

JPMORGAN CHASE BANK, N.A. - BANGKOK BRANCH

FINANCIAL STATEMENTS

31 DECEMBER 2015



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 2015, the related statements of profit or loss and other 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 2015 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", written over a faint, circular blue stamp.

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

Bangkok
1 April 2016

JPMorgan Chase Bank, N.A. - Bangkok Branch**Statement of Financial Position****As at 31 December 2015**

	Notes	2015 Baht	2014 Baht
Assets			
Cash		5,096,577	4,509,109
Interbank and money market items, net	6	4,674,651,520	11,320,148,169
Accounts receivable from securities trading		23,391,045	678,164,877
Financial derivatives assets	7	25,068,095,830	21,517,247,609
Investments, net	8	33,546,804,676	32,966,897,733
Loans and accrued interest receivables	9		
Loans		4,449,583,608	2,823,097,621
Accrued interest receivables		9,938,809	12,131,315
		<u>4,459,522,417</u>	<u>2,835,228,936</u>
Total loans and accrued interest receivables			
Less Deferred revenue		(8,585,460)	(13,428,084)
Less Allowance for doubtful debts	10	(51,725,844)	(35,464,833)
		<u>4,399,211,113</u>	<u>2,786,336,019</u>
Loans and accrued interest receivables, net			
Equipment, net	11	33,451,209	28,387,034
Intangible assets, net	12	3,838,983	435,652
Deferred tax assets	17	115,326,330	-
Other assets, net	13	84,380,931	123,593,066
		<u>67,954,248,214</u>	<u>69,425,719,268</u>
Total assets			



(Ms. Sirinthip Boonlue)
Acting 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 2015

	Notes	2015 Baht	2014 Baht
Liabilities and Head Office's equity and balances with other branches under the same entity			
Liabilities			
Deposits	14	9,629,467,636	17,525,991,775
Interbank and money market items	15	5,186,447,481	5,017,609,909
Accounts payable from securities trading		1,218,374,559	1,337,614,079
Liability payable on demand		34,413,390	669,204,560
Financial liabilities designated at fair value through profit or loss	16	14,420,179,629	10,446,740,232
Financial derivatives liabilities	7	25,108,470,185	20,630,993,119
Provision for employee benefit plan	19	52,885,763	43,890,672
Deferred tax liabilities	17	-	35,411,884
Other liabilities	18	1,659,019,458	1,746,081,017
Total liabilities		57,309,258,101	57,453,537,247
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	704,494,402	1,722,702,036
Others component of accounts with head office and other branches under the same entity		16,464,415	13,919,627
Retained earnings		429,121,630	740,650,692
Total Head Office's equity and balances with other branches under the same entity		10,644,990,113	11,972,182,021
Total liabilities and Head Office's equity and balances with other branches under the same entity		67,954,248,214	69,425,719,268

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

JPMorgan Chase Bank, N.A. - Bangkok Branch
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2015

		2015	2014
	Notes	Baht	Baht
Interest income	27	931,246,554	987,559,295
Interest expense	28	(447,629,680)	(416,489,091)
Net interest income		483,616,874	571,070,204
Fee and service income	29	33,935,753	46,641,243
Fee and service expenses		(9,986,988)	-
Net fee and service income		23,948,765	46,641,243
Gains on trading and foreign exchange transactions	30	682,066,755	2,169,037,588
Losses from financial liabilities designated at fair value through profit or loss	31	(498,942,064)	(1,531,527,391)
Other operating income	32	166,727,531	117,603,126
Total operating income		857,417,861	1,372,824,770
Other operating expenses			
Employee expenses		279,997,187	250,255,148
Premise and equipment expenses		42,130,748	43,107,706
Taxes and duties		78,473,273	62,835,287
Others	33	578,632,079	619,483,738
Total other operating expenses		979,233,287	975,681,879
Bad debt and doubtful accounts (Reversal)	34	10,206,994	(19,682,787)
Profit (loss) before income tax		(132,022,420)	416,825,678
Income tax expense	35	(79,671,976)	(173,527,326)
Net profit (loss) for the year		(211,694,396)	243,298,352

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

JPMorgan Chase Bank, N.A. - Bangkok Branch
Statement of Profit or Loss and Other Comprehensive Income (Cont'd)
For the year ended 31 December 2015

	Notes	2015 Baht	2014 Baht
Other comprehensive income (expense)			
Items that will not be subsequently reclassified to profit or loss			
Remeasurements of provision for employment benefits plan		3,413,081	-
Income tax relating to components of other comprehensive income that will not be subsequently reclassified to profit or loss	17	<u>(682,616)</u>	<u>-</u>
Total items that will not be subsequently reclassified to profit or loss		<u>2,730,465</u>	<u>-</u>
Items that will be subsequently reclassified to profit or loss			
Gains (losses) on changes in fair value of available-for-sale securities		2,084,789	(6,786,826)
Income tax relating to components of other comprehensive income that will be subsequently reclassified to profit or loss	17	<u>(410,540)</u>	<u>1,350,947</u>
Total items that will be reclassified subsequently to profit or loss		<u>1,674,249</u>	<u>(5,435,879)</u>
Other comprehensive income (expense)		<u>4,404,714</u>	<u>(5,435,879)</u>
Total comprehensive income (expense)		<u><u>(207,289,682)</u></u>	<u><u>237,862,473</u></u>

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 2015

	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					Total
				Unrealised gain (loss) on changes in fair value of available-for-sale securities	Provision for share-based payment	Retained earnings	Baht	Baht	
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	17	-	-	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
Balance as at 1 January 2015		9,494,909,666	1,722,702,036	(2,863,432)	16,783,059	740,650,692			11,972,182,021
Net loss for the year		-	-	-	-	(211,694,396)			(211,694,396)
Decrease during the year		-	(1,018,207,634)	-	-	-			(1,018,207,634)
Profit remittance to Head Office		-	-	-	-	(102,565,131)			(102,565,131)
Unrealised gain on changes in fair value of available-for-sale securities		-	-	2,084,789	-	-			2,084,789
Provision for share-based payment		-	-	-	870,539	-			870,539
Remeasurements of provision for employment benefit plan		-	-	-	-	3,413,081			3,413,081
Income tax relating to other component of other comprehensive income for the year	17	-	-	(410,540)	-	(682,616)			(1,093,156)
Balance as at 31 December 2015		9,494,909,666	704,494,402	(1,189,183)	17,653,598	429,121,630			10,644,990,113

