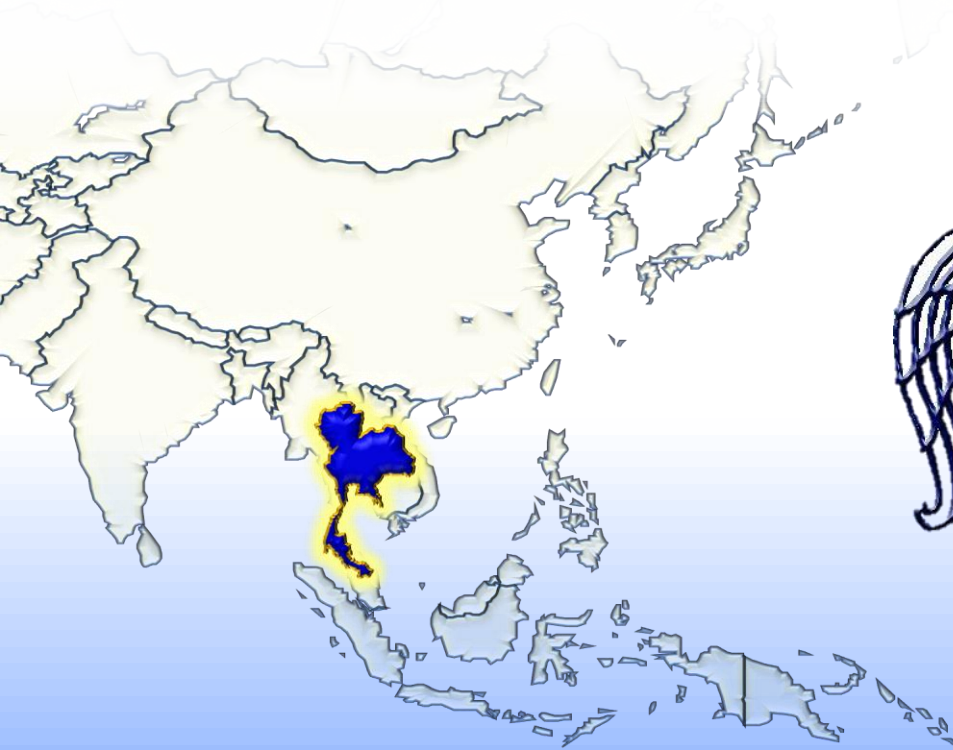


Kingdom of Thailand Bond Market

Financing Thailand's Future & Connecting ASEAN



Looking Forward FY2014 *(Oct 2013 - Sep 2014)*

FY2014 - 2020 : Financing Thailand's Future

FY2014 Funding Needs & Benchmark Bond Supply

Q1/FY2014 Government Bond Auction Schedule

Bond Market Infrastructure Development

MOF Outright PD License Granted to a New Member – CIMB

Press Released on 2013 Annual PDMO Market Dialogue

Q4/FY2013 Highlights

Q & A with Director General Chularat : Impact of QE3 Announcement on ILB

Thai Bond Market as ASEAN Destination : Twin Inaugurals (CGIF/Laotian)

The First Decade of Baht Bond/ Pilot Project of CGIF

Basic & Essentials

- *Bond Market Capitalization and Its Composition*
- *Equilibrium of Domestic Bond Market*
- *Government Benchmark Bond Performance*
- *Public Debt Outstanding and Its Composition*
- *Non-Resident Holding in Government bond*



Domestic Bond Market Development

A. Looking Forward FY2014 (Oct 2013 – Sep 2014)

- **FY2014 - 2020 : Financing Thailand's Future**
 - Domestic Bond Market : From 1997 - 2014
 - Full Capacity of Government Funding Instruments
- **FY2014 Funding Needs & Benchmark Bond Supply**
 - Funding Need 2014 - 2020
 - 2014 Funding Instruments
 - Revolving 1-month Treasury Bill → To Facilitate Budget Balance Policy
- **Q1/FY2014 Government Bond Auction Schedule**
- **Bond Market Infrastructure Development**
 - Bond Switching
 - Bond Consolidation
- **MOF Outright PD License Granted to a New Member – CIMB**
- **Press Released on 2013 Annual PDMO Market Dialogue**

1

B. Q4/FY2013 Highlights

- **Impact of QE3 Announcement on Thai Bond Market**
 - Volatile of Government Yield Curve → Jumped 29 - 62 bps
 - Government Bond Auction Sensitive on QE3
 - Sharply Increase in ILB Yield Curve → Shifted Up 115 bps
- **Thai Bond Market as ASEAN Destination – Twin Inaugurals (CGIF/Laotian)**
- **The First Decade of Baht Bond/ Pilot Project of CGIF**

19

C. Basic & Essentials

- **Bond Market Capitalization and Its Composition (As of Sep 2013) = 8,919,666 THB Mil.**
- **Equilibrium of Domestic Bond Market**
- **Government Benchmark Bond Performance**
- **Public Debt Outstanding and Its Composition (As of July 2013) = 5,211,194 THB Mil. (44.11% of GDP)**
- **Non-Resident Holding on Thai Bond Market**
 - NR Holding on THB Bond (As of Sep 2013) → 770,967 THB Mil.
(GOVT Bond : 574,987 THB Mil., BOT Bond : 195,132 THB Mil., Corp Bond : 848 THB Mil.)
 - Net Change in NR Holding (Oct 2012 - Sep 2013) → 55,868 THB Mil.
(GOVT Bond : Net Buy 72,029 THB Mil., BOT Bond : Net Sell 16,161 THB Mil.)

26

A. Looking Forward FY2014 (*Oct 2013 - Sep 2014*)

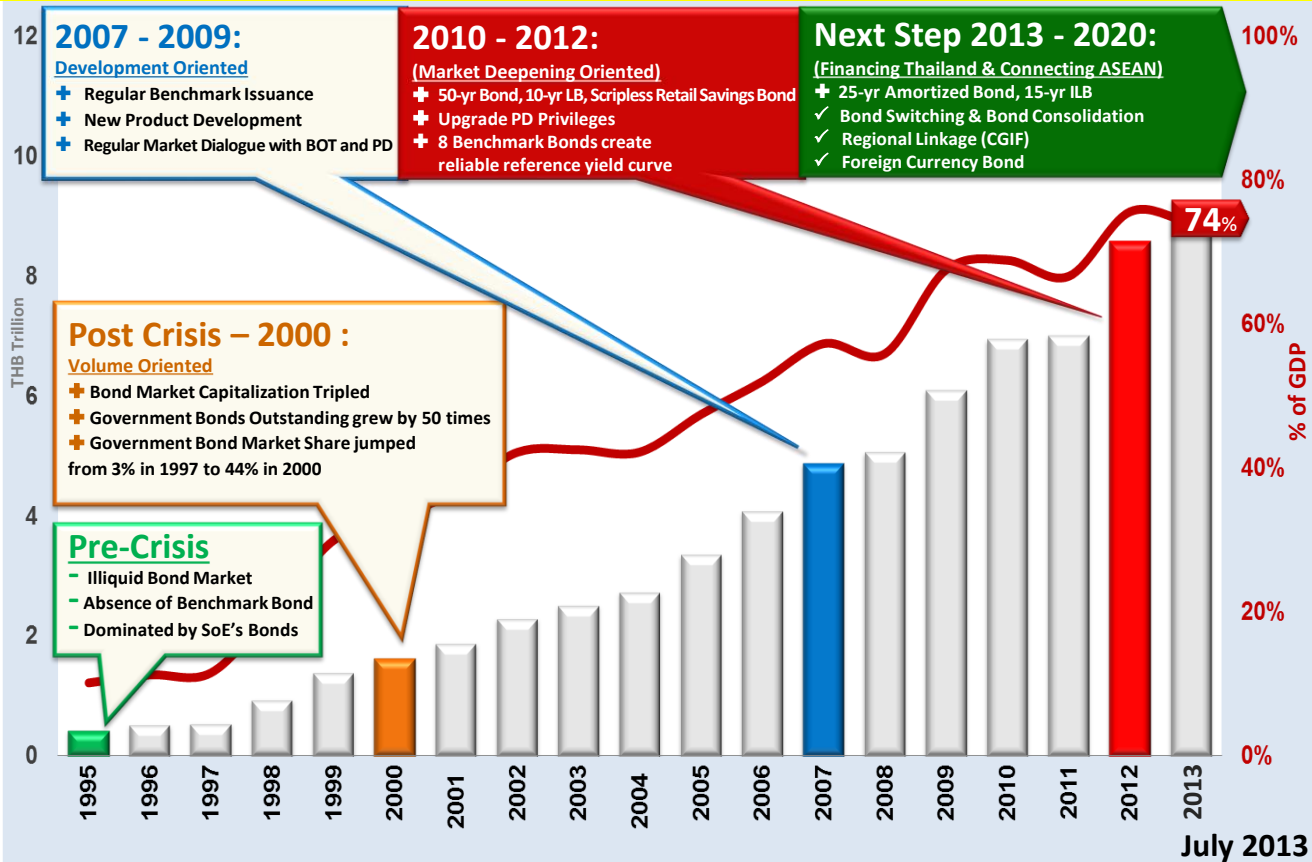
Public Debt Management Office, Ministry of Finance, Kingdom of Thailand

- **FY2014 - 2020 : Financing Thailand's Future**
 - Domestic Bond Market : From 1997 - 2014
 - Full Capacity of Government Funding Instruments
- **2014 Funding Strategy**
 - Funding Need 2014 - 2020
 - 2014 Funding Instruments
 - Revolving 1-month Treasury Bill → To Facilitate Budget Balance Policy
- **Q1/FY2014 Government Bond Auction Schedule**
- **Bond Market Infrastructure Development**
 - Bond Switching
 - Bond Consolidation
- **MOF Outright PD License Granted to a New Member – CIMB**
- **Press Released on 2013 Annual PDMO Market Dialogue**



Domestic Bond Market Has Developed Rapidly and Efficiently

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



Domestic Bond Market in Transition

- ✓ Funding Infrastructure Investment
- ✓ Connecting ASEAN

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

Market Deepening Oriented (2010 - 2013)

Funding Infrastructure Investment Connecting ASEAN (2014 - 2020)

Sustainable Source of Fund

Water Decree (350,000 THB Mil.)
Thai Khem Khang (350,000 THB Mil.)

Long-Term Infrastructure Inv't (2,000,000 THB Mil.)
Private Sector Participation in Infrastructure Inv't

Regional Connectivity / AEC

Baht Bond (Foreign Issuers Bond)

Credit Guarantee Investment Facility (CGIF)
Foreign Currency Bond

Debt Folio Enhancement

ATM Lengthened
Cost Lowered
FIDF Decree Passed = 70,000 THB Mil. Fiscal Space

Well-Distributed Investor Base
Well-Balanced Fixed-Floating Ratio
Well-Distributed Maturity Profile

Market Infrastructure

Appointed 13 MOF-Outright PD
Activated Public Debt Management Fund

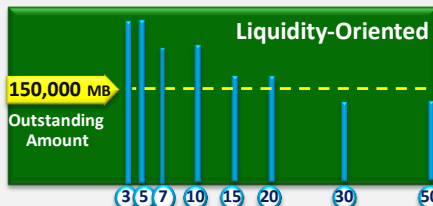
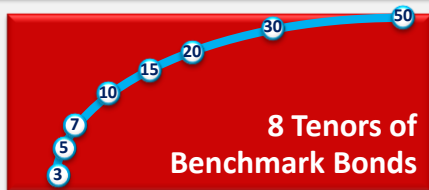
Bond Switching
Bond Consolidation

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)

Extending ILB yield curve to 15-20-30-yr by 2015
Super-Size Inaugural 25-yr Back-End Amortized Bond
Scrippless Retail Savings Bond → Liquidity
Long-term Zero Coupon Bond

Building Yield Curve / Enhancing Liquidity





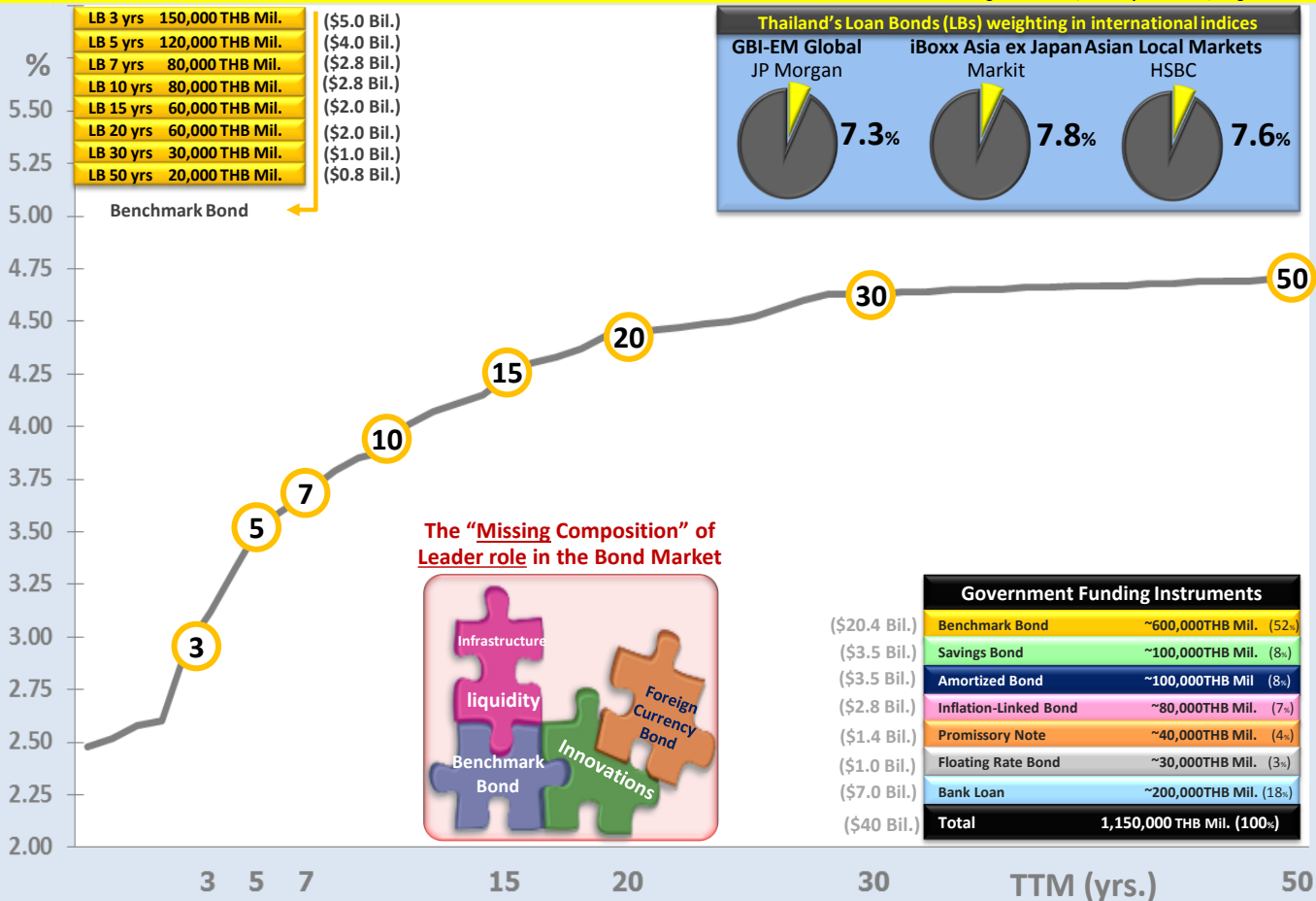
Full Capacity* of All Government Funding Instruments

1,150,000 THB Mil. per Year

* Under favorable market liquidity + using All funding instruments

(\$40 Bil.)

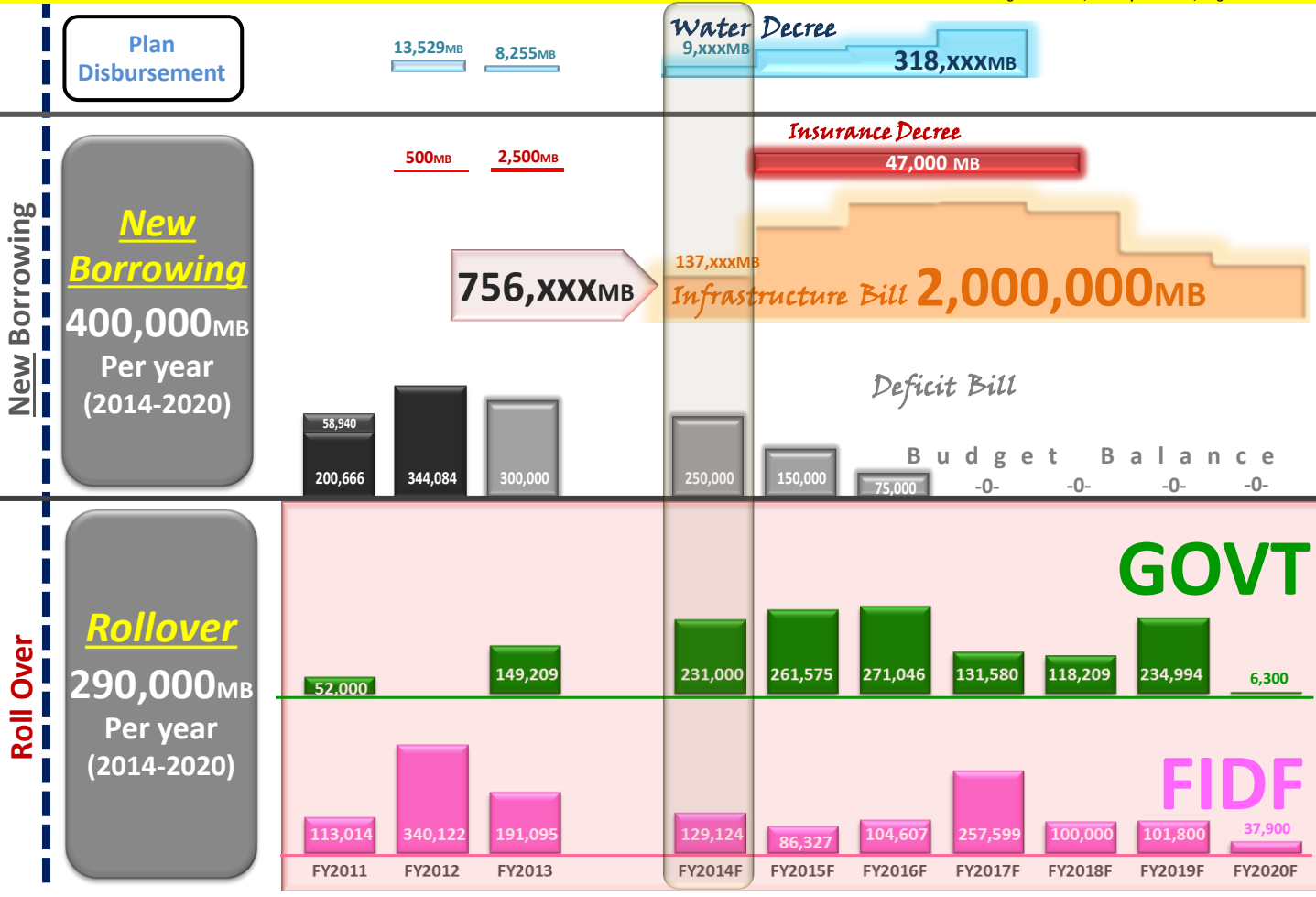
Public Debt Management Office, Ministry of Finance, Kingdom of Thailand



Source: ThaiBMA Government Bond Yield Curve End of September 2013

2014 - 2020 Government Funding Needs 690,000 THB Mil. per Year

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



2014

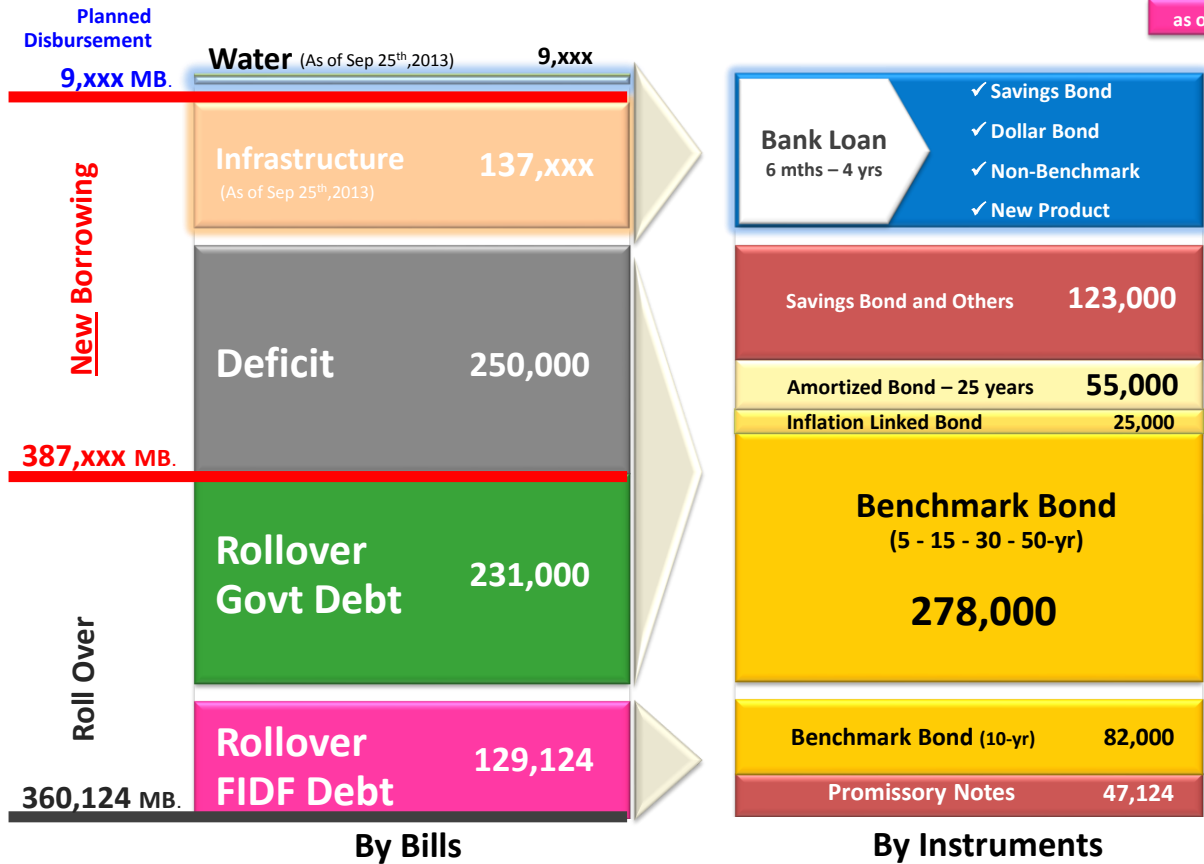
Total Fund Raising Plan

756,xxx THB Mil.

