Pillar 3 Disclosure Report as at 31.12.2016

J.P. Morgan Bank Luxembourg S.A.

June 2017

J.P.Morgan

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Pillar 3 Disclosure Report 2016

1. Introduction

Background

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

Basel 3 includes the Basel 2 agreement as of 2004, which consists of 3 supplemental Pillars:

- Pillar 1 – Minimum Capital Requirements;
- Pillar 2 – Internal Capital Adequacy Assessment Process; and
- Pillar 3 – Public Disclosure.

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

The transposition of the Basel 3 framework into European law was done in two parts: publication of the Capital Requirements Directive IV (CRD IV/Directive 2013/36/EU) and the Capital Requirements Regulation (CRR/Regulation [EU] Nr. 575/2013). It was published in the Official Journal of the European Union on June 27, 2013. Part 8 of CRR includes additional provisions on regulatory disclosure for credit institutions.

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

J.P. Morgan Bank Luxembourg S.A.

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

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

Aim of the disclosure report

This report shall provide an overview of the risk profile and the risk management of JPMBL.

The disclosure particularly comprises of:

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

This disclosure fulfils the requirements as set out in Articles 431-455 CRR.

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

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

JPMBL publishes an annual report in accordance with Article 433 CRR. The disclosure report is made available according to Article 434 CRR on the website of JPMorgan Chase & Co. at:
http://investor.shareholder.com/jpmorganchase/basel.cfm

Scope of application (Art. 436)

This report is based on the prudential consolidation. This includes only J.P. Morgan Bank Luxembourg S.A. This legal entity has no subsidiaries or branches to be consolidated.

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

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

2. Risk management and objectives (Art. 435)

Risk Management Framework

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.

JPMBL's risk management framework and governance structure are intended to provide comprehensive controls over, and ongoing management of, the major risks taken or faced in its business activities. There is a culture of risk awareness and personal responsibility throughout the Firm where collaboration, discussion, escalation and sharing of information are encouraged. The Bank's risk governance structure is based on the principle that each Line of Business (LOB) is responsible for managing the risk inherent in its business, with appropriate Risk Management oversight.

JPMBL has identified the risks to which it is exposed and focused on those considered to be material for the purposes of the capital assessment including but not limited to credit and operational risks.

Three Lines of Defence

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

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

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

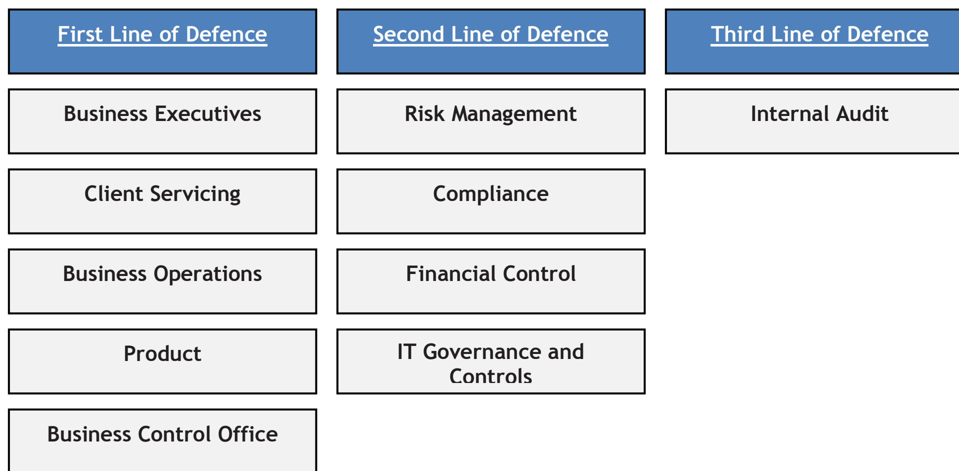

Exhibit 1: JPMBL Three Line of Defence

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

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

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

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

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

The JPMBL Executive Committee (ExCo) defines and implements the corporate governance framework to ensure compliance with local regulations, implementing a sound control environment, and managing the business in accordance with the JPMBL Board recommendations.

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

Risk governance

JPMBL is closely aligned to the regional and firm-wide risk governance structure.

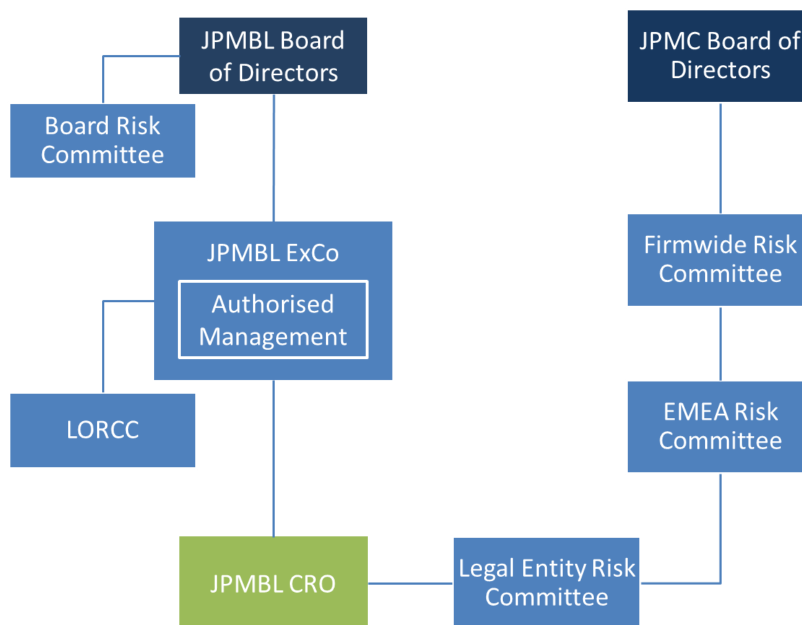

Exhibit 2: JPMBL Risk Governance Structure

JPMBL has a Chief Risk Officer (CRO) who is a member of JPMBL's Authorized Management and of the EMEA Legal Entity Risk Committee (LERC), and a permanent attendee of the JPMBL BRC. The JPMBL CRO chairs the JPMBL Local Risk Forum (LRF).

