

(TRANSLATION)



## Report of the Auditors

### To the Minister of Finance

The Office of the Auditor General of Thailand has audited the accompanying financial statements of the Bank of Thailand, which comprise the statement of financial position as at December 31, 2013 and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards and the Bank of Thailand Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

The Office of the Auditor General of Thailand's responsibility is to express an opinion on these financial statements based on the audit. The Office of the Auditor General of Thailand conducted the audit in accordance with Thai Standards on Auditing. Those standards require that the Office of the Auditor General of Thailand comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

*Office of the Auditor General of Thailand*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Office of the Auditor General of Thailand believes that the audit evidence the Office of the Auditor General of Thailand has obtained is sufficient and appropriate to provide a basis for the audit opinion.

### Opinion

In the Office of the Auditor General of Thailand's opinion, the above mentioned financial statements present fairly, in all material respects, the financial position of the Bank of Thailand as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards and the Bank of Thailand Act.

(signed)

(Miss Khamanat Jitraviriyakul)  
Director of Audit Office No. 3

(signed)

(Mrs. Sarunya Toneon)  
Auditor In-charge

*Office of the Auditor General of Thailand*

March 19, 2014

Bank of Thailand  
Statement of Financial Position  
As at December 31, 2013

	Notes	2013	2012
Unit : Baht			
<b>ASSETS</b>			
Cash and Deposits	4	492,994,426,691	660,067,794,951
Reserve Tranche and Holdings of Special Drawing Rights	5	73,455,069,061	66,150,645,664
Investment in Securities	6	2,981,605,814,745	2,964,143,983,179
Loans	7	200,496,570,557	204,946,854,324
Premises and Equipment	8	5,419,072,897	5,815,990,299
Other Assets	9	118,625,279,900	84,497,154,735
<b>Total Assets</b>		<b><u>3,872,596,233,851</u></b>	<b><u>3,985,622,423,152</u></b>
<b>LIABILITIES AND EQUITY</b>			
Deposits	10	448,361,528,595	387,199,304,157
Allocations of Special Drawing Rights	11	49,044,462,424	45,671,650,402
Securities Sold under Repurchase Agreements	12	257,790,000,000	155,300,000,000
Debt Securities Issued by the Bank of Thailand	13	3,471,646,920,748	3,855,736,893,225
Other Liabilities	14	72,255,189,646	72,606,810,833
<b>Total Liabilities</b>		<b><u>4,299,098,101,413</u></b>	<b><u>4,516,514,658,617</u></b>

The accompanying notes form part of these financial statements.

Bank of Thailand  
Statement of Financial Position (Continued)  
As at December 31, 2013

	Notes	2013	Unit : Baht 2012
<b>LIABILITIES AND EQUITY (Continued)</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	117,680,024,858	(116,468,645,828)
Accumulated Losses	18	(442,656,329,363)	(333,375,845,141)
Net Loss for the Year		<u>(129,477,569,932)</u>	<u>(108,999,751,371)</u>
<b>Total Equity</b>		<b><u>(426,501,867,562)</u></b>	<b><u>(530,892,235,465)</u></b>
<b>Total Liabilities and Equity</b>		<b><u>3,872,596,233,851</u></b>	<b><u>3,985,622,423,152</u></b>

The accompanying notes form part of these financial statements.

(Mr. Prasarn Trairatvorakul)

Governor

(Miss Wongwattoo Potirat)

Senior Director, Finance and Accounting Department

Bank of Thailand  
Statement of Income  
For the Year Ended December 31, 2013

	Notes	2013	2012
<b>Unit : Baht</b>			
<b>Income</b>			
Interest Income		36,622,578,375	43,686,385,253
Commission		697,025,639	685,391,777
Others	19	15,209,655,829	26,055,898,982
<b>Total Income</b>		<b><u>52,529,259,843</u></b>	<b><u>70,427,676,012</u></b>
<b>Expenses</b>			
Interest Expense		133,140,539,485	143,818,679,284
Net Losses on Foreign Exchange		42,484,910,562	29,049,902,433
Personnel Expenses		3,811,677,582	3,719,393,239
Others		2,569,702,146	2,839,452,427
<b>Total Expenses</b>		<b><u>182,006,829,775</u></b>	<b><u>179,427,427,383</u></b>
<b>Net Loss</b>		<b><u>(129,477,569,932)</u></b>	<b><u>(108,999,751,371)</u></b>

The accompanying notes form part of these financial statements.

