

Unofficial Translation

This translation is for the convenience of those unfamiliar with the Thai language.

Please refer to the Thai text for the official version.

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## AUDITOR'S REPORT

**To the Board of the Bank of Thailand**

### **Opinion**

The State Audit Office of the Kingdom of Thailand has audited the financial statements of the Bank of Thailand (the Bank), which comprise the statement of financial position as at December 31, 2023, the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In the State Audit Office of the Kingdom of Thailand's opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank of Thailand as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards and the Bank of Thailand Act.

### **Basis for Opinion**

The State Audit Office of the Kingdom of Thailand conducted the audit in accordance with the State Audit Standards and Thai Standards on Auditing (TSAs). The State Audit Office of the Kingdom of Thailand's responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. The State Audit Office of the Kingdom of Thailand is independent of the Bank in accordance with the ethical requirements set out in the State Audit Standards issued by the State Audit Commission and the Code of Ethics for Professional Accountants including Independence Standards issued by the Federation of Accounting Professions (Code of Ethics for Professional Accountants) that are relevant to the State Audit Office of the Kingdom of Thailand's audit of the financial statements, and the State Audit Office of the Kingdom of Thailand has fulfilled other ethical responsibilities in accordance with the State Audit Standards and the Code of Ethics for Professional Accountants. The State Audit Office of the Kingdom of Thailand believes that the audit evidence the State Audit Office of the

**State Audit Office of the Kingdom of Thailand**

Kingdom of Thailand has obtained is sufficient and appropriate to provide a basis for the State Audit Office of the Kingdom of Thailand's opinion.

### **Emphasis of Matter**

The State Audit Office of the Kingdom of Thailand draws attention to Note 3.2 of the financial statements regarding Assets and Liabilities Revaluation Recognition, which describes unrealized gains or losses from revaluation of assets and liabilities of the Bank of Thailand under the equity section, Note 3.3 regarding Foreign Currency Transactions, which describes gains or losses from foreign currency transactions in the statement of income, and Note 29.1 2) regarding Financial Risk Management of International Reserves, in which the Bank of Thailand has disclosed information to be in conformity with the practices of central banks. As a result, the financial statements are suitable for the specific purpose of the Bank. However, the State Audit Office of the Kingdom of Thailand's opinion is not qualified in respect of these matters.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and auditor's report thereon. The annual report is expected to be made available to the State Audit Office of the Kingdom of Thailand after the date of this auditor's report.

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and the Bank of Thailand Act, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

As part of an audit in accordance with the State Audit Standards and TSAs, the State Audit Office of the Kingdom of Thailand exercises professional judgment and maintains professional skepticism throughout the audit. The State Audit Office of the Kingdom of Thailand also:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the State Audit Office of the Kingdom of Thailand's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If the State Audit Office of the Kingdom of Thailand concludes that a material uncertainty exists, the State Audit Office of the Kingdom of Thailand is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the State Audit Office of the Kingdom of Thailand's opinion. The State Audit Office of the Kingdom of Thailand's conclusions are based on the audit evidence obtained up to the date of the auditor's report of the State Audit Office of the Kingdom of Thailand. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

(Signed)

(Mr. Monthien Charoenpol)

Deputy Auditor General Acting Auditor General

(Signed)

(Ms. Pattamon Puttaseema)

Director of Financial and Procurement Audit Office No. 5

**Bank of Thailand**  
**Statement of Financial Position**  
**As at December 31, 2023**

	Note	2023	Unit : THB 2022
<b>ASSETS</b>			
Cash and Deposits	5	625,130,600,261	793,605,073,540
Gold		204,704,978,472	182,903,871,362
Reserve Tranche and Special Drawing Rights Holdings	6	230,298,003,075	232,248,118,925
Investment in Securities	7	3,713,036,514,253	3,510,840,187,908
Loans	8	305,716,855,171	260,412,233,675
Premises and Equipment	9	4,752,478,851	4,861,202,741
Other Assets	10	440,662,643,878	392,072,331,394
Total Assets		<u>5,524,302,073,961</u>	<u>5,376,943,019,545</u>
<b>LIABILITIES AND EQUITY</b>			
Deposits	12	356,488,379,449	527,257,976,704
Special Drawing Rights Allocations	13	186,075,698,290	187,139,612,123
Securities Sold under Repurchase Agreements	14	547,107,000,000	581,605,000,000
Debt Securities Issued by the Bank of Thailand	15	4,429,646,105,753	4,324,249,213,252
Other Liabilities	16	493,023,135,712	452,717,192,644
Total Liabilities		<u>6,012,340,319,204</u>	<u>6,072,968,994,723</u>

The accompanying notes form part of these financial statements.

Bank of Thailand  
Statement of Financial Position (Continued)  
As at December 31, 2023

			Unit : THB
	Note	2023	2022
<b>LIABILITIES AND EQUITY (Continued)</b>			
Equity			
Initial Capital		20,000,000	20,000,000
Statutory Appropriation	17	27,307,931,128	27,307,931,128
Reserve for Stabilization of Profit Payable to the Government	18	624,075,747	624,075,747
Assets and Liabilities Revaluation Reserve	19	109,896,991,767	42,750,753,219
Accumulated Losses	20	<u>(625,887,243,885)</u>	<u>(766,728,735,272)</u>
Total Equity		<u>(488,038,245,243)</u>	<u>(696,025,975,178)</u>
Total Liabilities and Equity		<u><u>5,524,302,073,961</u></u>	<u><u>5,376,943,019,545</u></u>

The accompanying notes form part of these financial statements.

(Mr. Sethaput Suthiwartnarueput)

Governor

(Mrs. Somruedee Rungsiyaphornratana)

Senior Director, Finance and Accounting Department

**Bank of Thailand**  
**Statement of Income**  
For the Year Ended December 31, 2023

	Note	2023	2022
<b>Unit : THB</b>			
<b>Income</b>			
Interest Income	21	162,263,570,917	91,204,797,302
Fee Income		531,446,755	539,746,359
Net Gains on Foreign Exchange		82,434,278,007	142,436,093,274
Other Income		14,417,053,222	13,573,122,917
Total Income		<u>259,646,348,901</u>	<u>247,753,759,852</u>
<b>Expenses</b>			
Interest Expense	22	100,402,927,602	37,673,189,409
Net Losses on Sale of Investments	23	8,881,463,133	9,215,412,193
Personnel Expenses		5,586,333,149	5,458,986,763
Other Expenses	24	4,062,123,475	4,328,537,472
Total Expenses		<u>118,932,847,359</u>	<u>56,676,125,837</u>
Net Profit		<u><u>140,713,501,542</u></u>	<u><u>191,077,634,015</u></u>

The accompanying notes form part of these financial statements.



