

JPMORGAN CHASE BANK, N.A. - BANGKOK BRANCH

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2010



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 2010 and the related statements of income, changes in Head Office's equity and other branches under the same entity and cash flows for the year 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 audit. The financial statements of JPMorgan Chase Bank, N.A. - Bangkok Branch for the year ended 31 December 2009 were audited by another auditor in the same firm as myself whose report dated 19 April 2010 expressed an unqualified opinion on those financial statements.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides 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 2010 and the results of operations and cash flows for the year then ended of JPMorgan Chase Bank, N.A. - Bangkok Branch, in accordance with generally accepted accounting principles.

A handwritten signature in blue ink, appearing to be 'Unakorn'.

Unakorn Phruithithada
Certified Public Accountant (Thailand) No. 3257
PricewaterhouseCoopers ABAS Limited

Bangkok
12 April 2011

JPMorgan Chase Bank, N.A. - Bangkok Branch

Balance Sheets

As at 31 December 2010 and 2009

	Notes	2010 Baht	2009 Baht
Assets			
Cash		6,002,951	6,659,759
Interbank and money market items	4		
Domestic items - interest bearing		10,755,631,539	4,400,254,441
- non-interest bearing		396,316,068	352,215,717
Foreign items - interest bearing		145,252,502	292,259,345
- non-interest bearing		1,138,927	1,777,860
Total interbank and money market items		11,298,339,036	5,046,507,363
Investments	5		
Short-term investments, net		25,243,695,150	24,294,480,371
Long-term investments, net		1,719,410,649	6,863,041,334
Total investments, net		26,963,105,799	31,157,521,705
Loans and interest receivables, net	6		
Loans		523,207,803	561,138,510
Accrued interest receivables		104,917	269,821
Total loans and interest receivables		523,312,720	561,408,331
Less Allowance for doubtful accounts	7	(8,548,042)	(8,004,286)
Total loans and accrued interest receivables, net		514,764,678	553,404,045
Accounts receivable from securities trading		14,530,174	-
Financial derivative assets		28,710,866,713	23,394,430,645
Customer liabilities under acceptance		8,412,665	-
Equipment, net	8	27,563,356	30,417,576
Other assets, net	9	172,431,072	238,776,447
Total assets		67,716,016,444	60,427,717,540



(Mr. Suratun Kongton)
Branch Manager

The notes to financial statements on pages 9 to 37 form an integral part of these financial statements.

JPMorgan Chase Bank, N.A. - Bangkok Branch

Balance Sheets (Cont'd)

As at 31 December 2010 and 2009

	Notes	2010 Baht	2009 Baht
Liabilities and Head Office's equity and balances with other branches under the same entity			
Liabilities			
Deposits	10		
Thai Baht		9,481,930,952	7,931,530,088
Foreign currencies		761,871,105	548,907,620
Total deposits		10,243,802,057	8,480,437,708
Interbank and money market items	11		
Domestic items - interest bearing		9,516,297,665	7,652,625,393
- non-interest bearing		100,199	100,156
Foreign items - interest bearing		-	-
- non-interest bearing		48,320	113,431
Total interbank and money market items		9,516,446,184	7,652,838,980
Accounts payable from securities trading		49,938,634	-
Demand liabilities		6,651,424	52,877,610
Borrowings	12		
Short-term borrowings		261,620,077	188,925,090
Long-term borrowings		2,000,000,000	2,261,620,076
Total borrowings		2,261,620,077	2,450,545,166
Bank liabilities under acceptance		8,412,665	-
Financial derivative liabilities		29,636,078,570	22,988,684,142
Other liabilities	13	479,142,283	507,765,928
Total liabilities		52,202,091,894	42,133,149,534

The notes to financial statements on pages 9 to 37 form an integral part of these financial statements.

JPMorgan Chase Bank, N.A. - Bangkok Branch

Balance Sheets (Cont'd)

As at 31 December 2010 and 2009

	Notes	2010 Baht	2009 Baht
Head Office's equity and balances with other branches under the same entity (Cont'd)			
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	15, 19	6,263,378,506	9,304,766,420
Retained earnings (deficit)		131,920,364	(64,932,224)
Unrealised gain (loss) on changes in fair value of available-for-sale securities	14	6,009,680	(57,882,190)
Total Head Office's equity and balances with other branches under the same entity		<u>15,513,924,550</u>	<u>18,294,568,006</u>
Total liabilities and Head Office's equity and balances with other branches under the same entity		<u><u>67,716,016,444</u></u>	<u><u>60,427,717,540</u></u>
Off-balance sheet items - commitments			
Other commitments	16	1,969,879,663,182	1,512,135,082,100

The notes to financial statements on pages 9 to 37 form an integral part of these financial statements.