Bank of Thailand  
Statement of Comprehensive Income  
For the Year Ended December 31, 2013

	Notes	2013	Unit : Baht
			2012
<b>Net Loss</b>		(129,477,569,932)	(108,999,751,371)
<b>Other Comprehensive Income (Loss)</b>			
Change in Assets and Liabilities Revaluation Reserve		234,148,670,686	(98,511,683,538)
Actuarial Loss		(280,732,851)	(342,858,816)
<b>Total Other Comprehensive Income (Loss)</b>		<b>233,867,937,835</b>	<b>(98,854,542,354)</b>
<b>Total Comprehensive Income (Loss)</b>		<b>104,390,367,903</b>	<b>(207,854,293,725)</b>

The accompanying notes form part of these financial statements.

**Bank of Thailand**  
**Statement of Changes in Equity**  
**For the Year Ended December 31, 2013**

	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 at January 1, 2012	20,000,000	27,307,931,128	624,075,747	(17,956,962,290)	(202,661,599,138)	(130,371,387,187)	(323,037,941,740)
Changes during the Year							
Net Loss transferred to Accumulated Losses	-	-	-	-	(130,371,387,187)	130,371,387,187	-
Total Comprehensive Income (Loss)	-	-	-	(98,511,683,538)	(342,858,816)	(108,999,751,371)	(207,854,293,725)
Balance as at December 31, 2012	<u>20,000,000</u>	<u>27,307,931,128</u>	<u>624,075,747</u>	<u>(116,468,645,828)</u>	<u>(333,375,845,141)</u>	<u>(108,999,751,371)</u>	<u>(530,892,235,465)</u>
Balance as at January 1, 2013	20,000,000	27,307,931,128	624,075,747	(116,468,645,828)	(333,375,845,141)	(108,999,751,371)	(530,892,235,465)
Changes during the Year							
Net Loss transferred to Accumulated Losses	-	-	-	-	(108,999,751,371)	108,999,751,371	-
Total Comprehensive Income (Loss)	-	-	-	234,148,670,686	(280,732,851)	(129,477,569,932)	104,390,367,903
Balance as at December 31, 2013	<u>20,000,000</u>	<u>27,307,931,128</u>	<u>624,075,747</u>	<u>117,680,024,858</u>	<u>(442,656,329,363)</u>	<u>(129,477,569,932)</u>	<u>(426,501,867,562)</u>

The accompanying notes form part of these financial statements.

Bank of Thailand  
Statement of Cash Flows  
For the Year Ended December 31, 2013

	Notes	2013	2012
<b>Unit : Baht</b>			
<b>Cash Flow from Operating Activities</b>			
Net Loss		(129,477,569,932)	(108,999,751,371)
<b>Adjustments to Reconcile Net Loss to Net Cash</b>			
<b>Provided by (Used in) Operating Activities:</b>			
Depreciation and Amortization Expenses		551,754,080	543,878,589
Gain on Disposal of Premises and Equipment		(157,957,787)	(20,858,344)
Write Off of Work in Progress		6,405,134	6,312,021
Gain on Disposal of Investments		(13,024,959,146)	(25,670,357,699)
Interest Income		(36,622,578,375)	(43,686,385,253)
Interest Expense		133,140,539,485	143,818,679,284
Loss from Non-cash Foreign Assets and Liabilities			
Cost Averaging		103,046,627,810	40,462,715,385
Gain from Decreasing in Provision for Contingent Losses			
on Forward Contracts under Resale Agreements		(80,870,157)	(85,404,681)
Net Decrease (Increase) in Accrued Revenues		303,257	(155,484,922)
Net Increase (Decrease) in Accrued Expenses		1,564,630	(119,789,894)
Net Increase in Prepaid Expenses		(1,847,700,208)	(1,112,228)
Cash Received on Operation		55,535,558,791	6,092,440,887
Cash Received on Interest Income		43,463,492,330	51,988,846,853
Cash Paid on Interest Expense		(91,894,349,751)	(97,118,095,122)
Net Gain (Loss) from Operation before Changing in			
Operating Assets and Liabilities		<b>7,104,701,370</b>	<b>(39,036,807,382)</b>

