

# KINGDOM OF THAILAND BOND MARKET FINANCING THAILAND'S FUTURE & CONNECTING ASEAN



## Highlights

*"Dr. Pimpen Ladpli on The Issue of Liquidity & Regional Financial Market Integration"*

*"ThaiBMA Best Bond Awards 2014 : Deal of the year"*

## Progress Update

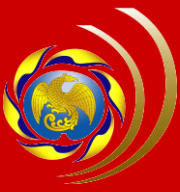
- » Committing to FY2015 Fund Raising Plan
- » GOVT Bond Auction Schedule Q4/FY2015
- » GOVT Bond Auction Results
- » Bond Switching Program Q4/FY2015 : LB15DA
- » PDMO Bond Calendar FY2015

## Basic & Essentials

- » Bond Market Development Strategy
- » Public Debt Outstanding and Its Composition
- » Bond Market Capitalization and Its Composition
- » Baht Bond Outstanding and its Market Share
- » Non-Resident Holding in Domestic Bond

Q4/FY2015





# Thai GOVT Bond Market Overview

## Highlight Interviews

**“Dr. Pimpen Ladpli on the Issue of Liquidity & Regional Financial Market Integration”**

Dr. Pimpen Ladpli (Executive Director of Bond Market Development Bureau)

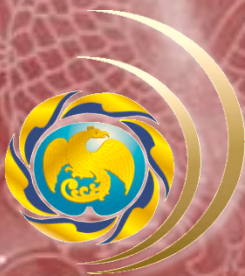
**“ThaiBMA Best Bond Awards 2014 : Deal of the year”**

## Progress Update

◆ Committing to FY2015 Fund Raising Plan	9
◆ T-Bill Plan Q4/FY2015	10
◆ GOVT Bond Auction Schedule Q4/FY2015	11
◆ GOVT Bond Auction Results	12
◆ Greenshoe Option: Privilege for MOF Outright PD	13
◆ Bond Switching Program Q4/FY2015 : LB15DA	14
◆ PDMO Bond Calendar FY2015	16

## Basic & Essentials

Public Debt Outstanding ( <i>as of May 2015</i> )	<b>5,687,008</b> THB Mil. ( <b>42.58%</b> of GDP)	22
Bond Market Capitalization ( <i>as of June 2015</i> )	<b>9,609,526</b> THB Mil. ( <b>70%</b> of GDP)	23
Total GOVT Debt (Direct + FIDF) ( <i>as of May 2015</i> ) <small>*Excluding Foreign Debt</small>	<b>3,988,029</b> THB Mil. ( <b>40</b> Bond Series)	25
Well-Developed Bond Market Improved GOVT <u>Direct</u> Debt Profile Dramatically ( <i>as of Jan 2015</i> )* <small>Excluding FIDF</small>		25
» Average-Time-to-Maturity (ATM)	11yrs 3mths	
» Average Cost	3.84%	
» Well-Balanced Fixed : Floating Ratio	89 : 11	
» Well-Distributed Maturity Profile	41:18:41 (<5 : 6-10 : >10yrs)	
Liquidity & Secondary Market Trading	<b>80%</b> of Trading Volume ( <i>Outstanding &gt; 100,000 THB Mil.</i> )	26
Baht Bond Outstanding and its Market Share ( <i>as of June 2015</i> )	<b>85,574</b> THB Mil.	29
Non-Resident Holding in Domestic Bond ( <i>as of June 2015</i> )		30
» Annual Capital Flow (YTD)	<b>-53,042</b> THB Mil.	
▪ GOVT Bond :	<b>-29,783</b> THB Mil.	
▪ BOT Bond :	<b>-23,259</b> THB Mil.	
» NR Holding in THB Bond	<b>630,304</b> THB Mil. ( <b>6.56%</b> of Thai Bond Market Cap.)	
▪ GOVT Bond :	<b>595,700</b> THB Mil. ( <b>16.5%</b> of GOVT Bond Outstanding)	
▪ BOT Bond :	<b>33,722</b> THB Mil. ( <b>1.2%</b> of BOT Bond Outstanding)	
▪ Others :	<b>882</b> THB Mil.	



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## Interview with Dr. Pimpen Ladpli on the next tasks in FY 2016 ..Enhancing Liquidity towards the longer end of the curve & Strengthening ASEAN Bond Market Integration..



**Dr. Pimpen Ladpli**  
Executive Director of Bond Market Development Bureau

### Question:

You've been in charge of PDMO's bond market development since 2007. Can you give an assessment on the key strategies for progress?

### Dr. Pimpen:

Developing the bond market into a sustainable funding source became a National Agenda after the 1997 financial crisis. Through an active cooperation between Ministry of Finance and regulating agencies including, Bank of Thailand, Securities and Exchange Commission as well as primary dealers and investors, significant progress has been made.

PDMO's role in bond market development is to create debt issuance program that supports market deepening. In the initial stage, we focussed on the construction of an efficient government yield curve through consistent issuance of benchmark bonds. Then to further enhance the market's accessibility and efficient pricing, we encouraged liquidity by enlarging outstanding size. We also later began to promote product diversification through innovations to better respond to needs of specific groups or more sophisticated investors. Some of which include the inflation linked bonds that we are now extending its yield curve to 20-30 years through longer tenor issuance. And amortize bonds that has been popular with local life insurance companies since its inaugural 25 year issuance in 2012, recently captured the interest of non-resident bond holders. While, infrastructures such as prefunding mechanism and newly introduced bond switching program, were developed to strengthen our debt management capability in reducing refinancing risk from large size bonds.

The progress made has resulted from a mutually planned path of development. I cannot emphasize enough how important regular dialogue with regulating agencies and the market is to our progress. As policy makers, I believe our role is to accommodate rather than to direct how the market should grow. And through these dialogues we listen, exchange views and build development plans together.

I am proud that the Thai bond market has matured in all aspects including size, liquidity and product diversification and is now a vital funding source for both government and private sector that supports the development of the nation.

*“We want to strengthen our capacity as a reliable partner for our neighbors, especially CLMV countries, to raise funds for their national development and support inclusive growth.”*



**Question:**

**What are the goals that you would like to achieve going forward?**

**Dr. Pimpen:**

There are two issues that I would like to achieve in the near future 1) financial integration and 2) liquidity enhancement of longer tenor bonds in the secondary market. AEC at year end undeniably brings both opportunities and challenges for Thailand and our bond market. We need to fulfill the “missing links” in infrastructure to enhance connectivity in the region. We have announced a transport investment package of 1.9 trillion baht to be implemented over the next 8 years, a majority of which will be funded with domestic debt issuance. I believe we are more than ready in terms of financing, as we have product diversification, a liquid market and fiscal space.

For ASEAN to achieve regional integration, all member countries must grow together. PDMO has an important role to play in this issue. We have initiated the Baht Bond program to enable cross border fund raising that will support financial integration and inclusive growth. We have allowed CLMV countries that have limited domestic capital available to raise funds in Thailand for their infrastructure investments. Lao PDR government and state own enterprise, EDL-GEN, are among our recent issuers, while Myanmar and Bhutan have contacted us to express interest in fund raising in our bond market. In addition, Thailand was the selected regional pilot destination for ASEAN Bond Market Initiative (ABMI) program on facilitating the cross border fund raising through AMBIF’s single submission form, using Mizuho’s baht bond issuance. We hope that its success along with Laos PDR’s and EDL-GEN’s continued issuance will serve as case studies that will attract more countries to the Thai bond market and help us strengthen our capacity as a reliable partner for our neighbors to raise funds for their national development. In regards to knowledge transfers, we are also prepared to provide technical assistance to countries that want to further develop their own domestic bond market. In the past we have supported many training programs held by international agencies and welcomed individual government visits at our office.

**... and what are your plans to enhance liquidity in the secondary market?**

**Dr. Pimpen:**

Another important goal for us is to further enhance liquidity in the secondary market. A liquid bond market reflects a well-functioned bond market and helps create benchmarks for local borrowers. The system of benchmark bond issuance program has clearly improved our market’s liquidity. Today our 5 year benchmark bonds are the highest secondary trading every year with the turnover ratio of around 2.5-4.2 times. Thanks to our 14 MOF-outright primary dealers who play active role as market makers, I am pleased to say that 12 Thai government bond series are included in JPMCB Index, of which are all below 15 years maturity. I believe that the inclusion of Thai benchmark bonds in key indices enhances our presence in international financial markets and with current low interest rate levels; this is an opportunity to push longer tenor bonds into indices. Our target is to boost liquidity for our 20 year bonds. We have already open dialogue with primary dealers on the issue and will work closely with them to ensure that our goal can be achieved.

*“The inclusion of Thai government benchmark bonds in key indices enhances our presence in international financial markets.”*



**Question:**

**Given global market increased volatility and potential rates hikes in the US together with low interest rate environment in Thailand, do you have any concerns about capital flow and non-resident bond holders?**

**Dr. Pimpen:**

We encourage diversity as each group of investors brings unique contributions. This is why we continue to develop new products as each adds value by further broadening our investor base and deepening our market. This is also the case for non-resident investor (NR). Over the years the share of NR has gradually increased with greater exposure and recognition of Thai bonds among international investors. We like NR participation for 2 reasons; firstly they are active investors and so they help increase trade and turnover and secondly they tend to be more aggressive as we often observe tighter price when there is more NR participation.

Our main concern in managing debt is its effects on macro stability. However, our experience has showed that even during times when NR share was high, volatility was minimal or has been at manageable level. For the past few years NR has steadied between 15-20%. I would like to stress that the important issue for us is to be able to raise funds at acceptable cost and while we welcome NR bond holders even in times of high volatility, our financial obligations can still be met as we have a rather deep bond market. On the issue of measures for restriction, we do NOT wish to interfere with the market. Close market monitoring and regular dialogues among policy makers and the market together with a deep domestic bond market can immune us from external shocks. So far our domestic market has showed resilience and has kept us away from imposing drastic measures.



*“I cannot emphasize enough how important regular dialogue with other policy makers and the market is to our progress..”*



**Question:**

**How important is an open dialogue with market players to PDMO’s bid in achieving goals?**

**Dr. Pimpen:**

I believe that the success in bond market development would not have been possible without the commitment from all market participants. Over the years, we have developed a trusting relationship that has resulted from close dialogue, long term planning and most importantly commitment to our promises. Every year PDMO organizes an annual market and quarterly primary dealer dialogues, semi-annual long term investor meetings and domestic and international roadshows. From time to time, PDMO join exhibitions like Money Expo and SET in the City both in Bangkok and major provinces to meet with retail investors who share about 5 percent of our investor base.

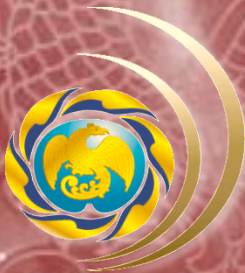
The main dialogue ,which is when we invite all market participants, takes place in the last month of the fiscal year in September. This annual dialogue draws about 200 participants who come to listen to funding needs and fund raising strategies of the government and state agencies.

These meetings provide an opportunity for us to exchange information and receive feedback that guides us in the planning for future bond market development. They also help us align expectations and ensure that there are no unpleasant surprises for the market!

We work hard to be committed regarding bond supply every year and will continue to do so. I believe this has been a key factor that has helped build investor’s confidence in PDMO and in turn makes the Thai bond market more reliable and attractive. Even during times of crisis, we have been able to meet entire financing requirement with minimal effect on cost, reflecting our market’s strength and resilience.

Finally, as this is the last quarter of FY2015, I would like to thank all the stakeholders for your efforts in the developing the domestic bond market. We look forward to working with you to build on the success.





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# MOF's Bond Switching “Deal of the Year”

## ThaiBMA Best Bond Awards 2014

The successful first launch of Bond Switching transaction in November 2014,  
in an amount of 76,235 billion THB



Mr. Sommai Phasee, Minister of Finance (middle)  
Nattakarn Boonsri, Director of Government Bond Market  
Development Division and representatives from Bangkok  
Bank, Kasikorn Bank and Standard Chartered Thailand

### Deal of the Year



Mr. Theeraj Athanavanich, Deputy Director General of  
PDMO and representatives from Standard Chartered  
Thailand, Bangkok Bank and Kasikorn Bank  
at the Best Bond Awards press conference



Mr. Sommai Phasee, Minister of Finance, (left)  
gives the “Deal of the Year” award to  
Mr. Nattakarn Boonsri, (right) on behalf of PDMO

# Progress Update

- Total Fund Raising Plan FY2015
- T-Bill Plan Q4/FY2015
- GOVT Bond Auction Schedule Q4/FY2015
- GOVT Bond Auction Results
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# ALL FY2015 Government Bond

Benchmark Bonds : 5-10-15-30-50-yrs  
 Inflation-Linked Bonds : ILB 15-yrs  
 Amortized Bond : LBA 25-yrs

## Committed Bond Supply

**Total Benchmark Bonds 445,XXX MB**  
 (announced Sep 2014)

	Series	Total
Loan Bonds	5-yrs (LB21DA)	350,XXX MB
	10-yrs (LB25DA)	
	15-yrs (LB296A)	
	30-yrs (LB446A)	
	50-yrs (LB616A)	
Innovative Bonds	ILB (ILB283A)	95,XXX MB
	LBA (LBA37DA)	

## ACTUAL Bond Supply

**Actual Total Benchmark Bonds 442,962 MB**  
 (expected Sep 2015)

	Series	Q4	FY15 Total
Loan Bonds	<b>NEW 5-yrs (LB206A)</b>	40,000	359,654 MB
	5-yrs (LB21DA)	-	
	10-yrs (LB25DA)	20,000	
	15-yrs (LB296A)	12,000	
	30-yrs (LB446A)	14,000	
	50-yrs (LB616A)	7,000	
Innovative Bonds	ILB (ILB283A)	-	83,308 MB
	LBA (LBA37DA)	20,000	
FY15 Total		113,000 (25.5%)	442,962 MB (99.5%)

THB Mil.

