



สำนักงานบริหารหนี้สาธารณะ
PUBLIC DEBT MANAGEMENT OFFICE

Innovative Financial

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Policy and Planning Bureau
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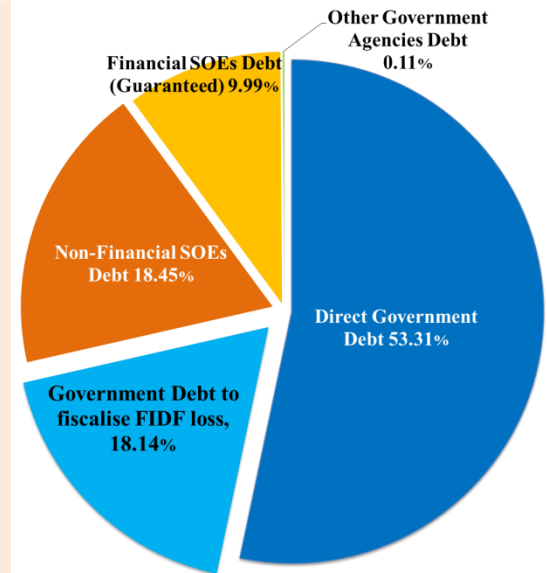
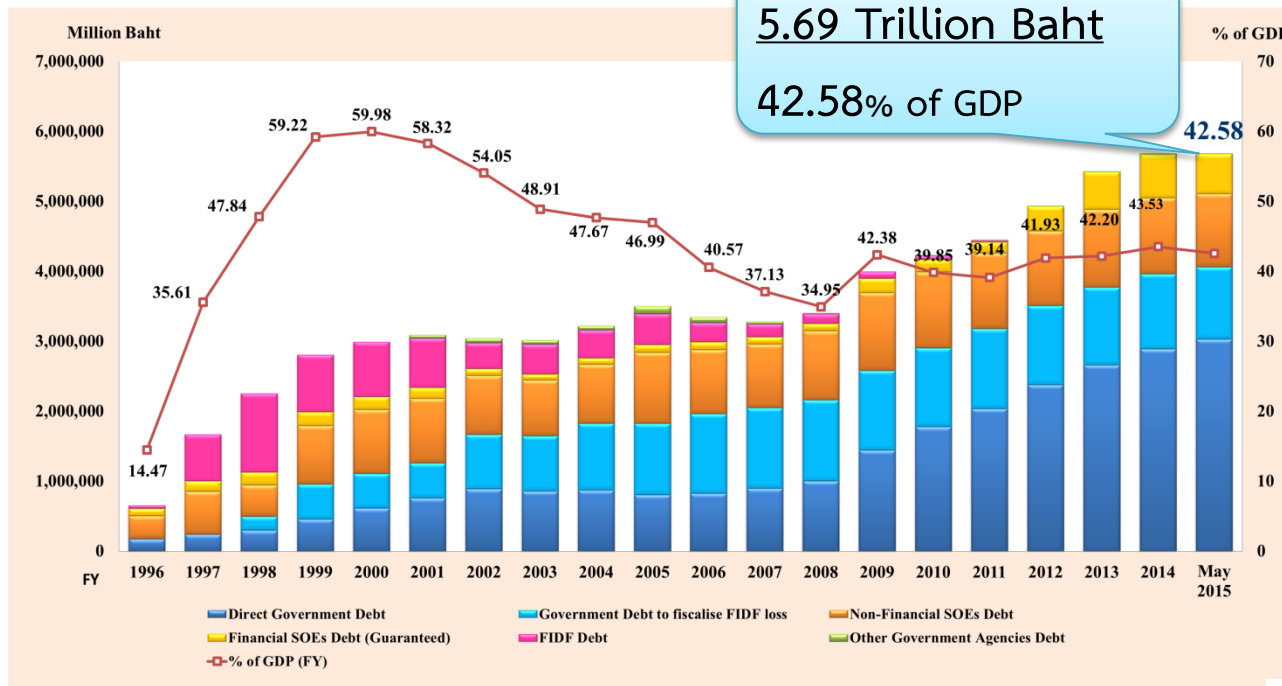
Outline

- **Thailand Public Debt overview**
- **Legal Framework**
- **Public Debt Management Plan & Borrowing Instruments**
- **Domestic Bond Market Development**
- **Baht-Denominated Bonds in Thailand**
- **Sovereign Credit Rating**

Thailand Public Debt overview



Public Debt Outstanding as of May 2015



Components of Public debt

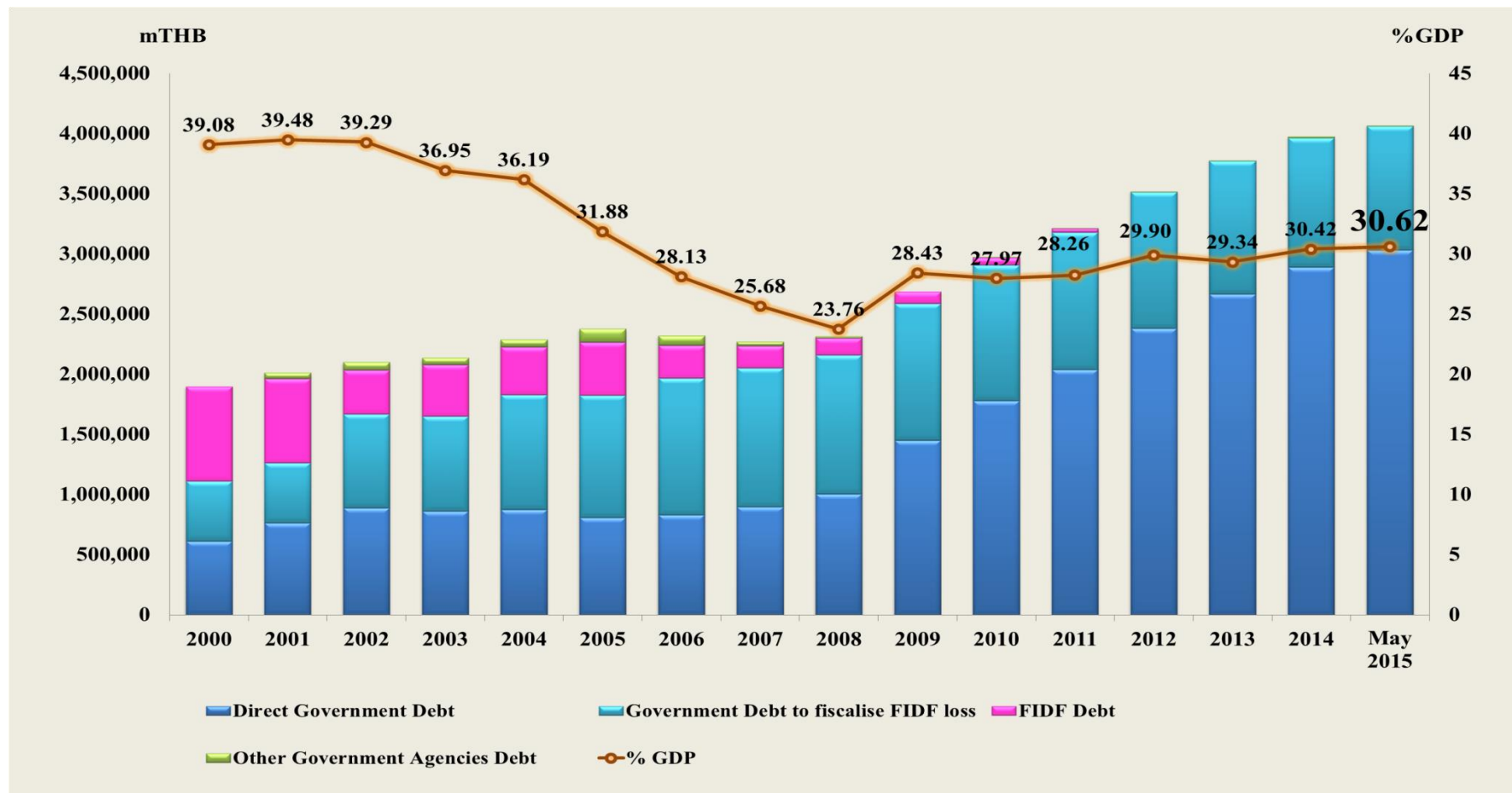
Public Debt Outstanding as of May 2015	Total (Million THB)	% of GDP
Direct Government Debt	3,031,853.80	22.7
Government Debt to fiscalise FIDF loss	1,031,567.80	7.72
Non-Financial SOEs Debt	1,049,090.04	7.85
Financial SOEs Debt (Guaranteed)	568,363.99	4.26
Other Government Agencies Debt	6,131.99	0.05
Total	5,687,007.62	42.58

- Public Debt Outstanding at the end of May 2015 is 5.69 trillion Baht or 42.58% of GDP
- 18.14% of Government debt to fiscalise FIDF loss is expected to be paid off within 19 years.

Note: 1. Fiscal Year 2015 has started on October 2014



General government debt (1+2+5) stood at comparatively low level around 31% of GDP



General government debt in the amount of 4.07 trillion Baht comprised 3 items

1. Direct Government Debt
2. Government Debt to fiscalise FIDF loss
3. Other Government Agencies Debt

Excluded onlending to SOEs debt

***Local government debt as of March 2015 = 35.97 billion Baht or around **0.27% of GDP**

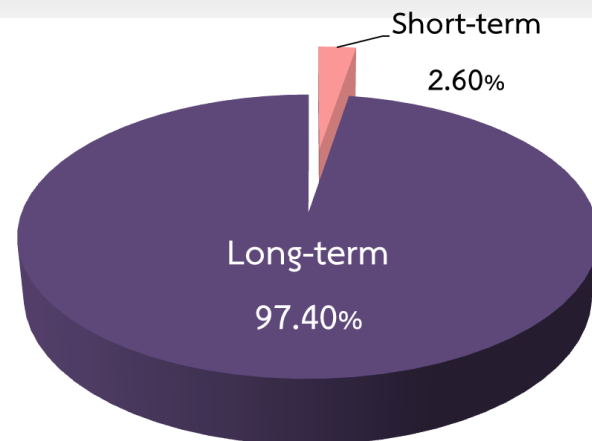


Most of public debt is long term, both by instruments and remaining maturity

By Instrument...

Unit : Million THB

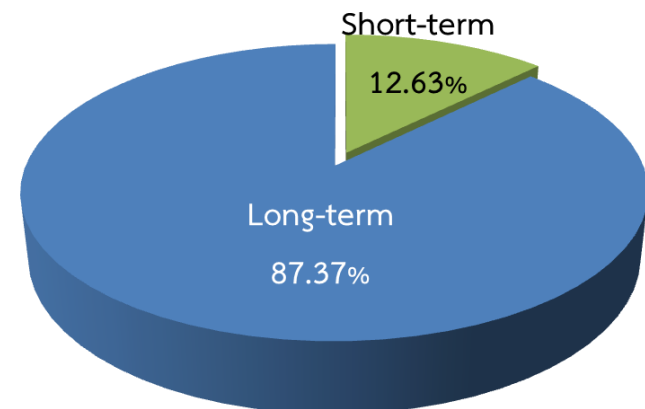
Public Debt Outstanding as of May 2015	Short-term	Long-term
Government Debt	126,024.00	3,937,397.60
Non-Financial SOEs Debt	13,118.15	1,035,971.89
Financial SOEs Debt (Guaranteed)	8,955.00	559,408.99
Other Government Agencies Debt	-	6,131.99
Total	148,097.15	5,538,910.47



By remaining maturity

Unit : Million THB

Public Debt Outstanding as of May 2015	Short-term	Long-term
Government Debt	413,103.77	3,650,317.83
Non-Financial SOEs Debt	151,587.85	897,502.19
Financial SOEs Debt (Guaranteed)	153,075.03	415,288.96
Other Government Agencies Debt	548.19	5,583.80
Total	718,314.84	4,968,692.78



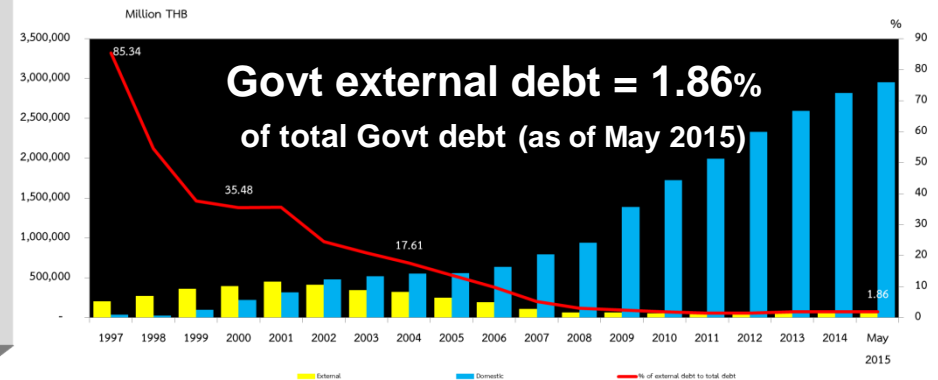
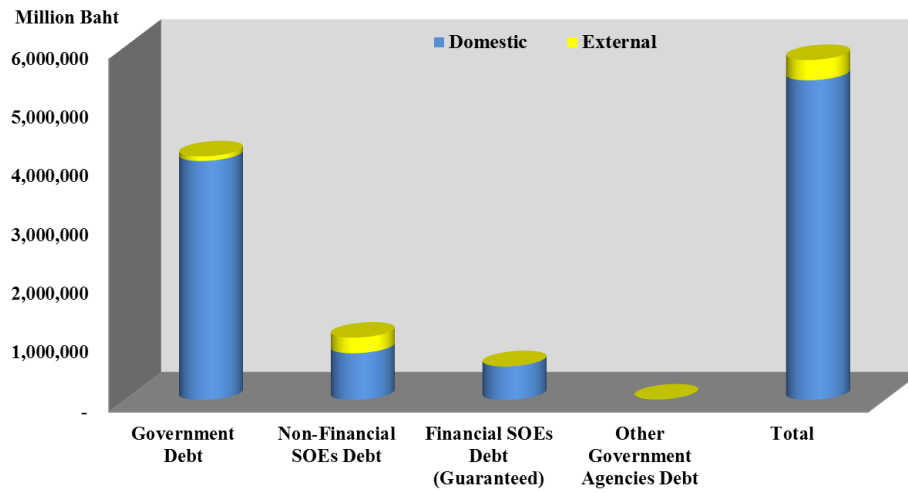
Note: Short term debt refers to the debt outstanding figures having the remaining maturity less than 12 months



More than 90% of public debt is in local currency

Unit : Million THB

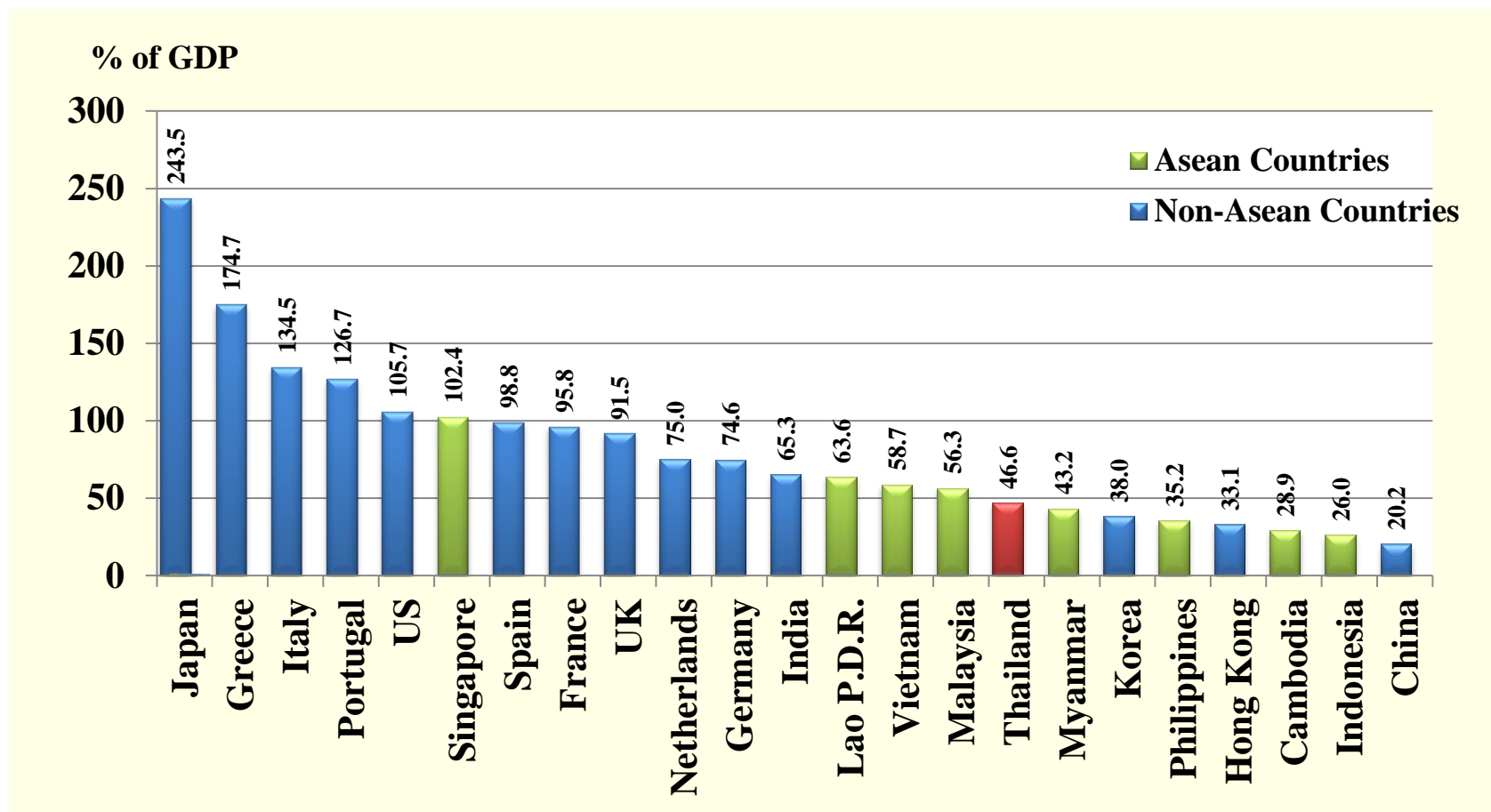
Public Debt Outstanding as of May 2015	External	Domestic
Government Debt	75,393.02	3,988,028.58
Non-Financial SOEs Debt	256,029.08	793,060.96
Financial SOEs Debt (Guaranteed)	2,564.29	565,799.70
Other Government Agencies Debt	-	6,131.99
Total	333,986.39	5,353,021.23



*Thailand's external debt is classified by currency.



Thailand's Public debt to GDP by comparison with other countries



Source : IMF – Fiscal Monitor (April 2014)

Note : Thailand's debt to GDP is number of Public Debt where as other countries are General Government Debt.

Legal framework



Legal Framework

Public Debt Management Act B.E. 2548 (2005)

Public Debt Definition:

1. Direct government debts: budget deficit, infrastructure investment projects, economic stimulation, crisis management, on-lend to government agencies and State Owned Enterprises (SOEs)
2. Non-financial SOEs debts, both government guaranteed and non guaranteed (SOEs include privatized companies)
3. Financial SOEs debt that government guaranteed
4. Other public organizations debts such as Energy Fund
5. Not included local government debts

Public Debt Management :

- incur debt through loans or guarantees
- debt repayment
- debt restructuring
- other activities involving public debt



Public Debt Management Act is the MAIN borrowing framework

A Borrowing Ceiling to Finance Budget Deficit

20% of Annual Budget



80% of Principal Repayment
Expenditure

B Ceiling for Government Guaranteed + Borrowing for THB On lending

20% of Annual Budget

- Support SOEs Investment Project

C Borrowing Ceiling to promote Economic and Social Development

10% of Annual Budget

- Enable government's long-term investment project
- Borrow in foreign currency and have import content
(avoid crowding out and FX neutral)
- Or borrow in THB if domestic market allowed



Public Debt Management Act

Public Debt Restructuring

- Shall be made for the purpose of economies, minimising foreign exchange risk, or diversifying debt repayment burden.
- Shall raise loan for repayment debt incurred by MOF in an amount of not exceeding the outstanding debt
- Shall raise loan for repayment debt incurred by MOF guarantee in an amount of not exceeding the guaranteed debt
- In case the amount of public debt which will be restructured is large and MOF considers that it is not appropriate to restructure in one time, MOF is able to restructure the debt 12 months in advance before the due date.
- The proceeds from the advanced debt restructuring shall be transferred to the Debt Restructuring and Bond Market Development Fund



Public Debt management act

Debt Restructuring Methods

MOF shall have the power to restructure public debt by means of:

- ✓ Refinancing the existing debt
- ✓ Repayment of debt before the repayment period
- ✓ Extending or shortening repayment period
- ✓ Roll over
- ✓ Buy back
- ✓ Redeeming government debt instrument, or
- ✓ Undertaking any financial transaction which is beneficial to public debt restructuring specified in the Ministerial Regulation



Government, under parliament's approval and public awareness,
can issue **the emergency decrees** to maintain economic stability and stimulate economy



Emergency Decree authorizing the MOF to Secure Loans for Economic Restoration and Development Fund B.E. 2541 (A.D. 1998) 500 billion THB



Emergency Decree authorizing the MOF to Secure Loans for Restoring and Strengthening the Financial Institutions System Development B.E. 2541 (A.D. 1998) 300 billion THB



Emergency Decree authorizing the MOF to Secure Loans for Strengthening and Developing the Financial Institutions System Phase II B.E. 2545 (A.D. 2002) 780 billion THB



Emergency Decree authorizing the MOF to Secure Loans for Restoring and Strengthening Economic Security B.E. 2552 (A.D. 2009) 400 billion THB



Water Resource Management and Country Development Decree B.E. 2555 (A.D. 2012) 350 billion THB



Disaster Insurance Fund Decree B.E. 2555 (A.D. 2012) 50 billion THB





Sustainability Framework

Public Debt/GDP: $< 60\%$

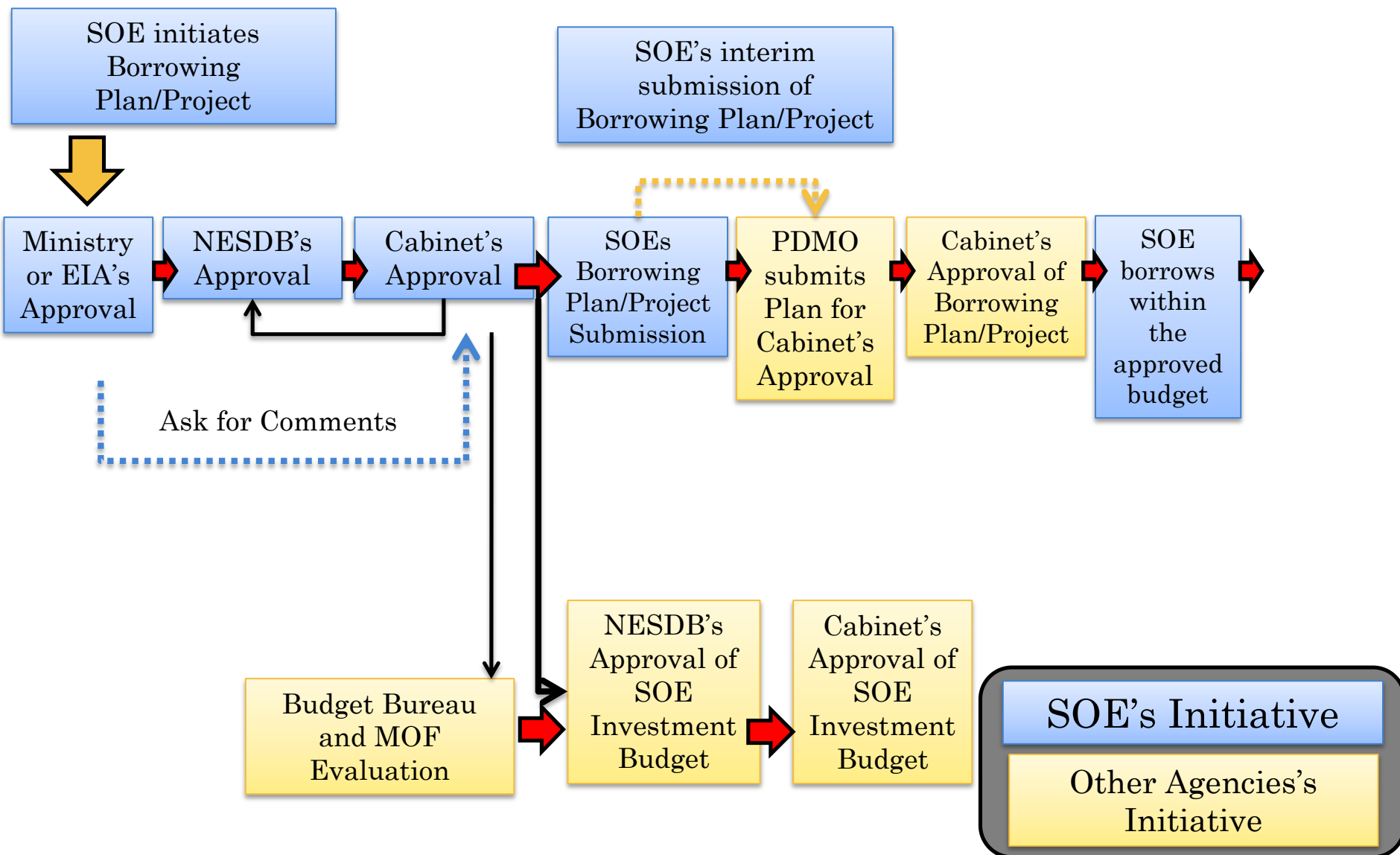
Principal and Interest Payment/Budget Expenditure: $< 15\%$