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

JPMBL Board Risk Committee (BRC)

A Board Risk Committee (BRC) was established during the reporting period, and is chaired by an Independent Non-Executive Director of the Board. The BRC convened its first meeting on 13 September 2016.

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

At the end of 2016, the BRC was comprised of three Independent Non-Executive Directors including the Chairman. The JPMBL Chief Risk Officer is a permanent attendee of the Committee.

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

The BRC also reviews risk assessments for new products and services subject to materiality.

JPMBL Executive Committee (ExCo)

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

- More detailed oversight of and challenge to the operating environment to the Location Operational Risk & Control Committee (LORCC);
- More detailed oversight of money laundering is delegated to the GFC Oversight Forum (GFC OF).

JPMBL Local Risk Forum (LRF)

The JPMBL Local Risk Committee was converted into the JPMBL Local Risk Forum (LRF) upon the establishment of the JPMBL BRC on July 21, 2016. The LRF is a special monthly meeting of the ExCo dedicated to risk topics and is chaired by the JPMBL Chief Risk Officer. In 2016 the LRF met 11 times.

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

The LRF escalates any issues directly to the ExCo, to the BRC and to the regional Legal Entity Risk Committee (described below) via JPMBL's CRO.

JPMBL Location Operational & Control Committee (LORCC)

The role of the LORCC is to act as a cross line of business and functions committee for any business conducted in the location or booked into the location.

The LORCC has responsibility for the review of operational risk control themes and issues in the location and for the escalation to the Local Infrastructure Operating Committee (LIOC), as well as holding members accountable for remediating such themes and issues.
The LORCC has responsibility for the following:

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

JPMBL Outsourcing Forum

The Outsourcing Forum covers inter-affiliate outsourcing proposals and services provided by both Inter-affiliate and critical operations third party outsourcing governance. It is to act as a cross line of business & functions forum for any outsourcing where JPMBL is a beneficiary of services.
The Outsourcing Forum has the responsibility to:

- To ensure all proposed outsourcing arrangements are in line with both local regulatory and legal entity specific requirements, alongside the review and ongoing management of outsourced operations;
- Consideration and review of all new direct and in cascade outsourcing proposals;
- Confirm the level of regulatory correspondence which will be forwarded to the Executive committee as appropriate;
- Service provider performance update from each Line of Business;
- Due Diligence status;
- Offshore Footprint validation.

JPMBL Global Financial Crime (GFC) Oversight Forum

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

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

Links to regional and firm-wide risk governance

The LERC provides governance and oversight for Legal Entity (LE) risk management, Legal Entity Risk Managers (LERMs) and CROs in the EMEA region for all risks with the exception of risks in relation to the asset management business. In addition, the LERC provides oversight of any risk issues escalated in relation to risk appetite and capital adequacy, where appropriate or required.

The LERC is accountable to the EMEA Risk Committee (ERC) and where required, directly to the relevant Boards or Directors' Risk Policy Committees or equivalent of the relevant legal entity. The ERC provides oversight of risks inherent in the firm's business conducted in EMEA or booked into EMEA entities and EMEA branches of ex-EMEA firms. It reports notably to the Firm-wide Risk Committee (FRC) and the relevant legal entities, as appropriate. The FRC is the Firm's highest management level risk committee.

Identification and measurement of key risks

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

The key risk types JPMBL is exposed to for Capital allocation purposes are Operational and Credit risk.
Operational Risk represents a material risk for JPMBL. JPMBL is an entity with established processes and a developed infrastructure to support Fund Accounting, Transfer Agency, Alternative Investment Services, Depository Bank (Custody and Trust & Fiduciary), Treasury Services activities. To monitor and control operational risk, the Firm maintains an Operational Risk Management Framework (ORMF), detailed in section 11 Operational Risk.

Credit Risk represents also a material risk and may encompass overdrafts to custody clients, intercompany deposits/repo and, intraday and overnight overdrafts to corporate clients.

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

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

JPMBL places its overnight liquidity with its parent JPMCB N.A, London Branch. From September 2016, a portion of this overnight liquidity has been employed in reverse repos with JPMCB N.A., London Branch, with daily margining. Collateral received is a mix of corporate bonds diversified across industries and geographies, and predominantly investment grade.

Credit concentration risk is managed at the firmwide level through a matrix of credit family exposure thresholds, industry limits and country risk limits. JPMBL monitors, reviews and accounts for concentration risk on ongoing basis: JPMBL is exposed to concentration risk in the form of Group Risk and Credit Concentration Risk. The Bank identifies distinctively the amount of capital required for credit risk and concentration risk.

