

JPMORGAN CHASE BANK, N.A. - BANGKOK BRANCH

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2011



AUDITOR'S REPORT

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

I have audited the accompanying statements of financial position as of 31 December 2011 and 2010 and the related statements of comprehensive 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 2011 and 2010 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.

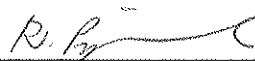
A handwritten signature in blue ink, appearing to be 'Unakorn'.

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

Bangkok
24 April 2012

JPMorgan Chase Bank, N.A. - Bangkok Branch
Statement of Financial Positions
As at 31 December 2011 and 2010

	Notes	2011 Baht	2010 Baht
Assets			
Cash		4,789,732	6,002,951
Interbank and money market items, net	6	6,584,623,512	11,298,339,036
Accounts receivable from securities trading		521,268,611	14,530,174
Financial derivatives assets	7, 33	23,973,953,203	28,556,723,903
Investments, net	8	35,571,899,642	26,963,105,799
Loans and accrued interest receivables	9		
Loans		489,905,336	523,207,803
Accrued interest receivables		170,781	104,917
Total loans and accrued interest receivables		490,076,117	523,312,720
<u>Less</u> Allowance for doubtful debts	10	(7,922,316)	(8,548,042)
Loans and accrued interest receivables, net		482,153,801	514,764,678
Customers' liability under acceptance		113,470	8,412,665
Equipment, net	11	31,292,083	27,563,356
Other assets, net	12	129,689,988	172,431,072
Total assets		67,299,784,042	67,561,873,634


 (Ms. Ratchada Piyatassikul)
 Senior Financial Officer

The notes to financial statements from page 8 to 42 are an integral part of these financial statements.

JPMorgan Chase Bank, N.A. - Bangkok Branch
Statement of Financial Position (Cont'd)
As at 31 December 2011 and 2010

	Notes	2011 Baht	2010 Baht
Liabilities and Head Office's equity and balances with other branches under the same entity			
Liabilities			
Deposits	13	10,018,792,937	10,243,802,057
Interbank and money market items	14, 33	4,363,904,306	3,806,446,184
Accounts payable from securities trading		496,067,191	49,938,634
Liability payable on demand		21,087,818	6,651,424
Financial liabilities under fair value option	15	8,289,662,680	7,817,477,267
Financial derivatives liabilities	7, 33	22,291,071,128	29,636,078,570
Bank's liability under acceptance		113,470	8,412,665
Other liabilities	16	959,328,713	479,142,283
Total liabilities		46,440,028,243	52,047,949,084
Head Office's equity and balances with other branches under the same entity			
Fund remitted into Thailand for maintaining assets under law	19	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	10,734,412,900	6,263,378,506
Others component of accounts with head office and other branches of the same entity		75,152,137	6,009,680
Provision for share based payment	18	4,447,750	-
Retained earnings		933,127,012	131,920,364
Total Head Office's equity and balances with other branches under the same entity		20,859,755,799	15,513,924,550
Total liabilities and Head Office's equity and balances with other branches under the same entity		67,299,784,042	67,561,873,634

The notes to financial statements from page 8 to 42 are an integral part of these financial statements.

JPMorgan Chase Bank, N.A. - Bangkok Branch
Statement of Comprehensive Income
For the years ended 31 December 2011 and 2010

	Notes	2011 Baht	2010 Baht
Interest income	22	1,006,702,583	743,217,640
Interest expense	23, 33	(224,334,511)	(174,109,824)
Net interest income		782,368,072	569,107,816
Fee and service income	24	30,445,236	27,675,490
Gains on trading and foreign exchange transactions	25, 33	1,066,464,471	529,848,104
Losses from financial liabilities under fair value option	26	(148,867,387)	(156,339,039)
Gain (loss) on investments in available for sales	33	30,971,772	(86,768,667)
Other operating income	27, 33	73,755,187	98,051,799
Total operating income		1,835,137,351	981,575,503
Other operating expenses			
Employee expenses		259,746,407	181,919,434
Premises and equipment expenses		36,207,852	31,129,682
Taxes and duties		29,658,148	6,591,814
Others	28, 33	396,796,930	353,199,638
Total other operating expenses		722,409,337	572,840,568
Bad debt and doubtful accounts (reversal)	29	(36,703,332)	99,490,007
Profit before income tax		1,149,431,346	309,244,928
Income tax expense		(348,224,698)	(112,392,340)
Net profit for the year		801,206,648	196,852,588
Other comprehensive income			
Gains on changes in fair value of available-for-sale securities		69,142,457	63,891,870
Total other comprehensive income		69,142,457	63,891,870
Total comprehensive income for the year		870,349,105	260,744,458

The notes to financial statements from page 8 to 42 are an integral part of these financial statements.

JPMorgan Chase Bank, N.A. - Bangkok Branch

Statements of Changes in Head Office's equity and Other Branches Under the Same Entity

For the years ended 31 December 2011 and 2010

	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	Other components of accounts with Head Office and other branches of the same entity	Provision for share-based payment	Retained earnings (deficits)	Total
	Baht	Baht	Baht	Baht	Baht	Baht
Balance as at 1 January 2010						
Net profit for the year	9,112,616,000	9,304,766,420	(57,882,190)	-	(64,932,224)	18,294,568,006
Decrease during the year	-	-	-	-	196,852,588	196,852,588
Unrealised gain on changes in fair value of available-for-sale securities	-	(3,041,387,914)	-	-	-	(3,041,387,914)
	-	-	63,891,870	-	-	63,891,870
Balance as at 31 December 2010	<u>9,112,616,000</u>	<u>6,263,378,506</u>	<u>6,009,680</u>	<u>-</u>	<u>131,920,364</u>	<u>15,513,924,550</u>
Balance as at 1 January 2011						
Total comprehensive income for the year	9,112,616,000	6,263,378,506	6,009,680	-	131,920,364	15,513,924,550
Increase during the year	-	-	-	-	801,206,648	801,206,648
Unrealised gain on changes in fair value of available-for-sale securities	-	4,471,034,394	-	-	-	4,471,034,394
Provision for share-based payment (Note 18)	-	-	69,142,457	-	-	69,142,457
	-	-	-	4,447,750	-	4,447,750
Balance as at 31 December 2011	<u>9,112,616,000</u>	<u>10,734,412,900</u>	<u>75,152,137</u>	<u>4,447,750</u>	<u>933,127,012</u>	<u>20,859,755,799</u>

The notes to financial statements from page 8 to 42 are an integral part of these financial statements.