Investment Expenditure/Budget Expenditure: $> 25\%$

Public Debt Management Plan & Borrowing Instruments

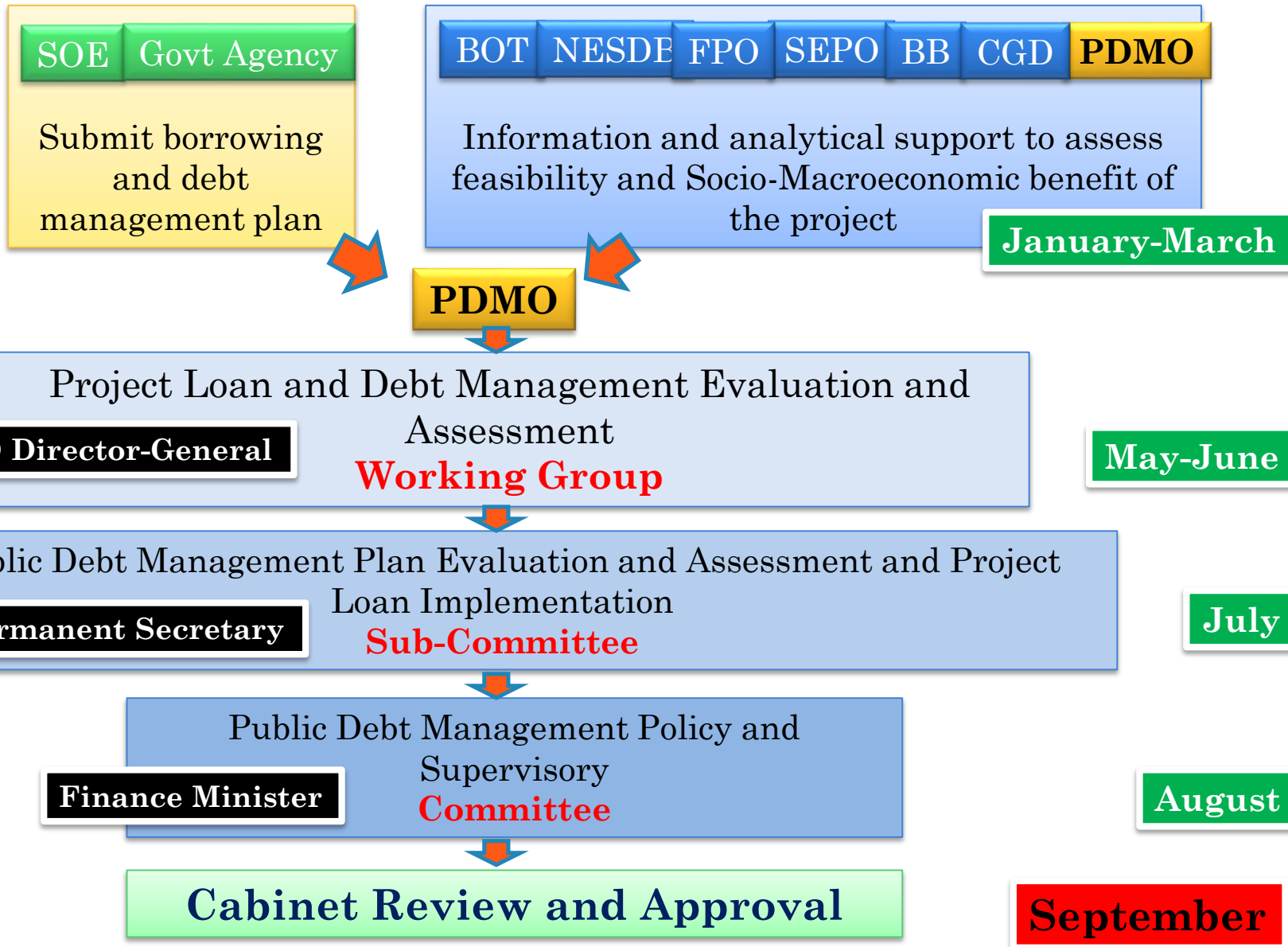


SOE/Government agency borrowing plan approval procedure





Public Debt Management Plan





Government Borrowing Plan in FY2015 (2nd Revision on March 5th , 2015)

FY 2015 Annual Budget Expenditure
(2.575 trillion THB)

Borrowing Ceiling up to 20% of Annual Budget
to Finance Budget Deficit

A

► Ceiling : 515.00 bn THB ◀

Estimated Plan : 250.00 bn THB



FY 2015 Principal Repayment Budget
(55.70 billion THB)

Borrowing Ceiling up to 80% of Principal
Repayment Exp. To Finance Budget Deficit

A

► Ceiling : 44.56 bn THB ◀

Borrowing Ceiling up to 20% of Annual Budget
To undertake Guaranteed + THB On lending

B

► Ceiling : 515.00 bn THB ◀

Estimated Plan : 369.77 bn THB

Borrowing Ceiling up to 10% of Annual Budget
To promote Economic and Social Development

C

► Ceiling : 257.50 bn THB ◀

Unit : Billion THB

Legal Framework	Ceiling Amount	Planned Amount	Leftover Amount
A	559.56	250.00	309.56
B	515.00	369.77	145.23
C	257.50	129.99	127.51
Total	1,332.06	749.76	582.30

*The 2nd revised borrowing plan was *increased in the amount of 60.38 billion THB*
(from 1.537 trillion Baht to 1.597 trillion Baht)



Total borrowing and restructuring plan in FY2015

Public debt management plan for FY 2015 (2nd Revision on March 5th, 2015)

Unit: million THB

Items	Domestic	External	Total
1. New Borrowing Plan	371,048.44	129,991.73	501,040.17
Government	302,636.55	129,991.73	432,628.28
1.1 Budget Deficit Financing	250,000.00	-	250,000.00
1.2 Thai Baht loan to substitute DPL loan	-	62,700.00	62,700.00
1.3 Borrowing to finance Insurance Fund	2,500.00	-	2,500.00
1.4 On-lending	50,136.55	67,291.73	117,428.28
SOEs	68,411.89	-	68,411.89
2. Debt Restructuring Plan	848,939.08	-	848,939.08
2.1 Government	571,226.50	-	571,226.50
2.2 SOEs	277,712.59	-	277,712.59
3. Risk Management Plan	-	76,048.10	76,048.10
3.1 Government	-	31,726.50	31,726.50
3.2 SOEs	-	44,321.60	44,321.60
4. SOEs (not required Cabinet approval)	84,088.16	57,420.79	141,508.95
4.1 New Borrowing Plan	45,530.00	9,608.45	55,138.45
4.2 Debt Management	38,558.16	47,812.34	86,370.50
5. Other Government Agency (not required Cabinet approval)	30,000.00	-	30,000.00
New Borrowing Plan (The Energy Fund Administration Institute "EFAI")	30,000.00	-	30,000.00
Total 1. to 5.	1,334,075.68	263,460.62	1,597,536.30
Total New Borrowing (1. + 4.1 + 5)	446,578.44	139,600.18	586,178.62



Government Financing Instruments

Instruments

Short-Term Securities

Long-Term Securities

**Promissory Note (PN)/
R-Bill**

- For restructuring debt (refinancing ST debt and prepayment)

Treasury Bill (T-Bill)

- Cash Management for the mismatch of Gov't revenue and expenditure (1, 3 and 6 months)

Benchmark Bond

5-10-15-30-50 yrs.

- Main Government's financing instrument (5-50 yrs)
- Building the benchmark yield curve for SOEs and private sectors
- Building liquidity in secondary market

Innovation Bonds

Inflation-Linked Bond (ILB),
Amortized Bond (LBA)

- Create alternative option for investment and broaden investors base
- Suitable financing instrument for government mega-project investment

Saving Bond

- Promote private saving (3-10 yrs)
- Sustainable Government financing instrument

Term-Loan (Bank loan)

- Correspond with project disbursement which depend on progress of implementation

**Foreign Currency Bond
(FX bond)**

(\$USD, Euro, Yen, Yuan,...)
Last issuance in 2006

- In case of tight liquidity
- Absorb the gov't mega-project investment (import content)
- Prevent the crowding out effect



Appropriate Borrowing Instruments Analyze

PROS		CONS
INTERNAL	Suit with the situation that country has high liquidity.	Affecting market liquidity. Causing the crowding out effect.
Term Loan	<ul style="list-style-type: none"> • Enable country to disburse gradually as the project progresses. • Flexible prepayment • The process takes shorter time than that of bonds 	<ul style="list-style-type: none"> • The interest rate is higher than that of bonds and P/N • Limit and term funding cost depend on bank liquidity
Government Bond, SOE Bond	<ul style="list-style-type: none"> • The interest rate is often lower than for other internal tools • Medium to long-dated tenors • Bullet / amortizing structures available • Allows issuer to lock-in fixed rate • Cash flow matching with domestic assets • Supporting the development of domestic bond market 	<ul style="list-style-type: none"> • Relatively limited size / liquidity • Term funding cost likely to exceed cost of shorter-dated amortizing loans • Investor base largely constrained domestically • Repayment may mismatch with disbursement • Limited international visibility • More complicated amendment process
P/N	<ul style="list-style-type: none"> • Flexible prepayment + Transferable <div style="border: 1px solid black; padding: 5px; margin: 10px 0; text-align: center;">  Term funding cost is lower than that of Term Loan </div> <ul style="list-style-type: none"> • The process takes shorter time than that of bonds 	<ul style="list-style-type: none"> • Repayment may mismatch with disbursement

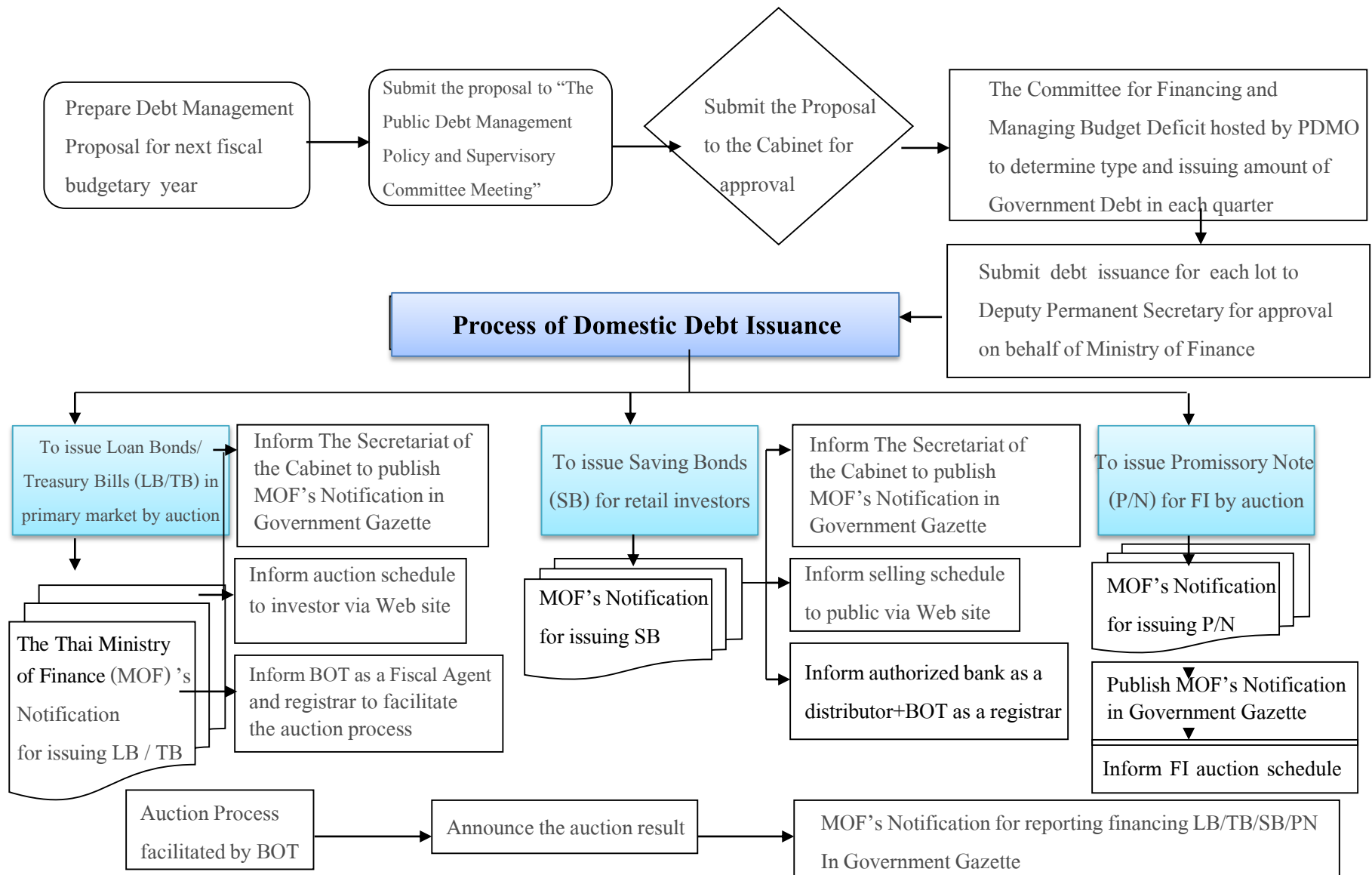


Appropriate Borrowing Instruments Analyze

PROS		CONS
EXTERNAL	Suit with the situation that country has tight liquidity.	Risk exposure management is A necessity
Loan	<ul style="list-style-type: none"> • Enable country to disburse gradually as the project progresses. • Considerable flexibility to amend terms at a later date to accommodate changes in strategy / financial policies • Flexible prepayment / Soft Loan • Attractive pricing • The existence of Project Evaluation. 	<ul style="list-style-type: none"> • Taking 18 months to proceed • Relatively limited size / liquidity • Shorter tenor • Investor base constrained to banks • Generally more restrictive with maintenance-based covenants • Amortizing maturity profile • Cannot manage risk immediately <p>Difficult to estimate term funding cost</p>
International Bond	<ul style="list-style-type: none"> • Largest sizing / liquidity • Longer tenors available • Establishing benchmark • Bullet / amortizing structures available • Funding sources risk can be distributed <p>Competitive pricing due to broader and deepest investor base</p> <ul style="list-style-type: none"> • Allows issuer to lock-in fixed rate funding cost • Building credit and profile to quality global fixed income investors <p>Visibility in the international financial community</p> <ul style="list-style-type: none"> • Absorb the gov't mega-project investment (import content) 	<ul style="list-style-type: none"> • Fund Flow may make pressure to value of money • Exchange Rate Risk • Loan fee <ul style="list-style-type: none"> • Repayment may mismatch with disbursement • Fund Flow may make pressure to value of money • Term funding cost likely to exceed cost of loans • Negative carry ahead of capital / project expenditure and refinancing • More complicated amendment process



Process of Thailand Debt Issuance

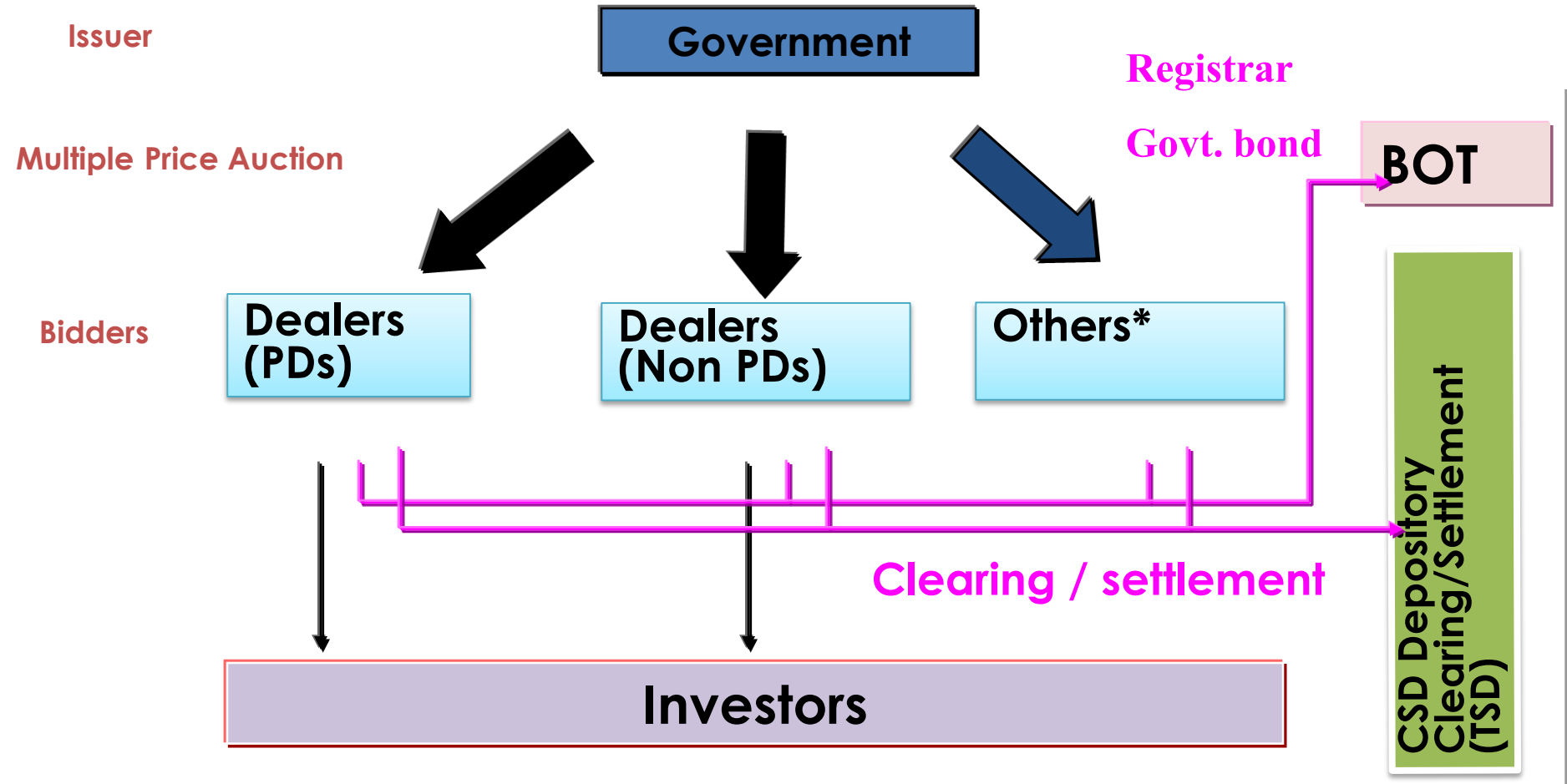




Process of Thailand Domestic Bond Issuance

Government Bonds

Primary Market Transaction Flow



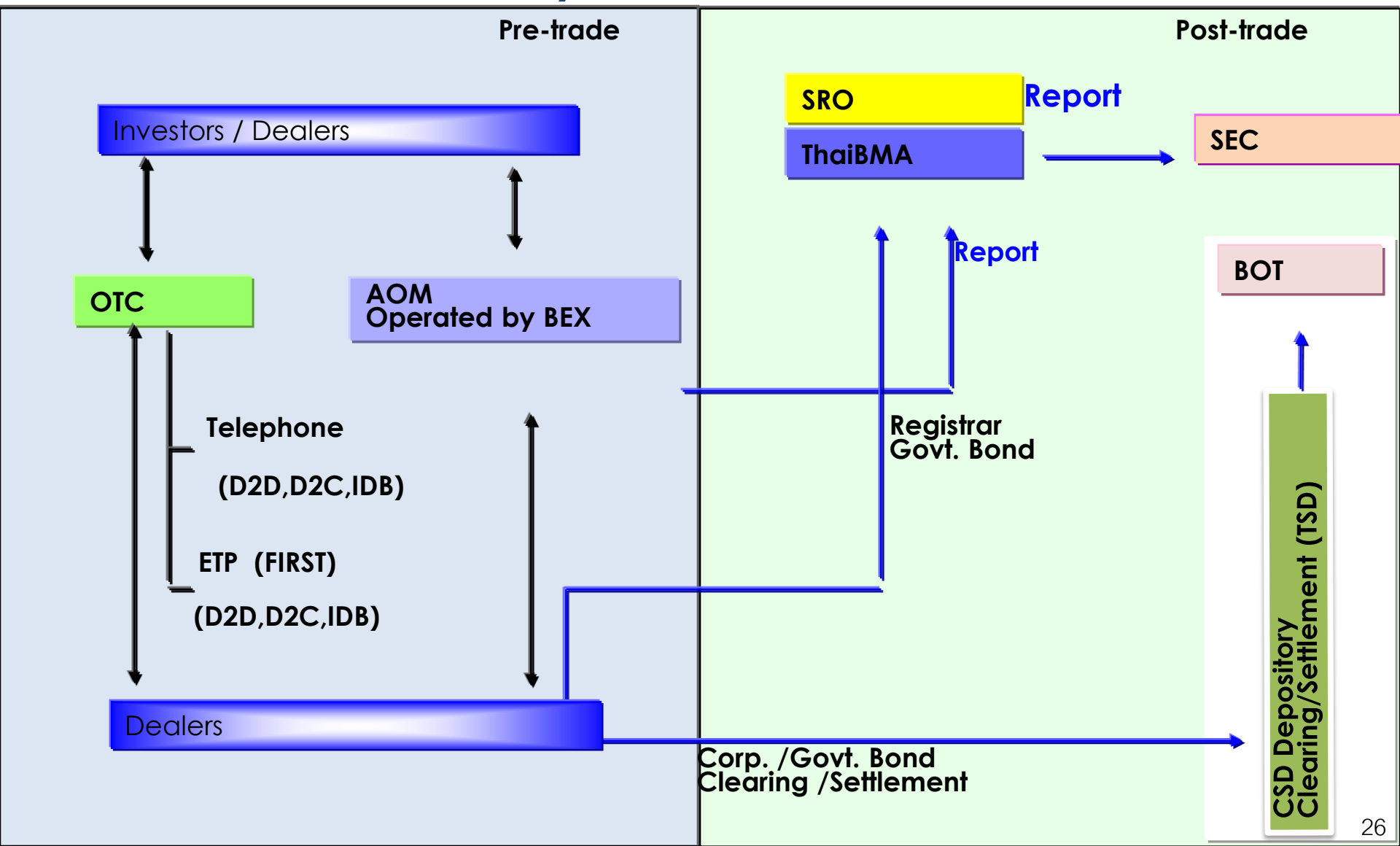
* Others institution investors who have accounts with BOT



Process of Thailand Domestic Bond Issuance

Government Bonds

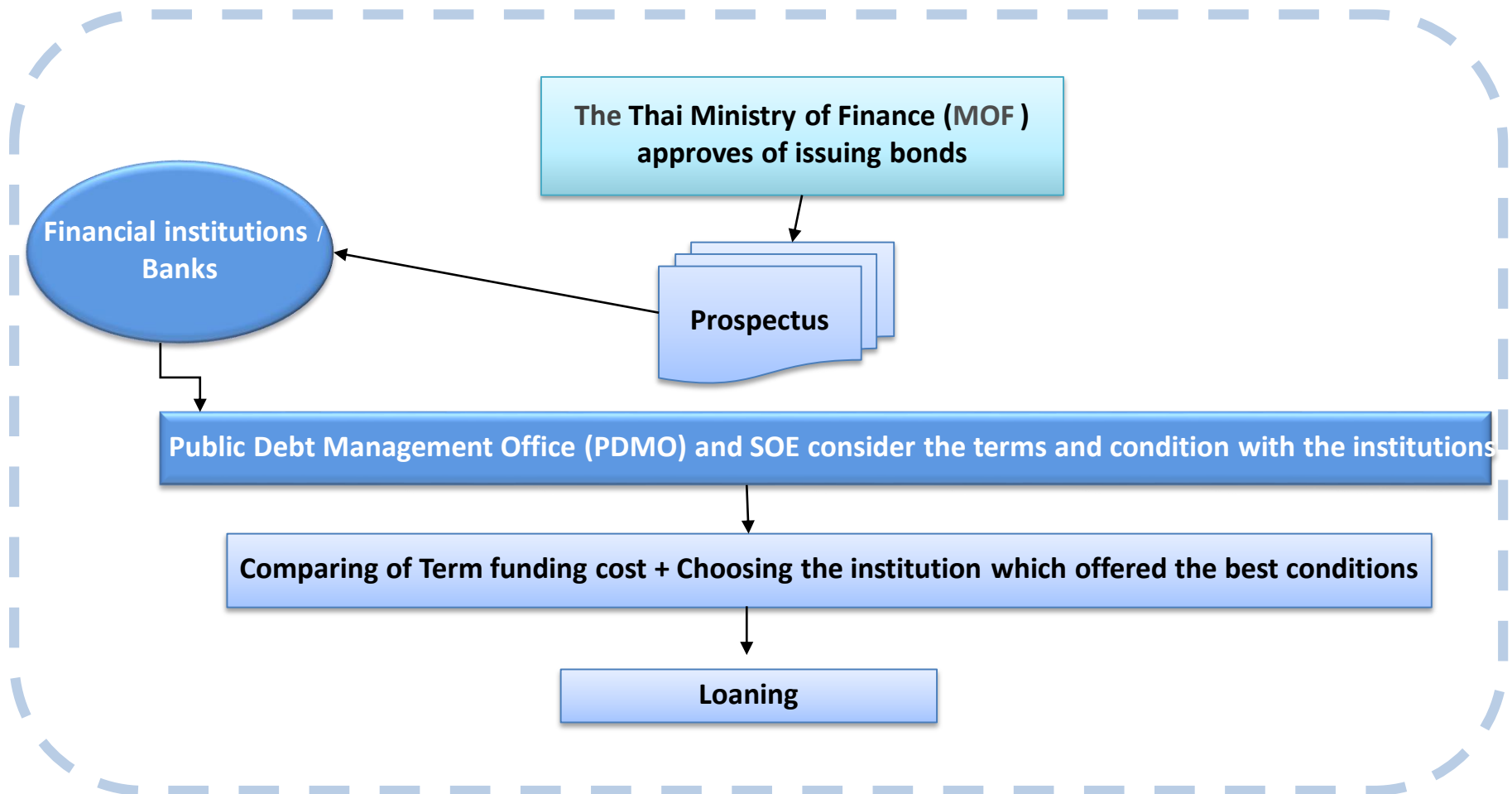
Secondary Market Transaction Flow





Process of Thailand Domestic Bond Issuance

SOE Bonds





external borrowing criteria

Who are the main sources of Thailand's external borrowing?



