J.P.Morgan

ANNUAL REPORT 2013 OF J.P. MORGAN AG

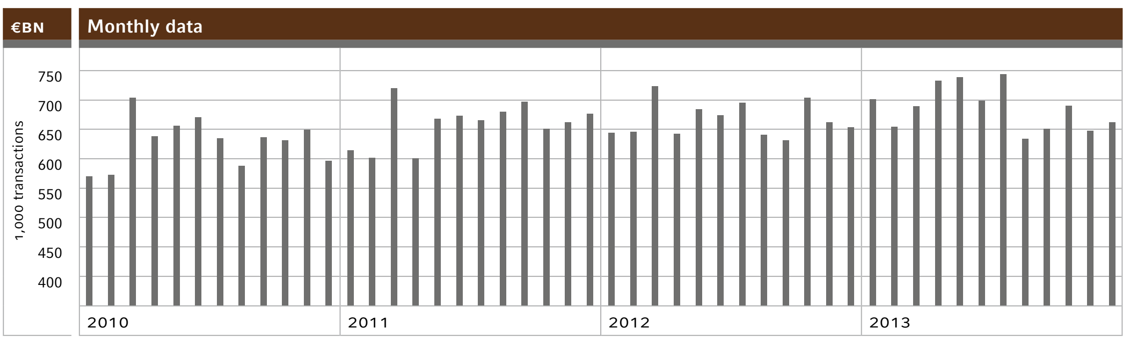
J.P. Morgan

KEY FIGURES OF J.P. MORGAN AG

€M	2013	2012	2011	2010
Net revenue	105.7	100.1	99.0	99.7
Net Interest Income	13.9	10.0	25.4	8.3
Net Commission Income	59.8	50.1	44.4	62.0
Total expenses	89.7	77.6	84.7	77.6
Income before Tax and extraordinary items	16.1	22.5	14.3	22.1
Net Income	9.8	22.5	14.3	22.1
Equity	**611**	**275**	**275**	**305**
Return on Equity (RoE)	2.21 %	8.16 %	5.19 %	7.24 %
Cost-Income-Ratio	84.78 %	77.55 %	85.55 %	77.83 %
Pretax profit margin	15.22 %	22.45 %	14.45 %	22.17 %
Tier 1 capital ratio	87.90 %	37.80 %	17.18 %	18.01 %
Total capital ratio	112.70 %	71.90 %	32.17 %	33.56 %

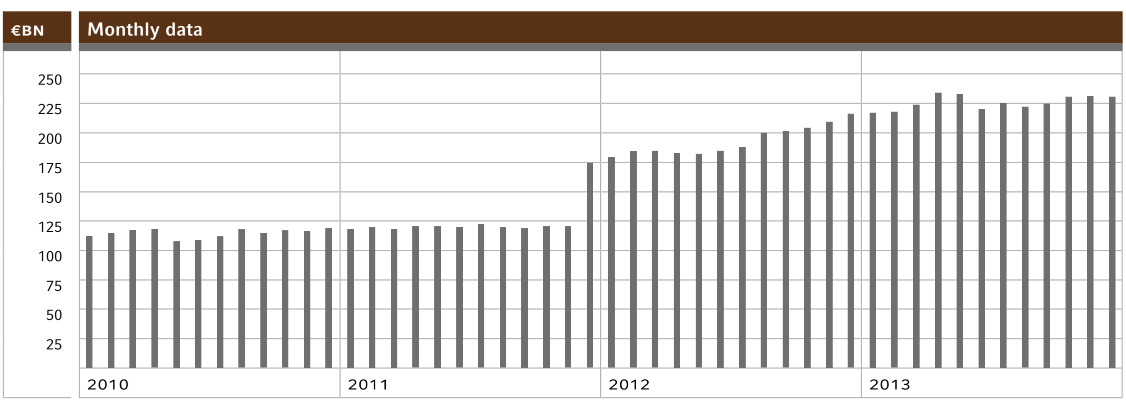
HIGH VALUE PAYMENTS

> PAGE 3: TREASURY SERVICES



ASSETS UNDER CUSTODY

> PAGE 4: INVESTOR SERVICES



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MANAGEMENT REPORT AS OF DECEMBER 31, 2013

Business and Regulatory Framework

ORGANIZATION AND LEGAL STRUCTURE

J.P. Morgan AG, based in Frankfurt am Main, is an indirectly owned 100 % subsidiary of JPMorgan Chase & Co., based 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, providing services to and receiving them from various Group affiliates. After registration in the commercial registry on November 4, 2013, J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH fully merged with J.P. Morgan AG. Since then, the shares of J.P. Morgan AG are held directly by J.P. Morgan International Finance Limited, based in Newark, in the United States of America.

J.P. Morgan AG is managed by a three-member Management Board "Vorstand" and controlled by a six-member Supervisory Board "Aufsichtsrat". The Management Board generally convenes on a monthly basis while the Supervisory Board meets at least four times a year. In 2013, the Supervisory Board held five meetings and the Audit Committee held two meetings. The Supervisory Board receives a written MaRisk-compliant (Mindestanforderungen an das Risikomanagement [Minimum Requirements for Risk Management]) risk report on a quarterly basis. The names of the members of the Management Board and the Supervisory Board are listed in the notes.

A detailed presentation is prepared each month for the Management Board meetings by the two divisions, Treasury Services and Investment Services, in the form of scorecards, containing all of the transactions essential for discussing the business performance in the past month and reflecting the development of the divisions' KPIs and KRIs. Likewise, the COO and CFO prepare corresponding presentations on financial performance, complete risk reports, and scorecards of the corporate functions for the purposes of discussion, consideration, and passing resolutions. Minutes of the Management Board meetings are recorded by a Legal Department employee.

For its meetings, the Supervisory Board receives an up-to-date summary of the business division scorecards, used in the Management Board meetings, a presentation on financial performance, the complete MaRisk risk reports, and a summary of the scorecards of the corporate functions for the purposes of discussion, consideration, and passing resolutions. Supervisory Board meeting minutes are taken by the Head of the Legal Department or an external attorney.

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.

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 key corporate functions, 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 – "Markt" – and controlled by a Member of the Board – "Marktfolge". In addition to the key controlling variables of interest income and 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 officer of the Group. This enables the Management Board 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 utilization, overdrafts, level of collateral and key ratios according to SolvV (Solvabilitätsverordnung) and LiqV (Liquiditätsverordnung) 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, and included the LCR and the Leverage Ratio as additional figures in 2013.

From a regulatory perspective, to be able to fulfill the additional requirements of MaRisk, J.P. Morgan AG has already created the position of a MaRisk Compliance Officer.

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 is of crucial importance, 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 2013, the Bank continued to concentrate on its core business, in order to measure up to the demands of the J.P. Morgan Group by fulfilling its roles from Frankfurt am Main as a central bank of the Group for € payments and as a Global Custodian for the German investment market.

Thus, in 2013, we made the necessary preparations to be able to expand our existing product portfolio in the upcoming business year with other business areas, and worked in close cooperation with our clients on the implementation of the technical framework conditions for the transition to SEPA. In addition, we implemented the regulatory requirements of the Kapitalanlagegesetzbuch (KAGB) [German Investment Code] on July 22, 2013 and supported the Kapitalverwaltungsgesellschaften (KVGS) [capital management companies] during the migration of existing fund structures under the new AIF regime.

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, and to achieve substantial business growth. 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, as well as ECA-covered financing deals to 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 acts as a fully-licensed and regulated custody bank and 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 200 investment funds with 748 segments (administrative units) for its circle of clients.

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.

To generate organic growth in the future in other client segments as well, J.P. Morgan introduced the new reporting tool "Portfolio Insight". The interactive reporting corresponds to the latest state of technology and offers multinational clients an optimal and easy to use solution for asset allocation for all pension plans. In addition, Portfolio Insight offers better reporting for investment compliance and credit rating of all assets of the clients.

Another novelty offered by J.P. Morgan to clients is Transaction Cost Analysis (TCA), a tool for active transaction cost management for the asset managers authorized by clients. The detailed reporting serves for improved transparency of incurred trading and settlement charges. Moreover, TCA also offers the evaluation of implicit costs (consideration of rate and market volatilities), thus making a decisive contribution to effective performance control.

In view of the further strategic target, J.P. Morgan AG plans to position itself in the insourcing of custodian bank services sector, in order to provide support to custodian banks with low economies of scale in fulfillment of the increasing regulatory and client specific requirements.

