



(TRANSLATION)  
AUDITOR'S REPORT

To the Bank of Thailand Board

**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, 2017, 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, 2017, 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 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.

## **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 will provide the annual report 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 if the Office of the Auditor General of Thailand identifies during the audit.

(Signed)

(Ms. Pongchomnad Jariyajinda)  
Deputy Auditor General

(Signed)

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

Bank of Thailand  
Statement of Financial Position  
As at December 31, 2017

	Note	2017	2016
<b>Unit : THB</b>			
<b>ASSETS</b>			
Cash and Deposits	4	1,026,945,795,474	790,313,141,104
Reserve Tranche and Special Drawing Right Holdings	5	65,926,425,061	69,117,344,213
Investment in Securities	6	3,341,596,798,180	3,063,658,457,868
Loans	7	13,290,234,552	112,045,652,243
Premises and Equipment	8	6,962,035,468	6,685,498,517
Other Assets	9	376,089,167,679	176,370,170,238
<b>Total Assets</b>		<b><u>4,830,810,456,414</u></b>	<b><u>4,218,190,264,183</u></b>
<b>LIABILITIES AND EQUITY</b>			
Deposits	10	356,116,008,574	287,148,314,048
Special Drawing Right Allocations	11	45,127,731,516	46,722,111,011
Securities Sold under Repurchase Agreements	12	559,259,000,000	310,306,000,000
Debt Securities Issued by the Bank of Thailand	13	4,523,046,646,562	4,170,375,564,674
Other Liabilities	14	363,712,505,656	149,401,916,351
<b>Total Liabilities</b>		<b><u>5,847,261,892,308</u></b>	<b><u>4,963,953,906,084</u></b>

The accompanying notes form part of these financial statements.

Bank of Thailand  
Statement of Financial Position (Continued)  
As at December 31, 2017

			Unit : THB
	Note	2017	2016
<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	(164,983,727,289)	32,119,865,142
Accumulated Losses	18	(807,603,942,044)	(725,028,181,880)
Net Loss for the Year		(71,815,773,436)	(80,807,332,038)
<b>Total Equity</b>		<b><u>(1,016,451,435,894)</u></b>	<b><u>(745,763,641,901)</u></b>
<b>Total Liabilities and Equity</b>		<b><u>4,830,810,456,414</u></b>	<b><u>4,218,190,264,183</u></b>

The accompanying notes form part of these financial statements.

(Mr. Veerathai Santiprabhob)  
Governor

(Ms. Preyanuch Chuengprasert)  
Senior Director, Finance and Accounting Department

Bank of Thailand  
Statement of Income  
For the Year Ended December 31, 2017

	Note	2017	2016
Unit : THB			
<b>Income</b>			
Interest Income		65,878,349,581	53,216,942,052
Net Gains on Sale of Investments		-	23,806,669,816
Fee		516,725,180	492,374,893
Others		1,920,618,896	647,175,357
<b>Total Income</b>		<b>68,315,693,657</b>	<b>78,163,162,118</b>
<b>Expenses</b>			
Interest Expense		80,964,404,040	82,273,407,779
Net Losses on Foreign Exchange		43,734,134,566	57,437,851,299
Net Losses on Sale of Investments		4,782,517,456	-
Personnel Expenses		5,079,556,281	4,872,881,877
Others	19	5,570,854,750	14,386,353,201
<b>Total Expenses</b>		<b>140,131,467,093</b>	<b>158,970,494,156</b>
<b>Net Loss</b>		<b>(71,815,773,436)</b>	<b>(80,807,332,038)</b>

The accompanying notes form part of these financial statements.

Bank of Thailand  
Statement of Comprehensive Income  
For the Year Ended December 31, 2017

	Unit : THB	
	2017	2016
Net Loss	(71,815,773,436)	(80,807,332,038)
Other Comprehensive Loss		
Items that might be reclassified subsequently to Profit or Loss		
Change in Assets and Liabilities Revaluation Reserve	(197,103,592,431)	(58,086,051,322)
Items that will not be reclassified subsequently to Profit or Loss		
Actuarial Loss	(1,768,428,126)	(640,536,393)
Total Other Comprehensive Loss	<u>(198,872,020,557)</u>	<u>(58,726,587,715)</u>
Total Comprehensive Loss	<u><u>(270,687,793,993)</u></u>	<u><u>(139,533,919,753)</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, 2017**