JPMorgan Chase Bank, N.A. - Bangkok Branch
Statements of Income
For the years ended 31 December 2010 and 2009

	Notes	2010 Baht	2009 Baht
Interest income			
Loans		8,927,843	19,645,561
Interbank and money market items		52,650,924	9,738,527
Investments		681,638,873	890,687,798
Total interest income		743,217,640	920,071,886
Interest expenses			
Deposits		6,080,785	3,456,593
Interbank and money market items		143,880,524	132,524,801
Total interest expenses	19	149,961,309	135,981,394
Net interest income		593,256,331	784,090,492
Bad debt and doubtful accounts (reversal)		99,490,007	(238,279)
Net interest income after bad debt and doubtful accounts		493,766,324	784,328,771
Non-interest income			
Gain (loss) on investment		228,566,492	(619,642,995)
Fees and services income		27,675,490	24,708,873
Net gain (loss) on foreign currency exchange		858,279,917	(750,615,365)
Other income	17,19	95,783,060	1,035,908,338
Total non-interest income		1,210,304,959	(309,641,149)
Non-interest expenses			
Personnel expenses		181,919,434	163,582,002
Premise and equipment expenses		31,129,682	30,589,393
Taxes and duties		6,591,814	7,551,514
Fees and services expenses	19	276,208,101	293,495,772
Other expenses	18,19	898,977,324	207,686,618
Total non-interest expenses		1,394,826,355	702,905,299
Profit (loss) before income tax		309,244,928	(228,217,677)
Income tax		(112,392,340)	(275,106,511)
Net profit (loss) for the year		196,852,588	(503,324,188)

The notes to financial statements on pages 9 to 37 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 2010 and 2009

	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
Balance at 31 December 2008					
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)
Balance at 31 December 2009	<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>
Balance at 31 December 2009					
Decrease during the year	9,112,616,000	9,304,766,420	(64,932,224)	(57,882,190)	18,294,568,006
Unrealised gain on changes in fair value of available-for-sale securities	-	(3,041,387,914)	-	-	(3,041,387,914)
Net profit for the year	-	-	196,852,588	63,891,870	63,891,870
					196,852,588
Balance at 31 December 2010	<u>9,112,616,000</u>	<u>6,263,378,506</u>	<u>131,920,364</u>	<u>6,009,680</u>	<u>15,513,924,550</u>
					-

The notes to financial statements on pages 9 to 37 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 2010 and 2009

	2010	2009
	Baht	Baht
Cash flows from operating activities:		
Net profit (loss) before income tax	309,244,928	(228,217,677)
Adjustments to reconcile net profit (loss) before income tax to net cash provided by (used in) operating activities:		
Bad debt and doubtful accounts (reversal)	99,490,007	(238,279)
Depreciation and amortisation (Notes 8, 9)	21,454,464	21,973,592
Unrealised loss on changes in fair value of trading securities	69,337,556	535,694,898
(Gain) loss on sales of investments in securities	76,580,368	(23,462,643)
Amortised discount on investments in securities	(189,590,789)	(285,972,203)
Loss on write-off on investments in securities	16,932,694	-
Gain on disposal of equipment	(15,806)	(4,756)
Loss on write-off of leasehold improvement and equipment	24,964	4,382
Unrealised loss on changes in fair value of financial derivative instruments	1,330,958,360	1,471,831,602
Interest income	(743,217,640)	(920,071,886)
Interest expense	149,961,309	135,981,394
Operating profit before changes in operating assets and liabilities	1,141,160,415	707,518,424
(Increase) decrease in operating assets:		
Interbank and money market items	(5,994,625,024)	(3,964,580,544)
Investment in trading securities	3,123,835,850	(20,345,892)
Loans	37,930,707	116,650,487
Accounts receivable from securities trading	(14,530,175)	1,004,276,159
Other assets	(526,832)	8,645,044
Increase (decrease) in operating liabilities:		
Deposits	1,763,364,349	1,357,294,066
Interbank and money market items	1,863,607,204	(4,953,169,898)
Demand liabilities	(46,226,186)	(18,425,542)
Borrowings	(188,925,089)	(25,159,550)
Accounts payable from securities trading	49,938,634	(1,371,992,200)
Other liabilities	(25,120,095)	(16,046,927)
Net balance of inter-office accounts with Head Office and other branches abroad	(3,041,692,858)	8,772,392,719
Net cash provided by (used in) operating activities before interest received, interest paid and income tax paid - carried forward	(1,331,809,100)	1,597,056,346