300,000

200,000

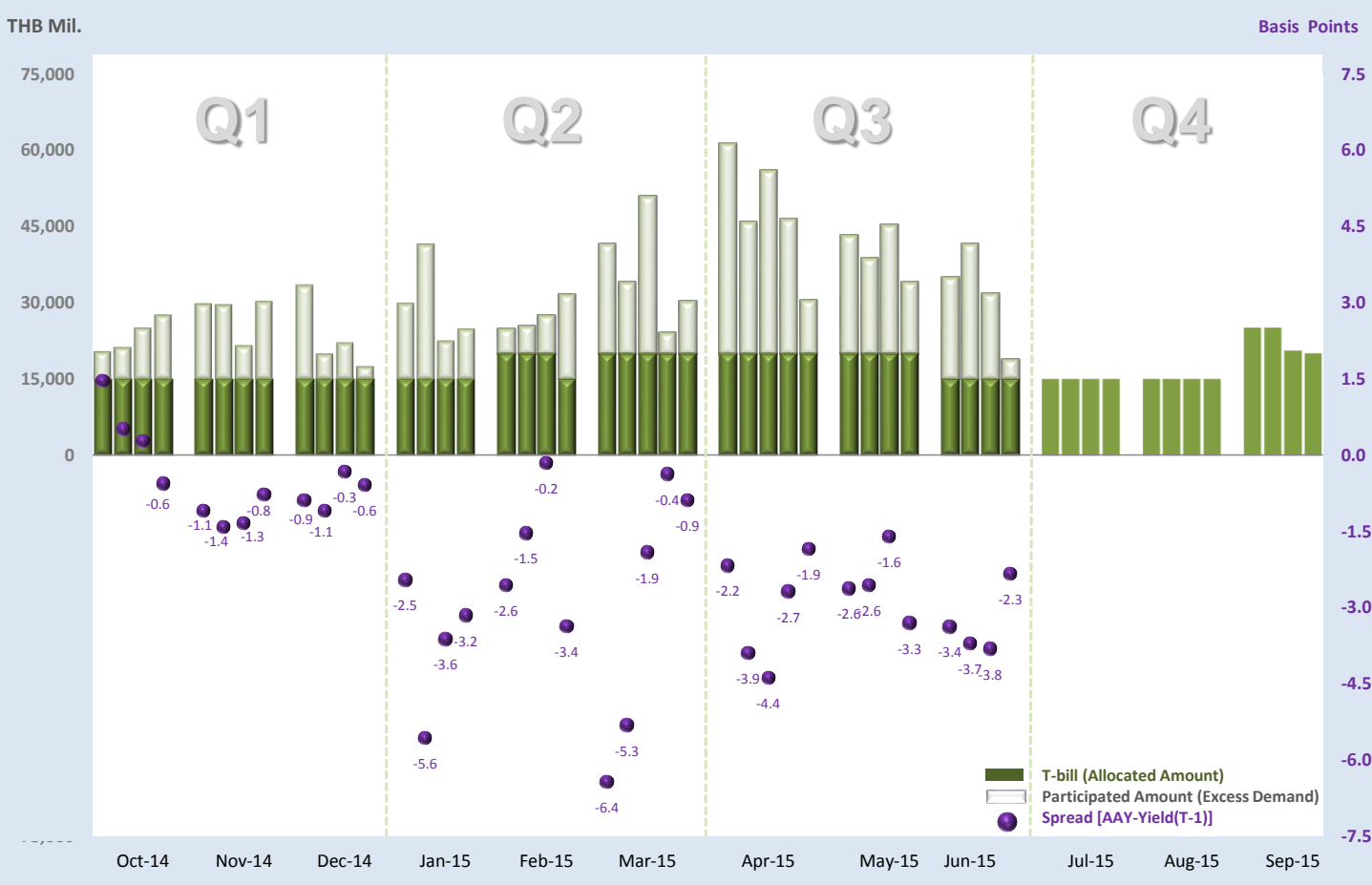
100,000

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**FY 2015**

# T-Bills Plan Q4/2015



Government Bond Auction Schedule for Q4/FY2015



Auction Date	LB206A 5-yrs <i>Exclusivity</i>	LB25DA 10-yrs	LB296A 15-yrs	LBA37DA 25-yrs <i>Amortized Bond</i>	LB446A 30-yrs	LB616A 50-yrs	Total
1 July 2015							-
8 July 2015	20,000				9,000		29,000
15 July 2015		10,000					10,000
22 July 2015							-
29 July 2015				10,000			10,000
5 August 2015							-
11 August 2015			6,000				6,000
12 August 2015							
19 August 2015	20,000						20,000
26 August 2015						7,000	7,000
2 September 2015		10,000			5,000		15,000
9 September 2015				10,000			10,000
16 September 2015							-
23 September 2015			6,000				6,000
30 September 2015							-
<b>Total</b>	<b>40,000</b>	<b>20,000</b>	<b>12,000</b>	<b>20,000</b>	<b>14,000</b>	<b>7,000</b>	<b>113,000</b>
Coupon	2.55%	3.85%	4.875%	4.26%	4.675%	4.85%	
Maturity Date	26-Jun-2020	12-Dec-2025	22-Jun-2029	12-Dec-2037	29-Jun-2044	17-Jun-2061	

หมายเหตุ : 1. LB206A = พันธบัตรรัฐบาลในบึงประมาณ พ.ศ. 2558 ครั้งที่ (Re-open พันธบัตรรัฐบาลเพื่อการบริหารหนี้ในบึงประมาณ พ.ศ. 2558 ครั้งที่ 10)

2. LB25DA = พันธบัตรรัฐบาลเพื่อการปรับโครงสร้าง ในบึงประมาณ พ.ศ. 2558 ครั้งที่ 15 (Re-open พันธบัตรรัฐบาลเพื่อการปรับโครงสร้างหนี้ (พ.ร.ก. ให้อำนาจกระทรวงการคลังกู้เงินฯ พ.ศ. 2552) ในบึงประมาณ พ.ศ. 2554 ครั้งที่1)

3. LB296A = พันธบัตรรัฐบาล ในบึงประมาณ พ.ศ. 2558 ครั้งที่ 2 (Re-open พันธบัตรรัฐบาล ในบึงประมาณ พ.ศ. 2553 ครั้งที่ 2)

4. LBA37DA = พันธบัตรรัฐบาลประเภททยอยชำระคืนเงินต้น ในบึงประมาณ พ.ศ. 2558 ครั้งที่ 4 / พันธบัตรรัฐบาลเพื่อการบริหารหนี้ประเภททยอยชำระคืนเงินต้น ในบึงประมาณ พ.ศ. 2558 ครั้งที่ 5 (Re-open พันธบัตรรัฐบาลประเภททยอยชำระคืนเงินต้น ในบึงประมาณ พ.ศ. 2556)

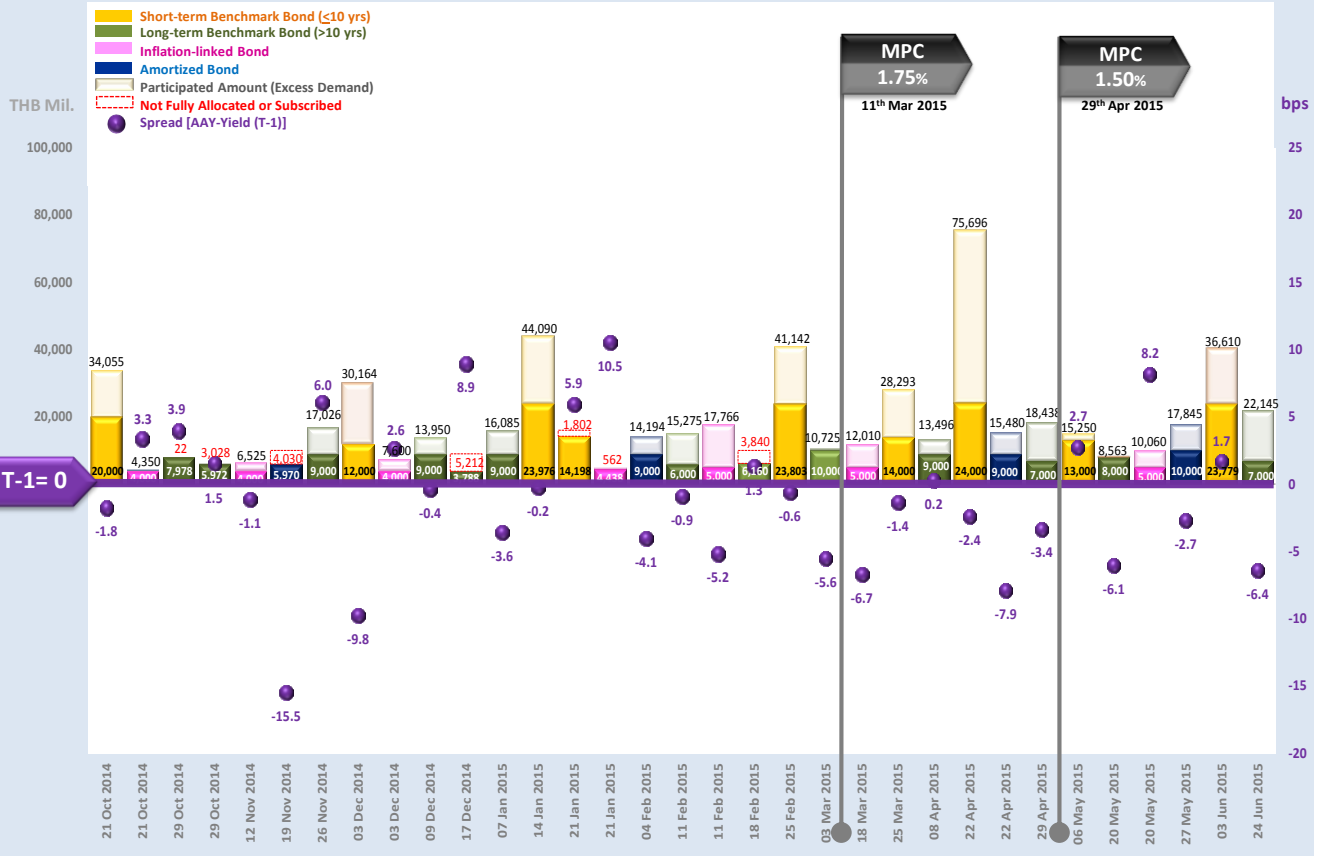
5. LB446A = พันธบัตรรัฐบาลเพื่อการบริหารหนี้ในบึงประมาณ พ.ศ. 2558 ครั้งที่14 / พันธบัตรรัฐบาล ในบึงประมาณ พ.ศ. 2558 ครั้งที่ 14 (Re-open พันธบัตรรัฐบาล ในบึงประมาณ พ.ศ. 2557 ครั้งที่3)

6. LB616A = พันธบัตรรัฐบาล ในบึงประมาณ พ.ศ. 2558 ครั้งที่ 13 (Re-open พันธบัตรรัฐบาล ในบึงประมาณ พ.ศ. 2554 ครั้งที่ 9)

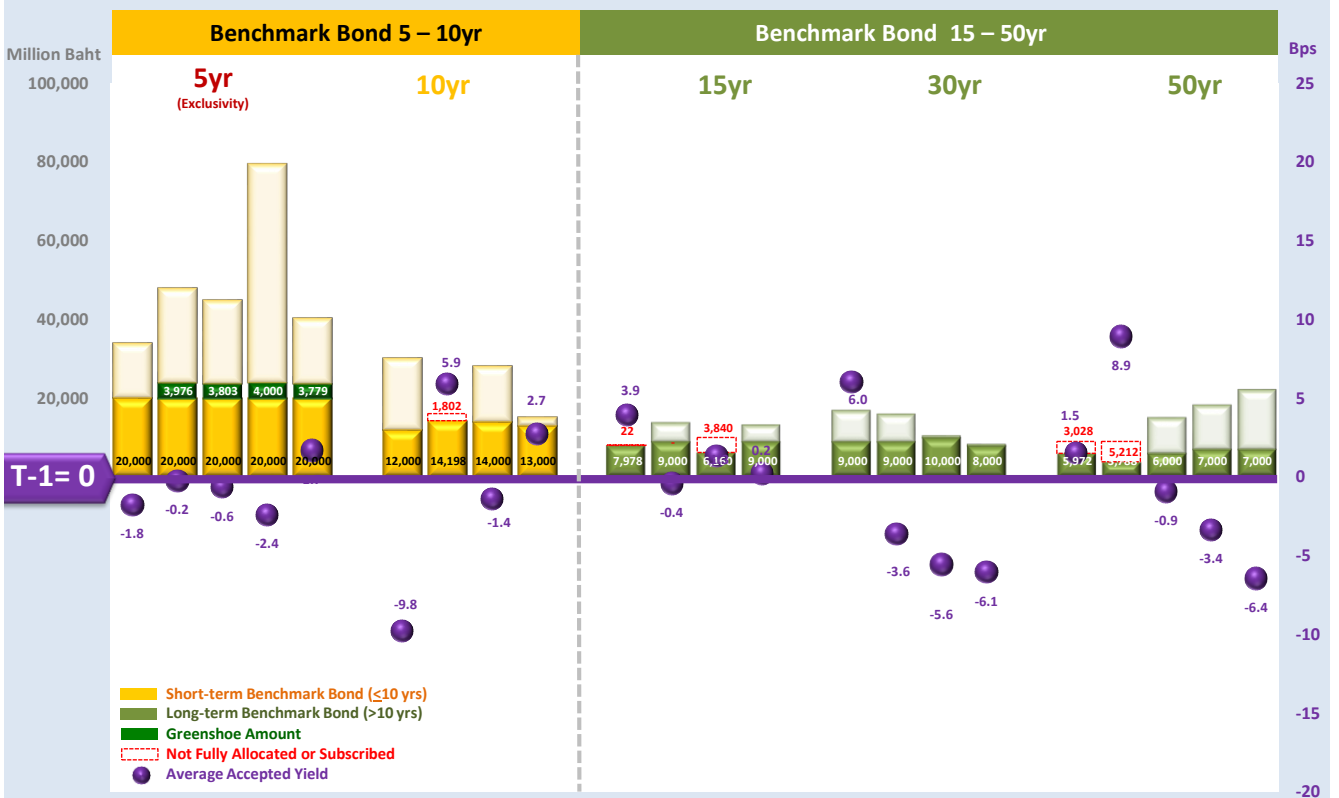
# FY 2015 Government Bond Auction Result