JPMorgan Chase Bank, N.A. - Bangkok Branch
Statement of Cash Flows
For the years ended 31 December 2011 and 2010

	2011	2010
	Baht	Baht
Cash flows from operating activities:		
Net profit from operating before income tax	1,149,431,346	309,244,928
Adjustments to reconcile net profit from operating before income tax to net cash provided by (used in) operating activities:		
Bad debt and doubtful accounts (reversal)	(36,703,332)	99,490,007
Depreciation and amortisation	25,967,918	21,454,464
Provisions for employee benefits	48,389,722	-
Provision for share based payment expense	4,447,750	-
Unrealised (gain) loss on changes in fair value of trading securities	(16,325,841)	69,337,556
(Gain) loss on sales of investments in securities	(30,971,772)	76,580,368
Amortised discount on investments in securities	(540,559,715)	(189,590,789)
Loss on write-off on investments in securities	-	16,932,694
Gain on disposal of equipment	(7,796)	(15,806)
Loss on write-off of leasehold improvement and equipment	98,075	24,964
Unrealised loss (gain) on changes in fair value of financial derivative instruments (Note 33)	(2,762,236,742)	1,420,623,444
Interest income	(1,006,702,583)	(743,217,640)
Interest expense (Note 33)	224,334,511	174,109,824
Operating profit (loss) before changes in operating assets and liabilities	(2,940,838,459)	1,254,974,014
(Increase) decrease in operating assets:		
Interbank and money market items	9,957,760,527	(5,994,625,024)
Investments in trading securities	(1,194,693,404)	3,123,835,850
Loans	33,302,467	37,930,707
Other assets	(2,107,853)	(526,832)
Increase (decrease) in operating liabilities:		
Deposits	(225,009,120)	1,763,364,349
Interbank and money market items (Note 33)	557,458,122	(575,392,796)
Liability payable on demand	14,436,394	(46,226,186)
Financial liabilities under fair value option	472,185,413	2,160,409,827
Other liabilities	62,224,864	(25,120,095)
Net balance of inter-office accounts with Head Office and other branches under the same entity	4,484,341,164	(3,041,692,858)
Net cash provided by (used in) operating activities before interest received, interest paid and income tax paid - carried forward	11,219,060,115	(1,343,069,044)

The notes to financial statements from page 8 to 42 are an integral part of these financial statements.

JPMorgan Chase Bank, N.A. - Bangkok Branch
Statement of Cash Flows (Cont'd)
For the years ended 31 December 2011 and 2010

	2011	2010
	Baht	Baht
Net cash provided by (used in) operating activities before interest received, interest paid and income tax paid - brought forward	11,219,060,115	(1,343,069,044)
Interest received	1,043,283,808	811,531,593
Interest paid (Note 33)	(96,376,676)	(71,683,260)
Income tax paid	(106,610,690)	(218,322,454)
Net cash provided by (used in) operating activities	12,059,356,557	(821,543,165)
Cash flows from investing activities:		
Purchase of investments in securities (Note 33)	(57,816,946,502)	(29,516,786,852)
Proceed from sales of investments in securities (Note 33)	4,697,235,969	1,803,407,408
Proceed from matured investments in securities	46,302,000,000	28,910,000,000
Proceed from sales of equipment	154,070	21,500
Purchase of equipment	(21,414,190)	(10,889,689)
Purchase of leasehold improvement	(1,095,794)	(8,823,363)
Net cash provided by (used in) investing activities	(6,840,066,447)	1,176,929,004
Net increase in cash and cash equivalents	5,219,290,110	355,385,839
Cash and cash equivalents at beginning of the year	1,451,745,744	1,096,359,905
Cash and cash equivalents at end of the year	6,671,035,854	1,451,745,744
Cash and cash equivalents		
Cash on hand	4,789,732	6,002,951
Interbank and money market items	6,645,577,394	1,438,380,835
Net balance of inter-office accounts with Head Office and other branches under the same entity	20,668,728	7,361,958
	6,671,035,854	1,451,745,744

The notes to financial statements from page 8 to 42 are 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:

Bubhajit 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 24 April 2012.

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 primary financial statements (i.e. statement of financial position, statement of comprehensive income, statement of changes in Head Office’s equity and other branches under the same entity and statement of cash flows) are prepared in the format as required by the Notification of the Bank of Thailand (“BOT”), No. SorNorSor. 11/2553, “The Preparation and Format of the Financial Statements of Commercial Bank and Holding Parent Company of Financial Group” dated on 3 December 2010.

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 the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

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)

2.1 Basis of preparation of financial statements (Cont'd)

Refer to Note 33, the major comparative figures have been reclassified as necessary to conform with the presentation according to the Notification of the BOT No. SorNorSor. 11/2553, "The Presentation and Format of the Financial Statements of Commercial Bank and Holding Parent Company of Financial Group" dated 3 December 2010 which is mandatory for the accounting periods beginning on or after 1 January 2011.

2.2 New accounting standards, new financial reporting standards, new interpretation, amendments to accounting standards

- a) New accounting standards, new financial reporting standards, new interpretations, and amendments to accounting standards effective for the periods beginning on or after 1 January 2011 and adopted by the Bank:

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
TSIC 31	Revenue - Barter Transactions Involving Advertising Services

2 Accounting policies (Cont'd)

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

- a) New accounting standards, new financial reporting standards, new interpretations, and amendments to accounting standards effective for the periods beginning on or after 1 January 2011 and adopted by the Bank: (Cont'd)

The accounting policies used in the preparation of the financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2010 except as described in note 3 which are new accounting policies regarding employee benefits and share based payment. The impacts of the adoption of new accounting policies are summarised as follows:

- Thai Accounting Standard 1 (Revised 2009) - TAS 1, the revised standard prohibits the presentation of items of income and expenses in the statement of changes in owners' equity. The Bank chooses to present the statement of comprehensive income in one single statement. Where the Bank restates or reclassifies comparative information, a restated statement of financial position is required to be presented as at the beginning comparative period, in addition to the current requirement to present the statement of financial position as at the end of the current period and the comparative period. However, for the financial statements whose period beginning on or after 1 January 2011 and which period is the first period to apply this standard, the Bank can choose to present the statement of financial position only two periods without the statement of financial position as at the beginning comparative period. The Bank has adopted TAS 1 (Revised 2009) with effect from 1 January 2011.
- Thai Accounting Standard 19 - TAS 19 deals with the accounting for employee benefits. The Bank classifies employee benefits into 4 categories of employee benefits: 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 by using the Projected Unit Credit method (PUC). The Bank chooses to recognise any actuarial gain or loss for defined benefit plan and other long-term employee benefits in the statement of comprehensive income as at 1 January 2011. The Bank calculated the provisions for post-employment benefits and chose to recognise the whole amount of retirement benefits in the statement of comprehensive income in this year as stated in notification of Federation of Accounting Professions no.17/2554.

