Company No.	
316347	D

J.P. MORGAN CHASE BANK BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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Company No.

316347	D

J.P. MORGAN CHASE BANK BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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Company No.

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J.P. MORGAN CHASE BANK BERHAD
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DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The Directors are pleased to submit their report to the member together with the audited financial statements of the Bank for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are banking and related financial services.

There was no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	51,293

DIVIDENDS

No dividend has been paid, declared or proposed since the end of the Bank's previous financial year. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2015.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year other than those disclosed in the financial statements.

EQUITY COMPENSATION BENEFITS

The ultimate holding company, JPMorgan Chase & Co. ("JPMC") has a Long-Term Incentive Plan ("LTIP") that provides for grants of common stock-based awards, including stock options, restricted stock, and restricted stock units ("RSU") to certain key employees employed by JPMC and its subsidiaries. JPMC also grants stock options to other employees as recognition of the services rendered, under its broad based employee stock option plan such as the Value Sharing Plan.

Details of the equity compensation benefits are set out in Note 32 to the financial statements.

DIRECTORS

The Directors of the Bank who have held office since the date of the last report and as at the date of this report are as follows:

Anthony Julian Cole
Lau Souk Huan
Steven Ronald Clayton
Faisal bin Ismail
Omar bin Malek Ali Merican
Fauziah binti Hisham

In accordance with Article 96 of the Bank's Articles of Association, Lau Souk Huan and Steven Ronald Clayton will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Bank is a party, being arrangements with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate except that certain Directors received remuneration as Directors and employees of the Bank and related corporations, and share options granted to Directors of the Bank by the ultimate holding company.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than the Directors' remuneration as disclosed in Note 24 to the financial statements) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

According to the Register of Directors' shareholdings, the Directors who held office at the end of the financial year did not hold any interest in shares, restricted stock units and share options, of the Bank and its related corporations during the financial year.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Bank were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for bad and doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Bank inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Bank were made out, the Directors took reasonable steps to ascertain that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their value as shown in the accounting records of the Bank, had been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements of the Bank misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities in the Bank's financial statements misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(a) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability in respect of the Bank which has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Bank have become enforceable or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Bank which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the Bank's operations during the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, to affect substantially the results of the Bank's operations for the current financial year in which this report is made.

BUSINESS STRATEGY AND REVIEW 2015

The Bank's financial results for 2015 exceeded expectation and the momentum going into 2016 is encouraging. The Bank's key businesses, in particular transaction services, trade, wholesale banking and markets flow business, delivered strong growth which further strengthened its position within the domestic Malaysian market.

The Bank recorded a profit before tax of RM70 million, an increase of RM53 million against 2014. Net interest income decreased by RM23 million or 24% to RM72 million, contributed by higher interest expense on deposits from banks and other financial institutions. Other operating income increased by RM86 million or >100%, with higher net income from foreign exchange gains and derivatives of RM64 million. Meanwhile, operating expenses increased by RM11 million or 9% to RM140 million.

The Bank's total assets increased by 43% to RM10.0 billion, contributed by higher placements with banks and financial institutions of RM3.9 billion. Customer deposits showed a decline of 13% to RM3.6 billion, however, there was an increase in deposits from related parties by RM2.9 billion in 2015. The Bank's total capital ratio remained strong at 21.05%, with its Tier 1 capital ratio at 20.96% as at end of 2015.

BUSINESS OUTLOOK FOR 2016

While the macro-economic environment will remain challenging in 2016 due to the continued volatility in currencies and asset values, we remain optimistic that the economic environment will stabilize and the economy will continue to grow. J.P. Morgan will remain focused on the quality and stability of our earnings by investing in transaction services, trade and wholesale banking businesses while also enhancing flow business.

J.P. Morgan's target clients, which consists of multi-national corporations, large domestic corporates, financial institutions and non-bank financial institutions, benefit from our significant competitive advantage in terms of our broad product mix and global network. Both elements ensure we can effectively service clients that have both a domestic and international presence.

With J.P. Morgan's strong capitalisation, fortress balance sheet and proven track record in meeting the needs of our clients with exceptional products, innovative solutions and best in class advice, our revenue will continue to grow. In addition, the international corporate and investment banking businesses is an important component of J.P. Morgan's overall global strategy and remaining a significant focus of the firm, this will also continue to contribute positively to our growth aspirations.

CORPORATE GOVERNANCE STATEMENT

The Bank is committed to uphold good corporate governance practices in conformity with Bank Negara Malaysia ("BNM") Guidelines on Corporate Governance for Licensed Institutions which was effective on 19 June 2013 and all other related guidelines issued by BNM.

In addition to the above, the Board also observed JPMC's Global Code of Conduct. The Code of Conduct sets forth guiding principles and rules of behaviour by which the Bank conducts its daily business with its customers, vendors, shareholders and with its employees. The Code of Conduct applies to all employees and Directors who are required to annually affirm that they are in compliance with it.

BOARD OF DIRECTORS

Composition of the Board of Directors

The Board comprises six (6) Directors, the majority of whom are Non-Executive Directors. The Directors who served since the date of the last report and as at the date of this report are as follows:

Members	Status of Directorship
Fauziah binti Hisham – Chairman	Independent Non-Executive Director
Steven Ronald Clayton – Chief Executive Officer ("CEO")	Non-Independent Executive Director
Anthony Julian Cole	Non-Independent Non-Executive Director
Lau Souk Huan	Independent Non-Executive Director
Faisal bin Ismail	Independent Non-Executive Director
Omar bin Malek Ali Merican	Independent Non-Executive Director

Roles and Responsibilities of the Board

The Board of Directors is ultimately responsible for the operations, conduct and the financial soundness of the Bank through competent management, reviewing and monitoring the objectives, strategies and business plans of the Bank, ensuring that proper controls are in place and that the business of the Bank is carried out with a high standard of integrity. The Board operates under an approved terms of reference which sets out their roles and responsibilities towards the Bank.

The Board meets at least once every two (2) months. During the financial year ended 31 December 2015, the Board met 6 times and the attendance at the Board meetings is as follows:

Fauziah binti Hisham – Chairman	6/6
Steven Ronald Clayton	6/6
Anthony Julian Cole	5/6
Lau Souk Huan	6/6
Faisal bin Ismail	6/6
Omar bin Malek Ali Merican	6/6

BOARD COMMITTEES

Board Risk Committee

The Board Risk Committee is responsible for oversight of the CEO and senior management's responsibility for assessing and managing the Bank's credit risk, market risk, interest rate risk, investment risk, liquidity risk and reputational risk.

The Board Risk Committee meets at least once every two (2) months. During the financial year ended 31 December 2015, the Board Risk Committee met 6 times and the attendance at the Board Risk Committee meetings are as follows:

Omar bin Malek Ali Merican – Chairman	6/6
Anthony Julian Cole	5/6
Lau Souk Huan	6/6
Faisal bin Ismail	6/6
Fauziah binti Hisham	6/6

Audit Committee

The primary function of the Audit Committee is to provide independent oversight of the Bank's financial reporting and internal control system and ensuring checks and balances with the Bank. The Committee also assists the Board of Directors in discharging its statutory duties and responsibilities.

The Audit Committee meets at least once every three (3) months. During the financial year ended 31 December 2015, the Audit Committee met 4 times and the attendance at the Audit Committee meetings is as follows:

Lau Souk Huan – Chairman	4/4
Anthony Julian Cole	4/4
Faisal bin Ismail	4/4
Omar bin Malek Ali Merican	4/4
Fauziah binti Hisham	4/4

Nomination Committee

The Nomination Committee is responsible to provide a formal and transparent procedure for the appointment of Directors and CEO as well as the assessment of effectiveness of individual Directors, board as a whole and performance of the CEO and key senior management officers.

BOARD COMMITTEES (CONTINUED)

Nomination Committee (continued)

The Nomination Committee meets at least annually. During the financial year ended 31 December 2015, the Nomination Committee met 2 times and the attendance at the Nomination Committee meeting is as follows:

Faisal bin Ismail – Chairman	2/2
Steven Ronald Clayton	2/2
Anthony Julian Cole	2/2
Lau Souk Huan	2/2
Omar bin Malek Ali Merican	2/2
Fauziah binti Hisham	2/2

Remuneration Committee

The Remuneration Committee is responsible to provide a formal and transparent procedure for the remuneration of Directors and CEO. The Committee also reviews and endorses, where appropriate the remuneration of key senior management officers and senior employees as recommended by regional management and lines of business.

The Remuneration Committee meets at least annually. During the financial year ended 31 December 2015, the Remuneration Committee met 2 times and the attendance at the Remuneration Committee meeting is as follows:

Fauziah binti Hisham – Chairman	2/2
Lau Souk Huan	2/2
Faisal bin Ismail	2/2

INTERNAL GOVERNANCE

Mechanisms are in place within the Bank to connect the oversight of the Board and the day to day functioning of the Bank's employees to ensure that the Bank conducts its daily businesses in accordance with the Bank's objectives and policies and in compliance with the laws and regulations that govern the Bank's businesses. JPMC's risk management framework and governance structure are intended to provide comprehensive controls and ongoing management of its major risks.

MANAGEMENT REPORTS

The Board received and reviewed regular reports from the management on key operational, finance, legal and compliance matters.

J.P. MORGAN CHASE BANK BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

ULTIMATE HOLDING CORPORATION

The Directors regard JPMorgan Chase & Co., a corporation incorporated in the United States of America, as the ultimate holding corporation of the Bank.

AUDITORS

The auditors, Messrs PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution.

LAU SOUK HUAN DIRECTOR	STEVEN RONALD CLAYTON DIRECTOR

Kuala Lumpur
31 May 2016

Company No.