	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 : THB  Total
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 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>20,000,000</b>	<b>27,307,931,128</b>	<b>624,075,747</b>	<b>32,119,865,142</b>	<b>(725,028,181,880)</b>	<b>(80,807,332,038)</b>	<b>(745,763,641,901)</b>
Balance as at January 1, 2017	20,000,000	27,307,931,128	624,075,747	32,119,865,142	(725,028,181,880)	(80,807,332,038)	(745,763,641,901)
Changes during the Year							
Net Loss transferred to Accumulated Losses	-	-	-	-	(80,807,332,038)	80,807,332,038	-
Total Comprehensive Loss	-	-	-	(197,103,592,431)	(1,768,428,126)	(71,815,773,436)	(270,687,793,993)
<b>Balance as at December 31, 2017</b>	<b>20,000,000</b>	<b>27,307,931,128</b>	<b>624,075,747</b>	<b>(164,983,727,289)</b>	<b>(807,603,942,044)</b>	<b>(71,815,773,436)</b>	<b>(1,016,451,435,894)</b>

The accompanying notes form part of these financial statements.

**Bank of Thailand**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2017**

Unit : THB

	2017	2016
<b>Cash Flows from Operating Activities</b>		
Net Loss	(71,815,773,436)	(80,807,332,038)
<b>Adjustments to Reconcile Net Loss to Net Cash</b>		
<b>Provided by (Used in) Operating Activities:</b>		
Depreciation and Amortization Expenses	733,306,079	649,388,812
Gain on Disposal of Premises and Equipment	(1,265,134,154)	(8,068,923)
Write Off of Work in Progress	16,600,457	3,552,648
Net (Gain) Loss on Sale of Investments	4,782,517,456	(23,806,669,816)
Interest Income	(65,878,349,581)	(53,216,942,052)
Interest Expense	80,964,404,040	82,273,407,779
(Gain) Loss from Non-cash Foreign Assets and Liabilities Cost Averaging	16,129,570,525	(57,742,594,083)
<b>Losses</b>		
on Forward Contracts under Resale Agreements	(39,106,529)	(47,256,471)
Net Increase in Accrued Revenues	(26,592,641)	(5,947,049)
Net Increase in Accrued Expenses	234,976,788	27,361,633
Net (Increase) Decrease in Prepaid Expenses	(5,068,747)	1,659,761
	<u>(36,168,649,743)</u>	<u>(132,679,439,799)</u>
Cash Received on Interest Income	69,895,736,216	74,559,153,800
Cash Paid on Interest Expense	<u>(54,937,108,619)</u>	<u>(58,864,352,251)</u>
 Loss from Operation before Changes in Operating Assets and Liabilities	 <b>(21,210,022,146)</b>	 <b>(116,984,638,250)</b>

The accompanying notes form part of these financial statements.

**Bank of Thailand**  
**Statement of Cash Flows (Continued)**  
**For the Year Ended December 31, 2017**

Unit : THB

	Note	2017	2016
<b>(Increase) Decrease in Operating Assets</b>			
Foreign Deposits		(272,409,058,335)	51,418,674,453
Reserve Tranche and Special Drawing Right Holdings		837,604,450	(2,138,162,581)
Loans		98,677,228,728	24,456,588,343
Other Assets		(6,190,111,081)	(5,119,958,813)
<b>Increase (Decrease) in Operating Liabilities</b>			
Deposits		68,972,646,500	(264,116,533,545)
Securities Sold under Repurchase Agreements		248,953,000,000	(40,284,000,000)
Debt Securities Issued by the Bank of Thailand		326,043,707,569	717,402,599,079
Other Liabilities		(7,254,410,712)	15,780,809,939
Net Cash Flows from Operating Activities		<b>436,420,584,973</b>	<b>380,415,378,625</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Domestic Securities		(103,843,439,780)	(66,916,197,080)
Proceeds from Sale of Domestic Securities		39,112,000,000	17,899,000,000
Purchase of Foreign Securities		(6,721,473,949,929)	(7,614,702,278,880)
Proceeds from Sale of Foreign Securities		6,369,337,036,336	7,520,382,979,780
Purchase of Premises and Equipment		(1,047,267,627)	(1,170,936,536)
Proceeds from Disposal of Premises and Equipment		1,283,394,492	10,773,513
Net Cash Flows from Investing Activities		<b>(416,632,226,508)</b>	<b>(144,496,659,203)</b>
Assets and Liabilities Revaluation Reserve on Cash		(29,631,007,068)	9,509,190,783
Net Increase (Decrease) in Cash and Cash Equivalents		(9,842,648,603)	245,427,910,205
Cash and Cash Equivalents at the Beginning of the Year		558,193,924,168	312,766,013,963
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>4</b>	<b>548,351,275,565</b>	<b>558,193,924,168</b>

The accompanying notes form part of these financial statements.

