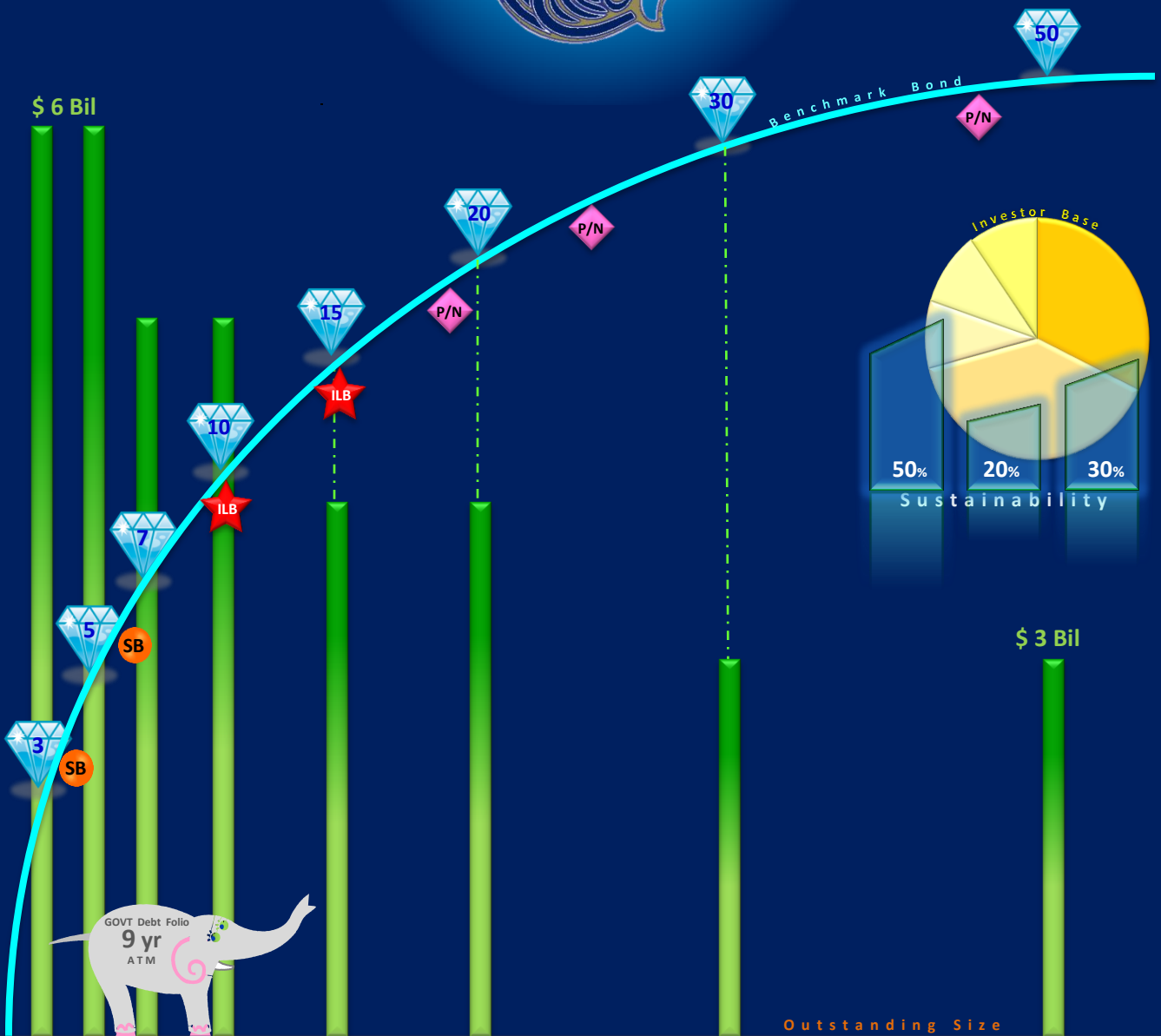


Kingdom of Thailand Bond Market Development



OCTOBER 2012



This booklet is produced and printed *in-house* by Bond Market Development Bureau
Public Debt Management Office
Ministry of Finance, Kingdom of Thailand

This booklet can be downloaded at www.pdmo.go.th ➡ e-book

Domestic Bond Market Development

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

- 1997 Asian Financial Crisis → The Rude Awakening
- Thai Bond Market Has Grown Strongly and Rapidly for More than a Decade
 - Innovation of Government's Debt Securities
 - Equilibrium of Thai Bond Market

2

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

- PDMO Revised the Strategies of Benchmark Bond Issuance in 3 Ways
- Keep Our Word to Get Investors Confidence for the Plan → Firm Committed Supply of Benchmark Bond Regardless of Budget Uncertainty
 - Key Success Indicators of Benchmark Bond Liquidity
 - Market's Favorite Benchmark Bond

6

C. Bond Supply FY2013 + Funding Needs FY2013 - FY2015

- FY 2013 Total Funding Needs (by Bills) → 1,028,219 THB mil.
- FY 2013 Total Fund Raising (by Instruments) → 1,095,219 THB mil.
- FY 2013 Benchmark Bond (3-5-7-10-15-20-30-50 tenors) → 525,000 THB mil.
- FY 2013'Q1 Government Bond Auction Schedule → 150,500 THB mil.
- Fund Raising Strategies
 - Building Benchmark Bond to Stabilize Yield Curve
 - Segmenting Investors Base to Diversify Dependency Risk
- Next Phase of Inflation Linked Bond → Creating Liquidity & Extending Yield Curve

12

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

- Full Capacity of Government Funding Instruments (FY 2013) → 1,150,000 THB Mil (equiv. 40,000 USD Bil)
- Systematic Benchmark Bond Issuance
 - Lengthened ATM by 3 ½ years
 - Lowered cost by 30 basis points
 - Enhanced fixed-float Ratio
 - Reduced bunching risk

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FY 2012 HIGHLIGHTS

- ✓ **FIDF Decree passed** : reduced fiscal burden by 70,000 MB a year (though Public Debt remains unchanged)
- ✓ **PDDF activated** : restructuring of FIDF's 340,122 MB saved over 7,000 MB a year & enhanced overall FIDF portfolio profile
- ✓ **CGIF activated** : to enable investment-grade ASEAN+3 issuers to access foreign currency bond markets
- ✓ **Founding 13 MOF-outright PD** : upgrading PD duties & privileges to actively play role as market makers
- ✓ **Electronic Retail Savings Bond** : to promote savings society & to diversify Government funding instruments

23

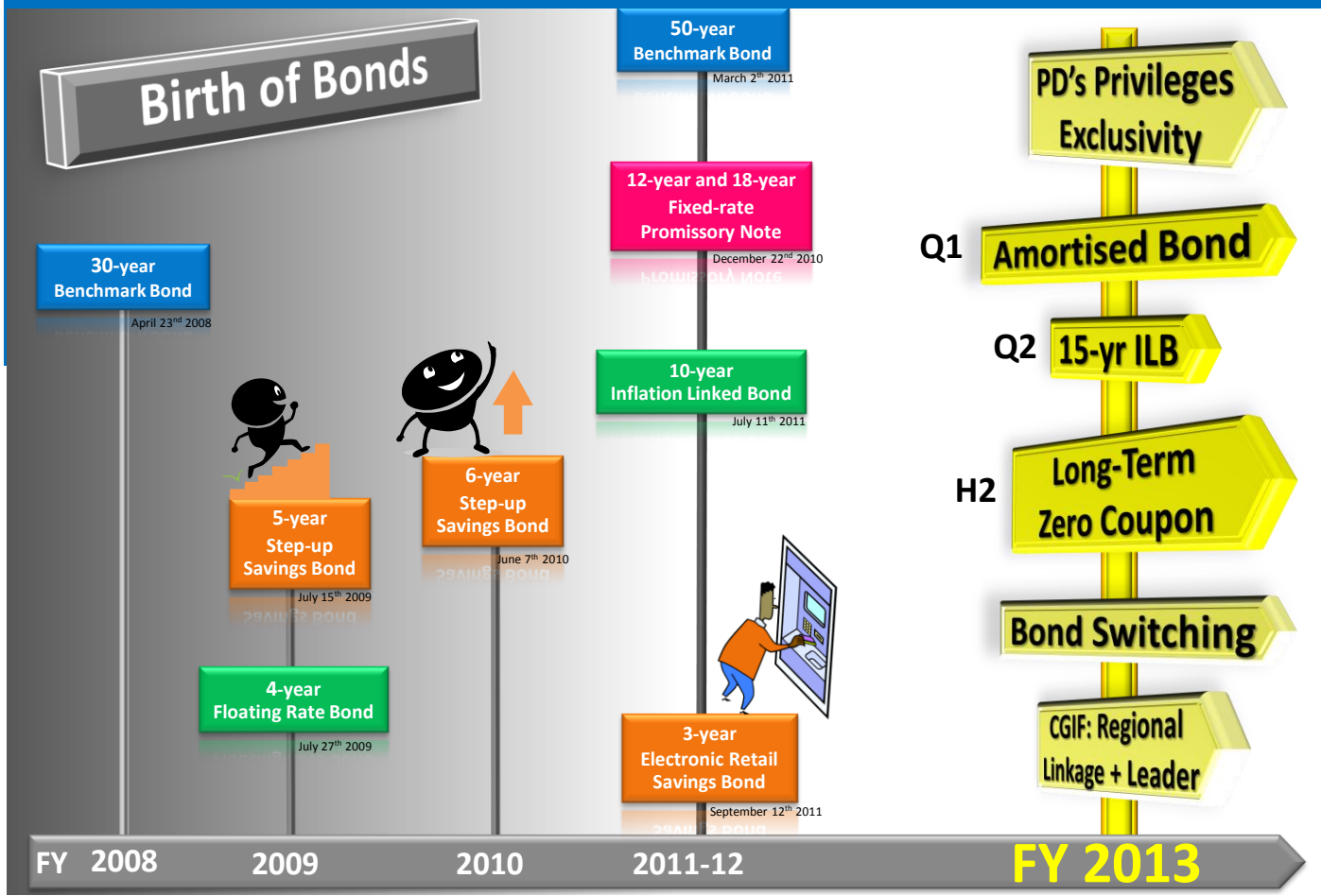




A. Evolution of Bond Market Development (1995 – Present)

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

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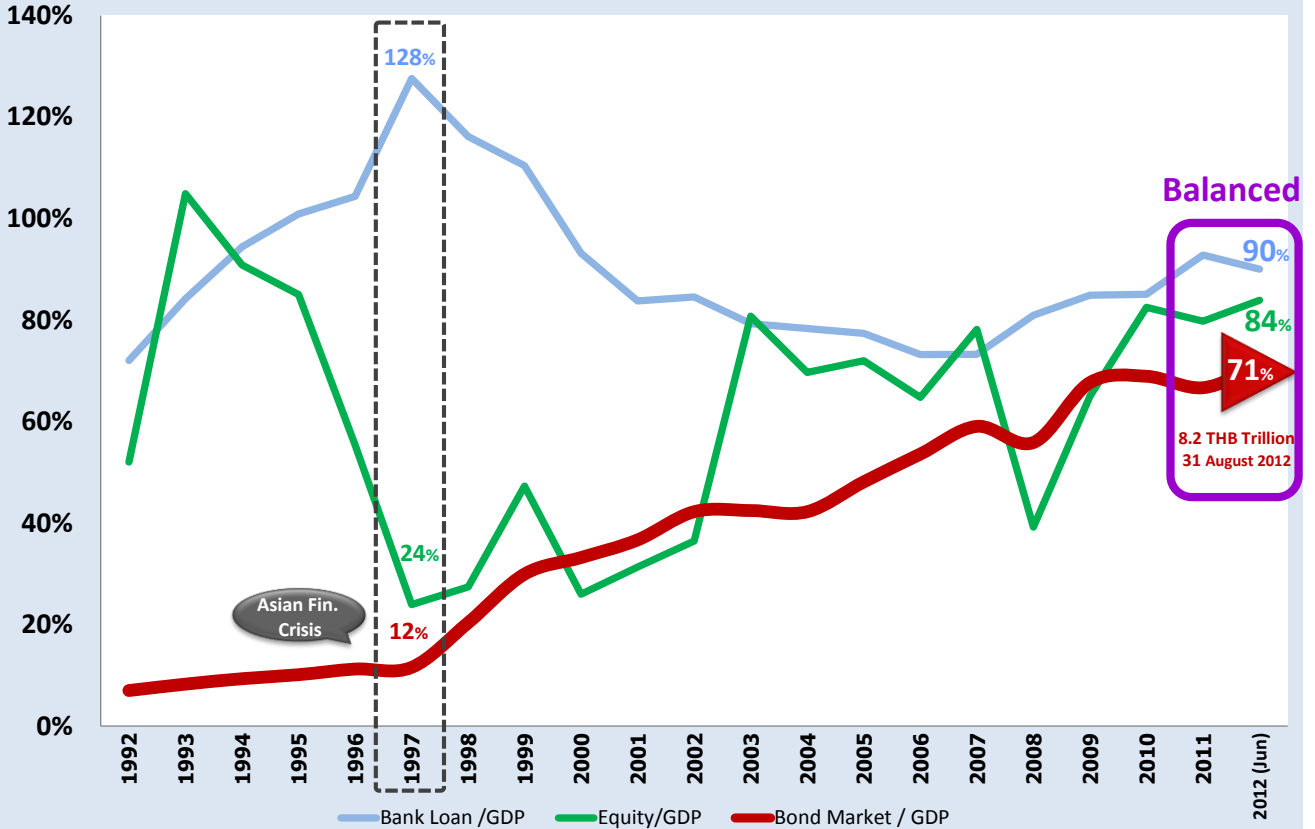


1997 Asian Financial Crisis

The Rude Awakening

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

% Share of GDP

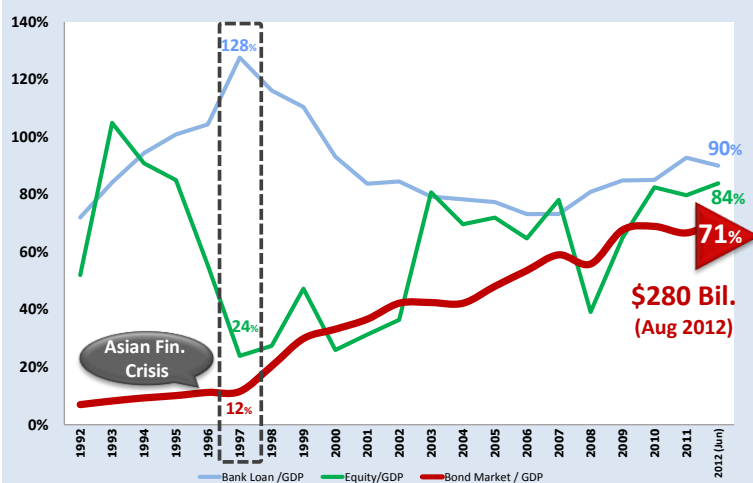


Bond Market Cap. = 8.2 THB Trillion (\$280 Bil.)

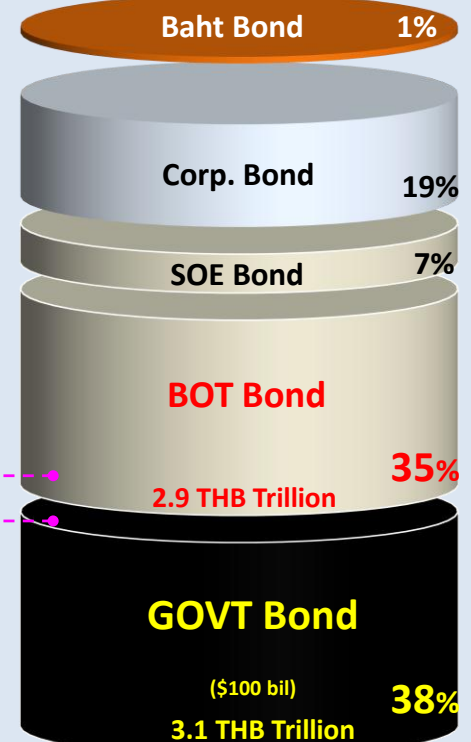
GOVT Bond = 3.1 THB Trillion (\$100 Bil.)

