



The Kingdom of Thailand

THB Bond Switch Transaction

Investor Presentation

August 2016



สำนักงานบริหารหนี้สาธารณะ
PUBLIC DEBT MANAGEMENT OFFICE



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Section 1: Thailand Macroeconomic Overview



Fundamentals – More resilient to shocks than before



- Thailand's short term external debt currently stands at approx. 34.3% of reserves which puts us in a strong position (Current reserve is almost 5 times above 1997 levels)
- Public sector debt is only at 44.4% of GDP as of Q216, while the ratio of total external debt to GDP is at 32.7%
- The more balanced structure of capital flows results in less volatility of THB vs. other Asian currencies. We have witnessed strong weekly bond inflows into Thailand of c. USD 150m as of mid August 2016
- The current account has been in surplus since 1998, with the exceptions of 2005, 2012 and 2013, partially due to the strong tourism sector
- Gross financing needs in 2016 is only 6.3% of GDP, compared to the EM average of 11.8%, largely due to Thailand's low budget deficit of 0.4%

	GDP Size (USD bn)	Population (mn)	Private Consumption (% of GDP)	Government spending (% of GDP)	Investment (% of GDP)	Exports of goods (% of GDP)	Imports of goods (% of GDP)	FX reserves (USD bn, latest)
Bangladesh	220	159.8	72.6	13.8	29.0	14.4	17.0	27.5
China	10,662	1,374.6	37.4	31.9	43.3	21.3	15.8	3,330.00
Hong Kong	309	7.3	66.4	17.6	21.8	163.7	171.1	358.8
India	2,071	1,292.7	58.0	27.9	33.3	12.9	19.1	332.1
Indonesia	862	255.4	56.8	17.4	34.5	17.2	15.7	105.9
Malaysia	296	30.9	52.4	25.2	25.1	59.2	49.8	95.5
Philippines	292	102.1	72.4	19.4	20.9	14.8	22.3	80.7
Singapore	290	5.5	36.8	20.3	26.3	130.3	101.8	247.7
South Korea	1,355	50.6	50.3	21.1	28.0	40.5	31.7	436
Sri Lanka	82	21.1	67.7	18.3	27.9	12.8	23.1	7.3
Thailand	399	68.8	52.1	22.4	24.1	53.2	44.5	149.3
Vietnam	191	91.6	63.6	28.7	27.6	84.8	86.7	27.9

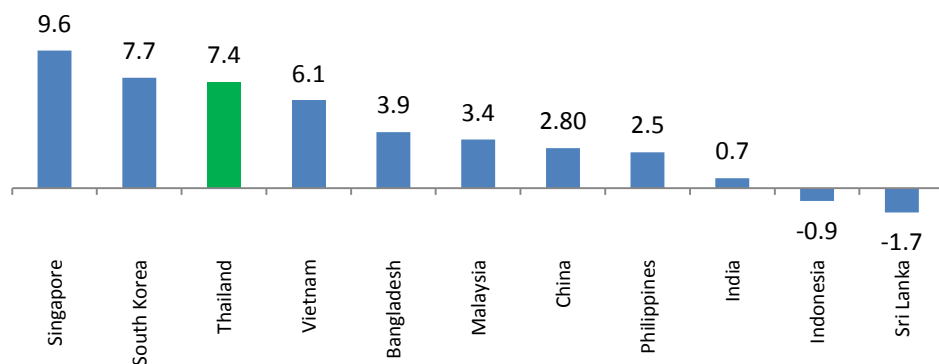
Data set as of 2015, except Private Consumption as of 2014. Certain data are forecasts from IMF

Source: National statistics office, IMF, World Bank, CEIC

Formidable external position

Strong external liquidity reduces need to rely on external financing

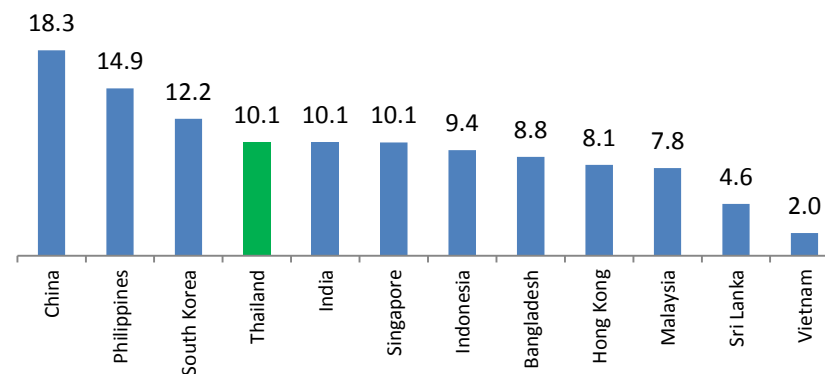
Current account balance + net FDI (2015, % of GDP)



Source: CEIC, IMF

... while strong external buffers safeguards the economy against global risk aversion

Foreign currency reserves import cover (2015, no. of months of imports)



