THAILAND

Savings Bond: Developing for the Future

To be the Safe Haven for our Retail Investors

Mr. Suwit Rojanavanich
General Director of Public Debt Management Office
Ministry of Finance, Kingdom of Thailand
Before and during the Crisis

Savings Bond was the main instrument for government funding

After the Crisis

- Savings Bond objective is the instrument for retail investors
- Savings Bond coupon needs to top-up 80 to 120 bps over the government bond yield
- Maintain Savings Bond for the future urgent funding needs

Savings Bond Outstanding

Proportion of Household and Non-profit in Government Debt Securities

Government Debt Securities (Classified by Types of Investors)
- Contractual Funds 27%
- Insurance Company 28%
- Depository Corporation 14%
- Financial Institution 3%
- Bot 6%
- NR 13%
- Mutual Funds 2%
- Other 1%

Today

Savings Bond outstanding in Thai bond market 158,791 MB (at the end of September 2016)
Changes of Savings Bond Issuance in the Last 10 years

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Issuance</strong></td>
<td>Twelve times (Every month)</td>
<td>Twelve times (Every month)</td>
<td>One time</td>
<td>Two times</td>
</tr>
<tr>
<td><strong>Tenor</strong></td>
<td>3-year</td>
<td>3-year</td>
<td>5-year</td>
<td>3-year</td>
</tr>
<tr>
<td><strong>Coupon</strong></td>
<td>Fixed</td>
<td>Fixed</td>
<td>Fixed</td>
<td>Fixed</td>
</tr>
<tr>
<td><strong>Max. Size</strong></td>
<td>THB 500 million</td>
<td>THB 500 million</td>
<td>THB 500 million</td>
<td>THB 80,000 million</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Issuance</strong></td>
<td>Three times</td>
<td>Two times</td>
<td>Three times</td>
<td>Two times</td>
</tr>
<tr>
<td><strong>Tenor</strong></td>
<td>3-year 3-year</td>
<td>3-year 3-year</td>
<td>3-year</td>
<td>3-year</td>
</tr>
<tr>
<td><strong>Coupon</strong></td>
<td>Fixed 5,000</td>
<td>Fixed 4,000</td>
<td>Fixed</td>
<td>Fixed</td>
</tr>
<tr>
<td><strong>Max. Size</strong></td>
<td>THB 3,000</td>
<td>THB 4,000</td>
<td>THB 4,000</td>
<td>THB 50,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tenor</th>
<th>Coupon</th>
<th>Max. Size (THB million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-year</td>
<td>Fixed</td>
<td>4,000</td>
</tr>
<tr>
<td>3-year</td>
<td>Fixed</td>
<td>5,000</td>
</tr>
<tr>
<td>3-year</td>
<td>Fixed</td>
<td>8,000</td>
</tr>
<tr>
<td>3-year</td>
<td>Fixed</td>
<td>4,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tenor</th>
<th>Coupon</th>
<th>Max. Size (THB million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-year</td>
<td>Fixed</td>
<td>4,000</td>
</tr>
<tr>
<td>6-year</td>
<td>Fixed</td>
<td>8,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tenor</th>
<th>Coupon</th>
<th>Max. Size (THB million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-year</td>
<td>Fixed</td>
<td>4,000</td>
</tr>
<tr>
<td>3-year</td>
<td>Fixed</td>
<td>4,000</td>
</tr>
<tr>
<td>7&amp;10-year</td>
<td>Fixed</td>
<td>30,000</td>
</tr>
<tr>
<td>3-year</td>
<td>Fixed</td>
<td>4,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tenor</th>
<th>Coupon</th>
<th>Max. Size (THB million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-year</td>
<td>Fixed</td>
<td>4,000</td>
</tr>
<tr>
<td>3-year</td>
<td>Fixed</td>
<td>5,000</td>
</tr>
<tr>
<td>7&amp;10-year</td>
<td>Step-up</td>
<td>20,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tenor</th>
<th>Coupon</th>
<th>Max. Size (THB million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-year</td>
<td>Fixed</td>
<td>50,000</td>
</tr>
<tr>
<td>3-year</td>
<td>Fixed</td>
<td>4,000</td>
</tr>
<tr>
<td>5&amp;10-year</td>
<td>Step-up</td>
<td>20,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tenor</th>
<th>Coupon</th>
<th>Max. Size (THB million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-year</td>
<td>Fixed</td>
<td>50,000</td>
</tr>
<tr>
<td>3-year</td>
<td>Fixed</td>
<td>500</td>
</tr>
<tr>
<td>3-year</td>
<td>Fixed</td>
<td>500</td>
</tr>
<tr>
<td>3-year</td>
<td>Fixed</td>
<td>50,000</td>
</tr>
</tbody>
</table>
Domestic Bond Market Has Developed Rapidly and Efficiently