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

% Share of GDP

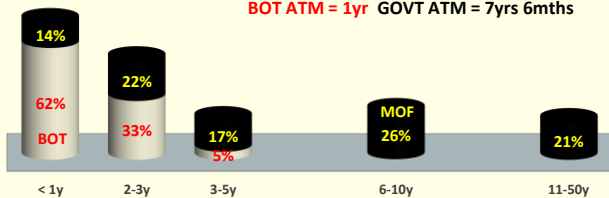


Domestic Bond Market Classified by Issuer



Maturity Profile BOT vs GOVT Bond

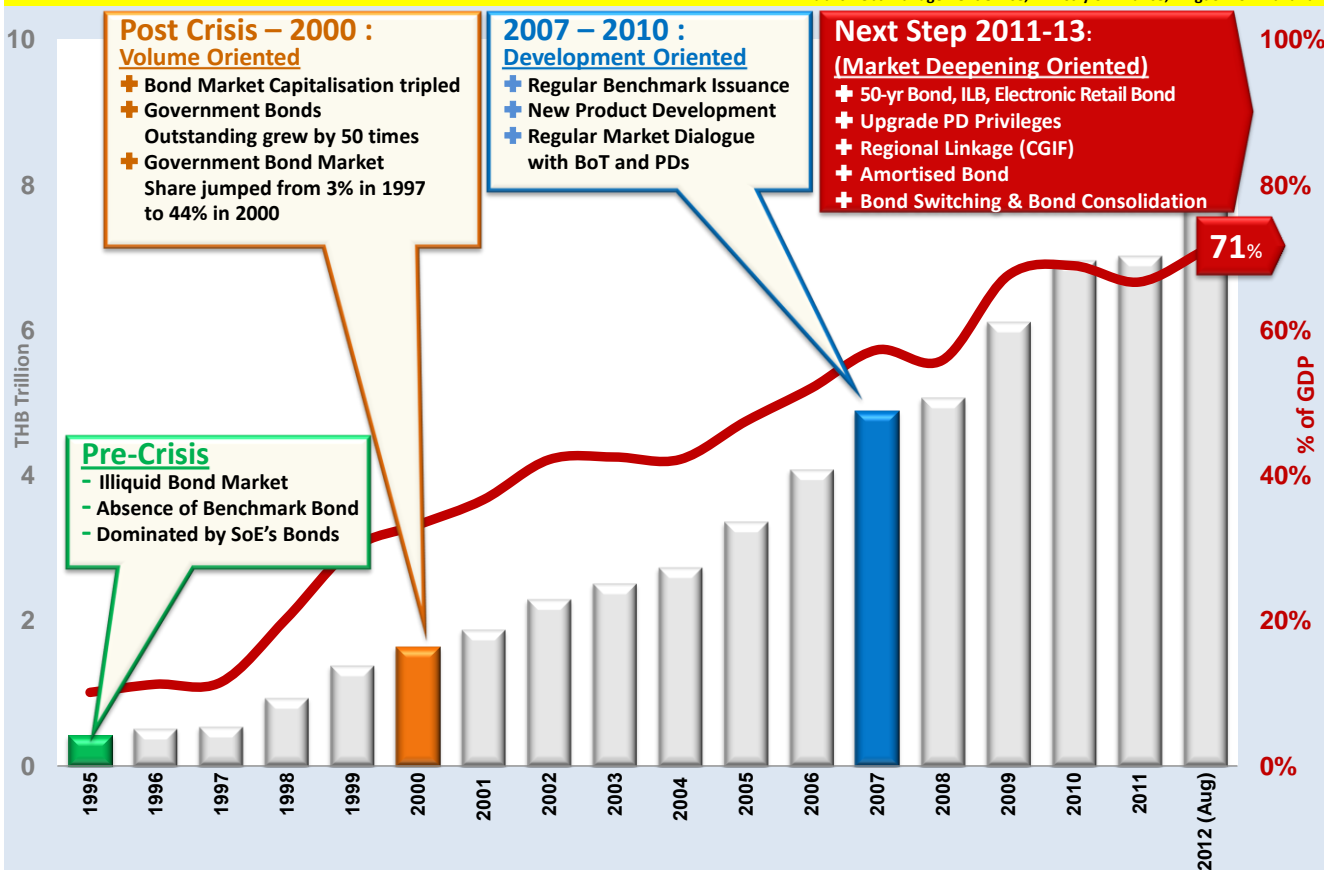
BOT ATM = 1yr GOVT ATM = 7yrs 6mths





The Thai Bond Market Has Developed Rapidly and Efficiently

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



FY2007 – FY2013

Innovation of GOV'T Debt Securities

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

FY 2007-10	30-yr Benchmark Bond	<ul style="list-style-type: none"> • Lengthen average-time-to-maturity of <u>Total Government Debt Portfolio</u> → 5yrs 7mths to 7yrs 6mths • Meet Long-term investors' demand 			
	Floating Rate Bond	<ul style="list-style-type: none"> • Increase floating debt ratio of <u>Total Government Debt Portfolio</u> → 10% to 18%* • 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 			
<small>From 2007 - 2012</small>					
FY 2011	Fixed Rate Promissory Note	<ul style="list-style-type: none"> • Broaden investor base – Insurance / Long-term investors • Non-Benchmark tenors 			
	50-yr Benchmark 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) 			
	10-yr 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 			
	Electronic Retail Savings Bond	<ul style="list-style-type: none"> • Lower Minimum Amount to Purchase / Offer throughout the year • Develop the retail bond into an electronic form → Scripless System • Can be purchased via ATM, in addition of Bank Retail Branches 			
FY 2012-2013	Amortised 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 improve their portfolio • Larger outstanding size + Less bond series → more liquidity in the secondary market 			
	Upgrade PD Privileges	PDDF Activated (Public Debt Restructuring and Domestic Bond Market Development Fund)	15-yr ILB	Baht Bond	CGIF Activated (Credit Guarantee and Investment Facility)



Equilibrium of Thai Bond Market

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

Issuers

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

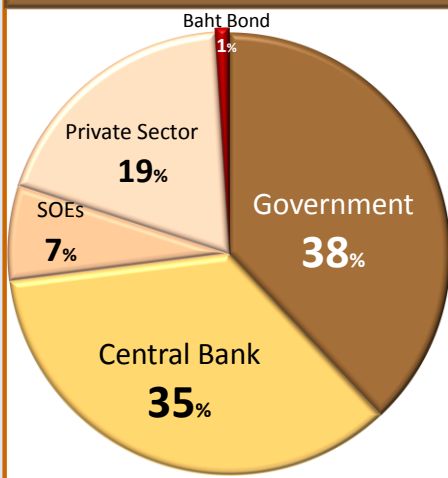
Credit Rating

- 98 percent of Thailand's debt securities are classified as Investment Grade

Investors

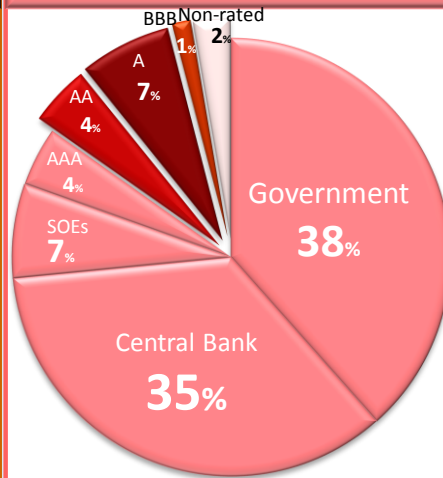
- Thailand's government debt securities are held by a wide group of investor types

Thailand Bond Market
(Classified by Issuers)



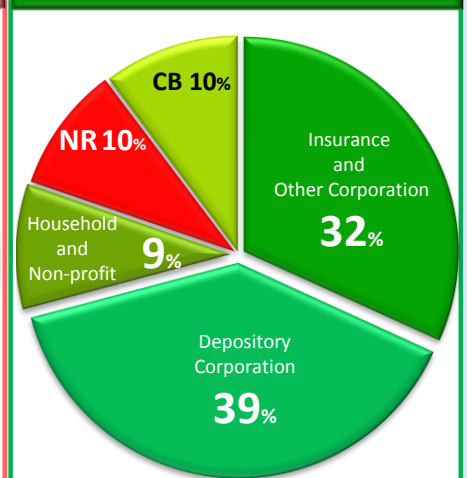
Source : ThaiBMA (31 August 2012)

Thailand Bond Market
(Classified by Credit Rating)



Source : ThaiBMA (31 August 2012)

State Agencies Debt Securities
(Classified by Types of Investors)





Source : CB (30 June 2012)



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

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

- **P**DMO Revised the Strategies of Benchmark Bond Issuance in 3 Ways
- **K**eep Our Word to Get Investors Confidence for the Plan → Firm Committed Supply of Benchmark Bond Regardless of Budget Uncertainty 
- **K**ey Success Indicators of Benchmark Bond Liquidity
- **M**arket's Favorite Benchmark Bond 



PDMO Revised the Strategy of Benchmark Bond Issuance in 3 ways (FY2007-FY2013)

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

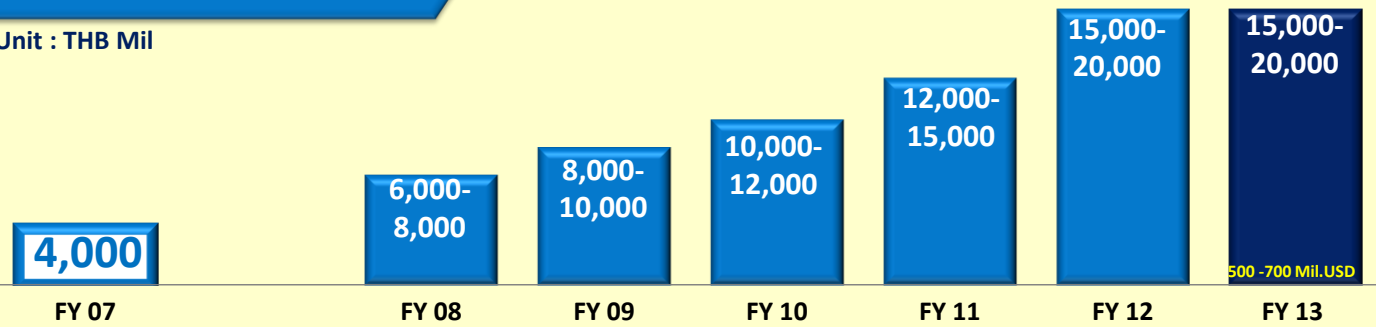
I. Reduce Auction Frequency

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 yrs

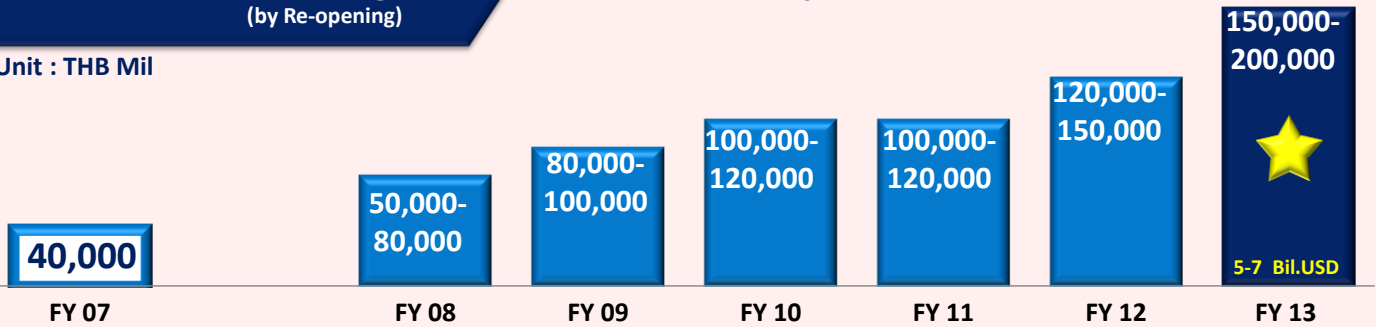
Unit : THB Mil



III. Increase Outstanding Size (by Re-opening)

Tenors: 3-5-7-10 yrs

Unit : THB Mil





Keep Our Word to get Investor Confidence for the Plan

Firm Committed Supply of Benchmark Bond Regardless of Budget uncertainty

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

FY2009

Higher government funding needs due to Stimulus Package

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

Total Funding needs

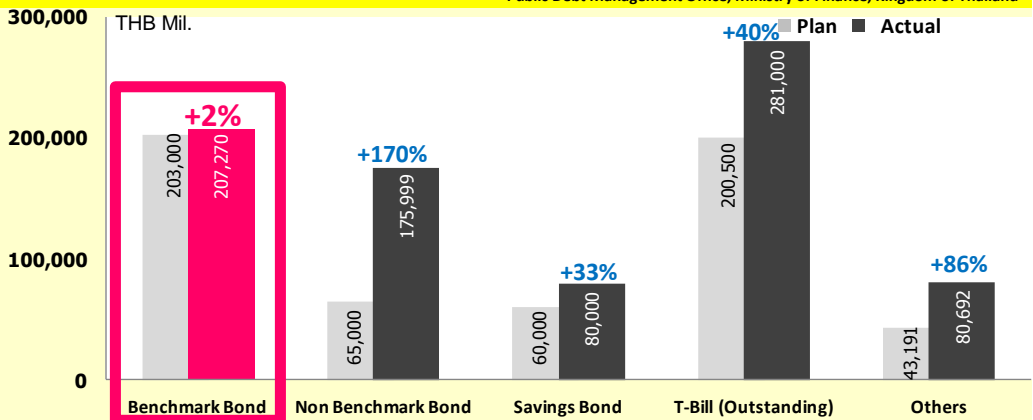
increased from:

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

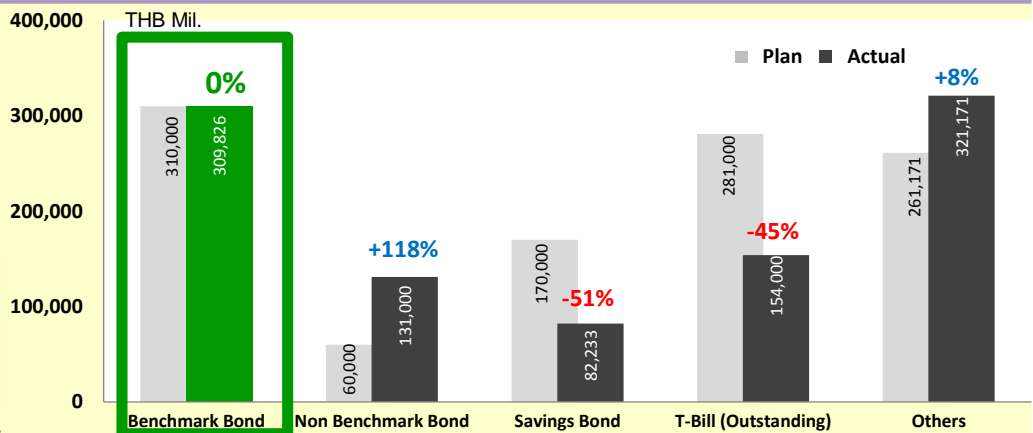
decreased from:

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

Bond Market Development Bureau, Public Debt Management Office

FY2011

Higher than expected Revenue collection

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

Total Funding needs

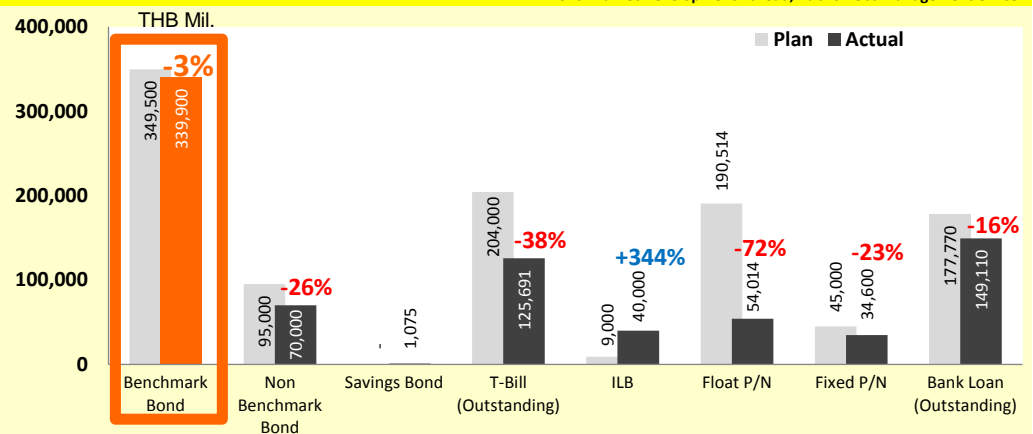
decreased from:

700,000 THB Mil. to 450,000 THB Mil.