The notes to financial statements on pages 9 to 37 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 2010 and 2009

	2010	2009
	Baht	Baht
Net cash provided by (used in) operating activities before interest received, interest paid and income tax paid - brought forward	(1,331,809,100)	1,597,056,346
Interest received	811,531,593	959,620,116
Interest paid	(47,534,745)	(60,698,077)
Income tax paid	(218,322,454)	(209,033,166)
Net cash provided by (used in) operating activities	(786,134,706)	2,286,945,219
Cash flows from investing activities:		
Purchases of investments in securities	(29,566,725,486)	(30,800,454,065)
Proceeds from sales of investments in securities	1,817,937,583	6,300,879,663
Proceeds from matured investments in securities	28,910,000,000	24,730,000,000
Proceeds from sales of equipment	21,500	71,892
Purchase of equipment	(10,889,689)	(9,332,819)
Purchase of leasehold improvement	(8,823,363)	-
Net cash provided by investing activities:	1,141,520,545	221,164,671
Cash flows from financing activities:		
Profit remitted to Head Office	-	(1,657,683,441)
Remittance tax to Head Office	-	(184,187,049)
Net cash used in financing activities	-	(1,841,870,490)
Net increase in cash and cash equivalents	355,385,839	666,239,400
Cash and cash equivalents at beginning of the year	1,096,359,905	430,120,505
Cash and cash equivalents at end of the year	1,451,745,744	1,096,359,905
Cash and cash equivalents		
Cash on hand	6,002,951	6,659,759
Interbank and money market items	1,438,380,835	1,082,033,244
Net inter-office accounts with Head office and other branches abroad	7,361,958	7,666,902
	1,451,745,744	1,096,359,905

The notes to financial statements on pages 9 to 37 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 12 April 2011.

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, new interpretation, amendments to accounting standards and accounting framework

a) Accounting framework

The amendment of accounting framework is effective on 26 May 2010.

b) New accounting standards, new financial reporting standards, new interpretation and amendments to accounting standards

The following new accounting standards, new financial reporting standards, new interpretation and amendments to accounting standards are mandatory for the accounting periods beginning on or after 1 January 2011 and 1 January 2013, but the Bank has not early adopted them:

Effective for the periods beginning on or after 1 January 2011

TAS 1 (Revised 2009)	Presentation of Financial Statements
TAS 2 (Revised 2009)	Inventories
TAS 7 (Revised 2009)	Statement of Cash Flows
TAS 8 (Revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (Revised 2009)	Events after the Reporting Period
TAS 11 (Revised 2009)	Construction Contracts
TAS 16 (Revised 2009)	Property, Plant and Equipment
TAS 17 (Revised 2009)	Leases
TAS 18 (Revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (Revised 2009)	Borrowing Costs
TAS 24 (Revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (Revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (Revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (Revised 2009)	Interests in Joint Ventures
TAS 33 (Revised 2009)	Earnings per Share
TAS 34 (Revised 2009)	Interim Financial Reporting
TAS 36 (Revised 2009)	Impairment of Assets
TAS 37 (Revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (Revised 2009)	Intangible Assets
TAS 40 (Revised 2009)	Investment Property
TFRS 2	Share-based Payment
TFRS 3 (Revised 2009)	Business Combinations
TFRS 5 (Revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRIC 15	Agreements for the Construction of Real Estate

2 Accounting policies (Cont'd)

2.2 New accounting standards, new financial reporting standards, new interpretation, amendments to accounting standards and accounting framework (Cont'd)

b) New accounting standards, new financial reporting standards, new interpretation and amendments to accounting standards (Cont'd)

Effective for the periods beginning on or after 1 January 2013

TAS 12	Income taxes
TAS 20 (Revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (Revised 2009)	The Effects of Changes in Foreign Exchange Rates

The Bank's management has determined that the new accounting standards, new financial reporting standards, new interpretation and amendments to accounting standards will not significantly impact the financial statements being presented.

