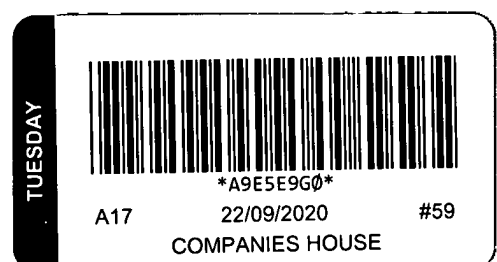


ALDERMANBURY INVESTMENTS LIMITED
(Registered Number: 03936272)

Annual report for the year ended 31 December 2019



ALDERMANBURY INVESTMENTS LIMITED
Annual report for the year ended 31 December 2019

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ALDERMANBURY INVESTMENTS LIMITED

Strategic report

The directors present the strategic report of Aldermanbury Investments Limited (the "Company") for the year ended 31 December 2019.

Overview

The Company is incorporated and domiciled in England and Wales, it is an indirect subsidiary of JPMorgan Chase & Co. ("JPMorgan Chase" or the "Firm"). JPMorgan Chase is a financial holding company incorporated under Delaware law in 1968, it is a 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 has \$915 million in assets and \$902 million in total equity as of 31 December 2019.

Review of business

During the year, the Company held a variety of financial instruments and continued its strategic role within the Firm as provider of funding to other JPMorgan Chase undertakings. The Company is funded indirectly from JPMorgan Chase & Co. The financial instruments include investments in bonds, hedge funds and certain collateralised debt obligations.

In 2019, the USD funding of EMEA Holdco entities was migrated to J.P. Morgan Chase Holdings LLC.

Key performance indicators ("KPIs")

The results are monitored against expectations of the business activities.

	2019	2018
	\$'000	\$'000
Earnings		
Profit for the financial year	49,906	55,281
Capital and Balance Sheet		
Total assets	915,352	2,884,783
Total liabilities	(13,113)	(2,032,450)
Total shareholders' funds	902,239	852,333

Future outlook

The UK's departure from the EU, which is commonly referred to as "Brexit," occurred on January 31, 2020. Following this departure, the UK has entered a transition period that is scheduled to expire on December 31, 2020. The purpose of the transition period is to enable the UK and the EU to negotiate the terms of their future relationship and both sides agreed in June 2020 not to extend the transition period beyond December 31, 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.

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.

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 UK, of which approximately two-thirds are in London, with operational and technology support centers in locations such as Bournemouth, Glasgow and Edinburgh.

The Firm's legal entities in Germany, Luxembourg and Ireland are now prepared and licensed to provide services to the Firm's EU clients, including a branch network covering locations such as Paris, Madrid and Milan.

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

ALDERMANBURY INVESTMENTS LIMITED

Strategic report (continued)

Future outlook (continued)

Future strategy

As part of a strategic review by the Firm, it is proposed to transfer the activity currently taking place in the Company to J.P. Morgan Markets Limited. At present the timeline for this transfer is uncertain and the directors of the company have not taken any decision to liquidate the Company following this transfer. Therefore the financial statements remain prepared on a going concern basis.

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 10-11). As at the date on which this set of financial statements were authorised for issue, the Company was not aware of any material adverse effects on the financial statements as a result of COVID-19, refer to post balance sheet events (note 23).

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

This section is the section 172(1) statement 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. 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.

This statement 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 Companies (Miscellaneous Reporting) Regulations 2018.

The Company's Board of Directors 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 "Firm" or the "Group").

Certain of the factors to which the directors must have regard under section 172(1) of the Companies Act 2006 are dealt with by policies, procedures and practices set by the Firm on a firmwide basis; these policies, procedures and practices apply to the Company and the board.

The Company (or, as applicable, the Firm) makes certain disclosures that include information about its governance that has a direct or indirect impact on the board of the Company's decision-making processes and how they apply the factors set out in section 172(1) of the Companies Act 2006. A list of those disclosures is at the end of this statement.

Strategy, Risk and Sustainability

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.

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.

ALDERMANBURY INVESTMENTS LIMITED

Strategic report (continued)

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

Strategy, Risk and Sustainability (continued)

Risk is an inherent part of the Firm'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 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.

A regional governance structure has been established to allow the Board to delegate certain matters 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.

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. In addition, the Board is supported by the UK Audit & Compliance Committee.

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.

Engagement 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 of 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.

ALDERMANBURY INVESTMENTS LIMITED

Strategic report (continued)

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

Engagement with customers and suppliers (continued)

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.

The Firm's 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

Engagement with employees

The Firm's Business Principles set out the Firm's principles relating to "A Great Team and Winning Culture", including in relation to recruitment and retention, diversity, teamwork, meritocracy, communication and leadership.

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.

While the Company does not have its own employees, the Board applies the Firm's principles relating to "A Great Team and Winning Culture" to its relationship with employees of other entities within the group that perform work for or provide services to the Company.

Environmental, Social and Governance matters

The Firm engages with numerous non-governmental organisations on a diverse range of issues that are important to communities and consumers about the Firm's business. 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 Environmental, Social and Governance 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.

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 in line with section 172(1) of the Companies Act 2006 throughout 2020 and beyond.

ALDERMANBURY INVESTMENTS LIMITED

Strategic report (continued)

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

Environmental, Social and Governance matters (continued)

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>
- Gender Diversity on EMEA Boards: <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>.

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.

JPMorgan Chase, and the Company believe that effective risk management requires:

- Acceptance of responsibility, including identification and escalation of risk issues, by all individuals within the Firm;
- Ownership of risk identification, assessment, data and management within each of the lines of business and Corporate; and
- Firmwide structures for risk governance.

JPMorgan Chase's risk governance structure is based on the principle that each line of business is responsible for managing the risk inherent in its business, albeit with appropriate corporate oversight. Each LOB risk committee is responsible for decisions regarding the business risk strategy, policies (as appropriate) and controls. Therefore, each LOB within the Company forms part of the firmwide risk governance structure.

The Company's Board of Directors maintain oversight of risk management, which is aligned to both the Firm risk management framework and regulatory requirements.