(~25 Billion USD)

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

as of Sep 2013



By Bills

By Instruments



ALL FY2014 Government Bond

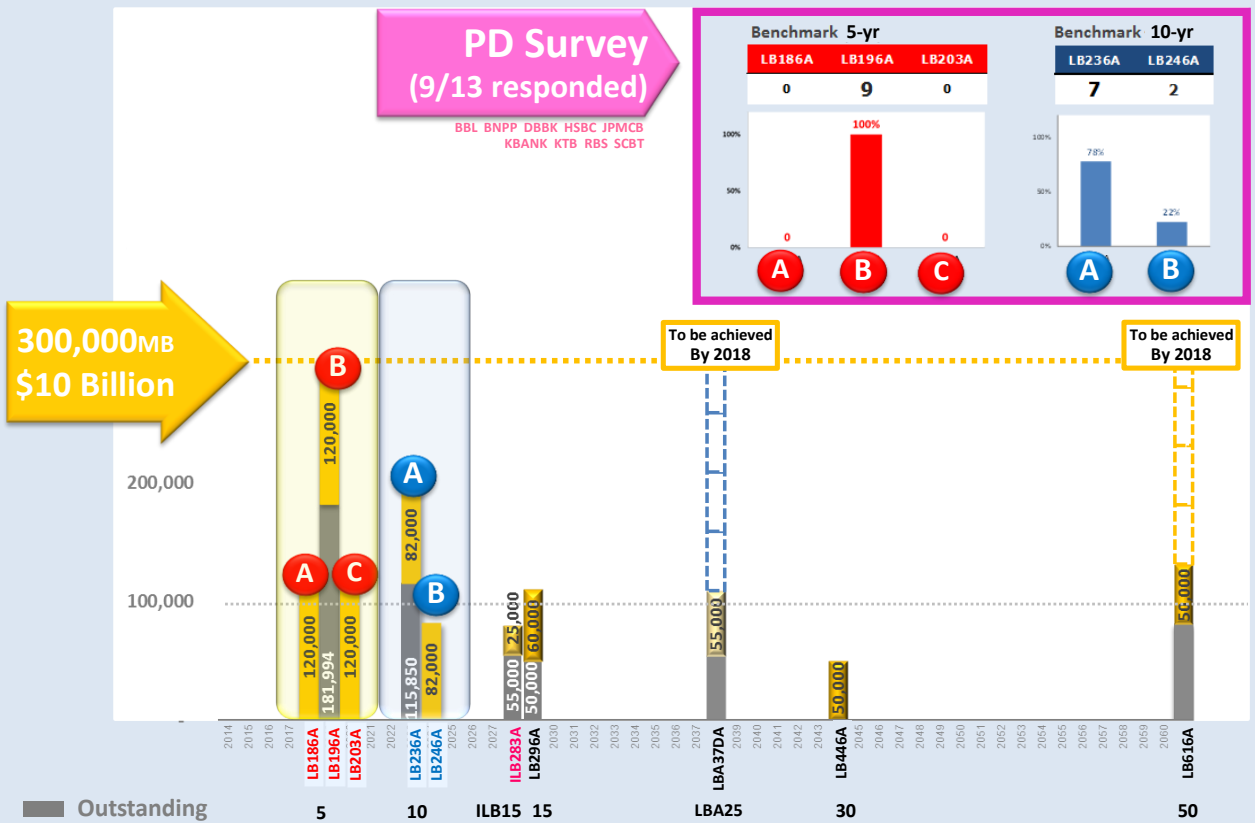
7 Fixed Coupon Bonds

5 Benchmark Bonds Series

1 Inflation-Linked Bond

1 Amortized Bond

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



Government Bond Auction Schedule for Q1/FY2014

Exclusivity
MoF Outright PD Only

Inflation-Linked Bond

Amortized Bond

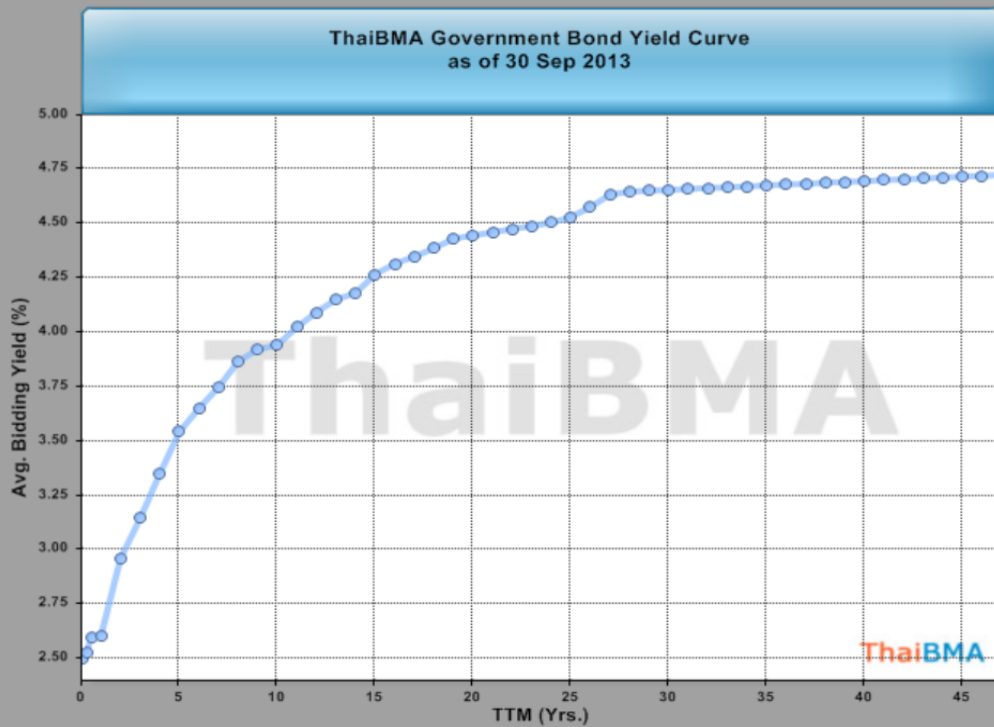
Unit : Million Baht

Auction Date	LB196A 5-yr	LB236A 10-yr	ILB283A 15-yr	LB296A 15-yr	LBA37DA 25-yr	LB446A 30-yr	LB616A 50-yr	Total
2-Oct-2013								-
9-Oct-2013								-
16-Oct-2013								-
23-Oct-2013								-
30-Oct-2013								-
6-Nov-2013	20,000			7,000				27,000
13-Nov-2013							5,000	5,000
20-Nov-2013		13,000						13,000
27-Nov-2013						5,000		5,000
3-Dec-2013			5,000					5,000
11-Dec-2013	20,000						8,000	28,000
18-Dec-2013					12,000			12,000
25-Dec-2013								-
Total	40,000	13,000	5,000	7,000	12,000	5,000	13,000	95,000
Coupon	3.875%	3.625%	1.25%	4.875%	4.26%		4.85%	
Maturity Date	13-Jun-2019	16-Jun-2023	12-Mar-2028	22-Jun-2029	12-Dec-2037	29-Jun-2044	17-Jun-2061	

หมายเหตุ :

1. LB196A = พันธบัตรรัฐบาลเพื่อการบริหารหนี้ในปิงประมาณ พ.ศ.2557 ครั้งที่ 1/พันธบัตรในปิงประมาณ พ.ศ.2557 ครั้งที่ 1 (Re-open พันธบัตรรัฐบาล ในปิงประมาณ พ.ศ. 2552 ครั้งที่ 13)
2. LB236A = พันธบัตรรัฐบาลเพื่อการบริหารหนี้ในปิงประมาณ พ.ศ.2557 ครั้งที่ 1 (Re-open พันธบัตรรัฐบาลเพื่อการบริหารหนี้ (พ.ร.ก.ช่วยเหลือกองทุนเพื่อการฟื้นฟูฯ ระยะที่สอง) ในปิงประมาณ พ.ศ. 2553 ครั้งที่ 1)
3. ILB283A = พันธบัตรรัฐบาลประเภทอัตราดอกเบี้ยแปรผันตามการเปลี่ยนแปลงของเงินเพื่อ ในปิงประมาณ พ.ศ.2557 ครั้งที่ 1 (Re-open พันธบัตรรัฐบาลประเภทอัตราดอกเบี้ยแปรผันตามการเปลี่ยนแปลงของเงินเพื่อ ในปิงประมาณ พ.ศ. 2556 ครั้งที่ 2)
4. LB296A = พันธบัตรรัฐบาลเพื่อการบริหารหนี้ ในปิงประมาณ พ.ศ.2557 ครั้งที่ 2 (Re-open พันธบัตรรัฐบาล ในปิงประมาณ พ.ศ. 2553 ครั้งที่ 2)
5. LBA37DA = พันธบัตรรัฐบาลประเภททยอยชำระคืนเงินต้น ในปิงประมาณ พ.ศ.2557 ครั้งที่ 1 (Re-open พันธบัตรรัฐบาลประเภททยอยชำระคืนเงินต้น ในปิงประมาณ พ.ศ. 2556)
6. LB446A = พันธบัตรรัฐบาลเพื่อการบริหารหนี้ ในปิงประมาณ พ.ศ.2557 ครั้งที่ 4 (ประกาศอัตราดอกเบี้ยในวันที่ 25 พฤศจิกายน 2556)
7. LB616A = พันธบัตรรัฐบาลเพื่อการบริหารหนี้ในปิงประมาณ พ.ศ.2557 ครั้งที่ 3/พันธบัตรในปิงประมาณ พ.ศ.2557 ครั้งที่ 2 (Re-open พันธบัตรรัฐบาล ในปิงประมาณ พ.ศ. 2554 ครั้งที่ 9)

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



TTM (Yrs.)	Yield (%)
0.08	2.50
0.25	2.53
0.50	2.60
1	2.61
2	2.96
3	3.15
4	3.35
5	3.54
6	3.65
7	3.75
8	3.87
9	3.92
10	3.94
11	4.02
12	4.09
13	4.15
14	4.18
15	4.27
16	4.32
17	4.35
18	4.39
19	4.43
20	4.45
21	4.46
22	4.48
23	4.49
24	4.51
25	4.53
26	4.58
27	4.63
28	4.65
29	4.65
30	4.66
31	4.66
32	4.66
33	4.67
34	4.67
35	4.68
36	4.68
37	4.68
38	4.69
39	4.69
40	4.70
41	4.70
42	4.70
43	4.71
44	4.71
45	4.72
46	4.72
47	4.72

Symbol	Avg. Bidding Yield (%)	Change Yield (bp)	Avg. Bid-Offer Spread (bp)	Maturity	TTM (yrs.)
T-BILL1M	2.500128	2	4		0.076712
T-BILL3M	2.529972	0	4		0.249315
T-BILL6M	2.598046	1	4		0.498630
T-BILL1Y	2.607101	0	4		1.000000
LB14DA	2.701000	0	5	03/12/2014	1.175342
LB155A	2.881000	0	5	22/05/2015	1.641096
LB157A	2.936000	0	6	07/07/2015	1.767123
LB15DA	2.986000	1	6	11/12/2015	2.197260
LB167A	3.121000	0	6	27/07/2016	2.824657
LB16NA	3.166000	0	5	18/11/2016	3.136986
LB171A	3.229000	0	5	18/01/2017	3.304110
LB175A	3.268000	0	6	26/05/2017	3.654794
LB176A	3.292000	0	5	16/06/2017	3.712329
LB170A	3.357000	-1	6	10/10/2017	4.030137
LB183A	3.468000	-1	7	07/03/2018	4.435616
LB183B	3.485000	-1	7	13/03/2018	4.452055
LB191A	3.574000	0	6	12/01/2019	5.287671
LB193A	3.600000	0	6	08/03/2019	5.438356
LB196A	3.587000	-1	5	13/06/2019	5.704110
LB198A	3.638000	-1	7	13/08/2019	5.871233
LB19DA	3.672000	-1	8	03/12/2019	6.178082
LB213A	3.796000	-1	6	31/03/2021	7.504109
LB214A	3.823000	-1	7	09/04/2021	7.528767
LB21DA	3.887000	0	5	17/12/2021	8.219178
LB22NA	3.928000	-1	7	08/11/2022	9.112329
LB233A	3.937000	-1	7	13/03/2023	9.454795
LB236A	3.913000	-1	6	16/06/2023	9.715069
LB244A	3.999000	-1	7	09/04/2024	10.531510
LB24DA	4.037000	-2	7	20/12/2024	11.230140
LB25DA	4.109000	-1	7	12/12/2025	12.208220
LB267A	4.146000	0	9	07/07/2026	12.775340
LB27DA	4.188000	0	8	17/12/2027	14.221920
LB283A	4.238000	0	8	13/03/2028	14.460270
LB296A	4.308000	0	9	22/06/2029	15.736990
LB316A	4.373000	0	10	20/06/2031	17.731510
LB326A	4.428000	0	10	25/06/2032	18.747950
LB383A	4.512000	0	10	13/03/2038	24.465750
LB396A	4.557000	-1	9	13/06/2039	25.717810
LB406A	4.630000	0	9	22/06/2040	26.745200
LB416A	4.647000	-1	8	14/06/2041	27.723290
LB616A	4.728000	-1	8	17/06/2061	47.745200

Exclusivity

FY2014 Indicative Benchmark Bond

LB446A (30-yr Benchmark Bond) -To Be Announced-

Remark

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

2014 T-Bill Reissuance

- ✓ Facilitate **Budget Balance Policy**
- ✓ Response to **market demand**

Objective → Facilitate Budget Balance Policy

Policy-Oriented

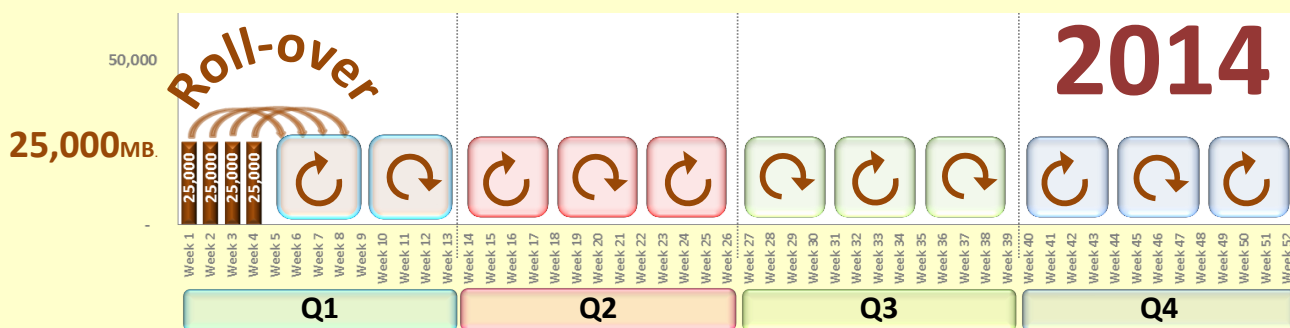
- ☑ Issuing Revolving T-bill, amount 100,000 MB, over the whole year To develop short term bond market

Objective → Response to market demand

Market-Oriented

Revolving T-Bill Issuance : **“Regularly – Continuously – Sufficiently”**

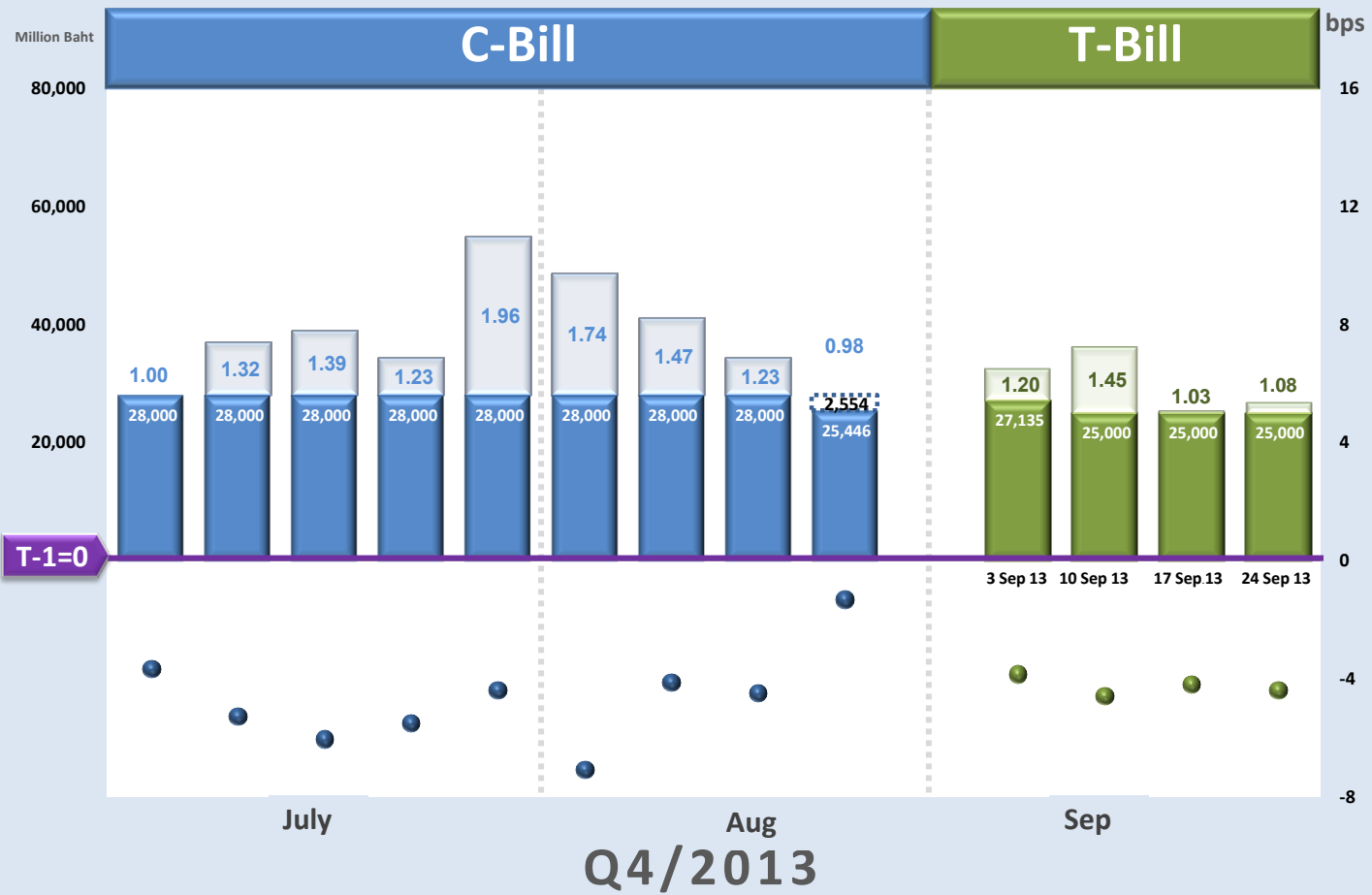
- A Tenor** : **1 Month** (the only tenor of T-bill that MOF can completely replace BOT 1 Month Market, BOT will not issue 1 Month BOT Bill in order to avoid investor’s confusion)
- B Auction Frequency** : Every week
- C Auction Size** : **20,000 - 25,000 MB** (To meet the existing Market Demand)



