



# Domestic Bond Market Development (2012 – 2015)

## A. Evolution of Bond Market Development (1995 – Present)

- Innovation of Government Debt Securities
- Equilibrium of Thai Bond Market

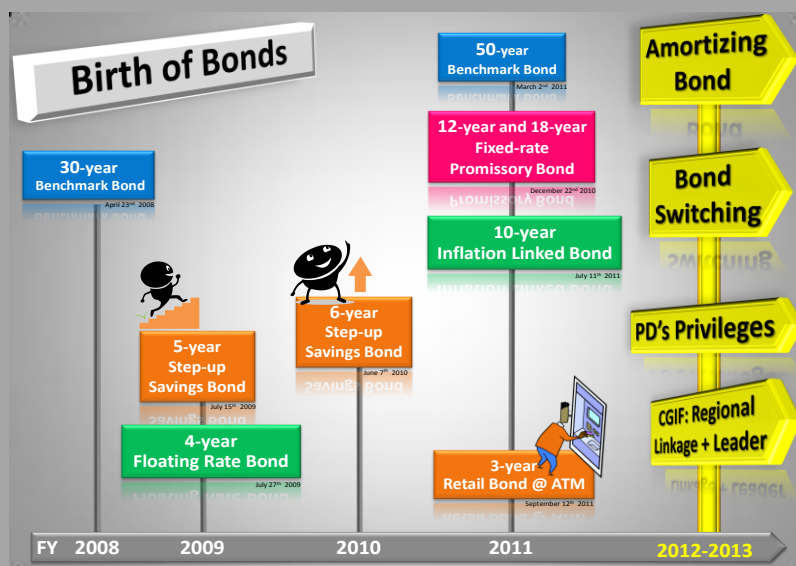
## B. Building up of Benchmark Bond (FY2007 - FY2012)

- Revised the Strategy of Benchmark Bond Issuance
- Commitment of Bond Supply
- FY 2012 Market's Favorite Benchmark Bond

## C. Bond Supply FY2012 + Funding Needs FY2012 - FY2015

## D. Well-Developed Bond Market Improved Government Debt Profile Dramatically

- ATM Lengthened
- Cost Lowered
- Well-Balanced Fixed-Float Ratio
- Well-Distributed Maturity Profile







## A. Evolution of Bond Market Development (1995 – Present)

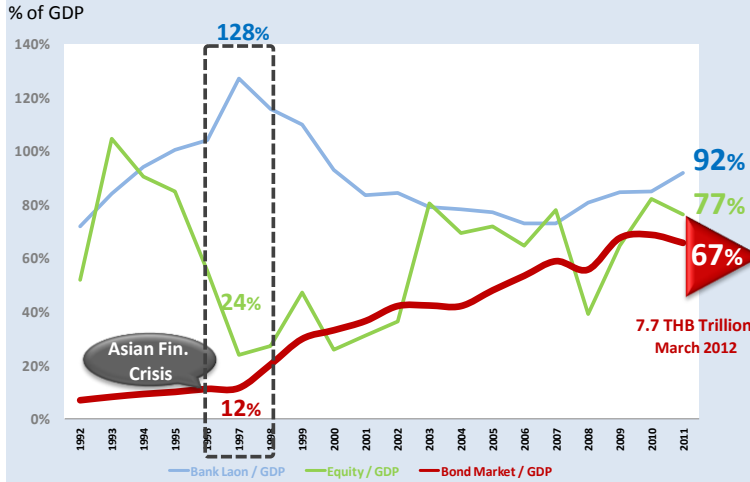
Public Debt Management Office, Ministry of Finance, Kingdom of Thailand

- Thai Bond Market Has Grown Strongly for More Than a Decade
- The Thai Bond Market Has Developed Rapidly and Efficiently
- Innovation of Government Debt Securities (FY2007 – FY2013)
- Equilibrium of Thai Bond Market
  - By Issuers
  - By Credit Rating
  - By Investors

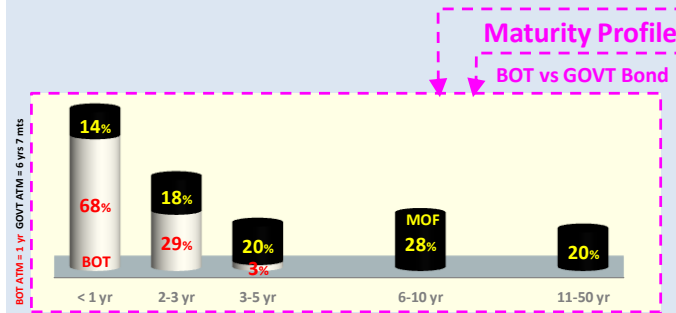
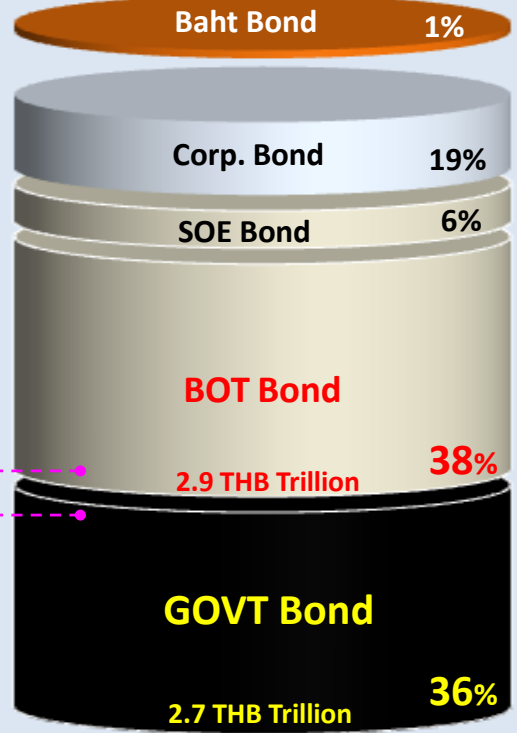


# Thai Bond Market Has Grown Strongly for More Than a Decade

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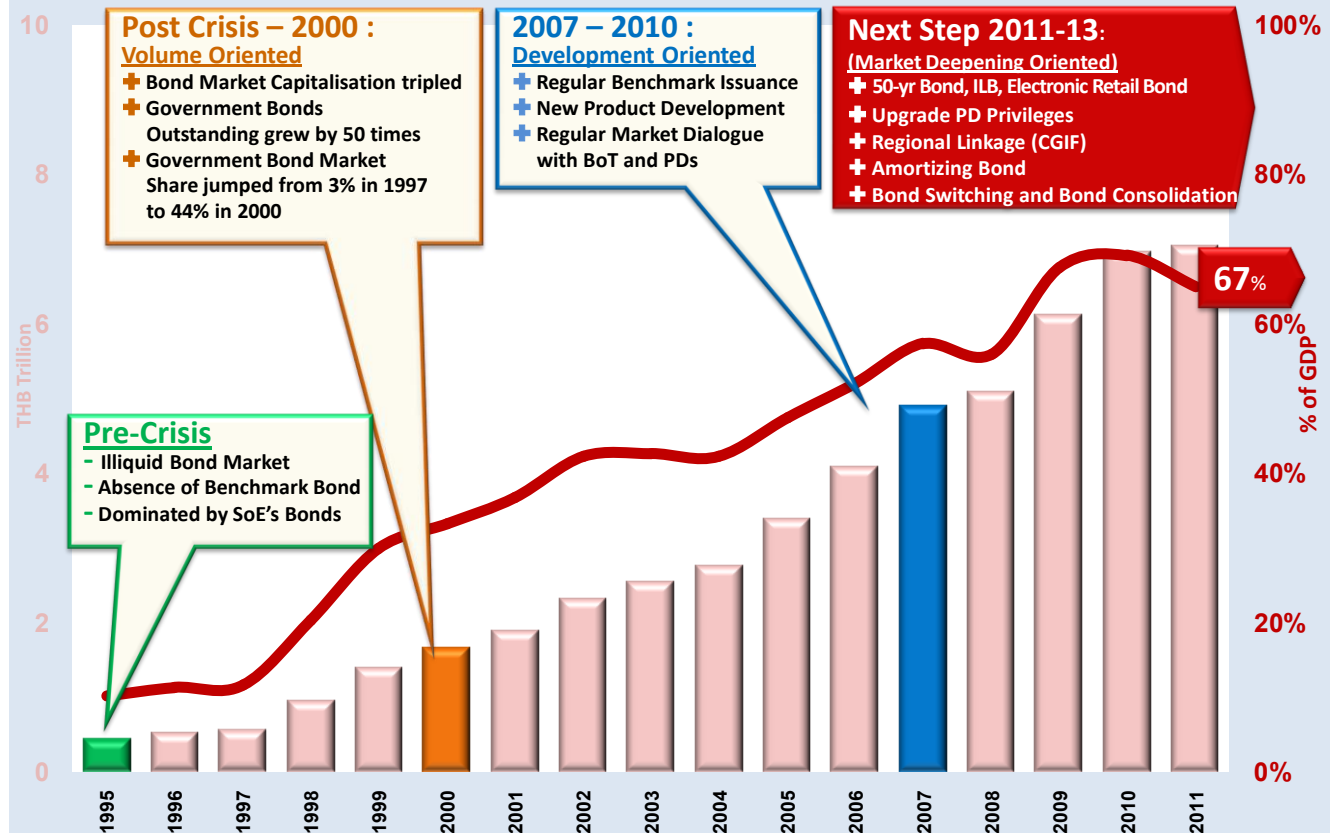


