J.P. MORGAN EUROPE LIMITED
(Registered Number: 00938937)

Annual report for the year ended 31 December 2019

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Strategic report

The directors present their strategic report of J.P. Morgan Europe Limited (the "Company" or "JPMEL") for the year ended 31 December 2019.

Overview

The Company is incorporated in the United Kingdom 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 18 September 1968, it is a leading global financial services firm and one of the largest banking institutions in the United States of America ("U.S."), with operations worldwide. The Company had $5,689 million in assets and $2,251 million in total equity as of 31 December 2019.

Review of business

The directors are satisfied with the performance of the Company.

Key performance indicators ("KPIs")

The directors monitor the financial performance of the Company using various KPIs. The primary KPIs are set out below:

Financial performance (in $'000's except for return on assets and capital ratios)	**2019**	**2018 Restated**
Earnings		
Total operating income	**643,966**	935,718
Profit for the financial year	**100,631**	125,299
Balance sheet		
Total assets	**5,688,646**	9,720,090
Return on assets	**2%**	1%
Capital ratios		
Common Equity Tier 1	2,250,181	2,126,606
Pillar 1 capital ratio (unaudited)	76%	55%
Regulatory minimum total required capital ratio*	8%	8%

* Represents minimum requirements of the European Union's Basel III Capital Requirements Directive and Regulation. The Company's total capital ratio as of 31 December 2019 and 2018 exceeded the minimum requirements, as well as the additional capital requirements specified by the PRA.

Capital resources utilised to calculate 2019 capital ratios include current year profits. As a result of the restatement (note 38) the corresponding capital figure has been updated.

Income statement

The income statement for the year ended 31 December 2019 is set out on page 58. Total operating income for the year was $644 million (2018: $936 million). The results for the Company show a profit before taxation of $108 million for 2019 (2018: $233 million) and a profit for the financial year of $101 million (2018: $125 million). Total operating income was down year on year as a result of lower attributions received from JPMorgan Chase undertakings.

Balance sheet

The balance sheet is set out on page 59. The Company has total assets and total liabilities of $5,689 million (2018: $9,720 million) and $3,438 million (2018: $7,593 million) respectively, as at 31 December 2019.

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Strategic report (continued)

Future outlook

Departure of the UK from the European Union

Firmwide impact

The UK's departure from the EU, which is commonly referred to as "Brexit," occurred on 31 January 2020.

Following this departure, the UK has entered a transition period that is scheduled to expire on 31 December 2020. The purpose of the transition period is to enable the UK and the EU to negotiate the terms of their future relationship. The transition period can be extended, but both sides need to agree to extend it by July 1, 2020. It is not clear whether the terms of the future relationship can be agreed before the end of 2020, and so significant uncertainty remains about the relationship between the UK and the EU after the end of the transition period.

Firm's Response to Brexit

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"). In the region, the Firm serves clients and customers across its business segments. The Firm has approximately 17,000 employees in the U.K., of which approximately two-thirds are in London, with operational and technology support centers in locations such as Bournemouth, Glasgow and Edinburgh.

Brexit Implementation Program

In light of the ongoing uncertainty, the Firm continues to execute the relevant elements of its Firmwide Brexit Implementation program with the objective of being able to continue delivering the Firm's capabilities to its EU clients. The program covers strategic implementation across all impacted businesses and functions and includes an ongoing assessment of implementation risks including political, legal and regulatory risks and plans for addressing and mitigating those risks under any scenario, including where the UK and the EU fail to reach an agreement on their future relationship by the end of 2020 and the transition period is not extended.

Company impacts

JPMEL is an European passported bank and has historically provided Securities Services to EEA clients through its various EEA branches. It is likely that JPMEL will lose its EU passporting rights at the end of the current transition period and will not be able to continue to provide the related regulated activities to its clients in the EEA. The Firm has therefore reviewed its legal entity strategy across Europe and has been making the necessary modifications to its legal entity structure. As set out below, JPMEL is facilitating the Firm's implementation efforts, including re-documentation of in-scope EEA clients and transfer of necessary staff out of the UK to the EU locations.

Transition of the Company's Securities Services EEA Activities

As part of implementing the Firm's European legal entity strategy, the Company transitioned its Securities Services activities conducted in the EEA to another JPMorgan Chase undertaking based in the EEA, including assets, liabilities and employees related to these activities from the EEA branches of the Company to the EEA branches of the affiliate during 2018 and 2019.

The terms of the transaction and the related purchase price consideration were finalised in August 2018 and the Company signed an implementation agreement with the affiliate. The purchase price consideration was $10 million and determined based on arm's length fair market value principles, taking into account the specific facts and circumstances and legal terms of the transaction. The finalisation of the terms of the transaction resulted in an impairment of the goodwill related to these activities of $62 million (note 23).

The Company initiated the process of transferring assets, liabilities and employees related to these activities from the EEA branches of the Company to the EEA branches of the affiliate during 2018. In the prior year, the recognised assets and liabilities remaining with the Company primarily included customer deposits. The in-scope employees (50 employees) were transferred in 2018 and the transfer of the remaining client assets and deposits was completed during 2019.

The Company presented these activities as a discontinued operation in 2018. The discontinued operation was separately disclosed on the income statement in accordance with IFRS 5 'Non-current assets held for sale and discontinued operations' ("IFRS 5"). On the balance sheet, the associated assets and liabilities were presented as held for sale.

Transition of the Company's Corporate and Investment Bank ("CIB") & Commercial Bank ("CB) employment activities

In preparation of the loss of the Company's EU passporting rights and to ensure continuity of service to the Firm's EU clients, the Company will transition its CIB branch activity and all CB activities to another JPMorgan Chase undertaking based in the EEA within 2020, including assets, liabilities and employees related to these activities. Following employee moves the branches of the Company will be under review for closure.

The Company presented these activities as a discontinued operation in 2019 in accordance with IFRS 5.

Future outlook (continued)

Departure of the UK from the European Union (continued)

Company impacts (continued)

Transition of the Company's Credit Portfolio Group ("CPG") lending products

In preparation of the loss of the Company's EU passporting rights and to ensure continuity of service to the Firm's EU clients, the Company will transition its CPG lending activity and all related assets and liabilities to another JPMorgan Chase undertaking based in the EEA throughout 2020.

The Company presented these activities as a discontinued operation in 2019 in accordance with IFRS 5.

COVID-19

The Firm is monitoring the Coronavirus Disease 2019 ("COVID-19"), based on the guidance being provided by the relevant health and government authorities, and continues to implement protocols and processes in response to the spread of the virus. For more detail on Firmwide measures refer to operational risk (page 29).As at the date on which this set of financial statements were authorised for issue, as the situation is ongoing and eventual outcome unknown, the Company cannot quantify the final impact as a result of COVID-19, refer to post balance sheet events (note 39).

Statement by the Directors in performance of their statutory duties in accordance with s172 (1) Companies Act 2006

The section 172(1) statement is required under section 414CZA(1) of the Companies Act 2006. The financial services regulatory requirements and expectations to which the Company is subject provide a framework for the company to demonstrate how the board makes decisions for the long term success of the company and its stakeholders, including having regard to how the board makes sure the company complies with the requirements of section 172 of the Companies Act 2006. Please see the company's statement of corporate governance arrangements, set out on pages 40 - 52, for more information on the ways in which the company fulfils regulatory requirements and expectations in relation to corporate governance which, in turn, demonstrates how the company's directors act in a way which is likely to promote the success of the company, as set out in section 172(1). The statement of corporate governance responsibilities also contains the disclosures on employee engagement and business relationships required by Schedule 7.11(1)(b) and Schedule 7.11B(1) (respectively) of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

The structure and content of the information provided to the board has been enhanced so as to better reflect the impact of any deliberations or decision on the factors set out in section 172(1) of the Companies Act 2006.

The board will continue to review and challenge how the company can improve engagement with its employees and stakeholders and further enhance its decision-making processes throughout 2020 and beyond.

Regulatory developments

In the EU, there is an extensive and complex programme of final and proposed regulatory enhancement that reflects, in part, the EU's commitments to policies of the Group of Twenty Finance Ministers and Central Bank Governors ("G20") together with other plans specific to the EU. The EU operates a European Systemic Risk Board that monitors financial stability, together with European Supervisory Authorities ("ESA") that set detailed regulatory rules and encourage supervisory convergence across the EU's Member States. The EU has also created a Single Supervisory Mechanism for the euro-zone, under which the regulation of all banks in that zone will be under the auspices of the European Central Bank, together with a Single Resolution Mechanism and Single Resolution Board, having jurisdiction over bank resolution in the zone. At both the G20 and EU levels, various proposals are under consideration to address risks associated with global financial institutions.

Consistent with the G20 and EU policy frameworks, UK regulators have adopted a range of policy measures that have significantly changed the markets and prudential regulatory environment in the UK. After the transitional period ends, there is uncertainty as to future UK policy initiatives as it will depend on the future relationship between the EU and UK, therefore the impact will be assessed post the transition period.

Loss absorbency requirements under the EU Bank Recovery and Resolution Directive and CRRII

The Financial Stability Board ("FSB") Total Loss Absorbing Capacity ("TLAC") standard[1] issued in November 2015 specified minimum TLAC requirements for global systemically important banks, including at the level of their material sub-groups. Within the EU, the EU Bank Recovery and Resolution Directive ("BRRD") (and its transposition into local law in the UK) established a requirement for the Bank of England ("BoE") to set a minimum requirement for own funds and eligible liabilities ("MREL"). Both TLAC and MREL are intended to facilitate the resolution or recapitalisation of a financial institution without causing financial instability and without recourse to public funds. The BoE updated Statement of Policy on its Approach to Setting MREL, published in June 2018, included requirements on the internal MREL resources to be held by UK material subsidiaries of overseas groups. In line with the FSB's TLAC standard these rules came into effect, on a transitional basis, from 1 January 2019, with full compliance required by 1 January 2022. Amendments to the EU MREL framework have subsequently been agreed by member states through the finalisation of the CRD V / BRRD II package. These included the implementation of the FSB TLAC standard for EU Global Systemically Important Institutions (G-SIIs) and material subsidiaries of non-EU G-SIIs within CRRII. These rules came into effect, on a transitional basis, from 27th June 2019, with full compliance required by 1st January 2022 and apply at the level of the consolidated EU parent entity. The BoE has not identified the Company as a material subsidiary for internal MREL purposes and has confirmed that the internal MREL applicable to the Company is therefore equal to the entity's regulatory capital requirements. As the Company is adequately capitalised and meets all external capital requirements, it is also compliant with applicable MREL requirements.

PRA rules on ensuring operational continuity in resolution, published in July 2016, came into effect from 1 January 2019. These rules require firms to ensure their operational arrangements support operational continuity of critical services to facilitate recovery actions, orderly resolution and post-resolution restructuring. The Company is compliant with these requirements.

[1] The FSB Principles on Loss-absorbing and Recapitalisation Capacity of G-SIBs in Resolution and Total Loss-absorbing Capacity ("TLAC") Term Sheet published on 9 November 2015

Regulatory developments (continued)

London interbank offered rate ("LIBOR")

The Financial Stability Board ("FSB") and the Financial Stability Oversight Council ("FSOC") have observed that the secular decline in interbank short-term funding poses structural risks for unsecured benchmark interest rates such as Interbank Offered Rates ("IBORs"), and therefore regulators and market participants in various jurisdictions have been working to identify alternative reference rates that are compliant with the International Organization of Securities Commission's standards for transaction-based benchmarks. In the EU, the Working Group on Euro Risk-Free Rates ("Euro RFR WG"), composed of market and official sector participants, has identified the Euro Short-Term Rate ("€STR") as the recommended alternative benchmark rates.

JPMorgan Chase established a Firmwide LIBOR Transition program in early 2018. The Firmwide CFO and the CEO of the CIB oversee the program as senior sponsors. When assessing risks associated with IBOR transition, the program considers three possible scenarios: disorderly transition, measured/regulated transition, and IBOR in continuity. The Firm continues to monitor the potential risks associated with each of these scenarios, along with any new risks that emerge as the program progresses.

Market participants are continuing to work closely with public sector representation as part of National Working Groups ("NWGs") towards the common goal of facilitating an orderly transition from IBORs. The Firm is committed to adhering to announcements made by the Euro RFR WG on developments for Euro benchmarks and has actively supported the development of €STR since its launch in October 2019 by executing the first €STR swap trade, electronically executed €STR swap trade, and €STR cross-currency swap trade.

Developments have also been observed for international industry groups. The Firm is monitoring and providing input in the development of the IBOR Fallbacks Protocol of the International Swaps and Derivatives Association ("ISDA"), which is expected to be published in 2020. The International Accounting Standards Board ("IASB") has made amendments to the IFRS hedge accounting requirements providing relief to market participants on the accounting treatment of LIBOR-linked products in the period leading up to the expected cessation of LIBOR. In 2019, the IASB initiated a second phase to its LIBOR project. This second phase will amend modification accounting requirements in order to provide further relief to market participants. Guidance is expected to be published by the IASB in 2020.

The Firm continues to monitor the advancements made by NWGs and industry groups, and facilitate the transition by clients from the current IBOR-referencing products to products referencing the new alternative reference rates. Impacts to the Company as a result of transition are expected to be minimal and will be managed through the Firmwide LIBOR transition program.

Risk management

Risk is an inherent part of the Company's business activities. The Company's overall objective is to manage its businesses, and the associated risks, in a manner that balances serving the interests of its clients and customers and protects the safety and soundness of the Company.

For details on JPMorgan Chase and the Company's risk governance framework, please refer to the specific section in the Statement of Corporate Governance Arrangements.

All disclosures in the Risk management section (6 - 34) are unaudited unless otherwise stated.

The following sections outline the key risks that are inherent in the Company's business activities.

A detailed description of the policies and processes adopted by the Firm may be found within the JPMorgan Chase & Co. 2019 Annual Report on Form 10-K. The report is available at https://jpmorganchaseco.gcs-web.com/financial-information/sec-filings

Risk management (continued)

Capital risk (audited)

Capital risk is the risk the Company has an insufficient level or composition of capital to support the Company's business activities and associated risks during both normal economic environments and under stressed conditions.

A strong capital position is essential to the Company's business strategy and competitive position. The Firm and Company's capital management strategy focuses on maintaining long-term stability to enable the Firm to build and invest in market-leading businesses, even in a highly stressed environment. Prior to making any decisions on future business activities, senior management considers the implications on the Company's capital.

Key capital risks include the risk of not meeting capital requirements including the impact of adverse changes in FX rates impacting capital ratios.

Accordingly, its capital management framework is designed to ensure that the Company is adequately capitalised at all times primarily in relation to:

- Minimum risk-based regulatory capital requirements (Pillar 1 capital under CRD IV[a] plus Pillar 2A set by the PRA and relevant CRD IV buffers);
- Assumed minimum leverage requirements[b] (calculated per the final rules in the Capital Requirements Regulation ("CRR") post the delegated act (October 2014));
- The risks faced by the entity, through regular comparisons of regulatory and internal capital requirements;
- Changes in FX rates that may impact the capital ratios of the Company due to mismatches between the currency in which Risk Weighted Assets ("RWAs") are denominated and the equity is being held (U.S. dollar); and
- Senior management's risk appetite expressed, for example, through the application of an internal capital buffer and preferred minimum capital ratios above those prescribed in regulation.

The EMEA Capital Committee, which has senior business and control function representation, receives monthly updates of the Company's capital positions and projections and has oversight on decisions related to capital usage and capital strategy. The framework used to manage capital within the Company is based around a regular cycle of point-in-time capital calculations and reporting, supplemented by forward-looking projections and stress-testing, with corrective action taken as and when required to maintain an appropriate level of capitalisation. Each part of the process is subject to rigorous control, including capital adequacy reporting with weekly and quarterly frequency to ensure the Company maintains appropriate oversight in line with the Capital framework. Escalation of issues is driven by a business as usual ("BAU") framework of specific triggers, set in terms of capital and leverage ratios, movements in those ratios and other measures.

In addition to the BAU capital monitoring framework, through the quarterly Internal Capital Adequacy Assessment Process ("ICAAP"), the Company ensures that it is adequately capitalised in relation to its risk profile and appetite, not only as at the ICAAP date, but through the economic cycle and under a range of severe but plausible stress scenarios. The quarterly ICAAP results are reviewed by the EMEA Capital Committee and annually, the ICAAP is reviewed and approved by the Board of Directors. In addition, the annual 'reverse stress testing' exercise is used to identify potential, extreme scenarios which might threaten the viability of the Company's business model, so that any required mitigation can be put in place.

FX Risk to Capital Ratio

Changes in FX rates may impact the capital ratios of the Company due to mismatches between the currency in which Risk Weighted Assets ("RWAs") are denominated and the functional currency (U.S. dollar). The Non-U.S. dollar FX risk to capital ratio is managed through the capital stress testing program which tests the Company and Firm's financial resilience in a range of severe economic and market conditions.

[a] CRD IV implemented Basel III in the EU, and came into force on 1 January 2014.
[b] Disclosure requirement applicable from 1 January 2015.

Risk management (continued)

Capital risk (audited)

The composition of the Company's capital is as follows. All tiers of capital are shown net of applicable deductions.

	2019	2018 Restated
	$'000	$'000
Common Equity Tier 1 (Equity share capital and reserves)	2,250,181	2,126,606
Total Capital Resources	2,250,181	2,126,606
Pillar 1 capital requirement (unaudited)	235,665	310,960
Excess of total capital resources over Pillar 1 capital requirements (unaudited)	2,014,516	1,815,646
Pillar 1 capital ratio (unaudited)	76%	55%

As of 31 December 2019 and 2018, the Company was adequately capitalised and met all external capital requirements. Capital resources utilised to calculate capital ratios are inclusive of audited current year profits. Additionally, the operational risk requirement included within the Pillar 1 Capital Requirement has been recalculated to incorporate current year net income.

As a result of the restatement (note 38) the corresponding capital figure has been updated.

Credit risk (audited)

Credit risk is the risk associated with the default or change in credit profile of a client, counterparty or customer. Credit risk management is an independent risk management function that monitors, measures and manages credit risk throughout the Firm and defines credit risk policies and procedures. The credit risk function reports to the Firm's Chief Risk Officer ("CRO").

The Company is exposed to credit risk through its payment services and wholesale lending activities as a European passported bank. Whilst the Firm has established a comprehensive Firmwide risk policy framework, this is supplemented as required by legal entity-specific risk policies. As such, the Company's Credit Risk Management policy supplements the Firmwide risk policy framework and is approved by the Board of directors and EMEA Risk Committee.

Risk identification

The Credit Risk Management function monitors, measures, manages and limits credit risk across the Firm's businesses. To measure credit risk, the Firm employs several methodologies for estimating the likelihood of obligor or counterparty default. Methodologies for measuring credit risk vary depending on several factors, including type of asset, risk measurement parameters, and risk management and collection processes. Credit risk measurement is based on the probability of default of an obligor or counterparty, the loss severity given a default event and the exposure at default.

Risk monitoring and management

The Company is subject to the policies and practices developed by the Firm. The policy framework establishes credit approval authorities, concentration limits, risk-rating methodologies, portfolio review parameters and guidelines for management of distressed exposures. In addition, certain models, assumptions and inputs used in evaluating and monitoring credit risk are independently validated by groups that are separate from the LOB.

Credit risk is monitored regularly at an aggregate portfolio, industry, and individual client and counterparty level with established concentration limits that are reviewed and revised as deemed appropriate by management, typically on an annual basis. Industry and counterparty limits, as measured in terms of exposure and economic risk appetite, are subject to stress-based loss constraints. In addition, wrong-way risk (the risk that exposure to a counterparty is positively correlated with the impact of a default by the same counterparty, which could cause exposure to increase at the same time as the counterparties capacity to meet its obligations is decreasing) is actively monitored as this risk could result in greater exposure at default compared with a transaction with another counterparty that does not have this risk.

Risk management (continued)

Credit risk (audited)

Risk monitoring and management (continued)

Management of the Firm's credit risk exposure is accomplished through a number of means, including:

- Loan underwriting and credit approval process
- Loan syndications and participations
- Loan sales and securitisations
- Credit derivatives
- Master netting agreements
- Collateral and other risk-reduction techniques

Risk reporting

To enable monitoring of credit risk and effective decision making by the Company, aggregate credit exposure, concentration levels and risk profile changes are reported regularly to senior members of Credit Risk Management. Detailed portfolio reporting of industry; clients, counterparties and customers; product and geographic concentrations are prepared, and the appropriateness of the allowance for expected credit losses is reviewed by senior management at least on a quarterly basis. Through the risk reporting and governance structure, credit risk trends and limit exceptions are provided regularly to, and discussed with senior risk management, EMEA Risk Committee ("ERC"), Company Risk Committee and the Board of directors as appropriate.

Expected credit loss measurement

Approach to measuring expected credit losses

The Company estimates credit impairment through an allowance for expected credit losses ("ECLs"). ECLs are recognised for financial assets that are measured at amortised cost or fair value through other comprehensive income ("FVOCI") and for specified lending-related commitments such as loan commitments and financial guarantee contracts. The measurement of ECLs must reflect:

a. An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
b. The time value of money; and
c. Reasonable and supportable information about past events, current economic conditions, and forecasts of future economic conditions.

The measurement of ECL also reflects how the Company manages the financial instruments for credit risk purposes such as Traditional Credit Products ("TCP"), and Non-Traditional Credit Products ("Non-TCP"). TCP are wholesale loans and lending-related commitments from extensions of credit to borrowers; whereas Non-TCP are all other debt financial assets measured at amortised cost which include, but are not limited, to certain loans and advances to banks, certain securities purchased under agreements to resell, debtors, and accrued income.

Risk management (continued)

Credit risk (audited) (continued)

The following table sets out the gross carrying amount (before ECL) of the Company's financial assets that are measured at amortised cost or FVOCI by the respective TCP and Non-TCP categories as of 31 December 2019 and 31 December 2018 respectively. Balances are held at amortised cost unless stated otherwise:

Gross carrying amount 2019	**TCP**			**Non-TCP**	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Assets	**Amortised cost**	**FVOCI**	**Total**	**Amortised cost**	**Total**
Loans and advances to banks	—	126,207	126,207	4,176,855	4,303,062
Loans and advances to customers	—	166,676	166,676	—	166,676
Securities purchased under agreements to resell	—	—	—	938,163	938,163
Debtors	—	—	—	247,599	247,599
Prepayments and accrued income					
Accrued income	—	—	—	2,021	2,021
Total	**—**	**292,883**	**292,883**	**5,364,638**	**5,657,521**

Gross carrying amount 2018	**TCP**			**Non-TCP**	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Assets	**Amortised cost**	**FVOCI**	**Total**	**Amortised cost**	**Total**
Loans and advances to banks	—	143,550	143,550	7,044,280	7,187,830
Loans and advances to customers	39,921	245,010	284,931	—	284,931
Securities purchased under agreements to resell	—	—	—	1,708,735	1,708,735
Debtors (restated, note 38)	—	—	—	448,366	448,366
Prepayments and accrued income					
Accrued income	—	—	—	5,157	5,157
Total	**39,921**	**388,560**	**428,481**	**9,206,538**	**9,635,019**

Off-balance sheet lending-related commitments which are categorised as TCP with an ECL allowance of $0.18 million (2018: $2.6 million) are reported in provisions for liabilities and are not included in the table above. These lending-related commitments are disclosed in note 31.

The Company uses statistical models to estimate ECLs for TCP on a collective basis; however ECL for credit-impaired instruments is estimated on an individual borrower basis. When determining how exposures should be grouped for collective assessment, the Company considers many factors including, but not limited to, internal credit risk ratings, tenor, borrower geography and industry. The Company's internal risk ratings generally correspond to the ratings as defined by Standard & Poor's ("S&P") and Moody's Investors Service. See further detail in the maturity and ratings profile section. For Non-TCPs, the Company utilises a combination of an established provision matrix, as well as quantitative and qualitative considerations to estimate ECLs. See further detail in the Non-Traditional credit products section.

Risk management (continued)

Credit risk (audited) (continued)

Impact of staging on measuring expected credit losses

ECLs are measured using a three stage model based on changes in credit quality of the financial instrument since it was initially recognised ("initial recognition"):

- Stage 1 - performing financial instruments that have not had a significant increase in credit risk since initial recognition;
- Stage 2 - performing financial instruments that have experienced a significant increase in credit risk; and
- Stage 3 - non-performing financial instruments that have been determined to be credit-impaired.

