Pillar 3 Disclosure Report as at 31.12.2015
J.P. Morgan Bank Luxembourg S.A.

June 2016

J.P.Morgan

Contents

Pillar 3 Disclosure Report 2015

1. Introduction

Background

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

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

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

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

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

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

J.P. Morgan Bank Luxembourg S.A.

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

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

Aim of the disclosure report

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

The disclosure particularly comprises of:

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

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

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

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

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

Scope of application (Art. 436)

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

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

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

2. Risk management and objectives (Art. 435)

Risk Management Framework

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

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

The Firm believes that effective risk management requires:

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

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

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

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

JPMBL has identified the risks to which it is exposed and focused on those considered to be material for the purposes of the capital assessment including credit and operational (including conduct) risks. For Operational Risk, JPMBL adopts the Firmwide approach described below.

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

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

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

Operational risk management framework

The components of the Operational Risk Management Framework are:

Governance

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

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

Risk Identification and Self-Assessment

In order to evaluate and monitor operational risk, the lines of business and corporate functions utilize several processes to identify, assess, mitigate and manage operational risk. Firmwide standards are in place for each of these processes and set the minimum requirements for how they must be applied. The Firm's Risk and Control Self-Assessment (RCSA) process and supporting architecture requires management to identify material inherent operational risks, assess the design and operating effectiveness of relevant controls in place to mitigate such risks, and evaluate residual risk. Action plans are developed for control issues that are identified, and businesses are held accountable for tracking and resolving issues on a timely basis. Risk Management performs an independent challenge of the RCSA program including residual risk results.

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

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

Risk monitoring and reporting

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

Measurement

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

Three Lines of Defense

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

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

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

First Line of Defense	Second Line of Defense	Third Line of Defense
Business Executives	Risk Management	Internal Audit
Client Servicing	Compliance	
Business Operations	Financial Control	
Product	IT Governance and Controls	
Business Control Office		

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

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

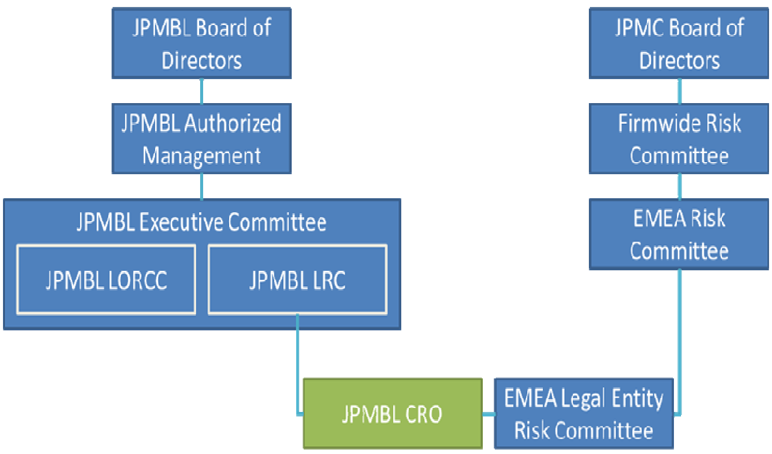
The Board of Directors completes its supervision role by reviewing the summary reports prepared by the internal control functions at least once a year. The resultant policies of the Bank set minimum standards of control and conduct to which responsibility is given to Management for ensuring compliance.

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

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

Risk governance

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



JPMBL has a local CRO who is a member of JPMBL's Authorized Management and a permanent member of the EMEA Legal Entity Risk Committee (LERC) and is responsible for identifying, measuring, monitoring/controlling and reporting JPMBL risks.

The individual Members of the LERC are responsible for identifying and escalating risk and capital issues and incidents that may be relevant.

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

JPMBL Local Risk Committee (LRC)

The Local Risk Committee (LRC) is a sub-committee of the Executive Committee (ExCo) and convenes on a monthly basis and is chaired by the JPMBL Chief Risk Officer. In 2015 the LRC has met 10 times.

The committee oversees all risks affecting JPMBL and stands as formal governance forum where JPMBL Authorized Management monitors performance of Risk Indicators versus Risk Appetite parameters.

