



(TRANSLATION)  
AUDITOR'S REPORT

To the Minister of Finance

**Opinion**

The Office of the Auditor General of Thailand has audited the financial statements of the Bank of Thailand, which comprise the statement of financial position as at December 31, 2016, the statement of income and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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, 2016, 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.

**Basis for Opinion**

The Office of the Auditor General of Thailand conducted the audit in accordance with Thai Standards on Auditing. The Office of the Auditor General of Thailand's responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. The Office of the Auditor General of Thailand is independent of the Bank of Thailand in accordance with the State Audit Standards issued by the State Audit Commission and the Federation of Accounting Professions under the Royal Patronage of His Majesty the King's Code of Ethics for Professional Accountants that are relevant to the audit of the financial statements, and the Office of the Auditor General of Thailand has fulfilled other ethical responsibilities in accordance with these requirements. 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.

*Office of the Auditor General of Thailand*

## **Other Information**

Management is responsible for the other information. The other information comprises information in the annual report, but does not include the financial statements and the auditor's report in the annual report. Management expects that the annual report will be provided to the Office of the Auditor General of Thailand after the date of this auditor's report.

The Office of the Auditor General of Thailand's opinion on the financial statements does not cover the other information, and the Office of the Auditor General of Thailand will not express any form of assurance conclusion thereon.

In connection with the audit of the financial statements, the Office of the Auditor General of Thailand's responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the Office of the Auditor General of Thailand's audit, or otherwise appears to be materially misstated.

When the Office of the Auditor General of Thailand reads the annual report, if the Office of the Auditor General of Thailand concludes that there is a material misstatement therein, the Office of the Auditor General of Thailand is required to communicate the matter to those charged with governance.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Bank of Thailand's ability to continue as a going concern, disclosing matters related to going concern (as applicable), and using the going concern basis of accounting unless management either intends to liquidate or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank of Thailand's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

The Office of Auditor General of Thailand's objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes the Office of the Auditor General of Thailand's opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the Office of the Auditor General of Thailand's audit in accordance with Thai Standards on Auditing, the Office of the Auditor General of Thailand exercises professional judgment and maintain professional skepticism throughout the audit. The Office of the Auditor General of Thailand also:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the Office of the Auditor General of Thailand's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains and understands of internal control relevant to the audit 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.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If the Office of the Auditor General of Thailand concludes that a material uncertainty exists, the Office of the Auditor General of Thailand is required to draw attention in the auditor's report to the related

disclosures in the financial statements or, if such disclosures are inadequate, to modify the Office of the Auditor General of Thailand's opinion. The Office of the Auditor General of Thailand's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause to cease to continue as a going concern.

- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The Office of the Auditor General of Thailand communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the Office of the Auditor General of Thailand identifies during the audit.

(Signed)

(Yupin Chalanonniwat)  
Deputy Auditor General  
for Auditor General

(Signed)

(Chitra Mekapongpanh)  
Director of Financial Audit Office No. 3

Bank of Thailand  
Statement of Financial Position  
As at December 31, 2016

	Notes	2016	2015
Unit : Baht			
<b>ASSETS</b>			
Cash and Deposits	4	790,313,141,104	608,691,723,435
Reserve Tranche and Holdings of Special Drawing Rights	5	69,117,344,213	69,604,061,053
Investment in Securities	6	3,063,658,457,868	2,918,048,601,425
Loans	7	112,045,652,243	136,594,860,330
Premises and Equipment	8	6,958,300,863	6,452,977,033
Other Assets	9	176,097,367,892	100,965,307,202
<b>Total Assets</b>		<b><u>4,218,190,264,183</u></b>	<b><u>3,840,357,530,478</u></b>
<b>LIABILITIES AND EQUITY</b>			
Deposits	10	287,148,314,048	551,263,461,277
Allocations of Special Drawing Rights	11	46,722,111,011	48,506,509,104
Securities Sold under Repurchase Agreements	12	310,306,000,000	350,590,000,000
Debt Securities Issued by the Bank of Thailand	13	4,170,375,564,674	3,426,338,072,694
Other Liabilities	14	149,401,916,351	69,889,209,551
<b>Total Liabilities</b>		<b><u>4,963,953,906,084</u></b>	<b><u>4,446,587,252,626</u></b>

The accompanying notes form part of these financial statements.