**Bank of Thailand**  
**Statement of Comprehensive Income**  
**For the Year Ended December 31, 2023**

	Unit : THB	
	2023	2022
Net Profit	140,713,501,542	191,077,634,015
<b>Other Comprehensive Income (Loss)</b>		
<b>Items that might be reclassified subsequently</b>		
<b>to Profit or Loss</b>		
Change in Assets and Liabilities Revaluation Reserve	67,134,324,488	(329,318,078,131)
<b>Items that will not be reclassified subsequently</b>		
<b>to Profit or Loss</b>		
Change in Assets and Liabilities Revaluation Reserve	11,914,060	95,053,480
Actuarial Gain (Loss)	127,989,845	(2,683,199)
Total Other Comprehensive Income (Loss)	67,274,228,393	(329,225,707,850)
Total Comprehensive Income (Loss)	207,987,729,935	(138,148,073,835)

The accompanying notes form part of these financial statements.

Bank of Thailand  
Statement of Changes in Equity  
For the Year Ended December 31, 2023

	Initial Capital	Statutory Appropriation	Reserve for Stabilization of Profit Payable to the Government	Assets and Liabilities Revaluation Reserve	Accumulated Losses	Unit : THB Total
Balance as at January 1, 2022	20,000,000	27,307,931,128	624,075,747	371,973,777,870	(957,803,686,088)	(557,877,901,343)
Net Profit	-	-	-	-	191,077,634,015	191,077,634,015
Other Comprehensive Loss	-	-	-	(329,223,024,651)	(2,683,199)	(329,225,707,850)
Balance as at December 31, 2022	<u>20,000,000</u>	<u>27,307,931,128</u>	<u>624,075,747</u>	<u>42,750,753,219</u>	<u>(766,728,735,272)</u>	<u>(696,025,975,178)</u>
Balance as at January 1, 2023	20,000,000	27,307,931,128	624,075,747	42,750,753,219	(766,728,735,272)	(696,025,975,178)
Net Profit	-	-	-	-	140,713,501,542	140,713,501,542
Other Comprehensive Income	-	-	-	67,146,238,548	127,989,845	67,274,228,393
Balance as at December 31, 2023	<u>20,000,000</u>	<u>27,307,931,128</u>	<u>624,075,747</u>	<u>109,896,991,767</u>	<u>(625,887,243,885)</u>	<u>(488,038,245,243)</u>

The accompanying notes form part of these financial statements

**Bank of Thailand**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2023**

	Unit : THB	
	2023	2022
<b>Cash Flows from Operating Activities</b>		
Net Profit	140,713,501,542	191,077,634,015
<b>Adjustments to Reconcile Net Gain to Net Cash</b>		
<b>from Operating Activities:</b>		
Depreciation and Amortization Expenses	579,657,495	693,492,250
Gain on Disposal of Premises and Equipment	(1,892,620)	(39,842,897)
Write-off of Work in Progress	134,583,169	23,979,349
Expected Credit Losses (Reversal)	(937,796)	9,592,237
Loss on Disposal of Investments	8,881,463,133	9,215,412,193
Interest Income	(162,263,570,917)	(91,204,797,302)
Interest Expense	100,402,927,602	37,673,189,409
(Gain) Loss from Non-cash Foreign Assets and		
Liabilities Cost Averaging	(57,694,980,071)	154,567,434,849
Net Increase in Accrued Income	(221,432,341)	(277,666,622)
Net Increase (Decrease) in Accrued Expenses	(105,930,106)	223,126,112
Net Increase in Prepaid Expenses	(71,784,079)	(33,283,798)
	30,351,605,011	301,928,269,795
Cash Received on Interest Income	116,799,347,088	74,674,233,376
Cash Paid on Interest Expense	(76,412,433,918)	(29,700,073,589)
	70,738,518,181	346,902,429,582
Net Gain from Operation before Changing in		
Operating Assets and Liabilities	70,738,518,181	346,902,429,582
<b>(Increase) Decrease in Operating Assets</b>		
Foreign Currency Deposits	210,567,079,646	(163,410,977,786)
Reserve Tranche and Special Drawing Rights Holdings	495,996,804	(3,676,307,036)
Domestic Securities	685,489,469	(6,882,082,623)
Loans	(45,311,038,187)	22,853,559,160
Other Assets	170,524,217,752	329,366,893,619

The accompanying notes form part of these financial statements.

**Bank of Thailand**  
**Statement of Cash Flows (Continued)**  
**For the Year Ended December 31, 2023**

	Note	2023	2022
			Unit : THB
<b>Increase (Decrease) in Operating Liabilities</b>			
Deposits		(170,765,341,009)	(14,470,136,548)
Securities Sold under Repurchase Agreements		(34,498,000,000)	(15,658,000,000)
Debt Securities Issued by the Bank of Thailand		87,720,380,627	(438,792,884,786)
Other Liabilities		(187,840,898,505)	(614,417,347,565)
Net Cash Provided by (Used for) Operating Activities		<u>102,316,404,778</u>	<u>(558,184,853,983)</u>
<b>Cash Flows from Investing Activities</b>			
Purchase of Foreign Currency Securities		(3,334,337,869,779)	(3,642,905,642,148)
Proceeds from Disposal of Foreign Currency Securities		3,279,308,366,155	4,134,096,785,136
Purchase of Premises and Equipment		(303,602,053)	(121,554,008)
Proceeds from Disposal of Premises and Equipment		7,762,722	75,901,835
Purchase of Intangible Assets		(187,212,262)	(159,644,051)
Net Cash Provided by (Used for) Investing Activities		<u>(55,512,555,217)</u>	<u>490,985,846,764</u>
<b>Cash Flows from Financing Activities</b>			
Payment of Lease Liabilities		(24,706,387)	(20,221,843)
Net Cash Used for Financing Activities		<u>(24,706,387)</u>	<u>(20,221,843)</u>
Assets and Liabilities Revaluation Reserve and Expected Credit Losses on Cash		<u>(10,349,088,435)</u>	<u>(7,829,190,011)</u>
Net Increase (Decrease) in Cash and Cash Equivalents		36,430,054,739	(75,048,419,073)
Cash and Cash Equivalents at the Beginning of the Year		<u>422,643,363,861</u>	<u>497,691,782,934</u>
Cash and Cash Equivalents at the End of the Year	5	<u><u>459,073,418,600</u></u>	<u><u>422,643,363,861</u></u>
<b>Supplementary Information</b>			
Non-Cash Items			
Increase in Right-of-Use Assets from Lease Liabilities		50,253,645	15,921,093

The accompanying notes form part of these financial statements.

**Bank of Thailand**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2023**

**1. General Information**

The Bank of Thailand (the BOT) was established by the Bank of Thailand Act, B.E. 2485 as amended (the BOT Act). The BOT's objectives are to carry out central banking functions to maintain monetary stability, financial institutions system stability and payment systems stability.