The LRC escalates any issues directly to the ExCo and, via JPMBL's CRO, to the Board of Directors and to the LERC in the region.

The mandate of the LRC is to identify, review and assess JPMBL's main areas of risk and provide oversight for risk governance. Minutes of each session are signed off, recorded and made available to JPMBL's auditors and to the Luxembourg Regulator upon request. The LRC helps management to understand the effectiveness of its internal control environment in preventing, detecting and responding to issues that could cause financial losses, reputation damage and/or missed business objectives. The Chief Risk Officer provides updates and escalates any issues to the JPMBL Authorized Management and, where appropriate, to the LOB Global Risk Committee and JPMBL Board of Directors.

JPMBL Location Operational & Control Committee (LORCC)

The LORCC convenes on a monthly basis to cover control, operational risk and cross business governance in the location. It is to act as a cross line of business & functions committee for any business conducted in the location.

The objectives of the committee are to:

- Ensure execution of local and corporate governance for all legal entities/branches in the location
- Drive overall efficiency and operational effectiveness
- Maintain a sound control environment and manage the risk control agenda
- Promote co-ordination and communication across units, functions and businesses
- Ensure issues are addressed and escalated as appropriate locally and regionally
- Keep Internal Audit (local & regional) appraised of all issues affecting the location

The LORCC has responsibility for the review of operational risk and control themes and issues in the location and escalation to the ORCC and JPMBL's ExCo as well as holding members accountable for remediating such themes and issues.

JPMBL Executive Committee (ExCo)

The Executive Committee convenes on a weekly basis and is chaired by JPMBL's Chief Executive Officer (CEO). The primary mandate is to define and implement a corporate governance framework ensuring compliance with local regulations, implement a sound control environment, and to manage the business in accordance with the Board's recommendations.

It is the forum which assists the Authorized Managers in carrying out the responsibilities delegated to them by the Board of Directors.

The ExCo delegates

- More detailed oversight of and challenge to the operating environment to the LORCC;
- More detailed oversight of market, credit, operational and related reputational risks is delegated to the LRC;
- More detailed oversight of money laundering is delegated to the Global Financial Crimes Oversight Forum (GFC OF).

Links to regional and firm-wide risk governance

The LERC provides governance and oversight for Legal Entity (LE) risk management, Legal Entity Risk Managers (LERMs) and CROs in the EMEA region.

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

The LERC provides governance and oversight from the firm's independent central risk control function of all risks with the exception of risks in relation to the asset management business. In addition, the LERC provides oversight of any risk issues escalated in relation to risk appetite and capital adequacy, where appropriate or required.

Identification and measurement of key risks

JPMBL's ability to properly identify, measure, monitor and report risk is critical to both its soundness and profitability. Accordingly, JPMBL has established a comprehensive risk policy framework. The framework includes a combination of firm-wide risk policies as well as legal entity specific ones. The key risks that JPMBL is exposed to are Operational, Credit, Outsourcing, Fiduciary and Liquidity.

Operational Risk represents the most significant risk impacting JPMBL. It arises primarily from custody, fund accounting, transfer agency and depositary bank activities. To monitor and control operational risk, JPMBL maintains an ORMF designed to enable JPMBL to maintain a sound and well-controlled operational environment. The four main components of the ORMF include: governance, risk identification and assessment, monitoring and reporting, and measurement.

Credit Risk encompasses not only loans and securities, but also guarantees, commitments, inter-bank deposits, foreign exchange transactions, swaps, options, etc.

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

The Bank has never suffered a loss on a credit engagement.

Outsourcing Risk relates to the servicing of a global operating model to the JPMBL book of business, whereby specific activities are undertaken by third-party providers or JPMorganChase (JPMC) affiliates within and outside of Luxembourg on behalf of JPMBL. This risk is particularly relevant for the Bank's operating model, where certain activities are supported by J.P. Morgan entities based in other locations. These activities include corporate functions such as Human Resources, Technology, Finance, Fee Billing and Treasury as well as operational activities including custody, fund accounting and some components of Transfer Agency. The Line of Businesses, the Legal Entity Oversight team, the Information Security Officer and the Compliance and Risk teams work together to perform operational readiness reviews ensuring that the proposed outsourced arrangement meets the firm's corporate policies and procedures and is in compliance with the CSSF circular 12/552 (general outsourcing requirements).
JPMBL ensures that sufficient expertise remains in Luxembourg to perform oversight and controls of outsourced arrangements, including rigorous governance checks and controls for outsourcing "in cascade" situations within JPMC affiliates.

