MAX RECOVERY LIMITED
(Registered Number: 04994176)

Annual report for the year ended 31 December 2019

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MAX RECOVERY LIMITED
Strategic report

The directors present the strategic report of Max Recovery 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 global leading financial services firm and one of the largest banking institutions in the United States of America ("U.S."), with operations worldwide. The Company had $231,639,000 in assets and $147,043,000 in total shareholder's equity as of 31 December 2019.

Review of business

The directors were satisfied with the performance of the Company.

The Company paid an interim dividend of $150 million on 9th September 2019 to its parent, The Bear Stearns Companies LLC.

Key performance indicators ("KPIs")

The results are monitored against expectations of the business activities. The Board of Directors monitor progress on the performance of the Company using various metrics. The primary KPIs are set out as below:

Financial performance (in USD'000 except for return on assets and capital ratios)	2019	2018
Earnings		
Operating income	27,241	28,467
Profit for the financial year (after tax)	18,235	18,001
Balance sheet		
Total assets	231,639	373,543
Return on assets	8%	5%

Income statement

The income statement for the year ended 31 December 2019 is set out on page 16. Total operating income was $27,241,000 for 2019 (2018: $28,467,000). The results for the Company shows a pre-tax profit of $22,510,000 for 2019 (2018: $22,246,000).

Balance sheet

The balance sheet is set out on page 17. The Company had total assets and total liabilities of $231,639,000 (2018: $373,543,000) and $84,596,000 (2018: $94,735,000) respectively as at 31 December 2019.

Future outlook

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

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

The Firm has a long-standing presence in the UK, which currently serves as the regional headquarters of the Firm's operations in over 30 countries across Europe, the Middle East, and Africa ("EMEA"). In the region, the Firm serves clients and customers across its business segments. The Firm has approximately 17,000 employees in the U.K., of which approximately two-thirds are in London, with operational and technology support centres in locations such as Bournemouth, Glasgow and Edinburgh.

Future outlook (continued)

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.

COVID-19

The Firm is monitoring 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 (pages 7-8). Given the activity of the Company, COVID-19 will likely have an impact on the ability of some underlying consumers to continue to make full payment of agreed amounts under their insolvency plan. The impact of the pandemic on the Company will be managed through temporary changes in regulations, the operation of insolvency practitioner resiliency plans and the inherent flexibility of UK insolvency plans, such as payment holidays and the extension of the plan. Refer post balance sheet events (note 20).

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.

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

- EBA/ESMA Joint Guidelines on Management Body Suitability (the "Suitability Guidelines")
- EBA Guidelines on Internal Governance (the "Internal Governance Guidelines")
- The Senior Managers and Certification Regime under the Financial Services and Markets Act 2000, which has applied since 9 December 2019 (the "SMCR")
- The principles set out in the FCA Handbook (the "FCA Principles")

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 Company has a Matters Reserved for the Board which requires that the Board defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management. This includes requirements that the Board will approve and oversee the Company's strategic objectives, risk strategy and internal governance, including the segregation of duties in the organisation and the prevention of conflicts of interest.

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:

MAX RECOVERY 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)

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

The Firm follows a disciplined and balanced compensation framework with strong internal governance and independent Board oversight, with delegation to a local remuneration committee.

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

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 and UK Remuneration Committee, which are staffed by independent non-executive directors of J.P. Morgan Securities plc.

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 regulators

The Company's board and senior leaders commit significant time to meeting with regulators. Frequent interaction helps the Company learn first-hand from regulators about matters of importance to them and their expectations of the Company. It also gives the Company's board and management a forum for keeping our regulators well-informed about the Company's performance and business practices.

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

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.

The Company has limited direct contact with consumers as it purchases claims that are subject to insolvency proceedings overseen by insolvency practitioners. The Company operates an outsourced model whereby day to day contact with insolvency practitioners and, where appropriate, consumers is undertaken by its vendors. Those vendors are subject to high levels of scrutiny by the Company. The Company has a dedicated vendor manager who is in daily contact with the vendors and they are also subject to monthly review meetings where they are required to report on all aspects of their appointment, including complaints received and the treatment of Vulnerable Customers. Furthermore, vendors are subject to an annual operational audit and dedicated customer journey and vulnerable customer reviews. Where shortcomings are identified, action plans are put in place and remediation progress is measured in the monthly reviews.

