Pillar 3 Disclosure Report as at 31.12.2017

J.P. Morgan Bank Luxembourg S.A.

June 2018

J.P.Morgan

Table of Contents

List of Exhibits

Pillar 3 Disclosure Report 2017

1. Introduction

Background

The Basel Committee on Banking Supervision published its set of rules on December 16, 2010, referred to as Basel 3.
Basel 3 includes the Basel 2 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 capital adequacy.

The transposition of the Basel 3 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 June 27, 2013. Part 8 of CRR includes additional provisions on regulatory disclosure for credit institutions.

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

J.P. Morgan Bank Luxembourg S.A.

J.P. Morgan Bank Luxembourg S.A. ("JPMBL", "The Bank") was incorporated on May 16, 1973 as a Société Anonyme (S.A.) in the Grand Duchy of Luxembourg. The Bank is a wholly owned subsidiary of J.P. Morgan International Finance, Limited, which is incorporated in the United States of America. The Bank's annual accounts are integrated in the consolidated accounts of J.P. Morgan International Finance, Limited, which are available at the head office in New York, United States of America. The Bank's ultimate parent is JPMorgan Chase & Co, USA (The Firm).

The Bank's main activities are depository, investment fund administration, global custody and treasury services.

Aim of the disclosure report

This report shall provide an overview of the risk profile and the risk management of JPMBL.
The disclosure particularly comprises of:

- Risk strategy and guidelines of the risk management of JPMBL;
- Structure of own funds and capital requirements of JPMBL;
- Detailed information on credit risk, market risk, operational risk, interest rate risk in the banking book, liquidity risk and asset encumbrance.

This disclosure fulfils the requirements as set out in Articles 431-455 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.
The Guidelines EBA/GL/2017/01, introduced on March 8, 2017, on Liquidity Coverage Ratio (LCR) disclosure complements the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013. These guidelines specify the disclosure required under the general principles on liquidity and, in particular, on the LCR in the CRR. JPMBL has introduced these new requirements in this year Pillar 3 Disclosure report.

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

JPMBL publishes an annual report 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 prudential consolidation. This includes only J.P. Morgan Bank Luxembourg S.A. This legal entity has no subsidiaries or branches to be consolidated.

All information in this report is disclosed in millions of United States Dollars (US$m), unless otherwise specified.

JPMBL is presenting their disclosures on a stand-alone basis as there are no branches or subsidiaries to be consolidated.

2. Risk management and objectives (Art. 435)

Firmwide Risk Management Framework

Risk is an inherent part of JPMorgan Chase's business activities. When the Firm extends a consumer or wholesale loan, advises customers on their investment decisions, makes markets in securities, or offers other products or services, the Firm takes on some degree of risk. 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.

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 LOB and corporate functions; and
- Firmwide structures for risk governance.

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.

Firmwide Risk Management is overseen and managed on an enterprise-wide basis. The Firm's approach to risk management involves understanding drivers of risks, risk types, and impacts of risks.

Drivers of risk include, but are not limited to, the economic environment, regulatory or government policy, competitor or market evolution, business decisions, process or judgment error, deliberate wrongdoing, dysfunctional markets, and natural disasters.

The Firm's risks are generally categorized in the following four risk types:

- Strategic risk is the risk associated with the Firm's current and future business plans and objectives, including capital risk, liquidity risk, and the impact to the Firm's reputation.
- Credit and investment risk is the risk associated with the default or change in credit profile of a client, counterparty or customer; or loss of principal or a reduction in expected returns on investments, including consumer credit risk, wholesale credit risk, and investment portfolio risk.
- Market risk is the risk associated with the effect of changes in market factors, such as interest and foreign exchange rates, equity and commodity prices, credit spreads or implied volatilities, on the value of assets and liabilities held for both the short and long term.
- Operational risk is the risk associated with inadequate or failed internal processes, people and systems, or from external events and includes compliance risk, conduct risk, legal risk, and estimations and model risk.

There may be many consequences of risks manifesting, including quantitative impacts such as reduction in earnings and capital, liquidity outflows, and fines or penalties, or qualitative impacts, such as reputation damage, loss of clients, and regulatory and enforcement actions.

The Firm's overall appetite for risk is governed by a "Risk Appetite" framework. The framework and the Firm's risk appetite are set and approved by the Firm's Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and Chief Risk Officer ("CRO"). LOB-level risk appetite is set by the respective LOB CEO, CFO and CRO and is approved by the Firm's CEO, CFO and CRO. Quantitative parameters and qualitative factors are used to monitor and measure the Firm's capacity to take risk consistent with its stated risk appetite. Quantitative parameters have been established to assess select strategic risks, credit risks and market risks. Qualitative factors have been established for select operational risks, and for reputation risks. Risk Appetite results are reported quarterly to the Board of Directors' Risk Policy Committee ("DRPC").

Three Lines of Defence

JPMBL maintains a philosophy of strong corporate governance. Key participants include:

- JPMBL Board of Directors who own the risk appetite of the Bank;
- JPMBL Authorized Management delegated by the Board to perform the day-to-day management of the Bank;
- JPMBL Internal Control functions.

Luxembourg regulations require banks to implement a Three-Lines-of-Defence model. The model adopted by JPMBL as required by CSSF Circular 12/552 can be illustrated as follows:

First Line of Defence	Second Line of Defence	Third Line of Defence
Business Executives	**Risk Management**	**Internal Audit**
Client Servicing	**Compliance**	
Business Operations	**Financial Control**	
Product	**IT Governance and Controls**	
Business Control Office		

Exhibit 1: JPMBL Three Line of Defence

- The First Line of Defence is represented by the business units that take or acquire risks and are responsible for monitoring, assessing and improving the operational control environment on a continuous basis.
- The Second Line of Defence is represented by the four distinct risk and controls functions – the Risk Management, Compliance, Financial Control and Information Technology Governance and Controls – that act as advisories to the business on a day to day basis but have the power and independence to report and escalate risks or business issues directly to JPMBL Authorized Management and ultimately the Directors of the Board.
- The Third Line of Defence is represented by Internal Audit who provides JPMBL Authorized Management and the Directors of the Board with independent assessment on the effectiveness of the internal controls established.

The model adopted by JPMBL differs from the J.P. Morgan corporate three lines of defence to the extent that Financial Control and IT Governance and Controls organizations are part of the Second Line of Defence.

The Board of Directors completes its supervisory role by reviewing the summary reports prepared by the internal control functions at least once a year. The Bank's policies set standards of control and conduct for which responsibility is given to Management for ensuring compliance.

The JPMBL Authorized Management defines the control environment in the form of a detailed risk and control framework of the Bank and its activities. The Bank uses a Risk & Control Self-Assessment (RCSA) process to achieve this. The controls and risks identified are subject to validation and review, both on a continuous basis and on a periodic review cycle by Management, the Internal Audit & Compliance departments and other members of the internal and external controls community.

The JPMBL Authorized Management monitors the effectiveness of the control environment through periodic self-assessments, the review of key performance and risk indicators and through detailed analysis of management information. In accordance with its regulatory duties, the JPMBL Authorized Management also sponsors ad-hoc reviews that are generally performed by members of the internal and external control's community.

The JPMBL Executive Committee (ExCo) defines and implements the corporate governance framework to ensure compliance with local regulations, implementing a sound control environment, and managing the business in accordance with the JPMBL Board recommendations.
The authority of the ExCo is derived from formal delegations from the JPMBL Board and is chaired by JPMBL's Chief Executive Officer (CEO).

Risk governance

JPMBL is closely aligned to the regional and firmwide risk governance structure.

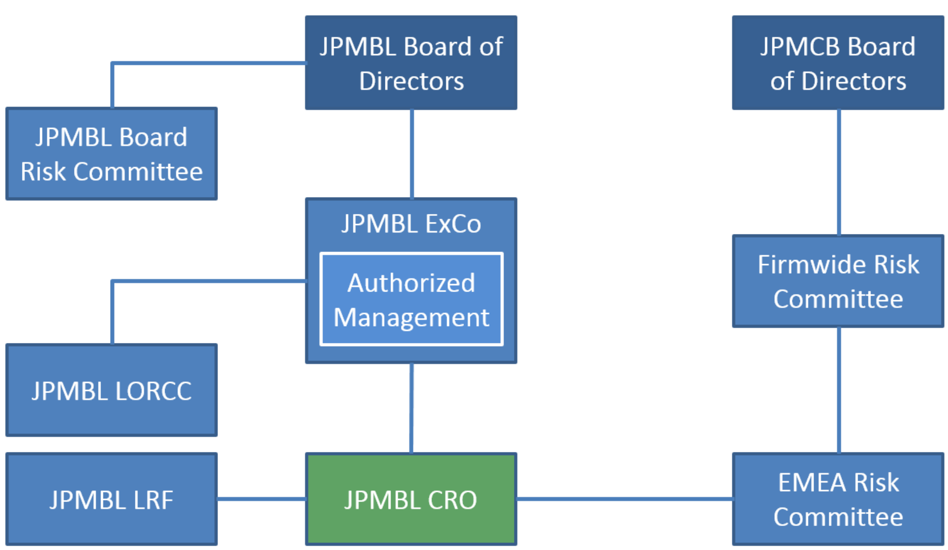

Exhibit 2: JPMBL Risk Governance Structure

JPMBL has a Chief Risk Officer (CRO) who is a member of JPMBL's Authorized Management, of the ERC and a permanent attendee of the JPMBL BRC. The JPMBL CRO is responsible for overseeing, monitoring and reporting JPMBL risks.

Risk related issues are discussed or escalated in the following forums:

JPMBL Board Risk Committee (BRC)

The JPMBL BRC reports to the JPMBL Board of Directors (BoD) and convenes on a quarterly basis. Additional meetings are arranged if deemed necessary by the Committee.