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 2015**

	2015	2014
	Baht	Baht
Cash flows from operating activities:		
Net profit (loss) from operating before income tax	(132,022,420)	416,825,678
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)	10,206,994	(19,682,787)
Depreciation and amortisation	27,288,927	28,888,903
Provision for employee benefit plan	12,408,172	11,168,229
Provision for share based payment expense (Reversal)	870,539	(3,108,418)
Unrealised (gain) loss on changes in fair value of trading securities	29,354,447	(26,645,236)
Amortised discount on investments in securities	(345,020,656)	(395,185,446)
Loss on write-off of equipment	415,624	38
Unrealised (gain) loss on changes in fair value of financial derivative instruments	431,897,871	(184,006,799)
Interest income	(931,246,554)	(987,559,295)
Interest expense	447,629,680	416,489,091
Operating loss before changes in operating assets and liabilities	(448,217,376)	(742,816,042)
(Increase) decrease in operating assets:		
Interbank and money market items	605,401,707	(1,931,290,521)
Investments in trading securities	4,941,767,104	(1,241,073,593)
Loans	(1,631,328,611)	887,819,546
Other assets	(4,031,354)	9,843,030
Increase (decrease) in operating liabilities:		
Deposits	(7,896,524,139)	5,677,455,820
Interbank and money market items	168,837,572	642,115,227
Liability payable on demand	(634,791,170)	27,370,328
Financial liabilities designated at fair value through profit or loss	3,973,439,397	1,315,759,214
Other liabilities	111,422,809	(2,750,042)
Net balance of inter-office accounts with Head Office and other branches under the same entity	(901,619,011)	(451,375,935)
Net cash provided by (used in) operating activities before interest received, interest paid and income tax paid - carried forward	(1,715,643,072)	4,191,057,032

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 2015**

	2015	2014
	Baht	Baht
Net cash provided by (used in) operating activities before interest received, interest paid and income tax paid - brought forward	(1,715,643,072)	4,191,057,032
Interest received	967,185,912	1,001,401,238
Interest paid	(228,201,406)	(220,450,698)
Income tax paid	(154,685,014)	(353,673,790)
Net cash provided by (used in) operating activities	(1,131,343,580)	4,618,333,782
Cash flows from investing activities:		
Purchase of investments in securities	(48,008,388,737)	(46,215,405,693)
Proceed from matured investments in securities	43,340,000,000	46,735,000,000
Purchase of equipment	(24,591,125)	(7,038,397)
Purchase of leasehold improvement	(1,524,439)	(1,075,609)
Net cash provided by (used in) investing activities	(4,694,504,301)	511,480,301
Cash flows from financing activities:		
Profit remittance to Head Office	(92,308,618)	(608,888,536)
Tax paid from profit remittance	(10,256,513)	(67,803,980)
Net cash used in financing activities	(102,565,131)	(676,692,516)
Net increase (decrease) in cash and cash equivalents	(5,928,413,012)	4,453,121,567
Cash and cash equivalents at the beginning of the year	9,488,714,539	5,035,592,972
Cash and cash equivalents at end of the year	3,560,301,527	9,488,714,539
Cash and cash equivalents		
Cash on hand	5,096,577	4,509,109
Interbank and money market items	3,288,385,437	9,333,974,540
Net balance of inter-office accounts with Head Office and other branches under the same entity	266,819,513	150,230,890
	3,560,301,527	9,488,714,539
Non cash item:		
Accounts receivable from securities trading	23,391,045	678,164,877
Accounts payable from securities trading	1,218,374,559	1,337,614,079

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 2016.

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 profit or loss and other 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. 21/2558, “The Preparation and Format of the Financial Statements of Commercial Bank and Holding Parent Company of Financial Group” dated on 4 December 2015.

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 and amendment.

3.1 Effective on 1 January 2015, and are relevant to the Bank

a) Standards having a significant impact 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), requires the entity to classify items presented in Other Comprehensive Income (OCI) on the basis of whether such item can subsequently be reclassified into profit or loss or not. This amendment does not address which items are presented in OCI. This financial statements is presented in compliance with this revised accounting standard.

TAS 19 (revised 2014), the key changes are (a) actuarial gains and losses are renamed to 'remeasurements' and will immediately be recognised 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 in accordance with any amendment to this 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, as well as disclosure requirements for use across TFRSs. This standard has no impact to the Bank, except for disclosures which the Bank has disclosed in Note 39.

b) Standards having no impact to the Bank

There are minor changes to 41 new and revised accounting standards, financial reporting standards, interpretations on the accounting standards and interpretations on the financial reporting standards. The management assesses that they do not have any impact to this financial statements.

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 and amendment. (Cont'd)

3.2 Effective on 1 January 2016, and are relevant to the Bank and are not early adopted

a) Standards having impact to the Bank :

TAS 24 (revised 2015)	Related party disclosures
TFRS 2 (revised 2015)	Share-based payment
TFRS 13 (revised 2015)	Fair value measurement

TAS 24 (revised 2015), 'Related party disclosures' includes as a related party an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required.

TFRS 2 (revised 2015), 'Share based payments' clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.

TFRS 13 (revised 2015), 'Fair value measurement' is amended to clarify that the portfolio exception in TFRS 13 applies to all contracts (including non-financial contracts) within the scope of TAS 39 (when announced) or IFRS 9 (when announced).

The management has already assessed that those accounting standards have no significant impact on the Bank financial statements.

b) Standards having no impact to the Bank

There are minor changes to 40 financial reporting standards. The management assesses that they do not have an impact to the Bank financial statements.

3.3 Recognition of income

Interest income on loans and receivable is recognised on an accrual basis. The Bank discontinues recognition of accrued interest income for loans overdue more than three months since the due date or there is uncertainty of collectability, and a collection basis is applied. The Bank also reverses interest income on such loans in order to comply with the Bank of Thailand's notification.

Interest on investment in debt securities is recognised as income by using the effective interest rate method.

Other income is recognised as income on an accrual basis.

3 Summary of significant accounting policies (Cont'd)

3.4 Recognition of interest expenses

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

3.5 Cash and cash equivalents

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

3.6 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 profit or loss and other 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 profit or loss and other 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)

3.7 Loans and allowance for doubtful accounts

Loans are recognised on the trade date.

Loans are generally stated at the principal amounts outstanding. The allowance increases by provisions charged to expense and decreases by write-offs, net of recoveries after receiving cash. The allowance is based on the Bank management's review and assessment of the status of an individual debtor as well as the Bank of Thailand's guidelines. Such assessment takes into consideration various factors including the risks involved, the value of collateral and the status of an individual debtor including the relationship of allowance for doubtful debts against the loan balances through the economic situation which may have an impact on the customers' ability to pay.

3.8 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 profit or loss and other 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)

3.9 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.

3.10 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.

3.11 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.

3.12 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)

3.13 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 profit or loss and other comprehensive income.

3.14 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.