Other risk types considered as part of Pillar 2 calculations:

Interest Rate Risk in the Banking Book (IRRBB) is defined as interest rate risk resulting from the Firm's traditional banking activities (accrual accounted on and off balance sheet positions) which includes extension of loans and credit facilities, taking deposits and issuing debt (collectively referred to as 'non-trading' activities); and also the impact from CIO (Chief Investment Office) investment portfolio and other related CIO, Treasury activities.

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

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

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

Business risk is the risk that JPMC or Lines of Business will make inappropriate strategic choices, or are unable successfully to implement selected strategies and of loss due to variances in volumes, revenue and costs caused by competitive forces, regulatory changes, or other macroeconomic or market issues.

Business risk is managed through JPMBL SA's g strategic and business planning as part of its Capital Management Framework.

Risk Appetite

The risk appetite framework for JPMBL is derived from the entity's role in supporting execution of Firmwide strategy, whilst simultaneously meeting regulatory requirements and serving clients through severe but plausible financial stresses. The framework focuses on key binding constraints for a regulated subsidiary operation, including regulatory capital and liquidity requirements. It has several components including roles and responsibilities, a statement of risk appetite, how this is translated into quantitative measures of risk appetite, and how these measures are monitored in practice through risk limits, policies, procedures and governance.

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

Where applicable, quantitative risk appetite parameters are expressed for individual risk types that can be used by those risk functions to propose more granular limits and policies. Risk appetites are set for market risk, credit risk, operational risk, liquidity risk and capital risk. Results are reviewed monthly by JPMBL ExCo at the LRF and quarterly by JPMBL Board of Directors.

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

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

Board Declaration – Adequacy of Risk Management arrangements

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

Members of the Board of Directors

In selecting candidates for the Board of Directors, JPMBL looks for individuals with strong personal attributes, diverse backgrounds and demonstrated expertise and success in one or more disciplines relevant to our business. The goal is to have a Board of Directors consisting of individuals with a combination of skills, experience and personal qualities that will well serve it, its committees, our Firm and our shareholders. Candidates for director may be recommended by current Board members or management.

Amanda Cameron (General Manager and Executive Director)

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

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

Frédéric Mouchel (Executive Director)

Frédéric Mouchel is a Managing Director in JPMorgan Chase's Corporate & Investment Bank. He was recently appointed CEO of JPMBL relocating to Luxembourg where he leads the Treasury Services Business.

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

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

Timothy Gandy (Independent Non Executive Director)

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

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

Mark Garvin (Chairman – Non Executive Director)

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

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

He is Senior Independent Director of Euroclear Plc, Board Member of The British Bankers Association and a Director of BritishAmerican Business.

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

Ketki Miles (Non Executive Director)

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

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

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

Christopher Rowland (Non Executive Director)

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

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

Juerg Brun (Independent Non-Executive Director)

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

Ignace Combes (Independent Non-Executive Director)

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

Number of directorships held by members of the Board of Directors

Members of the Board of Directors have also held internal and/or external directorships in addition to being appointed by JPMBL during the year ended December 31, 2016 as follows:

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

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

Diversity & Inclusion

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

Guiding Principles

- Management accountability – engage managers at all levels of the organization to be responsible for their people platform and incorporate diversity and inclusion into their business and people practices;
- Workforce – continuously expand our scope for attracting talent and fostering, supporting and increasing internal mobility across all of our lines of business and functions;
- Workplace - create the opportunities for all individuals to contribute and effectively work together to achieve success as a whole;
- Marketplace – recruit quality people who reflect the customers and communities that we serve and the marketplaces where we operate so that we increase our ability to deliver solutions and strengthen our financial performance.

Scope and Process

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

Metrics

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

Target for representation of Women on EMEA Boards

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

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

3. Own funds (Art. 437)

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

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

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

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

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

The profit brought forward amounted to US$67,457m as at December 31, 2016.

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

- The legal reserve is not distributable. The legal reserve as at December 31, 2016 amounted to US$1,100,000;
- The free reserve represents profits of prior years, which have been appropriated by the Annual General Meeting of shareholders to a specific reserve referred to as free reserve. The Annual General Meeting may approve the distribution of this reserve. The free reserve as at December 31, 2016 amounted to US$1,079,394,141 (under International Financial Reporting Standards);
- The special reserve as at December 31, 2016 amounted to US$113,200,000. This reserve is non-distributable for a period of five years.

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

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

4. Capital requirements (Art. 438)

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

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

The key risk types JPMBL is exposed to for Capital allocation purposes are Operational risk and Credit and concentration risk.

Firmwide operational risk capital measurement

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

JPMBL Operational risk capital measurement

JPMBL calculates the Operational Risk Capital Requirement for Pillar 1 using the Basic Indicator Approach (BIA). The Pillar 1 assessment of Operational risk is a minimum regulatory capital requirement calculated in accordance with the BIA under Basel 3. This approach calculates operational risk capital using a single indicator as a proxy for an institution's overall operational risk exposure – referred to as the "relevant indicator."

The relevant indicator is the sum of a firm's net interest income and its net non-interest income before the deduction of any provisions and operating expenses. The Operational Risk Capital Requirement under the BIA is equal to 15% of the average over the previous 3 years of the relevant indicator. If the relevant indicator for a given year is negative, it is excluded from both the numerator and denominator when calculating the average.

In addition to Pillar 1 assessment, JPMBL adopted an internal approach to calculate operational risk capital under Pillar 2.