The BRC was comprised of three members, two Independent Non-Executive Directors of which is the Chairman and Non-Executive Director until April 2017, following the resignation of the Chairman. The BRC is now comprised of one Independent Non-Executive Director (who is the Chairman) and two Non-Executive Directors. The JPMBL Chief Risk Officer is a permanent attendee of the Committee.

The main responsibility of the BRC is to assist the JPMBL BoD in its mission to assess the adequacy of the risks incurred versus JPMBL's Risk Appetite. The BRC in carrying out its responsibilities deliberates on a regular basis on the adequacy of the risks incurred with the current and future Company's entity's ability to manage these risks and the internal and regulatory own funds and liquidity reserves, taking into account the results of the stress tests related to the Company's Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP). The BRC is actively involved in the identification and review of JPMBL's risk profile, scenario analysis, stress testing calculations and capital allocation (ICAAP) and determination of appropriate liquidity measures (ILAAP).

The JPMBL BRC also reviews the risk assessment in case of new products and services and on a regular basis the Risk Control Self-Assessment results.

JPMBL Executive Committee (ExCo)

The purpose of the ExCo is to define and implement a corporate governance framework ensuring compliance with local regulations, implementing a sound controls environment, and managing the business in accordance with the JPMBL Board recommendations.

The authority of the ExCo is derived from formal delegations from the JPMBL Board and is chaired by JPMBL's Chief Executive Officer (CEO).

The ExCo is responsible for reviewing and approving/ acknowledging the Recovery Plan, the ICAAP, the ILAAP and 12-552 annual attestation ahead of recommending the Board and Board Committee approval and acknowledgement. The Authorised Management also communicates to the committee that they have approved/ acknowledged policies and procedures relating to the internal governance of JPMBL as required by CSSF Circular 12-552 as amended

The ExCo assists the Authorized Managers in carrying out the responsibilities delegated to them by the Board of Directors. The ExCo delegates:

- More detailed oversight of and challenge to the operating environment to the Location Operational Risk & Control Committee (LORCC);
- More detailed oversight of market, credit, operational and related reputational risks is delegated to the JPMBL Local Risk Forum (LRF);
- More detailed oversight of money laundering is delegated to the GFC Oversight Forum (GFC OF);
- More detailed oversight of new deals to the JPMBL New Business Demand & Approval Forum (NBDAF);
- The JPMBL Technology Committee is mandated by the ExCo to provide robust and effective governance of Information Technology including oversight of IT systems and processes to ensure risks are identified, assessed and managed.

JPMBL Local Risk Forum (LRF)

The JPMBL Local Risk Committee was converted into the JPMBL Local Risk Forum (LRF) upon the establishment of the JPMBL BRC on 21 July 2016. The LRF is a monthly sub-meeting of the JPMBL ExCo dedicated to risk topics and is chaired by the JPMBL Chief Risk Officer. In 2017 the LRF met 10 times.

The LRF is responsible for overseeing all risks impacting JPMBL and was established as a formal governance forum where JPMBL Authorized Management monitors the performance of Risk Indicators versus Risk Appetite parameters, and the effectiveness of its internal control environment in preventing, detecting and responding to issues that could cause financial losses, reputation damage and/or missed business objectives.

The LRF escalates any issues directly to the ExCo, to the BRC and to the regional ERC via the JPMBL's CRO.

JPMBL Location Operational & Control Committee (LORCC)

The scope of the LORCC is across lines of business and functions for any business conducted in the JPMBL entity in Luxembourg.

The LORCC has responsibility for the review of operational risk control themes and issues in the location and for the escalation to the Local Infrastructure Operating Committee (LIOC), and/or the ExCo as set out in its Terms of Reference, as well as holding members accountable for remediating such themes and issues.

The LORCC has responsibility for the following:

- Monitoring in adherence to the Operational Risk Management Framework Policy across the lines of business and functions represented; and ii) control environment in the location;
- Reviewing reports on operational risks within the location;
- Identifying operational risk and control items and themes requiring escalation and ensure issues are addressed and escalated as appropriate locally and regionally;
- Effective challenging of information presented to the LORCC;
- Overseeing the business / function remediation of control issues and action plans;
- Reporting to Location Infrastructure Operating Committee (LIOC) on a monthly basis on the control environment in the location in accordance with escalation criteria;
- Managing actions delegated to the LORCC by LIOC;
- Ensuring execution of local and corporate governance for all legal entities/branches in the location;
- Driving overall efficiency and operational effectiveness;
- Promoting co-ordination and communication across units, functions and businesses.

JPMBL Outsourcing Forum

The Outsourcing Forum covers inter-affiliate outsourcing proposals and ongoing governance. It is to act as a cross line of business & functions forum for any inter-affiliate outsourcing where JPMBL is a beneficiary of services and for critical operations third-party providers.

The Outsourcing Forum has the responsibility to:

- To ensure all proposed outsourcing arrangements are in line with both local regulatory and legal entity specific requirements, alongside the review and ongoing management of outsourced operations;
- Consideration and review of all new direct and in cascade outsourcing proposals;

- Confirm the level of regulatory correspondence which will be forwarded to the Executive committee as appropriate;
- Service provider performance update from each Line of Business;
- Due Diligence status;
- Offshore Footprint validation.

JPMBL Global Financial Crime (GFC) Oversight Forum

The JPMBL GFC is a monthly meeting which was established in November 2015. The objectives of that forum are:

- The identification, analysis and development of steps necessary to address Money Laundering concerns and possible cases requiring a Senior Management's attention;
- Ensure execution of GFCC governance;
- Maintain a sound control environment and manage the AML risk control agenda;
- Drive resolution of any exception requests, including the review of applicable metrics and, if existing, the results of any external examination and test findings;
- Promote awareness of AML issues;
- Ensure issues are addressed and escalated as appropriate.

New Business Initiative Approval Process (NBIA)

JPMBL New Product Approval Process leverages the NBIA framework established globally for JPMC and documented via a firmwide Policy. JPMBL Authorized Management has established a specific local process (New Product Assessment) to review and approve any significant new business initiatives affecting the Legal Entity which are ultimately reviewed and approved by JPMBL ExCo and where appropriate, by the board.

New Business Deal Approval (NBDA)

The NBDA is a Luxembourg governance process which brings together all relevant stakeholders, including representatives from both CFS and TS to approve deals locally for a new or existing client. Weekly NBDA meetings are held to review and approve all new deals presented that week at the regional CFS and TS new business forums. Where necessary, deals are referred back for clarification or further information.

Links to regional and firm-wide risk governance

J.P. Morgan's risk governance structure is based on the principle that each LOB is responsible for managing the risk inherent in its business, albeit with appropriate corporate oversight. Each LOB risk committee is responsible for decisions regarding the business risk strategy, policies (as appropriate) and controls. Therefore, each LOB within JPMBL forms part of the Firmwide risk governance structure (please see section 5.1). To complement the global LOB structure, there is a regional governance construct as below:

- The EMEA Risk Committee (ERC) provides oversight of the risks inherent in the Firm's business conducted in EMEA or booked into EMEA entities and EMEA branches of ex-EMEA firms. In addition to its regional responsibilities, the ERC has direct oversight of the risks in all EMEA Tier 1 entities, including JPMBL (see section 5.2.1). Tier 2 and 3 entities are overseen by the Legal Entity Risk Committee (LERC) a sub-committee of the ERC. The EMEA Wealth Management (WM) Risk Committee, a sub-committee of the ERC, is responsible for the detailed oversight of Wealth Management entities (including JPMIB). Further oversight of JPMIB is performed by the JPMIB Audit, Risk and Compliance Committee.

- The ERC is accountable to the EMEA Management Committee (EMC) and the Boards or Directors' Risk Policy Committees (DRPC) and Oversight Committee of the relevant legal entities. It reports to the Firmwide Risk Committee (FRC) and the HR Control Forum, in addition to the EMC and the relevant legal entities boards.
- The EMEA CRO leads the Risk Management function in the region and chairs the ERC. The EMEA CRO is a member of the EMC and the FRC and meets with local regulators on a regular basis.

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

Identification and measurement of key risks

JPMBL's ability to properly measure, monitor and report risk is critical to both its soundness and profitability. JPMBL adheres to the firmwide risk policy framework, which includes a combination of firmwide risk policies as well as legal entity specific policies. Furthermore, JPMBL has an established Risk Identification and Assessment process to monitor and analyse the impact of material risks on the amount of internal capital necessary to cover those risks. The key risks that JPMBL is exposed to are Credit Risk, Operational Risk, Concentration Risk, Interest Rate Risk in the Banking Book (IRRBB), Structural FX Risk, Business Risk, Reputational Risk and Group Risk.

The risk types JPMBL is exposed to for Capital allocation purposes under Pillar 1 are Operational, and Credit risk.

Operational risk is material to JPMBL. The entity has established processes and a developed infrastructure to support the businesses conducted in the legal entity: Alternative Investment Services, Depository Bank (Custody & Fund Services), Treasury Services activities, Fund Accounting and Transfer Agency. To monitor and control operational risk, the Firm maintains an Operational Risk Management Framework (ORMF), detailed in section 11.

Credit Risk represents also a material risk and may encompass overdrafts to custody clients, inter-company placements and, intraday and overnight overdrafts to corporate clients.

Loans and advances to customers described in the annual accounts are the result of temporary overdrafts granted to clients. The Bank's lending is limited to short-term overdrafts linked to Investment Fund operations.

JPMBL launched in the third quarter of 2016 Treasury Services business, which results in intraday and overnight overdrafts to corporate clients. This activity is limited to a small number of clients, and the credit exposure generated is short term and uncollateralised.

JPMBL places its overnight liquidity with its parent JPMCB N.A, London Branch.

Credit concentration risk is managed at the firmwide level through a matrix of credit family exposure thresholds, industry limits and country risk limits. The concentration risk framework complements but does not replace credit
approval and review requirements.