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 customers to act in their best interest and avoids or otherwise addresses through controls, disclosures or other appropriate steps, any actual or potential conflicts of interest. Accountability, transparency and integrity are the cornerstones of doing good business, which includes simplifying disclosures, products and operations, and effectively managing environmental, social and governance matters. This preserves the organisation's reputation for integrity.

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)

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.

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.

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

- JPMorgan Chase & Co. Business Principles: https://www.jpmorganchase.com/corporate/About-JPMC/ab-business-principles.htm
- JPMorgan Chase & Co. Annual Meeting of Shareholders Proxy Statement: https://www.jpmorganchase.com/corporate/investor-relations/document/proxy-statement2019.pdf
- Capital Requirements Directive IV (2013/36/EU) governance disclosures: https://www.jpmorgan.com/jpmpdf/1320747737676.pdf ("CRD IV Disclosures")
- 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.

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)

- Transparency Statement under s.54 of the Modern Slavery Act 2015: https://www.jpmorganchase.com/corporate/About-JPMC/document/modern-slavery-act-2018.pdf This links to the Transparency Statement for 2018. The 2019 Transparency Statement is expected to be published in June 2020.

Risk management

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 Line of Business ("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 exercises oversight through the Board of Directors which are aligned to the Firm risk management framework and regulatory requirements.

All disclosures in the Risk management section (pages 5-11) 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

Capital risk (audited)

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

Capital adequacy is of critical importance to the company. The directors are responsible for setting the objectives, policies and processes relating to the management of the Company's capital.

Total equity of $147,043,000 (2018: $278,808,000) constitutes the managed capital of the Company, which consists of called up share capital and retained earnings.

Due to the limited nature of its activity and permissions the Company is not subject to risk-based capital requirements.

However, the Company meets the requirements of the FCA Handbook COND (Threshold Conditions) Section 2.4, holding appropriate resources in relation to its regulated activity.

Credit risk (audited)

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

The Company does not grant credit itself but it purchases insolvency claims from lenders and card issuers. The Company uses its extensive data set and publicly available data to price its purchases. Its pricing models take into account the likely failure of a proportion of the insolvency accounts in the portfolios purchased. Individual consumers are all in statutory insolvency plans in order that they might make affordable payments. The portfolio is administered by insolvency practitioners and the collection process is outsourced to a number of law firms.

Risk measurement

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;

Risk management (continued)

Credit risk (audited) (continued)

Risk measurement (continued)

Expected credit loss measurement (continued)

Approach to measuring expected credit losses(continued)

(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 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	31 December 2019 Non-TCP	31 December 2018 Non-TCP
	$'000	$'000
Assets		
Debtors	134,694	275,989
Cash and cash equivalents	18,527	6,654

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

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 table below presents the Company's gross balance sheet exposure to credit risk from financial assets.

	2019	2018
	$'000	$'000
Financial assets at fair value through profit or loss	78,418	90,900
Debtors	134,694	275,989
Cash and cash equivalents	18,527	6,654
	231,639	**373,543**

Included within the above assets, balances held with other JPMorgan Chase undertakings are $153.15 million (2018: $282.57 million).

The Company's credit exposures and credit risk mitigants are further described below. As no material ECL allowance is recognised on Non-TCP financial assets, refer below for further discussion.

Debtors

Debtors mainly consist of amounts due from JPMorgan Chase undertakings.

These receivables generally have minimum credit risk due to low probability of default and short term nature of receivables. The Firm includes these receivables in Stage 1 as there is low risk of default.

Risk management (continued)

Credit risk (audited) (continued)

Credit exposures (continued)

Balance sheet exposure by financial asset (continued)

Cash and cash equivalents

Cash and balances with banks include deposits, and are held with investment-grade institutions.

The Company includes cash and cash equivalents in Stage 1 as they are short-term and investment-grade, and banking institutions are considered to have high quality credit with low risk of default and therefore the Company has concluded there is no SICR.

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.

Due to the nature of the business conducted by the Company, and the fact that its sole source of capital is the Firm, the directors do not consider liquidity risk to be material. As obligations are paid to counterparties on the signing of the contract in the majority of its deals, there is a low level of outstanding obligations to counterparties.

The following table provides details on the maturity of all financial liabilities.

