



## Report of the Auditors

### To the Minister of Finance

We have audited the Balance Sheet as of December 31, 2010 and 2009, the Profit and Loss Account, the Statements of Changes in Capital and the Statement of Cash Flows for each year then ended of the Bank of Thailand. The Bank of Thailand's management is responsible for the correctness and completeness of information presented in these financial statements. Our responsibility is to express an audit opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Bank of Thailand's management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position as of December 31, 2010 and 2009, the results of operations, and the cash flows for each year then ended of the Bank of Thailand, in accordance with generally accepted accounting principles.

Without qualifying opinion to the above financial statements, we draw attention to Note 3 to the financial statements regarding changes in accounting policies. The Bank of Thailand changed its accounting policies to be in conformity with other central banks' practices which are the specific accounting practices for central bank business.

(signed)

(Ms. Pongchan Laosutiwong)  
Director Of Audit Office

(signed)

(Ms. Klinpaka Mangkornkaew)  
Auditor In-charge

**Bank of Thailand**  
**Balance Sheet**  
As of December 31, 2010 and 2009

	Notes	2010	Unit : Baht 2009
<b>ASSETS</b>			
Cash and Deposits	4	555,206,071,069	572,992,027,621
Reserve Tranche and Holdings of Special Drawing Rights	5	56,511,037,550	62,837,294,715
Investments	6	3,007,458,517,906	2,439,808,385,295
Loans	7	12,464,078,400	17,743,984,500
Premises and Equipment, net	8	6,114,543,455	5,724,219,427
Other Assets	9	131,247,487,151	118,705,411,147
<b>Total Assets</b>		<b><u>3,769,001,735,531</u></b>	<b><u>3,217,811,322,705</u></b>
<b>LIABILITIES AND EQUITY</b>			
Deposits	10	548,431,082,652	229,985,786,963
Allocations of Special Drawing Rights	11	45,051,316,081	50,741,604,559
Securities Sold under Repurchase Agreements	12	337,900,000,000	380,100,000,000
Debt Securities Issued by the Bank of Thailand	13	3,140,007,386,728	2,531,360,086,303
Other Liabilities	14	129,440,665,468	107,381,947,944
<b>Total Liabilities</b>		<b><u>4,200,830,450,929</u></b>	<b><u>3,299,569,425,769</u></b>
Equity			
Initial Capital		20,000,000	20,000,000
Statutory Appropriation	15	27,307,931,128	27,307,931,128
Reserve for Stabilization of Profit Payable to the Government	16	624,075,747	624,075,747
Assets and Liabilities Revaluation Reserve	17	(260,211,300,705)	(27,613,881,688)
Accumulated Losses	18	(82,096,228,251)	(74,434,716,470)
Net Loss for the Year		(117,473,193,317)	(7,661,511,781)
<b>Total Equity</b>		<b><u>(431,828,715,398)</u></b>	<b><u>(81,758,103,064)</u></b>
<b>Total Liabilities and Equity</b>		<b><u>3,769,001,735,531</u></b>	<b><u>3,217,811,322,705</u></b>

The accompanying notes form part of these financial statements

(Mr. Prasarn Trairatvorakul)

Governor

(Mrs. Sarida Sangchant)

Director, Accounting Department

Bank of Thailand  
Profit and Loss Account  
For the Year Ended December 31, 2010 and 2009

	Notes	2010	Unit : Baht 2009
<b>Revenues</b>			
Interest Income		42,598,531,011	38,099,131,150
Commission		585,740,488	677,314,845
Others	19	<u>10,711,122,263</u>	<u>27,861,694,119</u>
<b>Total Revenues</b>		<u><b>53,895,393,762</b></u>	<u><b>66,638,140,114</b></u>
<b>Expenses</b>			
Interest Expense		62,709,287,459	50,200,673,388
Net Losses on Foreign Exchange		103,805,931,616	18,874,293,226
Personnel Expenses		3,510,070,450	3,401,896,637
Others		<u>1,343,297,554</u>	<u>1,822,788,644</u>
<b>Total Expenses</b>		<u><b>171,368,587,079</b></u>	<u><b>74,299,651,895</b></u>
<b>Net Loss</b>		<u><b>(117,473,193,317)</b></u>	<u><b>(7,661,511,781)</b></u>

The accompanying notes form part of these financial statements.

