



สำนักงานบริหารหนี้สาธารณะ
PUBLIC DEBT MANAGEMENT OFFICE

Launching of Thailand's First Inflation Linked Bond

20th – 25th June 2011

London – UK, SG, HK

Last Updated: July 4th , 2011

Disclaimer

Public Debt Management Office, Ministry of Finance - Thailand

The information contained in this presentation is for informational purposes only and does not constitute an offer or invitation to sell or the solicitation of an offer or invitation to purchase or subscribe for THB inflation linked bonds (the “ Bonds”) issued by the Ministry of Finance of the Kingdom of Thailand in the United States, Thailand or any other jurisdiction nor should it or any part of it form the basis of, or be relied upon in any connection with, any contract or commitment whatsoever.

This presentation is confidential and is intended only for the exclusive use of the recipients thereof and may not be reproduced (in whole or in part), retransmitted, summarized or distributed by them to any other persons.

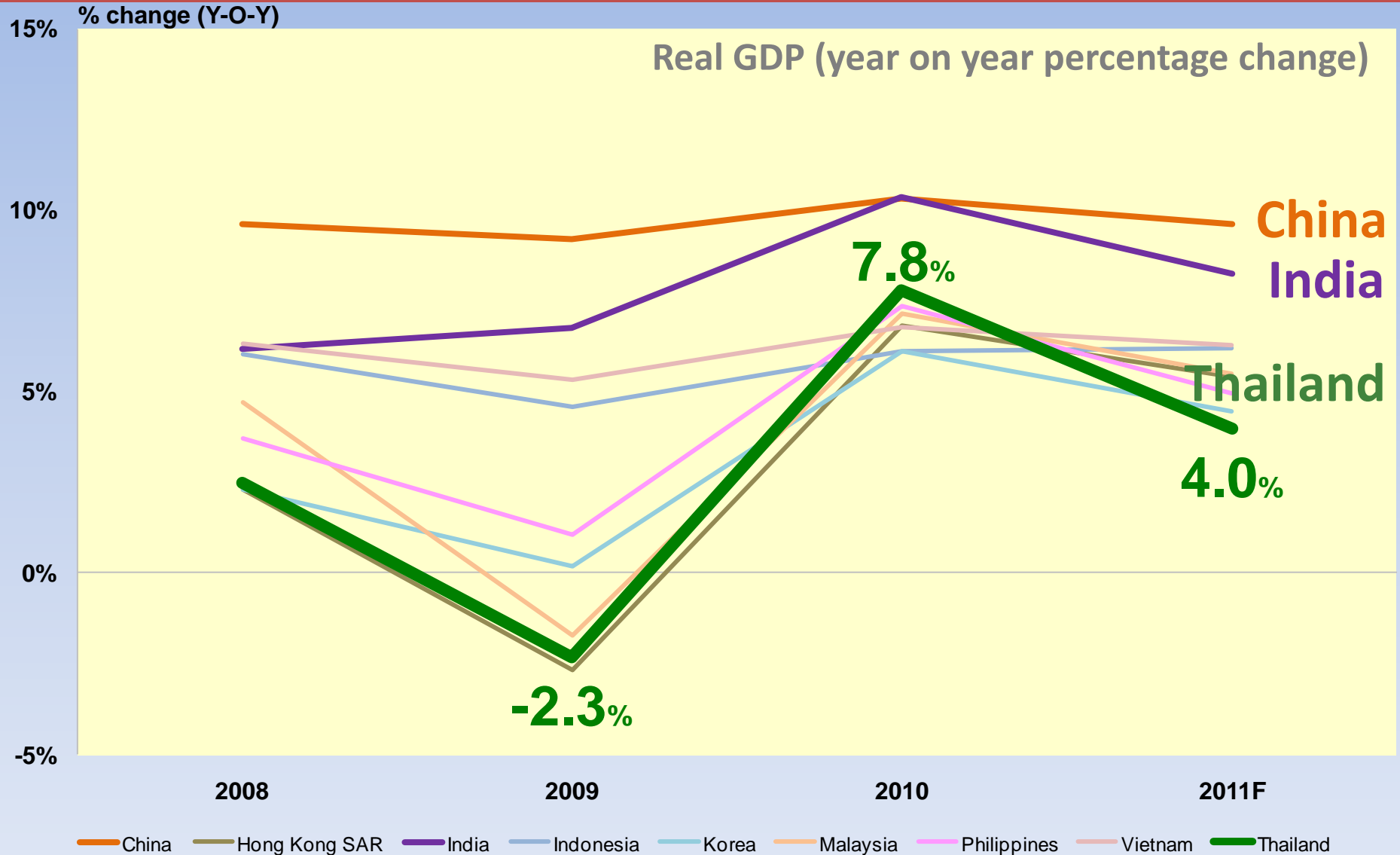
None of The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch Krung Thai Bank Public Company Limited, The Siam Commercial Bank Public Company Limited and Kasikornbank Public Company Limited (together, the “the Joint Lead Managers”) or the Issuer nor any of their holding companies, subsidiaries, affiliates, associated undertakings or controlling persons, nor any of their respective directors, officers, partners, employees, agents, representatives, advisers or legal advisers makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this document or otherwise made available nor as to the reasonableness of any assumption contained herein or therein, and any liability therefore (including in respect of direct, indirect or consequential loss or damage) is expressly disclaimed. Nothing contained herein or therein is, or shall be relied upon as, a promise or representation, whether as to the past or the future and no reliance, in whole or in part, should be placed on, the fairness, accuracy, completeness or correctness of the information contained herein. None of the Joint Lead Managers, the Issuer or their subsidiaries or affiliates has independently verified, approved or endorsed the material herein, or undertakes to update or revise any information subsequent to the date hereof, whether as a result of new information, future events or otherwise.

This presentation may contain forward-looking statements that may be identified by their use of words like “plans”, “expects”, “will”, “anticipates”, “believes”, “intends”, “depends”, “projects”, “estimates” or other words of similar meaning and that involve risks and uncertainties. Forward-looking statements are based on certain assumptions and expectations of future events. None of the Joint Lead Managers or the Issuer can guarantee that these assumptions and expectations are accurate or will be realized. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. You are cautioned not to place undue reliance on these forward looking statements. None of the Joint Lead Managers or the Issuer assumes any responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events, or otherwise.

These materials may not be taken or transmitted or distributed, directly or indirectly, to a U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the “Securities Act”)) or to any officer, employee or affiliate of a U.S. person located in the United States or any of its territories. It may be unlawful to distribute these materials in certain jurisdictions.

Thailand's stimulus package in 2009 led to a strong rebound in economic growth

Public Debt Management Office, Ministry of Finance - Thailand



Biggest Stimulus Package in the Region

(TKK* 2012 plan)

Economy	Stimulus Package as share of 2009 GDP (%)
China, People's Rep. of	1.2
Hong Kong	1.4
India	1.6
Indonesia	1.3
Korea, Rep. of	2.5
Malaysia	2.6
Philippines	4.1
Singapore	5.9
Taipei, China	2.1
Thailand	6.4

Source : Oxford Economics, 2009 "Asian Emerging Fiscal Policy. A limit Boost, but China could yet do more", Emerging Market Weekly, 16 March