**Bank of Thailand**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2017**

**1. General Information**

The Bank of Thailand (the BOT) was established by the Bank of Thailand Act, B.E. 2485 as amended (the BOT Act). The BOT's objectives are to carry out central banking functions 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 accounts of the BOT shall comply with generally accepted accounting principles, except for matters which the BOT Board deems necessary and appropriate to follow generally accepted practices of other central banks. 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 accounts of the BOT, not including those of the Currency Reserve, the Note Issuance Business and the Financial Institutions Development Fund (FIDF), and have been prepared under 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 expenses are recognized on a time proportion basis using effective yield method 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 Thai 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 Thai 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.

### **3.3 Foreign Currency Transactions (continued)**

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. WAC is also used as the cost of the same foreign currency sold on the same day. This 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 Derivatives**

Derivatives are used to manage international reserves and hedge risks arising from fluctuation of bond price, exchange rate, or interest rate. All derivatives are presented at fair value, and are revalued to Thai Baht at the exchange rates prevailing on the reporting date. 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 contracts are early terminated, right exercised, contracts expired, or cash margin are settled.

### **3.5 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 claims and obligations are revalued to Thai 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. Differences between the spot and forward exchange rates are treated as interest income or interest expense on a time proportion basis.

### **3.6 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 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.

### **3.7 Loans**

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

### 3.8 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 Assets</u>	<u>Useful Life</u>
Buildings, Temporary Buildings and Improvements	5-20 years
Equipment	3-15 years

Depreciation methods, useful lives and residual values of the assets are reviewed at each financial year-end.

### 3.9 Intangible Assets

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

### 3.10 Heritage Assets

The BOT holds some antique objects which are considered heritage assets, such as antique coins, banknotes, and textiles which have been acquired through purchase or donation. They are held and maintained for the purpose of preservation and exhibition at the BOT's museum, not for central bank's function. Since 2005, purchased antiques 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. A registry containing detail of all the items held at the museum is used for control purposes.

### 3.11 Securities Borrowing Facility

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 securities borrowing facility 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 securities borrowing facility 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".

### 3.12 Post-employment Benefits

#### 3.12.1 Defined Contribution Plans

The BOT's Rules and Regulations for Provident Fund stipulated that the BOT and employees who are members of the provident fund make contributions to the provident fund in accordance with the prescribed conditions. This provident fund is 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.

#### 3.12.2 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 THB	
	2017	2016
Cash and Cash Equivalents		
Cash	75,407	81,487
Domestic Demand Deposits	4	18
Foreign Demand Deposits	<u>472,940</u>	<u>476,689</u>
Total Cash and Cash Equivalents	548,351	558,194
Foreign Time and Special Deposits	<u>478,595</u>	<u>232,119</u>
<b>Total</b>	<b><u>1,026,946</u></b>	<b><u>790,313</u></b>

Foreign Time Deposits are held for international reserve management purposes rather than for the short-term cash commitment purpose.

### 5. Reserve Tranche and Special Drawing Right Holdings

	Unit : Million THB	
	2017	2016
Quota Subscribed in International Monetary Fund (IMF)	149,387	154,665
<u>Less:</u> IMF Current Account No. 1	(24,482)	(30,467)
Promissory Notes Payable to IMF	<u>(104,424)</u>	<u>(102,030)</u>
Reserve Tranche	20,481	22,168
Special Drawing Right Holdings	<u>45,445</u>	<u>46,949</u>
<b>Total</b>	<b><u>65,926</u></b>	<b><u>69,117</u></b>

