

J.P. MORGAN FINANCIAL INVESTMENTS LIMITED
(Registered Number: 01420459)

Annual report for the year ended 31 December 2018



J.P. MORGAN FINANCIAL INVESTMENTS LIMITED
Annual report for the year ended 31 December 2018

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J.P. MORGAN FINANCIAL INVESTMENTS LIMITED

Strategic report

The directors present their strategic report of J.P. Morgan Financial Investments Limited (the "Company") for the year ended 31 December 2018.

Overview

The Company is incorporated and domiciled in England and Wales. It is an indirect subsidiary of JPMorgan Chase & Co. ("JPMorgan Chase" or the "Firm"). JPMorgan Chase is a financial holding company incorporated under Delaware law in 1968, it is a global leading financial services firm and one of the largest banking institutions in the United States of America ("U.S."), with operations worldwide. The Company had \$5,183.3 million in assets and \$5,183.0 million in total shareholder's equity as of 31 December 2018.

Principal activity

The Company's principal activity is that of an investment holding company.

Review of business

The directors were satisfied with the performance of the Company for the year.

Income Statement:

The results for the year are set out on page 7 and show the Company's profit for the financial year is \$2.3 million (2017: \$ 22.7 million).

Balance sheet:

The balance sheet is set out on page 8. The Company has total assets and total liabilities of \$5,183.3 million (2017: \$5,180.7 million) and \$0.3 million (2017: \$1,108) respectively as at 31 December 2018.

Future outlook

In 2016, the United Kingdom ("UK") voted to withdraw from the European Union ("EU"), and in March 2017, the UK invoked Article 50 of the Lisbon Treaty, which commenced withdrawal negotiations with the EU. As a result, and after two extensions of the negotiation timeline, the UK is currently scheduled to depart from the EU on 31 October, 2019. Negotiations regarding the terms of the UK's withdrawal continue between the UK and the EU, although the situation remains highly uncertain.

It remains highly uncertain how the expected departure of the UK from the EU, which is commonly referred to as "Brexit", will affect financial services firms such as JPMorgan Chase that conduct substantial operations in the EU from legal entities that are organised in or operating from the UK. It is also possible that any agreement reached between the UK and the EU may, depending on the final outcome of the ongoing negotiations and related legislative developments:

- impede the ability of UK-based financial services firms to conduct business in the EU;
- fail to address significant unresolved issues relating to the cross-border conduct of financial services activities, or
- apply only temporarily.

A disorderly departure of the UK from the EU, or the unexpected consequences of any departure, could have significant and immediate destabilising effects on cross-border financial services activities, depending on circumstances that may exist following such a withdrawal.

The Firm has a long-standing presence in the UK, which currently serves as the regional headquarters of the Firm's operations in over 30 countries across Europe, the Middle East, and Africa ("EMEA"). The Firm established a Firmwide Brexit Implementation programme in 2017. The programme covers strategic implementation across all impacted businesses and functions. The programme's objective is to deliver the Firm's capabilities on "day one" of the UK's withdrawal across all impacted legal entities. The programme includes an ongoing assessment of implementation risks including political, legal and regulatory risks and plans for addressing and mitigating those risks. The Firm is also monitoring the expected macroeconomic developments associated with a no-deal scenario and has undertaken stress testing covering credit and market risk to assess potential impacts. Significant uncertainty remains around the UK's expected departure from the EU, including the possibility that the UK departs without any agreement being reached on how UK financial services firms will conduct business within the EU (i.e., "a no-deal scenario").

The impact of Brexit on the Company's business model and risks will continue to be assessed as part of the Firmwide strategy in considering a strategic post-Brexit legal entity structure.

J.P. MORGAN FINANCIAL INVESTMENTS LIMITED

Strategic report (continued)

Future outlook (continued)

Brexit will have significant impact across the Firm's European businesses, including business and legal entity reorganisation. However, the situation remains highly uncertain, including in relation to whether a transition period is secured.

The impact of Brexit on the Company's business model and risks will continue to be assessed as part of the Firmwide strategy in considering a strategic post-Brexit legal entity structure.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Firm and are not managed separately. The Company is a holding Company and its greatest risk lies in the value of investments. An impairment assessment of the value of investment in subsidiary undertakings is conducted at least once a year.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'S. White', written over a horizontal line.

Director

Name: Stephen White

Date: 23 September 2019

J.P. MORGAN FINANCIAL INVESTMENTS LIMITED

Directors' report

The directors present their report and the audited financial statements for J.P. Morgan Financial Investments Limited (the "Company") for the year ended 31 December 2018. The Company is part of JPMorgan Chase & Co. (together with its subsidiaries, the "Firm" or "JPMorgan Chase"). The Company's registration number is 01420459.

