

**J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED**  
**INTERIM FINANCIAL DISCLOSURE STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30TH JUNE 2021**

## J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

### UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED

	Note	30 June 2021 US\$'000	30 June 2020 US\$'000
Interest income	1	2,231	6,685
Interest expense	2	<u>(1,219)</u>	<u>(2,066)</u>
Net interest income		1,012	4,619
Net fees and commission income	3	746,824	585,820
Net gain/(loss) from financial instruments at fair value through profit or loss	4	362	(262)
Other loss		<u>(100)</u>	<u>(28)</u>
Total income		748,098	590,149
Operating expenses	5	<u>(423,965)</u>	<u>(400,421)</u>
Profit before tax		324,133	189,728
Taxation	6	<u>(52,652)</u>	<u>(37,005)</u>
Total comprehensive income for the period		<u><u>271,481</u></u>	<u><u>152,723</u></u>

### REVIEW OF ACTIVITIES

J.P. Morgan Securities (Asia Pacific) Limited (the "Company") is a Restricted Licensed Bank with the Hong Kong Monetary Authority ("HKMA") and a Registered Institution with the Hong Kong Securities and Futures Commission. The Company is incorporated and domiciled in Hong Kong. The Company is engaged in Corporate & Investment Bank related activities.

The first half unaudited profit after tax was US\$271.5 million for 2021, an increase of US\$118.8 million compared with the same period last year, mainly contributed by increase in net fees and commission income relating to investment banking business, equities business and sales and marketing activities.

## J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

### UNAUDITED BALANCE SHEET

	Note	As at 30 June 2021 US\$'000	As at 31 December 2020 US\$'000
<b>ASSETS</b>			
Balances with banks		1,939,717	1,580,591
Financial assets at fair value through profit or loss		23,059	27,993
Deferred tax assets	7	18,082	19,700
Other assets		1,274,517	261,043
Fixed assets	8	421	614
Right-of-use assets		86	492
Total assets		<u>3,255,882</u>	<u>1,890,433</u>
<b>EQUITY</b>			
Share capital		527,000	527,000
Reserves		999,792	728,311
Total equity		<u>1,526,792</u>	<u>1,255,311</u>
<b>LIABILITIES</b>			
Deposits and balances from banks		269,249	206,233
Other liabilities		1,354,370	373,845
Taxation payable	9	105,372	54,485
Lease Liabilities		99	559
Total liabilities		<u>1,729,090</u>	<u>635,122</u>
Total equity and liabilities		<u>3,255,882</u>	<u>1,890,433</u>

## J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

### UNAUDITED STATEMENT OF CHANGES IN EQUITY

	Share capital US\$'000	Employee benefit reserve US\$'000	Retained earnings US\$'000	Total US\$'000
Balance as at 1 January 2020	527,000	69,373	369,583	965,956
Total comprehensive income for the period	—	—	152,723	152,723
Transactions with owners				
Employee benefit expenses for the period	—	35,437	—	35,437
Employee benefit recharged by JPMorgan Chase	—	(35,437)	—	(35,437)
Total transactions with owners	—	—	—	—
Balance as at 30 June 2020	<u>527,000</u>	<u>69,373</u>	<u>522,306</u>	<u>1,118,679</u>
Balance as at 1 July 2020	527,000	69,373	522,306	1,118,679
Total comprehensive income for the period	—	—	136,632	136,632
Transactions with owners				
Employee benefit expenses for the period	—	14,899	—	14,899
Employee benefit recharged by JPMorgan Chase	—	(14,899)	—	(14,899)
Total transactions with owners	—	—	—	—
Balance as at 31 December 2020	<u>527,000</u>	<u>69,373</u>	<u>658,938</u>	<u>1,255,311</u>
Balance as at 1 January 2021	527,000	69,373	658,938	1,255,311
Total comprehensive income for the period	—	—	271,481	271,481
Transactions with owners				
Employee benefit expenses for the period	—	23,014	—	23,014
Employee benefit recharged by JPMorgan Chase	—	(23,014)	—	(23,014)
Total transactions with owners	—	—	—	—
Balance as at 30 June 2021	<u>527,000</u>	<u>69,373</u>	<u>930,419</u>	<u>1,526,792</u>