TAS 19 deals with accounting for employee benefit. The standard classifies employee benefit into 4 categories: a) short-term employee benefits b) post-employment benefits (including defined contribution plan and defined benefit plan) c) other long-term employee benefits and d) termination benefits. The standard requires the entity to measure the defined benefit plan and other long-term employee benefits by using the Projected Unit Credit method (PUC). An entity can choose to recognise any actuarial gain or loss for defined benefit plan either in other comprehensive income or profit and loss. Actuarial gain or loss for other long-term employee benefit shall recognise in profit and loss. The Bank will apply this standard from 1 January 2011.

TFRS 2 deals with accounting for transactions in which the Bank receives goods or services as considerations for either Equity instruments of the Bank (equity-settled), which is recognised as equity, or cash or other assets, which the amount is based on the price or value of the entity's share (cash-settled) which is recognised as liabilities. The measurement of the transaction is based on the fair value of the goods or services received. The equity-settled transactions are not re-measured once the grant date fair value has been determined. The cash-settled transactions are required to re-measure at each date of the statement of financial position and at the date of settlement, which change in fair value recognised in profit or loss. The Bank will apply this standard for share-based payment transactions that are granted from 1 January 2011. The Bank expects that it will not have significant impact to the Bank's financial statements.

TAS 12 deals with taxes on income, comprising current tax and deferred tax. Current tax assets and liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using tax rates and tax law that have been enacted or substantively enacted by the end of the reporting period. Deferred taxes are measured by based on the temporary difference between the tax base of an asset or liability and its carrying amount in the financial statements and using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax law that have been enacted or substantively enacted by the end of the reporting period. The Bank will apply this standard from 1 January 2013 retrospectively with an expected to incur of deferred tax account and changes in retained earnings and income tax expense.

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 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 only.

- 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 the Bank has 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

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.

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.

2 Accounting policies (Cont'd)

2.11 Investments (Cont'd)

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 contributions by the Bank.

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

2 Accounting policies (Cont'd)

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.

2.17 Derivatives

Derivative financial instruments including foreign exchange forward contracts, forward rate agreements, currency option agreements, interest rate option agreements, interest and currency swap agreements and credit derivative agreements are recognised at fair values. Fair values are obtained from 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.

Equipment

Management determines and reviews the estimated useful lives and residual values for the Bank's equipment 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:

	2010		
	Demand Baht	Time Baht	Total Baht
Domestic items			
The Bank of Thailand	243,584,146	950,000,000	1,193,584,146
Commercial banks	152,748,426	9,904,539,000	10,057,287,426
Total	396,332,572	10,854,539,000	11,250,871,572
<u>Add</u> Accrued interest receivable	-	121,425	121,425
<u>Less</u> Allowance for doubtful accounts	-	(99,045,390)	(99,045,390)
Total domestic items	396,332,572	10,755,615,035	11,151,947,607
Foreign items			
US Dollar	-	54,666,568	54,666,568
Japanese Yen	84,177,651	-	84,177,651
Euro	4,580,228	-	4,580,228
Danish Krone	522,968	-	522,968
Others	2,767,416	-	2,767,416
Total	92,048,263	54,666,568	146,714,831
<u>Add</u> Accrued interest receivable	-	223,264	223,264
<u>Less</u> Allowance for doubtful accounts	-	(546,666)	(546,666)
Total foreign items	92,048,263	54,343,166	146,391,429
Total interbank and money market items	488,380,835	10,809,958,201	11,298,339,036
2009			
	Demand Baht	Time Baht	Total Baht
Domestic items			
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
Foreign items			
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
Total interbank and money market items	582,033,244	4,464,474,119	5,046,507,363

5 Investments, net

Investments as at 31 December comprised of the followings:

