J.P.Morgan

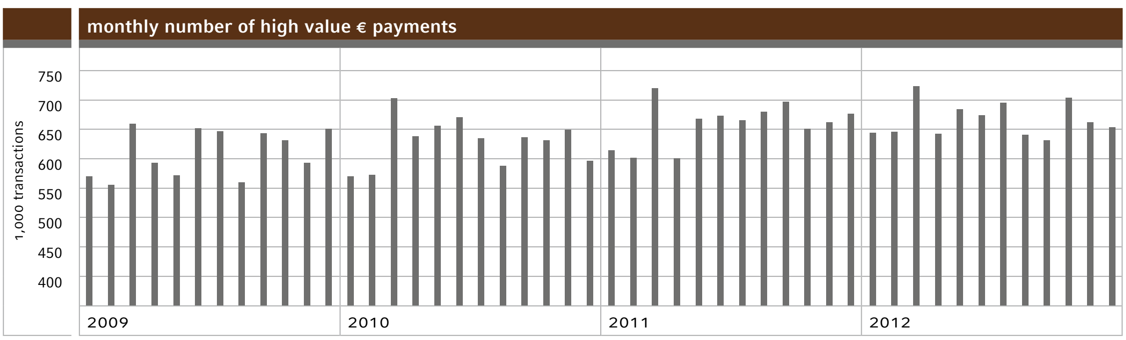
ANNUAL REPORT 2012 OF J.P. MORGAN AG

FINANCIAL HIGHLIGHTS J.P. MORGAN AG

€M	2012	2011	2010	2009
Total net revenue	100.1	99.0	99.7	96.8
Total expenses	77.6	84.7	77.6	80.8
Income before Tax	22.5	14.3	22.1	24.6
Net income	22.5	14.3	22.1	16.0
Equity	**275**	**275**	**305**	**291**
ROE	8.16 %	5.19 %	7.24 %	5.50 %
Overhead ratio	77.55 %	85.55 %	77.83 %	83.46 %
Pretax margin ratio	22.45 %	14.45 %	22.17 %	25.41 %
Tier 1 capital ratio	37.80 %	17.18 %	18.01 %	16.34 %
Total capital ratio	71.90 %	32.17 %	33.56 %	31.13 %

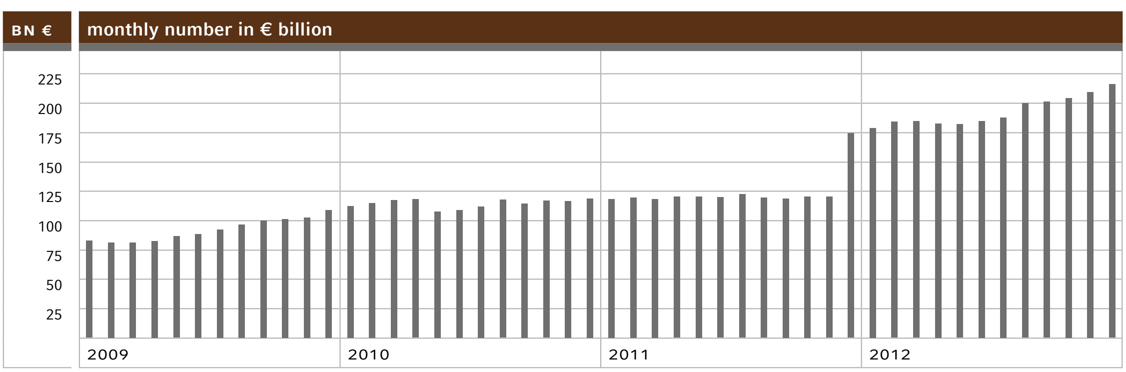
HIGH VALUE PAYMENTS

> PAGE 3: TREASURY SERVICES



ASSETS UNDER CUSTODY

> PAGE 3: WORLDWIDE SECURITIES SERVICES



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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 closely together with various Group affiliates, mainly in liquidity management and in the business segments, providing services to and receiving them from various Group affiliates. J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH in Frankfurt am Main is the direct shareholder of J.P. Morgan AG with which a control and profit/loss transfer agreement exists.

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 2012, the Supervisory Board held four meetings and the Audit Committee held two meetings. The Supervisory Board receives a written risk report on a quarterly basis in compliance with the MaRisk (Minimum Requirements for Risk Management). 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 Worldwide Securities Services in the form of scorecards which contain all of the transactions essential for discussing the business performance in the past month and which also show the development of the divisions' KPIs and KRIs. Similarly, the COO and CFO prepare corresponding presentations on financial performance, complete risk reports, and scorecards of the corporate functions for purposes of discussion, consideration, and passing resolutions. Minutes of the Management Board meetings are recorded by a member of the Legal Department.

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 purposes of discussion, consideration, and passing resolutions. Supervisory Board meeting minutes are taken by the Director 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 the audit report. Minutes of the meeting of the Supervisory Board's Audit Committee are recorded by a member of the Legal Department.

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.

BUSINESS SEGMENTS AND ESSENTIAL PRODUCTS & 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 into J.P. Morgan's global Treasury Services and Worldwide Securities 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 full justice to J.P. Morgan's mission "First class business in a first class way". In 2012, the Bank further continued to concentrate on its core businesses, to develop its Frankfurt base as J.P. Morgan's flagship European bank for € clearing and as global custodian for the German investment market.

At the same time, we have continued to invest in human capital and technology in order to be able to meet the increased demands of global customer service, and provide the full spectrum of products available for transaction banking out of Frankfurt.

TREASURY SERVICES

J.P. Morgan AG is globally responsible for the Group's €-clearing operations. In the coming years, alongside political developments to generate a unified payment area in Europe and ongoing high investments into our technology, we expect to deliver our leading global technology and our client service to a growing number of corporate clients and financial institutions in the mass payment market in Europe, centrally managed from J.P. Morgan AG and in close cooperation with our sister companies, and to achieve substantial business growth. We are continually expanding our top position as a €-clearer in TARGET2 and EBA by offering improved features for our multinational corporate clients and financial institutions both domestically and abroad.

On the basis of these global infrastructure capabilities, our sales teams offer highly-advanced solutions in the areas of cash, treasury and trade finance management and also ECA-covered financing deals, for corporate clients, insurance companies, asset managers, and financial institutions Advanced technology and substantial enlargement of our international footprint within our Global Corporate Banking concept enable our sales teams to offer ever more far-reaching global cash management concepts with notable advantages in the management of liquidity, particularly for our international clients. We have moved forward with our refined concept, and this has allowed us to see continued strong growth with selected, international target clients, above all in global cash management and in trade finance management.

WORLDWIDE SECURITIES SERVICES

Within the Group's global Worldwide Securities Services segment, the Bank plays the role of a fully-licensed custody bank, and has been offering services as a global custodian to German institutional clients since as long as 1995. As a global custodian, the Bank services 152 investment funds across 551 different segments on behalf of its clients. Alongside global custody services relating to securities safekeeping and trade transaction settlement, our extended service range includes diversified products and additional services, in particular client reporting.

Providing a cutting-edge technological infrastructure and ensuring a strong client focus are essential elements of our strategy of generating future organic growth in additional client segments. Through the Internet access portal J.P. Morgan ACCESS℠ we offer clients and asset managers alike countless report compilation opportunities and reporting functions tailored to the needs and wishes of their respective customers while also supplying data and reports. Moreover, our transaction management module provides asset managers and investment companies, who do not have their own link to the S.W.I.F.T. network with direct and efficient access to J.P. Morgan AG when placing their business instructions and payment orders.

SALES MARKETS AND COMPETITIVE POSITION

In Treasury Services, we differentiate between relationship management and our function as global operating hub for Euro-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 elsewhere.

