Pillar 3 Disclosure Report as at 31.12.2016 JPMorgan Asset Management International Limited

April 2017

J.P.Morgan

Contents

Pillar 3 Disclosure Report 2016

1. Introduction

Background

The Basel Committee on Banking Supervision has published its set of rules on 16 December 2010, referred to as Basel III.
Basel III includes the Basel II agreement as of 2004, which consists of 3 supplemental Pillars:

- Pillar 1 – Minimum Capital Requirements,
- Pillar 2 – Internal Capital Adequacy Assessment Process and
- Pillar 3 – Public Disclosure, which provides market participants with information on applied rules, own funds, risk, risk analysis and thus the capital adequacy.

The transposition of the Basel III framework into European law was done in two parts: publication of the Capital Requirements Directive IV (CRD IV/Directive 2013/36/EU) and the Capital Requirements Regulation (CRR/Regulation [EU] Nr. 575/2013). It was published in the Official Journal of the European Union on 27 June 2013. Part 8 of CRR includes additional provisions on regulatory disclosure for credit institutions.

Both, Directive and Regulation, are applicable since 1 January 2014.

JPMorgan Asset Management International Limited

JPMorgan Asset Management International Limited (JPMAMIL, Group) is an intermediate holding company within the chain of companies that are all subsidiaries of JPMorgan Chase & Co (the Firm). The Pillar 3 disclosures for JPMAMIL in this document relate to JPMAMIL and its subsidiaries on a consolidated basis excluding the insurance company, JPMorgan Life Limited.

JPMAMIL’s activities are mainly in the European region, although there is a 49% participation in the China International Fund Management Co. Limited (CIFMCO) joint venture with Shanghai International Trust Co. Limited.

JPMorgan Asset Management is the marketing name for the Asset Management businesses of JPMorgan Chase & Co. and its affiliates worldwide. As at 31 December 2016, JPMAMIL has approximately £402 billion of assets under management on a contracted or managed basis in equity, fixed income, liquidity, balanced and alternative investments. JPMAMIL offers a comprehensive range of investment approaches. Equity strategies cover both broad-based "core" funds and specialist smaller-company and sector funds. JPMAMIL’s fixed income strategies cover the range of liquidity and short duration to core, high yield and emerging market debt. JPMAMIL also has a comprehensive range of alternative investments. JPMorgan Asset Management is the chosen partner of pension funds, charities, foundations, sovereigns and central banks worldwide. JPMAMIL offers investment expertise on both a pooled and a segregated basis, using the same highly-regarded investment teams in both cases. JPMAMIL strives to underpin our investment capabilities with the highest level of client service. JPMAMIL is a leader in providing investments in each of its markets.

JPMorgan Asset Management (UK) Limited

JPMorgan Asset Management (UK) Limited (JPMAMUK, Company) is a wholly owned subsidiary of JPMAMIL. JPMAMUK, as a Financial Conduct Authority (FCA) “BIPRU firm” is required to make Pillar 3 disclosures as set out in the FCA handbook, BIPRU 11, and is considered a significant subsidiary of JPMAMIL.

The primary activity of JPMAMUK is investment management of assets for institutional clients, through a combination of segregated investments and pooled fund vehicles. Client assets are managed through equity, fixed income, alternative and multi-asset products. The Company acts as an agent for client investments.

Aim of the disclosure report

This report provides an overview of the risk profile and the risk management of JPMAMIL, including any significant subsidiaries.

The disclosure particularly comprises:

- Risk strategy and guidelines of the risk management of JPMAMIL;
- Structure of own funds and capital requirements of JPMAMIL;
- Detailed information on credit risk, market risk, operational risk and asset encumbrance.

This disclosure fulfils the requirements as set out in Part Eight of the CRR.

In accordance with Article 432 CRR and EBA/GL/2014/14 on non-material, proprietary or confidential information, the representations in this report are based on materiality as outlined in EBA/GL/2014/14.

Frequency and means of disclosure (Art. 433 and 434)

JPMAMIL publishes its Pillar 3 disclosures report annually in accordance with Article 433 CRR. The disclosure report is made available according to Article 434 CRR on the website of JPMorgan Chase & Co. at http://investor.shareholder.com/jpmorganchase/basel.cfm.

Scope of application (Art. 436)

This report is based on the regulatory consolidation. The consolidation basis used is the same as that used for reporting regulatory capital adequacy to the UK FCA. The scope of consolidation is the same as that used for the audited non statutory financial statements.

All information in this report is disclosed in millions of Pounds Sterling (GBP), unless otherwise specified.

This report also presents the Pillar 3 disclosures for JPMAMUK, which is required to make such disclosures per BIPRU 11 and is considered a significant subsidiary of JPMAMIL. For the purposes of this report all JPMAMUK disclosures have been made in accordance with the CRR.

JPMAMIL and its constituent legal entities are subject to Firmwide control processes, which are set out in this disclosure.

2. Risk management and objectives (Art. 435)

Risk Management Philosophy

Risk is an inherent part of JPMorgan Chase's business activities. The Firm's overall objective is to manage its businesses, and the associated risks, in a manner that balances serving the interests 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's approach to risk management covers a broad spectrum of economic and other core risk areas, such as credit, market, liquidity, model, principal, country, operational, compliance, conduct, legal, capital and reputation risk, with controls and governance established for each area, as appropriate.

The Firm believes that effective risk management requires:

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

The Firm's Operating Committee, which consists of the Firm's Chief Executive Officer (CEO), Chief Risk Officer (CRO), Chief Operating Officer (COO), Chief Financial Officer (CFO) and other senior executives, is the ultimate management escalation point in the Firm, and may refer matters to the Firm's Board of Directors. The Operating Committee is responsible and accountable to the Firm's Board of Directors.

The Firm strives for continual improvement through efforts to enhance controls, ongoing employee training and development, talent retention and other measures. The Firm follows a disciplined and balanced compensation framework with strong internal governance and independent Board oversight. The impact of risk and control issues are carefully considered in the Firm's performance evaluation and incentive compensation processes.
The Firm's CRO is the head of the Independent Risk Management (IRM) function and reports to the CEO and the Board of Directors Risk Policy Committee (DRPC). The CEO appoints the CRO to create the Risk Management Framework subject to approval by the DRPC in the form of the Primary Risk Policies. The Chief Compliance Officer (CCO), who reports to the CRO, is also responsible for reporting to the Audit Committee for the Global Compliance Program. The Firm's Global Compliance Program focuses on overseeing compliance with laws, rules and regulations applicable to the Firm's products and services to clients and counterparties.

The IRM function, comprised of Risk Management and Compliance Organizations, is independent of the businesses. The IRM function sets various standards for the risk management governance framework, including risk policy, identification, measurement, assessment, testing, limit setting (e.g., risk appetite, thresholds, etc.), monitoring and reporting. Various groups within the IRM function are aligned to the line of business (LOB) and to corporate functions, regions and core areas of risk such as credit, market, country and liquidity risks, as well as operational, model and reputational risk governance.

The Firm places key reliance on each of its LOBs and other functional areas giving rise to risk. Each LOB or other functional area giving rise to risk is expected to operate its activities within the parameters identified by the IRM function, and within their own management-identified risk and control standards. Because these LOBs and functional areas are accountable for identifying and addressing the risks in their respective businesses and for operating within a sound control environment, they are considered the "first line of defense" within the Firm's risk governance framework.

The Firmwide Oversight and Control (O&C) Group consists of dedicated control officers within each of the lines of business and corporate functions, as well as having a central oversight function. O&C is in charge of enhancing the Firm's control environment by looking within and across the lines of business and corporate functions to help identify and remediate control issues. O&C enables the Firm to detect control problems more quickly, escalate issues promptly and engage other stakeholders to understand common themes and interdependencies among the various parts of the Firm.

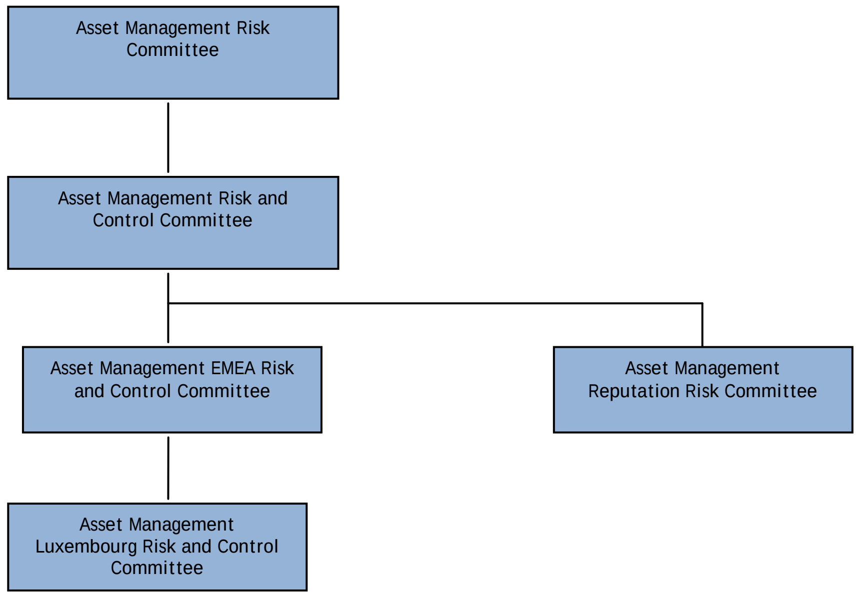
As the "second line of defense", the IRM function provides oversight and independent challenge, consistent with its policies and framework, to the risk-creating LOBs and functional areas.

Internal Audit, a function independent of the businesses and the IRM function, tests and evaluates the Firm's risk governance and management, as well as its internal control processes. This function, the "third line of defense" in the risk governance framework, brings a systematic and disciplined approach to evaluating and improving the effectiveness of the Firm's governance, risk management and internal control processes. The Internal Audit Function is headed by the General Auditor, who reports to the Audit Committee.

The independent status of the IRM function is supported by a governance structure that provides for escalation of risk issues to senior management, the Firmwide Risk Committee, or the Board of Directors.

Risk governance

JPMAMIL as part of the Asset Management line of business operates a system of control forums and risk committees that facilitate the monitoring and enhancement of controls and provide a means of escalating potential issues to senior management.



Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed processes or systems, human factors or external events that are neither market nor credit-related. Operational risk is an inherent part of the activity of JPMAMIL; similar to the Firm's activities, the activities of JPMAMIL and its subsidiaries can manifest themselves in various ways, including, for example, fraudulent acts, business interruptions, inappropriate employee behaviour, failure to comply with applicable laws and regulations or failure of vendors to perform in accordance with their arrangements. These events could result in financial losses, litigation and regulatory fines, as well as other damage to JPMAMIL and/or the Firm. The goal is to keep operational risk at appropriate levels, in light of the Firm's financial strength, the characteristics of its businesses, and the markets and regulatory environments in which it operates.

Overview

To monitor and control operational risk, the Firm maintains Operational Risk Management Framework (ORMF) which is designed to enable the Firm to maintain a sound and well-controlled operational environment. The ORMF is comprised of four main components: Governance, Risk Assessment, Measurement and Monitoring and Reporting.

Governance

The lines of business and corporate functions are responsible for owning and managing their operational risks. The Firmwide Oversight and Control Group, which consists of control officers within each line of business and corporate function, is responsible for the day-to-day execution of the ORMF. Line of business and corporate function control committees oversee the operational risk and control environments of their respective businesses and functions. These committees escalate operational risk issues to the Firmwide Control Committee (FCC), as appropriate. The Firmwide Risk Executive for Operational Risk Governance (ORG), a direct report to the Chief Risk Officer (CRO), is responsible for defining the ORMF and establishing minimum standards for its execution. Operational Risk Officers report to both the line of business CROs and to the Firmwide Risk Executive for ORG, and are independent of the respective businesses or corporate functions they oversee. The Firm's Operational Risk Governance Policy is approved by the Directors' Risk Policy Committee (DRPC). This policy establishes the Operational Risk Management Framework for the Firm. The assessments of operational risk using this framework are reviewed with the DRPC

Risk Assessment
The Firm utilizes several tools to identify, assess, mitigate and manage its operational risk. One such tool is the (Risk and Control Self Assessment) RCSA program which is executed by LOBs and corporate functions in accordance with the minimum standards established by ORG. As part of the RCSA program, lines of business and corporate functions identify key operational risks inherent in their activities, evaluate the effectiveness of relevant controls in place to mitigate identified risks, and define actions to reduce residual risk. Action plans are developed for identified control issues and businesses are held accountable for tracking and resolving issues in a timely manner. Operational Risk Officers independently challenge the execution of the RCSA program and evaluate the appropriateness of the residual risk results. In addition to the RCSA program, the Firm tracks and monitors events that have or could lead to actual operational risk losses, including litigation-related events. Responsible businesses and corporate functions analyse their losses to evaluate the efficacy of their control environment to assess where controls have failed, and to determine where targeted remediation efforts may be required. ORG provides oversight of these activities and may also perform independent assessments of significant operational risk events and areas of concentrated or emerging risk.

Measurement
In addition to the level of actual operational risk losses, operational risk measurement includes operational risk based capital and operational risk losses under both baseline and stressed conditions. The primary component of the operational risk capital estimate is the Loss Distribution Approach (LDA) statistical model, which simulates the frequency and severity of future operational risk loss projections based on historical data. The LDA model is used to estimate an aggregate operational risk loss over a one-year time horizon, at a 99.9% confidence level. The LDA model incorporates actual internal operational risk losses in the quarter following the period in which those losses were realized, and the calculation generally continues to reflect such losses even after the issues or business activities giving rise to the losses have been remediated or reduced. As required under the Basel III capital framework, the Firm's operational risk-based capital methodology, which uses the Advanced Measurement Approach, incorporates internal and external losses as well as management's view of tail risk captured through operational risk scenario analysis, and evaluation of key business environment and internal control metrics. The Firm considers the impact of stressed economic conditions on operational risk losses and develops a forward looking view of material operational risk events that may occur in a stressed environment. The Firm's operational risk stress testing framework is utilized in calculating results for the Firm's Comprehensive Capital Analysis Review (CCAR) and Internal Capital Adequacy Assessment Process (ICAAP) processes

For information related to operational risk measurement refer to Section 4 Capital requirements.

Monitoring and reporting
ORG has established standards for consistent operational risk reporting. The standards also reinforce escalation protocols to senior management and to the Board of Directors. Operational risk reports are produced on a firmwide basis as well as by line of business and corporate function.

Market risk management:

Market risk is the exposure to an adverse change in the market value of financial instruments caused by a change in market parameters. The primary categories of market parameters are:

- Interest Rates - Interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates, and mortgage prepayment rates;

- Foreign Exchange Rates - Foreign exchange rate risks result from exposures to changes in prices and volatility of currency rates;

- Equity Prices - Equity price risks result from exposures to changes in prices and volatility of individual equities, equity baskets and equity indices;

- Credit Spreads - Credit spreads are the difference between yields on corporate debt subject to default risk and government bonds;

- Commodity Prices - Commodity price risks result from exposures to changes in prices and volatility of commodities, such as natural gas, crude oil, petroleum products, precious and base metals and electricity.

Market risk management is part of an independent risk management function who are responsible for monitoring market risks throughout the Firm and defines market risk policies and procedures. The Market Risk function reports to the Firm's CRO.

The Firmwide Risk Executive (FRE), Market Risk and Line of Business Chief Risk Officers are responsible for managing firmwide market risk. The LOB Market Risk functions are responsible for establishing methodologies and procedures to measure, monitor and control market risk, using information provided by the Firm's risk infrastructure.

Market Risk seeks to control risk, facilitate efficient risk/return decisions, reduce volatility in operating performance and provide transparency into the Firm's market risk profile for senior management, the Board of Directors and regulators. Market Risk is responsible for the following functions:

- Establishment of a market risk policy framework
- Independent measurement, monitoring and control of line of business and firmwide market risk
- Definition, approval and monitoring of limits
- Performance of stress testing and qualitative risk assessments

JPMAMIL is integrated into the firmwide market risk management framework

Risk identification and classification:
Each Line of Business is responsible for the management of the market risks within its units. The independent risk management group responsible for overseeing each line of business is charged with ensuring that all material market risks are appropriately measured, monitored and managed in accordance with the risk policy framework set out by Market Risk.

Risk Measurement
As no single measure can reflect all aspects of market risk, Market Risk uses various metrics, both statistical and non-statistical, to capture market risk, including, but not limited to:

- Value at Risk (VaR)
- Economic-value stress testing
- Non-statistical risk measures
- Loss advisories / Profit and loss drawdowns
- Single Name Position Risk (SNPR)

Risk monitoring and control
Market risk is controlled primarily through a series of limits set in the context of the market environment and business strategy. In setting limits, the Firm takes into consideration factors such as market volatility, product liquidity and accommodation of client business and management experience. The Firm maintains different levels of limits. Corporate level limits include VaR and stress limits. Similarly, line of business limits may include VaR and stress limits and may be supplemented by loss advisories, non-statistical measurements and profit and loss drawdowns. Limits may also be set within the lines of business, as well at the portfolio or legal entity level.
Limits are set by Market Risk and are regularly reviewed and updated as appropriate, with any changes approved by line of business management and Market Risk. Senior management, including the Firm's CEO and CRO, are responsible for reviewing and approving certain of these risk limits on an ongoing basis. All limits that have not been reviewed within specified time periods by Market Risk are escalated to senior management. The lines of business are responsible for adhering to established limits against which exposures are monitored and reported.
Limit breaches are required to be reported in a timely manner by Risk Management to limit approvers, Market Risk and senior management. In the event of a breach, Market Risk consults with Firm senior management and line of business senior management to determine the appropriate course of action required to return to compliance, which may include a reduction in risk in order to remedy the breach. Certain Firm or line of business-level limits that have been breached for three business days or longer, or by more than 30%, are escalated to senior management and the Firmwide Risk Committee.

JPMAMIL's Market Risk Exposures:

Seed capital and other collective investment undertakings:
Market risk exposure primarily arises from seed capital investments. Seed capital investments are defined as initial equity capital invested in mutual funds distributed by JPMAMIL. Once a fund is commercially viable, generally within one to three years, the seed capital investment is generally redeemed entirely or reduced significantly, unless approved

otherwise. Management accepts the risk associated with such investments on the understanding that initial investments are upon inception designed to be limited in duration, and that there is a set limit of total seed capital investment.

Co-Investments:
Co-investments are defined as equity capital invested alongside third-party investors typically in privately distributed collective vehicles managed by JPMAMIL, including open-ended funds such as hedge funds, and closed-ended funds such as private equity funds or certain real asset funds. As a general matter, JPMAMIL seeks to minimise the amount of co-investment to levels that support third-party fund raising. Management fees and performance fees, if any, may or may not be charged on co-investments. JPMAMIL may, from time to time, invest capital to facilitate the establishment of, or redeem ownership interests, of a privately distributed fund. Although these other principal investments are not made alongside third party investors, they provide the same risk exposure as, and are regarded as, co-investments.

For regulatory capital, market risk measurement is based either on a severely adverse stress test or a capital requirement equal to 100% of the position, as described in the Pillar 2 market risk capital measurement section on page 21.

Credit risk management:

Credit risk is the risk of loss arising from the default of a client or counterparty. JPMAMIL is exposed to credit risk through cash balances held mainly either in accounts with JPMorgan Chase Bank N.A. London Branch or in J.P.M liquidity funds, settlement accounts which comprise debtors arising from the purchase and sale of units in collective investment undertakings and fee accruals. Risk Management and Finance monitor credit exposures across the business during the monthly Capital Review Committee meeting. The exposures monitored are cash levels, settlement accounts and fee receivables. The Capital Review Committee reports to the Asset Management EMEA Risk and Control Committee and the board.

For regulatory capital, credit risk measurement is based on the probability of default of an obligor or counterparty, the loss severity given a default event and the exposure at default. Based on these factors, JPMAMIL estimates credit losses for its exposures. These losses are estimated using statistical analyses. The methodologies used to estimate credit losses depend on the characteristics of the credit exposure, as described in the credit risk capital requirement section below.

Fiduciary risk:

Depending on the fiduciary activity and capacity in which the Firm or Line of Business (LOB) is acting, federal, state statutes, common law, and regulation require adherence to specific duties in which the Firm should act in the best interest of their fiduciary clients. As an example, common law requires that fiduciaries act in accordance with the duties of loyalty and care:

- Duty of Loyalty: Act in the best interest of their clients, refrain from impermissible self-dealing, avoid or manage conflicts of interest.
- Duty of Care: Manage client assets with reasonable care, skill, and prudence in context of whole portfolio and individual securities.

Fiduciary Risk is the risk that the Firm, acting as a fiduciary, may breach its duty of loyalty or care, in violation of a regulation, laws or contracts.

