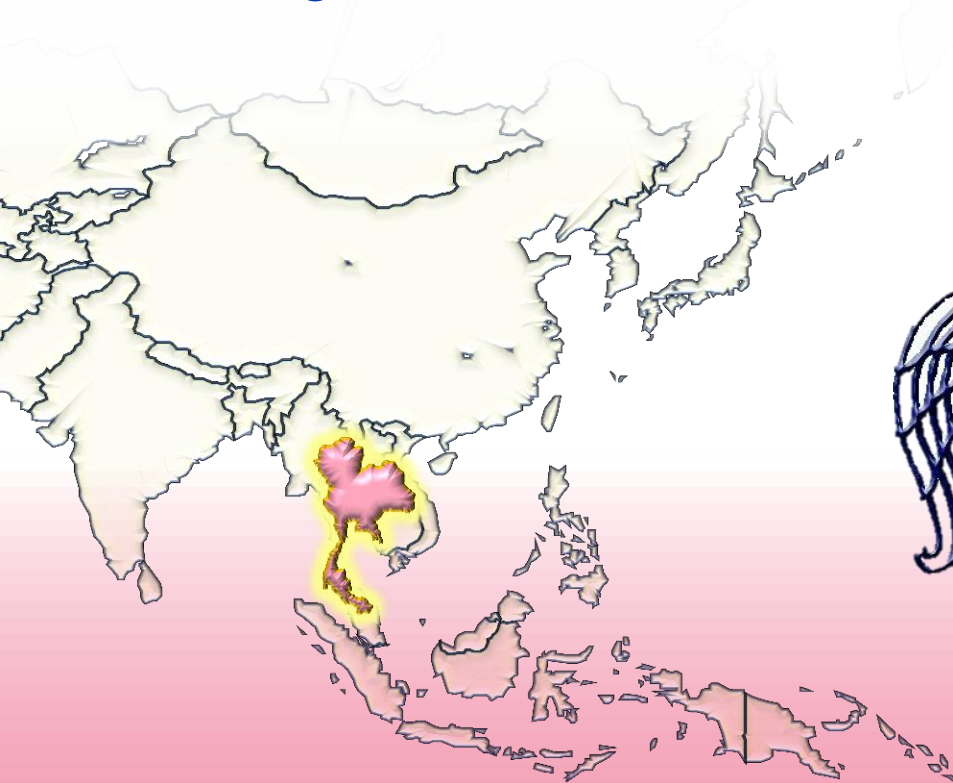


Kingdom of Thailand Bond Market

Financing Thailand's Future & Connecting ASEAN



Q1/FY2014 Highlights

Q & A with Director-General Chularat Suteethorn: Inauguration of "GGLB"
Q2/FY2014 Government Bond Auction & GGLB Book Building Schedule
FY2013 Saving Bond Outstanding & FY2014 Issuance Plan

Looking Forward FY2014

FY2014 Funding Strategy & Benchmark Bond Supply
Revolving 1 month T-Bill Issuance Throughout FY2014
Bond Switching & Consolidation Kick Off
Possible Upgrade of MOF Outright PDs Privilege in FY2015 : Greenshoe Option

Basic & Essentials

- *Bond Market Capitalization and Its Composition*
- *Equilibrium of Domestic Bond Market*
- *Public Debt Outstanding and Its Composition*
- *Towards ASEAN "Preferred Destination"*
- *Non-Resident Holding in Domestic Bond*



Domestic Bond Market Development

A. Q1/FY2014 Highlights

- **Q & A with Director-General Chularat Suteethorn** : Inauguration of GGLB
- Q2/FY2014 Government Bond Auction & GGLB Book Building Schedule
- FY2013 Saving Bond Outstanding & FY2014 Issuance Plan

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

- FY2014 Funding Strategy & Benchmark Bond Supply
- Revolving 1 month T-Bill Issuance Throughout FY2014
- Bond Switching & Bond Consolidation Kick off
- Possible Upgrade of MOF Outright PD Privilege in FY2015 : Greenshoe Option

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C. Basic & Essentials

- **Bond Market Capitalization and Its Composition (As of Dec 2013) = 8,973,736 THB Mil. (75.1% of GDP)**
- **Equilibrium of Domestic Bond Market**
- **Public Debt Outstanding and Its Composition (As of Oct 2013) = 5,377,498 THB Mil. (44.8% of GDP)**
- **Towards ASEAN “Preferred Destination”**
- **Non-Resident Holding in Domestic Bond**
 - NR Holding on THB Bond (As of Dec 2013) → 707,902 THB Mil.
(GOVT Bond : 595,841 THB Mil., BOT Bond : 110,787 THB Mil., Corp Bond : 1,274 THB Mil.)
 - Net Change in NR Holding (Jan - Dec 2013) → -3,768 THB Mil.
(GOVT Bond : Net Buy +96,738 THB Mil., BOT Bond : Net Sell -100,506 THB Mil.)

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A. Q1/FY2014 Highlights

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

- ***Q & A with Director-General Chularat Suteethorn*** : Inauguration of GGLB
- Q2/FY2014 Government Bond Auction & GGLB Book Building Schedule
- FY2013 Saving Bond Outstanding & FY2014 Issuance Plan

Inauguration of “GGLB”

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

Q: What is **GGLB**?

Chularat: **GGLB** stands for Government Guaranteed Loan Bond. **GGLB** is a “new” codename for State Owned Enterprises Bonds (SOE Bonds) which both principal and interest payments are “**guaranteed and responsible for**” by the Government. This type of guarantee enhances credit risk of such SOE bond to be similar to Government Bond (Loan Bond : **LB**). **Figure 1** compares different types of government guaranteed SOE bond with **LB**. In other words, **GGLB** is the closest class to **LB**. The only factor standing between **GGLB** and **LB** is the issuer name. While **GGLB** is issued under SOE names, **LB** is issued under the Government name through Ministry of Finance (MOF).



Figure 1 : Difference between SOE Bonds and Government Bond

	Without Guarantee	Types of Guarantees			Government Bonds (LB)
Guarantee of Principal Repayment		✓	✓	✓	✓
Guarantee of Interest Repayment		✓	✓	✓	✓
Responsible for Principal Payment				✓	✓
Responsible for Interest Payment			✓	✓	✓
Issuers	State Owned Enterprise	State Owned Enterprise	State Owned Enterprise	BAAC	Ministry of Finance
Symbols	State Owned Enterprise	State Owned Enterprise	State Owned Enterprise	GGLB	LB

Actually, **GGLB** type of guarantee is NOT new. SOE bond with **GGLB** features are, for example, some of the BAAC Bond (Bank of Agriculture and Agricultural Cooperatives) and some of the SRT Bond (State Railway of Thailand). In the recent years, government has launched schemes such as *Rice Pledging Scheme and Public Service Obligation Scheme* which are aimed to improve standard of living and alleviate poverty. For these type of SOE borrowings under government policy, the government provides basic guarantee and further assumes “the financial obligations” principal and interest payments of SOE borrowing (both in bond and bank loan).

Q: How did the idea behind **GGLB** come about?

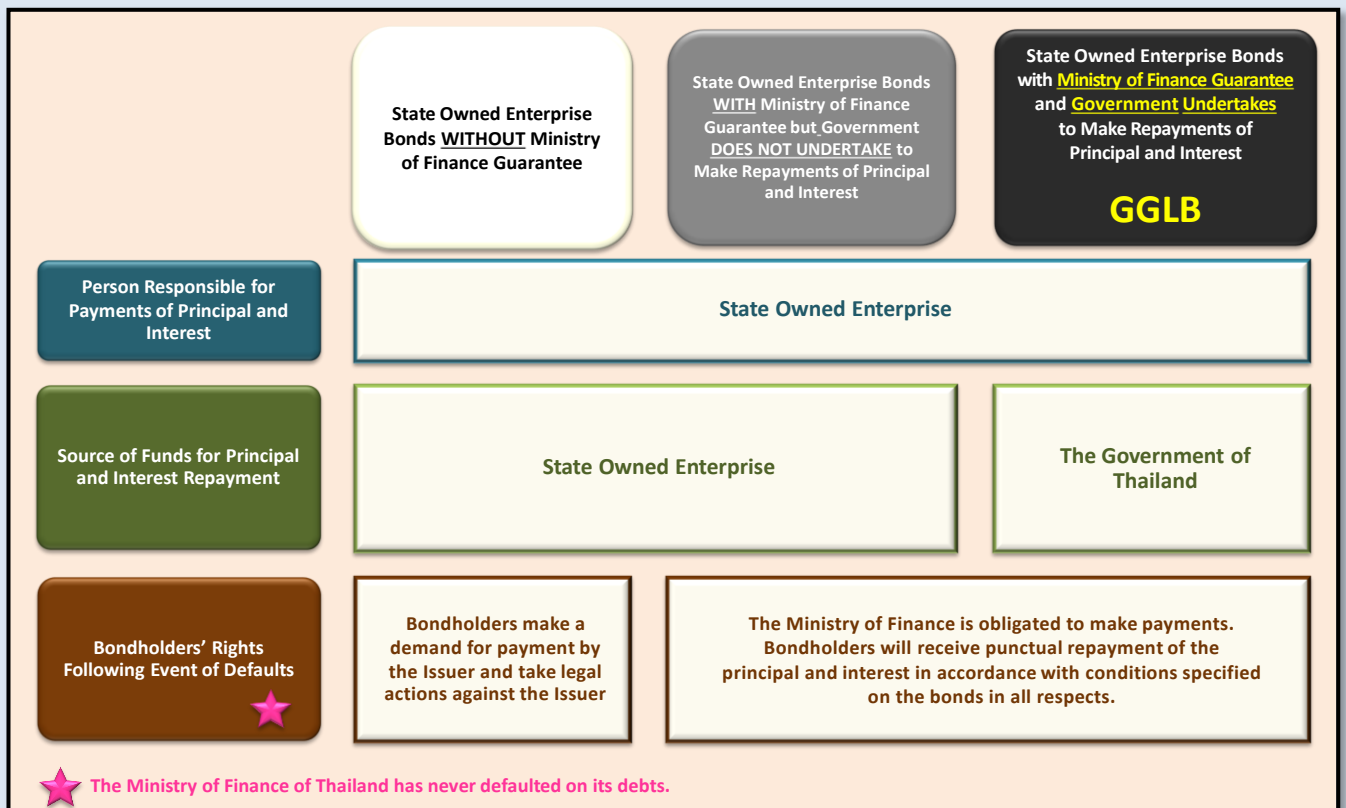
Chularat : The introduction of **GGLB** is a part of government debt portfolio. In the recent years (FY2010-13), PDMO was focusing on innovating new funding instruments such as *Inflation-linked Bond (ILB)*, *Amortized Bond (LBA)*, and *Retail Saving Bond (SBST)*. During FY 2014-15, PDMO will give higher priority to **“portfolio and risk management”** alongside maintaining regular supply of benchmark bond and innovative products to the market. **What’s in pipeline during FY 2014-15 in terms of portfolio and risk management are launching of debt switches; upgrading of PD privileges; and reorganizing of government guaranteed SOE bonds.**

There are currently 12 SOEs that mobilize fund through the domestic bond market. With more than 500 bond series and average outstanding size per series of only 1,300 THB million, there is clearly room to reorganize and consolidate the SOE bonds. In light of this, PDMO is clarifying different types of government guarantee and consolidating SOE bond as shown in **Figure 2**. This information has been communicated with the market.

In the FY 2014, there will be 140,xxx THB million worth of this type of SOE debt maturing, which will require refinancing. **This is an opportune time for PDMO to educate and communicate to investors’ about key features of this type of SOE bonds, particularly the government guarantee and assumed financial obligation feature.** Through the full understanding of these features so called **“GGLB”**, PDMO aims to raise the targeted fund at the most appropriate cost.

As a result, PDMO, together with other market participants including **the Bank of Thailand, MOF outright PDs, and Thai Bond Market Association (ThaiBMA)**, have decided on a new name; **“Government Guaranteed Loan Bond” or “GGLB”**, for such SOE bonds (with government guarantee and assumed financial obligations on both principal and interest payments) to assist with the differentiation.

Figure 2 : Type of SOE Bonds



Q : What is the benefit of **GGLB** and why BAAC bond was chosen as a pilot project?

Chularat : The newly launched **GGLB16NA** amounted 37,000 THB million in November 2013 is bond issued by BAAC. The proceeds were used to refinance short-term bank loan and maturing BAAC bond.

The key features of the “**GGLB**” PDMO would like to highlight and re-emphasise are that the principal and interest payments of **GGLB** is paid for by the government. **In addition, the government will closely monitor and supervise the “GGLB” issuance process, including issuance roadmap, bond interest determination and bidding arrangement.** It is important to note that the cashflow to service the debt obligations including principals and interests are included and allocated from the government’s budget drawn up at the beginning of each fiscal year in which the payments will be falling due. In the highly unlikely event of default, the government, through the MOF, has the duty to immediately step in to assume the payments of such debt. Also, it is important to note that the Thai government has no history of moratorium or even missed payments. **Based on the these features and budgeted cashflows on debt service, the credit risks associated with “GGLB” are identical to those of “LB”.**

Figure 3a shows that at the end of FY 2013 (September 2013), the outstanding of **ALL** BAAC bond was 205,xxx THB million which was accounted for 30% of total SOE bond. Therefore, BAAC bond has the largest share in such market followed by SRT with 13 percentage share. **Figure 3b** shows the number of bond series under different SOEs with average size of only 1,300 THB million per series. Also, with average maturity of about 4 years, SOE bond profile is fragmented and insufficient in size to be a benchmark.

Of the “total” 205,xxx THB million BAAC bond outstanding, **87% or 180,xxx THB million falls under GGLB.** PDMO sees the refinancing of BAAC bond as an opportunity to build “**benchmark**” for SOE bond. In light of this, PDMO is hoping to see “**narrowing spread**” between SOE bond and government bond in the near future.