Based on our global worldwide responsibility in the Group for €-Clearing Operations resting with the core team in Frankfurt am Main, and including teams in sister companies of the Group in Mumbai (India) and in Manila (Philippines), J.P. Morgan AG services clients from the multitude of countries in which the J.P.Morgan Group operates. Measured by payment values in TARGET2 and EBA, J.P. Morgan AG is among the largest €-clearers in Germany in terms of the volume of payments settled daily.

In Worldwide Securities Services we offer our services as a custodian bank and custodian institution according to the German Investment Act foremost to special funds under German law and for direct investments by institutional clients, corporate clients and public sector clients in Germany. This also includes subsidiaries based in Germany with parent companies whose headquarters are in other countries. J.P. Morgan AG is one of the leading custodian banks in Germany.

J.P. Morgan AG benefits from the product and technology leadership of the J.P. Morgan Group and its commitment and ability to continually make investments in the foundation it has established; from the strength of a global corporation that can use economies of scale and which pursues innovative product development; and it likewise benefits from the fact that J.P. Morgan AG is in a position to provide the global solutions to its market locally and deliver these with an explicitly local client orientation.

Conversely, J.P. Morgan AG sees itself as facing stiff competition in what is generally a hotly contested and attractive market (in Germany and Austria) that is still suffering from excessive fragmentation, which as a result often leads to undercutting of prices by competitors in a manner not in line with the market.

KEY LEGAL AND BUSINESS FACTORS

With regard to its Treasury Services segment, the business of J.P. Morgan AG is primarily influenced by global economic trends and the level of interest rates, whereas the Worldwide Securities Services segment business is primarily exposed to trends in the world's capital markets. Both key segments depend essentially on regulatory developments for the banking industry.

As we had predicted, in the current financial year, the European Central Bank generally maintained its low interest rate policy, which did not allow for any recovery of interest margins for the business of J.P. Morgan AG. During the current financial year, the global capital markets saw positive development without exaggerations.

INTERNAL CONTROL SYSTEM

In addition to regular meetings of the Management Board and the Supervisory Board, a Local Operating Committee with all key corporate functions represented on it 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 Worldwide Securities Services segments are each managed by one Member of the Board – "Markt" – and are controlled by a Member of the Board – "Marktfolge" – respectively. In addition to the key controlling variables of interest income and commission income, a conservative risk policy that in particular narrowly limits 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 by the means of key risk and key performance indicators on a monthly basis in meetings of business control committees together with the inclusion of international risk managers of the Group. This enables the Management Board to identify changes or risks on an informed basis in a timely manner and to make appropriate decisions and take corrective decisions.

Over and above this, all data representing loan utilization, overdrafts, level of collateral and key ratios according to SolvV and LiqV are produced on a daily basis by the Finance and Credit teams for the Management Board. These reports are continuously being developed to meet the increasing regulatory requirements.

From a regulatory perspective, in anticipation of the additional requirements of MaRisk, J.P. Morgan AG has already created the position of risk manager, therefore taking into account the enhanced importance of risk management.

RELATIONSHIPS WITH RELATED COMPANIES AND PERSONS

With regard to the related companies of J.P. Morgan AG, we have identified our parent company JPMorganChase Bank, N.A., as well as J.P. Morgan Beteiligungs- und Verwaltungs GmbH 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.

BUSINESS DEVELOPMENT

In 2012, J.P. Morgan AG's business in general benefited from the macroeconomic developments, however, our results are still suffering from the zero interest rate policy introduced by the central banks. In comparison to the previous year, the operating earnings of both segments clearly improved in 2012. While the overall net interest income more than halved due to lower interest spreads and zero percentage marks of the ECB, commission income and other operating income grew significantly in comparison to the previous year. The key factors influencing interest income were again reduced spreads that were able to be achieved with the investment of customer deposits. Compared to the target figures for the financial year, the net interest income in 2012 was significantly weaker and the commission slightly weaker than expected. As at the reporting date December 31, 2012, due to business growth in both segments and treasury positions with our parent company, the balance sheet total has increased not insignificantly to € 15.5 billion.

At € 22.4 million, the Bank's total operating profits – results from normal business operations – in 2012 are about 57 % above the previous year's figure. This increase in earnings with only a slight increase in total revenues is primarily due to the fact that the total expenses were markedly lower compared to the previous year. We believe 2012 was a positive year overall since we were able to retain existing business as well as gain new clientele in both business areas as well as successfully expand business with our existing customer base. Even though the Bank once more was able to avoid any credit losses due to its conservative credit policy, the result is satisfactory only with some qualification, as interest income continues to remain below historic levels.

PERSONNEL

The number of J.P. Morgan AG employees barely changed in 2012 and decreased only slightly from 252 to an average of 248. Similar to the previous year, the attrition rate in 2012 was 10 % and thus continued to fluctuate at a normal level. Out of all employees, 15 % made use of flexible work arrangements offered, as compared to 14 % 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 learning and training programs for our staff.

The J.P. Morgan AG human resources policy focuses on the highest level of quality and diversity, and the Bank is simultaneously committing to adjusting to the needs of our employees as far as possible.

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

Earnings, Financial and Assets Position

EARNINGS

Due to the continued business growth, in 2012 J.P. Morgan AG managed to increase commission income sharply. As at December 31, 2012 the commission results were at €50.1 million, approximately 13 % higher than the previous year's value. As we had expected, however, there was continued negative development in net interest income, which at € 10.0 million is approx. 61 % lower than the previous year. The main influences on the net interest income were lower margins that were possible by investing customer deposits in the ECB. Compared to the target figures for the financial year, the net interest income for 2012 was significantly weaker and the commission slightly weaker than expected. The remaining operational revenues increased by 37 % to currently € 39.9 million for 2012.

Under strict cost management and the further use of Group-wide production platforms, J.P. Morgan AG managed to reduce personnel and administrative expenses by 4 % in comparison to the same time last year despite investments in human capital and technology. The result from ordinary activities thus increased significantly by 57 % to €22.4 million.

The result is a return on equity of 8.2 % compared to 5.2 % in the previous year. Taxes on income are consolidated for the Bank and its sole shareholder J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH, Frankfurt am Main, with which a control and profit/loss transfer agreement exists.

FINANCING & LIQUIDITY

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, which continued to show a positive financial position in 2012. 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 deposits-driven business policies in both business segments is placed in short-term deposits either within the Group or at the ECB, with first-class banks or through GC Pooling at EUREX.

In principle, our general objectives indubitably include permanent liquidity and a risk-averse credit policy for the excess liquidity generated. It is our conscious business policy to waive potential opportunities to take higher interest income through increased counterparty risk or through term transformation.

J.P. Morgan AG held sufficient liquidity at all times in 2012. The liquidity ratio is managed conservatively; it reached 1.72 on December 31, 2012, and averaged 1.57 for the year.

Capital Structure

The liable equity has not changed compared to the end of 2011. As at December 31, 2012, the balance sheet gives a Tier 1 capital ratio of 37.8 % and a total capital ratio of 71.9 %. 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, with capital.

J.P. Morgan AG's equity capital was composed of the following components as at the reporting date December 31, 2012:

Tier 1:	€ 332	million share capital, reserves and for general banking risks
Upper Tier 2:	€ 150	million profit participation loan
Lower Tier 2:	€ 150	million subordinated loan
Total Tier 2:	€ 300	million

Off Balance Sheet Business

Within the business of Trade Finance most credit risk exposure in the form of contingent liabilities taken on J.P. Morgan AG's own books continue to be directly collateralized through sister companies within the Group. For the issues made by J.P. Morgan AG, we have, for hedging purposes, completed total return swaps with JPMorgan Chase Bank, N.A.

