Pillar III Disclosure Report as at 31.12.2015 JPMorgan Asset Management International Limited

June 2016

J.P.Morgan

Contents

Pillar III Disclosure Report 2015

1. Introduction

Background

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

- Pillar I – Minimum Capital Requirements,
- Pillar II – Internal Capital Adequacy Assessment Process and
- Pillar III – Public Disclosure,

which provides market participants with information on applied rules, own funds, risk, risk analysis and capital adequacy.

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

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

JPMorgan Asset Management International Limited

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

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

J.P. Morgan Asset Management is the marketing name for the investment management businesses of JPMorgan Chase & Co. and its affiliates worldwide. As at 31 December 2015, JPMAMIL managed approximately GBP 291 billion of assets in equity, fixed income, liquidity, balanced and alternative investments. JPMAMIL offers a comprehensive range of investment approaches. Equity strategies cover both broad-based "core" funds and specialist smaller-company and sector funds. JPMAMIL's fixed income strategies cover the range of liquidity and short duration to core, high yield and emerging market debt. JPMAMIL also has a comprehensive range of alternative investments. J.P. Morgan Asset Management is the chosen partner of pension funds, charities, foundations, insurance companies, sovereigns and central banks worldwide. JPMAMIL offers investment expertise on both a pooled and a segregated basis, using the same highly-regarded investment teams in both cases. JPMAMIL strives to underpin our investment capabilities with the highest level of client service. JPMAMIL is a leader in providing investments to retail end-investors in each of its markets.

JPMorgan Asset Management (UK) Limited

JPMorgan Asset Management (UK) Limited ("JPMAMUK", "Company") is a wholly owned indirect subsidiary of JPMAMIL. JPMAMUK, as an FCA 'BIPRU firm' is required to make Pillar III disclosures as set out in the FCA handbook, BIPRU 11, and is considered a significant subsidiary of JPMAMIL.

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

Aim of the disclosure report

This report provides an overview of the risk profile and the risk management of JPMAMIL.

The disclosure particularly comprises:

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

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

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

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

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

Scope of application (Art. 436)

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

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

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

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

2. Risk management and objectives (Art. 435)

Risk Management Philosophy

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

Firmwide Risk Management is overseen and managed on an enterprise-wide basis. The Firm's approach to risk management covers a broad spectrum of risk areas, such as credit, market, liquidity, model, structural interest rate, principal, country, operational, compliance, legal, capital and reputation risk, with controls and governance established for each area, as appropriate.

The Firm believes that effective risk management requires:

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

The Firm's Operating Committee, which consists of the Firm's Chief Executive Officer ("CEO"), Chief Risk Officer ("CRO") and other senior executives, is responsible for developing and executing the Firm's risk management framework. The framework is intended to provide controls and ongoing management of key risks inherent in the Firm's business activities and create a culture of transparency, awareness and personal responsibility through reporting, collaboration, discussion, escalation and sharing of information. The Operating Committee is responsible and accountable to the Firm's Board of Directors.

The Firm strives for continual improvement through ongoing employee training and development, as well as talent retention. The Firm follows a disciplined and balanced compensation framework with strong internal governance and independent Board oversight. The impact of risk and control issues are carefully considered in the Firm's performance evaluation and incentive compensation processes. The Firm is also engaged in a number of activities focused on conduct risk and in regularly evaluating its culture with respect to its business principles..

The Firm's control environment can be thought of in terms of the businesses, the control functions and Internal Audit.

The lines of business ("LOB") are responsible for developing and maintaining effective internal controls for their respective business lines. They are accountable for identifying and addressing the risks presented by their respective businesses and for operating within a sound control environment. Oversight & Control teams are embedded within businesses to maintain a strong and consistent control environment across the organisation.

Control functions

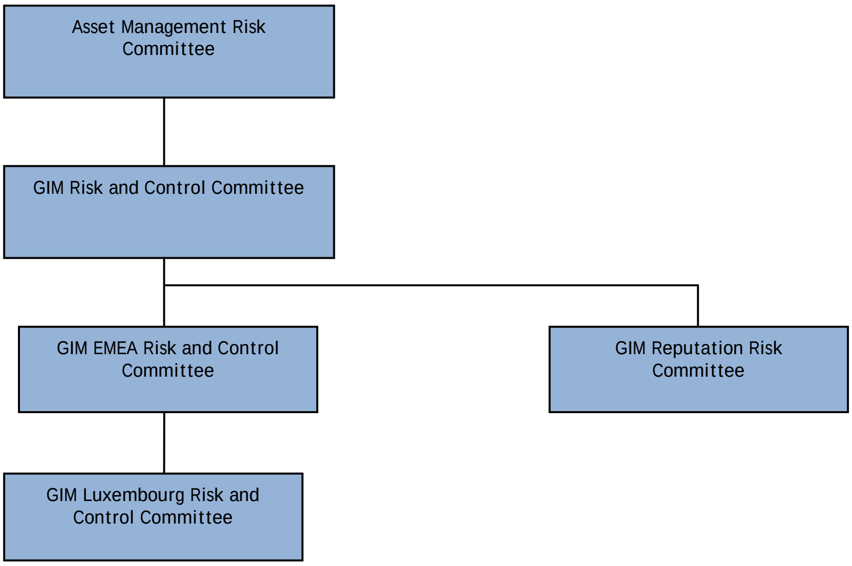
In addition to Oversight & Control, the Firm's control functions include Risk Management, Finance, Compliance and Legal. They each have their own set of responsibilities but work together to provide oversight of the businesses and set firmwide control policies.

Internal Audit

The Internal Audit function operates independently from other parts of the Firm, providing testing and evaluation of processes and controls across the entire enterprise. The Internal Audit team assesses the effectiveness of governance, risk management and internal controls; evaluates compliance with laws and regulations; and identifies opportunities for improvement. Through this structure, we seek to subject business decisions and actions to rigorous consideration, testing and review for compliance with relevant laws and regulations.

Risk governance

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



Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed processes or systems, human factors (including conduct risk) or due to external events that are neither market nor credit-related. Operational risk is inherent in the Firm's activities and can manifest itself in various ways, including fraudulent acts, business interruptions, inappropriate behaviour of employees, failure to comply with applicable laws and regulations or failure of vendors to perform in accordance with their arrangements. These events could result in financial losses, litigation and regulatory fines, as well as other damage to the Firm. The goal is to keep operational risk at appropriate levels, in light of the Firm's financial strength, the characteristics of its businesses, the markets in which it operates, and the competitive and regulatory environment to which it is subject.

Overview

To monitor and control operational risk, the Firm maintains Operational Risk Management Framework ("ORMF") designed to enable the Firm to maintain a sound and well-controlled operational environment. The four main components of the ORMF include: governance, risk identification and assessment, monitoring and reporting, and measurement.

Risk Management is responsible for prescribing the ORMF to the lines of business and corporate functions and for providing independent oversight of its implementation.

The lines of business and corporate functions are responsible for implementing the ORMF.

The Firmwide Oversight and Control Group ("O&C"), which consists of dedicated control officers within each of the lines of business and corporate functional areas, as well as a central oversight team, is responsible for day to day review and monitoring of ORMF.

