

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED
INTERIM FINANCIAL DISCLOSURE STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE 2023

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED

	Note	30 June 2023 US\$'000	30 June 2022 US\$'000
Interest income	1	47,648	6,012
Interest expense	2	<u>(3,571)</u>	<u>(1,577)</u>
Net interest income		44,077	4,435
Net fees and commission income	3	487,008	549,757
Net loss from financial instruments at fair value through profit or loss	4	(238)	(868)
Other income		<u>1</u>	<u>1</u>
Total income		530,848	553,325
Operating expenses	5	<u>(435,487)</u>	<u>(472,833)</u>
Profit before tax		95,361	80,492
Taxation	6	<u>(14,084)</u>	<u>(23,125)</u>
Total comprehensive income for the period		<u><u>81,277</u></u>	<u><u>57,367</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\$81.3 million for 2023, an increase of US\$23.9 million compared with the same period last year, mainly contributed by increase in net interest income from placements and balances with banks, reduction in net fees and commission income relating to equities business and sales and marketing activities and reduction in operating expenses due to staff costs.

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

UNAUDITED BALANCE SHEET

	Note	As at 30 June 2023 US\$'000	As at 31st December 2022 US\$'000
ASSETS			
Balances with banks		2,240,025	2,131,047
Financial assets at fair value through profit or loss		17,474	22,791
Deferred tax assets	7	22,241	22,555
Other assets		203,325	284,583
Fixed assets	8	96	126
Right-of-use assets		90	100
		<hr/>	<hr/>
Total assets		<u>2,483,251</u>	<u>2,461,202</u>
EQUITY			
Share capital		527,000	527,000
Reserves		1,319,942	1,238,665
		<hr/>	<hr/>
Total equity		<u>1,846,942</u>	<u>1,765,665</u>
LIABILITIES			
Deposits and balances from banks		257,585	229,073
Other liabilities		361,503	462,982
Taxation payable	9	17,128	3,376
Lease Liabilities		93	106
		<hr/>	<hr/>
Total liabilities		<u>636,309</u>	<u>695,537</u>
		<hr/>	<hr/>
Total equity and liabilities		<u>2,483,251</u>	<u>2,461,202</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 2022	527,000	69,373	991,131	1,587,504
Total comprehensive income for the period	—	—	57,367	57,367
Transactions with owners				
Employee benefit expenses for the period	—	33,357	—	33,357
Employee benefit recharged by JPMorgan Chase	—	(33,357)	—	(33,357)
Total transactions with owners	—	—	—	—
Balance as at 30 June 2022	<u>527,000</u>	<u>69,373</u>	<u>1,048,498</u>	<u>1,644,871</u>
Balance as at 1 July 2022	527,000	69,373	1,048,498	1,644,871
Total comprehensive income for the period	—	—	120,794	120,794
Transactions with owners				
Employee benefit expenses for the period	—	20,026	—	20,026
Employee benefit recharged by JPMorgan Chase	—	(20,026)	—	(20,026)
Total transactions with owners	—	—	—	—
Balance as at 31 December 2022	<u>527,000</u>	<u>69,373</u>	<u>1,169,292</u>	<u>1,765,665</u>
Balance as at 1 January 2023	527,000	69,373	1,169,292	1,765,665
Total comprehensive income for the period	—	—	81,277	81,277
Transactions with owners				
Employee benefit expenses for the period	—	30,757	—	30,757
Employee benefit recharged by JPMorgan Chase	—	(30,757)	—	(30,757)
Total transactions with owners	—	—	—	—
Balance as at 30 June 2023	<u>527,000</u>	<u>69,373</u>	<u>1,250,569</u>	<u>1,846,942</u>

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

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

	Note	30 June 2023 US\$'000	30 June 2022 US\$'000
Net cash inflow/(outflow) from operating activities	12	<u>5,919</u>	<u>(96,470)</u>
Cash flows from investing activities			
Purchase of fixed assets		<u>—</u>	<u>(2)</u>
Net cash outflow from investing activities		<u>—</u>	<u>(2)</u>
Cash flows from financing activities			
Principal element of lease payments		<u>(12)</u>	<u>(15)</u>
Net cash outflow from financing activities		<u>(12)</u>	<u>(15)</u>
Net increase/(decrease) in cash and cash equivalents		5,907	(96,487)
Cash and cash equivalents at 1st January		831,047	896,675
Exchange difference on cash and cash equivalents		<u>3,071</u>	<u>12,219</u>
Cash and cash equivalents at the end of the period		<u><u>840,025</u></u>	<u><u>812,407</u></u>
Representing:			
Balances with banks		2,240,025	2,112,407
Less: placements with banks with original maturity more than three months		<u>(1,400,000)</u>	<u>(1,300,000)</u>
Cash and cash equivalents at the end of the period		<u><u>840,025</u></u>	<u><u>812,407</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\$47,221,000 (first half of 2022: US\$5,724,000).

During the period, there was no interest income accrued on impaired financial assets (first half of 2022: Nil).

2 Interest expense

	For the six months ended	
	30 June 2023	30 June 2022
	US\$'000	US\$'000
Deposits and balances from banks	3,569	1,575
Interest element of lease payments	<u>2</u>	<u>2</u>
	<u>3,571</u>	<u>1,577</u>

Interest expense on financial liabilities that are not measured at fair value through profit or loss amounted to US\$3,569,000 (first half of 2022: US\$1,575,000).

