J.P.Morgan

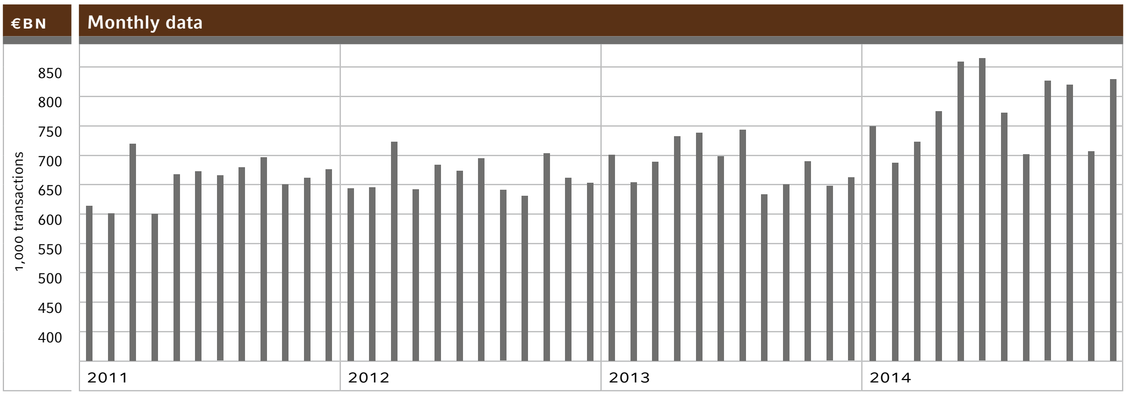
ANNUAL REPORT 2014 OF J.P. MORGAN AG

INDICATORS J.P. MORGAN AG

€M	2014	2013	2012	2011
Net Revenue	118.7	105.7	100.1	99.0
Net interest income	13.6	13.9	10.0	25.4
Net commission income	63.3	59.8	50.1	44.4
Total expenses	105.3	89.7	77.6	84.7
Income before Tax and extraordinary items	13.5	16.1	22.5	14.3
Net income	10.9	9.8	22.5	14.3
Equity	**621**	**611**	**275**	**275**
Return on Equity (RoE)	1.80 %	2.21 %	8.16 %	5.19 %
Cost-Income Ratio	88.71 %	84.78 %	77.55 %	85.55 %
Pre-tax profit margin	11.37 %	15.22 %	22.45 %	14.45 %
Tier 1 capital ratio	115.13 %	87.90 %	37.80 %	17.18 %
Total capital ratio	143.92 %	112.70 %	71.90 %	32.17 %

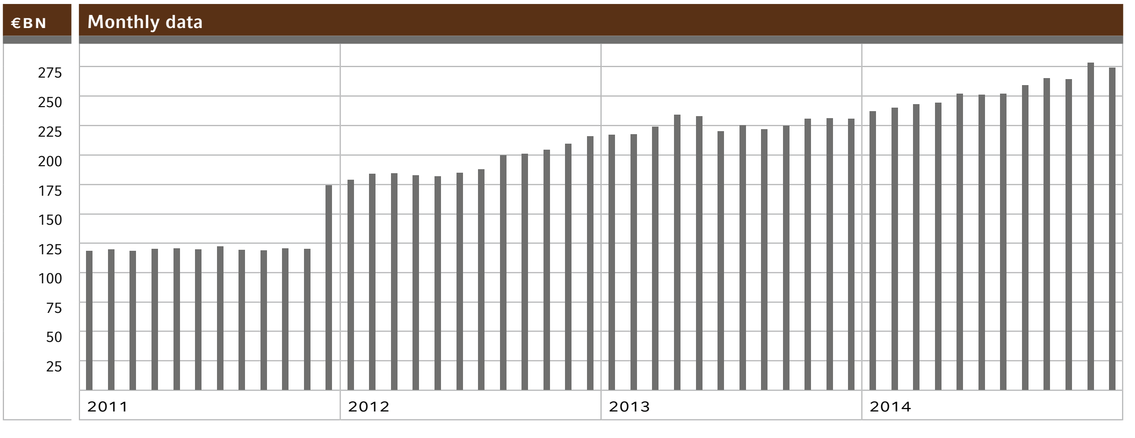
HIGH VALUE PAYMENTS

> PAGE 3: TREASURY SERVICES



ASSETS UNDER CUSTODY

> PAGE 4: INVESTOR SERVICES



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MANAGEMENT REPORT AS OF DECEMBER 31, 2014

Business and General Conditions

ORGANISATION AND LEGAL STRUCTURE

J.P. Morgan AG with its registered office in Frankfurt am Main is a 100 % indirect subsidiary of JPMorgan Chase & Co. with its registered office in Columbus, Ohio, in the United States of America. J.P. Morgan AG works on various levels, mainly in liquidity management and in the business segments, closely with different Group affiliates, and provides services to and receives them from various Group affiliates. The shares of J.P. Morgan AG are held directly by the J.P. Morgan International Finance Limited with its registered office in Newark, United States of America.

J.P. Morgan AG is led by a three-member Management Board and controlled by a six-member Supervisory Board. The Management Board generally convenes on a monthly basis, with the Supervisory Board meeting at least four times per year. In 2015, the Supervisory Board has held two meetings, and the Audit Committee has held one meeting as of the present. On a quarterly basis, the Supervisory Board receives a written MaRisk [Minimum Requirements for Risk Management]-compliant risk report. The names of the members of the Management Board and the Supervisory Board are listed in the Notes.

For the Management Board meetings, a detailed presentation is prepared by the divisions Treasury Services and Investor Services, which contains all the transactions essential to discussion of the course of business in the past month, as well as the development of the divisions' KPIs and KRIs. Likewise the meeting contains material on financial development, a detailed risk report, and a report from Corporate Functions for discussion, consideration and passing of resolutions. The minutes of the Management Board meetings are kept by an employee from the Legal Department.

For its meetings, the Supervisory Board receives an up-to-date summary of the topics discussed in the Management Board meetings, in order to gain a detailed overview of the course of business, financial development, risk capacity, regulatory discussion, the status of current projects, and the work of Corporate Functions, for the purposes of discussion, consideration, and passing resolutions. Supervisory Board meeting minutes are kept by the Head of the Legal Department or an external lawyer.

The Supervisory Board's Audit Committee normally meets with the auditor twice a year to discuss the audit plan as well as the annual financial statements and audit report. Minutes of the meeting of the Supervisory Board's Audit Committee are recorded by a Legal Department employee.

Further, the Supervisory Board has set up a Compensation Committee, which met twice in 2014 but has yet to meet in 2015.

The Bank has a full banking license pursuant to Section 1 (1) of the KWG [Kreditwesengesetz – German Banking Act] (Nos. 1 to 5 and 7 to 9) and conducts banking business with institutional clients, banks, corporate clients and clients from the public sector.

INTERNAL CONTROL SYSTEM

In addition to regular meetings of the Management Board and the Supervisory Board, the Local Operating Committee, representing all functions subordinated to the Back Office Management Board, manages corporate governance in everyday business on behalf of the Management Board. J.P. Morgan AG's corporate functions continue to support not only the Bank's business segments but also all other Group units in Frankfurt am Main. The Treasury Services and Investor Services segments are each managed by one Member of the Board [Front Office] and controlled by a Member of the Management Board [Back Office].

In addition to the key controlling variables of net interest income and net commission income, a conservative risk policy that in particular limits the possible credit and counterparty risk, provides the basis for successful management of J.P. Morgan AG by the Management Board.

All aspects of the business segments are transparently covered by a wide-ranging set of scorecards and controlled in particular by the means of trend analysis and key performance indicators on a monthly basis in meetings of the Business Control Committees, comprised of Sales, Operations and control functions, with the inclusion of the international chief risk officers of the Group. Additionally, treasury activities are discussed and monitored in a monthly Asset & Liability Committee. The Management Board is thus enabled to identify changes or risks in the business performance in a timely manner and to make appropriate decisions and implement the necessary measures.

Moreover, comprehensive reports on all data representing loan utilisation, overdrafts, condition of collateral and key COREP figures are produced on a daily basis by the Finance and Credit Division for the Management Board. These reports are continuously being developed to meet the increasing regulatory requirements.

SEGMENTS AND ESSENTIAL PRODUCTS AND PROCESSES

J.P. Morgan AG is an integral part of the global J.P. Morgan Group and forms the backbone of the J.P. Morgan Group's operations in Germany. The full integration of the Bank into J.P. Morgan's global Treasury Services and Investor Services segments of the Group's Corporate & Investment Bank plays a crucial role, as it provides us with the necessary international network to deliver client services that do justice to J.P. Morgan's mission "First class business in a first class way". In 2014, the Bank continued to concentrate on its core business, in order to fulfil its roles from Frankfurt am Main as a central bank of the Group for € payment transactions and as a Global Custodian for the German investment market.

Thus in 2014, in close collaboration with our clients, we successfully concluded the implementation of the technical framework conditions for the transition to SEPA, as well as the implementation of the regulatory requirements of the Kapitalanlagegesetzbuch (KAGB) [German Investment Code]. This is the essential foundation of our existing product portfolio for the upcoming business years, in order to open up new areas of business.

Treasury Services

J.P. Morgan AG is globally responsible for the € Clearing Operations division. In the coming years, in view of an increasing unification of the European payment transactions and due to our high investments in technology, we expect to deliver our leading global technology and our client service in the mass payment market centrally from J.P. Morgan AG and in close cooperation with our sister companies both to corporate clients and to financial institutions throughout Europe. We are continually expanding our top position as a € Clearer in TARGET2 and EBA by offering improved features to our multinational corporate clients and financial institutions both domestically and abroad.

On the basis of these infrastructure services, our sales teams offer highly advanced solutions in the areas of cash, treasury and trade finance management for corporate clients, insurance companies, asset managers, and financial institutions. Advanced technology and expansion of the Group's locations within the scope of the Global Corporate Banking concept enable our sales teams to offer ever more comprehensive global cash management solutions that provide notable advantages in the management of liquidity, particularly for our international clients. Together with our highly developed service concept, this allowed us to continue to grow with selected, international target clients, above all in global cash management and in trade finance management.

Investor Services

In the global business sector of Investor Services of the Group, J.P. Morgan AG of Frankfurt am Main acts as a fully-licensed and regulated custodian, which has been offering global custody and custodian bank services to institutional clients in Germany since 1995. In this function, J.P. Morgan AG is currently managing 175 investment funds with 794 segments (administrative units) for its circle of clients, with a value of € 161 billion.

In addition to the custody of assets or the keeping of an up-to-date inventory (in regard to valuables that cannot be held in custody), as well as the processing of instructed transactions, one of our core missions is the rendering of various oversight functions to protect investment assets and the investor as well. As part of our control functions, we ensure as a custodian that the ongoing activity of the investment management company is promptly supported in the relevant details, and to verify conformity with the statutory regulations, supervisory provisions and contractual conditions, as well as to secure the continued existence of the assets belonging to the investment funds.

Through the controls exercised by J.P. Morgan AG and independent of the Investment Management Company (IMC) – in particular, controls for the review of legality (control over the directives of the IMC), controls of the share value and net asset value determined by the IMC, investment compliance, property review duty, monitoring of cash flows, controls as part of network management (inter alia monitoring of sub-depositaries), controls regarding share transactions and the appropriation of income as well as control of securities – in the end, we ensure that reasonable and coherent procedures and processes (among others, including reasonable valuation principles and procedures for the asset value of the investment funds) exist at the IMC, and are continually applied in respect of the relevant investment fund.

In addition to services in connection with securities custody and settlement of trading transactions, a comprehensive range of products, additional services, and above all, client reporting is provided.