Classified by Quarterly Auction Schedule

GOVT Bond Auction is **decoupled** from political situation



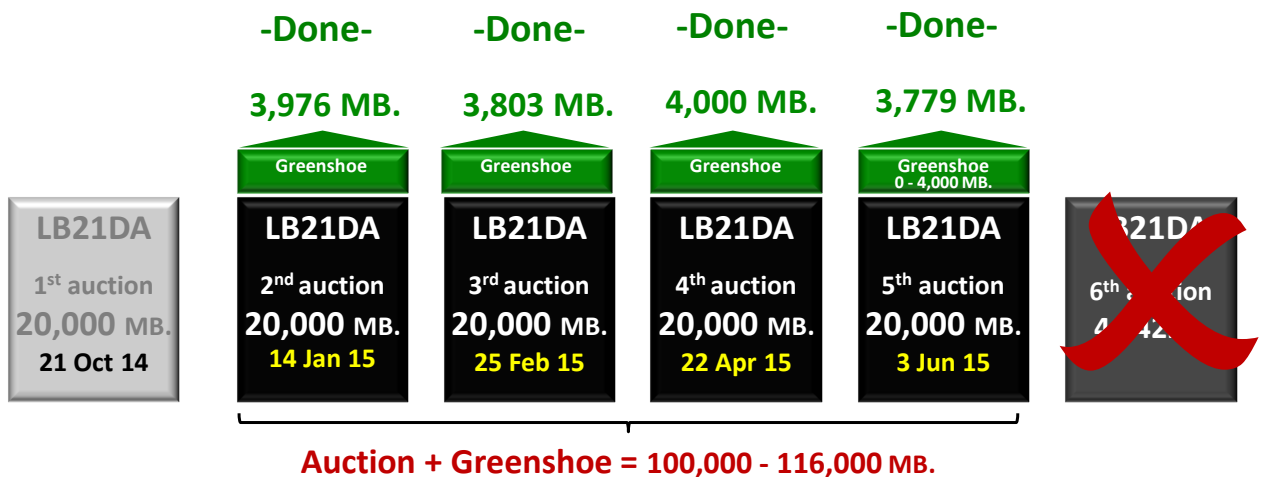
# Q1-Q3 FY2015 GOVT Bond Auction Results Classified by Tenor



# Greenshoe Option

Privilege for **MOF Outright PDs**  
In FY2015

Series	LB21DA (5-Yr Benchmark Bond .. Exclusivity)
Accepted Rate	Average Accepted Yield (AAJ)
Maximum Amount	Additional <b>20%</b> of the allocated amount
Exercise Period	T (After Auction Period <u>between 11.00-11.30 a.m.</u> )
Settlement Date	T+2





## Bond Switching Transaction for LB15DA

Mr.Theeraj Athavanich, Deputy Director General of Public Debt Management Office, announced that Public Debt Management Office (“PDMO”) has successfully completed the bookbuilding process of the Bond Switching transaction for LB15DA. The transaction was aimed to reduce refinancing risk of the government debt and had enabled investors to exchange LB15DA which has the remaining maturity of 6 months to 5 longer-tenor Destination Bonds which have remaining maturity between 3 to 23 years.

From the bookbuilding result, institutional investors have expressed strong interest to participate and tendered THB 85,530 million of LB15DA to switch. Consequently, PDMO has accepted the amount of THB 63,960 million and achieved the objective of reducing refinancing risk by reducing 48% of the outstanding size of LB15DA (from THB 132,000 million to THB 68,040 million).

Details of the exchange of LB15DA and 5 Destination Bonds are:

Destination Bond	Time To Maturity	Accepted Amount (THB million)	%
1) LB183B	2 Years 9 Months	8,039	13
2) LB206A	5 Years	18,291	29
3) LB25DA	10 Years 6 Months	9,656	15
4) LB296A	14 Years	10,580	16
5) LBA37DA	22 Years 6 Months	17,394	27
<b>Total</b>		<b>63,960</b>	<b>100%</b>

### Key benefits of the LB15DA’s Bond Switching transaction

- 1) **Public debt management:** Extension of maturing debt from **6 months to 11 year and 9 months**
- 2) **Increased liquidity:** Increase of outstanding amount of 5-year, 10-year, and 15-year On-the-run Benchmark Bonds which can help enhance the liquidity in secondary market.
- 3) **Investor diversification:** various types of investors have participated in this Bond Switching transaction and details are as shown below :
  - a. **Domestic institutional investors** such as banks and mutual funds are accounted for **40% of the accepted amount**
  - b. **Long-term investors** including Government Pension Fund, Social Security Office, and life insurance companies are accounted for **55% of the accepted amount**
  - c. **Foreign investors** from various countries including USA, Canada, UK, France, Switzerland, Hong Kong and Singapore are accounted for **5% of the accepted amount**

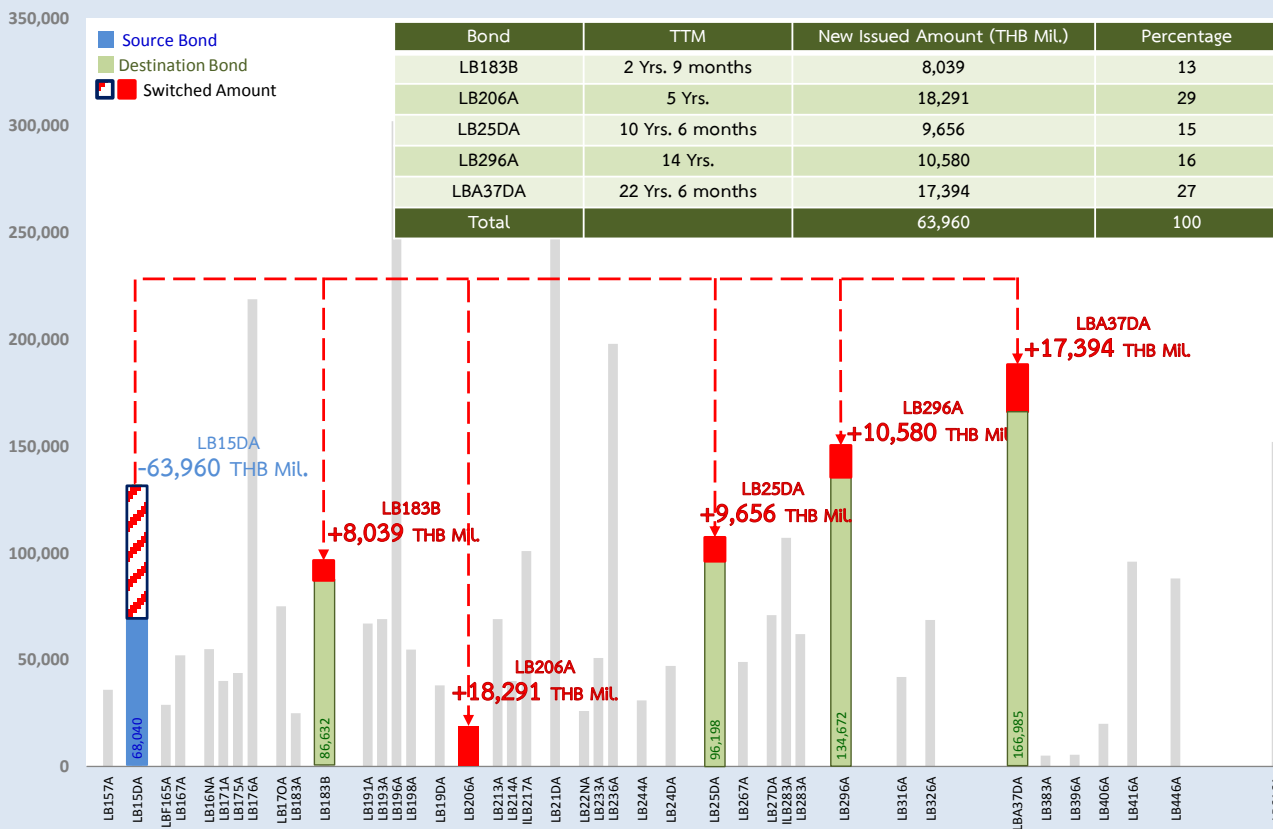
PDMO would like to take this opportunity to express sincere appreciation to the Joint Lead Managers, Bangkok Bank Public Company Limited, Kasikornbank Public Company Limited and Standard Chartered (Thai) Public Company Limited, as well as Bank of Thailand, Thai Bond Market Association and the investors for the involvement and support in this Bond Switching transaction.



# Bond Switching Transaction for LB15DA

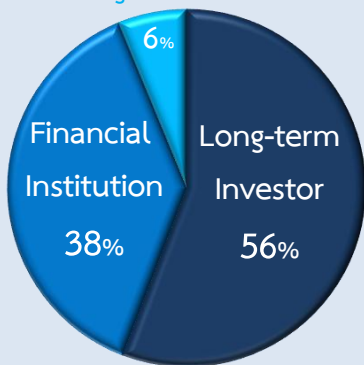
- Reduce Refinancing risk : 132,000 THB Billion ⇄ 68,040 THB Billion
- Lengthen Time-to-maturity : 6 mths ⇄ 11 yrs 9 mths
- Enhance Liquidity : New Issued = 63,960 THB Billion

THB MIL.



## Every Group of Investors has participated in Bond Switching

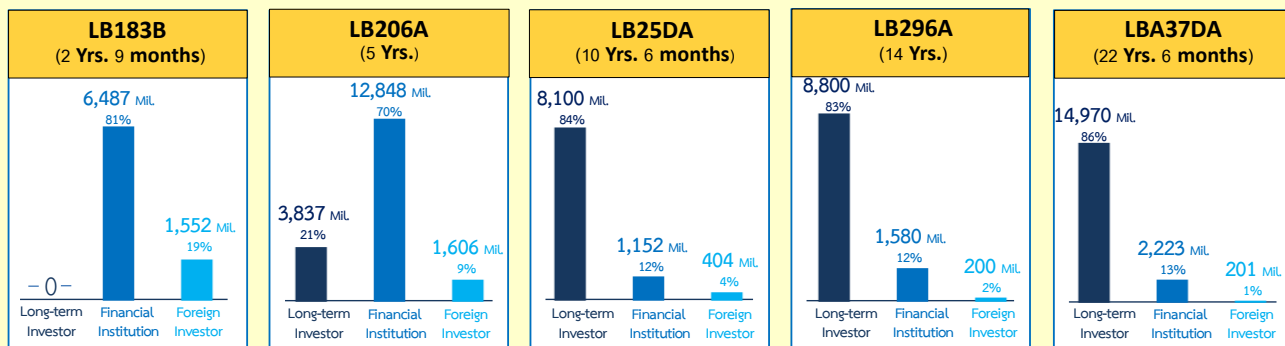
Foreign Investor



Bond Switching Participated amount classified by Investor

Investor	Amount (THB MIL)	Percentage
Long-term Investor	35,707	56%
Financial Institution	24,290	38%
Foreign Investor	3,963	6%
Total	63,960	100%

## Investor Segmentation in Bond Switching classified by Destination Bond



# PDMO Bond Calendar FY 2015

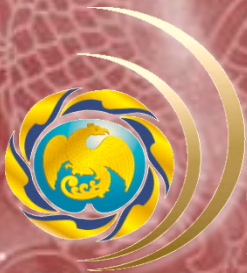
	Mon	Tue	Wed	Thu	Fri	Sat	Sun
Oct 2014	6	Auction T-bill		2		4	5
	7			9		11	12
	13	Auction T-bill		16		18	19
	20	Auction T-bill	21 Auction LB21DA (5y) : 20,000 MB LB283A (15y) : 4,000 MB	23	Chulalongkorn Day	25	26
	27	Auction T-bill	28 Roadshow Debt Switch : Announce Destination Bonds	30	IMOF Outright PD Committee : <u>Annual PD's Evaluation</u>	31	Quarterly Macroeconomics Report (FPO)
	3	First day of submission for Baht Bond Application (1/2015)	4	MPC	6		8
	10	Auction T-bill	11	12 Auction ILB283A (15y) : 4,000 MB	13		15
	17	Auction T-bill	18	19 Auction LBA37DA (25y) : 10,000 MB	20		22
	24	Auction T-bill	25	26 Auction LB446 (30y) : 9,000 MB	27		29
	31	Issue Regular Saving Bond 2/2015 (3y) : 4,000 MB (1 Dec 14 - 31 Mar 15)	9	10 Auction LB296A (15y) : 9,000 MB	11	12	13
Nov 2014	8	Auction T-bill		17	18	19	20
	15	Auction T-bill		24		26	27
	22	Auction T-bill		31		3	4
	29	Auction T-bill		7		9	10
	5	Auction T-bill		14		16	17
	12	Auction T-bill		21		23	24
	19	Auction T-bill		28		30	31
	26	Auction T-bill		3		5	6
	3	Auction T-bill		10		12	13
	10	Auction T-bill		17		19	20
Dec 2014	17	Auction T-bill		24		26	27
	24	Auction T-bill		31		3	4
	31	Auction T-bill		7		9	10
	7	Auction T-bill		14		16	17
	14	Auction T-bill		21		23	24
	21	Auction T-bill		28		30	31
	28	Auction T-bill		3		5	6
	4	Auction T-bill		11		13	14
	11	Auction T-bill		18		20	21
	18	Auction T-bill		25		27	28
Jan 2015	25	Auction T-bill		1		3	4
	1	Auction T-bill		8		10	11
	8	Auction T-bill		15		17	18
	15	Auction T-bill		22		25	26
	22	Auction T-bill		29		31	1
	29	Auction T-bill		5		7	8
	5	Auction T-bill		12		14	15
	12	Auction T-bill		19		21	22
	19	Auction T-bill		26		28	29
	26	Auction T-bill		2		4	5
Feb 2015	3	Auction T-bill		10		12	13
	10	Auction T-bill		17		19	20
	17	Auction T-bill		24		26	27
	24	Auction T-bill		3		5	6
	3	Auction T-bill		11		13	14
	10	Auction T-bill		18		20	21
	17	Auction T-bill		25		27	28
	24	Auction T-bill		3		5	6
	3	Auction T-bill		11		13	14
	10	Auction T-bill		18		20	21
Mar 2015	17	Auction T-bill		25		27	28
	24	Auction T-bill		1		3	4
	31	Auction T-bill		8		10	11
	7	Auction T-bill		15		17	18
	14	Auction T-bill		22		25	26
	21	Auction T-bill		29		31	1
	28	Auction T-bill		5		7	8
	5	Auction T-bill		12		14	15
	12	Auction T-bill		19		21	22
	19	Auction T-bill		26		28	29