**2. Basis of Preparation of the Financial Statements**

The financial statements of the BOT have been prepared in accordance with Section 54 of the BOT Act, stipulating that accounts of the BOT shall comply with generally accepted accounting principles, except for matters which the BOT Board deems necessary and appropriate to follow generally accepted practices of other central banks. Generally accepted accounting principles refer to Thai Financial Reporting Standards under the Accounting Professions Act B.E. 2547, including guidelines promulgated by the Thailand Federation of Accounting Professions.

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

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

The financial statements are the accounts of the BOT, not including those of the Currency Reserve, the Note Issuance Business and the Financial Institutions Development Fund (FIDF), and have been prepared under historical cost basis unless otherwise disclosed in Note 3 (Summary of Significant Accounting Policies).

**3. Summary of Significant Accounting Policies**

**3.1 Revenue and Expenses Recognition**

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

3.1.2 Interest expense is recognized on a time proportion basis using effective yield method and other expenses are recognized on an accrual basis. The expense caused by negative interest rates on foreign currency deposits is presented as a part of interest expense.

### **3. Summary of Significant Accounting Policies (continued)**

#### **3.2 Assets and Liabilities Revaluation Recognition**

Unrealized gains or losses from revaluation of assets and liabilities of the BOT as at the end of period are presented in the Assets and Liabilities Revaluation Reserve under the equity section as prescribed under Section 16 of the BOT Act.

#### **3.3 Foreign Currency Transactions**

Transactions denominated in foreign currencies are translated into Thai Baht at the exchange rates prevailing at the dates of the transactions. At year-end, assets and liabilities denominated in foreign currencies are revalued to Thai Baht at the exchange rates prevailing on the reporting date. Unrealized gains or losses from revaluation of foreign currency assets and liabilities are presented in the Assets and Liabilities Revaluation Reserve under the equity section. Gains or losses from foreign currency transactions are recognized in the statement of income when the position of each foreign currency is decreased. Whenever the position of any foreign currency increases, the cost of such foreign currency is daily calculated by using the weighted average cost (WAC) method. When the foreign currency is sold, WAC will be used as the cost of the transaction. This accounting policy is consistent with the practices of other central banks, and is prescribed by the BOT Board by virtue of the BOT Act.

#### **3.4 Derivatives**

Derivatives are used for international reserve management to manage risks arising from fluctuation of market price, exchange rate, or interest rate. All derivatives are presented at fair value, and are revalued to Thai Baht at the exchange rates prevailing on the reporting date. Unrealized gains or losses from changes in the fair value are presented in the Assets and Liabilities Revaluation Reserve under the equity section, and are recognized in the statement of income when the contracts are early terminated, exercised, expired, or cash margin are settled.

#### **3.5 Foreign Exchange Swap Contracts**

Foreign exchange swap contracts are used for the purpose of liquidity management. Foreign exchange swap is an agreement to simultaneously purchase and sale of one currency against another with two different value dates. The outstanding claims and obligations are revalued to Thai Baht at the exchange rates prevailing on the reporting date, the net value changes of the claims and obligations are presented in the Assets and Liabilities Revaluation Reserve under the equity section. Differences between the spot and forward exchange rates are treated as interest income or interest expense on a time proportion basis.

### **3. Summary of Significant Accounting Policies (continued)**

#### **3.5 Foreign Exchange Swap Contracts (continued)**

Foreign exchange swap contracts which are used for the purpose of international reserve management are treated as derivatives according to accounting policy in Note 3.4

#### **3.6 Repurchase and Reverse Repurchase Transactions**

Repurchase and reverse repurchase transactions are conducted for the purpose of liquidity management as part of monetary operations to maintain stability in the financial system. They are also used for international reserve management purpose and presented at amortized cost. Income or expenses from these transactions are recognized in the statement of income.

#### **3.7 Gold**

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

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

#### **3.8 Investment in Securities**

Transactions on securities are recorded on a trade date basis.

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

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

Investment in Corporate Bond Stabilization Fund (BSF) under the Emergency Decree on the Maintenance of Stability of the Financial System and Economic Security of the Country, B.E. 2563, which was established to mitigate the impact of the COVID-19 pandemic to maintain overall financial stability, is presented at fair value. Unrealized gains or losses from revaluation and gains or losses on sale of BSF are presented in "Other Assets" or "Other Liabilities" and will be recognized in the statement of income when the amount of losses are greater than THB40,000 million and approved by the committee under section 21 of the Emergency Decree. Post-COVID-19, most of corporate sectors have efficiently managed their liquidity leading to the reduction in

### 3. Summary of Significant Accounting Policies (continued)

#### 3.8 Investment in Securities (continued)

corporate bond default risk. The BFS thus ceased providing the facility and subsequently was liquidated on March 3, 2023.

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

#### 3.9 Subscription in Other Organizations

Subscription in other organizations is for the purpose of being a member of an organization in order to pursue central bank roles, not held for trading. The subscription is stated at fair value through other comprehensive income. Unrealized gains or losses from revaluation are presented in the Assets and Liabilities Revaluation Reserve under the equity section and are recognized in the statement of comprehensive income upon unsubscription.

#### 3.10 Loans

Loans are stated at amortized cost. The accrued interests are included in “Other Assets”.

#### 3.11 Premises and Equipment

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for impairment (if any).

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

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

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

#### 3.12 Intangible Assets

Intangible assets are stated at cost less accumulated amortization. The amortization is allocated by using the straight-line method, based on the estimated useful lives between 5-10 years.



### **3. Summary of Significant Accounting Policies (continued)**

#### **3.13 Heritage Assets**

The BOT holds some antique objects which are considered heritage assets, such as antique coins, banknotes, and textiles which have been acquired through purchase or donation. They are held and maintained for the purpose of preservation and exhibition at the BOT's museum, not for central bank's function. Since 2005, purchased antiques have been recorded as assets at acquisition costs and presented under "Other Assets". The antiques received from donation are not recorded. However, a registry containing details of all the items held at the museum is used for control purposes.

#### **3.14 Securities Borrowing Facility**

Borrowing debt securities from specialized financial institutions and/or juristic persons, as prescribed by the BOT, and in return issuing the BOT debt securities as collateral are for the purpose of enhancing the efficiency of monetary policy implementation and supporting the development of the money market and debt securities market in Thailand. The securities borrowing facility fees are recognized as expense in the statement of income.

#### **3.15 Post-employment Benefits**

##### **3.15.1 Defined Contribution Plans**

The BOT's Rules and Regulations for Provident Fund stipulated that the BOT and employees who are members of the provident fund make contributions to the provident fund in accordance with the prescribed conditions. This provident fund is registered under the Provident Fund Act B.E. 2530. The contributions made to the provident fund by the BOT are charged as expense in the statement of income.

##### **3.15.2 Defined Benefit Plans**

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

The obligations under defined benefit plans are valued actuarially using the Projected Unit Credit Method and are presented at present value as employee benefit obligations. The BOT recognizes all related expenses in the statement of income and all actuarial gains and losses in the statement of comprehensive income in the period occurred.