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J.P. MORGAN CHASE BANK BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
ASSETS			
Cash and short-term funds	2	5,447,812	1,538,858
Securities purchased under resale agreement		428,117	256,341
Deposits and placements with banks and other financial institutions	3	-	401,960
Financial assets held for trading	4	20,309	649,988
Derivative financial instruments	5	987,556	787,871
Financial assets available-for-sale	6	142,192	-
Loans and advances	7	330,735	272,880
Amount due from related parties	8	2,589,502	3,012,406
Statutory deposits with Bank Negara Malaysia	9	3,046	2
Other assets	10	35,956	54,875
Tax recoverable		24,955	30,037
Deferred tax assets	11	1,177	368
Fixed assets	12	15,043	20,077
TOTAL ASSETS		10,026,400	7,025,663
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits from customers	13	3,616,927	4,141,036
Deposits and placements of banks and other financial institutions	14	825,248	681,226
Obligations on securities sold under repurchase agreements		148,233	40,488
Derivative financial instruments	5	849,235	594,458
Amount due to related parties	15	3,613,227	645,568
Other liabilities	16	72,261	76,693
Total liabilities		9,125,131	6,179,469
Share capital	17	85,500	85,500
Share premium		42,000	42,000
Retained earnings		660,385	608,886
Reserves	18	113,384	109,808
Shareholder's equity		901,269	846,194
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		10,026,400	7,025,663
COMMITMENTS AND CONTINGENCIES	26	59,714,642	52,396,729

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J.P. MORGAN CHASE BANK BERHAD
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STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
Interest income	19	163,188	130,166
Interest expense	20	(91,435)	(35,051)
Net interest income		71,753	95,115
Other operating income	21	139,437	53,529
Net income		211,190	148,644
Operating expenses	22	(139,938)	(128,821)
Operating profit before allowances		71,252	19,823
Allowance for losses on loans and advances	23	(900)	(1,991)
Profit before taxation		70,352	17,832
Taxation	25	(19,059)	(5,987)
Net profit for the financial year		51,293	11,845
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
- Employee share option scheme		2,450	1,738
Items that may be subsequently reclassified to profit or loss			
Financial assets available-for-sale			
- Net gain on revaluation of financial assets available-for-sale		1,752	324
- Income tax relating to component of other comprehensive income		(420)	(81)
Other comprehensive income, net of tax		3,782	1,981
Total comprehensive income		55,075	13,826

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J.P. MORGAN CHASE BANK BERHAD
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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Fair value reserve - available-for-sale securities RM'000	Option reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2015		85,500	42,000	97,778	-	9,440	2,590	608,886	846,194
Net profit for the financial year		-	-	-	-	-	-	51,293	51,293
Transfer from regulatory reserve		-	-	-	-	-	(206)	206	-
Other comprehensive income		-	-	-	1,332	-	-	-	1,332
Employee share option scheme - Options granted	32	-	-	-	-	2,450	-	-	2,450
At 31 December 2015		85,500	42,000	97,778	1,332	11,890	2,384	660,385	901,269

J.P. MORGAN CHASE BANK BERHAD
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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

	Note	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Fair value reserve - available-for-sale securities RM'000	Option reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2014		85,500	42,000	97,778	(243)	7,702	958	598,673	832,368
Net profit for the financial year		-	-	-	-	-	-	11,845	11,845
Transfer to regulatory reserve		-	-	-	-	-	1,632	(1,632)	-
Other comprehensive income		-	-	-	243	-	-	-	243
Employee share option scheme - Options granted	32	-	-	-	-	1,738	-	-	1,738
At 31 December 2014		85,500	42,000	97,778	-	9,440	2,590	608,886	846,194

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J.P. MORGAN CHASE BANK BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	2015 RM'000	2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	70,352	17,832
Adjustments for items not involving the movement of cash and cash equivalents:		
Depreciation of fixed assets	6,011	5,962
Allowance for losses on loans and advance	900	1,991
Share options expenses	2,450	1,738
Net loss on derivatives	24,425	23,908
Net unrealised gain from revaluation of financial assets held for trading	(809)	(78)
Net unrealised (gain)/loss in revaluation on derivatives	(16,292)	8,669
Net gain from sale of financial assets available-for-sale	-	(133)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	87,037	59,889
Decrease in deposits and placements with banks and other financial institutions	401,960	200,118
(Increase)/decrease in securities purchased under resale agreement	(171,776)	59,611
Decrease/(increase) in financial assets held for trading	630,488	(481,353)
Decrease/(increase) in derivative financial instruments	46,959	(140,712)
(Increase)/decrease in financial assets available-for-sale	(140,860)	363,876
Increase in loans and advances	(58,755)	(106,130)
Decrease/(increase) in other assets	19,340	(38,462)
Increase in statutory deposits with BNM	(3,044)	-
(Decrease)/increase in deposits from customers	(524,109)	477,957
Increase in deposits and placements of banks and other financial institutions	144,022	113,833
(Decrease)/increase in other liabilities	(4,432)	28,907
Increase in securities sold under repurchase agreement	107,745	40,488
Increase/(decrease) in amount due to related parties	2,967,659	(35,330)
Cash generated from operating activities	3,502,234	542,692
Income taxes paid	(15,207)	(21,420)
Net cash generated from operating activities	3,487,027	521,272

J.P. MORGAN CHASE BANK BERHAD
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STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

	Note	2015 RM'000	2014 RM'000
CASH FLOWS FROM INVESTING ACTIVITY			
Purchase of fixed assets		(977)	(1,192)
Net cash used in investing activity		(977)	(1,192)
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,486,050	520,080
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		4,551,264	4,031,184
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		8,037,314	4,551,264
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and short-term funds	2	5,447,812	1,538,858
Amount due from related parties	8	2,589,502	3,012,406
		8,037,314	4,551,264

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements and are also consistent with those applied in the previous year, unless otherwise stated.

A BASIS OF PREPARATION

The financial statements of the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards, Bank Negara Malaysia ("BNM") Guidelines and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared under historical cost convention unless otherwise indicated in this summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS and BNM Guidelines requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported year. It also requires Directors to exercise their judgement in the process of applying the Bank's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in accounting policy Note R.

(a) Standards, amendments to published standards and interpretations that are effective and applicable to the Bank.

The following amended standard and annual improvements have been adopted by the Bank for the financial year beginning on 1 January 2015:

- Annual Improvements to MFRSs 2010 – 2012 Cycle
- Annual Improvements to MFRSs 2011 – 2013 Cycle
- Amendments to MFRS 119 Employee Benefit - "Defined Benefit Plans: Employee Contributions"

The adoption of these amendments did not have any impact on the current or any prior year and are not likely to affect future periods of the financial statements of the Bank.

A BASIS OF PREPARATION (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Bank but not yet effective.

A number of new standards and amendments to standards and interpretations are effective for financial year beginning on or after 1 January 2016:

- Amendment to MFRS 116 'Property, plant and equipment' and MFRS 138 'Intangible assets' (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation and amortization of an item of property, plant and equipment and intangible are not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

  The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

  MFRS 9 introduces an expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

A BASIS OF PREPARATION (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Bank but not yet effective. (continued)

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replace MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

  Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

None of the standards, amendments and interpretations that are effective for financial year beginning after 1 January 2016 is expected to have a significant effect on the financial statements of the Bank, except for MFRS 9. Due to the complexity of this standard and its proposed changes, the financial effects of its adoption are still being assessed by the Bank.

B INCOME RECOGNITION

Interest is recognised in interest income and interest expense in the income statement for all interest bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. When calculating the effective interest, the Bank estimates cash flows (using projections based on its experience of customers' behaviour) considering all contractual terms of the financial instrument but excluding future credit losses. Fees are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate.

Where a financial asset is classified as impaired, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

C RECOGNITION OF FEES AND OTHER INCOME

Loans and advances arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled.

Commitment fee income relating to loans and guarantee fees is recognised over the period during which the related service is provided or credit risk is undertaken.

D ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

Impaired loans and advances are measured at their estimated recoverable amount. Additional impairment allowance is made if the recoverable amount is lower than the carrying value of the loans and advances. Recoverable amount refers to the present value of estimated future cash flows discounted at the original effective interest rate.

An uncollectible loan or portion of a loan classified as impaired, may be written off, after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

E REPURCHASE AGREEMENTS

Securities purchased under resale agreements are securities which the Bank has purchased with a commitment to resell at a future date. The commitment to resell the securities is reflected as an asset on the statement of financial position.

F FINANCIAL ASSETS AND LIABILITIES

Financial assets

The Bank classifies its financial assets into the following categories: financial instruments at fair value through profit or loss; loans and receivables; held-to-maturity investments and available-for-sale financial assets. Management determines the classification of financial instruments at initial recognition.

(a) Financial instruments at fair value through profit or loss

Financial instruments are classified in this category if they are held for trading, or if they are designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedges.

Financial instruments included in this category are recognised initially at fair value and transaction costs are taken directly to the income statement. Gains and losses arising from changes in fair value are included directly in the income statement.

Regular way purchases and sales of financial instruments held for trading are recognised on trade date, being the date on which the Bank commits to purchase or sell the asset.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale.

Loans and receivables are initially recognised at fair value including direct and incremental transaction costs, and measured subsequently at amortised cost using the effective interest method.

F FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Financial assets (continued)

(c) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. If the Bank sells other than an insignificant amount of held-to-maturity financial assets, the entire category will be tainted and reclassified as available-for-sale financial assets.

Held-to-maturity financial assets are initially recognised at fair value including direct and incremental transaction costs, and measured subsequently at amortised cost using the effective interest method.

Regular way purchases of held-to-maturity financial assets are recognised on trade date, being the date on which the Bank commits to purchase the asset.

(d) Available-for-sale financial assets

Available-for-sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not categorised into any of the other categories described above.

Available-for-sale financial assets are initially recognised at fair value including direct and incremental transaction costs, and are subsequently held at fair value. Gains and losses arising from changes in fair value are included as a separate component of equity until sale when the cumulative gain or loss is transferred to the income statement. Interest determined using the effective interest method, impairment losses and translation differences on monetary items are recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Bank's right to receive payment is established.

Regular way purchases and sales of available for sale financial instruments are recognised on trade date, being the date on which the Bank commits to purchase or sell the asset.

F FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Financial liabilities

The Bank classifies its financial liabilities into the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that designated at fair value), financial liabilities at amortised cost and hedging derivatives.

(a) Financial liabilities at fair value through profit or loss

Financial instruments are classified in this category if they are held for trading, or if they are designated at fair value through profit or loss at inception.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedges. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

Gains and losses arising from changes in fair value of financial liabilities classified held for trading are included in the income statement.

(b) Other liabilities measured at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from customers, banks and related parties.

Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Determining fair value

The fair value of financial instruments, such as exchange-traded and over-the-counter securities and derivatives, is determined by reference to a quoted market price for that instrument or by using internally developed valuation models. Where the fair value is calculated by using valuation models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. These models use as their basis independently sourced market parameters including interest rate yield curves, equities prices, option volatilities and currency rates.

G DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the income statement unless the Bank chooses to designate the hybrid contracts at fair value through profit or loss.

H IMPAIRMENT OF FINANCIAL ASSETS

The Bank assesses at each balance sheet date whether there is objective evidence that loans and receivables or available-for-sale financial assets are impaired. These are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated. The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

(a) significant financial difficulty of the issuer or obligor;
(b) a breach of contract, such as a default or delinquency in interest or principal payments;
(c) the Bank, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Bank would not otherwise consider;
(d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties;
(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
    (i) adverse changes in the payment status of borrowers in the portfolio;
    (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

For loans and receivables, the Bank first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed loan and receivable, whether significant or not, it includes the asset in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognised using an allowance account and recognised in the income statement.

H IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Where appropriate, the calculation of the present value of the estimated future cash flows of a collateralised loan and receivable asset reflect the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, loans and receivables are grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of loans and receivables that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

I IMPAIRMENT OF NON-FINANCIAL ASSETS

The Bank assesses at each balance sheet date whether there is objective evidence that an asset is impaired. An asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the asset that can be reliably estimated.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flow (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

J FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of fixed assets is calculated to write off the cost of the fixed assets on a straight line basis to their residual values over the estimated useful lives.

The principal useful lives used are as follows:

	Years
Bank premises	
- improvements, furniture and fittings	Lower of the remaining lease term or 10 years
- office machinery and equipment	5
Computers	3 - 5

The residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

At each balance sheet date, the Bank assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

K CURRENCY TRANSLATIONS

(a) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia, which is the Bank's functional and presentation currency.

