**J.P. MORGAN EUROPE LIMITED**
**(Registered Number: 00938937)**

**Annual report for the year ended 31 December 2023**

# J.P. MORGAN EUROPE LIMITED
## Annual report for the year ended 31 December 2023

| Contents | Page(s) |
|---|---|

# J.P. MORGAN EUROPE LIMITED
## Chair's statement

**Overview**

2023 represented the second full year of operation of Chase, following its launch in September 2021. The strategic vision for the International Consumer Banking business continues to be to bring the benefits of a modern and secure cloud-based technology platform, market leading customer service, strong brand, innovative propositions and the backing of the JPMorgan Chase & Co. Group to consumer banking markets outside of the United States of America ("U.S."), starting with the United Kingdom ("UK"). The Board is pleased with the progress made in 2023 towards realising that ambition.

**Performance**

2023 continued the momentum built during the first full year of operation with growth in customer numbers, transactional activity and savings balances. By year end customer numbers were approaching 2 million with total customer balances of over £15 billion which represents significant growth. Additional features have been added to the banking app during the year including the ability to see a customer's investment accounts held at Chase's sister brand Nutmeg.

The Chase brand continues to build recognition in the UK through targeted marketing and the business also continues to achieve external recognition by being awarded the title of Best British Bank, Best Savings Provider, and Best Current Account Provider at the British Bank Awards 2023, and Consumers' Choice at the Moneyfacts Consumer Awards 2023. Chase is pleased to continue its community commitment through its partnership with the National Literacy Trust, transforming school libraries in disadvantaged communities throughout the UK to create inspiring reading spaces.

The Board continues to spend time on the strategy as the business grows and matures with a board offsite focused on this. During the year, the Board's focus is on ensuring that the business grows safely and securely and in accordance with JPMorgan Chase & Co. standards and regulatory requirements - to this end the Board has invested time on customer propositions, technology and operational resilience, customer service, marketing, consumer duty and financial resilience of the UK regulated bank.

**Outlook**

The Board remains very positive about the outlook for the Chase business. The strategy of building a full service digital offering with a scalable modern infrastructure has shown early positive indicators and given the Board confidence of long term success in the UK market.

**Board composition**

The Board has remained stable in composition during the year and benefits from a wide variety of experience and expertise amongst Board members. Considerable attention has been paid to developing a board that is diverse and commensurate in expertise to the anticipated growth of the business.

**Acknowledgment**

I would like to thank my fellow Board members, management and our employees for their commitment, skill, and dedication during 2023. I would also like to personally acknowledge the contribution to the board of Sir Win Bischoff who sadly passed away in April 2023. Sir Win was an exceptional person who played a huge role across JPMorgan Chase & Co. bringing his vast experience from his long career in financial services in helping the Firm and people in it. We will miss his wisdom and personal kindness.

Clive Adamson

**Chair**
**16 April 2024**

# J.P. MORGAN EUROPE LIMITED
## Strategic report

The directors present their Strategic report of J.P. Morgan Europe Limited (the "Company" or "JPMEL") for the year ended 31 December 2023.

### Overview

The Company is incorporated in England and Wales. It is an indirect subsidiary of JPMorgan Chase Bank, National Association ("JPMorgan Chase Bank, N.A."), a national banking association in the U.S. and a principal subsidiary of JPMorgan Chase & Co. ("JPMorgan Chase" or the "Firm"). JPMorgan Chase is a financial holding company incorporated under Delaware law in 1968. It is a leading global financial services firm and one of the largest banking institutions in the U.S., with operations worldwide.

The Company had £18,783 million in assets and £1,430 million in total equity as at 31 December 2023.

The Company is required to report climate-related financial information under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022[1].These regulations place requirements on large private companies to include disclosures aligned to the Financial Stability Board ("FSB")'s Taskforce for Climate related Financial Disclosure ("TCFD") recommendations in their annual reports.

### Review of business

The directors are satisfied with the performance of the Company. The focus for the Company has been on developing its digital retail bank, Chase. The expansion of the business will continue to impact net income for the foreseeable future with revenue streams developing over time as new products are launched.

### Key performance indicators ("KPIs")

A summary of the key performance indicators used to manage the business during the past year is set out below. The development of the Chase business in the Company is also monitored by reviewing current and projected earnings. The higher deposit base coupled with an increase in interest rates contributed to the increase in income and lower losses.

| **Financial performance (in £'000's except for capital ratios)** | **2023** | **2022** |
|---|---|---|
| **Earnings** | | |
| Profit/(loss) before taxation | 8,595 | (149,730) |
| Profit/(loss) for the year | 9,522 | (147,963) |
| **Statement of financial position** | | |
| Total assets | 18,783,436 | 13,708,519 |
| **Capital ratios** | | |
| Total Capital (Common Equity Tier 1) | 1,428,641 | 1,417,816 |
| Risk Weighted Assets ("RWA") (unaudited) | 439,961 | 322,372 |
| Total Capital (CET1 capital) ratio | 325% | 440% |

The Company's capital ratio as of 31 December 2023 and 2022 exceeded the minimum capital requirements, as well as the additional regulatory buffers.

Capital resources utilised to calculate 2023 capital ratios include current year audited profits.

### Income statement

The income statement for the year ended 31 December 2023 is set out on page 57. The results for the Company show a profit before taxation of £9 million for 2023 (2022: £150 million loss) and a profit for the financial year of £10 million (2022: £148 million loss). Income was up year on year primarily due to higher customer deposits and higher interest rates. The notes to the financial statements provide detail on material items of expenditure related to the business.

### Statement of financial position

The statement of financial position is set out on page 59. As at 31 December 2023, the Company had total assets and total liabilities of £18,783 million (2022: £13,709 million) and 17,354 million (2022: 12,290 million), respectively. Total assets and liabilities have increased overall following the continued growth of the retail bank. The customer deposits from the retail bank operations make up most of the liabilities, which has resulted in a corresponding increase in assets. These are mainly balances held with other JPMorgan Chase undertakings.

[1] The Regulations amend sections 414c, 414CA, and 414CB of the Companies Act 2006.

### Future outlook

The strategic goal of the Company is to become a profitable full service retail bank in the UK, with a multi-product roadmap and new products targeted in various areas. The Company will maintain the UK Depositary Services business.

### Digital consumer banking in the UK

During 2023, Chase continued its journey towards becoming a full-service retail bank. The focus was on creating cut through of the brand, acquiring more customers and driving habituation. The product proposition has been adapted amidst an uncertain economic environment to help customers make their money go further. Chase continued to expand its rewards programme with competitive cashback rewards to customers, multiple increases to the saver rate, and interest provided on current account balances to help customers earn extra on their everyday banking. It also launched a number of features to enhance the proposition including the Current Account Switching Service ("CASS").

By year end 2023, Chase had acquired 1.97 million customers and £16.6 billion in deposit balances.

Actual data continues to be actively monitored against forecasts and customer behaviours is analysed in detail. The International Consumer Banking ("ICB"), which is the main line of business within the Company, intends to deepen the relationship and deliver even greater value through a multi-product roadmap.

### Geopolitical factors

The Company's outlook for the full 2024 year should be viewed against the backdrop of the global economy, financial markets activity, the geopolitical environment, the competitive environment, client activity levels and regulatory and legislative developments in the countries where the Company does business. Each of these inter-related factors will affect the performance of the Company and its lines of business.

The duration and potential outcomes of geopolitical conflicts, including the war in Ukraine and Middle East instability, remain uncertain.

The Company does not have direct exposure, however the Firm and the Company continue to monitor potential secondary impacts of the war in Ukraine and other geopolitical conflicts.

The Firm also continues to monitor and manage the operational risks associated with geopolitical conflicts, including compliance with the financial and economic sanctions and the increased risk of cyber-attacks.

**Section 172(1) Companies Act 2006 Statement**

The directors of the Company are required under the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, the directors must consider certain factors in their decision-making and then make a statement about how they have considered those factors.

The factors the directors must consider are:

- The likely consequences of a decision in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the Company.

While not every factor may be relevant to every decision the Board makes, considering the Company's stakeholders is a fundamental aspect of the Board's decision-making and the Board recognises the importance of considering the potential impacts of its decisions on its relationships with stakeholders in delivering the Company's strategy in line with the wider Firm's How We Do Business principles.

*Supporting the Board's commitment to stakeholders*

New directors joining the Board are provided with an induction program that includes training on directors' duties and, with regard to s.172(1), the factors that must be taken into consideration. Directors receive periodic refresher training on directors' duties throughout their tenure. The induction program and continuing board education sessions provide the directors with an understanding of the Company's business, risks, financial performance and regulatory landscape and help to provide them with solid foundation for making decisions with stakeholders in mind.

The Company has a schedule of Matters Reserved for the Board which makes sure that certain material and/or strategic decisions can only be made by the Board and may not be delegated to executive committees or management. Combined with a robust agenda-setting process, this schedule helps the Company to make sure that decisions are made at the right level and that stakeholder impacts are particularly considered in the most significant decisions.

The Board is also supported in its work by four Board Committees, whose responsibilities are delegated by the Board and are described further on pages 39 - 50, and by the Europe, Middle East and Africa ("EMEA") Management Committee ("EMC").

*Environmental, Social and Governance ("ESG") Governance*

As outlined in the Firmwide 2023 Climate Report, available at JPMC 2023 Climate Report[1] (the "JPMC 2023 Climate Report"), JPMorgan Chase helps its clients navigate the challenges and realise the economic opportunities of the transition to a low-carbon economy. These efforts are guided by the three pillars of our environmental sustainability strategy — scaling green solutions, balancing environmental, social and economic needs, and minimising our operational impact.

The Company supports the Firm's strategies in relation to ESG matters, within the scope of the ICB's services and scale. The Company is primarily a digital-only retail bank and provider of depositary services which does not offer products with climate characteristics or objectives. Given the nature of the Company's business, the directors believe that information about climate related opportunities and their potential impact on the Company's business model and its resilience, and about the identification, assessment and measurement of such opportunities is not necessary to provide an understanding of the Company. The Firm's approach to environmental sustainability can be found in the JPMC 2023 Climate Report. The directors consider that climate related risks and opportunities are aligned with those of the Firm.

Climate-related and sustainability considerations are an evolving area for the Company. Assessment of the impact of these considerations will be informed by any future developments in the Company's business model and strategy.

[1] Available at: www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/documents/Climate-Report-2023.pdf

### Section 172(1) Companies Act 2006 Statement (continued)

*Relationships with stakeholders*

The Company has the benefit of belonging to a large international group. The board of the Company's ultimate parent company, JPMorgan Chase, meets periodically throughout the year with the Firm's shareholders, employees and regulators, and with non-governmental organisations, and other persons interested in the Firm's strategy, business practices, governance, culture and performance. To the extent that feedback from any such engagement is relevant to the Company and/or its relationship with stakeholders, it is provided to the Board through the internal communication channel relevant to the subject matter.

Understanding the interests of stakeholders in relation to how the Company is run is crucial to the Company's and, consequently, the Board's ability to take proper account of stakeholder impacts and interests in decision-making.

Further information on the Company's engagement with its stakeholders is included in the Statement of Corporate Governance Arrangements on pages 39 - 50 and is incorporated by reference into this statement.

*Decision-making*

In making its decisions, the Board discusses relevant information and makes enquiries of relevant executive management and control functions, including in relation to the factors set out in s.172(1). In 2023, the Board has made decisions in respect of a wide variety of topics and the following are examples of how the Board considers the s.172(1) factors in its deliberations:

- **Board Composition:** The Board has continued to evolve as the Chase business grows and scales, which includes the ongoing decision-making and oversight required in respect of it, the Board decided to appoint Sanoke Viswanathan as the interim Chief Executive Officer ("CEO"), replacing Sanjiv Somani, who resigned in August 2023. A search for a suitable candidate to replace the former CEO was undertaken with consideration given to identified internal successors and external candidates, with the Board deciding to appoint one of the successors. The Board considered that this was the right candidate in Chase's journey to appoint a UK Market Manager as CEO to focus on the build-out of Chase. The Board considered that the chosen candidate would be a strong addition to the Board, having regard to the long-term prospects of the Company. To ensure the connectivity of Chase with the Firm's broader strategy, the Board agreed that it was in the best interests of the Company and its shareholder for Sanoke Viswanathan to continue remaining on the Board as a director.

- **Regulatory Requirements:** The Board Risk Committee and the Board considered and approved the annual Internal Capital Adequacy Assessment Process ("ICAAP") and the Internal Liquidity Adequacy Assessment Process ("ILAAP"); such consideration included briefing sessions for directors on the ICAAP and ILAAP. In determining whether to approve the ICAAP and ILAAP documents for submission to the Prudential Regulatory Authority (the "PRA"), the Board took into account the PRA's qualitative feedback, considering the long-term prospects of the Company, determined that the ICAAP and ILAAP document indicated that the Company had sufficient resources to meet its regulatory capital and liquidity requirements and minimum requirements for own funds and eligible liabilities ("MREL").

- **New Products:** As Chase's journey continues the Board is engaged on the oversight of management's work and ensuring that the timing of future product launches has factored in consideration for the macroeconomic environment, the control environment and mechanisms are in place for new products to be rolled out in a controlled manner. The decision by the Board to approve future product launches includes the Board considering the Company's relationships with its customers, third parties and stakeholders.

- **Strategy Offsite:** The Board held its second Chase Board Strategy Offsite in October 2023, where the Board spent time focusing on the forward-looking vision for the Chase business, which included discussing the product, brand and growth strategy including the macro environment, the longer-term vision for Chase and its path to profitability. At quarterly board meetings, the Board carves out a section of the time on the Board agenda for strategic discussions and spends time considering the forward-looking trajectory which includes the ever-changing regulatory horizon.

- **Consumer Duty:** Pursuant to the Financial Conduct Authority's new rules on Consumer Duty standards, the Board and the appointed Board Consumer Duty Champion has been actively engaged on reviewing and challenging fair value assessments including metrics which will ultimately be presented to the Board, prior to 31 July 2024, for the Board to review the metrics and provide its sign-off on the first Annual Board Report to comply with the Consumer Duty standards.

**Regulatory developments**

*Loss absorbency requirements*

The UK minimum requirement for own funds and eligible liabilities (“MREL”), which is intended to facilitate the resolution or recapitalisation of a financial institution without causing financial instability and without recourse to public funds, is defined in the Bank of England ("BoE") Statement of Policy on its Approach to Setting MREL ("MREL SoP"). The BoE’s June 2018 updates to its MREL SoP included requirements on the internal MREL resources to be held by UK material subsidiaries of overseas groups. Capital Requirements Regulation MREL rules, which, following their on-shoring into UK law by The Capital Requirements (Amendment) (EU Exit) Regulations 2019, previously applied in parallel to the BoE requirements at the level of the consolidated UK parent entity, J.P. Morgan Capital Holdings Limited, were revoked with effect from 1 January 2024 by regulation 5(b) of the Financial Services and Markets Act 2023 (Commencement No. 1) Regulations 2023.

The Company continues to meet applicable UK MREL requirements.

*Climate Risk*

The PRA first set its supervisory expectations in 2019 and completed those subsequently with further guidance and reports regarding the management of climate-related financial risks in the areas of strategy, governance, risk management, scenario analysis, risk reporting and disclosure. In 2023, climate risk was moved to the PRA’s annual supervisory agenda, reflecting the PRA’s view that firms’ practices and approach to climate risk are maturing. Refer to Risk Management section on page 31 for details on the Company’s approach to climate risk.

The Company is subject to the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 which apply from 2023 onwards. Refer to page 34 for the Company’s disclosure to comply with these regulations.

*Consumer Duty*

The Financial Conduct Authority's (“FCA”) new Consumer Duty (the “Duty”) came into force in 2023. The Duty applies to the regulated and ancillary activities of all firms regulated under the Financial Services and Markets Act 2000, the Payment Services Regulations 2017 and E-money Regulations 2011 in respect of products and services for prospective and actual retail customers. For new and existing products or services that are open to sale or renewal the rules came into force on 31 July 2023. For closed products or services, the rules will come into force on 31 July 2024.

The Duty requires firms to act to deliver good outcomes for their retail customers. Firms are expected to provide customers with products and services that meet their needs and offer fair value. Retail customers should receive communications they can understand and get the customer support they need, and when they need it. The Duty also requires firms to demonstrate that their products consistently deliver good outcomes.

Consumer Duty governance and implementation programmes were established to coordinate and oversee the required changes. The Company implemented the necessary regulatory obligations pursuant to the Consumer Duty before the compliance date of 31 July 2023. Work is now being undertaken to further embed and operationalise the Duty.

*Trading, clearing and settlement legislation*

In June 2023, the Financial Services and Markets Act 2023 ("FSMA 2023") received Royal Assent and became law. The Act aims to establish an enhanced regulatory regime that is better tailored to UK markets, by granting new powers for UK regulators to draft rules in their Handbooks, rather than requiring it to be incorporated via statutes. FSMA 2023 also introduced new secondary objectives for the FCA and PRA to facilitate growth and international competitiveness of the UK economy. Subsequently, the PRA intends to streamline the existing framework by improving accessibility and efficiency as well as usability and clarity to the rules and provisions. FSMA 2023 removes unnecessary frictions on the UK’s wholesale market to reflect the outcomes of HM Treasury’s ("HMT") Wholesale Markets Review, which was a review of the UK’s version of the Markets in Financial Instruments Directive ("MiFID") II rules. In December, the FCA published consultations on proposed changes to the MiFID II non-equity transparency and MiFID II commodities derivatives framework. Over the course of 2024, HMT and the FCA are also expected to continue their policy work on exploring shortening the settlement cycle, streamlining the short selling framework, reforming the MiFID research unbundling rules, as well as developing a UK consolidated tape.

From a post-trade policy perspective, it is understood that the UK will look to review the UK European Markets and Infrastructure Regulation ("EMIR"), although the exact timing is unclear.

**Risk management**

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

The Firm and Company believe that effective risk management requires, among other things:

- Acceptance of responsibility, including identification and escalation of risks by all individuals within the Company;
- Ownership of risk identification, assessment, data and management within each Line of Business ("LOB") and Corporate; and
- A Firmwide risk governance and oversight structure.

The Firm's risk governance structure is based on the principle that each LOB is responsible for managing the risk inherent in its business, albeit with appropriate corporate oversight. Each LOB risk committee is responsible for decisions regarding its business risk strategy, policies (as appropriate) and controls. Therefore, each LOB within the Company forms part of the Firmwide risk governance structure.

For details on the Firm's and Company's risk governance framework, please refer to the specific section in the Statement of Corporate Governance Arrangements on pages 39 - 50.

All disclosures in the Risk management section (pages 7 - 31) are unaudited unless otherwise stated.

The following sections outline the key risks that are inherent in the Company's business activities.

A detailed description of the policies and processes adopted by the Firm may be found within the Firm's 2023 Annual Report on Form 10-K. The report is available at https://jpmorganchaseco.gcs-web.com/financial-information/sec-filings.

**Risk management (continued)**

**Capital risk (audited)**

Capital risk is the risk that the Company has an insufficient level or composition of capital to support the Company’s business activities and associated risks during both normal economic environments and under stressed conditions.

A strong capital position is essential to the Company’s business strategy and competitive position. Maintaining a strong balance sheet to manage through economic volatility is considered a strategic imperative of the Firm’s Board of Directors, CEO and Operating Committee. The Firm and Company's capital management strategy focuses on maintaining long-term stability to enable the Firm to build and invest in market-leading businesses, even in a highly stressed environment. Senior management considers the implications on the Company’s capital prior to making significant decisions that could impact future business activities. In addition to considering the Company’s earnings outlook, senior management evaluates all sources and uses of capital with a view to ensuring the Company’s capital strength.

Key capital risks include the risk of not meeting capital requirements, including the impact of adverse changes in FX rates in capital ratios.

The capital adequacy framework set by the Company outlines both regulatory and internal capital resources and requirements resulting from Company' business model, strategy, risk profile and management, performance and planning, risks to capital, and the implications of stress testing. The assessment of capital adequacy is driven by an assessment of risks.

Accordingly, the capital management framework is designed to ensure that the Company is adequately capitalised at all times primarily in relation to:

- Minimum risk-based regulatory capital requirements (Pillar 1 capital as per UK Capital Requirements Regulation ("UK CRR") and Pillar 2A prescribed by the PRA) and relevant buffer;
- Minimum leverage requirements (as per UK CRR);
- The risks faced by the entity, through regular comparisons of regulatory and internal capital requirement, in normal economic cycles and in stress events;
- Changes in FX rates that may impact the capital ratios of the Company due to mismatches between the currency in which Risk Weighted Assets ("RWAs") are denominated and the equity is being held (British Pound Sterling); and
- Senior management’s risk appetite expressed, for example, through the application of an internal capital buffer and preferred minimum capital ratios above those prescribed in regulation.

The EMEA Capital Committee, which has senior business, risk and control function representation, receives monthly updates of the Company’s capital positions and projections and has oversight on decisions related to capital usage and capital strategy. The framework used to manage capital within the Company is based around a regular cycle of point-in-time capital calculations and reporting, supplemented by forward-looking projections and stress-testing, with corrective action taken as and when required to maintain an appropriate level of capitalisation. Each part of the process is subject to rigorous control, including capital adequacy reporting with weekly and quarterly frequency to ensure the Company maintains appropriate oversight in line with the Capital framework. Escalation of issues is driven by a business as usual ("BAU") framework of specific triggers, set in terms of capital and leverage ratios, movements in those ratios and other measures.

In addition to the BAU capital monitoring framework, through the quarterly Internal Capital Adequacy Assessment Process (“ICAAP”), the Company ensures that it is adequately capitalised in relation to its risk profile and appetite, not only as at the ICAAP date, but through the economic cycle and under a range of severe but plausible stress scenarios. The quarterly ICAAP results are reviewed by the EMEA Capital Committee and annually, the ICAAP is reviewed and approved by the Board of Directors and is submitted to the PRA. In addition, the annual 'reverse stress testing' exercise is used to identify potential, extreme scenarios which might threaten the viability of the Company's business model, so that any required mitigation can be put in place.

**Risk management (continued)**

**Capital risk (audited) (continued)**

*FX Risk to Capital Ratio*

Changes in FX rates may impact the capital ratios of the Company due to mismatches between the currency in which RWAs are denominated and the functional currency ("GBP"). The non-GBP FX risk to capital ratio is managed through the capital stress testing program which tests the Company’s financial resilience in a range of severe economic and market conditions

The composition of the Company's capital is as follows. Capital resources are shown net of applicable deductions.

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Common Equity Tier 1 (Equity share capital and reserves) | 1,428,641 | 1,417,816 |
| Total Capital Resources | 1,428,641 | 1,417,816 |
| Risk Weighted Assets (unaudited) | 439,961 | 322,372 |
| Total Capital (CET1 capital) ratio | 325 % | 440 % |

As at 31 December 2023 and 2022 the Company was adequately capitalised and met all external capital requirements. Capital resources utilised to calculate capital ratios are inclusive of current year profits and losses.

**Risk management (continued)**

**Credit risk (audited)**

Credit risk is the risk associated with the default or change in credit profile of a client, counterparty or customer. Credit risk management monitors, measures and manages credit risk throughout the Firm and defines credit risk policies and procedures. The credit risk function reports to the Firm's Chief Risk Officer ("CRO").

As of 31 December 2023, there are limited circumstances where a customer may incur a negative current account balance, hence creating credit risk for the Company. In circumstances where such negative balances arise, the credit risk is monitored daily via negative balance dashboards, weekly via performance data of the business activities and monthly using risk reports. Negative balances cases outside of business as usual occurrences are investigated on an ad-hoc basis.