	Less than 1 year 2019 $'000	Less than 1 year 2018 $'000
Amounts owed to other JPMorgan Chase undertakings	82,260	92,299
Taxation and social security	746	836
Accruals	856	755
Other creditors	734	845
	84,596	**94,735**

The above liabilities are presented based on the earliest contractual maturity carrying value is considered to be the best representation of undiscounted cash flows for financial liabilities.

Market risk

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.

Where the Company is exposed to market risk it is managed as part of the Enterprise-wide Market Risk management framework.

Operational risk

Operational risk is the risk associated with an adverse outcome resulting from inadequate or failed internal processes or systems; human factors or external events impacting the Firm's 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 (continued)

Operational risk (continued)

Risk management

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

Operational risk can manifest itself in various ways. Operational risk subcategories such as Compliance risk, Conduct risk, Legal risk and Estimations and Model risk, as well as other operational risks, can lead to losses which are captured through the Firm's operational risk measurement processes. More information on these risk subcategories, where relevant, can be found in the respective risk management sections.

Third-party outsourcing risk

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

Cybersecurity risk

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

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

To protect the confidentiality, integrity and availability of the Firm's infrastructure, resources and information, the Firm maintains a cybersecurity program designed to prevent, detect, and respond to cyberattacks. The Audit Committee is updated periodically on the Firm's Information Security Program, recommended changes, cybersecurity policies and practices, ongoing efforts to improve security, as well as its efforts regarding significant cybersecurity events.

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.

Risk management (continued)

Compliance risk (continued)

The LOB and Corporate within the Company hold 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.

Conduct risk

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

Overview

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

Governance and oversight

The Firm's Conduct Risk Programme is governed by a Board-level approved Conduct Risk Governance Policy. The Conduct Risk Governance Policy ("CRSC") establishes the framework for ownership, assessment, managing and escalating conduct risk in the Firm. The CRSC provides oversight of the Firm's conduct initiatives to develop a more holistic view of conduct risks and to connect key programmes across the Firm in order to identify opportunities and emerging areas of focus. The CRSC may escalate systemic conduct risk issues to the Firmwide Risk Committee ("FRC") and as appropriate to the DRPC. The misconduct (actual or potential) of individuals involved in material risk and control issues are escalated to the Human Resource ("HR") Control Forum. Certain committees of the Board oversee conduct risk issues within the scope of their responsibilities. Conduct risk management encompasses various aspects of people management practices throughout the employee life cycle, including recruiting, onboarding, training and development, performance management, promotion and compensation processes.

Risk management (continued)

Conduct risk (continued)

Each LOB, Treasury and Chief Investment Office and designated corporate function completes an assessment of conduct risk quarterly, reviews metrics and issues which may involve conduct risk, and provides business conduct training as appropriate.

Legal risk

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

Overview

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

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

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.

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.

Reputation risk issues deemed material are escalated as appropriate.

Corporate employee policy

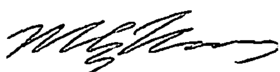
It is the policy of the Company to ensure equal opportunity for all persons without discrimination on the basis of race, colour, religion, sex, national origin, age, handicap, veteran status, marital status, sexual orientation or any other basis. This policy of equal opportunity applies to all employment practices including, but not limited to recruiting, hiring, promotion, training and compensation.

Where existing employees become disabled, it is the Company policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

With the aim of ensuring that views are taken into account when decisions are made employee consultation has continued at all levels where it is likely to affect their interests.

All employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through the intranet and other forums. JPMorgan Chase Bank, N.A. operates an employee share scheme for all employees of JPMorgan Chase & Co. and its subsidiaries, to acquire a proprietary and vested interest in the growth and performance of the Firm.

On behalf of the Board



M.G. Norris
Director

Date: 16 April 2020

MAX RECOVERY LIMITED
Directors' report

The directors present their report and the audited financial statements of Max Recovery Limited (the "Company") for the year ended 31 December 2019. The Company is part of JPMorgan Chase & Co. (together with its subsidiaries, the "Firm" or "JPMorgan Chase"). The Company's registration number is 04994176.

Refer to the Strategic Report for future outlook and corporate employee policy.

Results and dividends

The results for the year are set out on page 16 and show the Company's profit for the financial year is $18,235,000 (2018: $18,001,000).

The Company paid an interim dividend of $150 million on 9th September 2019 (2018: nil) to its parent, The Bear Stearns Companies LLC.