Cash Flow Statement

€T	2012	2011
Cash position at the end of previous period	0	330,493
Cash flow from operating activities	8,755	−328,985
Cash flow from investing activities	−38	−1,525
Cash flow from financing activities	0	17
Effects of exchange rate changes	0	0
Cash position at the end of the period	**8,717**	**0**

Assets & Liabilities

Receivables from our clients increased by € 163 million to € 179 million owing to reduced utilization of short-term overdraft lines and management of the liquidity; deposits rose by € 1,022 million to € 5,492 million as at the balance sheet date.

Due to treasury activities, assets from banks increased by € 5,880 million to € 14,651 million (including balances with central banks of € 8,717 million) and liabilities increased by € 5,142 million to € 9,191 million as at the balance sheet date.

J.P. Morgan AG's balance sheet thus increased to € 15,518 million as at the balance sheet date. The solvability ratio was at 71.94 as at December 31, 2012 and averaged 41.21 in 2012.

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.

Events After the Reporting Period

At the conclusion of the year 2012, the Management Board has proposed to the Supervisory Board, in order to maintain a reasonable interest margin, to relax the restrictions on maturity transformation and to establish a short-term treasury portfolio with high-quality debtors. This action was approved by the Supervisory Board and so, at the time this Management Report was written, J.P. Morgan AG is establishing a limited portfolio with a narrow, predefined interest rate risk.

On January 31, 2013, Oliver Berger stepped down from the Management Board in order to take on greater responsibility in the Group in London. On February 1, 2013, Michelle Grundmann was appointed member of the Management Board and assumed responsibility of the business for the Worldwide Securities Services division.

No other events of special significance have occurred.

Risk report

MANAGEMENT AND CONTROLLING

The management of the "Back Office" is responsible for risk management at J.P. Morgan AG, with regular reporting to the Management Board, 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.

Control functions which are independent of J.P. Morgan AG's front-office departments 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 member of the board responsible for the "Back Office" – the Chief Risk Officer (CRO).

These include, in particular, the Chief Credit Officer (CCO) for the risk monitoring of credit risks, Treasury & Credit Control for the monitoring of liquidity and market price risks, the Local Operational Risk Manager for monitoring the operational risks and the Risk Manager for overall risk governance.

RISK STRATEGY AND RISK MANAGEMENT

The risk strategy is derived directly from J.P. Morgan AG's business strategy. It is defined by the Management Board 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 defines the risk appetite and allocates 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 categories, from which the responsibilities and competencies of all functions involved are derived.
- The organizational and operational structure of J.P. Morgan AG follows the principle of a clear segregation of duties between Front Office [Markt] and Back Office [Marktfolge] in order to avoid conflicts of interest.
- The Bank has defined and put in place the necessary processes for identifying, aggregating, managing, monitoring and communicating risks in light of 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 risk steering at J.P. Morgan AG. 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. The risk covering potential is defined as the target profit for the subsequent 12 months, less a deduction as a safety buffer for deviations from target.

The capital requirement for the occurring risks is quantified based on internal, institute-specific calculation approaches, where all risk types defined as significant during the risk inventory are taken into consideration. The actual calculation of the risk-bearing capability is currently performed on a quarterly basis. The utilization as at December 31, 2012, was 28.8 %.

Stress scenarios are defined for each risk type to review the risk-bearing capability. Some of the scenarios are analyzed on a monthly basis, others quarterly. We will continue to work on developing our risk-bearing capability and stress-testing concept in 2013. The risk-bearing capability concept and the stress tests are being validated on an annual basis.

The regulatory capital requirement for the individual risk types must be monitored by the Chief Financial Officer (CFO) on a daily basis and is shown for the financial year in the table below (all figures given in millions). The economic capital requirement pursuant to the going concern approach is being calculated by risk management on a quarterly basis. We will develop the risk-bearing capability concept further in 2013.

			Regulatory			Economic
in €T	12/31/2011	06/30/2012	12/31/2012	12/31/2011	06/30/2012	12/31/2012
Risk type						
Credit risk	124.0	111.7	47.1	1.7	2.5	2.6
Operational risk	15.1	14.1	14.1	2.4	2.3	2.2
Liquidity risk	–	–	–	3.8	2.5	1.9
Market risk	15.4	10.9	9.0	0.4	–	–
Capital requirement	**154.5**	**136.7**	**70.2**	**8.3**	**7.3**	6.7
Risk-covering potential	661.8	631.7	631.7	25.3	21.4	23.3

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

Since J.P. Morgan AG does not run an active trading book, other credit risk categories, such as issuer risk, replacement risk and settlement risk, play a minor role for the firm's risk profile.

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 "Markt" and "Marktfolge".

J.P. Morgan AG uses a basic scenario to calculate the economic capital in which a customer's rating and exposure are considered. A series of scenarios with varying gravity are considered during the credit risk stress tests, the scenarios assuming that the customer ratings will worsen considerably overtime. The effects of the default of a portion of the portfolio are also examined. Stress tests and their results are validated on a regular basis. 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 [Kreditnehmereinheit]. The system does not allow unauthorized intra-day limit breaches.

Daily activities mainly focus on the monitoring of intraday lines of credit and overdraft facility usage. A report of exposures, utilizations, all new accounts and facilities, and all changes of existing facilities is being presented daily for approval to the CCO as well as the Management Board. Moreover, compliance with the approved limit structure, the monitoring of J.P. Morgan AG's risk-bearing capability as well as the analysis of the Bank's 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 following charts show the industry and country risk concentrations as at December 31, 2012:

J.P. Morgan AG has procedures for intensified loan management as well as the treatment of problematic loans, but did not require the application of these procedures during 2012.

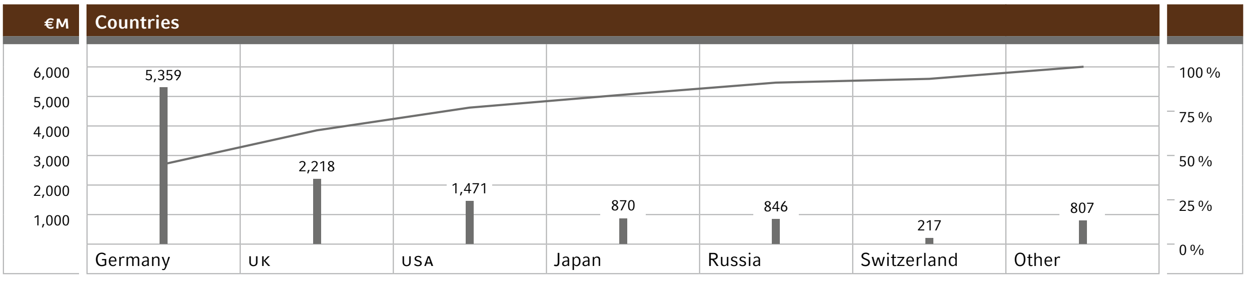
Operational risk

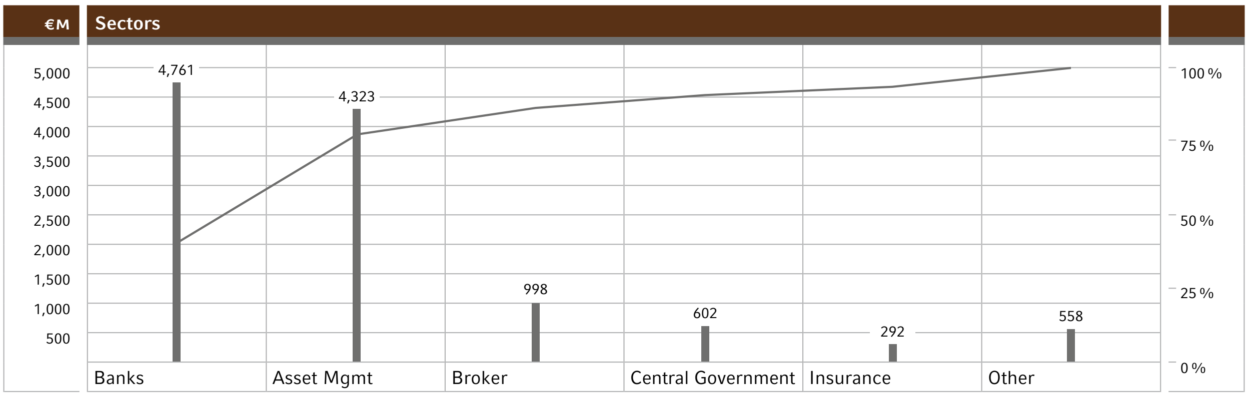
Operational risk is defined under supervisory regulations as the risk of loss resulting from inadequate or failed processes, people and systems, or from external events. This definition also covers legal risks and compliance risks.