**Bank of Thailand**  
**Statement of Changes in Equity**  
**For the Year Ended December 31, 2010 and 2009**

	Initial Capital	Statutory Appropriation	Reserve for Stabilization of Profit Payable to the Government	Assets and Liabilities Revaluation Reserve	Accumulated Losses	Net Profit (Loss) for the Year	Unit : Baht Total
Balance as of January 1, 2009	20,000,000	27,307,931,128	624,075,747	39,560,898,740	(105,076,704,420)	30,641,987,950	(6,921,810,855)
Changes during the Year							
Net Profit transferred to compensate the Accumulated Losses	-	-	-	-	30,641,987,950	(30,641,987,950)	-
Unrealized losses on Assets and Liabilities Revaluation	-	-	-	(67,174,780,428)	-	-	(67,174,780,428)
Net Loss for the Year	-	-	-	-	-	(7,661,511,781)	(7,661,511,781)
Balance as of December 31, 2009	20,000,000	27,307,931,128	624,075,747	(27,613,881,688)	(74,434,716,470)	(7,661,511,781)	(81,758,103,064)
Changes during the Year							
Net Loss transferred to Accumulated Losses	-	-	-	-	(7,661,511,781)	7,661,511,781	-
Unrealized losses on Assets and Liabilities Revaluation	-	-	-	(232,597,419,017)	-	-	(232,597,419,017)
Net Loss for the Year	-	-	-	-	-	(117,473,193,317)	(117,473,193,317)
Balance as of December 31, 2010	20,000,000	27,307,931,128	624,075,747	(260,211,300,705)	(82,096,228,251)	(117,473,193,317)	(431,828,715,398)

The accompanying notes form part of these financial statements.

**Bank of Thailand**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2010 and 2009**

	Notes	2010	Unit : Baht 2009
<b>Cash Flow from Operating Activities</b>			
Net Loss		(117,473,193,317)	(7,661,511,781)
<b>Adjustments to Reconcile Net Loss to Net Cash Flow from Operating Activities:</b>			
Depreciation and Amortization Expenses		454,962,323	516,720,785
Gain on Disposal of Premises and Equipment		(5,730,956)	(2,746,854)
(Gain) Loss from Net Asset Value Changes of			
Investments Managed by External Fund Managers		283,510,359	(6,828,711,590)
Interest Income		(42,598,531,011)	(38,099,131,150)
Interest Expense		62,709,287,459	50,200,673,388
Loss from Non-cash Foreign Assets and Liabilities			
Cost Averaging		70,990,185,604	29,534,297,206
Gain from Decreasing in Provision for Contingent Losses			
on Forward Contracts under Resale Agreements		(157,114,984)	(178,960,585)
Net (Increase) Decrease in Accrued Revenues		95,488,077	(233,174,502)
Net Increase (Decrease) in Accrued Expenses		811,470	(9,584,957)
Net Increase in Prepaid Expenses		(1,385,816)	(1,702,627)
Cash Received (Paid) on Operation		(25,701,710,792)	27,236,167,333
Cash Received on Interest Income		48,228,061,947	44,377,229,739
Cash Paid on Interest Expense		(43,775,468,371)	(35,579,660,219)
Net Profit (Loss) from Operation before Changing in			
Operating Assets/Liabilities		<b>(21,249,117,216)</b>	<b>36,033,736,853</b>
<b>(Increase) Decrease in Operating Assets</b>			
Foreign Deposits		(76,015,016,079)	114,637,318,999
Reserve Tranche and Holdings of Special Drawing Rights		(25,955,441)	(46,146,084,320)
Loans		5,279,906,100	4,651,702,000
Other Assets		1,702,976,763	(613,568,857)

The accompanying notes form part of these financial statements.

**Bank of Thailand**  
**Statement of Cash Flows**  
For the Year Ended December 31, 2010 and 2009

	Notes	2010	Unit : Baht 2009
<b>Increase (Decrease) in Operating Liabilities</b>			
Deposits		318,445,206,987	94,884,083,761
Securities Sold under Repurchase Agreements		(42,200,000,000)	47,858,477,019
Debt Securities Issued by the Bank of Thailand		591,692,879,353	560,504,867,975
Other Liabilities		<u>(6,276,202,489)</u>	<u>(4,216,363,863)</u>
Net Cash Flow from Operating Activities		<u><b>771,354,677,978</b></u>	<u><b>807,594,169,567</b></u>
<b>Cash Flow from Investing Activities</b>			
Net (Increase) Decrease in Investments in Domestic Securities		55,021,510,049	(43,321,688,218)
Net Increase in Investments in Foreign Securities		(860,392,618,218)	(775,576,173,860)
Net Increase in Premises and Equipment		<u>(757,643,645)</u>	<u>(180,930,619)</u>
Net Cash Flow used in Investing Activities		<u><b>(806,128,751,814)</b></u>	<u><b>(819,078,792,697)</b></u>
<b>Cash Flow from Financing Activities</b>			
Net Increase in Allocations of Special Drawing Rights		<u>-</u>	<u>45,992,486,540</u>
Net Cash Flow from Financing Activities		<u><b>-</b></u>	<u><b>45,992,486,540</b></u>
Assets and Liabilities Revaluation Reserve on Cash		<u>(1,043,348,173)</u>	<u>467,115,183</u>
Net Increase (Decrease) in Cash and Cash Equivalents		(35,817,422,009)	34,974,978,593
Cash and Cash Equivalents at the Beginning of the Year		<u>84,473,109,972</u>	<u>49,498,131,379</u>
<b>Cash and Cash Equivalents at the End of the Year</b>	4	<u><b>48,655,687,963</b></u>	<u><b>84,473,109,972</b></u>

The accompanying notes form part of these financial statements.

