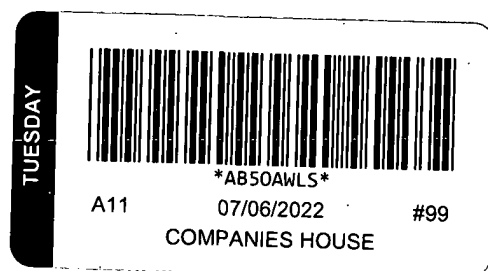


J.P. MORGAN EUROPE LIMITED
(Registered Number: 00938937)

Annual report for the year ended 31 December 2021



J.P. MORGAN EUROPE LIMITED
Annual report for the year ended 31 December 2021

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J.P. MORGAN EUROPE LIMITED

Strategic report

The directors present their Strategic report of J.P. Morgan Europe Limited (the "Company" or "JP MEL") for the year ended 31 December 2021:

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 United States of America ("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 18 September 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 \$3,621 million in assets and \$2,122 million in total equity as of 31 December 2021.

Review of business

The directors are satisfied with the performance of the Company. Towards the end of 2021, the Company had largely completed its planned transition of historic business activities to other JPMorgan Chase undertakings. The focus for the Company has been on developing its newly launched Chase UK digital retail bank. 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. Given the change in business activities, a comparison to prior year performance would not be meaningful.

Key performance indicators ("KPIs")

A summary of the key performance indicators used to manage the business during the past year is set out in the tables below. The development of the Chase UK business in the Company is also monitored by reviewing current and projected earnings.

Financial performance (in '\$'000's except for capital ratios)	2021	2020
Earnings		
Net operating income	201,860	420,515
(Loss)/Profit for the financial year	(109,906)	5,053
Balance sheet		
Total assets	3,620,536	5,124,459
Capital ratios (unaudited)		
Common Equity Tier 1	2,121,055	2,231,152
Pillar 1 capital ratio	250 %	125 %
Regulatory minimum total required capital ratio*	8 %	8 %

* Represents minimum requirements of the Capital Requirement Regulation on-shored in the U.K. under Prudential Regulatory Authority ("PRA") supervision. The Company's total capital ratio as of 31 December 2021 and 2020 exceeded the minimum requirements, as well as the additional capital requirements specified by the PRA.

Capital resources utilised to calculate 2021 capital ratios include current year audited losses.

Income statement

The income statement for the year ended 31 December 2021 is set out on page 63. Net operating income for the year was \$202 million (2020: \$421 million).

The results for the Company show a loss before taxation of \$109 million for 2021 (2020: \$51 million profit) and a loss for the financial year of \$110 million (2020: \$5 million profit). Net operating income was down year on year primarily due to the cost of developing the new Chase UK business. The notes to the financial statements provide detail on material items of expenditure related to the business. The transition of existing business activities to other JPMorgan Chase undertakings, as outlined in the ensuing sections has also contributed to the decrease in income.

Balance sheet

The balance sheet is set out on page 65. The Company has total assets and total liabilities of \$3,621 million (2020: \$5,124 million) and \$1,499 million (2020: \$2,893 million) respectively, as at 31 December 2021. Total assets and liabilities have decreased overall due to a reduction in POca deposits, resulting in a corresponding decrease in balances held with other JPMorgan Chase undertakings. The business transitions as described in the following sections, have also contributed to a reduction in accruals and other employee related liabilities.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Future outlook

The strategic goal of the Company is to become a profitable retail bank in the United Kingdom ("U.K."), with a suite of product offerings across deposits, payment services, lending and investment services. The Company's outlook for 2022 should be viewed against this goal. The Company will maintain the U.K. Depository Services business and allow the Post Office Card Account ("POCa") activity to wind down.

Launch of digital consumer banking in the UK

In September 2021, a digitally led retail bank, under the Chase brand, was launched in the U.K., operating through the Company. The retail bank provides products and features designed specifically to meet the needs of customers in the U.K., delivered via an innovative mobile app.

The business strategy has identified a significant opportunity for an established retail bank that can combine the agility and convenience of a digital bank, with the core traditional elements of a high street bank. The approach to launch by introducing new product offerings and features in phases has allowed the bank to learn from the market and evolve the offerings based on customer behaviour and feedback while mitigating operational risk.

The initial focus at launch date was to establish the Chase brand in the U.K. and acquire relationships with customers by starting a 'universal' current account, with 2022 being a year to deepen the presence of Chase UK in the market. This will be executed through a further extension of products to address customer needs, and gain market share.

Post Office Card Account Contract Expiry

The U.K. Government has confirmed that it will retire the POca service in 2022. The POca contract has been extended from the current expiry date of 30th November 2021 to 30th November 2022. The Company's regulatory obligations to its customers, particularly those holding residual balances will remain, even after the expiry of the service. The Company will retain residual balances and process redemption requests as they are made.

Business Transition

The Company continued to transition its residual Corporate and Investment Bank ("CIB") business activity to other JPMorgan Chase undertakings during 2021, including assets, liabilities and in scope employees related to these activities.

During 2020, the Company transitioned its Credit Portfolio Group ("CPG") lending activity and its Debt Capital Markets ("DCM") business to another JPMorgan Chase undertaking based in the European Economic Area ("EEA").

The Company has transitioned the below businesses within CIB to another JPMorgan Chase undertaking during 2021

- Wholesale Payments business, with the exception of the Post Office retail accounts activity
- Securities Services business, with the exception of the U.K. Depository Services
- Retained Lending business

These business operations are presented as discontinued operations in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' ("IFRS 5") in the 2021 financial statements

These transitions are part of the agreed Company strategy to discontinue its historic business activity.

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Strategic report (continued)

Future outlook (continued)

Departure of the UK from the European Union

Firmwide impact

Departure of the U.K. from the EU

The U.K.'s departure from the European Union ("EU"), which is commonly referred to as "Brexit," occurred on 31 January 2020, and, following a transition period, was completed on 31 December 2020. J.P. Morgan AG ("JPMAG")¹ has become the client-facing entity for EEA clients, not only retaining counterparty credit risk and credit valuation adjustments, but also managing the market risk position for selected desks.

Firm's Response to Brexit

The Firm has made changes to its legal entity structure and operations in the U.K. and the EU, the locations in which it operates and the staffing in those locations to ensure the continuity of service to its clients post Brexit. In particular, the Firm built out its EU legal entities so they are able to face the EEA clients and counterparties for EU passported regulated activity. Effective from 1 January 2021 JPMAG is positioned as the main legal entity to accommodate EEA business activities for the CIB of the Firm.

Brexit Implementation Program

The Firmwide Brexit Implementation program has completed the Brexit implementation plan across all impacted businesses and functions, including an assessment of political, legal and regulatory and other implementation risks. A key focus of the program was to ensure continuity of service to the Firm's EEA clients in the following areas: regulatory and legal entities; clients; and business and operations. This has been completed in 2021, which includes the implementation of the final stages of the Brexit target operating model, including the transfer of in-scope risk management positions to the EU subsidiary, the migration of client activities and through the completion of employee relocations to the EEA.

Company impacts

The Company lost its EU passporting rights with the departure of the U.K. from the EU and it is not be able to continue to provide the related regulated activities to clients in the EEA. During 2020, the Company facilitated the Firm's implementation efforts to make necessary modifications to its legal entity structure, including re-documentation of in-scope EEA clients and transfer of necessary staff out of the UK to the EU locations. Employee relocations to the EEA, managed by the dedicated HR Brexit team, are complete. The branches of the Company have also been closed following the transfer of staff.

Ukraine-Russia Crisis

The Company continues to assess the potential broader impacts of the Russian invasion of Ukraine and related sanctions on the global economy, financial markets, and specific industry and economic sectors, including potential recessionary and inflationary pressures or disruption to global financial infrastructures such as SWIFT.

The Company utilised the Firmwide controls on sanctions and screening. The Firm has engaged and continues to engage with regulators and industry groups to analyse and review procedures to comply with financial and economic sanctions imposed on Russian entities and individuals in line with applicable sanctions.

The Firm is also focused on risks related to the increased potential for cyber-attacks that may be conducted in retaliation for the sanctions imposed on Russia, and has instituted additional precautionary measures to address these risks and procedures to expedite the remediation of any high risk vulnerabilities as they are identified.

The Company continues to support employees who have been affected by the Ukraine-Russia crisis.

For further details refer to Note 39 – Post Balance Sheet Events.

COVID-19

The Firm has taken action to protect and support its employees during the Coronavirus Disease 2019 ("COVID-19") pandemic, including continued implementation of health and safety protocols. For more details on the Firmwide measures, refer to the risk management section (pages 7 - 39).

The Company does not currently anticipate a significant reduction in its capital and liquidity positions over the coming year as a result of COVID-19.

¹ From 24th January 2022, J.P. Morgan AG has converted into an European public company, J.P. Morgan SE.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Section 172(1) Companies Act 2006 Statement

The directors of JPMEL 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
- 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 JPMorgan Chase 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 page 45 - 56, and by the Europe, Middle East and Africa ("EMEA") Management Committee ("EMC").

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 Firm is run is crucial to the Firm'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 page 45 - 56 and is incorporated by reference into this statement.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

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

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 2021, 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:

- The Board continued to receive focused monthly updates in relation to the Company's response to the COVID-19 pandemic. These sessions enabled the Board to receive information on how the Company was engaging with its clients in the unusual trading environment, how the impacts on employees (who were largely working from home) were being addressed and on the Company's engagement with its regulators in relation to the steps it was taking ensure continuity of operations. These briefing sessions enabled the Board to approach all its decision-making in the light of the continually changing operating environment and the impact that had on the Company's stakeholders.
- In connection with the proposed launch of the Company's new digital retail bank Chase UK, the Board held additional meetings to provide enhanced oversight of management's work on the start-up of the new business. While strategic decisions relating to the initiative were made in prior years, the Board took into consideration the impact of the implementation of these decisions on potential customers of the new business by providing constructive challenge to management's proposals for the launch of Chase UK and the services it will provide. These deliberations included receiving in-depth briefings on certain aspects of the customer experience, including fraud prevention and the marketing strategy.
- Given the launch of Chase UK and the ongoing decision-making and oversight required in respect of it, the Board decided to appoint a new independent non-executive director to chair the Board Risk Committee. In recruiting for this position, the Board considered the capabilities of the existing directors and determined the skills required to complement those already present on the Board, having regard for the impact that a successful appointment would have on the long-term prospects of the Company.
- The Board made certain decisions in relation to resolution and recovery, including the approval of updated resolution and recovery plans. These updated plans included elements related to the impact of the COVID-19 pandemic and a revised governance playbook setting out how the Company would make key decisions in the event of a recovery or resolution scenario arising. In approving the plans, the Board considered the impact of a recovery or resolution scenario (and the decisions it would need to take in those circumstances) on the long-term prospects of the Company.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

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 which came into effect, on a transitional basis, from 1 January 2019, with full compliance required by 1 January 2022. Capital Requirements Regulation MREL rules, which apply in parallel to the BoE requirements, were on-shored into UK law by The Capital Requirements (Amendment) (EU Exit) Regulations 2019. These on-shored requirements apply at the level of the consolidated UK parent entity.

Following BoE communication of Firm-specific MREL targets in 2018, the Company replaced a portion of its existing senior funding notes with Tier 2 qualifying subordinated notes in order to ensure compliance with these requirements. The Company continues to meet applicable UK MREL requirements.

Bank of England resolvability requirements

The Company's implementation of U.K. resolvability requirements to meet the provisions of the BoE's Resolvability Assessment Framework ("RAF") was completed at the end of 2021, ahead of the 1 January 2022 compliance date.

Interbank offered rate ("IBOR") Transition

The Financial Stability Board ("FSB") and the Financial Stability Oversight Council ("FSOC") have observed that the secular decline in interbank short-term funding poses structural risks for unsecured benchmark interest rates such as Interbank Offered Rates ("IBORs"). Therefore, regulators and market participants in various jurisdictions have been working to identify alternative reference rates that are compliant with the International Organisation of Securities Commission's standards for transaction-based benchmarks. In the U.S., U.K., EU, Japan and Switzerland, groups composed of market and official sector participants, have identified the Secured Overnight Financing Rate ("SOFR") the Sterling Overnight Index Average Rate ("SONIA") the Euro Short-Term Rate ("€STR") the Tokyo Overnight Average Rate ("TONA") and the Swiss Average Rate Overnight ("SARON") as the recommended alternative benchmark rates.

The Federal Reserve ("Fed"), the Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation ("FDIC") and the Financial Conduct Authority ("FCA") have encouraged banks to cease entering into new contracts that use U.S. dollar LIBOR as a reference rate by December 31, 2021. In connection with this, the Firm now offers various products, and provides debt financings, that reference the Secured Overnight Financing Rate ("SOFR") across its businesses.

On August 27, 2020, the International Accounting Standards Board ("IASB") issued guidance that provides practical expedients to contracts and hedge accounting relationships affected by the reference rate reform. These practical expedients are intended to simplify the operational impact of applying existing IFRS requirements to transactions impacted by the reference rate reform.

As of 31 December 2021, the Company did not hold any positions that are subject to IBOR reform.

Net Stable Funding Ratio

The UK Net Stable Funding Ratio ("NSFR") rule went live on 1 January 2022. The NSFR rule is intended to help ensure that firms maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities and focuses on protecting against liquidity risks over a longer horizon than the Liquidity Coverage Ratio ("LCR") metric. As of 1 January 2022, the Company was compliant with the NSFR rule.

¹ The BoE's Statement of Policy on its Approach to Setting MREL was further updated in December 2021, however these amendments did not include material changes to the Internal MREL rules applicable to the Company.

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Strategic report (continued)

Risk management

Risk is an inherent part of the Company's business activities. The Company'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 Company.

JPMorgan Chase, and the 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 Function; and
- Firmwide structures for risk governance.

JPMorgan Chase'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 the 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 JPMorgan Chase and the Company's risk governance framework, please refer to the specific section in the Statement of Corporate Governance Arrangements.

All disclosures in the Risk management section (7 - 39) 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 2021 Annual Report on Form 10-K. The report is available at <https://jpmorganchaseco.gcs-web.com/financial-information/sec-filings>.

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Strategic report (continued)

Risk management (continued)

Capital risk (audited)

Capital risk is the risk 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. Prior to making any decisions on future business activities, senior management considers the implications on the Company's capital.

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

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 (CRR) Pillar 2A prescribed by the PRA and FCA and relevant buffers).
- Assumed minimum leverage requirements (as per U.K. CRR).
- The risks faced by the entity, through regular comparisons of regulatory and internal capital requirement.
- 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 (Company's functional currency).
- 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.

The Company maintains a prudent balance between its capital resources and its investments associated to the business transition into a digital consumer banking in the U.K., ensuring the capital risk is mitigated during the business transition period, including under stress.

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. The non-functional currency 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.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

Capital risk (audited) (continued)

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

	2021	2020
	\$'000	\$'000
Common Equity Tier 1 (Equity share capital and reserves)	2,121,055	2,231,152
Total Capital Resources	2,121,055	2,231,152
Pillar 1 capital requirement (unaudited)	67,624	143,169
Excess of total capital resources over Pillar 1 capital requirements (unaudited)	2,053,431	2,087,983
Pillar 1 capital ratio (unaudited)	250 %	125 %

COVID-19

The Company has been impacted by market events as a result of COVID-19, but has remained well capitalised.

As of 31 December 2021 and 2020, the Company was adequately capitalised and met all external capital requirements. Capital resources utilised to calculate capital ratios are inclusive of current year losses. Additionally, the operational risk requirement included within the Pillar 1 Capital Requirement has been recalculated to incorporate current year net income.

Credit risk (audited)

Credit risk is the risk associated with the default or change in credit profile of a client, counterparty or customer. Historically, credit exposures booked in the Company have originated from Wholesale Payments, Securities Services and Retained Lending within CIB as well as Commercial Bank for clients requiring an EU passported bank entity. These businesses are no longer operating out of the Company and as of 31 December 2021, there was no external CIB or Commercial Banking exposures in the Company. As at 31 December 2021 inter-affiliate placement with JPMorgan Chase affiliates are the main source of exposure

Having just been launched, Chase UK is not yet offering lending products. 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 through key risk indicators and performance data of the business activities, leveraging risk reports and threshold breaches on a daily, weekly and monthly basis.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

Credit risk (audited) (continued)

Expected credit loss measurement

Approach to measuring expected credit losses

The Company estimates credit impairment through an allowance for expected credit losses ("ECL"). ECL are recognised for financial assets that are measured at amortised cost or at fair value through other comprehensive income ("FVOCI") and for specified lending-related commitments such as loan commitments and financial guarantee contracts. The measurement of ECL must reflect

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes
- The time value of money.
- Reasonable and supportable 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). In 2020, all intercompany exposures had formerly been considered non-TCP, but have been segmented based on product type, irrespective of whether the borrower is third party or intercompany. In other words, TCP and Non-TCP both have intercompany positions.