Fiduciary risk is the failure to exercise the applicable standard of care, failure to act in the best interests of clients or to treat clients fairly as required under applicable law or regulation, potentially resulting in regulatory risk, reputation risk and financial liability. The role of JPMBL as Depositary Bank of Luxembourg investment funds is to safeguard the interests of investors and to protect funds' assets for their benefit; the requirement of the fiduciary role comes from the relevant local laws and regulations as well as the constitutional documents of the investment vehicle. In this respect, Fiduciary Risk for JPMBL is a combination of Operational, Outsourcing and Credit risks and their respective mitigation activities.

Liquidity Risk is the risk that the entity will be unable to meet its contractual and contingent obligations or that it does not have the appropriate amount, composition and tenor of funding and liquidity to support its assets. JPMBL has a liquidity risk governance framework to review, approve, and monitor the implementation of liquidity risk policies and funding and capital strategies. The specific committees responsible for liquidity risk governance include the JPMBL Executive Committee and the Western Europe Assets and Liabilities Committee (ALCO).

Risk Appetite

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

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

Where applicable, risk appetite parameters are expressed as loss tolerances for individual risk types that can be used by those risk functions to propose more granular limits and policies. Risk appetite tolerances are set for market risk, credit risk and liquidity risk and capital risk. Results are reviewed monthly by JPMBL ExCo.

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

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

Board Declaration – Adequacy of Risk Management arrangements

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

Members of the Board of Directors

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

Amanda Cameron (General Manager and Executive Director)

Amanda Cameron is the Senior Country Officer for Luxembourg as well as the General Manager of JPMBL. She chairs the local management committee and is accountable to the Board of Directors for JPMBL.

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

Timothy Gandy (Independent Non Executive Director)

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

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

Mark Garvin (Chairman – Non Executive Director)

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

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

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

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

Ketki Miles (Non Executive Director)

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

In her 28 years with the firm, Ms Miles has held a number of diverse positions with increasing responsibility, including head of Technology & Operations for the Asset Management group, head of Operations for Exotics and Hybrids Derivatives, Product Development for Global Derivatives Services, Product Management for Investment Operations Services, Head of Operations in Europe for Investment Operations Services and Hedge Fund Services and most recently as the head of Operations for Accounting in Europe.

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

Christopher Rowland (Non Executive Director)

Chris Rowland is a Managing Director and Head of Custody with the Corporate and Investment Bank (CIB).

His roles have included Head of Global Fund Services, Global Head of Product Development for Custody & Clearing, Head of Global Custody Europe, Middle East and Africa.

Number of directorships held by members of the Board of Directors

Members of the Board of Directors have also held internal and/or external directorships in addition to being appointed by JPMBL during the year ended December 31, 2015 as follows:

Name	Internal Directorships	External Directorships
Amanda Cameron	3	-
Timothy Gandy	3	-
Mark Garvin	4	5
Ketki Miles	-	-
Christopher Rowland	1	-

Diversity & Inclusion

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

Guiding Principles

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

Scope and Process

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

Metrics

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

Target for representation of Women on EMEA Boards

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

JPMBL has achieved the internal target of 30% representation in 2015.

3. Own funds (Art. 437)

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

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

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

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

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

The profit brought forward amounted to USD 10,148 as at December 31, 2015.

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

- The legal reserve is not distributable. The legal reserve as at December 31, 2015 amounted to USD 1,100,000.
- The free reserve represents profits of prior years, which have been appropriated by the Annual General Meeting of shareholders to a specific reserve referred to as free reserve. The Annual General Meeting may approve the distribution of this reserve. The free reserve as at December 31, 2015 amounted to USD 1,007,671,993
- The special reserve as at December 31, 2015 amounted to USD 117,400,000. This reserve is non-distributable for a period of five years.