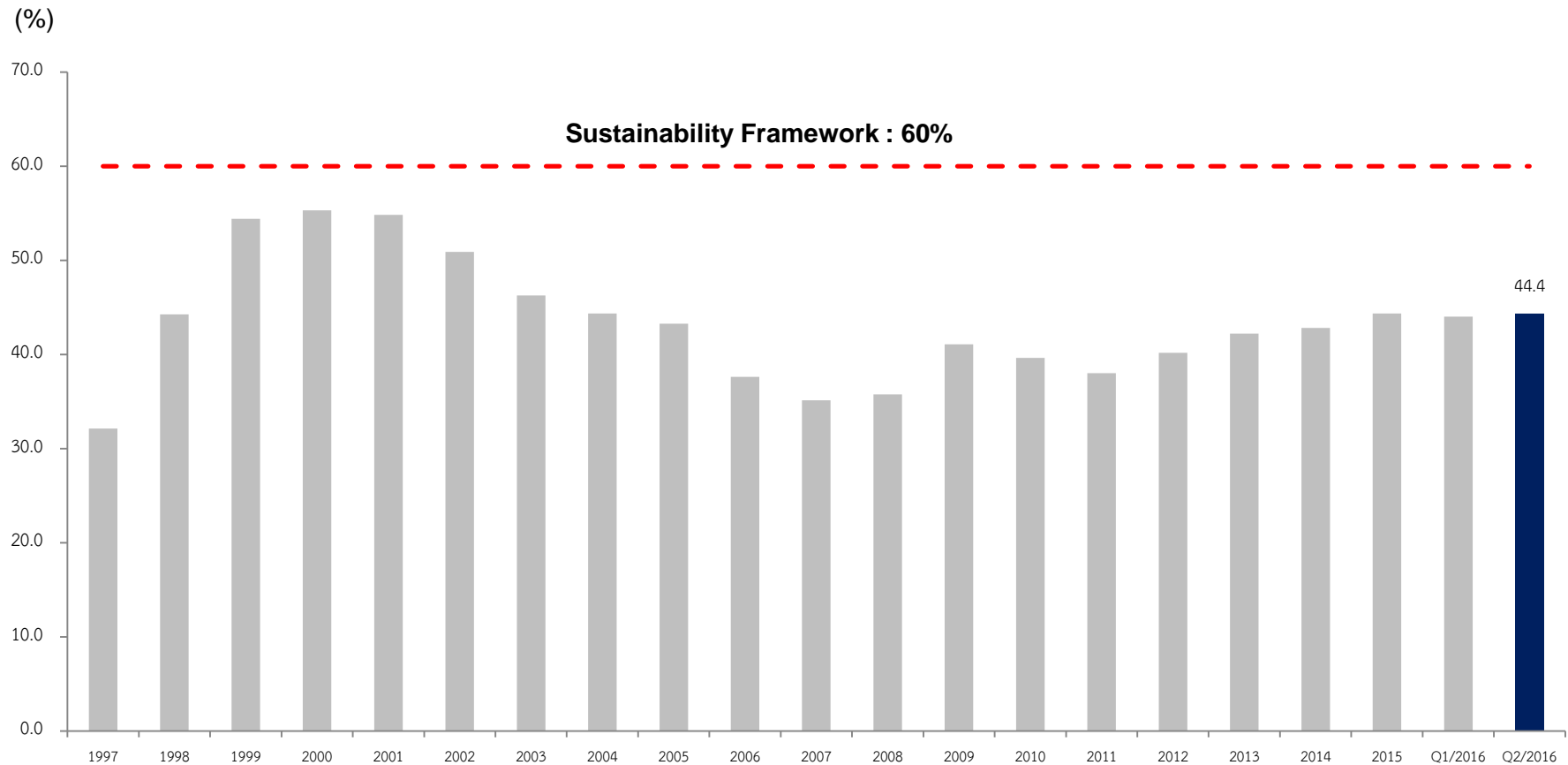
Source: CEIC, IMF

Proactive Debt Management Leads to Low Public Debt to GDP level

The Public Debt to GDP is well below 60%



Public Debt to GDP (%)