3.15 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. Such fund is managed by an external fund manager in accordance with the provident fund Act. B.E. 2530. 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 statement of profit or loss and other comprehensive income.

3 Summary of significant accounting policies (Cont'd)

3.15 Employee benefits (Cont'd)

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.

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.

Remeasurements of defined benefit plans 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 profit or loss and other comprehensive income.

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.

3.16 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.

3.17 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)

3.18 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 recognised 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.

3.19 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 statements of profit or loss and other comprehensive income (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 profit or loss.

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)

	2015		
	Demand Baht	Time Baht	Total Baht
Domestic items			
The Bank of Thailand	278,733,431	2,800,000,000	3,078,733,431
Commercial banks	161,425,883	1,400,000,000	1,561,425,883
Total	440,159,314	4,200,000,000	4,640,159,314
<u>Add</u> Accrued interest receivable	-	266,083	266,083
<u>Less</u> Allowance for doubtful accounts	-	(14,000,000)	(14,000,000)
Total domestic items, net	440,159,314	4,186,266,083	4,626,425,397
Foreign items			
Japanese Yen	5,080,306	-	5,080,306
Euro	25,191,517	-	25,191,517
Swiss Franc	8,113,190	-	8,113,190
Australian Dollar	8,775,901	-	8,775,901
Singapore Dollar	260,386	-	260,386
Others	804,823	-	804,823
Total foreign items, net	48,226,123	-	48,226,123
Total interbank and money market items, net	488,385,437	4,186,266,083	4,674,651,520

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

	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
Add Accrued interest receivable	-	747,197	747,197
Less 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
Add Accrued interest receivable	-	78,742	78,742
Less 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

7 Financial derivatives

Trading derivatives

Fair value and notional amount classified by types of risks as at 31 December 2015 and 2014 comprise of the followings:

Types of risks	2015		
	Fair value		Notional amount Baht
	Assets Baht	Liabilities Baht	
Foreign exchange rate	15,959,943,793	14,444,020,468	616,056,431,493
Interest rate	9,055,463,482	9,064,201,741	1,004,413,812,558
Credit risk	52,688,555	847,735,147	29,275,381,875
Reserves for derivatives products	-	752,512,829	-
Total trading derivatives	25,068,095,830	25,108,470,185	1,649,745,625,926

7 Financial derivatives (Cont'd)

Trading derivatives (Cont'd)

Fair value and notional amount classified by types of risks as at 31 December 2015 and 2014 comprise of the followings: (Cont'd)

Types of risks	2014		
	Fair value		Notional amount
	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 risk	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

Proportion of derivative contract balances as at 31 December 2015 and 2014 classified by counterparties comprise of the followings:

	2015 Percentage	2014 Percentage
Financial institutions	74	79
Affiliated companies	22	18
Third parties	4	3
Total trading derivatives	100	100

8 Investments, net

	2015 Fair value Baht	2014 Fair value Baht
Trading securities		
Government	9,773,516,716	14,209,103,955
Total	9,773,516,716	14,209,103,955
Available-for-sale securities		
Government	23,773,287,960	18,757,793,778
Total	23,773,287,960	18,757,793,778
Total investments, net	33,546,804,676	32,966,897,733

9 Loans and accrued interest receivables, net

9.1 Classified by types of loans:

	2015 Baht	2014 Baht
Overdrafts	-	121
Loans	4,449,583,608	2,823,097,500
Total loans	4,449,583,608	2,823,097,621
<u>Less</u> Deferred revenue	(8,585,460)	(13,428,084)
Total loans net from deferred revenue	4,440,998,148	2,809,669,537
<u>Add</u> Accrued interest receivables	9,938,809	12,131,315
Total loans net from deferred revenue, adding accrued interest receivables	4,450,936,957	2,821,800,852
<u>Less</u> Allowance for doubtful accounts	(51,725,844)	(35,464,833)
Total loans and interest receivables, net	4,399,211,113	2,786,336,019

9.2 Classified by currencies and domiciles of customers:

	2015		
	Domestic Baht	Foreign Baht	Total Baht
Thai Baht	2,820,704,696	-	2,820,704,696
US Dollar	1,620,293,452	-	1,620,293,452
Total loans net from deferred revenue	4,440,998,148	-	4,440,998,148

	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

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

9.3 Classified by types of business and classification:

	2015					Total Baht
	Normal Baht	Special mentioned Baht	Substandard Baht	Doubtful Baht	Doubtful of loss Baht	
Manufacturing and commerce	3,759,460,467	-	-	-	5,861,295	3,765,321,762
Utilities and services	674,148,028	-	-	-	-	674,148,028
Others	-	-	-	-	1,528,358	1,528,358
Total loans net from deferred revenue	4,433,608,495	-	-	-	7,389,653	4,440,998,148

	2014					Total Baht
	Normal Baht	Special mentioned Baht	Substandard Baht	Doubtful Baht	Doubtful of loss 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

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	2015			
	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	4,443,547,198	4,433,608,494	1	44,336,085
Doubtful of loss	7,389,759	7,389,759	100	7,389,759
Total	4,450,936,957	4,440,998,253		51,725,844

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

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10 Allowance for doubtful accounts

	2015				
	Normal Baht	Special mentioned Baht	Substandard Baht	Doubtful Baht	Doubtful of loss Baht
Balance at the beginning of the year	28,022,272	-	-	-	7,442,561
Allowance for doubtful accounts (Reversal) (Note 34)	16,313,813	-	-	-	(52,802)
Balance at the end of the year	44,336,085	-	-	-	7,389,759

	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 34)	(6,945,960)	-	-	-	(49,732)
Balance at the end of the year	28,022,272	-	-	-	7,442,561

11 Equipment, net

	Computer equipment Baht	Office equipment Baht	Furnitures and fixture Baht	Motor vehicles Baht	Fixed assets in progress Baht	Total Baht
As at 1 January 2014						
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
For the year ended 31 December 2015						
Opening net book value	11,972,187	8,710,496	6,927,863	1	776,487	28,387,034
Additions	9,161,869	4,890,973	5,300,917	-	981,355	20,335,114
Transfer of assets	757,187	-	-	-	(757,187)	-
Write off, net	(158,841)	(4,645)	(232,838)	-	(19,300)	(415,624)
Depreciation charge	(10,138,634)	(3,223,512)	(1,493,169)	-	-	(14,855,315)
Closing net book value	11,593,768	10,373,312	10,502,773	1	981,355	33,451,209
As at 31 December 2015						
Cost	87,688,312	37,017,425	27,898,431	48,000	981,355	153,633,523
Less Accumulated depreciation	(76,094,544)	(26,644,113)	(17,395,658)	(47,999)	-	(120,182,314)
Net book value	11,593,768	10,373,312	10,502,773	1	981,355	33,451,209

