

**JPMORGAN CHASE BANK, N.A. - BANGKOK BRANCH**

**STATUTORY FINANCIAL STATEMENTS**

**31 DECEMBER 2009**

**AUDITOR'S REPORT**

To the Board of Directors of JPMorgan Chase Bank, N.A.

I have audited the accompanying balance sheets as of 31 December 2009 and 2008, and the related statements of income, changes in Head Office's equity and other branches under the same entity and cash flows for the years then ended of JPMorgan Chase Bank, N.A. - Bangkok Branch. The Bank's management is responsible for the correctness and completeness of information in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audits 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 management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position as of 31 December 2009 and 2008, and the results of operations and cash flows for the years then ended of JPMorgan Chase Bank, N.A. - Bangkok Branch, in accordance with generally accepted accounting principles.



Boonlert Kamolchanokkul  
Certified Public Accountant (Thailand) No. 5339  
PricewaterhouseCoopers ABAS Limited

Bangkok  
19 April 2010

**JPMorgan Chase Bank, N.A. - Bangkok Branch**

**Balance Sheets**

**As at 31 December 2009 and 2008**

	<b>Notes</b>	<b>2009 Baht</b>	<b>2008 Baht</b>
<b>Assets</b>			
Cash		6,659,759	7,087,092
Interbank and money market items	4		
Domestic items - interest bearing		4,400,254,441	13,320
- non-interest bearing		352,215,717	291,922,732
Foreign items - interest bearing		292,259,345	110,056,876
- non-interest bearing		1,777,860	4,137,490
Total interbank and money market items		5,046,507,363	406,130,418
Investments	5		
Short-term investments, net		24,294,480,371	25,639,529,215
Long-term investments, net		6,863,041,334	6,294,745,317
Total investments, net		31,157,521,705	31,934,274,532
Loans and interest receivables, net	6		
Loans		561,138,510	677,788,997
Accrued interest receivables		269,821	8,686,655
Total loans and interest receivables		561,408,331	686,475,652
Less Allowance for doubtful accounts	7	(8,004,286)	(8,888,370)
Total loans and accrued interest receivables, net		553,404,045	677,587,282
Accounts receivable from securities trading		-	1,004,276,159
Financial derivative assets		23,394,430,645	38,345,215,854
Equipment, net	8	30,417,576	35,026,760
Other assets, net	9	238,776,447	287,195,373
<b>Total assets</b>		<b>60,427,717,540</b>	<b>72,696,793,470</b>

JPMorgan Chase Bank, N.A.

Bangkok

(Mr. Suratun Kongton)

Branch Manager

The notes to financial statements on pages 9 to 36 form an integral part of these financial statements.

**JPMorgan Chase Bank, N.A. - Bangkok Branch**

**Balance Sheets (Cont'd)**

**As at 31 December 2009 and 2008**

	<u>Notes</u>	<u>2009 Baht</u>	<u>2008 Baht</u>
<b>Liabilities and Head Office's equity and balances with other branches under the same entity</b>			
<b>Liabilities</b>			
Deposits	10		
Thai Baht		7,931,530,088	6,881,338,894
Foreign currencies		<u>548,907,620</u>	<u>241,804,748</u>
Total deposits		<u>8,480,437,708</u>	<u>7,123,143,642</u>
Interbank and money market items	11		
Domestic items - interest bearing		7,652,625,393	12,605,795,257
- non-interest bearing		100,156	100,190
Foreign items - interest bearing		-	-
- non-interest bearing		<u>113,431</u>	<u>113,431</u>
Total interbank and money market items		<u>7,652,838,980</u>	<u>12,606,008,878</u>
Accounts payable from securities trading		-	1,371,992,200
Demand liabilities		52,877,610	71,303,152
Borrowings	12		
Short-term borrowings		188,925,090	950,000,000
Long-term borrowings		<u>2,261,620,076</u>	<u>1,525,704,716</u>
Total borrowings		<u>2,450,545,166</u>	<u>2,475,704,716</u>
Financial derivative liabilities		22,988,684,142	36,467,637,749
Other liabilities	13	<u>507,765,928</u>	<u>566,643,241</u>
Total liabilities		<u>42,133,149,534</u>	<u>60,682,433,578</u>

The notes to financial statements on pages 9 to 36 form an integral part of these financial statements.

**JPMorgan Chase Bank, N.A. - Bangkok Branch**  
**Balance Sheets (Cont'd)**  
**As at 31 December 2009 and 2008**

	<u>Notes</u>	<u>2008 Baht</u>	<u>2008 Baht</u>
<b>Head Office's equity and balances with other branches under the same entity</b>			
Fund remitted into Thailand for maintaining assets under law	15	9,112,616,000	9,112,616,000
Net balance of inter-office accounts with Head Office and other branches under the same entity	19	9,304,766,420 (64,932,224)	523,137,608 2,096,075,405
Retained earnings (deficit)			
Unrealised gain (loss) on changes in fair value of available-for-sale securities	14	<u>(57,882,190)</u>	<u>282,530,879</u>
Total Head Office's equity and balances with other branches under the same entity		<u>18,294,568,006</u>	<u>12,014,359,892</u>
<b>Total liabilities and Head Office's equity and balances with other branches under the same entity</b>			
		<u>60,427,717,540</u>	<u>72,696,793,470</u>
<b>Off-balance sheet items - commitments</b>			
Other commitments	16	1,512,135,082,100	1,490,056,310,295

The notes to financial statements on pages 9 to 36 form an integral part of these financial statements.

**JPMorgan Chase Bank, N.A. - Bangkok Branch**  
**Statements of Income**  
**For the years ended 31 December 2009 and 2008**

	<b>Notes</b>	<b>2009 Baht</b>	<b>2008 Baht</b>
<b>Interest income</b>			
Loans		19,645,561	52,972,234
Interbank and money market items		9,738,527	40,064,515
Investments		890,687,798	1,087,049,924
Total interest income		920,071,886	1,180,086,673
<b>Interest expenses</b>			
Deposits		3,456,593	40,942,852
Interbank and money market items		132,524,801	297,312,141
Total interest expenses		135,981,394	338,254,993
Net interest income		784,090,492	841,831,680
Reversal of bad debt and doubtful accounts		238,279	9,486,182
Net interest income after bad debt and doubtful accounts		784,328,771	851,317,862
<b>Non-interest income</b>			
Gain (loss) on investment		(619,642,995)	823,860,830
Fees and services income		24,708,873	28,567,208
Net gain (loss) on foreign currency exchange		(750,615,365)	2,983,965,088
Other income	17,19	1,035,908,338	259,487,152
Total non-interest income		(309,641,149)	4,095,880,278
<b>Non-interest expenses</b>			
Personnel expenses		163,582,002	168,145,725
Premise and equipment expenses		30,589,393	32,241,468
Taxes and duties		7,551,514	41,685,890
Fees and services expenses	19	293,495,772	236,620,117
Other expenses	18,19	207,686,618	2,081,278,026
Total non-interest expenses		702,905,299	2,559,971,226
<b>Profit (loss) before income tax</b>		(228,217,677)	2,387,226,914
Income tax		(275,106,511)	(106,964,460)
<b>Net profit (loss) for the year</b>		(503,324,188)	2,280,262,454

The notes to financial statements on pages 9 to 36 form an integral part of these financial statements.