All disclosures in the Risk management section (pages 5 - 13) are unaudited unless otherwise stated.

Risk Summary

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>.

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").

ALDERMANBURY INVESTMENTS LIMITED

Strategic report (continued)

Risk management (continued)

Credit risk (audited) (continued)

The Company operates primarily as a hub for funding JPMorgan affiliate entities. This activity exposes the Company to credit risk on internal JPMorgan group entities, predominantly through loans and lending related commitments.

Risk identification and measurement

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.

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, EMEARisk 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. 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 it uses for credit risk purposes such as Traditional Credit Products ("TCP"), and non-traditional credit products ("Non-TCP"). The Company does not hold any TCP instruments. Non-TCP consist of financial assets measured at amortised cost which include investment in JPMorgan Chase undertakings, debtors and cash and cash equivalents.

The following table sets out the balances of the Company's financial assets that are measured at amortised cost within the Non-TCP category:

Balance sheet categories	Non-TCP
	\$'000
Assets	
Investments in JPMorgan Chase undertakings	99,721
Debtors	422,414
Cash and cash equivalents	233,589
	755,724

For Non-TCPs, the Company utilises a combination of an established provision matrix, as well as quantitative and qualitative considerations to estimate ECLs.

ALDERMANBURY INVESTMENTS LIMITED

Strategic report (continued)

Risk management (continued)

Credit risk (audited) (continued)

Expected credit loss measurement (continued)

During the year, the Company 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 exposures

Balance sheet exposure by financial asset

The following tables provide an analysis of the credit risk exposure to financial assets. The gross balance sheet exposure of financial assets below also represents the Company's maximum exposure to credit risk on these assets. Gross balance sheet exposure is reported on a net-by-counterparty basis for derivatives 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 is presented after taking account of 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 collateral received in respect of financial assets.

	Gross balance sheet exposure ¹	Assets captured by market risk	Master netting agreements	Net balance sheet exposure	Net balance sheet exposure held with:	
					JPMorgan Chase undertakings	External counter parties
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 December 2019						
Financial assets:						
Financial assets held at fair value through profit or loss	159,628	(103,304)	(3,863)	52,461	52,461	—
Debtors	422,414	—	—	422,414	410,119	12,295
Cash and cash equivalents	233,589	—	—	233,589	233,580	9
Total²	815,631	(103,304)	(3,863)	708,464	696,160	12,304
At 31 December 2018						
Financial assets:						
Financial assets held at fair value through profit or loss	109,449	(88,465)	(1,298)	19,686	19,621	65
Debtors	1,849,351	—	—	1,849,351	1,846,987	2,364
Cash and cash equivalents	826,262	—	—	826,262	826,255	7
Total²	2,785,062	(88,465)	(1,298)	2,695,299	2,692,863	2,436

1 Gross exposure of \$700 million (2018: \$2,694 million) is held with other JPMorgan Chase undertakings that are of investment grade.

2 Off balance sheet exposure consists of lending commitments of \$Nil (2018: \$64 million).

ALDERMANBURY INVESTMENTS LIMITED

Strategic report (continued)

Risk management (continued)

Credit risk (audited) (continued)

Credit exposures (continued)

The Company's credit exposures and credit risk mitigants are further described below:

Debtors

Debtors mainly consist of amounts due from JPMorgan Chase undertakings.

The majority of amounts due from JPMorgan Chase undertakings are with a borrower who is a Material Legal Entity ("MLE"). 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 Firm's Resolution Plan. The Company recognises no allowance on these balances.

Cash and cash equivalents

The Company places substantially all of its deposits with banks which are of investment-grade. The Company includes cash and cash equivalents in Stage 1 as investment-grade institutions are considered to have high quality credit with low risk of default and therefore a significant increase in credit risk is not deemed probable or material. The Company recognises no allowance on these balances.

Off - balance sheet commitments

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.

To provide for probable credit losses inherent in certain lending-commitments, an allowance for credit losses on lending-related commitments is maintained. The following table summarises the contractual amounts and carrying values of off-balance sheet lending-related commitments at 31 December, 2019 and 2018.

	Contractual amount		Carrying value ¹	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Lending-related commitments:				
Loan commitments	—	63,763	—	7
At 31 December	—	63,763	—	7

¹ The carrying value represents the allowance for lending-related commitments.

The table below presents the off-balance sheet lending commitments. The ratings scale is based on the Firm's internal risk ratings, which generally correspond to the ratings as defined by S&P and Moody's.

	2019	2018
	\$'000	\$'000
Credit rating		
BBB+ to BBB-	—	63,763
BB+ to BB-	—	—
	—	63,763

ALDERMANBURY INVESTMENTS LIMITED

Strategic report (continued)

Risk management (continued)

Liquidity risk (audited)

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 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.

The Company is not subject to specific regulatory liquidity requirements. Liquidity risk is covered under the Firmwide liquidity management framework.

Funding

The directors believe that the Company's unsecured and secured funding capacity is sufficient to meet its on- and off-balance sheet obligations.

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 unaudited sections detail the market risk management framework at both the Firm and Company levels.

Market Risk Management monitors market risks throughout the Firm and defines market risk policies and procedures. The Market Risk Management function reports to the Firm's 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 additional oversight is provided by the Company's Board of Directors.

Risk Measurement

There is no single measure to capture market risk and therefore the Firm uses various metrics both statistical and non-statistical to assess risk. The Company utilises statistical measures 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.

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.

ALDERMANBURY INVESTMENTS LIMITED

Strategic report (continued)

Risk management (continued)

Market risk (audited) (continued)

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 following unaudited table below shows the result of the Company's Risk Management VaR:

	2019			2018			At 31 December	
	Avg. \$'000	Min \$'000	Max \$'000	Avg. \$'000	Min \$'000	Max \$'000	2019 \$'000	2018 \$'000
95 % VaR	209	83	1,258	235	112	738	90	117

(a) Maximum VaR (\$1.3mm) for 2019 was driven by a residual position (\$58mm Eq Delta) from ECM activity in Global Equities.

The Company's market risk exposure is not material, the low level of VaR is 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 Bond Selloff or USD Crisis scenario.

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.