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 loss probability on the product level, 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 a liquidity risk exists strictly speaking. However, refinancing risks and market liquidity risks are only very limited due to the business model.

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. Stress scenarios include both the sudden outflow of liquidity as well as a sudden increase in utilization of credit lines. Scenarios are then 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 customers 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 Treasury Policy. Compliance with these policies as well as defined warning thresholds are monitored daily by Treasury & Credit Control, which reports to the CRO.

Market Price Risk

J.P. Morgan AG defines market price risk as the risk of loss due to changed market prices. 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 USD.

The management of market risks is defined by the Management Board in the business and risk strategy and defined more closely by the treasury policy.

Risk positions may only be employed within approved limits; these positions are valued and accordingly monitored on an ongoing basis.

To calculate interest rate risk for its investment book, J.P. Morgan AG uses the price value of a basis point (PVBP). Exceeded limits are generally escalated to the management. In addition to the year-end value, the table below also shows the maximum, minimum and average PVBP for the market risk in absolute terms over 2012.

$	Price Value of a Basis Point Approach
31/12/2012	2,136
Minimum 2012	532
Maximum 2012	35,171
Average 2012	11,209

The impact of a shift of 200 basis points is reviewed as a stress scenario for the interest rate risk. Given the low exposure exchange-rate risks only limits for spot positions exist.

Treasury & Credit Control is responsible for the daily monitoring of the market price risks. Daily adherence to limits and the impact on the Bank's risk capacity is reported to the Management Board of J.P. Morgan AG 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, Operational Risk Management, Legal, 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 and to be involved in any client escalation as early as possible.

Risk Control and Monitoring

Timely, independent and risk-based reporting on credit risks, market price risks, liquidity risk and operational risk is being provided to the management 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 – will create an annual review and audit plan based on the results of the 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 Chairman of the Management Board and is responsible for review of the business operations at J.P. Morgan AG based on a risk-oriented audit approach, which cover all activities and processes at J.P. Morgan AG and thus the outsourced activities as well.

The Group auditing department of JP Morgan 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.

Approval of New Products & Markets

The introduction of new products and the expansion of business into new markets occurs in line with the Group-wide "New Business Initiative Policy". The COO is responsible for 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 and Risk Management as co-ordinated 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, which are then submitted for discussion and approval by the Management Board as a whole. 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 section is responsible for ICS management.

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 an auditing company 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 report 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 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 Standard Boards 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 for the individual financial statements.

Outlook

SIGNIFICANT OPPORTUNITIES AND RISKS FOR THE NEXT TWO YEARS

J.P. Morgan AG is very well positioned to benefit enduringly and over-proportionally in the coming years from various profile-sharpening initiatives that have been carried out in recent years, and from the initiatives in the spheres of corporate governance and risk management, which the Bank constantly adapts to reflect new market and regulatory requirements.

Over the next years we expect to see a continued acceleration of the trend toward professionalizing cash management in companies, pension funds and insurers. This is a result of the need, on the one hand, to accommodate increasingly complex production and supply chains through optimal financial structures; and on the other hand, to meet the increasingly complex demands of liquidity management (including risk management and revenue enhancement). At the same time, we see the trend toward the growth of increasingly large institutional investors, who will be forced to adapt their investment strategies for an economy which is becoming more and more global – resulting in increased demand for Global Custodian services.

This outlook is supported by the leading global position of J.P. Morgan, and the Group's continued investment in the technology used in our business, and not least our constant local effort to provide the highest-quality services, the best people management and a prime customer focus.

Thus, the Bank continues to work toward acquiring new customers, as well as to expand its business with existing customers. We see huge opportunity in the global expansion of our Global Corporate Banking franchise, which will provide us with a strong, expanded presence in the core markets around the world for years to come and an expansion of our product spectrum (particularly in rapidly developing markets such as Asia, the Middle East and Latin America).

Risks to our business are, in our view, limited to a potential overreaction of regulators after the experience of the financial crisis. 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 avoid negative consequences for economic and capital market activity. We also consider the fragmentation of the transaction bank market, within which individual companies are trying to hold on to the market using sub market pricing, to be a further risk factor.

From today's perspective and considering the Bank's business model and its ongoing strategic planning and control, we consider the risks from a possible worsening of the sovereign debt crisis to be manageable and with only limited effect on the Bank's target results.

Expectations for the Bank's future performance

Staying with our ongoing and consistent conservative risk policy, we do not expect risk-related losses for the next two years, even from a slowdown of the economy as a result of the European sovereign debt crisis and/or declining economic dynamics in China.

We expect our commission income to increase further even with the dynamics of slowing economic and capital market activity on the basis of further business growth in 2013. With regard to interest income, for 2013 we expect no change from the previous year under the condition of the ECB's continued zero interest rate policy and a cautious opening of our restrictions regarding the maturity transformation as part of our risk capacity. The budget forecasts a decrease to €12.6 million in 2013 in operating income excluding special items and above all due to increasing pension costs. In 2014, a resurgent interest result with improved interest margins and the planned business growth in commission income should yield a result of €25.7 million.

Assumptions

These expectations are based on our assumption of a temporary slight slowing of the economy, followed by a renewed increase in growth rates even in 2013 and the following years as well as a difficult, yet ultimately successful, management of the various risks and crises due to the policies. We now believe that the ECB will only be able to start an exit strategy at the end of 2013 at the earliest, such that we do not expect to see a significant increase in interest rate levels in 2013 that would allow for correspondingly higher margins on our customer deposits.

Development of Segments

Based on the scenario described above we will continue to implement rigorous cost discipline in both segments, which will include additional efficiency optimization achieved by outsourcing individual functions.

This will give us the space we need for additional investments in technology in order to continuously improve our global offering. We have already begun enhancing efficiencies over the past few years without sacrificing the quality of our services or the investments into technology. We will maintain our efforts to acquire new customers and we are committed to successfully growing our customer business in both segments.

Our budget assumes a 7 % increase in total revenue for the World Securities Services division for 2013 and 15 % for 2014; the planned growth rates for the Treasure Services division is 0 % for 2013 and 21 % for 2014. In both divisions, the sharp increase in 2014 is due to our interest rate forecasts.

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 will continue to manage a high liquidity ratio, which came to 1.70 (as at 03/04/2013), and will continue to stay away from term transformation to achieve additional interest rate margin.