Figure 3 : SOE Bond Classified by Issuer (Including Non-Guaranteed)

Figure 3a: SOE Bonds Classified by Issuer and Outstanding Size (MB)

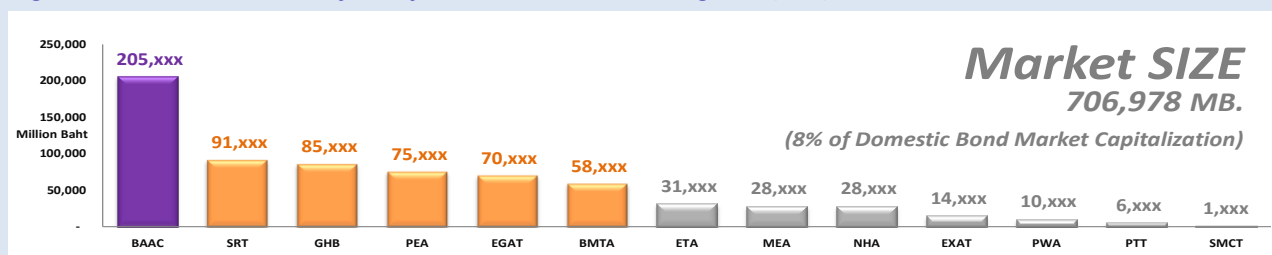
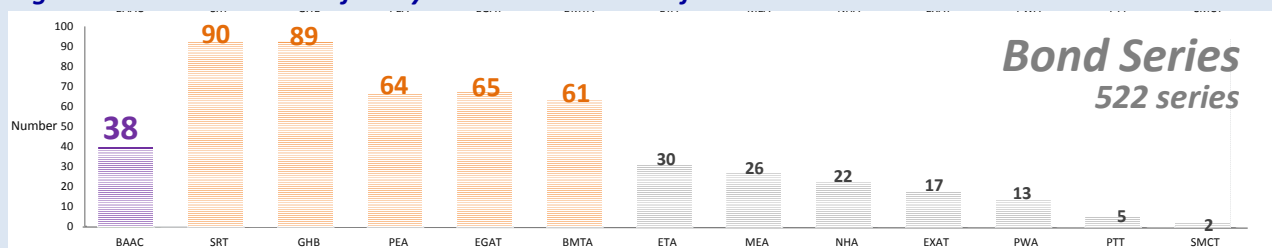


Figure 3b: SOE Bonds Classified by Issuer and Number of Bond Series



Q: How will “GGLB” be developed in the future?

Chularat : PDMO intends to develop “GGLB” to be as widely accepted as “LBs” and, therefore, “GGLB” issuances have been included in the Thai government bond auction schedule (please refer to page 8 for GGLB16NA schedule). Moreover, PDMO is committed to reopen the existing series of GGLB to increase the amount in circulation and enhance the liquidity of each series in the secondary market. The first “GGLB” to be reopened will be “GGLB16NA” which is scheduled in Q2/FY2014.

Figure 4 : Terms and Conditions of GGLB16NA

Summary of Terms and Conditions for the Bonds of Bank for Agriculture and Agricultural Cooperatives B.E. 2557 No. 7	
Issuer	Bank for Agriculture and Agricultural Cooperatives
Type of Bonds	Name-registered bonds. The principal and interest of the Bonds are guaranteed by the Ministry of Finance, and the Government of Thailand undertakes to make repayments of the principal and interest throughout the tenor of the Bonds.
Currency	Baht
Tenor	3 years
Total Amount	Thai Baht 37,000,000,000
Bookbuilding Date	25 November 2013
Subscription Date	27 – 28 November 2013
Issue Date	29 November 2013
Redemption Date	29 November 2016
ThaiBMA Symbol	GGLB16NA
Early Redemption	None
Eligible Subscribers in Primary Market	Institutional Investors (II) and/or High Net-Worth Investors (HNW)
Guarantee	The Ministry of Finance of Thailand, with approvals of the Cabinet, guarantees the repayment of the principal and interest of the Bonds. The holders of the Bonds will receive the principal and interest on dates and conditions specified under the Bonds in all respects.
Person responsible for payments of the Principal and Interest	The Government of Thailand undertakes to make repayments of the principal and interest.
Selling Agent	Bangkok Bank Public Company Limited Krung Thai Bank Public Company Limited KASIKORNBANK Public Company Limited CIMB Thai Bank Public Company Limited Deutsche Bank AG, Bangkok Branch The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch Standard Chartered Bank (Thai) Public Company Limited

In addition, PDMO considers as its mission to ensure the success of “GGLB”, and in accordance with its three commitments to the investors, which are:

- (i) to create ample liquidity for “GGLB”,
- (ii) to make “GGLB” the reference benchmark for SOEs borrowing and;
- (iii) to develop an electronic bidding platform for “GGLB”.



In order to achieve these commitments, PDMO is re-opening GGLB16NA in January and March 2014 with the total amount of 38,000 THB million through syndication method. Thus, by the end of Q2/FY2014, the outstanding size of GGLB16NA will reach 75,000 THB million. Also, PDMO will have to coordinate with the following administrations to ensure the success of GGLB development.

The Bank of Thailand (BOT): Since the 3-year “GGLB” has the same tenor as BOT bonds, PDMO and BOT have agreed to ensure no competing issuances at any one time. Furthermore, BOT, as registrar for “GGLB” will be in discussion with PDMO on developing GGLB’s electronic bidding platform for primary market.

MOF Outright PD: PDMO will co-operate with PDs to encourage investors participating in *primary market* and to enhance liquidity in the *secondary market*. PDs will assist in investor communication especially on features of “**GGLB**”, and will also be market makers for “**GGLB**” to build and create liquidity.

ThaiBMA: ThaiBMA will rename 21 outstanding series of BAAC bonds that fall under GGLB within the first quarter of 2014. ThaiBMA plans to develop **GGLB Spread Matrix** which will set a benchmark for other SOE borrowings. PDMO believes that once the “**GGLB**” has **sufficient liquidity** and activity in the secondary markets, **GGLB Spread Matrix** will serve as an effective and efficient **reference benchmark**.

Figure 5 : GGLB Feature as shown on ThaiBMA website

The image displays two screenshots of the ThaiBMA website's bond information page. The left screenshot shows the details for bond BAAC238B, issued by the Bank for Agriculture and Agricultural Cooperatives (BAAC) on August 30, 2013. It features a coupon of 4.490000% and a maturity date of August 30, 2023. The right screenshot shows the details for bond GGLB16NA, issued by the same bank on November 29, 2013. It features a coupon of 3.530000% and a maturity date of November 29, 2016. A red arrow points to the 'Remark' section on the GGLB16NA page, which states: "The government of Thailand undertakes to make repayments of the interest and principal." Large 3D letters "BAAC" and "GGLB" are overlaid on the screenshots.

Q: Does PDMO have any plan to change the symbols of other SOE bonds to “**GGLB**”?

Chularat : Currently, there are two SOE issuers that fall under “**GGLB**” which are;

- **BAAC** where there are 21 series outstanding aggregating in total of 180,xxx THB million; and
- **SRT** where there are 2 series outstanding with total of 2,000 THB million

In order to avoid market confusion, PDMO has identified and coordinated with ThaiBMA to rename the 21 BAAC bond series which falls under **GGLB** into **GGLB** codename. The completion of changing codename is expected by March 2014. However, codename of 2 SRT bonds which falls into **GGLB** which are **SRT154A and SRT155A** with outstanding of 1,000 THB million each will remain unchanged as the total size is insignificant and they will be matured within a year of changing codename.

In fact, changing codename of issued bond is **NOT** new. PDMO, in 2012, has changed LB and SB into ILB, LBA, LBF and SBST to reflect bond features accordingly.



PDDF

BENCHMARK BOND

FISCAL DISCIPLINE

INFLATION-LINKED BOND

Exclusivity
MOF Outright PD Only

Inflation-Linked Bond

Amortized Bond

GGLB

Syndication
By Appointed Arrangers

Government Bond Auction Schedule for Q2/FY2014

Auction Date	LB196A 5-yr	LB236A 10-yr	LB283A 15-yr	LB296A 15-yr	LBA37DA 25-yr	LB446A 30-yr	LB616A 50-yr	Total
1-Jan-2014								-
8-Jan-2014				10,000				10,000
15-Jan-2014								-
22-Jan-2014								-
29-Jan-2014		12,000				9,000		21,000
5-Feb-2014			5,000					5,000
12-Feb-2014				10,000				10,000
19-Feb-2014	20,000						9,000	29,000
26-Feb-2014					13,000			13,000
5-Mar-2014								-
12-Mar-2014								-
19-Mar-2014		16,000						16,000
26-Mar-2014						9,000		9,000
Total	20,000	28,000	5,000	20,000	13,000	18,000	9,000	113,000
Coupon	3.875%	3.625%	1.25%	4.875%	4.26%	4.675%	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 = พันธบัตรรัฐบาลเพื่อการบริหารหนี้ในปีงบประมาณ พ.ศ. 2557 ครั้งที่ 2 (Re-open พันธบัตรรัฐบาลในปีงบประมาณ พ.ศ. 2552 ครั้งที่ 13)

2. LB236A = พันธบัตรรัฐบาลเพื่อการปรับโครงสร้างหนี้ในปีงบประมาณ พ.ศ. 2557 ครั้งที่ 1 และ ครั้งที่ 2

(Re-open พันธบัตรรัฐบาลเพื่อการปรับโครงสร้างหนี้ (พ.ร.ก. ช่วยเหลือกองทุนเพื่อการฟื้นฟูฯ ระยะที่ 1 และ ระยะที่ 2))

3. LB283A = พันธบัตรรัฐบาลประเภทตราดอกเบี้ยปรับเงินเพื่อเปลี่ยนแปลงของเงินเพื่อในปีงบประมาณ พ.ศ. 2557 ครั้งที่ 2 (Re-open พันธบัตรรัฐบาลประเภทตราดอกเบี้ยปรับเงินตามการเปลี่ยนแปลงของเงินเพื่อในปีงบประมาณ พ.ศ. 2554 ครั้งที่ 1) ตามการเปลี่ยนแปลงของเงินเพื่อ ในปีงบประมาณ พ.ศ. 2556 ครั้งที่ 2)

4. LB296A = พันธบัตรรัฐบาล ในปีงบประมาณ พ.ศ. 2557 ครั้งที่ 5 (Re-open พันธบัตรรัฐบาลในปีงบประมาณ พ.ศ. 2553 ครั้งที่ 2)

5. LBA37DA = พันธบัตรรัฐบาลประเภททยอยชำระคืนเงินต้น ในปีงบประมาณ พ.ศ. 2557 ครั้งที่ 2 (Re-open พันธบัตรรัฐบาลประเภททยอยชำระคืนเงินต้น ในปีงบประมาณ พ.ศ. 2556)

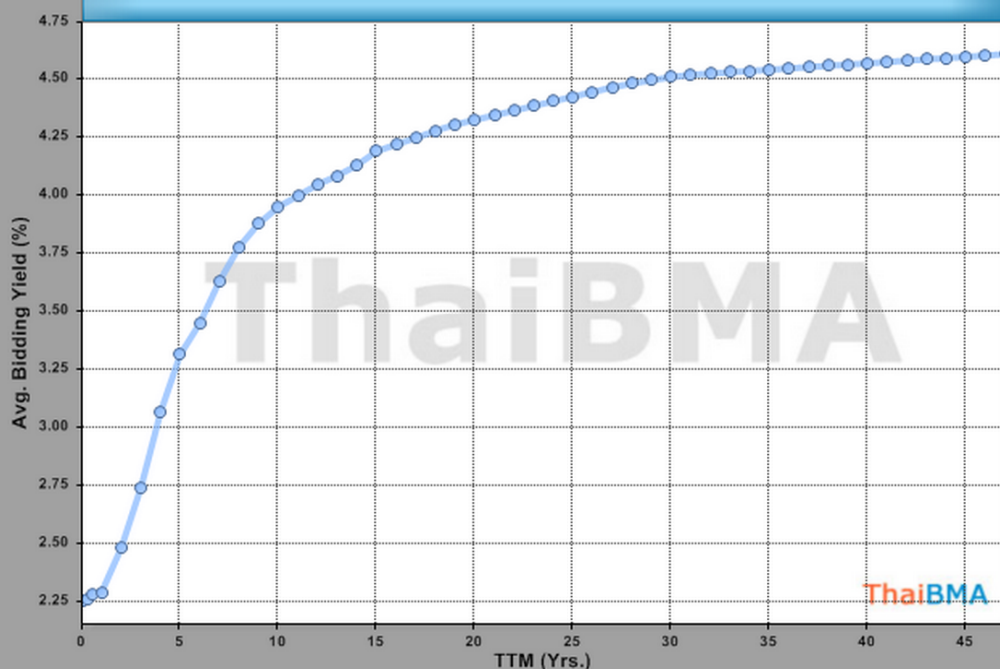
6. LB446A = พันธบัตรรัฐบาล ในปีงบประมาณ พ.ศ. 2557 ครั้งที่ 6 (Re-open พันธบัตรรัฐบาลในปีงบประมาณ พ.ศ. 2557 ครั้งที่ 3)

7. LB616A = พันธบัตรรัฐบาล ในปีงบประมาณ พ.ศ. 2557 ครั้งที่ 7 (Re-open พันธบัตรรัฐบาลในปีงบประมาณ พ.ศ. 2554 ครั้งที่ 9)

* GGLB16NA = Bonds of Bank for Agriculture and Agricultural Cooperatives (BAAC) (Re-open) The principal and interest of the Bonds are guaranteed by the Ministry of Finance, and the Government of Thailand undertakes to make repayments of the principal and interest throughout of the Bonds in all respects.

GGLB

ThaiBMA Government Bond Yield Curve
as of 06 Jan 2014



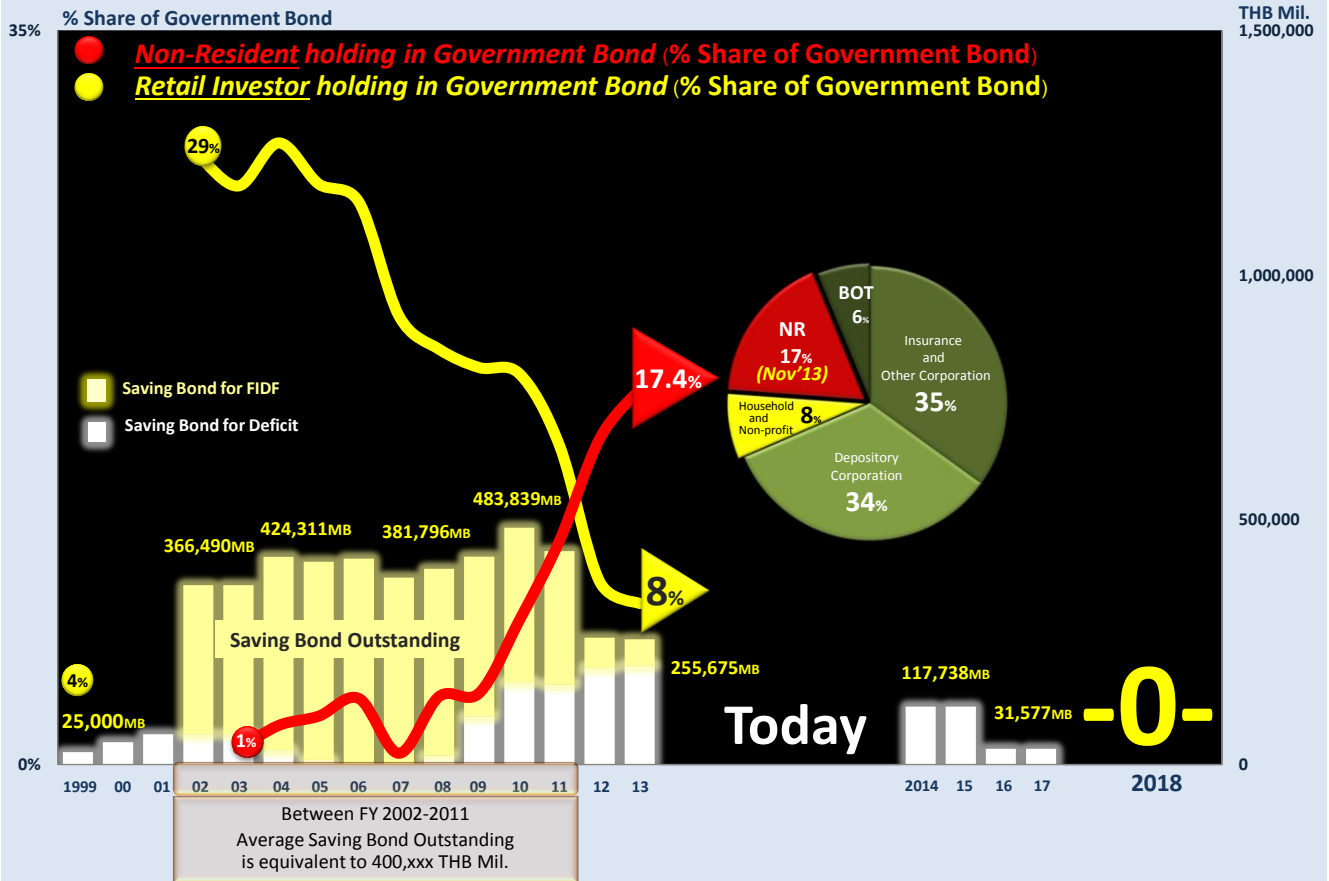
TTM (Yrs.)	Yield (%)
0.08	2.26
0.25	2.27
0.50	2.28
1	2.29
2	2.49
3	2.74
4	3.07
5	3.32
6	3.45
7	3.63
8	3.78
9	3.88
10	3.95
11	4.00
12	4.05
13	4.09
14	4.13
15	4.19
16	4.22
17	4.25
18	4.28
19	4.31
20	4.33
21	4.35
22	4.37
23	4.39
24	4.41
25	4.43
26	4.45
27	4.47
28	4.49
29	4.50
30	4.51
31	4.52
32	4.53
33	4.53
34	4.54
35	4.55
36	4.55
37	4.56
38	4.56
39	4.57
40	4.57
41	4.58
42	4.58
43	4.59
44	4.60
45	4.60
46	4.61
47	4.61

