BASEL II PILLAR 3 DISCLOSURES

JPMorgan Chase Bank, National Associate, Bangkok Branch

Financial year ending December 31, 2012

JPMorgan Chase Bank, National Association, Bangkok Branch
Financial year ending December 31, 2012

Disclosures under the New Capital Adequacy Framework (Basel II guidelines) for the year ended December 31, 2012

The Basel II Pillar 3 disclosure ("Basel P3") included herein is made solely to meet the requirements in Thailand, and related solely to the activities of the Bangkok Branch of JPMorgan Chase Bank, National Association, a wholly-owned bank subsidiary of JPMorgan Chase & Co.

All quantitative disclosures are reported in Thousand Baht.

A. Scope of application

The New Capital Adequacy Framework ("Revised Framework") or Basel II Capital Framework as prescribed by Bank of Thailand is applied to the operations of JPMorgan Chase Bank, National Association, (a bank incorporated in the United States of America) in Bangkok, i.e. to JPMorgan Chase Bank, National Association, Bangkok Branch ("the Branch"); being its sole branch in Thailand.

JPMorgan Chase Bank, National Association is one of the principal subsidiaries of JPMorgan Chase & Co. (collectively, "JPMC", "the Group" or "the Firm"), the financial holding company incorporated in the United States. JPMC operates in Thailand through the Branch and through other subsidiaries owned by one or more of its principal subsidiaries. None of its Thailand subsidiaries are owned by the Branch in Thailand. Also, the Branch does not have any interest in insurance entities.

For a comprehensive discussion of risk management at JPMorgan Chase & Co., including its consolidated subsidiaries, please refer to Firm's Annual Report for the year ended December 31, 2012, which is available in the Investor Relations section of www.jpmorganchase.com or access to the following links:

2012 Annual Report: http://investor.shareholder.com/jpmorganchase/annual.cfm

B. Capital

(I) Capital Structure

The capital of the Branch consists principally of the Head Office account representing Capital remitted by Head Office and remittable surplus/deficit (if any) retained in Bangkok

Quantitative Disclosure:
Capital of Foreign Banks Branch (Table 2)

Item	Dec. 31,12	Jun. 30,12
1. Assets required to be maintained under Section 32	**9,494,910**	**9,112,616**
2. Sum of net capital for maintenance of assets under Section 32 and net balance of inter-office accounts (2.1+2.2)	**20,457,437**	**23,018,821**
2.1 Capital for maintenance of assets under Section 32	9,493,562	8,921,156
2.2 Net balance of inter-office accounts which the branch is the debtor (the creditor) to the head office and other branches located in other countries, the parent company and subsidiaries of the head office	10,963,875	14,097,665
3. Total regulatory capital (3.1-3.2)	**9,493,562**	**8,921,156**
3.1 Total regulatory capital before deductions (The lowest amount among item 1 item 2 and item 2.1)	9,493,562	8,921,156
3.2 Deductions	-	-

(II) Capital Adequacy

On a group-wide basis, Firm's capital management framework is intended to ensure that there is sufficient capital to support the underlying risks of the Firm's business activities and to maintain "well-capitalized" status under US regulatory requirements. In addition, the Firm holds capital above these requirements as deemed appropriate to achieve management's regulatory and debt rating objectives. The Firm assesses its capital adequacy relative to the risks underlying the Firm's business activities, utilizing internal risk-assessment methodologies.

At local level, the Branch leverages as far as possible the group-wide capital management framework and risk assessment methodologies, supplemented where appropriate by a consideration of branch-specific issues including local stress tests. These considerations are formalized as part of a local Internal Capital Adequacy Assessment Process (ICAAP), as required by Basel II (Pillar 2) regulation.

The Capital Management process at the Branch level is coordinated within the Finance organization with input from appropriate local and firm-wide risk specialists, and is reviewed by the Thailand Management Committee and/or Thailand Risk Committee (where appropriate). It is the responsibility of the local management and/or risk committee (where appropriate) to determine the appropriate level of capitalization for the Branch at the present and in the future as well as to ensure the businesses are managed within those capital limits or to request for any additional capitals in accordance with the Firm’s Major Capital Infusion (MCI) policy. In the normal course of events, the local management and/or risk committee review (where appropriate) the adequacy of capital annually or with increased frequency if circumstances demand.

The Branch is required to maintain the minimum capital requirement of 7.5% in accordance with Bank of Thailand’s regulation. The Capital Adequacy Ratio is reported to Thailand Management Committee on a monthly basis and the internal threshold of minimum capital requirement is established in order to trigger an escalation to the local management and relevant groups for further discussion and decision.

A summary of the Branch’s capital requirement for credit risk, market risk and operational risk and the capital adequacy ratio as on December 31, 2012 is presented below.

