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JPMORGAN CHASE BANK, N.A. JOHANNESBURG BRANCH

JPMORGAN CHASE BANK,N.A. JOHANNESBURG BRANCH

For the year ended 31 December 2015

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1. Overview and Background

JPMorgan Chase Bank, N.A. Johannesburg Branch ("JPMCB Jhb" or the "Branch") is a Branch of JPMorgan Chase Bank, National Association ("the Bank"). It is registered as an external company in South Africa. The Bank is a wholly owned subsidiary of JPMorgan Chase & Co ("the Firm").

JPMCB Jhb conducts the following lines of business:

- Corporate and Investment Banking, including investment banking, lending, fixed income markets sales and trading, treasury services and associated finance, operations and technology support functions;
- Corporate Treasury - JPMCB Jhb is a ZAR Clearer.

The costs relating to certain corporate infrastructure support groups for J.P. Morgan in South Africa, including human resources, technology, legal and compliance, are also housed within JPMCB Jhb.

JPMCB Jhb's activities fall within the financial services industry in South Africa and are primarily as follows:

- Deposit taking and placing to and from wholesale clients only;
- Trading in government, government guaranteed and corporate and public sector debt securities;
- Trading in foreign exchange and interest rate derivatives;
- Interest rate and credit derivative marketing;
- Providing investment banking advisory services, including mergers and acquisitions;
- Providing loans to corporate and public sector clients in South Africa;
- Acting as debt facility sponsor, arranger or agent bank and other corporate finance activities;
- Participating as a ZAR Clearer on SAMOS and Bankserve;
- Providing core cash management and liquidity solutions for wholesale clients; and
- Providing trade products and services for clients.

JPMCB Jhb does not hold any equity or commodity risk.

Regulatory capital adequacy for JPMCB Jhb is calculated based on the composition of JPMCB Jhb's balance sheet, without taking into account the full economic effect of other formal or informal risk-sharing arrangements across entities within the international banking group. These include global CSA (credit / collateral support annexes) which allow for cross border netting of derivative positions in the event of default, and collateral arrangements which are executed by central collateral management teams for the global Bank in the New York and London hubs. These arrangements mitigate the risks for the global Bank on positions held in JPMCB Jhb.

JPMCB Jhb is a Branch of JPMorgan Chase Bank, N.A, which is subject to the oversight of the Office of the Controller of the Currency and the Federal Reserve Bank of New York. The responsibility for the internal capital adequacy assessment process ultimately resides with the Board of Directors in the USA where the complete picture of risks to the overall JPMorgan Chase & Co. group resides. In South Africa, JPMCB Jhb is regulated by the South African Reserve Bank ("SARB").

2. Risk Management

Please refer pages 107 to 111 of the J. P. Morgan Chase & Co Annual Report December 2015
http://investor.shareholder.com/jpmorganchase/annual.cfm

Firm wide

Risk is an inherent part of the Firm's business activities and JPMCB Jhb has adopted the same risk management policies and procedures of the Firm as a whole. The Firm's risk management framework and governance structure provide comprehensive controls and ongoing management of its major risks.

The Risk Management Framework creates a culture of risk awareness and personal responsibility throughout the group where collaboration, discussion, and sharing of information are promoted. JPMCB Jhb exercises oversight through the Local Management Committee ("LMC"), which comprises the members of the Branch Executive Committee, and delegates certain responsibilities to various committees and sub-committees which are aligned to both the Firm wide risk management framework and regulatory requirements.

Risks and Uncertainties

Both the Firm and JPMCB Jhb operate within a highly regulated industry and JPMCB Jhb's businesses and results may be significantly affected by the laws and regulations to which it is subject.

The management of JPMCB Jhb's risks and uncertainties is integrated with that of the Firm and so changes in the Firm's global risk management policies will have an impact on JPMC Jhb.

Significant changes to the way that major financial services institutions are regulated are occurring worldwide. Several of the reforms being discussed contemplate restructuring of the financial services industry. Such measures are leading to stricter regulations of financial institutions generally, and heightened prudential requirements for systematically important firms, in particular. Included in these are reforms of the over-the-counter derivatives markets, such as mandated exchange clearing, position limits, margin, capital and registration requirements. Many of the reforms have already, or will affect the Firm and JPMCB Jhb's business models.

3. Statement of Financial Position

ASSETS	2015 R millions	2014 R millions
Balances with central bank	157	219
Treasury bills	4,103	1,993
Loans and advances, net of credit impairment	18,762	11,743
Investment and trading securities	413	396
Derivative financial instruments	32,607	15,049
Other assets	994	273
Total assets	**57,036**	**29,745**
EQUITY AND LIABILITIES		
Deposits	13,622	9,112
Derivative financial instruments	38,754	17,007
Other trading liabilities	256	617
Other liabilities	1,157	358
Total liabilities	**53,789**	**27,094**
Capital from head office	3,250	2,650
Other reserves	-3	1
Total equity	**3,247**	**2,651**
Total equity and liabilities	**57,036**	**29,745**

Basis of preparation

The preparation of the numbers within the Statement of Financial Position and the Summarised Statement of Comprehensive Income have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and reported in accordance with SARB's Regulations relating to Banks. These numbers are audited on an annual basis by an independent audit firm.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the Branch has a legally enforceable right to offset the recognised amounts, and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. Summarised Statement of Comprehensive Income

	2015 R millions	2014 R millions
Net interest income	396	405
Trading revenue and fee income	34	124
Gross operating income	**430**	**529**
Credit impairment raised	177	(299)
Operating expenses	(343)	(295)
Net profit before taxation	**264**	**(65)**
Taxation	(100)	(11)
Net profit after taxation	**164**	**(76)**

5. Capital

Firm Wide

Please refer pages 149 to 154 of the J. P. Morgan Chase & Co Annual Report December 2015
http://investor.shareholder.com/jpmorganchase/annual.cfm

JPMCB Jhb

JPMCB Jhb's regulatory capital base as at 31 December 2015, calculated in accordance with the Regulations, was R3.242million R3.250 million of which was as a result of a capital injection from the Bank

Net profits are remitted or net losses reimbursed on a monthly basis which ensures the Branch capital injection of R3.250 million stays intact.

See below information on the Branch's capital, risk weighted assets and capital ratios.

Regulatory capital base for JPMCB Jhb

	2015 R millions	2014 R millions
Common Equity Tier 1 Capital		
Endowment capital from parent	3,250	2,650
Accumulated other comprehensive income	-	-
Regulatory adjustments		
Goodwill	(14)	(14)
Common equity Tier 1 capital	3,237	2,635
Additional Tier 1 capital	-	-
Tier 1 Capital	3,237	2,636
Tier 2 capital	6	-
Total capital	**3,242**	**2,636**

For more detail, refer:

- Annexure A: Composition of Capital Disclosure Template, and
- Annexure B: Main Features Disclosure Template.

Capital Adequacy Requirement

Firm Wide

Please refer pages 155 to 158 of the J. P. Morgan Chase & Co Annual Report December 2015.
http://investor.shareholder.com/jpmorganchase/annual.cfm

JPMCB Jhb

Risk weighted assets as at 31 December

	2015 R millions	2014 R millions
Credit and counterparty credit risk	13,971	10,060
Market risk	1,838	3,915
Operational risk	1,122	1,112
Total risk weighted assets	**16,931**	**15,097**
CET Tier 1 capital adequacy ratio	19,12%	17.46%
Tier 1 capital adequacy ratio	19.12%	17.46%
Total capital adequacy ratio	**19.15%**	**17.46%**

JPMCB Jhb's Asset and Liability Committee ("ALCO") reviews Balance Sheet and capital forecasts to assess the continued capital adequacy of the Branch.