The accompanying notes form part of these financial statements.



Bank of Thailand  
Statement of Cash Flows (Continued)  
For the Year Ended December 31, 2013

	Notes	2013	2012
			Unit : Baht
<b>(Increase) Decrease in Operating Assets</b>			
Foreign Deposits		207,076,776,834	(129,745,507,113)
Reserve Tranche and Holdings of Special Drawing Rights		(2,263,374,619)	(112,163,186)
Loans		4,606,360,200	(203,859,183,647)
Other Assets		(506,809,135)	959,467,883
<b>Increase (Decrease) in Operating Liabilities</b>			
Deposits		61,163,326,874	11,009,695,708
Securities Sold under Repurchase Agreements		102,490,000,000	(245,799,997,874)
Debt Securities Issued by the Bank of Thailand		(425,852,929,557)	592,064,951,511
Other Liabilities		(1,791,165,669)	(1,661,129,348)
Net Cash Flow from Operating Activities		<u>(47,973,113,702)</u>	<u>(16,180,673,448)</u>
<b>Cash Flow from Investing Activities</b>			
Purchase of Domestic Securities		(14,643,140,271)	(10,807,460,892)
Proceeds from Disposal of Domestic Securities		37,655,000,000	13,467,500,000
Purchase of Foreign Securities		(16,462,452,482,881)	(11,228,409,579,342)
Proceeds from Disposal of Foreign Securities		16,494,951,334,270	11,287,111,113,644
Purchase of Premises and Equipment		(321,185,904)	(430,161,431)
Proceeds from Disposal of Premises and Equipment		161,538,207	34,396,575
Net Cash Flow from Investing Activities		<u>55,351,063,421</u>	<u>60,965,808,554</u>
Assets and Liabilities Revaluation Reserve on Cash		4,402,732,862	(1,907,877,450)
Net Increase in Cash and Cash Equivalents		11,780,682,581	42,877,257,656
Cash and Cash Equivalents at the Beginning of the Year		128,943,697,837	86,066,440,181
<b>Cash and Cash Equivalents at the End of the Year</b>	4	<u><u>140,724,380,418</u></u>	<u><u>128,943,697,837</u></u>

The accompanying notes form part of these financial statements.

**Bank of Thailand**  
**Note to Financial Statements**  
**For the Year Ended December 31, 2013**

**1. General Information**

The Bank of Thailand (the BOT) was established in accordance with the Bank of Thailand Act, B.E.2485 as amended (the BOT Act). The BOT's objectives are to carry on such tasks as pertain to central banking in order to maintain monetary stability, financial institutions system stability and payment systems stability.

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

The financial statements of the BOT have been prepared in accordance with Section 54 of the BOT Act, 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 the account of the BOT, not including 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 3 (Summary of Significant Accounting Policies).

**3. Summary of Significant Accounting Policies**

**3.1 Revenue and Expenses Recognition**

Interest revenue and expense are recognized on a time proportion basis and the effective yield unless otherwise disclosed. Other revenue and expenses are recognized on an accrual basis.

**3.2 Assets and Liabilities Revaluation Recognition**

Unrealized gains or losses from revaluation of assets and liabilities of the BOT are presented in the Assets and Liabilities Revaluation Reserve under the equity section as prescribed under Section 16 of the BOT Act.