1. Favourable Terms and Conditions

- High ratio of capital investment with long tenure (15 – 40 years)
- Grace period (5 – 10 years)

2. Know-how Transfer

- Knowledge and Technology transfer
- Technical assistant project and expertise

3. Match Nature of Project and Diversified Sources

- Mega or long term project (10-30 years)
- Imported contents
- Avoid crowding out effect
- Reserve budget for other loans





The cost of external borrowing

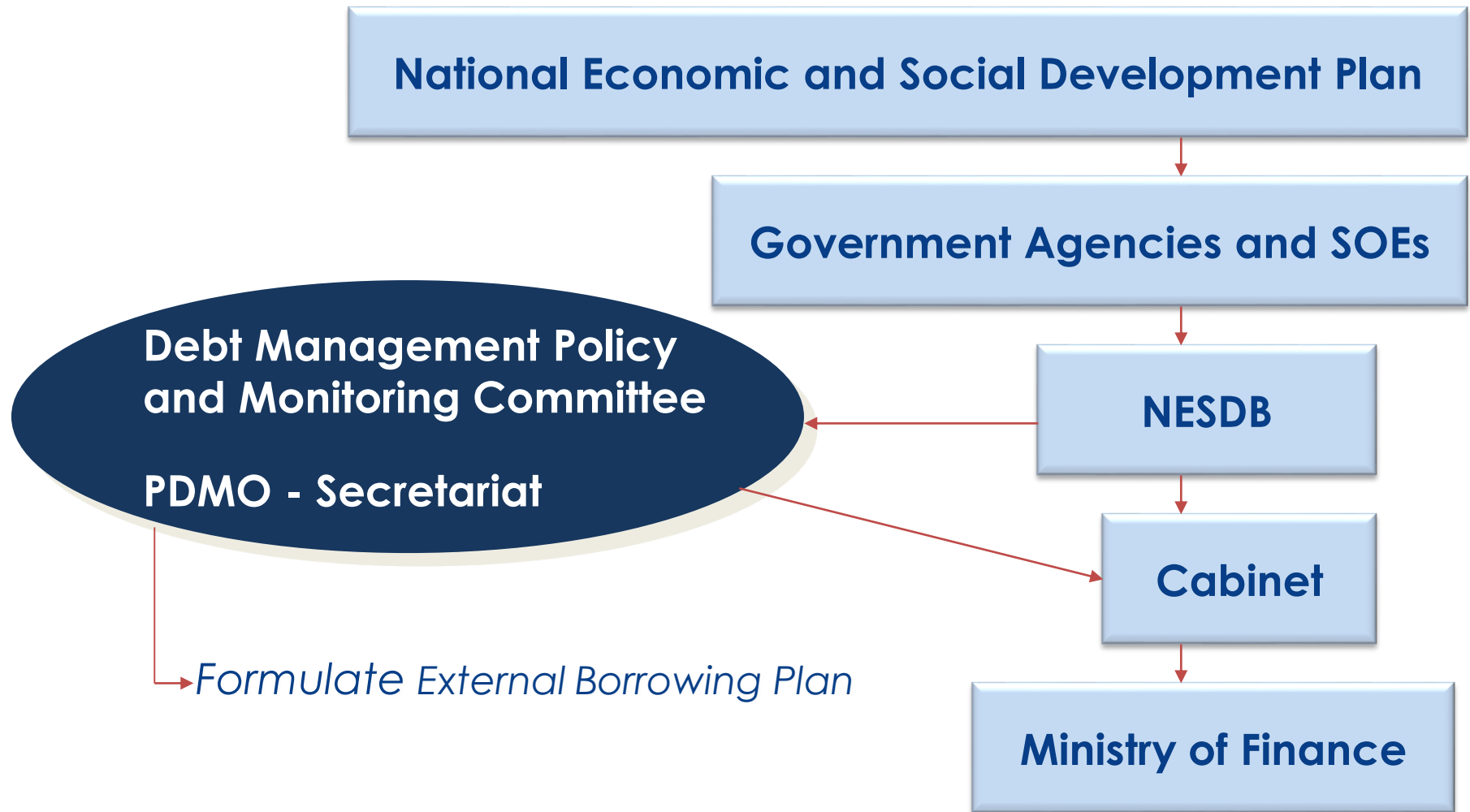


ATM (Years)	World Bank	ADB	JICA	
6	2.37	2.39	General	Preferential
10	2.51	2.43	3.60	2.40
13	3.06	2.78	3.78	2.58
16	3.42	3.14	3.89	
18	3.48	3.30		

As of 26 June 2015



External borrowing procedure





MOF after cabinet approval of external borrowing

- Approach and request of Loan
- Propose the terms and condition of the loan for Cabinet approval
- Appointment of the loan negotiation team
- Report the result of loan negotiation and request for loan agreement or guarantee agreement signing
- Report on signing of the L/A and publish the notification of loan commitment in the Government Gazette
- Request the Office of Juridical Council to prepare the legal opinion of the loan documents
- Effectiveness of the L/A



External borrowing procedure

ADB

Borrowing Procedure

Loan Request by
the Thai Ministry
of Finance (MOF)

ADB accept the
request
(program/project
loan)

ADB send a Mission for
doing the Policy Matrix
with MOF

1

MOF
submit the proposal
to the Cabinet

MOF and ADB
consider terms &
conditions for loan
together

2

MOF proposes the terms
and condition of the loan
for Cabinet approval

MOF and ADB accede to
the contract

Disbursement Procedure

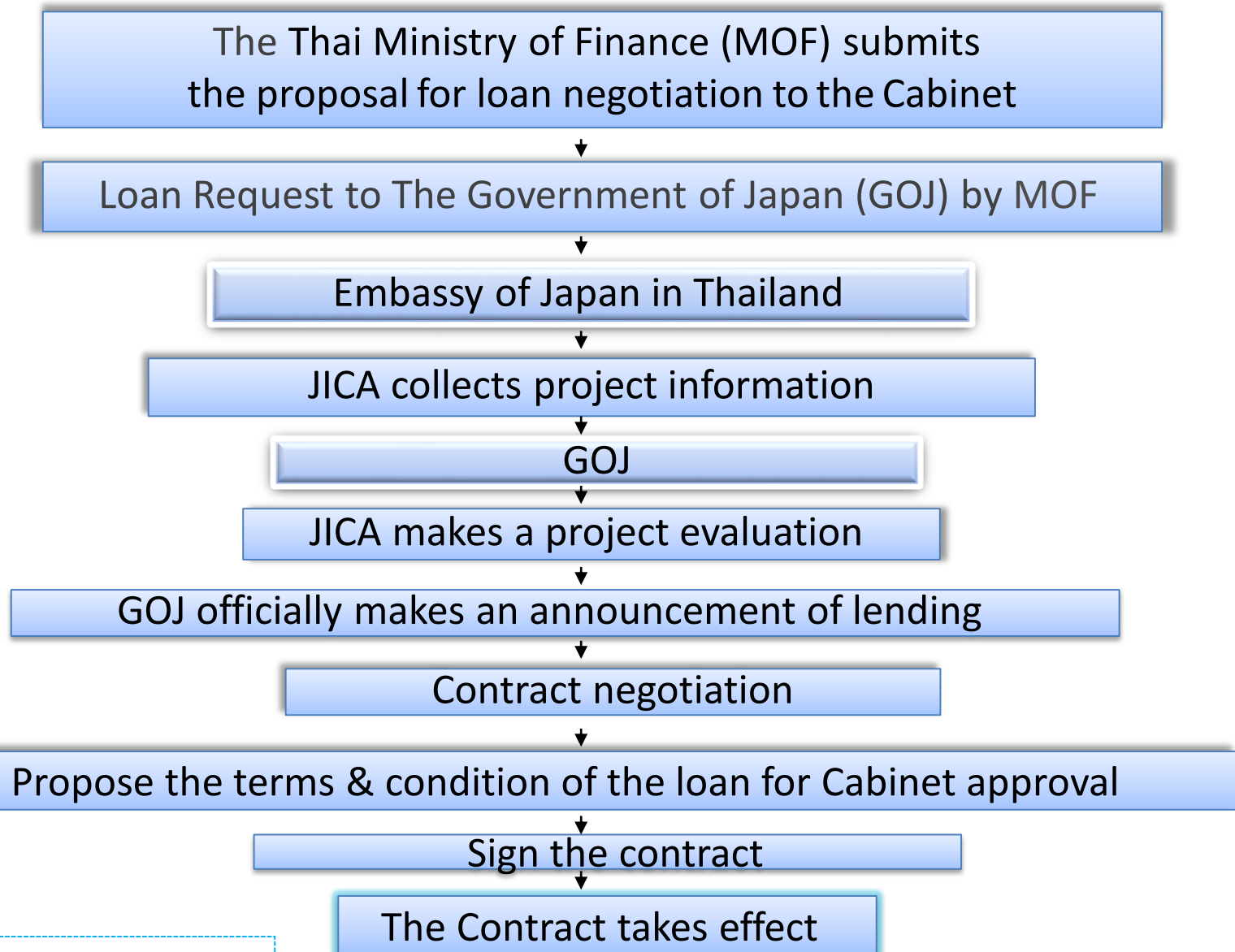
MOF appoints the
authority for
disbursement

Public Debt
Management Office
(PDMO) informs ADB of
disbursement and
prepares for crucial
documents

PDMO disburses
through Bank of
Thailand



External borrowing procedure



Processing times : 1-2 years



Bond Financing Spectrum

Issuing international bonds help raise the profile of the issuer among a variety of investors, while also providing numerous structural, diversification and tenor benefits vs. domestic bonds or other commercial sources. Below we present a list of the different types of international bonds and the available offering formats.

Domestic Bonds

- Securities issued into issuer's home country and denominated in local currency

International Bonds

Foreign Bonds

- Issued in a domestic market by a foreign borrower
 - Either in the domestic currency, such as Yankee (US\$), Samurai (JPY) Kangaroo (AUD), or
 - Into domestic market in foreign currency i.e. Uridashi (IDR sold to Japanese investors)

Global Bonds

- Securities simultaneously issued into more than one major market, including the U.S.
- Denominated in any currency

Eurobonds

- Generally refers to bonds issued into the "Euromarket" (ex-U.S.)

Offering Formats

SEC Registered

- Access to all investors in the U.S., including retail
- Meet relatively more onerous U.S. SEC requirements

144A

- Strictly private placements
- Sold to Qualified Institutional Buyers (QIBs) only, including those located in the U.S.

144A with Reg. Rights

- Issued as 144A with the plan to register with the SEC at a later date (i.e. post acquisition as accounts are not yet available)

Regulation D

- Placement of small groups of accredited investors (principally insurance companies)
- Generally need strong Investment Grade ratings

Regulation S

- Bonds not issued into the U.S. fall within the Regulation S exemption
- Can be issued into U.S. after seasoning period via non-U.S. initial investor ("offshore" U.S. market)



International Bond

There are numerous structural, diversification and tenor benefits of an international bond transaction.



Locks-in long-term capital to refinance or to meet funding requirements

- Maximizes tenor by issuing bonds with tenors of up to 10-years in the case of sub Investment Grade issuers, or perpetual / 30-years in the case of Investment Grade issuers, including sovereign issuers
- Features bullet repayment (no amortization payments necessary)
 - Term out short-term debt
 - Excellent alternative to address funding requirements
- Relieves issuers of short-term funding pressure and preserves capital in the near-term for working capital and / or budgetary requirements



Competitive funding rates

- All-in funding costs remain in the vicinity of historical lows, despite recent global market volatility (technical bid)



Diversifies investor base

- Provides outstanding diversification benefits to issuers and allows issuers to preserve remaining domestic bank lines
- Reduces reliance on bank loans or multilateral funding moving forward



Establishes benchmark and lays the groundwork for future issuances in the international capital markets

- Introduces issuer as a market-savvy international borrower with a US\$ benchmark trading in the secondary market
- Opens another medium for financing – after inaugural bond is issued, follow-on bond issues can be executed in a fairly straightforward manner



Incurrence based, flexible covenants / terms and conditions

- Unlike bank-driven financing transactions, features incurrence-based covenants or terms and conditions
- Typically more lenient compared to bank loans
- Permanent financing for acquisitions



Introduces credit and profile to quality global fixed income investors

- Addresses key markets and broadest audience to maximize momentum and price tension
- Positions the issuer favorably with fixed income investors globally



Choice of Bond Offering Format

A 144A / Regulation S format allows the debt securities to be offered to institutional investors in the U.S., Europe, and Asia, while a Regulation S only format can only be offered into Asia, Europe, and offshore U.S. accounts. An SEC registered bond offering would also allow for distribution to U.S. retail investors.

	SEC Registered	144A / Regulation S Offering	Regulations S Only Offering
Investor Distribution	<ul style="list-style-type: none"> Allows an issuer to market to the Asian, European and U.S. Qualified Institutional Buyer (QIB) and retail investors Permits access to additional pockets of liquidity from the U.S. retail investor base 	<ul style="list-style-type: none"> Allows an issuer to market to the Asian, European and U.S. Qualified Institutional Buyer (QIB) bases Permits access to liquid and diverse U.S. QIB names 	<ul style="list-style-type: none"> Asian-focused distribution Supplemental demand from European accounts, including offshore U.S. accounts
Funding Size	<ul style="list-style-type: none"> Substantial amounts doable 	<ul style="list-style-type: none"> Usually in the context of US\$1 billion+ Larger transactions are doable 	<ul style="list-style-type: none"> Typically up to US\$1 billion + for strong credits
Maturities	<ul style="list-style-type: none"> Greatest flexibility, with tenors of up to 30-years (and potentially longer) 	<ul style="list-style-type: none"> Deepest pool of liquidity for 10-years 10 / 30-years maturities are very common 	<ul style="list-style-type: none"> Typically tenors up to 10-years Limited capacity for tenors > than 10-years
Disclosure and Documentation	<ul style="list-style-type: none"> Prospectus and Registration Supplement filing compliant with the SEC Other applicable diligence and transaction documentation, including 10b-5 legal opinions and comfort letters by the Auditors (for corporate issuers) Legal obligation to on-going SEC disclosure Maintain on-going SEC Registration No restatement or reconciliation from financial statements to U.S. GAAP if IFRS 	<ul style="list-style-type: none"> Full issuer description and sections on industry and risk factors in the Offering Memorandum MD&A discussion, describing main drivers of last three years and interim financial performance (for corporate issuers) 10b-5 (negative assurance) opinion required from legal counsels No restatement or reconciliation from financial statements to U.S. GAAP 	<ul style="list-style-type: none"> Disclosure and other documentation largely in line with 144A issues including risk factors and company descriptions No MD&A discussion, although inclusion is best practice No negative assurance (i.e. 10b-5) opinion required from counsel No restatement to U.S. GAAP
Resale / Trading Restrictions	<ul style="list-style-type: none"> Freely re-sold by investors without re-registration 	<ul style="list-style-type: none"> 144A securities can only be resold to QIBs within the first year after the issue date Freely tradable to the public two years after the issue date 	<ul style="list-style-type: none"> Trading of Regulation S securities are restricted to non-U.S. investors for life, in the same way a Regulation S offering is restricted in the primary distribution



MTN Program vs. Standalone Bond Issuance

Issuers can choose to issue their bond offerings on a standalone basis or as drawdowns under an MTN program. The choice of either format does not determine the success of an offering and depends primarily on the issuer's preference for financing flexibility and documentation costs.

Standalone Bond Issuance

MTN Program

1 Issuance Strategy

- Suited for an infrequent issuer that typically issues not more than once a year

- Facilitates fast, economical and frequent (more than twice a year) issuance of debt instruments of any size
- Caters for opportunistic and reverse enquiry issues

2 Transaction Types

- Only deals with a single issuance of a specific type, tenor, level of seniority and currency

- Flexible in terms of tenor, level of seniority, currency and interest rates (i.e. fixed, floating, index-linked, etc.)

3 Market Perception

- Creates profile of a borrower with an opportunistic fund-raising strategy

- Issuer is portrayed as being more sophisticated with a long-term commitment to markets

4 Market Timing

- Full set of documentation has to be prepared at the time of each issuance

- The majority of documentation can be prepared in advance for much quicker market access
- Suited for taking advantage of specific borrowing opportunities under volatile market situations

5 Economics

- Cheaper on single, or at the most 1 – 2 additional subsequent issues

- Slightly higher cost than standalone for infrequent issuers
- Cost efficient for borrowers with repeat issuances and reverse enquiry demand

6 Approval & Documentation

- Offering Circular, Purchase / Subscription Agreement, Trust Deed, etc.

- Similar to standalone, with Program Agreement and all underlying documentation in agreed form

7 Reverse Enquiries

- Cannot be executed

- Can be structured with minimal documentation to meet on-going demand from key investors



Choice of MTN Documentation Format

Different MTN documentation formats allow for distribution to institutional and retail investors globally.

	SEC Registered	GMTN (144A / Regulation S)	EMTN (Regulation S only)
Investor Distribution	<ul style="list-style-type: none"> Registered pursuant to the requirements under the U.S. Securities Act of 1933 Distribution to the entire universe of fixed income investors, including institutional accounts (QIBs) and retail investors 	<ul style="list-style-type: none"> Placed to Asian, European and U.S. QIBs, providing global access to capital 	<ul style="list-style-type: none"> Offered outside the U.S. under the safe harbor guidelines of Regulation S of the 1933 Act Distribution to Asian accounts, with follow-on demand from European accounts and offshore U.S. accounts
Market Access Timing	<ul style="list-style-type: none"> Approx. 6 – 8 weeks+ for U.S. SEC-registered shelf based on Schedule B review of about 4 weeks 	<ul style="list-style-type: none"> Approx. 5 – 4 weeks to establish the program Potentially additional time to draft MD&A 	<ul style="list-style-type: none"> Approx. 4 – 5 weeks to establish the program
Funding Size	<ul style="list-style-type: none"> Substantial funding amounts 	<ul style="list-style-type: none"> Benchmark sized deals well in excess of US\$1 – 2 billion + 	<ul style="list-style-type: none"> Benchmark sized deals typically less than US\$1 billion + but potentially larger
Tenor	<ul style="list-style-type: none"> Flexible and up to 30-years or longer 	<ul style="list-style-type: none"> Flexible, with usual drawdowns in the context of 10 and 30-years 	<ul style="list-style-type: none"> Typically 5 to 10-years, depending on the credit
Ratings	<ul style="list-style-type: none"> Program and drawdowns required ratings 	<ul style="list-style-type: none"> Program and drawdowns required ratings 	<ul style="list-style-type: none"> No ratings required
Transaction Expense	<ul style="list-style-type: none"> Substantially more than for 144A / Regulation S, as it includes SEC-registration fees Requires on-going disclosure to the SEC 	<ul style="list-style-type: none"> Less than an SEC-registered offering Avoids added costs of SEC-registration fee and on-going disclosure requirements 	<ul style="list-style-type: none"> Least expensive due to lower disclosure requirements (i.e. no 10b-5 legal opinion)
Disclosure	<ul style="list-style-type: none"> Greater due diligence and disclosure Additional SEC-registered disclosure on top of general requirements 	<ul style="list-style-type: none"> Greater due diligence and disclosure, similar to SEC registered requirements 	<ul style="list-style-type: none"> Lower documentation requirements vs. 144A (i.e. no 10b-5 legal opinion and MD&A section in some cases)
Resale / Trading Restrictions	<ul style="list-style-type: none"> Freely re-sold by investors without re-registration 	<ul style="list-style-type: none"> 144A securities can only be resold to QIBs within the first year after the issue date but are freely tradable to the public 2 years after the issue date 	<ul style="list-style-type: none"> Trading of Regulation S securities in the secondary market is restricted to non U.S. investors in the same way it is restricted in the primary distribution



Third Party Fees for the Proposed Issuance

The below estimated issuance expenses are subject to discussions between the Issuer and the relevant third party service providers.

	Estimated Expenses
Issuer's International Counsel and Domestic Counsel	US\$300,000 – 350,000
Underwriter's International Counsel and Domestic Counsel	US\$250,000 – 300,000
SGX Listing Fees	US\$20,000
SGX Listing Agent	US\$8,000
Trustee ⁽¹⁾	US\$6,000 one time / US\$6,000 p.a.
Trustee Counsel	US\$20,000
Printing ⁽²⁾	US\$10,000
Net Roadshow	US\$7,500
Roadshow Expenses	US\$100,000
Total	US\$721,500 – 821,500

Note: The above excludes auditor fees. Fees are purely indicative and would be subject to further revision once transaction details are disclosed to the third parties

(1) Also perform roles of paying agent, registrar, transfer agent, DTC custodian

(2) To be determined based on number of pages and Offering Circular copies printed. Printing charges may vary due to overtime, usage of facilities and courier charges.



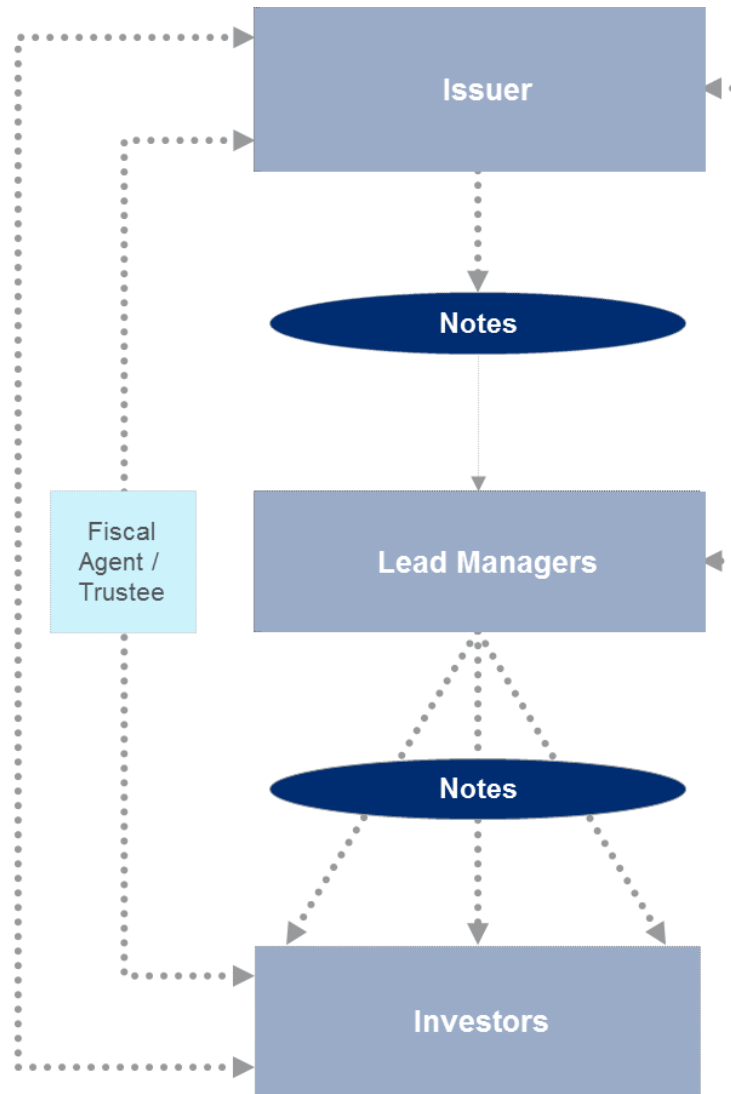
Anatomy of an International Bond Offering

1 Parties to a Deal

2 The Documentation

3 The Process

Flow Chart



Key Documents Relating to Investors

- Offering Memorandum or Program Document (in case of a transaction via MTN Program establishment / drawdown)
- Terms and Conditions / Description of the Notes
- Global Notes

Key Documents Relating to the Managers

- Purchase Agreement / Subscription Agreement
- Legal Opinions

Key Documents Relating to the Auditors (for corporate issuers)