This risk is captured through the Group's operational risk measurement process.

Group risk:

Group risk is the risk that the financial position of JPMAMIL may be adversely affected by its relationships (financial or non-financial) with other entities in the JPMorgan Chase group or by risks which may affect the financial position of the whole group, for example, reputational contagion. JPMAMIL does not rely on the support of its parent to maintain its capital surplus and the business has sufficient financial resources to operate as a stand-alone asset manager. As part of a global, diversified financial services group, JPMAMIL is potentially exposed to reputational risk from the activities of other lines of business within JPMorgan Chase, in particular those associated with trading and investment banking type activities. However, JPMAMIL itself operates its business on an agency rather than principal basis and is separately branded. Dividends are required to be approved by the local legal entity boards, which would be obliged to comply with relevant Companies Act legislation and related regulations. Client owned assets are fully segregated and held by independent custodians or depositaries; hence, any issue in the wider JPMorgan Chase Group would not have any adverse effect on the value of the client assets held. JPMAMIL does not fund itself by means of off-balance sheet vehicles and does not, therefore, need to hold capital against the need to bring activities of this nature back onto its balance sheet. Whilst in some instances JPMAMIL uses affiliated service providers, these services are provided at arm's length and covered by appropriate service level agreements.

Group risk is considered as part of the broader assessment of credit, third party provider and business risk.

Concentration risk:

A risk concentration is any single exposure or group of exposures with the potential to produce losses large enough to threaten JPMAMIL's viability

Risk concentrations may arise in the following categories:

- credit
- market
- client / distribution channel
- product
- geographical

Credit risk concentrations
JPMAMIL does not actively take credit risk as part of its business. The group is self-funding and has a diversified stream of revenues from which the business is funded. As a result, credit concentrations within the business do no present a significant risk to the group.

Market risk concentrations
The largest source of market risk within the JPMAMIL group is generated by its seed capital portfolio. The seed capital portfolio contains a diversified portfolio of CIUs and does not generate any significant concentration risks for the business.

Client and distribution channel concentrations
The client base of JPMAMIL is diversified by client type and channel and the viability of JPMAMIL is not dependent on any single client or group of clients. As a result, management does not consider it necessary to hold capital against client concentration risk.

Product concentrations
JPMAMIL offers a broad range of products to investors. AuM is spread across equities, fixed income, multi asset, real estate and liquidity. Given the mix of asset classes managed within the group and the resilience JPMAMIL has shown historically, JPMAMIL does not consider it necessary to hold capital against product concentration risk.

Geographical concentrations
JPMAMIL is well-diversified by geography. The Institutional business has clients in a number of locations, including the UK, Continental Europe, the US, Canada, and Asia. Likewise, the retail business in Europe is spread across a number of countries with significant AUM coming from the UK, Italy, Germany, Switzerland and Benelux.

Given the geographic scope and diversity of the business, management does not consider it necessary to hold capital against geographical concentration risk.

Business risk:

JPMAMIL does not hold capital specifically against business risk, but requires that capital resources projected over a five year horizon should be sufficient to withstand a severe market downturn. In addition, the effect of significant business initiatives on capital requirements and resources must be evaluated before any commitment, to ensure a continued surplus of capital resources over capital requirements.

Interest rate risk:

Interest rate risk is the risk to earnings or capital arising from movement of interest rates. JPMAMIL group entities do not deliberately take positions to benefit from movement in interest rates. The risk that a movement of interest rates will affect group earnings from cash deposits through reduced net interest income has been incorporated into the market risk capital considerations; therefore no additional capital is held.

Pension obligation risk:

The JPMAMIL group has no material exposure to defined benefit pension plans. Employing entities within the group are JPMAM UK and JPMorgan Asset Management Europe S.a.r.l (JPMAME); JPMAM UK has never operated a defined benefit pension scheme. Whilst certain employees of JPMAM UK enjoy a residual entitlement to benefits from the UK Retirement Plan, this plan was closed to future accrual in 2007 and at this time, asset management staff in the UK were employed by other group entities, who seconded these staff to the JPMAMIL group. Should the plan ever be assessed as underfunded, the requirement for closing the funding gap would be expected to fall to its participating employers, failing which the Pensions Regulator could impose its powers to require funding from the employing entity at the time or indeed JPMAM UK. However, Pillar 2A capital is held in JPMCHL in respect of substantially all of the liabilities relating to the UK Retirement Plan that could fall on its participating employers and the risk of liability falling on the JPMAMIL group is considered remote. In the case of JPMAME, there are three small retirement plans, one final salary and two carrying interest guarantees, that could generate deficits that would need to be borne by JPMAME.

Management therefore concludes that capital should be held against pension obligation risk.

Third party provider risk:

To identify and manage the operational risk inherent in its outsourcing activities, the Firm has a Third-Party Oversight (TPO) framework to assist lines of business and corporate functions in selecting, documenting, onboarding, monitoring and managing their supplier relationships. The objective of the TPO framework is to hold third parties to the same high level of operational performance as is expected of the Firm’s internal operations. The Third-Party Oversight group is responsible for Firmwide TPO training, monitoring, reporting and standards

Liquidity risk:

JPMAMIL defines liquidity risk as the risk of arising from the Firm’s inability to meet its contractual and contingent obligations through normal cycles as well as during market stress events. JPMAMIL and its subsidiaries manage their liquidity risk by investing in readily available assets, primarily by investing cash in AAA rated money market funds or maintaining cash in JPMorgan demand deposit accounts in order to meet their liabilities when they fall due. As limited licence entities, no dealing on own account or maturity transformation is undertaken. The business is not capital intensive and a complex funding model is therefore not required. The entities are self-funded from the fee income generated from diversified sources with no undue reliance on individual clients, sectors or products.

Money Market Funds (MMF) risk:

Money Market Fund risk is the risk that an investor in a Money Market Fund loses principal and JPMAMIL is required to provide capital support to the fund.

The risks associated with investing in Money Market Funds are fully disclosed in relevant scheme documentation such as Prospectuses and Key Investor Information Documents and JPMAMIL calibrates its investment risk parameters to meet the stated objective of each Fund. Investors are aware that these Funds are not guaranteed and that the value of their investment may go down as well as up.

JPMAMIL will not provide capital support for the Money Market Funds and has included the following text within the JPMorgan Liquidity Funds prospectuses:

Investors should note that JPMorgan Liquidity Funds are investment funds established as an Undertaking for Collective Investments in Transferable Securities (UCITS) and are not banking products. Whilst the preservation of capital is a major component of the objective of the funds it is not guaranteed. Neither JPMorgan Asset Management (UK) Limited, JPMorgan Asset Management (Europe) S.a.r.l., nor any other company in the JPMorgan Chase & Co. Group will provide capital support for the funds in the event of any capital loss arising within the funds.

Therefore no separate capital requirement is considered necessary.

Valuation risk:

As a US regulated corporation, the Firm is required to comply with US accounting standards (US GAAP) which state under FAS 157 that certain assets and liabilities be recorded at fair value.

US GAAP defines fair value 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.” This is sometimes referred to as “exit price.” Fair value is the price that a third party would be willing to pay for an asset, not what the Firm may believe the asset should be worth. Fair value is measured for a ‘normal’ sized position.

The statutory financial statements of the UK regulated entities are prepared under FRS 101 “Reduced Disclosure Framework” which applies the recognition and measurement requirements of EU-adopted International Financial Reporting Standards (IFRS). Similar to US GAAP, IFRS requires certain assets and liabilities to be recorded at fair value. IFRS fair value measurement is materially aligned with US GAAP, with known and immaterial valuation differences, which are adjusted in the FRS 101 financial statements.

The assets and liabilities on JPMAMIL’s consolidated balance sheet are either carried at amortised cost or marked to market based on quoted prices.

Insurance risk:

Insurance risk is the risk that JPMAMIL enters into an insurance underwriting arrangement and is required to pay claims as a result of an insurance event.

JPMAMIL does not enter into any insurance underwriting arrangements and is not, therefore, exposed to this risk type.

Residual risk:

Residual risk is the risk that credit risk mitigation techniques (i.e. collateral, guarantees, and credit derivatives) used by the Firm to reduce the credit risk associated with exposures held by the Firm prove less effective than expected.

JPMAMIL does not undertake any credit mitigation techniques such as the use of non-cash collateral, guarantees, and credit derivatives, as it is not exposed to the relevant risks and therefore residual risk does not arise.

Securitisation risk:

Securitisation risk includes the risk that the own funds held by a Firm for assets which it has securitised are inadequate having regard to the economic substance of the transaction, including the degree of risk transfer achieved.

JPMAMIL does not carry out any securitisation activity and therefore this risk does not apply.

Risk Appetite

Firmwide Risk Appetite Framework

The JPMAMIL Risk Appetite framework leverages the Firms' framework, which integrates risk controls, earnings, capital management, liquidity management and return targets to set the Firm's risk appetite in the context of its objectives for key stakeholders, including but not limited to shareholders, depositors, regulators and clients.

i) Quantitative Parameters

Risk appetite is set and evaluated in the context of the Firm's business strategy and risk taking, as well as capital and liquidity planning as determined during the periodic assessment process, and is expressed in the quantitative parameters defined as: (i) stressed net income; (ii) capital stress; (iii) credit risk; (iv) market risk; (v) structural interest rate risk; and (vi) liquidity risk.

ii) Qualitative Factors

The Risk Appetite framework for assessing and monitoring risk is supported by the risk and control frameworks in place throughout the Firm, as governed by the Risk Management Governance policy, where each area of the Firm is responsible for assessing and managing the risks in its business, at a minimum to meet the Firm's risk management standards and operate within its own risk control standards. The Firm places key reliance on the LOB as the first line of defence in risk governance. Corporate functions are also responsible for the assessment of the risks they create including escalation of issues, as appropriate.

While the Firm's appetite for certain risks is not numerically quantified, firm level risk appetite is set for the following qualitative factors: (i) operational risk; (ii) compliance risk; (iii) conduct risk; and (iv) reputation risk.

Similar to the Firm, the risk appetite for JPMAMIL is established by management and approved by the board taking into consideration the entity's capital, liquidity positions, earnings power and business model. The JPMAMIL Risk Appetite framework considers stressed net income, liquidity risk, capital risk, operational risk, conduct risk, compliance risk and reputation risk; and embeds market and credit risk limits.

JPMAMIL Risk Appetite Overview

Governance

JPMAMIL's Board of Directors is responsible for approving and reviewing the JPMAMIL's Risk Appetite framework.

