



BANK OF THAILAND

ANNUAL REPORT 2011





With strong confidence that every sector is capable of leveraging the economy with their potential and self-immunity, the Bank of Thailand (also known as BOT) is ready to co-analyze the situation and seek the best solution on the basis of principles. It also emphasizes its problem solving on the utilization of the most practical method that leads to the sustainable strength.

The BOT frames a working concept based on highlighting problem analysis prudently, precisely and effectively. To find an ultimate balance on encouraging progress development based on thoroughly and fairly benefit distribution throughout the country, we consider both short-term and long-term effects resulting in sustainability for Thai well-being.





A stylized handwritten signature in black ink, appearing to read 'C. R. S.' followed by a flourish.

M.R. Chatu Mongkol Sonakul

Chairman

Message from Chairman of Bank of Thailand Board

As one of Thailand's major public policy institutions, the Bank of Thailand's (BOT) main duty is to promote the country's economic stability. Its staff needs to be equipped with knowledge and aware of the changes that occur over time. In 2011, many changes affected the performance of the BOT. The Board of Directors, as a supervisory body, recognized and guided the management of the BOT to serve the central bank functions smoothly even in time of crisis when the country faced with massive flooding in late 2011.

One of the significant changes that have continuously developed till the present is the rising importance of China to the world and Thailand. The events that reflected the increasing relationship between the People's Bank of China (PBOC) and the BOT were an agreement to establish a bilateral local currency swap totaling 70 billion Chinese Yuan between the two institutions in late 2011, and the Chinese authorities' authorization to allow the Thai investment in China's bond market at a later time. At present, this relationship has developed to the stage that BOT has already opened its representative office in Beijing. On 6 April 2011, Her Royal Highness Princess Maha Chakri Sirindhorn presided over the official opening ceremony of the Bank of Thailand Beijing Representative Office. This marks a significant progress that helps foster closer ties between the two countries. Through the operation of BOT in monitoring first-hand knowledge on China's economic and financial developments and changes, the BOT can help promote bilateral trade by adopting each other's currency as a means for international trade settlement without using the third currency as well as promoting Chinese investors or financial institutions to invest in Thailand more conveniently and vice versa.

As for the BOT internal administration, the management of human resources is one of the major factors for success. The BOT has recruited highly experienced executives from outside the organization to join the BOT. This is one way to help push for changes that will affect the efficiency of the organization which has been advocated by the Board of Directors. In particular, the appointment of Assistant Governor for Human Resources and Development responsible for the management of human resources will help build a strong foundation within the organization to deal with external changes most effectively.

Finally, I would like to express my confidence that, with knowledge and experience of the governor, executives, and employees as well as a commitment to follow the organization core values, the BOT can overcome difficulties amid changes that occur over time, and lead the country's economic and financial system to achieve the highest goal: Pursuing Sustainable Economic Well-Being.





Prasarn Trairatvorakul

Mr. Prasarn Trairatvorakul

Deputy-Chairman

Message from the Governor

Despite severe flood in 2011, which temporarily affected the growth engine of Thailand, the overall economic outlook remained resilient to move forward. Looking to the future, Thailand needs to strategize its policy directions to be able to sustainably cope with both domestic and external challenges.

Overall, external threats from the megatrends have remained unchanged, including the rise of Asian economies, accelerated liberalization trend particularly under the ASEAN Economic Community (AEC), and volatility in the global economic and financial system. These three megatrends will pose impacts on Thailand persistently.

On the domestic front, Thailand's competitiveness may fall further behind its trading partners and competitors, especially when compared to China and Malaysia. This situation clearly indicates that Thailand's potential and immunity to counter external vulnerability will be a long-term concern. Excluding economic and financial sectors, key challenges for Thailand remains political stability, governance, law enforcement, education, and scientific and technological development.

However, there are still various areas within the economic and financial sectors which need to be addressed such as investment in infrastructure projects, some low-value-added manufacturing and export sectors, rising direct and indirect fiscal burden. Although such fiscal burden is still kept intact at present, relevant authorities are required to continuously monitor and analyze its impact in the future, especially when Thailand is entering the ageing society in the next decade. As for the financial sector, Thai financial institutions are now strong; nonetheless, it is necessary for them to better prepare for competition from abroad, as well as to develop the service capability to efficiently respond to changing requirements in the future. Meanwhile, consumers of financial products are also required to be more financially literate to improve their well-beings and grow their businesses constantly.

All of these challenges are not new to Thailand, yet every sector needs to keep in mind and push for the structural changes to enhance Thailand's potential in addressing such challenges. Therefore, the BOT has taken into account these challenges when developing its 5-year strategic plan which will serve as guidelines for its operation during the years 2012-2016. This will demonstrate how the BOT will tackle important challenges or focus on areas that require special attention.



In pursuit of Thailand's sustainable economic well-being, the BOT operation has followed its 5-year strategic plan, part of which has already been implemented this year. Progress has been made on issues such as increasing diversification of foreign exchange reserves, establishing an internal work process to better handle financial stability issues, enhancing efficiency of payment system via Imaged Cheque Clearing and Archive System (ICAS), and setting up the financial consumer protection centre. In addition, we have made some progress in internal management issues such as communication strategies as well as human resources and organizational development strategies.

However, the implementation of some of the strategies requires the BOT to collaborate with other economic agencies, starting from the formulation of clear common visions especially on the issues that will be key strategic drivers of the Thai economic and financial system in the future. The coherence of public policies will make the promotion of Thailand's investment abroad more powerful and successful. For example, the role of BOT in relaxing capital movement and foreign exchange measures, coupled with accommodative tax policies, will help encourage more Thai outward investment.

The BOT gives importance to the formulation process of common visions which will be the first step to align its mission and 5-year strategic plan with Thailand's key economic growth engines. This will support the enhancement of economic development of the country going forward. Such common visions include:

1. Facilitating efficient connectivity between foreign and domestic economic/financial system
2. Creating economic and financial environments that are conducive for upgrading Thailand's long-run competitiveness
3. Promoting efficient and equitable financial access
4. Fostering economic and financial stability

The formulation process of common visions is an ongoing process. The BOT will keep the public informed when visions are made clear. To gain the public understanding and support, the BOT will also provide the general public with easy-to-understand information with clear supporting rationales covering all key aspects.

To effectively handle all of the aforementioned challenges requires public understanding of the impacts of all policy alternatives. The BOT will therefore collaborate with other policy makers to reach our ultimate goal in pursuing Thailand's sustainable economic well-being.



Summary of the 5-year Strategic Plan (2012-2016)



Macroeconomic and financial policies coordination

Collaborate with external stakeholders to derive “common visions” that help guide coordination among pertinent parties in meeting the country’s macroeconomic and financial policy challenges.

The exchange rate

Conduct foreign exchange policy in a more flexible manner, to help the economy to better accommodate volatility in the exchange rate movements, and grow sustainably in the long term. A focus will also be given to the preparation of tools and mechanisms to guard against short-term excessive volatility that could bring instability problems.

Reserves management

Enhance efficiency and capability in reserves management to raise longer-term returns, mindful that the overriding objective for reserves holding is the maintenance of macroeconomic stability.

Financial stability

Enhance capacity to oversee financial system stability by redesigning organization structure and work processes, developing analysis framework, building staff capability, and cooperating with other regulatory agencies.

Financial sector development

Foster sustainable development of the Thai financial sector, by promoting a financial sector that is (1) able to efficiently serve the real sector’s needs, (2) competitive, and (3) stable, continuing from the Financial Sector Master Plan II.

Payment system development

Foster developments in the domestic payments system by promoting e-payment usage, and augmenting payment system capacity to handle crisis situations. Promote improvements in efficiency and stability of the cross-border payment system to help support international trade and investment.

Consumer protection

Obtain a work process for financial consumer protection that is more systematic and more supportive of coordination with outside parties.

Internal and external communications

Communicate effectively, through a system that promotes clarity, implement effective outreach, and is responsive to the needs of stakeholders (internal and external), in order to help the BOT achieve its missions efficiently.

HR and organization development

Build and develop human capital and improve work processes in order to make the BOT a sustainably high-performance organization.



The Roles of the BOT in Pursuit of Thailand's Sustainable Well-Being

In February 2012, the meeting among policy committees was organized. The committees participated in this meeting include the Bank of Thailand Board, Monetary Policy Committee, Financial Institutions Policy Committee, Payment System Committee, Audit Committee, Risk Supervision Committee, and BOT's Top Management. All members of these committees are opinion leaders in the organizations playing important roles as driving forces for the country. These distinguished members had brainstormed to set the directions that Thailand should move forward and determine the roles of BOT in such a pursuit.

The directions obtained from the meeting reveals one clear common vision. In addition to safeguarding the stability, it is deemed important that the BOT should play a key role in promoting development and growth on equitable and fair basis, which would in turn build a long-term sustainable immunity for Thailand.





According to the above policy direction, the BOT deems that its mission and 5-year strategic plan have a direct linkage with four major driving forces that would enhance the equitable development and growth of the country which are:

1. Facilitating efficient connectivity between foreign and domestic economic/financial system
2. Creating economic and financial environments conducive for upgrading Thailand's long-run competitiveness
3. Promoting efficient and equitable financial access
4. Fostering economic and financial stability

These four driving forces require a significant involvement from external organizations. Therefore, the BOT will use these four issues as a starting point for constructive dialogue with related organizations as well as enhance collaboration among organizations in order to bring forth a sustainable well-being of the country, which is the vision and ultimate goal of the BOT.





Facilitating Efficient Connectivity between Foreign and Domestic Economic/Financial System

Apart from providing incentives to attract foreign investors to Thailand, strengthening Thailand's geographical advantage as a regional hub for industrial manufacturing, trading and services will be a major force for developing sustainable competitiveness for Thai business sector and encouraging Thai entrepreneurs to expand into the global market. Not only will increasing cross-border trade and investment force business sector to increase their capability to compete, but also generate numerous benefits, including access to larger customer base and expanding international trading network, more diversified sources of income to reduce risk of domestic shocks, and have access to resources, labors, and international technologies.

Nevertheless, the level of Thailand's foreign investment is still much lower than other major competitors, making thus undermining Thailand's competitive capacity going forward. In this regard, the BOT has emphasized the importance of integrating the Thai economic and financial system with the global system, especially with countries playing vital global roles and having strong trading and investment relationship with Thailand, through the following strategies:

Reduce obstacles : revision of regulations on capital flow and foreign exchange to facilitate the integration of economic and financial system, especially those related to overseas investment, setting up regional operating headquarter/treasury centre, and integration of ASEAN capital market.

Increase efficiency in financial system : collaboration with public sector and other organizations to ensure that capital for foreign investment is allocated more efficiently with supportive payment system and foreign exchange system that are in line with international standards, convenient, and efficient.

Increase capability in risk management : collaboration with public sector and other organizations in developing tools for managing risks arising from foreign exchange volatility which would allow greater access by users as well as implementing measures for risk monitoring and risk management to stabilize economic and financial system under severely volatile capital flow environment.

Educate and protect financial services users : collaboration with public sector and other organizations in creating understanding of financial services and regulations related to overseas trading and investment for potential users of financial services.





Creating Economic and Financial Environments Conducive for Upgrading Thailand's Long-run Competitiveness.

Increasing the capacity in business competition requires 3 components which are 1. Reduction in cost of manufacturing/services, 2. Efficient risk management, and 3. High-value added products and services. In transforming the country's economy into high-value added economy, the private sector must be able to develop the above 3 components without reliance on subsidies from the public sector.

For countries caught in middle-income trap, their private sectors tend to rely on public subsidies to reduce cost and manage risks, such as reduction in raw material costs and price-fixing subsidy (including exchange rate control). Those unsustainable subsidies do not create real productivity growth and also place a burden on the public sector on a large scale as well as discourage private sector from adjusting themselves in a sustainable way; for example, using technology to reduce cost, using financial instruments to manage risk, and adding value to products and services by employing new innovation or branding.

Moreover, transforming the country into high-value added economy requires the financial system to be fully equipped with risk management tools together with financial services to facilitate the upgrade of business at reasonable cost, particularly for the sector that will be a vital driving force for Thai economy such as SME and investment in infrastructure. The BOT has stressed the importance of creating a financial and economic environment that facilitate capability building of the country. Thus, the BOT aims to support such development through the following channels:

Exchange rate policy : allowing the economic system to adjust itself under exchange rate movement determined by market mechanism to create self-balancing economy with the private sector having incentives to adjust themselves in a sustainable way.

Increase efficiency in financial system : collaboration with public sector and other related organizations in promoting efficient capital allocation in financial system and providing financial services that facilitate the transformation to high-value added economy. In areas where market mechanism does not function perfectly, the BOT will collaborate with related organizations to set up infrastructure and reduce obstacles to smoothen the functioning of market mechanism and reduce burden on public sector in the long run.

Increase capability in risk management : collaboration with the public sector and other organizations in developing financial system infrastructure and ensuring that a full range of risk management products is available and in line with those in the leading countries in ASEAN.

Educate and protect financial services users : collaboration with other organizations in creating understanding in financial services in line with the pace of financial development, especially complex financial services and those linked to other services provided by institutions not under supervision of the BOT, such as insurance and capital market.



Promote Efficient and Equitable Financial Access

Using financial instruments wisely is an appropriate path toward a more stable economic condition for people and business sector by using basic financial services, such as saving/investment, fund raising, exchange and settlement services.

The above objective can be achieved by using the following strategies 1. Provision of large-scale education particularly in the areas that vital to national stability in the future, such as saving/investment, and fund raising, and 2. Using proactive strategy in consumer protection by supervising financial institutions and using defensive strategy by providing appropriate channels for receiving consumer complaints.

Nevertheless, there are hurdles preventing some population groups from having access to financial services, which are 1. Lack of basic knowledge or unwillingness to enter the formal system, 2. Lack of basic qualifications such as minimum level of income, and financial records, and 3. Commercial banks' lack of expertise or provision of services that do not create business value. There are several approaches to solve the above problems at root causes, such as provision of education, development of infrastructure, revision of regulations impeding financial institutions from providing services, or providing financial services through Specialized Financial Institutions (SFIs). However, these approaches would become effective solutions only if they are implemented by putting emphasis on credit culture to ensure they will not put burden on public finance or impede the upgrading of economic status of service users in long run. Ultimately, after SFIs' customers having access to commercial banking system, it will result in more efficient allocation of capital and reduction of burden on public budget, in terms of operating cost and financing cost.

The BOT has underscored the importance of increasing access to financial services to facilitate the equitable upgrading of economic status of the country. The BOT aims to support such development through the following channels:

Financial consumer protection : setting up the system for providing financial education and consumer protection, particularly to customers in commercial banking system and collaborating with related organizations in providing education and consumer protection to financial services users especially the services linked to financial services of commercial banks, such as insurance and capital market.

Reduce burden on financial access : collaboration with other organizations to reduce the burden on financial access or develop new channels that are easy for access.

Reduce burden in providing financial services : reducing burden and encouraging commercial banks under supervision of the BOT to provide financial services to the groups that do not yet have access to financial services.



Foster Economic and Financial Stability

One cause of financial crisis abroad is that public sector and supervisory agents cannot sufficiently monitor and analyze the overall picture of risks arising from connectedness in economic system. The chronic problems from the crisis that still need to be resolved suggests that the creation of crisis prevention and management processes, including legal framework, regulatory measures, and form of relationship among supervisory bodies engaged in monitoring financial stability, are difficult and complicated but they are still very important mechanisms.

The major lesson learned from every crisis, both economic and financial crisis, is that the lack of confidence in the capability of public sector including central bank is the final frontier for crisis recovery, will result in chronic and prolonged crisis problems. Therefore, creating transparency monetary and fiscal policies and other measures that impact the capability in crisis recovery and public confidence is very crucial.

For Thailand, similar connectedness observed in western countries will continue to expand in the future, including connectedness among financial institutions under and not under supervision of the BOT, financial market, capital market, exchange market as well as foreign financial institutions. This connectedness results from innovations in financial system developed to serve customers demand for various financial products. Therefore, supervisory agents must be capable of monitoring risks embedded in different types of connectedness and risks from regulatory arbitrage. The BOT has stressed the importance of fostering financial stability and will work to support such development through the following channels:

Increase capability in risk monitoring : enhancing capability of working system and human resources of the BOT to be able to monitor risks in financial systems and collaborate with related organizations for the part that are not under supervision of the BOT.

Set up crisis prevention and management systems : collaboration with related organizations in promoting effective crisis monitoring, prevention, and management systems in Thailand.

Create transparency fiscal policy : collaboration with related organizations in analyzing and communicating the impacts of monetary and fiscal policies on crisis recovery capability to create transparency and increase public confidence which is the heart of crisis recovery.

The Bank of Thailand Board



M.R. Chatu Mongol Sonakul
Chairman



Mr. Prasarn Trairatvorakul
Deputy-Chairman



Mr. Krirk Vanikkul
Member



Mrs. Suchada Kirakul
Member



Mr. Sorasit Soontornkes
Member



Mr. Arkhom Termpittayapaisith
Member



Mr. Somchai Sujjapongse
Member



Mr. Kanit Sangsubhan
Member



Mr. Nontaphon Nimsomboon
Member



Mr. Borwornsak Uwanno
Member



Mr. Siri Ganjarendee
Member



Mr. Ampon Kittiampon
Member

Executives of the Bank of Thailand



Mr. Prasarn Trairatvorakul
Governor



Mr. Krirk Vanikkul
*Deputy Governor,
Financial Institutions Stability*



Mrs. Suchada Kirakul
*Deputy Governor,
Monetary Stability*



Mr. Sorasit Soontornkes
*Deputy Governor, Corporate
Support Services and
Banknote Management*



Mr. Chim Tantiyaswasdikul
*Special Advisor to Governor
(Information Technology and
Payment Systems)*



Miss Duangmanee Vongpradhip
*Special Advisor to Governor
(International Policy)*



Mr. Nopporn Pramojaney
*Assistant Governor,
Banknote Management Group*



Mrs. Tongurai Limpiti
*Assistant Governor,
Financial Institutions Policy Group*



Mr. Paiboon Kittisrikangwan
Assistant Governor,
Monetary Policy Group



Mrs. Pongpen Ruengvirayudh
Assistant Governor,
Financial Markets Operations Group



Mrs. Salinee Wangtal
Assistant Governor,
Supervision Group



Mr. Niruth Raksaseree
Assistant Governor,
Internal Audit Group



Miss Sibporn Thavornchan
Assistant Governor,
Information Technology Group



Mr. Chanchai Boonritchaisri
Assistant Governor,
Management Assistance Group



Mrs. Amara Sriphayak
Assistant Governor,
Planning and Budgeting Group



Mr. Nutavoot Pongsiri
Assistant Governor, Human Resources
and Organization Development Group

The Year 2011 at a Glance and Outlook for 2012

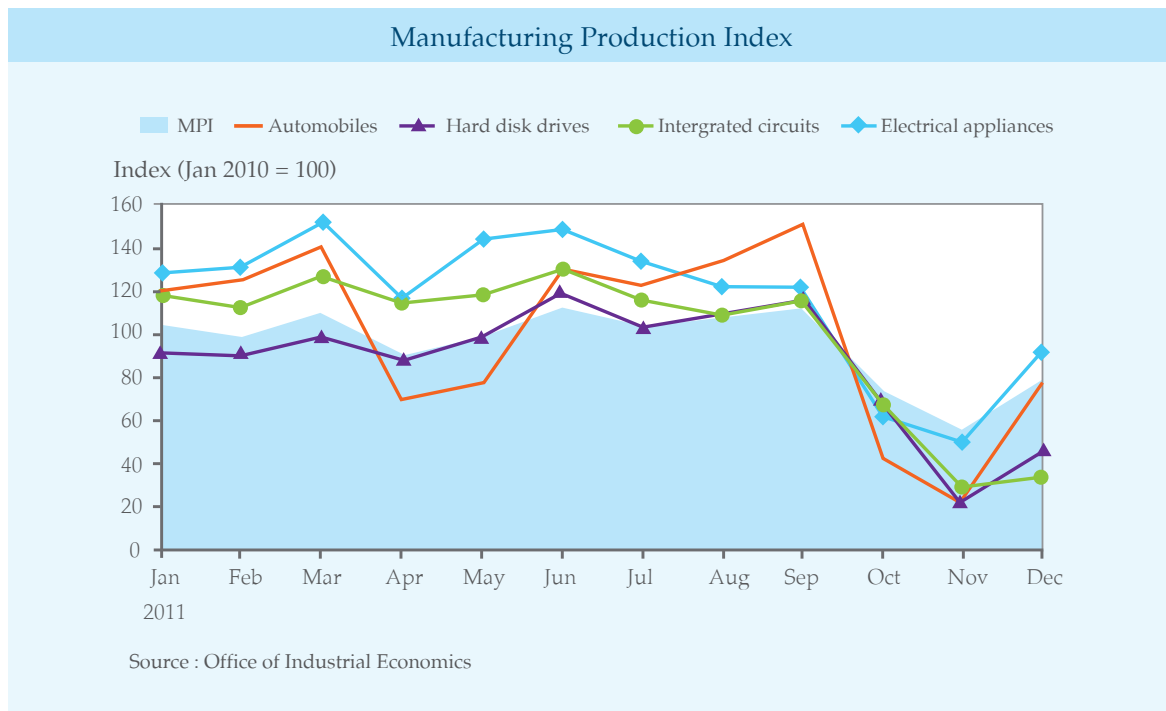
The Thai economy expanded well in the first three quarters of 2011, despite Japan's natural disasters and global growth slowdown. However, the worst floods in 70 years in Q4 brought down the year's growth to 0.1 percent.

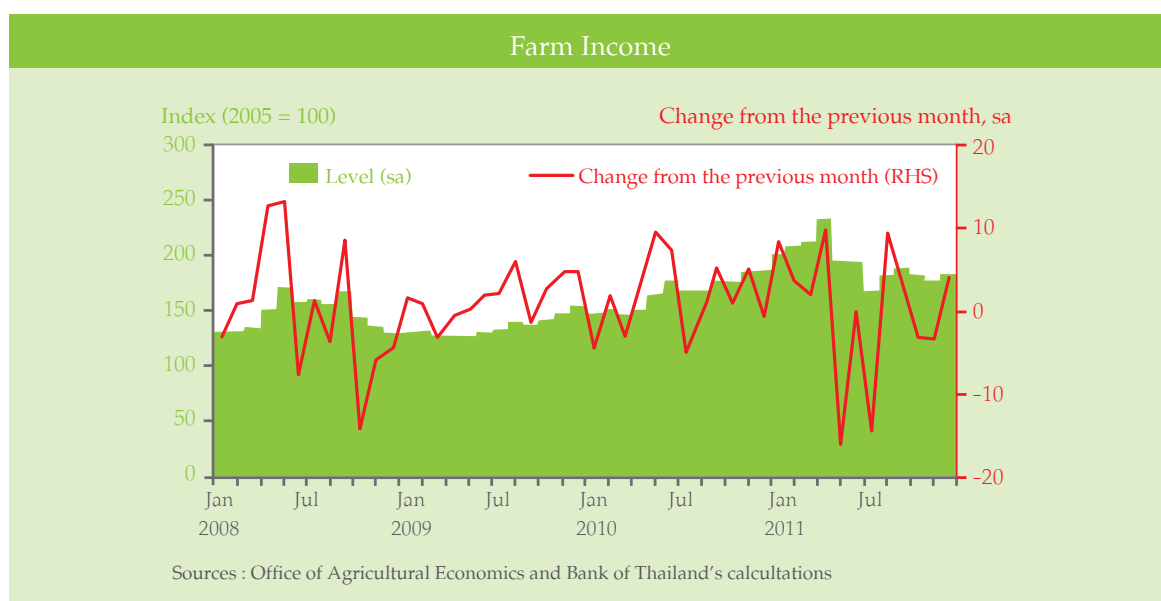
- The historic floods hit the heart of Thailand's manufacturing sector, halting production and disrupting supply chains and transportation. Merchandise exports, consumption, and investment suffered from supply constraints. Once production recovers to normal level, pent-up demand should help sustain growth momentum in the periods ahead.
- Inflation picked up from last year due to production costs that rose with global oil and commodity prices, as well as higher domestic raw food prices caused by supply constraints. Robust demand in the first three quarters also allowed a continued pass-through from costs to prices.
- Labor market continued to tighten, although some workers were temporarily affected by the impact of the floods on the manufacturing sector.
- External stability remained sound. Current account continued to be in surplus, while short-term external debt declined. Financial account recorded a net outflow due mainly to Thai businesses' investment abroad.
- Greater two-way movements were observed in the baht exchange rate. The result of general election in the middle of the year helped reduce uncertainty and supported the baht. However, global financial risks escalated from the euro area's debt crisis and pressured the baht to depreciate overall.
- Fiscal stimulus tapered off. Better economic conditions prompted the government to set a lower fiscal deficit (i.e. budget deficit plus spending under the Stimulus Package 2). Nonetheless, delayed enactment of the new Budget Act limited the role of fiscal policy in mitigating the floods' impact.
- Economic growth in 2012 will hinge on recovery in the manufacturing sector, government's water management plans, and global economic conditions that still depend on developments in the euro area's debt crisis. Upside risks to inflation will likely remain from global oil prices, together with demand pressure that will rise with post-flood recovery and government measures such as the minimum wage hike and the rice pledging program.

The Thai Economy in 2011

The historic floods interrupted domestic growth.