Default and credit-impairment (Stage 3)

Financial instruments are included in Stage 3 when there is objective evidence of impairment at the reporting date. For Stage 3 instruments, ECL is calculated considering the probability of default over the remaining life of each instrument ("Lifetime ECL") on an individual asset basis and interest revenue is calculated on the net carrying amount (that is, net of the allowance for credit losses). All financial assets, regardless of their category as TCP or Non-TCP are considered to be credit-impaired and are included in Stage 3 when certain events that have a detrimental impact on the estimated future cash flows of that financial asset has occurred.

The Company had no material Stage 3 instruments for the year.

Significant increase in credit risk (Stage 2)

Financial instruments that have experienced a significant increase in credit risk ("SICR") since initial recognition for which there is no objective evidence of impairment are included in Stage 2. For Stage 2 instruments, ECL is calculated considering the probability of default over the remaining life of the instrument on a collective basis and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for the credit loss allowance).

The Company assesses for evidence of a SICR by considering whether there has been a change in the risk of a default occurring since the financial instrument was initially recognised.

For TCP, the Company considers a financial instrument to have experienced a SICR when any of the following quantitative or qualitative criteria have been met:

Quantitative criteria

The Company determines whether the probability of a default ("PD") occurring has changed between a financial instruments initial recognition and the reporting date. If the change in PD exceeds certain relative and absolute thresholds, the instrument has experienced a SICR. The assessment of the PD takes into account reasonable and supportable information, including information about past events, current and future economic conditions.

Qualitative criteria

The Company monitors borrowers that may become impaired by including them on its watch list. Obligors that are on the watch list are considered to have experienced a SICR. The Company also monitors changes in internal credit risk ratings (relative to the credit rating on initial recognition) and delinquency triggers to determine if a borrower has experienced a SICR.

The Company's TCP portfolio is mostly comprised of large, international, wholesale borrowers. For these borrowers, short-term delinquencies alone are not considered to be a meaningful credit quality indicator as the Company's experience has shown that other internal credit quality indicators generally identifies increases in credit risk well before delinquency. As such, the Company has determined that using the quantitative and qualitative criteria described above are most appropriate for capturing SICR for TCP.

Financial instruments that are in Stage 2 are moved to Stage 1 as described below in the period that the quantitative and qualitative criteria for a SICR no longer exist.

The approach for determining whether there has been a SICR for Non-TCP portfolios depends on the type of instrument. The Company presumes non-TCP financial assets that are 30 days past due have experienced a SICR and are included in Stage 2 except for certain fee receivables (i.e. fee receivables with institutional clients which follow a different billing and collection cycle) that are classified in Stage 2 at 90 days past due. Inter-company loans and receivables to material legal entities covered by the Firm's resolution and recovery plans are presumed to not to have had a SICR given the borrower's level of capitalisation and access to liquidity. Finally, the remainder of the Company's Non-TCP are mostly short-term and generally no SICR has arisen prior to the maturity of that instrument.

Risk management (continued)

Credit risk (audited) (continued)

Unimpaired and without significant increase in credit risk (Stage 1)

Financial instruments that have not had a SICR since initial recognition are included in Stage 1. For Stage 1 instruments, ECL is calculated by considering the probability of default within 12 months after the reporting date on a collective basis and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for the credit loss allowance).

Impact of sensitivities on measuring credit loss

The Company's allowance for credit losses is sensitive to numerous factors, which may differ depending on the portfolio. Changes in economic conditions or in the Company's assumptions and judgements could affect its estimate of expected credit losses in the portfolio at the balance sheet date.

The Company considers a variety of factors and inputs in estimating the allowance for credit losses. It is difficult to estimate how alternative judgements in specific factors might affect the overall allowance for credit losses due to the idiosyncratic nature of the factors and inputs involved.

To illustrate the potential magnitude of an alternative judgement, the Company estimates that adjusting the downside scenario weighting to 100% as of December 31, 2019 could imply an increase to modelled ECLs of approximately $535 thousand.

The purpose of this sensitivity analysis is to provide an indication of the isolated impact of a hypothetical alternative judgement on modelled ECLs and is not intended to imply management's expectation of future deterioration of the economy nor any specific risk factors.

Sensitivity analysis of ECL due to staging

The following tables show the impact of staging on the Company's ECL recognised on balance sheet as at 31 December 2019 and 31 December 2018 respectively, by comparing the allowance if all performing financial assets were in Stage 1 or if all such assets were in Stage 2 to the actual ECL recorded on these assets:

Loans and advances to banks and customers

Staging at 31 December 2019		ECL - All performing loans in Stage 1	Impact of change in staging on the statement of comprehensive income
	$'000	$'000	$'000
Stage 1	22	320	
Stage 2	299	—	
Total	321	320	(1)

Staging at 31 December 2019		ECL - All performing loans in Stage 2	Impact of change in staging on the statement of comprehensive income
	$'000	$'000	$'000
Stage 1	22	—	
Stage 2	299	321	
Total	321	321	—

Risk management (continued)

Credit risk (audited) (continued)

Sensitivity analysis of ECL due to staging ***(continued)***

Staging at 31 December 2018		ECL - All performing loans in Stage 1	Impact of change in staging on the statement of comprehensive income
	$'000	$'000	$'000
Stage 1	30	166	
Stage 2	188	—	
Total	218	166	(52)

Staging at 31 December 2018		ECL - All performing loans in Stage 2	Impact of change in staging on the statement of comprehensive income
	$'000	$'000	$'000
Stage 1	30	—	
Stage 2	188	225	
Total	218	225	7

Loan commitments and financial guarantee contracts

Staging at 31 December 2019		ECL - All performing loans in Stage 1	Impact of change in staging on the statement of comprehensive income
	$'000	$'000	$'000
Stage 1	117	182	
Stage 2	67	—	
Total	184	182	(2)

Staging at 31 December 2019		ECL - All performing loans in Stage 2	Impact of change in staging on the statement of comprehensive income
	$'000	$'000	$'000
Stage 1	117	—	
Stage 2	67	250	
Total	184	250	66

Staging at 31 December 2018		ECL - All performing loans in Stage 1	Impact of change in staging on the statement of comprehensive income
	$'000	$'000	$'000
Stage 1	107	1,215	
Stage 2	2,465	—	
Total	2,572	1,215	(1,357)

Staging at 31 December 2018		ECL - All performing loans in Stage 2	Impact of change in staging on the statement of comprehensive income
	$'000	$'000	$'000
Stage 1	107	—	
Stage 2	2,465	2,840	
Total	2,572	2,840	268

Risk management (continued)

Credit risk (audited) (continued)

ECL measurement for TCP Portfolios

Key Inputs

In broad terms, ECLs for the Company's TCP portfolios are generally calculated based on the following key inputs:

Probability of Default ("PD"): The PD model estimates the probability of downgrade and default each quarter. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively. The model considers input variables that are region-, industry- and borrower segment-specific and considers both scenario- and borrower-specific information. PDs are determined at a facility-level based on risk ratings and other characteristics.

Exposure at Default ("EAD"): The EAD model predicts gross exposure upon a borrower's default as a percentage of the total commitment at the reporting date under a given macroeconomic environment. The model estimates the probability of a change in the utilisation, and direction and magnitude of the change. Input variables include exposure and utilisation at the reporting date, facility purpose, industry and macro-economic variables ("MEVs").

Loss Given Default ("LGD"): The LGD model estimates expected losses under given macroeconomic environments on the EAD given the event of default and, taking into account, among other attributes, the mitigating effect of collateral and the time value of money.

The 12-month ECL is calculated by multiplying the 12-month PD, EAD and LGD. Lifetime ECL is calculated using the lifetime PD instead.

Forward-looking information

ECL estimates are derived from the Company's historical experience and future forecasted economic conditions. To incorporate forward-looking information into the ECL calculation, the Company develops three forecasted economic scenarios (base, upside and downside cases). Each of these scenarios contain a set of MEVs that reflect forward-looking economic and financial conditions. MEVs include, but are not limited to FX rates, inflation and GDP per country or country block. MEVs for each scenario are projected over a reasonable and supportable forecast period of two years. After the forecast period, the losses revert to historical averages over a one-year transition period.

On a quarterly basis, the three economic scenarios are updated and probability weighted. The Company uses judgement to develop the scenarios and assign probability weightings. The most likely economic scenario in management's view is the base case which would generally be expected to be weighted more heavily than the other two scenarios.

The PD, LGD and EAD models are designed to forecast the credit quality and performance of a TCP portfolio based on industry, geography, rating and size of obligors, among other attributes of the portfolio. PD, LGD and EAD models are calibrated based on historical MEVs and use forecasted macroeconomic scenarios for projecting PD, LGD and EAD values.

ECL calculation

The Company uses the forward-looking PD, LGD, and EAD values for each of the scenarios to produce the scenario credit losses ("SCLs"). The modelled ECL estimate is a probability-weighted calculation of the three SCLs discounted using the original effective interest rate or an approximation thereof.

The modelled ECL results are reviewed by management and adjustments ("management overlays") are considered to ensure final results reflect the Company's best estimate of ECLs on its exposures. Management overlays are only applied if necessary to account for significant idiosyncratic risks which are not yet reflected in underlying risk ratings, LGD, exposure profile or scenario weights used and which are expected to have a high probability of occurrence. No management overlays were applied in determining the ECL of the Company.

The final ECL estimate and assumptions require significant management judgement and certain assumptions are subjective. The Company has a robust review, challenge and approval process of the ECL estimates as part of credit risk governance forums.

There have not been any significant changes in estimation techniques or assumptions made during the reporting period.

Risk management (continued)

Credit risk (audited) (continued)

Quantitative and qualitative information about the change in ECL and how significant changes in the gross carrying amount drive changes in ECL

ECL and gross carrying amount reconciliation

The following tables provide an explanation of the change in the loss allowance during the year ended 31 December 2019 and 31 December 2018 respectively by respective product classes. The tables also set out how significant changes in the gross carrying amount of financial instruments contributed to the changes in the loss allowance:

1. Traditional credit products

The ECL recognised in the year is impacted by the judgements made by management as described below:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

a) Loans and advances to customers at amortised cost

	ECL				Gross carrying amount			
$'000	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1	Stage 2	Stage 3	Total
At 1 January 2019	—	—	—	—	**35,345**	**4,576**	—	**39,921**
New loans originated or purchased	—	—	—	—	—	—	—	—
Loans derecognised or repaid	—	—	—	—	(34,500)	(5,421)	—	(39,921)
Existing loans (including credit quality changes)	—	—	—	—	—	—	—	—
Stage transfers:								
Stage 1 to Stage 2	—	—	—	—	(845)	845	—	—
Total changes	—	—	—	—	**(35,345)**	**(4,576)**	—	**(39,921)**
At 31 December 2019	—	—	—	—	—	—	—	—

The decrease in ECL was driven by loans derecognised during the year, the remaining exposures are short-dated in nature which generate an immaterial ECL.

	ECL				Gross carrying amount			
$'000	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1	Stage 2	Stage 3	Total
At 1 January 2018	**16**	**1**	—	**17**	**46,963**	**7,131**	—	**54,094**
New loans originated or purchased	—	—	—	—	31,654	—	—	31,654
Loans derecognised or repaid	(16)	(1)	—	(17)	(43,637)	(2,350)	—	(45,987)
Existing loans (including credit quality changes)	—	—	—	—	365	(205)	—	160
Stage transfers:								
Stage 1 to Stage 2	—	—	—	—			—	—
Total changes	**(16)**	**(1)**	—	**(17)**	**(11,618)**	**(2,555)**	—	**(14,173)**
At 31 December 2018	—	—	—	—	**35,345**	**4,576**	—	**39,921**

Risk management (continued)

Credit risk (audited) (continued)

b) Loans and advances to customers and Loans and advances to banks at FVOCI

$'000	ECL				Gross carrying amount				
	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1	Stage 2	Stage 3	Fair value adjustment	Total
At 1 January 2019	**30**	**188**	**—**	**218**	**248,553**	**143,782**	**—**	**(3,775)**	**388,560**
New loans originated or purchased[1]	—	—	—	—	30,916	754	—	—	31,670
Loans derecognised or repaid	(2)	(43)	—	(45)	(51,641)	(151,535)	—	—	(203,176)
Existing loans (including credit quality changes)	(3)	188	—	185	15,785	55,933	—	—	71,718
Changes in Macroeconomic variables ("MEV")	(3)	(34)	—	(37)	—	—	—	—	—
Stage transfers:									—
Stage 1 to stage 2	—	—	—	—			—	—	—
Stage 2 to stage 1	—	—	—	—	—	—	—	—	—
Movement in fair value	—	—	—	—	—	—	—	4,111	4,111
Total changes	**(8)**	**111**	**—**	**103**	**(4,940)**	**(94,848)**	**—**	**4,111**	**(95,677)**
At 31 December 2019	**22**	**299**	**—**	**321**	**243,613**	**48,934**	**—**	**336**	**292,883**

[1] New loans originated reflected as Stage 2 were acquired during the year and subsequently experienced a SICR.

$'000	ECL				Gross carrying amount			
	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1	Stage 2	Stage 3	Total
At 1 January 2018	**11**	**758**	**10,282**	**11,051**	**195,435**	**89,944**	**17,007**	**302,386**
New loans originated or purchased[1]	20	25	—	45	174,265	50,000	—	224,265
Loans derecognised or repaid	(6)	(26)	—	(32)	(52,352)	(17,720)	—	(70,072)
Existing loans (including credit quality changes)	3	(815)	(10,282)	(11,094)	(81,112)	33,875	(17,007)	(64,244)
Changes in Macroeconomic variables ("MEV")	2	246	—	248	—	—	—	—
Stage transfers:								—
Stage 1 to stage 2	(1)	1	—	—	(14,154)	14,154	—	—
Stage 2 to stage 1	1	(1)	—	—	26,471	(26,471)	—	—
Total changes	**19**	**(570)**	**(10,282)**	**(10,833)**	**53,118**	**53,838**	**(17,007)**	**89,949**
Fair value adjustment	—	—	—	—	—	—	—	(3,775)
At 31 December 2018	**30**	**188**	**—**	**218**	**248,553**	**143,782**	**—**	**388,560**

[1] New loans originated reflected as Stage 2 were acquired during the year and subsequently experienced a SICR.

In 2019, the increase in ECL was due to credit quality changes. In the prior year, the decrease in ECL was driven by a reduction in stage 3 loans.

Risk management (continued)

Credit risk (audited) (continued)

c) Loan commitments and financial guarantee contracts

	ECL			
$'000	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
At 1 January 2019	**107**	**2,465**	**—**	**2,572**
New loan commitments and financial guarantees	36	21	—	57
Loan commitments and financial guarantees drawn	(30)	(2,429)	—	(2,459)
Existing loan commitments and financial guarantees (including credit quality changes)	16	32	—	48
Changes in Macroeconomic variables ("MEV")	(28)	(6)	—	(34)
Stage transfers:				
Stage 2 to stage 1	16	(16)	—	—
Total changes	**10**	**(2,398)**	**—**	**(2,388)**
At 31 December 2019	**117**	**67**	**—**	**184**

In 2019, the decrease in ECL was driven by drawn loan commitments.

	ECL			
$'000	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
At 1 January 2018	**149**	**542**	**2,101**	**2,792**
New loan commitments and financial guarantees	21	—	—	21
Loan commitments and financial guarantees drawn	(43)	(387)	(9)	(439)
Existing loan commitments and financial guarantees (including credit quality changes)	1,063	(231)	(2,092)	(1,260)
Changes in Macroeconomic variables ("MEV")	26	76	—	102
Stage transfers:				
Stage 1 to stage 2	(1,109)	2,465	—	1,356
Total changes	**(42)**	**1,923**	**(2,101)**	**(220)**
At 31 December 2018	**107**	**2,465**	**—**	**2,572**

In 2018, the decrease in ECL was driven by reduced stage 3 exposures, reducing the stage 3 ECL to $nil, offset by transfers from stage 1 to stage 2 from lifetime to a 12-month ECL as a result of a change in credit risk.

2. <u>Non-traditional credit products</u>

Non-TCPs include all other instruments measured at amortised cost and subject to the impairment provisions of International Financial Reporting Standard 9 ("IFRS 9"). The Company has recognised no ECL on non-TCP balances as the ECL related to these exposures is assessed as immaterial.

The Company's approach to measuring ECLs for Non-TCP portfolios depends on the type of instrument. Refer to the Credit exposures section for an analysis per balance sheet line item.

Credit risk exposures

The following tables provide an analysis of the Company's credit risk exposure from financial assets. The gross balance sheet exposure represents the Company's maximum exposure to credit risk from these assets. Gross balance sheet exposure is reported on a net-by-counterparty basis for derivatives and securities purchased under agreements to resell when the legal right and intention of offset exists under an enforceable netting agreement as required under IAS 32 'Financial Instruments: Presentation' ("IAS 32"). Net exposure after risk mitigants is presented after taking into account assets which are primarily exposed to market risk, enforceable master netting agreements (where the offsetting criteria under IAS 32 is not met) and the value of any collateral received.

Risk management (continued)

Credit risk (audited) (continued)

Credit risk exposures (continued)

		Risk mitigants			
	Gross balance sheet exposure[1]	Exposures captured by market risk	Master netting agreements and other	Cash & security collateral	Net exposure after risk mitigants
	$'000	$'000	$'000	$'000	$'000
At 31 December 2019					
Financial assets:					
Loans and advances to banks [2, 3]	4,303,061	—	—	—	4,303,061
Loans and advances to customers [2, 3]	166,356	—	—	(1,332)	165,024
Securities purchased under resale agreements [4]	938,163	—	—	(931,898)	6,265
Financial assets held at fair value through profit and loss [5]	16,742	(4,548)	—	—	12,194
Debtors	247,599	—	—	—	247,599
Accrued income [2]	2,021	—	(1,590)	—	431
Total	**5,673,942**	**(4,548)**	**(1,590)**	**(933,230)**	**4,734,574**

		Risk mitigants			
	Gross balance sheet exposure[1]	Exposures captured by market risk	Master netting agreements and other	Cash & security collateral	Net exposure after risk mitigants
	$'000	$'000	$'000	$'000	$'000
At 31 December 2018					
Financial assets:					
Loans and advances to banks [2]	7,187,799	—	—	—	7,187,799
Loans and advances to customers [2, 3]	291,002	—	—	(6,553)	284,449
Securities purchased under resale agreements[4]	1,708,735	—	—	(1,631,709)	77,026
Financial assets held at fair value through profit and loss [5]	68,607	(4,646)	(61,348)	—	2,613
Debtors (restated) [2, 6]	448,366	—	—	—	448,366
Accrued income [2]	5,157	—	(4,153)	—	1,004
Total	**9,709,666**	**(4,646)**	**(65,501)**	**(1,638,262)**	**8,001,257**

1 Includes $5,312 million (2018 restated: $9,223 million) held with other JPMorgan Chase undertakings. For further details of these amounts by line item category, refer to the notes to the financial statements.

2 Includes amounts related to discontinued operations, for further details of the split of these amounts by line item category, refer to note 25.

3 Net exposure after risk mitigants on loans and advances to customers is presented without taking into account credit risk mitigants such as financial guarantees.

4 The fair value of financial assets accepted as collateral that the Company is permitted to sell or re-pledge in the absence of default is $932 million (2018: $1,631 million). The fair value of collateral repledged in 2019 was nil (2018: nil). These transactions are conducted under terms that are customary to standard lending activities (note 17).

5 Financial assets held for trading subject to master netting agreements has been restricted to the gross exposure. Total financial instruments recognised within financial assets held for trading and financial liabilities held for trading which were subject to enforceable master netting arrangements or other similar agreements but not offset, as at 31 December 2019, amounted to $nil (2018: $61 million) (note 19).

6 Refer to note 38 for details on restatement.

In addition to balance sheet exposure, there are off balance sheet exposures consisting of lending commitments and standby letters of credit and guarantees of $1,319 million (2018: $2,341 million).

Risk management (continued)

Credit risk (audited) (continued)

Credit risk exposures (continued)

The Company's credit exposures and credit risk mitigants are further described below. As the ECL allowance is only recognised on loans and advances to customers held at amortised cost and FVOCI and loans and advances to banks held at FVOCI, further analysis of credit exposures are included. Refer below for discussion on non-TCP financial assets.

Loans and advances to banks at amortised cost

The Company places substantially all of its deposits with banks which are of investment-grade.

In evaluating the lifetime ECL related to receivables from a bank, the Company determined the expected probability of default was extremely remote, and the magnitude of lifetime ECL related to exposures would be negligible as these are investment-grade institutions.

The Company includes loans and advances to banks in Stage 1. They are considered to have high quality credit with low risk of default and therefore the Company has concluded there is no material SICR.

Loans and advances to customers at amortised cost and FVOCI and Loans and advances to banks at FVOCI

The table below presents the Company's credit exposure and maturity profile to gross Loans and advances to customers at amortised cost and FVOCI and Loans and advances to banks at FVOCI before any provision for impairment. The credit quality and credit concentration of loans and advances to customers is managed within the JPMorgan Chase's Credit Risk Management function. The ratings scale is based on the JPMorgan Chase's internal risk ratings, which generally correspond to the ratings as defined by S&P and Moody's Investors Service.

Maturity profile

Loans and advances to customers at amortised cost and FVOCI and Loans and advances to banks at amortised cost and FVOCI

	2019	2018
	$'000	$'000
Maturity		
5 years or less but over 1 year	1,975	33,821
1 year or less but over 3 months	227,574	366,342
3 months or less	63,334	28,318
Total[1]	**292,883**	**428,481**

[1] 2018 includes an amount of $20 million related to a discontinued operation, refer note 25.

J.P. MORGAN EUROPE LIMITED
Strategic report (continued)

Risk management (continued)

Credit risk (audited) (continued)

Credit risk exposures (continued)

Ratings profile

At 31 December 2019	Stages		
	Stage 1	Stage 2	Total
Loans and advances to customers and banks at FVOCI			
	$'000	$'000	$'000
Investment-grade			
AAA/Aaa to BBB-Baa3	242,294	26,766	269,060
Non-investment-grade			
BB+/Ba1 -> B-/B3	1,319	22,168	23,487
Gross carrying amount	**243,613**	**48,934**	**292,547**
Fair value adjustment	—	—	336
Total	**243,613**	**48,934**	**292,883**

At 31 December 2018	Stages		
	Stage 1	Stage 2	Total
Loans and advances to customers at amortised cost			
	$'000	$'000	$'000
Investment-grade			
AAA/Aaa to BBB-Baa3	35,345	—	35,345
Non-investment-grade			
BB+/Ba1 -> B-/B3	—	4,576	4,576
Gross carrying amount	**35,345**	**4,576**	**39,921**
Loans and advances to customers and banks at FVOCI			
	$'000	$'000	$'000
Investment-grade			
AAA/Aaa to BBB-Baa3	245,916	52,201	298,117
Non-investment-grade			
BB+/Ba1 -> B-/B3	2,637	91,581	94,218
Gross carrying amount	**248,553**	**143,782**	**392,335**
Fair value adjustment	—	—	(3,775)
Total	**248,553**	**143,782**	**388,560**

Risk management (continued)

Credit risk (audited) (continued)

Credit risk exposures (continued)

Analysis of concentration credit risk

Concentrations of credit risk arise when a number of customers are engaged in similar business activities or activities in the same geographic region, or when they have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions.

Loans and advances to customers at amortised cost and FVOCI and Loans and advances to banks at FVOCI

Credit risk concentration	**2019**	**2018**
	$'000	**$'000**
Geographic region		
United Kingdom	46,234	842
Other European	88,916	333,625
Rest of the world	157,733	94,014
Total [1]	**292,883**	**428,481**
Industry concentration		
Commercial and industrial	166,674	271,508
Financial institutions	126,209	156,973
Total [1]	**292,883**	**428,481**

1 Includes an amount of $20 million related to a discontinued operation, refer note 25.

Securities purchased under agreements to resell

The Company generally bears credit risk related to resale agreements where cash advanced to the counterparty exceeds the expected value of the collateral received on default. The Company's credit exposure on these transactions is significantly lower than the amounts recorded on balance sheet as the substantial majority represent contractual value before consideration of any collateral received.

Securities financing arrangements tend to be short-term in nature with no history of credit losses. These arrangements are included in Stage 1 as the Company has determined there is no material SICR during the short tenor of the instrument. The Company recognises no ECL on these balances as the ECL related to these exposures is assessed as immaterial.