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

JPMBL has made a deduction to regulatory capital according to Article 36 CRR in relation to intangible assets. This asset is valued at USD 950,980 as at December 31, 2015 and represents a software license.

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

4. Capital requirements (Art. 438)

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

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

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

Firmwide operational risk capital measurement

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

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

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

The primary component of the operational risk capital estimate is the result of a statistical model, the Loss Distribution Approach (LDA), which simulates the frequency and severity of future operational risk losses based on historical data. The LDA model is used to estimate an aggregate operational risk loss over a one-year time horizon, at a 99.9% confidence level. The LDA model incorporates actual internal operational risk losses in the quarter following the period in which those losses were realized, and the calculation generally continues to reflect such losses even after the issues or business activities giving rise to the losses have been remediated or reduced.

The calculation is supplemented by external loss data as needed, as well as both management's view of plausible tail risk, which is captured as part of the Scenario Analysis process, and evaluation of key LOB internal control metrics (Business Environment and Internal Control Factors). The Firm may further supplement such analysis to incorporate feedback from its bank regulators.

The Firm considers the impact of stressed economic conditions on operational risk losses and a forward looking view of material operational risk events that may occur in a stressed environment. The Firm's operational risk stress testing framework is utilized in calculating results for the Firm's Comprehensive Capital Assessment and Review, ICAAP and Risk Appetite processes.

JPMBL Operational risk capital measurement

JPMBL calculates the Operational Risk Capital Requirement for Pillar 1 using the Basic Indicator Approach (BIA). This approach calculates operational risk capital using a single indicator as a proxy for an institution's overall operational risk exposure – referred to as the "relevant indicator".

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

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

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

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

For JPMBL's Pillar 2 **Credit risk** assessment, J.P. Morgan's Advanced Internal Ratings Based (AIRB) model has been used to quantify required capital. This is a more risk-sensitive measure of capital, taking into account more accurately both the risk of individual exposures and, to an extent, correlation factors and hence concentrations in the portfolio.

Credit risk capital requirements calculated using AIRB risk weights are calculated at the portfolio level and compared to the portfolio level standardized pillar 1 risk weights. Where the AIRB assessment shows the overall Pillar 1 charge to be deficient, additional capital will be held.

The minimum internal capital requirement has been set to 8% in accordance with the regulatory limit under Pillar 1.

In general, risk weights under the AIRB approach are lower than under the predefined Luxembourg Standardized Approach, which leads to a lower amount of Risk Weighted Assets (RWA) under Pillar 2. At December 31, 2015, the overall Pillar 2 RWA exceeds the Pillar 1 amount, reflecting the AIRB calibration of credit exposures to central banks.

Based on the calculations above, the short-term nature of overdrafts, and the Firm's credit policies in place, JPMBL is deemed sufficiently capitalized for credit risk. The ICAAP analyses JPMBL`s capital adequacy at the assessment date and projected forward over a three-year planning horizon, including the effects of severe but plausible stress scenarios, to ensure that it maintains an appropriate Capital Planning Buffer over internal and external capital minimum standards.

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

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

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

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

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

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

Risk-weighted exposure amounts

As at 31 Dec 15 US$m	0%	20%	50%	75%	100%	150%	RWA	8% of RWA
Central governments or central banks	2,321	0	0	0	0	0	0	0
Institutions	0	10,105	0	0	0	0	2,021	162
Corporates	2,821	0	0	0	42	0	42	3
Other items	0	0	0	0	88	0	88	79
TOTAL CAPITAL REQUIREMENTS FOR CREDIT, COUNTERPARTY CREDIT, DILUTION AND DELIVERY RISKS							**2,151**	**172**

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

JPMBL utilizes the resources of the Corporate and Investment Bank Credit Risk Management Group (CIB Credit Risk Management) to fulfill aspects of credit risk management on its behalf. Credit risk for JPMBL is limited to overdrafts and intercompany deposits and the risk of large exposure or credit loss to JPMBL is mitigated by pledges and/or right of retention over assets under custody (financial collateral).

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

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

Credit Executives in CIB Credit Risk Management and Credit Officers are appointed and assigned credit approval authorities according to their experience and seniority in JPMC.

