

OCBC BANK LAUNCHES SINGAPORE'S FIRST SORA-BASED HOME LOAN

*Interest rate is based on past 90-day simple average of the
Singapore Overnight Rate Average (SORA)*

Singapore, 13 July 2020 – OCBC Bank has launched Singapore's first home loan package referencing Singapore Overnight Rate Average (SORA). The OCBC 90-Day SORA home loan package is another first by the Bank in the industry's transition roadmap towards adopting SORA as a new interest rate benchmark for the Singapore Dollar cash and derivatives markets. SORA is the average rate of unsecured overnight interbank Singapore Dollar transactions brokered in Singapore from 9.00am to 6.15 pm daily and has been published by the Monetary Authority of Singapore (MAS) since 1 July 2005.

The OCBC 90-Day SORA Home Loan is available to buyers of completed private properties with a minimum loan size of S\$1 million. The interest rate is calculated based on the simple average of the daily SORA rates over the past 90 calendar days to determine the repayment in advance. The loan package has a one-year lock-in period, which means customers can choose to switch to another home loan package after the one-year lock-in period at no cost. Customers have the flexibility to make pre-payments of up to 50% of the loan amount in the first year without any penalty fee.

How the 90-Day SORA interest rate is calculated

SORA is a backward-looking overnight rate as compared to a forward-looking reference rate commonly used for floating home loan packages in Singapore, such as Singapore Interbank Offered Rate (SIBOR) where the interest rate is determined at the start of the interest period.

The OCBC 90-Day SORA home loan interest rate is calculated based on the simple average of the daily SORA rates of the past 90 calendar days in advance of the loan repayment period.

The 90-Day SORA value is updated every month instead of every three months for a particular loan. To determine the interest amount for the first month, the applicable SORA-based interest rate is computed using the simple average of the past 90-day SORA rates from the day of the loan disbursement, which means computation includes the SORA rate on the day of the loan disbursement and the daily SORA rate over the preceding 89 days.

Thereafter, the SORA-based interest rate is calculated again using the simple average of the past 90-Day SORA rates from the first day of the next interest period. This process is repeated every month.

At the start of every interest period - customers are given advance notice of the SORA-based interest rate to be paid for the coming month. As such, customers know upfront the exact interest rate to be charged for the coming one month and the instalment to be paid. This methodology helps customers better plan their finances. *(Refer to Annex A for an illustration on how this works).*

Mr Sunny Quek, Head, Consumer Financial Services Singapore, OCBC Bank, said, “We are pleased to launch the first retail SORA-pegged home loan as the industry take steps to move towards referencing overnight risk-free rate which provides for greater stability and transparency. With this launch, we are offering a more comprehensive range of home loan options. As this product is the first-of-its-kind in the market, we would like to give customers the opportunity to discover more about this product, and to better understand SORA as a new reference interest rate.”

The use of SORA calculated over the 90-day period computed on simple average basis has several benefits:

- SORA is publicly available and has been posted on the MAS website daily since 1 July 2005.
- SORA is a transparent and robust benchmark underpinned by a deep and liquid overnight interbank funding market.
- SORA is not susceptible to manipulation.
- Calculation of the simple average over the past 90 calendar days results in a more stable interest rate.

A summary of the key differences between a 3M SIBOR and 90-Day SORA home loan package is set out below:

	3M SIBOR	90-DAY SORA
What is it	<p>Pegged to the 3-month SIBOR and reviewed every 3 months</p> <p>Instalments can increase or decrease depending on the SIBOR rate</p>	<p>The average of the daily SORA rates over the past 90 calendar days.</p> <ul style="list-style-type: none"> • The SORA rate applicable on a Saturday, Sunday or Public Holiday would be the SORA rate of the previous working day. • If SORA is zero or less, OCBC Bank will apply a rate of zero in the computation of the 90D SORA.
How is the reference rate determined	<p>SIBOR is based on the interest rates used by banks in Singapore when lending unsecured funds to each other. Simply put, SIBOR reflects how much it would cost banks to borrow from each other.</p> <p>SIBOR is administered by the ABS Benchmarks Administration Co Pte Ltd (ABS Co.).</p>	<p>SORA is the average rate of unsecured overnight interbank SGD transactions brokered in Singapore from 9.00 am to 6.15 pm, published publicly by MAS daily since 1 July 2005.</p>

	On a daily basis, the rates from 20 banks are compiled and the compiled rates are then ranked. Those on the upper and lower quartiles eliminated from the list. The remaining rates (which should come from at 10 banks) are averaged to make the day's SIBOR.	
Loan details	<ul style="list-style-type: none"> • Flexibility to prepay up to 50% of the loan amount within the lock-in period • 2-year lock-in period • Year 1: 3M SIBOR + 1.00% • Year 2: 3M SIBOR + 1.00% • Year 3: 3M SIBOR + 1.00% <p>Thereafter: 3M SIBOR + 1.00%</p>	<ul style="list-style-type: none"> • Flexibility to prepay up to 50% of the loan amount in the first year • 1-year lock-in period • Year 1: 90D SORA + 1.28% • Year 2: 90D SORA + 1.28% • Thereafter: Mortgage Board Rate + 0.88%. From the third year, pricing switches to the Bank's Mortgage Board Rate (MBR) availed at 1.00% for this pricing package. • Free switch to another pricing package after the 1-year lock-in period