Assurance by the Board

We hereby assure that to the best of our knowledge and in line with the applicable accounting principles for financial reporting, this report offers a fair picture of the Bank's assets, financial/liquidity and earnings situation that corresponds to the facts and that the course of business, the business results and the Bank's 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 12, 2013

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

THOMAS MEYER MICHELLE GRUNDMANN

BURKHARD KÜBEL-SORGER

Financial statements 2012 of J.P. Morgan AG

BALANCE SHEET AS AT DECEMBER 31, 2012 OF J.P. MORGAN AG, FRANKFURT AM MAIN

ASSETS

€					Note	2012 €	2011 €T
Cash reserves							
– Cash on hand				100			–
– Credit with Central banks				8,717,117,192			–
incl.: with Deutsche Bundesbank	EUR	8,717,117,192					–
					2.1.	**8,717,117,292**	**0**
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	–				–	–
Due from banks							
– due on demand				5,554,993,972			8,384,514
– other receivables				378,962,235			386,429
					2.2.	**5,933,956,207**	**8,770,943**
Receivables from clients					**2.3.**	**178,530,090**	**15,529**
incl.: secured by mortgage	EUR	–					–
incl.: Municipal credits	EUR	–					–
Bonds and other fixed-interest securities							
– Money market instruments							
from public issuers			–				–
from other issuers			–				–
				–			**–**
– bonds and debt securities							
from public issuers			641,054,525				601,792
incl.: eligible as collateral with Deutsche Bundesbank	EUR	–					–
from other issuers			–				–
incl.: eligible as collateral with Deutsche Bundesbank	EUR	–	–				–
				641,054,525			601,792
– own debt securities				–			
nominal amount	EUR	–		–			–
					2.5.	**641,054,525**	**601,792**

ASSETS (CONTINUED)

€					Note	2012 €	2011 €T
Shares and other non fixed-interest securities						–	–
Investments					2.4.	244,499	244
incl.: to banks	EUR	88,965					89
incl.: to financial services institutions	EUR	–					–
Shares in affiliated companies							
incl.: to banks	EUR	–					–
incl.: to financial services institutions	EUR	–					–
Trust assets							
incl.: fiduciary loans	EUR	–					–
Tangible assets					2.6.	5,304,515	7,463
Other assets					2.7.	3,289,859	4,871
Prepaid and deferred expenses					2.8.	1,205,194	1,678
Net pension assets					2.9.	37,776,739	23,741
Total assets						15,518,478,920	9,426,261

LIABILITIES

€					Note	2012 €	2011 €T
Liabilities due to banks							
– due on demand				8,023,500,032			2,872,459
– with agreed maturity or notice period				1,167,229,269			1,176,415
					2.11.	**9,190,729,301**	**4,048,874**
Liabilities due to clients							
– savings							
with agreed period of notice of three months			–				–
with an agreed notice period of more than three months			–				–
				–			–
– Other liabilities							
due on demand			5,076,969,928				3,960,290
with agreed maturity or notice period			414,845,994				509,544
				5,491,815,922	**2.12.**	**5,491,815,922**	**4,469,834**
Securitized liabilities							
– issued debt instruments				154,614,423			183,507
– other securitized liabilities				–			–
					2.13.	**154,614,423**	**183,507**
incl.: money market instruments	EUR	–					–
incl.: own acceptances and promissory notes outstanding	EUR	–					–
Trust liabilities						–	–
incl.: fiduciary loans	EUR	–					–
Other liabilities					**2.14.**	**36,649,226**	**80,814**
Deferred income						**81,038**	**30**
Provisions							
– Provisions for pensions and similar obligations				–			–
– Tax provisions				–			–
– Other provisions				12,792,117			11,402
					2.15.	**12,792,117**	**11,402**
Subordinated debt					**2.16.**	**150,056,121**	**150,059**
Profit participation right					**2.17.**	**150,000,000**	**150,000**
incl.: maturity after less than two years	EUR	–				–	–

LIABILITIES (CONTINUED)

€			Note	2012 €	2011 €T
Fund for general banking risks			**2.18.**	**56,300,000**	**56,300**
Equity					
– Called-in capital					
Subscribed capital		160,000,000			160,000
minus unclaimed outstanding deposits		–			–
– Capital reserves		85,663,143			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		–			–
				275,440,772	275,441
Total equity and liabilities				**15,518,478,920**	**9,426,261**
Contingent liabilities					
– Contingent liabilities from rediscounted, settled bills		–			–
– Liabilities from guarantee and indemnity agreements		116,309,414			127,687
– Collateral furnished for third-party liabilities		–			–
			2.22.	**116,309,414**	**127,687**
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 PERIOD JANUARY 1, 2012 TO DECEMBER 31, 2012

€					Note	2012 €	2011 €T
Interest income from							
– Lending and money-market transactions			35,233,772				117,201
– Fixed-income securities and debt register claims			5,123,416	40,357,188			8,468
Interest expenses				30,320,338			100,290
					3.1.	**10,036,850**	**25,379**
Current income from							
– equities and other non-fixed-income securities;				–			–
– Investments				8,757			9
– Interests in affiliated companies				–			–
						8,757	**9**
Commission income				54,295,851			49,176
Commission expenses				4,218,011			4,789
					3.2.	**50,077,840**	**44,387**
Net income from the trading portfolio						–	–
Other operating income					3.3.	**39,920,156**	**29,179**
General administrative expenses							
– Personnel expenses							
Wages and salaries			23,615,488				24,291
Social security contributions and expenses for pension provisions and benefits			3,928,628	27,544,116			3,260
incl.: for retirement benefits	EUR	1,438,125					595
– Other administrative expenses				44,462,504			47,329
					3.4.	**72,006,620**	**74,880**
Depreciation, amortization and write-downs of intangible and tangible fixed assets						**2,591,987**	**2,587**
Unscheduled depreciation and amortization	EUR	–					
Other operating expenses					3.5.	**2,997,157**	**7,218**
Depreciation and value adjustments in respect of receivables and specific securities and allocations to provisions for credit risks				–			–
Income from allocations to receivables and specific securities as well as allocations to loans-transaction accruals				15,071			33
					3.6.	**15,071**	**33**
Depreciation, amortization and write-downs of equity investments, shares in affiliated companies and securities classified as fixed assets				–			–

FOR PERIOD JANUARY 1, 2012 TO DECEMBER 31, 2012 (CONTINUED)

€		Note	2012 €	2011 €T
Income from reversals of write-downs equity investments, shares in affiliated companies and securities classified as fixed assets	–			–
			–	–
Net Operating Income			**22,462,910**	**14,302**
Extraordinary income	–			–
Extraordinary expenses	–			–
Extraordinary result			**–**	**–**
Taxes on income	–			–
Other taxes not indicated in Other operating expenses	14,223			14
			– 14,223	**– 14**
Profit transferred on the basis of profit pooling, profit and loss transfer, or partial profit transfer agreements		**2.14.**	**22,448,687**	**44,248**
Net income			**–**	**– 29,960**
Profits carried forward			**–**	**29,960**
Unappropriated profit			**–**	**–**

J.P. MORGAN AG, FRANKFURT AM MAIN
NOTES TO THE ANNUAL FINANCIAL STATEMENTS 2012

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 (HGB) 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, 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 are unchanged over the prior year.

1.2. CHANGED ACCOUNTING AND VALUATION METHODS

The accounting and valuation methods for the annual financial statements were applied unchanged from 2011.

1.3. FOREIGN CURRENCY TRANSLATION

Foreign-currency receivables and liabilities have been converted using the European Central Bank reference rates applicable at year-end. Transactions denominated in foreign currency were 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	12/31/2012	12/31/2011
Cash reserves	**8,717,117**	**0**
– Cash on hand	–	–
– Credit with Central banks	8,717,117	0
incl.: with Deutsche Bundesbank	8,717,117	0

Cash and cash equivalents are recognized at nominal value. As at the reporting date, there is € 100 in cash and cash equivalents in the cash on hand and liquidity was invested with Deutsche Bundesbank.