SALES 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 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 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, emphasizing 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 standardized processes. In addition, the increased capital base of J.P. Morgan AG and the demonstrable A+ Rating by Standard & Poors 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 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 analyze in the coming year in detail in terms of their appeal.

As we had predicted, in the current financial year, the European Central Bank generally maintained its low interest rate policy, due to the crisis, which did not allow for any recovery of interest margins for the business of J.P. Morgan AG. For the coming financial year, we do not expect any recovery and will align our business model accordingly, so that we can sustainably strengthen the results of J.P. Morgan AG.

PERSONNEL DEVELOPMENT

The number of J.P. Morgan AG employees hardly changed in 2013, decreasing only slightly from 248 to an average of 244. Similar to the previous year, the attrition rate in 2013 was 8 %, and thus decreased only slightly as compared to the 10 % last year, continuing to fluctuate within normal levels. Out of all employees, 18 % made use of flexible work arrangements offered, as compared to 15 % in 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 the Bank 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 2013 on the business of J.P. Morgan AG, however our results still suffer from the low interest policy of the Central Banks and the high expenses on pension provision commitments, so we are unable to be satisfied by the business performance.

The operative result of both sectors improved clearly in 2013, as compared to the previous year. Although the overall results without the special effects due to the merger of J.P. Morgan AG and J.P. Beteiligungs- und Verwaltungsgesellschaft mbH remained static at low levels in consequence of low interest margins and the zero percent mark of ECB, the commission income in Treasury Services and Investor Services increased as compared to the previous year.

The reduced spreads, which could be attained for client deposits, remained an important influencing factor for the interest result. The corrective effect from the set-up of a short-term treasury portfolio is comparatively low due to the extremely conservative investment strategy.

As compared to the budget for the financial year, the interest result and the commission income in 2013 were clearly better than expected. The total assets per December 31, 2013 changed significantly as compared to the reporting date per December 31, 2012, due to our measures of reducing concentration risk for the Group, and therefore they do not serve as an indicator of the strength of our business development when compared directly.

The overall results of the Bank in 2013 from regular business activities amount to € 16.1 million, which is 28 % lower than the previous year's figure. This deterioration of the result despite increased overall revenue is due primarily to the fact that the consolidated expenses increased as compared to the previous year. Overall, we assess 2013 as a difficult year. We were able to keep existing business in both business areas, win new clients, and successfully expand our business with existing clients, but the fluctuations in the consolidated expenses could not be fully compensated due to a continuing weak, all-time low interest result.

Earnings, Financial and Assets Position

EARNINGS

Due to the continued business growth, in 2013 J.P. Morgan AG managed to increase commission income sharply. In the financial year, at € 59.8 million the commission income was 19 % higher than the previous year's value. The interest income developed positively as compared to the previous year and at € 13.9 million was 38 % higher than in the previous year. The main influencing factor on the interest income was the cancelation of the profit participation right caused by the merger with J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH. The estimates for 2013 for both the interest and the commission income were slightly outperformed. The remaining operational revenues fell by 20 % to currently € 32.1 million for the year 2013.

The personnel and administrative expenses increased by 14 % as compared to the previous year. This increase resulted mainly from increased expenses on pension provision commitments, due to the reduction of the calculatory interest rate according to BilMoG (Bilanzrechtsmodernisierungsgesetz), increased expenses on the use of internal Group services, and a higher amount of bank levy fees. The income from regular business activity reduced significantly by 28 % to € 16.1 million. Due to the merger of J.P. Morgan AG with J.P. Beteiligungs- und Verwaltungsgesellschaft mbH and the elimination of the fiscal unit and the profit transfer agreement, the tax expenses for 2012 and 2013 amounted to € 6.3 million. The net income for the financial year 2013 was thus € 9.8 million.

The result means a return on equity of 2.21 %, as compared to 8.16 % 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 2013. Clients are enabled to utilize credits solely in the form of intra-day lines and short-term overnight overdrafts to cover technical shorts in cash positions 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 short-term investments at the Federal Bank. The equity capital of J.P. Morgan AG was invested, in turn, in a short-term treasury portfolio with investment grade debtors.

To continue to take into consideration our goal of permanent liquidity and, at the same time, enable an adequate interest margin, the Management Board decided to reduce the restrictions on maturity transformations and supplement the existing short-term treasury portfolio with long-term securities of investment grade debtors. At the time of this report, first additional purchases were already made. The risk limits were revised appropriately for the portfolio monitoring.

In addition, the Management Board decided to build up a portfolio with Hermes-backed loans, which is planned for 2014.

J.P. Morgan AG held sufficient liquidity at all times in 2013. The liquidity ratio is managed conservatively; it reached 1.80 on December 31, 2013, and averaged 1.65 for the year.

Capital Structure

Due to the merger between J.P. Morgan AG and J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH, the liable equity increased by 33 % to € 843 million as compared to December 31, 2012. Per December 31, 2013, the Tier 1 capital ratio was 87.9 % and there was a total capital ratio of 112.7 %. 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 equity capital was composed of the following components as at the reporting date of December 31, 2013:

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

Cash Flow Statement

€T	2013	2012
Cash and cash equivalents position at the end of previous period	8,717,117	0
Cash flow from operating activities	−8,088,590	8,756,611
Cash flow from investment activities	75,881	−39,491
Cash flow from financing activities	−114,068	−3
Effects of exchange rate changes		0
Cash and cash equivalents position at the end of the period	**590,340**	**8,717,117**

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, securitized 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 and tangible assets. Moreover, the cash flows shown here are tied to the merger of J.P. Morgan AG and J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH.

Cash flow from financing activities comprises the disposal of profit participation and the addition of a subordinate loan as a result of the merger with J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH.

FINANCIAL SITUATION

The receivables from our clients reduced, due to a low utilization of short-term overdraft loans and available liquidity as at the reporting date, by € 77 million to € 102 million, and deposits increased by € 631 million to € 6,123 million as at the reporting date. The receivables of the credit institutions reduced due to the low treasury activities by € 4,992 million to € 9,659 million (of which, credit with central banks of € 590 million) and the liabilities decreased by € 5,602 million to € 3,589 million as at the reporting date. The balance sheet total of J.P. Morgan AG thus reduced, reaching € 10,705 million as at the reporting date. The solvency ratio per December 31, 2013 was 112.7, amounting to an average of 47.4 for the year 2013.

There is a securities portfolio with short-term, first-class debtor securities in the amount of the J.P. Morgan AG equity capital. Due to the short duration of the balance sheet, the Bank's financial standing remains extremely strong.

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 from regular business activity. In addition, return on equity, cost-income ratio, and gross 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	2013	2012
Net revenue	105.7	100.1
Net Interest Income	13.9	10.0
Net Commission Income	59.8	50.1
Total expenses	89.7	77.6
Income before Tax and extraordinary items	16.1	22.5
Net Income	9.8	22.5
Equity	**611**	**275**
Return on Equity (RoE) (earnings after tax/average equity capital)	2.21 %	8.16 %
Cost-Income Ratio (net earnings/total expenses)	84.78 %	77.55 %
Gross profit margin (income from regular business/net earnings)	15.22 %	22.45 %
Tier 1 capital ratio	87.90 %	37.80 %
Total capital ratio	112.70 %	71.90 %

The increase in net interest income of 38 % as compared to the previous year was mainly due to a reduction of the interest expense, in consequence of the merger of J.P. Morgan AG and J.P. Beteiligungs- und Verwaltungsgesellschaft mbH. With this special effect, the interest income is relatively stable as compared to the previous year, due to the continuing low base interest and the associated low money market interest rates.

The development of the commission income was positive. Increasing revenue from payment transactions and new client acquisitions in the custodian bank business contributed to a further improvement of the income.

The operative income reduced by 28% compared to 2012. The change was caused by the increased expenses on pension provisions, the effect of the change in interest rate used for the calculation of pension provision commitments, an increase in bank levy fees,, and an increase in expenses for deposit insurance, due to the increased balance sheet total per December 31, 2012. This effect also contributed to an increased cost-income ratio and a reduced gross profit margin. Excluding the income effects of pension plans, the operative business income improved by 23.3% (2012: € 14,767 million; 2013: € 18,215 million), the cost-income ratio by 1.6% (2012: 84.0%; 2013: 82.7%), and the gross profit margin by 8.2% (2012: 16%; 2013: 17%).

