

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

**FINANCIAL STATEMENTS**

**31 DECEMBER 2013**



## 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 2013, 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 2013 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 series of loops and a small 'i' at the end.

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

Bangkok  
4 April 2014

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

**Statement of Financial Position**

**As at 31 December 2013**

		<b>31 December</b>	<b>Restated</b>	<b>Restated</b>
		<b>2013</b>	<b>31 December</b>	<b>1 January</b>
			<b>2012</b>	<b>2012</b>
	<b>Notes</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<b>Assets</b>				
Cash		3,322,861	4,853,728	4,789,732
Interbank and money market items, net	6	4,814,417,347	5,018,391,128	6,584,623,512
Accounts receivable from securities trading		87,368,624	1,289,161,623	521,268,611
Financial derivatives assets	7	22,850,605,197	19,742,201,188	23,973,953,203
Investments, net	8	31,220,981,339	33,122,986,536	35,571,899,642
Loans and accrued interest receivables	9			
Loans		3,706,777,861	2,250,923,764	489,905,336
Accrued interest receivables		8,122,527	2,902,520	170,781
Total loans and accrued interest receivables		3,714,900,388	2,253,826,284	490,076,117
<u>Less</u> Deferred revenue		(9,288,778)	(11,440,077)	-
<u>Less</u> Allowance for doubtful debts	10	(42,460,525)	(25,295,533)	(7,922,316)
Loans and accrued interest receivables, net		3,663,151,085	2,217,090,674	482,153,801
Customers' liability under acceptance		5,223,662	275,350,782	113,470
Equipment, net	11	38,856,345	41,568,006	31,292,083
Other assets, net	12	161,341,476	244,904,385	129,689,988
<b>Total assets</b>		<b>62,845,267,936</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 47 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 2013**

		<b>31 December</b>	<b>Restated</b>	<b>Restated</b>
		<b>2013</b>	<b>31 December</b>	<b>1 January</b>
	<b>Notes</b>	<b>Baht</b>	<b>2012</b>	<b>2012</b>
		<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<b>Liabilities and Head Office's equity and balances</b>				
<b>with other branches under the same entity</b>				
<b>Liabilities</b>				
Deposits	13	11,848,535,955	7,955,955,714	10,018,792,937
Interbank and money market items	14	4,375,494,682	4,309,281,808	4,363,904,306
Accounts payable from securities trading		137,424,573	1,106,642,184	496,067,191
Liability payable on demand		641,834,232	22,456,310	21,087,818
Financial liabilities designated at fair value				
through profit or loss	15	9,130,981,018	8,454,087,792	8,289,662,680
Financial derivatives liabilities	7	22,148,357,506	17,982,069,072	22,291,071,128
Bank's liability under acceptance		5,223,662	275,350,782	113,470
Provision for employee benefit plan	18	32,722,443	38,182,791	48,389,722
Deferred tax liabilities	16	18,009,105	66,209,343	116,432,933
Other liabilities	17	1,751,692,855	855,141,972	910,938,991
<b>Total liabilities</b>		<b>50,090,276,031</b>	<b>41,065,377,768</b>	<b>46,556,461,176</b>
<b>Head Office's equity and balances with other</b>				
<b>branches under the same entity</b>				
Fund remitted into Thailand for maintaining				
assets under law	20	9,494,909,666	9,494,909,666	9,112,616,000
Net balance of inter-office accounts with Head Office				
and other branches under the same entity	20	2,063,573,459	10,963,874,841	10,734,412,900
Others component of accounts with head office and				
other branches under the same entity		2,572,447	20,409,806	60,121,710
Provision for share based payment	19	19,891,477	12,704,331	4,447,750
Retained earnings		1,174,044,856	399,231,638	831,724,506
<b>Total Head Office's equity and balances with other</b>		<b>12,754,991,905</b>	<b>20,891,130,282</b>	<b>20,743,322,866</b>
<b>Total liabilities and Head Office's equity and balances</b>		<b>62,845,267,936</b>	<b>61,956,508,050</b>	<b>67,299,784,042</b>
<b>with other branches under the same entity</b>				

The notes to financial statements from page 9 to 47 are an integral part of these financial statements.

**JPMorgan Chase Bank, N.A. - Bangkok Branch**  
**Statement of Comprehensive Income**  
**For the year ended 31 December 2013**

		<b>2013</b>	<b>Restated</b>
	<b>Notes</b>	<b>Baht</b>	<b>2012</b>
			<b>Baht</b>
Interest income	25	1,194,627,294	1,217,111,126
Interest expense	26	(455,376,227)	(292,884,960)
<b>Net interest income</b>		<b>739,251,067</b>	<b>924,226,166</b>
Fee and service income	27	45,380,278	43,944,265
Gains on trading and foreign exchange transactions	28	564,260,386	469,531,128
Gains (losses) on financial liabilities designated at fair value through profit or loss	29	368,767,600	(652,083,406)
Gain on investments		36,210,842	55,740,004
Other operating income	30	342,497,448	135,437,312
<b>Total operating income</b>		<b>2,096,367,621</b>	<b>976,795,469</b>
<b>Other operating expenses</b>			
Employee expenses		242,671,580	244,888,766
Premise and equipment expenses		46,525,595	41,204,619
Taxes and duties		55,077,748	46,280,731
Others	31	712,931,601	573,045,956
<b>Total other operating expenses</b>		<b>1,057,206,524</b>	<b>905,420,072</b>
Bad debt and doubtful accounts	32	1,364,476	2,400,395
<b>Profit before income tax</b>		<b>1,037,796,621</b>	<b>68,975,002</b>
Income tax expense	33	(278,996,412)	(90,934,047)
<b>Net profit (loss) for the year</b>		<b>758,800,209</b>	<b>(21,959,045)</b>
<b>Other comprehensive income (expense)</b>			
Losses on changes in fair value of available-for-sale securities		(18,293,447)	(46,080,651)
Actuarial gain from employee benefits plan		16,013,009	14,236,917
Income tax relating to components of other comprehensive income (expense) for the year		456,088	6,368,747
<b>Total other comprehensive expense</b>		<b>(1,824,350)</b>	<b>(25,474,987)</b>
<b>Total comprehensive income (expense) for the year</b>		<b>756,975,859</b>	<b>(47,434,032)</b>

The notes to financial statements from page 9 to 47 are an integral part of these financial statements.