Bank of Thailand  
Statement of Financial Position (Continued)  
As at December 31, 2016

			Unit : Baht
	Notes	2016	2015
<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	32,119,865,142	90,205,916,464
Accumulated Losses	18	(725,028,181,880)	(635,250,812,326)
Net Loss for the Year		<u>(80,807,332,038)</u>	<u>(89,136,833,161)</u>
<b>Total Equity</b>		<u><b>(745,763,641,901)</b></u>	<u><b>(606,229,722,148)</b></u>
<b>Total Liabilities and Equity</b>		<u><b>4,218,190,264,183</b></u>	<u><b>3,840,357,530,478</b></u>

The accompanying notes form part of these financial statements.

(Veerathai Santiprabhob)  
Governor

(Preyanuch Chuengprasert)  
Senior Director, Finance and Accounting Department

Bank of Thailand  
Statement of Income  
For the Year Ended December 31, 2016

	Notes	2016	2015
<b>Unit : Baht</b>			
<b>Income</b>			
Interest Income		53,216,942,052	47,026,729,520
Net Gains on Sale of Investments		23,806,669,816	4,148,489,034
Commission		492,374,893	931,958,395
Others		647,175,357	756,803,651
<b>Total Income</b>		<b><u>78,163,162,118</u></b>	<b><u>52,863,980,600</u></b>
<b>Expenses</b>			
Interest Expense		82,273,407,779	91,861,122,339
Net Losses on Foreign Exchange		57,437,851,299	38,137,953,569
Personnel Expenses		4,872,881,877	5,052,007,451
Others	19	14,386,353,201	6,949,730,402
<b>Total Expenses</b>		<b><u>158,970,494,156</u></b>	<b><u>142,000,813,761</u></b>
<b>Net Loss</b>		<b><u>(80,807,332,038)</u></b>	<b><u>(89,136,833,161)</u></b>

The accompanying notes form part of these financial statements.

Bank of Thailand  
Statement of Comprehensive Income  
For the Year Ended December 31, 2016

	Unit : Baht	
	2016	2015
Net Loss	(80,807,332,038)	(89,136,833,161)
Other Comprehensive Income (Loss)		
Items that might be reclassified subsequently to Profit or Loss		
Change in Assets and Liabilities Revaluation Reserve	(58,086,051,322)	184,181,201,159
Items that will not be reclassified subsequently to Profit or Loss		
Actuarial Loss	(640,536,393)	(780,002,310)
Total Other Comprehensive Income (Loss)	(58,726,587,715)	183,401,198,849
Total Comprehensive Income (Loss)	(139,533,919,753)	94,264,365,688

The accompanying notes form part of these financial statements.