Firmwide Operational risk management framework

The components of the Operational Risk Management Framework are:

Governance

The Firm's operational risk governance function reports to the Firm's CRO and is responsible for defining the ORMF and establishing the firmwide operational risk management governance structure, policies and standards. The Firmwide Risk Executive for Operational Risk Governance, a direct report of the CRO, works with the line of business CROs to provide independent oversight of the implementation of the ORMF across the Firm. Operational Risk Officers ("OROs"), who report to the LOB Chief Risk Officers or to the Firmwide Risk Executive for Operational Risk Governance, are independent of the lines of business and corporate functions, and O&C. The OROs provide oversight of the implementation of the ORMF within each line of business and corporate function.

Line of business, corporate function and regional control committees oversee the operational risk and control environments of their respective businesses, functions or regions. These committees escalate operational risk issues to the Firmwide Control Committee, as appropriate.

Risk Identification and Self-Assessment

In order to evaluate and monitor operational risk, the lines of business and corporate functions utilise several processes to identify, assess, mitigate and manage operational risk. Firmwide standards are in place for each of these processes and set the minimum requirements for how they must be applied.

The Firm's risk and control self-assessment ("RCSA") process and supporting architecture requires management to identify material inherent operational risks, assess the design and operating effectiveness of relevant controls in place to mitigate such risks, and evaluate residual risk. Action plans are developed for control issues that are identified, and businesses are held accountable for tracking and resolving issues on a timely basis. Risk Management performs an independent challenge of the RCSA program including residual risk results.

The Firm also tracks and monitors operational risk events which are analysed by the responsible businesses and corporate functions. This enables identification of the root causes of the operational risk events and evaluation of the associated controls.

Furthermore, lines of business and corporate functions establish key risk indicators to manage and monitor operational risk and the control environment. These assist in the early detection and timely escalation of issues or events.

Risk monitoring and reporting

Operational risk management and control reports provide information, including actual operational loss levels, self-assessment results and the status of issue resolution to the lines of business and senior management. In addition, key control indicators and operating metrics are monitored against targets and thresholds. The purpose of these reports is to enable management to maintain operational risk at appropriate levels within each line of business, to escalate issues and to provide consistent data aggregation across the Firm's businesses and functions.

Measurement

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

Market risk management:

Market risk is the potential for adverse changes in the value of the Firm's assets and liabilities resulting from changes in market variables such as interest rates, foreign exchange rates, equity prices, commodity prices, implied volatilities or credit spreads. Market risk management is an independent risk management function that works in close partnership with the lines of business, including Treasury and CIO within Corporate/Private Equity, to identify and monitor market risks throughout the Firm and to define market risk policies and procedures. The Market Risk function reports to the Firm's CRO. Market Risk seeks to control risk, facilitate efficient risk/return decisions, reduce volatility in operating performance and provide transparency into the Firm's market risk profile for senior management, the Board of Directors and regulators. Market Risk is responsible for the following functions:

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

Risk identification and classification:

JPMAMIL adopts market risk limit including Value-at-Risk ("VaR") limit and stress test limit as described in the JPMorgan Chase approach described below.

Each Line of Business is responsible for the management of the market risks within its units. The independent risk management group responsible for overseeing each line of business is charged with ensuring that all material market risks are appropriately identified, measured, monitored and managed in accordance with the risk policy framework set out by Market Risk. Market risk is controlled primarily through a series of limits set in the context of the market environment and business strategy. In setting limits, the Firm takes into consideration factors such as market volatility, product liquidity and accommodation of client business and management experience. The Firm maintains different levels of limits. Corporate level limits include VaR and stress limits. Senior management, including the Firm's CEO and CRO, are responsible for reviewing and approving certain of these risk limits on an ongoing basis. All limits that have not been reviewed within specified time periods by Market Risk are escalated to senior management. Limit breaches are required to be reported in a timely manner by Risk Management to limit approvers, Market Risk and senior management. In the event of a breach, Market Risk consults with Firm senior management and line of business senior management to determine the appropriate course of action required to return to compliance, which may include a reduction in risk in order to remedy the breach. Certain Firm or line of business-level limits that have been breached for three business days or longer, or by more than 30%, are escalated to senior management and the Firmwide Risk Committee.

Value-at-Risk ("VaR")

VaR is a statistical risk measure used to estimate the potential loss from adverse market moves in a normal market environment. The Firm has a single overarching VaR model framework used for calculating Regulatory VaR and Risk Management VaR. The framework is employed across the Firm using historical simulation based on data for the previous 12 months. The framework's approach assumes that historical changes in market values are representative of the distribution of potential outcomes in the immediate future. Underlying the overall VaR model framework are individual VaR models that simulate historical market returns for individual products and/or risk factors. To capture material market risks as part of the Firm's risk management framework, comprehensive VaR model calculations are performed daily for businesses whose activities give rise to market risk. These VaR models are granular and incorporate numerous risk factors and inputs to simulate daily changes in market values over the historical period; inputs are selected based on the risk profile of each portfolio as sensitivities and historical time series used to generate daily market values may be different across product types or risk management systems. The VaR model results across all portfolios are aggregated at the Firm level. Since VaR is based on historical data, it is an imperfect measure of market risk exposure and potential losses, and it is not used to estimate the impact of stressed market conditions or to manage any impact from potential stress events. In addition, based on their reliance on available historical data, limited time horizons, and other factors, VaR measures are inherently limited in their ability to measure certain risks and to predict losses, particularly those associated with market illiquidity and sudden or severe shifts in market conditions. The Firm therefore considers other measures in addition to VaR, such as stress testing, to capture and manage its market risk positions.

VaR is calculated assuming a one-day holding period and an expected tail-loss methodology which approximates a 95% confidence level. This means that, assuming current changes in market values are consistent with the historical changes used in the simulation, the Firm would expect to incur VaR "band breaks," defined as losses greater than that predicted by VaR estimates, not more than five times in every 100 trading days. For risk management purposes, the Firm believes the use of a 95% confidence level with a one-day holding period provides a stable measure of VaR that closely aligns to the day-to-day risk management decisions made by the lines of business and provides necessary/appropriate information to respond to risk events on a daily basis.

Economic-value stress testing

Along with VaR, stress testing is an important tool in measuring and controlling risk. While VaR reflects the risk of loss due to adverse changes in markets using recent historical market behaviour as an indicator of losses, stress testing is intended to capture the Firm's exposure to unlikely but plausible events in abnormal markets. The Firm runs weekly stress tests on market-related risks across the lines of business using multiple scenarios that assume significant changes in risk factors such as credit spreads, equity prices, interest rates, currency rates or commodity prices. The framework uses a grid-based approach, which calculates multiple magnitudes of stress for both market rallies and market sell-offs for each risk factor. Stress-test results, trends and explanations based on current market risk positions are reported to the Firm's senior management and to the lines of business to allow them to better understand the sensitivity of positions to certain defined events and to enable them to manage their risks with more transparency. Stress scenarios are defined and reviewed by Market Risk, and significant changes are reviewed by the relevant Risk and Control Committees.