2013

Quarter 4 T-Bill Auction Result

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



Bond Switching

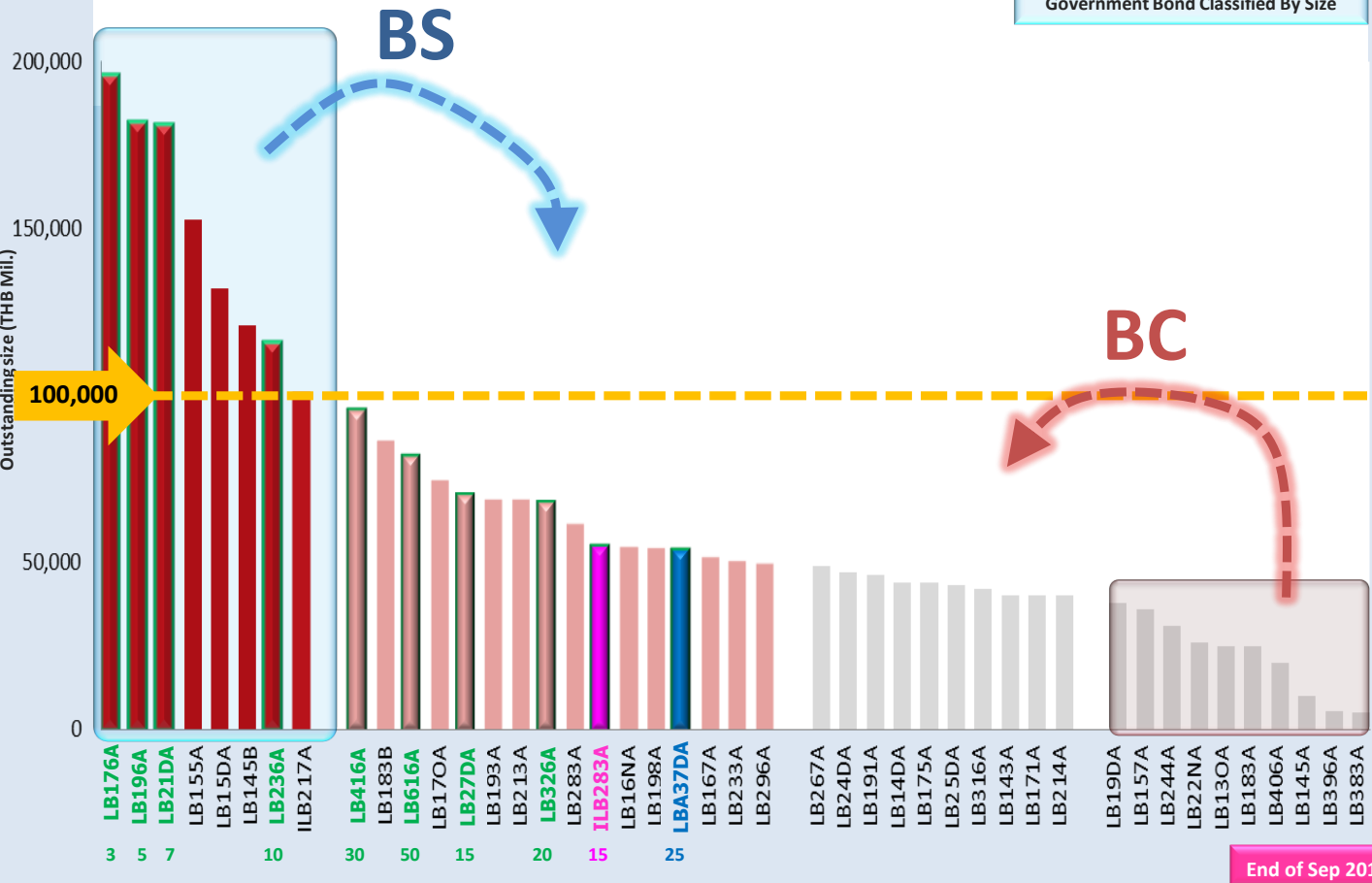
Reduce Refinancing Risk

Bond Consolidation

Enhance Liquidity

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

Government Bond Classified By Size



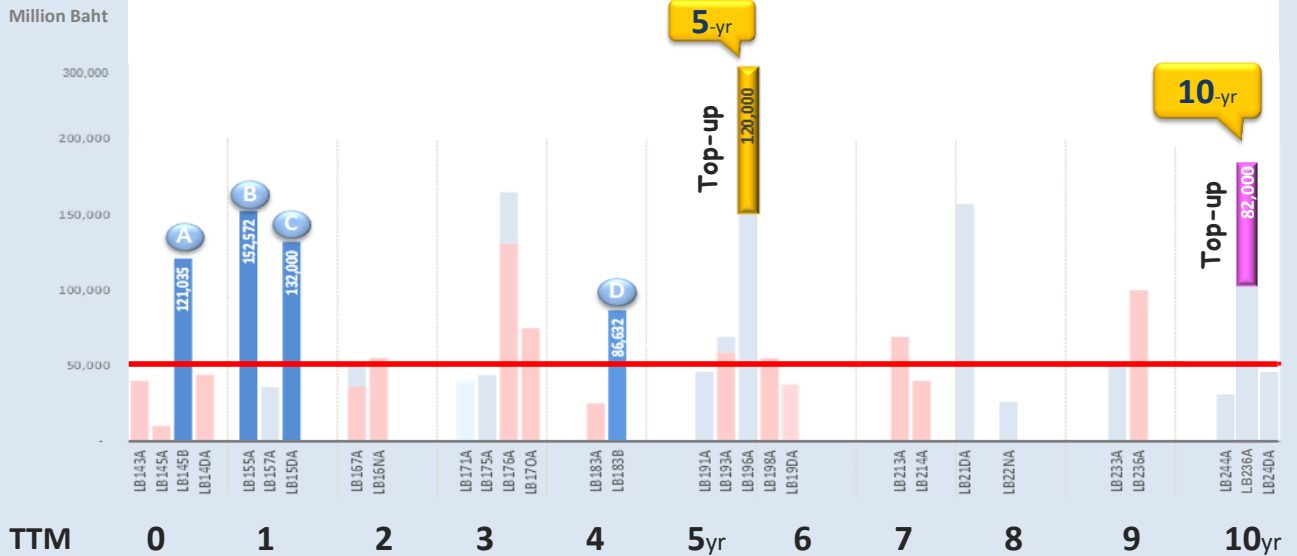


Example

Bond Switching

Reduce Refinancing Risk $\geq 50,000$ MB.

LB	Outstanding (MB.)	Coupon (% per year)	TTM (yr)
A LB145B	121,035	5.25	0.8
B LB155A	152,572	3.625	1.8
C LB15DA	132,000	3.125	2.4
D LB183B	86,632	5.125	4.6

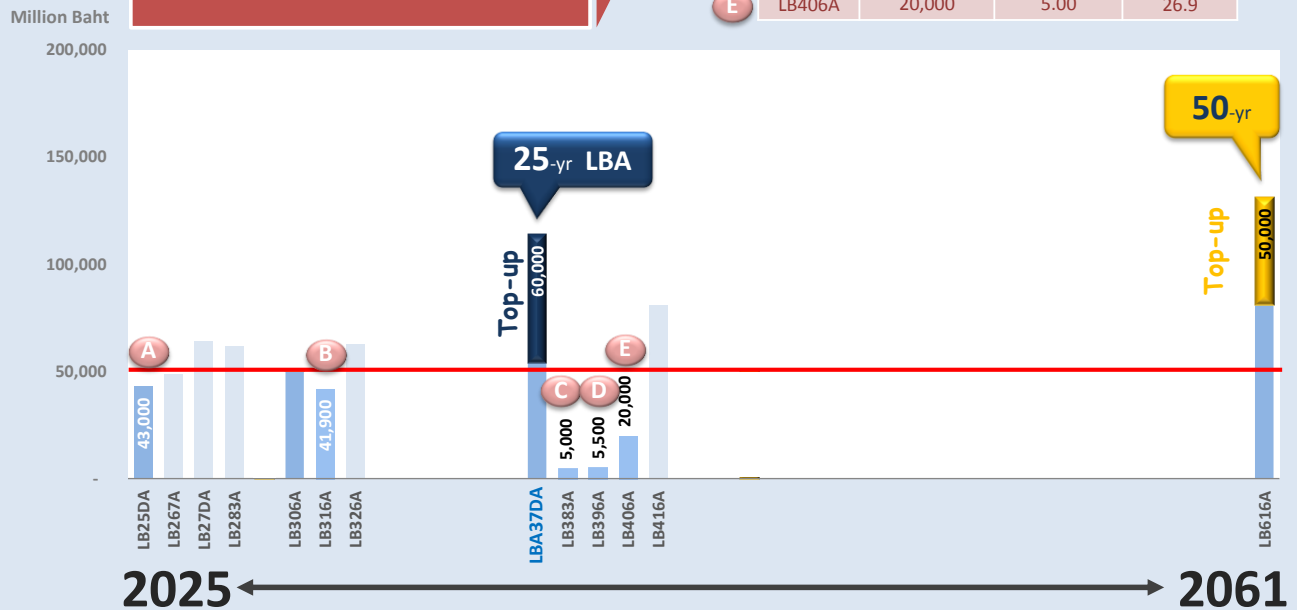


Example

Bond Consolidation

Enhance Liquidity $\leq 50,000$ MB.

LB	Outstanding (MB.)	Coupon (% per year)	TTM (yr)
A LB25DA	43,000	3.85	12.4
B LB316A	41,900	3.65	17.9
C LB383A	5,000	5.50	24.6
D LB396A	5,500	5.00	25.9
E LB406A	20,000	5.00	26.9





MOF Outright Primary Dealers

- ❖ Bangkok Bank PCL.
- ❖ BNP Paribas, Bangkok Branch
- ❖ Citibank N.A., Bangkok Branch
- ❖ Deutsche Bank AG., Bangkok Branch
- ❖ The Hongkong and Shanghai Banking Corporation Limited
- ❖ JPMorgan Chase Bank, Bangkok Branch
- ❖ Kasikornbank PCL.
- ❖ Krung Thai Bank PCL.
- ❖ Siam Commercial Bank PCL.
- ❖ Standard Chartered Bank (Thai) PCL.
- ❖ TMB Bank PCL.
- ❖ KGI Securities (Thailand) PCL.
- ❖ *CIMB Thai Bank Public Company Limited*

New Outright PDs

Duties

1. Primary Market

- Maintain at least 5% share of total issue size of selected tenor 5-yr, 10-yr and ILB
- Participate in every auction
- Submit bid at least 10% for exclusivity tenor : 5-yr

2. Secondary Market

- Maintain at least 5% share of market trading value
- Submit daily end-of-day price to ThaiBMA

3. Bond Market Development

- Being MOF, BOT, SET and ThaiBMA Partner in developing bond market

Privileges

- Exclusivity in 5-yr tenor of Government Benchmark Bond
- MOF Preferred Counterparty
- Quarterly dialogue with MOF to plan Bond Auction Schedule
- BOT outright counterparty
- Benefit from Incentive program of SET

Monitoring

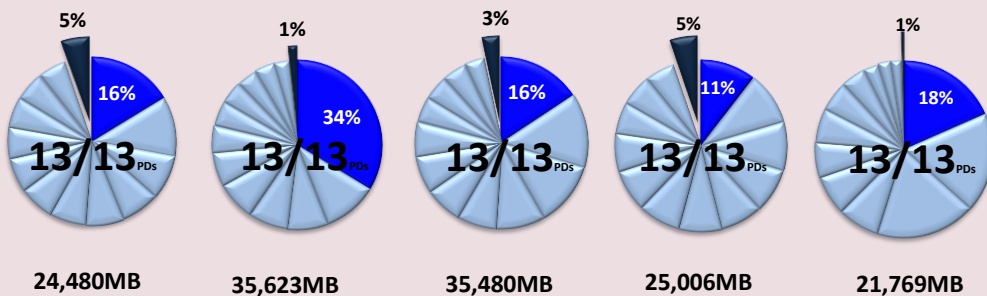
- Yearly Evaluation (fiscal year) with half-year review
- Regular one-on-one or one-on-group meeting



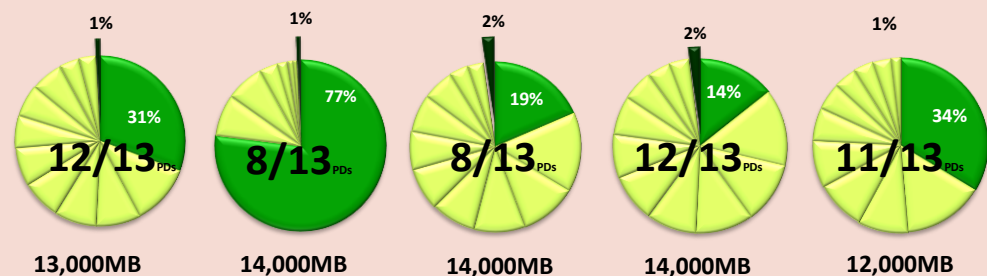
The 1st PD's Privileges : Exclusive Right for 5-yr Benchmark Bond (LB196A)

All 13 PDs Participated but... Not All are Allocated

Participated (Classified by number of PDs and their % of total participated size)



Allocated (Classified by number of PDs and their % of total allocated size)



1/FY2013

2/FY2013

3/FY2013

4/FY2013

5/FY2013



Annual PDMO – Market Dialogue for Fiscal Year 2013

Ms. Chularat Suteethorn, Director-General of the Public Debt Management Office (PDMO), announced the results of the annual PDMO Market Dialogue were held on the 12th of September 2013. The meeting held annually was taken part by members of PDMO, Bank of Thailand (BOT), Thai Bond Market Association (TBMA), Ministry of Finance Outright Primary Dealer (MOF Outright PD), and 150 investors from Thai Bond Market. The meeting is a forum for key stakeholders of Thai Bond Market to exchange ideas. Moreover, it views on the current state of Thai Bond Market and the needs and demands of investors for PDMO to further take into consideration in developing the Thai Government's funding strategy for FY2014, as well as the overall development of Thai Bond Market. Key topics discussed in the meeting are as follows:

1. Estimated funding needs for FY2014

Government funding needs for FY2014 is estimated approximately THB 756bn which consist of:

1.1 Rollover maturing debt.

- | | |
|---|-----------|
| a. Funding for debt restructuring under public debt act (deficit funding) | THB 231bn |
| b. Funding for debt restructuring under FIDF decree | THB 129bn |

Total	THB 360bn
--------------	------------------

1.2 New borrowings in FY2014 (for financing government budget deficit and other government projects)

- | | |
|--|-----------|
| a. Financing government budget deficit | THB 250bn |
| b. Act Authorizing the Ministry of Finance to Raise Loan for
Financing Investment for the Country's Transport Infrastructure, BE... | THB 137bn |

Total	THB 387bn
--------------	------------------

1.3 Estimated disbursement under water management decree

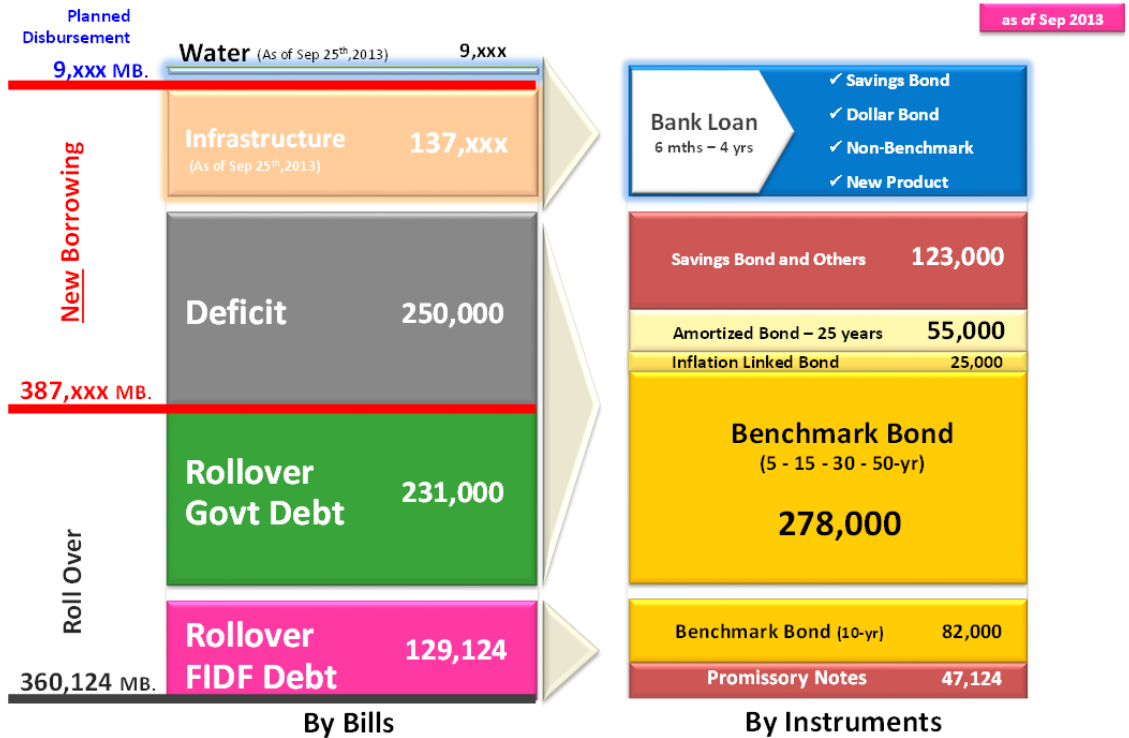
- | | |
|---|---------|
| a. Emergency Decree Empowering the Ministry of Finance to
Borrow Money for Constructing the Systems for Managing
Water and Building Country's Future, B.E. 2555 | THB 9bn |
|---|---------|

Total	THB 9bn
--------------	----------------

Grand Total 1.1 + 1.2 + 1.3 **THB 756bn**

2. Government fund-raising Strategy for FY2014

Figure 1: Estimated funding needs and funding instruments in FY2014



2.1 Supporting continuity of the benchmark bond

PDMO will utilize the benchmark bonds as the primary tool for fund-raising. Benchmark bonds will be issued in 5 series; including 5-year, 10-year, 15-year, 30-year and 50-year with the amount of THB 360bn (48% of total funding need THB 756bn). To increase the liquidity of the benchmark bond issued in the FY2014, PDMO will emphasize launching these bonds through the “Top-Up” of existing bond series in the market.