In our function as a custodian for investment funds, we can determine that institutional investors (e.g. insurance and pension funds) are very flexible in the quest for returns, and can review as well as implement alternative investment solutions. In the low-interest environment, infrastructure loans and financing form a wide field with a broad range of application. In this regard, the search for solutions for a suitable investment strategy reveals a heightened interest in so-called infrastructure debts. As permissible asset items, such investments can be acquired in principle for an investment fund, and are very interesting for institutional investors due to their long maturities. As a custodian, J.P. Morgan AG has adopted this strategic orientation and the challenges arising from it, in particular in the assessment, the representation and the property inspection, procedurally handled, in order to help clients make the appropriate investments.

A similar growth potential in so-called alternative assets can be observed in the area of Private Equity and Real Estate. For this class of investments, J.P. Morgan offers comprehensive end-to-end solutions for administration as well as in regard to the reporting system on the Private Equity and Real Estate Platform (PeReS), which can be connected with the appropriate depositary function. The gaining of a German pension fund as a client in 2013 successfully substantiates the claim to be perceived as a multifunctional service provider by our client base.

Within the J.P. Morgan Group, the execution of OTC derivatives subject to clearing is offered through central counterparties (so-called CCPS). Clients are supported in observing and complying with regulatory provisions efficiently and adequately. The opportunity to select J.P. Morgan as a clearing member provides a good chance to influence business activities in a positive manner.

MARKETS AND COMPETITIVE POSITION

In Treasury Services, there is a need to differentiate between relationship management and our function as global operating hub for € Clearing Operations. In relationship management, J.P. Morgan AG is responsible for institutional clients, banks, corporate clients and public sector clients primarily based in Germany or Austria. In the area of banking, this includes subsidiary companies based in Germany or Austria whose parent companies have their headquarters in other countries.

Based on our global responsibility for the € Clearing Operations division resting with the core team in Frankfurt am Main, as well as teams in sister companies of the Group in Mumbai (India) and in Manila (Philippines), J.P. Morgan AG services clients from various countries where the J.P. Morgan Group operates. In its function as € Clearer in TARGET2 and EBA, J.P. Morgan AG is among the largest providers of payment services in Germany in terms of the volume of payments settled daily.

In the Investor Services sector we currently offer our services as a custodian bank and custodian institution primarily to special funds according to the Investment Act and Alternative Investment Funds (AIF), subject to the KAGB, as well as and for direct investments by institutional clients (especially insurance companies, pension provision institutions, pension funds, and church institutions), corporate clients and public sector clients in Germany. This also includes subsidiaries or branches based in Germany whose parent companies have their headquarters in other countries. J.P. Morgan AG is one of the leading deposit and custodian banks in Germany.

J.P. Morgan AG benefits from the strong product and technology leadership of the J.P. Morgan Group, and is able to win various important clients in the Treasury Services and Investor Services sector, emphasising the commitment of J.P. Morgan AG and the J.P. Morgan Group to client-oriented and innovative product solutions, using economies of scale for standardised processes. In addition, the strong capital base of J.P. Morgan AG and the successful A+ Rating by Standard & Poor's has reflected the positive feedback of our clients, underlining the Group's commitment to J.P. Morgan AG and the German office.

KEY LEGAL AND ECONOMIC INFLUENCE FACTORS

The implementation of the Single Euro Payments Area (SEPA) is one of the important regulations under which J.P. Morgan AG is able to position itself as a flexible solutions partner towards its clients due to its important investments in technology and products. Similarly, J.P. Morgan AG provides support to its clients also in the implementation of new requirements under the KAGB and the necessary migration of funds. Potential new business areas result from this for the Investor Services sector, which we will analyse in the coming year in detail in terms of their appeal.

In the past business year, the European Central Bank introduced a negative interest rate policy. However, through the new business orientation, a minor improvement of the interest margin can be achieved.

PERSONNEL DEVELOPMENT

The number of employees of J.P. Morgan AG increased in 2014 from 244 to an average of 262, in contrast to the previous year. In 2014, the turnover rate was 12 %; it thus rose slightly in contrast to the rate of 10 % for 2013. 20 % of the total number of employees made use of flexible work arrangements. This corresponds to an increase of 2 % vis-à-vis the previous year.

In line with our business concept, we continue to put the highest emphasis on the qualitative selection of new hires and continued training and education programs for our staff.

The J.P. Morgan AG human resources policy focuses on the highest level of quality and diversity among employees, and is simultaneously committed to adjusting to the needs of our employees.

The underlying features of J.P. Morgan AG's remuneration system are presented in a separate Remuneration Report which can be found at the following website: http://www.jpmorgan.com/pages/international/germany

BUSINESS DEVELOPMENT

The economic development had essentially positive effects in 2014 on the business of J.P. Morgan AG. Our results still suffer from the low interest policy of the Central Banks; however, the net commission income was able to grow in both segments by an average of over 5.6 % as compared with the previous year. Thus, the positive trend from the previous years continued in 2014.

Unfortunately, due to higher project expenses, both segments showed an increased expenditure of around 15 %, which had a sustained impact on the operative result in both Treasury Services and Investor Services, so that J.P. Morgan AG in total is contemplating a satisfying yet slightly diminishing pre-tax result for 2014 – thanks to above-budget proceeds for the assets for the hedging of pension obligations.

The Income before Tax and extraordinary items is 16 % lower than the previous year's value, at € 13.5 million.

Vis-à-vis the planning for the business year, the net interest income for 2014 is clearly more strongly represented than expected, while the net commission income in the context of set expectations was likewise able to rise in a clear-cut matter. The balance sheet total as of December 31, 2014, clearly increased versus the reporting date as of December 31, 2013, however this cannot be interpreted as an indicator of business expansion.

From an overall perspective, we judge the year 2014 as cautiously positive. The business development of our core activities in Treasury Services and Investor Services meet our expectations, thanks to the acquisition of important new clients. Beyond this, our measures are effective in stabilising the net interest income despite a very conservative investment strategy.

Earnings, Financial and Assets Position

EARNINGS

Due to continued business growth, J.P. Morgan AG managed in 2014 to raise its net commission income. During the business year, the net commission income was 6 % higher than the previous year's value, with a total of € 63.3 million. As compared to the previous year, the net interest income was slightly negative, and at € 13.6 million stands € 0.3 million lower than in the previous year. The main influencing factor on the net interest income is the increase in the bond portfolio, consisting of first-class securities. The estimates for 2014 were outperformed in the net interest income, while the net commission income is in line with the planning. The remaining operational revenues rose by 30.3 % to the current € 41.8 million for the year 2014. In particular, income from service charges within the Group as well as the valuation resulted in the change in the fair value of the cover assets and the expenditures from the discounting of pension reserves contributed to this result.

The personnel and administrative expenses increased by 16.5 % compared to the previous year. This rise was primarily driven by increased project costs. The Income before Tax and extraordinary items was thus diminished by 16.5 % to € 13.5 million. The annual surplus for business year 2014 amounted to € 10.9 million after taxes.

This result means a return on equity of 1.8 % after 2.2 % in the previous year.

FINANCIAL POSITION

Principles and Objectives

J.P. Morgan AG's balance sheet is driven by deposits provided by their institutional clients and banks through the € Clearing segment and the custodian bank business, and continued to show an unchanged positive financial position in 2014. Clients are enabled to utilise credits solely in the form of intra-day lines and short-term overnight overdrafts in the event of incorrect trades in both business segments. Excess liquidity generated by these deposit-driven business policies is invested mainly in reverse repo-transactions with JPMorgan Chase Bank, N.A., and in investments in bonds from top-quality issuers. Appropriate risk limits for monitoring the security portfolio were set up.

J.P. Morgan AG held sufficient liquidity at all times in 2014. The liquidity ratio is managed conservatively. As of December 31, 2014, it reached 1.95 and averaged 1.73.

Capital Structure

The liable equity increased in comparison to December 31, 2013, by the accumulated profit of the previous year. With the balance as of December 31, 2014, the result is a Tier 1 capital ratio of 115.13 % and a total capital ratio of 143.92 %. With this amount of capital available, J.P. Morgan AG remains in a comfortable position to support existing business, as well as the planned business growth as required with capital. J.P. Morgan AG's regulatory equity was composed of the following components as at the reporting date of December 31, 2014:

Tier 1:	€ 657	million share capital, reserves and funds for general banking risks
Upper Tier 2:	€ 0	million
Lower Tier 2:	€ 186	million subordinated loans
Total Tier 2:	€ 186	million

Off-Balance Sheet Business

Within the division of Trade Finance, most credit risk exposure in the form of contingent liabilities taken on J.P. Morgan AG's own books continues to be directly collateralised within the Group. For the issues made by J.P. Morgan AG, we completed total return swaps with JPMorgan Chase Bank, N.A., for hedging purposes, as well as for hedging of interest rate change risks from the rate swaps securities portfolio.

Cash Flow Statement

€T	2014	2013
Cash and cash equivalents position at the end of previous period	590,340	8,717,117
Cash flow from operating activities	2,379,238	−8,088,590
Cash flow from investment activities	−22,371	75,881
Cash flow from financing activities	−109	−114,068
Effects of exchange rate changes	–	–
Cash and cash equivalents position at the end of the period	**2,947,098**	**590,340**

Cash flow from operating activities covers payment transactions (incoming and outgoing) in connection with receivables from credit institutions and clients, as well as other assets. Additions and disposals from liabilities to credit institutions and clients, securitised liabilities, and other liabilities are also part of the operating business activities. Interest and dividend payments resulting from operating business activities are also reflected in the cash flow from operating business activities, along with income tax payments or refunds.

Cash flow from investment activities shows payment transactions for financial investments as well as tangible assets.

ASSET SITUATION

The receivables from our clients increased, due to a higher utilisation of short-term overdraft loans and available liquidity as at the reporting date, by € 112 million to € 214 million, and deposits increased by € 612 million to € 6,735 million as at the reporting date. The receivables of the credit institutions increased due to the high treasury activities by € 3,141 million to € 12,800 million (of which, credit with central banks of € 2,947 million) and the liabilities by € 3,258 million to € 6,847 million as at the reporting date. The balance sheet total of J.P. Morgan AG thus increased, reaching € 14,471 million as at the reporting date. The total capital ratio as per December 31, 2014, was 143.92, amounting to an average of 121.27 for the year 2014.

The securities portfolio with first-class debtor securities was further developed, and in comparison to December 31, 2013, was gradually increased by € 495 million to € 1,386 million. Due to the good credit worthiness of the debtors, the asset situation remains exceptionally positive. Due to repayments on the one hand and maturity on the other hand of the listed securities, the preconditions of § 264 d HGB [German Commercial Code] do not apply. Thus, as of December 31, 2014, J.P. Morgan AG is no longer a company oriented towards the capital markets.

Financial and Non-financial Performance Indicators

FINANCIAL PERFORMANCE INDICATORS

Financial performance indicators, defined for internal control of J.P. Morgan AG, comprise in particular absolute KPIS (Key Performance Indicators) such as the net interest income, net commission income, and Income before Tax and extraordinary items. In addition, return on equity, cost-income ratio, and the pre-tax profit margin are used to measure performance. The KPIs are derived directly from the information in the balance sheet and the income statement in the annual financial statement, and for the current and previous financial years amount to the following:

€M	2014	2013
Net Revenue	118.7	105.7
Net interest income	13.6	13.9
Net commission income	63.3	59.8
Total expenses	105.3	89.7
Income before Tax and extraordinary items	13.5	16.1
Net income	10.9	9.8
Equity	**621**	**611**
Return on equity (RoE) (Net income/average equity)	1.8 %	2.21 %
Cost-income ratio (total expenses/net revenue)	88.71 %	84.78 %
Pre-tax profit margin (income from regular business activity/net revenue)	11.37 %	15.22 %
Tier 1 capital ratio	115.13 %	87.90 %
Total capital ratio	143.92 %	112.70 %

The decline in the net interest income of approximately 2.3 % compared to the previous year turned out to be pleasingly meagre, in view of the interest policy of the ECB. This can substantially be attributed to the increase in the bond portfolio consisting of first-class securities as well as the positive net interest income from foreign currency holdings.