**Domestic Bond Market Capitalisation = 7.7 THB Trillion**  
As of March 2012 (Classified by Types of Issuers)



# The Thai Bond Market Has Developed Rapidly and Efficiently

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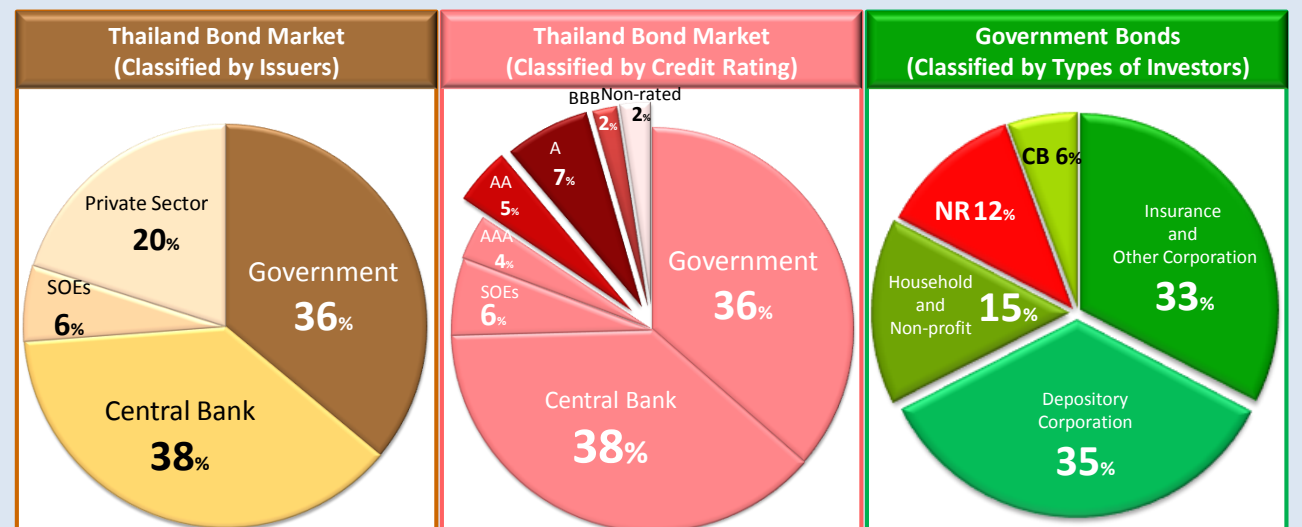


<b>FY 2007-10</b>	<b>30-yr Loan Bond</b>	<ul style="list-style-type: none"> <li>Lengthen average-time-to-maturity ATM Government Debt Portfolio → 5.7 yrs to 6.1 yr</li> <li>Meet long term investors' demand</li> </ul>
	<b>Floating Rate Bond</b>	<ul style="list-style-type: none"> <li>Increase floating debt ratio (10% to 18%)</li> <li>Promote BIBOR (Bangkok Interbank Offered Rate)</li> </ul>
	<b>Step-up Savings Bond</b>	<ul style="list-style-type: none"> <li>Broaden investor base – Retail investors</li> <li>Low interest burden at the initial periods of bond</li> </ul>
<b>FY 2011</b>	<b>Fixed Rate Promissory Note</b>	<ul style="list-style-type: none"> <li>Broaden investor base – Insurance / Long-term investors</li> <li>Non-Benchmark tenors</li> </ul>
	<b>50-yr Loan Bond</b>	<ul style="list-style-type: none"> <li>Combat low interest rate + Lengthen average time-to-maturity</li> <li>4<sup>th</sup> country in the world (1<sup>st</sup> : UK 2<sup>nd</sup> : France 3<sup>rd</sup> : China)</li> </ul>
	<b>Inflation-Linked Bond (ILB)</b>	<ul style="list-style-type: none"> <li>Strong anti-inflationary signal</li> <li>Deepen the Development of the Bond market</li> <li>1<sup>st</sup> country in Emerging Asian Economies</li> </ul>
	<b>Retail Bond @ ATM for Micro Savers</b>	<ul style="list-style-type: none"> <li>Lower Minimum Amount to Purchase</li> <li>Offer throughout the year</li> <li>Can be purchased via ATM, in addition of Bank Retail Branches</li> </ul>
<b>FY 2012-2013</b>	<b>Amortizing Bond</b>	<ul style="list-style-type: none"> <li>Suitable financing instrument for the government's investment mega-project in the form of PPP</li> <li>Pay back the bond principal by installments → Promote the government's fiscal discipline</li> </ul>
	<b>Bond Switching &amp; Consolidation</b>	<ul style="list-style-type: none"> <li>Allow both issuer and investors to manage and improve their portfolio</li> <li>Larger outstanding size + Less bond series → more liquidity in the secondary market</li> </ul>
<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; padding: 5px; background-color: #e91e63; color: white; text-align: center;"> <b>Upgrade PD Privileges</b> </div> <div style="border: 1px solid black; padding: 5px; background-color: #e91e63; color: white; text-align: center;"> <b>PDDF</b>  <small>(Public Debt Restructuring and Domestic Bond Market Development Fund)</small> </div> <div style="border: 1px solid black; padding: 5px; background-color: #e91e63; color: white; text-align: center;"> <b>Baht Bond</b> </div> <div style="border: 1px solid black; padding: 5px; background-color: #e91e63; color: white; text-align: center;"> <b>CGIF</b>  <small>(Credit Guarantee and Investment Facility)</small> </div> </div>		



## Equilibrium of Thai Bond Market

<b>Issuers</b>	<ul style="list-style-type: none"> <li>80 percent of Thailand's debt securities were issued by Government, Central bank and State-owned Enterprises</li> </ul>
<b>Credit Rating</b>	<ul style="list-style-type: none"> <li>98 percent of Thailand's debt securities are classified as Investment Grade by local rating agencies</li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>Thailand's government debt securities are held by a wide group of investor types</li> </ul>



Source : ThaiBMA (12 April 2012)

Source : ThaiBMA (12 April 2012)

Source : CB (30 January 2012)





## B. Building up of Benchmark Bond (FY2007-FY2012)

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- 2007: PDMO Revised the Strategy of Benchmark Bond Issuance in 3 Ways
- Keep Our Word to get Investor Confidence for the Plan → Firm Committed Supply of Benchmark Bond Regardless of Budget Uncertainty
- Key Success Indicators (FY2008 – FY2011)
  - Trading Volume
  - Turnover Ratio
  - Demand Concentration
  - Auction Price
- Market's Favorite Benchmark Bond (FY 2012)
  - By Outstanding
  - By Trading Value
  - By On-the-run Benchmark Tenors