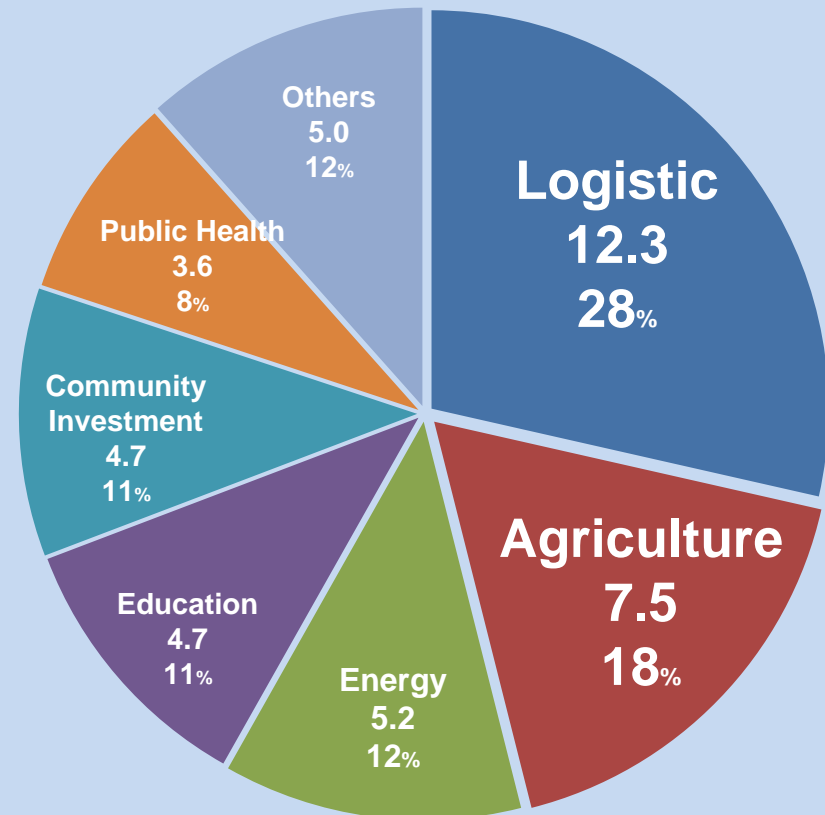
* Thai Khem Khaeng (TKK) scheme is a stimulus package initiated to support economic recovery and to help strengthen the country's medium-term economic competitiveness.

TKK* 2012 : US Dollar 43 Billion

(By Sector)

Public Debt Management Office, Ministry of Finance - Thailand

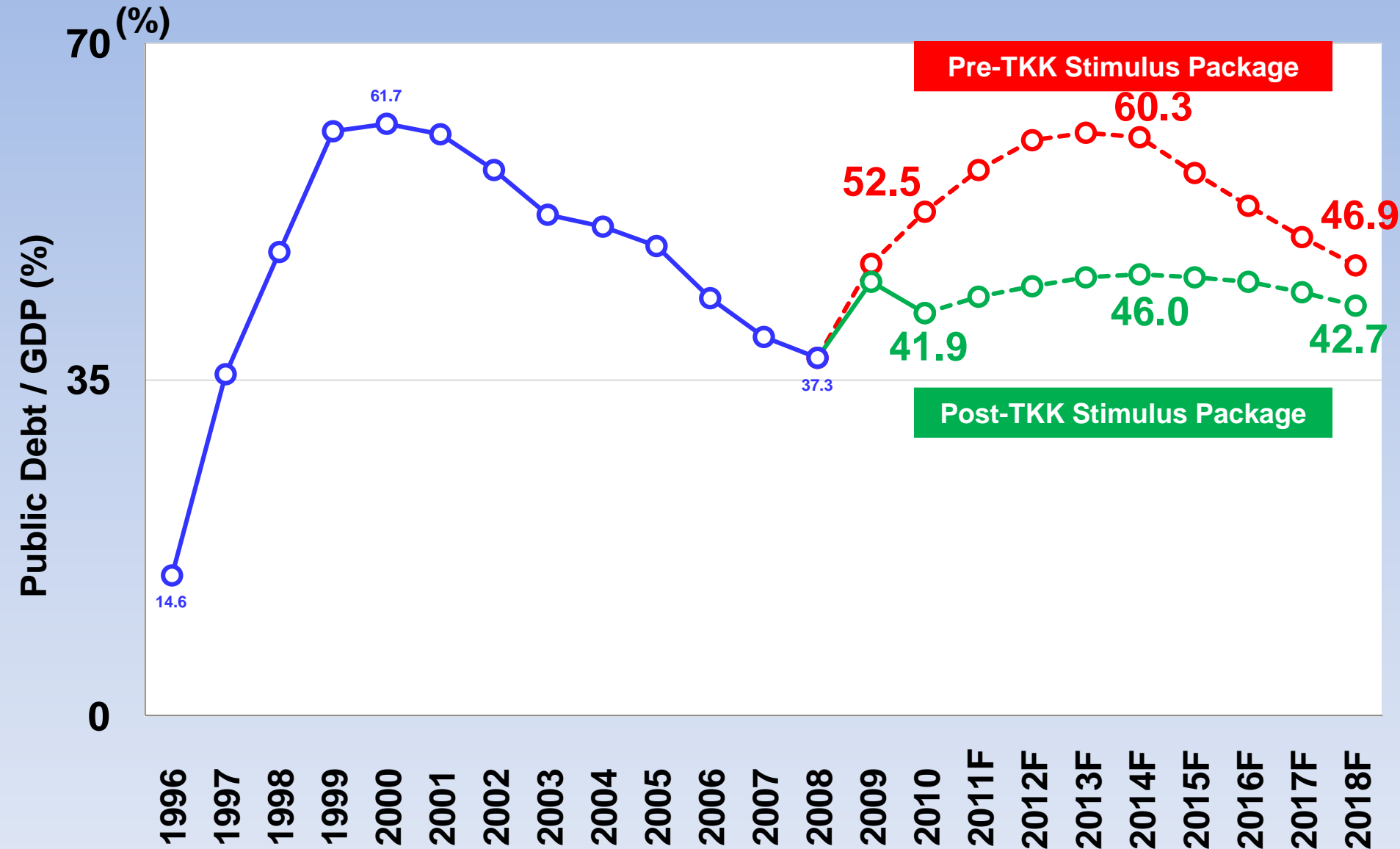
Units: Billion US Dollars



Source : Public Debt Management Office, Ministry of Finance

Effective Fiscal and Debt Management Lead to LOWER Public Debt to GDP in the Long Run

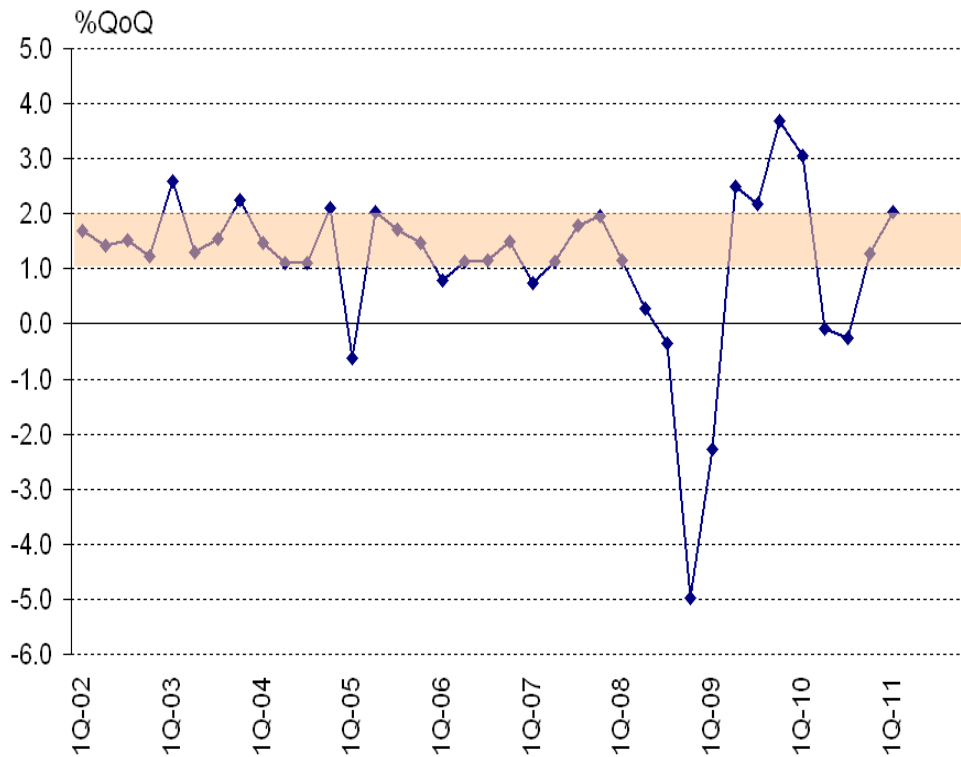
Public Debt Management Office, Ministry of Finance - Thailand



