

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

**FINANCIAL STATEMENTS**

**31 DECEMBER 2012**



## AUDITOR'S REPORT

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

I have audited the accompanying financial statements of JPMorgan Chase Bank, N.A. - Bangkok Branch which comprise the statement of financial position as at 31 December 2012, the related statements of comprehensive income, changes in Head Office's equity and other branches under the same entity and cash flows for the year then ended and a summary of significant accounting policies and other notes.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



*Opinion*

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JPMorgan Chase Bank, N.A. - Bangkok Branch as at 31 December 2012 and the results of operations and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

A handwritten signature in blue ink, consisting of a large, stylized 'U' followed by a checkmark and a small 'r'.

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

Bangkok  
12 April 2013

**JPMorgan Chase Bank, N.A. - Bangkok Branch**  
**Statements of Financial Position**  
**As at 31 December 2012 and 2011**

	<b>Notes</b>	<b>2012 Baht</b>	<b>2011 Baht</b>
<b>Assets</b>			
Cash		4,853,728	4,789,732
Interbank and money market items, net	6	5,018,391,128	6,584,623,512
Accounts receivable from securities trading		1,289,161,623	521,268,611
Financial derivatives assets	7	19,742,201,188	23,973,953,203
Investments, net	8	33,122,986,536	35,571,899,642
Loans and accrued interest receivables	9		
Loans		2,250,923,764	489,905,336
Accrued interest receivables		2,902,520	170,781
Total loans and accrued interest receivables		2,253,826,284	490,076,117
<u>Less</u> Deferred revenue		(11,440,077)	-
<u>Less</u> Allowance for doubtful debts	10	(25,295,533)	(7,922,316)
Loans and accrued interest receivables, net		2,217,090,674	482,153,801
Customers' liability under acceptance		275,350,782	113,470
Equipment, net	11	41,568,006	31,292,083
Other assets, net	12	244,904,385	129,689,988
<b>Total assets</b>		<b>61,956,508,050</b>	<b>67,299,784,042</b>

(Mr. Sunti Ninsuvannakul)  
Branch Manager

The notes to financial statements from page 9 to 38 are an integral part of these financial statements.

**JPMorgan Chase Bank, N.A. - Bangkok Branch**  
**Statements of Financial Position (Cont'd)**  
**As at 31 December 2012 and 2011**

	<b>Notes</b>	<b>2012 Baht</b>	<b>2011 Baht</b>
<b>Liabilities and Head Office's equity and balances with other branches under the same entity</b>			
<b>Liabilities</b>			
Deposits	13	7,955,955,714	10,018,792,937
Interbank and money market items	14	4,309,281,808	4,363,904,306
Accounts payable from securities trading		1,106,642,184	496,067,191
Liability payable on demand		22,456,310	21,087,818
Financial liabilities designated at fair value through profit or loss	15	8,454,087,792	8,289,662,680
Financial derivatives liabilities	7	17,982,069,072	22,291,071,128
Bank's liability under acceptance		275,350,782	113,470
Provision for employee benefit plan		38,182,791	48,389,722
Other liabilities	16	855,141,972	910,938,991
<b>Total liabilities</b>		<b>40,999,168,425</b>	<b>46,440,028,243</b>
<b>Head Office's equity and balances with other branches under the same entity</b>			
Fund remitted into Thailand for maintaining assets under law	19	9,494,909,666	9,112,616,000
Net balance of inter-office accounts with Head Office and other branches under the same entity	19	10,963,874,841	10,734,412,900
Others component of accounts with head office and other branches of the same entity		29,071,486	75,152,137
Provision for share based payment	18	12,704,331	4,447,750
Actuarial gain from employee benefit plan		14,236,917	-
Retained earnings		442,542,384	933,127,012
<b>Total Head Office's equity and balances with other branches under the same entity</b>		<b>20,957,339,625</b>	<b>20,859,755,799</b>
<b>Total liabilities and Head Office's equity and balances with other branches under the same entity</b>		<b>61,956,508,050</b>	<b>67,299,784,042</b>

The notes to financial statements from page 9 to 38 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 2012 and 2011**

	Notes	2012 Baht	2011 Baht
Interest income	23	1,217,111,126	1,006,702,583
Interest expense	24	(292,884,960)	(224,334,511)
<b>Net interest income</b>		924,226,166	782,368,072
Fee and service income	25	43,944,265	30,445,236
Gains on trading and foreign exchange transactions	26	469,531,128	1,066,464,471
Losses on financial liabilities designated at fair value through profit or loss	27	(652,083,406)	(148,867,387)
Gain on investments		55,740,004	30,971,772
Other operating income	28	135,437,312	73,755,187
<b>Total operating income</b>		976,795,469	1,835,137,351
<b>Other operating expenses</b>			
Employee expenses		244,888,766	259,746,407
Premise and equipment expenses		41,204,619	36,207,852
Taxes and duties		46,280,731	29,658,148
Others	29	573,045,956	396,796,930
<b>Total other operating expenses</b>		905,420,072	722,409,337
Bad debt and doubtful accounts (reversal)	30	2,400,395	(36,703,332)
<b>Profit before income tax</b>		68,975,002	1,149,431,346
Income tax expense		(134,788,890)	(348,224,698)
<b>Net (loss) profit for the year</b>		(65,813,888)	801,206,648
<b>Other comprehensive (expense) income</b>			
(Losses) gains on changes in fair value of available-for-sale securities		(46,080,651)	69,142,457
Actuarial gain from employee benefits plan		14,236,917	-
<b>Total other comprehensive (expense) income</b>		(31,843,734)	69,142,457
<b>Total comprehensive (expense) income for the year</b>		(97,657,622)	870,349,105