Other risk types considered as part of Pillar 2 calculations:

Interest Rate Risk in the Banking Book (IRRBB) is defined as interest rate risk resulting from the Firm's traditional banking activities (accrual accounted on and off balance sheet positions) which includes extension of loans and credit facilities, taking deposits and issuing debt (collectively referred to as 'non-trading' activities); and also the impact from Treasury and CIO (T/Chief Investment Office) investment portfolio and other related T/CIO, Treasury activities.

Structural FX risk is the risk that changes in foreign exchange rates affect the value of the Bank's assets or liabilities or future results. JPMBL is exposed to mismatches between the currency in which the RWAs are denominated, and the functional currency (US$).

The Bank aims to reduce its legal and reputational risk by ensuring amongst other things the following:

- Subject all staff to the Code of Conduct and obtain their affirmation that they have complied with the rules and principles on an annual basis;
- Capture and review clients' complaints on a timely basis and take timely action to prevent any escalation of a potential litigation;
- Employing qualified employees and provide regular mandatory training;
- Ensuring that senior managers understand the responsibilities of oversight and fostering a culture of escalation within the Bank.

Business risk is the risk that JPMC or Lines of Business will make inappropriate strategic choices, or are unable successfully to implement selected strategies and of loss due to variances in volumes, revenue and costs caused by competitive forces, regulatory changes, or other macroeconomic or market issues.
Business risk is managed through JPMBL's strategic and business planning as part of its Capital Management Framework.

Risk Appetite

Overview

JPMBL's risk appetite framework is derived from the entity's role in supporting execution of firmwide strategy, whilst simultaneously meeting minimum regulatory requirements and serving clients through severe but plausible financial stresses. The framework focuses on key binding constraints for a regulated subsidiary operation, including regulatory capital and liquidity requirements. The most likely trigger mechanism for a collapse of the subsidiary would be regulatory action after breaches of capital or liquidity requirements and inability of the parent companies to inject further resources. This has therefore been used to help define the maximum risk appetite for the entity, while the corresponding risk appetite is set below this upper boundary.

JPMBL's Risk Appetite framework is documented in a Risk Appetite policy and a supporting Risk Appetite Parameters and Guidelines document. The framework has several components including roles and responsibilities, a risk appetite statement, quantitative measures of risk appetite, and monitoring mechanism through risk appetites, policies, procedures and governance.

'Risk capacity' is defined as the maximum level of risk that JPMBL could bear without breaching constraints imposed by regulatory capital or liquidity requirements, other regulatory restrictions, or obligation owed to third parties which impact capital. Risk capacity is therefore the upper boundary of risk appetite and in some cases the threshold corresponds to the regulatory minimum. 'Risk appetite' must always be defined to be equal or below risk capacity in order to ensure regulatory compliance.

Parameters

At the firm level, risk appetite is set for a number of quantitative and qualitative parameters including stressed net income. At the JPMBL level, a number of factors make profitability parameters less relevant. These factors are expected to reduce over time as the legal entity strategy for JPMBL is implemented. However, in its current form, JPMBL Risk Appetite framework does not reflect a direct articulation of profitability.

Where applicable, quantitative risk appetite parameters are expressed as losses under stress for individual risk stripes. Those parameters can be used by the risk stripes to propose more granular limits and policies. JPMBL risk appetites is set for market risk, credit risk, operational risk, liquidity risk, IRRBB and capital risk to act as boundaries to avoid potential adverse outcomes. Results are reviewed monthly by JPMBL ExCo at the LRF and quarterly by JPMBL Board of Directors. Breaches of these boundaries act as a prompt for escalation, discussion and, where required, mitigating actions. JPMBL has introduced quantitative parameters for IRRBB initially for monitoring purposes and then with risk appetite levels and limits (both EVS and EaR).

Other elements of risk appetite are managed in a qualitative way, through policies, procedures, and escalation and monitoring through Firmwide governance committees. This includes reputational risk as well as conduct risk.

Key figures and ratios regarding the interaction between the risk profile and the risk appetite are deemed to be proprietary information as it relates to competitively significant operational conditions and business circumstances, as defined within EBA guidelines EBA/GL/2014/14. The management body will keep this under review.

Board Declaration – Adequacy of Risk Management arrangements

The JPMBL Board of Directors is satisfied that Management has taken reasonable care to establish and maintain risk systems and controls as appropriate to its business.

Members of the Board of Directors

In selecting candidates for the Board of Directors, JPMBL looks for individuals with strong personal attributes, diverse backgrounds and demonstrated expertise and success in one or more disciplines relevant to our 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, our Firm and our shareholders. Candidates for director may be recommended by current Board members or management.

Amanda Cameron (Executive Director) – until 31 January 2017

Amanda Cameron has left JPMBL on January 31st, 2017. She served as the Senior Country Officer for Luxembourg and the General Manager of JPMBL. She subsequently served as Deputy CEO of JPMBL and as Head of its Investor Services business.

Ms Cameron joined J.P. Morgan (Chase Manhattan Bank) in 1993, in Luxembourg, and managed various Client Services and Operations functions. In 2000, she moved to London as a Relationship Manager, before moving back to Luxembourg in 2003 as the Chief Administrative Officer. In 2007, she relocated to Hong Kong and held the position of CAO for the APAC region, CFO and latterly CRO, before moving back to Luxembourg in 2014.

Frédéric Mouchel (Executive Director)

Frédéric Mouchel is a Managing Director in JPMorgan Chase's Corporate & Investment Bank. He leads the Treasury Services Business.

Prior to taking this role, Frédéric was J.P. Morgan Europe Middle East and Africa (EMEA) Treasurer. Over the last 20 years, Frédéric has held various management roles in the firm's Treasury function in the Investment Bank as well as in Finance and Corporate based first in Paris and since 2000 in London. He was EMEA Treasurer since early 2007. Before transferring to the front office and becoming Branch Treasurer for Paris in 1995, he held various positions mostly as a financial controller for market activities. He joined the firm in 1987.

Frédéric graduated from Ecole Supérieure des Sciences Commerciales d'Angers – France (ESSCA) in 1986.

Timothy Gandy (Independent Non-Executive Director) – until 30 April 2017

Timothy Gandy's background in banking goes back to the mid-sixties. Until 1989 he was a Senior Manager at NatWest group in the Corporate Trust Business, before joining J.P. Morgan. Previously a Managing Director and Head of Depositary Bank Services, he is no longer active in the business.

His last role was serving as Global Head of Fiduciary and Compliance Services, building up the Trust & Fiduciary business with more than 2,000 funds, value exceeding US$1.3 trillion, across 11 European jurisdictions as well as taking global responsibility for the Compliance Reporting Service with teams in Europe, United States and Asia Pacific supplying investment limit monitoring for 7,000 funds.

Mark Garvin (Chairman – Non Executive Director)

Mark Garvin is Vice Chairman for the Corporate & Investment Bank at J.P. Morgan. He is also Chairman of J.P. Morgan Europe Ltd and Chairman of the Supervisory Board of J.P. Morgan AG.

Mr Garvin has worked for J.P. Morgan and its predecessor banks since 1978. After serving in various capacities in the Latin American division he became credit officer in Paris in 1982. He transferred to London in 1985 where he assumed responsibility for UK client coverage. In 1988 he was appointed deputy general manager of the London branch and in 1992 became UK Senior Country Officer. In 1997 he was appointed Chief Operating Officer – Europe, Middle East & Africa, and in 2004 became Chairman, Treasury & Securities Services International, a position he held until assuming his current role in 2012.

He is Senior Independent Director of Euroclear Plc and Director of BritishAmerican Business.

Mr Garvin holds a BS from Georgetown University as well as an MBA from the American University.

Ketki Miles (Non-Executive Director)

Ketki Miles is a Managing Director and the Head of Operations for our Global Fund Services business.

In her 29 years with the firm, Ms Miles has held a number of diverse positions with increasing responsibility, including head of Technology & Operations for the Asset Management group, head of Operations for Exotics and Hybrids Derivatives, Product Development for Global Derivatives Services, Product Management for Investment Operations Services, Head of Operations in Europe for Investment Operations Services and Hedge Fund Services and most recently as the head of Operations for Accounting in Europe.

Ms Miles holds a BA in Computer Science from New York University.

Christopher Rowland (Non-Executive Director)

Chris Rowland is Managing Director Global Head of Custody with the Corporate and Investment Bank (CIB). Mr Rowland has worked twice for JPMorgan. Most recently Mr Rowland re-joined the firm in 2006 to establish the EMEA Product Management Group for Global Custody followed by running the product development strategy for the Custody business, establishing Corporate and Investment Bank securities processing utilities and running the Global Fund Services business. Previously at JPMorgan Mr Rowland had performed operations, project management and operational outsourcing sales roles covering derivative products in the investment Bank. Mr Rowland spent 4 years at BNP Paribas Securities Services where he led the sales and relationship management team for the Direct Custody and Clearing business in the UK.

Mr Rowland has a BA in History and Politics from Swansea University.

Juerg Brun (Independent Non-Executive Director)

Juerg Brun is an Independent Non-Executive Director of the Bank since July 2016 and chairs the Audit Committee. Mr. Brun is the managing owner of Brun Advisory GmbH, which is active in management consulting focusing on Board functions and project management. Mr. Brun has extensive experience in audit and consulting, with a special focus on technology-related matters, and has held various senior management positions in EMEA and the US as a partner of one of the Big4 accounting firms. He has served several global clients, mainly in the financial services sector, assuming in particular the global lead technology audit partner role for one of the world’s largest wealth management and retail banks during many years before establishing his consultancy firm. Beside his consulting mandates, Mr. Brun currently holds two directorship positions.

Ignace Combes (Independent Non-Executive Director)

Ignace Combes is an Independent Non-Executive Director of the Bank and Chairman of the Risk Committee since the middle of 2016. Mr. Combes has a Masters in Civil Engineering from Gent University in Belgium together with an MBA from Vlerick Management School in Belgium. After several years as a project manager for JPMorgan Mr. Combes joined Euroclear where he progressed to being Head of Operations for Belgium. Mr. Combes then returned to J.P. Morgan in NY where he was Worldwide Head of Marketing for 5 years. Mr. Combes re-joined Euroclear and had risen to the position of Deputy CEO for Euroclear Belgium when he left. Ignace Combes is currently also an Independent Non-Executive Director of Partena Professional. Ignace Combes, in his executive career, has also been a Board Member at Swift, Petercam (Private bank and Asset Manager), LCH.Clearnet and the Euroclear Group.