**BANK OF THAILAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009**

**1. Basis of Preparation of the Financial Statements**

The financial statements of the Bank of Thailand (BOT) have been prepared in accordance with Section 54 of Chapter 9 of the Bank of Thailand Act, B.E. 2485 as amended, stipulating that the accounting of the BOT shall be in compliance with the generally accepted accounting principles except for a particular matter which the BOT Board has prescribed to be in conjunction with general practices of other central banks.

The financial statements are specific to the account of the BOT, not including the accounts of the Currency Reserve, the Note Issuance Business and the Financial Institutions Development Fund (FIDF), and have been prepared under the historical cost unless otherwise disclosed in Note 2 (Summary of Significant Accounting Policies).

**2. Summary of Significant Accounting Policies**

**2.1 Revenues Recognition**

Interest revenue is recognized on a time proportion basis that takes into account the effective yield on the asset unless otherwise disclosed. Other revenues are accounted for on an accrual basis.

**2.2 Expenses Recognition**

Expenses are accounted for on an accrual basis.

**2.3 Foreign Currency Transactions**

Transactions denominated in foreign currencies are translated into baht at the exchange rates prevailing at the date of transaction or at the preceding day-end reference exchange rates. At year-end, assets and liabilities denominated in foreign currencies are revalued into baht at the exchange rates prevailing on the balance sheet date. Unrealized gains and losses from revaluation of foreign assets and liabilities are calculated from the difference between exchange rates prevailing on the balance sheet date and weighted average cost of each foreign currency, and presented in the Assets and Liabilities Revaluation Reserve under the equity section.

Gains or losses from foreign currency transactions are recognized in the Profit and Loss Account when the position of each foreign currency is decreased. Whenever the position of any foreign currency increases during the day, the cost of such foreign currency is calculated using the weighted average cost method and used as the cost of the same foreign currency sold on the same day. At the end of each day, if all daily transactions of a particular foreign currency result in the net positive position or the net inflow, the daily weighted average cost of the net inflow as such shall be added to the previous day's

holding to produce a new weighted average cost. In case of the net negative position or the net outflow, gains or losses from foreign currency transactions shall be calculated using the weighted average cost of the preceding day.

#### **2.4 Forward Contracts**

Forward contracts are used to hedge risk arising from the exchange rate fluctuation and are presented at fair value. Unrealized gains and losses derived from changes in the fair value are presented in the Assets and Liabilities Revaluation Reserve under the equity section. Gains and losses on forward contracts are recognized in the Profit and Loss Account on the settlement date.

#### **2.5 Forward Contracts under Resale Agreements**

The BOT has undertaken commitments with the government agencies and the state enterprises to resell foreign currencies in the future at the specific rates. At year-end, until 2007, the contracts were revalued by comparing the year-end exchange rates with the contracted rates. The provision was fully provided for the contracts resulted in contingent losses.

From the year 2008, the outstanding of such provision will be reduced when an individual contract is due. The non-settlement contracts are currently presented at fair value and the changes in the fair value are presented in the Assets and Liabilities Revaluation Reserve under the equity section.

#### **2.6 Foreign Exchange Swap Contracts**

Foreign exchange swap contracts are used for the purpose of liquidity and international reserves management. Foreign exchange swap is an agreement to simultaneously exchange one currency against another with two different value dates. The outstanding of claims and obligations are revalued to baht at the exchange rates prevailing on the balance sheet date and net value changes are presented in the balance sheet. Unrealized gains and losses from revaluation of the outstanding obligations are presented in the Assets and Liabilities Revaluation Reserve under the equity section. The difference between the spot and forward exchange rates shall be treated as interest income or interest expense on a time proportion basis by the straight-line method.

#### **2.7 Futures Contracts**

Futures contracts are used to hedge risk arising from the interest rate or bond price fluctuation and are presented at fair value. Unrealized gains and losses from changes in the fair value are presented in the Assets and Liabilities Revaluation Reserve under the equity section and are recognized in the Profit and Loss Account when the settlement of the variation margin takes place.

## 2.8 Gold

To preserve the value of international reserves, gold is held for the purpose of risk diversification of the reserve management and is presented at fair value. Unrealized gains and losses from revaluation are presented in the Assets and Liabilities Revaluation Reserve under the equity section, and are recognized in the Profit and Loss Account on disposal.

The cost of gold sold during the year is calculated based on the weighted average cost basis.

## 2.9 Investments

Domestic securities are held for the purpose of monetary policy implementation and are stated at cost after amortization of premiums or discounts.

Foreign securities are held for the purpose of the international reserve management and are stated at fair value. Unrealized gains and losses from revaluation are presented in the Assets and Liabilities Revaluation Reserve under the equity section, and are recognized in the Profit and Loss Account on disposal.

