

JPMORGAN CHASE BANK, N.A. - BANGKOK BRANCH

FINANCIAL STATEMENTS

31 DECEMBER 2014



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 2014, 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 2014 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, appearing to be "Unakorn Phruithithada".

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

Bangkok
1 April 2015

JPMorgan Chase Bank, N.A. - Bangkok Branch

Statement of Financial Position

As at 31 December 2014

	Notes	2014 Baht	2013 Baht
Assets			
Cash		4,509,109	3,322,861
Interbank and money market items, net	6	11,320,148,169	4,814,417,347
Accounts receivable from securities trading		678,164,877	87,368,624
Financial derivatives assets	7	21,517,247,609	22,850,605,197
Investments, net	8	32,966,897,733	31,220,981,339
Loans and accrued interest receivables	9		
Loans		2,823,097,621	3,706,777,861
Accrued interest receivables		12,131,315	8,122,527
Total loans and accrued interest receivables		2,835,228,936	3,714,900,388
<u>Less</u> Deferred revenue		(13,428,084)	(9,288,778)
<u>Less</u> Allowance for doubtful debts	10	(35,464,833)	(42,460,525)
Loans and accrued interest receivables, net		2,786,336,019	3,663,151,085
Customers' liability under acceptance		-	5,223,662
Equipment, net	11	28,387,034	38,729,931
Intangible assets, net	12	435,652	126,414
Other assets, net	13	123,593,066	161,341,476
Total assets		69,425,719,268	62,845,267,936



(Mr. Sunti Ninsuvannakul)
Branch Manager

The accompanying notes are an integral part of the financial statements.

JPMorgan Chase Bank, N.A. - Bangkok Branch**Statement of Financial Position (Cont'd)****As at 31 December 2014**

	Notes	2014 Baht	2013 Baht
Liabilities and Head Office's equity and balances with other branches under the same entity			
Liabilities			
Deposits	14	17,525,991,775	11,848,535,955
Interbank and money market items	15	5,017,609,909	4,375,494,682
Accounts payable from securities trading		1,337,614,079	137,424,573
Liability payable on demand		669,204,560	641,834,232
Financial liabilities designated at fair value through profit or loss	16	10,446,740,232	9,130,981,018
Financial derivatives liabilities	7	20,630,993,119	22,148,357,506
Bank's liability under acceptance		-	5,223,662
Provision for employee benefit plan	19	43,890,672	32,722,443
Deferred tax liabilities	17	35,411,884	18,009,105
Other liabilities	18	1,746,081,017	1,751,692,855
Total liabilities		57,453,537,247	50,090,276,031
Head Office's equity and balances with other branches under the same entity			
Fund remitted into Thailand for maintaining assets under law	22	9,494,909,666	9,494,909,666
Net balance of inter-office accounts with Head Office and other branches under the same entity	22	1,722,702,036	2,063,573,459
Others component of accounts with head office and other branches under the same entity		(2,863,432)	2,572,447
Provision for share based payment	21	16,783,059	19,891,477
Retained earnings		740,650,692	1,174,044,856
Total Head Office's equity and balances with other branches under the same entity		11,972,182,021	12,754,991,905
Total liabilities and Head Office's equity and balances with other branches under the same entity		69,425,719,268	62,845,267,936

The accompanying notes are an integral part of the financial statements.

JPMorgan Chase Bank, N.A. - Bangkok Branch
Statement of Comprehensive Income
For the year ended 31 December 2014

	Notes	2014 Baht	2013 Baht
Interest income	27	987,559,295	1,194,627,294
Interest expense	28	(416,489,091)	(455,376,227)
Net interest income		571,070,204	739,251,067
Fee and service income	29	46,641,243	45,380,278
Financial derivatives assets	30	2,169,037,588	564,260,386
Gains (losses) on financial liabilities designated at fair value through profit or loss	31	(1,531,527,391)	368,767,600
Gain on investments		-	36,210,842
Other operating income	32	117,603,126	342,497,448
Total operating income		1,372,824,770	2,096,367,621
Other operating expenses			
Employee expenses		250,255,148	242,671,580
Premise and equipment expenses		43,107,706	46,525,595
Taxes and duties		62,835,287	55,077,748
Others	33	619,483,738	712,931,601
Total other operating expenses		975,681,879	1,057,206,524
Bad debt and doubtful accounts (Reversal)	34	(19,682,787)	1,364,476
Profit before income tax		416,825,678	1,037,796,621
Income tax expense	35	(173,527,326)	(278,996,412)
Net profit for the year		243,298,352	758,800,209
Other comprehensive income (expense)			
Losses on changes in fair value of available-for-sale securities		(6,786,826)	(18,293,447)
Actuarial gain from employee benefits plan		-	16,013,009
Income tax relating to components of other comprehensive income (expense) for the year		1,350,947	456,088
Total other comprehensive expense		(5,435,879)	(1,824,350)
Total comprehensive income for the year		237,862,473	756,975,859

The accompanying notes are an integral part of the 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 2014

	Note	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
Balance as at 1 January 2013		9,494,909,666	10,963,874,841	20,409,806	12,704,331	399,231,638	20,891,130,282
Financial derivatives assets		-	-	-	-	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	19	-	-	-	-	-	-
Income tax relating to other component		-	-	-	-	16,013,009	16,013,009
of other comprehensive income for the year		-	-	456,088	-	-	456,088
Balance as at 31 December 2013		9,494,909,666	2,063,573,459	2,572,447	19,891,477	1,174,044,856	12,754,991,905
Balance as at 1 January 2014		9,494,909,666	2,063,573,459	2,572,447	19,891,477	1,174,044,856	12,754,991,905
Net profit for the year		-	-	-	-	243,298,352	243,298,352
Decrease during the year		-	(340,871,423)	-	-	-	(340,871,423)
Profit remittance to Head Office		-	-	-	-	(676,692,516)	(676,692,516)
Unrealised loss on changes in fair value of available-for-sale securities		-	-	(6,786,826)	-	-	(6,786,826)
Provision for share-based payment		-	-	-	(3,108,418)	-	(3,108,418)
Income tax relating to other component		-	-	-	-	-	-
of other comprehensive income for the year		-	-	1,350,947	-	-	1,350,947
Balance as at 31 December 2014		9,494,909,666	1,722,702,036	(2,863,432)	16,783,059	740,650,692	11,972,182,021

The accompanying notes are an integral part of the financial statements.