Q1

Q2

Month	Day	Event / Auction	Notes
Apr 2015	1	Auction T-bill	31: Last day of submission for Baht Bond Application (2/2015)
	2	Auction T-bill	2: Baht Bond 2/FY2015
	3	Auction T-bill	3: Auction T-bill
	4	Auction T-bill	4: Auction T-bill
	5	Auction T-bill	5: Auction T-bill
	6	Auction T-bill	6: Auction T-bill
	7	Auction T-bill	7: Auction T-bill
	8	Auction T-bill	8: Auction T-bill
	9	Auction T-bill	9: Auction T-bill
	10	Auction T-bill	10: Auction T-bill
May 2015	1	Auction T-bill	1: Issue Regular Saving Bond 2/2015 (3y) : 4,000 MB (11 May - 31 Aug 15)
	2	Auction T-bill	2: Auction T-bill
	3	Auction T-bill	3: Auction T-bill
	4	Auction T-bill	4: Auction T-bill
	5	Auction T-bill	5: Auction T-bill
	6	Auction T-bill	6: Auction T-bill
	7	Auction T-bill	7: Auction T-bill
	8	Auction T-bill	8: Auction T-bill
	9	Auction T-bill	9: Auction T-bill
	10	Auction T-bill	10: Auction T-bill
Jun 2015	1	Auction T-bill	1: Auction T-bill
	2	Auction T-bill	2: Auction T-bill
	3	Auction T-bill	3: Auction T-bill
	4	Auction T-bill	4: Auction T-bill
	5	Auction T-bill	5: Auction T-bill
	6	Auction T-bill	6: Auction T-bill
	7	Auction T-bill	7: Auction T-bill
	8	Auction T-bill	8: Auction T-bill
	9	Auction T-bill	9: Auction T-bill
	10	Auction T-bill	10: Auction T-bill
Jul 2015	1	Auction T-bill	1: Auction T-bill
	2	Auction T-bill	2: Auction T-bill
	3	Auction T-bill	3: Auction T-bill
	4	Auction T-bill	4: Auction T-bill
	5	Auction T-bill	5: Auction T-bill
	6	Auction T-bill	6: Auction T-bill
	7	Auction T-bill	7: Auction T-bill
	8	Auction T-bill	8: Auction T-bill
	9	Auction T-bill	9: Auction T-bill
	10	Auction T-bill	10: Auction T-bill
Aug 2015	1	Auction T-bill	1: Auction T-bill
	2	Auction T-bill	2: Auction T-bill
	3	Auction T-bill	3: Auction T-bill
	4	Auction T-bill	4: Auction T-bill
	5	Auction T-bill	5: Auction T-bill
	6	Auction T-bill	6: Auction T-bill
	7	Auction T-bill	7: Auction T-bill
	8	Auction T-bill	8: Auction T-bill
	9	Auction T-bill	9: Auction T-bill
	10	Auction T-bill	10: Auction T-bill
Sep 2015	1	Auction T-bill	1: Auction T-bill
	2	Auction T-bill	2: Auction T-bill
	3	Auction T-bill	3: Auction T-bill
	4	Auction T-bill	4: Auction T-bill
	5	Auction T-bill	5: Auction T-bill
	6	Auction T-bill	6: Auction T-bill
	7	Auction T-bill	7: Auction T-bill
	8	Auction T-bill	8: Auction T-bill
	9	Auction T-bill	9: Auction T-bill
	10	Auction T-bill	10: Auction T-bill

Remark : Royal Ploughing Ceremony Day - waiting for an announcement



สำนักงานบริหารหนี้สาธารณะ  
PUBLIC DEBT MANAGEMENT OFFICE

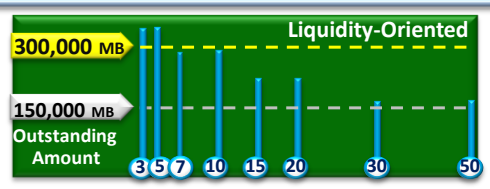
# Basic & Essentials

- Bond Market Development Strategy
- Public Debt Outstanding
- Bond Market Capitalization
- Total GOVT Debt (Direct + FIDF)
- Liquidity & Secondary Market Trading
- Baht Bond Outstanding and its Market Share
- Non-Resident Holding in Domestic Bond

# Domestic Bond Market in Transition

- ✓ Funding Infrastructure Investment
- ✓ Connecting ASEAN

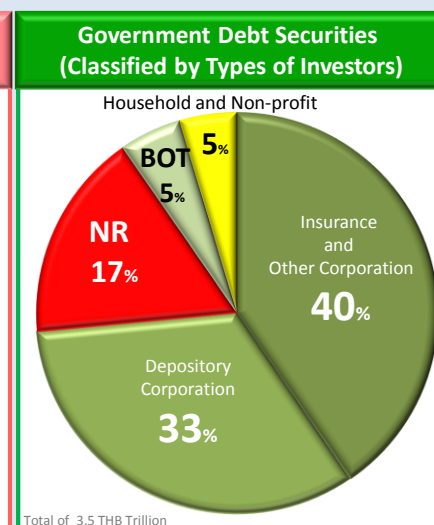
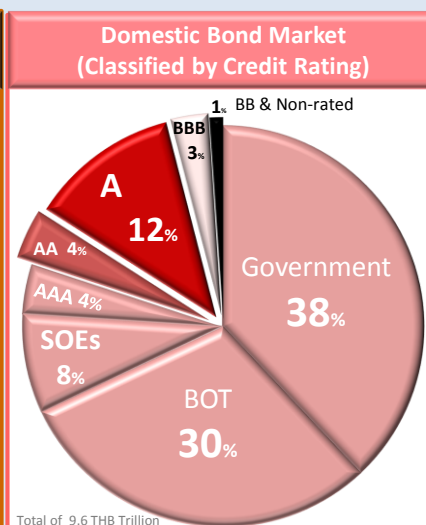
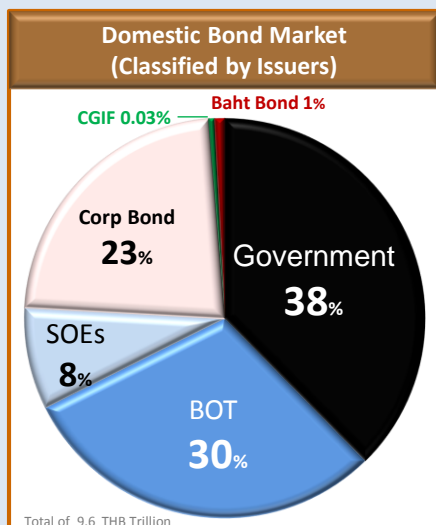
	Market Deepening Oriented (2010 - 2012)	Funding Infrastructure Investment Connecting ASEAN (2013 - 2016) <span style="background-color: yellow;">Ongoing Project</span>
Sustainable Source of Fund	<ul style="list-style-type: none"> <li>Water Decree (350,000 THB Mil.)</li> <li>Thai Khem Khang (350,000 THB Mil.)</li> </ul>	<ul style="list-style-type: none"> <li>2,000,000 THB Mil. Long-Term Infrastructure Inv't</li> <li>2,400,000 THB Mil. Long-Term Infrastructure Inv't</li> <li><b>Full Funding Capacity : 1,150,000 THB Mil.</b></li> </ul>
Regional Connectivity / AEC	<ul style="list-style-type: none"> <li>Baht Bond (Foreign Issuers Bond)</li> </ul>	<ul style="list-style-type: none"> <li>Credit Guarantee Investment Facility (CGIF)</li> <li><b>Foreign Currency Bond</b></li> <li><b>Baht Bond (CLMV)</b></li> </ul>
Debt Folio Enhancement	<ul style="list-style-type: none"> <li>ATM Lengthened</li> <li>Cost Lowered</li> <li>FIDF Decree Passed = 70,000 THB Mil. Fiscal Space</li> </ul>	<ul style="list-style-type: none"> <li>Well-Distributed Investor Base</li> <li>Well-Balanced Fixed-Floating Ratio</li> <li><b>Well-Distributed Maturity Profile / Bond Switching</b></li> </ul>
Market Infrastructure	<ul style="list-style-type: none"> <li>Appointed 14 MOF-Outright PD</li> <li>Activated Public Debt Management Fund</li> </ul>	<ul style="list-style-type: none"> <li><b>Bond Switching (1<sup>st</sup> execution: 28 Nov 14)</b></li> <li><b>Strengthening PD system</b> (Exclusivity, League Table, Greenshoes Option)</li> <li><b>STRIPS Bond</b></li> </ul>
Innovation / Product Development	<ul style="list-style-type: none"> <li>Inaugural 10-yr Inflation-Linked Bond (10-yr)</li> <li>Long-term Fixed Promissory Notes (25-35-45-yr)</li> <li>Electronic Retail Savings Bond (3-5-yr)</li> </ul>	<ul style="list-style-type: none"> <li>Scripless Retail Savings Bond → Liquidity</li> <li>Super- Size Inaugural 25-yr Back-End Amortized Bond</li> <li><b>Re-open ILB 7-yr or Launch ILB-30yr</b></li> <li><b>STRIPS Transaction</b></li> </ul>
Market Consultation	<ul style="list-style-type: none"> <li>Annual PDMO Market Dialogue</li> <li>Quarterly PDMO one-on-one PD Dialogue</li> </ul>	<ul style="list-style-type: none"> <li>Annual PDMO Market Dialogue</li> <li>Quarterly PDMO one-on-group "MOF Outright PD" Dialogue</li> </ul>



FY 2007-10	30-yr Benchmark Bond	<ul style="list-style-type: none"> <li>Lengthen average-time-to-maturity of <u>Total Government Debt Portfolio</u></li> <li>Meet Long-term investors' demand</li> </ul>			
	Floating Rate Bond	<ul style="list-style-type: none"> <li>Increase floating debt ratio of Total Government Debt Portfolio</li> <li>Promote BIBOR (Bangkok Interbank Offered Rate)</li> </ul>			
	Step-up Savings Bond	<ul style="list-style-type: none"> <li>Broaden investor base – Retail investors</li> <li>Low interest burden at the initial periods of bond</li> </ul>			
FY 2011	Fixed Rate Promissory Note	<ul style="list-style-type: none"> <li>Broaden investor base – Insurance / Long-term investors</li> <li>Non-Benchmark tenors</li> </ul>			
	50-yr Benchmark Bond	<ul style="list-style-type: none"> <li>Combat low interest rate + Lengthen average time-to-maturity</li> <li>4<sup>th</sup> country in the world (1<sup>st</sup>: UK 2<sup>nd</sup>: France 3<sup>rd</sup>: China)</li> </ul>			
	10-yr Inflation-Linked Bond (ILB)	<ul style="list-style-type: none"> <li>Strong anti-inflationary signal</li> <li>Deepen the Development of the Bond market</li> <li>1<sup>st</sup> country in Emerging Asian Economies</li> </ul>			
	Electronic Retail Savings Bond	<ul style="list-style-type: none"> <li>Lower Minimum Amount to Purchase / Offer throughout the year</li> <li>Develop the retail bond into an electronic form → Scripless System</li> <li>Can be purchased via ATM, in addition of Bank Retail Branches</li> </ul>			
FY 2012-2016	Amortized Bond	<ul style="list-style-type: none"> <li>Suitable financing instrument for the government's investment mega-project in the form of PPP</li> <li>Pay back the bond principal by installments → Promote the government's fiscal discipline</li> </ul>			
	Bond Switching & Consolidation	<ul style="list-style-type: none"> <li>Allow both issuer and investors to improve their portfolio</li> <li>Larger outstanding size + Less bond series → Enhance liquidity in the secondary market</li> </ul>			
	Upgrade PD Privileges	PDDF Activated (Public Debt Restructuring and Domestic Bond Market Development Fund)	15-yr ILB 30-yr ILB	Baht Bond	CGIF Activated (Credit Guarantee and Investment Facility)

## Equilibrium of Domestic Bond Market

Issuers	<ul style="list-style-type: none"> <li>76 percent of Thailand's debt securities are issued by Government, Bank of Thailand and State-Owned Enterprises</li> </ul>
Credit Rating	<ul style="list-style-type: none"> <li>99 percent of Thailand's debt securities are classified as Investment Grade</li> </ul>
Investors	<ul style="list-style-type: none"> <li>Thailand's government debt securities are held by a wide group of investor types</li> </ul>



Source : ThaiBMA (End of June 2015)

Source : ThaiBMA (End of June 2015)

Source : BOT (End of May 2015)

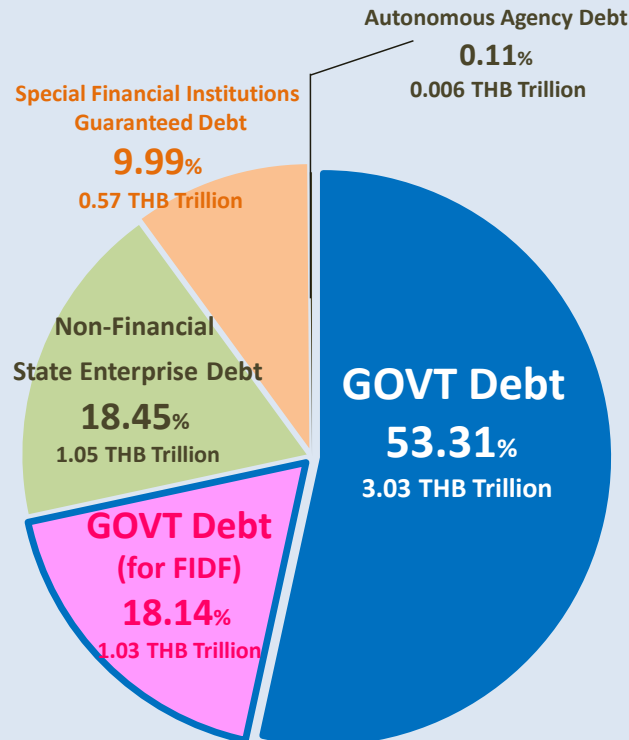
# Public debt Outstanding (as of June 2015) = 5.69 THB Trillion (42.58% of GDP)

## Components of Public Debt

Units : THB Mil.

