



สำนักงานบริหารหนี้สาธารณะ
PUBLIC DEBT MANAGEMENT OFFICE



The 6th Asian Bond Markets Summit

14th November 2011

Raffles City Convention Centre, Singapore

By The Asset FORUM in Associate with Asian Development Bank (ADB)

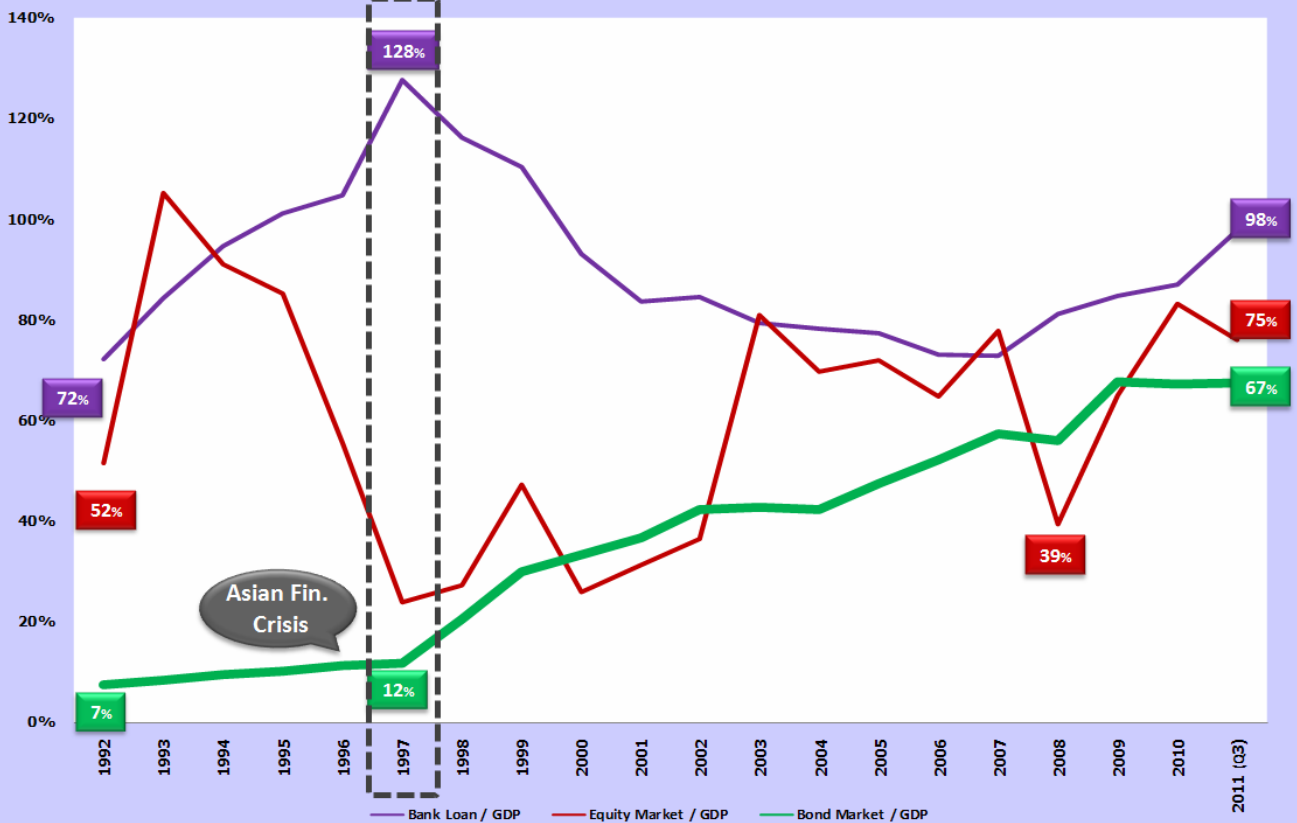
**Bond Market Development Bureau
Public Debt Management Office
Ministry of Finance
Kingdom of Thailand**



Thailand's Bond Market Has Grown Strongly for More Than a Decade

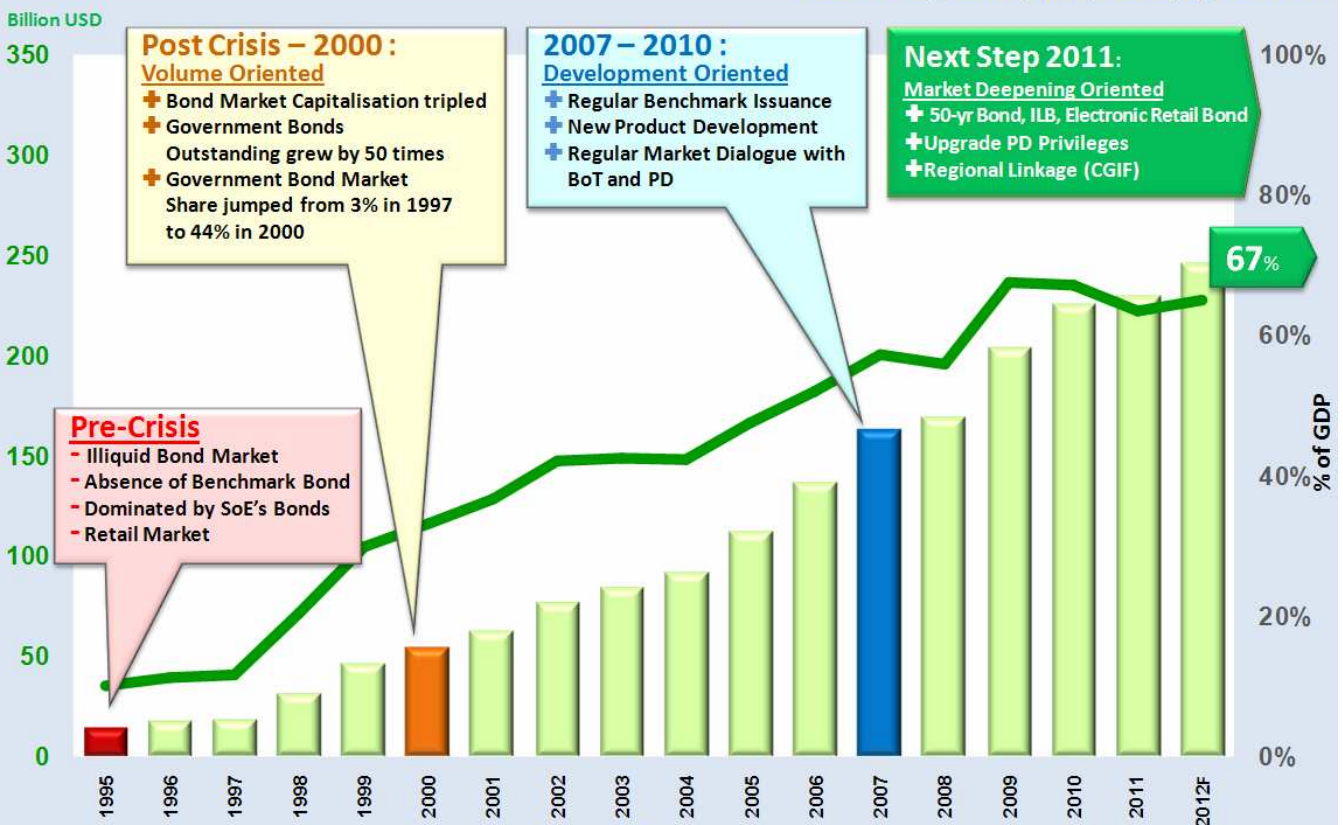
Public Debt Management Office, Ministry of Finance, Kingdom of Thailand