## 4. Classification and Measurement of Financial Assets and Financial Liabilities

Unit : Million THB

2023

Instruments	Financial Instruments measured at fair value through profit or loss	Financial Instruments measured at fair value through other comprehensive income	Financial Instruments designated as at fair value through other comprehensive income	Financial Instruments measured at amortized cost	Total
<b>Financial Assets</b>					
Cash and Deposits		68,546		556,585	625,131
Gold	204,705				204,705
Reserve Tranche and Special Drawing Rights Holdings				230,298	230,298
Investment in Securities	646,816	2,626,653		439,568	3,713,037
Loans				305,717	305,717
Other Assets	26,227	14,180	4,346	394,893	439,646
<b>Financial Liabilities</b>					
Deposits				356,488	356,488
Special Drawing Rights Allocations				186,076	186,076
Securities Sold under Repurchase Agreements				547,107	547,107
Debt Securities Issued by the Bank of Thailand				4,429,646	4,429,646
Other Liabilities	37,699			444,179	481,878

## 4. Classification and Measurement of Financial Assets and Financial Liabilities (continued)

Unit : Million THB

2022

Instruments	Financial Instruments measured at fair value through profit or loss	Financial Instruments measured at fair value through other comprehensive income	Financial Instruments designated as at fair value through other comprehensive income	Financial Instruments measured at amortized cost	Total
<b>Financial Assets</b>					
Cash and Deposits		240,841		552,764	793,605
Gold	182,904				182,904
Reserve Tranche and Special Drawing Rights Holdings				232,248	232,248
Investment in Securities	590,220	2,479,196		441,424	3,510,840
Loans				260,412	260,412
Other Assets	43,677	12,205	4,321	330,852	391,055
<b>Financial Liabilities</b>					
Deposits				527,258	527,258
Special Drawing Rights Allocations				187,140	187,140
Securities Sold under Repurchase Agreements				581,605	581,605
Debt Securities Issued by the Bank of Thailand				4,324,249	4,324,249
Other Liabilities	63,189			378,003	441,192

Unrealized gains or losses from revaluation of assets and liabilities at fair value are presented in the Assets and Liabilities Revaluation Reserve under the equity section as prescribed under Section 16 of the BOT Act.

## 5. Cash and Deposits

Unit : Million THB

	2023	2022
Cash and cash equivalents		
Cash	87,065	85,985
Demand deposits	14	15
Foreign currency demand deposits	<u>371,994</u>	<u>336,643</u>
Total cash and cash equivalents	459,073	422,643
Foreign currency time and special deposits	<u>166,058</u>	<u>370,962</u>
<b>Total</b>	<b><u>625,131</u></b>	<b><u>793,605</u></b>

## 6. Reserve Tranche and Special Drawing Rights Holdings

	Unit : Million THB	
	2023	2022
Reserve tranche		
Quota subscribed in International Monetary Fund (IMF)	147,616	148,460
<u>Less:</u> IMF current account no. 1	(9,139)	(2,601)
Promissory notes payable to IMF	<u>(97,203)</u>	<u>(102,139)</u>
	41,274	43,720
Special Drawing Rights Holdings	<u>189,024</u>	<u>188,528</u>
<b>Total</b>	<b><u>230,298</u></b>	<b><u>232,248</u></b>

## 7. Investment in Securities

	Unit : Million THB	
	2023	2022
Domestic securities - amortized cost		
Government and state enterprise bonds	<u>439,568</u>	<u>441,424</u>
Total domestic securities	<u>439,568</u>	<u>441,424</u>
Foreign currency securities - fair value		
Treasury bills and short-term debt securities	726,291	624,054
Treasury bonds and long-term debt securities	1,900,362	1,855,142
Other investments	<u>646,816</u>	<u>589,217</u>
Total foreign currency securities	<u>3,273,469</u>	<u>3,068,413</u>
Investment in BSF - fair value	<u>-</u>	<u>1,003</u>
<b>Total</b>	<b><u>3,713,037</u></b>	<b><u>3,510,840</u></b>

Fair value of domestic securities stated at amortized cost as at December 31, 2023 and 2022 amounted to THB433,420 million and THB438,763 million, respectively.

## 8. Loans

	Unit : Million THB	
	2023	2022
Soft loans to financial institutions, lending to those affected by the COVID-19	305,687	260,260
Loans to the IMF under the NAB	<u>30</u>	<u>152</u>
<b>Total</b>	<b><u>305,717</u></b>	<b><u>260,412</u></b>

## 8. Loans (continued)

The soft loans to financial institutions, lending to those affected by the COVID-19 are the financial assistance under the Emergency Decree on the Provision of Financial Assistance for Entrepreneurs Affected by the COVID-19 Pandemic B.E. 2563 (Soft Loan Emergency Decree) and the Emergency Decree on the Provision of Assistance and Rehabilitation of Business Operators Impacted by the Spread of the COVID-19 Pandemic B.E. 2564.

The loans to the IMF under the New Arrangements to Borrow (NAB) are the commitment with the IMF as mentioned in Note 27.3.1.

## 9. Premises and Equipment

Unit : Million THB

	2023								
	Cost				Accumulated Depreciation				Net
	Opening Balance	Increases	Decreases	Closing Balance	Opening Balance	Increases	Decreases	Closing Balance	
Land	2,193	-	-	2,193	-	-	-	-	2,193
Buildings	5,519	20	26	5,513	4,108	178	26	4,260	1,253
Equipment	5,089	236	49	5,276	3,879	267	43	4,103	1,173
Work in progress	47	282	195	134	-	-	-	-	134
<b>Total</b>	<b>12,848</b>	<b>538</b>	<b>270</b>	<b>13,116</b>	<b>7,987</b>	<b>445</b>	<b>69</b>	<b>8,363</b>	<b>4,753</b>

Unit : Million THB

	2022								
	Cost				Accumulated Depreciation				Net
	Opening Balance	Increases	Decreases	Closing Balance	Opening Balance	Increases	Decreases	Closing Balance	
Land	2,193	-	-	2,193	-	-	-	-	2,193
Buildings	5,655	17	153	5,519	4,001	190	83	4,108	1,411
Equipment	5,370	73	354	5,089	3,869	363	353	3,879	1,210
Work in progress	3	102	58	47	-	-	-	-	47
<b>Total</b>	<b>13,221</b>	<b>192</b>	<b>565</b>	<b>12,848</b>	<b>7,870</b>	<b>553</b>	<b>436</b>	<b>7,987</b>	<b>4,861</b>

Depreciation expenses for the year 2023 and 2022 were THB445 million and THB553 million, respectively.

Premises and equipment as at December 31, 2023 included right-of-use assets amounted to THB112 million, accumulated depreciation amounted to THB30 million and depreciation of right-of-use assets for the year 2023 amounted to THB24 million.