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

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

**For the year ended 31 December 2013**

	Notes	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 under the same entity	Provision for share-based payment	Retained earnings	Total Baht
		Baht	Baht	Baht	Baht	Baht	Baht
<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
Impact of the TAS12 adoption	3	-	-	(15,030,427)	-	(101,402,506)	(116,432,933)
<b>Restated balance</b>		9,112,616,000	10,734,412,900	60,121,710	4,447,750	831,724,506	20,743,322,866
Net loss for the year (after adjustment)		-	-	-	-	(21,959,045)	(21,959,045)
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		-	-	-	8,256,581	-	8,256,581
Actuarial gain from employee benefits plan		-	-	-	-	-	-
Income tax relating to other component		-	-	-	-	-	-
of other comprehensive income for the year	18	-	-	-	-	14,236,917	14,236,917
<b>Balance as at 31 December 2012</b>		-	-	6,368,747	-	-	6,368,747
		9,494,909,666	10,963,874,841	20,409,806	12,704,331	399,231,638	20,891,130,282
<b>Balance as at 1 January 2013</b>		9,494,909,666	10,963,874,841	29,071,486	12,704,331	456,779,301	20,957,339,625
Impact of the TAS 12 adoption		-	-	(8,661,680)	-	(57,547,663)	(66,209,343)
<b>Balance as at 1 January 2013 (after adjustment)</b>		9,494,909,666	10,963,874,841	20,409,806	12,704,331	399,231,638	20,891,130,282
Net profit for the year		-	-	-	-	758,800,209	758,800,209
Decrease during the year		-	(8,900,301,382)	-	-	-	(8,900,301,382)
Unrealised loss on changes in fair value of available-for-sale securities		-	-	(18,293,447)	-	-	(18,293,447)
Provision for share-based payment		-	-	-	7,187,146	-	7,187,146
Actuarial gain from employee benefits plan		-	-	-	-	-	-
Income tax relating to other component		-	-	-	-	-	-
of other comprehensive income for the year	18	-	-	-	-	16,013,009	16,013,009
<b>Balance as at 31 December 2013</b>		-	2,063,573,459	456,088	-	-	456,088
		9,494,909,666	2,063,573,459	2,572,447	19,891,477	1,174,044,856	12,754,991,905

The notes to financial statements from page 9 to 47 are an integral part of these financial statements.

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

**Statement of Cash Flows**

**For the year ended 31 December 2013**

	<b>2013</b>	<b>2012</b>
	<b>Baht</b>	<b>Baht</b>
<b>Cash flows from operating activities:</b>		
Net profit from operating before income tax	1,037,796,621	68,975,002
Adjustments to reconcile net profit from operating before income tax to net cash provided by (used in) operating activities:		
Bad debt and doubtful accounts	1,364,476	2,400,395
Depreciation and amortisation	32,790,756	28,562,701
Provisions for employee benefits	10,552,661	4,029,986
Provision for share based payment expense	7,187,146	8,256,581
Unrealised gain on changes in fair value of trading securities	(4,031,295)	(46,891,510)
Gain on sales of investments in securities	(36,210,842)	(55,740,004)
Amortised discount on investments in securities	(524,342,914)	(547,684,533)
Gain on disposal of equipment	-	(4,962)
Loss on write-off of leasehold improvement and equipment	210,889	131,117
Unrealised (gain) loss on changes in fair value of financial derivative instruments	1,057,884,425	(77,250,041)
Interest income	(1,194,627,294)	(1,217,111,126)
Interest expense	455,376,227	292,884,960
Operating gain (loss) before changes in operating assets and liabilities	843,950,856	(1,539,441,434)
(Increase) decrease in operating assets:		
Interbank and money market items	(19,948,390)	(52,717,753)
Investments in trading securities	(1,691,004,298)	(3,673,353,412)
Loans	(1,458,005,396)	(1,749,578,351)
Other assets	(9,798,517)	48,999
Increase (decrease) in operating liabilities:		
Deposits	3,892,580,241	(2,062,837,223)
Interbank and money market items	66,212,874	(54,622,498)
Liability payable on demand	619,377,922	1,368,492
Financial liabilities designated at fair value through profit or loss	676,893,226	164,425,112
Other liabilities	512,612,763	87,255,270
Net balance of inter-office accounts with Head Office and other branches under the same entity	(8,651,360,624)	220,587,857
Net cash used in operating activities before interest received, interest paid and income tax paid - carried forward	(5,218,489,343)	(8,658,864,941)

The notes to financial statements from page 9 to 47 are an integral part of these financial statements.

**JPMorgan Chase Bank, N.A. - Bangkok Branch**  
**Statement of Cash Flows (Cont'd)**  
**For the year ended 31 December 2013**

	<b>2013</b>	<b>2012</b>
	<b>Baht</b>	<b>Baht</b>
Net cash used in operating activities before interest received, interest paid and income tax paid - brought forward	(5,218,489,343)	(8,658,864,941)
Interest received	1,271,985,383	1,104,201,518
Interest paid	(272,618,482)	(138,818,569)
Income tax paid	(125,560,188)	(474,384,643)
<b>Net cash used in operating activities</b>	<b>(4,344,682,630)</b>	<b>(8,167,866,635)</b>
<b>Cash flows from investing activities:</b>		
Purchase of investments in securities	(43,475,206,043)	(30,692,119,634)
Proceed from sales of investments in securities	9,174,082,530	6,906,303,528
Proceed from matured investments in securities	38,673,000,000	30,355,000,000
Proceed from sales of equipment	-	5,000
Purchase of equipment	(18,598,570)	(28,633,297)
Purchase of leasehold improvement	(763,970)	(15,963,160)
<b>Net cash provided by investing activities</b>	<b>4,352,513,947</b>	<b>6,524,592,437</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>7,831,317</b>	<b>(1,643,274,198)</b>
Cash and cash equivalents at the beginning of the year	5,027,761,655	6,671,035,854
<b>Cash and cash equivalents at end of the year</b>	<b>5,035,592,972</b>	<b>5,027,761,656</b>
<b>Cash and cash equivalents</b>		
Cash on hand	3,322,861	4,853,728
Interbank and money market items	4,771,534,709	5,011,113,284
Net balance of inter-office accounts with Head Office and other branches under the same entity	260,735,402	11,794,644
	<b>5,035,592,972</b>	<b>5,027,761,656</b>
<b>Non cash item:</b>		
Disposal of investments in securities	87,368,624	1,289,161,623
Purchase of investments in securities	137,424,573	1,106,642,184

The notes to financial statements from page 9 to 47 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 4 April 2014.