(-36%)



Treasury Balance = 510,180 THB Mil.



FY2012

Lower-than-expected Disbursement

approx. **-390,000 THB Mil.**

Total Funding needs

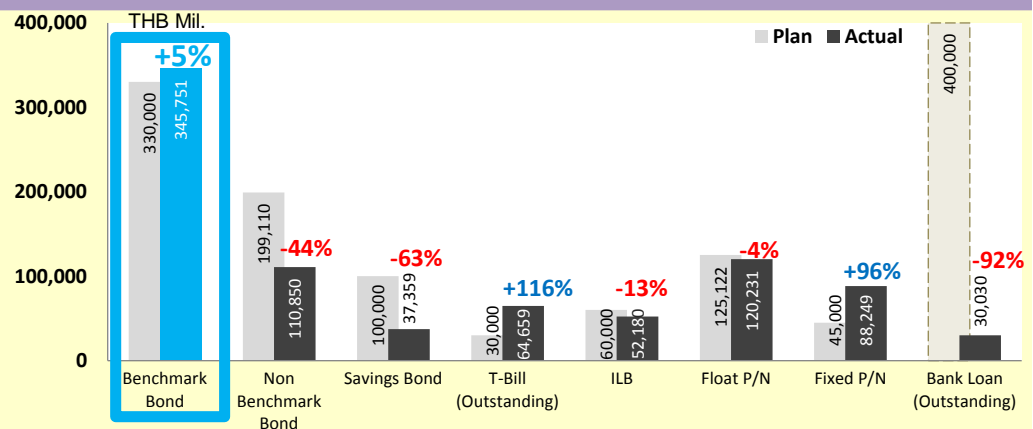
decreased from:

1,140,000 THB Mil. to 750,000 THB Mil.

(-34%)



Treasury Balance = N/A





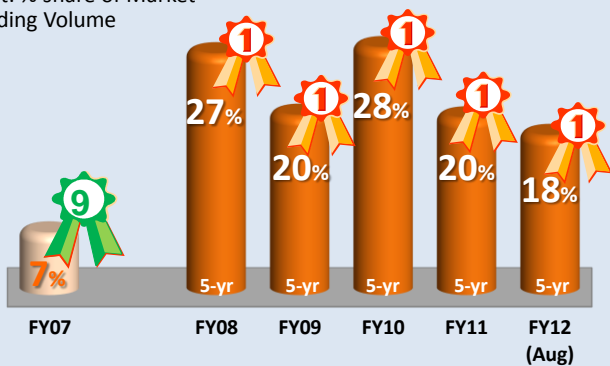
FY2008-FY2012 Key Success Indicators

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

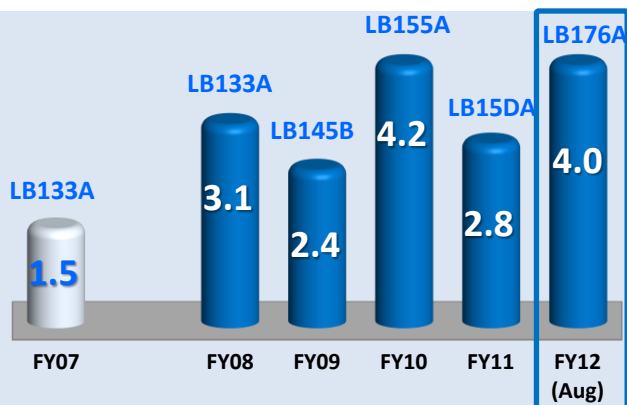
Public Debt Management Office, Ministry of Finance, Kingdom of Thailand

5-yr Benchmark Tenor : Highest Secondary Trading Volume in every year (accounted for 25% of total trading volume)

Unit: % share of Market Trading Volume

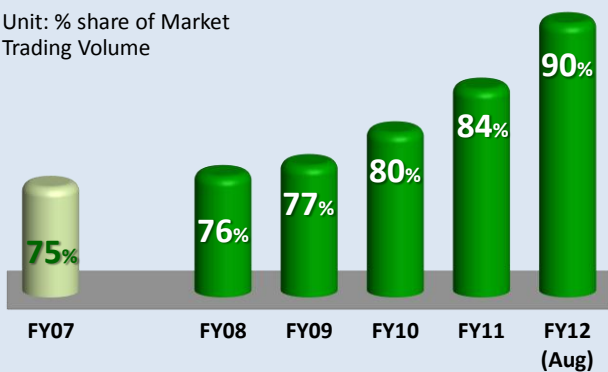


5 yr Benchmark Bond : Higher Turnover Ratio



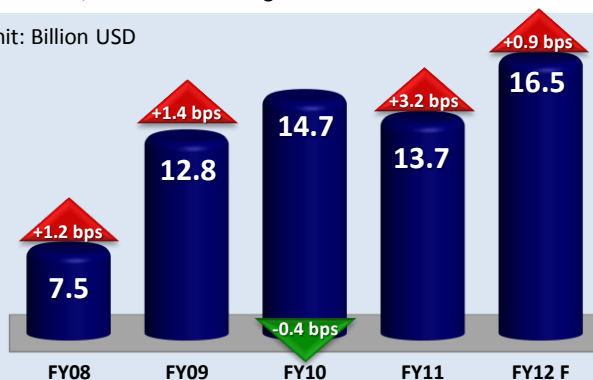
Top 10 Gov't Bond Series – Accounted for 90% of all Gov't Bond trading in Secondary Trading Volume

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



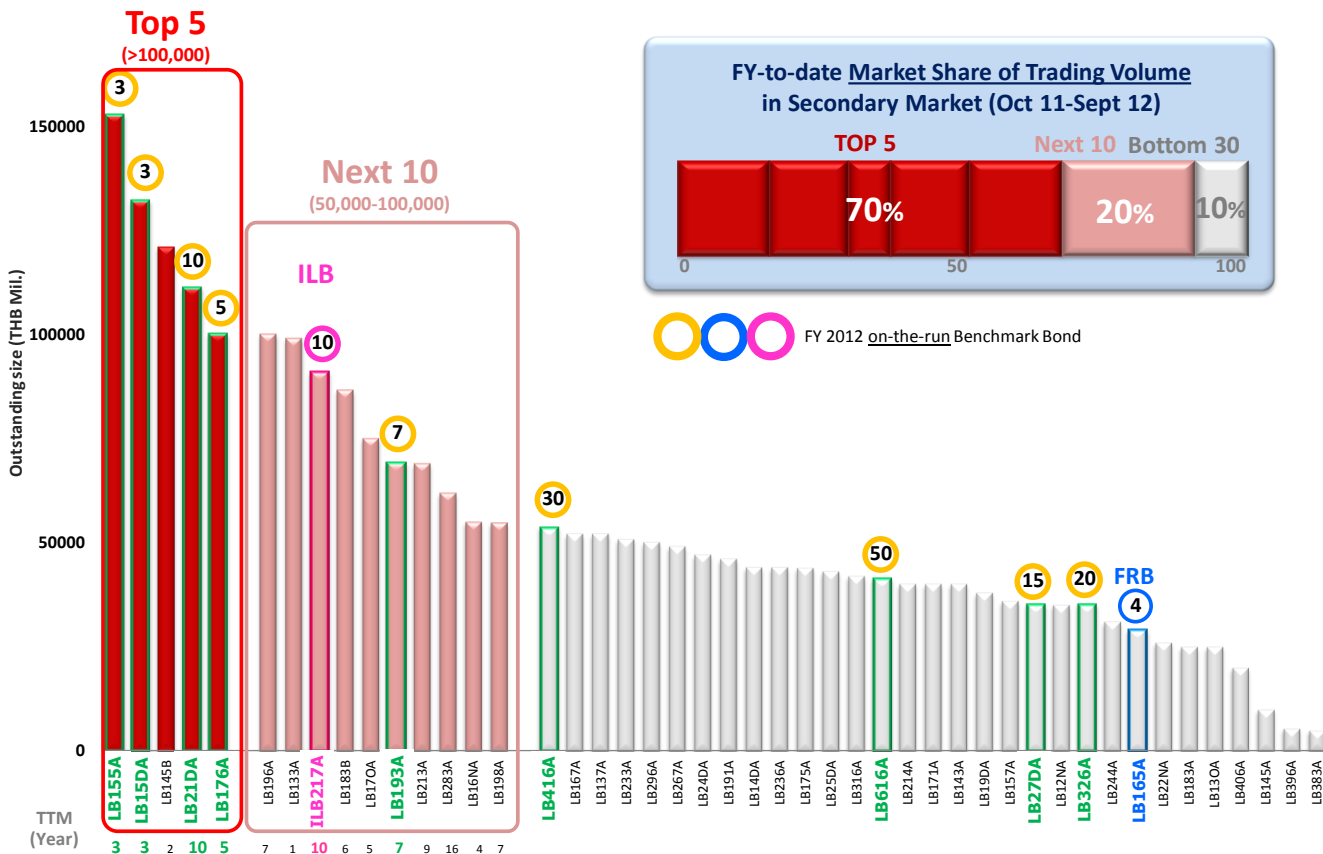


FY2012 Total GOVT Bond = 46 Series
(2,2511,XXX THB Mil)

TOP 5 > 100,000 THB Mil in Size (70% of Trading Volume)

Next 10 > 50,000 THB Mil in Size (20% of Trading Volume)

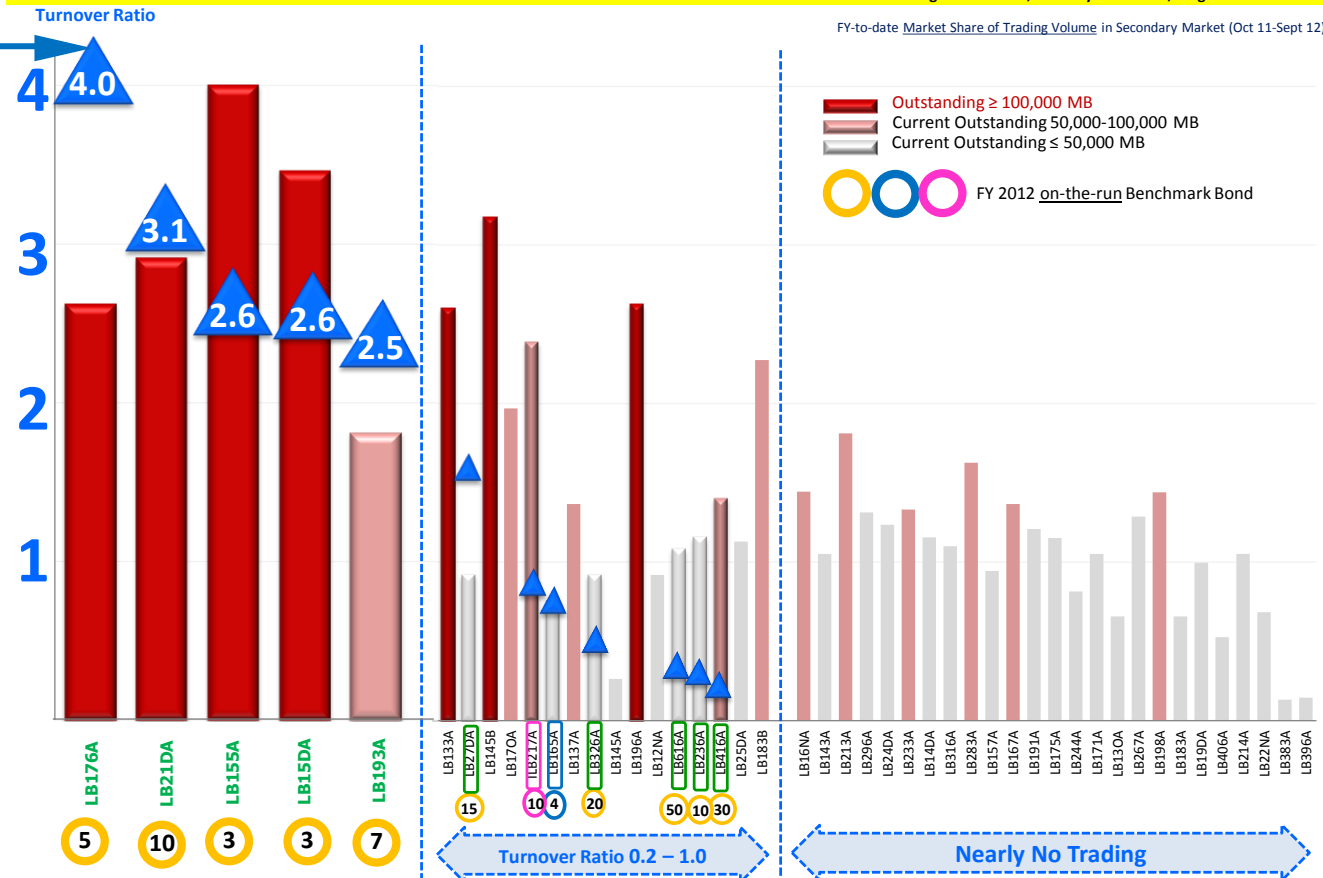
Public Debt Management Office, Ministry of Finance, Kingdom of Thailand



FY2012 Market's Favorites
Classified by Turnover Ratio

All 3-5-7-10 on-the-run Benchmark Bond Has Turnover Ratio between 2.5 – 4.0
(while market turnover ratio = 1)

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





PDDF

CGIF

BENCHMARK BOND

FISCAL DISCIPLINE

INFLATION-LINKED-BOND



C. Bond Supply FY2013 + Funding Needs FY2013 - FY2015

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

- **FY 2013 Total Funding Needs (by Bills)** → 1,013,546 THB mil.
- **FY 2013 Total Fund Raising (by Instruments)** → 1,090,076 THB mil.
- **FY 2013 Benchmark Bond (3-5-7-10-15-20-30-50 tenors)** → 525,000 THB mil.
- **FY 2013'Q1 Government Bond Auction Schedule** → 150,500 THB mil.
- **Fund Raising Strategies** → Building Benchmark Bond to Stabilize Yield Curve
→ Segmenting Investors Base to Diversify Dependency Risk
- **Next Phase of Inflation Linked Bond** → Creating Liquidity & Extending Yield Curve