The cost of securities sold during the year is calculated based on the weighted average cost basis.

## 2.10 Loans

Loans are stated at carrying balances of principals and the accrued interests are included in "Other Assets".

## 2.11 Premises and Equipment

Land is stated at cost. Buildings and equipment are stated at cost after accumulated depreciation.

Buildings and equipment are capitalized when their useful lives are over one year. The depreciation is calculated using the straight-line method, based on the estimated useful lives of the assets, as follows:

Buildings	20	years
Temporary Buildings and Improvements	5	years
Equipment	3 – 15	years

The cost of fixed assets jointly used by the BOT, the Currency Reserve, the Note Issuance Business and the FIDF is allocated to each unit according to an asset usage proportion basis.

## 2.12 Intangible Assets

Intangible assets are stated at cost after accumulated amortization. The amortization is allocated by the straight-line method over five years.

### **2.13 Debt Securities Borrowing**

The BOT borrowed debt securities from specialized financial institutions and/or juristic persons, as prescribed by the BOT, and issued BOT debt securities as collateral. The BOT has conducted debt securities borrowing transactions to enhance the efficiency of monetary policy implementation as well as to foster the development of money market and debt securities markets in Thailand.

The debt securities borrowing fee is recognized in the Profit and Loss Account. The amount of borrowed debt securities are disclosed in “Commitments and Contingencies”. When the BOT sold the borrowed debt securities under repurchase agreement, the amount of claim on debt securities under repurchase agreement are presented in “Other Assets” and the amount of obligations to return debt securities are presented in “Other Liabilities”.

### **2.14 Pension Fund and Provident Fund**

#### **2.14.1 Pension Fund**

The BOT’s Rules and Regulations for Pension Fund B.E. 2539 as amended, state that the employees who joined the BOT before December 1, 1996 and are not the members of the “Provident Fund” have the rights to receive pension according to the stipulated conditions and calculation basis.

The BOT has maintained provision in accordance with these rules and regulations. Such provision is provided annually and charged as the expense in the Profit and Loss Account.

#### **2.14.2 Provident Fund**

The BOT’s Rules and Regulations for Provident Fund B.E. 2539 as amended, states that the BOT and the employees who are the members of the provident fund have to make contributions to the provident fund according to the stipulated conditions. This provident fund has already been registered under the Provident Fund Act B.E. 2530.

The contributions paid to the provident fund, made by the BOT, are charged as expense in the Profit and Loss Account.

### **3. Changes in Accounting Policies**

In 2010, the BOT changed its accounting policies for providing more appropriate presentation of its financial position and accommodating its performance as a central bank. The BOT had studied the accounting practices of other leading central banks including some of regional central banks, to ensure that these accounting policies would be more appropriate for the BOT. The changes are set out below.

3.1 The accounting treatment of foreign exchange swap was changed from recognizing gains or losses from foreign currency transactions on the date of settlement to recognizing the difference between the spot and forward exchange rates as interest income or interest expense on a time proportion basis by the straight-line method.

3.2 The calculation basis for the cost of foreign currency sold was changed from the weighted average cost method to the modified weighted average cost method with a daily-netting concept. At the end of the day, if the net position of any particular foreign currency is negative, the weighted average cost of the preceding day of such currency will be used.

3.3 The presentation of the assets managed by external fund managers was changed from presenting the total value of managed assets under “Investments” and recognizing changes in net asset value in the Profit and Loss Account to presenting the value of individual managed assets in accordance with the assets managed by the BOT.

In preparing the financial statements for the year 2010, it is impracticable for the BOT to adjust the cumulative effects of changes in accounting policies (as mentioned in Notes 3.1-3.3) to the opening balance of equity of the current period. The BOT therefore has applied the prospective approach to comply with the Thai Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors (revised volume 2009). Had the accounting policies been changed since 2009, the effects of the adjustments would have caused net profit to increase by B27,366.6 million, assets to decrease by B13,555.4 million, liabilities to decrease by B13,673.5 million and equity to increase by B118.1 million.

#### 4. Cash and Deposits

	Unit : Million baht	
	2010	2009
Cash and Cash Equivalents		
Cash	29,967.2	48,600.6
Domestic Deposits	5.2	17.3
Foreign Deposits (Demand Deposits)	<u>18,683.3</u>	<u>35,855.2</u>
Total Cash and Cash Equivalents	48,655.7	84,473.1
Foreign Deposits (Time Deposits and Special Deposits)	<u>506,550.4</u>	<u>488,518.9</u>
<b>Total</b>	<b><u>555,206.1</u></b>	<b><u>572,992.0</u></b>

Foreign Deposits (Time Deposits) are held for the purpose of international reserve management rather than for the purpose of meeting short-term cash commitments.