All potential new clients are subject to credit checking and financial review by CIB Credit Risk Management before new business is accepted. All new relationships and accounts must be signed off by CIB Credit Risk Management Credit Officers prior to accounts being authorized for opening and operation.

Credit approval is required for all credit lines. The approval is recorded in an Approval Recording and Control (ARC) system and credit lines are recorded on the Credit Risk Infrastructure (CRI) system. Credit Executives approve intraday, advised and unadvised overdraft lines for clients based on analysis undertaken by Client Credit Management (CCM). Alternatively, credit lines are approved according to predetermined rules that are subject to annual review by the appropriate Credit Executive.

The standard JPMBL Global Custody Agreement contains – in addition to rights of set off over cash balances – a pledge and/or right of retention over the clients' assets which JPMBL would exercise to repay any overdrafts in the event of client overdraft default. Where the language of Global Custody Agreements does not unequivocally allow JPMBL access to assets in the event of client default, for the purpose of Large Exposure mitigation rules JPMBL can avail itself of a standby letter of credit to a certain value, issued by an affiliate entity.

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

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

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

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

6. Capital Buffers (Art. 440)

Countercyclical Buffers

At December 31, 2015, the Countercyclical Buffer rates in effect were 1% set by Norway and Sweden. JPMBL had no credit exposures located in Norway and Sweden. Therefore, the Bank's institution-specific Countercyclical Buffer rate is 0%.

7. Credit risk adjustments (Art. 442)

Definitions

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

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

Credit risk exposures

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

At December 31, 2015 there were no impaired and/or past due exposures.

Credit risk exposure under the Standardized approach

As at 31 Dec 15	Exposure Pre CRM US$m	Average Exposure Pre CRM over the year US$m
Credit Risk Exposure Class Pre CRM		
Central governments or central banks	2,321	680
Institutions	10,105	12,546
Corporates	2,863	2,942
Other items	88	112
Total	**15,377**	**16,280**

Geographical analysis of Credit risk exposure under the Standardized approach

As at 31 Dec 15	Luxembourg US$m	Other European Union US$m	United States US$m	Asia US$m	Rest of the World US$m	Total US$m
Credit Risk Exposure Class Pre CRM						
Central governments or central banks	2,321	-	-	-	-	2,321
Institutions	0	8,557	1,548	-	0	10,105
Corporates	2,860	3	0	-	0	2,863
Other items	88	-	-	-	-	88
Total	**5,269**	**8,560**	**1,548**	**-**	**0**	**15,377**

Industry analysis of Credit risk exposure under the Standardized approach

As at 31 Dec 15	Banks US$m	Mutual Funds US$m	Other US$m	Total US$m
Credit Risk Exposure Class Pre CRM				
Central governments or central banks	2,321	-	-	2,321
Institutions	10,105	-	-	10,105
Corporates	-	2,861	0	2,863
Other items	-	-	88	88
Total	**12,426**	**2,861**	**88**	**15,377**

Residual maturity analysis of Credit risk exposure under the Standardized approach

As at 31 Dec 15	On demand and qualifying revolving US$m	Under 1 year US$m	Over 1 year, under 3 years US$m	Over 3 years, under 5 years US$m	Over 5 years, under 10 years US$m	Over 10 years US$m	Total US$m
Credit Risk Exposure Class Pre CRM							
Central governments or central banks	2,321	-	-	-	-	-	2,321
Institutions	10,105	-	-	-	-	-	10,105
Corporates	2,863	-	-	-	-	0	2,863
Other items	5	80	-	-	-	3	88
Total	**12,473**	**80**	**-**	**-**	**-**	**3**	**15,377**

8. Unencumbered assets (Art. 443)

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

JPMBL does not have any encumbered assets. The carrying amount of unencumbered assets was USD 12.6 billion as at December 31, 2015.