Debtors and accrued income

Debtors mainly consist of amounts due from brokers/dealers, customers and JPMorgan Chase undertakings. The majority of which are with other JPMorgan Chase undertakings where the borrower is a Material Legal Entity ("MLE"). Accrued income primarily represents accrued interest on securities purchased under resale agreements and loans with other JPMorgan Chase undertakings who are MLEs.

For inter-company transactions where the borrower is a Material Legal Entity ("MLE"), the Company's anticipated ECL was determined to not be material and no loss was recognised, for the following reasons:

- The MLE borrower has been prepositioned with funding in an extremely efficient manner from both a liquidity and a capital perspective.
- JPMorgan Chase Bank, N.A. ("JPMCB") and the JP Morgan Chase's Intermediate Holding Company ("IHC") are obligated to provide financial support to their direct and indirect subsidiaries in connection with the Support Agreement that is put in place as part of the Firm's resolution planning process, which effectively functions as a guarantee/backstop for inter-company lending arrangements with an MLE borrower.

As MLEs are adequately capitalised to ensure the MLE can fulfil all of its debt obligations even in the event of an orderly liquidation of JPMorgan Chase and are of investment grade, these inter-company receivables are included in Stage 1 as they are held with MLEs and considered to not have an increase in credit risk that would result in material expected credit losses. Receivables from MLEs are only included in Stage 2 if the obligor is no longer considered an MLE and there is evidence of credit deterioration of the obligor, or if certain support triggers defined in the JPMorgan Chase's Resolution Plan occur. Receivables from MLEs are not credit-impaired as the Firm ensures MLEs are more than adequately capitalised as required by the Firms Resolution Plan. The Company's anticipated ECL for other receivables from non MLEs was determined to not be material and no loss was recognised.

Risk management (continued)

Credit risk (audited) (continued)

Credit risk exposures (continued)

Loan commitments and financial guarantee contracts

The Company provides lending-related financial instruments (e.g. commitments of credit) to meet the financing needs of its customers. The contractual amount of these financial instruments represents the maximum possible credit risk to the Company should the counterparty draw upon the commitment or the Company be required to fulfil its obligation under the guarantee, and should the counterparty subsequently fail to perform according to the terms of the contract. Most of these commitments expire without being drawn or a default occurring. As a result, the total contractual amount of these instruments is not, in the Company's view, representative of its actual future credit exposure or funding requirements.

The following table summarises the rating profile of contractual amounts by stage of off-balance sheet lending-related commitments and standby letters of credit.

At 31 December 2019	Stages		
	Stage 1	Stage 2	Total
At Amortised cost			
Rating profile	$'000	$'000	$'000
Investment-grade			
AAA/Aaa to BBB-Baa3	858,077	37,760	895,837
Non-investment-grade			
BB+/Ba1 -> B-/B3	308,917	107,790	416,707
CCC+/Caa1 and below	—	6,250	6,250
Contractual amount	**1,166,994**	**151,800**	**1,318,794**

At 31 December 2018	Stages		
	Stage 1	Stage 2	Total
At Amortised cost			
Rating profile	$'000	$'000	$'000
Investment-grade			
AAA/Aaa to BBB-Baa3	1,171,123	419,036	1,590,159
Non-investment-grade			
BB+/Ba1 -> B-/B3	463,752	85,626	549,378
CCC+/Caa1 and below	140,754	60,707	201,461
Contractual amount	**1,775,629**	**565,369**	**2,340,998**

	Contractual amount	ECL	Contractual amount	ECL
	2019	2019	2018	2018
	$'000	$'000	$'000	$'000
Other lending commitments	634,595	48	1,573,991	2,465
Standby letters of credit and guarantees	684,199	136	767,007	107
Total	**1,318,794**	**184**	**2,340,998**	**2,572**

Risk management (continued)

Country risk

The Firm has a country risk management framework for monitoring and assessing how financial, economic, political or other significant developments adversely affect the value of the Firm's exposures related to a particular country or set of countries. The Country Risk Management group actively monitors the various portfolios which may be impacted by these developments to ensure the Firm's and Company's exposures are diversified and that exposure levels are appropriate given the Firm and Company's strategy and risk tolerance relative to a country.

Risk organisation and management

Country Risk Management is an independent risk management function that assesses, manages and monitors country risk originated across the Firm. The Firmwide Risk Executive for Country Risk reports to the Firm's CRO. The Firm's country risk management function includes the following activities:

- Establishing policies, procedures and standards consistent with a comprehensive country risk framework
- Assigning sovereign ratings and assessing country risks and establishing risk tolerance relative to a country
- Measuring and monitoring country risk exposure and stress across the Firm
- Managing and approving country limits and reporting trends and limit breaches to senior management
- Developing surveillance tools, such as signalling models and ratings indicators for early identification of potential country risk concerns
- Providing country risk scenario analysis

Risk sources and measurement

The Firm and Company are exposed to country risk through their lending and deposits, investing, and market-making activities, whether cross-border or locally funded. Country exposure includes activity with both government and private-sector entities in a country. Under the Firm's internal country risk management approach, country exposure is reported based on the country where the majority of the assets of the obligor, counterparty, issuer or guarantor are located or where the majority of its revenue is derived, which may be different than the domicile (legal residence) or country of incorporation of the obligor, counterparty, issuer or guarantor. Country exposures are generally measured by considering the Firm's and Company's risk to an immediate default of the counterparty or obligor, with zero recovery. Assumptions are sometimes required in determining the measurement and allocation of country exposure, particularly in the case of certain non-linear or index exposures. The use of different measurement approaches or assumptions could affect the amount of reported country exposure.

Under the Firm's internal country risk measurement framework used by the Company:

- Lending exposures are measured at the total committed amount (funded and unfunded), net of the allowance for credit losses and cash and marketable securities collateral received
- Deposits are measured as the cash balances placed with central and commercial banks
- Securities financing exposures are measured at their receivable balance, net of collateral received
- Debt and equity securities are measured at the fair value of all positions, including both long and short positions
- Counterparty exposure on derivative receivables is measured at the derivative's fair value, net of the fair value of the related collateral. Counterparty exposure on derivatives can change significantly because of market movements
- Credit derivatives protection purchased and sold is reported based on the underlying reference entity and is measured at the notional amount of protection purchased or sold, net of the fair value of the recognised derivative receivable or payable. Credit derivatives protection purchased and sold in the Firm's market making activities is measured on a net basis, as such activities often result in selling and purchasing protection related to the same underlying reference entity; this reflects the manner in which the Firm manages these exposures

Some activities may create contingent or indirect exposure related to a country (for example, providing clearing services or secondary exposure to collateral on securities financing receivables). These exposures are managed in the normal course of business through the Firm's and Company's credit, market, and operational risk governance, rather than through Country Risk Management.

Risk management (continued)

Country risk

Risk stress testing

Stress testing is an important component of the Firm's country risk management framework, which aims to estimate and limit losses arising from a country crisis by measuring the impact of adverse asset price movements to a country based on market shocks combined with counterparty specific assumptions. Country Risk Management periodically designs and runs tailored stress scenarios to test vulnerabilities to individual countries, or group of countries, in response to specific or potential market events, sector performance concerns and geopolitical risks.

Risk reporting

The Company's top five country exposures as of 31 December 2019 are Spain $0.23bn, Saudi Arabia $0.15bn, Ireland $0.14bn, Kuwait $0.12bn and France $0.06bn. The selection of countries represent the Company's largest total exposures by country, based on the Firm's internal country risk management approach, and does not represent the Firm's view of any actual or potentially adverse credit conditions. Country exposures may fluctuate from period to period due to client activity and market flows.

Liquidity risk (unaudited)

Liquidity risk is the risk that the Company will be unable to meet its contractual and contingent financial obligations as they arise or that it does not have the appropriate amount, composition and tenor of funding and liquidity to support its assets and liabilities.

Liquidity risk oversight

The Firm has a Liquidity Risk Oversight function whose primary objective is to provide independent assessment, measurement, monitoring, and control of liquidity risk across the Firm. Liquidity Risk Oversight's responsibilities include:

- Defining, monitoring and reporting liquidity risk metrics;
- Establishing and monitoring limits and indicators including liquidity risk appetite;
- Developing a process to classify, monitor and report limit breaches;
- Performing an independent review of liquidity risk management processes;
- Monitoring and reporting internal Firmwide and legal entity liquidity stress tests as well as regulatory defined liquidity stress tests;
- Approving or escalating for review new or updated liquidity stress assumptions; and
- Monitoring liquidity positions, balance sheet variances and funding activities.

Liquidity management

Treasury and Chief investment Office ("CIO") are responsible for liquidity management. The primary objectives of effective liquidity management are to:

- Ensure that the Firm's core businesses and material legal entities are able to operate in support of client needs and meet contractual and contingent financial obligations through normal economic cycles as well as during stress events, and
- Manage an optimal funding mix, and availability of liquidity sources.

As part of the Firm's overall liquidity management strategy, the Firm manages liquidity and funding using a centralised, global approach in order to:

- Optimise liquidity sources and uses;
- Monitor exposures;
- Identify constraints on the transfer of liquidity between the Firm's legal entities; and
- Maintain the appropriate amount of surplus liquidity at a Firmwide and legal entity level, where relevant.

Risk management (continued)

Liquidity risk (unaudited) (continued)

In the context of the Firm's liquidity management, Treasury and CIO is responsible for:

- Analysing and understanding the liquidity characteristics of the assets and liabilities of the Firm, lines of business and legal entities, taking into account legal, regulatory, and operational restrictions;
- Developing internal liquidity stress testing assumptions;
- Defining and monitoring Firmwide and legal entity-specific liquidity strategies, policies, guidelines, reporting and contingency funding plans;
- Managing liquidity within approved liquidity risk appetite tolerances and limits;
- Managing compliance with regulatory requirements related to funding and liquidity risk; and
- Setting transfer pricing in accordance with underlying liquidity characteristics of balance sheet assets and liabilities as well as certain off-balance sheet items.

The Company is regulated by the PRA and is expected to comply with the liquidity coverage ratio ("LCR") guidance set out in the Delegated Act (Commission delegated regulation (EU) 2015/61). The LCR is intended to measure the amount of "high quality liquid assets ("HQLA") held by the Company in relation to estimated net liquidity outflows within a 30 calendar day stress period. At 31 December 2019, the Company was compliant with the LCR requirement.

The Basel Committee final standard for net stable funding ratio ("Basel NSFR") is intended to measure the "available" and "required" amounts of stable funding over a one-year horizon. The European Commission introduced its legislative proposal for the NSFR ("EU NSFR"), amending Regulation (EU) No 575/2013. The Company is expected to comply with the EU NSFR at a level of 100% from 28 June 2021.

Risk governance and measurement

Committees responsible for liquidity governance include the Firmwide Asset and Liability Committee ("ALCO"), as well as line of business and regional ALCOs, Treasurer Committee and Corporate ("CTC") Risk Committee. In addition, the Board Risk Committee reviews and recommends to the Board of Directors, for formal approval, the Firm's liquidity risk tolerances, liquidity strategy, and liquidity policy.

Internal stress testing

Liquidity stress tests are intended to ensure that the Company has sufficient liquidity under a variety of adverse scenarios, including scenarios analysed as part of the Firm's resolution and recovery planning. Stress scenarios are produced for the Company on a regular basis and other stress tests are performed in response to specific market events or concerns. Liquidity stress tests assume all of the Company's contractual financial obligations are met and take into consideration:

- Varying levels of access to unsecured and secured funding markets;
- Estimated non-contractual and contingent cash outflows; and
- Potential impediments to the availability and transferability of liquidity between jurisdictions and material legal entities such as regulatory, legal or other restrictions.

Liquidity outflow assumptions are modelled across a range of time horizons and currency dimensions and contemplate both market and idiosyncratic stress.

Results of stress tests are considered in the formulation of the Company's funding plan and assessment of its liquidity position.

Liquidity risk stress testing is established at the Firm and material legal entity level. The Company's liquidity stress testing is incorporated within the JPMorgan Chase legal entity liquidity risk framework and follows Firmwide liquidity assumptions, with additional considerations for intercompany positions and the definition of local liquid asset buffer.

Contingency funding plan

The Firm's contingency funding plan ("CFP") is approved by the Firmwide ALCO and the Board Risk Committee. The EMEA ALCO reviews and the JPMEL RC reviews and recommends for approval the JPMEL CFP addendum to the JPMEL Board of Directors annually. The CFP and the addendum is a compilation of procedures and action plans for managing liquidity through stress events. The CFP and the addendum incorporate the limits and indicators set by the Liquidity Risk Oversight group. These limits and indicators are reviewed regularly to identify the emergence of risks or vulnerabilities in the Company's liquidity position. The CFP identifies the alternative contingent funding and liquidity resources available to the Company in a period of stress.

Risk management (continued)

Liquidity risk (unaudited) (continued)

Funding (audited)

JPMEL's primary source of funding is its deposit base which is further supported by capital resources with excess cash deployed on a short-term basis, including in unencumbered high quality liquid assets. This provides JPMEL with sufficient access to liquidity to meet obligations as they fall due, including in stress.

The following table provides details on the contractual maturity of all liabilities:

	2019			2018		
	On demand	**Less than 1 year**	**Total**	On demand	Less than 1 year	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Deposits by banks	5,430	—	5,430	38,743	—	38,743
Customer accounts [1]	3,013,017	—	3,013,017	6,889,104	—	6,889,104
Financial liabilities held at fair value through profit and loss	—	—	—	—	61,348	61,348
Trade creditors [1]	—	4,477	4,477	—	—	—
Other liabilities (restated) [1,2]	—	199,414	199,414	—	328,487	328,487
	3,018,447	**203,891**	**3,222,338**	**6,927,847**	**389,835**	**7,317,682**

1 Includes prior year amounts related to discontinued operations, for further details of the split of these amounts by line item category, refer to note 25.

2 Refer to note 38 for details on restatement.

Market risk (audited)

Market risk is the risk associated with the effect of changes in market factors such as interest and foreign exchange rates, equity and commodity prices, credit spreads or implied volatilities, on the value of assets and liabilities held for both the short and long term.

The following sections detail the market risk management framework at both the Firmwide and Company levels.

Market Risk Management monitors market risks throughout the Firm and defines market risk policies, procedures and other guidance as appropriate. The Market Risk Management function reports to the Firm's Chief Risk Officer ('CRO'), and seeks to manage risk, facilitate efficient risk/return decisions, reduce volatility in operating performance and provide transparency into the Firm's market risk profile for senior management, the Board of Directors and regulators.

Risk Governance & Policy Framework

The Company's approach to market risk governance mirrors the Firmwide approach and is outlined in the Company Market Risk Framework. The Company Market Risk Framework outlines the following:

- Responsibilities of the CRO and Market Risk Officer ("MRO")
- Market Risk measures utilised such as VaR and Stress
- Controls such as the Company's market risk limit framework (limit levels, limit signatories, limit reviews and escalation)

The Company's Board approves substantive changes to the Framework and approves this Framework annually.

Risk Measurement

There is no single measure to capture market risk and therefore the Firm and Company uses various metrics both statistical and non-statistical to assess risk. The appropriate set of risk measures utilised for a given business activity is tailored based on business mandate, risk horizon, materiality, market volatility and other factors.

Risk management (continued)

Market risk (audited) (continued)

Value-at-Risk ("VaR")

The Firm utilises VaR, a statistical risk measure, to estimate the potential loss from adverse market moves in the current market environment.

The VaR framework is employed across the Firm using historical simulation based on data for the previous 12 months. VaR is calculated assuming a one-day holding period and an expected tail-loss methodology which approximates a 95% confidence level. These VaR results are reported to senior management, the Firm's Board of Directors and regulators.

The Company applies the Firmwide approach for VaR as described above, for internal risk management purposes.

The table below shows the result of the Company's risk management VaR measures using a 95% confidence level:

	2019			2018			At 31 December	
	Avg.	Min	Max	Avg.	Min	Max	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
95 % VaR	102	87	132	190	148	264	96	163

The Company's market risk profile is not material, the low level of VaR is normally driven by residual FX/IR positions across businesses. Of the standard stress scenarios that the Company is subject to, the worst case stress loss during 2019 was primarily driven by the Credit Crisis scenario.

Stress testing

Along with VaR, stress testing is an important tool to assess risk. While VaR reflects the risk of loss due to adverse changes in markets using recent historical market behaviour, stress testing reflects the risk of loss from hypothetical changes in the value of market risk sensitive positions applied simultaneously.

The Firm and the Company run weekly stress tests on market-related risks across the lines of business using multiple scenarios that assume significant changes in risk factors such as credit spreads, equity prices, interest rates, currency rates or commodity prices.

The Firm and the Company use a number of standard scenarios that capture different risk factors across asset classes including geographical factors, specific idiosyncratic factors and extreme tail events. The stress testing framework calculates multiple magnitudes of potential stress for both market rallies and market sell-offs for each risk factor and combines them in multiple ways to capture different market scenarios. The flexibility of the stress testing framework allows risk managers to construct new, specific scenarios that can be used to form decisions about future possible stress events.

Stress testing complements VaR by allowing risk managers to shock current market prices to more extreme levels relative to those historically realised, and to stress test the relationships between market prices under extreme scenarios. Stress-test results, trends and qualitative explanations based on current market risk positions are reported to the respective LOB, Firm and Company senior management as appropriate, to allow them to better understand the sensitivity of positions to certain defined events and to enable them to manage their risks with more transparency.

Stress scenarios are defined and reviewed by Market Risk, and significant changes are reviewed by the relevant LOB Risk Committees and may be redefined on a periodic basis to reflect current market conditions.

Risk Monitoring and Control

Limits

Market risk limits are employed as the primary control to align the Firm's market risk with certain quantitative parameters within the Firm's Risk Appetite framework.

Market Risk sets limits and regularly reviews and updates them as appropriate, with any changes approved by Firm or LOB or Company management, as appropriate, and Market Risk. Limits that have not been reviewed within a specified time period by Market Risk are escalated to senior management.

Risk management (continued)

Market risk (audited) (continued)

Risk Monitoring and Control (continued)

Limits (continued)

Limit breaches are required to be reported in a timely manner to limit approvers, which include Market Risk and senior management. In the event of a limit breach, Market Risk consults with senior management to determine the course of action required to return to compliance, which may include a reduction in risk in order to remedy the breach or granting a temporary increase in limits to accommodate an expected increase in client activities and/or market volatility. Certain Firm, LOB or Company level limit breaches are escalated to senior management, the LOB Risk Committee, Regional Risk Committee and/or the Firmwide Risk Committee, as appropriate.

The Company's limits include VaR and Stress limits established for the legal entity, in aggregate.

The Company's CEO, CRO and Market Risk Officer ('MRO') are the limit approvers of limits for the legal entity in aggregate.

Risk Reporting

The Firm and the Company have their own set of regular market risk reports, which include daily notifications of limit utilisations and limit breaches and where applicable, granular market risk metrics which provide transparency into potential risk concentrations.

Structural interest rate risk

Interest Rate Risk in the Banking Book ("IRRBB") is defined as interest rate risk resulting from the firm's traditional banking activities (accrual accounted on- and off-balance sheet positions) which include the extension of loans and credit facilities, taking deposits and issuing debt (collectively referred to as 'non-trading' activities); and also the impact from Treasury and Chief Investment Office (T/CIO) investment securities portfolio and other related T/CIO activities. IRR from non-trading activities can occur due to a variety of factors, including but not limited to:

- Difference in the timing of re-pricing of assets, liabilities and off-balance sheet instruments
- Differences in the balances of assets, liabilities and off-balance sheet instruments that re-price at the same time
- Differences in the amounts by which short-term and long-term market interest rates change; and
- Impact of changes in the duration of various assets, liabilities or off-balance sheet instruments as interest rates change

Oversight and governance

Governance for Firmwide IRR is defined in the IRR Management policy which is approved by CTC CRO. The CIO, Treasury and Other Corporate Risk Committee (CTC RC) is the governing committee with respect to IRRBB.

- Reviews the IRR Management policy;
- Reviews the IRR profile of the Firm and adherence to limits;
- Reviews significant changes to IRR models and/or assumptions; and
- Provides Governance on legal entity related exposures.

IRR exposures, significant models and/or assumptions including the changes are reviewed by Firmwide ALCO. The ALCO provides a framework for overseeing the IRR of LOBs, foreign jurisdictions and key legal entities to appropriate LOB ALCOs, Country ALCOs and other local governance bodies. In addition, oversight of structural interest rate risk is managed through IRR Management, a dedicated risk function reporting to the CTC CRO. IRR Management is responsible for, but not limited to:

- Measuring and monitoring IRR and establishing limits; and
- Creating and maintaining governance over IRR assumption

The Firmwide risk framework applies to the Company as described above.

Risk management (continued)

Structural interest rate risk

Risk Identification and Measurement

T/CIO manages IRRBB exposure on behalf of the Firm by identifying, measuring, modelling and monitoring IRR across the Firm's balance sheet. T/CIO identifies and understands material balance sheet impacts of new initiatives and products and executes market transactions to manage IRR through T/CIO investment portfolio's positions. Execution by T/CIO will be based on parameters established by senior management, per the T/CIO Investment Policy. LOBs are responsible for developing and monitoring the appropriateness of LOB specific IRR modelling assumptions.

Measures to manage IRR include:

- Earnings-at-risk ("EAR"): Primary metric used to gauge the Firm's shorter term IRR exposure is EAR, or the sensitivity of pre-tax income to changes in interest rates over a rolling 12 months compared to a base scenario; and
- Economic Value Sensitivity ("EVS"): An additional Firmwide metric utilised to determine changes in asset/liability values due to changes in interest rates.

Operational risk

Operational risk is the risk associated with an adverse outcome resulting from inadequate or failed internal processes or systems; human factors; or external events impacting the Firm's processes or systems; it includes compliance, conduct, legal, and estimations and model risk.

Operational risk is inherent in the Company's activities and can manifest itself in various ways, including fraudulent acts, business interruptions, cybersecurity attacks, inappropriate employee behaviour, failure to comply with applicable laws and regulations or failure of vendors to perform in accordance with their agreements. Operational Risk Management attempts to manage operational risk at appropriate levels in light of the Company's financial position, the characteristics of its businesses, and the markets and regulatory environments in which it operates.

Risk management

The Firm's Compliance, Conduct, and Operational Risk ("CCOR") Management Framework is designed to enable the Firm to govern, identify, measure, monitor and test, manage and report on the Firm's operational risk. The Company's approach mirrors the Firmwide approach.

Operational risk can manifest itself in various ways. Operational risk subcategories such as Compliance risk, Conduct risk, Legal risk and Estimations and Model risk, as well as other operational risks, can lead to losses which are captured through the Firm's operational risk measurement processes. More information on these risk subcategories can be found in the respective risk management sections. Details on cybersecurity risk, business and technology resiliency risk, payment fraud risk, together with third-party outsourcing risk, are provided below.

Cybersecurity risk

Cybersecurity risk is an important, continuous and evolving focus for the Firm. The Firm devotes significant resources to protecting and continuing to improve the security of the Firm's computer systems, software, networks and other technology assets. The Firm's security efforts are designed to protect against, among other things, cybersecurity attacks by unauthorised parties attempting to obtain access to confidential information, destroy data, disrupt or degrade service, sabotage systems or cause other damage. The Firm continues to make significant investments in enhancing its cyber-defence capabilities and to strengthen its partnerships with the appropriate government and law enforcement agencies and other businesses in order to understand the full spectrum of cybersecurity risks in the operating environment, enhance defences and improve resiliency against cybersecurity threats. The Firm actively participates in discussions of cybersecurity risks with law enforcement, government officials, peer and industry groups, and has significantly increased efforts to educate employees and certain clients on the topic.

Third parties with which the Firm does business or that facilitate the Firm's business activities (e.g., vendors, exchanges, clearing houses, central depositories, and financial intermediaries) are also sources of cybersecurity risk to the Firm. Third party cybersecurity incidents such as system breakdowns or failures, misconduct by the employees of such parties, or cyber-attacks could affect their ability to deliver a product or service to the Firm or result in lost or compromised information of the Firm or its clients. Clients can also be sources of cybersecurity risk to the Firm, particularly when their activities and systems are beyond the Firm's own security and control systems. As a result, the Firm engages in regular and ongoing discussions with certain vendors and clients regarding cybersecurity risks and opportunities to improve security. However, where cybersecurity incidents are due to client failure to maintain the security of their own systems and processes, clients are responsible for losses incurred.