**JPMorgan Chase Bank, N.A. - Bangkok Branch**

**Statements of Changes in Head Office's Equity and balances with other branches under the same entity**

**For the years ended 31 December 2009 and 2008**

	Fund remitted into Thailand for maintaining assets under law	Net balance of inter-office accounts with Head Office and other branches under the same entity	Retained earnings (deficit)	Unrealised gain (loss) on changes in fair value of available-for-sale securities	Total
	Baht	Baht	Baht	Baht	Baht
<b>Balance at 31 December 2007</b>					
Profit remitted to Head Office	9,112,616,000	543,474,921	40,062,606	18,453,300	9,714,606,827
Remittance tax on profit to be remitted to Head Office	-	-	(40,062,606)	-	(40,062,606)
Decrease during the year	-	-	(184,187,049)	-	(184,187,049)
Unrealised gain on changes in fair value of available-for-sale securities	-	(20,337,313)	-	-	(20,337,313)
Net profit for the year	-	-	2,280,262,454	264,077,579	264,077,579
					2,280,262,454
<b>Balance at 31 December 2008</b>	<u>9,112,616,000</u>	<u>523,137,608</u>	<u>2,096,075,405</u>	<u>282,530,879</u>	<u>12,014,359,892</u>
<b>Balance at 31 December 2008</b>					
Profit remitted to Head Office	9,112,616,000	523,137,608	2,096,075,405	282,530,879	12,014,359,892
Increase during the year	-	-	(1,657,683,441)	-	(1,657,683,441)
Unrealised loss on changes in fair value of available-for-sale securities	-	8,781,628,812	-	-	8,781,628,812
Net loss for the year	-	-	(503,324,188)	(340,413,069)	(340,413,069)
					(503,324,188)
<b>Balance at 31 December 2009</b>	<u>9,112,616,000</u>	<u>9,304,766,420</u>	<u>(64,932,224)</u>	<u>(57,882,190)</u>	<u>18,294,568,006</u>

The notes to financial statements on pages 9 to 36 form an integral part of these financial statements.

**JPMorgan Chase Bank, N.A. - Bangkok Branch**

**Statements of Cash Flows**

**For the years ended 31 December 2009 and 2008**

	<b>2009</b>	<b>2008</b>
	<b>Baht</b>	<b>Baht</b>
<b>Cash flows from operating activities:</b>		
Net profit before income tax	(228,217,677)	2,387,226,914
Adjustments to reconcile net profit before income tax to net cash provided by (used in) operating activities:		
Reversal of bad debt and doubtful accounts	(238,279)	(9,486,182)
Depreciation and amortisation	21,973,592	23,341,971
Unrealised (gain) loss on changes in fair value of trading securities	535,694,898	(826,814,123)
Unrealised (gain) loss on change in fair value of general investments	-	(11,192,796)
(Gain) loss on sales of investments in securities	(23,462,643)	10,008,355
Amortised discount on investments in securities	(285,972,203)	(484,307,811)
(Gain) loss on disposal of equipment	(4,756)	254,191
Loss on write-off of leasehold improvement and equipment	4,382	260,367
Unrealised loss on changes in fair value of financial derivative instruments	1,471,831,602	865,878,047
Interest income	(920,071,886)	(1,180,086,673)
Interest expense	135,981,394	338,254,993
Operating profit before changes in operating assets and liabilities	707,518,424	1,113,337,253
(Increase) decrease in operating assets:		
Interbank and money market items	(3,964,580,544)	843,675,000
Investment in trading securities	(20,345,892)	(630,461,497)
Loans	116,650,487	767,836,618
Accounts receivable from securities trading	1,004,276,159	(1,004,276,159)
Other assets	8,645,044	624,458,109
Increase (decrease) in operating liabilities:		
Deposits	1,357,294,066	1,798,632,589
Interbank and money market items	(4,953,169,898)	(3,560,034,833)
Demand liabilities	(18,425,542)	(51,243,375)
Borrowings	(25,159,550)	606,091,177
Accounts payable from securities trading	(1,371,992,200)	388,180,620
Other liabilities	(16,046,927)	(643,160,955)
Net balance of inter-office accounts with Head Office and other branches abroad	8,772,392,719	(3,439,509)
Net cash provided by operating activities before interest received, interest paid and income tax paid - carried forward	1,597,056,346	249,595,038

The notes to financial statements on pages 9 to 36 form an integral part of these financial statements.



**JPMorgan Chase Bank, N.A. - Bangkok Branch**  
**Statements of Cash Flows**  
**For the years ended 31 December 2009 and 2008**

	<b>2009</b>	<b>2008</b>
	<b>Baht</b>	<b>Baht</b>
Net cash provided by operating activities before interest received, interest paid and income tax paid - brought forward	1,597,056,346	249,595,038
Interest received	959,620,116	1,205,337,298
Interest paid	(60,698,077)	(339,921,432)
Income tax paid	(209,033,166)	(6,518,016)
<b>Net cash provided by operating activities</b>	<b>2,286,945,219</b>	<b>1,108,492,888</b>
<b>Cash flows from investing activities:</b>		
Purchases of investments in securities	(30,800,454,065)	(28,647,302,864)
Proceeds from sales of investments in securities	6,300,879,663	2,594,325,240
Proceeds from matured investments in securities	24,730,000,000	25,074,300,000
Proceeds from sales of equipment	71,892	56,000
Purchase of equipment	(9,332,819)	(11,460,582)
Purchase of leasehold improvement	-	(496,801)
<b>Net cash provided by (used in) investing activities:</b>	<b>221,164,671</b>	<b>(990,579,007)</b>
<b>Cash flows from financing activities:</b>		
Profit remitted to Head Office	(1,657,683,441)	(40,062,606)
Remittance tax to Head Office	(184,187,049)	(4,451,401)
<b>Net cash used in financing activities</b>	<b>(1,841,870,490)</b>	<b>(44,514,007)</b>
<b>Net increase in cash and cash equivalents</b>	<b>666,239,400</b>	<b>73,399,874</b>
Cash and cash equivalents at beginning of the year	430,120,505	356,720,631
<b>Cash and cash equivalents at end of the year</b>	<b>1,096,359,905</b>	<b>430,120,505</b>
<b>Cash and cash equivalents</b>		
Cash on hand	6,659,759	7,087,092
Interbank and money market items	1,082,033,244	406,130,418
Net inter-office accounts with Head office and other branches abroad	7,666,902	16,902,995
	<b>1,096,359,905</b>	<b>430,120,505</b>

The notes to financial statements on pages 9 to 36 form an integral part of these financial statements.

## **1 General information**

JPMorgan Chase Bank, N.A., which is a bank established under the law of the State of New York, United States of America, operates as a full branch in Thailand, namely Bangkok Branch, herein referred to as “the Bank”. The address of the Bank’s registration in Thailand is as follows:

Bubhakit Building, 20 North Sathorn Road, Silom, Bangrak, Bangkok 10500.

The Bank’s financial statements have been approved for issue by the Bank’s management on 19 April 2010.

## **2 Accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below:

### **2.1 Basis of preparation of financial statements**

The Bangkok Branch is a segment of JPMorgan Chase Bank, N.A. and is not a separate legal entity. The financial statements of the Thailand operations of JPMorgan Chase Bank have been prepared from the records of the Thailand operations and only reflect transaction recorded locally.

The financial statements have been prepared in accordance with procedures, policies and notifications of the Bank of Thailand regarding the preparation of the financial statements of commercial banks and the generally accepted accounting principles in Thailand under the Accounting Act B.E. 2543, being those Thai Accounting Standards under the Accounting Profession Act B.E. 2547.