Macroeconomics Indicators

Public Debt Management Office, Ministry of Finance - Thailand

GDP: back on growth trend



Positive signs in Q1/2011

World economic recovery + expanding domestic demand resulted in

- higher export
- expansion in tourism
- increasing private investment
- higher farm income
- lower unemployment rate

Source : NESDB May 23, 2011

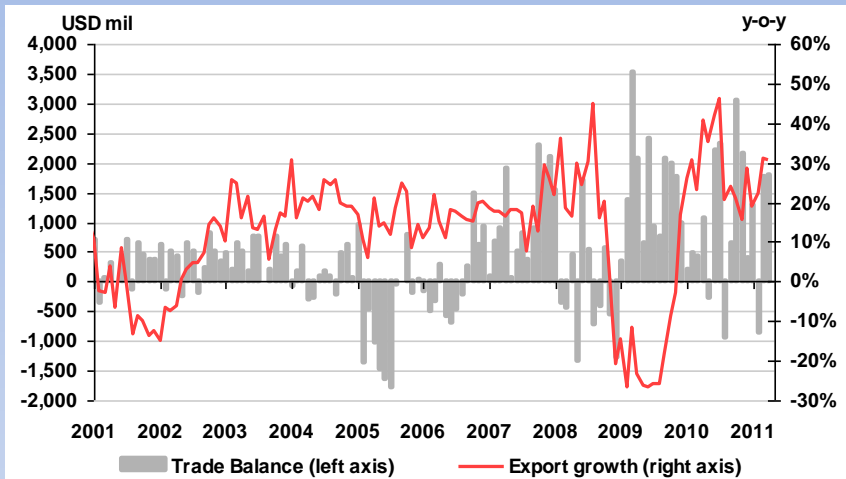
Economic management for 2011

- (1) Maintaining stability and increasing level of income
- (2) Monitoring prices of commodities
- (3) Enhancing competitiveness of Thai economy
- (4) Accelerating a regional cooperation in trade and transportation

Macroeconomics Indicators

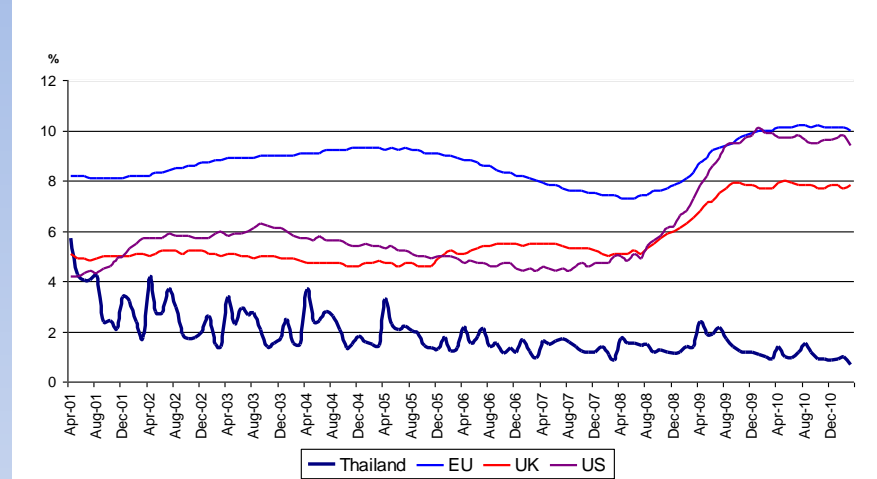
Public Debt Management Office, Ministry of Finance - Thailand

Strong External Balance and Export



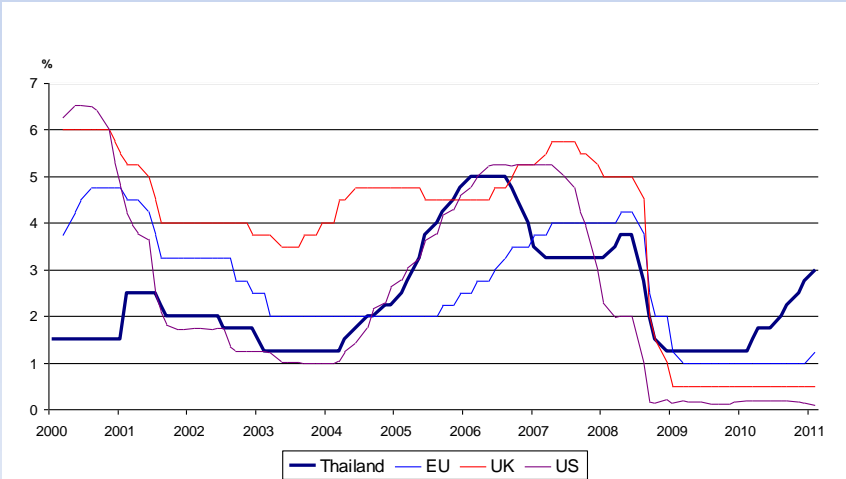
Source: Bloomberg, April 2011

Low Unemployment Rate



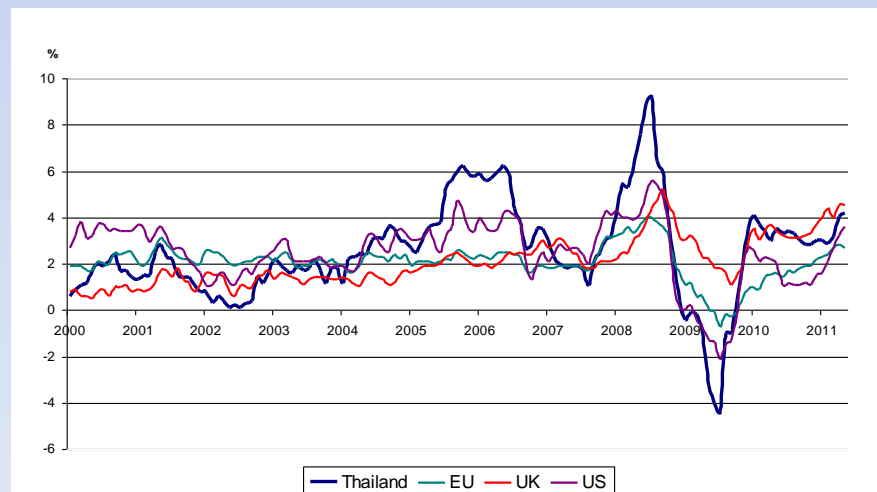
Source: Bloomberg, June 2011

Historical Policy Rates



Source: Bloomberg, June 2011

YoY Inflation Historical Trend



Source: Bloomberg, June 2011

Consensus: Thailand's fundamentals remain sound and improving

Public Debt Management Office, Ministry of Finance - Thailand

Moody's Thailand Analysis*

Thailand's Baa1 LT Local currency rating reflects medium economic and institutional strength

- International reserves build up
- Steady repayment of external debt
- External debt reduction
- Export competitiveness
- Track record of fiscal restraint
- Stronger external indicators than the median values of Baa peers and many A-rated countries

S&P's Thailand Analysis**

LT Local currency affirmed at 'A-' with stable rating outlook

- Thailand is a significant net external creditor
- Prudent fiscal management
- Foreign-exchange reserves are likely to exceed USD 170 billion
- Government indebtedness is modest (less than 23% of GDP at end of 2010)
- Interest burden is kept at only 5.3% of government revenue

Fitch's Thailand Analysis***

Revised LT Local currency IDR up from negative outlook to stable and affirmed rating at 'A-'

- External finances 'exceptionally strong' compared to BBB Median
- Capability for external debt repayment and servicing exceeds BBB group
- Quicker than expected fiscal stabilisation from stimulus programmes