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, as the situation is ongoing and eventual outcome unknown, the Company cannot quantify the final impact on the financial position or operations as a result of the COVID-19 pandemic.The impact of the pandemic on the Company will be managed through temporary changes in regulations, the operation of insolvency practitioner resiliency plans and the inherent flexibility of UK insolvency plans, such as payment holidays and the extension of the plan. For more detail on Firmwide measures refer to operational risk (pages 7-8).

Financial risk management

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

Directors

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

M.G. Norris
M.P. Melling
J.Martin (Appointed on 04 Feb 2020)

Directors' interests

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

Statement of directors' responsibilities

The directors are responsible for preparing the 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.

MAX RECOVERY LIMITED
Directors' report (continued)

Statement of directors' responsibilities (continued)

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006

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 provision

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

Company secretary

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

J.P. Morgan Secretaries (UK) Limited.

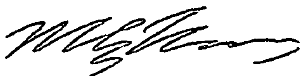
Registered address

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



M.G. Norris
Director

Date: 16 April 2020

Independent auditors' report to the members of Max Recovery Limited

Report on the audit of the financial statements

Opinion

In our opinion, Max Recovery 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 auditors' report to the members of Max Recovery Limited (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 pages 12-13, 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.

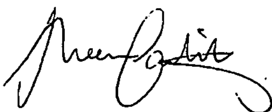
Other required reporting

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 16 April 2020

MAX RECOVERY LIMITED

Income statement

Year ended 31 December	Note	2019 $'000	2018 $'000
Operating income	5	27,241	28,467
Administrative expenses		(10,061)	(10,916)
Other expense	6	(42)	(3)
Operating profit		**17,138**	**17,548**
Interest and similar income	8	5,972	5,280
Interest expense and similar charges	9	(600)	(582)
Profit before taxation	10	**22,510**	**22,246**
Tax on profit	11	(4,275)	(4,245)
Profit for the financial year		**18,235**	**18,001**

Statement of comprehensive income

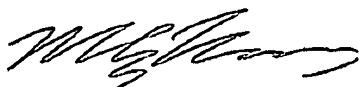
There were no other items of comprehensive income or expense other than the profit for the financial year shown above (2018: $nil). As a result, profit for the financial year represents total comprehensive income in both the current and prior financial year.

The notes on pages 19 - 30 form an integral part of these financial statements.

MAX RECOVERY LIMITED
Balance sheet

31 December		2019	2018
	Note	$'000	$'000
Non-current assets			
Debtors	12	134,500	—
Current assets			
Financial assets at fair value through profit or loss	13	78,418	90,900
Debtors	15	194	275,989
Cash and cash equivalents	16	18,527	6,654
		97,139	**373,543**
Current liabilities			
Creditors: amounts falling due within one year	17	(84,596)	(94,735)
Net current assets		**12,543**	**278,808**
Net assets		**147,043**	**278,808**
Equity			
Called-up share capital	18	5,000	5,000
Retained earnings		142,043	273,808
Total equity		**147,043**	**278,808**

The financial statements on pages 16 to 30 were approved by the Board of Directors on 16 April 2020 and signed on its behalf by:



M.G. Norris
Director

Date: 16 April 2020

The notes on pages 19 - 30 form an integral part of these financial statements

MAX RECOVERY LIMITED
Statement of changes in equity

	Called up share capital	Retained earnings	Total equity
	$'000	$'000	$'000
Balance as at 1 January 2018	**5,000**	**255,807**	**260,807**
Profit for the financial year	—	18,001	18,001
Balance as at 31 December 2018	**5,000**	**273,808**	**278,808**
Dividend paid (Refer Note 19)	—	(150,000)	(150,000)
Profit for the financial year	—	18,235	18,235
Balance as at 31 December 2019	**5,000**	**142,043**	**147,043**

The notes on pages 19 - 30 form an integral part of these financial statements.

1. General information

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

Principal activity

The principal activity of the Company is the purchase and recovery of distressed debt from various third parties in Europe.