**Bank of Thailand**  
**Statement of Changes in Equity**  
**For the Year Ended December 31, 2016**

	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, 2015	20,000,000	27,307,931,128	624,075,747	(93,975,284,695)	(572,901,331,397)	(61,569,478,619)	(700,494,087,836)
Changes during the Year							
Net Loss transferred to Accumulated Losses	-	-	-	-	(61,569,478,619)	61,569,478,619	-
Total Comprehensive Income (Loss)	-	-	-	184,181,201,159	(780,002,310)	(89,136,833,161)	94,264,365,688
<b>Balance as at December 31, 2015</b>	<b><u>20,000,000</u></b>	<b><u>27,307,931,128</u></b>	<b><u>624,075,747</u></b>	<b><u>90,205,916,464</u></b>	<b><u>(635,250,812,326)</u></b>	<b><u>(89,136,833,161)</u></b>	<b><u>(606,229,722,148)</u></b>
Balance as at January 1, 2016	20,000,000	27,307,931,128	624,075,747	90,205,916,464	(635,250,812,326)	(89,136,833,161)	(606,229,722,148)
Changes during the Year							
Net Loss transferred to Accumulated Losses	-	-	-	-	(89,136,833,161)	89,136,833,161	-
Total Comprehensive Income (Loss)	-	-	-	(58,086,051,322)	(640,536,393)	(80,807,332,038)	(139,533,919,753)
<b>Balance as at December 31, 2016</b>	<b><u>20,000,000</u></b>	<b><u>27,307,931,128</u></b>	<b><u>624,075,747</u></b>	<b><u>32,119,865,142</u></b>	<b><u>(725,028,181,880)</u></b>	<b><u>(80,807,332,038)</u></b>	<b><u>(745,763,641,901)</u></b>

The accompanying notes form part of these financial statements.

**Bank of Thailand**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2016**

	Unit : Baht	
	2016	2015
<b>Cash Flow from Operating Activities</b>		
Net Loss	(80,807,332,038)	(89,136,833,161)
<b>Adjustments to Reconcile Net Loss to Net Cash</b>		
<b>Provided by (Used in) Operating Activities:</b>		
Depreciation and Amortization Expenses	649,388,812	548,579,480
Gain on Disposal of Premises and Equipment	(8,068,923)	(4,342,373)
Write Off of Work in Progress	3,552,647	5,542,491
Net Gains on Sale of Investments	(23,806,669,816)	(4,148,489,034)
Interest Income	(53,216,942,052)	(47,026,729,520)
Interest Expense	82,273,407,779	91,861,122,338
(Gain) Loss from Non-cash Foreign Assets and Liabilities		
Cost Averaging	(57,742,594,083)	27,264,989,481
Gain from Decreasing in Provision for Contingent Losses		
on Forward Contracts under Resale Agreements	(47,256,471)	(54,790,053)
Net (Increase) Decrease in Accrued Revenues	(5,947,048)	498,315
Net Increase in Accrued Expenses	27,361,633	130,792,326
Net Decrease in Prepaid Expenses	1,659,761	492,264,621
	(132,679,439,799)	(20,067,395,089)
Cash Received on Interest Income	74,559,153,800	63,993,616,053
Cash Paid on Interest Expense	(58,864,352,251)	(70,626,805,005)
	(116,984,638,250)	(26,700,584,041)
Loss from Operation before Changing in Operating Assets and Liabilities		

The accompanying notes form part of these financial statements.

**Bank of Thailand**  
**Statement of Cash Flows (Continued)**  
**For the Year Ended December 31, 2016**

	Notes	2016	Unit : Baht 2015
<b>(Increase) Decrease in Operating Assets</b>			
Foreign Deposits		51,418,674,453	128,748,299,999
Reserve Tranche and Holdings of Special Drawing Rights		(2,138,162,581)	3,651,835,771
Loans		24,456,588,343	31,031,579,217
Other Assets		(5,119,958,813)	(7,553,028,029)
<b>Increase (Decrease) in Operating Liabilities</b>			
Deposits		(264,116,533,545)	214,238,616,297
Securities Sold under Repurchase Agreements		(40,284,000,000)	79,230,000,000
Debt Securities Issued by the Bank of Thailand		717,402,599,079	(95,221,197,871)
Other Liabilities		15,780,809,939	4,988,881,684
Net Cash Flow from Operating Activities		<u>380,415,378,625</u>	<u>332,414,403,027</u>
<b>Cash Flow from Investing Activities</b>			
Purchase of Domestic Securities		(66,916,197,080)	(66,785,357,828)
Proceeds from Sale of Domestic Securities		17,899,000,000	30,756,000,000
Purchase of Foreign Securities		(7,614,702,278,880)	(13,056,793,712,267)
Proceeds from Sale of Foreign Securities		7,520,382,979,780	12,880,227,329,539
Purchase of Premises and Equipment		(1,170,936,536)	(1,004,383,230)
Proceeds from Disposal of Premises and Equipment		10,773,513	7,268,922
Net Cash Flow from Investing Activities		<u>(144,496,659,203)</u>	<u>(213,592,854,864)</u>
Assets and Liabilities Revaluation Reserve on Cash		9,509,190,783	(2,636,904,703)
Net Increase in Cash and Cash Equivalents		245,427,910,205	116,184,643,460
Cash and Cash Equivalents at the Beginning of the Year		312,766,013,963	196,581,370,503
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>4</b>	<u><u>558,193,924,168</u></u>	<u><u>312,766,013,963</u></u>