The Bank has chosen not to apply Thai Accounting Standard No. 32 (Revised 2007) (formerly TAS 48), Financial Instruments: Disclosure and Presentation. The application of this standard is not mandatory for non-public companies.

The Bank’s financial statements have been prepared under the historical cost convention except some of transactions as disclosed in the accounting policies below.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates.

An English version of the financial statements has been prepared from the statutory financial statements that are in Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

**2 Accounting policies (Cont'd)**

**2.2 New accounting standards, new financial reporting standards and amendments to accounting standards**

Thai Accounting Standards were renumbered with effect from 26 June 2009 following an announcement by the Federation of Accounting Professions in order to conform with the numbers used in the International Financial Reporting Standards.

Revised accounting and financial reporting standards that are effective for the period beginning on or after 1 January 2009 and revised accounting framework are as follows:

TAS 36 (revised 2007)	Impairment of Assets
TFRS 5 (revised 2007)	Non-current Assets Held for Sale and Discontinued Operations (formerly TAS 54)
Accounting Framework (revised 2007) (effective 26 June 2009)	

These accounting and financial reporting standards, and accounting framework do not have a material impact on the financial statements being presented.

The revised accounting standards and new accounting standards which are effective for the period beginning on or after 1 January 2011 and 1 January 2012 and which have not been early adopted by the Bank are as follows:

Effective for the period beginning on or after 1 January 2011

TAS 24 (revised 2007)	Related Party Disclosure (formerly TAS 47)
TAS 40	Investment Property

Effective for the period beginning on or after 1 January 2012

TAS 20	Accounting for Government Grants and Disclosure for Government Assistance
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The Bank's management has determined that the revised standard and the new standards will not significantly impact the financial statements being presented.

## **2 Accounting policies (Cont'd)**

### **2.3 Accounting principles in the United States of America which the Bank applies**

The Bank has applied accounting principles in the United States of America for recording of deposits and borrowings with embedded derivatives as well as financial derivatives in absence of present TAS. Those principles come from the following standards:

- FAS 155 Accounting for Certain Hybrid Financial Instruments

The Bank has applied the accounting principle in this standard to record deposits and borrowings with embedded derivatives by presenting them at fair value and recording such change of fair value in the statement of income.

- FAS 157 Fair Value Measurement

The Bank has applied the accounting principle in this standard to measure fair value of all financial derivatives.

- FAS 159 Fair Value Option

The Bank has selected to use Fair Value Option for deposits and borrowings with embedded derivatives by presenting them at fair value and recording such change of fair value in the statement of income.

### **2.4 Recognition of income**

Interest income is recognised on an accrual basis. The Bank discontinues recognition of overdue accrued interest income more than three months since the due date or there is uncertainty of collectability, and a collection basis is applied. The Bank also reverses interest income on such loans in order to comply with the Bank of Thailand's notification.

Interest on investment in debt securities is recognised as income on an accrual basis using the effective interest rate method.

Other income is recognised as income on an accrual basis.

### **2.5 Recognition of interest expenses**

Interests on borrowings and deposits are recognised as expenses on an accrual basis.

### **2.6 Provisions**

In addition to employee benefits, provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligations, and a reliable estimate of the amount can be made. Where the Bank expects provisions to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

## **2 Accounting policies (Cont'd)**

### **2.7 Offsetting**

Financial assets and financial liabilities are presented in the balance sheet by the net amount when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the financial asset and settle the financial liability simultaneously.

### **2.8 Foreign currency translation**

Items included in the financial statements are measured using Thai Baht. The financial statements are presented in Thai Baht.

Foreign currency transactions are translated into Thai Baht using the exchange rates prevailing at the date of the transactions. Foreign currency assets and liabilities outstanding at the balance sheet date are translated into Thai Baht using the reference rates of exchange of the Bank of Thailand ruling at that date.

Gains and losses resulting from the settlement of such transactions and from the translation of such monetary assets and liabilities are recognised in the statements of income when incurred.

### **2.9 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the statements of cash flows, cash and cash equivalents comprise of cash and deposits held at call with other banks.

### **2.10 Securities purchased under resale agreements and securities sold under repurchase agreements**

Securities purchased under agreements to resell and securities sold under agreements to repurchase are recorded as assets and liabilities as appropriate. Interest income from securities purchased under resale agreements and interest expense from securities sold under repurchase agreements are recognised on an accrual basis over the respective periods of the agreements.

### **2.11 Investments**

Investments in debt securities which are classified as trading securities are carried at fair value. Fair value of debt securities, not traded in the established market, is calculated by reference to the risk-free yield curve adjusted by an appropriate risk premium. Increases or decreases in the carrying amount are recognised in statements of income when incurred.

## **2 Accounting policies (Cont'd)**

### **2.11 Investments (Cont'd)**

Investments in debt securities which are classified as available-for-sale securities are carried at fair value. Fair value of debt securities, not traded in the established market, is calculated by reference to the risk-free yield curve adjusted by an appropriate risk premium. Increases or decreases in the carrying amount are credited or charged against unrealised gains or losses on change in fair value of investments in securities under Head Office's equity and balances with other branches under the same entity.

Investments in marketable equity securities which are classified as available-for-sale securities are carried at fair market value traded in Stock Exchange of Thailand. Increases or decreases in the carrying amount are credited or charged against unrealised gains or losses on change in fair value of investments in securities under Head Office's equity and balances with other branches under the same entity.

Investments in non-marketable equity securities which are classified as general investments are stated at cost less allowance for impairment in value.

A test for impairment is carried out when there is a factor indicating that such investment might be impaired. If the carrying value of the investment is greater than its recoverable amount, impairment loss is charged to the statement of income.

The Bank uses the First-in, First-out method in determining the cost of the disposed securities. Gains or losses on disposal of investments are taken to the statements of income in the period which the transactions take place.

### **2.12 Loans and allowance for doubtful accounts**

Loans are generally stated at the principal amounts outstanding. The allowance increases by provisions charged to expense and decreased by write-offs, net of recoveries. The allowance is based on the management's review and assessment of the status of individual debtor as well as the Bank of Thailand's guidelines. Such assessment takes into consideration various factors including the risks involved, the value of collateral and the status of an individual debtor including the relationship of allowance for doubtful debts against the loan balance through the economic situation which may have impact on the customers' ability to pay.

**2 Accounting policies (Cont'd)**

**2.13 Equipment**

Equipment is stated at historical cost less accumulated depreciation. Depreciation is calculated on a straight-line method over the estimated useful lives of 3 - 5 years and 10 years.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Estimated recoverable amount is the higher of the anticipated discounted future cash flows from the continuing use of the asset or the amount obtainable from the sale of the asset less any costs of disposal.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profits.

Repairs and maintenance are charged to the statements of income during the accounting period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Bank. Major renovations are depreciated over the remaining useful life of the related asset.

**2.14 Leasehold right**

The cost of leasehold right on building for the period of 30 years, which is presented as other assets, is amortised as an operating expense on a straight-line method over the life of the agreement.

**2.15 Provident fund**

The Bank operates a provident fund, being a defined contribution plan, the assets for which are held in a separate trustee-administered fund. The provident fund is funded by payments from employees and by the Bank.

The Bank's contributions to the provident fund are charged to the statements of income.