**J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED**

**UNAUDITED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED**

	Note	30 June 2021 US\$'000	30 June 2020 US\$'000
Net cash inflow from operating activities	12	<u>355,150</u>	<u>81,776</u>
Cash flows from investing activities			
Purchase of fixed assets		<u>—</u>	<u>(125)</u>
Net cash outflow from investing activities		<u>—</u>	<u>(125)</u>
Cash flows from financing activities			
Principal element of lease payments		<u>(267)</u>	<u>(610)</u>
Net cash outflow from financing activities		<u>(267)</u>	<u>(610)</u>
Net increase in cash and cash equivalents		354,883	81,041
Cash and cash equivalents at 1st January		1,030,591	783,359
Exchange difference on cash and cash equivalents		<u>4,243</u>	<u>1,707</u>
Cash and cash equivalents at the end of the period		<u><u>1,389,717</u></u>	<u><u>866,107</u></u>
Representing:			
Balances with banks		1,939,717	1,416,107
Less: placements with bank with originally maturity more than three months		<u>(550,000)</u>	<u>(550,000)</u>
Cash and cash equivalents at the end of the period		<u><u>1,389,717</u></u>	<u><u>866,107</u></u>

## J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

#### 1 Interest income

Interest income on financial assets that are measured at amortized cost are US\$1,891,000 (first half of 2020: US\$6,344,000).

During the period, there was no interest income accrued on impaired financial assets (first half of 2020: Nil).

#### 2 Interest expense

	For the six months ended	
	30 June 2021	30 June 2020
	US\$'000	US\$'000
Deposits and balances from banks	1,219	2,035
Interest element of lease payments	—	31
	<u>1,219</u>	<u>2,066</u>

Interest expense on financial liabilities that are not measured at fair value through profit or loss amounted to US\$1,219,000 (first half of 2020: US\$2,066,000).

#### 3 Net fees and commission income

	For the six months ended	
	30 June 2021	30 June 2020
	US\$'000	US\$'000
Fees and commission income	989,080	744,284
Fees and commission expense	<u>(242,256)</u>	<u>(158,464)</u>
Net fees and commission income	<u>746,824</u>	<u>585,820</u>

During the period, there was no fee income and fee expense, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not at fair value through profit or loss (first half of 2020: Nil).

During the period, there was no fee income and fee expense on trust and other fiduciary activities where the Company holds or invests on behalf of its customers (first half of 2020: Nil).

**J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

**4 Net gain/(loss) from financial instruments at fair value through profit or loss**

	For the six months ended	
	30 June 2021	30 June 2020
	US\$'000	US\$'000
Net loss from foreign exchange trading	(214)	(695)
Net gain from trading assets	576	433
	<u>362</u>	<u>(262)</u>

**5 Operating expenses**

	For the six months ended	
	30 June 2021	30 June 2020
	US\$'000	US\$'000
Staff costs	184,488	194,080
Fees paid to Group companies	170,620	145,473
Premises and equipment expenses	14,886	13,161
Depreciation expense for fixed assets (note 8)	173	254
Depreciation expense for right-of-use assets	214	514
Other operating expenses	53,584	46,939
	<u>423,965</u>	<u>400,421</u>

**J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)****6 Taxation**

	For the six months ended	
	30 June 2021	30 June 2020
	US\$'000	US\$'000
Current income tax		
- Hong Kong profit tax	51,037	37,488
- Overseas taxation	29	31
Deferred income tax	<u>1,586</u>	<u>(514)</u>
	<u>52,652</u>	<u>37,005</u>

**7 Deferred tax assets**

The movement of the deferred income tax account is as follows:

	30 June 2021	31 December 2020
	US\$'000	US\$'000
At 1 January	19,700	25,291
Credited to statement of profit or loss and comprehensive income (note 6)	(1,586)	(3,232)
Exchange difference	<u>(32)</u>	<u>(2,359)</u>
At the end of the period/year	<u>18,082</u>	<u>19,700</u>