	2010		2009	
	Cost/ Book value Baht	Fair value Baht	Cost/ Book value Baht	Fair value Baht
Short-term investments				
Trading securities				
Government and state enterprise securities	5,647,286,743	5,630,434,742	6,485,457,669	6,445,858,401
Other corporate enterprise debt securities	-	-	2,285,664,924	2,377,749,747
<u>Add(less)</u> Mark to market adjustment	(16,852,001)	-	52,485,555	-
Total	5,630,434,742	5,630,434,742	8,823,608,148	8,823,608,148
Available-for-sale securities				
Government and state enterprise securities	19,616,480,211	19,613,260,408	15,452,184,326	15,470,872,223
<u>Add(less)</u> Mark to market adjustment	(3,219,803)	-	18,687,897	-
Total	19,613,260,408	19,613,260,408	15,470,872,223	15,470,872,223
Total short-term investments, net	25,243,695,150	25,243,695,150	24,294,480,371	24,294,480,371
Long-term investments				
Available-for-sale securities				
Government and state enterprise securities	1,710,181,166	1,719,410,649	6,922,678,727	6,856,009,962
Marketable equity securities	-	-	16,932,693	7,031,371
<u>Add(less)</u> Mark to market adjustment	9,229,483	-	(76,570,087)	-
Total	1,719,410,649	1,719,410,649	6,863,041,333	6,863,041,333
General investment				
Non-marketable equity securities	-	-	1	-
<u>Add(less)</u> Allowance for impairment	-	-	-	-
Total	-	-	1	-
Total long-term investments, net	1,719,410,649	-	6,863,041,334	-
Total investments, net	26,963,105,799	-	31,157,521,705	-

5 Investments, net (Cont'd)

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

	2010			Total Baht
	Up to 1 year Baht	Over 1 year to 5 years Baht	Over 5 years Baht	
Government and state enterprise securities	19,613,260,408	1,719,410,649	-	21,332,671,057
Total	19,613,260,408	1,719,410,649	-	21,332,671,057

	2009			Total Baht
	Up to 1 year Baht	Over 1 year to 5 years Baht	Over 5 years Baht	
Government and state enterprise securities	15,470,872,223	6,096,708,412	759,301,550	22,326,882,185
Total	15,470,872,223	6,096,708,412	759,301,550	22,326,882,185

6 Loans and interest receivables, net

6.1 Grouped by types of loans:

	2010 Baht	2009 Baht
Overdrafts	8,755,001	3,880,033
Loans	514,452,802	557,258,477
Total loans	523,207,803	561,138,510
Add Interest receivables	104,917	269,821
Less Allowance for doubtful accounts	(8,548,042)	(8,004,286)
Total loans and interest receivables, net	514,764,678	553,404,045

6.2 Grouped by remaining maturity periods:

	2010 Baht	2009 Baht
Less than 1 year	513,177,841	550,959,454
Over than 1 year	10,029,962	10,179,056
Total loans	523,207,803	561,138,510
Interest receivables	104,917	269,821
Total loans and interest receivables	523,312,720	561,408,331

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

6.3 Grouped by currencies and residencies of customers:

	2010		
	Domestic Baht	Foreign Baht	Total Baht
Thai Baht	19,784,963	-	19,784,963
US Dollar	503,422,840	-	503,422,840
Total loans	523,207,803	-	523,207,803
Interest receivables	104,917	-	104,917
Total loans and interest receivables	523,312,720	-	523,312,720

	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 interest receivables	561,408,331	-	561,408,331

6.4 Grouped by type of business and classification:

	2010				
	Normal	Special mention	Substandard	Doubtful	Doubtful loss
Manufacturing and commerce	503,422,840	-	1,000,000	-	5,884,347
Utilities and services	8,754,297	-	-	-	-
Others	2,144,104	-	-	-	2,002,215
Total loans	514,321,241	-	1,000,000	-	7,886,562
Interest receivables	95,145	-	9,342	-	430
Total loans and interest receivables	514,416,386	-	1,009,342	-	7,886,992

	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 interest receivables	503,438,949	-	50,026,260	-	7,943,122

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:

2010				
Classifications	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	514,321,241	65,170,740	1	651,708
Substandard	1,009,342	9,342	100	9,342
Doubtful loss	7,886,992	7,886,992	100	7,886,992
Accrued interest receivables of normal loan	95,145	-	-	-
Total	523,312,720	73,067,074		8,548,042

2009				
Classifications	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 receivables of normal loan	243,140	-	-	-
Total	561,408,331	14,059,511		8,004,286

7 Allowance for doubtful accounts

2010					
	Normal	Special mention	Substandard	Doubtful	Doubtful loss Total
Balance at beginning of the year	61,164	-	-	-	7,943,122
Allowance for doubtful accounts (Reversal)	590,544	-	9,342	-	(56,130)
Balance at end of the year	651,708	-	9,342	-	7,886,992

