

Common Bonds Terminology

Term	Definition
Coupon Rate	Stated rate of interest that the bond issuer promises to pay the bondholder over the life of the bond, unless it is a floating rate bond.
Maturity Date	Indicates the length of time until the bond comes due and the bondholder is repaid the face value of the bond.
Price or Yield	A percentage measurement. Price of 100 = "100% of notional amount". Similarly, price of 88.65 = "88.65% of notional amount"
Par Value/Notional Amount	Face value of the bond. The amount is used to calculate payments made on that instrument. eg. HKD250,000, USD100,000, CNY1mil.
Discount	Bonds trading below par value trade at a discount.
Premium	Bonds trading above par value trade at a premium.
Bid Price	The price at which bondholders can sell a bond to dealers.
Ask Price	The price at which the public can buy a bond from a dealer or trader.
Bid/ask Spread	Difference between the bid and ask price of the bond, part of which is a commission that goes to the broker.
Accrual interest	The interest that has accumulated since the principal investment, or since the previous interest payment. When a bond is sold between interest payment dates, the seller is eligible to some fraction of the coupon amount
Credit Rating	An evaluation by a rating company of the probability that a particular bond issue will default
Seniority/ Ranking	Order of repayment in the event of a sale or bankruptcy of the issuer.
Day count convention	<p>This determines the number of days between two coupon payments and how interest accrues over time. The day count is also used to quantify periods of time when discounting a cash-flow to its present value.</p> <ul style="list-style-type: none">• 30/360 – This assumes 30 days in a month and 360 days in a year. This convention is commonly used for US corporate bonds and many US agency issues.• Actual/365 – Based on actual calendar day count and assuming 365 days a year (even in leap years). It ensures that all days in a coupon period are valued equally. However, the coupon periods themselves may be of different lengths; in the case of semi-annual payment on a 365 day year, one period can be 182 days and the other 183 days. This convention is commonly used for US treasuries, in Europe and Asia.

Priority of Bonds

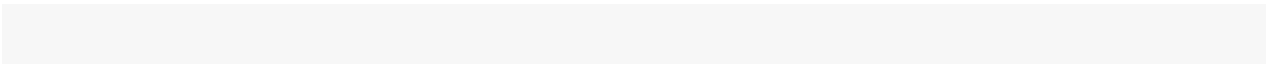
Term	Definition
Secured debt	Type of corporate bond that has some form of collateral, which is pledged to ensure that there is payment of the debt.
Senior/unsubordinated	Debt that takes priority over other unsecured or otherwise more "junior" debt owed by the issuer.
Junior/subordinated	Debt which ranks after other debts should a company fall into liquidation or bankruptcy.

Bond Coupon Structures

Term	Definition
Fixed Income	Fixed coupons over a fixed schedule.
Zero Coupon	No coupons to the holder and are issued at a discount.
Floater/Inverse Floater	Coupons that reset at predetermined times. The rate is usually based on an index or benchmark with some sort of spread added or subtracted to the benchmark.
Caps/floors	States the maximum/minimum coupon.
Step-up feature	Coupons increase or "step-up" at a stated date.
Deferred coupon	Coupons which only start paying after a stated date.

General Bonds Risk Factor

Risk Factor	Description
Interest Rate	As rates increase, bond prices decline and vice versa. Rate sensitivity is determined by maturity, coupon rate, embedded options.
Yield Curve	Interest rate sensitivity based on a parallel shift in yield curve not matching actual yield curve movement.
Credit	Default risk, widening credit spreads, downgrade risk.
Liquidity	Widening of bid-ask spread.
Exchange-Rate	Receiving less in domestic currency for a foreign currency denominated security.
Volatility	For bonds with embedded options, higher expected volatility implies high option values.
Inflation	The decline in value of securities cash flow due to inflation, which is measured in terms of purchasing power.
Event	1) Natural Disasters or Industrial Accidents 2) Corporate Takeovers/Restructurings 3) Regulatory Risk



Bonds Rating

Moody's		S&P		Fitch		Rating Description	Grade
Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term		
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime	Investment Grade
Aa1		AA+		AA+		High grade	
Aa2		AA		AA			
Aa3		AA-	AA-				
A1	P-2	A+	A-1	A+	F1	Upper medium grade	
A2		A		A			
A3	P-3	A-	A-2	A-	F2	Lower medium grade	
Baa1		BBB+		BBB+			
Baa2	P-3	BBB	A-3	BBB	F3		
Baa3		BBB-		BBB-			
Ba1	Not prime	BB+	B	BB+	B	Non-investment grade speculative	Non-Investment Grade
Ba2		BB		BB			
Ba3		BB-		BB-			
B1		B+		B+			
B2		B	B				
B3		B-	B-				
Caa1	Not prime	CCC+	C	CCC	C	Substantial risks	
Caa2		CCC				Extremely speculative	
Caa3		CCC-				Default imminent with little prospect for recovery	
Ca		CC					
C	C						
-		D	-	DDD	-	In default	
				DD			
				D			

Bond Glossary

Annual Coupon Rate/ Coupon (%)

The annual cash coupon payments paid by the issuer relative to the bond's face or par value.