The notes to financial statements from page 9 to 38 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 2012 and 2011**

	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		Actuarial gain from employee benefits plan		Retained earnings (deficits)		Total	
	Baht		Baht		Baht		Baht		Baht		Baht		Baht	
<b>Balance as at 1 January 2011</b>	9,112,616,000		6,263,378,506		6,009,680		-		-		131,920,364		15,513,924,550	
Total comprehensive income for the year	-		-		-		-		-		801,206,648		801,206,648	
Increase during the year	-		4,471,034,394		-		-		-		-		4,471,034,394	
Unrealised gain on changes in fair value of available-for-sale securities	-		-		69,142,457		-		-		-		69,142,457	
Provision for share-based payment (Note 18)	-		-		-		4,447,750		-		-		4,447,750	
<b>Balance as at 31 December 2011</b>	9,112,616,000		10,734,412,900		75,152,137		4,447,750		-		933,127,012		20,859,755,799	
<b>Balance as at 1 January 2012</b>	9,112,616,000		10,734,412,900		75,152,137		4,447,750		-		933,127,012		20,859,755,799	
Total comprehensive expense for the year	-		-		-		-		-		(65,813,888)		(65,813,888)	
Increase during the year	-		229,461,941		-		-		-		-		229,461,941	
Transfer retained earnings to maintain assets under law	382,293,666		-		-		-		-		(424,770,740)		(42,477,074)	
Unrealised loss on changes in fair value of available-for-sale securities	-		-		(46,080,651)		-		-		-		(46,080,651)	
Provision for share-based payment (Note 18)	-		-		-		8,256,581		-		-		8,256,581	
Actuarial gain from employee benefits plan	-		-		-		-		14,236,917		-		14,236,917	
<b>Balance as at 31 December 2012</b>	9,494,909,666		10,963,874,841		29,071,486		12,704,331		14,236,917		442,542,384		20,957,339,625	

The notes to financial statements from page 9 to 38 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 2012 and 2011**

	<b>2012</b>	<b>2011</b>
	<b>Baht</b>	<b>Baht</b>
<b>Cash flows from operating activities:</b>		
Net profit from operating before income tax	68,975,002	1,149,431,346
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)	2,400,395	(36,703,332)
Depreciation and amortisation	28,562,701	25,967,918
Provisions for employee benefits	4,029,986	48,389,722
Provision for share based payment expense	8,256,581	4,447,750
Unrealised gain on changes in fair value of trading securities	(46,891,510)	(16,325,841)
Gain on sales of investments in securities	(55,740,004)	(30,971,772)
Amortised discount on investments in securities	(547,684,533)	(540,559,715)
Gain on disposal of equipment	(4,962)	(7,796)
Loss on write-off of leasehold improvement and equipment	131,117	98,075
Unrealised gain on changes in fair value of financial derivative instruments	(77,250,041)	(2,762,236,742)
Interest income	(1,217,111,126)	(1,006,702,583)
Interest expense	292,884,960	224,334,511
 Operating loss before changes in operating assets and liabilities	 (1,539,441,434)	 (2,940,838,459)
 (Increase) decrease in operating assets:		
Interbank and money market items	(52,717,753)	9,957,760,527
Investments in trading securities	(3,673,353,412)	(1,194,693,404)
Loans	(1,749,578,351)	33,302,467
Other assets	48,999	(2,107,853)
 Increase (decrease) in operating liabilities:		
Deposits	(2,062,837,223)	(225,009,120)
Interbank and money market items	(54,622,498)	557,458,122
Liability payable on demand	1,368,492	14,436,394
Financial liabilities designated at fair value through profit or loss	164,425,112	472,185,413
Other liabilities	87,255,270	62,224,864
Net balance of inter-office accounts with Head Office and other branches under the same entity	220,587,857	4,484,341,164
 Net cash (used in) provided by operating activities before interest received, interest paid and income tax paid - carried forward	 (8,658,864,941)	 11,219,060,115

The notes to financial statements from page 9 to 38 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 2012 and 2011**