Symbol	Avg. Bidding Yield (%)	Change Yield (bp)	Avg. Bid-Offer Spread (bp)	Maturity	TTM (yrs.)
T-BILL1M	2.256483	-1	4		0.076712
T-BILL3M	2.265302	-2	3		0.249315
T-BILL6M	2.284254	-2	4		0.498630
T-BILL1Y	2.294721	-3	4		1.000000
LB155A	2.358125	-2	4	22/05/2015	1.372603
LB157A	2.371348	-7	3	07/07/2015	1.498630
LB15DA	2.466250	-2	4	11/12/2015	1.928767
LB167A	2.626937	-4	6	27/07/2016	2.556164
LB16NA	2.715000	0	6	18/11/2016	2.868493
LB171A	2.740588	-4	5	18/01/2017	3.035616
LB175A	2.820560	-2	4	26/05/2017	3.386301
LB176A	2.845625	0	4	16/06/2017	3.443836
LB17OA	2.974375	-1	6	10/10/2017	3.761644
LB183A	3.147200	1	7	07/03/2018	4.167123
LB183B	3.143438	-1	6	13/03/2018	4.183562
LB191A	3.325084	1	7	12/01/2019	5.019178
LB193A	3.354219	0	7	08/03/2019	5.169863
LB196A	3.351250	0	3	13/06/2019	5.435616
LB198A	3.344024	-9	3	13/08/2019	5.602740
LB19DA	3.392264	-10	3	03/12/2019	5.909589
LB213A	3.677500	2	7	31/03/2021	7.235616
LB214A	3.673073	-1	7	09/04/2021	7.260274
LB21DA	3.777500	2	3	17/12/2021	7.950685
LB22NA	3.839501	0	2	08/11/2022	8.843836
LB233A	3.867617	0	3	13/03/2023	9.186301
LB236A	3.927500	6	4	16/06/2023	9.446575
LB244A	3.972450	1	5	09/04/2024	10.263010
LB24DA	4.001864	1	7	20/12/2024	10.961640
LB25DA	4.048438	1	7	12/12/2025	11.939730
LB267A	4.019013	-6	7	07/07/2026	12.506850
LB27DA	4.125156	1	6	17/12/2027	13.953420
LB283A	4.169219	1	8	13/03/2028	14.191780
LB296A	4.208750	0	8	22/06/2029	15.468490
LB316A	4.264688	0	8	20/06/2031	17.463010
LB326A	4.298750	0	8	25/06/2032	18.479450
LB383A	4.388025	0	9	13/03/2038	24.197260
LB396A	4.415610	-1	9	13/06/2039	25.449310
LB406A	4.431611	-2	9	22/06/2040	26.476710
LB416A	4.478750	0	8	14/06/2041	27.454790
LB446A	4.520625	1	9	29/06/2044	30.498630
LB616A	4.615000	1	10	17/06/2061	47.476710

FY2014 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.
 - The highlighted rows are synthetic quote statistics.

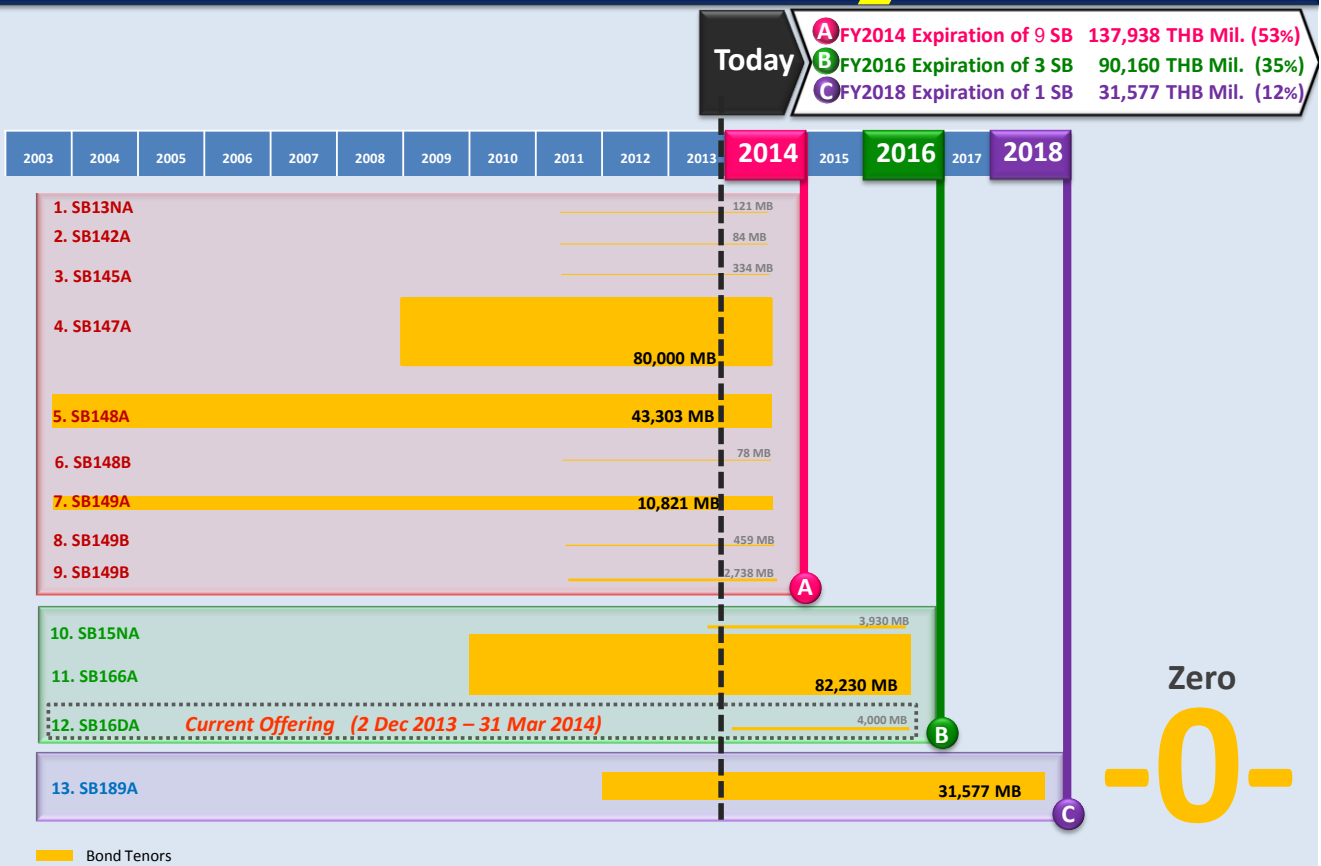
Structure Shift... between Non-Resident and Retail Investor Holding in GOVT BOND



Saving Bond : The Safe Haven for Retail

(Current Outstanding : 259,675 THB Mil. , 13 Series)

The last series will expire in FY 2018



2 tranches of "Promote Saving Behavior" Saving Bond
(Size < 10,000 MB, Tenor = 3 year)

1 tranche of "Fund Raising" Saving Bond
(Size ≥ 10,000 MB, Tenor ≥ 5 year)

: To Facilitate Retail Investment (Whole year selling period)
To Enhance Retail Saver Participation (Cap on maximum amount)

: To Maintain Retail Participation
To Allow High Net Worth Investor (No cap on maximum amount)

	Mon	Tue	Wed	Thru	Fri	Sat	Sun
October		1	2	3	4	5	6
	7	8	9	10	11	12	13
	14	15	16 MPC	17	18	19	20
	21	22	23 Holiday	24	25	26	27
	28	29	30	31			
November					1	2	3
	4	5	6	7	8	9	10
	11	12		14	15	16	17
	18	19	20	21	22 121MB	23	24
	25	26	27 MPC	28	29	30	
December							
		3	4	5 Holiday	6	7	8
	10 Holiday	11	12	13	14	15	
	16	17	18	19	20	21	22
January	23	24	25	26	27	28	29
	30	31					
		31 Holiday	1 Holiday	2	3	4	5
	6	7	8	9	10	11	12
	13	14	15	16	17	18	19
	20	21	22 MPC	23	24	25	26
February	27	28	29	30	31		
					1	2	
	3	4	5	6	7	8	9
	10	11	12	13	14 Holiday 84MB	15	16
	17	18	19	20	21	22	23
March	24	25	26	27	28		
					1	2	
	3	4	5	6	7	8	9
	10	11	12 MPC	13	14	15	16
	17	18	19	20	21	22	23
	24	25	26	27	28	29	30
	31						

	Mon	Tue	Wed	Thru	Fri	Sat	Sun
April		1	2	3	4	5	6 Holiday
	7 Holiday	8	9	10	11	12	13 Holiday
	14	15 Holiday	16	17	18	19	20
	21	22	23 MPC	24	25	26	27
	28	29	30				
May							
					1 Holiday	2	3
June							
July							
August							
September							

Remarks: ○ Saving Bond Maturing Date (<10,000 MB)
 ○★ Saving Bond Maturing Date (≥10,000 MB)

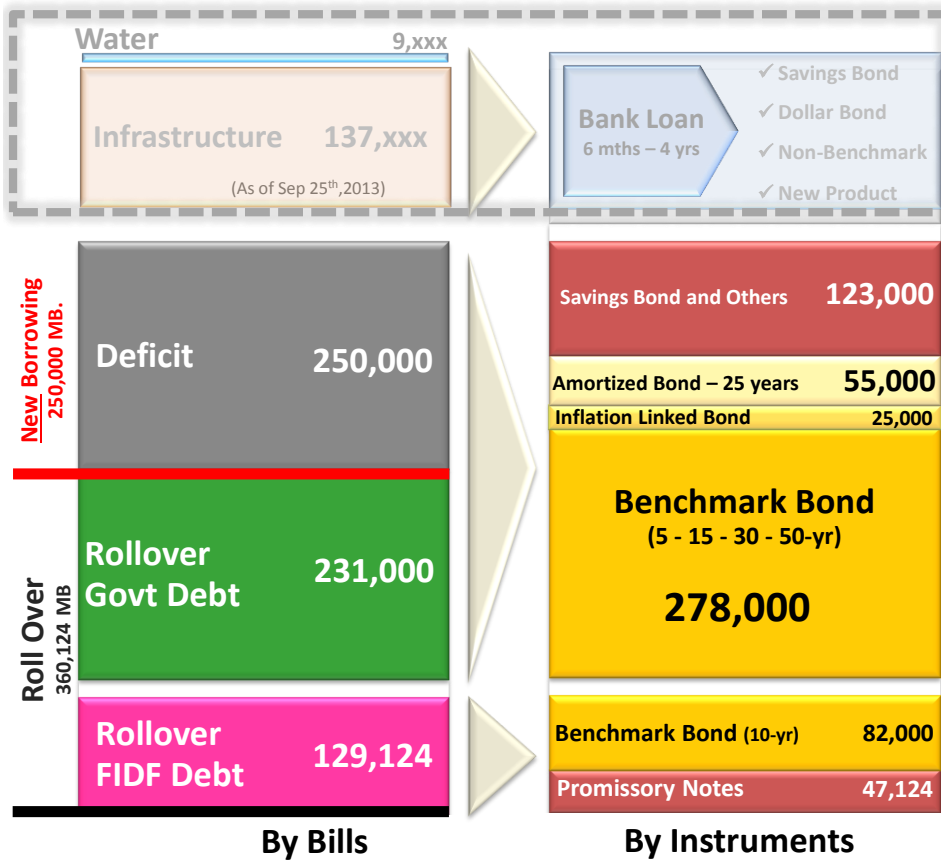
— Selling Period (<10,000 MB)
 — Selling Period (≥10,000 MB)

Note: Saving Bond is restricted for Retail Investors & Non-profit Organizations only.