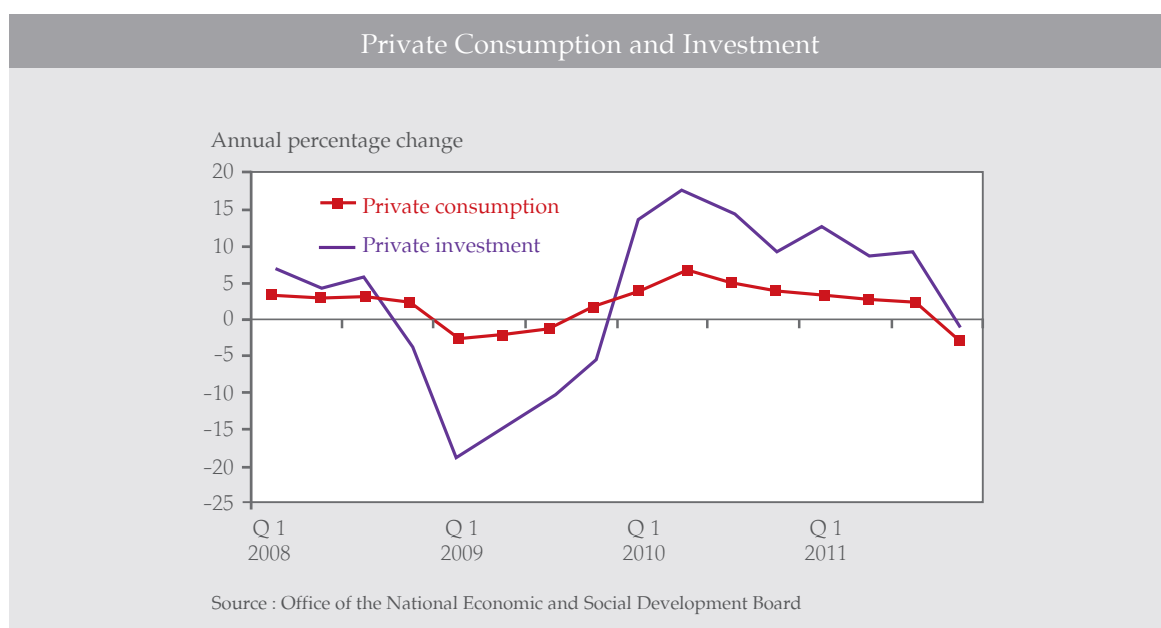
The manufacturing sector suffered severely from both natural disasters in Japan and domestic floods. Japan's disasters weighed down the automobile industry heavily in Q2, but the industry rebounded quickly to normal in Q3. Subsequently, the historic floods in Q4 hit seven industrial estates (17 percent of total manufacturing production) where major producers and complex production networks resided, especially for the automobile, electronics, hard disk drives, and electrical appliances industries. The incidents caused damage directly through production halt and indirectly through disruptions in supply chains and transportation. Meanwhile, the agricultural sector remained resilient despite damage to rice crops in the central region. Besides rice, other major products still increased with expanded farming areas, while agricultural prices also edged higher. As a result, farm income continued to grow from the previous year.





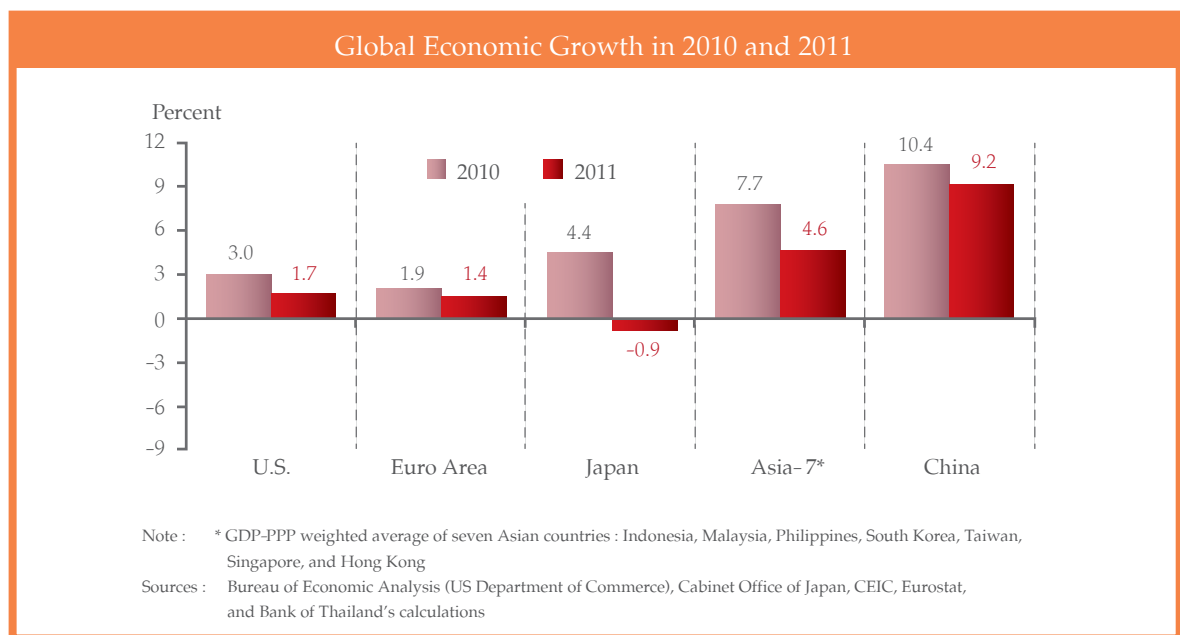
The floods' impact on the labor market was relatively benign, as most businesses retained their employees to ensure a prompt post-flood operation. Although some workers were laid-off, they should easily be reemployed as soon as businesses start to recover given tight labor market conditions.

Production problems led to a severe shortage of goods, which interrupted consumption and investment momentum despite supportive farm and non-farm income, improved consumer and business confidence, as well as conducive monetary conditions.



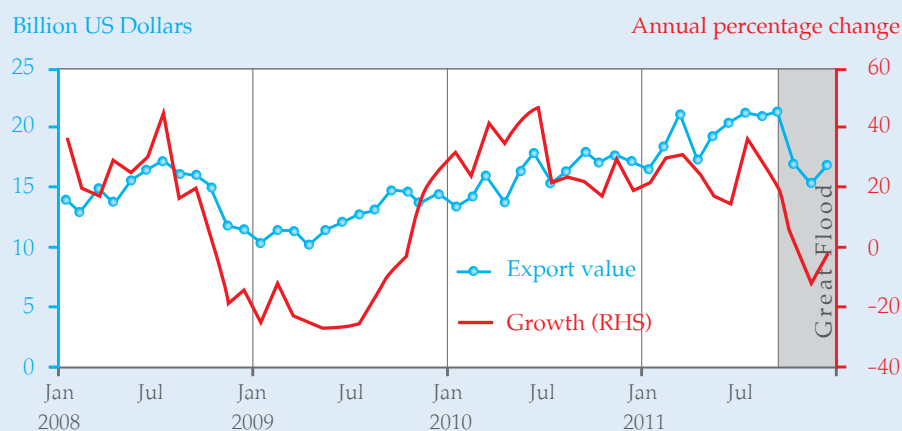
Global growth slowdown affected Thailand only moderately.

Global economic growth softened mainly from advanced economies. In particular, some fragility remained in the U.S. economy, while the euro area's debt crisis intensified and spread beyond Greece, Ireland, and Portugal to core countries including Italy and Spain in the second half of the year. The debt crisis also started to affect emerging market economies through international trade and financial market volatility. Also, in the second quarter, supply disruptions following Japan's natural disasters disrupted production of automobiles and electronics products in several countries.



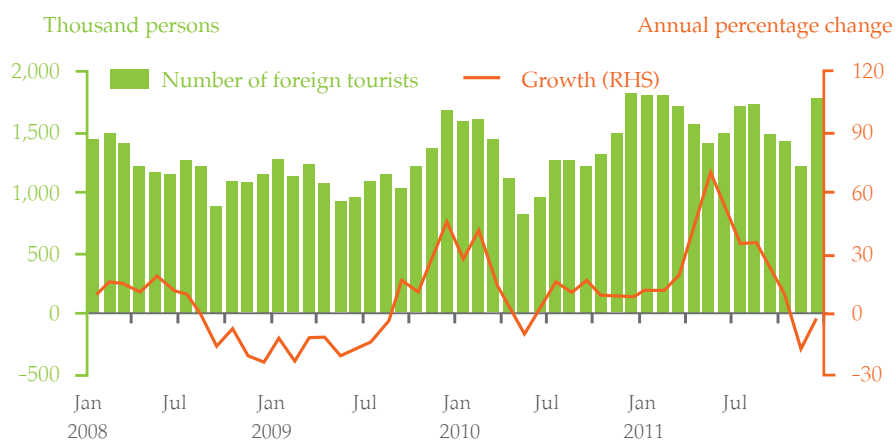
Weaker global demand did not weigh on Thai exports heavily, as seen from strong export value growth during the first three quarters. Part of this was attributable to Thai exporters' success in diversifying markets and products. Nevertheless, the severe shortage in merchandise exports and transportation problems caused exports to plunge deeply in the last quarter.

Export Value and Export Value Growth



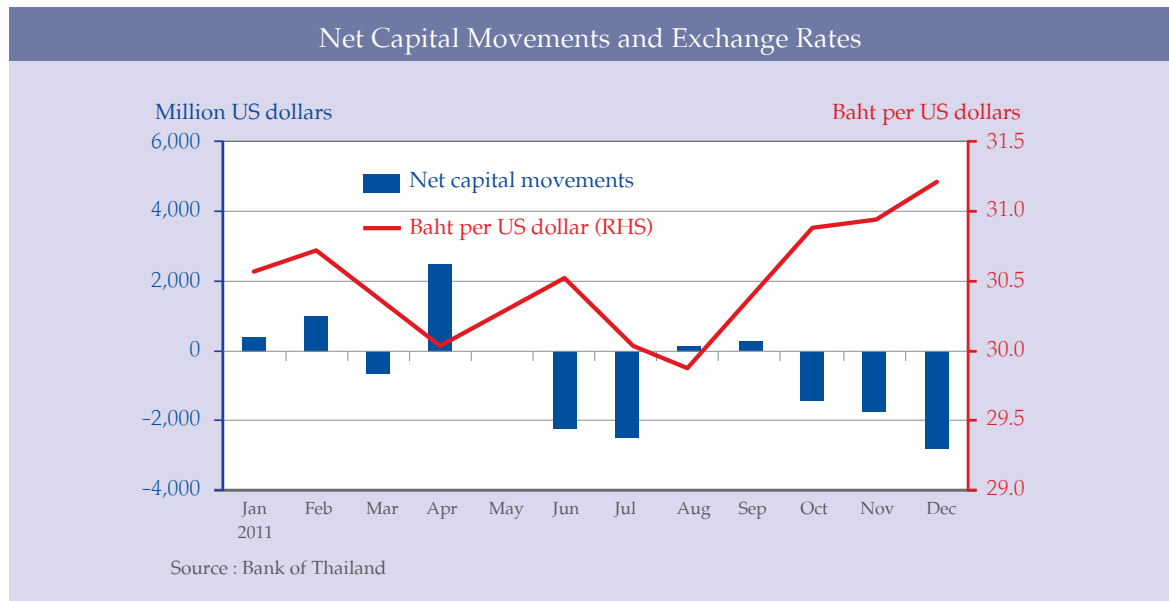
The tourism sector was also resilient in light of global demand slowdown, thanks to Thailand's attractiveness and diversified tourist markets. The sector suffered only temporarily from the floods and rebounded swiftly after the situation improved.

Number of Foreign Tourists



Volatile capital flows year-round led to greater two-way movements in Thai baht.

In the first half, a net capital inflow was recorded given robust growth in Thailand and the region. But as the euro area's debt crisis aggravated in the second half, foreign investors cut their holdings of assets in the region including Thailand, while Thai businesses also invested abroad directly. On the whole, a net financial outflow was recorded for the year. Year-round volatility and the net outflow caused two-way movements in the baht and led to an overall depreciation from the end of 2010.



Domestic and external stability remained sound.

Headline and core inflation picked up from last year to 3.81 and 2.36 percent, respectively. An acceleration in the first three quarters was evident due to: (1) buoyant production costs in line with global oil and commodity prices, as well as domestic raw food prices; and (2) robust domestic demand and tight labor market conditions, which allowed a pass-through to prices especially for food and beverage. However, inflation subsided in Q4 with deceleration in global oil and commodity prices.

Consumer Price Index
(Annual percentage change)

	Weight (percent)	2010	2011*				
			Year	Q 1	Q 2	Q 3	Q 4
Headline Consumer Price Index	100.00	3.3	3.81	3.01	4.10	4.13	3.97
- Core Consumer Price Index	75.5	1.0	2.36	1.46	2.37	2.79	2.82
- Raw food	14.6	10.3	8.66	8.27	9.04	7.08	10.22
- Energy	9.9	9.7	5.59	5.21	7.90	8.67	0.66

Note : *The Ministry of Commerce began to publish two-digit inflation figures this year upon the request of the Public Debt Management Office, starting with the January 2011 figures released on February 1, 2011.

Source : Bureau of Trade and Economic Indices, Ministry of Commerce

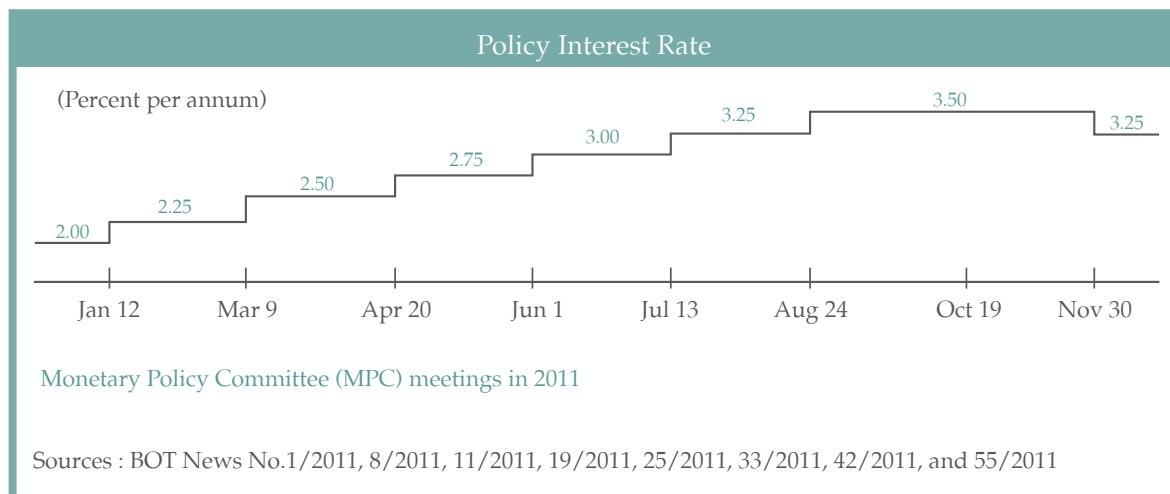
External stability continued to remain solid as reflected in: (1) current account surplus, while financial account recorded a net outflow due to Thai businesses' direct investment abroad; (2) high level of international reserves; and (3) lower ratio of short-term external debts.

External Stability

	2010	2011				
		Year	Q 1	Q 2	Q 3	Q 4
Current account balance (billion US dollars)	13.2	11.9	5.9	0.9	3.1	1.8
Gross reserves at end of period (billion US dollars)	172.1	175.1	181.6	184.9	180.1	175.1
Short-term debt to external debt at end of period (percent)	50.4	46.4	51.5	52.6	50.8	46.4

Source : Bank of Thailand

Stimulus through fiscal and monetary policies became less necessary given strong growth in the first three quarters and rising inflationary pressure. With regard to monetary policy, the MPC raised the policy rate six consecutive times to maintain economic balance and overall stability. But given the floods' impact and softer global growth, the MPC held and decreased the policy rate in the last two meetings to support recovery.



On the fiscal side, the government set up a lower fiscal deficit (i.e. budget deficit and spending under the Stimulus Package 2), while revenue collection also exceeded target. As a result, cash deficit for fiscal year 2011 fell to 157 billion baht from 200 billion baht in the preceding fiscal year. This reflected softer stimulus given to the economy in line with robust growth in the first three quarters of the year. Nonetheless, delayed enactment of the new Budget Act limited the role of fiscal stimulus in mitigating the floods' impact.

Budget Balance
Fiscal year

Billion Baht	2008	2009	2010	2011	2012
Budget balance	-165	-347	-350	-400	-400
Percent to GDP	-1.8	-3.9	-3.5	-3.7	-3.5
Budget balance + Stimulus Package 2	-165	-362	-568	-461	-438
Percent to GDP	-1.8	-4.1	-5.7	-4.3	-3.9

Sources : Budget Document and Bank of Thailand's projection of disbursement under the Stimulus Package 2

Growth will accelerate in 2012 while inflation moderates.

Economic growth in 2012 is projected to rise from the previous year with the production sector's return to normal in early Q3. Domestic demand will help cushion the impact of global growth slowdown, and also serve as the main engine for growth. Consumption will rebound with damage replacement and pent-up demand, while investment is likely to pick up with reconstruction efforts, flood prevention and risk diversification, as well as businesses' return to their original investment plans.

Positive factors for growth going forward include favorable employment prospects, sound consumer and business confidence, as well as supportive financial conditions given low interest rates and credit expansion. Fiscal deficit will rise with higher direct spending and additional spending according to the emergency decree, which empowers the Ministry of Finance to borrow for implementing water management systems and programs for Thailand's future. This higher spending overall is aimed to support post-flood reconstruction and boost the economy.

Meanwhile, inflation is likely to remain stable in the near term, with possible upside risks from global oil prices and the minimum wage increase. In addition, acceleration in private demand and government spending may also add more pressure to inflation, especially in the second half of this year when the Thai economy recovers closer to its full potential.



Thailand's Economic Conditions in 2010-2011

		2011				
	2010	Year	Q 1	Q 2	Q 3	Q 4
(Annual percentage change, unless specified otherwise)						
Gross Domestic Product ^{1/}	7.8	0.1	3.2	2.7	3.7	-9.0
Demand (expenditure)						
Private consumption expenditure	4.8	1.3	3.3	2.7	2.4	-3.0
General government consumption expenditure	6.4	1.4	1.8	1.0	4.9	-3.1
Gross fixed capital formation	9.4	3.3	9.3	4.1	3.3	-3.6
- Private	13.8	7.2	12.6	8.6	9.1	-1.3
- Public	-2.2	-8.7	-1.4	-9.9	-10.9	-12.1
Exports of goods and services	14.7	9.5	16.0	12.0	17.3	-6.5
Imports of goods and services	21.5	13.6	16.8	15.1	20.1	2.9
Supply (production)						
Agriculture	-2.3	3.8	7.6	6.7	0.5	0.7
Manufacturing	13.9	-4.3	1.7	-0.1	3.1	-21.8
Construction	6.8	-5.1	-1.3	-7.6	-5.4	-5.9
Services and others	5.0	3.3	3.8	5.0	5.1	-0.6
Domestic stability						
Headline Consumer Price Index	3.3	3.81	3.01	4.10	4.13	3.97
Core Consumer Price Index (excluding raw food and energy)	1.0	2.36	1.46	2.37	2.79	2.82
Unemployment rate (percent)	1.0	0.7	0.8	0.6	0.7	0.6
Public debt (end of period, Billion baht)	4,282	4,297	4,246	4,264	4,448	4,297
Share of GDP (end of period, percent)	42.4	40.3	41.3	40.7	42.3	40.3
External stability ^{2/} (Billion US dollars)						
Trade balance	31.8	23.5	8.0	6.8	7.7	1.0
Current account balance	13.2	11.9	5.9	0.9	3.1	1.8
Capital and financial account balance	24.2	-7.2	0.7	0.2	-2.0	-6.0
Balance of payments	31.3	1.2	7.3	0.0	-1.7	-4.4
Gross international reserves (end of period)	172.1	175.1	181.6	184.9	180.1	175.1
External debt (end of period)	100.6	106.6	108.4	112.0	115.6	106.6
International reserves to short-term debt (percent)	3.4	3.5	3.3	3.1	3.1	3.5
External debt to GDP (percent)	35.2	34.4	37.1	37.6	38.0	34.4
External debt to export value (percent)	48.9	47.4	51.3	52.0	52.4	47.4
Short-term debt to external debt (percent)	50.4	46.4	51.5	52.6	50.8	46.4
Monetary statistics (end of period) (Billion baht)						
Monetary base	1,243.3	1,365.5	1,267.9	1,223.4	1,229.5	1,365.5
Δ %	12.7	9.8	15.5	14.1	10.0	9.8
Narrow money	1,302.4	1,414.3	1,345.6	1,336.6	1,328.0	1,414.3
Δ %	10.9	8.6	13.8	13.3	13.0	8.6
Broad money	11,778.8	13,566.0	12,284.4	12,614.4	12,912.3	13,566.0
Δ %	10.9	15.2	13.2	16.3	16.2	15.2
ODC's deposits including bills of exchange ^{3/}	11,564.3	13,206.5	12,094.1	12,375.2	12,608.7	13,206.5
Δ %	10.8	14.2	12.5	15.2	14.5	14.2
ODC's private credit ^{3/}	9,947.0	11,558.9	10,308.2	10,679.1	11,081.1	11,558.9
Δ %	12.6	16.2	14.9	16.1	17.5	16.2
Interest rates (percent per annum)						
Repurchase rate, one-day (average of daily closing rates)	1.48	2.95	2.29	2.79	3.33	3.41
Overnight interbank rates (average of daily modes)	1.36	2.84	2.17	2.67	3.23	3.32
Time deposit rate, one year ^{4/} (end of period)	1.55	2.87	1.93	2.35	2.87	2.87
Prime rate (MLR) ^{4/} (end of period)	6.12	7.25	6.62	6.87	7.25	7.25
Average exchange rate (baht per US dollar)	31.69	30.49	30.54	30.29	30.12	31.00

Notes: 1/ At constant prices

2/ Balance of Payments statistics has been revised in accordance with the IMF's Balance of Payments Manual, 6th edition (BPM6) (details at <http://www.bot.or.th/Thai/Statistics/EconomicAndFinancial/ExternalSector/Pages/Newtable.aspx>)

3/ Other Depository Corporations (ODCs) consist of all deposit-taking institutions except the Bank of Thailand

4/ Average rate of four largest commercial banks

Sources: Office of the National Economic and Social Development Board, Ministry of Commerce, National Statistical Office, Public Debt Management Office, and Bank of Thailand



The Bank of Thailand's Activities

1. Banknote Issuance and Management

1.1 Cash management and banknote issuance

In 2011, the Bank of Thailand (BOT) disbursed cash (net amount) of 134,051.9 million baht, partly due to financial institutions' increased cash reserve to accommodate the public's higher demand for cash during inundation. The receipt of cash from financial institutions and other entities totaled 2,056,132.9 million baht (-9.7 percent compared to the previous year), while the disbursement of cash totaled 2,190,184.8 million baht (-3.8 percent compared to the previous year).

The banknotes issued into circulation in 2011 increased 155,000 million baht, equivalent to the value of securities transferred to the currency reserve account. At the end of 2011, currency reserve assets valued 1,299,484.7 million baht, an increase of 13.5 percent compared to the previous year's end.

Unit: Million baht

Currency Reserves	2011	2010	Increase (Decrease)	Percent
Year-end currency reserves	1,299,484.7	1,144,484.7	155,000.0	13.5
- Assets transferred to currency reserve account	195,000.0	210,000.0	(15,000.0)	(7.1)
- Assets withdrawn from currency reserve account	40,000.0	120,000.0	(80,000.0)	(66.7)
- Net assets transferred (withdrawn)	155,000.0	90,000.0		

1.2 Banknote production

1.2.1 Banknotes

The total number of banknotes produced was 2,891.1 million notes, a 6 percent decrease compared to the last year as a result of flood crisis. The production volume was categorized according to denomination as follows: 557.6 million notes of 1000-Baht denomination, 193.4 million notes of 500-Baht denomination, 923.0 million notes of 100-Baht denomination, 94.7 million notes of 50-Baht denomination, and 1,112.3 notes of 20-Baht denomination, and 10 million notes of commemorative banknotes marking the 7th cycle birthday anniversary of HM the King.

1.2.2 Non-banknote security products

111.6 million pieces of revenue stamps were produced and delivered to the Revenue Department, the Ministry of Finance.

1.2.3 Security inks and chemicals

314.3 tons of security inks and 147.4 tons of chemicals, totaling 461.7 tons, were produced, a 0.5 percent decrease compared to the previous year.

1.2.4 Research and development

In 2011, the Note Printing Works conducted a wide range of R&D projects particularly for the purposes of improving counterfeit deterrent features, improving the quality of security inks and printing materials, and enhancing sorting machines and production machines. The Note Printing Works also studied various factors contributing to banknote production efficiency to increase life spans of banknotes, to improve quality control process, and to meet energy-saving and environment conservation requirements. The 8 projects were successfully completed while the other 10 projects were to be continued.

1.3 Banknote management

As of the end of 2011, the number of banknotes issued was 4,477.8 million notes, an increase of 8 percent compared to the previous year. The value of banknotes issued was 1,299,484.7 million baht, an increase of 13.5 percent compared to the year 2010. The volume of banknotes issued, by denomination, is exhibited below:

Banknotes Issued at the end of 2011

Denomination (Baht)	500000	1000	500	100	60	50	20	10	5	1	0.50	BOT Note 60 Baht
Volume (million notes)	0.000233	1,028.8	239.7	1,082.2	11.3	192.0	1,402.2	334.0	39.2	121.3	18.9	8.3

In 2011, a total of 9,088 counterfeit banknotes (2.5 ppm) were detected and seized, a decrease from 3.8 ppm in a previous year.