Remarks: * Moody's Thailand Credit Opinion, March 2011

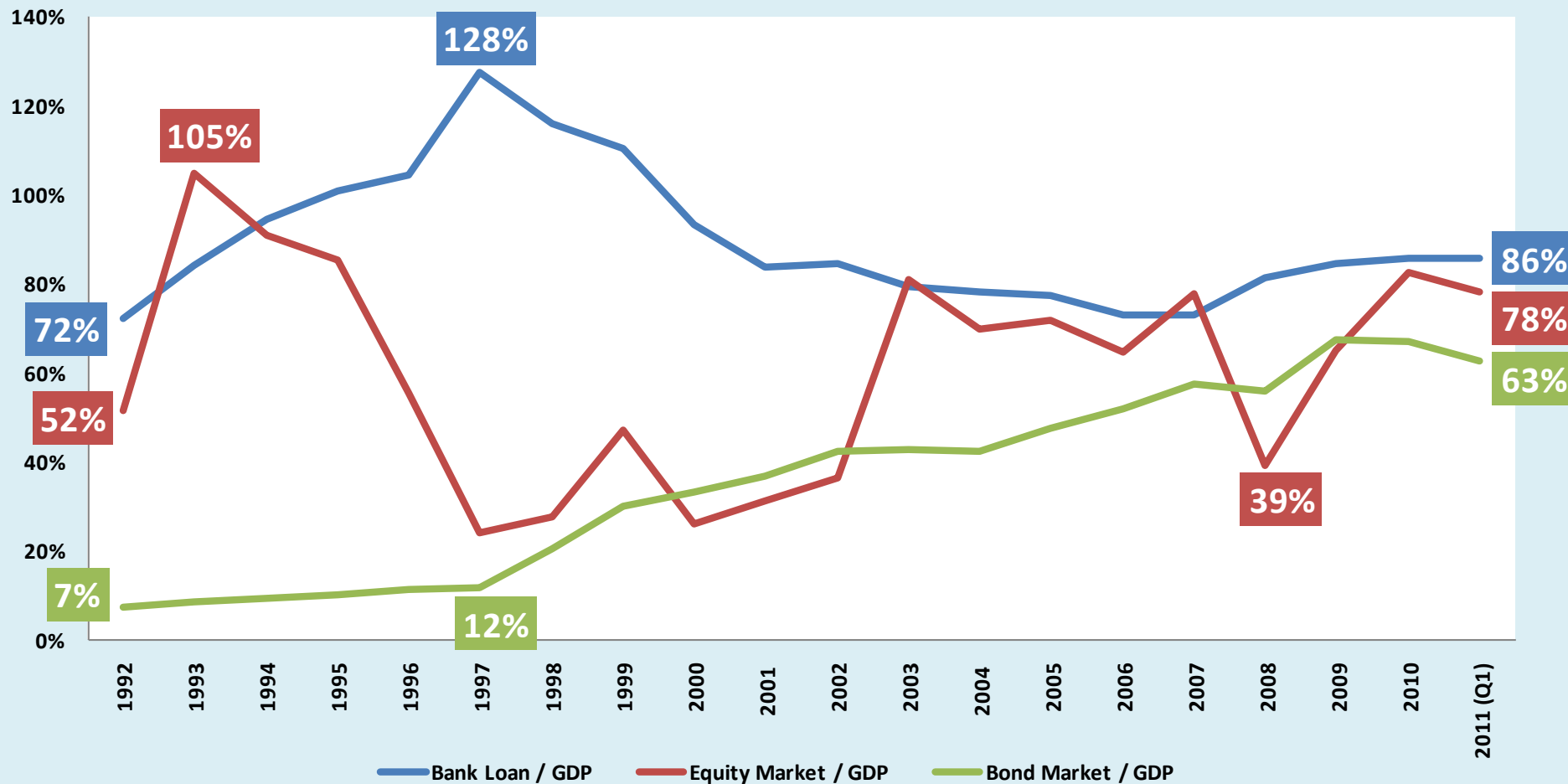
** S&P's Thailand Report, January 2011

*** Fitch's Thailand Report, May 2011

Thai Bond Market

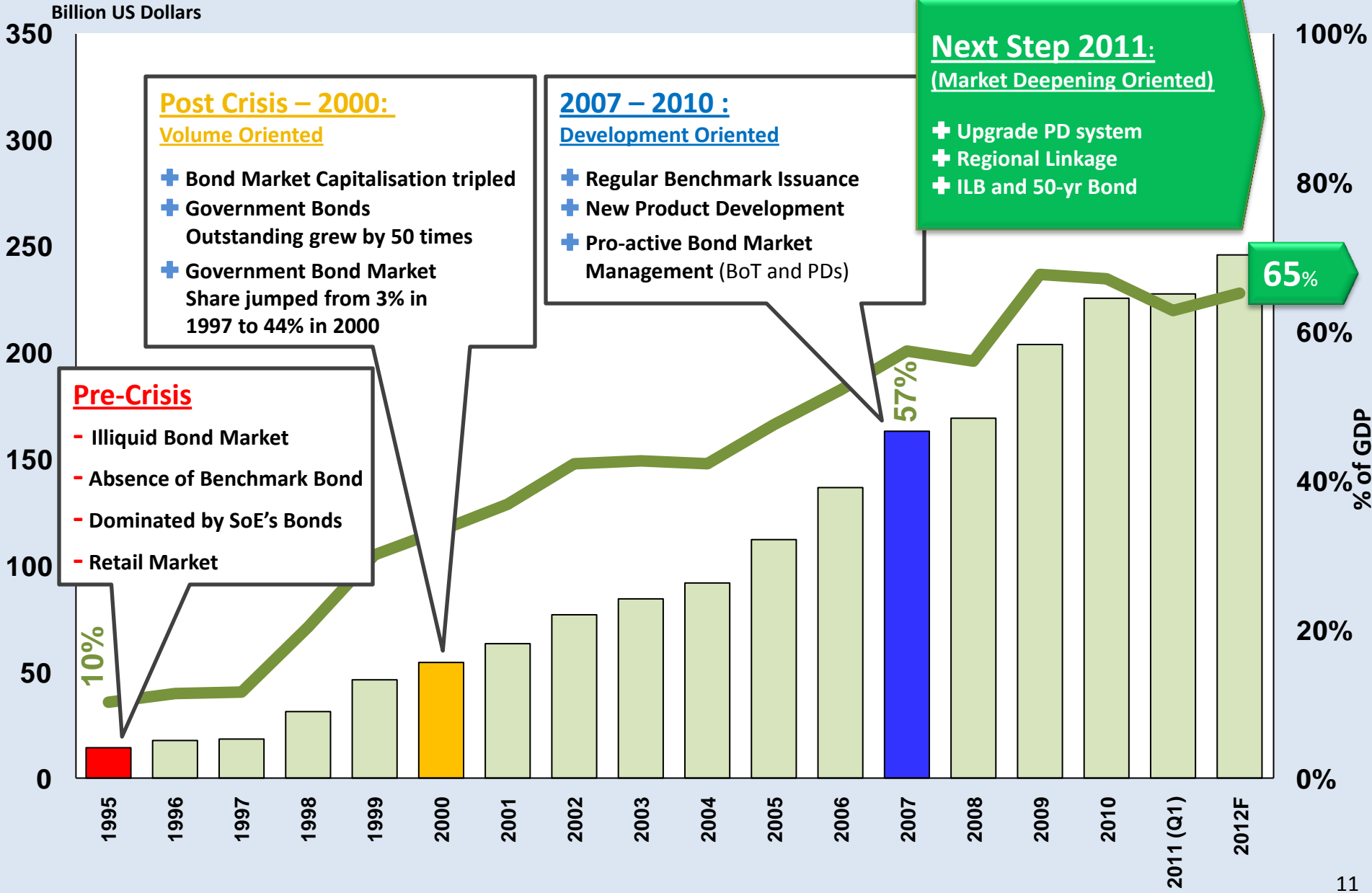
Thailand's Bond Market has Grown Strongly for More Than a Decade