Alison Livesey (Non-Executive Director) – since 8 May 2017

Alison Livesey is a London based Managing Director in the Treasury Services business and is currently responsible in Treasury Services for its European Legal Entity Strategy and Brexit strategy and execution. Prior to assuming this role in January 2016, Ms Livesey was part of the global strategic execution team within Treasury Services focused, from a business perspective, on its operating framework and building and maintaining a robust control environment.

Before joining the business in June 2014, Ms Livesey has spent 15 years in a variety of different Compliance roles in London, New York and Germany. In her last role she was the Chief Compliance Officer for Treasury Services, based in New York.

Ms Livesey is a member of the Board of J.P. Morgan Bank Luxembourg S.A.

Ms Livesey has an LLB Law degree from The University of Hull and is a qualified barrister in the UK and a member of Lincoln's Inn.

Number of directorships held by members of the Board of Directors

Members of the Board of Directors have also held internal and/or external directorships in addition to being appointed by JPMBL during the year ended December 31, 2017 as follows:

Name	Internal Directorships	External Directorships
Amanda Cameron	4	-
Timothy Gandy	3	-
Mark Garvin	4	5
Ketki Miles	1	-
Christopher Rowland	1	-
Frederic Mouchel	2	-
Juerg Brun	-	2
Ignace Combes	-	3
Alison Livesey	1	TBC

Exhibit 3: Number of directorships held by members of the JPMBL BoD

Diversity & Inclusion

JPMBL has a disciplined focus on our Workforce, Workplace and Marketplace – with management accountability as the foundation and element most critical to our ability to hire, train and retain great and diverse employees whose unique perspectives help us realize our business objectives. We 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 organization 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

Our 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), comprised of senior leaders across all businesses, functions and regions, representing different diverse groups help deepen our inclusive work environment. Each BRG is sponsored by a J.P. Morgan 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 our boards in EMEA. These targets are to 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.

Following appointment of two Independent non-Executive Directors in 2016 the JPMBL ratio fell below the Company's internal target. The Nomination Committee of the Board continues to focus on diversity as a key component of its selection process, and will look to regaining a diversity target of 30% female board members over time.

3. Own funds (Art. 437)

JPMBL's own funds solely consist of Common Equity Tier 1 capital. The authorized and issued share capital is set at US$11,000,000. It is divided into 100,000 shares of a par-value of US$110; each fully paid.

The Capital of the Bank may be increased or reduced from time to time by a resolution of the general meeting of shareholders passed in the manner for the time being required by law or under the Articles of Association. The shareholders may prescribe the terms of issue of such capital in the resolution providing for any increase of capital and in particular may decide that all or part of the shares to be issued be not preferentially offered to the existing shareholders, but if no such terms are so prescribed the Board of Directors may determine the terms and conditions of the issue. In principle, unless the shareholders shall otherwise resolve, the additional shares to be subscribed will be preferentially offered in the first instance to the existing shareholders proportionately to the number of shares held by each of them.

The Board of Directors may also determine whether the preferential right which is not exercised by some of the existing shareholders will accrue proportionately to the remaining shareholders who have exercised their preferential rights and the Directors may issue on such terms as they deem fit shares not taken up by such shareholders.

Subject to any contrary directions contained in any resolution of the shareholders, the Board of Directors may in any case make agreements with third parties on such terms and conditions as the Board may determine. In order to ensure the subscription in whole or part of the additional shares to be issued, provided that such third parties will have to observe the preferential right, if any, of the existing shareholders.

All shares shall be registered and JPMBL will at all times maintain a register for this purpose. The rights and obligations attached to a share will remain attached to such share to whoever it is transferred. The property of a share rightly implies adherence to the present Articles and to the resolutions of the general meeting of shareholders. The Bank will recognize only one holder of each share in respect of the rights attached to a share, especially the voting rights. Where any share is held by more than one person, the Bank has the right to suspend the exercise of all rights attached to that share until one person has been appointed sole holder in relation of the JPMBL; the same rule shall apply in case of conflict between usufructuary and a bare owner and between a pledger and a pledgee.

The profit brought forward amounted to US$45,366 as at December 31, 2017.

In addition there are reserves, which consist of legal, free and special reserves:

- The legal reserve is not distributable. The legal reserve as at December 31, 2017 amounted to US$1,100,000;
- The free reserve represents profits of prior years, which have been appropriated by the Annual General Meeting of shareholders to a specific reserve referred to as free reserve. The Annual General Meeting may approve the distribution of this reserve. The free reserve as at December 31, 2017 amounted to US$1,154,621,579 (under International Financial Reporting Standards);
- The special reserve as at December 31, 2017 amounted to US$107,100,000. This reserve is non-distributable for a period of five years.

JPMBL has not issued any Capital Instruments, other than the shares mentioned above.

For a quantitative disclosure please refer to Appendix A; main characteristics of capital instruments can be found in Appendix C of this document.

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.

Besides the Pillar 1 regulatory capital requirement, JPMBL performs an Internal Capital Adequacy Assessment Process (ICAAP) in accordance with circular CSSF 07/301 (and amendments thereto). The ICAAP is a regulatory requirement and an important tool for the Bank's Board and Senior Management. It consists of a number of interlinked components that form part of management and decision-making processes such as the Bank's risk appetite, strategy, capital and risk management frameworks, and stress testing. This document summarizes the outcome of how the ICAAP is used to assess the material risks to which JPMBL is exposed; how these risks are measured, managed, monitored and mitigated; and how much capital the Bank should hold to reflect these risks now, in the future and under stressed conditions.

The risk types JPMBL is exposed to for Capital allocation purposes under Pillar 1 are Operational risk, and Credit risk.

Firmwide operational risk capital measurement

In addition to the level of actual operational risk losses, operational risk measurement includes operational risk based capital and operational risk loss projections 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 and Review ("CCAR") framework and the Internal Capital Adequacy Assessment Process ("ICAAP").

JPMBL Operational risk capital measurement

JPMBL calculates the operational risk capital requirement for Pillar 1 using the Basic Indicator Approach (BIA) as set out under Basel III. The BIA sets the required level of operational risk capital as 15% of the bank's annual positive gross income averaged over the previous three years.

In addition to the Pillar 1 assessment, JPMBL adopted an internal approach to calculate operational risk capital under Pillar 2 based on Scenario Analysis. The primary objective of Scenario Analysis is to provide the senior management with a forward-looking view of exceptional but plausible operational risk events and to assess their potential outcome. JPMBL has used Scenario Analysis to facilitate the assessment of operational risk capital and to project future expected losses under various economic conditions. Scenarios reflect risks that could materialize within the foreseeable future and may or may not have previously impacted JPMBL.

JPMBL Credit and Concentration risk capital measurement

For JPMBL's Pillar 2 Credit and Concentration risk assessment, J.P. Morgan's Economic Capital model has been adopted, which is used throughout the firm to identify distinctively the amount of capital required for credit risk and concentration risk. Specifically, JPMBL has developed a granular approach to measure its exposure to concentration risk.

Credit Risk Economic Capital is defined as the cushion against unexpected losses at a 99.9% confidence level based on maintaining a targeted "AA" rating standard for JPMorgan Chase & Co. The firm's economic capital model measures default losses, changes in accounting reserves and mark-to-market losses. To compute economic capital, the loss distribution for the wholesale credit portfolio is calculated by running Monte-Carlo simulations using J.P. Morgan's Proprietary Capital Model with a one-year horizon.

One of the main objectives of the Economic Capital model is to assess concentration risk for the portfolio. Concentration risk is quantified by assessing correlations between a set of country and industry factors and the obligor's dependency on these systemic risk factors. The model also correlates credit spread movements across the underlying names and captures the correlation between default and credit spread movements in the portfolio.

Credit risk capital requirement calculated using the Economic Capital model is compared to the standardized pillar 1 Credit Risk capital requirement. If the Economic capital assessment shows the overall Pillar 1 charge to be deficient, additional capital will be held.

The amount of capital identified for Concentration Risk was assessed using the Economic Capital model. Different dimensions of concentration risk (e.g. geographic, sectorial and single-name) have been taken into account.

At December 31, 2017, the overall Pillar 2 capital requirement exceeds the Pillar 1 amount, reflecting the Economic Capital calibration of credit exposures and concentration risk.

Based on the calculations above, the short-term nature of overdrafts, and the Firm's credit policies in place, JPMBL is deemed sufficiently capitalized for credit and concentration risk.

Capital Planning Buffer

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

The Capital Planning Buffer is described as the quantum of capital the Bank should hold now, to absorb losses and/or cover increased capital requirements in adverse circumstances that are outside of its normal and direct control. This buffer can be released/used in such stressed circumstances, allowing the Bank to continue to meet its minimum regulatory capital requirements.

In addition to Pillar 1, JPMBL adopted an internal approach to assess its capital adequacy under Pillar 2A. This involves using its Pillar 1 capital requirements as a starting point and then using its internal capital adequacy assessment to apply any Pillar 2A add-ons (to the Pillar 1 minimum) that are required to adequately capture the risks to which the Bank is exposed. The second component is known as "Pillar 2B", and considers what additional capital buffer is required to maintain that capitalization over the economic cycle, including a severe stress.

Based on the analysis undertaken, JPMBL's capital resources remain adequate to support the Bank`s underlying risk profile and strategic growth objectives. JPMBL maintains a substantial capital surplus throughout the scenarios considered.