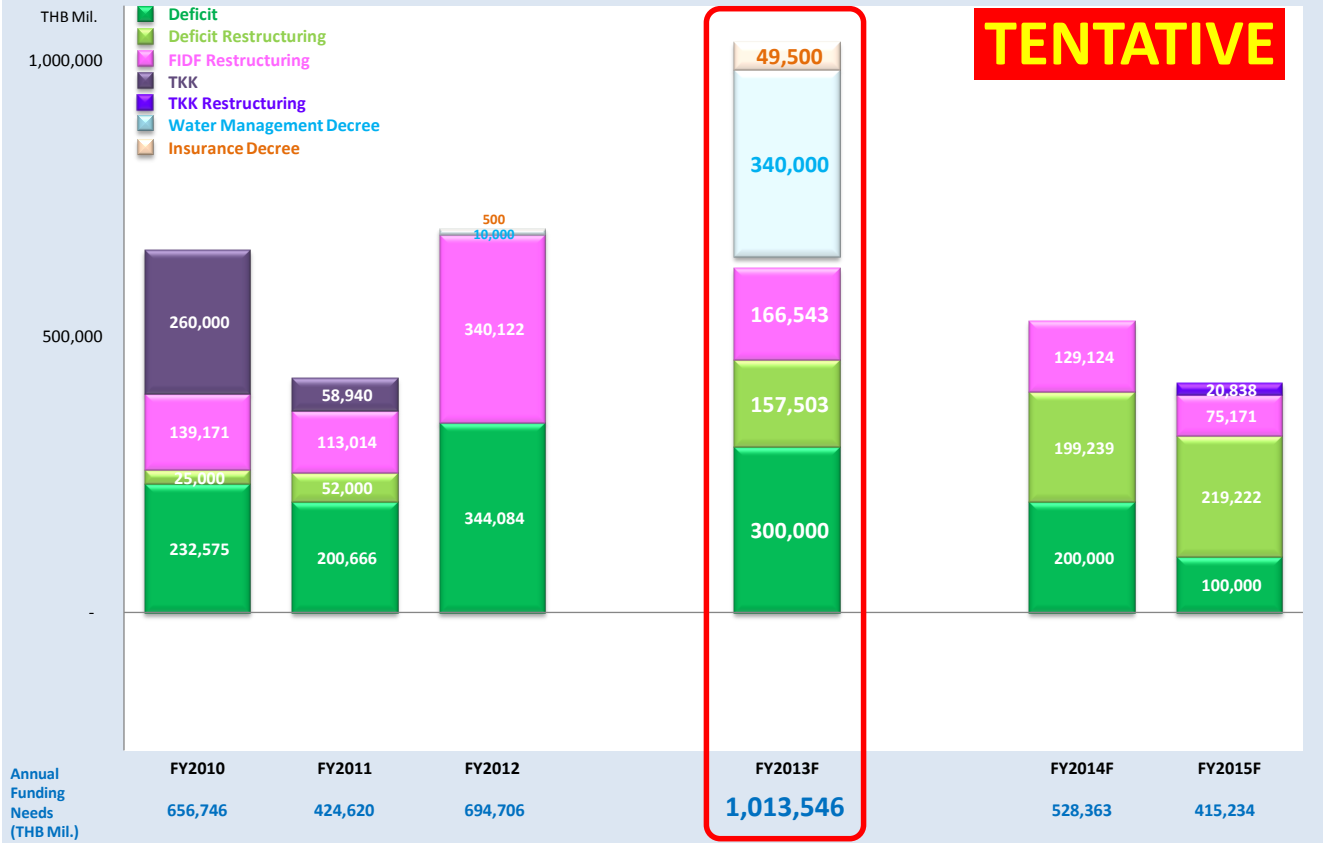


FY2013 Total Funding Needs (By Bills)

1,013,546 THB Mil.

- Deficit 300,000
- Deficit Restructuring 157,503
- FIDF Restructuring 166,543
- Water 340,000
- Insurance 49,500

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

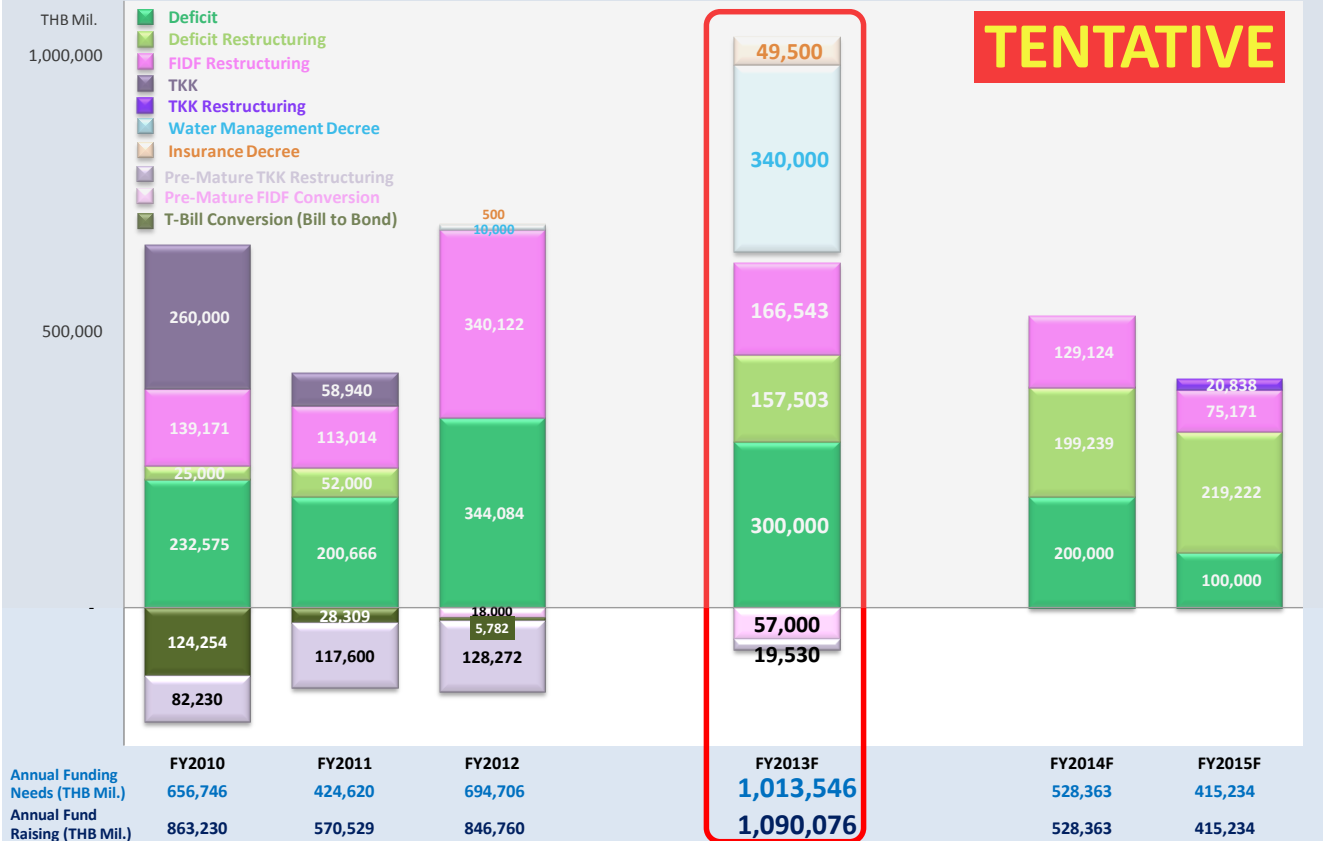


FY2013 Total Fund Raising Plan (By Bills)

1,090,076 THB Mil.

- Deficit 300,000
- Deficit Restructuring 157,503
- FIDF Restructuring 166,543
- Water 340,000
- Insurance 49,500
- Pre-Mature FIDF 57,000
- Pre-Mature TKK 19,530

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

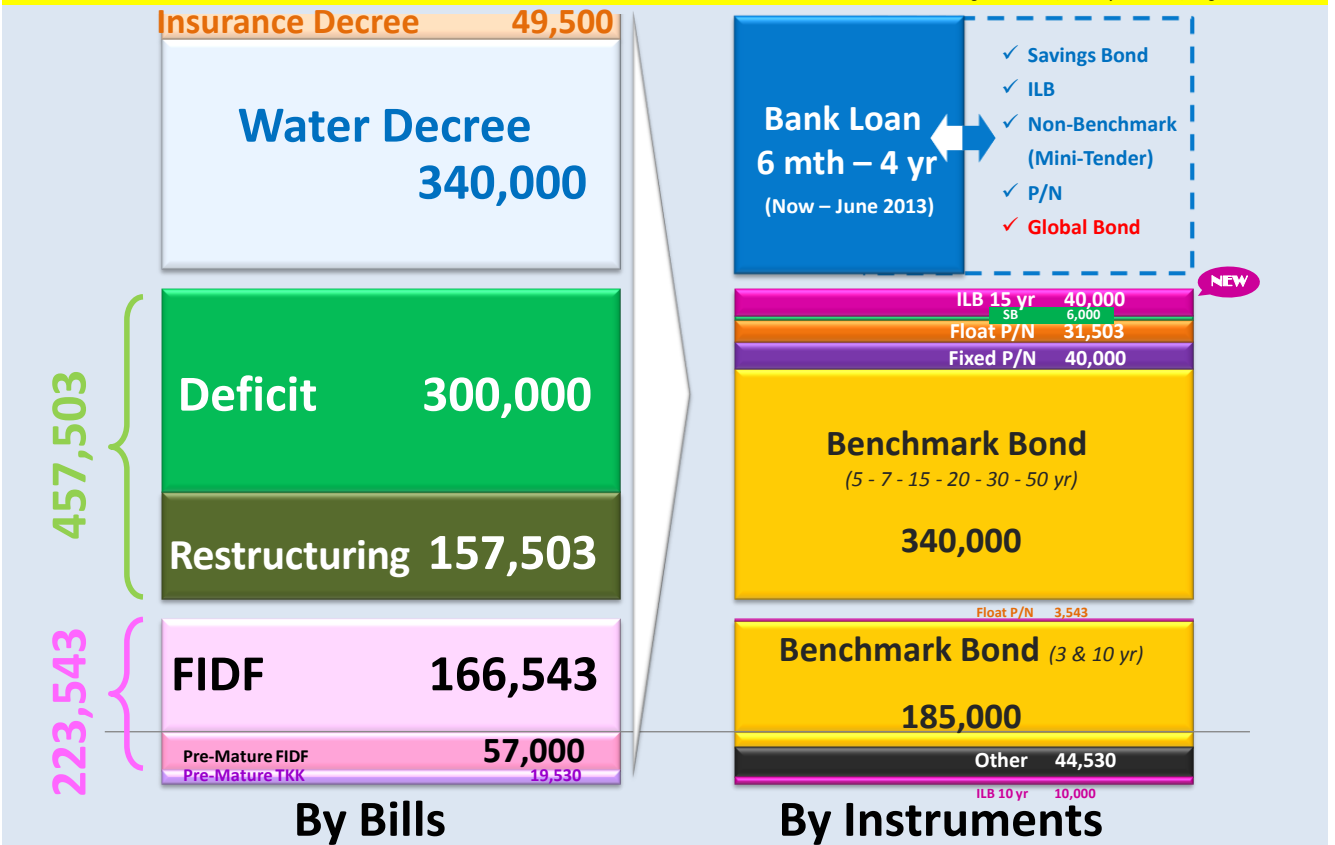




FY 2013 Total Fund Raising Plan (by Instruments and Bills)

1,090,076 THB Mil.

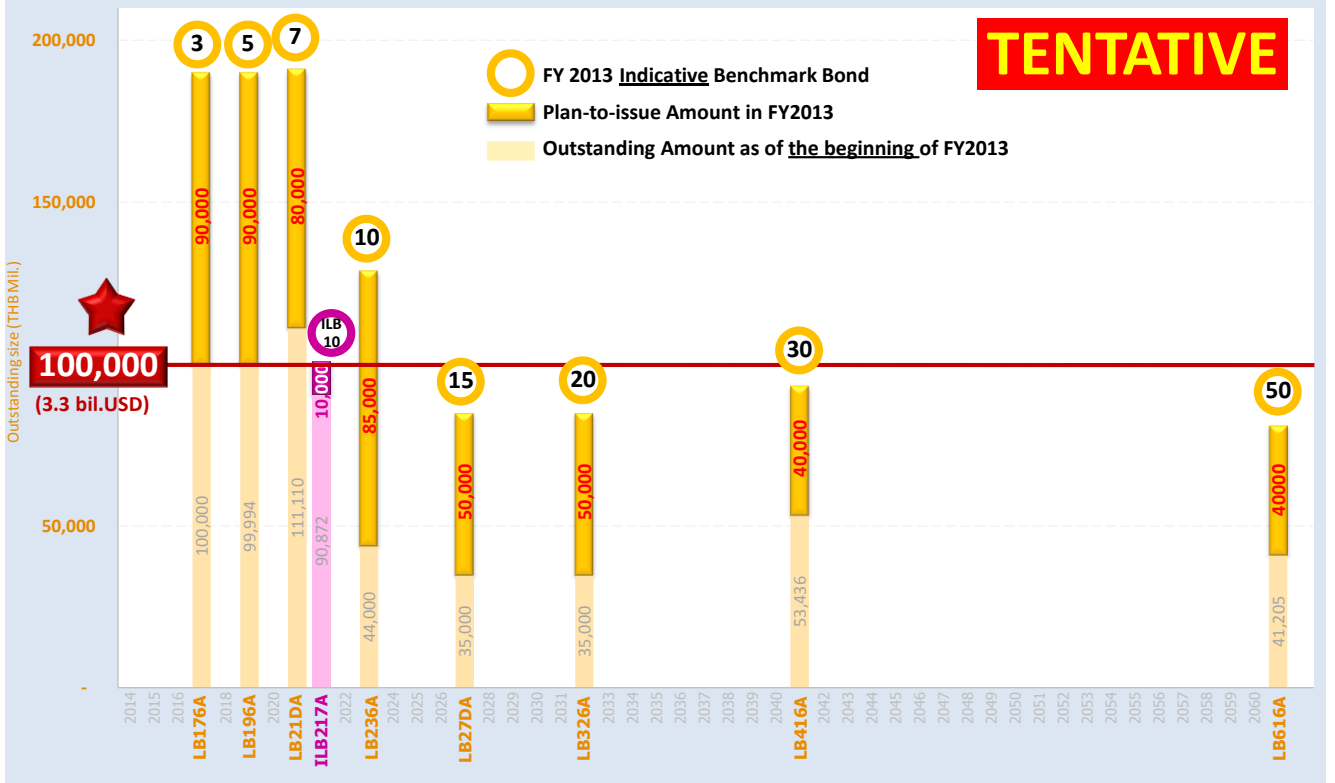
Public Debt Management Office, Ministry of Finance, Kingdom of Thailand



ALL FY2013 Benchmark Bond Series (3 - 5 - 7 - 10 - 15 - 20 - 30 - 50 yr + 10 yr ILB)

To Reach 100,000 THB Mil. in Outstanding Amount by the End of FY2013

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



Exclusivity
MoF Outright PD Only

Government Bond Auction Schedule for Q1/FY2013

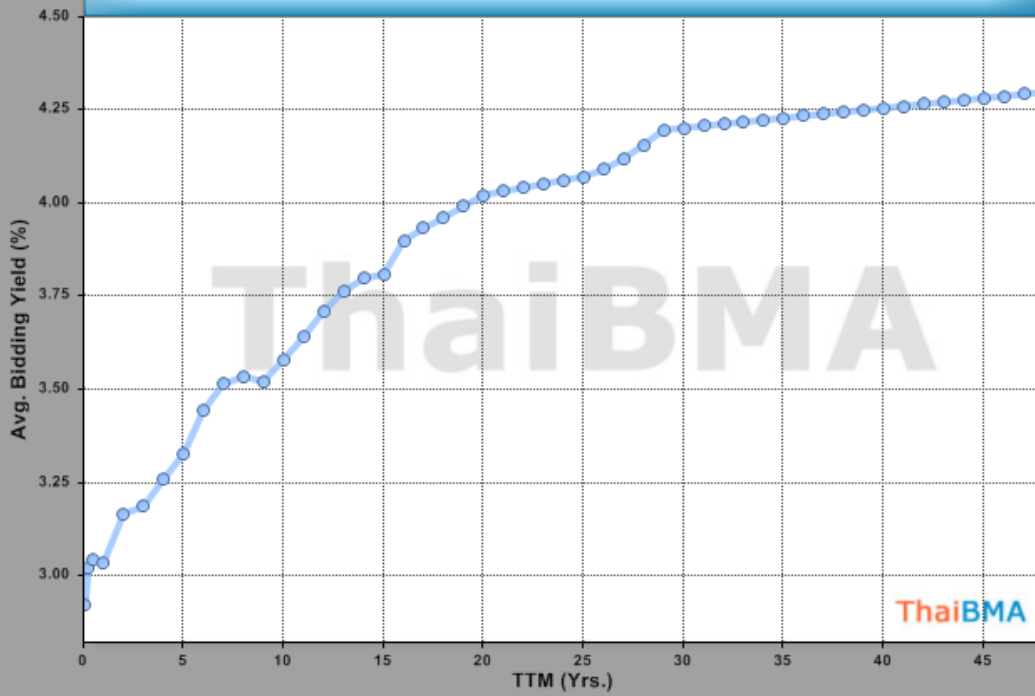
Unit: THB Mil.