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 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 limit includes a VaR limit established at the legal entity level.

The Company's Board of directors has oversight over the above VaR limit and delegates its approval authority to the Company's MRO.

Operational risk (unaudited)

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 processors or systems; it includes compliance risk, conduct risk, legal risk 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.

ALDERMANBURY INVESTMENTS LIMITED

Strategic report (continued)

Risk management (continued)

Operational risk (unaudited) (continued)

Risk management (continued)

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.

Business resiliency risk

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. 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 business remains operational and senior leaders across the firm continue to monitor operational metrics.

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.

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.

ALDERMANBURY INVESTMENTS LIMITED

Strategic report (continued)

Risk management (continued)

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").

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.

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.

ALDERMANBURY INVESTMENTS LIMITED

Strategic report (continued)

Risk management (continued)

Reputation risk (continued)

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.

On behalf of the Board



Name: Andrea De Zordo

Director

Date: 14 September 2020

ALDERMANBURY INVESTMENTS LIMITED

Directors' report

The directors present their report and the audited financial statements of Aldermanbury Investments Limited (the "Company") for the year ended 31 December 2019. The Company is part of JPMorgan Chase & Co. group (together with its subsidiaries "JPMorgan Chase" or the "Firm"). The Company's registered number is 03936272.

Refer to the Strategic Report where the business review including future outlook have been disclosed.

Results and dividends

The results for the year show the profit for the financial year after taxation is \$50 million (2018: \$55 million).

No dividend was paid or proposed during the year (2018: \$nil).

Post Balance sheet event

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, the Company was not aware of any material adverse effects on the financial statements as a result of COVID-19. For more detail on Firmwide measures refer to operational risk (page 10-11).

Financial risk management

Please refer to the Strategic Report for details on financial risk management.

Share capital and reserves

The issued share capital of the Company as at 31 December 2019, and matters relating thereto, are set out in note 20 to the financial statements.

Total shareholder's funds of the Company amounted to \$902 million as at 31 December 2019 (2018: \$852 million).

Directors

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

D. A. Fellowes-Freeman	(resigned 24 February 2020)
K. H. Taylor	
S. M. White	(resigned 23 July 2020)
C. L. Johns	
A. De Zordo	
L. E. De Salvo	
J. Chatters	(appointed 13 August 2020)

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.

ALDERMANBURY INVESTMENTS LIMITED

Directors' report (continued)

Statement of directors' responsibilities (continued)

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.

Directors' confirmations

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 secretary

The secretary of the Company who served during the year was J.P. Morgan Secretaries (UK) Limited.

Registered address

25 Bank Street
Canary Wharf
London
E14 5JP
England

Independent auditors

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

On behalf of the Board



Name: Andrea De Zordo

Director

Date: 14 September 2020

Independent auditors' report to the members of Aldermanbury Investments Limited

Report on the audit of financial statements

Opinion

In our opinion, Aldermanbury Investments 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.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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.

Independent auditor's report to the members of Aldermanbury Investments Limited (continued)

Reporting on other information (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 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 set out on page 14, 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.



Sheena Coutinho (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London 15 September 2020

ALDERMANBURY INVESTMENTS LIMITED

Income statement

Year ended 31 December		2019	2018
	Note	\$'000	\$'000
Operating income	5	46,718	55,114
Administrative expenses		(2,127)	(3,329)
Other income	6	2,023	3,093
Operating profit		46,614	54,878
Interest and similar income	7	24,704	52,188
Interest expense and similar charges	8	(12,823)	(38,524)
Profit on ordinary activities before taxation	10	58,495	68,542
Tax on profit on ordinary activities	11	(8,589)	(13,261)
Profit for the financial year		49,906	55,281

Statement of comprehensive income

There were no other items of comprehensive income or expense other than the profit for the financial year shown above (2018: \$nil). As a result, profit for the financial year represents total comprehensive income in both the current and prior financial year.

The notes on pages 21 - 42 form an integral part of these financial statements.

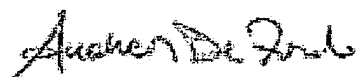
ALDERMANBURY INVESTMENTS LIMITED

Balance sheet

31 December		2019	2018
	Note	\$'000	\$'000
Non current assets			
Investments in JPMorgan Chase undertakings	12	99,721	99,721
Debtors	14	250,000	500,000
Total non current assets		349,721	599,721
Current assets			
Financial assets held at fair value through profit or loss	15	159,628	109,449
Debtors	14	172,414	1,349,351
Cash and cash equivalents	16	233,589	826,262
Total current assets		565,631	2,285,062
Current liabilities			
Financial liabilities held at fair value through profit or loss	17	(3,863)	(1,298)
Creditors: amounts falling due within one year	18	(7,573)	(2,030,737)
Total current liabilities		(11,436)	(2,032,035)
Net current assets		554,195	253,027
Non-current liabilities			
Deferred tax liability	19	(1,677)	(415)
Total non current liabilities		(1,677)	(415)
Total assets less total liabilities		902,239	852,333
Capital and reserves			
Called-up share capital	20	539,940	539,940
Retained earnings		362,299	312,393
Total shareholders' funds		902,239	852,333

The notes on pages 21 - 42 form an integral part of these financial statements.

The financial statements on pages 18 to 42 were approved by the Board of Directors on 14 September 2020 and signed on its behalf by:



Name: Andrea De Zordo

Director

Date: 14 September 2020

ALDERMANBURY INVESTMENTS LIMITED
Statement of changes in equity

	Called-up share capital	Retained earnings	Total shareholders' funds
	\$'000	\$'000	\$'000
Balance as at 1 January 2018	539,940	257,112	797,052
Profit for the financial year	—	55,281	55,281
Balance as at 31 December 2018	539,940	312,393	852,333
Profit for the financial year	—	49,906	49,906
Balance as at 31 December 2019	539,940	362,299	902,239

The notes on pages 21 - 42 form an integral part of these financial statements.