At year end, the Currency Reserves were valued at 1,299,484.7 million baht, equal to the value of banknotes issued at the time. The assets in Currency Reserves are described below:



Assets in Currency Reserves as of 31 December 2011

Description	Value (million baht)	Share (%)
1. Foreign currencies	108,588.8	8.4
2. Foreign securities	1,190,895.9	91.6
Total	1,299,484.7	100.0

1.4 Banknote strategic planning and initiatives

1.4.1 Banknote excellence

(1) Clean Note Policy

The Banknote Management Group (BMG) continued the Clean Note Policy with the following activities.

- 1.1) Following 2010, BMG continued to offer special periods to the cash centers of commercial banks. During the mentioned periods, cash centers were able to deposit unsorted 20-Baht banknotes at BMG to expedite the removal of unfit banknotes and the distribution of new banknotes into circulation. In 2011, the special period program made significant progress as the quality of 20-Baht banknotes in circulation was found much better.
- 1.2) BMG studied the flows of cash in the non-financial sector. The targets were those supposed to involve a huge volume of cash; for example, transportation agencies and large retailers. Inflows and outflows of banknotes and related problems were analyzed thoroughly to find out appropriate initiatives and sustainable solutions.
- 1.3) Banknote quality survey was carried out so as to develop Banknote Quality Index reflecting the quality of banknotes in circulation. The survey data, by areas, was used to formulate appropriate measures in removing unfit banknotes.
- 1.4) The BOT Banknote Operation Centers were assigned to provide off-site banknote exchange service and run awareness campaign tour to help remove unfit banknote in designated areas at least twice a month.

(2) Cash processing pools system

BMG continued with the establishment of cash processing pools as mutually agreed by all parties involved. In 2010, the Banknote Exchange System (BES) was introduced to accommodate exchanges of fit banknotes among commercial banks in a more flexible and convenient manner. The revision of banknote quality standards and compliance audit criteria was made, marking another milestone in country's banknote management.

The achievements that BMG earned throughout the year 2011 included:

2.1) BMG finished compliance audits and assessments in 118 commercial bank cash centers. The audit results indicated that the operation of most cash centers was at acceptable level. Nevertheless, the improvements to facilities and machinery were needed. BMG set out a timeframe for upgrading and merging less-qualified cash centers into a few more efficient ones no later than 2012 towards concrete cash processing pools system.

2.2) BMG set out measures to support the establishment of cash processing pools as approved by the top executive meeting. These measures were formulated to encourage the cash centers of commercial banks and financial institutions to merge into a few efficient groups. The details of measures, however, were to be co-reviewed among the working group and related parties.

2.3) The Banknote Exchange System was in full operation to enable convenient exchange of fit banknotes among commercial banks all over the country.

(3) Longer life spans of banknotes

BMG started printing banknotes on durable paper that helped extend average life spans of banknotes in circulation. According to laboratory studies and printing trials, the life spans of banknotes printed on durable substrate increased by 5-10 percent. The banknotes printed on durable substrate were distributed into circulation during the 4th quarter of 2011. BMG continued to study alternatives to increasing life spans of banknotes such as coating technique and choices of substrate.

(4) New series of Thai banknotes (16th Series)

On 18 January 2012, BMG issued new 50-Baht, which is the first of the 16th series launched into circulation. The other denominations belonging to this new family will be issued separately with intervals between releases.



(5) Commemorative banknotes

On 2 December 2011, BMG issued into circulation 10 million notes of commemorative banknotes marking the 7th cycle birthday anniversary of HM the King. Currently, BMG is at the stage of preparing the issuance of commemorative banknotes to mark the 80th birthday anniversary of HM the Queen, scheduled for August 2012, and the 60th birthday anniversary of Crown Prince Maha Vajiralongkorn, scheduled for July 2012.

1.4.2 Operation excellence

(1) Thailand Quality Award: TQA

Aiming at the world-class standards, BMG is at the stage of self-assessment, identification of areas for improvement, review of expert advice, and fine-tuning of strategies, action plans, work processes, performance reports ahead of the application for nomination for the Thailand Quality Award as administered by TQA National Committee.

(2) Integrated Management System: IMS

BMG had geared up for being certified Integrated Management System including ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 before it was successfully certified by Management System Certification Institute (Thailand) on 8 July 2011.

1.4.3 Communication excellence

Proactive Communication Plan

BMG continued with its proactive communication plan, originally initiated in 2010, aimed at educating the public on how to check genuine banknotes and how to handle banknotes appropriately. Initially, the targets were cashiers, professional cash handlers, and those whose work involves a high volume of cash. Later, wet market vendors were included to reach a wider range of targets and to deliver educational messages to the targets in a more proactive manner.

In 2011, BMG carried out educational activities, categorized according to 2 main target groups, consisting of 1) training courses for professional cash handlers of public and private agencies and 2) Rak Thanabat Thai project, public relations activities, and public awareness campaign tours intended for vendors and hawkers in large markets.



2. Reserve Management and Operations

During the year 2011, the BOT managed the country's international reserves based on the principle of risk-awareness, safety and sound rationality, as well as liquidity, in order to achieve a desirable return within the investment guidelines and risk profiles set by the Top Management Committee and closely monitored by the Investment Sub-Committee.

To optimize investment returns within acceptable risk, the Bank closely monitored factors that affect asset price movements, such as economic and financial market developments, including policy responses to crises by the governments of the countries the Bank invests in. This served to support the assessment of both short and long-term exchange rate and interest rate trends of major currencies and debt markets and created opportunities to achieve higher returns and lower financial risk. With strict adherence to the principle of safety and liquidity, the Bank had continued to pursue its policy in investment diversification by expanding asset universe and raising allocation to certain asset classes with a view to reducing overall market volatility and lowering credit concentration in traditional assets. The Bank had also increased its allocation in gold, in response to the heightened uncertainty in today's financial market condition.

Major portfolios under BOT management include Liquidity Portfolio, Investment Portfolio and Long-term Investment Portfolio. BOT has employed quantitative models and derivative instruments such as bond futures and short-term interest rate futures to enhance reserves management efficiency. BOT has consistently been developing various investment tools to improve return generating capabilities, as well as to reduce risk and minimize operating expenses.

3. Monetary Operations

Monetary operations at the BOT aim at maintaining the policy rate at the level set by the Monetary Policy Committee (MPC). The BOT uses various monetary instruments to manage liquidity such that it remains at appropriate level to ensure that movements of money market rates are consistent with the policy rate. These enhance the efficiency and effectiveness of market mechanism and monetary policy transmission in the long run. Furthermore, our monetary operations also put emphasis on the development of financial market as well as the strengthening of financial stability.



In 2011, worsening European sovereign debt crisis caused volatility in the global financial market and capital flows. Overall, there were net capital inflows into the region albeit at a slower pace than in 2010. Due to high level of excess liquidity in the Thai financial system, the BOT increased its liquidity absorption and adjusted the maturity structure of the instruments to be in line with market conditions while simultaneously support market development. The BOT primarily used three liquidity management tools, namely, the issuance of the BOT bonds and bills, bilateral repurchase transactions, and foreign exchange swap transactions.

3.1 Bank of Thailand bonds and bills

The issuance of BOT bonds and bills was the principal instrument used to absorb the persistent liquidity surplus in the system. In 2010, the BOT gradually increased the amount of the bonds issued resulting in an increase in the BOT bonds and bills' total outstanding of 260.4 billion baht to 2,641.7 billion baht at end-2011 (accounting for around 57 percent of total absorption outstanding). Moreover, the BOT adjusted the maturity profile of the BOT bonds to establish a more appropriate structure of the absorption tools by issuing three additional types of BOT bonds comprising (1) The 4-year fixed-rate bonds, (2) The 2-year floating-rate bonds, using the 3-month Bangkok Interbank Offered Rate (BIBOR) as a reference, and (3) The 3-year and 7-year savings bonds. The 3-year savings bond, a floating-rate bond using the 3-month BIBOR as a reference, was issued for retail investors for the first time to promote the use of BIBOR.

In December 2011, the BOT held, for the first time, a formal market consultation aiming to communicate and discuss with market participants the BOT's issuance plan for 2012, and changes of auction days for several types of BOT bonds to suit market demands.

3.2 Bilateral Repurchase (BRP) transactions with Primary Dealers (PDs)

The BOT uses BRP as the primary channel to manage daily liquidity, which could fluctuate due to seasonal patterns and government cash flows. To enhance the signaling effect of the policy rate, the 1-day tenor is conducted as a fixed rate tender at the policy rate, while the 7-day, 14-day and 1-month tenors are conducted at variable rates to provide financial institutions with longer-term liquidity management alternatives. Normally, the BRP transactions are carried out every morning ¹ with primary dealers, which effectively act as liquidity adjustment intermediaries between the BOT and other financial institutions. This setup has fostered financial market development by stimulating interbank liquidity adjustment activities, via both the private repurchase market and the uncollateralized interbank market, and by encouraging financial institutions to implement best market practices.

¹ On days where there is an MPC meeting, the repurchase window is open in the afternoon (after the MPC decision announcement)



In 2011, the BOT assessed the performance of the BRP PDs and increased the number of PDs from 10 to 12 financial institutions to encourage competition among BRP PDs, which would enhance the efficacy of monetary policy transmission. Furthermore, the BOT also continued to increase the Securities Borrowing and Lending (SBL) transactions and expand the group of counterparties in order to boost BRP transactions and the absorption capacity at longer maturities ². At end-2011, the absorption amount through BRP was 989.5 billion baht (or around 21 percent of total absorption outstanding).

3.3 Foreign exchange swap transactions

In 2011, a foreign exchange swap transaction was another important absorption tool. The BOT has used this instrument in a fairly flexible manner, depending broadly on market conditions and needs. For instance, the BOT increased FX swap transactions during the second half of 2011 in order to accommodate an increasing need for US dollar liquidity that resulted from the European sovereign debt crisis. At end-2011, the BOT's net forward position stood at 31.3 billion US dollars (or around 21 percent of total absorption outstanding).

In addition to the open market operations mentioned above, the BOT also provides a collateralized overnight standing facility called the "End-of-Day Liquidity Adjustment Window". It serves as a corridor to limit the volatility of short-term money market rates as the BOT stands ready to conduct overnight lending to and borrowing from financial institutions at the policy rate plus or minus 50 basis points respectively. Most of such transactions conducted in 2011 were through the deposit facility amounting to an average of approximately 21.9 billion baht per day.

Furthermore, in 2011, the BOT announced the acceptance of Japanese Government Securities as an eligible collateral for the End-of-Day Liquidity Adjustment Window. This enhances the BOT's capability in implementing monetary policy efficiently in both normal and crisis times, facilitates liquidity management and helps safeguard financial stability. The BOT collaborated with the Bank of Japan to establish the Cross-Border Collateral Arrangement to ensure the smooth process of accepting such collateral.

² For the 14-day and 1 month reverse repurchase transactions government bonds are used as collateral, whereas central bank debt securities are used for 1-day and 7-day tenors.



4. Financial Markets Development

4.1 Closely work with the Ministry of Finance in introducing the first Inflation-linked Bond (ILB) in Thailand

The first Inflation-linked bond in Thailand was successfully issued in 2011 with overwhelming subscriptions from institutional investors both local and foreign. Investment share of foreign investors was as high as 40 percent.

BOT's prominent roles in this ILB issuance included, the review of related commercial banks' investment and trading regulations to ensure that banks are subjected to similar regulatory treatments as investing in or trading in ILB and conventional bonds issued by the Ministry of Finance and the estimation of Real Yields from a statistical model to offer market participants a rough guideline to identify the appropriate Real Coupon of the bond prior to issuance and no market consensus had yet existed. In addition to the aforementioned roles, BOT also took active participation in road shows and investors meetings.

The well reception on the first launch has rendered the MOF to plan for a continuous issuance of ILB going forward.

4.2 The development of short-term reference rate (BIBOR)

In 2011, the credibility and use of BIBOR or short term reference rate was continuously increasing. The 5-year roadmap was drawn with the following concrete objectives,

- (1) Strengthening the acceptance of BIBOR 3m fixing rate among commercial banks in their term lending and borrowing transactions. In this regards, BIBOR Contributing banks have committed to a maximum bid/ask spread of 10 bps. for a term loan of 30 million baht and over to enhance the credibility of the BIBOR Fixing. Other measure to facilitate the transaction was also looked into such as the substitution of the script transaction evidence with an on-line evidence.
- (2) Promoting the use of BIBOR in derivatives transactions such as IRS (Interest Rate Swap) and Futures. A focus group has been formed to carry out this task within 2012.
- (3) Promoting the use of BIBOR to clients of commercial banks in the loan transaction as well as deposit and other investment alternatives such as Floating Rate Note and BE.



To attain achievements of these objectives, the BOT has been closely monitoring the use of BIBOR by commercial banks and their clients and come up with strategies and measures to attract their attentions and to incentivize them to adopt BIBOR as a reference rate.

4.3 Capital market development

Bank of Thailand had continuously collaborated with other organizations in pursuing the action plans specified in the Capital Market Development Plan for 2009 - 2014. Measures of which the BOT was the main driver include the streamlining of Currency Futures trading in Thailand and the establishment of the financial instruments information center or Thailand Financial Instruments Information Center (TFIIC). Both items are due to be completed in 2012.

In addition, in preparation for the implementation of Basle III capital regulatory on commercial banks in 2013, which would result in banks being more cautious in extending loans to Small and Medium size Corporate (SMC), this year the BOT also put up the corporate bond market development measures into the plan. Particular measures for this purpose were ranged from 1) the introduction of a credit guarantee facility 2) the construction of secondary market liquidity and 3) the introduction of a bond market information center for potential issuers and investors. These tasks however will be accomplished in the coming years.

4.4 The development of Private Repo market

At this stage, efforts were devoted to the broadening of participant base in the Private Repo market, by involving more players from the Non-bank institutional investors to enhance bond and money markets liquidity. Accordingly, the BOT, in collaboration with representatives from the bond market association and its member institutions, had launched an alternative repo master agreement in Thai language to accommodate market participants who did not prefer to enter into the international standard English agreement or Global Master Repurchase Agreement (GMRA) in doing repo. In addition, we also coordinated with other regulators for the amendments of repo related rules that were deemed obstacles for the origination and/or the growth of the transaction.

5. Role as the Government's Banker and Registrar of Government Securities

5.1 Providing bank account facilities and serving as registrar of government securities

At the end of 2011, balance in the treasury reserve account and balance in the public organizations' accounts held with the BOT stood at 251,464.1 million baht and 17,933.5 million baht, declining from the previous year's end of 16.0 and 15.7 percent respectively.



The outstanding of government debt securities at the end of 2011 totaled 5.6 trillion baht, increasing from 5.4 trillion baht in the previous year, mainly ascribed to the large increase of the BOT bonds issued to absorb liquidity in the financial system. The government bonds' outstanding increased more than one hundred billion baht, while the outstanding of state-owned enterprises bonds and Financial Institutions Development Fund bonds decreased. In 2011, the government redeemed all remaining treasury bills as they reached maturities (no outstanding balance at the end of 2011). Depository institutions and other financial institutions are still the largest holders of government debt securities.

Government debt securities at the end of 2010 - 2011

Unit: Million baht

Types of debt securities	Outstanding (as of 31-Dec-2010)		Issuance Value	Redemption Value	Outstanding (as of 31-Dec-2011)	
	Issues	Value			Issues	Value
Government Bonds	85	2,523,219.9	396,083.2	292,669.1	72	2,626,628.1
State Owned Enterprise Bonds	317	341,560.4	28,170.0	47,030.0	303	322,700.4
Bank of Thailand Bonds	90	2,381,286.5	10,862,714.7	10,602,279.3	83	2,641,721.9
Financial Institutions Development Fund Bonds	2	78,445.2	-	30,445.2	1	48,000.0
Treasury Bills	43	71,710.0	125,691.0	197,401.0	-	-
Total	537	5,396,222.0	11,412,658.9	11,169,824.6	459	5,639,050.4

Note : * Including 3 issues of government bonds issued in foreign currencies, converted into Thai baht using the exchange rate at the beginning of the year. As a result, the outstanding as of 1 January 2011 decreased by 5.9 million baht compared to that as of 31 December 2010.

Securities outstanding classified by groups of holders as of December 31, 2011

Unit: Million baht

Groups of holders	Value
Bank of Thailand	499,081.1
Depository institutions	1,559,301.6
Financial institutions not elsewhere classified	1,776,478.2
Other non-financial institutions	128,741.0
Central government	634,832.2
Local government	565.8
Public non-financial institutions	3,861.0
Households and non-profit institutions serving households	617,300.6
Non-residents	418,888.8
Total	5,639,050.4

The value of coupon payment of government debt securities increased to 176,994 million baht, up 7.1 percent compared to the previous year. Tax withheld from coupon payments and remitted to the Revenue Department (by the BOT head office only) amounted to 4,921.7 million baht, a rise of 7.0 percent from the previous year.

Unit: Million baht

Types of securities	Coupon payment 2011			Coupon payment 2010		
	Issues	Transactions	Value	Issues	Transactions	Value
Government Bonds	157	839,536	125,449.0	180	801,862	117,484.6
State Owned Enterprise Bonds	626	5,054	15,597.1	669	6,584	17,290.4
Bank of Thailand Bonds	67	239,308	32,074.7	58	233,487	24,548.4
Financial Institutions						
Development Funds bonds	4	22,038	3,873.3	8	22,214	5,928.8
Total	854	1,105,936	176,994.1	915	1,064,147	165,252.2

6. Role as the Financial Institutions' Banker

6.1 Providing bank account facilities to banks and financial institutions

Balance in banks' accounts held with the BOT at the end of 2011 decreased by 18.9 percent compared to the previous year's end, while the balance in the financial institutions' accounts increased by 0.2 percent.

Unit: Million baht

Account Balance	2011	2010	Increase (Decrease)	Percent
Banks	67,809.4	83,626.3	(15,816.9)	(18.9)
Financial institutions	83.8	83.6	0.2	0.2

6.2 Lending to financial institutions

In her role as the banker to financial institutions, the BOT can lend to financial institutions for a period of up to 6 months, with first class assets, as prescribed by the BOT, pledged as collateral. In order to efficiently manage liquidity as well as safeguard the stability of overall financial system in both normal and crisis times, the BOT has accordingly prepared to expand the list of collateral eligible for borrowing from the BOT. We planned to announce, in early 2012, the relevant regulation and notifications specifying the terms and conditions of such lending.

7. Financial Institution Regulation and Supervisory Policy

7.1 Financial institutions supervisory policies

The BOT has the responsibility to supervise, examine and monitor financial institutions (FIs) based on risk-based supervision and consolidated supervision focusing on assessments of risk management and corporate governance in order to ensure the stability of the financial institution system as well as capabilities for competitiveness. In 2012, the BOT will put emphasis on developing examination process to be in line with international standards and making the audit report to be more understandable.

The frequency to conduct on-site examination depends on previous financial performance and composite rating of a FI. Moreover, the BOT will closely and continuously monitors FIs' financial performance and their practices according to the BOT's previous approval conditions to prevent any financial problems and to ensure that prompt and effective measures are put in place before affecting itself and the financial system.



The BOT conducts on-site examination on the following institutions:

- (1) Thai commercial banks, retail banks, subsidiaries of foreign banks, finance companies, credit foncier companies, specialized financial institutions, state own and specialized assets management companies, and credit bureau company at least once a year.
- (2) The foreign banks' branches at least once a year except those that have good composite rating shall be examined every other year.
- (3) The private assets management companies and non-banks operating credit card businesses and personal loan at least once in every three years.

In 2011, the BOT's supervisory policy focused on key areas namely the overseas project financing facilities and new domestic loans during the high economic growth and competitive market, FI's Internal Capital Adequacy Assessment Process (ICAAP), and FI's liquidity stress test in measuring the impacts from the reduction in the deposit under protections.

7.2 Financial institutions on-site examination

7.2.1 Financial conditions, performance and risk management

- (1) On-site examination at the commercial banks and their financial groups emphasized on existing capital adequacy under Basel II and future capital requirements based on their business expansions, competitive capacities, financial performances, the efficiency of risk managements, corporate governance, the compliance of related law and regulations, and the ICAAP process to ensure the adequacy of capitals to absorb potential losses under normal or under crisis.
- (2) On-site examination at the finance companies and credit foncier companies focused on normal business operations, and financial performances including the adequacy of provisions to absorb potential losses as well as practices in compliance with the laws.

- (3) Similar process of risk-based examination was performed at the Specialized Financial Institutions³. The results of examination were sent to the Ministry of Finance for consideration with recommendation to carry out appropriate actions.
- (4) In examining asset management companies, the focus was on the compliance with related laws on the purchase and transfer of assets, financial performances, impaired assets management, and the accuracy of submitted reports.
- (5) On-site examination of non-banks operating credit card businesses and personal loans would focus on their compliances with the BOT's regulations on consumer's protection and any unfair treatment to their customers.

7.2.2 Specialized examinations

- (1) Examination the retail bank enhancing to be a bank

The BOT has examined Land and House Retail Bank Public Company Limited to assess its readiness enhancing to be upgrade into bank, accordingly the finance minister endorsed the BOT's proposal on 15 December 2011. Thereafter, the Land and House Bank Public Company Limited started operating as a bank on 19 December 2011.

- (2) Examination on the information technology system

In 2011, the BOT assessed FIs' information technology (IT) systems focusing on their securities, reliabilities and capacities to meet customer needs and requirements. Most findings indicated satisfactory rating due to few concerns relating to the progression of core banking system projects of some FIs were not according to plan and the business continuity plans did not cover some systems. Moreover, the BOT also examined the major banks' ATM securities, internet and mobile banking services, the system service providing in flood-affected areas, as well as the readiness for operation of the Imaged Cheque Clearing and Archive System (ICAS). The results showed adequate capacities and securities of the system.

³ The Specialized Financial Institutions are Bank for Agriculture and Agricultural Cooperatives, Export-Import Bank of Thailand, The Government Savings Bank, The Government Housing Bank, Small and Medium Enterprise Development Bank of Thailand, Islamic Bank of Thailand, Secondary Mortgage Corporation, Small Business Credit Guarantee Corporation.



(3) Examination on credit risk and market risk internal models

The BOT examined and validated the credibility of credit risk internal models focusing on the progress of FIs' development of credit rating systems and the estimations of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). Examinations were also carried out to measure the reliability of market risk internal models to calculate capital charge for options transactions. The findings showed no critical issues.

7.2.3 Summary

In 2011, the BOT examined financial condition and performance as well as risk management systems a total of 47 FIs (Table). Even though facing the United States and European crisis as well as domestic flooding situation, most FIs' regulatory capitals were sound, the operating performances were profitable, the quality of assets were improved, and nonperforming loans were reduced. Audit findings of Thai commercial banks reported no significant issues, but some improvements were needed for the specialized financial institutions.

The numbers of FIs examined by the BOT in 2011

Financial Institutions	Numbers of FIs
Thai Commercial Banks / Retail Banks	15
Foreign Bank Branches / Subsidiaries	9
Finance and Credit Foncier Companies	4
Specialized Financial Institutions	7
Credit Bureau Companies	1
Asset Management Companies	5
Non-banks operating credit card businesses and personal loan	6
Total	47

7.3 Financial institutions monitoring and analysis

- 7.3.1 Off-site examiners are responsible for monitoring and analyzing the financial condition and performance based on supervisory review approach combining with regulatory review by assessing the soundness of each FI both present and future as well as the financial system as a whole including risk management on consolidated basis. Analytical reports are issued quarterly for Thai commercial banks, retail banks, foreign bank branches, finance companies and credit foncier companies and semi-annually for specialized financial institutions.
- 7.3.2 The BOT monitored FIs' financial condition, business operations and liquidity management that might be affected from various incidents, such as the European, Middle East and North Africa financial crisis, Japanese natural disaster, and Thai floods crisis.
- 7.3.3 The BOT has developed "Financial Institution Monitoring and Analyzing System" to support the implementation of International Financial Reporting Standards (IFRS)/ International Accounting Standards (IAS) to be in line with the new accounting standards as well as establishing the indicators and triggers in early warning system in order to improve FIs' monitoring efficiency.
- 7.3.4 Analysis also focused on the effect of reducing deposit protections in cooperation with Financial Policy Group, FIs' capital disclosure under Basel II Pillar III, and FIs' assistance to flood-affected debtors.

7.4 Financial institution applications

The BOT granted approval to FIs, responded to inquiries and monitored practices according to the BOT's conditions a total of 3,759 cases. Consideration of the BOT reflected on the risk management and the readiness of FIs, corporate governance, and financial conditions, as well as, market environment and interests of customers and entire economics.

During the flood between October to December 2011, the BOT closely monitored the impact of banking financial services and allowed FIs in the affected areas to change their working hours, or temporarily close or re-locate their branches and Automatic Teller Machines (ATMs), in order to continuously served their customers.



7.5 Customer support services

In 2011, the supervision group coordinated with FIs and non-banks relating to personal loan and credit card businesses to resolve customers' complaints on the financial services of FIs. Most complaints were on FIs' customer services, phone frauds and debt restructuring processes. There were a total of 2,709 complaints, of which 2,464 complaints or about 90.96 percent of the total were resolved.

In addition, the supervision group has established financial literacy with a range of activities, such as conducting seminar on the topic of "Financial Institution Supervision and Deposit Protection and Credit Bureau Operations", participating in "Money Expo" exhibition, publishing articles in newspaper pertaining to credit bureau functions and limited deposit protection. Furthermore, the supervision group also works in close cooperation with the Financial Consumer Protection Center which will start its operation in early 2012 to help customers resolve problems and protect their rights with regard to financial services and products.