The development of the net commission income was positive. Rising income from payment transactions and gaining new clients in the custodian banking business contributed to further improvement in the result. Growth in custodian banking at 4 % lay under the optimistic expectations of 8 %; in the TS division, it was possible to avoid stagnation in 2014.

The net income goal of € 104 million could be clearly outperformed on the basis of positive development in the pensions area with € 118 million.

As compared with the timeframe for the previous year, the operational result worsened nevertheless, by around 16 % in comparison with the previous year.

The change was brought about by increased, mostly project-related costs, which could not be compensated by the rising net commission income and the positive effects from the valuation of pension obligations. Because of this the cost-income ratio rose to 88.71 % and the pre-tax profit margin went down to 11.37 %. This corresponds to the budgeted figures for 2014.

The return on equity (ROE) fell by 2.2 % in the previous year to 1.8 %, and thus lay under 2 % as forecast. The Tier 1 and total capital ratio rose sharply, and at the reporting date were clearly over the budgeted values in which an unchanged figure was anticipated.

NON-FINANCIAL PERFORMANCE INDICATORS

Non-financial performance indicators are guided by the role of J.P. Morgan AG as a transaction bank in € payment transactions and as a Global Custodian. Along with the actual volumes settled by J.P. Morgan AG for its clients, we focus on the degree of automation and the actual losses from operative errors. In addition, we measure the fluctuation rate as an indicator of stability of our operative platform from the point of view of employees.

	2014	2013
Number of payment instructions – High Value	9.9 million	8.9 million
Number of payment instructions – Low Value	162.1 million	38.8 million
Straight-Through-Processing-Rate	98.35 %	98.17 %
Assets under Custody (in € bn.)	274	230
Customer satisfaction – custodian bank (internal score)	2,751	2,550
Operative losses (in € m)	0.2	–
Fluctuation rate	12 %	8 %
S&P Rating	A+	A+

The non-financial performance indicators describing the business volumes of J.P. Morgan AG could be further improved in 2014 due to the strong customer orientation and the investments made in products, systems and procedures, worth noting is the rise in our settlement volumes for both high-value and low-value payments upon a simultaneous improvement in our straight through processing rate, which stood at 98.3 % even at the reporting date. We work further with our clients on their further increase, as greater automation goes hand in hand with increases in efficiency and cost-saving as well as with a reduction of sources of error.

Even though the internal scoring model reflected an improvement in overall customer satisfaction, in 2014 we experienced an increased number of customer complaints in the Investor Services segment. Here we were temporarily unable to do justice to the J.P. Morgan business principle of "Excellent Client Service," yet we introduced decisive measures to meet the expectations of our customers or even to exceed them.

Operational losses remained within an acceptable framework in 2014, in particular in consideration of the sharply increased business volumes in both segments. "Operational excellence" remains our guiding principle, and is connected with our efforts to achieve constant improvement in our technology platform, the internal control systems and the ongoing training of our employees.

In regard to our employees, in 2014 we could observe an increased fluctuation rate with a number of causes, but also the expression of intensified competition for talents at the Frankfurt financial centre. It is becoming more important for us to convince through a "Great Team & Winning Culture".

In 2015 we expect an increase in the number of payment instructions in the High Value field and Assets under Custody. By contrast, we expect a decrease in the Low Value field. The Straight Through Processing Rate and Customer Satisfaction should increase modestly. In the fluctuation rate we expect a decrease to the 2013 level.

BUSINESS PRINCIPLES "HOW WE DO BUSINESS"

J.P. Morgan AG is completely integrated into the corporate culture of JPMorgan Chase & Co, whose guiding principles are convincingly described by the four pillar of the Group-wide business principles:

– Exceptional Client Service
– Operational Excellence
– A Commitment to Integrity, Fairness and Responsibility
– A Great Team and Winning Culture

For further details please visit the website of JPMorgan Chase & Co.:
http://www.jpmorganchase.com/corporate/About-JPMc/business-principles.htm

Relationships with Related Companies and Persons

With regard to the related companies of J.P. Morgan AG, we have identified our parent company JPMorgan Chase Bank, N.A., as well as J.P. Morgan International Finance Ltd. We consider the members of the Management Board and the Supervisory Board of J.P. Morgan AG and their family members as related persons.

The following financial transactions are carried out with related companies:

– Money market transactions, investing and borrowing money
– Transactions in Total Return Swaps
– Reverse Repos
– Nostro accounts
– Provision of subordinated capital
– Purchasing and supplying corporate services

All transactions have been closed on normal market terms. There are no transactions conducted with related persons.

Outlook

SIGNIFICANT OPPORTUNITIES AND RISKS FOR THE UPCOMING FINANCIAL YEARS

Our outlook from recent years substantially retains its validity for the coming year:

In regard to economic development in Germany, we proceed from sustainably positive development of the gross domestic product, affected by an expansive monetary policy and supported by a sustainable rise in productivity. For the euro space, we expect an ongoing consolidating environment with moderate growth, also due to the sharp decrease in energy prices, and with that a slight improvement in the deficit. The dynamics of the global economy will also strengthen in the coming years, where there will be clear-cut regional differences. Here the fall in the oil price and the overall declining prices for commodities play a decisive role, as well as shifts in exchange rate relations and the geopolitical environment.

Also over the next years we expect to see a continuation of the trend towards professionalising cash management in companies, pension funds and insurers, with the goal of further integration of the value-added chain in the liquidity management of a company for continued income optimisation. In view of the negative interest environment, which in our opinion will not significantly change in 2015, and in view of the expansive monetary policy, the opportunity for banks to raise "non-operating liquidity" of customers, and the income and risk targets of our customers, are the focus of the dialogue between banks and customers. As part of the custodial functions, in 2014 we already positioned ourselves accordingly to be able to represent alternative investment strategies in our processes.

Furthermore, we see a further high demand for investment for banks to be able to realise competitive advantages in the market from taking advantage of the implementation of the Single Euro Payments Area (SEPA). In this we are assisted by the leading global position of our parent company as well as the worldwide investments in the technology behind our business. For the next 2 to 3 years, we also see further changes in the competitive environment through the implementation of TARGET2 Securities (T2S), which is to be done in phases. J.P. Morgan AG is already very well positioned here as a provider of euro payment transactions within the Group.

The trend for the large institutional investors to adapt their investments to the altered image of an economy which is becoming more and more global and the resulting demand for Global Custodian services will be sustained in 2015.

The Global Corporate Banking Organisation, which has been built up in the last few years and which provides us with a strongly expanded presence in the core markets around the world, has made a substantial contribution here in intensifying customer proximity, developing customer-specific solutions, and realising cross-selling opportunities.

We view the disproportionate regulation of the financial markets as presenting continued risk for our business; however, we continue to assume that regulators worldwide will develop and implement a coordinated and measured concept for the regulation. Above all, we see here a further encumbrance by an intensification of control tasks and reporting requirements, which must be compensated by cost savings in the operational divisions in order not to impair the income situation of J.P. Morgan AG in a lasting manner.

Possibilities of passing on these costs to our customers are not possible in view of the increasing price pressure in the transactional business with many competitors.

We see further risks in the political destabilisation of some countries or regions, which could lead to a clear deterioration of the market situation, with potential negative effects on solvency of our clients, and resulting sustained losses.

EXPECTATIONS FOR THE BANK'S FUTURE PERFORMANCE

Thanks to our consistent conservative risk policy, we do not expect any risk-related losses for the next two years.

For 2015 we expect a renewed increase in our net commission income in Investor Services, while the net commission income in Treasury Services will decrease slightly due to the de-risking strategy. For 2015 we expect net interest income on the level of the previous year despite customer deposits being slightly down.

Notwithstanding sustained disciplined cost management, we expect that the costs will remain on the level of the previous year, so that the planned result – without considering the effects from pension obligations – will lie between € 8 million and € 14 million.

ASSUMPTIONS

These expectations are based on the assumptions of a stable political situation in Germany and in Europe, with successful crisis management and a stagnating economic performance of the European countries in the next two years. However, we believe that Germany will continue to have an above-average development rate, as compared to other European countries. With respect to the global economy, we assume that the dynamic development of the emerging countries of the past years will continue to decline, and with it, emphasis will be placed again on the significance of the established industrial countries. Moreover, we assume that the ECB will maintain its negative-interest policy in 2015, and that it will continue in 2016.

DEVELOPMENT OF SEGMENTS

In the budget for the upcoming years, we assume a growth of total income in the Investor Services division of 8 % p.a. for 2015 and 2016, while we expect stable revenues as compared to the previous year for the Treasury Services division.

In 2015, we expect net revenues amounting to € 108 million, according to planning. This reflects our conservative expectation about the interest rates and a decrease of other income due to the change in the calculatory rate for pension obligations. In the operative business, we expect moderate increases in revenue both in Treasury Services and in the Investor Services division.

Thus, in 2015, the return on equity will be below 2 %, the profit margin is expected to be 11 %, and the cost-income ratio will remain steady at 88 %. We expect the Tier 1 capital ratio and the total capital ratio to be unchanged in the current financial year.

FINANCIAL SOLVENCY

J.P. Morgan AG is solvent at all times owing to the business model-driven structure of our balance sheet. In addition, the Bank manages a high liquidity ratio (1.95 on 12/31/2014), and operates a very strictly limited maturity transformation to achieve an additional interest rate margin.

Risk Report

MANAGEMENT & CONTROLLING

The Management Board of the "Back Office" is responsible for risk management at J.P. Morgan AG, with regular reporting to the general management, as well as to J.P. Morgan AG's Supervisory Board. J.P. Morgan AG classifies a risk as a potential loss or a failure to realise a profit due to internal or external factors.

Independent control functions are in charge of the operational implementation of the risk control and monitoring, taking into account the Group-wide infrastructure and policies. They report directly to the Management Board "Back Office" as the Chief Risk Officer (CRO).

These include, in particular, the Market and Credit Risk Officer for the risk monitoring of credit and market price risks, the Governance Officer as risk controller, the Treasury & Credit Control for the monitoring of liquidity and market price risks, and the Local Oversight and Control Lead for monitoring the operational risks.

RISK STRATEGY AND RISK MANAGEMENT

The risk strategy is derived directly from J.P. Morgan AG's business strategy. It is defined by the general management of J.P. Morgan AG and is approved each year by the Supervisory Board.

The risk strategy defines how J.P. Morgan AG will manage the risks it has taken as part of its business activities. By limiting and managing the risks, risk-bearing capability and liquidity are ensured at all times. The risk strategy covers all main risks and is, if necessary, further specified for individual risk categories in the form of partial risk strategies and then made concrete and operational using policies, guidelines and working instructions. The completeness and suitability of the risk strategy is reviewed during the annual risk assessment. This ensures that the risk strategy takes all relevant risks faced by J.P. Morgan AG into consideration.

The classification of individual risk categories as a relevant risk is based on whether the occurrence of the risk could have a serious negative effect on J.P. Morgan AG's risk-bearing capability. The analysis also defines the risk appetite by allocating the available risk covering potential to the individual risk categories. This facilitates compliance with the limits, and allows for the monitoring of that compliance throughout the financial year.

The following principles also apply for the risk management and monitoring:

– There are clearly defined organisational structures and documented processes for all risk affected business areas, from which the responsibilities and competencies of all functions involved are derived.
– There is a clear segregation of duties between Front Office and Back Office in order to avoid potential conflicts of interest.
– For the risk identification, measuring, aggregating, managing, monitoring and communicating of the risk categories, suitable procedures are defined and implemented at J.P. Morgan AG, including the Group-wide infrastructure.
– Appropriate limits for all significant risk categories have been adequately defined and are effectively controlled.