Return on Equity (RoE) fell from 8.16 % last year to 2.21 %. Essentially, the increase in equity of J.P. Morgan AG, driven by the merger with J.P. Morgan Beteiligungsgesellschaft mbH and the first-time reporting of tax expenses, also as a result of the merger, contributed to this change. The RoE, if calculated in consideration of the operative income, would result in 4.11 % for 2013.

Our KPIs developed positively overall in all sectors, as compared to the estimates. The interest income was slightly above our expectations overall. The commission income, at 7 % above estimates, clearly increased. The cost-income ratio of 84.78 % is also clearly under the estimates. Correspondingly, the gross profit margin is 29.2 % higher than estimated. In particular, the clearly improved commission income in the Treasury Services sector contributed to this improvement.

As compared with the estimates, the KPIs are classified as satisfactory. In contrast, as compared to the previous year, we cannot be satisfied with the performance.

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.

	2013	2012
Number of payment instructions – high value	8.9 M	8.5 M
Number of payment instructions – low value	38.8 M	35.5 M
Straight-through processing rate	98.17 %	97.99 %
Assets under custody (in € B)	230	216
Customer satisfaction – custodian bank (internal score)	2,550	2,528
Operative losses (in € M)	0	0.1
Fluctuation rate	8 %	10 %
S&P rating	A+	n/a

The non-financial performance indicators could be improved without exception, thanks to the strong client-oriented approach and innovative drive of our employees, the continuing investments in our technology platform, and the constant expansion of our range of services. In the upcoming years, this will also be our strong starting base in the competition as a transaction bank and a Global Custodian.

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 Beteiligungs- und Verwaltungs GmbH (until July 1, 2013) and 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.

Supplementary Report

In the first quarter of 2014, J.P. Morgan AG began to make the first investments in first-class securities with long-term maturities, in order to sustainably reinforce the interest income of J.P. Morgan AG.

Alison Livesey left the Supervisory Board of J.P. Morgan AG per December 31, 2013 and Karl Altenburg per February 13, 2014; Ms. Melanie Martin (nee Wells) was appointed to the Supervisory board on February 4, 2014 and Martin Wiesmann on February 24, 2014.

There were no other events of special significance.

Outlook

SIGNIFICANT OPPORTUNITIES AND RISKS FOR THE UPCOMING FINANCIAL YEARS

In general, we have a growing confidence in the global economy, and especially the economy in Germany and other European countries, in connection with the macroeconomic development with a continued stagnating interest level in the Eurozone.

Also over the next years we expect to see a continuation of the trend toward professionalizing 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 optimization. At the same time, we see a continued trend for the large institutional investors to adapt their investment strategies to an economy which is becoming more and more global and the resulting demand for Global Custodian services.

Furthermore, we see a continued major investment need for banks, in order to be able to implement the opportunities from the Single Euro Payments Area (SEPA) implementation and the requirements under the KAGB in clear Business Propositions for clients and, therefore, competitive advantages on the market. The leading global position of our parent company and the worldwide investments in the technology that forms the basis of our business help us to achieve this goal.

We undertake to provide the greatest customer service possible through the Global Corporate Banking Organization, which has been built up in the last few years and which provides us with a strong, expanded presence in the core markets around the world and an expansion of our product spectrum, particularly in the rapidly developing markets of Asia, the Middle East and Latin America. The reorganization within the Group and the creation of Corporate & Investment Banking as a super-ordinate business area also contributed significantly to the ability to take advantage of 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 of financial markets in such a way as to prevent this from simultaneously restricting economic and capital market activity beyond measure.

We see further risks in the political destabilization 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. In addition, we see the increasing price pressures in the transaction business with many competitors to be a big risk for the business performance of J.P. Morgan AG.

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 the next two years, we expect a further increase in our commission income, whereby we assume that Investor Services will have a bigger share in the expected increase of commission income due to acquisition of new clients. As far as interest income is concerned, as an annual comparison, in 2014 we expect a continuing increase due to the cautious removal of our restrictions concerning maturity transformation in the scope of our risk capacity, despite the assumption of a continuing zero interest policy of the ECB.

Thanks to a continued disciplined cost management, we assume that we can keep our costs for the coming years at the level of the costs in 2013, so we expect a clear improvement in the operative income.

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 zero-interest policy in 2014 as well, and there may be a slight increase in the interest level in mid-2015 at the earliest. We expect that the correspondingly higher margins can be applied to our client investments.

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 2014 and 2015, while we expect stable revenues as compared to 2013 for the Treasury Services division.

In 2014, we expect net revenue of € 104 million, according to preliminary estimates. This reflects our conservative expectations of 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.

Therefore, in 2014, the Return on Equity will be below 2 %, the profit margin is expected to be 11 %, and the cost-income ratio will increase to 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 (1.64 on 03/04/2014), and operates a very strictly limited maturity transformation to achieve an additional interest rate margin.

Risk report

MANAGEMENT AND CONTROLLING

The Management Board of the “Marktfolge” 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 realize 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 liquidity 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 Operational Risk Manager 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 types in the form of partial risk strategies and then substantiated and operationalized using policies, guidelines and working instructions. The integrity 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 types 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 types. 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 organizational 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, defined as allowing the Bank to continue the core business activities even if all items of the defined risk covering potential were consumed through exposure to risks.

In the financial year 2013, the risk-bearing capacity concept of J.P. Morgan AG was revised and a new method was implemented per June 30, 2013. Both the definition of the risk coverage as well as the quantification of the various types of risk were adjusted. 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 is one year. According to the risk inventory credit risks, operational risks and market risks are quantified as relevant risk categories in the risk-bearing capacity. Liquidity risks are part of the integrated stress testing.

			Regulatory			Economic
€M	12/31/2012	06/30/2013	12/31/2013		06/30/2013	12/31/2013
Risk Category						
Credit risk	47.1	106.5	38.1		12.7	5.9
Operational risk	14.1	14.1	14.4		6.7	6.5
Market risk	9.0	6.7	7.4		1.2	0.4
Capital requirement	**70.2**	**127.6**	**59.9**		**20.5**	**12.9**
Risk coverage potential	631.7	631.7	843.2		68.0	69.6

The risk coverage potential is defined primarily based on the reserve for general banking risks, the accrued profit (or loss) for the financial year, and a modified projected profit for the next 12 months, minus a safety cushion deducted for budget variations.

The capital requirement for the occurring risks is quantified based on internal, institute-specific calculation approaches. The actual calculation of the risk-bearing capability is performed on a quarterly basis. The utilization as at December 31, 2013, was 18.5 %. Also, in the scope of integrated stress testing, the risk-bearing capacity was guaranteed, with a maximum utilization of 54.7 %.

Stress scenarios are defined for each risk type to review the risk-bearing capacity. They are interconnected in the scope of integrated macroeconomic stress scenarios. Some of the scenarios are analyzed on a monthly basis, others quarterly. The risk-bearing capability concept and the stress tests are validated on an annual basis.

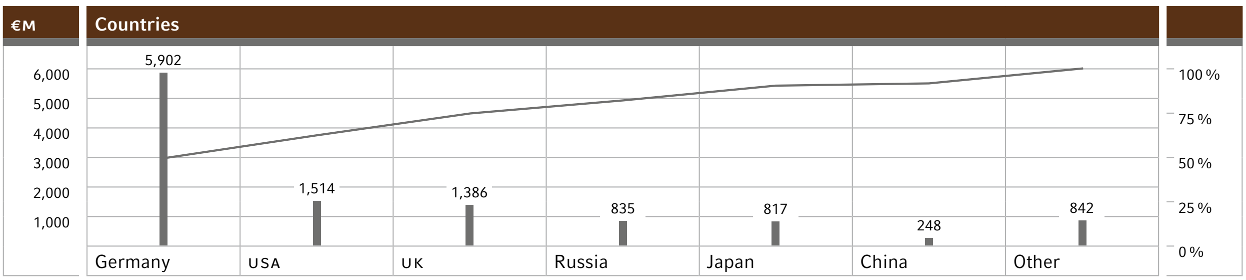
The regulatory capital requirement for the individual risk categories is monitored by the Chief Financial Officer (CFO) on a daily basis and is shown in the table below (all figures given in €M). The economic capital requirement pursuant to the going concern approach is currently calculated by Risk Management on a quarterly basis. We will develop the risk-bearing capability concept further in 2014.