ALDERMANBURY INVESTMENTS LIMITED

Notes to the financial statements

1. General information

The Company is incorporated and domiciled in England and Wales. The address of its registered office is 25 Bank Street, Canary Wharf, London, E14 5JP. The Company's immediate parent undertakings are The Bear Stearns Companies LLC, incorporated in the state of Delaware in the United States of America and J.P. Morgan Capital Financing Limited, incorporated in England and Wales. The Company's ultimate parent undertaking and controlling party is JPMorgan Chase & Co. ("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 smallest and 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.

Principal activity

The principal activity of the Company continued to be that of a booking and processing entity for investment banking activities initiated by other JPMorgan Chase undertakings.

2. Basis of preparation

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

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

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

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

2.1 Accounting and reporting developments

Standards adopted during the year ended 31 December 2019

Effective January 1, 2019, the Company adopted IFRS 16 *Leases* which superseded IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*. IFRS 16 requires, among other items, the Company to recognize lease right-of-use ("ROU") assets and lease liabilities on the balance sheet for its leases. The Company applied the new lease accounting guidance retrospectively by adjusting its opening retained earnings on 1 January 2019. As permitted by the Standard comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

Upon adoption of IFRS 16, the Company recognized \$1 million of lease ROU assets and a corresponding lease liability of \$0.8 million in its balance sheet with no material cumulative adjustment to opening retained earnings. The weighted average incremental borrowing rate applied to lease liabilities at the date of initial applications of IFRS 16 was 2.64%. However lease of the Company expired in July 2019 resulting in nil balance of ROU assets and lease liabilities as on December 31, 2019. IFRS 16 did not have a material impact on the Company's 2019 income statement. As permitted by the Standard, the Company did not reassess whether existing contracts are or contain a lease under IFRS 16 and instead applied IFRS 16 to existing contracts that were previously identified as leases under IAS 17 and IFRIC 4.

3. Critical accounting estimates and judgements

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

ALDERMANBURY INVESTMENTS LIMITED

Notes to the financial statements (continued)

3. Critical accounting estimates and judgements (continued)

Leases

The adoption of IFRS 16 requires company to make judgements and estimates that affect the measurement of right of use assets and lease liabilities. In determining the lease term we must consider all facts and circumstances that create an economic incentive to exercise renewal options (or not exercise termination options). Assessing whether a contract includes a lease also requires judgement. Estimates are required to determine the appropriate discount rate used to measure lease liabilities.

Fair value measurement

The Company carries a significant portion of its assets and liabilities at fair value on a recurring basis. Estimating fair value often requires the application of judgement. The type and level of judgement required is largely dependent on the amount of observable market information available to the Company. For instruments valued using internally developed models that use significant unobservable inputs and are therefore classified within level 3 of the valuation 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.

In arriving at an estimate of fair value for an instrument within level 3, management must first determine the appropriate model to use. Second, the lack of observability of certain significant inputs requires management to assess all relevant empirical data in deriving valuation inputs - including, for example, transaction details, yield curves, interest rates, prepayment rates, default rates, volatilities, correlations, equity or debt prices, valuations of comparable instruments, foreign exchange rates and credit curves. For further discussion of the valuation of level 3 instruments, including unobservable inputs used, see note 22.

For instruments classified in levels 2 and 3, management judgement must be applied to assess the appropriate level of valuation adjustments, the Company's credit-worthiness, market funding rates, liquidity considerations, unobservable parameters, and for portfolios that meet specified criteria, the size of the net open risk position. The judgements made are typically affected by the type of product and its specific contractual terms, and the level of liquidity for the product or within the market as a whole. For further discussion of valuation adjustments applied by the Firm see note 22.

The use of methodologies or assumptions different than those used by the Company could result in a different estimate of fair value at the reporting date. For a detailed discussion of the Company's valuation process and hierarchy, its determination of fair value for individual financial instruments, and the potential impact of using reasonable possible alternative assumptions for the valuations, see note 22.

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 The Bear Stearns Companies LLC, a company incorporated in the United States of America and J.P. Morgan Capital Financing Limited, incorporated in England and Wales and of their ultimate parent, JPMorgan Chase & Co., a company incorporated in the United States of America. It is included in the consolidated financial statements of JPMorgan Chase & Co. which are publicly available. Therefore, the Company has elected not to prepare group financial statements in accordance with the dispensation set out in Section 401 of the Companies Act 2006.

4.2 Foreign currency translation

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

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

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

4.3 Functional and presentation currency

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

ALDERMANBURY INVESTMENTS LIMITED

Notes to the financial statements (continued)

4. Significant accounting policies (continued)

4.4 Fees and commission income

Fees and commissions are recognised when the underlying contract becomes legally binding or at the agreed due date if later. Investment banking fees include advisory and underwriting fees. Advisory fees are recognised when the related services have been performed and the fee has been earned. Underwriting fees are recognised when the Company has rendered all services and is entitled to collect the fee, and there are no other contingencies associated with the fee.

4.5 Dividend recognition

Dividend income is recognised when the right to receive payment is established. Dividends in the form of non-cash assets are recognised at their fair values by the transferee and derecognised at their book value by the transferor. Where the asset received is an investment in the share capital of an entity, the fair value is determined by the market value of the underlying net assets and businesses of the investee.

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

4.6 Leases

The Company recognizes lease right-of-use ("ROU") assets and lease liabilities at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the lease commencement date plus any initial direct costs incurred, less any lease incentives received. The ROU asset is subsequently amortized on a straight-line basis from the commencement date to the earlier of the end of the useful life of the ROU asset or the lease term. The estimated useful life of the ROU asset is determined on the same basis as those of the property and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. The lease liability is measured at amortized cost using a constant periodic rate of interest.

The Company may enter into subleases on a portion of its real estate head leases which the Company does not utilize. The Company assesses the lease classification of a sub-lease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If the sub-lease transfers to the sub-lessee substantially all of the risks and rewards of the Company's ROU relating to the premises under the sub-lease, then the lease is a finance lease; if not, then it is an operating lease.

4.7 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 and subsequently measured at cost less provision for impairment.

4.8 Financial instruments

4.8.1 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.

ALDERMANBURY INVESTMENTS LIMITED

Notes to the financial statements (continued)

4. Significant accounting policies (continued)

4.8 Financial instruments (continued)

4.8.1 Financial assets and financial liabilities (continued)

iii. *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.