Absence of Domestic Bond Market (12% of GDP in 1997)



The Thai Bond Market Has Developed Rapidly and Efficiently

Public Debt Management Office, Ministry of Finance, Kingdom of Thailand





2007: PDMO Revised the Strategy of Benchmark Bond Issuance in 3 ways

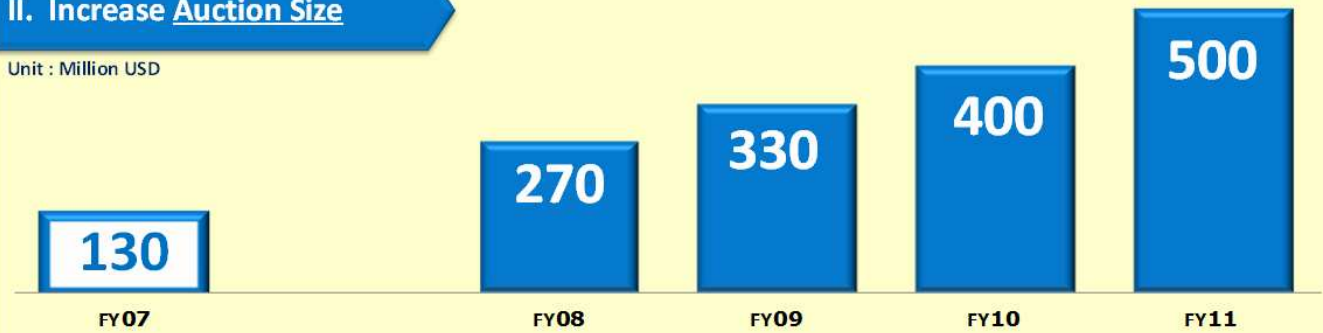
Public Debt Management Office, Ministry of Finance, Kingdom of Thailand

I. Reduce Auction Frequency

from **Once a Week** to **Every Other Month**
(to create Even Distribution of the Benchmark Bond Supply over the year)

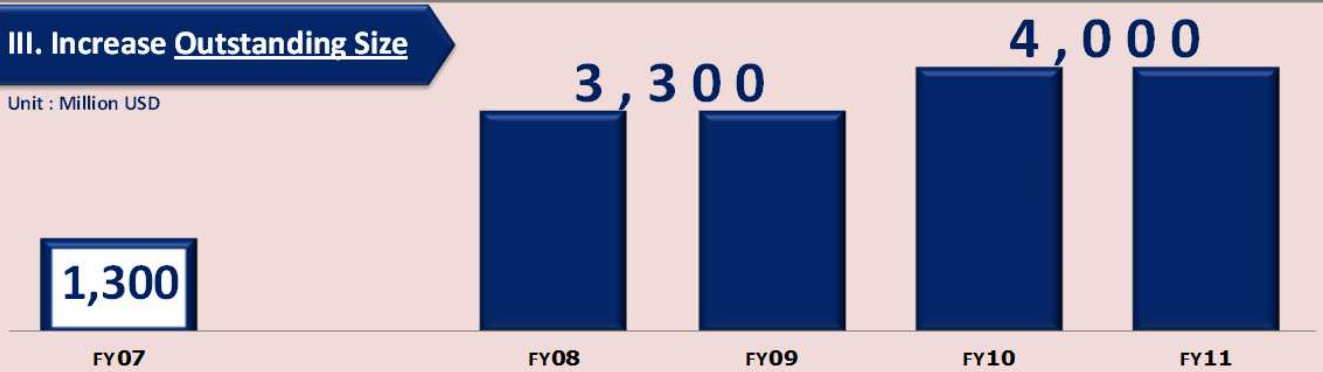
II. Increase Auction Size

Unit : Million USD



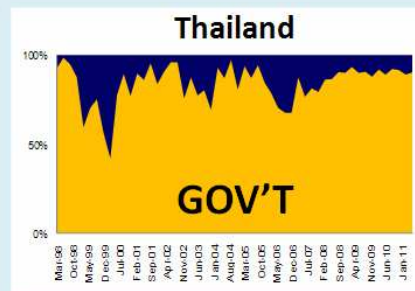
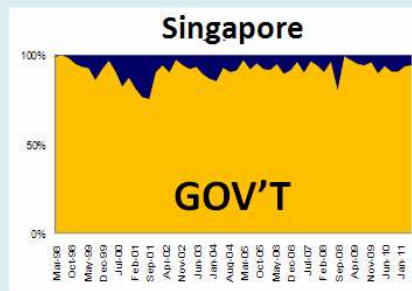
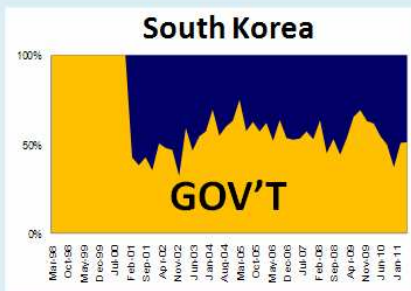
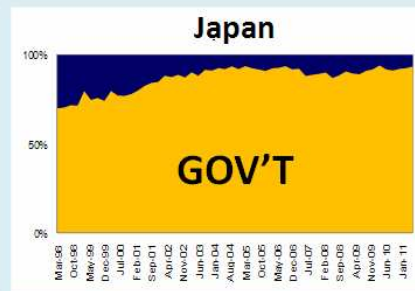
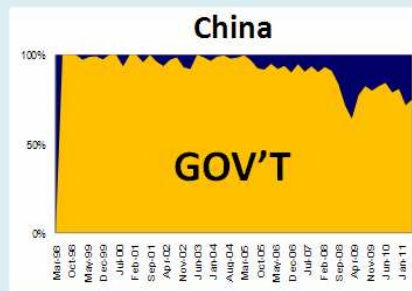
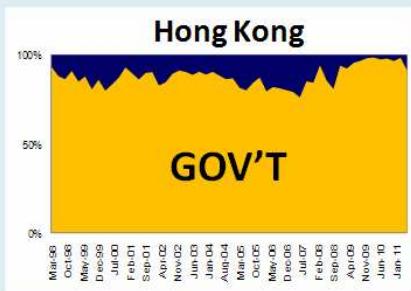
III. Increase Outstanding Size