Key figures and ratios regarding the interaction between the risk profile and the risk appetite are deemed to be proprietary information as they relate to competitively significant operational conditions and business circumstances, as defined within EBA guidelines EBA/GL/2014/14.

Board Declaration – Adequacy of Risk Management arrangements

The JPMAMIL and JPMAMUK boards of directors are satisfied that management has taken reasonable care to establish and maintain risk systems and controls as appropriate to its business.

Members of the Boards of Directors

In selecting candidates for the Boards of Directors, JPMAMIL and JPMAMUK look for individuals with strong personal attributes, diverse backgrounds and demonstrated expertise and success in one or more disciplines relevant to the business. The goal is to have a Board of Directors consisting of individuals with a combination of skills, experience and personal qualities that will well serve it, its committees, the Firm and the shareholders. Candidates for director may be recommended by current Board members or management. Individuals are appointed to the board of directors in accordance with the Firmwide significant influence function appointment process.

Mike O'Brien (Director JPMAMIL & JPMAMUK)
Mike O'Brien, Managing Director, is the Chief Executive Officer (CEO) of Asset Management EMEA and the Co-Head of the Multi Asset-Solutions, based in London.
As CEO, O'Brien partners with the global investment, business and function heads to develop the business priorities in EMEA. A key area of his responsibility is ensuring the Firm remains in line with the regulatory requirements and within a framework of appropriate risk management. O'Brien is also a director of the Firm's principal legal entities and fund boards in Europe. In his role as Co-Head of Multi-Asset Solutions, O'Brien oversees the Firm's Multi-Asset, Retirement, Pensions & Insurance Advisory and ETF businesses globally. Prior to this he was responsible for the Firm's Global Institutional Business.
An employee since 2010, he is also a member of the JPMorgan Asset Management Operating Committee, as well as the JPMorgan Global Asset Management Operating Committee.

Previously he worked at BlackRock/BGI where he was Head of Institutional Business for EMEA. During his decade-long tenure at BGI and then BlackRock, he led a team of institutional client advisors responsible for some of the firm's largest clients located across 12 regional markets. Prior to that, he worked at Towers Perrin for 14 years where he oversaw their U.K. and European investment consulting practice, managing all aspects of pension planning financial management, and developing new products and service offerings, such as pension financial risk modelling for U.K. and U.S. corporations.

O'Brien holds a bachelor's degree in Applied Mathematics from Limerick University in Ireland. He is an Actuary (FIA) and a CFA charterholder. He sits on the Board of the National Association of Pension Funds (NAPF) in the U.K. and is a member of the NAPF's Defined Benefits Council. He is also an advisor to the Investment Committee of the U.K.'s Pension Protection Fund.

Dan Watkins (Director JPMAMIL & JPMAMUK)
Dan Watkins, Managing Director, is the Deputy Chief Executive Officer of Asset Management EMEA and Global Head of Asset Management Client Services and Business Platform. An employee since 1997, Dan oversees the business infrastructure of Asset Management in Americas, Europe and Asia including client services, fund administration, product development, and RFP. Dan also performs the role of Deputy CEO of Asset Management EMEA acting as a director of all the regulated legal entities across the region. Previously, he was head of Europe Chief Operating Officer and Global AM Operations, head of the European Operations Team, head of the European Transfer Agency, head of Luxembourg Operations, manager of European Transfer Agency and London Investment Operations; and manager of the Flemings Investment Operations Teams.

Dan obtained a BA in Economics and Politics from the University of York and is a qualified Financial Advisor.

Ioan Roberts (Director JPMAMIL & JPMAMUK)
Ioan Roberts, Managing Director, is Chief Financial Officer for Multi-Asset Solutions as well as Senior Finance Officer for Asset Management EMEA. He was previously Global Institutional CFO and Europe CFO for Asset Management, and prior to that held various roles within the AM Europe Finance team. Ioan joined the company in 1999. He is a qualified Chartered Accountant since 1998 and a CFA charterholder since 2005. Ioan obtained a BSc in Mathematics from Imperial College, University of London.

Nicholas Gartside (Director JPMAMIL & JPMAMUK)
Nicholas J. Gartside, Managing Director, is the International Chief Investment Officer of our Asset Management Global Fixed Income, Currency & Commodities (GFICC) group. In addition, he is the co-manager of our multi-sector fixed income products and serves on the Currency Investment Policy Committee (CIPC). Prior to joining the Firm in 2010, Nick was at Schroder Investment Management for eight years, initially as a Euro government bond portfolio manager. In 2007, he moved to the global bond team as a global government bond portfolio manager and most recently served as the Head of Global Fixed Income. His previous roles were at Mercury Asset Management/Merrill Lynch Investment Managers. Nick earned a B.A. in History and Politics from Durham University and an M.Phil. in International Relations from Cambridge

University. Nicholas is a CFA charterholder and holds the Investment Management Certificate from the UK Society of Investment Professionals.

Victoria Hastings (Director JPMAMIL & JPMAMUK)

Victoria joined the Boards of JPMorgan Asset Management (UK) Limited and JPMorgan Asset Management International Limited in December 2016.

Victoria is an experienced Non-Executive Director, having held a portfolio of appointments over the past 12 years. In addition to her recent JPMorgan appointments, she currently holds two investment trust board roles.

Victoria also has a wealth of experience in the asset management sector, dating back to 1988. She began her career at Kleinwort Benson, before moving to Mercury Asset Management / MLIM, where she spent 10 years in a number of senior investment management roles. She then joined JO Hambro Capital Management in 2004, initially as Consultant to the Chief Executive, moving on to the role of Investment Director responsible for institutionalising the oversight and monitoring of investment strategies. Since 2014 she has focused on her Non-Executive Directorships.

Ruston Smith (Director JPMAMIL)

Ruston joined the Boards of JPMorgan Funds Limited and JPMorgan Asset Management International Limited in December 2016.

Ruston is currently Director, Group Pensions at Tesco, with responsibility for UK and international pensions and Tesco Pension Investment, among other areas. He joined Tesco in 2002. Prior to this, Ruston had a long tenure in PZ Cussons, having joined as Group Pensions Manager in 1990 and rising to his final role in the business which was Group Company Secretary and Director of Legal, Intellectual Property, Commercial Property, Insurance and Pensions. Between 1984 and 1990, Ruston spent the early part of his career in a number of Pensions roles with Rockware Glass, Kenneth Wilson and Dobson Park.

Ruston holds a number of Non-Executive roles outside of his executive career. He has been a Non-Executive Director of the National Association of Pension Funds since 2007, serving as its Chairman for two years from 2013, and as the Chairman of its Retirement Policy Council since 2011. He is also Non-Executive Director of Standard Life's Master Trust and Trustee Director & Chairman of the Welfare Strategy Committee for Grocery Aid.

Jasper Berens (Director JPMAMUK)

Jasper Berens, Managing Director, is head of the UK Funds Business at JPMorgan Asset Management. An employee since 1997, previously he was head of UK Sales from 2005 to 2012. Prior to that, he was head of Asset Management Sales. He started his career in fund sales at Guinness Flight and Hambros in 1993. Jasper is a Director of JPMorgan Asset Management (UK) Ltd as well as a Director of JPMorgan Funds Limited, JPMorgan Trustee & Administration Services Limited and JPMorgan Asset Management Marketing Limited. Jasper also sits on the UK and European Asset Management Committees. Jasper is Chair of the Pensions & Savings Symposium Executive Committee and also sits on the Firms UK Philanthropy Committee. Jasper is a main Board member of the Investment Association and he also sits on the Financial Capability Board. Jasper obtained a BA in History from the University of Bristol.

Patrick Thomson (Director JPMAMUK)

Patrick Thomson, Managing Director, is international head of Institutional Clients for JPMorgan Asset Management and is on the board of JPMorgan Asset Management. He is also on JPMAM's Global Client Operating Committee.

Patrick joined JPMorgan Asset Management in 1995 and also spent five years at Ivy Asset Management, part of BNY Mellon, where he was global head of Client Development and chief executive of the London office.

After graduating from Edinburgh University with an MA (Hons), Patrick served as an officer in the British Army for five years. He is a member of the UK Society of Investment Professionals.

Number of directorships held by members of the Boards of Directors

Members of the Boards of Directors have also held directorships[1] in addition to being appointed by JPMAMIL and JPMAMUK during the year ended December 31, 2016 as follows:

Name	Directorships held
Board member of JPMAMIL & JPMAMUK	
Dan Watkins	1
Ioan Roberts	1
Mike O'Brien	1
Nick Gartside	1
Victoria Hastings**	3
Board member of JPMAMIL	
Ruston Smith**	7
Board member of JPMAMUK	
Jasper Berens	1
Patrick Thomson*	1

*Director appointed on July 27th 2016
** Director appointed on December 28th 2016

Diversity & Inclusion

JPMAMIL has a disciplined focus on our workforce, workplace and marketplace – with management accountability as the foundation and element most critical to the ability to hire, train and retain great and diverse employees whose unique perspectives help realise the business objectives. JPMAMIL are committed to a culture of openness and meritocracy, and believe in giving every individual an opportunity to succeed while bringing their whole selves to work.

Guiding Principles
Management accountability – engage managers at all levels of the organisation to be responsible for their people platform and incorporate diversity and inclusion into their business and people practices

- Workforce – continuously expand our scope for attracting talent and fostering, supporting and increasing internal mobility across all of our lines of business and functions
- Workplace – create the opportunities for all individuals to contribute and effectively work together to achieve success as a whole.
- Marketplace – recruit quality people who reflect the customers and communities that we serve and the marketplaces where we operate so that we increase our ability to deliver solutions and strengthen our financial performance.

Scope and Process
The firm wide diversity council and regional councils in Latin America, EMEA and Asia in partnership with senior leaders drive the diversity agenda on a local level. Each respective scope is implemented on a regional basis in line with the respective business objectives. Business Resource Groups (BRG), comprising senior leaders across all businesses, functions and regions, representing different diverse groups help deepen our inclusive work environment. Each BRG is sponsored by a JPMorgan Operating Committee (OC) member.

Metrics
To drive management accountability, show progress against our plans and determine where we need to focus, a series of firm-wide, regional and LOB/Function reports are prepared and shared with various levels of management on a scheduled basis (e.g. monthly, quarterly or annually).