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

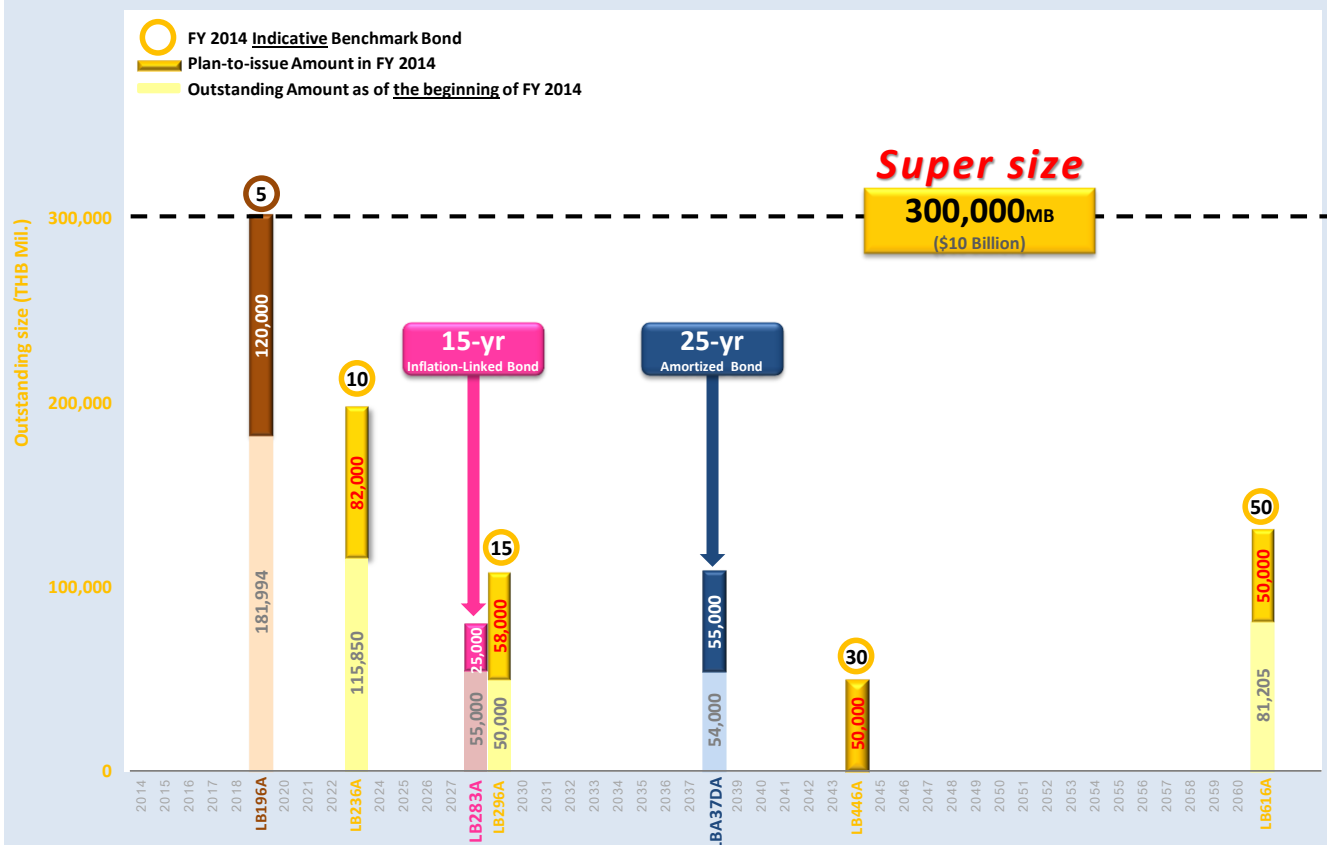
Public Debt Management Office, Ministry of Finance, Kingdom of Thailand

- **FY2014 Funding Strategy & Benchmark Bond Supply**
- **Revolving 1 month T-Bill Issuance Throughout FY2014**
- **Bond Switching & Consolidation Kick Off**
- **Possible Upgrade of MOF Outright PDs Privilege in FY2015 :**
Greenshoe Option



Q: Will the “*pause*” of the Water Decree and Infrastructure Bill affect the Announced Government Bond Supply?

A: **No**, they will not. The Water Decree and Infrastructure Bill were planned to be raised through short-term “*Bank Loan*” which provide more flexibility an cost saving. Then, they will be converted to long-term instrument later.



FY2014 Revolving T-Bill Issuance

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

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

Objective → Facilitate Budget Balance Policy

Policy-Oriented

☑ Revolving T-bill Issuance, amount 100,000 THB Mil. , **over the whole year** To develop short term bond market

Objective → Response to market demand

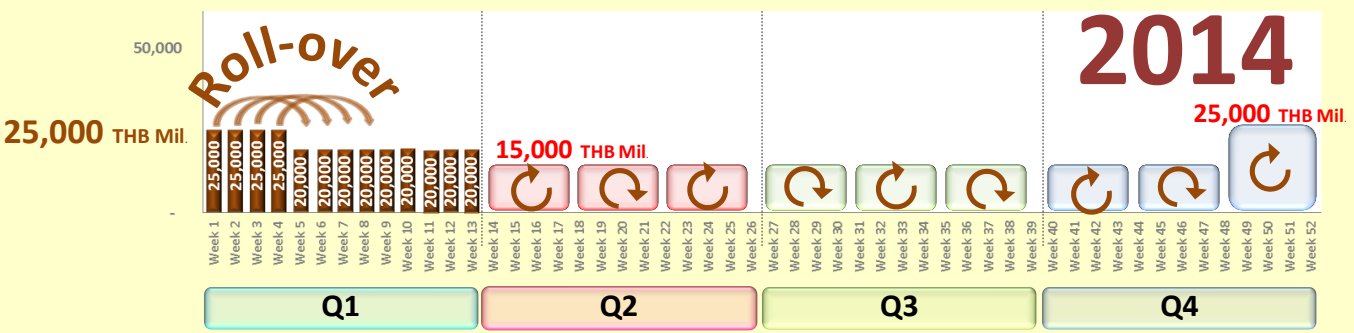
Market-Oriented

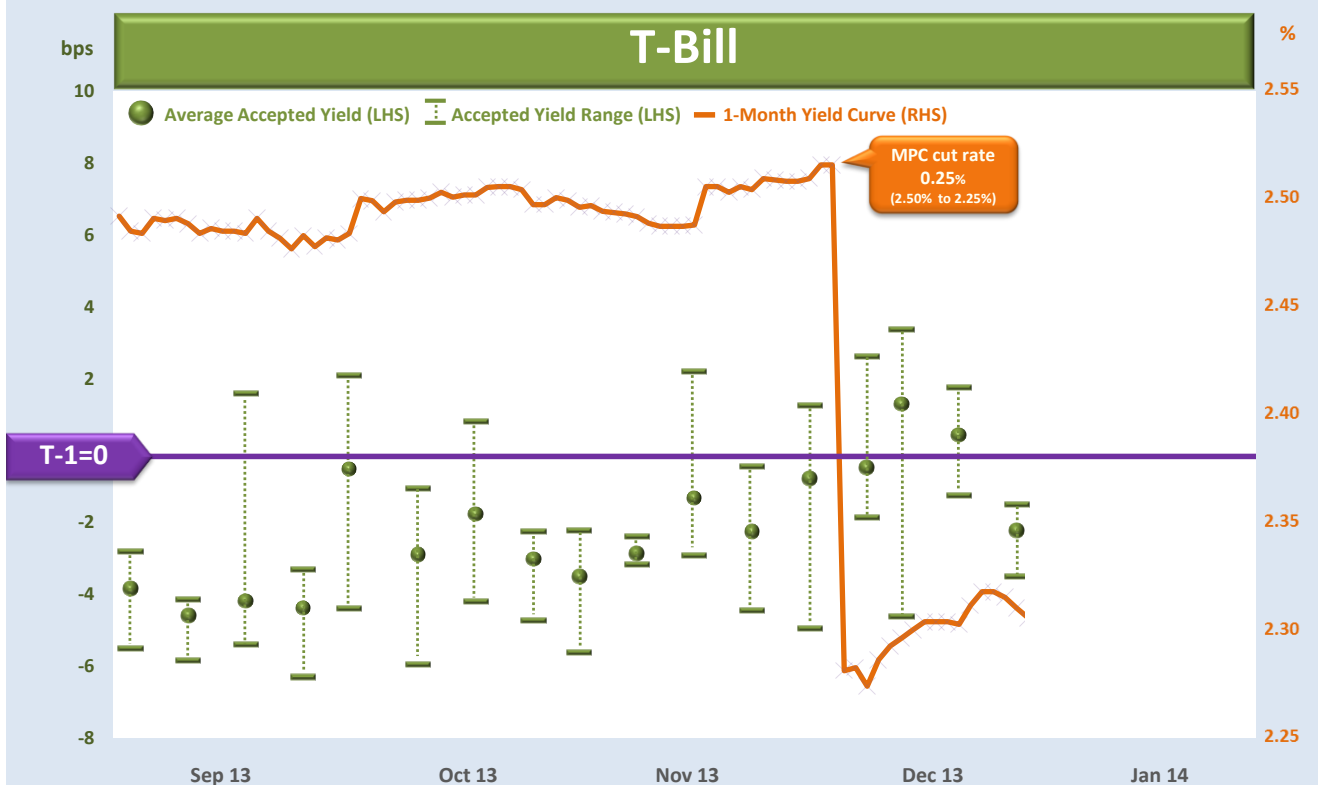
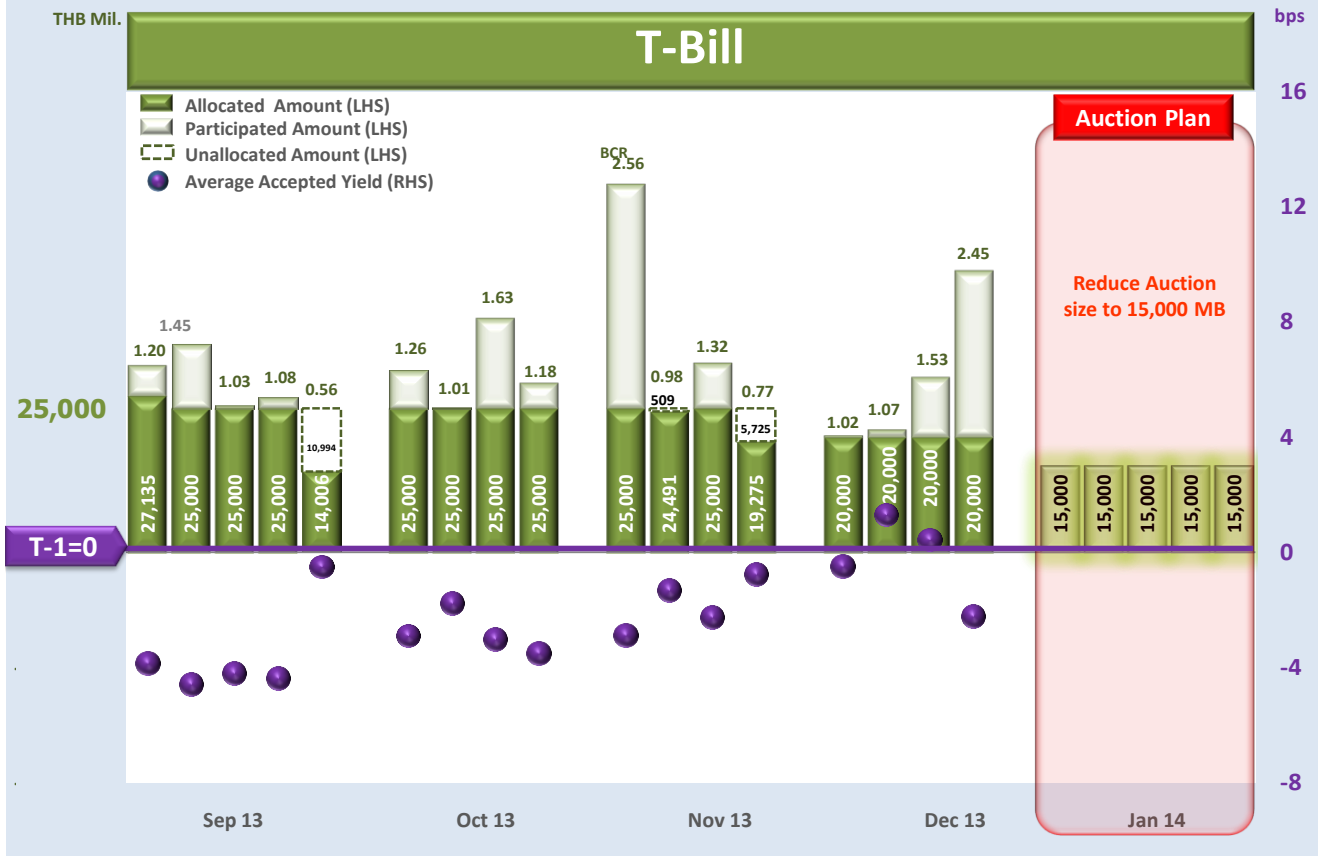
Revolving T-Bill Issuance : **“Regularly – Continuously – Sufficiently”**

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 : **15,000 – 25,000 THB Mil.** (To meet the existing Market Demand)
*Adjust amount to 15,000 MB. since Jan’14







Bond Switching and Bond Consolidation Plan

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

Now

Kick off

FY2014

FY2015

Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug

Announcing the RFP @Q1- PDs Market Dialogue Meeting

- Proposal Submission
- Process of Selection
- Proposal Opening
- Announcement arranger

- Tentative -

The appointed arrangers
• Identifying the obstacle
• Ensuring bond switching and bond consolidation could be carried out.

The appointed arrangers execute Bond Switching and Bond Consolidation transactions.

18 months

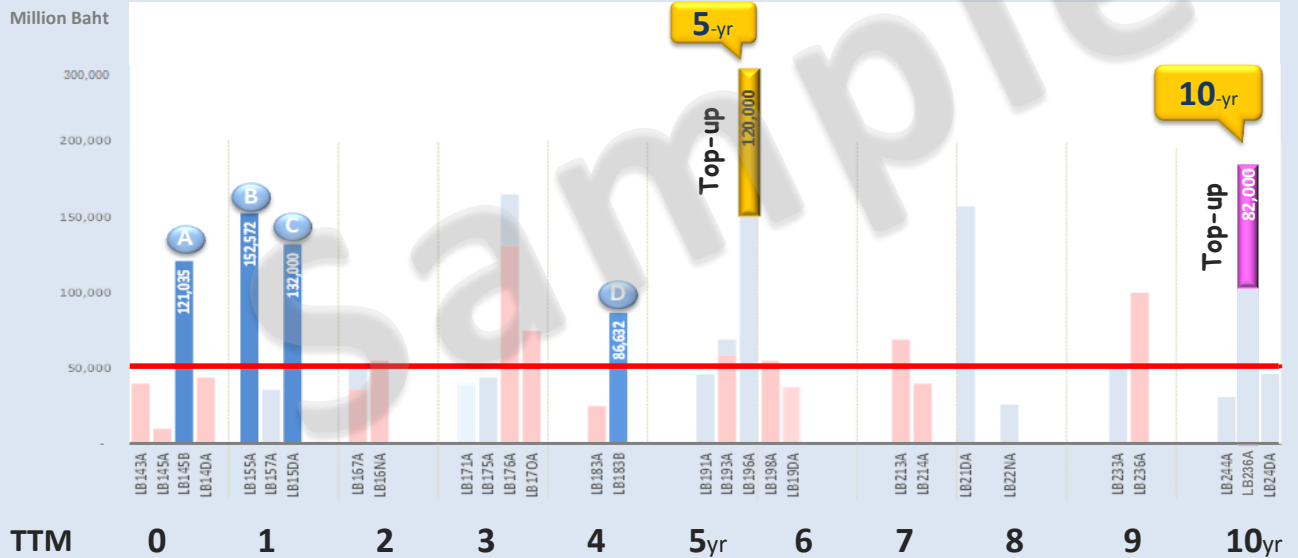
Remarks: RFP has been sent to 13 MOF Outright PDs on Dec 11, 2013 and deadline for submission of proposal(s) is Jan 24, 2014.