- Government has more options to borrow money
- Benchmark Bonds and other innovation bonds have lower borrowing cost than Savings Bond

2007 - 2009: Development Oriented
- Regular Benchmark Issuance
- New Product Development
- Regular Market Dialogue with BOT and PD

2010 - 2012: (Market Deepening Oriented)
- 50-yr Bond, 10-yr LB, Scripless Retail Savings Bond
- Upgrade PD Privileges
- 8 Benchmark Bonds create reliable reference yield curve

Next Step 2013 - 2016: (Financing Thailand & Connecting ASEAN)
- 25-yr Amortized Bond, 15-yr ILB
- Bond Switching & Bond Consolidation
- Regional Linkage (CGIF)
- Foreign Currency Bond

Post Crisis – 2000: Volume Oriented
- Bond Market Capitalization Tripled
- Government Bonds Outstanding grew by 50 times
- Government Bond Market Share jumped from 3% in 1997 to 44% in 2000

Pre-Crisis
- Illiquid Bond Market
- Absence of Benchmark Bond
- Dominated by SoE’s Bonds

Asian Financial Crisis

THB Trillion

% of GDP
• **Government Funding Tools**
  - Benchmark Bond
  - Savings Bond
  - Inflation-Linked Bond
  - Amortized Bond
  - Bank Loan
  - Treasury Bills
  - Promissory Note

• **Investors’ options**
  - Asset Allocation
  - Investment Knowledge
  - Growing of alternative investment in the market
    - Derivative
    - Commodity
    - Mutual Fund (LTF, RTF)
    - Real Estate
    - Arts & Antique
    - Etc.

---

1. Major government funding instrument is **Benchmark Bonds**
   Comprising of 7 series such as 5-10-15-20-30-50 year

2. **Savings Bonds** tenor 3 – 10 year

3. **Innovation Bond**

4. **Bank Loan** tenor 2-4 year

5. **Other**
   - T-bill tenor 3 day – 1 year
   - Promissory Note tenor 4 – 45 year

---

![Savings Bond](image1)

% p.a.

- 4.5
- 3.5
- 2.5
- 1.5

Government Bond Average Yield

![Stock Investment](image2)

- SET Index

![Gold Investment](image3)

- Gold Price – goldprice.org

![Real Estate](image4)

- House Price Index – Bank of Thailand

---

- More Competitors
- Development and Globalization
Before the Crisis
- Illiquid bond market and unreliable yield curve
- Main instrument for government fundraising

After the Crisis
- Bond Market Capitalization had raised
- New funding tools have been developed

Savings Bond Vs. Other Government Funding Tools
- **High-Cost**: needs 80 – 120 bps over the government bond yield to prefer the retail investors
- **Demand of the investors**: main investors in government bond are institutional investors
- **Lower Return**: relatively lower return compared to other investment: Equity, Commodity, Real Estate and etc.

Current Savings Bond Position
- Supporting the Government Policy: **Savings Society**
- For Retail Investors especially Elderly: **Risk Free Investment**
- Maintain the proportion for government funding in the future: **Limited time period & Large amount**
Thai Government Savings Bond

**Distribution Channels**

1. **Over the Bank branches’ counter** *(The original distribution channel)*
   - Favorite Customers
   - Familiar to Retired and Older people
   
   = 99.4%

2. **Automatic Teller Machine: ATM** *(Since FY2011)*
   - More than 40,000 terminals
   - 24 hours service
   
   = 0.3%

3. **Internet Banking** *(The Latest channel – FY2016)*
   - Fast and convenient
   - Lifestyle of the new generation
   
   = 0.3%

*The percentages are according to the result of the latest savings bond.*
Future: What are we planning to make it happen?