12 Intangible assets, net

	Computer software Baht	Total Baht
As at 1 January 2014		
Cost	4,567,847	4,567,847
<u>Less</u> Accumulated amortisation	(4,441,433)	(4,441,433)
Net book value	126,414	126,414
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	435,652	435,652
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	435,652	435,652
For the year ended 31 December 2015		
Opening net book value	435,652	435,652
Additions	4,256,011	4,256,011
Amortisation charge	(852,680)	(852,680)
Closing net book value	3,838,983	3,838,983
As at 31 December 2015		
Cost	9,278,951	9,278,951
<u>Less</u> Accumulated amortisation	(5,439,968)	(5,439,968)
Net book value	3,838,983	3,838,983

13 Other assets, net

	2015 Baht	2014 Baht
Leasehold right and leasehold improvement, net	57,160,293	67,216,786
Accrued interest receivables	16,534,663	49,721,659
Prepaid expenses	3,692,834	3,478,473
Other receivables	6,993,141	3,176,148
Total other assets, net	84,380,931	123,593,066
The amortisation cost of leasehold right and depreciation of leasehold improvement for the year	11,580,932	11,816,885

14 Deposits

14.1 Classified by types of deposits:

	2015 Baht	2014 Baht
On demand	4,059,311,138	1,258,900,811
Savings	5,492,156,498	5,656,590,964
Fixed	78,000,000	10,610,500,000
Total deposits	9,629,467,636	17,525,991,775

14.2 Classified by currencies and domiciles of depositors:

	2015		
	Domestic Baht	Foreign Baht	Total Baht
Thai Baht	5,429,308,768	390	5,429,309,158
US Dollar	4,186,599,584	275,947	4,186,875,531
Euro	13,282,947	-	13,282,947
Total deposits	9,629,191,299	276,337	9,629,467,636

	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

15 Interbank and money market items (liabilities)

	2015		
	Demand Baht	Time Baht	Total Baht
Domestic items			
Other financial institutions	36,150,649	5,150,000,000	5,186,150,649
Total domestic items	36,150,649	5,150,000,000	5,186,150,649
Foreign items			
Thai Baht	296,832	-	296,832
Total foreign items	296,832	-	296,832
Total interbank and money market items	36,447,481	5,150,000,000	5,186,447,481

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

	2014		
	Demand Baht	Time Baht	Total Baht
Domestic items			
Other financial institutions	56,444,214	4,750,000,000	4,806,444,214
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

16 Financial liabilities designated at fair value through profit or loss

	2015 Baht	2014 Baht
Bill of exchange	14,420,179,629	10,446,740,232
Total financial liabilities designated at fair value through profit or loss	14,420,179,629	10,446,740,232

Proportion of transactions being classified by type of counterparties

	2015 Percentage	2014 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

	2015 Baht	2014 Baht
Balance of unrealised gain at beginning of the year	622,512,631	478,214,418
Increase (Decrease) during the year	(507,767,679)	140,733,222
Translation adjustment	68,879,012	3,564,991
Balance unrealised gain at end of the year	183,623,964	622,512,631

17 Deferred income tax

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

	2015 Baht	2014 Baht
Deferred tax assets:		
Deferred tax asset to be recovered within 12 months	309,101	288,011
Deferred tax asset to be recovered after more than 12 months	166,461,006	110,451,869
	<u>166,770,107</u>	<u>110,739,880</u>
Deferred tax liabilities:		
Deferred tax liabilities to be settled within 12 months	(14,066,596)	(21,649,237)
Deferred tax liability to be settled after more than 12 months	(37,377,181)	(124,502,527)
	<u>(51,443,777)</u>	<u>(146,151,764)</u>
Deferred tax assets (liabilities) (net)	<u>115,326,330</u>	<u>(35,411,884)</u>

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

	2015 Baht	2014 Baht
As at 1 January	(35,411,884)	(18,009,105)
(Debited) credited to profit or loss	151,831,370	(18,753,726)
Tax (debited) credited directly to head office's equity and balances with other branches under the same entity	<u>(1,093,156)</u>	<u>1,350,947</u>
As at 31 December	<u>115,326,330</u>	<u>(35,411,884)</u>

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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 2015	263,704	8,778,134	3,356,611	24,307	96,374,551	1,942,573	110,739,880
Charged (credited) to profit and loss	25,004	2,481,634	174,108	-	54,128,015	(92,004)	55,716,757
Charged directly to head office's equity and balances with other branches under the same entity	-	(682,616)	-	(3,914)	-	-	(686,530)
As at 31 December 2015	288,708	10,577,152	3,530,719	20,393	150,502,566	1,850,569	166,770,107
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
Credited 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

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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 from change in fair value of financial liabilities under fair value option Baht	Total Baht
Deferred tax liabilities					
As at 1 January 2015	20,820,270	828,967	-	124,502,527	146,151,764
Charged (credited) to profit and loss	(7,468,680)	-	131,800	(87,777,733)	(95,114,613)
Credited directly to head office's equity and balances with other branches under the same entity	-	406,626	-	-	406,626
As at 31 December 2015	13,351,590	1,235,593	131,800	36,724,794	51,443,777
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

18 Other liabilities

	2015 Baht	2014 Baht
Accrued interest payable	1,133,448,815	914,020,541
Accrued bonuses	55,391,445	47,930,546
Accrued FIDF charges	45,068,187	38,952,299
Cash received in advance from forward contracts	231,860,596	125,642,438
Income tax payable	84,184,877	7,365,193
Profit remittance tax payable	47,373,765	39,085,473
Reserve for derivatives products	-	494,730,974
Others	61,691,773	78,353,553
Total other liabilities	<u>1,659,019,458</u>	<u>1,746,081,017</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 2015 and 2014, the post-employment benefits provided unfunded obligation as follows:

	2015 Baht	2014 Baht
Present value of obligations	50,393,381	41,548,395
<u>Less</u> Deferred present value of obligations	<u>-</u>	<u>-</u>
Provision for post-employment benefits	50,393,381	41,548,395
Provision for long service award	2,492,382	2,342,277
Total provision for employee benefits plan	<u>52,885,763</u>	<u>43,890,672</u>

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

	2015 Baht	2014 Baht
As at 1 January	41,548,395	30,795,559
Current service costs	11,113,003	9,411,220
Interest costs	1,810,064	1,341,616
Remeasurements:		
Actuarial (gains) losses		
- Demographic assumptions	(3,306,323)	-
- Financial assumptions	7,172,654	-
- Experience (gains)/loss	(7,077,741)	-
<u>Less</u> Benefits paid for the year	<u>(866,671)</u>	<u>-</u>
As at 31 December	<u>50,393,381</u>	<u>41,548,395</u>