Auction date	LB176A	LB196A	ILB217A	LB21DA	LB236A	LB27DA	LB326A	LB416A	LB616A	Total
03-Oct-12										-
10-Oct-12										-
17-Oct-12										-
24-Oct-12	11,500									11,500
31-Oct-12				9,000					8,000	17,000
07-Nov-12			10,000	12,000						22,000
14-Nov-12				13,500				7,500		21,000
21-Nov-12		13,000				10,000				23,000
28-Nov-12									7,000	7,000
05-Dec-12										-
12-Dec-12				13,000		9,000				22,000
19-Dec-12								8,000		27,000
26-Dec-12										-
Total	30,500	13,000	10,000	25,000	13,500	18,000	10,000	15,500	15,000	150,500
Coupon	3.25%	3.875%	1.20%	3.65%	3.625%	3.58%	3.775%	3.80%	4.85%	
Maturity Date	16-Jun-17	13-Jun-19	14-Jul-21	17-Dec-21	16-Jun-23	17-Dec-27	25-Jun-32	14-Jun-41	17-Jun-61	

หมายเหตุ : 1. LB176A = พันธบัตรรัฐบาลเพื่อการปรับโครงสร้างหนี้ (พ.ร.ก. ชวยเหลือกองทุนเพื่อการปรับโครงสร้างหนี้) (พ.ร.ก. ชวยเหลือกองทุนเพื่อการปรับโครงสร้างหนี้) ระยะที่ 1
 2. LB196A = พันธบัตรรัฐบาลเพื่อการปรับโครงสร้างหนี้ (พ.ร.ก. ชวยเหลือกองทุนเพื่อการปรับโครงสร้างหนี้) (พ.ร.ก. ชวยเหลือกองทุนเพื่อการปรับโครงสร้างหนี้) ระยะที่ 2
 3. LB217A = พันธบัตรรัฐบาลเพื่อการปรับโครงสร้างหนี้ (พ.ร.ก. ชวยเหลือกองทุนเพื่อการปรับโครงสร้างหนี้) (พ.ร.ก. ชวยเหลือกองทุนเพื่อการปรับโครงสร้างหนี้) ระยะที่ 1 (Re-open พันธบัตรรัฐบาลเพื่อการปรับโครงสร้างหนี้)
 4. LB21DA = พันธบัตรรัฐบาลเพื่อการปรับโครงสร้างหนี้ (พ.ร.ก. ชวยเหลือกองทุนเพื่อการปรับโครงสร้างหนี้) (พ.ร.ก. ชวยเหลือกองทุนเพื่อการปรับโครงสร้างหนี้) ระยะที่ 1 (Re-open พันธบัตรรัฐบาลเพื่อการปรับโครงสร้างหนี้)
 5. LB236A = พันธบัตรรัฐบาลเพื่อการปรับโครงสร้างหนี้ (พ.ร.ก. ชวยเหลือกองทุนเพื่อการปรับโครงสร้างหนี้) (พ.ร.ก. ชวยเหลือกองทุนเพื่อการปรับโครงสร้างหนี้) ระยะที่ 1 (Re-open พันธบัตรรัฐบาลเพื่อการปรับโครงสร้างหนี้)
 6. LB27DA = พันธบัตรรัฐบาลเพื่อการปรับโครงสร้างหนี้ (พ.ร.ก. ชวยเหลือกองทุนเพื่อการปรับโครงสร้างหนี้) (พ.ร.ก. ชวยเหลือกองทุนเพื่อการปรับโครงสร้างหนี้) ระยะที่ 1 (Re-open พันธบัตรรัฐบาลเพื่อการปรับโครงสร้างหนี้)
 7. LB326A = พันธบัตรรัฐบาลเพื่อการปรับโครงสร้างหนี้ (พ.ร.ก. ชวยเหลือกองทุนเพื่อการปรับโครงสร้างหนี้) (พ.ร.ก. ชวยเหลือกองทุนเพื่อการปรับโครงสร้างหนี้) ระยะที่ 1 (Re-open พันธบัตรรัฐบาลเพื่อการปรับโครงสร้างหนี้)
 8. LB416A = พันธบัตรรัฐบาลเพื่อการปรับโครงสร้างหนี้ (พ.ร.ก. ชวยเหลือกองทุนเพื่อการปรับโครงสร้างหนี้) (พ.ร.ก. ชวยเหลือกองทุนเพื่อการปรับโครงสร้างหนี้) ระยะที่ 1 (Re-open พันธบัตรรัฐบาลเพื่อการปรับโครงสร้างหนี้)

Website <http://www.pdmo.go.th/>

ThaiBMA Government Bond Yield Curve as of 01 Oct 2012



TTM (Yrs.)	Yield (%)
0.08	2.92
0.25	3.02
0.50	3.05
1	3.04
2	3.17
3	3.19
4	3.26
5	3.33
6	3.45
7	3.52
8	3.54
9	3.52
10	3.58
11	3.64
12	3.71
13	3.77
14	3.80
15	3.81
16	3.90
17	3.93
18	3.96
19	3.99
20	4.02
21	4.03
22	4.04
23	4.05
24	4.06
25	4.07
26	4.09
27	4.12
28	4.16
29	4.20
30	4.20
31	4.21
32	4.21
33	4.22
34	4.22
35	4.23
36	4.24
37	4.24
38	4.25
39	4.25
40	4.26
41	4.26
42	4.27
43	4.27
44	4.28
45	4.28
46	4.29
47	4.29
48	4.30

Symbol	Avg. Bidding Yield (%)	Change Yield (bp)	Avg. Bid-Offer Spread (bp)	Maturity	TTM (yrs.)
T-BILL1M	2.923841	2	4		0.076712
T-BILL3M	3.024104	1	3		0.249315
T-BILL6M	3.046427	1	3		0.498630
T-BILL1Y	3.037068	2	3		1.000000
LB13OA	3.113636	0	5	17/10/2013	1.043836
LB143A	3.147273	0	6	05/03/2014	1.424658
LB145B	3.153636	0	3	12/05/2014	1.610959
LB145A	3.158182	0	4	14/05/2014	1.616438
LB14DA	3.173636	0	5	03/12/2014	2.172603
LB155A	3.171364	0	2	22/05/2015	2.638356
LB157A	3.194545	0	5	07/07/2015	2.764384
LB15DA	3.182727	0	3	11/12/2015	3.194520
LB167A	3.250909	0	5	27/07/2016	3.821918
LB16NA	3.270000	0	6	18/11/2016	4.134246
LB171A	3.304545	0	5	18/01/2017	4.301370
LB175A	3.311818	-1	5	26/05/2017	4.652055
LB176A	3.288182	-2	2	16/06/2017	4.709589
LB17OA	3.332727	-1	4	10/10/2017	5.027397
LB183A	3.404545	-1	6	07/03/2018	5.432877
LB183B	3.408182	-1	6	13/03/2018	5.449315
LB191A	3.467273	-1	6	12/01/2019	6.284932
LB193A	3.453636	-2	3	08/03/2019	6.435616
LB196A	3.481818	-3	5	13/06/2019	6.701370
LB198A	3.511818	-3	6	13/08/2019	6.868493
LB19DA	3.523636	-2	6	03/12/2019	7.175343
LB213A	3.544545	-2	6	31/03/2021	8.501369
LB214A	3.555455	-2	6	09/04/2021	8.526028
LB21DA	3.509091	-3	3	17/12/2021	9.216438
LB22NA	3.592727	-1	7	08/11/2022	10.109590
LB233A	3.631818	-1	6	13/03/2023	10.452050
LB236A	3.612727	-2	4	16/06/2023	10.712330
LB244A	3.698182	0	8	09/04/2024	11.528770
LB24DA	3.719091	-1	8	20/12/2024	12.227400
LB25DA	3.777273	-2	7	12/12/2025	13.205480
LB267A	3.797273	-2	7	07/07/2026	13.772600
LB27DA	3.812727	-2	7	17/12/2027	15.219180
LB283A	3.882727	-1	7	13/03/2028	15.457530
LB296A	3.926364	-1	7	22/06/2029	16.734250
LB316A	3.982727	0	7	20/06/2031	18.728770
LB326A	4.020909	0	7	25/06/2032	19.745200
LB383A	4.077273	0	8	13/03/2038	25.463010
LB396A	4.110909	0	8	13/06/2039	26.715070
LB406A	4.144545	1	8	22/06/2040	27.742470
LB416A	4.196364	0	10	14/06/2041	28.720550
LB616A	4.302727	-1	10	17/06/2061	48.742470

**FY2013 Indicative
Benchmark Bond**

- Remark**
- The above yields are based upon average bids quoted by primary dealers.
 - Average bidding yields of 1-month, 3-month, 6-month and 1-year T-bills are bond equivalent yield converted from average simple yields.
 - Spreads (bp) are differences bid and offer yields.
 - The cut-off time for daily quotation of T-bills and Government bonds is 16:00.
 - The highlighted rows are on-the-run benchmark bond.

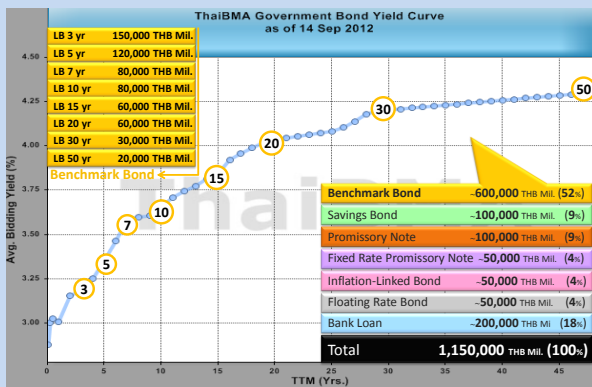


Fund Raising Plan Strategies

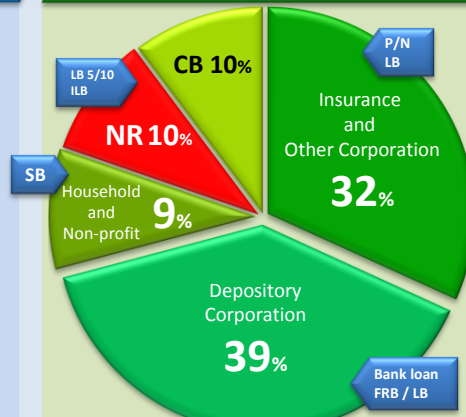
- Building Benchmark Bond to Stabilized Yield Curve
- Diversifying Investor Base to Reduce Dependency Risk

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

FY 2013 Full Capacity* : 1,150,000 THB Mil



Well Diversified Investors Ensures Funding Needs



Source : CB (30 June 2012)

Potential Demand for Gov't Bond 2013

Instrument	Amount (THB Bil.)
- Life Insurance - Pension Funds	450
Depository Corporations	450
- Retail - Non-profit org.	200
Non-Residence	?

* Under favorable market liquidity + using All funding instruments

outstanding of Foreign Debt Equiv. 47,000 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. 34,000 THB Mil

Soft Loans

JBIC	62,500 Yen Mil
ADB	200 USD Mil
IBRD	63 USD Mil
Other	19 USD Mil

(as of Jun 2012)

- 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

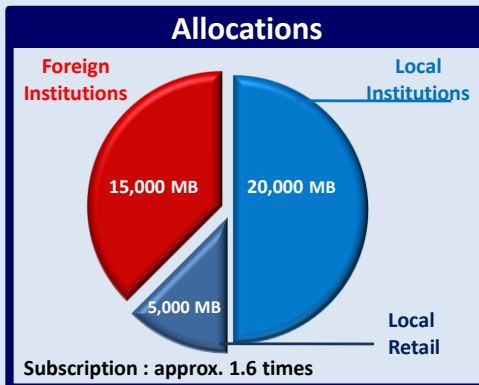
Concerns : exchange rate risk / swap cost / natural hedging



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

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 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
+
2 Domestic 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 : IFRA 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
- 🏆 Deal of the Year 2011 : ThaiBMA
- 🏆 Most Creative Issue 2011 : ThaiBMA



Next Phase of Inflation Linked Bond in FY2013

- Enhance Liquidity of 10-yr
- Extending Yield Curve to 15-yr
- PDS' Responsibilities As Market Marker

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

Keep Our Promise

10-yr ILB (ILB217A)

- Continue to re-open ILB217A in Q1/FY'13 to build up outstanding size of 100,000 THB Mil.

Extending Yield Curve

New 15-yr ILB

- Build Up ILB new tenor to around 40,000 THB Mil. (Syndication & Auctions)

Fund Raising Instrument for Water Decree

- New 5-yr ILB
- Top-up Existing Tenor

By June 2013 (Q3/FY'13)

- Option A : Issue new tenor of ILB
 - Option B : Re-open the existing tenor
- Up To 60,000 THB Mil.

PDS' RESPONSIBILITIES

- Participate in the **Primary Market**
- Provide **Bid – Offer Price**



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) = 4.8 THB Trillion (42% of GDP)
- **Total GOV'T Debt** (Direct + FIDF) = 3.46 THB Trillion (71% of Public Debt)
 - Average-Time-to-Maturity (ATM) = 7yrs 6mths
 - Average Cost = 4.4%
 - Fixed : Float = 86 : 14
- **Well-Developed Bond Market Improved GOV'T Direct Debt Profile Dramatically**
 - Average-Time-to-Maturity (ATM) = 8yrs 9mths
 - Average Cost = 4.2%
 - Fixed : Float Ratio = 87 : 13
 - Maturity Distribution Profile = 50-20-30
- **Full Capacity of All Government Funding Instruments (FY2013) → 1,150,000 THB Mil**
- **Maturity Profile of GOV'T Funding Instruments (Strategic Framework)**
 - Average-Time-to-Maturity (ATM) = 9yrs
 - Fixed : Float = 70 : 30
 - Maturity Distribution Profile = 50-30-20



Public Debt Outstanding (as of Jun 2012) = 4.8 THB Trillion (42% of GDP)

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

Components of Public Debt

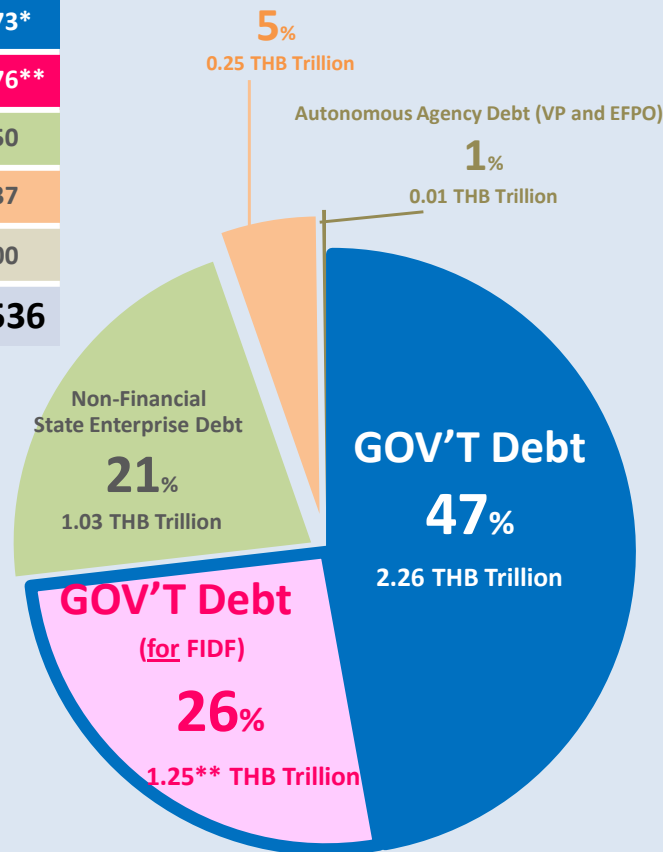
Units : THB Mil.