RISK-BEARING CAPABILITY AND STRESS TESTING

The risk-bearing capability analysis is a core component of the overall bank control of J.P. Morgan AG, with the goal of guaranteeing a suitable risk profile and adequate capital at all times. J.P. Morgan AG decided on a Going-Concern approach, whereby it could continue the core business activities even if all items of the defined risk covering potential were consumed through exposure to risks. The confidence level of 95 % corresponds to the underlying assumptions of the Going-Concern approach, risk coverage potential and the economic capital model are configured accordingly. The observation period lasts one year. As a secondary control circuit, a Gone-Concern approach is observed in parallel, with a confidence level of 99.9 %.

According to the risk inventory credit risks, market risks, business risks and operational risks are quantified as relevant risk categories in the risk-bearing capacity. Liquidity risks are part of the integrated stress testing.

The risk coverage potential is defined primarily based on the retained earnings of J.P. Morgan AG, § 340 (g) HGB – The reserve for general banking risks, and the pension surplus. Retained earnings, the targeted profit for the business year, and the budgeted profit for the following years, form a component of the risk coverage potential if it is certain that they are not distributed.

In the entire year 2014 we developed the risk bearing capability concept of J.P. Morgan AG further in several steps. Above all, this affects the inclusion of pension risks, the quantifying of operational and credit risks, and the introduction of a Gone-Concern approach as secondary control circuit.

The quantifying of capital requirement for the occurring risks takes place through internal, institute-specific calculation approaches. The calculation of the risk bearing capability takes place on a quarterly basis. As per December 31, 2014, utilisation stood at 44.3%. As part of the integrated stress testing, the risk bearing capability was guaranteed at any time.

			Regulatory			Economic
€T	12/31/2013	06/30/2014	12/31/2014	12/31/2013	06/30/2014	12/31/2014
Risk category						
Credit risk	38.1	60.0	25.8	5.9	10.8	15.7
Operational risk	14.4	14.4	15.2	6.5	7.7	4.6
Market risk	7.4	7.8	4.6	0.4	6.0	17.5
Pension risk						**25.0**
Capital requirement	**59.9**	**80.1**	**45.7**	**12.9**	**24.5**	**62.8**
Risk coverage pool	843.2	821.6	821.3	69.6	61.5	141.9

For verification of the risk bearing capability, stress scenarios are defined for each risk category. These engage with each other as part of integrated macroeconomic stress scenarios.

They are analysed in part on a monthly, otherwise quarterly basis. The risk bearing capability concept and the stress tests are validated annually, building on the risk inventory.

The regulatory capital requirement for the individual risk categories is monitored by the Chief Financial Officer (CFO) on a daily basis and is shown in the table below (all figures given in million €). The economic capital requirement pursuant to the Going-Concern and Gone-Concern approaches is currently calculated by Risk Management on a quarterly basis. In 2015 we will continue to develop the risk bearing capability concept further; however we do not anticipate any substantial changes as in 2014.

RISK CATEGORIES

Credit risk

Credit (or counterparty default) risk is the most significant risk category in J.P. Morgan AG due to its core activities, as a result of the potential drawdown of overdraft facilities by clients who hold their payment transactions accounts for € Clearing or Global Custody activities with J.P. Morgan AG. Depending on the credit rating of the client, the allocation of overdraft facilities is accompanied by the implementation of defined risk-mitigation steps (e.g., the provision of collateral).

Within the division of Trade Finance, the credit risks in the form of contingent liabilities taken on J.P. Morgan AG's own books continue to be for the most part directly collateralised within the Group. There are no significant call risks. Due to the business model, the main credit risk concentrations are transactions within the Group. We do not expect to see any changes in the creditworthiness here.

Since J.P. Morgan AG does not run an active trading book, issuer risk, replacement risk, and settlement risk play an extremely minor role.

By means of its credit risk strategy, which is derived from the general business and risk strategy, the Management Board defines the risk profile in regard to its clients and credit products. Moreover, structural organisation and processes for risk steering, potential measures to minimise risk and risk reporting are defined more closely in the Group-wide policies and in the J.P. Morgan AG MaRisk Guidelines. The Management Board makes credit decisions on the basis of the clearly defined separate responsibilities for "Front Office" and "Back Office".

J.P. Morgan AG uses an unexpected loss model with a confidence level of 95 % (99.91 % in Gone-Concern) to calculate the economic capital requirement. As the basis for the Exposure at Default (EAD) the client's drawing behaviour is estimated for the payment transactions accounts on the basis of historical data, or otherwise market value positions per reporting date are taken into consideration. EAD, Probability of Default (PD), and Loss Given Default (LGD) are the important input parameters for the risk model.

A series of different scenarios are considered within the scope of the credit risk stress test that assume that client ratings, income from securities, drawing behaviour, portfolio concentrations or correlations could significantly worsen over the course of time. There is thus a regular validation of the stress tests and their results.

J.P. Morgan AG uses the credit risk standard approach (KSA) for the regulatory quantification of the credit risk.

Daily monitoring of counterparty default risk at the individual client level is done by Treasury & Credit Control, using the Group-wide credit limit control system, which records individual limits and utilisation at account level and/or at the level of single borrower units. The system does not allow unauthorised intra-day limits. In essence, the main focus is on the monitoring of so-called intraday lines of credit and overdraft facility usage. A corresponding report of daily exposures and all new accounts and lines and/or all changes of existing lines is being presented daily for approval to the Credit Risk Officer as well as the general management. Moreover, compliance with the approved limit structure, the monitoring of the risk-bearing capability as well as the analysis of the portfolio structure (e.g., maturities, credit products, segments and countries) including concentration risk is summarised in monthly or quarterly reports to the Management Board.

The chart on the next page shows the division and country risk concentrations as per December 31, 2014.

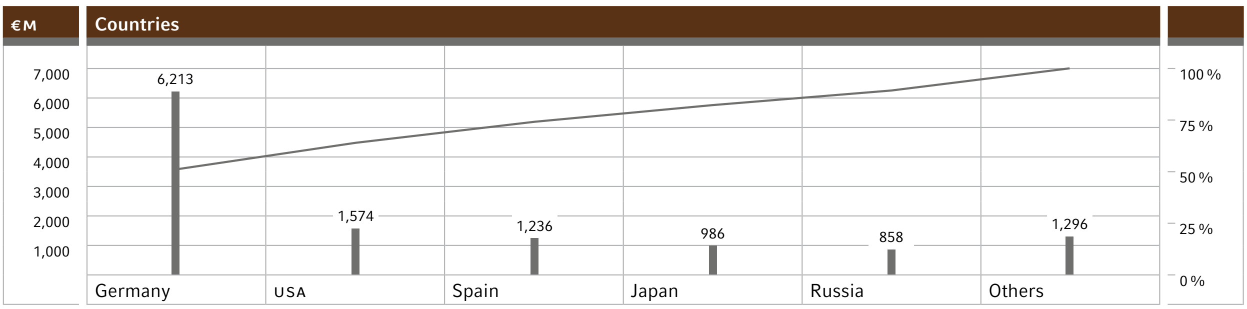
Procedures for intensified loan management as well as the treatment of problematic loans exist but did not require application during the financial year 2014.

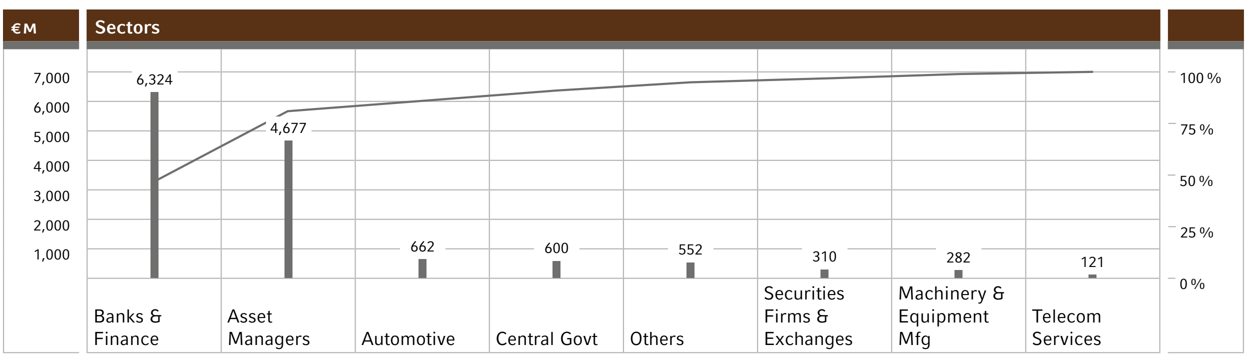
Operational risk

Operational risk is defined under supervisory regulations as the risk of loss resulting from inadequate or failed internal processes or systems of people or as a consequence of external events. This definition also covers legal risks and compliance risks. The legal department is generally involved in case of legal risks. The legal department decides whether an external law firm needs to be mandated.

The necessary processes for identifying, measuring, aggregating, managing, monitoring and communicating risks are stipulated in Group-wide risk policies and guidelines and stated in the J.P. Morgan AG Operational Risk Manual, for which Risk Management and the Local Operational Risk Manager are jointly responsible.

J.P. Morgan AG uses a redistribution of AMA (Advanced Measurement Approach) results for calculating the capital require-





ments for operational risks as part of the risk-bearing capability considerations. This is modelled on loss events specific to J.P. Morgan.

Information from the institutionalised loss event database, the qualitative results from the regular Control Self Assessments, the definition of the risk-based Outsourcing Controlling, the results from the Internal Audit, as well as the Control Testing by the Compliance Department and the Local Operational Risk Manager are then used within the framework of the scenario analysis (Stress Test) at product level. A summary of the results is presented to the Management Board as part of the quarterly MaRisk reports.

A risk limit on operational risks fundamentally occurs only in the context of business continuity, which should guarantee the orderly operation of critical processes in order to safeguard J.P. Morgan AG against damages threatening its existence. The threat scenarios considered include the unavailability of employees, the breakdown of support systems, and the inability to use the building. The appropriate emergency plans were developed with the inclusion of Group-wide infrastructure and are regularly tested.

Liquidity risk

J.P. Morgan AG defines liquidity risk as the risk of loss arising from the firm's inability to meet its current or future payment commitments in total or when they are due. At J.P. Morgan AG there are refinancing risks and market liquidity risks due to the business model but these are only very limited.

In the business and risk strategy, the J.P. Morgan AG Management Board defines the management of liquidity risks, which are specified in detail in the Liquidity Risk Policy. The risk mitigating instruments here include warning thresholds and escalation mechanisms to the Management Board. The policy defines a number of stress scenarios which analyse the effects of sudden withdrawals of liquidity on the liquidity situation and thus J.P. Morgan AG's capacity to act. The stress scenarios include both the sudden outflow of liquidity as well as a sudden increase in utilisation of credit lines both calculated assuming the day of lowest excess liquidity in the given quarter. In both scenarios, J.P. Morgan AG's liquidity needs are covered. Moreover, J.P. Morgan AG performs a series of simulations to analyse the intra-day liquidity situation, in which a changed payment pattern by market participants and clients is assumed.

Liquidity management is handled by the J.P. Morgan AG Treasury Function in compliance with Group-wide policies and J.P. Morgan AG's Liquidity Risk Policy. Compliance with this policy is ensured by the Treasury & Credit Control department which reports to the CRO.

Liquidity risk is not quantified as a risk category in the risk sustainability model. However, liquidity costs of stress scenarios are taken into account as a deduction position of risk coverage potential in the scope of stress testing.

Market price risk

J.P. Morgan AG defines market price risk as the risk of potential loss due to changed market price risks. Given J.P. Morgan AG's business activities, only interest rate risks as well as exchange-rate risks have an impact, if a limited one, while share price and commodity price risks have no importance whatsoever for the Bank's risk profile.