JPMAMIL group does not pursue market risk as a way of earning additional shareholder returns. All exposures subject to market risk must comply with the JPMorgan Asset Management Global Market Risk Capital Policy. Positions are marked to market and monitored by Finance and circulated to senior management on a monthly basis. None of the regulated entities is either licensed to deal on its own account or to underwrite issues of financial instruments on a firm commitment basis. JPMAMIL is exposed to market risk through:

Seed capital and other collective investment undertakings:
Market risk exposure primarily arises from seed capital investments. Seed capital investments are defined as initial equity capital invested in mutual funds distributed by JPMAMIL. Once a fund is commercially viable, generally within one to three years, the seed capital investment is generally redeemed entirely or reduced significantly, unless approved otherwise. Management accepts the risk associated with such investments on the understanding that initial investments are upon inception designed to be limited in duration, and that there is a set limit of total seed capital investment.

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

Foreign currency exposures:
JPMAMIL uses a service level agreement with an affiliate company to manage foreign currency exposures in respect of its balance sheet. All balance sheet exposures greater than USD 1m in currencies other than the entity's functional currency are hedged, in order to minimise the volatility of the translation adjustment arising from the revaluation of non-functional currency assets and liabilities held on the balance sheet.

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

Credit risk management:

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

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

Fiduciary risk:

Fiduciary risk is the risk of a failure to exercise the applicable high standard of care, to act in the best interests of clients or to treat clients fairly, as required under applicable law or regulation. JPMAMIL adopts the JPMorgan Chase approach described below:

Depending on the fiduciary activity and capacity in which the Firm is acting, federal and state statutes and regulations, and common law require the Firm to adhere to specific duties in which the Firm must always place the client's interests above its own.

Fiduciary risk governance
Fiduciary risk management is the responsibility of the relevant LOB risk and/or other governance committees. Senior business, Legal, Risk Management and Compliance managers, who have particular responsibility for fiduciary matters, work with the relevant LOB risk and control committees with the goal of ensuring that businesses providing investment, trusts and estates, or other fiduciary products or services that give rise to fiduciary duties to clients perform at the appropriate standard relative to their fiduciary relationship with a client. Each LOB and its respective risk and/or other governance committees are responsible for the oversight and management of the fiduciary risks in their businesses. Of particular focus are the policies and practices that address a business's responsibilities to a client, including performance and service requirements and expectations; client suitability determinations; and disclosure obligations and

communications. In this way, the relevant LOB risk and/ or other governance committees provide oversight of the Firm's efforts to monitor, measure and control the performance and delivery of the products or services to clients that may give rise to such fiduciary duties, as well as the Firm's fiduciary responsibilities with respect to the Firm's employee benefit plans.

The Firmwide Fiduciary Risk Governance Committee ("FFRGC") is a forum for risk matters related to the Firm's fiduciary activities and oversees the firmwide fiduciary risk governance framework. It supports the consistent identification and escalation of fiduciary risk matters by the relevant lines of business or corporate functions responsible for managing fiduciary activities. The committee escalates significant issues to the Firmwide Risk and Control Committee and any other committee considered appropriate.

Group risk:

Group risk is the risk that the financial position of JPMAMIL may be adversely affected by its relationships (financial or non-financial) with other entities in the JPMorgan Chase group or by risks which may affect the financial position of the whole group, for example, reputational contagion. JPMAMIL does not rely on the support of its parent to maintain its capital surplus and the business has sufficient financial resources to operate as a stand-alone asset manager. As part of a global, diversified financial services group, JPMAMIL is potentially exposed to reputational risk from the activities of other lines of business within JPMorgan Chase, in particular those associated with trading and investment banking type activities. However, JPMAMIL itself operates its business on an agency rather than principal basis. Consequently, its capital needs are low compared with those of its banking affiliates and its capital is therefore unlikely to be considered of any practical use for broader group usage. Dividends are required to be approved by the local legal entity boards, which would be obliged to comply with relevant Companies Act legislation and related regulations.

Concentration risk:

A risk concentration is any single exposure or group of exposures with the potential to produce losses large enough to threaten JPMAMIL's viability. Risk concentrations can arise in assets, liabilities and off-balance sheet items, either through the execution or processing of transactions, or through a combination of exposures across these broad categories.

Risk concentrations may arise in the following categories:

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

Credit risk concentrations: credit risk concentrations do not present a significant risk to the group. All credit risk exposures are subject to monitoring and reporting procedures.

Market risk concentrations: Because JPMAMIL does not undertake trading activities, it is not exposed to significant market risk concentrations.

Client Concentrations: JPMAMIL has a wide spread of clients; management does not therefore consider it necessary to hold capital against client concentration risk.

Product concentrations: JPMAMIL has a broad range of products that it offers to investors. AuM is spread across the major product classes of European equities, fixed income, global equities and currencies.
There was a shift from equity products to fixed income products (largely in the form of liquidity funds) following the equity market fall in 2008. This reduced the exposure to equity products and demonstrates JPMAMIL's resilience to this type of risk and management therefore does not consider product concentration to be a risk requiring mitigation by capital.

Distribution channels: JPMAMIL is well diversified by distribution channel and management therefore does not consider that there is any need to hold capital against this particular risk.

Geographical: JPMAMIL is well diversified by country across the region in which it operates. The UK is the largest single source of retail end-investor AuM, with the remainder arising from a good spread of other European countries, in particular Italy, Germany, Switzerland, Benelux, Spain and France. Management therefore does not consider it necessary to hold capital against this particular risk. There is also a reasonable geographical spread of institutional business, although this is more concentrated in the UK. The remaining is sourced from continental Europe, and management therefore does not consider it necessary to hold capital against this particular risk.

Business risk:

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

Interest rate risk:

Interest rate risk is the risk to earnings or capital arising from movement of interest rates. JPMAMIL group entities do not deliberately take positions to benefit from movement in interest rates. JPMAMIL considers interest rate risk to be part of market risk and is incorporated into market risk requirement considerations. Therefore no separate capital requirement is considered necessary.

Pension obligation risk:

The JPMAMIL group has no material exposure to defined benefit pension plans. Employing entities within the group are JPMAMUK and JPMorgan Asset Management Europe S.a.r.l; JPMAMUK has never operated a defined benefit pension scheme. Whilst certain employees of JPMAMUK enjoy a residual entitlement to benefits from the UK Retirement Plan, this plan was closed to future accrual in 2007 and at this time, investment management staff in the UK were employed by other group entities, who seconded these staff to the JPMAMIL group. Should the plan ever be assessed as underfunded, the requirement for closing the funding gap would be expected to fall to the employing entity at the time of operation of the scheme.

Management therefore conclude that there is no significant exposure to pension obligation risk requiring capital to be held against this risk.

Third party provider risk:

JPMAMIL makes extensive use of third party providers to support its business. A firmwide Third Party Provider (“TPP”) policy exists to ensure that all providers are scrutinised commensurate with the risk profile they represent to JPMAMIL Third party provider risk relates to the servicing of to the JPMAMIL book of business, whereby specific activities are undertaken by third-party providers or JPMorgan affiliates on behalf of JPMAMIL. These activities include functions such as custody, fund accounting, transfer agency, paying agency, messaging, printing and mailing, administration and fund wrapper services. The key benefits, and risk mitigants, of the JPMAMIL operating model are global application of standard risk management practices and operating procedures, use of dedicated teams of subject matter experts; and leverage of best practice and issue experience.