The Pillar 2 calculation is based on the Basic Indicator Approach (BIA) adjusted for the JPMorgan Chase's (JPMC) risk profile as calculated in JPMC's global operational risk regulatory capital (ORC). JPMC's Operational Risk Capital is derived from the firm's Advanced Model Approach (AMA) regulatory capital model which also produces ORC for each major line of business (LOBs). The ORC attributed to each LOB in the global model, and the global revenue for these LOBs are used to determine the risk profile of a given LOB and are used in determining the Pillar 2 ORC for JPMBL as follows:

- Calculating "global LOB ratios";
- Dividing firm wide ORC allocated to each global LOB by net operating revenues of that global LOB over the last 12 months;
- Multiplying the "global LOB ratios" and a total of net operating revenues booked by each LOB to that entity. The global net operating revenues for each LE attributed to the corporate sector in the last 12 months are incorporated in the total global net operating revenues of the predominant LOB of that entity (i.e. the LOB that has the higher net operating revenues).

JPMBL Credit and Concentration risk capital measurement

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

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

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

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

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

At December 31, 2016, the overall Pillar 2 capital requirement exceeds the Pillar 1 amount, reflecting the Economic Capital calibration of credit exposures and concentration risk.

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

Capital Planning Buffer

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

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

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

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

JPMBL maintains a substantial capital surplus throughout the scenarios considered. JPMBL`s total capital ratio remains well above the required minimum level of 8% (excluding the Capital Conservation Buffer) at all times and under all scenarios.

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

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

Risk-weighted exposure amounts

As at 31 Dec 16 US$m	0%	20%	50%	75%	100%	150%	RWA	8% of RWA
Central governments or central banks	4,870	0	0	0	0	0	0	0
Institutions	0	6,943	0	0	0	0	1,389	111
Corporates	2,822	0	0	0	75	0	75	6
Other items	0	0	0	0	70	0	70	6
TOTAL CAPITAL REQUIREMENTS FOR CREDIT, COUNTERPARTY CREDIT, DILUTION AND DELIVERY RISKS							**1,534**	**123**

Exhibit 4: JPMBL RWA as at December 31, 2016

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

At the end of 2016, counterparty credit risk was limited to one intra-group reverse repo: JPMBL places its overnight liquidity with its parent JPMCB N.A, London Branch, and from September 2016, a portion of the overnight liquidity has been employed in reverse repos with JPMCB N.A., London Branch. The repo is governed by a Global Master Repurchase Agreement, with daily margining. Collateral received is a mix of corporate bonds diversified across industries and geographies, and predominantly investment grade. These transactions can be terminated by either party, provided a 90-day notice period is served or earlier by mutual consent. The JPMBL Authorized Management oversees the monitoring of concentration of collateral posted to JPMBL. For regulatory capital calculations, haircuts are applied to the collateral in line with regulatory requirements.

During the year, JPMBL entered into a one-off cross currency swap with JPMCB N.A, London Branch, which was no longer in the Bank's books at the date of this report.

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

Approach to Risk Management

Firmwide, Credit Risk Management is overseen by the Wholesale Chief Credit Officer and implemented within the lines of business. J.P. Morgan's Credit Risk Management consists of:

1. A comprehensive credit risk policy framework;
2. Monitoring and managing credit risk across all portfolio segments, including transaction and line approval;
3. Assigning and managing credit authorities in connection with the approval of all credit exposure;
4. Managing criticised exposures and delinquent loans; and
5. Determining the allowance for credit losses and ensuring appropriate credit risk-based capital management.

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

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

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

Primary responsibility for decisions on acceptability of clients from a credit perspective, approval of credit lines, ongoing credit exposure monitoring, and determining impairment provisions are managed centrally according to the Firm's Credit Policy. Specifically, responsibility resides with: Credit Officers in CIB Credit Risk Management; and Global Credit Risk Management – Client Credit Management (credit analysis) and Credit Executives (credit approval).

These groups are based in London and, respectively, support Corporate and Investment Bank businesses and the Firm generally. JPMBL is supported by these teams with regards to its credit risk governance.

Risk Measurement

A range of methodologies is adopted for estimating the likelihood of counterparty (or obligor) default including calculating: the potential amount of credit exposure or loss should the obligor or the counterparty default; the probability of default; and the loss severity given a default event.

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

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

Wrong Way Risk

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

Wrong way risk according to Article 291 (1) a) and b) CRR is defined as:

General Wrong-Way risk arises when the likelihood of default by counterparties is positively correlated with general market risk factors.

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

Theoretically JPMBL could be exposed to additional credit risk as a result of the unlikely event of a client's default. JPMBL has taken collateral as pledge with no or very limited correlation to client exposures.

6. Capital Buffers (Art. 440)

Countercyclical Buffers

At December 31, 2016, the Countercyclical Buffer rates in effect were 1.5% set by Norway and Sweden and 0.5% set by Czech Republic. JPMBL had no credit exposures located in Norway, Sweden and Czech Republic. Therefore, the Bank's institution-specific Countercyclical Buffer rate is 0%.

7. Credit risk adjustments (Art. 442)

Definitions

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

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

Credit risk exposures

Primary responsibility for determining impairment provisions is managed according to the Firm's Credit Policy. J.P. Morgan's methodology for determining impairment provisions and the establishment of impairment provisions are managed centrally. Advised and unadvised overdraft lines available at JPMBL are typically secured against pledges with right of sale and/or right of retention over assets under custody.

At December 31, 2016 there were no impaired and/or past due exposures.