**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 Thai Financial Reporting Standards issued under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards issued 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 Financial Reporting Standards 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 and revised accounting standards, revised financial reporting standards, and related interpretations**

1. New and revised accounting standards which are effective on 1 January 2013 and are relevant and have an impact to the Bank are:

TAS 12	Income Taxes
TAS 21 (Revised 2009)	The Effects of Changes in Foreign Exchange Rates

TAS 12 requires tax expenses to be recognised for current and deferred tax. New accounting policy of income taxes is provided in Note 3.16. The effects of new accounting standard are as follows:

	Originally Stated Baht	Adjustment Baht	Restated Baht
<b>Statement of financial position</b>			
<b>As at 1 January 2012</b>			
<b>Liabilities</b>			
Deferred tax liabilities	-	116,432,933	116,432,933
<b>Head Office's equity and balances with other branches under the same entity</b>			
Other component of accounts with Head Office and other branches under the same entity	75,152,137	(15,030,427)	60,121,710
Retained earnings	933,127,012	(101,402,506)	831,724,506
<b>As at 31 December 2012</b>			
<b>Liabilities</b>			
Deferred tax liabilities	-	66,209,343	66,209,343
<b>Head Office's equity and balances with other branches under the same entity</b>			
Other component of accounts with Head Office and other branches under the same entity	29,071,486	(8,661,680)	20,409,806
Retained earnings	456,779,301	(57,547,663)	399,231,638
<b>Statement of comprehensive income</b>			
<b>For the year ended 31 December 2012</b>			
Income tax expense	134,788,890	(43,854,843)	90,934,047
Net loss for the year	(65,813,888)	43,854,843	(21,959,045)
Income tax relating to components of other comprehensive income (expense) for the year	-	6,368,747	6,368,747
Comprehensive income (expense) for the year	(97,657,622)	50,223,590	(47,434,032)

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

#### **New and revised accounting standards, revised financial reporting standards, and related interpretations (Cont'd)**

1. New and revised accounting standards which are effective on 1 January 2013 and are relevant and have an impact to the Bank are: (Cont'd)

	Originally Stated Baht	Adjustment Baht	Restated Baht
<b>Statement of Changes in Head Office's equity and other branches under the same entity</b>			
<b>As at 1 January 2012</b>			
Other component of accounts with Head Office and other branches under the same entity	75,152,137	(15,030,427)	60,121,710
Retained earnings	933,127,012	(101,402,506)	831,724,506

TAS 21 (Revised 2009) requires the Bank to determine the functional currency which is the currency of the primary economic environment in which the entity operates. The Bank assessed and concluded that Thai Baht is the Bank's functional currency. As a consequence, applying TAS 21 (Revised 2009) has no impact to assets, liabilities and retained earnings. New accounting policy is described in Note 3.9.

2. Revised accounting standards, revised financial reporting standards, and related interpretations that are not yet effective and have not been early adopted by the Bank:

- a) Revised accounting standards effective for the periods beginning on or after 1 January 2014

TAS 7 (Revised 2012)	Statement of Cash Flows
TAS 19 (Revised 2012)	Employee Benefits

TAS 7 (Revised 2012) clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities. This standard has no impact to the Bank.

TAS 19 (Revised 2012) deletes the transition provisions of the current TAS 19. This standard has no impact to the Bank.

- b) Interpretations of Thai Financial Reporting Interpretations Committee (TFRIC) effective for the periods beginning on or after 1 January 2014

TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
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TFRIC 1 provides guidance on accounting for changes in the measurement of an existing decommissioning, restoration and similar liability that results from changes in estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate. This interpretation has no impact to the Bank.

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

**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.

**3.3 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 decrease in value is carried out when there is a factor indicating that such investment might be decrease in value. If the carrying value of the investment is greater than its recoverable amount, loss on decrease in value 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 Summary of significant accounting policies (Cont'd)

#### 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.

#### 3.6 Equipment and depreciation

Equipment is stated at historical cost less accumulated depreciation and allowance for decrease in value (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 & fitting	10 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 Summary of significant accounting policies (Cont'd)

#### 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.

#### 3.9 Foreign currency translation

##### a) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Thai Baht, which is the Bank's functional presentation currency.

##### b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured using the reference rates of exchange of the Bank of Thailand ruling at the date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

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

#### **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.

#### **3.13 Employee benefits**

The Bank has post-employment benefits both defined contribution plan and defined benefit plan. 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 benefit that an employee will receive on retirement or retrenchment without cause, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using weighted average discount rate of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised into head offices's equity and balances with other branches under the same entity in the statement of financial positions.

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

**3.13 Employee benefits (Cont'd)**

Past-service costs are recognised immediately in the statement of comprehensive income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are calculated based on discounted cash flow method over the vesting period.

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.

**3.14 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.

**3.15 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.

**3.16 Current and deferred income taxes**

The tax expense for the period comprises of the current and deferred income taxes. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in head office's equity and balances with other branches under the same entity. In this case the income tax is also recognised in other comprehensive income or directly in head office's equity and balances with other branches under the same entity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Bank's operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

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

**3.16 Current and deferred income taxes (Cont'd)**

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**3.17 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) Decrease in value of loans**

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

**b) Decrease in value of investments**

Investments are reviewed for losses on decrease in value whenever events or changes in circumstances indicate that the carrying amount may not be recovered, in determining the losses on decrease in value. 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 20.