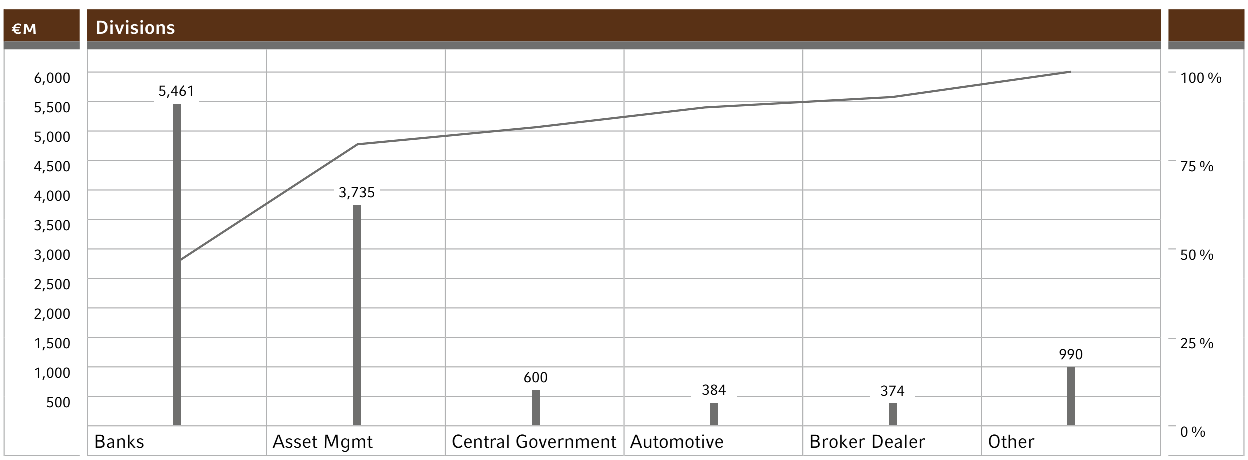
RISK CATEGORIES

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 transactional cash account 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 collateralized 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 regards to its clients and credit products. Moreover, credit organization and processes for risk steering, potential measures to minimize 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 % to calculate the economic capital requirement. As the basis for the Exposure at Default (EAD) the client’s drawing behavior is estimated for the payment transactions account on the basis of historical data, or otherwise market value positions per the 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 behavior, 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 utilization at the account level and/or at the level of single borrower units. The system does not allow unauthorized intra-day limit breaches. Daily activities mainly focus 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 summarized in monthly or quarterly reports to the Management Board.

The chart on page 15 shows the division and country risk concentrations as at December 31, 2013.

Procedures for intensified loan management as well as the treatment of problematic loans exist but did not require application during the financial year 2013.

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 from 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 responsible.

J.P. Morgan AG uses an institute-specific approach for calculating the capital requirements for operational risks as part of the risk-bearing capability considerations. Under this approach, the operational risks are assessed on the product level based on a regular assessment and analysis of the end-to-end processing by all of the control functions at J.P. Morgan AG. The residual risk assessment is then used to derive a rating on the product level. These ratings are allocated a probability of occurrence which is required for the final calculation of the loss potential or the economic capital requirement for J.P. Morgan AG's operational risks. Information from the institutionalized 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 to calculate the amount of the loss event. The assumptions made using this approach are scrutinized during the scenario analysis (stress test) on the product level and their effectiveness on the economic risk capital is reviewed. A summary of the results is presented to the Management Board as part of the quarterly MaRisk reports.

Operational risks are only essentially limited in the framework of business continuity, destined to enable due operation of critical processes, such as to give J.P. Morgan AG the resiliency to recover from an incident which may impact the business. The resiliency risk scenarios include loss of people, unavailability of IT systems as well as the closure of its office building. Corresponding recovery plans have been developed incorporating the Group-wide infrastructure and are tested on a regular basis.

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 commitments in total or when they come 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 analyze 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 utilization 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 analyze 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. 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 solely in treasury management of € liquidity. Market price risks arise from a portfolio of variable interest rate securities. Exchange-rate risks are solely generated through the settlement of FX 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.

$T	Value at Risk
12/31/2013	194
60-Day Trend	211
Average 2013	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 price value (always absolute values) of a basis point interest approach for the market risk in absolute terms over 2013.

$	Basis Point Interest Approach
12/31/2013	6,534
Minimum 2013	266
Maximum 2013	48,053
Average 2013	21,851

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

Treasury & Credit Control is responsible for the daily monitoring of the market price risks. Daily adherence to limits and the impacts on the risk capacity are summarized 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.

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.

Summary

In 2013, the significant increase of the total capital led to an additional improvement of capital available with a total capital ratio of 112.7 % as of December 31, 2013.

This is also reflected in the fundamentally revised risk-bearing capacity in 2013. Per December 31, 2013 the risk-bearing capacity utilization was 18.5 %. Also, in the scope of the integrated stress testing, the risk-bearing capacity over the course of the year was guaranteed at all times with a maximum utilization of 54.7 %.

Additionally, in 2013 J.P. Morgan AG did not see any credit default.

Due to the conservative risk policy and a solid capital base, J.P. Morgan AG continues to be in a very comfortable risk position.

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 summarizes 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 of LiqV and SolvV, the Management Board at J.P. Morgan AG defined a series of limits, that are monitored daily and in a timely manner. These limits are defined in various policies and include aspects such as 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, that cover the J.P. Morgan AG accounting processes focus on the guidelines, procedures and measures taken to ensure the efficacy, economic viability and orderliness of the accounting as well as to guarantee adherence to the key statutory regulations. The internal control system consists of two areas, Control and Monitoring. In organizational 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 P&L statement are examined to assess their correct presentation and risks, and validity is then confirmed. 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 and Supervisory Boards (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.

USE OF IT

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 utilized is regularly assessed and confirmed. As part of the examination of our IT, the group auditors check the due operation of the accounting-relating applications at all computer center locations. The complete IT system, including that for accounting, is secured against unauthorized 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.

Dependency Report

FINAL DECLARATION ON THE REPORT OF THE MANAGEMENT BOARD ON RELATIONSHIPS WITH AFFILIATED COMPANIES PURSUANT TO SECTION 312 AKTG (AKTIENGESETZ [STOCK COMPANIES ACT])

In the 2013 financial year, J.P. Morgan AG was a dependent company of J.P. Morgan International Finance Limited, Newark/Delaware, USA, within the scope of Section 312 AktG in the period from November 4, 2013 to December 31, 2013. Therefore, the Management Board of J.P. Morgan AG issued a Report on Relationships with Affiliated Companies, pursuant to Section 312, Par. 1, AktG, containing the following final declaration:

The company received adequate counter-performance for each legal transaction listed in the Report on Relationships with Affiliated Companies, which were known to the company at the time the transactions were carried out. At the request of or in the interest of the parent company or its affiliated companies measures were neither taken nor refrained from.

Assurance by the Board

We hereby assure that to the best of our knowledge and in line with the applicable accounting principles for interim 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 positions 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, 2014

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

BURKHARD KÜBEL-SORGER

STEFAN BEHR

MICHELLE GRUNDMANN

Financial statements 2013 of J.P. Morgan AG

BALANCE SHEET AS AT DECEMBER 31, 2013 OF J.P. MORGAN AG, FRANKFURT AM MAIN

ASSETS

€					Note	2013 €	2012 €T
Cash reserves							
– Cash on hand				100			–
– Credit with Central banks				590,339,827			8,717,117
incl.: with Deutsche Bundesbank	EUR	590,339,827					8,717,117
					2.1.	**590,339,927**	**8,717,117**
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				–			–
incl.: eligible for refinancing with Deutsche Bundesbank	EUR	–					–
– Bill of exchange				–			–
incl.: eligible for refinancing with Deutsche Bundesbank	EUR	–				–	–
Receivables from credit institutions							
– due daily				8,915,218,078			5,554,994
– other receivables				153,723,614			378,962
					2.2.	**9,068,941,692**	**5,933,956**
Receivables from clients					**2.3.**	**101,985,782**	**178,530**
incl.: secured by mortgage	EUR	–					–
incl.: 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			890,601,570				641,055
including: eligible as collateral at Deutsche Bundesbank	EUR	890,601,570					641,055
from other issuers			–				–
including: eligible as collateral at Deutsche Bundesbank	EUR	–	–				–
				890,601,570			641,055
– own debt securities				–			
Nominal amount	EUR	–		–			–
					2.5.	**890,601,570**	**641,055**