Unit : Million USD



Local Currency Bond Issued by Government Agencies and Corporate

Public Debt Management Office, Ministry of Finance, Kingdom of Thailand



Government

Corporate

Source : Asian Bond Online



Keep Our Word to get Investor Confidence for the Plan

Firm Committed Supply of Benchmark Bond Regardless of Budget uncertainty

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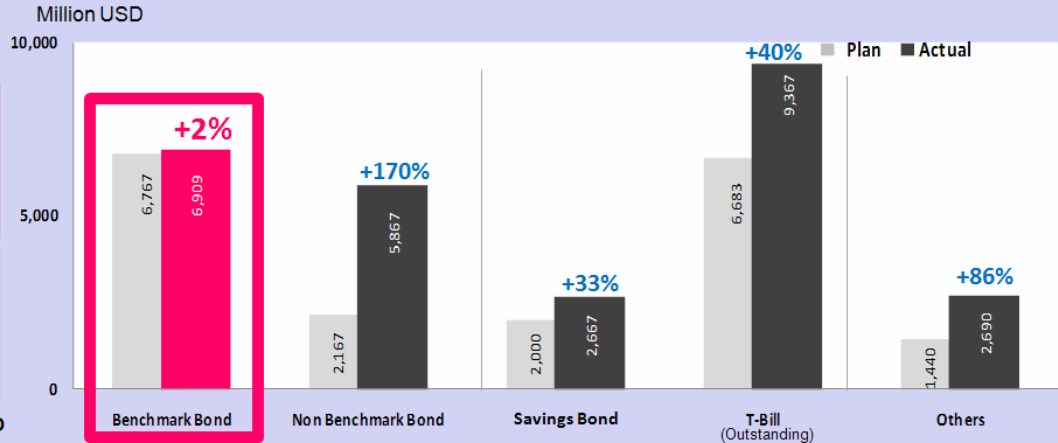
FY2009

Higher government funding needs due to Stimulus Package I & II

approx. **+8.4 bil USD**

Total Funding needs increased from: 14.2 bil USD to 22.6 bil USD **(+59%)**

Treasury B/L = 9.3 Billion USD



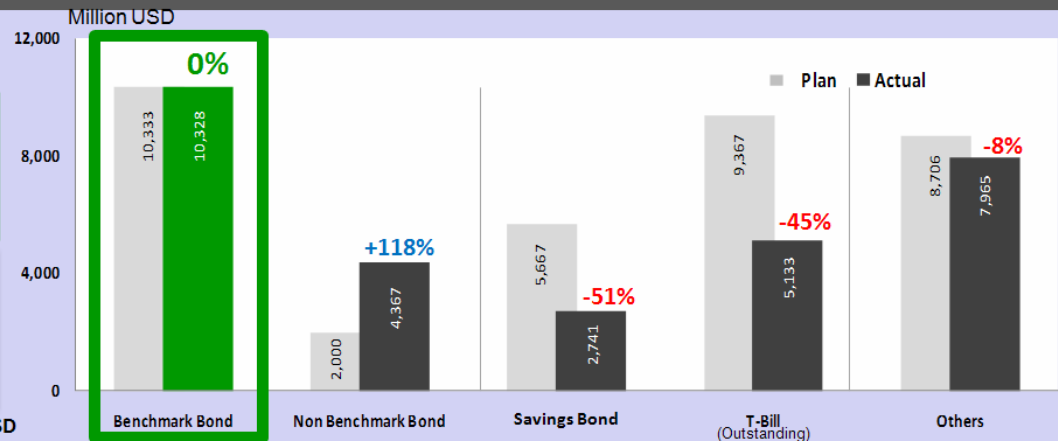
FY2010

Lower Borrowing needs due to Economic Recovery

approx. **-5.5 bil USD**

Total Funding needs decreased from: 26.7 bil USD to 21.2 bil USD **(-20%)**

Treasury B/L = 13.9 Billion USD



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Firm Committed Supply of Benchmark Bond Regardless of Budget uncertainty

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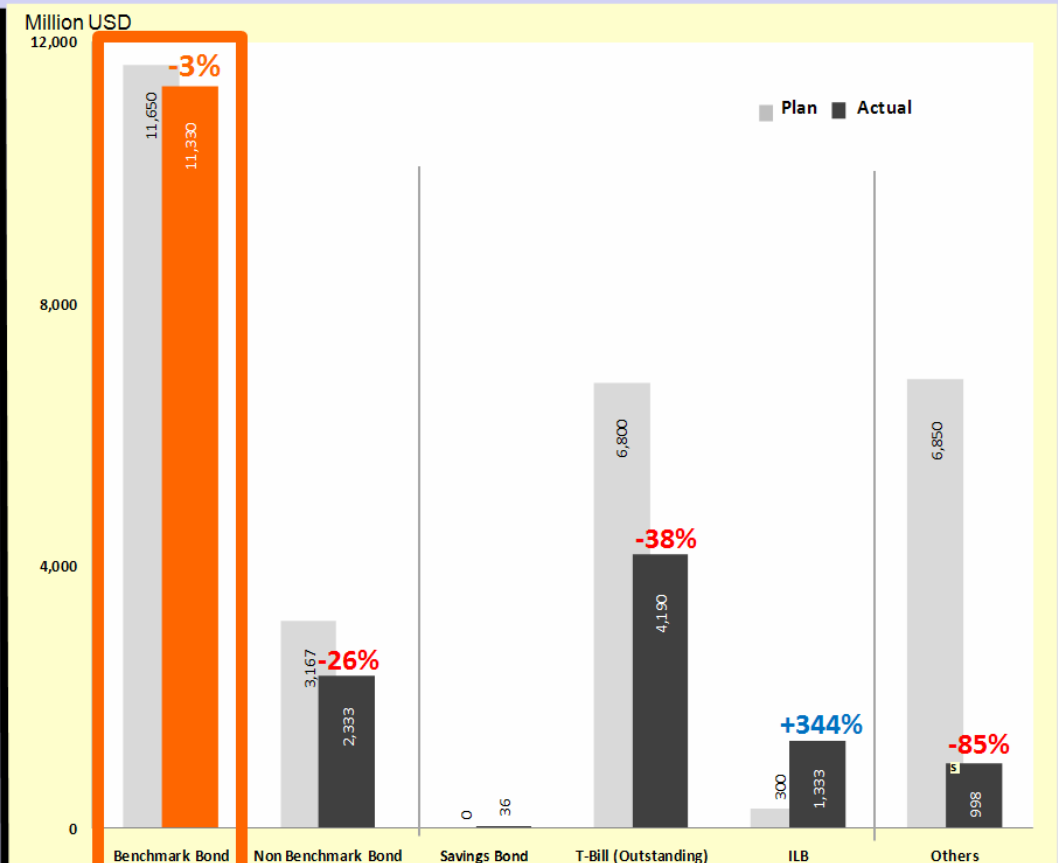
FY 2011