Public Debt Management Office, Ministry of Finance - Thailand



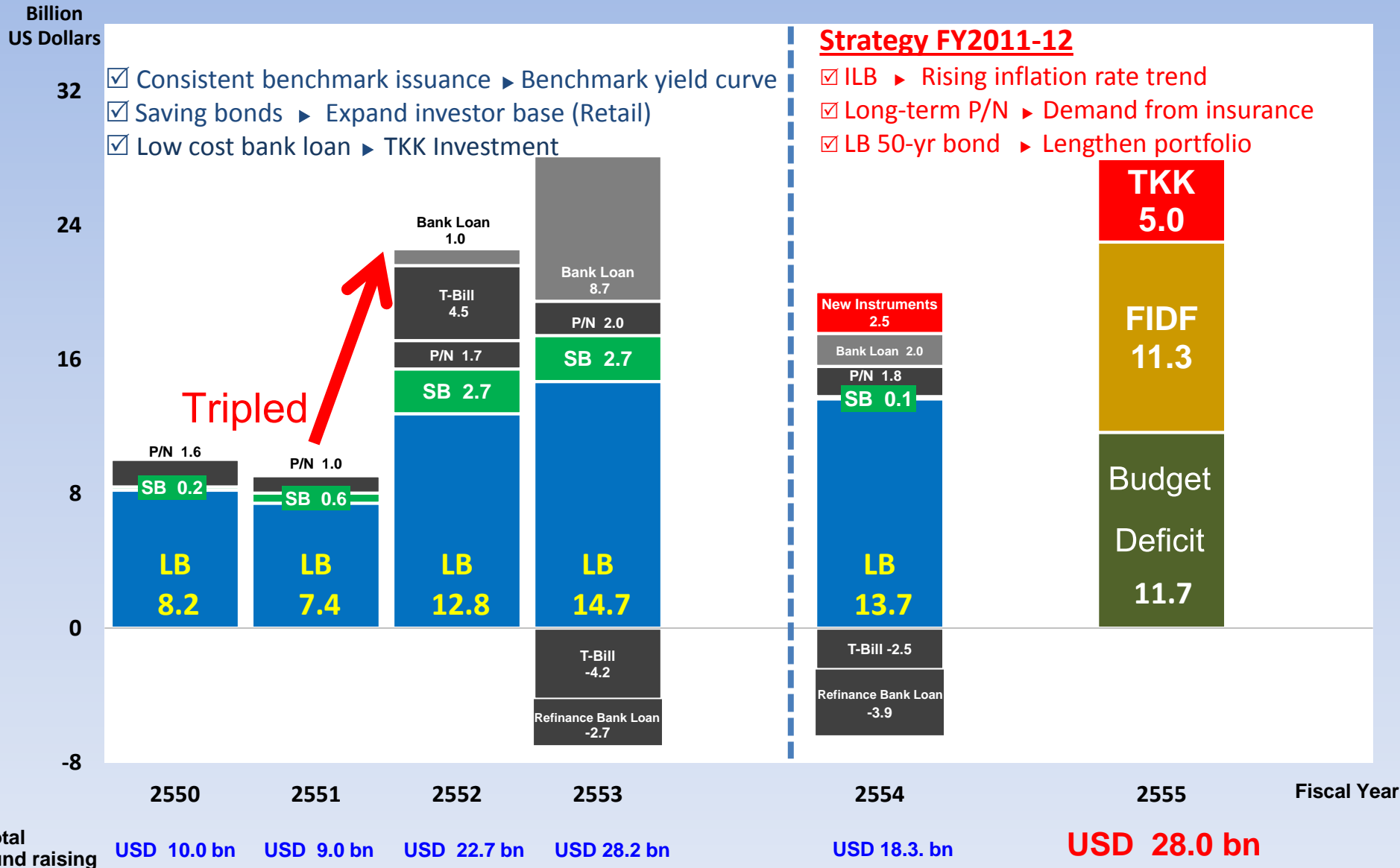
The Thai Bond Market has Developed Rapidly and Efficiently

Public Debt Management Office, Ministry of Finance - Thailand



Deep and liquid domestic bond market allows government to meet funding requirements (tripled as a result of stimulus measures)

Public Debt Management Office, Ministry of Finance - Thailand



Total Fund raising



2007-10

30-yr Loan Bond

- Lengthen average-time-to-maturity
 - New Issuing Debt → 6 yrs to 10 yrs
 - Government Debt Portfolio → 5.7 yrs to 6.3 yrs

Floating Rate Bond

- Increase floating debt ratio (5% to 13%)
- Promote BIBOR

Step-up Saving Bond

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

Fixed Promissory Note

- Increase investor base – Insurance / Long-term investors
- Non-Benchmark maturity

2011

50-yr Loan Bond

- Combat low interest rate + Lengthen average time-to-maturity
- 4th country in the world (1st : UK 2nd : France 3rd : China)

Inflation Linked Bond (ILB)

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

Saving Bond - ATM

- Enhance liquidity of saving bond
- To be launched : Sep 2011

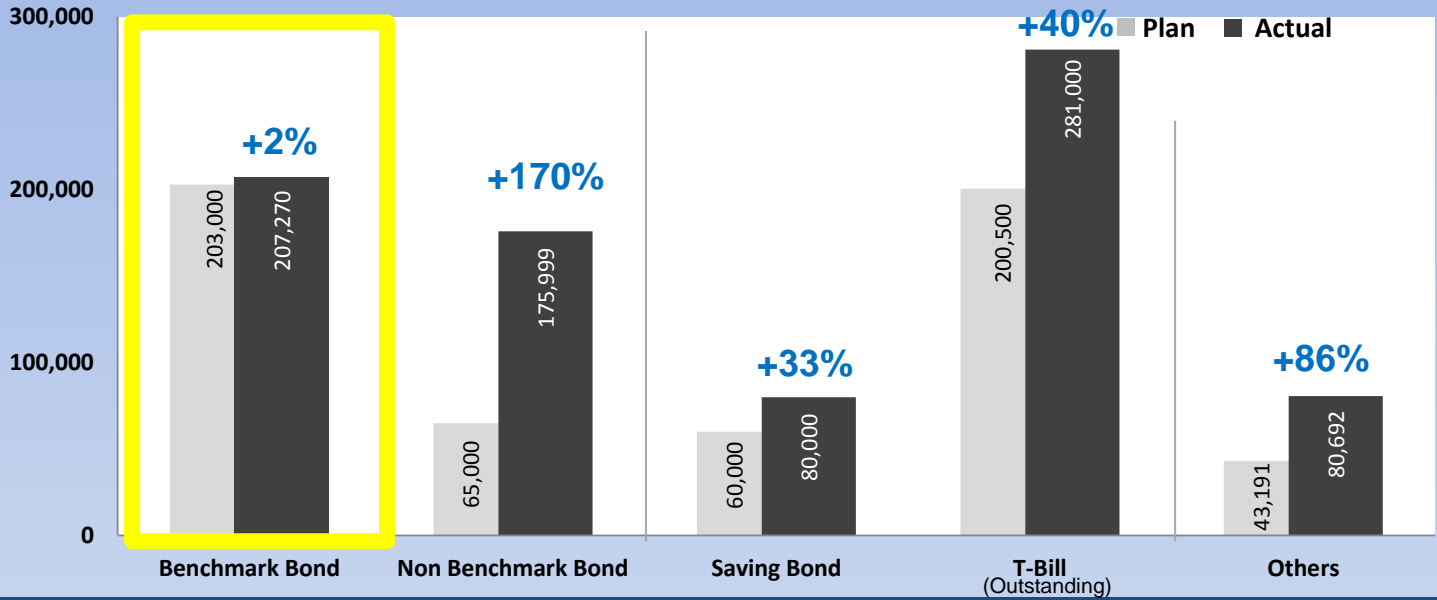
Keep Our Word to get Investor Confidence for the Plan