ASSETS (CONTINUED)

€					Note	2013 €	2012 €T
Shares and other non-fixed interest securities						–	–
Investments					2.4.	248,368	244
incl.: in credit institutions	EUR	88,965					89
incl.: in financial services institutions	EUR	–					–
Shares in affiliated companies							
incl.: in credit institutions	EUR	–					–
incl.: in financial services institutions	EUR	–					–
Trust assets							
incl.: fiduciary loans	EUR	–					–
Tangible assets					2.6.	3,618,161	5,305
Other assets					2.7.	7,185,899	3,290
Accrued and deferred expenses					2.8.	698,230	1,205
Excess of plan assets over pension liabilities					2.9.	41,038,999	37,777
Total assets						10,704,658,628	15,518,479

LIABILITIES

€					Note	2013 €	2012 €T
Liabilities due to credit institutions							
– due daily				2,165,325,668			8,023,500
– with agreed maturity or notice period				1,423,759,660			1,167,229
					2.11.	**3,589,085,328**	**9,190,729**
Liabilities due to clients							
– savings							
with agreed notice period of three months			–				–
with agreed notice period of more than three months			–				–
				–			–
– other liabilities							
due daily			5,781,505,844				5,076,970
with agreed maturity or notice period			341,478,451				414,846
				6,122,984,295	**2.12.**	**6,122,984,295**	**5,491,816**
Securitized liabilities							
– issued debt instruments				114,614,423			154,614
– other securitized liabilities				–			–
					2.13.	**114,614,423**	**154,614**
incl.: money market instruments	EUR	–					–
incl.: own acceptances and promissory notes outstanding	EUR	–					–
Trust liabilities						**–**	**–**
incl.: fiduciary loans	EUR	–					–
Other liabilities					**2.14.**	**8,342,471**	**36,649**
Deferred income						**61,158**	**81**
Provisions							
– Provisions for pensions and similar obligations				–			–
– Tax provisions				3,485,507			–
– other provisions				13,104,914			12,792
					2.15.	**16,590,421**	**12,792**
Subordinated liabilities					**2.16.**	**185,988,576**	**150,056**
Profit participation right					**2.17.**	**–**	**150,000**
incl.: maturity after less than two years	EUR	–				–	–

LIABILITIES (CONTINUED)

€			Note	2013 €	2012 €T
Fund for general banking risks			**2.18.**	**56,300,000**	**56,300**
Equity					
– Called-in capital					
Subscribed capital		160,000,000	**2.19.**		**160,000**
minus unclaimed outstanding deposits		–			–
– Capital reserves		411,122,704	**2.19.**		85,663
– 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		9,791,623			–
				610,691,956	**275,441**
Total liabilities				**10,704,658,628**	**15,518,479**
Contingent liabilities					
– Contingent liabilities from rediscounted, settled bills		–			–
– Liabilities from guarantees and indemnity agreements		43,338,366			116,309
– Collateral provided for third-party liabilities		–			–
			2.22.	**43,338,366**	**116,309**
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, 2013 TO DECEMBER 31, 2013

€					Note	2013 €	2012 T€
Interest income from							
– Lending and money-market transactions			15,716,890				35,234
– Fixed-income securities and debt register claims			8,131,590	23,848,480			5,123
Interest expenses				9,951,646			30,320
					3.1.	**13,896,834**	**10,037**
Current income from							
– Equities and other non-fixed-income securities				7,489			–
– Investments				960			9
– Shares in affiliated companies				–			–
						8,449	**9**
Commissions income				60,844,054			54,296
Commissions expenses				1,092,982			4,218
					3.2.	**59,751,072**	**50,078**
Net income from trading portfolio						–	–
Other operating income					**3.3.**	**32,091,340**	**39,920**
General administrative expenses							
– Personnel expenses							
Wages and salaries			25,023,986				23,615
Social security contributions and expenses for pension provisions and benefits			6,445,060	31,469,046			3,929
incl.: for retirement benefits	EUR	3,865,361					1,438
– other administrative expenses				53,310,242			44,463
					3.4.	**84,779,288**	**72,007**
Depreciation, amortization and write-downs of intangible and tangible fixed assets					**2.6.**	**2,469,912**	**2,592**
Other operating expenses					**3.5.**	**2,279,442**	**2,997**
Depreciation and value adjustments in respect of receivables and specific securities and allocations to provisions for credit risks				127,054	**3.7.**		–
Income from allocations to receivables and specific securities as well as allocations to loans-transaction accruals				–	**3.6.**		15
						–127,054	**15**
Depreciation, amortization and write-downs of equity investments, shares in affiliated companies and securities classified as fixed assets				–			–

FOR THE PERIOD FROM JANUARY 1, 2013 TO DECEMBER 31, 2013 (CONTINUED)

€					Note	2013 €	2012 T€
Income from reversals of write-downs, shares in affiliated companies and securities classified as fixed assets				–			–
						–	–
Income from regular business activity						**16,091,999**	**22,463**
Extraordinary income				–			–
Extraordinary expenses				–			–
Extraordinary result						**–**	**–**
Taxes on income and revenue				6,286,663			–
including changes in deferred taxes:	EUR	–					
Other taxes, not indicated under other operating expenses				13,713			14
					3.8.	**−6,300,376**	**−14**
Profit transferred on the basis of profit pooling, profit and loss transfer, or partial profit transfer agreements						–	**22,449**
Annual net profit						**9,791,623**	**–**
Profit/loss carried forward						**–**	**–**
Retained profit						**9,791,623**	**–**

J.P. MORGAN AG, FRANKFURT AM MAIN
NOTES TO THE ANNUAL FINANCIAL STATEMENTS 2013

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 loans business.

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

Given our classification as a corporation focused on the capital market as per section 264d of the HGB (Handelsgesetzbuch [Commercial Code]), we are obliged to prepare a cash flow statement and a schedule of movements in equity.

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 2012 annual financial statements, except for the situations presented below, remained unchanged.

By a framework resolution of the Management Board of J.P. Morgan AG, the securities of the investment assets, reported under "Bonds and other fixed-income securities", were transformed into liquidity reserve with the intention of achieving ongoing revenue in addition to active control of liquidity risks provision. The securities are now assessed per the reporting date according to the strict lowest value principle pursuant to Section 253, Par. 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" and/or "Income from allocations to receivables and specific securities as well as allocations to loans-transaction accruals". Premiums, which are incurred in purchasing the current securities in the portfolio, are linearly depreciated over the remaining life of the respective security and are reported in interest expense. For future purchases of securities for liquidity reserve there will be no depreciation or accrual of premiums or discounts.

Internal institutional criteria for the allocation of securities in the investment and trading books were revised in 2013.

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 recognized in profit or loss in other income.

2. Key accounting and valuation principles and explanations

2.1. CASH RESERVES

€T	12/31/2013	12/31/2012
Cash reserves	**590,340**	**8,717,117**
– Cash on hand	–	–
– Credit with central banks	590,340	8,717,117
incl.: with Deutsche Bundesbank	590,340	8,717,117

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	12/31/2013	12/31/2012
Receivables from credit institutions	**9,068,942**	**5,933,956**
incl.: receivables from affiliated companies	8,838,937	5,916,642
Breakdown by remaining maturity:		
– due daily	8,915,218	5,554,994
– other receivables	153,724	378,962
1. up to three months,	153,724	378,962
2. more than three months to one year,	–	–
3. more than one year up 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	12/31/2013	12/31/2012
Receivables from clients	**101,986**	**178,530**
incl.: receivables from affiliated companies	10,981	9,688
Breakdown by remaining maturity:		
– due daily	10,194	11,359
– undefined maturity	91,038	166,121
– other receivables	754	1,050
1. up to three months,	–	–
2. more than three months to one year,	–	–
3. more than one year and up to five years,	754	1,050
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	12/31/2013	12/31/2012
Investments	**248**	**244**
incl.: 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	12/31/2013	12/31/2012
Bonds and other fixed-interest securities	**890,602**	**641,055**
maturing in the following year	690,415	40,528
Bonds and debt securities		
from public issuers	890,602	641,055
incl.: eligible as collateral with Deutsche Bundesbank	890,602	641,055
including marketable securities	890,602	641,055
listed on the stock exchange	890,602	641,055
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. The premium paid and discount received are capitalized at cost and amortized linearly over the term. Depreciation is reported in the interest income.