Liquidity risk:

Liquidity risk is the risk arising from JPMAMIL’s inability to meet contractual and contingent obligations through normal cycles as well as during market stress events. All entities in JPMAMIL manage their liquidity risk by investing in readily realisable assets primarily by keeping cash in AAA rated money market funds or in JPMorgan demand deposit account in order that liabilities can be paid as they fall due. The firms maintain adequate liquidity resources at all times, ensuring that there is immediate access to funds by use of JPMorgan demand deposit accounts and diversifying counterparty risk by investing in AAA rated money market funds. No account is taken of liquidity that may be made available in addition to normal business revenue streams by other members of the group. As limited licence firms, no dealing on own account or maturity transformation is undertaken. The business is not capital intensive and a complex funding model is therefore not required. The entities are self funding, from fee income generated from diversified sources with no undue reliance on individual clients, sectors or products.

Money Market Funds (“MMF”) risk:

JPMAMIL recognises that the investors in the MMFs seek a stable net asset value with a minimal tolerance for risk of loss of investor principal as the primary investment objective. JPMAMIL calibrates its internal risk management practices according to this tolerance, but recognises that a loss of investor principal may be incurred under severely stressed market conditions. In general, JPMAMIL would not support MMF losses arising from systemic factors having broadly adverse impacts as it has no legal obligation to do so and would not consider it necessary on reputation risk grounds. Risk associated with government oriented funds (those that invest in securities issued or backed by the sovereign treasury and sovereign sponsored agencies) is by its nature systemic in character. Concentrated government risk is inherent in the objective, design and customer selection of such funds and this risk is fully disclosed in relevant scheme documentation such as Prospectuses and Key Investor Information Documents. JPMAMIL may also consider events resulting in multiple, simultaneous defaults within the global banking community or other similar events with widespread impact as systemic in nature.

Risk Appetite

Key Principles and Risk Assessment

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

The risk appetite framework for JPMAMIL is derived from its business nature. The framework focuses on key binding constraints including net income, market risk, credit risk, operational risk (including conduct risk), liquidity risk and regulatory capital.

Risk appetite is expressed in terms of both quantitative parameters and qualitative factors, and where applicable, tolerances or limits are set for these parameters. Results are reviewed quarterly at the Capital Review Committee and the GIM EMEA Risk and Control Committee. Any excess of tolerances or limits are escalated to JPMAMIL Board.

JPMAMIL is subject to all relevant Firmwide policies and procedures, supplemented where necessary by legal entity specific controls, policies, procedures and/or limits.

Risk Appetite Framework

Governance

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

Establishment, Approval and Review of Risk Appetite Parameters

Risk appetite quantitative parameters expressed as either limits or tolerance for JPMAMIL are set and approved by the JPMAMIL Board of Directors. The Board reviews these parameters on an annual basis in conjunction with JPMAMIL's Internal Capital Adequacy Assessment Process ("ICAAP") and scenario stress testing results.

Review of Risk Appetite Results

Risk appetite results are presented to the Capital Review Committee and the GIM EMEA Risk and Control Committee on a quarterly basis.

Quantitative parameters include metrics for stressed net income, market risk, credit risk, liquidity risk and capital adequacy. JPMAMIL's tolerance for certain qualitative risks is not numerically quantified but is controlled by the risk and control frameworks in place throughout the firm.

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

Board Declaration – Adequacy of Risk Management arrangements

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

Members of the Boards of Directors

In selecting candidates for the Boards of Directors, JPMAMIL and JPMAMUK look for individuals with strong personal attributes, diverse backgrounds and demonstrated expertise and success in one or more disciplines relevant to 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. Individuals are appointed to the board of directors in accordance with the JPMAM significant influence function appointment process.

Mike O'Brien (Director JPMAMIL & JPMAMUK)
Mike O'Brien, Managing Director, is the Chief Executive of J.P. Morgan Investment Management, EMEA and the Co-Head of Global Investment Management Solutions ("GIM Solutions"), based in London.

As CEO, O'Brien partners with the global investment, business and function heads to develop the business priorities in EMEA. A key area of his responsibility is ensuring the firm remains in line with the regulatory requirements and within a framework of appropriate risk management. O'Brien is also a director of the firm's principal legal entities and funds boards in Europe. In his role as Co-Head of GIM Solutions, O'Brien oversees the Firm's Multi-Asset, Retirement, Pensions & Insurance Advisory and ETF businesses globally. Prior to this he was responsible for the firm's Global Institutional Business.

An employee since 2010, he is also a member of the J.P. Morgan Asset Management Operating Committee, as well as the J.P. Morgan Global Investment Management Operating Committee.

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

O'Brien holds a bachelor's degree in Applied Mathematics from Limerick University in Ireland. He is an Actuary (FIA), a CFA charterholder and is also an advisor to the Investment Committee of the U.K.'s Pension Protection Fund.

Dan Watkins (Director JPMAMIL & JPMAMUK)
Dan Watkins, Managing Director, is the Deputy CEO of IM Europe and Global Co-Head of IM Client Services and Business Platform. An employee since 1997, Dan oversees the business infrastructure of Investment Management in Europe and Asia including client services, fund administration, product development, and RFP. Dan also performs the role of Deputy CEO of GIM EMEA, acting as a director of all the regulated legal entities across the region. Previously, he was head of Europe COO and Global IM Operations, head of the European Operations Team, head of the European Transfer Agency, head of Luxembourg Operations, manager of European Transfer Agency and London Investment Operations; and manager of the Flemings Investment Operations Teams.
Dan obtained a BA in Economics and Politics from the University of York and is a qualified Financial Advisor.

Martin Porter (Director JPMAMIL & JPMAMUK)
Martin Porter, Managing Director, is Global Head of Equities. An employee since 1984, he was previously the Chief Investment Officer of Robert Fleming Investment Management and prior to this, held a number of roles in the organisation, including Director of Jardine Fleming Group and President of Jardine Fleming Investment Trust and Advisory Company Limited, Tokyo. He is also a member of the Global Investment Management Operating Committee.
Before this, he was a fund manager at Guardian Royal Exchange after having worked as an investment analyst. He obtained a BSc in economics from the University of Wales, Aberystwyth.

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

Jasper Berens (Director JPMAMUK)

Jasper Berens, Managing Director, is head of the UK Funds Business at J.P. Morgan Asset Management. An employee since 1997, previously he was head of UK Sales from 2005 to 2012. Prior to that, he was head of Asset Management Sales. He started his career in fund sales at Guinness Flight and Hambros in 1993. Jasper sits on the Global Funds Management Operating Committee. Jasper also sits on the UK and European Investment Management Committees. He is also a Director of JPM Asset Management (UK) Ltd as well as a Director of JPM Funds Ltd, J.P Morgan Trustee & Administration Services and J.P Morgan Asset Management Marketing Ltd. Jasper is Chair of the Gleneagles Conference Executive Committee and also sits on JPMC's UK Philanthropy Committee. He is also a Board member of the Investment Association Board. Jasper obtained a BA in History from the University of Bristol.