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

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

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

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

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

As at 31 Dec 15	Credit Quality Step 1 US$m	Credit Quality Step 2 US$m	Credit Quality Step 3 US$m	Credit Quality Step 4 US$m	Credit Quality Step 5 US$m	Credit Quality Step 6 US$m	Unrated US$m	Total US$m	Capital deducted from Capital Resources US$m
Credit Risk Exposure Class Pre CRM									
Central governments or central banks	2,321	-	-	-	-	-	-	2,321	-
Institutions	8,557	1,548	0	-	-	-	-	10,105	-
Corporates		-	-	-	-	-	2,863	2,863	-
Other items	-	-	-	-	-	-	88	88	-
Total	**10,878**	**1,548**	**0**	**-**	**-**	**-**	**2,951**	**15,377**	**-**

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

As at 31 Dec 15	Credit quality Step 1 US$m	Credit quality Step 2 US$m	Credit quality Step 3 US$m	Credit quality Step 4 US$m	Credit quality Step 5 US$m	Credit quality Step 6 US$m	Unrated US$m	Total US$m	Capital deducted from Capital Resources US$m
Credit Risk Exposure Class Post CRM									
Central governments or central banks	2,321	-	-	-	-	-	-	2,321	-
Institutions	8,557	1,548	0	-	-	-	-	10,105	-
Corporates	0	-	-	-	-	-	2,863	2,863	-
Other items	-	-	-	-	-	-	88	88	-
Total	**10,878**	**1,548**	**0**	**-**	**-**	**-**	**2,951**	**15,377**	**-**

10. Exposure to market risk (Art. 445)

Market risk[1] is the exposure to an adverse change in the market value of financial instruments caused by a change in market parameters. The primary categories of market parameters are Interest Rates, Foreign Exchange Rates, Equity Prices, Credit Spreads and Commodity Prices.

Business Overview

- JPMBL does not keep a trading book and is only exposed to foreign exchange risk.
- JPMBL's policy is not to enter into transactions that could cause currency exposure and not to maintain significant open currency positions.
- JPMBL does not conclude foreign exchange transactions (or any derivative transactions) with its clients which are covered again in the market. The only foreign exchange exposures included in the balance sheet relate mainly to takings and placings in currencies other than JPMBL's base currency, and the currency mismatch between revenues and costs, whereby there is no material cost revenue mismatch on the most significant foreign currency EUR (self-hedging).

Market Risk Management

At each month-end, unless there is a specific intra-month non-base currency transaction, the foreign exchange long and short positions are traded out by the Finance Department in accordance with Firm policy. JPMBL's Authorized Management is kept appraised of any foreign exchange risk by the Finance Department at the weekly Executive Committee and/or the monthly Local Risk Committee meeting. Given the above considerations it has been concluded that market risk is not deemed material for JPMBL.

Market Risk Quantification

As of December 31, 2015, Pillar 1 foreign exchange risk is below the reporting threshold of 2% of regulatory capital. Hence, no capital has been allocated against foreign exchange risk.

[1] Market risk is for trading book and covers sovereign risk; also captures illiquid, one-way and concentrated positions.

11. Operational Risk (Art. 446)

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

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

Definition

Interest Rate Risk in the Banking Book (IRRBB) is defined as interest rate risk resulting from the firm's traditional banking activities which includes extension of loans and credit facilities, taking deposits and issuing debt; and also the impact from Chief Investment Office (CIO) investment portfolio and other related CIO, Treasury activities.

Business Overview

The interest rate risk generated from the client non-maturity deposits is managed centrally by CIO, Treasury and Corporate), at the Firmwide level, following the Interest Rate Risk Management Policy. JPMBL receives deposits from Custody clients (i.e. investment funds) in the form of sight deposits. The deposits are DDA (Demand Deposit Accounts). JPMBL has price setting ability for the deposits. The majority of the funding is transferred overnight to JPMC Bank, London Branch. For the intra-group placements, the rates are updated daily, and the majority (referred to as Floating) is indexed to overnight market rates (such as EONIA, SONIA, etc.). The overnight placing assets contribute minimal base point value/economic value exposure. A part of the funding is used to finance customer overdrafts, regulatory reserves and the High Quality Liquid Assets at the Banque Centrale du Luxembourg.

Interest Rate Risk Management

JPMBL's profitability may be adversely affected by volatility in interest rate movements. As its policy is to make matched placements and deposits, mostly with intra-group J.P. Morgan entities, the potential exposure to adverse movements in interest rates is minimized.