Quantitative Disclosure:

Minimum capital requirement for credit risk classified by type of assets under Standardized Approach (Table 3)

Unit: Thousand Baht

Minimum capital requirement for credit risk classified by type of assets under the SA	Dec. 31,12	Jun. 30,12
Performing claims	**1,495,575**	**1666,177**
1. Claims on sovereigns and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereigns	403,133	441,086
2. Claims on financial institutions, non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	686,148	782,901
3. Claims on corporate, non-central government public sector entities (PSEs) treated as claims on corporate	396,317	433,300
4. Claims on retail portfolios	-	-
5. Claims on housing loans	-	-
6. Other assets	9,977	8,890
Non-performing claims	**-**	**-**
First-to-default credit derivatives and Securitisation	**-**	**-**
Total minimum capital requirement for credit risk under the SA	**1,495,575**	**1,666,177**

Minimum capital requirement for market risk for positions in the trading book (Table 6)

Unit: Thousand Baht

Minimum capital requirement for market risk (positions in the trading book)	Dec. 31,12	Jun. 30,12
Calculated based on Standardized approach (SA)	2,221,899	2,666,820

Minimum capital requirement for operational risk (Table 7)

Unit: Thousand Baht

Minimum capital requirement for operational risk	Dec. 31,12	Jun. 30,12
Calculated based on Basic Indicator Approach (BIA)	233,142	259,692

Total risk-weighted capital ratio (Table 8)

Unit: %

Ratio	Dec.31,12	Jun. 30,12
Total capital to total risk-weighted assets	18.02	14.57

C. Risk Exposures and Assessment

Credit Risk

I. General information on Credit Risk

<u>Qualitative Disclosure:</u>

Credit Risk Management Policy

Credit risk is the risk of loss from obligor or counterparty default. Globally, the Firm provides credit (for example, through loans, lending-related commitments, guarantees and derivatives) to a variety of customers, from large corporate and institutional clients to the individual consumers and small businesses. The Firm manages the risk/reward relationship of each credit extension through a shareholder value added parameter, which also includes a hurdle risk adjusted return on capital metric. Credit risk management actively monitors the wholesale portfolio to ensure that it is well diversified across industry, geography, risk rating, maturity and individual client categories.

"Know Your Customer" is the key element to credit risk management.

The new business initiative process requires a thorough understanding of the credit risk (and all other forms of risks) inherent in all proposed activities and undertakings. New initiatives will only be introduced after appropriate new control systems and implemented, in accordance with the Bank's New Business Initiative (NBI) process.

Credit risk organization

Credit risk management is overseen by the Chief Risk Officer and implemented within the lines of business. The Firm's credit risk management governance consists of the following functions

- Establishing a comprehensive credit risk policy framework
- Monitoring and managing credit risk across all portfolio segments, including transaction and line approval
- Assigning and managing credit authorities in connection with the approval of all credit exposure
- Managing criticized exposures and delinquent loans
- Determining the allowance for credit losses and ensuring appropriate credit risk-based capital management

Risk identification

The Bank is exposed to credit risk through lending and capital markets activities. Credit risk management works in partnership with the business segments in identifying and aggregating exposures across all lines of business.

Risk measurement

To measure credit risk, the Firm employs several methodologies for estimating the likelihood of obligor or counterparty default. Methodologies for measuring credit risk vary depending on several factors, including type of asset, risk measurement parameters, risk management and collection process. Credit risk measurement is based upon the amount of exposure should the obligor or the counterparty default, the probability of default and the loss severity given a default event. Based on these factors and related market-based inputs, the Firm estimates both probable losses and unexpected losses for the wholesale portfolio.

Risk measurement for the wholesale portfolio is assessed primarily on a risk-rated basis. Risk ratings are assigned to differentiate risk within the portfolio and are reviewed on an ongoing basis by Credit Risk Management and revised, if needed, to reflect the borrowers' current financial positions, risk profiles and the related collateral. For portfolios that are risk-rated, probable and unexpected loss calculations are based on estimates of probability of default and loss severity given a default. Probability of default is the likelihood that a loan will default and will not be repaid. Loss given default is an estimate of losses given a default event and takes into consideration collateral and structural support for each credit facility. Calculations and assumptions are based upon management information systems and methodologies which are under continual review.

Risk monitoring

Credit risk is monitored regularly at an aggregate portfolio level, industry and individual counterparty basis with established concentration limits that are reviewed and revised, as deemed appropriate by management, on an annual basis. Industry and counterparty limits, as measured in terms of exposure and economic credit risk capital, are subject to stress-based loss constraints.

Risk reporting

To enable monitoring of credit risk and decision-making, aggregate credit exposure, credit quality forecasts, concentration levels and risk profile changes are reported regularly to senior Credit Risk Management. Detailed portfolio reporting of industry, customer, product and geographic concentrations occurs monthly, and the appropriateness of the allowance for credit losses is reviewed by management at least on a quarterly basis. Through the risk reporting and governance structure, credit risk trends and limit exceptions are provided regularly to, and discussed with, management.

Locally at the Bangkok branch, all proposals with relevant details of exposure are subjected to the relevant credit authority approval in accordance with the Global Credit Policy and to follow the global risk management process outlined above where appropriate. Officer with Credit Approval Authority are expected to understand the credit policies, guidelines and procedures applicable to their responsibilities.

The Branch's capital will be committed following thorough research and analysis, utilizing all expertise appropriately available in the organization which may contribute to our risk assessment. Certain transactions will require special approval due to their risk attributes or level of sensitivity.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral if applicable.

(1) Derivatives - The Branch 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 favorable to the Branch (i.e., assets where 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 Branch requires margin deposits from counterparties.