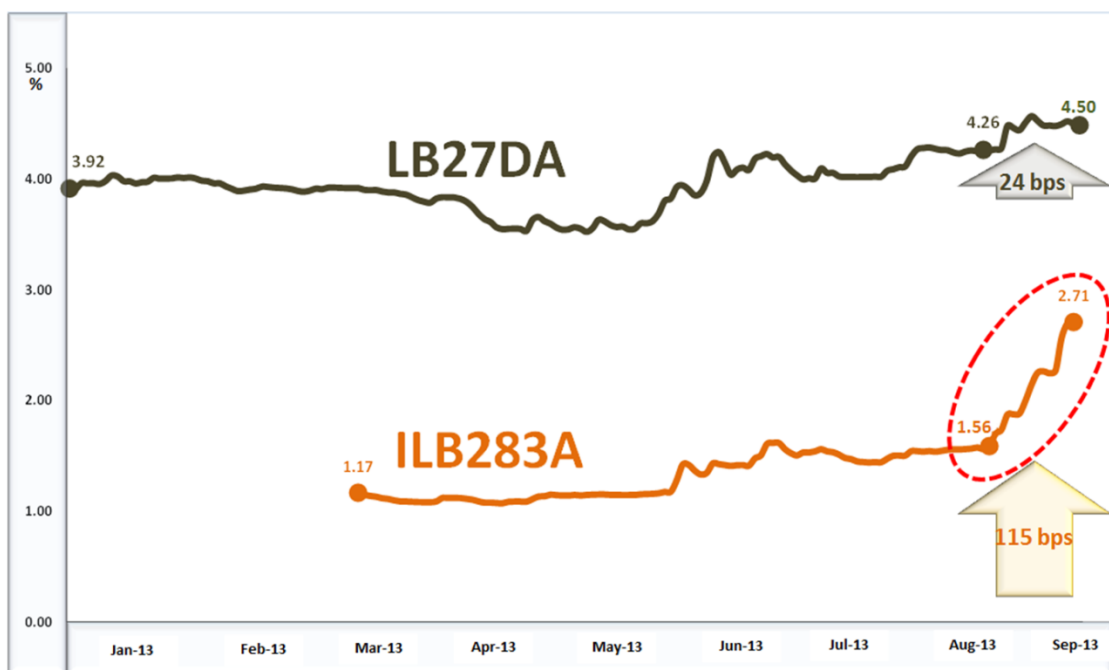
Furthermore, PDMO has specified the 5-year benchmark bond issued in FY2014 to be the “Exclusivity” only for MOF Outright PD in auctioning of such bonds. The 5-year tenor benchmark bond series (LB196A) was the first “Exclusivity” bond resulting in full subscriptions for achieving lower costs and higher bid coverage ratio, as well as, the evident from the difference of only 1-2 basis points between the first and the last successful bids. Due to such positive results, the PDMO will continue to give “Exclusivity” to MOF Outright PD in the auction of such bonds in FY2014.

2.2 Issuance of Inflation-Linked bond (ILB)

PDMO has ensured continuity in issuance of ILB to enable the ILB development as effective funding instrument to generate benchmark real-interest rate for the domestic bond market. In FY2013, PDMO consistently issued 15-year ILB series (ILB283A) into the market to build the liquidity where the outstanding value of ILB283A nowadays is approximately THB 55bn. In FY2014, PDMO plans to issue in total THB 45bn of ILB283A to increase the total outstanding value to THB 100bn, which is the target size for ample liquidity.

Due to the recent sell off, which skyrocketed in the yield of 115 basis points in the 4 week period during 16th August 2013 - 10th September 2013 as per illustration below, PDMO will have to reevaluate the issuance of ILBs in FY2014 to be in line with market demands.

Figure 2: Yield comparison – 15 yr-Benchmark Bond vs. 15yr-ILB



2.3 Financing for Act Authorizing the Ministry of Finance to Raise Loan for Financing Investment for the Country's Transport Infrastructure, B.E....

The funding for Act Authorizing the Ministry of Finance to Raise Loan for Financing Investment for the Country's Transport Infrastructure, BE... will be spread out over 7 years period. PDMO will choose appropriate funding instruments, including Bank loan, Government Bond and Promissory Note, to finance the act's disbursement.

From PDMO's assessment of the liquidity in the local market, demand continues existing to support the government funding needs. Notwithstanding, MOF has been granted the authority to issue Foreign Currency Bond under this Act in order to match the currency of project's expenses, to create benchmark rate in the international market and diversify the funding source. Accordingly, PDMO continues to engage and monitor international financial markets to achieve an appropriate funding strategy.

2.4 Systematic issuance of Treasury bill (T-Bill)

PDMO will systematically and regularly issue the 28-day T-Bill to maintain adequate treasury reserve at all times to support government expenditure as well as to facilitate budget balance in FY2017. The 28-day T-Bill with the value of THB 25bn will be issued consistently on a weekly basis to ensure that the outstanding value of the 28-day T-Bill will be maintained approximately THB 100bn through FY2014. To support MOF and prevent confusion in the market, BOT has agreed to suspend the issuance of the Central Bank Bill with the same tenor.

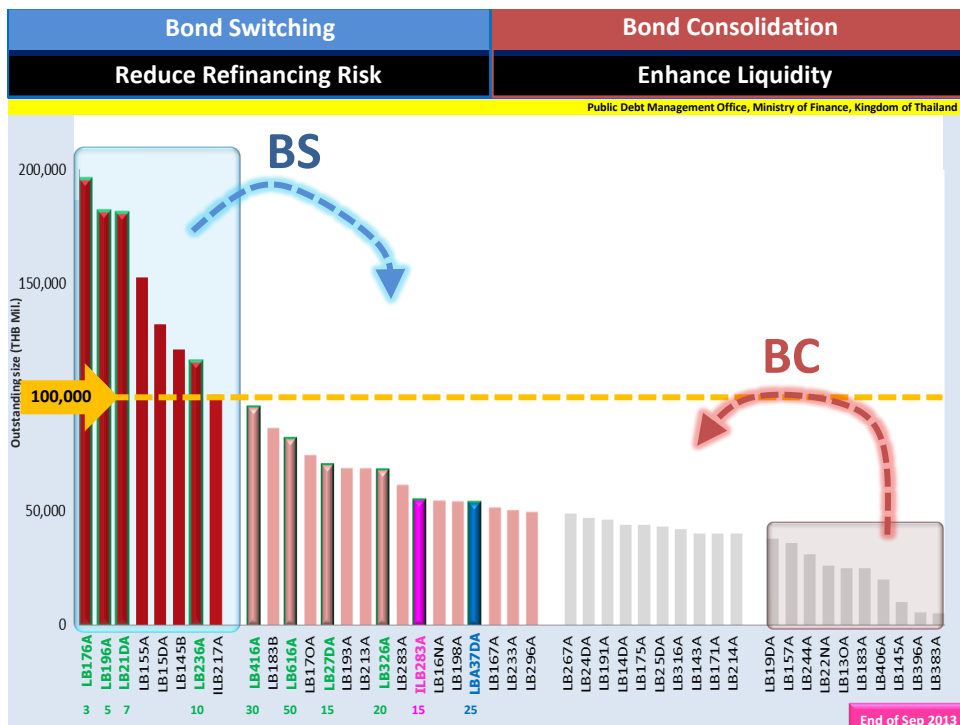
3. Appointment of additional MOF Outright PD

The Ministry of Finance has appointed CIMB Thailand PCL as the Ministry of Finance Outright Primary Dealer (MOF Outright PD) effective on 1st October 2013 with its role as a "Market Maker" in increasing liquidity in the market and expanding the market base.

Through additional appointments of MOF Outright PD, PDMO aims to develop Thai Bond Market to be the investment and funding hub for both of public and private sector in ASEAN and to prepare for entry into the ASEAN Economic Community (AEC) in 2015.

4. Development road for Bond Switching and Bond Consolidation

PDMO plans to develop Bond Switching and Bond Consolidation in order to provide additional flexibility in debt management, and to minimize debt rollover risk, as well as to increase the liquidity in the secondary market.



4.1 **Bond Switching** – to minimize rollover risk from high outstanding bonds, PDMO will apply such tool for bond nearing maturity with high risk of rollover - PDMO will allow investors to trade-in the bond designated by PDMO in the exchange for On-the-Run Benchmark Bonds with the higher liquidity and longer tenors.

4.2 **Bond Consolidation** – to reduce the series of government bonds outstanding in the market, especially, those are long tenors with smaller size and less liquidity. PDMO will provide the opportunity for investors to trade in such bonds designated by PDMO in the exchange for On-the-Run Benchmark Bonds with the higher liquidity.

The PDMO will discuss with MOF Outright PD for developing guidelines and procedures to conduct Bond Switching and Bond Consolidation. Furthermore, PDMO also designates MOF Outright PD to serve as the intermediary in launching these transactions.

5. Development of the 6-month BIBOR rate as the benchmark rate for Government and SOE borrowing rate

MOF and BOT has agreed to promote and develop the Bangkok Interbank Offered Rate (BIBOR) to serve as an effective benchmark reference rate with comparable to the widely used LIBOR and SIBOR rate.

In FY2014, Ministry of Finance plans to promote the use of BIBOR rate as the benchmark rate for government float-rate funding instruments, especially, to finance infrastructure development Act and government guaranteed debt of SOEs. In this regard, MOF stands ready to support BOT in developing BIBOR rate as short term reference rate in the financial market.

6. Information and feedback from market participants of Thai Bond Market are taken into consideration by PDMO in developing guidelines in issuing government bonds for FY2014

In planning for government borrowings in FY2014, PDMO will take into account several factors such as the followings:

- The result of estimated vs. actual revenues collected will be analyzed against actual government spending in order to develop more effective funding strategy and reduce the impact of volatility for government revenues and expenses on benchmark bond issuances.
- Market demand as regularly assessed by ideas and thoughts survey between PD and Market participants via Market Dialogues was held on a quarterly basis (one-on-one meeting with PD) and yearly basis (one-on-one group meeting)
- Assessment of interest rate trends, economic condition and bond issuance plan between MOF and BOT.
- Funding instrument analysis will be taken into account in determining appropriate methods for each source of funding.

PDMO will incorporate information and feedback from market participants to determine funding strategy for FY2014, and also propose this plan to form various working committees for the further approval. The first quarter of FY2014's government bond schedule will be announced by the end of September 2013.

PDMO would like to take this opportunity to thank the members of the BOT, TBMA, MOF Outright PD, and investors of the Thai Bond Market in taking part in this PDMO Market Dialogue. The meetings will be periodically and consistently held to exchange and share ideas on funding strategy and to promote the further development of Thai bond market.

Bond Market Development Bureau,
Public Debt Management Office
Tel: 02-271-7999 ext. 5816, 5812
www.pdmo.go.th

B. Q4/FY2013 Highlights

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

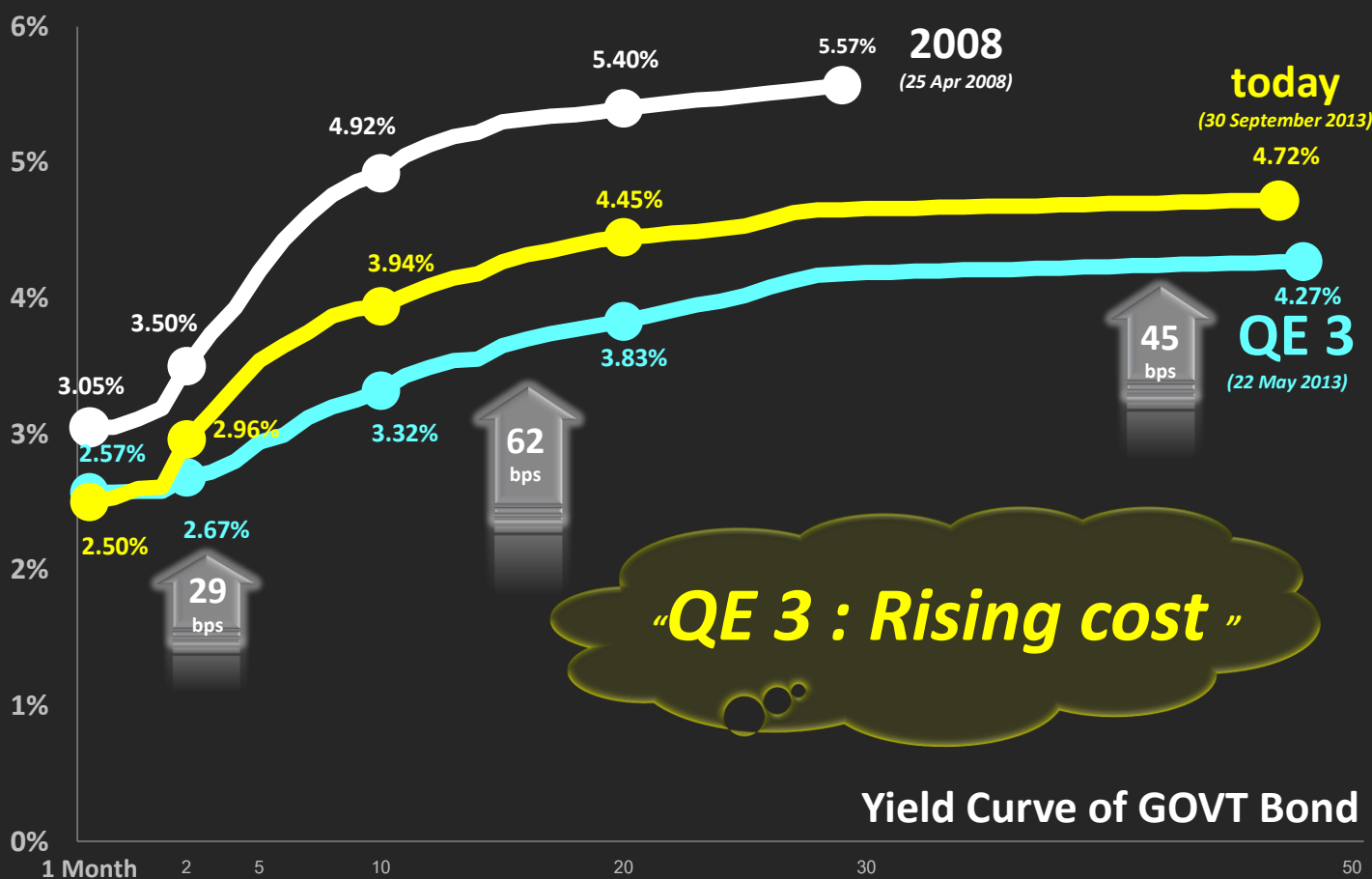
- **Impact of QE3 Announcement on Thai Bond Market**
 - Volatile of Government Yield Curve → Jumped 29 - 62 bps
 - Government Bond Auction Sensitive on QE3
 - Sharply Increase in ILB Yield Curve → Shifted Up 115 bps
- **Thai Bond Market as ASEAN Destination – Twin Inaugurals (CGIF/Laotian)**
- **The First Decade of Baht Bond / Pilot Project of CGIF**

QE 3

Yield Curve of GOVT Bond Jumped 29 - 62 bps

End of Sep 2013

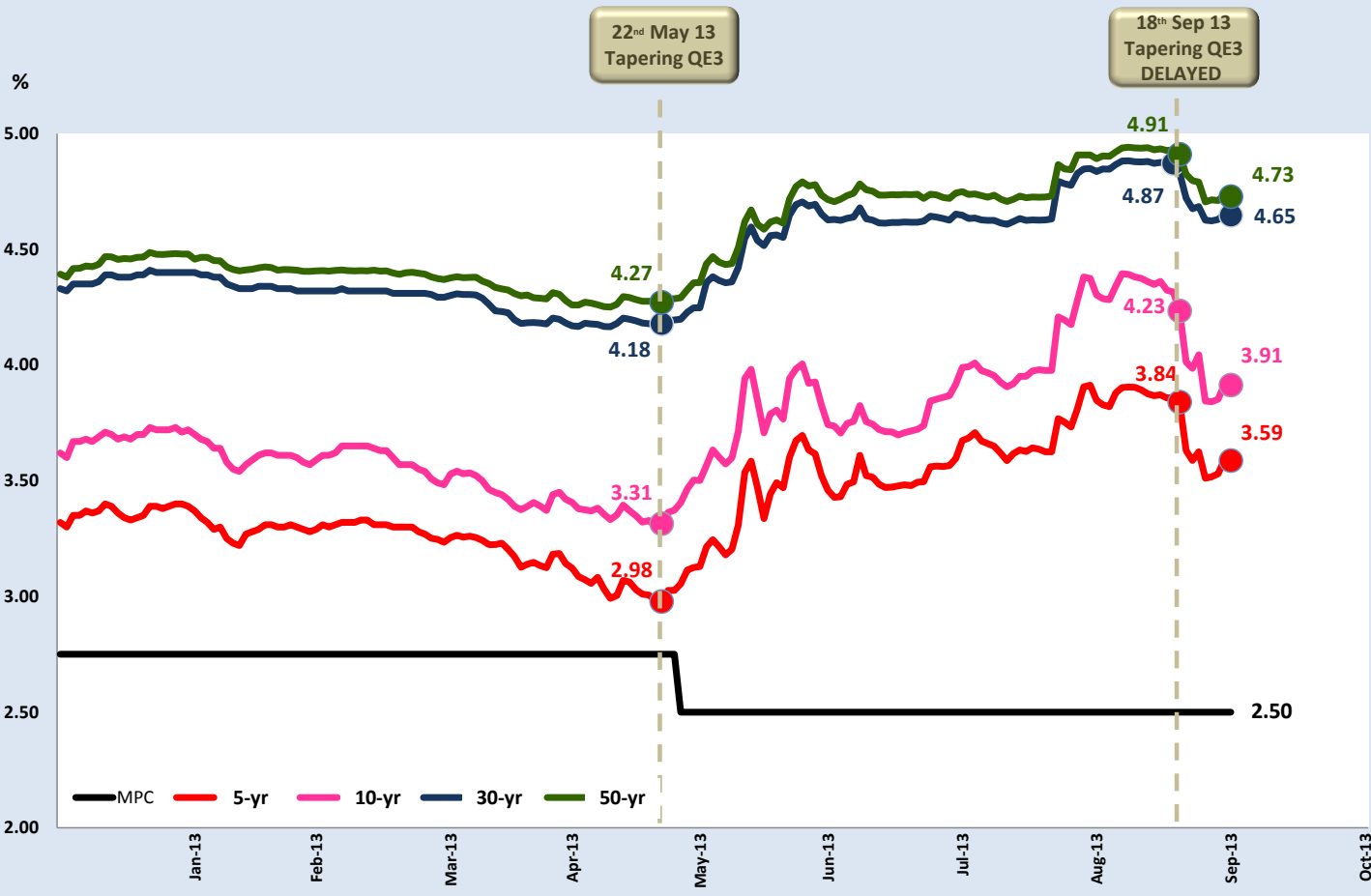
Public Debt Management Office, Ministry of Finance, Kingdom of Thailand