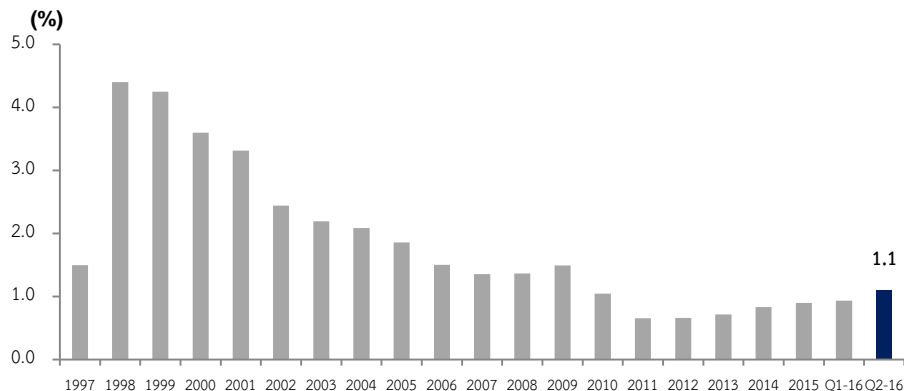
Source : Ministry of Finance

Macroeconomics Aspects

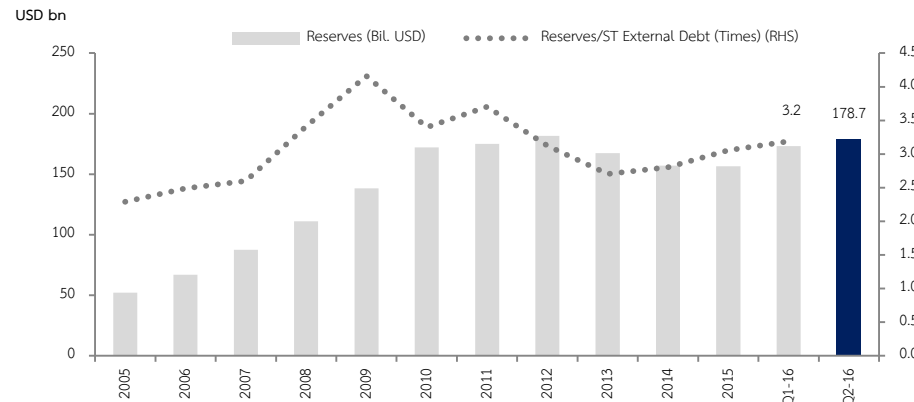
Resilient Economic and Strong Fiscal Positions to Withstand Negative Shocks



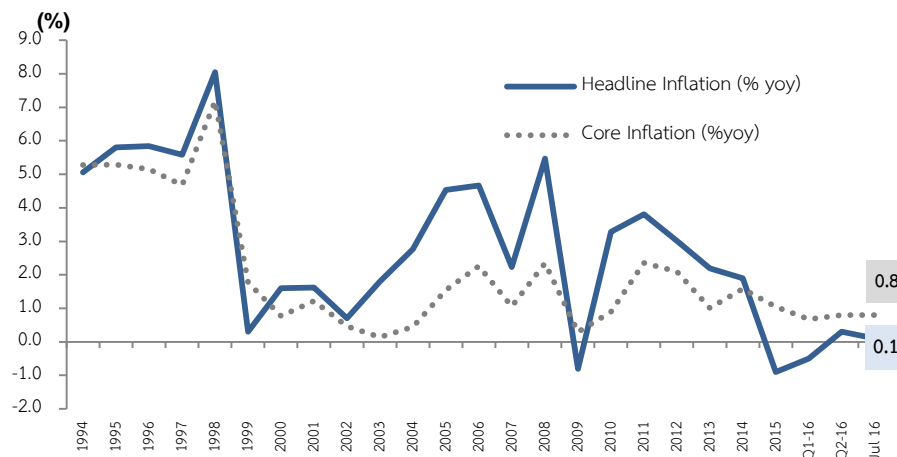
Low Unemployment Rate



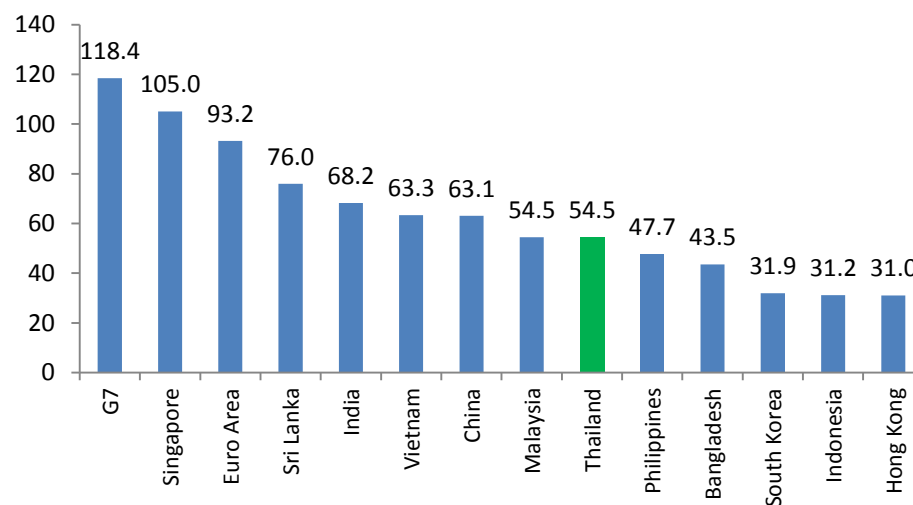
Strong International Reserves support Liquidity



Improving Economic Fundamental with Low Inflation



Low Debt Level in Comparison to Other Sovereigns



Section 2: Domestic Bond Market Development



Domestic Bond Market in Transition

Funding Infrastructure Investment and Connecting ASEAN



Market Deepening Oriented (2010 - 2012)

Sustainable

Water Decree (350,000 THB Mil.)

Source of Fund

Thai Khem Khang (350,000 THB Mil.)

Regional Connectivity / AEC

Baht Bond (Foreign Issuers Bond)

Debt Folio Enhancement

ATM Lengthened

Cost Lowered

FIDF Decree Passed = 70,000 THB Mil. Fiscal Space

Market Infrastructure

Appointed 14 MOF-Outright PD

Activated Public Debt Management Fund

Innovation / Product Development

Inaugural 10-yr Inflation-Linked Bond (10-yr)

Long-term Fixed Promissory Notes (25-35-45-yr)

Electronic Retail Savings Bond (3-5-yr)

Market Consultation

Annual PDMO Market Dialogue

Quarterly PDMO one-on-one PD Dialogue

Funding Infrastructure Investment Connecting ASEAN (2013 - 2017)

2016 Highlights

Full Funding Capacity : 1,200,000 THB Mil.