Bond Switching

To Reduce Refinancing Risk

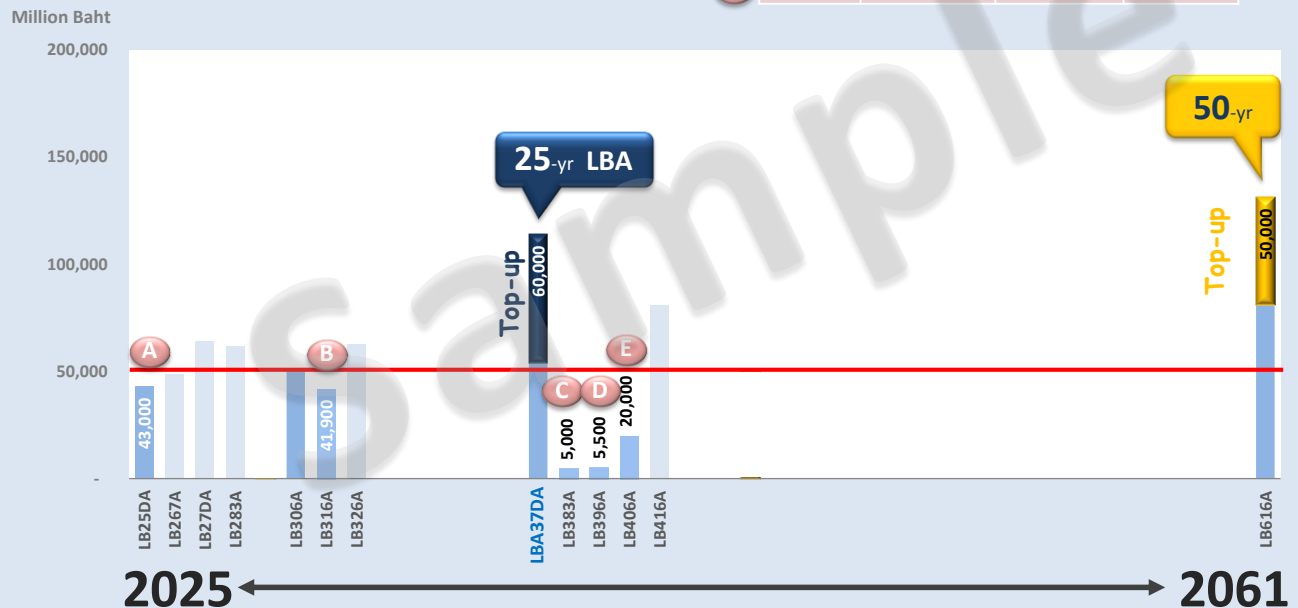
LB	Outstanding (MB.)	Coupon (% per year)	TTM (yr)
A LB145B	121,035	5.25	0.38
B LB155A	152,572	3.625	1.41
C LB15DA	132,000	3.125	1.96
D LB183B	86,632	5.125	4.2



Bond Consolidation

To Enhance Liquidity

LB	Outstanding (MB.)	Coupon (% per year)	TTM (yr)
A LB25DA	43,000	3.85	11.98
B LB316A	41,900	3.65	17.50
C LB383A	5,000	5.50	24.23
D LB396A	5,500	5.00	25.48
E LB406A	20,000	5.00	26.51





Upgrading MOF Outright PD Privilege

- Market Maker's Instrument
- Increasing market participation

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

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

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 of Incentive program from SET
- **Greenshoe Option** 

Monitoring

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



Upgrade MOF Outright PD Privilege

- Maintain → Exclusivity in 5-yr
- Option → Greenshoe Option

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

Current Privilege FY2013-2014

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

“Potential” Privilege to be launched in FY2015

- Exclusivity to participate in 10-yr tenor of Government Benchmark Bond in primary market
- Greenshoe Option ⇒ 5 years
- ⇒ 10 years

Greenshoe Option

Right to buy indicated LB in Additional of 10-20% of the allocated amount

Term and Condition:

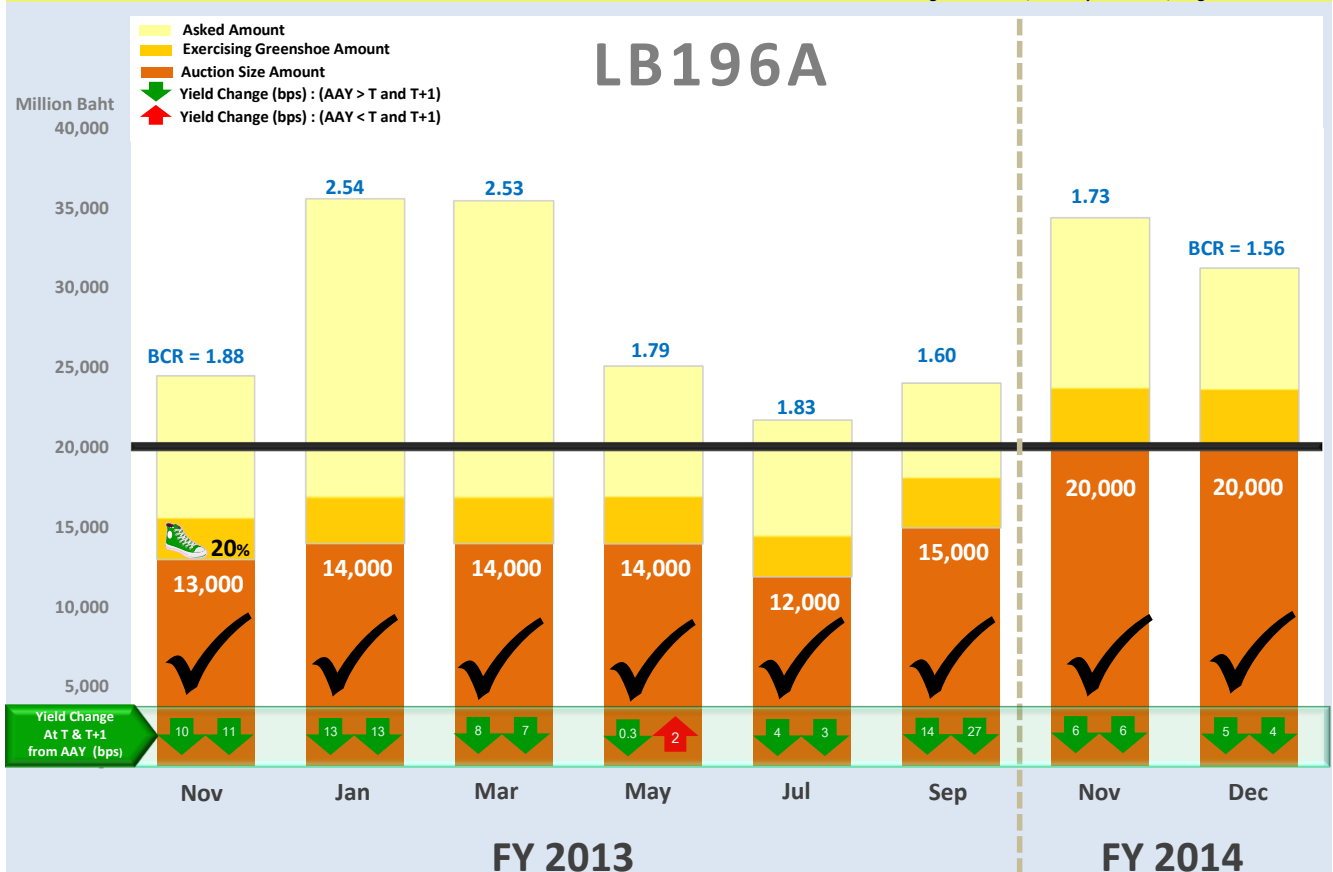
- Exercising at the AAY (Average Accepted Yield) Price
- Exercising within 1-2 days next to the auction date (T+1 to T+2) by exercising Greenshoe option on trading hours.

Note: Under the normal market condition, PDs are expected to exercise Greenshoe option when Market Yield < AAY



What if... PDMO had implemented Greenshoe on LB196A in FY 2013

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



C. Basic & Essentials

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

- **Bond Market Capitalization and Its Composition (As of Dec 2013) = 8,973,736 THB Mil. (75.1% of GDP)**
- **Equilibrium of Domestic Bond Market**
- **Public Debt Outstanding and Its Composition (As of Oct 2013) = 5,377,498 THB Mil. (44.8% of GDP)**
- **Towards ASEAN “Preferred Destination”**
- **Non-Resident Holding in Domestic Bond**
 - NR Holding on THB Bond **(As of Dec 2013)** → 707,902 THB Mil.
(GOVT Bond : 595,841 THB Mil., BOT Bond : 110,787 THB Mil., Corp Bond : 1,274 THB Mil.)
 - Net Change in NR Holding **(Jan – Dec 2013)** → -3,768 THB Mil.
(GOVT Bond : Net Buy +96,738 THB Mil., BOT Bond : Net Sell -100,506 THB Mil.)

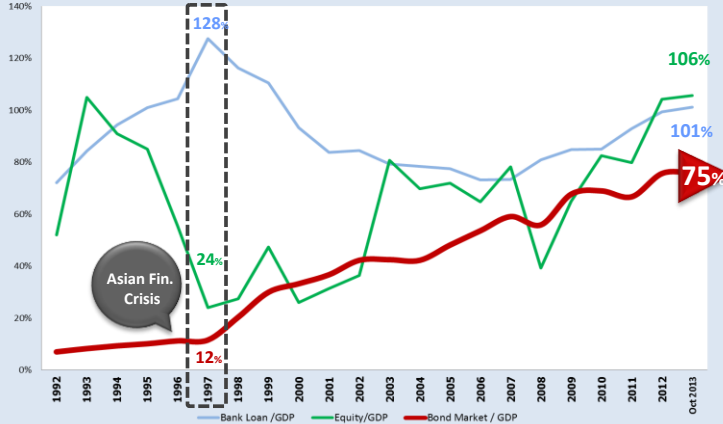


Bond Market Cap. = 8.9 THB Trillion
(\$297 Bil.)

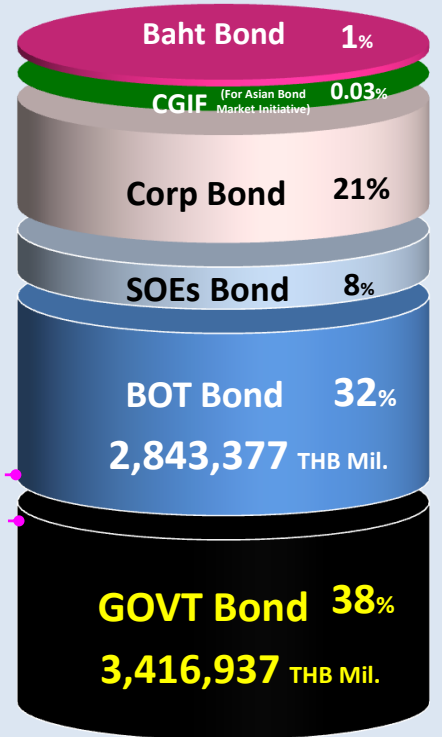
GOVT Bond = 3.4 THB Trillion
(\$112 Bil.)

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

% Share of GDP



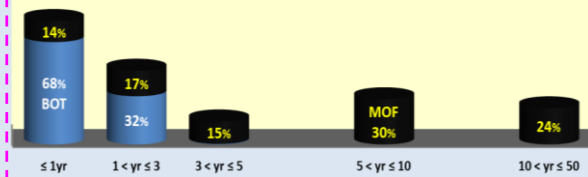
Domestic Bond Market Classified by Issuer



End of Dec 2013

Maturity Profile
BOT vs GOVT Bond

BOT ATM = 10mths GOVT ATM = 8yrs 4mth

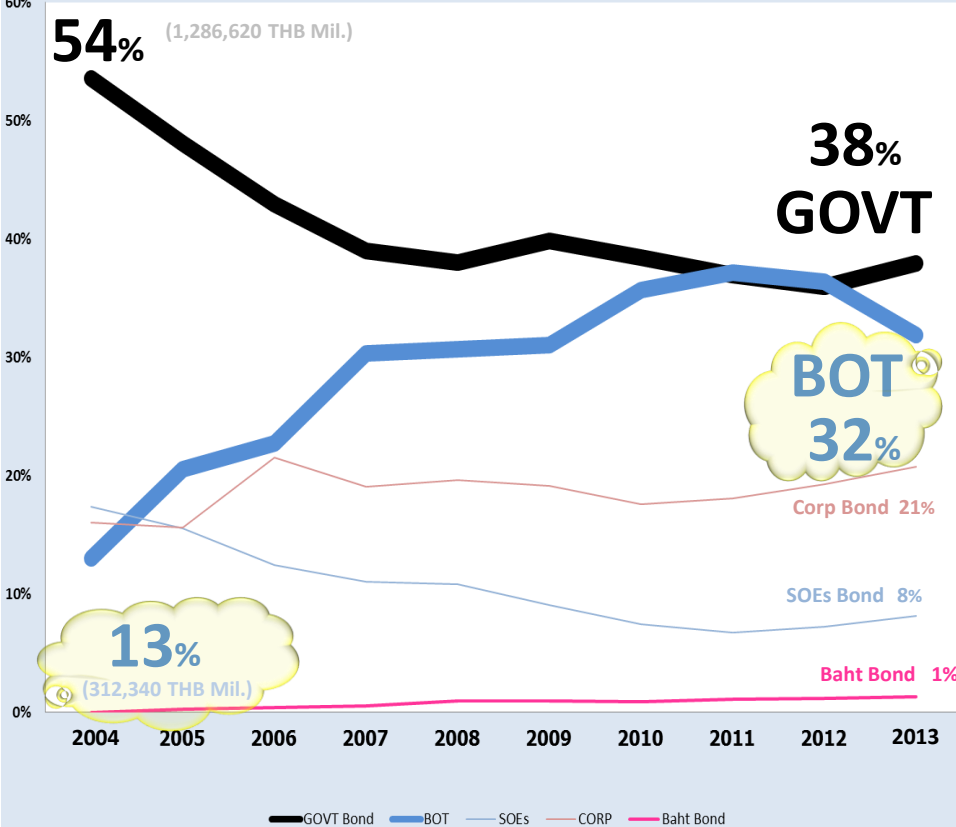


BOT Bond Supply Rose Dramatically
(2004 – Dec 2013)

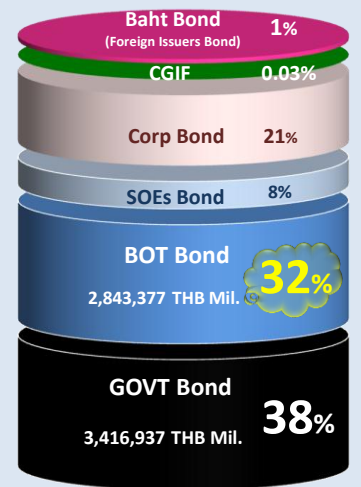
- Market share rose nearly... **3 Folds**
- Outstanding size rose by... **10 times**