Enhancement in modelling methodology

In 2020, the Company enhanced its statistical model methodology used for collective assessment to better estimate expected credit losses. Key model enhancements included:

- Expansion of forecasting during the reasonable and supportable period from using three forward looking scenarios (central, adverse and upside) to five forward looking scenarios (central, relative upside, extreme upside, relative adverse and extreme adverse).
- Introduction of large loan uncertainty ("LLU"), captures the variation in loan sizes across the portfolio by taking into consideration the risk of large exposures defaulting due to the non-homogenous nature of the portfolio.
- The estimated impact of COVID-19 is incorporated into ECL through macroeconomic variables ("MEVs") and forward looking scenarios.

These enhancements were not applied in the current year.

Chase UK negative deposit balances

Chase UK 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 provisioned for at 100% of the outstanding negative balance as of the reporting date.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

Credit risk (audited) (continued)

Approach to measuring expected credit losses (continued)

The following table sets out the gross carrying amount (before ECL) of the Company's financial assets which are measured at amortised cost or FVOCI by the respective TCP and Non-TCP categories as of 31 December 2021 and 31 December 2020 respectively.

Gross carrying amount 2021		TCP			Non-TCP	
		\$'000	\$'000	\$'000	\$'000	\$'000
Assets	Amortised cost	FVOCI	Total	Amortised cost	Total	
Loans and advances to banks	—	—	—	2,506,029	2,506,029	
Loans and advances to customers	12	—	12	—	12	
Securities purchased under resale agreements	—	—	—	1,067,599	1,067,599	
Debtors	—	—	—	25,094	25,094	
Prepayments and accrued income						
Accrued income	—	—	—	693	693	
Total	12	—	12	3,599,415	3,599,427	

Gross carrying amount 2020		TCP			Non-TCP	
		\$'000	\$'000	\$'000	\$'000	\$'000
Assets	Amortised cost	FVOCI	Total	Amortised cost	Total	
Loans and advances to banks	—	1	1	4,050,377	4,050,378	
Loans and advances to customers	—	3,339	3,339	—	3,339	
Securities purchased under resale agreements	—	—	—	1,032,305	1,032,305	
Debtors	—	—	—	26,292	26,292	
Prepayments and accrued income						
Accrued income	—	—	—	624	624	
Total	—	3,340	3,340	5,109,598	5,112,938	

ECL on off-balance sheet lending-related commitments which are categorised as TCP, are reported in provisions for liabilities and are not included in the table above. These lending-related commitments are disclosed in note 36.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

Credit risk (audited) (continued)

Impact of staging on measuring expected credit losses

ECL is measured using a three-stage model based on changes in credit quality of the financial instrument since it was initially recognised ("initial recognition"):

- Stage 1 - performing financial instruments that have not had a significant increase in credit risk since initial recognition.
- Stage 2 - performing financial instruments that have experienced a significant increase in credit risk.
- Stage 3 - non-performing financial instruments that have been determined to be credit-impaired.

The impairment model for negative balance assets :

- 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.

The Company does not hold any financial instruments classified as Stage 3.

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. For Stage 2 instruments, ECL is calculated considering the probability of default over the remaining life of the instrument 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).

The Company assesses for evidence of a SICR by considering whether there has been a change in the risk of a default occurring since the financial instrument was initially recognised.

For TCP, the Company assesses SICR based on a combination of qualitative and quantitative assessments, as described in more detail below.

Quantitative criteria

The Company determines whether the probability of a default ("PD") occurring has changed between a financial instrument's initial recognition and the reporting date. If the change in PD exceeds certain relative and absolute thresholds, the instrument has experienced a SICR. The assessment of the PD takes into account reasonable and supportable information, including information about past events, current and future economic conditions.

Qualitative criteria

The Company monitors borrowers that may become impaired by including them on its watch list. Obligors that are on the watch list are considered to have experienced a SICR. The Company also monitors changes in internal credit risk ratings (relative to the credit rating on initial recognition) and delinquency triggers to determine if a borrower has experienced a SICR.

The approach for determining whether there has been a SICR for Non-TCP portfolios depends on the type of instrument. The Company presumes Non-TCP financial assets that are 30 days past due have experienced a SICR and are included in Stage 2 except for certain fee receivables. Non-TCP intercompany assets with material legal entities that are covered by the Firm's resolution and recovery plans are considered to be investment grade and therefore these are included in Stage 1 with no SICR. Finally, the remainder of the Company's Non-TCP are mostly short-term and generally no SICR has arisen prior to the maturity of that instrument.

Financial instruments that are in Stage 2 are moved to Stage 1 as described below in the period that the quantitative and qualitative criteria for a SICR no longer exist.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

Credit risk (audited) (continued)

Unimpaired and 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).

Sensitivity analysis of weighting

The Company's allowance for credit losses is sensitive to numerous factors, which may differ depending on the portfolio. Changes in economic conditions or in the Company's assumptions and judgements could affect its estimate of expected credit losses in the portfolio at the balance sheet date.

The Company considers a variety of factors and inputs in estimating the allowance for credit losses. It is difficult to estimate how alternative judgements in specific factors might affect the overall allowance for credit losses due to the idiosyncratic nature of the factors and inputs involved.

To illustrate the potential magnitude of an alternative adjustment, the Company estimates that adjusting the extreme downside scenario weighting to 100%, the expectation is that the impact will not be material.

Sensitivity analysis of ECL due to staging

The impact of staging on the Company's ECL recognised on balance sheet as at 31 December 2021, by comparing the allowance if all performing financial assets were in Stage 1 or if all such assets were in Stage 2 to the actual ECL recognised on these assets was assessed as immaterial.

ECL measurement for TCP Portfolios

Key Inputs

ECL for Stage 1 and Stage 2 assets is determined using a collective assessment model that estimates losses expected on the portfolio from possible defaults in the next 12 months or lifetime depending on whether the instrument is included in Stage 1 or 2. The 12-month ECL are calculated by multiplying the 12-month Probability of Default, Exposure at Default and Loss Given Default. Lifetime ECL are calculated using the lifetime PD instead. These inputs are collectively known as the modelled estimate and are described in further detail below:

Probability of Default ("PD"): The PD model estimates the probability of a borrower defaulting given certain macroeconomic scenarios and the probability of a borrower moving from one risk rating to another during the reasonable and supportable period. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively. The PD is determined at a facility level. Country specific information is applied to risk ratings, as appropriate in accordance with internal risk rating guidelines. Beyond the reasonable and supportable period ("R&S"), the probability of default and likelihood of downgrade are based on long run historical averages with no macroeconomic forecasting element. Internal historical default data is used for all periods, both during the reasonable and supportable R&S and beyond.

Exposure at Default ("EAD"): Exposure at Default represents the gross exposure of the Firm upon the Obligor's default and is characterised, as follows:

- Term Loans - EAD is 100% of exposure, net of amortisation.
- Revolving commitments - EAD is a model-based estimate that considers the expectation of future utilisation at the facility level in the case of a default under a given macroeconomic environment. After the R&S forecast period, a long run EAD is determined based on the facility's risk characteristics.
- All other unfunded committed facilities - EAD is determined judgmentally and where appropriate, empirically, based on the type of credit facility, line of business, underlying risk characteristics, and utilisation.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

Credit risk (audited) (continued)

ECL measurement for TCP Portfolios (continued)

Key Inputs (continued)

Loss Given Default ("LGD"): LGD, also known as loss severity, represents the amount of loss, expressed as a percentage, in the event the facility defaults under a given forecasted macroeconomic environment during the reasonable and supportable period. Beyond the reasonable and supportable period long run historical average LGD is used based on the Loan's risk characteristics (e.g., secured type, region, LOB). Country specific considerations are also applied to the LGD inputs, as appropriate. Similar to PD, internal historical default data is used for all periods, both during the R&S and beyond.

Forward-looking information

ECL estimates are derived from the Company's historical experience and future forecasted economic conditions. To incorporate forward-looking information into the ECL calculation, the Company develops forecasted economic scenarios. The Company develops five forward looking scenarios (base, relative upside, extreme upside, relative downside and extreme downside cases) during the year. Each of these scenarios contain a set of MEVs that reflect forward-looking economic and financial conditions. MEVs include, but are not limited to FX rates, inflation and GDP per country or country block (group of countries that have similar economic circumstances). MEVs for each scenario are projected over a reasonable and supportable forecast period of two years. After the forecast period, the losses revert to historical averages over a one-year transition period.

On a quarterly basis, the five economic scenarios are updated, and probability weighted. The Company uses judgement to develop the scenarios and assign probability weightings. The most likely economic scenario in management's view is the base case which would generally be expected to be weighted more heavily than the other two scenarios.

The PD, LGD and EAD models are designed to forecast the credit quality and performance of a TCP portfolio based on industry, geography, rating and size of obligors, among other attributes of the portfolio. PD, LGD and EAD models are calibrated based on historical MEVs and use forecasted macroeconomic scenarios for projecting PD, LGD and EAD values.

ECL calculation

The Company uses the forward-looking PD, LGD, and EAD values for each of the scenarios to produce the scenario credit losses ("SCLs"). The modelled ECL estimate includes a probability-weighted calculation of the five SCLs discounted using the original effective interest rate or an approximation thereof. The weightings are periodically reviewed and approved centrally by a risk governance committee within the Firm.

As part of the normal review process, the central ECL calculation is subject to further adjustment to take into consideration the requirements of the Company. As the centrally estimated ECL are not specific to local and regional conditions, the Company completes a local review, which involves conducting individual client reviews and reviewing local MEVs and will adjust the centrally estimated ECL to appropriately reflect the Company's portfolio. Management applies judgement in making this adjustment, which considers economic and political conditions, quality of underwriting standards, borrower behaviour, deterioration within an industry, product or portfolio, as well as other relevant internal and external factors affecting the credit quality of the portfolio. In certain instances, the interrelationships between these factors create further uncertainties.

The ECL includes qualitative management adjustments in Q4 to capture the continued uncertainty in the macroeconomic environment, quantified using adjusted scenario weights with 60% weight on the adverse scenarios.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

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 2021 and 31 December 2020 respectively by respective product classes. 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

The ECL recognised in the year is impacted by the judgements made by management as described below:

- Determining criteria for significant increase in credit risk.
- Choosing appropriate models and assumptions for the measurement of ECL.
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.
- Establishing groups of similar financial assets for the purposes of measuring ECL.

a) Loans and advances to customers at amortised cost.

\$'000	ECL				Gross carrying amount				
	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1	Stage 2	Stage 3	Fair value adjustment	Total
At 1 January 2021	—	—	—	—	—	—	—	—	—
New loans originated or purchased	(12)	—	—	(12)	12	—	—	—	12
Loans derecognised or repaid	—	—	—	—	—	—	—	—	—
Existing loans (including credit quality changes)	—	—	—	—	—	—	—	—	—
Stage transfers:									
Stage 1 to Stage 2	—	—	—	—	—	—	—	—	—
Stage 2 to Stage 1	—	—	—	—	—	—	—	—	—
Total changes	(12)	—	—	(12)	12	—	—	—	12
At 31 December 2021	(12)	—	—	(12)	12	—	—	—	12

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

Credit risk (audited) (continued)

b) Loans and advances to customers and Loans and advances to banks at FVOCI.

\$'000	ECL				Gross carrying amount				
	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1	Stage 2	Stage 3	Fair value adjustment	Total
At 1 January 2021	—	—	—	—	3,340	—	—	—	3,340
New loans originated or purchased	—	—	—	—	—	—	—	—	—
Loans derecognised or repaid	—	—	—	—	(3,340)	—	—	—	(3,340)
Existing loans (including credit quality changes)	—	—	—	—	—	—	—	—	—
Changes in Macroeconomic variables ("MEV")	—	—	—	—	—	—	—	—	—
Stage transfers:									
Stage 1 to Stage 2	—	—	—	—	—	—	—	—	—
Stage 2 to Stage 1	—	—	—	—	—	—	—	—	—
Modelling methodology enhancement ¹	—	—	—	—	—	—	—	—	—
Movement in fair value	—	—	—	—	—	—	—	—	—
Total changes	—	—	—	—	(3,340)	—	—	—	(3,340)
At 31 December 2021	—	—	—	—	—	—	—	—	—

\$'000	ECL				Gross carrying amount				
	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1	Stage 2	Stage 3	Fair value adjustment	Total
At 1 January 2020	22	299	—	321	243,613	48,934	—	336	292,883
New loans originated or purchased ¹	—	—	—	—	3,340	—	—	—	3,340
Loans derecognised or repaid	(22)	(299)	—	(321)	(243,613)	(48,934)	—	—	(292,547)
Existing loans (including credit quality changes)	—	—	—	—	—	—	—	—	—
Changes in Macroeconomic variables ("MEV")	—	—	—	—	—	—	—	—	—
Stage transfers:									
Stage 1 to Stage 2	—	—	—	—	—	—	—	—	—
Stage 2 to Stage 1	—	—	—	—	—	—	—	—	—
Modelling methodology enhancement ¹	—	—	—	—	—	—	—	—	—
Movement in fair value	—	—	—	—	—	—	—	(336)	(336)
Total changes	(22)	(299)	—	(321)	(240,273)	(48,934)	—	(336)	(289,543)
At 31 December 2020	—	—	—	—	3,340	—	—	—	3,340

¹ Refer to Page 10 for further information on modelling methodology enhancements.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

Credit risk (audited) (continued)

c) Loan commitments and financial guarantee contracts

\$'000	ECL			Total
	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
At 1 January 2021	1,828	1,225	—	3,053
New loan commitments/financial guarantees	—	—	—	—
Loan commitments/financial guarantees drawn	(1,828)	(1,225)	—	(3,053)
Existing loan commitments/financial guarantees (including credit quality changes)	—	—	—	—
Changes in Macroeconomic variables ("MEV")	—	—	—	—
Stage transfers:				
Stage 2 to Stage 1	—	—	—	—
Modelling methodology enhancement ¹	—	—	—	—
Qualitative Management Adjustment	—	—	—	—
Total changes	(1,828)	(1,225)	—	(3,053)
At 31 December 2021	—	—	—	—

¹Refer to 2020 Developments section on Page 10 for further information on modelling methodology enhancements.

\$'000	ECL			Total
	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
At 1 January 2020	117	67	—	184
New loan commitments/financial guarantees	—	—	—	—
Loan commitments/financial guarantees drawn	(72)	(47)	—	(119)
Existing loan commitments and financial guarantees (including credit quality changes)	(596)	583	—	(13)
Changes in Macroeconomic variables ("MEV")	724	379	—	1,103
Stage transfers:				
Stage 2 to Stage 1	(5)	5	—	—
Modelling methodology enhancement ¹	498	(507)	—	(9)
Qualitative Management Adjustment	1,162	745	—	1,907
Total changes	1,711	1,158	—	2,869
At 31 December 2020	1,828	1,225	—	3,053

¹Refer to 2020 Developments section on Page 10 for further information on modelling methodology enhancements.

In 2021, increase is due to release of provisions.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

2. Non-traditional credit products

Non-TCPs include all other instruments measured at amortised cost and subject to the impairment provisions of International Financial Reporting Standard 9 ("IFRS 9"). 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 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 resale agreements 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.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

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.

	Gross balance sheet exposure ¹	Exposures captured by market risk	Risk mitigants		Net credit exposure	Net balance sheet exposure held with:	
			Master netting agreements and other	Cash & security collateral ²		JPMorgan Chase Undertakings	External counter parties
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 December 2021							
Financial assets:							
Loans and advances to banks ³	2,506,029	—	—	—	2,506,029	2,502,385	3,644
Loans and advances to customers ³	—	—	—	—	—	—	—
Securities purchased under resale agreements ⁴	1,067,599	—	—	(1,071,773)	(4,174)	(4,174)	—
Financial assets held at fair value through profit or loss ⁵	8,857	(8,515)	—	—	342	342	—
Financial assets designated at fair value through profit or loss	33	—	—	—	33	—	33
Debtors	25,094	—	—	—	25,094	15,606	9,488
Accrued income	694	—	(694)	—	—	—	—
Total	3,608,306	(8,515)	(694)	(1,071,773)	2,527,324	2,514,159	13,165

	Gross balance sheet exposure ¹	Exposures captured by market risk	Risk mitigants		Net credit exposure	Net balance sheet exposure held with:	
			Master netting agreements and other	Cash & security collateral ²		JPMorgan Chase Undertakings	External counter parties
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 December 2020							
Financial assets:							
Loans and advances to banks ³	4,050,378	—	—	—	4,050,378	4,047,578	2,800
Loans and advances to customers ³	3,339	—	—	—	3,339	—	3,339
Securities purchased under resale agreements ⁴	1,032,305	—	—	(1,027,850)	4,455	—	4,455
Financial assets held at fair value through profit or loss ⁵	11,135	(3,803)	(1,817)	—	5,515	—	5,515
Debtors	26,292	—	—	—	26,292	20,660	5,632
Accrued income	624	—	(591)	—	33	—	33
Total	5,124,073	(3,803)	(2,408)	(1,027,850)	4,090,012	4,068,238	21,774

¹ Includes \$3,587 million (2020: \$5,102 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 \$1,072 million (2020: \$1,028 million). There were no fair value of collateral repledged in 2021 and 2020. These transactions are conducted under terms that are customary to standard lending activities (note 18).

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 exposure, there are no off balance sheet exposures consisting of lending commitments and standby letters of credit and guarantees during the year (2020: \$697 million). Refer to note 36.