2.2. RECEIVABLES FROM BANKS

€T	12/31/2012	12/31/2011
Due from banks	**5,933,956**	**8,770,943**
incl.: receivables from affiliated businesses	5,916,642	8,752,529
Breakdown by remaining maturity:		
– due on demand	5,554,994	8,384,514
– other receivables	378,962	386,429
1. up to three months,	378,962	386,429
2. three months to one year,	–	–
3. more than one year and up to five years,	–	–
4. more than five years	–	–

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

2.3. RECEIVABLES FROM CLIENTS

€T	12/31/2012	12/31/2011
Receivables from clients	**178,530**	**15,529**
incl.: receivables from affiliated businesses	9,688	1,261
Breakdown by remaining maturity:		
– due on demand	11,359	–
– undefined maturity	166,121	14,190
– other receivables	1,050	1,339
1. up to three months,	–	–
2. three months to one year,	–	–
3. more than one year and up to five years,	1,050	1,339
4. more than five years	–	–

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

2.4. INVESTMENTS

€T	12/31/2012	12/31/2011
Investments	**244**	**244**
incl.: to banks	89	89

The investments were recorded at acquisition cost. There is a contingent obligation to make an additional contribution of € 600,000 under the participation.

2.5. BONDS AND OTHER FIXED-INTEREST SECURITIES

€T	12/31/2012	12/31/2011
Bonds and other fixed-interest securities	**641,055**	**601,792**
maturing in the following year	–	–
bonds and debt securities	–	–
from public issuers	641,055	601,792
incl.: eligible as collateral with Deutsche Bundesbank	641,055	601,792
including marketable securities	641,055	601,792
listed on the stock exchange	641,055	601,792
unlisted	–	–

This item only shows listed bonds that are to be held until maturity and are therefore classified as part of the banking book.

Bonds and other fixed-interest securities are valued at acquisition cost. The premium paid on acquisition was capitalized and amortized at acquisition cost over its term using the straight line basis. The amortization is recognized in net interest income.

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

As at the reporting date, unrealized gains amounted to €728,000.

2.6. CHANGE IN FIXED ASSETS

€T	Other equipment and office equipment	Technical equipment and machinery	Financial assets	Total
Cumulative acquisition cost as at January 1, 2012	**20,380**	**7,752**	**600,772**	**628,905**
Additions	99	414	40,440	40,953
Disposals	97	1,601	0	1,698
Cumulative acquisition cost as at December 31, 2012	**20,382**	**6,565**	**641,212**	**668,160**
Scheduled depreciation in the current year	2,062	529	447	3,038
Cumulated depreciation as at December 31, 2012	16,240	5,403	658	22,301
Residual value as at December 31, 2012	**4,142**	**1,162**	**640,554**	**645,859**
Residual value as at December 31, 2012	**6,106**	**1,357**	**600,561**	**608,023**

Tangible assets are posted at purchase cost less scheduled straight-line depreciation. The addition of minor-value assets is valued and written back in line with section 6(2a) German Income Tax Act (EStG).

2.7. OTHER ASSETS

€T	12/31/2012	12/31/2011
Other assets	**3,290**	**4,871**

This relates primarily to €1.4 million from the asset value of the pension liability insurance.

2.8. PREPAID AND DEFERRED EXPENSES

€T	12/31/2012	12/31/2011
Prepaid expenses	**1,205**	**1,678**

Prepaid expenses include € 703,000 resulting from the demarcation of the advance payment for the deposit insurance fund and € 499,000 for the monthly pension prepayments which were already paid in 2012 in order to achieve timely settlement.

2.9. NET PENSION ASSETS

In line with section 246 (2) sentence 2 of the HGB, assets that serve to cover debts from pension obligations and similar non-current 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". No use was made of the transitional option as per section 67(1) EGHGB. The actuarial report was calculated using the Prof. Klaus Heubeck 2005 G mortality tables.

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

€T	12/31/2012	12/31/2011
Valuation parameters (BilMoG)		
– for pension obligations:		
Actuarial interest rate	5.04 %	5.14 %
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	5.04 %	5.14 %
Future increase of benefits	3.00 %	3.00 %
Increase of pension	0.00 %	0.00 %

€		12/31/2012
Pension obligations	**01/01/2012**	**124,129,288**
Allocations		6,474,981
Allocations from deferred compensation		409,287
Consumption (pension payments)		−5,898,188
Pension obligations	**12/31/2012**	**125,115,366**
Assets	**01/01/2012**	**147,869,887**
Additions		749,369
Disposals		0
Reversal of impairment on part values that have risen again		0
Market valuation in relation to acquisition costs (under other operating income)		14,272,849
Assets	**12/31/2012**	**162,892,105**
Net Pension Assets	**01/01/2012**	**23,740,599**
Net Pension Assets	**12/31/2012**	**37,776,739**
Acquisition cost – assets	**01/01/2012**	**116,942,778**
Acquisition cost – assets	**12/31/2012**	**117,708,591**
Trend for allocations to pension provisions		
Allocations		6,474,981
Interest income statement (under other operating income)		7,856,995
Payments recognized as an expense		26,258
Market valuation in relation to the previous year		−14,272,849
Allocations to pension provisions	**01/01/2012 – 12/31/2012**	**85,385**

	2012
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 (3) sentence 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	€ 145,209,000; shares 1,078,462
Capital assets:	Not eligible for listing on the stock exchange / unlisted
– Mutual funds	**JPM GLOBAL BOND FUND (EUR) – C (ACC) – 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 (3) sentence 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:	€ 84,975,000; shares 558,312
Capital assets:	Eligible for listing on the stock exchange / listed
– 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 (3) sentence 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:	€ 29,289,000; shares 3,318
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 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 measured at the lower of cost and market value [strenges Niederstwertprinzip].

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. However, the provision methodology does not anticipate losses from future business.

Interest driven business, in the banking book, is valued using the periodical approach (P&L based method). In accordance with this method, no write off is required.

Provisions are 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 are 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).

Valuation units were set up for registered bonds, bearer bonds and debentures issued that are hedged by total return swaps against market price risk. The TRS are concluded in a clear relationship to the respective liability and their effectiveness tested. Owing to the clear hedge relationship, the transactions involved are micro-hedges that represent an efficient and perfect hedge 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 liability to that of the respective total return swap.

The fair value of all Total Return Swaps at 12/31/2012 was € 65,300,000. Valuation was carried out using internal models. The Group uses valuation techniques to establish the fair value of instruments where prices quoted in active markets are not available. Therefore, where possible, parameter inputs to the valuation techniques are based on observable data derived from prices of relevant instruments traded in an active market. These valuation techniques involve some level of management estimation and judgment, the degree of which will depend on the price transparency for the financial instrument or market and the instrument's complexity.

The term of the individual TRS matches that of the liabilities hedged and was as follows at 12/31/2012:

€T	Total Return Swap	Liabilities
Total return swaps – overview		
Maturity		
2013	41,653	41,653
2014	62,592	62,592
2015	70,838	70,838
2016	43,397	43,397
2018	90,000	90,000
2020	150,000	150,000
2022	110,000	110,000

In total, 21 valuation units were formed, and 21 total return swaps established to cover 28 liability items.