The accompanying notes form part of these financial statements.

**Bank of Thailand**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2016**

### **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 generally accepted accounting principles refer to Thai Financial Reporting Standards under the Accounting Professions Act B.E. 2547 including guidelines promulgated by The Federation of Accounting Professions.

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. The expense caused by negative interest rates on foreign deposits is presented as a part of interest expense.

#### **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, in accordance with the BOT's guideline. 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, and is prescribed by the BOT Board 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 enhance the efficiency of international reserve management and 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 Foreign Exchange Option Contracts**

Foreign exchange option contracts are used to enhance the efficiency of international reserve management and to hedge risk arising from the exchange rate 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. Gains or losses on exercise of the right under contracts or from foreign currency transactions are recognized on the expiration or exercise dates.

### 3.9 Investment in Securities

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

Foreign securities, including those managed by external fund managers, are held for the purpose of international reserve management and are mainly stated 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 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:

<u>Type of Asset</u>	<u>Useful Life</u>
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 Heritage Assets

The BOT has held antiques that are considered heritage assets, such as antique textiles, coins and banknotes, which have been acquired by purchase and donation. They are held and maintained for the purpose of preservation and exhibition at the BOT's museum, not for central bank's function. Prior to 2005, those antiques purchased were recorded as expense. After that, they have been recorded as assets at acquisition prices and presented under "Other Assets". The BOT does not record the antiques received from donation as assets. Register containing detail of all the items held at the museum is used for control purpose.

### 3.14 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”.

### 3.15 Post-employment Benefits

#### 3.15.1 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.

#### 3.15.2 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	
	2016	2015
Cash and Cash Equivalents		
Cash	81,487	119,637
Domestic Deposits (Demand Deposits)	18	8
Foreign Deposits (Demand Deposits)	<u>476,689</u>	<u>193,121</u>
Total Cash and Cash Equivalents	558,194	312,766
Foreign Deposits (Time Deposits and Special Deposits)	<u>232,119</u>	<u>295,926</u>
<b>Total</b>	<b><u>790,313</u></b>	<b><u>608,692</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 commitment.

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

	Unit: Million baht	
	2016	2015
Quota Subscribed to International Monetary Fund (IMF)	154,665	72,015
<u>Less: IMF Current Account No. 1</u>	<u>(30,467)</u>	<u>(13,785)</u>
Promissory Notes Payable to IMF	<u>(102,030)</u>	<u>(37,358)</u>
Reserve Tranche	22,168	20,872
Holdings of Special Drawing Rights	<u>46,949</u>	<u>48,732</u>
<b>Total</b>	<b><u>69,117</u></b>	<b><u>69,604</u></b>

## 6. Investment in Securities

	Unit: Million baht	
	2016	2015
Domestic Securities - Stated at amortized cost		
Government Bonds	<u>287,312</u>	<u>240,268</u>
Total Domestic Securities	<u>287,312</u>	<u>240,268</u>
Foreign Securities - Stated at fair value		
Treasury Bills and Short-term Debt Securities	703,916	622,077
Treasury Bonds and Long-term Debt Securities	2,052,317	2,035,172
Investment in Asian Bond Fund	<u>20,113</u>	<u>20,532</u>
Total Foreign Securities	<u>2,776,346</u>	<u>2,677,781</u>
<b>Total</b>	<b><u>3,063,658</u></b>	<b><u>2,918,049</u></b>

## 7. Loans

	Unit: Million baht	
	2016	2015
Loans to financial institutions for person damaged by flood	109,209	134,945
Contribution to the IMF under the NAB	<u>2,837</u>	<u>1,650</u>
<b>Total</b>	<b><u>112,046</u></b>	<b><u>136,595</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 New Arrangements to Borrow (NAB) is the commitment with the IMF as mentioned in Note 21.6.1.