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

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

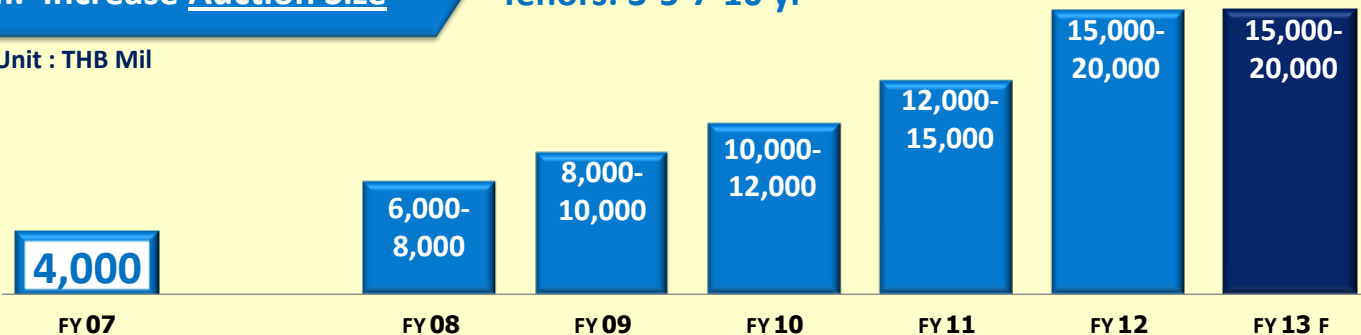
### I. Reduce Auction Frequency

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

### II. Increase Auction Size

Tenors: 3-5-7-10 yr

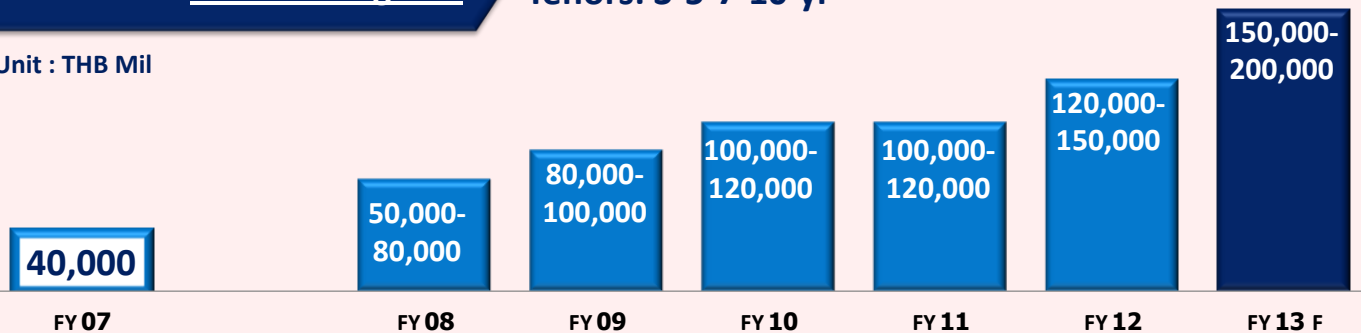
Unit : THB Mil



### III. Increase Outstanding Size

Tenors: 3-5-7-10 yr

Unit : THB Mil







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

approx. **+250,000 THB Mil.**

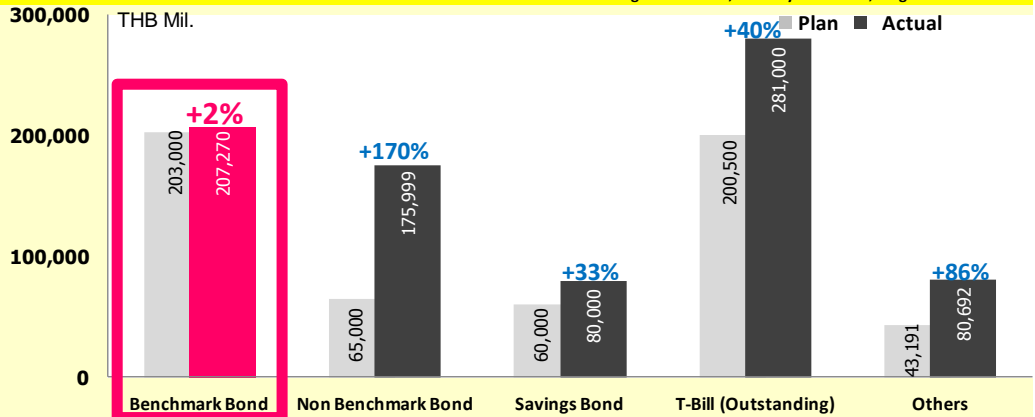
**Total Funding needs**

increased from:  
420,000 THB Mil. to  
670,000 THB Mil.

**(+59%)**



Treasury Balance = 278,694 THB Mil.



### FY2010

Lower Borrowing needs due to Economic Recovery

approx. **-160,000 THB Mil.**

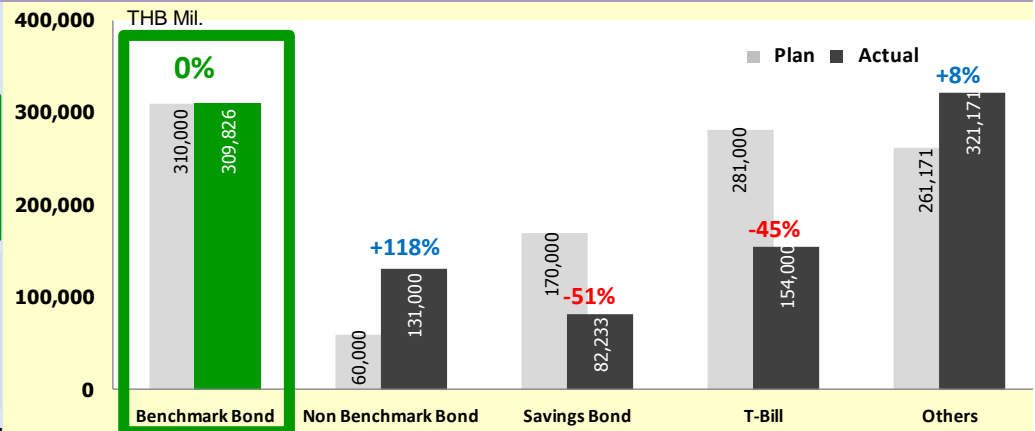
**Total Funding needs**

decreased from:  
800,000 THB Mil. to  
640,000 THB Mil.

**(-20%)**



Treasury Balance = 417,166 THB Mil.



Keep Our Word to get Investor Confidence for the Plan

Firm Committed Supply of Benchmark Bond Regardless of Budget uncertainty

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### FY 2011

Higher than expected Revenue collection

approx. **-250,000 THB Mil.**

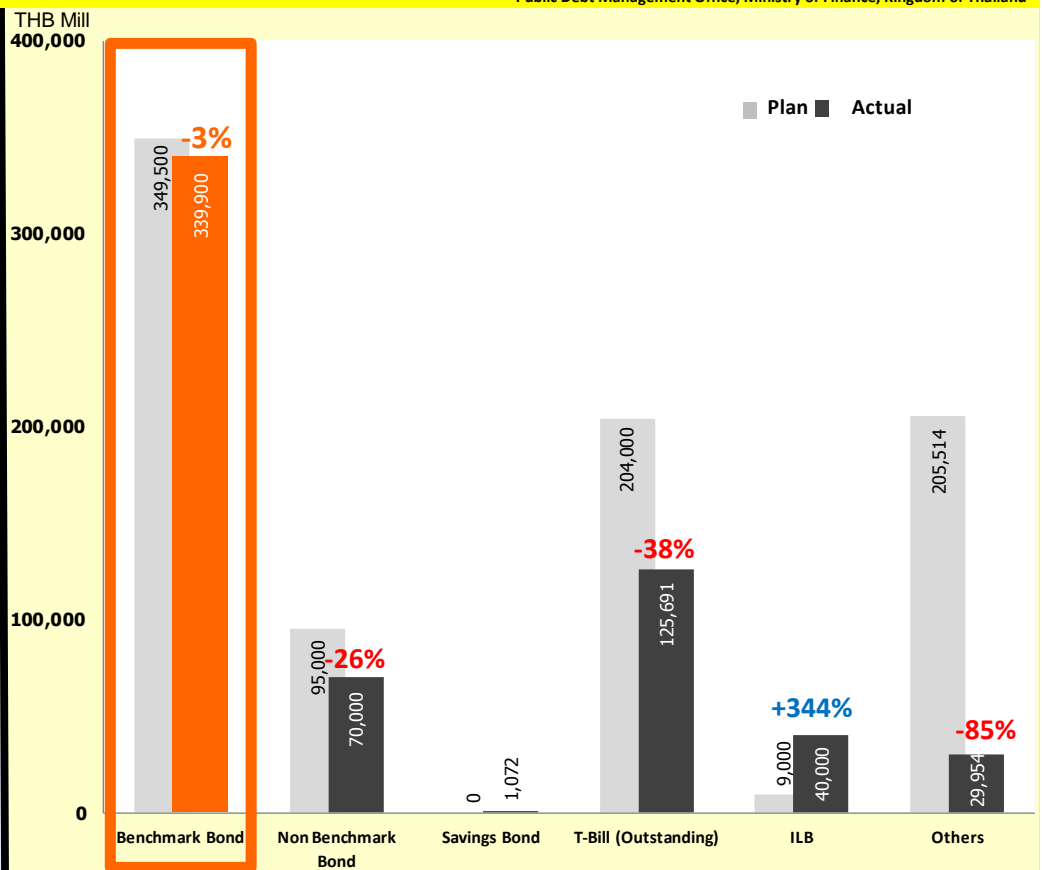
**Total Funding needs**

decreased from:  
700,000 THB Mil. to  
400,000 THB Mil.

**(-36%)**



Treasury Balance = 510,180 THB Mil.