Refer to the Strategic Report for future outlook disclosure.

Results and dividends

The results for the year are set out on page 7 and show the Company's profit for the financial year is \$2.3 million (2017: \$22.7 million).

No dividends were paid or proposed during the year (2017: \$nil).

Directors

The directors of the Company who served during the year and up to the date of signing the financial statements were as follows:

S.M. White
J.R. Hobson
L. Atherton-Miller

Directors' interest

None of the directors have any beneficial interest in the Company. The Company is a subsidiary of a company incorporated outside England and Wales. The ultimate holding company is a body corporate incorporated outside England and Wales. The directors are not required to notify the Company of any interests in shares of that or any other body incorporated outside England and Wales.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the year.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each person who is a director of the Company at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

J.P. MORGAN FINANCIAL INVESTMENTS LIMITED

Directors' report (continued)

Qualifying third party indemnity provision

An indemnity is provided to the directors of the Company under the by-laws of JPMorgan Chase & Co. against liabilities and associated costs which they could incur in the course of their duties to the Company. The indemnity was in force during the financial year and also at the date of approval of the financial statements. A copy of the by-laws of JPMorgan Chase & Co is available from the registered office address of the Company.

Company secretary

The secretary of the Company who served during the year as follows:

J.P. Morgan Secretaries (UK) Limited

Registered address

25 Bank Street
Canary Wharf
London E14 5JP
England and Wales

Independent auditors

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

On behalf of the Board



Director

Name: Stephen White

Date: 23 September 2019

Independent auditors' report to the members of J.P. Morgan Financial Investments Limited

Opinion

In our opinion, J.P. Morgan Financial Investments Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 December 2018; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of J.P. Morgan Financial Investments Limited (continued)

Reporting on other information (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

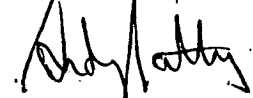
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Andrew Batty (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London 23 September 2019

J.P. MORGAN FINANCIAL INVESTMENTS LIMITED

Income statement

Year ended 31 December		2018	2017
	Notes	\$'000	\$'000
Gain on disposal of financial assets available for sale		—	16,807
Other income/(expense)	5	62	(3,354)
Administrative expenses		(2)	(3)
Operating profit		60	13,450
Interest and similar income	7	2,731	892
Other non operating income	8	—	8,392
Profit on ordinary activities before taxation	9	2,791	22,734
Tax on profit on ordinary activities	10	(525)	(36)
Profit for the financial year		2,266	22,698

Statement of comprehensive income

Year ended 31 December		2018	2017
	Notes	\$'000	\$'000
Profit for the financial year		2,266	22,698
Movement on disposal of financial assets available-for-sale		—	(16,807)
Movement in financial assets available-for-sale reserve	14	—	1,637
Effect of change in functional currency during the year		—	552
Total comprehensive income for the year		2,266	8,080

The notes on pages 10 - 22 form an integral part of these financial statements.

J.P. MORGAN FINANCIAL INVESTMENTS LIMITED

Balance sheet

31 December		2018	2017
	Notes	\$'000	\$'000
Non current assets			
Investments in JPMorgan Chase undertakings	11	4,810,602	4,810,602
Deferred tax asset	12	46	52
Total Non current assets		4,810,648	4,810,654
Current assets			
Financial assets held at fair value through profit or loss	13	863	828
Financial assets available-for-sale	14	—	—
Cash and cash equivalents	16	371,795	369,152
Other assets	17	—	128
Total Current assets		372,658	370,108
Current liabilities			
Creditors: amounts falling due within one year	18	(278)	(1,108,000)
Net current assets/(liabilities)		372,380	(737,892)
Net assets		5,183,028	4,072,762
Equity			
Called-up share capital	20	2,614	2,614
Capital contribution reserve		5,169,295	4,061,295
Retained earnings		11,119	8,853
Total equity		5,183,028	4,072,762

The notes on pages 10 - 22 form an integral part of these financial statements.