By a framework resolution of the Management Board of J.P. Morgan AG, the securities of the investment assets, reported under "Bonds and other fixed-income securities", were transformed into liquidity reserve with the intention of achieving ongoing revenue in addition to active control of liquidity risks provision. The securities are now assessed per the reporting date according to the strict lowest value principle pursuant to Section 253, Par. 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" and/or "Income from allocations to receivables and specific securities as well as allocations to loans-transaction accruals".

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

On the reporting date, there were hidden reserves of € 301,000. Burdens and/or expenses arising from the evaluation of the debt allocations based on the strict lowest value principle at the individual securities level were reported at € 127,000 in the income statement under "Depreciation and value adjustments in respect of receivables and specific securities and allocations to provisions for credit risks".

2.6. CHANGE IN FIXED ASSETS

€T	Other equipment and office equipment	Technical equipment and machinery	Financial assets	Total
Cumulative acquisition cost as at 01/01/2013	**20,383**	**6,565**	**641,212**	**668,160**
Additions	441	551	289,606	290,598
Disposals	−5	−1,758	−930,818	−932,581
Cumulative acquisition cost as at 12/31/2013	**20,818**	**5,358**	**0**	**26,176**
Scheduled depreciation in the current year	2,044	426	4,449	6,919
Cumulated depreciation as at 12/31/2013	18,279	4,279	0	22,558
Residual value as at 12/31/2013	**2,539**	**1,079**	**0**	**3,618**
Residual value as at 12/31/2012	**4,142**	**1,162**	**640,554**	**645,859**

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

Due to the reallocation of the securities of the investment assets into liquidity reserves, they are registered in the fixed assets schedule as disposals for the 2013 financial year.

2.7. OTHER ASSETS

€T	12/31/2013	12/31/2012
Other assets	**7,186**	**3,290**

This is mainly receivables from payment transaction services in the amount of € 1.8 million, € 1.1 million from the active value of reinsurance, € 1.1 million in receivables from capital income tax, and € 0.9 million in turnover tax receivables.

2.8. ACCRUED AND DEFERRED EXPENSES

€T	12/31/2013	12/31/2012
Accrued and deferred expenses	**698**	**1,205**

Accrued and deferred expenses include €696,000 for the monthly pension payments already made in 2013 based on statements.

2.9. EXCESS OF PLAN ASSETS OVER PENSION LIABILITIES

In line with section 246 (2) sentence 2 of the HGB, assets that serve to cover debts from pension obligations and similar long-term obligations must be 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 Prof. Dr. Klaus Heubeck 2005 G mortality tables.

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	12/31/2013	12/31/2012
Valuation parameters (BilMoG)		
– Pension obligations:		
Actuarial interest rate	4.88 %	5.04 %
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	4.88 %	5.04 %
Future increase of benefits	3.00 %	3.00 %
Increase of pension	0.00 %	0.00 %

€		12/31/2013
Pension obligations	01/01/2013	**125,115,366**
Allocations		11,400,064
Allocations from deferred compensation		0
Consumption (pension payments)		−4,882,952
Pension obligations	12/31/2013	**131,632,477**
Assets	01/01/2013	**162,892,105**
Additions		731,074
Disposals		0
Reversal of impairment on part values that have risen again		0
Market valuation in relation to acquisition costs (under other operating income)		9,048,295
Assets	12/31/2013	**172,671,473**
Net pension assets	01/01/2013	**37,776,739**
Net pension assets	12/31/2013	**41,038,999**
Acquisition costs of assets	01/01/2013	117,708,591
Acquisition costs of assets	12/31/2013	118,708,758
Trend for allocations to pension provisions		
Allocations		11,400,064
Proof of expenses for partial retirement under “Wages and salaries”		−228,822
Proof of change in the discount rate and discounting/compounding of pension liabilities under other operative income		−8,502,983
Allocations to pension provisions	01/01/ – 12/31/2013	**2,668,259**

€T	2013
Asset investment measures pursuant to Section 285 No. 26	
– Special Institutional Funds	**JPMC I Universal fund**
Legal basis:	German Investment Act
Risk management approach:	Qualified approach
Basis of the calculation:	Market value (NAV) of the assets
Reinvestment:	Capitalization funds
Section 253, Par. 3, Clause 4:	No amortization, as valued pursuant to section 246 (2) HGB
Term:	No restriction on the daily return
Valuation as per section 36 of the InvG as at balance sheet date:	€ 150,793,000; shares 1,078,462
Capital assets:	Not eligible for listing on the stock exchange/unlisted
– Mutual funds	**JPMorgan Funds – Global Unconstrained Equity**
Legal basis:	German Investment Act
Risk management approach:	Qualified approach
Basis of the calculation:	Market value (NAV) of the assets
Reinvestment:	Capitalization funds
Section 253, Par. 3, Clause 4:	No amortization, as valued pursuant to section 246 (2) HGB
Term:	No restriction on the daily return
Valuation as per section 36 of the InvG as at balance sheet date:	€ 140,500,000; shares 13,956,531
Capital assets:	Not eligible for listing on the stock exchange/unlisted
– Mutual funds	**JPMorgan Series II FUNDS – EUR**
Legal basis:	German Investment Act
Risk management approach:	Qualified approach
Basis of the calculation:	Market value (NAV) of the assets
Reinvestment:	Capitalization funds
Section 253, Par. 3, Clause 4:	No amortization, as valued pursuant to section 246 (2) HGB
Term:	No restriction on the daily return
Valuation as per section 36 of the InvG as at balance sheet date	€ 25,300,000; shares 2,249,516
Capital assets:	Eligible for listing on the stock exchange/listed

All pension assets are held to hedge pension benefits granted to employees. The primary investment target of the funds is to cover long term the 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 securitized 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, no write off is required.

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 (section 253 (2) of the HGB). Income and expenses from discounting and revaluing were entered not netted, depending on whether the provisions were made for loan losses or for non-banking business, under the interest income/interest expense item (section 277 (5) of the HGB) or in other operating income/expenses (section 340a (2) in connection with section 277 (5) of the 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 15.38 % and an industrial tax rate of 16.10 % were assumed. The right available under Section 274, Par. 1, Clause 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. The TRS were concluded in a clear hedging relationship to the respective liability and their effectiveness 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 comparing the market valuation for the liabilities to that of the respective total return swap.

The fair value of all Total Return Swaps at December 31, 2013 was € 20,413,000. 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 at December 31, 2013:

€T	Total Return Swap	Liabilities
Total Return Swaps Overview		
Maturity		
2014	61,812	61,812
2015	68,606	68,606
2016	40,913	40,913
2018	25,000	25,000
2020	150,000	150,000
2022	110,000	110,000

In total, 150 valuation units were formed, and 15 total return swaps established to cover 20 liability items.

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

2.11. LIABILITIES TO CREDIT INSTITUTIONS

€T	12/31/2013	12/31/2012
Liabilities to credit institutions	**3,589,085**	**9,190,729**
incl.: liabilities to affiliated companies	2,294,588	5,428,769
Maturity structure:		
– due daily	2,165,326	8,023,500
– with agreed duration or termination notice	1,423,760	1,167,229
1. up to three months,	1,137,504	879,005
2. more than three months to one year,	–	328
3. more than one year and up to five years,	36,256	37,896
4. more than five years	250,000	250,000

2.12. LIABILITIES TO CLIENTS

€T	12/31/2013	12/31/2012
Liabilities to clients	**6,122,984**	**5,491,816**
incl.: liabilities to affiliated companies	18,697	213,161
Maturity structure:		
– due daily	5,781,506	5,076,970
– with agreed duration or termination notice	341,478	414,846
1. up to three months,	39,227	26,254
2. more than three months to one year,	237,252	298,592
3. more than one year and up to five years,	25,000	–
4. more than five years	40,000	90,000

2.13. SECURITIZED LIABILITIES

€T	12/31/2013	12/31/2012
Securitized liabilities	**114,614**	**154,614**
incl.: acceptances outstanding and promissory notes in circulation		
Maturity structure:		
issued debt instruments	114,614	154,614
– maturing in the following year	114,614	154,614
Other securitized 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	–	–

Securitized liabilities result from bearer debentures issued. The possibility of their termination before maturity was taken into consideration when grouping them by remaining term.

In the financial year 2013, no further debentures were issued.

