



(TRANSLATION)  
AUDITOR'S REPORT

To the Bank of Thailand Board

**Opinion**

The State Audit Office of the Kingdom of Thailand has audited the financial statements of the Bank of Thailand, which comprise the statement of financial position as at December 31, 2018, 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 State Audit Office of the Kingdom 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, 2018, 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 State Audit Office of the Kingdom of Thailand conducted the audit in accordance with the State Audit Standards and Thai Standards on Auditing. The State Audit Office of the Kingdom 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 State Audit Office of the Kingdom of Thailand's report. The State Audit Office of the Kingdom of Thailand is independent of the Bank of Thailand in accordance with the State Audit Standards issued by the State Audit Commission and the Thailand Federation of Accounting Professions's Code of Ethics for Professional Accountants that are relevant to the audit of the financial statements, and the State Audit Office of the Kingdom of Thailand has fulfilled other ethical responsibilities in accordance with these requirements. The State Audit Office of the Kingdom of Thailand believes that the audit evidence the State Audit Office of the Kingdom of Thailand has obtained is sufficient and appropriate to provide a basis for the State Audit Office of the Kingdom of Thailand's opinion.

**Other Information**

Management is responsible for the other information. The other information comprises information included 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 State Audit Office of the Kingdom of Thailand after the date of this auditor's report.

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

In connection with the audit of the financial statements, the State Audit Office of the Kingdom 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 the State Audit Office of the Kingdom of Thailand's knowledge obtained in the audit, or otherwise appears to be materially misstated.

When the State Audit Office of the Kingdom of Thailand reads the annual report, if the State Audit Office of the Kingdom of Thailand concludes that there is a material misstatement therein, the State Audit Office of the Kingdom 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 the 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 State Audit Office of the Kingdom 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 State Audit Office of the Kingdom of Thailand's opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the State Audit Standards and 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 State Audit Office of the Kingdom of Thailand's audit in accordance with the State Audit Standards and Thai Standards on Auditing, the State Audit Office of the Kingdom of Thailand exercises professional judgment and maintains professional skepticism throughout the audit. The State Audit Office of the Kingdom 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 State Audit Office of the Kingdom 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 an understanding 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 Bank of Thailand'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 Bank of Thailand's ability to continue as a going concern. If the State Audit Office of the Kingdom of Thailand concludes that a material uncertainty exists, the State Audit Office of the Kingdom of Thailand is required to draw attention in the auditor's report of

the State Audit Office of the Kingdom of Thailand to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the State Audit Office of the Kingdom of Thailand's opinion. The State Audit Office of the Kingdom of Thailand's conclusions are based on the audit evidence obtained up to the date of the auditor's report of the State Audit Office of the Kingdom of Thailand. However, future events or conditions may cause the Bank of Thailand 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 State Audit Office of the Kingdom 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 State Audit Office of the Kingdom of Thailand identifies during the audit.

(Signed)

(Mr. Prajuck Boonyoung)  
Auditor General

(Signed)

(Ms. Chitra Mekapongpanh)  
Director of Financial and Procurement Audit Office No. 5

Bank of Thailand  
Statement of Financial Position  
As at December 31, 2018

		2018	2017
	Note		Unit : THB
<b>ASSETS</b>			
Cash and Deposits	4	540,283,724,301	1,026,945,795,474
Reserve Tranche and Special Drawing Right Holdings	5	72,037,893,030	65,926,425,061
Investment in Securities	6	3,914,953,603,942	3,341,596,798,180
Loans	7	1,417,696,021	13,290,234,552
Premises and Equipment	8	6,521,534,736	6,962,035,468
Other Assets	9	300,166,566,616	376,089,167,679
<b>Total Assets</b>		<b><u>4,835,381,018,646</u></b>	<b><u>4,830,810,456,414</u></b>
<b>LIABILITIES AND EQUITY</b>			
Deposits	10	555,623,352,580	356,116,008,574
Special Drawing Right Allocations	11	43,744,692,234	45,127,731,516
Securities Sold under Repurchase Agreements	12	578,910,000,000	559,259,000,000
Debt Securities Issued by the Bank of Thailand	13	4,537,253,830,824	4,523,046,646,562
Other Liabilities	14	290,269,832,756	363,712,505,656
<b>Total Liabilities</b>		<b><u>6,005,801,708,394</u></b>	<b><u>5,847,261,892,308</u></b>

The accompanying notes form part of these financial statements.