(2) Master netting arrangements - The Branch 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 balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favorable 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 Branch’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 Branch 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 Branch on behalf of a customer authorizing a third party to draw drafts on the Branch up to a stipulated amount under specific terms and conditions are

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

Definition of past due and impaired

In line with Bank of Thailand’s regulation, the "90 days' overdue" norm for identification of non-performing assets (NPA) has been adopted. Any amount due to the Branch under any credit facility is 'overdue' if it is not paid on the due date fixed by the Branch (i.e. is not paid as per the date the obligor is obligated to pay the Branch). A NPA shall be a loan or an advance where any amount to be received (as per the contractual terms) remains overdue for a period of more than 90 days or in respect of an Overdraft/Cash Credit the account remains ‘out of order’ for a period of more than 90 days.

Guidelines on loan classification and provisions

Loans are generally stated at the principal amounts outstanding. The asset classification and provision are primarily based on the management’s review and assessment of the status of individual debtor as well as the Notification of the Bank of Thailand No. Sor Nor Sor. 31/2551 dated 3 August 2008 (RE: Classification and Provisions of the Financial Institutions).

In addition, the assessment (asset classification and provision) 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 balance through the economic situation which may have impact on the customers’ ability to pay.

<u>Quantitative Disclosure:</u>

Outstanding amounts of significant on-balance sheet assets and off-balance sheet items before adjusted by credit risk mitigation (Table 9)

Unit: Thousand Baht

Item	Dec. 31,12	Dec. 31,11
1. On-balance sheet assets (1.1 + 1.2 + 1.3)	**40,358,469**	**42,638,677**
1.1 Net Loans [1/]	7,024,369	6,771,200
1.2 Net Investment in debt securities [2/]	33,122,987	35,571,900
1.3 Deposits (including accrued interest receivables)	211,113	295,577
2. Off-balance sheet items [3/](2.1 + 2.2 + 2.3)	**1,639,806,872**	**1,551,317,666**
2.1 Aval of bills, guarantees, and letter of credits	1,673,029	11,369,492
2.2 OTC derivatives	1,637,737,715	1,539,549,211
2.3 Undrawn committed line	396,128	398,963

[1/] Including accrued interest receivables and net of deferred incomes, allowances for doubtful accounts and allowances for revaluation from debt restructuring and including net loans of interbank and money market.

[2/] Excluding accrued interest receivables and net of allowances for revaluation of securities and allowances for impairment of securities

[3/] Before multiplying credit conversion factor

Outstanding amounts of on-balance sheet assets and off-balance sheet items before adjusted credit risk mitigation classified by country of geographic area of debtor (Table 10)

The geographical areas are classified base on the country of incorporation.

2012

Unit: Thousand Baht

Country or geographic area of debtor	On-balance sheet assets				Off-balance sheet items [3/]			
	Total	Net loans [1/]	Net Investment in debt securities [2/]	Deposits (including accrued interest receivables)	Total	Aval of bills, guarantees, and letter of credits	OTC derivatives	Undrawn committed line
1. Thailand	38,120,366	4,793,320	33,122,987	204,059	660,966,585	1,015,407	659,555,050	396,128
2. Asia Pacific (exclude Thailand)	2,235,773	2,231,049	-	4,724	371,766,939	40,715	371,726,224	-
3. North America and Latin America	-	-	-	-	295,198,719	616,612	294,582,107	-
4. Africa and Middle East	-	-	-	-	295	295	-	-
5. Europe	2,330	-	-	2,330	311,874,334	-	311,874,334	-
Total	**40,358,469**	**7,024,369**	**33,122,987**	**211,113**	**1,639,806,872**	**1,673,029**	**1,637,737,715**	**396,128**

2011

Unit: Thousand Baht

Country or geographic area of debtor	On-balance sheet assets				Off-balance sheet items [3/]			
	Total	Net loans [1/]	Net Investment in debt securities [2/]	Deposits (including accrued interest receivables)	Total	Aval of bills, guarantees, and letter of credits	OTC derivatives	Undrawn committed line
1. Thailand	37,681,317	1,818,889	35,571,900	290,528	570,405,095	10,728,808	559,277,324	398,963
2. Asia Pacific (exclude Thailand)	4,954,843	4,952,311	-	2,532	384,239,114	3,960	384,235,154	-
3. North America and Latin America	-	-	-	-	219,423,192	383,194	219,039,998	-
4. Africa and Middle East	-	-	-	-	-	-	-	-
5. Europe	2,517	-	-	2,517	377,250,266	253,530	376,996,736	-
Total	**42,638,677**	**6,771,200**	**35,571,900**	**295,577**	**1,551,317,666**	**11,369,492**	**1,539,549,212**	**398,963**

[1/] Including accrued interest receivables and net of deferred incomes, allowances for doubtful accounts and allowances for revaluation from debt restructuring and including net loans of interbank and money market.
[2/] Excluding accrued interest receivables and net of allowances for revaluation of securities and allowances for impairment of securities
[3/] Before multiplying credit conversion factor

Outstanding amounts of on-balance sheet assets and off balance sheet items before credit risk mitigation classified by residual maturity (Table 11)

Item	2012		
	Maturity not exceeding 1 year	Maturity exceeding 1 year	Total
1. On-balance sheet assets (1.1 + 1.2 + 1.3)	**24,446,336**	**15,912,132**	**40,358,469**
1.1 Net loans [1/]	5,668,515	1,355,854	7,024,369
1.2 Net Investment in debt securities [2/]	18,566,709	14,556,278	33,122,987
1.3 Deposits (including accrued interest receivables)	211,113	-	211,113
2. Off-balance sheet items [3/] (2.1 + 2.2 + 2.3)	**844,137,543**	**795,669,329**	**1,639,806,872**
2.1 Aval of bills, guarantees, and letter of credits	208,632	1,464,397	1,673,029
2.2 OTC derivatives	843,532,783	794,204,932	1,637,737,715
2.3 Undrawn committed line	396,128	-	396,128