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

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8 Equipment, net

	Computer equipment Baht	Office equipment Baht	Furnitures, fixture & fitting Baht	Motor vehicles Baht	Fixed assets in progress	Total Baht
As at 1 January 2009						
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>
For the year ended 31 December 2009						
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>
As at 31 December 2009						
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>
For the year ended 31 December 2010						
Opening net book value	8,081,477	15,642,215	4,829,661	1	1,864,222	30,417,576
Additions	7,918,995	775,332	93,850	-	2,101,512	10,889,689
Transfer to leasehold Improvement	-	-	-	-	(1,864,222)	(1,864,222)
Disposals - cost	(3,040,704)	(1,171,713)	(167,670)	-	-	(4,380,087)
Disposals - Accumulated depreciation	3,016,160	1,171,704	161,565	-	-	4,349,429
Depreciation charge	(4,456,775)	(6,705,555)	(686,699)	-	-	(11,849,029)
Closing net book value	<u>11,519,153</u>	<u>9,711,983</u>	<u>4,230,707</u>	<u>1</u>	<u>2,101,512</u>	<u>27,563,356</u>
As at 31 December 2010						
Cost	54,562,153	39,548,174	38,205,930	48,000	2,101,512	134,465,769
<u>Less</u> Accumulated depreciation	(43,043,000)	(29,836,191)	(33,975,223)	(47,999)	-	(106,902,413)
Net book value	<u>11,519,153</u>	<u>9,711,983</u>	<u>4,230,707</u>	<u>1</u>	<u>2,101,512</u>	<u>27,563,356</u>

Initial cost of asset, which has already fully depreciated as at 31 December 2010, but the Bank still uses such assets is Baht 75 million (2009: Baht 78 million).

9 Other assets, net

Other assets as at 31 December comprise of the followings:

	2010 Baht	2009 Baht
Leasehold right and leasehold improvement, net	90,689,838	89,607,688
Accrued interest receivables	77,100,955	145,055,313
Other receivables	2,024,107	1,468,234
Prepaid expenses	2,616,172	2,645,212
Total other assets	<u>172,431,072</u>	<u>238,776,447</u>
The amortisation cost of leasehold right and depreciation of leasehold improvement for the year	<u>9,605,435</u>	<u>8,103,107</u>

10 Deposits

10.1 Grouped by type of deposits:

	2010 Baht	2009 Baht
Demand	476,783,104	333,481,365
Savings	9,767,018,953	8,146,956,343
Total	<u>10,243,802,057</u>	<u>8,480,437,708</u>

10.2 Grouped by remaining maturity periods:

	2010 Baht	2009 Baht
Less than 1 year	10,243,802,057	8,480,437,708
Total	<u>10,243,802,057</u>	<u>8,480,437,708</u>

10 Deposits (Cont'd)

10.3 Grouped by currencies and residencies of depositors:

	2010		
	Domestic Baht	Foreign Baht	Total Baht
Thai Baht	9,479,904,661	2,026,291	9,481,930,952
US Dollar	761,871,105	-	761,871,105
Total	10,241,775,766	2,026,291	10,243,802,057

	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

11 Interbank and money market items

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

	2010		
	Demand Baht	Time Baht	Total Baht
Domestic items			
Local banks	-	260,000,000	260,000,000
Life insurance companies	-	7,250,000,000	7,250,000,000
Securities company	6,397,864	2,000,000,000	2,006,397,864
Total domestic items	6,397,864	9,510,000,000	9,516,397,864
Foreign items			
Thai Baht	48,320	-	48,320
Total foreign items	48,320	-	48,320
Total interbank and money market items	6,446,184	9,510,000,000	9,516,446,184

11 Interbank and money market items (Cont'd)

	2009		
	Demand Baht	Time Baht	Total Baht
Domestic items			
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
Foreign items			
Thai Baht	113,431	-	113,431
Total foreign items	113,431	-	113,431
Total interbank and money market items	64,463,980	7,588,375,000	7,652,838,980

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:

	2010 Baht	2009 Baht
Maturity within 3 months	261,620,077	-
Maturity between 3 - 12 months	-	188,925,090
Maturity between 1 - 5 years	2,000,000,000	2,261,620,076
Total borrowings	2,261,620,077	2,450,545,166

Borrowings grouped by currencies and residence of customers:

	2010		
	Domestic Baht	Foreign Baht	Total Baht
Thai Baht	2,261,620,077	-	2,261,620,077
Total	2,261,620,077	-	2,261,620,077
	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

13 Other liabilities

Other liabilities as at 31 December comprised of the followings:

	2010 Baht	2009 Baht
Accrued interest payable	253,200,177	150,773,613
Accrued bonuses	46,479,260	44,684,193
Income tax payable	60,589,677	166,519,790
Others	118,873,169	145,788,332
Total other liabilities	<u>479,142,283</u>	<u>507,765,928</u>