(b) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in income, and other changes in the carrying amount are recognised in equity.

K CURRENCY TRANSLATIONS (CONTINUED)

(b) Foreign currency transactions and balances (continued)

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

L INCOME TAX AND DEFERRED TAX

Current tax expense is determined according to the Malaysian tax laws and includes all taxes based upon the taxable profits.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amount attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit and loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred income tax related to fair value re-measurement of available-for-sale securities, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

M EMPLOYEE BENEFITS

Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Bank.

Defined contribution plan

A defined contribution plan is a pension plan under which the Bank pays fixed contributions to the national pension scheme, Employees' Provident Fund ('EPF').

The Bank's contributions to EPF are charged to the income statement in the period to which they related. Once the contributions have been paid, the Bank has no further payment obligations.

M EMPLOYEE BENEFITS (CONTINUED)

Equity compensation benefits

Staff costs include equity compensation expenses arising from the grant of stock-based awards to the employees of the Bank which are equity-settled. The details of the stock-based awards available are described in Note 32.

The fair value of the employee services received in exchange for the grant of stock-based awards is recognised as an expense in the income statement with a corresponding increase in the option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the stock–based awards on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Bank revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date as well as the number of shares that will vest on the vesting date and recognises the impact of the revision of the estimates in the income statement, with a corresponding adjustment to the option reserve over the remaining vesting period.

N PROVISION

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

O FINANCIAL GUARANTEE CONTRACTS

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee is given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in profit or loss, under fees and other income, the fee income earned on a straight-line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the date of the statement of financial position. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. Any increase in the liability relating to guarantees is taken to profit or loss.

P CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and short-term funds and current deposit placed with related parties.

Q OPERATING LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Assets under operating leases are not recognised on the statement of financial position. All lease rentals payable are accounted for on a straight-line basis over the lease term and are charged to the statement of profit or loss.

R CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Bank's accounting policies and use of estimates are integral to understanding its reported results. The Bank's most complex accounting estimates require management's judgement to ascertain the valuation of assets and liabilities. The Bank has established detailed policies and control procedures intended to ensure that valuation methods, including any judgements made as part of such methods, are well-controlled, independently reviewed and applied consistently from period to period. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. The Bank believes its estimates for determining the valuation of its assets and liabilities are appropriate. The following is a brief description of the Bank's critical accounting estimates involving significant valuation judgement.

(a) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The majority of the Bank's assets reported at fair value are based upon quoted market prices or upon internally developed models that utilise independently sourced market parameters, including interest rate yield curves, option volatilities and currency rates.

The degree of management judgement involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that are traded actively and have quoted market prices or parameters readily available, there is little-to-no subjectivity in determining fair value. When observable market prices and parameters do not exist, management judgement is necessary to estimate fair value. The valuation process takes into consideration factors such as liquidity and concentration concerns and, for the derivatives portfolio, counterparty credit risk.

The Bank's held for trading financial assets are valued based upon quoted market prices. The majority of the Bank's derivative positions are valued using internally developed models that use as their basis readily observable market parameters – that is, parameters that are actively quoted and can be validated to external sources, including industry-pricing services. Certain derivatives, however, are valued based upon models with significant unobservable market parameters – that is, parameters that must be estimated and are, therefore, subject to management judgement to substantiate the model valuation. These instruments are normally either traded less actively or trade activity is one way. Management's judgement includes recording fair value adjustments (i.e., reductions) to model valuations to account for parameter uncertainty when valuing complex or less actively traded derivative transactions.

(b) Allowance for losses on loans and advances

The Bank makes allowance for losses on loans and advances based on assessment of recoverability. Whilst management is guided by the relevant BNM guidelines, management makes judgement on the future and other key factors in respect of the recovery of loans and advances. Among the factors considered are the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other creditor claims.

1 GENERAL INFORMATION

The principal activities of the Bank are banking and related financial services. There was no significant change in the nature of these activities during the financial year.

The Bank is a wholly-owned subsidiary of J.P. Morgan International Finance Ltd., a corporation incorporated in the United States of America. The Directors regard JPMorgan Chase & Co., a corporation incorporated in the United States of America, as the Bank's ultimate holding corporation.

The Bank is a limited liability company, incorporated and domiciled in Malaysia.

The principal place of business and address of the registered office of the Bank is Level 18, Integra Tower, The Intermark, 348 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia.

2 CASH AND SHORT-TERM FUNDS

	2015 RM'000	2014 RM'000
Cash and balances with banks and other financial institutions	53,331	56,934
Money at call and deposit placements maturing within one month	5,394,481	1,481,924
	5,447,812	1,538,858

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2015 RM'000	2014 RM'000
Licensed banks	-	401,960

4 FINANCIAL ASSETS HELD FOR TRADING

	2015 RM'000	2014 RM'000
Money market instruments		
Malaysian Government Securities	-	337,692
Bank Negara Malaysia bills	-	157,920
Malaysian Government Investment Issuance	-	24,521
Unquoted securities		
Private debt securities	20,309	129,855
	20,309	649,988

5 DERIVATIVE FINANCIAL INSTRUMENTS

	Notional amount	Fair values	
		Assets	Liabilities
	RM'000	RM'000	RM'000
At 31 December 2015			
Foreign exchange derivatives			
Currency forwards	20,769,051	520,931	(465,220)
Cross-currency interest rate swaps	1,595,964	196,667	(165,578)
Currency options	809,718	16,845	(2,497)
	23,174,733	734,443	(633,295)
Interest rate derivatives			
Interest rate swaps	31,980,937	117,559	(126,385)
Interest rate options	2,076,730	45,567	(156)
	34,057,667	163,126	(126,541)
Credit related derivatives			
Credit default swaps	75,250	7,051	-
Equity related derivatives			
Equity options	960,741	82,936	(89,399)
Total derivative assets/(liabilities)	58,268,391	987,556	(849,235)

5 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Notional amount	Fair values	
		Assets	Liabilities
	RM'000	RM'000	RM'000
At 31 December 2014			
Foreign exchange derivatives			
Currency forwards	16,185,066	350,579	(275,998)
Cross-currency interest rate swaps	2,496,074	147,580	(84,725)
Currency options	850,779	13,314	(2,147)
	19,531,919	511,473	(362,870)
Interest rate derivatives			
Interest rate swaps	26,294,367	100,854	(133,698)
Interest rate options	2,652,805	75,052	(701)
	28,947,172	175,906	(134,399)
Credit related derivatives			
Credit default swaps	51,100	2,103	-
Equity related derivatives			
Equity options	1,583,703	98,389	(97,189)
Total derivative assets/(liabilities)	50,113,894	787,871	(594,458)

Derivatives are generally either privately negotiated over-the-counter (OTC) contracts or standard contracts transacted through regulated exchanges. The Bank enters into contracts that are not considered derivatives in their entirety but include embedded derivative features.

6 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	2015 RM'000	2014 RM'000
Money market instruments		
Malaysian Government Securities	142,192	-

7 LOANS AND ADVANCES

(i) Loans and advances analysed by type of loan are as follows:

	2015 RM'000	2014 RM'000
Overdrafts	622	-
Housing loans	1,242	1,451
Staff loans	1,368	1,732
Revolving credits	227,400	196,279
Trade finance	101,754	74,166
	332,386	273,628
Less: Allowance for losses on loans and advances:		
- Individual assessment	(48)	(56)
- Collective assessment	(1,603)	(692)
Total net loans and advances	330,735	272,880

Included in loans and advances is revolving credit extended to a related company amounting to RM20,102,000 (2014: RM20,101,000).

7 LOANS AND ADVANCES (CONTINUED)

	2015 RM'000	2014 RM'000
(ii) The maturity structure of loans and advances are as follows:		
Maturity within		
- one year	329,798	270,472
- one year to three years	228	431
- three years to five years	219	302
- over five years	2,141	2,423
	332,386	273,628
(iii) Loans and advances analysed by type of customers are as follows:		
Domestic business enterprises		
- Others	325,078	263,624
Individuals	2,610	3,183
Foreign entities	4,698	6,821
	332,386	273,628
(iv) Loans and advances analysed by interest sensitivity are as follows:		
Fixed rate		
- Housing loans	2,469	2,882
- Other fixed rate loans	141	301
Variable rate		
- Cost-plus	329,776	270,445
	332,386	273,628
(v) Loans and advances analysed by their economic purpose are as follows:		
Purchase of landed properties	2,469	2,882
Purchase of transport vehicles	100	254
Personal use	41	47
Working capital	329,776	270,445
	332,386	273,628

7 LOANS AND ADVANCES (CONTINUED)

		2015 RM'000	2014 RM'000
(vi)	Loans and advances analysed by their geographical distribution are as follows:		
	In Malaysia	327,688	266,807
	Other countries	4,698	6,821
		332,386	273,628
(vii)	Impaired loans		
(a)	Movements in impaired loans and advances are as follows:		
	At 1 January	154	451
	Classified as impaired during the financial year	81	2
	Reclassified as performing during the financial year	(28)	(75)
	Amount recovered	(32)	(207)
	Amount written off	(4)	(17)
	At 31 December	171	154
	Individual assessment allowance	(48)	(56)
	Net impaired loans and advances	123	98
	Ratio of net impaired loans and advances to net loans and advances	0.04%	0.04%
(b)	Movements in allowance for impaired loans and advances are as follows:		
	Individual assessment allowance		
	At 1 January	56	185
	Written back during the financial year	(8)	(129)
	At 31 December	48	56

7 LOANS AND ADVANCES (CONTINUED)

	2015 RM'000	2014 RM'000
(vii) Impaired loans (continued)		
(b) Movements in allowance for impaired loans and advances are as follows: (continued)		
Collective assessment allowance		
At 1 January	692	308
Allowance made during the financial year	911	384
At 31 December	1,603	692
Collective assessment allowance (inclusive of regulatory reserve) as % of gross loans and advances, net of individual assessment allowance	1.20%	1.20%
(c) Impaired loans analysed by their economic purpose are as follows:		
Purchase of landed property	171	154
(d) Impaired loans analysed by their geographical distribution are as follows:		
Malaysia	171	154

8 AMOUNT DUE FROM RELATED PARTIES

	2015 RM'000	2014 RM'000
Current deposits	150,424	420,534
Fixed deposits	2,438,723	2,590,916
Other receivables	355	956
	2,589,502	3,012,406

9 STATUTORY DEPOSITS WITH BNM

The non-interest bearing statutory deposits are maintained with BNM in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958, the amount of which is determined at set percentages of total eligible liabilities.

As of 31 December 2015, the Bank has RM3,046,000 (2014: RM2,000) statutory deposits with BNM.

10 OTHER ASSETS

	2015 RM'000	2014 RM'000
Other receivables	30,016	50,579
Deposits and prepayments	5,940	4,296
	35,956	54,875

11 DEFERRED TAX ASSETS

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position.