## 8. Premises and Equipment



Unit: Million baht

	2016								Net
	Value at Cost				Accumulated Depreciation				
	Opening Balance	Increase	Decrease	Closing Balance	Opening Balance	Increase	Decrease	Closing Balance	
Land	2,473	-	-	2,473	-	-	-	-	2,473
Buildings	4,791	15	-	4,806	2,786	212	-	2,998	1,808
Equipment	3,611	315	44	3,882	2,048	314	42	2,320	1,562
Work in progress	<u>412</u>	<u>1,096</u>	<u>393</u>	<u>1,115</u>	-	-	-	-	<u>1,115</u>
<b>Total</b>	<b><u>11,287</u></b>	<b><u>1,426</u></b>	<b><u>437</u></b>	<b><u>12,276</u></b>	<b><u>4,834</u></b>	<b><u>526</u></b>	<b><u>42</u></b>	<b><u>5,318</u></b>	<b><u>6,958</u></b>

Unit: Million baht

	2015								Net
	Value at Cost				Accumulated Depreciation				
	Opening Balance	Increase	Decrease	Closing Balance	Opening Balance	Increase	Decrease	Closing Balance	
Land	2,473	-	-	2,473	-	-	-	-	2,473
Buildings	4,298	498	5	4,791	2,596	191	1	2,786	2,005
Equipment	2,727	1,017	133	3,611	1,943	235	130	2,048	1,563
Work in progress	<u>1,000</u>	<u>930</u>	<u>1,518</u>	<u>412</u>	-	-	-	-	<u>412</u>
<b>Total</b>	<b><u>10,498</u></b>	<b><u>2,445</u></b>	<b><u>1,656</u></b>	<b><u>11,287</u></b>	<b><u>4,539</u></b>	<b><u>426</u></b>	<b><u>131</u></b>	<b><u>4,834</u></b>	<b><u>6,453</u></b>

Depreciation expenses for the year 2016 and 2015 were THB526 million and THB426 million, respectively.

## 9. Other Assets

Unit: Million baht

	2016	2015
Quota Subscribed to the IMF - baht	132,497	51,143
Net Assets from Foreign Exchange Swaps	16,686	14,584
Accrued Income	16,770	19,252
Investments in Other Organizations	1,588	1,648
Others	<u>8,556</u>	<u>14,338</u>
<b>Total</b>	<b><u>176,097</u></b>	<b><u>100,965</u></b>

Other assets - others as at December 31, 2016 and 2015 amounted to THB8,556 million and THB14,338 million, respectively, included the net balances of intangible assets (computer software and systems), amounting to THB243 million and THB232 million, respectively. Amortization expenses for the year 2016 and 2015 were THB123 million and THB122 million, respectively. The balance also included the heritage assets such as antique textiles, coins, and banknotes, mentioned in Note 3.13, amounting to THB5 million and THB5 million, respectively.

## 10. Deposits

	Unit: Million baht	
	2016	2015
Non Interest-Bearing Deposits		
Government	94,838	391,096
Financial Institutions	120,471	108,706
Others	<u>19,847</u>	<u>19,694</u>
	235,156	519,496
Interest-Bearing Deposits	<u>51,992</u>	<u>31,767</u>
<b>Total</b>	<b><u>287,148</u></b>	<b><u>551,263</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 participants. 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 in the IMF. As at December 31, 2016 and 2015, the BOT was allocated the balance of SDR970 million, which was equivalent to THB46,722 million and THB48,507 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, 2016 and 2015 were THB310,306 million and THB350,590 million, respectively.