Market price risks arise from a portfolio of variable and fixed-interest rate securities of public issuers. This so-called strategic investment portfolio is currently being developed. The first securities were acquired in January 2014. The impact on the risk profile of J.P. Morgan AG can be discerned from the sharply rising value at risk. See J.P. Morgan's published analyses for assessing interest rate and currency developments.

Since J.P. Morgan AG has no active trading book, interest rate risks arise essentially in the treasury management of € liquidity. Currency risks are generated through the settlement of foreign currency payments on behalf of clients who hold a payment transaction or deposit account with J.P. Morgan AG and from intra-Group settlements in US $.

The scope for managing market price risks is defined by the Management Board in the business and risk strategy and defined more closely in the Asset Limits and the Triggers Policy. Risk positions may only be employed within approved limits; these positions are valued and accordingly monitored on an ongoing basis.

Market risks are quantified by means of the value-at-risk approach. This is based on the historical simulation with a 95 % confidence level and one-day holding period.

	Value at Risk (in US $)	
$T	12/31/2014	12/31/2013
Reporting date	1,773	194
60-day trend	2,129	211
One-year average	1,937	350

To calculate interest rate change risk for its investment book, J.P. Morgan AG uses the price value of a basis point interest approach. Exceeded limits are generally escalated to the Management Board. In addition to the year-end value, the table below also shows the maximum, minimum and average value (always absolute values) of a basis point interest approach for the market risk in the course of the second half of 2013 and the first half of 2014.

$	Basis point interest approach
12/31/2014	6,561
Minimum 2014	11
Maximum 2014	44,219
Average 2014	3,320

The impact of a shift of 200 basis points of the interest rate risks is reviewed as a stress scenario. To limit the currency risks, only limits for the spot positions are defined due to the low significance.

Daily monitoring and the reporting of market price risks are done by the Treasury and Credit Control division. Daily adherence to limits and the impacts on the risk capacity are summarised in reports to the Management Board on a monthly and quarterly basis.

Risks from financial instruments are incurred by the Bank mainly from the acquisition of debentures from public issuers and from issued products that are hedged by the total return swaps.

Pension risk

J.P. Morgan AG defines pension risk as the risk of observing significant P&L volatilities through valuation-related effects, changes in value of pension assets, and risks inherent to the plan. Pension risk is thus the potential necessity of increasing pension reserves. Pension risks are determined on the basis of a VaR model.

Business risk

J.P. Morgan AG defines business risk as the risk of observing significant deviations from planned and actual income or costs. Regular plan monitoring and if necessary the appropriate adjustments ensure that these deviations are minimised.

Reputation risk

The outstanding reputation of J.P. Morgan is an invaluable, but fragile asset in the interaction with its client base, but also in its interaction with other market participants as well as governmental regulators and authorities.

In this context, J.P. Morgan AG stresses the importance of Compliance, Risk Management, the Legal Department, Financial Control and Internal Audit, and the necessity of their active representation in various governance meetings in order to ensure compliance with internal J.P. Morgan procedures and/or regulatory requirements. It also ensures that these units are involved as soon as possible in any escalation processes with clients.

Summarising Presentation

The conservative risk policy and the solid capital resources ensure the very comfortable risk position of J.P. Morgan AG going forward.

The quantification of the capital requirement for the occurring risks takes place through internal, institute-specific calculation approaches. The calculation of the risk bearing capability takes place on a quarterly basis. As per December 31, 2014, utilisation stood at 44.3 %. As part of the integrated stress testing, the risk bearing capability was guaranteed at any time.

In 2014 J.P. Morgan AG did not observe any credit default.

RISK CONTROL AND MONITORING

Timely, independent and risk-based reporting the risk categories credit risk, market price risk, liquidity risk and operational risk is provided to the Management Board on a daily, weekly and monthly basis; Risk Management summarises said reports as part of the quarterly MaRisk reports.

The various control functions at J.P. Morgan AG – mainly the Internal Audit, Compliance and Risk Management departments – create an annual review and audit plan based on the results of the risk assessment of the operational risks, particularly in order to ensure the effectiveness of the defined controlling measures.

The Internal Audit department reports directly to the Chairperson of the Management Board and is responsible for the review of the business operations at J.P. Morgan AG based on a risk-oriented audit approach, which covers all activities and processes at J.P. Morgan AG and thus the outsourced activities as well. The Group auditing department of JPMorgan Chase Bank, N.A., London, is generally involved when this type of audit is performed.

DEFINITION OF LIMITS

In addition to regulatory limits, the Management Board at J.P. Morgan AG defined a series of indicators, threshold values and limits, which are monitored daily and in a timely manner. These limits are defined in limit and trigger guidance and include aspects such as recovery indicators, credit limits, deposit guidance limits, bidding limits, position limits as well as J.P. Morgan AG minimum liquidity warning thresholds.

All risk-based policies of J.P. Morgan AG are approved by the Management Board and updated on a regular basis. They define roles and responsibilities as well as escalation procedures in the event of threshold excesses or even limit breaches.

CHANGE PROCESSES

The introduction of new products and the expansion of business into new markets occurs in line with the Group-wide "New Business Initiative Policy". Under the responsibility of the "Back Office" Management Board in its role as COO, there is an analysis of the potential risks, the design of the operative processes, their regulatory impact, and their impact on J.P. Morgan AG's risk capacity. If the product involves an expansion of trading activities, the CRO shall also ensure there is a sufficient test phase prior to introduction in real production.

Integrating various functions such as Financial Control, Tax, Legal, Compliance Internal Review and Risk as coordinated by the CRO guarantees a review of the planned product launch independent of the trading function. This committee documents its findings along with a recommendation for approval, which are then submitted for discussion to the general management. Only after approval is the initiative integrated into real production at J.P. Morgan AG.

Internal control system

GENERAL REMARKS

Please refer to the explanations provided in the risk report for a presentation of the risks and the measures for limiting risks. The internal control system (ICS) and the risk management system, which cover the J.P. Morgan AG accounting process, focus on the guidelines, procedures and measures taken to ensure the efficacy, economic viability and orderliness of the accounting as well guaranteeing adherence to the key statutory regulations. The internal control system consists of two areas, Control and Monitoring. In organisational terms, the Financial Control & Tax division is responsible for the control.

The monitoring measures consist of elements integrated into the process and external, independent elements. Among other things, the integrated measures include a monthly control process covering all the Bank's activities, during which the balance sheet as at that date and the income statement are examined to assess and confirm their correct presentation and risks. Moreover, in all instances the four-eye principle is applied, along with technical controls, mainly by software-controlled audit mechanisms. Furthermore, qualified staff members with due expertise and specialist functions such as Financial Control & Tax take part in the process-integrated monitoring and control functions.

The Management Board and the Supervisory Board (in particular the Audit Committee) as well as the internal audit department are involved in the internal monitoring system in the form of process-independent audit measures. The audit of the annual financial statements constitutes a key element of process-independent monitoring.

With a view to the accounting, the risk management system is geared to identify, evaluate and communicate risks from faulty bookkeeping, accounting, and reporting in a timely manner.

IT USE

The software used in the Bank to input accounting processes is made up of the IT systems used throughout the Group. The orderly functioning of the programs and interfaces utilised is regularly assessed and confirmed. As part of the examination of our IT, the group auditors check the due operation of the accounting-related applications at all computer centre locations. The complete IT system, including that for accounting, is secured against unauthorised access.

KEY REGULATIONS AND CONTROL ACTIVITIES TO ENSURE DUE, ORDERLY AND RELIABLE ACCOUNTING

The internal control system's structure and measures ensure that business transactions are entered swiftly and completely in line with the statutory and the internal regulations and that assets and liabilities are accurately calculated, valued and carried in the annual financial statements. The booking documentation provides a reliable information base and a clear paper trail.

The regulations of the Financial Accounting Standards Board are applied within the J.P. Morgan Group as uniform valuation and accounting principles according to US-GAAP, supplemented and commented on by the Group's "Accounting Policies" section. Here, again, stipulations are made with regards to the intra-Group settlement policies. As part of the preparation of the individual financial statements of J.P. Morgan AG, a reconciliation statement is prepared from US-GAAP to the annual financial statements in accordance with the German Commercial Code. Here, local work directives cover the details of the formal requirements and the tangible data for the individual financial statements.

Pursuant to the country-specific reporting under § 26a Para. 1 S. 2 KWG, J.P. Morgan AG has neither foreign branch offices nor subsidiaries in this sense.

Assurance by the Management Board

We hereby assure that to the best of our knowledge and in line with the applicable accounting principles for financial reporting, this report offers a fair picture of the Bank's assets, financial/liquidity and earnings situation that corresponds to the facts and that the course of business, the business results and the Bank's position are presented in such a way as to convey a true and fair picture, and that the material opportunities and risks of the Bank's presumable future performance in the remainder of the current business year are described.

Frankfurt am Main, April 22, 2015

J.P. Morgan AG
Frankfurt am Main
The Management Board

BURKHARD KÜBEL-SORGER STEFAN BEHR

MICHELLE GRUNDMANN

Financial statements 2014 of J.P. Morgan AG

ANNUAL BALANCE SHEET AS AT DECEMBER 31, 2014 OF J.P. MORGAN AG, FRANKFURT AM MAIN

ASSETS

€					Notes	2014 €	2013 €T
Cash reserves							
– Cash on hand				100			–
– Credits with central banks				2,947,097,675			590,340
including: with Deutsche Bundesbank	EUR	2,947,097,675					590,340
					2.1.	**2,947,097,775**	**590,340**
Debt instruments of public agencies and bills of exchange, eligible for refinancing with central banks:							
– Treasury bills, discounted treasury notes and similar debt instruments issued by public-sector institutions				–			–
including: eligible for refinancing with Deutsche Bundesbank	EUR	–					–
– Bill of exchange				–			–
including: eligible for refinancing with Deutsche Bundesbank	EUR	–				–	–
Receivables from credit institutions							
– due daily				9,853,012,769			8,915,218
– other receivables				18,017			153,724
					2.2.	**9,853,030,786**	**9,068,942**
Receivables from clients					**2.3.**	**213,616,396**	**101,986**
including: secured by mortgage	EUR	–					–
including: municipal credits	EUR	–					–
Bonds and other fixed-interest securities							
– Money market instruments							
from public issuers			–				–
including: eligible as collateral at Deutsche Bundesbank	EUR	–	–				–
from other issuers			–				–
including: eligible as collateral at Deutsche Bundesbank	EUR	–	–				–
				–			–
– bonds and debt securities							
from public issuers			1,385,730,992				890,602
including: eligible as collateral at Deutsche Bundesbank	EUR	1,385,730,992					890,602
from other issuers			–				–
including: eligible as collateral at Deutsche Bundesbank	EUR	–	–				–
				1,385,730,992			890,602
– own debt securities				–			
Nominal amount	EUR	–		–			–
					2.5.	**1,385,730,992**	**890,602**

ASSETS (CONTINUED)

€					Notes	2014 €	2013 €T
Shares and other non-fixed interest securities						–	–
Investments					2.4.	248,368	248
including: in credit institutions	EUR	88,965					89
including: in financial services institutions	EUR	–					–
Shares in affiliated companies							
including: in credit institutions	EUR	–					–
including: in financial services institutions	EUR	–					–
Trust assets							–
including: fiduciary loans	EUR	–					–
Tangible assets					2.6.	12,337,152	3,618
Other assets					2.7.	5,069,533	7,186
Accrued and deferred expenses					2.8.	822,189	698
Excess of plan assets over pension liabilities					2.9.	52,881,870	41,039
Total assets						14,470,835,061	10,704,659