Credit risk exposure under the Standardized approach

As at 31 Dec 16	Exposure Pre CRM US$m	Average Exposure Pre CRM over the year US$m
Credit Risk Exposure Class Pre CRM		
Central governments or central banks	4,870	3,285
Institutions	8,565	11,221
Corporates	2,897	2,997
Other items	70	88
Total	**16,402**	**17,590**

Exhibit 5: Credit risk exposure under the Standardized approach

Geographical analysis of Credit risk exposure under the Standardized approach

As at 31 Dec 16	Luxembourg US$m	Other European Union US$m	United States US$m	Asia US$m	Rest of the World US$m	Total US$m
Credit Risk Exposure Class Pre CRM						
Central governments or central banks	4,870	-	-	-	-	4,870
Institutions	2	8,552	11	-	0	8,565
Corporates	2,897	0	0	-	0	2,897
Other items	70	-	-	-	-	70
Total	**7,839**	**8,552**	**11**	**-**	**0**	**16,402**

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

Industry analysis of Credit risk exposure under the Standardized approach

As at 31 Dec 16	Banks US$m	Mutual Funds US$m	Other US$m	Total US$m
Credit Risk Exposure Class Pre CRM				
Central governments or central banks	4,870	-	-	4,870
Institutions	8,565	-	-	8,565
Corporates	-	2,897	0	2,897
Other items	-	-	70	70
Total	**13,435**	**2,897**	**70**	**16,402**

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

Residual maturity analysis of Credit risk exposure under the Standardized approach

As at 31 Dec 16	On demand and qualifying revolving US$m	Under 1 year US$m	Over 1 year, under 3 years US$m	Over 3 years, under 5 years US$m	Over 5 years, under 10 years US$m	Over 10 years US$m	Total US$m
Credit Risk Exposure Class Pre CRM							
Central governments or central banks	4,870	-	-	-	-	-	4,870
Institutions	4,845	3,720	-	-	-	-	8,565
Corporates	2,897	-	-	-	-	0	2,897
Other items	3	65	-	-	-	2	70
Total	**12,615**	**3,785**	**-**	**-**	**-**	**2**	**16,402**

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

8. Unencumbered assets (Art. 443)

As at December 31, 2016 the encumbrance of assets was calculated according to Article 443 CRR and Regulation (EU) 2015/79.

JPMBL does not have any encumbered assets except the regulatory minimum reserves held at Banque Centrale du Luxembourg, (BCL) in the form of overnight demand deposits. The carrying amount of unencumbered assets was US$13,500m as at December 31, 2016.

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

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

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

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

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

As at 31 Dec 16	Credit Quality Step 1 US$m	Credit Quality Step 2 US$m	Credit Quality Step 3 US$m	Credit Quality Step 4 US$m	Credit Quality Step 5 US$m	Credit Quality Step 6 US$m	Unrated US$m	Total US$m	Capital deducted from Capital Resources US$m
Credit Risk Exposure Class Pre CRM									
Central governments or central banks	4,870	-	-	-	-	-	-	4,870	-
Institutions	8,565	0	-	-	-	-	-	8,565	-
Corporates	-	-	-	-	-	-	2,897	2,897	-
Other items	-	-	-	-	-	-	70	70	-
Total	**13,435**	**0**	**-**	**-**	**-**	**-**	**2,967**	**16,402**	**-**

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

Credit quality step analysis of Post CRM exposure and capital deductions under the Standardized Approach

As at 31 Dec 16	Credit quality Step 1 US$m	Credit quality Step 2 US$m	Credit quality Step 3 US$m	Credit quality Step 4 US$m	Credit quality Step 5 US$m	Credit quality Step 6 US$m	Unrated US$m	Total US$m	Capital deducted from Capital Resources US$m
Credit Risk Exposure Class Post CRM									
Central governments or central banks	4,870	-	-	-	-	-	-	4,870	-
Institutions	6,942	1	-	-	-	-	-	6,943	-
Corporates	-	-	-	-	-	-	2,897	2,897	-
Other items	-	-	-	-	-	-	70	70	-
Total	**11.812**	**1**	**-**	**-**	**-**	**-**	**2,967**	**14,780**	**-**

Exhibit 10: Credit quality step analysis of Post CRM exposure and capital deductions under the Standardized Approach

10. Exposure to market risk (Art. 445)

Market risk is the exposure to an adverse change in the market value of financial instruments caused by a change in market parameters. The primary categories of market parameters are Interest Rates, Foreign Exchange Rates, Equity Prices, Credit Spreads and Commodity Prices.

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

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

Business Overview

JPMBL has market risk limits in place at the legal entity level to control its market risk exposure through FX Swap and Reverse Repo activities.

Market Risk Management

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

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

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

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

Market Risk Quantification

As of December 31, 2016, Pillar 1 foreign exchange risk is below the reporting threshold of 2% of regulatory capital. Hence, no capital has been allocated against foreign exchange risk.

11. Operational Risk (Art. 446)

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

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

Governance

The lines of business and corporate functions are responsible for owning and managing their operational risks. The Firmwide Oversight and Control Group, which consists of control officers within each line of business and corporate function, is responsible for the day-to-day execution of the ORMF. Line of business and corporate function control committees oversee the operational risk and control environments of their respective businesses and functions. These committees escalate operational risk issues to the Firmwide Control Committee ("FCC"), as appropriate. The Firmwide Risk Executive for Operational Risk Governance ("ORG"), a direct report to the Chief Risk Officer ("CRO"), is responsible for defining the ORMF and establishing minimum standards for its execution. Operational Risk Officers report to both the line of business CROs and to the Firmwide Risk Executive for ORG, and are independent of the respective businesses or corporate functions they oversee.