JPMorgan Chase Bank, N.A. - Bangkok Branch**Statement of Cash Flows****For the year ended 31 December 2014**

	2014	2013
	Baht	Baht
Cash flows from operating activities:		
Net profit from operating before income tax	416,825,678	1,037,796,621
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)	(19,682,787)	1,364,476
Depreciation and amortisation	28,888,903	32,790,756
Financial derivatives assets	11,168,229	10,552,661
Provision for share based payment expense (Reversal)	(3,108,418)	7,187,146
Unrealised gain on changes in fair value of trading securities	(26,645,236)	(4,031,295)
Gain on sales of investments in securities	-	(36,210,842)
Amortised discount on investments in securities	(395,185,446)	(524,342,914)
Loss on write-off of leasehold improvement and equipment	38	210,889
Unrealised (gain) loss on changes in fair value of financial derivative instruments	(184,006,799)	1,057,884,425
Interest income	(987,559,295)	(1,194,627,294)
Interest expense	416,489,091	455,376,227
Operating gain (loss) before changes in operating assets and liabilities	(742,816,042)	843,950,856
(Increase) decrease in operating assets:		
Interbank and money market items	(1,931,290,521)	(19,948,390)
Investments in trading securities	(1,241,073,593)	(1,691,004,298)
Loans	887,819,546	(1,458,005,396)
Other assets	9,843,030	(9,798,517)
Increase (decrease) in operating liabilities:		
Deposits	5,677,455,820	3,892,580,241
Interbank and money market items	642,115,227	66,212,874
Liability payable on demand	27,370,328	619,377,922
Financial liabilities designated at fair value through profit or loss	1,315,759,214	676,893,226
Other liabilities	(2,750,042)	512,612,763
Net balance of inter-office accounts with Head Office and other branches under the same entity	(451,375,935)	(8,651,360,624)
Net cash provided by (used in) operating activities before interest received, interest paid and income tax paid - carried forward	4,191,057,032	(5,218,489,343)

The accompanying notes are an integral part of the financial statements.

JPMorgan Chase Bank, N.A. - Bangkok Branch

Statement of Cash Flows (Cont'd)

For the year ended 31 December 2014

	2014	2013
	Baht	Baht
Net cash provided by (used in) operating activities before interest received, interest paid and income tax paid - brought forward	4,191,057,032	(5,218,489,343)
Interest received	1,001,401,238	1,271,985,383
Interest paid	(220,450,698)	(272,618,482)
Income tax paid	(353,673,790)	(125,560,188)
Net cash provided by (used in) operating activities	4,618,333,782	(4,344,682,630)
Cash flows from investing activities:		
Purchase of investments in securities	(46,215,405,693)	(43,475,206,043)
Proceed from sales of investments in securities	-	9,174,082,530
Proceed from matured investments in securities	46,735,000,000	38,673,000,000
Purchase of equipment	(7,038,397)	(18,598,570)
Purchase of leasehold improvement	(1,075,609)	(763,970)
Net cash provided by investing activities	511,480,301	4,352,513,947
Cash flows from financing activities:		
Profit remittance to Head Office	(608,888,536)	-
Tax paid from profit remittance	(67,803,980)	-
Net cash used in financing activities	(676,692,516)	-
Net increase in cash and cash equivalents	4,453,121,567	7,831,317
Cash and cash equivalents at the beginning of the year	5,035,592,972	5,027,761,655
Cash and cash equivalents at end of the year	9,488,714,539	5,035,592,972
Cash and cash equivalents		
Cash on hand	4,509,109	3,322,861
Interbank and money market items	9,333,974,540	4,771,534,709
Net balance of inter-office accounts with Head Office and other branches under the same entity	150,230,890	260,735,402
	9,488,714,539	5,035,592,972
Non cash item:		
Disposal of investments in securities	678,164,877	87,368,624
Purchase of investments in securities	1,337,614,079	137,424,573

The accompanying notes are an integral part of the 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 1 April 2015.

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, financial reporting standards, interpretations on the accounting standards and interpretations on the financial reporting standards

- a) Revised accounting standards and financial reporting standards and new interpretations on financial reporting standards which are effective on 1 January 2014 and no impact to the Bank:

TAS 7 (revised 2012)	Statement of cash flows
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee benefits
TFRS 2 (revised 2012)	Share-based payment
TFRIC 1	Changes in existing decommissioning, restoration and similar liabilities

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.

TAS 18 (revised 2012) removes the appendix to TAS 18.

TAS 19 (revised 2012) deletes the transition provisions of the current TAS 19.

TFRS 2 (revised 2012) expands the scope to cover classification and accounting of both cash-settled and equity-settled share-based payment transactions in group situation.

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.

3 Summary of significant accounting policies (Cont'd)

New and revised accounting standards, financial reporting standards, interpretations on the accounting standards and interpretations on the financial reporting standards (Cont'd)

b) New accounting standards and revised financial reporting standards, interpretations on accounting standards and interpretations on financial reporting standards are effective on 1 January 2015. These standards are relevant to the Bank and are not early adopted:

- 1) Accounting standards and financial reporting standards, which are expected to have significant impacts to the Bank:

TAS 1 (revised 2014)	Presentation of financial statements
TAS 19 (revised 2014)	Employee benefits
TFRS 13	Fair value measurement

TAS 1 (revised 2014), the main change is that a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The management is currently assessing the impact of this accounting standard.