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:

	2010 Baht	2009 Baht
Unrealised gain on changes in fair value of available-for-sale securities	17,782,707	83,692,574
Unrealised loss on changes in fair value of available-for-sale securities	(11,773,027)	(141,574,764)
Total	<u>6,009,680</u>	<u>(57,882,190)</u>

15 Capital funds

Capital Funds of the Branch

	2010 Baht	2009 Baht
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	8,921,155,580
Net inter-office balance which branch is debtor (creditor) of the head office, others branches and subsidiary	<u>6,263,378,506</u>	<u>9,304,766,420</u>
Total	<u>15,184,534,086</u>	<u>18,225,922,000</u>
Capital funds	<u>8,921,155,580</u>	<u>8,921,155,580</u>
Total capital funds to risk weighted assets ratio (%)	14.07	17.55

The Bank will disclose capital maintenance information as at 31 December 2010 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, within April 2011.

16 Commitments

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

	2010		
	Thai Baht Baht	Foreign currencies Baht	Total Baht
Letter of Credit Confirmation	-	33,710,495	33,710,495
Guarantees	92,664,221	50,239,831	142,904,052
Foreign exchange spot/forward purchase contracts	213,281,160,883	196,833,485,397	410,114,646,280
Foreign exchange spot/forward sale contracts	195,845,410,317	213,812,064,154	409,657,474,471
Interest rate option purchase contracts	16,369,620,077	6,561,390,597	22,931,010,674
Interest rate option sale contracts	10,131,917,021	6,448,323,222	16,580,240,243
Interest rate swap contracts	871,492,216,840	47,105,082,469	918,597,299,309
Foreign exchange call option			
Purchase contracts	-	5,438,308,407	5,438,308,407
Sale contracts	-	1,889,506,516	1,889,506,516
Foreign exchange put option			
Purchase contracts	-	5,258,613,544	5,258,613,544
Sale contracts	-	783,733,887	783,733,887
Cross currency Swap			
Purchase contracts	34,800,251,127	52,356,131,744	87,156,382,871
Sale contracts	52,071,950,189	36,362,794,941	88,434,745,130
Credit derivatives	1,800,000,000	663,328,600	2,463,328,600
Unused overdraft credit line	96,245,703	-	96,245,703
Unused credit facilities	-	301,513,000	301,513,000
Total	1,395,981,436,378	573,898,226,804	1,969,879,663,182

16 Commitments (Cont'd)

	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
Total	1,126,263,194,331	385,871,887,769	1,512,135,082,100

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:

	2010 Baht	2009 Baht
Gains from derivative contracts	-	912,051,529
Income sharing from financial derivative trading	23,312,390	63,514,439
Others	72,470,670	60,342,370
Total	95,783,060	1,035,908,338

18 Other expenses

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

	2010 Baht	2009 Baht
Contribution to Deposit Protection Agency	24,148,515	38,839,965
Communication expense	14,700,258	15,315,065
Other reserves	35,616,856	56,036,803
Loss from derivative contracts	633,578,673	-
Loss from structured deposits and notes	156,339,039	72,967,976
Others	34,593,983	24,526,809
Total	898,977,324	207,686,618

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 2010 and 2009 and income and expenses for the years then ended consisted of the followings:

	2010 million Baht	2009 million Baht
Balance sheets		
Interbank and money market items - assets		
J.P. Morgan, A.G.	5	118
Interbank and money market items - liabilities		
J.P. Morgan Securities (Thailand) Ltd.	2,006	2,314
Net balance of inter-office accounts with Head Office and other branches under the same entity		
JPMorgan Chase Bank, NY	4	3
JPMorgan Chase Bank, London	3	5
JPMorgan Chase Bank, Hong Kong	(6,271)	(9,313)
Contingencies	459,407	502,648
	2010 million Baht	2009 million Baht

Statements of income

Interest expense	36	30
Other income	35	74
Fees and services expenses and other expenses	226	248

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.