Widening:
• Extending the selling period
• Increasing the number of the distribution channels
• Expanding the Retail Investor Base: the Non-Profit Entities and Working-Age

Deepening:
• Expanding the bond type regarding the investors’ preferences

Diagonal:
• The whole system development e.g. Treasury Direct
Appendix
FY 2017 GOVT Fund Raising Plan 957,xxx MB

- Tentative -

By Bills

- New Borrowing 440,xxx MB
- Roll Over 517,xxx MB

By Instruments

- Rollover FIDF Debt 313,xxx
- Rollover SOEs Debt 15,xxx
- Rollover Govt Debt 189,xxx
- Deficit 390,xxx
- On-Lending 50,xxx

Promissory Notes R-Bill, And Others 550,xxx

Loan Bond
5-10-15-20-30-50 yrs

Remark:
1. Exclude external funding for both new borrowing and rollover debt with amount of 71,xxx
2. Exclude T-Bill rollover debt
Historical Changes in Thai Government Bonds Issuance by Bond Types

THB Mil.

- Saving Bonds
- Amortizing Bonds
- Inflation-Linked
- Long-term (>10 yr)
- Medium-term (5-10 yr)
- Short-term (<5 yr)

* Included Debt Switching
The Latest

Regular Savings Bond Issuance

**What different:**
- **The Non-Profit Entities** can not purchase this latest savings bond

**Why?**
- To be an **exclusive** investment for Retail Investors
- **High** funding cost
- Not in the period of government funding needs
<table>
<thead>
<tr>
<th>Year</th>
<th>Series</th>
<th>MB</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>SB16DA</td>
<td>4,000</td>
</tr>
<tr>
<td>2012</td>
<td>SB175A</td>
<td>4,000</td>
</tr>
<tr>
<td>2015</td>
<td>SB17DA</td>
<td>4,000</td>
</tr>
<tr>
<td>2016</td>
<td>SB185A</td>
<td>4,000</td>
</tr>
<tr>
<td>2017</td>
<td>SB189A</td>
<td>31,577</td>
</tr>
<tr>
<td>2018</td>
<td>SB18OA</td>
<td>50,000</td>
</tr>
<tr>
<td>2019</td>
<td>SBST215A</td>
<td>11,702</td>
</tr>
<tr>
<td>2020</td>
<td>SB217A</td>
<td>11,836</td>
</tr>
<tr>
<td>2021</td>
<td>SB247A</td>
<td>18,164</td>
</tr>
<tr>
<td>2022</td>
<td>SBST251A</td>
<td>12,142</td>
</tr>
<tr>
<td>2023</td>
<td>SBST265A</td>
<td>7,370</td>
</tr>
</tbody>
</table>

**Savings Bond Outstanding**

As of September 30th, 2016

158,791 MB (11 Series)

**Savings Bond: Safe Haven for Retail Investors**

FY2017 Expiration of 2 SB 8,000 THB Mil. (5%)
FY2018 Expiration of 3 SB 39,577 THB Mil. (26%)
FY2019 Expiration of 1 SB 50,000 THB Mil. (32%)
FY2021 Expiration of 2 SB 21,206 THB Mil. (14%)
FY2024 Expiration of 1 SB 18,164 THB Mil. (12%)
FY2025 Expiration of 1 SB 12,141 THB Mil. (8%)
FY2026 Expiration of 1 SB 5,840 THB Mil. (4%)

The Last SB will be expired in next 10 years (FY2026)
### Domestic Bond Market in Transition

#### Market Deepening Oriented (2010 - 2012)
- Water Decree (350,000 THB Mil.)
- Thai Khem Khang (350,000 THB Mil.)

#### Sustainable Source of Fund
- ATM Lengthened
- Cost Lowered
- FIDF Decree Passed = 70,000 THB Mil. Fiscal Space

#### Regional Connectivity / AEC
- Baht Bond (Foreign Issuers Bond)

#### Debt Folio Enhancement
- Appointed 14 MOF-Outright PD
- Activated Public Debt Management Fund

#### Market Infrastructure
- Inaugural 10-yr Inflation-Linked Bond (10-yr)
- Long-term Fixed Promissory Notes (25-35-45-yr)
- Electronic Retail Savings Bond (3-5-yr)