The financial statements on pages 7 - 22 were approved by the Board of Directors on 23 September 2019 and signed on its behalf by:



Director
Name: Stephen White

Date: 23 September 2019

J.P. MORGAN FINANCIAL INVESTMENTS LIMITED
Statement of changes in equity

	Called-up share capital	Capital contribution reserve	Available-for- sale reserve	Retained Earnings	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2017	2,614	27,232	15,170	(14,397)	30,619
Profit for the financial year				22,698	22,698
Capital contribution reserve created on group reorganization	—	4,034,063	—	—	4,034,063
Other comprehensive Income/(expense) for the year:					
Movement on disposal of financial assets available-for-sale	—	—	(16,807)	—	(16,807)
Movement in financial assets available-for-sale reserve	—	—	1,637	—	1,637
Effect of change in functional currency during the year	—	—	—	552	552
Total comprehensive Income for the year	—	—	(15,170)	23,250	8,080
Balance as at 31 December 2017	2,614	4,061,295	—	8,853	4,072,762
Add: Capital contribution arising from prior year group reorganisation (refer note 18)	—	1,108,000	—	—	1,108,000
Profit for the financial year	—	—	—	2,266	2,266
Balance as at 31 December 2018	2,614	5,169,295	—	11,119	5,183,028

The notes on pages 10 - 22 form an integral part of these financial statements.

J.P. MORGAN FINANCIAL INVESTMENTS LIMITED

Notes to the financial statements

1. General information

The Company is incorporated and domiciled in England and Wales. The Company's immediate parent undertaking is Bear Stearns Irish Holdings LLC, which is incorporated in the state of Delaware in the United States of America. The Company's ultimate parent undertaking and the parent undertaking of the only group in which the results of the Company are consolidated, is JPMorgan Chase & Co. (the "Firm" or "JPMorgan Chase"), which is incorporated in the state of Delaware in the United States of America. The consolidated financial statements of the Firm can be obtained from the Company's registered office at 25 Bank Street, Canary Wharf, London, E14 5JP, England and Wales.

2. Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" ("FRS 101"). FRS 101 applies the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") with reduced disclosures.

The financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of certain financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The following exemptions from the requirements of IFRS as adopted by the EU have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Comparative information disclosures (paragraph 38 of IAS 1, 'Presentation of financial statements' ("IAS 1") for reconciliation of share capital (paragraph 79(a)(iv) of IAS 1);
- Statement of compliance to IFRS (paragraph 16, IAS 1);
- Cash flow statement and related notes (IAS 7 Cash flow statements);
- Disclosures in relation to new or revised standards issued but not yet effective (paragraph 30 and 31, IAS 8 'Accounting policies, changes in accounting estimates and errors');
- Key management compensation disclosures (paragraph 17, IAS 24 'Related Party Disclosures' ("IAS 24"));
- Related party transactions with wholly owned JPMorgan Chase undertakings (paragraph 18 and 19, IAS 24); and

2.1 Accounting and reporting developments

Standards adopted during the year ended 31 December 2018

Adoption of IFRS 9

Effective 1 January 2018, the Company adopted IFRS 9 'Financial instruments', which superseded IAS 39 'Financial Instruments Recognition and Measurement'. The adoption of IFRS 9 impacts the classification and measurement of financial assets including the impairment of financial assets and the presentation of gains and losses related to certain financial liabilities designated at fair value through profit or loss. Refer to note 3 for more information about the changes to the Company's accounting policies.

The requirements of IFRS 9 have been applied retrospectively by revising the Company's opening balance sheet on 1 January 2018. As permitted by the transition provisions of IFRS 9, the Company elected not to restate comparative periods.

Refer to note 21 for more information about the Company's transition to IFRS 9.

Adoption of IFRS 15

Effective 1 January 2018, the Company adopted IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15"). IFRS 15 requires that revenue from contracts with customers be recognised upon transfer of control of a good or service in the amount of consideration expected to be received. IFRS 15 also changes the accounting for certain contract costs, including whether they may be offset against revenue in the income statement, and requires additional disclosures about revenue and contract costs.

IFRS 15 permits adoption using a full retrospective approach or a modified, cumulative effect approach wherein the guidance is applied only to existing contracts as of the date of adoption, and to new contracts transacted after that date. The Company adopted IFRS 15 using the full retrospective method.

The adoption of IFRS 15 did not result in any material changes in the timing of recognition or in the presentation of the Company's revenue.

J.P. MORGAN FINANCIAL INVESTMENTS LIMITED

Notes to the financial statements (continued)

3. Critical accounting estimates and judgements

The preparation of financial statements generally requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. The nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements:

Fair value measurement

The Company carries a portion of its assets at fair value on a recurring basis. Estimating fair value often requires the application of judgement. The type and level of judgement required is largely dependent on the amount of observable market information available to the Company and the Firm. For instruments valued using internally developed models that use significant unobservable inputs and are therefore classified within level 3 of the fair value hierarchy, judgements used to estimate fair value are more significant than those required when estimating the fair value of instruments classified within levels 1 and 2. Further details are set out in note 15 to the financial statements.