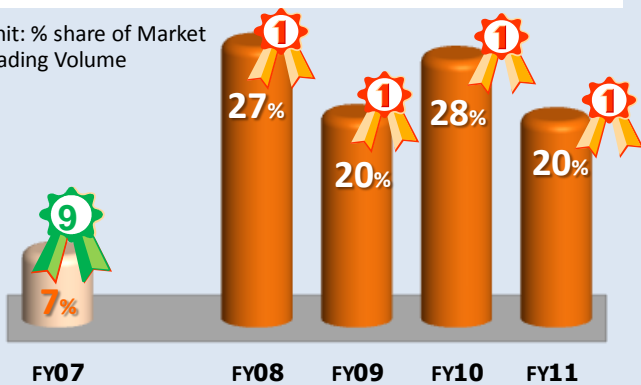
# FY 2008-FY2011 Key Success Indicators

1. Trading Volume
2. Turnover Ratio
3. Demand Concentration
4. Auction Price

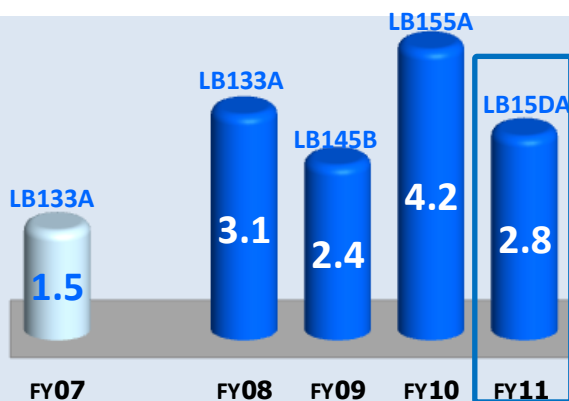
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**5 yr Benchmark Bond** : Highest Secondary Trading Volume in every year (accounted for  $\frac{1}{4}$  of total trading volume)

Unit: % share of Market Trading Volume

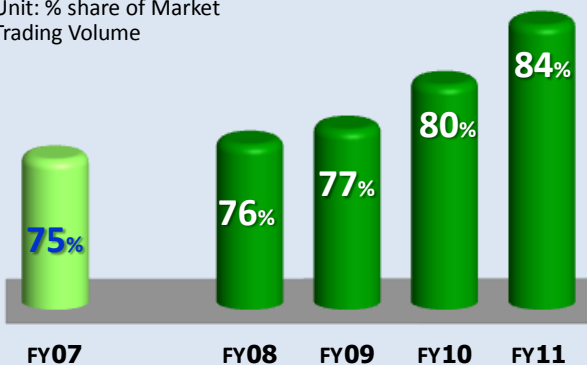


**5 yr Benchmark Bond** : Higher Turnover Ratio



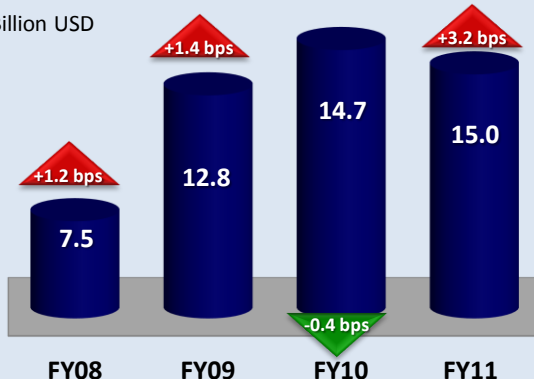
**Top 10 Gov't Bond Series** – Accounted for 84% of all Gov't Bond trading in Secondary Trading Volume

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





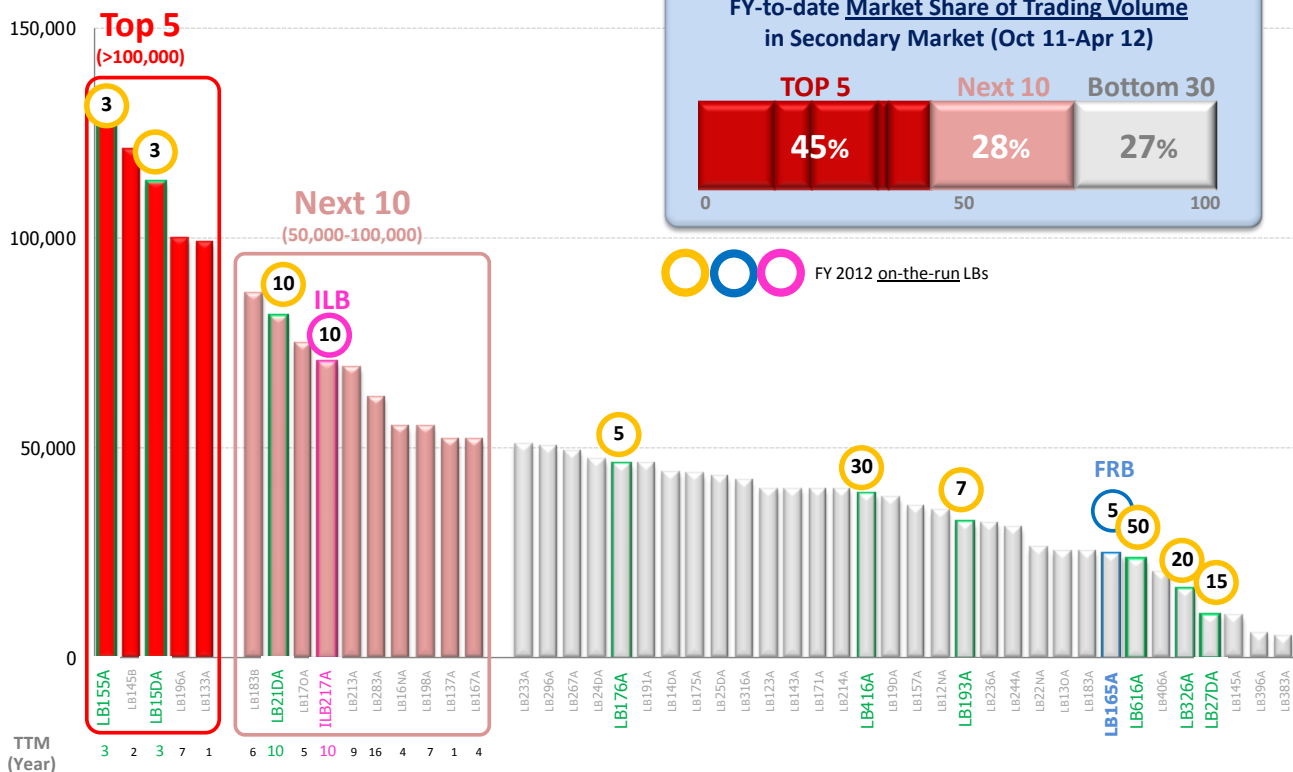
**Total GOVT Bond = 45 Series**  
(2,277,XXX THB Mil)

**TOP 5 > 100,000 THB Mil in Size (45% of Trading Volume)**

**Next 10 > 50,000 THB Mil in Size (28% of Trading Volume)**

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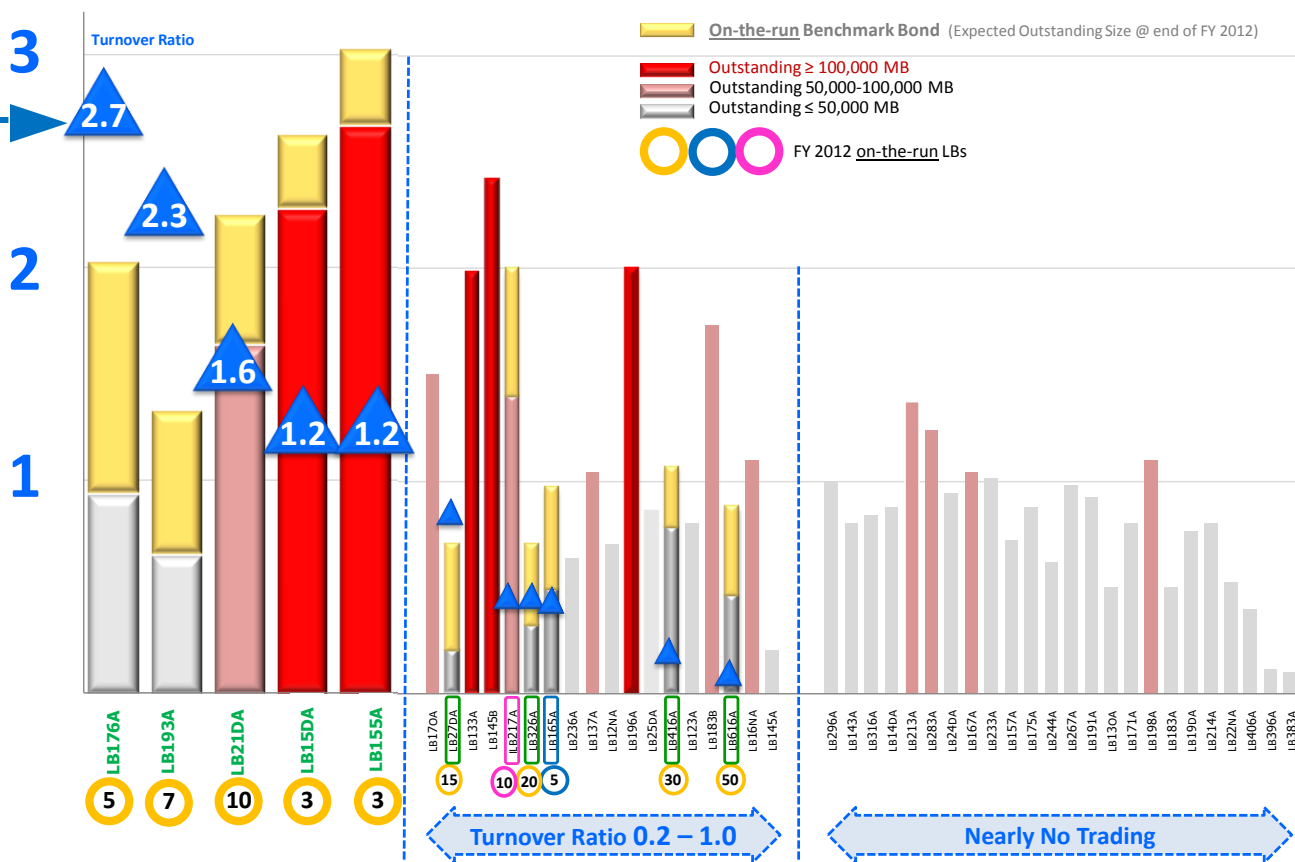
Outstanding size (THB Mil.)