Bank of Thailand  
Statement of Financial Position (Continued)  
As at December 31, 2018

			Unit : THB
	Note	2018	2017
<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	(241,093,823,236)	(164,983,727,289)
Accumulated Losses	18	(880,220,698,008)	(807,603,942,044)
Net Loss for the Year		<u>(77,058,175,379)</u>	<u>(71,815,773,436)</u>
<b>Total Equity</b>		<b><u>(1,170,420,689,748)</u></b>	<b><u>(1,016,451,435,894)</u></b>
<b>Total Liabilities and Equity</b>		<b><u>4,835,381,018,646</u></b>	<b><u>4,830,810,456,414</u></b>

The accompanying notes form part of these financial statements.

(Mr. Veerathai Santiprabhob)  
Governor

(Mrs. Chanatip Jariyawiroj)  
Senior Director, Finance and Accounting Department

Bank of Thailand  
Statement of Income  
For the Year Ended December 31, 2018

	Note	2018	2017
<b>Unit : THB</b>			
<b>Income</b>			
Interest Income		108,535,549,485	65,878,349,581
Fee		560,814,711	516,725,180
Others		922,501,705	1,920,618,896
<b>Total Income</b>		<b><u>110,018,865,901</u></b>	<b><u>68,315,693,657</u></b>
<b>Expenses</b>			
Interest Expense		89,759,297,823	80,964,404,040
Net Losses on Foreign Exchange		65,619,342,175	43,734,134,566
Net Losses on Sale of Investments		17,933,784,372	4,782,517,456
Personnel Expenses		5,152,640,978	5,079,556,281
Others	19	8,611,975,932	5,570,854,750
<b>Total Expenses</b>		<b><u>187,077,041,280</u></b>	<b><u>140,131,467,093</u></b>
<b>Net Loss</b>		<b><u>(77,058,175,379)</u></b>	<b><u>(71,815,773,436)</u></b>

The accompanying notes form part of these financial statements.

Bank of Thailand  
Statement of Comprehensive Income  
For the Year Ended December 31, 2018

	2018	2017
Net Loss	(77,058,175,379)	(71,815,773,436)
Other Comprehensive Loss		
Items that might be reclassified subsequently to Profit or Loss		
Change in Assets and Liabilities Revaluation Reserve	(76,110,095,947)	(197,103,592,431)
Items that will not be reclassified subsequently to Profit or Loss		
Actuarial Loss	(800,982,528)	(1,768,428,126)
Total Other Comprehensive Loss	<u>(76,911,078,475)</u>	<u>(198,872,020,557)</u>
Total Comprehensive Loss	<u><u>(153,969,253,854)</u></u>	<u><u>(270,687,793,993)</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, 2018**

	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, 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)
Balance as at December 31, 2017	<u>20,000,000</u>	<u>27,307,931,128</u>	<u>624,075,747</u>	<u>(164,983,727,289)</u>	<u>(807,603,942,044)</u>	<u>(71,815,773,436)</u>	<u>(1,016,451,435,894)</u>
Balance as at January 1, 2018	20,000,000	27,307,931,128	624,075,747	(164,983,727,289)	(807,603,942,044)	(71,815,773,436)	(1,016,451,435,894)
Changes during the Year							
Net Loss transferred to Accumulated Losses	-	-	-	-	(71,815,773,436)	71,815,773,436	-
Total Comprehensive Loss	-	-	-	(76,110,095,947)	(800,982,528)	(77,058,175,379)	(153,969,253,854)
Balance as at December 31, 2018	<u>20,000,000</u>	<u>27,307,931,128</u>	<u>624,075,747</u>	<u>(241,093,823,236)</u>	<u>(880,220,698,008)</u>	<u>(77,058,175,379)</u>	<u>(1,170,420,689,748)</u>

The accompanying notes form part of these financial statements.