4. Significant Accounting policies

The following are the significant accounting policies applied in the preparation of these financial statements. These policies have been applied consistently in each of the years presented, unless otherwise stated.

4.1 Consolidation

The Company is a subsidiary undertaking of Bear Stearns Irish Holdings LLC, a company incorporated in the United States of America and of its ultimate parent, JPMorgan Chase & Co., a company incorporated in the United States of America. It is included in the consolidated financial statements of JPMorgan Chase & Co. which are publicly available. Therefore, the Company has elected not to prepare group financial statements in accordance with the dispensation set out in Section 401 of the Companies Act 2006.

4.2 Foreign currency translation

Monetary assets and monetary liabilities in foreign currencies are translated into United States ("U.S.") dollars at rates of exchange ruling on the balance sheet date. Income and expense items denominated in foreign currencies are translated into U.S. dollars at exchange rates prevailing at the date of the transactions. Any gains or losses arising on translation are taken directly to the income statement.

Non-monetary items denominated in foreign currencies that are stated at historical cost are translated into U.S. dollars at the exchange rate ruling at the date of the transaction.

Non-monetary items denominated in foreign currencies that are stated at fair value are translated into U.S. dollars at foreign exchange rates ruling at the dates when the fair values were determined. Translation differences arising on non-monetary items measured at fair value are recognised in the income statement except for differences arising on available-for-sale non-monetary financial assets, which are included in the financial assets available-for-sale reserve.

4.3 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). U.S. dollars is considered as the functional and presentation currency of the Company.

4.4 Expense recognition

Expenses are recognised when the underlying contract becomes legally binding or at the agreed due date if later.

4.5 Dividend recognition

Dividend income is recognised when the right to receive payment is established.

J.P. MORGAN FINANCIAL INVESTMENTS LIMITED

Notes to the financial statements (continued)

4. Significant Accounting policies (continued)

4.6 Financial instruments

Changes in accounting policies

On adoption of IFRS 9 on 1 January 2018, the Company replaced or substantially revised its accounting policies for classification and measurement of financial assets and financial liabilities, and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures' ("IFRS 7"). The IFRS 7 disclosures have only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

These new or revised policies are set out in the following table along with the corresponding policy under IAS 39. Because the Company elected not to restate comparative periods on adoption of IFRS 9, the IAS 39 policies should be used to understand the differences in accounting policies with the comparative prior period information presented in these financial statements.

IFRS 9	IAS 39
Financial assets and financial liabilities	
i. Recognition of financial assets and financial liabilities	
The Company recognises financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised using trade-date accounting.	The Company recognises derivatives on its balance sheet when it becomes a party to the contractual provisions of the instruments. Loans and receivables and financial liabilities at amortised cost are recognised when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Company commits to purchase or sell the asset.
ii. Classification and measurement of financial assets and financial liabilities	
On initial recognition, financial assets are classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification is based on both the business model for managing the financial assets and their contractual cash flow characteristics. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated.	The Company classifies its financial assets and financial liabilities in the following categories on initial recognition: Financial assets and financial liabilities held for trading, financial assets and financial liabilities designated at fair value through profit or loss, and loans and receivables and financial liabilities held at amortised cost.
On initial recognition, financial liabilities are classified as measured at either amortised cost or fair value through profit or loss.	

J.P. MORGAN FINANCIAL INVESTMENTS LIMITED
Notes to the financial statements (continued)