Nicholas Gartside (Director JPMAMUK)

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

Number of directorships held by members of the Boards of Directors

The table below summarises the number of directorships[1] held by members of the Boards of Directors of JPMAMIL and JPMAMUK during the year ended December 31, 2015:

Name	Directorships held
Board member of JPMAMIL & JPMAMUK	
Dan Watkins	1
Ioan Roberts	1
Martin Porter	1
Mike O'Brien	1
Board member of JPMAMUK	
Jasper Berens	1
Nicholas Gartside	1

Diversity & Inclusion

JPMAMIL 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 realise 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 organisation to be responsible for their people platform and incorporate diversity and inclusion into their business and people practices

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

Scope and Process

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”), comprising senior leaders across all businesses, functions and regions, representing different diverse groups help deepen our inclusive work environment. Each BRG is sponsored by a 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 several boards in EMEA. These targets will be achieved through periodic reviews of structure, size, composition and performance of Boards, and a promotion and focus on the existing practices embedded in our firm-wide Diversity & Inclusion Strategy outlined above.

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

3. Own funds (Art. 437 & 492)

JPMAMIL

As at December 31 2015, JPMAMIL's own funds have been calculated based on the audited non statutory financial statements as at December 31 2015. The basis of consolidation adopted for the audited non statutory financial statements of JPMAMIL is the same as the JPMAMIL regulatory consolidation. JPMAMIL has taken advantage of the exemption available to it under Section 401 of the Companies Act 2006 from preparation of statutory consolidated financial statements and thus the non statutory financial statements for the regulatory consolidation group are the same.

JPMAMIL capital resources

Own funds solely consist of Common Equity Tier 1 capital (“CET1”). The authorised and issued share capital is fully paid. The authorised and issued share capital represents 220,000,100 ordinary shares of £1 each.

Retained earnings amounted to £ 1,315,480,000 as at December 31, 2015.

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

- The capital contribution reserve as at December 31, 2015 amounted to £188,291,000.

- Other reserves relate to Luxembourg domiciled subsidiaries and are non distributable tax and legal reserves accumulated through transfers from retained earnings. These appropriations are a local legal requirement. As at December 31, 2015 other reserves amounted to £85,203,000.

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

JPMAMIL has made deductions from regulatory capital according to Article 36 of the CRR. Total deductions as at December 31, 2015 amounted to £229,120,737 and consist mainly of goodwill and CET1 instruments of financial sector entities where the institution has a significant investment.

JPMAMIL has not applied any transitional provisions.
A description of the main features of the CET1 instruments issued by the institution are shown on page 22.

The table below shows the Group's capital resources. The table presents the components of regulatory capital as at 31 December 2015 using the format set out in Annex IV and Annex VI of the commission implementing regulation (EU).

	31 December 2015 Transitional Position £'m	Transitional Impacts £'m	31 December 2015 Fully Loaded Position £'m
Common Equity Tier 1 capital: instruments and reserves			
Capital instruments and the related share premium accounts	220.0		220.0
Retained earnings	1,315.5		1,315.5
Accumulated other comprehensive income (and other reserves)	255.4		255.4
Common Equity Tier 1 capital before regulatory adjustments	**1,790.9**		**1,790.9**
Common Equity Tier 1 capital: regulatory adjustments			
Additional Value Adjustments			
Goodwill and intangible assets (net of related tax liability)	(101.5)		(101.5)
Defined-benefit pension fund assets	(5.0)		(5.0)
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	(121.5)		(121.5)
Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative			
of which: free deliveries	(1.2)		(1.2)
Losses for the current financial year			
Total regulatory adjustments to Common Equity Tier 1	**(229.2)**		**(229.2)**
Common Equity Tier 1 capital	**1,561.7**		**1,561.7**
Additional Tier 1 (AT1) capital			
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1			
Tier 1 capital (T1 = CET1 + AT1)	**1,561.7**		**1,561.7**
Tier 2 capital: instruments and provisions			
Capital instruments and the related share premium accounts			
Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties			
of which: instruments issued by subsidiaries subject to phase out			
Tier 2 capital	**-**		**-**
Total capital (TC = T1 + T2)	**1,561.7**		**1,561.7**
Total risk weighted assets	**1,600.8**		**1,600.8**
Capital ratios			
Common Equity Tier 1 (as a percentage of risk exposure amount)	97.6%		97.6%
Tier 1 (as a percentage of risk exposure amount)	97.6%		97.6%
Total capital (as a percentage of risk exposure amount)	97.6%		97.6%
Amounts below the thresholds for deduction (before risk weighting)			
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	79.3		79.3
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	20.7		20.7

JPMAMUK

JPMAMUK capital resources

As at December 31 2015, JPMAMUK's own funds have been calculated based on the audited financial statements as at December 31 2015.

Own funds consist solely of CET1 capital. The authorised and issued share capital is fully paid. The authorised and issued share capital rep resents 24,000,000 ordinary shares of £1 each.

Retained earnings amounted to £529,263,000 as at December 31, 2015.

In addition there is a capital contribution amounting to £13,149,000 as at December 31, 2015.

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

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

Total deductions as at December 31, 2015 amounted to £36,911,000 and consist mainly of a deferred tax asset and JPMAMUK's investment in a joint venture.

This table shows the Company's capital resources. The table presents the components of regulatory capital as at 31 December 2015 using the format set out in Annex IV and Annex VI of the commission implementing regulation (EU).

	31 December 2015 Transitional Position £'m	Transitional Impacts £'m	31 December 2015 Fully Loaded Position £'m
Common Equity Tier 1 capital: instruments and reserves			
Capital instruments and the related share premium accounts	24.0		24.0
Retained earnings	529.3		529.3
Accumulated other comprehensive income (and other reserves)	13.1		13.1
Common Equity Tier 1 capital before regulatory adjustments	**566.4**		**566.4**
Common Equity Tier 1 capital: regulatory adjustments			
Additional Value Adjustments			
Illiquid Assets	(36.9)		(36.9)
Goodwill and intangible assets (net of related tax liability)			
Defined-benefit pension fund assets			
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities			
Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative			
of which: free deliveries			
Losses for the current financial year			
Total regulatory adjustments to Common Equity Tier 1	**(36.9)**		**(36.9)**
Common Equity Tier 1 capital	**529.5**		**529.5**
Additional Tier 1 (AT1) capital			
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1			
Tier 1 capital (T1 = CET1 + AT1)	**529.5**		**529.5**
Tier 2 capital: instruments and provisions			
Capital instruments and the related share premium accounts			
Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties			
of which: instruments issued by subsidiaries subject to phase out			
Tier 2 capital	**-**		**-**
Total capital (TC = T1 + T2)	**529.5**		**529.5**
Total risk weighted assets	**1,216.2**		**1,216.2**
Capital ratios			
Common Equity Tier 1 (as a percentage of risk exposure amount)	43.5%		43.5%
Tier 1 (as a percentage of risk exposure amount)	43.5%		43.5%
Total capital (as a percentage of risk exposure amount)	43.5%		43.5%
Amounts below the thresholds for deduction (before risk weighting)			
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-		-
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	-		-

This table shows the main features of the Group's capital instruments. The table presents the main features of capital instruments as at 31 December 2015 using the format set out in Annex II and Annex III of the commission implementing regulation (EU).