Item	2011		
	Maturity not exceeding 1 year	Maturity exceeding 1 year	Total
1. On-balance sheet assets (1.1 + 1.2 + 1.3)	**36,630,838**	**6,007,839**	**42,638,677**
1.1 Net loans [1/]	6,769,173	2,027	6,771,200
1.2 Net Investment in debt securities [2/]	29,566,088	6,005,812	35,571,900
1.3 Deposits (including accrued interest receivables)	295,577	-	295,577
2. Off-balance sheet items [3/] (2.1 + 2.2 + 2.3)	**810,892,706**	**740,424,960**	**1,551,317,666**
2.1 Aval of bills, guarantees, and letter of credits	9,983,859	1,385,633	11,369,492
2.2 OTC derivatives	800,509,884	739,039,327	1,539,549,211
2.3 Undrawn committed line	398,963	-	398,963

[1/] Including accrued interest receivables and net of deferred incomes, allowances for doubtful accounts and allowances for revaluation from debt restructuring and including net loans of interbank and money market.
[2/] Excluding accrued interest receivables and net of allowances for revaluation of securities and allowances for impairment of securities
[3/] Before multiplying credit conversion factor

Outstanding amounts of loans including accrued interest receivables and investment in debt securities before adjusted by credit risk mitigation classified by country or geographical area of debtor and asset classification as prescribed by the Bank of Thailand (Table 12)

The geographical areas are classified base on the country of incorporation.

2012

Unit: Thousand Baht

Country or geographic area of debtor	Loans including accrued interest receivables[1/]						Investment in debt securities Doubtful loss
	Normal	Special mentioned	Substandard	Doubtful	Doubtful loss	Total	
1.Thailand	4,848,532	-	-	-	7,539	4,856,071	19,584
2.Asia Pacific (exclude Thailand)	2,253,575	-	-	-	-	2,253,575	-
3.North America and Latin America	-	-	-	-	-	-	-
4.Africa and Middle East	-	-	-	-	-	-	-
5.Europe	-	-	-	-	-	-	-
Total	7,102,107	-	-	-	7,539	7,109,646	19,584

2011

Unit: Thousand Baht

Country or geographic area of debtor	Loans including accrued interest receivables[1/]						Investment in debt securities Doubtful loss
	Normal	Special mentioned	Substandard	Doubtful	Doubtful loss	Total	
1.Thailand	1,832,489	-	-	-	7,822	1,840,311	12,130
2.Asia Pacific (exclude Thailand)	5,002,325	-	-	-	-	5,002,325	-
3.North America and Latin America	-	-	-	-	-	-	-
4.Africa and Middle East	-	-	-	-	-	-	-
5.Europe	-	-	-	-	-	-	-
Total	6,834,814	-	-	-	7,822	6,842,636	12,130

[1/] Including outstanding amounts of loans and accrued interest receivables of interbank and money market

Provisions (General provision and Specific provision) and bad debt written-off during period for loan including accrued interest receivables and investment in debt securities classified by country or geographic area (Table 13)

The geographical areas are classified base on the country of incorporation.

2012

Unit: Thousand Baht

Country or geographic area of debtor	Loans including accrued interest receivables[1/]			Specific provision for Investment in debt securities
	General provision	Specific provision	Bad debt written-off during period	
1.Thailand		7,539	-	19,584
2.Asia Pacific (exclude Thailand)		-	-	-
3.North America and Latin America		-	-	-
4.Africa and Middle East		-	-	-
5.Europe		-	-	-
Total	66,298	7,539	-	19,584

2011

Unit: Thousand Baht

Country or geographic area of debtor	Loans including accrued interest receivables[1/]			Specific provision for Investment in debt securities
	General provision	Specific provision	Bad debt written-off during period	
1.Thailand		7,822	-	12,130
2.Asia Pacific (exclude Thailand)		-	-	-
3.North America and Latin America		-	-	-
4.Africa and Middle East		-	-	-
5.Europe		-	-	-
Total	63,614	7,822	-	12,130

[1/] Including provision and bad debt written-off during period of loans including accrued interest receivables of interbank and money market

Outstanding amount of loans including accrued interests before adjusted by credit risk mitigation classified by type of business (Table 14)

2012

Unit: Thousand Baht

Type of business	Normal	Special mentioned	Substandard	Doubtful	Doubtful loss	Total
Agriculture and mining	-	-	-	-	-	-
Manufacturing and commerce	456,481	-	-	-	5,861	462,342
Real estate business and construction	-	-	-	-	-	-
Public utilities and services	10,188	-	-	-	-	10,188
Housing loans	-	-	-	-	242	242
Others						
- Commercial Bank	4,855,820	-	-	-	-	4,855,820
- Others	1,779,618	-	-	-	1,436	1,781,054
Total	7,102,107	-	-	-	7,539	7,109,646