Uncertainty on QE3 Tapering

Higher GOVT Yield Volatility

Public Debt Management Office, Ministry of Finance

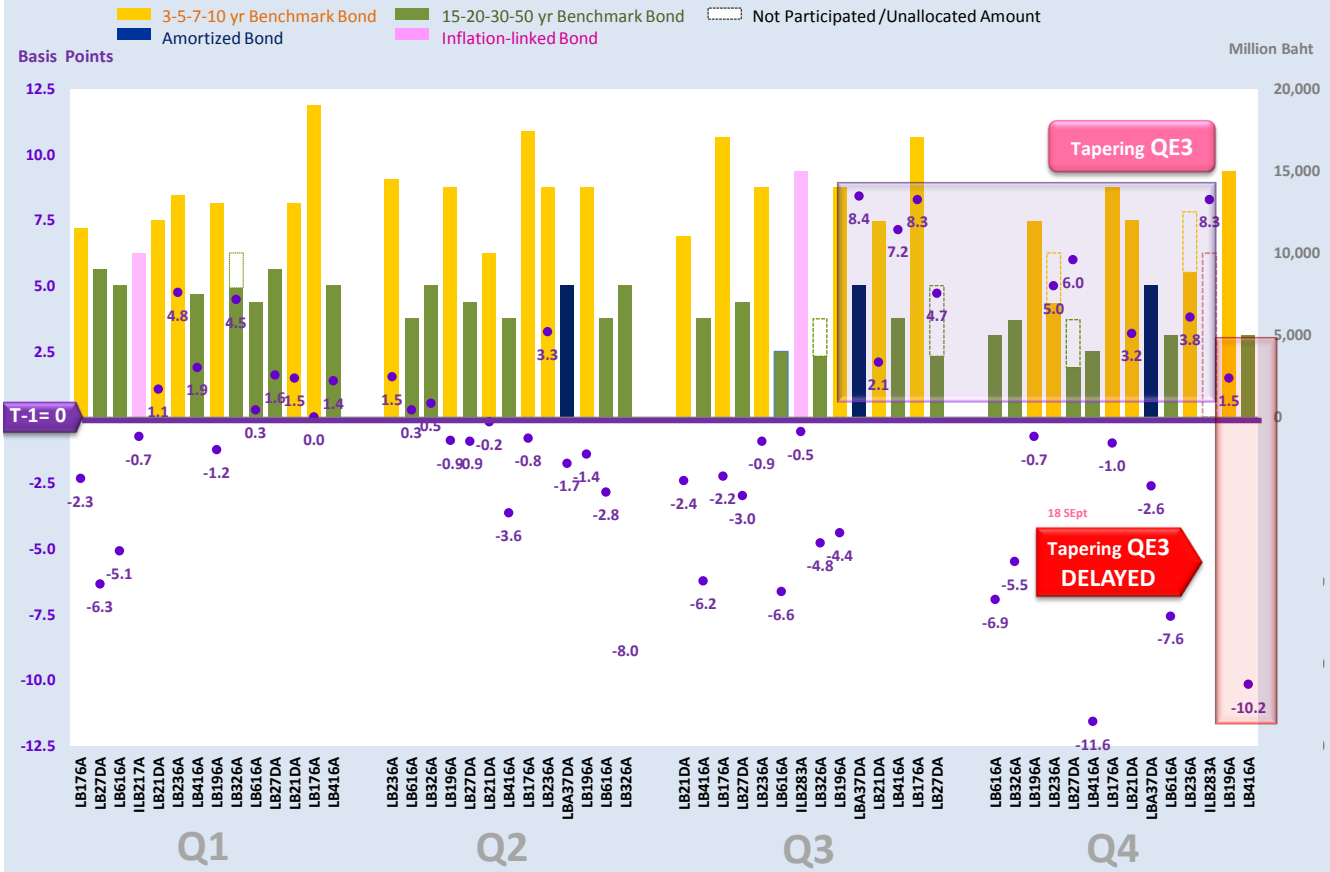


FY 2013 GOVT Bond Auction Results

Classified by Quarterly Auction Schedule

GOVT Bond Auction is *Sensitive to* QE3

Public Debt Management Office, Ministry of Finance

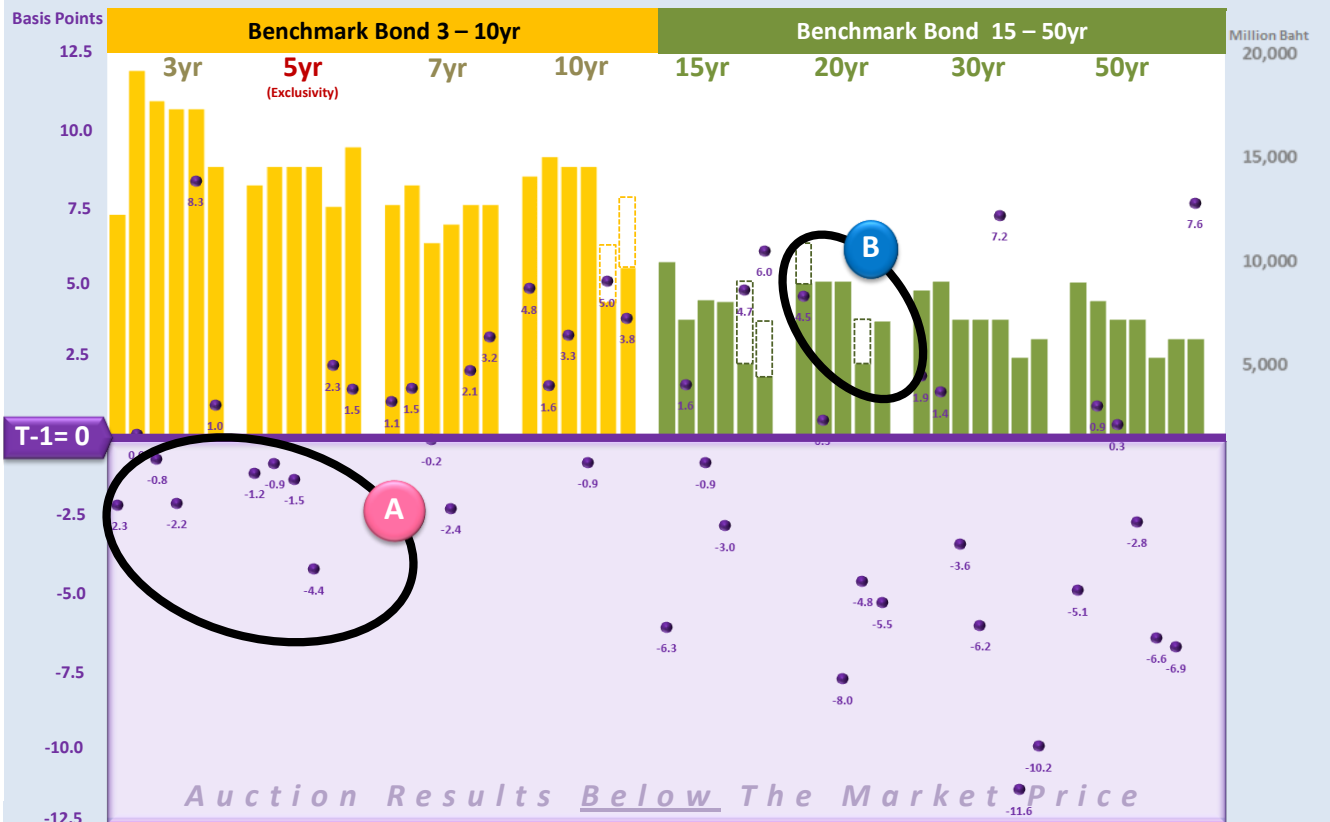


FY 2013 GOVT Bond Auction Results

Classified by Tenor

A 3-to-5-yr Benchmark Bond: Avg. Accepted LOWER than Market Price
B 20-yr Benchmark Bond: NOT fully Allocated or Subscribed

Public Debt Management Office, Ministry of Finance





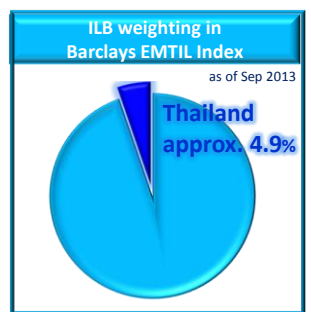
Instrument to Hedge Asian Inflation

- ✓ First & Only ILB in ASEAN
- ✓ Scarcity Value

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



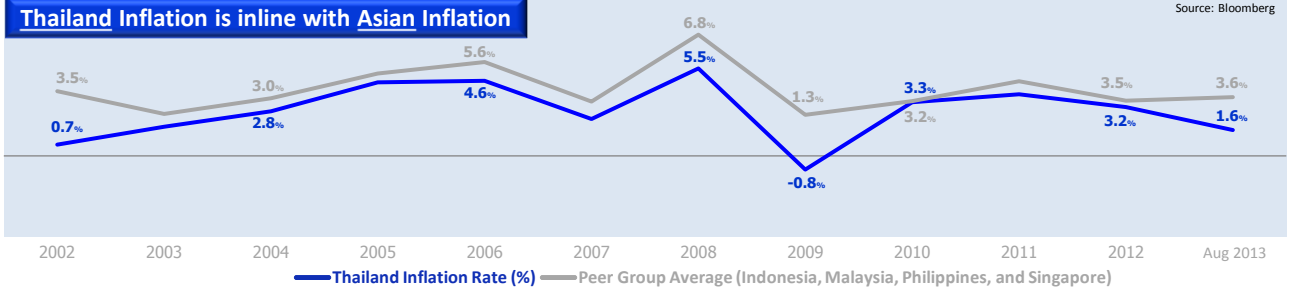
Remarks: - Other Emerging Markets include Argentina, Bolivia, Chile, Mexico, Peru, Poland, Russia, South Africa, Thailand, Turkey and India.
Source: HSBC



Remarks: - Others includes Brazil, Mexico, Turkey, Israel, South Africa, Chile, Poland and South Korea
Source: Barclays Index Enquiries Helpdesk, as of Sep 2013

Thailand Inflation is inline with Asian Inflation

Source: Bloomberg



Forward Looking : Inflation-Linked Bond by 2015

- ✓ Extend ILB Yield Curve
- ✓ Continue to Enhance Liquidity

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

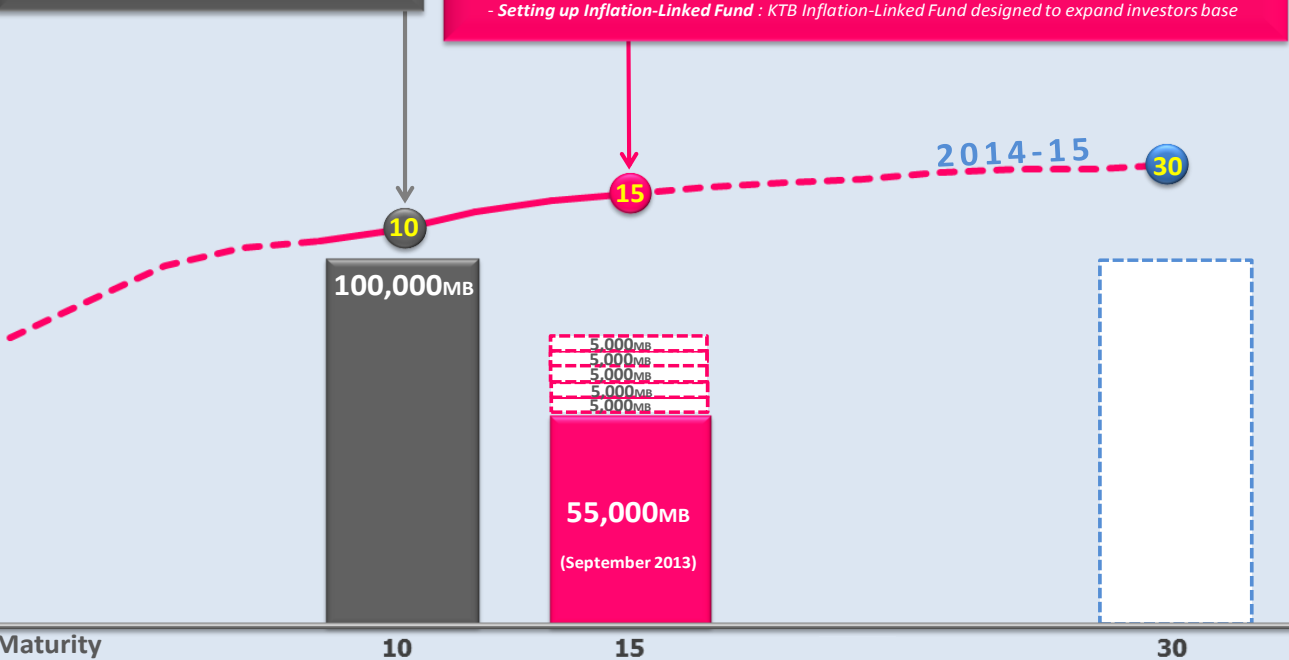
July 2011

Inaugural 10-yr ILB

1. Macro Economic : Price stability
2. Bond Market Development : innovation
3. Funding Source : Broadening investor base

March 2013

1. Extending ILB yield curve to 15-yr
2. Enhancing liquidity
 - Benchmark size : PDMO will build up appropriate size to enhance secondary market liquidity
 - Market Making : Primary Dealers are encouraged to participate in auctions & secondary market
 - Setting up Inflation-Linked Fund : KTB Inflation-Linked Fund designed to expand investors base



Sky Rocketed ILB curve resulted in NO Auction Allocation

Q&A with Khun Chularat Suteethorn
Director-General of Public Debt Management Office

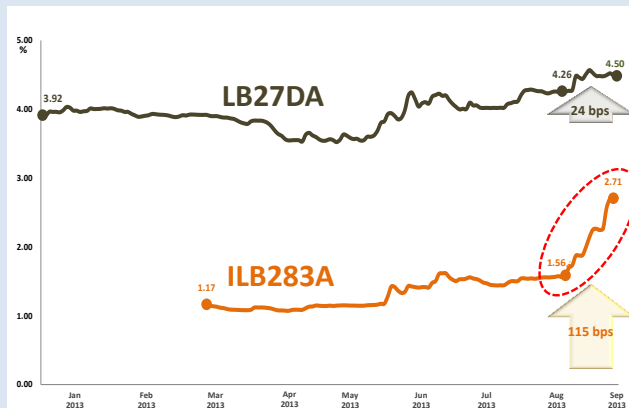
Q: Why did PDMO cancel the 15-year ILB auction on Sept 11th, 2013?

Chularat: It was **NOT** a cancellation of 15yr-ILB auction (LB283A). The auction took place as scheduled on 9/11 but **PDMO has chosen NOT to allocate ILB to any bidder at the primary market auction.** Although PDMO appreciated BCR of 1.6 times but the bidding range was **unusually** wide (40 bps in range). On top of this, the ILB curve has risen **drastically** by about 115 bps during the past month prior to the auction day. (from 1.56% on Aug 16th – to 2.71% on Sept 11th shown in Figure_1)

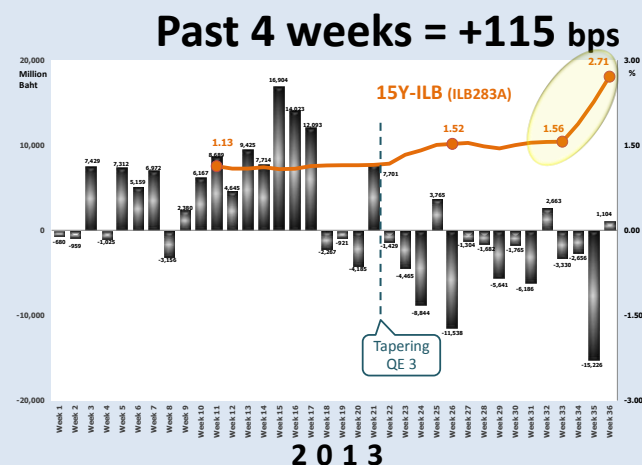
This hike of **115 bps** is “**unusual**” compare to conventional 15yr benchmark bond (LB27DA), its yield rose **only 20 bps** during this same period. We took the “market volatility” into consideration but comparing to the movement of conventional bond, **the wide bidding range of ILB has inevitably resulted in NO allocation.**

We would like to assure the market participants that under this volatile market condition, we are being very precautionous about the auction allocation of government bond in the primary market. **In light of this, we would like to keep communication channel opens as market feedback is most precious in the time like this.**

Figure_1: Conventional bond and ILB Yield Movement in 2013



Figure_2: NR investment and ILB Yield Movement in 2013



Q: Did the **hike up** in ILB yield curve come from the continued **outflow of Non-Resident?**

Chularat: We witnessed the **series of capital outflow** which leads to higher government yield curve in both conventional bond and ILB. But the outflow didn't just start in the past month, it began since the announcement of **Tapering QE3** in May which was 4 months ago. (Figure_2)

During the first 3 months of outflow, the ILB yield curve moved up only 40 bps which is inline with the conventional bond. But in the last month **alone**, the ILB curve went up 115 bps, while the conventional bond moved **only 20 bps** further up.

At the Annual Market Dialogue on September 12nd, 2013, PDs and investors did point out that the past month inflation rate was not in line with the market expectation. This may have added onto the additional spread between ILB and conventional bond. **In light of this, PDMO will keep a close watch to all matters surrounding ILB in order to ensure that ILB reflects realistic rate of inflation.**

Q: As the ILB performance has been heavily affected by the recent market condition, how will this affect the development path of ILB?

Chularat: We have quite fruitful comments from the market at the annual Market Dialogue which took place just a day after “NO” ILB allocation incident.

We acknowledged that the demand of ILB is adversely affected from the outflow BUT **as a leader in ASEAN ILB market**, we are committed to maintain the supply of ILB in fiscal year 2014. (Oct 2013-Sept 2014)

However, in order to **secure the overall performance of our funding plan**, we have decided to **cut the auction size of ILB in half** in fiscal year 2014 to 5 billion Baht per auction from 10 billion Baht per auction in fiscal year 2013. In fact, this is a recommendation from the market.

In light of this, PDMO will closely monitor all movements in the global financial market and consult with PDs and investors on regular basis to ensure that our funding plan will be supported by the market.



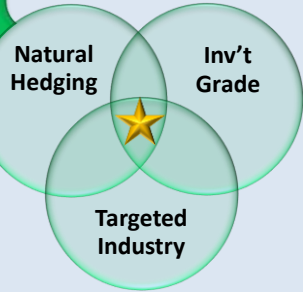
CGIF

Inaugural
(Noble, Hong Kong)

2,850
THB Mil.

2013 2014 2015 2016 2017 2018 2019 2020

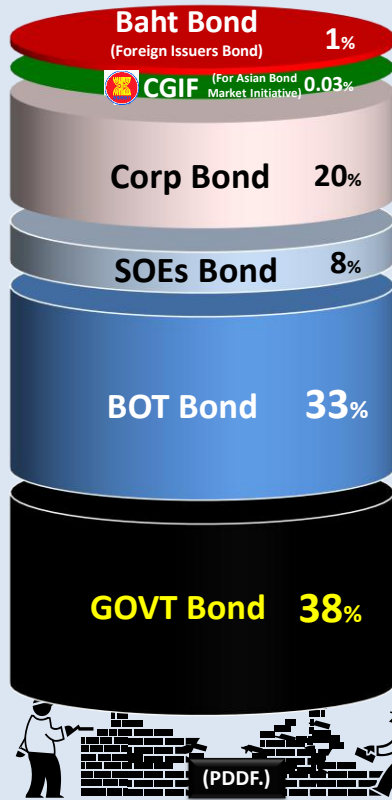
Inside-out



Why now?

- Thailand (PDMO) is a Board member
- Set criteria
 - Select corporate

Total Outstanding THB 8,919 THB Bil.
End of September 2013



BAHT BOND

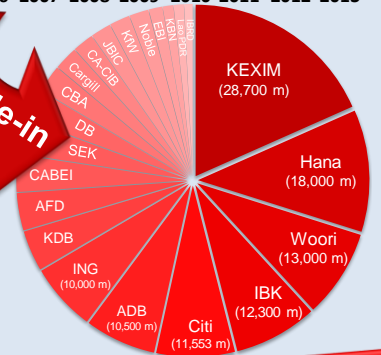
Inaugural
(Lao PDR)

116,474
THB Mil.

Updated: In 2013, Laotian Government issued 1.5 billion baht of 3-year baht bonds, with 4.5% of interest rate

2005 2006 2007 2008 2009 2010 2011 2012 2013

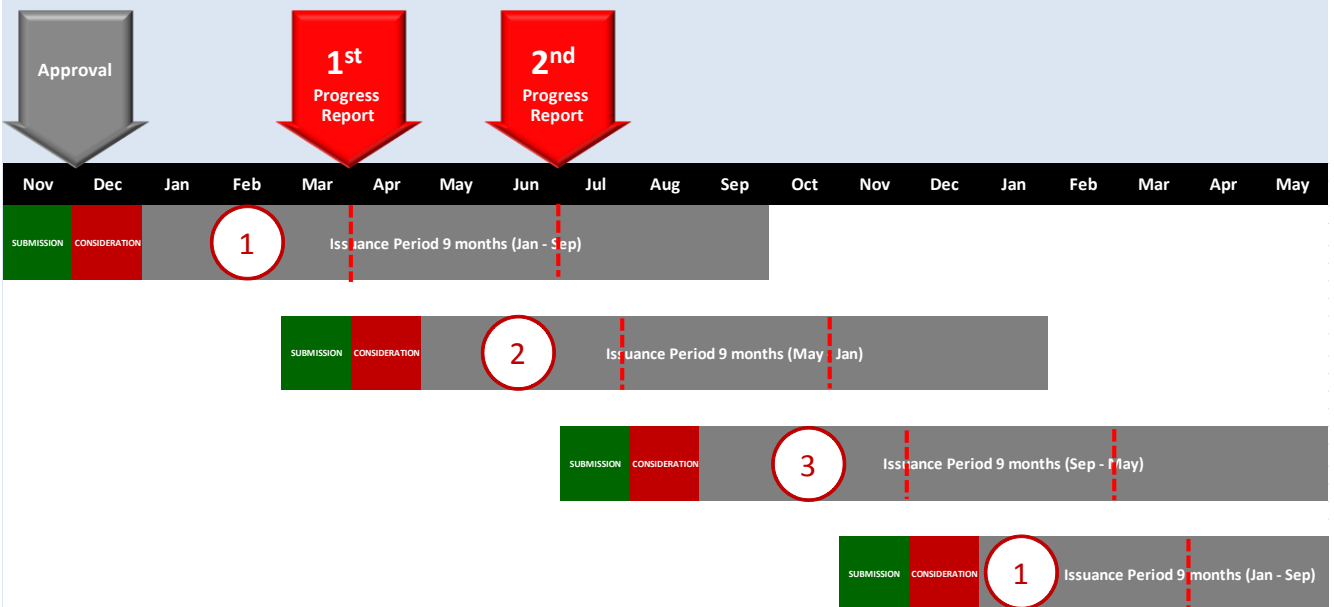
Outside-in



What next?