**FY 2012 Market's Favorites**  
Classified by Turnover Ratio

**All 3-5-7-10 on-the-run Benchmark Bond Has Turnover Ratio between 1.2 – 2.7**  
(while market turnover ratio = 0.45)

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## C. Bond Supply FY2012 + Funding Needs FY2012-FY2015

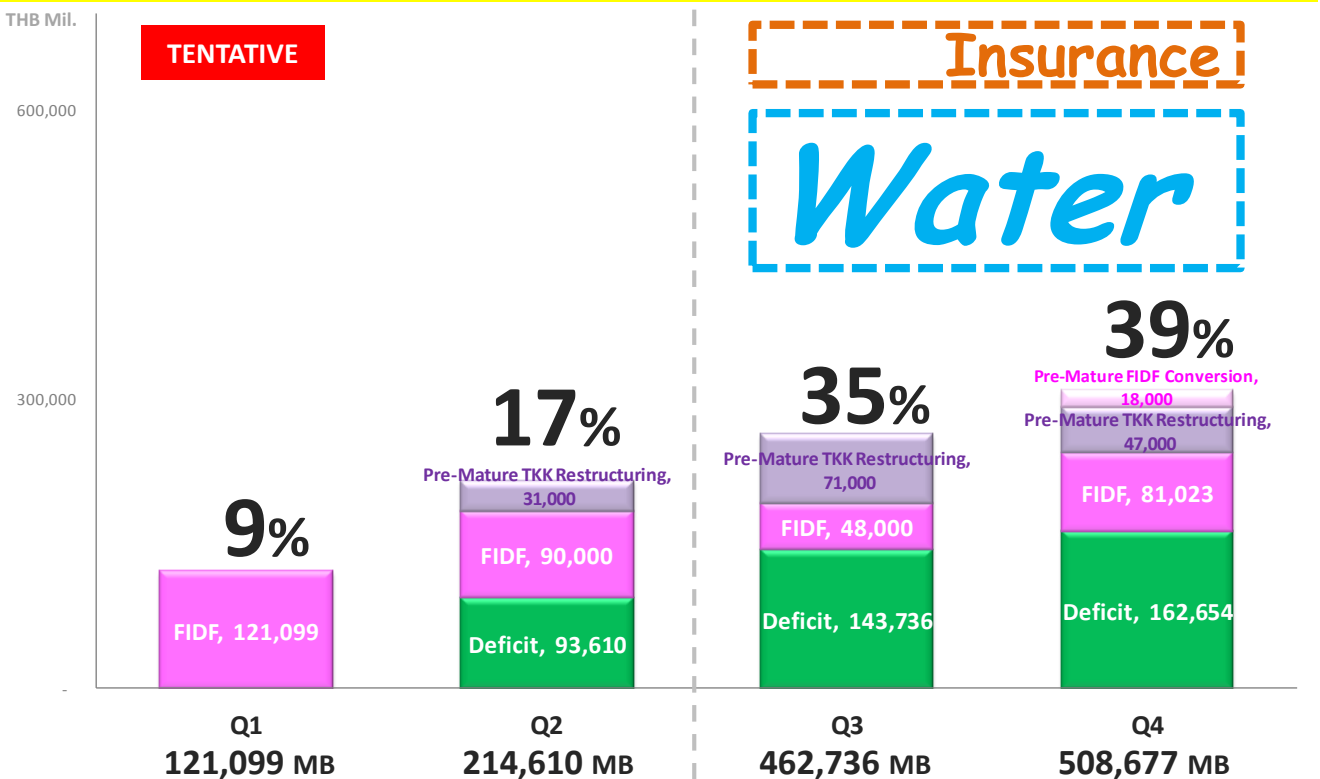
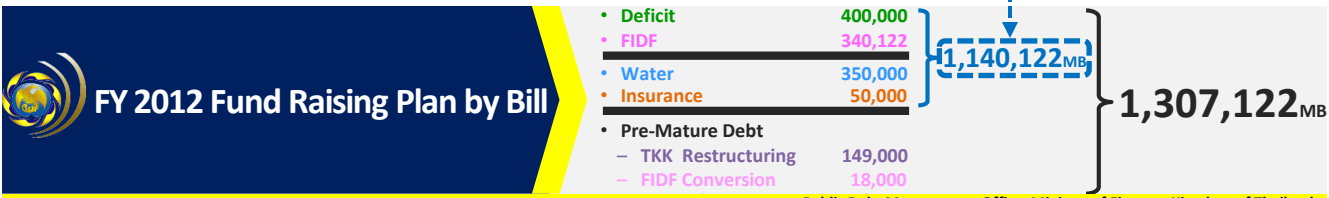
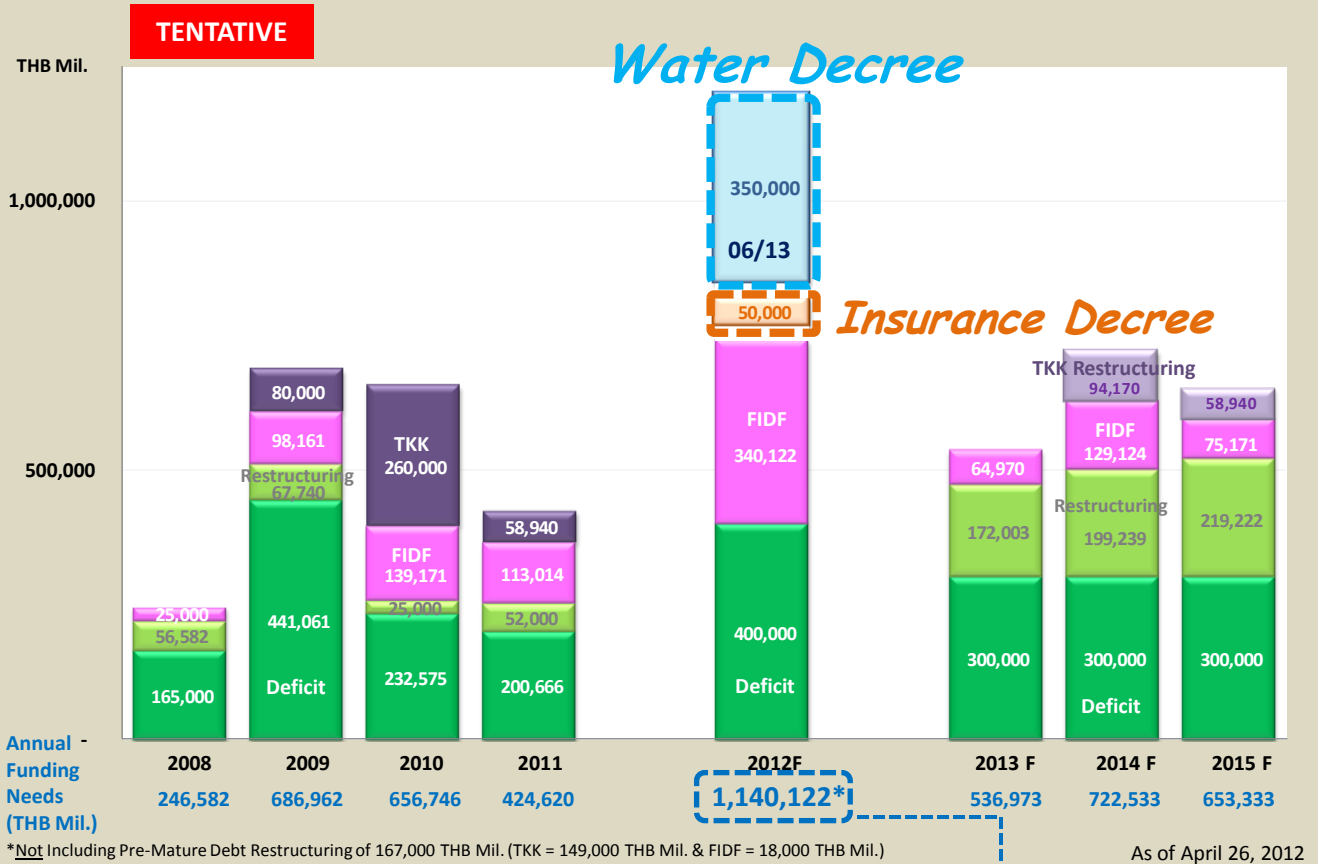
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- Annual Funding Needs Will Always Be around 600,000 THB Mil. (FY2012-FY2015)
- FY2012 Fund Raising Plan by Bill & Instruments (Including Water Management and Insurance Decree )
- Fiscal Year-to-Date 2012 GOV'T Fund Raising = 426,xxx THB Mil.
- Funding Instruments : Local Bond Market VS Foreign Bond Markets
- Structure of Thai Inflation Linked Bond (Inaugural ILB, July 2011)



# Annual Funding Needs Will Always Be around 600,000 THB Mil.

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# FY2012 Fund Raising Plan by Instruments (Including Water Management and Insurance Decree)

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

**TENTATIVE**

Units: THB Mil.