3 Net fees and commission income

	For the six months ended	
	30 June 2023	30 June 2022
	US\$'000	US\$'000
Fees and commission income	670,553	758,525
Fees and commission expense	<u>(183,545)</u>	<u>(208,768)</u>
Net fees and commission income	<u>487,008</u>	<u>549,757</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 2022: 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 2022: Nil).

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

4 Net loss from financial instruments at fair value through profit or loss

	For the six months ended	
	30 June 2023	30 June 2022
	US\$'000	US\$'000
Net loss from foreign exchange trading	(314)	(430)
Net gain/(loss) from trading assets	76	(438)
	<u>(238)</u>	<u>(868)</u>

5 Operating expenses

	For the six months ended	
	30 June 2023	30 June 2022
	US\$'000	US\$'000
Staff costs	179,690	209,181
Fees paid to Group companies	178,310	187,668
Premises and equipment expenses	17,406	14,405
Depreciation expense for fixed assets (note 8)	30	109
Depreciation expense for right-of-use assets	11	11
Other operating expenses	60,040	61,459
	<u>435,487</u>	<u>472,833</u>

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

	For the six months ended	
	30 June 2023	30 June 2022
	US\$'000	US\$'000
Current income tax		
- Hong Kong profit tax	13,762	23,339
- Overseas taxation	8	18
Deferred income tax	<u>314</u>	<u>(232)</u>
	<u>14,084</u>	<u>23,125</u>

7 Deferred tax assets

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

	30 June 2023	31 December 2022
	US\$'000	US\$'000
At 1 January	22,555	21,815
Credited to statement of profit or loss and comprehensive income (note 6)	(314)	888
Exchange difference	<u>—</u>	<u>(148)</u>
At the end of the period/year	<u>22,241</u>	<u>22,555</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
Cost			
As at 1 January 2023	1,171	33,067	34,238
Additions	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
As at 30 June 2023	<u>1,171</u>	<u>33,067</u>	<u>34,238</u>
Accumulated depreciation			
As at 1 January 2023	1,082	33,030	34,112
Charge for the period (note 5)	17	13	30
	<u>17</u>	<u>13</u>	<u>30</u>
As at 30 June 2023	<u>1,099</u>	<u>33,043</u>	<u>34,142</u>
Net book value	<u>72</u>	<u>24</u>	<u>96</u>
Cost			
As at 1 January 2022	1,171	33,262	34,433
Additions	—	3	3
Disposals	—	(198)	(198)
	<u>—</u>	<u>(198)</u>	<u>(198)</u>
As at 31 December 2022	<u>1,171</u>	<u>33,067</u>	<u>34,238</u>
Accumulated depreciation			
As at 1 January 2022	1,048	33,093	34,141
Charge for the year	34	135	169
Disposals	—	(198)	(198)
	<u>34</u>	<u>135</u>	<u>169</u>
As at 31 December 2022	<u>1,082</u>	<u>33,030</u>	<u>34,112</u>
Net book value	<u>89</u>	<u>37</u>	<u>126</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 2023	31 December 2022
	US\$'000	US\$'000
At 1 January	3,376	3,302
Charged to statement of profit or loss and comprehensive income (note 6)	13,770	42,563
Hong Kong tax paid	—	(42,622)
Overseas tax paid	(8)	(38)
Exchange difference	(10)	171
	<u>17,128</u>	<u>3,376</u>
At the end of the period / year	<u>17,128</u>	<u>3,376</u>

10 Loans and advances

There were no loans and advances to customers and banks and impaired assets as at 30 June 2023 and 31 December 2022.

11 Derivative financial instruments

		Fair value	
	Notional amounts	Assets	Liabilities
	US\$'000	US\$'000	US\$'000
As at 30 June 2023			
Derivatives held for trading			
Exchange rate contracts - forwards	3,960	<u>4</u>	<u>2</u>
As at 31st December 2022			
Derivatives held for trading			
Exchange rate contracts - forwards	3,938	<u>2</u>	<u>4</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 2023	30 June 2022
	US\$'000	US\$'000
Profit before taxation	95,361	80,492
Foreign exchange difference	(3,085)	(12,159)
Depreciation charge for fixed assets	30	109
Depreciation charge for right-of-use assets	11	11
Interest income	(47,648)	(6,012)
Interest expense	3,569	1,575
Interest element of lease payments	2	2
	<hr/>	<hr/>
Net cash inflow before changes in operating assets and liabilities	48,240	64,018
Increase in placements with banks with original maturity over three months	(100,000)	—
Decrease/(increase) in financial assets at fair value through profit or loss	5,317	(9,028)
Decrease/(increase) in other assets	81,258	(57,558)
Increase/(decrease) in deposits and balances from banks	28,512	(57,937)
Decrease in other liabilities	(101,479)	(40,384)
	<hr/>	<hr/>
Net cash outflow from operations	(38,152)	(100,889)
Interest received	47,648	6,012
Interest paid	(3,569)	(1,575)
Overseas tax paid	(8)	(18)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	<u>5,919</u>	<u>(96,470)</u>