- Toward becoming regional hub
- Increasing AAA Supply
- Broadening Issuer Base : Lao PDR

Timeline For Baht Bond Application Process

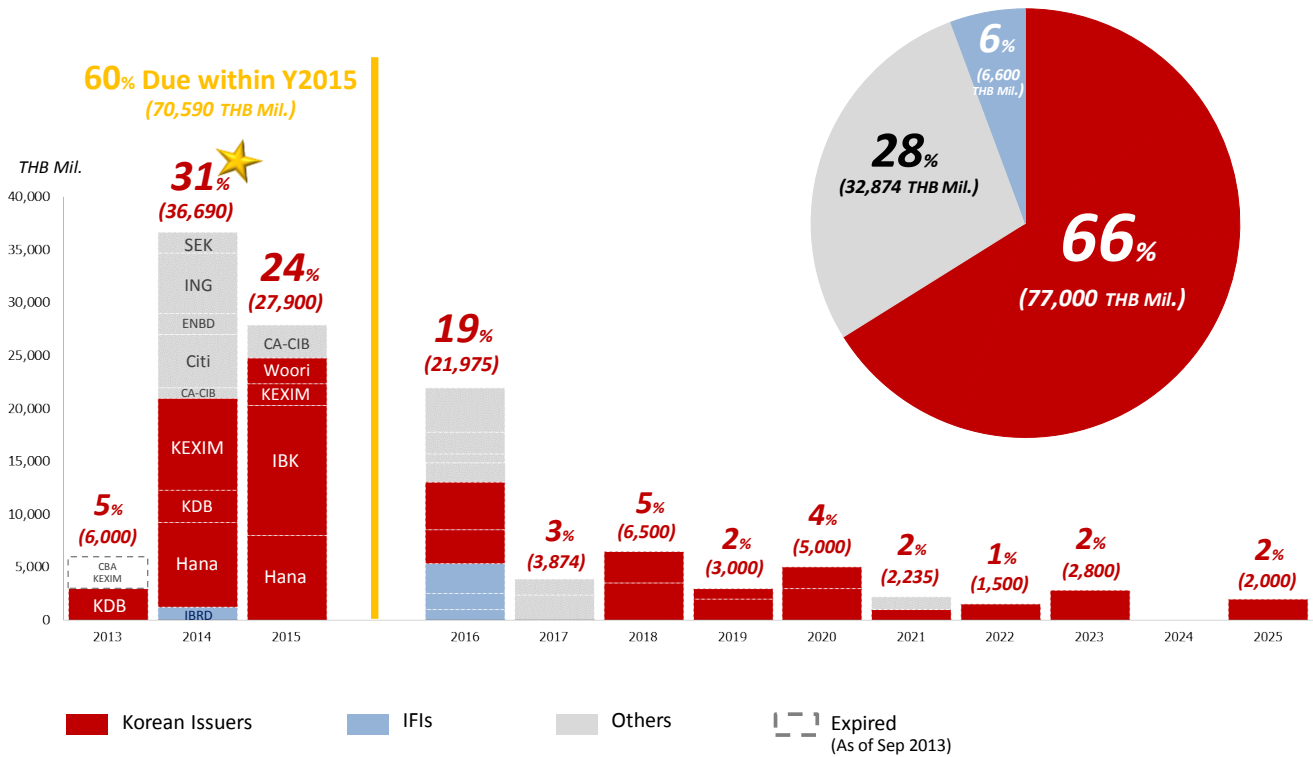


APPLICATION PROCESS: 3 rounds per year (9-mth issuance period for each round)

THE OUTSTANDING BAHT BOND

116,474 THB Mil.

Classified by issuers based on TTM



Source: PDMO
End of Sep 2013

Development Direction of Baht Bond (2012 – 2016)

To Enhance Our Cooperation
To Achieve Our Targets

To Enhance Our Cooperation : 2013



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 MB

2012-2016
minimum 15,000 MB



Number of issuers (per year)

2004-2011
between 2 – 6 clients

2012-2016
minimum 4 clients



Outstanding size

(% share of BOND market capitalization)

2004-2011
1%

2012-2016
3%

C. Basic & Essentials

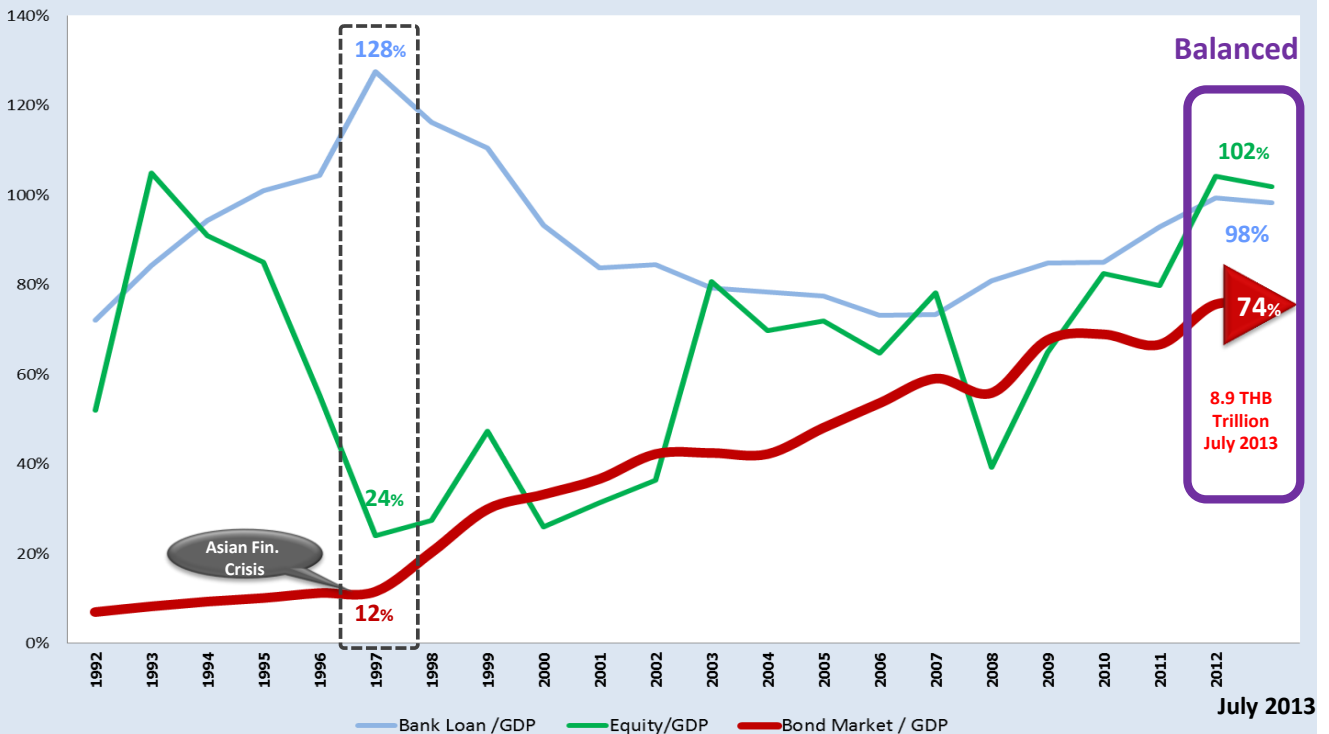
Public Debt Management Office, Ministry of Finance, Kingdom of Thailand

- **Bond Market Capitalization and Its Composition (As of Sep 2013) = 8,919,666 THB Mil.**
- **Equilibrium of Domestic Bond Market**
- **Government Benchmark Bond Performance**
- **Public Debt Outstanding and Its Composition (As of July 2013) = 5,211,194 THB Mil. (44.11% of GDP)**
- **Non-Resident Holding on Thai Bond Market**
 - NR Holding on THB Bond (As of Sep 2013) → 770,967 THB Mil.
(GOVT Bond : 574,987 THB Mil., BOT Bond : 195,132 THB Mil., Corp Bond : 848 THB Mil.)
 - Net Change in NR Holding (Oct 2012 - Sep 2013) → 55,868 THB Mil.
(GOVT Bond : Net Buy 72,029 THB Mil., BOT Bond : Net Sell 16,161 THB Mil.)

1997 Asian Financial Crisis ➤ The Rude Awakening

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

% Share of GDP



Source : ThaiBMA

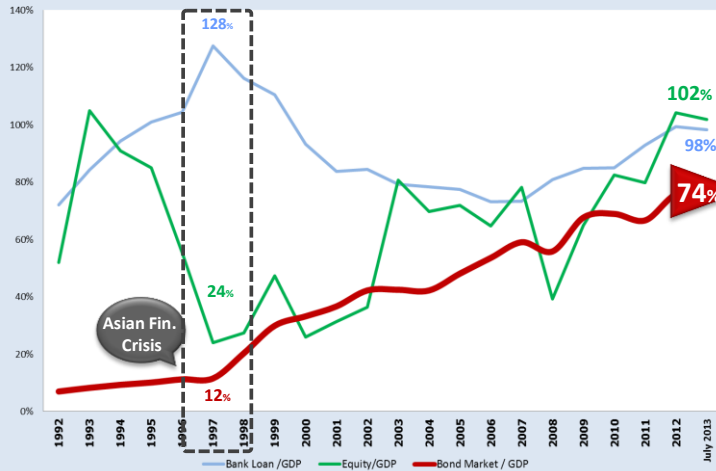


Bond Market Cap. = 8.9 THB Trillion
(\$297 Bil.)

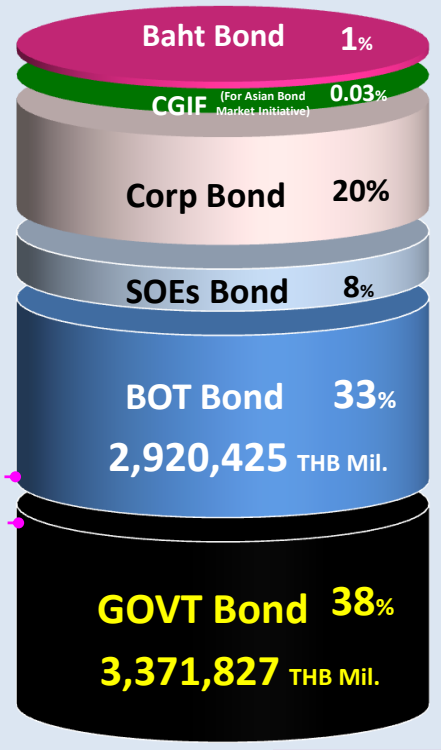
GOVT Bond = 3.4 THB Trillion
(\$112 Bil.)

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% Share of GDP



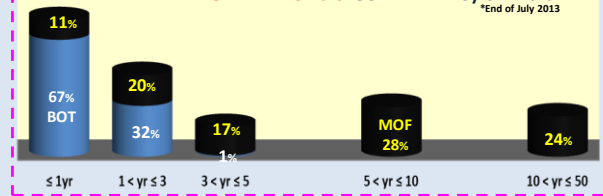
Domestic Bond Market Classified by Issuer



End of Sep 2013

Maturity Profile
BOT vs GOVT Bond

BOT ATM = 8mths GOVT ATM = 8yrs 4mths*
*End of July 2013

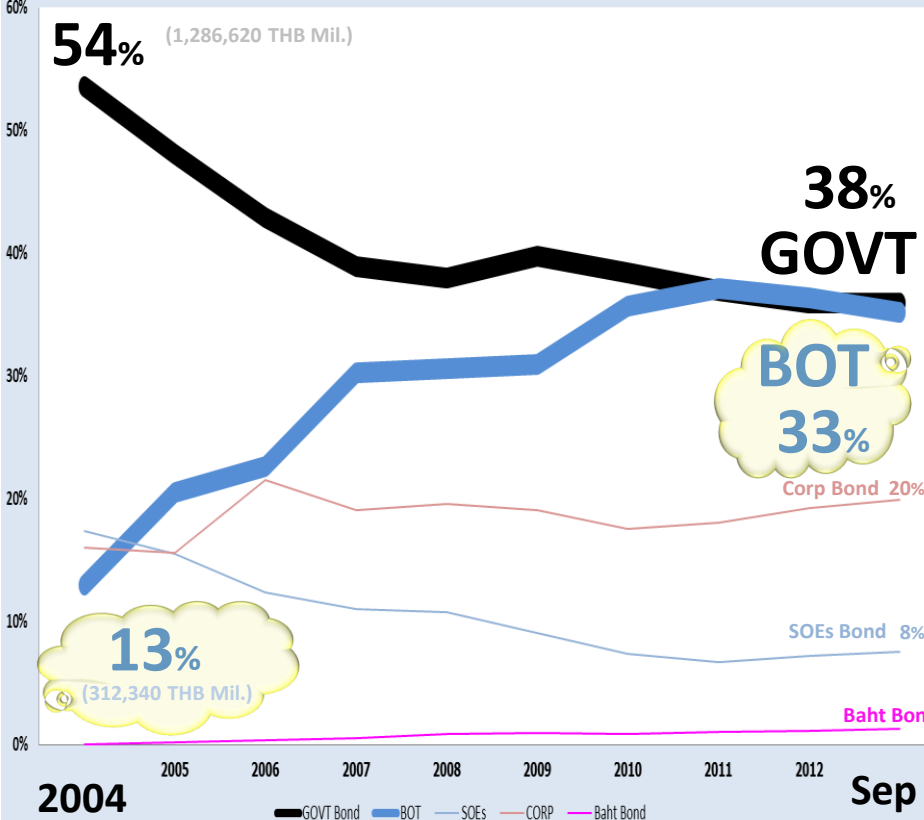


BOT Bond Supply Rose Dramatically
(2004 – Sep 2013)

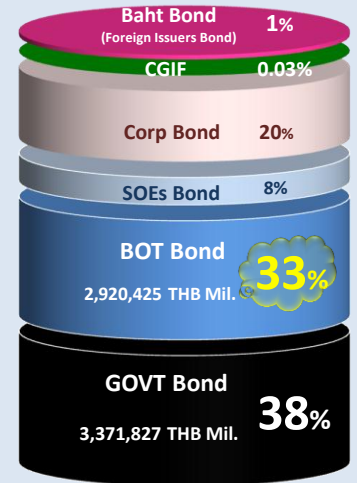
- Market share rose by... **3 Folds**
- Outstanding size rose by... **10 times**

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% Share of Domestic Bond Market



Domestic Bond Market 2013
Classified by Issuer



End of Sep 2013



FY 2007-10

30-yr Benchmark Bond

- Lengthen average-time-to-maturity of Total Government Debt Portfolio
- Meet Long-term investors' demand

Floating Rate Bond

- Increase floating debt ratio of Total Government Debt Portfolio
- Promote BIBOR (Bangkok Interbank Offered Rate)

Step-up Savings Bond

- Broaden investor base – Retail investors
- Low interest burden at the initial periods of bond

FY 2011

Fixed Rate Promissory Note

- Broaden investor base – Insurance / Long-term investors
- Non-Benchmark tenors

50-yr Benchmark Bond

- 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)

- Strong anti-inflationary signal
- Deepen the Development of the Bond market
- 1st country in Emerging Asian Economies

Electronic Retail Savings Bond

- 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 2012-2014

Amortized Bond

- 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

- 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 Domestic Bond Market

Issuers

- 79 percent of Thailand's debt securities are issued by Government, Bank of Thailand and State-Owned Enterprises

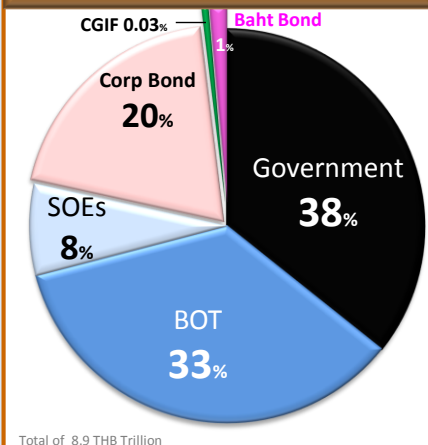
Credit Rating

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

Investors

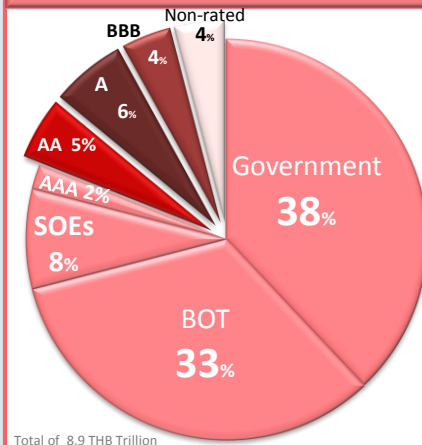
- Thailand's government debt securities are held by a wide group of investor types

Domestic Bond Market (Classified by Issuers)



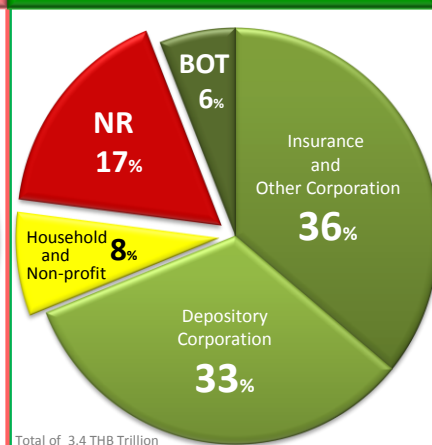
Source : ThaiBMA (End of Sep 2013)

Domestic Bond Market (Classified by Credit Rating)



Source : ThaiBMA (End of Sep 2013)

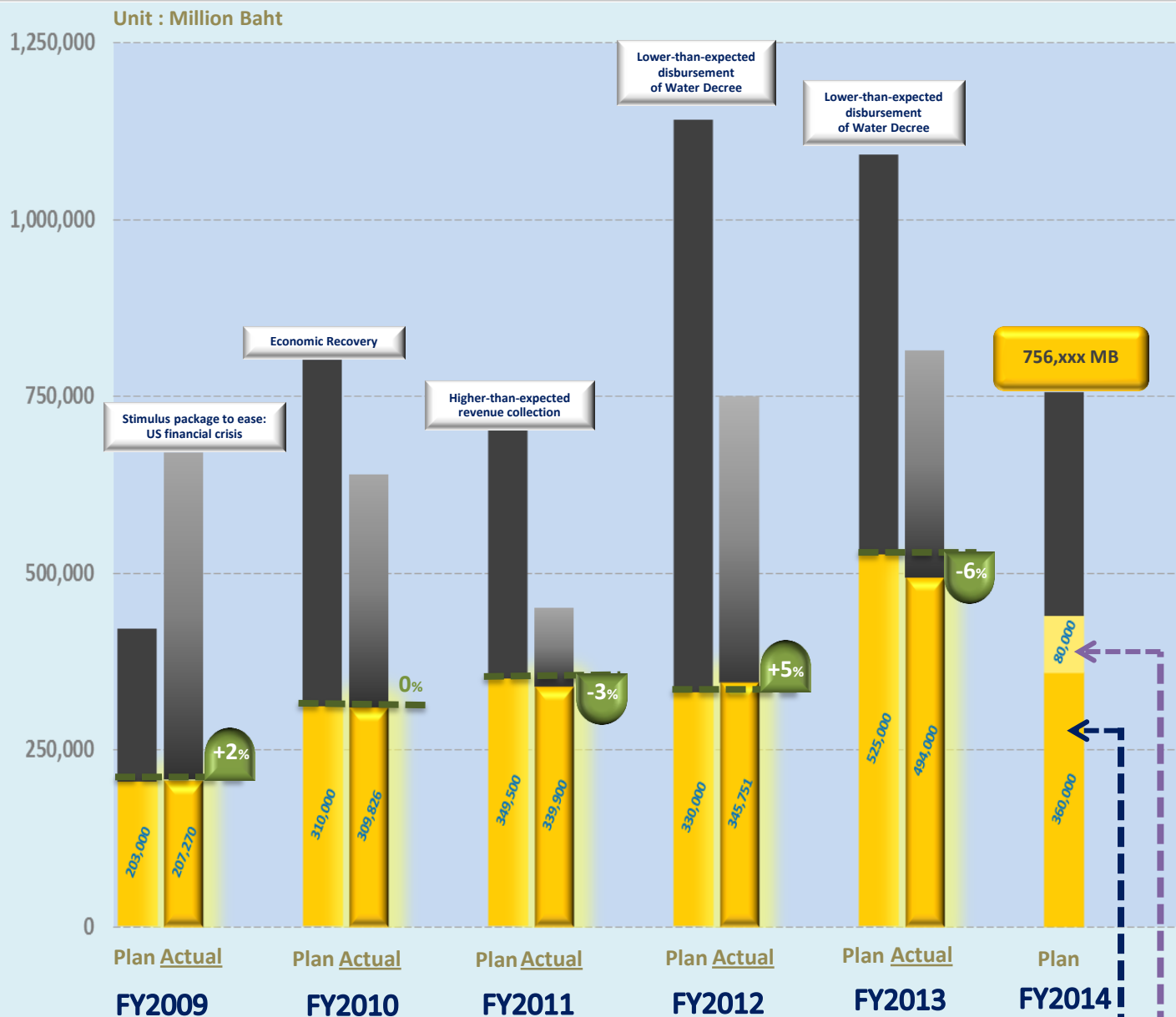
Government Debt Securities (Classified by Types of Investors)