1. Government Debt (excluded FIDF)	3,031,854*
2. Government Debt (for FIDF)	1,031,568
3. Non-Financial State Enterprise Debt	1,049,090
4. Special Financial Institutions Guaranteed Debt	568,364
5. Autonomous Agency Debt	6,132
<b>Public Debt Outstanding</b>	<b>5,687,008</b>

\*including 75,393 THB Mil. of External Debt



Source : Information Technology Centre, PDMO





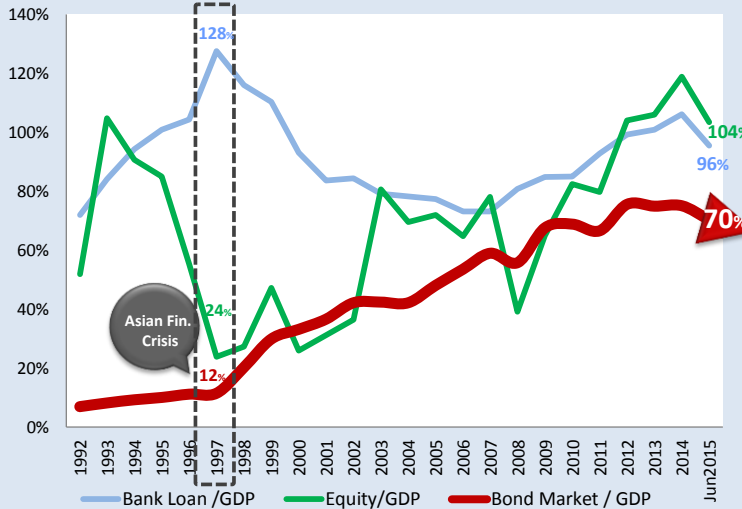
**Bond Market Cap. = 9.6 THB Trillion**

(\$286 Bil.)\*

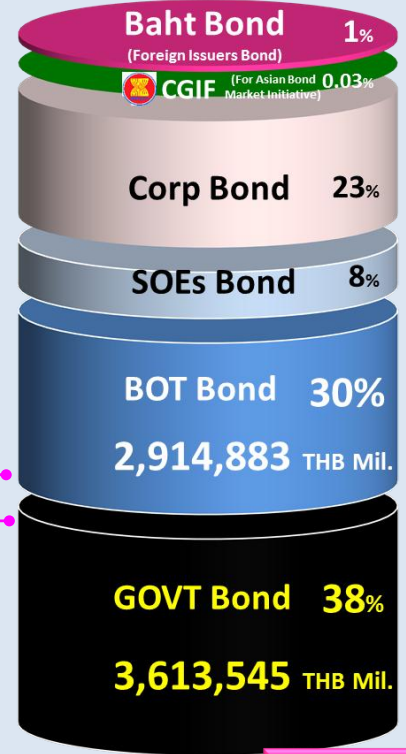
**GOVT Bond = 3.6 THB Trillion**

(\$108 Bil.)\*

% Share of GDP



**Domestic Bond Market Classified by Issuer**



End of June, 2015

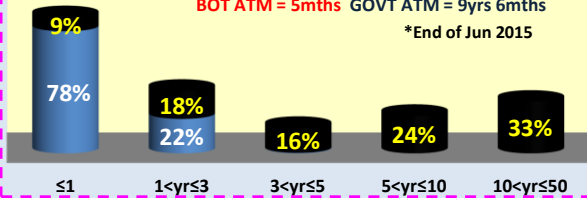
\*Source: BOT Exchange rate as End of Jun 2015

**Maturity Profile**

**BOT vs GOVT Bond**

BOT ATM = 5mths GOVT ATM = 9yrs 6mths

\*End of Jun 2015



**Full Capacity\* of All Government Funding Instruments**

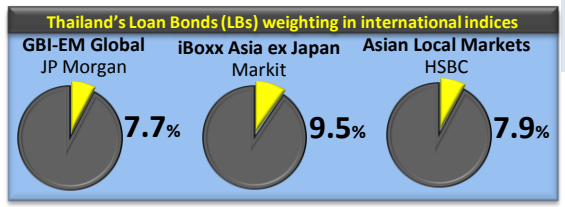
\* Under favorable market liquidity + using All funding instruments

**1,150,000 THB Mil. per Year**

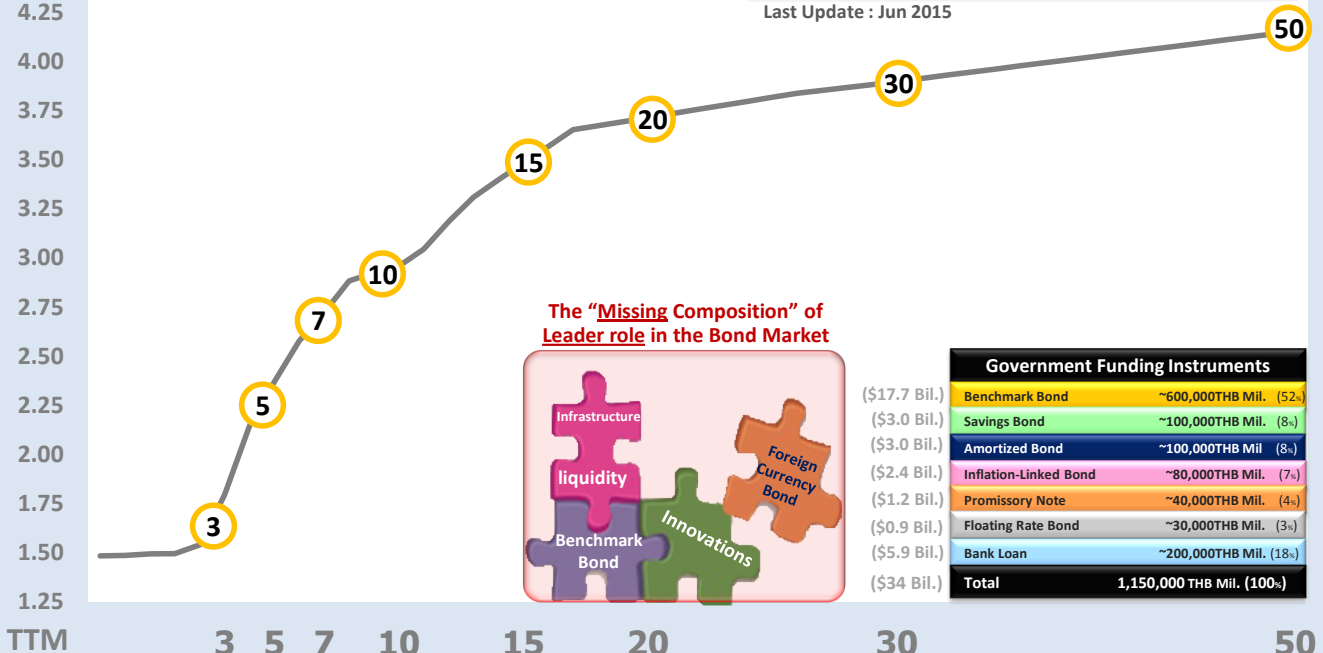
(\$34 Bil.)\*\*

Term	Capacity (THB Mil.)	Value (\$ Bil.)**
LB 3 yrs	150,000	(\$4.4 Bil.)**
LB 5 yrs	120,000	(\$3.5 Bil.)
LB 7 yrs	80,000	(\$2.4 Bil.)
LB 10 yrs	80,000	(\$2.4 Bil.)
LB 15 yrs	60,000	(\$1.8 Bil.)
LB 20 yrs	60,000	(\$1.8 Bil.)
LB 30 yrs	30,000	(\$0.9 Bil.)
LB 50 yrs	20,000	(\$0.6 Bil.)

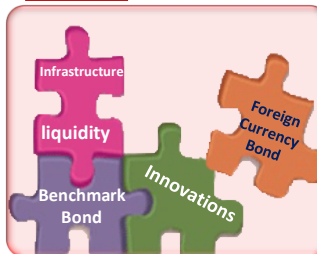
Benchmark Bond



Last Update : Jun 2015



The "Missing Composition" of Leader role in the Bond Market



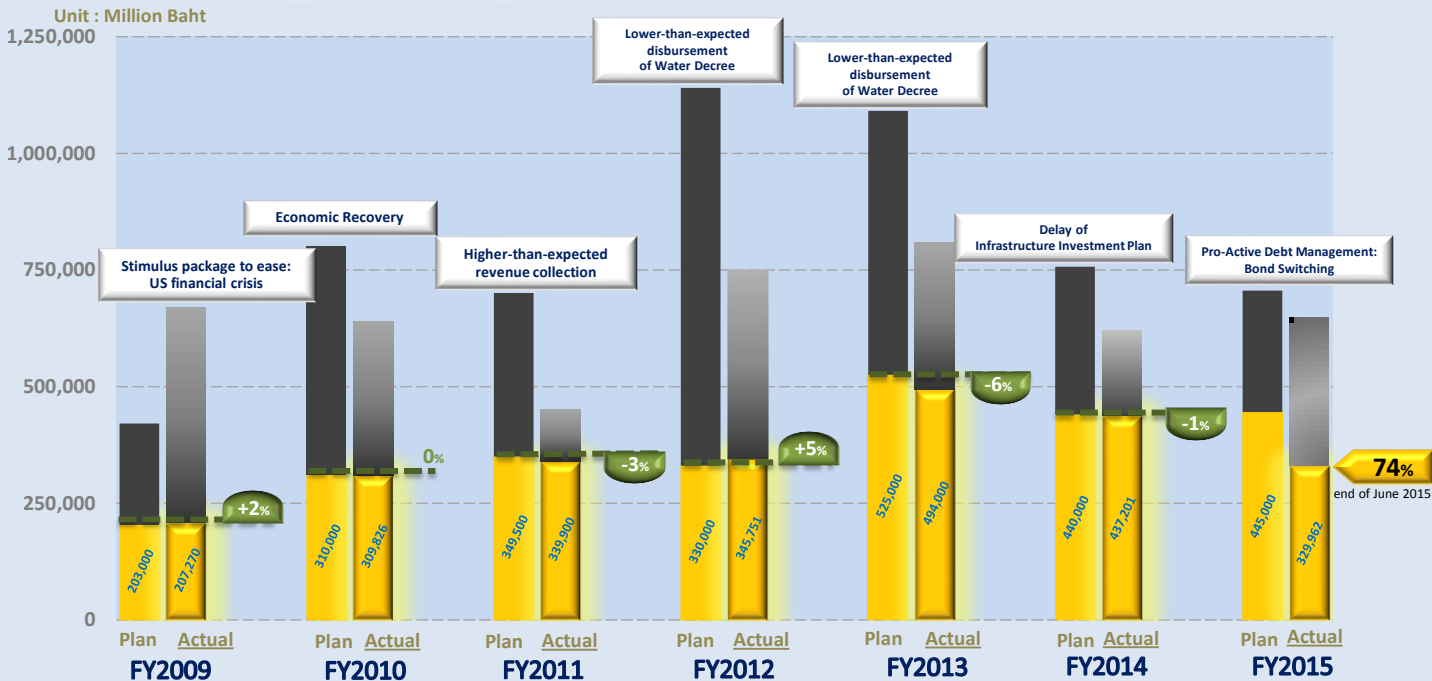
Government Funding Instruments		
(\$17.7 Bil.)	Benchmark Bond	~600,000 THB Mil. (52%)
(\$3.0 Bil.)	Savings Bond	~100,000 THB Mil. (8%)
(\$3.0 Bil.)	Amortized Bond	~100,000 THB Mil. (8%)
(\$2.4 Bil.)	Inflation-Linked Bond	~80,000 THB Mil. (7%)
(\$1.2 Bil.)	Promissory Note	~40,000 THB Mil. (4%)
(\$0.9 Bil.)	Floating Rate Bond	~30,000 THB Mil. (3%)
(\$5.9 Bil.)	Bank Loan	~200,000 THB Mil. (18%)
(\$34 Bil.)	<b>Total</b>	<b>1,150,000 THB Mil. (100%)</b>

Source: ThaiBMA Government Bond Yield Curve (End of Jun 2015)

\*\*Source: BOT Exchange rate (End of Jun 2015)

# 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 Benchmark Bonds :** Standard Loan Bond (LB) tenors 5-10-15-30-50yr (in FY 2015) + Innovative Products : Inflation-linked Bond (ILB) + Amortized Bond (LBA)  
 Regular issuance/ Consultation with PDs/ Pre-announced auction table

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

*Trust & Confidence*

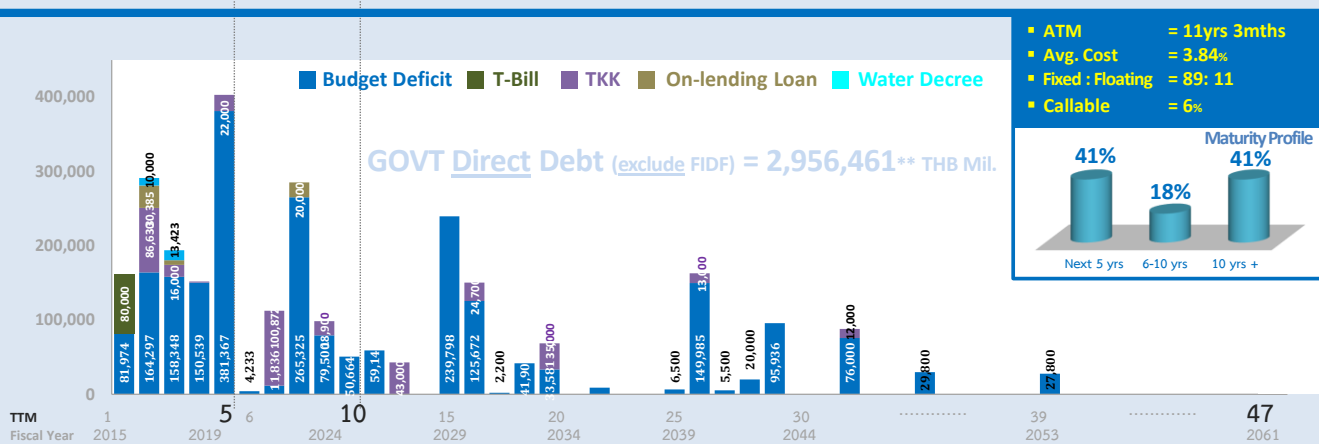
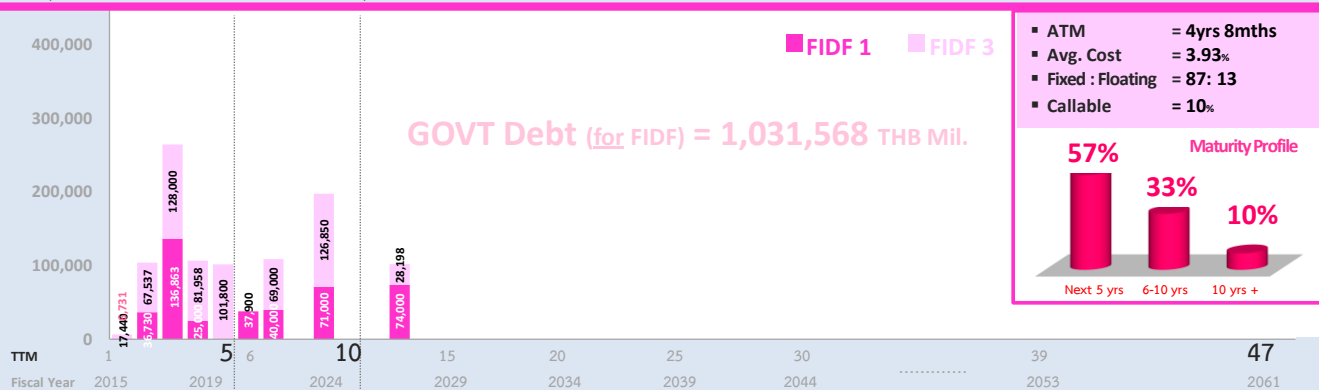
# Total Domestic GOVT Debt = 3.99\* THB Trillion