6. Credit Risk

Firm Wide

Please refer pages 112 to 132 of the J. P. Morgan Chase & Co Annual Report December 2015
http://investor.shareholder.com/jpmorganchase/annual.cfm

JPMCB Jhb

Financial Risk Management

JPMCB Jhb has adopted the Firm's Risk Management Framework which seeks to mitigate risk and loss to the Firm and JPMCB Jhb. The Firm has established processes and procedures intended to identify, measure, monitor, report and analyse the types of risk to which the Firm and JPMCB Jhb are subject.

JPMCB Jhb's products which include loans, lending commitments, derivatives, trading account assets and assets held for sale, expose JPMCB Jhb to credit risk.

JPMCB Jhb is subject to the Firm wide risk policy framework. A detailed description of the Firm wide policies and processes may be found within the Firm annual report.

Please refer pages 107 to 111 of the J. P. Morgan Chase & Co Annual Report December 2015
http://investor.shareholder.com/jpmorganchase/annual.cfm

Credit Risk Governance

Credit Risk refers to the risk of loss arising from a borrower, counterparty or obligor failing to meet its contractual obligations.

JPMCB Jhb is exposed to credit risk through loans, lending commitments, derivatives, trading account assets and assets held for sale on the balance sheet of the Branch.

Credit risk is managed by the Firm on a global level as well as at the level of JPMCB Jhb. The Firm has developed policies and practices to which JPMCB Jhb is subject that are designed to preserve the independence and integrity of the approval and decision making process in relation to the extension of credit. These policies are intended to ensure that credit risks are assessed accurately, approved properly, monitored regularly and managed actively at the transaction, client and portfolio levels.

Each Line of Business within the Firm has its own independent credit risk management function, reporting to the Firm's Chief Risk Officer.

Credit Risk Management

The financial condition of JPMCB Jhb's customers, clients and counterparties, including other financial institutions, could adversely affect JPMCB Jhb. Many of the transactions entered into by JPMCB Jhb expose it to credit risk.

Financial services institutions are interrelated as a result of market-making, trading, clearing, counterparty or other relationships. JPMCB Jhb routinely executes transactions with counterparties in the financial services industry, including brokers and dealers, banks, mutual and hedge funds, investment managers and other clients which expose it to credit risk.

JPMCB Jhb is also exposed to risk of non-performance by its clients, which it may seek to mitigate through the maintenance of adequate collateral, a process that is managed centrally. JPMCB Jhb only accepts ZAR deposits as collateral from local corporates. Certain models, assumptions and inputs used in evaluating and monitoring credit risk are validated by support functions that are separate and independent from the businesses.

Credit Executives within the Firm who approve extensions of credit for the JPMCB Jhb ultimately report to the Head of Wholesale Credit Risk. Each line of business ("LOB") within the Firm has its own independent credit risk management function, reporting to the Chief Risk Officer. To enable monitoring of credit risk, aggregate credit exposure, concentration levels and risk profile changes are reported to senior credit risk management and to the regional risk committee.

Credit Risk Methodology

A range of methodologies are adopted for quantifying the impact of a counterparty default. JPMCB Jhb reduces its credit risk exposure through the use of risk mitigants (e.g. netting agreements and collateral).

Methodologies for measuring credit risk vary depending on several factors including geography, product and counterparty type, rating and tenor.

Risk Rated Exposure

Risk ratings are assigned to counterparties to differentiate risk within the portfolio. These ratings are reviewed on an ongoing basis by Credit Risk and revised if needed to reflect the counterparties' current financial position, risk profiles and related collateral. For each credit facility, a Loss Given Default ("LGD") is calculated and is an estimate of losses, given a default event, and takes into consideration any collateral or structural support.

Risk Monitoring and Control

JPMCB Jhb has adopted and applied the policies and practices developed by the Firm. The firm wide policy framework establishes credit approval authorities, risk rating methodologies, portfolio review parameters and guidelines for management of all exposures, including distressed exposures. In addition, certain models, assumptions and inputs used in evaluating and monitoring credit risk are validated by support functions that are separate and independent from the businesses and which are subject to ongoing review.

Credit risk is monitored regularly on an individual counterparty basis with credit limits established that are reviewed and revised, typically on an annual basis.

Risk Reporting

To enable monitoring of counterparty credit risk, aggregate credit exposure, concentration levels and risk profile changes, JPMCB Jhb utilises the Firm's extensive suite of credit risk systems and reports which are available to all levels of credit risk officer and are shared with Risk Committees.

JPMCB Jhb adopted the following approaches for calculating the Credit Risk Capital Requirements:

- Credit risk: Standardised Approach
- Counterparty credit risk: Current Exposure Method

Gross credit exposure before credit risk mitigation as at 31 December

	On-balance sheet R millions	Off-balance sheet R millions	Repo exposure R millions	Derivative instruments R millions	Total R millions
2015					
Banks	1,896	10	11,535	48,326	61,767
Corporate	5,916	2,088		4,895	12,899
Public sector entities				7,329	7,329
Securities firms				295	295
Sovereign	4,103			63	4,166
Total	**11,915**	**2,098**	**11,535**	**60,908**	**86,456**
2014					
Banks	782	10	4,620	21,815	27,227
Corporate	5,649	2,528	511	2,909	11,597
Public sector entities	416	-	-	3,604	4,021
Securities firms	-	-	-	270	270
Sovereign	1,993	-	-	-	1,993
Total	**8,840**	**2,538**	**5,131**	**28,598**	**45,107**

Average gross credit exposure before credit risk mitigation during the year

	On-balance sheet R millions	Off-balance sheet R millions	Repo exposure R millions	Derivative instruments R millions	Total R millions
2015					
Banks	1,655	16,596	5,076	28,950	35,697
Corporate	6,401	2,361	355	3,310	12,428
Public Sector Entities	418	-	-	4,783	5,201
Security Firms	-	-	-	214	214
Sovereign	2,852	-	-	46	2,898
Total	**11,326**	**2,377**	**5,431**	**37,304**	**56,438**
2014					
Banks	1,209	7	2,310	20,876	24,402
Corporate	6,018	2,959	98	2,632	11,707
Public sector entities	744	-	2	2,660	3,406
Securities firms	-	-	-	324	324
Sovereign	4,098	-	-	-	4,098
Total	**12,069**	**2,966**	**2,410**	**26,492**	**43,937**

Geographical distribution of gross credit exposure as at 31 December

	2015 R millions	2014 R millions
South Africa	30,475	23,432
Europe	54,580	20,858
North America	1,370	815
Rest of world	31	1
Total gross exposure	**86,456**	**45,107**

Maturity profile of gross credit exposure as at 31 December

	2015 R millions	2014 R millions
Less than 1 year	38,739	17,730
1 – 5 years	10,216	11,863
More than 5 years	37,501	15,513
Total gross exposure	**86,456**	**45,107**

Reconciliation of general credit impairments during the year

	2015 R millions	2014 R millions
Balance at beginning of period	299	-
Credit impairment (reversed) / raised	(293)	299
Amounts written off against credit impairments		-
Balance at end of period	**6**	**299**

Reconciliation of specific credit impairments during the year

	2015 R millions	2014 R millions
Balance at beginning of period	0	-
Credit impairment raised	116	0
Amounts written off against credit impairments		-
Balance at end of period	**116**	**0**

Impairment of financial assets

At each reporting date, JPMCB Jhb assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

JPMorgan's provision for credit losses represents management's estimate of probable credit losses inherent in the JPMCB Jhb's loan portfolio at the statement of financial position date disclosed as either general provision or specific provision. The impairment of loans is assessed at each reporting period. The impairment is calculated on a general and specific basis, based on historical loss ratios, adjusted for notional and industry specific economic conditions and other indicators present at the reporting date that correlate with defaults and specific client impairments. The impairment loss is recognised in profit and loss.