7.6 Supervision efficiency enhancement

During the year, the BOT has continuously conducted training for examiners covered aspects relating to examination, supervision, and analysis enabling the examiners to perform their job efficiently and consistently with the new international regulatory standards. In 2011, there were 38 courses: 6 standard courses and 32 special courses. Professional guest speakers were invited from various agencies, both local and international. Moreover, seminars and study visits were organized, both domestic and overseas, to broaden the examiners and senior managements' skills and knowledge thus enhancing job performances.

7.7 Meetings

In 2011, the BOT held several meetings including presentation on the overall banking industry examination results in 2010 and the focus in 2011, seeking cooperation with FIs to carry out stress test using scenarios specified by the BOT, such as Deposit Protection Agency (DPA) liquidity stress testing. Other meetings involved external auditors and internal auditors as well as organizing the relationships function which coordinated between BOT's staff and compliance unit of commercial banks to exchange ideas on important supervisory issues and audit program.



7.8 Training and seminar

The BOT coordinated with other organizations, such as Asian Development Bank and Thai institute of Director conducting various trainings and seminars. In addition, the BOT also provided courses speakers to financial institutions and other organizations in the topics of risk management guidelines, risk management examination, and banking information technology risk management.

8. Operation of Payment Systems

8.1 Interbank cheque clearing system

At the end of 2011, there were 37 member banks of the Electronic Clearing House (ECH), consisted of 15 Thai banks, 16 international banks, and 6 specialized banks established under specific laws. There were 8,382 branches in total, increased by 182 branches from the previous year. On 1 October 2011, Thanachart Bank and Siam City Bank merged and Siam City Bank discontinued its operation on 31 December 2011.

In 2011, the total number of cleared cheques in Bangkok and the Metropolitan areas together with the Intra Provincial Cheque Clearing and Inter Provincial Cheque Clearing (B/C-3D) was 73,598 million, amounted to 35,806.2 billion baht. The volume of cleared cheques decreased from the previous year by 2.0 percent, while the value of cleared cheques increased by 6.0 percent. The proportions of cleared cheques in 3 systems were 71 percent, 20 percent, and 9 percent respectively. In this year the average value of cleared cheques increased by 8.2 percent from 450 thousand baht in the previous year to 490 thousand baht.

However, in October – November 2011, flooding in Bangkok and the Metropolitan areas caused a significant drop in cleared cheques of the ECS system, compared to the previous year, in which the volume and value decreased by 20.2 percent and 13.4 percent respectively.

Volume and value of cleared cheques, returned cheques, and returned cheques due to insufficient fund Countrywide Interbank Cheque Clearing 2011

	Volume (item)			Value (Billion baht)		
	2010	2011	% change	2010	2011	% change
Cleared cheques	75,123,137	73,597,788	-2.0	33,780.0	35,806.2	6.0
Average value of cleared cheques (Million Baht)				0.45	0.49	8.2
Returned cheques	1,320,666 (1.8)	1,162,729 (1.6)	-12.0	205.6 (0.6)	180.4 (0.5)	-12.3
Returned cheques due to insufficient fund	888,924 (1.2)	772,641 (1.0)	-13.1	101.2 (0.3)	95.3 (0.3)	-5.8

Remark : () represents the proportion to cleared cheques (%)

Source: : Payment and Debt Instruments Department, Bank of Thailand

8.2 BAHTNET

(1) BAHTNET statistics

At the end of 2011, BAHTNET had 64 member institutions including 16 Thai commercial banks, 15 foreign banks branches, 11 finance and securities companies, 9 specialized banks and government organizations, 8 departments in the BOT, and 5 other institutions.

In 2011, funds transfer transactions sent through BAHTNET were 2,727,925 transactions which increased by 17.4 percent or 404,667 transactions from previous year due to the significant increase in the third party funds transfer. In terms of the value, the figure presented 765.7 trillion baht, increased by 17.0 percent or 111.1 trillion baht, mainly from interbank funds transfer especially transactions supporting the BOT monetary policy and fostering the development of financial markets and debt instruments.

(2) Risk management measure in BAHTNET for interbank net settlements

The BOT is in a process of developing a risk management measure for multilateral net settlements, called Securities Requirement for Settlement (SRS). The main objective is to mitigate inter-bank net settlement risk in payment systems, following BIS Core Principle for Systemically Important Payment Systems.

The BOT and the SRS Working Group which is comprised of 5 representatives from the Thai Bankers' Association (TBA), 4 representatives from the Association of International Banks (AIB), and 1 representative from Specialized Financial Institutions (SFIs) have jointly set up the preliminary SRS concept for further discussion with member banks in 2012.

8.3 Management during flood situation in October - November 2011

During the severe flood situation in October and November 2011, the government announced during 27-31 October 2011 as the public holidays for the flooding area in Bangkok Metropolitan, vicinity and other provinces in the northern, central and eastern regions. However, banks had been operating their services as usual. The Payment and Settlement Systems that were operated by the BOT, such as BAHTNET and Cheque clearing system were normally processed except Cheque clearing system in Ayuthaya (7 October - 14 November 2011) and Nakhonsawan (10 - 18 October 2011).

In addition, the BOT's Current Account System was processed to facilitate banks for cash withdrawal transactions in order to meet their customers' needs.



In accordance with the contingency plan, the BOT cooperated with the member banks to set up operating procedures for payment services during that time. Preparedness of staffs, systems and procedures affected the national payment systems smoothly and continuously processed without impacts on Thai's finance and economy.

9. Foreign Exchange Control

9.1 Inspection on proceeds of exports

In 2011, total export value stood at 231,061.2 million US dollars, expanding by 18.3 percent from the previous year. The export proceeds totaled 220,800.1 million US dollars, an increase of 20.0 percent from the previous year. The proceeds were either in Baht from Non Resident Baht Account (NRBA) or in foreign currencies which were either deposited in the foreign currency accounts or exchanged into Baht. The proceeds were also used for loan repayments to authorized financial institutions, or for payment of obligations to nonresidents. Total export proceeds accounted for 95.6 percent of the total export value, which the difference resulted from netting transactions and exported goods that are exempted from acquiring foreign currencies.

Export Value VS Receipt of Export Proceeds

(Unit: Million US dollars)

Values	2010	2011 ^{e/}
1. Exports ^{1/}	195,314.2	231,061.2
Change (percent)	28.1	18.3
2. Foreign currency received from exports	183,935.5	220,800.1
Change (percent)	31.7	20.0

Note : 1/ Total value of export (Source : Customs Department)

e/ Estimate

9.2 Volume of foreign exchange transactions

In 2011, the purchase and sale of foreign currencies from customers amounted to 594,712.9 and 598,293.7 million US dollars, growing by 43.5 and 40.4 percent from the previous year, respectively. Total sale volume exceeded purchase volume by 3,580.8 million US dollars, contributed by purchase for export 18,946.0 million US dollars and sale for others 22,526.8 million US dollars.

Purchase and Sale of Foreign Currencies from/to Customers

(Unit: Million US dollars)

	2010	2011 ^{e/}	% Change
Purchase	414,488.1	594,712.9	43.5
Export	123,334.2	165,705.2	34.4
Other	291,153.9	429,007.8	47.3
Sale	426,211.2	598,293.7	40.4
Import	128,666.3	146,759.2	14.1
Other	297,544.9	451,534.5	51.8
Net Purchase and (Sale)	(11,723.1)	(3,580.8)	(69.5)
Foreign Trade	(5,332.1)	18,946.0	n.a.
Other	(6,391.0)	(22,526.8)	(252.5)

Source : Based on Data set received from authorized financial institutions

Note : e/ Estimate

9.3 Authorized Money Changer, Money Transfer Agent and Authorized Company

Transaction Volume of Foreign Exchange through Authorized Money Changers, Money Transfer Agents and Authorized Company at end-December 2010 ^{e/}

Type	No.	Change from previous year	Purchase/ Remittance volume		Sale/ Remittance volume	
			Million US dollars	▲ %	Million US dollars	▲ %
Authorized Money Changer	1,059	144	2,149.27	236.68	2,147.70	236.0
Money Transfer Agency	1,275	49	189.19	5.54	33.75	11.98

Note : % represents the percentage change from the same period of the previous year.

: e/ Estimate

10. Oversight under Related Laws

10.1 Oversight on e-money service providers

The BOT oversees non-bank e-money service providers under the Ministerial Notification of Ministry of Finance: Business for which Permissions must be obtained according to Section 5 of the Notification of the Revolution Council No.58 (Business of Electronic Money Card) dated 4 October 2004. In 2011, there were two non-bank companies being granted the license of the e-money service provider. So, totally there were eight e-money service providers by the end of year.

10.2 Oversight on electronic payment service providers

According to the Royal Decree Regulating on Electronic Payment Service Business, B.E. 2551, the BOT oversees and regulates electronic payment service providers which are categorized as 3 levels; List A to notify, List B to register, and List C to obtain a license prior to the commencement of such business operation. In 2011, the BOT's oversight of the electronic payment service providers according to the Royal Decree can be summarized as follows:

- (1) Consider the issuance of notification acknowledgements and registration acknowledgements for those wishing to be service providers under Lists A and B and review the applications of List C candidates before submitting recommendations to the Electronic Transactions Commission (ETC) for approval. In 2011, the BOT issued 1 registration acknowledgement and submitted 5 applications to seek approval from the ETC. At the end of 2011, there were 7 service providers registered in List B and 73 service providers licensed in List C (31 Commercial Banks and 42 non-banks), resulting in a total of 112 licenses. There was no service provider entitled under List A.
- (2) Coordinate with the Sub-Committee of Legislation Infrastructure, a working group under the ETC, to present to the ETC the process of imposing the administrative fine for the electronic payment service providers. The ETC has passed an ETC notification: the criteria for imposing an administrative fine for the electronic payment service providers, B.E. 2554 which has been enforced since 29 March 2011.
- (3) Monitor and oversee all electronic payment service providers to ensure their compliance with the Royal Decree and related Notifications, and regularly submit oversight report to the ETC.



In the fourth quarter of 2011, since Thailand had a severe flooding crisis, affecting the normal operation of service providers, they were in difficulty to obtain permission for closing branch offices or submit transaction reports or financial statements to the BOT within a given time. There was one service provider which could not obtain permission for closing branch offices on time and eight service providers which could not submit transaction reports or financial statements as of September, due by 3 October 2011. However, this circumstance was beyond those service providers' capability to comply with the rules because their offices were located in the flooding area. Moreover, those service providers attempted to gradually send their transaction reports or financial statements and already obtained permission for closing the branch office within November 2011. The BOT thus coordinated with the secretary of the ETC to propose those cases to the ETC meetings No. 6/2011 on 16 December 2011 for considering the possible permission to accept the delayed request for closing branch offices and to expand timeframe for submitting transaction reports or financial statements as of September 2011, due by 30 November 2011. The ETC agreed to expand the timeframe for only nine service providers as reported by BOT.

Furthermore, the BOT, as the supervisor of electronic payment service providers, is responsible to ensure that non-bank service providers relating to the e-money card business have complied with the Anti-Money Laundering Act B.E. 2552 (third edition). The BOT has coordinated with the Anti-Money Laundering Office (AMLO) to provide opinions for related draft Ministerial Regulations. On 25 May 2011, the BOT and AMLO signed in the Memorandum of Understanding (MOU) for cooperation in roles and authority over supervision of service providers under BOT's responsibility in the area of anti-money laundering and countering financing of terrorism (AML/CFT).

11. Other Important Activities

11.1 Research works and the organization of the research meeting

The BOT places important emphasis on producing research works, supporting research projects, and organizing research scholar meetings, which serve 4 main purposes as follows:

- (1) Build the knowledge base in support of the BOT's policy implementation and her role as economic consultant to the government.
- (2) Underline the BOT's status as the country's leader in academic research as well as the BOT's policy credibility.



- (3) Strengthen working relationship and harmonize understanding vis-a-vis academic counterparts and network of leading academics.
- (4) Leverage intellectual alliance vis-a-vis academic counterparts to better accumulate and promulgate the body of knowledge.

Details of events and activities organized to serve abovementioned objectives are as follows:

(1) Building the knowledge base: in 2011, the BOT produced the following researches

- 1) Research in collaboration with the International Monetary Fund (IMF) titled “Dynamic Stochastic General Equilibrium (DSGE)”. This research explored of the monetary policy transmission mechanism (to the real sectors) and proved valuable in guiding the appropriate interest rate path. From August 2011, the BOT has been running the DSGE model in parallel with the core Bank of Thailand’s Macroeconomic Model (BOTMM).
- 2) Research work titled “Wealth Effects and Consumption in Thailand”. The main finding was that the durable assets, such as houses and lands, are stronger determinants of consumption than financial assets.
- 3) Research work titled “Challenges to Monetary Operations in a Small Inflation Targeting Economy: Living with Foreign Exchange Flows”. This research explored the linkage between foreign capital flows and domestic interest rates, and was presented at a research conference organized by the European Central Bank (ECB) in Germany.

(2) Underline the BOT’s research status

- 1) The BOT Annual Symposium, presented under the theme “Keeping Pace with Rising Asia”, 20-21 October 2011, presented 5 academic papers dealing with the impact on Thai economy from rapid expansion of the Chinese economy as well as the emergence of the ASEAN Economic Community (AEC). Amongst the conclusion from the symposium was that Thailand’s manufacturing sector would face higher competitive pressure, necessitating structural adjustment, higher labor productivity, as well as enhanced intra-regional production network. In addition, the government sector should encourage outbound private investment via tax incentives and relaxed capital control. The symposium received favorable public responses.



- 2) A conference co-hosted by the BOT and the Bank for International Settlements (BIS), titled “Central Bank Balance Sheets in Asia and the Pacific: The Policy Challenges Ahead”, took place during 11-13 December 2011 in Chiang Mai. Attended by 50 invited international participants (high-level central bank executives, international organization representatives, and leading academics), the conference was an opportunity to present research findings and exchange ideas, particularly with regards to the causes of central bank balance sheet expansions and possible financial and economic repercussions.
- 3) The publication of short research articles under the series “Focused and Quick (FAQ)” presenting timely and topical policy issues and recommendations. A total of 47 articles were produced in 2011. Topics ranged from real economic sector to financial sector issues as well as issues of public interests, e.g. Sovereign Wealth Fund (SWF), limitations with regards to the analysis of inflationary pressures, impacts of the 2011 flood on the economy and its potential outputs. These articles proved to be of great interest to the general public, as evidenced in the publication and references made in newspaper and academic publication. In addition to the FAQ, a number of short articles and commentaries were published in newsprints, whose aims were to communicate and elucidate the public on topics of interest, e.g. in the column “Jang See Bia” (Bangkok Biz News), such titles as “What to do with the international reserves?”, “Is inflation a threat?”, “Why Basel 3?”, etc.

(3) Strengthen alliance with the academic circles

- 1) Organized the 3rd Young Economists’ Meeting as a platform for knowledge exchanges amongst new generations of economists. The 2011 event, which took place on 29-31 July in Prachuap Khiri Khan, was organized under the theme “Real Sector Realization”.
- 2) Organized a total of 10 Economic Workshops as forums for presenting research findings of interest by researcher from within as well as outside the BOT, hence good opportunities to exchange knowledge and discuss research techniques. Along the same line, there was also a Thesis Workshop, a chance for final-year Master’s and Ph.D. students from national and international universities to presents their research works, as well as meet professional economists at the BOT.

(4) Leverage the academic network/alliance

For the 3rd year running, a BOT Research Workshop presented a forum for the BOT to take in feedbacks directly from the public, particularly their views on the BOT's policy conduct. The 2011 event, which took place in Chonburi during 10-11 June, addressed the "Risk and Policy framework for handling with the volatile capital inflows and the exchange rates" through 7 background research papers and involved 50 outside participants.

11.2 The Bank of Thailand's participation in international organizations and international fora

In 2011, the focal issue discussed at various international fora was related to measures and cooperation to overcome the global financial crisis and challenges to central banks' role in restoring economic stability. At the global level, options for beefing up financial resources of the International Monetary Fund (IMF) were explored, to ensure sufficient lending capacity to meet members' demands for loans. At the regional level, there was a discussion among ASEAN+3 member countries on further enhancements to the Chiang Mai Initiative Multilateralization (CMIM), exploring the potential to expand the overall size and to enable a crisis prevention function. At the bilateral level, the BOT has entered into collaboration agreements with other central banks in order to have a wider range of available tools for maintaining financial stability.

Attention has also been drawn to continuous efforts to improve the effectiveness of macroeconomic and financial surveillance mechanisms, in particular to ensure early identification of potential risks and timely implementation of policy measures to prevent contagion. In addition, there have been more studies and debates on the impact of unconventional measures used by systemic countries on other economies.

(1) Association of Southeast Asian Nations : ASEAN

In 2011, the ASEAN Finance Ministers' Meeting (AFMM) and the ASEAN Central Bank Governors' Meeting (ACGM), both chaired by Indonesia, emphasized on the continued implementation to reduce impediments to regional financial integration. In this connection, the AFMM and ACGM tasked their relevant working committees to expedite the implementation process in order to achieve financial integration.



The BOT, as co-chair ⁴ of the Working Committee on Capital Account Liberalization (WC-CAL), has been responsible for preparing the individual milestones blueprints and capacity building initiatives for ASEAN member countries in order to achieve freer flows of capital, which are part of the objective in establishing ASEAN Economic Community (AEC). In addition, the BOT was involved in the liberalization of financial services, whereby the 6th Round of Negotiations has already started.

In the area of capital market development, the ASEAN Exchanges launched a marketing plan which would help promote ASEAN as an investment destination. This would help enhance the region's competitiveness and attract global investors to invest more in ASEAN. Meanwhile, the Working Committee on Payment and Settlement Systems (WC-PSS), in which the BOT is also co-chairing, completed the final report on "ASEAN Payment and Settlement Systems" to serve as guide for member countries in their preparation for the integration of AEC.

As for the cooperation among ASEAN central banks, the BOT Governor participated in the ACGM, and the meeting agreed to establish the Senior-level Committee on Financial Integration (SLC) to provide recommendation on the implementation under the ASEAN Financial Integration Framework (AFIF). Subsequently, the SLC set up 2 additional working groups, namely (1) the Task Force on ASEAN Banking Integration Framework (TF-ABIF) to prepare guidelines for establishing Qualified ASEAN Banks (QABs) which will be able to operate in every ASEAN member country, and (2) the Steering Committee for Capacity Building Initiatives to Support the ASEAN Financial Integration (SC) to narrow development gaps among ASEAN member countries in moving towards the AEC 2015.

In addition to these initiatives, the ASEAN Swap Arrangement (ASA) was renewed to November 2013.

(2) ASEAN+3

In 2011, the ASEAN+3 financial cooperation focused on the development of Chiang Mai Initiative Multilateralization (CMIM) to cope with the uncertainty surrounding the international financial markets. This includes the discussion on possible Crisis Prevention Function in addition to the Crisis Resolution Mechanism.

⁴ Bank of Thailand and Bangko Sentral ng Pilipinas are co-chairs of WC-CAL.



In this regard, the ASEAN+3 Macroeconomic and Research office (AMRO), an independent surveillance unit established under the CMIM agreement, has started operations since May 2011. AMRO's functions are to monitor and provide unbiased assessment of the economies in the region. In 2011, AMRO conducted economic surveillance of Cambodia, Vietnam and Singapore.

In addition, ASEAN+3 countries continued to develop their regional bond markets through the Asian Bond Markets Initiative (ABMI). The key developments in 2011 were (1) to promote local currency-denominated (LCY) bond issuance by establishing the Credit Guarantee and Investment Facility (CGIF) which will be operating at the beginning of 2012 (the CGIF is intended to promote the issuance of LCY bonds), (2) to develop bond market infrastructures in member countries, (3) to encourage greater private sector engagement to share their views on the harmonization of regulatory standards in the region, and (4) to study the feasibility of establishing the regional settlement intermediary to support increasing transactions in the years to come.

Furthermore, ASEAN+3 Finance Ministers' Meeting agreed to initiate studies on three possible areas of financial cooperation, which are: (1) infrastructure financing, (2) natural disaster risk insurance, and (3) using local currencies for the regional trade settlement.

(3) Bank for International Settlements: BIS

The Bank for International Settlements' bimonthly meetings provide a focal venue for central bank governors from both Advanced and Emerging Market Economies to regularly discuss and outline problems in conducting monetary policy and unconventional measures to ensure timely response against risks to stability of macroeconomic and financial systems.

In 2011, thematic discussions revolved around the role and responsibility of central banks amidst the global financial crisis, which put more weight on stabilizing financial systems in addition to the traditional role of maintaining price stability and ensuring sustainable growth. Given such expanding mandate, central bank governors also discussed the effectiveness of unconventional measures and their impact on central banks' balance sheets and credibility. In this connection, the BOT and the BIS jointly organized the "BOT-BIS Research Conference on Central Bank Balance Sheets in Asia and the Pacific: The Policy Challenges Ahead" on 12-13 December 2011 in Chiang Mai. The event was attended by central bank governors and deputy governors, as well as scholars from leading academic institutions to present their studies and exchange views on the related topics.



(4) The Executives' Meeting of East Asia-Pacific Central Banks: EMEAP

Crisis management continued to take center stage for EMEAP in the year 2011 with more progresses and cross collaboration among the working groups. Under the Monetary and Financial Stability Committee (MFSC), the overall plan for enhancement of the Crisis Management and Resolution Framework within the year 2013 was finalized and endorsed.

On the risk monitoring front, MFSC's study on managing capital flows in the EMEAP countries had provided the basis for cross-border data collection to monitor systemic risks. The BOT continued to maintain close communication with other members in the form of MFSC teleconferences to exchange views on recent developments. To further improve risk monitoring, EMEAP central banks agreed to invite non-central bank supervisors to join their discussions on an ad-hoc basis in order to gain a complete understanding of financial institutions development.

As for financial safety nets, the Working Group on Financial Markets continued to make progress in establishing a common template for bilateral interbank lending and initiating the cross-border collateral arrangement (CBCA).

With regard to global financial regulation, EMEAP remained active in voicing collective emerging Asia-Pacific views on various regulatory issues under the Basel III of the Basel Committee on Banking Supervision. In addition, an ad-hoc interest group, comprising the Working Group on Banking Supervision, the Working Group on Financial Markets and the Working Group on Payments and Settlement Systems, has been set up to thoroughly explore Over-the-counter (OTC) derivatives regulation.

Towards the year-end, EMEAP members initiated discussions on the future role and governance structure of EMEAP to further strengthen central bank cooperation in the context of globalization.

(5) International Monetary Fund: IMF

In 2011, the Bank of Thailand represented the Southeast Asian Voting Group (SEAVG) of 13 countries as a member of the International Monetary and Financial Committee (IMFC), which provides guidance to the IMF's work programs. As such, at the IMFC meeting in September 2011, the Bank of Thailand Governor delivered a statement highlighting the importance of global economic and financial surveillance system and the need for the IMF to improve its surveillance mechanism, as well as urging the IMF to enhance its role in dealing with the ongoing global financial crisis.



In response to members' views on IMF governance reform, the IMF has undertaken many initiatives to further strengthen its surveillance capacity, in particular, by conducting in-depth analysis on spillover effect of domestic policies of the five systemic economies (China, the Euro Area, Japan, the United Kingdom and the United States) on global economy and other regions, so-called "Spillover Reports". With regard to crisis resolution, the IMF reviewed and overhauled its lending framework to make it more flexible and better suit to members' needs. It also streamlined conditionalities, in order to allow countries with relatively strong policies and fundamentals but prone to short-term external shocks (crisis-bystanders) for prompt access to the Flexible Credit Line (FCL) or the Precautionary and Liquidity Line (PLL). In addition, the IMF boosted its lending resources to effectively meet with the rising demand for financial assistance by enlarging the New Arrangements to Borrow (NAB) from 34,000 million SDR to 367,500 million SDR, of which 340 million SDR are from Thailand.

(6) South East Asian Central Banks: SEACEN

The Three-Year Strategic Business Plan (SBP), for the operating years 2011 to 2014⁵, was formulated and approved as a succeeding roadmap following the Five-Year Plan which ended in April 2011. The SBP's vision is "To be the Regional Learning Hub for Central Bank in the Asia-Pacific Region", rather than a "Training Center" and to serve as a hub to synergize efforts in central banks learning across SEACEN's network base. SEACEN's mission is to build capacity and fostering network collaboration through the four value propositions as follows:

- 1) Promoting thought leadership
- 2) Building regional views
- 3) Sharing knowledge and expertise and;
- 4) Achieving to be a "Center of Excellence in Central Bank Learning"

SEACEN initiated cooperation with Center of Latin American Monetary Studies (CEMLA) to drive a cross-regional collaboration among central banks in the Asian and Latin American regions. A joint conference on "The Implementation of Monetary Policy: Lessons from the Crisis and Challenges for Coming Years" was successfully held this year. Moreover, a jointly organized website is being developed to promote the exchange of information between regions.

In January 2011, the SEACEN Board of Governors agreed for the People's Bank of China to become the 17th official member of the SEACEN.

⁵ The Board of Governors agreed in their 30th meeting (2011) to change operating year (1 April - 31 March) to coincide with calendar year (1 January - 31 December), starting from 2013. This has left only 9 months in the operating year 2012.



(7) Other bilateral cooperations

- 1) Collaboration between the BOT and the Bank of Japan to implement an arrangement for liquidity provision in Thai Baht to financial institutions in Thailand utilizing Japanese government securities as collateral

On 25 October 2011, the BOT announced the collaboration with the Bank of Japan to implement an arrangement for liquidity provision by the BOT in Thai Baht utilizing Japanese government securities as collateral. This measure aims to facilitate the funding of financial institutions operating in Thailand including Japanese banks, which provide financial services to firms, including Japanese firms operating in the flood-affected areas of Thailand.