## 6. Investment in Securities

	Unit : Million THB	
	2017	2016
Domestic Securities - Stated at amortized cost		
Government Bonds	<u>349,562</u>	<u>287,312</u>
Total Domestic Securities	<u>349,562</u>	<u>287,312</u>
Foreign Securities - Stated at fair value		
Treasury Bills and Short-term Debt Securities	472,570	703,916
Treasury Bonds and Long-term Debt Securities	2,499,394	2,052,317
Investment in Asian Bond Fund	<u>20,071</u>	<u>20,113</u>
Total Foreign Securities	<u>2,992,035</u>	<u>2,776,346</u>
<b>Total</b>	<b><u>3,341,597</u></b>	<b><u>3,063,658</u></b>

## 7. Loans

	Unit : Million THB	
	2017	2016
Loans to financial institutions for flood	11,541	109,209
Contribution to the IMF under the NAB	<u>1,749</u>	<u>2,837</u>
<b>Total</b>	<b><u>13,290</u></b>	<b><u>112,046</u></b>

The loans to financial institutions for 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 21.8.1.

## 8. Premises and Equipment

	Unit : Million THB								
	2017								
	Cost				Accumulated Depreciation				Net
	Opening Balance	Increases	Decreases	Closing Balance	Opening Balance	Increases	Decreases	Closing Balance	
Land	2,200	-	7	2,193	-	-	-	-	2,193
Buildings	4,806	454	24	5,236	2,998	240	20	3,218	2,018
Equipment	3,882	902	143	4,641	2,320	377	136	2,561	2,080
Work in progress	<u>1,115</u>	<u>972</u>	<u>1,416</u>	<u>671</u>	-	-	-	-	<u>671</u>
<b>Total</b>	<b><u>12,003</u></b>	<b><u>2,328</u></b>	<b><u>1,590</u></b>	<b><u>12,741</u></b>	<b><u>5,318</u></b>	<b><u>617</u></b>	<b><u>156</u></b>	<b><u>5,779</u></b>	<b><u>6,962</u></b>



## 8. Premises and Equipment (continued)

Unit : Million THB

	2016								Net
	Cost				Accumulated Depreciation				
	Opening Balance	Increases	Decreases	Closing Balance	Opening Balance	Increases	Decreases	Closing Balance	
Land	2,200	-	-	2,200	-	-	-	-	2,200
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>11,014</u></b>	<b><u>1,426</u></b>	<b><u>437</u></b>	<b><u>12,003</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>6,685</u></b>

Depreciation expenses for the year 2017 and 2016 were THB617 million and THB526 million, respectively.

The BOT board approved the sell of land in Surat Thani, Nakhon Ratchasima, and Rayong - amounted to THB273 million, as a result, these lands were reclassified as “Other Assets”.

## 9. Other Assets

Unit : Million THB

	2017	2016
Quota Subscribed in the IMF - THB	128,906	132,497
Net Assets from Foreign Exchange Swaps	-	16,686
Claim on Debt Securities under Repurchase Agreement	207,570	-
Accrued Income	20,278	16,770
Investments in Other Organizations	1,534	1,588
Others	<u>17,801</u>	<u>8,829</u>
<b>Total</b>	<b><u>376,089</u></b>	<b><u>176,370</u></b>

The item “Others” as at December 31, 2017 and 2016 amounted to THB17,801 million and THB8,829 million, respectively. They included the net balances of intangible assets (computer software and systems), amounted to THB245 million and THB243 million, respectively. Amortization expenses for the year 2017 and 2016 were THB116 million and THB123 million, respectively.

## 10. Deposits

	Unit : Million THB	
	2017	2016
Non Interest-Bearing Deposits		
Government	184,107	94,838
Financial Institutions	130,207	120,471
Others	<u>14,129</u>	<u>19,847</u>
	328,443	235,156
Interest-Bearing Deposits	<u>27,673</u>	<u>51,992</u>
<b>Total</b>	<b><u>356,116</u></b>	<b><u>287,148</u></b>

The interest-bearing deposits facility is used to maintain market interest rates within the interest rate corridor and to facilitate liquidity adjustment of money market participants. This is expected to enhance the transmission of monetary policy and financial markets development.

## 11. Special Drawing Right Allocations

The IMF's member countries are allocated Special Drawing Right in proportion to their subscriptions in the IMF. As at December 31, 2017 and 2016, the BOT was allocated the balance of SDR970 million, which was equivalent to THB45,128 million and THB46,722 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, 2017 and 2016 were THB559,259 million and THB310,306 million, respectively.