General provision (Performing loans)

The allowance for losses (“ALL”) includes an asset-specific component and a formula based component. Management also estimates an allowance for wholesale lending-related commitments (“ALRC”) using methodologies similar to those used to estimate the allowance for loan losses (“ALL”). Changes in the allowance for loan losses (“ALL”) and wholesale lending-related commitments (“ALRC”) are recorded in the provision for credit losses on the Branch’s statements of comprehensive income. The primary credit quality indicator for wholesale loans is the risk rating assigned each loan. Risk ratings on loans consider the probability of default (“PD”) and the loss given default (“LGD”). PD is the likelihood that a loan will default and not be repaid. The LGD is the estimated loss on the loan that would be realised upon the default of the borrower and takes into consideration collateral and structural support for each credit facility. Risk ratings generally represent ratings profiles similar to those defined by Standard & Poor’s (“S&P”) and Moody’s and are reviewed on an ongoing basis by Credit Risk Management and are adjusted as necessary for updated information affecting the borrower’s ability to fulfill its obligations.

Specific provision (non-performing loans)

The specific provision (or asset-specific component of the allowance) relates to loans considered to be impaired. To determine the asset-specific component of the allowance, larger loans are evaluated individually, while smaller loans are evaluated as pools using historical loss experience for the respective class of assets. The Firm develops product-specific probability of default estimates, which are applied at a loan level to compute expected losses. In developing these probabilities of default, the Firm considers the relationship between the credit quality characteristics of the underlying loans and certain assumptions based upon industry-wide data. The Firm also considers its own historical loss experience to date based on actual re-defaulted modified loans.

Exposure to counterparty credit risk

	Gross positive fair value R millions	Potential future exposure R millions	Netting benefit R millions	Net amount R millions	Collateral held R millions	Exposure at default R millions
<u>2015</u>						
Credit derivatives	17	15	5	28		28
FX contracts	32,244	8,152	26,834	13,562	602	12,959
Interest rate contracts	14,748	5,733	15,135	5,345	247	5,098
Total	**47,009**	**13,899**	**41,793**	**18,935**	**849**	**18,085**
<u>2014</u>						
Credit derivatives	908	774	(1,682)	-	-	-
FX contracts	8,406	4,986	(7,350)	6,042	(96)	5,946
Interest rate contracts	8,017	5,507	(7,961)	5,563	(169)	5,394
Total	**17,331**	**11,267**	**(16,993)**	**11,605**	**(265)**	**11,340**

Credit derivatives are held in the trading book and are fully hedged resulting in no net market risk. Credit derivatives are netted with other derivative exposures with the same counterparty under ISDA agreements.

7. Market Risk

Firm Wide

Please refer pages 133 to 139 of the J. P. Morgan Chase & Co Annual Report December 2015
http://investor.shareholder.com/jpmorganchase/annual.cfm

Market risk is the potential for adverse changes in the value of the Firm's assets and liabilities resulting from changes in market variables such as interest rates, foreign exchange rates, equity prices, commodity prices, implied volatilities or credit spreads.

Market Risk Management, part of the independent risk management function, is responsible for identifying and monitoring market risks throughout the Firm and defines market risk policies and procedures. The Market Risk function reports to the Firm's Chief Risk Officer ("CRO").

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

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

Risk identification and classification

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

Risk Measurement

Tools used to measure risk

Because no single measure can reflect all aspects of market risk, the Firm uses various metrics, both statistical and non-statistical, including:

- Value at Risk ("VaR")
- Economic-value stress testing
- Non-statistical risk measures
- Loss advisories
- Profit and loss drawdowns

- Earning-at-risk

Market risk is controlled primarily through a series of limits set in the context of the market environment and business strategy. In setting limits, the Firm takes into consideration factors such as market volatility, product liquidity and accommodation of client business and management experience.

Limit breaches are required to be reported in a timely manner to limit approvers, Market Risk and senior management. In the event of a breach, Market Risk consults with Firm senior management and lines of business senior management to determine the appropriate course of action required to return to compliance, which may include a reduction in risk in order to remedy the breach.

JPMCB Jhb is integrated into the Firm wide market risk framework.

JPMCB Jhb

JPMCB Jhb adopted the standardised approach for calculating the regulatory market risk capital requirements for the South African Reserve Bank.

Market risk capital requirements weighted exposure as at 31 December

	2015 R millions	2014 R millions
Interest rate risk	1,553	2,898
Foreign exchange net open position	286	1,017
Total	**1838**	**3,915**

8. Operational Risk

Firm Wide

Please refer pages 144 to 146 of the J. P. Morgan Chase & Co Annual Report December 2015.
http://investor.shareholder.com/jpmorganchase/annual.cfm

Operational Risk Definition

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's activities and can manifest itself in various ways, including fraudulent acts, business interruptions, inappropriate behavior of employees, failure to comply with applicable laws and regulations or failure of vendors to perform in accordance with their arrangements. These events could result in financial losses, litigation and regulatory fines, as well as other damage to the Firm. The goal is to keep operational risk at appropriate levels, in light of the Firm's financial strength, the characteristics of its businesses, the markets in which it operates, and the competitive and regulatory environment to which it is subject.

Overview

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

Risk Management is responsible for prescribing the ORMF to the lines of business and corporate functions and for providing independent oversight of its implementation. The lines of business and corporate functions are responsible for implementing the ORMF. The Firm wide Oversight and Control Group ("O&C"), which consists of dedicated control officers within each of the lines of business and corporate functional areas, as well as a central oversight team, is responsible for day to day execution of the ORMF.

Operational risk management framework

The components of the Operational Risk Management Framework are:

Governance

The Firm's operational risk governance function reports to the Firm's CRO and is responsible for defining the ORMF and establishing the firm wide operational risk management governance structure, policies and standards. The Firm wide Risk

Executive for Operational Risk Governance, a direct report of the CRO, works with the line of business CROs to provide independent oversight of the implementation of the ORMF across the Firm. Operational Risk Officers (“OROs”), who report to the LOB Chief Risk Officers or to the Firm wide Risk Executive for Operational Risk Governance, are independent of the lines of business and corporate functions, and O&C. The OROs provide oversight of the implementation of the ORMF within each line of business and corporate function.

Line of business, corporate function and regional control committees oversee the operational risk and control environments of their respective businesses, functions or regions. These committees escalate operational risk issues to the Firm wide Control Committee (“FCC”), as appropriate.

Risk Identification and Self-Assessment

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

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

The Firm also tracks and monitors operational risk events which are analyzed by the responsible businesses and corporate functions. This enables identification of the root causes of the operational risk events and evaluation of the associated controls.
Furthermore, lines of business and corporate functions establish key risk indicators to manage and monitor operational risk and the control environment. These assist in the early detection and timely escalation of issues or events.

Risk monitoring and reporting

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

Measurement

Two standard forms of operational risk measurement include operational risk capital and operational risk losses under baseline and stressed conditions.

