

(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, 2014 and the statement of income, the statement of comprehensive income, the statement of changes in equity and the 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.

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

*Office of the Auditor General of Thailand*

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 Office of the Auditor General of Thailand's 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, 2014, and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards and the Bank of Thailand Act.

(signed)

(Miss Pongchomnad Jariyajinda)  
Deputy Auditor General  
for Auditor General

(signed)

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

*Office of the Auditor General of Thailand*

March 18, 2015

Bank of Thailand  
Statement of Financial Position  
As at December 31, 2014

			Unit : baht
	Notes	2014	2013
<b>ASSETS</b>			
Cash and Deposits	4	607,943,908,900	492,994,426,691
Reserve Tranche and Holdings of Special Drawing Rights	5	70,208,301,231	73,455,069,061
Investment in Securities	6	2,601,115,563,286	2,981,605,814,745
Loans	7	167,558,982,163	200,496,570,557
Premises and Equipment	8	5,959,017,072	5,419,072,897
Other Assets	9	74,503,413,001	118,625,279,900
<b>Total Assets</b>		<b><u>3,527,289,185,653</u></b>	<b><u>3,872,596,233,851</u></b>
<b>LIABILITIES AND EQUITY</b>			
Deposits	10	337,023,468,495	448,361,528,595
Allocations of Special Drawing Rights	11	46,338,537,775	49,044,462,424
Securities Sold under Repurchase Agreements	12	271,360,000,000	257,790,000,000
Debt Securities Issued by the Bank of Thailand	13	3,494,273,987,795	3,471,646,920,748
Other Liabilities	14	78,787,279,424	72,255,189,646
<b>Total Liabilities</b>		<b><u>4,227,783,273,489</u></b>	<b><u>4,299,098,101,413</u></b>

The accompanying notes form part of these financial statements.

Bank of Thailand  
Statement of Financial Position (Continued)  
As at December 31, 2014

	Notes	2014	Unit : baht 2013
<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	(93,975,284,695)	117,680,024,858
Accumulated Losses	18	(572,901,331,397)	(442,656,329,363)
Net Loss for the Year		(61,569,478,619)	(129,477,569,932)
<b>Total Equity</b>		<b><u>(700,494,087,836)</u></b>	<b><u>(426,501,867,562)</u></b>
<b>Total Liabilities and Equity</b>		<b><u>3,527,289,185,653</u></b>	<b><u>3,872,596,233,851</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, 2014

	Notes	2014	Unit : baht 2013
<b>Income</b>			
Interest Income		47,024,409,987	36,622,578,375
Commission		930,162,544	697,025,639
Net Gains on Foreign Exchange		9,442,625,391	-
Others	19	<u>2,018,101,022</u>	<u>15,209,655,829</u>
<b>Total Income</b>		<u><b>59,415,298,944</b></u>	<u><b>52,529,259,843</b></u>
<b>Expenses</b>			
Interest Expense		109,575,584,306	133,140,539,485
Net Losses on Foreign Exchange		-	42,484,910,562
Personnel Expenses		4,264,615,938	3,811,677,582
Others		<u>7,144,577,319</u>	<u>2,569,702,146</u>
<b>Total Expenses</b>		<u><b>120,984,777,563</b></u>	<u><b>182,006,829,775</b></u>
<b>Net Loss</b>		<u><b>(61,569,478,619)</b></u>	<u><b>(129,477,569,932)</b></u>

The accompanying notes form part of these financial statements.

Bank of Thailand  
Statement of Comprehensive Income  
For the Year Ended December 31, 2014

	Notes	2014	Unit : baht 2013
Net Loss		(61,569,478,619)	(129,477,569,932)
<b>Other Comprehensive Income (Loss)</b>			
Change in Assets and Liabilities Revaluation Reserve		(211,655,309,553)	234,148,670,686
Actuarial Loss		(767,432,102)	(280,732,851)
<b>Total Other Comprehensive Income (Loss)</b>		<u>(212,422,741,655)</u>	<u>233,867,937,835</u>
<b>Total Comprehensive Income (Loss)</b>		<u><u>(273,992,220,274)</u></u>	<u><u>104,390,367,903</u></u>

The accompanying notes form part of these financial statements.