## 10. Other Assets

	Unit : Million THB	
	2023	2022
Receivables for unsettled sales of securities	241,261	157,253
Quota subscribed in the IMF - THB	106,342	104,740
Derivative assets	26,128	43,590
Accrued income	31,950	22,937
Others	<u>34,982</u>	<u>63,552</u>
<b>Total</b>	<b><u>440,663</u></b>	<b><u>392,072</u></b>

“Others” item as at December 31, 2023 and 2022 included the net balances of intangible assets as follows:

	Unit : Million THB								
	2023								
	Cost				Accumulated Amortization				Net
	Opening Balance	Increases	Decreases	Closing Balance	Opening Balance	Increases	Decreases	Closing Balance	
Computer software and systems	2,407	94	1	2,500	2,011	134	1	2,144	356
Work in progress	<u>110</u>	<u>187</u>	<u>217</u>	<u>80</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80</u>
<b>Total</b>	<b><u>2,517</u></b>	<b><u>281</u></b>	<b><u>218</u></b>	<b><u>2,580</u></b>	<b><u>2,011</u></b>	<b><u>134</u></b>	<b><u>1</u></b>	<b><u>2,144</u></b>	<b><u>436</u></b>

	Unit : Million THB								
	2022								
	Cost				Accumulated Amortization				Net
	Opening Balance	Increases	Decreases	Closing Balance	Opening Balance	Increases	Decreases	Closing Balance	
Computer software and systems	2,322	93	8	2,407	1,878	141	8	2,011	396
Work in progress	<u>63</u>	<u>159</u>	<u>112</u>	<u>110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110</u>
<b>Total</b>	<b><u>2,385</u></b>	<b><u>252</u></b>	<b><u>120</u></b>	<b><u>2,517</u></b>	<b><u>1,878</u></b>	<b><u>141</u></b>	<b><u>8</u></b>	<b><u>2,011</u></b>	<b><u>506</u></b>

Amortization expenses for the year 2023 and 2022 were THB134 million and THB141 million, respectively.

Furthermore, “Others” item included land located in Surat Thani, Nakhon Ratchasima, and Rayong, as well as the BOT’s residential building located in London. These assets are no longer utilized and have been approved for sale by the BOT Board. The book value as at December 31, 2023 and 2022 were THB307 million.

## 11. Provision for Expected Credit Losses

Provision for expected credit losses is calculated on financial assets and commitment to provide liquidity assistance in accordance with agreements with other central banks and the IMF. The provision is deducted from financial assets or recognized as other liabilities. The expected credit losses are recognized in the statement of income.

As at December 31, 2023, the amount of provision for expected credit losses was immaterial.

## 12. Deposits

	Unit : Million THB	
	2023	2022
Non interest-bearing deposits		
Government	209,822	364,957
Financial institutions	130,866	140,931
Others	<u>4,790</u>	<u>4,870</u>
Total non interest-bearing deposits	345,478	510,758
Interest-bearing deposits	<u>11,010</u>	<u>16,500</u>
<b>Total</b>	<b><u>356,488</u></b>	<b><u>527,258</u></b>

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

## 13. Special Drawing Rights Allocations

The IMF's member countries are allocated Special Drawing Rights in proportion to their subscriptions in the IMF. As at December 31, 2023 and 2022, Thailand was allocated the balance of SDR4,049 million, which was equivalent to THB186,076 million and THB187,140 million, respectively.

## 14. Securities Sold under Repurchase Agreements

The outstanding balances of the securities sold under repurchase agreements as at December 31, 2023 and 2022 were THB547,107million and THB581,605 million, respectively.

Securities are held as collateral under repurchase agreements, as at December 31, 2023 and 2022, stated at book value of THB415,528 million and THB448,899 million or at fair value of THB409,419 million and THB446,506 million, respectively.

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

	Unit : Million THB	
	2023	2022
Bank of Thailand bonds		
Remaining maturity:		
- 1 year or less	2,021,025	2,243,205
- Over 1 year	203,921	157,327
<u>Less: Held by the BOT</u>	<u>-</u>	<u>(20,583)</u>
Total Bank of Thailand bonds	2,224,946	2,379,949
Other BOT debt securities	<u>2,204,700</u>	<u>1,944,300</u>
(Remaining maturity less than 1 year)		
<b>Total</b>	<b><u>4,429,646</u></b>	<b><u>4,324,249</u></b>

The BOT has issued BOT bonds and other BOT debt securities to be used as monetary policy instruments as well as to foster the development of money market and debt securities market in Thailand. In 2023, the interest paid on BOT bonds and other BOT debt securities amounted to THB38,985 million and THB41,501 million, respectively. The interest paid is presented as part of interest expense.

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

The fair value of BOT debt securities as at December 31, 2023 and 2022 amounted to THB4,428,841 million and THB4,322,571 million, respectively.

## 16. Other Liabilities

	Unit : Million THB	
	2023	2022
IMF current accounts no. 1 and 2	9,206	2,603
Promissory notes payable to the IMF	97,203	102,139
Payables for unsettled purchases of securities	287,447	204,861
Derivative liabilities	37,699	63,189
Net liabilities from foreign exchange swaps	28,724	53,204
Accrued expenses	11,552	5,343
Employee benefit obligations	10,562	10,934
Others	<u>10,630</u>	<u>10,444</u>
<b>Total</b>	<b><u>493,023</u></b>	<b><u>452,717</u></b>

“Others” item as at December 31, 2023 included lease liabilities amounted to THB89 million.



## 16. Other Liabilities (continued)

Employee benefit obligations as at December 31, 2023 amounted to THB10,562 million included the obligation from pension plan amounted to THB6,602 million and the obligation from post-employment medical plan amounted to THB3,960 million. Changes in the present value of the employee benefit obligations are presented as follows:

	Unit : Million THB	
	2023	2022
Employee benefit obligations as at January 1	10,934	11,189
Current service cost	157	222
Interest cost	254	153
Benefit paid and transferred during the year	(655)	(633)
Actuarial (gain) loss	<u>(128)</u>	<u>3</u>
Employee benefit obligations as at December 31	<b><u>10,562</u></b>	<b><u>10,934</u></b>

The significant actuarial assumptions

	2023	2022
Discount rate (average)	2.34% - 3.88% (3.39%)	1.37% - 4.27% (3.55%)
Average rate of increase in salaries	6.50%	6.50%
Medical cost trend growth rate	5.10%	7.87%
Mortality	Thai Mortality Table 2017	Thai Mortality Table 2017

The sensitivity analysis of significant actuarial assumption that affected changes in the present value of employee benefit obligations is as follows:

	Unit : Million THB	
	2023	2022
Discount rate		
Increase of 1%	(1,038)	(1,149)
Decrease of 1%	1,236	1,388

The maturity analysis of benefit payments is calculated based on the defined benefit plans expected to be paid in the future on an undiscounted basis.