The Firm's operational risk capital methodology incorporates the four required elements of the Advanced Measurement Approach under the Basel III framework:

- Internal losses,
- External losses,
- Scenario analysis, and
- Business environment and internal control factors.

The primary component of the operational risk capital estimate is the result of a statistical model, the Loss Distribution Approach ("LDA"), which simulates the frequency and severity of future operational risk losses 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.

The calculation is supplemented by external loss data as needed, as well as both management's view of plausible tail risk, which is captured as part of the Scenario Analysis process, and evaluation of key LOB internal control metrics (BEICF). The Firm may further supplement such analysis to incorporate feedback from its bank regulators. The Firm considers the impact of stressed economic conditions on operational risk losses and 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 CCAR, ICAAP and Risk Appetite processes.

JPMCB Jhb Operational Risk Overview

JPMCB Jhb adheres to the firm-wide Operational Risk Management Framework.

The Branch has one dedicated Location Control Officer ("LCO"). The LCO forms part of the business, and applies the operational risk management objectives at the location level in the region.

The control functions consist of credit risk management and compliance staff located in South Africa.

There is no internal audit headcount in location, however the internal audit team are based in London and are fully engaged in the JPMCB Jhb business. The Internal Audit team performs audits annually focusing on different lines of business and support functions. This is achieved through location visits and further audit have a view of all issues through their membership of the South African LORCC governance meetings.

JPMCB Jhb Operational Risk Capital Measurement

JPMCB Jhb calculates the Operational Risk Capital Requirement (ORCR) for Pillar 1 using the Basic Indicator Approach ("BIA"). The Pillar 1 assessment of Operational risk is 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.

On instructions from the SARB, Bank Supervision Department, a risk weight of 18% is used by JPMCB Jhb, instead of the 15% as required by the BIA.

Operational risk weighted exposure as at 31 December

	2015 R millions	2014 R millions
Operational risk	**1,122**	**1,122**

9. Liquidity risk

Firm Wide

Please refer pages 159 to 164 of the J. P. Morgan Chase & Co Annual Report December 2015.
http://investor.shareholder.com/jpmorganchase/annual.cfm

Liquidity risk is the risk that the Group will be unable to meet its contractual and contingent obligations. Liquidity risk management is intended to ensure that the Group has the appropriate amount, composition and tenor of funding and liquidity in support of its assets.

The Group has an independent liquidity risk oversight function whose primary objective is to provide assessment, measurement, monitoring, and control of liquidity risk across the Group. Risk oversight is managed through a dedicated risk group reporting into the Chief Investment Office ("CIO"), Treasury, and Corporate ("CTC") Chief Risk Officer ("CRO"). The CTC CRO has responsibility for group wide Liquidity Risk Oversight and reports to the Group's CRO.

Responsibility for liquidity management rests with Global Treasury. The primary objectives of effective liquidity management are to ensure that the Group's core businesses are able to operate in support of client needs and meet contractual and contingent obligations through normal economic cycles as well as during stress events, ensure funding mix optimization, and availability of liquidity sources. The Group manages liquidity and funding using a centralized, global approach in order to optimize liquidity sources and uses.

JPMCB Jhb

JPMCB Jhb has a South African Asset and Liability Committee ("ALCO") which is responsible for reviewing the liquidity risk profile of the Branch.

JPMCB Jhb is subject to the SARB's liquidity regulations.

In December 2010, the Basel Committee introduced two new measures of liquidity risk: the liquidity coverage ratio ("LCR"), which is intended to measure the amount of "high quality liquid assets" ("HQLA") held by the Branch in relation to estimated net cash outflows within a 30-day period during an acute stress event; and the net stable funding ratio ("NSFR") which is intended to measure the "available" amount of stable funding relative to the "required" amount of stable funding over a one-year horizon. The standards require that the LCR be no lower than 100% and the NSFR be greater than 100%, to be phased in over a number of years.

The SARB issued updated Regulations relating to Banks effective 1 January 2013 that includes the implementation under the Basel III capital rules. Per the directives and amendments by Basel and SARB, the LCR became a prudential requirement on 1 January 2015 with a minimum requirement of 60% for 2015. JPMCB Jhb has commenced disclosure of the Pillar 3 requirements on LCR quarterly from 31 March 2015.

Internal Stress testing

Liquidity stress test is intended to ensure sufficient liquidity for the Branch under an adverse scenario. The result of the stress test is therefore considered in the formulation of JPMCB Jhb's approach to funding and assessment of its liquidity position. A standard stress test is performed on a regular basis and ad hoc stress tests are performed in response to specific market events or concerns. Liquidity stress tests assume all of JPMCB Jhb's contractual obligations are met and then take into consideration varying levels of access to unsecured and secured funding markets. Additionally, assumptions with respect to potential non-contractual and contingent outflows are contemplated.

Liquid Asset Requirement

Under the SARB liquidity requirements, JPMCB Jhb holds certain unencumbered high quality, liquid assets that are available to raise liquidity if required.

Contingency funding plan

JPMCB Jhb also maintains a specific liquidity policy and it is incorporated into the Firm wide contingency plan ("FCP"), which are reviewed and approved by the SA ALCO as well as reviewed and approved by JPMCB Jhb Branch Executive Committee. The FCP plan is a compilation of procedures and action plans for managing liquidity through stress events. The FCP incorporates the limits and indicators set by the Liquidity Risk Oversight group. These limits and indicators are reviewed regularly to identify the emergence of risks or vulnerabilities in JPMCB Jhb's liquidity position. The FCP identifies the alternative contingent liquidity resources available to the Branch in a stress event.

10. Interest Rate Risk in the Banking Book (“IRRBB”)

Firm Wide

Please refer page 138 to 139 of the J. P. Morgan Chase & Co Annual Report December 2015.
http://investor.shareholder.com/jpmorganchase/annual.cfm

Structural Interest Rate Risk

This is the risk resulting from the Firm’s traditional banking activities (both on- and off balance sheet positions) arising from the extension of loans and credit facilities, taking deposits and issuing debt (collectively referred to as “non-trading activities”), and also the impact from the CIO investment securities portfolio and other related CIO and Treasury activities

Governance

The CIO, Treasury and Corporate (“CTC”) Risk Committee establishes the Firm’s structural interest rate risk policies and market risk limits, which are subject to approval by the Risk Policy Committee of the Board of Directors (“DRPC”). The CIO, working in partnership with the lines of business, calculates the Firm’s structural interest rate risk profile and reviews it with senior management including the CTC Risk Committee and the Firm’s ALCO. In addition, oversight of structural interest rate risk is managed through a dedicated risk function reporting to the CTC CRO. This risk function is responsible for providing independent oversight and governance around assumptions and establishing and monitoring limits for structural interest rate risk.

Earnings-at-Risk

The Firm evaluates its structural interest rate risk exposure through earnings-at-risk, which measures the extent to which changes in interest rates will affect the Firm’s net interest income and interest rate-sensitive fees. Earnings-at-risk excludes the impact of CIB’s markets-based activities and Mortgage Servicing Rights (“MSRs”), as these sensitivities are captured under VaR.

Other Risk Metrics

In addition to Earnings-at-Risk, the Firm monitors additional risk metrics within the Interest rate risk management framework – Duration of Equity and Economic Value Sensitivity. These metrics are used to determine the Firm’s long-term exposure to interest rate changes.

JPMCB Jhb

JPMCB Jhb banking book's interest rate risk is managed by the Branch Treasurer supported by Treasury which manages to the Firm wide policies on interest rate risk management as described in JPMorgan Chase's Annual Report.