4. Significant Accounting policies (continued)

4.6 Financial instruments (continued)

IFRS 9	IAS 39
Financial assets and financial liabilities	
Financial assets and financial liabilities held at fair value through profit or loss	Financial assets and financial liabilities designated at fair value through profit or loss
<p>Subject to certain criteria, the Company can designate financial assets and financial liabilities to be measured at fair value through profit or loss. Designation is only possible when the financial instrument is initially recognised and cannot subsequently be reclassified. Financial assets can be designated as measured at fair value through profit or loss only if such designation eliminates or significantly reduces a measurement or recognition inconsistency. Financial liabilities can be designated as measured at fair value through profit or loss only if such designation (a) eliminates or significantly reduces a measurement or recognition inconsistency; or (b) applies to a group of financial assets, financial liabilities or both that the Company manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative unless the embedded derivative does not significantly modify the cash flows required by the contract or when a similar hybrid instrument is considered that separation of the embedded derivative is prohibited.</p> <p>Financial assets and financial liabilities that the Company holds as measured at fair value through profit or loss are recognised at fair value at initial recognition, with transaction costs being recognised in profit or loss and subsequently measured at fair value. Gains and losses on financial assets and financial liabilities designated at fair value through profit or loss are recognised in profit or loss as they arise.</p> <p>Changes in the fair value of financial assets designated as measured at FVTPL are recognised immediately in trading profit or loss.</p>	<p>Financial assets and financial liabilities that the Company designates on initial recognition as being at fair value through profit or loss are recognised at fair value, with transaction costs being recognised in profit or loss and subsequently measured at fair value. Gains and losses on financial assets and financial liabilities that are designated at fair value through profit or loss are recognised in profit or loss as they arise. A financial instrument may only be designated at inception as held at fair value through profit or loss and cannot subsequently be reclassified.</p> <p>Financial assets or financial liabilities are designated at fair value through profit or loss only if such designation (a) eliminates or significantly reduces a measurement or recognition inconsistency; or (b) applies to a group of financial assets, financial liabilities or both that the Company manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative unless the embedded derivative does not significantly modify the cash flows required by the contract or when a similar hybrid instrument is considered that separation of the embedded derivative is prohibited.</p> <p>The Company has designated certain equity securities at fair value through profit or loss on the basis that they are managed and their performance evaluated on a fair value basis.</p>

J.P. MORGAN FINANCIAL INVESTMENTS LIMITED

Notes to the financial statements (continued)

4. Significant Accounting policies (continued)

4.6 Financial instruments (continued)

IFRS 9	IAS 39
Financial assets and financial liabilities	
Financial assets and financial liabilities measured at amortised cost	Loans and receivables and financial liabilities at amortised cost
<p>Financial assets are measured at amortised cost if they are held under a business model with the objective to collect contractual cash flows ("Hold to Collect") and they have contractual terms under which cash flows are solely payments of principal and interest ("SPPI"). In making the SPPI assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. As a result of the application of these criteria, only debt financial assets are eligible to be measured at amortised cost.</p>	<p>Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market except those that are classified as held for trading or designated at fair value through profit or loss. Loans and receivables include cash and cash equivalents.</p>
Financial assets measured at amortised cost is cash and cash equivalents.	<p>Loans and receivables are initially recognised at fair value including directly related incremental transaction costs. They are subsequently measured at amortised cost, including any provision for impairment losses. Interest is recognised in the income statement as 'interest and similar income' using the effective interest rate method.</p>
Financial liabilities are measured at amortised cost unless they are held for trading or a designated as measured at fair value through profit or loss. Financial liabilities measured at amortised cost include amounts owed to JPMorgan Chase undertakings.	<p>Financial liabilities include amounts owed to JPM Chase undertakings and are recognised initially at fair value including directly related incremental transaction costs and subsequently measured at amortised cost using the effective interest method.</p>
Financial assets and financial liabilities measured at amortised cost are initially recognised at fair value including transaction costs. The initial amount recognised is subsequently reduced for principal repayments and for accrued interest using the effective interest method. In addition, the carrying amount of financial assets is adjusted by recognising an expected credit loss allowance through to profit or loss.	<p>The effective interest method is used to calculate the amortised cost of a financial asset or financial liability (or a group of financial assets or financial liabilities). It is a method of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset or financial liability. The calculation of the effective interest rate includes all fees and commissions paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.</p>
<p>The effective interest method is used to allocate interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability or a shorter period when appropriate, to the net carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset or financial liability. The calculation of the effective interest rate includes all fees and commissions paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issuance or disposal of a financial asset or financial liability.</p>	

J.P. MORGAN FINANCIAL INVESTMENTS LIMITED

Notes to the financial statements (continued)

4. Significant Accounting policies (continued)

4.6 Financial Instruments (continued)

IFRS 9	IAS 39
Interest income and interest expense	Interest income and interest expense
Unless a financial asset is credit-impaired, interest income is recognised by applying the effective interest method to the carrying amount of a financial asset before adjusting for any allowance for expected credit losses. If a financial asset is credit-impaired, interest income is recognised by applying the effective interest rate to the carrying amount of the financial asset including any allowance for expected credit losses.	Interest income and expense are recognised on an effective interest rate basis. All contractual terms of a financial instrument are considered when estimating future cash flows.
Interest expense on financial liabilities is recognised by applying the effective interest method to the amortised cost of financial liabilities.	