	<b>2012</b>	<b>2011</b>
	<b>Baht</b>	<b>Baht</b>
Net cash (used in) provided by operating activities before interest received, interest paid and income tax paid - brought forward	(8,658,864,941)	11,219,060,115
Interest received	1,104,201,518	1,043,283,808
Interest paid	(138,818,569)	(96,376,676)
Income tax paid	(474,384,643)	(106,610,690)
<b>Net cash (used in) provided by operating activities</b>	<b>(8,167,866,635)</b>	<b>12,059,356,557</b>
<b>Cash flows from investing activities:</b>		
Purchase of investments in securities	(30,692,119,634)	(57,816,946,502)
Proceed from sales of investments in securities	6,906,303,528	4,697,235,969
Proceed from matured investments in securities	30,355,000,000	46,302,000,000
Proceed from sales of equipment	5,000	154,070
Purchase of equipment	(28,633,297)	(21,414,190)
Purchase of leasehold improvement	(15,963,160)	(1,095,794)
<b>Net cash provided by (used in) investing activities</b>	<b>6,524,592,437</b>	<b>(6,840,066,447)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(1,643,274,198)</b>	<b>5,219,290,110</b>
Cash and cash equivalents at the beginning of the year	6,671,035,854	1,451,745,744
<b>Cash and cash equivalents at end of the year</b>	<b>5,027,761,656</b>	<b>6,671,035,854</b>
<b>Cash and cash equivalents</b>		
Cash on hand	4,853,728	4,789,732
Interbank and money market items	5,011,113,284	6,645,577,394
Net balance of inter-office accounts with Head Office and other branches under the same entity	11,794,644	20,668,728
	<b>5,027,761,656</b>	<b>6,671,035,854</b>
<b>Non cash item:</b>		
Disposal of investments in securities	1,289,161,623	521,268,611
Purchase of investments in securities	1,106,642,184	496,067,191

The notes to financial statements from page 9 to 38 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 17 April 2013.

**2 Basis of preparation**

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 the 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.

### **3 Summary of significant accounting policies**

#### **New accounting standards, new financial reporting standard, new interpretations and amendments to accounting standard**

The following new accounting standards, new financial Reporting Standard, new interpretations and amendments to accounting standards that are mandatory for the accounting period beginning on or after 1 January 2013 and the Bank has not early adopted them are as follow;

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
TFRS 8	Operating Segments
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

TFRIC and TSIC that are mandatory for the accounting period beginning on or after 1 January 2014 and the Bank has not early adopted them are as follow;

TSIC 29	Service Concession Arrangements: Disclosure
TFRIC 4	Determining whether an Arrangement contains a Lease
TFRIC 12	Service Concession Arrangements
TFRIC 13	Customer Loyalty Programmes

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.

#### **3.1 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.

#### **3.2 Recognition of interest expenses**

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

### **3 Summary of significant accounting policies (Cont'd)**

#### **3.3 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.

#### **3.4 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.

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.

#### **3.5 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.

### **3 Summary of significant accounting policies (Cont'd)**

#### **3.6 Equipment and depreciation**

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.

#### **3.7 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.

#### **3.8 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.

**3 Summary of significant accounting policies (Cont'd)**

**3.9 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.

**3.10 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.

**3.11 Provision for share based payment**

**Restricted stock units**

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 company. The fair value of the granted shares is recognised as an expense in the statements of comprehensive income against its Head office's equity and balances with other branches under the same entity during the grant date and the vesting date. The Head office's equity and balances with other branches under the same entity is reversed when the Bank pays back to the ultimate parent company.

**3.12 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.

**3 Summary of significant accounting policies (Cont'd)**

**3.13 Provisions**

In addition to provisions for post-employment benefits and long service awards, 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.

**3.14 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.

**3.15 Income tax**

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

**3.16 Financial liabilities designated at fair value through profit or loss**

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 designated at fair value through profit or loss". Fair value changes relating to financial liabilities designated at fair value through profit or loss are recognised in "Gains (losses) from financial liabilities designated at fair value through profit or loss" in the statement of comprehensive income.

**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**

In accordance with Thai Labour Law, 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.

**JPMorgan Chase Bank, N.A. - Bangkok Branch**  
**Notes to the Financial Statements**  
**For the years ended 31 December 2012 and 2011**

**6 Interbank and money market items, net (assets)**

	2012		
	Demand Baht	Time Baht	Total Baht
<b>Domestic items</b>			
The Bank of Thailand	91,414,790	-	91,414,790
Commercial banks	112,644,163	4,800,000,000	4,912,644,163
Total	204,058,953	4,800,000,000	5,004,058,953
<u>Add</u> Accrued interest receivable	-	1,434,082	1,434,082
<u>Less</u> Allowance for doubtful accounts	-	(48,000,000)	(48,000,000)
Total domestic items, net	204,058,953	4,753,434,082	4,957,493,035
<b>Foreign items</b>			
US Dollar	-	54,162,795	54,162,795
Japanese Yen	3,040,693	-	3,040,693
Euro	909,211	-	909,211
Danish Krone	530,480	-	530,480
Others	2,573,947	-	2,573,947
Total	7,054,331	54,162,795	61,217,126
<u>Add</u> Accrued interest receivable	-	222,595	222,595
<u>Less</u> Allowance for doubtful accounts	-	(541,628)	(541,628)
Total foreign items, net	7,054,331	53,843,762	60,898,093
Total interbank and money market items, net	211,113,284	4,807,277,844	5,018,391,128
	2011		
	Demand Baht	Time Baht	Total Baht
<b>Domestic items</b>			
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
<b>Foreign items</b>			
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