**2.16 Related parties**

Enterprises or individuals that, directly or indirectly through one or more intermediaries, control, or are under controlled by, or are under common control with, the Bank, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Bank. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank, key management personnel, including directors and officers of the Bank and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

**2 Accounting policies (Cont'd)**

**2.17 Derivatives**

Derivative financial instruments including foreign exchange forward contracts, forward rate agreements, currency option agreements, interest rate option agreements and interest and currency swap agreements are recognised at fair values. Fair values are obtained from quoted market prices, or other widely used methods such as discounted cash flow models. Changes in fair value are reflected in the statements of income.

**3 Critical accounting estimates, assumptions and judgements**

Estimates assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Impairment of loans**

The Bank maintains an allowance for doubtful accounts to reflect impairment of loans relating to estimated losses resulting from the inability of customers to make required payments. Management believed that estimation are reasonable.

**Impairment of investments**

Investments are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recovered, in determining the impairment losses. Management believed that estimation are reasonable.

**Fair value of financial derivative instruments**

In determining the fair value of financial derivative instruments, the management has made judgement in valuing derivative instruments by using widely accepted valuation techniques and guidelines. Management believed that estimation are reasonable.

**Equipments**

Management determines and reviews the estimated useful lives and residual values for the Bank's equipments and revises if they are different from previously estimated. Management believed that estimation are reasonable.



#### 4 Interbank and money market items

Interbank and money market items as at 31 December consist of the followings:

	2009		
	Demand Baht	Time Baht	Total Baht
<b>Domestic items</b>			
The Bank of Thailand	177,192,863	3,900,000,000	4,077,192,863
Commercial banks	175,037,952	500,000,000	675,037,952
Total	352,230,815	4,400,000,000	4,752,230,815
<u>Add</u> Accrued interest receivable	-	239,343	239,343
Total domestic items	352,230,815	4,400,239,343	4,752,470,158
<b>Foreign items</b>			
US Dollar	-	64,580,544	64,580,544
Japanese Yen	105,438,813	-	105,438,813
Euro	117,906,837	-	117,906,837
Danish Krone	1,137,004	-	1,137,004
Others	5,319,775	-	5,319,775
Total	229,802,429	64,580,544	294,382,973
<u>Add</u> Accrued interest receivable	-	300,037	300,037
<u>Less</u> Allowance for doubtful accounts	-	(645,805)	(645,805)
Total foreign items	229,802,429	64,234,776	294,037,205
<b>Total interbank and money market items</b>	<b>582,033,244</b>	<b>4,464,474,119</b>	<b>5,046,507,363</b>
<b>2008</b>			
	Demand Baht	Time Baht	Total Baht
<b>Domestic items</b>			
The Bank of Thailand	186,243,350	-	186,243,350
Commercial banks	105,692,702	-	105,692,702
Total	291,936,052	-	291,936,052
<u>Add</u> Accrued interest receivable	-	-	-
Total domestic items	291,936,052	-	291,936,052
<b>Foreign items</b>			
Japanese Yen	86,369,597	-	86,369,597
Euro	17,584,442	-	17,584,442
Danish Krone	3,000,878	-	3,000,878
Others	7,239,449	-	7,239,449
Total	114,194,366	-	114,194,366
<u>Add</u> Accrued interest receivable	-	-	-
Total foreign items	114,194,366	-	114,194,366
<b>Total interbank and money market items</b>	<b>406,130,418</b>	<b>-</b>	<b>406,130,418</b>

**5 Investments, net**

Investments as at 31 December comprised of the followings:

	2009		2008	
	Cost/ Book value Baht	Fair value Baht	Cost/ Book value Baht	Fair value Baht
<b>Short-term investments</b>				
<b>Trading securities</b>				
Government and state enterprise securities	6,485,457,669	6,445,858,401	6,465,111,777	6,619,021,910
Other corporate enterprise securities	2,285,664,924	2,377,749,747	2,285,664,924	2,719,935,244
Add Mark to market adjustment	52,485,555	-	588,180,453	-
Total	8,823,608,148	8,823,608,148	9,338,957,154	9,338,957,154
<b>Available-for-sale securities</b>				
Government and state enterprise securities	15,452,184,326	15,470,872,223	16,192,552,994	16,300,572,061
Add Mark to market adjustment	18,687,897	-	108,019,067	-
Total	15,470,872,223	15,470,872,223	16,300,572,061	16,300,572,061
<b>Total short-term investments, net</b>	<b>24,294,480,371</b>	<b>24,294,480,371</b>	<b>25,639,529,215</b>	<b>25,639,529,215</b>
<b>Long-term investments</b>				
<b>Available-for-sale securities</b>				
Government and state enterprise securities	6,922,678,727	6,856,009,962	6,103,300,812	6,289,435,913
Marketable equity securities	16,932,693	7,031,371	16,932,693	5,309,403
Add(less) Mark to market adjustment	(76,570,087)	-	174,511,811	-
Total	6,863,041,333	6,863,041,333	6,294,745,316	6,294,745,316
<b>General investment</b>				
Non-marketable equity securities	1		1	
Add(less) Allowance for impairment	-		-	
Total	1		1	
<b>Total long-term investments, net</b>	<b>6,863,041,334</b>		<b>6,294,745,317</b>	
<b>Total investments, net</b>	<b>31,157,521,705</b>		<b>31,934,274,532</b>	

**5 Investments, net (Cont'd)**

Available-for-sale debt instruments classified according to their remaining lives to maturity are as follows:

<b>2009</b>			
	<b>Up to 1 year Baht</b>	<b>Over 1 year to 5 years Baht</b>	<b>Over 5 years Baht</b>
Government and state enterprise securities	15,470,872,223	6,096,708,412	759,301,550
<b>Total</b>	<b>15,470,872,223</b>	<b>6,096,708,412</b>	<b>759,301,550</b>

  

<b>2008</b>			
	<b>Up to 1 year Baht</b>	<b>Over 1 year to 5 years Baht</b>	<b>Over 5 years Baht</b>
Government and state enterprise securities	16,300,572,061	5,535,052,073	754,383,840
<b>Total</b>	<b>16,300,572,061</b>	<b>5,535,052,073</b>	<b>754,383,840</b>

**6 Loans and interest receivables, net**

**6.1 Grouped by types of loans:**

	<b>2009 Baht</b>	<b>2008 Baht</b>
Overdrafts	3,880,033	19,563,955
Loans	557,258,477	658,225,042
Total loans	561,138,510	677,788,997
<u>Add</u> Interest receivables	269,821	8,686,655
<u>Less</u> Allowance for doubtful accounts	(8,004,286)	(8,888,370)
<b>Total loans and interest receivables, net</b>	<b>553,404,045</b>	<b>677,587,282</b>

**6.2 Grouped by remaining maturity periods:**

	<b>2009 Baht</b>	<b>2008 Baht</b>
Less than 1 year	550,959,454	667,167,003
Over than 1 year	10,179,056	10,621,994
Total loans	561,138,510	677,788,997
Interest receivables	269,821	8,686,655
<b>Total loans and interest receivables</b>	<b>561,408,331</b>	<b>686,475,652</b>

**6 Loans and interest receivables, net (Cont'd)**

**6.3 Grouped by currencies and residencies of customers:**

	2009		
	Domestic Baht	Foreign Baht	Total Baht
Thai Baht	64,059,089	-	64,059,089
US Dollar	497,079,421	-	497,079,421
Total loans	561,138,510	-	561,138,510
Interest receivables	269,821	-	269,821
Total loans and receivables	561,408,331	-	561,408,331