Higher than expected Revenue collection

approx. **-8.5 bil USD**

Total Funding needs decreased from: 23.6 bil USD to 15.1 bil USD **(-36%)**

Treasury B/L = 17 Billion USD





Equilibrium of Thailand Bond Market

- Issuers
- Credit Rating
- Investors

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Issuers

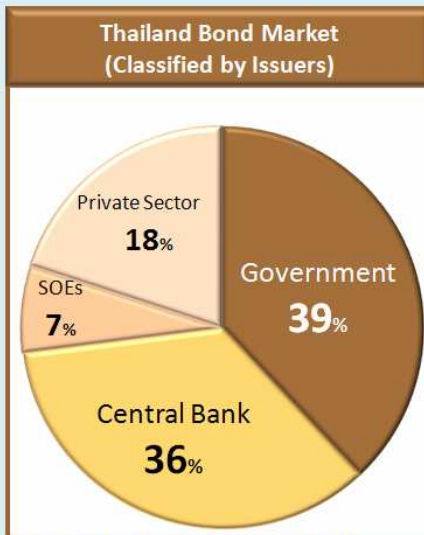
82 percent of Thailand's debt securities were issued by Government, Central bank and State-owned Enterprises

Credit Rating

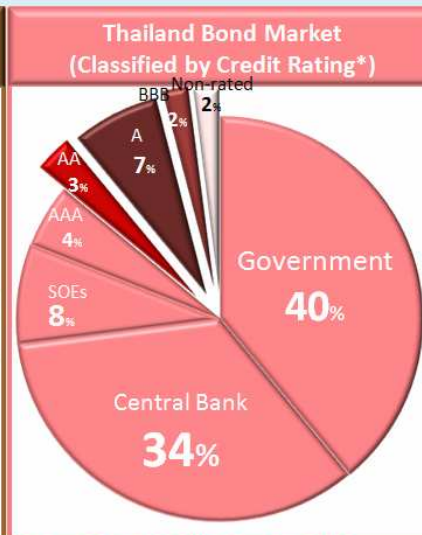
98 percent of Thailand's debt securities are classified as Investment Grade by local rating agencies

Investors

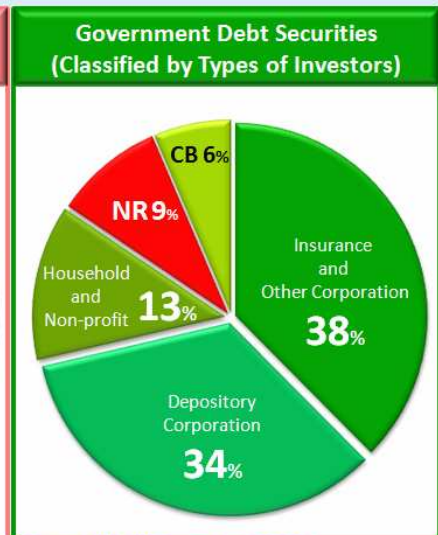
Thailand's government debt securities are held by a wide group of investor types



Source : ThaiBMA (30 September 2011)



Source : ThaiBMA (30 September 2011)



Source : CB (30 September 2011)



2007 – 2012

Innovation of Gov't Debt Securities

Public Debt Management Office, Ministry of Finance, Kingdom of Thailand

FY 2007-10	30-yr Loan Bond	<ul style="list-style-type: none"> • Lengthen average-time-to-maturity • New Issuing Debt → 6 yrs to 10 yrs • Government Debt Portfolio → 5.7 yrs to 6.3 yrs
	Floating Rate Bond	<ul style="list-style-type: none"> • Increase floating debt ratio (5% to 13%) • Promote BIBOR (Bangkok Interbank Offered Rate)
	Step-up Savings Bond	<ul style="list-style-type: none"> • Broaden investor base – Retail investors • Low interest burden at the initial periods of bond
FY 2011	Fixed Promissory Note	<ul style="list-style-type: none"> • Broaden investor base – Insurance / Long-term investors • Non-Benchmark maturity
	50-yr Loan Bond	<ul style="list-style-type: none"> • Combat low interest rate + Lengthen average time-to-maturity • 4th country in the world (1st: UK 2nd: France 3rd: China)
	Inflation-Linked Bond (ILB)	<ul style="list-style-type: none"> • Strong anti-inflationary signal • Deepen the Development of the Bond market • 1st country in Emerging Asian Economies
	Retail Bond @ ATM for Micro Savers	<ul style="list-style-type: none"> • Lower Minimum Amount to Purchase • Offer throughout the year • Can be purchased via ATM, in addition of Bank Retail Branches
FY 2012	Amortized Bond	<ul style="list-style-type: none"> • Suitable financing instrument for the government's investment mega-project in the form of PPP • Pay back the bond principal by installments → Promote the government's fiscal discipline
	Bond Switching & Consolidation	<ul style="list-style-type: none"> • Allow both issuer and investors to manage and improve their portfolio • Larger outstanding size + Less bond series → more liquidity in the secondary market
	Upgrade PD Privileges	
	PDDF (Public Debt Restructuring and Domestic Bond Market Development Fund)	
	Baht Bond	
	CGIF (Credit Guarantee and Investment Facility)	



Key Success Indicators

1. Trading Volume
3. Demand Concentration

2. Turnover Ratio
4. Auction Price

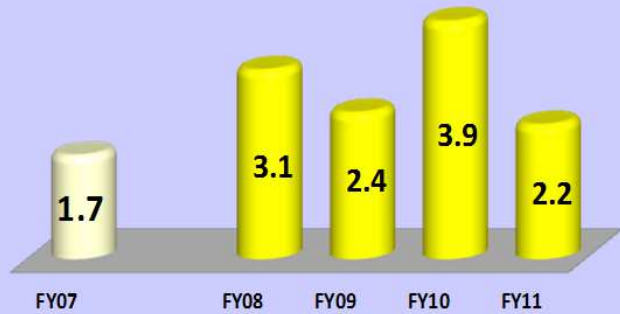
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5 yr Benchmark Bond : Highest Secondary Trading Volume in every year (accounted for 1/4 of total trading volume)

Unit: % share of Market Trading Volume

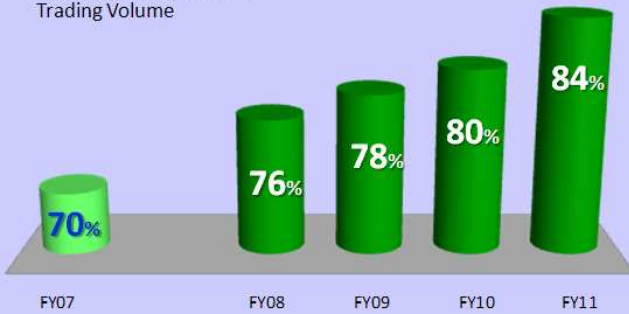


5 yr Benchmark Bond : Higher Turnover Ratio



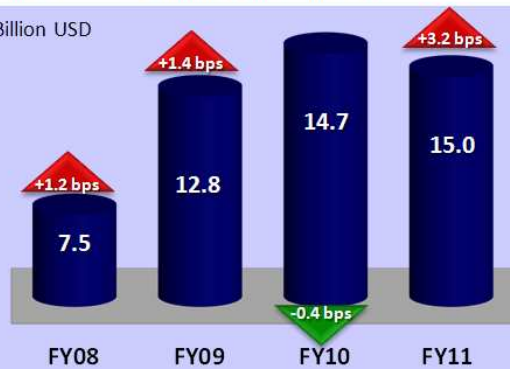
Top 10 Gov't Bond Series – Accounted for 84% of all Gov't Bond trading in Secondary Trading Volume