LIABILITIES

€					Notes	2014 €	2013 €T
Liabilities due to credit institutions							
– due daily				2,722,109,929			2,165,325
– with agreed maturity or notice period				4,124,538,849			1,423,760
					2.11.	**6,846,648,778**	**3,589,085**
Liabilities due to clients							
– savings deposits							
with agreed notice period of three months			–				–
with agreed notice period of more than three months			–				–
				–			–
– other liabilities							
due daily			6,516,765,793				5,781,506
with agreed maturity or notice period			218,348,201				341,478
				6,735,113,994	**2.12.**	**6,735,113,994**	**6,122,984**
Securitised liabilities							
– issued debt instruments				–			114,614
– other securitised liabilities				–			–
					2.13.	–	**114,614**
including: money market instruments	EUR	–					–
including: own acceptances and promissory notes outstanding	EUR	–					–
Trust liabilities						–	–
including: fiduciary loans	EUR	–					–
Other liabilities					**2.14.**	**10,501,499**	**8,342**
Deferred income						**76,891**	**61**
Provisions							
– Provisions for pensions and similar obligations				–			–
– Tax provisions				2,436,241			3,486
– other provisions				12,310,853			13,105
					2.15.	**14,747,094**	**16,591**
Subordinated liabilities					**2.16.**	**185,879,939**	**185,989**
Profit participation right						–	**–**
incl.: maturity after less than two years	EUR	–				–	–

LIABILITIES (CONTINUED)

€			Notes	2014 €	2013 €T
Fund for general banking risks			**2.17.**	**56,300,000**	**56,300**
Equity					
– Called-in capital					
Subscribed capital		160,000,000	**2.18.**		**160,000**
minus unclaimed outstanding deposits		–			–
– Capital reserves		411,122,704	**2.18.**		411,123
– Retained earnings					
Legal reserves	6,000,000				6,000
Reserve for interests in a dominant or majority stake holding company	–				–
Reserves as stated in the Articles of Association	–				–
other revenue reserves	23,777,629				23,778
		29,777,629			
– Balance sheet profit		20,666,533			9,792
				621,566,866	**610,693**
Total liabilities				**14,470,835,061**	**10,704,659**
Contingent liabilities					
– Contingent liabilities from rediscounted, settled bills		–			–
– Liabilities from guarantees and indemnity agreements		44,058,691			43,338
– Collateral provided for third-party liabilities		–			–
			2.21.	**44,058,691**	**43,338**
Other commitments					
– Repurchase obligations under reverse repurchasing agreements		–			–
– Placement and underwriting obligations		–			–
– Irrevocable loan commitments		–			–
				–	–

INCOME STATEMENT OF J.P. MORGAN AG, FRANKFURT AM MAIN

FOR THE PERIOD FROM JANUARY 1, 2014, UNTIL DECEMBER 31, 2014

€					Notes	2014 €	2013 €T
Interest income from							
– lending and money-market transactions			14,595,664				15,717
– fixed-income securities and debt register claims			19,053,119	33,648,783			8,131
Interest expenses				20,071,377			9,951
					3.1.	**13,577,406**	**13,897**
Current income from							
– equities and other non-fixed-income securities				–			7
– investments				4,367			1
– shares in affiliated companies				–			–
						4,367	**8**
Commissions income				64,959,052			60,844
Commissions expenses				1,633,943			1,093
					3.2.	**63,325,109**	**59,751**
Net income from trading portfolio						–	–
Other operating income					**3.3.**	**41,803,977**	**32,091**
General administrative expenses							
– Personnel expenses							
Wages and salaries			25,216,424				25,024
Social security contributions and expenses for pension provisions and benefits			6,031,180	31,247,604			6,445
including: for retirement benefits	EUR	3,195,627					3,865
– other administrative expenses				67,405,408			53,310
					3.4.	**98,653,012**	**84,779**
Depreciation, amortisation and write-downs of intangible and tangible fixed assets					**2.6.**	**2,871,395**	**2,470**
Other operating expenses					**3.5.**	**3,793,968**	**2,279**
Depreciation and value adjustments in respect of receivables and specific securities and allocations to provisions for credit risks				–	**3.7.**		127
Income from allocations to receivables and specific securities as well as allocations to loan transaction accruals				127,054	**3.6.**		–127
						127,054	**–127**

FOR THE PERIOD FROM JANUARY 1, 2014, UNTIL DECEMBER 31, 2014 (CONTINUED)

€					Notes	2014 €	2013 €T
Depreciation, amortisation and write-downs of equity investments, shares in affiliated companies and securities classified as fixed assets				–			–
Income from reversals of investments, shares in affiliated companies and securities classified as fixed assets				–			–
						–	–
Income before Tax and extraordinary items						**13,519,539**	**16,092**
Extraordinary income				–			–
Extraordinary expenses				–			–
Extraordinary result						**–**	**–**
Taxes on income and revenue				2,631,277			6,286
including changes in deferred taxes:	EUR	–					
Other taxes, not indicated under other operating expenses				13,351			14
					3.8.	**−2,644,628**	**−6,300**
Profit transferred on the basis of profit pooling, profit and loss transfer, or partial profit transfer agreements						–	–
Annual net profit						**10,874,910**	**9,792**
Profit/loss carried forward						**9,791,623**	–
Retained profit						**20,666,533**	**9,792**

J.P. MORGAN AG, FRANKFURT AM MAIN
NOTES TO THE ANNUAL FINANCIAL STATEMENT 2014

1. General remarks

1.1. GENERAL PRINCIPLES

J.P. Morgan AG, Frankfurt am Main, is a registered stock corporation under German law active in Germany in the main segments of transaction banking, securities custody and deposit and loan business.

The J.P. Morgan AG annual financial statement has been prepared according to the regulations of the German Commercial Code and the Decree on Accounting for Banks and Financial Service Providers.

The structure of the balance sheet and the income statement is unchanged over the prior year.

1.2. CHANGED ACCOUNTING AND VALUATION METHODS

The accounting and valuation methods adopted in the 2013 annual financial statements were used as for the previous year.

1.3. FOREIGN CURRENCY CONVERSION

Foreign-currency receivables and liabilities have been converted using the European Central Bank reference rates applicable at the reporting date. Transactions denominated in foreign currency are translated at the end-of-month rate for the month in which the business was transacted. Exchange gains/losses are reported in profit or loss under other income.

2. Key accounting and valuation principles and explanations

2.1. CASH RESERVES

€T	12/31/2014	12/31/2013
Cash reserves	**2,947,098**	**590,340**
Cash on hand	–	–
Credit with central banks	2,947,098	590,340
including: with Deutsche Bundesbank	2,947,098	590,340

Liquid funds are reported at nominal value. As at the reporting date, there is € 100 in liquid funds in the cash on hand, and liquidity was invested with Deutsche Bundesbank.

2.2. RECEIVABLES FROM CREDIT INSTITUTIONS

€T	12/31/2014	12/31/2013
Receivables from credit institutions	**9,853,031**	**9,068,942**
including: receivables from affiliated companies	9,826,389	8,838,937
Breakdown by remaining maturity:		
a) due daily	9,853,013	8,915,218
b) other receivables	18	153,724
1. up to three months,	18	153,724
2. more than three months to one year,	–	–
3. more than one year to five years,	–	–
4. more than five years	–	–

Receivables from banks are reported at the nominal value or at the lower cost of acquisition plus accrued interest.

2.3. RECEIVABLES FROM CLIENTS

€T	12/31/2014	12/31/2013
Receivables from clients	**213,616**	**101,986**
including: receivables from affiliated companies	70,061	10,981
Breakdown by remaining maturity:		
a) due daily	31,231	10,194
b) undefined maturity	181,814	91,038
c) other receivables	571	754
1. up to three months,	–	–
2. more than three months to one year,	–	–
3. more than one year to five years,	571	754
4. more than five years	–	–

Receivables from clients are reported at nominal value or at the lower cost of acquisition plus accrued interest.

2.4. INVESTMENTS

€T	12/31/2014	12/31/2013
Investments	**248**	**248**
including: in credit institutions	89	89

The investments are reported at acquisition cost. There is a contingent obligation to make an additional contribution of € 600,000 under an investment in a credit institution.

2.5. BONDS AND OTHER FIXED-INTEREST SECURITIES

€T	12/31/2014	12/31/2013
Bonds and other fixed-interest securities	**1,385,731**	**890,602**
maturing in the following year	200,087	690,415
Bonds and debt securities		
from public issuers	1,385,731	890,602
including: eligible as collateral with Deutsche Bundesbank	1,385,731	890,602
including marketable securities	1,385,731	890,602
listed on the stock exchange	1,385,731	890,602
not listed on the stock exchange	–	–

This position includes only listed bonds. Bonds and other fixed-income securities are valued at acquisition with the acquisition cost.

Since 2013 the securities have been a component of the liquidity reserves. The securities are assessed according to the strict lowest value principle pursuant to § 253, Para. 4 HGB. Depreciations and write-ups of the securities in the liquidity reserve are reported in the income statement under "Depreciation and value adjustments in respect of receivables and specific securities and allocations to provisions for credit risks" as well as "Allocations to loans-transaction accruals" or "Income from allocations to receivables and specific securities" as well as "Reversal of loans-transaction accruals".

For securities already existing before 2013, premiums paid and discounts received were activated at the acquisition costs, and are depreciated in straight-line fashion over their remaining term. The depreciation is shown in the net interest income.

For hedging interest rate change risks, the securities were partially combined with interest rate hedging instruments to form micro-valuation units.

The bonds are listed on the Luxembourg Stock Exchange, Luxembourg, and the German Stock Exchanges in Frankfurt and Berlin.

2.6. CHANGE IN FIXED ASSETS

€T	Other equipment and office equipment	Technical equipment and machinery	Total
Cumulative acquisition costs as at 01/01/2014	**20,818**	**5,358**	**26,176**
Additions	10,301	2,321	12,622
Disposals	−20,598	−4,989	−25,587
Cumulative acquisition costs as at 12/31/2014	**10,521**	**2,690**	**13,211**
Scheduled depreciation in the current year	2,601	377	2,978
Cumulated depreciation as at 12/31/2014	442	432	874
Residual value as at 12/31/2014	**10,079**	**2,258**	**12,337**
Residual value as at 12/31/2013	**2,539**	**1,079**	**3,618**

Tangible assets are valued at acquisition cost minus scheduled straight-line depreciation.

2.7. OTHER ASSETS

€T	12/31/2014	12/31/2013
Other assets	**5,070**	**7,186**

This is mainly sales tax receivables in the amount of € 1.9 million, as well as tax receivables from corporate tax of € 0.6 million and trade tax of € 0.7 million, as well as € 0.3 million from the fair value of reinsurance policies and receivables from payment transaction services of € 0.3 million.

2.8. ACCRUED AND DEFERRED EXPENSES

€T	12/31/2014	12/31/2013
Accrued and deferred expenses	**822**	**698**

Accrued and deferred expenses include € 819,000 for the monthly pension payments already made in 2014 for accounting reasons.

2.9. EXCESS OF PLAN ASSETS OVER PENSION LIABILITY

In line with § 246 Para. 2 S. 2 HGB, assets that serve to cover debts from pension obligations and similar long-term obligations were netted against the liabilities. The excess carrying value of the balance is then entered under the item for "Positive consolidation difference from asset offsetting". The actuarial report was calculated using the mortality tables of Prof. Dr. Klaus Heubeck 2005 G.

The evaluation was carried out in accordance with the accepted principles of actuarial mathematics using the so-called "Projected Unit Credit Method" (PUC method).