1,900,000 THB Mil. Long-Term Infrastructure Inv't

Baht Bond (CLMV)

Credit Guarantee Investment Facility (CGIF)

Foreign Currency Bond (Plan)

Well-Distributed Investor Base

Well-Balanced Fixed-Floating Ratio

Well-Distributed Maturity Profile / Bond Switching

Bond Switching (1st execution: 28 Nov 14)

Strengthening PD system
(Exclusivity, League Table, Greenshoes Option)

STRIPS Bond

Saving Bond Online

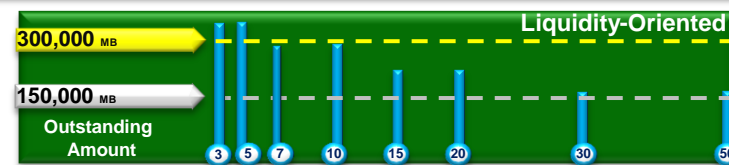
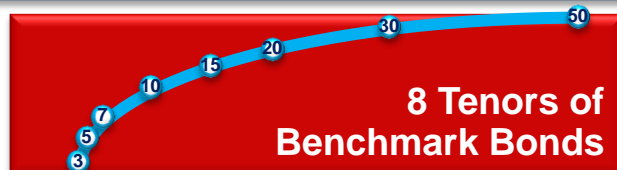
Super- Size Inaugural 25-yr Back-End Amortized Bond

Annual PDMO Market Dialogue

Quarterly PDMO one-on-group MOF Outright PD Dialogue

Monthly PDMO one-on-one MOF Outright PD Dialogue

Building Yield Curve / Enhancing Liquidity



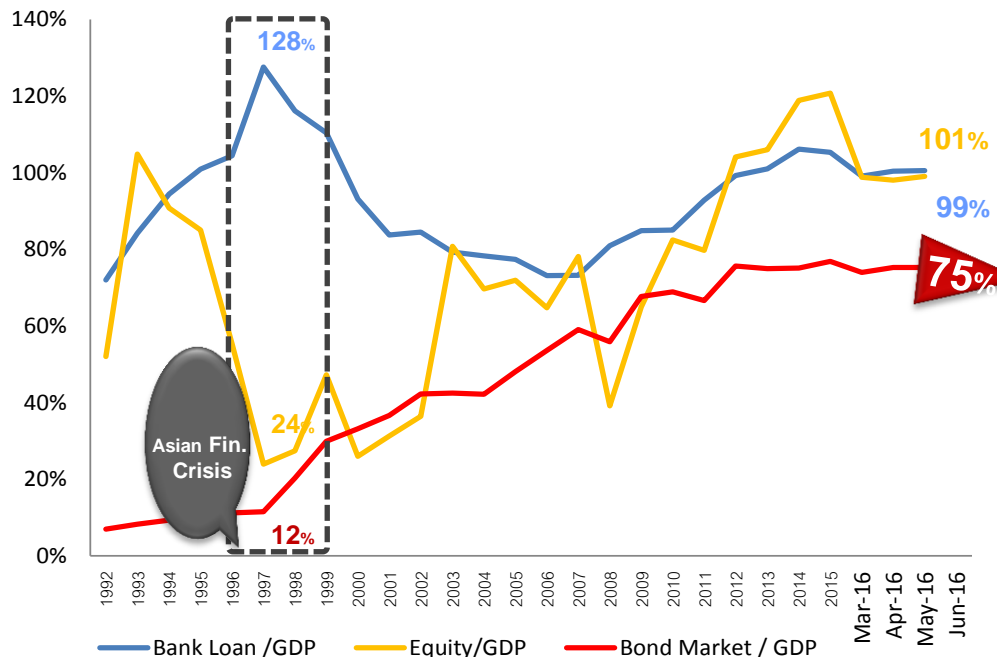
Bond Market Capitalization



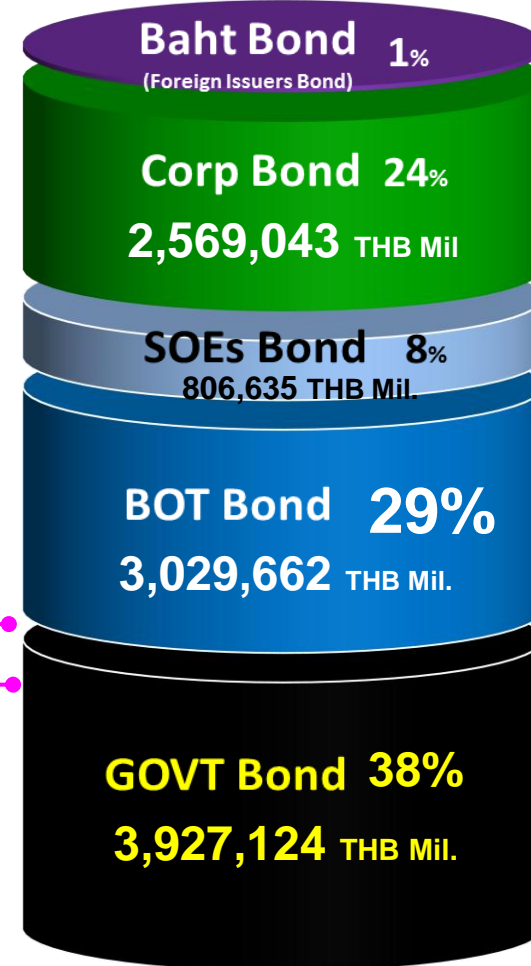
Bond Market Cap. = 10.4 THB Trillion (\$295 Bil.)*