	2015 RM'000	2014 RM'000
Excess of depreciation over capital allowances	(1,289)	(2,261)
Other liabilities	2,886	2,629
Financial assets available-for-sale	(420)	-
Deferred tax assets	1,177	368

The movements in deferred tax assets and liabilities during the financial year comprise the following:

	Excess of depreciation over capital allowances RM'000	Financial assets available-for-sale RM'000	Other liabilities RM'000	Total RM'000
2015				
At 1 January	(2,261)	-	2,629	368
Credited to income statement (Note 25)	972	-	257	1,229
Charged to reserve	-	(420)	-	(420)
At 31 December	(1,289)	(420)	2,886	1,177

11 DEFERRED TAX ASSETS (CONTINUED)

	Excess of depreciation over capital allowances RM'000	Financial assets available-for-sale RM'000	Other liabilities RM'000	Total RM'000
2014				
At 1 January	(3,116)	81	2,695	(340)
Credited/(charged) to income statement (Note 25)	855	-	(66)	789
Charged to reserve	-	(81)	-	(81)
At 31 December	(2,261)	-	2,629	368

12 FIXED ASSETS

	Bank premises RM'000	Computers RM'000	Total RM'000
2015			
Cost			
At 1 January	16,841	17,711	34,552
Additions	94	883	977
Disposals and write-off	-	(2)	(2)
At 31 December	16,935	18,592	35,527
Accumulated depreciation			
At 1 January	4,698	9,777	14,475
Charge for the financial year	2,776	3,235	6,011
Disposals and write-off	-	(2)	(2)
At 31 December	7,474	13,010	20,484
Net book value			
At 31 December	9,461	5,582	15,043

12 FIXED ASSETS (CONTINUED)

	Bank premises RM'000	Computers RM'000	Total RM'000
2014			
Cost			
At 1 January	16,275	17,088	33,363
Additions	566	626	1,192
Disposals and write-off	-	(3)	(3)
At 31 December	16,841	17,711	34,552
Accumulated depreciation			
At 1 January	1,988	6,528	8,516
Charge for the financial year	2,710	3,252	5,962
Disposals and write-off	-	(3)	(3)
At 31 December	4,698	9,777	14,475
Net book value			
At 31 December	12,143	7,934	20,077

13 DEPOSITS FROM CUSTOMERS

(i) Deposits from customers analysed by type of deposits are as follows:

	2015 RM'000	2014 RM'000
Demand deposits	3,460,494	3,935,224
Fixed deposits	156,433	205,812
	3,616,927	4,141,036

Maturity structure of fixed deposits are as follows:

Due within six months	156,433	205,812

J.P. MORGAN CHASE BANK BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

13 DEPOSITS FROM CUSTOMERS (CONTINUED)

	2015 RM'000	2014 RM'000
(ii) Deposits from customers analysed by type of customers are as follows:		
Business enterprises	3,616,718	4,140,951
Others	209	85
	3,616,927	4,141,036

14 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2015 RM'000	2014 RM'000
Licensed banks	822,580	675,452
Other financial institutions	2,668	5,774
	825,248	681,226

15 AMOUNT DUE TO RELATED PARTIES

	2015 RM'000	2014 RM'000
Current deposits	564,786	532,873
Fixed deposits	3,048,106	112,155
Other payables	335	540
	3,613,227	645,568

16 OTHER LIABILITIES

	2015 RM'000	2014 RM'000
Other payables	59,756	66,559
Accruals and charges	12,505	10,134
	72,261	76,693

17 SHARE CAPITAL

	2015 RM'000	2014 RM'000
Authorised:		
100,000,000 ordinary shares of RM1 each		
At 1 January/ 31 December	100,000	100,000
Issued and fully paid:		
85,500,002 ordinary shares of RM1 each		
At 1 January/ 31 December	85,500	85,500

18 RESERVES

	2015 RM'000	2014 RM'000
Statutory reserve	97,778	97,778
Option reserve	11,890	9,440
Regulatory reserve	2,384	2,590
Fair value reserve – available-for-sale securities	1,332	-
	113,384	109,808

(i) The statutory reserve is maintained in compliance with BNM guidelines and is not distributable as cash dividends.

(ii) The option reserve is maintained in compliance with MFRS 2 - Share-based payment.

(iii) Regulatory reserve of the Bank is maintained as an additional credit risk absorbent to ensure robustness on the loan impairment assessment methodology.

(iv) Movement of the fair value reserve of available-for-sale securities is as follows:

	2015 RM'000	2014 RM'000
At 1 January	-	(243)
Financial assets available-for-sale		
- net gain on fair value charges	1,752	324
- deferred taxation	(420)	(81)
At 31 December	1,332	-

19 INTEREST INCOME

	2015 RM'000	2014 RM'000
Loans and advances		
- Interest income other than recoveries from impaired loans	6,667	4,787
- Recoveries from impaired loans	21	43
Money at call and placements with financial institutions	127,874	103,834
Financial assets		
- Held for trading	24,467	18,925
- Available-for-sale	4,159	2,577
	163,188	130,166

20 INTEREST EXPENSE

	2015 RM'000	2014 RM'000
Deposits from customers	28,002	27,795
Deposits and placements of banks and other financial institutions	63,433	7,256
	91,435	35,051

21 OTHER OPERATING INCOME

	2015 RM'000	2014 RM'000
Fee income:		
Service charges and fees	5,661	5,187
Guarantee fees	3,091	2,399
	8,752	7,586
Net income from securities:		
- Net gain from sale of financial assets held for trading	10,206	1,714
- Net unrealised gain from revaluation of financial assets held for trading	809	78
- Net gain from sale of financial assets available-for-sale	-	133
Derivatives:		
- Net loss on derivatives	(24,425)	(23,908)
- Unrealised gain/(loss) from revaluation of derivatives	16,292	(8,669)
Other income:		
Foreign exchange gain	89,552	50,295
Other operating income	38,139	26,200
Other non-operating income	112	100
	139,437	53,529

22 OPERATING EXPENSES

	2015 RM'000	2014 RM'000
Personnel costs:		
- Wages, salaries and bonuses	35,667	34,796
- Defined contribution retirement plan	5,118	5,040
- Other employee benefits	6,691	6,639
	47,476	46,475
Establishment costs:		
- Equipment and fittings repairs, maintenance and rental	739	763
- Rental of premise	2,795	2,877
- Depreciation of fixed assets	6,011	5,962
- Utilities	684	547
- Others	569	690
	10,798	10,839
Marketing expenses	1,620	2,622
Administration and general expenses:		
- Management fees paid	69,908	58,848
- Banking and corporate expenses	4,035	3,848
- Office supplies, communication expenses and insurance	4,599	4,406
- Postage and shipping charges	266	199
- Other general expenses	1,236	1,584
	80,044	68,885
	139,938	128,821

The above expenditure includes the following statutory disclosures:

	2015 RM'000	2014 RM'000
Directors' remuneration (Note 24)	4,900	4,295
Hire of equipment	343	459
Auditors' remuneration:		
- audit fees	389	363
- non-audit fees	13	13

23 ALLOWANCE FOR LOSSES ON LOANS AND ADVANCES

	2015 RM'000	2014 RM'000
Allowance for losses on loans and advances:		
(a) Individual assessment allowance		
- Written back	8	129
(b) Collective assessment allowance		
- Made	(911)	(384)
Loans and advances recovered/(written off)	3	(1,736)
	(900)	(1,991)

24 DIRECTORS' REMUNERATION

Fees	426	450
Other remuneration	4,474	3,845
	4,900	4,295
Analysis of Directors' remuneration:		
Executive Director:		
- Salary, bonuses and other remuneration	4,000	3,437
- Defined contribution retirement plan	471	405
- Benefits-in-kind	3	3
Non-executive Directors:		
- Fees/allowances	426	450
	4,900	4,295

The details of the Directors of the Bank in office, and interest in shares, restricted stock units and shares options during the financial year are disclosed in the Directors' Report.

24 DIRECTORS' REMUNERATION (CONTINUED)

The number of Directors of the Bank whose total remuneration during the financial year fell within the following bands is analysed below:

	2015	2014
Executive Director		
Above RM500,001	1	1
Non-Executive Directors		
Above RM100,001	1	-
RM50,001 – RM100,000	3	4
RM1 – RM50,000	-	1

25 TAXATION

(a) Tax expense for the financial year

	2015 RM'000	2014 RM'000
Current year tax		
- Malaysian income tax	19,979	6,533
- Under provision in respect of prior year	309	243
Deferred tax		
- Origination and reversal of temporary differences	(1,229)	(789)
	19,059	5,987

(b) Numerical reconciliation of income tax expense

The explanation on the relationship between tax expense and profit before tax is as follows:

	2015 RM'000	2014 RM'000
Profit before taxation	70,352	17,832
Tax calculated at a tax rate of 25% (2014: 25%)	17,588	4,458
Expenses not deductible for tax purposes	1,113	1,286
Under provision in respect of prior year	309	243
Changes in tax rate	49	-
Tax expense	19,059	5,987

26 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

The commitments and contingencies constitute the following:

	2015 Principal amount RM'000	2014 Principal amount RM'000
Credit-related		
Direct credit substitutes	354,949	161,269
Transaction-related contingent items	54,541	111,076
Short-term self-liquidating trade related contingencies	63,119	-
Forward asset purchases	-	1,187,943
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
- over one year	816,192	723,356
- up to one year	157,450	99,191
Treasury-related		
Foreign exchange related contracts:		
- one year or less	21,558,902	18,033,800
- over one year to five years	1,615,831	1,498,119
Interest rate related contracts:		
- one year or less	9,981,008	5,950,889
- over one year to five years	23,375,326	20,389,531
- over five years	701,333	2,606,752
Credit related contracts:		
- over one year to five years	75,250	51,100
Equity related contracts:		
- one year or less	828,930	1,469,565
- over one year to five years	131,811	114,138
	59,714,642	52,396,729

27 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of, and their relationship with the Bank, are as follows:

Name of related parties	Relationship
JPMorgan Chase & Co.	Ultimate holding corporation
JPMorgan Chase Bank, N.A., New York	Subsidiary of ultimate holding corporation ("the Head Office")
JPMorgan Chase Bank, N.A., Hong Kong	Branch of the Head Office
JPMorgan Chase Bank, N.A., Labuan	Branch of the Head Office
JPMorgan Chase Bank, N.A., Frankfurt	Branch of the Head Office
JPMorgan Chase Bank, N.A., London	Branch of the Head Office
JPMorgan Chase Bank, N.A., Singapore	Branch of the Head Office
JPMorgan Securities (Malaysia) Sdn Bhd	Subsidiary of ultimate holding corporation
J.P. Morgan Services (Malaysia) Sdn Bhd	Subsidiary of ultimate holding corporation

Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel of the Bank includes all the Directors and members of the Management Committee.

Set out below are other significant related party transactions and balances.