Sensitivity of the Banking Book to interest rate changes

As at 31 Dec 15 US$m	Change in Economic Value of Equity + 200 basis points	- 200 basis points
Currency		
EUR	116	N/A
USD	180	N/A
GBP	18	N/A
other	83	N/A
Total Economic Value of Equity (EVE)	**397**	**N/A**
Percentage of EVE to Tier 1 and Tier 2 Capital	**35%**	**N/A**

The impact of +200 basis points parallel rates' increase on the economic value of JPMBL has been estimated as positive $397 million as at December 31, 2015.

13. Remuneration policy (Art. 450)

Background

This section sets out the remuneration disclosures required under Article 450 of CRR and clause 16 (1) of the Requirements for the Compensation in Financial Institutions in relation to JPMBL and in respect of the performance year ending December 31, 2015.

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

Qualitative disclosures

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

In addition, the Bank complies with the local policy requirements, including CSSF Circulars 10/437 and 10/496 in relation to the Bank's Remuneration Policy.

In accordance with its local obligations, the Bank has established a local Remuneration Committee (the Committee) to provide independent oversight of the design and implementation of the Bank's Remuneration Policy and remuneration practices. The Committee consists of three non-executive directors, and the Chairman is independent of the business they are overseeing. The Committee held two meetings in the calendar year 2015, as well as meeting in January 2016 to consider the outcomes of the 2015 Year-End compensation review in respect of local "Identified Staff" (as defined below).

Quantitative Disclosures

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

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

Aggregate remuneration information broken down by business area In EUR thousands	Total Compensation 2015	Number of Identified Staff
Investor Services	3,106	12

<u>Total Compensation</u>

In EUR thousands	Fixed Compensation 2015 (Cash)	Variable Compensation in respect of 2015			
		Upfront Cash	Upfront Equity	Deferred Cash	Deferred Equity
Total	2,058	599	164	32	253

<u>Analysis of Deferred Compensation</u>

In EUR thousands	Outstanding, unvested (value as at 31 December 2015)	Awarded during 2015 (value at award)	Paid out during 2015 (value at pay-out)
Total	380	162	102

Sign-on and Severance Payments

No sign-on or severance payments were made to Identified Staff during 2015.

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

No Identified Staff received compensation exceeding EUR 1 million in respect of 2015.

14. Leverage (Art. 451)

The difference between the JPMBL leverage ratio exposure value and total assets disclosed in the published financial statements as at December 31, 2015 is due to different accounting principles applied in the published financial statements (Luxembourg GAAP). Please refer to Appendix B.

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

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

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

As at December 31, 2015, no financial collateral or guarantees were applied to the Credit Risk Exposure under the Standardized Approach.

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

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

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

17. Appendices

Appendix A

Own Funds Disclosure Common Equity Tier 1 capital: instruments and reserves As at 31 December 2015		US$ m
1	**Capital instruments and the related share premium accounts**	**11**
	of which: Common shares	11
2	Retained earnings	1.126
3	Accumulated other comprehensive income (and any other reserves)	
3a	Funds for general banking risk	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	
5	Minority interests (amount allowed in consolidated CET1)	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1,137**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments	
7	Additional value adjustments	
8	Goodwill and Other intangible assets (net of related tax liability)	(1)
9	Empty set in the EU	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference	
11	Fair value reserves related to gains or losses on cash flow hedges	
12	Negative amounts resulting from the calculation of expected loss amounts	
13	Any increase in equity that results from securitized assets (negative amount)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	
15	Defined-benefit pension fund assets (net of related tax liability)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
20	Empty set in the EU	
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	

	Common Equity Tier 1 capital: instruments and reserves (continued)	US$ m
20b	of which: qualifying holdings outside the financial sector (negative amount)	
20c	of which: securitization positions (negative amount)	
20d	of which: free deliveries (negative amount)	
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	
22	Amount exceeding the 15% threshold (negative amount)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	
24	Empty set in the EU	
25	of which: deferred tax assets arising from temporary difference	
25a	Losses for the current financial year (negative amount)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	
26a	Regulatory adjustments relating to unrealized gains and losses Of which: Filter for unrealized gains on available-for-sale equities	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(1)**
29	**Common Equity Tier 1 (CET1) capital**	**1,136**
	Additional Tier 1 (AT1) capital: instruments	
	Additional Tier 1 (AT1) capital: regulatory adjustments	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	
44	**Additional Tier 1 (AT1) capital**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1,136**
	Tier 2 (T2) capital: instruments and provisions	
51	**Tier 2 (T2) capital: regulatory adjustments**	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	
58	**Tier 2 (T2) capital**	
59	**Total capital (TC = T1 + T2)**	
60	**Total risk-weighted exposures**	**2,845**