**7 Financial derivatives**

**Trading derivatives**

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

<b>Types of risks</b>	<b>2012</b>		
	<b>Fair value</b>		<b>Notional amount</b>
	<b>Assets</b>	<b>Liabilities</b>	
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Foreign exchange rate	10,126,343,969	7,254,708,032	573,320,735,979
Interest rate	8,659,266,973	9,758,040,073	1,050,558,542,735
Credit and commodity price	956,590,246	969,320,967	35,915,603,310
Total trading derivatives	19,742,201,188	17,982,069,072	1,659,794,882,024

  

<b>Types of risks</b>	<b>2011</b>		
	<b>Fair value</b>		<b>Notional amount</b>
	<b>Assets</b>	<b>Liabilities</b>	
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
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

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

	<b>2012</b>	<b>2011</b>
	<b>Percentage</b>	<b>Percentage</b>
Financial institutions	83	79
Affiliated companies	13	19
Third parties	4	2
Total trading derivatives	100	100

**8 Investments, net**

	<b>2012</b>	<b>2011</b>
	<b>Fair value</b>	<b>Fair value</b>
	<b>Baht</b>	<b>Baht</b>
<b>Trading securities</b>		
Government	10,404,380,890	6,841,453,987
Total	10,404,380,890	6,841,453,987
<b>Available-for-sale securities</b>		
Government	22,718,605,646	28,730,445,655
Total	22,718,605,646	28,730,445,655
Total investments, net	33,122,986,536	35,571,899,642

**9 Loans and accrued interest receivables, net**

**9.1 Classified by types of loans:**

	<b>2012</b>	<b>2011</b>
	<b>Baht</b>	<b>Baht</b>
Overdrafts	10,189,623	7,948,981
Loans	2,240,734,141	481,956,355
Total loans	2,250,923,764	489,905,336
<u>Less</u> Deferred revenue	(11,440,077)	-
Total loans net from deferred revenue	2,239,483,687	489,905,336
<u>Add</u> Accrued interest receivables	2,902,520	170,781
Total loans net from deferred revenue, adding accrued interest receivables	2,242,386,207	490,076,117
<u>Less</u> Allowance for doubtful accounts	(25,295,533)	(7,922,316)
Total loans and interest receivables, net	2,217,090,674	482,153,801

**9.2 Classified by currencies and residencies of customers:**

	<b>2012</b>		
	<b>Domestic</b>	<b>Foreign</b>	<b>Total</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Thai Baht	17,728,484	-	17,728,484
US Dollar	2,221,755,203	-	2,221,755,203
Total loans net from deferred revenue	2,239,483,687	-	2,239,483,687

  

	<b>2011</b>		
	<b>Domestic</b>	<b>Foreign</b>	<b>Total</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Thai Baht	17,815,631	-	17,815,631
US Dollar	472,089,705	-	472,089,705
Total loans net from deferred revenue	489,905,336	-	489,905,336

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

**9.3 Classified by types of business and classification:**

	2012					Total Baht
	Normal Baht	Special mention Baht	Substandard Baht	Doubtful Baht	Doubtful of loss Baht	
Manufacturing and commerce	2,221,756,405	-	-	-	5,861,295	2,227,617,700
Utilities and services	10,188,421	-	-	-	-	10,188,421
Others	-	-	-	-	1,677,566	1,677,566
Total loans net from deferred revenue	2,231,944,826	-	-	-	7,538,861	2,239,483,687

  

	2011					Total Baht
	Normal Baht	Special mention Baht	Substandard Baht	Doubtful Baht	Doubtful of 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 net from deferred revenue	482,083,379	-	-	-	7,821,957	489,905,336

**9.4 Classified by classification:**

The Bank has loans net from deferred revenue 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	2012			
	Loans net from deferred revenue 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	2,234,847,068	1,775,639,511	1	17,756,395
Doubtful of loss	7,539,139	7,539,138	100	7,539,138
Total	2,242,386,207	1,783,178,649		25,295,533

  

Classifications	2011			
	Loans net from deferred revenue 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 of loss	7,822,379	7,822,379	100	7,822,379
Total	490,076,117	17,816,052		7,922,316

**JPMorgan Chase Bank, N.A. - Bangkok Branch**  
**Notes to the Financial Statements**  
**For the years ended 31 December 2012 and 2011**

**10 Allowance for doubtful accounts**

	2012				
	Normal Baht	Special mention Baht	Substandard Baht	Doubtful Baht	Doubtful of loss Baht
Balance at the beginning of the year	99,937	-	-	-	7,822,379
Allowance for doubtful accounts (Reversal) (Note 30)	17,656,458	-	-	-	(283,241)
Balance at the end of the year	17,756,395	-	-	-	7,539,138

  