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

% Share of Domestic Bond Market



Domestic Bond Market 2013
Classified by Issuer



End of Dec 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 → Scrippless 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

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

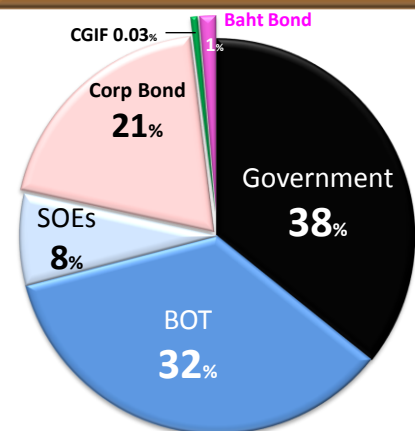
Credit Rating

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

Investors

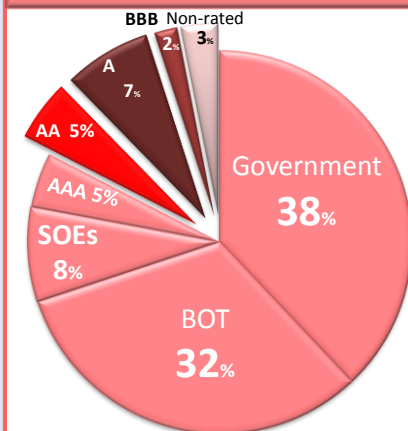
- Thailand's government debt securities are held by a wide group of investor types

Domestic Bond Market (Classified by Issuers)



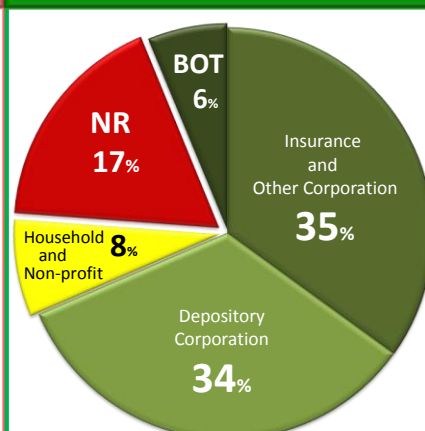
Source : ThaiBMA (End of Dec 2013)

Domestic Bond Market (Classified by Credit Rating)



Source : ThaiBMA (End of Dec 2013)

Government Debt Securities (Classified by Types of Investors)



Source : BOT, PDMO (End of Nov 2013)

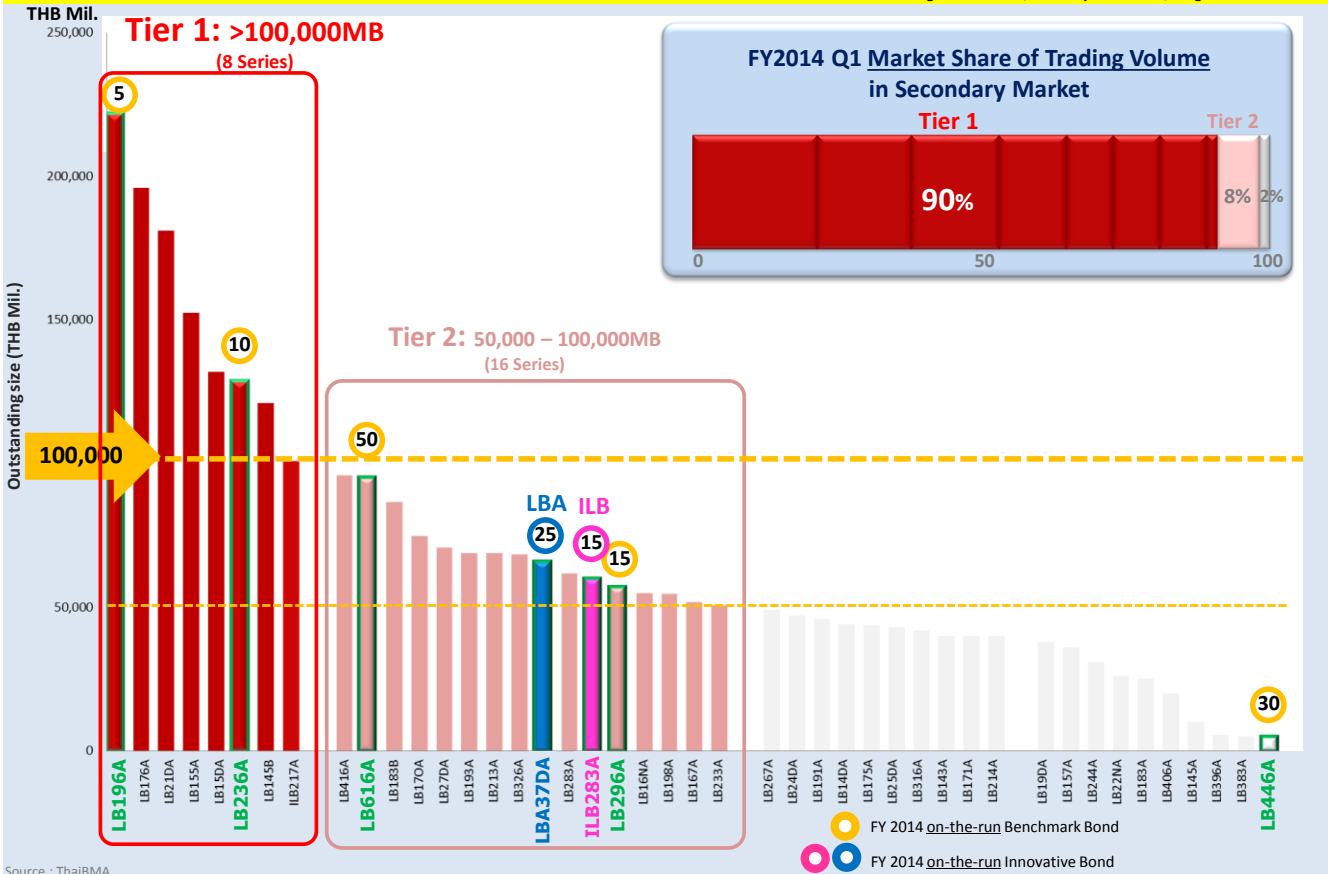


Total GOVT Bond = 44 Series
(2,958,XXX THB Mil.)
(as of Q1/FY2014)

Tier 1 > 100,000 THB Mil. in Size (90% of Trading Volume)

Tier 2 > 50,000 THB Mil. in Size (8% of Trading Volume)

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



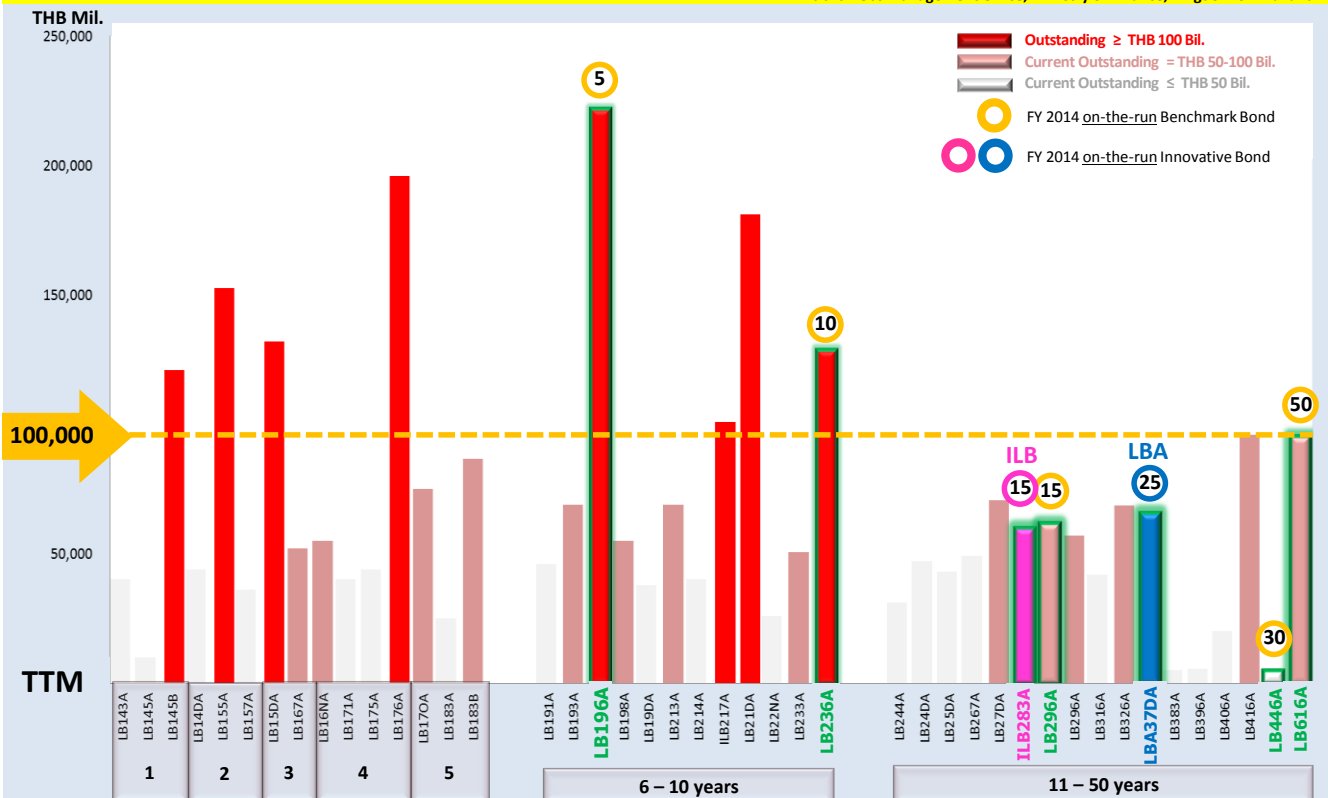
Source : ThaiBMA



Well-Distributed Maturity Profile
(as of Q1/FY2014)

The outstanding size of loan bond maturing in the next 5 years is 1,500,813 THB million. (51% of Total GOVT Bond)

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



Source : ThaiBMA



Public Debt Outstanding (as of October 2013) = 5.38 THB Trillion (44.8% of GDP)

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

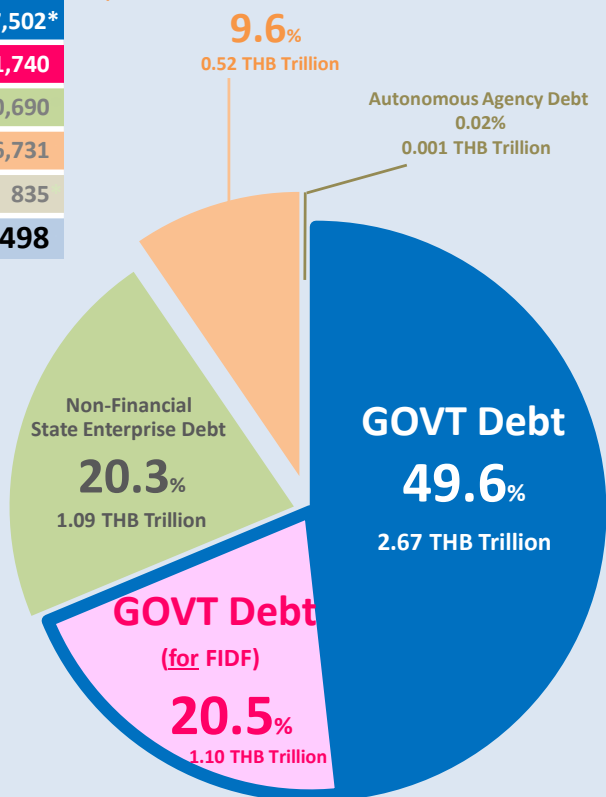
Components of Public Debt

Units : THB Mil.

1. Government Debt (excluded FIDF)	2,667,502*
2. Government Debt (for FIDF)	1,101,740
3. Non-Financial State Enterprise Debt	1,090,690
4. Special Financial Institutions Guaranteed Debt	516,731
5. Autonomous Agency Debt	835
Public Debt Outstanding	5,377,498

*including 69,947 THB Mil. of External Debt

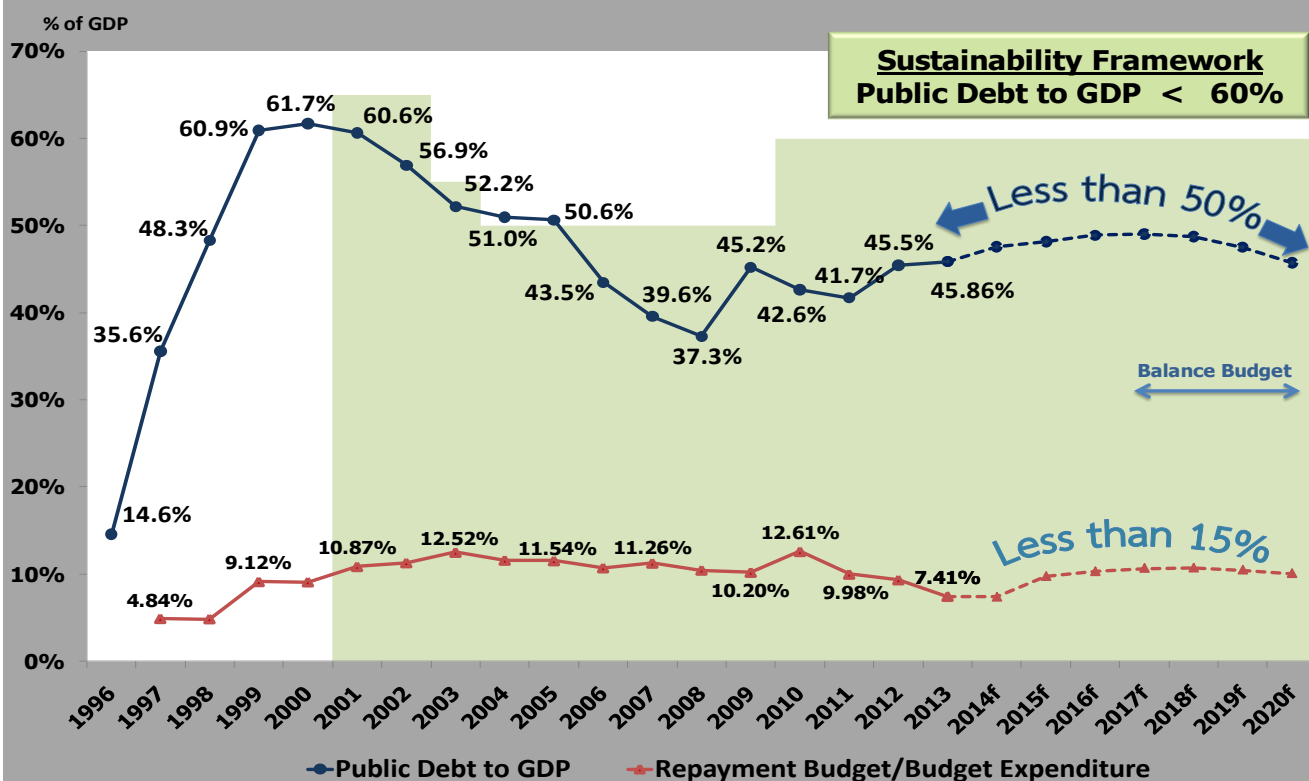
Special Financial Institution Guaranteed Debt