As of 31 December 2023, the Company does not yet offer lending products to the general public. The Company continues to develop and build its consumer lending proposition. To facilitate testing of lending products, the Company issued a limited number of credit cards to employees.

**Expected credit loss measurement**

**Approach to measuring expected credit losses**

The Company estimates credit impairment through an expected credit losses ("ECL") allowance. ECL are recognised for financial assets that are measured at amortised cost and for specified lending-related commitments. The measurement of ECLs must reflect:

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and evidence-based information about past events, current (economic) conditions, and forecasts of future economic conditions.

The measurement of ECL also reflects how the Company manages the financial instruments it uses for credit risk purposes such as Traditional Credit Products ("TCP"), and Non-Traditional Credit products ("Non-TCP"). Instruments in scope of TCP include loans, lending related commitments, and other lending products stemming from extensions of credit to borrowers (including intercompany and affiliated entities). Non-TCP include, but are not limited to, other third-party and intercompany debt instruments such as reverse repurchase agreements, fee receivables, and intercompany receivables (such as cash and deposits).

The following table sets out the gross carrying amount (before ECL) of the Company's financial assets which are measured at amortised cost by the respective TCP and Non-TCP categories as at 31 December 2023 and 2022 respectively.

| | TCP | Non-TCP | TCP | Non-TCP |
|---|---|---|---|---|
| | 2023 | 2023 | 2022 | 2022 |
| | £'000 | £'000 | £'000 | £'000 |
| **Assets (measured at amortised cost)** | | | | |
| Loans and advances to banks | — | 16,371,664 | — | 11,969,640 |
| Loans and advances to customers | 404 | — | 113 | — |
| Securities purchased under resale agreements | — | 2,083,444 | — | 1,666,206 |
| Trade and other receivables | — | 67,641 | — | 48,970 |
| Prepayments and accrued income | | | | |
| Accrued income | — | 257,700 | — | 20,280 |
| **Total** | **404** | **18,780,449** | **113** | **13,705,096** |

**Risk management (continued)**

**Credit risk (audited) (continued)**

**Impact of staging on measuring expected credit losses**

*Negative deposit balances*

Chase offers a deposit account for which overdrafts are not permitted per the General Accounts Terms and Conditions. In limited circumstances the account balance may become overdrawn.

These negative deposit balances are impaired at 100% of the outstanding negative balance as at the reporting date. The impairment model for negative deposit balances is below:

- Stage 1 – 0-30 days, when the account goes into negative balance.
- Stage 2 – 31-60 days, where the account in negative balance remains unpaid.
- Stage 3 – 61+ days, where the account in negative balance remains unpaid, and after formal notice of impending account closure.

*Unsecured lending*

Lending balances as at year end are not significant and are provisioned for at 100% of the outstanding balances as at the reporting date. The balances have all been classified in Stage 1.

***Default and credit-impairment (Stage 3)***

Financial instruments are included in Stage 3 when there is objective evidence of impairment at the reporting date. All financial assets, regardless of their category as TCP, Non-TCP or debt security are considered to be credit-impaired and are included in Stage 3 when certain events that have a detrimental impact on the estimated future cash flows of that financial asset has occurred.

***Significant increase in credit risk (Stage 2)***

Financial instruments that have experienced a significant increase in credit risk (“SICR”) since initial recognition for which there is no objective evidence of impairment are included in Stage 2. The Company assesses for evidence of a SICR based on the number of days past due.

***Instruments without significant increase in credit risk (Stage 1)***

Financial instruments that have not had a SICR since initial recognition are included in Stage 1. For Stage 1 instruments, ECL is calculated by considering the probability of default within 12 months after the reporting date on a collective basis and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for the credit loss allowance).

**Risk management (continued)**

**Credit risk (audited) (continued)**

**Quantitative and qualitative information about the change in ECL and how significant changes in the gross carrying amount drive changes in ECL.**

**ECL and gross carrying amount reconciliation**

The following tables provide an explanation of the change in the loss allowance during the year ended 31 December 2023 and 2022 respectively. The tables also set out how significant changes in the gross carrying amount of financial instruments contributed to the changes in the loss allowance:

**1. Traditional credit products**

**a) Loans and advances to customers at amortised cost.**

| | **ECL** | | | | **Gross carrying amount** | | | |
|---|---|---|---|---|---|---|---|---|
| **£'000** | **Stage 1 12-Month ECL** | **Stage 2 Lifetime ECL** | **Stage 3 Lifetime ECL** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **At 1 January 2023** | **33** | **23** | **57** | **113** | **33** | **23** | **57** | **113** |
| Net new loans originated | 887 | — | — | 887 | 887 | — | — | 887 |
| Write-off | — | — | (596) | (596) | — | — | (596) | (596) |
| Existing loans (including credit quality changes) | — | — | — | — | — | — | — | — |
| Stage transfers: | | | | | | | | — |
| Stage 1 to Stage 2 | (581) | 581 | — | — | (581) | 581 | — | — |
| Stage 2 to Stage 3 | — | (580) | 580 | — | — | (580) | 580 | — |
| **Total changes** | **306** | **1** | **(16)** | **291** | **306** | **1** | **(16)** | **291** |
| **At 31 December 2023** | **339** | **24** | **41** | **404** | **339** | **24** | **41** | **404** |

| | **ECL** | | | | **Gross carrying amount** | | | |
|---|---|---|---|---|---|---|---|---|
| **£'000** | **Stage 1 12-Month ECL** | **Stage 2 Lifetime ECL** | **Stage 3 Lifetime ECL** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **At 1 January 2022** | **9** | **—** | **—** | **9** | **9** | **—** | **—** | **9** |
| Net new loans originated | 299 | — | — | 299 | 299 | — | — | 299 |
| Write-off | — | — | (195) | (195) | — | — | (195) | (195) |
| Existing loans (including credit quality changes) | — | — | — | — | — | — | — | — |
| Stage transfers: | | | | | | | | — |
| Stage 1 to Stage 2 | (275) | 275 | — | — | (275) | 275 | — | — |
| Stage 2 to Stage 3 | — | (252) | 252 | — | — | (252) | 252 | — |
| **Total changes** | **24** | **23** | **57** | **104** | **24** | **23** | **57** | **104** |
| **At 31 December 2022** | **33** | **23** | **57** | **113** | **33** | **23** | **57** | **113** |

**b) Loan commitments**

There are loan commitments of £1.3 million (all Stage 1) (2022: £nil).

**Risk management (continued)**

**Credit risk (audited) (continued)**

**2. Non-traditional credit products**

Non-TCPs include all other instruments measured at amortised cost and subject to the impairment provisions of IFRS 9 'Financial Instruments'. The Company has recognised no ECL on non-TCP balances as the ECL related to these exposures is assessed as immaterial.

The Company's approach to measuring ECL for Non-TCP portfolios depends on the type of instrument. Refer to the Credit exposures section below for an analysis per balance sheet line item.

**Credit risk exposures**

The following tables provide an analysis of the Company's credit risk exposure from financial assets. The gross balance sheet exposure represents the Company's maximum exposure to credit risk from these assets. Gross balance sheet exposure is reported on a net-by-counterparty basis for derivatives and securities purchased under agreements to resell when the legal right and intention of offset exists under an enforceable netting agreement as required under IAS 32 'Financial Instruments: Presentation' ("IAS 32"). Net exposure after risk mitigants is presented after taking into account assets which are primarily exposed to market risk, enforceable master netting agreements (where the offsetting criteria under IAS 32 is not met) and the value of any collateral received.

The Company's credit exposures and credit risk mitigants are further described below:

Loans and advances to banks

The Company places substantially all of its deposits with banks, which are of investment grade to mitigate credit risk exposure.

Loans and advances to customers

The tables below represent the Company's credit exposure and maturity profile to gross loans and advances to customers before any provision for impairment. The ratings scale is based on internal risk ratings, dependent on the days past due.

*Analysis of concentration credit risk*

Concentrations of credit risk arise when a number of customers are engaged in similar business activities or activities in the same geographic region, or when they have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions.

Securities purchased under agreements to resell

The Company generally bears credit risk related to resale agreements where cash advanced to the counterparty exceeds the expected value of the collateral received on default. The Company's credit exposure on these transactions is therefore significantly lower than the amounts recorded on the statement of financial position, which for the substantial majority represent contractual value before consideration of any collateral received.

Financial assets held for trading through profit or loss

Debt and equity instruments are primarily exposed to market risk and are therefore deducted to determine the net credit risk exposure. Derivatives are reported at fair value on a gross by counterparty basis in the Company's financial statements unless the Company has current legal right of set-off and also intends to settle on a net basis. The majority of the credit risk exposure is mitigated by cash collateral, margin arrangements and enforceable master netting arrangements.

Financial assets designated at fair value through profit and loss

Financial assets designated at fair value through profit or loss represent unlisted equity securities. These are primarily exposed to market risk and are therefore deducted to determine net credit risk exposure after risk mitigants.

Trade and other receivables

The Company is exposed to credit risk from its trade and other receivables through its amounts due from customers and JPMorgan Chase undertakings. These primarily comprise receivables related to fees receivable. Accrued income primarily represents accrued interest on securities purchased under resale agreements and loans, the credit risk is captured by the collateral received.

### Risk management (continued)

### Credit risk (audited) (continued)

### Credit risk exposures (audited) (continued)

The following tables provide an analysis of the Company's credit risk exposure for financial assets including those that have an ECL allowance recognised as well as those that do not have an ECL allowance recognised.

| | | | Risk mitigant | | | Net balance sheet exposure held with: | |
|---|---|---|---|---|---|---|---|
| | Gross balance sheet exposure[1] | Exposures captured by market risk | Master netting agreements and other | Cash & security collateral[2] | Net credit exposure | JPMorgan Chase Undertakings | External counter parties |
| | £'000 | £'000 | | £'000 | £'000 | £'000 | £'000 |
| **At 31 December 2023** | | | | | | | |
| **Financial assets:** | | | | | | | |
| Loans and advances to banks[3] | 16,371,664 | — | — | — | 16,371,664 | 16,253,776 | 117,888 |
| Loans and advances to customers[3] | — | — | — | — | — | — | — |
| Securities purchased under resale agreements[4] | 2,083,444 | — | — | (2,083,444) | — | — | — |
| Financial assets held at fair value through profit or loss[5] | 1,924 | (1,924) | — | — | — | — | — |
| Financial assets designated at fair value through profit or loss | 25 | (25) | — | — | — | — | — |
| Trade and other receivables | 67,641 | — | — | — | 67,641 | 10,723 | 56,918 |
| Accrued income | 257,700 | — | — | — | 257,700 | 257,229 | 471 |
| **Total** | **18,782,398** | **(1,949)** | **—** | **(2,083,444)** | **16,697,005** | **16,521,728** | **175,277** |

| | | | Risk mitigant | | | Net balance sheet exposure held with: | |
|---|---|---|---|---|---|---|---|
| | Gross balance sheet exposure[1] | Exposures captured by market risk | Master netting agreements and other | Cash & security collateral[2] | Net credit exposure | JPMorgan Chase Undertakings | External counter parties |
| | £'000 | £'000 | | £'000 | £'000 | £'000 | £'000 |
| **At 31 December 2022** | | | | | | | |
| **Financial assets:** | | | | | | | |
| Loans and advances to banks[3] | 11,969,640 | — | — | — | 11,969,640 | 11,753,676 | 215,964 |
| Loans and advances to customers[3] | — | — | — | — | — | — | — |
| Securities purchased under resale agreements[4] | 1,666,206 | — | — | (1,671,876) | (5,670) | (5,670) | — |
| Financial assets held at fair value through profit or loss[5] | 2,036 | (2,036) | — | — | — | — | — |
| Financial assets designated at fair value through profit or loss | 164 | (164) | — | — | — | — | — |
| Trade and other receivables | 48,970 | — | — | — | 48,970 | 9,447 | 39,523 |
| Accrued income | 20,280 | — | — | — | 20,280 | 20,270 | 10 |
| **Total** | **13,707,296** | **(166,036)** | **—** | **(1,671,876)** | **12,033,384** | **11,777,723** | **255,661** |

[1] Includes £16,522 million (2022: £13,450 million) held with other JPMorgan Chase undertakings. For further details of these amounts by line item category, refer to the notes to the financial statements.
[2] Cash and securities collateral received in respect of financial assets at fair value through profit or loss is limited to net balance sheet exposure, after taking into account master netting and other arrangements.
[3] The net balance sheet exposure on loans and advances is presented without taking into account credit risk mitigants such as financial guarantees, or other non-financial collateral.
[4] The fair value of financial assets accepted as collateral that the Company is permitted to sell or re-pledge in the absence of default is £2,083 million (2022: £1,672 million). There was no fair value of collateral repledged in 2023 and 2022. These transactions are conducted under terms that are customary to standard lending activities (Note 16).
[5] The majority of investment securities are primarily exposed to market risk and are therefore deducted to determine the net credit risk exposure.

In addition to balance sheet exposures, there are £1.3 million off-balance sheet exposures consisting of lending commitments during the year (2022: £nil).

The collateral is taken into account under conditions that are customary for the relevant securities and financing transactions. The Company receives securities as collateral for securities repurchase agreements or cash-backed securities lending transactions. These can generally be resold or repledged by the Company. For the resale or re-pledging of the collateral provided, the customary contractual terms apply. The quality of the collateral is assured by its ability to be liquidated and used, as well as by regular evaluation.

**Risk management (continued)**

**Credit risk (audited) (continued)**

**Credit risk exposures (audited) (continued)**

The Company's credit risks are described in more detail below and analysis of the Company's credit commitments is included.

**Loans and advances to customers at amortised cost**

The table below presents the Company's credit exposure and contractual maturity profile to gross loans and advances before any provision for impairment. The credit quality and credit concentration of loans and advances is managed within JPMorgan Chase's Credit Risk Management function. The ratings scale is based on internal risk ratings.

**Maturity profile**

**Loans and advances to customers at amortised cost**

| | 2023 | 2022 |
|---|---|---|
| | **£'000** | **£'000** |
| **Maturity** | | |
| 5 years or less but over 1 year | — | — |
| 1 year or less but over 3 months | — | — |
| 3 months or less[1] | 404 | 113 |
| **Total** | **404** | **113** |

[1] Negative deposit balances are due when incurred.

**Ratings profile**

**Loans and advances to customers at amortised cost**

| | 2023 | 2022 |
|---|---|---|
| **Retail customers** | **£'000** | **£'000** |
| Stage 1[1] | 339 | 33 |
| Stage 2[1] | 24 | 23 |
| Stage 3[1] | 41 | 57 |
| **Total** | **404** | **113** |

[1]The stages are based on the number of days past due; Stage 1 (0-30 days, low risk), Stage 2 (31-60 days, medium risk) and Stage 3 (61+ days, high risk).

**Risk management (continued)**

**Credit risk (audited) (continued)**

**Credit risk exposures (audited) (continued)**

**Analysis of concentration credit risk**

Concentrations of credit risk arise when a number of customers are engaged in similar business activities or activities in the same geographic region, or when they have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions.

The total credit risk concentration related to loans and advances to customers at amortised cost as at 31 December 2023 was £0.4 million (2022: £0.1 million) and wholly relate to the UK. The industry concentration is individuals and households for both years.

**Securities purchased under resale agreements**

The Company generally bears credit risk related to resale agreements and securities borrowed where cash advanced to the counterparty exceeds the expected value of the collateral received on default. The Company's credit exposure on these transactions is significantly lower than the amounts recognised on balance sheet as the substantial majority represent contractual value before consideration of any collateral received.

Where a fully collateralised arrangement exists (for example a reverse repurchase agreement), the estimate of the allowance is immaterial due to the following credit mitigants:

Continuous margining requirements: The contractual terms of these agreements are designed to ensure that they are fully collateralised based on continuous margining requirements, even when the credit risk of the borrower increases significantly. The contractual terms provide the Company (as lender) with the legal right to receive additional margin from the borrower each day a margin deficit exists. The contractual terms also allow the Company to increase margin requirements, and to revoke or reduce lending commitments to the borrower at any time.

Intercompany arrangements may be repayable on demand: The vast majority of the Company's collateralised intercompany lending arrangements are executed under master contracts that provide additional protections for the Firm, such as stipulating that extensions of credit are repayable on demand.

High quality collateral: If, in the extremely rare circumstance that the borrower were to default, because the collateral is generally of high quality (G5 government obligations) or is otherwise considered highly liquid, the Company has the legal right and operational ability, as well as the intent, to immediately seize the collateral and liquidate it in a timely and price-efficient manner to minimise any loss.

The fair value of the security collateral in respect of securities financing transactions is, in aggregate, greater than the amounts reported on balance sheet.

Securities financing arrangements tend to be short-term in nature with no history of credit losses. These arrangements are included in Stage 1 as the Company has determined there is no SICR during the short tenor of the instrument as at 31 December 2023 and 2022. The Company recognises no ECL on these balances as the ECL related to these exposures is assessed as immaterial.

**Risk management (continued)**

**Credit risk (audited) (continued)**

**Trade and other receivables and accrued income**

Trade and other receivables mainly consist of amounts due from customers and JPMorgan Chase undertakings, the majority of which are with other JPMorgan Chase undertakings where the counterparty is a Material Legal Entity ("MLE"). Accrued income primarily represents accrued interest on securities purchased under resale agreements and loans with other JPMorgan Chase undertakings who are MLEs.

For intercompany transactions where the counterparty is a MLE, the Company's anticipated ECL was determined to not be material and no loss was recognised, for the following reasons:

- The MLE has been prepositioned with funding in an efficient manner from both a liquidity and a capital perspective.
- JPMorgan Chase Bank, N.A. ("JPMCB") and the JPMorgan Chase's Intermediate Holding Company ("IHC") are obligated to provide financial support to their direct and indirect subsidiaries in connection with the Support Agreement that is put in place as part of the Firm's resolution planning process, which effectively functions as a guarantee/backstop for intercompany lending arrangements with a MLE borrower.

As MLEs are adequately capitalised to ensure the MLE can fulfil all of its obligations even in the event of an orderly liquidation of JPMorgan Chase, and are of investment grade, these intercompany receivables are included in Stage 1 as they are held with MLEs and considered to not have an increase in credit risk that would result in material expected credit losses. Receivables from MLEs would only be included in Stage 2 if the obligor is no longer considered an MLE and there is evidence of credit deterioration of the obligor, or if certain support triggers defined in the JPMorgan Chase's Resolution Plan occur. Receivables from MLEs are not credit-impaired as the Firm ensures MLEs are more than adequately capitalised as required by the Firms Resolution Plan. The anticipated ECL for other receivables from non MLEs was determined to not be material and no loss was recognised.

**Impact of collateral/credit enhancements on ECL**

If a non-derivative credit enhancement is deemed to be integral to the related loan, pool of loans or loan commitment, and the Company has not elected the fair value option for the related instruments, the expected credit loss under IFRS 9 'Financial Instruments' may be reduced for losses expected to be recovered from the enhancement provider, as long as there is evidence that the third party providing the credit enhancement has the ability and willingness to reimburse the Company for the losses. If a non-derivative credit enhancement is not deemed to be integral to the loan, pool of loans or loan commitment, the credit enhancement must be accounted for separately and must not be used to reduce expected credit losses. The Company may hold a security interest in various types of collateral including cash, securities, receivables, inventory, equipment, real estate or other non-financial assets.

**Risk management (continued)**

**Country risk**

The Firm, through its LOBs and Corporate, may be exposed to country risk resulting from financial, economic, political or other significant developments which adversely affect the value of the Firm’s exposures related to a particular country or set of countries. The Country Risk Management group actively monitors the various portfolios which may be impacted by these developments and measures the extent to which the Firm's exposures are diversified given the Firm and Company's strategy and risk tolerance relative to a country.

*Risk organisation and management*

Country Risk Management is an independent risk management function that assesses, manages and monitors exposure to country risk across the Firm. The Firmwide Risk Executive for Country Risk reports to the Firm’s CRO.

The Firm’s country risk management function includes the following activities:

- Maintaining policies, procedures and standards consistent with a comprehensive country risk framework;
- Assigning sovereign ratings, assessing country risks and establishing risk tolerance relative to a country;
- Measuring and monitoring country risk exposure and stress across the Firm;
- Managing and approving country limits and reporting trends and limit breaches to senior management;
- Developing surveillance tools, such as signalling models and ratings indicators for early identification of potential country risk concerns; and
- Providing country risk scenario analysis.

*Risk sources and measurement*

The Firm and Company is exposed to country risk through their lending and deposits, investing, and market-making activities, whether cross-border or locally funded. Country exposure includes activity with both government and private-sector entities in a country.

Under the Firm’s internal country risk management approach, attribution of exposure to an individual country exposure is based on the country where the largest proportion of the assets of the counterparty, issuer, obligor or guarantor are located or where the largest proportion of its revenue is derived, which may be different than the domicile (i.e. legal residence) or country of incorporation.

Assumptions are sometimes required in determining the measurement and allocation of country exposure, particularly in the case of certain non-linear or index products, or where the nature of the counterparty, issuer, obligor or guarantor is not suitable for attribution to an individual country. The use of different measurement approaches or assumptions could affect the amount of reported country exposure.

Under the Firm’s internal country risk measurement framework used by the Company:

- Lending exposures are measured at the total committed amount (funded and unfunded), net of the allowance for credit losses and eligible cash and marketable securities collateral received;
- Deposits with banks are measured as the cash balances placed with central banks, commercial banks, and other financial institutions;
- Securities financing exposures are measured at their receivable balance, net of eligible collateral received;
- Debt and equity securities are measured at the fair value of all positions, including both long and short positions;
- Counterparty exposure on derivative receivables is measured at the derivative’s fair value, net of the fair value of the eligible collateral received; and
- Credit derivatives exposure is measured at the net notional of protection purchased or sold for the same underlying reference entity, inclusive of the fair value of the derivative receivable or payable, reflecting the manner in which the Firm manages these exposures.

*Risk stress testing*

Stress testing is an important component of the Firm’s country risk management framework, which aims to estimate and limit losses arising from a country crisis by measuring the impact of adverse asset price movements to a country based on market shocks combined with counterparty specific assumptions. Country Risk Management periodically designs and runs tailored stress scenarios to test vulnerabilities to individual countries, or group of countries, in response to specific or potential market events, sector performance concerns, sovereign actions and geopolitical risks. These tailored stress results are used to inform potential risk reduction across the Firm, as necessary.

**Risk management (continued)**

**Country risk (continued)**

*Risk reporting*

The Company's primary country exposure as of 31 December 2023 is the United Kingdom (£16.5 billion) which represents the largest total exposure by individual country. Country exposures may fluctuate due to a variety of factors, including client activity, market flows and liquidity management activities undertaken by the Company.

**Liquidity risk (audited)**

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

*Liquidity risk management*

The Firm has a Liquidity Risk Management ("LRM") function, acting as second line of defence, whose primary objective is to provide independent oversight of liquidity risk across the Firm. LRM's responsibilities include, but are not limited to:

- Defining, monitoring and reporting liquidity risk metrics;
- Independently establishing and monitoring limits and indicators including liquidity risk appetite;
- Developing a process to classify, monitor and report limit breaches;
- Performing an independent review of liquidity risk management processes to evaluate their adequacy and effectiveness based on the LRM's Independent Review Framework;
- Monitoring and reporting internal Firmwide and legal entity liquidity stress tests, regulatory defined metrics, as well as liquidity positions, balance sheet variances, and funding activities; and
- Approving or escalating for review new or updated liquidity stress assumptions.