	2015		2014	
	Related entities RM'000	Key management personnel RM'000	Related entities RM'000	Key management personnel RM'000
Significant related party transactions of the Bank:				
Income				
Interest on loans and advances	1,040	2	950	4
Interest on current deposit	112	-	837	-
Interest on fixed deposit	4,314	-	1,537	-
Management fees received	38,139	-	26,200	-
Expense				
Interest on current deposit	2,868	-	736	-
Interest on fixed deposit	56,366	-	4,891	-
Rental recovery	(1,016)	-	(894)	-
Management fees	69,908	-	58,922	-

27 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	2015		2014	
	Related entities RM'000	Key management personnel RM'000	Related entities RM'000	Key management personnel RM'000
Related party balances of the Bank:				
Amount due from				
Staff loans	-	58	-	95
Current deposit	150,424	-	420,534	-
Fixed deposit	2,438,738	-	2,590,925	-
Loan	20,102	-	20,101	-
Other receivables	355	-	956	-
	2,609,619	58	3,032,516	95
Amount due to				
Current deposit	564,786	-	532,873	-
Fixed deposit	3,048,106	-	112,155	-
Other payables	335	-	540	-
	3,613,227	-	645,568	-

Transactions with related parties are aggregated because these transactions are similar in nature and no single transaction with these parties is significant enough to warrant separate disclosure.

Interest rates on time deposits were at normal commercial rates.

Key management compensation:

	2015 RM'000	2014 RM'000
Salaries and other short-term employee benefits	16,368	16,625
	Unit	Unit
Shares, restricted stock units and share options balance of ultimate holding corporation	35,990	31,708

Included in the above is the Executive Director's compensation which is disclosed in Note 24. The shares, restricted stock units and share options are granted on the same terms and conditions as those offered to other employees of the Bank.

27 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Key management compensation: (continued)

Loans made to key management personnel of the Bank are on similar terms and conditions generally available to other employees within the Bank. No specific allowances were required for loans and advances made to the key management personnel.

Credit exposures arising from transactions with connected parties

Credit exposures with connected parties as per BNM's revised "Guidelines on Credit Transactions and Exposures with Connected Parties", which became effective on 1 January 2009, are as follows:

	2015 RM'000	2014 RM'000
Outstanding credit exposures with connected parties	345,133	514,065
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	9.39%	12.09%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	0%	0%

28 NON CANCELLABLE OPERATING LEASE COMMITMENTS

The Bank has lease commitments in respect of rented premises, which is classified as operating leases. A summary of the non-cancellable long-term commitments representing minimum rentals which the Bank is obliged to pay are as follows:

	2015 RM'000	2014 RM'000
Not later than one year	1,088	2,613
Later than one year and not later than five years	7	1,095

29 CAPITAL ADEQUACY

The capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

The capital adequacy ratios of the Bank are as follows:

	2015 RM'000	2014 RM'000
Tier-I capital		
Paid-up share capital	85,500	85,500
Share premium	42,000	42,000
Retained earnings	660,385	608,886
Fair value reserve – available-for-sale securities	1,332	-
Option reserve	11,890	9,440
Statutory reserve	97,778	97,778
	898,885	843,604
Deferred tax assets	(1,177)	(368)
Available-for-sale securities	(733)	-
Total Tier I capital	896,975	843,236
Tier-II capital		
Regulatory reserve	2,384	2,590
Collective assessment allowance	1,603	692
Total Tier II capital	3,987	3,282
Total capital	900,962	846,518
Common Equity Tier 1 capital ratio	20.960%	17.409%
Tier 1 capital ratio	20.960%	17.409%
Total capital ratio	21.053%	17.476%

29 CAPITAL ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 31 December 2015:

Exposure Class	Gross exposures RM'000	Net exposures RM'000	Risk weighted assets RM'000	Capital requirements RM'000
(a) Credit Risk				
On-balance sheet exposures				
Sovereigns/central banks	5,987,358	5,987,358	-	-
Banks	2,672,540	2,672,540	534,508	42,761
Insurance companies, securities firms and fund managers	20,273	20,273	20,273	1,622
Corporates	318,547	318,547	318,469	25,478
Residential mortgages	1,971	1,971	702	56
Higher risk assets	14	14	21	2
Other assets	18,381	18,381	17,924	1,434
Defaulted exposures	171	171	191	15
Total on-balance sheet exposures	9,019,255	9,019,255	892,088	71,368
Off-balance sheet exposures				
Over-the-counter ('OTC') derivatives	2,507,704	2,507,704	904,417	72,353
Off balance sheet exposures other than OTC derivatives	834,430	834,430	816,291	65,303
Total off-balance sheet exposures	3,342,134	3,342,134	1,720,708	137,656
Total on and off-balance sheet exposures	12,361,389	12,361,389	2,612,796	209,024
	Long position	Short position		
(b) Market risk				
Interest rate risk	71,951,713	72,864,657	1,034,207	82,737
Equity position risk			20,950	1,676
Foreign currency risk	19,162	99,507	99,513	7,961
Options risk			155,063	12,405
(c) Operational risk			356,876	28,550
Total risk weighted assets and capital requirements			4,279,405	342,353

29 CAPITAL ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 31 December 2014:

Exposure Class	Gross exposures RM'000	Net exposures RM'000	Risk weighted assets RM'000	Capital requirements RM'000
(a) Credit Risk				
On-balance sheet exposures				
Sovereigns/central banks	1,513,493	1,513,493	-	-
Banks	3,778,562	3,778,562	755,712	60,457
Insurance companies, securities firms and fund managers	26,356	26,356	26,356	2,108
Corporates	250,967	250,967	250,887	20,071
Residential mortgages	2,391	2,391	960	77
Higher risk assets	14	14	21	2
Other assets	21,559	21,559	21,359	1,709
Defaulted exposures	154	154	156	12
Total on-balance sheet exposures	5,593,496	5,593,496	1,055,451	84,436
Off-balance sheet exposures				
Over-the-counter ('OTC') derivatives	2,190,385	2,190,385	791,131	63,290
Off balance sheet exposures other than OTC derivatives	1,786,266	1,786,266	814,947	65,196
Total off-balance sheet exposures	3,976,651	3,976,651	1,606,078	128,486
Total on and off-balance sheet exposures	9,570,147	9,570,147	2,661,529	212,922
	Long position	Short position		
(b) Market risk				
Interest rate risk	58,880,092	58,708,184	1,593,428	127,474
Equity position risk			9,413	753
Foreign currency risk	94,574	5	94,575	7,566
Options risk			184,288	14,743
(c) Operational risk			300,533	24,043
Total risk weighted assets and capital requirements			4,843,766	387,501

29 CAPITAL ADEQUACY (CONTINUED)

Off balance sheet counterparty risk as at 31 December 2015:

	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes	354,949	354,949	341,431
Transaction-related contingent items	54,541	27,271	23,388
Short-term self-liquidating trade related contingencies	63,119	12,624	11,886
Foreign exchange related contracts:			
- less than one year	21,558,902	879,426	379,838
- one year to less than five years	1,615,831	343,645	202,708
Interest rate related contracts:			
- less than one year	9,981,008	103,554	20,711
- one year to less than five years	23,375,326	815,639	187,858
- more than five years	701,333	188,033	37,606
Credit derivative contracts			
- one year to less than five years	75,250	17,278	3,456
Equity related contracts			
- less than one year	828,930	140,725	59,955
- one year to less than five years	131,811	19,404	12,285
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	816,192	408,096	408,096
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	157,450	31,490	31,490
	59,714,642	3,342,134	1,720,708

* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines.

29 CAPITAL ADEQUACY (CONTINUED)

Off balance sheet counterparty risk as at 31 December 2014:

	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes	161,269	161,269	146,966
Transaction-related contingent items	111,076	55,538	48,876
Short-term self-liquidating trade related contingencies	-	-	-
Forward asset purchases	1,187,943	1,187,943	237,589
Foreign exchange related contracts:			
- less than one year	18,033,800	717,823	410,710
- one year to less than five years	1,498,119	225,249	128,632
Interest rate related contracts:			
- less than one year	5,950,889	21,883	4,376
- one year to less than five years	20,389,531	699,820	139,965
- more than five years	2,606,752	308,133	61,626
Credit derivative contracts			
- one year to less than five years	51,100	6,502	1,300
Equity related contracts			
- less than one year	1,469,565	195,754	41,478
- one year to less than five years	114,138	15,221	3,044
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	723,356	361,678	361,678
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	99,191	19,838	19,838
	52,396,729	3,976,651	1,606,078

* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines.

30 FINANCIAL RISK MANAGEMENT

The Bank has developed and implemented comprehensive policies and procedures to identify, mitigate and monitor risk across the entity which are based on JPMC policies. These practices rely on constant communications, judgement and knowledge of products and markets by the people closest to them, combined with regular oversight by a central risk management group and senior management.

(i) Credit risk

Credit risk is the risk of loss from obligor or counterparty default. The Bank provides credit (for example, through loans, lending-related commitments, guarantees and derivatives) to a variety of customers, from large corporate and institutional clients to the individual consumer. Credit risk management actively monitors the portfolio to ensure that it is well diversified across industry, geography, risk rating, maturity and individual client categories.

The Bank follows the policies and practices established by JPMC's Credit Risk Policy Group and BNM's Best Practices for the Management of Credit Risk, to preserve the independence and integrity of the approval and decision-making process of extending credit, and to ensure credit risks are assessed accurately, approved properly, monitored regularly and managed actively at both the transaction and portfolio levels. The policy framework establishes credit approval authorities, concentration limits, risk-rating methodologies, portfolio review parameters and guidelines for management of distressed exposure. Management of the Bank's exposure is accomplished through a number of means including: loan syndication and participations, loan sales, use of master netting agreements and collaterals.

(a) Collateral

The Bank takes collateral as a secondary recourse to the borrower. Collaterals include cash, securities and guarantees. The Bank may also take fixed and floating charges on assets of borrowers. It has put in place policies which governs the determination of eligibility of various collaterals to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collateral to be considered as effective risk mitigants. The collateral is revalued periodically depending on the type of collateral. The Bank generally considers the collateral assets to be diversified.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

(b) Master netting arrangements

Master netting agreement is an agreement between two counterparties who have multiple derivative contracts with each other that provides for the net settlement of all contracts, as well as cash collateral, through a single payment, in a single currency, in the event of default on or termination of any one contract. It does not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. The Bank's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

The Bank participates in the Derivative Credit Risk Master Insurance Policy where it pays a credit charge to its Head Office as a credit insurance protection for its derivative transactions. The head office credit portfolio management process includes entering into hedges using Credit Default Swaps ("CDS"), CDS Indices, Foreign Exchange, Interest Rate Swaps and through loan sales.

The Bank uses lending-related financial instruments, such as commitments and guarantees, to meet the financing needs of its customers. The contractual amount of these financial instruments represents the maximum possible credit risk should the counterparties draw down on these commitments or the Bank fulfils its obligation under these guarantees, and the counterparties subsequently fail to perform according to the terms of these contracts. In the Bank's view, the total contractual amount of these lending-related commitments is not representative of the Bank's actual credit risk exposure or funding requirements. In determining the amount of credit risk exposure the Bank has to lending-related commitments, which is used as the basis for allocating credit risk capital to these commitments, the Bank has a "credit equivalent" amount for each commitment; this amount represents the portion of the unused commitment or other contingent exposure that is expected, based on average portfolio historical experience, to become drawn upon in an event of a default by an obligor.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the statement of financial position, including derivative financial instruments.