Instruments	Tenors (Yrs)	26 April 2012
<b>1. Government Bond</b>		
<b>1.1 Benchmark Bond</b>		
✓ Stable Supply → To Maintain Investor Trust	3 (LB155A, LB15DA)	70,000
	5 (LB176A)	100,000
✓ Sizable Outstanding Amount → To Enhance Liquidity	7 (LB193A)	65,000
	10 (LB21DA)	52,110
✓ Regular Issuance → To Build Yield Curve	15 (LB27DA)	35,000
	20 (LB326A)	35,000
	30 (LB416A)	26,436
	50 (LB616A)	25,000
<b>1.2 Floating Rate Bond (FRB)</b>	4 (LB165A)	48,450
<b>1.3 Inflation Linked Bond (ILB)</b>	10 (LB217A)	60,000
<b>2. Savings Bond / Retail Bond</b>		
	3+	105,000
<b>3. Promissory Note (P/N)</b>		
For FIDF 1	4+	107,099
For FIDF 3	4+	19,573
For Budget Deficit	4+	50,654
Pre-Mature <i>FIDE Conversion of P/N</i>		-18,000*
<b>4. Fixed Rate Promissory Note (Fixed-P/N)</b>		
For Budget Deficit	12/25/40	35,800
<b>6. Bank Loan</b>		
Bank Loan - Water Management	2 - 4	350,000
Bank Loan - Insurance	2 - 4	50,000
Pre-Mature <i>TKK Restructuring of Bank Loan</i>		-149,000**
<b>7. R-Bill</b>		
	6 mths	72,000
<b>Total Funding Needs (Not including Pre-Mature Restructuring)</b>		<b>1,140,122</b>
<b>Total Fund Raising</b>		<b>1,307,122</b>

**3-year Benchmark**  
 ~50,000 MB on LB155A ~15x,xxx MB  
 ~20,000 MB on LB15DA ~13x,xxx MB

**Benchmark Bond :  
 ~400,xxx THB Mil.**

**Total Government Bond :  
 ~500,xxx THB Mil.**

\* Restructuring to 5-yr LB (18,000)  
 \*\* Restructuring to 5-yr LB (16,000), 7-yr LB (22,000), 4-yr FRB (16,000), 20-yr LB (35,000), ILB (60,000)

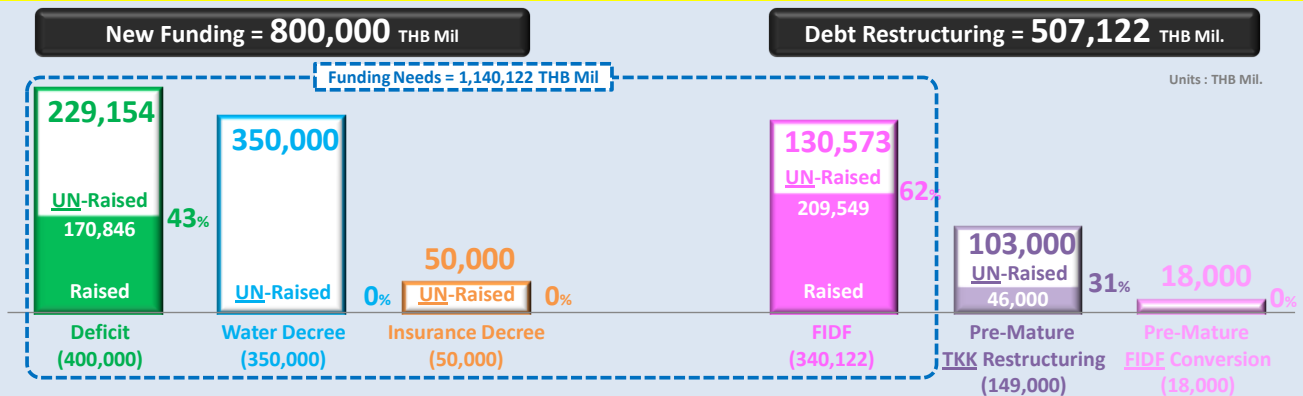
As of April 26, 2012

## FY-to-Date 2012 GOV'T Fund Raising = 426,xxx THB Mil. (33% of 1,307,122 THB Mil.) or (47% of Total less Decree)

**By Source**

(As of April 26, 2012)

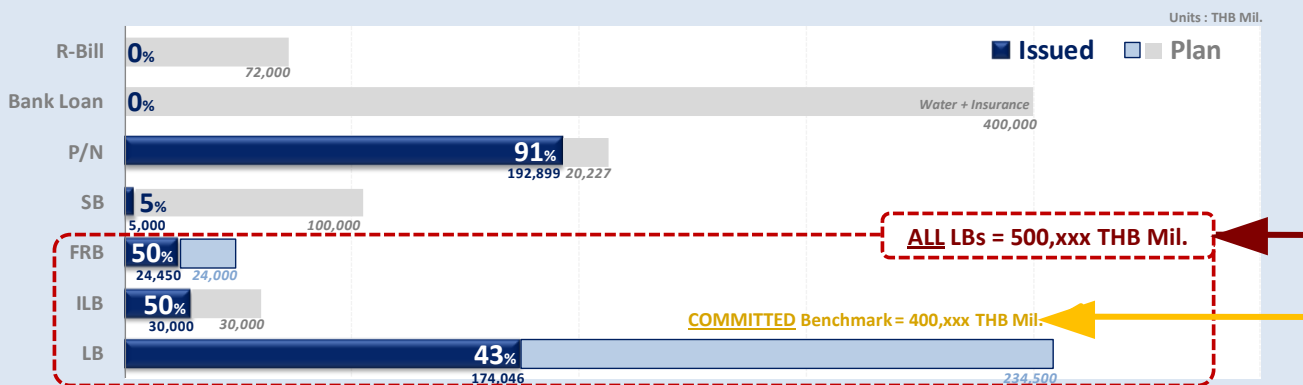
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## FY-to-Date 2012 GOV'T Fund Raising = 426,xxx THB Mil. (33% of 1,307,122 THB Mil.) or (47% of Total less Decree)

**By Product**

(As of April 26, 2012)

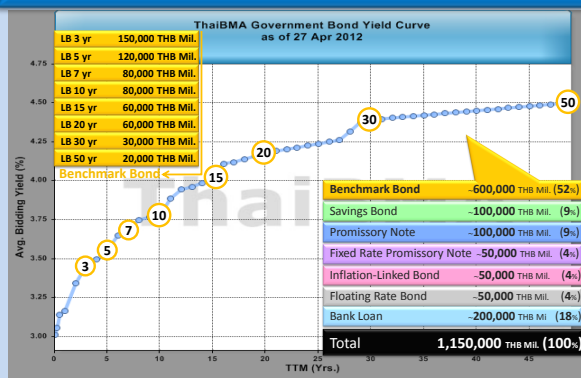




# Funding Instruments : Local Bond Market VS Foreign Bond Markets

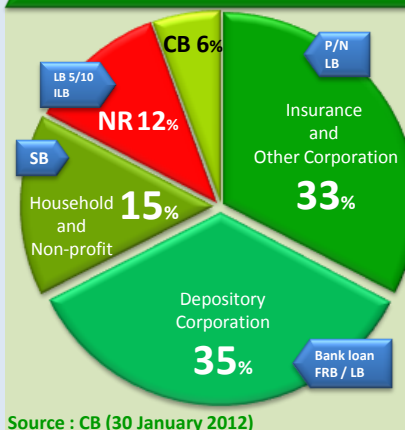
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**FY 2012 Full Capacity\* : 1,150,000 THB Mil**



\* Under favorable market liquidity + using All funding instruments

**Well Diversified Investors Ensures Funding Needs**



Source : CB (30 January 2012)

**Potential Demand for Gov't Bond 2012**

Investor Category	THB Bil.
- Life Insurance	400
- Pension Funds	400
Depository Corporations	400
- Retail	200
- Non-profit org.	200
<b>Non-Residence</b>	<b>?</b>

**Outstanding of Foreign Debt**  
Equiv. 41,000 THB Mil (1.4% of Gov't Debt)

**Equiv. 13,000 THB Mil**

**Commercial Papers**

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

**Equiv. 28,000 THB Mil**

**Soft Loans**

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

(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

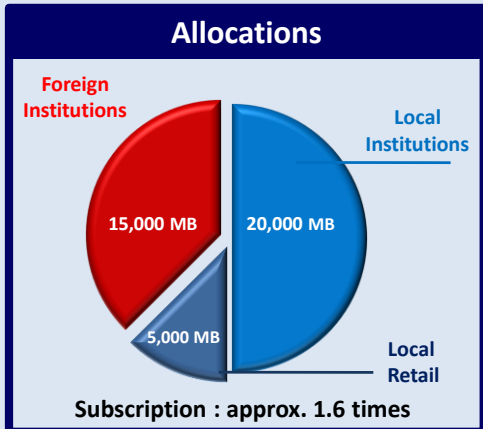
Concerns : exchange rate risk / swap cost / natural hedging