2011

Unit: Thousand Baht

Type of business	Normal	Special mentioned	Substandard	Doubtful	Doubtful loss	Total
Agriculture and mining	-	-	-	-	-	-
Manufacturing and commerce	472,257	-	-	-	5,861	478,118
Real estate business and construction	-	-	-	-	-	-
Public utilities and services	7,949	-	-	-	-	7,949
Housing loans	2,047	-	-	-	286	2,333
Others						
- Commercial Bank	6,352,561	-	-	-	-	6,352,561
- Others	-	-	-	-	1,675	1,675
Total	6,834,814	-	-	-	7,822	6,842,636

Provisions (General provision and Specific provision) and bad debt written-off during period for loans including accrued interest receivables classified by types of business (Table 15)

Unit: Thousand Baht

Type of business	2012		
	General provision	Specific provision	Bad debt written-off during period
Agriculture and mining		-	-
Manufacturing and commerce		5,861	-
Real estate business and construction		-	-
Public utilities and services		-	-
Housing loans		242	-
Others		1,436	-
Total	66,298	7,539	-

Unit: Thousand Baht

Type of business	2011		
	General provision	Specific provision	Bad debt written-off during period
Agriculture and mining		-	-
Manufacturing and commerce		5,861	-
Real estate business and construction		-	-
Public utilities and services		-	-
Housing loans		286	-
Others		1,675	-
Total	63,614	7,822	-

Reconciliation of change in provisions (General provision and Specific provision) for loans including accrued interest receivables* (Table 16)

Unit: Thousand Baht

Item	2012		
	General provision	Specific provision	Total
Provisions at the beginning of the period	63,614	7,822	71,436
Bad debts written-off during the period	-	-	-
Increases or (Decreases of provisions during the period	2,684	(283)	2,401
Provisions at the end of the period	66,298	7,539	73,837

Item	2011		
	General provision	Specific provision	Total
Provisions at the beginning of the period	100,244	7,896	108,140
Bad debts written-off during the period	-	-	-
Increases or (Decreases of provisions during the period	(36,630)	(74)	(36,704)
Provisions at the end of the period	63,614	7,822	71,436

*Including outstanding amount of loans and accrued interest receivables of interbank and money market

Outstanding amounts of on-balance sheet assets and off-balance sheet items* classified by type of assets under the SA (Table 17)

Unit: Thousand Baht

Type of asset	2012		
	On balance sheet assets	Off balance sheet item	Total
1. Performing claims			
1.1 Claim on sovereigns and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereigns	22,959,340	1,034,842	23,994,182
1.2 Claim on financial institutions, non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	6,265,571	16,719,116	22,984,687
1.3 Claims on corporate, non-central government public sector entities (PSEs) treated as claims on corporate	2,246,287	3,349,799	5,596,086
1.4 Claims on retail portfolios	-	-	-
1.5 Housing loans	-	-	-
1.6 Other assets	20,158,667	-	20,158,667
2. Non-performing claims	-	-	-
3. First-to-default credit derivatives and Securitisation	-	-	-
Total	51,629,865	21,103,757	72,733,622

Unit: Thousand Baht

Type of asset	2011		
	On balance sheet assets	Off balance sheet item	Total
4. Performing claims			
1.1 Claim on sovereigns and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereigns	28,840,439	271,206	29,111,645
1.2 Claim on financial institutions, non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	7,099,868	19,847,480	26,947,348
1.3 Claims on corporate, non-central government public sector entities (PSEs) treated as claims on corporate	480,206	4,016,701	4,496,907
1.4 Claims on retail portfolios	-	-	-
1.5 Housing loans	2,048	-	2,048
1.6 Other assets	24,099,383	-	24,099,383
5. Non-performing claims	-	-	-
6. First-to-default credit derivatives and Securitisation	-	-	-
Total	60,521,944	24,135,387	84,657,331

*After multiplying with credit conversion factor and specific provision

II. Credit Risk: Standardized Approach (SA)

Qualitative Disclosure:

The Branch uses credit ratings which are assigned by the accredited External Credit Rating Agencies, which are Standard & Poor's (S&P) and Moody's, to assign risk weights for capital adequacy purposes according to the Notification of the Bank of Thailand No. Sor Nor Sor 90/2551 dated 27 November 2008 (RE: Regulations for Credit Risk Asset Calculations for Commercial Banks Using the Standard Approach). Where multiple ratings are available, the second worst rating has been considered.

Quantitative Disclosure:

Outstanding amount of net on-balance sheet assets and off-balance sheet items after adjusted by credit risk mitigation for each type of asset, classified by risk weight under the SA (Table 19)

Unit : Thousand Baht

Type of asset	**2012**							
	Rated outstanding amount					Unrated outstanding amount		
Risk Weight (%)	0	20	50	100	150	35	75	100
Performing claims								
1. Claims on sovereigns and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereigns	13,243,963	-	10,750,219	-	-			-
2. Claims on financial institutions, non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	-	17,193,682	168,013	2,449,257	5,809			3,167,927
3. Claims on corporate, non-central government public sector entities (PSEs) treated as claims on corporate	-	379,232	16,962	168,195	-			5,031,697
4. Claims on retail portfolios							-	
5. Claims on housing loans						-		
6. Other assets								20,158,666
Risk weight (%)			50	100	150			
Non-performing claims			-	-	-			
Capital deduction items prescribed by the Bank of Thailand								