6 Interbank and money market items, net (assets)

	2013		
	Demand Baht	Time Baht	Total Baht
<b>Domestic items</b>			
The Bank of Thailand	238,171,472	1,100,000,000	1,338,171,472
Commercial banks	205,100,435	3,200,000,000	3,405,100,435
Total	443,271,907	4,300,000,000	4,743,271,907
<u>Add</u> Accrued interest receivable	-	1,241,233	1,241,233
<u>Less</u> Allowance for doubtful accounts	-	(32,000,000)	(32,000,000)
Total domestic items, net	443,271,907	4,269,241,233	4,712,513,140
<b>Foreign items</b>			
US Dollar	-	74,111,185	74,111,185
Japanese Yen	505,379	-	505,379
Euro	18,239,073	-	18,239,073
Danish Krone	584,274	-	584,274
Singapore Dollar	8,099,150	-	8,099,150
Others	834,926	-	834,926
Total	28,262,802	74,111,185	102,373,987
<u>Add</u> Accrued interest receivable	-	271,332	271,332
<u>Less</u> Allowance for doubtful accounts	-	(741,112)	(741,112)
Total foreign items, net	28,262,802	73,641,405	101,904,207
Total interbank and money market items, net	471,534,709	4,342,882,638	4,814,417,347
<b>2012</b>			
	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

**7 Financial derivatives**

**Trading derivatives**

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

<b>Types of risks</b>	<b>2013</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	15,945,002,095	14,125,672,987	693,542,311,159
Interest rate	6,905,603,102	7,715,291,636	833,661,751,904
Credit and commodity price	-	307,392,883	11,608,007,200
Total trading derivatives	22,850,605,197	22,148,357,506	1,538,812,070,263

  

<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

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

	<b>2013</b>	<b>2012</b>
	<b>Percentage</b>	<b>Percentage</b>
Financial institutions	79	83
Affiliated companies	17	13
Third parties	4	4
Total trading derivatives	100	100

**8 Investments, net**

	<b>2013</b>	<b>2012</b>
	<b>Fair value</b>	<b>Fair value</b>
	<b>Baht</b>	<b>Baht</b>
<b>Trading securities</b>		
Government	12,331,991,871	10,404,380,890
Total	12,331,991,871	10,404,380,890
<b>Available-for-sale securities</b>		
Government	18,888,989,468	22,718,605,646
Total	18,888,989,468	22,718,605,646
Total investments, net	31,220,981,339	33,122,986,536

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

**9.1 Classified by types of loans:**

	<b>2013</b>	<b>2012</b>
	<b>Baht</b>	<b>Baht</b>
Overdrafts	34,499,996	10,189,623
Loans	3,672,277,865	2,240,734,141
Total loans	3,706,777,861	2,250,923,764
<u>Less</u> Deferred revenue	(9,288,778)	(11,440,077)
Total loans net from deferred revenue	3,697,489,083	2,239,483,687
<u>Add</u> Accrued interest receivables	8,122,527	2,902,520
Total loans net from deferred revenue, adding accrued interest receivables	3,705,611,610	2,242,386,207
<u>Less</u> Allowance for doubtful accounts	(42,460,525)	(25,295,533)
Total loans and interest receivables, net	3,663,151,085	2,217,090,674

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

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

	2013		
	Domestic Baht	Foreign Baht	Total Baht
Thai Baht	2,036,992,065	-	2,036,992,065
US Dollar	1,660,497,018	-	1,660,497,018
Total loans net from deferred revenue	3,697,489,083	-	3,697,489,083

  

	2012		
	Domestic Baht	Foreign Baht	Total Baht
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

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

	2013				
	Normal Baht	Special mentioned Baht	Substandard Baht	Doubtful Baht	Doubtful of loss Baht
Manufacturing and commerce	3,344,988,161	-	-	-	5,861,295
Utilities and services	345,008,853	-	-	-	-
Others	-	-	-	-	1,630,774
Total loans net from deferred revenue	3,689,997,014	-	-	-	7,492,069

  

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

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

**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:

2013				
Classification	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	3,698,119,317	3,496,823,218	1	34,968,232
Doubtful of loss	7,492,293	7,492,293	100	7,492,293
Total	3,705,611,610	3,504,315,511		42,460,525

  

2012				
Classification	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

**10 Allowance for doubtful accounts**

Allowance for doubtful accounts

	2013					
	Normal Baht	Special mentioned Baht	Substandard Baht	Doubtful Baht	Doubtful of loss Baht	Total Baht
Balance at the beginning of the year	17,756,395	-	-	-	7,539,138	25,295,533
Allowance for doubtful accounts (Reversal) (Note 32)	17,211,837	-	-	-	(46,845)	17,164,992
Balance at the end of the year	34,968,232	-	-	-	7,492,293	42,460,525

  

	2012					
	Normal Baht	Special mentioned Baht	Substandard Baht	Doubtful Baht	Doubtful of loss Baht	Total Baht
Balance at the beginning of the year	99,937	-	-	-	7,822,379	7,922,316
Allowance for doubtful accounts (Reversal) (Note 32)	17,656,458	-	-	-	(283,241)	17,373,217
Balance at the end of the year	17,756,395	-	-	-	7,539,138	25,295,533

**JPMorgan Chase Bank, N.A. - Bangkok Branch**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2013**

**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 2012</b>						
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
<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
<u>Less</u> 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
<b>For the year ended 31 December 2013</b>						
Opening net book value	26,829,759	4,323,333	8,528,346	1	1,886,567	41,568,006
Additions	9,294,886	7,995,264	853,397	-	455,023	18,598,570
Transfer to computer equipment	1,886,567	-	-	-	(1,886,567)	-
Disposals/write off, net	(33)	(198,112)	(12,777)	-	-	(210,922)
Depreciation charge	(16,413,978)	(3,420,441)	(1,264,890)	-	-	(21,099,309)
Closing net book value	21,597,201	8,700,044	8,104,076	1	455,023	38,856,345
<b>As at 31 December 2013</b>						
Cost	94,154,047	44,230,173	26,860,560	48,000	455,023	165,747,803
<u>Less</u> Accumulated depreciation	(72,556,846)	(35,530,129)	(18,756,484)	(47,999)	-	(126,891,458)
Net book value	21,597,201	8,700,044	8,104,076	1	455,023	38,856,345