## Structure of Thai Inflation Linked Bond (Inaugural ILB, July 2011)

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Format	Capital Indexed Bond (with Principle Protection)
Currency	Thai Baht
Tenor	10 years
Programme Size	40,000 THB Mil. (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



**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 liquidity : 60,000 THB Mil. (2 USD Bil equiv.) (15,000 THB Mil. each in Feb Apr Jun and Aug)
- FY 2013 : Issue other Benchmark tenors (5-15years ILBs)

PD's responsibility

- ✓ FY 2012 : Maintain portion of successful bid in ILB primary market
- FY 2013 : Maintain portion of ILB trading in secondary market
- FY 2013 : Provide firm bid / ask spreads in secondary market

**Enhance Liquidity**

**8 INTERNATIONAL AWARDS**

- |  |                                  |
|--|----------------------------------|
| Best Sovereign Bond 2011                       | : Asiamoney Awards               |
| Best Thailand Deal 2011                        | : Asiamoney Awards               |
| Best Local Currency Bond 2011                  | : FinanceAsia Achievement Awards |
| Best Thailand Deal 2011                        | : FinanceAsia Achievement Awards |
| Thailand Capital Markets Deal of the Year 2011 | : IFRAsia Asia Awards            |
| Deal of the year from Asia                     | : Euro Money                     |
| Outstanding Issuer of the Year                 | : Asset Asian Awards 2011        |
| The Most Impressive Local Currency 2011        | : Euroweek Asia                  |





## D. Well-Developed Bond Market Improved Government Debt Profile

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

- **Public Debt Outstanding** (as of Dec 2011) = 4.3 THB Trillion (40% of GDP)
- **Total GOV'T Debt** (Direct + FIDF) = 3.04 THB Trillion (71% of Public Debt)
  - Average-Time-to-Maturity (ATM) = 6y 4m
  - Average Cost = 4.6%
  - Fixed : Float = 82 : 18
- **Well-Developed Bond Market Improved GOV'T Direct Debt Profile Dramatically**
  - Average-Time-to-Maturity (ATM) = 7y 5m
  - Average Cost = 4.4%
  - Fixed : Float Ratio = 82 : 18
  - Maturity Distribution Profile = 52-20-28
- **Full Capacity of All Government Funding Instruments (FY2012) → 1,150,000 THB Mil**
- **Maturity Profile of GOV'T Funding Instruments (Strategic Framework)**
  - Average-Time-to-Maturity (ATM) = 9y
  - Fixed : Float = 70 : 30
  - Maturity Distribution Profile = 50-30-20





# Public Debt Outstanding (as of Dec 2011) = 4.3 THB Trillion (40% of GDP)

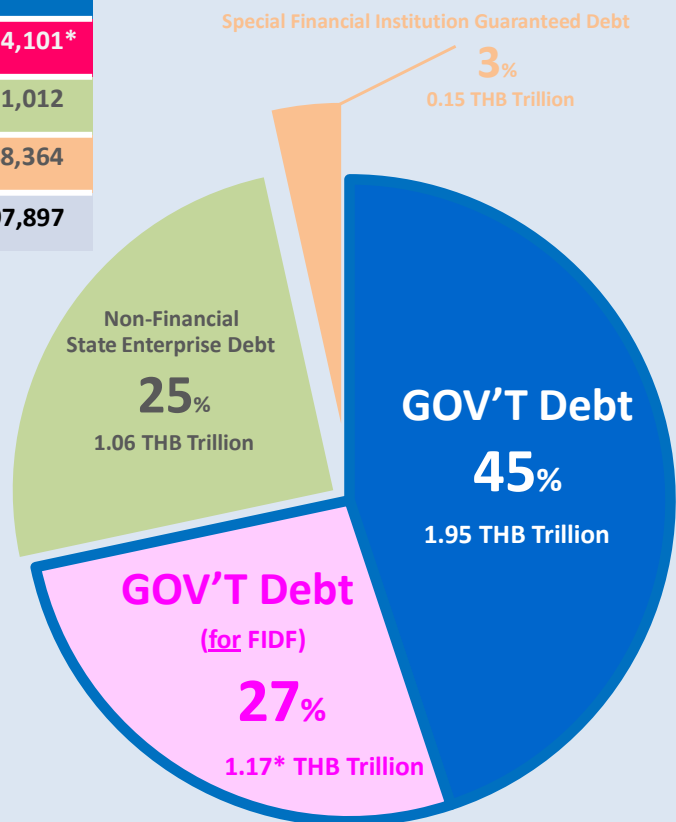
Public Debt Management Office, Ministry of Finance, Kingdom of Thailand

## Components of Public Debt

Units : THB Mil.

1. Government Debt (excluded FIDF)	1,914,420
2. Government Debt (for FIDF)	1,174,101*
3. Non-Financial State Enterprise Debt	1,061,012
4. Special Financial Institutions Guaranteed Debt	148,364
<b>Public Debt Outstanding (as of Dec 2012)</b>	<b>4,297,897</b>

\*Including 32,000 THB Mil. of Prefunding





**Total GOV'T Debt = 3.04\*** THB Trillion  
(71% of Public Debt)

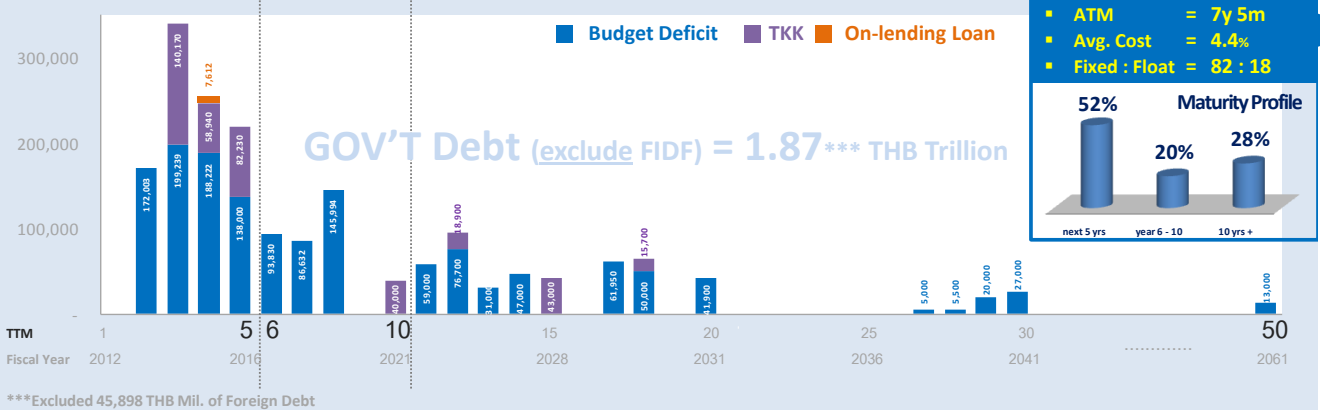
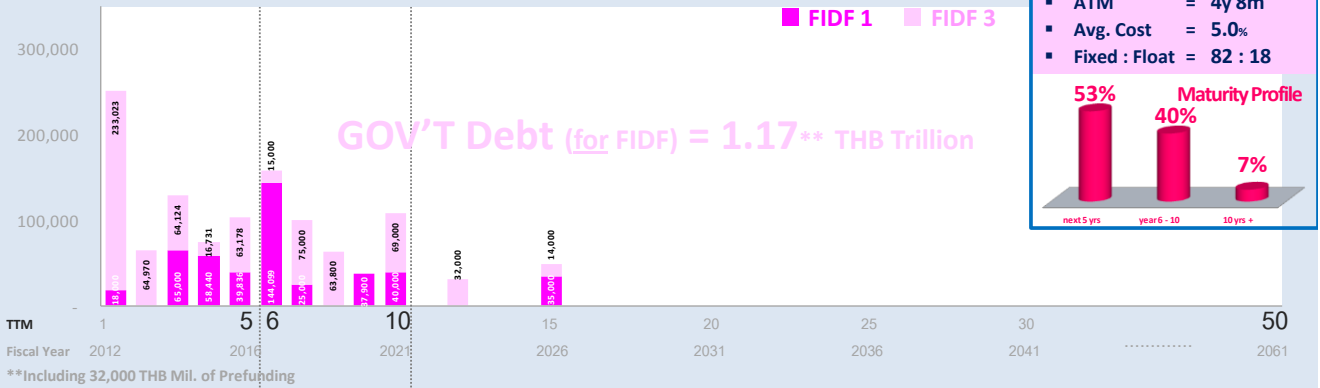
\* Excluded 45,898 THB Mil. of Foreign Debt

- Average-Time-to-Maturity (ATM) = **6y 4m**
- Average Cost = **4.6%**
- Fixed : Float = **82 : 18**

As of Dec 2011

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

Assumptions : 6 months BIBOR = 3.245%, 6 months Fixed Deposit Rate = 2.38125%



**Well-Developed Bond Market Improved**

**GOV'T Direct Debt (1.87 THB Mil.) Profile Dramatically**

- (1) ATM Lengthened
- (2) Cost Lowered
- (3) Well-Balanced Fixed-Float Ratio
- (4) Well-Distributed Maturity Profile