  

	2008		
	Domestic Baht	Foreign Baht	Total Baht
Thai Baht	120,185,948	-	120,185,948
US Dollar	557,603,049	-	557,603,049
Total loans	677,788,997	-	677,788,997
Interest receivables	8,686,655	-	8,686,655
Total loans and receivables	686,475,652	-	686,475,652

**6.4 Grouped by type of business and classification:**

	2009				
	Normal	Special mention	Substandard	Doubtful	Doubtful loss
Manufacturing and commerce	497,079,420	-	50,000,000	-	5,901,327
Utilities and services	3,880,033	-	-	-	-
Others	2,236,356	-	-	-	2,041,374
Total loans	503,195,809	-	50,000,000	-	7,942,701
Interest receivables	243,140	-	26,260	-	421
Total loans and receivables	503,438,949	-	50,026,260	-	7,943,122

  

	2008				
	Normal	Special mention	Substandard	Doubtful	Doubtful loss
Manufacturing and commerce	557,603,049	-	90,000,000	-	5,901,327
Utilities and services	19,563,954	-	-	-	-
Others	2,323,579	-	-	-	2,397,088
Total loans	579,490,582	-	90,000,000	-	8,298,415
Interest receivables	8,159,136	-	527,055	-	464
Total loans and receivables	587,649,718	-	90,527,055	-	8,298,879

**6 Loans and interest receivables, net (Cont'd)**

**6.5 Grouped by classifications:**

Classified loans and accrued interest receivables and the allowance for doubtful accounts in accordance with guidelines of the Bank of Thailand (BOT) are as follows:

Classifications	2009			
	Loans and accrued interest receivables Baht	Loans net of collateral Baht	Allowance for doubtful accounts	
			Minimum % required according to BOT guidelines	Total allowance recorded Baht
Normal	503,195,809	6,116,389	1	61,164
Substandard	50,026,260	-	-	-
Doubtful loss	7,943,122	7,943,122	100	7,943,122
Accrued interest receivable of normal loan	243,140	-	-	-
Total	561,408,331	14,059,511		8,004,286

Classifications	2008			
	Loans and accrued interest receivables Baht	Loans net of collateral Baht	Allowance for doubtful accounts	
			Minimum % required according to BOT guidelines	Total allowance recorded Baht
Normal	579,490,582	58,949,086	1	589,491
Substandard	90,527,055	-	-	-
Doubtful loss	8,298,879	8,298,879	100	8,298,879
Accrued interest receivable of normal loan	8,159,136	-	-	-
Total	686,475,652	67,247,965		8,888,370

**7 Allowance for doubtful accounts**

	2009					
	Normal	Special mention	Substandard	Doubtful	Doubtful loss	Total
Balance at beginning of the year	589,491	-	-	-	8,298,879	8,888,370
Reversal of allowance for doubtful accounts	(528,327)	-	-	-	(355,757)	(884,084)
Balance at end of the year	61,164	-	-	-	7,943,122	8,004,286

  

	2008					
	Normal	Special mention	Substandard	Doubtful	Doubtful loss	Total
Balance at beginning of the year	13,271,641	-	-	-	5,102,911	18,374,552
Allowance for doubtful accounts	-	-	-	-	3,195,968	3,195,968
Reversal of allowance for doubtful accounts	(12,682,150)	-	-	-	-	(12,682,150)
Balance at end of the year	589,491	-	-	-	8,298,879	8,888,370

**JPMorgan Chase Bank, N.A. - Bangkok Branch**  
**Notes to the Financial Statements**  
**For the years ended 31 December 2009 and 2008**

**8 Equipment, net**

	Computer equipment Baht	Office equipment Baht	Furnitures, fixture & fitting Baht	Motor vehicles Baht	Fixed assets in progress	Total Baht
<b>As at 1 January 2008</b>						
Cost	66,194,469	51,988,978	39,567,414	48,000	-	157,798,861
<u>Less</u> Accumulated depreciation	(51,706,516)	(33,276,188)	(33,497,946)	(47,999)	-	(118,528,649)
Net book value	<u>14,487,953</u>	<u>18,712,790</u>	<u>6,069,468</u>	<u>1</u>	<u>-</u>	<u>39,270,212</u>
<b>For the year ended 31 December 2008</b>						
Opening net book value	14,487,953	18,712,790	6,069,468	1	-	39,270,212
Additions/transfer	2,214,930	8,920,065	325,587	-	-	11,460,582
Disposals - cost	(24,876,515)	(14,433,127)	(1,564,965)	-	-	(40,874,607)
Disposals - accumulated depreciation	25,094,090	14,176,201	1,294,125	-	-	40,564,416
Depreciation charge	(9,119,892)	(5,560,362)	(713,589)	-	-	(15,393,843)
Closing net book value	<u>7,800,566</u>	<u>21,815,567</u>	<u>5,410,626</u>	<u>1</u>	<u>-</u>	<u>35,026,760</u>
<b>As at 31 December 2008</b>						
Cost	43,532,884	46,475,916	38,328,036	48,000	-	128,384,836
<u>Less</u> Accumulated depreciation	(35,732,318)	(24,660,349)	(32,917,410)	(47,999)	-	(93,358,076)
Net book value	<u>7,800,566</u>	<u>21,815,567</u>	<u>5,410,626</u>	<u>1</u>	<u>-</u>	<u>35,026,760</u>
<b>For the year ended 31 December 2009</b>						
Opening net book value	7,800,566	21,815,567	5,410,626	1	-	35,026,760
Additions/transfer	6,917,479	457,782	93,336	-	1,864,222	9,332,819
Disposals - cost	(766,501)	(6,989,143)	(141,622)	-	-	(7,897,266)
Disposals - accumulated depreciation	705,195	6,978,941	141,612	-	-	7,825,748
Depreciation charge	(6,575,262)	(6,620,932)	(674,291)	-	-	(13,870,485)
Closing net book value	<u>8,081,477</u>	<u>15,642,215</u>	<u>4,829,661</u>	<u>1</u>	<u>1,864,222</u>	<u>30,417,576</u>
<b>As at 31 December 2009</b>						
Cost	49,683,862	39,944,555	38,279,750	48,000	1,864,222	129,820,389
<u>Less</u> Accumulated depreciation	(41,602,385)	(24,302,340)	(33,450,089)	(47,999)	-	(99,402,813)
Net book value	<u>8,081,477</u>	<u>15,642,215</u>	<u>4,829,661</u>	<u>1</u>	<u>1,864,222</u>	<u>30,417,576</u>

Initial cost of asset, which has already fully depreciated as at 31 December 2009, but the Bank still uses such assets is Baht 78 million (2008: Baht 71 million).