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

Expenses for post-employment benefits were recognised in the statement of profit or loss and other comprehensive income as follows:

	2015	2014
	Baht	Baht
Current service costs	11,113,003	9,411,220
Interest costs	1,810,064	1,341,616
Remeasurements	(3,211,410)	-
Total	9,711,657	10,752,836

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

	2015	2014
Discount rate	3.30%	4.36%
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

Sensitivity analysis on key assumptions changes are as follows:

	Increase (Decrease)	
	2015	2014
	Baht	Baht
Discount rate		
Increase 1%	(6,492,688)	(5,554,314)
Decrease 1%	7,707,795	6,645,624
Salary rate		
Increase 1%	7,269,718	6,783,482
Decrease 1%	(6,289,974)	(5,770,116)
Turnover rate		
Increase 1%	(26,461,747)	(22,262,461)
Decrease 1%	22,967,508	21,100,934

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the provision for post-employment benefits recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

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

Maturity profile of post-employment benefits is as follows:

	2015	2014
Maturity duration of the post-employment benefits (Years)	21.44	21.73
Maturity analysis of benefits to be paid		
More than 1 year (Baht)	1,489,929,279	1,479,960,339

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 2015, the Bank contributed Baht 11.6 million (31 December 2014: Baht 11.3 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 2015	1,583.42	48.04	13,833
Granted during the year	2,017.59	55.91	3,811
Exercised during the year	2,130.49	59.04	(6,068)
Cancelled during the year	1,975.19	54.73	(1,830)
Transferred during the year	-	-	-
As at 31 December 2015	1,963.20	54.40	9,746
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 2015, the total share based payment expense (reversal) recognised during the year amounting to Baht 3.6 million (31 December 2014: Baht (0.6) million).

22 Capital funds

	2015 Baht	2014 Baht
Assets maintained in accordance with Section 32	9,666,804,387	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	9,494,909,666	9,494,474,014
Net inter-office balance which branch is debtor of the head office, others branches and subsidiary	704,494,402	1,722,702,036
Total	10,199,404,068	11,217,176,050
Total fund are remitted into Thailand for maintaining assets under section 32	9,494,909,666	9,494,909,666
Total deductions that the Bank of Thailand requires to deduct from capital	(3,838,983)	(435,652)
Capital funds	9,491,070,683	9,494,474,014
Total capital funds to risk weighted assets ratio (%)	14.75	18.37

The Bank will disclose capital maintenance information as at 31 December 2015 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 2016.

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 2015 amounted to Baht 4,262,808,523 (31 December 2014: Baht 2,026,480,999).

24 Commitments

As at 31 December 2015 and 2014, the Bank has the following commitments (excluding derivatives in Note 7) which were incurred in the normal course of business as follows:

	2015		
	Thai Baht Baht	Foreign currencies Baht	Total Baht
Letter of Credit	-	2,242,333,504	2,242,333,504
Guarantees	123,700,540	663,084,988	786,785,528
Unused overdraft credit line	719,000,000	-	719,000,000
Unused credit facilities	-	541,328,250	541,328,250
Total commitments	842,700,540	3,446,746,742	4,289,447,282

	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

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

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) Limited
- J.P. Morgan Ventures Energy Corporation
- J.P. Morgan Securities Plc – Paris Branch
- J.P. Morgan Australia Ltd.
- J.P. Morgan Overseas Capital Corporation
- J.P. Morgan Securities Plc. – Frankfurt Branch
- J.P. Morgan Securities Asia Private Limited
- J.P. Morgan Securities LLC
- J.P. Morgan Securities Plc
- JPMorgan Securities Japan Co., Ltd
- J.P. Morgan Treasury Technology Corporation
- J.P. Morgan Europe Limited
- J.P. Morgan Securities Plc - Zurich Branch

25 Related party transactions (Cont'd)

The significant related party transactions, outstanding balances as of 31 December 2015 and 2014 and income and expenses for the years then ended 31 December 2015 and 2014 consisted of the followings:

	2015	2014
	Million Baht	Million Baht
Statements of financial position		
Interbank and money market items, net (assets)		
J.P. Morgan, A.G.	25	50
Interbank and money market items (liabilities)		
J.P. Morgan Securities (Thailand) Ltd.	1,387	1,408
Provision for share based payment		
J.P. Morgan Chase & Co	18	17
Net balance of inter-office accounts with Head Office and other branches under the same entity		
JPMorgan Chase Bank, N.A.	(718)	(1,727)
JPMorgan Chase Bank, N.A. - London Branch	13	4
Off statement of financial position		
Commitments	359,906	297,406
Statements of profit or loss and other comprehensive income		
Interest expense	18	23
Fees and service incomes	11	12
Other operating income	162	115
Employee expenses	4	-
Fees and services expenses and other expenses	494	434

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.

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

26.1 Position classified by type of transaction

	2015			2014		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	Million	Million	Million	Million	Million	Million
	Baht	Baht	Baht	Baht	Baht	Baht
Total assets	67,954	-	67,954	69,426	-	69,426
Interbank and money market items, net (assets)	4,675	-	4,675	11,320	-	11,320
Investments, net	33,547	-	33,547	32,967	-	32,967
Loans and accrued interest receivables, net	4,399	-	4,399	2,786	-	2,786
Deposits	9,629	-	9,629	17,526	-	17,526
Interbank and money market items (liabilities)	5,186	-	5,186	5,018	-	5,018
Financial liabilities designated at fair value through profit or loss	14,420	-	14,420	10,447	-	10,447

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

26.2 Performance classified by types of transaction

	2015			2014		
	Domestic Million Baht	Foreign Million Baht	Total Million Baht	Domestic Million Baht	Foreign Million Baht	Total Million Baht
Interest income	931	-	931	987	-	987
Interest expense	(477)	-	(477)	(416)	-	(416)
Net interest income	484	-	484	571	-	571
Net fee and service income	24	-	24	47	-	47
Other operating incomes	350	-	350	755	-	755
Other operating expenses	(990)	-	(990)	(956)	-	(956)
Profit before income tax	(132)	-	(132)	417	-	417

27 Interest income

	2015 Baht	2014 Baht
Interbank and money market items, net (assets)	120,715,255	136,205,325
Investments and trading transactions	350,947,879	351,665,198
Investments in debt securities, available-for-sales	356,223,774	410,144,078
Loans	103,359,646	89,544,694
Total interest income	931,246,554	987,559,295