**J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

**8 Fixed Assets**

	Leasehold improvements US\$'000	Furniture and equipment US\$'000	Total US\$'000
<b>Cost</b>			
As at 1 January 2021	1,331	38,472	39,803
Additions	—	—	—
Disposals	(160)	(5,214)	(5,374)
	<u>1,171</u>	<u>33,258</u>	<u>34,429</u>
As at 30 June 2021	<u>1,171</u>	<u>33,258</u>	<u>34,429</u>
<b>Accumulated depreciation</b>			
As at 1 January 2021	1,155	38,034	39,189
Charge for the period (Note 5)	22	151	173
Disposals	(147)	(5,207)	(5,354)
	<u>1,030</u>	<u>32,978</u>	<u>34,008</u>
As at 30 June 2021	<u>1,030</u>	<u>32,978</u>	<u>34,008</u>
<b>Net book value</b>	<u>141</u>	<u>280</u>	<u>421</u>
<b>Cost</b>			
As at 1 January 2020	1,458	38,988	40,446
Additions	—	137	137
Disposals	(127)	(653)	(780)
	<u>1,331</u>	<u>38,472</u>	<u>39,803</u>
As at 31 December 2020	<u>1,331</u>	<u>38,472</u>	<u>39,803</u>
<b>Accumulated depreciation</b>			
As at 1 January 2020	1,164	38,317	39,481
Charge for the year	48	354	402
Disposals	(57)	(637)	(694)
	<u>1,155</u>	<u>38,034</u>	<u>39,189</u>
As at 31 December 2020	<u>1,155</u>	<u>38,034</u>	<u>39,189</u>
<b>Net book value</b>	<u>176</u>	<u>438</u>	<u>614</u>

## J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

#### 9 Taxation payable

The gross movement of the income tax payable is as follows:

	30 June 2021	31 December 2020
	US\$'000	US\$'000
At 1 January	54,485	4,372
Charged to statement of profit or loss and comprehensive income (note 6)	51,066	54,598
Hong Kong tax paid	—	(4,383)
Overseas tax paid	(70)	(143)
Exchange difference	(109)	41
	<u>105,372</u>	<u>54,485</u>
At the end of the period / year	<u>105,372</u>	<u>54,485</u>

#### 10 Loans and advances

There were no loans and advances to customers and banks and impaired assets as at 30 June 2021 and 31 December 2020.

#### 11 Derivative financial instruments

	Notional amounts US\$'000	Fair value	
		Assets US\$'000	Liabilities US\$'000
As at 30 June 2021			
Derivatives held for trading			
Exchange rate contracts - forwards	7,129	<u>7</u>	<u>3</u>
As at 31 December 2020			
Derivatives held for trading			
Exchange rate contracts - forwards	14,234	<u>3</u>	<u>107</u>

The contract amounts of these instruments indicate the volume of transactions outstanding as at the balance sheet date, they do not represent the amounts at risk. The above derivative assets and liabilities are computed at a transaction level and shown on a gross basis with no offsetting presentation due to bilateral netting agreements.

**J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)****12 Notes to statement of cash flows**

Reconciliation of profit before taxation to net cash inflow/(outflow) from operating activities:

	30 June 2021	30 June 2020
	US\$'000	US\$'000
Profit before taxation	324,133	189,728
Foreign exchange difference	(4,294)	(2,127)
Depreciation charge for fixed assets	173	254
Depreciation charge for right-of-use assets	214	865
Loss on disposal of fixed assets	20	11
Interest income	(2,204)	(6,685)
Interest expense	1,219	2,035
Interest element of lease payments	(27)	31
	<hr/>	<hr/>
Net cash inflow before changes in operating assets and liabilities	319,234	184,112
Decrease/(increase) in financial assets at fair value through profit or loss	4,934	(4,349)
Increase in other assets	(1,013,474)	(171,726)
Increase in deposits and balances from banks	63,016	56,803
Increase in other liabilities	980,525	16,710
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Net cash inflow from operations	354,235	81,550
Interest received	2,204	6,685
Interest paid	(1,219)	(2,035)
Hong Kong tax paid	—	(4,393)
Overseas tax paid	(70)	(31)
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>355,150</u>	<u>81,776</u>