- Arrangement Letter
- Comfort Letter

Note: assumes issuance via 144A / Regulation format

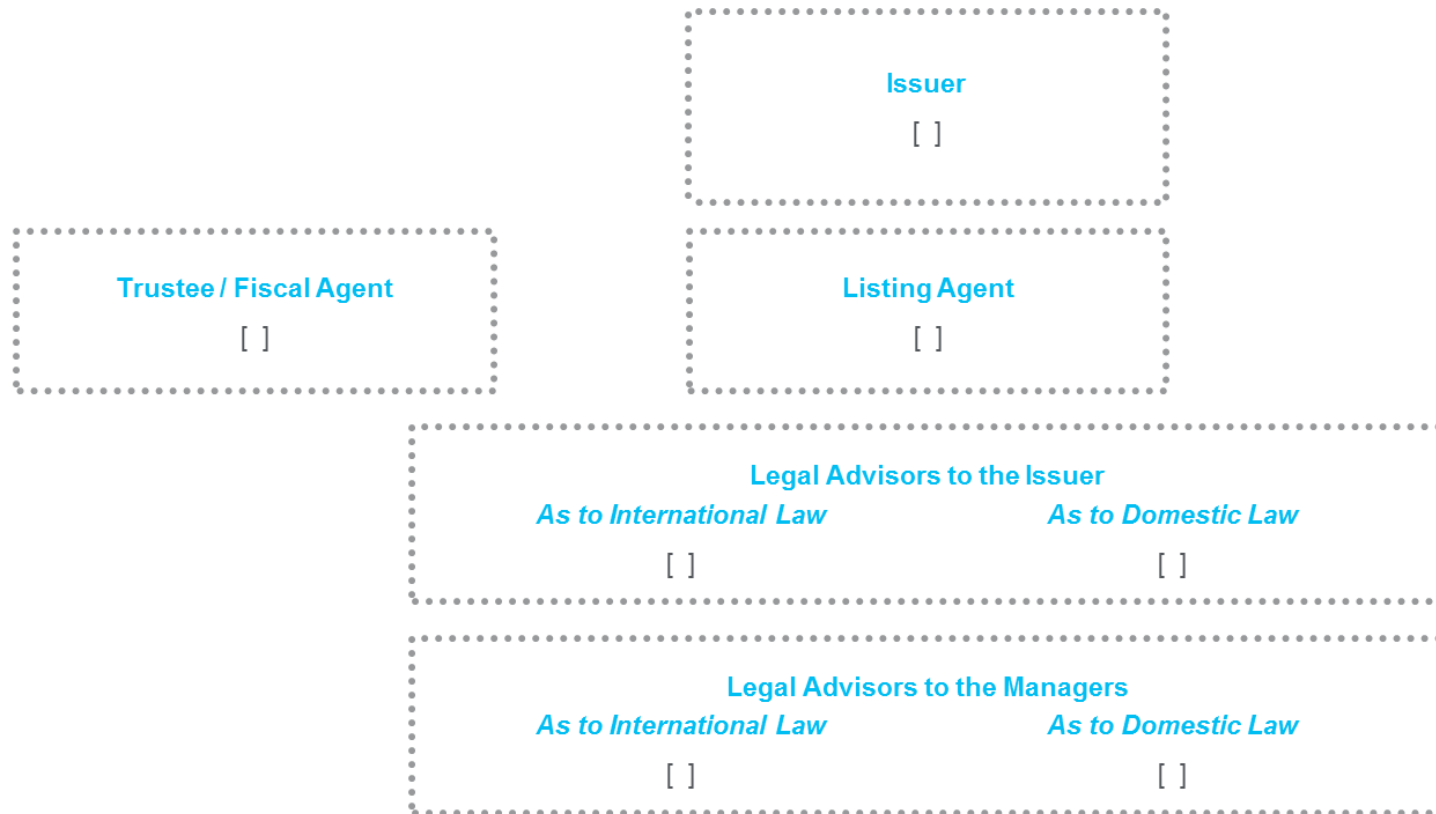


Anatomy of an International Bond Offering : Key Working Groups

1 Parties to a Deal

2 The Documentation

3 The Process



Other Parties

- Stock Exchange (SGX, HKSE, LxSE)
- Clearing Systems (i.e. DTC, Euroclear, Clearstream)
- Trustee Counsel
- Rating Agencies (i.e. Moody's, S&P, Fitch)

Note: assumes issuance via 144A / Regulation format



Anatomy of an International Bond Offering : Scope of Work

1

Parties to a Deal

2

The Documentation

3

The Process

Party	Scope of Work
Issuer	<ul style="list-style-type: none"> Appoints third parties and participates in due diligence Confirms information in Offering Circular Reviews transaction documentation Reviews roadshow presentation Assists with obtaining approvals (internal and regulatory)
Joint Lead Managers	<ul style="list-style-type: none"> Coordinate overall execution process of the transaction Provide detailed timetable and periodic market updates Coordinate due diligence and documentation Coordinate with rating agencies Prepare roadshow presentation and marketing materials Advise on pricing and marketing strategy Coordinate roadshow logistics and investor meetings Manage the book-building, pricing and settlement processes
Issuer's International Legal Counsel	<ul style="list-style-type: none"> Provides legal advice to issuer and conducts due diligence Primary responsibility for the drafting the issuer related sections of the Offering Circular Reviews and comments on legal documentation, including the terms and conditions and the Purchase Agreement Provides legal opinion (10b-5 as necessary) Prepares publicity guidelines Works with the Listing Agent for the listing of bonds Liaises with Printer to set up the Offering Circular on printer system and generate the document

Party	Scope of Work
Joint Lead Managers' International Legal Counsel	<ul style="list-style-type: none"> Provides legal advice to the Joint Lead Managers Prepares and conduct due diligence questions Provides legal opinion (10b-5 as necessary) Negotiates Arrangement and Comfort Letters with the Auditor (for corporate issuers) Prepares legal documentation, including Terms and Conditions, Purchase Agreement, etc. Coordinates settlement
Domestic Legal Counsels	<ul style="list-style-type: none"> Provide legal advice under local law and conduct due diligence Review and comment on legal documentation Provide requisite domestic legal opinions
Trustee, Registrar and Paying Agent	<ul style="list-style-type: none"> Provide trustee, depository and book keeping services Responsible for the disbursement of funds, such as coupon and principal payments
Auditor (for corporate issuers)	<ul style="list-style-type: none"> Prepare and review issuer's financials for inclusion in the Offering Circular Provide Comfort Letters, including circle-up OC Participate in due diligence
Listing Agent	<ul style="list-style-type: none"> Liaise with exchange(s) and effect listing of bonds
Printer	<ul style="list-style-type: none"> Printing and delivery of the Offering Circular (both preliminary E-red and final versions)



The typical international bond execution process takes approximately 7 – 8 weeks to the start of the roadshow.

1 Parties to a Deal

2 The Documentation

3 The Process

Start of the Process

Documentation & Regulatory Approvals

Marketing

Launch & Pricing

Week 1

Weeks 2 – 7

Week 8

Week 9

Selection of
Lead
Managers

Agree on
mandate
letter

Kick-off
meeting,
hire
counsels
and other
third parties

Due
diligence
meetings

Prepare
legal
documents
and start
drafting
Offering
Circular

Seek
approvals
and
continue
preparing
Offering
Circular and
marketing
materials

Announce
transaction,
confirm
ratings

Set key
transaction
parameters
(maturity,
size)

Roadshow
and book-
building
process

Pricing of
the
transaction

Final
Offering
Circular
printed

Trading and
after-market
support

Lead Managers

- Transaction execution, coordination and guidance
- Marketing strategy, distribution and execution

Legal Counsels

- Issuer's Counsel: draft Offering Circular
- Lead Manager's Counsel: draft legal transaction documents

Issuer / Guarantor

- Work with lawyers in developing the Offering Circular
- Deliver marketing presentation on the roadshow



Adequate due diligence and investor disclosure is critical for the protection of the issuer, investors and the Lead Managers.

1 Parties to a Deal

2 The Documentation

3 The Process

Due Diligence Disclosure for International Offerings

Legal Due Diligence

- Legal due diligence is initiated early in the execution process
- Counsels will assist the issuer with document collection to result in the most efficient preparation time possible

Tasks

Participants

- | | |
|--|--|
| • Prepare document list / submit | • Issuer's Counsel |
| • Includes minutes of the Board Meetings, financial statements / economic data | • Lead Managers' Counsel |
| • Assemble documents | • Issuer's Management / Internal Counsel |
| • Document review | • Issuer's Counsel |
| | • Lead Manager's Counsel |

Regulatory Due Diligence

Business / Financial Due Diligence (for corporate issuers)

- Managers and their international and domestic counsels will facilitate due diligence meetings with the issuer's management and auditors

How does the company's business work? Who runs the company and how?

What do the financial statements say? How does the company's business result in these financial statements?

Tasks

Participants

- | | |
|---|--------------------------|
| • Prepare business-related questions | • Lead Managers |
| • Submit these to the issuer prior to the scheduled due diligence session | • Lead Managers' Counsel |
| • Conduct due diligence meetings / calls (i.e. business / financial / accounting litigation issues) | • Lead Managers |
| | • Issuer's Management |
| | • Issuer's Auditors |

Auditor's Due Diligence (for corporate issuers only)



The Offering Circular or Program Document (and subsequent pricing term sheet or pricing supplement)

1 Parties to a Deal

2 The Documentation

3 The Process

The roadshow presentation form the base marketing materials for the bond transaction.

Investor Disclosure for International Offerings

Offering Circular (or MTN Program Document)

- Primary marketing document for the offering, provides thorough business and financial / economic data disclosure
- Key sections include:
 - Summary and Risk Factors
 - Management's Discussion and Analysis (required for a 144A corporate offerings only) or Overview of the Issuer's Economy (if sovereign issuer)
 - Description of the Notes (alternatively, Terms and Conditions)

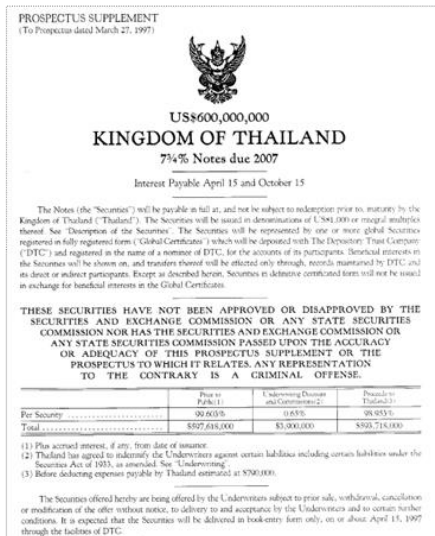


Table of Contents (MTN Program)

Summary.....	pg. ●
Description of the Program.....	pg. ●
Risk Factors	pg. ●
Recent Developments	pg. ●
Use of Proceeds.....	pg. ●
Summary of the Program.....	pg. ●
Government of Thailand.....	pg. ●
The Thai Economy.....	pg. ●
Terms & Conditions	pg. ●
Form of Pricing Supplement.....	pg. ●
Form of the Notes.....	pg. ●
Book Entry & Clearance.....	pg. ●
Exchange Rates.....	pg. ●
Taxation.....	pg. ●
Subscription & Sale.....	pg. ●
Transfer Restrictions.....	pg. ●

Roadshow Presentation

- Marketing document used in investor meetings during the roadshow
- Contents must be consistent and reflect what is in the Offering Circular or MTN Program Document
- Forward looking projections not to be included
- Typically 25 – 30 pages
- Key sections include:
 - Presenters
 - Summary of the Offering or MTN Program
 - Issuer Overview (i.e. industry and economy overview)
 - Key Credit Highlights
 - Financial or Economic Highlights





Documentation will need to be negotiated between the issuer and all third parties involved.

1 Parties to a Deal

2 The Documentation

3 The Process

Auditor's Letters (for corporate offerings) and Legal Opinions must be put in place as well.

Contractual Documentation

Purchase / Subscription Agreement

SUBSCRIPTION / PURCHASE AGREEMENT

US\$[•] mm
Senior Notes Issue

Issuer and
Lead Managers

- Agreement as to purchase and distribution of the securities, conditions of the offering and other matters as agreed between the issuer and its Lead Managers
- Signed at pricing and contains the following:
 - Representations and warranties from the issuer
 - Provisions for payment for and delivery of the notes
 - Settlement and closing conditions
 - Covenants and indemnity provisions
 - Termination clauses, including force majeure and material adverse change

Indenture / Trust Deed / Paying Agency Agreement

INDENTURE / TRUST DEED

US\$[•] mm
Senior Notes Issue

Issuer and
Guarantor and Trustee

- While the preliminary Offering Circular (E-red) or MTN Program Document constitute the marketing materials, the document which forms the promise of issuer to pay is the Note, which is issued from an Indenture or Trust Deed
- The Indenture or Trust Deed includes:
 - Procedures for the issuance of notes, including payment of amounts (interest, principal or any premiums)
 - Redemption provisions
 - Covenants
 - Terms of the guarantee
 - Events of default
 - Remedies
 - Amendment
 - Rights and obligations of the Trustee



What is a Credit Rating?

1 Parties to a Deal

2 The Documentation

3 The Process

Rating Scales

FitchRatings	STANDARD & POOR'S	Moody's	
AAA	Aaa		Investment Grade
AA+	Aa1		
AA	Aa2		
AA-	Aa3		
A+	A1		
A	A2		
A-	A3		
BBB+	Baa1		
BBB	Baa2		Speculative Grade or High Yield
BBB-	Baa3		
BB+	Ba1		
BB	Ba2		
BB-	Ba3		
B+	B1		
B	B2		
B-	B3		
CCC+	Caa1		
CCC	Caa2		
CCC-	Caa3		
CC	Ca		

Approach

- With low leverage / financial risk, ratings are driven almost entirely by business risk considerations, that ultimately act as a “cap”
- When further upside is unlikely, issuers should aim to maximize their debt capacity at such “rating ceiling”
- As financial risk increases, usually through rising indebtedness or weakening cash flows, the importance of financial risk factors in the rating decision grows and becomes ultimately the only driver at the bottom of the rating scale

A Credit Rating is ...

- A rating agency’s opinion of the relative creditworthiness of an obligor with respect to a debt security or any other financial obligation
 - Assessment of timely debt service and default probability (Issuer or Entity Rating)
 - Additional assessment of the relative financial loss of a specific debt obligation upon default (Issue Rating)
- Forward-looking
- Based on both qualitative and quantitative factors
- Based on public and non-public information
- Expressed by universally recognised scales that allow comparability across industry sectors and regions

Rating Outlook

- Defines the likely direction of a rating over the medium to long-term (i.e. 1 – 3 years)
- Four options: Stable (usually the case for new issuer ratings), Positive, Negative and Developing (used for unusual situations in which future events are so unclear that the rating may potentially be raised, lowered or kept unchanged)

“Watch List”

- Issuers and issues are placed on “watch” when an event or significant deviation from an expected trend has occurred or is expected and additional information (or time) is necessary to take a rating action
 - “Credit Watch with Positive / Negative Implications” (S&P)
 - “Review for Possible Upgrade / Downgrade” (Moody’s)
 - “Rating Watch Positive / Negative” (Fitch)

Note: Individual debt issues do not carry an outlook by S&P and Fitch, but are subject to credit / rating watch listing



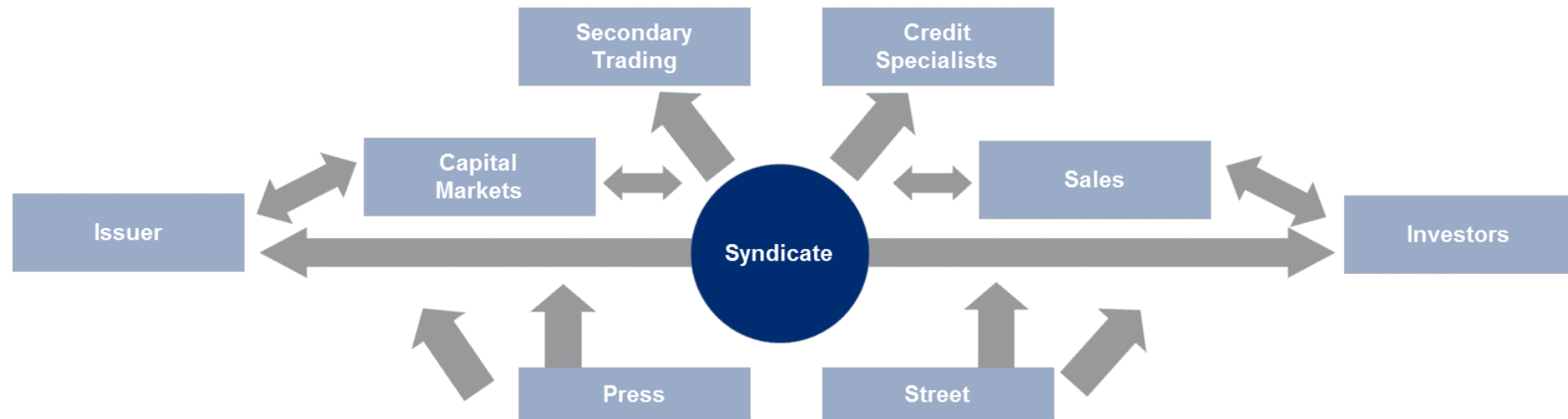
Fixed income syndicate is the pivot point between an issuer, investors globally and sales and trading

1 Parties to a Deal

2 The Documentation

3 The Process

Fixed Income Syndicate



- Responsibilities of the fixed income syndicate include:
 - Providing market color and new issue recommendations
 - Pricing execution
 - Judgment on allocations
- Fixed income syndicate professionals develop and maintain issuer and investor client relationships

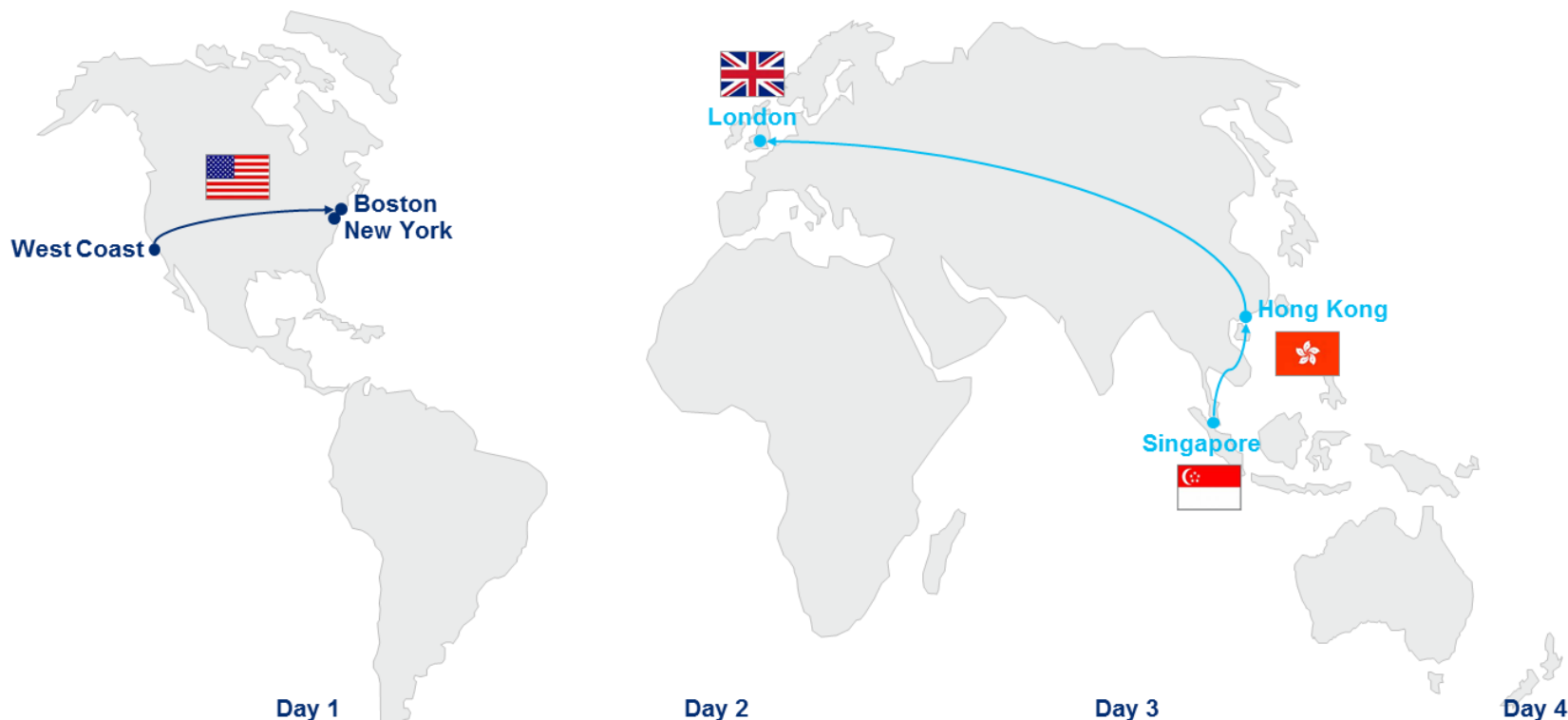


Comprehensive Global Investor Roadshow (for a 144A / Regulation S Bond Offering)

1 Parties to a Deal

2 The Documentation

3 The Process



Team 1	Singapore	Hong Kong	London	New York
	<ul style="list-style-type: none">• ~6 meetings• Group luncheon	<ul style="list-style-type: none">• ~6 meetings• Group luncheon	<ul style="list-style-type: none">• ~6 meetings	<ul style="list-style-type: none">• Pricing
Team 2	West Coast	Boston	New York	New York
	<ul style="list-style-type: none">• ~6 meetings	<ul style="list-style-type: none">• ~6 meetings	<ul style="list-style-type: none">• ~6 meetings	<ul style="list-style-type: none">• Pricing



Global Institutional Fixed Income Investor-base (for a 144A / Regulation S Bond Offering)

1

Parties to a Deal

2

The Documentation

3

The Process

West Coast

- CalPERS
- Capital Research
- Dodge & Cox
- Franklin Templeton
- Pacific Life
- Payden & Rygel
- PIMCO
- TCW
- WAMCO
- Wells Capital

Chicago / Mid-West

- 40/86 Advisors
- Allstate
- Aviva
- Legal & General
- Neuberger
- NISA
- Northern Trust
- PPM America
- UBS GAM

Other East Coast

- Calvert
- Delaware
- GE AM
- Hartford
- Invesco
- Logan Circle
- T Rowe
- Vanguard

Boston

- Eaton Vance
- Fidelity
- GMO
- Hancock
- Liberty Mutual
- Loomis Sayles
- Mass Financial
- Pioneer
- Standish Mellon
- Wellington

New York

- AIG
- AllianceBernstein
- Blackrock
- GSAM
- JPM AM
- Lord Abbett
- Marathon
- Metlife
- MSAM
- NY Life
- NWI
- Oppenheimer
- Pinebridge
- Prudential
- Schroders
- Stone Harbour
- TIAA-CREF

London

- Aberdeen
- Amundi
- Ashmore
- Aviva
- AXA IM
- Blackrock
- Bluebay
- BNP AM
- F&C
- Finisterre
- GAM
- GLG
- Invesco
- Investec
- M&G
- Pictet
- Pioneer
- Rogge
- Schroders
- Stone Harbour
- Thames River
- Threadneedle

Amsterdam

- APG
- Aegon
- ING IM
- MN Services
- PGGM
- Robeco

Germany

- Allianz / PIMCO
- BayernInvest
- DeAM / DWS
- Deka
- MEAG
- Union Investment

France

- Amundi AM
- AXA IM
- Aviva Investors
- BNP AM
- Carmignac
- LBRAM
- Natixis AM

Vienna

- Erste AM / Bank
- OeVAG
- Raiffeisen
- UNIQA Group

Milan

- Arca
- Eurizon
- Fideuram

Switzerland

- Lombard Odier
- Swiss Life
- Swiss National Bank
- UBS Zurich

Scandinavia

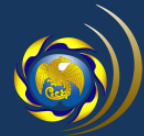
- Danske Bank
- Ilmarinen Pension
- Jyske Bank
- Norges Bank

Hong Kong

- AIA
- BComm
- BEA
- BEA Union
- BFAM
- BTG
- BOC HK
- CIC
- Citi PB
- Claren Road
- Fidelity
- First State
- Harvest
- HKMA
- HSBC AM / PB
- ICBC HK
- Income Partners
- Marathon
- Mirae Asset
- Nomura GCM
- Och-Ziff
- PIMCO
- Pinebridge
- UBS GAM

Singapore

- Aberdeen
- AIA
- Ashmore
- Aviva
- Bank of Singapore
- Blackrock
- Broadpeak
- DBS CTU
- Fullerton
- GIC
- GSAM
- ING IM
- Lion Global
- Nikko AM
- OCBC
- Pictet
- Pramerica
- Prudential
- Saka
- Schroders
- Tahan
- UBS PB
- UOB AM
- WAMCO



After a new issue is announced, the bookbuilding process begins together with the commencement of investor marketing.

1

Parties to a Deal

2

The Documentation

3

The Process

Bookbuilding Process

Marketing

Net Roadshow (i.e. electronic roadshow)

Investor Presentation

Offering Circular or MTN Program Document

Investor Conference Calls

Credit Specialists



Book-building

Size Indication

Pricing Limits

Investor Feedback

Firm / Soft Indication





Following completion of transaction preparation, the transaction will be officially announced, market conditions permitting.

1 Parties to a Deal

2 The Documentation

3 The Process

Announcement

- A new issue is said to be announced when the Lead Managers officially communicate the transaction to the market
- Messages to investors will be sent via sales forces globally
- The Lead Managers will decide, together with the issuer, on the degree details such as size, tenor and price guidance are disclosed to the market

Sample of mandate and roadshow announcement

<HELP> for explanation.
Screen Printed

1) Delete 2) Reply 22) Reply All 3) Forward 12) Prev 11) Next 99) Options- Message: View

✓ Mar 28 2014 16:49:40

From: DUNCAN PHILLIPS (CITIGROUP GLOBAL MAR) +852-2501-2552

Subject: ** PERTAMINA: GMTN PROGRAM UPDATE & INVESTOR MEETINGS **

Attached 91) PT Pertamina Persero - Offering Memorandum dated 91) ☆ 92) Move ▼ 94) Tags ▼

Asia Debt Syndicate W: 852 2501 2552 C: 852 6409 4228 duncan.phillips@citi.com

PT Pertamina (Persero), rated Baa3 (stable) by Moody's, BB+ (stable) by S&P and BBB- (stable) by Fitch, has mandated Barclays, Citigroup and HSBC to arrange a series of fixed income investor meetings commencing Tuesday, 1 April 2014, following the recent update of its US\$10 billion Global Medium Term Note Program.

This notice is not an offer of securities for sale in the United States. The securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws of the United States, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements under the Securities Act and applicable state securities laws of the United States. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the company making the offer and its management and financial statements. Nothing in this communication

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2014 Bloomberg Finance L.P.
SN 313280 H160-3948-2 06-Jun-14 12:14:28 HKT GMT+8:00

Sample of transaction terms announcement after completion of global roadshow

<HELP> for explanation.
<Menu> to Return.