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

**11 Equipment, net**

	Computer equipment Baht	Office equipment Baht	Furnitures, fixture & fitting Baht	Motor vehicles Baht	Fixed assets in progress Baht	Total Baht
<b>As at 1 January 2011</b>						
Cost	54,562,153	39,548,174	38,205,930	48,000	2,101,512	134,465,769
Less 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
<b>For the year ended 31 December 2011</b>						
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
<b>As at 31 December 2011</b>						
Cost	73,763,581	38,953,884	38,019,668	48,000	1,939,772	152,724,905
Less 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
<b>For the year ended 31 December 2012</b>						
Opening net book value	20,813,902	4,796,069	3,742,339	1	1,939,772	31,292,083
Additions	18,734,850	2,463,226	5,548,654	-	1,886,567	28,633,297
Transfer to computer equipment	1,809,971	-	-	-	(1,809,971)	-
Disposals/write off - net	(227)	(1,056)	(71)	-	(129,801)	(131,155)
Depreciation charge	(14,528,737)	(2,934,906)	(762,576)	-	-	(18,226,219)
Closing net book value	26,829,759	4,323,333	8,528,346	1	1,886,567	41,568,006
<b>As at 31 December 2012</b>						
Cost	84,807,027	41,204,939	42,281,126	48,000	1,886,567	170,227,659
Less Accumulated depreciation	(57,977,268)	(36,881,606)	(33,752,780)	(47,999)	-	(128,659,653)
Net book value	26,829,759	4,323,333	8,528,346	1	1,886,567	41,568,006

**12 Other assets, net**

	<b>2012 Baht</b>	<b>2011 Baht</b>
Leasehold right and leasehold improvement, net	88,885,504	83,258,828
Accrued interest receivables	149,319,748	39,683,028
Prepaid expenses	3,234,582	2,971,779
Other receivables	3,464,551	3,776,353
Total other assets, net	<u>244,904,385</u>	<u>129,689,988</u>
The amortisation cost of leasehold right and depreciation of leasehold improvement for the year	<u>10,336,482</u>	<u>10,099,787</u>

**13 Deposits**

**13.1 Classified by types of deposits:**

	<b>2012 Baht</b>	<b>2011 Baht</b>
On demand	360,294,125	428,027,108
Savings	3,465,661,589	9,440,765,829
Fixed	4,130,000,000	150,000,000
Total deposits	<u>7,955,955,714</u>	<u>10,018,792,937</u>

**13.2 Classified by currencies and residencies of depositors:**

	<b>2012</b>		
	<b>Domestic Baht</b>	<b>Foreign Baht</b>	<b>Total Baht</b>
Thai Baht	7,105,443,448	328,274	7,105,771,722
US Dollar	850,183,992	-	850,183,992
Total deposits	<u>7,955,627,440</u>	<u>328,274</u>	<u>7,955,955,714</u>
	<b>2011</b>		
	<b>Domestic Baht</b>	<b>Foreign Baht</b>	<b>Total Baht</b>
Thai Baht	8,698,341,717	13,324,374	8,711,666,091
US Dollar	1,307,126,846	-	1,307,126,846
Total deposits	<u>10,005,468,563</u>	<u>13,324,374</u>	<u>10,018,792,937</u>

**14 - Interbank and money market items (liabilities)**

	<b>2012</b>		
	<b>Demand Baht</b>	<b>Time Baht</b>	<b>Total Baht</b>
<b>Domestic items</b>			
Bank	-	400,000,000	400,000,000
Life insurance companies	-	2,600,000,000	2,600,000,000
Securities company	4,293,928	1,300,000,000	1,304,293,928
Total domestic items	4,293,928	4,300,000,000	4,304,293,928
<b>Foreign items</b>			
Thai Baht	4,987,880	-	4,987,880
Total foreign items	4,987,880	-	4,987,880
Total interbank and money market items	9,281,808	4,300,000,000	4,309,281,808
<b>2011</b>			
	<b>Demand Baht</b>	<b>Time Baht</b>	<b>Total Baht</b>
<b>Domestic items</b>			
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
<b>Foreign items</b>			
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

**15 Financial liabilities designated at fair value through profit or loss**

	<b>2012 Baht</b>	<b>2011 Baht</b>
Deposits	203,944,885	203,903,872
Bill of exchange	8,250,142,907	8,085,758,808
Total financial liabilities designated at fair value through profit or loss	<u>8,454,087,792</u>	<u>8,289,662,680</u>

**Proportion of transactions being classified by type of counterparties**

	<b>2012 Percentage</b>	<b>2011 Percentage</b>
Financial institutions	88	76
Others	12	24
Total proportion of transactions being classified by type of counterparties	<u>100</u>	<u>100</u>

**Changes in fair value due to credit risks**

	<b>2012 Baht</b>	<b>2011 Baht</b>
Balance of unrealised gain at beginning of the year	502,454,313	280,037,616
(Decrease) Increase during the year	(64,466,585)	202,341,485
Translation adjustment	(14,982,935)	20,075,212
Balance unrealised gain at end of the year	<u>423,004,793</u>	<u>502,454,313</u>

**16 Other liabilities**

	<b>2012 Baht</b>	<b>2011 Baht</b>
Accrued interest payable	535,224,403	381,158,012
Accrued bonuses	55,717,700	50,229,457
Income tax payable	5,085,007	302,203,686
Profit remittance tax payable	29,703,006	20,597,061
Others	229,411,856	156,750,775
Total other liabilities	<u>855,141,972</u>	<u>910,938,991</u>