1. Government Debt (excluded FIDF)	2,259,073*
2. Government Debt (for FIDF)	1,247,276**
3. Non-Financial State Enterprise Debt	1,028,750
4. Special Financial Institutions Guaranteed Debt	246,437
5. Autonomous Agency Debt (VP and EFPO)	10,000
Public Debt Outstanding (as of Jun 2012)	4,791,536

*Including 47,275 THB Mil. of External Debt

**Including 113,800 THB Mil. of Prefunding

Special Financial Institution Guaranteed Debt





Total GOV'T Debt = 3.46* THB Trillion
(71% of Public Debt)

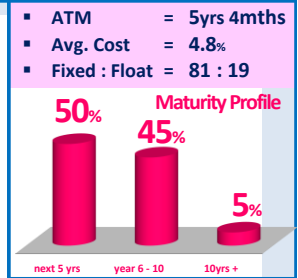
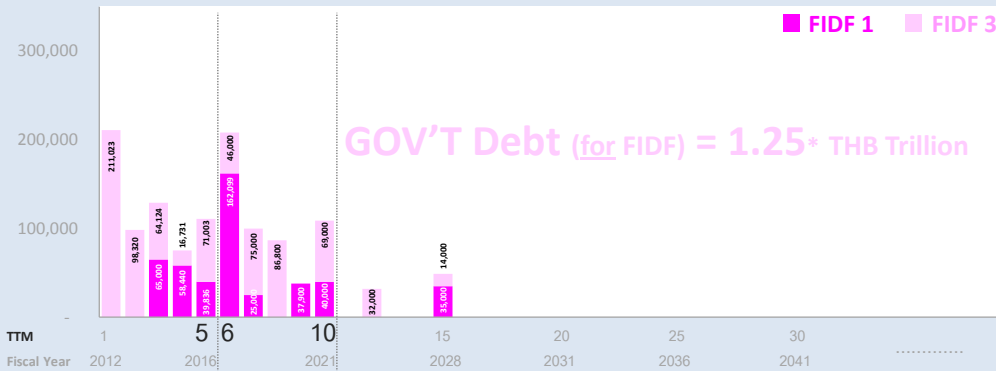
* Excluded 47,275 THB Mil. of Foreign Debt

- Average-Time-to-Maturity (ATM) = 7yrs 6mths
- Average Cost = 4.4%
- Fixed : Float = 86 : 14

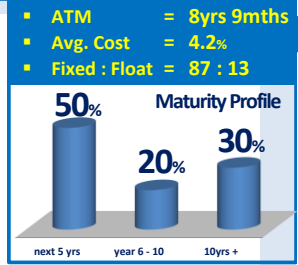
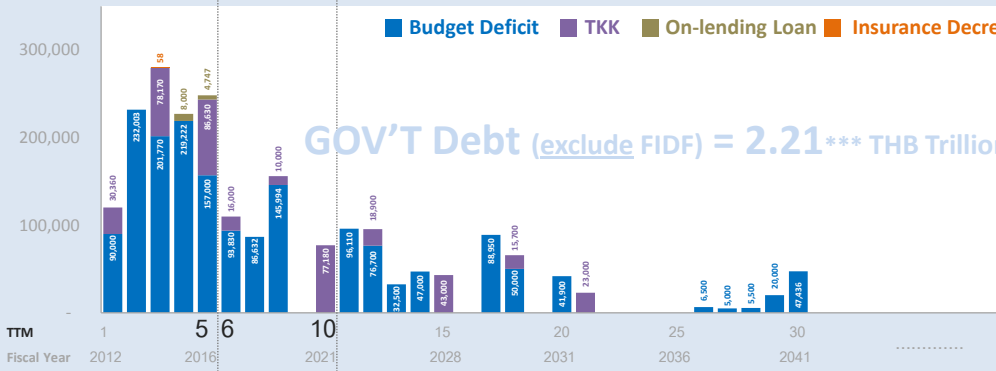
As of Jun 2012

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

Assumptions : 6 months BIBOR = 3.23%, 6 months Fixed Deposit Rate = 2.55%



**Including 113,800 THB Mil. of Prefunding



***Excluded 47,275 THB Mil. of Foreign Debt



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

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

As of Dec 2007

As of Jun 2012

Average-Time-to-Maturity
LENGTHENED by 3 ½ yrs

ATM
5yrs 3mths

ATM
8yrs 9mths

Avg. Cost LOWERED by 30 bps
(While ATM Lengthened by 3 ½ yrs)

Avg. cost
4.5%

Avg. cost
4.2%

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

Float 10%

Fixed 90%

Float 13%

Fixed 87%

Well-Distributed Maturity Profile

Target Reached : Maturing Debt in the next 5 yrs is less than 50% of Total Debt

Maturity Profile as of Dec 2009

61%

24%

15%

next 5 yrs

year 6 - 10

10yrs +

Maturity Profile as of Jun 2012

50%

20%

30%

next 5 yrs

year 6 - 10

10yrs +



Full Capacity* of All Government Funding Instruments

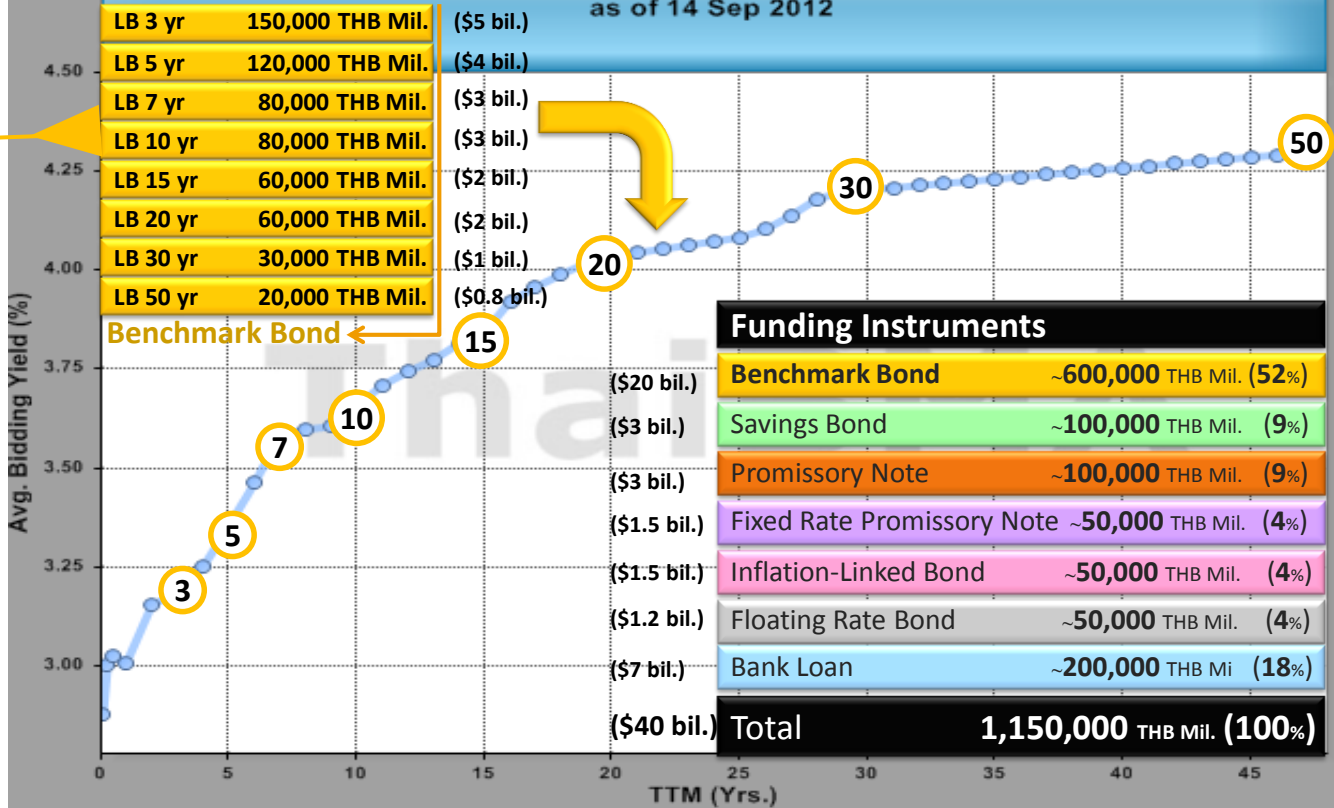
1,150,000 THB Mil.

* Under favorable market liquidity + using All funding instruments

(\$40 Bil.)

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

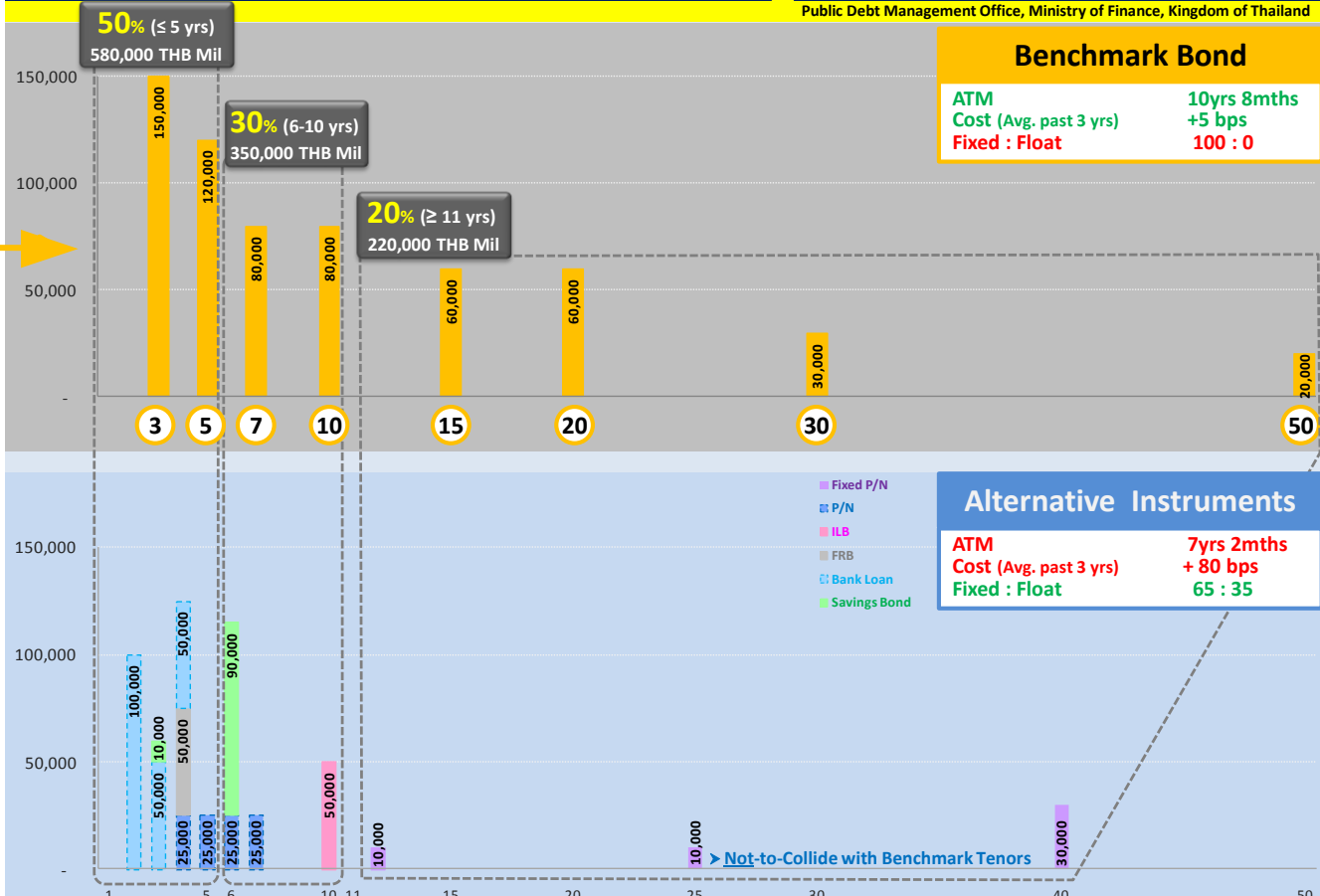
ThaiBMA Government Bond Yield Curve as of 14 Sep 2012



FY2012 Maturity Profile of GOV'T Funding Instruments (Strategic Framework)

(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





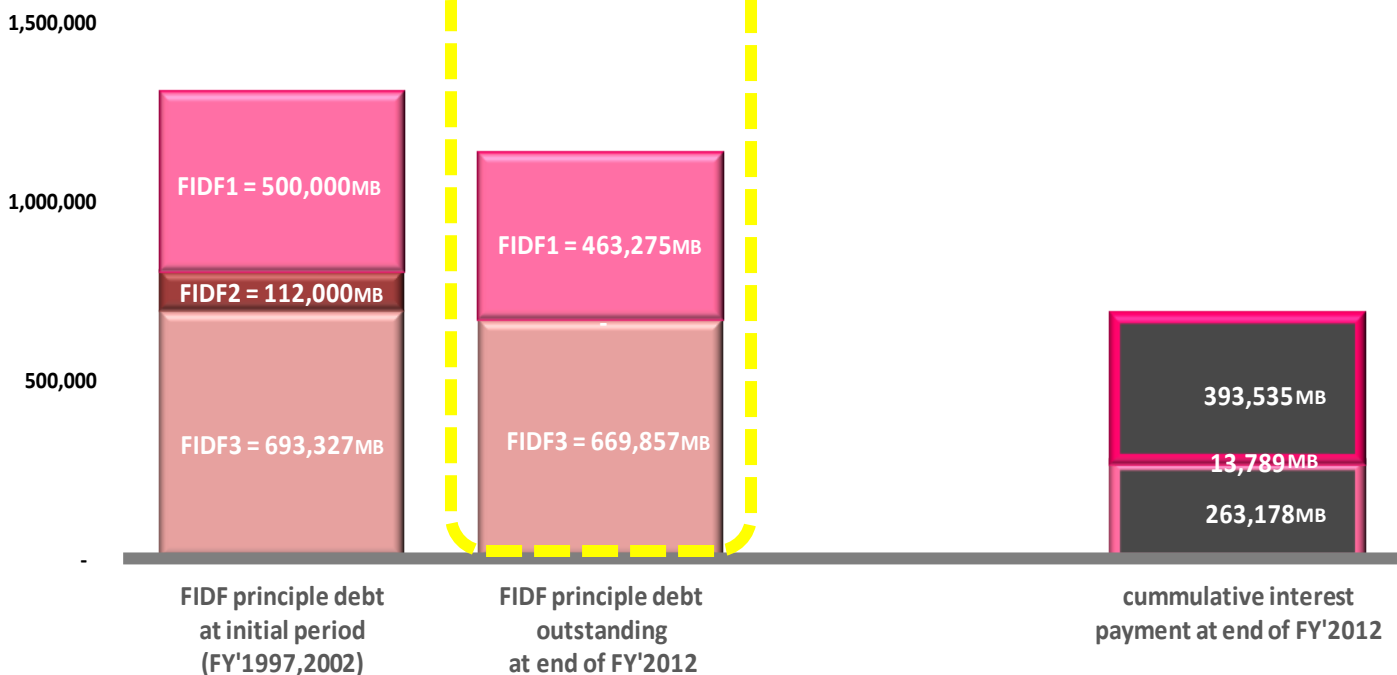
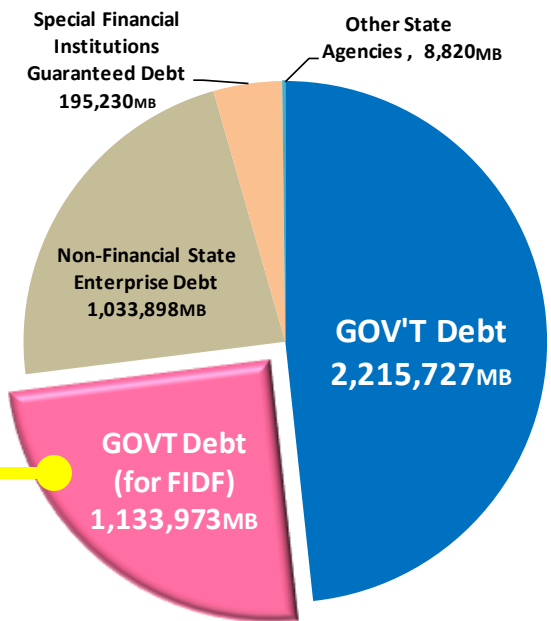
CGIF