Financial assets measured at amortised cost include cash and balances at cash equivalents, 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.

Gains and losses arising on the disposal of financial assets measured at amortised cost are recognised in 'trading profit' or other non interest revenue as relevant.

iv. *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 repurchasing 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. However, such financial instruments are used by the Company predominantly in connection with its client-driven market-making and/or for hedging certain assets, liabilities, positions, cash flows or anticipated transactions (i.e. risk management activities).

Financial assets and financial liabilities held for trading comprise both debt and equity securities, 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. The Company did not elect to measure any equity instruments at FVOCI.

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 and equity securities, and derivatives on a unified basis, including hedging relationships between cash securities and derivatives. Accordingly the Firm reports the gains and losses on the cash instruments and the gains and losses on the derivatives on a net basis in trading profits.

ALDERMANBURY INVESTMENTS LIMITED

Notes to the financial statements (continued)

4. Significant accounting policies (continued)

4.8 Financial instruments (continued)

4.8.2 Interest income and interest expense

Unless a financial asset is credit-impaired, interest income is recognised by applying the effective interest method to the carrying amount of a financial asset before adjusting for any allowance for expected credit losses. If a financial asset is credit-impaired, interest income is recognised by applying the effective interest rate to the carrying amount of the financial asset including any allowance for expected credit losses.

Interest 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 are presented separately from interest income on financial instruments measured at FVTPL.

4.8.3 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.

4.8.4 Impairment of financial assets

The Company recognises ECL for financial assets that are measured at amortised cost.

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 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 a 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.

4.9 Derecognition of financial assets and financial liabilities

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

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

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

ALDERMANBURY INVESTMENTS LIMITED

Notes to the financial statements (continued)

4. Significant accounting policies (continued)

4.10 Fair value

Financial instruments are recognised at fair value on the date of initial recognition and subsequently remeasured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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 22 to the financial statements.

4.11 Recognition of deferred day one profit and loss

The Company enters into transactions where fair value is determined using valuation models that use significant unobservable inputs. Such a financial instrument is initially recognised at the transaction price, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as 'day one profit and loss', is not recognised immediately in the income statement when based on significant unobservable inputs.

The timing of recognition of deferred day one profit and loss is determined for each class of financial asset and liability. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement. The financial instrument is subsequently measured at fair value, adjusted for the deferred day one profit and loss.

4.12 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.

4.13 Current and deferred income tax

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

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

4.14 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.

ALDERMANBURY INVESTMENTS LIMITED

Notes to the financial statements (continued)

4. Significant accounting policies (continued)

4.15 Segmental analysis

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

5. Operating income

	2019	2018
	\$'000	\$'000
Fees and commission receivable		
- Deposit related fees	27	299
- All other commission and fees from other JPMorgan Chase undertakings	13,583	27,887
Net gains from financial assets and financial liabilities held at fair value through profit or loss	27,453	22,624
Other*	5,655	4,304
	46,718	55,114

*Other income includes dividend from strategic investments.

6. Other income

	2019	2018
	\$'000	\$'000
Foreign exchange translation gain	78	59
Operating lease income	1,938	3,004
Other income	7	30
	2,023	3,093

7. Interest and similar income

	2019	2018
	\$'000	\$'000
Interest and similar income:		
Financial instruments at amortised cost	24,704	52,188

All interest similar income is from other JPMorgan Chase undertakings.

8. Interest expense and similar charges

	2019	2018
	\$'000	\$'000
Interest expense and similar charges:		
Financial instruments at amortised cost	12,823	38,524

All interest expense and similar charges is from other JPMorgan Chase undertakings.

ALDERMANBURY INVESTMENTS LIMITED

Notes to the financial statements (continued)

9. Directors' emoluments and staff costs

	2019	2018
	\$'000	\$'000
Emoluments*	89	77
Total contributions to a defined contribution plan	1	1
Total value of long term incentive plans for all directors	—	3
<hr/>		
Number of directors who served during the year	6	7
Number of directors with shares received or receivable under LTIPs	6	7
Number of directors to whom defined contribution pension rights accrued	5	6

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

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

The directors are employees of other companies in the Firm and all expenses, including remuneration, are paid by those companies and not recharged.

The Company had no employees during the year (2018: none).

10. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2019	2018
	\$'000	\$'000
Expense for leasing arrangements	1,799	3,456
Auditor's remuneration for the audit of the Company's financial statements	104	128

ALDERMANBURY INVESTMENTS LIMITED
Notes to the financial statements (continued)

11. Tax on profit on ordinary activities

	2019	2018
	\$'000	\$'000
(a) Analysis of tax charge for the year:		
Current tax:		
Current tax on profits for the year	8,876	14,554
Adjustments in respect of prior years	(1,549)	(1,046)
Total current tax charged in the income statement for the year	7,327	13,508
Deferred tax:		
Deferred tax current year charge/(credit)	1,213	(1,316)
Deferred tax prior year	49	1,069
Total deferred tax charged/(credit) to income statement for the period	1,262	(247)
Total tax charged to income statement for the period	8,589	13,261

(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% (2018: 19%). The differences are explained below:

	2019	2018
	\$'000	\$'000
Profit on ordinary activities before taxation	58,495	68,542
Profit on ordinary activities multiplied by the effective rate of corporation tax in the UK 19% (2018: 19%).	11,114	13,023
Effects of:		
Non deductible expenses	6	214
Income not taxable	(1,031)	—
Tax rate changes	49	139
Adjustments in respect of prior years	(1,549)	(115)
Tax charge for the year	8,589	13,261

ALDERMANBURY INVESTMENTS LIMITED

Notes to the financial statements (continued)

12. Investments in JPMorgan Chase undertakings

	2019	2018
	\$'000	\$'000
At 1 January	99,721	99,721
At 31 December	99,721	99,721

The holdings of the Company are as follows:

Name	Address of subsidiary	Principal activity	Holding	Shares held %
AHR Capital MS Limited	Custom House Plaza, Block 6, International Financial services Center, Dublin, D01 W213, Ireland	Real Estate	Direct	100%
Principal Real Estate Funding Corporation Limited	25 Bank Street, Canary Wharf, London, E14 5JP, England	Management of liquid investments	Direct	100%

The above investments are shown at cost less any provision for impairment. The value of the Company's investment in each subsidiary undertaking is not less than the amount at which it is stated in the balance sheet.