**Bank of Thailand**  
**Statement of Changes in Equity**  
**For the Year Ended December 31, 2014**

	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, 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>
Balance as at January 1, 2014	20,000,000	27,307,931,128	624,075,747	117,680,024,858	(442,656,329,363)	(129,477,569,932)	(426,501,867,562)
Changes during the Year							
Net Loss transferred to Accumulated Losses	-	-	-	-	(129,477,569,932)	129,477,569,932	-
Total Comprehensive Income (Loss)	-	-	-	(211,655,309,553)	(767,432,102)	(61,569,478,619)	(273,992,220,274)
Balance as at December 31, 2014	<u>20,000,000</u>	<u>27,307,931,128</u>	<u>624,075,747</u>	<u>(93,975,284,695)</u>	<u>(572,901,331,397)</u>	<u>(61,569,478,619)</u>	<u>(700,494,087,836)</u>

The accompanying notes form part of these financial statements.

Bank of Thailand  
Statement of Cash Flows  
For the Year Ended December 31, 2014

	Notes	2014	Unit : baht 2013
<b>Cash Flow from Operating Activities</b>			
Net Loss		(61,569,478,619)	(129,477,569,932)
<b>Adjustments to Reconcile Net Loss to Net Cash</b>			
<b>Provided by (Used in) Operating Activities:</b>			
Depreciation and Amortization Expenses		529,378,995	551,754,080
Gain on Disposal of Premises and Equipment		(2,453,316)	(157,957,787)
Write Off of Work in Progress		646,858	6,405,134
Gain on Disposal of Investments		(1,848,412,896)	(13,024,959,146)
Interest Income		(47,024,409,987)	(36,622,578,375)
Interest Expense		109,575,584,306	133,140,539,485
(Gain) Loss from Non-cash Foreign Assets and Liabilities			
Cost Averaging		(14,946,380,447)	103,046,627,810
Gain from Decreasing in Provision for Contingent Losses			
on Forward Contracts under Resale Agreements		(59,522,140)	(80,870,157)
Net Decrease in Accrued Revenues		1,447,407	303,257
Net Increase in Accrued Expenses		60,020,272	1,564,630
Net (Increase) Decrease in Prepaid Expenses		1,258,528,735	(1,847,700,208)
Cash Received (Paid) on Operation		(14,025,050,832)	55,535,558,791
Cash Received on Interest Income		47,814,236,660	43,463,492,330
Cash Paid on Interest Expense		(79,167,064,495)	(91,894,349,751)
Net Gain (Loss) from Operation before Changes in			
Operating Assets and Liabilities		<b>(45,377,878,667)</b>	<b>7,104,701,370</b>

The accompanying notes form part of these financial statements.



Bank of Thailand  
Statement of Cash Flows (Continued)  
For the Year Ended December 31, 2014

	Notes	2014	Unit : baht 2013
<b>(Increase) Decrease in Operating Assets</b>			
Foreign Deposits		(64,214,450,810)	207,076,776,834
Reserve Tranche and Holdings of Special Drawing Rights		(835,316,516)	(2,263,374,619)
Loans		32,813,628,745	4,606,360,200
Other Assets		(2,621,205,876)	(506,809,135)
<b>Increase (Decrease) in Operating Liabilities</b>			
Deposits		(111,336,903,080)	61,163,326,874
Securities Sold under Repurchase Agreements		13,570,000,000	102,490,000,000
Debt Securities Issued by the Bank of Thailand		(8,378,881,952)	(425,852,929,557)
Other Liabilities		(795,256,846)	(1,791,165,669)
Net Cash Flow from Operating Activities		<u>(187,176,265,002)</u>	<u>(47,973,113,702)</u>
<b>Cash Flow from Investing Activities</b>			
Purchase of Domestic Securities		(24,258,713,498)	(14,643,140,271)
Proceeds from Disposal of Domestic Securities		50,831,000,000	37,655,000,000
Purchase of Foreign Securities		(12,148,401,090,603)	(16,462,452,482,881)
Proceeds from Disposal of Foreign Securities		12,365,059,621,998	16,494,951,334,270
Purchase of Premises and Equipment		(995,563,165)	(321,185,904)
Proceeds from Disposal of Premises and Equipment		3,164,244	161,538,207
Net Cash Flow from Investing Activities		<u>242,238,418,976</u>	<u>55,351,063,421</u>
Assets and Liabilities Revaluation Reserve on Cash		794,836,111	4,402,732,862
Net Increase in Cash and Cash Equivalents		55,856,990,085	11,780,682,581
Cash and Cash Equivalents at the Beginning of the Year		140,724,380,418	128,943,697,837
<b>Cash and Cash Equivalents at the End of the Year</b>	4	<u><u>196,581,370,503</u></u>	<u><u>140,724,380,418</u></u>

The accompanying notes form part of these financial statements.

**Bank of Thailand**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2014**

**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 basis 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 dates of the transactions. 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 by using the weighted average cost (WAC) method. The WAC is also 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 the 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 outstanding obligations 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 are stated at amortized cost.