Unit : Thousand Baht

Type of asset	2011							
	Rated outstanding amount					Unrated outstanding amount		
Risk Weight (%)	0	20	50	100	150	35	75	100
Performing claims								
1. Claims on sovereigns and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereigns	14,415,089	-	14,696,556	-	-			-
2. Claims on financial institutions, non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	-	19,683,927	-	5,195,511	-			2,067,910
3. Claims on corporate, non-central government public sector entities (PSEs) treated as claims on corporate	-	7,579	515,566	2,250,194	-			1,723,568
4. Claims on retail portfolios							-	
5. Claims on housing loans						2,048		
6. Other assets								24,099,383
Risk weight (%)			50	100	150			
Non-performing claims			-	-	-			
Capital deduction items prescribed by the Bank of Thailand								

III. Credit risk mitigation under the Standard Approach (SA)

Qualitative Disclosure:

The Branch does not apply or use any Credit Risk Mitigation (CRM) to any on or off balance sheet exposures according to the Notification of the Bank of Thailand No. Sor Nor Sor 90/2551 dated 27 November 2008 (RE: Regulations for Credit Risk Asset Calculations for Commercial Banks Using the Standard Approach).

Quantitative Disclosure:

Part of outstanding that is secured by collateral under SA classified by type of assets and collateral (Table 28)

Type of asset	2012		2011	
	Eligible financial collateral	Guarantee and credit derivatives	Eligible financial collateral	Guarantee and credit derivatives
Performing assets				
1. Claims on sovereigns and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereigns	-	-	-	-
2. Claims on financial institutions, non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	-	-	-	-
3. Claims on corporate, non-central government public sector entities (PSEs) treated as claims on corporate	-	-	-	-
4. Claims on retail portfolios	-	-	-	-
5. Claims on housing loans	-	-	-	-
6. Other assets	-	-	-	-
Non-Performing assets				
Total	-	-	-	-

Market risk

I. General information on Market Risk

Qualitative Disclosure:

Market risk management

Market risk is the exposure to an adverse change in the market value of portfolios and financial instruments caused by a change in market prices or rates. The primary categories of market risk factors are interest rate, foreign exchange rates, equity prices, credit spreads and commodity prices. The Group separates exposures to market risk into either trading or non-trading portfolios.

Trading portfolios include those positions arising from market-making transactions where the Group acts as principal with clients or with the market. The Group manages market risk mainly along lines of business. Non-trading portfolios primarily arise from the interest rate management of the Firms' banking assets and liabilities and foreign exchange risks arising from the Firm's investments.

Market risk management framework

At group level, market risk is identified, measured, monitored, and controlled by an independent corporate risk governance function. Market risk management seeks to facilitate efficient risk/return decisions, reduce volatility in operating performance and make the Group's market risk profile transparent to senior management, Board of Directors and regulators. Market risk management is overseen by the Chief Risk Officer and performs primary functions of

(i) Establishing a market risk policy framework;
(ii) Independent measurement, monitoring and control of business market risk;
(iii) Definition, approval and monitoring of limits; and
(iv) Performance of stress testing and qualitative risk assessments.

The Group's business segments have valuation teams which provide independent oversight for the accuracy of valuations of the positions that expose the Group to market risk.

Market risk identification and classification

The market risk management group works in partnership with the business segments to identify market risks throughout the Group to refine and monitor market risk policies and procedures. Each line of business is responsible for the comprehensive identification and verification of market risks within the unit. Market risk management group is also responsible for overseeing each line of business to ensure that all material risks are appropriately identified, measured, monitored and managed in accordance with the risk policy framework set out by Market Risk.

Market risk monitoring

Market risk is controlled primarily through a series of limits, which reflect the Firm's risk appetite in the context of the market environment and business strategy. In setting limits, the Firm takes into consideration factors such as management risk appetite, market volatility, product liquidity, accommodation of client business and management experience. Limits are reviewed regularly by Market Risk and updated as appropriate, with any changes approved by lines of business management and Market Risk. Management, including the Firm’s Chief Executive Officer and Chief Risk Officer, is responsible for reviewing and approving risk limits on an ongoing basis.

All non-statistical measures, statistical measures, loss advisories and limit excesses are reported daily to each lines of business at a Regional level. Limit breaches are reported in a timely manner to senior management, and the affected business segment is required to reduce trading positions or consult with senior management on the appropriate action.

Market risk measurement

Because no single measure can reflect all aspects of market risk, the Group uses various metrics, both statistical and non-statistical.

(i) Non-statistical measures
Non-statistical risk measures include sensitivities to variables used to value positions, such as credit spread sensitivities, interest rate basis point values and market values. These measures provide granular information on the Group's market risk exposure.

(ii) Statistical measures

The Firm uses "Value-at-Risk" (VaR) as a statistical risk management tool for assessing risk under normal market conditions consistent with the day-to-day risk decisions made by the lines of business. VaR is not used to estimate the impact of stressed market conditions or to manage any impact from potential stress events. The Firm uses economic stress testing and other techniques to capture and manage market risk arising under stressed scenarios, as described further below. Because VaR is based on historical data, it is an imperfect measure of market risk exposure and potential losses. For example, differences between current and historical market price volatility may result in fewer or greater VaR exceptions than the number indicated by the historical simulation. The VaR measurement also does not provide an estimate of the extent to which losses may exceed VaR results. In addition, based on their reliance on available historical data, limited time horizons, and other factors, VaR measures are inherently limited in their ability to measure certain risks and to predict losses, particularly those associated with market illiquidity and sudden or severe shifts in market conditions. As VaR cannot be used to determine future losses in the Firm's market risk positions, the Firm considers other metrics in addition to VaR to monitor and manage its market risk positions. Separately, the Firm calculates a daily aggregate VaR in accordance with regulatory rules, which is used to derive the Firm's regulatory VaR based capital requirements. This regulatory VaR model framework currently assumes a ten business day holding period and an expected tail loss methodology, which approximates a 99% confidence level.