TAS 19 (revised 2014), the key changes are (a) actuarial gains and losses are renamed 'remeasurements' and will be recognised immediately in 'other comprehensive income' (OCI). Actuarial gains and losses will no longer be deferred using the corridor approach or recognised in profit or loss; and (b) past-service costs will be recognised in the period of a plan amendment; unvested benefits will no longer be spread over a future-service period. This standard has no impact to the Bank since the Bank has already recognised actuarial gains and losses and past-service costs following these changes in the standard.

TFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across TFRSs. The management is yet to assess the full impact of the amendments.

3 Summary of significant accounting policies (Cont'd)

New and revised accounting standards, financial reporting standards, interpretations on the accounting standards and interpretations on the financial reporting standards (Cont'd)

b) New accounting standards and revised financial reporting standards, interpretations on accounting standards and interpretations on financial reporting standards are effective on 1 January 2015. These standards are relevant to the Bank and are not early adopted: (Cont'd)

2) Accounting standards, financial reporting standards, interpretations on the accounting standards and interpretations on the financial reporting standards with minor changes and do not have impact to the Bank are as follows:

TAS 2 (revised 2014)	Inventories
TAS 7 (revised 2014)	Cash flow statements
TAS 8 (revised 2014)	Accounting policies, changes in accounting estimates and errors
TAS 10 (revised 2014)	Events after the reporting period
TAS 11 (revised 2014)	Construction contract
TAS 12 (revised 2014)	Income taxes
TAS 17 (revised 2014)	Leases
TAS 18 (revised 2014)	Revenue
TAS 20 (revised 2014)	Accounting for government grants & disclosure of government assistance
TAS 21 (revised 2014)	The effects of changes in foreign exchange rates
TAS 23 (revised 2014)	Borrowing costs
TAS 24 (revised 2014)	Related party disclosures
TAS 26 (revised 2014)	Accounting and reporting by retirement benefit plans
TAS 29 (revised 2014)	Financial reporting in hyperinflationary economies
TAS 33 (revised 2014)	Earnings per share
TAS 36 (revised 2014)	Impairment of assets
TAS 37 (revised 2014)	Provisions, contingent liabilities and contingent assets
TAS 38 (revised 2014)	Intangible assets
TAS 40 (revised 2014)	Investment property
TFRS 2 (revised 2014)	Share-based payments
TFRS 3 (revised 2014)	Business combinations
TFRS 5 (revised 2014)	Non-current asset held for sale and discontinued operations
TFRS 6 (revised 2014)	Exploration for and evaluation of mineral resources
TFRS 8 (revised 2014)	Operating segments
TSIC 10 (revised 2014)	Government assistance - No specific relation to operating activities
TSIC 15 (revised 2014)	Operating leases - Incentives
TSIC 25 (revised 2014)	Income taxes - changes in the tax status of an entity or its shareholders
TSIC 27 (revised 2014)	Evaluating the substance of transactions involving the legal form of a lease
TSIC 29 (revised 2014)	Service concession arrangements: Disclosures

3 Summary of significant accounting policies (Cont'd)

New and revised accounting standards, financial reporting standards, interpretations on the accounting standards and interpretations on the financial reporting standards (Cont'd)

b) New accounting standards and revised financial reporting standards, interpretations on accounting standards and interpretations on financial reporting standards are effective on 1 January 2015. These standards are relevant to the Bank and are not early adopted: (Cont'd)

2) Accounting standards, financial reporting standards, interpretations on the accounting standards and interpretations on the financial reporting standards with minor changes and do not have impact to the Bank are as follows: (Cont'd)

TSIC 31 (revised 2014)	Revenue - barter transactions involving advertising services
TSIC 32 (revised 2014)	Intangible assets - Web site costs
TFRIC 1 (revised 2014)	Changes in existing decommissioning, restoration and similar liabilities
TFRIC 4 (revised 2014)	Determining whether an arrangement contains a lease
TFRIC 5 (revised 2014)	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
TFRIC 7 (revised 2014)	Applying the restatement approach under IAS29 (revised 2014) Financial reporting in hyperinflationary economies
TFRIC 10 (revised 2014)	Interim financial reporting and impairment
TFRIC 12 (revised 2014)	Service concession arrangements
TFRIC 13 (revised 2014)	Customer loyalty programmes
TFRIC 15 (revised 2014)	Agreements for the construction of real estate
TFRIC 17 (revised 2014)	Distributions of non-cash assets to owners
TFRIC 18 (revised 2014)	Transfers of assets from customers

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.

The classification is dependent on the purpose for which the investments were acquired. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments. 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 the statement of comprehensive income when incurred.

Investments intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest rates are classified as available-for-sale. 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 decrease in value. If the carrying value of the investment is greater than its recoverable amount, loss from the 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 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 Summary of significant accounting policies (Cont'd)

3.7 Intangible assets

Acquired intangible assets are capitalised and amortised using the straight-line basis over their useful lives, generally over 4 years. Intangible assets are not revalued, but are presented at cost less accumulated amortisation. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment where it is considered necessary.

The estimated useful life is reviewed and revised as necessary in every financial position date.

3.8 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.

3.9 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.

3.10 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 Summary of significant accounting policies (Cont'd)

3.11 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.

3.12 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.

3.13 Employee benefits

The Bank has post-employment benefits both defined contribution plan and defined benefit plan.

Defined Contribution Plan or 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 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.

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

Defined Benefit Plan

A defined benefit plan is a plan that is not a defined contribution plan. Typically, the 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.