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

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

4. Capital requirements (Art. 438)

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

JPMAMIL

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

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

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

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

As at 31 Dec 2015 GBP £'m	0%	20%	50%	100%	150%	250%	RWA	8% of RWA
Central governments and central banks	3.9	0.1	4.1	0.4			2.5	0.2
International organisations	0.1						0.0	0.0
Public sector entities		0.9	0.5		0.2		0.8	0.1
Institutions		433.7	10.0	10.5	0.5		104.1	8.3
Corporates		8.7	3.0	208.6	0.6		207.0	16.6
Collective investment undertakings		923.9	0.0	299.7			484.5	38.8
High risk items					124.9	20.7	251.4	20.1
Other Items				2.3			2.3	0.2
							1,052.6	**84.3**

Pillar I market risk capital requirement
For the purposes of article 92(3)(c) of the CRR, JPMAMIL has calculated its capital requirements relating to foreign exchange risk and commodity risk. To determine the capital requirements relating to foreign exchange risk JPMAMIL has applied 8% to the overall net foreign exchange position calculated in accordance with Articles 351 & 352 of the CRR.

The capital requirement for commodity risk is calculated in accordance with the 'simplified approach' outlined in article 360 of the CRR.

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

Pillar II capital requirement:

Pillar II operational risk capital measurement
The Firm's Operational Risk Capital ("ORC") is measured primarily using a statistical model based on the Loss Distribution Approach ("LDA"). In determining the ORC, the Firm's model considers (1) actual losses (internal and external to the Firm), (2) an inventory of material forward-looking potential loss scenarios and (3) adjustments to reflect changes in the quality of the control environment. This methodology is designed to comply with the Advanced Measurement rules under the Basel framework.

The Firm's capital methodology incorporates four required elements of the Advanced Measurement Approach ("AMA"):

- Internal losses,
- External losses,

- Scenario analysis, and
- Business environment and internal control factors ("BEICF").

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

Pillar II market risk capital measurement

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

Pillar II credit risk capital measurement

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

JPMAMIL capital requirement

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

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

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

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

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

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

Furthermore, as at December 31, 2015, the actual capital of JPMAMIL represented approximately 12.2 times the Pillar I and approximately 2.5 times the Pillar I plus capital requirements.

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

JPMAMUK

Pillar I capital requirement

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

As at December 31 2015, JPMAMUK's capital requirement was based on its fixed overhead requirement.

Pillar I credit risk capital requirement

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

As at 31 Dec 2015 GBP £'m	0%	20%	50%	100%	150%	250%	RWA	8% of RWA
Central governments and central banks	3.5		2.1	0.4			1.5	0.1
International organisation	0.1						0.0	0.0
Public sector entities	0.5						0.0	0.0
Institutions		99.9					20.0	1.6
Corporates		1.8	3.0	103.8	0.5		106.5	8.5
Collective investment undertakings		501.5		45.1			145.4	11.6
High risk items					1.2		1.8	0.2
Other Items							0.0	0.0
							275.2	**22.0**

Pillar I market risk capital requirement

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

Pillar II capital requirement

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

JPMAMUK capital requirement

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

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

As at December 31, 2015, the actual capital of JPMAMUK represented approximately 5.4 times the Pillar I and approximately 2.1 times the internal capital allocation.

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

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

JPMAMIL

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

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

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

The table below shows the outstanding exposure:

As at 31 Dec 2015 GBP £'m	Gross Positive Fair value of contracts	Potential future credit exposure	Netting benefits	Net current credit exposure	Collateral held	Net derivatives credit exposure
Mark to market method	7.3	11.7	0.0	19.0	0.2	19.2

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

As at 31 Dec 2015 GBP £'m	Mark to market approach
Foreign exchange contracts	14.1
Interest rate contracts	0.1
Equity contracts	4.6
Commodity other than precious metals contracts	0.2
	19.0

JPMAMUK

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

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

The table below shows the outstanding exposure:

As at 31 Dec 2015 GBP £'m	Gross Positive Fair value of contracts	Potential future credit exposure	Netting benefits	Net current credit exposure	Collateral held	Net derivatives credit exposure
Mark to market method	0.0	0.8	0.0	0.8	0.0	0.8

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

As at 31 Dec 2015 GBP £'m	Mark to market approach
Foreign exchange contracts	0.8
Interest rate contracts	
Equity contracts	
Commodity other than precious metals contracts	
	0.8

Wrong way risk

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

Credit rating downgrade

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

6. Credit risk adjustments (Art. 442)

Definitions

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

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

Credit risk exposures

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

JPMAMIL has elected to reverse any specific provisions for doubtful debts and included any impaired exposures in the calculation of the credit risk capital requirement to ensure conservative treatment.

As at 31 December 2015 no general specific risk adjustments or specific credit risk adjustments were applied to the calculation of the credit risk capital requirement.

Credit risk exposure under the standardised approach

JPMAMIL

As at 31 Dec 2015 GBP £'m	Exposure pre CRM	Average exposure Pre CRM over the year
Central governments and central banks	8.5	6.6
International organisations	0.1	0.1
Public sector entities	1.6	3.3
Institutions	454.7	516.6
Retail	0.0	0.1
Corporates	220.9	239.3
Collective investment undertakings	1,223.6	1,162.2
High risk items	145.6	130.0
Other Items	2.3	2.9
Total	**2,057.3**	**2,061.1**

JPMAMUK

As at 31 Dec 2015 GBP £'m	Exposure pre CRM	Average exposure Pre CRM over the year
Central governments and central banks	6.0	6.2
Multilateral development banks	0.0	0.1
International Organisations	0.1	0.1
Public sector entities	0.5	0.5
Institutions	99.9	79.0
Corporates	109.1	113.1
Collective investment undertakings	546.6	530.8
High risk items	1.2	0.6
Other Items	0.0	
Total	**763.4**	**730.4**

Geographical analysis of credit risk exposure under the standardised approach

JPMAMIL

As at 31 Dec 2015 GBP £'m Pre CRM	United Kingdom	Luxembourg	Other European	United States	Asia	Rest of the World	Total
Central governments and central banks					5.2	3.3	8.5
International organisations				0.1			0.1
Public sector entities	0.5	0.3	0.8				1.6
Institutions	396.4	1.4	49.9	5.4	0.3	1.3	454.7
Corporates	49.3	119.1	25.2	9.1	12.6	5.6	220.9
Collective investment undertakings	199.1	1,024.5					1,223.6
High risk items	60.3	76.6	0.8	7.3	0.0	0.6	145.6
Other Items		2.3					2.3
Total	**705.6**	**1,224.2**	**76.7**	**21.9**	**18.1**	**10.8**	**2,057.3**