1) Delete 2) Reply 22) Reply All 3) Forward 12) Prev 11) Next 99) Options- Message: View

✓ May 22 2014 14:23:26

From: EESWARY KRISHNAN (CITIGROUP GLOBAL MAR) +852-25012693

Subject: ** PERTAMINA US\$ 30YR 144A/REG S: PX GUIDANCE @ 6.70% AREA **

Attached 91) PT Pertamina (Persero) GMTN Program - Offering Me 91) ☆ 92) Move ▼ 94) Tags ▼

Asia Debt Syndicate W: +852-2501-2693 M: +852-9287-8153

Issuer: PT Pertamina (Persero)

Issuer Ratings: Baa3 stable (Moody's)/BB+ stable (S&P)/BBB- stable (Fitch)

Exp Issue Ratings: Baa3 (Moody's) / BB+ (S&P) / BBB- (Fitch)

Issue: Fixed Rate, Senior, Unsecured Notes Off GMTN Program

Format: Rule 144A / Regulation S

Tenor: 30 Years

Size: Benchmark

Price Guidance: 6.70% Area

Change of Control: 101% put (ratings decline applies, terms as per GMTN)

Terms: SGX-ST listing, 200k/1k denoms, NY law

UOP: Capex and general corporate purposes

Bookrunners: Barclays / Citigroup / HSBC

Timing: As early as today

This notice is not an offer of securities for sale in the United States and shall not constitute a public offering in Indonesia. The securities referred to

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2014 Bloomberg Finance L.P.
SN 313280 H160-3948-2 06-Jun-14 12:14:56 HKT GMT+8:00



Intraday Deal Execution

(for a 144A / Regulation S Bond Offering)

1 Parties to a Deal

2 The Documentation

3 The Process

Price guidance

- Guidance released at announcement
- Guidance on both yield / spread and size will be provided to the market
 - A yield / spread range would be released to the market and agreed with the issuer's team beforehand
 - Indications of size may involve announcement of a "benchmark" offering
 - Expected timing of transaction also indicated

Revision(s) to price guidance

- Based on book-build momentum, the Lead Managers may consider and recommend, as appropriate, further revisions to the price guidance later in the day

Final guidance

- Final price guidance will be released tentatively before Asia close
- Definition around size will also be required at this time

Launch, allocation, pricing

- After marketing during the New York morning, the Lead Managers would confirm final sizing and pricing and proceed to launch the offering to the market
- Allocations would be released to the market with pricing to follow thereafter

Timezone			Tasks
HK	UK	NY	
0930H	0230H	2130H	<ul style="list-style-type: none"> • Go / no-go launch call with the issuer's team • Pre-announcement bringdown due diligence call to follow soon thereafter
1000H	0300H	2200H	<ul style="list-style-type: none"> • Syndicates announce transaction <ul style="list-style-type: none"> – Release summary transaction terms and price guidance – Release preliminary Offering Circular or E-red (or MTN Program document) and Net Roadshow log-in details – Asia books open
1430H	0730H	0230H	<ul style="list-style-type: none"> • Transaction update call, to discuss potential revision to price guidance
1600H	0900H	0400H	<ul style="list-style-type: none"> • Europe books open • Syndicates to release revised price guidance as appropriate
1730H	1030H	0530H	<ul style="list-style-type: none"> • Market / transaction update call, final price guidance discussion
1800H	1100H	0600H	<ul style="list-style-type: none"> • Syndicates release final price guidance
2100H	1400H	0900H	<ul style="list-style-type: none"> • U.S. books open
0000H	1700H	1200H	<ul style="list-style-type: none"> • Market / transaction update call, launch parameters discussion
0030H	1730H	1230H	<ul style="list-style-type: none"> • Launch transaction with final spread and size
0100H	1800H	1300H	<ul style="list-style-type: none"> • Discuss allocations with the issuer's team
0200H	1900H	1400H	<ul style="list-style-type: none"> • Syndicates release investor allocations
0215H	1915H	1415H	<ul style="list-style-type: none"> • Pre-pricing bring down due diligence call
0230H	1930H	1430H	<ul style="list-style-type: none"> • Pricing of transaction
0245H	1945H	1445H	<ul style="list-style-type: none"> • Finalize term sheet
0300H	2000H	1500H	<ul style="list-style-type: none"> • Finalize term sheet, Purchase Agreement • Release comfort letters and finalize final Offering Circular or Pricing Supplement

Note: Times are indicative and will be subject to confirmation closer to announcement of the transaction



Bonds are negotiable certificates that represent the indebtedness of the issuer

1 Parties to a Deal

2 The Documentation

3 The Process

Ownership of a bond can be transferred from one party to another in the secondary market. Bid / offer prices indicate where an investor is willing to buy / sell a particular instrument.

Secondary Market Trading

<HELP> for explanation.
<Menu> to Return.

1) Delete		2) Reply		2) Reply All		3) Forward		1) Prev		1) Next		9) Options		Message: View	
Nov 25 2014 17:50:11															
From • HAKAN SOFUOGLU (CITIGROUP GLOBAL MAR)															
Subject Indonesia Sov and Quasi Sov Closes:															
Attached No Attachments															
Off+852 25 2652 mob+852 6826 hakan.sofuoglu@citi.com															
91) ☆ 92) Move ▼ 94) Tags ▼															
INDON 16	106.750-107.500	Unch	1.41/0.77	103/39	-4	{ID EF1243650<G0>}									
INDON 17	111.000-111.500	Unch	1.90/1.69	105/84	-1	{ID EF3106491<G0>}									
INDON 18	113.250-113.750	Unch	2.45/2.29	128/113	+1	{ID EH1592292<G0>}									
INDON 19	134.375-134.875	Unch	2.97/2.86	150/139	+1	{ID EH7402611<G0>}									
INDON 20	112.200-112.800	Unch	3.34/3.22	159/147	+3	{ID EI1085899<G0>}									
INDON 21	107.200-107.700	Unch	3.61/3.53	164/156	+3	{ID EI6588996<G0>}									
INDON 2.875	102.625-103.125	Unch	2.44/2.36	188/180	+1	{ID EK3495885<G0>}									
INDON 22	100.250-100.750	Unch	3.71/3.63	159/151	+3	{ID EJ1371511<G0>}									
INDON 23	96.250-97.000	Unch	3.90/3.80	166/155	+3	{ID EJ5847425<G0>}									
INDON 23N	110.750-111.375	-0.06	3.93/3.85	167/159	+3	{ID EJ7521259<G0>}									
INDON 24	115.000-115.500	Unch	3.90/3.84	163/157	+3	{ID EK0152380<G0>}									
INDON 35	140.500-141.500	0.13	5.27/5.21	255/248	+2	{ID EF1243775<G0>}									
INDON 37	118.250-119.250	Unch	5.23/5.16	244/237	+2	{ID EG1787985<G0>}									
INDON 38	133.000-134.000	0.25	5.27/5.20	249/243	+1	{ID EH1592250<G0>}									
INDON 42	102.250-102.875	Unch	5.10/5.05	224/219	+3	{ID EI9526373<G0>}									
INDON 43	94.000-94.250	Unch	5.02/5.01	214/212	+2	{ID EJ6246908<G0>}									
INDON 44	124.500-125.000	Unch	5.12/5.09	227/224	+3	{ID EK0152265<G0>}									

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2014 Bloomberg Finance L.P.
SN 313280 H233-594-3 01-Dec-14 14:46:04 HKT GMT+8:00

1: Bid / Offer Prices

- Indicates where an investor is willing to buy / sell a particular bond
- Investors would normally wish to purchase an instrument at a lower price than it will sell the instrument
- The difference between the bid and offer is known as the spread
- In occasions traders would indicate the day change, which tracks movement of bond prices on a day-to-day basis
- Increases in price (and inversely, decreases in spread) indicate the bond has rallied
- Decreases in price (and inversely, increases in spread) indicate the bonds have lost

2: Bid / Offer Yield

- Expressed in percentage points, is the equivalent yield of bid and offer price
- In general, the lower the price, the higher the yield and vice versa

3: Bid / Offer Z Spread

- The Zero Volatility Spread of "Z Spread" is the bond's "constant spread" over the benchmark zero coupon swap curve



Price, yield and spread are important measures in bond pricing analysis.

1 Parties to a Deal

2 The Documentation

3 The Process

Bond Pricing Basics

<HELP> for explanation, <MENU> for similar functions.

INDON 5 7/8 01/15/24 Corp				Yield and Spread Analysis	
115.543/115.985	3.837/3.784	BGN @ 15:07	95 Buy	96 Sell	97 Settings
1 Yield & Spread 2 Graphs 3 Pricing 4 Descriptive 5 Custom					
INDON 5 7/8 01/15/24 (USY20721B174)					
Spread 172.46 bp vs 10y T 2 1/4 11/15/24			Risk		
Price 115.000	↔ 100-20+	15:07:51	Duration	Workout 7.196	OAS N.A.
Yield 3.902649	Wst 2.17800	S/A	Risk	8.277	8.417
Wkout 01/15/2024 @ 100.00	Consensus		Convexity	0.615	0.633
Settle 12/04/14	12/02/14		DV 01 on 1MM	828	842
			Benchmark Risk	8.937	9.144
			Risk Hedge	926 M	921 M
			Proceeds Hedge	1,164 M	
Spread			Yield Calculations		
11) G-Sprd 180.4	Street Convention	3.902649	3		
12) I-Sprd 167.5	Equiv 1 /Yr	3.940726	1,000 M		
13) Basis 12.7	Mmkt (Act/ 360)		Principal 1,150,000.00		
14) Z-Sprd 174.7	True Yield	3.901308	Accrued (139 Days) 22,684.03		
15) ASW 182.1	Current Yield	5.109	Total (USD) 1,172,684.03		
16) OAS 188.6					
TED -159.3					

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2014 Bloomberg Finance L.P.
 SN 313280 H233-594-3 01-Dec-14 15:07:55 HKT GMT+8:00

1: Price, Yield, Treasury Spread

- Given a particular bond trading price and settlement date, one can calculate:
 - Trading yield (yield to maturity or YTM, yield to call or YTC, yield to worst or YTW)
 - Spread to the related U.S. Treasury
- Bonds due in 2019 – 2020 trade against the 5-year U.S. Treasury, bonds due 2021 – 2029 trade against the 10-year U.S. Treasury and bonds due in 2030 onwards trade against the 30-year U.S. Treasury

2: Other Spreads

- Apart from the spread to U.S. Treasury above, various measures such as floating and interpolated spread are important
- “G Spread” is the interpolated bond spread to government curve of matching currency
- “I Spread” is the interpolated bond spread to the Swap Curve of matching currency
- “Z Spread” or Zero Volatility Spread is the bond’s “constant spread” over the benchmark zero coupon swap curve of matching currency

3: Clean vs. Dirty Price

- When bonds are purchased in the secondary market, accrued interest must be paid by the one purchasing the bonds
- Accrued interest = Days Accrued * Coupon



Cultivating a Fixed Income Investor Base

Fixed Income Marketing Best Practices

A consistent and thorough fixed income investor marketing platform should be a core component of the strategy of an issuer to improve the performance of its outstanding bonds in the secondary market and further expand its investor base.

Future Access to the International Capital Market

- After the a bond transaction is completed, an issuer can access the international capital markets again in the form of a re-opening of the existing notes or an issuance of a new series of notes
- A re-opening or further issue of the existing notes deepens the issuer's existing investor base, while attracting new investors, increases the liquidity of the existing notes, reduces overall costs (i.e. generally no roadshow needed due to investor familiarity and lower legal costs as documentation process is simpler and faster)
- Alternatively, the issuer may choose to issue a new series of notes, enabling the building of a yield curve to target different investor bases across maturities and avoiding a maturity tower, where a large amount of debt becomes due at a certain maturity date

Fixed Income Marketing Best Practices

- There is a growing trend amongst borrowers away from "deal specific" marketing to a more programmatic platform
- It is now generally accepted that investor relations does not just apply to equity – debt investors demand transparency with the latest information and regular access to management via direct marketing
- A variety of strategies and best practices are employed by borrowers to enhance transparency and communication with investors including:

1	Non-deal roadshows	At least annually
2	Global fixed income investor conference calls	Semi-annually
3	Participation in industry or product conferences	At least annually
4	Posting fixed income presentations online	Semi-annually
5	Posting disclosure and press releases online	As and when required



Fixed Income Marketing Best Practices (cont'd)

Non-Deal Roadshows

- Annual 1-on-1 investor meetings (or group events) are recommended to increase investor awareness of the issuer and allow greater comfort on transparency
- Such meetings could be timed together with full-year annual results / project announcements which generates greatest investor attention

Global Fixed Income Investor Conference Calls

- To complement 1-on-1 investor meetings and presence in industry conferences, the issuer may choose to conduct semi-annual fixed income investor conference calls and webcasts
- Efficient way to reach investors globally, including those in cities not reached by physical roadshow
- Prepared remarks generally last 15 – 20 minutes, with an additional 15 minutes of Q&A

Participation in Global Fixed Income Conferences

- Borrowers can take advantage of industry conferences to update investors on their credit and funding needs
- Borrowers have access to group meetings, 1-on-1 meetings and conference calls with global investors through these conferences
- Citi hosts several credit conferences every year to update the investor base on any recent developments. These conferences include the Asia Pacific Fixed Income Conference held annually in Hong Kong or Singapore

Posting Fixed Income Presentations Online

- Reviewing posted presentations online is a quick and effective way for investors to educate themselves through interactive media
- It is also a useful way for investors to prepare for investor conference calls or 1-on-1 meetings having gone through the credit, and allow meaningful discussions on the issuer's outstanding growth story

Posting Disclosure and Press Releases on Website

- Current and comprehensive disclosure that investors can easily access will allow investors to stay informed and updated about the issuer's credit and latest developments

Domestic Thailand Bond Market Development

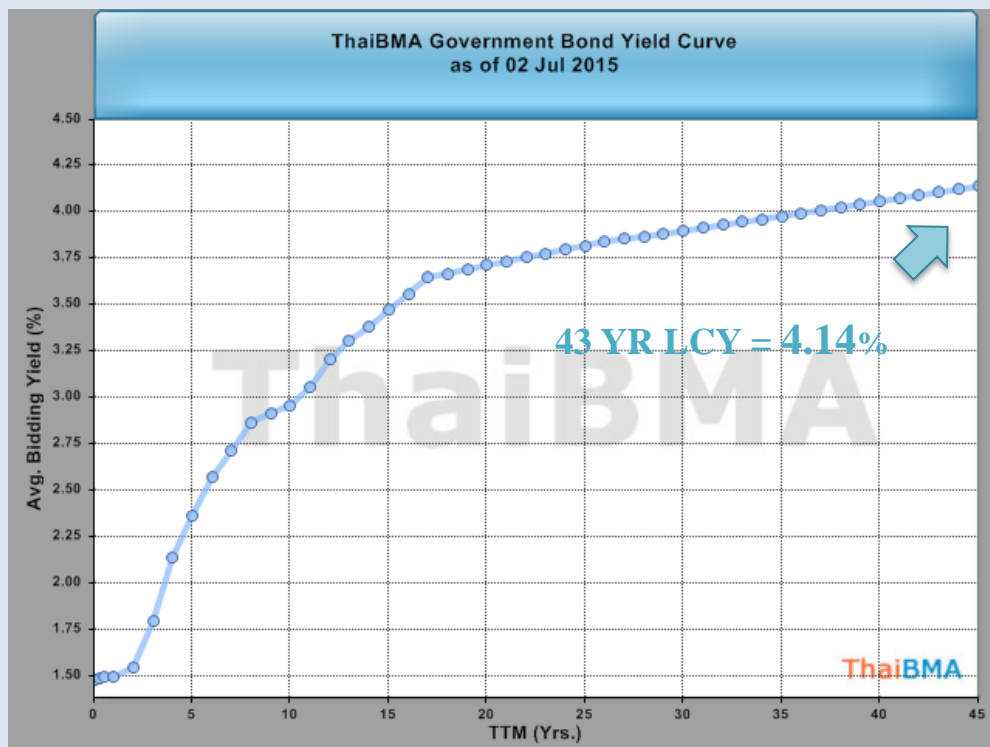


Bond Market Cap. = 9.6 THB Trillion

(\$286 Bil.)*

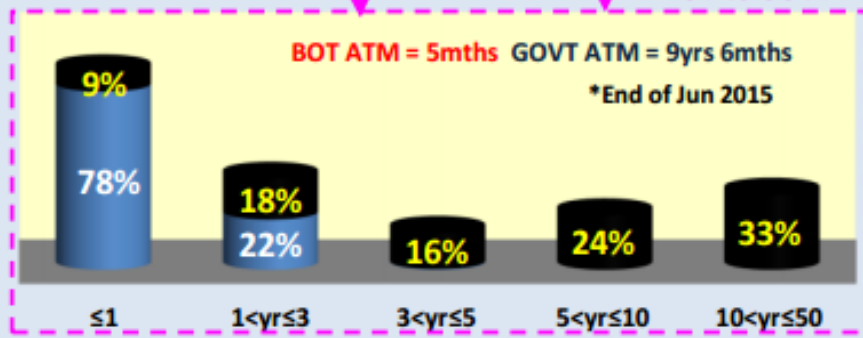
GOVT Bond = 3.6 THB Trillion

(\$108 Bil.)*

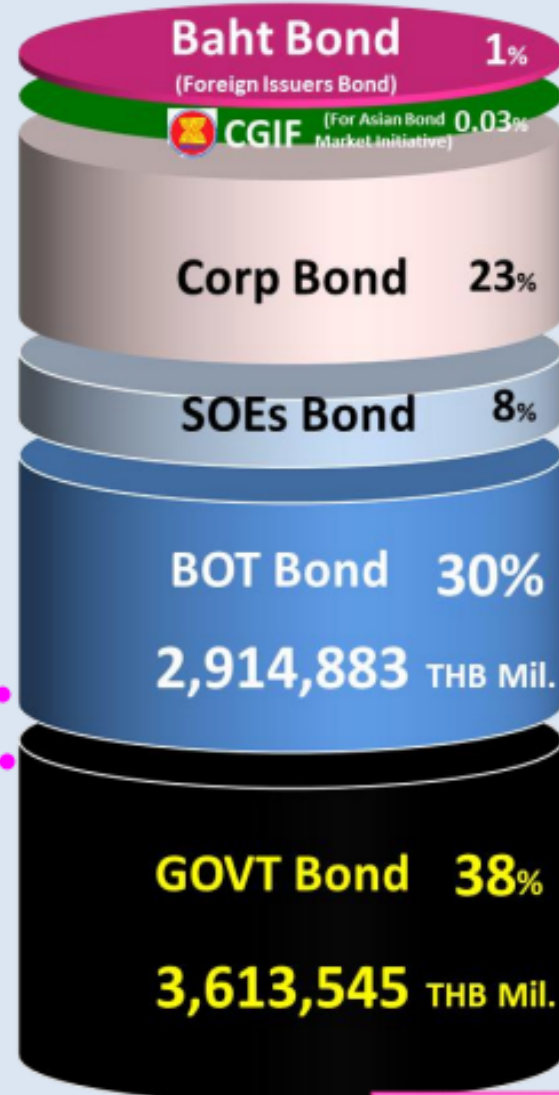


Maturity Profile

BOT vs GOVT Bond



Domestic Bond Market Classified by Issuer



*Source: BOT Exchange rate as End of Jun 2015

End of June, 2015



Equilibrium of Domestic Bond Market

Issuers

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

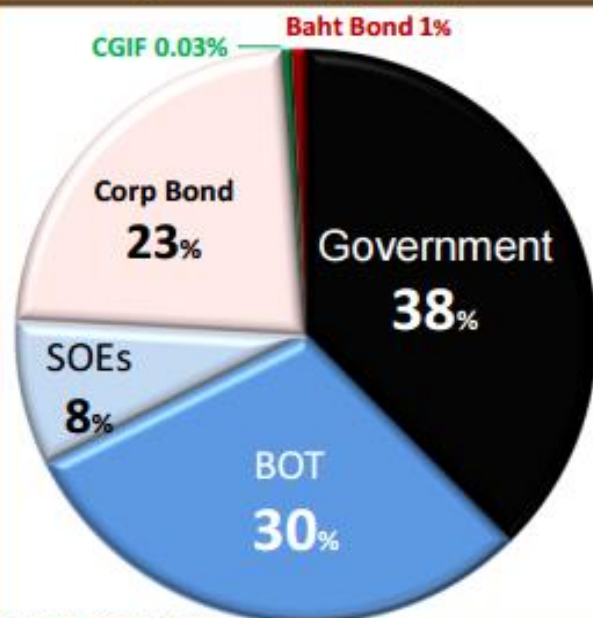
Credit Rating

- 99 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

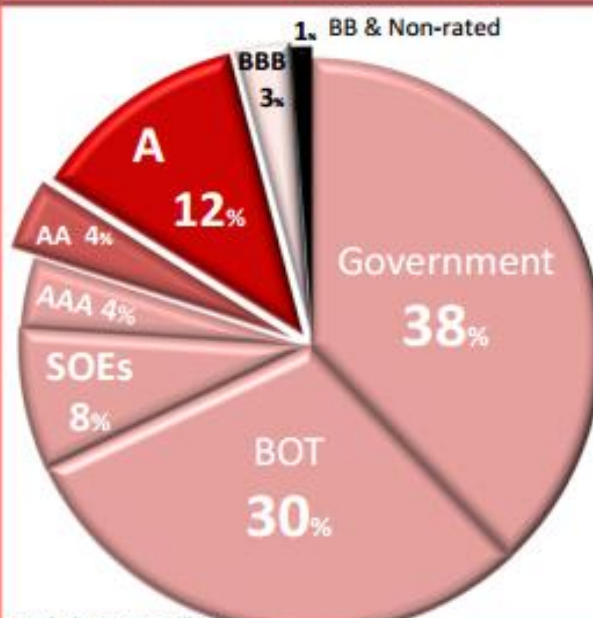
Domestic Bond Market
(Classified by Issuers)



Total of 9.6 THB Trillion

Source : ThaiBMA (End of June 2015)

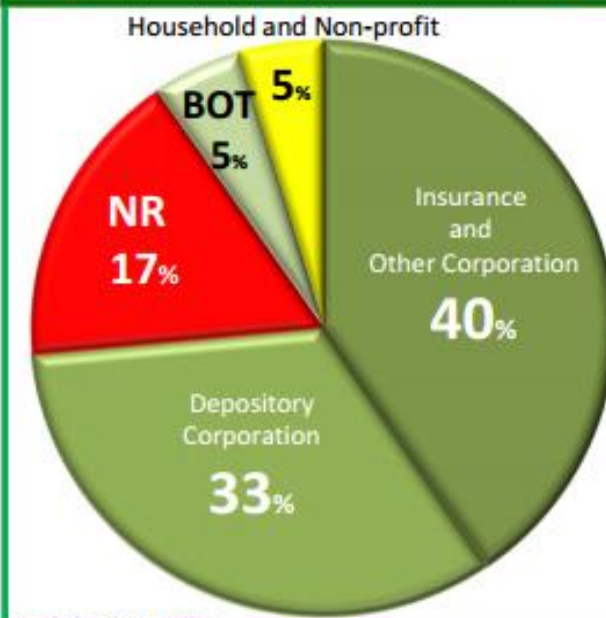
Domestic Bond Market
(Classified by Credit Rating)



Total of 9.6 THB Trillion

Source : ThaiBMA (End of June 2015)

Government Debt Securities
(Classified by Types of Investors)



Total of 3.5 THB Trillion

Source : BOT (End of May 2015)



Total GOVT Bond = 40 Series

(End of June 2015)

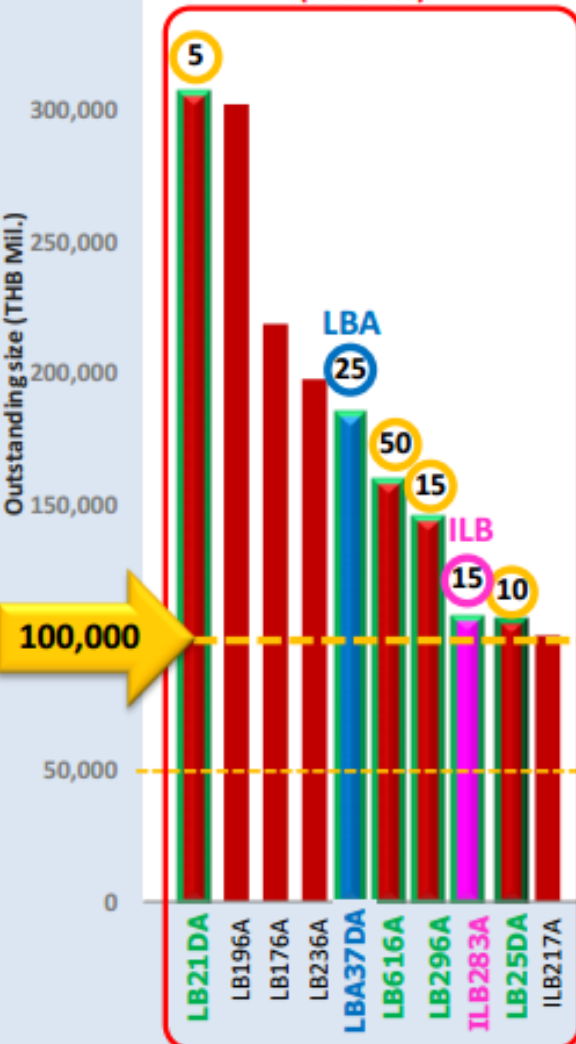
Tier 1 > 100,000 THB Mil. in Size (80% of Trading Volume)

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

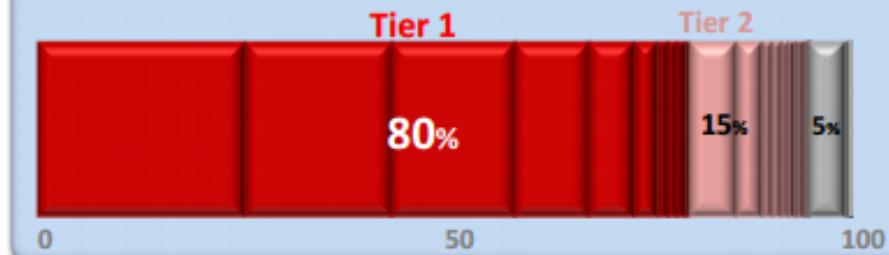
THB Mil.