FY 2012 HIGHLIGHTS

- ✓ **FIDF Decree passed** : reduced fiscal burden by 70,000 MB a year (though Public Debt remains unchanged)
- ✓ **PDDF activated** : restructuring of FIDF's 340,122 MB saved over 7,000 MB a year & enhanced overall FIDF portfolio profile
- ✓ **CGIF activated** : to enable investment-grade ASEAN+3 issuers to access foreign currency bond markets
- ✓ **Founding 13 MOF-outright PD** : upgrading PD duties & privileges to actively play role as market makers
- ✓ **Electronic Retail Savings Bond** : to promote savings society & to diversify Gov't funding instruments

FIDF Decree Passed PDDF Activated

FIDF Debt Shared 25% of Total Public Debt

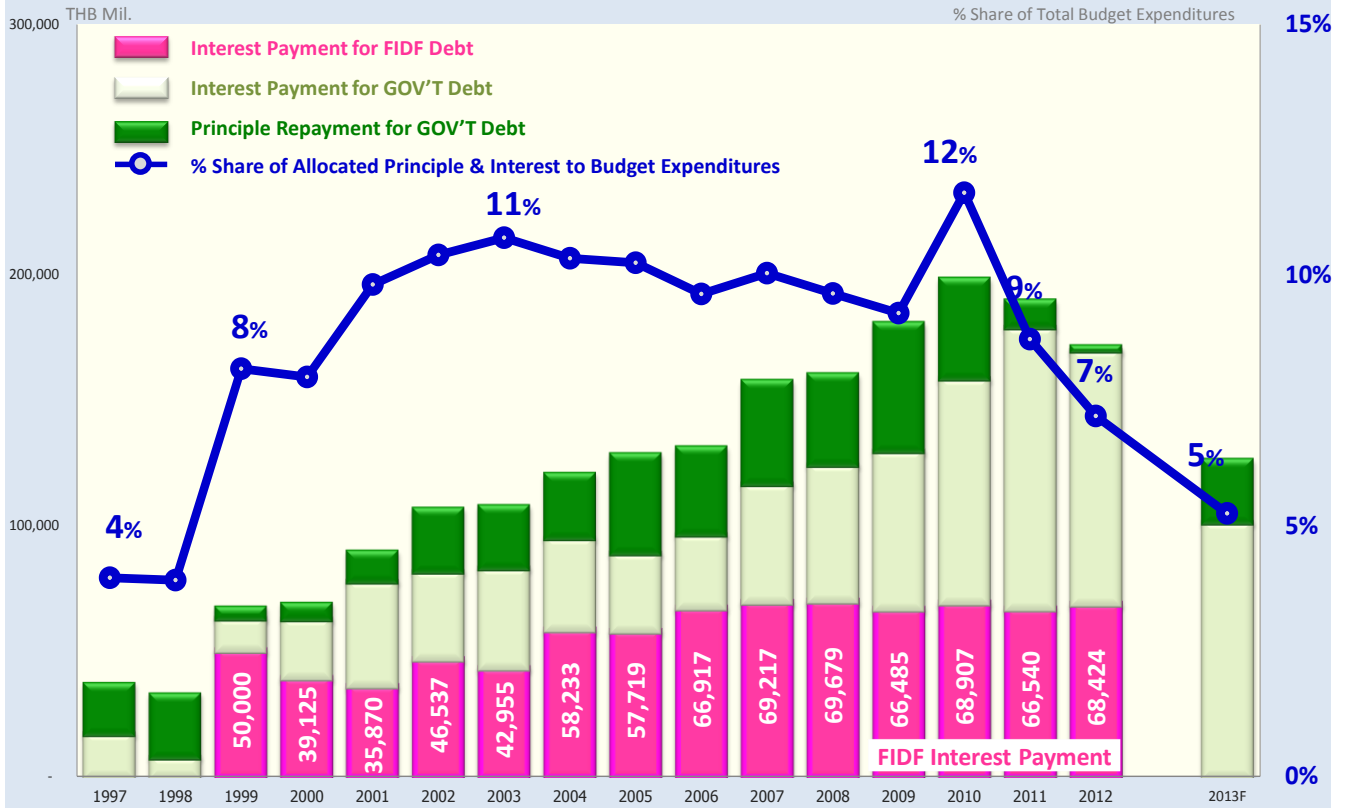




FIDF Decree Passed

Interest Payment Reduced ~70,000 THB Mil. a Year
(Although Public Debt Unchanged, Fiscal Room Freed up by 5%)

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

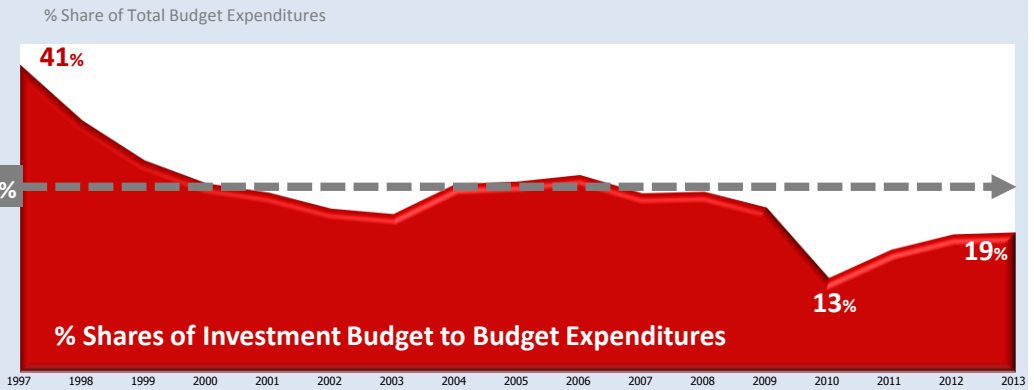


What Can We Do with 70,000 THB Mil. A Year?

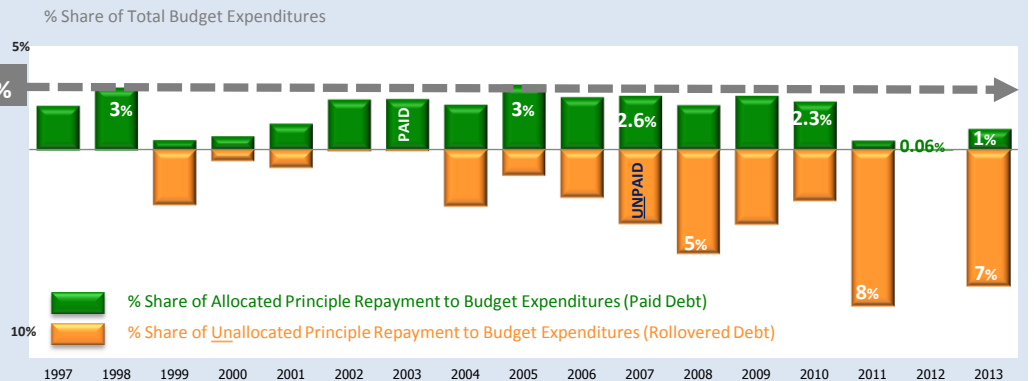
Option 1 : To Strengthen Economic Growth
Option 2 : To Strengthen Fiscal Discipline

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

Option 1 :
Increase Investment Budget

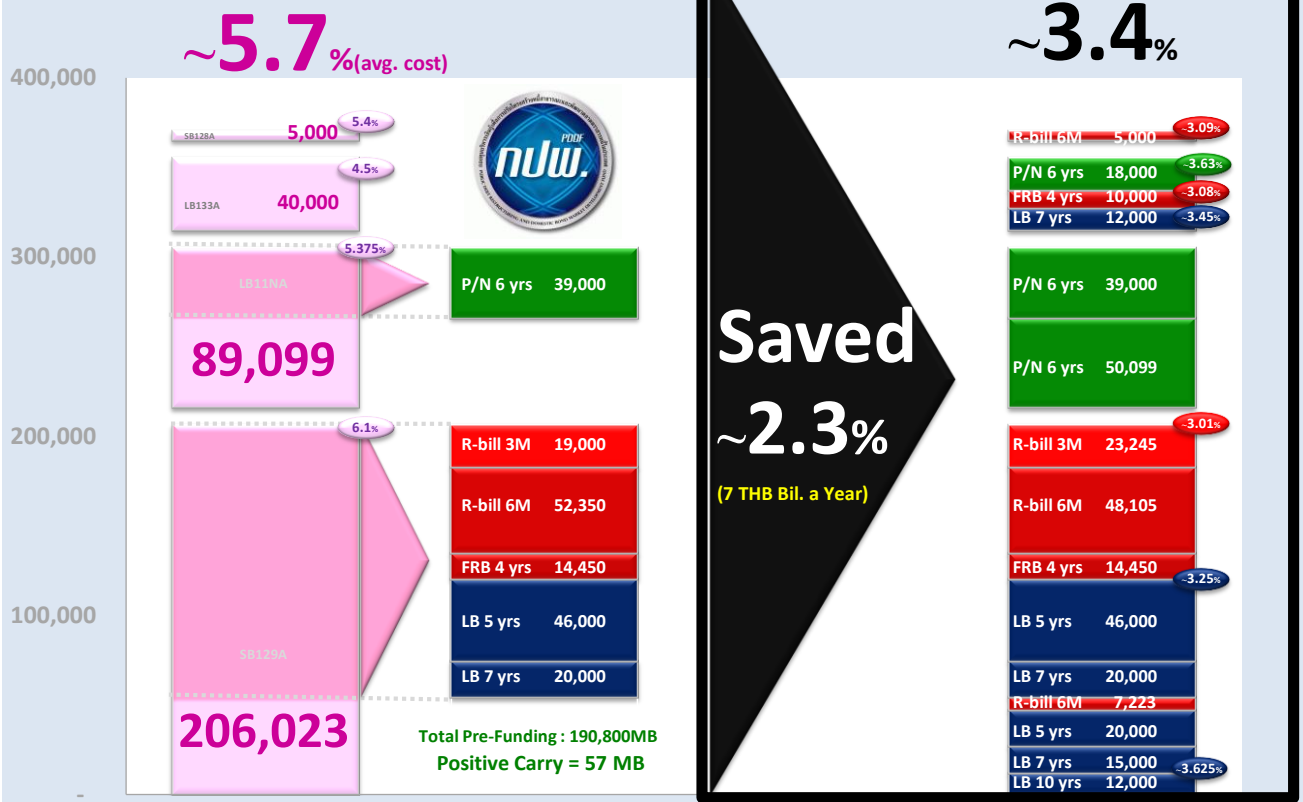


Option 2 :
Increase Principle Repayment Budget





PDDF : Public Debt Restructuring and Domestic Bond Market Development Fund



*Excluded 18,000 Pre-Mature FIDF Debt Restructuring in 2012



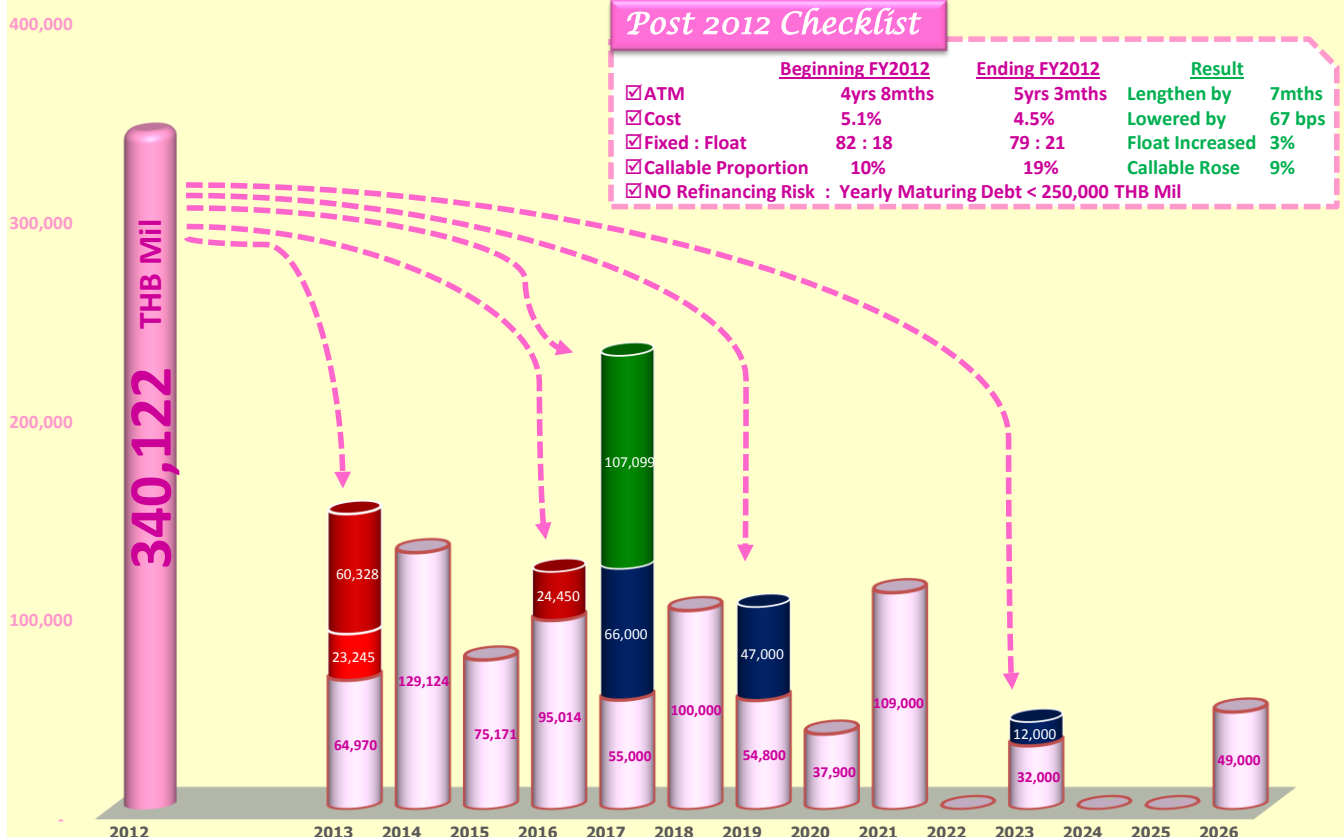
Strategies in managing FIDF's 340,122MB* in 2012