**16. Other Liabilities (continued)**

	Unit : Million THB	
	2023	2022
Amount expected to be paid within 1 year	656	625
Amount expected to be paid between 1 to 5 years	2,913	2,809
Amount expected to be paid between 5 to 10 years	3,882	3,814

**17. Statutory Appropriation**

In 2002, THB165,000 million was transferred from the Special Reserve Account of the Currency Reserve to the BOT in accordance with the Emergency Decree on the Partial Transfer of Assets from the Special Reserve Account, B.E. 2545 in order to compensate for the accumulated losses and to enhance the stability of the BOT. The residual amount of THB27,308 million, after deducting the accumulated losses was presented as statutory appropriation. Since 2002, there has been no movement in this account.

**18. Reserve for Stabilization of Profit Payable to the Government**

As at December 31, 2023, the outstanding balance of the Reserve for Stabilization of Profit Payable to the Government was THB624 million. This reserve was accumulated from net profit after appropriation for the year 1990 - 1996. The Ministry of Finance (MOF) determines the guideline of profit appropriation. The balance of this account could be transferred to the Government upon request by the MOF. Since 2002, no profit appropriation has been made to this account.

**19. Assets and Liabilities Revaluation Reserve**

	Unit : Million THB	
	2023	2022
Unrealized gains from foreign exchange revaluation of assets and liabilities	52,339	126,347
Unrealized gains from revaluation of gold	25,176	1,564
Unrealized gains (losses) from price revaluation of investments Foreign currency securities - treasury bills, treasury bonds, and debt securities	(51,563)	(103,629)
Foreign currency securities - other investments	91,761	35,272
Unrealized losses from revaluation of derivatives	(10,785)	(19,629)
Unrealized gains from revaluation of subscription in other organizations and others	<u>2,969</u>	<u>2,826</u>
<b>Total</b>	<b><u>109,897</u></b>	<b><u>42,751</u></b>

## 19. Assets and Liabilities Revaluation Reserve (continued)

Subject to Section 13 (2) of the BOT Act, the Assets and Liabilities Revaluation Reserve is established to accumulate gains or losses derived from the revaluation of the BOT's assets and liabilities.

## 20. Accumulated Losses

As at December 31, 2023 and 2022, the outstanding balances of accumulated losses were THB625,887 million and THB766,729 million, respectively. Changes to the accumulated losses are set out in the statement of changes in equity. However, the accumulated loss has no impact on the operation of the BOT.

## 21. Interest Income

	Unit : Million THB	
	2023	2022
Interest income from domestic securities	8,871	8,843
Interest income from foreign currency securities	96,778	62,775
Other interest income	<u>56,615</u>	<u>19,587</u>
<b>Total</b>	<b><u>162,264</u></b>	<b><u>91,205</u></b>

## 22. Interest Expense

	Unit : Million THB	
	2023	2022
Interest expense on BOT bonds	38,985	17,656
Interest expense on other BOT debt securities	41,501	13,060
Other interest expense	<u>19,917</u>	<u>6,957</u>
<b>Total</b>	<b><u>100,403</u></b>	<b><u>37,673</u></b>

## 23. Net Gains (Losses) on Sale of Investments

	Unit : Million THB	
	2023	2022
Losses on sale of foreign currency securities – treasury bills, treasury bonds, and debt securities	(19,536)	(51,302)
Gains on sale of foreign currency securities – other investments	<u>10,655</u>	<u>42,087</u>
<b>Total</b>	<b><u>(8,881)</u></b>	<b><u>(9,215)</u></b>

**24. Other Expenses**

	Unit : Million THB	
	2023	2022
Depreciation and amortization	579	694
External fund manager management fees	912	1,031
Investment management fees	1,139	1,218
Others	<u>1,432</u>	<u>1,386</u>
<b>Total</b>	<b><u>4,062</u></b>	<b><u>4,329</u></b>

**25. Remuneration of Key Management Personnel**

The key management personnel of the BOT refers to the Governor, Deputy Governors, and members of the Boards and committees established under the BOT Act who have responsibility for planning, directing and supervising the activities of the BOT. In 2023 and 2022, total remuneration paid to key management personnel were THB68 million and THB69 million, respectively.

**26. Notional Amount of Derivatives**

The notional amount of outstanding derivatives as at December 31, 2023 was as follows:

**26.1 Foreign Exchange Forward Contracts**

The notional amount of foreign exchange forward contracts was equivalent to USD34,533 million, which will be due in 2024.

**26.2 Foreign Exchange Swap Contracts**

The notional amount of foreign exchange swap contracts was equivalent to USD36,409 million, which will be due in 2024.

**26.3 Interest Rate Swap Contracts**

The notional amount of Interest rate swap contracts was equivalent to USD2,304 million, which will be due in 2024 - 2033.

**26.4 Options Contracts**

The notional amount of option contracts was equivalent to USD16,339 million, which will be due in 2024.

**26.5 Futures Contracts**

The notional amount of futures contracts including security futures, index futures and other futures was equivalent to USD6,769 million, which will be due in 2024.

## 26. Notional Amount of Derivatives (continued)

### 26.6 Mortgage-Backed Securities To-Be-Announced

The notional amount of mortgage-backed securities to-be-announced was equivalent to USD1,095 million, which will be due in 2024.

## 27. Commitments

As at December 31, 2023, the outstanding commitments of the BOT were as follows:

### 27.1 Securities Borrowing Facility

The BOT had outstanding obligations to return the borrowed debt securities amounting to THB159,169 million, which will be due in 2024 - 2039. The fair value of the borrowed debt securities sold under repurchase agreements as at December 31, 2023 amounted to THB143,618 million.

### 27.2 Agreements with Other Central Banks

The BOT has signed the following financial agreements with countries and central banks in the region:

Agreement	Established Year	Effective Date for Latest Agreement	Effective Period	Objective	Credit Limit
27.2.1 The Chiang Mai Initiative Multilateralisation (CMIM) Agreement between ASEAN member countries, China, Japan, and South Korea	2010	March 31, 2021	Not specify	To provide financial assistance to member countries in addressing short-term liquidity shortages or Balance of Payments difficulties	Contributed amount up to USD9,104 million and requested amount up to USD 22,760 million
27.2.2 The Bilateral Swap Arrangement (BSA) with the Bank of Japan, acting as agent for the Ministry of Finance of Japan	2001	July 23, 2021	3 years	To provide financial support in addressing short-term liquidity shortages and Balance of Payments difficulties	Up to USD3,000 million or equivalent <sup>1</sup>
27.2.3 The Chinese Yuan/Thai Baht Bilateral Currency Swap Arrangement (BSA) with the People's Bank of China	2011	December 22, 2020	5 years	To promote the usage of local currencies in trade and direct investment	Up to CNY70,000 million or THB370,000 million

<sup>1</sup> The BOT may swap the Thai Baht for the Japanese Yen, in addition to US Dollar

## 27. Commitments (continued)

### 27.2 Agreements with Other Central Banks (continued)

Agreement	Established Year	Effective Date for Latest Agreement	Effective Period	Objective	Credit Limit
27.2.4 The Bilateral Currency Swap Arrangement (BSA) with the Bank of Japan	2020	March 31, 2023	3 years	To enhance the financial stability of Thailand and Japan and to promote the usage of local currencies	Up to THB240,000 million or JPY800,000 million
27.2.5 The Bilateral Swap Arrangement (BSA) with the Bank Negara Malaysia	2023	February 4, 2023	3 years	To provide financial support in addressing short-term liquidity shortages and Balance of Payments difficulties and to promote the usage of local currencies in trade and direct investment	Up to USD3,000 million

In 2023, the BOT entered into the Bilateral Swap Arrangement with the Bank Negara Malaysia and renewed the Bilateral Currency Swap Arrangement with the Bank of Japan. However, neither the BOT nor its counterparties activated the facilities under any above agreements.