GOVT Bond = 4.0 THB Trillion (\$111 Bil.)*

% Share of GDP

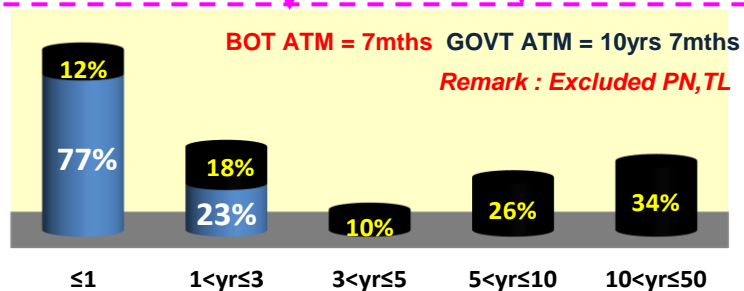


Domestic Bond Market Classified by Issuer



Maturity Profile

BOT vs GOVT Bond



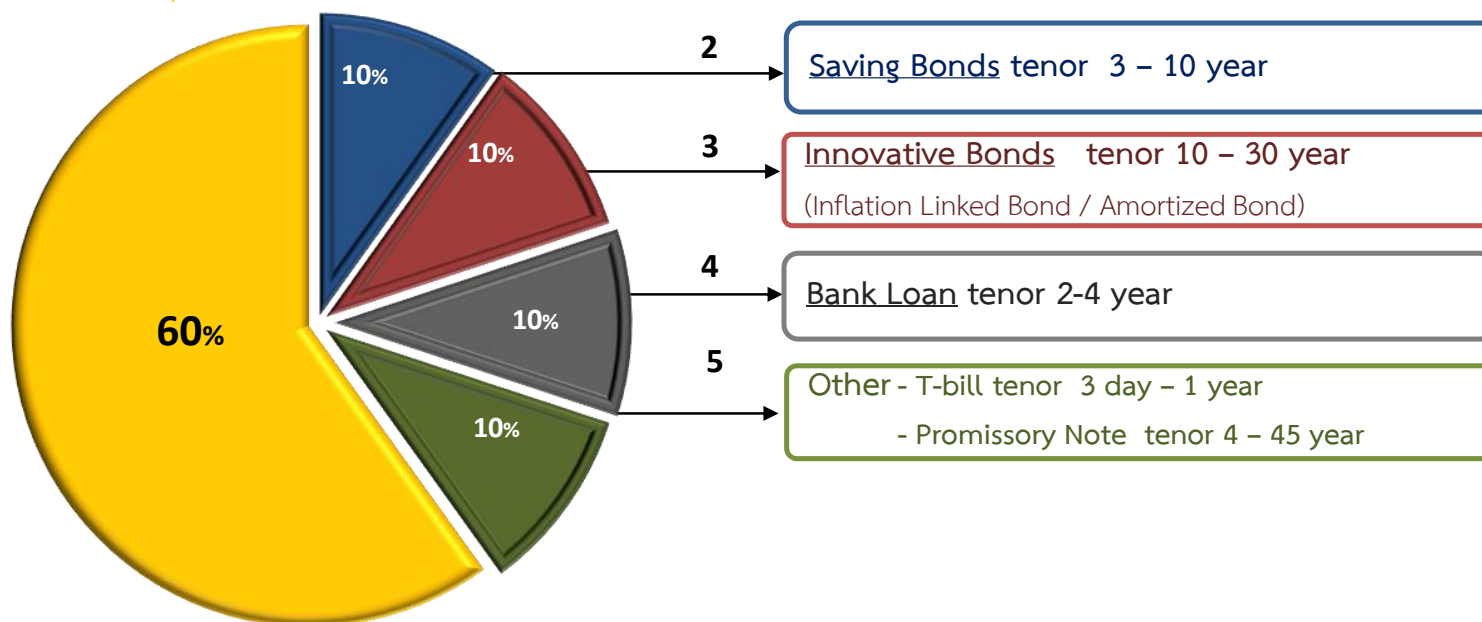
Note : * Data as of 30 June 2016 at the Exchange rate announced by the Bank of Thailand