28 Interest expense

	2015 Baht	2014 Baht
Deposits	105,085,964	109,345,259
Interbank and money market items (liabilities)	241,167,251	223,291,624
Contribution fee to the Deposit Protection Agency and Financial Institution Development Fund	100,065,010	81,842,243
Others	1,311,455	2,009,965
Total interest expense	447,629,680	416,489,091

29 Fee and service income

	2015 Baht	2014 Baht
Money transfer and collection services	11,116,364	10,533,694
Fee relating to letter of credit	4,358,862	16,596,738
Service fees from related companies	11,131,018	12,187,308
Fee relating to import bill collection	1,763,670	1,831,061
Others	5,565,839	5,492,442
Total fee and service income	33,935,753	46,641,243

30 Gains on trading and foreign exchange transactions

	2015 Baht	2014 Baht
Gains on foreign currencies and foreign exchange rate derivatives	547,803,908	1,224,596,248
Gains on interest rate derivatives	122,955,965	550,402,019
Gains on debt securities	11,306,882	394,039,321
Total gains on trading and foreign exchange transactions	<u>682,066,755</u>	<u>2,169,037,588</u>

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

	2015 Baht	2014 Baht
Changes in fair value of:		
Bill of exchange	(212,318,409)	(1,069,324,210)
	(212,318,409)	(1,069,324,210)
Losses on redemption and interest expense paid	(286,623,655)	(462,203,181)
Total losses from financial liabilities designated at fair value through profit or loss	<u>(498,942,064)</u>	<u>(1,531,527,391)</u>

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

	2015 Baht	2014 Baht
Charges in fair value due to change in credit risks	(507,767,679)	140,733,222

32 Other operating income

	2015 Baht	2014 Baht
Revenue sharing from financial derivatives trading	140,520,882	112,838,660
Loan charge off recovery	-	2,054,966
Others	26,206,649	2,709,500
Total other operating income	<u>166,727,531</u>	<u>117,603,126</u>

33 Other expenses

	2015 Baht	2014 Baht
Service fees to related companies	493,719,797	419,455,205
Other reserves	-	57,236,719
Brokerage commissions	20,179,347	19,208,090
Others	64,732,935	123,583,724
Total other expenses	<u>578,632,079</u>	<u>619,483,738</u>

34 Bad debt and doubtful accounts (reversal)

	2015 Baht	2014 Baht
Interbank and money market items, net	(6,054,017)	(12,687,095)
Loans (Note 10)	16,261,011	(6,995,692)
Total bad debt and doubtful accounts (reversal)	<u>10,206,994</u>	<u>(19,682,787)</u>

35 Income tax expense

	2015 Baht	2014 Baht
Current income tax:		
Current income tax on profits for the year	231,503,346	154,773,599
Total current income tax	<u>231,503,346</u>	<u>154,773,599</u>
Deferred income tax:		
Origination and reversal of temporary differences	(151,831,370)	18,753,727
Total deferred income taxes	<u>(151,831,370)</u>	<u>18,753,727</u>
Total income tax expense	<u>79,671,976</u>	<u>173,527,326</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:

	2015 Baht	2014 Baht
Profit before tax	(132,022,420)	416,825,678
Tax calculated at a tax rate of 20%	(26,404,484)	83,365,136
Tax effect of:		
Income not subjected to tax	608,926	1,840,694
Expenses not deductible for tax purpose	105,467,534	88,321,496
Income tax charge	<u>79,671,976</u>	<u>173,527,326</u>

The weighted average applicable income tax rate was 60% (31 December 2014: 42%).

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 utilising 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.

As at 31 December 2015 and 2014, financial assets and liabilities classified by type of interest rate were as follows:

Descriptions	2015			Total Million Baht
	Floating interest rate Million Baht	Fixed interest rate Million Baht	Non-interest bearing Million Baht	
<u>Financial assets</u>				
Cash	-	-	5	5
Interbank and money market items, net	48	4,200	427	4,675
Accounts receivable from securities trading	-	-	23	23
Investments, net	-	33,547	-	33,547
Loan and accrued interest receivables	1,624	2,819	17	4,460
Deferred revenue	-	-	(9)	(9)
Allowance for doubtful account	-	-	(52)	(52)
Other assets	-	-	24	24
Total financial assets	1,672	40,566	435	42,673
<u>Financial liabilities</u>				
Deposits	-	8,998	631	9,629
Interbank and money market items	36	5,150	-	5,186
Accounts payable from securities trading	-	-	1,218	1,218
Demand liabilities	-	-	34	34
Other liabilities	-	-	1,658	1,658
Total financial liabilities	36	14,148	3,541	17,725

36 Financial risk management (Cont'd)

(b) Interest rate risk (Cont'd)

As at 31 December 2015 and 2014, financial assets and liabilities classified by type of interest rate were as follows: (Cont'd)

Descriptions	2014			Total Million Baht
	Floating interest rate Million Baht	Fixed interest rate Million Baht	Non-interest bearing Million Baht	
Financial assets				
Cash	-	-	5	5
Interbank and money market items, net	76	10,756	488	11,320
Accounts receivable from securities trading	-	-	678	678
Investments, net	-	32,967	-	32,967
Loan and accrued interest receivables	1,483	1,333	19	2,835
Deferred revenue	-	-	(13)	(13)
Allowance for doubtful account	-	-	(35)	(35)
Other assets	-	-	52	52
Total financial assets	1,559	45,056	1,194	47,809
Financial liabilities				
Deposits	-	17,072	454	17,526
Interbank and money market items	57	4,750	211	5,018
Accounts payable from securities trading	-	-	1,338	1,338
Demand liabilities	-	-	669	669
Other liabilities	-	-	1,250	1,250
Total financial liabilities	57	21,822	3,922	25,801

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36 Financial risk management (Cont'd)

(b) Interest rate risk (Cont'd)

As at 31 December 2015 and 2014, financial assets and liabilities classified by type of interest rate were as follows: (Cont'd)