SOCIAL MEDIA ASSETS

Official hashtags: #ocbcbank

Keywords: OCBC, SORA, 90-DAY SORA, SIMPLE AVERAGE SORA, HOME LOANS

 **Suggested tweet** /  **Suggested Facebook post:**

OCBC Bank's new 90-Day SORA home loan package is another first by the Bank in the industry's transition roadmap towards adopting SORA as a new interest rate benchmark for the Singapore Dollar cash and derivatives markets.

About OCBC Bank

OCBC Bank is the longest established Singapore bank, formed in 1932 from the merger of three local banks, the oldest of which was founded in 1912. It is now the second largest financial services group in Southeast Asia by assets and one of the world's most highly-rated banks, with an Aa1 rating from Moody's. Recognised for its financial strength and stability, OCBC Bank is consistently ranked among the World's Top 50 Safest Banks by Global Finance and has been named Best Managed Bank in Singapore by The Asian Banker.

OCBC Bank and its subsidiaries offer a broad array of commercial banking, specialist financial and wealth management services, ranging from consumer, corporate, investment, private and transaction banking to treasury, insurance, asset management and stockbroking services.

OCBC Bank's key markets are Singapore, Malaysia, Indonesia and Greater China. It has about 530 branches and representative offices in 19 countries and regions. These include over 260 branches and offices in Indonesia under subsidiary Bank OCBC NISP, and over 80 branches and offices in Mainland China, Hong Kong SAR and Macau SAR under OCBC Wing Hang.

OCBC Bank's private banking services are provided by its wholly-owned subsidiary Bank of Singapore, which operates on a unique open-architecture product platform to source for the best-in-class products to meet its clients' goals.

OCBC Bank's insurance subsidiary, Great Eastern Holdings, is the oldest and most established life insurance group in Singapore and Malaysia. Its asset management subsidiary, Lion Global Investors, is one of the largest private sector asset management companies in Southeast Asia.

For more information, please visit www.ocbc.com.

For media queries, please contact:

Dominic Ying

Vice President

Group Brand and Communications

OCBC Bank

HP: (65) 9023 4650

Lim Zi Hao

Assistant Vice President

Group Brand and Communications

OCBC Bank

HP: (65) 9026 5901

ANNEX A

- An interest rate reflects the funding cost which banks lend and customers borrow, depending on the prevailing economic conditions.
- An interest rate benchmark is an aggregated single number that reflects the funding cost in the financial system.
- An interest rate benchmark is widely used in a broad range of banking products. It is an important reference point that facilitates a transparent comparison across savings, loans and investments.
- Therefore, an interest rate benchmark should be credible, reliable, transparent and independently published.
- SORA, being an overnight rate published by the MAS daily, is a robust and stable interest rate benchmark to price a home loan.
- The OCBC 90-Day SORA Home Loan methodology of ‘simple average in advance’ gives retail customers a clear understanding and exact knowledge of the applicable interest rate, the interest amount and the loan instalment to be paid in the coming month, giving retail customers sufficient time to prepare the necessary funds.
- As an overnight lending and borrowing rate among banks, SORA lacks a term and credit risk premium. This economic difference results in SORA being typically lower than SIBOR as shown in the graph below.

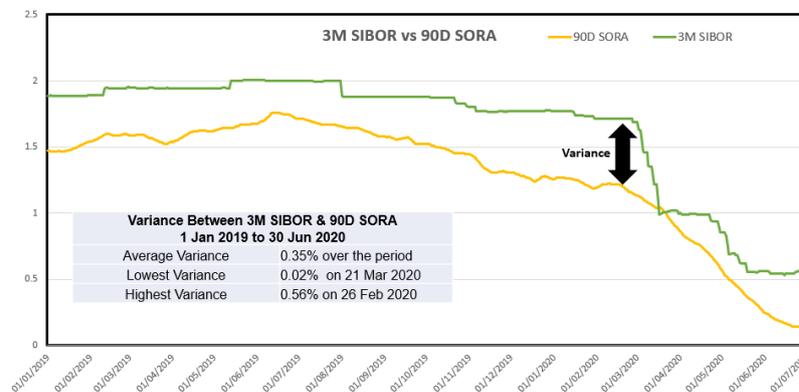


Illustration: Determining the ‘90-day simple average in advance’ SORA rate

The OCBC 90-day SORA rate is determined by taking a simple average of the daily SORA rates of the past 90 calendar days. The 90-day SORA rate is then applied in advance on the loan amount to calculate the interest amount to be paid for the coming one month.

