

The Bank of Thailand's 2018 financial statements



1. Financial economic context in 2018

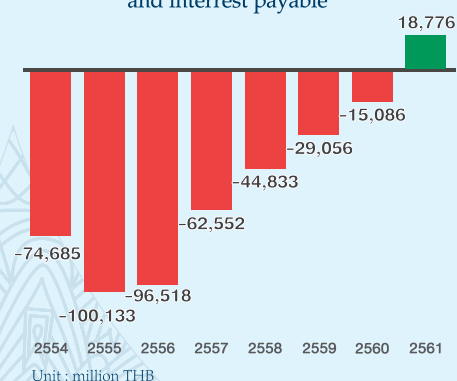
The year 2018 is another year the world economy faced many challenges, including the uncertainties in international trade, an unprecedentedly high level of debt global-wide, the hike in policy interest rate issued by the central banks of many countries, as well as geopolitical risks around the world. These factors led to volatilities in the financial and capital markets year-round, and emerging markets with economic instability suffered the capital outflows and severe depreciation.

Even though the global economy encountered extreme and unpredictable volatilities, overall the Thai economy was stable. When compared to other emerging markets, Thailand's financial system remained strong. The Thai baht, purchasing power and the asset value of the Thai people were not depreciated because of low inflation rate. The Exchange rate appeared stable relative to other major currencies. Thailand's external stability was strong, especially firm international reserves, constantly high surplus, and low external debt. These altogether served as a bumper and immunity to alleviate impacts from external volatilities, ensuring the Thai economy to expand continually in line with potential growth.

2. Financial statements of the Bank of Thailand accounts in 2018

The Bank of Thailand's account in 2018 showed 153,168 million THB of net loss, which decreased from last year, mainly due to unrealized loss from revaluation. In contrast, interest income from foreign asset management was higher than interest payable for the first time in many years of implementing the monetary policy. The details are as follows:

The difference between interest receivable and interest payable



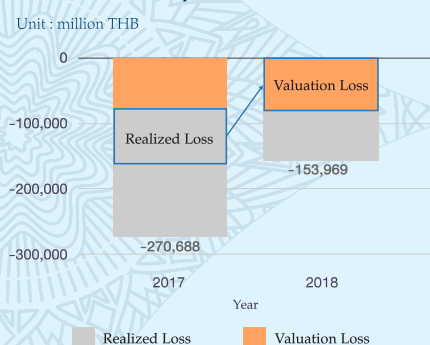
2.1 Operation according to the mission to maintain economic stability

In 2018, 18,776 million THB of net interest income was recorded positive. This was driven by interest income from foreign asset management, which was higher than interest expense from the implementation of monetary policy. The numbers shown here have improved gradually over previous years in responding to the rise of interest rates in the global financial markets. On the contrary, Thailand's policy interest rate stayed lower than several countries and even lower than the US's policy interest rate.

2.2 Financial performance of international reserve management and others

In 2018, 95,834 million THB of net loss was resulted from the realization of previous revaluation loss (in 2017) as loss occurred when some foreign assets were liquidated, through the adjustment of investment proportion in accordance with major changes in the global financial economy for better risk diversification and higher yields. For example, the reduction of asset possession in certain currencies and the addition of Chinese RMB to correspond with the prominent role of Chinese economy in the global economic system and correspond with the IMF's decision to add RMB into the SDR basket of currencies for the first time in 2016.

Net Performance of the Bank of Thailand for the years 2017 - 2018



In this respect, most losses arose because the cost of foreign assets in Thai baht, which were bought years ago, became higher than the value in Thai baht when the assets were sold after Thai baht appreciation. This kind of loss is considered the recognition of loss, which was recorded as part of unrealized loss from the revaluation and was recorded as net profit/loss in the financial statements last year.

2.3 Results of valuation 76,110 million THB of net loss was unrealized loss which arose from the revaluation of international reserves in Thai baht. This year Thai baht was appreciated in comparison to major currencies, especially EUR, RMB and GBP which were depreciated due to the economic decelerate in these three counties.

3. Financial statements of currency reserve account in 2018

In 2018, the financial statements of currency reserve account showed 30,024 million THB of net loss, which were lower from last year. The losses were resulted from the revaluation of foreign assets in currency reserve account (-50,208 million THB). However, yields from international reserve management for holding banknote circulation remained intact. The details are as follows:

3.1 Operations according to the mission to print and issue banknotes 19,453 million THB of net interest income arose from international reserve management for holding banknote circulation which yielded generous returns. The cost of banknote printing reduced due to the decline of banknote issuance

3.2 International reserves management and others 731 million THB of net profit arose from trading assets in foreign currencies

3.3 Results of valuation 50,208 million THB of net loss arose from the revaluation of international reserves in currency reserve account into Thai baht, due to the depreciation of most foreign currencies in comparison to Thai baht.

Summary of financial statements (partial only)
of the Bank of Thailand Account and Currency Reserve Account

Unit: million THB

Items	Bank of Thailand Account	Currency Reserve Account
1. Net profit and loss in 2018	-153,168	-30,024
• Duties and missions (Maintaining economic stability or printing and issuing banknotes)	+18,776	+19,453
• Managing International reserves and others	-95,834	+731
• Valuation	-76,110	-50,208
2. Net accumulated profits and losses	-880,221	+763,854

4. Are losses on financial statements a matter of concern?

The majority of losses in 2018 were resulted from the revaluation of foreign assets in Thai baht, although the operations according to the mission to preserve economic stability have improved continually for several years. Net income was recognized in 2018. The operations according to the mission to print and issue banknotes, likewise, consistently generated income.

The central banks of many countries, for example, Switzerland, Singapore, Australia, Israel, and Chile, have experienced losses as well. Yet, losses do not affect their potential to carry out the central banks' mission in any way, as long as the policy legislation is reasonable and reliable. With respect to the BOT, the financial market and investors were still confident in the BOT's operations. This reflected in the event whenever the BOT issues bonds, investors' demand to bid is greater than the number of bonds available.