JPMBL`s total capital ratio remains well above the required minimum level of 8% (excluding the Capital Conservation Buffer) at all times and under all scenarios. Therefore, at this stage, the Bank believes that continuing to monitor the impact of the stress scenarios is the most appropriate course of action–since the impact is both within the capital currently available, and within the 2.5% of RWAs or greater which the firm must hold as an equivalent buffer under CRD IV (Capital Conservation Buffer). In addition, JPMBL capital forecasting is based on a combination of factors including potential new business, forecasted market conditions, forecasted business activity, etc.

As an outcome of 2016 supervisory review and evaluation process (SREP) an own funds requirement of 1% was required to be held in 2017 in excess of the minimum own funds requirement and to be maintained at all times in accordance with Article 16(2)(a) of Regulation (EU) No 1024/2013, to be made up entirely of Common Equity Tier 1 capital. This additional requirement was brought up to 2% in 2018 following 2017 SREP, applicable from 1 January 2018.

In addition, given that JPMBL is considered as 'other systemic institution' in the EU, the ECB has required an O-SII buffer of 0.375% applicable for the financial year 2018 (to be fully phased-in in January 2019 at 0.5%).

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

Risk-weighted exposure amounts

As at 31 Dec 17 US$m	0%	20%	50%	75%	100%	150%	RWA	8% of RWA
Central governments or central banks	3,804	0	0	0	0	0	0	0
Institutions	0	11,921	0	0	0	0	2,384	191
Corporates	905	0	0	0	126	0	126	10
Other items	0	0	0	0	178	0	178	14
TOTAL CAPITAL REQUIREMENTS FOR CREDIT, COUNTERPARTY CREDIT, DILUTION AND DELIVERY RISKS							**2,687**	**215**

Exhibit 4: JPMBL RWA as at December 31, 2017

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

At the end of 2017, JPMBL was not exposed to Counterparty Credit Risk (CCR).Credit risk for the Bank was limited to intraday and overdrafts to custody clients (Custody business) and to corporate clients (TS business), long-term intra-group placements: JPMBL places its overnight liquidity with its parent JPMCB N.A, London Branch, a portion of the overnight liquidity through a 10 year term deposit and a 95 days evergreens. These transactions can be terminated by either party, provided a 90-day notice period is served or earlier by mutual consent.

As part of Custody Window, in Q4 2017, as the first wave of IS clients were migrated from JPMCB London Branch to JPMBL, a number of FX derivative facilities were set up, with short term maturity of one week. At the end of 2017, there was no exposure under those credit lines. Primary and Secondary Nostro facilities were also established to support the business, mainly with third party credit institutions part of the agent bank network of JPMBL.

JPMBL does not engage in Securities Financing activities with third-party clients.

Approach to Risk Management

Firmwide Credit Risk Management is an independent risk management function that monitors, measures and manages credit risk throughout the J.P. Morgan group and defines credit risk policies and procedures. The credit risk function reports to the Firm's CRO. The Firm's credit risk management governance includes the following activities:

1. Establishing a comprehensive credit risk policy framework;
2. Monitoring, measuring and managing credit risk across all portfolio segments, including transaction and exposure approval;
3. Setting industry concentration limits and establishing underwriting guidelines;
4. Assigning and managing credit authorities in connection with the approval of all credit exposure;
5. Managing criticised exposures and delinquent loans;
6. Estimating credit losses and ensuring appropriate credit risk-based capital management.

JPMBL's legal entity approach mirrors the firmwide approach with legal entity specific governance overlay.

Over and above the credit risk firmwide approach, there is a regional and legal entity specific credit risk approval process covered by JPMBL credit risk policy.

JPMBL is supported by the resources of the CIB Credit Risk Management Group (Credit Risk Management) to fulfil aspects of credit risk management on its behalf.

Primary responsibility for decisions on acceptability of clients from a credit perspective, approval of credit lines, ongoing credit exposure monitoring, and determining impairment provisions are managed centrally according to the Firm's Credit Policy. The responsibility resides with the Credit Officers in CIB Credit Risk Management.

Risk Measurement

Methodologies for measuring credit risk vary depending on several factors, including type of asset, risk measurement parameters and risk management and collection processes. Credit risk measurement is based on the probability of default of an obligor or counterparty, the loss severity given a default event and the exposure at default.

Wholesale portfolio: Credit Risk Management assign and review risk ratings on an ongoing basis to reflect counterparties' financial position, risk profiles, security interests and third party supports. For portfolios that fluctuate based upon an underlying reference asset or index, potential future exposure is measured using probable and unexpected loss calculations based upon estimates of probability of default and loss severity given a default. Probable losses are primarily based on statistical estimates of credit losses as a result of counterparty default.

It should be noted that all internal models are subject to periodic review by the Model Risk Governance & Review (formerly Model Risk and Development Group) which is independent of the lines of business.

Credit and Counterparty Credit Risk

Credit loss estimates are based on estimates of the probability of default ("PD") and loss severity given a default. The probability of default is the likelihood that a borrower will default on its obligation; the loss given default ("LGD") is the estimated loss on the loan that would be realized upon the default and takes into consideration collateral and structural support for each credit facility. The estimation process includes assigning risk ratings to each borrower and credit facility to differentiate risk within the portfolio. These risk ratings are reviewed regularly by Credit Risk Management and revised as needed to reflect the borrower's current financial position, risk profile and related collateral. The calculations and assumptions are based on both internal and external historical experience and management judgment and are reviewed regularly. For portfolios that fluctuate based upon an underlying reference asset or index, potential future exposure is measured using probable and unexpected loss calculations based upon estimates of probability of default and loss severity given a default.

Derivatives: To capture the potential future variability of credit exposure, the Firm calculates, on a client-by-client basis, three measures of potential derivatives-related credit loss: Peak, Derivative Risk Equivalent ("DRE"), and Average exposure ("AVG"). These measures all incorporate netting and collateral benefits, where applicable. Peak represents a conservative measure of potential exposure to a counterparty calculated in a manner that is broadly equivalent to a 97.5% confidence level over the life of the transaction. Peak is the primary measure used by the Firm for setting of credit limits for derivative transactions, senior management reporting and derivatives exposure management. DRE exposure is a measure that expresses the risk of derivative exposure on a basis intended to be equivalent to the risk of loan exposures. DRE is a less extreme measure of potential credit loss than Peak and is used for aggregating derivative credit risk exposures with loans and other credit risk.

Settlement Risk and Delivery Risk

Products not settled on DAP (Delivery After Payment) or PvP (Payment vs. Payment) terms require settlement exposure to be quantified (the delivery risk of physical commodity products is included in the DRE calculation), monitored and controlled. Settlement risk is calculated using the Duration Based Settlement Risk (DBSE) metric. It measures the amount of purchased contracts which may be delivered on a single day to a particular counterparty (or eligible borrowers). The measure takes into account the duration of settlement risk resulting from settling different currencies locally and it incorporates settlement fail amounts in the exposure, Business units are required to obtain credit approval for Daily Settlement Limits (DSLs) for clients trading products not settled on DAP or PvP. A DSL is a notional amount that limits the US$ equivalent receivable value of non-DAP/non-PvP transactions contracted to settle on a particular date. DBSE is monitored against DSL.

Guarantees

The Third-Party Credit Supports policy sets out specific criteria for guarantees to be eligible for capital reduction, and to the extent they are not eligible the exposure retains its full value for the purposes of capital calculation. To ensure the legal enforceability of the commitment by the guarantor, all guarantees must be reviewed by legal counsel at the outset and are also subject to periodic review to ensure their ongoing effectiveness.

Wrong Way Risk

JPMBL - Specific and General Wrong Way risks are not relevant and material for JPMBL.

Wrong way risk according to Article 291 (1) a) and b) CRR is defined as: General Wrong-Way risk arises when the likelihood of default by counterparties is positively correlated with general market risk factors.

Specific Wrong-Way risk arises when future exposure to a specific counterparty is positively correlated with the counterparty's Probability of Default (PD) due to the nature of the transactions with the counterparty. An institution shall be considered to be exposed to Specific Wrong-Way risk if the future exposure to a specific counterparty is expected to be high when the counterparty's probability of a default is also high.

6. Capital Buffers (Art. 440)

Countercyclical Buffers

At December 31, 2017, Countercyclical Buffer rates were in effect in Norway (2%), Sweden (2%), Czech Republic (0.5%) and Hong-Kong (1.25%) where the bank had some credit risk exposures. Nonetheless those exposures were exposures to credit institutions and as such not in scope of the countercyclical buffer calculation. Therefore, the Bank's institution-specific Countercyclical Buffer rate was 0%.

7. 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

Primary responsibility for determining impairment provisions is managed according to the Firm's Credit Policy. J.P. Morgan's methodology for determining impairment provisions and the establishment of impairment provisions are managed centrally.

At December 31, 2017 there were no impaired and/or past due exposures.

Credit risk exposure under the Standardized approach

As at 31 Dec 17	Exposure US$m	Average Exposure over the year US$m
Credit Risk Exposure Class		
Central governments or central banks	3,804	2,909
Institutions	11,921	11,078
Corporates	1,031	1,105
Other items	178	120
Total	**16,934**	**15,212**

Exhibit 5: Credit risk exposure under the Standardized approach

Geographical analysis of Credit risk exposure under the Standardized approach

As at 31 Dec 17	Luxembourg US$m	Other European Union US$m	United States US$m	Asia US$m	Rest of the World US$m	Total US$m
Credit Risk Exposure Class						
Central governments or central banks	3,804	-	-	-	-	3,804
Institutions	3	33	11,884	0	1	11,921
Corporates	1,015	16	0	-	0	1,031
Other items	178	0	-	-	-	178
Total	**5,000**	**49**	**11,884**	**0**	**1**	**16,934**

Exhibit 6: Geographical analysis of Credit risk exposure under the Standardized approach

Industry analysis of Credit risk exposure under the Standardized approach

As at 31 Dec 17	Banks US$m	Mutual Funds US$m	Other US$m	Total US$m
Credit Risk Exposure Class				
Central governments or central banks	3,804	-	-	3,804
Institutions	11,921	-	-	11,921
Corporates	-	1,022	9	1,031
Other items	-	-	178	178
Total	**15,725**	**1,022**	**187**	**16,934**

Exhibit 7: Industry analysis of Credit risk exposure under the Standardized approach

Residual maturity analysis of Credit risk exposure under the Standardized approach

As at 31 Dec 17	On demand and qualifying revolving US$m	Under 1 year US$m	Over 1 year, under 3 years US$m	Over 3 years, under 5 years US$m	Over 5 years, under 10 years US$m	Over 10 years US$m	Total US$m
Credit Risk Exposure Class							
Central governments or central banks	3,804	-	-	-	-	-	3,804
Institutions	8,214	2,703	-	-	1,004	-	11,921
Corporates	1,031	-	-	-	-	0	1,031
Other items	75	102	-	-	-	1	178
Total	**13,124**	**2,805**	**-**	**-**	**1,004**	**1**	**16,934**

Exhibit 8: Residual maturity analysis of Credit risk exposure under the Standardized approach

8. Unencumbered assets (Art. 443)

As at December 31, 2017 the encumbrance of assets was calculated according to Article 443 CRR and Regulation (EU) 2015/79.