3 Summary of significant accounting policies (Cont'd)

3.13 Employee benefits (Cont'd)

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 in other comprehensive income in the period in which they arise.

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 Summary of significant accounting policies (Cont'd)

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.

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 contract and embedded derivatives that must otherwise be separated if it is not designated as fair value through profit or loss.

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.

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 22.

6 Interbank and money market items, net (assets)

	2014		
	Demand Baht	Time Baht	Total Baht
Domestic items			
The Bank of Thailand	296,547,785	8,750,000,000	9,046,547,785
Commercial banks	210,956,620	1,977,780,000	2,188,736,620
Total	507,504,405	10,727,780,000	11,235,284,405
<u>Add</u> Accrued interest receivable	-	747,197	747,197
<u>Less</u> Allowance for doubtful accounts	-	(19,777,800)	(19,777,800)
Total domestic items, net	507,504,405	10,708,749,397	11,216,253,802
Foreign items			
US Dollar	-	27,621,706	27,621,706
Japanese Yen	4,925,195	-	4,925,195
Euro	49,588,532	-	49,588,532
Swiss Franc	4,552,858	-	4,552,858
Australian Dollar	5,297,674	-	5,297,674
Singapore Dollar	10,900,704	-	10,900,704
Others	1,205,173	-	1,205,173
Total	76,470,136	27,621,706	104,091,842
<u>Add</u> Accrued interest receivable	-	78,742	78,742
<u>Less</u> Allowance for doubtful accounts	-	(276,217)	(276,217)
Total foreign items, net	76,470,136	27,424,231	103,894,367
Total interbank and money market items, net	583,974,541	10,736,173,628	11,320,148,169

6 Interbank and money market items, net (assets) (Cont'd)

	2013		
	Demand Baht	Time Baht	Total Baht
Domestic items			
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
Foreign items			
US Dollar	-	74,111,185	74,111,185
Japanese Yen	505,379	-	505,379
Euro	18,239,073	-	18,239,073
Swiss Franc	1,044	-	1,044
Singapore Dollar	8,099,150	-	8,099,150
Others	1,418,156	-	1,418,156
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

7 Financial derivatives

Trading derivatives

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

Types of risks	2014		
	Fair value		Notional amount Baht
	Assets Baht	Liabilities Baht	
Foreign exchange rate	11,984,151,983	10,472,270,785	787,047,889,362
Interest rate	9,520,698,934	9,850,640,853	871,968,756,199
Credit and commodity price	12,396,692	308,081,481	17,086,122,500
Total trading derivatives	21,517,247,609	20,630,993,119	1,676,102,768,061

7 Financial derivatives (Cont'd)

Trading derivatives (Cont'd)

Fair value and notional amount classified by types of risks as at 31 December comprise of the followings: (Cont'd)

Types of risks	2013		
	Fair value		Notional amount
	Assets	Liabilities	
	Baht	Baht	Baht
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

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

	2014	2013
	Percentage	Percentage
Financial institutions	79	79
Affiliated companies	18	17
Third parties	3	4
Total trading derivatives	100	100

8 Investments, net

	2014	2013
	Fair value	Fair value
	Baht	Baht
Trading securities		
Government	14,209,103,955	12,331,991,871
Total	14,209,103,955	12,331,991,871
Available-for-sale securities		
Government	18,757,793,778	18,888,989,468
Total	18,757,793,778	18,888,989,468
Total investments, net	32,966,897,733	31,220,981,339

9 Loans and accrued interest receivables, net

9.1 Classified by types of loans:

	2014 Baht	2013 Baht
Overdrafts	121	34,499,996
Loans	2,823,097,500	3,672,277,865
Total loans	2,823,097,621	3,706,777,861
<u>Less</u> Deferred revenue	(13,428,084)	(9,288,778)
Total loans net from deferred revenue	2,809,669,537	3,697,489,083
<u>Add</u> Accrued interest receivables	12,131,315	8,122,527
Total loans net from deferred revenue, adding accrued interest receivables	2,821,800,852	3,705,611,610
<u>Less</u> Allowance for doubtful accounts	(35,464,833)	(42,460,525)
Total loans and interest receivables, net	2,786,336,019	3,663,151,085

9.2 Classified by currencies and domiciles of customers:

	2014		
	Domestic Baht	Foreign Baht	Total Baht
Thai Baht	1,332,685,876	-	1,332,685,876
US Dollar	1,476,983,661	-	1,476,983,661
Total loans net from deferred revenue	2,809,669,537	-	2,809,669,537

	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

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

9.3 Classified by types of business and classification:

	2014					
	Normal Baht	Special mentioned Baht	Substandard Baht	Doubtful Baht	Doubtful of loss Baht	Total Baht
Manufacturing and commerce	2,208,246,799	-	-	-	5,861,295	2,214,108,094
Utilities and services	593,980,344	-	-	-	-	593,980,344
Others	-	-	-	-	1,581,099	1,581,099
Total loans net from deferred revenue	2,802,227,143	-	-	-	7,442,394	2,809,669,537
	2013					
	Normal Baht	Special mentioned Baht	Substandard Baht	Doubtful Baht	Doubtful of loss Baht	Total Baht
Manufacturing and commerce	3,344,988,161	-	-	-	5,861,295	3,350,849,456
Utilities and services	345,008,853	-	-	-	-	345,008,853
Others	-	-	-	-	1,630,774	1,630,774
Total loans net from deferred revenue	3,689,997,014	-	-	-	7,492,069	3,697,489,083

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:

Classification	2014			
	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	2,814,358,291	2,802,227,143	1	28,022,272
Doubtful of loss	7,442,561	7,442,561	100	7,442,561
Total	2,821,800,852	2,809,669,704		35,464,833