### 27.3 Commitments with the International Monetary Fund (IMF)

The BOT, with the consent of the Finance Minister, has the following commitments with the IMF to supplement IMF lending capacity in providing financial assistance to members.

Agreement	Established Year	Effective Date	Effective Period	Credit Limit
27.3.1 The New Arrangements to Borrow (NAB)	1998	January 1, 2021	5 years	SDR680 million
27.3.2 The 2020 Borrowing Agreements in the form of a Note Purchase Agreement	2021	January 1, 2021	4 years	USD1,723 million

## **28. Contingent Liabilities**

As at December 31, 2023, the BOT was involved in certain legal actions and claims arising from the ordinary course of business amounting to THB56 million. All cases are in process of court trial. However, the estimated amount of these claims, if the final judgment is made, will not have any material adverse effect on the BOT's financial position and operations.

## **29. The BOT's Risk Management**

The BOT's risk management adheres to the principles of good governance by having committees to oversee and manage the BOT's risk management processes, such as the Risk Management Committee (RMC) and the Financial Risk Management Sub-Committee (FRMC). Furthermore, there is a Risk Oversight Committee (ROC), whose members are appointed by the BOT Board, comprising non-executive BOT Board members and external experts. Its objective is to assist the BOT Board in overseeing the BOT's overall risk management and processes to ensure that the BOT Board and senior management are well aware of the key risks that may have material impact on the BOT's operations, under a risk management framework that is in accordance with good governance principles and international standards.

The BOT's Risk Management Group is responsible for the implementation of risk management policies prescribed by the BOT Board. The Risk Management Group comprises the Financial Risk Management Department (FRMD) that is responsible for managing financial risks, and the Enterprise Risk Management Department (ERMD) that oversees the management of enterprise risks and operational risks.

### **29.1 Financial Risk Management**

#### **1) Key Risks to the BOT's Financial Statements**

The BOT, as a central bank, has a role in conducting monetary policies and overseeing the stability of the Thai Baht, in order to build the public's confidence in the country's economic and financial stability. In carrying out this role, the BOT's financial statements are inevitably exposed to key financial risks, namely foreign exchange rate risk and interest rate risk.

Foreign exchange rate risk arises from the BOT's assets being mostly denominated in foreign currencies, whereas the BOT's liabilities are mostly denominated in Thai Baht. Interest rate risk arises from the BOT's obligations to pay interests in the domestic market as part of its monetary policy operations, which may differ from interests gained from its investments in foreign markets.

## 29. The BOT's Risk Management (continued)

### 29.1 Financial Risk Management (continued)

#### 2) Financial Risk Management for International Reserves

In the management of international reserves, the BOT takes into consideration, as priorities, the safety, liquidity, return, and risk management. Investing international reserves in foreign assets exposes the BOT to financial risks, namely market risk, credit risk, and liquidity risk.

The following are the primary objectives of managing financial risks to mitigate the impact on the management of international reserves:

a. Preserving the value of the international reserves, when measured in terms of major currencies; and

b. Ensuring that the financial risks of the international reserves remain within an acceptable level, and that such risks are well diversified.

In so doing, the BOT has the following risk management framework and guidelines, which are instrumental to mitigating the impact on the value of international reserves.

##### Market Risk

Market risk is the risk of loss due to changes in market prices. International reserves are exposed to the following three market risk factors: interest rate risk from investment in debt securities; foreign exchange rate risk from investment in foreign currencies; and equity price risk from investment in equities.

The BOT manages market risk by setting up benchmark investment portfolios, in which asset and currency allocations are set in accordance with optimal risk/return trade-offs, in line with each portfolio's objectives, and within the BOT Board's risk tolerance limit. Market risks from active portfolio management are measured by the volatility of return margin between each portfolio and its benchmark (tracking errors). The BOT has set tracking error limits with monitoring systems in place to ensure that any deviation remains within the limits. Furthermore, the BOT also conducts scenario analysis, including stress testing, to assess the impact or maximum potential loss in each portfolio under the extreme adverse scenarios that may occur over a specific timeframe (Value-at-Risk).

##### Credit Risk

Credit risk is the risk that the BOT may not receive its principal or interest repayments it is owed, or face a loss due to a counterparty or security issuer's failure to fulfill their financial obligations to the BOT. This includes the risk of deterioration in the market value of securities resulting from credit rating downgrades of securities or their issuers.



## **29. The BOT's Risk Management (continued)**

### **29.1 Financial Risk Management (continued)**

#### **2) Financial Risk Management for International Reserves (continued)**

The BOT manages credit risk by imposing prudent rules on credit risk management, such as by setting aggregate credit asset limits and counterparty exposure limits, to ensure that overall credit risks remain within an acceptable level. The BOT also assigns limits on the credit line to any counterparty or issuer, to avoid excessive concentration in any single party. Additionally, the BOT measures and monitors credit risk by calculating expected credit loss and utilizing indicators to predict potential credit rating downgrades before they occur. In order to reduce counterparty credit risk from Over-the-counter (OTC) transactions, the BOT utilizes financial agreements that are in line with international standards (such as the ISDA Master Agreement) and margin requirements.

#### **Liquidity Risk**

Liquidity risk is the risk that may arise from the BOT's inability to liquidate its assets at reasonable prices within the required time. In managing liquidity risks, the BOT sets requirements on investment in highly liquid assets, to ensure the adequacy of the liquidity needs for BOT's operation on foreign exchange rate policies. The BOT also sets appropriate levels for illiquid assets, based on the risk-return trade-off between the return from investing in illiquid assets (illiquidity premium) and the potential cost of liquidation.

In addition to the above framework and rules on the risk management of international reserves, the BOT (Financial Risk Management Department) also studies and monitors market developments, new financial instruments, as well as changes in international supervisory regulations, in order to apply them and continually improve risk management and oversight, ensuring that the management of international reserves meets its objectives.