The impact of the first time adoption of accounting policy is as follows:

	Baht
Statement of financial position as at 1 January 2011	
Present value of obligations	34,536,022
Statement of comprehensive income	
for the year ended 31 December 2011	
Personnel expenses	34,536,022

2 Accounting policies (Cont'd)

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

- a) New accounting standards, new financial reporting standards, new interpretations, and amendments to accounting standards effective for the periods beginning on or after 1 January 2011 and adopted by the Bank: (Cont'd)

- Thai Financial Reporting Standard 2 - TFRS 2 deals with share based payment. The Bank has equity-settled share based compensation plan. The Bank recognised the fair value of employee services received as expense in the statement of comprehensive income against its equity by adjusting prospectively. The impact of the adoption of accounting policy is as follows:

	<u>Baht</u>
Statement of comprehensive income for the year ended 31 December 2011	
Personnel expenses	4,447,750
Statement of changes in Head Office's equity and other branches under the same entity for the year ended 31 December 2011	
Provision for share based payment	4,447,750

- b) Amendments to accounting standards and new interpretations to accounting standard that are not yet effective and have not been early adopted by the Bank:

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
TSIC 10	Government Assistance - No Specific Relation to Operating Activities
TSIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
TSIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

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

2 Accounting policies (Cont'd)

2.3 Recognition of income

Interest income on loans and receivable is recognised on an accrual basis. The Bank discontinues recognition of accrued interest income for loans overdue 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 by using the effective interest rate method.

Other income is recognised as income on an accrual basis.

2.4 Recognition of interest expenses

Interests on interbank and money market items, borrowings and deposits are recognised as expenses on an accrual basis.

2.5 Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, interbank and money market items and balance of inter-office accounts with Head Office and other branches under the same entity, other short-term highly liquid investments with maturities less than three months from an acquisition date.

2.6 Investments

Investments are recognised on the trade date

Investments in debt securities which are classified as trading securities are carried at fair value. Fair value of traded debt securities is reference to the last quoted bid price and if securities are not traded in the established market, fair value is calculated by reference to the risk-free yield curve adjusted by an appropriate risk premium (if any). Increases or decreases in the carrying amount are recognised in statement of comprehensive income when incurred.

Investments in debt securities which are classified as available-for-sale securities are carried at fair value by reference to the last quoted bid price. Fair value of debt securities, not traded in the established market, is calculated using the generally accepted method which is discounted cash flow by reference to the risk-free yield curve adjusted by an appropriate risk premium (if any). 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)

2.6 Investments (Cont'd)

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 comprehensive income when incurred.

The Bank uses the First-in, First-out method in determining the cost of the disposed securities. Gain or loss on disposal of all types of investments is taken to the statements of comprehensive income in the period which the transactions take place.

2.7 Loans and allowance for doubtful accounts

Loans are recognised on the trade date

Loans are generally stated at the principal amounts outstanding. The allowance increases by provisions charged to expense and decreases by write-offs, net of recoveries after receiving cash. The allowance is based on the Bank management's review and assessment of the status of an 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 balances through the economic situation which may have an impact on the customers' ability to pay.

2.8 Equipment

Equipment is stated at historical cost less accumulated depreciation and impairment (if any).

Depreciation is calculated on a straight-line basis to write off the cost of each asset over its estimated useful life as follows:

Computer equipment	3 to 4 years
Office equipment	5 years
Furniture and fixtures	10 years
Motor vehicles	5 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 comprehensive 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 Accounting policies (Cont'd)

2.13 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 comprehensive income.

2.14 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.

2.15 Offsetting

Financial assets and financial liabilities are presented in the statement of financial position 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.

2.16 Income tax

The Bank calculates income tax based on the taxable profits determined in accordance with tax legislation.

2.17 Financial liabilities under fair value option

The Bank designated certain borrowings upon initial recognition of financial liabilities at fair value through profit or loss (fair value option); this designation cannot be changed subsequently. The fair value option is applied, as the borrowing consists of borrowing host and embedded derivatives that must otherwise be separated.

Financial liabilities for which the fair value option is applied are recognised in the statement of financial position as "Financial liabilities under fair value option". Fair value changes relating to financial liabilities under fair value option are recognised in "Gains (losses) from financial liabilities under fair value option".

3 Accounting policies (Cont'd)

2.9 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.

2.10 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 entities, 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 entities 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.

2.11 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 statement of financial position 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 comprehensive income when incurred.

2.12 Derivatives

Financial derivative instruments are recognised on the trade date

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

3 New Accounting policies

3.1 Employee benefits

The Bank has post-employment benefits both provident fund and defined benefit. A defined contribution plan is a plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a plan that is not a defined contribution plan. Typically defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Under Labour Laws applicable in Thailand and the Bank's employment policy, all employees completing 120 days of service are entitled to severance pay on termination or retrenchment without cause or upon retirement age of 60. The severance pay will be at the rate according to number of years of service as stipulated in the Labor Law which is currently at a maximum rate of 300 days of final salary.

3.2 Share based payment

The Bank operates a number of equity-settled share based compensation plan, under which the Bank receives services from employees as consideration of shares of the ultimate parent Bank. The fair value of employee services received in exchange for the grant of the shares is recognised as an expense in the statement of comprehensive income against its equity over the vesting period.

4 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. The resulting accounting estimates will, by definition, seldom equal the related actual results.

a) 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.

b) 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.

4 Critical accounting estimates, assumptions and judgements (Cont'd)

c) 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.

d) 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.

e) Post-employment benefits

The Bank has commitment on post-retirement benefits to employees on reaching retirement age. The present value of employee benefit liabilities recognised in the statement of financial position is determined on the present value of estimated future cash outflows for staff. The assumptions used in determining the net annual cost for employee benefits include the salary and years of services of respective employees which are payable in the future year and discount rate (Government bond). Any changes in these assumptions will impact the net annual cost recorded for employee benefits. At each period ends, the Bank revises the appropriate discount rate, which represents the rate that should be used to determine the present value of future cash flows to settle the nearly reached retired employee benefits at the end of period when there are material impacts.

5 Capital risk management

The Bank's objective when managing capital is to safeguard the Bank's ability to continue as a going concern in order to provide returns for Head Office and other branches under the same entity.

The Bank maintains a capital adequacy ratio in accordance with the Act on undertaking of Banking Business B.E. 2551. Capital funds are disclosed in note 19.