In addition to the Firm wide measures, JPMCB Jhb's interest rate risk is measured and monitored daily and based on Basis Point Value ("BPV") limits, which measure the impact of a one basis point move in rates. The Branch's banking book exposures are primarily short term (less than twelve months) with small re-pricing gaps permitted within the BPV limits.

An independent risk manager monitors the BPV limits and the structural asset-liability management within the banking book. Periodic reviews and approval of the banking book risk limits are performed by the Corporate Treasury CIO Risk Committee.

Impact of a 2% parallel rate shock on Net interest Income (NII) as at 31 December

	2015 R millions	2014 R millions
Interest Rate Increase	137	97
Interest Rate Decrease	(137)	(97)

11. Remuneration

Compensation Report

Background Governance of remuneration policy

The JPMorgan Chase & Co ("JPMC") Group (the "Firm") operates in South Africa through JPMorgan Chase Bank, N.A. – Johannesburg Branch, a local Branch of a US legal entity ("JPMCB Jhb")[1.]

As part of the Firm, JPMCB Jhb is governed by J.P. Morgan's global compensation practices and principles. This report should therefore be read together with the Firm's US Proxy Statement (the "**Proxy Statement**")[2].

This report 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.

Governance of remuneration policy

<u>The Firm's Compensation & Management Development Committee ("**CMDC**")</u>

The Firm strongly believes that its remuneration policy and its implementation should foster proper governance and regulatory compliance. That policy is subject to independent oversight and control by the CMDC, a committee of the board of J.P. Morgan Chase & Co, the ultimate parent company of the Firm.

The CMDC is composed entirely of independent directors and met formally 6 times in relation to the 2015 performance year. The CMDC's charter and current membership can be found on the Firm's website. Its responsibilities relating to compensation include:

- Defining the Firm's compensation philosophy
- Reviewing and approving overall incentive compensation pools (including percentage paid in equity/cash)
- Reviewing and approving compensation for our Operating Committee and, for the CEO, making a recommendation to the Board of Directors for consideration and ratification by the independent directors
- Reviewing and approving the terms of compensation awards, including recovery/clawback provisions

[1] The Firm also operates through local subsidiaries, J.P.Morgan Equities South Africa Proprietary Limited & J.P.Morgan Securities South Africa (Pty) Ltd, which is out of scope of this report.
[2] 2015 Proxy Statement is available at: http://investor.shareholder.com/jpmorganchase/index.cfm

- Reviewing the Firm’s compensation practices as they relate to risk and control (including the avoidance of practices that encourage excessive risk taking)
- Reviewing the compensation awards to certain regulated employees, including Tier 1 (as defined below), including any performance adjustment
- Oversight of the Firm’s Culture and Conduct programs

The CMDC performs the aforementioned roles on an ongoing basis so that our compensation program is proactive in addressing both current and emerging challenges. Additionally, each year the CMDC meets with the Risk Policy Committee and the Chief Risk Officer to review the Firm’s compensation programs with the objective of ensuring that such compensation programs do not encourage unnecessary or excessive risk-taking.

In addition, we have Control Forums facilitated by Human Resources at the Firm, line-of-business and regional levels (“**HR Control Forums**”), the outcomes of which, when appropriate, may lead to a recommendation that human resources-related remedial actions be initiated, including but not limited to performance rating and compensation impacts. These processes are discussed below in more detail.

For performance year 2015, the CMDC and Board of Directors did not engage the services of a compensation consultant. Instead, the Firm’s Human Resources department provided the CMDC and the Board with both internal and external compensation data and regular updates in an effort to comply with relevant rules and guidance from our regulators and applicable laws.

While this structure was established to meet US regulatory requirements applicable to the Firm, we believe it also complies with the structure and objectives set forth by the South African regulations. We also think it is more appropriate than if the Firm sought to duplicate them at a strictly local level as it would create issues in terms of non-equivalence between the Branch's governance structures and as compared to those of an independent company (i.e. existence of a Supervisory Board or Board of Directors and a General Management team capable of conducted an independent strategy).

<u>Compensation Philosophy</u>

Our compensation philosophy provides guiding principles that drive compensation-related decision-making across every level of our Firm, including the Branch. We believe that well-established and clearly communicated core compensation values drive fairness and consistency across our Firm.

The table below sets forth a summary of our compensation philosophy:

Tying pay to performance and aligning with shareholders' interests	• In making compensation related decisions, we focus on multi-year, long-term, risk-adjusted performance and reward behaviours that generate sustained value for the Firm, which means compensation should not be overly rigid, formulaic or focused on the short term.
Encouraging a shared success culture	• Teamwork should be encouraged and rewarded to foster a "shared success" culture. • Contributions should be considered across the Firm, within business units, and at an individual level when evaluating an employee's performance.
Attracting and retaining top talent	• Our long-term success depends on the talents of our employees. Our compensation system plays a significant role in our ability to attract, motivate and retain top talent. • Competitive and reasonable compensation should help attract and retain the best talent to grow and sustain our business.
Integrating risk management and compensation	• Disciplined risk management, compensation recovery, and repayment policies should be robust enough to deter excessive risk-taking • Risk disciplines and control forums should generate honest, fair and objective evaluations and identify individuals responsible for any risk-related events and their accountability • Recoupment policies should go beyond regulatory minimum requirements and include recovery of cash and equity compensation
No special perquisites and non-performance based compensation	• An executive's compensation should be straightforward and consist primarily of cash and equity incentives. • We do not have special supplemental retirement or other special benefits just for executives, nor do we have any change in control agreements, golden parachutes, merger bonuses, or other special severance benefit arrangements for executives.

Maintaining strong governance	• Independent board oversight of the Firm's compensation practices and principles and their implementation should foster proper governance and regulatory compliance. • Our CMDC is composed entirely of independent directors. It defines the Firm's compensation philosophy, reviews and approves the Firm's overall incentive compensation pools, and approves compensation for our Operating Committee, including the terms of compensation awards.
Transparency with shareholders	• As a Firm, we believe that an essential component of good governance is transparent disclosure to shareholders relating to our executive compensation program. Specifically, we believe that all material terms of our executive pay program, and any actions on our part in response to significant events should be disclosed to shareholders, as appropriate, in order to provide them with enough information and context to assess our program and practices, and their effectiveness.

<u>Alignment of pay practices with compensation philosophy</u>

We believe the effectiveness of our compensation program is dependent upon how well our pay practices are aligned with our compensation philosophy. The table below illustrates the strong alignment between our compensation philosophy and pay practices.

• **Compensation principles** We believe our compensation principles promote a best practice approach to compensation, including: (1) aligning with shareholder interests; (2) attracting and retaining top talent; (3) integrating risk with compensation; (4) maintaining strong governance; (5) tying pay to performance; and (6) transparency.	• **Hedging/pledging policy** All employees are prohibited from the hedging of unvested restricted stock units, and unexercised options or stock appreciation rights.

- **Pay at risk**
  The majority of Operating Committee compensation is "at-risk" and contingent on achievement of business goals that are integrally linked to shareholder value and safety and soundness.

- **Strong clawback policy**
  Comprehensive recovery provisions enable us to cancel or reduce unvested awards, or require repayment of cash or equity compensation already paid.

- **Pay for sustained performance**
  For senior employees, Restricted Stock Units are subject to a three-year deferral. A substantial portion of awards is subject to cancellation if thresholds are not met over this period, with final pay-out levels based on our stock price at time of vesting (i.e., if our stock price goes down, award value goes down and vice-versa).