\* Excluding 75,393 THB Mil. of Foreign Debt

- Average-Time-to-Maturity (ATM) = 9yrs6mths
- Average Cost = 3.87%
- Fixed : Floating = 88 : 12

As of May 2015

Assumptions : 6 months BIBOR = 1.79%, 6 months Fixed Deposit Rate = 1.23%, Inflation = -1.27%



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

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

Note : Government Direct Debt = 2.96 THB Million (exclude FIDF)

As of Dec 2007

As of May 2015

Average-Time-to-Maturity **LENGTHENED** by 6yrs

ATM  
5yrs 3mths

ATM  
11yrs 3mths

Avg. Cost **LOWERED** by 66 bps.  
(While ATM Lengthened by 6yrs)

Avg. cost  
4.5%

Avg. cost  
3.84%

Well-Balanced Fixed/Floating Ratio  
(Target : Fixed/Float ratio = 85 : 15)

Floating 10%

Fixed  
90%

Floating 11%

Fixed  
89%

Well-Distributed Maturity Profile

(Maturing Debt in the next 5 yrs is less than 50% of Total Debt)

54%  
28%  
18%

next 5 yrs year 6-10 10 yrs +

41%  
18%  
41%

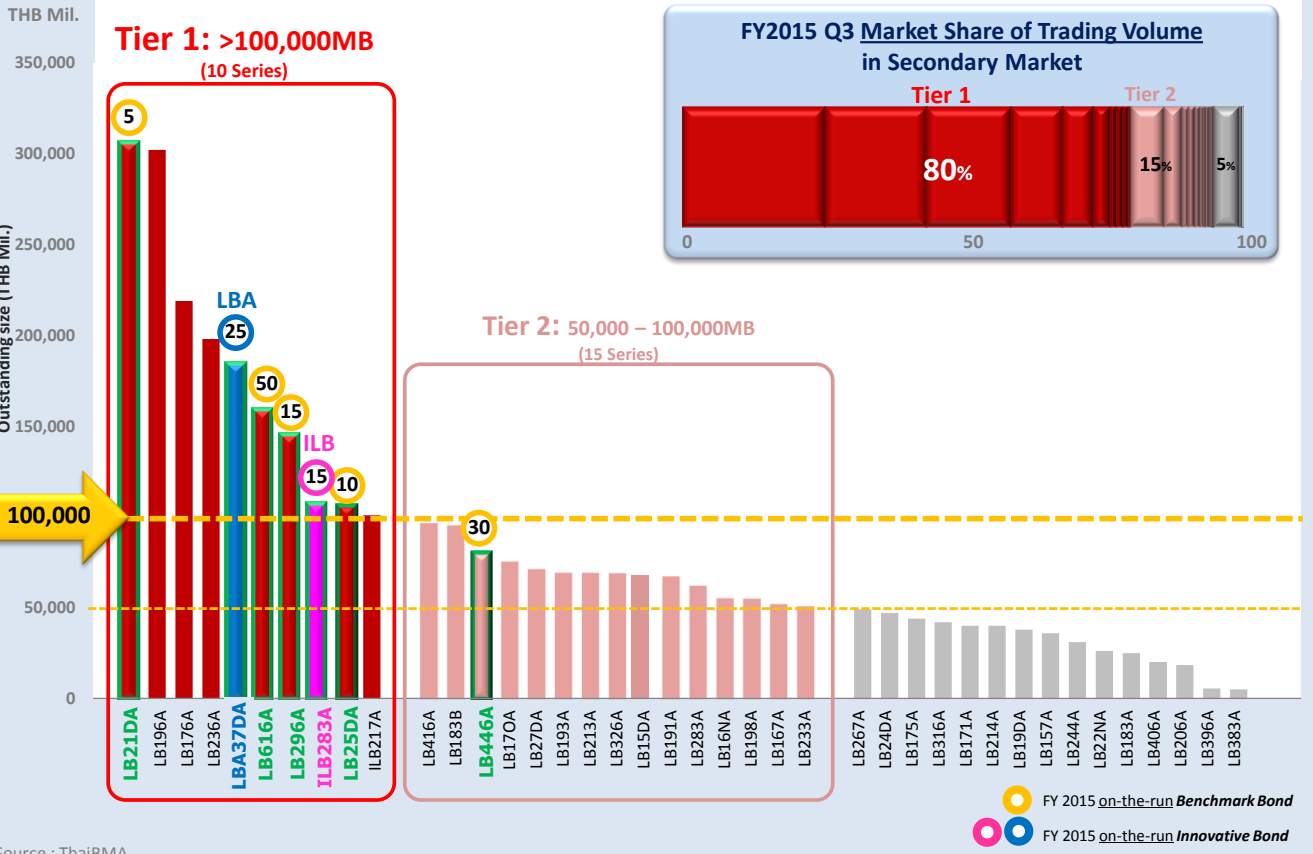
next 5 yrs year 6-10 10 yrs +

# Total GOVT Bond = 40 Series

(End of June 2015)

Tier 1 > 100,000 THB Mil. in Size (80% of Trading Volume)

Tier 2 > 50,000 THB Mil. in Size (15% of Trading Volume)

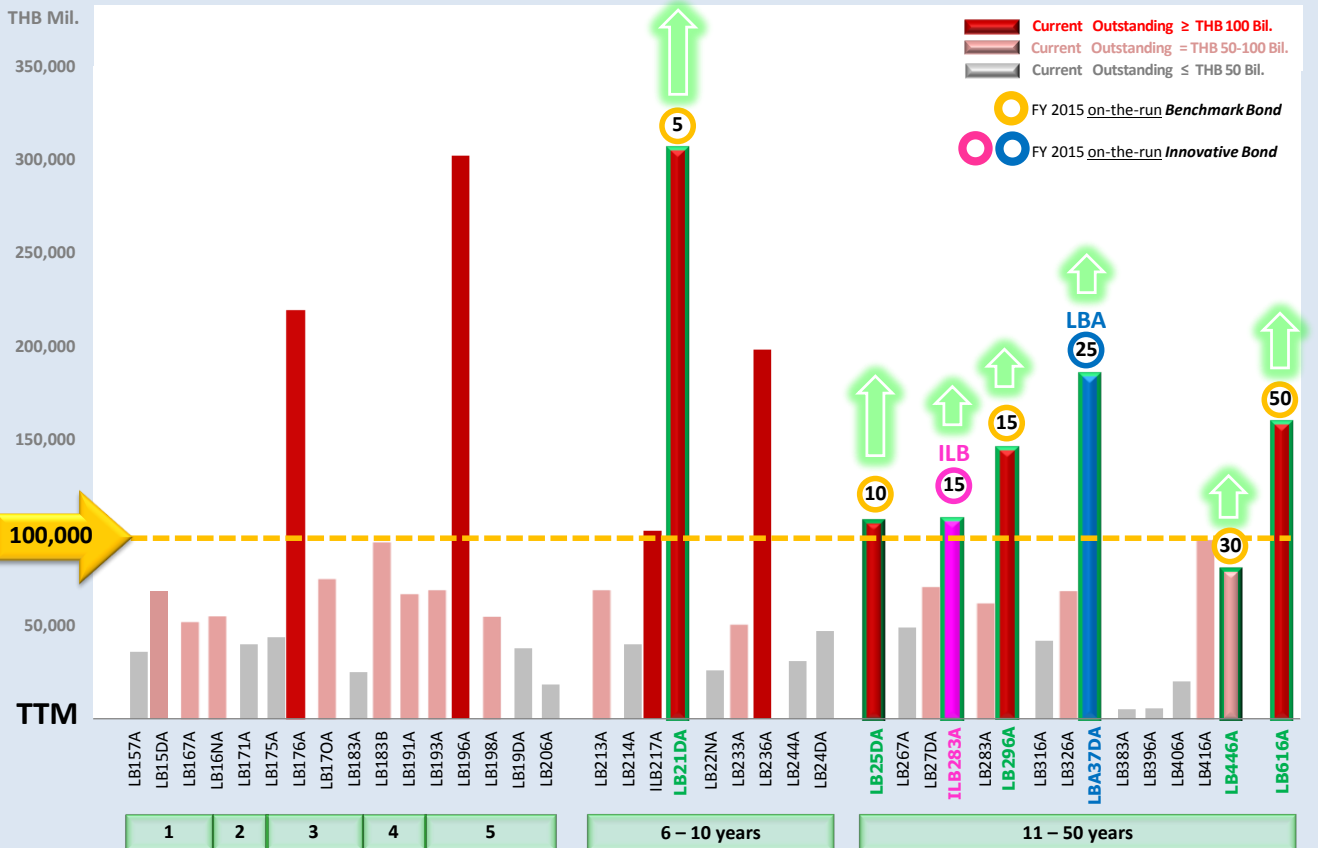


# Well-Distributed Bond Maturity Profile

(End of June 2015)

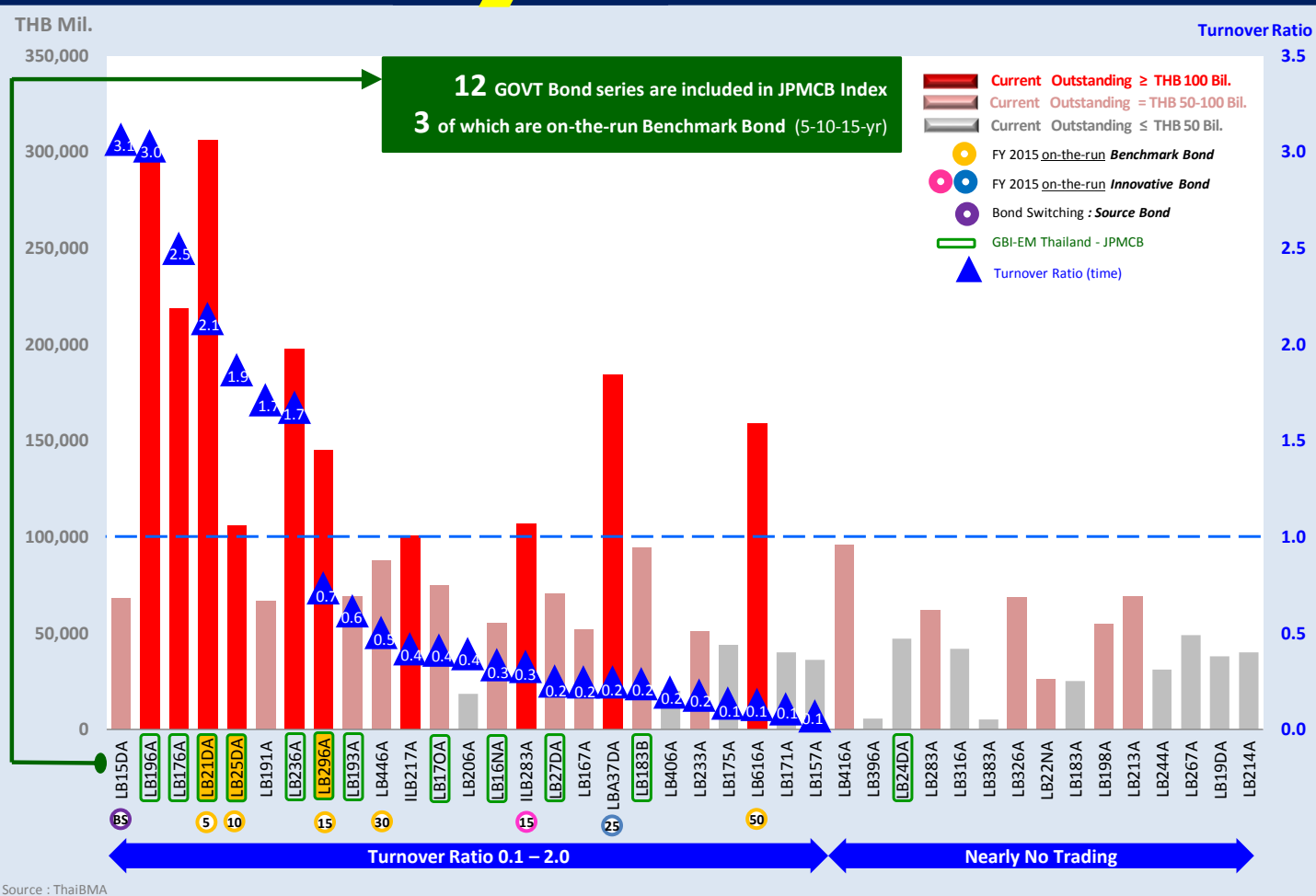
The outstanding size of loan bond maturing in the next 5 years

is 1,257,041 THB Mil. (38% of Total GOVT Bond)



**FY2015 Secondary Trading Volume**  
 Classified by **Turnover Ratio**  
 As of June 2015

Top 10 Turnover Ratio includes 3 series of **on-the-run Benchmark Bond**  
 ( 5-10-15-yr )