## 5. Reserve Tranche and Holdings of Special Drawing Rights

	Unit : Million baht	
	2010	2009
Quota Subscribed to International Monetary Fund (IMF)	50,234.7	56,579.6
<u>Less:</u> IMF Current Account No.1	(13,895.6)	(20,065.9)
Non-Negotiable with Non-Interest Bearing		
Promissory Notes Payable to IMF	<u>(24,959.9)</u>	<u>(24,481.7)</u>
Reserve Tranche	11,379.2	12,032.0
Holdings of Special Drawing Rights	<u>45,131.8</u>	<u>50,805.3</u>
<b>Total</b>	<b><u>56,511.0</u></b>	<b><u>62,837.3</u></b>

Reserve Tranche is classified as the international reserves, calculated from the Quota Subscribed to IMF after deduction of the baht balances existing in the form of IMF Current Account No.1, and Non-Negotiable with Non-Interest Bearing Promissory Notes Payable to IMF.

“Quota Subscribed to IMF-Baht” is presented in Note 9 (Other Assets). The aforementioned IMF Current Account No. 1, and Non-Negotiable with Non-Interest Bearing Promissory Notes, and IMF Current Account No. 2 for administrative expenses are stated under Note 14 (Other Liabilities).

Holdings of Special Drawing Rights are also classified as the international reserves.

## 6. Investments

	Unit : Million baht	
	2010	2009
Domestic Securities		
Cost after amortization of premiums or discounts	282,741.8	340,036.8
Foreign Securities		
Cost after amortization of premiums or discounts	2,704,737.5	2,085,599.4
<u>Plus</u> : Unrealized gains from price and foreign exchange		
rate revaluation of investments	<u>19,979.2</u>	<u>14,172.2</u>
	<u>2,724,716.7</u>	<u>2,099,771.6</u>
<b>Total</b>	<b><u>3,007,458.5</u></b>	<b><u>2,439,808.4</u></b>

## 7. Loans

	Unit : Million baht	
	2010	2009
Programs guaranteed by the Ministry of Finance	2,546.1	2,546.1
Programs collateralized with entrepreneur promissory notes endorsed for the BOT by financial institutions	<u>9,918.0</u>	<u>15,197.9</u>
<b>Total</b>	<b><u>12,464.1</u></b>	<b><u>17,744.0</u></b>

As of December 31, 2010, the BOT has one lending program financing to economic sectors through financial institutions guaranteed by the Ministry of Finance and four lending programs collateralized with entrepreneur promissory notes endorsed for the BOT by financial institutions.

## 8. Premises and Equipment, net

	Unit : Million baht			
	Balance	Changing in Book Value		Balance
	Dec 31, 2009	Increase	Decrease	Dec 31, 2010
Land	2,464.8	11.0	-	2,475.8
Buildings	3,529.8	17.0	-	3,546.8
Temporary Buildings and Improvements	235.0	35.9	-	270.9
Equipment	2,173.0	126.3	(44.2)	2,255.1
Assets under Construction	<u>164.0</u>	<u>727.2</u>	<u>(141.8)</u>	<u>749.4</u>
<b>Total</b>	<b><u>8,566.6</u></b>	<b><u>917.4</u></b>	<b><u>(186.0)</u></b>	<b><u>9,298.0</u></b>
<u>Less: Accumulated Depreciation</u>				
Buildings	(1,539.1)	(142.1)	-	(1,681.2)
Temporary Buildings and Improvements	(211.5)	(13.6)	-	(225.1)
Equipment	<u>(1,091.8)</u>	<u>(217.4)</u>	<u>32.0</u>	<u>(1,277.2)</u>
<b>Total</b>	<b><u>(2,842.4)</u></b>	<b><u>(373.1)</u></b>	<b><u>32.0</u></b>	<b><u>(3,183.5)</u></b>
<b>Premises and Equipment, net</b>	<b><u>5,724.2</u></b>	<b><u>544.3</u></b>	<b><u>(154.0)</u></b>	<b><u>6,114.5</u></b>
<b>Depreciation for the year</b>	<b>400.0</b>			<b>373.1</b>

The BOT signed the Memorandum of Understanding (MOU) with the Securities and Exchange Commission (SEC) on partial space utilization in the Surawongse building for 10 years. Later, the SEC officially informed the BOT of early termination of the MOU effective from October 1, 2010. The BOT is at present considering revoking the MOU. Furthermore, the Note Issuance Business transferred its land amount of B11.0 million to the BOT, which regarded to the discontinuity of the Note Printing Work and the Lampang Banknote Operations Center amount of B10.4 million and B0.6 million, respectively.

## 9. Other Assets

	Unit : Million baht	
	2010	2009
Quota Subscribed to IMF – Baht	38,855.5	44,547.6
Assets from Derivatives Revaluation	163.5	16,909.9
Claim on Debt Securities under Repurchase Agreement	69,937.0	37,940.7
Investment in Other Organizations	1,526.8	1,718.9
Staff Loans	2,767.6	2,783.0
Intangible Assets	112.0	176.8
Accrued Income	14,130.1	12,327.9
Others	<u>3,755.0</u>	<u>2,300.6</u>
<b>Total</b>	<b><u>131,247.5</u></b>	<b><u>118,705.4</u></b>

Intangible assets of the BOT are computer software and systems as shown below.