2. Basis of preparation

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

The financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of certain financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

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

- *Certain share-based payment disclosures in respect of group equity instruments* (IFRS 2 'Share-based payment' paragraphs 45(b) and 46 to 52);
- Comparative information disclosures (paragraph 38 of IAS 1 'Presentation of financial statements' ("IAS 1") for reconciliation of share capital (paragraph 79(a)(iv) of IAS 1);
- Statement of compliance to IFRS (paragraph 16, IAS 1);
- Cash flow statement and related notes IAS 7 'Cash flow statements';
- Disclosures in relation to new or revised standards issued but not yet effective (paragraph 30 and 31, IAS 8, 'Accounting *policies, changes in accounting estimates and errors*');
- Key management compensation disclosures (paragraph 17, IAS 24 'Related Party Disclosures' ("IAS 24"));
- Related party transactions with wholly owned JPMorgan Chase undertakings (paragraph 18 and 19, IAS 24).

3. Critical accounting estimates and judgements

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

Fair value measurement

The Company carries a portion of its assets at fair value on a recurring basis. Estimating fair value often requires the application of judgement. The type and level of judgement required is largely dependent on the amount of observable market information available to the Company. For instruments valued using internally developed models that use significant unobservable inputs and are therefore classified within level 3 of the fair value hierarchy, judgements used to estimate fair value are more significant than those required when estimating the fair value of instruments classified within levels 1 and 2. Further details are set out in note 14 to the financial statements.

4. Significant accounting policies

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

4.1 Foreign currency translation

Monetary assets and monetary liabilities in foreign currencies are translated into 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

4.2 Functional and presentation currency

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

4.3 Financial instruments

4.3.1 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.

a) *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 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. Company's financial liabilities are measured at amortised cost. Financial liabilities measured at amortised cost include, amounts owed to JPMorgan Chase undertakings, accruals 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.

4. Significant accounting policies (continued)

4.3 Financial instruments (continued)

4.3.1 Financial assets and financial liabilities (continued)

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

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 'operating income' or other non interest revenue as relevant.

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

Financial assets and financial liabilities are measured at fair value through profit or loss ("FVTPL") if they are held for trading. Under IFRS 9, a financial asset or a financial liability is defined as "held for trading" if it is acquired or incurred principally for the purpose of selling or re-purchasing it in the near term, or forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking or it is a derivative.

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

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

The Company manages distressed debt from various third parties measured at FVTPL and reports the gains and losses on purchase and recovery of portfolio in operating income.

c) *Financial assets and financial liabilities designated at fair value through profit or loss*

Subject to certain criteria, the Company can designate financial assets and financial liabilities to be measured at fair value through profit or loss. Designation is only possible when the financial instrument is initially recognised and cannot subsequently be reclassified. Financial assets can be designated as measured at fair value through profit or loss only if such designation eliminates or significantly reduces a measurement or recognition inconsistency. Financial liabilities can be designated as measured at fair value through profit or loss only if such designation (a) eliminates or significantly reduces a measurement or recognition inconsistency; or (b) applies to a group of financial assets, financial liabilities or both that the Company manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative unless the embedded derivative does not significantly modify the cash flows required by the contract or when a similar hybrid instrument is considered that separation of the embedded derivative is prohibited.

Financial assets and financial liabilities that the Company designates as measured at fair value through profit or loss are recognised at fair value at initial recognition, with transaction costs being recognised in profit or loss and subsequently measured at fair value. Gains and losses on financial assets and financial liabilities designated at fair value through profit or loss are recognised in profit or loss as they arise.

Changes in the fair value of financial assets and financial liabilities designated as measured at FVTPL are recognised in profit or loss except for gains/losses attributable to changes in the Company's own credit risk.

4.3.2 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.

4. Significant accounting policies (continued)

4.3 Financial instruments (continued)

4.3.3 Operating income

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

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

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

4.4 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:

a) the Company has transferred substantially all the risks and rewards of ownership of the asset; or

b) the Company has neither retained nor transferred substantially all of the risks and rewards; but has relinquished control of the asset.

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

4.5 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).

4. Significant accounting policies (continued)

4.5 Fair value (continued)

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 14 to the financial statements.

4.6 Cash and cash equivalents

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

4.7 Current 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.

4.8 Provisions and contingent liabilities

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

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

4.9 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.

4.10 Share Capital

The share capital of the Company consists of ordinary shares, classified as equity.

4.11 Dividend recognition

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

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

5. Operating income

	2019	2018
	$'000	$'000
Net profit from financial assets at fair value through profit or loss	27,241	28,467

6. Other expense

	2019	2018
	$'000	$'000
Foreign exchange translation loss	42	3

7. Directors' emoluments

	2019	2018
	$'000	$'000
*Emoluments**	17	16
Number of directors to whom defined contribution pension rights accrued	1	1
Number of directors with shares received or receivable under LTIPs	2	2

*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 recharged to the Company for one director.