Classification	2013			
	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

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10 Allowance for doubtful accounts

	2014				
	Normal Baht	Special mentioned Baht	Substandard Baht	Doubtful Baht	Doubtful of loss Baht
Balance at the beginning of the year	34,968,232	-	-	-	7,492,293
Allowance for doubtful accounts (Reversal) (Note 33)	(6,945,960)	-	-	-	(49,732)
Balance at the end of the year	28,022,272	-	-	-	7,442,561

	2013				
	Normal Baht	Special mentioned Baht	Substandard Baht	Doubtful Baht	Doubtful of loss Baht
Balance at the beginning of the year	17,756,395	-	-	-	7,539,138
Allowance for doubtful accounts (Reversal) (Note 33)	17,211,837	-	-	-	(46,845)
Balance at the end of the year	34,968,232	-	-	-	7,492,293

11 Equipment, net

	Computer equipment Baht	Office equipment Baht	Furnitures, fixture & fitting Baht	Motor vehicles Baht	Fixed assets in progress Baht	Total Baht
As at 1 January 2013						
Cost	80,309,790	41,204,939	42,281,126	48,000	1,886,567	165,730,422
Less Accumulated depreciation	(53,618,501)	(36,881,606)	(33,752,780)	(47,999)	-	(124,300,886)
Net book value	26,691,289	4,323,333	8,528,346	1	1,886,567	41,429,536
For the year ended 31 December 2013						
Opening net book value	26,691,289	4,323,333	8,528,346	1	1,886,567	41,429,536
Additions	9,224,276	7,995,264	853,397	-	455,023	18,527,960
Transfer of assets	1,886,567	-	-	-	(1,886,567)	-
Disposals/write off, net	(36)	(198,112)	(12,777)	-	-	(210,925)
Depreciation charge	(16,331,309)	(3,420,441)	(1,264,890)	-	-	(21,016,640)
Closing net book value	21,470,787	8,700,044	8,104,076	1	455,023	38,729,931
As at 31 December 2013						
Cost	89,586,200	44,230,173	26,860,560	48,000	455,023	161,179,956
Less Accumulated depreciation	(68,115,413)	(35,530,129)	(18,756,484)	(47,999)	-	(122,450,025)
Net book value	21,470,787	8,700,044	8,104,076	1	455,023	38,729,931
For the year ended 31 December 2014						
Opening net book value	21,470,787	8,700,044	8,104,076	1	455,023	38,729,931
Additions	3,377,542	2,665,919	~ 218,379	-	776,557	7,038,397
Transfer of assets	-	-	-	-	(455,093)	(455,093)
Disposals/write off, net	(22)	(14)	(2)	-	-	(38)
Depreciation charge	(12,876,120)	(2,655,453)	(1,394,590)	-	-	(16,926,163)
Closing net book value	11,972,187	8,710,496	6,927,863	1	776,487	28,387,034
As at 31 December 2014						
Cost	90,411,985	40,506,510	27,078,939	48,000	776,487	158,821,921
Less Accumulated depreciation	(78,439,798)	(31,796,014)	(20,151,076)	(47,999)	-	(130,434,887)
Net book value	11,972,187	8,710,496	6,927,863	1	776,487	28,387,034

12 Intangible assets, net

	Computer software Baht	Total Baht
As at 1 January 2013		
Cost	4,497,236	4,497,236
<u>Less</u> Accumulated amortisation	(4,358,766)	(4,358,766)
Net book value	<u>138,470</u>	<u>138,470</u>
For the year ended 31 December 2013		
Opening net book value	138,470	138,470
Additions	70,611	70,611
Transfer of assets	-	-
Amortisation charge	(82,667)	(82,667)
Closing net book value	<u>126,414</u>	<u>126,414</u>
As at 31 December 2013		
Cost	4,567,847	4,567,847
<u>Less</u> Accumulated amortisation	(4,441,433)	(4,441,433)
Net book value	<u>126,414</u>	<u>126,414</u>
For the year ended 31 December 2014		
Opening net book value	126,414	126,414
Transfer of assets	455,093	455,093
Amortisation charge	(145,855)	(145,855)
Closing net book value	<u>435,652</u>	<u>435,652</u>
As at 31 December 2014		
Cost	5,022,940	5,022,940
<u>Less</u> Accumulated amortisation	(4,587,288)	(4,587,288)
Net book value	<u>435,652</u>	<u>435,652</u>

13 Other assets, net

	2014 Baht	2013 Baht
Leasehold right and leasehold improvement, net	67,216,786	77,958,062
Accrued interest receivables	49,721,659	66,885,764
Prepaid expenses	3,478,473	3,604,534
Other receivables	<u>3,176,148</u>	<u>12,893,116</u>
Total other assets, net	<u>123,593,066</u>	<u>161,341,476</u>
The amortisation cost of leasehold right and depreciation of leasehold improvement for the year	<u>11,816,885</u>	<u>11,691,447</u>

14 Deposits

14.1 Classified by types of deposits:

	2014 Baht	2013 Baht
On demand	1,258,900,811	775,263,685
Savings	5,656,590,964	6,350,273,598
Fixed	10,610,500,000	4,722,998,672
Total deposits	17,525,991,775	11,848,535,955

14.2 Classified by currencies and domiciles of depositors:

	2014		
	Domestic Baht	Foreign Baht	Total Baht
Thai Baht	15,580,940,546	-	15,580,940,546
US Dollar	1,922,553,834	-	1,922,553,834
Euro	22,497,395	-	22,497,395
Total deposits	17,525,991,775	-	17,525,991,775

	2013		
	Domestic Baht	Foreign Baht	Total Baht
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	11,837,291,103	11,244,852	11,848,535,955