While VaR reflects the risk of loss due to adverse changes in markets using recent historical market behavior as an indicator of losses, stress testing captures the Firm's exposure to unlikely but plausible events in abnormal markets using multiple scenarios that assume significant changes in credit spreads, equity prices, interest rates, currency rates or commodity prices. Stress scenarios estimate extreme losses based on assumptions by risk management of potential macroeconomic market stress events, such as an equity market collapse or credit crisis. Scenarios are updated dynamically and may be redefined on an ongoing basis to reflect current market conditions.

To evaluate the soundness of the VAR model, the Firm conducts daily back-testing of VAR against daily market risk-related revenue.

Stress testing is also employed in cross-business risk management. . Stress testing results, trends and explanations based on current market risk positions are reported to JPM's management and to the lines of business to allow them to better understand event risk-sensitive positions and manage risks with more transparency. The Firm has implemented a grid based stress infrastructure (firm-wide stress initiative (FSI)) which allows for flexibility in scenario building and identification of stress P&L drivers.

Local Governance

Thailand Risk Committee (TRC) of the Branch is responsible for the overall management of risk limits and review of the risk reports. The Committee discusses the overall market and associated risks at TRC meeting on a monthly basis. The TRC is represented by local senior management from several LOBs i.e. Senior Country Office, Branch Manager, Head of Global Corporate Banking, Country Credit Officer, FX and Interest Rate traders, Liquidity traders, Chief Administrative Officer, Head of Compliance, Senior Finance Officer, Regulatory Market Risk Manager (RMR) and Head of Market Sales (Global Emerging Market and Treasury Services). Any local policies are generally tabled out and acknowledged by the TRC. The Branch level market risk exposure and limit utilization is also reported to the TRC on a daily basis.

II. Market Risk: Standardized Approach (SA)

Qualitative Disclosure:

For Market Risk, the Branch applies Standardized Approach (SA) to calculate capital requirement and uses Contingent Loss Method or Scenario Analysis Method to calculate capital requirement for options according to the Notification of the Bank of Thailand No. Sor Nor Sor 94/2551 dated 27 November 2008 (RE: Guideline on Supervision of Market Risk and Capital Requirement for Market Risk of Financial Institutions). There are no equity and commodity position risks in the Branch.

Quantitative Disclosure:

Minimum capital requirements for each type of market risk under the Standardized Approach (Table 30)

Unit: Thousand Baht

Minimum capital requirement for market risk under the Standardized Approach	Dec. 31,12	Jun. 30,12
Interest rate risk	2,072,262	2,171,285
Equity position risk	-	-
Foreign exchange rate risk	149,637	495,535
Commodity risk	-	-
Total minimum capital requirements	2,221,899	2,666,820

Operational risks

I. General information on Operational Risk

Qualitative Disclosure:

Operational risk is the risk of loss resulting from inadequate or failed processes or systems, human factors or external events. To monitor and control operational risk, the Firm maintains a system of comprehensive policies and a control framework designed to provide a sound and well-controlled operational environment. The Firm has implemented a software system to enhance its reporting and analysis of operational risk data by enabling risk identification, measurement, monitoring, reporting and analysis to be done in an integrated manner, thereby enabling efficiencies in the Firm's management of its operational risk.

The Bank has standard operating procedures to control and reduce risk arising from operational error and continue to revise plans to suit current operating environment. Volume trend are closely monitored and discussed at the Local Operating Committee's meeting. The Branch closely monitors capacity limit for handling transaction in each operations area. The respective unit's Operation Managers are responsible for escalating to their line regional managers and CAO if there is any capacity constraint.

At the Branch level, the Location Operating Committee (LOC) chaired by the Chief Administrative Officer (CAO) is responsible for the oversight and control of operating risk within the location. The LOC consisted of CAO, all location team leads of each operation team within Corporate & Investment Bank (CIB), Credit Risk Management Middle Office, Global Corporate Banking Middle Office, Finance, Compliance, Internal Audit, Operation Risk Management (ORM), Human Resources (HR), Global Technology & Information (GTI), Information Technology Risk Management and Resiliency Risk Management. LOC meetings are held every two months to review all operating risks, changes in regulatory framework and general ledger controls.

In the LOC meeting, Compliance would update any material changes of laws and regulations to the committee. This is to ensure that all relevant parties are aware of and will be in line with all local rules and regulations. Moreover, both Compliance and Internal Audit would share the results according to their monitoring or audit programs to the LOC members when any significant issues are found during the audit period.

Furthermore, Thailand Management Committee (TMC) consisting of senior management has been established to enable the management of JPMCB to discharge their responsibilities effectively. The TMC reviews business, operational and financial matters, as well as risk management. Business changes and strategies are discussed during the TMC meeting.