- **Competitive benchmarking**
  To make fully informed decisions on pay levels and pay practices, we benchmark ourselves against peer groups. We believe external market data is an important component of attracting and retaining top talent, while driving shareholder value.

- **Risk events impact pay**
  In making pay decisions, we consider material risk and control issues, at both the Firm and line-of-business levels, and make adjustments to compensation, when appropriate.

- **Responsible use of equity**
  We manage our equity program responsibly, using only approximately 1% of weighted average diluted shares in 2015. In addition, our share buyback program significantly reduces shareholder dilution.

- **Strong share ownership guidelines**
  A significant percentage of incentive compensation should be in stock that vests over multiple years.

- **Shareholder outreach**
  Each year, we solicit feedback from our investors on our compensation programs and practices. The CMDC strongly considers this feedback when making compensation decisions.

Remuneration System Design

Components of compensation

Our compensation structure is designed to contribute to the achievement of the Firm's short-term and long-term strategic and operational objectives, while avoiding excessive risk-taking inconsistent with the Firm's risk management strategy. This is accomplished in part through a balanced total compensation program comprised of a mix of fixed compensation (including base salary), and variable compensation in the form of cash incentives and long-term, equity based or fund-tracking incentives that vest over time.

Variable compensation (annual and long-term incentives)

We believe that our variable compensation programs serve a fundamental role in motivating our employees to deliver sustained shareholder value and rewarding them with an appropriate mix of short- and long-term incentives aligned to performance.

Incentive compensation can be composed of the following:

- Immediate cash
- Restricted Stock Units (vesting period 24 and 36 months post grant for the majority of staff)

Restricted Stock Units ("RSUs")

The equity portion of incentive compensation is awarded in the form of RSUs (each RSU represents a right to receive one share of common stock on the vesting date). The percentage of incentive compensation being deferred and awarded is higher for more highly compensated employees, thus increasing the aggregate value subject to the continued performance of the Firm's stock. For 2015, Managing Directors were subject to a 35% minimum deferral irrespective of their level of compensation. Senior executives of the Firm received at least 50% (and in some cases, substantially more) of their incentive compensation in stock.

Generally, 50% of the RSU portion of the award vests on the second anniversary of the grant date and 50% vests on the third anniversary of the grant date. Awards are subject to the Firm's right to cancel an unvested or unexercised award (malus), and to require repayment of the value of certain shares distributed under awards already vested (clawback) in certain circumstances, as further described below.

Other non-cash benefits

No non-cash benefits are provided as part of variable compensation.

Performance measurement against financial and non-financial criteria

The Firm has a rigorous and disciplined performance management process, which actively manages the performance of its employees through the year. To that end, after setting yearly objectives, we use both financial and non-financial criteria to assess performance during the compensation cycle, and to then inform individual compensation determinations.

A balanced assessment of employees' performance is undertaken taking account of business and financial results, risk and control outcomes, client/customer goals, and other priorities including people and leadership objectives as appropriate. Risk and control is a key focus for the Firm and there are three expectations specific to this assessment: (1) Drives a robust risk/control environment (2) Demonstrates expected risk/control behaviours and (3) Identifies, escalates and remediates issues.

These four performance categories appropriately consider short-, medium- and long-term goals that drive sustained shareholder value, while accounting for risk and control outcomes. There is no specific weighting assigned to any one factor, metric or component.

The Firm then uses three broad categories as a general guideline on performance ratings:

- Exceeds expectations
- Meets expectations
- Needs improvement

Individual business areas have the flexibility to use additional differentiation within the broad "Meets Expectations" category.

Given the diverse nature of our Firm, our evaluation of the Firm does not lend itself to a simple formulation to determine a single "score" or outcome that is indicative of overall performance. The CMDC therefore utilizes a balanced and disciplined approach so that its performance assessment reflects Firm, line of business and individual performance over a multi-year period.

Risk adjustment

To encourage a culture of risk awareness and personal accountability, we approach our incentive compensation arrangements through an integrated risk, finance, compensation and performance management framework.

Pay and performance for our senior employees is also tied to extensive risk and control features that perform the following functions:

- Maintain extensive review processes to evaluate risk and control behaviours and to hold executives accountable
- Active engagement, transparency and assessments of risk and control issues by control function heads, leaders and subject matter experts across the Firm
- Strong clawback and recovery provisions cover all forms of incentive compensation combined with formal and disciplined processes for review and determinations

We believe that disciplined risk management, compensation recovery, and repayment policies should be robust enough to deter excessive risk-taking. Risk disciplines and control forums should generate honest, fair and objective evaluations and identify individuals responsible for any risk-related events and their accountability.

Risk & control review process

Our executive compensation program is designed to hold executives accountable, when appropriate, for material actions or items that negatively impact business performance in current or future years.

The Firm operates an enhanced risk review process that further strengthens the connection between risks, controls and compensation. The process, structured as HR Control Forums, enables senior management to evaluate relevant risk and control issues that surface in various forums (such as, Risk Committees and Business Control Committees) and, when appropriate, to initiate human resources-related remedial actions as described further below.

Decisions on HR-related impacts are made once an investigation of the individual's association with the issue has occurred and the facts are known. HR Control Forums are conducted on a quarterly basis at various levels of the Firm and geographies including:

- **Line of Business Control Forums** — Each line of business ("LOB") reviews material risk and control issues related to its specific line of business and firm wide. Control Forums are also conducted for Corporate functions.
- **Regional Control Forums** — Potential risks that may arise in a given geography (both within an LOB and across LOBs) are also identified and assessed. Issues are referred to LOB forums or escalated to the firm wide forums, as appropriate.
- **Firm wide Control Forums** — Aggregate findings, including actions recommended from LOB/Corporate Function/Regional Forums, are reviewed and the CMDC is provided a summary of overall items and receives more detailed information on significant items.

To hold individuals responsible for taking risks inconsistent with the Firm's risk appetite and to discourage future imprudent behaviour, policies and procedures that enable us to take prompt and proportionate actions with respect to accountable individuals include:

- Reduction of annual incentive compensation (in full or in part);
- Cancellation of unvested awards (in full or in part);
- Recovery of previously paid compensation (cash and/or equity); and
- Taking appropriate employment actions (e.g., termination of employment, demotion, negative rating).

The precise actions we take with respect to accountable individuals are based on the nature of their involvement, the magnitude of the event and the impact on the Firm. A description of our recovery provisions is set out below.

Performance management reviews for Tier 1 employees

In addition to the HR Control Forums, the Firm also conducts robust performance management reviews for all "material risk takers", including "Tier 1" employees identified under guidance of the Federal Reserve in the US.

Part of the robust review process includes soliciting feedback directly from risk and control professionals who independently assess employees' risk and control behaviour. The feedback from the risk and control process is a critical input into managers' evaluations of Tier 1 employee performance and compensation as it helps to identify individuals responsible for significant risk and control behaviour or conduct issues, supervisory issues (e.g., failure to supervise, anticipate a material issue, or take appropriate action when the issue arose), and other risk and control related issues that impact the Firm.

Components of the enhanced performance evaluation have recently been extended to over 15,000 employees of the Firm in an effort to more formally assess risk and control behaviours. We have also implemented online training for risk and control reviewers and training for managers in order to further strengthen the process.

Code of Conduct

All staff are provided with the Firm's Code of Conduct at hire, and ongoing, which clearly sets the Firm's expectations for appropriate behaviour, independence and avoidance of conflicts of interest. This policy also underpins the recovery and clawback provisions of the remuneration structure.