**12 Other assets, net**

	2013 Baht	2012 Baht
Leasehold right and leasehold improvement, net	77,958,062	88,885,504
Accrued interest receivables	66,885,764	149,319,748
Prepaid expenses	3,604,534	3,234,582
Other receivables	12,893,116	3,464,551
Total other assets, net	161,341,476	244,904,385
The amortisation cost of leasehold right and depreciation of leasehold improvement for the year	11,691,447	10,336,482

### 13 Deposits

#### 13.1 Classified by types of deposits:

	<b>2013 Baht</b>	<b>2012 Baht</b>
On demand	775,263,685	360,294,125
Savings	6,350,273,598	3,465,661,589
Fixed	4,722,998,672	4,130,000,000
Total deposits	<u>11,848,535,955</u>	<u>7,955,955,714</u>

#### 13.2 Classified by currencies and domiciles of depositors:

	<b>2013</b>		
	<b>Domestic Baht</b>	<b>Foreign Baht</b>	<b>Total Baht</b>
Thai Baht	9,429,794,602	11,244,852	9,441,039,454
US Dollar	2,378,162,297	-	2,378,162,297
Euro	29,334,204	-	29,334,204
Total deposits	<u>11,837,291,103</u>	<u>11,244,852</u>	<u>11,848,535,955</u>

  

	<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>

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

	<b>2013</b>		
	<b>Demand Baht</b>	<b>Time Baht</b>	<b>Total Baht</b>
<b>Domestic items</b>			
Life insurance companies	-	3,000,000,000	3,000,000,000
Securities company	66,911,473	1,300,000,000	1,366,911,473
Total domestic items	66,911,473	4,300,000,000	4,366,911,473
<b>Foreign items</b>			
Thai Baht	8,281,099	-	8,281,099
Australian Dollar	-	302,110	302,110
Total foreign items	8,281,099	302,110	8,583,209
Total interbank and money market items	75,192,572	4,300,302,110	4,375,494,682
<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

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

	<b>2013 Baht</b>	<b>2012 Baht</b>
Deposits	-	203,944,885
Bill of exchange	9,130,981,018	8,250,142,907
Total financial liabilities designated at fair value through profit or loss	9,130,981,018	8,454,087,792

**15 Financial liabilities designated at fair value through profit or loss (Cont'd)**

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

	<b>2013</b>	<b>2012</b>
	<b>Percentage</b>	<b>Percentage</b>
Financial institutions	100	88
Others	-	12
Total proportion of transactions being classified by type of counterparties	100	100

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

	<b>2013</b>	<b>2012</b>
	<b>Baht</b>	<b>Baht</b>
Balance of unrealised gain at beginning of the year	423,004,793	502,454,313
Increase (decrease) during the year	23,212,726	(64,466,585)
Translation adjustment	31,996,899	(14,982,935)
Balance unrealised gain at end of the year	478,214,418	423,004,793

**16 Deferred income tax**

The analysis of deferred tax assets and deferred tax liability is as follows:

	<b>2013</b>	<b>2012</b>
	<b>Baht</b>	<b>Baht</b>
Deferred tax assets:		
Deferred tax asset to be recovered within 12 months	4,328,400	4,495,119
Deferred tax asset to be recovered after more than 12 months	99,249,066	46,467,885
	103,577,466	50,963,004
Deferred tax liabilities:		
Deferred tax liabilities to be settled within 12 months	25,597,909	29,091,353
Deferred tax liability to be settled after more than 12 months	95,988,662	88,080,994
	121,586,571	117,172,347
Deferred tax liabilities (net)	18,009,105	66,209,343

The gross movement and the deferred income tax account is as follows:

	<b>2013</b>	<b>2012</b>
	<b>Baht</b>	<b>Baht</b>
As at 1 January	66,209,343	116,432,933
Credited to profit or loss	(47,744,150)	(43,854,843)
Tax credited directly to head office's equity and Balances with other branches under the same entity	(456,088)	(6,368,747)
As at 31 December	18,009,105	66,209,343

16 Deferred income tax (Cont'd)

The movement in deferred tax assets and liabilities during the year is as follows:

	Derivative liabilities from option sold premium Baht	Provision for employee benefits Baht	Provision for restricted stock units Baht	Losses on changes in fair value of available- for-sale securities Baht	Provision for derivatives Baht	Others Baht	Total Baht
<b>Deferred tax assets</b>							
<b>As at 1 January 2013</b>							
Charged (credited) to profit and loss	4,453,424	7,636,558	2,540,866	41,695	34,995,063	1,295,398	50,963,004
Charged (credited) directly to head office's equity and balances with other branches under the same entity	(125,024)	2,110,532	1,437,429	-	52,250,766	185,056	55,858,759
	-	(3,202,602)	-	(41,695)	-	-	(3,244,297)
<b>As at 31 December 2013</b>	<b>4,328,400</b>	<b>6,544,488</b>	<b>3,978,295</b>	<b>-</b>	<b>87,245,829</b>	<b>1,480,454</b>	<b>103,577,466</b>
<b>As at 1 January 2012</b>							
Charged to profit and loss	1,330,000	9,677,944	889,550	1,035,675	22,722,560	1,110,341	36,766,070
Credited directly to head office's equity and balances with other branches under the same entity	3,123,424	805,997	1,651,316	-	12,272,503	185,057	18,038,297
	-	(2,847,383)	-	(993,980)	-	-	(3,841,363)
<b>As at 31 December 2012</b>	<b>4,453,424</b>	<b>7,636,558</b>	<b>2,540,866</b>	<b>41,695</b>	<b>34,995,063</b>	<b>1,295,398</b>	<b>50,963,004</b>

16 Deferred income tax (Cont'd)

	Gain on changes in fair value of trading securities Baht	Gain on changes in fair value of available-for- sale securities Baht	Derivative assets for option purchased premium Baht	Gain (loss) from change in fair value of financial liabilities under fair value option Baht	Total Baht
Deferred tax liabilities					
As at 1 January 2013	13,148,210	5,855,992	13,567,186	84,600,959	117,172,347
Charged (credited) to profit and loss	3,849,870	-	(6,777,186)	11,041,925	8,114,609
Credited directly to head office's equity and balances with other branches under the same entity	-	(3,700,385)	-	-	(3,700,385)
As at 31 December 2013	16,998,080	2,155,607	6,790,000	95,642,884	121,586,571
As at 1 January 2012	1,285,042	16,066,102	35,356,995	100,490,864	153,199,003
Charged (credited) to profit and loss	11,863,168	-	(21,789,809)	(15,889,905)	(25,816,546)
Charged directly to head office's equity and balances with other branches under the same entity	-	(10,210,110)	-	-	(10,210,110)
As at 31 December 2012	13,148,210	5,855,992	13,567,186	84,600,959	117,172,347