	Common Equity Tier 1 capital: instruments and reserves (continued)	US$ m
	Capital ratios and buffers	
61	Common Equity Tier 1 ratio	39.9%
62	Tier 1 ratio	39.9%
63	Total capital ratio	39.9%
64	Institution specific buffer requirement	71
65	of which: capital conservation buffer requirement	71
66	of which: countercyclical buffer requirement	
67	of which: systemic risk buffer requirement	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	1600%
69	[non-relevant in EU regulation]	
70	[non-relevant in EU regulation]	
71	[non-relevant in EU regulation]	
	Amounts below the thresholds for deduction (before risk-weighting)	
72	Direct and indirect holdings of the capital of financial sector entities where the institution	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the	
74	Empty set in the EU	
75	Deferred tax assets arising from temporary difference	
	Applicable caps on the inclusion of provisions in Tier 2	
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized	
77	Cap on inclusion of credit risk adjustments in T2 under standardized approach	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	
	Capital instruments subject to phase-out arrangements (applicable between 1 Jan 2014	
80	- Current cap on CET1 instruments subject to phase-out arrangements	
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and	
82	- Current cap on AT1 instruments subject to phase-out arrangements	
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and	
84	- Current cap on T2 instruments subject to phase-out arrangements	
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	

APPENDIX B

Leverage Ratio Disclosure LRSum table As at 31 December 2015		US$ m
1	Total assets as per published financial statements	12,530
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	
4	Adjustments for derivative financial instruments	
5	Adjustments for securities financing transactions "SFTs"	
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	
7	Other adjustments	26
8	**Total leverage ratio exposure**	**12,556**

LRCom table		US$ m
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	12,556
2	(Asset amounts deducted in determining Tier 1 capital)	
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**12,556**
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	
EU-5a	Exposure determined under Original Exposure Method	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	**Total derivative exposures (sum of lines 4 to 10)**	-
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk exposure for SFT assets	
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**-**

LRCom table (continued)		US$ m
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	282
18	(Adjustments for conversion to credit equivalent amounts)	
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**282**
	Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)	
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	
	Capital and total exposures	
20	Tier 1 capital	1,136
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**12,838**
	Leverage ratio	
22	**Leverage ratio**	**8.80%**
	Choice on transitional arrangements and amount of derecognized fiduciary items	
EU-23	Choice on transitional arrangements for the definition of the capital measure	
EU-24	Amount of derecognized fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	

LRSpl table		US$ m
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**12,556**
EU-2	*Trading book exposures*	*0*
EU-3	*Banking book exposures, of which:*	*12,468*
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	2,321
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	0
EU-7	Institutions	10,105
EU-8	Secured by mortgages of immovable properties	0
EU-9	Retail exposures	0
EU-10	Corporate	42
EU-11	Exposures in default	0
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	0

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

There were no factors that had a material impact on the leverage ratio during 2015.

APPENDIX C

Capital instruments' main features As at 31 December 2015		Description
	Capital instruments main features template (1)	
1	Issuer	J.P. Morgan Bank Luxembourg S.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Article 37 et seq. of "Luxembourg Company Law: Law of 10th August 1915 on commercial companies" (Loi du 10 août 1915 concernant les sociétés commerciales)
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo
7	Instrument type (types to be specified by each jurisdiction)	Shares of a public limited liability company (Actions d'une société anonyme)
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	USD 11
9	Nominal amount of instrument	USD 110
9a	Issue price	USD 110
9b	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	May 16^{th}, 1973
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A

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

Capital instruments' main features (continued) As at 31 December 2015		Description
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Equity is the lowest level in the hierarchy
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A