Clawback/recovery provisions

We maintain clawback/recoupment provisions on both cash incentives and equity awards, which enable us to reduce or cancel unvested awards and recover previously paid compensation in certain situations. Incentive awards are intended and expected to vest according to their terms, but strong recovery provisions permit recovery of incentive compensation awards in appropriate circumstances. The following table provides details on the extensive clawback provisions that apply to Tier 1 employees.

LONGSTANDING EQUITY CLAWBACK PROVISIONS — AWARD TYPE

CLAWBACK TYPE	CLAWBACK TRIGGER	VESTED	UNVESTED
Restatement	• In the event of a **material restatement of the Firm's financial results** for the relevant period (under our recoupment policy adopted in 2006) • This provision **also applies to cash incentives**	✓	✓
Misconduct	• If the employee engaged in conduct detrimental to the Firm that causes material financial or reputational harm to the Firm	✓	✓
	• If award was based on **materially inaccurate performance metrics**, whether or not the employee was responsible for the inaccuracy	✓	✓
	• If award was based on a **material misrepresentation** by the employee	✓	✓
Risk-related	• If the employee improperly or with gross negligence **failed to identify**, raise or assess, in a timely manner and as reasonably expected, issues and/or concerns with respect to **risks material to the Firm**	✓	✓

Protection-based vesting (RSUs)[3]	• If a line of business in which the employee is employed or exercises responsibility **did not meet its annual line of business financial threshold** or, in the case of an Operating Committee member, such a trigger is exercised for a participant(s) in a line of business they exercise responsibility		✓
	• If for any one calendar year during the vesting period, **pre-provision net income is negative**, as reported by the Firm[4]		✓
	• If, for the three calendar years preceding the vesting date, the Firm **does not meet a 15% cumulative return on tangible common equity**[4]		✓

In addition to the above, under the terms and conditions of the Firm's deferred awards, malus and / or clawback may be applied to unvested awards and to any award which vested within one year before or anytime after an employee's employment is terminated for cause or if the Firm determines employment could have been terminated for cause.

Prescribed Quantitative Data

The South African regulations do not include guidance on, or a definition of, "material risk taker" ("**MRTs**") or "**Senior Management**". For the purposes of this disclosure, the Branch has identified:

- Three employees of the Branch as "material risk takers" on the basis of their role (in particular their regulatory designation) and total compensation level. All three received a variable remuneration award in respect of the 2015 performance year.

[3] These provisions apply to RSUs granted in 2012 and after, and may result in cancellation of up to a combined total of 50% of the award.
[4] These provisions only apply to members of the Firm's Operating Committee.

- Eight employees of the Branch as "Senior Management" being those employees that comprise of its Branch Executive Committee. All eight received a variable remuneration award in respect of the 2015 performance year.

No guaranteed bonuses, sign-on awards or severance payments were paid to either group during 2015. There were 38,305 outstanding deferred restricted stock units ("**RSUs**") outstanding as at 31 December 2015, 30,319 RSUs to MRTs, and 7,986 RSUs to Senior Management. 20,008 RSUs vested during 2015, 14,618RSUs to MRTs, and 5,390 RSUs to Senior Management.

The further prescribed information is set out below:

Senior Management

Total amount of remuneration for the financial year	Unrestricted		Deferred	
	2014	2015	2014	2015
Fixed remuneration				
of which:				
Cash-based (ZAR '000)	21,043	17,899	-	-
Shares and share-linked instruments	-	-	-	-
Other	-	-	-	-
Variable remuneration				
of which: Cash based (ZAR'000)	9,329	5,607	-	-
of which : Cash based (USD'000)	841	1,119	-	-
Shares and share-linked instruments (ZAR'000)	-	-	80	328
Shares and share-linked instruments (USD'000)	-	-	757	595
Other	-	-	-	-

Material Risk Takers

Total amount of remuneration for the financial year	Unrestricted		Deferred	
	2014	2015	2014	2015
Fixed remuneration				
of which:				

Cash-based (ZAR ‘000)	17,950	11,271	-	-
Shares and share-linked instruments	-	-	-	-
Other	-	-	-	-
Variable remuneration				
of which: Cash based (ZAR’000)	13,691	5,768	-	-
of which : Cash based (USD’000)	1,127	1,210	-	-
Shares and share-linked instruments (ZAR’000)	-	-	-	-
Shares and share-linked instruments (USD’000)	-	-	1,243	837
Other	-	-	-	-

Performance Adjustment

All awards of deferred variable compensation have been made in RSUs and so their value fluctuates with the value of the Firm’s stock, and are subject to malus and clawback as set out in section 3 of the Report. All MRTs are Tier 1 employees.

A. Composition of Capital Disclosure Template

Name of bank/Controlling Company: JPMorgan Chase Bank, N.A. Johannesburg Branch

Year ended: 2015-12-31

Basel III Common disclosure template to be used during the transition of regulatory adjustments (i.e. from 1 June 2013 to 1 January 2018)			AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT
Common Equity Tier 1 capital: Instruments and reserves			
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies plus related stock surplus	3,250	
2	Retained earnings		
3	Accumulated other comprehensive income (and other reserves)		
4	Directly issues capital subject to phase out from CET1 (only applicable to non-joint stock companies) *Public sector capital injections grandfathered until 1 January 2018*		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)		
6	**Common Equity Tier 1 capital before regulatory adjustments**	3,250	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments		
8	Goodwill (net of related tax liability)	14	
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		
11	Cash-flow hedge reserve		
12	Shortfall of provisions to expected losses		
13	Securitisation gain on sale		
14	Gains and losses due to changes in own credit risk on fair valued liabilities		
15	Defined-benefit pension fund net assets		
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)		
17	Reciprocal cross-holdings in common equity		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		

19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, (amount above 10% threshold)		
20	Mortgage servicing rights (amount above 10% threshold)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
22	Amount exceeding the 15% threshold		
23	Of which: significant investments in the common stock of financials		
24	of which: mortgage servicing rights		
25	of which: deferred tax assets arising from temporary differences		
26	National specific regulatory adjustments		
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT		
	OF WHICH:		
	OF WHICH:		
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 AND Tier 2 to over deductions		
28	**Total regulatory adjustments to Common equity Tier 1**	14	
29	**Common equity Tier 1 capital (CET1)**	3,237	
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus		
31	of which: classified as equity under applicable accounting standards		
32	of which: classified as liabilities under applicable accounting standards		
33	Directly issued capital instruments subject to phase out from Additional Tier 1		
34	Additional Tier 1 instruments (and CET1 instruments not included in line 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)		
35	of which: instruments issued by subsidiaries subject to phase out		
36	**Additional Tier 1 capital before regulatory adjustments**		
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments		
38	Reciprocal cross-holdings in Additional Tier 1 instruments		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount		

	above 10% threshold)		
40	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
41	National specific regulatory adjustments		
	REGULATORY ADJUSTMENTS APPLIED TO TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT		
	OF WHICH:		
	OF WHICH:		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		
43	**Total regulatory adjustments to Additional Tier 1 capital**		
44	**Additional Tier 1 capital (AT1)**		
45	**Tier 1 capital (T1=CET1 + AT1)**	3,237	
	Tier 2 capital and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus		
47	Directly issued capital instruments subject to phase out from Tier 2		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in lines 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)		
49	of which: instruments issued by subsidiaries subject to phase out		
50	Provisions	6	
51	Tier 2 capital before regulatory adjustments	6	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments		
53	Reciprocal cross-holdings in Tier 2 instruments		
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
55	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
56	National specific regulatory adjustments		
	REGULATORY ADJUSTMENTS APPLIED TO TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT		
	OF WHICH:		
	OF WHICH:		
57	**Total regulatory adjustments to Tier 2 capital**		