8. Interest and similar income

	2019	2018
	$'000	$'000
Interest and similar income from other JPMorgan Chase undertakings	5,972	5,280

All interest income is from financial instruments held at amortised cost.

9. Interest expenses and similar charges

	2019	2018
	$'000	$'000
Interest expenses and similar charges by other JPMorgan Chase undertakings	600	582

All interest expenses are from financial instruments held at amortised cost.

10. Profit before taxation

Administrative expenses include professional service fees of $6,744,000 (2018: $7,890,000) and expenses in relation to employees seconded from other JP Morgan undertakings amounting to $1,951,000 (2018: 1,741,000).

Until last year, amounts paid to seconded employees was disclosed as 'Wages and Salaries and other benefits', still grouped within Administrative expenses. Prior years' presentation has been changed to be consistent with current year's presentation.

The auditors' remuneration for the audit of the Company's annual financial statements is $114,155 (2018: $91,837).

11. Tax on profit

	2019	2018
	$'000	$'000
(a) Analysis of tax charge for the year		
Current taxation		
UK Corporation tax on profit for the year	4,279	4,245
Adjustments in respect of prior years	(4)	—
Total tax expense for the year	4,275	4,245

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

The tax charge for the year is the same as (2018: differs from) the standard rate of corporation tax in the UK 19% (2018: 19%). The differences are explained below:

	2019	2018
	$'000	$'000
Profit before taxation	22,510	22,246
Profit before taxation multiplied by standard rate of corporation tax in UK 19% (2018: 19%)	4,277	4,227
Non deductible expenses	2	18
Adjustments in respect of prior years	(4)	—
Total tax expense for the year	4,275	4,245

12. Debtors

	2019	2018
	$'000	$'000
Debtors: amounts falling due after one year		
Amounts owed by other JPMorgan Chase undertakings	134,500	—

13. Financial assets at fair value through profit or loss

	2019	2018
	$'000	$'000
At 1 January	90,900	79,808
Net movements during the year (Refer Note 14)	(12,482)	11,092
At 31 December	78,418	90,900

Financial assets at fair value through profit or loss represent distressed debt acquired from various third parties. Distressed debt relates to customers that are in insolvency.

All fair value changes related to financial assets at fair value through profit or loss are recognised in the income statement as they arise.

14. Assets and liabilities measured at fair value

Fair value

Valuation process

The Company carries its portfolio of distressed debt 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, where available. If prices or quotes are not available, fair value is based on valuation models and other valuation techniques that consider relevant transaction characteristics (such as maturity) and use as inputs observable or unobservable market parameters, including yield curves, interest rates, volatilities, 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.

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.

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 inputs such as market-based or independently sourced parameters. The Model Risk Governance and Review function is independent of the model owners and reviews and approves valuation models used by the Company. The Estimations and Model Risk Management policy sets forth the firms model risk management framework. It defines a model and outlines the processes, roles and responsibilities required for effective model risk management. MRGR is responsible for establishing governance processes and preforming effective challenge through the model lifecycle. It exists as an independent risk group within the corporate risk function and is responsible for validating new models and material changes to existing models.

Fair value hierarchy

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

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

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

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

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

Valuation methodologies

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

Product/instrument	Valuation methodology, inputs and assumptions	Classifications in the valuation hierarchy
Distressed debt	Valuations are based on discounted cash flows, which consider: • Bid yields and term structure • Unemployment projections • House price appreciation • Additional recoveries • Servicing costs • Observable market data	Level 3

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Notes to the financial statements (continued)

14. Assets and liabilities measured at fair value

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 through profit or loss				
Debt instruments	—	—	78,418	78,418
Total assets at fair value	—	—	78,418	78,418

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
At 31 December 2018				
Financial assets at fair value through profit or loss				
Debt instruments	—	—	90,900	90,900
Total assets at fair value	—	—	90,900	90,900

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.

The following table presents the Company's primary level 3 financial instrument, the valuation techniques used to measure the fair value of this financial instrument, 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 portfolio.