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, used and third-party usability, as well as by regular evaluation.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

Credit risk (audited) (continued)

Credit risk exposures (audited) (continued)

The Company's credit exposures and credit risk mitigants are described below. An ECL allowance is only recognised on loans and advances to customers held at amortised cost and FVOCI. The Company's approach to measuring ECL for Non-TCP portfolios is further discussed below.

Loans and advances to customers at amortised cost and FVOCI and Loans and advances to banks at FVOCI

The table below presents the Company's credit exposure and contractual maturity profile to gross loans and advances to customers before any provision for impairment. The credit quality and credit concentration of loans and advances to customers is managed within the JPMorgan Chase's Credit Risk Management function. The ratings scale is based on the JPMorgan Chase's internal risk ratings, which generally correspond to the ratings as defined by S&P and Moody's Investors Service.

Maturity profile

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

	2021 \$'000	2020 \$'000
Maturity		
5 years or less but over 1 year	—	—
1 year or less but over 3 months	—	1,089
3 months or less	12	2,251
Total	12	3,340

Ratings profile

At 31 December 2021	Stages		
	Stage 1 ¹	Stage 2 ¹	Total
Loans and advances to customers at amortised cost			
	\$'000	\$'000	\$'000
Retail customers	9	3	12

¹The stages are based on the number of days the customer account has a negative balance; stage 1 (0-30 days, low risk), stage 2 (31-60 days, medium risk) and stage 3 (61+ days, high risk).

There were no loans and advances to customers at amortised cost in 2020.

At 31 December 2020	Stages		
	Stage 1	Stage 2	Total
Loans and advances to customers and banks at FVOCI			
	\$'000	\$'000	\$'000
Investment-grade			
AAA/Aaa to BBB-Baa3	2,820	—	2,820
Non-investment-grade			
BB+/Ba1 -> B-/B3	—	—	—
CCC+/Caa1 and below	520	—	520
Gross carrying amount	3,340	—	3,340
Fair value adjustment	—	—	—
Total	3,340	—	3,340

In 2021, there were no Loans and advances to customers and banks at FVOCI.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

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.

Loans and advances to customers at amortised cost and FVOCI and Loans and advances to banks at FVOCI

Credit risk concentration	2021 \$'000	2020 \$'000
Geographic region		
United Kingdom	12	282
Other European	—	1,474
Rest of the world	—	1,584
Total	12	3,340
Industry concentration		
Commercial and industrial	—	3,339
Financial institutions	—	1
Individuals and households	12	—
Total	12	3,340

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 recorded 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.

Inter-company arrangements may be repayable on demand: The vast majority of the Company's collateralised inter-company 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 was 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 2021. The Company recognises no ECL on these balances as the ECL related to these exposures is assessed as immaterial.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

Credit risk (audited) (continued)

Debtors and accrued income

Debtors mainly consist of amounts due from brokers/dealers, 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 Non-TCP inter-company transactions where the borrower is a Material Legal entity ("MLE"), the Company's anticipated ECL was determined to not be material and no loss was recognised, for the following reasons:

- The MLE borrower has been prepositioned with funding in an extremely efficient manner from both a liquidity and a capital perspective.
- JPMorgan Chase Bank, N.A. ("JPMCB") and the JPMorgan Chase Holdings LLC ("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 inter-company lending arrangements with an MLE borrower.

As MLEs are adequately capitalised to ensure the MLE can fulfil all of its debt obligations even in the event of an orderly liquidation of JPMorgan Chase and are of investment grade, these inter-company 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 are only 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 Firm's Resolution Plan. The Company's anticipated ECL for other receivables from non MLEs was determined to not be material and no loss was recognised.

Loan commitments and financial guarantee contracts

The following table summarises the rating profile of contractual amounts by stage of off-balance sheet lending-related commitments and standby letters of credit.

At 31 December 2021	Stages		
	Stage 1	Stage 2	Total
At Amortised cost			
Rating profile	\$'000	\$'000	\$'000
Investment-grade			
AAA/Aaa to BBB-Baa2	—	—	—
Non-investment-grade			
BBB-/Baa3 -> B-/B3	—	—	—
CCC+/Caa1 and below	—	—	—
Contractual amount	—	—	—
At 31 December 2020	Stages		
	Stage 1	Stage 2	Total
At Amortised cost			
Rating profile	\$'000	\$'000	\$'000
Investment-grade			
AAA/Aaa to BBB-Baa3	230,156	7,017	237,173
Non-investment-grade			
BB+/Ba1 -> B-/B3	308,683	144,686	453,369
CCC+/Caa1 and below	—	6,250	6,250
Contractual amount	538,839	157,953	696,792

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

Credit risk (audited) (continued)

Impact of collateral/credit enhancements on ECL

If a non-derivative credit enhancement is deemed to be part of the same unit of account as 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 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 part of the same unit of account as 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.

Loan modifications

Gains and losses on financial assets and loan commitments that were modified while they had a loss allowance measured at an amount equal to lifetime ECL were immaterial for the year ended 31 December 2021 and 31 December 2020. Additionally, the gross carrying values of financial assets that were modified for which the loss allowance was changed from measuring at an amount equal to lifetime expected credit losses to an amount equal to 12-month expected credit losses during the periods ending 31 December 2021 and 31 December 2020 were immaterial.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

Country risk

The Firm has a country risk management framework for monitoring and assessing how financial, economic, political or other significant developments 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 to ensure the Firm's and Company's exposures are diversified and that exposure levels are appropriate given the Firm's 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 country risk originated across the Firm. The Firmwide Risk Executive for Country Risk reports to the Firm's Chief Risk Officer ("CRO"). The Firm's country risk management function includes the following activities:

- Establishing policies, procedures and standards consistent with a comprehensive country risk framework.
- Assigning sovereign ratings and 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.
- Providing country risk scenario analysis.

Risk sources and measurement

The Firm and Company are 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, country exposure is reported based on the country where the majority of the assets of the obligor, counterparty, issuer or guarantor are located or where the majority of its revenue is derived, which may be different than the domicile (legal residence) or country of incorporation of the obligor, counterparty, issuer or guarantor. Country exposures are generally measured by considering the Firm's and Company's risk to an immediate default of the counterparty or obligor, with zero recovery. Assumptions are sometimes required in determining the measurement and allocation of country exposure, particularly in the case of certain non-linear or index exposures. The use of different measurement approaches or assumptions could affect the amount of reported country exposure.

The Company uses the Firm's internal country risk measurement framework to:

- Lending exposures are measured at the total committed amount (funded and unfunded), net of the allowance for credit losses and cash and marketable securities collateral received.
- Deposits are measured as the cash balances placed with central and commercial banks.
- Securities financing exposures are measured at their receivable balance, net of 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 related collateral. Counterparty exposure on derivatives can change significantly because of market movements.
- Credit derivatives protection purchased and sold is reported based on the underlying reference entity and is measured at the notional amount of protection purchased or sold, net of the fair value of the recognised derivative receivable or payable. Credit derivatives protection purchased and sold in the Firm's market making activities is measured on a net basis, as such activities often result in selling and purchasing protection related to the same underlying reference entity; this reflects the manner in which the Firm manages these exposures.

Some activities may create contingent or indirect exposure related to a country (for example, providing clearing services or secondary exposure to collateral on securities financing receivables). These exposures are managed in the normal course of business through the Firm's and Company's credit, market, and operational risk governance, rather than through Country Risk Management.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

Country risk (continued)

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 and geopolitical risks. The Company forecasted consumer footprint will be focused in UK

COVID-19

Country Risk Management continues to monitor the impact of the COVID-19 pandemic on individual countries.

Risk reporting

The Country Risk Management legal entity view of the Company's top three country exposures as of 31 December 2021 are United Kingdom \$2,456 million, Saudi Arabia \$8.5 million, Finland \$0.8 million. The selection of countries represent the Company's largest total primary exposures by country, based on the Firm's internal country risk management approach, and does not represent the Firm's view of any actual or potentially adverse credit conditions. Country exposures may fluctuate from period to period due to client activity and market flows.

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 oversight

The Firm has a Liquidity Risk Oversight function whose primary objective is to provide oversight of liquidity risk across the Firm. Liquidity Risk Oversight's responsibilities include:

- 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.
- Monitoring and reporting internal Firmwide and legal entity liquidity stress tests as well as regulatory defined metrics, as well as liquidity positions, balance sheet variances, and funding activities.
- Approving or escalating for review new or updated liquidity stress assumptions.

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.
- Manage an optimal funding mix, and availability of liquidity sources.

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

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

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

Liquidity risk (audited) (continued)

In the context of the Firm's liquidity management, Treasury and CIO ("T/CIO") is responsible for:

- 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.
- Developing internal liquidity stress testing assumptions for the Firm's stress scenarios, Resolution Liquidity Adequacy and Positioning (RLAP), Resolution Liquidity Execution Needs (RLEN), and recovery planning
- Defining and monitoring Firmwide and legal entity-specific liquidity strategies, policies, reporting and contingency funding plans.
- Managing liquidity within approved liquidity risk appetite tolerances and limits.
- Managing compliance with regulatory requirements related to funding and liquidity risk.
- Setting transfer pricing in accordance with underlying liquidity characteristics of balance sheet assets and liabilities as well as certain off-balance sheet items.

The Company is regulated by the PRA and until 31 December 2020 was expected to comply with the liquidity coverage ratio ("LCR") guidance set out in the Delegated Act (Commission delegated regulation (EU) 2015/61). As the UK has now left the EU, the Company had to adhere to the on-shored European Commission Delegated Act 2015/61 until the UK CRR legislation came into effect on Jan 1, 2022. 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. At 31 December 2021, the Company was compliant with the LCR requirement.

The net stable funding ratio ("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 measure in the UK from 1 January 2022, when the UK CRR equivalent rules came into force. Under these rules, the Company is required to maintain an NSFR of at least 100% on an ongoing basis. The Company is also required to publicly disclose the average of its NSFR ratio based on the end-of-the-quarter observations over the preceding four quarters.

Risk governance and measurement

Committees responsible for liquidity governance include the Firmwide Asset and Liability Committee ("ALCO"), as well as LOB and regional ALCOs, the Treasurer Committee and Corporate ("CTC") Risk Committee. In addition, the Board Risk Committee reviews and recommends to the Board of Directors, for formal approval, the Firm's liquidity risk tolerances, liquidity strategy, and liquidity policy.

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.
- 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.

Liquidity risk stress testing is established at the Firm and material legal entity level. The Company's liquidity stress testing is incorporated within the JPMorgan Chase legal entity liquidity risk framework and follows Firmwide liquidity assumptions, with additional considerations for intercompany positions and the definition of local liquid asset buffer.

Contingency funding plan

The Firm's Contingency Funding Plan ("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 that make up Liquidity Escalation Points. 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 by the Company's Board of Directors.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

Liquidity risk (audited) (continued)

Funding (audited)

The Company's primary source of funding is its deposit base which is further supported by capital resources with excess cash deployed on a short-term basis, including in 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:

	2021			2020		
	On demand	Less than 1 year	Total	On demand	Less than 1 year	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deposits by banks	2,725	—	2,725	4,127	—	4,127
Customer accounts	1,420,998	—	1,420,998	2,586,670	—	2,586,670
Financial liabilities held at fair value through profit or loss	—	—	—	—	1,817	1,817
Trade creditors	—	—	—	—	86,113	86,113
Other liabilities	—	34,386	34,386	—	38,272	38,272
	1,423,723	34,386	1,458,109	2,590,797	126,202	2,716,999

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 Market Risk Framework. The Company Market Risk Framework outlines the following:

- Responsibilities of the Company CRO and Market Risk Officer ("MRO")
- Market Risk measures utilised such as VaR and Stress
- Controls such as the Company's market risk limit framework (limit levels, limit signatories, limit reviews and escalation)

The Company's Board 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 and Company 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.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

Market risk (audited) (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:

	2021			2020			At 31 December	
	Avg.	Min	Max	Avg.	Min	Max	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
95 % VaR	71	15	183	137	83	175	20	175

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 2021 was primarily driven by the EM Selloff 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 or commodity prices.

The Firm and the Company use a number of standard scenarios that capture different risk factors across asset classes including geographical factors, specific idiosyncratic factors and extreme tail events. The stress testing framework calculates multiple magnitudes of potential stress for both market rallies and market sell-offs for each risk factor and combines them in multiple ways to capture different market scenarios. The flexibility of the stress testing framework allows risk managers to construct new, specific scenarios that can be used to form decisions about future possible stress events.

Stress testing complements VaR by allowing risk managers to shock current market prices to more extreme levels relative to those historically realised, and to stress test the relationships between market prices under extreme scenarios. Stress-test results, trends and qualitative explanations based on current market risk positions are reported to the respective LOB, Firm and Company senior management as appropriate, to allow them to better understand the sensitivity of positions to certain defined events and to enable them to manage their risks with more transparency.

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

Limits

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

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 Risk only (and the Firm CEO where appropriate). Limits that have not been reviewed within a specified time period by Market Risk are reported to senior management.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

Market risk (audited) (continued)

Risk Monitoring and Control (continued)

Limits (continued)

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 activities 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.

The Company's CEO, CRO and Market Risk Officer ('MRO') are approvers of the market risk limits for the legal entity in aggregate.

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.

Market Risk Management continues to actively monitor the impact of the COVID-19 pandemic on market risk exposures by leveraging existing risk measures and controls.

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, 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 balance sheet 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 T/CIO investment securities portfolio and other related T/CIO 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.
- 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 risk profile as at 31 December 2021 was largely driven by the POca Deposit business and placements with other JPMorgan Chase undertakings.

Oversight and governance

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

- Reviews the IRR Management policy
- Reviews the IRR profile of the Firm and adherence to limits
- Reviews significant changes to IRR models and/or assumptions
- Provides Governance on legal entity related exposures

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

Structural interest rate risk (continued)

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 ALCO provides a framework for overseeing the IRR of LOBs, foreign jurisdictions and key legal entities to appropriate LOB ALCOs, Country ALCOs and other local governance bodies. 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:

- Measuring and monitoring IRR and establishing limits.
- Creating and maintaining governance over IRR assumption.
- 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
- Providing independent oversight and governance for applicable legal entities

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

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 identifies and understands material balance sheet impacts of new initiatives and products and executes market transactions to manage IRR through T/CIO investment portfolio's 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.

Measures to manage IRR include:

- Earnings-at-risk ("EAR"): 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"): An additional Firmwide metric utilised to determine changes in asset/liability values due to changes in interest rates. EVE sums the present value of expected future cash-flows across the firm's balance sheet. EVS measures the change in EVE.

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.

Operational 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.

Operational risk can manifest itself in various ways. Operational risk subcategories such as Compliance risk, Conduct risk, Legal risk and Estimations and Model risk, 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.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

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.

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 protect 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 its efforts regarding significant cybersecurity events. In addition, the Firm has a 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.

Due to the impact of the COVID-19 pandemic, the Firm increased the use of remote access and video conferencing solutions provided by third parties to facilitate remote work. As a result, the Firm deployed additional precautionary measures and controls to mitigate cybersecurity risks and those measures and controls remain in place.

The Cybersecurity and Technology Control functions are responsible for governance and oversight of the Firm's Information Security Programme. In partnership with the Firm's LOBs and Corporate Functions, 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

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

Operational Risk (continued)

Cybersecurity risk (continued)

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 and include representatives from each LOB and Corporate Function. 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 which identify, assess, measure, and mitigate cybersecurity risk.

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.

Due to the impact of the COVID-19 pandemic, the Firm increased the use of remote access and video conferencing solutions provided by third parties to facilitate remote work. As a result, the Firm deployed additional precautionary measures and controls to mitigate cybersecurity risks and those measures and controls remain in place.

For the past 2-years, the Firm have closely monitored COVID-19 developments and implemented various protocols to meet its standards and UK regulatory expectations. Those protocols have evolved as the virus has evolved. As of December 2021, the UK Government has started to relax some public health measures. The Firm continues to monitor the situation and will adapt its own measures based on changes to the public health guidance and the needs of the business. However, the Firm will maintain readiness to reintroduce measures if appropriate.

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 normalised in 2021 since the heightened levels experienced during earlier stages of the COVID-19 pandemic. The Firm continues to employ various controls for managing payment fraud risk as well as providing employee and client education and awareness trainings.

The launch of Chase UK exposes the Company to additional fraud risk through the products and services offered to its 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.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

Operational Risk (continued)

Third-party outsourcing risk

The Firm's Third-Party Oversight ("TPO") and Inter-affiliates Oversight ("IAO") framework assist the LOBs and Corporate Functions 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. 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.

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 applicable to the business activities of the Firm and the Company.

Each LOB and Corporate Function within the Company holds primary ownership and accountability for managing compliance risks. The Firm's Compliance Organisation ("Compliance"), which is independent of the LOB, works closely with senior management to provide independent review, monitoring and oversight of business operations with a focus on compliance with the laws, rules and regulatory obligations applicable to the offering of the Firm's products and services to clients and customers.