15 Interbank and money market items (liabilities)

	2014		
	Demand Baht	Time Baht	Total Baht
Domestic items			
Life insurance companies	-	3,400,000,000	3,400,000,000
Securities company	-56,444,214	1,350,000,000	1,406,444,214
Total domestic items	56,444,214	4,750,000,000	4,806,444,214
Foreign items			
Thai Baht	211,165,695	-	211,165,695
Total foreign items	211,165,695	-	211,165,695
Total interbank and money market items	267,609,909	4,750,000,000	5,017,609,909

15 Interbank and money market items (liabilities) (Cont'd)

	2013		
	Demand Baht	Time Baht	Total Baht
Domestic items			
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
Foreign items			
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

16 Financial liabilities designated at fair value through profit or loss

	2014 Baht	2013 Baht
Bill of exchange	10,446,740,232	9,130,981,018
Total financial liabilities designated at fair value through profit or loss	10,446,740,232	9,130,981,018

Proportion of transactions being classified by type of counterparties

	2014 Percentage	2013 Percentage
Financial institutions	100	100
Total proportion of transactions being classified by type of counterparties	100	100

Changes in fair value due to credit risks

	2014 Baht	2013 Baht
Balance of unrealised gain at beginning of the year	478,214,418	423,004,793
Increase during the year	140,733,222	23,212,726
Translation adjustment	3,564,991	31,996,899
Balance unrealised gain at end of the year	622,512,631	478,214,418

17 Deferred income tax

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

	2014 Baht	2013 Baht
Deferred tax assets:		
Deferred tax asset to be recovered within 12 months	288,011	4,328,400
Deferred tax asset to be recovered after more than 12 months	110,451,869	99,249,066
	<u>110,739,880</u>	<u>103,577,466</u>
Deferred tax liabilities:		
Deferred tax liabilities to be settled within 12 months	21,649,237	25,597,909
Deferred tax liability to be settled after more than 12 months	124,502,527	95,988,662
	<u>146,151,764</u>	<u>121,586,571</u>
Deferred tax liabilities (net)	<u>35,411,884</u>	<u>18,009,105</u>

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

	2014 Baht	2013 Baht
As at 1 January	18,009,105	66,209,343
Debited (Credited) to profit or loss	18,753,726	(47,744,150)
Tax credited directly to head office's equity and balances with other branches under the same entity	<u>(1,350,947)</u>	<u>(456,088)</u>
As at 31 December	<u>35,411,884</u>	<u>18,009,105</u>

17 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
Deferred tax assets							
As at 1 January 2014	4,328,400	6,544,488	3,978,295	-	87,245,829	1,480,454	103,577,466
Charged (credited) to profit and loss	(4,064,696)	2,233,646	(621,684)	-	9,128,722	462,119	7,138,107
Charged directly to head office's equity and balances with other branches under the same entity	-	-	-	24,307	-	-	24,307
As at 31 December 2014	263,704	8,778,134	3,356,611	24,307	96,374,551	1,942,573	110,739,880
As at 1 January 2013	4,453,424	7,636,558	2,540,866	41,695	34,995,063	1,295,398	50,963,004
Charged (credited) to profit and loss	(125,024)	2,110,532	1,437,429	-	52,250,766	185,056	55,858,759
Credited directly to head office's equity and balances with other branches under the same entity	-	(3,202,602)	-	(41,695)	-	-	(3,244,297)
As at 31 December 2013	4,328,400	6,544,488	3,978,295	-	87,245,829	1,480,454	103,577,466

17 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 2014	16,998,080	2,155,607	6,790,000	95,642,884	121,586,571
Charged (credited) to profit and loss	3,822,190	-	(6,790,000)	28,859,643	25,891,833
Credited directly to head office's equity and balances with other branches under the same entity	-	(1,326,640)	-	-	(1,326,640)
As at 31 December 2014	20,820,270	828,967	-	124,502,527	146,151,764
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

18 Other liabilities

	2014 Baht	2013 Baht
Accrued interest payable	914,020,541	717,982,148
Accrued bonuses	47,930,546	40,457,670
Accrued FIDF charges	38,952,299	34,098,041
Cash received in advance from forward contracts	125,642,438	132,083,482
Income tax payable	7,365,193	206,265,382
Profit remittance tax payable	39,085,473	32,470,950
Reserve for derivatives products	494,730,974	436,224,031
Others	78,353,553	152,111,151
Total other liabilities	<u>1,746,081,017</u>	<u>1,751,692,855</u>

19 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 2014 and 2013, the post-employment benefits provided unfunded obligation as follows:

	2014 Baht	2013 Baht
Present value of obligations	41,548,395	30,795,559
<u>Less</u> Deferred present value of obligations	-	-
Provision for post-employment benefits	<u>41,548,395</u>	<u>30,795,559</u>
Provision for long service award	<u>2,342,277</u>	<u>1,926,884</u>
Total provision for employee benefits plan	<u>43,890,672</u>	<u>32,722,443</u>

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

	2014 Baht	2013 Baht
Beginning balance	30,795,559	36,479,179
Current service costs	9,411,220	10,823,815
Interest costs	1,341,616	1,468,292
Actuarial gain	-	(16,013,009)
<u>Less</u> benefits paid for the year	-	(1,962,718)
Ending balance	<u>41,548,395</u>	<u>30,795,559</u>

19 Provision for post-employment benefits (Cont'd)

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

	2014	2013
	Baht	Baht
Current service costs	9,411,220	10,823,815
Interest costs	1,341,616	1,468,292
Actuarial gain	-	(16,013,009)
Total	10,752,836	(3,720,902)

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

	2014	2013
Discount rate	4.3565%	4.3565%
Salary increase rate	11%	11%
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 5 years historical data
Retirement age	60 years old	60 years old

20 Provident fund

The Bank established a contributory registered provident fund in accordance with the Provident Fund Act B.E. 2530, which contributions are made by both the employees and the Bank. For the year ended 31 December 2014, the Bank contributed Baht 11.3 million (31 December 2013: Baht 11.0 million).

