



## 3 QUESTIONS THAT WILL HELP YOU BETTER UNDERSTAND THE BOT'S FINANCIAL STATEMENTS



### WHY DO THE BOT'S FINANCIAL STATEMENTS SHOW PROFITS IN SOME YEARS, AND LOSSES IN SOME OTHER YEARS?

The BOT's annual profit or loss is determined by changes in the valuation of foreign assets, due to a unique characteristic of the BOT's financial statements, in which its assets are mostly international reserves in foreign currencies (approximately 85 percent). At every year-end, these foreign assets must be revalued to Thai baht, resulting in a valuation gain or loss.

166 Hence, profits or losses in the financial statements do not impair the BOT's ability to deliver on its missions as a central bank, so long as it continues to implement policies that are justified and appropriate in maintaining the country's economic stability and also, importantly, earns the confidence of all stakeholders involved.



### BESIDES THE FOREIGN EXCHANGE RATES, WHAT OTHER FACTORS WOULD HAVE AN EFFECT ON THE VALUATION OF FOREIGN ASSETS (E.G. FOREIGN CURRENCY DEPOSITS AND ASSETS, GOLD, AND RESERVES AT THE IMF) IN THE BOT'S FINANCIAL STATEMENTS?

Besides the foreign exchange rates, the valuation of foreign assets will increase or decrease depending on the changes in the prices of such assets. For example, when various central banks increased the policy interest rates to control inflation, the value

of the debt instrument that the BOT holds will decrease. On the other hand, if various central banks decrease their policy interest rates to stimulate the economy, this will lead to an increase in the debt instrument prices which will reflect the increase in value of the foreign assets that the BOT holds.



### IF THE BOT RECORDS A FINANCIAL LOSS, WOULD IT IMPAIR ITS INTERNATIONAL RESERVE POSITION?

The BOT's profits or losses each year are mostly a result of valuation gains or losses from revaluing assets in foreign currencies or "international reserves" into Thai baht. For example, if the BOT has 250 billion US dollars of foreign assets and the Thai baht depreciates by one baht, a valuation gain of 250 billion baht will be immediately recognized. Conversely, if the Thai baht appreciates by one baht, a valuation loss of 250 billion baht will be immediately recognized. In either case, the BOT's international reserves position remains unchanged at 250 billion US dollars.

For further information on the roles and responsibilities of the BOT, please refer to the article **ON THE BOT'S MISSIONS AND FINANCIAL STATEMENTS**.