# **17 Provision for post-employment 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 2012 and 2011, the post-employment benefits provided unfunded obligation as follows:

	<b>2012 Baht</b>	<b>2011 Baht</b>
Present value of obligations	36,479,179	48,389,722
<u>Less</u> Deferred present value of obligations	-	-
Provision for post-employment benefits	<u>36,479,179</u>	<u>48,389,722</u>

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

	<b>2012 Baht</b>	<b>2011 Baht</b>
Beginning balance	48,389,722	-
Adjusted service costs	-	34,536,022
Current service costs	8,809,219	12,421,698
Interest costs	1,070,636	1,432,002
Actuarial gain	(14,236,917)	-
<u>Less</u> benefits paid for the year	<u>(7,553,481)</u>	<u>-</u>
Ending balance	<u>36,479,179</u>	<u>48,389,722</u>

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

	<b>2012 Baht</b>	<b>2011 Baht</b>
Adjusted service costs	-	34,536,022
Current service costs	8,809,219	12,421,698
Interest costs	1,070,636	1,432,002
Total	<u>9,879,855</u>	<u>48,389,722</u>

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

	<b>2012</b>	<b>2011</b>
Discount rate	4.0250%	4.1464%
Salary increase rate	12%	14%
Pre-retirement mortality rate	100% of Thai Mortality Ordinary Table 2008	100% of Thai Mortality Ordinary Table 2008
Disability rate	5% of Thai Mortality Ordinary Table 2008	5% of Thai Mortality Ordinary Table 2008
Pre-retirement withdrawal rate	From 3 years historical data	From 3 years historical data
Retirement age	60 years old	60 years old

## **18 Provision for 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 awards are measured at their grant dates based on their fair value. This amount is recognised as an expense evenly over the vesting periods and the head office's equity and balances with other branches under the same entity is treated as a capital contribution. The exercise price of the granted shares is lower of the market price of the shares on the date of grant or the vesting date. 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 and they contain clawback provisions that may result in cancellation prior to vesting under certain specified circumstances.

As at 31 December 2012, the number of outstanding shares is 16,642 units (2011: 7,606 units). The weighted average share price at grant date is USD 39.57 (2011: USD 44.29).

For the year ended 31 December 2012, the total share-based payment expense recognised during the financial period amounting to Baht 8.5 million (2011: Baht 4.5 million).

## **19 Capital funds**

	<b>2012</b>	<b>2011</b>
	<b>Baht</b>	<b>Baht</b>
Assets maintained in accordance with Section 32	9,494,909,666	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	9,493,562,364	8,921,155,580
Net inter-office balance which branch is debtor of the head office, others branches and subsidiary	10,963,874,841	10,734,412,900
Total	20,457,437,205	19,655,568,480
Capital funds	9,493,562,364	8,921,155,580
Total capital funds to risk weighted assets ratio (%)	18.02	14.14

The Bank will disclose capital maintenance information as at 31 December 2012 in accordance with the notification of the Bank of Thailand Re: Public Disclosure of Capital Maintenance Information for Commercial Banks on its website at [www.th.jpmorgan.com](http://www.th.jpmorgan.com) within April 2013.

## **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:

	<b>2012</b>		
	<b>Thai Baht Baht</b>	<b>Foreign currencies Baht</b>	<b>Total Baht</b>
Letter of Credit	-	71,921,000	71,921,000
Guarantees	1,073,572,423	527,535,864	1,601,108,287
Unused overdraft credit line	89,811,579	-	89,811,579
Unused credit facilities	-	306,316,000	306,316,000
<b>Total commitments</b>	<b>1,163,384,002</b>	<b>905,772,864</b>	<b>2,069,156,866</b>

  

	<b>2011</b>		
	<b>Thai Baht Baht</b>	<b>Foreign currencies Baht</b>	<b>Total Baht</b>
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
<b>Total commitments</b>	<b>1,122,529,757</b>	<b>10,645,925,210</b>	<b>11,768,454,967</b>

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 parent 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:

	<b>2012</b>	<b>2011</b>
	<b>Million Baht</b>	<b>Million Baht</b>
<b>Statements of financial position</b>		
Interbank and money market items, net - assets		
J.P. Morgan, A.G.	1	1
Interbank and money market items - liabilities		
J.P. Morgan Securities (Thailand) Ltd.	1,305	2,159
Provision for share based payment		
J.P. Morgan Chase & Co		
Net balance of inter-office accounts with Head Office and other branches under the same entity		
JPMorgan Chase Bank, N.A.	16	17
JPMorgan Chase Bank, N.A. - London Branch	2	5
JPMorgan Chase Bank, N.A. - Singapore Branch	-	2
JPMorgan Chase Bank, N.A. - Hong Kong Branch	(10,982)	(10,759)
<b>Off Balance Sheet item</b>		
Commitments	222,111	295,817

**21 Related party transactions (Cont'd)**

	<b>2012</b>	<b>2011</b>
	<b>Million Baht</b>	<b>Million Baht</b>
<b>Statements of comprehensive income</b>		
Interest expense	55	59
Fees and service incomes	9	9
Other operating income	124	56
Employee expenses	8	4
Fees and services expenses and other expenses	354	244