4.7 Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the contractual right to receive cash flows from the asset has expired, or has been transferred with either of the following conditions met:

- the Company has transferred substantially all the risks and rewards of ownership of the asset; or
- the Company has neither retained nor transferred substantially all of the risks and rewards; but has relinquished control of the asset.

Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

4.8 Fair value

Financial instruments are initially recognised at fair value on the date of initial recognition and subsequently remeasured at fair value. 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.

Fair values are determined by reference to observable market prices where available and reliable. Fair values of financial assets and financial liabilities are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. Where market prices are unavailable, fair value is based on valuation models that consider relevant transaction characteristics (such as maturity) and use as inputs observable or unobservable market parameters, including but not limited to yield curves, interest rates, volatilities, equity or debt prices, foreign exchange rates and credit curves. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

The Company classifies its assets and liabilities according to a hierarchy that has been established under IFRS for disclosure of fair value measurements. The fair value hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3 inputs).

A financial instrument's categorisation within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Further details on fair value measurements are provided in note 15 to the financial statements.

4.9 Investments in JPMorgan Chase undertakings

Investments in JPMorgan Chase undertakings are stated at cost less impairment. Where the investments in the share capital of JPMorgan Chase undertakings are acquired by way of a dividend in kind, these are initially recognised at fair value, unless the transaction is a combination of business under common control where predecessor accounting is applied. Investments in JPMorgan Chase undertakings are subsequently measured at cost less provision for impairment.

4.10 Cash and cash equivalents

Cash and cash equivalents include cash and balances at banks and loans and advances to banks with maturities of three months or less.

J.P. MORGAN FINANCIAL INVESTMENTS LIMITED

Notes to the financial statements (continued)

4. Significant Accounting policies (continued)

4.11. Current and deferred income tax

Income tax payable on taxable profits (current tax) is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offset against taxable profits arising in the current or prior period. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and legislation enacted or substantively enacted by the balance sheet date, which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are only offset when there is both a legal right and an intention to settle on a net basis. Current tax and deferred tax are recognised directly in equity if the tax relates to items that are recognised in the same or a different period in equity.

5. Other income/(expense)

	2018	2017
	\$'000	\$'000
Impairment of Investment (refer note 11)	—	(2,614)
Foreign exchange translation gain/(loss)	27	(436)
Gain/(loss) from fair valuation of financial assets	35	(304)
	62	(3,354)

6. Directors' emoluments and staff cost

	2018	2017
	\$'000	\$'000
Emoluments*	7	10
Total contributions to a defined contribution plan	452	711
Total value of long term incentive plans for all directors	744	716
Number of directors who served during the year	3	4
Number of directors with shares received or receivable under LTIPs	3	3
Number of directors to whom defined contribution pension rights accrued	3	4
Number of directors to whom defined benefit pension rights accrued	—	—

*The amounts shown above in respect of emoluments paid to directors exclude amounts paid or due to directors under long term incentive plans, the value of share options granted or exercised and benefits to which directors are entitled under any pension schemes.

Highest paid director

The emoluments of the highest paid director is under £200,000 which is not required to be disclosed under the requirements of the Companies Act 2006.

The Company had no employees during the year (2017: none).

7. Interest and similar income

	2018	2017
	\$'000	\$'000
Interest and similar income	2,731	892

J.P. MORGAN FINANCIAL INVESTMENTS LIMITED
Notes to the financial statements (continued)

8. Other non operating income

	2018	2017
	\$'000	\$'000
Other non operating income	—	8,392

2017 balance includes gain from liquidation of Bear Stearns International Funding I Sarl (BSIF I) on distribution of all its assets and liabilities to the Company as part of group reorganization.

9. Profit on ordinary activities before taxation

During the year the auditors' remuneration of \$24,720 (2017: \$26,927) was met by another JPMorgan Chase undertaking and not recharged.