Source: Information Technology Center, PDMO



Forecast Public Debt to GDP



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



Total GOVT Debt = 3.70* THB Trillion

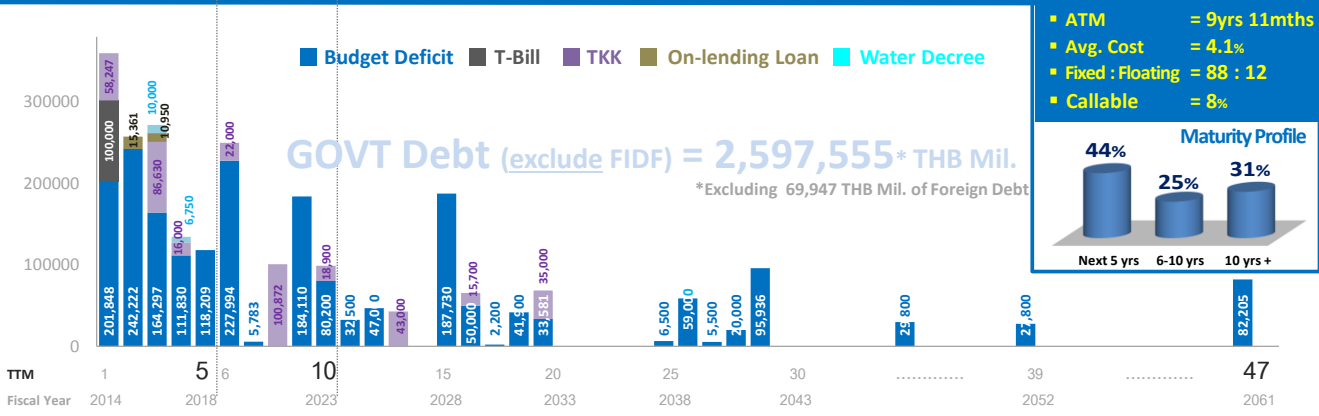
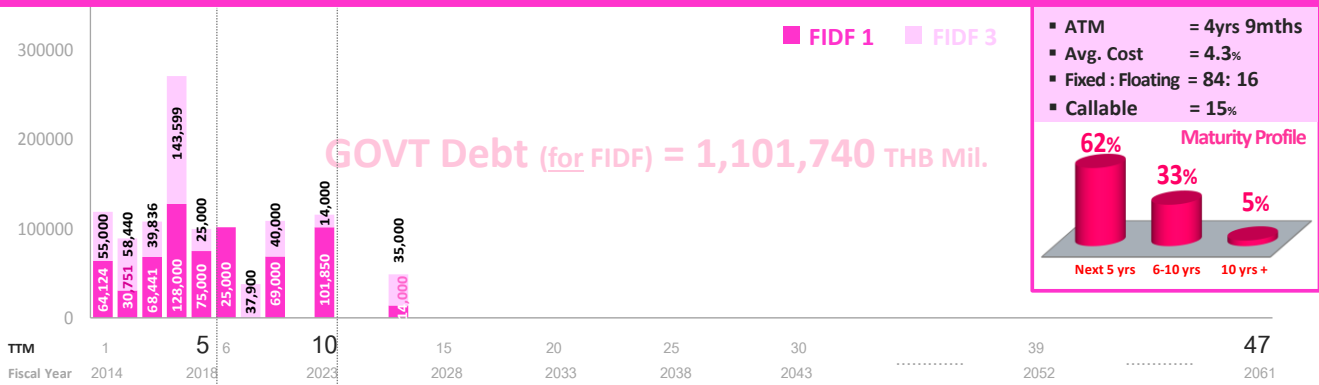
- Average-Time-to-Maturity (ATM) = 8yrs 4mths
- Average Cost = 4.17%
- Fixed : Floating = 87 : 13

* Excluding 69,947 THB Mil. of Foreign Debt

As of Oct 2013

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

Assumptions : 6 months BIBOR = 2.69%, 6 months Fixed Deposit Rate = 1.99%, Inflation = 2.27%



Well-Developed Bond Market Improved

GOV'T Direct Debt Profile Dramatically

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

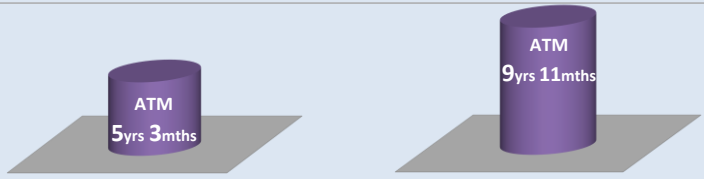
Public Debt Management Office, Ministry of Finance, Kingdom of Thailand

Note : Government Direct Debt = 2.59 THB Million (exclude FIDF)

As of Dec 2007

As of October 2013

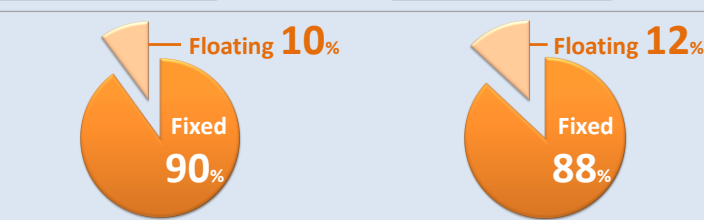
Average-Time-to-Maturity **LENGTHENED** by 5 yrs



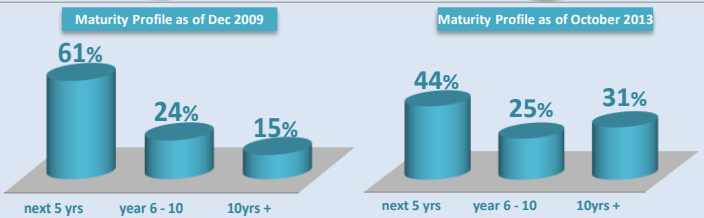
Avg. Cost **LOWERED** by 40 bps. (While ATM Lengthened by 5 yrs)



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



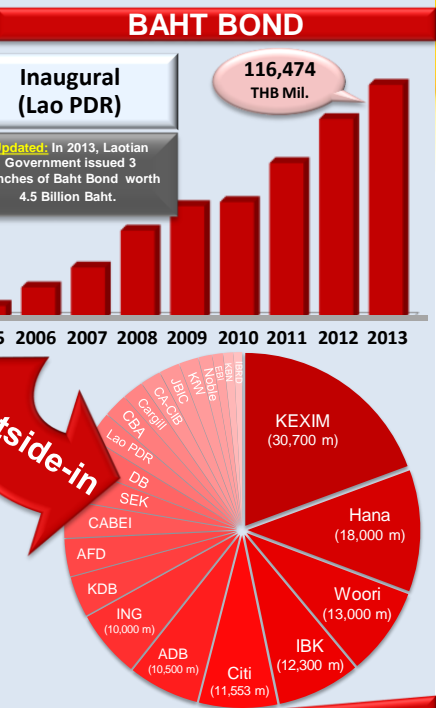
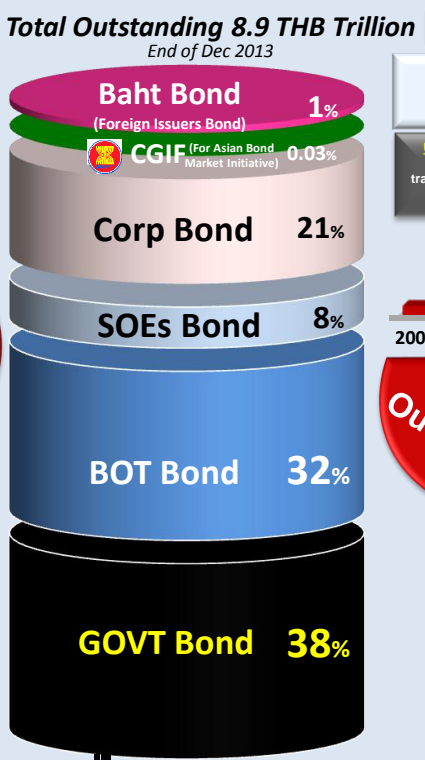
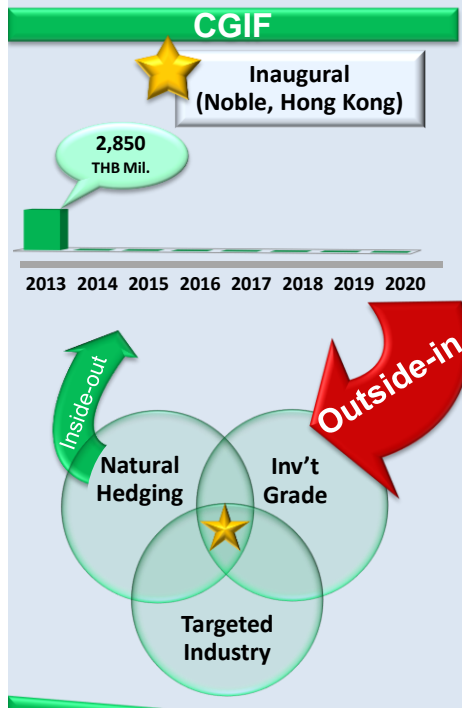
Well-Distributed Maturity Profile (Maturing Debt in the next 5 yrs is less than 50% of Total Debt)





Towards ASEAN "Preferred Destination"

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



Why now?

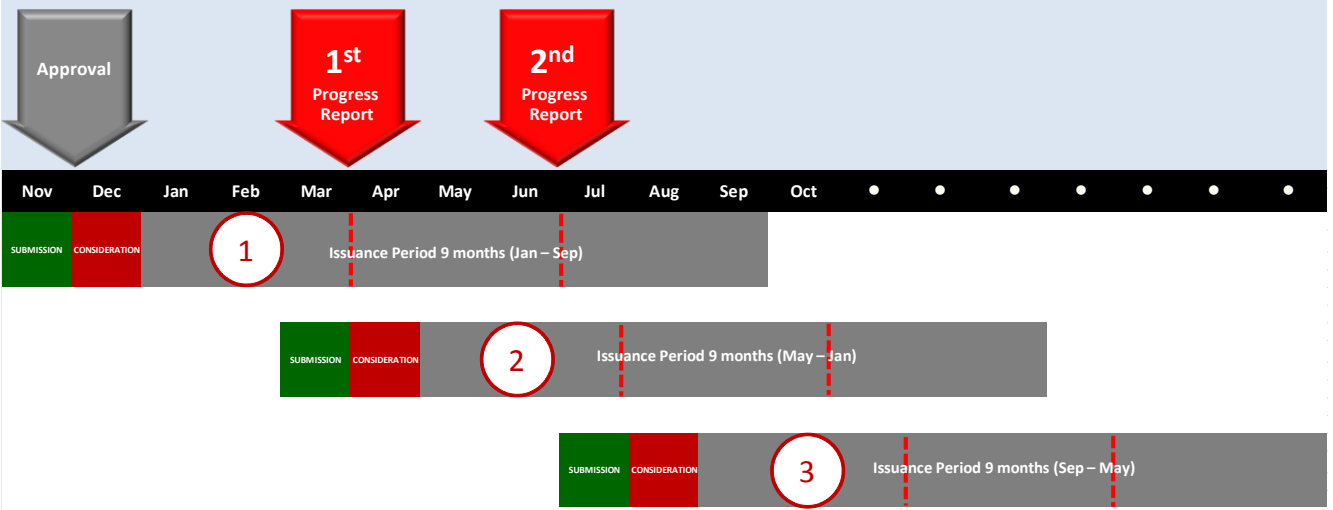
- Preparation of Entering AEC
- Support Thai Corporate Funding



What next?

- Toward becoming regional hub
- Increasing AAA Supply
- Return of IFI and Asean issuers

Timeline For Baht Bond Application Process

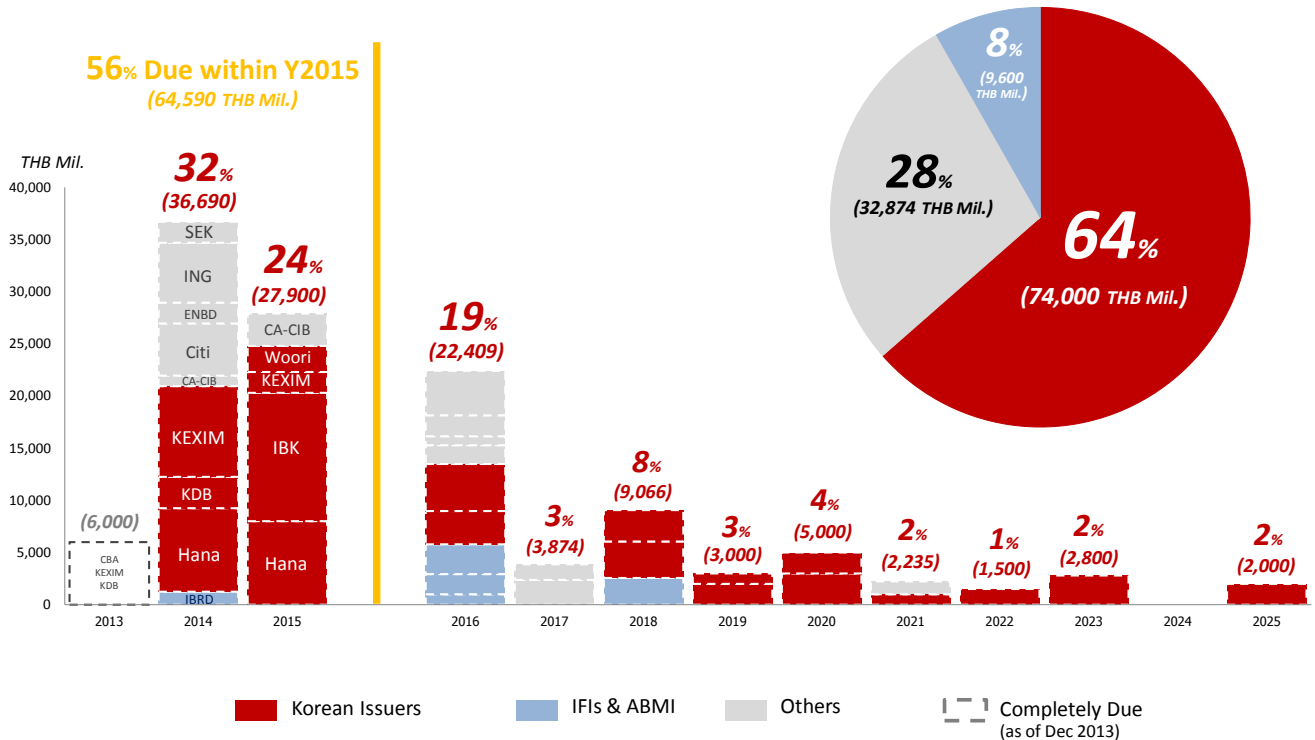


APPLICATION PROCESS: 3 rounds per year (9-mth issuance period for each round)

THE OUTSTANDING BAHT BOND

116,474 THB Mil.