Risk management (continued)

Operational risk (continued)

Cybersecurity risk (continued)

To protect the confidentiality, integrity and availability of the Firm's infrastructure, resources and information, the Firm maintains a cybersecurity programme to prevent, detect, and respond to cyber-attacks. The Audit Committee is updated periodically on the Firm's Information Security Programme, recommended changes, cybersecurity policies and practices, ongoing efforts to improve security, as well as its efforts regarding significant cybersecurity events. In addition, the Firm has a detailed cybersecurity incident response plan ("IRP") designed to enable the Firm to respond to attempted cybersecurity incidents, coordinate such responses with law enforcement and other government agencies, and notify clients and customers. Among other key focus areas, the IRP is designed to mitigate the risk of insider trading connected to a cybersecurity incident, and includes various escalation points.

The Cybersecurity and Technology Control functions are responsible for governance and oversight of the Firm's Information Security Programme. In partnership with the Firm's lines of business, the Cybersecurity and Technology Control organisation identifies information security risk issues and champions programmes for the technological protection of the Firm's information resources including applications, infrastructure as well as confidential and personal information related to the Firm's customers. The Cybersecurity and Technology Control organisation is comprised of Business Aligned Information Security Managers that are supported within the organisation by the following products that execute the Information Security Program for the Firm:

- Cyber Defense & Fraud
- Data Management, Protection & Privacy
- Identity & Access Management
- Governance & Controls
- Production Management & Resiliency
- Software & Platform Enablement

The Global Cybersecurity and Technology Control governance structure is designed to identify, escalate, and mitigate information security risks. This structure uses key governance forums to disseminate information and monitor technology efforts. These forums are established at multiple levels throughout the Firm and include representatives from each LOB and Corporate. Reports containing overviews of key technology risks and efforts to enhance related controls are produced for these forums, and are reviewed by management at multiple levels. The forums are used to escalate information security risks or other matters as appropriate.

Information Risk Management ("IRM") provides oversight of the activities which identify, assess, manage and mitigate cybersecurity risk.

The Firm's Security Awareness Programme includes training that reinforces the Firm's Information Technology Risk and Security Management policies, standards and practices, as well as the expectation that employees comply with these policies. The Security Awareness Programme engages personnel through training on how to identify potential cybersecurity risks and protect the Firm's resources and information. This training is mandatory for all employees globally on an annual basis, and it is supplemented by Firmwide testing initiatives, including periodic phishing tests. Finally, the Firm's Global Privacy programme requires all employees to take periodic awareness training on data privacy. This privacy-focused training includes information about confidentiality and security, as well as responding to unauthorised access to or use of information.

Business and technology resiliency risk

Business disruptions can occur due to forces beyond the Firm's control such as severe weather, power or telecommunications loss, accidents, failure of a third party to provide expected services, cyberattack, flooding, transit strikes, terrorist threats or infectious disease. The safety of the Firm's employees and customers is of the highest priority. The Firm's global resiliency programme is intended to enable the Firm to recover its critical business functions and supporting assets (i.e., staff, technology and facilities) in the event of a business interruption. The programme includes governance, awareness training, and testing of recovery strategies, as well as strategic and tactical initiatives to identify, assess, and manage business interruption and public safety risks.

The Firm is monitoring the COVID-19 pandemic closely, based on the guidance being provided by the relevant health and government authorities, and continues to implement protocols and processes in response to the spread of the virus. In line with the Firm's own standards and regulatory expectations, the Firm and its Senior Managers are taking reasonable steps to:

- Ensure that we are able to meet our responsibilities to customers and staff and assist with challenges posed to markets due to COVID-19;
- Continue to preserve the safety and soundness of the firm with particular focus on financial and operational resilience, and;
- Ensure the Firm meets regulatory expectations of specific senior manager functions in relation to our response to COVID-19.

Risk management (continued)

Operational risk (continued)

Business and technology resiliency risk (continued)

The Firm has organised a central team to continue to consider what steps should be taken around the globe to protect our employees, prepare our businesses, and serve our clients and the communities where we live and work. In addition, teams across functions, businesses and regions continue to meet regularly to understand the global situation and to ensure any emerging developments relating to the well-being of our employees or the resiliency of our businesses are addressed quickly. Our businesses remain fully operational, and management across the firm continue to monitor key operational metrics.

The strength and proficiency of the Firmwide resiliency programme has played an integral role in maintaining the Firm's business operations during and after various events.

Payment fraud risk

Payment fraud risk is the risk of external and internal parties unlawfully obtaining personal monetary benefit through misdirected or otherwise improper payment. The risk of payment fraud remains at a heightened level across the industry. The complexities of these incidents and the strategies used by perpetrators continue to evolve. Under the Payments Control Program, methods are developed for managing the risk, implementing controls, and providing employee and client education and awareness trainings. The Firm's monitoring of customer behaviour is periodically evaluated and enhanced in an effort to detect and mitigate new strategies implemented by fraud perpetrators.

Third-party outsourcing risk

The Firm's Third-Party Oversight ("TPO") and Inter-affiliates Oversight ("IAO") framework assist the lines of business and Corporate in selecting, documenting, onboarding, monitoring and managing their supplier relationships including services provided by affiliates. The objective of the TPO framework is to hold suppliers to a high level of operational performance and to mitigate key risks including data loss and business disruption. The Firm's TPO and IAO frameworks continuously evolve to ensure ongoing compliance with any new or changed regulatory requirements, including the European Banking Authority ("EBA") Guidelines (EBA/GL/2019/02), on outsourcing. The Corporate Third-Party Oversight group is responsible for Firmwide training, monitoring, reporting and standards.

Compliance risk

Compliance risk, a subcategory of operational risk, is the risk of failing to comply with laws, rules, regulations or codes of conduct and standards of self-regulatory organisations applicable to the business activities of the Firm.

Each LOB and Corporate within the Company holds primary ownership and accountability for managing compliance risks. The Firm's Compliance Organisation ("Compliance"), which is independent of the line of business, works closely with senior management to provide independent review, monitoring and oversight of business operations with a focus on compliance with the regulatory obligations applicable to the offering of the Firm's products and services to clients and customers.

These compliance risks relate to a wide variety of legal and regulatory obligations, depending on the LOB and the jurisdiction, and include those related to products and services, relationships and interactions with clients and customers, and employee activities. For example, compliance risks include those associated with anti-money laundering compliance, trading activities, market conduct, and complying with the rules and regulations related to the offering of products and services across jurisdictional borders. Compliance risk is also inherent in the Firm's activities, including a failure to exercise an applicable standard of care, to act in the best interest of clients and customers or to treat clients and customers fairly.

Other functions provide oversight of significant regulatory obligations that are specific to their respective areas of responsibility.

CCOR Management implements policies and standards designed to govern, identify, measure, monitor and test, manage, and report compliance risk.

Governance and oversight

Compliance is led by the Firm's Chief Compliance Officer ("CCO") who reports to the Firm's CRO. The regional CCOs, including the EMEA CCO, are part of this structure. The Firm maintains oversight and coordination of its compliance risk through the implementation of the CCOR Risk Management Framework. At a Company level, in the UK the regional CCO is a member of the EMEA Management Committee and the UK Audit & Compliance Committee.

Risk management (continued)

Compliance risk (continued)

Code of Conduct

The Firm has a Code of Conduct ("Code") that sets out the Firm's expectation that employees will conduct themselves with integrity at all times and provides the principles that govern employee conduct with clients, customers, shareholders and one another, as well as with the markets and communities in which the Firm does business. The Code requires employees to promptly report any known or suspected violation of the Code, any internal Firm policy, or any law or regulation applicable to the Firm's business. It also requires employees to report any illegal conduct, or conduct that violates the underlying principles of the Code, by any of the Firm's employees, customers, suppliers, contract workers, business partners, or agents.

All newly hired employees are assigned Code training and current employees are periodically assigned Code training on an ongoing basis. Employees are required to affirm their compliance with the Code periodically. Employees can report any potential or actual violations of the Code through the Code Reporting Hotline by phone or the internet. It is administered by an outside service provider. The Code prohibits retaliation against anyone who raises an issue or concern in good faith.

Conduct risk

Conduct risk, a subcategory of operational risk, is the risk that any action or inaction by an employee or employees could lead to unfair client or customer outcomes, impact the integrity of the markets in which the Firm operates, or compromise the Firm's reputation.

Overview

Each LOB and Corporate is accountable for identifying and managing its conduct risk to provide appropriate engagement, ownership and sustainability of a culture consistent with the Firm's How We Do Business Principles (the "Principles"). The Principles serve as a guide for how employees are expected to conduct themselves. With the Principles serving as a guide, the Firm's Code sets out the Firm's expectations for each employee and provides information and resources to help employees conduct business ethically and in compliance with the law everywhere the Firm operates. For further discussion of the Code, refer to Compliance Risk Management.

Governance and oversight

The Conduct Risk Program is governed by the CCOR Management policy, which establishes the framework for governance, identification, measurement, monitoring and testing, management and reporting conduct risk in the Firm. The Conduct Risk Steering Committee (CRSC) provides oversight of the Firm's conduct initiatives to develop a more holistic view of conduct risks and to connect key programs across the Firm in order to identify opportunities and emerging areas of focus. Each committee of the Board oversees conduct risks within its scope of responsibilities, and the CRSC may escalate to such committees as appropriate. Conduct risk management encompasses various aspects of people management practices throughout the employee life cycle, including recruiting, onboarding, training and development, performance management, promotion and compensation processes. Each LOB, Treasury and CIO, and designated corporate functions completes an assessment of conduct risk periodically, reviews metrics and issues which may involve conduct risk, and provides business conduct training as appropriate.

Legal risk

Legal risk is the risk of loss primarily caused by the actual or alleged failure to meet legal obligations that arise from the rule of law in jurisdictions in which the Firm and the Company operates, agreements with clients and customers, and products and services offered by the Company and the Firm.

Overview

The global Legal function ("Legal") provides legal services and advice to the Company and the Firm. Legal is responsible for managing the Firm's exposure to legal risk by:

- Managing actual and potential litigation and enforcement matters, including internal reviews and investigations related to such matters;
- Advising on products and services, including contract negotiation and documentation;
- Advising on offering and marketing documents and new business initiatives;
- Managing dispute resolution;
- Interpreting existing laws, rules and regulations, and advising on changes thereto;
- Advising on advocacy in connection with contemplated and proposed laws, rules and regulations; and
- Providing legal advice to the LOBs, inclusive of LOB aligned Operations, Technology and Oversight & Controls (the "first line of defence"), Risk Management and Compliance (the "second line of defence"), and the Internal Audit function (the "third line of defence").

Risk management (continued)

Legal risk (continued)

Legal selects, engages and manages outside counsel for the Firm on all matters in which outside counsel is engaged. In addition, Legal advises the Firm's Conflicts Office which reviews the Firm's wholesale transactions that may have the potential to create conflicts of interest for the Firm.

Governance and oversight

The Firm's General Counsel reports to the CEO and is a member of the Operating Committee, the Firmwide Risk Committee and the Firmwide Control Committee. The Firm's General Counsel and other members of Legal report on significant legal matters to the Firm's Board of Directors and periodically to the Audit Committee. Each region, including EMEA, has a General Counsel who is responsible for managing legal risk across all lines of business and functions in the region. Legal serves on and advises various committees (including new business initiative and reputation risk committees) and advises the Firm's LOBs and Corporate on potential reputation risk issues.

Model risk

Estimations and Model risk is the potential for adverse consequences from decisions based on incorrect or misused estimation outputs.

Risk profile

The model risk profile depends on which models are used and their respective purposes such as valuation of derivatives and capital calculations. The model risk will primarily increase according to the tiering of the model: the lower the tier the higher the models risk, with Tier 1 posing the highest risk and Tier 4 the lowest. As described below in more detail, this is because tiering attempts to captures the complexity of the models used, the exposure to each model, and the reliance placed on model output. Model risk will also increase as issues are identified regarding the model in use.

Risk management objectives

The model risk management objectives are to identify, monitor, measure where possible and manage model risk as well as defining model risk policies and procedures including the following:

- Robust review of models in order to identify model risks
- Ensure compensating controls are in place where necessary;
- Perform ongoing performance monitoring of models to ensure that they continue to perform throughout their life; and
- Ensure all models are adequately documented and tested.

Approach to risk management

Under the Firm's Estimation and Model Risk Management policy, the Model Risk function reviews and approves new models, as well as material changes to existing models, prior to implementation in the operating environment. In certain circumstances exceptions may be granted to the Firm's policy to allow a model to be used prior to review or approval. The Model Risk function may also require the user to take appropriate actions to mitigate the model risk if it is to be used in the interim. These actions will depend on the model and may include, for example, limitation of trading activity.

Models are tiered based on an internal standard according to their complexity, the exposure associated with the model and the Firm's reliance on the model. This tiering is subject to the approval of the Model Risk function. In its review of a model, the Model Risk function considers whether the model is suitable for the specific purposes for which it will be used. When reviewing a model, the Model Risk function analyses and challenges the model methodology and the reasonableness of model assumptions and may perform or require additional testing, including back-testing of model outcomes. Model reviews are approved by the appropriate level of management within the Model Risk function based on the relevant model tier.

A model review will end up with one of three outcomes: "Approved," "Allowed with Compensating Controls ("AwCC")," or "Disapproved." An Approved conclusion will be granted to models that are conceptually sound and that, in the opinion of the Model Risk function, do not have critical issues affecting a broad range of products or usage segments. Models with critical issues that relate to a large portion of the model's intended scope will not be approved. There are two types of Non-Approval outcomes: "AwCC" and "Disapproved." "AwCC" will be granted to models with critical importance issues that relate to the model as a whole, or to an unacceptably large portion of the products or segments within the model's intended scope, but which are nevertheless needed for business activities and that, with the appropriate compensating controls, can produce acceptable and (where appropriate) conservative results. "Disapproved" will be assigned to models that are not approvable because the model does not produce acceptable results, and the model is not necessary for ongoing use. If the model is in use, the model user must make immediate plans to cease the use of the model in the near term.

Risk management (continued)

Reputation risk

Reputation risk is the risk that an action or inaction may negatively impact the Firm's integrity and reduce confidence in the Firm's competence held by various constituents, including clients, counterparties, customers, investors, regulators, employees, communities or the broader public.

Organisation and management

Reputation Risk Management is an independent risk management function that establishes the governance framework for managing reputation risk across the Firm. As reputation risk is inherently difficult to identify, manage, and quantify, an independent reputation risk management governance function is critical.

The Firm's reputation risk management function includes the following activities:

- Establishing a Firmwide Reputation Risk Governance policy and standards consistent with the reputation risk framework
- Managing the governance infrastructure and processes that support consistent identification, escalation, management and monitoring of reputation risk issues Firmwide; and
- Providing guidance to LOB Reputation Risk Offices ("RRO"), as appropriate.

The types of events that give rise to reputation risk are broad and could be introduced in various ways, including by the Firm's employees and the clients, customers and counterparties with which the Firm does business. These events could result in financial losses, litigation and regulatory fines, as well as other damages to the Firm.

Governance and oversight

The Firm's Reputation Risk Governance policy establishes the principles for managing reputation risk for the Firm. It is the responsibility of employees in each LOB and Corporate to consider the reputation of the Firm when deciding whether to offer a new product, engage in a transaction or client relationship, enter a new jurisdiction, initiate a business process or other matters. Increasingly, sustainability, social responsibility and environmental impacts are important considerations in assessing the Firm's reputation risk, and are considered as part of reputation risk governance.

Annual updates are provided to the EMEA Risk Committee ("ERC") on matters reviewed by the EMEA CIB RRC.

Reputation risk issues deemed material are escalated as appropriate.

Climate-related financial risk

Overview

Climate driven changes could have a material adverse impact on asset values and the financial performance of JPMorgan Chase's businesses, and those of its clients and customers.

The Firm and the Company operate in regions, countries and communities where its businesses, and the activities of its clients and customers, could be disrupted by climate change.Potential physical effects from climate change may include:

- altered distribution and intensity of rainfall
- prolonged droughts or flooding
- increased frequency of wildfires
- rising sea levels
- rising heat index

In addition, these physical effects may prompt changes in regulations or consumer preferences which in turn could have negative consequences for the business models of the Firm and the Company's clients.

These climate driven changes could manifest as a number of risks to the Firm and the Company, including the following:

- Credit and Investment - pressure on the expense base of those companies that operate in carbon-intensive sectors could lead to credit or investment losses for clients or the Firm
- Operational - property damage or business interruption for clients and customers in impacted areas

Risk management (continued)

Climate-related financial risk (continued)

Governance and oversight

The Firm is developing an approach to initially identify and assess the financial risks from climate change, which can also be leveraged at Company level. A multi-year working plan was approved by the board of the Company in 2019, while the Company has also established internal Senior Manager responsibility for the financial risks from climate change.

The Firm additionally published its first report on its approach toward managing climate-related risks and capitalizing on the opportunities that arise through a transition to a lower carbon economy. This report was informed by the recommendations of the Task Force on Climate-related Financial Disclosures and is available on our website.

The Firm and Company continue to refine their approach to assessing climate-related risks, in part because of the expectation that climate impacts will continue to emerge and evolve over time.

Critical accounting estimates

The Company's accounting policies and use of estimates are integral to understanding its reported results. The Company's most complex accounting estimates require management's judgement to ascertain the appropriate carrying value of assets and liabilities. The Firm and the Company has established policies and control procedures intended to ensure that estimation methods, including any judgements made as part of such methods, are well-controlled, independently reviewed and applied consistently from period to period. The methods used and judgements made reflect, among other factors, the nature of the assets or liabilities and the related business and risk management strategies, which may vary across the Company's businesses and portfolios. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. The Company believes its estimates for determining the carrying value of its assets and liabilities are appropriate. A description of the Company's critical accounting estimates involving significant judgements is set out in note 3 to the financial statements.

Non-financial policies

An overview of the environmental and social, human rights, employee, anti-bribery and anti-corruption policy aspects of non-financial reporting is provided below. A detailed description of the policies and processes adopted by the Firm may be found on the JPMorgan Chase & Co. website.

Environmental and social

The Firm works with companies in nearly every sector of the economy - as well as with development finance institutions, governments, and investors - to help advance environmental and social best practices and capitalise on opportunities created by the transition to a lower-carbon, more sustainable future. The Firm also strives to promote sustainability, including energy efficiency and renewable energy, across its operations globally.

Assessing its clients' approach to, and performance on, environmental and social issues is an important component of the Firm's risk management process. The Firm's Environmental and Social Policy Framework, which is available on our website, outlines the Firm's approach to evaluating reputational and financial risks posed by environmental and social matters, including certain activities that the Firm will not finance, and sectors and activities subject to environmental and social due diligence. For additional details please refer to the Risk Management section of the report (page 34).

In February 2020, the Firm announced additional steps in its initiatives to address climate change and further promote sustainable development by committing to facilitate $200 billion in financing in 2020 that will align with the objectives of the United Nations Sustainable Development Goals. This new commitment includes $50 billion in financing for green initiatives. The new commitment is intended to address a broader set of challenges in the developing world and developed countries where social and economic development gaps persist. Across the Firm's buildings and retail branches globally, sustainability efforts focus on reducing energy use and greenhouse gas ("GHG") emissions. In 2017, the Firm established a goal to source renewable energy for 100% of its global power needs by 2020.

The Firm discloses relevant data and metrics on its scope 1, 2 and 3 GHG emissions and energy consumption in its Environmental, Social, and Governance Report, which is published annually and available at www.jpmorganchase.com/esg.

The Company supports the Firm's efforts in achieving established targets on environmental and social matters.

Non-financial policies (continued)

Human Rights

The Firm supports fundamental principles of human rights across all lines of business and in each region of the world in which it operates. The Firm believes it is the role of government in every country to protect human rights, and that the Firm has a role to play in promoting respect for human rights.

The Firm's respect for the protection and preservation of human rights is guided by the principles set forth in the United Nations Universal Declaration of Human Rights. Further, the Firm acknowledges the United Nations Guiding Principles on Business and Human Rights as the recognised framework for corporations to respect human rights in their own operations and through business relationships.

To view the Firms' Human Rights Statement, including the UK Modern Slavery Act Group Statement, please visit https://www.jpmorganchase.com/corporate/About-JPMC/ab-human-rights.htm.

Corporate employee policy

The Company is committed to providing equal opportunity for all persons without discrimination on the basis of race, colour, religion, sex, national origin, age, disability, veteran status, marital status, sexual orientation or any other protected status in accordance with applicable law. This policy of equal opportunity applies to all employment practices including, but not limited to recruitment, employment, promotion, training, benefits and compensation. Where existing employees become disabled, the Company makes reasonable adjustments in accordance with applicable law.

Employee consultation has continued at all levels. Communication with all employees continues through the intranet and other forums. Reporting on the financial and economic performance of their business units enables employees to be made aware of this information.

The Firm operates an employee share scheme for all eligible employees, including those of the Company, to acquire a proprietary and vested interest in the growth and performance of the Firm.

Anti-bribery and Anti-corruption

The Firm has zero tolerance for bribery and corruption, and is deeply committed to participating in international efforts to combat corruption. The Firm has established an Anti-Corruption Policy that seeks to promote ethical business practices and requires compliance with applicable anti-corruption laws and regulation. This Anti-Corruption Policy ("the Policy") is referenced in the Firm's publicly available Code of Conduct, and is applicable to the Company.

The Firm has identified the key areas of corruption-related risk as including:

- the giving or receiving of anything of value
- third parties acting on the Firm's behalf; and
- transactions entered into by the Firm or by funds or accounts controlled or managed by the Firm

The Policy therefore prohibits offering or giving anything of value (including gifts, hospitality, travel, employment, and work experience) to-and soliciting or accepting anything of value from-anyone for a corrupt purpose, such as improper payments or benefits to government officials or private parties for a business advantage. The Policy further prohibits making facilitation payments to cause a government official to perform or expedite performance of a routine duty. Other key features of the Policy include requirements to:

- Obtain Compliance review and approval before offering or giving anything of value to government officials (subject to certain thresholds relating to gifts and business hospitality)
- Keep accurate books, records, and accounts that relate to the business of the Firm, its clients, suppliers, and other partners
- Conduct due diligence and oversight of intermediaries/agents, joint venture partners, and entities over which the Firm has or may obtain control or influence
- Report potential corruption-related issues (including through the Code Reporting Hotline), with a prohibition on retaliation against those who make good faith reports

Non-financial policies (continued)

Anti-bribery and Anti-corruption (continued)

Any violation of the Policy may result in disciplinary action up to and including dismissal.

The Firm's Anti-Corruption Compliance Program ("the Program") is reasonably designed to implement the Policy's requirements, as well as identify, manage, and mitigate the risk of non-compliance with those requirements. Key components of the Program include:

- A governance structure managed by anti-corruption professionals with senior management oversight
- Training and awareness activities
- Monitoring and testing for compliance
- Periodic assessment of corruption risks and control effectiveness
- Protocols for managing and reporting material issues

On behalf of the Board

Viswas Raghavan

Chief Executive Officer
23 April 2020

J.P. MORGAN EUROPE LIMITED
Directors' report

The directors present their report and the audited financial statements of J.P. Morgan Europe Limited for the year ended 31 December 2019. The Company is part of JPMorgan Chase & Co. (together with its subsidiaries, the "Firm"). The registered number of the Company is 00938937.

Please refer to the Strategic Report where the business review, including future outlook, has been disclosed.

Section 172(1) Companies Act 2006 Statement

Section 172(1) Companies Act 2006 Statement is discussed in the Strategic Report under the heading "Section 172(1) Companies Act 2006 Statement".

Results and dividends

The results for the year are set out on page 58 and show the Company's profit for the financial year after taxation is $101 million (2018: $125 million).

The Company paid no dividend in 2019 (2018: $2 billion).

Please refer to the strategic report for details on financial risk management.

Post balance sheet events

Following the outbreak of the COVID-19 pandemic in early 2020, the Company and the Firm are monitoring the development of the pandemic and evaluating its impact on the financial position and operating results of the Company. As at the date on which this set of financial statements were authorised for issue as the situation is ongoing and eventual outcome unknown, the Company cannot quantify the impact on the financial position, operations or capital position as a result of the COVID-19 pandemic. The Company does not currently anticipate a significant reduction in their capital and liquidity positions over the coming year. For more detail on Firmwide measures refer to operational risk (page 29).