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20 Liquidity risk

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

	2010						In million Baht
	At call	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No maturity	Total
Cash	6	-	-	-	-	-	6
Interbank and money market items	488	10,774	36	-	-	-	11,298
Investments	-	11,261	9,256	3,454	2,992	-	26,963
Loans and accrued interest receivables	-	513	-	-	2	8	523
Allowance for doubtful accounts	-	-	-	-	-	(8)	(8)
Accounts receivable from trading securities	-	15	-	-	-	-	15
Financial derivative Assets	-	4,272	5,711	9,594	9,134	-	28,711
Other monetary assets	-	64	13	-	-	-	77
Total monetary assets	494	26,899	15,016	13,048	12,128	-	67,585
Deposits	10,244	-	-	-	-	-	10,244
Interbank and money market items	6	2,260	300	500	6,450	-	9,516
Accounts payable from trading securities	50	-	-	-	-	-	50
Demand liabilities	7	-	-	-	-	-	7
Financial derivative Liabilities	-	4,239	7,488	10,398	7,511	-	29,636
Borrowings	-	262	-	2,000	-	-	2,262
Other monetary Liabilities	-	65	-	-	253	20	338
Total monetary liabilities	10,307	6,826	7,788	12,898	14,214	20	52,053
Liquidity, net	(9,813)	20,073	7,228	150	(2,086)	(20)	15,532

	2009						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	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

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				
	2010				
	Baht	US Dollar	Japanese Yen	Others	Total
Cash	6	-	-	-	6
Interbank and money market items	10,247	959	84	8	11,298
Investments	26,963	-	-	-	26,963
Loans and accrued interest receivables, net	11	504	-	-	515
Accounts receivable from trading securities	15	-	-	-	15
Financial derivative assets	49,722	(20,736)	1,856	(2,131)	28,711
Customer liabilities under acceptance	-	8	-	-	8
Equipment, net	28	-	-	-	28
Other assets	144	28	-	-	172
Total assets	87,136	(19,237)	1,940	(2,123)	67,716
Deposits	9,482	762	-	-	10,244
Interbank and money market items	9,516	-	-	-	9,516
Accounts payable from trading securities	50	-	-	-	50
Demand liabilities	7	-	-	-	7
Financial derivative liabilities	61,557	(31,285)	1,494	(2,130)	29,636
Borrowings	2,262	-	-	-	2,262
Bank liabilities under acceptance	-	8	-	-	8
Other liabilities	453	25	-	1	479
Total liabilities	83,327	(30,490)	1,494	(2,129)	52,202
On-balance-sheet-net foreign currency position	3,809	11,253	446	6	15,514
Off-balance-sheet-net foreign currency position	1,395,981	549,181	14,583	10,134	1,969,879

21 Currency risk (Cont'd)

	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
Total assets	69,535	(10,649)	1,316	226	60,428
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
Total liabilities	55,555	(14,555)	916	217	42,133
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

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 which 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 the 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 potential 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 derived mainly from trading and proprietary activities, and is the risk of losses arising from adverse movements in market prices. Market risks are commonly sub-divided into interest rate risk, equity price risk, foreign exchange risk and commodity risk, depending on whether the risk factor is an interest rate, a stock price or other risk factors, 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					
2010					
	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available for sale	Total
Assets as per balance sheet					
Cash and cash equivalents	1,452	-	-	-	1,452
Interbank and money market items	9,860	-	-	-	9,860
Available-for-sale financial assets	-	-	-	21,333	21,333
Financial assets at fair value though profit and loss	-	5,630	-	-	5,630
Derivative financial instruments	-	28,711	-	-	28,711
Trading and other receivables excluding prepayments	608	-	-	-	608
Total	11,920	34,341	-	21,333	67,594
	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
Liabilities as per balance sheet					
Deposits and Borrowings	2,262	-	-	10,244	12,506
Interbank and money market items	5,710	-	-	3,806	9,516
Derivative financial instruments	-	29,636	-	-	29,636
Trade and other payables excluding statutory liabilities	-	-	-	460	460
Total	7,972	29,636	-	14,510	52,118

22 Financial risk management (Cont'd)

Financial instruments by category (Cont'd)

	In million Baht				
	2009				
	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available for sale	Total
Assets as per balance sheet					
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 though 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
	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
Liabilities as per balance sheet					
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)

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:

	2010	2009
	Baht	Baht
Interbank and money market items	5,710,000,000	3,271,000,000
Borrowings	2,261,620,077	2,450,545,166
Mark-to-market loss on structured deposits and notes with embedded derivatives	(154,142,810)	(64,477,727)
Total	<u>7,817,477,267</u>	<u>5,657,067,439</u>

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

	2010	2009
	Baht	Baht
Loss from structured deposits and notes with embedded derivatives	<u>156,339,039</u>	<u>72,967,976</u>