- 2) Bilateral local currency swap agreement between the People's Bank of China and the BOT

On 22 December 2011, the People's Bank of China and the BOT signed a bilateral local currency swap agreement in Bangkok, Thailand. The amount of the agreement is 70 billion Chinese Yuan or 320 billion Thai Baht. The swap transaction provides a channel by which the central banks can have access to the local currency of the other party. This swap line will provide confidence to the private sector on the availability of the local currency for the payment of trade and investment between the two countries. This will also provide an alternative choice of currency for firms and enterprises, and thus further facilitate businesses between the two countries.

11.3 Information System Activities

11.3.1 Information technology

In 2011, the BOT managed 51 IT-related projects organized in 7 programs, each supervised by a Computer Steering Sub-Committee (CSSC). The CSSC, appointed by the Bank of Thailand's Board of Directors, regulates and supervises each IT-related project to efficiently perform and align with the BOT strategic direction. The budget for all 51 projects is approximately 285 million baht. Below is a brief summary of each strategic program.



Program 1 : Data & Statistics Management Excellence

- Important projects in this program are the Thailand Financial Instrument Information Center (TFIIC) project and the Real Sector and Public Sector Data project. TFIIC is the cooperation of five agencies (BOT, the Securities and Exchange Commission (SEC), Public Debt Management Office (PDMO), the Stock Exchange of Thailand (SET) and the Thai Bond Market Association (ThaiBMA)) to develop a database system for financial instrument registry and transactions and an information sharing channel for the investors and market participants. In 2011, several phases of the project have been completed, for example, process design phase, testing phase, and preliminary data migration phase which imported data from SEC covering all Bond Registry, debt securities, equity securities, and financial derivatives. The transactional data will be carried out later in 2012 and TFIIC is scheduled to launch in October 2012.
- For Real Sector and Public Sector Data Project, a Real Sector data system are being developed to so far cover data acquisition, data storing, and data dissemination via the BOT WebSite as well as time series tools for retrieving financial and economic data. The system will be in production in March 2012. The development of Public Sector data system has been postponed.

Program 2 : Financial Market Excellence

- This program focuses on upgrading the Dealing Room System to a more recent version for supporting new financial instruments. The system is on testing phase and will be operated in March 2012.
- The Portfolio Monitoring and Performance Attribution project aims to improve capability of reserve management. The system will analyze risk information and individual reserve management return to define investment strategy of each person/portfolio and performance attribution to the portfolio. The system is under testing and is expected to be completed in March 2012.
- The Emergency Liquidity Assistance project aims to stabilize the economy and financial system under the Bank of Thailand Act B.E. 2485 by providing financial aid to financial institutions lacking liquidity. The project is currently in system development phase and will be completed in July 2012.

Program 3 : Payment Excellence

- The most significant project in this program is the Imaged Cheque Clearing and



Archive System (ICAS) which aims to develop interbank cheque clearing system. In 2011, all member banks have finished the readiness test and contingency plans. ICAS is scheduled to deploy in Bangkok Metropolitan Region in February 2012 and will be extended to cover all areas in the country in 2012-2013.

- The Bank of Thailand-Electronic Financial Services (BOT-EFS) project is aimed to improve financial infrastructure especially the integration of services, and the efficiency and security of the system. BOT-EFS is currently in system development and testing phase of Current Account system, large value fund transfer services, securities/payment settlement services and authentication services. The system is scheduled to operate in the third quarter of 2012.

Program 4 and 5 : Financial Excellence and Human Resource Excellence

- Projects completed in 2011 are the Treasury Account System Improvement (TAS) project and the SAP system-upgrading project. The TAS enhances an existing system to record new financial market and reserve management transactions. The SAP system upgrading project focuses on upgrading SAP system to a more recent version which accommodates expansion of digits in numerical information.
- New HR projects have been initiated during the year. The Performance Management System project has been adjusted to support BOT's performance assessment and variable pay (VP). The Manpower Planning and Recruitment project is currently in system design phase which also studies the possible applicability of data mining tools (Business Warehouse).

Program 6 : IT Services Excellence

The principal project in this program is the IT Infrastructure Enhancement project.

- The project aims to: 1) Improve efficiency and reliability of the SWIFT system, 2) Improve network connectivity to the SETNET system of the Stock Exchange of Thailand (SET), 3) To increase wireless LAN coverage areas and support portable devices. The project was completed in 2011.

In the Information Security area, IT Risk and Security Policy Compliance Assessment has been conducted by external security experts and concluded that the BOT's information security standards and policies are in accordance with the international standard ISO/IEC27001:2005.



The BOT has implemented an online VDO conferencing platform using Microsoft Lync 2010. Currently all BOT employees from Head Office, Banknote Management Office, Branch Offices and Representative Offices can use this tool for communication and collaboration. All the Thai and international commercial banks have been coordinated to establish VDO conferencing connection with the BOT. During the flood crisis, the Business Continuity Plan (BCP) has involved close and rapid communications through regular video conferences between the BOT and the CEOs of financial institutions.

The BOT has promoted the use of Tablet devices in order to securely enhance collaboration and productivity anywhere at any time, by providing such equipment for BOT executives at the director-level or above, together with Internet package, basic applications, support services and a user security guide.

Program 7 : Content Management Excellence

The significant project in this program is the BOT Document and Records Management (BOT-DRM) project. The project aims to store and retrieve BOT's document and records in a systematic and secure manner. This year, the system has been successfully deployed in all departments.

Moreover, the BOT has introduced Financial Consumer Protection Center (FCC) aiming to systematically enhance the Bank of Thailand's financial consumer protection mandate. With a single hotline number, 1213, the FCC application has been developed to receive, record and track complaints and enquiries pertaining to financial services, government bonds and debt securities, banknotes and foreign exchange. The system was completed in 2011 and has officially operated in January 2012.

11.3.2 Data management

In 2011, the BOT collected and compiled several sets of statistics, and disseminated these with related analyses. The credibility of the statistics was assured through compliance with international statistical guidelines, and the data was complete and adequate to support the formulation of monetary policy, and for better understanding of statistical data. Several improvements were achieved during the year and the most important of these are listed below.



1. Data quality enhancements in accordance to international standards

- 1) Balance of Payments Statistics is a statistical statement that summarizes economic transactions between residents and nonresidents. The BOT has adopted the International Monetary Fund's Balance of Payments and International Investment Position Manual, 6th Edition (BPM6) for the compilation of Balance of Payments Statistics. From 30 September 2011 onwards, the new data series of Balance of Payments Statistics, External Debt Statistics and International Investment Position were disseminated on the BOT's website.
- 2) The Monetary and Financial Statistics cover assets and liabilities of financial intermediaries, as suggested in the IMF's Monetary and Financial Statistics Manual (MFSM2000). In 2011, the coverage has been extended to include the Deposit Protection Agency (DPA), securities companies and pawn shops. Furthermore, studies are underway for the compilation of Financial Soundness Indicator (FSI) and Financial accounts in order to support monitoring of financial stability. The data series will be available in 2012.
- 3) The International Investment Position (IIP) is the balance sheet of external financial assets, liabilities, and the net position. IIP statistics, currently disseminated on an annual basis, are subject to change to quarterly basis. Furthermore, the survey form was redesigned to enhance data collection to cover more international financial transactions to accommodate the BOT's further foreign exchange deregulations, as well as align to the IMF's initiatives to encourage member countries to disseminate quarterly IIP statistics. Moreover, the survey system was improved to increase efficiency for processing quarterly compilation. The quarterly data series will be made available to the public in the near future.
- 4) Real sector statistics. Improvements were made to real sector statistics and indices to increase their reliability and better reflect the manufacturing subsector. Database system has been developed to support data collection from external sources. New indices and real sector statistics compiled are as follows:



- The Labor Productivity Index: This index is a measure of output per employed person, reflecting Labor efficiency and is compiled on a quarterly basis.
 - Labor statistics such as average wage classified by level of education and occupation, and number of unemployed persons ever worked classified by the reason for leaving a job and the duration of unemployment.
 - Trade Indices which are compiled from sales data obtained from the Revenue Department.
- 5) Government Financial Statistics. New data series, compiled on cash basis, was disseminated on the BOT's Website. The series was compiled in accordance with the IMF's Government Finance Statistics Manual (GFSM2001) and align with the data disseminated by the Bureau of the Budget and the Fiscal Policy Office (FPO).

2. Statistical collaboration with other agencies

- 1) Collaboration with the Department of Business Development (DBD), the Ministry of Commerce to increase coverage of registry data and financial statement of Corporations.
- 2) Collaboration with 4 agencies, namely, the Securities Exchange Commission (SEC), the Public Debt Management Office (PDMO), the Stock Exchange of Thailand (SET) and the Thai Bond Market Association (ThaiBMA) in order to establish the Thailand Financial Instruments Information Center (TFIIC). This serves as an inter-agency centralized database. Data will disseminate through the TFIIC's website. At initial phase, the data will cover both registry and transaction of financial securities in Thailand. The SET is responsible for collecting and processing registry data. The BOT is responsible for collecting and processing transactional data as well as maintaining the TFIIC's website.

Furthermore, some working processes and related regulations have been amended to increase efficiency such as the process of International Securities Identification Number (ISIN) issue by the Thailand Securities Depository (TSD) which is now linked with the financial security system of the SEC. The new data series are scheduled to be disseminated through the TFIIC's website in 4th quarter of 2012



3. Dissemination of statistics and related analyses to the public

- 1) Dissemination of analyses on the BOT's Website on the topic of Trade indices to align with the enhancement of sales database of the Revenue Department, the Ministry of Finance.
- 2) Improvements to the compilation and dissemination processes for financial institution statistics in parts of deposit, loan and lending classified by provinces, to help facilitate analyses at the country, regional and province level, decrease data redundancy and centralized data.
- 3) Dissemination of analyses and compilation process for new data series through the BOT's website in advance, to increase public's awareness and understanding of the data before the scheduled release date.

4. A more user-friendly and flexible in-house IT system

- 1) Enhancement to the BOT data dissemination system (BOTdd) as follows:
 - Time Series Dissemination Tool: Analytical tool for users to access time series data used for analyses.
 - Analysis Zone: This is a centralized access for analysts to access data and other application systems such as Company Profile and Financial Statement system (CPFS), Economic Data Sharing (EDS) for macroeconomics meeting, Regional Economic data and Financial Market Statistics data.
- 2) Improvements the collection and compilation process of Regional Economic and Financial statistics to have same standard as statistics compiled by the BOT's Head Office, to increase data consistency.
- 3) Study and impact analysis on the changes of regulations, international standards and the BOT's policy in preparation for the enhancements of the Data Management System (DMS) in parts of data acquisition, data processing and data dissemination as follows:



- New international accounting standard and the BOT's policy.
- Consolidated supervision and capital requirements according to the Basel III regulations by the Financial Institution Policy Group which affect data sets that financial institutions will submit through DMS in 2013.
- Redesign data sets and BOT's data acquisition standards for the submission of transactions which use BIBOR as reference rate, according to the policy which encourages financial institutions to use BIBOR as reference rate instead of other rates (LIBOR, SIBOR).

12. Bank of Thailand Regional Office

12.1 Northern Region Office (NRO)

The Northern Region Office (NRO) consists of (1) Regional Economy Division; (2) Economic and Financial Analysis Division (renamed to Financial Consumer Protection Division since 1 November 2011); (3) Regional Banking Services and Administration Division; and (4) Human Resources Team. The details of performances in 2011 are as follows:

1. Economic analysis

1.1 Analyzing and monitoring economic conditions of the Northern Region

The major responsibilities include studying, surveying, monitoring major economic sectors and developing relevant key economic indicators in order to assess the Northern region's economic conditions. The NRO's economic assessment is included in the macroeconomic assessment of the Monetary Policy Group as well as the monetary policy implementation. Other relevant roles are studying and analyzing major commodities as well as exchanging monthly views with the private sector under the Economic/Business Information Exchange Program and organizing quarterly meetings with private entrepreneurs from various sectors so as to gain first-hand information on the current economic conditions and their outlook are incorporated. To fulfill the communication strategy, the NRO regularly disseminates press releases and economic and monetary conditions of the Northern region via electronic media on a monthly basis and organizes quarterly press conference. Furthermore, seminars on topical economic and financial issues are organized regularly. Besides, as a part of the BOT's public responsibilities, NRO representatives participate in the provincial



treasury office's meetings to provide comments and recommendations on the compilation of Gross Provincial Product (GPP) in the 17 provinces of the Northern region. In addition to formal meetings with government's offices, the NRO staffs also participate in seminars and make presentations on economic and monetary aspects upon request as well as participate in other relevant local meetings and seminars.

1.2 Analyzing and monitoring economic conditions of neighboring countries and border trade

The NRO studies, conducts surveys, monitors and analyses economic conditions of Myanmar and Southern China and border trade activities, as well as follows up on the progress of Greater Mekong Sub-region Economic cooperation. The on-site surveys on payment system and border trade between Thailand and Southern China including Myanmar as well as a cooperative meeting between the NRO and the Peoples' Bank of China (PBC), Kunming branch, were arranged in a collaborative effort to develop and promote the cross-border settlement in local currencies in order to facilitate border trade of Thailand and neighboring countries in the future.

1.3 Studying special economic issues and researching together with the headquarter

The NRO studies both hot and current issues, such as effects of recent massive flooding on the Northern region economy and the government measures on the domestic paddy price manipulation. Besides, two in-depth research projects relevant to the Northern region were accomplished: (1) the Role of the Chinese Yuan on Thailand's international trade; and (2) Labor mobility in Thailand.

1.4 Developing key economic indicators for the Northern region's economy

Five key economic indicators - agriculture, manufacturing, private investment, private consumption and trade index - have been developed including the out-of-date base-year and inappropriate weight of index compositions in accordance with significant changes in economic structure of the Northern region.

2. Business and financial analysis

2.1 Monitoring financial sector

The NRO is responsible for the supervision, examination, monitoring and analysis of a licensed non-bank operation and business center operation of licensed financial institutions within the Northern region, as well as foreign exchange operation of authorized money changers and money transfer agencies. In addition, the NRO



also receive and redress financial complaints within the Northern region and providing advices to both relevant government officers and debtors of unauthorized creditors. Moreover, to study, analyze and monitor the fiscal balance of the local administrative organization within the Northern region is also NRO's responsibility. Furthermore, NRO conducted a survey on financial services provided by financial institutions within the Northern region. We also disseminated financial knowledge and promoted financial access, particularly for SMEs, within the Northern region as a collaborative effort with private sector and commercial banks such as by conducting seminars in major Northern provinces.

2.2 Monitoring foreign exchange activities and disseminating relevant information

2.2.1 Monitoring foreign exchange activities

- Authorized money changers NRO supervised 86 authorized money changers operating foreign currencies exchange within the Northern region.
- Money transfer agencies NRO supervised 256 money transfer agencies within the region.

2.2.2 Disseminating relevant foreign exchange information

NRO organizes several presentations, meetings and seminars within the Northern region in order to disseminate knowledge and promote better understanding of (1) foreign exchange risk management for SMEs and (2) the rules and procedures that authorized money changers and money transfer agencies must comply .

2.3 Monitoring financial health

NRO responsibilities include analyzing and monitoring the financial health of major commercial bank's debtors or any business groups that may have impact on the economic and financial conditions within the area of responsibility. We also monitor performance and financial status of commercial banks within the Northern region.

3. Banking business facilities

3.1 Fund deposit and withdrawal

Funds deposited to and withdrawn from current accounts at the Headquarters amounted to a total of 8,498.9 million baht and 8,614.2 million baht respectively, increasing from the previous year by 104.22 percent and 105.63 percent.



3.2 Bonds registrar

At the end of 2011, there were 32,325 bondholders with a total holding of 37,056.08 million baht registered within the Northern region. Of this, a total of 9,412 bondholders requested registry services including the selling transactions of 474 bondholders amounting to 791.34 million baht of and the redemption transactions of 6,867 bondholders amounting to 4,811.15 million baht.

3.3 Cheque clearing

The total number of provincial cheque clearing through clearing houses within the Northern region was 3.09 million issues, remaining at the same level of 3.1 million issues in the previous year. However, the total values increased by 7.75 percent from the previous year, amounting to 608,383.96 million baht. Only 1 percent of the total amount or 6,087.80 million baht were returned cheques.

4. Others

Besides the aforementioned responsibilities, the NRO is also responsible for communicating with the public in the Northern region to ensure proper understanding of the BOT's roles, responsibilities and policies via various media and activities including broadcasting and publishing relevant information on the BOT's responsibilities, timely participation in various local activities, arranging program for visitors, providing library services and operating the BOT's coinage and textiles museum and organizing the annual textile exhibitions - "Reminiscence of yesterday through ancient money and textiles" and "Magnificent Lanna, glamorous textiles".

12.2 Northeastern Region Office (NEO)

The structure of NEO is divided into (1) Regional Economy Division (2) Financial Consumer Protection Division and (3) Regional Banking Services and Administration Division. The major contributions for 2011 were as follows:

1. Economic research and analysis

1.1 Economic analysis

- (1) On Economic Research and Analysis, the NEO conducts a number of studies, analyses, estimation, economic forecasting and publish an annual NE Economic and Financial Report, encompassing both supply and demand sides. Economic forecasting relies on a number of key economic indicators and economic models that are regularly updated and refined then elaborated further by information derived from a Business Liaison Program involving regular on-site visits to some 276 business operators in the NE Region.

To keep abreast with the latest economic development, the NEO regularly conducts meetings/conferences with other private or public organizations to exchange views and monitor changes in the underlying economic trends, parts of which are compiled into a Commodities Market Development Report focusing on rice, tapioca, sugar and cane, and alternative energy industries. This together with the latest information on the local government policies are then summarized and fed into the Bank of Thailand Head Quarters' macroeconomics and monetary policy meetings the outcome of which are eventually released through press conferences and the BOT website to the general public on a regular basis.

- (2) On neighboring countries, the NEO also monitors, studies, analyses and forecasts the macroeconomic conditions, particularly of Lao PDR, Cambodia and Vietnam. To promote and keep track of latest developments in the cross-border payment and settlement system, the NEO has continuously encouraged a number of Thai commercial banks to quote and conduct foreign exchange transactions between Baht-Kip and Baht-Riel on a nationwide basis, since early 2011. Relating to this issue, the opening up of the third Thai - Lao Friendship Bridge - Nakhon Phanom province is also monitored closely with its impacts on the macro economy to be assessed intermittently.

1.2 Economic research

In 2011, the NEO conducted 4 research studies on the topics: (1) How to promote and support financial access by SMEs; (2) The problems of financial access of the household sector in the Northeastern region, particularly in Roi Et, Nakhon Phanom, and Nakhon Ratchasima; (3) The problem of labor shortages, causes, impacts and policy options; (4) Factors determining Thai business investments in the neighboring countries: specifically Cambodia, Lao PDR, Myanmar and Vietnam (CLMV) and published 9 economic articles in a number of local newspapers.

1.3 Collaborations, seminars and meetings

- (1) On the occasion of the NEO's 43rd anniversary (8 September 2011), a special seminar was organized on "AEC and the future of the Northeast Region of Thailand" followed subsequently (15 December 2011) by a paper "The labor market imbalances: causes, impacts and policy options" as jointly written with Khon Kaen University.



- (2) The NEO on behalf of the BOT provided 4 training courses and study visits for staff members of the Bank of Lao PDR (BOL) and National Bank of Cambodia (NBC) and supervised academic progresses of a BOL's staff on scholarship to study in Thailand.
- (3) The NEO hosted a meeting between delegations from the BOT and the State Bank of Vietnam.
- (4) The NEO conducted a field study survey to monitor progresses in the Baht-Kip exchange markets around the Nong Khai border.
- (5) The NEO's staff participated in 81 meetings and seminars of the other public and private sectors and provided resource persons to 22 lectures, both within the NEO and outside all opened to the general public audiences.

2. Financial consumer protection

2.1 Promoting financial literacy and financial services accessibility

The NEO undertook 61 trips to promote financial literacy to the public and private organizations in the NE Region, reaching approximately 8,800 people attending and began disseminating financial knowledge via other media such as radio broadcasting and newspapers. Moreover, NEO together with the Thai Credit Guarantee Corporation (TCG) also organized 5 Financial Accessibility Fairs for the SMEs, allowing some 1,690 SMEs entrepreneurs in the NE Region to gain access to credit as much as, 5 billion baht.

2.2 Resolving customer complaints against financial institutions

NEO accepted 252 cases, relating to financial complaints and customers seeking redresses and managed to resolve 227 cases within the NEO, leaving only 25 cases referred to the Customer Complaint Centre in Bangkok.

2.3 Business and financial analysis and foreign exchange monitoring.

- (1) NEO collaborated with the Onsite Examination Department 1-2, in the Supervision Group to examine 2 regional business centers (hubs) of Thai commercial banks.



- (2) NEO together with the Specialized Financial Institutions and Non-bank Examination Department gave 2 training/seminars on Non-bank Laws and Regulations to the Provincial Police Forces Sections 3 to 4 of the NE Region and encouraged these police officers to take part in the national efforts to suppress illegal lending activities. NEO together with the Planning and Development Department, Supervision Group, held 2 joint seminars on Financial Supervision, Deposit Protection and Credit Bureau (co-hosted by National Credit Bureau, Deposit Insurance Agency and the BOT) for local people, business sectors in general, as well as other public and private financial institutions. In addition, NEO also conducted a seminar on how to identify counterfeit foreign banknotes and provided guidelines and practical advices for 61 business operators wishing to receive a license to become an authorized money changer in the NE Region.
- (3) NEO regularly reached out to invite local entrepreneurs with business potentials to apply for the licenses authorizing them to be legal money changers and/or fund transferring agents. In 2011, two of these invitees were granted the licenses to become Authorized Money Changers and eight were allowed to officially become Authorized Money Transfer Agents. Once in the system, the NEO is thence charged with the responsibilities of regulating and monitoring these authorized juristic persons to operate within and in accordance with the laws and regulations stipulated.

3. Banking business facilities

3.1 Government bond agent

At the end of 2011, the number of government and state enterprises bondholders registered at NEO was 28,203 accounts with the total holdings of 31,448.3 million baht. During the year 2011, 6,931 bond transactions were conducted, with the total amount of 1,509.8 million baht. Moreover, 620 new bond purchases were also registered amounting to 529.4 million baht, along with 65,657 interest-paying transactions conducted giving out a total amount of 1,596.1 million baht while 5,374 bond holdings were redeemed with a total amount of 5,163.1 million baht.



3.2 Banking activities and cheque clearing

In 2011, a total 1,139 deposits were made into the NEO current account valuing 6,986.1 million baht, while 308 withdrawals were recorded, paying out 7,034.6 million baht from the account. In terms of cheque transactions processed, 3.4075 million claiming cheques were received accounting for an amount of 865,515.2 million baht. Of this, 37,400 cheques were returned, with the total value of 7,267.5 million baht.

12.3 Southern Region Office (SRO)

The Southern Region Office (SRO) comprises: (1) Regional Economy Division; (2) Financial Consumer Protection Division; (3) Regional Office Operation Division; and (4) Human Resources Team.

SRO performances for the year 2011 are described as follows:

1. Economic analysis

1.1 Studying, analyzing and monitoring economic conditions of the Southern Region

Key responsibilities of the SRO include studying, analyzing and monitoring major economic sectors in order to assess Southern economic conditions and support the Monetary Policy Group's monthly meeting on economic and financial assessment. The SRO analyzes and prepares Southern major agricultural commodities reports on pricing outlook, including the trends of Thai major agricultural commodities prices. Moreover, the SRO analyzes the impact of events on the economy, namely flooding in the Southern and Central regions, Tsunami in Japan, unrest in Southern provinces, and so on. Reports were prepared on economic and business trends and views were exchanged with private sector under the Economic/Business Information Exchange Program or Business Liaison Program (BLP). The SRO also held a number of academic seminars and lectures on "Southern Economic Issues" for public sector (government offices), entrepreneurs and students. A learning program in finance was arranged for teachers of economics and a project on "Economic and Finance Competition with BOT 2011" was organized for Southern high school students or their equivalents.

1.2 Specific researches and studies

In 2011, the SRO conducted 2 researches as follows: (1) The Behavior of Thai Wage Determination; and (2) Development Guideline for Thai Halal food export to OIC Market. The 11 studies are as follows: (1) Palm Oil Crisis: Lessons from control policies of the government; (2) the Trend of Rubber Price in 2011; (3) Construction and Real Estate Sector of the South in era of the risks beset in 2011; (4) Thai Shrimp Market in major Export Market and Trends for 2012; (5) Outlook for the next 10 years: Does China remains a major importer of natural rubber?; (6) Indexing trade in Southern; (7) The possibility of using biodiesel B5 and B10 as one grade of Thailand; (8) Samui Tourism 2012: After storm comes a calm; (9) Thailand's Shrimp Export in 2011; (10) Is it time to float palm oil price?; and (11) Palm oil price hits a record in 2010. These researches and studies have been published and disseminated on the BOT's website (www.bot.or.th) and local newspapers.

2. Financial consumer protection

2.1 Personal loans business supervision

The SRO supervises personal loan business operators in the region, disseminates knowledge involving the terms and conditions of business operations under BOT supervision, including alerting the public on 13 illegal lending firms or express money services operators throughout Southern areas.

2.2 Financial complaint from the public

The SRO received 184 complaint cases from the public.