*Risk governance and measurement*

The Company's governance framework is supplemented by the Firmwide and regional governance frameworks, including the Firmwide Asset and Liability Committee ("ALCO"), the Treasurer Committee and the CIO, Treasury and Corporate ("CTC") Risk Committee.

The Board of Directors of the Company has delegated the oversight of all risk disciplines within the entity to the Company's Risk Committee ("RC"). The RC delegates Liquidity Risk Management to the EMEA Risk Committee ("ERC").

The Company's Risk Committee must review and periodically recommend the approval to the Company Board of Directors of Legal Entity Liquidity Risk Management Governance Framework, as well as the usage and applicability of the Group Liquidity Risk Management Policy to the Company.

*Liquidity management*

Treasury and Chief investment Office ("T/CIO") is responsible for liquidity management. The primary objectives of the Firm's liquidity management are to:

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

The Firm addresses these objectives through:

- Analysing and understanding the liquidity characteristics of the assets and liabilities of the Firm, lines of business and legal entities, taking into account legal, regulatory, and operational restrictions;
- Defining and monitoring Firmwide and legal entity-specific liquidity strategies, policies, reporting and contingency funding plans;
- Managing liquidity within the Firm's approved liquidity risk appetite tolerances and limits;
- Managing compliance with regulatory requirements related to funding and liquidity risk; and
- Setting Funds Transfer Pricing ("FTP") in accordance with underlying liquidity characteristics of balance sheet assets and liabilities as well as certain off-balance sheet items.

**Risk management (continued)**

**Liquidity risk (audited) (continued)**

As part of the Firm's overall liquidity management strategy, the Firm manages liquidity and funding using a centralised, global approach designed to:

- Optimise liquidity sources and uses;
- Monitor exposures;
- Identify constraints on the transfer of liquidity between the Firm's legal entities; and
- Maintain the appropriate amount of surplus liquidity at a Firmwide and legal entity level, where relevant.

*Liquidity Requirements*

The Company is regulated by the PRA and adheres to the UK CRR legislation, which came into effect on 1 January 2022. There are two regulatory standards that measure liquidity risk - Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR").

The LCR is intended to measure the amount of High-Quality Liquid Assets ("HQLA") held by the Company in relation to estimated net liquidity outflows within a 30-calendar day stress period and a ratio of at least 100% shall be maintained. At 31 December 2023, the Company was compliant with the LCR requirement.

The NSFR is a liquidity requirement intended to measure the adequacy of “available” and “required” amounts of stable funding over a one-year horizon. The NSFR has become a binding standard in the UK as of 1 January 2022, when the UK CRR came into force. Under this regulation, the Company is required to maintain a NSFR ratio of at least 100%. At 31 December 2023, the Company was compliant with the NSFR requirement.

*Internal stress testing*

Liquidity stress tests are intended to ensure that the Company has sufficient liquidity under a variety of adverse scenarios, including scenarios analysed as part of the Firm's resolution and recovery planning. Stress scenarios are produced for the Company on a regular basis and other stress tests are performed in response to specific market events or concerns. Liquidity stress tests assume all of the Company's contractual financial obligations are met and take into consideration:

- Varying levels of access to unsecured and secured funding markets;
- Estimated non-contractual and contingent cash outflows;
- Considerations of credit rating downgrades;
- Collateral haircuts; and
- Potential impediments to the availability and transferability of liquidity between jurisdictions and material legal entities such as regulatory, legal or other restrictions.

Liquidity outflow assumptions are modelled across a range of time horizons and currency dimensions and contemplate both market and idiosyncratic stress.

Results of stress tests are considered in the formulation of the Company's funding plan and assessment of its liquidity position.

*Contingency funding plan*

The Company is an integral part of the Firm's Contingency Funding Plan ("CFP") framework and is subject to the Firm's procedures and action plans for managing liquidity through stress events. The CFP addendum of the Company should be read in conjunction with the Firm's CFP. The Firm's CFP sets out the strategies for addressing and managing liquidity resource needs during a liquidity stress event and incorporates liquidity risk limits, indicators and risk appetite tolerances. The CFP also identifies the alternative contingent funding and liquidity resources available to the Firm and its legal entities in a period of stress. The Company's addendum to the CFP is approved annually by the Company's Board of Directors.

**Risk management (continued)**

**Liquidity risk (audited) (continued)**

*Funding*

The Company's primary source of funding are customer deposits which is further supported by capital resources. Surplus liquidity is primarily deployed on an unsecured basis with affiliates, and on a secured basis via reverse repo of unencumbered high-quality liquid assets. This provides the Company with sufficient access to liquidity to meet obligations as they fall due, including in stress.

The following table provides details on the contractual maturity of financial liabilities:

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **On demand** | **Less than one year** | **Total** | **On demand** | **Less than one year** | **Total** |
| | **£'000** | **£'000** | **£'000** | £'000 | £'000 | £'000 |
| Deposits | 24,649 | — | 24,649 | 66,757 | — | 66,757 |
| Customer accounts | 17,134,548 | — | 17,134,548 | 12,112,372 | — | 12,112,372 |
| Financial liabilities held at fair value through profit or loss | — | — | — | — | 1 | 1 |
| Trade and other payables | 24,959 | 93,169 | 118,128 | — | 63,024 | 63,024 |
| Accruals and deferred income | — | 76,567 | 76,567 | — | 47,749 | 47,749 |
| **Total financial liabilities** | **17,184,156** | **169,736** | **17,353,892** | **12,179,129** | **110,774** | **12,289,903** |

**Market risk (audited)**

Market risk is the risk associated with the effect of changes in market factors such as interest and foreign exchange rates, equity and commodity prices, credit spreads or implied volatilities, on the value of assets and liabilities held for both the short and long term.

The following sections detail the market risk management framework at both the Firmwide and Company levels.

Market Risk Management monitors market risks throughout the Firm and defines market risk policies, procedures and other guidance as appropriate. The Market Risk Management function reports to the Firm's CRO, and seeks to manage 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.

*Risk Governance & Policy Framework*

The Company’s approach to market risk governance mirrors the Firmwide approach and is outlined in the Company’s Market Risk Framework.

The Company’s Board of Directors approves substantive changes to the Framework and approves this Framework annually.

*Risk Measurement*

There is no single measure to capture market risk and therefore the Firm uses various metrics both statistical and non-statistical to assess risk. The appropriate set of risk measures utilised for a given business activity is tailored based on business mandate, risk horizon, materiality, market volatility and other factors.

**Risk management (continued)**

**Market risk (continued)**

*Value-at-Risk ("VaR")*

The Firm utilises VaR, a statistical risk measure, to estimate the potential loss from adverse market moves in the current market environment.

The VaR framework is employed across the Firm using historical simulation based on data for the previous 12 months. VaR is calculated assuming a one-day holding period and an expected tail-loss methodology which approximates a 95% confidence level. These VaR results are reported to senior management, the Firm's Board of Directors and regulators.

The Company applies the Firmwide approach for VaR as described above, for internal risk management purposes.

The table below shows the result of the Company's risk management VaR measures using a 95% confidence level:

| | 2023 | | | 2022 | | | At 31 December | |
|---|---|---|---|---|---|---|---|---|
| | Avg. | Min | Max | Avg. | Min | Max | 2023 | 2022 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| 95 % VaR | 43 | 12 | 155 | 61 | 19 | 197 | 51 | 59 |

The Company's market risk profile is not material, the low level of VaR is normally driven by residual FX/IR positions across businesses and a principal risk position. Of the standard stress scenarios that the Company is subject to, the worst case stress loss during 2023 was primarily driven by the Credit Crisis scenario.

*Stress testing*

Along with VaR, stress testing is an important tool to assess risk. While VaR reflects the risk of loss due to adverse changes in markets using recent historical market behaviour, stress testing reflects the risk of loss from hypothetical changes in the value of market risk sensitive positions applied simultaneously.

The Firm and the Company run weekly stress tests on market-related risks across the lines of business using multiple scenarios that assume significant changes in risk factors such as credit spreads, equity prices, interest rates, currency rates and commodity prices.

Stress scenarios are defined and reviewed by Market Risk, and significant changes are reviewed by the relevant LOB Risk Committees and may be redefined on a periodic basis to reflect current market conditions.

*Risk Monitoring and Control*

Market risk limits are employed as the primary control to align the Firm's and the Company's market risk with certain quantitative parameters within the Firm's and the Company's Risk Appetite framework, respectively.

Market Risk sets limits and regularly reviews and updates them as appropriate, with any changes approved by Firm or LOB or Company management, as appropriate, and Market Risk, except limit reductions which are approved by Market Risk only (including LE CRO where appropriate). Limits that have not been reviewed within a specified time period by Market Risk are reported to senior management.

Limit breaches are required to be reported in a timely manner to limit approvers, which include Market Risk and senior management. In the event of a limit breach, Market Risk consults with senior management to determine the course of action required to return to compliance, which may include a reduction in risk in order to remedy the breach or granting a temporary increase in limits to accommodate an expected increase in client activity and/or market volatility. Certain Firm, LOB or Company level limit breaches are escalated as appropriate.

The Company's limits include VaR and Stress limits established for the legal entity, in aggregate, and for individual businesses operating out of the legal entity:

- The Company's CEO, CRO and MRO are approvers of the market risk limits for the legal entity in aggregate; and
- Appropriate business area representatives and Market Risk representatives are approvers of business area specific limits.

**Risk management (continued)**

**Market risk (continued)**

*Risk Reporting*

The Firm and the Company have their own set of regular market risk reports, which include daily notifications of limit utilisations and limit breaches and, where applicable, granular market risk metrics which provide transparency into potential risk concentrations.

Models used to measure market risk are inherently imprecise and may be limited in their ability to measure certain risks or to predict losses. This imprecision may be heightened when sudden or severe shifts in market conditions occur. For additional discussion on model uncertainty, refer to the Model Risk section.

Market Risk Management periodically reviews the Firm's and the Company's existing market risk measures to identify opportunities for enhancement and, to the extent appropriate, it will calibrate those measures accordingly over time.

**Structural interest rate risk**

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

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

The Company's structural interest rate exposure as at 31 December 2023 was largely driven by ICB deposits and placements with other JPMorgan Chase undertakings.

*Risk Oversight and governance*

Governance for Firmwide IRR is defined in the IRR Management policy which is approved by the Chief Risk Officer for CIO, Treasury and Corporate ("CTC CRO"). The CIO, Treasury and Corporate Risk Committee ("CTC RC") is the governing committee with respect to IRRBB. The CTC RC is responsible for, but not limited to:

- Reviewing the IRR Management policy;
- Reviewing the IRR profile of the Firm and adherence to limits; and
- Reviewing significant changes to IRR models and/or assumptions.

IRR exposures, significant models and/or assumptions including the changes are also reviewed by the Firmwide Asset and Liability Committee ("ALCO"), chaired by the Firm's Treasurer and Chief Investment Officer, and supported by the Treasurer Committee. The Treasurer Committee reviews interest rate risk exposures, including for key legal entities, and significant model and/or model assumption changes. In addition, oversight of structural interest rate risk is managed through IRR Management, an independent risk management function reporting to the CTC CRO. IRR Management is responsible for, but not limited to:

- Providing independent oversight and governance for IRR assumptions;
- Establishing and monitoring metrics to manage interest rate risk, which may include, but are not limited to Earnings at Risk, Duration of Equity, Economic Value Sensitivity;
- Defining and monitoring interest rate risk limits; signatories to limits include representatives from both the first and second lines of defence;
- Developing a process to classify, monitor and report limit breaches;
- Performing independent review of the Firm's interest rate risk activities;
- Creating and maintaining governance over interest rate risk assumptions;
- Overseeing interest rate risk of LOBs net of Funds Transfer Pricing; and
- Providing independent oversight and governance for applicable legal entities.

The Firmwide risk framework applies to the Company as described above.

**Risk management (continued)**

**Structural interest rate risk (continued)**

*Risk Identification and Measurement*

T/CIO manages IRRBB exposure on behalf of the Firm by identifying, measuring, modelling and monitoring IRR across the Firm's balance sheet. T/CIO works with the LOBs in defining methodologies for measuring IRR. T/CIO identifies and understands material balance sheet impacts of new initiatives and products and executes market transactions to manage IRR through T/CIO's investment portfolio positions. Execution by T/CIO will be based on parameters established by senior management, per the T/CIO Investment Policy. LOBs are responsible for developing and monitoring the appropriateness of LOB specific IRR modelling assumptions. The Funds Transfer Pricing policy provides a framework to transfer interest rate risk from LOBs to T/CIO.

Measures to monitor and manage IRR include:

- Earnings-at-risk ("EAR") is the primary metric used to gauge the Firm's shorter term IRR exposure is EAR, or the sensitivity of pre-tax income to changes in interest rates over a rolling 12 months compared to a base scenario.
- Economic Value Sensitivity ("EVS") is an IRR metric utilised to measure changes in Economic Value of Equity ("EVE") due to changes in interest rates. EVE sums the present value of expected future cash-flows across the Firm's balance sheet.

*Limits*

The independent International Asset Liability Management ("IALM") Risk within the IRR Management function, is responsible for oversight of IRR within the Company. The function's responsibilities include the identification measurement and monitoring of IRR, including establishing and monitoring IRR Limits. IALM Risk periodically reviews/updates the limits as appropriate.

Changes to IRR Limits are subject to review by the regional Asset-Liability Committee ("ALCO") and Company's Risk Committee ("RC").

IRR Limits are established for Economic Value Sensitivity ("EVS") / Equity and Earnings-at-risk ("EAR") metrics for the Company.

**Operational risk**

Operational risk is the risk of an adverse outcome resulting from inadequate or failed internal processes or systems; human factors; or external events impacting the Firm's processes or systems. Operational Risk includes compliance, conduct, legal, and estimations and model risk.

Operational risk is inherent in the Company's activities and can manifest itself in various ways, including fraudulent acts, business disruptions (including those caused by extraordinary events beyond the Firm's control), cyber attacks, inappropriate employee behaviour, failure to comply with applicable laws, rules and regulations or failure of vendors or other third party providers to perform in accordance with their agreements. Operational Risk Management attempts to manage operational risk at appropriate levels in light of the Company's financial position, the characteristics of its businesses, and the markets and regulatory environments in which it operates.

The Firm's control and risk management places focus on the advancements in third-party and internal use of artificial intelligence by the LOBs, such as machine learning, and how it potentially impact the controls and operational risks.

*Risk Management Framework*

The Company leverages the Firm's Compliance, Conduct, and Operational Risk ("CCOR") Management Framework which is designed to enable the Firm to govern, identify, measure, monitor and test, manage and report on the Firm's operational risk. The regional governance framework incorporates the Firmwide strategy, and the Firm's policies, procedures and Line of Business ("LOB") / Corporate Function ("CF") structure. The regional framework is supplemental and complementary to the global framework and also provides the requisite link between the EMEA legal entities ("LEs") and the LOBs/CFs.

Operational risk can manifest itself in various ways. Operational risk subcategories such as Compliance risk, Conduct risk, Legal risk and Estimations and Model risks as well as other operational risks, can lead to losses which are captured through the Firm's operational risk measurement processes. More information on these risk subcategories can be found in the respective risk management sections. Details on cybersecurity risk, business and technology resiliency risk, payment fraud risk, together with third-party outsourcing risk, are provided below.

**Risk management (continued)**

**Operational risk (continued)**

*Cybersecurity Risk*

Cybersecurity risk is the risk of the Firm and Company's exposure to harm or loss resulting from misuse or abuse of technology by malicious actors. Cybersecurity risk is an important and continuously evolving focus for the Firm. Significant resources are devoted to protecting and enhancing the security of computer systems, software, networks, storage devices and other technology assets. The Firm's security efforts are designed to protect against, among other things, cybersecurity attacks by unauthorised parties attempting to obtain access to confidential information, destroy data, disrupt or degrade service, sabotage systems or cause other damage.

The Firm has experienced, and expects that it will continue to experience, a higher volume and complexity of cyber attacks against the backdrop of heightened geopolitical tensions. The Firm has implemented precautionary measures and controls reasonably designed to address this increased risk, such as enhanced threat monitoring.

Ongoing business expansions may expose the Firm to potential new threats as well as expanded regulatory scrutiny including the introduction of new cybersecurity requirements. The Firm continues to make significant investments in enhancing its cyber defence capabilities and to strengthen its partnerships with the appropriate government and law enforcement agencies and other businesses in order to understand the full spectrum of cybersecurity risks in the operating environment, enhance defences and improve resiliency against cybersecurity threats. The Firm actively participates in discussions and simulations of cybersecurity risks both internally and with law enforcement, government officials, peer and industry groups, and has significantly increased efforts to educate employees and certain clients on the topic of cybersecurity risks.

Third parties with which the Firm does business or that facilitate the Firm's business activities (e.g., vendors, supply chain, exchanges, clearing houses, central depositories, and financial intermediaries) are also sources of cybersecurity risk to the Firm. Third party cybersecurity incidents such as system breakdowns or failures, misconduct by the employees of such parties, or cyberattacks, including ransomware and supply-chain compromises could affect their ability to deliver a product or service to the Firm or result in lost or compromised information of the Firm or its clients. Clients are also sources of cybersecurity risk to the Firm and its information assets, particularly when their activities and systems are beyond the Firm's own security and control systems. As a result, the Firm engages in regular and ongoing discussions with certain vendors and clients regarding cybersecurity risks and opportunities to improve security. However, where cybersecurity incidents occur as a result of client failures to maintain the security of their own systems and processes, clients are responsible for losses incurred.

To help safeguard the confidentiality, integrity and availability of the Firm's infrastructure, resources and information, the Firm maintains a cybersecurity programme designed to prevent, detect, and respond to cyberattacks. The Audit Committee is periodically provided with updates on the Firm's Information Security Programme, recommended changes, cybersecurity policies and practices, ongoing efforts to improve security, as well as the Firm's efforts regarding significant cybersecurity events. In addition, the Firm has a detailed cybersecurity incident response plan ("IRP") designed to enable the Firm to respond to attempted cybersecurity incidents, coordinate such responses with law enforcement and other government agencies, and notify clients and customers, as applicable. Among other key focus areas, the IRP is designed to mitigate the risk of insider trading connected to a cybersecurity incident and includes various escalation points.

The Global Cybersecurity and Technology Control organisation, working with each of the Firm's LOBs and Corporate, is responsible for governance and oversight of the Firm's Information Security Programme. In partnership with the Firm's LOBs and Corporate, the Cybersecurity and Technology Control organisation identifies information security risk issues and oversees programmes for the technological protection of the Firm's information resources including applications, infrastructure as well as confidential and personal information related to the Firm's employees and customers. The Cybersecurity and Technology Controls organisation consists of business aligned information security managers that are supported within the organisation by the following products that execute the Information Security Program for the Firm:

- Cyber Operations
- Identity & Access Management
- Governance, Risk & Controls
- Global Technology Product Security

The Global Cybersecurity and Technology Control governance structure is designed to identify, escalate, and mitigate information security risks. This structure uses key governance forums to disseminate information and monitor technology efforts. These forums are established at multiple levels throughout the Firm. The forums are used to escalate information security risks or other matters as appropriate.

The Independent Risk Management ("IRM") function provides oversight of the activities designed to identify, assess, measure, and mitigate cybersecurity risk.

**Risk management (continued)**

**Operational risk (continued)**

*Cybersecurity Risk (continued)*

The Firm’s Security Awareness Programme includes training that reinforces the Firm's Information Technology Risk and Security Management policies, standards and practices, as well as the expectation that employees comply with these policies. The Security Awareness Programme engages personnel through training on how to identify potential cybersecurity risks and protect the Firm’s resources and information. This training is mandatory for all employees globally on a periodic basis, and it is supplemented by Firmwide testing initiatives, including periodic phishing tests. The Firm provides specialised security training for certain employee roles such as application developers. Finally, the Firm’s Global Privacy programme requires all employees to take periodic awareness training on data privacy. This privacy-focused training includes information about confidentiality and security, as well as responding to unauthorised access to or use of information.

*Business and technology resiliency risk*

Disruptions can occur due to forces beyond the Firm’s control such as the spread of infectious diseases or pandemics, severe weather, power or telecommunications loss, failure of a third party to provide expected services, cyberattacks and, terrorism. The Firmwide Business Resiliency Program is designed to enable the Firm to prepare for, adapt to, withstand and recover from business disruptions including occurrence of an extraordinary event beyond its control that may impact critical business functions and supporting assets (i.e. staff, technology, facilities and third parties). The program includes governance, awareness training, planning and testing of recovery strategies, as well as strategic and tactical initiatives to identify, assess, and manage business interruption and public safety risks.

*Payment fraud risk*

Payment fraud risk is the risk of external and internal parties unlawfully obtaining personal monetary benefit through misdirected or otherwise improper payment. The risk of payment fraud remains heightened across the UK industry and Authorised Push Payment (APP) Scams have become an increasingly prominent threat over recent years. The Firm employs various controls for managing payment fraud risk as well as providing employee and client education and awareness trainings.

The Company is exposed to fraud risk through the products and services offered by Chase to its retail customers. The fraud prevention approach involves assessment of possible threat vectors that can make its customers vulnerable to fraud. The design for fraud monitoring, detection and prevention controls, and customer education is based on this approach.

*Outsourcing risk*

The Firm‘s Third-Party Oversight (“TPO”) and Inter-affiliates Oversight (“IAO”) frameworks assist the LOBs and CFs in selecting, documenting, onboarding, monitoring and managing their supplier relationships including services provided by affiliates. The objectives of the TPO framework are to hold suppliers and other third parties to a high level of operational performance and to mitigate key risks including data loss and business disruptions. The Corporate Third-Party Oversight group is responsible for Firmwide training, monitoring, reporting and standards. Post Office card account ("POca") related vendors are covered by the Global Outsourcing Programme and associated Firmwide Policies and Standards. POca associated vendors are subject to periodic TPO supplier assurance assessments.

Firmwide risk governance and policy applies as supplemented by the UK Outsourcing Policy.

Within the UK, an outsourcing governance model and framework for the CIB dual regulated companies has been designed by the UK Outsourcing Governance Team, for implementation by the LOBs and Corporates. There is also a CIB UK Governance Forum which acts as a conduit for LOBs and Corporates to escalate risks (if appropriate) for further consideration and escalation to EMEA Operations Management Meeting ("EOMM"), EMEA Regional Oversight Committee ("EROC") and Company Board Risk Committee.

The ICB has its own Outsourcing Forum ("ICOF"), its primary escalation route is to the International Consumer Banking Control Committee ("ICB CC"). ICB would escalate outsourcing matters from the ICB CC into EMEA Regional Governance in line with defined escalation criteria via EMEA Control Committee, EROC and EMC as appropriate. ICB CC also provides reporting and escalation to the Firmwide Control Committee ("FCC").

**Risk management (continued)**

**Operational risk (continued)**

**Compliance risk**

Compliance risk, a subcategory of operational risk, is the risk of failing to comply with laws, rules, regulations or codes of conduct and standards of self-regulatory organisations.

Each of the LOBs and Corporate within the Company holds primary ownership of and accountability for managing compliance risk. The Firm's Operational Risk and Compliance Organisation ("Operational Risk and Compliance"), which is independent of the LOBs and Corporate, provides independent review, monitoring and oversight of business operations with a focus on compliance with the laws, rules and regulations applicable to the delivery of the Firm's products and services to clients and customers.

