J.P. Morgan (Ireland) Plc
Remuneration Report 2014

(Disclosure Pursuant to EU Directive 575/2013, Article 450)

September 2015
(revised January 2016)

Contents

Background

This document sets out the remuneration disclosures required pursuant to the Capital Requirements Regulation[1] in relation to J.P. Morgan (Ireland) Plc. (the "**Company**").

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

As part of the Firm, the Company is subject to J.P. Morgan's global compensation practices and principles. These practices and principles are further described below, which should be read together with the Firm's US Proxy Statement[2] (the "**Proxy Statement**").

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

[1] This report is prepared in accordance with Article 450 of the Capital Requirements Regulation (Regulation EU 575/2013).
[2] 2015 Proxy Statement is available at : http://investor.shareholder.com/jpmorganchase/index.cfm

Section One: Governance of Remuneration Policy

The Firm's Compensation & Management Development Committee ("CMDC")

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 6 times in relation to performance year 2014.

Among its responsibilities, the CMDC:

- Reviews and approves the Firm's compensation philosophy and pay practices
- Reviews and approves overall incentive compensation pools (including percentage paid in equity/cash) and reviews those of each of the Firm's Lines of Business and of the Corporate segment
- Reviews performance and approves compensation for our Operating Committee members and, for the CEO, makes a recommendation to the Board for consideration and ratification by the independent directors
- Reviews and approves the terms of compensation awards, including recovery/clawback provisions, restrictive covenants and vesting periods
- Reviews the Firm's compensation practices as they relate to risk and risk management (including the avoidance of practices that encourage excessive risk taking)
- Periodically review the competitiveness of the Firm's compensation programs
- Provides oversight of the Firm's compensation principles and practices and review of the relationship among risk, risk management controls, requirements of our regulators and compensation in light of the Firm's objectives

The CMDC performs the aforementioned roles on an ongoing basis.

For performance year 2014, the CMDC and Board of Directors elected not to 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.

Compensation Philosophy

Our compensation philosophy provides guiding principles that drive compensation-related decision-making across every level of our Firm, including the Company. 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.
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.

Pay practices are aligned with compensation philosophy

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 pro-mote 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 payout 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 2014. 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.

Section Two: Remuneration System Design

<u>Components of compensation</u>

Our compensation structure is designed to contribute to the achievement of the Firm's short-term and long-term strategic and operational objectives. To discourage excessive risk-taking, the firm uses disciplined risk management, including capital-adjusted metrics and has compensation recovery and repayment policies in place, that allow for cancellation or recovery of both cash incentives and equity awards when warranted.

In addition, our balanced total compensation program is comprised of a mix of fixed compensation (including base salary), and variable compensation in the form of cash incentives and long-term, equity based incentives that vest over time.

In 2014, the Company obtained the relevant shareholder approval in accordance with Article 94(1)g of CRD IV (and its local implementation) to pay employees, including senior management, a maximum ratio of fixed to variable compensation of 1 : 2.

Variable compensation (annual and long-term incentives)

We review our compensation practices to appropriately balance the need for our businesses to achieve sustainable performance results over time, while ensuring they attract, retain, and motivate the top talent, and that they contribute to a robust risk and control environment, as well as align compensation with shareholder value creation.

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)

All IC awards are subject to extensive performance and risk adjustment provisions. Further details are set out below.

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 2014, 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

The Firm has a rigorous and disciplined performance management process.

We use both quantitative and qualitative criteria to assess performance and to 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 (where appropriate), and other priorities including people and leadership objectives. 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, e.g. 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 behaviors 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 HR Control Forums (further detailed below) 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 implemented in 2013 an enhanced risk review process across the company 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 including but not limited to compensation adjustments, performance rating impacts, cancellation/forfeiture/claw back of previously granted awards, or separation of employment.

Decisions on HR-related impacts are made once the full investigation of the individual's association with the issue has occurred and all 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 firmwide. 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 firmwide forums, as appropriate.
- **Firmwide 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.

Holding individuals accountable

To hold individuals responsible for taking risks inconsistent with the Firm's risk appetite and to discourage future imprudent behavior, 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.

Code of Conduct

The Firm's Code of Conduct (the "**Code of Conduct**") embodies our approach to conflicts of interest throughout every level of the Firm globally. The Code of Conduct incorporates the fundamental principle that integrity should not be sacrificed for personal gain or for a perceived benefit to the Firm's business. The Code of Conduct directly addresses many conflicts issues, including ethical decision-making and business practices, dealing with confidential information, and avoiding real or perceived personal conflicts of interest with the Firm.

All employees have a responsibility to follow the Code of Conduct and report concerns or potential Code of Conduct violations. Employees are trained on the Code of Conduct when hired and annually thereafter. Additionally, each employee must annually affirm via a certification their compliance with the Code of Conduct.

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 Identified Staff and 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]		✓

[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.

Section Three: Quantitative Information

Having regard to the Company's size, internal organisation, and the nature, scope and complexity of its activities, the Company has determined that it will not make any quantitative disclosures in this report. In all cases, the information is available to the Regulator on request.