Source : BOT, PDMO (End of Aug 2013)

Keep our word... to get investors confidence for the plan

Firm Committed Supply of Benchmark Bond Regardless of Budget Uncertainty



Plan: Announced Government's funding need at PDMO's Annual Market Dialogues in September
Actual: Actual fund raising at the end of fiscal year (calculated from announced auction)

----- The difference between "the announced" and "the actual" supply of benchmark bond (% share)

Benchmark Instruments are (1) Benchmark Bonds : Standard Loan Bond (LB) tenors 5-10-15-30-50yr (in FY 2014)
Regular issuance/ Consultation with PDs/ Pre-announced auction table

(2) Innovative Products : Inflation-linked Bond (ILB) + Amortized Bond (LBA)

Other Instruments : Saving Bond, Floating Rate Bond, Promissory Notes, Bills and Bank Loan

Trust & Confidence



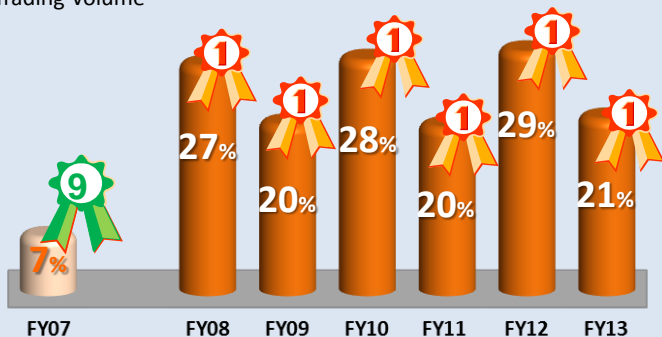
FY2008-FY2013 Key Success Indicators

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

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

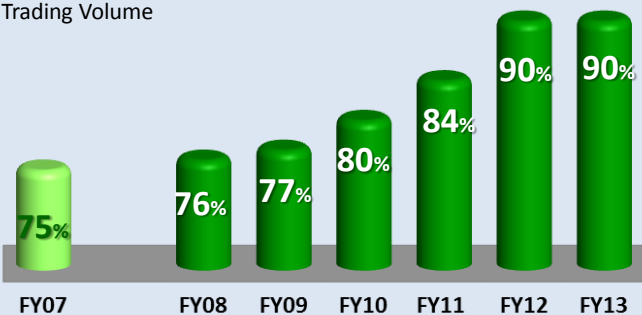
Short-term Benchmark Bond : Highest Secondary Trading Volume in every year

Unit: % Share of Market Trading Volume



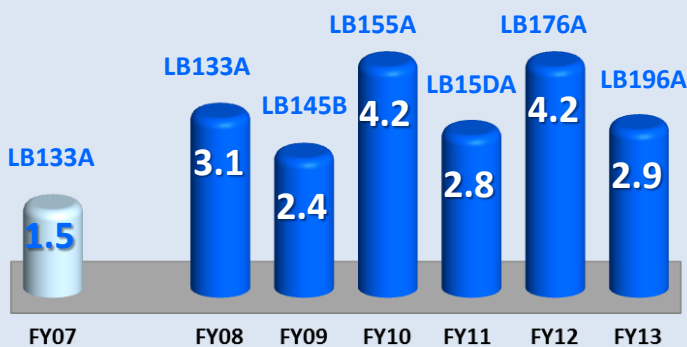
Top 10 GOVT Bond Series – Accounted for 90% of all GOVT Bond trading in Secondary Trading Volume

Unit: % Share of Market Trading Volume



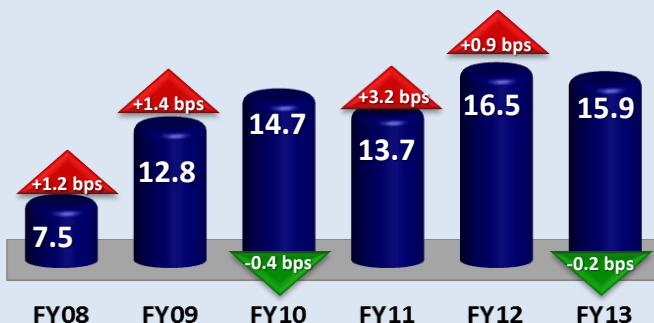
5-yr Benchmark Bond's Higher Turnover Ratio : Even the higher outstanding in site, Turnover Ratio is still more than 2 times

Unit: Times



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

Unit: USD Bil.



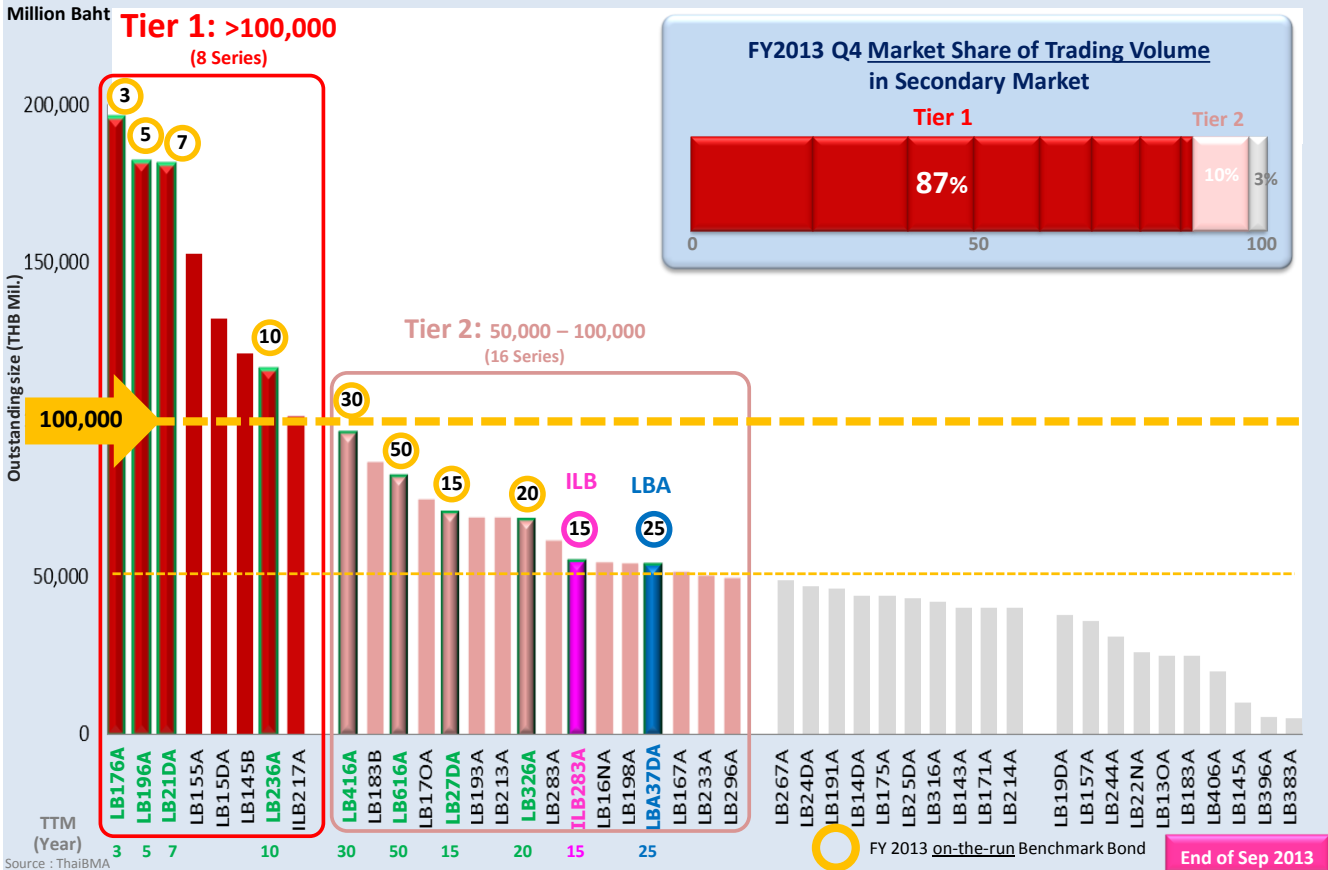


FY2013 Q4 Total GOVT Bond = 44 Series (2,888,XXX THB Mil.)

Tier 1 > 100,000 THB Mil. in Size (87% of Trading Volume)

Tier 2 > 50,000 THB Mil. in Size (10% of Trading Volume)

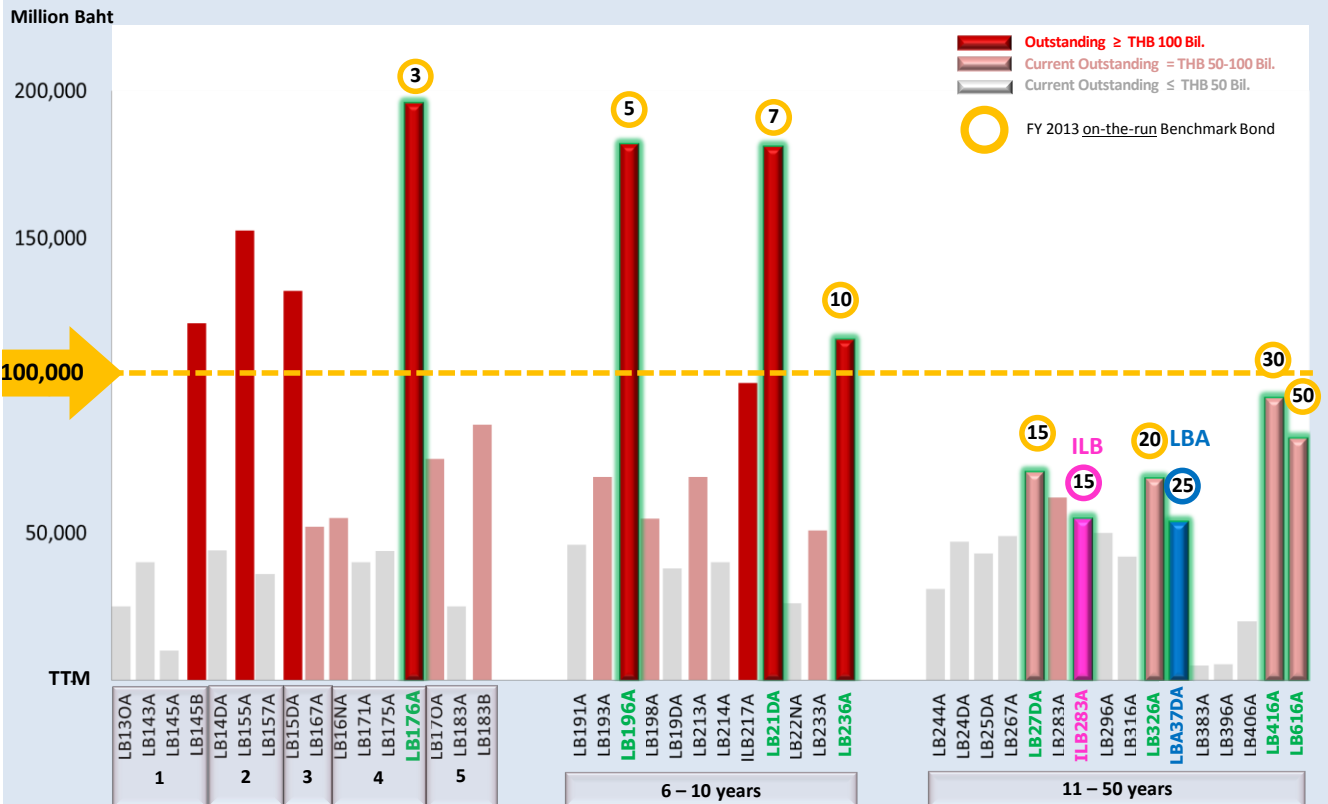
Public Debt Management Office, Ministry of Finance, Kingdom of Thailand



Profile of GOVT Bond (as of Q4/FY 2013)

The outstanding size of loan bond maturing in the next 5 years is 1,134,019 million baht. (39.3% of Total GOVT Bond)

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





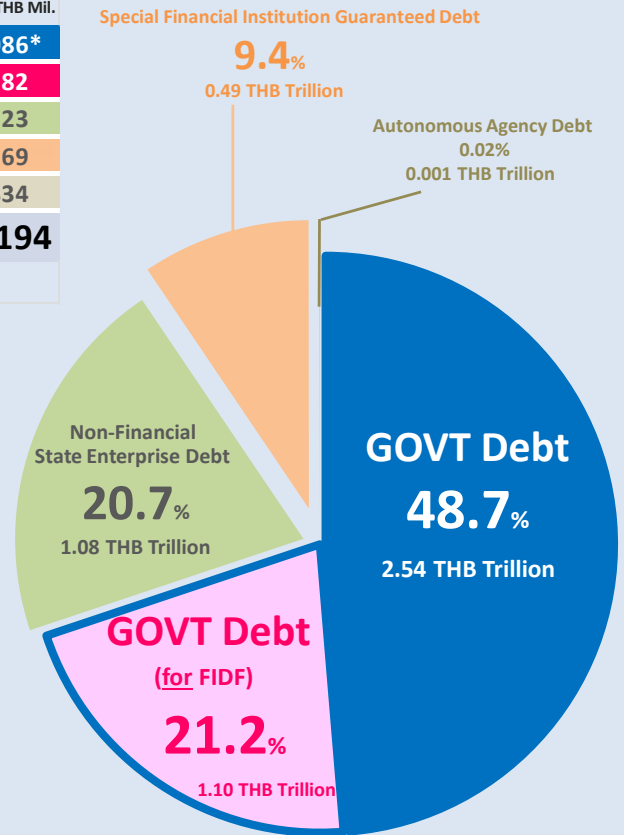
Public Debt Outstanding (as of July 2013) = 5.2 THB Trillion (44.11% of GDP)

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

Components of Public Debt

	Units : THB Mil.
1. Government Debt (excluded FIDF)	2,537,086*
2. Government Debt (for FIDF)	1,103,982
3. Non-Financial State Enterprise Debt	1,077,723
4. Special Financial Institutions Guaranteed Debt	491,569
5. Autonomous Agency Debt	834
Public Debt Outstanding (as of July 2013)	5,211,194

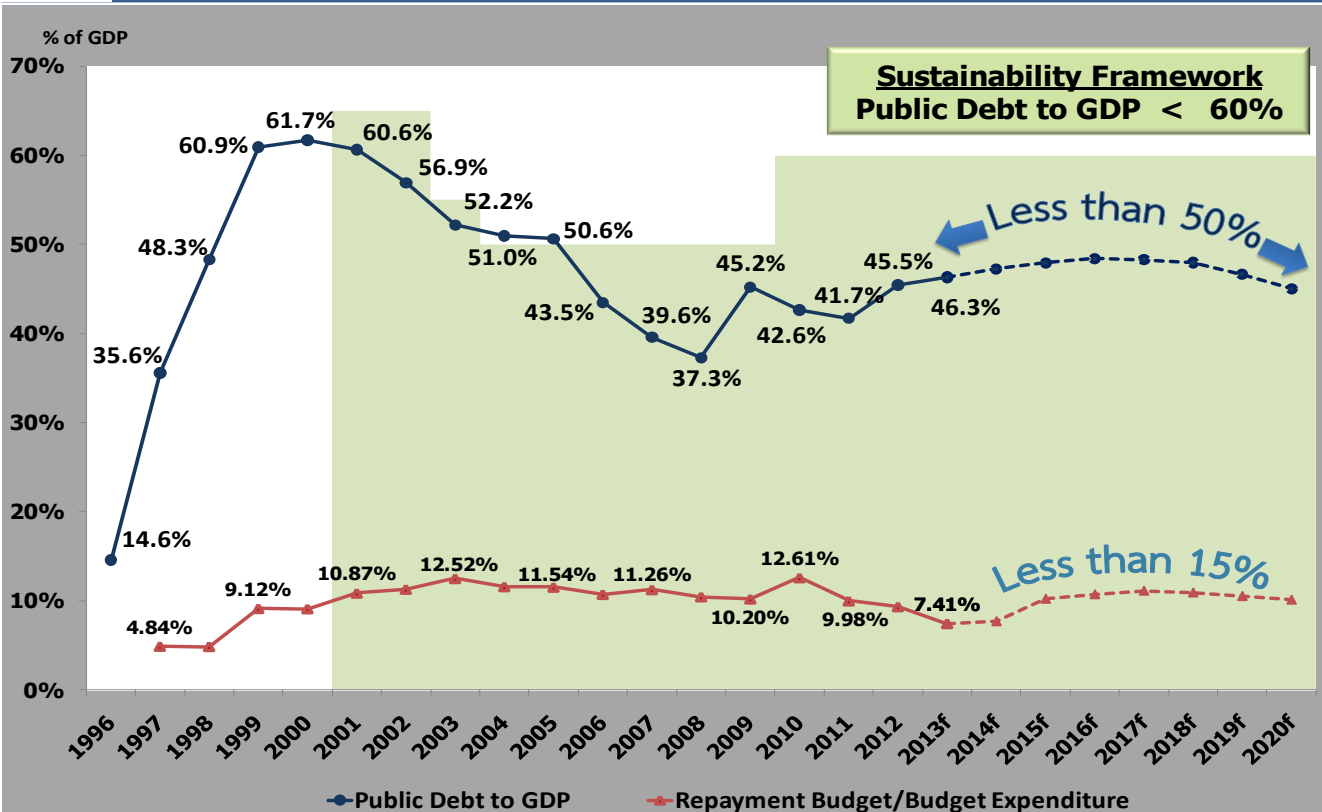
*Including 71,267 THB Mil. of External Debt



Source: Information Technology Center, PDMO



Forecast Public Debt to GDP



Source: Policy and Planning Bureau, as of 12 July 2013, Public Debt Management Office, Ministry of Finance



Total GOVT Debt = 3.57* THB Trillion
(68% of Public Debt)

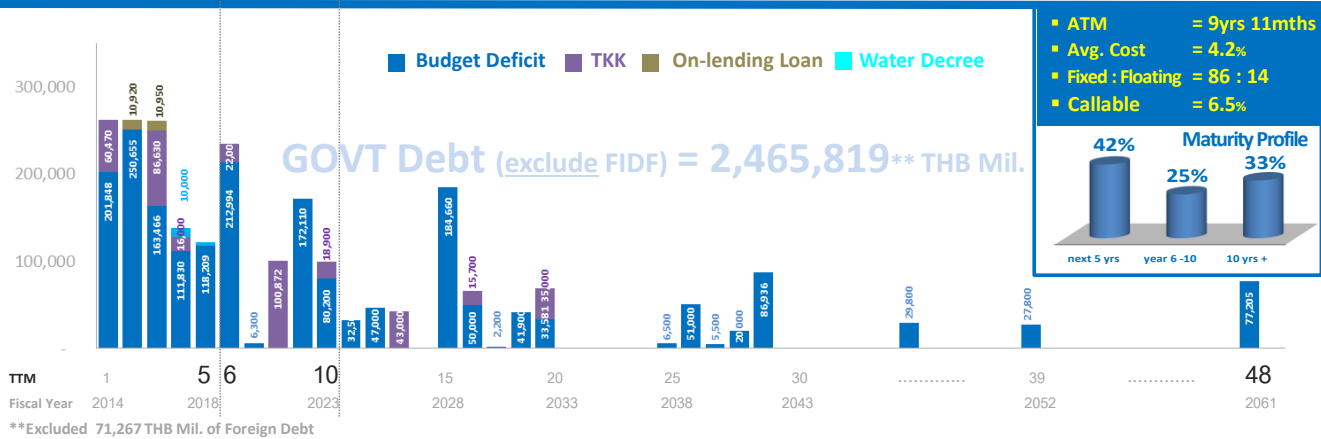
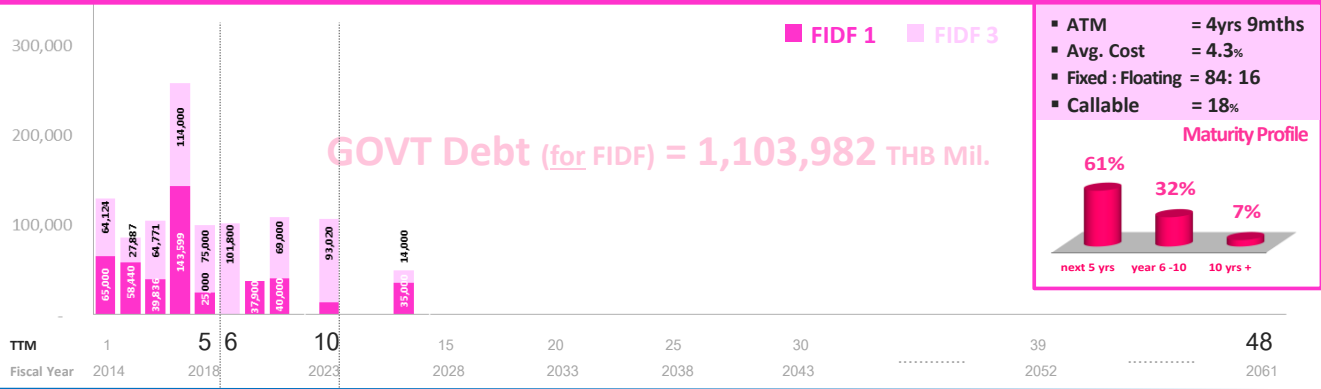
* Excluded 71,267 THB Mil. of Foreign Debt