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

2.11. LIABILITIES DUE TO BANKS

€T	12/31/2012	12/31/2011
Liabilities to banks	**9,190,729**	**4,048,874**
incl.: Liabilities to affiliated companies	5,428,769	1,969,421
Structure of maturities:		
– due on demand	8,023,500	2,872,459
– with agreed maturity or notice period	1,167,229	1,176,415
1. up to three months,	879,005	886,433
2. more than three months up to one year,	328	–
3. more than one year and up to five years,	37,896	39,982
4. more than five years	250,000	250,000

2.12. LIABILITIES DUE TO CLIENTS

€T	12/31/2012	12/31/2011
Due to clients	**5,491,816**	**4,469,834**
incl.: Liabilities to affiliated companies	213,161	175,737
Structure of maturities:		
– due on demand	5,076,970	3,960,290
– with agreed maturity or notice period	414,846	509,544
1. up to three months,	26,254	57,673
2. more than three months up to one year,	298,592	319,994
3. more than one year and up to five years,	–	41,877
4. more than five years	90,000	90,000

2.13. SECURITIZED LIABILITIES

€T	12/31/2012	12/31/2011
Securitized liabilities	**154,614**	**183,507**
incl.: own acceptances and promissory notes in circulation		
Structure of maturities:		
issued debt instruments	154,614	183,507
– maturing in the following year	154,614	183,507
Other securitized liabilities with agreed maturity or notice period	–	–
1. up to three months,	–	–
2. from three months up 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 2012 no further debentures were issued.

2.14. OTHER LIABILITIES

€T	12/31/2012	12/31/2011
Other liabilities	**36,649**	**80,814**
consisting of:		
– Profit transfer	22,449	44,248
– Interest for profit participation rights (J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH)	3,860	5,020
– Value added tax	7,165	5,147
– Other liabilities	3,175	26,398

The interest for the profit participation rights was paid to J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH, Frankfurt am Main. In accordance with section 268 (8) sentence 3 of the HGB, a profit and loss transfer of €22,449,000 will be made by December 31, 2012.

2.15. PROVISIONS

€T	12/31/2012	12/31/2011
Provisions	**12,792**	**11,403**
of which are for		
– other provisions	12,792	11,403

The provisions carried contain all obligations discernible as at the balance sheet 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. Klaus Heubeck 2005 G mortality tables and in line with the valuation method as per section 253 (1) of the HGB.

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

2.16. SUBORDINATED DEBT

€T	12/31/2012	12/31/2011
Subordinated debt	**150,056**	**150,059**
incl.: Subordinated debt to affiliated companies	150,056	150,059

The subordinated capital posted at the end of 2012 amounted to €150,000,000 incorporated on December 21, 2009. Interest payments are made quarterly starting on December 21, 2009. Interest is calculated on the basis of the respective three-month EURIBOR (European InterBank Offered Rate). The subordinated capital is due on December 21, 2039. In the event of insolvency, all remaining lenders will be serviced in order of priority. There are no early repayment obligations.

The subordinated debt meets the requirements of section 10 (5a) of the German Banking Act (KWG).

2.17. PROFIT PARTICIPATION RIGHTS

€T	12/31/2012	12/31/2011
Profit participation rights	**150,000**	**150,000**
Investors: J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH, Frankfurt am Main	150,000	150,000

As per contractual agreement of December 21, 2009 J.P. Morgan AG issued new profit-participation rights of € 150,000,000.00, which are held by J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH, Frankfurt am Main.

2.18. FUNDS FOR GENERAL BANKING RISKS

€T	12/31/2012	12/31/2011
As at 01/01/2012	**56,300**	**56,300**
Additions	–	–
Disposals	–	–
As at 12/31/2012	**56,300**	**56,300**

2.19. SUBSCRIBED CAPITAL

The capital stock is € 160,000,000, subdivided into 160,000,000 unit shares. All 160,000,000 unit shares are held by J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH, Frankfurt am Main, and are 100 % paid in.

2.20. OTHER ITEMS DUE TO AFFILIATED COMPANIES

€T	12/31/2012	12/31/2011
Other items due to affiliated companies		
Other assets	0	1,216
Other liabilities	3,860	7,659
Liabilities from profit and loss transfer	22,449	44,248

2.21. FOREIGN CURRENCY ASSETS AND LIABILITIES

€T	12/31/2012	12/31/2011
Foreign currency assets and liabilities		
Assets	1,248,319	1,378,831
Liabilities	1,278,376	1,252,360

2.22. CONTINGENT LIABILITIES

€T	12/31/2012	12/31/2011
Contingent liabilities		
Liabilities from guarantee and indemnity agreements	116,309	127,687

Guarantees were secured using cash collateral to the amount of €7,654.63.

The guarantees are generally covered by counterguarantees.

There are no significant call risks.

3. Explanatory Notes to the Income Statement

3.1. NET INTEREST INCOME

€T	01/01–12/31/2012	01/01–12/31/2011
Net interest income	**10,037**	**25,379**
Interest income from:	**40,357**	**125,669**
Lending and money-market transactions	35,234	117,201
Fixed-income securities and debt register claims	5,123	8,469
Interest expenses:	**30,320**	**100,290**

The interest income has fallen by 61 % in comparison to the previous year. The decrease is largely due to the sharp decrease in interest rates. Furthermore, the interest expense for the profit participation rights issued on December 21, 2009 decreased by € 1,160,000 (expenses in 2012: € 3,860,000).

3.2. NET COMMISSION INCOME

€T	01/01–12/31/2012	01/01–12/31/2011
Net commission income	**50,078**	**44,387**

The net commission income increased by 13 % in comparison to the previous year. In particular, increasing income from payment transactions and customer acquisition in the custodian bank business have contributed positively to this increase.

3.3. OTHER OPERATING INCOME

€T	01/01–12/31/2012	01/01–12/31/2011
Other operating income	**39,920**	**29,179**
of which are from:		
– Services rendered for Group entities	31,971	27,412
– Miscellaneous other operating income	7,950	1,767

Other operating income mainly includes services performed for Group entities, the net income from foreign currency transactions as well as changes in fair value of the plan assets and income from the plan assets.

The increase in other operating income of 37 % in comparison to the previous year is primarily due to the net interest income of € 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.

The miscellaneous other operating income includes earnings from foreign currency translations in the amount of € 45,000.

3.4. GENERAL ADMINISTRATIVE EXPENSES

€T	01/01–12/31/2012	01/01–12/31/2011
General administrative expenses	**72,007**	**74,880**
of which are for:		
Personnel expenses	27,544	27,551
– Wages and salaries	23,615	24,291
– Social security contributions and expenses for pension provisions and benefits	3,929	3,260
• from which are for pensions	1,438	599
Other administrative expenses	44,463	47,329

The decrease in general administrative expenses results from a back payment of ancillary costs in 2011, lower duties and moderate savings on variable costs.

3.5. OTHER OPERATING EXPENSES

€T	01/01–12/31/2012	01/01–12/31/2011
Other operating expenses	**2,997**	**7,218**

Other operating expenses primarily cover expenses for payment transactions.

The change in this item in the comparable period results primarily from the negative net interest income shown in other operating expenses in the previous year which was recognized by remeasuring the pension obligations and the related plan assets in the other operating income.

3.6. AMORTIZATION AND VALUE IMPAIRMENTS ON RECEIVABLES AND SPECIFIC SECURITIES AS WELL AS ALLOCATIONS TO LOANS-TRANSACTION ACCRUALS

€T	01/01–12/31/2012	01/01–12/31/2011
Income from write-ups	**15**	**33**

This income is due to an allocation from insolvent assets. This is against a background of leasing operations of a predecessor company.

4. Other relevant information

	Market value on 12/31/2012		Market value on 12/31/2011		Market value on 12/31/2010	
€T	positive	negative	positive	negative	positive	negative
Total return swaps	27,420	92,720	22,888	85,834	46,308	105,142

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

4.1. RELATIONS TO AFFILIATED COMPANIES

J.P. Morgan Beteiligungs- und Verwaltungsgesellschaft mbH, Frankfurt am Main, is the sole shareholder and a profit transfer agreement exists with it. Therefore, no dependent companies report pursuant to section 312 of the AktG (Aktiengesetz [German Stock Corporation Act]) needs to be compiled.

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 [Einlagensicherungsfonds des Bundesverbandes deutscher Banken e.V.].