These compliance risks relate to a wide variety of laws, rules and regulations varying across the LOBs, Corporate and jurisdictions, and include those risks related to financial products and services, relationships and interactions with clients and customers, and employee activities.

For example, compliance risks include those associated with anti-money laundering compliance, trading activities, market conduct, and complying with the laws, rules and regulations related to the offering of products and services across jurisdictional borders. Compliance risk is also inherent in the Firm's and the Company's fiduciary activities, including the failure to exercise an applicable standard of care to act in the best interest of fiduciary clients and customers or to treat fiduciary clients and customers fairly.

Other functions provide oversight of significant regulatory obligations that are specific to their respective areas of responsibility.

Operational Risk and Compliance implements policies and standards designed to govern, identify, measure, monitor and test, manage, and report compliance risk.

*Governance and oversight*

Operational Risk and Compliance is led by the Firm's Chief Compliance Officer ("CCO") and the Firmwide Risk Executive for Operational Risk who reports to the Firm's CRO. The regional CCOR Heads, including the EMEA CCO, are part of this governance structure.

The Firm maintains oversight and coordination of its compliance risk through the implementation of the Compliance, Conduct, and Operational Risk ("CCOR") Management Framework. In the UK, the EMEA CCO is a member of the EMEA Management Committee and attends the Company Board Risk Committee.

*Code of Conduct*

The Firm has a Code of Conduct (the "Code") that sets out the Firm's expectation that employees will conduct themselves with integrity at all times. The Code provides the principles that helps govern employee conduct with clients, customers, suppliers, vendors, shareholders, regulators, other employees, as well as with the markets and communities in which the Firm and the Company operates. The Code requires employees to promptly report any potential or actual violation of the Code, any internal Firm policy, or any law or regulation applicable to the Firm's business. It also requires employees to report any illegal or unethical conduct, or conduct that violates the underlying principles of the Code, by any of the Firm's employees, consultants, clients, customers, suppliers, contract or temporary workers, or business partners, or agents.

Training is assigned to newly hired employees upon joining the Firm, and to current employees periodically thereafter on an ongoing basis. Employees are required to affirm their compliance with the Code annually. Employees can report any potential or actual violations of the Code through the Firm's Conduct Hotline (the "Hotline") by phone or the internet. It is administered by an outside service provider. The Code prohibits retaliation against anyone who raises an issue or concern in good faith.

**Conduct risk**

Conduct risk, a subcategory of operational risk, is the risk that any action or misconduct by an employee could lead to unfair client or customer outcomes, impact the integrity of the markets in which the Firm and the Company operates, harm employees or the Firm, or compromise the Firm's or Company's reputation.

*Overview*

Each LOB and Corporate Function is accountable for identifying and managing its conduct risk to provide appropriate engagement, ownership and sustainability of a culture consistent with the Firm's Business Principles.

**Risk management (continued)**

**Operational risk (continued)**

**Conduct risk (continued)**

*Governance and oversight*

The Firm maintains oversight and coordination of its conduct risk through the CCOR Management Framework.

The Firm has a senior forum that provides oversight of the Firm’s conduct initiatives to develop a more holistic view of conduct risks and to connect key programs across the Firm in order to identify opportunities and emerging areas of focus. This forum is responsible for setting overall program direction for strategic enhancements to the Firm's employee conduct framework and reviewing the consolidated Firmwide Conduct Risk Appetite Assessment.

Conduct risk management encompasses various aspects of people management practices throughout the employee life cycle, including recruiting, onboarding, training and development, performance management, promotion and compensation processes. Each LOB and each designated corporate function completes an assessment of conduct risk periodically, reviews metrics and issues which may involve conduct risk, and provides conduct education as appropriate.

**Legal risk**

Legal risk, a subcategory of operational risk, is the risk of loss primarily caused by the actual or alleged failure to meet legal obligations that arise from the rule of law in jurisdictions in which the Firm and the Company operates, agreements with clients and customers, and products and services offered by the Firm and the Company.

*Overview*

The global Legal function (“Legal”) provides legal services and advice to the Firm and the Company. Legal is responsible for managing the Firm’s exposure to legal risk by:

- Managing actual and potential litigation and enforcement matters, including internal reviews and investigations related to such matters;
- Advising on products and services, including contract negotiation and documentation;
- Advising on offering and marketing documents and new business initiatives;
- Managing dispute resolution;
- Interpreting existing laws, rules and regulations, and advising on changes to them;
- Advising on advocacy in connection with contemplated and proposed laws, rules and regulations; and
- Providing legal advice to the LOBs, Corporate and Board.

Legal selects, engages and manages outside counsel for the Firm on all matters in which outside counsel is engaged. In addition, Legal advises the Firm’s Conflicts Office which reviews the Firm’s wholesale transactions that may have the potential to create conflicts of interest for the Firm.

*Governance and oversight*

The Firm’s General Counsel reports to the CEO and is a member of the Operating Committee, the Firmwide Risk Committee and the Firmwide Control Committee. The Firm’s General Counsel and other members of Legal report on significant legal matters to the Firm’s Board of Directors and to the Audit Committee. Each region, including EMEA, has a General Counsel who is responsible for managing legal risk across all lines of business and functions in the region. Legal serves on and advises various committees and advises the Firm’s LOBs and Corporate on potential reputation risk issues.

**Risk management (continued)**

**Operational risk (continued)**

**Estimations and Model risk**

Estimations and Model Risk, a subcategory of operational risk, is the potential for adverse consequences from decisions based on incorrect or misused estimation outputs.

*Risk profile*

The Firm uses models and other analytical and judgment-based estimations across various businesses and functions. The estimation methods are of varying levels of sophistication and are used for many purposes, such as the valuation of positions and measurement of risk, assessing regulatory capital requirements, conducting stress testing, evaluating the allowance for credit losses and making business decisions. The model risk will generally increase according to the tiering of the model. As described below in more detail, tiering is based on complexity, exposure and reliance and is intended to capture the risk the model poses to the Firm.

*Risk management objectives*

The model risk management objectives are to identify, monitor, measure where possible and manage model risk as well as defining model risk policies and procedures including the following:

- Robust review of models in order to identify model risks;
- Ensure compensating controls are considered where necessary;
- Perform ongoing performance monitoring of models to ensure that they continue to perform throughout their life; and
- Ensure all models are adequately documented and tested.

*Approach to risk management*

Model risks are owned by the users of the models within the LOBs and Corporate based on the specific purposes of such models. Users and developers of models are responsible for developing, implementing and testing their models, as well as referring models to the Model Risk Governance and Review Group (“MRGR”), for review and approval. Once models have been approved, model users and developers are responsible for maintaining a robust operating environment and must monitor and evaluate the performance of the models on an ongoing basis. Model users and developers may seek to enhance models in response to changes in the relevant portfolios and in product and market developments, as well as to capture improvements in available modelling techniques and systems capabilities.

Models are tiered based on an internal standard according to their complexity, the exposure associated with the model and the Firm’s reliance on the model. This tiering is subject to the approval of MRGR. In its review of a model, MRGR considers whether the model is suitable for the specific purposes for which it will be used. When reviewing a model, MRGR analyses and challenges the model methodology and the reasonableness of model assumptions and may perform or require additional testing, including back-testing of model outcomes. Model reviews are approved by the appropriate level of management within the MRGR based on the relevant model tier.

Under the Firm’s Estimations and Model Risk Management Policy, MRGR reviews and approves new models, as well as material changes to existing models, prior to their use. In certain circumstances exceptions may be granted to the Firm’s policy to allow a model to be used prior to review or approval. MRGR may also require the user to take appropriate actions to mitigate the model risk if it is to be used in the interim. These actions will depend on the model and may include, for example, limitation of trading activity.

While models are inherently imprecise, the degree of imprecision or uncertainty can be heightened by the market or economic environment. This is particularly true when the current and forecasted environments are significantly different from the historical environments upon which the models were developed. This increased uncertainty may necessitate a greater degree of judgment and analytics to inform any adjustments that the Firm may make to model outputs than would otherwise be the case.

All models used with the Company are subject to the model governance principles outlined above. Specifically for the Internal Capital Adequacy Assessment Process ("ICAAP"), an additional local EMEA ICAAP Estimations Risk Governance procedure is in place specifying the roles and responsibilities related to model governance within the ICAAP process. As part of this procedure, an inventory of ICAAP estimation methods is maintained.

**Risk management (continued)**

**Reputation risk**

Reputation risk is the risk that an action or inaction may negatively impact perception of the Firm's integrity and reduce confidence in the Firm's competence by various stakeholders, including clients, counterparties, customers, communities, investors, regulators, or employees. Reputation risk is assessed and defined at the Firmwide level and is applicable to the Company.

The types of events that may result in reputation risk are wide-ranging and can be introduced by the Firm's employees, business strategies and activities, clients, customers, and counterparties with which the Firm does business. These events could contribute to financial losses, litigation, regulatory enforcement actions, fines, penalties or other sanctions, as well as other harm to the Firm.

*Organisation and management*

Reputation Risk Management is an independent risk management function that establishes the governance framework for managing reputation risk across the Firm's LOBs and Corporate. Reputation risk is inherently challenging to identify, manage, and quantify.

The Firm's reputation risk management function includes the following activities:

- Maintaining a Firmwide Reputation Risk Governance policy and a standard consistent with the reputation risk framework; and
- Providing oversight of the governance framework through processes and infrastructure to support consistent identification, escalation, and monitoring of reputation risk issues Firmwide.

*Governance and oversight*

The Reputation Risk Governance policy establishes the principles for managing reputation risk for the Firm. It is the responsibility of each LOB, Corporate function and employees to consider the reputation of the Firm when deciding whether to offer a new product, engage in a transaction or client relationship, enter a new jurisdiction, initiate a business process or consider any other activity.

Environmental impacts and social concerns are increasingly important considerations in assessing the Firm's reputation risk, and are a component of the Firm's reputation risk governance.

Reputation risk issues that are deemed to be material are escalated as appropriate.

**Risk management (continued)**

**Climate-related financial risk**

*Overview*

Climate risk is the risk associated with the impacts of climate change on the Firm's and the Company's clients, customers, operations and business strategy. Climate change is viewed as a driver of risk that may impact existing types of risks (credit and investment, market, operational and strategic) managed by the Firm and the Company. Climate risk is categorised into physical risk and transition risk.

Physical risk refers to economic costs and financial loss associated with a changing climate. Acute physical risk drivers include increased frequency or severity of climate and weather events, such as floods, wildfires and tropical cyclones. Chronic physical risk drivers include more gradual shifts in the climate, such as sea level rise, persistent changes in precipitation levels and increase in average ambient temperatures.

Transition risk refers to the financial and economic implications associated with a societal adjustment to a low-carbon economy. Transition risk drivers include possible changes in public policy, adoption of new technologies and shifts in consumer preferences. Transition risks may also be influenced by changes in the physical climate.

*Approach to managing climate risk*

The Company's approach to climate risk management is aligned with the Firmwide climate risk framework, which sets forth the Firm's approach to identifying, assessing, and managing the impacts of physical and transition risk drivers on the existing types of risk managed by the Firm. This Framework is comprised of six core Firmwide risk capabilities: Risk Governance, Risk Identification, Scenario Analysis, Risk Measurement, Data Management, and Reporting and Disclosures. The details of this Framework are available in the Firmwide 2023 Climate Report (available at www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/documents/Climate-Report-2023.pdf) (the "JPMC 2023 Climate Report").

An EMEA Legal Entity Climate Risk team has been established within the EMEA Chief Risk Office team to coordinate climate risk related deliverables for EMEA legal entities, including the Company. The EMEA Legal Entity Climate Risk team partners with the Firmwide Climate Risk Management function and other functions across the Firm to respond to regulatory requests and embed climate risk in the Company's risk management framework and to align with the Firmwide climate risk framework.

Given the Company's existing business activities as at December 2023 are limited to offering current and savings accounts to UK consumers and depositary services, no significant climate related risks are identified. As a result, climate risk scenario analysis is conducted only for the physical impact on the Company's operational locations and the financial impact of climate risk as a driver of risk types is assessed as minimal. This may change as the Company's business activities evolve in the future.

The Company is required to disclose climate-related financial information under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. Refer to page 34 for the Company's disclosure to comply with these regulations.

### Streamlined Energy and Carbon Reporting (unaudited)

The SECR disclosure presents our carbon footprint within the United Kingdom across Scope 1, 2 and 3 (mandatory and certain voluntary) business travel emissions. This also includes an appropriate intensity metric, the total energy use of electricity, gas, other energy fuel types and transport fuel, and an energy efficiency actions summary taken during the relevant financial year.

For 2023, the methodology for emissions calculations has been further improved, and additional details obtained on fuel consumption have been included due to continuous enhancements for data collection. All emissions and conversion factors are based on the latest published guidance from the Intergovernmental Panel on Climate Change's ("IPCC") Assessment Report ("AR") for Purchased Electricity and Global Warming Potentials ("GWP"), as well as, more appropriate sources for emission factors where impactful i.e., U.S. Environmental Protection Agency ("U.S. EPA"), International Energy Agency ("IEA"), Department for Environment, Food and Rural Affair ("DEFRA"), Comprehensive Environmental Data Archive ("CEDA"), California Air Resources Board ("CARB") and Carbon Disclosure Project ("CDP") are applied. More robust and up-to-date energy intensities for consumption estimations are utilised from IEA data on energy consumption to estimate region-specific heating fuel trends in 65+ countries. Additionally, the regularly updated Building Performance Database from the U.S. EPA is used to estimate heating and electricity energy usage intensity, which better reflects temporal changes in building energy efficiency. As a result, Fugitive emissions estimations due to refrigerant leaks in buildings are included, however, its consumption in kWh cannot be derived (as refrigerant is a heat transfer agent and not an energy source). Continuous enhancements for data collection, fuel consumption of Diesel is additionally included in 2023.

The table below shows the Company's energy use and associated Greenhouse Gas ("GHG") emissions aligned to the Greenhouse Gas Protocol.

| | 2023 | 2022 |
|---|---|---|
| **GHG Emissions (mtCO2e)[1,6]** | | |
| **Scope 1 – direct** | 128 | 107 |
| Natural gas[2] | 110 | 105 |
| Biofuels | 0.00005 | |
| Fugitive emissions | 17 | |
| Diesel | 1 | |
| Oil | 0.01 | |
| Transport - Fleet[4] | - | 2 |
| **Scope 2 (location) – indirect** | **224** | **201** |
| Purchased electricity | 224 | 201 |
| Purchased steam and chilled water | 0.001 | |
| **Scope 2 (market) – indirect** | **0.001** | |
| Purchased electricity[5] | - | - |
| Purchased steam and chilled water | 0.001 | |
| **Scope 3 (Business travel)** | **667** | **8** |
| Transport - Car services mandatory (Car Rentals, Car Rental Fuel[8], Personal Expensed Miles)[3,4] | 7 | 8 |
| Car Services - non mandatory (Rideshare)[8] | 39 | |
| Air[8] - non mandatory | 593 | |
| Rail[8] - non mandatory | 0.1 | |
| Hotel[8] - non mandatory | 28 | |
| **Total Scope 1, 2 (location) & 3 - mandatory[7]** | **360** | **316** |
| GHG emissions intensity[7] | 0.43 | 0.54 |
| **Total Scope 1,2 (market) & 3 - mandatory[5,7]** | **135** | **115** |
| GHG emissions intensity[5,7] | 0.16 | 0.19 |
| **Renewable Power (kWh)** | | |
| Electricity production (on-site solar)[9] | 10,620 | |
| Proportion of power use from renewable sources (production and instruments)[5] | 100% | 100% |
| **Energy Consumption (kWh)[1,6]** | | |
| Direct Energy | 610,291 | 527,782 |
| Natural gas[2] | 604,493 | 520,683 |
| Biofuels | 3 | |
| Fugitive emissions (cannot be estimated in kWh) | | |
| Diesel | 5,760 | |
| Oil | 35 | |
| Transport - Fleet[4] | - | 7,099 |
| Indirect Energy | 1,081,780 | 1,041,884 |
| Purchased electricity[5] | 1,081,776 | 1,041,884 |
| Purchased steam and chilled water | 4 | |
| Transport - Car Services mandatory (Personal Expensed Miles)[3,4] | 27,407 | 23,595 |
| Transport - Car services mandatory (Car Rentals, Car Rental Fuel[8])[3,4] (cannot be estimated in kWh) | | 8,877 |
| **Total Energy Consumption - mandatory (excludes-Air, Rail, Hotel, Rideshare)[1,6]** | 1,719,478 | 1,602,138 |

### Streamlined Energy and Carbon Reporting (unaudited) (continued)

In 2023, JPMC onboarded a new emissions management vendor and adopted a more granular calculation methodology, which has been applied from financial year 2023 onwards.

1. Operational approach has been used. GHG Emissions reporting are in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. The calculation method is Activity Data or Spend data x Emission Factor = GHG emissions. Activity x Conversion Factor = kWh consumption. Minor differences between actual and reported GHG emissions might occur due to rounding (not more than 1%).
2. Natural Gas consumption is based on gross Calorific Value ("CV") versus net CV from Financial year 2023 onwards and subsequently applicable emission factor is applied to obtain emissions.
3. Transport - Car Services mandatory (Car Rentals, Car Rental Fuel, Personal Expensed Miles) includes emissions from business travel where the company is responsible for purchasing the fuel. The approach has been changed for Car Rental to fuel spend based emissions from activity-based emissions due to data quality, auditability and availability of information at a legal entity level, however, consumption in kWh on spend data cannot be determined.
4. Transport (Fleet and Car services mandatory) data was calculated from distance travelled data to kWh and spend or distance travelled data to GHG emissions using the calculation method explained in 1. However, there is no existing fleet during financial year ending 2023. When calculating from distance travelled, the average car size DEFRA emission factor was applied to calculate emissions. Where spend data is available, the applicable country specific CEDA emissions factor is applied based on spend type (Car rental fee, Car Rental fuel, Rideshare).
5. The Company has a 100% ‘select renewable percentage’ supply contract with EDF Energy and other remaining purchased electricity is covered by International Renewable Energy Certificates (“I-RECs”) in the UK. The electricity supply is 100% sourced from zero-carbon energy. The supply has already been backed by Renewable Energy Guarantee of Origin (“REGOs”) and I-RECs for the whole of financial year 2022 and January to March 2023. Based on the assurance given by the supplier, the REGOs from April 2023 onwards should be made available in October 2024. Using the GHG Protocol Corporate Accounting and Reporting Standards’ market-based approach the above enables us to report “0 tCO2e” under Scope 2.
6. As our sites are occupied by headcount (full time employees and consultants) from different entities of the Firm, the consumption is divided based on the total number of headcount working on the specific site and then multiplied by the number of employees of the relevant entity. Consultants have been included in 2023, in addition to full time employees, as they fall within the operational boundary.
7. Based on the nature of the Company's business, as well as following the recommendations of the SECR legislation, the Company chose the following intensity metric: Headcount average, i.e. GHG intensity is a ratio of Total mandatory GHG emissions (Scope 1, 2 (location-based/market-based) and Scope 3 Car Services) (mtCO2e)/Headcount. Through the comparison of the two financial years, this metric shows the trend of the Company's energy efficiency.
8. Scope 3 Business Travel categories are now enhanced further to include certain voluntary categories, i.e., Air, Rail and Hotel. For Air, emission factors applied are based on distance travelled and ticket class type. For Rail, country or vendor specific emission factors are applied when calculating from distance travelled or spend data. For Hotel, country specific emission factors are applied to the hotel room nights. The Company continues to evaluate its GHG boundaries, e.g., Ride-share and Car rental fuel and correspondingly this is included from financial year 2023 onwards.
9. Renewable Power includes on site solar production in kWh. This has been additionally included in 2023.

### Energy Efficiency Actions Summary

The Company continues to achieve direct and indirect savings in energy and associated carbon emissions, through operational and technological improvements, including:

- LED replacement project for “Back of house” or non-desk office areas e.g., specific lift lobby areas, car parks and selective common areas
- Load-dependent redundancy shut-downs of UPS systems in energy efficient buildings to reduce the losses associated with each system
- Collaborated with energy provider EDF Energy to power our UK buildings with renewable energy, matching electricity consumption to renewable generation every minute of the day
- Replaced conventional lighting with new longer-lasting LED lights
- Installed smart controls to achieve more efficient energy usage
- Continued monitoring the occupation levels within UK buildings and adoption of organisation controls to reduce / cease operation of unnecessary locations
- Utilised air conditioning demand controls at low-occupancy buildings

For Firmwide Environmental and Social policies please refer to the Non-financial and sustainability information statement section on pages 34 - 36.

**Non-financial and sustainability information statement**

An overview of the environmental and social, human rights, employee, anti-bribery and anti-corruption policy aspects of nonfinancial reporting is provided below. The Company is subject to these policies which are established at a Firm level. A detailed description of the policies and processes adopted by the Firm may be found on the JPMorgan Chase website. www.jpmorganchase.com/impact/our-approach/policy-center

*Environmental Policy*

*Our Approach to ESG*

The finance sector has an important role to play in helping to address some of the most pressing environmental and social ("E&S") challenges of our time, primarily by supporting its clients and providing targeted capital to help scale solutions. Building off the foundation of our Business Principles, at Firmwide level, we are leveraging our expertise, capital, data and resources to advance inclusive growth, promote sustainable development, and support the transition to a low-carbon economy. ESG matters are an important consideration in how we do business, including how we develop our products and services, serve our customers, support our employees and help lift our communities.

The Company supports the Firm's efforts in achieving established targets on E&S matters.

*Climate Related Financial Disclosures*

Climate-related considerations are important to the Firm including the Company and its clients and stakeholders.

As outlined in Section 172(1) Companies Act 2006 statement and with consideration of the Company's existing business activities as at December 2023, it is the view of the directors that no significant climate related risks or opportunities are identified for the Company. As a result, no targets and KPIs are established, and the financial impact of climate risk is assessed as minimal. This may change as the Company's business activities evolve in the future. See the Climate-related financial risk section on page 31 for further details.

While there is no significant impact identified for financial reporting purposes, the Company supports and aligns with the measures the Firm is taking to address the climate challenge across its businesses including meeting client objectives, developing, and evolving strategies and programs to support the transition to a low-carbon economy.

The Firm discloses relevant data and metrics on its scope 1, 2 and 3 GHG emissions and energy consumption in its annual Climate Report, which is published annually and available at www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/documents/Climate-Report-2023.pdf.

For Company specific data and metrics refer to the SECR section on pages 32 - 33.

*Human Rights*

The Firm recognises that human rights issues are a significant global challenge and it is important that to consider human rights issues when making business decisions. While national governments bear primary responsibility to protect the human rights of their citizens, the Firm strives to respect and promote human rights with our employees, suppliers and clients, as guided by the United Nations Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights. The Firm seeks to comply with applicable legal requirements in the jurisdictions in which it operates, including Europe, Middle East and Africa.

To view the Firms' Human Rights Statement, including the Modern Slavery Act Group Statement, please visit www.jpmorganchase.com/about/our-business/human-rights.

**Non-financial and sustainability information statement (continued)**

*Corporate employee policy*

The Firm is committed to maintaining a safe, productive, inclusive, professional, collegial and secure work environment in which all individuals are treated with respect and dignity. Accordingly, no form of discrimination, harassment or inappropriate or abusive conduct is tolerated by or against employees, customers, vendors, contractors or any other individuals who conduct business with the Firm.