These compliance risks relate to a wide variety of legal and regulatory obligations, depending on the LOB and the jurisdiction, and include those related to 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 rules and regulations related to the offering of products and services across jurisdictional borders. Compliance risk is also inherent in the Firm's activities, including a failure to exercise an applicable standard of care, to act in the best interest of clients and customers or to treat clients and customers fairly.

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

CCOR Management implements policies and standards designed to govern, identify, measure, monitor and test, manage, and report compliance risk.

Governance and oversight

Compliance is led by the Firm's Chief Compliance Officer ("CCO") and Firmwide Risk Executive for Operational Risk who reports to the Firm's CRO. The regional CCOs, including the EMEA CCO, are part of this structure. The Firm maintains oversight and coordination of its compliance risk through the implementation of the CCOR Risk Management Framework. In the UK the EMEA CCO is a member of the EMEA Management Committee and the UK Audit & Compliance Committee.

Code of Conduct

The Firm has a Code of Conduct ("Code") that sets out the Firm's expectation that employees will conduct themselves with integrity at all times and provides the principles that govern employee conduct with clients, customers, shareholders and one another, as well as with the markets and communities in which the Firm does business. The Code requires employees to promptly report any known or suspected 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 conduct, or conduct that violates the underlying principles of the Code, by any of the Firm's employees, customers, suppliers, contract workers, business partners, or agents.

All newly hired employees are assigned Code training and current employees are periodically assigned Code training on an ongoing basis. Employees are required to affirm their compliance with the Code periodically. Employees can report any potential or actual violations of the Code through the Code Reporting 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.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

Conduct risk

Conduct risk, a subcategory of operational risk, is the risk that any action or inaction by an employee or employees could lead to unfair client or customer outcomes, impact the integrity of the markets in which the Firm and the Company operates, or compromise the Firm 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 How We Do Business Principles (the "Principles"). The Principles serve as a guide for how employees are expected to conduct themselves. With the Principles serving as a guide, the Firm's Code sets out the Firm's expectations for each employee and provides information and resources to help employees conduct business ethically and in compliance with the laws everywhere the Firm operates. For further discussion of the Code, refer to Compliance Risk Management.

Governance and oversight

The Conduct Risk Program is governed by the CCOR Management policy, which establishes the framework for governance, identification, measurement, monitoring and testing, management and reporting conduct risk in the Firm.

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, Treasury and CIO, and designated Corporate Functions completes an assessment of conduct risk periodically, reviews metrics and issues which may involve conduct risk, and provides business conduct training 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 Company and the Firm. 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 thereto.
- Advising on advocacy in connection with contemplated and proposed laws, rules and regulations.
- Providing legal advice to the LOBs, Corporate Functions 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 Functions on potential reputation risk issues.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

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 model risk profile is dependent on the types of models used and their purpose. 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.
- Ensure all models are adequately documented and tested.

Approach to risk management

Model risks are owned by the users of the models within the Firm 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 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 the MRGR. In its review of a model, the MRGR considers whether the model is suitable for the specific purposes for which it will be used. When reviewing a model, the 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, the 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. The 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 environment is significantly different from the historical macroeconomic environments upon which the models were trained, as the Firm has experienced during the early stages of the COVID-19 pandemic. This uncertainty may necessitate a greater degree of judgment and analytics to inform adjustments to model outputs than in typical periods.

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.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

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 constituents, including clients, counterparties, customers, investors, regulators, employees, communities or the broader public. Reputation risk is assessed and defined at the Firmwide level and is applicable to the Company.

Organisation and management

Reputation Risk Management establishes the governance framework for managing reputation risk across the Firm's LOBs and Corporate Functions. As reputation risk is inherently challenging to identify, manage, and quantify, a reputation risk management function is particularly important.

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

- Maintaining a Firmwide Reputation Risk Governance policy and standard consistent with the reputation risk framework.
- Overseeing the governance execution through processes and infrastructure that support consistent identification, escalation, management and monitoring of reputation risk issues Firmwide.

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

Governance and oversight

The Reputation Risk Governance policy establishes the principles for managing reputation risk for the Firm. It is the responsibility of employees in each LOB and Corporate Function 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. Sustainability, social responsibility and environmental impacts are important considerations in assessing the Firm's reputation risk, and are a component of the Firm's reputation risk governance.

Reputation risk issues deemed material are escalated as appropriate.

Climate-related financial risk

Overview

JPMorgan Chase operates in many regions, countries and communities around the world where its businesses, and the activities of its clients and customers, could be impacted by climate change. Climate change could manifest as a financial risk to JPMorgan Chase either through changes in the physical climate or from the process of transitioning to a low-carbon economy, including changes in climate policy or in the regulation of financial institutions with respect to risks posed by climate change.

Climate-related physical risks include acute weather events, such as hurricanes and floods, and chronic shifts in the climate, such as altered distribution and intensity of rainfall, prolonged droughts or flooding, increased frequency of wildfires, rising sea levels, or a rising heat index. Climate-related physical risks could have adverse financial and other impacts on JPMorgan Chase, both directly on its business and operations and as a result of impacts to its clients and customers, including:

- declines in asset values, including due to the destruction or degradation of property
- reduced availability of insurance
- significant interruptions to business operations, including supply chain disruption, and
- systemic changes to geographies, regional economies and sectors, and any resulting population migration or unemployment.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

Climate-related financial risk (continued)

Transition risks arise from the process of adjusting to a low-carbon economy. In addition to possible changes in climate policy and financial regulation, potential transition risks may include economic and other changes engendered by the development of low-carbon technological advances (e.g., electric vehicles and renewable energy) and/or changes in consumer preferences towards low-carbon goods and services. Transition risks could be further accelerated by the occurrence of changes in the physical climate. The possible adverse impacts of transition risks to both JPMorgan Chase and its clients and customers include:

- sudden devaluation of assets, including unanticipated write-downs ("stranded assets")
- increased operational and compliance costs driven by changes in climate policy and/or regulations
- negative consequences to business models, and the need to make changes in response to those consequences, and
- damage to JPMorgan Chase's reputation, including as a result of any perception that its business practices are contrary to public policy or stakeholder preferences.

Both physical risks and transition risks could have negative impacts on the revenues, financial condition or creditworthiness of JPMorgan's clients and customers, and on its exposure to those clients and customers.

Governance and oversight

The Firm is developing an approach to identify and assess the financial risks from climate change, which can also be leveraged at Company level. To that end, the Firm has established a central Firmwide Risk Executive function for Climate Risk, responsible for developing a unified Climate Risk Framework that can be leveraged by the Company. A multi-year working plan was approved by the board of the Company in 2019, while the Company has also established an internal Senior Manager responsibility ("SMF") for the financial risks from climate change.

As referenced in the Statement of Corporate Governance Arrangements, the EMEA Risk Committee ("ERC") provides oversight of risks inherent in the Firm's business conducted in EMEA or booked into EMEA entities, including the Company. The ERC is chaired by the EMEA Chief Risk Officer (who is also SMF for financial risks from climate change) and is accountable to the EMC and the Risk Committee of the Company. The ERC escalates to the Firmwide Risk Committee and the EMEA HR Control Forum, in addition to the EMC and the relevant legal entity boards. ERC members include the Company CRO, the Firmwide Risk Executive for Climate Risk, EMEA risk function representatives, and senior business managers from the first line of defence. The EMEA CRO is a member of the EMC and meets with local regulators on a regular basis.

EMEA Regional Environmental Social and Governance ("ESG") forums are established to help facilitate the growth of ESG-related business and enable effective risk management and governance. The EMEA ESG Business Forum focuses on providing oversight of the growth of ESG/Green business in the region, promoting business collaboration to increase returns on the Firm's ESG value proposition to clients. It also enables effective communication of the Firmwide ESG strategy (and its continuing evolution) to key regional LOB partners.

The EMEA ESG Governance Forum, co-sponsored by the Head of EMEA ESG, EMEA CRO and EMEA CFO, provides oversight of the Firm's portfolio of ESG initiatives in the region.

The EMEA CIB Regulatory Implementation Steering Committee, co-sponsored by the EMEA CFO and CRO, has been established to review all ESG-related regulatory initiatives impacting CIB in EMEA and oversees the implementation for regulatory and prudential requirements from UK & EU regulators and other stakeholders.

Risk Management

A Firmwide Climate Risk Management Framework to identify and assess the financial risks from climate change was developed in 2021, with the expectation of further enhancements in coming years. The framework can also be leveraged at the Company level.

A key principle underpinning the Framework is that climate risk is a risk driver that is being integrated into the firm's existing risk types and is not being treated as a standalone risk type. As a result, climate change is manifesting through and magnifying existing risks types such as credit and investment risk, market risk, liquidity and operational risk. Therefore, climate risk drivers will be captured through existing taxonomies and monitored through existing firmwide, LOB and Company specific risk management and monitoring frameworks as appropriate.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

Climate-related financial risk (continued)

Climate Scenario Analysis

Scenario analysis is a useful tool for understanding risks across a variety of economic, market and other conditions. Scenarios are being developed to monitor a wide range of stress events to give risk managers insight into the drivers or potential impacts. The usage of scenario analysis to better understand climate-related risks is a relatively new and rapidly evolving area. The Firm is investing in its capability to model climate-based scenario and as we develop our knowledge of climate-related drivers and impacts this will enhance our ability to estimate potential impacts. No climate stress test has been run for the Company, in view of the current and forecasted limited climate risk susceptible exposure. The Firm and Company will continue to refine their approach to identifying, measuring, and assessing climate-related risks and we will run further exercises in 2022 based on evolving methodologies and scenarios.

Disclosure

The Firm published its 2020 ESG Report in May 2021, which discusses in detail the Firm's approach to managing climate-related risks and capitalising on the opportunities that arise through a transition to a lower carbon economy. This adds to the Firm's inaugural climate risk report in 2019; both reports were informed by the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") and are available on our website.

The Firm's 2021 ESG Report will be released in April 2022, which will include updates on how we are using our business to support the transition to a low carbon economy. The Firm also intends to release a dedicated TCFD report in Q4 2022, which will include further updates on the Firm's climate governance, strategy, risk management, metrics and targets. The Firm is developing capabilities and preparedness towards TCFD-aligned disclosures in line with "The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022" that will apply to the Company from 6th April 2022.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Risk management (continued)

Streamlined Energy and Carbon Reporting (unaudited)

The Streamlined Energy and Carbon Reporting ("SECR") disclosure presents the Company's carbon footprint within the UK across Scope 1, 2 and scope 3 business travel emissions, an appropriate intensity metric, the total energy use of electricity, gas and transport fuel and an energy efficiency actions summary taken during the financial year.

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

	2021	2020 Revised ⁵
Energy consumption used to calculate emissions (kWh) ^{1, 5, 7}	3,949,589	4,764,061
Emissions from combustion of gas (Scope 1), CO _{2e}	56	48
Emissions from combustion of fuel for transport purposes (Scope 1), CO _{2e} ²	1	1
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3), CO _{2e} ^{3, 7}	1	6
Emissions from purchased electricity (Scope 2, location-based), CO _{2e} ⁴	778	1,049
Total gross tCO _{2e} based on the above (Location based)	836	1,104
Intensity ratio (tCO _{2e} /FTE) (Location based) ⁶	0.849	1.002

¹ Operational approach has been used. GHG Emissions reporting is in line with the GHG Protocol Corporate Accounting and Reporting Standard. The emissions and conversion factor source is from DEFRA, 2021 for all emissions and conversion factors (<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021>). The calculation method is - Activity Data x Emission Factor = GHG emissions. Activity Data x Conversion Factor = kWh consumption. Minor difference between actual and reported GHG emissions might occur due to rounding (not more than 1%).

² Electric consumption for electric vehicles is included within Scope 2 emissions when they are charged on site.

³ Transport data was calculated from litres and mileage data to kWh and GHG emissions using the method above. When calculating mileage data, average car size factors were applied to calculate emissions. Where a split between petrol and diesel was not available VEH0203 UK vehicle statistics has been used. <https://www.gov.uk/government/statistical-data-sets/veh02-licensed-cars>.

⁴ The Firm is committed to working towards carbon neutrality, including sourcing renewable energy for 100% of our power needs, and is contracting all necessary REGOs and offsets to address GHG emissions in order to meet our carbon neutral target. These contracts had not been completed as of the date in which the financial statement was authorised for issue.

⁵ 2020 GHG emissions are restated because of a change to our estimation approach improving data quality and completeness for Natural Gas. As our sites are occupied by employees from different entities of the Firm, we divided the consumption based on the total number of employees working on the specific site and multiplied it by the number of employees of the relevant entity. If the entity has only a few employees on a site, the pro-rated consumption is omitted as it is not practical to obtain. Certain transport emissions were also divided by the number of employees employed by the legal entity.

⁶ Based on the nature of our business, as well as following the recommendations of the SECR legislation the Company chose the following intensity metric: Full time employees ("FTE") average. Through the comparison of the coming financial years this metric will show the trend of the Company's energy efficiency.

⁷ During 2020, due to COVID-19, more people used private cars that contributed to the Scope 3 emissions which reduced in 2021. Further reduction in the electricity consumption is also observed due to the completion of the replacement of old light bulbs with LED lighting at one site.

Energy Efficiency Actions Summary

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

- Completion in June 2021 of the bulb replacement program which started in 2020 at the Company's main location (UK Headquarters) to switch old bulbs to LED lights.
- Cooling Tower optimisation and control system efficiencies.
- Installation of perimeter solar blinds at two of our sites.

For Firmwide Environmental and Social policies please refer to the Non-financial Policies section.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Critical accounting estimates

The Company's accounting policies and use of estimates are integral to understanding its reported results. The Company's most complex accounting estimates require management's judgement to ascertain the appropriate carrying value of assets and liabilities. The Firm and the Company has established policies and control procedures intended to ensure that estimation methods, including any judgements made as part of such methods, are well-controlled, independently reviewed and applied consistently from period to period. The methods used and judgements made reflect, among other factors, the nature of the assets or liabilities and the related business and risk management strategies, which may vary across the Company's businesses and portfolios. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. The Company believes its estimates for determining the carrying value of its assets and liabilities are appropriate. A description of the Company's critical accounting estimates and judgements is set out in note 4 to the financial statements.

Non-financial policies

An overview of the environmental and social, human rights, employee, anti-bribery and anti-corruption policy aspects of non-financial 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 <https://www.jpmorganchase.com/impact/our-approach/policy-center>

Environmental and social

The Firm works with clients in nearly every sector of the economy - including corporations, development finance institutions, governments, and investors - to help advance environmental and social best practices and capitalise on opportunities created by the transition to a lower-carbon, more sustainable future. The Firm also strives to promote sustainability, including energy efficiency and renewable energy, across its operations globally.

Assessing its clients' approach to, and performance on, environmental and social issues is an important component of the Firm's risk management process. The Firm's Environmental and Social Policy Framework, which is available on our website, outlines the Firm's approach to evaluating risks posed by environmental and social matters, including certain activities that the Firm will not finance, and sectors and activities subject to environmental and social due diligence.

In May 2021, the Firm announced a \$2.5 trillion Sustainable Development Target, including \$1 trillion in green financing and \$1.5 trillion in community development financing. The Sustainable Development Target is intended to address a broad set of challenges in the developing world and developed countries where social and economic development gaps persist. In October 2021, the firm joined the Net-Zero Banking Alliance to build on its Paris Aligned financing commitment and support the ambition to greater climate action.

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Non-financial policies (continued)

Environmental and social (continued)

The Firm discloses relevant data and metrics on its scope 1, 2 and 3 GHG emissions and energy consumption in its Environmental, Social, and Governance Report, which is published annually and available at www.jpmorganchase.com/esg. For Company specific data and metrics refer to the SECR section on page 39.

The Company supports the Firm's efforts in achieving established targets on environmental and social matters.

Human Rights

The Firm supports fundamental principles of human rights across all lines of business and in each region of the world in which it operates, including EMEA. The Firm believes it is the role of government in every country to protect human rights, and that the Firm has a role to play in promoting respect for human rights.

The Firm's respect for the protection and preservation of human rights is guided by the principles set forth in the United Nations Universal Declaration of Human Rights. Further, the Firm acknowledges the United Nations Guiding Principles on Business and Human Rights as the recognised framework for corporations to respect human rights in their own operations and through business relationships.

To view the Firms' Human Rights Statement, including the UK Modern Slavery Act Firm Statement, please visit <https://www.jpmorganchase.com/corporate/About-JPMC/ab-human-rights.htm>.

Corporate employee policy

The Company is committed to providing equal opportunity for all persons in accordance with applicable local law in all areas of people management including recruitment, employment, promotion, training, benefits and compensation. The Company continues to communicate with all employees via the intranet, training and other specific forums. The Company holds an employee opinion survey every 2 years so that the views of employees can be taken into account in making decisions that are likely to affect their interests.

We are an equal opportunity employer and place a high value on diversity and inclusion at our company. We do not discriminate on the basis of any protected attribute, including race, religion, colour, national origin, gender, sexual orientation, gender identity, gender expression, age, marital or veteran status, pregnancy or disability, or any other basis protected under applicable law. In accordance with applicable law, we make reasonable accommodations for applicants' and employees' religious practices and beliefs, as well as any mental health or physical disability needs. Where existing employees become disabled, the Company makes reasonable adjustments in accordance with applicable law.