Unit: % share of Market Trading Volume



Well developed Benchmark Bond pays off : Even with greater size of issuance, the cost of funding is still at market rate

Unit: Billion USD

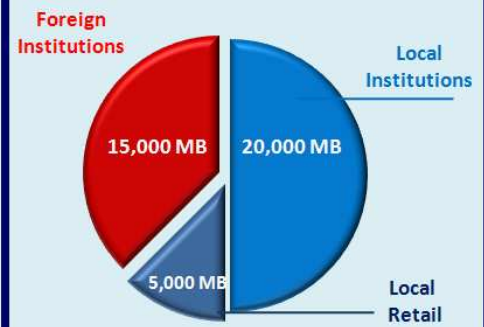


Structure of Thai Inflation Linked Bond (14th July 2011)

Public Debt Management Office, Ministry of Finance, Kingdom of Thailand

Format	Capital Indexed Bond (with Principle Protection)
Currency	Thai Baht
Tenor	10 years
Programme Size	40,000 mil baht (1.3 bil USD equiv.)
Interest Payment	Every 6 months
Index	Headline CPI
Indexation Lag	3 months
Index Ratio	CPI_t / CPI_0 (TBMA's calculation)
Real Yield	1.2
Repayment Method	Bullet

Allocations



Subscription : approx. 1.4 times

Next Step

Enhance ILB liquidity

Continuing Issuance

- ✓ FY 2012 : Develop regular annual auction plan (every quarter)
- ✓ FY 2012 : Top-up the existing tenor to enhance more liquidity : 60,000 MB (2 bil USD equiv.)
- In pipeline : Issue other Benchmark tenors (3- 5- 7-years ILBs)

PD's responsibility

- ✓ FY 2012 : Maintain portion of successful bid in ILB primary market
- In pipeline : Maintain portion of ILB trading in secondary market
- In pipeline : Provide firm bid / ask spreads in secondary market

Damages : 6 mil tons of rice, more than 400 deaths, 600,000 unemployed, 2 mil homeless, etc.

Output Loss : Private Research Houses → 150-330 bil baht (1.5 – 3.1% of GDP)
MOF / BOT → 150-250 bil baht (1.5 – 2.5% of GDP)

Government Flood Rehabilitation Package equiv. to 13 bil USD (406.5 bil Baht) (cabinet approval : 25th Oct) :

- 1. \$10 bil USD soft loans for → large corp. / SME / Individuals
- 2. \$3 bil USD budget spending → immediate aid / post rehabilitation / infrastructure spending
- 3. BOI will extend tax privileges (tax holiday) to prevent re-allocation away from Thailand
- 4. The government will consider waiving taxes on imports of materials / machinery / equipment

(Source : Phatra Securities, reproduce with permission)

Table 2: Industrial estate flood situation (as of 18 October)

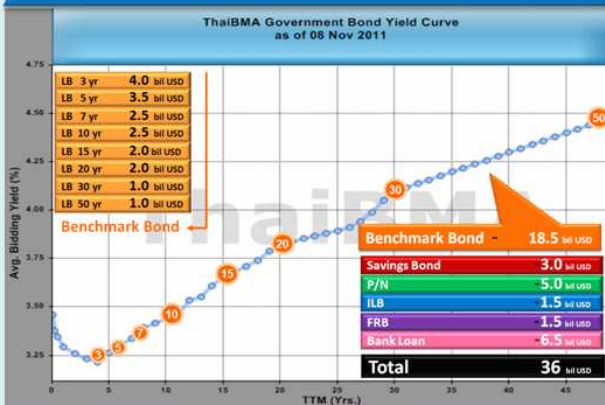
	Flooded Area (rai)	Number of factories	Employment	Investment (Btmn)	Major investors	Major industries
Ayutthaya						
Saharat Nakorn	Yes	905	43	14,696	9,472	Japan (79%), China (6%)
Hi-Tech	Yes	1,858	143	51,186	65,312	Japan (50%), Singapore (15%)
Bang Pa-in	Yes	1,386	90	60,000	60,000	Japan (39%) USA (15%)
Rojana	Yes	3,675	198	90,000	100,000	Japan (80%)
Factoryland	Yes	130	99	6,000	6,000-10,000	na
Pathumtani						
Nava Nakorn	Yes	4,285	227	170,000	180,000	na
Bang Kradi	Yes	1,174	50	30,000	34,110	na
Bangkok						
Bang Chan	Under threat	565	93	13,844	19,848	Japan (63%), USA (13%)
Lat Krabang	Under threat	1,915	251	48,097	89,491	Japan (38%), UK (8%)
Samut Prakarn						
Bang Plee	No	796	137	22,884	54,291	Japan (54%), USA (12%)
Bang Poo	No	4,178	456	76,420	105,502	Japan (35%), China (12%)

Source: IEAT, Bangkok Post, Matchon

Funding Instruments : Local Bond Market VS Foreign Bond Markets

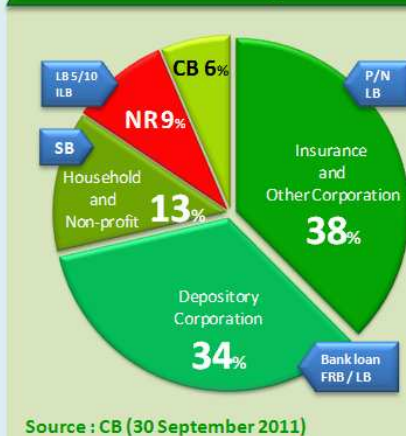
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Full Capacity* : 36 Billion USD



* Under favorable market liquidity + using All funding instruments

Well Diversified Investors Ensures Funding Needs



Source : CB (30 September 2011)

Potential Demand for Gov't Bond 2012

Instrument	Value (bil USD)
- Life Insurance	13
- Pension Funds	13
Depository Corporations	13
- Retail	10
- Non-profit org.	10
Non-Residence	?