#### Innovation / Product Development
- Annual PDMO Market Dialogue
- Quarterly PDMO one-on-one PD Dialogue

#### Market Consultation
- 8 Tenors of Benchmark Bonds

#### Funding Infrastructure Investment
- Full Funding Capacity : 1,200,000 THB Mil.
- 1,900,000 THB Mil. Long-Term Infrastructure Inv’t

#### Connecting ASEAN
- Bond Switching (1st execution: 28 Nov 14)
- Strengthening PD system (Exclusivity, League Table, Greenshoes Option)
- STRIPS Bond

### 2016 Highlights
- Baht Bond (CLMV)
- Credit Guarantee Investment Facility (CGIF)
- Foreign Currency Bond (Plan)

#### Saving Bond Online
- Super- Size Inaugural 25-yr Back-End Amortized Bond

#### Building Yield Curve / Enhancing Liquidity
- 8 Tenors of Benchmark Bonds

#### Market Deepening Oriented (2010 - 2012)
- ATM Lengthened
- Cost Lowered
- FIDF Decree Passed = 70,000 THB Mil. Fiscal Space

#### Sustainable Source of Fund
- Water Decree (350,000 THB Mil.)
- Thai Khem Khang (350,000 THB Mil.)

#### Regional Connectivity / AEC
- Baht Bond (Foreign Issuers Bond)

#### Debt Folio Enhancement
- Appointed 14 MOF-Outright PD
- Activated Public Debt Management Fund

#### Market Infrastructure
- Inaugural 10-yr Inflation-Linked Bond (10-yr)
- Long-term Fixed Promissory Notes (25-35-45-yr)
- Electronic Retail Savings Bond (3-5-yr)

#### Innovation / Product Development
- Annual PDMO Market Dialogue
- Quarterly PDMO one-on-one PD Dialogue

#### Market Consultation
- 8 Tenors of Benchmark Bonds

#### Funding Infrastructure Investment
- Full Funding Capacity : 1,200,000 THB Mil.
- 1,900,000 THB Mil. Long-Term Infrastructure Inv’t

#### Connecting ASEAN
- Bond Switching (1st execution: 28 Nov 14)
- Strengthening PD system (Exclusivity, League Table, Greenshoes Option)
- STRIPS Bond

#### Saving Bond Online
- Super- Size Inaugural 25-yr Back-End Amortized Bond

#### Building Yield Curve / Enhancing Liquidity
- 8 Tenors of Benchmark Bonds
Savings Bond as A Tool for Savings Society

Expand the investor base

- The Direct Investment from the retail investors **increased**
- Number of **Individual** and the **Non-Profit Entity** investors increased

### Increasing of Savings Bond Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>THB mil.</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2012</td>
<td>34,316</td>
</tr>
<tr>
<td>FY2014</td>
<td>38,000</td>
</tr>
<tr>
<td>FY2016</td>
<td>50,000</td>
</tr>
</tbody>
</table>

### Increasing Number of Individual Investors

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2012</td>
<td>9,894</td>
</tr>
<tr>
<td>FY2014</td>
<td>27,771</td>
</tr>
<tr>
<td>FY2016</td>
<td>34,049</td>
</tr>
</tbody>
</table>

### Increasing Number of the Non-Profit Entity Investors

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2012</td>
<td>182</td>
</tr>
<tr>
<td>FY2014</td>
<td>194</td>
</tr>
<tr>
<td>FY2016</td>
<td>293</td>
</tr>
</tbody>
</table>
Savings Bond as A Tool for Savings Society

**Number of savings bond customers**

- FY2016 issued: THB 50,000 mil.
- Direct investment increased **395%** from FY2015
  (27,405 accounts)

**Number of customers who 60 years old and above**

- **The Elderly** are the main customers of Savings Bond as
  More than **40%** of Total Customers