6 Interbank and money market items, net (assets)

	2011		
	Demand Baht	Time Baht	Total Baht
Domestic items			
The Bank of Thailand	70,310,363	-	70,310,363
Commercial banks	220,217,220	6,350,000,000	6,570,217,220
Total	290,527,583	6,350,000,000	6,640,527,583
<u>Add</u> Accrued interest receivable	-	1,114,932	1,114,932
<u>Less</u> Allowance for doubtful accounts	-	(63,500,000)	(63,500,000)
Total domestic items, net	290,527,583	6,287,614,932	6,578,142,515
Foreign items			
US Dollar	-	1,445,042	1,445,042
Japanese Yen	1,847,353	-	1,847,353
Euro	800,924	-	800,924
Danish Krone	540,478	-	540,478
Others	1,861,055	-	1,861,055
Total	5,049,810	1,445,042	6,494,852
<u>Add</u> Accrued interest receivable	-	595	595
<u>Less</u> Allowance for doubtful accounts	-	(14,450)	(14,450)
Total foreign items, net	5,049,810	1,431,187	6,480,997
Total interbank and money market items, net	295,577,393	6,289,046,119	6,584,623,512

	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, net	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, net	92,048,263	54,343,166	146,391,429
Total interbank and money market items, net	488,380,835	10,809,958,201	11,298,339,036

7 Financial derivative

Trading derivatives

Fair value and notional amount classified by risks as at 31 December comprise of the followings:

Types of risks	2011		
	Fair value		National amount Baht
	Assets Baht	Liabilities Baht	
Foreign Exchange rate	13,306,180,123	10,444,413,207	582,714,585,037
Interest rate	10,436,426,464	11,524,654,969	959,016,718,406
Credit and commodity price	231,346,616	322,002,952	10,972,406,229
Total trading derivatives	23,973,953,203	22,291,071,128	1,552,703,709,672

Types of risks	2010		
	Fair value		National amount Baht
	Assets Baht	Liabilities Baht	
Foreign Exchange rate	14,469,239,297	14,367,852,254	511,544,785,560
Interest rate	14,087,484,606	15,234,062,738	958,108,550,234
Credit	-	34,163,578	2,463,328,600
Total trading derivatives	28,556,723,903	29,636,078,570	1,472,116,624,394

Proportion of derivative contract balances as at 31 December classified by counterparties comprise of the followings:

	2011 Percentage	2010 Percentage
Financial institutions	79	72
Affiliated companies	19	25
Third parties	2	3
Total trading derivatives	100	100

8 Investments, net

	2011 Fair value Baht	2010 Fair value Baht
Trading securities		
Government and state enterprise securities	6,841,453,987	5,630,434,742
Total	6,841,453,987	5,630,434,742
Available-for-sale securities		
Government and state enterprise securities	28,730,445,655	21,332,671,057
Total	28,730,445,655	21,332,671,057
Total investments, net	35,571,899,642	26,963,105,799

9 Loans and accrued interest receivables, net

9.1 Classified by types of loans:

	2011 Baht	2010 Baht
Overdrafts	7,948,981	8,755,001
Loans	481,956,355	514,452,802
Total loans	489,905,336	523,207,803
<u>Add</u> Accrued interest receivables	170,781	104,917
Total loans and accrued interest receivables	490,076,117	523,312,720
<u>Less</u> Allowance for doubtful accounts	(7,922,316)	(8,548,042)
Total loans and interest receivables, net	<u>482,153,801</u>	<u>514,764,678</u>

9.2 Classified by currencies and residencies of customers:

	2011		
	Domestic Baht	Foreign Baht	Total Baht
Thai Baht	17,815,631	-	17,815,631
US Dollar	472,089,705	-	472,089,705
Total loans	489,905,336	-	489,905,336
<u>Add</u> Accrued interest receivables	170,781	-	170,781
Total loans and accrued interest receivables	<u>490,076,117</u>	<u>-</u>	<u>490,076,117</u>

	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
<u>Add</u> Accrued Interest receivables	104,917	-	104,917
Total loans and accrued interest receivables	<u>523,312,720</u>	<u>-</u>	<u>523,312,720</u>

9 Loans and accrued interest receivables, net (Cont'd)

9.3 Classified by types of business and classification:

	2011					Total Baht
	Normal Baht	Special mention Baht	Substandard Baht	Doubtful Baht	Doubtful loss Baht	
Manufacturing and commerce	472,089,705	-	-	-	5,861,295	477,951,000
Utilities and services	7,948,981	-	-	-	-	7,948,981
Others	2,044,693	-	-	-	1,960,662	4,005,355
Total loans	482,083,379	-	-	-	7,821,957	489,905,336
Add Accrued interest receivables	170,359	-	-	-	422	170,781
Total loans and accrued interest receivables	482,253,738	-	-	-	7,822,379	490,076,117

	2010					Total Baht
	Normal Baht	Special mention Baht	Substandard Baht	Doubtful Baht	Doubtful loss Baht	
Manufacturing and commerce	503,422,840	-	1,000,000	-	5,884,347	510,307,187
Utilities and services	8,754,297	-	-	-	-	8,754,297
Others	2,144,104	-	-	-	2,002,215	4,146,319
Total loans	514,321,241	-	1,000,000	-	7,886,562	523,207,803
Add Accrued interest receivables	95,145	-	9,342	-	430	104,917
Total loans and accrued interest receivables	514,416,386	-	1,009,342	-	7,886,992	523,312,720

9 Loans and accrued interest receivables, net (Cont'd)

9.4 Classified by classification:

The Bank has loans and accrued interest receivables and the allowance for doubtful accounts which can be classified in accordance with the Bank of Thailand (BOT) guidelines as follows:

Classifications	2011			
	Loans and accrued interest receivables Baht	Net amount used as a basis for setting allowance for doubtful accounts Baht	Allowance for doubtful accounts Minimum % required according to BOT guidelines	Total allowance Baht
Normal	482,253,738	9,993,673	1	99,937
Doubtful loss	7,822,379	7,822,379	100	7,822,379
Total	490,076,117	17,816,052		7,922,316

Classifications	2010			
	Loans and accrued interest receivables Baht	Net amount used as a basis for setting allowance for doubtful accounts Baht	Allowance for doubtful accounts Minimum % required according to BOT guidelines	Total allowance Baht
Normal	514,416,386	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
Total	523,312,720	73,067,074		8,548,042

10 Allowance for doubtful accounts

	2011					
	Normal Baht	Special mention Baht	Substandard Baht	Doubtful Baht	Doubtful loss Baht	Total Baht
Balance at beginning of the year	651,708	-	9,342	-	7,886,992	8,548,042
Reversal of allowance for doubtful accounts (Note 30)	(551,771)	-	(9,342)	-	(64,613)	(625,726)
Balance at end of the year	99,937	-	-	-	7,822,379	7,922,316