€T	12/31/2014	12/31/2013
Valuation parameters (BilMoG [Bilanzrechtsmodernisierungsgesetz – German Accounting Law Modernisation Act])		
Pension obligations:		
Actuarial interest rate	4.53 %	4.88 %
Future increase of benefits	3.00 %	3.00 %
Increase of pension	2.00 %	2.00 %
In order to account for fluctuation, age-specific and gender-specific fluctuation probabilities were used	Mercer Standard	Mercer Standard
Partial retirement:		
Actuarial interest rate	4.54 %	4.88 %
Future increase of benefits	3.00 %	3.00 %
Increase of pension	0.00 %	0.00 %

€		12/31/2014
Pension obligations	**01/01/2014**	**131,632,477**
Allocations		12,819,840
Allocations from deferred compensation		0
Consumption (pension payments)		−5,487,605
Pension obligations	**12/31/2014**	**138,964,712**
Assets	**01/01/2014**	**172,671,473**
Additions		813,166
Disposals		0
Reversal of impairment on part values that have risen again		0
Market valuation in relation to acquisition costs (under other operating income)		18,361,171
Assets	**12/31/2014**	**191,845,810**
Excess of plan assets over pension liability	**01/01/2014**	**41,038,999**
Excess of plan assets over pension liability	**12/31/2014**	**52,881,870**
Acquisition costs of assets	**01/01/2014**	**118,708,758**
Acquisition costs of assets	**12/31/2014**	**119,534,711**
Trend for allocations to pension provisions		
Allocations		12,819,840
Proof of expenses for partial retirement under “Wages and salaries”		−67,913
Proof of change in the discount rate and discounting/compounding of pension liabilities under other operative income		−10,668,227
Allocations to pension provisions	**01/01/ – 12/31/2014**	**2,083,700**

	2014
Asset investment measures pursuant to § 285 No. 26	
– Special Institutional Funds	**JPMC I Universal Fund**
Legal basis:	Risk management approach:
Basis of the calculation:	Market value (NAV) of assets
Reinvestment:	Capitalisation funds
§ 253 Para. 3 S. 4:	No amortisation, as valued under § 246 Para. 2 HGB
Term:	No restriction on the daily return
Valuation as per §§ 168, 278 KAGB [Capital Investment Act] or comparable foreign law as at balance sheet date:	T€ 168,547; shares 1,078,462
Capital assets:	Not eligible for listing on the stock exchange/unlisted
– Mutual funds	**JPMorgan Funds – Global Unconstrained Equity**
Legal basis:	Luxembourg law
Basis of the calculation:	Market value (NAV) of assets
Reinvestment:	capitalisation funds
§ 253 Para. 3 S. 4:	No amortisation, as valued under § 246 Para. 2 HGB
Term:	No restriction on the daily return
Valuation as per §§ 168, 278 KAGB or comparable foreign law as at balance sheet date:	T€ 161,700; shares 13,985,975
Capital assets:	Not eligible for listing on the stock exchange/unlisted

All pension assets are held to hedge pension benefits granted to employees. The primary investment target of the funds is to cover long term financial obligations.

The fund unit prices are calculated as follows: A net asset value (NAV) is allocated to each share class – this is the value of the assets of a share class minus the liabilities for that class. The NAV is then divided by the total number of current shares belonging to that share class to arrive at the unit price.

2.10. OTHER ACCOUNTING AND VALUATION METHODS

Other assets are valued under consideration of the strict lowest value principle.

Expenses and income deferrals have been formed and allocated to the respective balance sheet item.

Liabilities are carried at the sums repayable and securitised liabilities are held at their nominal value.

Appropriate provisions have been made for uncertain liabilities. There were no imminent losses from pending transactions.

Interest driven business, in the banking book, was valued using the periodical approach (P&L based method) for loss free valuation. In accordance with this method, it was not required to form a threatened loss reserve.

Provisions were valued at the settlement amount, factoring in expected increases in prices and costs.

Provisions with a remaining term of more than one year have been discounted/revalued at the average market interest rates as calculated and announced by Deutsche Bundesbank (§ 253 Para. 2 HGB). Income and expenses from discounting and revaluing were entered not netted, depending on whether the provisions were made for loan business or for non-banking business, under the interest income/interest expense item (§ 277 Para. 5 HGB) or in other operating income/expenses (§ 340a Para. 2 in connection with § 277 Para. 5 HGB).

Deferred taxes are calculated for temporary differences between the commercial valuations of assets, liabilities and deferred income and their taxable value and tax loss. The underlying temporary differences are mainly due to different valuations of securities, pension obligations and the valuation of plan assets and provisions and lead to a net deferred tax asset (surplus). For the calculation of deferred taxes, a corporate income tax rate including solidarity surcharge of 15.825 % and an industrial tax rate of 16.10 % were assumed. The right available under § 274, Para. 1, S. 2, HGB for activation of deferred taxes is not exercised.

Valuation units were set up for registered bonds, bearer bonds and debentures issued that are hedged by total return swaps (TRS) against market price risk. Moreover, parts of the fixed-interest securities were combined with interest rate swaps as a hedge into a valuation unit.

The TRS and the interest rate swaps were combined at a single transaction level with the underlying transactions in a clear hedging relationship and their effectiveness was tested.

Owing to the clear hedging relationship, the transactions involved are Micro-Hedges that represent an efficient and perfect hedging relationship for the entire term. The fair values covered by the Total Return Swaps in relation to the underlying liabilities are calculated using customary valuation models. Efficiency is measured by using the dollar offset method, or with the use of suitable statistical procedures such as regression analysis.

The fair value of all Total Return Swaps as at December 31, 2014, was € 554,000. The value of the Interest Rate Swaps as at the reporting date came to € 117,104,000. Valuation was carried out using internal valuation procedures. The Group uses valuation procedures to establish the fair value of financial instruments where prices quoted in active markets are not available. Therefore, where possible, parameter inputs to the valuation procedures are based on observable data derived from prices of relevant financial instruments traded in an active market. The use of these models involves some level of management estimation and judgment, the degree of which will depend on the price transparency for the financial instrument and its market and the instrument's complexity.

The term of the individual TRS matches that of the liabilities hedged and was as follows as at December 31, 2014:

€T	Total Return Swaps	Liabilities
Total Return Swaps Overview (Nominal)		
Maturity		
2015	67,214	67,214
2016	16,145	16,145
2018	25,000	25,000
2020	–	–
2022	110,000	110,000

In total, 9 valuation units were formed, and 9 Total Return Swaps established to cover 9 liability items.

The term structure of the Interest Rate Swaps in connection with bonds is presented in the following table:

€T	Interest Rate Swaps	Bonds
Interest Rate Swap overview (nominal)		
Maturity		
2021	97,000	100,000
2022	70,000	70,000
2023	246,000	250,000
2024	735,000	750,000

The effective portion of the valuation units formed is presented according to the freezing method.

2.11. LIABILITIES TO CREDIT INSTITUTIONS

€T	12/31/2014	12/31/2013
Liabilities to credit institutions	**6,846,649**	**3,589,085**
including: liabilities to affiliated companies	5,091,628	2,294,588
Maturity structure:		
a) due daily	2,722,110	2,165,326
b) with agreed duration or termination notice	4,124,539	1,423,760
1. up to three months,	3,833,356	1,137,504
2. more than three months to one year,	41,183	–
3. more than one year to five years,	–	36,256
4. more than five years	250,000	250,000

2.12. LIABILITIES TO CLIENTS

€T	12/31/2014	12/31/2013
Liabilities to clients	**6,735,114**	**6,122,984**
including: liabilities to affiliated companies	91,473	18,697
Maturity structure:		
a) due daily	6,516,766	5,781,506
b) with agreed duration or termination notice	218,348	341,478
1. up to three months,	130,395	39,227
2. more than three months to one year,	52,953	237,252
3. more than one year to five years,	25,000	25,000
4. more than five years	10,000	40,000

2.13. SECURITISED LIABILITIES

€T	12/31/2014	12/31/2013
Securitised liabilities	**–**	**114,614**
including: acceptances outstanding and promissory notes in circulation		
Maturity structure:		
issued debt instruments	–	114,614
maturing in the following year	–	114,614
Other securitised liabilities with agreed maturity or notice period	–	–
1. up to three months,	–	–
2. more than three months to one year,	–	–
3. more than five years	–	–

Securitised liabilities resulting from bearer debentures issued, which were completely paid back in 2014.

2.14. OTHER LIABILITIES

€T	12/31/2014	12/31/2013
Other liabilities	**10,501**	**8,342**
consisting of:		
– Profit transfer	0	0
– Interest for profit participation rights (J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft [J.P.Morgan Holding and Management Corporation] mbH)	0	0
– Value added tax	5,755	3,365
– Liabilities from deliveries and services	1,149	2,323
– other liabilities	3,597	2,654

The other liabilities mainly include liabilities from deliveries and services, as well as value added tax liabilities.

2.15. PROVISIONS

€T	12/31/2014	12/31/2013
Provisions	**14,747**	**16,590**
consisting of:		
– tax provisions	2,436	3,485
– other provisions	12,311	13,105

The provisions carried contain all obligations discernible on the reporting date relating to past business transactions or past occurrences, valued in line with § 253 HGB.

Provisions for anniversaries contained in the figure were calculated using an actuarial report and on the basis of the mortality tables of Prof. Dr. Klaus Heubeck 2005 G and in line with the valuation method as per § 253 Para. 1 HGB.

Other provisions consist for the most part of provisions regarding personnel expenditure and asset retirement obligations for the leased office building.

2.16. SUBORDINATED LIABILITIES

€T	12/31/2014	12/31/2013
Subordinated liabilities	**185,880**	**185,989**
including: subordinated liabilities to affiliated companies	185,880	185,989

The subordinated capital posted at the end of the financial year 2014 comprises a subordinate loan of € 150,000,000 taken out on December 21, 2009, as well as another subordinate loan of € 35,790,432, which was transferred to J.P. Morgan AG within the scope of the merger between J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH and J.P. Morgan AG.

Interest payments are made quarterly starting on December 21, 2009, or for the capital gained within the context of the merger, on a semi-annual basis. Interest to be paid is calculated on the basis of the respective three-month EURIBOR (European InterBank Offered Rate) or rather six-month EURIBOR interest rate. The subordinated capital to the amount of € 150,000,000 is due on December 21, 2039. The subordinated loan to the amount of € 35,790,000 has no term with an option for termination at any time with a notice period of two years. In the event of insolvency, all remaining lenders will be serviced in order of priority. There are no early repayment obligations.

The subordinated liabilities meet the requirements of § 10 Para. 5a of KWG [Kreditwesengesetz – German Banking Act].

2.17. FUNDS FOR GENERAL BANKING RISKS

€T	12/31/2014	12/31/2013
Status as of 01/01/2014	**56,300**	**56,300**
Additions	–	–
Disposals	–	–
Status as of 12/31/2014	**56,300**	**56,300**

2.18. SUBSCRIBED CAPITAL AND CAPITAL RESERVE

The share capital amounts to € 160,000,000 divided into 160,000,000 shares. The shares are 100 % paid-in.

2.19. OTHER ITEMS DUE TO AFFILIATED COMPANIES

€T	12/31/2014	12/31/2013
Other items due to affiliated companies		
Other assets	0	5
Other liabilities	425	2,098
Liabilities from profit transfer	0	0

2.20. FOREIGN CURRENCY ASSETS AND LIABILITIES

€T	12/31/2014	12/31/2013
Foreign currency assets and liabilities		
Assets	1,499,773	1,186,739
Liabilities	1,502,159	1,167,155

2.21. CONTINGENT LIABILITIES

€T	12/31/2014	12/31/2013
Contingent liabilities		
Liabilities from guarantees and indemnity agreements	44,059	43,338

Guarantees were secured using cash collateral to the amount of € 8,236.55.

The guarantees are generally covered by counter-guarantees.

There are no significant call risks.