Outstanding of Foreign Debt
Equiv. 41,000 mil baht (1.4% of Gov't Debt)

Equiv. 13,000 mil baht

Commercial Papers

Samurai bond 5 yr 20,000 mil Yen
Samurai bond 7 yr 10,000 mil Yen
MTN 40 mil USD

Equiv. 28,000 mil baht

Soft Loans

JBIC 64,800 mil Yen
IBRD 66 mil USD
Other 19 mil USD

(as of Oct 2011)

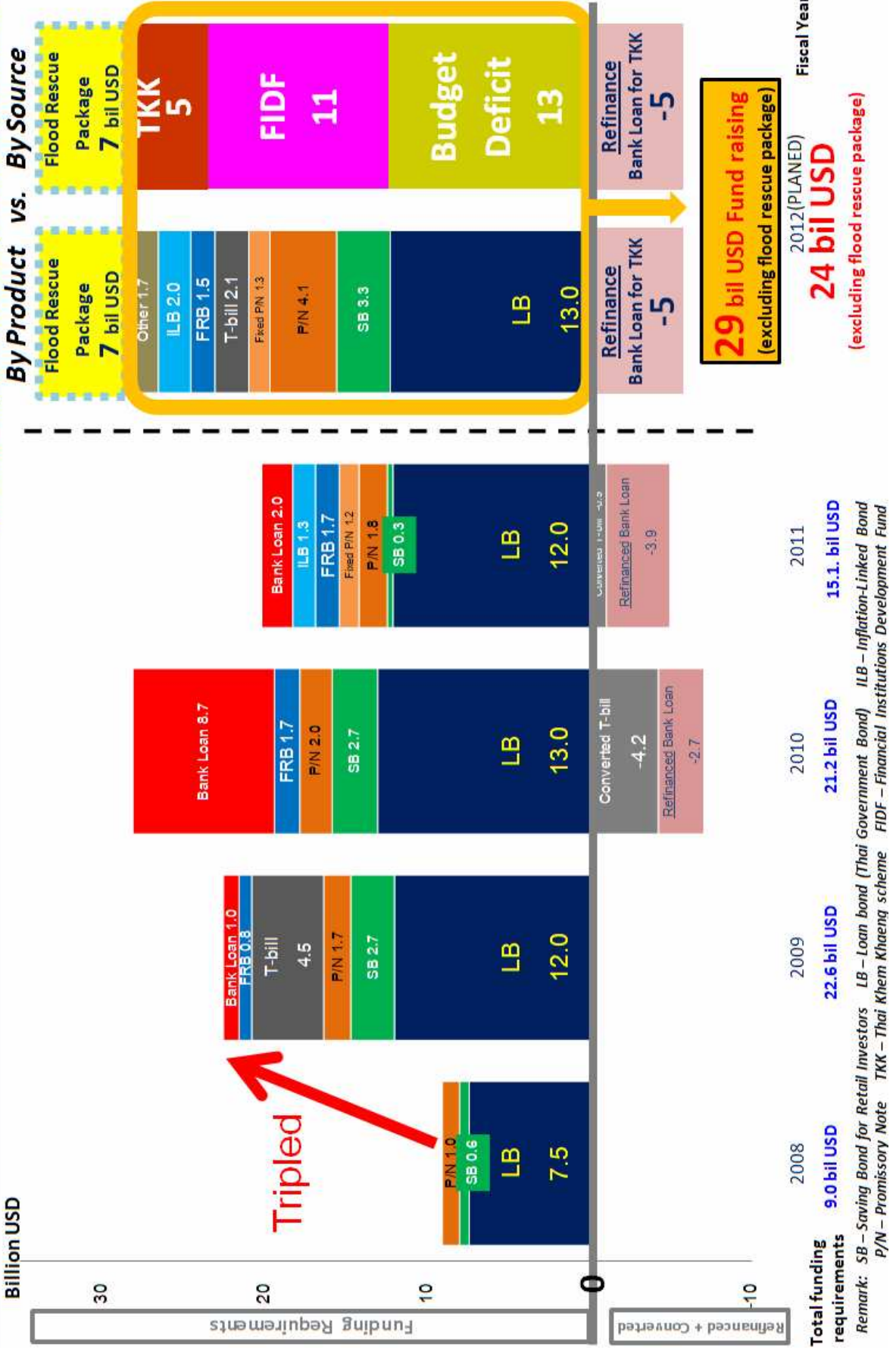
- To diversify portfolio of government debt
- To keep the presence of KOT Bond (Kingdom of Thailand) in the foreign market
- To maintain KOT Bond as a reference benchmark yield for Thai private sector issuers
- To avoid crowding out effect on domestic bond market

Concerns : exchange rate risk / swap cost / natural hedging



Deep and Liquid Domestic Bond Market Allows Government to Meet Funding Requirements

Public Debt Management Office, Ministry of Finance, Kingdom of Thailand





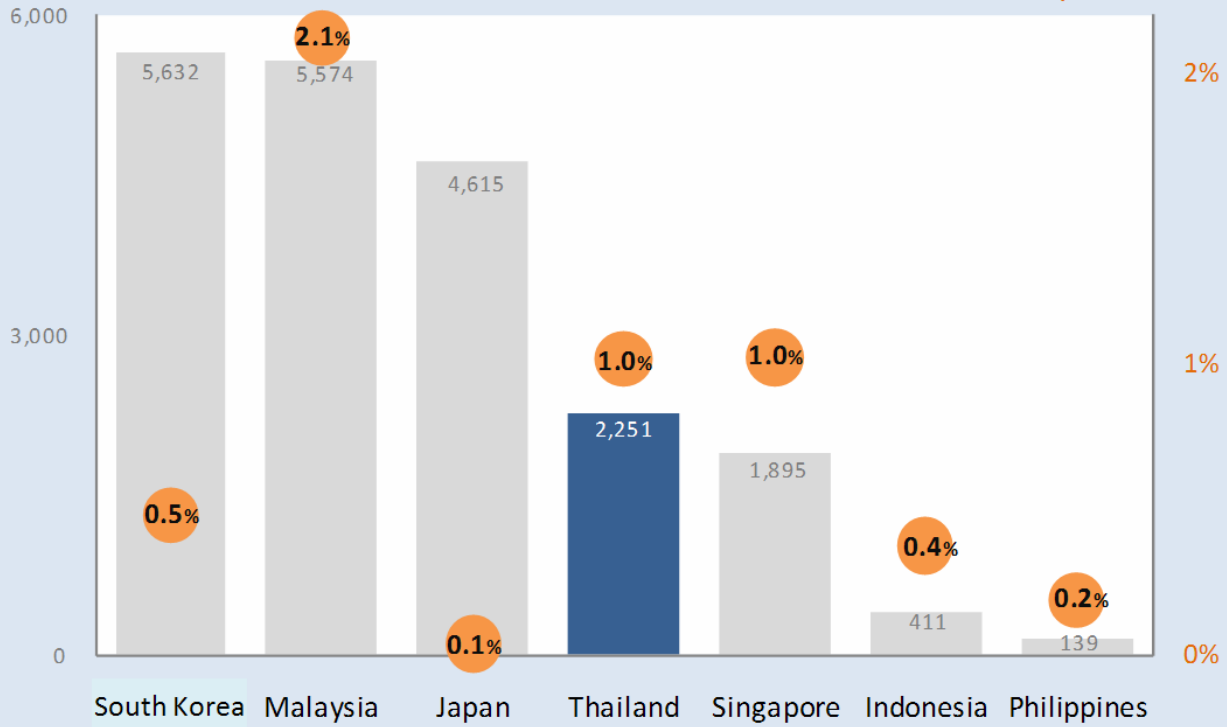
Foreign Issuer Participation in Selected ASEAN+3