2.3 Foreign exchange control

The SRO regulates authorized money changers and money transfer agents in compliance with related laws and notices of exchange control officials. At the end of 2011, the number of authorized money changers regulated by the SRO totaled 451 with the value of foreign currency trading at 289.9 million US dollars for buying and 289.2 million US dollars for selling. The total value of inflow and outflow by 220 money transfer agents amounted to 12.2 million US dollars, and 4.0 million US dollars respectively.



2.4 Training for public and financial communities

The SRO trains and disseminates knowledge on risk management, internal audit, savings and personal financial management to the public and financial communities in the Southern region as well as organizing a program on “the Use of Application Program in Accounting” to members of savings for production group.

3. Banking business

3.1 Deposit and withdrawal

In 2011, total 1,136 deposit transactions and 433 withdrawal transactions to current account of the SRO were recorded, with the value of 6,839.2 million baht, and 13,054.6 million baht respectively.

3.2 Cheque clearing

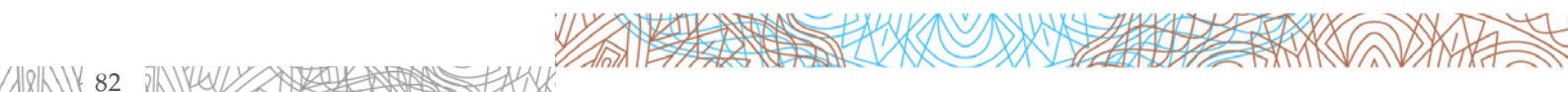
In 2011, the 18 Cheque Clearing Houses in the Southern region processed 3.97 million issues with the value of 863,217.9 million baht. The total returned cheques amounted to 55,631 issues with the value of 6,971.4 million baht. The ratio of returned cheques to processed cheques stood at 0.94 percent by volume and 0.44 percent by value.

3.3 Financial assistance to priority economic sectors

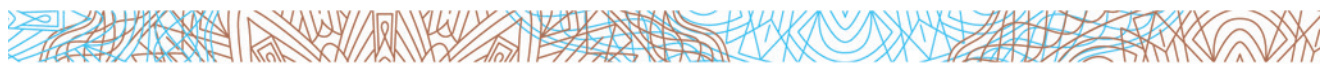
The SRO has ceased its role of financial assistance to priority economic sectors by law since 18 April 2011, due to the date of the last repayment due.

3.4 Government bond agent

At the end of 2011, the government bond holders and the Bank of Thailand bond holders registered at the SRO totaled 28,407 holders or 29,242 issues with the value of 25,986.9 million baht. The interest payments of bonds were 66,931 items with the value of 1,284.9 million baht. There were 803 new registered bond holders with the value of 785.3 million baht. The bond redemption was 4,898 items with the value of 5,269.3 million baht and the number of changes in the personal record was 3,339 items.



Audit Committee's Report



The Bank of Thailand Audit Committee (the AC) consists of four independent non-executive members, appointed by the Bank of Thailand Board (the Board). The current AC members are:

1. Mr. Nontaphon Nimsomboon
(June 24, 2009 - Present), a member of the Board, as the Chairman,
2. Khun Pornthip Jala
(June 24, 2009 - January 31, 2011 and February 1, 2011 - Present), a former member of the Board and an external expert,
3. Mr. Kanit Sangsubhan
(February 1, 2011 - Present), a member of the Board,
4. Mrs. Chittima Duriyaprapan*
(October 1, 2011 - Present), an external expert,
* Appointed to replace Mrs. Tanya Sirivedhin (June 24, 2009 - August 31, 2011), an external expert after her resignation.

In pursuant to AC duties and responsibilities, the AC has ensured to the Board that the BOT has effective risk management, internal control and audit system as well as good governance process. Moreover, the opinions and constructive recommendations of the AC are aimed at enhancing the BOT management to discharge properly and effectively their responsibilities towards the BOT's goals and objectives.

As deemed necessary and appropriate, the AC convened 13 meetings in 2011, including two meetings with the BOT Governor, one of the meetings was held at a BOT regional office and two others with the external auditors from the Office of the Auditor General of Thailand (the OAG).

The AC obtained excellent cooperation from management and various relevant departments. Moreover, its recommendations have been considerably well taken and implemented by management on a continual basis.

The tasks carried out and reviewed by the AC are as follows:

1. Review of Financial Statements

The AC reviewed the process of preparing financial statements and financial reports under operations of the BOT, including the BOT financial statements, Currency Reserve and Banknote Issuance Business for reasonable assurance of their fair presentation, reliability, appropriate application of accounting policies and adequate information disclosure in accordance with generally accepted accounting standards and the requirements of applicable laws.



In the AC's opinion, the overall process of bookkeeping and financial statement preparation of the BOT is under prudent and effective internal control. The presentation of financial position and result of operations presented in BOT financial statements is materially correct and reliable in accordance with generally accepted accounting standards and appropriate accounting practices for central banks, in line with relevant laws with adequate and appropriate disclosure of information.

2. Internal Control and Audit

The AC reviewed the audit reports issued by the Internal Audit Group (the IAG) and provided additional suggestions to audit findings. It has also continuously promoted independence, efficiency and effectiveness of internal auditing. Furthermore, with the approval of the Board, the AC assigned IAG to review the operations of 3 significant core business processes, namely foreign assets management process, process in supporting the operations of 3 policy committees (Financial Policy Committee, Financial Institutions Policy Committee and Payment System Policy Committee) and the BOT financial statement preparation process.

In the AC's opinion, the overall operational process of the BOT satisfactorily yielded appropriate, prudent and efficient internal control whereas internal audit process of the BOT demonstrated continued effectiveness and improvement.

3. Risk Management

The AC made recommendation to the Board to establish an enterprise-wide risk management oversight committee to assist the Board in overseeing overall risk management system of the BOT. The Board agreed with such recommendation and the Risk Oversight Committee (the ROC) was established in 2011.

4. Supervision and Support of Internal Auditors' Work

The AC proposed to the Board a new organizational structure of the internal audit unit in order to promote independence from management. Such recommendation was intended to reassure confidence in concrete counterbalance between the Board and the Management, which is in line with best practice. As a result, the BOT will gain better image and public confidence and will become a role model for other organizations.

Furthermore, the AC endorsed the internal audit plan, as well as annual budget to support IAG with adequate independence by taking on responsibility in unsurpassed compilation with international professional standards (of this profession). In addition, the AC encouraged coordination among BOT Management, external auditor and IAG as and when deemed appropriate.

5. Co-Meetings with External Auditors

The AC held meetings with the external auditor (OAG) twice a year (one of them was without BOT management presence) to receive comments and suggestions from the external auditor on accounting practices and preparation of BOT financial statements as well as to be informed of any concerns with regard to performing of duties, internal control and independence of the external auditor. The meeting also concluded on the annual audit fee of the OAG to propose to the Board for approval.



6. Reporting of AC's Performance of Duties

AC prepared a report of AC's performance of duties and submitted to BOT Board and the Minister of Finance on a quarterly basis, in accordance with the provisions of BOT Act B.E. 2485, as amended by BOT Act (No. 4) B.E. 2551 Section 55.

7. Evaluation of AC's Performance of Duties

The Board is responsible for evaluating the performance of the AC. Nonetheless, for the benefit of self improvement, the AC conducted its own performance assessment (self assessment), components covered in the self assessment are AC meetings, its performance and work relationship among the AC, the management, the Board and the internal and external auditors in consistent with good practice and the AC Charter.

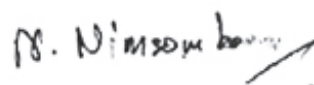
The outcome of self assessment is satisfactorily good. The AC believed that the scope and performance of duties were conformed with good practices and AC Charter and sufficiently strengthened BOT good governance process.

The AC presented the result of such self assessment to the Board for acknowledgement and additional comments.

Summary of AC's Opinion

In an effort to fulfill its prescribed objectives, the AC tried its best to use the knowledge, ability and skills of individual committee member at their utmost capability in conferring independent and impartial opinions and recommendations to the Board, BOT Management and BOT staff by taking interests of all stakeholders into consideration.

All in all, the AC believed the Board, BOT management and BOT staff were fully committed to effectively and professionally perform their duties in order to achieve the BOT's goals and objectives. They operated under good governance in order to attain effectiveness, transparency and reliability. Furthermore, they established prudent, appropriate and adequate risk management and internal control system in compliance to the best practice in order to provide assurance/confidence to all relevant parties and stakeholders.



(Mr. Nontaphon Nimsomboon)
Chairman, Audit Committee
Bank of Thailand
24 January 2012



The background of the page features a large, faint, circular seal of the Bank of Thailand. The seal is a complex, multi-layered mandala-like design with a central star-like motif and intricate geometric patterns radiating outwards.

Report of the Auditors and Bank of Thailand Financial Statements



Report of the Auditors

To the Minister of Finance

We have audited the statement of financial position as of December 31, 2011 and 2010, the income statement, the statement of comprehensive income, the Statements of changes in equity and the Statement of cash flows for each year then ended of the Bank of Thailand. The Bank of Thailand's management is responsible for the correctness and completeness of information presented in these financial statements. Our responsibility is to express an audit opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Bank of Thailand's management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position as of December 31, 2011 and 2010, the results of operations, the changes in equity, and the cash flows for each year then ended of the Bank of Thailand, in accordance with generally accepted accounting principles.

As explained in notes 1 and 3 to the financial statements, with effect from 1 January 2011, the Bank of Thailand has adopted new and revised accounting standards to prepare and present these financial statements. The Bank of Thailand recognized effect of change in accounting policy by adjusting to the accumulated losses at the beginning of the year 2011 to comply with the adoption of new and revised accounting standards.

(Miss Thammaluck Lertpatarapong)
Director of Audit Office

(Mrs. Klinpaka Mangkornkaew)
Auditor In-charge

Office of the Auditor General
March 12, 2012

Bank of Thailand

Statement of Financial Position

As of December 31, 2011 and 2010

Unit : Baht

	Notes	2011	2010
ASSETS			
Cash and Deposits	4	496,086,356,212	555,206,071,069
Reserve Tranche and Holdings of Special Drawing Rights	5	68,275,648,315	56,511,037,550
Investments	6	3,141,082,438,217	3,007,458,517,906
Loans	7	1,138,940,356	12,464,078,400
Premises and Equipment, net	8	5,996,172,311	6,114,543,455
Other Assets	9	245,122,809,780	131,247,487,151
Total Assets		3,957,702,365,191	3,769,001,735,531
LIABILITIES AND EQUITY			
Deposits	10	376,191,926,230	548,431,082,652
Allocations of Special Drawing Rights	11	47,225,450,485	45,051,316,081
Securities Sold under Repurchase Agreements	12	401,100,000,000	337,900,000,000
Debt Securities Issued by the Bank of Thailand	13	3,216,631,375,751	3,140,007,386,728
Other Liabilities	14	239,591,554,465	129,440,665,468
Total Liabilities		4,280,740,306,931	4,200,830,450,929
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	(17,956,962,290)	(260,211,300,705)
Accumulated Losses	18	(202,661,599,138)	(82,096,228,251)
Net Loss for the Year		(130,371,387,187)	(117,473,193,317)
Total Equity		(323,037,941,740)	(431,828,715,398)
Total Liabilities and Equity		3,957,702,365,191	3,769,001,735,531

The accompanying notes form part of these financial statements.

(Mr. Prasarn Trairatvorakul)
Governor

(Miss Wongwatee Potirat)
Senior Director, Finance and Accounting Department

Bank of Thailand

Income Statement

For the Year Ended December 31, 2011 and 2010

Unit : Baht

	Notes	2011	2010
Income			
Interest Income		52,122,482,501	42,598,531,011
Commission		544,336,554	585,740,488
Others	19	15,992,009,547	10,711,122,263
Total Income		68,658,828,602	53,895,393,762
Expenses			
Interest Expense		126,807,054,427	62,709,287,459
Net Losses on Foreign Exchange		66,549,604,303	103,805,931,616
Personnel Expenses		4,208,627,633	3,510,070,450
Others		1,464,929,426	1,343,297,554
Total Expenses		199,030,215,789	171,368,587,079
Net Loss		(130,371,387,187)	(117,473,193,317)

The accompanying notes form part of these financial statements.

Bank of Thailand

Statement of Comprehensive Income

For the Year Ended December 31, 2011 and 2010

Unit : Baht

	Notes	2011	2010
Net Loss		(130,371,387,187)	(117,473,193,317)
Other Comprehensive Income			
Change in Assets and Liabilities			
Revaluation Reserve		242,254,338,415	(232,597,419,017)
Actuarial Loss		(104,991,746)	-
Total Other Comprehensive Income (Loss)		242,149,346,669	(232,597,419,017)
Total Comprehensive Income (Loss)		111,777,959,482	(350,070,612,334)

The accompanying notes form part of these financial statements.

Bank of Thailand

Statement of Changes in Equity

For the Year Ended December 31, 2011 and 2010

Unit : Baht

	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	Total
Balance as of January 1, 2010	20,000,000	27,307,931,128	624,075,747	(27,613,881,688)	(74,434,716,470)	(7,661,511,781)	(81,758,103,064)
Changes during the Year							
Net Loss transferred to							
Accumulated Losses	-	-	-	-	(7,661,511,781)	7,661,511,781	-
Total Comprehensive Income (Loss)	-	-	-	(232,597,419,017)	-	(117,473,193,317)	(350,070,612,334)
Balance as of December 31, 2010	20,000,000	27,307,931,128	624,075,747	(260,211,300,705)	(82,096,228,251)	(117,473,193,317)	(431,828,715,398)
Adjustment for change in accounting policy	-	-	-	-	(2,987,185,824)	-	(2,987,185,824)
Adjusted Balance	20,000,000	27,307,931,128	624,075,747	(260,211,300,705)	(85,083,414,075)	(117,473,193,317)	(434,815,901,222)
Changes during the Year							
Net Loss transferred to Accumulated Losses	-	-	-	-	(117,473,193,317)	117,473,193,317	-
Total Comprehensive Income (Loss)	-	-	-	242,254,338,415	(104,991,746)	(130,371,387,187)	111,777,959,482
Balance as of December 31, 2011	20,000,000	27,307,931,128	624,075,747	(17,956,962,290)	(202,661,599,138)	(130,371,387,187)	(323,037,941,740)

The accompanying notes form part of these financial statements.

Bank of Thailand

Statement of Cash Flows

For the Year Ended December 31, 2011 and 2010

Unit : Baht

Notes	2011	2010
Cash Flows from Operating Activities		
Net Loss	(130,371,387,187)	(117,473,193,317)
Adjustments to Reconcile Net Loss to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation and Amortization Expenses	526,391,271	454,962,323
Gain on Disposal of Premises and Equipment	(8,834,006)	(5,730,956)
Write Off of Work in Progress	2,974,866	5,253,149
Gain from Disposal of Investments	(15,624,269,829)	(10,576,747,632)
Loss from Net Asset Value Changes of Investments		
Managed by External Fund Managers	-	283,510,359
Interest Income	(52,122,482,501)	(42,598,531,011)
Interest Expense	126,807,054,427	62,709,287,459
Loss from Non-cash Foreign Assets and Liabilities		
Cost Averaging	19,907,266,259	70,990,185,604
Gain from Decreasing in Provision for Contingent Losses		
on Forward Contracts under Resale Agreements	(107,306,925)	(157,114,984)
Net Decrease in Accrued Revenues	35,571,971	95,488,077
Net Increase in Accrued Expenses	142,719,365	811,470
Net Increase in Prepaid Expenses	(21,545,923)	(4,229,642)
Cash Paid on Operation	(50,833,848,212)	(36,276,049,101)
Cash Received on Interest Income	55,994,553,388	45,168,868,555
Cash Paid on Interest Expense	(82,531,563,374)	(43,828,301,104)
Net Loss from Operation before Changing in		
Operating Assets and Liabilities	(77,370,858,198)	(34,935,481,650)

The accompanying notes form part of these financial statements.

Bank of Thailand
Statement of Cash Flows (Continued)

For the Year Ended December 31, 2011 and 2010

Unit : Baht

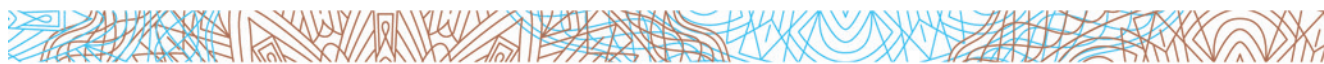
	Notes	2011	2010
(Increase) Decrease in Operating Assets			
Foreign Deposits		122,103,018,719	(76,015,016,079)
Reserve Tranche and Holdings of Special Drawing Rights		(8,743,797,608)	(758,623,194)
Loans		11,351,354,804	5,279,906,100
Other Assets		6,852,942,059	2,465,767,957
Increase (Decrease) in Operating Liabilities			
Deposits		(172,240,657,501)	318,445,206,987
Securities Sold under Repurchase Agreements		63,200,000,000	(42,200,000,000)
Debt Securities Issued by the Bank of Thailand		41,858,613,544	591,745,712,087
Other Liabilities		(1,797,449,140)	(6,276,202,489)
Net Cash from (Used in) Operating Activities		(14,786,833,321)	757,751,269,719
Cash Flows from Investing Activities			
Purchase of Domestic Securities		(23,891,217,631)	(17,978,479,738)
Proceeds from Disposal of Domestic Securities		41,983,000,000	73,891,342,030
Purchase of Foreign Securities		(11,206,308,754,819)	(10,197,647,208,266)
Proceeds from Disposal of Foreign Securities		11,239,650,964,604	9,349,999,178,828
Purchase of Premises and Equipment		(462,343,883)	(795,957,016)
Proceeds from Disposal of Premises and Equipment		9,595,156	5,780,607
Net Cash from (Used in) Investing Activities		50,981,243,427	(792,525,343,555)
Assets and Liabilities Revaluation Reserve on Cash		1,216,342,112	(1,043,348,173)
Net Increase (Decrease) in Cash and Cash Equivalents		37,410,752,218	(35,817,422,009)
Cash and Cash Equivalents at the Beginning of the Year		48,655,687,963	84,473,109,972
Cash and Cash Equivalents at the End of the Year	4	86,066,440,181	48,655,687,963

The accompanying notes form part of these financial statements.

Bank of Thailand

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2011 and 2010



1. Basis of Preparation of the Financial Statements

The financial statements of the Bank of Thailand (BOT) have been prepared in accordance with Section 54 of Chapter 9 of the Bank of Thailand Act, B.E. 2485 as amended, stipulating that the accounting of the BOT shall be in compliance with the generally accepted accounting principles except for a particular matter which the BOT Board has prescribed to be in conjunction with general practices of other central banks.

The financial statements are specific to the account of the BOT, not including the accounts of the Currency Reserve, the Note Issuance Business and the Financial Institutions Development Fund (FIDF), and have been prepared under the historical cost unless otherwise disclosed in Note 2 (Summary of Significant Accounting Policies).

The financial statements are prepared in accordance with Thai Accounting Standard No. 1 (Revised 2009) Presentation of Financial Statements (TAS 1), which is effective on January 1, 2011 onwards. Under the revised TAS 1, the financial statements comprise statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to financial statements.

2. Summary of Significant Accounting Policies

2.1 Revenues Recognition

Interest revenue is recognized on a time proportion basis that takes into account the effective yield on the asset unless otherwise disclosed. Other revenues are accounted for on an accrual basis.

2.2 Expenses Recognition

Expenses are accounted for on an accrual basis.

2.3 Foreign Currency Transactions

Transactions denominated in foreign currencies are translated into baht at the exchange rates prevailing at the date of transaction or at the preceding day-end reference exchange rates.



At year-end, assets and liabilities denominated in foreign currencies are revalued into baht at the exchange rates prevailing on the reporting date. Unrealized gains and losses from revaluation of foreign assets and liabilities are calculated from the difference between exchange rates prevailing on the reporting date and weighted average cost of each foreign currency, and presented in the Assets and Liabilities Revaluation Reserve under the equity section.

Gains or losses from foreign currency transactions are recognized in the income statement when the position of each foreign currency is decreased. Whenever the position of any foreign currency increases during the day, the cost of such foreign currency is calculated using the weighted average cost method and used as the cost of the same foreign currency sold on the same day. At the end of each day, if all daily transactions of a particular foreign currency result in the net positive position or the net inflow, the daily weighted average cost of the net inflow as such shall be added to the previous day's holding to produce a new weighted average cost. In case of the net negative position or the net outflow, gains or losses from foreign currency transactions shall be calculated using the weighted average cost of the preceding day.

2.4 Forward Contracts

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

2.5 Forward Contracts under Resale Agreements

The BOT has undertaken commitments with the government agencies and the state enterprises to resell foreign currencies in the future at the specific rates. The non-settlement contracts are presented at fair value and the changes in the fair value are presented in the Assets and Liabilities Revaluation Reserve under the equity section.

2.6 Foreign Exchange Swap Contracts

Foreign exchange swap contracts are used for the purpose of liquidity and international reserves management. Foreign exchange swap is an agreement to simultaneously exchange one currency against another with two different value dates. The outstanding of claims and obligations are revalued to baht at the exchange rates prevailing on the reporting date and net value changes are presented in the statement of financial position. Unrealized gains and losses from revaluation of the outstanding obligations are presented in the Assets and Liabilities Revaluation Reserve under the equity section. The difference between the spot and forward exchange rates shall be treated as interest income or interest expense on a time proportion basis by the straight-line method.



2.7 Futures Contracts

Futures contracts are used to hedge risk arising from the interest rate or bond price fluctuation and are presented at fair value. Unrealized gains and 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 income statement when the settlement of the variation margin takes place.

2.8 Gold

To preserve the value of international reserves, gold is held for the purpose of risk diversification of the reserve management and is presented at fair value. Unrealized gains and losses from revaluation are presented in the Assets and Liabilities Revaluation Reserve under the equity section, and are recognized in the income statement on disposal.

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

2.9 Investments

Domestic securities are held for the purpose of monetary policy implementation and are stated at cost after amortization of premiums or discounts.

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

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

2.10 Loans

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

2.11 Premises and Equipment

Land is stated at cost. Buildings and equipment are stated at cost after accumulated depreciation.

Buildings and equipment are capitalized when their useful lives are over one year. The depreciation is calculated using the straight-line method, based on the estimated useful lives of the assets, as follows:

Buildings, Temporary Buildings and Improvements	5-20 years
Equipment	3-15 years

2.12 Intangible Assets

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

2.13 Debt Securities Borrowing

The BOT borrowed debt securities from specialized financial institutions and/or juristic persons, as prescribed by the BOT, and issued BOT debt securities as collateral. The BOT has conducted debt securities borrowing transactions to enhance the efficiency of monetary policy implementation as well as to foster the development of money market and debt securities markets in Thailand.

The debt securities borrowing fee is recognized in the income statement. The amount of borrowed debt securities are disclosed in “Commitments and Contingencies”. When the BOT sold the borrowed debt securities under repurchase agreement, the amount of claim on debt securities under repurchase agreement are presented in “Other Assets” and the amount of obligations to return debt securities are presented in “Other Liabilities”.

2.14 Post-employment benefits

2.14.1 Defined Contribution Plans

The BOT’s Rules and Regulations for Provident Fund state that the BOT and the employees who are the members of the provident fund have to make contributions to the provident fund according to the stipulated conditions. This provident fund has already been registered under the Provident Fund Act B.E. 2530. The contributions paid to the provident fund, made by the BOT, are charged as expense in the income statement.

2.14.2 Defined Benefit Plans

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

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



3. Changes in Accounting Policies

In 2011, the BOT adopted new and revised Thai Financial Reporting Standards which are effective on January 1, 2011 onwards and an accounting policy for defined benefit plans was changed in accordance with Thai Accounting Standard No. 19 Employee Benefits, from recognizing expenses and liabilities for pension fund according to the ruling rate to recognizing expenses and liabilities for each defined benefit plan according to actuarial valuation method.

The unrecognized past service cost of defined benefit obligations, B2,987.2 million, was adjusted to the carrying amount of accumulated losses at the beginning of 2011.

4. Cash and Deposits

Unit : Million baht		
	2011	2010
Cash and Cash Equivalents		
Cash	50,915.3	29,967.2
Domestic Deposits	7.2	5.2
Foreign Deposits (Demand Deposits)	35,143.9	18,683.3
Total Cash and Cash Equivalents	86,066.4	48,655.7
Foreign Deposits (Time Deposits and Special Deposits)	410,020.0	506,550.4
Total	496,086.4	555,206.1

Foreign Deposits (Time Deposits) are held for the purpose of international reserve management rather than for the purpose of meeting short-term cash commitments.

5. Reserve Tranche and Holdings of Special Drawing Rights

Unit : Million baht		
	2011	2010
Quota Subscribed to International Monetary Fund (IMF)	70,113.0	50,234.7
<u>Less:</u> IMF Current Account No.1	(11,393.8)	(13,895.6)
Non-Negotiable with Non-Interest Bearing		
Promissory Notes Payable to IMF	(37,817.5)	(24,959.9)
Reserve Tranche	20,901.7	11,379.2
Holdings of Special Drawing Rights	47,373.9	45,131.8
Total	68,275.6	56,511.0

Reserve Tranche is classified as the international reserves, calculated from the Quota Subscribed to IMF after deduction of the baht balances existing in the form of IMF Current Account No.1, and Non-Negotiable with Non-Interest Bearing Promissory Notes Payable to IMF.

“Quota Subscribed to IMF-Baht” is presented in Note 9 (Other Assets). The aforementioned IMF Current Account No. 1, and Non-Negotiable with Non-Interest Bearing Promissory Notes, and IMF Current Account No. 2 for administrative expenses are stated under Note 14 (Other Liabilities).