JPMBL does not have any encumbered assets except the regulatory minimum reserves held at Banque Centrale du Luxembourg, (BCL) in the form of overnight demand deposits. The carrying amount of unencumbered assets was US$15,887m as at December 31, 2017.

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

The External Credit Assessment Institutions (ECAIs) used in the determination of credit quality steps are Fitch, Moody's and Standard and Poor's. The ratings from each of these ECAIs are used for all standardized risk classes apart from risk classes weighted 100% by default.

The Bank complies with the standard association published by the EBA.

Credit quality steps before and after Credit Risk Mitigation using the Standardized Approach

Credit quality step analysis of exposure and capital deductions under the Standardized Approach (pre and post CRM)

As at 31 Dec 17	Credit Quality Step 1 US$m	Credit Quality Step 2 US$m	Credit Quality Step 3 US$m	Credit Quality Step 4 US$m	Credit Quality Step 5 US$m	Credit Quality Step 6 US$m	Unrated US$m	Total US$m	Capital deducted from Capital Resources US$m
Credit Risk Exposure Class									
Central governments or central banks	3,804	-	-	-	-	-	-	3,804	-
Institutions	11,913	8	0	-	-	-	-	11,921	-
Corporates	-	-	-	-	-	-	1,031	1,031	-
Other items	-	-	-	-	-	-	178	178	-
Total	**15,717**	**8**	**0**	**-**	**-**	**-**	**1,209**	**16,934**	**-**

Exhibit 9: Credit quality step analysis of Pre CRM exposure and capital deductions under the Standardized Approach

10. 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 primary categories of market parameters are Interest Rates, Foreign Exchange Rates, Equity Prices, Credit Spreads and Commodity Prices.

Market risk management, part of an independent risk management function, is 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.

As per the firmwide Market Risk Management Policy framework, the Market Risk Firmwide Risk Executive (FRE) and Line of Business Chief Risk Officers (LOB CROs) are responsible for establishing an effective market risk organization. The FRE, LOB Heads of Market Risk establish the framework to measure, monitor and control market risk. The JPMBL Chief Risk Officer (CRO) is responsible for application of these processes to JPMBL and for monitoring and overseeing market risk exposure, in aggregate across LOBs, at the legal entity level, to asses that this remains within quantitative parameters defined within the JPMBL Risk Appetite framework..

Business Overview

JPMBL's only exposure to market risk, as of December 2017 year-end, was generated through foreign-exchange risk on account of unmatched currency positions in the banking book. JPMBL has market risk limits in place at the legal entity and business area levels to control its market risk exposure arising from FX risk and/or other risk drivers.

Market Risk Management

Market risk limits are employed as the primary control to align the JPMBL's market risk with certain quantitative parameters within JPMBL's Risk Appetite framework. JPMBL LOBs and their business units should not exceed their limits unless authorized by a Temporary Limit Approval (TLA) or limit change.

The LOB Market Risk (MR) and JPMBL CRO establish JPMBL level limits. Business Heads, MR, JPMBL CRO and JPMBL CEO are signatories to limits, as defined in the JPMBL Market Risk Management Procedures. Limits require formal approval by appropriate limit signatories. Any subsequent revised limits or TLAs must be signed-off by appropriate limit signatories to be effective.

These internal JPMBL level limits shall not exceed JPMBL Risk Appetite for JPMBL Value at Risk and Stress under JPMBL's Risk Appetite framework.

As part of its holistic analysis of the JPMBL's market risk, MR reviews market risk limits for JPMBL at least semi-annually. Limit reviews appropriately consider the underlying trading, investing and hedging strategies of the business.

Market Risk Quantification

As of December 31, 2017, Pillar 1 foreign exchange risk is below the reporting threshold of 2% of regulatory capital. Hence, no capital has been allocated against foreign exchange risk.

11. Operational Risk (Art. 446)

Operational risk is the risk associated with inadequate or failed internal processes, people and systems, or from external events; operational risk includes cybersecurity risk, business and technology resiliency risk, payment fraud risk, and third-party outsourcing risk. Operational risk is inherent in the Firm's and Bank's activities and can manifest itself in various ways, including fraudulent acts, business interruptions, inappropriate employee behavior, 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 damages to the Firm and Bank. The goal is to keep operational risk at appropriate levels in light of the Firm's financial position, the characteristics of its businesses, and the markets and regulatory environments in which it operates.

To monitor and control operational risk, the Firm has an Operational Risk Management Framework ("ORMF") which is designed to enable the Firm to maintain a sound and well-controlled operational environment. The ORMF has four main components: Governance, Risk Identification and 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 Control Management Group, which consists of control officers within each LOB and corporate function, is responsible for the day-to-day execution of the ORMF. LOB 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 LOB 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.

Risk Identification and Assessment

The Firm utilizes several tools to identify, assess, mitigate and manage its operational risk. One such tool is the 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 and corporate functions 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 led to or could lead to actual operational risk losses, including litigation-related events. Responsible businesses and corporate functions analyze their losses to evaluate the effectiveness 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

The Pillar 1 assessment of Operational risk is calculated in accordance with the Basel III Basic Indicator Approach (BIA). For information related to operational risk measurement refer to Section 4 Capital Requirements.

Monitoring and Reporting

ORG has established standards for consistent operational risk monitoring and 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 LOB and corporate function.

12. Liquidity Risk (Art. 435)

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

Liquidity profile

JPMBL is a deposit taking entity and its primary business is driven by custody and fund services and treasury services clients in the form of sight deposits. Based on their operational classifications, JPMBL client deposits are considered highly stable funding within a liquidity stress. In addition, JPMBL also holds a capital base which supports limited corporate lending activity. The combination of deposits and capital form a large natural excess liquidity position. Excess cash is predominantly placed with JPMCB London on an unsecured basis.

The Bank also has some advised uncommitted facilities and overdrafts with liquidity risk remaining small in relation to its overall balance sheet, as these facilities and overdrafts are primarily extended to non-financial counterparties.

Liquidity risk oversight

The Firm has a liquidity risk oversight function whose primary objective is to provide assessment, measurement, monitoring, and control of liquidity risk across the Firm. Liquidity risk oversight is managed through a dedicated Firmwide Liquidity Risk Oversight group. The Chief Investment Office, Treasury, and Corporate ("CTC") Chief Risk Officer ("CRO"), who reports to the Firm's CRO, as part of the independent risk management function, is responsible for Firmwide Liquidity Risk Oversight. Liquidity Risk Oversight's responsibilities include:

- Establishing and monitoring limits, indicators and thresholds including liquidity risk appetite tolerances;
- Monitoring internal Firmwide and material legal entity liquidity stress tests, and monitoring and reporting regulatory defined liquidity stress testing;
- Approving or escalating for review liquidity stress assumptions;
- Monitoring liquidity positions, balance sheet variances, and funding activities; and
- Conducting ad hoc analysis to identify potential emerging liquidity risk.

Liquidity management

Corporate Treasury and CIO are responsible for liquidity management. The primary objectives of effective liquidity management are to:

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

The Firm manages liquidity and funding using a centralised, global approach across its entities, taking into consideration both their current liquidity profile and any potential changes over time, in order to optimise liquidity sources and uses. In the context of the Firm's liquidity management, Treasury and CIO is responsible for:

- Analysing and understanding the liquidity characteristics of the assets and liabilities of the Firm, lines of business and legal entities, taking into account legal, regulatory, and operational restrictions;
- Developing internal liquidity stress testing assumptions;

- Defining and monitoring Firmwide and legal entity specific liquidity strategies, policies, guidelines, reporting and contingency funding plans;
- Managing liquidity within the Firm's approved liquidity risk appetite tolerances and limits;
- Managing compliance with regulatory requirements related to funding and liquidity risk, and
- Setting transfer pricing in accordance with underlying liquidity characteristics of balance sheet assets and liabilities as well as certain off-balance sheet items.

Treasury and the independent LRO function have established and implemented strategies, policies and procedures to effectively manage liquidity risk, which include the Liquidity Risk Oversight Policy, the CFP and the Liquidity Risk Limits and Indicators Policy. These policies and frameworks apply on a Firmwide basis, and are supplemented by legal entity approaches where appropriate. Policies and procedures are in place for the review of all liquidity stress testing practices, methodologies, and assumptions through the Firmwide Liquidity Stress Governance Forum; this includes application of legal entity specific assumptions where required. A liquidity risk appetite is approved by the board for JPMBL, following review at the JPMBL ExCo.

The Bank's liquidity risk management process includes early warning indicators to monitor changes in customer/counterparty behaviour. Some of these indicators are monitored daily and escalations protocols have also been established should breaches occur.

Risk governance and measurement

Specific committees responsible for liquidity governance include the Firmwide Asset Liability Committee ("ALCO"), regional ALCOs, the CTC Risk Committee and the EMEA Risk Committee.