All shares held in the above subsidiaries are ordinary shares.

13. Unconsolidated structured entities

Structured Entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as, when any voting rights relate to administrative tasks only and the relevant activities are directed by means of other contractual arrangements.

Typically, structured entities have one or more of the following characteristics:

- an insufficient amount of at-risk equity to permit the entity to finance its activities without additional subordinated financial support;
- equity at-risk owners that, as a group, are not able to make significant decisions relating to the entity's activities through voting rights or similar rights; or
- equity at-risk owners that do not absorb the entity's losses or receive the entity's residual returns.

The most common type of structured entities is a special purpose entity ("SPE"). SPE's are commonly used in securitisation transactions in order to isolate certain assets and distribute the cash flows from those assets to investors. The party that has power to direct the most significant activities of the entity and an exposure to the risks of the entity (together constituting control of the entity) is required to consolidate the assets and liabilities of the structured entity. The structured entities in which the Company has control are consolidated into the parent undertakings of the Company, as set out in note 12 to these financial statements.

The Company has involvement with various structured entities, originated within the Firm or by third parties. These typically include securitisations, collateralised loan and debt obligations, and other structured financings.

ALDERMANBURY INVESTMENTS LIMITED

Notes to the financial statements (continued)

13. Unconsolidated structured entities (continued)

Interest in unconsolidated structured entities

The Company's interest in an unconsolidated structured entity is considered as the contractual and non-contractual involvement that exposes the Company to variability of returns from the performance of the structured entity.

The following table shows, by type of structured entity, the carrying amounts of the Company's interest in unconsolidated structured entities recognised on the balance sheet. The maximum exposure to loss is considered as approximate to the carrying amounts. It also provides an indication of the size of the structured entities, measured by the total assets held in the structured entity. The carrying amounts do not necessarily reflect the risks faced by the Company, as factors such as economic hedges and effect of collateral held by the Company are not included.

	Interest in unconsolidated structured entities		
	Fair value of assets held by SPE	Financial assets and liabilities held for trading	Total
31 December 2019	\$'000	\$'000	\$'000
Other	78,100	3,502	3,502
Total assets	78,100	3,502	3,502
Maximum exposure to loss	78,100	3,502	3,502
Total liabilities	—	—	—

	Interest in unconsolidated structured entities		
	Fair value of assets held by SPE	Financial assets and liabilities held for trading	Total
31 December 2018	\$'000	\$'000	\$'000
Collateralised debt obligations	280,562	—	—
Other	96,433	818	818
Total assets	376,995	818	818
Maximum exposure to loss	376,995	818	818
Total liabilities	—	—	—

Sponsored entities

The Company considers a "sponsored" SPE to include any entity where: (1) the Company is the primary beneficiary of the structure; (2) the SPE is used by the Company to securitise assets; (3) the SPE issues financial instruments with the Company's name; or (4) the entity is a Company-administered asset-backed commercial paper conduit.

SPE's for which the Company has an interest but no control, are included in the above table. SPE's for which the Company has control are listed in note 12. The Company typically has either an interest or control over sponsored SPE's, and instances where it has neither are rare.

ALDERMANBURY INVESTMENTS LIMITED
Notes to the financial statements (continued)

14. Debtors

	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Current		
Amounts owed by JPMorgan Chase undertakings	160,119	1,346,987
Trade debtors	1,654	159
Other assets	32	1,390
Corporation tax receivable	10,610	815
	<hr/>	<hr/>
	172,415	1,349,351
Non current		
Amounts owed by JPMorgan Chase undertakings	250,000	500,000

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

	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Financial assets held at fair value through profit or loss	159,628	109,449
	<hr/>	<hr/>
	159,628	109,449

Financial assets held for trading balances include those held with JPMorgan Chase undertakings of \$56 million (2018: \$21 million).

16. Cash and cash equivalents

Bank balances include those held with JPMorgan Chase undertakings of \$234 million (2018: \$826 million).

17. Financial liabilities held at fair value through profit or loss

	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Financial liabilities held at fair value through profit or loss	3,863	1,298

All of the financial liabilities held at fair value through profit or loss is held with JPMorgan Chase undertakings.

18. Creditors

	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Creditors: amounts falling due within one year		
Amounts owed to JPMorgan Chase undertakings	4,463	2,014,709
Bank overdraft	83	11,845
Trade creditors	12	314
Other creditors	3,015	3,869
	<hr/>	<hr/>
	7,573	2,030,737

The Company has a lease commitment which is included within other creditors in the previous year. The Company's reserve for onerous lease was \$ Nil (2018: \$1 million).

ALDERMANBURY INVESTMENTS LIMITED

Notes to the financial statements (continued)

19. Deferred tax liability

	2019	2018
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Financial assets held at fair value through profit or loss:		
As at 1 January	415	662
Deferred tax charged/(credit) to income statement for the period	1,262	(247)
As at 31 December	1,677	415

20. Called-up share capital

	2019	2018
	\$'000	\$'000
Issued and fully paid share capital		
24,776,217 (2018: 24,776,217) A ordinary shares of \$1 each	24,776	24,776
515,164,064 (2018: 515,164,064) B ordinary shares of \$1 each	515,164	515,164
	539,940	539,940

21. Dividends

No dividend was paid or proposed during the year (2018: \$nil).

22. Assets and liabilities measured at fair value

Certain of the financial instrument disclosures required by IFRS 7 are included in the Strategic Report but are deemed to be incorporated into the financial statements.

Fair Value

Valuation process

The Company carries a portion of its assets and 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 listed prices or quotes are not available, fair value is based on valuation models and other valuation techniques that consider relevant transaction characteristics (such as maturity) and use as inputs observable or unobservable market parameters, including yield curves, interest rates, volatilities, equity or debt prices, foreign exchange rates and credit curves.