	2010					
	Normal Baht	Special mention Baht	Substandard Baht	Doubtful Baht	Doubtful loss Baht	Total Baht
Balance at beginning of the year	61,164	-	-	-	7,943,122	8,004,286
Allowance for doubtful accounts (reversal) (Note 30)	590,544	-	9,342	-	(56,130)	543,756
Balance at end of the year	651,708	-	9,342	-	7,886,992	8,548,042

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For the years ended 31 December 2011 and 2010

11 Equipment, net

	Computer equipment Baht	Office equipment Baht	Furnitures, fixture & fitting Baht	Motor vehicles Baht	Fixed assets in progress Baht	Total Baht
As at 1 January 2010						
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	8,081,477	15,642,215	4,829,661	1	1,864,222	30,417,576
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 - net	(24,544)	(9)	(6,105)	-	-	(30,658)
Depreciation charge	(4,456,775)	(6,705,555)	(686,699)	-	-	(11,849,029)
Closing net book value	11,519,153	9,711,983	4,230,707	1	2,101,512	27,563,356
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	11,519,153	9,711,983	4,230,707	1	2,101,512	27,563,356
For the year ended 31 December 2011						
Opening net book value	11,519,153	9,711,983	4,230,707	1	2,101,512	27,563,356
Additions	18,767,217	491,230	215,971	-	1,939,772	21,414,190
Transfer to computer equipment and leasehold improvement	434,211	-	-	-	(2,007,194)	(1,572,983)
Disposals/write off - net	-	(150,023)	(8)	-	(94,318)	(244,349)
Depreciation charge	(9,906,679)	(5,257,121)	(704,331)	-	-	(15,868,131)
Closing net book value	20,813,902	4,796,069	3,742,339	1	1,939,772	31,292,083
As at 31 December 2011						
Cost	73,763,581	38,953,884	38,019,668	48,000	1,939,772	152,724,905
<u>Less</u> Accumulated depreciation	(52,949,679)	(34,157,815)	(34,277,329)	(47,999)	-	(121,432,822)
Net book value	20,813,902	4,796,069	3,742,339	1	1,939,772	31,292,083

12 Other assets, net

	2011 Baht	2010 Baht
Leasehold right and leasehold improvement, net	83,258,828	90,689,838
Accrued interest receivables	39,683,028	77,100,955
Prepaid expenses	2,971,779	2,616,172
Other receivables	3,776,353	2,024,107
Total	129,689,988	172,431,072
The amortisation cost of leasehold right and depreciation of leasehold improvement for the year	10,099,787	9,605,435

13 Deposits

13.1 Classified by types of deposits:

	2011 Baht	2010 Baht
On demand	428,027,108	476,783,104
Savings	9,440,765,829	9,767,018,953
Fixed	150,000,000	-
Total	10,018,792,937	10,243,802,057

13.2 Classified by currencies and residencies of depositors:

	2011		
	Domestic Baht	Foreign Baht	Total Baht
Thai Baht	8,698,341,717	13,324,374	8,711,666,091
US Dollar	1,307,126,846	-	1,307,126,846
Total	10,005,468,563	13,324,374	10,018,792,937

	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

14 Interbank and money market items (liabilities)

	2011		
	Demand Baht	Time Baht	Total Baht
Domestic items			
Life insurance companies	-	2,200,000,000	2,200,000,000
Securities company	58,898,486	2,100,000,000	2,158,898,486
Total domestic items	58,898,486	4,300,000,000	4,358,898,486
Foreign items			
Thai Baht	5,005,820	-	5,005,820
Total foreign items	5,005,820	-	5,005,820
Total interbank and money market items	63,904,306	4,300,000,000	4,363,904,306
2010			
	Demand Baht	Time Baht	Total Baht
Domestic items			
Life insurance companies	-	1,500,000,000	1,500,000,000
Securities company	6,397,864	2,300,000,000	2,306,397,864
Total domestic items	6,397,864	3,800,000,000	3,806,397,864
Foreign items			
Thai Baht	48,320	-	48,320
Total foreign items	48,320	-	48,320
Total interbank and money market items	6,446,184	3,800,000,000	3,806,446,184

15 Financial liabilities under fair value option

	2011 Baht	2010 Baht
Bill of exchange	8,289,662,680	7,817,477,267
Total	8,289,662,680	7,817,477,267

Proportion of transactions being classified by type of counterparties

	2011 Percentage	2010 Percentage
Financial institutions	76	72
Others	24	28
Total	100	100

Changes in fair value due to credit risks

	2011 Baht	2010 Baht
Balance of unrealised gain at beginning of the year	280,037,616	128,976,757
Increase during the year	202,341,485	179,486,591
Translation adjustment	20,075,212	(28,425,732)
Balance unrealised gain at end of the year	502,454,313	280,037,616

16 Other liabilities

	2011 Baht	2010 Baht
Accrued interest payable	381,158,012	253,200,177
Accrued bonuses	50,229,457	46,479,260
Income tax payable	302,203,686	60,589,677
Others	225,737,558	118,873,169
Total	959,328,713	479,142,283

17 Provision for post-employee benefits

Provision for post-employment benefits is for employees with more than 120 days of service and who resign in accordance with the rules and conditions stipulated under the labour laws applicable in Thailand.

As at 31 December 2011, the post-employment benefits provided to 67 employees which are unfunded obligations as follows:

	2011 Baht
Present value of obligations	48,389,722
<u>Less</u> Deferred present value of obligations	<u>-</u>
Provision for post-employment benefits	<u>48,389,722</u>

Movements of provision for post-employment benefits are as follows:

	2011 Baht
Beginning balance	-
Adjusted service costs	34,536,022
Current service costs	12,421,698
Interest costs	1,432,002
<u>Less</u> benefits paid for the period	<u>-</u>
Ending balance	<u>48,389,722</u>

Expenses for post-employment benefits were recognised in the statement of comprehensive income as follows:

	2011 Baht
Adjusted service costs	34,536,022
Current service costs	12,421,698
Interest costs	1,432,002
Total	<u>48,389,722</u>

Significant assumptions used in the actuarial calculation are summarised as follows:

	2011
Discount rate	4.1464%
Salary increase rate	14%
Pre-retirement mortality rate	100% of Thai Mortality Ordinary Table 2008
Disability rate	5% of Thai Mortality Ordinary Table 2008
Pre-retirement withdrawal rate	From 3 years historical data
Retirement age	60 years old

18 Share based payment

The restricted stock units of the ultimate parent company, JPMorgan Chase & Co, will be awarded at no cost to employees who are eligible according to the group entity's regulations, upon their grant. The restricted stock units are generally granted annually and can be vested for 50% of granted amount after two years and for another 50% of granted amount after three years. The restricted stock units are converted into shares of JPMorgan Chase & Co. at the vesting date. The employees are able to continue their vesting upon voluntary employment termination, which would be based on the age and year of service requirements. Before vesting, the restricted stock units entitle the recipient to receive cash payments equivalent to dividend paid on the underlying common stocks during the period the restricted stock units are outstanding. However, all of these awards are subject to forfeiture until the vesting date.