The maximum exposure is shown gross, without taking account of any collateral held or other credit enhancements.

	Note	2015 RM'000	2014 RM'000
Assets			
Cash and short-term funds	2	5,447,812	1,538,858
Securities purchased under resale agreement		428,117	256,341
Deposits and placements with banks and other financial institutions	3	-	401,960
Financial assets held for trading	4	20,309	649,988
Derivative financial instruments	5	987,556	787,871
Financial assets available-for-sale	6	142,192	-
Loans and advances	7	330,735	272,880
Amount due from related parties	8	2,589,502	3,012,406
Statutory deposits with BNM	9	3,046	2
Other assets	10	35,956	54,875
Tax recoverable		24,955	30,037
Total assets*		10,010,180	7,005,218
Commitments and contingencies	29	3,342,134	3,976,651
Total credit exposure		13,352,314	10,981,869

* Excludes deferred tax assets and fixed assets.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 29.

Where financial instruments are recorded by fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Concentration risk by geographical sectors

Credit risk exposure analysed by country in respect of the Bank's financial assets, including off-balance sheet financial instruments, are set out in the following table.

The country exposure analysis is based on the residency of the borrowers and counterparties. In respect of derivatives financial instruments, the amount subject to, and hence disclosed as, credit risk is limited to the current fair value of the instruments that are favourable to the Bank (i.e. assets).

31.12.2015

	Short-term funds and placements with financial institutions RM'000	Securities purchased under resale agreement RM'000	Deposits and placements with financial institutions RM'000	Financial assets held for trading RM'000	Derivative financial instruments RM'000	Financial assets available-for-sale RM'000	Loans and advances RM'000	Amount due from related parties RM'000	Other assets* RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Malaysia	5,399,140	428,117	-	20,309	872,659	142,192	326,037	-	80,177	7,268,631	2,822,866
United Kingdom	-	-	-	-	66,991	-	-	8,063	-	75,054	229,429
USA	-	-	-	-	5,104	-	-	2,438,948	-	2,444,052	154,196
Hong Kong	-	-	-	-	2,293	-	-	171	-	2,464	5,817
Singapore	15,334	-	-	-	34,433	-	-	292	-	50,059	87,798
Others	33,338	-	-	-	6,076	-	4,698	142,028	-	186,140	42,028
	5,447,812	428,117	-	20,309	987,556	142,192	330,735	2,589,502	80,177	10,026,400	3,342,134

* Other assets include statutory deposits with Bank Negara Malaysia, tax recoverable, deferred tax assets and fixed assets.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances.

Company No.

316347	D

J.P. MORGAN CHASE BANK BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Concentration risk by geographical sectors (continued)

											31.12.2014
	Short-term funds and placements with financial institutions RM'000	Securities purchased under resale agreement RM'000	Deposits and placements with financial institutions RM'000	Finanial assets held for trading RM'000	Derivative financial instruments RM'000	Financial assets available-for-sale RM'000	Loans and advances RM'000	Amount due from related parties RM'000	Other assets* RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Malaysia	1,523,792	256,341	401,960	520,133	681,731	-	266,059	10,490	105,359	3,765,865	3,487,018
United Kingdom	-	-	-	-	63,088	-	-	1,641	-	64,729	229,866
USA	-	-	-	-	7,261	-	-	2,974,215	-	2,981,476	147,338
Hong Kong	-	-	-	-	1,100	-	-	39	-	1,139	3,483
Singapore	5,840	-	-	-	27,871	-	-	186	-	33,897	61,369
Others	9,226	-	-	129,855	6,820	-	6,821	25,835	-	178,557	47,577
	1,538,858	256,341	401,960	649,988	787,871	-	272,880	3,012,406	105,359	7,025,663	3,976,651

* Other assets include statutory deposits with Bank Negara Malaysia, tax recoverable, deferred tax assets and fixed assets.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Concentration risk by industry sectors

Credit risk exposure analysed by industry in respect of the Bank's financial assets, including off-balance sheet financial instruments, are set out in the following table.

The industry sector exposure analysis is based on the industry sector of the borrowers and counterparties. In respect of derivatives financial instruments, the amount subject to, and hence disclosed as, credit risk is limited to the current fair value of the instruments that are favourable to the Bank (i.e. assets).

	31.12.2015										
	Short-term funds and placements with financial institutions RM'000	Securities purchased under resale agreement RM'000	Deposits and placements with financial institutions RM'000	Financial assets held for trading RM'000	Derivative financial instruments RM'000	Financial assets available-for-sale RM'000	Loans and advances* RM'000	Amount due from related parties RM'000	Other assets** RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Manufacturing	-	-	-	-	110,574	-	190,470	-	-	301,044	570,124
Wholesale and retail	-	-	-	-	8,107	-	-	-	-	8,107	17,118
Finance, insurance and business services	100,929	-	-	20,309	635,673	-	139,306	2,589,502	5,661	3,491,380	2,031,980
Government and Government Agencies	5,346,426	428,117	-	-	97,770	142,192	-	-	58,296	6,072,801	135,973
Electricity, gas and water	-	-	-	-	127,267	-	-	-	-	127,267	571,123

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Concentration risk by industry sectors (continued)

31.12.2015

	Short-term funds and placements with financial institutions RM'000	Securities purchased under resale agreement RM'000	Deposits and placements with financial institutions RM'000	Financial assets held for trading RM'000	Derivative financial instruments RM'000	Financial assets available-for-sale RM'000	Loans and advances* RM'000	Amount due from related parties RM'000	Other assets** RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Individual/Purchase of landed property - residential	-	-	-	-	-	-	2,418	-	-	2,418	226
Consumption credit	-	-	-	-	-	-	45	-	-	45	-
Others	-	-	-	-	8,165	-	99	-	-	8,264	15,590
	5,447,355	428,117	-	20,309	987,556	142,192	332,338	2,589,502	63,957	10,011,326	3,342,134
Assets not subject to credit risk	457	-	-	-	-	-	-	-	16,220	16,677	-
	5,447,812	428,117	-	20,309	987,556	142,192	332,338	2,589,502	80,177	10,028,003	3,342,134

* Excludes collective assessment allowance amounting to RM1,603,000.

** Other assets include tax recoverable, deferred tax assets, fixed assets and statutory deposits with Bank Negara Malaysia.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 29.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Concentration risk by industry sectors (continued)

31.12.2014

	Short-term funds and placements with financial institutions RM'000	Securities purchased under resale agreement RM'000	Deposits and placements with financial institutions RM'000	Financial assets held for trading RM'000	Derivative financial instruments RM'000	Financial assets available-for-sale RM'000	Loans and advances* RM'000	Amount due from related parties RM'000	Other assets** RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Manufacturing	-	-	-	-	108,380	-	175,668	-	-	284,048	404,504
Wholesale and retail	-	-	-	-	-	-	-	-	-	-	11,619
Finance, insurance and business services	400,396	-	401,960	129,855	495,577	-	94,777	3,012,406	10,398	4,545,369	2,965,941
Government and Government Agencies	1,138,262	256,341	-	520,133	22,618	-	-	-	74,516	2,011,870	38,159
Electricity, gas and water	-	-	-	-	161,296	-	-	-	-	161,296	554,370

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Concentration risk by industry sectors (continued)

31.12.2014

	Short-term funds and placements with financial institutions RM'000	Securities purchased under resale agreement RM'000	Deposits and placements with financial institutions RM'000	Financial assets held for trading RM'000	Derivative financial instruments RM'000	Financial assets available-for-sale RM'000	Loans and advances* RM'000	Amount due from related parties RM'000	Other assets** RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Individual/Purchase of landed property - residential	-	-	-	-	-	-	2,812	-	-	2,812	282
Consumption credit	-	-	-	-	-	-	61	-	-	61	-
Others	-	-	-	-	-	-	254	-	-	254	1,776
	1,538,658	256,341	401,960	649,988	787,871	-	273,572	3,012,406	84,914	7,005,710	3,976,651
Assets not subject to credit risk	200	-	-	-	-	-	-	-	20,445	20,645	-
	1,538,858	256,341	401,960	649,988	787,871	-	273,572	3,012,406	105,359	7,026,355	3,976,651

* Excludes collective assessment allowance amounting to RM692,000.

** Other assets include tax recoverable, deferred tax assets, fixed assets and statutory deposits with Bank Negara Malaysia.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 29.

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30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Loans and advances

Loans and advances are summarised as follows:

	2015 RM'000	2014 RM'000
Neither past due nor impaired	332,215	273,418
Past due but not impaired	-	56
Individually impaired	171	154
Gross	332,386	273,628
Less: Allowance for impaired loans and advances		
- Individual assessment allowance	(48)	(56)
- Collective assessment allowance	(1,603)	(692)
Net	330,735	272,880

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed as follows:

	Corporates RM'000	SMEs RM'000	Individuals RM'000	Total RM'000
2015				
Satisfactory	329,776	-	2,439	332,215
2014				
Satisfactory	270,445	-	2,973	273,418

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Loans and advances (continued)

(b) Loans and advances past due but not impaired

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Therefore, loans and advances less than 90 days past due not usually considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

	2015 RM'000	2014 RM'000
Past due 30 – 60 days	-	56
Past due 60 – 90 days	-	-
Total	-	56
Fair value of collateral	-	77
Amount of over-collateralisation	-	21

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Loans and advances (continued)

(c) Loans and advances individually impaired

The individual impaired loans and advances to customers before taking into consideration the cash flows from collateral held is RM171,000 (2014: RM154,000).

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Bank as security, are as follows:

	Mortgages RM'000	Total RM'000
2015		
Gross amount	171	171
Fair value of collateral	410	410
2014		
Gross amount	154	154
Fair value of collateral	284	284

Credit quality of financial assets

The table below presents an analysis of the credit quality of treasury bills and securities for the Bank by rating:

	Held for trading		Available for-sale	
	Malaysian Government treasury bills and securities RM'000	Private debt securities RM'000	Malaysian Government treasury bills and securities RM'000	Total RM'000
2015				
AAA	-	20,309	142,192	162,501
2014				
AAA	520,133	129,855	-	649,988

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk

Market risk comes mainly from trading and investing in client-focused activities, and is the risk of losses arising from adverse movements in market prices. Market risks are most commonly sub-divided into interest rate risk, equity risk, foreign exchange risk and commodity risk, depending on whether the risk factor is an interest rate, a stock price, etc. Market risk is identified, measured, monitored and controlled by an independent corporate risk governance function. Market Risk Management is responsible for the establishment of market risk policies and monitoring of risk limits.

The portfolio effect of holding different instruments across a variety of business activities and asset classes helps to diversify the market risk the Bank is exposed to and reduces the potential losses from market risk.

The Bank's ability to measure and monitor potential losses that could arise from adverse changes in market conditions is key to managing market risks. Quantitative and qualitative measures are an integral and crucial part in the Bank's assessment of market risks.