4.2. NUMBER OF EMPLOYEES

On average for the year there were 248 employees, distributed as follows:

Number of employees	12/31/2012	12/31/2011
Yearly average	**248**	**252**
Distribution of employees		
Authorized signatories	14	12
Authorized officers	127	135
Commercial service staff	107	105

Expatriates are not included in the table above.

4.3. TOTAL REMUNERATION OF THE ACTIVE MEMBERS OF THE EXECUTIVE BODIES

The remuneration paid to members of the Management Board amounted to € 1,604,000. A large portion of this came from restricted stock units which had a fair value on their grant date of € 266,000. In total, 10,440 units were granted.

The remuneration paid to members of the Supervisory Board amounted to € 5,000.

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 € 19,799,000 as at December 31, 2012. The total remuneration for former members of the Management Board and their dependents amounted to € 1,154,000.

4.5. FEE EXPENSES[1]

€T	01/01–12/31/2012	01/01–12/31/2011
Total fee expenses for the financial year calculated by the auditors for	**297**	**243**
Services relating to the audit of the financial statements	**208**	**11**
of which are for the previous year	26	–135
of which are expenses in the current financial year	2	0
of which are expenses for creating provisions	180	146
Other assurance services	**123**	**40**
of which are for the previous year	32	–4
of which are expenses in the current financial year	2	0
of which are expenses for creating provisions	89	44
Tax advisory services	**–34**	**192**
of which are for the previous year	–36	–56
of which are expenses in the current financial year	2	177
of which are expenses for creating provisions	0	71

[1] First shown without VAT in the Annual Financial Statements for the financial years 2011 and 2012.

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:
Thomas Meyer Chairman of the Board, Managing Director, J.P. Morgan AG
Burkhard Kübel-Sorger Chief Operating Officer, Executive Director, J.P. Morgan AG
Michelle Grundmann (from February 1, 2013) Managing Director, J.P. Morgan AG
Oliver Berger (until 31 January 31, 2013) Managing Director, J.P. Morgan Europe Limited, London
Supervisory Board:
Mark S. Garvin Chairman, J.P. Morgan Europe Limited, London
Alexander Caviezel Deputy Chairman, Managing Director, J.P. Morgan Chase Bank N.A., Zürich Branch
Karl-Georg Altenburg Senior Country Officer Germany, Austria & Switzerland, Managing Director, JPMorgan Chase Bank, N.A., Frankfurt Branch
Alison P. Livesey Managing Director, J.P. Morgan Chase Bank N.A, New York
Thomas Freise Workers' representative for J.P. Morgan AG
Christoph Fickel (from June 14, 2012) Workers' representative for J.P. Morgan AG
Rudolf Wissel (until April 26, 2012) Workers' representative for J.P. Morgan AG

Frankfurt am Main, April 12, 2013

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

THOMAS MEYER MICHELLE GRUNDMANN BURKHARD KÜBEL-SORGER

ANNUAL STATEMENT OF CHANGES IN EQUITY 2012

€T	Subscribed capital	Capital reserves	Legal reserves	Other revenue reserves	Balance sheet profit	Total	Participating certificate capital
As at 01/01/2011	**160,000**	**85,312**	**6,000**	**23,777**	**29,960**	**305,049**	**150,000**
JPM Services merger result compensation		352				352	
Annual net profit before appropriation of earnings 2011					14,288	14,288	
Transfer of profits to JPM BV					−44,248	−44,248	
As at 12/31/2011	**160,000**	**85,664**	**6,000**	**23,777**	**0**	**275,441**	**150,000**
As at 01/01/2012	**160,000**	**85,664**	**6,000**	**23,777**	**0**	**275,441**	**150,000**
Annual net profit before appropriation of earnings 2011					22,449	22,449	
Transfer of profits to JPM BV					−22,449	−22,449	
As at 12/31/2012	**160,000**	**85,664**	**6,000**	**23,777**	**0**	**275,441**	**150,000**

CASH FLOW STATEMENT 2012

€T	12/31/2012	12/31/2011
Annual net profit before profit transfers	**22,448,687**	**14,288**
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	−10,677	3,710
Change to other non-cash items	–	–
Profit from the sale of assets	–	–
Result from the sale of tangible assets	–	–
Other adjustments (net interest income)	−10,037	−25,379
Subtotal	**22,427,973**	**−7,380**
Change in assets and liabilities from operating activities after adjustment for non-cash items:		
Due from banks	2,836,986	4,139,471
Receivables from clients	−163,001	98,287
Trading securities	–	–
Other assets from operating activities	2,055	697
Liabilities to banks	5,141,855	−4,849,627
Due to clients	1,021,982	344,659
Securitized liabilities	−28,893	−73,089
Other liabilities from operating activities incl. profit and loss transfer	−22,493,560	−7,382
Interest and dividends received (see note 29)	40,357	125,669
Interest paid	−30,320	−100,290
Income tax payments	–	–
Cash flow from operating activities	**8,755,434**	**−328,985**
Cash flow from investing activities	**−38,314**	**−1,525**
Deposits from the sale of:		
Financial assets / positive consolidation difference	−749	−921
Tangible fixed assets	1,698	42
Payments for the acquisition of:		
Financial assets / positive consolidation difference	−39,263	−222
Tangible fixed assets	–	−776
Effects from changes to the consolidated Group of companies	–	–
Payments from the merger of sister companies	–	352
Cash flow from financing activities	**−3**	**16**
Deposits from capital increases	–	–
Dividend payments	–	–
Changes in funds from other financing activities (subordinated capital)	−3	16
Cash position at the end of previous period	**0**	**330,493**
Cash flow from operating activities	8,755,434	−328,985
Cash flow from investing activities	−38,314	−1,525
Cash flow from financing activities	−3	16
Effects from exchange rate changes	–	–
Cash position at the end of the period	**8,717,117**	**0**
incl.: Cash on hand	–	–
Cash in central banks	8,717,117	–
Debt instruments of public agencies and bills of exchange, eligible for refinancing with central banks	–	–

AUDITOR'S REPORT

We have audited the annual financial statements prepared by the J.P. Morgan AG, Frankfurt am Main, 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 the J.P. Morgan AG, Frankfurt am Main, for the business year from January 1 to December 31, 2012. 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 Board of Managing. 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 § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). 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 (German) 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 (German) 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 15, 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

EVA HANDRICK	PP. MURIEL ATTON
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

REPORT FROM THE SUPERVISORY BOARD

SUPERVISION AND CONTROL

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

PERSONNEL CHANGES IN THE MANAGEMENT BOARD

During the financial year 2012 the Management Board was composed of the following members: Thomas Meyer (Chairman), Oliver Berger and Burkhard Kübel-Sorger.

PERSONNEL CHANGES IN THE SUPERVISORY BOARD

In the financial year 2012 the Supervisory Board was composed of: Mark S. Garvin (Chairman), Alexander Caviezel (Deputy Chairman), Karl-Georg Altenburg, Alison Livesey as well as the workers' representatives Rudolf Wissel (until 06 / 13 / 2012), Christoph Fickel (from 06 / 14 / 2012) and Thomas Freise.

AUDIT COMMITTEE

On April 23, 2012, in the financial year, the Audit Committee discussed the annual financial statements and the audit report and on December 13, 2012, 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 (3) sentence 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 financial year 2013.

ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements and the Management Report for the financial year 2012 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 have been discussed and reviewed with the auditors by the audit committee during the meeting on April 24, 2013. Based on the final result of the audit committee's investigation, the Supervisory Board did not raise any objections. Financial statements as at December 31, 2012 and the Management Report as presented by the Management Board have been 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 hard work performed together.

April 24, 2013

The Supervisory Board

MARK S. GARVIN
Chairman

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 AG, Frankfurt am Main
Junghofstraße 14
60311 Frankfurt am Main