10. Tax on profit on ordinary activities

	2018	2017
	\$'000	\$'000
(a) Analysis of tax charge for the year		
Current taxation		
Current tax on profits for the year	519	88
Total current tax	519	88
Deferred Tax		
Current year credit	7	(59)
Effect of changes in tax rates	(1)	7
Total deferred tax	6	(52)
Total tax expense for the year	525	36

(b) Factors affecting the current tax charge for the year

The tax charge for the year differs from the standard rate of corporation tax in the UK 19% (2017: 19.25%). The differences are explained below:

	2018	2017
	\$'000	\$'000
Profit on ordinary activities before taxation	2,791	22,734
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in UK 19% (2017: 19.25%)	531	4,376
Effect of:		
Non taxable income	—	(4,850)
Non deductible expenses	(5)	562
Tax rate changes	(1)	7
Other	—	(59)
Total tax expense for the year	525	36

J.P. MORGAN FINANCIAL INVESTMENTS LIMITED

Notes to the financial statements (continued)

11. Investments in JPMorgan Chase undertakings

	2018	2017
	\$'000	\$'000
At 1 January	4,810,602	—
Additions during the year	—	4,813,216
Impairment*	—	(2,614)
At 31 December	4,810,602	4,810,602

The investments represent share capital in the following entities:

Name	Registered address	Principal activity	Holding	Shares held %
J.P. Morgan Dublin Financial Holdings Limited	200 Capital Dock, 79 Sir John Rogerson's Quay, Dublin, D02 RK57, Ireland	Investment holding	Direct	100.00
J.P. Morgan Markets Limited	25 Bank Street, Canary Wharf, London, E14 5JP, England and Wales	Investment banking	Direct	100.00
Bear Stearns Ireland Limited	200 Capital Dock, 79 Sir John Rogerson's Quay, Dublin, D02 RK57, Ireland	Treasury	Indirect	100.00
J.P. Morgan Dublin Public Limited Company	200 Capital Dock, 79 Sir John Rogerson's Quay, Dublin, D02 RK57, Ireland	Management of Issued Notes Portfolio	Indirect	100.00

All the shares held in above undertakings are ordinary shares.

12. Deferred tax asset

	2018	2017
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Financial assets held at fair value through profit or loss		
Deferred tax charged to income statement for the period	46	52

13. Financial assets held at fair value through profit or loss

	2018	2017
	\$'000	\$'000
	IFRS 9	IAS 39
Financial assets held at fair value through profit or loss	863	828

14. Financial assets available-for-sale

	2018	2017
	\$'000	\$'000
At 1 January	—	26,254
Sales	—	(27,891)
Movements in fair value of financial assets available-for-sale	—	1,637
At 31 December	—	—

J.P. MORGAN FINANCIAL INVESTMENTS LIMITED

Notes to the financial statements (continued)

15. Assets and Liabilities measured at fair value

Fair value

Valuation process

The Company carries its portfolio of private equity investments at fair value on a recurring basis.

Fair value is defined as 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. Fair value is based on quoted market prices or inputs, where available. If listed prices or quotes are not available, fair value is based on valuation models and other valuation techniques that consider relevant transaction characteristics (such as maturity) and use as inputs observable or unobservable market parameters, including yield curves, interest rates, volatilities, equity or debt prices, foreign exchange rates and credit curves.

The level of precision in estimating unobservable market inputs or other factors can affect the amount of gain or loss recorded for a particular position. Furthermore, while the Company believes its valuation methods are appropriate and consistent with those of other market participants, the methods and assumptions used reflect management judgement and may vary across the Company's businesses and portfolios. The use of different methodologies or assumptions by other market participants compared with those used by the Company could result in a different estimate of fair value at the reporting date.

Risk-taking functions are responsible for providing fair value estimates for assets and liabilities carried on the balance sheet at fair value. The Firm's valuation control function, which is a part of the Firm's Finance function and independent of the risk-taking functions, is responsible for verifying these estimates and determining any fair value adjustments that may be required to ensure that the Firm's positions are recorded at fair value. The valuation control function verifies fair value estimates provided by the risk-taking functions by leveraging independently derived prices, valuation inputs and other market data, where available.

Valuation model review and approval

If prices or quotes are not available for an instrument or a similar instrument, fair value is generally determined using valuation models that consider relevant transaction data such as maturity and use as inputs market-based or independently sourced parameters. The Model Risk function is independent of the model owners and reviews and approves valuation models used by the Company.

Fair value hierarchy

The Company classifies its assets and liabilities according to a valuation hierarchy that reflects the observability of significant market inputs. The three levels are defined as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - one or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorisation within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Valuation methodologies

The following table describes the valuation methodologies used by the Company to measure its more significant products/instruments at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Product/instrument	Valuation methodology, inputs and assumptions	Classifications in the valuation hierarchy
Private equity investment	Fair value is estimated using net asset value per share	Level 3

J.P. MORGAN FINANCIAL INVESTMENTS LIMITED

Notes to the financial statements (continued)

15. Assets and Liabilities measured at fair value (continued)

Valuation methodologies (continued)

The following table presents the asset and liabilities reported at fair value as at 31 December 2018 and 2017, by major product category and fair value hierarchy.