In accepting the quota increase allocated by the IMF, an amount of SDR358.6 million was fully paid in 2011. The payment was paid in foreign currency for an amount of SDR89.7 million, and the promissory note was issued in favor of the IMF for the remainder amount of SDR268.9 million. As of December 31, 2011, the outstanding balance of Quota Subscribed to IMF was SDR1,440.5 million equivalent to B70,113.0 million.

Holdings of Special Drawing Rights are also classified as the international reserves.

6. Investments

Unit : Million baht		
	2011	2010
Domestic Securities		
Cost after amortization of premiums or discounts	262,510.4	282,741.8
Foreign Securities		
Cost after amortization of premiums or discounts	2,832,750.2	2,704,737.5
<u>Plus</u> : Unrealized gains from price and foreign exchange rate revaluation of investments	45,821.8	19,979.2
	2,878,572.0	2,724,716.7
Total	3,141,082.4	3,007,458.5

7. Loans

Unit : Million baht		
	2011	2010
Loans to economic sectors through financial institutions		
Programs guaranteed by the Ministry of Finance	-	2,546.1
Programs collateralized with entrepreneur promissory notes endorsed for the BOT by financial institutions	-	9,918.0
	-	12,464.1
Contribution to the IMF under the NAB	1,138.9	-
Total	1,138.9	12,464.1

As of December 31, 2011, the entire loans under the lending program financing to economic sectors through financial institutions were due. The BOT therefore has no outstanding balance of such loans.

In 2011, the IMF made partial call on the arrangement with the BOT at the amount of SDR23.4 million equivalent to B1,138.9 million, which was the commitment under the IMF's New Arrangements to Borrow (NAB) as mentioned in Note 21.7.

8. Premises and Equipment, net

Unit : Million baht

	Balance as of December 31, 2011								Net
	Cost			Accumulated Depreciation					
	Opening	Closing		Opening	Closing				
	Balance	Increase	Decrease	Balance	Balance	Increase	Decrease	Balance	
Land	2,475.8	-	-	2,475.8	-	-	-	-	2,475.8
Buildings	3,817.7	416.4	-	4,234.1	1,906.3	229.6	-	2,135.9	2,098.2
Equipment	2,255.1	259.1	39.4	2,474.8	1,277.2	232.6	37.4	1,472.4	1,002.4
Work in Progress	749.4	396.5	726.1	419.8	-	-	-	-	419.8
Total	9,298.0	1,072.0	765.5	9,604.5	3,183.5	462.2	37.4	3,608.3	5,996.2

Unit : Million baht

	Balance as of December 31, 2010								Net
	Cost			Accumulated Depreciation					
	Opening	Closing		Opening	Closing		Closing		
	Balance	Increase	Decrease	Balance	Balance	Increase	Decrease	Balance	
Land	2,464.8	11.0	-	2,475.8	-	-	-	-	2,475.8
Buildings	3,764.8	52.9	-	3,817.7	1,750.6	155.7	-	1,906.3	1,911.4
Equipment	2,173.0	126.3	44.2	2,255.1	1,091.8	217.4	32.0	1,277.2	977.9
Work in Progress	164.0	727.2	141.8	749.4	-	-	-	-	749.4
Total	8,566.6	917.4	186.0	9,298.0	2,842.4	373.1	32.0	3,183.5	6,114.5

Depreciation expenses for the year 2011 and 2010 were B461.0 million and B373.1 million, respectively.

9. Other Assets

Unit : Million baht

	2011	2010
Quota Subscribed to IMF - Baht	49,211.3	38,855.5
Assets from Derivatives Revaluation	50.2	163.5
Net Assets from Foreign Exchange Swaps	9,303.7	-
Claim on Debt Securities under Repurchase Agreement	164,174.3	69,937.0
Investment in Other Organizations	1,600.2	1,526.8
Staff Loans	2,627.1	2,767.6
Intangible Assets	160.5	112.0
Accrued Income	14,602.1	14,130.1
Others	3,393.4	3,755.0
Total	245,122.8	131,247.5

Intangible assets of the BOT are computer software and systems as shown below.

Unit : Million baht

	Balance as of December 31, 2011								Net
	Cost			Accumulated Amortization					
	Opening		Closing	Opening		Closing			
	Balance	Increase	Decrease	Balance	Balance	Increase	Decrease	Balance	
Computer Software									
and Systems	774.2	114.7	1.4	887.5	662.2	65.4	0.6	727.0	160.5
Total	774.2	114.7	1.4	887.5	662.2	65.4	0.6	727.0	160.5

Unit : Million baht

	Balance as of December 31, 2010								Net
	Cost			Accumulated Amortization					
	Opening		Closing	Opening		Closing			
	Balance	Increase	Decrease	Balance	Balance	Increase	Decrease	Balance	
Computer Software									
and Systems	757.1	17.1	-	774.2	580.3	81.9	-	662.2	112.0
Total	757.1	17.1	-	774.2	580.3	81.9	-	662.2	112.0

Amortization expenses for the year 2011 and 2010 were B65.4 million and B81.9 million, respectively.

10. Deposits

Unit : Million baht		
	2011	2010
Non Interest-Bearing Deposits		
Government	271,301.3	321,401.6
Financial Institutions	67,893.3	83,709.9
Others	3,489.3	3,252.6
	342,683.9	408,364.1
Interest-Bearing Deposits	33,508.0	140,067.0
Total	376,191.9	548,431.1

The interest-bearing deposits facility is used to maintain market interest rates within the interest rate corridors and to improve liquidity adjustment of money market players. This is expected to help better transmission of monetary policy and financial markets development.

11. Allocations of Special Drawing Rights

The IMF's member countries are allocated special drawing rights in proportion to their subscriptions to the IMF. As of December 31, 2011 and 2010, the BOT was allocated the balance of SDR970.3 million, an equivalent of B47,225.5 million and B45,051.3 million, respectively.

12. Securities Sold under Repurchase Agreements

The outstanding balances as of December 31, 2011 and 2010 were B401,100.0 million and B337,900.0 million, respectively, which were totally the securities sold under repurchase agreements in the domestic market.

13. Debt Securities Issued by the Bank of Thailand

Unit : Million baht		
	2011	2010
Bank of Thailand Bonds Remaining Maturity:		
- 1 year or less	1,694,658.9	1,612,819.7
- over 1 year	933,572.5	762,937.7
	2,628,231.4	2,375,757.4
Other BOT Debt Securities (remaining maturity less than 1 year)	588,400.0	764,250.0
Total	3,216,631.4	3,140,007.4

The BOT has issued the BOT bonds and the BOT debt securities to be used as monetary instruments as well as to foster the development of money market and debt securities market in Thailand. In 2011, the interest paid presented as a part of interest expense, amount of B67,768.4 million was paid on the BOT bonds and B31,370.6 million was paid on the BOT debt securities.

14. Other Liabilities

Unit : Million baht		
	2011	2010
IMF Current Accounts No. 1 and 2	11,394.1	13,895.8
Promissory Notes Payable to IMF	37,817.5	24,959.9
Liabilities from Derivatives Revaluation	50.5	508.9
Net Liabilities from Foreign Exchange Swap	-	7,250.2
Obligations to return Debt Securities	164,174.3	69,937.0
Liabilities from Forward Contracts under Resale Agreements	1,680.3	1,629.0
Employee Benefit Obligations	3,579.3	-
Accrued Expenses	19,273.1	9,478.7
Others	1,622.5	1,781.2
Total	239,591.6	129,440.7

Employee Benefit Obligations as of December 31, 2011 included the obligation from pension plan amount of B2,899.2 million and the obligation from post-employment medical plan amount of B680.1 million. Changes in the present value of the employee benefits obligations present as follows:

Unit : Million baht		
	2011	2010
Employee Benefit Obligations as of January 1	3,560.2	-
Current service cost and interest cost	187.1	-
Benefit paid during the year	(294.7)	-
Net employee benefit obligations transferred	21.7	-
Actuarial loss	105.0	-
Employee Benefit Obligations as of December 31	3,579.3	-

15. Statutory Appropriation

In 2002, B165,000.0 million was transferred from the Special Reserve Account of the Currency Reserve to the BOT in accordance with the Emergency Decree on the Partial Transfer of Assets from the Special Reserve Account, B.E. 2545 in order to compensate for the accumulated losses and to enhance the stability of the BOT. The residual amount, after deducted by the accumulated losses, of B27,307.9 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 of December 31, 2011, the outstanding balance of the Reserve for Stabilization of Profit Payable to the Government was B624.1 million. This reserve was accumulated from net profit after appropriated for the year 1990 – 1996 in order to maintain the profit payable to the government. This profit appropriation rule was consented by the Ministry of Finance and the balance of this account could be transferred as additional public revenue on demand of the Ministry of Finance. Since 2002, no profit appropriation has been made to this account.

17. Assets and Liabilities Revaluation Reserve

Unit : Million baht		
	2011	2010
Unrealized Losses from Foreign Exchange Revaluation of Assets and Liabilities	(62,387.2)	(278,677.2)
Unrealized Gains from Price Revaluation of Investments	45,704.1	19,926.2
Unrealized Losses from Revaluation of Derivatives	(0.4)	(345.4)
Unrealized Losses from Revaluation of Forward Contracts under Resale Agreements	(1,273.5)	(1,114.9)
Total	(17,957.0)	(260,211.3)

Subject to Section 13(2) of Chapter 3 of the Bank of Thailand Act, B.E. 2485 as amended, the Assets and Liabilities Revaluation Reserve is established to accumulate gains and losses derived from the revaluation of the BOT's assets and liabilities.

18. Accumulated Losses

As of December 31, 2011 and 2010, the outstanding balances of Accumulated Losses were B202,661.6 million and B82,096.2 million, respectively. Movements of the Accumulated Losses are set out in the Statement of Changes in Equity.

19. Other Revenues

Unit : Million baht		
	2011	2010
Gains from Disposal of Investments	15,624.3	10,576.7
Others	367.7	134.4
Total	15,992.0	10,711.1

20. Remuneration of Key Management Personnel

The key management personnel of the BOT refer to Deputy Governors, Governor and members of the boards established in the BOT Act who have responsibility for planning, directing and controlling the activities of the BOT. In 2011 and 2010, the remunerations paid to key management personnel were B64.0 million and B60.6 million, respectively.

21. Commitments and Contingencies

As of December 31, 2011, the outstanding of commitments and contingencies of the BOT are as follows:

21.1 Forward Contracts

21.1.1 Dollar-Baht Forward Contracts

The BOT had net position of outstanding dollar-baht forward contracts to sell USD28.0 million, due in 2012.

21.1.2 Cross Currency Forward Contracts

The BOT had net position of outstanding cross currency forward contracts to buy GBP14.7 million, AUD19.8 million, JPY3,420.7 million, SGD78.5 million and to sell EUR20.5 million, USD89.0 million, KRW15,874.4 million, MYR59.8 million, due in 2012.

21.1.3 Forward Contracts under Resale Agreements

The BOT had the obligations under Resale Agreements to sell JPY9,038.7 million, due in 2012 - 2020.

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

21.2 Foreign Exchange Swap Contracts

As of December 31, 2011, the BOT had outstanding obligations under foreign exchange swap to buy USD20,539.4 million, GBP436.0 million, EUR14,860.9 million and to sell AUD416.7 million, CAD1,708.0 million, JPY553,798.4 million, KRW863,700.0 million, due in 2012.

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

21.3 Debt Securities Borrowing

As of December 31, 2011, the outstanding obligations to return borrowed debt securities and obligations from issuing BOT debt securities as collateral, due in 2012, was B179,037.3 million. Borrowed debt securities sold under repurchase agreements are presented in Note 9 (Other Assets) and Note 14 (Other Liabilities) at the amount of B164,174.3 million.

21.4 ASEAN Swap Arrangement (ASA)

In 2011, the BOT renewed the ASA, an arrangement to provide short-term liquidity support among the ASEAN member countries. Under this two-year arrangement, expiring on November 16, 2013, the BOT is obliged to contribute up to USD300.0 million and may request up to 2 times of contribution, or USD600.0 million. In 2011, neither the BOT nor its counterparties activated the arrangement.

21.5 Chiang Mai Initiative Multilateralization Agreement (CMIM agreement)

The BOT together with the Ministry of Finance of Thailand are parties in the CMIM agreement, an arrangement to provide liquidity support through currency swap transactions among the ASEAN member countries, China, Japan and South Korea. The CMIM agreement became effective on March 24, 2010 and is subject to revision every 5 years. Under the CMIM agreement, parties facing liquidity problem may request to activate swap mechanism. In this regard, the BOT is obliged to contribute, on a pro rata basis, up to USD4,552.0 million and may request up to 2.5 times of the contribution, or USD11,380.0 million. In 2011, neither the BOT nor its counterparties activated the agreement.

21.6 Chinese Yuan/Thai Baht Bilateral Currency Swap Arrangement (BSA)

In 2011, the BOT entered into the BSA with the People's Bank of China to support the availability of the local currencies for the payment of trade and investment with the total amount of CNY70,000 million or B320,000 million. This three-year arrangement will be terminated on December 22, 2014 and subject to extension by mutual agreement. In 2011, neither the BOT nor its counterparty activated the arrangement.



21.7 Commitments with the International Monetary Fund (IMF)

The BOT, with consent from the Finance Minister, has an obligation to contribute up to SDR340.0 million under the IMF's New Arrangements to Borrow (NAB), a supplementary source of funds when the quota resources prove insufficient. In 2011, the IMF made partial call on the NAB arrangement with the BOT as presented in Note 7 (Loans).

21.8 Lawsuits

As of December 31, 2011, the BOT, in the normal course of business, was taken legal actions at the amount of the claims totalling B5,214.6 million and all of which are in process of court trial. However, the forecasted amount of these claims when the final judgement is made may have no significant effect on the BOT's financial position and operations.

22. Risk Management at the Bank of Thailand

In 2011, the BOT has revised its organizational risk structure and set up Risk Oversight Committee (ROC) to oversee BOT's corporate risks as well as risk management processes. The members of the ROC comprise professionals from outside. The ROC helps the Board to manage key risks that might affect the BOT objectives and to ensure good governance. The Corporate Risk Management Department was set up to manage corporate risks and to serve the ROC.

22.1 Financial Risk Management

22.1.1 BOT's Financial Risk

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

22.1.1.1 Foreign Exchange Rate Risk

The BOT's assets are exposed to foreign exchange rate risk as they are mainly denominated in foreign currencies, which is necessary for monetary operations in order to ensure the stable financial environments.

22.1.1.2 Interest Rate Risk

Interest rate risk emerges when the interest rate in domestic market, resulting from conducting monetary policies, is significantly different from the interest rate of foreign markets that the BOT invests in.



22.1.2 Financial Risk Management of the International Reserves

Investment of the international reserves in foreign assets has inherent financial risks. There are three types of financial risks: market risk, credit risk and liquidity risk. Notably, the BOT's credit risk and liquidity risk are much lower than its market risk due to the BOT's policy to invest in high credit rated securities and to impose limits on illiquid assets.

The main objectives of financial risk management of the international reserves consist of:

- a. Preserving the value of the international reserves when measured in terms of stable currencies, and
- b. Ensuring an acceptable level of financial risks of the international reserves as well as risk diversification.

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

22.1.2.1 Market Risk

Market risk, comprising of interest rate risk and foreign exchange rate risk, is the risk of loss due to changes in the market value of assets or currencies. The BOT manages market risk through benchmarking, which involves setting asset and currency allocations in accordance with the objectives of each portfolio and the BOT's risk tolerance. The BOT performs risk analysis by carrying out stress tests to estimate potential impacts of various market scenarios on the reserves.

The BOT's compliance staffs monitor and control market risk to prevent excessive risk incurred from the unapproved deviation of actual investment position from the aforementioned benchmarks. The BOT keeps these risks within acceptable levels by imposing tracking error limits.

22.1.2.2 Credit Risk

Credit risk is the risk that the BOT's counterparties or the issuers of the securities held by the BOT default or are unable to fulfill their financial obligations with the BOT. It includes the risk of deterioration in the value of securities from the downgrades of issue or issuer credit ratings.

The BOT controls credit risk by using the following approaches:

- (1) Minimum Credit Rating set for counterparties and issuers to limit the credit value-at-risk to a very low level.
- (2) Aggregate Credit Exposure Limit, set for counterparties and issuers in the form of deposit equivalent exposure based on the credit rating and number of counterparties
- (3) Individual Credit Exposure Limit, set for counterparties based on their credit rating. However, exposure limit for some counterparties will be reduced in the case that the probability of being downgraded, indicated by a set of indicators, increases.
- (4) Sovereign Credit Limit, based on country credit ratings (Sovereign credit limits are used as constraints in benchmark construction.)

22.1.2.3 Liquidity Risk

Liquidity risk is the risk of loss arising from the inability to liquidate assets at a reasonable price within the specified period.

The management of liquidity risk focuses on setting appropriate levels for illiquid assets based on the BOT's liquidity needs, and the cost-benefit comparisons between the returns from liquidity premiums and the costs of liquidation.

22.2 Operational Risk Management

In 2011, the BOT has also completed the Business Continuity Plan (BCP) revision to be more in lines with other relevant financial institutions. The revision was done by reviewing the lessons learnt from past events in consultation with relevant institutions, such as financial institutions, the Securities and Exchange Commission and the Stock Exchange of Thailand. The BCP aims to maintain the continuity of critical banking operations during the crisis and to minimize the crisis impacts toward the financial system and the economy.

During the Thailand flood crisis between October and November 2011, the BOT had implemented the BCP which emphasized frequent communications among the BOT and financial institutions through video conferences. The cooperation allowed BOT and financial institutions to efficiently cope with the crisis without causing the disruption to the financial system and services in the country.

23. Reclassification

Statement of cash flows for the year ended December 31, 2010 has been reclassified in line with the presentation of statement of cash flows for the year 2011.



Strategic Plans and Corporate Governance

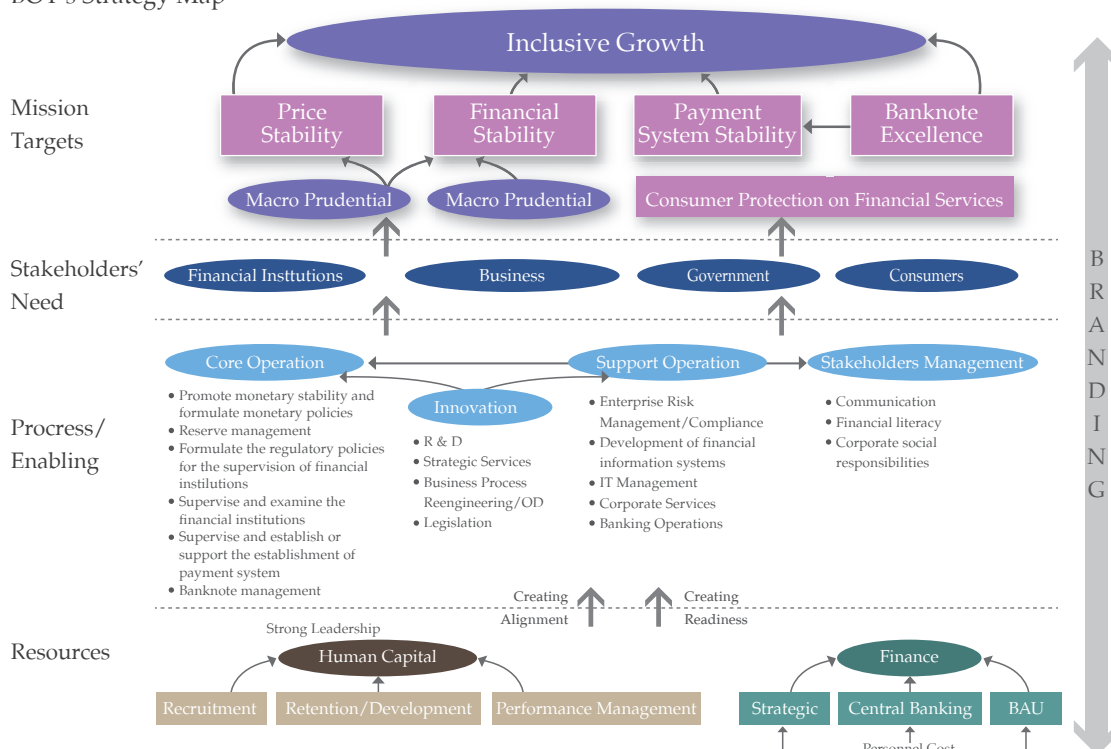
1. Strategic Plans

In 2011, the BOT has adopted the Balanced Scorecard (BSC) to improve its strategic planning and performance management processes as part of the effort to become a Performance Based Organization. To translate the BOT's strategies into actions, the BOT's scorecard consists of four perspectives:

- 1) Mission Targets Perspective, which describes expected outcomes of the BOT's five mandates;
- 2) Stakeholders' Needs Perspective, which refers to the management of key stakeholders' expectations and perceptions to modernize the BOT's image;
- 3) Process Enabling Perspective, which outlines key strategic actions and process improvement efforts; and
- 4) Resources Perspective, which represents both human resource development and efficient use of resources.

The Strategy Map below illustrates these four perspectives and their relationships.

BOT's Strategy Map



The results of the BOT's 2011 scorecard and the summary of the BOT's 2011 strategic actions are discussed below.

1. Mission Targets Perspective

- (1) **Price Stability:** The core inflation was maintained within the target and while the volatility of the exchange rate was consistent with the Monetary Policy Committee's guidelines. In terms of its efforts to enhance the policy formulation processes, the BOT has improved its policy analyses and economic research as well as prepared policy options for managing capital flows under different scenarios and created a new set of indicators for monitoring private consumptions. In addition, the BOT has formed new alliances with both domestic and international agencies to reinforce the implementation of the monetary policy. Moreover, the Bank has developed a master plan for the liberalization of capital flows and foreign currency in preparation for capital flows volatilities in the future. Similarly, the BOT has developed the Foreign Reserves Management Master Plan to enhance efficiencies in its reserve management capabilities which included the study of asset universe expansion in conjunction with a review of the portfolio structures, organizational structure and the decision-making process, and to develop performance attributions in order to enhance accountability.
- (2) **Financial Stability:** The BOT seeks to ensure that the Thai banking system remain resilient and competitive, such that access to financial services is adequate and fair. The BOT has continued the efforts to implement the Financial Sector Master Plan Phase II (FSMP II). In addition, the Bank has strengthened its supervisory practices such as advancing its Early Warning System for the systemic risk and assessing the necessity for the Central Counterparty in Thailand. Moreover, to proactively prepare for the Basel III regulations and the International Financial Reporting Standards: IFRS9, the BOT has continually monitored and updated its policies and regulations and expanded its partnership with various internal and external agencies.
- (3) **Payment System Stability:** The BOT's encouragement on the electronic payment services usage has been successful. To enhance the payments system infrastructure and to promote the extensive use of electronic payment services, the BOT spearheaded the development of a local switching system to handle debit card/ credit card transactions in order to reduce the reliance on international switching centers. Meanwhile, the Bank has made certain that the commercial banks followed through with the previously restructured payment systems fees and charges and created educational tools to provide

payment services knowledge to businesses and the general public. The BOT also established a working group to develop the Payment Systems Roadmap 2014 which will provide a policy framework for the development of the payment systems between 2011 and 2014. In addition, the BOT has launched the Imaged Cheque Clearing and Archive System (ICAS) to shorten the cheque clearing cycle to one-day clearing nationwide. The ICAS is expected to fully operate in Bangkok and vicinity areas in February 2012.

- (4) **Consumer Protection on Financial Services:** The BOT has strengthened its efforts to ensure the rights of financial service consumers and disseminate to the public the information and knowledge on consumer rights and responsibilities. In particular, ninety-one percent of the consumers' grievances filed through the Bank were successfully resolved. Additionally, the BOT has assisted the Royal Thai Police with the information that led to the arrests of suspects of illegal non-bank activities and banknotes counterfeiters. The Bank also provided trainings for the police force in non-bank activities. Meanwhile, the BOT has continued to equip the general public with the financial knowledge necessary to make informed financial decisions through educational brochures and exhibitions as well as a joint seminar with the Deposit Protection Agency and the National Credit Bureau Co. Ltd.
- (5) **Banknote Excellence:** The BOT's banknote operation remained effective in ensuring both high quality and ample supply of the banknotes in circulation. Specifically, the Banknote Quality Index (BQI) of the 20 baht banknote was higher than 70 percent.

2. Stakeholders' Needs Perspective

The BOT has continued its efforts to promote better understandings of the Bank's operations to the Thai public. For example, the Bank launched the Visit BOT program, the Money Expo program and provided a series of lectures to raise awareness of its mission and to expand its communication channels with public agencies and private organizations. Moreover, the BOT has initiated the BOT Branding project to continually and sustainably enhance its identity and modernize its image in a systematic manner.

3. Processes Enabling Perspective

To ensure the success of its mission, the BOT has reorganized several core processes and the organizational structure. For instance, the Bank combined the Payment Systems Department with the Financial Institutions Policy Group. Further, the Bank has established



a new Financial Consumer Protection Center to centralize its consumer protection services and introduced a new Office of Corporate Strategy to support top management with strategic insight and to ensure better alignment among the Bank's strategic endeavors.

4. Resources Perspective

In pursuing a performance-based organization, the BOT has adopted the Balanced Scorecard (BSC) in combination with the variable pay approach to motivate its employees. In addition, the Bank has improved its recruitment processes to be more responsive to the departments' demands and developed the manpower planning processes to fulfill short-term strategic needs and long-term demands. Also, in order to develop leadership potential and management skill at all level, the BOT has initiated the Job-Rotation program and the leadership program to develop and retain talent employees. Apart from the human resources development, the BOT has paid more attention on efficient budget management.