*Excluded 18,000MB of Pre-Mature FIDF Debt Restructuring in 2012

Relatively Shorter.. **to Allow Flexibility**
 Partially Float.. **to Reflect Market Rate**
 Partially Callable.. **to Prepare for Early-Repayment**



Bond Market Development Bureau, Public Debt management Office



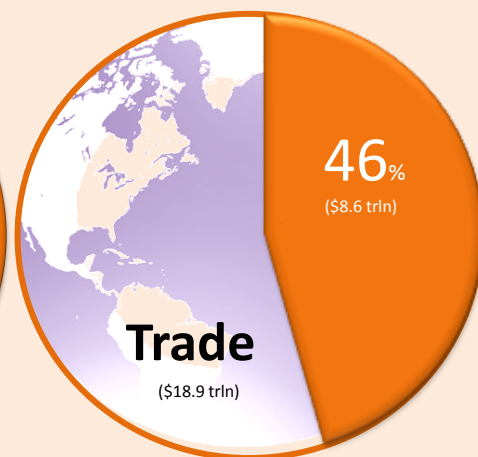
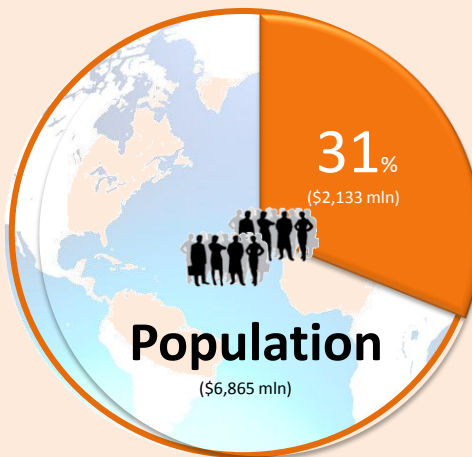
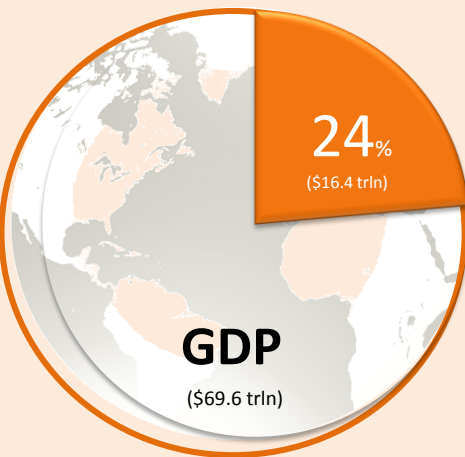
CGIF Activated



Credit Guarantee & Investment Facility

An Asian Bond Markets Initiative

CGIF is guaranteed by ASEAN + 3 → Rising Giant



Source: IMF and World Trade Organization

Objectives

- 1) To develop deep and liquid local currency and regional bond markets
- 2) To enable investment-grade ASEAN+3 issuers to access local currency bond markets
- 3) to promote the issuance of debt securities with longer term maturities to match the gestation of investment projects

Functions

- 1) Guaranteeing bonds that are denominated in local currencies and issued by ASEAN+3 entities rated investment-grade
- 2) Guaranteeing bonds that are not denominated in local currencies and issued by ASEAN+3 entities rated investment-grade, provided the entities concerned are naturally hedged in such currency
- 3) Making investments for the development of the bond markets (no such investments shall be made until after the Meeting of Contributors has determined that CGIF is in a position to commence such operations); and
- 4) Undertaking such other activities and providing such other services consistent with CGIF objectives

Benefits

- 1) A reduction of cost of financing of issuers
- 2) An efficient fund raising and a conformity with financial requirement of the business
- 3) A reduction of currency & Maturity Mismatch



Linking CGIF & BAHT BOND to the Development of Bond Market

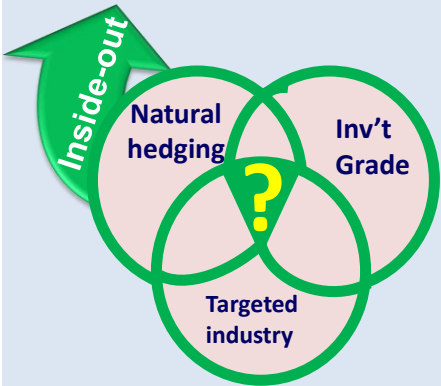
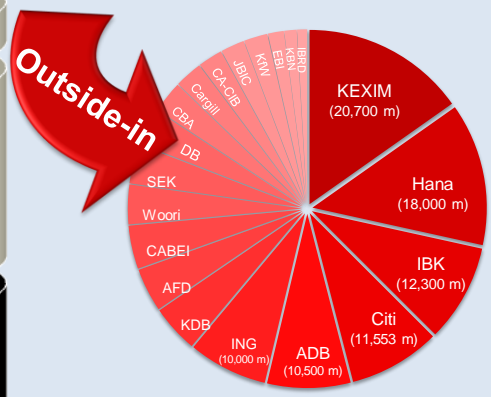
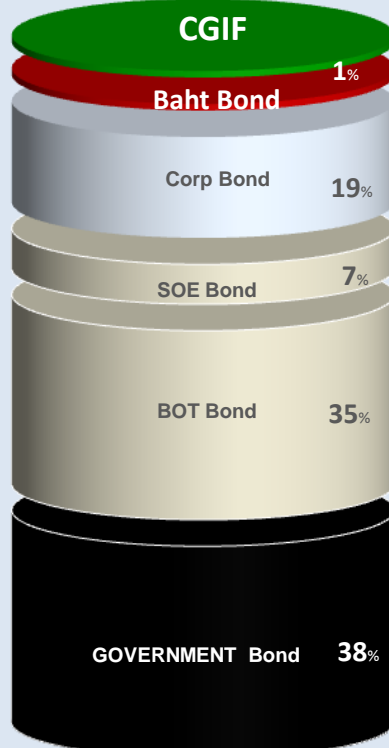
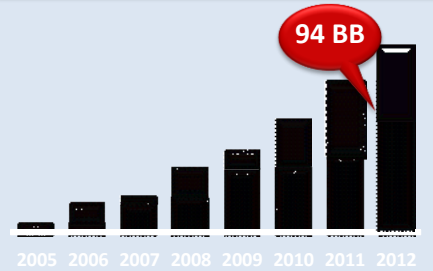
Bond Market Development Bureau, Public Debt Management Office

CGIF

Total Outstanding THB 8.2 TRN.

(71% of GDP)
as of 31 Aug 2012

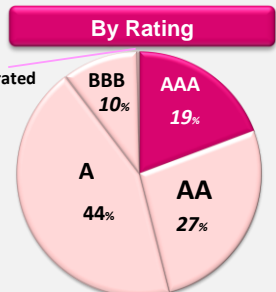
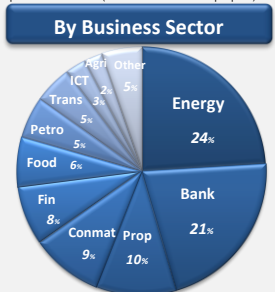
BAHT BOND



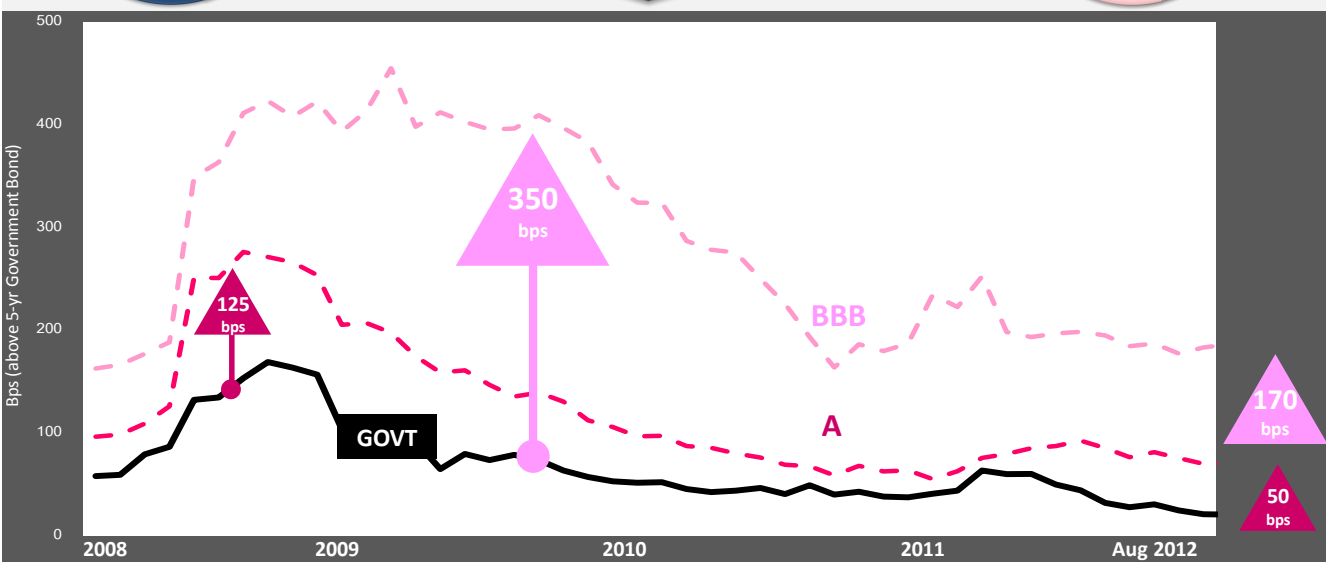
Who is Eligible for CGIF Guaranteed? ALL current issuers of corporate bonds

Public Debt Management Office, Ministry of Finance

Corporate Bonds (less commercial paper) = THB1.3 trillion (16% of Bond Market at THB 8.3 trillion As of 31 Aug 2012) Source: ThaiBMA



Cost Saving



Founding 13 MOF-outright PD



Deputy Prime Minister and Finance Minister Kittiratt Na-Ranong presented the Ministry of Finance Outright Primary Dealer (MOF OUTRIGHT PD) certificates to 13 financial institutions on August 28, 2012, at Vayupaksa 4, Ministry of Finance.



1. Bangkok Bank PCL.
2. BNP Paribas, Bangkok Branch
3. Citibank N.A., Bangkok Branch
4. Deutsche Bank AG., Bangkok Branch
5. The Hongkong and Shanghai Banking Corporation Limited
6. JPMorgan Chase Bank, Bangkok Branch
7. Kasikornbank PCL.
8. KGI Securities (Thailand) PCL.
9. Krung Thai Bank PCL.
10. The Royal Bank of Scotland N.V., Bangkok Branch
11. Siam Commercial Bank PCL.
12. Standard Chartered Bank (Thai) PCL.
13. TMB Bank PCL.



Duties, Privileges and Monitoring

To ensure efficient market making activities

Duties

1. Primary Market <ul style="list-style-type: none"> ➤ Maintain at least 5% share of total issue size of selected tenor ➤ Participate in every auction ➤ Submit bid at least 10% for exclusivity tenor 	2. Secondary Market <ul style="list-style-type: none"> ➤ Maintain at least 5% share of market trading value ➤ Submit daily end-of-day price to ThaiBMA 	3. Bond Market Development <ul style="list-style-type: none"> ➤ Being MOF, Stock exchange of Thailand, BOT and ThaiBMA Partner in developing bond market
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Selected LB: 3 yr (LB176A) 5 yr (LB196A) 7 yr (LB21DA) 10 yr (LB236A) and ILB

Privileges

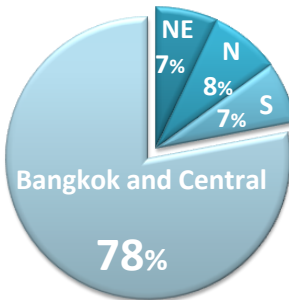
- Exclusivity in 5-yr tenor
- BOT outright counterparty
- MOF Preferred Counterparty
- Partnership with MOF
- Benefit from Incentive program of Thailand stock Exchange

Monitoring

- Yearly Evaluation (fiscal year) with half-year review
- Regular one-on-one or one-on-group meeting

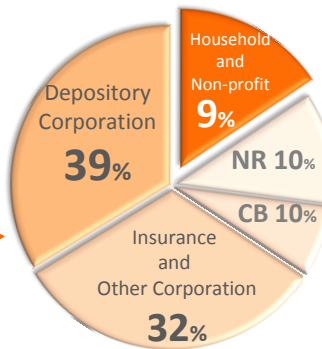
Electronic Retail Savings Bond

Accessible Savings for All and Promoting Thailand Towards Saving Society



Retail Bond Distribution Classified by Region

Well-Diversified Investor Base



Improve Infrastructure to Develop Country

- ✓ Tram System
- ✓ Transportation System
- ✓ Infrastructure System
- ✓ Energy System
- ✓ Telecommunication System

Government Debt Securities Classified by Types of Investors

Bond Market Deepening



Electronic Retail Savings Bond

- ✓ Enhance Liquidity in Secondary Market
- ✓ Promote Scripless Trading system
- ✓ Alternative Instrument for Micro-Savers



5 Innovations towards Sustainable Development

5Ds

- DYNAMIC FEATURES
- BROADENED DISTRIBUTION
- SYNERGY DRIVE
- SOCIAL DIMENSION
- FINANCIAL SERVICE DEVELOPMENT

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

	Past (1997 – 07)	Present (2008 – 2012)
D ynamic Features	<p>2007</p> <p>4.5% 4.5% 4.5%</p> <p>yr 1 2 3</p> <p>Fixed Interest Rate</p>	<p>Step-up Interest Rate</p> <p>2009: 3%, 3%, 4%, 5%, 5%</p> <p>2010: 3%, 3%, 4%, 4%, 5%, 6%</p>
B roadened Distribution	<p>Minimum Amount 10,000 Baht</p>	<p>Limit Amount</p> <p>Minimum Amount 10,000 Baht</p>
S ynergy Drive	<p>1 Limit</p> <p>Only One Designated Financial Institutions</p>	<p>Add Designated Financial Institutions</p> <p>12 Banks Across the Country (2010)</p>
S ocial Dimension	<p>Accessible Savings for All</p>	<p>1st Priority Senior Citizen</p> <p>2 Periods of Distribution</p> <p>1st Period: Senior Citizen 2nd Period: People</p>
F inancial Service Development	<p>Via The Branch of Designated Financial Institutions</p>	<p>Add Distribution channel</p> <p>2011</p> <p>Future</p> <p>http://www</p>

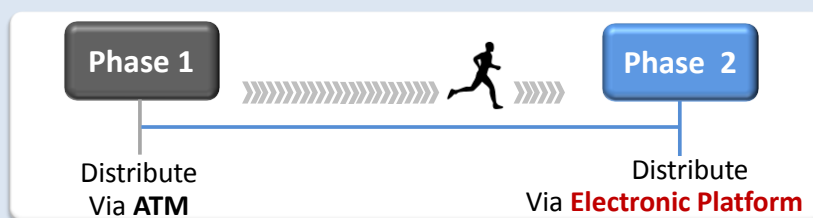


Thailand... Towards Saving Society

Retail Bond @ ATM for Micro Savers

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

Savings Bond	Retail Bond @ ATM for Micro Savers (1st launch Sept 2011)
1 Minimum Amount 10,000 Baht	1,000 Baht To Allow Retail Investor Access to Quality Source of Savings
2 Selling Period 5 Days	All year round selling To Promote Regular Saving Among Low Income Investor
3 Distribution Channel The Branch of Designated Financial Institutions	ATM The Branch of Designated Financial Institutions To Promote Scripless System



Secondary Market + Bond Mart + trading Platform



สำนักงานบริหารหนี้สาธารณะ
PUBLIC DEBT MANAGEMENT OFFICE

**Bond Market Development Bureau, Public Debt Management Office
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เพื่อการพัฒนาประเทศอย่างยั่งยืน**