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

	Unit : Million THB	
	2017	2016
Bank of Thailand Bonds		
Remaining Maturity:		
- 1 year or less	2,278,482	2,365,655
- over 1 year	756,357	762,966
<u>Less: Held by the BOT</u>	<u>(11,292)</u>	<u>(25,225)</u>
	3,023,547	3,103,396
Other BOT Debt Securities	<u>1,499,500</u>	<u>1,066,980</u>
(Remaining maturity less than 1 year)		
<b>Total</b>	<b><u>4,523,047</u></b>	<b><u>4,170,376</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 2017, the interest paid on BOT bonds and BOT debt securities amounted to THB45,590 million and THB21,401 million, respectively. The interest paid is 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 THB	
	2017	2016
IMF Current Accounts No. 1 and 2	24,482	30,467
Promissory Notes Payable to the IMF	104,424	102,030
Obligations to Return Debt Securities	207,570	-
Net Liabilities from Foreign Exchange Swaps	8,413	-
Employee Benefit Obligations	7,290	5,795
Accrued Expenses	8,239	8,387
Others	<u>3,294</u>	<u>2,723</u>
<b>Total</b>	<b><u>363,712</u></b>	<b><u>149,402</u></b>

Employee Benefit Obligations as at December 31, 2017 included the obligation from pension plan amounted to THB4,698 million and the obligation from post-employment medical plan amounted to THB2,592 million. Changes in the present value of the employee benefit obligations are presented as follows:

	Unit : Million THB	
	2017	2016
Employee Benefit Obligations as at January 1	5,795	5,420
Current service cost	131	125
Interest cost	141	107
Benefit paid and transferred during the year	(545)	(498)
Actuarial loss	<u>1,768</u>	<u>641</u>
Employee Benefit Obligations as at December 31	<b><u>7,290</u></b>	<b><u>5,795</u></b>

#### The Significant Actuarial Assumptions

Average discount rates	1.89% - 6.19%
Average rate of increase in salaries	7.00%
Medical cost trend growth rate	2.00%
Mortality	Thai Mortality Table 2017

### 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 deducting 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, 2017, 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 THB	
	2017	2016
Unrealized Gains (Losses) from Foreign Exchange Revaluation of Assets and Liabilities	(160,123)	30,033
Unrealized Gains (Losses) from Price Revaluation of Investments	(5,087)	169
Unrealized Gains (Losses) from Revaluation of Derivatives	223	1,962
Unrealized Gains (Losses) from Revaluation of Forward Contracts under Resale Agreements	<u>3</u>	<u>(44)</u>
<b>Total</b>	<b><u>(164,984)</u></b>	<b><u>32,120</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, 2017 and 2016, the outstanding balances of Accumulated Losses were THB807,604 million and THB725,028 million, respectively. Changes to the Accumulated Losses are set out in the statement of change in equity.

For the year 2017, the losses were due to foreign exchange losses and interest payments on liquidity-absorption monetary policy operations. The accumulated loss has no impact on the continuous operation of the BOT to carry out its role and responsibility.

**19. Other Expenses**

	Unit : Million THB	
	2017	2016
Losses from Derivatives	2,553	11,686
Depreciation and Amortization	733	649
External Fund Manager Management Fees	756	560
Others	<u>1,529</u>	<u>1,491</u>
<b>Total</b>	<b><u>5,571</u></b>	<b><u>14,386</u></b>

Losses from derivatives were mainly from futures contracts which were used to enhance the efficiency of international reserve management and to reduce the interest rate and bond price risks.

**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 2017 and 2016, total remuneration paid to key management personnel were THB61 million and THB62 million, respectively.

**21. Commitments and Contingencies**

As at December 31, 2017, the outstanding commitments and contingencies of the BOT were as follows:

**21.1 Foreign Exchange Spot Contracts**

The BOT had net outstanding obligations to buy foreign currencies equivalent to USD990 million, which will be due in 2018.

**21.2 Foreign Exchange Forward Contracts**

The BOT had net outstanding obligations to buy foreign currencies equivalent to USD1,017 million and to sell foreign currencies equivalent to USD1,013 million, which will be due in 2018.

Furthermore, the BOT had outstanding obligations under resale agreements to sell Japanese Yen equivalent to USD10 million, which will be due in 2018 - 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 net outstanding obligations under foreign exchange swap contracts to buy foreign currencies equivalent to USD69,218 million and to sell foreign currencies equivalent to USD33,244 million, which will be due in 2018.