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

ALDERMANBURY INVESTMENTS LIMITED

Notes to the financial statements (continued)

22. Assets and liabilities measured at fair value (continued)

Fair Value (continued)

Valuation process (continued)

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 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.

In determining the fair value of a derivative portfolio, valuation adjustments may be appropriate to reflect the credit quality of the counterparty, the credit quality of the Company, and the funding risk inherent in certain derivatives. The credit and funding risks of the derivative portfolio are generally mitigated by arrangements provided to the Company by JPMorgan Chase Bank, N.A and therefore the Company takes account of these arrangements in estimating the fair value of its derivative portfolio.

Valuation model review and approval

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

Fair value hierarchy

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

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

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

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

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

Valuation methodologies

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

ALDERMANBURY INVESTMENTS LIMITED

Notes to the financial statements (continued)

22. Assets and liabilities measured at fair value (continued)

Valuation methodologies (continued)

Product/instrument	Valuation methodology, inputs and assumptions	Classifications in the valuation hierarchy
Loans carried at fair value and associated lending-related commitments	<p>Valuations are based on discounted cash flows, which consider the following:</p> <ul style="list-style-type: none"> • Credit spreads derived from the cost of credit default swaps ("CDS"); or benchmark credit curves developed by the Company, by industry and credit rating. • Prepayment speed • Lending-related commitments are valued similar to loans and reflect the portion of an unused commitment expected, based on the Company's average portfolio historical experience, to become funded prior to an obligor default. 	Level 2 and 3 (Predominantly level 3)
Derivatives	<p>Exchange-traded derivatives that are actively traded and valued using the exchange price.</p> <p>Derivatives that are valued using models such as the Black-Scholes option pricing model, simulation models, or a combination of models that may use observable or unobservable valuation inputs as well as considering the contractual terms.</p> <p>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, credit default swaps ("CDS") spreads and recovery rates. Additionally, the credit quality of the counterparty and of the Company as well as market funding level may also be considered.</p>	Level 1 Level 2 or 3
Debt securities	<p>Quoted market prices are used where available.</p> <p>In the absence of quoted market prices, securities are valued based on:</p> <ul style="list-style-type: none"> • Observable market prices for similar securities • Relevant broker quotes • Discounted cash flows 	Level 1 Level 2 or 3
Private equity investments	<p>Fair value is estimated using all available information; the range of potential inputs include:</p> <ul style="list-style-type: none"> • Transaction prices • Trading multiples of comparable public companies • Operating performance of the underlying portfolio company • Adjustments as required, since comparable public companies are not identical to the company being valued, and for company-specific issues and lack of liquidity • Additional available inputs relevant to the investment • Fair value is estimated using net asset value per share 	Level 2 or 3

ALDERMANBURY INVESTMENTS LIMITED

Notes to the financial statements (continued)

22. Assets and liabilities measured at fair value (continued)

Assets and liabilities measured at fair value on a recurring basis

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
	\$'000	\$'000	\$'000	\$'000
At 31 December 2019				
Financial assets at fair value				
Debt and equity instruments	59,350	7,022	36,932	103,304
Derivative receivables	—	56,324	—	56,324
Total assets at fair value	59,350	63,346	36,932	159,628
Financial liabilities at fair value				
Debt and equity instruments	—	3,863	—	3,863
Total liabilities at fair value	—	3,863	—	3,863
At 31 December 2018				
Financial assets at fair value				
Debt and equity instruments	54,291	7,198	26,976	88,465
Derivative receivables	—	20,984	—	20,984
Total assets at fair value	54,291	28,182	26,976	109,449
Financial liabilities at fair value				
Debt and equity instruments	—	1,298	—	1,298
Total liabilities at fair value	—	1,298	—	1,298

Level 3 valuations

The Firm has established well-structured 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 valuation models and other valuation techniques 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.

In arriving at an estimate of fair value for an instrument within level 3, management must first determine the appropriate valuation model or other valuation technique to use. Second, due to the lack of observability of significant inputs, management must assess all relevant empirical data in deriving valuation inputs including, transaction details, yield curves, interest rates, prepayment speed, default rates, volatilities, correlations, equity or debt prices, valuations of comparable instruments, foreign exchange rates and credit curves.

ALDERMANBURY INVESTMENTS LIMITED

Notes to the financial statements (continued)

22. Assets and 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.

In the Company's view, the input range and the weighted average value reflect the characteristics of the various instruments held by the Company and the relative distribution of instruments within the range of characteristics. For example, two option contracts may have similar levels of market risk exposure and valuation uncertainty, but may have significantly different implied volatility levels because the option contracts have different underlying's, tenors, or strike prices.

The input range and weighted average values will therefore vary from period-to period and parameter to parameter based on the characteristics of the instruments held by the Company at each balance sheet date.

Product/instrument	Asset	Liability	Net fair value	Principal valuation technique	Unobservable input	Range of input values	Weighted average
At 31 December 2019	\$'000	\$'000	\$'000				
Debt and equity instruments							
Corporate debt securities and other	3,515	—	3,515	Market comparables	Price	\$4 - \$112	\$72
Private Equity Investments	33,417	—	33,417	Discounted cash flows	Discount Rates	15% - 17.5%	17.5%
				Market comparables	Revenue Multiple	2.8x	2.8x
					Price to book value multiple	0.7x	0.7x
				Net asset value per share	n/a	n/a	n/a
Total assets and liabilities	36,932	—	36,932				

ALDERMANBURY INVESTMENTS LIMITED
Notes to the financial statements (continued)

22. Assets and liabilities measured at fair value (continued)

Level 3 valuations (continued)

Product/instrument	Asset	Liability	Net fair value	Principal valuation technique	Unobservable input	Range of input values	Weighted average
31 December 2018	\$'000	\$'000	\$'000				
Debt and equity instruments							
Corporate debt securities and other	1,710	—	1,710	Market comparables	Price	\$0 - \$100	\$45
Private Equity Investments	25,266	—	25,266	Discounted cash flows	Discount Rates	15% - 17%	15.17%
				Market comparables	EBITDA Multiple	16x	16x
					Price to book value multiple	0.6x	0.6x
				Net asset value per share	n/a	n/a	n/a
Total assets and liabilities	26,976	—	26,976				

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

ALDERMANBURY INVESTMENTS LIMITED

Notes to the financial statements (continued)

22. Assets and liabilities measured at fair value (continued)

Changes in and ranges of unobservable inputs

The following discussion provides a description of the impact on a fair value measurement of a change in each unobservable input in isolation, and the interrelationship between unobservable inputs, where relevant and significant. The impact of changes in inputs may not be independent as a change in one unobservable input may give rise to a change in another unobservable input; where relationships exist between two unobservable inputs, those relationships are discussed below. In addition, for each of the individual relationships described below, the inverse relationship would also generally apply.