**17 Other liabilities**

	<b>2013</b>	<b>2012</b>
	<b>Baht</b>	<b>Baht</b>
Accrued interest payable	717,982,148	535,224,403
Accrued bonuses	40,457,670	55,717,700
Accrued FIDF charges	34,098,041	17,892,051
Cash received in advance from forward contracts	132,083,482	-
Income tax payable	206,265,382	5,085,007
Profit remittance tax payable	32,470,950	29,703,006
Reserve for derivatives products	436,224,031	177,609,627
Others	152,111,151	33,910,178
Total other liabilities	<u>1,751,692,855</u>	<u>855,141,972</u>

**18 Provision for employment benefits plan**

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 and for long service awards.

As at 31 December 2013 and 2012, the post-employment benefits provided unfunded obligation as follows:

	<b>2013</b>	<b>2012</b>
	<b>Baht</b>	<b>Baht</b>
Present value of obligations	30,795,559	36,479,179
<u>Less</u> Deferred present value of obligations	-	-
Provision for post-employment benefits	<u>30,795,559</u>	<u>36,479,179</u>
Provision for long service award	<u>1,926,884</u>	<u>1,703,612</u>
Total provision for employee benefits plan	<u>32,722,443</u>	<u>38,182,791</u>

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

	<b>2013</b>	<b>2012</b>
	<b>Baht</b>	<b>Baht</b>
Beginning balance	36,479,179	48,389,722
Current service costs	10,823,815	8,809,219
Interest costs	1,468,292	1,070,636
Actuarial gain	(16,013,009)	(14,236,917)
<u>Less</u> benefits paid for the year	<u>(1,962,718)</u>	<u>(7,553,481)</u>
Ending balance	<u>30,795,559</u>	<u>36,479,179</u>

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

	<b>2013</b>	<b>2012</b>
	<b>Baht</b>	<b>Baht</b>
Current service costs	10,823,815	8,809,219
Interest costs	1,468,292	1,070,636
Actuarial gain	<u>(16,013,009)</u>	<u>(14,236,917)</u>
Total	<u>(3,720,902)</u>	<u>(4,357,062)</u>

# **18 Provision for post-employment benefits (Cont'd)**

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

	<b>2013</b>	<b>2012</b>
Discount rate	4.3565%	4.0250%
Salary increase rate	11%	12%
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 5 years historical data	From 3 years historical data
Retirement age	60 years old	60 years old

# **19 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.

The movements in the number of outstanding shares and their related weighted average share prices at the grant dates are as follows:

	<b>Average price Baht per share</b>	<b>Average price USD per share</b>	<b>Number of awards</b>
<b>As at 1 January 2012</b>	1,403.44	44.29	6,928
Granted during the year	1,090.64	35.61	9,036
Cancelled during the year	1,311.88	42.83	(679)
<b>As at 31 December 2012</b>	<b>1,201.32</b>	<b>39.22</b>	<b>15,285</b>
<b>As at 1 January 2013</b>	1,201.32	39.22	15,285
Granted during the year	1,528.46	46.58	8,084
Exercised during the year	1,503.19	45.81	(3,517)
Cancelled during the year	1,318.83	40.19	(5,605)
Transferred during the year	1,374.12	41.88	678
<b>As at 31 December 2013</b>	<b>1,374.12</b>	<b>41.88</b>	<b>14,925</b>

For the year ended 31 December 2013, the total share based payment expense recognised during the year amounting to Baht 10.9 million (31 December 2012: Baht 8.5 million).

## 20 Capital funds

	<b>2013</b>	<b>2012</b>
	<b>Baht</b>	<b>Baht</b>
Assets maintained in accordance with Section 32	9,494,909,666	9,494,909,666
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	9,493,562,364
Net inter-office balance which branch is debtor of the head office, others branches and subsidiary	2,063,573,459	10,963,874,841
Total	11,557,135,823	20,457,437,205
Capital funds	9,493,562,364	9,493,562,364
Total capital funds to risk weighted assets ratio (%)	17.65	18.02

The Bank will disclose capital maintenance information as at 31 December 2013 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 2014.

## 21 Asset pledged as collateral

The Bank had investment in government securities which been pledged as collateral for structured bills of exchange. The book values of such securities as at 31 December 2013 amounted to Baht 1,035,920,140 (31 December 2012: Nil).

## 22 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>2013</b>		
	<b>Thai Baht</b>	<b>Foreign</b>	<b>Total</b>
	<b>Baht</b>	<b>currencies</b>	<b>Baht</b>
Letter of Credit	-	6,608,531,717	6,608,531,717
Guarantees	298,681,277	1,035,684,180	1,334,365,457
Unused overdraft credit line	204,510,576	-	204,510,576
Unused credit facilities	-	328,136,000	328,136,000
Total commitments	503,191,853	7,972,351,897	8,475,543,750
	<b>2012</b>		
	<b>Thai Baht</b>	<b>Foreign</b>	<b>Total</b>
	<b>Baht</b>	<b>currencies</b>	<b>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
Total commitments	1,163,384,002	905,772,864	2,069,156,866

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

## **23 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.

### **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 A.G.
- J.P. Morgan International Finance Limited
- J.P. Morgan Securities (Asia Pacific) Limited
- J.P. Morgan Securities (Thailand) Ltd.
- J.P. Morgan Ventures Energy Corporation
- J.P. Morgan Securities Asia Private Limited
- J.P. Morgan Securities India Private Limited
- J.P. Morgan Securities LLC
- J.P. Morgan Securities Plc.
- JPMorgan Securities Japan Co., Ltd.
- J.P. Morgan Treasury Technology Corporation

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

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>2013</b>	<b>2012</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.	18	1
Interbank and money market items - liabilities		
J.P. Morgan Securities (Thailand) Ltd.	1,369	1,305
Provision for share based payment		
J.P. Morgan Chase & Co	20	13
Net balance of inter-office accounts with Head Office and other branches under the same entity		
JPMorgan Chase Bank, N.A.	(2,202)	16
JPMorgan Chase Bank, N.A. - London Branch	19	2
JPMorgan Chase Bank, N.A. - Hong Kong Branch	-	(10,982)
<b>Off Balance Sheet item</b>		
Commitments	258,685	222,111
	<b>2013</b>	<b>2012</b>
	<b>Million Baht</b>	<b>Million Baht</b>
<b>Statements of comprehensive income</b>		
Interest expense	32	55
Fees and service incomes	11	9
Other operating income	158	124
Employee expenses	11	8
Fees and services expenses and other expenses	357	354

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.