Directors

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

Mark S. Garvin (Chairman)	
C.P. Adamson	(Appointed 6 April 2020)
A.T. Doherty	
L Littell-Pape	(Appointed 3 October 2019)
M. P. Melling	
J.D. Moran	(Appointed 25 February 2020)
W.F.W. Bischoff	(Appointed 18 October 2019)
V. Raghavan (CEO)	

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

J.P. MORGAN EUROPE LIMITED
Directors' report (continued)

Disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Qualifying third party indemnity provisions

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 secretaries

The secretaries of the Company who served during the year were as follows:

Hina Patel (Appointed 1 January 2019)

J.P. Morgan Secretaries (UK) Limited

Registered address

The current registered address is as follows:

25 Bank Street
Canary Wharf
London
E14 5JP

Independent auditors

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

Mandatory Audit Firm Rotation

EU legislation in the form of the Statutory Audit Regulation and Directive came into force in June 2016, and requires Mandatory Audit Firm Rotation for Public Interest Entities after a certain period of time. In accordance with the EU legislation, the Company conducted the Mandatory Audit Firm re-tender in 2019 and resolved to appoint Baker Tilly International as the Statutory Auditor for the 31 December 2021 year-end audit.

On behalf of the Board

Mark S. Garvin

Chairman

23 April 2020

J.P. MORGAN EUROPE LIMITED
Governance report

Statement of Corporate Governance Arrangements

This section is the Statement of Corporate Governance Arrangements required under Part 8 of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The content contained within the statement satisfies the requirements set out by Section 172 (1) of the Companies Act as 2006, please refer to the strategic report (page 5).

The Company does not apply a single Corporate Governance Code, but is required under the UK financial services regulatory regime to comply with a number of different regulations and regulatory expectations that relate directly or indirectly to corporate governance matters. In this Statement, the Company has highlighted the ways in which it complies with these requirements and expectations and, where appropriate, has mapped them to the Wates Corporate Governance Principles for Large Private Companies (the "**Wates Principles**").

The Company (or, as applicable, the JPMorgan Chase & Co. group (the "**Firm**" or the "**Group**")) makes certain disclosures that include information about its governance. A list of those disclosures is at the end of this statement.

In addition, the Company is required to comply with provisions relating to its governance that do not require public disclosures to be made, including:

- EBA/ESMA Joint Guidelines on Management Body Suitability (the "Suitability Guidelines")
- EBA Guidelines on Internal Governance (the "Internal Governance Guidelines")
- The Senior Managers and Certification Regime under the Financial Services and Markets Act 2000 (the "SMCR")
- PRA Supervisory Statement on Corporate governance: Board responsibilities (SS 5/16, as updated in July 2018, the "Supervisory Statement")
- The principles set out in the FCA Handbook (the "FCA Principles")
- The fundamental rules set out in the PRA Rulebook (the "PRA Fundamental Rules")
- Internal Capital Adequacy Assessment Process under the PRA ICAAP rules (the "ICAAP")

Strategy, leadership and culture

The Company has a Board of Directors which is accountable for overall oversight of the Company. The Board of Directors has responsibility for maintaining the safety and soundness of the Company, and for ensuring that the Company is acting within the strategy, values, standards and controls of the wider JPMorgan Chase & Co. group of companies (the "**Group**" or the "**Firm**"). *(Pillar 3 disclosures under CRD IV and the Capital Requirements Regulation (EU 575/2013) ("**Pillar 3 Disclosures**"), Capital Requirements Directive IV (2013/36/EU, "**CRD IV**") governance disclosures ("**CRD IV Disclosures**"), Wates Principles I: Purpose; II: Balance and Diversity; III: Accountability; IV: Opportunity, Risk)*

The directors are expected to act with honesty, integrity and independence of mind in assessing and challenging senior management, and to commit enough time to the role in order to perform these duties effectively, as required by the Suitability Guidelines. *(CRD IV Disclosures; Wates Principles II: Balance and Diversity, Effectiveness)*

The Company has a Matters Reserved for the Board which requires that the Board defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management. This includes requirements that the Board will approve and oversee the Company's strategic objectives, risk strategy and internal governance, including the segregation of duties in the organisation and the prevention of conflicts of interest. *(CRD IV Disclosures, Wates Principles I: Strategy; II: Effectiveness; III: Accountability)*

The Board reserves for itself the approval of significant changes to accounting policies and practices, and the approval of annual reports and financial statements. The Board also oversees compliance with regulations. *(CRD IV Disclosures; Wates Principle III: Integrity of information)*

Statement of Corporate Governance Arrangements (continued)

Strategy, leadership and culture (continued)

The Board is supported in its work by four Board Committees, whose responsibilities are delegated by the Board and are described further below, and by the Europe, Middle East and Africa ("**EMEA**") Management Committee ("**EMC**").

- **UK Audit and Compliance Committee** - The UK Audit and Compliance Committee's membership is three independent non-executive directors of J.P. Morgan Securities plc (two of whom are also directors of the Company), chaired by Mr Laban Jackson. The committee meets at least four times a year (in 2019, five times). Its purpose, delegated by the Board, includes oversight of the integrity of the financial statements; monitoring and reviewing internal financial controls and the effectiveness of the internal audit function; making recommendations with respect to the appointment, appraisal and independence of the external auditor of the Company; and overseeing the process for non-audit services. The Company's auditors attend the committee meetings to report on the status of their audit and any findings. This enables the committee to monitor the effectiveness of the auditors during the year.
- **J.P. Morgan Europe Limited Risk Committee** - The Company's Risk Committee membership is four independent non-executive directors (three of the Company and one of J.P. Morgan Securities plc), chaired by Professor Scott Moeller; Prof. Moeller will retire from the committee upon the regulatory approval of Sir Winfried Bischoff as the new chair. The committee meets at least four times a year (in 2019, six times). Its purpose, delegated by the Board, is to challenge and contribute to the development of the Company's risk strategy and review any significant risk decisions taken, while aligning the risk appetite of the Company to that of the Group. The committee's responsibilities include oversight of management's exercise of its responsibility to assess and manage the Company's key risks; an effective system of controls to evaluate and control such risks; capital and liquidity planning and analysis; and an effective risk management function.
- **J.P. Morgan Europe Limited Nomination Committee** - The committee is made up of three independent non-executive directors, chaired by Sir Winfried Bischoff; in 2020, the J.P. Morgan Securities plc director will be replaced by an independent non-executive director of the Company. The committee meets at least two times a year (in 2019, six times). Its purpose, delegated by the Board, is to lead the process for Board appointments and to identify and nominate candidates to the Board, having considered the skills, knowledge, experience and diversity of the Board. It is also responsible for board succession planning.
- **UK Remuneration Committee (the "UK RemCo")** - The committee consists of three independent non-executives, chaired by Sir Winfried Bischoff. It meets at least two times a year (in 2019, twice). Its purpose, delegated by the Board, is oversight of compliance by the Company with UK and EU remuneration regulations.

Statement of Corporate Governance Arrangements (continued)

Board composition, suitability and effectiveness

In selecting candidates for director of the Board, the Board looks for individuals with strong personal attributes, diverse backgrounds and demonstrated knowledge, skills and expertise in one or more disciplines relevant to the Company's business. The goal is to have a Board consisting of individuals with a combination of skills, experience and personal qualities that will well serve it, its committees, the JPMorgan Chase group and its shareholders. *(CRD IV Disclosures; Wates Principle II: Balance and Diversity, Size and Structure)*

In 2014 the JPMorgan Chase group set an internal target to achieve 30% representation of women on its boards in EMEA. The Company has formally adopted this target in a diversity statement approved by the Board and included in the terms of reference of its Nominations Committee. At 31 December 2019, female directors represented 33% of the Board. In addition to gender diversity, the statement addresses the need to consider other diverse attributes, including race, educational background and geographical provenance, in selecting Board members, as required by the Suitability Guidelines. *(Gender Diversity on EMEA Boards Disclosures; Wates Principle II: Balance and Diversity)*

The role of the chairman and the chief executive officer are held by different individuals, as expected by the PRA under the Supervisory Statement. *(CRD IV Disclosures; Wates Principle II: Chair)*

As required by the Suitability Guidelines and expected by the PRA under the Supervisory Statement, the composition and suitability of the Board and the suitability of its members are regularly reviewed, and any resulting recommendations are considered and, where approved, implemented. The Company has appointed three independent non-executive directors to oversee and challenge the executive management.

(Suitability Guidelines; Supervisory Statement; Wates Principle II: Balance and Diversity, Size and Structure)

J.P. MORGAN EUROPE LIMITED
Governance report

Statement of Corporate Governance Arrangements (continued)

Board composition, suitability and effectiveness (continued)

The current directors of the Board are:

Clive Adamson (Board Chair, subject to regulatory approval)	Proposed Chairman; member of the Risk Committee, Nomination Committee and UK Audit and Compliance Committee. Non-Executive Director and Chair Board Risk and Capital Committee Prudential Assurance Company Limited. Non-Executive Director and Chair of the Board Risk Committee M&G plc. Senior Independent Director and Chair of the Audit and Risk Committee Ashmore Group plc. McKinsey & Company; Senior Advisor
Sir Winfried Bischoff (Risk Committee Chair, subject to regulatory approval)	Independent Non-Executive Director and Chair of the Nomination Committee and the UK Remuneration Committee, member of the Risk Committee and Proposed Chair of the Risk Committee. Member of International Advisory Board, Akbank TAS, Turkey
Ann Doherty	Director and member of the J.P. Morgan U.K. Foundation Governance Committee and the EMEA Diversity Council Trustee of the Social Mobility Foundation
Mark Garvin	Non-Executive Director and Chairman
Matthew Melling (CFO, subject to regulatory approval)	Director and EMEA Regional Controller; proposed Chief Financial Officer (CFO)
Jane Moran	Independent Non-Executive Director and member of the Nomination Committee, Risk Committee and the UK Audit and Compliance Committee. Chief Technology Advisor, Unilever plc
Lorraine Littell-Pape	Non-Executive Director and Chief Control Officer for JPMC.
Viswas Raghavan (EMEA CEO), Global co-head of Investment Banking	Director and Chief Executive Officer; Chief Executive Officer, EMEA; Head of EMEA Banking and Chair EMEA Management Committee
Sanoke Viswanathan **(subject to regulatory approval)**	Proposed Director and Chief Executive Officer

Statement of Corporate Governance Arrangements (continued)

Executive governance

A regional governance structure has been established to allow the Board to delegate certain matters, not included in the Matters Reserved for the Board, to a governance framework. The Board monitors and periodically assesses the effectiveness of this governance framework and takes appropriate steps to address any deficiencies. The Board may also delegate levels of authority to senior management, and has responsibility for providing effective oversight of these individuals. *(CRD IV Disclosures; Wates Principle III: Accountability)*

The Board delegates certain matters to a number of key regional committees, including for regional risk control and oversight. The EMEA governance framework connects legal entity, line of business and global governance structures. The key committees of relevance are the EMEA Management Committee, the EMEA Risk Committee, the EMEA Regional Oversight Committee and the EMEA Assets and Liabilities Committee. *(Pillar 3 Disclosures; Wates Principle IV: Risk)*

The Company is required under the Senior Managers and Certification Regime ("**SMCR**") to submit a Management Responsibilities Map to the PRA, which includes detailed descriptions of the firmwide, regional and legal entity governance committees and the delegation, reporting and escalation lines between them. This information is also included in the ICAAP submitted to the PRA by the Company's regional parent, J.P. Morgan Capital Holdings Limited. These regulatory submissions allow the PRA to review the Company's governance arrangements and facilitate an open dialogue with the PRA on the effectiveness of those arrangements. *(SMCR; ICAAP; Wates Principle III: Committees; VI: Stakeholders)*

Board and director responsibilities

In addition to their duties under the Companies Act 2006, the Company's directors have responsibilities under the SMCR. The directors who hold executive positions or who are the chair of the board or a board committee have been approved and registered as Senior Managers by the PRA and FCA. The SMCR requires that each of these directors sets out their responsibilities (including any prescribed responsibilities under SMCR) in a Statement of Responsibilities; these are then aggregated and mapped, together with the responsibilities of non-director Senior Managers, into a Management Responsibilities Map. The Statements of Responsibilities and the Management Responsibilities Map are periodically updated and filed with the regulators when any material change is made.

Non-executive directors who are not Senior Managers are notified to the regulators and are subject to certain conduct rules in the FCA Handbook and the PRA Rulebook.

The Firm has established a Corporate Governance Policy - Firmwide that sets out the expectations that the Firm has of the directors of the material entities within the Group; this policy applies to the Company. Its provisions cover, among other things, board meeting attendance and board composition. The policy seeks to establish an internal governance framework, as set out in the Internal Governance Guidelines.

(SMCR; Internal Governance Guidelines; Supervisory Statement; Wates Principles II: Size and Structure, Effectiveness; III: Accountability)

Statement of Corporate Governance Arrangements (continued)

Risk management and long-term sustainability

Risk Management Framework

Risk is an inherent part of JPMorgan Chase's business activities. The Firm's overall objective is to manage its business, and the associated risks, in a manner that balances serving the interest of its clients, customers and investors and protects the safety and soundness of the Firm. Firmwide Risk Management is overseen and managed on an enterprise-wide basis. The Firm believes that effective risk management requires:

- Acceptance of responsibility, including escalation of risk issues, by all individuals within the Firm;
- Ownership of risk assessment, data and management within each line of business ("LOB") and corporate functions; and
- Firmwide structures for risk governance.

The Firm follows a disciplined and balanced compensation framework with strong internal governance and independent Board oversight (see *Remuneration* below).

The Firm's risk governance and oversight framework is managed on a Firmwide basis. The Firm has an Independent Risk Management ("**IRM**") function, which consists of the Risk Management and Compliance organizations. The Chief Executive Officer ("**CEO**") appoints, subject to approval by the Board upon recommendation of the Risk Committee of the Board ("Risk Committee" or "Board Committee"), the Firm's Chief Risk Officer (CRO) to lead the IRM organization and manage the risk governance framework of the Firm.

The Firm places reliance on each of its LOBs and other functional areas giving rise to risk to operate within the parameters identified by the IRM function, and within its own management-identified risk and control standards. Each LOB and Treasury & Chief Investment Office, inclusive of their aligned Operations, Technology and Control Management are considered the "first line of defense" and own the identification of risks, as well as the design and execution of controls, inclusive of IRM-specified controls, to manage those risks. The first line of defense is responsible for adherence to applicable laws, rules and regulations and for the implementation of the risk management structure.

The IRM function is independent of the businesses and is "the second line of defense". The IRM function sets and oversees the risk management structure for firmwide risk governance, and independently assesses and challenges the first line of defense risk management practices.

The Internal Audit function operates independently from other parts of the Firm and performs independent testing and evaluation of processes and controls across the entire enterprise as the Firm's "third line of defense". The Internal Audit Function is headed by the General Auditor, who functionally reports directly to the Audit Committee and administratively to the CEO.

In addition, there are other functions that contribute to the firmwide control environment including Finance, Human Resource and Legal.

(Pillar 3 Disclosures; Wates Principle IV: Risk)

Risk Management Organisation

The independent status of the Risk Management organisation is supported by a governance structure that provides for escalation of risk issues to senior management, the Firmwide Risk Committee, and the Board of Directors, as appropriate.

Each LOB and function owns the identification of risks, as well as the design and execution of controls, inclusive of IRM-specified controls, to manage those risks. This includes continuously identifying material risks and maintaining its respective Material Risk Inventory (MRI) which is reviewed at the LOB risk committee on a quarterly basis. Each LOB and function must establish processes to identify material risks.

LOBs and functions must establish the appropriate committee structure within their organizations, as necessary, to provide escalation channels for issues relating to both risk management governance and the risks the firm is taking.

The Firmwide Risk Committee (FRC), co-chaired by the JPMC CEO and CRO, is the firm's highest management-level risk committee. The FRC provides oversight of the risks inherent in the firm's businesses and is the recipient of topics and issues raised by its members or the Chair(s) of a subordinate committee. The escalation channel is defined within each committee's or forum's governing documents. The FRC escalates significant issues to the Board Risk Committee as appropriate.

Statement of Corporate Governance Arrangements (continued)

Risk management and long-term sustainability

In addition to the governance bodies described above, the firm has other forums in the Finance division and at the LOB, regional and local office levels, where risk-related topics are discussed and escalated, as necessary. The membership of these committees is comprised of senior management of the firm including representation from the LOB and various functions. These committees may have other sub-committees as deemed necessary to deliver against the escalation mandate . *(Pillar 3 Disclosures; Wates Principles III: Committees; IV: Risk, Responsibilities)*

Global Legal Entity Risk Governance

JPMorgan Chase utilizes Legal Entities ("**LEs**") around the world to implement its overall strategy. It is incumbent on lines of business to manage risk at the level of the LE and to comply with associated regulatory expectations. The Independent Risk Management function focuses on the control and management of risk and has established the Legal Entity Risk Framework to create a firmwide approach to LE risk:

- The Legal Entity Risk Forum oversees the framework as the governing body, supported by the LE Risk Framework team
- LEs are tiered based on risk, which define appropriate levels of LE risk governance and the requirement for appointment of LE Risk Managers ("LERMs") or Chief Risk Officers where required by regulatory designations
- LERMs are accountable for the holistic oversight of risk at an entity level
- LERMs may delegate responsibility for certain tasks to Regional CRO teams
- Risk functions/stripes are responsible for setting global standards and executing legal entity requirements with respect to risk oversight

The LE Risk Forum is the governing body for the Legal Entity Risk Framework and oversees how the framework is implemented across all regions. The LE Risk Forum promotes alignment with established firmwide processes and procedures; any divergence driven by local laws and regulations is reviewed by the Forum and subsequently documented by the LE Risk Framework Team.

The LE Risk Forum exercises oversight and control of the legal entity risk management and governance standards across all regions. It is responsible for:

- Periodic review and update of LE Risk Framework and Governance documentation, as required
- Establishment, review, recommendation and consideration of exceptions to standards, guidance and procedures that relate to LE Risk governance
- Acting as a steering group to hold project leaders and participants accountable for implementation
- Reviewing and addressing matters relating to the LE Risk governance support model

Risk Management oversight of LEs is executed according to the risk profile of a LE. The risk profile of a LE is derived by applying the LE Risk Tiering methodology, the result of which will determine a LE's 'Risk Tier'. Risk Tiering comprises four categories ranging from one to four, with Risk Tier one representing the highest requirement for LE Risk governance and oversight. The tiering methodology is comprised of qualitative and quantitative elements and a different level of oversight is established for each Tier, driven by a range of internal and external risk governance requirements. The core and recommended governance standards have been created for each Tier of governance. The company is considered to be a Tier 1 entity (2018: Tier 2).

Statement of Corporate Governance Arrangements (continued)

Risk management and long-term sustainability

Regional Risk Governance

To complement the global line of business structure, there is a regional governance construct as below:

- The EMEA Risk Committee ("ERC") provides oversight of the risks inherent in the Firm's business conducted in EMEA or booked into EMEA entities and relevant branches as well as EMEA branches of ex-EMEA firms, focusing on Risk Tier 1 legal entities including the Company. Oversight of Tier 2 and 3 entities is delegated to the EMEA Risk Forum, a sub-forum of the ERC.
- The ERC is accountable to the EMC and the boards, Risk Committees and Oversight Committees of the relevant legal entities. It reports to the FRC, the HR Control Forum, in addition to the EMC and the relevant legal entity boards.
- The EMEA CRO leads the Risk Management function in the region and chairs the ERC. The EMEA CRO is a member of the EMC and meets with local regulators on a regular basis.

Whilst J.P. Morgan has established a comprehensive firmwide risk policy framework, this is supplemented as required by legal entity-specific risk policies, which are approved by the relevant entity Boards and Risk Committees.

(Pillar 3 Disclosures; Wates Principle IV: Responsibilities)

Risk Appetite

The Firm's overall risk appetite is established by management taking into consideration the Firm's capital and liquidity positions, earnings power, and diversified business model. The Risk Appetite framework is a tool to measure the capacity to take risk and is expressed through qualitative factors and quantitative parameters at the Firm and/or LOB levels, including quantitative parameters on stressed net income, capital, liquidity risk, credit risk, market risk and structural interest rate risk. Performance against these parameters informs management's strategic decisions and is reported to the FRC and JPMC board Risk Committee.

The Firm's Risk Appetite framework is reviewed on an ongoing basis, and is reviewed with the FRC and JPMC board Risk Committee at least annually. The Company has its own risk appetite policy including quantitative and qualitative parameters leveraging the Firm's framework and approved annually by its Board. The ERC and the Company's Board Risk Committee review the risk appetite parameters quarterly. *(Pillar 3 Disclosures; Wates Principle I: Strategy; Wates Principle IV: Opportunity, Risk, Responsibilities)*

*Internal Capital Adequacy Assessment Process ("**ICAAP**")*

The Company completes an ICAAP on a periodic basis (which forms part of the ICAAP submitted to the PRA by J.P. Morgan Capital Holdings Limited), which provides management with a view of the impact of severe and unexpected events on earnings, risk-weighted assets and capital. The Company's ICAAP integrates stress testing protocols with capital planning. The process assesses the potential impact of alternative economic and business scenarios on the Company's earnings, capital resources, risk-weighted assets and balance sheet. These scenarios are articulated in terms of macroeconomic factors, which are key drivers of business results; global market shocks, which generate short-term but severe trading losses; and idiosyncratic operational risk events. The scenarios are intended to capture and stress key vulnerabilities and idiosyncratic risks facing the entities in scope. However, when defining a broad range of scenarios, realised events can always be worse. ICAAP results are reviewed by management and challenged and approved by the Company's Board. *(Pillar 3 Disclosures; Wates Principle IV: Risk, Responsibilities; VI: Stakeholders)*

New Business Initiatives

For new products and services, failure to identify new or changed risks may expose the Group to financial loss or harm its reputation. Accordingly the New Business Initiative Approval ("**NBIA**") policy provides a framework that governs the review and approval of new or materially changed products and services, while making sure that risks are identified, measured, monitored and controlled. LOBs are authorised to introduce new products, services and processes and are responsible for the new products and services they introduce.

Under the NBIA policy, the business is required to undertake an analysis of the economic, regulatory or legal entity capital impact of the new business, as appropriate. Signoffs for NBIAs impacting the Company include Compliance, Legal, Risk, Operational Risk, Finance, Corporate Tax, Treasury, Technology and Operations. *(Pillar 3 Disclosures; Wates Principle IV: Opportunity, Risk, Responsibilities)*

Statement of Corporate Governance Arrangements (continued)

Remuneration

Compensation Philosophy

The Firm's well established compensation philosophy provides guiding principles that drive compensation-related decision-making across all levels of the Group, including the Company. The Firm strives to clearly communicate its compensation philosophy to promote firmwide fairness and consistency.

The table below sets forth a summary of that philosophy:

Compensation philosophy	
Tying pay to performance and aligning with shareholders' interests	• In making compensation-related decisions, the Firm focuses on long-term, risk-adjusted performance (including assessment of performance by the Firm's risk and control professionals) and rewards behaviours that generate sustained value for the Firm. This means compensation should not be overly formulaic, rigid or focused on the short term.
Encouraging a shared success culture	• Teamwork should be encouraged and rewarded to foster a "shared success" culture. • Contributions should be considered across the Firm, within business units, and at an individual level when evaluating an employee's performance.
Attracting and retaining top talent	• The Firm's long-term success depends on the talents of its employees. The Firm's compensation system plays a significant role in its ability to attract, properly motivate and retain top talent. • Competitive and reasonable compensation should help attract and retain the best talent to grow and sustain the Firm's business.
Integrating risk management and compensation	• Risk management, compensation recovery, and repayment policies should be robust and disciplined enough to deter excessive risk-taking. • HR Control Forums should generate honest, fair and objective evaluations and identify individuals responsible for meaningful risk-related events and their accountability. • Recoupment policies include recovery of cash and equity compensation. • The Firm's pay practices must comply with applicable rules and regulations, both in the U.S. and worldwide.
No special perquisites and non-performance based compensation.	• Compensation should be straightforward and consist primarily of cash and equity incentives. • The Firm does not have special supplemental retirement or other special benefits just for executives, nor does it have any change in control agreements, golden parachutes, merger bonuses, or other special severance benefit arrangements for executives.
Maintaining strong governance	• Strong corporate governance is fostered by independent oversight by the board of J.P. Morgan Chase & Co. of the executive compensation program, including defining the Firm's compensation philosophy, reviewing and approving the Firm's overall incentive compensation pools, and approving compensation for the Operating Committee, including the terms of compensation awards. • The Firm has a rigorous process in place to review risk,control and conduct issues at the Firm, line of business, function, and region level, which can and has led to impacts on compensation pools as well as reductions in compensation at the individual level, in addition to other employee actions.
Transparency with shareholders	• Transparency to shareholders regarding the Firm's executive compensation program is essential. In order to provide shareholders with enough information and context to assess its program and practices, and their effectiveness, the Firm discloses all material terms of its executive pay program, and any actions on the part of the Firm in response to significant events, as appropriate.