Foreign securities are held for the purpose of international reserve management and are 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. 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 by 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 using 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 market 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 is presented in “Other Assets” and the amount of obligations to return debt securities is 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 are 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	
	2014	2013
Cash and Cash Equivalents		
Cash	105,806	94,202
Domestic Deposits (Demand Deposits)	11	16
Foreign Deposits (Demand Deposits)	<u>90,764</u>	<u>46,506</u>
Total Cash and Cash Equivalents	196,581	140,724
Foreign Deposits (Time Deposits and Special Deposits)	<u>411,363</u>	<u>352,270</u>
<b>Total</b>	<b><u>607,944</u></b>	<b><u>492,994</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	
	2014	2013
Quota Subscribed to International Monetary Fund (IMF)	68,796	72,814
<u>Less</u> : IMF Current Account No.1	(8,194)	(9,345)
Non-Negotiable with Non-Interest Bearing		
Promissory Notes Payable to IMF	<u>(36,939)</u>	<u>(39,254)</u>
Reserve Tranche	23,663	24,215
Holdings of Special Drawing Rights	<u>46,545</u>	<u>49,240</u>
<b>Total</b>	<b><u>70,208</u></b>	<b><u>73,455</u></b>

## 6. Investment in Securities

	Unit : Million baht	
	2014	2013
Domestic Securities		
Stated at amortized cost	<u>205,530</u>	<u>233,235</u>
Total Domestic Securities	<u>205,530</u>	<u>233,235</u>
Foreign Securities		
Stated at amortized cost	51,130	100,930
Stated at fair value		
Cost	2,323,808	2,645,245
Plus : Unrealized gains from price and foreign exchange rate revaluation of investments	<u>20,647</u>	<u>2,196</u>
	<u>2,344,455</u>	<u>2,647,441</u>
Total Foreign Securities	<u>2,395,585</u>	<u>2,748,371</u>
<b>Total</b>	<b><u>2,601,115</u></b>	<b><u>2,981,606</u></b>

## 7. Loans

	Unit : Million baht	
	2014	2013
Loans to financial institutions for person damaged by flood	165,604	198,266
Contribution to the IMF under the NAB	<u>1,955</u>	<u>2,231</u>
<b>Total</b>	<b><u>167,559</u></b>	<b><u>200,497</u></b>

The loans to financial institutions for person damaged by flood have 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 (New Arrangements to Borrow) is the commitment with the IMF as mentioned in Note 21.5.1

## 8. Premises and Equipment

	Unit : Million baht								
	Balance as at December 31, 2014								
	Cost				Accumulated Depreciation				Net
	Opening Balance	Increase	Decrease	Closing Balance	Opening Balance	Increase	Decrease	Closing Balance	
Land	2,473	-	-	2,473	-	-	-	-	2,473
Buildings	4,247	52	1	4,298	2,399	197	-	2,596	1,702
Equipment	2,684	82	39	2,727	1,754	228	39	1,943	784
Work in progress	<u>168</u>	<u>954</u>	<u>122</u>	<u>1,000</u>	-	-	-	-	<u>1,000</u>
<b>Total</b>	<b><u>9,572</u></b>	<b><u>1,088</u></b>	<b><u>162</u></b>	<b><u>10,498</u></b>	<b><u>4,153</u></b>	<b><u>425</u></b>	<b><u>39</u></b>	<b><u>4,539</u></b>	<b><u>5,959</u></b>

Unit : Million baht

## 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>

Depreciation expenses for the year 2014 and 2013 were THB413 million and THB435 million, respectively.

## 9. Other Assets

	Unit : Million baht	
	2014	2013
Quota Subscribed to the IMF - baht	45,133	48,599
Net Assets from Foreign Exchange Swaps	-	43,312
Accrued Income	16,445	14,134
Others	<u>12,925</u>	<u>12,580</u>
<b>Total</b>	<b><u>74,503</u></b>	<b><u>118,625</u></b>

Investments in other organizations, included in Others, were THB1,575 million and THB1,666 million as at December 31, 2014 and 2013, respectively.

As at December 31, 2014 and 2013, the net balances of intangible assets (computer software and systems), included in Others, were THB290 million and THB365 million, respectively. Amortization expenses for the year 2014 and 2013 were THB116 million and THB117 million, respectively.