As at 31 December 2011, the number of outstanding shares is 7,606 units. The weighted average share price at grant date is USD 44.29.

For the year ended 31 December 2011, the total share-based payment expense recognised during the financial period amounting to Baht 4.45 million.

19 Capital funds

	2011 Baht	2010 Baht
Assets maintained in accordance with Section 32	9,112,616,000	9,112,616,000
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	10,734,412,900	6,263,378,506
Total	19,655,568,480	15,184,534,086
Capital funds	8,921,155,580	8,921,155,580
Total capital funds to risk weighted assets ratio (%)	14.14	14.07

The Bank will disclose capital maintenance information as at 31 December 2011 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 2012.

20 Commitments

As at 31 December, the Bank has the following commitments (excluding derivatives in Note 7) which were incurred in the normal course of business as follows:

	2011		
	Thai Baht Baht	Foreign currencies Baht	Total Baht
Letter of Credit	-	9,980,216,324	9,980,216,324
Guarantees	1,040,478,738	348,796,886	1,389,275,624
Unused overdraft credit line	82,051,019	-	82,051,019
Unused credit facilities	-	316,912,000	316,912,000
Total	<u>1,122,529,757</u>	<u>10,645,925,210</u>	<u>11,768,454,967</u>

	2010		
	Thai Baht Baht	Foreign currencies Baht	Total Baht
Letter of Credit	-	33,710,495	33,710,495
Guarantees	92,664,221	50,239,831	142,904,052
Unused overdraft credit line	96,245,703	-	96,245,703
Unused credit facilities	-	301,513,000	301,513,000
Total	<u>188,909,924</u>	<u>385,463,326</u>	<u>574,373,250</u>

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

21 Related party transactions

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

The ultimate holding company is JPMorgan Chase & Co., a company incorporated in the United States of America. JPMorgan Chase Bank, N.A. is a wholly-owned subsidiary of JPMorgan Chase & Co.

21 Related party transactions (Cont'd)

Relationships of related parties

Head Office

- JPMorgan Chase & Co.
- JPMorgan Chase Bank, N.A.

Other Branches

- J.P. Morgan Chase Bank Berhad
- JPMorgan Chase Bank, N.A. - London Branch
- JPMorgan Chase Bank, N.A. - Sydney Branch
- JPMorgan Chase Bank, N.A. - Tokyo Branch
- JPMorgan Chase Bank, N.A. - Hong Kong Branch
- JPMorgan Chase Bank, N.A. - Singapore Branch
- JPMorgan Chase Bank, N.A. - Jakarta Branch
- JPMorgan Chase Bank, N.A. - Manila Branch
- JPMorgan Chase Bank, N.A. - Taipei Branch

Fellow subsidiaries

- J.P. Morgan (S.E.A.) Limited
- J.P. Morgan AG
- J.P. Morgan International Finance Limited
- J.P. Morgan Securities (Asia Pacific) Limited
- J.P. Morgan Securities (Thailand) Ltd.
- J.P. Morgan Securities Asia Private Limited
- J.P. Morgan Securities India Private Limited
- J.P. Morgan Securities LLC
- J.P. Morgan Securities Ltd.
- JPMorgan Securities Japan Co., Ltd.

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

	2011	2010
	Million Baht	Million Baht
Statement of financial position		
Interbank and money market items, net - assets		
J.P. Morgan, A.G.	1	5
Interbank and money market items - liabilities		
J.P. Morgan Securities (Thailand) Ltd.	2,159	2,006
Net balance of inter-office accounts with Head Office and other branches under the same entity		
JPMorgan Chase Bank, N.A.	17	4
JPMorgan Chase Bank, N.A. - London Branch	5	3
JPMorgan Chase Bank, N.A. - Singapore Branch	2	-
JPMorgan Chase Bank, N.A. - Hong Kong Branch	(10,759)	(6,271)
Commitments	295,817	376,208

21 Related party transactions (Cont'd)

	2011 Million Baht	2010 Million Baht
Statements of comprehensive income		
Interest expense	59	36
Fees and service incomes	9	9
Other operating income	56	26
Fees and services expenses and other expenses	244	226

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.

22 Important position and performance classified by type of domestic or foreign transactions

22.1 Position classified by type of transaction

	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Total assets	67,300	-	67,300	67,562	-	67,562
Interbank and money						
market items, net	6,585	-	6,585	11,298	-	11,298
Investments, net	35,572	-	35,572	26,963	-	26,963
Loans and accrued						
interest receivables, net	482	-	482	515	-	515
Deposits	10,019	-	10,019	10,244	-	10,244
Interbank and money						
market items	4,364	-	4,364	3,806	-	3,806
Financial liabilities						
under fair value option	8,290	-	8,290	7,817	-	7,817

22.2 Performance classified by types of transaction

	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Interest income	1,006	-	1,006	743	-	743
Interest expense	(224)	-	(224)	(174)	-	(174)
Net interest income	782	-	782	569	-	569
Fee and service income	30	-	30	28	-	28
Other operating incomes	1,022	-	1,022	385	-	385
Other operating expenses	685	-	685	673	-	673
Profit before income tax	1,149	-	1,149	309	-	309

23 Interest income

	2011 Baht	2010 Baht
Interbank and money market items, net	145,560,589	52,650,924
Investments and trading transactions	189,430,618	259,523,883
Investments in debt securities	663,372,184	422,114,990
Loans	8,339,192	8,927,843
Total	<u>1,006,702,583</u>	<u>743,217,640</u>

24 Interest expense

	2011 Baht	2010 Baht
Deposits	9,771,396	6,080,785
Interbank and money market items	191,642,541	141,125,574
Contribution fee to the Deposit Protection Agency	19,954,107	24,148,515
Others	2,966,467	2,754,950
Total	<u>224,334,511</u>	<u>174,109,824</u>

25 Fee and service income

	2011 Baht	2010 Baht
Fees and service incomes		
- Money transfer and collection services	7,119,194	5,361,462
- Fee relating to letter of credit	7,342,694	5,280,498
- Service fees from related companies	9,055,756	8,664,656
- Fee relating to other guarantees	1,520,007	2,682,622
- Others	5,407,585	5,686,252
Total	<u>30,445,236</u>	<u>27,675,490</u>