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

	Unit: Million baht	
	2016	2015
Bank of Thailand Bonds		
Remaining Maturity:		
- 1 year or less	2,365,655	2,193,062
- over 1 year	762,966	625,923
<u>Less: Held by the BOT</u>	<u>(25,225)</u>	<u>(160,757)</u>
	3,103,396	2,658,228
Other BOT Debt Securities	<u>1,066,980</u>	<u>768,110</u>
(Remaining maturity less than 1 year)		
<b>Total</b>	<b><u>4,170,376</u></b>	<b><u>3,426,338</u></b>

### 13. Debt Securities Issued by the Bank of Thailand (continued)

The BOT has issued BOT bonds and BOT debt securities to be used as monetary policy instruments as well as to foster the development of money market and debt securities market in Thailand. In 2016, the interest paid on BOT bonds and BOT debt securities amounted to THB48,589 million and THB19,067 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	
	2016	2015
IMF Current Accounts No. 1 and 2	30,467	13,785
Promissory Notes Payable to the IMF	102,030	37,358
Employee Benefit Obligations	5,795	5,420
Accrued Expenses	8,387	11,876
Others	<u>2,723</u>	<u>1,450</u>
<b>Total</b>	<b><u>149,402</u></b>	<b><u>69,889</u></b>

Employee Benefit Obligations as at December 31, 2016 included the obligation from pension plan amounted to THB4,286 million and the obligation from post-employment medical plan amounted to THB1,509million. Changes in the present value of the employee benefit obligations are presented as follows:

	Unit: Million baht	
	2016	2015
Employee Benefit Obligations as at January 1	5,420	4,511
Past service cost	-	319
Current service cost	125	120
Interest cost	107	138
Benefit paid during the year	(498)	(441)
Net employee benefit obligations transferred	-	(7)
Actuarial loss	<u>641</u>	<u>780</u>
Employee Benefit Obligations as at December 31	<b><u>5,795</u></b>	<b><u>5,420</u></b>

#### The Significant Actuarial Assumptions

Average discount rates	2.04% - 5.86%
Average rate of increase in salaries	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, 2016, 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	
	2016	2015
Unrealized Gains from Foreign Exchange Revaluation of Assets and Liabilities	30,033	67,830
Unrealized Gains from Price Revaluation of Investments	169	22,330
Unrealized Gains from Revaluation of Derivatives	1,962	100
Unrealized Losses from Revaluation of Forward Contracts under Resale Agreements	<u>(44)</u>	<u>(54)</u>
<b>Total</b>	<b><u>32,120</u></b>	<b><u>90,206</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, 2016 and 2015, the outstanding balances of Accumulated Losses were THB725,028 million and THB635,251 million, respectively. Changes to the Accumulated Losses are set out in the statement of change in equity.

For the year 2016, the losses were due to foreign exchange rates and interest payments for liquidity-absorbing monetary policy operations. The accumulated losses have no impact on the BOT's ability to continue as a going concern.

**19. Other Expenses**

	Unit: Million baht	
	2016	2015
Loss from Derivatives	11,686	3,644
Depreciation and Amortization	649	549
Others	<u>2,051</u>	<u>2,757</u>
<b>Total</b>	<b><u>14,386</u></b>	<b><u>6,950</u></b>

Loss from derivatives are mainly from futures contracts which were used to enhance the efficiency of international reserve management and to hedge risk arising from the interest rate or bond price fluctuation. However, when consider these investments in their entirety, net return on investment was a profit in 2016.

**20. Remuneration of Key Management Personnel**

The key management personnel of the BOT refers to the Governor, Deputy Governors, and members of the Boards and committees established under the BOT Act who have responsibility for planning, directing and supervising the activities of the BOT. In 2016 and 2015, the remuneration paid to key management personnel were THB62 million and THB62 million, respectively.