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

### 24.1 Position classified by type of transaction

	Unit: Million Baht					
	2013			2012		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Total assets	62,845	-	62,845	61,957	-	61,957
Interbank and money market items, net (asset)	4,814	-	4,814	5,018	-	5,018
Investments, net	31,221	-	31,221	33,123	-	33,123
Loans and accrued interest receivables, net	3,663	-	3,663	2,217	-	2,217
Deposits	11,849	-	11,849	7,956	-	7,956
Interbank and money market items (liabilities)	4,375	-	4,375	4,309	-	4,309
Financial liabilities designated at fair value through profit or loss	9,131	-	9,131	8,454	-	8,454

### 24.2 Performance classified by types of transaction

	Unit: Million Baht					
	2013			2012		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Interest income	1,194	-	1,194	1,217	-	1,217
Interest expense	(455)	-	(455)	(293)	-	(293)
Net interest income	739	-	739	924	-	924
Fee and service income	45	-	45	44	-	44
Other operating incomes	1,312	-	1,312	8	-	8
Other operating expenses	(1,058)	-	(1,058)	(907)	-	(907)
Profit before income tax	1,038	-	1,038	69	-	69

## 25 Interest income

	2013 Baht	2012 Baht
Interbank and money market items, net (asset)	139,014,661	110,953,704
Investments and trading transactions	365,975,153	311,204,290
Investments in debt securities, available for sales	626,793,927	758,963,915
Loans	62,843,553	35,989,217
Total interest income	1,194,627,294	1,217,111,126

**26 Interest expense**

	<b>2013</b>	<b>2012</b>
	<b>Baht</b>	<b>Baht</b>
Deposits	166,274,228	29,862,881
Interbank and money market items (liabilities)	211,210,062	224,442,183
Contribution fee to the Deposit Protection Agency and Bank of Thailand	75,291,493	33,073,798
Debt issuance - Bill of exchange	-	2,186,301
Others	2,600,444	3,319,797
<b>Total interest expense</b>	<b>455,376,227</b>	<b>292,884,960</b>

**27 Fee and service income**

	<b>2013</b>	<b>2012</b>
	<b>Baht</b>	<b>Baht</b>
Money transfer and collection services	11,255,681	9,385,932
Fee relating to letter of credit	16,410,972	18,674,878
Service fees from related companies	10,884,109	9,195,761
Fee relating to other guarantees	740,435	1,230,887
Others	6,089,081	5,456,807
<b>Total fee and service income</b>	<b>45,380,278</b>	<b>43,944,265</b>

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

	<b>2013</b>	<b>2012</b>
	<b>Baht</b>	<b>Baht</b>
Gains on foreign currencies and foreign exchange rate derivatives	887,609,541	467,672,331
Losses on interest rate derivatives	(299,673,132)	(57,264,109)
Gains (losses) on debt securities	(23,676,023)	59,122,906
<b>Total gains on trading and foreign exchange transactions</b>	<b>564,260,386</b>	<b>469,531,128</b>

**29 Gain (losses) from financial liabilities designated at fair value through profit or loss**

	<b>2013</b>	<b>2012</b>
	<b>Baht</b>	<b>Baht</b>
Changes in fair value of:		
Deposits	-	(41,013)
Borrowings	691,109,874	(349,401,160)
	691,109,874	(349,442,173)
Losses on redemption and interest expense paid	(322,342,274)	(302,641,233)
<b>Total gain (losses) from financial liabilities designated at fair value through profit or loss</b>	<b>368,767,600</b>	<b>(652,083,406)</b>

**29 Gain (losses) from financial liabilities designated at fair value through profit or loss (Cont'd)**

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

	<b>2013</b>	<b>2012</b>
	<b>Baht</b>	<b>Baht</b>
Charges in fair value due to change in credit risks	23,212,726	(64,466,585)

**30 Other operating income**

	<b>2013</b>	<b>2012</b>
	<b>Baht</b>	<b>Baht</b>
Revenue sharing from financial derivative trading	155,870,515	121,820,651
Loan charge off recovery	180,196,130	-
Others	6,430,803	13,616,661
Total other operating income	<u>342,497,448</u>	<u>135,437,312</u>

**31 Other expenses**

	<b>2013</b>	<b>2012</b>
	<b>Baht</b>	<b>Baht</b>
Service fees to related companies	362,787,515	359,657,608
Other reserves	251,795,709	63,282,396
Brokerage commissions	22,616,899	19,972,181
Other	75,731,478	130,133,771
Total other expenses	<u>712,931,601</u>	<u>573,045,956</u>

**32 Bad debt and doubtful accounts**

	<b>2013</b>	<b>2012</b>
	<b>Baht</b>	<b>Baht</b>
Interbank and money market items, net	(15,800,516)	(14,972,822)
Loans	17,164,992	17,373,217
Total bad debt and doubtful accounts	<u>1,364,476</u>	<u>2,400,395</u>

**33 Income tax expense**

	<b>2013</b>	<b>2012</b>
	<b>Baht</b>	<b>Baht</b>
Current income tax:		
Current income tax on profits for the year	326,740,563	134,788,890
Total current income tax	326,740,563	134,788,890
Deferred income tax:		
Origination and reversal of temporary differences	(47,744,151)	(43,854,843)
Total deferred income taxes	(47,744,151)	(43,854,843)
Total income tax expense	278,996,412	90,934,047