	Asset	Liability	Net fair value	Principal valuation technique	Unobservable input	Range of input values	Weighted average
At 31 December 2019	$'000	$'000	$'000				
Distressed debt	78,418	—	78,418	Discounted cash flows	Yield	6% - 28%	8%

	Asset	Liability	Net fair value	Principal valuation technique	Unobservable input	Range of input values	Weighted average
At 31 December 2018	$'000	$'000	$'000				
Distressed debt	90,900	—	90,900	Discounted cash flows	Yield	7% - 19%	8%

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

Level 3 valuations (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. For the individual relationships described below, the inverse relationship would also generally apply.

There is no independent consensus pricing available for the Company, and there is limited market activity which can be evaluated. The firm therefore benchmarks and compares discounting yields for projected recovery cash flows through the observation of this market activity. The firm also monitors key model parameters, unemployment and house price appreciation, as well as actual performance against model expectations.

Yield - The yield of an asset is the interest rate used to discount future cash flows in a discounted cash flow forecast. An increase in the yield, in isolation, would result in a decrease in a fair value measurement. The yield applied to the cash flows is the key valuation metric for forecasted recoveries and the primary pricing tool when deriving fair value of this asset.

Fair value financial instruments valued using techniques that incorporate unobservable inputs

The fair value of financial instruments may be determined using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument or based on available observable market data and changing these assumptions will change the resultant estimate of fair value.

The potential impact as at 31 December 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**
Financial assets					
Distressed debt	78,418	—	78,418	5,136	(4,552)
Total	**78,418**	**—**	**78,418**	**5,136**	**(4,552)**

Sensitivity analysis of valuations using unobservable inputs	Fair Value			Favourable change	Unfavourable change
	Asset	Liability	Net	Income statement	
At 31 December 2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets					
Distressed debt	90,900	—	90,900	6,814	(6,003)
Total	**90,900**	**—**	**90,900**	**6,814**	**(6,003)**

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

	Debt instruments
	$'000
At January 1, 2019	90,900
Net gain recognised in profit and loss account (includes foreign exchange translation gain)	30,397
Purchases	15,239
Settlements	(58,118)
At 31 December 2019	78,418

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

Level 3 valuations (continued)

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

	Debt instruments
	$'000
At 1 January 2018	79,808
Net gain recognised in profit and loss account (includes foreign exchange translation gain)	21,860
Purchases	54,983
Settlements	(65,751)
At 31 December 2018	90,900

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

The Company only holds level 3 financial instruments. For the year ended 31 December 2019 and 2018, there were no transfers between level 2 and level 3.

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

Certain financial instruments that are not carried at fair value on balance sheet are carried at amounts that are not materially different to their fair value, due to their short term nature and generally negligible credit risk. These instruments include debtors, cash at bank and in hand and creditors.

The Company has $153,221,000 (2018: $282,643,000) of financial assets and $84,596,000 (2018: $94,735,000) of financial liabilities that are not measured at fair value on balance sheet.

Offsetting financial assets and financial liabilities

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

15. Debtors

	2019	2018
	$'000	$'000
Debtors: amounts falling due within one year		
Amounts owed by other JPMorgan Chase undertakings	119	275,919
Other debtors	75	70
	194	275,989

16. Cash and cash equivalents

All bank balances are held with JPMorgan Chase undertakings.

17. Creditors: amounts falling due within one year

	2019	2018
	$'000	$'000
Amounts owed to other JPMorgan Chase undertakings	82,260	92,299
Taxation and social security	746	836
Accruals	856	755
Other creditors	734	845
	84,596	94,735

Included within Creditors: amounts falling due within one year, are the following balances with JPMorgan Chase undertakings:

	2019	2018
	$'000	$'000
Amounts owed to other JPMorgan Chase undertakings	82,260	92,299
Accruals	716	164
	82,976	92,463

18. Called up share capital

	2019	2018
	$'000	$'000
Issued and fully paid share capital		
5,000,000 (2018: 5,000,000) ordinary shares of $1 each	5,000	5,000

19. Dividends

The Company paid an interim dividend of $150 million on 9th September 2019 to its parent, The Bear Stearns Companies LLC.

20. 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, as the situation is ongoing and eventual outcome unknown, the Company cannot quantify the final impact on the financial position or operations as a result of the COVID-19 pandemic.The impact of the pandemic on the Company will be managed through temporary changes in regulations, the operation of insolvency practitioner resiliency plans and the inherent flexibility of UK insolvency plans, such as payment holidays and the extension of the plan. For more detail on Firmwide measures refer to operational risk (pages 7-8).