2.14. OTHER LIABILITIES

€T	12/31/2013	12/31/2012
Other liabilities	**8,342**	**36,649**
consisting of:		
– Profit transfer	0	22,449
– Interest for profit participation rights (J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH)	0	3,860
– Value added tax	3,365	7,165
– Liabilities from deliveries and services	2,323	–
– other liabilities	2,654	3,175

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

2.15. PROVISIONS

€T	12/31/2013	12/31/2012
Provisions	**16,590**	**12,792**
consisting of:		
– Tax provisions	3,485	0
– other provisions	13,105	12,792

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

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

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

Due to the merger between J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft and J.P. Morgan AG, tax provisions for the 2011, 2012, and 2013 fiscal years were reported in this financial year for the first time. The original executive bodies and profit transfer contract was eliminated in the scope of the merger.

2.16. SUBORDINATED LIABILITIES

€T	12/31/2013	12/31/2012
Subordinated liabilities	**185,989**	**150,056**
incl.: subordinated liabilities to affiliated companies	185,989	150,056

The subordinated capital posted at the end of the financial year 2013 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 section 10 (5a) of KWG (Kreditwesengesetz [German Credit Services Act]).

2.17. PROFIT PARTICIPATION RIGHTS

€T	12/31/2013	12/31/2012
Profit participation rights	**0**	**150,000**
Investors: J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH, Frankfurt am Main	0	150,000

At the closing of the agreement on December 21, 2009 J.P. Morgan AG was issued profit-participation rights of € 150,000,000.00, which were held by J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH, Frankfurt am Main. In the scope of the merger between J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH and J.P. Morgan AG, the profit participation rights went to J.P. Morgan AG through collision.

2.18. FUNDS FOR GENERAL BANKING RISKS

€T	12/31/2013	12/31/2012
As at 01/01/2013	**56,300**	**56,300**
Additions	–	–
Disposals	–	–
As at 12/31/2013	**56,300**	**56,300**

2.19. SUBSCRIBED CAPITAL AND CAPITAL RESERVE

The share capital amounts to € 160,000,000 divided into 160,000,000 shares. As part of the merger between J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH and J.P. Morgan AG all 160,000,000 shares were passed on to J.P. Morgan International Finance Limited, Newark/ Delaware, USA. The shares are 100 % paid-in.

The increase in capital reserve by € 325,460,000 is due to the net assets transfer in consequence of the merger of J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH and J.P. Morgan AG.

The right to choose under Section 24, UmwG (Umwandlungsgesetz [Transformation Act]) was exercised.

2.20. OTHER ITEMS DUE TO AFFILIATED COMPANIES

€T	12/31/2013	12/31/2012
Other items due to affiliated companies		
Other assets	5	0
Other liabilities	2,098	3,860
Liabilities from profit transfer	0	22,449

2.21. FOREIGN CURRENCY ASSETS AND LIABILITIES

€T	12/31/2013	12/31/2012
Foreign currency assets and liabilities		
Assets	1,186,739	1,248,319
Liabilities	1,167,155	1,278,376

2.22. CONTINGENT LIABILITIES

€T	12/31/2013	12/31/2012
Contingent liabilities		
Liabilities from guarantees and indemnity agreements	43,338	116,309

Guarantees were secured using cash collateral to the amount of € 7,251.11.

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/ – 12/31/2013	01/01/ – 12/31/2012
Interest income (net)	**13,897**	**10,037**
Interest income from:	**23,848**	**40,357**
Lending and money-market transactions	15,717	35,234
Fixed-income securities and debt register claims	8,132	5,123
Interest expenses:	**9,952**	**30,320**

The interest income has risen by 38 % in comparison to the previous year. The increase is largely due to higher bond inventories and resulting increased interest income, as well as the elimination of the interest expense on participation right due to the merger between J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH and J.P. Morgan AG. The interest expenses for the participation rights issued on December 21, 2009 decreased by € 3,860,000 (expenses in 2013: € 0).

3.2. COMMISSION INCOME

€T	01/01/ – 12/31/2013	01/01/ – 12/31/2012
Commission income (net)	**59,751**	**50,078**

The commission income increased by 19 % 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/ – 12/31/2013	01/01/ – 12/31/2012
Other operating income	**32,091**	**39,920**
of which:		
– Services rendered for Group entities	29,767	31,971
– Miscellaneous other operating income	2,324	7,950

Other operating income mainly includes services performed for Group entities, as well as changes in fair value of the plan assets and income from the plan assets, calculatory interest changes, and effects of discounting/compounding of pension liabilities.

The decrease in other operating income of 20 % in comparison to the previous year is primarily due to the net interest income of € 545,000 (income in 2012: € 7,856,000) from the earnings and the fair value of the plan assets as well as the expenses from the discounting of the pension provisions.

3.4. GENERAL ADMINISTRATIVE EXPENSES

€T	01/01/ – 12/31/2013	01/01/ – 12/31/2012
General administrative expenses	**84,779**	**72,007**
of which:		
Personnel expenses	31,469	27,544
– Wages and salaries	25,024	23,615
– Social security contributions and expenses for pension provisions and benefits	6,445	3,929
• from which for pensions	3,865	1,438
Other administrative expenses	53,310	44,463

The increase in general administrative expenses resulted from increased expenses on pensions and increased contributions to deposit insurance fund, bank fees, and increased services to companies of the Group.

3.5. OTHER OPERATING EXPENSES

€T	01/01/ – 12/31/2013	01/01/ – 12/31/2012
Other operating expenses	**2,279**	**2,997**

Other operating expenses primarily cover expenses on payment transactions.

Other operating expenses include expenses on currency exchange in the amount of € 81,000.

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

€T	01/01/ – 12/31/2013	01/01/ – 12/31/2012
Income from allocations	**0**	**15**

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

€T	01/01/ – 12/31/2013	01/01/ – 12/31/2012
Write-offs of securities in the liquidity reserve	**127**	**0**

By a framework resolution of the Management Board of J.P. Morgan AG, the securities of the investment assets, reported under "Bonds and other fixed-income securities", were transformed into liquidity reserve with the intention of achieving ongoing revenue in addition to active control of liquidity risks provision. The securities are now assessed per the reporting date according to the strict lowest value principle pursuant to Section 253, Par. 4, HGB. Depreciation 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" and/or "Income from allocations to receivables and specific securities as well as allocations to loans-transaction accruals".

On the reporting date expenses arising from the evaluation of the debt allocations based on the strict lowest value principle at the individual securities level were reported at € 127,000 in the income statement under "Depreciation and value adjustments in respect of receivables and specific securities and allocations to provisions for credit risks".

3.7. TAX ON INCOME AND REVENUE AND OTHER TAXES

€T	01/01/ – 12/31/2013	01/01/ – 12/31/2012
Taxes	**6,300**	**14**
Industrial tax	3,404	0
Corporate tax	2,883	0
Other	14	14

In the fiscal year period tax expenses of € 2,258,000 were recorded, resulting from reversal of provisions for 2012.

4. Other information

€T	Market value on 12/31/2013		Market value on 12/31/2012		Market value on 12/31/2011	
	positive	negative	positive	negative	positive	negative
Total Return Swaps	35,834	56,247	27,420	92,720	22,888	85,834

Forward transactions which were not yet settled at the reporting date consisted only of total return swaps. The total return swaps were concluded to hedge against market risks.

4.1. RELATIONS TO AFFILIATED COMPANIES

In the scope of the merger between J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH, Frankfurt am Main, and J.P. Morgan AG, Frankfurt am Main, J.P. Morgan International Finance Limited, Newark/Delaware, USA, is now the shareholder of J.P. Morgan AG.

The profit transfer agreement between J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH, Frankfurt am Main, and J.P. Morgan AG, Frankfurt am Main, lapsed at the time of the merger. A dependency report pursuant to Section 312 AktG is issued. The final declaration in the report of the Management Board on the Relationships with Affiliated Companies is provided in the Management Report.

Per December 31, 2013, the distribution restriction was € 53,963,000.

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 244 employees, distributed as follows:

Number	12/31/2013	12/31/2012
Yearly average	**244**	**248**
Distribution of employees		
Authorized signatories	14	14
Authorized officers	118	127
Commercial employees	112	107

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 € 3,354,000. A large portion of this came from restricted stock units which had a fair value on their grant date of € 240,000. In total, 6,664 units were granted.

The remuneration paid to members of the Supervisory Board amounted to € 7,000.