	Unit : Million baht			
	Balance	Changing in Book Value		Balance
	Dec 31, 2009	Increase	Decrease	Dec 31, 2010
Computer Software and Systems	757.1	17.1	-	774.2
<u>Less: Accumulated Amortization</u>	<u>(580.3)</u>	<u>(81.9)</u>	<u>-</u>	<u>(662.2)</u>
<b>Intangible Assets, net</b>	<b><u>176.8</u></b>	<b><u>(64.8)</u></b>	<b><u>-</u></b>	<b><u>112.0</u></b>
<b>Amortization for the year</b>	<b>116.6</b>			<b>81.9</b>

## 10. Deposits

	Unit : Million baht	
	2010	2009
Non Interest-Bearing Deposits		
Government	321,401.6	167,179.3
Financial Institutions	83,709.9	54,947.6
Others	<u>3,252.6</u>	<u>7,858.9</u>
	<b>408,364.1</b>	<b>229,985.8</b>
Interest-Bearing Deposits	<b><u>140,067.0</u></b>	<u>-</u>
<b>Total</b>	<b><u>548,431.1</u></b>	<b><u>229,985.8</u></b>

In 2010, the interest-bearing deposits facility was introduced as part of the BOT's standing facilities used to maintain market interest rates within the interest rate corridors and to improve liquidity adjustment of money market players. This is expected to help better transmission of monetary policy and financial markets development.

### 11. Allocations of Special Drawing Rights

The IMF's member countries are allocated special drawing rights in proportion to their subscriptions to the IMF. As of December 31, 2010, the BOT was allocated the balance of SDR970.3 million, an equivalent of B45,051.3 million.

### 12. Securities Sold under Repurchase Agreements

The outstanding balance as of December 31, 2010 and 2009 was B337,900.0 million and B380,100.0 million, respectively, which was totally the securities sold under repurchase agreements in the domestic market.

### 13. Debt Securities Issued by the Bank of Thailand

	Unit : Million baht	
	2010	2009
Bank of Thailand Bonds		
Remaining Maturity:		
- 1 year or less	1,612,819.7	1,167,543.9
- over 1 year	762,937.7	618,470.6
<u>Less: Held by the BOT</u>	<u>-</u>	<u>(2,582.4)</u>
	<b>2,375,757.4</b>	<b>1,783,432.1</b>
Other BOT Debt Securities (remaining maturity less than 1 year)	<u>764,250.0</u>	<u>747,928.0</u>
<b>Total</b>	<b><u>3,140,007.4</u></b>	<b><u>2,531,360.1</u></b>

The BOT has issued the BOT bonds and the BOT debt securities to be used as monetary instruments as well as to foster the development of money market and debt securities market in Thailand. In 2010, the interest paid presented as a part of interest expense, amount of B42,128.7 million was paid on the BOT bonds and B13,260.9 million was paid on the BOT debt securities.

In addition, the BOT bonds held by the BOT were a result of the BOT bonds buyback operations, which were undertaken to enhance the efficiency of the BOT's liquidity management in the money market.

**14. Other Liabilities**

	Unit : Million baht	
	2010	2009
IMF Current Accounts No. 1 and 2	13,895.8	20,066.2
Promissory Notes Payable to IMF	24,959.9	24,481.7
Liabilities from Derivatives Revaluation	508.9	14,589.8
Net Liabilities from Foreign Exchange Swap Revaluation	7,250.2	-
Obligations to return Debt Securities	69,937.0	37,940.7
Liabilities from Forward Contracts under Resale Agreements	1,629.0	1,875.0
Accrued Expenses	9,478.7	7,449.3
Others	<u>1,781.2</u>	<u>979.2</u>
<b>Total</b>	<b><u>129,440.7</u></b>	<b><u>107,381.9</u></b>

**15. Statutory Appropriation**

In 2002, B165,000.0 million was transferred from the Special Reserve Account of the Currency Reserve to the BOT in accordance with the Emergency Decree on the Partial Transfer of Assets from the Special Reserve Account, B.E. 2545 in order to compensate for the accumulated losses and to enhance the stability of the BOT. The residual amount, after deducted by the accumulated losses, of B27,307.9 million was presented as Statutory Appropriation.

**16. Reserve for Stabilization of Profit Payable to the Government**

As of December 31, 2010, the outstanding balance of the Reserve for Stabilization of Profit Payable to the Government was B624.1 million. This reserve was accumulated from net profit after appropriated for the year 1990 – 1996 in order to maintain the profit payable to the government. This profit appropriation rule was consented by the Ministry of Finance and the balance of this account could be transferred as additional public revenue on demand of the Ministry of Finance. Since 2002, no profit appropriation has been made to this account.