Firm Committed Supply of Benchmark Bond Regardless of Budget uncertainty

FY2009

Higher government funding due to the Stimulus Package I and II ~ **+200,000 MB**

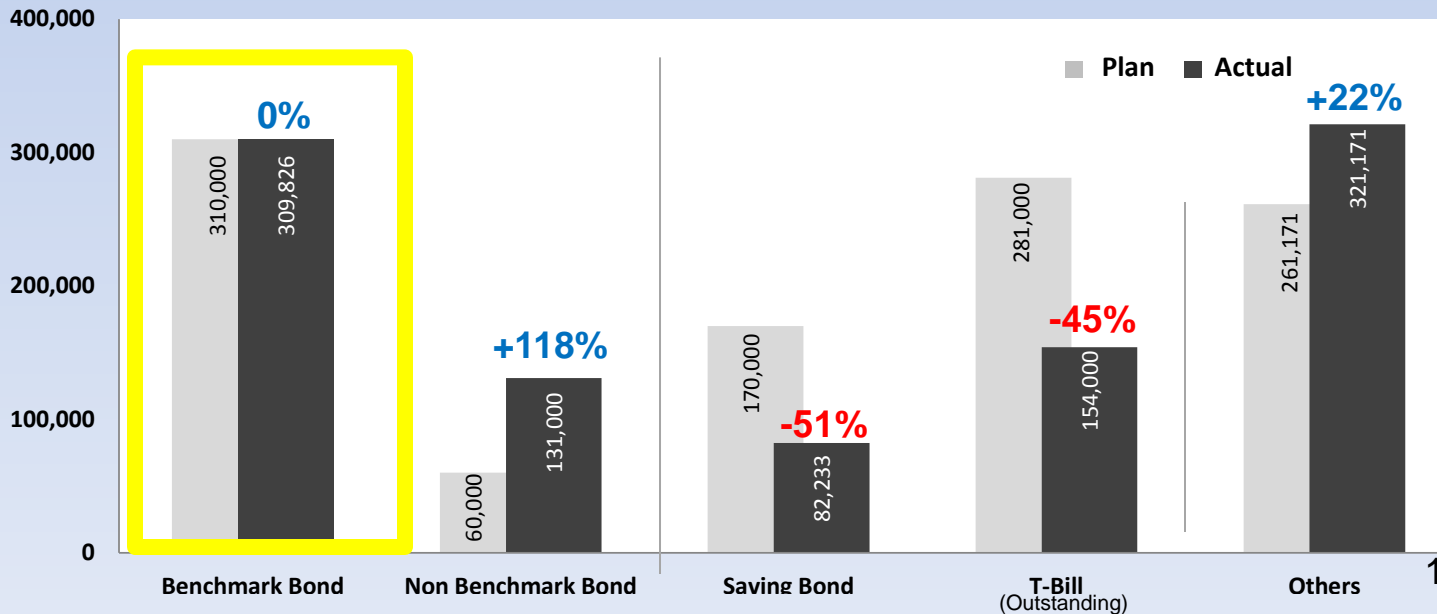
Total Funding increase from:
424,691 MB to 624,461MB (+47%)



FY2010

Lower Borrowing from Economic Recovery ~ **84,000 MB**

Total Funding decrease from:
801,171 MB to 717,230 MB (-10%)



Equilibrium of Thailand Bond Market

- Issuers
- Credit Rating
- Investors

Public Debt Management Office, Ministry of Finance - Thailand

Issuers

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

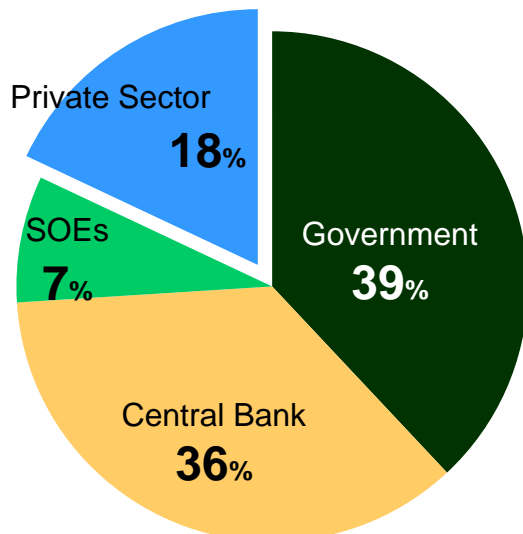
Credit Rating

- 98 percent of Thailand's debt securities are classified as Investment Grade by local rating agencies

Investors

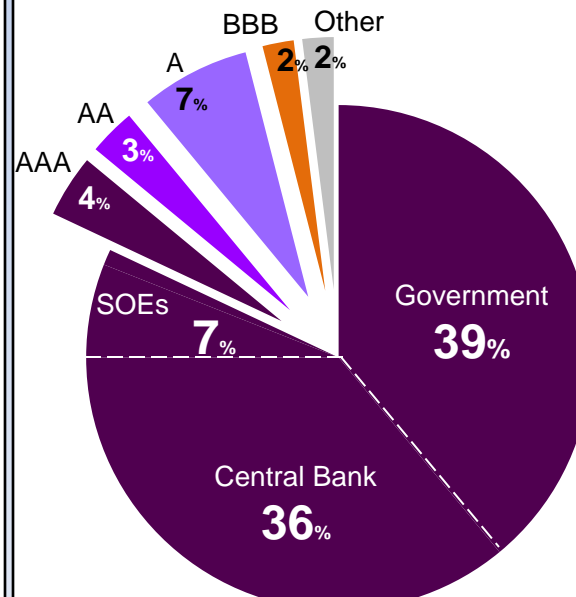
- Thailand's government debt securities are held by a wide group of investor types

Thailand Bond Market
(Classified by Issuers)



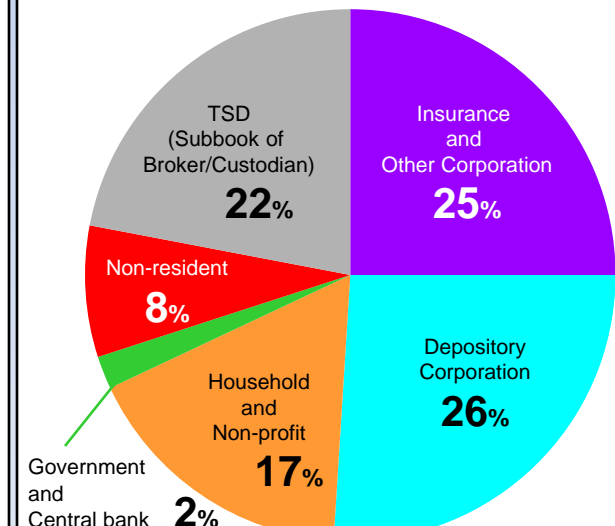
Source: Thai Bond Market Association

Thailand Bond Market
(Classified by Credit Rating*)