**Bank of Thailand**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2018**

	Unit : THB	
	2018	2017
<b>Cash Flows from Operating Activities</b>		
Net Loss	(77,058,175,379)	(71,815,773,436)
<b>Adjustments to Reconcile Net Loss to Net Cash</b>		
<b>Provided by (Used in) Operating Activities:</b>		
Depreciation and Amortization Expenses	751,959,535	733,306,079
Gain on Disposal of Premises and Equipment	(4,919,034)	(1,265,134,154)
Write Off of Work in Progress	13,865,480	16,600,457
Net Loss on Sale of Investments	17,933,784,372	4,782,517,456
Interest Income	(108,535,549,485)	(65,878,349,581)
Interest Expense	89,759,297,823	80,964,404,040
Loss from Non-cash Foreign Assets and Liabilities		
Cost Averaging	1,280,745,190	16,129,570,525
Gain on Forward Contracts under Resale Agreements	(26,327,335)	(39,106,529)
Net Increase in Accrued Revenues	(34,245,461)	(26,592,641)
Net Increase (Decrease) in Accrued Expenses	(121,385,098)	234,976,788
Net (Increase) Decrease in Prepaid Expenses	5,751,057	(5,068,747)
	(76,035,198,335)	(36,168,649,743)
Cash Received on Interest Income	104,536,887,014	69,895,736,216
Cash Paid on Interest Expense	(63,869,735,756)	(54,937,108,619)
Loss from Operation before Changes in Operating Assets and Liabilities	<b>(35,368,047,077)</b>	<b>(21,210,022,146)</b>

The accompanying notes form part of these financial statements.

Bank of Thailand  
Statement of Cash Flows (Continued)  
For the Year Ended December 31, 2018

	Note	2018	2017
Unit : THB			
<b>(Increase) Decrease in Operating Assets</b>			
Foreign Deposits		265,750,943,080	(272,409,058,335)
Reserve Tranche and Special Drawing Rights Holdings		(8,347,892,309)	837,604,450
Loans		11,827,071,408	98,677,228,728
Other Assets		15,183,843,507	(6,190,111,081)
<b>Increase (Decrease) in Operating Liabilities</b>			
Deposits		199,512,263,834	68,972,646,500
Securities Sold under Repurchase Agreements		19,651,000,000	248,953,000,000
Debt Securities Issued by the Bank of Thailand		(12,484,275,651)	326,043,707,569
Other Liabilities		(11,562,051,559)	(7,254,410,712)
Net Cash Flows from Operating Activities		<b>444,162,855,233</b>	<b>436,420,584,973</b>
<b>Cash Flow from Investing Activities</b>			
Purchase of Domestic Securities		(84,426,928,892)	(103,843,439,780)
Proceeds from Sale of Domestic Securities		25,451,000,000	39,112,000,000
Purchase of Foreign Securities		(9,708,901,139,220)	(6,721,473,949,929)
Proceeds from Sale of Foreign Securities		9,090,749,211,344	6,369,337,036,336
Purchase of Premises and Equipment		(293,419,091)	(1,047,267,627)
Proceeds from Disposal of Premises and Equipment		4,930,912	1,283,394,492
Net Cash Flows from Investing Activities		<b>(677,416,344,947)</b>	<b>(416,632,226,508)</b>
Assets and Liabilities Revaluation Reserve on Cash		8,213,341,239	(29,631,007,068)
Net Decrease in Cash and Cash Equivalents		(225,040,148,475)	(9,842,648,603)
Cash and Cash Equivalents at the Beginning of the Year		548,351,275,565	558,193,924,168
Cash and Cash Equivalents at the End of the Year	4	<b>323,311,127,090</b>	<b>548,351,275,565</b>

The accompanying notes form part of these financial statements.