## 10. Deposits

	Unit : Million baht	
	2014	2013
Non Interest-Bearing Deposits		
Government	184,751	320,092
Financial Institutions	105,058	99,548
Others	<u>12,066</u>	<u>10,679</u>
	301,875	430,319
Interest-Bearing Deposits	<u>35,148</u>	<u>18,043</u>
<b>Total</b>	<b><u>337,023</u></b>	<b><u>448,362</u></b>

The interest-bearing deposits facility is used to maintain market interest rates within the interest rate corridors and to facilitate liquidity adjustment of money market players. This is expected to enhance the 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, 2014 and 2013, the BOT was allocated the balance of SDR970 million, which was equivalent to THB46,339 million and THB49,044 million, respectively.

### 12. Securities Sold under Repurchase Agreements

The outstanding balances of the securities sold under repurchase agreements in the domestic market as at December 31, 2014 and 2013 were THB271,360 million and THB257,790 million, respectively.

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

	Unit : Million baht	
	2014	2013
Bank of Thailand Bonds		
Remaining Maturity:		
- 1 year or less	1,925,421	1,855,618
- over 1 year	810,843	977,920
<u>Less: Held by the BOT</u>	<u>(54,310)</u>	<u>(65,311)</u>
	2,681,954	2,768,227
Other BOT Debt Securities		
(remaining maturity less than 1 year)	<u>812,320</u>	<u>703,420</u>
<b>Total</b>	<b><u>3,494,274</u></b>	<b><u>3,471,647</u></b>

The BOT has issued BOT bonds and 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 2014, the interest paid on BOT bonds and BOT debt securities amounted to THB72,205 million and THB17,230 million, respectively. The interest paid was presented as part of interest expense.

BOT bonds held by the BOT resulted from the repurchase of BOT bonds to facilitate liquidity management in the money market.

### 14. Other Liabilities

	Unit : Million baht	
	2014	2013
IMF Current Accounts No. 1 and 2	8,195	9,345
Promissory Notes Payable to the IMF	36,938	39,254
Net Liabilities from Foreign Exchange Swaps	8,590	-
Employee Benefit Obligations	4,511	3,910
Accrued Expenses	17,777	18,317
Others	<u>2,776</u>	<u>1,429</u>
<b>Total</b>	<b><u>78,787</u></b>	<b><u>72,255</u></b>



Employee Benefit Obligations as at December 31, 2014 included the obligation from pension plan amounted to THB3,199 million and the obligation from post-employment medical plan amounted to THB1,312 million. Changes in the present value of the employee benefit obligations are presented as follows:

	Unit : Million baht	
	2014	2013
Employee Benefit Obligations as at January 1	3,910	3,800
Current service cost and interest cost	227	204
Benefit paid during the year	(407)	(354)
Net employee benefit obligations transferred	14	(21)
Actuarial loss	<u>767</u>	<u>281</u>
Employee Benefit Obligations as at December 31	<u><b>4,511</b></u>	<u><b>3,910</b></u>

#### The Significant Actuarial Assumptions

Average discount rates	2.96% - 6.23%
Average rate of salary raise	7.00%
Medical cost trend rate	5.00%
Mortality	Thai Mortality Table 2008

#### 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, 2014, 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 appropriation for the year 1990 - 1996 in order to maintain the profit payable to the government. The Ministry of Finance (MOF) gave consent to the profit appropriation rule. The balance of this account could be transferred as additional public revenue upon request by the MOF. Since 2002, no profit appropriation has been made to this account.

**17. Assets and Liabilities Revaluation Reserve**

	Unit : Million baht	
	2014	2013
Unrealized Gains (Losses) from Foreign Exchange Revaluation of Assets and Liabilities	(114,000)	115,691
Unrealized Gains from Price Revaluation of Investments	20,675	2,206
Unrealized Losses from Revaluation of Derivatives	(683)	(81)
Unrealized Gains (Losses) from Revaluation of Forward Contracts under Resale Agreements	<u>33</u>	<u>(136)</u>
<b>Total</b>	<b><u>(93,975)</u></b>	<b><u>117,680</u></b>

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, 2014 and 2013, the outstanding balances of Accumulated Losses were THB572,901 million and THB442,656 million, respectively. Changes to the Accumulated Losses are set out in the Statement of Changes in Equity.

For the year 2014, the losses were due to interest payments from liquidity-absorbing monetary policy operations.

**19. Other Revenue**

	Unit : Million baht	
	2014	2013
Gains from Disposal of Investments	1,848	13,025
Others	<u>170</u>	<u>2,185</u>
<b>Total</b>	<b><u>2,018</u></b>	<b><u>15,210</u></b>

**20. Remuneration of Key Management Personnel**

The key management personnel of the BOT refer to the Governor, Deputy Governors, and members of the Boards and committees established under the BOT Act who have responsibility for planning, directing and controlling the activities of the BOT. In 2014 and 2013, the remunerations paid to key management personnel were THB62 million and THB60 million, respectively.