Transactions	2015						Total Million Baht
	Repricing or maturity date						
	At call Million Baht	0 - 3 months Million Baht	3 - 12 months Million Baht	1 - 5 years Million Baht	Over 5 years Million Baht	No maturity Million Baht	
Financial assets							
Cash	-	-	-	-	-	5	5
Interbank and money market items, net	489	4,186	-	-	-	-	4,675
Accounts receivable from securities trading	-	-	-	-	-	23	23
Investments, net	-	18,346	9,724	4,432	1,045	-	33,547
Loans and accrued interest receivables	1,780	361	-	2,312	-	7	4,460
Deferred revenue	-	-	-	-	-	(9)	(9)
Allowance for doubtful account	-	-	-	-	-	(52)	(52)
Other assets	-	-	-	-	-	24	24
Total financial assets	2,269	22,893	9,724	6,744	1,045	(2)	42,673
Financial liabilities							
Deposits	9,551	78	-	-	-	-	9,629
Interbank and money market items	36	1,350	3,800	-	-	-	5,186
Accounts payable from securities trading	-	-	-	-	-	1,218	1,218
Demand liabilities	-	-	-	-	-	34	34
Other liabilities	-	-	-	-	-	1,658	1,658
Total financial liabilities	9,587	1,428	3,800	-	-	2,910	17,725
Transactions	2014						Total Million Baht
	Repricing or maturity date						
	At call Million Baht	0 - 3 months Million Baht	3 - 12 months Million Baht	1 - 5 years Million Baht	Over 5 years Million Baht	No maturity Million Baht	
Financial assets							
Cash	-	-	-	-	-	5	5
Interbank and money market items, net	584	10,726	10	-	-	-	11,320
Accounts receivable from securities trading	-	-	-	-	-	678	678
Investments, net	-	12,498	15,668	3,053	1,748	-	32,967
Loans and accrued interest receivables	450	283	-	2,095	-	7	2,835
Deferred revenue	-	-	-	-	-	(13)	(13)
Allowance for doubtful account	-	-	-	-	-	(35)	(35)
Other assets	-	-	-	-	-	52	52
Total financial assets	1,034	23,507	15,678	5,148	1,748	694	47,809
Financial liabilities							
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
Other liabilities	-	-	-	-	-	1,250	1,250
Total financial liabilities	7,183	11,961	-	3,400	-	3,257	25,801

36 Financial risk management (Cont'd)

(b) Interest rate risk (Cont'd)

The outstanding balances of loans which have floating interest rates or fixed interest rates include loans on which interest recognition is discontinued (presented before deducting allowance for doubtful account losses).

The average balances of the financial assets and liabilities of the Bank generating revenues and expenses, calculated based on the average balances outstanding during the period, and the average interest rate the years ended 31 December 2015 and 2014, can be summarised as follows:

	2015			2014		
	Average balances Million Baht	Interest and dividend Million Baht	Average rate (%)	Average balances Million Baht	Interest and dividend Million Baht	Average rate (%)
<u>Performing financial assets</u>						
Interbank and money market items, net	8,844	121	1.37	8,929	136	1.52
Investments, net	33,941	707	2.08	29,566	762	2.58
Loans and accrued interest receivables	3,514	103	2.93	3,203	90	2.81
Total	46,229	931		41,698	988	
<u>Performing financial liabilities</u>						
Deposits	15,984	105	0.66	13,139	109	0.83
Interbank and money market items	4,925	241	4.89	4,557	223	4.89
Total	20,909	346		17,696	332	

36 Financial risk management (Cont'd)

(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 2015 and 2014 as follow:

	2015				
	Baht Million Baht	US Dollar Million Baht	Japanese Yen Million Baht	Others Million Baht	Total Million Baht
Cash	5	-	-	-	5
Interbank and money market items, net	4,627	-	5	43	4,675
Accounts receivable from securities trading	23	-	-	-	23
Financial derivative assets	(31,835)	69,007	3,586	(15,690)	25,068
Investments, net	33,547	-	-	-	33,547
Loans and accrued interest receivables	2,833	1,627	-	-	4,460
Deferred revenue	(5)	(4)	-	-	(9)
Allowance for doubtful account	(36)	(16)	-	-	(52)
Other assets	23	1	-	-	24
Total assets	9,182	70,615	3,591	(15,647)	67,741
Deposits	5,429	4,187	-	13	9,629
Interbank and money market items	5,186	-	-	-	5,186
Accounts payable from securities trading	1,218	-	-	-	1,218
Demand liabilities	34	-	-	-	34
Financial liabilities designated at fair value through profit or loss	14,604	(184)	-	-	14,420
Financial derivative liabilities	(44,104)	81,317	3,585	(15,690)	25,108
Other liabilities	1,380	275	-	3	1,658
Total liabilities	(16,253)	85,595	3,585	(15,674)	57,253
Net foreign currency position in the statement of financial position	25,435	(14,980)	6	27	10,488
Net foreign currency position off-statement of financial position	985,913	614,436	21,204	32,482	1,654,035

36 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 2015 and 2014 as follow: (Cont'd)

	2014				
	Baht Million Baht	US Dollar Million Baht	Japanese Yen Million Baht	Others Million Baht	Total Million Baht
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-statement of financial position	1,035,443	599,807	13,209	33,000	1,681,459

(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 2015 and 2014.

	2015					
	At call	Within 3	3 to 12	1 to 5	Over 5	No
	Million	months	months	years	years	maturity
	Baht	Million	Million	Million	Million	Million
	Baht	Baht	Baht	Baht	Baht	Baht
Cash	5	-	-	-	-	-
Interbank and money market items, net	489	4,186	-	-	-	-
Accounts receivable from securities trading	-	23	-	-	-	-
Financial derivative assets	-	3,210	5,027	7,944	8,887	-
Investments, net	-	18,346	9,724	4,432	1,045	-
Loans and accrued interest receivables	1,780	361	-	2,312	-	7
Deferred revenue	-	(1)	-	(8)	-	-
Allowance for doubtful accounts	(18)	(4)	-	(23)	-	(7)
Other monetary assets	-	11	13	-	-	-
Total assets	2,256	26,132	14,764	14,657	9,932	-
Deposits	9,551	78	-	-	-	-
Interbank and money market items	36	1,350	3,800	-	-	-
Accounts payable from securities trading	-	1,218	-	-	-	-
Demand liabilities	34	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	1,934	12,486	-
Financial derivative liabilities	-	4,480	5,581	8,910	6,137	-
Other monetary liabilities	-	431	1,216	-	-	11
Total liabilities	9,621	7,557	10,597	10,844	18,623	11
Liquidity, net	(7,365)	18,575	4,167	3,813	(8,691)	(11)

36 Financial risk management (Cont'd)

(d) Liquidity risk (Cont'd)

The following table presents a maturity analysis for monetary assets and liabilities on statement of financial position as at 31 December 2015 and 2014. (Cont'd)

	2014						
	At call Million Baht	Within 3 months Million Baht	3 to 12 months Million Baht	1 to 5 years Million Baht	Over 5 years Million Baht	No maturity Million Baht	Total Million Baht
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	-	7	2,835
Deferred revenue	-	(1)	-	(12)	-	-	(13)
Allowance for doubtful accounts	(4)	(3)	-	(21)	-	(7)	(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	-	13	1,250
Total liabilities	7,852	16,631	2,591	13,272	16,520	13	56,879
Liquidity, net	(6,817)	10,118	16,047	(1,461)	(5,427)	(13)	12,447

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 Management benefits

	2015	2014
	Baht	Baht
Short-term employee benefits	94,336,075	79,709,246
Post-employment benefits	4,906,937	3,625,188
Share based payment	4,137,840	3,530,426

38 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.