Source : ThaiBMA

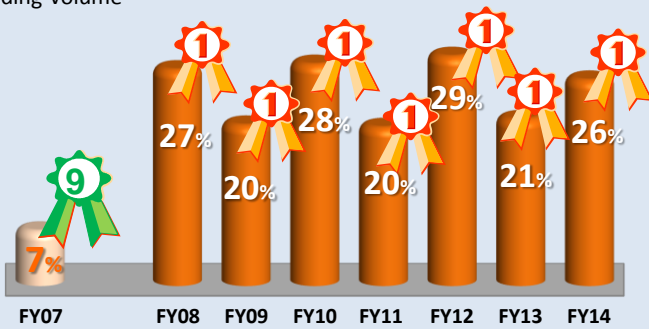
# FY2008-FY2014 Key Success Indicators

1. Trading Volume
3. Demand Concentration

2. Turnover Ratio
4. Auction Price

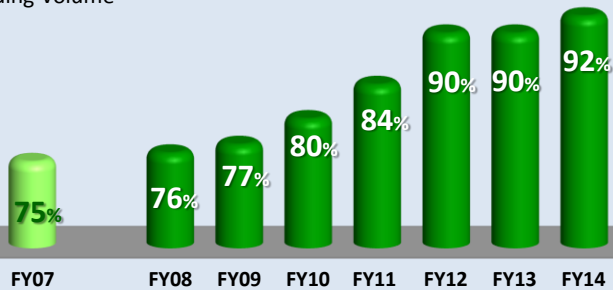
**Benchmark Bond 5 yrs and Below** : Highest secondary trading volume in every year

Unit: % Share of Market Trading Volume



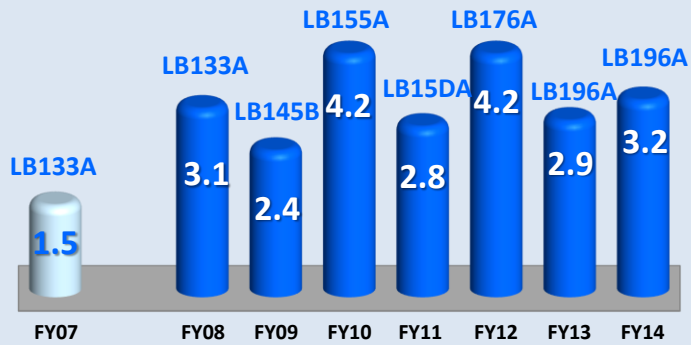
**Top 10 GOVT Bond Series** : Accounted for 90% of all GOVT bond trading volume in secondary market

Unit: % Share of Secondary Trading Volume



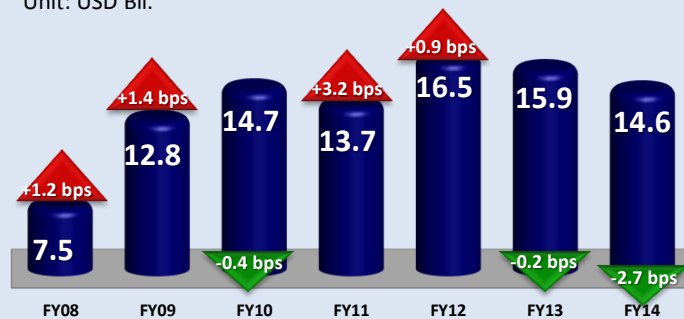
**5-yr Benchmark Bond's Higher Turnover Ratio** : Even with higher outstanding size, turnover ratio is still more than 2 times

Unit: Times

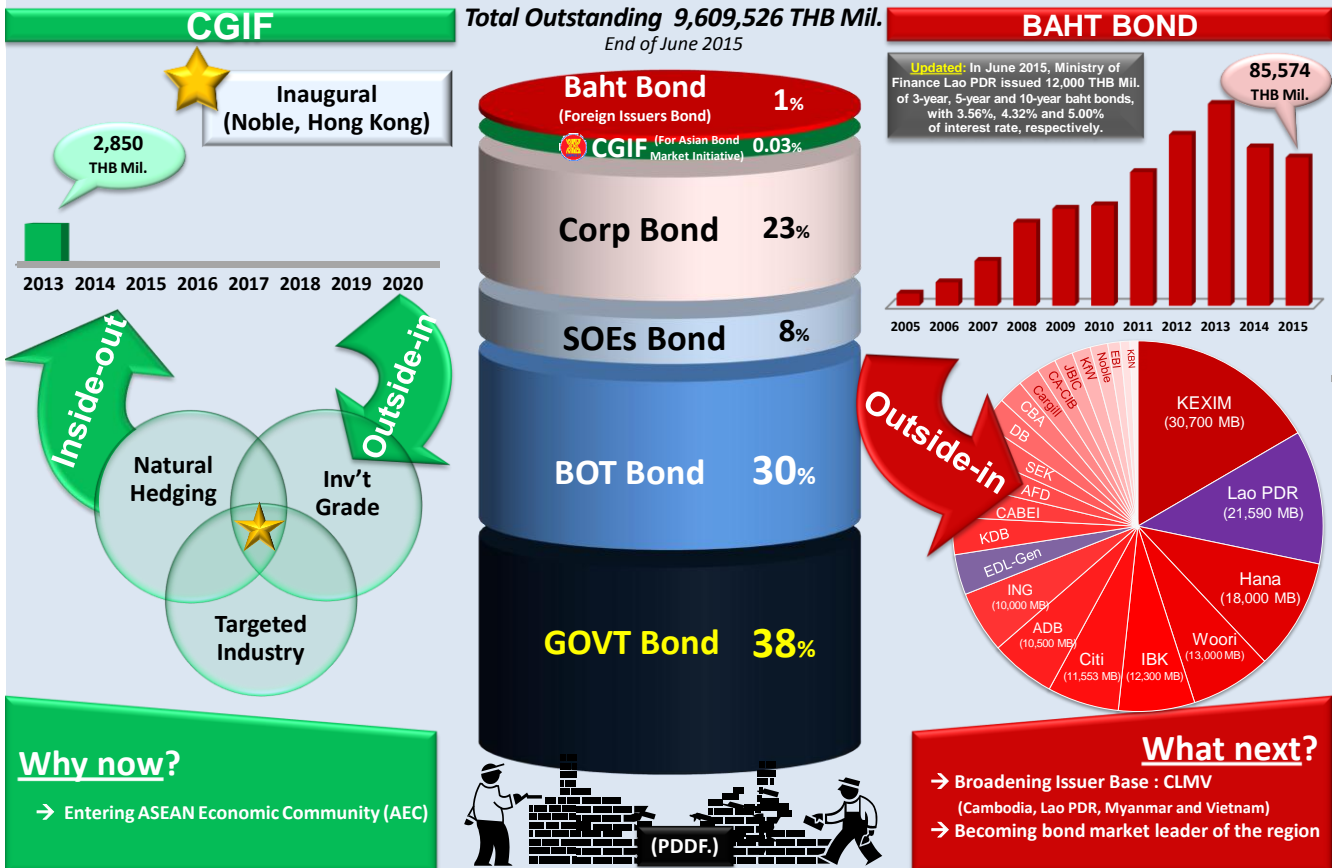


**Well-Developed Benchmark Bond Pays Off** : Even with greater size of issuance, the cost of funding is still at market rate

Unit: USD Bil.

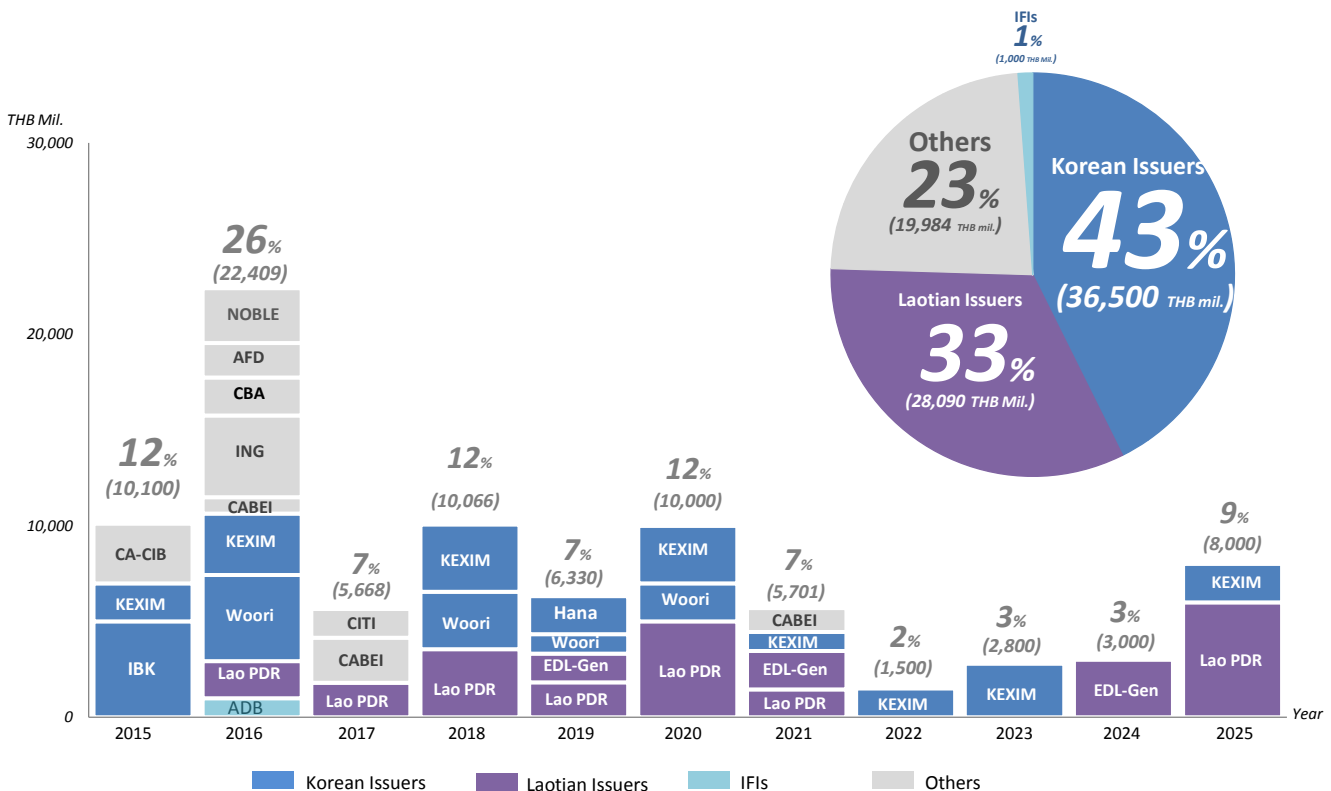


# Linking CGIF & BAHT BOND to the Development of Bond Market



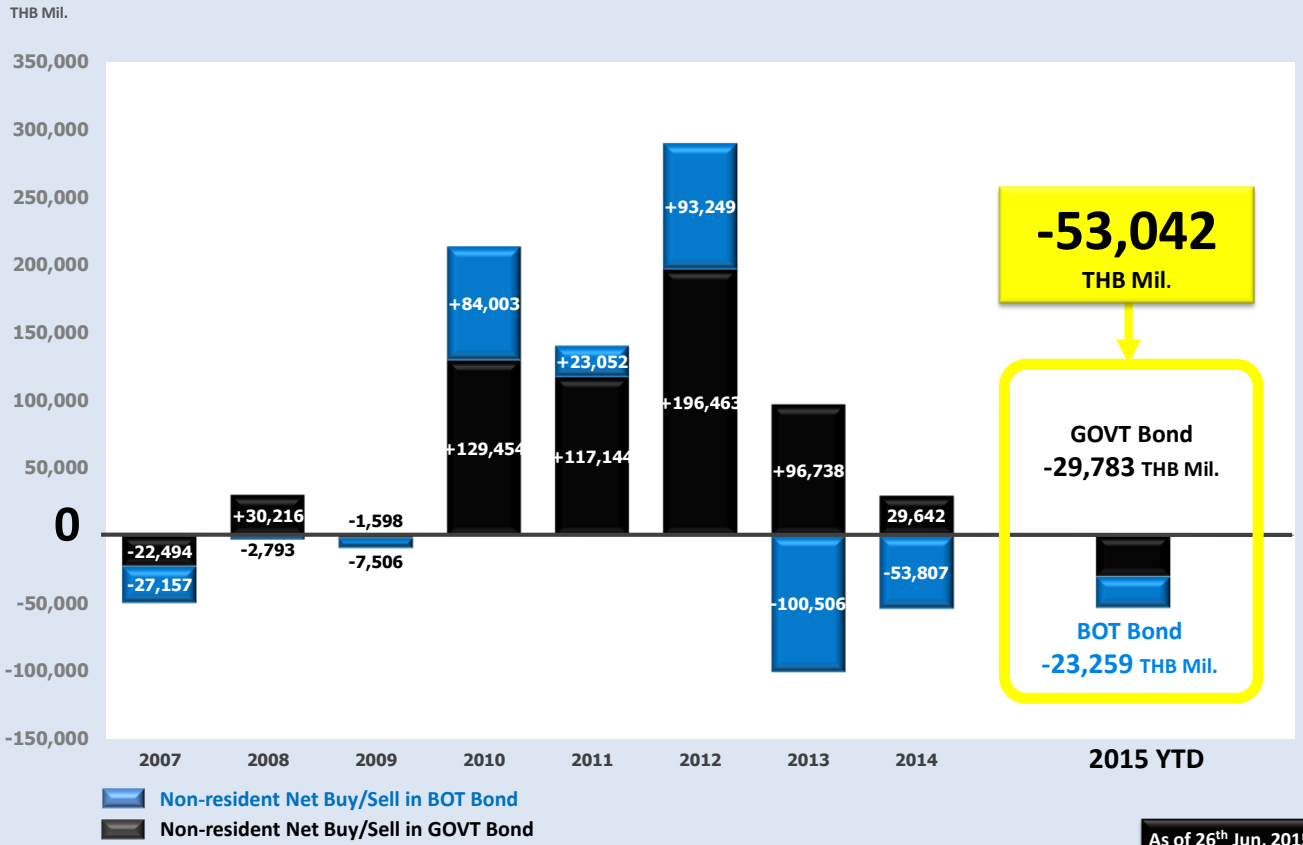
## Baht Bond Outstanding (as of June 2015)