## 21. Commitments and Contingencies

As at December 31, 2014, the outstanding of commitments and contingencies of the BOT were as follows:

### 21.1 Forward Contracts

The BOT had the net outstanding obligations under cross currency forward contracts to buy foreign currencies equivalent to USD864 million and to sell foreign currencies equivalent to USD883 million, which will be due in 2015.

Furthermore, the BOT had the outstanding obligations under resale agreements to sell Japanese Yen equivalent to USD39 million, which will be due in 2015 - 2020.

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

### 21.2 Foreign Exchange Swap Contracts

The BOT had the net outstanding obligations under foreign exchange swap contracts to buy foreign currencies equivalent to USD28,094 million and to sell foreign currencies equivalent to USD5,535 million, which will be due in 2015.

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

### 21.3 Futures Contracts

The BOT had the net outstanding obligations under bond futures contracts to buy equivalent to USD27 million and to sell equivalent to USD4,594 million, which will be due in 2015.

### 21.4 Other Agreements with Central Banks

21.4.1 The BOT renewed the ASEAN Swap Arrangement (ASA), which provides liquidity support among ASEAN member countries. Under this two-year renewal of the arrangement, expiring on November 16, 2015, the BOT is obliged to contribute up to USD300 million and may request up to 2 times of its contribution, or USD600 million. In 2014, neither the BOT nor its counterparties activated the arrangement.

21.4.2 The BOT, together with the Ministry of Finance of Thailand, have been parties to the Chiang Mai Initiative Multilateralisation (CMIM) Agreement since March 24, 2010, which provides liquidity support to ASEAN member countries, China, Japan and South Korea. The Agreement was amended on July 17, 2014 to enhance the effectiveness of the financing mechanism. That is, should a CMIM member face potential or actual financial difficulties, the BOT is obliged to contribute up to USD9,104 million. The BOT may also request up to 2.5 times of its contribution amount, or USD22,760 million. In 2014, neither the BOT nor its counterparties activated the agreement.

21.4.3 The BOT has renewed the Chinese Yuan/Thai Baht Bilateral Currency Swap Arrangement (BSA) with the People's Bank of China (PBC) with an aim to facilitate the use of local currencies in international trade and direct investment settlement. The new BSA will make available a swap line with an amount of CNY70,000 million, equivalent to THB370,000 million, and will be effective for the next three years ending on December 22, 2017. In 2014, neither the BOT nor the PBC activated the arrangement.

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

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

21.5.1 New Arrangements 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 2014.

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

As at December 31, 2014, the BOT was involved in certain legal actions and claims arising from the ordinary course of business amounting to THB3,616 million. All cases are in process of court trial. However, the estimated amount of these claims, if the final judgment is made, will not have any material adverse 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. The 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 to ensure the Board's awareness of significant risks that the BOT is facing. The Enterprise Risk Management Department is a key unit to implement the BOT's risk management scheme in accordance with the BOT's and other committees' policies.

### **22.1 Financial Risk Management**

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

The key financial risks which 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 are necessary for the implementation of monetary and exchange rate policy to ensure a stable financial environment. 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 the conduct of monetary policy, 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 the current environment where major bond markets have provided very low yields due to accommodative policies of central banks in many advanced economies, the BOT, in an attempt to enhance returns and diversify risks, has gradually expanded its investment into new asset classes and markets, while adhering to reserve management principles of safety, liquidity, and return as well as sound risk management practices.

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 major currencies, and
- b. Ensuring that financial risks of the international reserves are within an acceptable level and such risks are 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 methodology according to international standard 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 may default or may be unable to fulfill their financial obligations to 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 each counterparty based on its credit rating. The limit may also be reduced based on indicators of potential credit downgrading.

(4) Sovereign Credit Limit, based on country credit ratings, 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 in accordance with the BOT's regulation, in order to improve the efficiency and effectiveness of work processes. The BOT has revised Operational Loss Incident Reporting processes to facilitate loss incident data collection for further analysis and future preventive measures. The Risk Management System (RMS) has also been used as a supporting tool to facilitate the BOT's operational risk management process.

As a part of the BOT's Business Continuity Management, the BOT has developed Business Continuity Plans (BCP) to deal with various scenarios that could pose potential risks to the BOT's operations. The prolonged political unrest at the beginning of 2014 affected employees' commute to the Head Office. In response to the situation, the BOT executives and employees were relocated to a backup site outside Bangkok. Working under BCP enabled the BOT to continue critical functions without disruption and maintain public confidence in the country's financial system.

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

On March 18, 2015, the BOT Board authorized the issuance of these financial statements.

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