The Firm operates an employee share scheme for all eligible employees, including those of the Company, to acquire a proprietary and vested interest in the growth and performance of the Firm.

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.

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

- The giving or receiving of anything of value, which specifically includes an offer of employment to an individual, or a Firm-funded Sponsorship or Donation
- Third parties acting on the Firm's behalf
- Transactions entered into by the Firm or by funds or accounts controlled or managed by the Firm

J.P. MORGAN EUROPE LIMITED

Strategic report (continued)

Non-financial policies (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.
- 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 reasonably 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.
- Protocols for managing and reporting material issues.

The Strategic Report on pages 1-42 was approved by the Board of Directors and signed on behalf of the Board by a Director of the Company.



Clive Adamson

Chairman
14 April 2022

J.P. MORGAN EUROPE LIMITED

Directors' report

The directors present their report and the audited financial statements of J.P. Morgan Europe Limited for the year ended 31 December 2021. 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 63 and show the Company's loss for the financial year after taxation is \$110 million (2020: \$5 million profit).

The Company paid no dividend in 2021 (2020: \$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 45-56

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 (Chairman)
Sanoke Viswanathan (CEO)
Sir Winfried Bischoff
Ann Doherty
Matthew Melling (CFO)
Lorraine Littell-Pape
Jane Moran
Melissa Di Donato Roos (appointed 4 January 2022)

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;
- 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.

J.P. MORGAN EUROPE LIMITED

Directors' report (continued)

Directors' confirmations

Directors consider the Annual report and accounts, taken as a whole, to give a true and fair view of the assets, liabilities, financial position and profit of the Company.

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

PricewaterhouseCoopers LLP, tendered their resignation following the signing of the financial statements for the year ended 31 December 2020. This is in accordance with the Mandatory Firm Rotation regulations, that doesn't allow their participation due to their time of tenure as the Company's auditors.

MacIntyre Hudson LLP, an independent member of Baker Tilly International Limited, have been appointed as the Statutory Auditor of the Company, for the 31 December 2021 year-end audit following the Mandatory Audit Firm re-tender process in 2019.

The Directors Report on pages 43-44 was approved by the Board of Directors and signed on behalf of the Board by a Director of the Company.



Clive Adamson

Chairman
14 April 2022

J.P. MORGAN EUROPE LIMITED

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 1 - 42).

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")
- Internal Capital Adequacy Assessment Process under the PRA ICAAP rules (the "ICAAP")

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 JPMorgan Chase. (*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*)

J.P. MORGAN EUROPE LIMITED

Governance report (continued)

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 and Compliance Committee** - The UK Audit and Compliance Committee comprises three independent non-executive directors of J.P. Morgan Securities plc (two of whom are also directors of the Company), chaired by Timothy Flynn. The committee meets at least four times a year (in 2021, five 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 comprises two independent non-executive directors (one of the Company and one of J.P. Morgan Securities plc), chaired by Sir Winfried Bischoff. The committee meets at least four times a year (in 2021, six 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 Firm. 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 comprises two independent non-executive directors, chaired by Sir Winfried Bischoff until June 2021, and thereafter by Clive Adamson. The committee meets at least two times a year (in 2021, four 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 three independent non-executive directors (including two of the Company), chaired by Sir Winfried Bischoff. It meets at least two times a year (in 2021, 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 for director of the Board, 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 Firm set an internal target to achieve 30% representation of women on its Board 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 2020, female directors represented 43% 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 chairman 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 two independent non-executive directors (with the appointment of an additional independent non-executive director made, subject to regulatory notification) to oversee and challenge the executive management. (*Wates Principle II: Balance and Diversity, Size and Structure*)

J.P. MORGAN EUROPE LIMITED

Governance report (continued)

Statement of Corporate Governance Arrangements (continued)

Board composition, suitability and effectiveness (continued)

The current directors of the Board are:

Clive Adamson (Board Chair)	Independent Non-Executive Director, Board and Nomination Committee Chair, member of the Risk Committee, and UK Audit and Compliance Committee Non-Executive Director and Chair Board Risk and Capital Committee Prudential Assurance Company Limited Non-Executive Director and Chair of the Board Risk Committee M&G plc Senior Independent Director and Chair of the Audit and Risk Committee Ashmore Group plc Senior Advisor, McKinsey & Co
Sanoke Viswanathan	Director, Chief Executive Officer
Sir Winfried Bischoff	Independent Non-Executive Director and member of the Nomination Committee and Chair of the Risk Committee; Chair of the UK Remuneration Committee. Member of International Advisory Board, Akbank TAS, Turkey
Ann Doherty	Director and member of the J.P. Morgan U.K. Foundation Governance Committee and the EMEA Diversity, Equity and inclusion Council Trustee of the Social Mobility Foundation
Matthew Melling	Director and EMEA Regional Controller; Chief Financial Officer (CFO)
Lorraine Littell-Pape	Non-Executive Director and Strategic Projects for JPMorgan Chase
Jane Moran	Independent Non-Executive Director and member of the Nomination Committee, Risk Committee and the UK Audit and Compliance Committee. Director, Jane Moran Limited
Melissa di Donato Roos (appointed 4 January 2022)	Independent Non-Executive Director Non-Executive Director of Burgundy Technology Acquisition Corp Advisor, Capri Ventures Trustee of Inner Wings Executive in residence, Notion Capital

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

J.P. MORGAN EUROPE LIMITED

Governance report (continued)

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 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*)

J.P. MORGAN EUROPE LIMITED

Governance report (continued)

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 follows a disciplined and balanced compensation framework with strong internal governance and independent oversight by the Board of Directors (see *Remuneration* below).

The Firm's risk governance and oversight framework is managed on a Firmwide basis. The Firm has an Independent Risk Management ("IRM") function, which consists of the Risk Management and Compliance organisations. The Chief Executive Officer ("CEO") appoints, subject to approval by the Risk Committee of the Board ("Board Risk Committee"), the Firm's Chief Risk Officer ("CRO") to lead the IRM organisation and manage the risk governance structure of the Firm.

The Firm relies upon each area of the Firm giving rise to risk to operate within the parameters identified by the IRM function, and within its own management-identified risk and control standards. Each LOB and T/CIO, including their aligned Operations, Technology and Control Management are the Firm's "first line of defence" and own the identification of risks, as well as the design and execution of controls to manage those risks. The first line of defence is responsible for adherence to applicable laws, rules and regulations and for the implementation of the risk management structure (which may include policy, standards, limits, thresholds and controls) established by IRM.

The IRM function is independent of the businesses and is the Firm's "second line of defence". The IRM function independently assesses and challenges the first line of defence risk management practices. The IRM is also responsible for its own adherence to applicable laws, rules and regulations and for the implementation of policies and standards established by IRM with respect to its own processes.

Internal Audit is an independent function that provides objective assessment on the adequacy and effectiveness of Firmwide processes, controls, governance and risk management as the "third line of defence." 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 that are not considered part of a particular line of defence including Finance, Human Resource and Legal. (*Wates Principle IV: Risk*)

Risk Management Organisation

The independent status of the IRM function is supported by a governance structure that provides for escalation of risk issues to senior management, the Firmwide Risk Committee, and the Board of Directors, as appropriate.

The firm places key reliance on LOBs and Corporate areas for identifying and documenting material risks, and for managing, controlling, monitoring and escalating risks as appropriate and in accordance with IRM standards or LOB/Corporate area procedures. Senior management and each responsible individual in the LOBs and Corporate areas are responsible for identifying, managing and escalating, as appropriate, risk matters at a minimum to meet IRM standards in addition to any LOB/Function established procedures.

J.P. MORGAN EUROPE LIMITED

Governance report (continued)

Statement of Corporate Governance Arrangements (continued)

Risk Management Organisation (continued)

Each LOB and corporate function must establish the appropriate committee structure, as necessary, to provide escalation channels for issues relating to risk at the LOB, sub-LOB, regional and/or corporate function area.

The Firmwide Risk Committee (FRC) is the firm's highest management-level risk committee. It provides oversight of the risks inherent in the firm's businesses and serves as an escalation point for risk topics and issues raised by underlying committees and/or FRC members.

In addition to the governance bodies described above, the Firm has other forums in the Finance division and at the LOB, regional and local office levels, where risk-related topics are discussed and escalated, as necessary. The membership of these committees is comprised of senior management of the firm including representation from the LOB and various functions. These committees may have other sub-committees as deemed necessary to deliver against the escalation mandate.

(Pillar 3 Disclosures; Wates Principles III: Committees; IV: Risk, Responsibilities)

Global Legal Entity Risk Governance

JPMorgan Chase conducts its businesses through Legal Entities ("LEs") located across different jurisdictions globally. It is incumbent on lines of business and corporate functions to manage risk at the level of the LE and to comply with associated regulatory expectations. The Risk Management and Compliance ("RM&C") organisation has established the RM&C LE Framework.

The LE Forum is the governing body for the RM&C LE Frameworks, inclusive of Risk Management and Compliance, Conduct and Operational Risk (CCOR) and acts as a Project Steering Group for agreeing to decisions, assumptions, milestones and implementation across the regions.

The LE Risk Forum exercises oversight and control of the legal entity risk management and governance standards across all regions.

Risk Management oversight of LEs is executed according to the risk profile of a LE. The risk profile of a LE is derived by applying the LE Risk Tiering methodology, the result of which will determine a LE's 'Risk Tier'. Risk Tiering comprises four categories ranging from one to four, with Risk Tier one representing the highest requirement for LE Risk governance and oversight. The tiering methodology is comprised of qualitative and quantitative elements and a different level of oversight is established for each Tier, driven by a range of internal and external risk governance requirements. The core and recommended governance standards have been created for each Tier of governance. The Company has been classified as a Risk tier 1 LE under this framework.

Regional Risk Governance

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

- The 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 Risk Committee provides oversight of the risks inherent in the Company's International Consumer business. The Committee is sub-committee of the ERC and also escalates matters to the Firmwide Risk Committee.
- The EMEA CRO leads the Risk Management function in the region and chairs the ERC. The EMEA CRO is a member of the EMC and meets with local regulators on a regular basis.

Whilst JPMorgan Chase 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)*

J.P. MORGAN EUROPE LIMITED

Governance report (continued)

Statement of Corporate Governance Arrangements (continued)

Risk management and long-term sustainability (continued)

Risk Appetite

The Firm's overall risk appetite is governed by "Risk Appetite" frameworks for quantitative and qualitative risks. Periodically the Firm's risk appetite is 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*)

ICAAP

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*)

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 NBIA's 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*)

J.P. MORGAN EUROPE LIMITED

Governance report (continued)

Remuneration

Compensation Philosophy

The Firm's well-established compensation philosophy provides guiding principles that drive compensation-related decision-making across all levels of the Firm, including the Company. The Firm strives to clearly communicate its compensation philosophy to promote firmwide fairness and consistency.

The table below sets forth a summary of that philosophy:

Compensation Philosophy	
Paying for performance and aligning with shareholders' interests	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Teamwork and leadership should be encouraged and rewarded to foster a culture that supports our Business Principles. 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	<ul style="list-style-type: none"> 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 talent. Competitive and reasonable compensation should help attract and retain the best talent to grow and sustain the Firm's business.
Integrating risk management and compensation	<ul style="list-style-type: none"> 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. Conduct matters should be reviewed following Firmwide frameworks. Recoupment policies should include recovery of cash and equity compensation. 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	<ul style="list-style-type: none"> Compensation should be straightforward and consist primarily of cash and equity incentives. 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	<ul style="list-style-type: none"> Strong corporate governance is fostered by independent oversight of the executive compensation program by the Board of J.P. Morgan Chase & Co., 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. 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	<ul style="list-style-type: none"> Transparency to shareholders of JPMorgan Chase 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)

J.P. MORGAN EUROPE LIMITED

Governance report (continued)

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 Provides guiding principles that drive compensation-related decision-making across all levels of the Firm.	Competitive Benchmarking The Firm benchmarks pay levels and pay practices against relevant market data.
Robust anti-hedging/anti-pledging provisions Strict prohibition on hedging and pledging of unvested awards on shares owned.	Robust anti-hedging/anti-pledging provisions Strict prohibition on hedging and pledging of unvested awards and unexercised stock appreciation rights for all employees, as well as on shares owned outright by Operating Committee members.
Strong Clawback Provisions 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 The Firm considers material risk, controls and conduct issues and makes adjustments to compensation, if appropriate
Pay-at-Risk Appropriately balanced short-, medium-, and long-term incentives that are linked to long-term, sustainable value, safety and soundness	Robust Shareholder Engagement Each year, the Firm provides the Board of JPMorgan Chase 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 June 2020 and was satisfied with its implementation. That policy is subject to independent oversight and control by the Compensation and Management Development Committee ("CMDC"), a committee of the Board of JPMorgan Chase, the Company's ultimate parent company. The UK RemCo held two meetings during 2020, plus its annual executive session.

The CMDC oversees the Firm'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)*

J.P. MORGAN EUROPE LIMITED

Governance report (continued)

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.

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. The Annual Investor Day did not take place in 2020 due to the COVID-19 pandemic, but it is anticipated that it will be reinstated when circumstances allow. In addition, JPMorgan Chase communicates with shareholders through its Annual Report, Securities & Exchange Commission filings, press releases, the JPMorgan Chase website and the ESG Report. *(Wates Principle VI: External impacts, Stakeholders)*

Engagement with employees

The JPMorgan Chase Business Principles (the "JPMC 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, lines of business 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)*

J.P. MORGAN EUROPE LIMITED

Governance report (continued)

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.
- Use our own products – when it comes to understanding the customer, nothing beats being a customer.

(Wates Principle VI: Stakeholders)

Engagement with ESG stakeholders

The Firm engages with numerous non-governmental organisations on a diverse range of issues that are important to communities and consumers about the Firm's business. For example, through the Chase Advisory Panel program, senior executives engage with national consumer policy groups to discuss issues related to the Firm's products, policies, customer-facing practices, communications and public policy issues. The Firm also engages with organisations on environmental and social issues and provides philanthropic support to a broad range of non-profit organisations that work on issues that are important to the Firm. Management shares insights and feedback from these relationships and engagements with the JPMorgan Chase Board, providing the Board with valuable insights to the issues that matter to the Firm's various stakeholders. This helps the Firm understand how the Firm's products and services can better serve its stakeholders and the communities in which it operates.

The Firm is committed to being transparent about how we do business and reporting on its efforts. One way the Firm does this is by publishing an annual ESG Report, which provides information on how the Firm is addressing ESG matters that it and its stakeholders view as among the most important to the Firm's business.

Engagement and transparency with the Firm's stakeholders help the Firm gain useful feedback and help us improve our governance processes. Information garnered from these meetings is shared regularly with the JPMorgan Chase Board and senior management. *(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. Highlights of recent progress include:

- The Firm has adopted a financing commitment that aligns with the Paris Agreement. In connection with this, the Firm has launched the Center for Carbon Transition ("CCT") to provide clients in the Corporate & Investment Bank and Commercial Banking lines of business with centralised access to sustainability-focused financing, research and advisory solutions. The CCT will also engage clients on their long-term business strategies and related carbon disclosures.
- The Firm has committed to become carbon neutral across its operations. The commitment includes Scope 1 (direct) greenhouse gas ("GHG") emissions from building operations and company-owned aircraft and vehicles; Scope 2 (indirect) GHG emissions from purchased electricity; and Scope 3 (indirect) GHG emissions associated with business travel. The Firm is committed to maintaining carbon neutral operations each year going forward.
- Driving inclusive growth: as announced in early 2018, the Firm will invest \$1.75 billion by 2023 to drive inclusive growth in communities around the world. The firm's efforts focus on four pillars of opportunity: jobs and skills, small business expansion, neighbourhood revitalisation and financial health. In 2018, the Firm continued to open new pathways to opportunity and drive inclusive growth by leveraging the Firm's global presence, data, relationships and expertise.

J.P. MORGAN EUROPE LIMITED

Governance report (continued)

Statement of Corporate Governance Arrangements (continued)

Relationships with stakeholders (continued)

Engagement with the community (continued)

In the UK we support:

- Demand-led training programs that help individuals, particularly those from disadvantaged backgrounds and low-income communities, to acquire the knowledge, skills and expertise necessary to obtain good-paying jobs, compete in the global economy and find new pathways to economic opportunity, for example through supporting Education Endowment Foundation ("EEF") to identify, evaluate and scale effective interventions that improve the attainment of Maths and English at GCSE for young people across the UK.
- Initiatives that promote the development and growth of micro and small businesses to create local jobs, and increase economic opportunity and mobility, for example through supporting Hatch Enterprise and Enterprise Enfield to support women in London with the necessary tools and advice required to achieve business growth, sustainability and jobs creation in their local communities.
- Programs that help people acquire the necessary knowledge, skills and tools required to understand their finances, how to budget to increase their assets and to increase access to financial services and coaching, increasing their economic stability, for example through supporting Fair Money Advice to scale their debt advice service in London to enable people from low-income backgrounds to access a full package of support, including banking, finance and advice.