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

#### **21.4 Futures Contracts**

The BOT had net outstanding obligations under bond futures contracts to buy bonds equivalent to USD2,405 million and to sell bonds equivalent to USD2,412 million, which will be due in 2018.

#### **21.5 Mortgage Backed Securities (To Be Announced - TBA)**

The BOT had net outstanding obligations to buy mortgage backed securities (TBA) equivalent to USD993 million, which will be due in 2018.

#### **21.6 Securities Borrowing Facility**

The BOT had outstanding obligations to return the borrowed debt securities, due in 2018, amounting to THB219,536 million. Borrowed debt securities sold under repurchase agreements are presented in Note 9 (Other Assets) and Note 14 (Other Liabilities).

#### **21.7 Other Agreements with Central Banks**

21.7.1 The BOT has been part of the ASEAN Swap Arrangement (ASA), which provides 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 its contribution, or USD600 million. In 2017, the BOT renewed the ASA for two years, which will remain in effect until November 16, 2019. In 2017, neither the BOT nor its counterparties activated the arrangement.

21.7.2 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 2017, neither the BOT nor its counterparties activated the agreement.

21.7.3 The BOT and the Bank of Japan (acting as the agent for the Ministry of Finance of Japan) signed the fourth Bilateral Swap Arrangement (BSA) on May 5, 2017. This BSA aims to provide financial support when a country experiences actual or potential financial difficulties. This BSA would also strengthen bilateral cooperation by reinforcing the stability of financial markets and further facilitate growing economic and trade relations between the two countries. Under this BSA, the BOT and BOJ can make swap transactions in their local currencies (i.e. Thai Baht and Japanese Yen, respectively) against US dollars. The size of the facility is up to USD3,000 billion for the period of three years.

21.7.4 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 bilateral trade and direct investment settlement between the two countries. The BSA will make available a swap line with an amount of CNY70,000 million, or equivalent to THB370,000 million, and will be effective for three years from December 22, 2017. In 2017, none of the financial institutions in Thailand has applied for the swap line usage.

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

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

21.8.1 New Arrangements to Borrow (NAB) amounted up to SDR340 million, which will expire on November 16, 2022. The IMF made partial calls on the NAB from the BOT as presented in Note 7 (Loans).

21.8.2 The Note Purchase Agreement (NPA) under the 2016 bilateral borrowing framework, amounted up to USD4,000 million, which will expire on December 31, 2019 and can be extended for one year, subject to the BOT's consent.

## **21.9 Contingent Liabilities on Lawsuits**

As at December 31, 2017, the BOT was involved in certain legal actions and claims arising from the ordinary course of business amounting to THB663 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 Enterprise Risk Management Department (ERM) is a core unit responsible for implementing BOT's risk management framework and ensuring adherence to the principle of good governance. Internal risk management process is under the supervision of Risk Management Committee (RMC) and Financial Risk Management Sub-Committee (FRMC) of the BOT. In addition, Risk Oversight Committee (ROC), with members drawn from non-executive directors of the BOT Board as well as external experts appointed by the BOT Board, is responsible for overseeing the BOT's overall risk management policy to assure that the BOT Board is kept informed of key risks that may have potential significant impact on the BOT.

### **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 mostly denominated in foreign currencies as a result of monetary and exchange rate policy implementation to ensure a stable financial environment. The BOT's liabilities, on the other hand, are mostly denominated in Thai 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.

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

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, limits, such as tracking error limits, are set to ensure that risks from active management are within an acceptable level.

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 setting minimum credit rating and exposure limits, including:

(1) Minimum Credit Rating, which is set for all counterparties and issuers to limit the credit value-at-risk to a low level.

(2) Aggregate Credit Exposure Limits, which are set for counterparties and issuers in the form of deposit-equivalent exposure in aggregate.

(3) Individual Credit Exposure Limit, which is 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 also used as constraints in portfolio 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 needs, and the cost-benefit comparisons between the returns from liquidity premiums and the costs of liquidation.