The Firm's Operational Risk Governance Policy is approved by the Directors' Risk Policy Committee ("DRPC"). This policy establishes the Operational Risk Management Framework for the Firm. The assessments of operational risk using this framework are reviewed with the DRPC.

Risk Assessment

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

Measurement

The Pillar 1 assessment of Operational risk is calculated in accordance with the Basel 3 Basic Indicator Approach (BIA). For information related to operational risk measurement refer to Section 4 Capital Requirements.

Monitoring and Reporting

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

12. Liquidity Risk (Art. 435)

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

Liquidity risk oversight

The Firm has a liquidity risk oversight function whose primary objective is to provide assessment, measurement, monitoring, and control of liquidity risk across the Firm. Liquidity risk oversight is managed through a dedicated Firmwide Liquidity Risk Oversight group. The Chief Investment Office, Treasury, and Corporate ("CTC") Chief Risk Officer ("CRO"), as part of the independent risk management function, has responsibility for Firmwide Liquidity Risk Oversight. Liquidity Risk Oversight’s responsibilities include but are not limited to:

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

The Firm has systems in place to aid in the measurement, management, monitoring and reporting of liquidity risks.

Risk governance and measurement

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

Liquidity management

Treasury and CIO are responsible for liquidity management. The primary objectives of effective liquidity management are to ensure that the Firm's core businesses and material legal entities are able to operate in support of client needs, meet contractual and contingent obligations through normal economic cycles as well as during stress events, and to manage optimal funding mix, and availability of liquidity sources. The Firm manages liquidity and funding using a centralised, global approach across its entities, taking into consideration both their current liquidity profile and any potential changes over time, in order to optimise liquidity sources and uses. In the context of the Firm's liquidity management, Treasury is responsible for:

- Analysing and understanding the liquidity characteristics of the Firm, lines of business and legal entities' assets and liabilities, taking into account legal, regulatory, and operational restrictions;
- Defining and monitoring Firmwide and legal entity specific liquidity strategies, policies, guidelines, and contingency funding plans;
- Managing liquidity within approved liquidity risk appetite tolerances and limits;
- Setting transfer pricing in accordance with underlying liquidity characteristics of balance sheet assets and liabilities as well as certain off-balance sheet items.

Internal Stress Testing

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

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

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

Internal Liquidity Adequacy Assessment Process

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

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

Regulatory Measures

Liquidity Coverage Ratio (“LCR”)

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

Additional Liquidity Monitoring Metrics (“ALMM”)

The European Commission adopted the AMM Implementing Technical Standards (“ITS”) in March 2016. This allows competent authorities to obtain a comprehensive view of the liquidity risk profile of their regulated entities. ALMM reporting for the entity commenced from April 2016, with a submission date of May 2016.

Net Stable Funding Ratio (“NSFR”)

The Basel Committee final standard for net stable funding ratio ("Basel NSFR") is intended to measure the "available" and "required" amounts of stable funding over a one-year horizon. On 23 November, 2016, the European Commission introduced its legislative proposal for the NSFR (“EU NSFR”), amending Regulation (EU) No 575/2013. The proposal is subject to approval from the European Parliament and Council of the EU. JPMBL will be expected to comply with the EU NSFR at a level of 100% two years after the date of entry into force of the proposed regulation. This is expected to be 1 January 2019 at the earliest.

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

Definition

Interest Rate Risk in the Banking Book (IRRBB) is defined as interest rate risk resulting from the firm's traditional banking activities (accrual accounted on and off-balance sheet positions) which includes extension of loans and credit facilities, taking deposits and issuing debt (collectively referred to as 'non-trading' activities); and also the impact from Treasury & Chief Investment Office (TCIO) investment portfolio and other related Treasury and CIO activities. IRR from non-trading activities can occur due to a variety of factors, including but not limited to:

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

Oversight and Governance

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

- Reviews the IRR Management policy;
- Reviews the IRR profile of the firm and compliance with IRR limits; and
- Reviews significant changes to IRR models and/or model assumptions.

In addition to CTC RC, IRR exposures and significant model and/or model assumptions changes are reviewed by the Asset and Liability Committee ("ALCO"). The ALCO provides a framework for overseeing the IRR of LOBs, foreign jurisdictions and key legal entities to appropriate LOB ALCOs, Country ALCOs and other local governance bodies.

The CTC RC also governs the IRR Management Group; an independent dedicated Risk Group within CTC and reports into the CTC Chief Risk Officer. IRR Management is responsible for, but not limited to, the following:

- Creating governance over IRR assumptions and parameter selection/calibration; and
- Identifying and monitoring IRR and establishing limits as appropriate.

Risk Identification and Measurement

TCIO manages IRRBB exposure on behalf of the firm by identifying, measuring, modelling and monitoring IRR across the firm's balance sheet. TCIO identifies and understands material balance sheet impacts of new initiatives and products and executes market transactions to manage IRR through TCIO investment portfolio's positions. Execution by TCIO will be based on parameters established by senior management, per the TCIO Investment Policy. In certain Legal entities, Treasury manages IRR in partnership with TCIO. Lines of businesses are responsible for developing and reviewing specific LOB IRR modelling assumptions.

Measures to manage IRR include:

Earnings-at-Risk (EaR)

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).