(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: <https://www.jpmorganchase.com/corporate/About-JPMC/ab-business-principles.htm>
- JPMorgan Chase & Co. Annual Meeting of Shareholders Proxy Statement: <https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/investor-relations/documents/proxy-statement2021.pdf>
- Capital Requirements Directive IV (2013/36/EU, "CRD IV") governance disclosures: https://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: <https://www.jpmorgan.com/disclosures/crd4>
- Environmental Social and Governance Report: <https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/documents/jpmc-esg-report-2020.pdf>¹
- Transparency Statement under s.54 of the Modern Slavery Act 2015: https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/documents/JPMC-Group-Statement-on-Modern-Slavery-FY2020_Final-w-signature.pdf²



Clive Adamson

Chairman
14 April 2022

¹ This links to the 2020 edition of the report. The 2021 report is expected to be published in May 2022

² This links to the Transparency Statement for 2020. The 2021 Transparency Statement is expected to be published in June 2022.

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 MacIntyre Hudson 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 58 to 59 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA MacIntyre Hudson. 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 J.P. Morgan Europe Limited (the "Company").

The financial statements that we have audited comprise:

- The Income statement for the year then ended.
- Statement of Comprehensive Income for the year then ended.
- Balance sheet as at 31 December 2021.
- Statement of Changes in Equity for the year then ended.
- Notes 1 to 38 of the financial statements, including the 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 2021 and its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework");
- have been properly prepared in accordance with the requirements of Companies Act 2006.

Our opinion is consistent with our reporting to the UK Audit and Compliance 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 listed 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 concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Using our knowledge of the strategic objectives of the Company, the financial services industry, the financial services regulatory environment and the general economic environment to identify inherent risks in the business model and how such risks might affect the financial resources or ability to continue operations over the going concern period.
- 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 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

Key Audit Matter	The key audit matter we identified in the current year was: Recurring <ul style="list-style-type: none">Intercompany transactions: Cost and income
Materiality	Overall materiality for the financial statements was \$15,885,000, which was determined based on net assets.
First year transition	<p>This is the first year we have been appointed as auditors to the Company. We undertook the following transitional procedures:</p> <ul style="list-style-type: none">Started attending UK Audit and Compliance Committee meetings from August 2020 in an observer capacity and continued to attend the meetings as the appointed auditor after April 2021.Held meetings with senior management to gain an understanding of the Company's operations and strategic objectives.We held regular meetings with the predecessor auditors, including reviewing their audit working papers for the prior financial period to gain an understanding of the Company's processes, their audit risk assessment, and the design of their audit approach for the year ended 31 December 2020. <p>The results of these procedures were used to inform our audit planning and risk assessment for our audit for the year ended 31 December 2021.</p>

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 and, as required for public interest entities, our results from those procedures. 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	<p>J.P. Morgan Europe Limited ("JPMEU") has historically been one of the employing entities for Corporate and Investment Bank, Commercial Bank and Corporate Sector employees of JPMorgan Chase and Co. ("JPMC") within the UK.</p> <p>This has led to the company being party to a number of different intercompany arrangements with different members of the J.P. Morgan Chase Group. The impact of legal entity restructures, and particularly the continued migration of certain business lines due to Brexit in recent years, has led to these intercompany arrangements becoming increasingly material to the Company's financial position and performance.</p> <p>In the current period, the Company completed its migration of business lines which were required to be migrated as part of legal entity restructures. On 1 December 2021, the Company completed the transfer of staff who were employed by the Company in these business lines. In September 2021 JPMEU launched Chase UK using an online platform provided by CBNA.</p> <p>The material income and expenses of the Company in the period arose from inter company arrangements. The total value of intercompany transactions in scope of this KAM are \$253m income and \$180m costs.</p> <p>The key areas we identified as having the most significant impact on intercompany transactions were:</p> <ul style="list-style-type: none">The method and basis of allocation of intercompany transactions; andGovernance arrangements in respect of intercompany services.
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Independent auditors' report to the members of J.P. Morgan Europe Limited

Overview of our audit approach

Key audit matters (continued)

How the scope of our audit responded to the key audit matter	<p>We performed the substantive procedures described below:</p> <ul style="list-style-type: none">• We enquired from management to understand the changing operations of the Company throughout 2021 and how this affects the intercompany attribution of costs and income to the Company.• We obtained and reviewed documents setting the strategic changes and developments affecting the Company and the nature of its relationship with other entities within the J.P. Morgan Chase Group.• Obtained and review key policies that govern intercompany arrangements and review such against transfer pricing standards.• On a sample basis performed detailed testing 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.• Obtained the staff secondment agreement and validated that accounting entries reflect the secondment arrangements entered by the Company.• Obtained and reviewed the staff transfer agreement executed in the period and using our tax specialists, tested the methodology used to calculate the replacement costs payable to the Company.
Key Observations and communication to the UK Audit and Compliance Committee	<p>We found that the approach taken by management on cost and income attributions to be reasonable and materially considers transfer pricing standards.</p> <p>The procedures above were completed without material exceptions.</p>

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

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. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Materiality	\$15,885,000
<ul style="list-style-type: none">Basis of determining overall materiality	<p>We determined materiality based on 0.75% of net assets of the Company.</p> <p>The Company is a UK regulated Bank offering retail services, a wholly owned subsidiary of J. P Morgan Chase & Co ("the Firm"). We have considered the primary users of the financial statements to be, its customers, the UK regulators (FCA and PRA) and the Firm.</p> <p>As the Company has undergone significant operational changes which have had an impact on its financial performance, the key area of focus of the users of the financial statements would be on whether the Company has sufficient capital resources. We have therefore used net assets as an approximation of capital resources of the Company</p>
Performance materiality	\$11,914,000
<ul style="list-style-type: none">Basis of determining overall performance materiality	<p>We determined performance materiality based on 75% of overall materiality.</p> <p>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.</p> <p>In determining performance materiality, we considered the several factors including the following:</p> <ul style="list-style-type: none">That the current period is the first financial period of our appointment as auditors of the Company.Our understanding of the control environment of the Company.The extent to which the Company is reliant on centralised controls and processes, of the Group to which it belongs
Error reporting threshold	We agreed to report any corrected or uncorrected adjustments exceeding \$794,000 to the UK Audit and Compliance Committee as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

The scope of our audit

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 on significant accounting judgments and accounting estimates by the Directors that may have represented a risk of material misstatement.

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.

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

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 the Directors

As explained more fully in the Directors' responsibilities statement, 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.

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.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Auditor's responsibilities for the audit of the financial statements (continued)

The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the legal and regulatory frameworks that the Company operates in, focusing on those laws and regulations that had a direct effect on the financial statements. The key laws and regulations we considered in this context included the Companies Act 2006, regulations and supervisory requirements of the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) and UK tax legislation.
- Reviewing key correspondence with regulatory authorities including the PRA, FCA and HMRC.
- Enquiry of management to identify any instances of non-compliance with laws and regulations.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Enquiry of management around actual and potential litigation and claims.
- Enquiry of management to identify any instances of known or suspected instances of fraud.
- Discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.
- Reviewing minutes of meetings of those charged with governance.
- Reviewing internal audit reports of the Company.
- Reviewing the control systems in place and testing the effectiveness of the controls.
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias; and
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular with respect to provisions for impairment of loans and amounts advanced to customers.

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.

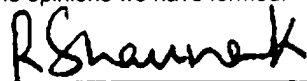
Other requirements

We were appointed by the Directors on 14 April 2021 to audit the financial statements of the Company for the year ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement is accordingly one year.

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 (Managing Partner & Group Chairman)

for and on behalf of MacIntyre Hudson LLP

Chartered Accountants and Statutory Auditors

London

20 April 2022

J.P. MORGAN EUROPE LIMITED

Income statement

For the year ended 31 December		2021			2020		
	Notes	Continuing Operations \$'000	Discontinued Operations \$'000	Total \$'000	Continuing Operations \$'000	Discontinued Operations \$'000	Total \$'000
Interest income calculated using the effective interest method	7	11,233	17	11,250	27,428	1,512	28,940
Interest expense	7	(914)	(19)	(933)	(4,663)	(19)	(4,682)
Net interest income		10,319	(2)	10,317	22,765	1,493	24,258
Fee and commission income	8	39,213	218,906	258,119	35,938	365,047	400,985
Fee and commission expense	9	(109,463)	(449)	(109,912)	(20,850)	(2,658)	(23,508)
Net fee income		(70,250)	218,457	148,207	15,088	362,389	377,477
Trading (loss)/ profit		(144)	1,376	1,232	3,083	6,764	9,847
Dividend Income		—	—	—	2,292	—	2,292
Other income	10	930	38,134	39,064	—	9,189	9,189
Expected credit loss (provision)/release	11	58	2,982	3,040	(352)	(2,196)	(2,548)
Net operating income		(59,087)	260,947	201,860	42,876	377,639	420,515
Administrative expenses		(95,540)	(215,002)	(310,542)	(83,928)	(284,767)	(368,695)
Other impairment	24	—	—	—	(490)	—	(490)
(Loss)/ Profit before taxation	13	(154,627)	45,945	(108,682)	(41,542)	92,872	51,330
Income tax expense	15	10,697	(11,921)	(1,224)	(17,950)	(28,327)	(46,277)
(Loss)/ Profit for the financial year		(143,930)	34,024	(109,906)	(59,492)	64,545	5,053

J.P. MORGAN EUROPE LIMITED

Income statement

Statement of comprehensive income

For the year ended 31 December	2021	2020
	\$'000	\$'000
(Loss)/ Profit for the financial year	(109,906)	5,053
Other comprehensive (expense)/income for the year:		
Losses on loans at FVOCI	—	(336)
Total comprehensive (expenses)/income for the year	(109,906)	4,717

Total comprehensive income is generated from continuing operations.

The notes on pages 67 - 95 form an integral part of these financial statements.

J.P. MORGAN EUROPE LIMITED

Balance sheet

As at 31 December		2021	2020
	Notes	\$'000	\$'000
Assets			
Loans and advances to banks	16	2,506,029	4,050,378
Loans and advances to customers	17	—	3,339
Securities purchased under resale agreements	18	1,067,599	1,032,305
Financial assets held at fair value through profit or loss	19	8,857	11,135
Financial assets designated at fair value through profit or loss	20	33	—
Debtors	22	25,094	26,292
Prepayments and accrued income	23	834	786
Investments in JPMorgan Chase undertakings	24	—	224
Tangible Fixed Asset		1,437	—
Assets held for sale	25	10,653	—
Total assets		3,620,536	5,124,459
Liabilities			
Deposits by banks	26	2,725	4,127
Customer accounts	27	1,420,998	2,586,670
Financial liabilities held at fair value through profit or loss	28	—	1,817
Trade creditors	29	—	86,113
Other liabilities	30	39,165	115,949
Provisions for liabilities	31	10	3,053
Accruals and deferred income	32	35,707	94,893
Total liabilities		1,498,605	2,892,622
Equity			
Called-up share capital	35	1,397,922	1,397,922
Share premium account	35	231,068	231,068
Other reserves		165,374	165,374
Retained earnings		327,567	437,473
Total equity		2,121,931	2,231,837
Total liabilities and equity funds		3,620,536	5,124,459

The notes on pages 67 - 95 form an integral part of these financial statements.

Registered Company Number: 00938937

These financial statements were approved by the Board of directors on 14 April 2022 and signed on its behalf by:



Matthew Melling

Director & Chief Financial Officer
14 April 2022

J.P. MORGAN EUROPE LIMITED
Statement of changes in equity

	Called-up share capital	Share premium account	Capital contribution reserve	Other reserves	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2020	1,397,922	231,068	33,679	155,462	432,420	2,250,551
Group share based payment costs	—	—	—	—	29,971	29,971
Group share based payment costs recharged	—	—	—	—	(29,971)	(29,971)
Profit for the financial year	—	—	—	—	5,053	5,053
Other comprehensive expense for the year:						
Losses on loans at FVOCI	—	—	—	(336)	—	(336)
Total comprehensive income for the year	—	—	—	(336)	5,053	4,717
Movement in other reserves	—	—	2,000	(25,431)	—	(23,431)
Balance as at 31 December 2020	1,397,922	231,068	35,679	129,695	437,473	2,231,837
Loss for the financial year	—	—	—	—	(109,906)	(109,906)
Other comprehensive (expense)/income for the year:						
Movement in loans at FVOCI	—	—	—	—	—	—
Group share based payment costs	—	—	—	—	12,970	12,970
Group share based payment costs recharged	—	—	—	—	(12,970)	(12,970)
Total comprehensive (expense)/income for the year	—	—	—	—	(109,906)	(109,906)
Movement in other reserves	—	—	—	—	—	—
Balance as at 31 December 2021	1,397,922	231,068	35,679	129,695	327,567	2,121,931

The notes on pages 67 - 95 form an integral part of these financial statements.

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements

1. General information

The Company is incorporated in the U.K. and domiciled in England and Wales. 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 new principal activity will be its recently launched digital retail bank under the Chase brand. The Company will maintain its UK Depositary Services business and the Post Office Card Account ("POCa") business will run off. The POca business provides banking services for the UK Government of Work and Pensions, including holding customer accounts, transaction, data, and financial management. As part of its strategy, during the year, the Company transferred employees and activities from its Wholesale Payments (excluding POca), Securities Services (excluding Depositary Services), Global Sales & Marketing and Retained Lending businesses to other JPMorgan Chase undertakings.

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 U.K. It is also regulated by the U.K. 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 U.K. 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 OCI, and in accordance with the Companies Act 2006 as applicable to companies using FRS 101. Reclassification of and adjustments to prior year amounts have been made to conform with current year presentations and to provide additional transparency and information on the nature of the balances in these 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 *Cash flow statements*
- 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)

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

3. Accounting and reporting developments

3.1 Standards adopted during the year ended 31 December 2021

Interest Rate Benchmark Reform Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

On January 1, 2021, the Company adopted amendments to IFRS 9, "Financial Instruments", IAS 39, "Financial Instruments: Recognition and Measurement", IFRS 7, "Financial Instruments: Disclosures", IFRS 4, "Insurance Contracts" and IFRS 16, "Leases" as Phase 2 of the IASB's project addressing the potential effects from the reform of the Interbank Offered Rate ("IBOR") on financial reporting.

The amendments require that, for financial instruments classified as amortised cost and debt financial assets classified as FVOCI, changes to the basis for determining the contractual cash flows required by interest rate benchmark reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised. This practical expedient is only applicable to changes that are required by interest rate benchmark reform, which is the case if, and only if, the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

For the year ended 31 December 2021, the Firm has applied the practical expedients offered under the amendments. The Company does not have significant exposure to IBORs and hence, the amendments did not have a material impact on transition on the Company's financial statements.

The Company does not apply hedge accounting, hence, the amendments related to hedge accounting requirements are not applicable to the Company.

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 significant accounting policies are described in Note 5.

Some of the judgements, estimates and assumptions management makes when preparing the Company's financial statements involve high levels of subjectivity and assessments about the future and other sources of uncertainty. Those that may have a material impact on the Company's financial condition, changes in financial condition or results of operations are described below

4.1 Functional and Presentation Currency Change

Effective December 31, 2021, the Company adopted the British Pound Sterling ("GBP") as its functional currency. Prior to 31 December, 2021, the functional currency of the Company was the United States Dollar ("USD").

The change in the functional currency of the Company is due to a series of events including the launch of the Chase UK business and the migration of historic USD revenue generating businesses out of the Company which completed in December 2021 including employee transfers.

When there is a change in the Company's functional currency, the Company applies the translation procedures applicable to the new functional currency prospectively from the date of the change. As the Company's circumstances have changed gradually over time it is not practical to determine the date of change at a precise point. The effective date from which to apply the change has been determined to be at the end of the accounting period for which the change occurs with the Company maintaining USD as the reporting currency for the year ended 31 December 2021. Any adjustments that would have been required to be made on the actual date of the functional currency change are not considered to be material to the Company.

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

5. Significant accounting policies

The following are the significant accounting policies 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 Consolidation

The Company is a subsidiary undertaking of J.P. Morgan Capital Holdings Limited, a company incorporated in England and Wales and of its ultimate parent JPMorgan Chase, a company incorporated in the United States of America. It is included in the consolidated financial statements of J.P. Morgan Capital Holdings Limited which are publicly available. Therefore, the Company has elected not to prepare group financial statements in accordance with the dispensation set out in Section 400 of the Companies Act 2006.

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 USD at the exchange rate ruling at the date when the transaction was initially recognised.

5.3 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 Company changed its functional currency from USD to GBP at 31 December 2021. The presentation currency for local financial reporting remains to be in USD.

5.4 Discontinued operation

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- Represents a separate major LOB or geographical area of operations.
- Is part of a single co-ordinated plan to dispose of a separate major LOB or geographical area of operations, or
- It is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative year.

5.5 Assets and liabilities held for sale

Disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than continuing use.

Disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated to the remaining assets and liabilities on a pro rata basis. No loss is allocated to financial assets, deferred tax assets or employee benefit assets which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

5. Significant accounting policies (continued)

5.6 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 and measured at amortised cost, fair value through other comprehensive income ("FVOCI") 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, certain loans and advances to customers, certain securities purchased under resale agreements, debtors 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 creditors, amounts owed to JPMorgan Chase undertakings and certain other liabilities.