JPMAMUK

As at 31 Dec 2015 GBP £'m Pre CRM	United Kingdom	Luxembourg	Other European	United States	Asia	Rest of the World	Total
Central governments and central banks					3.5	2.5	6.0
International Organisations				0.1			0.1
Public sector entities	0.5						0.5
Institutions	98.9			0.2		0.8	99.9
Corporates	40.0	28.8	14.6	8.5	9.9	7.3	109.1
Collective investment undertakings	20.7	525.8			0.1		546.6
High risk items						1.2	1.2
Other Items							0.0
Total	**160.1**	**554.6**	**14.6**	**8.8**	**13.5**	**11.8**	**763.4**

Industry analysis of credit risk exposure under the standardised approach

JPMAMIL

As at 31 Dec 2015 GBP £'m Pre CRM	Banks	Mutual Funds	Other	Total
Central governments and central banks	8.5			8.5
International organisations			0.1	0.1
Public sector entities			1.6	1.6
Institutions	454.7			454.7
Corporates			220.9	220.9
Collective investment undertakings		1,223.6		1,223.6
High risk items		40.2	105.4	145.6
Other Items			2.3	2.3
Total	**463.2**	**1,263.8**	**330.3**	**2,057.3**

JPMAMUK

As at 31 Dec 2015 GBP £'m Pre CRM	Banks	Mutual Funds	Other	Total
Central governments and central banks	6.0			6.0
International Organisations			0.1	0.1
Public sector entities			0.5	0.5
Institutions	99.9			99.9
Corporates			109.1	109.1
Collective investment undertakings		546.6		546.6
High risk items			1.2	1.2
Other Items				0.0
Total	**105.9**	**546.6**	**110.9**	**763.4**

Residual maturity analysis of credit risk exposure under the standardised approach

JPMAMIL

As at 31 Dec 2015 GBP £'m Pre CRM	On Demand	Under 1 year	Over 1 year, under 3 years	Over 3 years, under 5 years	Over 5 years, under 10 years	Over 10 years	Total
Central governments and central banks		8.5					8.5
International organisations		0.1					0.1
Public sector entities		1.6					1.6
Institutions	417.2	37.5					454.7
Corporates		205.7	0.8		9.8	4.6	220.9
Collective investment undertakings	923.6	300.0					1,223.6
High risk items		73.4		28.7	43.5		145.6
Other Items		2.3					2.3
Total	**1,340.8**	**629.1**	**0.8**	**28.7**	**53.3**	**4.6**	**2,057.3**

JPMAMUK

As at 31 Dec 2015 GBP £'m Pre CRM	On Demand	Under 1 year	Over 1 year, under 3 years	Over 3 years, under 5 years	Over 5 years, under 10 years	Over 10 years	Total
Central governments and central banks		6.0					6.0
International Organisations		0.1					0.1
Public sector entities		0.5					0.5
Institutions	96.9	3.0					99.9
Corporates		109.1					109.1
Collective investment undertakings	501.3	45.3					546.6
High risk items		1.2					1.2
Other Items							0.0
Total	**598.2**	**165.2**	**0.0**	**0.0**	**0.0**	**0.0**	**763.4**

Breakdown of past due and impaired assets by exposure class

JPMAMIL

As at 31 Dec 2015 GBP £'m Pre CRM	Past Due	Impaired	Total
Central governments and central banks	3.5	1.0	4.5
International organisations			
Public sector entities			
Institutions			
Corporates	7.7	0.2	7.9
Collective investment undertakings			
High risk items	4.6		4.6
Other Items			
Total	**15.8**	**1.2**	**17.0**

JPMAMUK

As at 31 Dec 2015 GBP £'m Pre CRM	Past Due	Impaired	Total
Central governments and central banks	1.7	1.0	2.7
International Organisations			
Public sector entities			
Institutions			
Corporates	3.9	0.2	4.1
Collective investment undertakings			
High risk items			
Other Items			
Total	**5.6**	**1.2**	**6.8**

Breakdown of past due and impaired assets by geographic location

JPMAMIL

As at 31 Dec 2015 GBP £'m Pre CRM	United Kingdom	Luxembourg	Other European	United States	Asia	Rest of the World	Total
Past due	6.2	0.6	1.3	1.0	4.0	2.7	15.8
Impaired			0.1	0.0	1.0	0.1	1.2
Total	**6.2**	**0.6**	**1.4**	**1.0**	**5.0**	**2.8**	**17.0**

JPMAMUK

As at 31 Dec 2015 GBP £'m Pre CRM	United Kingdom	Luxembourg	Other European	United States	Asia	Rest of the World	Total
Past due	1.0	0.2	0.9	0.9	1.8	0.8	5.6
Impaired			0.1	0.0	1.0	0.1	1.2
Total	**1.0**	**0.2**	**1.0**	**0.9**	**2.8**	**0.9**	**6.8**

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

As at 31 Dec 2015 GBP £'m Pre CRM	JPMAMIL	JPMAMUK
Opening balance - 1 January 2015	1.2	1.2
Acquisitions & Disposals		
Exchange and other adjustments	(0.1)	(0.1)
Unwind of discount		
Amounts written off		
Recoveries	(0.2)	(0.2)
Amounts charged against profit	0.3	0.3
Closing balance - 31 December 2015	**1.2**	**1.2**

* JPMAMIL has elected to reverse any specific provisions for doubtful debts and include these exposures the calculation credit risk capital requirement to be conservative.

7. Unencumbered assets (Art. 443)

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

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

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

JPMAMIL and JPMAMUK comply with the standard association published by the EBA.

JPMAMIL

As at 31 Dec 2015 GBP £'m Pre & Post CRM	Credit quality step 1	Credit quality step 2	Credit quality step 3	Credit quality step 4	Credit quality step 5	Credit quality step 6	Unrated	Total
Central governments and central banks			0.1				8.4	8.5
International organisations							0.1	0.1
Public sector entities							1.6	1.6
Institutions	406.1	3.3	1.1	10.0		0.5	33.6	454.6
Retail								0.0
Corporates	8.7	3.0	1.1	0.2	0.2	0.0	207.8	221.0
Collective investment undertakings	923.6						300.0	1,223.6
Equity							121.5	121.5
High risk items							145.6	145.6
Other Items							103.8	103.8
Total	**1,338.4**	**6.3**	**2.3**	**10.2**	**0.2**	**0.5**	**922.4**	**2,280.3**

JPMAMUK

As at 31 Dec 2015 GBP £'m Pre & Post CRM	Credit quality step 1	Credit quality step 2	Credit quality step 3	Credit quality step 4	Credit quality step 5	Credit quality step 6	Unrated	Total
Central governments and central banks			0.1				8.7	8.8
International organisations							0.1	0.1
Public sector entities							0.5	0.5
Institutions	98.3						0.8	99.1
Retail								0.0
Corporates	1.8	3.0	1.1	0.2	0.2	0.0	104.0	110.3
Collective investment undertakings	501.5						45.1	546.6
Equity							10.4	10.4
High risk items							19.7	19.7
Other Items							1.1	1.1
Total	**601.6**	**3.0**	**1.2**	**0.2**	**0.2**	**0.0**	**190.4**	**796.6**

9. Exposure to market risk (Art. 445)

Market risk is the risk of loss arising from movements in market variables, such as interest rates, exchange rates and equity prices.