**21. Commitments and Contingencies**

As at December 31, 2016, the outstanding of commitments and contingencies of the BOT were as follows:

**21.1 Spot Contracts**

The BOT had the net outstanding obligations to buy foreign currencies equivalent to USD487 million and to sell foreign currencies equivalent to USD206 million, which will be due in 2017.

**21.2 Forward Contracts**

The BOT had the net outstanding obligations to buy foreign currencies equivalent to USD7,928 million and to sell foreign currencies equivalent to USD7,880 million, which will be due in 2017.

Furthermore, the BOT had the outstanding obligations under resale agreements to sell Japanese Yen equivalent to USD18 million, which will be due in 2017 - 2020.

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

**21.3 Foreign Exchange Swap Contracts**

The BOT had the net outstanding obligations under foreign exchange swap contracts to buy foreign currencies equivalent to USD33,246 million and to sell foreign currencies equivalent to USD7,711 million, which will be due in 2017.

The net outstanding of such foreign exchange swap contracts was presented in Note 9 (Other Assets).

## **21.4 Futures Contracts**

The BOT had the net outstanding obligations under bond futures contracts to buy equivalent to USD154 million and to sell equivalent to USD217 million, which will be due in 2017.

## **21.5 Other Agreements with Central Banks**

21.5.1 The BOT has been part of the ASEAN Swap Arrangement (ASA), which provides for liquidity support among ASEAN member countries since 1977. Under the ASA, the BOT is obliged to contribute up to USD300 million and may request up to 2 times of its contribution, or USD600 million. In 2015, the BOT renewed the ASA for two years, which will remain in effect until November 16, 2017. In 2016, neither the BOT nor its counterparties activated the arrangement.

21.5.2 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 for 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 2016, neither the BOT nor its counterparties activated the agreement.

21.5.3 The BOT has signed 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 bilateral 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 three years ending on December 22, 2017. In 2016, the BOT has renewed swap line in an amount of CNY500 million in order to ensure availability of CNY liquidity to facilitate cross-border trade and investment settlements of financial institutions in Thailand.

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

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

21.6.1 New Arrangements to Borrow (NAB) amounting up to SDR340 million, which will expire on November 16, 2017. The IMF made partial calls on the NAB from the BOT as presented in Note 7 (Loans).

21.6.2 The Note Purchase Agreement (NPA) under the 2012 Bilateral Borrowing Arrangements, amounting up to USD1,000 million, which will expire on September 15, 2017. However, the IMF did not make a request to activate the agreement in 2016.

## **21.7 Contingent Liabilities on Lawsuits**

As at December 31, 2016, the BOT was involved in certain legal actions and claims arising from the ordinary course of business amounting to THB660 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 framework 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) and Financial Risk Management Sub-Committee (FRMC). In addition, the BOT Board has established Risk Oversight Committee (ROC), consisting of non-executive directors and outside directors, with the responsibility of assisting the BOT Board in overseeing that the BOT's overall risk management framework and processes meet the standard of good governance, as well as to assure that the Board is kept aware of significant risks. The Enterprise Risk Management Department is a key unit for implementing the BOT's risk management framework in accordance with the policies of the BOT and various Committees.

### 22.1 Financial Risk Management

#### 22.1.1 The BOT's Financial Risks

The key financial risks for the BOT

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 different from the interest rate in foreign markets where the BOT invests.

#### 22.1.2 Financial Risk Management of International Reserves

Management of international reserves takes into consideration financial security, liquidity, return, and risk management. Investment of the international reserves in foreign assets has inherent financial risks, namely market risk, credit risk, and liquidity risk.

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

### 22.1.2 Financial Risk Management of International Reserves (continued)

The benchmark investment portfolio is constructed by standard methodology, to obtain optimal asset and currency compositions 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 downgrade of issue or of credit rating of issuer.