Government Funding Strategy



1 Major government funding instrument is Benchmark Bonds

Comprising of 8 series such as 3-5-7-10-15-20-30-50 year



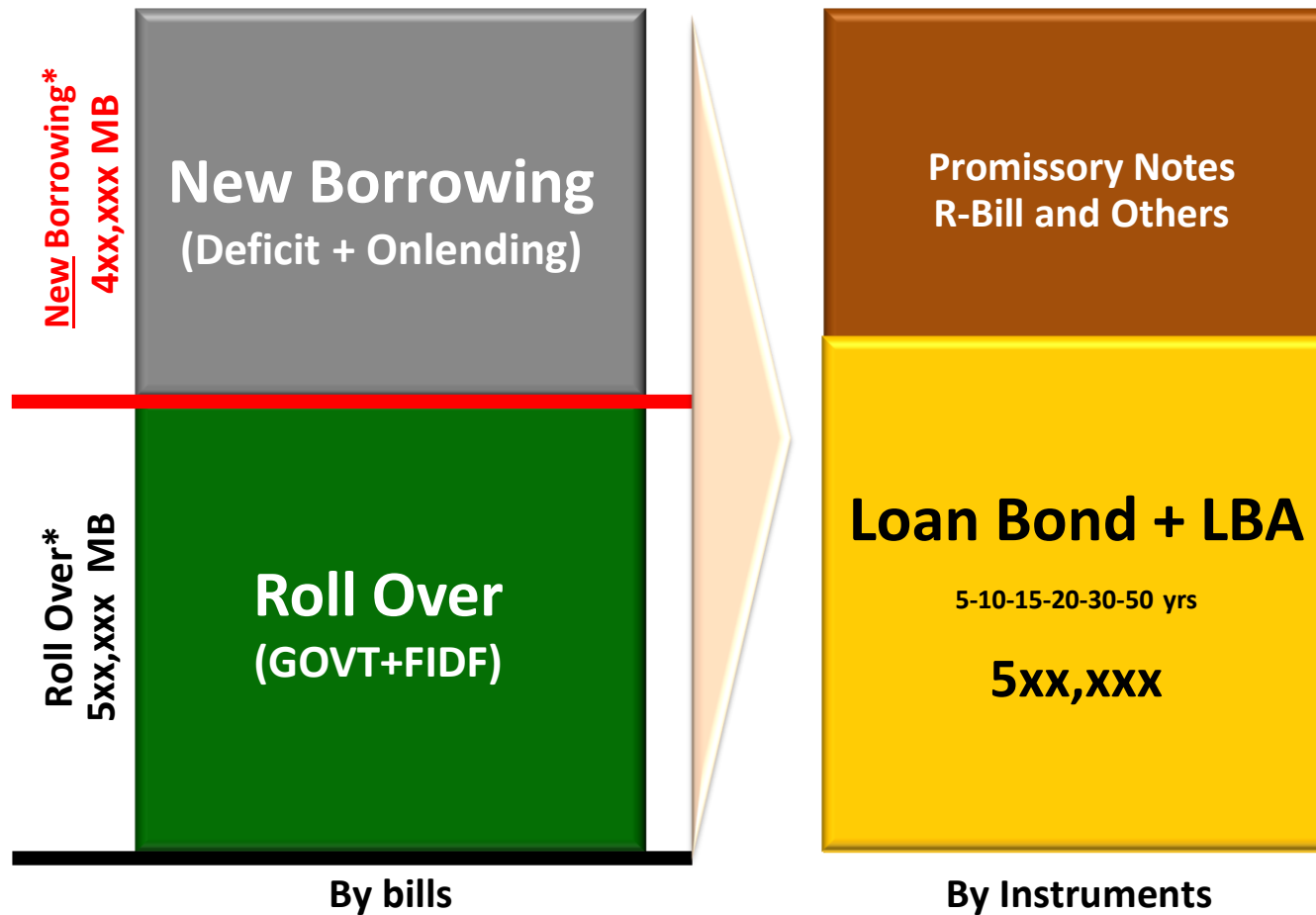
Unit : Percentage of funding need each year

Upcoming Government Fund Raising Plan FY2017

9xx,xxx MB



- Tentative -



- Remark :**
1. Exclude external funding for both new borrowing and rollover debt with amount of 71,xxx
 2. Exclude T-Bill rollover debt
 3. LBA : Amortized Bond

Section 3: Bond Switching Transaction



Bond Switching Objectives



Bond Switching

- **Bond Switching** is an exchange of a particular series of bonds determined by the Ministry of Finance (“Source Bonds”) with a particular series of bonds determined by the Ministry of Finance (“Destination Bonds”).
- **Objectives:**
 1. Reduce Refinancing and Bunching Risk
 2. Extend Debt Maturity Profile
 3. Enhance Liquidity in the Secondary Market

Benefits to Investors

- Opportunity to extend bonds maturity
- Opportunity to be allotted large portion of bonds
- Opportunity to exchange source bonds into destination bonds, which have higher liquidity
- Opportunity to select preferable destination bonds.

First Ministry of Finance's LB155A Switching Result



(THB : Mil.)