2. Organizational Structure, Work Systems and Work Process

The BOT has continuously implemented organizational restructuring process in order to align its operations with strategic directions. The key improvements achieved in 2011 are as follows:

2.1 Strategic execution

As the aim to become a high performance organization, the BOT has applied the Balanced Scorecard (BSC), a strategic performance management tool, to integrate its business activities to be in line with BOT's visions and strategies. Subsequently, the Office of Corporate Strategy (OCS) has been established to oversee all strategy-related activities - from formulation to implementation so that the strategic implementation will be accomplished across the bank.

2.2 Financial Consumer Protection Center (FCC)

Financial Consumer Protection is a part of the BOT's mission under Section 39 of the Financial Institutions Business Act B.E. 2551 (2008). The objective is concentrated on helping financial consumers resolve grievances and protect rights on financial services and products, as well as equipping them with financial knowledge which is necessary to facilitate sound financial decisions.

The BOT's roles in financial consumer protection cover financial institutions supervision and suppression of underground banking, financial literacy and financial complaints management.

In November 2011, the Financial Consumer Protection Center was established with the aim to centralize and enhance BOT's financial consumer protection mandate systemically and proactively.

The Financial Consumer Protection Division was set up in each regional office to support financial literacy, consumer protection and SMEs' and micro entrepreneurs' access to financial services.

2.3 International relations

The BOT has enhanced and strengthened its international relations functions. Strategies on international economic and financial policies have been studied, analyzed and developed. BOT's stance in policies and operations for ASEAN Economic Community (AEC) and other international agreements has been determined.

Therefore, the BOT reorganized the Monetary Policy Group (MPG) to support the international relations purposes, and by functions MPG represents BOT in any international negotiation panels.

2.4 Economic of neighboring countries

Apart from the BOT's Regional Offices's functions of studying, analyzing, and monitoring border trades and economic conditions of neighboring countries, facilitating bilateral meetings, studying and following-up payment systems to support border trades, and enhancing uses of local currency as a media for border trades as set by the Head Office, they have new significant roles on analyzing border trade conditions and impacts of AEC on economy and border trades.

2.5 Risk management

According to the 2011 strategic plan, Two risk committees were therefore established in BOT. The Risk Management Committee (RMC) is responsible for setting risk management frameworks, policies and guidelines; while the Risk Oversight Committee (ROC) helps the Board oversee the BOT's overall risk management. Also all areas of risk management, Financial Risk Unit and Operational Risk Unit, have been integrated under the same umbrella - the new Enterprise Risk Management Department. The Senior Director who leads the department or Chief Risk Officer also acts as a secretary to RMC, ROC, and Financial Risk Management Subcommittee (FRMC).



2.6 Foreign exchange administration and policy

To support more complex financial markets and more capital flow volatility, the Supervision and Analysis Unit of Foreign Exchange Administration & Policy was redesigned to reduce bottlenecks, focus on in-depth analysis and support supervision tasks with larger number of players and licenses.

2.7 Brand and corporate communication management

BOT communication strategy is aimed at promoting BOT brand and BOT's 5-year Strategic Plan (2012-2016) is intended to develop understanding and outreach schemes that focus on the needs of stakeholders. In order to reach its goal, the BOT has reorganized and improved the work process of the Corporate Communications Department to incorporate branding and communication strategic functions.

2.8 Finance and budgeting

The BOT has combined its finance, accounting, budgeting and planning units under the same group - Planning and Budgeting Group, having Assistant Governor, Planning and Budgeting Group as the Chief of Financial Officer oversees BOT's finance and budget status. Work process of financial matters was reengineered and the Finance and Accounting Department was reorganized to cover FX settlement operations.

2.9 Statistics and information

The BOT's role in data management has been shifted to statistics preparation and Analysis that focuses on in-depth and wide range statistics. To create a complete statistics center, statistics methods and standards were improved. Then the BOT will be able to cope with fund flow volatility and changing economic environment, and to protect systemic risk. The new structure clearly segregates operation work from academic work.

2.10 Financial Institutions Development Fund (FIDF) management

The manpower of the FIDF management was transfigured to be in line with the reduction of workloads in asset management and strategic debt management. The FIDF Management Group was subsequently transformed to the FIDF Management Department.



3. Superintendence and Risk Management

3.1 Superintendence

Bank of Thailand Act B.E. 2485 as amended by the Bank of Thailand Act (No. 4) B.E. 2551 stipulated the main duties of the Bank of Thailand and responsibilities of the Bank of Thailand Board in generally supervise the affairs of the Bank of Thailand in maintaining monetary stability, financial institutions system stability and payment system stability, as well as operation and budget plan and assets management. Moreover, the implementation of monetary policy, financial institutions policy and payment system are to be under policy committees namely, Monetary Policy Committee, Financial Institutions Policy Committee and Payment Systems Committee, respectively.

To facilitate policy coordination and harmonization of responsibility in implementing policies of BOT's policy committees, a system of joint cooperation between policy committees is to be set up such as Subcommittee on Financial Stability.

To be an effective mechanism for supervising businesses, risk management, as well as internal audit, in order to assist BOT management in attaining the set objectives, the Audit Committee was set up, which under the amended BOT Act, by appointment of the BOT Board.

In 2011, the BOT has reviewed its risk management framework by establishing Risk Oversight Committee (ROC), composed of qualified external experts, to assist the BOT Board in supervising BOT risk management overview and processes to allow good governance and to reassure BOT's acknowledgement of key risks for BOT's operations. The BOT had also revised organization structure by establishing Enterprise Risk Management Department to monitor overall risk of the bank.

3.2 Financial risk management

Financial risk management at the Bank of Thailand (BOT) covers financial risks arising from three main operations: the management of international reserves, the implementation of monetary and exchange rate policies, and the role as the Banker to financial institutions.

The financial risks can be divided into three categories:

- (1) Market risk is the risk of loss due to changes in the market value of assets and currencies.



- (2) Credit risk is the risk that counterparties or issuers of the securities default or are unable to fulfill their financial obligations with the BOT. It includes the risk of deterioration in the value of securities from credit rating downgrades.
- (3) Liquidity risk is the risk of loss arising from the inability to liquidate assets at a reasonable price within the specified period.

The objectives of the financial risk management at the BOT are as follows.

- (1) Enrich BOT's policy formulation process by utilizing risk management tools and techniques without imposing constraints on central banking operations.
- (2) Integrate the risk management frameworks into policy setting and implementation process.

The organization structure consists of committees and sub-committees responsible for the formulation and oversight of risk management policy. Details are as follows:

- 1) The Bank of Thailand Board: The Board sets up the rules and guidelines for the management of international reserves, including investment objectives of international reserve portfolios, tolerance levels of market risk, credit risk and liquidity risk, as well as eligible asset classes and financial instruments.
- 2) The Audit Committee: The Committee determines the audit policy which ensures that the financial risk management as well as other operations such as the accounting of the BOT are in compliance with the guidelines prescribed by the BOT Board.
- 3) The Risk Oversight Committee (ROC): The Committee assists the Board in overseeing the BOT's entire risk management process to ensure that risk assessment, risk tolerance setting, risk monitoring, reporting and controlling are all appropriately established.
- 4) The Risk Management Committee (RMC): The Committee sets out the BOT's overall risk management policies and frameworks for enterprise, operational and financial risk management, as well as asset and liability management. The Committee is also authorized to undertake duties within its entrusted authority.
- 5) The Financial Risk Management Sub-Committee (FRMC): The Sub-committee screens and submits financial risk management guidelines for the international reserves management and the implementation of monetary and exchange rate policies to the Risk Management Committee and the Board for approval. The Sub-committee is also authorized to undertake duties within its entrusted authority.



- 6) The Financial Markets Operation Sub-Committee: The Sub-Committee oversees the implementation of monetary and exchange rate policies, in coordination with the FRMC, and ensures that it accords with the financial risk management framework as set forth by the Risk Management Committee. The Sub-committee is also authorized to undertake duties within its entrusted authority.

The Financial Risk Management Office of the Enterprise Risk Management Department is responsible for carrying out the risk policy implementations as set out by the committees. To uphold the principle of duty segregation as well as check and balance, the Enterprise Risk Management Department, which performs the risk management and compliance duties, is completely segregated from the Reserve Management Department, which operates the front office functions. The reporting line is also separated in that the Enterprise Risk Management Department reports directly to the Deputy Governor on Corporate Support Services whilst the Reserve Management Department directly reports to the Deputy Governor on Monetary Stability.

The Financial Risk Management Office evaluates, oversees and monitors the management of international reserves via the straight-through-processing system, Finance Kit (FK). In addition to its compliance, access and audit trail systems, FK can measure risks in real-time. The BOT has also in place the Integrated Risk Information System Phase 1 (IRIS1), which provides executives with information on position and risk of international reserves.

In 2011, the BOT continued a project to upgrade its FK system to a new version, namely, the Wall Street Suite (WSS) system, in quest of updated functionalities and broader coverage of financial instruments. The upgrade project is expected to be completed within the first half of 2012. The BOT also completed the Integrated Risk Information System Phase 2 (IRIS2), a web-based system which provides executives with integrated information about BOT's financial costs and risks associated with monetary policy implementation, including balance sheet risk that it may create.

The BOT annually reviews benchmarks of international reserve portfolios to ensure that its risk and return correspond to investment objectives. The reviews in recent years have seen the composition of international reserve become more diversified for both financial assets and currencies

4. Human Resource Management

4.1 Workforce status

As of December 31, 2011, the BOT employed 3,461 personnel. In this workforce, the ratio of male to female is 46:56. There was 375 people (9.78 percent) less compared to the previous



year. This was due to the turnover of 437 personnel: 293 people took Mutual Separation Plan (MSP), 110 people on regulatory retirement; the remaining 34 people resigned, passed away, and took early retirement. There are 83 new employees: 20.48 percent in Financial Institutions Policy Group, 19.28 percent in Markets Operations Group, 15.66 percent in Monetary Policy Group, 13.25 percent in Supervision Group and 31.33 percent in other groups.

In term of education level, there are 43.11 percent employees with Bachelor Degrees, 41.18 percent employees with Master Degrees and 1.99 percent employees with Doctorate Degrees.

4.2 Human resource management

The BOT aims to be the High Performance Organization, therefore in 2011; the BOT has policy to focus on Performance Management System by implementing the Balance Scorecard (BSC). The Balance Scorecard aligned the bank's strategic objectives to the employees' individual goals which will enable the bank to achieve its strategic objectives in several dimensions. The bank also has performance evaluation twice a year.

Employees are the most important resource, the Bank of Thailand has purpose to increase its workforce effectiveness by gradually changing the age structure of the workforce, balancing the proportion of workforce in core job and non-core job and managing the excess staff etc. In order to achieve its purpose, the bank launched the MSP project which 29 percent of the employees who were eligible, participated.

In the next three years, several high level executives will be retired. Therefore, in addition to the MSP project, the bank implemented the formal succession plan for executive positions. In selecting the high qualification employees to fill in the vacancy executive positions due to the retirement in 2011, besides the promotion, several executives were rotated for the purpose of development in order to prepare them for the future promotion. The executives who got promotion and changed their job at the same time were 28 percent of total promoted or rotated employees.

A lot of BOT employees were affected by the unprecedented great floods in Thailand in 2011. The bank provided helps to its employees by arranged the temporary residence, set up the Call Center, gave financial aids such as the money for room rent and the interest-free loan.

The bank continued to enhance the existing human resource systems such as the improvement of the external recruitment strategy to use more channels including mid-career at management level. The other example was to enhance of the holistic training and development system such as the improvement of Competency Model, the Career Development Roadmap and the Individual Development Plan (IDP)

The Bank of Thailand Board As of 31 December 2011



M.R. Chatu Mongkol	Sonakul	Chairman
Mr. Prasarn	Trairatvorakul	Deputy-Chairman
Mr. Krirk	Vanikkul	Member
Mrs. Suchada	Kirakul	Member
Mr. Sorasit	Soontornkes	Member
Mr. Arkhom	Termpittayapaisith	Member
Mr. Somchai	Sujjapongse	Member
Mr. Kanit	Sangsubhan	Member
Mr. Nontaphon	Nimsomboon	Member
Mr. Borwornsak	Uwanno	Member
Mr. Siri	Ganjarerndee	Member
Mr. Ampon	Kittiampon	Member



Executives of the Bank of Thailand

As of 31 December 2011

Governor,	Mr. Prasarn	Trairatvorakul
Deputy Governor, Monetary Stability	Mrs. Suchada	Kirakul
Deputy Governor, Financial Institutions Stability	Mr. Krirk	Vanikkul
Deputy Governor, Corporate Support Services and Banknote Management	Mr. Sorasit	Soontornkes
Special Advisor to Governor (International Policy)	Miss Duangmanee	Vongpradhip
Special Advisor to Governor (Information Technology and Payment Systems)	Mr. Chim	Tantiyaswasdikul
Assistant Governor, Information Technology Group	Miss Sibporn	Thavornchan
Assistant Governor, Planning and Budgeting Group	Mrs. Amara	Sriphayak
Assistant Governor, Management Assistance Group	Mr. Chanchai	Boonritchaisri
Assistant Governor, Monetary Policy Group	Mr. Paiboon	Kittisrikangwan
Assistant Governor, Financial Markets Operations Group	Mrs. Pongpen	Ruengvirayudh
Assistant Governor, Financial Institutions Policy Group	Mrs. Tongurai	Limpiti
Assistant Governor, Supervision Group	Mrs. Salinee	Wangtal
Assistant Governor, Banknote Management Group	Mr. Nopporn	Pramojaney
Assistant Governor, Internal Audit Group	Mr. Niruth	Raksaseree
Assistant Governor, Human Resources and Organization Development Group	Mr. Nutavoot	Pongsiri
Deputy Governor, Monetary Stability	Mrs. Suchada	Kirakul
Assistant Governor, Monetary Policy Group	Mr. Paiboon	Kittisrikangwan
Senior Director, Macroeconomic and Monetary Policy Department	Mr. Mathee	Supapongse
Director, Monetary Policy Office	Mrs. Roong	Mallikamas
Director, Macroeconomic Analysis Office	Mr. Songtum	Pinto
Senior Director, International Department	Mrs. Chantavarn	Sucharitakul
Director, International Economic Policy Office	Mr. Supatpong	Navaratana
Director, Economic Research Department	Mr. Parisun	Chantanahom

Assistant Governor, Financial Markets Operations Group	Mrs. Pongpen	Ruengvirayudh
Senior Director, Financial Markets Department	Mr. Singhachai	Boonyayotin
Director, Financial Markets Office	Miss Kuda	Rananand
Senior Director, Reserve Management Department	Miss Vachira	Arromdee
Director, Investment Strategy Office	Miss Mathinee	Subhaswadikul
Director, Investment Management Office	Mr. Santi	Rungsiyaphornratana
Director, Foreign Exchange Administration and Policy Department	Mrs. Suthasinee	Nimitkul

Overseas Representative Offices

Chief, London Representative Office	Miss Prisadee	Jindahra
Chief, New York Representative Office	Mr. Wikran	Nakasiri
Chief, Beijing Representative Office	Mr. Supat	Ampaitanakorn

Deputy Governor, Financial Institutions Stability	Mr. Krirk	Vanikkul
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Assistant Governor, Financial Institutions Policy Group	Mrs. Tongurai	Limpiti
Senior Director, Prudential Policy Department	Mr. Somboon	Chitphentom
Director, Risk Management Policy Office	Mrs. Wajeetip	Pongpech
Director, FI Business and Accounting Policy Office	Miss Preyanuch	Chuengprasert
Senior Director, Financial Institutions Strategy Department	Miss Nawaporn	Maharagkaga
Director, Financial Analysis and International Strategy Office	Mr. Nat	Tapasanan
Senior Director, Payment Systems Policy Department	Mrs. Alisara	Mahasandana
Director, Payment Systems Policy Department	Mrs. Nisarath	Trairatvorakul

Assistant Governor, Supervision Group	Mrs. Salinee	Wangtal
Senior Director, Onsite Examination Department 1	Mr. Ronadol	Numnonda
Director, Onsite Examination Department 1	Mr. Supachai	Ngamprapawat
Senior Director, Onsite Examination Department 2	Mr. Jaturong	Jantarangs
Director, Onsite Examination Department 2	Mr. Montchai	Ratanastien
Senior Director, Financial Institutions Monitoring and Analysis Department	Miss Siritida Panomwon Na Ayudhya	
Director, Risk Management and Information System Examination Department	Mrs. Nawaron (Vacant)	Dejsuvan
Director, Planning and Development Department		
Director, Specialized Financial Institutions and Non-bank Examination Department	Mr. Yanyong	Likhitcharoen
Director, Financial Institution Applications Department	Mr. Anupap	Kuvinichkul

Deputy Governor, Corporate Support Services and Banknote Management	Mr. Sorasit	Soontornkes
Senior Director, Enterprise Risk Management Department	Mr. Amporn	Sangmanee
Director, Integrated and Operational Risk Management office	Mrs. Waraporn	Subhangkasen
Director, Financial Risk Management Office	Mr. Prasat	Somchitnug
Assistant Governor, Information Technology Group	Miss Sibporn	Thavornchan
Senior Director, Payment and Debt Instruments Department	Mrs. Wantana	Hengsakul
Senior Director, Payment and Debt Instruments Department	Mrs. Bhusadi	Muhpayak
Director, Payment Systems Development and Settlement Office	Mrs. Sureeratana	Luckananit
Senior Director, Statistic and Information Systems Department	Mrs. Pusadee	Ganjarende
Director, Data Management Development and Planning Office	Miss Prapaporn	Thanomvongthai
Director, Statistics Office	Mrs. Somsajee	Siksamat
Senior Director, Information Technology Department	Mr. Permsuk	Sutthinoon
Director, IT Operation Office	Mrs. Jintana	Tinburanakul
Director, Business Solution Delivery Office 1	Mrs. Pornvadee	Tapasanan
Director, Business Solution Delivery Office 2	Mr. Teera	Pattitakorn
Director, Business Integration & Technical Management Office	Mrs. Wasna	Nimityongskul
Assistant Governor, Management Assistance Group	Mr. Chanchai	Boonritchaisri
Senior Director (Advisor)	Mr. Weerachat	Sribunma
Senior Director, Legal and Litigation Department	Mr. Satorn	Topothai
Director, Legal Office	Mr. Oros	Phetchareon
Director, Litigation Office	Miss Wannee	Pornsomboonsiri
Senior Director, Corporate Communications Department	Mr. Chirathep	Senivongs Na Ayudhya
Director, Office of the Governor	Mr. Preecha	Ploydanai
Director, Communications and Relations Office	Mr. Nuntawat	Sunglaw
Director, General Administration and Procurement Department	Mr. Sanya	Chamnong
Acting Director, Building Construction Projects and Maintenance Department	Mr. Anotai	Pentrakul
Director, Security Department	Mr. Somchai	Youngyoo

Assistant Governor, Human Resources
and Organization Development Group

Senior Director, Human Resources Department
Director, Human Resources Department
Director, Manpower Management Office
Director, Human Resources Management Office
Director, Organization Development Department
Director, Learning and Development Institute

Mr. Nutavoot Pongsiri
Mrs. Ruchukorn Siriyodhin
Miss Nongluk Kachornvachara
Miss Usanee Piyapolrungroj
Mrs. Thanyanit Niyomkarn
Mrs. Chutima Vibulsuk
Miss Matana Waitayakomol

Assistant Governor, Planning and Budgeting Group
Director (Advisor)

Senior Director, Finance and Accounting Department
Director, Finance and Accounting Office
Director, Strategic Services Department
Director, Library Archives and Museum
Director, Financial Consumer Protection Center
Senior Director, Southern Region Office
Director, Southern Region Office
Senior Director, Northern Region Office
Director, Northern Region Office
Senior Director, Northeastern Region Office
Director, Northeastern Region Office

Mrs. Amara Sriphayak
Mrs. Sarida Sangchant
Miss Wongwadoo Potirat
Mrs. Patchara Vinayavekhin
Mrs. Suree Jeraratanasopa
Mrs. Jinda Chotewattanukul
(Vacant)
Mr. Pruettipong Srimachand
Mr. Boonchai Karnchanapimai
Mrs. Supawadee Punsri
Mr. Somsak Wongpanyathaworn
Mr. Pichit Patrawimolpon
Mr. Thanedchai Angwarawong

Assistant Governor, Banknote Management Group

Senior Director, Banknote Operation Department
Director, Banknote Operation Office
Senior Director, Note Printing Works
Director, Note Printing Works
Director, Production Office
Director, Production Development
and Technical Support Office
Director, Banknote Strategic Planning Department
Director, Accounting and Supply Department
Director, Human Resource Management
and Development Department

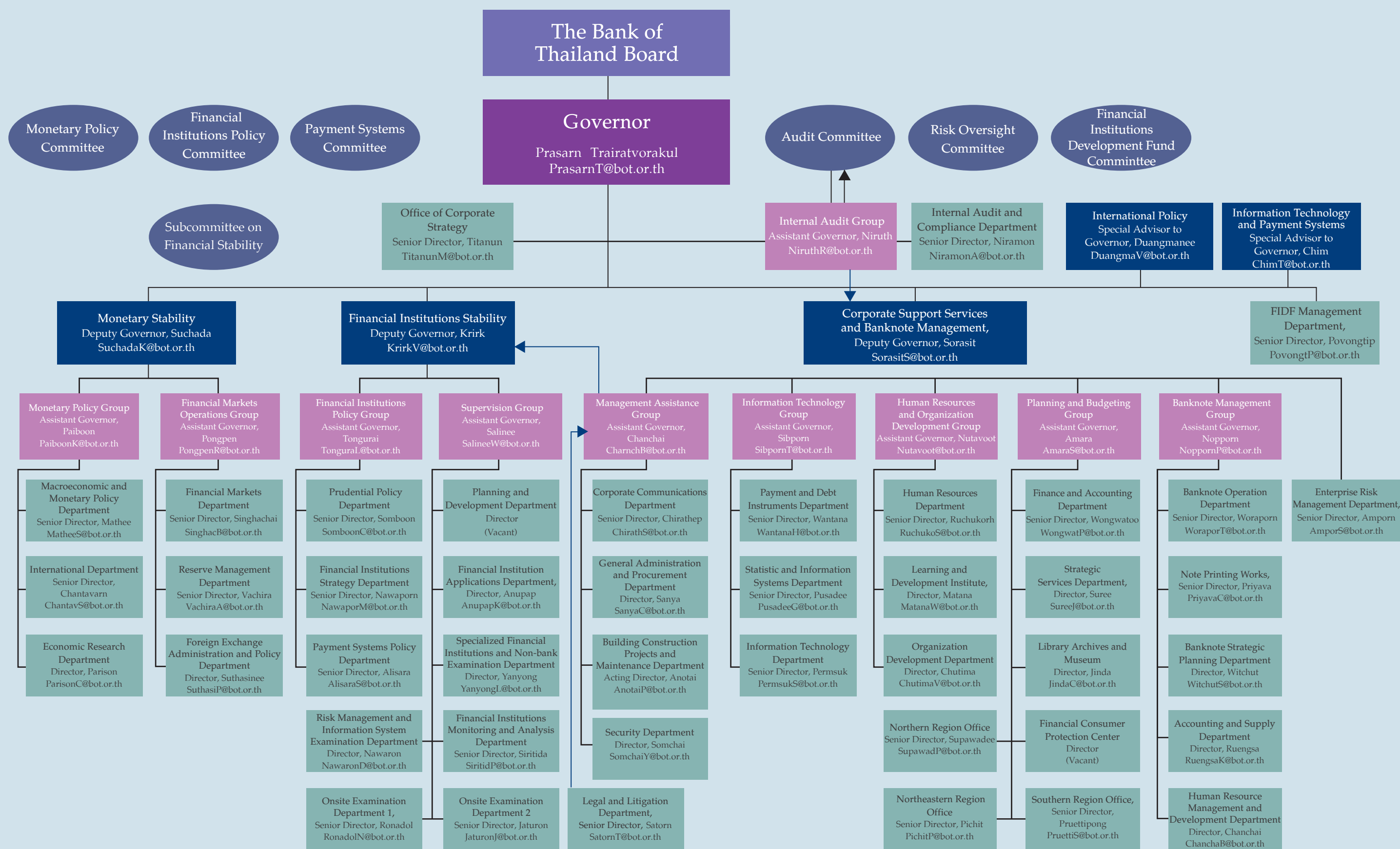
Mr. Nopporn Pramojaney
Mr. Woraporn Tangsaghasaksri
Mrs. Temmas Chutinimitkul
Mr. Priyavat Chainuvat
Mrs. Paranee Phulsawat
Mrs. Srinoi Leckuthai

Mr. Wirat Kitipipat
Mrs. Witchuta Sanguthai
Mr. Ruengsak Kittisarakul

Mr. Chanchai Buratavorn

Senior Director, FIDF Management Department	Mrs. Povongtip Poramapojn	
Director, Business Management Office	Ms. Siriporn	Eamrungroj
Assistant Governor, Internal Audit Group	Mr. Niruth	Raksaseree
Senior Director, Internal Audit		
and Compliance Department	Mrs. Niramon	Asavamanee
Director, Office Of IT Audit	Mr. Yoot	Khunsihapak
Senior Director, Office of Corporate Strategy	Mr. Titanun	Mallikamas
Director, Office of Corporate Strategy	Mr. Tharith	Panpiemras

Bank of Thailand's Organization Chart





BANK OF THAILAND

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