Thai Bond Market Report

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After the 1997 financial crisis, Thai Bond Market has significantly grown from 12% of GDP to 74.6% of GDP in September 2017.

The growth of Thai Bond Market creates more balance among 3 main financial pillars (bank loan, equity and bond market).

The size of Thai corporate bond has been continuously increasing, unaffected by 2008 subprime crisis.
Outstanding Value of Thai Bond Market

At the end of Sep 2017, the outstanding value of Thai bond market totaled THB 352,691 million, increased by 3.13% from last year.

- Government bonds (39%) are the majority of the market, followed by corporate bond (28%).
- Government sector bonds (Gov, BOT and SOE bond) represent 72% of the market.

*32.224 THB/1 USD
The average trading value per day of Thai bond market was USD 2,917 mln.

- BOT bonds are the most actively traded, having average trading value at USD 1,977 mln per day.
- Approximately 94% of total trading value was attributed to government and BOT bonds.
- Trading value of corporate bonds have significantly increased since 2012.
As of Sep 3, 2017 YTD fund flow from non-resident investors total USD 4,781 million.

Most of inflows were invested in LT bonds, while there were outflows from ST bonds.

<table>
<thead>
<tr>
<th>Period</th>
<th>&lt;=1Y Bond</th>
<th>&gt;1Y Bond</th>
<th>All</th>
<th>Accumulation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net Trading</td>
<td>Expired</td>
<td>Net Flow</td>
<td></td>
</tr>
<tr>
<td>End of 2016</td>
<td>9,216</td>
<td>-8,734</td>
<td>482</td>
<td>1,926</td>
</tr>
<tr>
<td>Jan-17</td>
<td>677</td>
<td>-215</td>
<td>462</td>
<td>565</td>
</tr>
<tr>
<td>Feb-17</td>
<td>1,241</td>
<td>-277</td>
<td>964</td>
<td>253</td>
</tr>
<tr>
<td>Mar-17</td>
<td>-540</td>
<td>-484</td>
<td>-1,025</td>
<td>824</td>
</tr>
<tr>
<td>Quarter 1</td>
<td>1,378</td>
<td>-976</td>
<td>402</td>
<td>1,642</td>
</tr>
<tr>
<td>Apr-17</td>
<td>106</td>
<td>-587</td>
<td>-481</td>
<td>285</td>
</tr>
<tr>
<td>May-17</td>
<td>481</td>
<td>-99</td>
<td>382</td>
<td>661</td>
</tr>
<tr>
<td>Jun-17</td>
<td>-766</td>
<td>-444</td>
<td>-1,210</td>
<td>1,295</td>
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<tr>
<td>Quarter 2</td>
<td>-180</td>
<td>-1,130</td>
<td>-1,310</td>
<td>2,241</td>
</tr>
<tr>
<td>Jul-17</td>
<td>402</td>
<td>-111</td>
<td>291</td>
<td>-61</td>
</tr>
<tr>
<td>Aug-17</td>
<td>714</td>
<td>-219</td>
<td>495</td>
<td>649</td>
</tr>
<tr>
<td>Sep-17</td>
<td>1,459</td>
<td>-990</td>
<td>469</td>
<td>1,108</td>
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<tr>
<td>Quarter 3</td>
<td>2,574</td>
<td>-1,320</td>
<td>1,254</td>
<td>1,696</td>
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<tr>
<td>Oct-17</td>
<td>-620</td>
<td>-261</td>
<td>-881</td>
<td>67</td>
</tr>
<tr>
<td>YTD</td>
<td>3,164</td>
<td>-3,746</td>
<td>-581</td>
<td>5,362</td>
</tr>
</tbody>
</table>

Unit: USD mln.

*32.224 THB/1 USD
Government Bond Holders

- Institutional Investors 18%
- Government 13%
- Financial corporations 43%
- Individual & non-profit institutions 4%
- Non-residents 16%
- Bank of Thailand 5%

Corporate Bond Holders
Jun. 17: USD 74,515 mln.

- Individual 33%
- Insurances 15%
- Non-profit org. 1%
- Non-residents 0%
- Mutual fund (exc. MMF) 11%
- Pension & Provident Fund 14%
- Corporate 7%
- Government Agency e.g. BOT, Hospitals, Universities, and SSO 4%
- Other depositoty FI. e.g. Coop., MMF 4%
- Commercial Banks & SFI 5%

The Thai Bond Market Association
Challenges facing ahead

- Small corporate bond market compared to other countries

- Corporate bond defaults occurred after the last time 20 years ago
  - Since Oct 2016, BE of 8 companies defaulted totaling USD 445 million\(^1\)
  - Default amounts around 0.46% of total corporate bond market outstanding, comparing to 2.95% NPA\(^2\) (Non-performing asset of banking sector)

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\(^1\) = exchange rate on Nov 13, 17 at 33.25 THB/1 USD
\(^2\) = as of quarter 2, 2017
Challenges facing ahead

- Script form of corporate bonds
- Various registrars
  - Connect all registrars
  - Using scripless form
  - Real Time Delivery vs. Payment
- Inadequate covenant to protect investors
  - Negative Pledge
  - Auto Acceleration
Thank You