Tier 1: >100,000MB

(10 Series)

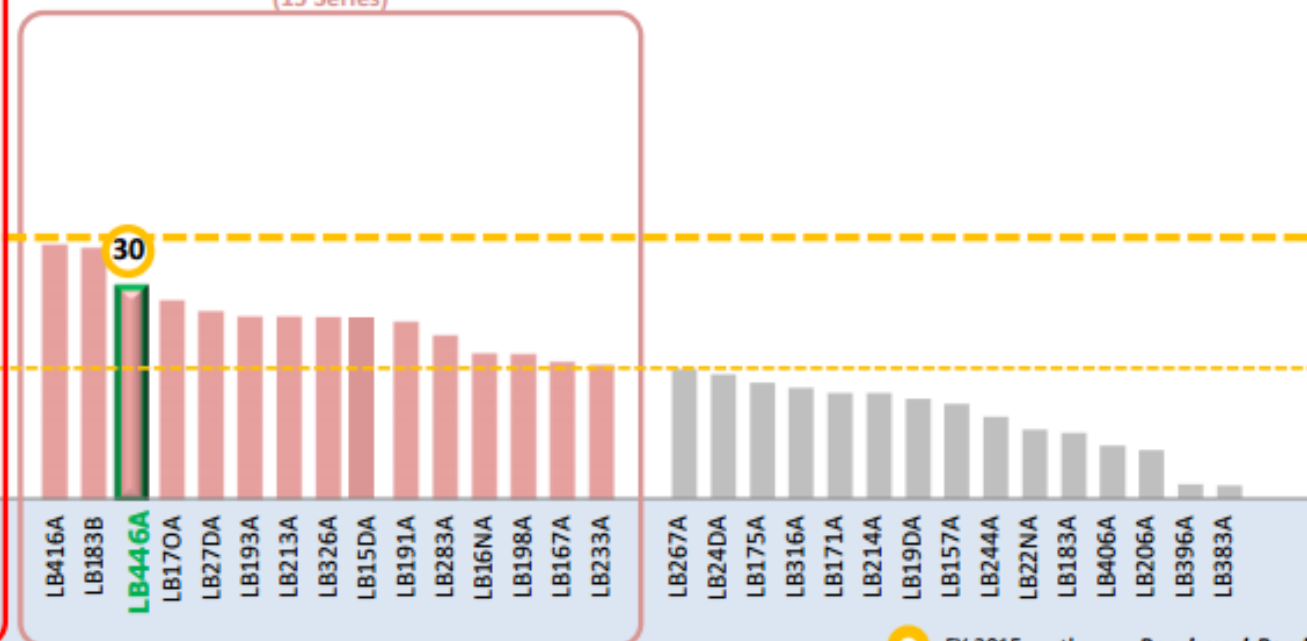


FY2015 Q3 Market Share of Trading Volume in Secondary Market



Tier 2: 50,000 – 100,000MB

(15 Series)



● FY 2015 on-the-run Benchmark Bond

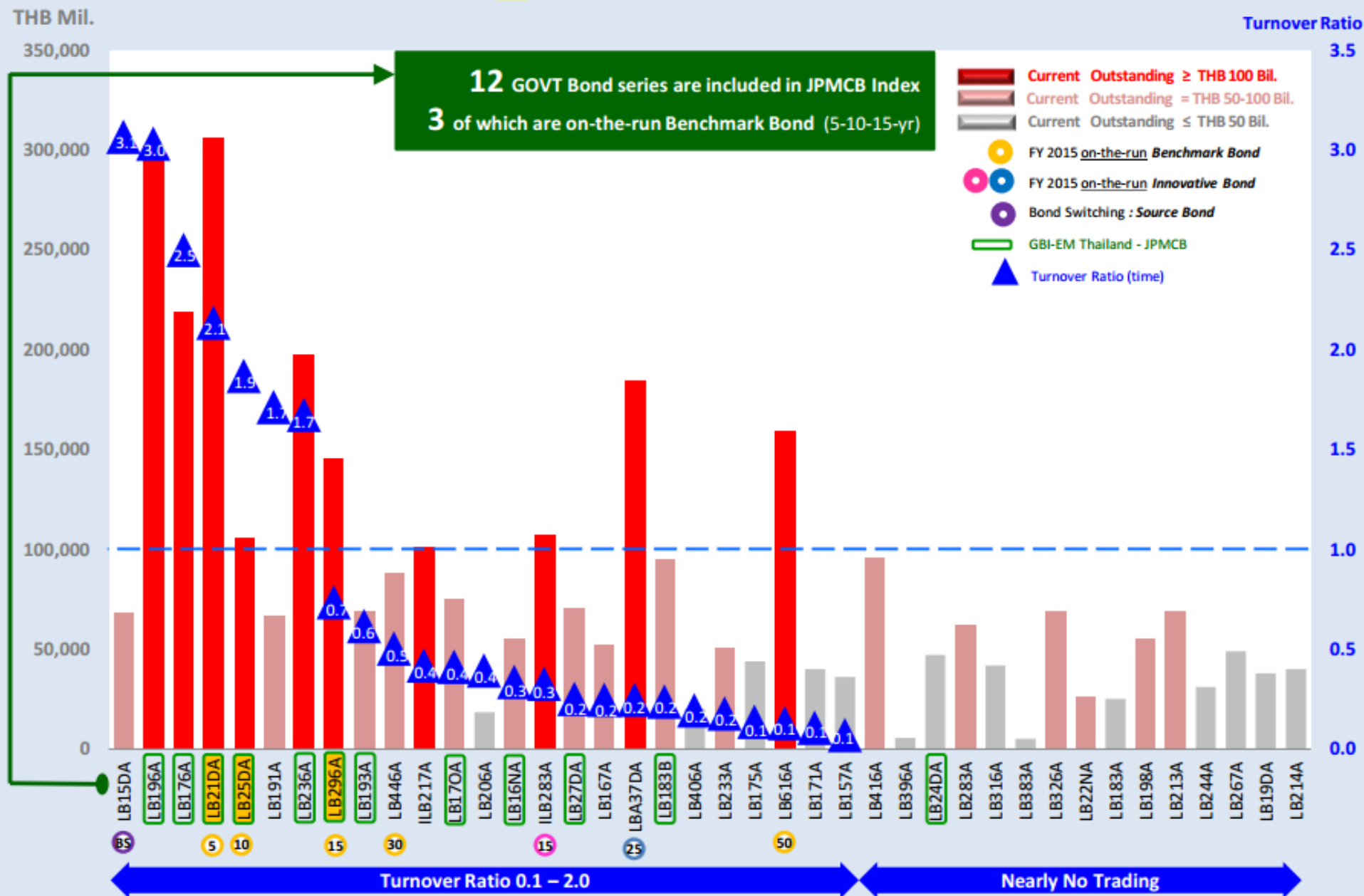
● FY 2015 on-the-run Innovative Bond

FY2015 Secondary Trading Volume

Classified by Turnover Ratio

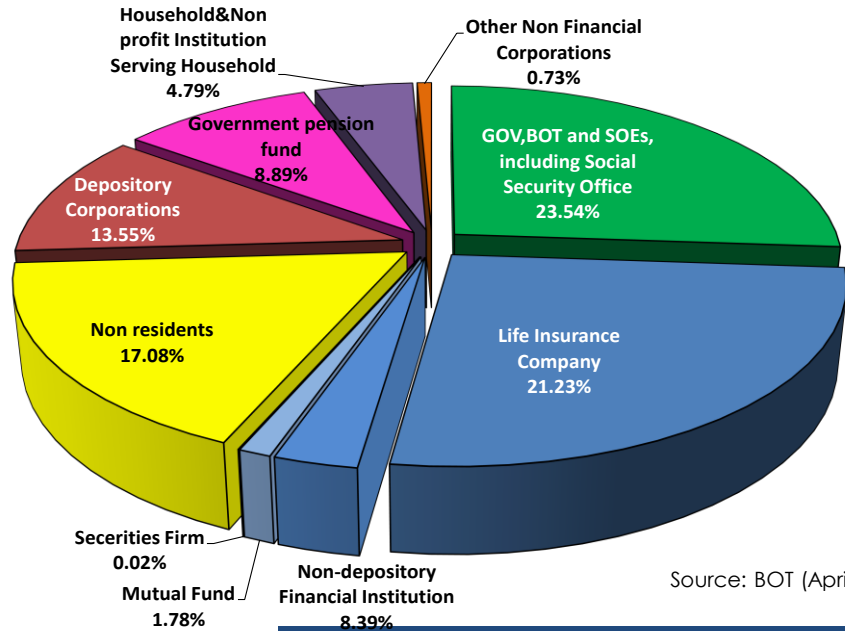
As of June 2015

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





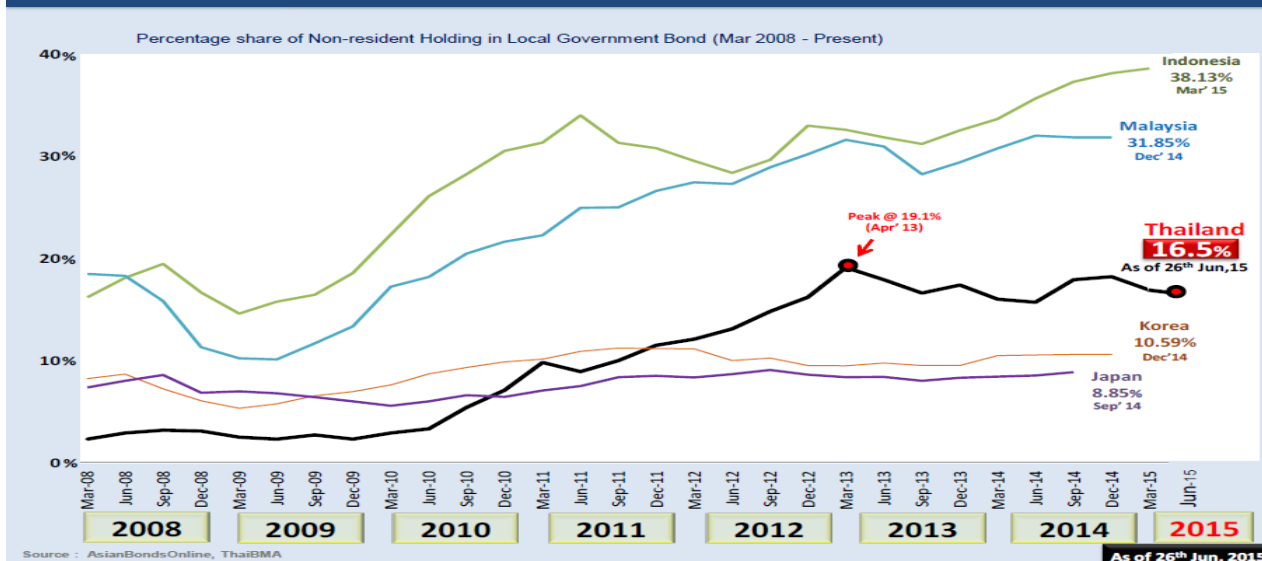
Government's bonds are held by a wide group of investors which support stability in government portfolio



Source: BOT (April 2015)

- The largest government bond holder is a group of long-term investors namely government organization, social security office and life insurance company.
- The non-resident (NR) portion is around 17% of total government bond holding.

Relatively moderate share of NR holding in GOVT bond (643.7 bilTHB or 16.50% of total of GOVT bond holding)



**2015
Outstanding**

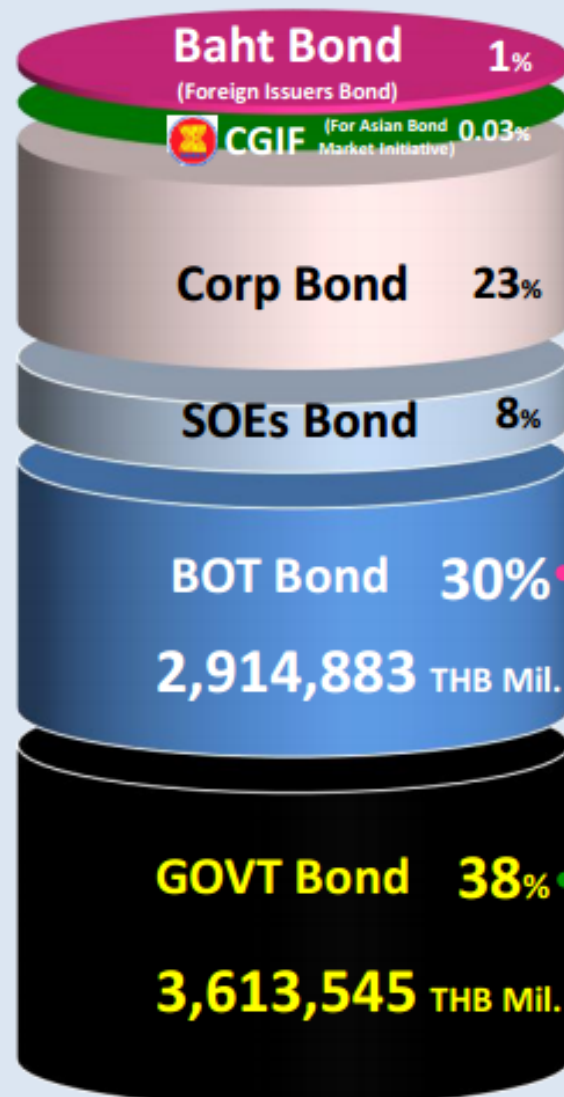
Non-Resident Holding in THB Bond = 630,304

THB Mil.

6.56%

of Bond Market Cap.

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



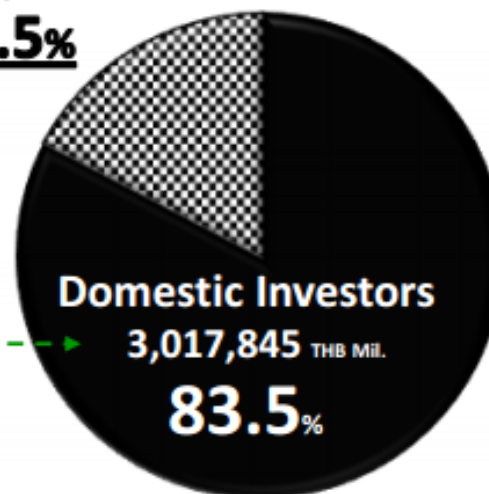
Issuer	Non-Resident Holding (THB Million)	% Share of Thai Bond Market Cap.
GOVT Bond	595,700	6.20%
BOT Bond	33,722	0.35%
SOE Bond	-	-
Corp Bond	882	0.01%
TOTAL	630,304	6.56%

GOVT Bond Outstanding

3,613,545 THB Mil.

Non-Resident
595,700 THB Mil.

16.5%

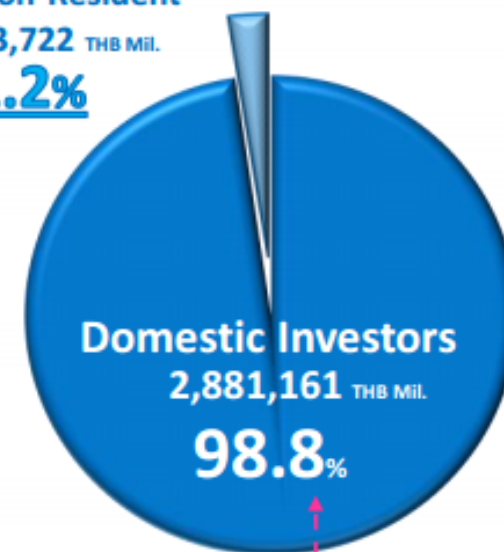


BOT Bond Outstanding

2,914,883 THB Mil.

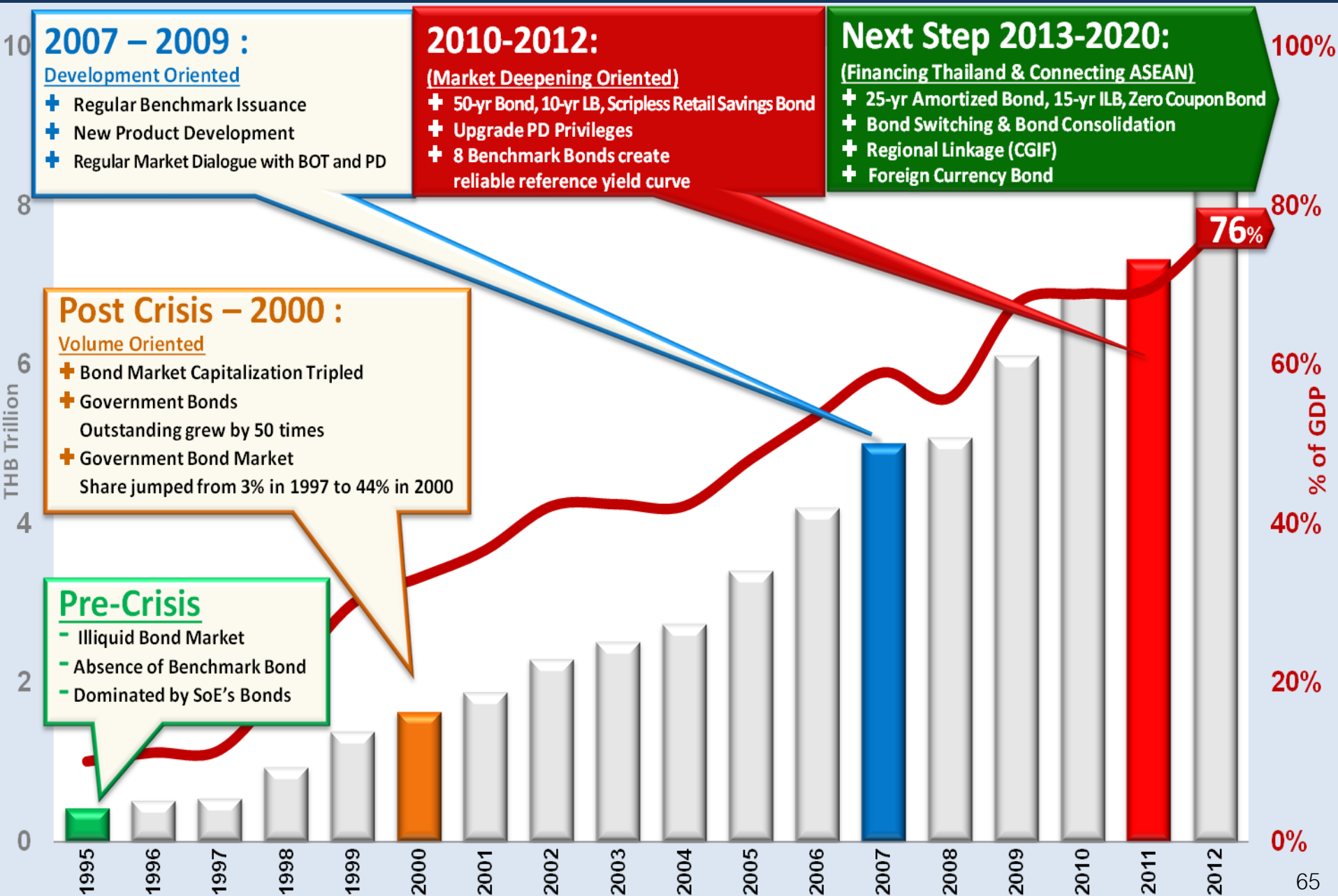
Non-Resident
33,722 THB Mil.

1.2%





Domestic Bond Market has Developed Rapidly and Efficiently





Bond Market Development during 1998-2004

Domestic Bond Market Development Committee

➤ Task Force: solving problems in

- Primary Market
- Secondary Market
- Clearing and Settlement System
- Taxation on Debt Instrument Transaction
- Bond Market Information
- Market Convention and Code of Conduct
- Debt Management Office
- Private Repo Market

➤ Composition:

- MOF
- BOT
- SEC
- Thai BDC
- Commercial Banks



The establishment of Public Debt Management Office (1 Oct 99)

1st Domestic Bond Market Development Plan (2001-2004)



Bond Market Development during 1998-2004

1st Domestic Bond Market Development Plan

✉ Objectives

- To stabilise the overall financial market and economy
- To provide alternative channel and instruments for public and private sectors in order to reduce risk and cost of fund mobilisation and investment
- To create efficient channel for liquidity management

✉ Strategic goals

- To increase efficiency of government securities issuance
- To increase liquidity in secondary market
- To diversify debt instrument products
- To reduce investment risk
- To develop market information
- To diversify investor base for government funding and create efficient investment channel for investor



GOALS



- To promote bond market to gain the market capitalisation close to GDP
- To increase the share of foreign issuers and investors to be not less than 5% of total outstanding value



Strategies



Primary Market Development

Secondary Market Development

Market Infrastructure Development

IT and HR Development



Thai Bond Market Development

Primary Market Development

- ✓ Issued regular benchmark bonds with 5 and 10 years maturity to create a reliable yield curves
- ✓ Expanded issuer base by allowing Foreign Entities (IFIs, FGs & MNCs) to issue Baht-denominated bonds in Thailand
- ✓ Issued saving bonds regularly
- Local government bond market development
- Improvement of government bond distribution system

Secondary Market Development

- ✓ Set up Central Clearing & Settlement Securities Depository
- ✓ Set up Collateral Management Unit & Bond Lending Unit
- ✓ Promoted repo market
- ✓ Developed OTC interest rate derivative market
- Increase efficiency of market maker through PDs system improvement



Thai Bond Market Development

Market Infrastructure Development

- ✓ Removed tax obstacle
 - waived withholding tax for NR investors
 - waived SPV income tax for securitisation transactions
- ✓ Develop bond futures market
- ✓ Develop credit ratings service
- ✓ Revision of related regulations and laws
 - 3 years shelf filing
- Securitisation promotion

IT and HR Development

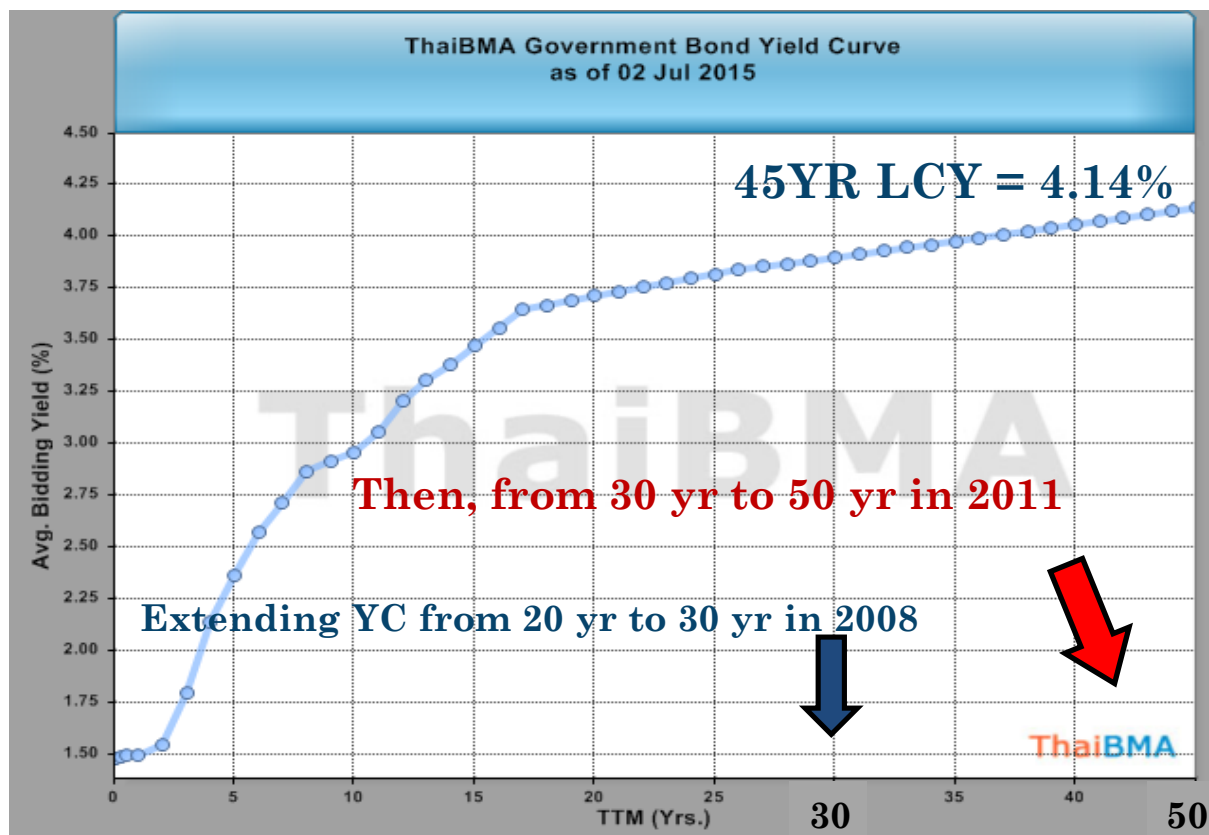
- ✓ Established ThaiMBA as a Self Regulatory Organisation and data information centre
- ✓ Acted as bond pricing agency
- ✓ Provided market information and understanding to foreign participants
- ✓ Provided knowledge about bond market to interested public
- Develop traders, market analysts & product designers



