financial benchmarks. A SORA-centred interest rate market will also avoid market segmentation, facilitate transparency and easier comparison of pricing, and promote the development of deep and efficient SGD financial markets.

Last September, UOB provided CapitaLand with Singapore's first dual tranche loan, which references both the SORA and the Secured Overnight Financing Rate (SOFR)⁴. The Bank also offers SORA-pegged residential and commercial property loans to consumers and small- and medium-sized enterprises respectively. For more information, please visit www.uob.com.sg.

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About UOB

United Overseas Bank Limited (UOB) is a leading bank in Asia with a global network of more than 500 offices in 19 countries and territories in Asia Pacific, Europe and North America. Since its incorporation in 1935, UOB has grown organically and through a series of strategic acquisitions. UOB is rated among the world's top banks: Aa1 by Moody's Investors Service and AA- by both S&P

⁴ Please see UOB news release: "[UOB collaborates with CapitaLand on Singapore's first dual tranche SORA-SOFR loan](#)", 3 September 2020.

Global Ratings and Fitch Ratings. In Asia, UOB operates through its head office in Singapore and banking subsidiaries in China, Indonesia, Malaysia, Thailand and Vietnam, as well as branches and representative offices across the region.

Over more than eight decades, generations of UOB employees have carried through the entrepreneurial spirit, the focus on long-term value creation and an unwavering commitment to do what is right for our customers and our colleagues.

We believe in being a responsible financial services provider and we are committed to making a difference in the lives of our stakeholders and in the communities in which we operate. Just as we are dedicated to helping our customers manage their finances wisely and to grow their businesses, UOB is steadfast in our support of social development, particularly in the areas of art, children and education.

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