58	**Tier 2 capital (T2)**	6
59	**Total capital (TC=T1+T2)**	3,242
	RISK WEIGHTED ADJUSTMENTS APPLIED TO TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	
	OF WHICH:	
	OF WHICH:	
60	**Total risk weighted assets**	16,931
Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	19.12%
62	Tier 1 (as a percentage of risk weighted assets)	19.12%
63	Total capital (as a percentage of risk weighted assets)	19.15%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	
65	of which: capital conservation buffer requirement	
66	of which: banks specific countercyclical buffer requirement	
67	of which: G-SIB buffer requirement	
68	Common Tier 1 available to meet buffers (as a percentage of risk weighted assets)	
National Minima (if different from Basel 3)		
69	National Common Equity Tier 1 Minimum ratio (if different from Basel 3 minimum)	
70	National Tier 1 minimum ratio	
71	National total capital minimum ratio	
Amounts below the threshold for deductions (before risk weighting)		
72	Non-significant investments in capital of other financials	
73	Significant investments in common stock of financials	
74	Mortgage servicing rights (net of related tax liability)	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	
79	Cap on inclusion of provisions in Tier 2 under internal ratings-based approach	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 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)	

B. Main Features Disclosure Template

Name of Bank/Controlling Company: JPMorgan Chase Bank, N.A Johannesburg Branch

Year ended: 2015-12-31

Disclosure template for main features of regulatory capital instruments		
1	Issuer	NA
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement	NA
3	Governing law(s) of the instrument	
	Regulatory Treatment	
4	Transitional Basel III rules	NA
5	Post-transitional Basel III rules	NA
6	Eligible at solo/group/group & solo	NA
7	Instrument type (types to be specified by each jurisdiction)	NA
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	R3250
9	Par value of instrument	NA
10	Accounting classification (Shareholders Equity, Liability – Amortised cost, Liability – fair value option, Non-controlling interest in consolidated subsidiary)	Shareholders Equity
11	Original date of issuance	NA
12	Perpetual or dated	Perpetual
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	
17	Fixed or floating dividend / coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	NA
21	Existence of step up or other incentive to redeem	NA
22	Noncumulative or cumulative	NA
23	Convertible or non-convertible	NA
24	If convertible, conversion trigger	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	NA
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA

35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA

C. J.P. Morgan Chase Compensation Principles & Practises

A focus on multi-year, long-term, risk-adjusted performance and rewarding behavior that generates sustained value for the Firm through business cycles means compensation should not be overly rigid, formulaic or short-term oriented.	Compensation programs should be designed as much as possible to allow for the Firm to exercise discretion and retain flexibility in compensation decisions. Multi-year guarantees should be kept to an absolute minimum. More generally, the assessment of performance should not be overly formulaic and should not overemphasize any single financial measure or single year, as that can result in unhealthy incentives and lead to unintended, undesirable results. Performance should be considered using a broad-based evaluation of people and their contributions to ensure that the right results are being encouraged. Factors such as integrity, compliance, institutionalizing customer relationships, recruiting and training a diverse, outstanding workforce, building better systems, innovation, and other outcomes should be included. Performance feedback should be obtained from multiple sources across the Firm to ensure it is both balanced and comprehensive. Commission-based incentives generally should be limited. In a fiduciary business, certain roles are evaluated solely on individual and business unit results. In addition, some of these roles are paid long-term compensation with incentives linked directly to their investment strategies in order to more fully align their interests with those of the clients.
An emphasis on teamwork and a "shared success" culture should be encouraged and rewarded.	Contributions should be considered across the Firm, within business units, and at an individual level when evaluating an employee's performance. Performance should be based on realized profits and risk-adjusted returns that add to the long-term value of the franchise, rather than just revenues. We adjust financial

	performance for risk and use of the Firm’s capital.

A significant stock component (with deferred vesting) should create a meaningful ownership stake in the Firm, shareholder alignment and retention of top talent.	A significant percentage of incentive compensation should be in stock that vests over multiple years. As the decision-making authority, importance, and impact of an employee’s role increases, a greater portion of total compensation should be awarded in stock. A proper balance between annual compensation and longer-term incentives should clearly delineate the importance of sustainable, realizable value. At JPMorgan Chase: • Our Board of Directors is paid a majority of their compensation in stock and our directors have agreed not to sell any shares of stock (including any open market purchases) for as long as they serve on the Board. • Senior executives receive at least 50% (and in some cases, substantially more) of their incentive compensation in stock. • The officers who make up our Operating Committee are generally required to hold 75% of compensation-related stock awards until retirement, subject to the Firm’s share retention policy. • Executives cannot short or hedge our stock, and even after retirement, executives typically continue to have substantial holdings of company stock.

Disciplined risk management, compensation recovery, and recovery policies should be robust enough to deter excessive risk-taking and strike balance in the delivery of compensation.	Recoupment policies should go beyond the Sarbanes-Oxley Act of 2002 and other minimum requirements and include recovery of compensation paid for earnings that were never ultimately realized, or if it is determined that compensation was based on materially inaccurate performance metrics or a misrepresentation by an employee. We have in place recovery provisions for "cause" terminations, misconduct, detrimental behavior, and actions causing financial or reputational harm to the Firm or its business activities. For members of the Operating Committee and senior employees with primary responsibility for risk positions and risk management, the Firm may cancel or require repayment of shares if employees failed to properly identify, raise, or assess risks material to the Firm or its business activities.
Competitive and reasonable compensation should help attract and retain the best talent necessary to grow and sustain our business.	Our long-term success depends in very large measure on the talents of our employees. Our compensation system plays a significant role in our ability to attract, motivate, and retain the highest quality management team and diverse workforce. Compensation should have an acute focus on meritocracy, shareholder alignment, sensitivity to the relevant market place, and disciplined processes to ensure it remains above reproach and can help build lasting value for our clients. For employees in good standing who have resigned and meet "full-career eligibility" or other acceptable criteria, awards generally should continue to vest over time on their original schedule and be subject to continuing post-employment obligations to the Firm during this period.
Strict limits and prohibitions eliminate executive perquisites, special executive retirement benefits,	An executive's compensation should be straightforward and consist primarily of cash and equity. We do not maintain special supplemental retirement or

special severance plans and golden parachutes.	other special benefits just for executives. The Firm generally has not had any change in control agreements, golden parachutes, merger bonuses, or other special severance benefit arrangements for executives.
Independent Board oversight of the Firm's compensation practices and principles and their implementation should ensure proper governance and regulatory compliance.	Our Compensation & Management Development Committee, which includes only independent directors, reviews and approves the Firm's overall compensation philosophy, principles, and practices. The Committee reviews the Firm's compensation practices as they relate to risk and risk management in light of the Firm's objectives, including its safety and soundness and the avoidance of excessive risk. The Committee reviews and approves the terms of our compensation award programs, including recovery provisions, restrictive covenants and vesting periods. The Committee reviews and approves the Firm's overall incentive compensation pools and reviews those of each of the Firm's Lines of Businesses and of the Corporate Sector. The Committee reviews the performance and approves all compensation awards for the Firm's Operating Committee on a name-by-name basis. The full Board's independent directors review the performance and approve the compensation of our CEO.