It is the Firm's policy to support and provide equal opportunity in accordance with applicable local law and in all areas of people management, including recruitment, employment, assignment, transfer, promotion, compensation, benefits and training. The Firm makes employment decisions based upon legitimate business criteria and the qualifications, skills and experience of individuals. The Firm prohibits discrimination, harassment, bias or prejudice in its terms and conditions of employment on the basis of an individual's race, colour, national origin/ancestry, ethnic origin, citizenship status, creed, religion, religious affiliation, age, sex or gender, intersex status, pregnancy, maternity, paternity, caring responsibilities, marital or relationship status, civil partnership, sexual orientation, transgender status, gender identity or expression, physical or mental disability or protected condition(s), genetic information, military/veteran status, being a victim of domestic violence, sexual assault, or abuse, being a victim of, or witness to a crime, membership in the Traveller community or any other community group protected under applicable local law or any other protected status under applicable federal, state and local law.

The Firm provides market-competitive compensation and benefits programs. The Firm's compensation philosophy provides the guiding principles that drive compensation-related decisions across the Firm, including pay-for-performance, responsiveness and alignment with shareholder interests, reinforcement of the Firm's culture and How We Do Business Principles, and integration of risk, controls and conduct considerations. This philosophy is incorporated into the Company's remuneration policy which also reflects local regulatory requirements.

The Firm's Code of Conduct and Equal Opportunity, Anti-Discrimination and Anti-Harassment Policy set out the Firm's commitments in relation to applications from disabled persons and to employees who are or become disabled persons during their employment, including in relation to training, career development and promotion

Additionally, the Firm conducts an employee opinion survey every year. This gives employees a chance to help shape the Firm's future by sharing their unique perspectives.

*Anti-bribery and Anti-corruption*

The Firm has zero tolerance for bribery and corruption, and is deeply committed to participating in international efforts to combat corruption. The Firm has established an Anti-Corruption Policy ("the Policy") that seeks to promote ethical business practices and requires compliance with applicable anti-corruption laws and regulation. The Firm has a published Commitment to Anti-Corruption Compliance which can be found on the JPMorgan Chase website: www.jpmorganchase.com/about/governance/esg.

The Firm has identified the key areas of corruption-related risk as including:

- The giving or receiving of anything of value, which includes offers of employment to individuals and a Firm-funded Sponsorship or Donation;
- Third parties acting on the Firm's behalf; and
- Transactions entered into by the Firm or by funds or accounts controlled or managed by the Firm.

**Non-financial and sustainability information statement (continued)**

*Anti-bribery and Anti-corruption (continued)*

The Policy therefore prohibits offering or giving anything of value (including gifts, hospitality, travel, employment, and work experience) and soliciting or accepting anything of value from anyone for a corrupt purpose, such as improper payments or benefits to government officials or private parties for a business advantage. The Policy further prohibits making facilitation payments to cause a government official to perform or expedite performance of a routine duty. Other key features of the Policy include requirements to:

- Obtain compliance review and approval before offering or giving anything of value to government officials (subject to certain thresholds relating to gifts and business hospitality);
- Keep accurate books, records, and accounts that relate to the business of the Firm, its clients, suppliers, and other partners;
- Conduct due diligence and oversight of intermediaries/agents, joint venture partners, and entities over which the Firm has or may obtain control or influence; and
- Report potential corruption-related issues (including through the Code Reporting Hotline), with a prohibition on retaliation against those who make good faith reports.

Any violation of the Policy may result in disciplinary action up to and including dismissal.

The Firm's Anti-Corruption Compliance Program ("the Program") is designed to implement the Policy's requirements, as well as identify, manage, and mitigate the risk of non-compliance with those requirements. Key components of the Program include:

- A governance structure managed by anti-corruption professionals with senior management oversight;
- Training and awareness activities;
- Monitoring and testing for compliance;
- Periodic assessment of corruption risks and control effectiveness; and
- Protocols for managing and reporting material issues.

**The Strategic Report on pages 2 - 36 was approved by the Board of Directors and signed on behalf of the Board by a Director of the Company.**

Sanoke Viswanathan

Sanoke Viswanathan

**Chief Executive Officer**
**16 April 2024**

# Directors' report

The directors present their report and the audited financial statements of J.P. Morgan Europe Limited for the year ended 31 December 2023. The Company is part of JPMorgan Chase & Co. (together with its subsidiaries, the "Firm"). The registered number of the Company is 00938937.

Please refer to the Strategic report where the business review, including future outlook, has been disclosed.

**Section 172(1) Companies Act 2006 Statement**

Section 172(1) Companies Act 2006 Statement is discussed in the Strategic report under the heading “Section 172(1) Companies Act 2006 Statement”.

**Results and dividends**

The results for the year are set out on page 57 and show the Company's profit for the financial year after taxation is £10 million (2022: £148 million loss).

The Company paid no dividend in 2023 (2022: £nil).

Please refer to the Strategic report for details on financial risk management, SECR reporting and corporate employee policy.

**Corporate Governance**

For details on corporate governance, please refer to the Corporate Governance report on pages 39 - 50.

**Directors**

The directors of the Company who served during the year and up to the date of signing the financial statements were as follows:

| | |
|---|---|
| Clive Adamson (Chair) | |
| Sanoke Viswanathan (CEO) | |
| Matthew Melling (CFO) | |
| Sanjiv Somani | (resigned 6 August 2023) |
| Sir Winfried Bischoff | (deceased 25 April 2023) |
| Ann Doherty | (resigned 1 February 2024) |
| Diane MacFarlane | (appointed 27 February 2024) |
| Jane Moran | (resigned 16 April 2024) |
| Lorraine Littell-Pape | |
| Melissa Di Donato Roos | |
| Keith Morgan CBE | |
| Kevin Watters | (appointment 15 April 2024) |

**Directors' interests**

None of the directors have any beneficial interest in the Company. The Company is a subsidiary of a company incorporated in England and Wales. The ultimate holding company is a body corporate incorporated outside England and Wales. The directors are not required to notify the Company of any interests in shares of that or any other body incorporated outside England and Wales.

**Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework”, and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the year, and that they provide the information necessary for members to assess the Company's position and performance, business model and strategy.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

# J.P. MORGAN EUROPE LIMITED
## Directors' report (continued)

**Statement of directors' responsibilities (continued)**

- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

**Directors' confirmations**

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Qualifying third party indemnity provisions**

An indemnity is provided to the directors of the Company under the by-laws of JPMorgan Chase & Co. against liabilities and associated costs which they could incur in the course of their duties to the Company. The indemnity was in force during the financial year and also at the date of approval of the financial statements. A copy of the by-laws of JPMorgan Chase & Co. is available from the registered office address of the Company.

**Company secretaries**

The secretaries of the Company who served during the year were as follows:

Hina Patel

J.P. Morgan Secretaries (UK) Limited

**Registered address**

The current registered address is as follows:

25 Bank Street
Canary Wharf
London
E14 5JP
England

**Independent auditors**

Pursuant to Section 487 of the Companies Act 2006, the independent auditors will be deemed to be reappointed. Following a rebranding exercise on 15 May 2023 the trading name of the Company's independent auditor changed from MHA MacIntyre Hudson to MHA, an independent member of Baker Tilly International Limited. MHA will therefore continue in office.

**The Directors' Report on pages 37 - 38 was approved by the Board of Directors and signed on behalf of the Board by a Director of the Company.**

Clive Adamson

**Chair**
**16 April 2024**

## Governance report

**Statement of Corporate Governance Arrangements**

This section is the Statement of Corporate Governance Arrangements required under Part 8 of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The statement should be read in conjunction with the Strategic report (pages 2 - 36).

The Company does not apply a single Corporate Governance Code but is required under the UK financial services regulatory regime to comply with a number of different regulations and regulatory expectations that relate directly or indirectly to corporate governance matters. In this Statement, the Company has highlighted the ways in which it complies with these requirements and expectations and, where appropriate, has mapped them to the Wates Corporate Governance Principles for Large Private Companies (the “Wates Principles”).

The Company (or, as applicable, the Firm), makes certain disclosures that include information about its governance. A list of those disclosures is at the end of this statement.

In addition, the Company is required to comply with provisions relating to its governance that do not require public disclosures to be made, including:

- EBA/ESMA Joint Guidelines on Management Body Suitability (the “Suitability Guidelines”);
- EBA Guidelines on Internal Governance (the “Internal Governance Guidelines”);
- The Senior Managers and Certification Regime under the Financial Services and Markets Act 2000 (the “SMCR”);
- PRA Supervisory Statement on Corporate governance: Board responsibilities (SS 5/16, as updated in July 2018, the “Supervisory Statement”);
- The principles set out in the FCA Handbook (the “FCA Principles”);
- The fundamental rules set out in the PRA Rulebook (the “PRA Fundamental Rules”); and
- Internal Capital Adequacy Assessment Process under the PRA ICAAP rules.

**Strategy, leadership and culture**

The Company has a Board of Directors which is accountable for overall oversight of the Company. The Board of Directors has responsibility for maintaining the safety and soundness of the Company, and for ensuring that the Company is acting within the strategy, values, standards and controls of the wider Firm. *(Wates Principles I: Purpose; II: Balance and Diversity; III: Accountability; IV: Opportunity, Risk)*

The directors are expected to act with honesty, integrity and independence of mind in assessing and challenging senior management, and to commit enough time to the role in order to perform these duties effectively, as required by the Suitability Guidelines. *(Wates Principles II: Balance and Diversity, Effectiveness)*

The Company has a schedule of Matters Reserved for the Board which requires that the Board defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management. This includes requirements that the Board will approve and oversee the Company's strategic objectives, risk strategy and internal governance, including the segregation of duties in the organisation and the prevention of conflicts of interest. *(Wates Principles I: Strategy; II: Effectiveness; III: Accountability)*

The Board reserves for itself the approval of significant changes to accounting policies and practices, and the approval of annual reports and financial statements. The Board also oversees compliance with regulations. *(Wates Principle III: Integrity of information)*

**Statement of Corporate Governance Arrangements (continued)**

**Strategy, leadership and culture (continued)**

The Board is supported in its work by four Board Committees, whose responsibilities are delegated by the Board and are described further below, and by the EMC.

- **UK Audit Committee** - The UK Audit Committee's membership is three independent non-executive directors of J.P. Morgan Securities plc (one of whom is also a director of the Company), chaired by Clive Adamson. The committee meets at least four times a year (in 2023, six times). Its purpose, delegated by the Board, includes oversight of the integrity of the financial statements; monitoring and reviewing internal financial controls and the effectiveness of the internal audit function; making recommendations with respect to the appointment, appraisal and independence of the external auditor of the Company; and overseeing the process for non-audit services. The Company's auditors attend the committee meetings to report on the status of their audit and any findings. This enables the committee to monitor the effectiveness of the auditors during the year.

- **J.P. Morgan Europe Limited Risk Committee** - The Company's Risk Committee membership is three independent non-executive directors, chaired by Keith Morgan CBE. The committee meets at least four times a year (in 2023, seven times). Its purpose, delegated by the Board, is to challenge and contribute to the development of the Company's risk strategy and review any significant risk decisions taken, while aligning the risk appetite of the Company to that of the Group. The committee's responsibilities include oversight of management's exercise of its responsibility to assess and manage the Company's key risks; an effective system of controls to evaluate and control such risks; capital and liquidity planning and analysis; and an effective risk management function.

- **J.P. Morgan Europe Limited Nomination Committee** - The committee is made up of three independent non-executive directors chaired by Clive Adamson. The committee meets at least two times a year (in 2023, three times). Its purpose, delegated by the Board, is to lead the process for Board appointments and to identify and nominate candidates to the Board, having considered the skills, knowledge, experience and diversity of the Board. It is also responsible for board succession planning.

- **UK Remuneration Committee** (the "UK RemCo") - The committee comprises of three independent non-executive directors chaired by Timothy Flynn. It meets at least two times a year (in respect of the 2023 Performance Year, twice plus an executive session). Its purpose, delegated by the Board, is oversight of compliance by the Company with UK and EU remuneration regulations.

**Board composition, suitability and effectiveness**

In selecting candidates as potential Board directors, the Board looks for individuals with strong personal attributes, diverse backgrounds and demonstrated knowledge, skills and expertise in one or more disciplines relevant to the Company's business. The goal is to have a Board consisting of individuals with a combination of skills, experience and personal qualities that will well serve it, its committees, the Firm and its shareholders. *(CRD IV Disclosures; Wates Principle II: Balance and Diversity, Size and Structure)*

In 2014 the Group set an internal target to achieve 30% representation of women on its boards in EMEA. The Company has formally adopted this target in a diversity statement approved by the Board and included in the terms of reference of its Nominations Committee. At 31 December 2023, female directors represented 50% of the Board. In addition to gender diversity, the statement addresses the need to consider other diverse attributes, including race, educational background and geographical provenance, in selecting Board members, as required by the Suitability Guidelines. *(Wates Principle II: Balance and Diversity)*

The role of the Chair and the Chief Executive Officer are held by different individuals, as expected by the PRA under the Supervisory Statement. *(Wates Principle II: Chair)*

As required by the Suitability Guidelines and expected by the PRA under the Supervisory Statement, the composition and suitability of the Board and the suitability of its members are regularly reviewed, and any resulting recommendations are considered and, where approved, implemented. The Company has appointed four independent non-executive directors to oversee and challenge the executive management. *(Wates Principle II: Balance and Diversity, Size and Structure)*

### Statement of Corporate Governance Arrangements (continued)

### Board composition, suitability and effectiveness (continued)

The current directors of the Board are:

| | |
|---|---|
| **Clive Adamson**<br>(Board Chair) | Independent Non-Executive Director, Chair of the Board, Nomination Committee and UK Audit Committee, member of the Risk Committee and Remuneration Committee |
| **Sanoke Viswanathan** | Director and Chief Executive Officer |
| **Matthew Melling** | Director and Chief Financial Officer ("CFO") |
| **Diane MacFarlane** | Executive Director |
| **Lorraine Littell-Pape** | Non-Executive Director |
| **Melissa di Donato Roos** | Independent Non-Executive Director and member of the Nomination Committee |
| **Keith Morgan CBE** | Independent Non-Executive Director, Chair of the Risk Committee, member of the UK Remuneration Committee and member of the Nomination Committee |
| **Kevin Watters** | Independent Non-Executive Director and member of the Risk Committee |

*(Wates Principle II: Balance and Diversity, Size and Structure)*

**Statement of Corporate Governance Arrangements (continued)**

**Executive governance**

A regional governance structure has been established to allow the Board to delegate certain matters, not included in the Matters Reserved for the Board, to a governance framework. The Board monitors and periodically assesses the effectiveness of this governance framework and takes appropriate steps to address any deficiencies. The Board may also delegate levels of authority to senior management and has responsibility for providing effective oversight of these individuals. *(Wates Principle III: Accountability)*

The Board delegates certain matters to a number of key regional committees, including for regional risk control and oversight. The EMEA governance framework connects legal entity, line of business and global governance structures. The key committees of relevance are the EMEA Management Committee, the ERC, the EMEA Regional Oversight Committee, the EMEA Assets and Liabilities Committee and the EMEA Capital Committee. *(Wates Principle IV: Risk)*

The Company is required under the SMCR to submit a Management Responsibilities Map to the PRA, which includes detailed descriptions of the Firmwide, regional and legal entity governance committees and the delegation, reporting and escalation lines between them. This information is also included in the ICAAP submitted to the PRA by the Company's regional parent, J.P. Morgan Capital Holdings Limited. These regulatory submissions allow the PRA to review the Company's governance arrangements and facilitate an open dialogue with the PRA on the effectiveness of those arrangements. *(Wates Principle III: Committees; VI: Stakeholders)*

**Board and director responsibilities**

In addition to their duties under the Companies Act 2006, the Company's directors have responsibilities under the SMCR. The directors who hold executive positions or who are the chair of the Board or a Board committee have been approved and registered as Senior Managers by the PRA and FCA. The SMCR requires that each of these directors sets out their responsibilities (including any prescribed responsibilities under SMCR) in a Statement of Responsibilities; these are then aggregated and mapped, together with the responsibilities of non-director Senior Managers, into a Management Responsibilities Map. The Statements of Responsibilities and the Management Responsibilities Map are periodically updated and filed with the regulators when any material change is made.

Non-executive directors who are not Senior Managers are notified to the regulators and are subject to certain conduct rules in the FCA Handbook and the PRA Rulebook.

The Firm has established a Global Corporate Governance Policy – Firmwide that sets out the expectations that the Firm has of the directors of the material entities within the Firm; this policy applies to the Company. Its provisions cover, among other things, Board meeting attendance and Board composition. The policy seeks to establish an internal governance framework, as set out in the Internal Governance Guidelines.

*(Wates Principles II, Size and Structure, Effectiveness; III, Accountability)*

**Statement of Corporate Governance Arrangements (continued)**

**Risk management and long-term sustainability**

*Risk Management Framework*

Risk is an inherent part of JPMorgan Chase's business activities. When the Firm extends a consumer or wholesale loan, advises customers and clients on their investment decisions, makes markets in securities, or offers other products or services, the Firm takes on some degree of risk. The Firm's overall objective is to manage its businesses, and the associated risks, in a manner that balances serving the interest of its clients, customers and investors and protects the safety and soundness of the Firm.

The Firm and the Company believe that effective risk management requires:

- Acceptance of responsibility, including escalation of risks by all individuals within the Firm;
- Ownership of risk identification, assessment, data and management within each line of business ("LOB") and Corporate; and
- A Firmwide risk governance and oversight structure.

The Firm follows a disciplined and balanced compensation framework with strong internal governance and independent oversight by the Board of Directors. The impact of risk and control issues is carefully considered in the Firm's performance evaluation and incentive compensation processes. (see Remuneration below).

The Firm's risk governance framework is managed on a Firmwide basis. The Firm has an Independent Risk Management ("IRM") function, which is comprised of Risk Management and Compliance.

The Firm's Chief Executive Officer appoints, subject to approval by the Risk Committee of the Board of Directors (the "Board Risk Committee"), the Firm's Chief Risk Officer ("CRO") to lead the IRM function and maintain the risk governance framework of the Firm. The framework is subject to approval by the Board Risk Committee through its review and approval of the Risk Governance and Oversight Policy.

The Firm's CRO oversees and delegates authority to the Firmwide Risk Executives ("FREs"), the Chief Risk Officers of the LOBs and Corporate ("LOB CROs"), and the Firm's Chief Compliance Officer ("CCO"), who, in turn, establish Risk Management and Compliance organizations, develop the Firm's risk governance policies and standards, and define and oversee the implementation of the Firm's risk governance framework. The LOB CROs oversee risks that arise in their LOBs and Corporate, while FREs oversee risks that span across the LOBs and Corporate, as well as functions and regions. Each area of the Firm giving rise to risk is expected to operate within the parameters identified by the IRM function, and within the risk and control standards established by its own management.

*Three lines of defence*

The Firm's "three lines of defence" are as follows: The first line of defence consists of each LOB, Treasury and CIO, and certain Other Corporate initiatives, including their aligned Operations, Technology and Control Management. The first line of defence owns the identification of risks within their respective organizations and the design and execution of controls to manage those risks. Responsibilities also include adherence to applicable laws, rules and regulations and implementation of the risk governance framework established by IRM, which may include policies, standards, limits, thresholds and controls.

The second line of defence is the IRM function, which is separate from the first line of defence and is responsible for independently measuring risk, as well as assessing and challenging the risk management practices of the first line of defence. IRM is also responsible for the identification of risks within its respective organization, adherence to applicable laws, rules and regulations and for the development and implementation of policies and standards with respect to its own processes.

The third line of defence is Internal Audit, an independent function that provides objective assessment of the adequacy and effectiveness of Firmwide processes, controls, governance and risk management. The Internal Audit function is headed by the General Auditor, who reports to the Audit Committee and administratively to the CEO.

In addition, there are other functions that contribute to the Firmwide control environment but are not considered part of a particular line of defence, including Finance, Human Resources and Legal. These other functions are responsible for the identification of risks within their respective organizations, adherence to applicable laws, rules and regulations and implementation of the risk governance framework established by IRM. *(Wates Principle IV: Risk)*

**Statement of Corporate Governance Arrangements (continued)**

**Risk management and long-term sustainability (continued)**

*Risk identification and ownership*

The LOBs and Corporate own the identification of risks within their respective organizations, as well as the design and execution of controls, including IRM-specified controls, to manage those risks. To support this activity, the Firm has a risk identification framework designed to facilitate each LOB and Corporate's responsibility to identify material risks inherent to the Firm's businesses and operational activities, catalog them in a central repository and review material risks on a regular basis. The IRM function reviews and challenges the LOB and Corporate's identified risks, maintains the central repository and provides the consolidated Firmwide results to the Firmwide Risk Committee ("FRC") and the Board Risk Committee.

The independent status of the IRM function is supported by a risk governance and oversight structure that provides channels for the escalation of risks and issues to senior management, the FRC, and the Board of Directors, as appropriate.
*(Pillar 3 Disclosures; Wates Principles II: Committees; IV: Risk, Responsibilities)*

*Regional Risk Governance*

To complement the global LOB structure, there is a regional governance construct as below:

- The EMEA Risk Committee ("ERC") provides oversight of the risks inherent in the Firm's business conducted in EMEA or booked into EMEA entities and relevant branches as well as EMEA branches of ex-EMEA firms.
- The ERC is accountable to the EMC and the boards, Risk Committees and Oversight Committees of the relevant legal entities. It reports to the FRC, the HR Control Forum, in addition to the EMC and the relevant legal entity Boards.
- The International Consumer Business Risk Committee ("ICBRC") provides oversight of the risks inherent in the Company's International Consumer Banking. The Committee is sub-committee of the ERC and also escalates matters to the Firmwide Risk Committee.
- The Company's CRO is a member of the ERC and the ICBRC.

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

*(Wates Principle IV: Responsibilities)*

*Risk Appetite*

The Firm's overall appetite for risk is governed by "Risk Appetite" frameworks for quantitative and qualitative risks. The Firm's risk appetite is periodically set and approved by senior management (including the CEO and CRO) and approved by the Board Risk Committee. Quantitative and qualitative risks are assessed to monitor and measure the Firm's capacity to take risk consistent with its stated risk appetite. Risk appetite results are reported to the JPMC Board Risk Committee.