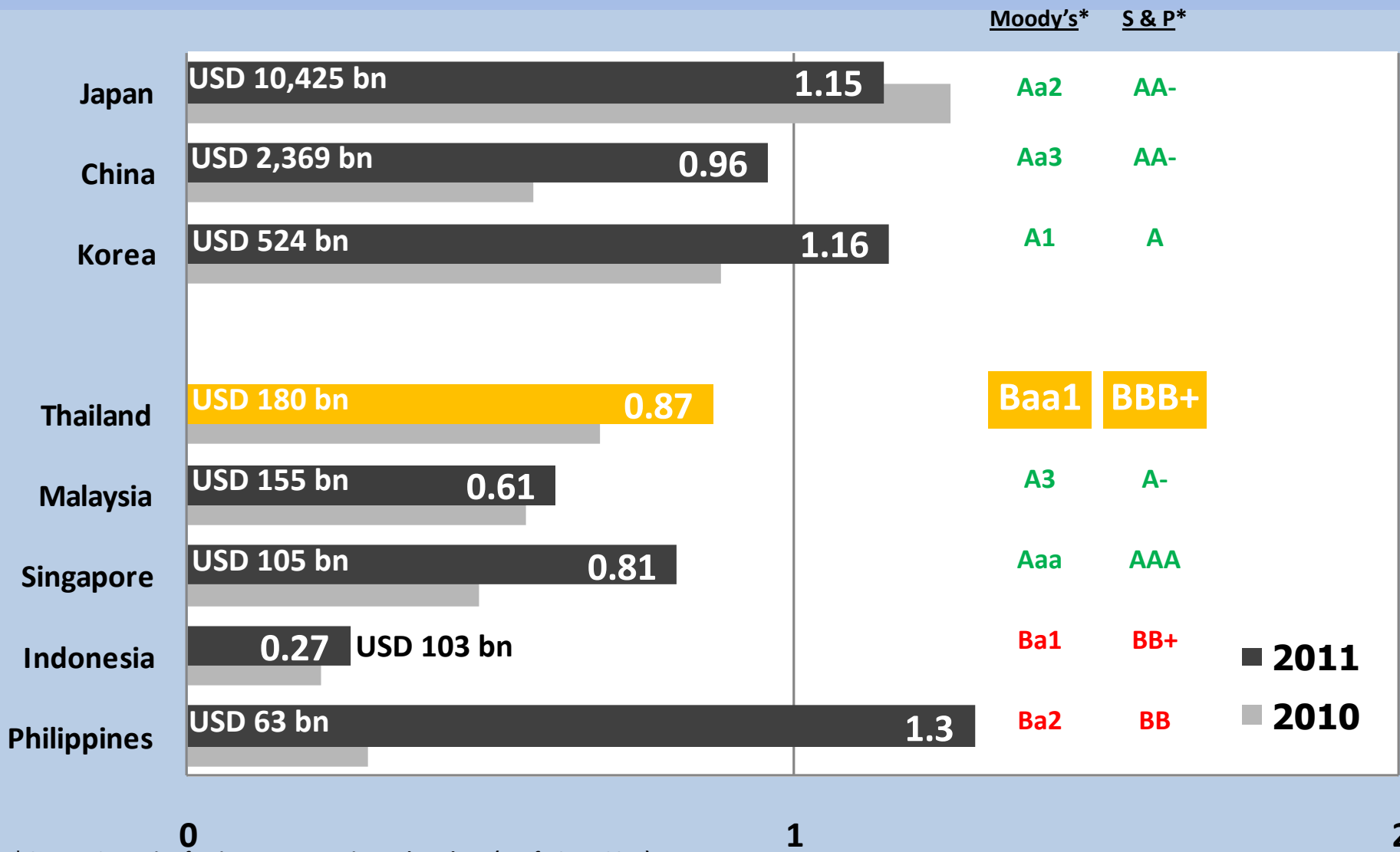


* This is local rating agencies – TRIS / Fitch (Thailand)

Government Debt Securities
(Classified by Types of Investors)



Source: Bank of Thailand



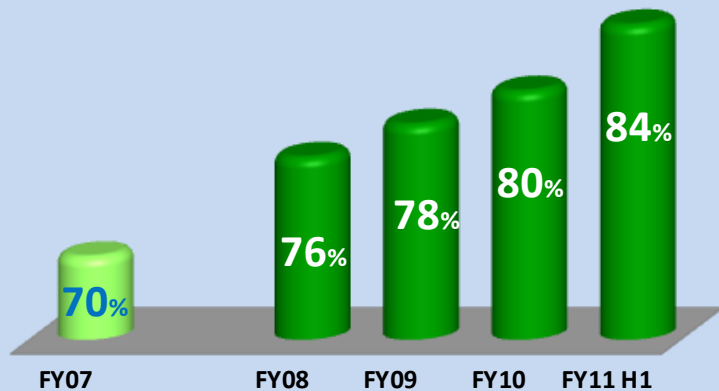
* Source: Sovereign foreign currency ratings, Bloomberg (as of 16 Jun 2011)

** Trading volumes in secondary market and bond turnover ratios are from Asian Bonds Online

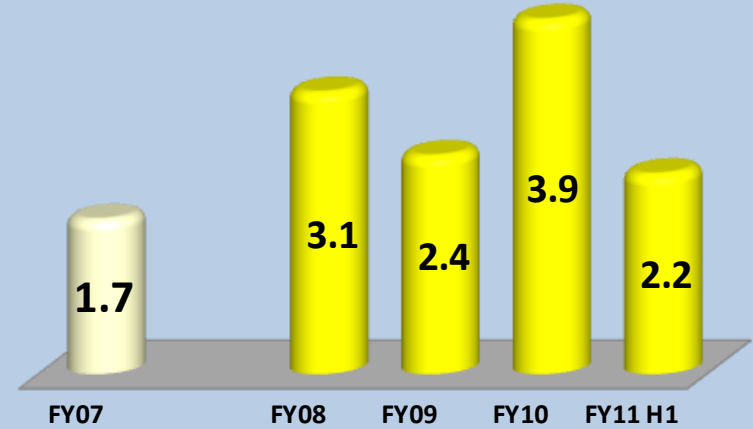
5 yr Benchmark Bond : Highest Secondary Trading Volume (accounted for ¼ of total trading volume)



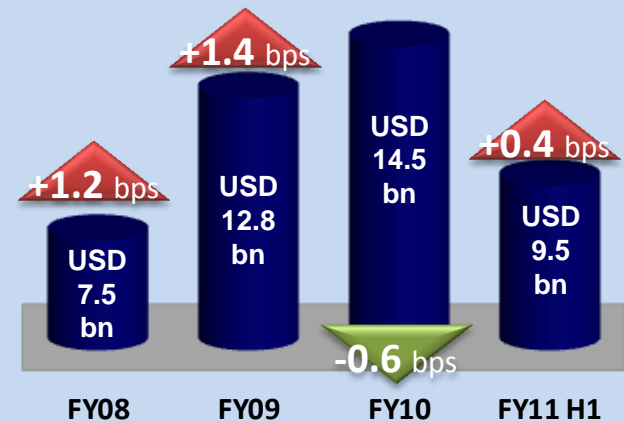
Top 10 Gov't Bond Series – Accounted for 84% of all Gov't Bond trading in Secondary Trading Volume



5 yr Benchmark Bond : Higher Turnover Ratio



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



ILB Features

Structure of Thai ILB

Public Debt Management Office, Ministry of Finance - Thailand

Indicative Terms & Conditions

Format	Capital Indexed Bond (similar to Canadian model) with floor
Currency	Thai Baht
Tenor	10 years
Programme Size	Up to THB 40 billion (USD 1.3 billion equiv.)
Interest Payment	Every 6 months
Index	Headline CPI
Indexation Lag	3 months
Index Ratio	CPI_t / CPI_0 (TBMA's calculation)
Expected Real Yield	[•]
Repayment Method	Bullet
Expected Timing	Following Thai election in early July 2011

Calculation

$$\begin{aligned} \text{Interest Paid (semi-annually)} &= \frac{\text{Actual}}{365} \times C \times \text{Index Ratio} \times \text{Principal} \\ \text{Inflation-adjusted component on Principal (at Maturity)} &= (\text{Index Ratio} - 1) \times \text{Principal} \end{aligned}$$

where

$$\text{Index ratio} = \frac{\text{CPI}_{\text{Ref}}}{\text{CPI}_{\text{Issue}}}$$

$$\text{CPI}_{\text{Issue}}, \text{CPI}_{\text{Ref}} = \text{CPI}_{\text{M-3}} + \left\{ \frac{\text{D}-1}{\text{TD}} \times (\text{CPI}_{\text{M-2}} - \text{CPI}_{\text{M-3}}) \right\}$$

**Date Interpolation
Factor**

C	=	Coupon Rate (which is equal to Real Rate for ILB)	} Each Referred Headline CPI has a 3-month lag time (International ILB Standard Compliance Purpose)
CPI _{Ref}	=	Referred Headline CPI @ Interest Payment Date	
CPI _{Issue}	=	Referred Headline CPI @ Bond Issuance Date	
CPI _{M-2}	=	Headline CPI @ 2 months prior to the relevant Interest Payment Date	
CPI _{M-3}	=	Headline CPI @ 3 months prior to the relevant Interest Payment Date	
D	=	Date of Interest Payment	
TD	=	Number of Days in the Interest Payment Month	