Economic Value Sensitivity ("EVS")

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

Sensitivity of the Banking Book to interest rate changes

The impact of 200bps parallel rates increase and decrease on the economic value (EVS) of JPMBL has been estimated as at December 31, 2016; the results are in the tables below.

Scenario	EVS (US$m)
+200bps	283
-200bps	-238

Exhibit 11: Sensitivity of the Banking Book to interest rate changes

14. Remuneration policy (Art. 450)

Background

This section sets out the remuneration disclosures required under Article 450 of CRR and clause 16 (1) of the Requirements for the Compensation in Financial Institutions in relation to JPMBL and in respect of the performance year ending December 31, 2016.

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

Qualitative disclosures

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

Additional qualitative disclosures specific to the Company

The Company complied with the applicable remuneration requirements of CRD IV, as implemented by the Amendments of 23 July 2015 to the Law of 5 April 1993 on the financial sector ("LFS") and CSSF Circulars 10/437 and 10/496 (the "Remuneration Rules"). The following additional disclosures should therefore be read in conjunction with the EMEA Remuneration Policy Disclosure:

- In accordance with the Remuneration Rules, the Company has established a local Remuneration & Nomination Committee ("the Committee") formed of three non-executive members of the Board of Directors of the Company, the majority of which (including the Chairman) are independent of the business they are overseeing.
- The Committee is responsible for supporting the Board of JPMBL by the preparation of decisions regarding remuneration, including performing an annual review of the applicable remuneration policy and overseeing its implementation.
- The Committee held two meetings in the calendar year 2016, as well as meeting in January 2017 to consider the outcomes of the 2016 Year-End compensation review in respect of local Identified Staff (as defined below).
- The Company's Risk, Compliance and Internal Audit functions are involved in the design, implementation, operation and/or supervision of the remuneration policy and practices.
- The Company undertakes an annual review of its staff against the qualitative and quantitative criteria set out in the European Banking Authority's relevant Regulatory Technical Standard (Commission Delegated Regulation (EU) No 604/2014) to identify those roles which could potentially have a material impact on the risk profile of the Company ("Identified Staff"). This Identified Staff group is reviewed on an ongoing basis and Identified Staff are notified of their status and the impact on their remuneration structure.
- The Company has obtained the relevant shareholder approval in accordance with Article 94(1)g of CRD IV (as implemented by CSSF Circular 15/662) to pay its Identified Staff a maximum ratio of fixed to variable compensation of 1:2.

Quantitative Disclosures

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

In preparation of these disclosures, JPMBL has taken into account 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 Bank concluded that it was appropriate to aggregate the compensation information in some areas.

Breakdown by Business Area

In EUR thousands	Total Compensation 2016	Number of Identified Staff
Corporate & Investment Bank	3,051	10
Other (including Corporate functions)	1,235	10

Exhibit 12: Compensation Breakdown by Business Area

Breakdown of Total Compensation

In EUR thousands	Fixed Compensation 2016 (Cash)	Variable Compensation in respect of 2016			
		Upfront Cash	Upfront Equity	Deferred Cash	Deferred Equity
Total	2,956	654	219	32	425

Exhibit 13: Variable Compensation Breakdown

Analysis of Deferred Compensation

In EUR thousands	Outstanding, unvested (value as at 31 December 2016)	Outstanding, vested (value as at 31 December 2016)	Awarded during 2016(value at award)	Paid out during 2016 (value at pay-out)
Total	1,639	0	906	795

Exhibit 14: Analysis of Deferred Compensation

No Identified Staff had their deferred compensation reduced through performance adjustment in 2016.

Sign-on and Severance Payments

No sign-on or severance payments were made to Identified Staff during 2016.

2016 Remuneration Banding for Annual Compensation of Identified Staff Earning at least EUR 1 Million

No Identified Staff received compensation exceeding EUR 1 million in respect of 2016.

15. Leverage (Art. 451)

The difference between the JPMBL leverage ratio exposure value and total assets disclosed in the published financial statements as at December 31, 2016 is due to different accounting principles applied in the published financial statements (Luxembourg GAAP). Please refer to Appendix B.

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

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

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

JPMBL's policies for collateral valuation and management are representative of industry standards and best practices. The fair value of the collateral is monitored daily. Full market value is not given to marketable assets accepted as collateral (apart from cash) in recognition of the fact that collateral is subject to price volatility and liquidity. A standard valuation reduction percentage (haircut) is applied to each asset class to mitigate the potential price decline of the collateral under the Financial Collateral Comprehensive Method as per art. 223 CRR.

The Firm has internal policies in place relating to the type of acceptable collateral. Cash and high quality bonds are generally considered acceptable collateral.

As at 31 December 2016, of the total exposures JPMBL had to Institutions, USD 1,622 million are fully covered by financial collateral, The collateral held by JPMBL predominantly consists of financial and non-financial corporate bonds. The total exposure value to Institutions partially covered by financial collateral, after the application of volatility adjustments, is USD 6,943 million. No financial collateral or guarantees were applied to the credit risk exposure for other exposure classes.

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

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

- Indicators of global systemic importance (Art. 441);
- Exposure to equities not included in the trading book (Art. 447);
- Exposure to securitization positions (Art. 449);
- Use of the IRB Approach to credit risk (Art. 452);
- Use of the Advanced Measurement Approaches to operational risk (Art. 454);
- Use of Internal Market Risk Models (Art. 455).