(Pillar 3 Disclosures; Wates Principle V: Setting remuneration, Policies)

Statement of Corporate Governance Arrangements (continued)

Remuneration (continued)

Alignment of practices with compensation philosophy

The Group believes the effectiveness of its compensation program is dependent on the alignment of sound pay-for-performance practices with its compensation philosophy as illustrated in the table below:

Alignment of pay practices with compensation philosophy	
Principles-based compensation philosophy Provides guiding principles that drive compensation-related decision-making across all levels of the Firm.	**Pay-at-Risk** Appropriately balanced short-, medium-, and long-term incentives that are linked to long-term, sustainable value, safety and soundness.
Strong Clawback Provisions Comprehensive recovery provisions enable the Firm to cancel or reduce unvested awards and require repayment of previously paid compensation, if appropriate.	**Robust anti-hedging/anti-pledging provisions** Strict prohibition on hedging and pledging of unvested awards and unexercised stock appreciation rights for all employees, as well as on shares owned outright by Operating Committee members.
Risk, Controls and Conduct impacts pay In making pay decisions, the Firm considers material risk, controls and conduct issues and makes adjustments to compensation, when appropriate.	**Robust Shareholder Engagement** Each year, the Board of J.P. Morgan Chase & Co is provided with feedback from shareholders on a variety of topics, including the Firm's compensation programs and practices.
Competitive Benchmarking To make informed decisions on pay levels and pay practices, the Firm benchmarks itself against relevant market data.	**Responsible use of equity** The Firm manages its equity program responsibly, using less than 1% of weighted average diluted shares in 2018 for employee compensation.

(Pillar 3 Disclosures; Wates Principle V: Setting Remuneration, Policies)

Remuneration Governance

The UK RemCo, which is a committee of the Company's Board, reviews the remuneration policy applicable to the Company (the "**Remuneration Policy**") on an annual basis, and oversees its implementation. The UK RemCo last reviewed the Remuneration Policy in June 2019 and was satisfied with its implementation. That policy is subject to independent oversight and control by the Compensation and Management Development Committee ("**CMDC**"), a committee of the board of J.P. Morgan Chase & Co., the Company's ultimate parent company. The UK RemCo held two meetings during 2019, plus its annual executive session.

The CMDC oversees the Group's compensation programs on an ongoing basis throughout the year, which enables the programs to be proactive in addressing both current and emerging developments and challenges. *(Pillar 3 Disclosures; Wates Principle V: Policies, Delegating remuneration decisions, Subsidiary companies)*

Statement of Corporate Governance Arrangements (continued)

Relationships with stakeholders

The JPMC board, as a group or as a subset of one or more directors, meets periodically throughout the year with the Firm's shareholders, employees and regulators, and with non-governmental organisations, and other persons interested in the Firm's strategy, business practices, governance, culture and performance.

JPMC shareholder engagement

The Firm engages with institutional and retail shareholders, fixed-income investors, proxy advisory firms, Environmental, Social & Governance ("**ESG**") firms and industry thought leaders. Engagement opportunities include the Annual Investor Day, quarterly earnings calls, investor conferences, the Annual Shareholder Meeting (along with the related Proxy Statement) and the twice-yearly Shareholder Outreach Program. In addition, JPMC communicates with shareholders through its Annual Report, Securities & Exchange Commission filings, press releases, the JPMC website and the Environmental Social and Governance Report ("**ESG Report**") *(Proxy Statement; Wates Principle VI: External impacts, Stakeholders)*

Engagement with employees

The JPMorgan Chase Business Principles (the "**JPMC Business Principles**") set out the Firm's principles relating to A Great Team and Winning Culture.

The JPMC board is committed to maintaining a strong corporate culture that instils and enhances a sense of personal accountability on the part of all of the Firm's employees. In addition to discussions at Board meetings with senior management about these efforts, JPMC directors participate in meetings with employees to emphasize this commitment. These meetings include employee town halls, lines of business and leadership team events, annual senior leaders' meetings and informal sessions with members of the JPMC Operating Committee and other senior leaders. In addition, the Firm conducts a periodic Employee Opinion Survey, the results of which are shared with the Company's board for discussion and feedback is taken and actioned upon by management.

(JPMC Business Principles, Proxy Statement; Wates Principles II: Balance & Diversity, VI: Workforce)

Engagement with regulators

The Company's board and senior leaders commit significant time to meeting with regulators from the UK and from other countries. Frequent interaction helps the Company learn first-hand from regulators about matters of importance to them and their expectations of the Firm. It also gives the Company's board and management a forum for keeping our regulators well-informed about the Company's performance and business practices. *(Proxy Statement; Wates Principle VI: Stakeholders)*

Under the FCA Principles and the PRA Fundamental Rules, a firm must deal with its regulators in an open and cooperative way, and must disclose to the FCA/PRA appropriately anything relating to the firm of which that regulator would reasonably expect notice. In adhering to this principle, the Company's directors and senior managers (under SMCR) regularly meet with the PRA and the FCA to discuss matters relating to the regulatory supervision of the Company. *(FCA Handbook; PRA Rulebook; Wates Principle VI: Stakeholders)*

Relationships with Customers and Suppliers

The Company is committed to always deal fairly, ethically and in good faith with its customers, suppliers, competitors, business partners, regulators and employees. Discrimination, harassment or inappropriate or abusive conduct by or against its stakeholders is not tolerated. In addition to compliance with applicable laws and regulations, the Company expects all its employees to hold themselves to the highest standards of ethical conduct and has put in place comprehensive policies and procedures to monitor culture and conduct within the organisation. Trust is essential to the organisation's business success and particular focus has been put on being a reliable steward of customers and suppliers' information, whether that information relates to financial, personal or business matters.

The Company works to achieve a competitive advantage through superior products and services, never through unethical or illegal business practices. The organisation prohibits taking unfair advantage of any of its stakeholders through manipulation, concealment, abuse of privileged or confidential information, misrepresentation of material facts or any other unfair dealings or practices. In addition, the Company has fiduciary obligations to its clients to act in their best interest and avoids or otherwise addresses through controls, disclosures or other appropriate steps, any actual or potential conflicts of interest. Accountability, transparency and integrity are the cornerstones of doing good business, which includes simplifying disclosures, products and operations, and effectively managing environmental, social and governance matters. This preserves the organisation's reputation for integrity. In line with UK legal requirements, the Company discloses its payment practices information on a semi-annual basis. *(Code of Conduct; Corporate Responsibility Report; Wates Principle VI: Stakeholders)*

Statement of Corporate Governance Arrangements (continued)

Relationships with stakeholders (continued)

Relationships with Customers and Suppliers (continued)

The JPMC Business Principles set out the Firm's Focus on the Customer:

- Exceed expectations by listening to customers and anticipating their needs, making it easy for them to do business with us
- Earn trust by always focusing on customers' best interests; high-quality customers will grow along with the Company
- Give customers a good, fair deal - offer high-quality, competitively priced products and services
- Consider the full range of products and services that will fit customer needs, cross selling when appropriate
- Never allow short-term profit considerations to get in the way of doing what's right for the customer
- Use our own products - when it comes to understanding the customer, nothing beats being a customer

(JPMC Business Principles; Wates Principle VI: Stakeholders)

Engagement with ESG stakeholders

The Firm engages with numerous non-governmental organizations on a diverse range of issues that are important to communities and consumers about the Firm's business. For example, through the Chase Advisory Panel program, senior executives engage with national consumer policy groups to discuss issues related to the Firm's products, policies, customer-facing practices, communications and public policy issues. The Firm also engages with organisations on environmental and social issues and provides philanthropic support to a broad range of non-profit organisations that work on issues that are important to the Firm. Management shares insights and feedback from these relationships and engagements with the JPMC board, providing the board with valuable insights to the issues that matter to the Firm's various stakeholders. This helps the Firm understand how the Firm's products and services can better serve its stakeholders and the communities in which it operates.

The Firm is committed to being transparent about how we do business and reporting on its efforts. One way the Firm does this is by publishing an annual ESG Report, which provides information on how the Firm is addressing ESG matters that it and its stakeholders view as among the most important to the Firm's business.

Engagement and transparency with the Firm's stakeholders help the Firm gain useful feedback and help us improve our governance processes. Information garnered from these meetings is shared regularly with the JPMC board and senior management.

(Proxy Statement; Wates Principle VI: Stakeholders)

Engagement with the community

The Firm endeavours to promote inclusive economic growth and opportunity in communities where it operates. The Firm also works to advance environmental sustainability within its business activities and facilities. The Company's board works to support the UK part of those endeavours. Highlights of recent progress include:

- Purchasing renewable energy: advancing sustainability within the Firm's physical operations is an important part of global sustainability strategy. The Firm has made progress towards its commitment, established in 2017, to source renewable energy for 100% of its global power needs by 2020. This commitment builds on the Firm's long-standing efforts to reduce its carbon footprint.
- Supporting climate disclosure: the Firm participated in the Task Force for Climate-related Financial Disclosures, and in 2019 the Firm published a voluntary report about how it is addressing climate-related risks and opportunities.
- Driving inclusive growth: as announced in early 2018, the Firm will invest $1.75 billion by 2023 to drive inclusive growth in communities around the world. The firm's efforts focus on four pillars of opportunity: jobs and skills, small business expansion, neighbourhood revitalisation and financial health. In 2018, the Firm continued to open new pathways to opportunity and drive inclusive growth by leveraging the Firm's global presence, data, relationships and expertise. The Firm also announced AdvancingCities, a $500 million, five-year initiative to invest in solutions that bolster the long-term vitality of the world's cities and the communities within them that have not benefited equally from economic growth. Through this initiative, the Firm will deploy up to $250 million as low-cost, long-term loan capital - combining the Firm's philanthropic efforts with the lending and investing expertise of its Community Development Banking business.

(Proxy Statement; ESG Report; Corporate Responsibility Report; Wates Principle VI: Stakeholders)

Statement of Corporate Governance Arrangements (continued)

Relationships with stakeholders (continued)

Engagement with the community (continued)

In the UK we support:

- Demand-led training programs that help individuals, particularly those from disadvantaged backgrounds and low-income communities, to acquire the knowledge, skills and expertise necessary to obtain good-paying jobs, compete in the global economy and find new pathways to economic opportunity, for example through supporting
    - Education Endowment Foundation (EEF) to identify, evaluate and scale effective interventions that improve the attainment of Maths and English at GCSE for young people across the UK
- Initiatives that promote the development and growth of micro- and small businesses to create local jobs, and increase economic opportunity and mobility, for example through supporting
    - Hatch Enterprise and Enterprise Enfield to support women in London with the necessary tools and advice required to achieve business growth, sustainability and jobs creation in their local communities
- Programs that help people acquire the necessary knowledge, skills and tools required to understand their finances, how to budget to increase their assets and to increase access to financial services and coaching, increasing their economic stability, for example through supporting
- Fair Money Advice to scale their debt advice service in London to enable people from low-income backgrounds to access a full package of support, including banking, finance and advice.

Further Information

For further information on the corporate governance related disclosures made by the Company, please see:

- JPMorgan Chase & Co. Business Principles: https://www.jpmorganchase.com/corporate/About-JPMC/ab-business-principles.htm
- JPMorgan Chase & Co. Annual Meeting of Shareholders Proxy Statement: https://www.jpmorganchase.com/corporate/investor-relations/document/proxy-statement2019.pdf
- Capital Requirements Directive IV (2013/36/EU, "CRD IV") governance disclosures: https://www.jpmorgan.com/jpmpdf/1320747737676.pdf
- Pillar 3 disclosures under CRD IV and the Capital Requirements Regulation (EU 575/2013): https://jpmorganchaseco.gcs-web.com/financial-information/basel-pillar-3-us-lcr-disclosures The Company is not required to make Pillar 3 disclosures at present, but the same governance arrangements apply to the Company as are set out in the sections of the Pillar 3 Disclosures made by other group companies that are referred to in this statement.
- Gender Diversity on EMEA Boards Disclosures: https://www.jpmorgan.com/global/emea/crd4
- Environmental Social and Governance Report: https://www.jpmorganchase.com/corporate/Corporate-Responsibility/document/jpmc-cr-esg-report-2018.pdf This links to the 2018 edition of the report. The 2019 report is expected to be published in May 2020.
- Corporate Responsibility Report: https://reports.jpmorganchase.com/corporate-responsibility/2018/cr-2018-home.htm This links to the 2018 edition of the report. The 2019 report is expected to be published in May 2020.
- Transparency Statement under s.54 of the Modern Slavery Act 2015: https://www.jpmorganchase.com/corporate/About-JPMC/document/modern-slavery-act-2018.pdf This links to the Transparency Statement for 2018. The 2019 Transparency Statement is expected to be published in June 2020.

Mark S. Garvin

Chairman

23 April 2020

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 balance sheet as at 31 December 2019; 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.

Our opinion is consistent with our reporting to the Audit Committee.

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

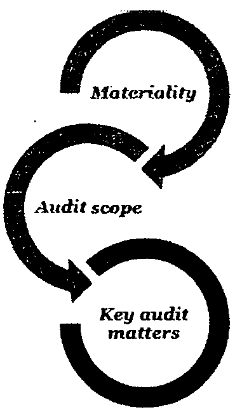
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

Other than those disclosed in note 11 to the financial statements, we have provided no non-audit services to the company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview



- Overall materiality: $16,876,000 (2018: $14,317,500), based on 0.75% of Tier 1 Capital Resources.

- We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. Our scoping considered the account balances associated with financial statement line items and was performed to ensure that specific and appropriate audit procedures were performed on the material balances.
- Due to some business processes and internal controls being performed in other geographical locations, PwC network firms were involved in the engagement.

- Intercompany arrangements
- COVID-19

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to rules of the Financial Conduct Authority's ('FCA') Client Assets Sourcebook, UK tax legislation and the Prudential Regulation Authority's ('PRA') regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates..Audit procedures performed by the engagement team included:

- Discussions with Senior Management, members of the UK Audit & Compliance Committee and EMEA Management Committee, internal audit and legal advisors, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of entity level controls put in place by management's controls designed to prevent and detect irregularities;
- Reading key correspondence with regulatory authorities such as the PRA and FCA during the year;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to measurement of the expected credit loss allowance and the fair value of financial instruments;
- Assessment of whistleblowing procedures and reports and management's investigation of such matters; and
- Identifying and testing journal entries with specific risk characteristics, including any journal entries posted by senior management.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Intercompany arrangements J.P. Morgan Europe Limited has historically been the employment entity for Corporate & Investment Bank, Commercial Bank and Corporate Sector employees of JP Morgan Chase and Co. ('JPMC') within the U.K. This has led to the company being party to a number of different intercompany arrangements with different members of the JPMC Group. The impact of legal entity restructures, and particularly the migration of certain business lines due to Brexit in recent years, has led to these intercompany arrangements becoming increasingly material to the company's financial position and performance.	We understood and evaluated management's process of booking revenue and expenses within the legal entities of the Group, as well as their process of monitoring intercompany balances, and resolving any breaks noted between the legal entities. In addition, we performed the substantive procedures described below: • Reviewed minutes and reports from key meetings and forums during the year to assess the creation of new intercompany arrangements. • Assessed the compliance of the principal policies and agreements governing the inter-entity

Key audit matter	*How our audit addressed the key audit matter*
Given the variety of contractual terms and payment structures in place to appropriately align revenues and expenses to the correct legal entity, we observe that this is an area of increased complexity for the company. In addition, the accounting treatment of seconded employees has been reviewed in the current year, resulting in a prior year restatement being included in the financial statements.	arrangements against global transfer pricing standards. • Recalculated a sample of revenue and expense allocations, in line with the principal policies and agreements. • Reperformed management's completeness analytic for the different arrangements, testing for indicators of incorrect applications of the principal policies and agreements. • Obtained and tested secondment contracts to validate the appropriate booking of employee expenses within the Company, including the 2018 restated balances. • Examined the evidence for the booking of external balances into the appropriate legal entity. The above procedures were completed without material exception.
COVID-19 Refer to note 39 "Post Balance Sheet Events" in the financial statements. Since the balance sheet date there has been a global pandemic with the outbreak of Coronavirus (COVID-19). During the course of the latter stages of finalisation of the financial statements, the potential impact of Coronavirus became significant and is causing widespread disruption to financial markets and normal patterns of business activity across the world, including the UK. While it is too early to estimate the financial and business impact of COVID-19, management and the Board have considered the potential implications of these events on the company's going concern assessment.	We have made enquiries and reviewed management's going concern assessment which included a summary of the current capital and liquidity position of the company. We reviewed supporting information, including the company's most recent ICAAP and ILAAP which contain the results of the company's latest stress tests. We made enquiries of management to understand the current impact of COVID-19 on the company's recent financial performance, business operations and regulatory capital and liquidity ratios. We reviewed management's disclosures in relation to COVID-19 in the financial statements. We also read the other information in the Strategic report. The results of the procedures are consistent with our reporting on going concern as set out below.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The company is managed under lines of business. We first established an end-to-end picture of the key processes that supported material balances, classes of transactions and disclosures within the company's financial statements. Certain operational processes which are critical to financial reporting are undertaken outside of the UK. We therefore determined the areas of work that needed to be performed by us in the UK, or by other PwC network firms operating under our instruction. Where the work was performed by other PwC network firms, we determined the level of involvement required from us to be able to conclude whether sufficient appropriate audit evidence had been obtained as part of the basis for our opinion on the financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	$16,876,000 (2018: $14,317,500).
How we determined it	0.75% of Tier 1 Capital Resources.
Rationale for benchmark applied	The company is a regulated bank and wholly owned subsidiary of JPMorgan Chase & Co ("the Firm"). We considered the key users of its financial statements to be the Firm, its customers and the regulators in the UK (FCA & PRA). The use of regulatory capital as a materiality benchmark is appropriate as it reflects the key area of focus of the users of the financial statements, who are focused on whether the company has maintained sufficient capital to meet minimum regulatory requirements, fulfil its future market obligations, and absorb future losses if they arise.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $843,800 (2018: $715,875) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

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.

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.

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 2019 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, 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.

Appointment

Following the recommendation of the audit committee, we were appointed by the members on 14 May 1992 to audit the financial statements for the year ended 31 December 1992 and subsequent financial periods. The period of total uninterrupted engagement is 28 years, covering the years ended 31 December 1992 to 31 December 2019.

Duncan McNab (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 April 2020

J.P. MORGAN EUROPE LIMITED
Income statement

For the year ended 31 December	Notes	2019 Continuing Operations	2019 Discontinued Operations	2019 Total	2018 Restated Continuing Operations	2018 Restated Discontinued Operations	2018 Restated Total
				$'000	$'000	$'000	$'000
Interest income	6	85,843	6,165	92,008	134,693	40,735	175,428
Interest expense	6	(15,830)	(2,279)	(18,109)	(16,511)	(28,017)	(44,528)
Net interest income		**70,013**	**3,886**	**73,899**	**118,182**	**12,718**	**130,900**
Fee and commission income	7	521,293	56,521	577,814	792,511	144,385	936,896
Fee and commission expense	8	(7,297)	(890)	(8,187)	(18,909)	(327)	(19,236)
Trading profit/(loss)		10,444	(3,582)	6,862	(123,034)	(878)	(123,912)
Expected credit loss	9	(8,672)	2,250	(6,422)	253	10,817	11,070
Total operating income		**585,781**	**58,185**	**643,966**	**769,003**	**166,715**	**935,718**
Administrative expenses		(499,160)	(36,625)	(535,785)	(592,581)	(47,670)	(640,251)
Impairment charge	10	—	—	—	—	(62,010)	(62,010)
Profit on ordinary activities before taxation	12	**86,621**	**21,560**	**108,181**	**176,422**	**57,035**	**233,457**
Tax charge on profit on ordinary activities	14	(1,290)	(6,260)	(7,550)	(84,657)	(23,501)	(108,158)
Profit for the financial year		**85,331**	**15,300**	**100,631**	**91,765**	**33,534**	**125,299**

Statement of comprehensive income

For the year ended 31 December	2019	2018 Restated
	$'000	$'000
Profit for the financial year	**100,631**	**125,299**
Other comprehensive income/(expense) for the year:		
Movement in loans at FVOCI	4,111	(468)
Total comprehensive income for the year	**104,742**	**124,831**

Total comprehensive income is generated from continuing operations.

The notes on pages 61 - 90 form an integral part of these financial statements.

Refer to note 38 for details on restatement.

J.P. MORGAN EUROPE LIMITED
Balance sheet

As at 31 December	Notes	2019 $'000	2018 Restated $'000
Assets			
Loans and advances to banks	15	**4,303,061**	7,187,799
Loans and advances to customers	16	**166,356**	291,002
Securities purchased under resale agreements	17	**938,163**	1,708,735
Financial assets held at fair value through profit and loss	18	**16,742**	68,607
Debtors	20	**247,599**	448,366
Deferred tax asset	14	**12,636**	8,299
Prepayments and accrued income	22	**2,220**	5,412
Investments in JPMorgan Chase undertakings	24	**1,869**	1,870
Total assets		**5,688,646**	**9,720,090**
Liabilities			
Deposits by banks	26	**5,430**	38,743
Customer accounts	27	**3,013,017**	6,889,104
Financial liabilities held at fair value through profit and loss	28	**—**	61,348
Trade creditors	29	**4,477**	—
Other liabilities	30	**280,638**	461,247
Provisions for liabilities	31	**8,104**	10,707
Accruals and deferred income	32	**126,429**	132,229
Total liabilities		**3,438,095**	**7,593,378**
Equity			
Called-up share capital	35	**1,397,922**	1,397,922
Share premium account		**231,068**	231,068
Other reserves		**189,141**	165,933
Retained earnings		**432,420**	331,789
Total equity		**2,250,551**	**2,126,712**
Total liabilities and equity funds		**5,688,646**	**9,720,090**
Disposal group			
Assets held for sale	25	79,172	3,868,409
Liabilities held for sale	25	19,744	3,868,803
Memorandum items			
Lending commitment		**634,595**	1,573,991
Standby letters of credit and guarantees		**684,199**	767,007
Total memorandum items		**1,318,794**	**2,340,998**

The notes on pages 61 - 90 form an integral part of these financial statements. Refer to note 38 for details on restatement.

Registered Company Number: 00938937

These financial statements were approved by the Board and directors on 22 April 2020 and signed on its behalf by:

Mark S. Garvin
Chairman
23 April 2020

J.P. MORGAN EUROPE LIMITED
Statement of changes in equity

	Called-up share capital	Share premium account	Capital contribution reserve	Other reserves	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 January 2018	**1,397,922**	**231,068**	**33,679**	**109,269**	**2,206,490**	**3,978,428**
Profit for the financial year	—	—	—	—	125,299	**125,299**
Other comprehensive income for the year:						
Movement in other reserves	—	—	—	(468)	—	**(468)**
Total comprehensive income for the year	**—**	**—**	**—**	(468)	**125,299**	**124,831**
Dividends paid	—	—	—	—	(2,000,000)	**(2,000,000)**
Movement in other reserves	—	—	—	23,453	—	**23,453**
Balance as at 31 December 2018	**1,397,922**	**231,068**	**33,679**	**132,254**	**331,789**	**2,126,712**
Profit for the financial year	—	—	—	—	100,631	**100,631**
Other comprehensive income for the year:						
Movement in loans at FVOCI	—	—	—	4,111	—	**4,111**
Total comprehensive income for the year	**—**	**—**	**—**	**4,111**	**100,631**	**104,742**
Movement in other reserves	—	—	—	19,097	—	**19,097**
Balance as at 31 December 2019	**1,397,922**	**231,068**	**33,679**	**155,462**	**432,420**	**2,250,551**

Other reserves include share based payment awards granted to employees by the Firm and an amount of $19 million (2018: $24 million) of current and deferred tax credited directly to equity.