- Average-Time-to-Maturity (ATM) = 8yrs 4mths
- Average Cost = 4.26%
- Fixed : Floating = 85 : 15

As of July 2013

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

Assumptions : 6 months BIBOR = 2.67%, 6 months Fixed Deposit Rate = 1.99%, Inflation = 2.60%



**Excluded 71,267 THB Mil. of Foreign Debt



Well-Developed Bond Market Improved
GOV'T Direct Debt Profile Dramatically

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

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

Note : Government Direct Debt = 2.47 THB Million

As of Dec 2007

As of July 2013

Average-Time-to-Maturity
LENGTHENED by 5 yrs

ATM
5yrs 3mths

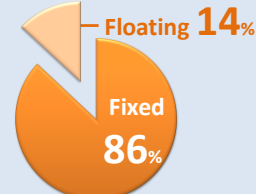
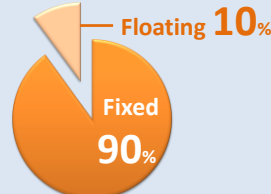
ATM
9yrs 11mths

Avg. Cost **LOWERED** by 30 bps.
(While ATM Lengthened by 5 yrs)

Avg. cost
4.5%

Avg. cost
4.2%

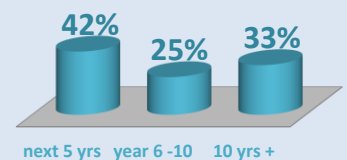
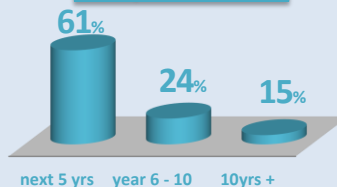
Well-Balanced Fixed/Floating Ratio
(Target : Fixed/Float ratio = 80 : 20)



Well-Distributed Maturity Profile
(Maturing Debt in the next 5 yrs is less than 50% of Total Debt)

Maturity Profile as of Dec 2009

Maturity Profile as of July 2013



NR Holding

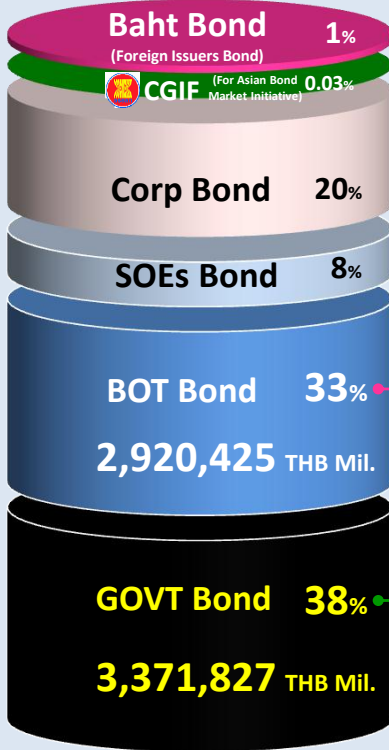
(% share of Bond Market)

Non-resident Holding in THB Bond = 770,967 THB Million

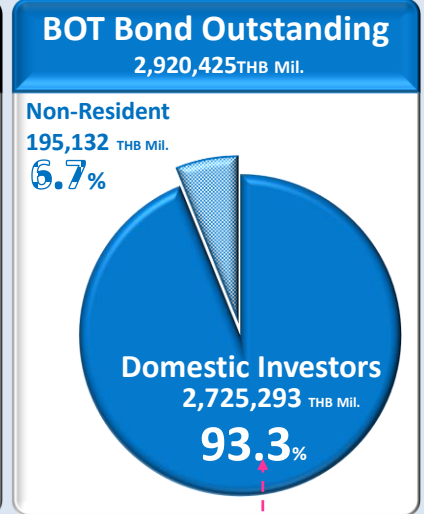
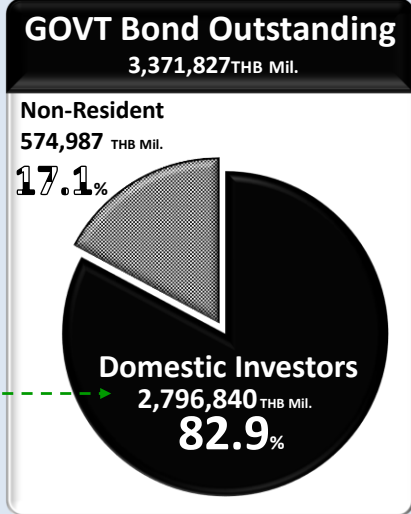
(8.65% of Thai Bond Market Capitalization of 8,919,666 THB Million)

End of Sep 2013

Thai Bond Market Cap. = 8,919,666 THB Million
(Classified by Issuer at 30th September 2013)



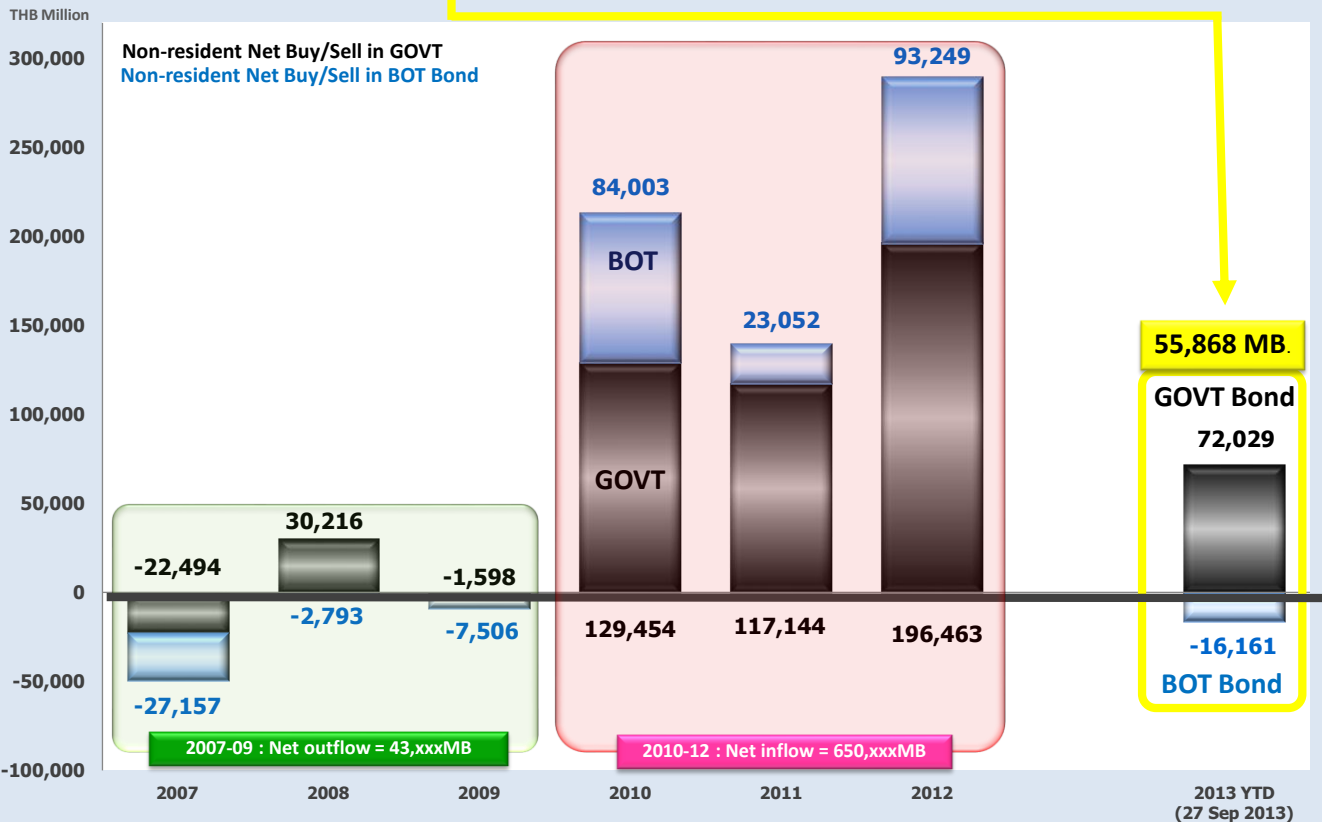
Issuer	Non-Resident Holding (THB Million)	% Share of Thai Bond Market Cap. (8,919,666 THB Million)
GOVT Bond	574,987	6.45%
BOT Bond	195,132	2.19%
SOE Bond	0	0.00%
Corp Bond	848	0.01%



Net Change in Non-Resident Holding

MOF: Net Buy 72,029 MB (Sell -77,733 MB Buy 149,762 MB)

BOT: Net Sell 16,161 MB (Sell -220,261 MB Buy 204,100 MB)



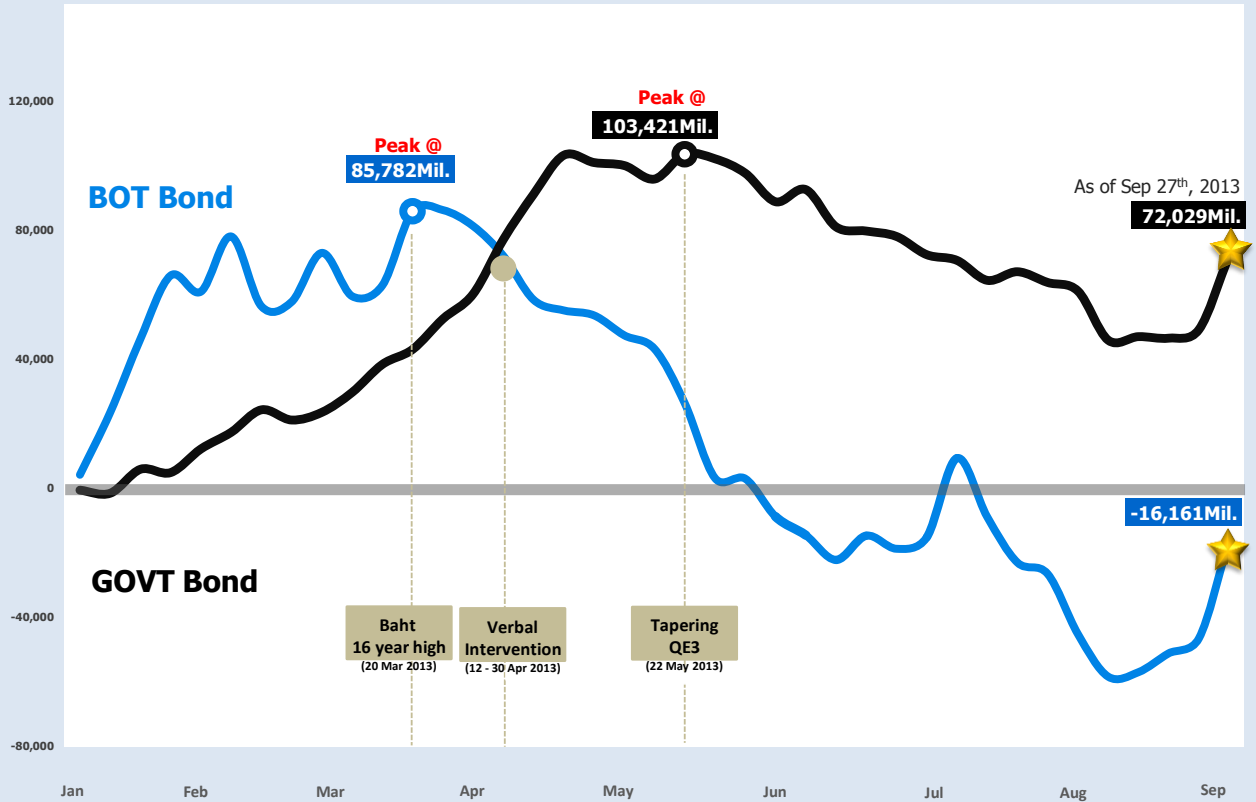
Weekly

(The past 39 weeks)

Net Change in Non-resident Holding

BOT Bond vs GOVT Bond

End of Sep 2013



Weekly

(The past 39 weeks)

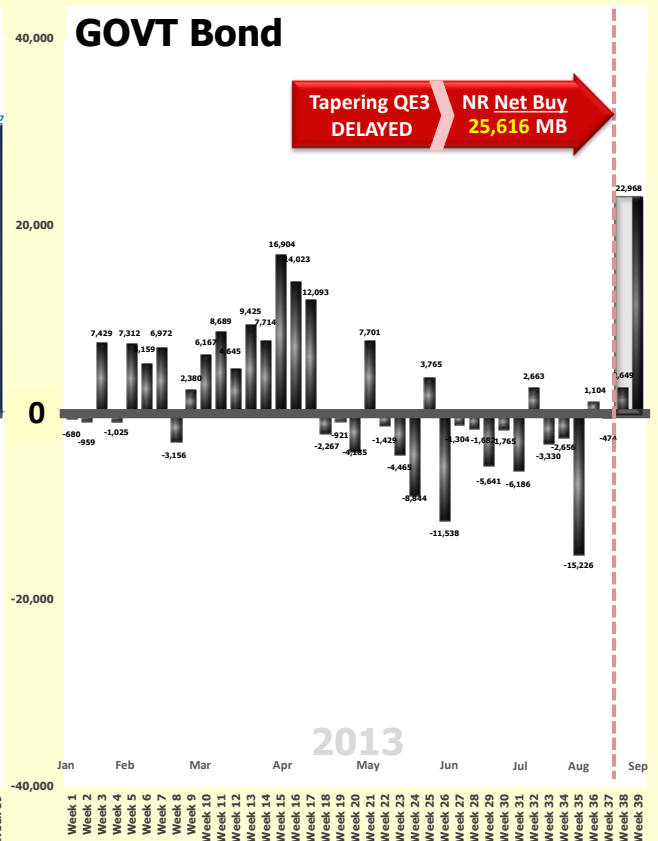
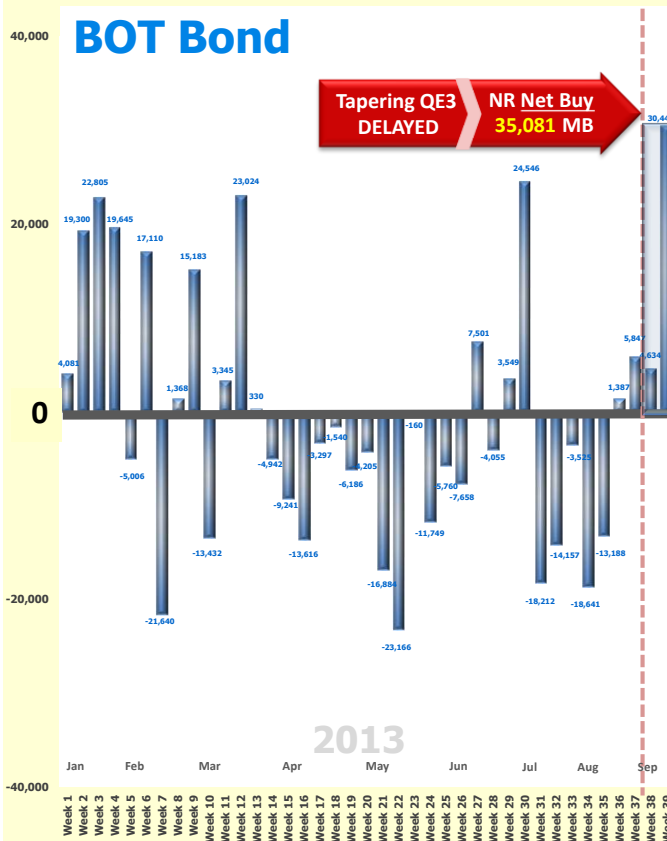
Since Tapering QE3 Delayed

NR Net Buy 60,697 MB

BOT = 35,081 MB

GOVT = 25,616 MB

End of Sep 2013



Peers Comparison

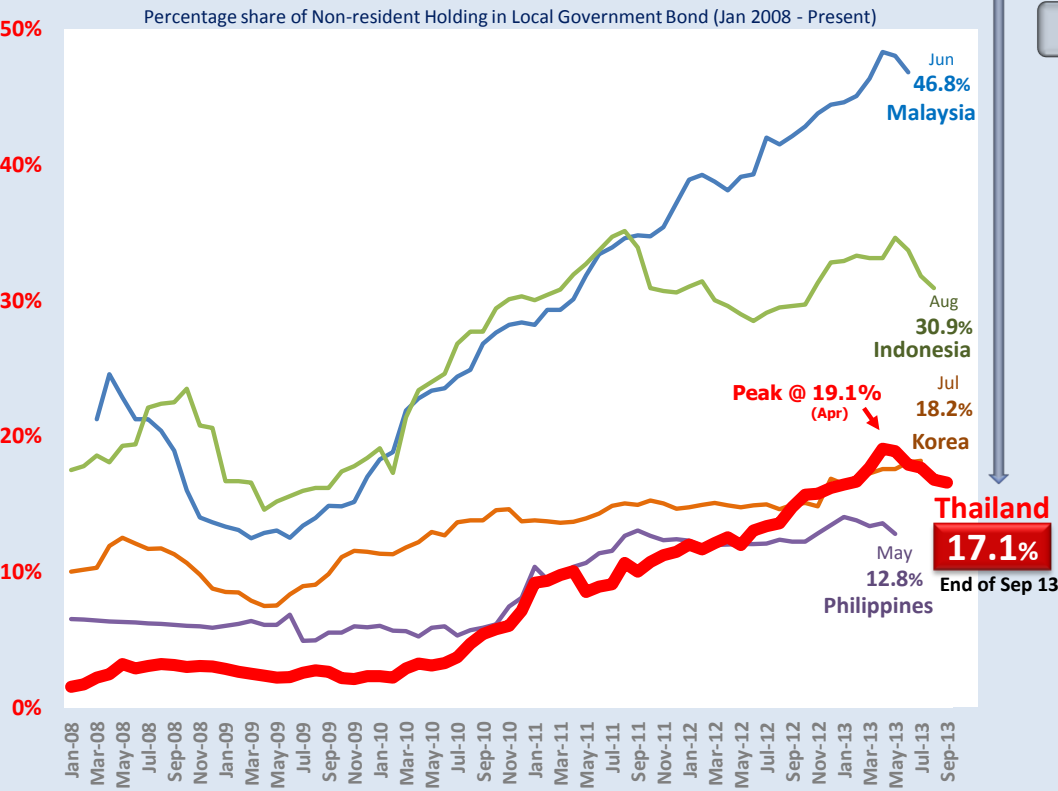
NR Holding in Thai GOVT Bond

is **574,987 THB Million**

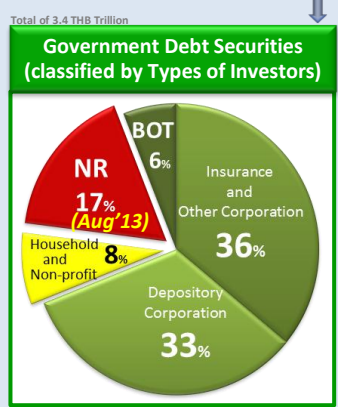
End of Sep 2013

or **17.1%** of Total GOVT Bond Outstanding

Relatively "moderate" share of NR holding by region average



"Diversified" Investor Base



Source : PDMO, BOT (End of Aug 2013)

Source : ThaiBMA, Standard Chartered Research (Thailand : risk of capital flow measures 25th April 2013) modified with author's permission



PDDF

BENCHMARK BOND

FISCAL DISCIPLINE

INFLATION-LINKED BOND



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

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**เป็นมืออาชีพในการบริหารหนี้สาธารณะ
เพื่อการพัฒนาประเทศอย่างยั่งยืน**