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 effective interest method (see below). In addition, the carrying amount of financial assets is adjusted by recognising an expected credit loss allowance through the profit or loss.

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

5. Significant accounting policies (continued)

5.6 Financial assets and financial liabilities (continued)

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

The effective interest method is used to allocate interest income or interest expense over the relevant period. The effective 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 effective interest rate is established on initial recognition of the financial asset or financial liability. The calculation of the effective interest rate includes all fees and commissions paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issuance or disposal of a financial asset or financial liability.

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

iv. Financial assets measured at fair value through other comprehensive income

Financial assets are measured at FVOCI if they are held under a business model with the objective of both collecting contractual cash flows and selling the financial assets ("Hold to Collect and Sell"), and they have contractual terms under which cash flows are SPPI.

Financial assets measured at FVOCI are initially recognised at fair value, which includes direct transaction costs. The financial assets are subsequently remeasured at fair value with any changes presented in other comprehensive income ("OCI") except for changes attributable to impairment, interest income and foreign currency exchange gains and losses. Impairment losses and interest income are measured and presented in profit or loss on the same basis as financial assets measured at amortised cost (see above).

On disposal of financial assets measured at FVOCI, the cumulative gains or losses in OCI are reclassified from equity, and recognised in [current period other Income].

v. Financial assets and financial liabilities measured at fair value through profit or loss

Financial assets and financial liabilities are measured at FVTPL if they are held for trading. Under IFRS 9, a financial asset or a financial liability is defined as "held for trading" if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking or it is a derivative. However, such financial instruments are used by the Company predominantly in connection with its client-driven market-making and/or for hedging certain assets, liabilities, positions, cash flows or anticipated transactions (i.e. risk management activities).

Financial assets and financial liabilities held for trading comprise both debt and equity securities, loans and derivatives, and the related unrealised gains and losses.

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

5. Significant accounting policies (continued)

5.6 Financial assets and financial liabilities (continued)

v. Financial assets and financial liabilities measured at fair value through profit or loss (continued)

In addition, certain financial assets that are not held for trading are measured at FVTPL if they do not meet the criteria to be measured at amortised cost or FVOCI. For example, if the financial assets are managed on a fair value basis, have contractual cash flows that are not SPPI or are equity securities. The Company did not elect to measure any equity instruments at FVOCI.

Financial instruments measured at FVTPL are initially recognised at fair value in the balance sheet. Transaction costs and any subsequent fair value gains or losses are recognised in profit or loss as they arise.

The Company manages cash instruments, in the form of debt and equity securities, and derivatives on a unified basis, including hedging relationships between cash securities and derivatives. Accordingly, the Firm reports the gains and losses on the cash instruments and the gains and losses on the derivatives on a net basis in trading profits.

5.7 Interest income and expense

Unless a financial asset is credit-impaired, interest income is recognised by applying the effective 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 effective 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 effective 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 from financial assets measured at amortised cost and FVOCI and interest expense from financial liabilities measured at amortised cost respectively.

Interest generated as a result of 'negative' interest rates is recognised gross, as interest income or interest expense.

5.8 Trading profit

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

5.9 Impairment of financial assets and lending-related commitments

The Company recognises ECL for financial assets that are measured at amortised cost or FVOCI, and specified off-balance sheet lending-related commitments such as loan commitments and financial guarantee contracts that are in the Traditional Credit Products ("TCP") portfolios.

Instruments in scope of Traditional Credit Products (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 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 or FVOCI. ECL are measured collectively via a portfolio-based (modelled) approach for Stage 1 and 2 assets but are generally measured individually for Stage 3 assets. ECL are 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. These topics are discussed in more detail in the credit risk section on pages (9 - 23).

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 provides more detail for how the expected credit loss allowance is measured.

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

5. Significant accounting policies (continued)

5.10 Write-offs

Wholesale loans recognised as loans and advances to customers on the balance sheet are charged off when it is highly certain that a loss has been realised. The determination of whether to recognise a charge-off includes many factors, including the prioritisation of the Company's claim in bankruptcy, expectations of the workout/restructuring of the loan and valuation of the borrower's equity or the loan collateral.

All other financial assets are written off when there is no reasonable expectation of recovery and the amount of loss can be reasonably estimated or when the asset is past due for a specified period.

5.11 Fee and commission income

The Company earned revenue from providing investment banking, lending and asset management and administration services and commissions.

Investment banking fees

Investment banking revenue includes loan servicing fees.

The Company received loan servicing fees predominantly from Global Debt Capital Markets. These fees are recorded as revenue over the period in which the related service is provided.

Lending related fees

Lending-related fees include fees earned from loan commitments, standby letters of credit, financial guarantees, and other loan-servicing activities. Lending and related fees in this revenue category are recognised over the period in which the related service is provided.

Asset management, administration fees and commissions

This revenue category includes fees from investment management and related services, custody services and other products.

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

Commissions and other fees

This revenue category includes card income and income obtained through attribution agreements.

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

5.12 Dividend recognition

Dividend income is recognised when the right to receive payment is established.

Dividend distributions are recognised in the period in which they are declared and approved.

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

5. Significant accounting policies (continued)

5.13 Fair value

Fair value is 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 values are determined by reference to observable market prices where available and reliable. Fair values of financial assets and financial liabilities are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. Where market prices are unavailable, fair value is based on valuation models that consider relevant transaction characteristics (such as maturity) and used as inputs observable or unobservable market parameters, including but not limited to yield curves, interest rates, volatilities, equity or debt prices, foreign exchange rates and credit curves. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

For financial assets and liabilities held at fair value, most market parameters in the valuation model are either directly observable or are implied from instrument prices. When input values do not directly correspond to the most actively traded market parameters the model may perform numerical procedures in the pricing such as interpolation.

The Company classifies its assets and liabilities according to a hierarchy that has been established under IFRS for disclosure of fair value measurements. The fair value hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3 inputs).

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

Further details on fair value measurements are provided in note 21 to the financial statements.

5.14 Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the contractual right to receive cash flows from the asset has expired, or has been transferred with either of the following conditions met:

- the Company has transferred substantially all the risks and rewards of ownership of the asset; or
- the Company has neither retained nor transferred substantially all of the risks and rewards; but has relinquished control of the asset.

Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

5.15 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 balance sheet 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 using the effective interest method.

5.16 Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet 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.

5.17 Investments in JPMorgan Chase undertakings

Investments in JPMorgan Chase undertakings are stated at cost less impairment. Where the investments in the share capital of JPMorgan Chase undertakings are acquired by way of a dividend in kind, these are initially recognised at fair value and subsequently measured at cost less provision for impairment.

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

5. Significant accounting policies (continued)

5.18 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.

5.19 Provisions for liabilities and charges

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events but is not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised in the financial statements; however, disclosure is made unless the probability of settlement is remote.

5.20 Pension

The Company participates in an on-going defined contribution scheme in the UK.

Defined contribution scheme

A defined contribution plan is a pension plan under which the Company pays a defined level of contributions. Obligations for contributions to defined contribution pension plans are recognised as an expense and charged to the income statement on an accrual basis.

5.21 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 the compensation expense to the Company over the period to which the performance criteria relate together with employer's social security expenses 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.

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

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 two geographic regions as listed below:

- EMEA
- Americas

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

	EMEA		Americas		Total	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest income	11,228	28,731	22	209	11,250	28,940
Fee and commission income	258,118	400,980	1	5	258,119	400,985
Trading profit	1,232	9,847	—	—	1,232	9,847
Total Asset	3,620,536	5,124,459	—	—	3,620,536	5,124,459

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

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.

	2021	2020
	\$'000	\$'000
Interest income on financial instruments at amortised cost and FVOCI		
Loans and advances to banks	10,766	24,316
Loans and advances to customers	18	747
Securities purchased under resale agreements	466	3,855
Other	—	22
Total interest income	11,250	28,940
Interest expense on financial instruments at amortised cost		
Deposits by banks	75	160
Securities purchased under resale agreement	37	63
Customer accounts	821	4,459
Total interest expense	933	4,682

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

	2021	2020
	\$'000	\$'000
Interest income		
Loans and advances to banks	10,755	23,543
Securities purchased under resale agreements	466	3,855
Other	—	22
Total interest income	11,221	27,420
Interest expense		
Securities purchased under resale agreement	37	63
Deposits by banks	75	160
Total interest expense	112	223

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

8. Fees and commissions income

Fees and commissions income

Fee and commission income consists of the following non-interest revenue streams of investment banking fees, lending related fees and 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:

	2021	2020
	\$'000	\$'000
Investment banking fees		
Loan servicing	25	14,445
Total investment banking fees	25	14,445
Lending related fees		
Lending related fees	95	2,938
Total lending related fees	95	2,938
Asset management and commissions		
Administration fees	18,058	17,000
Total asset management and commissions fees	18,058	17,000
Commission and other fees		
Card Income	246	—
All other commissions and fees	239,695	366,602
Total commission and other fees	239,941	366,602
Total fees and commissions income	258,119	400,985

Fees and commissions income from JPMorgan Chase undertakings for 2021 is \$228 million (2020: \$356 million).

9. Fees and commissions expense

	2021	2020
	\$'000	\$'000
Fees and commissions expense	109,912	23,508

Fees and commissions expense includes expenses recharged through Firm attribution agreements from JPMorgan Chase undertakings for whom the employees of the Company conduct business and a one-off fee of \$68 million (2020: \$nil).

This fee relates to platform delivery services for the newly launched Chase UK business. It is an initial fee for the services delivered through the platform and represents the Company's share of the cumulative incurred cost up to the initial public launch.

The Chase UK business model leverages a global technology platform developed and delivered by another JPMorgan Chase undertaking, which bears the rights and obligations in relation to the technology platform development and maintenance. As the International Consumer Business launches into new markets, recipient JP Morgan undertakings who receive platform delivery services, will incur a portion of these costs for the services received.

This arrangement has been treated as a service contract and the costs are expensed in the period they are incurred.

J.P. MORGAN EUROPE LIMITED
Notes to the financial statements (continued)

10. Other income

	2021	2020
	\$'000	\$'000
Other income	39,064	9,189

Other income includes compensation received for employees transferred to other JPMorgan Chase undertakings.

11. Expected credit loss

	2021	2020
	\$'000	\$'000
Allowance for loan losses		
Opening balance as at 1 January	—	321
Increase/(decrease) during the year	12	(321)
Closing balance as at 31 December	12	—
Allowance for lending-related commitments		
Opening balance as at 1 January	3,053	184
(Decrease)/Increase during the year	(3,052)	2,869
Closing balance as at 31 December	1	3,053
Expected credit loss (release)/increase	(3,040)	2,548

12. Auditors' remuneration

	2021	2020
	\$'000	\$'000
Auditors' remuneration for the audit of the Company's annual financial statements ¹	1,080	407
Audit-related assurance services provided by the auditor	—	286
Other audit related services ²	241	—
Total Auditors' remuneration	1,321	693

¹ 2021 audit is conducted by MacIntyre Hudson LLP. 2020 remuneration relates to statutory audit conducted by PricewaterhouseCoopers LLP.

² Other audit related services were provided by PricewaterhouseCoopers LLP.

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

13. Profit before taxation

	2021	2020
	\$'000	\$'000
Profit/(Loss) before taxation is stated after charging:		
Intercompany recharges	74,186	69,608
Staff costs		
Wages and salaries	146,776	179,618
Social security costs	19,280	29,762
Other pension costs	18,713	23,155
Share based payments	12,970	29,971
Total staff cost	197,739	262,506

The average monthly number of persons employed by the Company was 987 (2020: 1,116), of which an average of 785 persons were seconded to another JPMorgan Chase undertaking until 30th November 21. As at year end, the majority of these employees were transferred to another JPMorgan Chase undertaking as part of the agreed business transition, with the remaining staff transferred early 2022.

Regarding the average number of persons employed, 1 (2020: 49) are in the Commercial Bank, 774 (2020: 895) in the Corporate & Investment Bank, 195 (2020: 156) in the Corporate Sector, nil (2020: 2) in Asset Wealth Management and 17 (2020: 14) in Consumer & Community Banking.

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

14. Directors' emoluments

	2021	2020
	\$'000	\$'000
Aggregate emoluments	904	387
Total contributions to a defined contribution plan	—	1
Compensation to non-executive directors	138	415
Number of directors with shares received or receivable under LTIPs	3	6
Number of directors to whom defined contribution pension rights accrued	—	3

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 \$302,446 in 2021 (2020:\$170,652). Directors also received emoluments for non-qualifying services, which are not required to be disclosed.

Highest paid director

The emoluments of the highest paid director were \$540,335 (2020: \$113,289).

The contribution to the defined contribution scheme for the highest paid director during the year was \$108 (2020: \$969). The highest paid director did not exercise share options during the year. During the year, shares were received or are receivable by the highest paid director under long-term incentives plan.

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

15. Income tax expense

	2021	2020
	\$'000	\$'000
(a) Analysis of tax charge for the year		
Current tax		
UK Corporation tax on profit for the year	—	16,377
Overseas taxation	83	12,612
Less: Double tax relief	—	(5,409)
Adjustments in respect of prior years	1,232	12,820
Rounding	(1)	—
Total current tax expense	1,314	36,400
Deferred tax		
Origination and reversal of temporary differences	(91)	9,877
Impact of change in tax rate	1	—
Total deferred tax	(90)	9,877
Total tax expense for the year	1,224	46,277

(b) Factors affecting the current tax charge for the year

The current tax charge for the year differs from the standard rate of corporation tax in the UK (19%), including banking surcharge (27%). The banking surcharge of 8% was recognised for the first time in 2016. The differences are explained below:

	2021	2020
	\$'000	\$'000
(Loss)/Profit before taxation	(108,682)	51,330
(Loss)/Profit before taxation multiplied by effective rate of corporation tax in UK 27% (2020: 27%)	(29,344)	13,859
Effects of:		
Non-taxable (income)/non-deductible expenditure	(10,981)	(2,733)
Foreign tax suffered	83	7,203
Adjustments in respect of prior years	1,232	12,820
Impact of change in the UK tax rate	1	—
Employee stock plan	735	3,818
Gain on Brexit transfers	107	1,533
Change in basis adjustments	42	—
Derecognition of deferred tax asset	—	9,777
Share based awards	(1,606)	—
Effects of group relief/ other reliefs	40,956	—
Rounding	(1)	—
Total tax expense for the year	1,224	46,277

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

15. Income tax expense (continued)

(c) Deferred taxation

	2021	2020
	\$'000	\$'000
i) Analysis of deferred tax asset and deferred tax liabilities		
Deferred tax assets:		
Deferred tax assets to be recovered within 12 months	(10)	—
Deferred tax asset	(10)	—
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	—	(100)
Deferred tax (liability)/asset (net)	(10)	(100)

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

	2021	2020
	\$'000	\$'000
As at 1 January	(100)	12,636
Deferred tax (credit)/charge to income statement for the period	90	(9,876)
Deferred tax (credit)/charge in equity for the period	—	(2,860)
As at 31 December	(10)	(100)

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:

	Accelerated capital allowances	Share based payments	Financial Assets	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax assets					
As at 1 January 2020	99	12,015	—	522	12,636
Charged to the income statement	(99)	(9,155)	(100)	(522)	(9,876)
Credited directly to equity	—	(2,860)	—	—	(2,860)
At 31 December 2020	—	—	(100)	—	(100)
As at 1 January 2021	—	—	(100)	—	(100)
Charged to the income statement	—	—	90	—	90
Credited directly to equity	—	—	—	—	—
At 31 December 2021	—	—	(10)	—	(10)

Deferred tax has been calculated at a blended rate of 30.5% (2020: 27%); the rate at which the timing differences are expected to unwind. This is based on the tax rates and law, enacted, or substantively enacted, as at Balance sheet date. Corporation tax 25%; Banking surcharge 8%.

A deferred tax asset of approximately \$3.4 million (2020: \$8.6 million) has not been recognised in respect of \$11.1 million (2020: \$31.9 million) of share based payments and other temporary differences as there is uncertainty around when the company will receive an economic benefit for the future unwind of the temporary differences.

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

16. Loans and advances to banks

	2021	2020
	\$'000	\$'000
Loans and advances to banks		
Amortised cost	2,506,029	4,050,377
FVOCI	—	1
	2,506,029	4,050,378

Loans and advances to banks include balances held with JPMorgan Chase undertakings of \$2,502 million (2020: \$4,048 million) which are measured at amortised cost.

There were no past due loans and advances to banks as at 31 December 2021 (2020: \$nil).

17. Loans and advances to customers

	2021	2020
	\$'000	\$'000
Loans and advances to customers		
Amortised cost	12	—
FVOCI	—	3,339
Provision for impairment	(12)	—
	—	3,339

The credit quality and analysis of concentration of loans and advances to customers is managed within the Firm's Credit Risk Management function, refer to the Strategic Report. No provision for impairment was recognised because the loans generate an immaterial ECL.

The fair value of collateral accepted as security for loans and advances to customers is \$nil (2020: \$nil).