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
At 31 December 2018				
Financial assets:				
Financial assets held at fair value through profit or loss	-	-	863	863
Total financial assets at fair value at 31 December 2018	-	-	863	863
At 31 December 2017				
Financial assets:				
Financial assets held at fair value through profit or loss	-	-	828	828
Total financial assets at fair value at 31 December 2017	-	-	828	828

Level 3 valuations

The Firm has established well-structured processes for determining fair value, including for instruments where fair value is estimated using Net Asset Value per share (level 3).

The following table presents the Company's primary level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments. While the determination to classify an instrument within level 3 is based on the significance of the unobservable inputs to the overall fair value measurement, level 3 financial instruments typically include observable components (that is, components that are actively quoted and can be validated to external sources) in addition to the unobservable components.

Product/Instrument	Fair value	Principal valuation technique	Unobservable Input	Range of input values	Weighted average
At 31 December 2018	\$'000				
Private equity investment	863	Net asset Value per Share	n/a	n/a	n/a
At 31 December 2017	\$'000				
Private equity investment	828	Net asset Value per Share	n/a	n/a	n/a

Changes in level 3 recurring fair value measurements

The following tables include a roll forward of the balance sheets amounts (including changes in fair value) for financial instruments classified by the Company within level 3 of the fair value hierarchy.

J.P. MORGAN FINANCIAL INVESTMENTS LIMITED

Notes to the financial statements (continued)

15. Assets and Liabilities measured at fair value (continued)

Movement in assets and liabilities in Level 3 during year ended 31 December 2018

Financial assets	Private equity investments
	\$'000
At 1 January 2018	828
Gain from fair valuation of financial assets	35
At 31 December 2018	863
Change in unrealised gain related to financial instruments held at 31 December 2018	35

Movement in assets and liabilities in Level 3 during the year ended 31 December 2017

Financial assets	Private equity investments
	\$'000
At 1 January 2017	26,254
Additions	2,769
Disposals	(27,891)
Loss from fair valuation of financial assets	(304)
At 31 December 2017	828
Change in unrealised loss related to financial instruments held at 31 December 2017	(304)

Transfers between levels for instruments carried at fair value on a recurring basis

The Company only holds level 3 financial instruments. For the year ended 31 December 2018 and 2017, there were no transfers between level 2 and level 3.

Fair value of financial instruments not carried on balance sheet at fair value

Certain financial instruments that are not carried at fair value on balance sheet are carried at amounts that are not materially different to their fair value, due to their short term nature and generally negligible credit risk. These instruments include Investments in JPMorgan Chase undertakings and cash and cash equivalents.

The Company has \$5,182.4 million (2017: \$5,179.7 million) of financial assets that are not measured at fair value on balance sheet.

Offsetting financial assets and financial liabilities

No financial assets and liabilities have been offset in the balance sheet as at 31 December 2018 (2017: \$nil).

16. Cash and cash equivalents

All bank balances are held with other JPMorgan Chase undertakings.

17. Other assets

	2018	2017
	\$'000	\$'000
Taxation	—	128

J.P. MORGAN FINANCIAL INVESTMENTS LIMITED

Notes to the financial statements (continued)

18. Creditors: amounts falling due within one year

	2018	2017
	\$'000	\$'000
Tax liability	278	—
Amounts owed to other JPMorgan Chase Undertakings	—	1,108,000
	278	1,108,000

During 2017, the Company recorded a liability of \$1,108 million as recognition that \$1,108 million of the assets the Company had received from Bear Stearns International Funding I Sarl (pertaining to dividend income which was not distributable) may require repayment. A remediation plan was executed during the year whereby the underlying issue was corrected and hence this liability was extinguished, resulting in the transfer of this amount to the capital contribution reserve.

19. Capital Management

Total equity of \$5,183 million (2017: \$4,072.8 million) constitutes the managed capital of the Company, which consists of called-up share capital, capital contribution reserve, available for sale reserve and retained earnings.

The Directors are responsible for setting the objectives, policies and processes relating to the management of the Company's capital.

20. Called-up share capital

	2018	2017
	\$'000	\$'000
Issued and fully paid share capital		
1,600,002 (2017: 1,600,002) Ordinary shares of £1 each	2,614	2,614

21. Transition to IFRS 9

The adoption of IFRS 9 has resulted in no material impact to the Company.

The Company holds a portfolio of private equity investments which were previously classified as financial assets designated at fair value through profit and loss under IAS 39. These are now classified as FVTPL under IFRS 9.