**3.3 Foreign Currency Transactions**

Transactions denominated in foreign currencies are translated into baht at the exchange rates prevailing at the date of transaction. At year-end, assets and liabilities denominated in foreign currencies are revalued into baht at the exchange rates prevailing on the reporting date. Unrealized gains or losses from revaluation of foreign assets and liabilities are presented in the Assets and Liabilities Revaluation Reserve under the equity section.

Gains or losses from foreign currency transactions are recognized in the statement of income 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. The accounting policy is consistent with the practices of other central banks that the BOT Board has prescribed by virtue of the BOT Act.

#### **3.4 Forward Contracts**

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

#### **3.5 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. The non-settlement contracts are presented at fair value and the changes in the fair value are presented in the Assets and Liabilities Revaluation Reserve under the equity section.

#### **3.6 Foreign Exchange Swap Contracts**

Foreign exchange swap contracts are used for the purpose of liquidity 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 reporting date and net value changes are presented in the statement of financial position. Unrealized gains or 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.

#### **3.7 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 or 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 statement of income when the settlement of the variation margin takes place.

#### **3.8 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 or losses from revaluation are presented in the Assets and Liabilities Revaluation Reserve under the equity section, and are recognized in the statement of income on disposal.

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

### 3.9 Investment in Securities

Domestic securities are held for the purpose of monetary policy implementation and stated at amortized cost.

Foreign securities are held for the purpose of international reserve management and mainly stated at fair value, while held-to-maturity securities are stated at amortized cost. Unrealized gains or losses from revaluation are presented in the Assets and Liabilities Revaluation Reserve under the equity section, and are recognized in the statement of income on disposal.

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

### 3.10 Loans

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

### 3.11 Premises and Equipment

Land is stated at cost. Buildings and equipment are stated at cost less 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, Temporary Buildings and Improvements	5-20 years
Equipment	3-15 years

### 3.12 Intangible Assets

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

### 3.13 Debt Securities Borrowing

The BOT borrowed debt securities from specialized financial institutions and/or juristic persons, as prescribed by the BOT, and issued the 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 statement of income. The borrowing amount is 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”.

### 3.14 Post-employment benefits

#### 3.14.1 Defined Contribution Plans

The BOT's Rules and Regulations for Provident Fund state 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 statement of income.

#### 3.14.2 Defined Benefit Plans

Defined benefit plans include pension plan, as prescribed by the BOT's Rules and Regulations for Pension Fund, and post-employment medical plan, as prescribed by the Rules and Regulations for Medical Care.

The obligations under defined benefit plans are calculated by using actuarial valuation method, the Projected Unit Credit Method, and presented at present value as employee benefit obligations. The BOT recognized all related expenses in the statement of income and all actuarial gains and losses in the statement of comprehensive income in the period occurred.

## 4. Cash and Deposits

	Unit : Million baht	
	2013	2012
Cash and Cash Equivalents		
Cash	94,202	48,553
Domestic Deposits (Demand Deposits)	16	22
Foreign Deposits (Demand Deposits)	<u>46,506</u>	<u>80,369</u>
Total Cash and Cash Equivalents	140,724	128,944
Foreign Deposits (Time Deposits and Special Deposits)	<u>352,270</u>	<u>531,124</u>
<b>Total</b>	<b><u>492,994</u></b>	<b><u>660,068</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	
	2013	2012
Quota Subscribed to International Monetary Fund (IMF)	72,814	67,806
<u>Less</u> : IMF Current Account No.1	(9,345)	(9,913)
Non-Negotiable with Non-Interest Bearing		
Promissory Notes Payable to IMF	<u>(39,254)</u>	<u>(37,582)</u>
Reserve Tranche	24,215	20,311
Holdings of Special Drawing Rights	<u>49,240</u>	<u>45,839</u>
<b>Total</b>	<b><u>73,455</u></b>	<b><u>66,150</u></b>