26 Gains on trading and foreign exchange transactions

	2011 Baht	2010 Baht
Gains on foreign services and foreign exchange rate derivatives	833,911,908	858,279,917
Gains (losses) on interest rate derivatives	126,061,472	(633,578,673)
Gains on debt securities	106,491,091	305,146,860
Total	<u>1,066,464,471</u>	<u>529,848,104</u>

27 Losses from financial liabilities under fair value option

	2011 Baht	2010 Baht
Changes in fair value of:		
Deposits	2,992,261	(760,377)
Borrowings	83,127,037	118,548,266
	86,119,298	117,787,889
Losses on redemption	(234,986,685)	(274,126,928)
Total	(148,867,387)	(156,339,039)

Changes in fair value include changes in fair value due to credit risks are as follows:

	2011 Baht	2010 Baht
Charges in fair value due to credit risks	202,341,485	179,486,591

28 Other operating income

	2011 Baht	2010 Baht
Income sharing from financial derivative trading	53,868,537	23,312,390
Others	19,886,650	74,739,409
Total	73,755,187	98,051,799

29 Other expenses

	2011 Baht	2010 Baht
Service fees to related companies	249,082,857	231,186,862
Other reserves	44,137,112	36,653,314
Brokerage commissions	20,570,718	19,823,487
Other	83,006,243	65,535,975
Total	396,796,930	353,199,638

30 Bad debt and doubtful accounts (reversal)

	2011 Baht	2010 Baht
Interbank and money market items, net	(36,077,606)	98,946,251
Loans	(625,726)	543,756
Total	(36,703,332)	99,490,007

31 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, Interbank and money market, investments in debts, loans to and accrued interest receivable, accounts receivable from securities trading 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.

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.

31 Financial risk management (Cont'd)

(a) Credit risk (Cont'd)

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 statement of financial position 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.

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.

31 Financial risk management (Cont'd)

(b) Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Bank's operations. Sensitivity to interest rates arises from mismatches in the interest rate characteristics of the assets and their corresponding funding liability. One of the major causes of these mismatches is timing differences in the repricing of the assets and liabilities. These mismatches are actively managed by the Branch and its Head Office as part of the overall risk management process which is conducted within internal guidelines and in conjunction with market risk.

(c) Currency risk

Currency risk is the risk to earnings and value of financial instruments caused by the fluctuations in foreign exchange rates. It is managed in conjunction with market risk.

The Bank manages currency risk within the limit which is approved by the Thailand Risk Committee. In addition, the Bank limits the net foreign currency position of each currency at 15% of the total fund of the Bank, and limits the net foreign currency in aggregate of every currency at 20% of total funds of the Bank. The ratio is complied with the regulation of the Bank of Thailand.

The following table presents a currency analysis for monetary assets and liabilities on statement of financial position as at 31 December as follow:

	Unit: Million Baht				
	2011				
	Baht	US Dollar	Japanese Yen	Others	Total
Cash	5	-	-	-	5
Interbank and money market items, net	6,578	2	2	3	6,585
Accounts receivable from securities trading	521	-	-	-	521
Financial derivative assets	9,537	14,772	2,763	(3,098)	23,974
Investments	35,572	-	-	-	35,572
Loans and accrued interest receivables	18	472	-	-	490
Allowance for doubtful account	(8)	-	-	-	(8)
Other assets	43	-	-	-	43
Total assets	52,266	15,246	2,765	(3,095)	67,182
Deposits	8,712	1,307	-	-	10,019
Interbank and money market items	4,364	-	-	-	4,364
Accounts payable from securities trading	496	-	-	-	496
Demand liabilities	21	-	-	-	21
Financial liabilities under fair value option	8,792	(502)	-	-	8,290
Financial derivative liabilities	11,743	10,884	2,763	(3,099)	22,291
Other liabilities	792	4	-	-	796
Total liabilities	34,920	11,693	2,763	(3,099)	46,277
On-balance-sheet-net foreign currency position	17,346	3,553	2	4	20,905
Off-balance-sheet-net foreign currency position	1,176,619	373,172	4,128	10,553	1,564,472

31 Financial risk management (Cont'd)

(c) Currency risk (Cont'd)

	Unit: Million Baht				
	2010				
	Baht	US Dollar	Japanese Yen	Others	Total
Cash	6	-	-	-	6
Interbank and money market items, net	10,247	959	84	8	11,298
Accounts receivable from securities trading	15	-	-	-	15
Financial derivative assets	49,568	(20,736)	1,856	(2,131)	28,557
Investments	26,963	-	-	-	26,963
Loans and accrued interest receivables	20	503	-	-	523
Allowance for doubtful account	(8)	-	-	-	(8)
Other assets	78	-	-	-	78
Total assets	86,889	(19,274)	1,940	(2,123)	67,432
Deposits	9,482	762	-	-	10,244
Interbank and money market items	3,806	-	-	-	3,806
Accounts payable from securities trading	50	-	-	-	50
Demand liabilities	7	-	-	-	7
Financial liabilities under fair value option	8,098	(281)	-	-	7,817
Financial derivative liabilities	61,557	(31,285)	1,494	(2,130)	29,636
Other liabilities	381	18	-	1	400
Total liabilities	83,381	(30,786)	1,494	(2,129)	51,960
On-balance-sheet-net foreign currency position	3,508	11,512	446	6	15,472
Off-balance-sheet-net foreign currency position	1,153,153	305,992	8,467	5,079	1,472,691

(d) Liquidity risk

Liquidity risk is the risk that a firm, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost. The Bank's liquidity management framework is intended to maximise liquidity access and minimise funding costs. Management uses a variety of measures to mitigate liquidity and related risks, taking into consideration market conditions, funding needs and the profile of the location's liability base.

Treasury is responsible for day to day oversight and management of the liquidity of the Bank, and for ensuring compliance with regulations and the liquidity risk management policy. It is responsible for monitoring, managing and reporting the liquidity risk profile for the Bank. It formulates the location's liquidity strategies, including contingency planning; monitors cash flow requirements to determine potential funding gaps; maintains ongoing interaction with lines of business to track funding and business trends; and through all of the above seeks to avoid funding stress through early detection of liquidity issues

31 Financial risk management (Cont'd)

(d) Liquidity risk (Cont'd)

The liquidity management framework has well-defined roles and responsibilities. Daily liquidity risk management tools are used by local Treasury traders to monitor the liquidity profile of the Bank. Funding limits and guidelines have been established, which in conjunction with the monthly liquidity stress tests provide assurance that sufficient funding is available even during periods of market stress

The following table presents a maturity analysis for monetary assets and liabilities on statement of financial position as at 31 December.