**Bank of Thailand**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

**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 Thailand Federation of Accounting Professions.

The preparation of financial statements in conformity with Thai Financial Reporting Standards requires the BOT Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, thus actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

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**

3.1.1 Interest revenue are recognized on a time proportion basis using effective yield method unless otherwise disclosed. Other revenue are recognized on an accrual basis.

3.1.2 Interest expenses are recognized on a time proportion basis and other 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.

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 to maturity 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	
	2018	2017
Cash and Cash Equivalents		
Cash	75,332	75,407
Domestic Demand Deposits	3	4
Foreign Demand Deposits	<u>247,976</u>	<u>472,940</u>
Total Cash and Cash Equivalents	323,311	548,351
Foreign Time and Special Deposits	<u>216,973</u>	<u>478,595</u>
<b>Total</b>	<b><u>540,284</u></b>	<b><u>1,026,946</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	
	2018	2017
Reserve Tranche		
Quota Subscribed in International Monetary Fund (IMF)	144,809	149,387
<u>Less:</u> IMF Current Account No. 1	(14,007)	(24,482)
Promissory Notes Payable to IMF	<u>(103,042)</u>	<u>(104,424)</u>
	27,760	20,481
Special Drawing Right Holdings	<u>44,278</u>	<u>45,445</u>
<b>Total</b>	<b><u>72,038</u></b>	<b><u>65,926</u></b>

## 6. Investment in Securities

	Unit : Million THB	
	2018	2017
Domestic Securities - Stated at amortized cost		
Government Bonds	<u>405,561</u>	<u>349,562</u>
Total Domestic Securities	<u>405,561</u>	<u>349,562</u>
Foreign Securities - Stated at fair value		
Treasury Bills and Short-term Debt Securities	603,265	472,570
Treasury Bonds and Long-term Debt Securities	2,831,775	2,499,394
Investment in Equities	54,412	-
Investment in Asian Bond Fund	<u>19,941</u>	<u>20,071</u>
Total Foreign Securities	<u>3,509,393</u>	<u>2,992,035</u>
<b>Total</b>	<b><u>3,914,954</u></b>	<b><u>3,341,597</u></b>

## 7. Loans

	Unit : Million THB	
	2018	2017
Loans to financial institutions for flood	-	11,541
Loans to the IMF under the NAB	<u>1,418</u>	<u>1,749</u>
<b>Total</b>	<b><u>1,418</u></b>	<b><u>13,290</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 loans 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								
	2018								
	Cost				Accumulated Depreciation				Net
	Opening Balance	Increases	Decreases	Closing Balance	Opening Balance	Increases	Decreases	Closing Balance	Net
Land	2,193	-	-	2,193	-	-	-	-	2,193
Buildings	5,236	325	-	5,561	3,218	211	-	3,429	2,132
Equipment	4,641	366	48	4,959	2,561	437	47	2,951	2,008
Work in progress	<u>671</u>	<u>272</u>	<u>754</u>	<u>189</u>	-	-	-	-	<u>189</u>
<b>Total</b>	<b><u>12,741</u></b>	<b><u>963</u></b>	<b><u>802</u></b>	<b><u>12,902</u></b>	<b><u>5,779</u></b>	<b><u>648</u></b>	<b><u>47</u></b>	<b><u>6,380</u></b>	<b><u>6,522</u></b>



## 8. Premises and Equipment (continued)

Unit : Million THB

	2017								Net
	Cost				Accumulated Depreciation				
	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>-</u>	<u>-</u>	<u>-</u>	<u>-</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>

Depreciation expenses for the year 2018 and 2017 were THB648 million and THB617 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