**9 Other assets, net**

Other assets as at 31 December comprise of the followings:

	2009 Baht	2008 Baht
Leasehold right and leasehold improvement, net	89,607,688	97,710,796
Accrued interest receivables	145,055,313	176,726,088
Other receivables	1,468,234	1,602,863
Prepaid expenses	2,645,212	2,739,668
Others	-	8,415,958
Total other assets	<u>238,776,447</u>	<u>287,195,373</u>
The amortisation cost of leasehold right and depreciation of leasehold improvement for the year	<u>8,103,107</u>	<u>7,948,128</u>

## 10 Deposits

### 10.1 Grouped by type of deposits:

	2009 Baht	2008 Baht
Demand	333,481,365	376,404,250
Savings	8,146,956,343	6,746,739,392
Total	8,480,437,708	7,123,143,642

### 10.2 Grouped by remaining maturity periods:

	2009 Baht	2008 Baht
Less than 1 year	8,480,437,708	7,123,143,642
Over than 1 year	-	-
Total	8,480,437,708	7,123,143,642

### 10.3 Grouped by currencies and residencies of depositors:

	2009		
	Domestic Baht	Foreign Baht	Total Baht
Thai Baht	7,931,414,441	115,647	7,931,530,088
US Dollar	548,907,620	-	548,907,620
Total	8,480,322,061	115,647	8,480,437,708

  

	2008		
	Domestic Baht	Foreign Baht	Total Baht
Thai Baht	6,875,978,779	5,360,115	6,881,338,894
US Dollar	241,804,748	-	241,804,748
Total	7,117,783,527	5,360,115	7,123,143,642

# 11 Interbank and money market items

Interbank and money market items consist of deposits, borrowings and borrowings with embedded derivatives:

2009			
	Demand Baht	Time Baht	Total Baht
<b>Domestic items</b>			
Local banks	-	1,288,375,000	1,288,375,000
Life insurance companies	-	4,050,000,000	4,050,000,000
Securities company	64,350,549	2,250,000,000	2,314,350,549
Total domestic items	64,350,549	7,588,375,000	7,652,725,549
<b>Foreign items</b>			
Thai Baht	113,431	-	113,431
Total foreign items	113,431	-	113,431
<b>Total interbank and money market items</b>	64,463,980	7,588,375,000	7,652,838,980
2008			
	Demand Baht	Time Baht	Total Baht
<b>Domestic items</b>			
Local banks	-	4,752,356,250	4,752,356,250
Life insurance companies	-	6,030,000,000	6,030,000,000
Securities company	78,539,197	1,745,000,000	1,823,539,197
Total domestic items	78,539,197	12,527,356,250	12,605,895,447
<b>Foreign items</b>			
Thai Baht	113,431	-	113,431
Total foreign items	113,431	-	113,431
<b>Total interbank and money market items</b>	78,652,628	12,527,356,250	12,606,008,878



## 12 Borrowings

Borrowings are promissory notes and bills of exchange linked to embedded derivatives which comprise of interest rate indices, price of equity indices abroad and other financial indices. The balances are classified by remaining periods as follows:

	2009 Baht	2008 Baht
Maturity within 3 months	-	100,000,000
Maturity between 3 - 12 months	188,925,090	850,000,000
Maturity between 1 - 5 years	2,261,620,076	1,525,704,716
Total borrowings	2,450,545,166	2,475,704,716

Borrowings grouped by currencies and residencies of customers:

	2009		
	Domestic Baht	Foreign Baht	Total Baht
Thai Baht	2,450,545,166	-	2,450,545,166
Total	2,450,545,166	-	2,450,545,166

  

	2008		
	Domestic Baht	Foreign Baht	Total Baht
Thai Baht	2,475,704,716	-	2,475,704,716
Total	2,475,704,716	-	2,475,704,716

## 13 Other liabilities

Other liabilities as at 31 December comprise of the followings:

	2009 Baht	2008 Baht
Accrued interest payable	150,773,613	75,490,295
Profit remittance tax payable	-	184,187,049
Accrued bonuses	44,684,193	39,956,418
Income tax payable	166,519,790	100,446,444
Others	145,788,332	166,563,035
Total other liabilities	507,765,928	566,643,241

**14 Unrealised gain (loss) on changes in fair value of available-for-sale securities**

Unrealised gain (loss) on changes in fair value of available-for-sale securities comprise of:

	<b>2009 Baht</b>	<b>2008 Baht</b>
Unrealised gain on changes in fair value of available-for-sale securities	83,692,574	306,667,023
Unrealised loss on changes in fair value of available-for-sale securities	(141,574,764)	(24,136,144)
Total	<u>(57,882,190)</u>	<u>282,530,879</u>

**15 Capital funds**

**Capital Funds of the Branch**

	<b>2009 Baht</b>	<b>2008 Baht</b>
Assets maintained in accordance with Section 32	<u>9,112,616,000</u>	<u>9,112,616,000</u>
Total funds for maintaining assets in accordance with Section 32 and net balance of inter-office accounts		
Funds for maintaining assets in accordance with Section 32	8,921,155,580	9,112,616,000
Net inter-office balance which branch is debtor (creditor) of the head office, others branches and subsidiary	<u>9,304,766,420</u>	<u>523,137,608</u>
Total	<u>18,225,922,000</u>	<u>9,635,753,608</u>
Capital funds	<u>8,921,155,580</u>	<u>9,112,616,000</u>
Total capital fund to risk weighted assets ratio (%)	17.55	19.68

The Bank will disclose capital maintenance information as at 31 December 2009 in accordance with the notification of the Bank of Thailand Re: Public Disclosure of Capital Maintenance Information for Commercial Banks on its website at [www.th.jpmorgan.com](http://www.th.jpmorgan.com), within April 2010.

## 16 Commitments

As at 31 December, the Bank has the following commitments which were incurred in the normal course of business.

	2009		
	Thai Baht Baht	Foreign currencies Baht	Total Baht
Letter of Credit Confirmation	-	14,184,200	14,184,200
Guarantees	66,602,520	246,605,014	313,207,534
Foreign exchange spot/forward purchase contracts	116,368,296,840	112,530,643,649	228,898,940,489
Foreign exchange spot/forward sale contracts	106,913,194,199	122,525,447,671	229,438,641,870
Interest rate option purchase contracts	9,155,545,166	8,763,151,377	17,918,696,543
Interest rate option sale contracts	8,063,838,081	9,105,181,064	17,169,019,145
Interest rate swap contracts	831,116,524,420	58,037,652,013	889,154,176,433
Foreign exchange call option			
Purchase contracts	-	10,068,464,165	10,068,464,165
Sale contracts	-	2,790,745,771	2,790,745,771
Foreign exchange put option			
Purchase contracts	-	2,394,943,743	2,394,943,743
Sale contracts	-	1,605,014,129	1,605,014,129
Cross currency swap			
Purchase contracts	22,027,195,481	34,140,000,631	56,167,196,112
Sale contracts	32,297,877,657	23,316,166,842	55,614,044,499
Interest rate option - Equity linked			
Purchase contract	64,000,000	-	64,000,000
Sale contract	64,000,000	-	64,000,000
Unused overdraft credit line	126,119,967	-	126,119,967
Unused credit facilities	-	333,687,500	333,687,500

**JPMorgan Chase Bank, N.A. - Bangkok Branch**  
**Notes to the Financial Statements**  
**For the years ended 31 December 2009 and 2008**

**16 Commitments (Cont'd)**

	<b>2008</b>		
	<b>Thai Baht Baht</b>	<b>Foreign currencies Baht</b>	<b>Total Baht</b>
Letter of Credit Confirmation	-	2,897,873	2,897,873
Guarantees	75,471,463	198,012,532	273,483,995
Foreign exchange spot/forward purchase contracts	126,708,293,988	121,824,022,903	248,532,316,891
Foreign exchange spot/forward sale contracts	110,745,764,356	137,861,121,451	248,606,885,807
Interest rate option purchase contracts	10,854,704,716	10,871,542,683	21,726,247,399
Interest rate option sale contracts	6,295,759,141	11,020,053,621	17,315,812,762
Interest rate swap contracts	727,421,094,680	70,684,562,050	798,105,656,730
Foreign exchange call option			
Purchase contracts	-	10,010,562,601	10,010,562,601
Sale contracts	-	11,951,888,476	11,951,888,476
Foreign exchange put option			
Purchase contracts	-	5,970,239,320	5,970,239,320
Sale contracts	-	1,683,605,705	1,683,605,705
Cross currency swap			
Purchase contracts	25,782,163,058	37,014,384,395	62,796,547,453
Sale contracts	32,496,415,000	29,902,712,073	62,399,127,073
Interest rate option - Equity linked			
Purchase contract	-	67,164,664	67,164,664
Sale contract	64,000,000	-	64,000,000
Unused overdraft credit line	200,436,046	-	200,436,046
Unused credit facilities	-	349,437,500	349,437,500

The management anticipates no material losses as a result of these transactions.