## 22.2 Integrated Operational Risk Management

The BOT has adopted international standards for risk management, and have put in place relevant risk management process and tools. The BOT assigns all departments to annually conduct the Control Self-Assessment (CSA) aiming at strengthening awareness of risks associated with their business plans and operations. The CSA result also helps departments to enhance efficiency and effectiveness of work processes. In addition, the BOT also has in place the following tools for enterprise risk management:

(1) Key Risk Indicators (KRIs): the tool of risk monitoring and reporting presented to RMC on a quarterly basis, so as to ensure that RMC can determine corrective or preventive risk management measures in a timely manner.

(2) Operational Risk Incident Reporting: the tool requiring the department encountering risk incidents and responsible department to report loss incidents as well as near-miss events to the ERM.

(3) Business Continuity Management (BCM): A Business Continuity Plan (BCP), a plan describing the policy, systems, procedures, etc. to recover the critical business when contingencies, e.g. fire or IT disruptions, arise. The BCP is annually tested to assure that the BOT is able to promptly respond to any contingencies, and also quickly resumes its central banking business.

In 2017, the BOT has revised and further developed risk management tools as follows:

1. Enhancing analysis of Control Self-Assessment (CSA), by focusing on root-cause analysis, as well as applying statistical methods to assess cross-functional risk with proactive approach.

2. Improving Business Continuity Management in accordance with the ISO 22301: 2012 - Business Continuity Management System. The BOT has also established the Cyber Security Incident Response Plan (CSIRP) in addition to the current plans. Moreover, the BOT has conducted a testing exercise to ensure that it is well-prepared for cyber threats which has the potential to lead to disruption of both IT system and business operations.

3. Implementing an Online Compliance Training of Operational Risk Management to promote comprehensive understanding of operational risk management, and to also enhance risk awareness of all BOT employees.

Furthermore, the ERM was restructured in 2017 by integrating two divisions, previously located in other departments, in line with its expanded roles and responsibilities:

1. Compliance Risk Management Division, which is responsible for keeping track of laws and regulations to which the BOT must comply, and also for coordinating with relevant departments for proper response to laws and regulatory requirements. This is in order to enhance efficiency in compliance risk management process, with high priority placed on legal compliance.

2. Information Technology (IT) Risk Management Division, which is responsible for establishing appropriate IT risk management policy, IT risk identification, as well as managing comprehensive IT risk of the BOT. This is in order to strengthen efficiency in IT risk management.

## 23. Fair Values of Financial Assets and Liabilities

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

As at December 31, 2017 and 2016, the financial assets and liabilities measured at fair values were presented as follows:

Unit : Million THB

	2017			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Foreign securities	1,823,393	1,168,642	-	2,992,035
Derivative assets	<u>69</u>	<u>260</u>	<u>-</u>	<u>329</u>
<b>Total</b>	<b><u>1,823,462</u></b>	<b><u>1,168,902</u></b>	<b><u>-</u></b>	<b><u>2,992,364</u></b>
<b>Financial Liabilities</b>				
Derivative liabilities	18	87	-	105
Resale liabilities	<u>-</u>	<u>37</u>	<u>-</u>	<u>37</u>
<b>Total</b>	<b><u>18</u></b>	<b><u>124</u></b>	<b><u>-</u></b>	<b><u>142</u></b>

Unit : Million THB

	2016			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Foreign securities	1,827,935	948,411	-	2,776,346
Derivative assets	<u>36</u>	<u>2,929</u>	<u>-</u>	<u>2,965</u>
<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	<u>-</u>	<u>123</u>	<u>-</u>	<u>123</u>
<b>Total</b>	<b><u>-</u></b>	<b><u>1,126</u></b>	<b><u>-</u></b>	<b><u>1,126</u></b>

### 23.2 Fair Values Hierarchy

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

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

Level 3 - calculated by pricing models, and inputs are unobservable for the assets or liabilities.

### 23.3 Valuation Methods and Techniques used in Fair Value Measurement

Fair values of foreign securities are 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 methods. For fair values of liquid securities, providers will directly use the prices quoted by groups of designated dealers. For fair values 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. Reclassification

There were reclassified items in the statement of financial position as at December 31, 2016 for consistency purposes. The reclassifications had no effect on the previously reported statement of financial position. The reclassifications were shown as follows:

	Unit : Million THB		
	Before Reclassified	Amount Reclassified	After Reclassified
Premises and Equipment	6,958	(273)	6,685
Other Assets	176,097	273	176,370

### 25. Approval of the Financial Statements

On March 21, 2018, the BOT Board authorized the issuance of these financial statements.

---