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 Limits, 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 Limits, 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 Integrated and Operational Risk Management

All departments in the BOT annually conduct Control Self-Assessment (CSA) in accordance with the BOT's Regulations, in order to improve the efficiency and effectiveness of work processes. In 2016, the BOT has strengthen risk management framework and developed further risk management tools to monitor key risks as follows:

22.2.1 Continuously strengthening the cybersecurity framework to prevent cyber threats, including, (1) Ensuring that the systemically important payment systems under the BOT's operation, namely the Bank of Thailand Automated High-value Transfer Network (BAHTNET) and Imaged Cheque Clearing and Archive System (ICAS) pass ISO 27001-2013 certification, and (2) Established Security Operation Center (SOC) to monitor cyber threats and respond to cybersecurity incidents and breaches in a timely manner.



## 22.2 Integrated and Operational Risk Management (continued)

22.2.2 Continue to develop Business Continuity Management (BCM) framework to ensure that the BOT is able to perform its critical functions in emergency situations. The BOT is also preparing BCP for cyber threat. Currently, construction of the BOT's additional backup site outside of the Bangkok Metropolitan Area is underway to ensure that BOT is enable to deal with severe risk scenarios that could have wide-scale impact. Moreover, BOT annually conducts BCP drill on disruption of critical systems, fire drill and emergency evacuation. The objective of the exercises is to be well prepared in case of adverse events.

22.2.3 Revised and developed Key Risk Indicators (KRIs) and Risk Dashboard to cover all key risks. The tool is used to enhance the monitoring of key risks and facilitate risk reporting to the RMC to determine corrective or preventive actions.

## 23. Fair Value of Financial Assets and Liabilities

### 23.1 Fair Value Hierarchy of Financial Assets and Liabilities

As at December 31, 2016, the financial assets and liabilities measured at fair value are presented as follows:

Unit: Million baht

	2016			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Foreign securities	1,827,935	948,411	-	2,776,346
Derivative assets	36	2,929	-	2,965
<b>Total</b>	<b><u>1,827,971</u></b>	<b><u>951,340</u></b>	<b><u>-</u></b>	<b><u>2,779,311</u></b>
<b>Financial Liabilities</b>				
Derivative liabilities	-	1,003	-	1,003
Resale liabilities	-	123	-	123
<b>Total</b>	<b><u>-</u></b>	<b><u>1,126</u></b>	<b><u>-</u></b>	<b><u>1,126</u></b>

Unit: Million baht

	2015			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Foreign securities	1,652,148	1,025,633	-	2,677,781
Derivative assets	-	441	-	441
<b>Total</b>	<b><u>1,652,148</u></b>	<b><u>1,026,074</u></b>	<b><u>-</u></b>	<b><u>2,678,222</u></b>
<b>Financial Liabilities</b>				
Derivative liabilities	-	341	-	341
Resale liabilities	-	180	-	180
<b>Total</b>	<b><u>-</u></b>	<b><u>521</u></b>	<b><u>-</u></b>	<b><u>521</u></b>

### **23.2 Fair Value Hierarchy**

Level 1 - quoted prices (unadjusted) in active markets for identical assets and liabilities that the BOT can access at the measurement date.

Level 2 - calculated by pricing models which were widely used in the market, and inputs are observable for the asset or liability, either directly or indirectly.

Level 3 - calculated by pricing model, and inputs are unobservable for the asset or liability.

### **23.3 Valuation Methodology and Techniques used in Fair Value Measurement**

Fair value of foreign securities is based on market prices published by a widely recognized market price provider. Normally, the price providers take into account liquidity of the securities as well as liquidity of the securities markets in determining the valuation methodology. For fair value of liquid securities, providers will directly use the prices quoted by groups of designated dealers. For fair value of illiquid securities or illiquid markets, in absence of credible market quotes, providers will carry out calculation using a pricing model with market prices input from comparable assets or liabilities.

For derivatives instruments, fair values are measured by using valuation techniques such as cash flow discounting and models generally adopted in the market. Observed market data such as interest rate and exchange rate are used in the calculation.

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

On March 22, 2017, the BOT Board authorized the issuance of these financial statements.

---