Callable

Indicates whether the bond is subject to early redemption through a call provision, at the option of the issuer.

Credit Rating

The evaluation of the credit worthiness of a debtor made by a credit rating agency of the debtor's ability to pay back the debt and the likelihood of default.

Coupon Type

The type of interest to be paid to investors. A bond's coupon type can be fixed or floating rate.

Coupon Frequency

The number of times per year which interest is paid.

Corporate Bond

A corporate bond is a bond issued by a corporation in order to raise financing for a variety of reasons such as to ongoing operations, M&A, or to expand business.

Country of Risk

The main country where an issuer's risk exposure comes from. The methodology to determine country of risk consists of four factors listed in order of importance: management location, country of primary listing, country of revenue and reporting currency of the issuer.

Currency

The currency in which the bond was issued, not necessarily the currency in which the bond trades or pays its coupons.

Guarantor

The entity which guarantees the debt of the issuer if a bond has an explicit guarantee provision.

Guarantor Level

Debt payment rank at which the debt will be ranked equally with the guarantor's own debt.

Increment

The minimum increment of the face value of the bond in addition to the minimum piece, as originally specified in the issuer's offering documentation (e.g., prospectus or offering memorandum) of the security.

Indicative Ask Price

The price at which the public can buy a bond from a dealer or trader.

Indicative Bid Price

The price at which bondholders can sell a bond to dealers.

Indicative Bid Yield to Maturity

The annual rate of return paid if the bond is held to its maturity date. The calculation is based on the coupon rate, length of time to maturity, and indicative market bid price. It assumes that coupon interest paid over the life of the security is reinvested at the same rate.

Indicative Offer Yield to Maturity

The annual rate of return paid if the bond is held to its maturity date. The calculation is based on the coupon rate, length of time to maturity, and indicative market ask/offer price. It assumes that coupon interest paid over the life of the security is reinvested at the same rate.

ISIN Code

A twelve-character number assigned by the local national numbering agency. The International Securities Identification Number (ISIN) consists of a two-letter country code, followed by the nine character alphanumeric national security identifier, and a check digit. Each bond will have a unique ISIN code.

Issuer

The issuing entity of the bond.

Level of Risk Taking

Means the client risk tolerance level, it is assessed by UOB Kay Hian 's risk profile questionnaire. UOB Kay Hian clients, please contact your Dealer Representative, Wealth Advisor or Client Services Hotline at +603-2147 1888 for your Level of Risk Taking.

Maturity Date

The date on which a bond matures. The bond's principal will be paid to the bondholder on the maturity date if no default occurs.

Minimum Piece

The minimum tradable amount or investment, as originally specified in the issuer's offering documentation (e.g., prospectus or offering memorandum) of the security.

Rank

A bond's seniority in the obligor's capital structure. It represents the priority of payment when bond issuer defaults.

Settlement Currency

The currency in which the bond is settled.

Sovereign Bond

A sovereign/government bond is a bond issued by a national government. Government bonds can be denominated either in the country's own currency or foreign currency.

S&P, Moody's and Fitch

They collectively are called the Big Three credit rating agencies. They hold a collective global market share of "roughly 95 percent" with Moody's and Standard & Poor's having approximately 40% each, and Fitch around 15%.

Moody's		S&P		Fitch		Rating Description	Grade
Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term		
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime	Investment Grade
Aa1		AA+		AA+		High grade	
Aa2		AA		AA		Upper medium grade	
Aa3		AA-		AA-		Lower medium grade	
A1	P-2	A+	A-1	A+	F1	Upper medium grade	
A2		A		A			
A3		A-		A-			
Baa1	P-3	BBB+	A-2	BBB+	F2	Lower medium grade	
Baa2		BBB		BBB			
Baa3		BBB-		BBB-			
Ba1	Not prime	BB+	B	BB+	B	Non-investment grade speculative	Non-Investment Grade
Ba2		BB		BB		Highly speculative	
Ba3		BB-		BB-		Substantial risks	
B1		B+		B+		Extremely speculative	
B2		B		B		Default imminent with little prospect for recovery	
B3		B-		B-		In default	
Caa1	C	CCC+	C	CCC	C	Substantial risks	
Caa2		CCC		CCC		Extremely speculative	
Caa3		CCC-		CCC		Default imminent with little prospect for recovery	
Ca		CC		CCC		In default	
C	/	C	/	DDD	/	Substantial risks	
/		D		DD		Extremely speculative	
/		D		D		Default imminent with little prospect for recovery	

Years to Maturity

The number of years between today and its maturity date which means the remaining life of a debt instrument.