The Company has its own risk appetite policy including quantitative and qualitative parameters leveraging the Firm's framework and approved annually by its Board. The ERC and the Company's Board Risk Committee review the risk appetite parameters quarterly. *(Wates Principle I: Strategy; Wates Principle IV: Opportunity, Risk, Responsibilities)*

*Internal Capital Adequacy Assessment Process*

The Company completes an ICAAP on a periodic basis (which forms part of the ICAAP submitted to the PRA by J.P. Morgan Capital Holdings Limited), which provides management with a view of the impact of severe and unexpected events on earnings, risk-weighted assets and capital. The Company's ICAAP integrates stress testing protocols with capital planning. The process assesses the potential impact of alternative economic and business scenarios on the Company's earnings, capital resources, risk-weighted assets and balance sheet. These scenarios are articulated in terms of macroeconomic factors, which are key drivers of business results; global market shocks, which generate short-term but severe trading losses; and idiosyncratic operational risk events. The scenarios are intended to capture and stress key vulnerabilities and idiosyncratic risks facing the entities in scope. However, when defining a broad range of scenarios, realised events can always be worse. ICAAP results are reviewed by management and challenged and approved by the Company's Board. *(Wates Principle IV: Risk, Responsibilities; VI: Stakeholders)*

**Statement of Corporate Governance Arrangements (continued)**

**Risk management and long-term sustainability (continued)**

*Individual Liquidity Adequacy Assessment Process ("ILAAP")*

The ILAAP provides a holistic understanding of liquidity and funding risk management for the Company (which forms part of the ILAAP submitted to the PRA for J.P. Morgan Capital Holdings Limited) and sets out its risk appetite, strategy, liquidity and risk management frameworks and stress testing. It is completed on at least an annual basis and assesses the material sources of and uses of funding as well as the liquidity risks to which the Company is exposed demonstrating how these risks are measured, managed, monitored and mitigated. The ILAAP additionally considers how underlying risks are captured within both regulatory and internal liquidity stress testing and concludes how much liquidity the Company should hold to reflect these risks. Overall, the objective of the ILAAP is to demonstrate the Company maintains an appropriate funding profile and holds sufficient liquid assets to withstand a range of stressed scenarios that span different time horizons and severities whilst continuing to meet projected business activities. The ILAAP results are reviewed by management and challenged and approved by the Company's Board. *(Wates Principle IV: Risk, Responsibilities; VI: Stakeholders)*

*New Business Initiatives*

For new products and services, failure to identify new or changed risks may expose the Firm to financial loss or harm its reputation. Accordingly, the New Business Initiative Approval ("NBIA") policy provides a framework that governs the review and approval of new or materially changed products and services, while making sure that risks are identified, measured, monitored and controlled. LOBs are authorised to introduce new products, services and processes and are responsible for the new products and services they introduce.

Under the NBIA policy, the business is required to undertake an analysis of the economic, regulatory and legal entity capital impact of the new business, as appropriate. Sign-offs for NBIAs impacting the Company include Compliance, Legal, Risk, Operational Risk, Finance, Corporate Tax, Treasury, Technology and Operations. *(Pillar 3 Disclosures; Wates Principle IV: Opportunity, Risk, Responsibilities)*

**ESG Governance**

The Firm's corporate governance practices help us serve the interests of our stakeholders, including customers, clients, employees, shareholders, and communities. The Firm believes that its Business Principles are fundamental to our success, which focus on how we strengthen, safeguard, and grow our company over time. These principles apply consistently across Lines of Business and geographies where we operate. At the Firm, we assess our governance structures, processes, and controls, as appropriate, and as we continue to advance our understanding of climate-related matters.

**Board Oversight**

The Board is responsible for oversight of the business affairs of the Company and considers ESG matters, including those related to environmental sustainability and climate.

**Senior Management**

The Firm's most senior management body is the Operating Committee ("OC"), which is composed of our CEO, CRO, CFO, General Counsel, CEOs of each of the Line of Business and other senior executives. The OC and Firm Board of Directors receive updates from the CRO, the Global Head of Sustainability, the Global Head of the Corporate Advisory and Sustainability Solutions ("CASS") and other senior leaders on climate-related initiatives, as appropriate.

The Company's most senior management body is the EMC. The EMC is composed of our regional CEO, CRO, CFO, General Counsel, regional CEOs of each of the LOBs and other senior executives. The EMC and Board of Directors receive updates from the EMEA CRO, the EMEA Head of ESG, and other senior leaders on climate-related initiatives, as appropriate.

**Statement of Corporate Governance Arrangements (continued)**

**Remuneration**

*Compensation Philosophy*

The Firm’s Business Principles and culture are fundamental to the Firm’s success in how the Firm does business over the long-term. Guided by these Business Principles, the Firm’s compensation philosophy is fundamental to the Firm’s goals of attracting, retaining, and motivating the Firm’s workforce in a competitive market. The Firm’s compensation philosophy provides the guiding principles that drive compensation-related decisions across all levels of the Firm.

The table below sets forth a summary of that philosophy:

| **Compensation Philosophy** | |
|---|---|
| **Paying for performance and aligning with shareholders’ interests** | • In making compensation-related decisions, the Firm focuses on risk-adjusted performance (the Firm’s risk and control professionals help contextualise the risk taken to achieve the return) and rewards behaviours that generate sustained value for the Firm. This means that compensation should not be overly formulaic, rigid or focused on the short term. |
| **Encouraging a shared success culture** | • Teamwork and leadership should be encouraged and rewarded to foster a culture that supports our Business Principles.<br>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** | • The Firm’s long-term success depends on the talents of its employees. The Firm’s compensation philosophy plays a significant role in its ability to attract, properly motivate and retain top and diverse talent.<br>• Competitive and reasonable compensation should help attract and retain the best talent to grow and sustain the Firm’s business.<br>• Diversity, equity and inclusion priorities and progress are incorporated into year-end performance evaluations and compensation decisions for Operating Committee members and a select group of senior leaders. |
| **Integrating risk management and compensation** | • Risk management, compensation recovery, and repayment policies should be robust and designed to encourage behaving with standards of integrity that are required by the Firm’s culture and Business Principles. Excessive risk-taking should be deterred.<br>• Conduct matters should be reviewed following Firmwide frameworks.<br>• Recoupment policies should include recovery of cash and equity compensation.<br>• The Firm’s pay practices must comply with applicable rules and regulations, both in the U.S. and globally. |
| **No special prerequisites and non-performance based compensation** | • Compensation should be straightforward and consist primarily of cash and equity incentives.<br>• The Firm does not have special supplemental retirement or other special benefits just for executives, nor does it have any change in control agreements, golden parachutes, merger bonuses, or other special severance benefit arrangements for executives. |
| **Maintaining strong governance** | • Strong corporate governance is fostered by independent oversight of the executive compensation program by the Compensation and Management Development Committee ("CMDC"), including defining the Firm’s compensation philosophy, reviewing and approving the Firm’s overall incentive compensation pools, and approving compensation for the Operating Committee, including the terms of compensation awards.<br>• The Firm has a rigorous process in place to review risk, control and conduct issues at the Firm, line of business, function, and regional level, which can impact compensation pools as well as reduce compensation at the individual level, in addition to other employee actions. |
| **Transparency with shareholders** | • Transparency to shareholders regarding the Firm’s executive compensation program is important. The Firm discloses all material terms of its executive pay program, and any actions on the part of the Firm in response to significant events, as appropriate. |

*(Wates Principle V: Setting remuneration, Policies)*

**Statement of Corporate Governance Arrangements (continued)**

**Remuneration (continued)**

*Alignment of practices with compensation philosophy*

The Firm believes the effectiveness of its compensation program is dependent on the alignment of sound pay-for-performance practices with its compensation philosophy as illustrated in the table below:

| **Alignment of pay practices with compensation philosophy** | |
|---|---|
| **Principles-based compensation philosophy**<br>Guiding principles that drive compensation-related decision-making across all levels of the Firm. | **Competitive Benchmarking**<br>The Firm benchmarks pay levels and pay practices against relevant market data. |
| **Robust anti-hedging/anti-pledging provisions**<br>Strict prohibition on hedging and pledging of unvested awards on shares owned. | **Responsible use of equity**<br>The Firm used less than 1% of weighted average diluted shares in 2022 for employee compensation. |
| **Strong Clawback Provisions**<br>Comprehensive recovery provisions enable the Firm to cancel or reduce unvested awards and require repayment of previously awarded compensation, if appropriate. | **Risk, Controls and Conduct impact pay**<br>The Firm considers material risk, controls and conduct issues and makes adjustments to compensation, if appropriate |
| **Pay-at-Risk**<br>Appropriately balanced short-, medium-, and long-term incentives linked to long-term, sustainable value, safety and soundness. | **Robust Shareholder Engagement**<br>Each year, the Firm provides the Board of J.P. Morgan Chase & Co. with feedback from shareholders on a variety of topics, including the Firm’s compensation programs and practices. |

*(Wates Principle V: Setting Remuneration, Policies)*

*Remuneration Governance*

The UK RemCo, which is a committee of the Company’s Board, reviews the remuneration policy applicable to the Company (the “Remuneration Policy”) on an annual basis, and oversees its implementation. The UK RemCo last reviewed the Remuneration Policy in December 2023 and was satisfied with its implementation. That policy is subject to independent oversight and control by the CMDC, a committee of the Board of J.P. Morgan Chase & Co., the Company’s ultimate parent company. The UK RemCo held two meetings in respect of the 2023 Performance Year, plus its annual executive session.

The CMDC oversees the Group’s compensation programs on an ongoing basis throughout the year, which enables the programs to be proactive in addressing both current and emerging developments and challenges. *(Wates Principle V: Policies, Delegating remuneration decisions, Subsidiary companies)*

**Statement of Corporate Governance Arrangements (continued)**

**Relationships with stakeholders**

The JPMorgan Chase Board, as a group or as a subset of one or more directors, meets periodically throughout the year with the Firm's shareholders, employees and regulators, and with non-governmental organisations, and other persons interested in the Firm's strategy, business practices, governance, culture and performance and ESG and climate-related matters.

*JPMorgan Chase shareholder engagement*

The Firm engages with institutional and retail shareholders, fixed-income investors, proxy advisory firms, ESG firms and industry thought leaders. Engagement opportunities include the Annual Investor Day, quarterly earnings calls, investor conferences, the Annual Shareholder Meeting (along with the related Proxy Statement) and the twice-yearly Shareholder Outreach Program. In addition, JPMC communicates with shareholders through its Annual Report, Securities & Exchange Commission filings, press releases, the JPMC website and the Environmental Social and Governance Report ("ESG Report") *(Wates Principle VI: External impacts, Stakeholders)*

*Engagement with employees*

The JPMorgan Chase Business Principles set out the Firm's principles relating to A Great Team and Winning Culture.

The JPMorgan Chase Board is committed to maintaining a strong corporate culture that instils and enhances a sense of personal accountability on the part of all of the Firm's employees. In addition to discussions at Board meetings with senior management about these efforts, JPMorgan Chase directors participate in meetings with employees to emphasise this commitment. These meetings include employee town halls, LOB and leadership team events, annual senior leaders' meetings and informal sessions with members of the JPMorgan Chase Operating Committee and other senior leaders. In addition, the Firm conducts a periodic Employee Opinion Survey, the results of which are shared with the Company's Board for discussion and feedback is taken and actioned upon by management. *(Wates Principles II: Balance & Diversity, VI: Workforce)*

*Engagement with regulators*

The Company's Board and senior leaders commit significant time to meeting with regulators from the UK and from other countries. Frequent interaction helps the Company learn first-hand from regulators about matters of importance to them and their expectations of the Firm. It also gives the Company's Board and management a forum for keeping our regulators well-informed about the Company's performance and business practices. (Wates Principle VI: Stakeholders)

Under the FCA Principles and the PRA Fundamental Rules, a firm must deal with its regulators in an open and cooperative way, and must disclose to the FCA/PRA appropriately anything relating to the firm of which that regulator would reasonably expect notice. In adhering to this principle, the Company's directors and senior managers (under SMCR) regularly meet with the PRA and the FCA to discuss matters relating to the regulatory supervision of the Company. *(Wates Principle VI: Stakeholders)*

*Relationships with Customers and Suppliers*

The Company is committed to always deal fairly, ethically and in good faith with its customers, suppliers, competitors, business partners, regulators and employees. Discrimination, harassment or inappropriate or abusive conduct by or against its stakeholders is not tolerated. In addition to compliance with applicable laws and regulations, the Company expects all its employees to hold themselves to the highest standards of ethical conduct and has put in place comprehensive policies and procedures to monitor culture and conduct within the organisation. Trust is essential to the organisation's business success and particular focus has been put on being a reliable steward of customers and suppliers' information, whether that information relates to financial, personal or business matters.

The Company works to achieve a competitive advantage through superior products and services, never through unethical or illegal business practices. The organisation prohibits taking unfair advantage of any of its stakeholders through manipulation, concealment, abuse of privileged or confidential information, misrepresentation of material facts or any other unfair dealings or practices. In addition, the Company has fiduciary obligations to its clients to act in their best interest and avoids or otherwise addresses through controls, disclosures or other appropriate steps, any actual or potential conflicts of interest. Accountability, transparency and integrity are the cornerstones of doing good business, which includes simplifying disclosures, products and operations, and effectively managing Environmental, Social and Governance matters. This preserves the organisation's reputation for integrity. In line with UK legal requirements, the Company discloses its payment practices information on a semi-annual basis. *(Wates Principle VI: Stakeholders)*

**Statement of Corporate Governance Arrangements (continued)**

**Relationships with stakeholders (continued)**

*Relationships with Customers and Suppliers (continued)*

The JPMC Business Principles set out the Firm's Focus on the Customer:

- Exceed expectations by listening to customers and anticipating their needs, making it easy for them to do business with us;
- Earn trust by always focusing on customers' best interests; high-quality customers will grow along with the Company;
- Give customers a good, fair deal – offer high-quality, competitively priced products and services;
- Consider the full range of products and services that will fit customer needs, cross selling when appropriate;
- Never allow short-term profit considerations to get in the way of doing what's right for the customer; and
- Use our own products – when it comes to understanding the customer, nothing beats being a customer.

*(Wates Principle VI: Stakeholders)*

*Engagement with the community*

The Firm endeavours to promote inclusive economic growth and opportunity in communities where it operates. The Firm also works to advance environmental sustainability within its business activities and facilities. The Company's Board works to support the UK as part of those endeavours.

**Statement of Corporate Governance Arrangements (continued)**

**Relationships with stakeholders (continued)**

*Engagement with the community (continued)*

In the UK we support:

- Young people from low-income backgrounds to make informed career decisions; build employability skills; and access work experience, traineeships and employment opportunities in resilient sectors. We have been funding with the Social Mobility Foundation ("SMF") since 2012 to deliver Aspiring Professional Programme, which supports high-achieving young people aged 16-17 from low-income families across the UK with training, quality work experience and mentoring including at JPMC to improve their ability to access top universities and professional careers.
- Low-income households to prepare for future financial shock and manage income instability. In 2021, we joined forces with Fair4AllFinance and HM Treasury to create the first No Interest Loan Scheme (average size £500) which looks to explore the potential for new financial products to expand credit availability to very-low income groups across the UK.
- Underserved small businesses in London to start, adapt, and grow their business, with the aim to create local jobs, revitalise communities and make local economies more diverse and inclusive. We target underserved entrepreneurs experiencing socioeconomic disadvantage and barriers to grow their business, including female- and ethnic minority-led businesses. Since 2018, together with Capital Enterprise, through the OneTech initiative, we have been connecting tech and digitally enabled startups founded by women and entrepreneurs from underrepresented ethnic backgrounds to investment opportunities and business support.
- The communities we serve, through the second year of our partnership with the National Literacy Trust (“NLT”). In 2023, we transformed and enhanced another 156 libraries, reaching over 50,000 children in an additional seven underserved areas in the UK. We launched an internal volunteer programme with the NLT, where our employees helped to set up 17 libraries at schools across Edinburgh and London. Engineers from Chase took part in an NLT-specific programme delivering a much-needed technology solution for the charity. This was part of the Firm’s Tech for Social Good “Force for Good” initiative.

*(ESG Report; Corporate Responsibility Report; Wates Principle VI: Stakeholders)*

*Further Information*

For further information on the corporate governance related disclosures made by the Company, please see:

- JPMorgan Chase & Co. Business Principles: www.jpmorganchase.com/about/our-business/business-principles
- JPMorgan Chase & Co. Annual Meeting of Shareholders Proxy Statement: www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/investor-relations/documents/proxy-statement2023.pdf
- Capital Requirements Directive IV (2013/36/EU, “CRD IV”) governance disclosures: www.jpmorgan.com/content/dam/jpm/global/disclosures/by-region/crd4_governance.pdf
- Pillar 3 disclosures under CRD IV and the Capital Requirements Regulation (EU 575/2013): https://jpmorganchaseco.gcs-web.com/ir/sec-other-filings/basel-pillar-and-lcr-disclosures/pillar-uk
- Gender Diversity on EMEA Boards Disclosures: www.jpmorgan.com/disclosures/crd4
- Environmental Social and Governance Report: www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/documents/jpmc-esg-report-2023.pdf
- Transparency Statement under s.54 of the Modern Slavery Act 2015: www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/documents/jpmc-fy22-modern-slavery-group-statement.pdf[1]

Clive Adamson

**Chair**
**16 April 2024**

[1] This links to the 2022 edition of the statement. The 2023 report is expected to be published in June 2024.

# Independent auditors' report to the members of J.P. Morgan Europe Limited

***Independent auditors' report to the members of J.P. Morgan Europe Limited***

For the purpose of this report, the terms "we" and "our" denote MHA in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of J.P. Morgan Europe Limited. For the purposes of the table on pages 52 to 53 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA. The "Company" is defined as J.P. Morgan Europe Limited. The relevant legislation governing the Company is the United Kingdom Companies Act 2006 ("Companies Act 2006").

**Opinion**

We have audited the financial statements of the Company for the year ended 31 December 2023. The financial statements that we have audited comprise:
- the Income statement
- the Statement of comprehensive income
- the Statement of financial position
- the Statement of changes in equity, and
- Notes 1 to 32 of the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the company's financial statements is applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework").

In our opinion the financial statements:
- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework"); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Our opinion is consistent with our reporting to the Audit Committee.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Directors' use of the going basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included but not limited to:

- The consideration of inherent risks to the Company's operations and specifically its business model including the evaluation of how those risks might impact on the Company's available financial resources.
- Making enquiries of the Directors to understand the basis for the period of assessment considered by them, the assumptions they considered and their implication on the Company's future financial performance, liquidity, and capital adequacy.
- Where additional resources may be required, the reasonableness and practicality of the assumptions made by the Directors when assessing the probability and likelihood of those resources becoming available.
- Liquidity considerations including examination of the Company's cash flow projections and liquidity risk management in view of its regulatory obligations.
- Understanding and evaluating the current and forecast financial position, regulatory capital adequacy and liquidity, including internal stress tests performed on these.
- Evaluation of the strategic plans of the Company, and the supporting financial forecasts.
- Reading regulatory correspondence, minutes of meetings of the Audit and Compliance Committee and the Board of Directors and performing post balance sheet events' review to identify events of conditions that may impact the Company's ability to continue as a going concern.
- Reading and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

# Independent auditors' report to the members of J.P. Morgan Europe Limited

**Overview of our audit approach**

| | |
|---|---|
| **Scope** | Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement. |

| **Overall Materiality** | **2023** | **2022** | |
|---|---|---|---|
| | £14m | £14m | 1% (2022: 1%) of net assets |

| **Key Audit Matter** | |
|---|---|
| **Recurring** | Intercompany transactions: cost and income attributions |

**Key Audit Matters**

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those matters which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

***Intercompany transactions: Cost and income***

| | |
|---|---|
| **Key audit matter description** | J.P. Morgan Europe Limited ("JPMEL") is party to a number of intercompany arrangements with different members of JPMorgan Chase and Co ("JPMC Group"). In addition, JPMEL operates Chase UK using an online platform provided by JP Morgan Chase Bank, N.A ("CBNA"). As such there are material income and expenses of JPMEL arising from these intercompany arrangements.<br><br>Material income and expenses of the Company in the period arose from intercompany arrangements. The total value of intercompany transactions in scope of this KAM are £7m income (2022: £6m) and £136m costs (2022: £94m).<br><br>The key areas we identified as having the most significant impact on these intercompany transactions were:<br><br>• The method and basis of allocation of intercompany transactions; and<br>• Governance arrangements in respect of intercompany services. |
| **How the scope of our audit responded to the key audit matter** | We performed the controls procedures described below:<br><br>• Obtained an understanding of the processes and controls over the allocation of intercompany costs and income. We tested the design, implementation and operating effectiveness of those controls.<br><br>We performed the substantive procedures described below:<br><br>• Obtained and reviewed minutes of key governance meetings to understand the strategic changes and developments affecting the Company, and the nature of its relationship with other entities within the J.P. Morgan Chase Group.<br>• Obtained and reviewed key polices that govern intercompany arrangements and existing transfer pricing arrangements. In performing these procedures, we involved our tax specialists.<br>• Performed detailed testing on a sample basis of costs and income attributions to the Company. This included assessing the reasonableness of the basis of allocating those costs and income considering the agreements governing intercompany arrangements, the business rationale and information supporting the legal entity costs or income allocation.<br>• Obtained the staff secondment workings and validated that accounting entries reflect the secondment arrangements entered by the Company.<br>• Performed journal entry testing on material expense and revenue accounts. |

## Independent auditors' report to the members of J.P. Morgan Europe Limited

**Overview of our audit approach**

**Key audit matters (continued)**

| | |
|---|---|
| **Key observations communicated to the Audit and Compliance Committee** | We found that the approach taken by management on cost and income attributions to be reasonable. The procedures above were completed without material exceptions. |

**Our application of materiality**

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Materiality in respect of the Company was set at £14m (2022: £14m) which was determined on the basis of 1% (2022: 1%) of the Company's net assets. This was deemed to be the appropriate benchmark for the calculation of materiality as this is a key area of the financial statements with which the users of the financial statements are principally concerned.

Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Performance materiality for the Company was set at £9,953,000 (2022: £10,630,000) which represents 70% (2022: 75%) of overall materiality.

The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls and the level of misstatements arising in previous audits.

We agreed to report any corrected or uncorrected adjustments exceeding £710,000 (2022: £708,000) to the Audit and Compliance Committee as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

**The control environment**

We evaluated the design and implementation of those internal controls of the Company which are relevant to our audit, such as those relating to the financial reporting cycle. We also tested operating effectiveness and placed reliance on certain controls over customer deposits and general ledger reconciliations for bank and customer deposit transactions. We deployed our internal IT audit specialists to obtain an understanding of the general IT environment.

A number of IT systems are hosted and operated on behalf of the Company by related parties from the JP Morgan Group and third-party service providers ("service providers"). We obtained audit evidence from the work that is scoped and provided by the auditors of those service providers in respect of certain IT controls. For a selection of third-party service providers we obtained and reviewed service organisation controls report relevant to the financial year ended 31 December 2023. We used our internal business assurance controls specialists to review the service organisation controls reports.

**Climate-related risks**

In planning our audit and gaining an understanding of the Company, we considered the potential impact of climate-related risks on the business and its financial statements. We obtained management's climate-related risk assessment and held discussions with management to understand their process for identifying and assessing those risks.

We critically reviewed management's assessment and challenged the assumptions underlying their assessment. We also designed our audit procedures to specifically consider those assets where we anticipated, based on the work performed, that the highest impact arising from climate change might fall. We agree with management's assessment that no significant climate-related risks are identified while the Company's activities are limited to providing current and savings accounts to consumers.

# Independent auditors' report to the members of J.P. Morgan Europe Limited

## Reporting on other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received by branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

### Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

### Identifying and assessing potential risks arising from irregularities, including fraud

The extent of the procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following:

- We considered the nature of the industry and sector the control environment, business performance including remuneration policies and the Company's own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with the Directors, we obtained an understanding of the legal and regulatory frameworks applicable to the Company focusing on laws and regulations that could reasonably be expected to have a direct material effect on the financial statements, such as provisions of the Companies Act 2006, UK tax legislation or those that had a fundamental effect on the operations of the Company including the regulatory and supervisory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).
- We enquired of the Directors and management including the in-house legal counsel, compliance, risk and internal audit, audit committee concerning the Company's policies and procedures relating to:

  – identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance;
  – detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and
  – the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.

We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce costs, creating fictitious transactions to hide losses or to improve financial performance, and management bias in accounting estimates.