Example Thailand's ILB issued on January 1, 2011 (CPI @ October 2010 = 100 and CPI @ April 2011 = 103)

Calculate Index Ratio on the first interest payment date, July 1, 2011:

when CPI_{Issue} = 100 (calculated from CPI @ October 2010)

CPI_{Ref} on July 1, 2011 = 103 (calculated from CPI @ April 2011)

$$\begin{aligned} \text{from the formula} \quad \text{Index Ratio} &= \frac{\text{CPI}_{\text{Ref}}}{\text{CPI}_{\text{Issue}}} \\ &= \frac{103}{100} \\ &= 1.03 \end{aligned}$$

Hence, Index Ratio on July 1, 2011 = 1.03

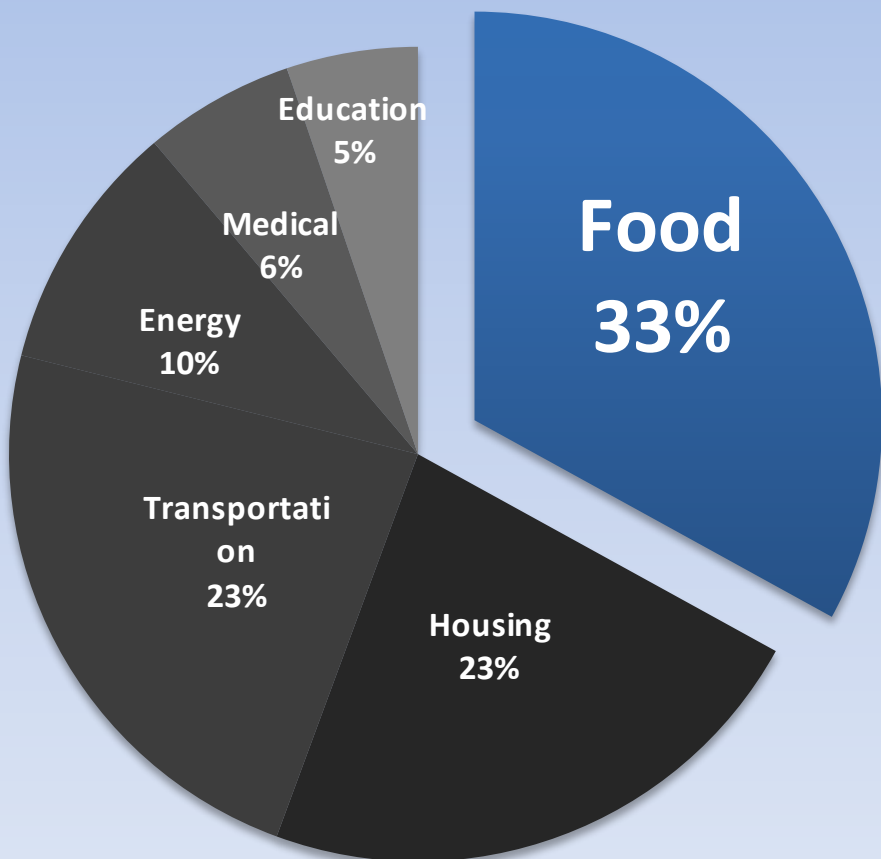
Comparison of Global ILB Bond Structures

- Thailand's Inaugural ILB issued by MOF will conform with international ILB standards and conventions. This allows investors to compare valuations more easily (UK recently shifted the majority of supply into 3mth lag index-linked gilts).
- Inflation floors offer advantage for investors in times of deflation. Thai ILB approach to inflation floor conforms with international standards.

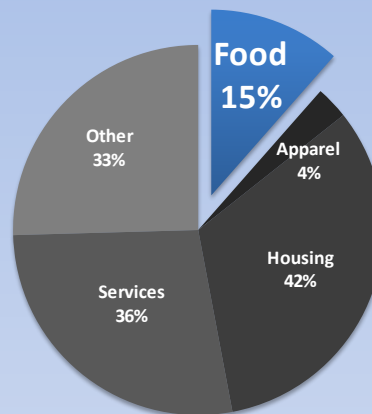
	Thailand MOF ILB	CANi	UK Inflation-Linked Gilts	U.S. TIPS)	OATi	OAT€i
Reference Index	Thai Headline CPI (monthly)	Canada CPI (monthly)	RPI (monthly)	CPI-U (monthly)	INSEE ex-tobacco (monthly)	EMU HICP ex-tobacco (monthly)
Coupon Frequency and Fixing Method	Semi-annual (post-determined)	Semi-annual (post-determined)	Semi-annual (post-determined)	Semi-annual (post-determined)	Annual (Post-determined)	Annual (Post-determined)
Principal Indexation	Daily with a 3 month lag	Daily with a 3 month lag	RPI with a 3 month lag*	Daily with a 3 month lag	Daily with a 3 month lag	Daily with a 3 month lag
Principal Repayment	Minimum at par	Minimum at par	No minimum	Minimum at par	Minimum at par	Minimum at par

* Since 2008

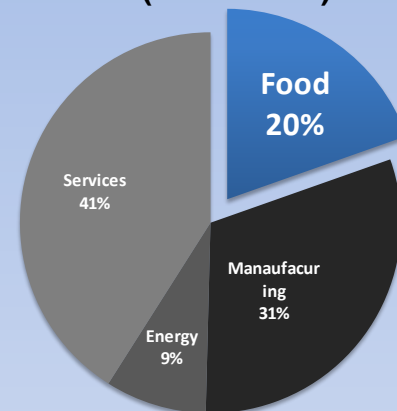
Thailand Headline CPI



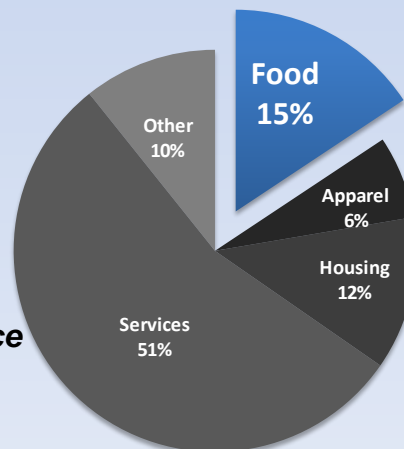
USA US CPI Urban



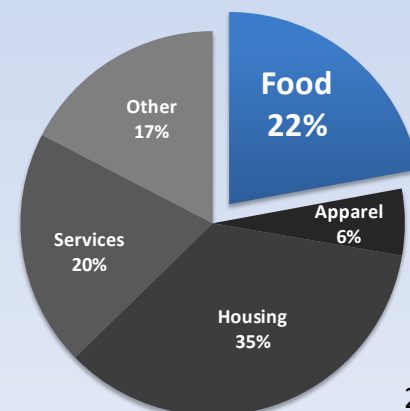
European Union EU Harmonised index of Consumer Price (ex-tobacco)



UK Retail Price Index



Mexico Nacional de Precios al Consumidor



Remarks : Monthly Announcement by Ministry of Commerce
(at the 1st working day of the following month)

Bloomberg ticker : **THCPI Index <GO>**

Next Step: Enhance ILB liquidity

Public Debt Management Office, Ministry of Finance - Thailand

Continuing Issuance

- ✓ Develop regular Annual Auction plan (auction every quarter or 6 times a year)
- ✓ Top-up the existing tenor to enhance more liquidity
- ✓ Issue other Benchmark tenors (3-, 5- and 7-year ILBs)
- ✓ Develop Benchmark Real Rate Yield Curve

PD's responsibility

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

Private sector's participation

- ✓ Encourage SOEs and private sector to issue ILBs
- ✓ Cooperate with mutual funds to issue the ILB-related funds
- ✓ Allow dealers to develop inflation-related products (e.g. Inflation Derivative)