Internal Stress Testing

Liquidity stress tests are intended to ensure that the Bank has sufficient liquidity under a variety of adverse scenarios, including scenarios analysed as part of the Firm's resolution and recovery planning. Stress scenarios are produced for JPMorgan Chase & Co. Parent Company ("Parent Company") and the Firm's material legal entities and other entities as relevant, on a regular basis and ad hoc stress tests are performed, as needed, in response to specific market events or concerns.

Liquidity stress tests assume all of the Firm's contractual financial obligations are met and take into consideration varying levels of access to unsecured and secured funding markets, estimated non-contractual and contingent cash outflows and potential impediments to the availability and transferability of liquidity between jurisdictions and material legal entities such as regulatory, legal or other restrictions.

Liquidity outflow assumptions are modelled across a range of time horizons and currency dimensions and contemplate both market and idiosyncratic stress. The results of stress tests are considered in the formulation of the Firm's funding plan and assessment of its liquidity position. The Parent Company acts as a source of funding for the Firm through equity and long-term debt issuances, and its wholly owned direct subsidiary JPMorgan Chase Holdings LLC ("Intermediate Holding Company") which provides funding support to the ongoing operations of the Parent Company and its subsidiaries, as necessary. The Firm maintains liquidity at the Parent Company and the Intermediate Holding Company, in addition to liquidity held at the operating subsidiaries, at levels sufficient to comply with liquidity risk tolerances and minimum liquidity requirements, to manage through periods of stress where access to normal funding sources is disrupted.

Regulatory required stress tests (e.g. US LCR) and internal stress tests are conducted to ensure the Firm meets all compliance requirements. The Firm has systems in place to aid in the measurement, management, monitoring and reporting of liquidity risks.

Contingency funding plan

The Firm's contingency funding plan ("CFP") is approved by the Firmwide ALCO and the DRPC. The JPMBL's addendum to the CFP is approved by the JPMBL Board. The CFP and the addendum is a compilation of procedures and action plans for managing liquidity through stress events. The CFP incorporates the limits and indicators set by the Liquidity Risk Oversight group. These limits and indicators are reviewed regularly to identify the emergence of risks or vulnerabilities in the Firm's liquidity position. The CFP identifies the alternative contingent funding and liquidity resources available to the Firm and its legal entities in a period of stress.

Internal Liquidity Adequacy Assessment Process

Annually, JPMBL completes the Internal Liquidity Adequacy Assessment Process ("ILAAP"), which provides management with an assessment of the adequacy of the entity's liquidity resources to cover liabilities as they fall due in stressed conditions. Stress scenarios cover both market and idiosyncratic events.

The ILAAP details how the entity measures its liquidity risk, the methodologies and assumptions used and JPMBL's board determines if the size of the Liquid Asset Buffer is appropriate. If changes in the entity's business, strategy, activities or operational environment suggest that the current level of liquid resources or the funding profile is no longer adequate, then the document will be updated more frequently. The ILAAP is reviewed by management and is approved by the JPMBL Board of Directors.

Liquidity risk reporting and measurement system

JPMBL uses the firm's strategic liquidity risk technology platform (Liquidity Risk Infrastructure - LRI) to report and measure its liquidity risk position. LRI is the single global source for data consumption and reporting capabilities of the firm's liquidity reporting (both internal and external) and analytics as well as line of business, legal entity, currency and specific jurisdictional requirements and is also used to execute stress testing and associated limits and indicators.

Liquidity Coverage Ratio (LCR)

From 1 October 2015, JPMBL was required to comply with the LCR guidance set out in the Delegated Act (Commission Delegated Regulation (EU) 2015/61). The LCR is intended to measure the amount of High Quality Liquid Assets ("HQLA") held by the entity in relation to estimated net liquidity outflows within a 30-day calendar stress period. The LCR was required to be 60% at 1 October 2015, rising to 70% on 1 January 2016 and 80% on 1 January 2017 until reaching the 100% minimum by 1 January 2018. As at 31 December 2017, the entity was compliant with the fully phased-in LCR.

Concentration of funding and liquidity sources

JPMBL's primary activity is the provision of custody and funds services, mainly for Luxembourg domiciled clients.
The key sources of liquidity for JPMBL are non-invested cash placed by custody and fund services, and to a lesser extent, by Treasury Services clients.

Derivative exposures and potential collateral calls

During 2017, JPMBL had no derivative products and did not enter into any collateral management business.

Currency mismatch in the LCR

JPMBL has no significant currency mismatch, usually deploying client deposits in the original currency of the client deposit. As part of its business strategy, JPMBL does not enter into transactions that could cause any open currency position.

The table below shows the liquidity metrics and LCR ratio as 12-month averages for the 2017 Financial Year:

JPMBL		Total unweighted value (average)	Total weighted value (average)
USD million			
Quarter ending on		Q4 2017	Q4 2017
Number of data points used in the calculation of averages		12	12
HIGH-QUALITY LIQUID ASSETS			
1	**Total high-quality liquid assets (HQLA)**		**2,664**
CASH – OUTFLOWS			
5	**Unsecured wholesale funding**	**14,021**	**7,605**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	8,545	2,136
7	Non-operational deposits (all counterparties)	5,476	5,470
14	**Other contractual funding obligations**	**15**	**-**
15	**Other contingent funding obligations**	**1,237**	**-**
16	**TOTAL CASH OUTFLOWS**	-	**7,606**
CASH – INFLOWS			
18	**Inflows from fully performing exposures**	**8,649**	**8,649**
19	**Other cash inflows**	**191**	**38**
20	**TOTAL CASH INFLOWS**	**8,840**	**8,687**
EU-20c	Inflows subject to 75% cap	8,840	8,687

21	**LIQUIDITY BUFFER**	-	**2,664**
22	**TOTAL NET CASH OUTFLOWS**	-	**1,901**
23	**LIQUIDITY COVERAGE RATIO (%)[1]**		**141%**

[1] The average ratio disclosed is calculated as a simple average over the 12 data points used and not as a formula of liquidity buffer divided by total net cash outflows

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

Definition

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

IRR from non-trading activities can occur due to a variety of factors, including but not limited to:

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

Oversight and Governance

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

- Reviews the IRR Management policy;
- Reviews the IRR profile of the Firm and compliance with IRR limits;
- Provides Governance on LE related exposures; and
- Reviews significant models and/or assumptions including the changes related to IRR management.

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

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

Risk Identification and Measurement

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

Measures to manage IRR include:

Earnings-at-Risk (EaR)

Primary metric used to gauge the firm's shorter term IRR exposure which measures the sensitivity of pre-tax income to changes in interest rates over a rolling 12 months compared to a base scenario.

Economic Value Sensitivity ("EVS")

EVS is an additional Firmwide metric utilized to determine changes in asset/liability values due to changes in interest rates.

Sensitivity of the Banking Book to interest rate changes

The impact of 200bps parallel rates increase and decrease on the EVS and EaR of JPMBL has been estimated as at December 31, 2017; the results are in the tables below.

Scenario (US$m)	EVS	EaR
+200bps	113	112
-200bps[2]	-72	-105

Exhibit 10: Sensitivity of the Banking Book to interest rate changes

[2] EVS(-200bps) is calculated with zero rates floor as per EBA/GL/2015/08

14. Remuneration policy (Art. 450)

Background

This section sets out the remuneration disclosures required under Article 450 of CRR and clause 16 (1) of the Requirements for the Compensation in Financial Institutions in relation to JPMBL and in respect of the performance year ending December 31, 2017.

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

As part of the Firm, JPMBL applies J.P. Morgan's global compensation philosophy and pay practices, which are reflected in the Remuneration Policy applicable to JPMBL. The qualitative remuneration disclosures required under Paragraphs 1 (a) – (f) of Article 450 of the CRR for all employees of the Firm's subsidiaries and branches located in EMEA, including staff of the Bank, is available in the most recent EMEA Remuneration Policy Disclosure at:

http://investor.shareholder.com/jpmorganchase/basel.cfm

Additional qualitative disclosures specific to the Company

The Bank complied with the applicable remuneration requirements of CRD IV, as implemented by the Amendments of 23 July 2015 to the Law of 5 April 1993 on the financial sector ("LFS") and CSSF Circulars 17/658, 15/622 and 10/437 and (the "Remuneration Rules"). The following additional disclosures should therefore be read in conjunction with the EMEA Remuneration Policy Disclosure:

- In accordance with the Remuneration Rules, JPMBL has established a local Remuneration Committee ("the Committee") formed of three non-executive members of the Board of Directors of the Bank.
- The Committee reviews the Remuneration Policy on an annual basis, and oversees its implementation. As at 31 December 2017, the Remuneration Committee last reviewed the Remuneration Policy in September 2017 – which included changes to implement the European Banking Authority's Guidelines on Sound Remuneration Policies[3] – and was satisfied with its implementation.
-
- The Committee held three meetings in respect of the 2017 performance year, including meeting in January 2018 to consider the outcomes of the 2017 Year-End compensation review in respect of its CRD IV Identified Staff (as defined below).
-
- The Bank undertakes an annual review of its staff against the qualitative and quantitative criteria set out in the European Banking Authority's relevant Regulatory Technical Standard (Commission Delegated Regulation (EU) No 604/2014) to identify those roles which could potentially have a material impact on the risk profile of the Company ("CRD IV Identified Staff"). A description of the types of employees considered as material risk takers is set out in the EMEA Remuneration Policy Disclosure. This CRD IV Identified Staff group is reviewed on an ongoing basis and CRD IV Identified Staff are notified of their status and the impact on their remuneration structure.

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[3] EBA/GL/2015/22

- JPMBL's Risk and Compliance functions are involved in the review of the remuneration policy, including reviewing the Bank's approach to the designation of its CRD IV Identified Staff. The Internal Audit function performs a central and independent review of the implementation of the Remuneration Policy on an annual basis, and relevant findings are reported to the Remuneration Committee.
- The Bank has obtained the relevant shareholder approval in accordance with Article 94(1)g of CRD IV (as implemented by CSSF Circular 15/662) to pay its CRD IV Identified Staff a maximum ratio of fixed to variable compensation of 1:2. This approval was last received on 8 December 2017 with 100% of shareholders represented and a unanimous vote in favour.