**85,574 THB Mil.**



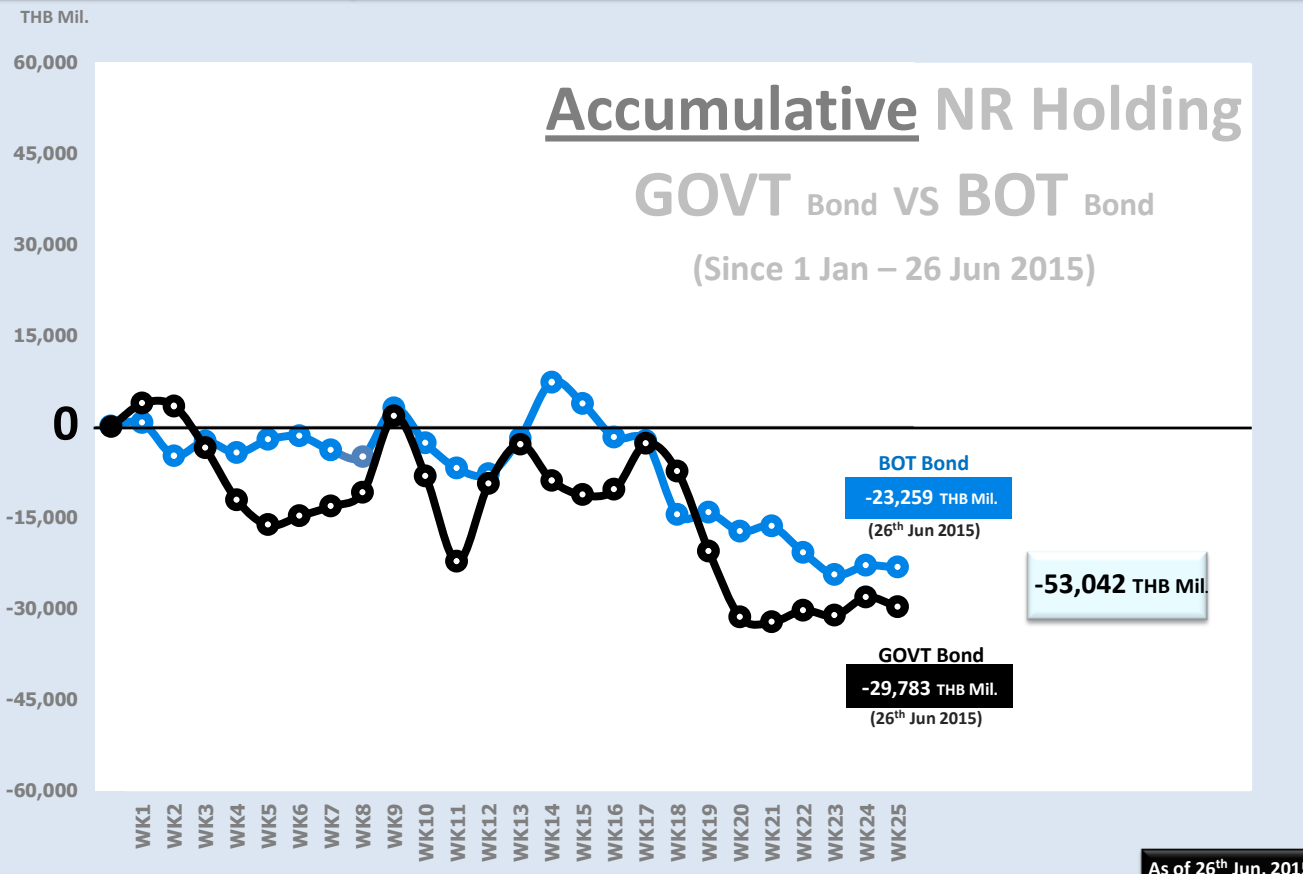
# Annual Capital Flow classified by GOVT & BOT Bond (2007 – 2015)

**-53,042 THB Mil.**  
(2015YTD)



## 2015 Weekly (The past 25 weeks)

## Net Change in Non-resident Holding (YTD) BOT Bond vs GOVT Bond



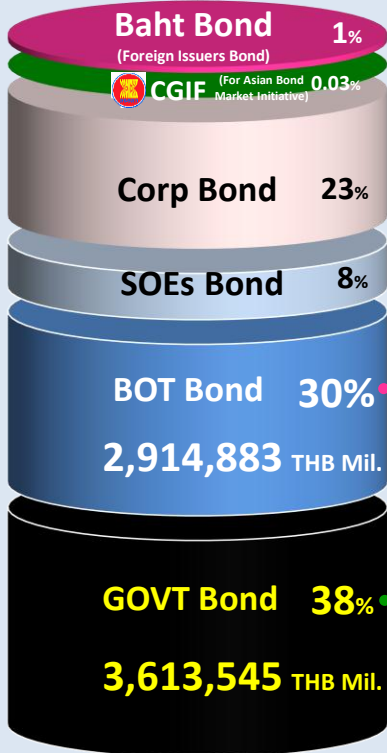


**2015 Outstanding**

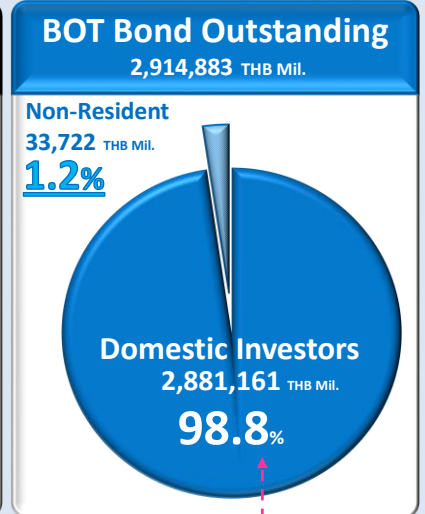
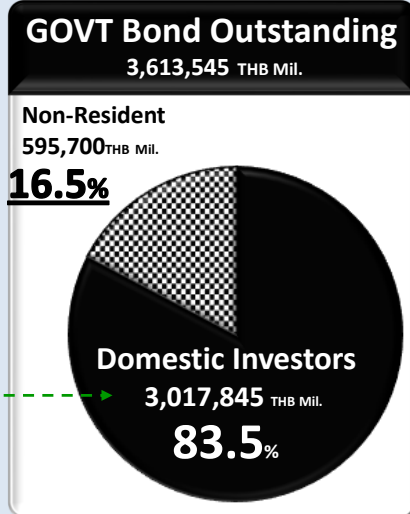
**Non-Resident Holding in THB Bond = 630,304 THB Mil.**

**6.56%**  
of Bond Market Cap.

Thai Bond Market Cap.  
=9,609,526 THB Mil.



Issuer	Non-Resident Holding (THB Million)	% Share of Thai Bond Market Cap.
GOVT Bond	595,700	6.20%
BOT Bond	33,722	0.35%
SOE Bond	-	-
Corp Bond	882	0.01%
<b>TOTAL</b>	<b>630,304</b>	<b>6.56%</b>



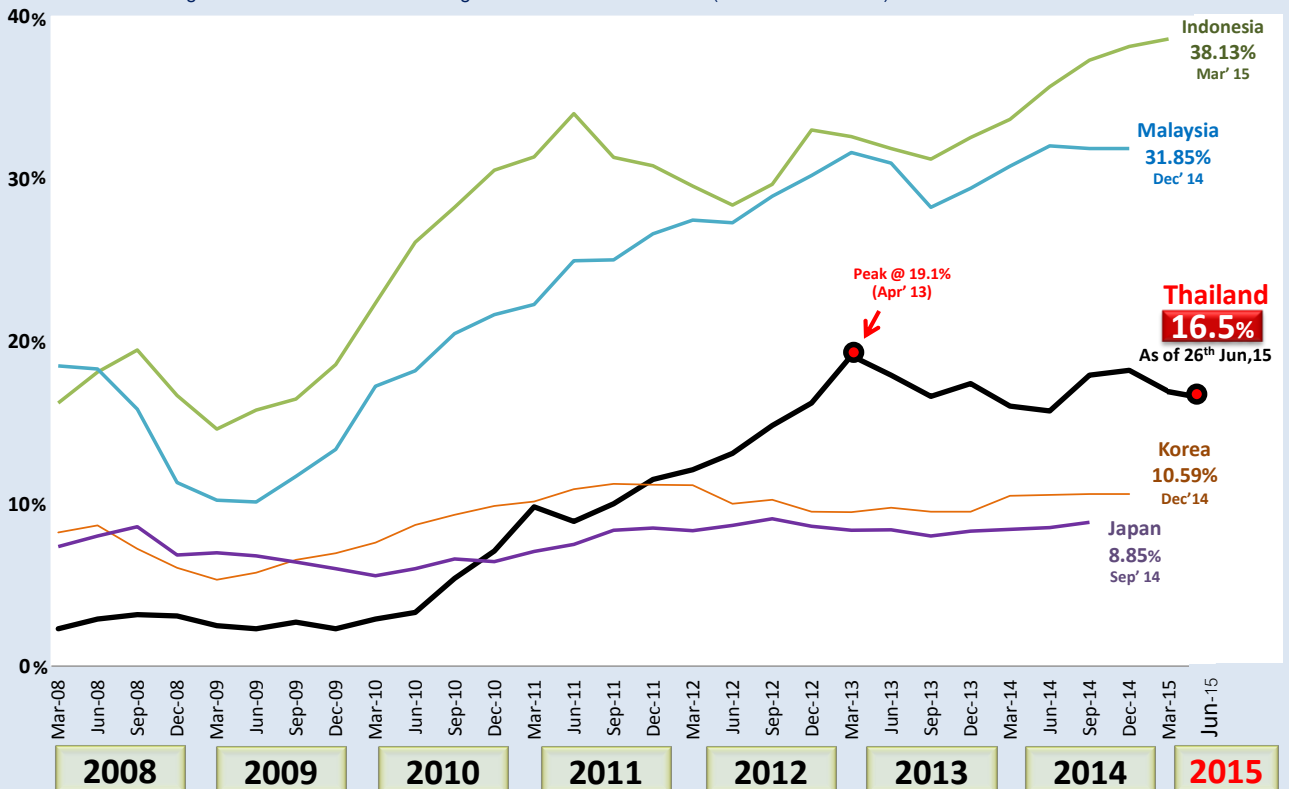
As of 26<sup>th</sup> Jun, 2015

**Peers Comparison**

Non-Resident Holding in Thai GOVT Bond is **595,700 THB Mil.**

or **16.5%** of Total GOVT Bond Outstanding

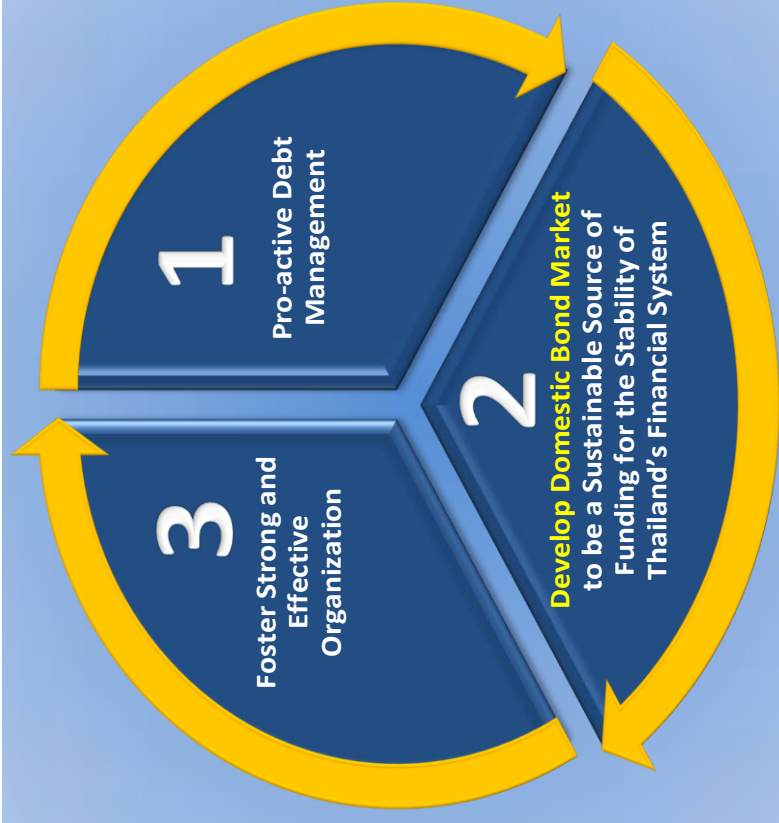
Percentage share of Non-resident Holding in Local Government Bond (Mar 2008 - Present)



**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

# Director-General

**Bond Market Advisor**

**Ace Viboolchareern**  
Acting Public Debt Advisor

**Public Debt Advisor**

**Wisut Chanmanee**  
Acting Bond Market Advisor

**Deputy Director-General**

**Ace Viboolchareern**

**Deputy Director-General**

**Theeraj Athanavach**

**Internal Audit Group**

**Public Sector Development Group**

**Legal Advisory Group**

**Information Technology Center**

**Debt Management Bureau 1**

**Wisut Chanmanee**  
Executive Director

**Debt Management Bureau 2**

**Teeralak Sangsrit**  
Executive Director

**Policy and Planning Bureau**

**Sunee Eksomtramate**  
Executive Director

**Bond Market Development Bureau**

**Pimpem Ladpli**  
Acting Executive Director

**Public Infrastructure Project Financing Bureau**

**Anchana Wongsawang**  
Acting Executive Director

**Public Infrastructure Project Management and Evaluation Bureau**

**Jindarat Viriyataveekul**  
Executive Director

**Payment Administration Bureau**

**Sirasa Kanpittaya**  
Executive Director

**Office of the Secretary**

**Ekaraj Khuankhunsathid**  
Secretary

**Bond Market Development**

**Pimpem Ladpli, Senior Expert**



**Government Bond Market Development Division**

**Nattakarn Boonsri, Director**

**Economist**

**Phimonphan Tanwattana**

**Economist**

**Sittan Sathianphattanakool**

**Fund Management and Bond Market Infrastructure Development Division**

**Paroche Hutachareon, Director**

**Senior Economist**

**Siree Jongdee**

**Senior Economist**

**Chakrit Phothisuk**

**International Bond Market Policy Division**

**Nakarin Prompat, Acting Director**

**Economist**

**Puttipong Kanna**

**Economist**

**Chotika Uesampantakit**

**Financial Product Development Division**

**Sophida Sritomya, Director**

**Economist**

**Pothirat Kijrsropak**

**Economist**

**Chanikarn Chaiyasena**

**Economist**

**Wanthanee Phongam**

**Economist**

**Phacharaporn Khotnarin**

**Economist**

**Phacharaporn Khotnarin**



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