18. Appendices

Appendix A

Own Funds Disclosure Common Equity Tier 1 capital: instruments and reserves As at 31 December 2016		US$ m
1	**Capital instruments and the related share premium accounts**	**11**
	of which: Common shares	11
2	Retained earnings	1.194
3	Accumulated other comprehensive income (and any other reserves)	
3a	Funds for general banking risk	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	
5	Minority interests (amount allowed in consolidated CET1)	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1,205**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments	
7	Additional value adjustments	
8	Goodwill and Other intangible assets (net of related tax liability)	
9	Empty set in the EU	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference	
11	Fair value reserves related to gains or losses on cash flow hedges	
12	Negative amounts resulting from the calculation of expected loss amounts	
13	Any increase in equity that results from securitized assets (negative amount)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	
15	Defined-benefit pension fund assets (net of related tax liability)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
20	Empty set in the EU	
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	
20b	of which: qualifying holdings outside the financial sector (negative amount)	
20c	of which: securitization positions (negative amount)	
20d	of which: free deliveries (negative amount)	
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	
22	Amount exceeding the 15% threshold (negative amount)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	
24	Empty set in the EU	
25	of which: deferred tax assets arising from temporary difference	
25a	Losses for the current financial year (negative amount)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	
26a	Regulatory adjustments relating to unrealized gains and losses	
	Of which: Filter for unrealized gains on available-for-sale equities	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	

Own Funds Disclosure Common Equity Tier 1 capital: instruments and reserves As at 31 December 2016		US$ m
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	
29	**Common Equity Tier 1 (CET1) capital**	**1,205**
	Additional Tier 1 (AT1) capital: instruments	
	Additional Tier 1 (AT1) capital: regulatory adjustments	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	
44	**Additional Tier 1 (AT1) capital**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1,205**
	Tier 2 (T2) capital: instruments and provisions	
51	**Tier 2 (T2) capital: regulatory adjustments**	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	
58	**Tier 2 (T2) capital**	
59	**Total capital (TC = T1 + T2)**	
60	**Total risk-weighted exposures**	**2,194**
	Capital ratios and buffers	
61	Common Equity Tier 1 ratio	54.9%
62	Tier 1 ratio	54.9%
63	Total capital ratio	54.9%
64	Institution specific buffer requirement	55
65	of which: capital conservation buffer requirement	55
66	of which: countercyclical buffer requirement	
67	of which: systemic risk buffer requirement	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	2196%
69	[non-relevant in EU regulation]	
70	[non-relevant in EU regulation]	
71	[non-relevant in EU regulation]	
	Amounts below the thresholds for deduction (before risk-weighting)	
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions	
74	Empty set in the EU	
75	Deferred tax assets arising from temporary difference	
	Applicable caps on the inclusion of provisions in Tier 2	
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	
77	Cap on inclusion of credit risk adjustments in T2 under standardized approach	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	
	Capital instruments subject to phase-out arrangements (applicable between 1 Jan 2014 and 1 Jan 2022)	
80	- Current cap on CET1 instruments subject to phase-out arrangements	
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	
82	- Current cap on AT1 instruments subject to phase-out arrangements	
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	
84	- Current cap on T2 instruments subject to phase-out arrangements	
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	

APPENDIX B

Leverage Ratio Disclosure LRSum table As at 31 December 2016		US$ m
1	Total assets as per published financial statements	13,565
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	
4	Adjustments for derivative financial instruments	
5	Adjustments for securities financing transactions "SFTs"	
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	282
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	15
8	**Total leverage ratio exposure**	**13,862**

LRCom table		US$ m
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	13,580
2	(Asset amounts deducted in determining Tier 1 capital)	
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**13,580**
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	
EU-5a	Exposure determined under Original Exposure Method	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	**Total derivative exposures (sum of lines 4 to 10)**	
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk exposure for SFT assets	
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	

LRCom table		US$ m
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	282
18	(Adjustments for conversion to credit equivalent amounts)	
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**282**
	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	1,205
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**13,862**
	Leverage ratio	
22	**Leverage ratio**	**8.69%**
	Choice on transitional arrangements and amount of derecognized fiduciary items	
EU-23	Choice on transitional arrangements for the definition of the capital measure	
EU-24	Amount of derecognized fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	

LRSpl table		US$ m
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**13,580**
EU-2	*Trading book exposures*	*0*
EU-3	*Banking book exposures, of which:*	*13,435*
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	4,870
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	0
EU-7	Institutions	8565
EU-8	Secured by mortgages of immovable properties	0
EU-9	Retail exposures	0
EU-10	Corporate	75
EU-11	Exposures in default	0
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	70

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

There were no factors that had a material impact on the leverage ratio during 2016.

APPENDIX C

Capital instruments' main features As at 31 December 2016		Description
	Capital instruments main features template (1)	
1	Issuer	J.P. Morgan Bank Luxembourg S.A.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Article 37 et seq. of "Luxembourg Company Law: Law of 10th August 1915 on commercial companies" (Loi du 10 août 1915 concernant les sociétés commerciales)
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo
7	Instrument type (types to be specified by each jurisdiction)	Shares of a public limited liability company (Actions d'une société anonyme)
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	USD 11
9	Nominal amount of instrument	USD 110
9a	Issue price	USD 110
9b	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	May 16th, 1973
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A

Capital instruments' main features As at 31 December 2016		Description
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Equity is the lowest level in the hierarchy
36	Non-compliant transitioned features	No

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