3. Explanatory Notes to the Income Statement

3.1. NET INTEREST INCOME

€T	01/01/ – 12/31/2014	01/01/ – 12/31/2013
Interest income (net)	**13,577**	**13,897**
Interest income from:	**33,649**	**23,848**
a) Lending and money-market transactions	14,596	15,717
b) Fixed-income securities and debt register claims	19,053	8,132
Interest expenses:	**20,071**	**9,951**

The net interest income has slightly declined by 2.3 % in comparison with the previous year.

The rise in interest income is largely due to higher average bond inventories.

3.2. NET COMMISSION INCOME

€T	01/01/ – 12/31/2014	01/01/ – 12/31/2013
Commission income (net)	**63,325**	**59,751**

The net commission income increased by 6 % in comparison to the previous year. In particular, increasing income from payment transactions and new customer acquisition in the custodian bank business have contributed positively to this increase.

3.3. OTHER OPERATING INCOME

€T	01/01/ – 12/31/2014	01/01/ – 12/31/2013
Other operating income	**41,804**	**32,091**
including:		
– Services rendered for Group entities	32,522	29,767
– Miscellaneous other operating income	9,282	2,324

The increase in other operating income of 30.3 % as compared to the previous year can primarily be attributed to the valuation result of € 7,689,000 (2013: € 545,000) from changes in the fair value and income from the assets, the change in the calculatory interest and effects of discounting/compounding of pension liabilities. Further, other income included services to companies of the Group.

3.4. GENERAL ADMINISTRATIVE EXPENSES

€T	01/01/ – 12/31/2014	01/01/ – 12/31/2013
General administrative expenses	**98,653**	**84,779**
including:		
Personnel expenses	31,248	31,469
– Wages and salaries	25,216	25,024
– Social security contributions and expenses for pension provisions and benefits	6,032	6,445
• of which for retirement	3,196	3,865
other administrative expenses	67,405	53,310

The increase in general administrative expenses results mainly from increased expenses on services to companies of the Group.

3.5. OTHER OPERATING EXPENSES

€T	01/01/ – 12/31/2014	01/01/ – 12/31/2013
Other operating expenses	**3,794**	**2,279**

Other operating expenses primarily cover expenses on payment transactions, increased depreciation of business and office equipment, and expenses on currency conversion amounting to € 92,000.

3.6. INCOME FROM ALLOCATION TO RECEIVABLES AND CERTAIN SECURITIES AS WELL AS FROM REVERSAL OF ACCRUALS IN LENDING BUSINESS

€T	01/01/ – 12/31/2014	01/01/ – 12/31/2013
Income from allocations	**127**	**0**

On the reporting date expenses arising from the evaluation of the debt allocations based on the strict lowest value principle were reported at € 127,000 in the income statement.

3.7. WRITE-OFFS AND VALUE IMPAIRMENTS ON RECEIVABLES AND SPECIFIC SECURITIES AS WELL AS ALLOCATIONS TO ACCRUALS IN LENDING BUSINESS

€T	01/01/ – 12/31/2014	01/01/ – 12/31/2013
Write-offs of securities in the liquidity reserve	**0**	**127**

On the reporting date there were no expenses arising from the evaluation of the debt securities based on the strict lowest value principle.

3.8. TAX ON INCOME AND REVENUE AND OTHER TAXES

€T	01/01/ – 12/31/2014	01/01/ – 12/31/2013
Taxes	**2,644**	**6,300**
Industrial tax	1,351	3,404
Corporate tax	1,280	2,883
Other	13	14

In the fiscal year out-of-period tax expenses of € 13,000 were recorded.

4. Other data

	Market value on 12/31/2014		Market value on 12/31/2013		Market value on 12/31/2012	
€T	positive	negative	positive	negative	positive	negative
Total Return Swaps	14,205	13,651	35,834	56,247	27,420	92,720
Interest Rate Swaps	–	117,104	–	–	–	–

Forward transactions which were not yet settled at the reporting date consisted of Total Return Swaps and Interest Rate Swaps. The Total Return Swaps and Interest Rate Swaps were concluded to hedge against market risks.

4.1. RELATIONS WITH AFFILIATED COMPANIES

The sole shareholder of J.P. Morgan AG is J.P. Morgan International Finance Limited, Newark/Delaware, USA. A dependency report pursuant to § 312 AktG [Aktiengesetz – German Stock Corporations Act] is issued.

JPMorgan Chase & Co, JPMorgan Chase Bank, National Association, J.P. Morgan International Inc and Bank One International Holdings Corporation informed us by their letter of January 26, 2015, that there exists an indirect stake of 100 %. J.P. Morgan International Finance Limited informed us by its letter of January 26, 2015, that there exists an indirect stake of 100 %.

The consolidated annual financial statements for the smallest and largest group of companies is disclosed by JPMorgan Chase & Co., New York, whose shares are traded on the New York Stock Exchange and on some European and Asian exchanges. The consolidated annual financial statements can be obtained on request from J.P. Morgan AG, Frankfurt am Main.

The Bank is a member of the Deposit Protection Fund of the Association of German Banks.

4.2. NUMBER OF EMPLOYEES

On average for the year there were 262 employees, distributed as follows:

Number	12/31/2014	12/31/2013
Yearly average	**262**	**244**
Distribution of employees		
Authorised signatories	13	14
Authorised officers	123	118
Commercial employees	126	112

Employees sent overseas are not included in this chart.

4.3. TOTAL REMUNERATION OF THE ACTIVE MEMBERS OF THE BOARDS

The remuneration paid to members of the Management Board amounted to € 1,925,000. A portion of this came from restricted stock units which had a fair value on their grant date of € 328,000.

The remuneration paid to members of the Supervisory Board amounted to € 10,000 in 2014.

No loans were granted to Board members during the business year.

4.4. TOTAL PAYMENTS TO FORMER BOARD MEMBERS AND THEIR DEPENDENTS

Pension provisions for these persons totalled € 23,080,000 as at December 31, 2014. The total remuneration for former members of the Management Board and their dependents amounted to € 716,000 as at December 31, 2014.

4.5. FEE EXPENSES[1]

€T	01/01/ – 12/31/2014	01/01/ – 12/31/2013
Total fee expenses for the financial year calculated by the auditors for	**202**	**267**
Financial document auditing services	**144**	**189**
of which, for the previous year	–15	–2
of which, expenses in the current financial year	0	
of which, expenses for creating provisions	160	192
Other confirmation services	**58**	**78**
of which, for the previous year	–9	–3
of which, expenses in the current financial year	0	0
of which, expenses for creating provisions	67	81
Tax advisory services	**0**	**0**
of which, for the previous year	0	0
of which, expenses in the current financial year	0	0
of which, expenses for creating provisions	0	0

[1] Net expenses, excluding VAT

4.6. EXPLANATORY NOTES ON OTHER FINANCIAL COMMITMENTS

The Company utilises services from various Group member companies as part of its outsourcing functions. The business procurement contracts have a notice period of three months.

The rental contract for the business premises runs until September 30, 2024.

Management Board
Burkhard Kübel-Sorger Chairperson of the Management Board, Managing Director, J.P. Morgan AG
Michelle Grundmann Managing Director, J.P. Morgan AG
Stefan Behr Managing Director, J.P. Morgan AG
Supervisory Board
Mark S. Garvin Chairperson, Chairman, Managing Director, J.P. Morgan Europe Limited, London
Frédéric P. Mouchel Vice Chairperson, Managing Director, JPMorgan Chase Bank, N.A., London Branch
Melanie Martin (from February 5, 2014) Managing Director, JPMorgan Chase Bank, N.A., London Branch
Karl-Georg Altenburg (until February 13, 2014) Senior Country Officer Germany, Austria & Switzerland, Managing Director, JPMorgan Chase Bank, N.A., Frankfurt Branch
Martin Wiesmann (from February 25, 2014) Senior Country Officer Germany, Managing Director, J.P.Morgan Securities plc, Frankfurt Branch
Thomas Freise Employee Representative, J.P. Morgan AG
Christoph Fickel Employee Representative, J.P. Morgan AG

Frankfurt am Main, April 22, 2015

J.P. Morgan AG
Frankfurt am Main
The Management Board

BURKHARD KÜBEL-SORGER

STEFAN BEHR

MICHELLE GRUNDMANN

AUDITOR'S REPORT

We have audited the annual financial statements comprising the balance sheet, the income statement, the notes to the financial statements, together with the bookkeeping system, and the management report of J.P. Morgan AG, Frankfurt am Main, for the business year from January 1, to December 31, 2014. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's Management Board. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 HGB, and the generally accepted standards for the audit of financial statements established by IDW (Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany]). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with the principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with the principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, on April 22, 2015

PricewaterhouseCoopers
Stock Company
Audit Company

EVA HANDRICK	PPA. FATIH AGIRMAN
Auditor	Auditor

REPORT OF THE SUPERVISORY BOARD

SUPERVISION AND CONTROL

The Supervisory Board monitored the Management Board continuously throughout the year on the basis of written and oral reports and performed its duties in accordance with the law. Important matters of business management were examined by the Supervisory Board in regard to the Bank's economic situation, the business policy, liquidity, capital and risk management. Moreover, the Supervisory Board was informed in detail on the risk management by means of the quarterly MaRisk reports.

PERSONNEL CHANGES IN THE MANAGEMENT BOARD

No personnel changes took place in the Management Board during fiscal year 2014.

PERSONNEL CHANGES IN THE SUPERVISORY BOARD

In fiscal year 2014 the Supervisory Board was composed of the following persons: Mark S. Garvin (Chairperson), Frédéric Mouchel (Vice Chairperson), Martin Wiesmann, and Melanie Martin, with Christoph Fickel and Thomas Freise as employee representatives.

At the beginning of fiscal year 2014, Ms Alison Livesey departed as of December 31, 2013, with Mr Karl-Georg Altenburg leaving as of February 13, 2014. The Supervisory Board welcomed Ms Melanie Martin (née Wells) as of February 5, 2014, with Mr Martin Wiesmann joining as of February 25, 2014.

AUDIT COMMITTEE

On April 27, 2015, in the financial year, the Audit Committee discussed the annual financial statements and the audit report, and on November 26, 2014, the audit plan.

The Audit Committee is responsible for checking the accounting process, the effectiveness of the internal control system, the effectiveness of the risk management system and the effectiveness of the internal audit system as well as the statutory audit, in particular, the independence of the auditor and any additional services performed by the auditor.

On the basis of the recommendation of the Audit Committee (§ 124, Para. 3, S. 2 AktG) it was proposed at the Annual General Meeting to elect PricewaterhouseCoopers AG, Frankfurt am Main, as statutory auditor for the Annual Financial Statements and the Management Report for the 2015 financial year.

ANNUAL FINANCIAL STATEMENT

The Annual Financial Statement and the Management Board Report for the 2014 financial year have been examined by the auditing firm selected at the Annual General Meeting, PricewaterhouseCoopers AG, Frankfurt am Main. The auditing firm issued an unqualified audit opinion.

The Annual Financial Statements and the Management Report were discussed and reviewed with the auditors by the Audit Committee during the meeting on April 27, 2015. Based on the final result of the Audit Committee's investigation, the Supervisory Board did not raise any objections. Financial statements and the Management Report per December 31, 2014, presented by the Management Board were approved by the Supervisory Board today. The Annual Financial Statements, as submitted by the Management Board, are hereby approved and established.

The Supervisory Board would like to express its sincere gratitude to the Management Board and all employees of the Bank for their dedication and joint hard work.

April 29, 2015

The Supervisory Board

MARK S. GARVIN
Chairperson

PUBLISHER

J.P. Morgan AG, Frankfurt am Main
Taunustor 1
60310 Frankfurt am Main

LAYOUT/DESIGN

HEISTERS & PARTNER, Corporate & Brand Communication, Mainz

PRINTED BY

Koch. Prepress Print Media GmbH, Wiesbaden

J.P.Morgan

J.P. Morgan AG, Frankfurt am Main
Taunustor 1
60310 Frankfurt am Main