**17. Assets and Liabilities Revaluation Reserve**

	Unit : Million baht	
	2010	2009
Unrealized Losses from Foreign Exchange Revaluation of Assets and Liabilities	(278,677.2)	(42,625.7)
Unrealized Gains from Price Revaluation of Investments	19,926.2	13,909.9
Unrealized Gains (Losses) from Revaluation of Derivatives	(345.4)	2,305.7
Unrealized Losses from Revaluation of Forward Contracts under Resale Agreements	<u>(1,114.9)</u>	<u>(1,203.8)</u>
<b>Total</b>	<b><u>(260,211.3)</u></b>	<b><u>(27,613.9)</u></b>

Subject to Section 13(2) of Chapter 3 of the Bank of Thailand Act, B.E. 2485 as amended, the Assets and Liabilities Revaluation Reserve is established to accumulate gains and losses derived from the revaluation of the BOT's assets and liabilities.

## 18. Accumulated Losses

In 2010, the amount of net loss for the year 2009, of B7,661.5 million was transferred to the Accumulated Losses, therefore the balance as of December 31, 2010 was B82,096.2 million. Movements of the Accumulated Losses are set out in the Statement of Changes in Equity.

## 19. Other Revenues

	Unit : Million baht	
	2010	2009
Gains from Disposal of Investments	10,576.7	21,232.1
Gains from Investments Managed by External Fund Managers	-	6,471.8
Others	<u>134.4</u>	<u>157.8</u>
<b>Total</b>	<b><u>10,711.1</u></b>	<b><u>27,861.7</u></b>

## 20. Commitments and Contingencies

As of December 31, 2010, the outstanding of commitments and contingencies of the BOT are as follows:

### 20.1 Forward Contracts

#### 20.1.1 Dollar-Baht Forward Contracts

The BOT had net position of outstanding dollar-baht forward contracts to buy USD2,601.0 million, due in 2011.

#### 20.1.2 Cross Currency Forward Contracts

The BOT had net position of outstanding cross currency forward contracts to buy EUR362.9 million, CAD73.2 million, GBP6.0 million, SGD59.6 million and to sell AUD133.8 million, USD49.7 million, JPY32,396.9 million, KRW21,556.4 million, MYR73.8 million, due in 2011.

#### 20.1.3 Forward Contracts under Resale Agreements

The BOT had the obligations under Resale Agreements to sell JPY10,625.9 million, due in 2011 - 2020.

The fair values of such forward contracts are presented in Note 9 (Other Assets) or Note 14 (Other Liabilities).

## **20.2 Foreign Exchange Swap Contracts**

As of December 31, 2010, the BOT had outstanding obligations under foreign exchange swap to buy USD27,319.8 million, GBP1,256.1 million, AUD3,026.0 million and to sell EUR2,154.6 million, CAD765.1 million, JPY966,087.8 million, due in 2011.

The net outstanding of such foreign exchange swap contracts are presented in Note 14 (Other Liabilities).

## **20.3 Futures Contracts**

As of December 31, 2010, the BOT had outstanding obligations under futures contracts to sell USD80.0 million, due in 2011.

## **20.4 Debt Securities Borrowing**

As of December 31, 2010, the outstanding obligations to return borrowed debt securities and obligations from issuing BOT debt securities as collateral, due in 2011, was B125,378.4 million. Borrowed debt securities sold under repurchase agreements are presented in Note 9 (Other Assets) and Note 14 (Other Liabilities) at the amount of B69,937.0 million.

## **20.5 ASEAN Swap Arrangement and Chiang Mai Initiative Multilateralisation Agreement**

The BOT is a party to the ASEAN Swap Arrangement (ASA), an arrangement to provide short-term foreign exchange liquidity support among the 10 ASEAN member countries with a total amount of USD2,000.0 million. Under this two-year arrangement, expiring on November 16, 2011, the BOT is obliged to contribute up to USD300.0 million and may receive assistance of up to USD600.0 million.

In addition, under the Chiang Mai Initiative, the BOT together with the Ministry of Finance of Thailand are parties in the Chiang Mai Initiative Multilateralisation Agreement (CMIM agreement), an arrangement to provide liquidity support through currency swap transactions among the ASEAN+3 countries (comprising the 10 ASEAN member countries, China, Japan and South Korea). The CMIM agreement, with a total size of USD120,000.0 million, became effective on March 24, 2010 and is subject to revision every 5 years. Under the CMIM agreement, parties to the agreement may request to swap its local currency for the US dollar. In this regard, the BOT is committed to contribute, on a pro rata basis, up to USD4,552.0 million and may request up to 2.5 times of the contribution, or USD11,380.0 million. On a separate note, the three-year Bilateral Swap Agreement (BSA) between the BOT and the Bank of Japan expired on November 8, 2010 and had not been renewed.

In 2010, neither the BOT nor its counterparties activated any of the above mentioned arrangements.