**17 Other income**

Other income for the year ended 31 December comprised of the followings:

	<b>2009 Baht</b>	<b>2008 Baht</b>
Gains from derivative contracts	912,051,529	-
Income sharing from financial derivative trading	63,514,439	198,661,940
Others	60,342,370	60,825,212
Total	<u>1,035,908,338</u>	<u>259,487,152</u>

**18 Other expenses**

Other expenses for the year ended 31 December comprised of the followings:

	<b>2009</b>	<b>2008</b>
	<b>Baht</b>	<b>Baht</b>
Contribution to Financial Institutions Development Fund and Deposit Protection Agency	38,839,965	30,435,165
Communication expense	15,315,065	19,340,871
Other reserves	56,036,803	16,168,665
Loss from derivative contracts	-	1,002,567,395
Loss from structured deposits and notes	72,967,976	996,784,272
Others	24,526,809	15,981,658
<b>Total</b>	<b>207,686,618</b>	<b>2,081,278,026</b>

**19 Related party transactions**

The significant related party transactions are transacted with the Group companies of JPMorgan Chase.

The significant related party transactions, outstanding balances as of 31 December 2009 and 2008 and income and expenses for the years then ended consisted of the followings:

	<b>2009</b>	<b>2008</b>
	<b>million Baht</b>	<b>million Baht</b>
<b>Balance sheets</b>		
Interbank and money market items - assets	118	18
Interbank and money market items - liabilities	2,314	1,824
Net balance of inter-office accounts with Head Office and other branches under the same entity		
JPMorgan Chase Bank, NY	3	17
JPMorgan Chase Bank, London	5	2
JPMorgan Chase Bank, Hong Kong	(9,313)	(542)
Contingencies	502,648	367,676
	<b>2009</b>	<b>2008</b>
	<b>million Baht</b>	<b>million Baht</b>
<b>Statements of income</b>		
Interest income	-	10
Other income	74	210
Interest expense	30	116
Fees and services expenses and other expenses	248	201

Transactions between the Bank and related parties had been priced at and contain similar conditions with the Bank's general customers and conformed to normal course of banking business practice.

**JPMorgan Chase Bank, N.A. - Bangkok Branch**  
**Notes to the Financial Statements**  
**For the years ended 31 December 2009 and 2008**

**20 Liquidity risk**

The following table presents a maturity analysis for on balance sheet monetary assets and liabilities as at 31 December.

	In million Baht						
	2009						
	At call	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No maturity	Total
Cash	7	-	-	-	-	-	7
Interbank and money market items	582	4,465	-	-	-	-	5,047
Investments	-	10,050	6,289	8,716	6,096	7	31,158
Loans and accrued interest receivables	-	551	-	-	2	8	561
Allowance for doubtful accounts	-	-	-	-	-	(8)	(8)
Financial derivative assets	-	1,326	2,208	12,859	7,001	-	23,394
Other monetary assets	-	132	13	-	-	-	145
Total monetary assets	589	16,524	8,510	21,575	13,099	7	60,304
Deposits	8,480	-	-	-	-	-	8,480
Interbank and money market items	65	2,917	361	1,060	3,250	-	7,653
Demand liabilities	53	-	-	-	-	-	53
Financial derivative liabilities	-	2,030	2,705	12,435	5,819	-	22,989
Borrowings	-	-	189	2,262	-	-	2,451
Other monetary liabilities	-	54	-	-	151	19	224
Total monetary liabilities	8,598	5,001	3,255	15,757	9,220	19	41,850
Liquidity, net	(8,009)	11,523	5,255	5,818	3,879	(12)	18,454

	2008					In million Baht	
	At call	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No maturity	Total
Cash	7	-	-	-	-	-	7
Interbank and money market items	406	-	-	-	-	-	406
Investments	-	5,753	13,118	7,700	5,358	5	31,934
Accounts receivable from securities trading	-	1,004	-	-	-	-	1,004
Loans and accrued interest receivables	-	260	416	-	2	8	686
Allowance for doubtful accounts	-	(1)	-	-	-	(8)	(9)
Financial derivative assets	-	1,635	3,348	18,358	15,004	-	38,345
Other monetary assets	-	146	31	-	-	-	177
Total monetary assets	413	8,797	16,913	26,058	20,364	5	72,550
Deposits	7,123	-	-	-	-	-	7,123
Interbank and money market items	27	5,934	840	2,905	2,900	-	12,606
Accounts payable from securities trading	-	1,372	-	-	-	-	1,372
Demand liabilities	71	-	-	-	-	-	71
Financial derivative liabilities	-	1,860	2,907	17,252	14,449	-	36,468
Borrowings	-	100	850	1,526	-	-	2,476
Other monetary liabilities	-	46	-	-	75	19	140
Total monetary liabilities	7,221	9,312	4,597	21,683	17,424	19	60,256
Liquidity, net	(6,808)	(515)	12,316	4,375	2,940	(14)	12,294

## **20 Liquidity risk (Cont'd)**

The table above classified monetary assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. It is unusual for banks to have completely matched maturities since business transactions are often of uncertain terms and of different types. In addition, the Bank obtains a large proportion of domestic funding from customer deposits and foreign funding from Head Office and other branches abroad. The Bank has demonstrated that a substantial level of such funding provides a stable source of long term funding for the Bank.

The Bank has a liquidity risk management framework in place, supplementing the asset reserve requirement by the Bank of Thailand.

