

# UOB: An astute Asian issuer in global bond markets

## Lee Wai Fai

Group Chief Financial Officer,  
United Overseas Bank (UOB)

***UOB appears to have become more active as an issuer in the international capital markets in the last three years. What prompted the increased activity?***

In 2013, UOB set up our Central Treasury team to oversee the Bank's group asset-liability management and to implement wholesale funding initiatives across the full spectrum of fixed income issuance activities. We review our group funding strategy regularly in anticipation of various global industry and regulatory developments. We also recognise the importance of being active in the capital markets to build our term funding capabilities to augment the Bank's deposit funding franchise and to support our long-term business growth.

In addition to funding diversification, UOB is also focused on three key objectives in our capital market activities. The first is to diversify our investor base. In 2015, when Singapore implemented its covered bond framework, UOB established its own global covered bond programme to gain an alternative funding source, which is one that is more resilient to market cycle changes. As Europe is home to the world's most important covered bond participants, our Euro covered bond issuances have enabled us to deepen the engagement with these investors.

The second objective of building sustainable strategic partnerships is done by taking a longer-term view on investor engagement. We believe in providing investors with regular updates instead of meeting them when we are launching a transaction. Our investor engagement efforts have been rewarding as reflected by the strong support from our oversubscribed issuances.



**Lee:** UOB aims to diversify its investor base and to build strategic partnerships

Third, by being a regular issuer in the bond markets, we aim to develop a transparent benchmark pricing curve and to provide the investor community with more opportunities to gain exposure to UOB's credit story.

As a leading bank in Asia with deep roots in Southeast Asia, UOB's issuances – underpinned by the stability of a double-A rated institution from a triple-A jurisdiction – have attracted strong interest from investors keen to participate in the region's growth.

***Talking about the covered bonds, UOB was the first Asian bank to issue Euro-denominated covered bonds in 2016, followed by your first dual currency covered bond in 2017. Both were award-winning deals. What do you think UOB has done right?***

UOB takes a strategic and long-term view to the Euro covered bond market. Despite the Euro not being a core funding currency for the Bank and its basis might not be as favourable as other funding currencies, we took the lead in 2016 to introduce Singapore covered bonds to the Euro market. It is also where the deepest pool of covered bond liquidity resides.

The market was initially sceptical about the commitment of some foreign banks to the Euro covered bond market. We hope we have demonstrated our commitment having been a regular issuer over the years since establishing our global covered bond programme in 2015.

We started meetings with investors as early as in 2014 in the lead up to our 2016 debut issue. This was because it was important to us that we meet each investor personally to explain UOB's strengths, the robust covered bond legal framework in Singapore and the country's housing market. This is all the more important as we were the first Asian issuer in the Euro covered market.

Since our debut issue, we have been engaging existing and potential investors annually to share with them UOB's financial updates, changes to Singapore's housing market, and the quality of UOB-originated mortgage loans backing our covered bond programme.

We also took on board our investors' feedback gained from these engagement sessions. Our dual-currency covered bond issuance in February 2017, being our second Euro covered bond offering since the programme's inception, reinforced our commitment to the Euro covered bond market. In addition, the Euro tranche was augmented with UOB's inaugural USD covered

bond offering to meet investors' demand for the security in USD. The dual-currency issuance was also opportune as funding costs were attractive, in line with our expectations and provided us the opportunity to use covered bonds to expand into core funding currencies beyond the Euro.

***UOB has significant presence in Southeast Asia. What are your plans for the regional local currency markets? What are the key challenges in those markets?***

With our longstanding presence in Southeast Asia, we have always taken an active role in developing Southeast Asian local currency markets, both as an issuer and as a bookrunner through our local currency Debt Capital Markets franchise.

From a funding perspective, the self-sufficiency of our banking subsidiaries in Southeast Asia is important. Outside Singapore, we have been progressively building our presence in these markets starting in Thailand with a debut public THB6 billion senior offering in 2014. In 2016, we stepped up with a larger THB10 billion senior offering, and in 2017 issued our most recent publicly-syndicated THB6 billion Tier 2 notes.

In Indonesia, we launched our debut public IDR1 trillion offering in 2014. Following that, we established in 2016 an IDR3 trillion shelf programme, from which another successful IDR1 trillion of senior debt was placed to investors. We deepened our investor engagement efforts and developed our pricing curve with the extensive transaction.

Following the launch of two benchmark transactions in Indonesia in consecutive years, in 2017 we embarked on another round of investor engagement to further develop the Bank's profile before executing our debut publicly-distributed IDR500 billion Tier 2 offering that year.

Unlike international markets, Asia's local currency markets are still in a nascent stage. The investor base, especially for subordinated debt instruments, is also more limited. Nevertheless, we maintain our long-term and strategic approach to trade execution and will tap our deep local knowledge to continue building our presence and term funding capabilities in other markets where UOB operates.

***What are the key highlights of UOB's debt capital market activities in 2017?***

Amid fast-moving market conditions in 2017, we achieved our target size and price for our issuances, and diversification objectives from a currency and investor perspective, by tailoring our execution strategy to suit different markets and conditions. Above all, we maintained our disciplined approach to capital management.

UOB tapped six currency markets across four products, namely senior, covered, Tier 1 and Tier 2 instruments in multiple formats. In February 2017, we maintained our presence in the international market via the dual-currency EUR500 million 5Y and USD500 million 3Y covered bonds. To meet investors' demand for high-quality, long-dated assets in SGD, we also launched our SGD750 million 12NC7 Tier 2 perpetual securities offering which was priced with the lowest reoffer spread for a Basel III capital instrument in the SGD market. UOB also went to the AUD market twice in March and November 2017 via two senior bond

offerings to refresh our AUD public pricing benchmark.

An important highlight for us last year was the pricing of our USD650 million Additional Tier 1 (AT1) perpetual capital securities offering in October at the tightest AT1 reoffer spread for a Basel III AT1 offering globally. This deal was also significant due to the meaningful participation from European investors in addition to the continued support from Asian investors.

Regionally, UOB's successes in navigating Asia's local currency markets and in enhancing our rapport with Thai and Indonesian investors via our public THB and IDR Tier 2 offerings were also noteworthy.

***What do you see as key challenges as an issuer heading into 2018? Any new initiatives in the new year that the market can anticipate?***

In 2018, market resilience to geopolitical risks will again be put to the test. The effect of the European Central Bank's tapering of its quantitative easing measures, coupled with the US Federal Reserve's expected interest rate increases, is likely to place additional pressure on financial markets. Though the market generally believes liquidity and risk appetite will remain conducive, we will remain nimble and flexible in tailoring our execution strategies and product offerings.

We expect investors in the US144A market to be increasingly prominent in 2018 and we will look for the opportunities to engage this market to diversify our investor base further. We also observe more investors becoming increasingly focused on environmental, social and governance practices and interested in green bond issuances. We look forward to joining the market when the right opportunity arises. ■

---

*For more information, please visit*



**United Overseas Bank Limited**  
[www.uobgroup.com](http://www.uobgroup.com)