39 Fair value

The estimated fair value of significant financial assets and liabilities as of 31 December 2014 are as follows:

	2014	
	Book value	Fair value
	Million Baht	Million Baht
Financial assets		
Cash	5	5
Interbank and money market items, net	11,320	11,320
Accounts receivable from securities trading	678	678
Financial derivatives assets	21,517	21,517
Investments, net	32,967	32,967
Loans and accrued interest receivables, net	2,786	2,786
Financial liabilities		
Deposits	17,526	17,526
Interbank and money market items	5,018	5,018
Accounts payable from securities trading	1,338	1,338
Liability payable on demand	669	669
Financial liabilities designated at fair value through profit or loss	10,447	10,447
Financial derivatives liabilities	20,631	20,631

39 Fair value (Cont'd)

39.1 Fair value measurement (Cont'd)

The fair value of the financial instruments are defined into the following three different levels by valuation method as follows:

1. Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
2. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
3. Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The financial assets and liabilities that are measured at fair value by different level of valuation method at 31 December 2015 are as follows:

		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
Assets					
Financial derivatives					
assets	25,068	1	25,067	-	25,068
Investment, net	33,547	-	33,547	-	33,547
Total assets	58,615	1	58,614	-	58,615
Liabilities					
Financial liabilities					
designated at fair value					
through profit or loss	14,420	-	-	14,420	14,420
Financial derivatives					
liabilities	25,108	1	25,107	-	25,108
Total liabilities	39,528	1	25,107	14,420	39,528

There were no transfers between Levels 1 and 2 during the year.

39 Fair value (Cont'd)

39.2 Valuation techniques used to derive level 2 and 3 fair values

Derivatives

Derivatives that are valued using models such as the Black-Scholes option pricing model, simulation models or a combination of models, that use observables or unobservable valuation inputs.

Input include:

- Contractual terms including the period to maturity
- Readily observable parameters including interest rates and volatility
- Credit quality of the counterparty and of the Bank
- Market funding levels
- Correlation levels

In addition, the following specific inputs are used for the following derivatives that are valued based on models with significant unobservable inputs:

Structured credit derivatives, specific inputs include:

- CDS spreads and recovery rates
- Credit correlation between the underlying debt instruments
- Actual transactions, where available, are used to regularly recalibrate unobservable parameters

Derivatives related to interest rate and exchange rate which are complexed, specific inputs include:

- Interest rate correlation
- Volatility of interest rate spread
- Exchange rate correlation
- Correlation between interest rate and exchange rate
- Parameters explaining the reference interest rate

Commodity derivatives, specific inputs include:

- Commodity volatility
- Forward commodity price

Additionally, adjustments are made to reflect counterparty credit quality (credit valuation adjustments or "CVA") and funding valuation adjustment ("FVA") to incorporate the impact of funding.

Debt investments are fair valued using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted debt instruments of the counterparties.

39 Fair value (Cont'd)

39.2 Valuation techniques used to derive level 2 and 3 fair values (Cont'd)

Investments

Fair value of trading and available-for-sale debt securities are calculated using the last quoted bid price or using the discounted cash flow by reference to the risk-free yield curve adjusted by an appropriate risk premium.

39.3 Fair value measurements using significant unobservable inputs (Level 3)

	Financial liabilities designated at fair value 31 December 2015 Million Baht
As at 1 January	10,447
Transfers to/ (from) Level 3	-
Total realised/unrealised gain (losses) recognised in profit and loss	212
New issuance	3,930
Settlement	(100)
Translation adjustment	(69)
As at 31 December	<u>14,420</u>

The ranges of unobservable inputs for interest rate correlation are 30% - 95% and Credit quanto are 65% - 85%.

There were no other changes in valuation techniques during the year.

39.4 Bank's valuation processes

Risk-taking functions are responsible for providing fair value estimates for assets and liabilities carried on the statement of financial position at fair value. The Bank's valuation control function is responsible for verifying these estimates and determining any fair value adjustments that may be required to ensure that the Bank's positions are recorded at fair value.

The Model Risk function is independent of the model owners and reviews and approves a wide range of models, including risk management, valuation and certain regulatory capital models used by the Bank. The Model Risk function performs an annual firmwide model risk assessment where developments in the product or market are considered in determining whether valuation models which have already been reviewed need to be reviewed and approved again.

39 Fair value (Cont'd)

39.5 Fair value of financial assets and liabilities measured at amortised cost

The financial assets and liabilities that are not measured at fair value as at 31 December 2015 are as follows;

	Book value Million Baht	Fair value			Total Million Baht
		Level 1 Million Baht	Level 2 Million Baht	Level 3 Million Baht	
Assets					
Cash	5	5	-	-	5
Interbank and money market items, net	4,675	4,675	-	-	4,675
Accounts receivable from securities trading	23	23	-	-	23
Loans and accrued interest receivables, net	4,399	-	4,399	-	4,399
Total assets	9,102	4,703	4,399	-	9,102
Liabilities					
Deposits	9,629	-	9,629	-	9,629
Interbank and money market items	5,186	5,186	-	-	5,186
Accounts payable from securities trading	1,218	1,218	-	-	1,218
Liability payable on demand	34	34	-	-	34
Total liabilities	16,067	6,438	9,629	-	16,067

Other financial instruments not carried at fair value are typically short-term in nature and reprice to current market rate frequently. Accordingly, their carrying amount is a reasonable approximation of fair value. This includes cash, saving deposits and current deposits presented as both interbank and money market assets and liabilities items, account receivable from securities trading, saving deposits and current deposits, account payable from securities trading and liabilities payable on demand.

Fair value of the following assets and liabilities are estimated for the purpose of disclosure as described below:

Loans to customers and accrued interest receivable, net

The fair value is the outstanding balance of loans and accrued interest less allowance for doubtful accounts. The majority of loans are fixed rate. The management has assessed the existing effective rate of the outstanding loans is a reasonable approximation of market effective rate.

Interbank and money market items

The interbank and money market items (assets) are loans to financial institutions which are short-term or at call. Accordingly, their carrying amount is a reasonable approximation of fair value.

39 Fair value (Cont'd)

39.5 Fair value of financial assets and liabilities measured at amortised cost (Cont'd)

Interbank and money market items (Cont'd)

The interbank and money market items (liabilities) are borrowing and fixed deposits which are short-term. Accordingly, their carrying amount is a reasonable approximation of fair value.

Deposits

The deposits are on demand, savings and fixed deposits which are short-term. Accordingly, their carrying amount is a reasonable approximation of fair value.