**Number and purchasing amount of the non-profit entities**

- The number and purchasing amount of the Non-Profit Entities
  in savings bond has continuously increased

*Excluded the Special Savings Bonds*
Domestic Bond Market Has Developed Rapidly and Efficiently

- Savings Bond objective is the instrument for retail investors
- Savings Bond coupon needs to top-up 80 to 120 bps over the government bond yield
- Maintain Savings Bond for the future urgent funding needs

2007 - 2009: Development Oriented
+ Regular Benchmark Issuance
+ New Product Development
+ Regular Market Dialogue with BOT and PD

2010 - 2012: (Market Deepening Oriented)
+ 50-yr Bond, 10-yr LB, Scripless Retail Savings Bond
+ Upgrade PD Privileges
+ 8 Benchmark Bonds create reliable reference yield curve

Next Step 2013 - 2016: (Financing Thailand & Connecting ASEAN)
+ 25-yr Amortized Bond, 15-yr ILB
+ Bond Switching & Bond Consolidation
+ Regional Linkage (CGIF)
+ Foreign Currency Bond

Post Crisis – 2000: Volume Oriented
+ Bond Market Capitalization Tripled
+ Government Bonds Outstanding grew by 50 times
+ Government Bond Market Share jumped from 3% in 1997 to 44% in 2000

Pre-Crisis
- Illiquid Bond Market
- Absence of Benchmark Bond
- Dominated by SoE’s Bonds

Asian Financial Crisis

THB Trillion

% of GDP
Structure Shift ... Savings Bond was a **Main Instrument** for Government funding under the economic crisis

Proportion of **Household and Non-profit** in Government Debt Securities

**Savings Bond Outstanding**

**Government Debt Securities** (Classified by Types of Investors)

- Contractual Funds: 27%
- Insurance Company: 28%
- NR: 13%
- Depository Corporation: 14%
- Financial Institution: 3%
- Bot: 6%
- Mutual Funds: 2%
- Other: 1%
- Financial Institution: 3%

**Today**

Savings Bond outstanding in Thai bond market

- **158,791 MB** (at the end of September 2016)

**0%**

**2019**

**25,000 MB**

2004

424,311 MB

2005

381,796 MB

2006

483,839 MB

2007

424,311 MB

2008

381,796 MB

2009

483,839 MB

2010

424,311 MB

2011

381,796 MB

2012

483,839 MB

2013

424,311 MB

2014

381,796 MB

2015

483,839 MB

2016

424,311 MB

2017

150,791 MB

2018

61,214 MB

2019

19,511 MB

2020

-0-
Domestic Bond Market Has Developed Rapidly and Efficiently

Savings Bond is No Longer Government’s primary fundraising instruments

2007 - 2009: Development Oriented
- Regular Benchmark Issuance
- New Product Development
- Regular Market Dialogue with BOT and PD

2010 - 2012: (Market Deepening Oriented)
- 50-yr Bond, 10-yr LB, Scripless Retail Savings Bond
- Upgrade PD Privileges
- 8 Benchmark Bonds create reliable reference yield curve

Next Step 2013 - 2016: (Financing Thailand & Connecting ASEAN)
- 25-yr Amortized Bond, 15-yr ILB
- Bond Switching & Bond Consolidation
- Regional Linkage (CGIF)
- Foreign Currency Bond

Post Crisis – 2000: Volume Oriented
- Bond Market Capitalization Tripled
- Government Bonds Outstanding grew by 50 times
- Government Bond Market Share jumped from 3% in 1997 to 44% in 2000

Pre-Crisis
- Illiquid Bond Market
- Absence of Benchmark Bond
- Dominated by SoE’s Bonds

Asian Financial Crisis

THB Trillion

% of GDP

Post Crisis – 2000:

2007 - 2009:

2010 - 2012:

Next Step 2013 - 2016:
Development and Globalization

• **Investment options**
  • Asset Allocation
  • Investment Knowledge
  • Growing of alternative investment in the market
    • Derivative
    • Commodity
    • Mutual Fund (LTF, RTF)
    • Real Estate
    • Arts & Antique
    • Etc.