## 6. Investment in Securities

	Unit : Million baht	
	2013	2012
Domestic Securities		
Stated at amortized cost	<u>233,235</u>	<u>258,001</u>
Total Domestic Securities	<u>233,235</u>	<u>258,001</u>
Foreign Securities		
Stated at amortized cost	100,930	-
Stated at fair value		
Cost	2,645,245	2,671,397
Plus : Unrealized gains from price and foreign exchange rate revaluation of investments	<u>2,196</u>	<u>34,746</u>
	<u>2,647,441</u>	<u>2,706,143</u>
Total Foreign Securities	<u>2,748,371</u>	<u>2,706,143</u>
<b>Total</b>	<b><u>2,981,606</u></b>	<b><u>2,964,144</u></b>

Foreign securities, which are held-to-maturity securities, are stated at amortized cost according to the accounting policy as presented in Note 3.9 (Investment in Securities).

## 7. Loans

	Unit : Million baht	
	2013	2012
Loans to financial institutions for person damaged by flood	198,266	203,055
Contribution to the IMF under the NAB	<u>2,231</u>	<u>1,892</u>
<b>Total</b>	<b><u>200,497</u></b>	<b><u>204,947</u></b>

The loans to financial institutions for person damaged by flood has been provided in accordance with the Emergency Decree on Financial Aids for Person Damaged by Flood, B.E. 2555.

The contribution to the IMF under the NAB is the commitment with the IMF as mentioned in Note 21.5.1

## 8. Premises and Equipment

	Balance as at December 31, 2013								
	Cost			Accumulated Depreciation				Net	
	Opening Balance	Increase	Decrease	Closing Balance	Opening Balance	Increase	Decrease	Closing Balance	
Land	2,476	-	3	2,473	-	-	-	-	2,473
Buildings	4,177	71	1	4,247	2,217	182	-	2,399	1,848
Equipment	2,705	163	184	2,684	1,682	253	181	1,754	930
Work in progress	<u>357</u>	<u>293</u>	<u>482</u>	<u>168</u>	-	-	-	-	<u>168</u>
<b>Total</b>	<b><u>9,715</u></b>	<b><u>527</u></b>	<b><u>670</u></b>	<b><u>9,572</u></b>	<b><u>3,899</u></b>	<b><u>435</u></b>	<b><u>181</u></b>	<b><u>4,153</u></b>	<b><u>5,419</u></b>

Unit : Million baht

Unit : Million baht

## Balance as at December 31, 2012

	Cost				Accumulated Depreciation				Net
	Opening Balance	Increase	Decrease	Closing Balance	Opening Balance	Increase	Decrease	Closing Balance	
Land	2,476	-	-	2,476	-	-	-	-	2,476
Buildings	4,234	37	94	4,177	2,136	175	94	2,217	1,960
Equipment	2,475	317	87	2,705	1,472	283	73	1,682	1,023
Work in progress	<u>419</u>	<u>338</u>	<u>400</u>	<u>357</u>	-	-	-	-	<u>357</u>
<b>Total</b>	<b><u>9,604</u></b>	<b><u>692</u></b>	<b><u>581</u></b>	<b><u>9,715</u></b>	<b><u>3,608</u></b>	<b><u>458</u></b>	<b><u>167</u></b>	<b><u>3,899</u></b>	<b><u>5,816</u></b>

Depreciation expenses for the year 2013 and 2012 were THB435 million and THB458 million, respectively.

## 9. Other Assets

	Unit : Million baht	
	2013	2012
Quota Subscribed to IMF - Baht	48,599	47,495
Net Assets from Foreign Exchange Swaps	43,312	15,548
Investment in Other Organizations	1,666	1,552
Staff Loans	2,529	2,620
Accrued Income	14,134	12,763
Others	<u>8,385</u>	<u>4,519</u>
<b>Total</b>	<b><u>118,625</u></b>	<b><u>84,497</u></b>

As at December 31, 2013 and 2012, the net balances of intangible assets (computer software and systems), that are included in Others, were THB365 million and THB209 million, respectively. Amortization expenses for the year 2013 and 2012 were THB117 million and THB87 million, respectively.