### Audit response to risks identified

In respect of the above procedures:

- We corroborated the results of our enquiries through our review of the minutes of the Company's board, audit committee meetings, inspection of the complaints register and inspection of regulatory correspondence and correspondences from HMRC and the regulators PRA and the FCA;
- Audit procedures performed by the engagement team in connection with the risks identified included:

  – evaluation of the design and implementation of controls that management has put in place to prevent and detect fraud;
  – reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations expected to have a direct impact on the financial statements.
  – Testing journal entries and other adjustments for appropriateness including those processed late for financial statements preparation, those posted by infrequent or unexpected users, those posted to unusual account combinations and reviewing accounting estimates for bias;
  – evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias;
  – enquiry of management around actual and potential litigation and claims.
  – challenging the assumptions and judgements made by management in its significant accounting estimates, and
  – obtaining confirmations from third parties to confirm existence of a sample of transactions and balances.

- The Company operates in a highly regulated banking industry. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities; and
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including experts, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

# Independent auditors' report to the members of J.P. Morgan Europe Limited

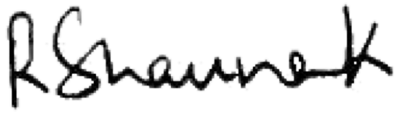
**Other requirements**

We were appointed by the Directors on 15 December 2023 to audit the financial statements of the Company for the year ended 31 December 2023 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 3 years.

We did not provide any non-audit services which are prohibited by the FRC’s Ethical Standard to the Company, and we remain independent of the Company in conducting our audit.

**Use of our report**

This report is made solely to the Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.



**Rakesh Shaunak FCA**

(Senior Statutory Auditor)

for and on behalf of MHA, Chartered Accountants and Statutory Auditor

London, United Kingdom

16 April 2024

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313).

# J.P. MORGAN EUROPE LIMITED
## Income statement for the year ended 31 December 2023

| | Notes | 2023 £'000 | 2022 £'000 |
|---|---|---|---|
| Interest income | 7 | 865,013 | 199,629 |
| Interest expense | 7 | (534,716) | (123,885) |
| **Net interest income** | | **330,297** | **75,744** |
| Fee and commission income | 8 | 44,419 | 35,190 |
| Fee and commission expense | 8 | (545) | (382) |
| **Net fee and commission income** | | **43,874** | **34,808** |
| Operating and administrative expense | | (364,660) | (259,285) |
| Trading loss | | (29) | (698) |
| Expected credit loss charge | 9 | (887) | (299) |
| **Profit/(loss) before taxation** | 11 | **8,595** | **(149,730)** |
| Income tax credit | 13 | 927 | 1,767 |
| **Profit/(loss) for the year** | | **9,522** | **(147,963)** |

# J.P. MORGAN EUROPE LIMITED
## Statement of comprehensive income for the year ended 31 December 2023

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| **Profit/(loss) for the year** | **9,522** | **(147,963)** |
| Other comprehensive income/(expense) for the year | — | — |
| **Total comprehensive income/(expenses) for the year** | **9,522** | **(147,963)** |

The notes on pages 61 - 82 form an integral part of these financial statements.

# J.P. MORGAN EUROPE LIMITED
## Statement of financial position as at 31 December 2023

| | Notes | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|---|
| **Assets** | | | |
| Loans and advances to banks | 14 | 16,371,664 | 11,969,640 |
| Loans and advances to customers | 15 | — | — |
| Securities purchased under resale agreements | 16 | 2,083,444 | 1,666,206 |
| Financial assets held at fair value through profit or loss | 17 | 1,924 | 2,036 |
| Financial assets designated at fair value through profit or loss | 18 | 25 | 164 |
| Trade and other receivables | 20 | 67,641 | 48,970 |
| Prepayments and accrued income | 21 | 258,422 | 20,823 |
| Tangible fixed asset | | 316 | 646 |
| Assets held for sale | | — | 34 |
| **Total assets** | | **18,783,436** | **13,708,519** |
| | | | |
| **Liabilities** | | | |
| Deposits | 22 | 24,649 | 66,757 |
| Customer accounts | 23 | 17,134,548 | 12,112,372 |
| Financial liabilities held at fair value through profit or loss | 24 | — | 1 |
| Trade and other payables | 25 | 118,128 | 63,024 |
| Accruals and deferred income | 26 | 76,567 | 47,749 |
| **Total liabilities** | | **17,353,892** | **12,289,903** |
| | | | |
| **Equity** | | | |
| Share capital | 29 | 1,032,058 | 1,032,058 |
| Share premium | 29 | 170,593 | 170,593 |
| Other reserves | 29 | 123,499 | 122,093 |
| Cumulative translation reserve | 29 | (170) | (170) |
| Retained earnings | 29 | 103,564 | 94,042 |
| **Total equity** | | **1,429,544** | **1,418,616** |
| | | | |
| **Total liabilities and equity** | | **18,783,436** | **13,708,519** |

The notes on pages 61 - 82 form an integral part of these financial statements.

**Registered Company Number: 00938937**

**The financial statements were approved by the Board of Directors on 16 April 2024 and signed on its behalf by:**

Matthew Melling

Director & Chief Financial Officer
16 April 2024

# J.P. MORGAN EUROPE LIMITED
## Statement of changes in equity as at 31 December 2023

| | Notes | Share capital | Share premium | Capital contribution reserve | Other reserves | Cumulative translation reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|
| | | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Balance as at 1 January 2022** | | **1,032,058** | **170,593** | **26,341** | **95,752** | **(170)** | **242,005** | **1,566,579** |
| Loss for the financial year | | — | — | — | — | — | (147,963) | **(147,963)** |
| **Total comprehensive expense for the year** | | **1,032,058** | **170,593** | **26,341** | **95,752** | **(170)** | **94,042** | **1,418,616** |
| Group share-based payment costs | | — | — | — | — | — | 356 | **356** |
| Group share-based payment costs recharged | | — | — | — | — | — | (356) | **(356)** |
| **Balance as at 31 December 2022** | | **1,032,058** | **170,593** | **26,341** | **95,752** | **(170)** | **94,042** | **1,418,616** |
| Profit for the financial year | | — | — | — | — | — | 9,522 | **9,522** |
| **Total comprehensive income for the year** | | **—** | **—** | **—** | **—** | **—** | **9,522** | **9,522** |
| Group share-based payment costs | | — | — | — | — | — | 4,707 | **4,707** |
| Group share-based payment costs recharged | | — | — | — | — | — | (4,707) | **(4,707)** |
| Tax effect on share-based payments | 13 | — | — | — | 1,406 | — | — | **1,406** |
| Movement in reserves | | **—** | **—** | (1,477) | 1,477 | **—** | **—** | **—** |
| **Balance as at 31 December 2023** | | **1,032,058** | **170,593** | **24,864** | **98,635** | **(170)** | **103,564** | **1,429,544** |

Movement in reserves includes a current year reclassification of an adjustment posted in a prior period.

The notes on pages 61 - 82 form an integral part of these financial statements.

### 1. General information

The Company is incorporated in England and Wales under company number 00938937 and is domiciled in the United Kingdom. The Company's immediate parent undertaking is J.P. Morgan Capital Holdings Limited, incorporated in England and Wales, which is also the parent undertaking of the smallest group in which the Company's results are consolidated. The Company's ultimate parent undertaking and controlling party is JPMorgan Chase & Co., which is incorporated in the state of Delaware in the United States of America. JPMorgan Chase & Co. is also the parent undertaking of the largest group in which the results of the Company are consolidated. The largest and smallest parent groups' consolidated financial statements can be obtained from the Company's registered office at 25 Bank Street, Canary Wharf, London, E14 5JP. The Company is a private company limited by shares.

The Company's principal activity is its digital retail bank under the Chase brand. The Company maintains its UK Depositary Services business. The Company will safeguard residual POca balances and process balance redemption requests as they are made.

The Company is authorised by the Prudential Regulation Authority ("PRA") as a licensed deposit taker. It is regulated by the Financial Conduct Authority ("FCA") and the PRA in the UK. It is also regulated by the UK Payment Systems Regulator ("PSR") with respect to its operation and use of payment systems.

### 2. Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" ("FRS 101"). FRS 101 applies the recognition and measurement requirements of International Financial Reporting Standards (“IFRS”), as adopted by the UK, in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of certain financial assets and financial liabilities measured at fair value through profit or loss or measured at fair value through other comprehensive income ("OCI"), and in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The classification of certain items, along with presentational changes, have been made to the income statement and the statement of financial position. This is to reflect the changes in the operational nature of the Company's activities and more appropriately present the assets and liabilities. There is no net impact to the financial statements. Further detail has been included within the relevant notes to the financial statements.

The following exemptions from the requirements of IFRS in conformity with the requirements of the Companies Act 2006 have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Certain share-based payment disclosures in respect of group equity instruments (IFRS 2 'Share-based Payment' paragraphs 45(b) and 46 to 52)
- Comparative information disclosures for the following (paragraph 38 of IAS 1 'Presentation of Financial Statements' ("IAS 1"):
    - reconciliation of share capital (paragraph 79(a)(iv) of IAS 1)
    - reconciliation of property, plant and equipment (paragraph 73(e) of IAS 16 'Property, Plant and Equipment')
    - reconciliation of intangible assets (paragraph 118(e) of IAS 38 'Intangible Assets')
- Statement of compliance to IFRS - paragraph 16, IAS 1
- Cash flow statement and related notes IAS 7 'Statement of Cash Flows'
- Third balance sheet on retrospective accounting policy changes, restatements or reclassifications (paragraph 40A-D, IAS 1)
- Key management compensation disclosures (paragraph 17, IAS 24 'Related Party Disclosures' ("IAS 24"))
- Related party transactions with wholly owned Group undertakings (IAS 24)

### 3. Accounting and reporting developments

#### 3.1 Standards adopted during the year ended 31 December 2023

The Company has applied the following amendments for the first time for the annual reporting period beginning 1 January 2023:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12,
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2,
- Definition of Accounting Estimates - Amendments to IAS 8,
- Amendments to IAS 12, Income Taxes, and
- Insurance Contracts - IFRS 17.

The amendments listed above did not have any impact on the amounts recognised in prior periods and current period and are not expected to significantly affect the future periods.

#### 3.2 New or revised standards issued but not yet effective

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact to the Company in the current or future reporting periods and on foreseeable future transactions.

### 4. Critical accounting estimates and judgements

In the process of applying the Company’s accounting policies, management makes judgements, estimates and assumptions for certain categories of assets and liabilities. These judgements, estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenue and expenses during the reporting period. Making judgements, estimates and assumptions can involve levels of uncertainty and subjectivity and therefore actual results could differ from the reported amounts. The Company’s material accounting policy information is described in Note 5.

Due to the nature of Company's business and balances, no significant accounting estimates or judgements were required in preparation of these financial statements.

### 5. Material accounting policy information

The following are material accounting policies that have been applied in the preparation of these financial statements. These policies have been applied consistently in each of the years presented, unless otherwise stated.

### 5.1 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in British Pound Sterling ("GBP"), which is the functional and presentation currency of the Company.

### 5.2 Foreign currency translation

Monetary assets and monetary liabilities in foreign currencies are translated into the functional currency of the Company, at rates of exchange ruling on the balance sheet date. Income and expense items denominated in foreign currencies are translated into the functional currency at exchange rates prevailing at the date of the transactions. Any gains or losses arising on translation are taken directly to the income statement.

Non-monetary items denominated in foreign currencies that are stated at historical cost are translated into the functional currency at the exchange rate ruling at the date when the transaction was initially recognised.

### 5.3 Financial assets and financial liabilities

i. Recognition of financial assets and financial liabilities

The Company recognises financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of securities are recognised on the trade-date, which is the date on which the Company commits to purchase or sell an asset.

ii. Classification and measurement of financial assets and financial liabilities

On initial recognition, financial assets are classified as measured at amortised cost or fair value through profit or loss ("FVTPL"). The classification is based on both the business model for managing the financial assets and their contractual cash flow characteristics. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated.

On initial recognition, financial liabilities are classified as measured at either amortised cost or FVTPL.

iii. Financial assets and financial liabilities measured at amortised cost

Financial assets are measured at amortised cost if they are held under a business model with the objective to collect contractual cash flows ("Hold-to-Collect") and they have contractual terms under which cash flows are solely payments of principal and interest ("SPPI"). In making the SPPI assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI. As a result of the application of these criteria, only debt financial assets are eligible to be measured at amortised cost.

Financial assets measured at amortised cost include loans and advances to banks, loans and advances to customers, certain securities purchased under resale agreements, trade and other receivables and accrued income that are in the Hold to Collect business model.

Financial liabilities are measured at amortised cost unless they are held for trading or a designated as measured at FVTPL. Most of the Company's financial liabilities are measured at amortised cost. Financial liabilities measured at amortised cost include trade payables, amounts owed to JPMorgan Chase undertakings and certain other payables.

Financial assets and financial liabilities measured at amortised cost are initially recognised at fair value including transaction costs (which are explained below). The initial amount recognised is subsequently reduced for principal repayments and adjusted for accrued interest using the interest method (see below). In addition, the carrying amount of financial assets is adjusted by recognising an expected credit loss allowance through profit or loss.

**5. Material accounting policy information (continued)**

**5.3 Financial assets and financial liabilities (continued)**

iii. Financial assets and financial liabilities measured at amortised cost (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issuance or disposal of a financial asset or financial liability. The interest method is used to allocate interest income or interest expense over the relevant period. The interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability or a shorter period when appropriate, to the net carrying amount of the financial asset or financial liability. The interest rate is established on initial recognition of the financial asset or financial liability. The calculation of the interest rate includes all fees and commissions paid or received, transaction costs, and discounts or premiums that are an integral part of the interest rate.

Gains and losses arising on the disposal of financial assets measured at amortised cost are recognised in trading loss or other non-interest revenue as relevant.

**5.4 Interest income and expense**

Unless a financial asset is credit-impaired, interest income is recognised by applying the interest method to the carrying amount of a financial asset before adjusting for any allowance for expected credit losses. If a financial asset is credit-impaired, interest income is recognised by applying the interest rate to the carrying amount of the financial asset including any allowance for expected credit losses.

Interest expense on financial liabilities is recognised by applying the interest method to the amortised cost of financial liabilities.

Interest income and expense on financial assets and financial liabilities, excluding those classified at FVTPL, are presented in interest income and interest expense and are measured at amortised cost respectively.

**5.5 Trading loss**

Profits and losses resulting from the purchase and sale of securities and the revaluation of financial instruments are recognised in trading loss on a trade-date basis, including related transaction costs.

**5.6 Impairment of financial assets and lending-related commitments**

Instruments in scope of TCP include loans, lending-related commitments, and other lending products stemming from extensions of credit to borrowers (including intercompany and affiliated entities). The Company establishes an expected credit loss allowance ("ECL") for these instruments to ensure they are reflected in the financial statements at the Company’s best estimate of the net amount expected to be collected. The ECL is determined on in-scope financial instruments measured at amortised cost. ECL is measured collectively via a portfolio-based (modelled) approach for Stage 1 and 2 assets but is generally measured individually for Stage 3 assets. ECL is forecasted over the 12-month term (Stage 1) or expected life (Stage 2 or 3) of in-scope financial instruments, where the forecast period includes the reasonable and supportable ("R&S") forecast period, the reversion period and the residual period and considers the time value of money. In determining the ECL measurement and staging for a financial instrument, the Company applies the definition of default consistent with the Basel definition of default to maintain uniformity of the definition across the Firm.

Determining the appropriateness of the allowance is complex and requires judgement by management about the effect of circumstances that are inherently uncertain. Further, estimating the allowance involves consideration of a range of possible outcomes, which management evaluates to determine its best estimate. Subsequent evaluations of the TCP portfolio, in light of the circumstances then prevailing, may result in significant changes in the ECL in future periods.

The Company must consider the appropriateness of decisions and judgements regarding methodology and inputs utilised in developing estimates of ECL at each reporting period and document them appropriately.

The credit risk section on pages 10 - 17 provides more detail for how the ECL is measured.

**5. Material accounting policy information (continued)**

### 5.7 Fee and commission income

The Company records revenue from certain contracts with customers in card income, asset management and commissions and all other commissions and fees.

*Card income*

This revenue category includes interchange and other income from credit and debit card transactions which are recognised when cardholder transactions occur and presented net of certain transaction related costs.

*Asset management and commissions*

This income category includes fees from custody and related services and other products.

The Company receives administrative fees predominantly from custody and funds services. These fees are recorded as income over the period in which the related service is provided.

*Commissions and other fees*

This income category mainly includes income obtained through attribution agreements, as well as residual commissions and fees from legacy business.

Fee and commission obtained through Firm attribution agreements are recognised when the underlying contract becomes legally binding or at the agreed due date if later.

### 5.8 Platform delivery services

The Company has an agreement with JPMorgan Chase & Co. and affiliates under which it receives platform delivery services which enable the Company to provide retail banking services to its customers. The Company does not own or operate the platform, does not retain any rights or title in the platform technology and cannot restrict other's access to it. The Company expenses the costs in operating and administrative expense in the period in which it receives the platform delivery services.

### 5.9 Securities purchased under resale agreements

Securities purchased under agreements to resell the securities to the counterparty are treated as collateralised lending transactions. The consideration for the transaction can be in the form of cash or securities. If the consideration for the purchase of securities is given in cash the transaction is recorded on the statement of financial position within securities purchased under resale agreements. If the consideration is received or given in the form of securities the transaction is recorded off balance sheet. The difference between the sales and repurchase price is treated as interest and accrued over the life of the agreements.

### 5.10 Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

# J.P. MORGAN EUROPE LIMITED

## Notes to the financial statements (continued)

### 5. Material accounting policy information (continued)

### 5.11 Current and deferred taxation

Income tax payable on taxable profits (current tax) is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offset against taxable profits arising in the current or prior period. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and legislation enacted or substantively enacted by the balance sheet date, which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are only offset when there is both a legal right and an intention to settle on a net basis. Current tax and deferred tax are recognised directly in equity if the tax relates to items that are recognised in the same or a different period in equity.

### 5.12 Share-based payment awards

Share-based payment awards may be made to employees of the Company under the Firm's incentive awards schemes. The fair value of any such shares, rights to shares or share options is measured when the conditional award is made. This value is recognised as staff costs to the Company over the period to which the performance criteria relate together with employer's social security costs or other payroll taxes. All of the awards granted are equity settled. The Company estimates the level of forfeitures and applies this forfeiture rate at the grant date.

### 6. Segmental analysis

The Company is not in scope of IFRS 8 'Operating segments', as its debt or equity are not traded on a public market, therefore, segmental analysis of the Company's revenue and assets by business is not necessary.

**Operations by Geography**

During the year the Company operated in the EMEA geographic region, predominantly in the UK, as listed below:

The following table presents revenues from principal business activities and total assets by geographic area.

| | EMEA | | Rest of world | | Total | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Interest income | 865,013 | 199,629 | — | — | 865,013 | 199,629 |
| Fee and commission income | 44,303 | 35,190 | 116 | — | 44,419 | 35,190 |
| Trading loss | (25) | (698) | (4) | — | (29) | (698) |
| Total assets | 18,773,357 | 13,708,519 | 10,079 | — | 18,783,436 | 13,708,519 |

## 7. Interest income and interest expense

Interest income and interest expense are recorded in the income statement and classified based on the nature of the underlying asset or liability. Interest income and interest expense includes the current year interest accruals.

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| **Interest income on financial instruments at amortised cost** | | |
| Loans and advances to banks | 779,713 | 174,369 |
| Loans and advances to customers | 2 | 6 |
| Securities purchased under resale agreements | 85,296 | 25,117 |
| Other | 2 | 137 |
| **Total interest income** | 865,013 | 199,629 |
| | | |
| **Interest expense on financial instruments at amortised cost** | | |
| Customer accounts | 534,053 | 123,425 |
| Deposits | 663 | 460 |
| **Total interest expense** | 534,716 | 123,885 |

Interest income and interest expense include the following amounts with JPMorgan Chase undertakings:

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| **Interest income on financial instruments at amortised cost** | | |
| Loans and advances to banks | 778,184 | 174,342 |
| Securities purchased under resale agreements | 85,296 | 25,117 |
| Other | — | 137 |
| **Total interest income** | 863,480 | 199,596 |
| | | |
| **Interest expense on financial instruments at amortised cost** | | |
| Customer accounts | 7 | 61 |
| Deposits | 663 | 460 |
| **Total interest expense** | 670 | 521 |

### 8. Fee and commission income and expense

Fee and commission income consists of the following non-interest revenue streams of card income, asset management and commissions income. It represents amounts received through Firm attribution agreements and service fees due from JPMorgan Chase undertakings for whom employees of the Company conduct business.

The following table presents the components of these fees:

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| **Fee and commission income** | | |
| Card income | 27,730 | 10,287 |
| Asset management and commissions | 9,908 | 12,791 |
| All other commissions and fees | 6,781 | 12,112 |
| **Total fees and commissions income** | 44,419 | 35,190 |
| | | |
| **Fee and commission expense** | | |
| Fee and commission expense | 545 | 382 |
| **Total fee and commission expense** | 545 | 382 |

Fee and commission income and expense include the following amounts with JP Morgan Chase undertakings:

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Fee and commission income | 7,444 | 6,346 |
| Fee and commission expense | 545 | 382 |

### 9. Expected credit loss

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| **Allowance for loan losses** | | |
| Opening balance as at 1 January | 113 | 9 |
| Increase during the year | 887 | 299 |
| Write-off | (596) | (195) |
| | | |
| **Closing balance as at 31 December** | 404 | 113 |
| | | |
| **Allowance for lending-related commitments** | | |
| Opening balance as at 1 January | — | — |
| | | |
| **Closing balance as at 31 December** | — | — |
| **Expected credit loss increase** | 887 | 299 |

### 10. Auditors' remuneration

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Auditors' remuneration for the audit of the Company's annual financial statements | 790 | 753 |
| Audit related assurance services provided by the auditor | 10 | 13 |
| Other audit related services[1] | 196 | 194 |
| **Total auditors' remuneration** | 996 | 960 |

[1] Other audit related services were provided by PricewaterhouseCoopers LLP.

### 11. Loss before taxation

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Loss before taxation is stated after charging: | | |
| Marketing, acquisition and engagement | 132,579 | 100,383 |
| Platform delivery services | 102,577 | 71,439 |
| JPMorgan Chase undertaking recharges | 33,320 | 22,898 |
| Staff cost | | |
| Wages and salaries | 39,099 | 29,750 |
| Social security costs | 3,849 | 6,240 |
| Other pension and benefit costs | 5,987 | 4,719 |
| Share-based payments | 4,797 | 1,722 |
| Total staff cost | 53,732 | 42,431 |

The average monthly number of persons employed by the Company was 802 (2022: 590).

Of the average headcount, the Company employed 722 in the Corporate Sector (2022: 508), 55 in the Corporate & Investment Bank (2022: 64) and 25 in the Consumer & Community Banking (2022: 18).

There were no material gains or losses from the disposal of amortised cost assets during the year.

### 12. Directors' emoluments

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Aggregate emoluments | 1,028 | 749 |
| Total contributions to a defined contribution plan | — | — |
| Number of directors with shares received or receivable under LTIPs | 4 | 4 |
| Number of directors to whom defined contribution pension rights accrued | 1 | — |

In accordance with the Companies Act 2006, the directors' emoluments above represent the proportion paid or payable in respect of qualifying services to the Company including LTIPs of £207,533 in 2023 (2022: £158,149). Directors also received emoluments for non-qualifying services, which are not required to be disclosed.