	2018	2017
Quota Subscribed in the IMF - THB	117,049	128,906
Claim on Debt Securities under Repurchase Agreement	139,331	207,570
Accrued Income	24,287	20,278
Subscription in Other Organizations	1,487	1,534
Others	<u>18,012</u>	<u>17,801</u>
<b>Total</b>	<b><u>300,166</u></b>	<b><u>376,089</u></b>

The item “Others” as at December 31, 2018 and 2017 amounted to THB18,012 million and THB17,801 million, respectively. They included the net balances of intangible assets (computer software and systems) amounted to THB217 million. Their balances comprised a beginning balance amounted to THB1,653 million, additions amounted to THB82 million, disposals amounted to THB6 million and accumulated amortization amounted to THB1,512 million. Amortization expenses for the year 2018 were THB104 million.

**10. Deposits**

	Unit : Million THB	
	2018	2017
Non Interest-Bearing Deposits		
Government	382,454	184,107
Financial Institutions	141,915	130,207
Others	<u>7,780</u>	<u>14,129</u>
	532,149	328,443
Interest-Bearing Deposits	<u>23,474</u>	<u>27,673</u>
<b>Total</b>	<b><u>555,623</u></b>	<b><u>356,116</u></b>

The interest-bearing deposits facility is an instrument to facilitate end-of-day liquidity adjustment of financial institutions, and serves to ensure appropriate money market interest rate for the transmission of monetary policy, as well as for the development of the money market.

**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, 2018 and 2017, the BOT was allocated the balance of SDR970 million, which was equivalent to THB43,745 million and THB45,128 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, 2018 and 2017 were THB578,910 million and THB559,259 million, respectively.

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

	Unit : Million THB	
	2018	2017
Bank of Thailand Bonds		
Remaining Maturity:		
- 1 year or less	2,457,494	2,278,482
- over 1 year	1,010,073	756,357
<u>Less: Held by the BOT</u>	<u>(65,333)</u>	<u>(11,292)</u>
	3,402,234	3,023,547
Other BOT Debt Securities	<u>1,135,020</u>	<u>1,499,500</u>
(Remaining maturity less than 1 year)		
<b>Total</b>	<b><u>4,537,254</u></b>	<b><u>4,523,047</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 2018, the interest paid on BOT bonds and BOT debt securities amounted to THB47,019 million and THB23,481 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	
	2018	2017
IMF Current Accounts No. 1 and 2	14,007	24,482
Promissory Notes Payable to the IMF	103,042	104,424
Obligations to Return Debt Securities	139,331	207,570
Net Liabilities from Foreign Exchange Swaps	12,882	8,413
Employee Benefit Obligations	7,832	7,290
Accrued Expenses	7,770	8,239
Others	<u>5,406</u>	<u>3,294</u>
<b>Total</b>	<b><u>290,270</u></b>	<b><u>363,712</u></b>

Employee Benefit Obligations as at December 31, 2018 included the obligation from pension plan amounted to THB5,129 million and the obligation from post-employment medical plan amounted to THB2,703 million. Changes in the present value of the employee benefit obligations are presented as follows:

	Unit : Million THB	
	2018	2017
Employee Benefit Obligations as at January 1	7,290	5,795
Current service cost	138	131
Interest cost	135	141
Benefit paid and transferred during the year	(532)	(545)
Actuarial loss	<u>801</u>	<u>1,768</u>
Employee Benefit Obligations as at December 31	<b><u>7,832</u></b>	<b><u>7,290</u></b>

#### The Significant Actuarial Assumptions

Average discount rates	1.86% - 5.77%
Average rate of increase in salaries	6.50%
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, 2018, 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	
	2018	2017
Unrealized Losses from Foreign Exchange Revaluation of Assets and Liabilities	(256,078)	(160,123)
Unrealized Gains (Losses) from Price Revaluation of Investments	15,924	(5,087)
Unrealized Gains (Losses) from Revaluation of Derivatives	(931)	223
Unrealized Gains (Losses) from Revaluation of Forward Contracts under Resale Agreements	<u>(9)</u>	<u>3</u>
<b>Total</b>	<b><u>(241,094)</u></b>	<b><u>(164,984)</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, 2018 and 2017, the outstanding balances of Accumulated Losses were THB880,221 million and THB807,604 million, respectively. Changes to the Accumulated Losses are set out in the statement of change in equity.