## 10. Deposits

	Unit : Million baht	
	2013	2012
Non Interest-Bearing Deposits		
Government	320,092	266,646
Financial Institutions	99,548	92,341
Others	<u>10,679</u>	<u>12,492</u>
	430,319	371,479
Interest-Bearing Deposits	<u>18,043</u>	<u>15,720</u>
<b>Total</b>	<b><u>448,362</u></b>	<b><u>387,199</u></b>

The interest-bearing deposits facility is 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 at December 31, 2013 and 2012, the BOT was allocated the balance of SDR970 million, an equivalent of THB49,044 million and THB45,672 million, respectively.

### 12. Securities Sold under Repurchase Agreements

The outstanding balances as at December 31, 2013 and 2012 were THB257,790 million and THB155,300 million, respectively, which were totally the securities sold under repurchase agreements in the domestic market.

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

	Unit : Million baht	
	2013	2012
Bank of Thailand Bonds		
Remaining Maturity:		
- 1 year or less	1,855,618	2,113,162
- over 1 year	977,920	993,589
<u>Less : Held by the BOT</u>	<u>(65,311)</u>	<u>(37,514)</u>
	2,768,227	3,069,237
Other the BOT Debt Securities		
(remaining maturity less than 1 year)	<u>703,420</u>	<u>786,500</u>
<b>Total</b>	<b><u>3,471,647</u></b>	<b><u>3,855,737</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 2013, the interest paid presented as a part of interest expense, amount of THB89,430 million was paid on the BOT bonds and THB20,649 million was paid on the BOT debt securities.

The BOT bonds held by the BOT occurred from repurchasing of the BOT bonds to help liquidity management in the money market efficiently.

### 14. Other Liabilities

	Unit : Million baht	
	2013	2012
IMF Current Accounts No. 1 and 2	9,345	9,913
Promissory Notes Payable to IMF	39,254	37,582
Employee Benefit Obligations	3,910	3,800
Accrued Expenses	18,317	18,902
Others	<u>1,429</u>	<u>2,409</u>
<b>Total</b>	<b><u>72,255</u></b>	<b><u>72,606</u></b>



Employee Benefit Obligations as at December 31, 2013 included the obligation from pension plan amount of THB3,256 million and the obligation from post-employment medical plan amount of THB654 million. Changes in the present value of the employee benefits obligations present as follows:

	Unit : Million baht	
	2013	2012
Employee Benefit Obligations as at January 1	3,800	3,579
Current service cost and interest cost	204	214
Benefit paid during the year	(354)	(327)
Net employee benefit obligations transferred	(21)	(9)
Actuarial loss	<u>281</u>	<u>343</u>
Employee Benefit Obligations as at December 31	<u><b>3,910</b></u>	<u><b>3,800</b></u>

### 15. Statutory Appropriation

In 2002, THB165,000 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 THB27,308 million was presented as Statutory Appropriation. Since 2002, there has been no movement in this account.

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

As at December 31, 2013, the outstanding balance of the Reserve for Stabilization of Profit Payable to the Government was THB624 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	
	2013	2012
Unrealized Gains (Losses) from Foreign Exchange		
Revaluation of Assets and Liabilities	115,691	(150,494)
Unrealized Gains from Price Revaluation of Investments	2,206	34,740
Unrealized Losses from Revaluation of Derivatives	(81)	(232)
Unrealized Losses from Revaluation of Forward Contracts		
under Resale Agreements	<u>(136)</u>	<u>(482)</u>
<b>Total</b>	<u><b>117,680</b></u>	<u><b>(116,468)</b></u>

Subject to Section 13 (2) of the BOT Act, the Assets and Liabilities Revaluation Reserve is established to accumulate gains or losses derived from the revaluation of the BOT's assets and liabilities.