	Unit: Million Baht						
	2011						
	At call	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No maturity	Total
Cash	5	-	-	-	-	-	5
Interbank and money market items, net	296	6,289	-	-	-	-	6,585
Accounts receivable from securities trading	-	521	-	-	-	-	521
Financial derivative assets	-	4,760	3,981	7,278	7,955	-	23,974
Investments	-	11,086	18,481	2,861	3,144	-	35,572
Loans and accrued interest receivables	-	480	-	-	2	8	490
Allowance for doubtful accounts	-	-	-	-	-	(8)	(8)
Other monetary assets	-	19	24	-	-	-	43
Total assets	301	23,155	22,486	10,139	11,101	-	67,182
Deposits	10,019	-	-	-	-	-	10,019
Interbank and money market items	64	2,100	-	2,200	-	-	4,364
Accounts payable from securities trading	-	496	-	-	-	-	496
Demand liabilities	21	-	-	-	-	-	21
Financial liabilities under fair value option	-	998	305	1,172	5,815	-	8,290
Financial derivative liabilities	-	3,863	4,413	7,843	6,172	-	22,291
Other monetary liabilities	-	69	325	381	-	21	796
Total liabilities	10,104	7,526	5,043	11,596	11,987	21	46,277
Liquidity, net	(9,803)	15,629	17,443	(1,457)	(886)	(21)	20,905

31 Financial risk management (Cont'd)

(d) Liquidity risk (Cont'd)

	2010						Unit: 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, net	488	10,774	36	-	-	-	11,298
Accounts receivable from securities trading	-	15	-	-	-	-	15
Financial derivative assets	-	4,268	5,712	9,556	9,021	-	28,557
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)
Other monetary assets	-	65	13	-	-	-	78
Total assets	494	26,896	15,017	13,010	12,015	-	67,432
Deposits	10,244	-	-	-	-	-	10,244
Interbank and money market items	6	2,000	-	-	1,800	-	3,806
Accounts payable from securities trading	-	50	-	-	-	-	50
Demand liabilities	7	-	-	-	-	-	7
Financial liabilities under fair value option	-	517	301	2,463	4,536	-	7,817
Financial derivative liabilities	-	4,239	7,488	10,398	7,511	-	29,636
Other monetary liabilities	-	66	61	-	253	20	400
Total liabilities	10,257	6,872	7,850	12,861	14,100	20	51,960
Liquidity, net	(9,763)	20,024	7,167	149	(2,085)	(20)	15,472

The table above classified monetary assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at statement of financial position 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, interbank and money market item and financial liabilities under fair value option, 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.

32 Fair values of financial assets and liabilities

The estimated fair value of significant financial assets and liabilities as of 31 December are as follows:

	2011		2010	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash	5	5	6	6
Interbank and money market items, net	6,585	6,585	11,298	11,298
Accounts receivable from securities trading	521	521	15	15
Financial derivatives assets	23,974	23,974	28,557	28,557
Investments, net	35,572	35,572	26,963	26,963
Loans and accrued interest receivables, net	482	482	515	515
Financial liabilities				
Deposits	10,019	10,019	10,244	10,244
Interbank and money market items	4,364	4,364	3,806	3,806
Accounts payable from securities trading	496	496	50	50
Liability payable on demand	21	21	7	7
Financial liabilities under fair value option	8,290	8,290	7,817	7,817
Financial derivatives liabilities	22,291	22,291	29,636	29,636

The following methods and assumptions are used to estimate the fair value of financial assets and liabilities:

- Fair value of cash, interbank and money market items (assets and liabilities), accounts receivable from securities trading, accounts payable from securities trading, and liabilities payable on demand are approximately equal to the carrying value because the maturity life is very short.
- Fair value of investments in securities calculated from the market price or reference to the risk-free yield curve adjusted by risk premium.
- Loans and accrued interest receivable are based on the carrying amount net of allowance for doubtful accounts.
- Fair value of financial derivative instruments and financial liabilities under fair value option have been valued at their current market values, which are obtained from quoted market prices or other widely accepted valuation techniques and guidelines.

33 Reclassification of accounts

	As previously reported Baht	Reclassified Baht	After reclassified Baht
Statement of financial position			
Asset			
- Financial derivative assets	28,710,866,713	(154,142,810)	28,556,723,903
Liabilities			
- Interbank and money market items	9,516,446,184	(5,710,000,000)	3,806,446,184
- Financial liabilities under fair value option	-	7,817,477,267	7,817,477,267
- Borrowings	2,261,620,077	(2,261,620,077)	-
Statement of Comprehensive Income			
- Interest expenses	149,961,309	24,148,515	174,109,824
- Net gain (loss) on foreign currency exchange	858,279,917	(858,279,917)	-
- Gains on tradings and foreign exchange transactions	-	529,848,104	529,848,104
- Gains (loss) on financial liabilities under fair value option	-	(156,339,039)	(156,339,039)
- Gain (loss) on investments	228,566,492	(315,335,159)	(86,768,667)
- Other income	95,783,060	2,268,739	98,051,799
- Fees and services expenses	276,208,101	(276,208,101)	-
- Other expenses	898,977,324	(545,777,686)	353,199,638
Statement of Cash Flow			
- Unrealised loss on changed in fair value of financial derivative instrument	1,330,958,360	89,655,084	1,420,623,444
- Interest expense	149,961,309	24,148,515	174,109,824
- Accounts receivable from securities trading	14,530,175	(14,530,175)	-
- Interbank and money market (liabilities)	1,863,607,204	(2,439,000,000)	(575,392,796)
- Borrowing	188,925,089	(188,925,089)	-
- Accounts payable from securities trading	49,938,634	(49,938,634)	-
- Interest paid	(47,534,745)	(24,148,515)	(71,683,260)
- Purchase of investments in securities	(29,566,725,486)	(49,938,634)	(29,516,786,852)
- Proceed from sales of investments in securities	1,817,937,583	14,530,175	1,803,407,408

34 Management benefits

	2011 Baht	2010 Baht
Management benefits		
- Short-term employee benefits	60,445,767	40,656,232
- Post-employment benefits	21,974,328	-
- Share based payment	2,515,370	-

35 Long-term lease agreement

The Bank has signed a 30 years lease agreement for the office space. The termination date of the lease agreement is 31 July 2023. The lump-sum rental fee was paid when the contract was signed. The amortization of the prepaid amount to rental expense is approximately 405,176 Baht per month. The Bank has the right to transfer the leasehold right or to sub-lease the office space, either all or partial, to the third parties without a prior written consent from the lessor. When the lease agreement is terminated under any circumstances, the Bank is obligated to remove all assets and to restore the office to proper conditions at its own expense within 60 days.