Local-currency Bond Markets

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Outstanding Amount of LCY Bond Issued by Foreign Issuer (mil USD)

% share to the outstanding value of the LCY bond market



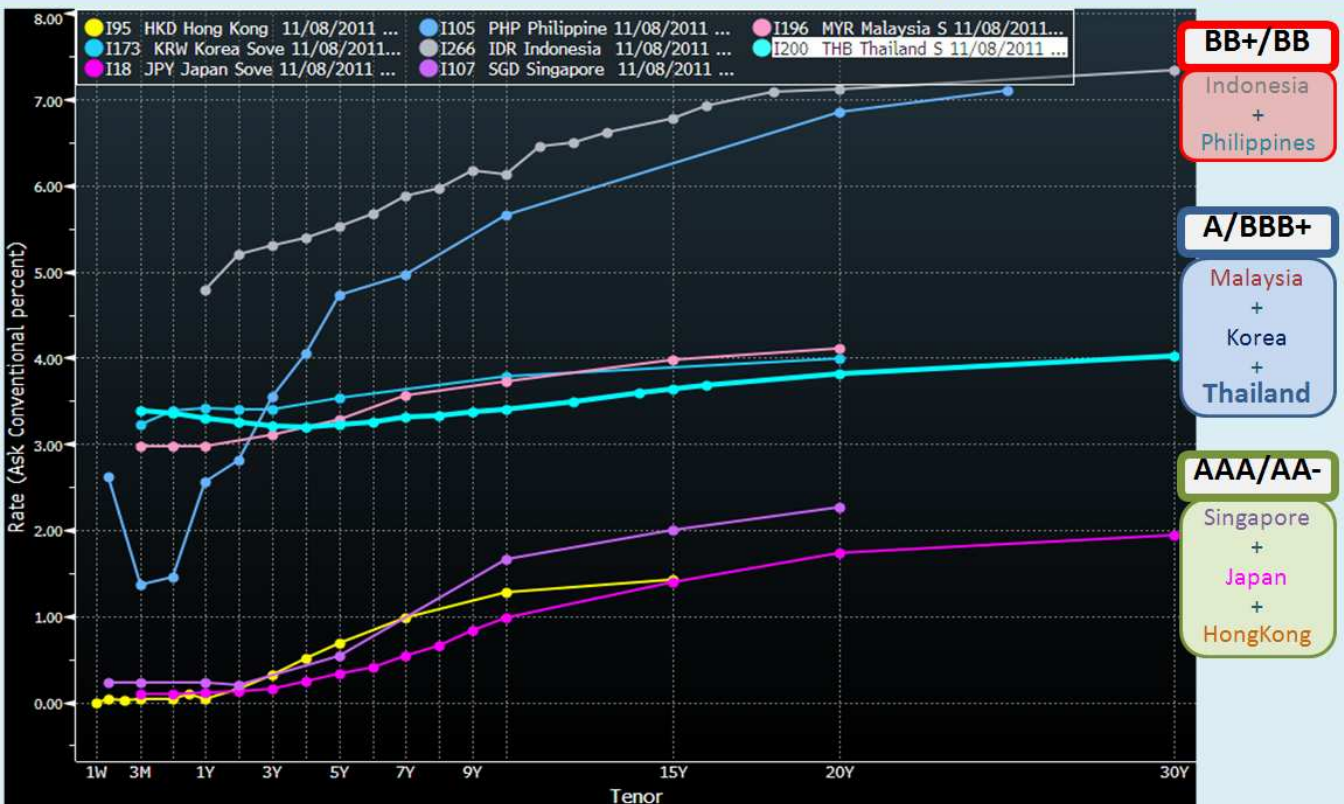
as of: October 31, 2011 Source: Bloomberg



Comparison of Government Bond Yield Curve

in Selected ASEAN+3 Countries

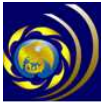
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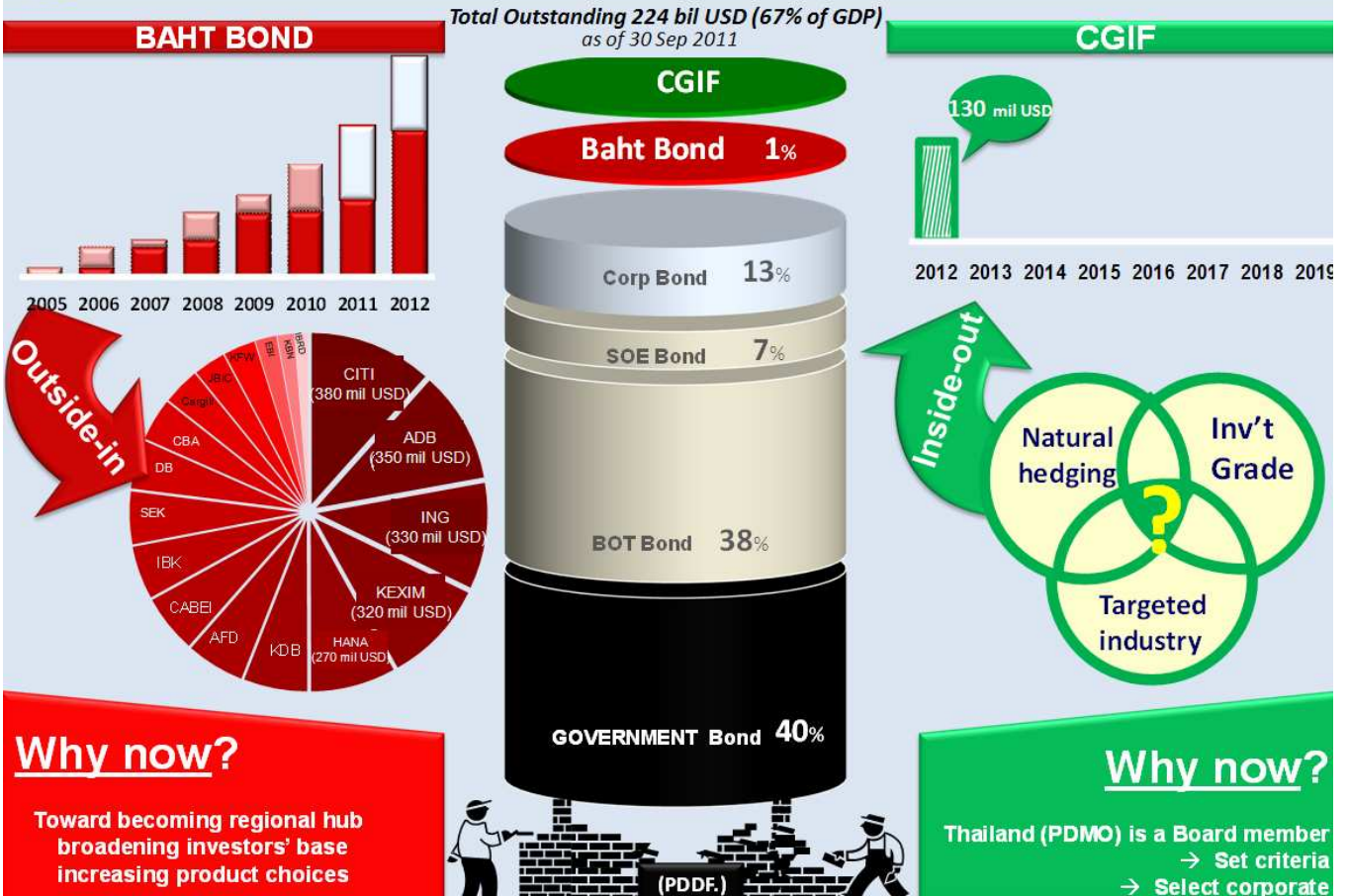
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as of: November 8, 2011 Source: Bloomberg