### 18. Accumulated Losses

As at December 31, 2013 and 2012, the outstanding balances of Accumulated Losses were THB442,656 million and THB333,376 million, respectively. Movements of the Accumulated Losses are set out in the Statement of Changes in Equity.

The losses are due to foreign exchange rates and interest payments from liquidity-absorbing monetary policy operations.

### 19. Other Revenue

	Unit : Million baht	
	2013	2012
Gains from Disposal of Investments	13,025	25,670
Others	<u>2,185</u>	<u>386</u>
<b>Total</b>	<b><u>15,210</u></b>	<b><u>26,056</u></b>

### 20. Remuneration of Key Management Personnel

The key management personnel of the BOT refer to Deputy Governors, Governor and members of the boards established in the BOT Act who have responsibility for planning, directing and controlling the activities of the BOT. In 2013 and 2012, the remunerations paid to key management personnel were THB60 million and THB69 million, respectively.

### 21. Commitments and Contingencies

As at December 31, 2013, the outstanding of commitments and contingencies of the BOT are as follows:

#### 21.1 Forward Contracts

##### 21.1.1 Dollar-Baht Forward Contracts

The BOT had net position of outstanding dollar-baht forward contracts to sell USD250 million, due in 2014.

##### 21.1.2 Cross Currency Forward Contracts

The BOT had net position of outstanding cross currency forward contracts to buy JPY3,114 million, SEK114 million, SGD93 million, CHF41million, NOK104 million and to sell USD132 million, EUR1 million, GBP12 million, KRW35,181 million, due in 2014.

##### 21.1.3 Forward Contracts under Resale Agreements

The BOT had the obligations under Resale Agreements to sell JPY6,020 million, due in 2014-2020.

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

### **21.2 Foreign Exchange Swap Contracts**

As at December 31, 2013, the BOT had outstanding obligations under foreign exchange swap to buy USD7,637 million, GBP2,450 million, EUR6,426 million, AUD4,284 million, SEK12,046 million, CHF1,567 million, NOK11,475 million and to sell CAD989 million, JPY552,123 million, KRW67,507 million, due in 2014.

The net outstanding of such foreign exchange swap contracts are presented in Note 9 (Other Assets) or Note 14 (Other Liabilities).

### **21.3 Futures Contracts**

As at December 31, 2013, the BOT had outstanding obligations under bond futures contracts to buy EUR3 million and to sell USD304 million, due in 2014.

### **21.4 Other Agreements with Central Banks**

21.4.1 The BOT entered into the ASEAN Swap Arrangement (ASA), an arrangement to provide liquidity support among the ASEAN member countries. Under this two-year arrangement, expiring on November 16, 2015, the BOT is obliged to contribute up to USD300 million and may request up to 2 times of the contribution, or USD600 million. In 2013, neither the BOT nor its counterparties activated the arrangement.

21.4.2 The BOT together with the Ministry of Finance of Thailand are parties in the Chiang Mai Initiative Multilateralisation Agreement (CMIM), an agreement to provide liquidity support among the ASEAN member countries, China, Japan and South Korea. The CMIM agreement became effective on March 24, 2010 and is subject to revision every 5 years. Under the CMIM agreement, in case of parties facing liquidity problem, the BOT is obliged to contribute, on a pro rate basis, up to USD4,552 million and may request up to 2.5 times of the contribution, or USD11,380 million. In 2013, neither the BOT nor its counterparties activated the agreement.

21.4.3 The BOT entered into the Chinese Yuan/Thai Baht Bilateral Currency Swap Arrangement (BSA) with the People's Bank of China to facilitate the payment of trade and investment with the total amount of CNY70,000 million or THB320,000 million. This three-year arrangement will be terminated on December 22, 2014. In 2013, the BOT has drawn CNY500 million for a preparation of Yuan liquidity provision if demands from financial institutions for trade settlement arise.