### **29.2 Enterprise and Operational Risk Management**

The Enterprise Risk Management Department (ERMD) is responsible for developing enterprise and operational risk management frameworks for the BOT consistent with international standards. Enterprise risk management policies have been instituted, and the operational risk management guidelines have been regularly revised to suit changing circumstances to ensure that the BOT can achieve its missions. Key areas of the BOT's risk management guidelines are as follows:

(1) Information Technology (IT) Risk Management: the BOT has continued to adhere to its IT risk management framework to identify, analyze, and monitor key IT risks and to ensure proper and timely compliance with IT laws, regulations, and standards. The IT Risk Management Sub-Committee

## 29. The BOT's Risk Management (continued)

### 29.2 Enterprise and Operational Risk Management (continued)

is tasked with reviewing the BOT's IT risk management policy framework and guidelines as well as approving and monitoring IT risk-related practices under the framework prescribed by the RMC. Given the changing organizational context and the evolving landscape, including the use of Cloud Computing Services, increased connections with external entities and the increasing prevalence of remote work and personal devices usage as well as the complex and ever-changing cyber threats, thus, in 2023, the BOT assessed its cyber security readiness and is in the process of establishing short-term and medium-term plans to enhance cyber security for its IT systems and infrastructure following the Zero Trust Architecture Framework. In addition, the BOT has continually enhanced its IT risk management capabilities, such as using vendor risk management tools to timely and efficiently monitor, assess, and respond to changes in IT risks, restricting the use of LINE and USB devices to minimize data leakage risks, introducing Generative AI tools with secured data protection and promoting employee awareness for proper usage. The BOT has also strengthened cyber risk awareness, and conducting cyber security incident response exercises both at operational and executive levels, as well as expanding networks and collaborating with other relevant agencies to exchange cyber threat intelligence. Additionally, the BOT was certified to comply with ISO 27001: 2013 Information Security Management Systems for the critical payment systems operated by the BOT (BAHTNET) and the operations of the BOT's internal units, which are BAHTNET members. Furthermore, the BOT has consistently complied with relevant third-party IT risk management guidelines and Cloud Computing Service's security standards.

(2) Compliance Risk Management: the BOT has enhanced its mechanisms to monitor the compliance with laws and regulations related to the BOT's operations, such as improving the legal database for risk monitoring and assessment and also establishing operational processes to comply with applicable laws and regulations. In 2023, the BOT adhered to significant legal frameworks such as the Act on Carrying Out of Public Service via Electronic Means, B.E. 2565 (2022), which mandates the BOT to provide electronic channels for licensing and financial services for government organizations, general public, and business providers under the BOT's supervision. In this regard, the BOT has established and published electronic contact channels on its website and developed an internal system to support it. Furthermore, in compliance with Thailand's Personal Data Protection Act B.E. 2562 (2019), the BOT has developed a Data Protection Risk Management Framework which includes a Data Leak Prevention system to ensure an effective and law-compliant personal data protection. The BOT also promotes awareness of personal data protection among the BOT staff and discloses the Personal Data Privacy Policy to inform data

## **29. The BOT's Risk Management (continued)**

### **29.2 Enterprise and Operational Risk Management (continued)**

owners and the public regarding the BOT's objectives, principles, and personal data protection standards. Additionally, the BOT has planned to assess the data risk framework to ensure its consistency with international standards.

(3) Business Continuity Management: the BOT has continuously improved its business continuity management by establishing the policies certified to comply with ISO 22301:2019 to systematically set objectives and guidelines in managing business continuity for the BAHTNET; the payment systems operated by the BOT and the operations of the BOT's internal units that are BAHTNET members. In 2023, in order to support the execution of the BAHTNET Offline (BNO); the contingency plan for the BAHTNET which has been declared as Critical Information Infrastructure (CII), in the event that all BOT's data centers are down, the BOT has developed the BAHTNET Lite system to ensure uninterrupted fund transfer among financial institutions without incurring widespread adverse impacts. In addition, controls and security measures are put in place according to relevant standards, to reduce operational, IT, and cyber risks as well as risks from data leakages. The BOT also oversees the risk management of BAHTNET client computers linkages that may pose systemic risks to overall payment systems by providing guidelines on maintaining the security of BAHTNET Lite client computers.

Although the business continuity risks arising from the COVID-19 pandemic have been declining, the BOT still monitors the evolution of COVID-19 variants and the number of infected staff to ensure the continuity of the BOT operations. Additionally, the BOT continues to provide COVID-19 vaccination for the BOT staff and their families according to the recommendations of the Ministry of Public Health.

## **30. Fair Values of Financial Assets and Liabilities**

### **30.1 Fair Values Hierarchy of Financial Assets and Liabilities**

As at December 31, 2023 and 2022, the financial assets and liabilities measured at fair values are presented as follows:

## 30. Fair Values of Financial Assets and Liabilities (continued)

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

Unit : Million THB

	2023			Total
	Level 1	Level 2	Level 3	
Financial Assets				
Deposits and investment in securities	2,737,523	604,492	-	3,342,015
Gold	204,705	-	-	204,705
Subscription in other organizations	-	-	4,346	4,346
Other assets	<u>12,274</u>	<u>28,133</u>	<u>-</u>	<u>40,407</u>
<b>Total</b>	<b><u>2,954,502</u></b>	<b><u>632,625</u></b>	<b><u>4,346</u></b>	<b><u>3,591,473</u></b>
Financial Liabilities				
Other liabilities	<u>2,798</u>	<u>34,901</u>	<u>-</u>	<u>37,699</u>
<b>Total</b>	<b><u>2,798</u></b>	<b><u>34,901</u></b>	<b><u>-</u></b>	<b><u>37,699</u></b>

Unit : Million THB

	2022			Total
	Level 1	Level 2	Level 3	
Financial Assets				
Deposits and investment in securities	2,542,397	767,860	-	3,310,257
Gold	182,904	-	-	182,904
Subscription in other organizations	-	-	4,321	4,321
Other assets	<u>12,711</u>	<u>43,171</u>	<u>-</u>	<u>55,882</u>
<b>Total</b>	<b><u>2,738,012</u></b>	<b><u>811,031</u></b>	<b><u>4,321</u></b>	<b><u>3,553,364</u></b>
Financial Liabilities				
Other liabilities	<u>1,683</u>	<u>61,506</u>	<u>-</u>	<u>63,189</u>
<b>Total</b>	<b><u>1,683</u></b>	<b><u>61,506</u></b>	<b><u>-</u></b>	<b><u>63,189</u></b>

### **30. Fair Values of Financial Assets and Liabilities (continued)**

#### **30.2 Fair Values Hierarchy**

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

Level 2 – prices that do not have a quoted market price and calculated by using inputs which are observable from for the assets or liabilities, either directly or indirectly.

Level 3 – prices calculated by pricing models, as no data can be observed from the market.

#### **30.3 Valuation Methods and Techniques used in Fair Value Measurement**

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

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

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

On March 20, 2024, the BOT Board authorized the issuance of these financial statements.

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