II. Operational Risk Capital Assessment

As required by the Bank of Thailand, the Branch follows the Basic Indicator Approach (BIA) to compute capital requirements for operational risk. Please refer to Table 7 for quantitative disclosures on the Branch's operational risk.

Equity exposures in the banking book

I. General information on Equity exposures in the banking book

<u>Qualitative Disclosure:</u>

Equity exposures in the banking book pertain to the shares received from the debts previously restructured. The Branch has no policy to invest in equity securities for trading or other purposes. Such shares are classified as available-for-sale securities (investment in marketable equity securities) are carried at fair market value traded in Stock Exchange of Thailand. Increases or decreases in the carrying amount are credited or charged against unrealized 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. For investments in non-marketable equity securities (if any), it will be classified as general investments are stated at cost less allowance for impairment in value. As of December 2012 and 2011, the Branch did not have any outstanding equity exposures in the banking book.

<u>Quantitative Disclosure:</u>

Equity exposures in banking book (Table 32)

Unit: Thousand Baht

Equity exposures	2012	2011
1. Equity exposures		
1.1 Equities listed and publicly treaded in the Stock Exchange		
▪ Book value	-	-
▪ Fair value	-	-
1.2 Other equities	-	-
2. Gains (losses) on sale of equities in the reporting period	-	-
3. Net revaluation surplus (deficits) from valuation of AFS equity	-	-
4. Minimum capital requirements for equity exposures classified by the calculation methods SA	-	-

Interest Rate Risk in the Banking Book (IRRBB)

I. General information on Interest rate risk in the banking book

Qualitative Disclosure:

At the Firm's level, interest rate risk management for the banking books is governed by the relevant Market Risk Management policies and framework as well as Interest Rate Risk Management policy. Interest rate risk exposure is managed on a centralized basis through the actions of the Chief Investment Office (CIO) unit in partnership with Treasury. The Firm's banking book may be subject to interest rate risks primarily resulting from exposures of banking book products to changes in the level, slope and curvature of the yield curve, the volatility of interest rates. "Banking Book" means positions of financial instruments or other transactions not intended for trading purpose, or financial instruments which were intended, at the onset, to be held for a long period of time and until it's matured. Interest rate risk is one of the categories of market risk. The risk management approach at the location or entity level is consistent with that of the corporate level.

CIO represents Treasury and manages the funding activities of JPMCB Bangkok Branch. In this role, it serves as a funds clearing house for the various lines of businesses; businesses with excess cash from deposit raising activities sell those funds to Treasury / CIO, while businesses with funding requirements purchase those funds from Treasury / CIO. While it is a core operating principle that businesses transfer all interest rate risk to CIO/Treasury, business requests to retain some or all interest rate risk specific to a transaction require discussion and approval from CIO/Treasury. Such exceptions may be granted by CIO/Treasury on a case by case basis with appropriate business justifications, and the proposals need to be placed in the Thailand Risk Committee (TRC) meeting for consideration.

The limit structure in place uses BPV as a measure of Interest Rate Risk in the Banking book. BPV is used to quantify the change in value of the balance sheet across all accrual positions to a one basis point change in interest rates. The greater the BPV, the greater the sensitivity of the balance sheet and therefore earnings to changes in Interest Rates. Interest rate risk in the banking book could arise from lending and deposit taking activities of the Branch as well as from interbank money market takings and placing, investment securities and repo positions managed by CIO and for the purposes of managing the funding and/or structural risk positions of the Branch. Banking book interest rate risk is transferred from the operating businesses to CIO. Interest rate risk limits (in terms of BPV) are set and monitored by CIO on a daily basis. Currently, there is no option risk in this entity as the Branch does not offer products such as mortgage loans that have embedded optionality.

Quantitative Disclosure:

The effect of changes in interest rates* to net earnings (Table 33)

Unit: Thousand Baht

Currency	2012	2011
	Effect to net earnings	Effect to net earnings
Baht	80,993	124,544
USD	(93,752)	(111,528)
JPY	29	17
Others	39	19
Total effect	(12,691)	13,052

*The percentage change in interest rates of 100 bps.

Roles and Responsibilities of Internal Audits and Compliance

Internal Audit's role is to provide the Audit Committee, executive and senior business management, and our regulators with an independent assessment of the firm's ability to manage and control risk and to influence and advise business managers on ways of enhancing their business' capacity to manage risk.

We achieve this through:

- Developing and maintaining an efficient and effective program of audit coverage and appropriate reporting processes that provide reasonable assurance that the system of internal control, as designed, achieves its objectives;
- Fostering a continuous, self-checking control environment in partnership with senior management and the firm's risk management and control communities;
- Disseminating best practices and lessons learned across businesses; and
- Conducting or participating in special projects and investigations.

In addition, the management of the Firm supports a strong compliance culture and believe that all employees globally share a common duty to both adhere to the highest standard of integrity and fair dealing, and comply with the laws, regulations, and policies that govern our businesses and activities. The LOB will receive first level support and assistance from Compliance including:

- Providing guidance on regulatory issues such as, updates on changes in regulatory requirements and performing ongoing regulatory reviews;
- Sign-offs of LOB policies, procedures and compliant letters,
- Providing front-end reviews of marketing copy and telemarketing scripts;
- Providing timely reports of compliance issues to LOB; and
- Collaborating with and educating LOB management on compliance issue