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 totaled € 20,804,000 as at December 31, 2013. The total remuneration for former members of the Management Board and their dependents amounted to € 703,000.

4.5. FEE EXPENSES[1]

€T	01/01/ – 12/31/2013	01/01/ – 12/31/2012
Total fee expenses for the financial year calculated by the auditors for	**267**	**297**
Services relating to the audit of the financial statements	**189**	**208**
of which, for the previous year	–2	26
of which, expenses in the current financial year	0	2
of which, expenses for creating provisions	192	180
Other audit-related services	**78**	**123**
of which, for the previous year	–3	32
of which, expenses in the current financial year	0	2
of which, expenses for creating provisions	81	89
Tax advisory services	**0**	**–34**
of which, for the previous year	0	–36
of which, expenses in the current financial year	0	2
of which, expenses for creating provisions	0	0

[1] Net expenses, excluding VAT

4.6. EXPLANATORY NOTES ON OTHER FINANCIAL COMMITMENTS

The Company utilizes 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 December 31, 2014.

Management Board
Burkhard Kübel-Sorger Chairperson of the Board (since June 1, 2013), Executive Director, J.P. Morgan AG
Thomas Meyer (till May 31, 2013) Chairperson of the Board, Managing Director, J.P. Morgan AG
Michelle Grundmann (since February 1, 2013) Managing Director, J.P. Morgan AG
Stefan Behr (since June 1, 2013) Managing Director, J.P. Morgan AG
Oliver Berger (until January 31, 2013) Managing Director, J.P. Morgan AG
Supervisory Board
Mark S. Garvin Chairperson, J.P. Morgan Europe Limited, London
Frédéric P. Mouchel (since October 1, 2013) Vice Chairperson, Managing Director, JPMorgan Chase Bank N.A., London Branch
Alexander Caviezel (until September 30, 2013) Vice Chairperson, Managing Director, JPMorgan Chase Bank N.A., Zurich Branch
Karl-Georg Altenburg Senior Country Officer Germany, Austria & Switzerland, Managing Director, JPMorgan Chase Bank N.A., Frankfurt Branch
Alison P. Livesey (until December 31, 2013) Managing Director, JPMorgan Chase Bank N.A., New York
Thomas Freise Employee Representative of J.P. Morgan AG
Christoph Fickel Employee Representative of J.P. Morgan AG

Frankfurt am Main, April 22, 2014

J.P. Morgan AG
Frankfurt am Main
Management Board

BURKHARD KÜBEL-SORGER   STEFAN BEHR   MICHELLE GRUNDMANN

STATEMENT OF CHANGES IN EQUITY 2013

€T	Subscribed capital	Capital reserves	Legal reserves	Other revenue reserves	Balance sheet profit/loss	Profit/loss carried forward	Total	Participation rights capital
As at 01/01/2012	**160,000**	**85,663**	**6,000**	**23,777**	**0**	**0**	**275,441**	**150,000**
Annual net profit for 2012 before appropriation of earnings					22,449		22,449	
Transfer of profits to JPM BV					−22,449		−22,449	
As at 12/31/2012	**160,000**	**85,663**	**6,000**	**23,777**	**0**	**0**	**275,441**	**150,000**
As at 01/01/2013	**160,000**	**85,663**	**6,000**	**23,777**	**0**	**0**	**275,441**	**150,000**
Capital increase from the merger with J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH		325,460					325,460	−150,000
Annual net profit for 2013 before appropriation of earnings					9,791		9,791	
As at 12/31/2013	**160,000**	**411,123**	**6,000**	**23,777**	**9,791**	**0**	**610,692**	**0**

CASH FLOW STATEMENT 2013

T€	12/31/2013	12/31/2012
Annual net profit before profit transfers	**9,792**	**22,449**
Non-cash items included in net income for the year and reconciliation to cash flow from operating activities:		
Depreciation, amortization, adjustments, write-ups to fixed and other assets, changes in provisions and net changes due to hedge accounting	567	−10,677
Change to other non-cash items	–	–
Profit from the sale of assets	–	–
Result from the sale of tangible assets	–	–
Other adjustments (interest income)	−13,905	−10,037
Subtotal	**−3,547**	**1,735**
Change in assets and liabilities from operating activities after adjustment for non-cash items:		
Receivables from credit institutions	−3,134,985	2,836,986
Receivables from clients	76,544	−163,001
Trading securities	–	–
Other assets from operating activities	−3,330	3,232
Liabilities to credit institutions	−5,601,644	5,141,855
Liabilities to clients	631,168	1,021,982
Securitized liabilities	−40,000	−28,893
Other liabilities from operating activities	−28,327	−67,322
Interest and dividends received	23,857	40,357
Interest paid	−9,952	−30,320
Income tax payments/refunds	1,625	–
Cash flow from operating activities	**−8,088,590**	**8,756,612**
Cash flow from investing activities	**75,881**	**−39,491**
Deposits from the sale of:		
Financial assets/positive consolidation difference	40,000	–
Tangible fixed assets	1,764	1,698
Payments for acquisition of:		
Financial assets/positive consolidation difference	−290,350	−41,189
Tangible fixed assets	−992	–
Effects from changes to the consolidated Group of companies	–	–
Payments from mergers within the Group	325,460	–
Cash flow from financing activities	**−114,068**	**−3**
Deposits from capital increases	–	–
Dividend payments	–	–
Changes in funds from other financing activities (subordinated capital)	−114,068	−3
Cash and non cash equivalent at the end of the previous period	**8,717,117**	**0**
Cash flow from operating activities	−8,088,590	8,756,612
Cash flow from investing activities	75,881	−39,491
Cash flow from financing activities	−114,068	−3
Effects from exchange rate changes	–	–
Cash and non cash equivalent at the end of the period	**590,340**	**8,717,117**
Incl.: cash on hand	0	0
Cash in central banks	590,340	8,717,117
Debt instruments of public agencies and bills of exchange, eligible for refinancing with central banks	0	0

AUDITOR'S REPORT

We have audited the annual financial statements comprising the balance sheet, the income statement, the notes to the financial statements, the statement of cash flows and the statement of changes in equity, 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, 2013. 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 Company's Board of Managing Directors, 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, April 22, 2014

PricewaterhouseCoopers
Stock Company
Audit Company

EVA HANDRICK	P.P. MURIEL ATTON
Public Auditor	Public Auditor

SUPERVISORY BOARD REPORT

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 regards to the Bank's economic situation, the business politics, 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

Mr. Oliver Berger left the Board of J.P. Morgan AG on January 31, 2013 and Mr. Thomas Meyer on May 31, 2013. Ms. Michelle Grundmann was appointed to the Board on February 1, 2013 and Mr. Stefan Behr on June 1, 2013. Mr. Burkhard Kübel-Sorger became Chairperson on June 1, 2013.

PERSONNEL CHANGES IN THE SUPERVISORY BOARD

In the 2013 financial year the Supervisory Board was composed of: Mark S. Garvin (Chairperson), Alexander Caviezel (Vice Chairperson till September 30, 2013), Frédérik Mouchel (Vice Chairperson since October 1, 2013), Karl-Georg Altenburg, Alison Livesey as well as the Employee Representatives Christoph Fickel and Thomas Freise.

At the start of the financial year, Ms. Alison Livesey left per December 31, 2013 and Mr. Karl-Georg Altenburg per February 13, 2014. Ms. Melanie Martin (nee Wells) was appointed to the Supervisory Board on February 4, 2014 and Mr. Martin Wiesmann on February 24, 2014.

AUDIT COMMITTEE

On April 28, 2014, in the financial year, the Audit Committee discussed the annual financial statements, the audit report, and on September 9, 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 (Section 124, Par. 3, Clause 2 of the 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 2014 financial year.

ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements and the Management Report for the 2013 financial year, as well as all relevant accounting records 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 28, 2013. 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, 2013 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 determined.

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 28, 2013

The Supervisory Board

MARK S. GARVIN
Chairperson

PUBLISHED BY
J.P. Morgan AG, Frankfurt am Main
Junghofstraße 14
60311 Frankfurt am Main

LAYOUT/DESIGN
HEISTERS & PARTNER, Corporate & Brand Communication, Mainz

PRINTED BY
Druckerei und Verlag Klaus Koch GmbH, Wiesbaden

J.P.Morgan

J.P. Morgan AG, Frankfurt am Main
Junghofstraße 14
60311 Frankfurt am Main