The Bank's primary tool for the systematic measuring and monitoring of market risk is the Value at Risk ("VAR") calculation, which is measured and monitored at the regional level by lines of businesses. VAR is an estimate of the expected loss in the value over a one-day time horizon. VAR allows for a consistent and uniform measure of market risk across all applicable products and activities. To calculate VAR, the Bank uses historical simulation, which measures risk across instruments and portfolios in a consistent and comparable way. This approach assumes that historical changes in market values are representative of future changes. The simulation is based upon data for the previous twelve months.

Besides VAR, other non-statistical limits such as basis point value and net open positions are used as market risk tools to limit the risk to which the businesses can be exposed to.

The VAR of the Bank at the end of the financial year, based on one-day time horizon and at 99% confidence level, is RM2,387,000 (2014: RM3,350,000). It represents the correlation and consequent diversification effects between risk types and portfolio types across trading and non-trading businesses. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

The quality of the VAR model is monitored by back-testing the VAR results for trading books. All back-testing exceptions are investigated, and all back-testing results are reported to senior management.

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Market Risk Management include: risk factor stress testing, where stress movements are applied to each risk category; emerging market stress testing, where emerging market portfolios are subject to stress movements; and ad hoc stress testing. The results of the stress tests are reviewed by senior management and by the Board of Directors.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Operational risk

Operational risk is an inherent risk element in each of the Bank's business and support activities. To monitor and control such risk, the Bank maintains a system of comprehensive policies and control framework designed to provide a sound and well-controlled operational environment.

Primary responsibility for managing operating risk rests with the business managers. These individuals, with the support of their staff, are responsible for establishing and maintaining internal control procedures that are appropriate for their operating environments. To this end, the objectives of each business activities are identified and the risks associated with those objectives are assessed. The business managers institute a series of standards and procedures to manage these risks and to comply with the Bank's operational risk related policies, considering their nature and magnitude.

At the operational level, Internal Audit conducts annual audits and reviews on key operation areas. The focus of the audit is to provide assurance to management on the compliance with statutory requirements, laws, corporate policies and internal guidelines.

(iv) Interest rate risk

Sensitivity to interest rate arises from mismatches in the interest rate characteristics of the assets and their corresponding funding liability. One of the major causes of these mismatches is timing differences in the repricing of the assets and liabilities. These mismatches are actively managed by the Bank and its holding company as part of the overall risk management process which is conducted within JPMC's guidelines and in conjunction with market risk.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Interest rate risk (continued)

The following table represents the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates as at balance sheet date.

31.12.2015

	Non trading book							
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Trading book RM'000	Non-interest sensitive RM'000	Total RM'000
Assets								
Cash and short-term funds	5,393,949	-	-	-	-	-	53,863	5,447,812
Securities purchased under resale agreement	427,437	-	-	-	-	-	680	428,117
Financial assets held for trading	-	-	-	-	-	20,309	-	20,309
Derivative financial instruments	-	-	-	-	-	987,556	-	987,556
Financial assets available-for-sale	-	-	-	141,402	-	-	790	142,192
Loans and advances								
- Performing	93,564	128,646	107,584	384	2,037	-	(1,651)^	330,564
- Non-performing	-	-	-	-	-	-	171	171
Amount due from related parties	2,438,708	-	-	-	-	-	150,794	2,589,502
Statutory deposits with BNM	-	-	-	-	-	-	3,046	3,046
Other assets #	-	-	-	-	-	-	77,131	77,131
Total assets	8,353,658	128,646	107,584	141,786	2,037	1,007,865	284,824	10,026,400

^ Includes individual assessment allowance and collective assessment allowance amounting to RM1,651,000.
\# Includes tax recoverable assets, deferred tax assets, fixed assets and other assets.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Interest rate risk (continued)

	31.12.2015							
	Non trading book							
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Trading book RM'000	Non-interest sensitive RM'000	Total RM'000
Liabilities								
Deposits from customers	2,255,745	649	1,002	-	-	-	1,359,531	3,616,927
Deposits and placements of banks and other financial institutions	195,526	-	-	-	-	-	629,722	825,248
Obligations on securities sold under repurchase agreements	146,607	-	-	-	-	-	1,626	148,233
Derivative financial instruments	-	-	-	-	-	849,235	-	849,235
Amount due to related parties	3,003,258	21,468	22,651	-	-	-	565,850	3,613,227
Other liabilities	-	-	-	-	-	-	72,261	72,261
Total liabilities	5,601,136	22,117	23,653	-	-	849,235	2,628,990	9,125,131
Interest rate gap	2,752,522	106,529	83,931	141,786	2,037			

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30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Interest rate risk (continued)

	Non trading book							31.12.2014
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Trading book RM'000	Non-interest sensitive RM'000	Total RM'000
Assets								
Cash and short-term funds	1,478,504	-	-	-	-	-	60,354	1,538,858
Securities purchased under resale agreement	256,010	-	-	-	-	-	331	256,341
Deposits and placements with banks and other financial institutions	-	400,000	-	-	-	-	1,960	401,960
Financial assets held for trading	-	-	-	-	-	649,988	-	649,988
Derivative financial instruments	-	-	-	-	-	787,871	-	787,871
Financial assets available-for-sale	-	-	-	-	-	-	-	-
Loans and advances								
- Performing	37,863	29,520	203,075	719	2,297	-	(748)^	272,726
- Non-performing	-	-	-	-	-	-	154	154
Amount due from related parties	2,590,907	-	-	-	-	-	421,499	3,012,406
Statutory deposits with BNM	-	-	-	-	-	-	2	2
Other assets #	-	-	-	-	-	-	105,357	105,357
Total assets	4,363,284	429,520	203,075	719	2,297	1,437,859	588,909	7,025,663

^ Includes individual assessment allowance and collective assessment allowance amounting to RM748,000.
# Includes tax recoverable assets, deferred tax assets, fixed assets and other assets.

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NOTES TO THE FINANCIAL STATEMENTS
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30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Interest rate risk (continued)

								31.12.2014
	Non trading book							
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Trading book RM'000	Non-interest sensitive RM'000	Total RM'000
Liabilities								
Deposits from customers	3,195,401	-	979	-	-	-	944,656	4,141,036
Deposits and placements of banks and other financial institutions	172,037	-	78	-	-	-	509,111	681,226
Obligations on securities sold under repurchase agreements	39,980	-	-	-	-	-	508	40,488
Derivative financial instruments	-	-	-	-	-	594,458	-	594,458
Amount due to related parties	72,462	17,482	22,056	-	-	-	533,568	645,568
Other liabilities	-	-	-	-	-	-	76,693	76,693
Total liabilities	3,479,880	17,482	23,113	-	-	594,458	2,064,536	6,179,469
Interest rate gap	883,404	412,038	179,962	719	2,297			

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Interest rate risk (continued)

The tables below summarises the effective average interest rate by major currencies for each class of financial assets and financial liabilities. The calculation of effective average interest rate excludes non-interest bearing financial assets and financial liabilities.

	2015		2014	
	RM	USD	RM	USD
	%	%	%	%
Financial assets				
Cash and short-term funds	3.06	0.13	3.35	0.09
Securities purchased under resale agreement	3.10	-	3.01	-
Deposits and placements with banks and other financial institutions	-	-	3.81	-
Financial assets held for trading	3.57	-	3.67	-
Financial assets available-for-sale	3.46	-	-	-
Loans and advances	5.25	1.55	5.22	1.05
Amount due from related parties	-	0.22	-	0.13
Financial liabilities				
Deposits from customers	2.33	0.27	2.60	0.17
Deposits and placements of banks and other financial institutions	1.14	0.13	2.50	0.10
Obligations on securities sold under repurchase agreements	3.10	-	4.05	-
Amount due to related parties	2.98	0.15	2.70	0.15

(v) Currency risk

Currency risk is the risk to earnings and value of financial instruments caused by the fluctuations in foreign exchange rates. It is managed in conjunction with market risk.

The table below sets out the Bank's exposure to currency risk. Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorised by currency.

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30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) Currency risk (continued)

2015	MYR RM'000	USD RM'000	EUR RM'000	Others RM'000	Total RM'000
Assets					
Cash and short-term funds	5,388,404	19,155	-	40,253	5,447,812
Securities purchased under resale agreement	428,117	-	-	-	428,117
Financial assets held for trading	20,309	-	-	-	20,309
Derivative financial instruments	381,974	605,582	-	-	987,556
Financial assets available-for-sale	142,192	-	-	-	142,192
Loans and advances	21,684	189,847	-	119,204	330,735
Amount due from related parties	-	2,439,392	142,006	8,104	2,589,502
Other assets#	78,326	1,851	-	-	80,177
	6,461,006	3,255,827	142,006	167,561	10,026,400
Liabilities					
Deposits from customers	1,111,725	2,328,410	138,386	38,406	3,616,927
Deposits and placements of banks and other financial institutions	648,405	176,843	-	-	825,248
Obligations on securities sold under repurchase agreements	148,233	-	-	-	148,233
Derivative financial instruments	504,162	345,073	-	-	849,235
Amount due to related parties	3,264,249	220,342	-	128,636	3,613,227
Other liabilities	61,153	7,434	3,645	29	72,261
	5,737,927	3,078,102	142,031	167,071	9,125,131
Currency gap	723,079	177,725	(25)	490	

Includes statutory deposits with BNM, tax recoverable, deferred tax assets, fixed assets and other assets.

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30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) Currency risk (continued)

	MYR RM'000	USD RM'000	EUR RM'000	Others RM'000	Total RM'000
2014					
Assets					
Cash and short-term funds	1,487,353	36,437	-	15,068	1,538,858
Securities purchased under resale agreement	256,341	-	-	-	256,341
Deposits and placements with banks and other financial institutions	401,960	-	-	-	401,960
Financial assets held for trading	649,988	-	-	-	649,988
Derivative financial instruments	453,703	334,168	-	-	787,871
Financial assets available-for-sale	-	-	-	-	-
Loans and advances	22,537	175,667	-	74,676	272,880
Amount due from related parties	-	2,985,661	25,189	1,556	3,012,406
Other assets#	104,996	28	-	335	105,359
	3,376,878	3,531,961	25,189	91,635	7,025,663
Liabilities					
Deposits from customers	1,002,633	3,095,363	25,059	17,981	4,141,036
Deposits and placements of banks and other financial institutions	515,370	165,856	-	-	681,226
Obligations on securities sold under repurchase agreements	40,488	-	-	-	40,488
Derivative financial instruments	252,234	342,224	-	-	594,458
Amount due to related parties	532,477	40,583	-	72,508	645,568
Other liabilities	74,904	936	12	841	76,693
	2,418,106	3,644,962	25,071	91,330	6,179,469
Currency gap	958,772	(113,001)	118	305	

Includes statutory deposits with BNM, tax recoverable, deferred tax assets, fixed assets and other assets.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(vi) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its cash flow obligations as they fall due, such as upon the maturity of deposits and loan draw downs.

It is unusual for any bank to completely match the maturity profile of its assets and liabilities as business transacted is often of uncertain terms and of different types. Therefore, controlled mismatching of the maturities of assets and liabilities is fundamental to prudent liquidity risk management of the Bank.