The notes on pages 61 - 90 form an integral part of these financial statements.

1. General information

The Company is incorporated in the United Kingdom and domiciled in England and Wales. The Company's immediate parent undertaking is J.P. Morgan Capital Holdings Limited, incorporated in England and Wales, which is also the parent undertaking of the smallest Group in which the Company's results are consolidated. The Company's ultimate parent undertaking and controlling party is JPMorgan Chase & Co. ("JPMorgan Chase" or the "Firm"), which is incorporated in the state of Delaware in the United States of America. JPMorgan Chase & Co. is also the parent undertaking of the largest group in which the results of the Company are consolidated. The largest and smallest parent groups' consolidated financial statements can be obtained from the Company's registered office at 25 Bank Street, Canary Wharf,. London, E14 5JP. The Company is a private Company limited by shares.

The Company continues its wholesale lending activities as a European passported bank. It benefits from attributions received from other JPMorgan Chase undertakings for whom the employees of the Company conduct business, and holds third-party sterling-denominated deposits in respect of the Post Office card account ("POca"). The Company is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA in the United Kingdom ("UK") as a licensed deposit taker. The Company has branches in Amsterdam, Brussels, Copenhagen, Helsinki, Oslo, Stockholm and Warsaw, however as part of implementing the Firm's European legal entity strategy the branches will close following the transfer of activities to another JPMorgan Chase undertaking based in the EEA. In addition, the Company agreed to facilitate transition of its Securities Services , Commercial Bank and Credit Portfolio Group lending activities conducted in the European Economic Area ("EEA") to another JPMorgan Chase undertaking based in the EEA (refer to the future outlook section).

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 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. Certain reclassifications and adjustments to prior year amounts have been made to conform with current presentations.

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:

- Certain share based payment disclosures in respect of group equity instruments (IFRS 2 'Share-based payment' paragraphs 45(b) and 46 to 52);
- Comparative information disclosures for the following (paragraph 38 of IAS 1 'Presentation of financial statements' ("IAS 1"):
    - reconciliation of share capital (paragraph 79(a)(iv) of IAS 1)
    - reconciliation of property, plant and equipment (paragraph 73(e) of IAS 16 'Property, plant and equipment')
    - reconciliation of intangible assets (paragraph 118(e) of IAS 38 'Intangible assets');
- 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');
- Third balance sheet on retrospective accounting policy changes, restatements or reclassifications (paragraph 40A-D, IAS 1);
- Key management compensation disclosures (paragraph 17, IAS 24 'Related Party Disclosures' ("IAS 24")); and
- Related party transactions with wholly owned Group undertakings (IAS 24).

3. Critical accounting estimates and judgements

The preparation of financial statements 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:

Measurement of the expected credit loss allowance

An expected credit loss allowance (ECL) is required for financial assets measured at amortised cost and fair value through other comprehensive income as well as lending-related commitments such as loan commitments and financial guarantees. The measurement of ECL requires the use of complex models and significant assumptions about future economic conditions and credit behaviours. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in the Strategic report, which also sets out key sensitivities of the ECL to changes in these inputs.

A number of significant judgements are also required in measuring ECL, such as:

- Determining the criteria for identifying when financial instruments have experienced a significant increase in credit risk;
- Choosing appropriate forecasts and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type financial instrument/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

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 J.P. Morgan Capital Holdings Limited, a company incorporated in England and Wales 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.

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. Significant accounting policies (continued)

4.4 Discontinued operation

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

i. represents a separate major line of business or geographical area of operations;
ii. is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
iii. a subsidiary acquired exclusively with a view to resale

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

4.5 Assets and liabilities held for sale

Disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than continuing use.

Disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis. No loss is allocated to financial assets, deferred tax assets or employee benefit assets which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

4.6 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 on the trade-date, which is the date on which the Company commits to purchase or sell an asset.

ii. Classification and measurement of financial assets and financial liabilities

On initial recognition, financial assets are classified and 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.

On initial recognition, financial liabilities are classified as measured at either amortised cost or fair value through profit or loss.

Financial assets and financial liabilities measured at amortised cost

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.

4. Significant accounting policies (continued)

4.6 Financial assets and financial liabilities (continued)

Financial assets and financial liabilities measured at amortised cost (continued)

Financial assets measured at amortised cost include loans and advances to banks, certain loans and advances to customers, securities purchased under agreements to resell, and debtors.

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. Most of the Company's financial liabilities are measured at amortised cost. Financial liabilities measured at amortised cost include trade creditors, amounts owed to JPMorgan Chase undertakings and certain other liabilities.

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 the profit or loss.

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.

Financial assets and financial liabilities measured at FVOCI

Financial assets are measured at FVOCI if they are held under a business model with the objective of both collecting contractual cash flows and selling the financial assets ("Hold to Collect and Sell"), and they have contractual terms under which cash flows are SPPI.

Financial assets measured at FVOCI include certain loans and advances to customers and loans and advances to banks.

Financial assets measured at FVOCI are initially recognised at fair value, which includes direct transaction costs. The financial assets are subsequently remeasured at fair value with any changes presented in other comprehensive income ("OCI") except for changes attributable to impairment, interest income and foreign currency exchange gains and losses. Impairment losses and interest income are measured and presented in profit or loss on the same basis as financial assets measured at amortised cost (see above).

On disposal of financial assets measured at FVOCI, the cumulative gains or losses in OCI are reclassified from equity, and recognised in the income statement.

Financial assets and financial liabilities measured at fair value through profit or loss

Financial assets and financial liabilities are measured at fair value through profit or loss ("FVTPL") if they are held for trading. Under IFRS 9, a financial asset or a financial liability is defined as "held for trading" if it is acquired or incurred principally for the purpose of selling or re-purchasing it in the near term, or forms 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 or it is a derivative.

Financial assets and financial liabilities held for trading comprise of debt instruments, loans and derivatives and the related unrealised gains and losses.

In addition, certain financial assets that are not held for trading are measured at FVTPL if they do not meet the criteria to be measured at amortised cost or FVOCI. For example, if the financial assets are managed on a fair value basis, have contractual cash flows that are not SPPI or are equity securities.

Financial instruments measured at FVTPL are initially recognised at fair value in the balance sheet. Transaction costs and any subsequent fair value gains or losses are recognised in profit or loss as they arise.

The Company manages cash instruments, in the form of debt instruments, and derivatives on a unified basis, including hedging relationships between cash securities and derivatives. Accordingly the Company reports the gains and losses on the cash instruments and the gains and losses on the derivatives on a net basis in trading profits.

4. Significant accounting policies (continued)

4.7 Interest income and 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 expense on financial liabilities is recognised by applying the effective interest method to the amortised cost of financial liabilities.

Interest income and expense on financial assets and financial liabilities measured at amortised cost and FVOCI are presented separately from financial instruments measured at amortised cost and FVTPL respectively.

4.8 Trading profit

Profits and losses resulting from the purchase and sale of securities and the revaluation of financial instruments are recognised in trading profit on a trade-date basis, including related transaction costs and the associated interest.

4.9 Impairment of financial assets and lending-related commitments

The Company recognises ECL for financial assets that are measured at amortised cost or FVOCI, and specified off-balance sheet lending-related commitments such as loan commitments and financial guarantee contracts.

Provisions for ECL are recognised on initial recognition of the financial instrument based on expectations of credit losses at that time. The credit loss allowance includes ECLs for financial instruments that may default in the next 12-month period for financial instruments that have not observed a significant increase in credit risk since initial recognition ("stage 1") or over a lifetime period for financial instruments that have observed a significant increase in credit risk since initial recognition ("stage 2"). The allowance also includes lifetime ECLs for financial instruments where there is objective evidence of credit-impairment at the reporting date ("stage 3"). In determining the appropriate stage for a financial instrument, the Company applies the definition of default consistent with the Basel definition of default to maintain uniformity of the definition across the Firm.

The determination of the stage for credit losses under the ECL model is dependent on the measurement of a significant increase in credit risk ('SICR'). In determining SICR, the Company has conducted quantitative tests, which considers, but is not limited to, existing risk management indicators, credit rating changes and reasonable and supportable forward-looking information. Forward-looking information reflects a range of scenarios that incorporate macro-economic factors that are composed and monitored by JPMorgan Chase's firm-wide specialised economic forecasting team.

The key input components for the quantification of expected credit loss through the ECL model includes the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). The Company seeks to efficiently and effectively leverage as much as possible existing regulatory and capital frameworks where overlap is present for IFRS 9. Differences observed between content in existing frameworks and requirements under IFRS 9 have been identified and are adjusted accordingly. The inputs to the ECL model capture historical datasets and a reasonable and supportable forecasting horizon to estimate expected credit losses.

4.10 Write-offs

Wholesale loans recognised as loans and advances to customers on the balance sheet are charged off when it is highly certain that a loss has been realised. The determination of whether to recognise a charge-off includes many factors, including the prioritisation of the Company's claim in bankruptcy, expectations of the workout/restructuring of the loan and valuation of the borrower's equity or the loan collateral.

All other financial assets are written off when there is no reasonable expectation of recovery and the amount of loss can be reasonably estimated or when the asset is past due for a specified period.

4. Significant accounting policies (continued)

4.11 Fee and commission income

The Company earns revenue from providing investment banking, lending and deposit related and asset management and administration services and commissions.

Investment banking fees

The Company earns revenue from providing investment banking, lending and deposit related and asset management and administration services and commissions.

Investment banking revenue includes loan servicing fees.

The Company receives loan servicing fees predominantly from Global debt capital market. These fees are recorded as revenue over the period in which the related service is provided.

Lending and deposit related fees

Lending-related fees include fees earned from loan commitments, standby letters of credit, financial guarantees, and other loan-servicing activities. Deposit related fees include fees earned in lieu of compensating balances, and fees earned from performing cash management activities and other deposit account services. Lending and deposit-related fees in this revenue category are recognised over the period in which the related service is provided.

Asset management, administration fees and commissions

This revenue category includes fees from investment management and related services, custody services and other products.

The Company receives administrative fees predominantly from custody and fund services. These fees are recorded as revenue over the period in which the related service is provided.

4.12 Dividend recognition

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

Dividend distributions are recognised in the period in which they are declared and approved.

4.13 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.

For financial assets and liabilities held at fair value, most market parameters in the valuation model are either directly observable or are implied from instrument prices. When input values do not directly correspond to the most actively traded market parameters the model may perform numerical procedures in the pricing such as interpolation.

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 19 to the financial statements.

4. Significant accounting policies (continued)

4.14 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:

i. the Company has transferred substantially all the risks and rewards of ownership of the asset; or

ii. 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.

4.15 Securities purchased under agreement to resell

Securities purchased under agreements to resell the securities to the counterparty, are treated as collateralised lending transactions. The consideration for the transaction can be in the form of cash or securities. If the consideration for the purchase of securities is given in cash the transaction is recorded on the balance sheet within securities purchased under agreement to resell. If the consideration is received or given in the form of securities the transaction is recorded off balance sheet. The difference between the sales and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

4.16 Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

4.17 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 business combination between entities under common control where predecessor accounting is applied. Investments in JPMorgan Chase undertakings are subsequently measured at cost less provision for impairment.

4.18 Business combinations

Combination of businesses

Business combinations are accounted for by applying the acquisition method of accounting.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages, the cost is the consideration at the date of each transaction.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and the directly attributable costs of the purchase consideration over the fair values to the Firm's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

The Companies Act, 2006 requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, the useful economic life. However, under IFRS 3, goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act, 2006.

Impairment

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount and impairment is recognised where carrying amounts exceeds recoverable amount.

4. Significant accounting policies (continued)

4.19 Current and deferred taxation

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.

4.20 Provisions for liabilities and charges

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

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company, or a present obligation that arises from past events but is not recognised because either the probability of an outflow of economic benefits is considered to be remote, or probable, but reliable estimate cannot be made. Contingent liabilities are not recognised in the financial statements; however disclosure is made unless the probability of settlement is remote.

4.21 Pensions and other post-retirement benefits

The Company participates in both a closed defined benefit and on-going defined contribution scheme in the UK

i. Defined contribution scheme

A defined contribution plan is a pension plan under which the Company pays a defined level of contributions. Obligations for contributions to defined contribution pension plans are recognised as an expense and charged to the income statement on an accrual basis.

ii. Defined benefit scheme

For defined benefit schemes, the service cost of providing retirement benefits to employees during the year is charged to the income statement in accordance with IAS 19 'Employee benefits'. The pension costs are assessed based on the advice of qualified actuaries so as to recognise the full cost of provision of contracted pension benefits over the period of employees' service lives.

The defined benefit schemes' liabilities are measured on an actuarial basis and scheme assets measured at their fair values separately for each plan. Any surplus or deficit of scheme assets over liabilities is recognised on the balance sheet as an asset (surplus) or liability (deficit). The current service cost and any past service costs together with the expected return on scheme assets less the unwinding of discount on the scheme liabilities is charged to the income statement. Actuarial gains and losses are recognised in full in the period in which they occur in other comprehensive income and presented in equity in the period in which they occur.

4.22 Share-based payment awards

Share-based payment awards may be made to employees of the Company under the Firm's incentive awards schemes. The fair value of any such shares, rights to shares or share options is measured when the conditional award is made. This value is recognised as the compensation expense to the Company over the period to which the performance criteria relate together with employer's social security expenses or other payroll taxes. All of the awards granted are equity settled. The Company estimates the level of forfeitures and applies this forfeiture rate at the grant date.

Additionally, the conditions that must be satisfied before an employee becomes entitled to equity instruments under the Firm's incentive programs is taken into consideration. The Firm's Retirement Eligibility rules for restricted stock awarded as part of incentive programs require the acceleration of the amortisation of the award such that the award is fully expensed at the time the retirement eligibility comes into force.

5. Segmental analysis

The Company is not in scope of IFRS 8 'Operating segments', as its debt or equity are not traded on a public market, therefore segmental analysis of the company's revenue and assets by business is not necessary.

Geographical segments

The Company operates in three geographic regions as listed below:

- EMEA
- Americas
- Asia

The following table presents operating income and total assets by geographic area.

	EMEA		Americas		Asia		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Interest Receivables	82,406	174,654	9,602	774	—	—	92,008	175,428
Fees and commissions receivables	577,401	936,443	413	453	—	—	577,814	936,896
Trading profit/(loss)	6,876	(124,007)	5	(2)	(19)	97	6,862	(123,912)
Total assets	4,748,195	8,008,545	940,451	1,711,545	—	—	5,688,646	9,720,090

6. Interest income and interest expense

Interest income and interest expense are recorded in the income statement and classified based on the nature of the underlying asset or liability. Interest income and interest expense includes the current year interest accruals.

	2019	2018
	$'000	$'000
Interest income		
Loans and advances to banks	75,385	129,898
Loans and advances to customers	4,328	7,977
Securities purchased under resale agreements	9,790	3,654
Customer accounts	2,436	33,513
Other	69	386
Total interest income	92,008	175,428
Interest expense		
Deposits by banks	512	843
Securities purchased under resale agreement	549	3,592
Customer accounts	17,048	40,093
Total interest expense	18,109	44,528

Interest income and expense represent amounts generated by financial instruments at FVOCI and amortised cost.

Interest income and interest expense include the following amounts with JPMorgan Chase undertakings:

	2019	2018
	$'000	$'000
Interest income		
Loans and advances to banks	72,484	126,849
Securities purchased under resale agreements	9,790	3,654
Other	69	386
Total interest income	82,343	130,889
Interest expense		
Securities purchased under resale agreement	—	3,592
Deposits by banks	512	842
Total interest expense	512	4,434

7. Fees and commissions income

Fees and commissions income

Fee and commission income consists of the following non-interest revenue streams of investment banking fees, lending and deposit related fees and asset management and commissions income. It represents amounts received through Firm attribution agreements and service fees due from JPMorgan Chase undertakings for whom employees of the Company conduct business.

The following table presents the components of these fees:

	2019	2018 Restated
	$'000	$'000
Investment banking fees		
Loan servicing	14,089	13,356
Total investment banking fees	**14,089**	**13,356**
Lending and deposit related fees		
Lending related fees	5,916	7,675
Deposit related fees	—	33
Total lending and deposit related fees	**5,916**	**7,708**
Asset management and commissions		
Asset management fees		
Administration fees	14,580	58,872
Total asset management and commissions fees	**14,580**	**58,872**
Commission and other fees		
All other commissions and fees	543,229	856,960
Total commission and other fees	**543,229**	**856,960**
Total fees and commissions income	577,814	936,896

Fees and commissions income from JPMorgan Chase undertakings for 2019 is $538 million (2018: $847 million). Refer to note 38 for details on restatement.

8. Fees and commissions expense

	2019	2018 Restated
	$'000	$'000
Fees and commissions payable	8,187	19,236
Total	8,187	19,236

Fees and commissions payable contain expenses recharged through Firm attribution agreements from JPMorgan Chase undertakings for whom the employees of the Company conduct business. Refer to note 38 for details on restatement.

9. Expected credit loss

	2019	2018
	$'000	$'000
Allowance for loan losses		
Opening balance as at 1 January	218	11,068
Increase/ (decrease) during the year	6,361	(10,850)
Impairment write off	(6,258)	—
Closing balance as at 31 December	321	218
Allowance for lending-related commitments		
Opening balance as at 1 January	2,572	2,792
Increase/ (decrease) during the year	61	(220)
Impairment write off	(2,449)	—
Closing balance as at 31 December	184	2,572
Expected credit loss increase/ (decrease)	6,422	(11,070)

Prior year amounts have been adjusted to conform with current year presentation, resulting in an increase in the movement in allowance for loan losses and a decrease in impairment write off of $6.3 million.

10. Impairment Charge

	2019	2018
	$'000	$'000
Impairment of goodwill	—	(62,010)

11. Auditors' remuneration

	2019	2018
	$'000	$'000
Auditors' remuneration for the audit of the Company's annual financial statements	560	360
Audit-related assurance services provided by the auditor	330	234

12. *Profit on ordinary activities before taxation*

	2019	2018 Restated
	$'000	$'000
Profit on ordinary activities before taxation is stated after charging:		
Intercompany recharges	111,840	140,527
Staff costs		
Wages and salaries	252,449	281,624
Social security costs	47,035	59,396
Other pension costs	26,682	27,540
Share based payments	29,537	73,751

The average monthly number of persons employed by the Company was 1,350 (2018: 1,361), of which 389 (2018: 507) are on secondment to another JPMorgan Chase undertaking.

Regarding the average number of persons employed, 61 are in the Commercial Bank, 1029 in the Corporate & Investment Bank, 239 in the Corporate Sector, 18 in the Asset & Wealth Management and 3 in the Consumer & Community Banking.

The average monthly number of staff employed by the European branches during the year was 50 (2018: 87), of which 9 are in the Commercial Bank and 41 in the Corporate & Investment Bank. As part of implementing the Firm's European legal entity strategy the branches will close following the transfer of activities to another JPMorgan Chase undertaking based in the EEA.

There were no material gains or losses from the disposal of amortised cost assets during the year. Refer to note 38 for details on restatement.

13. Directors' emoluments

	2019	2018
	$'000	$'000
Emoluments*	788	1,388
Total contributions to a defined contribution plan	1	3
Total value of long term incentive plans for all directors	—	—
Total compensation for loss of office receivable for all directors	—	—
Number of directors who exercised share options	1	—
Number of directors with shares received or receivable under LTIPs	5	5
Number of directors to whom defined contribution pension rights accrued	3	3
Number of directors to whom defined benefit pension rights accrued	—	—

*The amounts shown above in respect of emoluments paid to directors excludes 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.

In accordance with the Companies Act 2006, the directors' emoluments above represent the proportion paid or payable in respect of qualifying services only. Directors also received emoluments for non-qualifying services, which are not required to be disclosed.

Highest paid director

The emoluments (excluding amounts paid or due to directors under long term incentive plans ("LTIP") and the value of share options granted or exercised by directors) of the highest paid director were $547,295 (2018: $1,052,731).

The contribution to the defined contribution scheme for the highest paid director during the year was $609 (2018: $1,920). The highest paid director did not exercise share options during the year. During the year, no shares were received or are receivable by the highest paid director under long term incentive plans.

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

14. Tax on profit on ordinary activities

(a) Analysis of tax credit for the year	2019 $'000	2018 $'000
Current tax		
UK Corporation tax on profit for the year	32,579	78,797
Overseas taxation	14,197	16,163
Less: Double tax relief	(12,039)	(15,022)
Adjustments in respect of previous years	(24,843)	33,538
Total current tax charge	9,894	113,476
Deferred tax		
Origination and reversal of temporary differences	(2,718)	(5,614)
Impact of change in tax rate	374	296
Total deferred tax	(2,344)	(5,318)
Total tax charge for the year	7,550	108,158

No corporation tax refund was received during 2019 (2018: $nil).

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

The current tax charge for the year differs from the standard rate of corporation tax in the UK (19%), including banking surcharge (27%). The banking surcharge of 8% was recognised for the first time in 2016. The differences are explained below:

	2019 $'000	2018 $'000
Profit on ordinary activities before taxation	108,181	233,457
Profit on ordinary activities before taxation multiplied by effective rate of corporation tax in UK 27% (2018: 27%)	29,209	63,033
Effects of:		
Non-taxable (income)/non-deductible expenditure	(462)	8,249
Foreign tax suffered	2,159	1,140
Adjustments in respect of prior years	(24,843)	33,538
Impact of change in the UK tax rate	374	297
Employee stock plan	1,113	(782)
Other	—	(26)
Gain on transition of Securities Services activities	—	2,709
Total tax charge for the year	7,550	108,158

14. Tax on profit on ordinary activities (continued)

(c) Deferred taxation

	2019	2018
	$'000	$'000
i) Analysis of deferred tax asset and deferred tax liabilities		
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	8,424	5,533
Deferred tax assets to be recovered within 12 months	4,212	2,766
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	—	—
Deferred tax asset (net)	12,636	8,299

ii) Gross movement on the deferred tax account is as follows:

	2019	2018
	$'000	$'000
As at 1 January	8,299	5,801
Deferred tax charge to income statement for the period	2,344	5,317
Deferred tax charge in equity for the period	1,993	(2,819)
As at 31 December	12,636	8,299

iii) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction

	Accelerated capital allowances	Share based payments	Financial Assets	Other	Total
	$'000	$'000	$'000	$'000	$'000
Deferred tax assets					
As at 1 January 2018	3	10,779	(5,565)	584	5,801
Charged to the income statement	21	(154)	5,565	(115)	5,317
Credited directly to equity	—	(2,819)	—	—	(2,819)
At 31 December 2018	24	7,806	—	469	8,299
As at 1 January 2019	24	7,806	—	469	8,299
Charged to the income statement	75	2,216	—	53	2,344
Credited directly to equity	—	1,993	—	—	1,993
At 31 December 2019	99	12,015	—	522	12,636

15. Loans and advances to banks

	2019	2018
	$'000	$'000
Loans and advances to banks		
Amortised cost	4,176,855	7,044,280
FVOCI	126,207	143,550
Provision for impairment	(1)	(31)
	4,303,061	7,187,799

Loans and advances to banks include balances held with JPMorgan Chase undertakings of $4,176 million (2018: $7,016 million) which are measured at amortised cost.

There were no past due loans and advances to banks as at 31 December 2019 (2018: $nil).

16. Loans and advances to customers

	2019	2018
	$'000	$'000
Loans and advances to customers		
Amortised cost	—	39,921
FVOCI	166,676	245,010
Provision for impairment	(320)	(187)
Impairment write off	—	6,258
	166,356	291,002

The credit quality and analysis of concentration of loans and advances to customers is managed within the Firm's Credit Risk Management function, refer to the Strategic report.

The fair value of collateral accepted as security for loans and advances to customers is $1 million (2018: $7 million).

17. Securities purchased under resale agreements

	2019	2018
	$'000	$'000
Securities purchased under resale agreements		
Amortised cost		
- with JPMorgan Chase undertakings	938,163	1,708,735

The fair value of financial assets accepted as collateral that the Company is permitted to sell or re-pledge in the absence of default is $932 million (2018: $1,631 million). The fair value of collateral repledged in 2019 was nil (2018: nil). These transactions are conducted under terms that are customary to standard lending activities.