The aggregate compensation to the non-executive directors who were members of the Board for all or part of the year ended December 2023 was £583,332 (2022: £407,173).

**Highest paid director**

The emoluments of the highest paid director during the year as well as the previous year, was less than £200,000 in each year, and therefore isn't required to be disclosed.

### 13. Income tax credit

| (a) Analysis of tax credit/(expense) for the year | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|
| **Current tax** | | |
| Current tax expense | (2,347) | — |
| Adjustments in respect of prior years | — | 1,760 |
| Rounding | — | (1) |
| **Total current tax (expense)/credit** | (2,347) | 1,759 |
| **Deferred tax** | | |
| Previously unrecognised temporary differences | 2,615 | — |
| Origination and reversal of timing differences | 630 | 7 |
| Impact of change in tax rate | 29 | 1 |
| **Total deferred tax credit** | 3,274 | 8 |
| **Total tax credit for the year** | 927 | 1,767 |

### (b) Factors affecting the current tax credit for the year

The current tax credit for the year differs from the standard rate of corporation tax in the UK including banking surcharge (27.75%). The differences are explained below:

| | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|
| (Profit)/loss before taxation | (8,595) | 149,730 |
| (Profit)/loss before taxation multiplied by effective rate of corporation tax in UK 27.75% (2022: 27%) | (2,385) | 40,427 |
| Effects of: | | |
| Non-deductible expenditure | (180) | (353) |
| Recognition of deferred tax asset | 3,245 | — |
| Adjustments in respect of prior years | — | 1,760 |
| Impact of change in the UK tax rate | 29 | 1 |
| Employee stock plan | — | (2) |
| Change in basis adjustments | (32) | (31) |
| Share-based awards | 250 | 973 |
| Effects of group relief/other reliefs | — | (41,008) |
| **Total tax credit for the year** | 927 | 1,767 |

### 13. Income tax credit (continued)

#### (c) Deferred taxation

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| **i) Analysis of deferred tax asset** | | |
| Deferred tax asset | 4,680 | — |
| **Total deferred tax asset** | 4,680 | — |

The Company has no deferred tax liabilities (2022: £nil).

**ii) Gross movement on the deferred tax account is as follows:**

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| As at 1 January | — | 7 |
| Deferred tax credit/(expense) to the income statement | 3,274 | (7) |
| Deferred tax credit to equity (other reserves) | 1,406 | — |
| **As at 31 December** | 4,680 | — |

**iii) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction:**

| | Financial assets | Total |
|---|---|---|
| | £'000 | £'000 |
| **Deferred tax assets** | | |
| As at 1 January 2022 | 7 | 7 |
| Credited to the income statement | (7) | (7) |
| **At 31 December 2022** | — | — |
| As at 1 January 2023 | — | — |
| Credited to the income statement | 3,274 | 3,274 |
| Credited to equity (other reserves) | 1,406 | 1,406 |
| **At 31 December 2023** | 4,680 | 4,680 |

Deferred tax has been calculated at a rate of 28% (2022: 28%); the rate at which the temporary timing differences are expected to unwind against forecast taxable profits. This is based on the tax rates and law, enacted, or substantively enacted, as at balance sheet date. Corporation tax 25%; Banking surcharge 3%.

### 13. Income tax credit (continued)

**Organisation for Economic Co-operation and Development ("OECD") Pillar Two model rules**

The OECD has published model rules and associated guidance related to Pillar Two. The rules apply a system of top-up taxes that aim to ensure corporations are paying income tax at a minimum rate of 15% in every jurisdiction. These rules begin to take effect for corporations in 2024, as jurisdictions enact legislation in line with the OECD rules and related guidance. The UK has enacted Pillar Two legislation that comes into effect January 1, 2024. The application of the rules is ongoing and will continue to evolve as further guidance is released by the OECD and individual jurisdictions.

The International Accounting Standards Board issued, in May 2023, amendments to IAS 12 'Income Taxes', that introduced a mandatory temporary exception to recording deferred taxes associated with jurisdictions implementing Pillar Two rules. The Company has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to top-up taxes associated with Pillar Two. As such, any top-up taxes incurred will be treated as a period cost in the period of occurrence.

The Company does not anticipate recording material top-up taxes associated with Pillar Two in the foreseeable future, given it is expected that the jurisdiction in which the Company operates will have an effective tax rate above the 15% minimum tax. Future guidance and enacted legislation could change this evaluation.

### 14. Loans and advances to banks

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| **Loans and advances to banks** | | |
| Amortised cost | 16,371,664 | 11,969,640 |
| **Total loans and advances to banks** | 16,371,664 | 11,969,640 |

Loans and advances to banks include balances held with JPMorgan Chase undertakings of £16.3 billion (2022: £11.8 billion) which are measured at amortised cost.

There were no past due loans and advances to banks as at 31 December 2023 (2022: £nil).

### 15. Loans and advances to customers

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| **Loans and advances to customers** | | |
| Amortised cost | 404 | 113 |
| Provision for impairment | (404) | (113) |
| **Total loans and advances to customers** | — | — |

The credit quality and analysis of concentration of loans and advances to customers is included in the Strategic Report and is overseen by the ICB Credit Risk Management function. See pages 10 - 17 for more detail.

The fair value of collateral accepted as security for loans and advances to customers is £nil (2022: £nil).

### 16. Securities purchased under resale agreements

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| **Securities purchased under agreement to resell** | | |
| Amortised cost | | |
| - with JPMorgan Chase undertakings | 2,083,444 | 1,666,206 |
| **Total securities purchased under resale agreements** | 2,083,444 | 1,666,206 |

The fair value of financial assets accepted as collateral that the Company is permitted to sell or re-pledge in the absence of default is £2,083 million (2022: £1,672 million). The fair value of collateral repledged in 2023 was £nil (2022: £nil). These transactions are conducted under terms that are customary to standard lending activities.

### 17. Financial assets held at fair value through profit or loss

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Debt and equity instruments[1] | 1,924 | 2,035 |
| Derivative receivables | — | 1 |
| Asset held for sale | — | 34 |
| **Total financial assets held at fair value through profit or loss** | 1,924 | 2,070 |

[1] Represents a trading loan of £2 million (2022: £2 million).

Financial assets held at fair value through profit or loss which were past due as at 31 December 2023 are £nil (2022: £nil). Financial assets held at fair value through profit or loss with JPMorgan Chase undertakings are £nil (2022: £nil).

### 18. Financial assets designated at fair value through profit or loss

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Debt and equity instruments | 25 | 164 |
| **Total financial assets designated at fair value through profit or loss** | 25 | 164 |

### 19. Financial assets and financial liabilities measured at fair value

__Fair value__

**Valuation process**

The Company carries a portion of its assets and liabilities at fair value on a recurring basis.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based on quoted market prices or inputs, where available. If prices or quotes are not available, fair value is based on valuation models and other valuation techniques that consider relevant transaction characteristics (such as maturity) and use, as inputs, observable or unobservable market parameters, including yield curves, interest rates, volatilities, prices (such as commodity, equity or debt prices), correlations, foreign exchange rates and credit curves.

The level of precision in estimating unobservable market inputs or other factors can affect the amount of gain or loss recorded for a particular position. Furthermore, while the Company believes its valuation methods are appropriate and consistent with those of other market participants, the methods and assumptions used reflect management judgement and may vary across the Company's businesses and portfolios. The use of different methodologies or assumptions by other market participants compared with those used by the Company could result in a different estimate of fair value at the reporting date.

Risk-taking functions are responsible for providing fair value estimates for assets and liabilities carried on the statement of financial position at fair value. The Firm's valuation control function, which is part of the Firm's Finance function and independent of the risk-taking functions, is responsible for verifying these estimates and determining any fair value adjustments that may be required to ensure that the Company's positions are recorded at fair value. The valuation control function verifies fair value estimates provided by the risk-taking functions by leveraging independently derived prices, valuation inputs and other market data, where available.

In determining the fair value of a derivative portfolio, valuation adjustments may be appropriate to reflect the credit quality of the counterparty, the credit quality of the Company, and the funding risk inherent in certain derivatives. The credit and funding risks of the derivative portfolio are generally mitigated by arrangements provided to the Company by JPMorgan Chase Bank, N.A. and therefore the Company takes account of these arrangements in estimating the fair value of its derivative portfolio.

**Valuation model review and approval**

If prices or quotes are not available for an instrument or a similar instrument, fair value is generally determined using valuation models that consider relevant transaction terms such as maturity and use as inputs market-based or independently sourced parameters. The Model Risk function is independent of the model owners and reviews and approves valuation models used by the Company.

**Fair value hierarchy**

The Company classifies its assets and liabilities according to a valuation hierarchy that reflects the observability of significant market inputs. The three levels are defined as follows:

**Level 1** - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

**Level 2** - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

**Level 3** - one or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**19. Financial assets and financial liabilities measured at fair value (continued)**

**Fair value hierarchy (continued)**

A financial instrument's categorisation within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

**Valuation methodologies**

The following table describes the valuation methodologies used by the Company to measure its more significant products/ instruments at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

| Product/instrument | Valuation methodology, inputs and assumptions | Classifications in the valuation hierarchy |
|---|---|---|
| Financial instruments held at fair value through profit or loss - loans | Where observable market data is unavailable or limited, valuations are based on discounted cash flows, which consider the following:<br>• Credit spreads derived from the cost of credit default swaps ("CDS"); or benchmark credit curves developed by the Company, by industry and credit rating<br>• Prepayment speed<br>• Collateral characteristics | Level 2 or 3 |
| Equity, debt, and other securities | In the absence of quoted market prices, securities are valued based on:<br>• Observable market prices to similar securities<br>• Relevant broker quotes<br>• Discounted cash flows | Level 2 or 3 |

**19. Financial assets and financial liabilities measured at fair value (continued)**

The following table presents the asset and liabilities reported at fair value as at 31 December 2023 and 2022, by major product category and fair value hierarchy.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **At 31 December 2023** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Financial assets held at fair value through profit or loss:** | | | | |
| Loans | — | — | 1,924 | **1,924** |
| **Financial asset designated at fair value through profit or loss:** | | | | |
| Debt and equity instruments | — | — | 25 | 25 |
| **Total financial assets:** | — | — | 1,949 | **1,949** |
| **Financial liabilities held at fair value through profit or loss:** | — | — | — | — |
| **Total financial liabilities:** | — | — | — | **—** |
| **At 31 December 2022** | | | | |
| **Financial assets held at fair value through profit or loss:** | | | | |
| Loans | — | — | 2,036 | **2,036** |
| Derivative receivables | — | 1 | — | **1** |
| **Financial asset designated at fair value through profit or loss:** | | | | |
| Debt and equity instruments | — | — | 164 | 164 |
| **Assets held for sale:** | | | | |
| **Financial assets held at fair value through profit or loss:** | | | | |
| Debt and equity instruments | — | 34 | — | **34** |
| **Total financial assets:** | — | 35 | 2,200 | **2,235** |
| **Financial liabilities held at fair value through profit or loss:** | | | | |
| Derivative payables | — | 1 | — | **1** |
| **Total financial liabilities:** | — | 1 | — | **1** |

**19. Financial assets and financial liabilities measured at fair value (continued)**

**Level 3 valuations**

The Firm has established well-structured processes for determining fair value, including for instruments where fair value is estimated using significant unobservable inputs (Level 3).

Estimating fair value requires the application of judgement. The type and level of judgement required is largely dependent on the amount of observable market information available to the Company. For instruments valued using internally developed valuation models and other valuation techniques that use significant unobservable inputs and are therefore classified within Level 3 of the fair value hierarchy, judgements used to estimate fair value are more significant than those required when estimating the fair value of instruments classified within Levels 1 and 2.

In arriving at an estimate of fair value for an instrument within Level 3, management must first determine the appropriate valuation model or other valuation technique to use. Second, due to the lack of observability of significant inputs, management must assess relevant empirical data in deriving valuation inputs including transaction details, yield curves, interest rates, prepayment speed, default rates, volatilities, correlations, prices (such as commodity, equity or debt prices), valuations of comparable instruments, foreign exchange rates and credit curves.

The following table presents the Company's primary Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, the significant unobservable inputs, the range of values for those inputs and the weighted averages of such inputs. While the determination to classify an instrument within Level 3 is based on the significance of the unobservable inputs to the overall fair value measurement, Level 3 financial instruments typically include observable components (that is, components that are actively quoted and can be validated to external sources) in addition to the unobservable components.

The range of values presented in the table is representative of the highest and lowest level input used to value the significant groups of instruments within a product/instrument classification. Where provided, the weighted averages of the input values presented in the table are calculated based on the fair value of the instruments that the input is being used to value.

In the Company's view, the input range, weighted and arithmetic average values do not reflect the degree of input uncertainty or an assessment of the reasonableness of the Company's estimates and assumptions. Rather, they reflect the characteristics of the various instruments held by the Company and the relative distribution of instruments within the range of characteristics. For example, two option contracts may have similar levels of market risk exposure and valuation uncertainty, but may have significantly different implied volatility levels because the option contracts have different underlying's, tenors, or strike prices.

The input range and weighted average values will therefore vary from period-to-period and parameter-to-parameter based on the characteristics of the instruments held by the Company at each balance sheet date.

| | Net fair value | Principal valuation technique | Unobservable input | Range of input values | Weighted average |
|---|---|---|---|---|---|
| **At 31 December 2023** | **£'000** | | | | |
| Loans - at FVTPL | 1,924 | Market comparables | Price | £6.1 | £6.1 |
| **Total assets** | **1,924** | | | | |

| | Net fair value | Principal valuation technique | Unobservable input | Range of input values | Weighted average |
|---|---|---|---|---|---|
| **At 31 December 2022** | **£'000** | | | | |
| Loans - at FVTPL | 2,036 | Market comparables | Price | £6.5 | £6.5 |
| **Total assets** | **2,036** | | | | |

The categories presented in the table above have been aggregated based upon the product type, which may differ from their classification on the statement of financial position and fair values are shown net. No loans during the year.

### 19. Financial assets and financial liabilities measured at fair value (continued)

#### Changes in and ranges of unobservable inputs

Credit spread - The credit spread is the amount of additional annualised return over the market interest rate that a market participant would demand for taking exposure to the credit risk of an instrument. The credit spread for an instrument forms part of the discount rate used in a discounted cash flow calculation. Generally, an increase in the credit spread would result in a decrease in a fair value measurement.

Utilisation given default ("UGD") - A number between 0% and 100% that is the estimated fraction of the current undrawn balance on a revolving credit facility that will be drawn at the time of the default of the borrower. A higher UGD generally results in a decrease in the fair value of the loan.

Loss severity - The loss severity (the inverse concept is the recovery rate) is the expected amount of future realised losses resulting from the ultimate liquidation of a particular loan, expressed as the net amount of loss relative to the outstanding loan balance. An increase in loss severity is generally accompanied by an increase in conditional default rates. An increase in the loss severity, in isolation, would result in a decrease in a fair value measurement.

#### Changes in Level 3 recurring fair value measurements

The following tables include a roll forward of the statement of financial position amounts (including changes in fair value) for financial instruments classified by the Company within Level 3 of the fair value hierarchy.

#### Movement in assets and liabilities in Level 3 during year ended 31 December 2023

| **Financial assets** | **Loans at FVTPL** | **Debt and equity instruments at FVTPL** | **Total financial assets** |
|---|---|---|---|
| | **£'000** | | **£'000** |
| At 31 December 2022 | 2,036 | 164 | 2,200 |
| Settlements | (112) | — | (112) |
| Sales | — | (143) | (143) |
| Total losses recognised in income statement | — | 4 | 4 |
| **At 31 December 2023** | 1,924 | 25 | 1,949 |
| **Change in unrealised loss related to financial instruments held at 31 December 2023** | (2) | — | (2) |

Total losses of £0.002 million have been recognised within trading loss in the income statement.

### 19. Financial assets and financial liabilities measured at fair value (continued)

**Movement in assets and liabilities in Level 3 during year ended 31 December 2022**

| Financial assets | Loans at FVTPL | Debt and equity instruments at FVTPL | Total financial assets |
|---|---|---|---|
| | £'000 | | £'000 |
| At 31 December 2021 | 6,286 | 24 | 6,286 |
| Settlements | (4,250) | — | (4,250) |
| Issuances | — | 140 | 140 |
| **At 31 December 2022** | 2,036 | 164 | 2,200 |
| **Change in unrealised gains related to financial instruments held at 31 December 2022** | 222 | — | 222 |

Total gains of £0.2 million has been recognised within trading loss in the income statement.

**Transfers between Levels for instruments carried at fair value on a recurring basis**

For the year ended 31 December 2023 and 2022, there were no transfers between Levels 1 and 2, and none into or out of Level 3.

**Fair value of financial instruments not carried on the statement of financial position at fair value**

Certain financial instruments that are not carried at fair value on the statement of financial position are carried at amounts that are not materially different to their fair value, due to their short-term nature and generally negligible credit risk. These instruments include securities purchased under resale agreements, accrued income, other assets, deposits, customer accounts, other payables and accruals.

The Company has £18,781 million (2022: £13,705 million) of financial assets and £17,353 million (2022: £12,289 million) of financial liabilities that are not measured at fair value on the statement of financial position.

**Offsetting financial assets and financial liabilities**

No financial assets and liabilities have been offset in the statement of financial position as at 31 December 2023 (2022: £nil).

### 20. Trade and other receivables

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Trade receivables | 52,220 | 39,499 |
| Deferred tax asset | 4,680 | — |
| Other receivables | 10,741 | 9,471 |
| **Total trade and other receivables** | 67,641 | 48,970 |

| | | |
|---|---|---|
| Included in trade and other receivables, are the following amounts receivable from JPMorgan Chase undertakings: | | |
| - Other receivables | 10,723 | 9,447 |

Trade and other receivables, in prior periods, were presented as Debtors. Trade receivables was previously presented as Trade debtors and Other receivables was previously presented as Other debtors. This is a presentational change only and there is no impact to the statement of financial position.

### 21. Prepayments and accrued income

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Accrued income | 257,700 | 20,280 |
| Prepayments | 722 | 543 |
| **Total prepayments and accrued income** | 258,422 | 20,823 |

| | | |
|---|---|---|
| Included in the above are the following amounts owed to JPMorgan Chase undertakings: | | |
| - Accrued income | 257,229 | 20,270 |

### 22. Deposits

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Deposits | | |
| - with JPMorgan Chase undertakings | 24,649 | 66,757 |

Deposits, in prior periods, were presented as Deposits by bank. This is a presentational change only and there is no impact to the statement of financial position.

### 23. Customer accounts

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Current deposits | 16,586,949 | 11,511,665 |
| Other deposits | 547,599 | 600,707 |
| **Total customer accounts** | 17,134,548 | 12,112,372 |

Other deposits includes POca and escrow balances. The POca amount is the residual balance in closed accounts, after the contract expired on 30 November 2022. The Company's regulatory obligations to its customers, will remain, even after the expiry of the service and the Company will safeguard residual balances and process balance redemption requests as they are made.

### 24. Financial liabilities held at fair value through profit or loss

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| At 1 January | 1 | — |
| Movements during the year | (1) | 1 |
| **At 31 December** | — | 1 |

### 25. Trade and other payables

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Trade payables | 110,361 | 680 |
| Other payables | 7,767 | 62,344 |
| **Total trade and other payables** | 118,128 | 63,024 |
| Included in trade and other payables, are the following amounts owed to JPMorgan Chase undertakings: | | |
| - Trade payables | 24,043 | 67 |
| - Other payables | 1,711 | 15,355 |

Trade and other payables, in prior periods, were presented separately as Trade creditors (2022: £0.7 million) and Other liabilities (2022: £62.3 million). This is now consolidated in the statement of financial position as Trade and other payables.

There is also a classification change from Other payables to Trade payables of £110.4 million to more appropriately present the liability. The equivalent balance as at 31 December 2022 was £57.9 million, which has not been reclassified. There is no net impact to the statement of financial position.

### 26. Accruals and deferred income

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Accruals | 76,379 | 47,572 |
| Deferred income | 188 | 177 |
| **Total accruals and deferred income** | 76,567 | 47,749 |
| Included in the above are the following amounts owed to JPMorgan Chase undertakings: | | |
| - Accruals | 10,544 | 12,289 |

Accruals predominantly consists of incentive and other staff cost related expenses.

### 27. Pension costs

During the year, the Company participated in the J.P. Morgan UK Pension Plan ("UKP"). The UKP is an ongoing defined contribution pension scheme.

The Company recorded a total expense of £3.5 million (2022: £2.5 million) for the year ended 31 December 2023 in respect of the UKP.

### 28. Share-based payments

Employees of the Company are eligible to participate in JPMorgan Chase & Co.'s Long Term Incentive Plan ("LTIP"), as amended and restated effective 15 May 2018 and subsequently amended effective 18 May 2021. Under the terms of the LTIP, as at 31 December 2023, 54 million shares of common stock were available for issuance through May 2025 (2022: 69 million shares). The LTIP is the only active plan under which the Firm is currently granting stock-based incentive awards. In the following discussion, the LTIP, plus prior Firm plans and plans assumed as the result of acquisitions, are referred to collectively as the "LTI Plans" and such plans constitute the Firm's stock-based incentive plans.

The Firm separately recognises staff costs for each tranche of each award as if it were a separate award with its own vesting date. For each tranche granted, staff cost is recognised in line with how awards vest from the grant date until the vesting date of the respective tranche, provided that the employees will not become full-career eligible during the vesting period. For awards with full-career eligibility provisions and awards granted with no future substantive service requirement, the Firm accrues the estimated value of awards expected to be awarded to employees as of the grant date without giving consideration to the impact of post-employment restrictions. For each tranche granted to employees of the Company who will become full-career eligible during the vesting period, staff cost is recognised in line with how awards vest from the grant date until the earlier of the employee's full-career eligibility date or the vesting date of the respective tranche.

The total staff costs for the Company for the year relating to share-based payments was £4.7 million (2022: £0.4 million), all of which relates to equity settled share-based payments.

### 29. Share capital and equity reserves

| **Share capital** | **2023** | **2022** |
|---|---|---|
| | **£'000** | **£'000** |
| **Issued and fully paid share capital** | | |
| **At 31 December** | | |
| 1,397,922,234 ordinary shares (2022: 1,397,922,234) of $1 each | 1,032,058 | 1,032,058 |

The ordinary shares each provide the right to its owner to share in the profits of the Company and to vote at general meetings of the Company. Any amounts distributed to ordinary shareholder are paid proportionately to the amount which is paid up on the ordinary shares. The ordinary shares do not carry rights of redemption.

**Equity reserves**

*Share premium*

Share premium is the premium paid for new shares above their nominal value. It is a statutory reserve which forms part of the Company’s non-distributable reserves.

*Capital contribution reserve*

The capital contribution reserve relates to a capital gift of all issued shares of another JP Morgan Chase undertaking.

*Other reserves*

Other reserves primarily include unvested share-based awards and the associated tax effect.

*Cumulative translation reserve*

The cumulative translation reserve relates to translation differences arising from the change in the Company's presentation currency from USD to GBP in 2022.

### 30. Commitments

The Company has commitments of £1.3 million (2022: £nil) as at 31 December 2023 related to the unsecured lending.

### 31. Financial risk management

Disclosures in relation to the Company’s risk management and capital management have been presented in the Strategic Report on pages 7 - 31 which forms part of these financial statements.

### 32. Post balance sheet events

There have been no material events that require adjustments to or disclosure in the financial statements.