The Bank closely monitors its liquidity risk profile with a variety of tools which includes cash flow forecasts and maturity mismatch reports. The Bank has established funding guidelines on the amount of external funding it obtains and conducts regular stress-testing to ensure that it will be able to meet its obligations when they come due.

The table below analyses the Bank's non-derivative financial assets and financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are in the contractual undiscounted cash flows.

	Up to 1 month RM'000	1 – 3 months RM'000	3 – 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
2015						
Assets						
Short-term funds and placements with financial institutions	5,450,001	-	-	-	-	5,450,001
Financial assets held for trading	-	20,550	-	-	-	20,550
Financial assets available-for-sale	-	-	-	142,320	-	142,320
Amount due from related parties	2,589,561	-	-	-	-	2,589,561
Total financial assets	8,039,562	20,550	-	142,320	-	8,202,432
Liabilities						
Deposits from customers	3,615,316	651	1,015	-	-	3,616,982
Deposits and placements of banks and other financial institutions	825,248	-	-	-	-	825,248
Amount due to related parties	3,570,029	21,484	23,266	-	-	3,614,779
Total financial liabilities	8,010,593	22,135	24,281	-	-	8,057,009

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(vi) Liquidity risk (continued)

	Up to 1 month RM'000	1 – 3 months RM'000	3 – 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
2014						
Assets						
Short-term funds and placements with financial institutions	1,539,320	404,508	-	-	-	1,943,828
Financial assets held for trading	18,210	640,998	-	-	-	659,208
Amount due from related parties	3,012,425	-	-	-	-	3,012,425
Total financial assets	4,569,955	1,045,506	-	-	-	5,615,461
Liabilities						
Deposits from customers	4,140,169	-	990	-	-	4,141,159
Deposits and placements of banks and other financial institutions	681,147	-	80	-	-	681,227
Amount due to related parties	606,074	17,496	22,653	-	-	646,223
Total financial liabilities	5,427,390	17,496	23,723	-	-	5,468,609

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(vi) Liquidity risk (continued)

The table below analyses the Bank's derivative financial instruments based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are in the contractual undiscounted cash flows.

	Up to 1 month RM'000	1 – 3 months RM'000	3 – 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
2015						
Net-settled derivatives	10,266	10,569	(1,855)	(18,558)	(925)	(503)
Gross-settled derivatives						
- Receipts	4,612,932	5,438,583	8,964,205	1,171,618	-	20,187,338
- Payments	(4,614,216)	(5,419,600)	(8,959,375)	(1,122,995)	-	(20,116,186)
	8,982	29,552	2,975	30,065	(925)	70,649
2014						
Net-settled derivatives	10,793	16,803	(1,161)	(31,326)	(5,089)	(9,980)
Gross-settled derivatives						
- Receipts	6,830,407	3,593,160	6,321,950	1,470,311	-	18,215,828
- Payments	(6,822,563)	(3,600,361)	(6,291,146)	(1,459,642)	-	(18,173,712)
	18,637	9,602	29,643	(20,657)	(5,089)	32,136

31 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(a) Financial instruments not measured at fair value

(i) Certain financial instruments

For cash and short-term funds, securities purchased under resale agreement, deposits and placements with banks and other financial institutions, amount due from/to related parties, statutory deposits with BNM, deposits from customers, deposits and placements of banks and other financial institutions with maturities of less than one year, the carrying value is a reasonable estimate of fair value.

For balances relating to the above classes of financial instruments with maturities of more than one year, the carrying value approximates the fair value as these balances are subject to variable interest rate.

(ii) Loans and advances

For performing fixed rate loans, fair values have been estimated by discounting the estimated cash flows using the prevailing market rates of loans and advances with similar credit ratings and maturities. For floating-rate loans, the carrying amount is generally a reasonable estimate of fair value.

The fair value of impaired loans, fixed or floating are based on the carrying value less impairment allowances, being the expected recoverable amount. In arriving at the fair values for loans on the above bases, the total fair value of the entire loan portfolio has been reduced by RM1,651,000 (2014: RM748,000), being the carrying value of the collective allowance for doubtful debts which covers unidentified losses inherent in the portfolio.

(iii) Credit commitments

The estimated fair values are not readily ascertainable as these financial instruments are generally not traded. In addition, the quantum of fees collected under these arrangements, upon which a fair value could be based, is not material.

31 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Financial instruments measured at fair value

(i) Financial assets held for trading and financial assets available-for-sale

The estimated fair value is generally based on quoted market prices and observable market prices. Where there is no ready market in certain securities, the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

(ii) Derivative financial instruments

The fair value of foreign exchange derivatives, interest rate derivatives and equity derivatives is the estimated amount the Bank would receive or pay to terminate the contracts at the reporting date.

MFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (ie. as prices) or indirectly (ie. derived from prices); and
(c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table represents the Bank's financial assets and liabilities measured at fair value as at financial year ended:

2015	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets held for trading	-	20,309	-	20,309
Derivative financial instruments	-	987,556	-	987,556
Financial assets available-for-sale	-	142,192	-	142,192
Financial liabilities				
Derivative financial instruments	-	849,235	-	849,235

31 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Financial instruments measured at fair value (continued)

The following table represents the Bank's financial assets and liabilities measured at fair value as at financial year ended: (continued)

2014	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets held for trading	-	649,988	-	649,988
Derivative financial instruments	-	787,871	-	787,871
Financial assets available-for-sale	-	-	-	-
Financial liabilities				
Derivative financial instruments	-	594,458	-	594,458

The fair value of financial instruments traded in active markets (such as financial assets held for trading and financial assets available-for-sale) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Bank is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Bank uses a variety of methods and makes assumptions that are based on market conditions existing of each date of statement of financial position. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. These investments are included in Level 2 and comprise debt investments and derivative financial instruments. In infrequent circumstances where the valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in Level 3.

32 EMPLOYEE BENEFITS

Equity compensation benefits

The incentive compensation benefits are determined by the ultimate holding corporation, JPMC. The following schemes are applicable to the employees of JPMC:

Long-Term Incentive Plan ("LTIP")

Under the LTIP, common stock-based awards, including stock options, restricted stock, and restricted stock units ("RSU") are granted to certain key employees employed by JPMC and its subsidiaries.

Stock options are granted with an exercise price equal to JPMC's common stock price on the grant date. Generally, options cannot be exercised until at least one year after the grant date and become exercisable over various periods as determined at the time of the grant. These awards generally expire 10 years after grant date.

Restricted stock and RSUs are granted by JPMC at no cost to the recipient. These awards are subject to forfeiture until certain restrictions have lapsed, including continued employment for a specific period. The recipient of a share of restricted stock is entitled to voting rights and dividends on the common stock. An RSU entitles the recipient to receive a share of common stock after the applicable restrictions lapse; the recipient is entitled to receive cash payments equivalent to any dividends paid on the underlying common stock during the period the RSU is outstanding.

Value Sharing Plan is a broad-based employee stock option plan in which JPMC grants stock options to other employees as recognition of the services rendered.

(a) Stock options

The movements and weighted average exercise prices of stock options are as follows:

	2015		2014	
	Number of options	Weighted average exercise price (USD)	Number of options	Weighted average exercise price (USD)
Outstanding at 1 January	-	-	464	39.06
Exercised during the year	-	-	(464)	60.79
Outstanding at 31 December	-	-	-	-

32 EMPLOYEE BENEFITS (CONTINUED)

(b) Restricted Stock and RSUs

Compensation expense for restricted stock and RSUs is measured based upon the number of shares granted multiplied by the stock price at the grant date, and is recognised in the income statement.

	2015		2014	
	Number of restricted stock/RSU	Weighted average fair value at grant date USD	Number of restricted stock/RSU	Weighted average fair value at grant date USD
Outstanding at 1 January	27,102	48.21	26,662	41.00
Granted during the year	9,433	55.91	10,066	57.82
Exercised during the year	(11,638)	59.04	(9,137)	58.13
Cancelled during the year	(70)	46.58	-	-
Transferred during the year	(415)	54.63	(489)	48.21
Outstanding at 31 December	24,412	54.63	27,102	48.21

33 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILIITIES

(a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar arrangements.

	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		
				Financial instruments	Cash collateral received	Net amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015						
Derivative financial instruments	987,556	-	987,556	-	194,776	792,780
2014						
Derivative financial instruments	787,871	-	787,871	-	167,639	620,232

33 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILIITIES (CONTINUED)

(b) Financial liabilities

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar arrangements

	Gross amount of recognised financial liabilities RM'000	Gross amount of recognised financial assets set off in the statement of financial position RM'000	Net amount of financial liabilities presented in the statement of financial position RM'000	Related amounts not set off in the statement of financial position: Financial instruments RM'000	Related amounts not set off in the statement of financial position: Cash collateral placed RM'000	Net amount RM'000
2015						
Derivative financial instruments	849,235	-	849,235	-	48,049	801,186
2014						
Derivative financial instruments	594,458	-	594,458	-	40,504	553,954

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Bank and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

34 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 31 May 2016.

Company No.

316347	D

J.P. MORGAN CHASE BANK BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Lau Souk Huan and Steven Ronald Clayton, being two of the Directors of J.P. Morgan Chase Bank Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 9 to 83 are drawn up so as to give a true and fair view of the state of affairs of the Bank as at 31 December 2015 and of the results and cash flows of the Bank for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, Bank Negara Malaysia Guidelines and the requirements of the Companies Act, 1965 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution.

LAU SOUK HUAN
DIRECTOR

STEVEN RONALD CLAYTON
DIRECTOR

Kuala Lumpur
31 May 2016

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Mark Ling Lip Keong, being the Officer primarily responsible for the financial management of J.P. Morgan Chase Bank Berhad, do solemnly, and sincerely declare that the financial statements set out on pages 9 to 83 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

MARK LING LIP KEONG

Subscribed and solemnly declared by the abovenamed Mark Ling Lip Keong at Kuala Lumpur in Malaysia on 31 May 2016, before me.

PESURUHJAYA SUMPAH
No: W 594
P. VALLIAMAH
MALAYSIA

COMMISSIONER FOR OATHS

No. 4-13, 4th Floor, Wisma Konwa
No 40 & 42, Jalan Tun Perak
(Lebuh Ampang)
50050 Kuala Lumpur

pwc

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF J.P. MORGAN CHASE BANK BERHAD

(Incorporated in Malaysia)
(Company No. 316347 D)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of J.P. Morgan Chase Bank Berhad on pages 9 to 83 which comprise the statements of financial position as at 31 December 2015 of the Bank, and the statement of comprehensive income, changes in equity and cash flows of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 34.

Directors' Responsibility for the Financial Statements

The directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

INDEPENDENT AUDITORS' REPORT TO THE MEMBER
OF J.P. MORGAN CHASE BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 316347 D)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank have been properly kept in accordance with the provisions of the Act.

OTHER MATTERS

This report is made solely to the members of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

WILLIAM MAH JIN CHIEK
(No. 3085/07/17 (J))
Chartered Accountant

Kuala Lumpur
31 May 2016