

Q&A at Bond Switching Investor Roadshow for Fiscal Year 2017

1. **Question:** What criteria does the Ministry of Finance use in selection of Source Bonds (SBs) and Destination Bonds (DBs)?

Answer: The MOF chooses SBs from currently outstanding bonds which has time to maturity less than 3 years, while the Joint Lead Managers (Bangkok Bank PCL, Krungthai Bank PCL, and Standard Charter Bank (Thai) PCL) will help survey investors for potentially high demand DBs. Based on Bond Switching exercises in the past, there would be 4-5 eligible DBs, and most are long-tenor Benchmark On-the-Run with which have high liquidity.

2. **Question:** Please elaborate the decision making on the allotment process and priority of allotment, in relations to the Multiple-SBs-to-Multiple-DBs exercise. Would the allocation be in a pro-rata manner?

Answer: The MOF has set priorities based on the exercise's objectives, of which reduction in refinancing risks is most important. Hence, SBs which have higher outstanding balance and shorter time to maturity, would receive favorable considerations. Likewise, DBs which would extend time-to-maturity would receive the next favorable considerations. The decision making on the allotment process will be fair, and investors whose DBs pricing are within the MOF accepted ranges, will be allotted DBs in pro rata method.

3. **Question:** What would the MOF do to the SBs accepted from this Bond Switching exercise?

Answer: The MOF will effectively redeem all the bonds it has received from this exercise, and as a result the outstanding amount of the redeemed tranche of SBs will reduce.

4. **Question:** Does the MOF intend to complete all the Bond Switching 2017 targeted amount of up to THB 90bn, all within one exercise in June 2017?

Answer: The number of exercises required to achieve the 2017 targeted amount would depends on investors demand. Nevertheless, effort will be concentrated on the June exercise to achieve as much as possible toward the targeted amount.

5. **Question:** In relations to the allocated Electronic Auction amount, does the MOF refer to the allocated E-Switching amount of 10-20% of the THB 90bn 2017 targeted amount, or there is a separate additional amount allocated for E-Switching?

Answer: The MOF plans to do Bond Switching exercise via Electronic Auction venue, the amount of which allocated will be within the 2017 targeted amount. The MOF expects to do E-Switching not more than 10% of the THB 90bn 2017 targeted amount during August 2017.

6. **Question:** Would the list of eligible SBs and DBs for Bond Switching exercise in August 2017 be similar to the ones used in the Syndication exercise in June 2017?

Answer: The MOF will select eligible SBs and DBs based on the same set of objectives as the ones used in June. Hence, the list of eligible SBs and DBs may not change. The MOF, during the course of determination, will survey demand from its Primary Dealers. It should be noted also that, the E-Switching venue will be able to handle Bond Switching in all permutation, namely One-to-One, On-to-Multiple, Multiple-to-One, and Multiple-to-Multiple. However, for this first-time E-Switching exercise, the MOF will introduce the simplest transaction format to help ease investors, which is expected to be One-to-One or One-to-Multiple and will be conducted through the Primary Dealers.

7. **Question:** LB183 has both tranche A and tranche B, while the MOF selected LB183B, but not LB183A, as an SB. Would the MOF please clarify its rationale against allowing both tranches as SBs?

Answer: LB183B has higher outstanding amount and has more liquidity in the market than its tranche A, in comparison. Selecting LB183B as an SB, would help investors whom do not have SBs in portfolio, and would look to purchase SBs in order to participate in this Bond Switching exercise.

8. **Question:** How would the MOF disseminate its announcement of list of eligible DBs, so that the information fairly and timely reaches every investor?

Answer: The MOF will disseminate its announcement of list of eligible DBs via as many public portals as possible. These include, but not limited to, the Public Debt Management Office's website, the JLMs channels, Bloomberg, Reuter and Custodian, to name a few.

9. **Question:** What are the accounting standard and practice for investors whose SBs are classified as Held-to-Maturity?

Answer: The Thai Account Standard (TAS) 105 Accounting for Investments in Debt and Equity Securities, Section 13, announced by the Thailand Federation of Accounting Professional, requires that investor who desires to use any SBs currently accounted/classified as HTM, must reassess all of its HTM debt securities. The steps required are as follows;

- Reassess its ability and intent to hold to maturity, all its HTM holdings
- Realized the difference between sale value of SB and fair value of DB, in Profit and Loss Statement
- Report the change in HTM securities, in the Notes to Financial Statement, as follows;
 1. Amount at cost of securities sales and/or transfer
 2. Amount of realized profit/loss
 3. Amount of unrealized profit/loss
 4. Explanation of event leading to the sales and/or transfer

Example: *Notes to Financial Statement relating to Bond Switching exercise:*

"In relations to the MOF's Bond Switching exercise for its liability management efficiency, the MOF allows its bondholders to exchange eligible nearly matured Source Bonds for new eligible longer dated Destination Bonds, during 2017. The Company has participated in the transaction, by exchange nearly matured bonds in an amount at cost of THB xxx, for eligible Destination Bonds, and realized profit (loss) from the transaction in an amount of THB xxx. In so doing, the Company has reassessed all remaining of its bond holding, including the newly acquired Destination Bonds, for classifications based on the required account standard, as disclosed in x.x"