Yield - The yield of an asset is the interest rate used to discount future cash flows in a discounted cash flow calculation. An increase in the yield, in isolation, would result in a decrease in a fair value measurement.

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.

Discount rates - Discount rates refer to the input (often derived from the cost of capital for comparable companies or a buyer's required rate of return) that is used to present value the future cash flows of a company in order to estimate the company's value. A decrease in the discount rate, in isolation, net of adjustments, would result in an increase in a fair value measurement.

Revenue multiple - Revenue 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 revenues of a company in order to estimate the company's value. An increase in Revenue Multiple, in isolation, net of adjustments, would result in an increase in a fair value measurement.

Embedded value multiple - Embedded value multiples refer to the input (often derived from the value of a comparable company or transaction) that is multiplied by the sum of the adjusted net asset value plus the present value of future profits ("Embedded Value") of a company in order to estimate the company's value. Embedded value is a common valuation measure used in the insurance industry. An increase in the Embedded Value multiple, in isolation, net of adjustments, would result in an increase in a fair value measurement.

Price to Book Value multiple - Price to book value multiples refer to the input (often derived from the value of a comparable company or transaction) that is multiplied by the historic book value of equity (calculated as book value of assets less book value of liabilities). An increase in the price to book value multiple, in isolation, net of adjustments, would result in an increase in a fair value measurement.

Fair value financial instruments valued using techniques that incorporate unobservable inputs

The potential impact as at 31 December 2019 of using reasonable possible alternative assumptions for the valuations including significant unobservable inputs have been quantified in the following table:

Sensitivity analysis of valuations using unobservable inputs	Fair Value			Favourable change	Unfavourable change
	Asset	Liability	Net	Income statement	
At 31 December 2019	\$'000	\$'000	\$'000	\$'000	\$'000
Debt and equity instruments	36,932	—	36,932	5,371	(5,393)
Total	36,932	—	36,932	5,371	(5,393)

Sensitivity analysis of valuations using unobservable inputs	Fair Value			Favourable change	Unfavourable change
	Asset	Liability	Net	Income statement	
31 December 2018	\$'000	\$'000	\$'000	\$'000	\$'000
Debt and equity instruments	26,976	—	26,976	4,214	(4,208)
Total	26,976	—	26,976	4,214	(4,208)

ALDERMANBURY INVESTMENTS LIMITED
Notes to the financial statements (continued)

22. Assets and liabilities measured at fair value (continued)

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

	Debt and equity instruments	Total financial assets
	\$'000	\$'000
Financial Assets		
At 1 January 2019	26,976	26,976
Total gains recognised in profit or loss	9,957	9,957
Purchases	—	—
Sales/ settlements	(1)	(1)
Transfers in to Level 3	—	—
Transfers out of Level 3	—	—
At 31 December 2019	36,932	36,932
Change in unrealised gains related to financial instruments held at 31 December 2019	8,151	8,151

	Debt and equity instruments	Total financial liabilities
	\$'000	\$'000
Financial Liabilities		
At 1 January 2019	—	—
Total (gain)/loss recognised in profit or loss	—	—
Purchases	—	—
Settlements	—	—
At 31 December 2019	—	—
Change in unrealised gains related to financial instruments held at 31 December 2019	—	—

ALDERMANBURY INVESTMENTS LIMITED

Notes to the financial statements (continued)

22. Assets and liabilities measured at fair value (continued)

Movement in assets and liabilities in Level 3 during the prior year

	Debt and equity instruments	Total financial assets
	\$'000	\$'000
Assets		
At 1 January 2018	52,246	52,246
Total gain recognised in profit or loss	4,972	4,972
Purchases	21,752	21,752
Sales	(13,334)	(13,334)
Settlements	(38,024)	(38,024)
Transfers in to Level 3	12	12
Transfers out of Level 3	(648)	(648)
At 31 December 2018	26,976	26,976
Change in unrealised gains related to financial instruments held at 31 December 2018	6,917	6,917

	Debt and equity instruments	Total financial liabilities
	\$'000	\$'000
Liabilities		
At 1 January 2018	1,069	1,069
Total gain recognised in profit or loss	—	—
Purchases	—	—
Settlements	(1,069)	(1,069)
At 31 December 2018	—	—
Change in unrealised gains related to financial instruments held at 31 December 2018	—	—

At the end of 2019, the majority of the Company's level 3 assets were composed of private equity investments and secured loans.

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

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

During the year ended 31 December 2018, transfers from level 3 to level 2 include \$0.6 million of assets due to improved observability for corporate debt and equity securities.

During the year ended 31 December 2018, transfers from level 2 to level 3 include \$0.01 million of assets due to reduced observability for corporate debt and equity securities.

All transfers are assumed to occur at the beginning of the period in which they occur.

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 approximate fair value, due to their short term nature and generally negligible credit risk. These instruments include Investments in JPMorgan Chase undertakings; cash and balances at central banks; debtors and creditors. The Company has \$756 million (2018: \$2,775 million) of financial assets and \$8 million (2018: \$2,031 million) of financial liabilities that are not measured at fair value.

All other instruments are of a short-term nature and the carrying amounts in the balance sheet approximate fair value.

ALDERMANBURY INVESTMENTS LIMITED

Notes to the financial statements (continued)

22. Assets and liabilities measured at fair value (continued)

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 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 \$4 million (2018: \$1 million).

23. 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, the Company was not aware of any material adverse effects on the financial statements as a result of COVID-19. For more detail on Firmwide measures refer to operational risk (page 10-11).