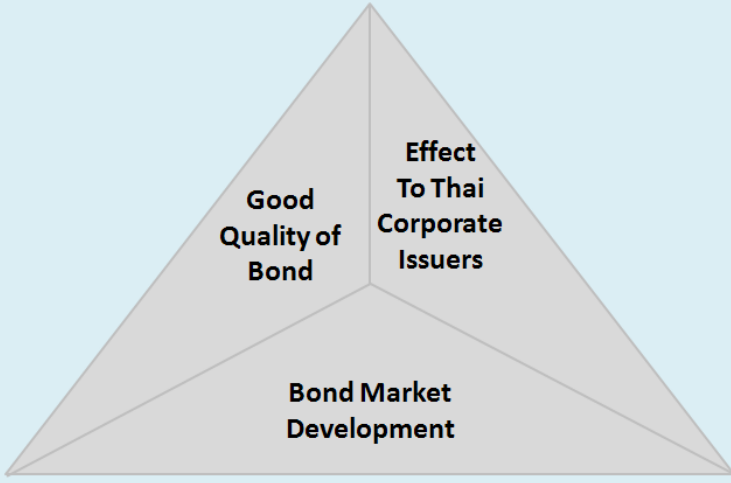
Linking BAHT BOND & CGIF to the Development of Bond Market



Baht Bond in Thailand

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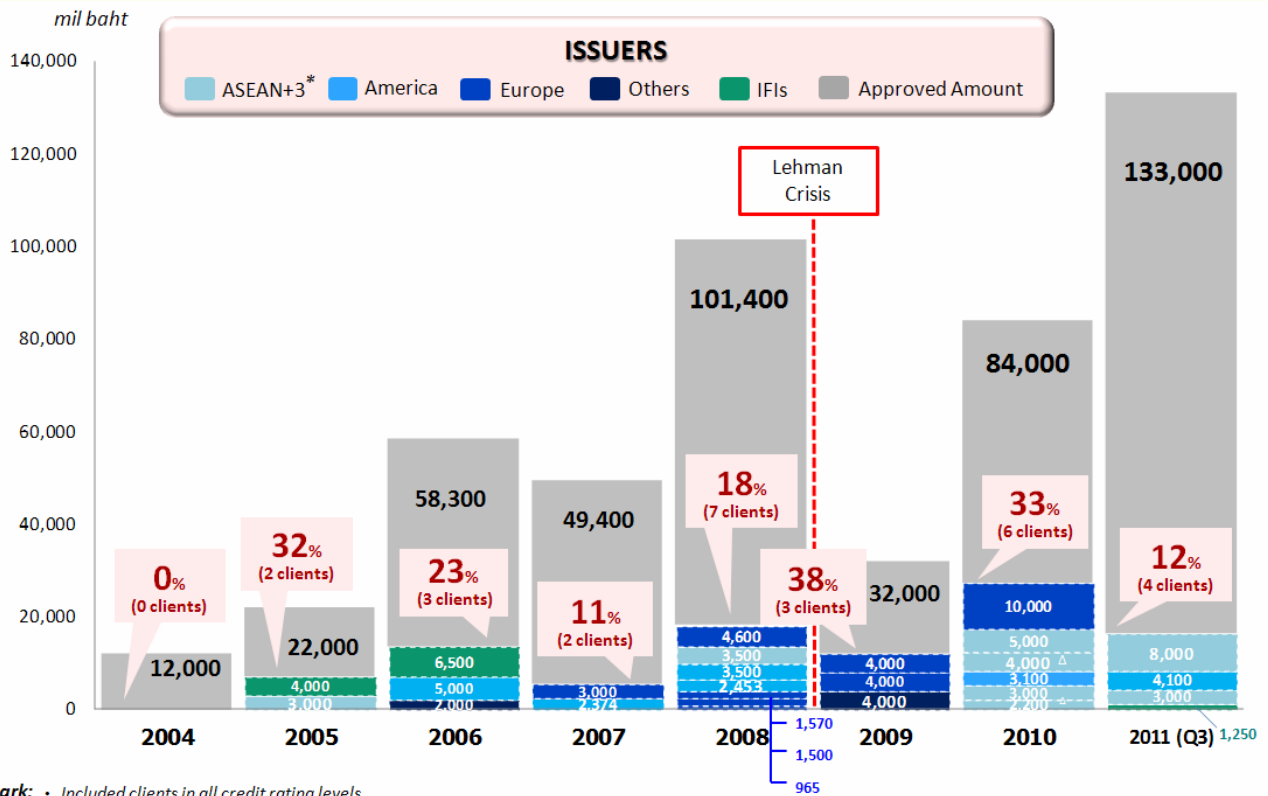
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|----------------------------|--|
| Objective | <ul style="list-style-type: none"> To develop domestic bond market by increasing the proportion of foreign investors and varieties of products To provide the opportunity for domestic investor (investment in a good quality of bond) |
| Benefits to issuers | <ul style="list-style-type: none"> To diversify source of funding To reduce the FX risk in THB currency (for foreign investors who seeks the fund to invest in Thailand) |
| Trade – off | |





Issuance of Baht Bond VS Approved Amount (2004 - 2011)

Public Debt Management Office, Ministry of Finance, Kingdom of Thailand



As of October 15, 2011



Development Direction of Baht Bond (2012 – 2015)

To Enhance Our Cooperation To Achieve Our Targets

Public Debt Management Office, Ministry of Finance, Kingdom of Thailand

To Enhance Our Cooperation : 2012



Deregulation of Swap Obligation



Extension of Approval Period



- Facilitating issuers & investors in Baht Bond
- Providing market updates in one-on-one meetings

To Achieve Our Targets : 2015



Issued amount (per year)

2004 - 2011
between 5,000 – 27,000 mil ฿



2012 - 2015
minimum 15,000 mil ฿



Number of issuers (per year)

2004 - 2011
between 2 – 6 clients

2012 - 2015
minimum 4 clients



Outstanding size

(% share of BOND market capitalization)

2004 - 2011
1%

2012 - 2015
3%



สำนักงานบริหารหนี้สาธารณะ
PUBLIC DEBT MANAGEMENT OFFICE



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เพื่อการพัฒนาประเทศอย่างยั่งยืน