21 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.

21 Provision for share based payment (Cont'd)

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

	Average price Baht per share	Average price USD per share	Number of awards
As at 1 January 2013	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
As at 31 December 2013	1,374.12	41.88	14,925
As at 1 January 2014	1,374.12	41.88	14,925
Granted during the year	1,907.73	57.88	4,921
Exercised during the year	1,915.15	58.10	(7,937)
Cancelled during the year	1,330.82	40.37	(4,151)
Transferred during the year	1,583.42	48.04	6,075
As at 31 December 2014	1,583.42	48.04	13,833

For the year ended 31 December 2014, the total share based payment expense (reversal) recognised during the year amounting to Baht (0.6) million (31 December 2013: Baht 10.9 million).

22 Capital funds

	2014 Baht	2013 Baht
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	9,494,474,014	9,493,562,364
Net inter-office balance which branch is debtor of the head office, others branches and subsidiary	1,722,702,036	2,063,573,459
Total	11,217,176,050	11,557,135,823
Capital funds	9,494,474,014	9,493,562,364
Total capital funds to risk weighted assets ratio (%)	18.37	17.65

The Bank will disclose capital maintenance information as at 31 December 2014 in accordance with the notification of the Bank of Thailand Re: Public Disclosure of Capital Maintenance Information for Commercial Banks on its website at www.th.jpmorgan.com within April 2015.

23 Assets pledged as collateral

The Bank has investments in government securities which are pledged as collaterals for structured bills of exchange. The book values of such securities as at 31 December 2014 amounted to Baht 2,026,480,999 (31 December 2013: Baht 1,035,920,140).

24 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:

	2014		
	Thai Baht Baht	Foreign currencies Baht	Total Baht
Letter of Credit	-	3,635,055,585	3,635,055,585
Guarantees	152,706,317	884,567,637	1,037,273,954
Unused overdraft credit line	189,000,000	-	189,000,000
Unused credit facilities	-	494,445,000	494,445,000
Total commitments	341,706,317	5,014,068,222	5,355,774,539

	2013		
	Thai Baht Baht	Foreign currencies Baht	Total Baht
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

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

25 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

JPMorgan Chase Bank, N.A. - Bangkok Branch
Notes to the Financial Statements
For the year ended 31 December 2014

26 Important position and performance classified by type of domestic or foreign transactions
(Cont'd)

26.2 Performance classified by types of transaction

	Unit: Million Baht					
	2014			2013		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Interest income	987	-	987	1,194	-	1,194
Interest expense	(416)	-	(416)	(455)	-	(455)
Net interest income	571	-	571	739	-	739
Fee and service income	47	-	47	45	-	45
Other operating incomes	755	-	755	1,312	-	1,312
Other operating expenses	(956)	-	(956)	(1,058)	-	(1,058)
Profit before income tax	417	-	417	1,038	-	1,038

27 Interest income

	2014 Baht	2013 Baht
Interbank and money market items, net (assets)	136,205,325	139,014,661
Investments and trading transactions	351,665,198	365,975,153
Investments in debt securities, available-for-sales	410,144,078	626,793,927
Loans	89,544,694	62,843,553
Total interest income	987,559,295	1,194,627,294

28 Interest expense

	2014 Baht	2013 Baht
Deposits	109,345,259	166,274,228
Interbank and money market items (liabilities)	223,291,624	211,210,062
Contribution fee to the Deposit Protection Agency and Financial Institution Development Fund	81,842,243	75,291,493
Others	2,009,965	2,600,444
Total interest expense	416,489,091	455,376,227

29 Fee and service income

	2014 Baht	2013 Baht
Money transfer and collection services	10,533,694	11,255,681
Fee relating to letter of credit	16,596,738	16,410,972
Service fees from related companies	12,187,308	10,884,109
Fee relating to import bill collection	1,831,061	1,357,393
Others	5,492,442	5,472,123
Total fee and service income	46,641,243	45,380,278

30 Gains on trading and foreign exchange transactions

	2014 Baht	2013 Baht
Gains on foreign currencies and foreign exchange rate derivatives	1,224,596,248	887,609,541
Gains (losses) on interest rate derivatives	550,402,019	(299,673,132)
Gains (losses) on debt securities	394,039,321	(23,676,023)
Total gains on trading and foreign exchange transactions	<u>2,169,037,588</u>	<u>564,260,386</u>

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

	2014 Baht	2013 Baht
Changes in fair value of:		
Bill of exchange	(1,069,324,210)	691,109,874
	(1,069,324,210)	691,109,874
Losses on redemption and interest expense paid	(462,203,181)	(322,342,274)
Total gain (losses) from financial liabilities designated at fair value through profit or loss	<u>(1,531,527,391)</u>	<u>368,767,600</u>

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

	2014 Baht	2013 Baht
Charges in fair value due to change in credit risks	140,733,222	23,212,726

32 Other operating income

	2014 Baht	2013 Baht
Revenue sharing from financial derivatives trading	112,838,660	155,870,515
Loan charge off recovery	2,054,966	180,196,130
Others	2,709,500	6,430,803
Total other operating income	<u>117,603,126</u>	<u>342,497,448</u>

33 Other expenses

	2014 Baht	2013 Baht
Service fees to related companies	419,455,205	362,787,515
Other reserves	57,236,719	251,795,709
Brokerage commissions	19,208,090	22,616,899
Others	123,583,724	75,731,478
Total other expenses	<u>619,483,738</u>	<u>712,931,601</u>