Developing Benchmark Yield Curve

Previous (FY2007) - Only had 7 and 10 yr as benchmark bond

FY2008 - Now 5, 10, 15, 20, 30 and 50 as benchmark bond



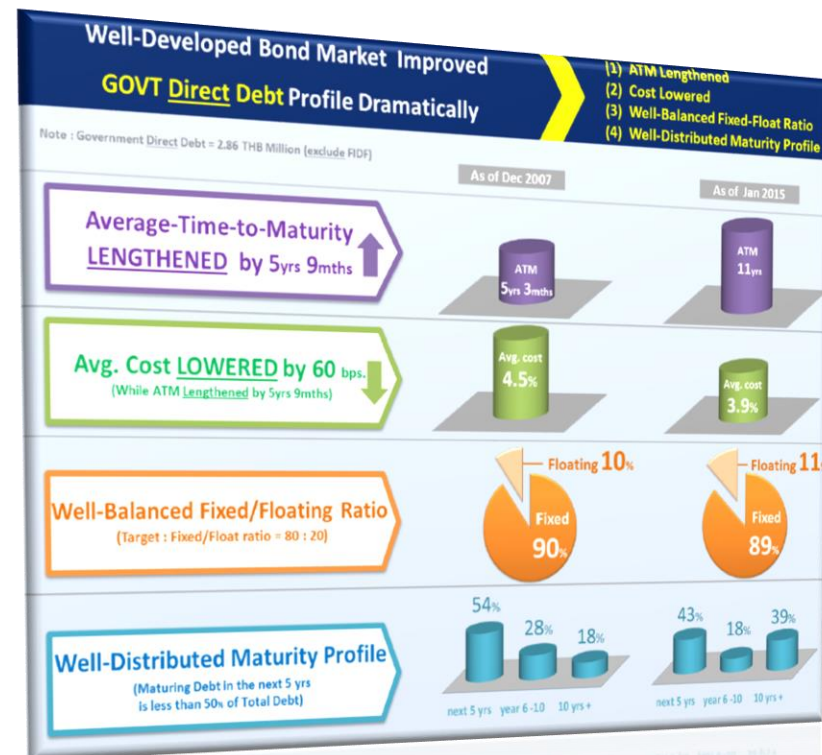
◀ By spreading benchmark issues across popular standard maturities we can build benchmark bond yield curve


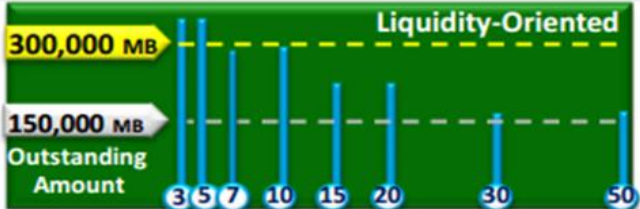
◀ Use as benchmarks for the pricing of other financial instruments

◀ Provide valuable info. about market expectations



Key Success Indicators



	Market Deepening Oriented (2010 - 2012)	Funding Infrastructure Investment Connecting ASEAN (2013 - 2016) Ongoing Project
Sustainable Source of Fund	<div>Water Decree (350,000 THB Mil.)</div> <div>Thai Khem Khang (350,000 THB Mil.)</div>	<div>2,000,000 THB Mil. Long-Term Infrastructure Inv't</div> <div>2,400,000 THB Mil. Long-Term Infrastructure Inv't</div> <div>Full Funding Capacity : 1,150,000 THB Mil.</div>
Regional Connectivity / AEC	<div>Baht Bond (Foreign Issuers Bond)</div>	<div>Credit Guarantee Investment Facility (CGIF)</div> <div>Foreign Currency Bond</div> <div>Baht Bond (CLMV)</div>
Debt Folio Enhancement	<div>ATM Lengthened</div> <div>Cost Lowered</div> <div>FIDF Decree Passed = 70,000 THB Mil. Fiscal Space</div>	<div>Well-Distributed Investor Base</div> <div>Well-Balanced Fixed-Floating Ratio</div> <div>Well-Distributed Maturity Profile / Bond Switching</div>
Market Infrastructure	<div>Appointed 14 MOF-Outright PD</div> <div>Activated Public Debt Management Fund</div>	<div>Bond Switching (1st execution: 28 Nov 14)</div> <div>Strengthening PD system (Exclusivity, League Table, Greenshoes Option)</div> <div>STRIPS Bond</div>
Innovation / Product Development	<div>Inaugural 10-yr Inflation-Linked Bond (10-yr)</div> <div>Long-term Fixed Promissory Notes (25-35-45-yr)</div> <div>Electronic Retail Savings Bond (3-5-yr)</div>	<div>Scripless Retail Savings Bond → Liquidity</div> <div>Super-Size Inaugural 25-yr Back-End Amortized Bond</div> <div>Re-open ILB 7-yr or Launch ILB-30yr</div> <div>STRIPS Transaction</div>
Market Consultation	<div>Annual PDMO Market Dialogue</div> <div>Quarterly PDMO one-on-one PD Dialogue</div>	<div>Annual PDMO Market Dialogue</div> <div>Quarterly PDMO one-on-group "MOF Outright PD" Dialogue</div>
Building Yield Curve / Enhancing Liquidity	 <p>8 Tenors of Benchmark Bonds</p>	 <p>Liquidity-Oriented</p> <p>300,000 MB</p> <p>150,000 MB</p> <p>Outstanding Amount</p>



FY 2007-10

30-yr Benchmark Bond

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

Floating Rate Bond

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

Step-up Savings Bond

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

FY 2011

Fixed Rate Promissory Note

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

50-yr Benchmark Bond

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

10-yr Inflation-Linked Bond (ILB)

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

Electronic Retail Savings Bond

- Lower Minimum Amount to Purchase / Offer throughout the year
- Develop the retail bond into an electronic form → Scripless System
- Can be purchased via ATM, in addition of Bank Retail Branches

FY 2012-2016

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 → Enhance liquidity in the secondary market

**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)

CGIF

Inaugural
(Noble, Hong Kong)

2,850
THB Mil.

2013 2014 2015 2016 2017 2018 2019 2020

Inside-out

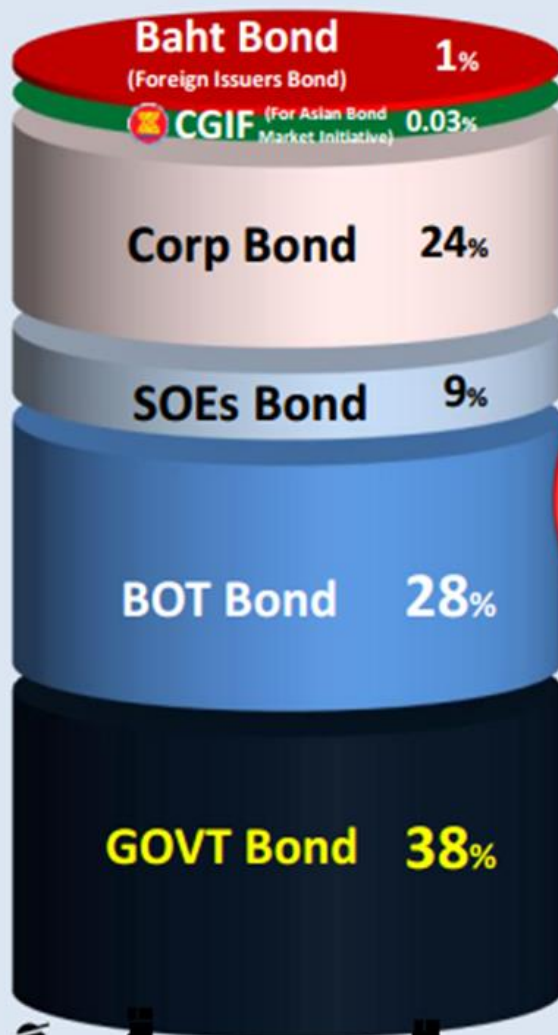
Outside-in

Natural Hedging

**Inv't
Grade**

Targeted Industry

Total Outstanding 9,399,227 THB Mil.
End of March 2015

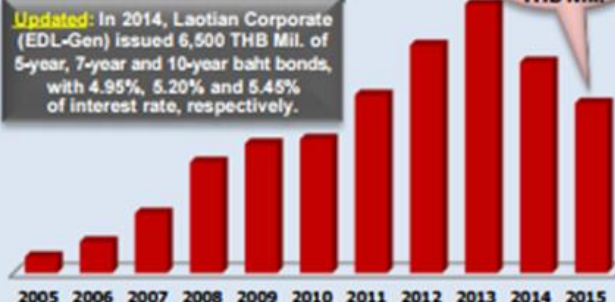


BAHT BOND

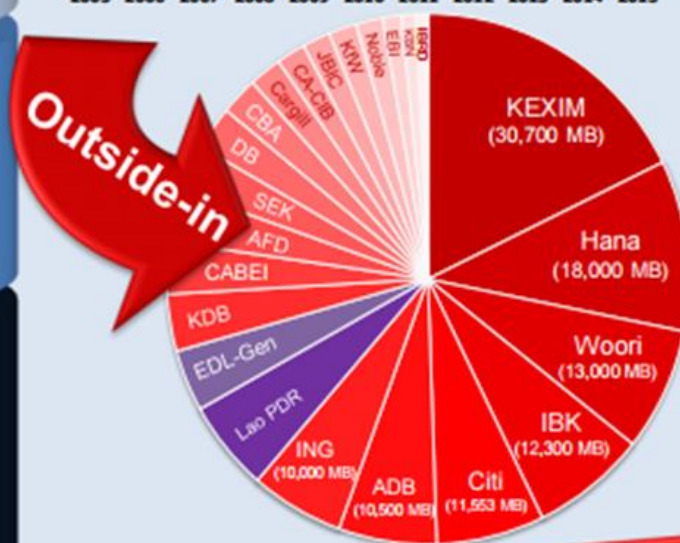
**Inaugural
(EDL-Gen, Lao PDR)**

Updated: In 2014, Laotian Corporate (EDL-Gen) issued 6,500 THB Mil. of 5-year, 7-year and 10-year baht bonds, with 4.95%, 5.20% and 5.45% of interest rate, respectively.

73,574
THB Mil.



Outside-in



What next?

- ➔ **Broadening Issuer Base : CLMV**
(Cambodia, Lao PDR, Myanmar and Vietnam)
- ➔ **Becoming bond market leader of the region**

Why now?

- ### → Entering ASEAN Economic Community (AEC)



Objectives

- 1) To develop deep and liquid local currency and regional bond markets
- 2) To enable investment-grade ASEAN+3 issuers to access local currency bond markets
- 3) to promote the issuance of debt securities with longer term maturities to match the gestation of investment projects

Functions

- 1) Guaranteeing bonds that are denominated in local currencies and issued by ASEAN+3 entities rated investment-grade
- 2) Guaranteeing bonds that are not denominated in local currencies and issued by ASEAN+3 entities rated investment-grade, provided the entities concerned are naturally hedged in such currency
- 3) Making investments for the development of the bond markets (no such investments shall be made until after the Meeting of Contributors has determined that CGIF is in a position to commence such operations); and
- 4) Undertaking such other activities and providing such other services consistent with CGIF objectives

Benefits

- 1) A reduction of cost of financing of issuers
- 2) An efficient fund raising and a conformity with financial requirement of the business
- 3) A reduction of currency & Maturity Mismatch



What are initial criteria?

Public Debt Management Office, Ministry of Finance

- **Who is eligible ?**
 - All current issuers of corporate bonds
- **Exposure limits**
 - Country Limit
 - Currency Limit
 - Sector Limit

What are the benefit to issuers and bond market?

- **To issuers**
 - Lower cost of financing saving
 - Gain creditability
 - Easier market access
- **To the development of bond market**
 - Solve double mismatch : Currency and Maturity
 - Increase in quality supply
 - Expand Thailand bond market

Baht-Denominated Bond in Thailand



Baht-denominated Bond in Thailand (Baht Bond)

OBJECTIVES

- To promote Thai bond market as the leading bond market of the region.
- To develop domestic bond market by increasing the proportion of foreign issuers and variety of products.
- To provide the opportunity for domestic investors to invest in a good quality bond

BENEFITS

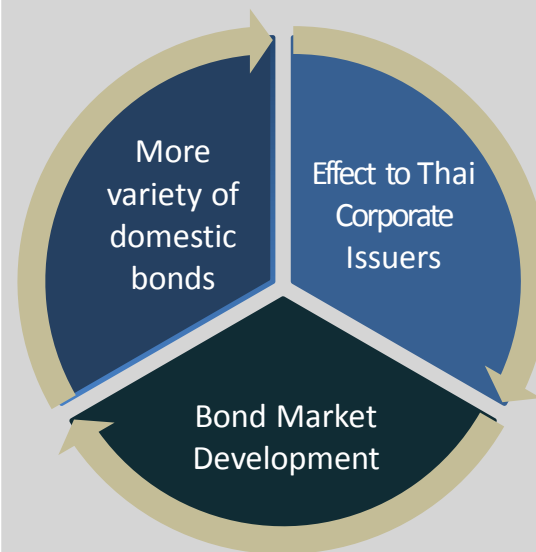
INVESTORS

- To diversify source of investment
- To reduce FX risk from the investment in foreign bonds

ISSUERS

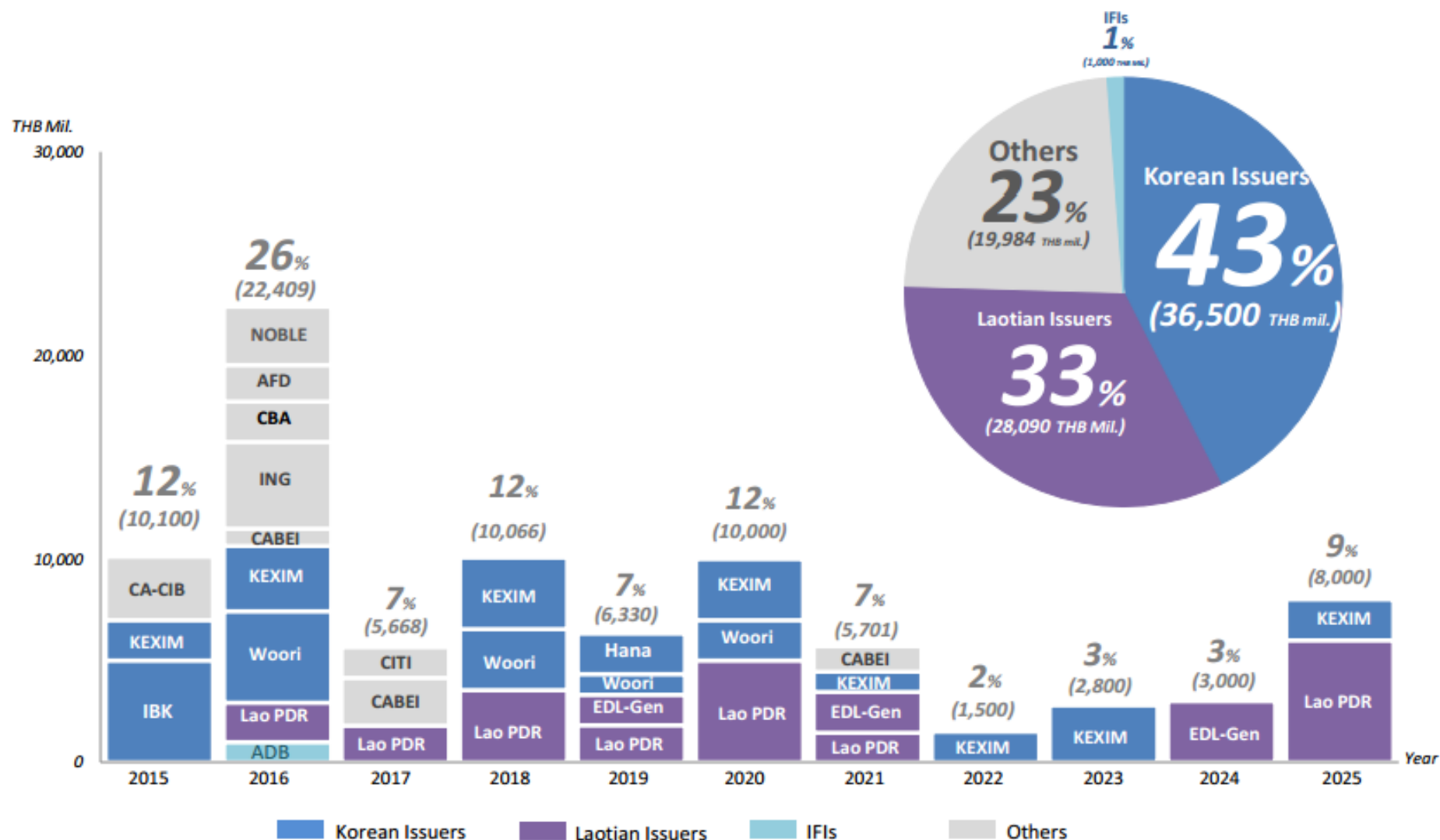
- To diversify the portfolio
- To reduce the FX risk in THB currency (for foreign investors who would like to raise fund for investment in Thailand)

TRADE - OFF





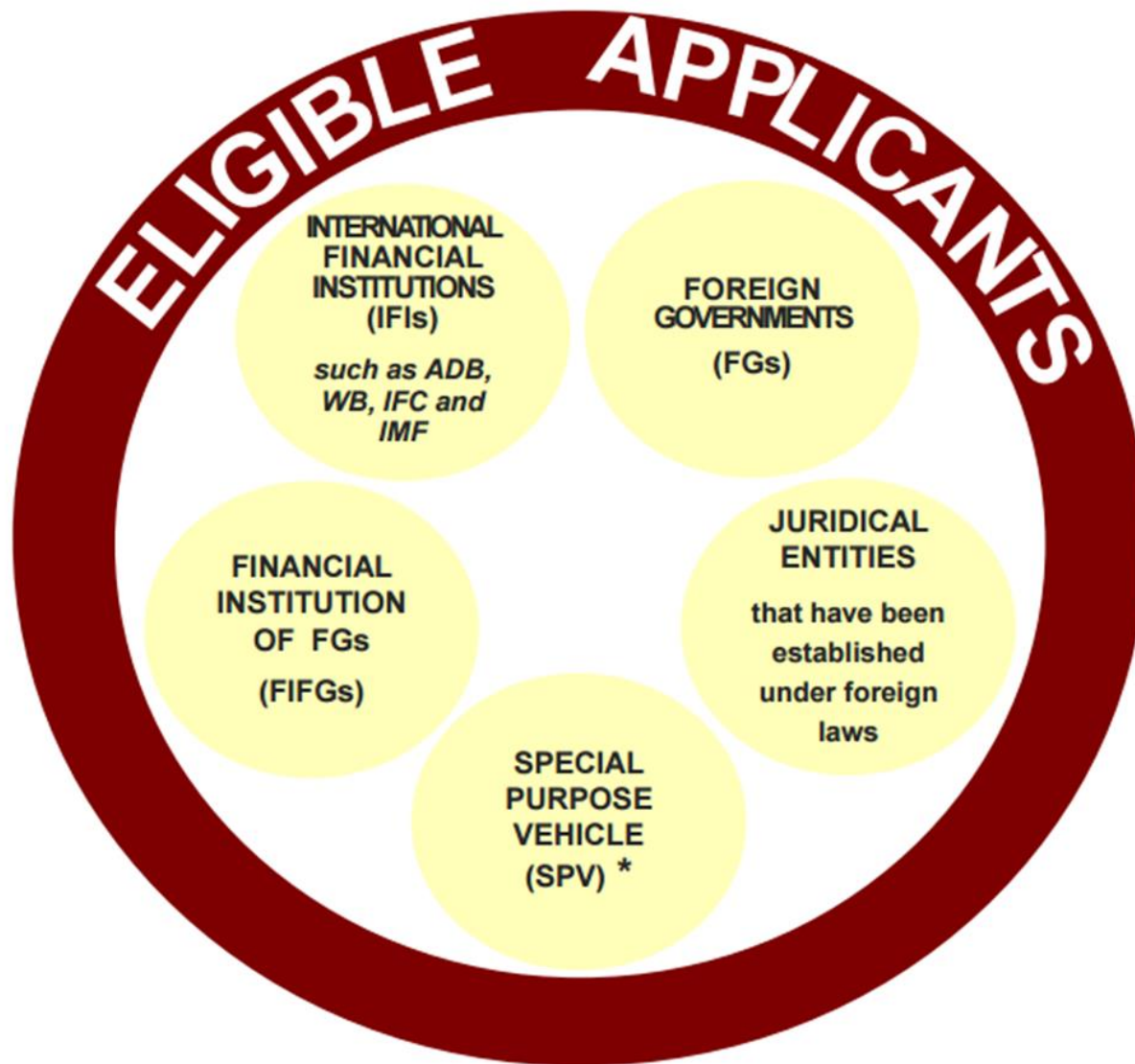
Outstanding of Baht Bond (as of June, 2015) 85,574 THB mil.



Source : PDMO (as of June, 2015)



Eligible Applicants for Baht Bond



* Remark: Special Purpose Vehicle (SPV) is established for the purpose of the securitization in which the originator is foreign government agency or organization and/or foreign juridical person.



The Relaxation on Eligible Thai Baht-denominated bonds and debentures applicants

2004 The beginning of Baht Bond

IFIs

- (i) International Bank for Reconstruction and Development (IBRD)
- (ii) Asian Development Bank (ADB)
- (iii) Japan Bank for International Cooperation (JBIC)

2006 Relaxation ①

International Credit Rating
(S&P's, Moody's, Fitch)

CITI	CABEI	CARGILL	CBA	DB
EBI	HANA	IBK	ING	KDB
KEXIM	KfW	SEK	WOORI	

2011 Relaxation ②

Special Purpose Vehicle (SPV)

No issuance

2012 Relaxation ③

Issuer's Government Guarantee

LAO PDR (MOF)	3Y (1,2,3)	3,728 mln.	} Total 9,590 mln.
	5Y (2,3)	4,396 mln.	
	7Y (3)	1,466 mln.	

2013 Relaxation ④

Credit Guarantee and Investment Facility (CGIF)

Noble (Hong Kong) 3Y 2,850 mln.

2014 Relaxation ⑤

Proportion Guarantee : Guarantor/Issuer Rating

Permit granted but No issuance

2014 Relaxation ⑥

CLMV : Local Credit Rating
[Investment Grade]

EDL-Gen	5Y	1,500 mln.
	7Y	2,000 mln.
	10Y	3,000 mln.



Rules & Regulations of Baht Bond

- There are 3 rounds of Baht Bond application process. The applicants can submit the letter of application, including all the relevant documents, to the Minister of Finance as followed:

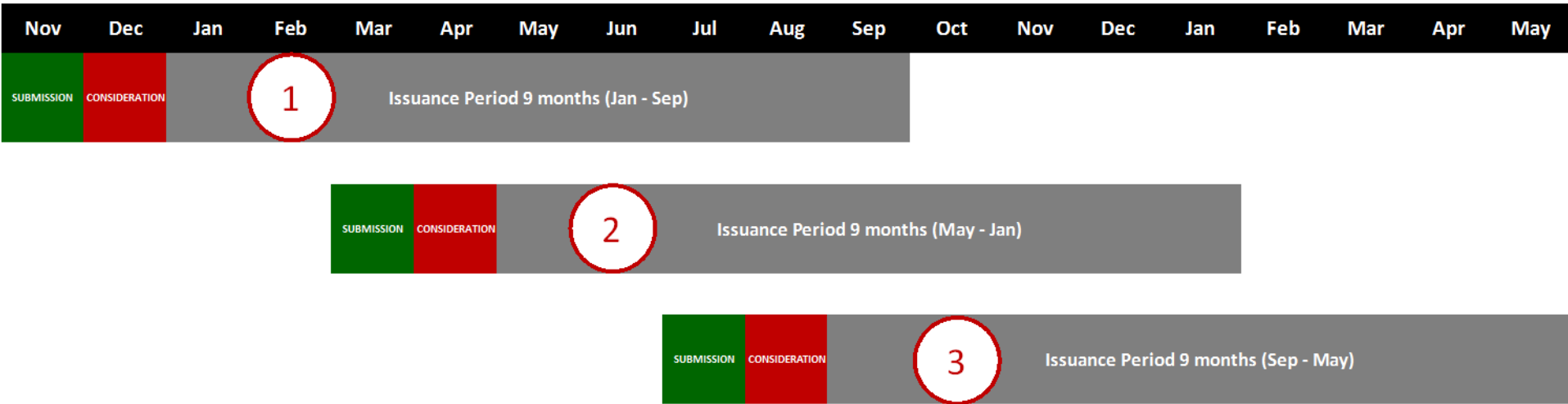
Round	Submission Period	Consideration Period	Issuance Period
1	November	December	1 January – 30 September
2	March	April	1 May – 31 January
3	July	August	1 September – 31 May

OTHER TERMS AND CONDITIONS

- The permitted institutions must exercise their rights within the granted period.
- Any permitted institutions that could issue full authorized amount of Baht Bond before granted period expires are eligible to submit their new application prior to the expiration of the granted period. (Ex. The AA institution is allowed to issue Baht Bond during Jan-Sep, and it could issue full authorized amount before end of July. In this case, it could submit the new application to MOF by July, if desired.)
- Any permitted institutions that could issue partial authorized amount of Baht Bond are eligible to submit their application only when the granted period is expired.
- Any permitted institutions that did **not** issue Baht Bond within the granted period are not allowed to submit the application in the succeeding round but they can do so in the one after. (Ex. The AAA institution is allowed to issue Baht Bond during Jan-Sep, but it could not issues Baht Bond. This institution could submit the new application to MOF by next March at the earliest time.)
- Due to limited Baht Bond quota, any rejected applicants could resubmit their applications at any rounds.
- If the applicants resubmit their application within the same calendar year, some documents, such as financial statement or credit rating report provided in the last submission may not be required to resubmit if there is no change in detail and information.