Target for representation of women on EMEA Boards
At a regional level, J.P. Morgan has set an internal target to achieve 30% representation of women on several boards in EMEA. These targets will be achieved through periodic reviews of structure, size, composition and performance of Boards, and a promotion and focus on the existing practices embedded in our firm-wide Diversity & Inclusion Strategy outlined above.

[1] Directorships held within the same group are counted as one directorship, and those in organisations with non-commercial objectives are not counted.

3. Own funds (Art. 437 & 492)

JPMAMIL

As at December 31 2016, JPMAMIL's own funds have been calculated based on the audited non statutory financial statements as at December 31 2016. The basis of consolidation adopted for the audited non statutory financial statements of JPMAMIL is the same as the JPMAMIL regulatory consolidation. JPMAMIL has taken advantage of the exemption available to it under Section 401 of the Companies Act 2006 from preparation of statutory consolidated financial statements and thus the non statutory financial statements are the same in scope as the regulatory consolidation group.

JPMAMIL capital resources

Own funds solely consist of Common Equity Tier 1 capital. The authorised and issued share capital is fully paid. The authorised and issued share capital represents 220 million ordinary shares of £1 each.

Retained earnings amounted to £1,556.7m as at December 31, 2016.

In addition there are reserves, which consist of capital contribution and other reserves:

- The capital contribution reserve as at December 31, 2016 amounted to £189.0m
- Other reserves relate to foreign currency translation reserves and reserves related to Luxembourg domiciled subsidiaries and are non distributable tax and legal reserves accumulated through transfers from retained earnings. These appropriations are a local legal requirement. As at December 31, 2016 other reserves amounted to £90.4m

JPMAMIL has no other outstanding capital instruments, other than the shares mentioned above.

JPMAMIL has made deductions from regulatory capital according to Article 36 CRR. Total deductions as at December 31, 2016 amounted to £238.9m and consist mainly of goodwill and CET1 instruments of financial sector entities where the institution has a significant investment.

JPMAMIL has not applied any transitional provisions.

The table below shows the Group's capital resources. The table presents the components of regulatory capital as at 31 December 2016 using the format set out in Annex IV and Annex VI of the commission implementing regulation (EU).

	31 December 2016 Transitional Position £'m	Transitional Impacts £'m	31 December 2016 Fully Loaded Position £'m
Common Equity Tier 1 capital: instruments and reserves			
Capital instruments and the related share premium accounts	220.0		220.0
Retained earnings	1,556.7		1,556.7
Accumulated other comprehensive income (and other reserves)	279.4		279.4
Common Equity Tier 1 capital before regulatory adjustments	**2,056.1**		**2,056.1**
Common Equity Tier 1 capital: regulatory adjustments			
Additional Value Adjustments			
Goodwill and intangible assets (net of related tax liability)	(101.5)		(101.5)
Defined-benefit pension fund assets	(10.2)		(10.2)
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	(127.2)		(127.2)
Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the			
of which: free deliveries			
Losses for the current financial year			
Total regulatory adjustments to Common Equity Tier 1	**(238.9)**		**(238.9)**
Common Equity Tier 1 capital	**1,817.2**		**1,817.2**
Additional Tier 1 (AT1) capital			
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1			
Tier 1 capital (T1 = CET1 + AT1)	**1,817.2**		**1,817.2**
Tier 2 capital: instruments and provisions			
Capital instruments and the related share premium accounts			
Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties			
of which: instruments issued by subsidiaries subject to phase out			
Tier 2 capital	**-**		**-**
Total capital (TC = T1 + T2)	**1,817.2**		**1,817.2**
Total risk weighted assets	**2,959.0**		**2,959.0**
Capital ratios			
Common Equity Tier 1 (as a percentage of risk exposure amount)	61.4%		61.4%
Tier 1 (as a percentage of risk exposure amount)	61.4%		61.4%
Total capital (as a percentage of risk exposure amount)	61.4%		61.4%
Amounts below the thresholds for deduction (before risk weighting)			
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	60.1		60.1
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	18.3		18.3

JPMAMUK

JPMAMUK capital resources

As at December 31 2016 JPMAMUK's own funds have been calculated based on the audited financial statements as at December 31 2016.

Own funds solely consist of Common Equity Tier 1 capital. The authorised and issued share capital is fully paid. The authorised and issued share capital represents 24 million ordinary shares of £1 each. Retained earnings amounted to £666.5m as at December 31, 2016.

In addition there is a capital contribution amounting to £13.8m as at December 31, 2016.

JPMAMUK has no other outstanding capital Instruments, other than the shares mentioned above.

JPMAMUK's own funds have been calculated in accordance to GENPRU2.2 Capital Resources and Annex 5 Capital resources table for BIPRU investment firm deducting illiquid assets.

Total deductions as at December 31, 2016 amounted to £48.1m and consist mainly of a deferred tax asset and JPMAMUK's investment in a joint venture.

This table shows the Group's capital resources. The table presents the components of regulatory capital as at 31 December 2016 using the format set out in Annex IV and Annex VI of the commission implementing regulation (EU).

	31 December 2016 Transitional Position £'m	Transitional Impacts £'m	31 December 2016 Fully Loaded Position £'m
Common Equity Tier 1 capital: instruments and reserves			
Capital instruments and the related share premium accounts	24.0		24.0
Retained earnings	666.5		666.5
Accumulated other comprehensive income (and other reserves)	13.8		13.8
Common Equity Tier 1 capital before regulatory adjustments	**704.3**		**704.3**
Common Equity Tier 1 capital: regulatory adjustments			
Additional Value Adjustments			
Illiquid Assets	(48.1)		(48.1)
Goodwill and intangible assets (net of related tax liability)			
Defined-benefit pension fund assets			
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities			
Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative			
of which: free deliveries			
Losses for the current financial year			
Total regulatory adjustments to Common Equity Tier 1	**(48.1)**		**(48.1)**
Common Equity Tier 1 capital	**656.2**		**656.2**
Additional Tier 1 (AT1) capital			
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1			
Tier 1 capital (T1 = CET1 + AT1)	**656.2**		**656.2**
Tier 2 capital: instruments and provisions			
Capital instruments and the related share premium accounts			
Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties			
of which: instruments issued by subsidiaries subject to phase out			
Tier 2 capital	**-**		**-**
Total capital (TC = T1 + T2)	**656.2**		**656.2**
Total risk weighted assets	**1,376.4**		**1,376.4**
Capital ratios			
Common Equity Tier 1 (as a percentage of risk exposure amount)	47.7%		47.7%
Tier 1 (as a percentage of risk exposure amount)	47.7%		47.7%
Total capital (as a percentage of risk exposure amount)	47.7%		47.7%
Amounts below the thresholds for deduction (before risk weighting)			
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-		-
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	-		-

This table shows the main features of the Group's capital instruments. The table presents the main features of capital instruments as at 31 December 2016 using the format set out in Annex II and Annex III of the commission implementing regulation (EU).

		JPMAMIL	JPMAMUK
1	Issuer	JPMAMIL	JPMAMUK
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Private Placement	Private Placement
3	Governing law (s) of the instrument	English	English
	Regulatory treatment		
4	Transitional CRR rules / BIPRU	CET1	CET1
5	Post-transitional CRR rules / BIPRU	CET1	CET1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo and Consolidated	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares with full voting rights	Ordinary shares with full voting rights
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	£220m	£24m
9	Nominal amount of instrument	£1.00	£1.00
9a	Issue price	£1.00	£1.00
9b	Redemption price	N/a	N/a
10	Accounting classification	Share capital	Share capital
11	Original date of issuance	£100.00 - 05 Apr 2001 £220,000,000 - 29 Sept 2003	£10,000.00 - 01 Apr 1974 £2,490,000 - 12 Aug 1987 £3,500,000 - 13 Mar 2000 £18,000,000 - 16 Apr 2003
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No Maturity	No Maturity
14	Issuer call subject to prior supervisory approval	No	No
15	Optional call date, contingent call dates and redemption amount	N/a	N/a
16	Subsequent call dates, if applicable	N/a	N/a
	Coupons / dividends		
17	Fixed or floating dividend/coupon	N/a	N/a
18	Coupon rate and any related index	N/a	N/a
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully Discretionary	Fully Discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully Discretionary	Fully Discretionary
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/a	N/a
25	If convertible, fully or partially	N/a	N/a
26	If convertible, conversion rate	N/a	N/a
27	If convertible, mandatory or optional conversion	N/a	N/a
28	If convertible, specify instrument type convertible into	N/a	N/a
29	If convertible, specify issuer of instrument it converts into	N/a	N/a
30	Write-down features	N/a	N/a
31	If write-down, write-down trigger(s)	N/a	N/a
32	If write-down, full or partial	N/a	N/a
33	If write-down, permanent or temporary	N/a	N/a
34	If temporary write-down, description of write-up mechanism	N/a	N/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/a	N/a
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/a	N/a

The full terms and conditions of capital instruments can be found as registered at Companies House. A link to this location is provided on the Basel III page of the Firm website, adjacent to this document.
http://investor.shareholder.com/jpmorganchase/basel.cfm

4. Capital requirements (Art. 438)

A strong capital position is essential to the Firm's business strategy and competitive position. The Firm's capital strategy focuses on long-term stability, which enables the Firm to build and invest in market-leading businesses, even in a highly stressed environment.

JPMAMIL

Besides the Pillar 1 regulatory capital requirement, JPMAMIL performs an Internal Capital Adequacy Assessment Process (ICAAP) in accordance with IFPRU2.2. The ICAAP is a regulatory requirement and an important tool for the Board and Senior Management. It consists of a number of interlinked components that form part of management and decision-making processes such as JPMAMIL's risk appetite, strategy, capital and risk management frameworks, and stress testing. This document summarises the outcome of how the ICAAP is used to assess the material risks to which JPMAMIL is exposed; how these risks are measured, managed, monitored and mitigated; and how much capital JPMAMIL should hold to reflect these risks now, in the future and under stressed conditions.

Pillar 1 capital requirement

In calculating the capital requirements as set out in article 92 of the CRR, JPMAMIL has applied article 95(1) of the CRR. The capital requirement for JPMAMIL is driven by foreign market risk and credit risk.

Pillar 1 credit risk capital requirement

For the purposes of article 92(3)(a) of the CRR, JPMAMIL has applied the standardised approach as outlined in Chapter 2 of Part Three, Title II of the regulation.

The table below shows the capital requirement for each exposure class specified in Article 112 of the CRR.