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

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

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

Business overview

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

Market risk management

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

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

Market risk quantification

As at 31 Dec 2015 GBP £'m	Commodities risk	Market risk	Total
JPMAMIL	0.8	41.8	42.6
JPMAMUK	0.0	12.7	12.7

10. Operational risk (Art. 446)

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

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

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

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

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

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

Other collective investment undertakings

- Deferred compensation hedge positions - the Group recognises a liability relating to deferred incentive compensation for certain of its employees, which tracks the performance of specific funds. In order to hedge the associated liabilities, purchases of units in these funds are executed to materially offset profit or loss generated from the movement in the fair value of the liability.
- Box positions held by JPMorgan Funds Ltd., within defined limits, for the purpose of matching future client orders where there are regular volumes of customer sales and purchases (e.g., UK OEICs). Market risk exposure on box positions is limited on a fund by fund basis, depending on risk category, and overall;
- Investment holdings to maintain compliance with German tax transparency requirements for funds.

All exposures are marked to market.

Fair value of equity exposures recognised on the balance sheet

As at 31 Dec 2015 GBP £'m	JPMAMIL	JPMAMUK
Fair value of equity exposures recognised on the balance sheet		
Exchange traded	23.2	23.2
Private equity	0.2	-
Other investment undertakings	1,257.9	523.2
Total	**1,281.3**	**546.4**
Cumulative realised gain or (losses) arising from sales and liquidations for the period	9.8	4.8
Unrealised gains and (losses)		
Total gains or (losses)	(7.2)	(1.7)
Amount included in CET1	(33.4)	(1.7)
Latent revaluation gains/ (losses)		
Total gains/losses	-	72.7
Amount included in CET1	-	-

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

Definition

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

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

Measures to manage IRR at firmwide level are:
Earnings-at-risk: Primary measure used to gauge the firm's shorter term IRR exposure which measures the sensitivity of pre-tax income to changes in interest rates over rolling 12 months compared to base scenario (Level 1 Market Risk limit applied). The Firm conducts simulations of changes in structural interest rate-sensitive revenue under a variety of interest rate scenarios for interest rate-sensitive assets and liabilities.
Duration of Equity: Primary measure to determine the firm's long-term exposure to interest rate changes. Duration of Equity is calculated by measuring the change in the discounted value of asset, liability, and off-balance sheet cash flows for 100 basis point change in interest rates, divided by the book value of equity (Level 1 Market Risk limit applied);

Additional scenario analysis, including Firmwide Stress Initiative ("FSI") scenarios and bespoke scenarios are run as part of regular reporting.
IRR limits are part of the firmwide market risk limits framework, which is documented in the firmwide Market Risk Management policy.

Sensitivity of the banking book to interest rate changes

GBP £'m	Earnings at risk	
	+200 basis points	-200 basis points
JPMAMIL		
EUR	3.7	(3.6)
USD	3.1	(3.1)
GBP	8.7	(8.4)
Other	(0.1)	0.2
	15.4	**(14.9)**
JPMAMUK		
EUR	(0.2)	0.2
USD	1.5	(1.5)
GBP	10.1	(10.0)
Other	0.2	(0.2)
	11.6	**(11.5)**

13.Remuneration policy (Art. 450)

This section sets out the remuneration disclosures required under Article 450 of the CRR in relation to the Company, and in respect of the performance year ending 31 December 2015.

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

Qualitative disclosures

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

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

Quantitative disclosures

The following disclosures are in relation to the Company's "Identified Staff" being those staff whose professional activities have a material impact on the Company's risk profile.

In preparation of these disclosures, the Company has taken into account the size of the Company, in particular the number of individuals comprising the "management body" and "senior management". It has also considered its obligations to individuals under the EU Data Protection Directive (Directive 95/46/EC) and/or applicable local law. In light of these considerations, the Company concluded that it was appropriate to aggregate the compensation information for these groups. It also concluded on one occasion to withhold a disclosure.

Aggregate remuneration information broken down by business area

In GBP thousands	Total Compensation 2015	# of Identified Staff
Global Investment Management	12,777	10

Total Compensation

In GBP thousands	Fixed Compensation 2015 (Cash)	Variable Compensation in respect of 2015				
		Upfront Cash	Upfront Equity	Deferred Cash	Deferred Equity	Deferred Other
Total	5,484	1,007	913	182	5,121	69

Analysis of Deferred Compensation

In GBP thousands	Outstanding, unvested (value as at 31 December 2015)	Outstanding, vested (value as at 31 December 2015)	Awarded during 2015 (value at award)	Paid out during 2015 (value at pay-out)
Total	14,771	4,448	5,653	6,441

[No deferred Compensation was reduced through performance adjustments during 2015.]

Sign-on and Severance Payments

No sign-on payments were made to Identified Staff during 2015. The Company has withheld disclosure of [one] severance payment made during 2015, on the basis set out above.

2015 Remuneration Banding for Annual Compensation of Identified Staff Earning at least EUR 1 Million

TC Bands	Number of Identified Staff
€1,000,001 to €1,500,000	3
€1,500,001 to €2,000,000	2

14.Leverage (Art. 451)

As at 31 December 2015 JPMAMIL had a leverage ratio of 61%. The leverage ratio was calculated based on Tier 1 capital per article 429(3) of the CRR. The leverage ratio disclosed is the end-of-quarter leverage as permitted by the FCA as outlined in Policy Statement 13/10 published in December 2013.

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

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

The table below presents the breakdown of the leverage ratio total exposure measure as at 31 December 2015 using the format set out in Annex I of the commission implementing regulation (EU).

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

		Applicable Amounts
		£ 'm
1	Total assets as per audited financial statements	2,778.0
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	11.7
5	Adjustments for securities financing transactions "SFTs"	
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	34.4
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	- 282.3
8	Total leverage ratio exposure	2,541.8

Table LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		£ 'm
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	2,717.5
2	(Asset amounts deducted in determining Tier 1 capital)	- 229.1
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	2,488.4
Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	7.3
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	11.7
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)	19.0
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk exposure for SFT assets	
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	34.4
18	(Adjustments for conversion to credit equivalent amounts)	
19	Other off-balance sheet exposures (sum of lines 17 to 18)	34.4
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	1,561.7
EU-21a	Exposures of financial sector entities according to Atricle 429(4) 2nd subparagraph of the CRR	
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	2,541.8
Leverage ratio		
22	Leverage ratio	61%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		
		CRR leverage ratio exposures
		£ 'm
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	2,718.0
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	2,718.0
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	9.0
EU-6	Exposures to regional governments, MDB, international organisations and PSE	1.6
EU-7	Institutions	448.6
EU-8	Secured by mortgages of immovable properties	
EU-9	Retail exposures	-
EU-10	Corporate	205.3
EU-11	Exposures in default	
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation	2,053.5

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

As at December 31, 2015, no financial collateral or guarantees were applied to the credit risk exposure under the standardised approach by JPMAMIL or JPMAMUK.

16. Disclosures not applicable

The following Articles of CRR are not applicable to JPMAMIL or JPMAMUK as at December 31, 2015:

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