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**

	<b>2012</b>			<b>2011</b>		
	<b>Domestic</b>	<b>Foreign</b>	<b>Total</b>	<b>Domestic</b>	<b>Foreign</b>	<b>Total</b>
Total assets	61,957	-	61,957	67,300	-	67,300
Interbank and money						
market items, net (asset)	5,018	-	5,018	6,585	-	6,585
Investments, net	33,123	-	33,123	35,572	-	35,572
Loans and accrued						
interest receivables, net	2,217	-	2,217	482	-	482
Deposits	7,956	-	7,956	10,019	-	10,019
Interbank and money						
market items (liabilities)	4,309	-	4,309	4,364	-	4,364
Financial liabilities						
designated at fair value						
through profit or loss	8,454	-	8,454	8,290	-	8,290

**22.2 Performance classified by types of transaction**

	<b>2012</b>			<b>2011</b>		
	<b>Domestic</b>	<b>Foreign</b>	<b>Total</b>	<b>Domestic</b>	<b>Foreign</b>	<b>Total</b>
Interest income	1,217	-	1,217	1,006	-	1,006
Interest expense	(293)	-	(293)	(224)	-	(224)
Net interest income	924	-	924	782	-	782
Fee and service income	44	-	44	30	-	30
Other operating incomes	8	-	8	1,022	-	1,022
Other operating expenses	(907)	-	(907)	(685)	-	(685)
Profit before income tax	69	-	69	1,149	-	1,149

**23 Interest income**

	<b>2012 Baht</b>	<b>2011 Baht</b>
Interbank and money market items, net (asset)	110,953,704	145,560,589
Investments and trading transactions	311,204,290	189,430,618
Investments in debt securities, available for sales	758,963,915	663,372,184
Loans	35,989,217	8,339,192
Total interest income	<u>1,217,111,126</u>	<u>1,006,702,583</u>

**24 Interest expense**

	<b>2012 Baht</b>	<b>2011 Baht</b>
Deposits	29,862,881	9,771,396
Interbank and money market items (liabilities)	224,442,183	191,642,541
Contribution fee to the Deposit Protection Agency and Bank of Thailand	33,073,798	19,954,107
Debt issued - Bill of exchange	2,186,301	-
Others	3,319,797	2,966,467
Total interest expense	<u>292,884,960</u>	<u>224,334,511</u>

**25 Fee and service income**

	<b>2012 Baht</b>	<b>2011 Baht</b>
Money transfer and collection services	9,385,932	7,119,194
Fee relating to letter of credit	18,674,878	7,342,694
Service fees from related companies	9,195,761	9,055,756
Fee relating to other guarantees	1,230,887	1,520,007
Others	5,456,807	5,407,585
Total fee and service income	<u>43,944,265</u>	<u>30,445,236</u>

**26 Gains on trading and foreign exchange transactions**

	<b>2012 Baht</b>	<b>2011 Baht</b>
Gains on foreign currencies and foreign exchange rate derivatives	467,672,331	833,911,908
(Losses) gains on interest rate derivatives	(57,264,109)	126,061,472
Gains on debt securities	59,122,906	106,491,091
Total gains on trading and foreign exchange transactions	<u>469,531,128</u>	<u>1,066,464,471</u>

**27 Losses from financial liabilities designated at fair value through profit or loss**

	<b>2012 Baht</b>	<b>2011 Baht</b>
Changes in fair value of:		
Deposits	(41,013)	2,992,261
Borrowings	(349,401,160)	83,127,037
	(349,442,173)	86,119,298
Losses on redemption and interest expense paid	(302,641,233)	(234,986,685)
Total losses from financial liabilities designated at fair value through profit or loss	(652,083,406)	(148,867,387)

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

	<b>2012 Baht</b>	<b>2011 Baht</b>
Charges in fair value due to change in credit risks	(64,466,585)	202,341,485

**28 Other operating income**

	<b>2012 Baht</b>	<b>2011 Baht</b>
Income sharing from financial derivative trading	121,820,651	53,868,537
Others	13,616,661	19,886,650
Total other operating income	135,437,312	73,755,187

**29 Other expenses**

	<b>2012 Baht</b>	<b>2011 Baht</b>
Service fees to related companies	359,657,608	249,082,857
Other reserves	63,282,396	44,137,112
Brokerage commissions	19,972,181	20,570,718
Other	130,133,771	83,006,243
Total other expenses	573,045,956	396,796,930

**30 Bad debt and doubtful accounts (reversal)**

	<b>2012 Baht</b>	<b>2011 Baht</b>
Interbank and money market items, net	(14,972,822)	(36,077,606)
Loans	17,373,217	(625,726)
Total bad debt and doubtful accounts (reversal)	2,400,395	(36,703,332)