## **21 Currency risk**

	In million Baht				
	2009				
	Baht	US Dollar	Japanese Yen	Others	Total
Cash	7	-	-	-	7
Interbank and money market items	4,752	65	106	124	5,047
Investments	31,158	-	-	-	31,158
Loans and accrued interest receivables, net	56	497	-	-	553
Financial derivative assets	33,294	(11,212)	1,210	102	23,394
Equipment, net	30	-	-	-	30
Other assets	238	1	-	-	239
<b>Total assets</b>	<b>69,535</b>	<b>(10,649)</b>	<b>1,316</b>	<b>226</b>	<b>60,428</b>
Deposits	7,931	549	-	-	8,480
Interbank and money market items	6,986	667	-	-	7,653
Demand liabilities	53	-	-	-	53
Financial derivative liabilities	37,651	(15,795)	916	217	22,989
Borrowings	2,450	-	-	-	2,450
Other liabilities	484	24	-	-	508
<b>Total liabilities</b>	<b>55,555</b>	<b>(14,555)</b>	<b>916</b>	<b>217</b>	<b>42,133</b>
On-balance-sheet-net foreign currency position	13,980	3,906	400	9	18,295
Off-balance-sheet-net foreign currency position	1,126,263	363,800	17,243	4,829	1,512,135

## 21 Currency risk (Cont'd)

	In million Baht				
	2008				Total
	Baht	US Dollar	Japanese Yen	Others	
Cash	7	-	-	-	7
Interbank and money market items	292	-	86	28	406
Investments	31,934	-	-	-	31,934
Loans and accrued interest receivables, net	112	566	-	-	678
Accounts receivable from securities trading	1,004	-	-	-	1,004
Financial derivative assets	34,370	(150)	4,014	111	38,345
Equipment, net	35	-	-	-	35
Other assets	278	10	-	-	288
<b>Total assets</b>	<b>68,032</b>	<b>426</b>	<b>4,100</b>	<b>139</b>	<b>72,697</b>
Deposits	6,881	242	-	-	7,123
Interbank and money market items	10,964	1,642	-	-	12,606
Accounts payable from securities trading	1,372	-	-	-	1,372
Demand liabilities	71	-	-	-	71
Financial derivative liabilities	32,938	(257)	3,664	122	36,467
Borrowings	2,476	-	-	-	2,476
Other liabilities	345	221	-	1	567
<b>Total liabilities</b>	<b>55,047</b>	<b>1,848</b>	<b>3,664</b>	<b>123</b>	<b>60,682</b>
On-balance-sheet-net foreign currency position	12,985	(1,422)	436	16	12,015
Off-balance-sheet-net foreign currency position	1,040,644	418,075	29,513	1,825	1,490,057

## 22 Financial risk management

### Strategy in using financial instruments

The Bank has developed and implemented comprehensive policies and procedures to identify, mitigate, and monitor risk across the entity, which are based on JPMorgan Chase policies. These practices rely on constant communication, judgment, and knowledge of products and markets by the people closest to them, combined with regular oversight by a central risk management group and senior management.

#### (a) Credit risk

Credit risk is the risk of losses resulting from failure by the Bank's counterparties and customers to meet their obligations. The carrying amount of cash and cash equivalents, loans to and bills receivable from customers, intercompany receivables, other current receivables and commitments represent the maximum exposure of the Bank to credit risk. With respect to derivative financial instruments, the maximum credit exposure of the Bank is represented by the positive fair values, mainly pertaining to derivative transactions with financial institutions, including intercompany balances.

"Know Your Customer" is the key element to credit risk management.



## **22 Financial risk management (Cont'd)**

### **(a) Credit risk (Cont'd)**

JPMorgan Chase has developed policies and practices that are designed to ensure that credit risks are accurately assessed, properly approved, continuously monitored and actively managed at both the transaction and portfolio levels. The policy framework establishes credit approval authorities, concentration limits, risk-rating methodologies, portfolio-review parameters and problem-loan management.

The Bank's capital will be committed following thorough research and analysis, utilising all expertise appropriately available in the organisation which may contribute to our risk assessment. Certain transactions will require special approval due to their risk attributes or level of sensitivity.

Officers with Credit Approval Authority are expected to understand the credit policies, guidelines and procedures applicable to their responsibilities.

The new business initiative process requires a thorough understanding of the credit risk (and all other forms of risk) inherent in all proposed activities or undertakings. New initiatives will only be introduced after appropriate new control systems are implemented, in accordance with the Bank's New Business Initiative Process.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral if applicable.

#### **1) Derivatives**

The Bank maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (i.e., assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

#### **2) Master netting arrangements**

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Bank's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

**22 Financial risk management (Cont'd)**

**(a) Credit risk (Cont'd)**

**3) Credit-related commitments**

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

**(b) Market risk**

Market risk comes mainly from trading and proprietary activities, and is the risk of losses arising from adverse movements in market prices. Market risks are most commonly sub-divided into interest rate risk, equity risk, foreign exchange risk and commodity risk, depending on whether the risk factor is an interest rate, a stock price, etc.

The portfolio effect of holding different instruments across a variety of business activities and asset classes helps to diversify the market risk the Bank is exposed to and reduces the potential losses from market risk.

The Bank's ability to measure and monitor potential losses that could arise from adverse changes in market conditions is key to managing market risks. Quantitative and qualitative measures are an integral and crucial part in the Bank's assessment of market risks.

22 Financial risk management (Cont'd)

Financial instruments by category

					In million Baht
					2009
	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available for sale	Total
<b>Assets as per balance sheet</b>					
Cash and cash equivalents	1,096				1,096
Interbank and money market items	3,964	-	-	-	3,964
Available-for-sale financial assets	-	-	-	22,334	22,334
Financial assets at fair value through profit and loss	-	8,824	-	-	8,824
Derivative financial instruments	-	23,394	-	-	23,394
Trading and other receivables excluding prepayments	699	-	-	-	699
Total	5,759	32,218	-	22,334	60,311
<b>Liabilities as per balance sheet</b>					
	Liabilities which applied fair value upon initial recognition	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Deposits and Borrowings	2,451	-	-	8,480	10,931
Interbank and money market items	3,271	-	-	4,382	7,653
Derivative financial instruments	-	22,989	-	-	22,989
Trade and other payables excluding statutory liabilities	-	-	-	446	446
Total	5,722	22,989	-	13,308	42,019

22 Financial risk management (Cont'd)

Financial instruments by category (Cont'd)

					In million Baht
					2008
	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available for sale	Total
<b>Assets as per balance sheet</b>					
Cash and cash equivalents	430	-	-	-	430
Available-for-sale financial assets	-	-	-	22,595	22,595
Financial assets at fair value through profit and loss	-	9,339	-	-	9,339
Derivative financial instruments	-	38,345	-	-	38,345
Trading and other receivables excluding prepayments	1,860	-	-	-	1,860
Total	2,290	47,684	-	22,595	72,569
<b>Liabilities</b>					
	Liabilities which applied fair value upon initial recognition	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
<b>Liabilities as per balance sheet</b>					
Deposits and Borrowings	2,476	-	-	7,123	9,599
Interbank and money market items	5,645	-	-	6,961	12,606
Derivative financial instruments	129	36,339	-	-	36,468
Trade and other payables excluding statutory liabilities	-	-	-	1,888	1,888
Total	8,250	36,339	-	15,972	60,561

**22 Financial risk management (Cont'd)**

**Structured deposits and notes with embedded derivatives**

The Bank has selected to use Fair Value Option for deposits and borrowings with embedded derivatives by presenting them at fair value and recording such change of fair value in the statements of income.

Balance sheet items which the Bank adopted fair value option as at 31 December are as follows:

	<b>2009</b>	<b>2008</b>
	<b>Baht</b>	<b>Baht</b>
Interbank and money market items	3,271,000,000	5,645,000,000
Borrowings	2,450,545,166	2,475,704,716
Mark-to-market loss (gain) on structured deposits and notes with embedded derivatives	(64,477,727)	129,185,750
Total	<u>5,657,067,439</u>	<u>8,249,890,466</u>

For the year ended 31 December, the Bank recorded loss from structured deposits and notes with embedded derivatives as follows:

	<b>2009</b>	<b>2008</b>
	<b>Baht</b>	<b>Baht</b>
Loss from structured deposits and notes with embedded derivatives	<u>72,967,976</u>	<u>996,784,272</u>