For the year 2018, the losses were due to foreign exchange losses and interest payments on liquidity-absorption monetary policy operations which were conducted in accordance with the roles and responsibilities of the BOT to maintain economic stability. The accumulated loss has no impact on the continued operation of the BOT.

## 19. Other Expenses

	Unit : Million THB	
	2018	2017
Losses from Derivatives	5,419	2,553
Depreciation and Amortization	752	733
External Fund Manager Management Fees	848	756
Others	<u>1,593</u>	<u>1,529</u>
<b>Total</b>	<b><u>8,612</u></b>	<b><u>5,571</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 2018 and 2017, total remuneration paid to key management personnel were THB62 million and THB61 million, respectively.

## 21. Commitments and Contingencies

As at December 31, 2018, the outstanding commitments and contingencies of the BOT were as follows:

### 21.1 Foreign Exchange Forward Contracts

The BOT had net outstanding obligations to buy foreign currencies equivalent to USD837 million and to sell foreign currencies equivalent to USD840 million, which will be due in 2019.

Furthermore, the BOT had the outstanding obligations under resale agreements to sell Japanese Yen equivalent to USD3 million, which will be due in 2019 - 2020.

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

### 21.2 Foreign Exchange Swap Contracts

The BOT had net outstanding obligations under foreign exchange swap contracts to buy foreign currencies equivalent to USD61,565 million and to sell foreign currencies equivalent to USD29,333 million, which will be due in 2019.

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

### 21.3 Foreign Exchange Option Contracts

The BOT had net outstanding obligations under foreign exchange option contracts to buy foreign currencies equivalent to USD766 million and to sell foreign currencies equivalent to USD255 million, which will be due in 2019.

#### **21.4 Futures Contracts**

The BOT had net outstanding obligations under bond futures contracts to sell bonds equivalent to USD974 million, which will be due in 2019 - 2020. Furthermore, the BOT had outstanding obligations under interest rate futures contracts to sell USD130 million, which will be due in 2019 - 2022.

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

The BOT had net outstanding obligations to buy mortgage backed securities (TBA) equivalent to USD377 million, which will be due in 2019.

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

The BOT had outstanding obligations to return the borrowed debt securities, due in 2019 - 2032, amounting to THB144,971 million, which will be due in 2019 - 2032. 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 2018, 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 2018, neither the BOT nor its counterparties activated the agreement.

21.7.3 The BOT and the Bank of Japan (the BOJ), acting as agent for the Ministry of Finance of Japan, signed the Amendment and Restatement Agreement of the fourth Bilateral Swap Arrangement (BSA) on July 23, 2018. 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 the BOJ can make swap transactions in their local currencies (i.e. Thai Baht and Japanese Yen, respectively) against US dollars. This amendment additionally enables the BOT to swap its local currency against the Japanese Yen. The size of the facility is up to USD3,000 million for the period of three years. In 2018, neither the BOT nor the counterparty activated the arrangement.

### **21.7 Other Agreements with Central Banks (continued)**

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 2018, neither the BOT nor its counterparties activated the arrangement and 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, 2018, the BOT was involved in certain legal actions and claims arising from the ordinary course of business amounting to THB623 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 are as follows:

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.

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 is the risk of loss due to changes in the market value of assets or currencies. Risk factors that lead to market risk are interest rate risk, incurred from investment in fixed-income securities, foreign exchange rate risk, incurred from investment in foreign currencies, and equity price risk, incurred from investment in equities.