As at 31 Dec 2016 GBP £'m	0%	20%	50%	100%	150%	250%	RWA	8% of RWA
Central governments and central banks	13.1	0.4	3.8	0.9			5.1	0.4
International organisations	0.4						0.0	0.0
Public sector entities		1.9	1.6		0.2		1.5	0.1
Institutions		1,059.9	13.7	10.3			229.3	18.3
Corporates		1.6	33.4	1,366.4	0.5		1,378.8	110.4
Collective investment undertakings		290.4		539.9			598.0	47.8
High risk items					93.7	18.3	186.1	14.9
Other Items				5.4			5.4	0.4
							2,404.2	**192.3**

Pillar 1 market risk capital requirement

For the purposes of article 92(3)(c) of the CRR, JPMAMIL has calculated its capital requirements relating to foreign exchange risk and commodity risk. To determine the capital requirements relating to foreign exchange risk JPMAMIL has applied 8% to the overall net foreign exchange position calculated in accordance with Articles 351 & 352 of the CRR.
The capital requirement for commodity risk is calculated in accordance with the 'simplified approach' outlined in Article 360 of the CRR.

For additional information relating to JPMAMIL's market risk requirements refer to section 9.

Pillar 2 capital requirement:

Pillar 2 operational risk capital measurement

As mentioned in Section 2 Measurement, the Firm's operational risk capital (ORC) is measured primarily using a statistical model based on the Loss Distribution Approach (LDA).

JPMAMIL is subject to the overarching firmwide Advanced Measurement Approach (AMA) capital framework methodology. As previously mentioned, to measure ORC, the primary component of the capital estimate is a backward looking statistical model based on the LDA, which is supplemented by forward looking operational risk scenario analysis. To adequately capture the risk profile of JPMAMIL, an entity that has incurred relatively few losses, a modified version of the LDA is utilized, leveraging the severity profile of the Asset Management LOB globally. This modified approach allows for JPMAMIL to adopt the firmwide AMA capital framework as well as allow for consistency with the global Asset Management business.

Pillar 2 market risk capital measurement

For JPMAMIL's Pillar 2 market risk assessment of seed capital investments, a severely adverse stress test approach has been used to quantify required capital. JPMAMIL assumes a capital requirement equal to 100% of the co-investment positions as these are in alternative products and may be less liquid. JPMAMIL's balance sheet holds balances recorded in various currencies. While most of this is hedged back to the functional currency, some positions are below the hedging threshold. A charge has been assigned to these currency exposures, by calculating a severely adverse stress test on of these positions.

Pillar 2 credit risk capital measurement

For JPMAMIL's Pillar 2 credit risk assessment, the Internal Ratings Based (IRB) approach has been used to quantify required capital. The estimation process begins with internal risk-ratings assigned to the obligor and internal loss severity classifications assigned to the credit exposures. The obligor ratings are mapped to estimates of probability of default (PD) and the loss severity classifications are mapped to estimates of loss given default (LGD). PD and LGD assumptions and inputs used in evaluating and monitoring credit risk are independently validated by the model risk function which is separate from JPMAMIL. To calculate the credit capital requirement, JPMAMIL inputs its risk parameter estimates (PD, LGD) into the IRB risk weight formula. The IRB risk weight formula generates an estimate of expected losses at a 99.9% confidence level.

JPMAMIL capital requirement

Since the Pillar 1 capital calculation forms the binding minimum requirement, where the Pillar 2 assessment is lower than the equivalent calculation, the former will dictate the capital level held by the entity, and only where the Pillar 2 assessment shows the equivalent Pillar 1 charge to be deficient will additional capital be held to satisfy the internal requirement. This is the Pillar 1 plus approach.

The minimum internal capital requirement has been set to 8% in accordance with the regulatory limit under Pillar 1.

The ICAAP analyses JPMAMIL`s capital adequacy at the assessment date and projected forward over a five-year planning horizon, including the effects of severe but plausible stress scenarios, to ensure that it maintains appropriate capital over internal and external capital minimum standards.

Based on the analysis undertaken, JPMAMIL's capital resources remain adequate to support the entity's underlying risk profile and strategic growth objectives.

JPMAMIL maintains a substantial capital surplus throughout the scenarios considered. JPMAMIL total capital ratio remains well above the required minimum level of 8% at all times and under all scenarios.

If additional capital were to be required, JPMAMIL would turn to its ultimate parent. We do not expect JPMAMIL to ask for more capital in the foreseeable future because its businesses is not balance sheet intensive, profits are relatively stable and JPMAMIL does not hold an active credit portfolio.

Furthermore, as at December 31, 2016, the actual capital of JPMAMIL (£1,817.2m) represented approximately 7.7 times the Pillar 1 and approximately 2.2 times the Pillar 1 plus capital requirements.

Our conclusion based on the ICAAP and the capital position analysis above is that JPMAMIL is adequately capitalised relative to the risks it is running, and relative to the projected business in JPMAMIL. This assessment will be kept under review as the business profile of JPMAMIL changes, and in any event at least annually.

JPMAMUK

Pillar 1 capital requirement

GENPRU 2.1.45R requires JPMAMUK (a BIPRU firm) to hold the higher of the sum of the credit and market risk capital requirements or the fixed overhead requirement.

As at December 31 2016 JPMAMUK's capital requirement was based on its fixed overhead requirement.

Pillar 1 credit risk capital requirement

For the purposes of the credit risk capital requirement calculation as required by GENPRU 2.1.45R(1)(a) JPMAMUK has applied the standardised approach as outlined in BIPRU 3. The table below shows the capital requirement for each exposure class specified in BIPRU3.2.9R.

As at 31 Dec 2016 GBP £'m	0%	20%	50%	100%	150%	250%	RWA	8% of RWA
Central governments and central banks	3.0	0.4	2.7	0.9			2.4	0.2
International organisation	0.4						0.0	0.0
Regional Govt & Local authorities		0.4					0.1	0.0
Institutions		435.0		0.8			87.6	7.0
Corporates		1.7	132.2	181.0	0.4		248.1	19.8
Collective investment undertakings		205.1		75.9			116.9	9.4
High risk items					1.9		2.8	0.2
Other Items							0.0	0.0
							457.9	**36.6**

Pillar 1 market risk capital requirement

For the purposes of GENPRU2.1.45R(1)(b) JPMAMUK has calculated its capital requirements relating to foreign exchange risk. To determine the capital requirements relating to foreign exchange risk JPMAMUK has applied 8% to the overall net foreign exchange position calculated in accordance with BIPRU8.7.13R(2)(method one).

Pillar 2 capital requirement:

There is no separate Pillar 2 capital requirement calculation for JPMAMUK. JPMAMUK is part of the ICAAP assessment as part of the JPMAMIL regulatory consolidation group. An internal capital allocation is performed to allocate the Pillar 2 capital requirement calculated at the consolidated level to each legal entity.

JPMAMUK capital requirement

Since the Pillar 1 capital calculation forms the binding minimum requirement, where the internal capital allocation is lower than the equivalent calculation, the former will dictate the capital level held by the entity, and only where the internal capital allocation shows the overall Pillar 1 charge to be deficient will additional capital be held to satisfy the internal requirement.

The minimum capital requirement has been set in accordance with the regulatory limit under Pillar 1.

As at December 31, 2016, the actual capital of JPMAMUK (£656.2m) represented approximately 6.0 times the Pillar 1 and approximately 2.1 times the internal capital allocation.

Our conclusion based on the ICAAP and the capital position analysis above is that JPMAMUK is adequately capitalised relative to the risks it is running, and relative to the projected business in JPMAMUK. This assessment will be kept under review as the business profile of JPMAMUK changes, and in any event at least annually.

5. Exposure to counterparty credit risk (Art. 439)

JPMAMIL

Counterparty credit exposure arises from the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.

JPMAMIL does not pursue credit risk or margin lending transactions as a way of earning additional shareholder returns. JPMAMIL enters into transactions in the form of derivative financial instruments consisting of foreign exchange contracts and futures contracts for hedging purposes. As JPMAMIL only enters into these financial instruments for hedging purposes it does not impose credit limits for counterparty credit exposures.

JPMAMIL applies the mark to market method as outlined in Article 274 of Section 3 of Chapter 6 to its derivative exposures.

The table below shows the outstanding exposure:

As at 31 Dec 2016 GBP £'m	Gross Positive Fair value of contracts	Potential future credit exposure	Netting benefits	Net current credit exposure	Collateral held	Net derivatives credit exposure
Mark to market method	73.9	13.3	0.0	87.2	0.0	87.2

The table below shows outstanding amount of exposure held by contract type:

As at 31 Dec 2016 GBP £'m	Mark to market approach
Foreign exchange contracts	79.1
Interest rate contracts	1.0
Equity contracts	6.9
Commodity other than precious metals contracts	0.2
	87.2

JPMAMUK

JPMAMUK does not pursue credit risk as a way of earning additional shareholder returns or margin lending transactions. JPMAMUK enters into long settlement transactions in the form of derivative financial instruments consisting of foreign exchange contracts for hedging purposes. As JPMAMUK only enters into these financial instruments for hedging purposes it does not impose credit limits for counterparty credit exposures.

JPMAMUK applies the mark to market method as outlined in BIPRU13.4 to its derivative exposures.

The table below shows the outstanding exposure:

As at 31 Dec 2016 GBP £'m	Gross Positive Fair value of contracts	Potential future credit exposure	Netting benefits	Net current credit exposure	Collateral held	Net derivatives credit exposure
Mark to market method	0.8	1.7	0.0	2.5	0.0	2.5

The table below shows outstanding amount of exposure held by contract type:

As at 31 Dec 2016 GBP £'m	Mark to market approach
Foreign exchange contracts	2.5
Interest rate contracts	0.0
Equity contracts	0.0
Commodity other than precious metals contracts	0.0
	2.5

Wrong way risk

The Firm may be exposed to additional credit risk as a result of the wrong way nature of certain OTC derivatives and securities financing trades, or the wrong way nature of collateral taken against OTC derivative exposures. Wrong way risk is broadly defined as where the potential exposure at default on a transaction is highly related to the counterparty's credit quality. JPMAMIL usage of OTC derivatives is generally for hedging purposes, and therefore wrong way risk is limited.

Credit rating downgrade

The impact of a downgrade in the Firm's credit rating is considered in the JPMorgan Chase & Co. SEC 10-K filing, at a firmwide level. The nature and magnitude of the impact of ratings downgrades depends on numerous contractual and behavioural factors (which the Firm believes are incorporated in its liquidity risk and stress testing metrics).

6. Credit risk adjustments (Art. 442)

Definitions

Impairment loss: amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount (IAS 36).