The income tax on profits before tax of the Bank differs from the theoretical amount that would arise using the basic income tax rate of the home country of the Bank as follows:

	<b>2013</b>	<b>2012</b>
	<b>Baht</b>	<b>Baht</b>
Profit before tax	1,037,796,621	68,975,002
Tax calculated at a tax rate of 20% (31 December 2012: 23%)	207,559,324	15,864,250
Tax effect of:		
Income not subjected to tax	(1,532,661)	(13,061,716)
Expenses not deductible for tax purpose	72,969,749	81,553,286
Re-measurement of deferred tax - change in tax rate	-	6,578,227
Income tax charge	278,996,412	90,934,047

The weighted average applicable income tax rate was 27% (2012: 132%). The decrease is caused by high profit before tax in 2013 and a change in corporate income tax rate announced by the Revenue Department.

## **34 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 the bank 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.

**34 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.

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

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

**3) Credit-related commitments (Cont'd)**

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

**(b) 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.

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

**(c) Currency risk (Cont'd)**

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				
	2013				
	Baht	US Dollar	Japanese Yen	Others	Total
Cash	3	-	-	-	3
Interbank and money market items, net	4,712	74	-	28	4,814
Accounts receivable from securities trading	87	-	-	-	87
Financial derivative assets	(31,846)	55,460	(3,369)	2,606	22,851
Investments, net	31,221	-	-	-	31,221
Loans and accrued interest receivables	2,045	1,670	-	-	3,715
Deferred revenue	-	(9)	-	-	(9)
Allowance for doubtful account	(28)	(14)	-	-	(42)
Customers' liability under acceptance	-	5	-	-	5
Other assets	77	2	-	-	79
<b>Total assets</b>	<b>6,271</b>	<b>57,188</b>	<b>(3,369)</b>	<b>2,634</b>	<b>62,724</b>
Deposits	9,441	2,378	-	29	11,848
Interbank and money market items	4,375	-	-	-	4,375
Accounts payable from securities trading	137	-	-	-	137
Demand liabilities	642	-	-	-	642
Financial liabilities designated at fair value through profit or loss	9,609	(478)	-	-	9,131
Financial derivative liabilities	(54,008)	76,920	(3,369)	2,605	22,148
Bank's liabilities under acceptance	-	5	-	-	5
Other liabilities	1,051	261	-	1	1,313
<b>Total liabilities</b>	<b>(28,753)</b>	<b>79,086</b>	<b>(3,369)</b>	<b>2,635</b>	<b>49,599</b>
Net on-balance-sheet foreign currency position	35,024	(21,898)	-	(1)	13,125
Net off-balance-sheet foreign currency position	1,048,413	437,977	4,358	56,540	1,547,288

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

**(c) Currency risk (Cont'd)**

	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, net	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
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
Bank's liabilities under acceptance	-	275	-	-	275
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>
Net on-balance-sheet foreign currency position	26,778	(5,743)	1	3	21,039
Net off-balance-sheet foreign currency position	1,273,366	364,179	6,347	17,972	1,661,864

**(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

**34 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						
	2013						
	At call	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No maturity	Total
Cash	3	-	-	-	-	-	3
Interbank and money market items, net	472	4,328	14	-	-	-	4,814
Accounts receivable from securities trading	-	87	-	-	-	-	87
Financial derivative assets	-	5,344	5,328	7,270	4,909	-	22,851
Investments, net	-	10,514	8,631	6,566	5,510	-	31,221
Loans and accrued interest receivables	-	2,136	95	1,477	-	7	3,715
Deferred revenue	-	-	-	(9)	-	-	(9)
Allowance for doubtful accounts	-	(19)	(1)	(15)	-	(7)	(42)
Customers' liability under acceptance	-	5	-	-	-	-	5
Other monetary assets	-	39	40	-	-	-	79
Total assets	475	22,434	14,107	15,289	10,419	-	62,724
Deposits	7,125	4,723	-	-	-	-	11,848
Interbank and money market items	75	1,300	-	3,000	-	-	4,375
Accounts payable from securities trading	-	137	-	-	-	-	137
Demand liabilities	642	-	-	-	-	-	642
Financial liabilities designated at fair value through profit or loss	-	-	-	-	9,131	-	9,131
Financial derivative liabilities	-	4,513	5,789	9,294	2,552	-	22,148
Bank's liability under acceptance	-	5	-	-	-	-	5
Other monetary liabilities	119	234	238	710	-	12	1,313
Total liabilities	7,961	10,912	6,027	13,004	11,683	12	49,599
Liquidity, net	(7,486)	11,522	8,080	2,285	(1,264)	(12)	13,125

34 Financial risk management (Cont'd)

(d) Liquidity risk (Cont'd)

	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, net	-	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
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
Bank's liability under acceptance	-	275	-	-	-	-	275
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

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.

### 35 Fair values of financial assets and liabilities

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

	Unit: Million Baht			
	2013		2012	
	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>				
Cash	3	3	5	5
Interbank and money market items, net	4,814	4,814	5,018	5,018
Accounts receivable from securities trading	87	87	1,289	1,289
Financial derivatives assets	22,851	22,851	19,742	19,742
Investments, net	31,221	31,221	33,123	33,123
Loans and accrued interest				
Receivables, net	3,664	3,664	2,217	2,217
Customer's liability under acceptance	5	5	275	275
<b>Financial liabilities</b>				
Deposits	11,848	11,848	7,956	7,956
Interbank and money market items	4,375	4,375	4,309	4,309
Accounts payable from securities trading	137	137	1,107	1,107
Liability payable on demand	642	642	22	22
Financial liabilities designated at fair value through profit or loss	9,131	9,131	8,454	8,454
Financial derivatives liabilities	22,148	22,148	17,982	17,982
Bank's liability under acceptance	5	5	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.

**36 Management benefits**

	<b>2013</b>	<b>2012</b>
	<b>Baht</b>	<b>Baht</b>
Short-term employee benefits	77,569,255	69,033,231
Post-employment benefits	3,802,075	2,998,239
Share based payment	4,952,967	1,194,310

**37 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.