18. Securities purchased under resale agreements

	2021	2020
	\$'000	\$'000
Securities purchased under resale agreements		
Amortised cost		
- with JPMorgan Chase undertakings	1,067,599	1,032,305

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 \$1,072 million (2020: \$1,028 million). The fair value of collateral repledged in 2021 was \$nil (2020: \$nil). These transactions are conducted under terms that are customary to standard lending activities.

19. Financial assets held at fair value through profit or loss

	2021	2020
	\$'000	\$'000
Debt and equity instruments ¹	8,515	10,507
Derivative receivables	342	628
Asset held for sale (see note 26)	10,653	—
	19,510	11,135

¹ Includes trading loan of \$8.5 million (2020: \$4 million).

Financial assets held at fair value through profit or loss which were past due as at 31 December 2021 are \$nil (2020: \$4 million). Financial assets held at fair value through profit or loss with JPMorgan Chase undertakings are \$0.3 million (2020: \$1 million).

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

20. Financial assets designated at fair value through profit or loss

	2021	2020
	\$'000	\$'000
Debt and equity instruments	33	—
	33	—

21. 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 balance sheet 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.

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

21. 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.

COVID-19

While models are inherently imprecise, this degree of imprecision or uncertainty can be heightened by the market or economic environment. This is particularly true when the current and forecasting environment is significantly different from the historical macroeconomic environments upon which the models were calibrated, as the Company has experienced during COVID-19. This uncertainty may necessitate a greater degree of judgement and analytics to inform adjustments to model outputs than in typical periods.

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 available, valuations are based on: <ul style="list-style-type: none"> • Observed market prices (circumstances are infrequent) • Relevant broker quotes • Observed market prices for similar instruments Where observable market data is unavailable or limited, valuations are based on discounted cash flows, which consider the following: <ul style="list-style-type: none"> • Credit spreads derived from the cost of credit default swaps ("CDS"); or benchmark credit curves developed by the Company, by industry and credit rating • Prepayment speed • Collateral characteristics 	Level 2 or 3
Derivatives	Exchange-traded derivatives that are actively traded and valued using the exchange price. Derivatives that are valued using models such as the Black-Scholes option pricing model, simulation models, or a combination of models, that use observable or unobservable valuation inputs as well as considering the contractual terms. The key valuation inputs used will depend on the type of derivative and the nature of the underlying instruments and may include equity prices, commodity prices, interest rate yield curves, foreign exchange rates, volatilities, correlations, CDS spreads and recovery rates. Additionally, the credit quality of the counterparty and of the Company as well as market funding levels may also be considered.	Level 1 Level 2 or 3
Equity, debt, and other securities	Quoted market prices In the absence of quoted market prices, securities are valued based on: <ul style="list-style-type: none"> • Observable market prices to similar securities • Relevant broker quotes • Discounted cash flows 	Level 1 Level 2 or 3
Loans and advances at FVOCI	Valuations are based on discounted cash flows which consider: <ul style="list-style-type: none"> • Credit spreads • Future interest payments • Repayments of principal Prepayments and defaults are modelled deterministically and discounted to today	Level 3

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

21. 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 2021 and 2020, by major product category and fair value hierarchy.

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
At 31 December 2021				
Financial assets held at fair value through profit or loss:				
Loans	—	—	8,515	8,515
Derivative receivables	—	342	—	342
Financial assets held at FVOCI:				
Loans	—	—	—	—
Financial asset designated at fair value through profit or loss:				
Debt and equity instruments	—	—	33	33
Assets held for sale:				
Financial assets held at fair value through profit or loss:				
Debt and equity instruments	—	10,653	—	10,653
Total financial assets:	—	10,995	8,548	19,543
Financial liabilities held at fair value through profit or loss:				
Derivative payables	—	—	—	—
Total financial liabilities:	—	—	—	—
At 31 December 2020				
Financial assets held at fair value through profit or loss:				
Debt and equity instruments	—	6,704	—	6,704
Loans	—	—	3,803	3,803
Derivative receivables	—	628	—	628
Financial assets held at FVOCI:				
Loans	—	—	3,339	3,339
Total financial assets:	—	7,332	7,142	14,474
Financial liabilities held at fair value through profit or loss:				
Derivative payables	—	1,817	—	1,817
Total financial liabilities:	—	1,817	—	1,817

Derivatives are held to provide an economic hedge for foreign exchange risk.

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

21. 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 2021	\$'000				
Loans - at FVTPL	8,515	Market comparables	Price	\$22.5	\$22.5
Total assets	8,515				
	Net fair value	Principal valuation technique	Unobservable input	Range of input values	Weighted average
At 31 December 2020	\$'000				
Loans - at FVTPL	3,803	Market comparables	Price	\$10	\$10
Loans - at FVOCI	3,340	Discounted cashflows	Credit spreads Utilisation given default CDS recovery rate Loan recovery rate	5bps - 6bps 0% - 0% 40% - 40% 54% - 54%	5bps 0% 40% 54%
Total assets	7,143				

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

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

21. 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.

Fair value financial instruments valued using techniques that incorporate unobservable inputs

The fair value of financial instruments may be determined in whole or part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument or based on available observable market data and changing these assumptions will change the resultant estimate of fair value. The potential impact as at 31 December 2021 of using reasonable possible alternative assumptions for the valuations including significant unobservable inputs would be immaterial to the results of the Company. Consequently, no sensitivity analysis for level 3 financial instruments is disclosed.

Changes in level 3 recurring fair value measurements

The following tables include a rollforward of the balance sheets 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 2021

Financial assets	Loans at FVOCI	Loans at FVTPL	Total financial assets
	\$'000	\$'000	\$'000
At 31 December 2020	3,340	3,803	7,143
Total gain recognised in profit or loss	—	4,712	4,712
Total gain recognised in other comprehensive income	—	—	—
Purchases	—	—	—
Sales	—	—	—
Issuances	—	—	—
Settlements	(3,340)	—	(3,340)
Transfers in to Level 3	—	—	—
Transfers out of Level 3	—	—	—
At 31 December 2021	—	8,515	8,515
Change in unrealised gains related to financial instruments held at 31 December 2021	—	4,712	4,712

Total gains of \$4.7 million has been recognised within trading profit in the income statement.

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

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

Movement in assets and liabilities in Level 3 during year ended 31 December 2020

Financial assets	Loans at FVOCI	Loans at FVTPL	Total financial assets
	\$'000	\$'000	\$'000
At 31 December 2019	292,562	4,548	297,110
Total loss recognised in profit or loss	321	11	332
Total gain recognised in other comprehensive income	(336)	—	(336)
Purchases	—	3,798	3,798
Sales	—	—	—
Issuances	3,340	—	3,340
Settlements	(292,547)	—	(292,547)
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	(4,554)	(4,554)
At 31 December 2020	3,340	3,803	7,143
Change in unrealised gains related to financial instruments held at 31 December 2020	—	(1)	(1)

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

For the year ended 31 December 2021 and 2020, there were no transfers between levels 1 and 2.

Fair value of financial instruments not carried on balance sheet at fair value

Certain financial instruments that are not carried at fair value on balance sheet 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 by banks, customer accounts, other liabilities and accruals.

The Company has \$3,599 million (2020: \$5,110 million) of financial assets and \$1,494 million (2020: \$2,809 million) of financial liabilities that are not measured at fair value on balance sheet.

Offsetting financial assets and financial liabilities

No financial assets and liabilities have been offset in the balance sheet as at 31 December 2021 (2020: \$nil).

Financial instruments, recognised within financial assets held at fair value through profit or loss and financial liabilities held at fair value through profit or loss, which were subject to enforceable master netting arrangements or other similar agreements but not offset, as at 31 December 2021, amounted to \$nil (2020: \$nil).

J.P. MORGAN EUROPE LIMITED
Notes to the financial statements (continued)

22. Debtors

	2021	2020
	\$'000	\$'000
Trade debtors	9,473	5,551
Other debtors	15,621	20,741
	25,094	26,292

Included in debtors, are the following amounts receivable from JPMorgan Chase undertakings:

	2021	2020
	\$'000	\$'000
Other debtors	15,606	20,660

23. Prepayments and accrued income

	2021	2020
	\$'000	\$'000
Accrued income	693	624
Prepayments	141	162
	834	786

Included in the above are the following amounts owed to JPMorgan Chase undertakings:

- Accrued income	682	591
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J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

24. Investments in JPMorgan Chase undertakings

	2021	2020
	\$'000	\$'000
At 1 January	224	1,869
Distribution of capital on liquidation of subsidiary - see below	(224)	(1,155)
Write down	—	(490)
At 31 December	—	224

During the year the Company liquidated the investment in Chase Securities International Limited.

The holdings of the Company are as follows:

Name	Address	Principal activity	Holding	Interest held %
J.P. Morgan Services LLP	25 Bank Street, Canary Wharf, London, E14 5JP, England	Dormant company	Direct	22.35

All shares held in above companies are ordinary shares.

25. Discontinued operations

Discontinued operations are separately disclosed on the income statement in accordance with IFRS 5 'Non-current assets held for sale and discontinued operations'. On the balance sheet, the associated assets are presented as held for sale.

In line with the agreed strategy, the Company transitioned the majority of its CIB employment and business activities to other JPMorgan Chase undertakings in 2021. The businesses are:

- Wholesale Payments business, with the exception of the Post Office retail accounts activity,
- Securities Services business, with the exception of the UK Depositary Services; and
- Retained Lending business activity.

The Company presented these business activities as a discontinued operation in 2021.

The Company presented Global Debt Capital Markets ("DCM") loan agency and CIB branch activities as discontinued operations in the prior year.

In accordance with IFRS 5 'Non-current assets held for sale and discontinued operations' the prior year profit or loss classified as a discontinued operation has been updated to reflect these amounts.

The discontinued operations comprised the following recognised assets held for sale:

	2021	2020
	\$'000	\$'000
Assets held for sale		
Financial assets held at fair value through profit or loss	10,653	—

26. Deposits by banks

	2021	2020
	\$'000	\$'000
Deposits by banks		
- with JPMorgan Chase undertakings	2,725	4,127

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

27. Customer accounts

	2021	2020
	\$'000	\$'000
Customer accounts	1,420,998	2,586,670

The current year balance primarily consists of third party British Pound Sterling-denominated deposits in respect of POca of \$1,194 million (2020: \$2,405 million), escrow balance of \$184 million (2020: \$182 million) and a Chase UK deposit balance of \$42 million (2020: nil).

28. Financial liabilities held at fair value through profit or loss

	2021	2020
	\$'000	\$'000
At 1 January	1,817	—
Movements during the year	(1,817)	1,817
At 31 December	—	1,817

29. Trade creditors

	2021	2020
	\$'000	\$'000
Trade creditors	—	86,113
Included in Trade creditors, are the following amounts owed to JPMorgan Chase undertakings:		
Trade creditor	—	1,867

30. Other liabilities

	2021	2020
	\$'000	\$'000
Other liabilities	34,386	38,272
Tax creditors	4,779	77,577
	39,165	115,849
Included in other liabilities, are the following amounts owed to JPMorgan Chase undertakings:		
- Other liabilities	31,070	34,086

The tax creditors balance primarily consists of corporation tax.

31. Provisions for liabilities

	2021	2020
	\$'000	\$'000
Expected credit losses on undrawn contractually committed facilities	—	3,053
Deferred tax liabilities	10	100
	10	3,153

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

32. Accruals and deferred income

	2021	2020
	\$'000	\$'000
Accruals	35,420	93,569
Deferred income	287	1,324
	35,707	94,893
Included in the above are the following amounts owed to JPMorgan Chase undertakings:		
- Accruals	16,020	45,327

Accruals predominantly consists of incentive and compensation related payables.

33. Pension costs

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

The Company recorded a total expense of \$11 million (2020: \$13 million) for the year ended 31 December 2021 in respect of the UKP.

34. Share based payments

The ultimate parent of the Company, JPMorgan Chase & Co. (the "Firm") has granted long-term stock-based awards to certain key employees under its Long Term Incentive Plan ("LTIP"), as amended and restated effective May 19, 2015, and further amended and restated effective May 15, 2018. Under the terms of the LTIP, as of 31 December 2021, 82.7 million shares of common stock were available for issuance through May 2025 (2020: 67 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 compensation expense for each tranche of each award as if it were a separate award with its own vesting date. For each tranche granted, compensation expense 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 who will become full-career eligible during the vesting period, compensation expense 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 expense for the Company for the year relating to share based payments was \$13 million (2020: \$29.9 million), all of which relates to equity settled share based payments.

Restricted stock units

Restricted stock units ("RSUs") are awarded at no cost to the recipient upon their grant. RSUs are generally granted annually and generally vest at a rate of 50% after two years, 50% after three years, and convert into shares of common stock at the vesting date. In addition, RSUs typically include full-career eligibility provisions, which allow employees to continue to vest upon voluntary termination, subject to post-employment and other restrictions based on age or service-related requirements. All of these awards are subject to forfeiture until vested and contain clawback provisions that may result in cancellation prior to vesting under certain specified circumstances. RSUs entitle the recipient to receive cash payments equivalent to any dividends paid on the underlying common stock during the period the RSUs are outstanding.

Compensation expense for RSUs is measured based upon the number of shares granted multiplied by the stock price at the grant date, and for employee stock options and stock appreciation rights ("SARs"), is measured at the grant date using the Black-Scholes valuation model. Compensation expense for these awards is recognised as described above.

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

34. Share based payments (continued)

Employee stock options and SARs

Under the LTI Plans, stock options and SARs have generally been granted with an exercise price equal to the fair value of JPMorgan Chase & Co.'s common stock on the grant date. The Firm typically awards SARs to certain employees once per year; the Firm also periodically grants employee stock options and SARs to individual employees. The 2013 grants of SARs to key employees vest rateably over five years (i.e., 20% per year) and awards contain clawback provisions similar to RSUs. The 2013 grants of SARs contain full-career eligibility provisions. SARs generally expire 10 years after the grant date.

The following table summarises information about options outstanding at 31 December 2021 and 31 December 2020:

	31 December 2021			31 December 2020		
	Outstanding	Weighted average exercise price \$	Weighted average remaining contractual life (in years)	Outstanding	Weighted average exercise price \$	Weighted average remaining contractual life (in years)
Range of exercise prices						
\$min - \$35.00	—	—	—	—	—	—
\$35.01 - \$50.00	—	—	—	17,702	41.46	1.18
Total	—	—	—	17,702	41.46	1.18

Broad-based employee stock options

No broad-based employee stock options were granted in 2020 or in 2021. In prior years, awards were granted by the Firm under the Value Sharing Plan, a non-shareholder-approved plan. For each grant, the exercise price was equal to the Firm's common stock price on the grant date. The options become exercisable over various periods and generally expire 10 years after the grant date.

The weighted-average share price during the year ended 31 December 2021 was \$159.31 (2020: \$106.52).

35. Called-up share capital and share premium

	2021	2020
	\$'000	\$'000
Issued and fully paid share capital		
At 31 December		
1,397,922,234 ordinary shares (2020: 1,397,922,234) of \$1 each	1,397,922	1,397,922

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 shareholders are paid proportionately to the amount which is paid up on the ordinary shares. The ordinary shares do not carry rights of redemption.

The share premium is the premium paid for new shares above their nominal value. It is a statutory reserve which forms part of a company's non-distributable reserves.

J.P. MORGAN EUROPE LIMITED

Notes to the financial statements (continued)

36. Commitments

The Company provides lending-related financial instruments (e.g. commitments of credit) to meet the financing needs of its customers. The contractual amount of these financial instruments represents the maximum possible credit risk to the Company should the counterparty draw upon the commitment or the Company be required to fulfil its obligation under the guarantee, and should the counterparty subsequently fail to perform according to the terms of the contract. Most of these commitments expire without being drawn or a default occurring. As a result, the total contractual amount of these instruments is not, in the Company's view, representative of its actual future credit exposure or funding requirements.

	2021	2020
	\$'000	\$'000
Contractual amount		
Unused commitments on loans	—	555,151
Standby letters of credit and guarantees	—	141,641
Total unused lending related commitments	—	696,792
Expected credit loss on unused lending related commitments (note 11)	1	3,053

37. Financial Risk Management

Disclosures in relation to the Company's risk management and capital management have been presented in the Strategic Report on pages 1 - 42 which forms part of these financial statements.

38. Post balance sheet events

Functional and Presentation Currency Change

Changes to the Company's accounting system, to effect the functional currency change from USD to GBP have been made effective 1 January 2022. The presentation currency will also change to GBP from the same date.

Ukraine-Russia Crisis

In late February 2022, Russia invaded Ukraine and in response the world imposed severe sanctions against Russia that have impacted the global economy, financial markets and specific industry and economic sectors, including potential recessionary and inflationary pressures. As at 31 December 2021, the Company had no direct exposure to Russia and is not aware of any material adverse effects on the financial position, operations or capital position as a result of the market disruption.

The Firm faces heightened operational risk in its efforts to comply with these sanctions programs, as the requirements under these programs are highly complex and continue to evolve. The Firm has implemented controls reasonably designed to comply with applicable sanctions and issued guidance to its affected LOBs to assist them with adhering to the Firm's obligations.

Chase UK Product launches

Chase UK launched, on 28 March 2022, the "Chase Saver Account". The account is available to new and existing Chase current account holders, via the Chase app.