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As of Dec 2007

As of Dec 2011

Average-Time-to-Maturity **LENGTHENED** by 2 yrs

ATM  
5y 3m

ATM  
7y 5m

Avg. Cost **LOWERED** by 10 bps  
(While ATM Lengthened by 2 yrs)

Avg. cost  
4.5%

Avg. cost  
4.4%

Well-Balanced Fixed/Float Ratio  
(Target : Fixed/Float ratio = 80 : 20)

Float 10%

Fixed 90%

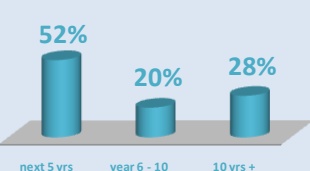
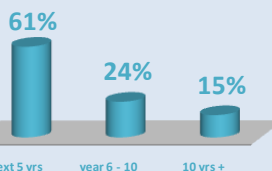
Float 18%

Fixed 82%

Maturity Profile as of Dec 2009

Maturity Profile as of Dec 2011

Well-Distributed Maturity Profile  
(Target : Maturing Debt in the next 5 yrs ≤ 50% of Total Debt)

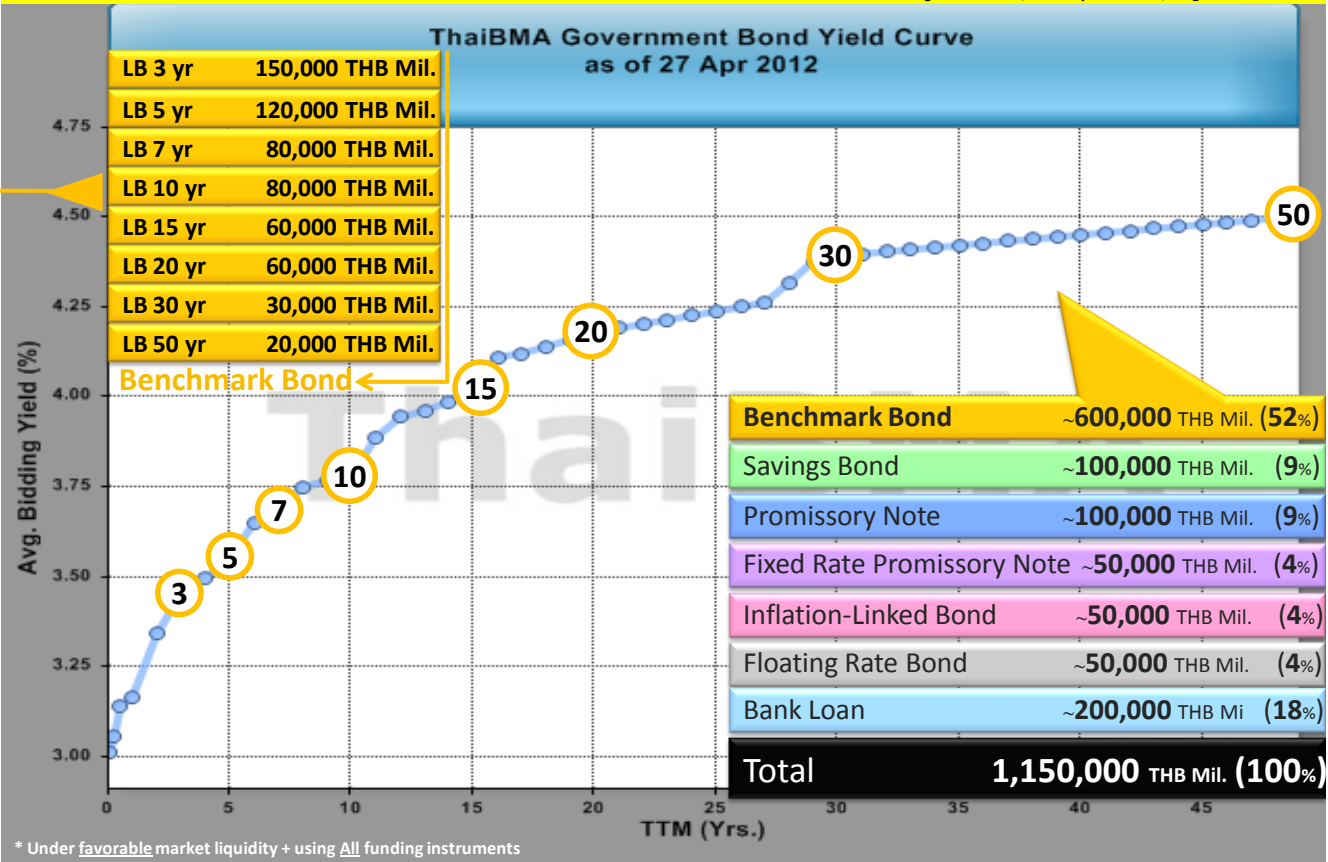




# Full Capacity\* of All Government Funding Instruments

## 1,150,000 THB Mil.

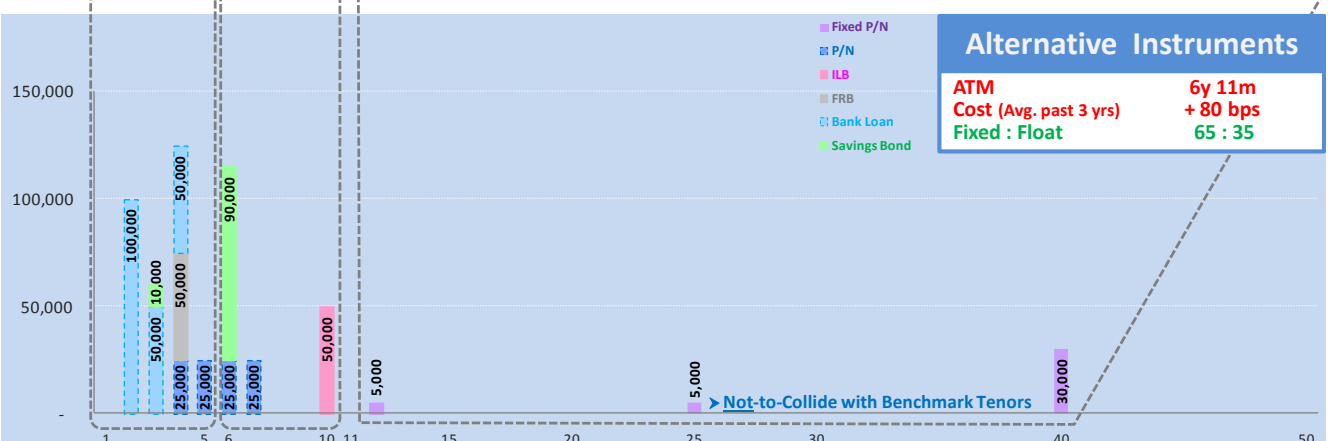
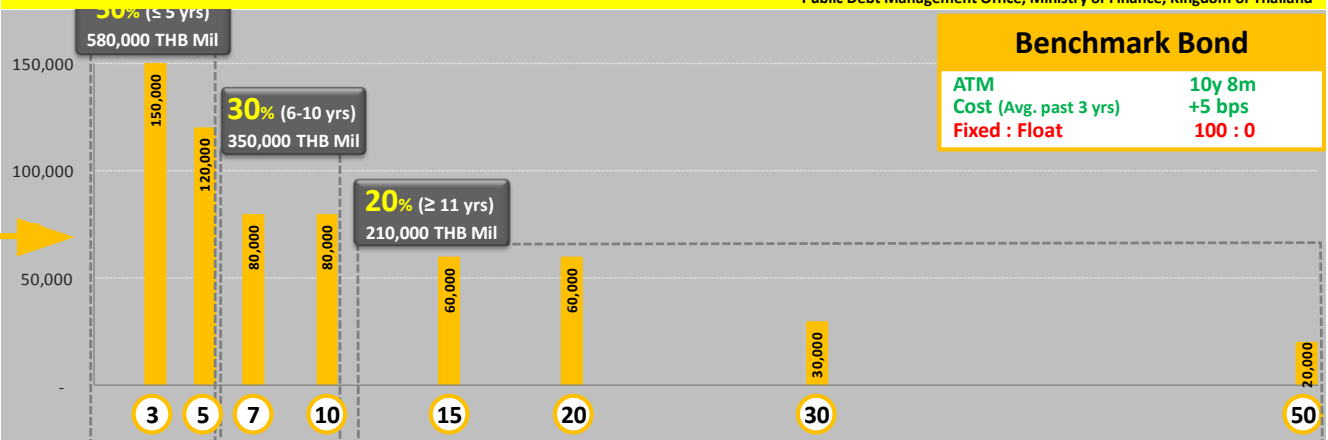
Public Debt Management Office, Ministry of Finance, Kingdom of Thailand



## FY2012 Maturity Profile of GOV'T Funding Instruments

(A) ATM = 9 yrs (B) Fixed : Float = 70 : 30  
(C) Maturity Distribution Profile 50 - 30 - 20

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





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เพื่อการพัฒนาประเทศอย่างยั่งยืน