Quantitative Disclosures

All staff

The table below shows the total compensation paid by JPMBL to its staff for the 2017 Performance Year.

In EUR thousands	Fixed Compensation	Variable Compensation	Total Compensation
All staff	34,096	3,207	37,304

CRD IV Identified Staff

The following quantitative disclosures relate to the Bank's "CRD IV Identified Staff" being those staff whose professional activities have a material impact on the Bank's risk profile, as described above.

In preparation of these disclosures, JPMBL has taken into account its obligations to individuals under applicable EU and local data protection law. In light of these considerations, the Bank has concluded that it is appropriate to aggregate the compensation information in some areas.

Breakdown by Business Area

In EUR thousands	Total Compensation 2017	Number of Identified Staff
Management Body and Senior Management [4]	2,418	12
Other CRD IV Identified Staff	2,733	12
Total	5,151	24

Exhibit 11: Compensation Breakdown by Business Area

Breakdown of Total Compensation

In EUR thousands	Fixed Compensation 2017 (Cash)	Variable Compensation in respect of 2017			
		Upfront Cash	Upfront Equity	Deferred Cash	Deferred Equity
Management Body and Senior Management [5]	1,702	176	176	67	296
Other CRD IV Identified Staff	2,025	457	96	34	121
Total	3,727	634	272	101	417

Exhibit 12: Total Compensation Breakdown

Analysis of Deferred Compensation

[4] Includes both Executive and Non-Executive members of the Board and JPMBL's Authorised Managers
[5] Includes both Executive and Non-Executive members of the Board and JPMBL's Authorised Managers

In EUR thousands	Outstanding as at 1 January 2017	Awarded during 2017	Paid out during 2017	Adjusted ex-post		Forfeited during 2017	Outstanding as at 31 December 2017	
				Explicit	Implicit		Unvested	Vested
Equity-based								
Management Body and Senior Management	1,274	413	-485	0	306	0	1,506	0
Other CRD IV Identified Staff:	372	109	-190	0	75	-4	362	0
Cash-based								
Management Body and Senior Management	244	0	-129	0	2	-2	115	0
Other CRD IV Identified Staff:	31	30	-12	0	5	0	55	0

Exhibit 13: Analysis of Deferred Compensation

Guarantees, Sign-on and Severance Payments

No guaranteed variable remuneration, sign-on or severance payments were made to CRD IV Identified Staff for the 2017 Performance Year.

2017 Total Compensation for CRD IV Identified Staff Earning at least EUR 1 Million

No CRD IV Identified Staff received compensation exceeding EUR 1 million in respect of the 2017 performance year.

15. Leverage (Art. 451)

The difference between the JPMBL leverage ratio exposure value and total assets disclosed in the published financial statements as at December 31, 2017 is due to different accounting principles applied in the published financial statements (Luxembourg GAAP). Please refer to Appendix B.

The JPMBL leverage ratio exposure values are primarily driven by overnight client deposits (liabilities) placed with intra group entities repayable on demand and on short term. Therefore, JPMBL does not make use of excessive leverage.

For a quantitative disclosure please refer to Appendix B of this document.

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

As at 31 December 2017, JPMBL had no financial collateral to mitigate credit exposure. Some of the exposure generated by intraday and overnight overdrafts to corporate clients, as part of the TS business, is guaranteed by parental guarantees. The Third-Party Credit Supports policy sets out specific criteria for guarantees to be eligible for capital reduction, and to the extent they are not eligible the exposure retains its full value for the purposes of capital calculation. To ensure the legal enforceability of the commitment by the guarantor, all guarantees must be reviewed by legal counsel at the outset and are also subject to periodic review to ensure their ongoing effectiveness.

17. Disclosures not applicable to J.P. Morgan Bank Luxembourg S.A.

The following Articles of CRR are not applicable to JPMBL as at December 31, 2017:

- Indicators of global systemic importance (Art. 441);
- Exposure to equities not included in the trading book (Art. 447);
- Exposure to securitization 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).

18. Appendices

Appendix A

Own Funds Disclosure Common Equity Tier 1 capital: instruments and reserves As at 31 December 2017		US$ m
1	**Capital instruments and the related share premium accounts**	**11**
	of which: Common shares	11
2	Retained earnings	1.263
3	Accumulated other comprehensive income (and any other reserves)	
3a	Funds for general banking risk	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	
5	Minority interests (amount allowed in consolidated CET1)	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1,274**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments	
7	Additional value adjustments	
8	Goodwill and Other intangible assets (net of related tax liability)	
9	Empty set in the EU	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference	
11	Fair value reserves related to gains or losses on cash flow hedges	
12	Negative amounts resulting from the calculation of expected loss amounts	
13	Any increase in equity that results from securitized assets (negative amount)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	
15	Defined-benefit pension fund assets (net of related tax liability)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
20	Empty set in the EU	
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	
20b	of which: qualifying holdings outside the financial sector (negative amount)	
20c	of which: securitization positions (negative amount)	
20d	of which: free deliveries (negative amount)	
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	
22	Amount exceeding the 15% threshold (negative amount)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	
24	Empty set in the EU	
25	of which: deferred tax assets arising from temporary difference	
25a	Losses for the current financial year (negative amount)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	
26a	Regulatory adjustments relating to unrealized gains and losses	
	Of which: Filter for unrealized gains on available-for-sale equities	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	

Own Funds Disclosure Common Equity Tier 1 capital: instruments and reserves As at 31 December 2017		US$ m
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	
29	**Common Equity Tier 1 (CET1) capital**	**1,274**
	Additional Tier 1 (AT1) capital: instruments	
	Additional Tier 1 (AT1) capital: regulatory adjustments	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	
44	**Additional Tier 1 (AT1) capital**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1,274**
	Tier 2 (T2) capital: instruments and provisions	
51	**Tier 2 (T2) capital: regulatory adjustments**	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	
58	**Tier 2 (T2) capital**	
59	**Total capital (TC = T1 + T2)**	
60	**Total risk-weighted exposures**	**3,383**
	Capital ratios and buffers	
61	Common Equity Tier 1 ratio	37.7%
62	Tier 1 ratio	37.7%
63	Total capital ratio	37.7%
64	Institution specific buffer requirement	85
65	of which: capital conservation buffer requirement	85
66	of which: countercyclical buffer requirement	
67	of which: systemic risk buffer requirement	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	29.7%
69	[non-relevant in EU regulation]	
70	[non-relevant in EU regulation]	
71	[non-relevant in EU regulation]	
	Amounts below the thresholds for deduction (before risk-weighting)	
72	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	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions	
74	Empty set in the EU	
75	Deferred tax assets arising from temporary difference	
	Applicable caps on the inclusion of provisions in Tier 2	
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	
77	Cap on inclusion of credit risk adjustments in T2 under standardized approach	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	
	Capital instruments subject to phase-out arrangements (applicable between 1 Jan 2014 and 1 Jan 2022)	
80	- Current cap on CET1 instruments subject to phase-out arrangements	
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	
82	- Current cap on AT1 instruments subject to phase-out arrangements	
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	
84	- Current cap on T2 instruments subject to phase-out arrangements	
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	

APPENDIX B

Leverage Ratio Disclosure LRSum table As at 31 December 2017		US$ m
1	Total assets as per published financial statements	15,879
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	
5	Adjustments for securities financing transactions "SFTs"	
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	91
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	59
8	**Total leverage ratio exposure**	**16,029**

LRCom table		US$ m
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	16,029
2	(Asset amounts deducted in determining Tier 1 capital)	
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**16,029**
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	
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)**	
	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	

LRCom table		US$ m
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	91
18	(Adjustments for conversion to credit equivalent amounts)	
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**91**
	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	1,274
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**16,119**
	Leverage ratio	
22	**Leverage ratio**	**7.90%**
	Choice on transitional arrangements and amount of derecognized fiduciary items	
EU-23	Choice on transitional arrangements for the definition of the capital measure	
EU-24	Amount of derecognized fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	

LRSpl table		US$ m
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**16,029**
EU-2	*Trading book exposures*	*0*
EU-3	*Banking book exposures, of which:*	*16,029*
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	3,804
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	0
EU-7	Institutions	11,921
EU-8	Secured by mortgages of immovable properties	0
EU-9	Retail exposures	0
EU-10	Corporate	126
EU-11	Exposures in default	0
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	178

Leverage is essentially a non-risk based capital measure; since JPMBL applies conservative and non-modelled approaches to assessing capital adequacy, the capital required to support their calculated risk-weighted assets is sufficiently large that leverage ratios comfortably exceed expected regulatory limits. Leverage risk is monitored through the processes and frameworks as capital adequacy. Leverage is assessed both on a quarterly point-in-time basis and through stress-testing. The latter is particularly important, as it is forward-looking: if JPMBL's leverage ratios remain sustainable under stressed conditions, the risk of forced de-leveraging will be low.

There were no factors that had a material impact on the leverage ratio during 2017.

APPENDIX C

Capital instruments' main features As at 31 December 2017		Description
	Capital instruments main features template (1)	
1	Issuer	J.P. Morgan Bank Luxembourg S.A.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Article 37 et seq. of "Luxembourg Company Law: Law of 10th August 1915 on commercial companies" (Loi du 10 août 1915 concernant les sociétés commerciales)
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo
7	Instrument type (types to be specified by each jurisdiction)	Shares of a public limited liability company (Actions d'une société anonyme)
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	USD 11
9	Nominal amount of instrument	USD 110
9a	Issue price	USD 110
9b	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	May 16th, 1973
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A

Capital instruments' main features As at 31 December 2017		Description
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Equity is the lowest level in the hierarchy
36	Non-compliant transitioned features	No

(1) Insert ‘N/A’ if the question is not applicable