Classified by issuers based on TTM

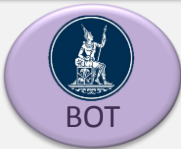


Source: PDMO
As of December 4th, 2013

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)

between 5,000 – 27,000 MB

minimum 15,000 MB



Number of issuers (per year)

between 4 – 6 clients

minimum 4 clients



Outstanding size

(% share of BOND market capitalization)

1%

3%



2004-2011

2012-2016

NR Holding

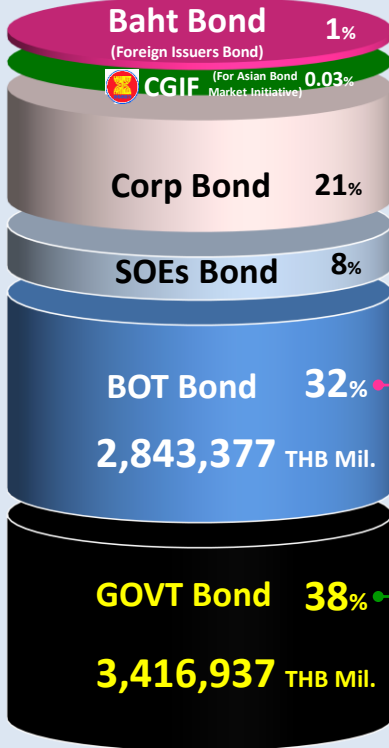
(% share of Bond Market)

Non-resident Holding in THB Bond = 707,902 THB Million

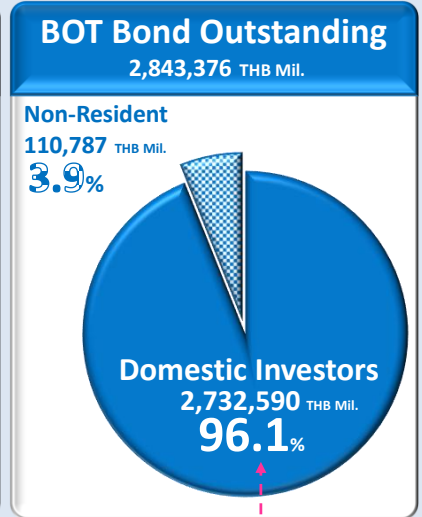
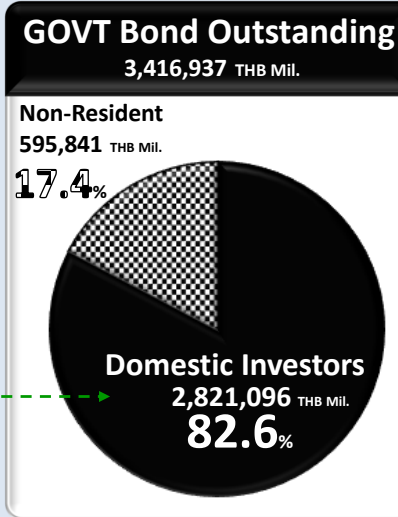
(7.89% of Thai Bond Market Capitalization of 8,973,736 THB Million)

End of Dec 2013

Thai Bond Market Cap. = 8,973,736 THB Million
(Classified by Issuer End of 2013)



Issuer	Non-Resident Holding (THB Million)	% Share of Thai Bond Market Cap. (8,973,736 THB Million)
GOVT Bond	595,841	6.64%
BOT Bond	110,787	1.24%
SOE Bond	0	0.00%
Corp Bond	1,274	0.01%

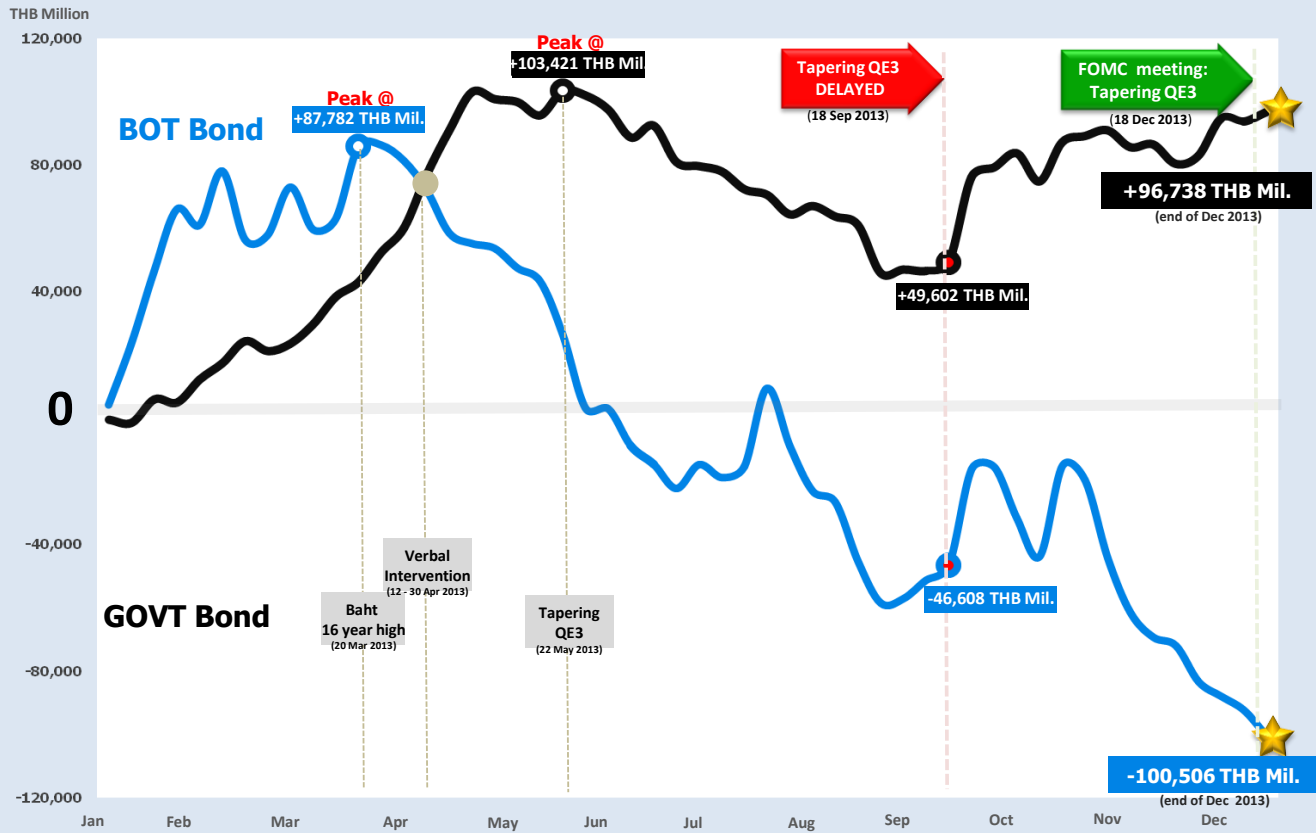


2013 Weekly

Net Change in Non-resident Holding (YTD) = -3,768 THB Mil.

(GOVT Bond + BOT Bond)



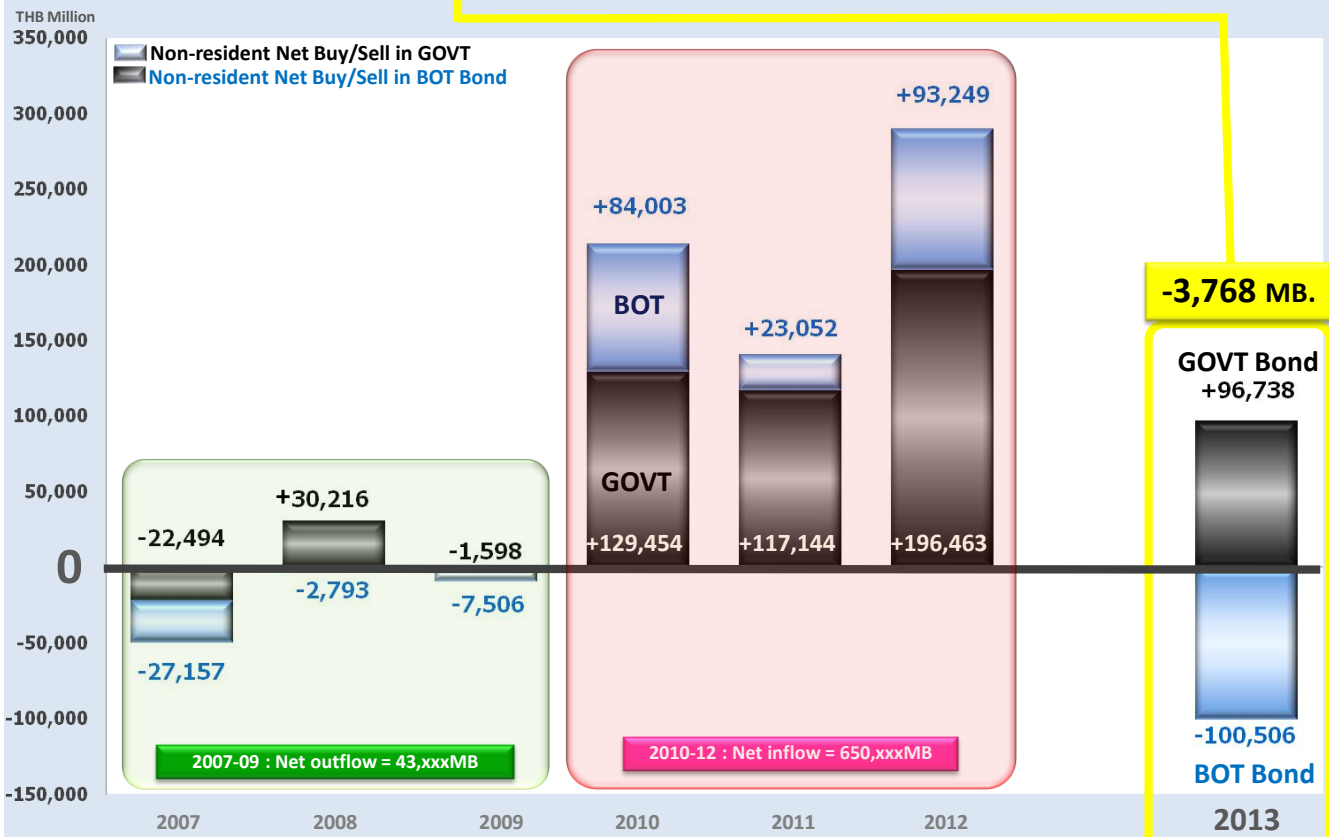


Net Change in Non-Resident Holding 2013

Net Outflow = **-3,768 MB.**

GOVT : Net Buy +96,738 MB. (Sell -99,161 MB. Buy +195,899 MB..)

BOT : Net Sell -100,506 MB. (Sell -333,843 MB. Buy +233,337 MB..)



Peers Comparison

NR Holding in Thai GOVT Bond

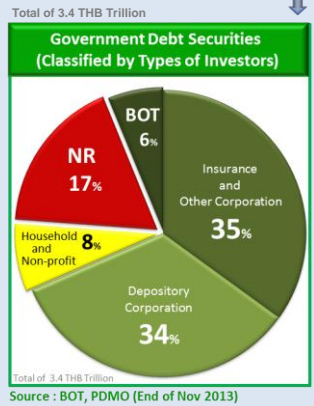
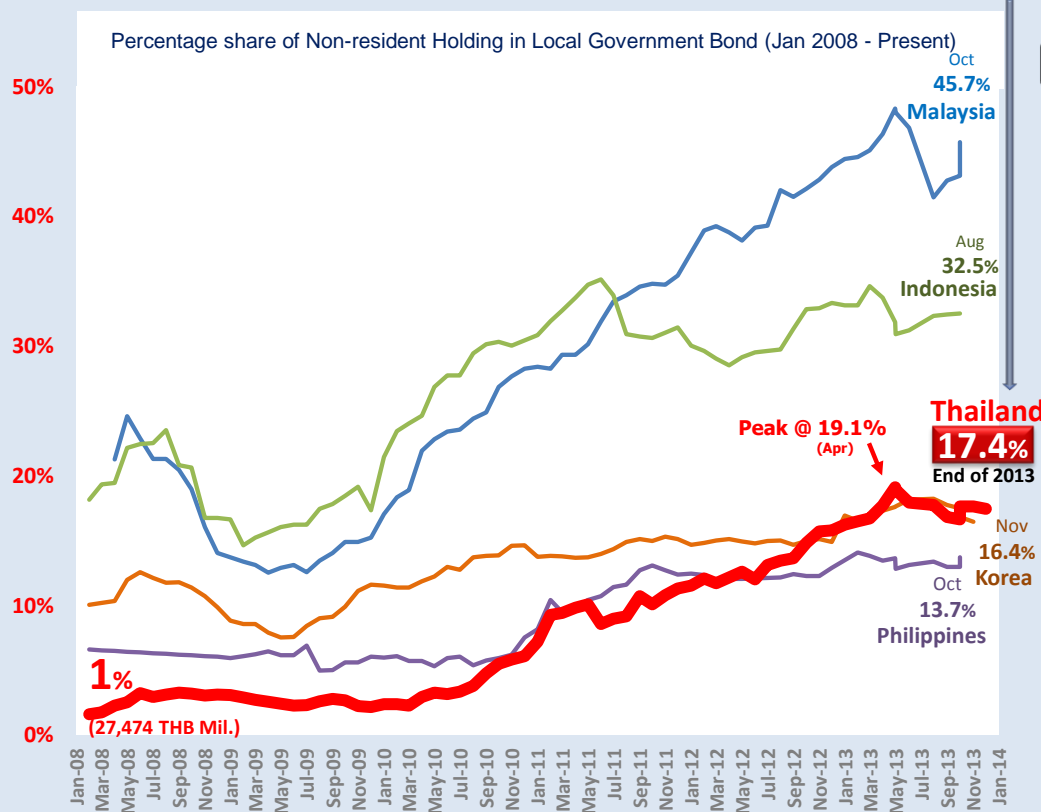
is **595,841 THB Mil.**

End of Dec 2013

or **17.4%** of Total GOVT Bond Outstanding

Relatively "moderate" share of NR holding by region average

"Diversified" Investor Base



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



Vision

Professional in public debt management for sustainable development

Values

Transparency, Discipline, Trustworthiness, Driving Social and Economic Development

Mission

Formulate sound public debt management policies and strategies as well as conduct, monitor and evaluate public debt management operations under the relevant legal framework and guidelines

3 PDMO's Strategies





Chularat Suteethorn Director-General, Public Debt Management Office

Suwit Rojanavanich Bond Market Advisor

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

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เพื่อการพัฒนาประเทศอย่างยั่งยืน**