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.



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

The BOT controls credit risk by setting minimum credit rating and exposure limits, including:

(1) Minimum Credit Rating, which is set for 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 implemented operational risk management tools and procedures in line with international standards. To ensure successful achievement of its mandates, the BOT established Enterprise Risk Management Policy and continued to improve its operational risk management arrangement in response to changing environments. Key BOT's operational risk management tools are:

(1) Control Self-Assessment (CSA): The BOT requires all departments to annually conduct the CSA in order to identify and assess risks associated with their operations and initiatives. These risk assessment results, in turn, assist the departments in improving efficiency and effectiveness of their processes.

(2) Key Risk Indicators (KRIs): The tools are employed to monitor the BOT's material risk exposures. Key risk results together with the respective outlooks are reported to the RMC on a quarterly basis, in order to establish corrective or preventive controls correspondingly.

(3) Operational Risk Incident Reporting: The BOT required any department incurring the loss and the responsible departments to report a loss incident or a near-miss event through the in-house Risk Management System (RMS). The RMS serves as a database for risk events which will be used for analyzing and identifying appropriate controls to prevent future occurrences.

## 22.2 Integrated Operational Risk Management (continued)

(4) Business Continuity Management: In 2018, the BOT is in the process of enhancing its business continuity management system to be in compliance with ISO 22301: 2012 Business Continuity Management Systems. In this regard, the BOT established the BOT's Business Continuity Management Policy to describe objectives and framework for establishing a Business Continuity Management System (BCMS) within the BOT. Furthermore, the BOT conducted exercises to test its Business Continuity Plan (BCP) every year. The exercises encompassed scenarios such as a major Information Technology (IT) disruption, a fire, a bomb threat and included an annual call-tree exercise. These exercises help to ensure the BOT's readiness in responding to any contingencies and being able to carry out its mandates in times of emergency and crisis.

In addition, the BOT strengthened operational risk management by putting forth both compliance risk management and IT risk management as follows:

(1) Compliance Risk Management: The BOT issued an internal regulation on compliance risk management, set up database on BOT-related legislations and developed compliance KRIs to ensure that the BOT's operations adhere to applicable laws and regulations. In addition, the scope of financial risk compliance has been expanded to enhance the operational risk compliance aspect of reserve management and monetary operations.

(2) Information Technology Risk Management: The BOT established IT risk management policies and framework, identified, analyzed, and monitored IT risks; and continued to enhance the BOT's capabilities to effectively protect, detect, and respond to IT risks and cyber threats as well as to comply with IT-related regulations and standards. In 2018, key actions taken included establishing data governance framework and conducting Cyber Security Incident Response table-top exercise, which not only assessed BOT's internal readiness, but also coordination across the banking and financial sector.

## 23. Fair Values of Financial Assets and Liabilities

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

As at December 31, 2018 and 2017, the financial assets and liabilities measured at fair values were presented as follows:

	Unit : Million THB			
	2018			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Foreign securities	2,067,159	1,442,234	-	3,509,393
Derivative assets	<u>200</u>	<u>848</u>	<u>-</u>	<u>1,048</u>
<b>Total</b>	<b><u>2,067,359</u></b>	<b><u>1,443,082</u></b>	<b><u>-</u></b>	<b><u>3,510,441</u></b>
<b>Financial Liabilities</b>				
Derivative liabilities	93	790	-	883
Resale liabilities	<u>-</u>	<u>22</u>	<u>-</u>	<u>22</u>
<b>Total</b>	<b><u>93</u></b>	<b><u>812</u></b>	<b><u>-</u></b>	<b><u>905</u></b>

## 23.1 Fair Values Hierarchy of Financial Assets and Liabilities (continued)

Unit : Million THB

	2017			Total
	Level 1	Level 2	Level 3	
<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>

## 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. Approval of the Financial Statements

On March 27, 2019, the BOT Board authorized the issuance of these financial statements.