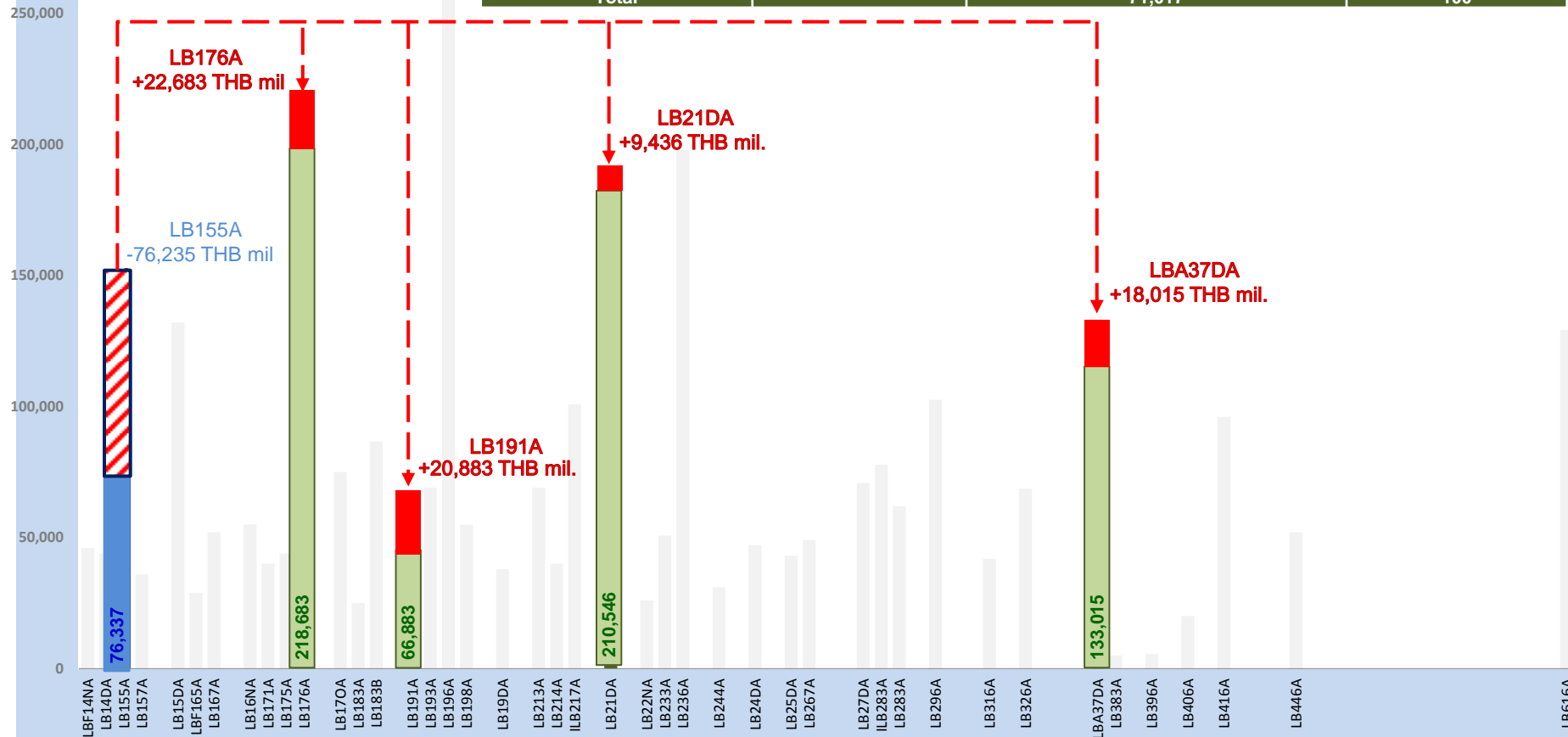
Outstanding Government Bonds Post Bond Switching

■ Source Bond
■ Destination Bond
■ Switched Amount

- Reduce risk 50% : THB 152,575 mil.
- Extend maturity profile : from 6 mths
- Enhance Liquidity : Issue new bond

THB 76,337 mil
 8 Yrs 9 mths
 THB 71,017 mil

Bond	TTM	New Issued Amount (THB Mil)	%
LB176A	2 Yrs 6 mths	22,683	32
LB191A	4 Yrs 1 mths	20,883	30
LB21DA	7 Yrs	9,436	13
LBA37DA	23 Yrs	18,015	25
Total		71,017	100



Ministry of Finance's LB15DA Switching Result



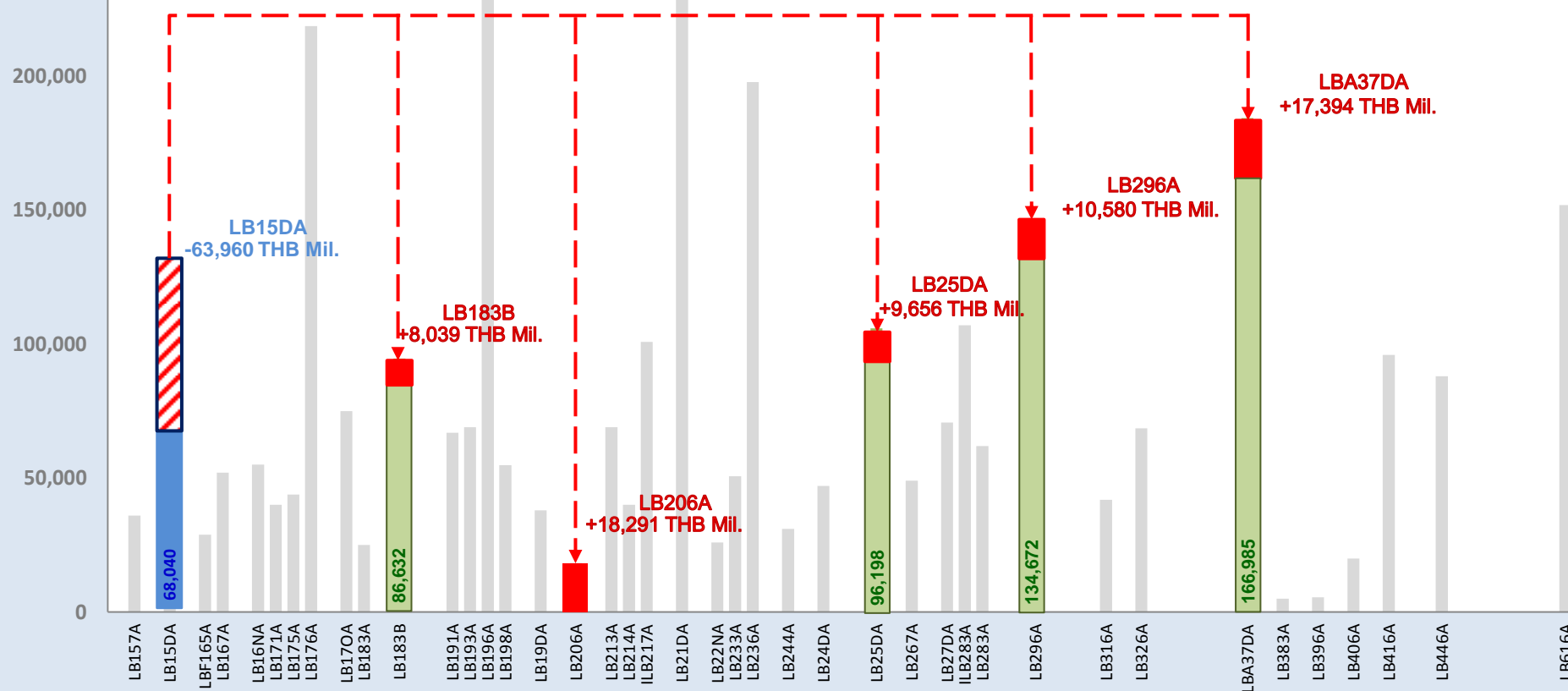
(THB : Mil.)