## 20.6 Commitments with the International Monetary Fund (IMF)

### 20.6.1 The Acceptance of Quota Increase

In accepting the quota increase allocated by the IMF, the BOT is obliged to subscribe to an additional SDR358.6 million. It is expected that the IMF will request its members for full payment in 2011. Twenty five percent of the additional allocation will be paid in SDRs or foreign currency, while the rest will be paid in local currency.

### 20.6.2 New Arrangement to Borrow (NAB)

The BOT is also a party to the IMF's New Arrangement to Borrow (NAB), a supplementary source of funds when the quota resources prove insufficient. The total size of the NAB is SDR367,467.4 million, and the BOT, with consent from the Finance Minister, has agreed to contribute up to SDR340.0 million to the NAB.

## 20.7 Lawsuits

As of December 31, 2010, the BOT, in the normal course of business, was taken legal actions at the amount of the claims totalling B5,622.8 million and all of which are in process of court trial. However, the forecasted amount of these claims when the final judgement is made may have no significant effect on the BOT's financial position and operations.

## 21. Risk Management at the Bank of Thailand

### 21.1 Financial Risk Management

#### 21.1.1 BOT's Balance Sheet Risk

The key financial risks that affect the BOT's balance sheet are the followings:

##### 21.1.1.1 Foreign Exchange Rate Risk

The BOT's assets are exposed to foreign exchange rate risk as they are mainly denominated in foreign currencies, which is necessary for monetary operations in order to ensure the stable financial environments.

##### 21.1.1.2 Interest Rate Risk

Interest rate risk emerges when the interest rate in domestic market, resulting from conducting monetary policies, is significantly different from the interest rate of foreign markets that the BOT invests in.

#### 21.1.2 Financial Risk Management of the International Reserves

Investment of the international reserves in foreign assets has inherent financial risks. There are three types of financial risks: market risk, credit risk and liquidity risk. Notably, the BOT's credit risk and liquidity risk are much lower than its market risk due to the BOT's policy to invest in high credit rated securities and to impose limits on illiquid assets.

The main objectives of financial risk management of the international reserves consist of:

- a. Preserving the value of the international reserves when measured in terms of stable currencies, and
- b. Ensuring an acceptable level of financial risks of the international reserves as well as risk diversification.

Financial risks of the reserves are managed in accordance with the following approaches:

#### **21.1.2.1 Market Risk**

Market risk, comprising of interest rate risk and foreign exchange rate risk, is the risk of loss due to changes in the market value of assets or currencies. The BOT manages market risk through benchmarking, which involves setting asset and currency allocations in accordance with the objectives of each portfolio and the BOT's risk tolerance. The BOT performs risk analysis by carrying out stress tests to estimate potential impacts of various market scenarios on the reserves.

The BOT's compliance staffs monitor and control market risk to prevent excessive risk incurred from the unapproved deviation of actual investment position from the aforementioned benchmarks. The BOT keeps these risks within acceptable levels by imposing tracking error limits.

#### **21.1.2.2 Credit Risk**

Credit risk is the risk that the BOT's counterparties or the issuers of the securities held by the BOT default or are unable to fulfill their financial obligations with the BOT. It includes the risk of deterioration in the value of securities from the downgrades of issue or issuer credit ratings.

The BOT controls credit risk by using the following approaches:

- (1) Minimum Credit Rating, set for counterparties and issuers to limit the credit value-at-risk to a very low level
- (2) Aggregate Credit Exposure Limit, set for counterparties and issuers in the form of deposit equivalent exposure based on the credit rating and number of counterparties
- (3) Individual Credit Exposure Limit, set for counterparties based on their credit rating. However, exposure limit for some counterparties will be reduced in the case that the probability of being downgraded, indicated by a set of indicators, increases.
- (4) Sovereign Credit Limit, based on country credit ratings (Sovereign credit limits are used as constraints in benchmark construction.)

### **21.1.2.3 Liquidity Risk**

Liquidity risk is the risk of loss arising from the inability to liquidate assets at a reasonable price within the specified period.

The management of liquidity risk focuses on setting appropriate levels for illiquid assets based on the BOT's liquidity needs, and the cost-benefit comparisons between the returns from liquidity premiums and the costs of liquidation.

## **21.2 Operational Risk Management**

The BOT has developed the Business Continuity Plan (BCP) against business disruption under various scenarios including disaster, political unrest/riot and pandemic influenza.

During March and April 2010, there was political unrest which affected the normal operations of the BOT and financial institutions. The BOT implemented its current BCP and was able to continue key business operations accordingly. There are some experiences and lessons learned from the situation that will be brought into its BCP revision plan. The BOT also prepares to coordinate with the financial institutions in reviewing their BCPs to ensure that the plans are aligned and become more effective.

## **22. Financial Restatements**

Financial statements for the year ended December 31, 2009 have been restated in line with the presentation of financial statements for the year 2010 without causing any effect on the Profit and Loss Account.

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