18. Financial assets held at fair value through profit and loss

	2019	2018 Restated
	$'000	$'000
Debt and equity instruments	12,949	4,646
Derivative receivables	3,793	63,961
	16,742	68,607

Financial assets held at fair value through profit and loss which were past due as at 31 December 2019 are $5 million (2018: $5 million). Financial assets held at fair value through profit and loss with JPMorgan Chase undertakings are $4 million (2018: $64 million).

19. Financial assets and financial liabilities measured at fair value

<u>Fair value</u>

Valuation process

The Company carries a portion of its financial assets and financial liabilities 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 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, prices (such as equity or debt prices), correlations, 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.

19. Financial assets and financial liabilities measured at fair value (continued)

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
Financial instruments held at fair value through profit and loss - loans	Where observable market data is available, valuations are based on: • Observed market prices (circumstances are infrequent) • Relevant broker quotes • Observed market prices for similar instruments Where observable market data is unavailable or limited, valuations are based on discounted cash flows, which consider the following: • Credit spreads derived from the cost of CDS; or benchmark credit curves developed by the Company, by industry and credit rating • Prepayment speed • Collateral characteristics	Level 2 or 3
Derivatives	Exchange-traded derivatives that are actively traded and valued using the exchange price.	Level 1
	Derivatives that are valued using models such as the Black-Scholes option pricing model, simulation models, or a combination of models, that use observable or unobservable valuation inputs as well as considering the contractual terms.	Level 2 or 3
	The key valuation inputs used will depend on the type of derivative and the nature of the underlying instruments and may include equity prices, commodity prices, interest rate yield curves, foreign exchange rates, volatilities, correlations, CDS spreads and recovery rates. Additionally, the credit quality of the counterparty and of the Company as well as market funding levels may also be considered.	
Securities	Quoted market prices are used where available	Level 1
	In the absence of quoted market prices, securities are valued based on: • Observable market prices for similar securities • Relevant broker quotes • Discounted cash flows	Level 2 or 3
Financial assets held at FVOCI - loans	Valuations are based on discounted cash flows, which consider: • Future interest payments • Repayment of principal Prepayments and defaults are modelled deterministically and discounted.	Level 3

19. Financial assets and financial liabilities measured at fair value (continued)

The following table presents the asset and liabilities reported at fair value as at 31 December 2019 and 2018, by major product category and fair value hierarchy.

	Level 1	Level 2	Level 3	Total
At 31 December 2019	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets held at fair value through profit and loss:				
Debt and equity instruments	—	8,401	4,548	**12,949**
Derivative receivables	—	3,793	—	**3,793**
Financial assets held at FVOCI:				
Loans	—	—	292,562	**292,562**
Total financial assets:	—	12,194	297,110	**309,304**
Financial liabilities held at fair value through profit and loss:				
Derivative payables	—	—	—	**—**
Total financial liabilities:	—	—	—	**—**
At 31 December 2018				
Financial assets held at fair value through profit and loss:				
Debt and equity instruments	—	55	4,591	**4,646**
Derivative receivables	—	63,961	—	**63,961**
Financial assets held at FVOCI:				
Loans	—	—	388,342	**388,342**
Total financial assets:	—	64,016	392,933	**456,949**
Financial liabilities held at fair value through profit and loss:				
Derivative payables	—	61,348	—	**61,348**
Total financial liabilities:	—	61,348	—	**61,348**

Derivatives are held to provide an economic hedge for foreign exchange risk.

Level 3 valuations

The Firm has established well-documented processes for determining fair value, including for instruments where fair value is estimated using significant unobservable inputs (level 3).

Estimating fair value 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. 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.

19. Financial assets and financial liabilities measured at fair value (continued)

Level 3 valuations (continued)

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, the significant unobservable inputs, the range of values for those inputs and, for certain instruments, the weighted averages of such inputs. 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.

The range of values presented in the table is representative of the highest and lowest level input used to value the significant groups of instruments within a product/ instrument classification. Where provided, the weighted averages of the input values presented in the table are calculated based on the fair value of the instruments that the input is being used to value.

	Net fair value	Principal valuation technique	Unobservable input	Range of input values	Weighted average
At 31 December 2019	**$'000**				
Loans - at FVTPL	4,548	Market comparables	Price	$12	$12
Loans - at FVOCI	292,562	Discounted cashflows	Credit spreads	4bps - 1597bps	51bps
			Utilisation given default	0% - 100%	39%
			CDS recovery rate	0% - 75%	36%
			Loan recovery rate	0% - 95%	52%
Total assets	**297,110**				

	Net fair value	Principal valuation technique	Unobservable input	Range of input values	Weighted average
At 31 December 2018	**$'000**				
Loans - at FVTPL	4,591	Market comparables	Price	$13	$13
Loans - at FVOCI	388,342	Discounted cashflows	Credit spreads	5bps - 817bps	77bps
			Utilisation given default	0% - 100%	33%
			CDS recovery rate	20% - 80%	37%
			Loan recovery rate	25% - 90%	52%
Total assets	**392,933**				

The categories presented in the table above have been aggregated based upon the product type, which may differ from their classification on the balance sheet and fair values are shown net.

Changes in and ranges of unobservable inputs

Credit spread - The credit spread is the amount of additional annualised return over the market interest rate that a market participant would demand for taking exposure to the credit risk of an instrument. The credit spread for an instrument forms part of the discount rate used in a discounted cash flow calculation. Generally, an increase in the credit spread would result in a decrease in a fair value measurement.

Utilisation given default ("UGD") - . A number between 0% and 100% that is the estimated fraction of the current undrawn balance on a revolving credit facility that will be drawn at the time of the default of the borrower. A higher UGD generally results in a decrease in the fair value of the loan.

Loss severity - The loss severity (the inverse concept is the recovery rate) is the expected amount of future realised losses resulting from the ultimate liquidation of a particular loan, expressed as the net amount of loss relative to the outstanding loan balance. An increase in loss severity is generally accompanied by an increase in conditional default rates. An increase in the loss severity, in isolation, would result in a decrease in a fair value measurement.

P/E multiple - Price to Earnings (P/E) multiples refer to the input (often derived from the value of a comparable company or transaction) that is multiplied by the historic and/or expected earnings of a company in order to estimate the company's value. An increase in the P/E multiple, in isolation, net of adjustments, would result in an increase in a fair value measurement.

19. Financial assets and financial liabilities measured at fair value (continued)

Fair value financial instruments valued using techniques that incorporate unobservable inputs

The fair value of financial instruments may be determined in whole or part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument or based on available observable market data and changing these assumptions will change the resultant estimate of fair value. The potential impact as at 31 December 2019 of using reasonable possible alternative assumptions for the valuations including significant unobservable inputs would be immaterial to the results of the Company. Consequently, no sensitivity analysis for level 3 financial instruments is disclosed.

Changes in level 3 recurring fair value measurements

The following tables include a rollforward 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.

Movement in assets and liabilities in Level 3 during year ended 31 December 2019

Financial assets	**Loans at FVOCI**	**Debt and equity instruments**	**Total financial assets**
	$'000	**$'000**	**$'000**
At 31 December 2018	388,342	4,591	392,933
Total loss recognised in profit or loss	(103)	(87)	(190)
Total gain recognised in other comprehensive income	4,111	—	4,111
Purchases	—	1,994	1,994
Sales	—	(1,994)	(1,994)
Issuances	31,670	—	31,670
Settlements	(131,458)	—	(131,458)
Transfers in to Level 3	—	44	44
Transfers out of Level 3	—	—	—
At 31 December 2019	292,562	4,548	297,110
Change in unrealised gains related to financial instruments held at 31 December 2019	—	(257)	(257)

19. Financial assets and financial liabilities measured at fair value (continued)

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

Financial assets	Loans at FVOCI	Debt and equity instruments	Total financial assets
	$'000	$'000	$'000
At 31 December 2017	—	26,445	26,445
Transition to IFRS 9 - reclassification	302,386	—	302,386
Transition to IFRS 9 - remeasurement	(14,358)	—	(14,358)
At 1 January 2018	288,028	26,445	314,473
Total gain/(loss) recognised in profit or loss	10,833	(10,533)	300
Total loss recognised in other comprehensive income	(468)	—	(468)
Sales	—	(13,203)	(13,203)
Issuances	224,264	—	224,264
Settlements	(134,315)	2	(134,313)
Transfers in to Level 3	—	5,855	5,855
Transfers out of Level 3	—	(3,975)	(3,975)
At 31 December 2018	388,342	4,591	392,933
Change in unrealised gains related to financial instruments held at 31 December 2018	—	421	421

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

For the year ended 31 December 2019 and 2018, there were no transfers between levels 1 and 2.

For the year ended 31 December 2019 and 2018 transfers between level 2 to level 3 were due to a decrease in observability of corporate loans.

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 loans and advances to banks and customers; securities purchased under resale agreements, accrued income, other assets, deposits by banks, customer accounts, other liabilities and accruals.

The company has $5,365 million (2018: $9,249 million) of financial assets and $3,347 million (2018: $7,389 million) of financial liabilities that are not measured at fair value on balance sheet, including loans and advances to customers of nil (2018: $40 million). In estimating the fair value of these loans and advances to customers, typically a discounted cash flow model is applied with significant unobservable inputs and therefore would be classified as level 3 instruments. The fair value of these loans is not materially different from the carrying amount. All other instruments are of a short-term nature and the carrying amounts in the balance sheet approximate fair value.

Offsetting financial assets and financial liabilities

No financial assets and liabilities have been offset in the balance sheet as at 31 December 2019 (2018: $nil).

Financial instruments, recognised within financial assets held at fair value through profit or loss and financial liabilities held at fair value through profit and loss, which were subject to enforceable master netting arrangements or other similar agreements but not offset, as at 31 December 2019, amounted to $nil (2018: $61 million).

20. Debtors

	2019	2018 Restated
	$'000	$'000
Trade debtors	117	1,752
Other debtors	247,482	446,614
	247,599	448,366

Included in debtors, are the following amounts receivable from JPMorgan Chase undertakings:

	2019	2018 Restated
	$'000	$'000
Other debtors	192,744	428,052

Refer to note 38 for details on restatement.

21. Deferred tax asset

	2019	2018
	$'000	$'000
Deferred taxation (refer note 14)	12,636	8,299

22. Prepayments and accrued income

	2019	2018
	$'000	$'000
Accrued income	2,021	5,157
Prepayments	199	255
	2,220	5,412
Included in the above are the following amounts owed to JPMorgan Chase undertakings:		
- Accrued income	1,590	4,153

23. Goodwill

	2019	2018
	$'000	$'000
Cost	—	149,332
Accumulated amortisation	—	(77,322)
Impairment (note 12)	—	(62,010)
Transfer of business (note 25)	—	(10,000)
Net book value	—	—

In 2008 the Company acquired the Nordic institutional global custody business of Nordea Bank AB, Nordea Bank Denmark A/A, Nordea Bank Finland Plc and Nordea Bank Norge ASA ("Nordea"). The full purchase consideration was in the form of cash and related entirely to purchased goodwill which represented the intrinsic value of the business transferred, based upon the estimated levels of future profits to be generated by the business.

In August 2018, the Company agreed to facilitate transition of its Securities Services activities conducted in the EEA to another JPMorgan Chase undertaking based in the EEA, refer to note 25 for details.

24. Investments in JPMorgan Chase undertakings

	2019	2018
	$'000	$'000
At 1 January	1,869	1,870
Movement	—	—
At 31 December	1,869	1,870

The above investments are shown at cost less any provisions for impairment.

In the opinion of the directors, the value of the Company's investment in subsidiary undertakings and associate (J.P. Morgan Services LLP) is not less than the amount at which it is stated in the balance sheet.

The holdings of the Company are as follows:

Name	Address	Principal activity	Holding	Shares held %
Chase Securities International Limited	25 Bank Street, Canary Wharf, London, E14 5JP, England	Investment	Direct	100
Chase International Securities (C.I.) Limited	Forum 4, Grenville Street, St. Helier, JE2 4UF, Jersey	Investment	Direct	100
J.P. Morgan Services LLP	25 Bank Street, Canary Wharf, London, E14 5JP, England	Dormant company	Direct	22.35

All shares held in above companies are ordinary shares.

25. Discontinued operation

Discontinued operations are separately disclosed on the income statement in accordance with IFRS 5 'Non-current assets held for sale and discontinued operations'. On the balance sheet, the associated assets and liabilities are presented as held for sale.

Transition of the Company's Securities Services EEA Activities

As part of implementing the Firm's European legal entity strategy, the Company transitioned its Securities Services activities conducted in the EEA to another JPMorgan Chase undertaking based in the EEA, including assets, liabilities and employees related to these activities from the EEA branches of the Company to the EEA branches of the affiliate during 2018 and 2019.

The terms of the transaction and the related purchase price consideration were finalised in August 2018 and the Company signed an implementation agreement with the affiliate. The purchase price consideration was $10 million and determined based on arm's length fair market value principles, taking into account the specific facts and circumstances and legal terms of the transaction. The finalisation of the terms of the transaction resulted in an impairment of the goodwill related to these activities of $62 million (note 23).

The Company initiated the process of transferring assets, liabilities and employees related to these activities from the EEA branches of the Company to the EEA branches of the affiliate during 2018. In the prior year, the recognised assets and liabilities remaining with the Company primarily included customer deposits. The in-scope employees (50 employees) were transferred in 2018 and the transfer of the remaining client assets and deposits was completed during 2019.

The Company presented these activities as a discontinued operation in 2018.

Transition of the Company's Corporate and Investment Bank ("CIB") & Commercial Bank ("CB) employment activities

In preparation of the loss of the Company's EU passporting rights and to ensure continuity of service to the Firm's EU clients, the Company will transition its CIB branch activity and all CB activities to another JPMorgan Chase undertaking based in the EEA, including assets, liabilities and employees related to these activities. Following employee moves the branches of the Company will be under review for closure. In 2019, $60 million off-balance sheet CB lending-related commitments were transferred.

The Company presented the CIB branch activity and all CB activities as a discontinued operation in 2019. In accordance with IFRS 5 'Non-current assets held for sale and discontinued operations' the prior year profit and loss classified as a discontinued operation has been updated to reflect these amounts.

Transition of the Company's Credit Portfolio Group ("CPG") lending products

In preparation of the loss of the Company's EU passporting rights and to ensure continuity of service to the Firm's EU clients, the Company will transition its CPG lending activity and all related assets and liabilities to another JPMorgan Chase undertaking based in the EEA. In 2019, $15 million of loans and advances to customers and $324 million off-balance sheet lending-related commitments were transferred.

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Notes to the financial statements (continued)

25. Discontinued operation (continued)

The disposal group comprised the following recognised assets and liabilities held for sale:

	2019	2018
Assets held for sale	**$'000**	**$'000**
Loans and advances to banks[1]	37,714	3,839,687
Loans and advances to customers	22,886	19,668
Debtors[2]	18,515	8,576
Prepayments and accrued income[3]	57	478
	79,172	3,868,409

1 Loans and advances to banks include balances held with JPMorgan Chase undertakings of $36.51 million (2018: $3,822 million).
2 Debtors include balances held with JPMorgan Chase undertakings of $17.98 million (2018: $0.1 million).
3 Prepayments and accrued income include balances held with JPMorgan Chase undertakings of nil (2018: $0.23 million).

	2019	2018
Liabilities held for sale	**$'000**	**$'000**
Customer accounts	—	3,836,995
Other liabilities[1]	8,682	29,406
Provisions for liabilities	878	—
Accruals and deferred income[2]	10,184	402
	19,744	3,866,803

1 Other liabilities include balances held with JPMorgan Chase undertakings of $1.58 million (2018: nil).
2 Accruals and deferred income include balances held with JPMorgan Chase undertakings of $3.74 million (2018: $0.20 million).

26. Deposits by banks

	2019	2018
	$'000	**$'000**
Deposits by banks		
- with JPMorgan Chase undertakings	5,430	38,743

27. Customer accounts

	2019	2018
	$'000	**$'000**
Customer accounts	3,013,017	6,889,104

In the prior year, the customer accounts mainly consisted of custody deposits held within the Nordic branches, the remaining balance of which was third party sterling-denominated deposits in respect of POca. Following the transfer of the Securities Services activities in 2019 (note 25), the current year balance primarily consists of POca deposits.

28. Financial liabilities held at fair value through profit and loss

	2019	2018
	$'000	$'000
At 1 January	61,348	92,681
Movements during the year	(61,348)	(31,333)
At 31 December	—	61,348

29. Trade creditors

	2019	2018
	$'000	$'000
Trade creditors	4,477	—

30. Other liabilities

	2019	2018 Restated
	$'000	$'000
Other liabilities	199,414	328,487
Tax creditors	81,224	132,760
	280,638	461,247
Included in other liabilities, are the following amounts owed to JPMorgan Chase undertakings:		
- Other liabilities	173,096	291,364

Refer to note 38 for details on restatement.

31. Provisions for liabilities

	2019	2018 Restated
	$'000	$'000
Provisions for undrawn contractually committed facilities	184	2,572
Other provisions	7,920	8,135
	8,104	10,707

Refer to note 38 for details on restatement.

32. Accruals and deferred income

	2019	2018 Restated
	$'000	$'000
Accruals	124,673	129,945
Deferred income	1,756	2,284
	126,429	132,229
Included in the above are the following amounts owed to JPMorgan Chase undertakings:		
- Accruals	44,594	40,676

Refer to note 38 for details on restatement.

33. Pension costs

During the year, the Company participated in the JPMorgan UK Pension Plan ("UKP") and, prior to 21 December 2018, the JPMC UK Retirement Plan ("UKR"). The UKP is an ongoing defined contribution pension scheme, the UKR is a closed defined benefit plan.

Under a withdrawal arrangement, dated 21 December 2018, the Company ceased to be a participating employer in the UKR. Under the arrangement, the Company's only remaining obligation to the UKR was to pay its share of any funding deficit calculated on the plan's Technical Provisions basis as at the date of withdrawal. The plan's actuary has calculated that the UKR was in surplus on the date of the withdrawal and therefore has certified that the amount due from the Company is nil. This certificate has been provided in the form prescribed under Schedule 1C and paragraph 2(a) of Schedule 1A to the Occupational Pension Schemes (Employer Debt) Regulations 2005. Effective 21 December 2018, the Company had no outstanding obligations to the UKR.

Additional information in relation to the plan can be found in the JPMorgan Chase & Co. 2019 Annual Report on Form 10-K.

The UKR has been closed to future accrual for all members from 31 December 2007.

The Company recorded a total expense of $15 million (2018 restated: $16 million) for the year ended 31 December 2019 in respect of the UKR and UKP.

34. Share based payments

The ultimate parent of the Company, JPMorgan Chase & Co. (the "Firm") has granted long-term stock-based awards to certain key employees under its Long Term Incentive Plan ("LTIP"), as amended and restated effective May 19, 2015, and further amended and restated effective May 15, 2018. Under the terms of the LTIP, as of 31 December 2019, 75 million shares of common stock were available for issuance through May 2022 (2018: 86 million shares). The LTIP is the only active plan under which the Firm is currently granting stock-based incentive awards. In the following discussion, the LTIP, plus prior Firm plans and plans assumed as the result of acquisitions, are referred to collectively as the "LTI Plans" and such plans constitute the Firm's stock-based incentive plans.

The Firm separately recognises compensation expense for each tranche of each award as if it were a separate award with its own vesting date. For each tranche granted, compensation expense is recognised in line with how awards vest from the grant date until the vesting date of the respective tranche, provided that the employees will not become full-career eligible during the vesting period. For awards with full-career eligibility provisions and awards granted with no future substantive service requirement, the Firm accrues the estimated value of awards expected to be awarded to employees as of the grant date without giving consideration to the impact of post-employment restrictions. For each tranche granted to employees who will become full-career eligible during the vesting period, compensation expense is recognised in line with how awards vest from the grant date until the earlier of the employee's full-career eligibility date or the vesting date of the respective tranche.

The total expense for the Company for the year relating to share based payments was $21.6 million (2018: $20 million), all of which relates to equity settled share based payments.

34. Share based payments (continued)

Restricted stock units

Restricted stock units ("RSUs") are awarded at no cost to the recipient upon their grant. RSUs are generally granted annually and generally vest at a rate of 50% after two years, 50% after three years, and convert into shares of common stock at the vesting date. In addition, RSUs typically include full-career eligibility provisions, which allow employees to continue to vest upon voluntary termination, subject to post-employment and other restrictions based on age or service-related requirements. All of these awards are subject to forfeiture until vested and contain clawback provisions that may result in cancellation prior to vesting under certain specified circumstances. RSUs entitle the recipient to receive cash payments equivalent to any dividends paid on the underlying common stock during the period the RSUs are outstanding.

Compensation expense for RSUs is measured based upon the number of shares granted multiplied by the stock price at the grant date, and for employee stock options and stock appreciation rights ("SARs"), is measured at the grant date using the Black-Scholes valuation model. Compensation expense for these awards is recognised as described above.

Key employee stock options and SARs

Under the LTI Plans, stock options and SARs have generally been granted with an exercise price equal to the fair value of JPMorgan Chase & Co.'s common stock on the grant date. The Firm typically awards SARs to certain key employees once per year; the Firm also periodically grants employee stock options and SARs to individual employees. The 2013 grants of SARs to key employees vest rateably over five years (i.e., 20% per year) and awards contain clawback provisions similar to RSUs. The 2013 grants of SARs contain full-career eligibility provisions. SARs generally expire 10 years after the grant date.

The following table summarises information about options outstanding at 31 December 2019 and 31 December 2018:

	31 December 2019			December 31, 2018 Restated		
	Outstanding	Weighted average exercise price $	Weighted average remaining contractual life (in years)	Outstanding	Weighted average exercise price $	Weighted average remaining contractual life (in years)
Range of exercise prices						
$min - $35.00	2,507	19.89	1.00	52,507	19.51	0.11
$35.01 - $50.00	43,638	41.53	2.43	327,248	43.14	2.46
Total	46,145	40.36	2.35	379,755	39.87	2.13

Broad-based employee stock options

No broad-based employee stock options were granted in 2018 or in 2019. In prior years, awards were granted by the Firm under the Value Sharing Plan, a non-shareholder-approved plan. For each grant, the exercise price was equal to the Firm's common stock price on the grant date. The options become exercisable over various periods and generally expire 10 years after the grant date.

The weighted-average share price during the year ended 31 December 2019 was $113.70 (2018: $110.72).

Refer to note 38 for details on restatement.

35. Called-up share capital

	2019	2018
	$'000	$'000
Issued and fully paid share capital		
At 31 December		
1,397,922,234 ordinary shares (2018: 1,397,922,234) of $1 each	1,397,922	1,397,922

36. Financial risk management

Disclosures in relation to the Company's risk management and capital management have been presented in the Strategic report on pages 1 - 36 which forms part of these financial statements.

37. Dividends

	2019	2018
	$'000	$'000
Ordinary shares	—	2,000,000

The Company paid a dividend of $2 billion in total, or $1.43 per share, on 5 September 2018. No dividend was paid or declared in 2019.

38. Restatement

A review of the accounting for employees seconded between JPMorgan Chase undertakings has resulted in a change in treatment. Employees on secondment to other JPMorgan Chase undertakings and the related staff costs and attributions receivable are now disclosed by the Company. Prior year amounts have been restated to conform with current year presentation, resulting in an increase in the average number of employees 507 and the related staff costs recorded within administrative expenses of $226 million, fee and commission income of $228 million, fee and commission expense of $2 million, debtors of $186 million, other liabilities of $139 million, provisions for liabilities of $3 million and accruals and deferred income of $44 million, respectively.

In order to ensure consistency with the prior year credit risk exposure disclosure, there has been a restatement to the memorandum items on the balance sheet of $1,269 million; comprised of a decrease in other lending related commitments of $1,623 million and an increase in standby letters of credit and guarantees of $354 million.

39. Post balance sheet events

Following the outbreak of the COVID-19 pandemic in early 2020, the Company and the Firm are monitoring the development of the pandemic and evaluating its impact on the financial position and operating results of the Company. As at the date on which this set of financial statements were authorised for issue as the situation is ongoing and eventual outcome unknown, the Company cannot quantify the impact on the financial position, operations or capital position as a result of the COVID-19 pandemic. The Company does not currently anticipate a significant reduction in their capital and liquidity positions over the coming year. For more detail on Firmwide measures refer to operational risk (page 29).