Outstanding Government Bonds Post Bond Switching

■ Source Bond
■ Destination Bond
■ Switched Amount

- Reduce risk 48% : THB 132,000 mil. → THB 68,040 mil
- Extend maturity profile : from 6 mths → 11 Yrs 9 mths
- Enhance Liquidity : Issue new bond THB 63,960 mil

Bond	TTM	New Issued Amount (THB Mil)	(%)
LB183B	2 Yrs. 9 months	8,039	13
LB206A	5 Yrs.	18,291	29
LB25DA	10 Yrs. 6 months	9,656	15
LB296A	14 Yrs.	10,580	16
LBA37DA	22 Yrs. 6 months	17,394	27
Total		63,960	100



Source Bond – LB176A



Issuer	The Ministry of Finance of Thailand
Thai Bond Market Association Symbol	LB176A
ISIN Code	TH062303R603
Initial Par	THB 1,000.-
Current Par	THB 1,000.-
Outstanding Size	THB 218,683.00 million
Issue Date	11 November 2011
Maturity Date	16 June 2017
Issue Term	5.6 Years
Coupon	Fixed Rate at 3.250% p.a.
Payment Frequency	Semi-Annually
Calculation Method	30/360
Put/Call Option	None
Registrar	Bank of Thailand

Destination Bond – 5 Series

ThaiBMA Symbol	Time to Maturity (As of 22 Aug 2016)	Outstanding Amount (As of 22 Aug 2016)	Remark
1. LB206A	3 years 10 months	177,118 THB mil.	-
2. LB226A	5 years 10 months	30,000 THB mil.	On-the-run
3. LB26DA	10 years 4 months	15,000 THB mil.	On-the-run
4. LBA37DA	21 years 4 months	204,379 THB mil.	Amortized Bond
5. LB666A	49 years 10 months	49,000 THB mil.	On-the-run

Indicative Details Subscription and Closing Timetable



<u>Key Transactions</u>	<u>Tentative Dates</u>	<u>Key Activities</u>	<u>Responsible Parties</u>
Announcement	22 Aug 2016	<ul style="list-style-type: none"> Announcement of execution details <ul style="list-style-type: none"> Destination bonds / exchange schedule & detail 	JLMs & PDMO
Pricing	25 - 26 Aug 2016	<ul style="list-style-type: none"> From 5:30 pm on 25 Aug 2016 to 4:00 pm on 26 Aug 2016, investors submit the following details to JLMs: <ul style="list-style-type: none"> Exchange Offer Form, which is filled in source bonds tendering amount and required yield of destination bonds Instruction Letter Account Instruction Form 4:00 pm on 26 Aug 2016, PDMO and JLMs jointly allocate the destination bonds to successful bidders 	PDMO, JLMs, Investors, Custodian, BOT
Allotment and Confirmation	29 Aug 2016	<ul style="list-style-type: none"> Officially allotment JLMs send Exchange Acceptance Form to investors and Instruction to transfer to custodian 	JLMs & Investors
Submit report	30 Aug 2016	<ul style="list-style-type: none"> JLMs submit switching result report and cash settlement detail to BOT. BOT informs TSD the exchanged amount of source and destination bonds 	JLMs, BOT, TSD
Settlement	31 Aug 2016	<ul style="list-style-type: none"> Within 10:00 am, investors transfer source bonds to BOT and top-up cash settlement to JLMs. (In case that investors pay PDMO) Within 12:00 pm (noon), JLMs transfer investor's top-up cash settlement to BOT. (In case that investors pay PDMO) Within 3:00 pm, BOT transfers destination bonds and top-up cash (in case that PDMO pays investors) to investors. Bonds exchange completed. 	JLMs, BOT, TSD, Investors



สำนักงานบริหารหนี้สาธารณะ
PUBLIC DEBT MANAGEMENT OFFICE

Contact PDMO: www.pdmo.go.th
Tel: (662) 271-7999 #5807, 5814

Suwit Rojanavanich	Director-General	suwit@mof.go.th
Upama Jaihong	Executive Director of Bond Market Development Bureau	upama@pdmo.go.th
Nakarin Prompat	Acting Director of Financial Product Development	nakarin@pdmo.go.th
Phimonphan Tanwattana	Economist	phimonphan@pdmo.go.th
Nantachod Samarnwong	Economist	nantachod@pdmo.go.th
Sittan Sathianphattanakool	Economist	sittan@pdmo.go.th