34 Bad debt and doubtful accounts (reversal)

	2014 Baht	2013 Baht
Interbank and money market items, net	(12,687,095)	(15,800,516)
Loans	(6,995,692)	17,164,992
Total bad debt and doubtful accounts (reversal)	<u>(19,682,787)</u>	<u>1,364,476</u>

35 Income tax expense

	2014 Baht	2013 Baht
Current income tax:		
Current income tax on profits for the year	154,773,599	326,740,563
Total current income tax	<u>154,773,599</u>	<u>326,740,563</u>
Deferred income tax:		
Origination and reversal of temporary differences	18,753,727	(47,744,151)
Total deferred income taxes	<u>18,753,727</u>	<u>(47,744,151)</u>
Total income tax expense	<u>173,527,326</u>	<u>278,996,412</u>

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:

	2014 Baht	2013 Baht
Profit before tax	416,825,678	1,037,796,621
Tax calculated at a tax rate of 20%	83,365,136	207,559,324
Tax effect of:		
Income not subjected to tax	1,840,694	(1,532,661)
Expenses not deductible for tax purpose	88,321,496	72,969,749
Income tax charge	<u>173,527,326</u>	<u>278,996,412</u>

The weighted average applicable income tax rate was 42% (31 December 2013: 27%).

36 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.

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.

36 Financial risk management (Cont'd)

(a) Credit risk (Cont'd)

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 may be 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.

36 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				
	2014				
	Baht	US Dollar	Japanese Yen	Others	Total
Cash	5	-	-	-	5
Interbank and money market items, net	9,238	2,005	5	72	11,320
Accounts receivable from securities trading	678	-	-	-	678
Financial derivative assets	(32,344)	70,842	(13,205)	(3,776)	21,517
Investments, net	32,967	-	-	-	32,967
Loans and accrued interest receivables	1,347	1,488	-	-	2,835
Deferred revenue	(7)	(6)	-	-	(13)
Allowance for doubtful account	(20)	(15)	-	-	(35)
Other assets	51	1	-	-	52
Total assets	11,915	74,315	(13,200)	(3,704)	69,326
Deposits	15,581	1,923	-	22	17,526
Interbank and money market items	5,018	-	-	-	5,018
Accounts payable from securities trading	1,338	-	-	-	1,338
Demand liabilities	669	-	-	-	669
Financial liabilities designated at fair value through profit or loss	11,069	(622)	-	-	10,447
Financial derivative liabilities	(31,115)	68,727	(13,205)	(3,776)	20,631
Other liabilities	1,072	171	-	7	1,250
Total liabilities	3,632	70,199	(13,205)	(3,747)	56,879
Net foreign currency position in the statement of financial position	8,283	4,116	5	43	12,447
Net foreign currency position off-balance sheet	1,035,443	599,807	13,209	33,000	1,681,459

36 Financial risk management (Cont'd)

(c) Currency risk (Cont'd)

	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
Total assets	6,271	57,188	(3,369)	2,634	62,724
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
Total liabilities	(28,753)	79,086	(3,369)	2,635	49,599
Net foreign currency position in the statement of financial position	35,024	(21,898)	-	(1)	13,125
Net foreign currency position off-balance sheet	1,048,413	437,977	4,358	56,540	1,547,288

(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

36 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					
	2014					Total
	At call	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Cash	5	-	-	-	-	5
Interbank and money market items, net	584	10,726	10	-	-	11,320
Accounts receivable from securities trading	-	678	-	-	-	678
Financial derivative assets	-	2,540	2,936	6,696	9,345	21,517
Investments, net	-	12,498	15,668	3,053	1,748	32,967
Loans and accrued interest receivables	450	283	-	2,095	-	2,835
Deferred revenue	-	(1)	-	(12)	-	(13)
Allowance for doubtful accounts	(4)	(3)	-	(21)	-	(35)
Other monetary assets	-	28	24	-	-	52
Total assets	1,035	26,749	18,638	11,811	11,093	69,326
Deposits	6,915	10,611	-	-	-	17,526
Interbank and money market items	268	1,350	-	3,400	-	5,018
Accounts payable from securities trading	-	1,338	-	-	-	1,338
Demand liabilities	669	-	-	-	-	669
Financial liabilities designated at fair value through profit or loss	-	-	-	-	10,447	10,447
Financial derivative liabilities	-	3,012	2,584	8,962	6,073	20,631
Other monetary liabilities	-	320	7	910	-	1,250
Total liabilities	7,852	16,631	2,591	13,272	16,520	56,879
Liquidity, net	(6,817)	10,118	16,047	(1,461)	(5,427)	12,447

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36 Financial risk management (Cont'd)

(d) Liquidity risk (Cont'd)

Unit: Million Baht

	2013						Total
	At call	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No maturity	
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

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.

37 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			
	2014		2013	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash	5	5	3	3
Interbank and money market items, net	11,320	11,320	4,814	4,814
Accounts receivable from securities trading	678	678	87	87
Financial derivatives assets	21,517	21,517	22,851	22,851
Investments, net	32,967	32,967	31,221	31,221
Loans and accrued interest receivables, net	2,786	2,786	3,664	3,664
Customer's liability under acceptance	-	-	5	5
Financial liabilities				
Deposits	17,526	17,526	11,848	11,848
Interbank and money market items	5,018	5,018	4,375	4,375
Accounts payable from securities trading	1,338	1,338	137	137
Liability payable on demand	669	669	642	642
Financial liabilities designated at fair value through profit or loss	10,447	10,447	9,131	9,131
Financial derivatives liabilities	20,631	20,631	22,148	22,148
Bank's liability under acceptance	-	-	5	5

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.

38 Management benefits

	2014	2013
	Baht	Baht
Short-term employee benefits	79,709,246	77,569,255
Post-employment benefits	3,625,188	3,802,075
Share based payment	3,530,426	4,952,967

39 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.