Past due: A financial asset is past due when a counterparty has failed to make a payment when contractually due (IFRS 7).

Credit risk exposures

It is the policy of JPMAMIL and JPMAMUK to raise provisions against specific bad and doubtful debts. The provisions are made on the basis of regular reviews of exposures and are deducted from the relevant asset.

JPMAMIL reverses any specific provisions for doubtful debts and include any impaired exposures in the calculation of the credit risk capital requirement to ensure conservative treatment.

As at 31 December 2016 no general specific risk adjustments or specific credit risk adjustments were applied to the calculation of the credit risk capital requirement.

Credit risk exposure under the standardised approach

JPMAMIL

As at 31 Dec 2016 GBP £'m	Exposure pre CRM	Average exposure Pre CRM over the year
Central governments and central banks	18.2	18.8
International organisations	0.4	0.1
Public sector entities	3.7	4.2
Institutions	1,083.9	623.3
Retail	0.0	0.0
Corporates	1,401.9	1,544.2
Collective investment undertakings	830.3	1,179.1
High risk items	112.0	104.8
Other Items	5.4	3.8
Total	**3,455.8**	**3,478.3**

JPMAMUK

As at 31 Dec 2016 GBP £'m	Exposure pre CRM	Average exposure Pre CRM over the year
Central governments and central banks	7.0	6.2
Regional Govt & Local authorities	0.4	0.2
International Organisations	0.4	0.2
Public sector entities	0.0	0.3
Institutions	435.8	259.1
Corporates	315.3	262.3
Collective investment undertakings	281.0	424.3
High risk items	1.9	2.1
Other Items	0.0	0.0
Total	**1,041.8**	**954.7**

Geographical analysis of credit risk exposure under the standardised approach

JPMAMIL

As at 31 Dec 2016 GBP £'m Pre CRM	United Kingdom	Luxembourg	Other European	United States	Asia	Rest of the World	Total
Central governments and central banks	2.9		1.3	2.5	5.9	5.6	18.2
International organisations	0.1			0.3			0.4
Public sector entities	0.4	0.3	3.0				3.7
Institutions	956.1	79.9	29.4	17.6	0.1	0.8	1,083.9
Corporates	318.3	992.3	38.3	24.5	18.9	9.6	1,401.9
Collective investment undertakings	446.2	384.1					830.3
High risk items	68.8	41.7	0.7			0.8	112.0
Other Items	5.4						5.4
Total	**1,798.2**	**1,498.3**	**72.7**	**44.9**	**24.9**	**16.8**	**3,455.8**

JPMAMUK

As at 31 Dec 2016 GBP £'m Pre CRM	United Kingdom	Luxembourg	Other European	United States	Asia	Rest of the World	Total
Central governments and central banks			0.0		3.9	3.1	7.0
International Organisations	0.1			0.3			0.4
Regional Govt & Local authorities	0.4						0.4
Institutions	433.1		0.1	1.7	0.1	0.8	435.8
Corporates	251.5	20.1	13.9	10.6	10.4	8.8	315.3
Collective investment undertakings	31.4	249.6					281.0
High risk items	0.7	0.9			0.3		1.9
Other Items							0.0
Total	**717.2**	**270.6**	**14.0**	**12.6**	**14.7**	**12.7**	**1,041.8**

Industry analysis of credit risk exposure under the standardised approach

JPMAMIL

As at 31 Dec 2016 GBP £'m Pre CRM	Banks	Mutual Funds	Other	Total
Central governments and central banks	18.2			18.2
International organisations	0.4			0.4
Public sector entities			3.7	3.7
Institutions	1,083.9			1,083.9
Corporates		276.6	1,125.3	1,401.9
Collective investment undertakings		830.3		830.3
High risk items		43.1	68.9	112.0
Other Items			5.4	5.4
Total	**1,102.5**	**1,150.0**	**1,203.3**	**3,455.8**

JPMAMUK

As at 31 Dec 2016 GBP £'m Pre CRM	Banks	Mutual Funds	Other	Total
Central governments and central banks	7.0			7.0
International Organisations	0.4			0.4
Regional Govt & Local authorities			0.4	0.4
Institutions	435.8			435.8
Corporates			315.3	315.3
Collective investment undertakings		281.0		281.0
High risk items			1.9	1.9
Other Items				0.0
Total	**443.2**	**281.0**	**317.6**	**1,041.8**

Residual maturity analysis of credit risk exposure under the standardised approach

JPMAMIL

As at 31 Dec 2016 GBP £'m Pre CRM	On Demand	Under 1 year	Over 1 year, under 3 years	Over 3 years, under 5 years	Over 5 years, under 10 years	Over 10 years	Total
Central governments and central banks		18.2					18.2
International organisations		0.4					0.4
Public sector entities		3.7					3.7
Institutions	1,046.8	37.1					1,083.9
Corporates		1,352.5		0.9		48.5	1,401.9
Collective investment undertakings	540.0	290.3					830.3
High risk items		58.3	19.6	0.2	33.9		112.0
Other Items		5.4					5.4
Total	**1,586.8**	**1,765.9**	**19.6**	**1.1**	**33.9**	**48.5**	**3,455.8**

JPMAMUK

As at 31 Dec 2016 GBP £'m Pre CRM	On Demand	Under 1 year	Over 1 year, under 3 years	Over 3 years, under 5 years	Over 5 years, under 10 years	Over 10 years	Total
Central governments and central banks		7.0					7.0
International Organisations		0.4					0.4
Regional Govt & Local authorities		0.4					0.4
Institutions	431.8	4.0					435.8
Corporates		185.3				130.0	315.3
Collective investment undertakings	205.0	76.0					281.0
High risk items		1.9					1.9
Other Items							0.0
Total	**636.8**	**275.0**	**0.0**	**0.0**	**0.0**	**130.0**	**1,041.8**

Breakdown of past due and impaired assets by exposure class

JPMAMIL

As at 31 Dec 2016 GBP £'m Pre CRM	Past Due	Impaired	Total
Central governments and central banks	1.7	1.1	2.8
International organisations			
Public sector entities			
Institutions			
Corporates	25.3	0.1	25.4
Collective investment undertakings			
High risk items	1.2		1.2
Other Items			
Total	**28.2**	**1.2**	**29.4**

JPMAMUK

As at 31 Dec 2016 GBP £'m Pre CRM	Past Due	Impaired	Total
Central governments and central banks	1.5	1.1	2.6
International Organisations			
Regional Govt & Local authorities			
Institutions			
Corporates	6.3	0.1	6.4
Collective investment undertakings			
High risk items	0.5		0.5
Other Items			
Total	**8.3**	**1.2**	**9.5**

Breakdown of past due and impaired assets by geographic location

JPMAMIL

As at 31 Dec 2016 GBP £'m Pre CRM	United Kingdom	Luxembourg	Other European	United States	Asia	Rest of the World	Total
Past due	9.2	7.3	2.2	3.8	4.7	1.0	28.2
Impaired				0.1	1.1		1.2
Total	**9.2**	**7.3**	**2.2**	**3.9**	**5.8**	**1.0**	**29.4**

JPMAMUK

As at 31 Dec 2016 GBP £'m Pre CRM	United Kingdom	Luxembourg	Other European	United States	Asia	Rest of the World	Total
Past due	0.8	0.3	1.1	3.8	2.0	0.3	8.3
Impaired			0.0	0.1	1.1	0.0	1.2
Total	**0.8**	**0.3**	**1.1**	**3.9**	**3.1**	**0.3**	**9.5**

Reconciliation of changes in the specific and general credit risk adjustments*

As at 31 Dec 2016 GBP £'m Pre CRM	JPMAMIL	JPMAMUK
Opening balance - 1 January 2016	1.1	1.1
Acquisitions & Disposals		
Exchange and other adjustments	(0.4)	(0.4)
Unwind of discount		
Amounts written off		
Recoveries	(6.0)	(6.0)
Amounts charged against profit	6.4	6.4
Closing balance - 31 December 2016	**1.1**	**1.1**

* JPMAMIL has reversed any specific provisions for doubtful debts and included these exposures in the calculation credit risk capital requirement to be conservative.

7. Unencumbered assets (Art. 443)

As at December 31, 2016 the encumbrance of assets was calculated according to Article 443 CRR and Regulation (EU) 2015/79 .
A copy of the report is available at http://investor.shareholder.com/jpmorganchase/basel.cfm

8. Use of External Credit Assessment Institutions (Art. 444)

The external credit assessment institutions (ECAIs) used in the determination of credit quality steps are Moody's and Standard and Poor's. The ratings from each of these ECAIs are used for all standardised risk classes apart from risk classes with a default risk weight.

JPMAMIL and JPMAMUK comply with the mappings published by the European Banking Authority (EBA).

JPMAMIL

As at 31 Dec 2016 GBP £'m Pre & Post CRM	Credit quality step 1	Credit quality step 2	Credit quality step 3	Credit quality step 4	Credit quality step 5	Credit quality step 6	Unrated	Total
Central governments and central banks			0.2				18.0	18.2
International organisations							0.4	0.4
Public sector entities							3.7	3.7
Institutions	0.4	948.6	0.7	13.7			120.6	1,084.0
Retail								0.0
Corporates	2.7	3.4	1.1	0.3	0.2		1,394.3	1,402.0
Collective investment undertakings	290.4						539.8	830.2
Equity							127.2	127.2
High risk items							111.9	111.9
Other Items							105.8	105.8
Total	**293.5**	**952.0**	**2.0**	**14.0**	**0.2**	**0.0**	**2,421.7**	**3,683.4**

JPMAMUK

As at 31 Dec 2016 GBP £'m Pre & Post CRM	Credit quality step 1	Credit quality step 2	Credit quality step 3	Credit quality step 4	Credit quality step 5	Credit quality step 6	Unrated	Total
Central governments and central banks			0.2				7.9	8.1
International organisations							0.4	0.4
Regional Govt & Local authorities							0.4	0.4
Institutions		435.9						435.9
Retail								0.0
Corporates	1.7	2.2	1.3	0.3	0.2		311.4	317.1
Collective investment undertakings	205.1						75.9	281.0
Equity							10.4	10.4
High risk items							18.8	18.8
Other Items							5.0	5.0
Total	**206.8**	**438.1**	**1.5**	**0.3**	**0.2**	**0.0**	**430.2**	**1,077.1**

9. Exposure to market risk (Art. 445)

Market risk is the exposure to an adverse change in the market value of financial instruments caused by a change in market parameters.