### **21.5 Commitments with the International Monetary Fund (IMF)**

The BOT, with consent from the Finance Minister, has commitments with the IMF as follows:

21.5.1 New Arrangement to Borrow (NAB) amounted up to SDR340 million. The IMF made partial calls on the NAB from the BOT as presented in Note 7 (Loans).

21.5.2 The Note Purchase Agreement (NPA) under the 2012 Bilateral Borrowing Arrangements, amounted up to USD1,000 million. However, there was no request to activate the agreement in 2013.

### **21.6 Contingent Liabilities on Lawsuits**

As at December 31, 2013, the BOT, in the normal course of business, was taken legal actions at the amount of the claims totaling THB4,508 million and all of which are in process of court trial. However, the forecasted amount of these claims when the final judgment is made may have no significant effect on the BOT's financial position and operations.

## **22. Risk Management at the Bank of Thailand**

The BOT's risk management scheme adheres to the principles of good governance, where risk management processes and conducts are managed and closely monitored by a number of risk committees such as Risk Management Committee (RMC), chaired by the governor, and Financial Risk Management Sub-Committee (FRMC), chaired by the deputy governor for monetary stability. In addition, the BOT Board has established Risk Oversight Committee (ROC), consisting of non-executive Board members, whose duties are to assist the Board in overseeing the BOT's overall risk management scheme and processes as well as ensuring the Board's awareness of significant risk that the BOT is facing. The Enterprise Risk Management Department is a key unit to implement the BOT's risk management scheme according to the BOT's and other committees' policies.

### **22.1 Financial Risk Management**

#### **22.1.1 The BOT's Financial Risk**

The key financial risks that affect the BOT's financial statements are

22.1.1.1 The BOT's assets are exposed to foreign exchange rate risk as they are mainly denominated in foreign currencies which is necessary for the implementation of monetary and exchange rate policy to ensure stable financial environments. The BOT's liabilities, on the other hand, are mostly denominated in baht.

22.1.1.2 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.

#### **22.1.2 Financial Risk Management of the International Reserves**

Investment of the international reserves in foreign assets has inherent financial risks, namely market risk, credit risk and liquidity risk. In current environment where major bond markets have provided very low yield due to accommodative policies of central banks in many advanced economies, the BOT, in an attempt to enhance returns of the international reserves, has expanded its investment into new asset classes and markets in accordance with the study and plan conducted in 2012. Reserve management principles of safety, liquidity, return as well as risk management are still upheld.

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 that financial risks of the international reserves are within an acceptable level and, that risk is well diversified.

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

22.1.2.1 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 the investment, which involves setting asset and currency allocations with optimal risk/return trade-off according to each portfolio's objectives and within the BOT Board's risk tolerance. In addition, tracking error limits are then set to ensure that risk from active management is within an acceptable level.

Investment benchmark is constructed by international standard methods to obtain optimal asset and currency allocations which yield the highest return at a given total risk level. The BOT also performs risk analysis by carrying out stress tests to estimate potential impacts of various market scenarios on the reserves.

22.1.2.2 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 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, credit 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).

22.1.2.3 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.

## **22.2 Operational Risk Management**

All departments in the BOT have conducted Control Self-Assessment (CSA) annually to comply with the BOT's regulation, in order to improve work processes to be more efficient and effective. The Risk Management System (RMS) was also used as a supporting tool to assist in the BOT's operational risk management process.

For the Business Continuity Management, presently, the BOT has developed Business Continuity Plans (BCP) under various scenarios that could pose potential risks on the BOT's operations. In 2013, the BOT has continued the study program on the Improvement of Business Continuity Plan (BCP) for the Thai Financial System from previous year. The BOT has communicated to the Financial Institutions and other relevant parties to have an awareness and be prompt in conducting a preparedness plan to handle the wide-scale impact crisis. The effort was aimed to reassure that the Thai financial system can be functioning under various scenarios. In addition, the BOT is in the process of construction our additional backup site to cover more broadening types of disasters.

## **23. Approval of the Financial Statements**

On March 19, 2014, the BOT Board has authorized to issue these financial statements.

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