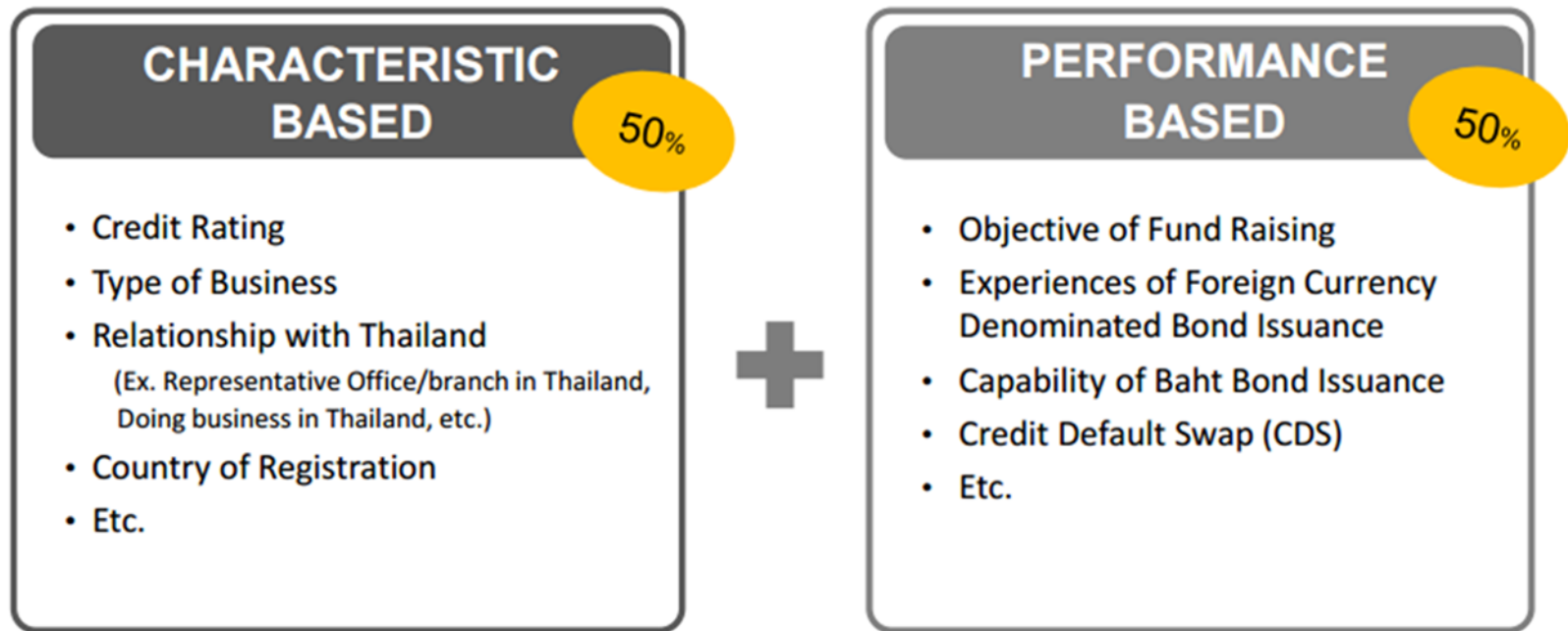
Timeline For Baht Bond Application Process



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

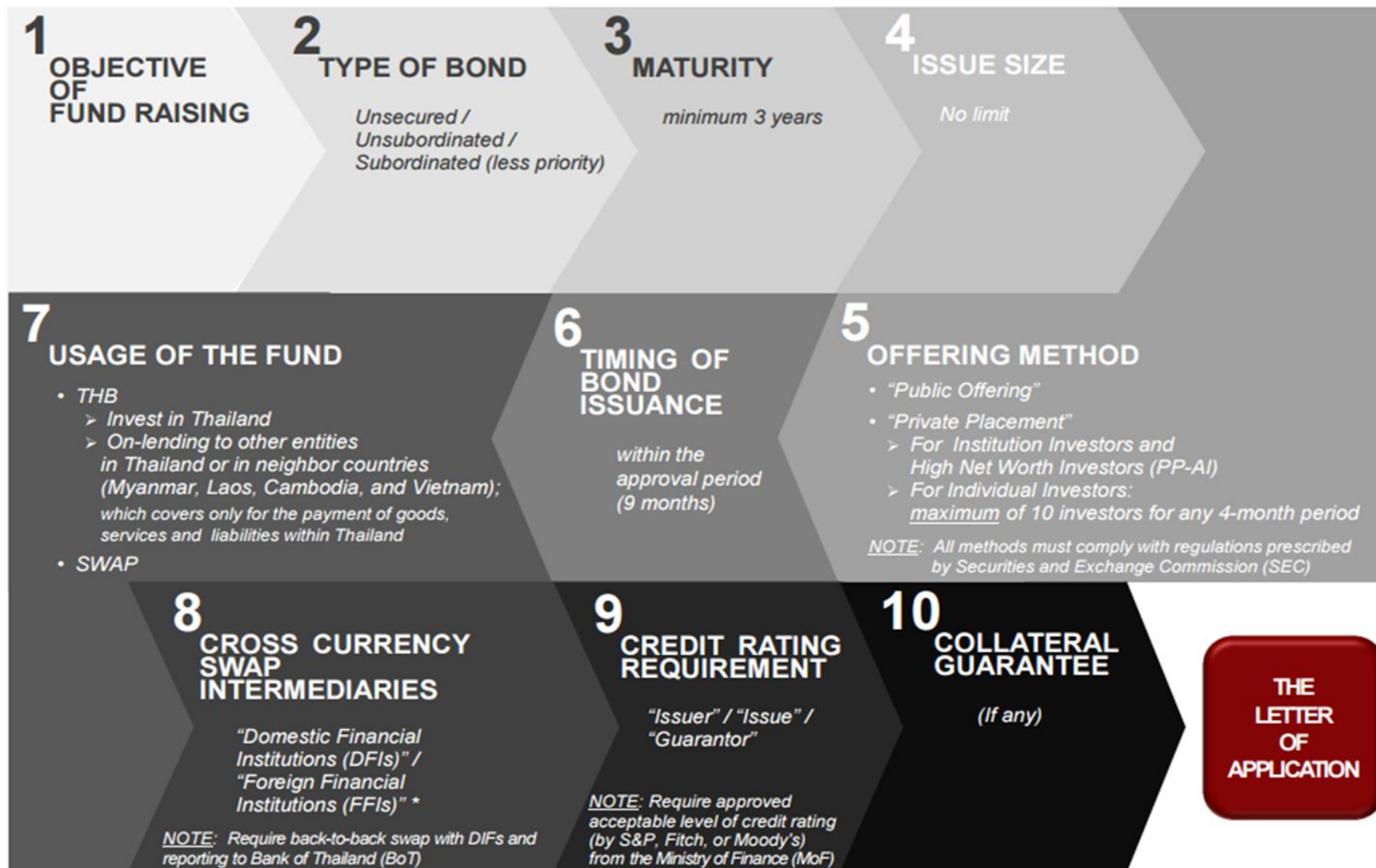


Criteria of The Consideration





“THE LETTER OF APPLICATION” must include...





The Requirements Under the Notification of Ministry of Finance

ENFORCING LAWS AND COURT JURISDICTION	<ul style="list-style-type: none">• Thailand's laws and Thai court jurisdiction• Other laws and court jurisdiction approved by Finance Minister
WAIVER OF IMMUNITY	<p>Any immunities from the legal proceedings or enforcements must be surrendered except for immunity in respect to the following properties that grantee may decide not to waive;</p> <ol style="list-style-type: none">(1) Property used by a diplomatic or consular mission in Thailand(2) Property of a military character(3) Property located in its territory and dedicated to public or government use as distinguished from the property dedicated to commercial use.
DISCLOSURE OF INFORMATION	Must comply with SEC regulations and notifications
BOND OR DEBENTURE HOLDER REPRESENTATIVE *	Shall appoint the bond or debenture holder representative in Thailand during the tenure of bond or debenture for the benefits to the holders
CONTACT PERSON IN THAILAND *	Shall appoint a representative in Thailand to act as a person during the tenure of the bond or debenture in order to receive letters, orders, notices, and documents, or to contact the relevant authorities
REGISTRAR	Shall appoint Thailand Securities Depository Company Limited (TSD) or other registrar designed by Finance Minister
REGISTRATION	Grantee shall have their bonds or debentures registered with Thai Bond Market Association (ThaiBMA)
UPDATES OF DISCLOSURE INFORMATION*	<ul style="list-style-type: none">• Within 180 days from the end of each fiscal year or financial year• Immediately when the financial status or structure of the permitted entities, or where the economy undergo significant changes
DUTIES UNDER OTHER RELATED LAWS*	<ul style="list-style-type: none">• Seeking an approval for the use of the proceeds from the issuance of Baht-denominated bonds or debentures from Bank of Thailand (BoT)• Obligation to tax liability and tax withholding

* Must be specified in the rights and obligations of bond/debenture issuers and holders



Steps to be done at Securities and Exchange Commission (SEC)

**APPROVAL
FROM
MoF**



STARTING OF EFFECTIVE DATE

- PO- after 10 business days cooling and when SEC receives completed information on bond's features
- PP-AI – after 1 business day cooling and when SEC receives completed information on bond's features

STEP 1

DOCUMENT SUBMISSION TO SEC BEFORE EACH ISSUANCE

- 1) Draft of terms and conditions stating the rights and duties of the bond/debenture holders
- 2) Filling *
- 3) Prospectus *

* These processes are not required if;

- i. The offer is made to fewer than 10 investors
- ii. IBRD, IFC, ADB and IMF

* These processes must include;

- i. Rating :
 - PO – Issue / Guarantor rating
 - PP-AI – No rating requirement
 - ii. Financial statement complying with IFRS, FAS, and US GAAP accounting standards or approved by SEC (case by case basis)
 - iii. Recent national macroeconomic data both fiscal and monetary terms (foreign government issuer) dated back 5 years
 - iii. Necessary and sufficient information for investors to make an informed decision
 - iv. Name and address of contact person in Thailand
 - v. Authorized Board of Directors who can certify documentation
- Remark: The issuers can shelf – filling for up to 2 years

STEP 2

BOND ISSUANCE

(issue within 9-month period as MOF's approval date)

STEP 3

REPORT OF ISSUANCE RESULT TO THE SEC

STEP 4

FINANCIAL POSITION REPORT AND ANNUAL REPORT TO SEC

- Audited Financial Statement – same period of time as home regulators, but not exceed 180 days from year ended
- Updated information disclosed in prospectus annually (only in case of offering to retail investors)

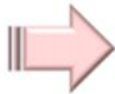
Note:

II&HNW = specified institutional
and high net worth investors



Steps to be done at Bank of Thailand (BOT)

**APPROVAL
FROM
MoF**



STEP 1

OPENING SPECIAL NON-RESIDENT BAHT ACCOUNT (SNA) WITH BoT

STEP 2

**OPENING A SNA WITH A FINANCIAL INSTITUTION
WHO ACTS AS A CUSTODIAN OF THE ACCOUNT**



**THE CONFIRMATION OF NOT HAVING SNA
WITH OTHER FINANCIAL INSTITUTIONS**

DEPOSIT OF THB CURRENCY TO SNA

Must be the THB currency proceeding from
the issuance of Baht-denominated bond
or debentures

***WITHDRAWAL OF THB CURRENCY
FROM SNA***

- 1) For commercial business or investment purpose in Thailand or neighbor countries
- 2) Currency swap transaction with domestic financial institutions
- 3) Short-term lending domestic financial institutions in swap, short-term securities investment private repo, negotiable certificated of deposit or fixed deposit less than 6 months

STEP 3

REPORTING TO BoT

Sovereign Credit Rating



Basic Definitions

- **Bond Rating**

- A forward-looking assessment of the risk of default conducted by an independent agency
- Bond ratings are based on the debt servicing capacity of the borrower and on the legal characteristics of the bond

- **Default**

- Failure to pay a debt on time and in full

- **Sovereign Bond Rating**

- An assessment of the risk of default on debt issued by a government borrower
- Based on an analysis of a government's “**willingness**” and “**capacity**” to repay its debts

- **Country Ceiling**

- The highest rating that can be assigned to any borrower in a specific country
- Based on assessment of economic and political conditions affecting any borrower's capacity to service its debt
- Government debt usually carries the highest rating in a country since government's have legal powers that can be used to enhance the government's debt servicing capacity



What a Rating Is and Is Not

Definition and Process

A Credit Rating is ...

- ▲ A rating agency's opinion of the relative creditworthiness of an obligor with respect to a debt security or any other financial obligation
 - Assessment of timely debt service and default probability (Issuer Rating)
 - Additional assessment of the relative financial loss of a specific debt obligation upon default (Issue Rating)
- ▲ Based on both qualitative and quantitative factors
- ▲ Based on public and non-public information
- ▲ Expressed by universally recognised notation scales that allow comparability across industry sectors and regions




A Credit Rating is not ...

- ▼ A judgement on the quality of a country's performance or prospects
- ▼ A way to differentiate “good” countries from “bad” ones
- ▼ A recommendation to buy, sell or hold a debt security
- ▼ An audit
- ▼ The automatic result of economic and financial ratios analysis against pre-set benchmarks. The analyst's judgment counts.



Rating Notations

- The notation system has three broad benefits:
 - Puts countries into 17 groups according to broad risk characteristics
 - Facilitates comparisons for determining appropriate level of reward relative to a given level of risk
 - Simple to remember
- The term “investment grade” originated in the insurance industry. Insurance companies were given permission to invest in securities with lowest risk of default, deemed to be bonds rated from triple-A down to triple-B minus. Bonds rated lower were off-limits.
- All three systems have their roots in the development of ratings by John Moody.

			
Investment Grade	AAA	Aaa	AAA
	AA+	Aa1	AA+
	AA	Aa2	AA
	AA-	Aa3	AA-
	A+	A1	A+
	A	A2	A
	A-	A3	A-
	BBB+	Baa1	BBB+
	BBB	Baa2	BBB
	BBB-	Baa3	BBB-
Non-Investment Grade	BB+	Ba1	BB+
	BB	Ba2	BB
	BB-	Ba3	BB-
	B+	B1	B+
	B	B2	B
	B-	B3	B-
	CCC	Caa	CCC



Why Sovereign Ratings Matter ?

Ratings Will Enhance the Government's Access to Global Bond Markets

- Ratings will enhance the Government's access to global bond markets, reducing the cost of funds, and broadening the investor base.
- Ratings, despite the recent questions regarding whether they remain relevant, continue to be a major criterion influencing investor decisions in the bond market; the better the rating, the better the access.
- *Investors continue to prefer, if not require, that bonds they purchase are rated. They want an independent assessment of default risk and look to the agencies for that.*

Sovereign Ratings Influence the Cost of Foreign Borrowing for all Borrowers from Myanmar

- Just as a stronger rating will greatly enhance the Government's access to foreign funding, sovereign ratings also exert a strong influence on the cost of funds paid by other borrowers from the same country, for example, banks and companies, whether they borrow through international bond issuance or through commercial bank lending.

Sovereign Ratings Can Assist in Attracting Direct Foreign Investment

- Sovereign ratings frequently serve as a proxy for the discount rate that direct investors apply in calculating the risk-weighted returns generated by an investment in the rated country.
- Also, research published by rating agencies can serve to highlight developments in the rated country that could have an effect on the investment climate and on the expected rate of return from a specific investment, making investment more attractive for foreign companies.

Ratings Help Shape a New Image for Myanmar

- Ratings will send a powerful message to the global financial community regarding the investment climate in Myanmar. Rating agencies frequently position themselves as being able to see through headlines, to discern conditions in a country as they really are, rather than as the press reports them to be.
- Ratings will help the Government counter either the lack of in-depth reporting about economic conditions in Myanmar, or reporting that focuses on sensational developments that can adversely influence investor sentiment toward Myanmar.



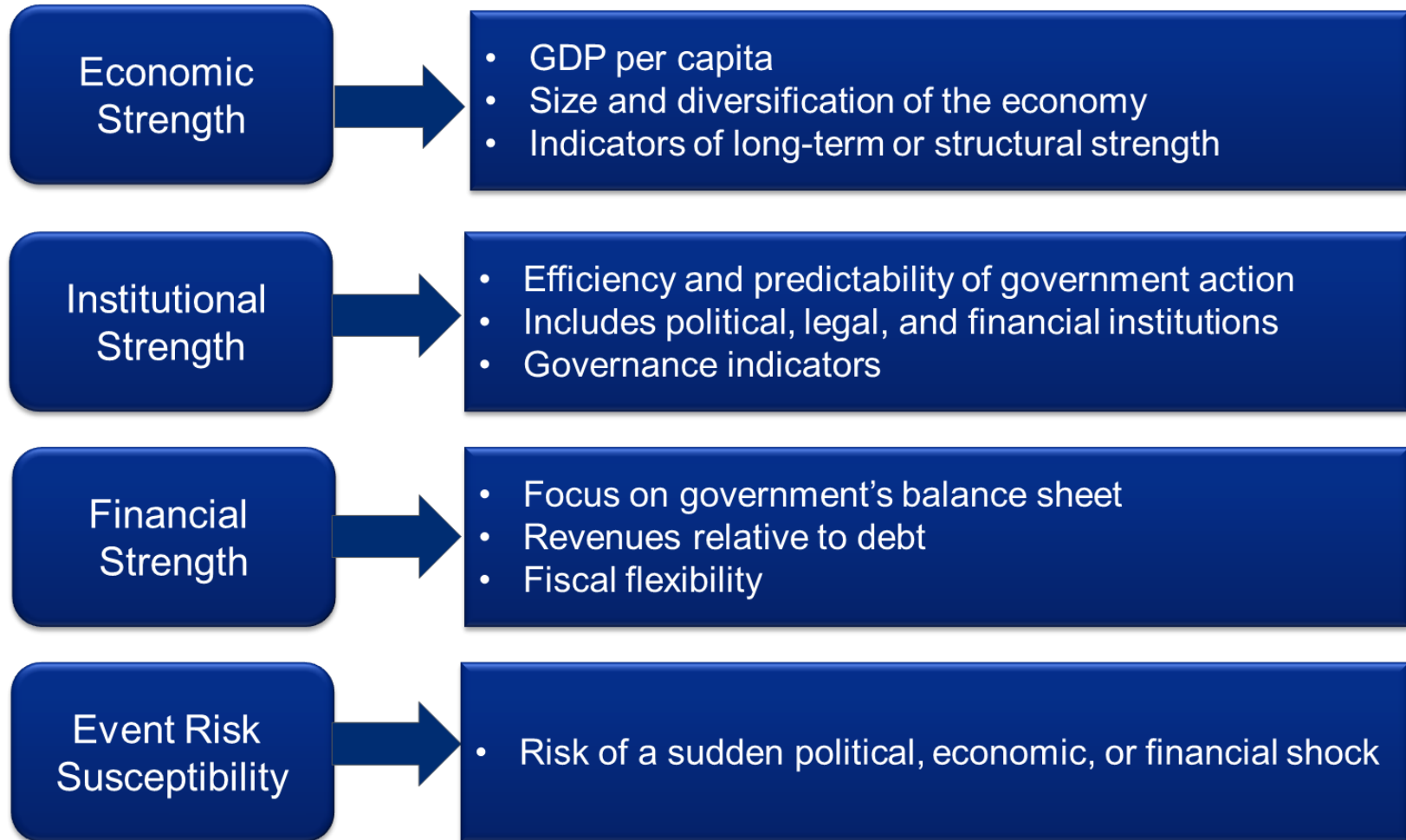
Overview of the Major Rating Agencies

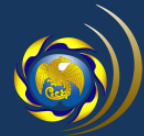
	STANDARD & POOR'S <small>RATINGS SERVICES</small>	MOODY'S	FitchRatings
General Background	<ul style="list-style-type: none"> • 1941 merger of Standard Statistics and Poor's Publishing Company • Owned by McGraw-Hill Companies, Inc. (US) • Widely accepted and influential 	<ul style="list-style-type: none"> • Founded by John Moody in 1900 • Part of Moody's Corp. a publicly listed company spun-off from Dun & Bradstreet in 2000 with a current market cap of approx. US\$10 billion • Widely accepted and influential 	<ul style="list-style-type: none"> • 1998 merger of Fitch and IBCA, further strengthened by acquisitions of Duff & Phelps and Thomson BankWatch in 2000; majority owned by Fimalac SA (France) • Strong in bank and structured finance markets
European Presence	<ul style="list-style-type: none"> • Offices in London, Frankfurt, Paris, Milan, Moscow and Stockholm 	<ul style="list-style-type: none"> • Offices in London, Frankfurt, Paris, Madrid, Limassol, Milan and Prague 	<ul style="list-style-type: none"> • Offices in London, Paris, Frankfurt, Milan, Madrid, Barcelona, Istanbul and Moscow
Analytical Approach	<ul style="list-style-type: none"> • Uses scorecard approach • Fairly transparent analytical framework, most frequent research publications and analysis • Often lower ratings in emerging markets and for financial institutions 	<ul style="list-style-type: none"> • Radically changed its image and approach since 2003–2004 from being the most qualitative, “black-box” agency to the steady introduction of detailed, quantitative models and practices • More explicit recognition of external support generally results in higher ratings for government related entities 	<ul style="list-style-type: none"> • Uses a statistical model to develop a rating based on quantitative data, then adjusts the rating up or down based on analysts' judgment about qualitative data • Quality research and transparent methodology • Lowest ratings-per-analyst ratio
Flexibility and Confidentiality	<ul style="list-style-type: none"> • Does not assign unsolicited ratings • Only publishes rating with the issuer's consent 	<ul style="list-style-type: none"> • Does assign unsolicited ratings • Publishes rating without the issuer's consent 	<ul style="list-style-type: none"> • Many ratings assigned during the last 3–5 years were Fitch-initiated; however, this strategy has only been pursued in developed markets • Reserves the right to publish, although in practice it will only do so if another agency makes a rating public



Case Study: Moody's Sovereign Rating Methodology

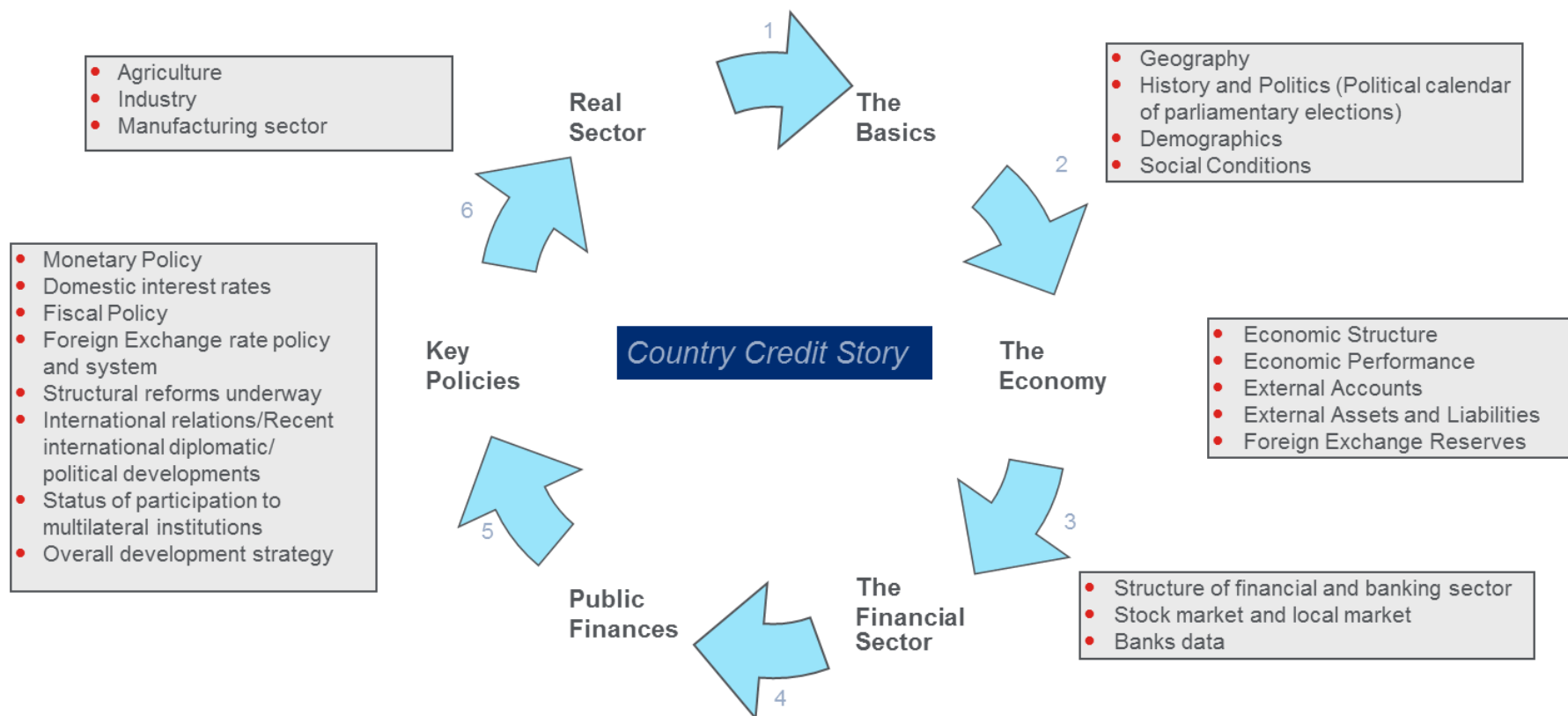
Each factor rated: Very High, High, Medium, Low, Very Low





Key Indicators Used by the Rating Agencies for Sovereign Ratings

The agencies will supply the government with a detailed list of data requirements, questions and concerns that will be driving the agencies' analysis of the country's sovereign credit quality. The following is an outline of the data that the government will typically need to gather as part of the ratings process.





สำนักงานบริหารหนี้สาธารณะ
PUBLIC DEBT MANAGEMENT OFFICE

WWW.PDMO.GO.TH

เป็นมืออาชีพในการบริหารหนี้สาธารณะ เพื่อการพัฒนาประเทศอย่างยั่งยืน