The consolidated market risk capital requirement has been calculated in accordance with article 351 & 352 of the CRR. For JPMAMUK the market risk capital requirement was calculated in accordance with BIPRU 8.7.13R(2) (method one).

On a solo entity level, the mismatch between the cost of the subsidiary in the parent's accounts and the subsidiary's net value in the subsidiary's own books results in market risk capital requirements. However, when considering JPMAMIL as a single undertaking and applying the market risk capital requirement to the group on a consolidated basis, all such mismatches would be eliminated. The remaining exposure will be a result of any unhedged FX positions on the balance sheet. This approach is applied for the Pillar 2 market risk calculation.

In addition to its exposure to foreign exchange risk JPMAMIL also has an exposure to commodity risk. The capital requirement for commodity risk is calculated in accordance with the 'simplified approach' outlined in article 360 of the EU CRR.

Business Overview

- JPMAMIL does not have a trading book and does not pursue market risk as a way of earning additional shareholder returns.
- The companies in the JPMAMIL group do not pursue market risk as a way of earning additional shareholder returns.
  All exposures subject to market risk must comply with the Firmwide Market Risk Management policy.
  Positions are marked to market and monitored by Finance and seed capital positions are circulated to senior management on a monthly basis.
- JPMAMIL uses forward FX contracts to manage certain foreign currency exposures in respect of its balance sheet.
- Investments in subsidiaries are hedged at net book value of the subsidiary in the subsidiary's functional currency.

Market Risk Management

The companies in the JPMAMIL group do not pursue market risk as a way of earning additional shareholder returns. All exposures subject to market risk must comply with the Firmwide Market Risk Management policy.

Positions are marked to market and monitored by Finance and seed capital positions are circulated to senior management on a monthly basis.

Market risk quantification

As at 31 Dec 2016 GBP £'m	Commodities risk	Market risk	Total
JPMAMIL	1.2	43.3	44.5
JPMAMUK	0.0	6.3	6.3

10. Operational risk (Art. 446)

Under the rules for a limited licence Firm, there is no Pillar 1 operational risk requirement for JPMAMIL, or JPMAMUK.

11. Exposure to equities not included in the trading book (Art. 447)

JPMAMIL has various equity exposures in its banking book. The exposures consist of the following:

Liquidity fund holdings

As part of the group's liquidity policy all entities in JPMAMIL manage their liquidity risk by investing in readily realisable assets, keeping cash in AAA rated money market funds or in a JPMorgan demand deposit account or third party demand deposit accounts in order that liabilities can be paid as they fall due.

Seed capital

Seed capital is defined to be capital normally invested in funds at their launch with the intention of ensuring that the product is of sufficient size to represent a viable offering to clients or to enable the manager to develop a commercially attractive track record. Seed capital holdings are marked to market.

Co-investments

Co-investments are defined as equity capital invested alongside third-party investors typically in privately distributed collective vehicles managed by JPMAMIL, including open-ended funds such as hedge funds, and closed-ended funds such as private equity funds or certain real asset funds. Co-investments are marked to market.

Other collective investment undertakings

- Deferred compensation hedge positions - the Group recognises a liability relating to deferred incentive compensation for certain employees, which tracks the performance of specific funds. In order to hedge the associated liabilities, purchases of units in these funds are executed to materially offset profit or loss generated from the movement in the fair value of the liability.
- Investment holdings to maintain compliance with German tax transparency requirements for funds.

All exposures are marked to market.

Fair value of equity exposures recognised on the balance sheet

As at 31 Dec 2016 GBP £'m	JPMAMIL	JPMAMUK
Fair value of equity exposures recognised on the balance sheet		
Exchange traded	18.9	18.9
Private equity	0.8	-
Other investment undertakings	902.6	262.1
Total	**922.3**	**281.0**
Cumulative realised gain or (losses) arising from sales and liquidations for the period	10.5	3.5
Unrealised gains and (losses)		
Total gains or (losses)	7.7	6.3
Amount included in CET1	(23.2)	9.0
Latent revaluation gains/ (losses)		
Total gains/losses	-	79.9
Amount included in CET1	-	-

12. Exposure to interest rate risk on positions not included in the trading book (Art. 448)

Definition

Interest rate risk is the risk to earnings or capital arising from movement of interest rates. JPMAMIL group entities do not deliberately take positions to benefit from movement in interest rates.
Interest rate risk impacts JPMAMIL's cash and liquidity fund holdings, seed capital and other collective investment undertakings.

Firmwide approach to Interest Rate Risk in the Banking Book
The Firm's interest rate risk in the banking book results from traditional banking activities, which includes the extension of loans and credit facilities, and taking deposits (collectively referred to as non-trading activities), and the impact from the investment securities' portfolio and other related Treasury asset-liability management activities. Chief Investment Office (CIO) manages Interest rate risk in the banking book (IRRBB) exposure on behalf of the Firm by identifying, measuring, modelling and monitoring interest rate risk (IRR) across the Firm's balance sheet. CIO identifies and understands material balance sheet impacts of new initiatives and products and executes market transactions to manage IRR through CIO investment portfolio's positions. Execution by CIO will be based on parameters established by senior management, per the CIO Investment Policy. Lines of businesses are responsible for developing and reviewing specific LOB IRR modelling assumptions. In certain Legal entities, Treasury manages IRR in partnership with CIO.

Measures to manage IRR at firmwide level are:
Earnings-at-risk: Primary measure used to gauge the Firm's shorter term IRR exposure which measures the sensitivity of pre-tax income to changes in interest rates over rolling 12 months compared to base scenario.

Economic Value of Equity (EVE) and Economic Value Sensitivities (EVS) are additional Firmwide metrics utilized to determine changes in asset/liability values due to changes in interest rates.

Additional scenario analysis, including Firmwide Stress Initiative (FSI) scenarios and bespoke scenarios are run as part of regular reporting.

Sensitivity of the banking book to interest rate changes
Should interest rates rise by 200bps, the effect on profit and loss of JPMAMIL as at 31 December 2016 is £10.5m. Should interest rates fall by 200bps, the effect on the profit and loss of JPMAMIL as at 31 December 2016 is -£10.1m. The JPMAMIL board does not consider this impact to be material to the consolidated regulatory position of the group.

13.Remuneration policy (Art. 450)

This section sets out the remuneration disclosures required under Article 450 CRR in relation to the Group, and in respect of the performance year ending 31 December 2016.

This disclosure sets out general principles. Details of specific remuneration programmes are set forth in the relevant plan terms and conditions as in force from time to time.

Qualitative disclosures

The Group is part of the J.P. Morgan Chase & Co group of companies. In this section, the terms "J.P. Morgan" or “Firm” refers to the J.P. Morgan Chase & Co. group of companies, and each of the entities in that group globally, unless otherwise specified.

As part of the Firm, the Group applies the J.P. Morgan’s global compensation practices and principles. The current qualitative remuneration disclosures required under Paragraphs 1 (a) – (f) of Article 450 CRR for all employees of the Firm’s businesses operating in EMEA and subject to the CRR, including staff of the Group, is available at http://investor.shareholder.com/jpmorganchase/basel.cfm.

Quantitative Disclosures

In preparation of these disclosures, the Group has taken into account its size, internal organisation, and the nature, scope and complexity of its activities.

The aggregate 2016 total remuneration paid to the Group‘s 34 “Identified Staff”, being those staff whose professional activities have a material impact on the Group’s risk profile, was £50.8m, of which £16.0m relates to Senior Management and £34.8m relates to other Identified Staff.

14.Leverage (Art. 451)

As at 31 December 2016 JPMAMIL had a leverage ratio of 53%. The leverage ratio was calculated based on Tier 1 capital per article 429(3) of the EU CRR. The leverage ratio disclosed is the end-of-quarter leverage as permitted by the FCA as outlined in Policy Statement 13/10 published in December 2013.

The Group calculates leverage ratio results in conjunction with capital ratios. Due to the nature of the business conducted within JPMAMIL and the capital rules applicable to JPMAMIL, the risk weighted assets and leverage ratio exposure measure differs only due to deductions. The risk of excessive leverage is monitored as part of the assessment of the capital ratios.

A separate leverage ratio is not required to be calculated for JPMAMUK.

The table below presents the breakdown of the leverage ratio total exposure measure as at 31 December 2016 using the format set out in Annex I of the commission implementing regulation (EU).

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		Applicable Amounts
		£ 'm
1	Total assets as per audited financial statements	3,551.6
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	
4	Adjustments for derivative financial instruments	13.3
5	Adjustments for securities financing transactions "SFTs"	
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	62.1
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	
7	Other adjustments	- 182.5
8	Total leverage ratio exposure	3,444.5

Table LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		£ 'm
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	3,534.1
2	(Asset amounts deducted in determining Tier 1 capital)	- 238.9
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	3,295.2
Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	73.9
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	13.3
EU-5a	Exposure determined under Original Exposure Method	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	Total derivative exposures (sum of lines 4 to 10)	87.2
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk exposure for SFT assets	
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	62.1
18	(Adjustments for conversion to credit equivalent amounts)	
19	Other off-balance sheet exposures (sum of lines 17 to 18)	62.1
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	
Capital and total exposures		
20	Tier 1 capital	1,817.2
EU-21a	Exposures of financial sector entities according to Atricle 429(4) 2nd subparagraph of the CRR	
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	3,444.5
Leverage ratio		
22	Leverage ratio	53%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		
		CRR leverage ratio exposures
		£ 'm
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	3,534.1
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	3,534.1
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	18.6
EU-6	Exposures to regional governments, MDB, international organisations and PSE	3.7
EU-7	Institutions	1,068.0
EU-8	Secured by mortgages of immovable properties	
EU-9	Retail exposures	-
EU-10	Corporate	1,299.2
EU-11	Exposures in default	
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation	1,144.6

15. Use of credit risk mitigation techniques (Art. 453)

As at December 31, 2016, no financial collateral or guarantees were applied to the credit risk exposure under the standardised approach by JPMAMIL or JPMAMUK.

16. Disclosures not applicable to JPMorgan Asset Management International Limited

The following Articles of CRR are not applicable to JPMAMIL or JPMAMUK as at December 31, 2016:

- Capital buffers (Art. 440)
- Indicators of global systemic importance (Art. 441)
- Exposure to securitisation positions (Art. 449)
- Use of the IRB Approach to credit risk (Art. 452)
- Use of the Advanced Measurement Approaches to operational risk (Art. 454)
- Use of Internal Market Risk Models (Art. 455)