## **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				
	2012				
	Baht	US Dollar	Japanese Yen	Others	Total
Cash	5	-	-	-	5
Interbank and money market items, net	4,957	54	3	4	5,018
Accounts receivable from securities trading	1,289	-	-	-	1,289
Financial derivative assets	43,125	(18,210)	(5,599)	426	19,742
Investments	33,123	-	-	-	33,123
Loans and accrued interest receivables	18	2,236	-	-	2,254
Deferred revenue	-	(11)	-	-	(11)
Allowance for doubtful account	(8)	(17)	-	-	(25)
Customers' liability under acceptance	-	275	-	-	275
Other assets	150	-	-	-	150
<b>Total assets</b>	<b>82,659</b>	<b>(15,673)</b>	<b>(5,596)</b>	<b>430</b>	<b>61,820</b>
Deposits	7,106	850	-	-	7,956
Interbank and money market items	4,309	-	-	-	4,309
Accounts payable from securities trading	1,107	-	-	-	1,107
Bank's liabilities under acceptance	-	275	-	-	275
Demand liabilities	22	-	-	-	22
Financial liabilities designated at fair value through profit or loss	8,877	(423)	-	-	8,454
Financial derivative liabilities	33,800	(10,647)	(5,597)	426	17,982
Other liabilities	660	15	-	1	676
<b>Total liabilities</b>	<b>55,881</b>	<b>(9,930)</b>	<b>(5,597)</b>	<b>427</b>	<b>40,781</b>
On-balance-sheet-net foreign currency position	26,778	(5,743)	1	3	21,039
Off-balance-sheet-net foreign currency position	1,273,366	364,179	6,347	17,972	1,661,864

31 Financial risk management (Cont'd)

(c) Currency risk (Cont'd)

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
<b>Total assets</b>	<b>52,266</b>	<b>15,246</b>	<b>2,765</b>	<b>(3,095)</b>	<b>67,182</b>
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 designated at fair value through profit or loss	8,792	(502)	-	-	8,290
Financial derivative liabilities	11,743	10,884	2,763	(3,099)	22,291
Other liabilities	792	4	-	-	796
<b>Total liabilities</b>	<b>34,920</b>	<b>11,693</b>	<b>2,763</b>	<b>(3,099)</b>	<b>46,277</b>
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

(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						
	2012						
	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	211	4,799	8	-	-	-	5,018
Accounts receivable from securities trading	-	1,289	-	-	-	-	1,289
Financial derivative assets	-	3,369	3,639	7,399	5,335	-	19,742
Investments	-	9,176	9,390	13,806	751	-	33,123
Loans and accrued interest receivables	-	865	-	-	1,381	8	2,254
Deferred revenue	-	-	-	-	(11)	-	(11)
Allowance for doubtful accounts	-	(4)	-	-	(13)	(8)	(25)
Customers' liability under acceptance	-	275	-	-	-	-	275
Other monetary assets	-	122	28	-	-	-	150
Total assets	216	19,891	13,065	21,205	7,443	-	61,820
Deposits	3,826	4,130	-	-	-	-	7,956
Interbank and money market items	9	1,700	-	2,600	-	-	4,309
Accounts payable from securities trading	-	1,107	-	-	-	-	1,107
Bank's liability under acceptance	-	275	-	-	-	-	275
Demand liabilities	22	-	-	-	-	-	22
Financial liabilities designated at fair value through profit or loss	-	-	605	600	7,249	-	8,454
Financial derivative liabilities	-	2,568	3,695	8,315	3,404	-	17,982
Other monetary liabilities	-	96	35	534	-	11	676
Total liabilities	3,857	9,876	4,335	12,049	10,653	11	40,781
Liquidity, net	(3,641)	10,015	8,730	9,156	(3,210)	(11)	21,039

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

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

	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 designated at fair value through profit or loss	-	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

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:

	2012		2011	
	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>				
Cash	5	5	5	5
Interbank and money market items, net	5,018	5,018	6,585	6,585
Accounts receivable from securities trading	1,289	1,289	521	521
Financial derivatives assets	19,742	19,742	23,974	23,974
Investments, net	33,123	33,123	35,572	35,572
Loans and accrued interest				
Receivables, net	2,217	2,217	482	482
Customer's liability under acceptance	275	275	-	-
<b>Financial liabilities</b>				
Deposits	7,956	7,956	10,019	10,019
Interbank and money market items	4,309	4,309	4,364	4,364
Accounts payable from securities trading	1,107	1,107	496	496
Liability payable on demand	22	22	21	21
Financial liabilities designated at fair value through profit or loss	8,454	8,454	8,290	8,290
Financial derivatives liabilities	17,982	17,982	22,291	22,291
Bank's liability under acceptance	275	275	-	-

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, customer's liability under acceptance, deposits, accounts payable from securities trading, and liabilities payable on demand, and bank's liability under acceptance 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 designated at fair value through profit or loss have been valued at their current market values, which are obtained from quoted market prices or other widely accepted valuation techniques and guidelines.

**33 Management benefits**

	<b>2012</b>	<b>2011</b>
	<b>Baht</b>	<b>Baht</b>
Short-term employee benefits	69,033,231	60,445,767
Post-employment benefits	2,998,239	21,974,328
Share based payment	1,194,310	2,515,370
Long service award	213,250	-

**34 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 amortisation of the prepaid amount to rental expense is approximately Baht 405,176 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.