

Company No.

316347	D
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**J.P. MORGAN CHASE BANK BERHAD**  
(Incorporated in Malaysia)

**CORPORATE GOVERNANCE STATEMENT**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

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Company No.

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J.P. MORGAN CHASE BANK BERHAD  
(Incorporated in Malaysia)

## CORPORATE GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

J.P. Morgan Chase Bank Berhad (“the Bank”) is committed to uphold good corporate governance practices in conformity with Bank Negara Malaysia (“BNM”) Policy Document on Corporate Governance which was effective on 3 August 2016.

Governance is a continuing focus at JPMorgan Chase & Co. (“JPMC” or the “Firm”), starting with the JPMC Board of Directors and extending throughout the Firm. The Firm as a whole sets strategy and manages by line of business based on authorities delegated by JPMC and JPMorgan Chase Bank, N.A. (“JPMCB”), and supported by global policies and standards that all staff worldwide are typically required to adhere to, subject to compliance with applicable legal and regulatory standards within each jurisdiction. The activities within the JPMorgan Chase Bank branches and other bank and non-bank subsidiaries are governed in this way in each of the regions in which the Firm operates.

In addition to the above, the Board of Directors (the “Board”) of the Bank also observes JPMC’s Global Code of Conduct. The Code of Conduct sets forth guiding principles and rules of behaviour by which the Bank conducts its daily business with its customers, vendors, shareholders and with its employees. The Code of Conduct applies to all employees and Directors who are required to annually affirm that they are in compliance with it.

### BOARD OF DIRECTORS

#### Composition of the Board

The Board comprises six (6) members, of which two (2) are Non-Independent Executive Directors and four (4) are Independent Non-Executive Directors. The Directors who served since the date of the last report are as follows:

Fauziah binti Hisham  
Independent Non-Executive Director/Chairman

Steven Ronald Clayton  
Non-Independent Executive Director/Chief Executive Officer (“CEO”)

Lau Souk Huan  
Independent Non-Executive Director

Faisal bin Ismail  
Independent Non-Executive Director

Omar bin Malek Ali Merican  
Independent Non-Executive Director

John Leo Buckley (*appointed on 4 October 2016*)  
Non-Independent Executive Director

Anthony Julian Cole (*resigned on 8 October 2016*)  
Non-Independent Non-Executive Director

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BOARD OF DIRECTORS (CONTINUED)

Composition of the Board (continued)

The current composition and size of the Board is appropriate and commensurate with the complexity, scope and operations of the Bank.

The Board of the Bank fulfills the prescribed requirements by BNM to comprise a majority of independent non-executive directors. The maximum tenure of an Independent Non-Executive Director shall be nine (9) years from the date of first appointment as independent non-executive Director.

Profile of Directors

**Fauziah binti Hisham**

Fauziah binti Hisham was appointed to the Board as an Independent Non-Executive Director and Chairman on 28 October 2014 and 1 January 2015 respectively. Puan Fauziah is currently a member of the Board and Board's Audit Committee, Nomination Committee, Remuneration Committee and Board Risk Committee of the Bank.

Puan Fauziah is an Associate Member of the Institute of Chartered Secretaries & Administrators, United Kingdom.

Puan Fauziah has in the past worked for JPMorgan, commencing in 1980 in the Chase Manhattan Bank, Malaysia Branch ("CMB Branch"). In 1994, Chase Manhattan Bank incorporated a wholly-owned local subsidiary known as Chase Manhattan Bank (M) Berhad to which the CMB Branch businesses and staff were transferred. Puan Fauziah was subsequently appointed the Country Credit Officer in 1997.

In 2001, following the acquisition of JPMorgan by Chase Manhattan Bank (with the Malaysian subsidiary's name being changed to J.P. Morgan Chase Bank Berhad), Puan Fauziah was appointed the Chief Executive Officer between 2002 and 2006.

Upon leaving the Bank in 2006, Puan Fauziah has held leadership roles of Country Group Representative and Executive Director, Institutional Banking in Australia & New Zealand Banking Group Limited's Malaysia Representative Office and as Managing Director, Strategic Client Coverage Group in Standard Chartered Bank Malaysia Berhad. Puan Fauziah is also an Independent Non-Executive Director of AKPK, a subsidiary of Bank Negara Malaysia.

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BOARD OF DIRECTORS (CONTINUED)

Profile of Directors (continued)

**Steven Ronald Clayton**

Steven Ronald Clayton was appointed to the Board as a Non-Independent Executive Director and Chief Executive Office of J.P. Morgan Chase Bank Berhad on 28 June 2011. Mr. Clayton is currently a member of the Board and Board's Nomination Committee of the Bank.

Mr. Clayton is an Associate Member of the Institute of Chartered Secretaries & Administrators, United Kingdom. He also has an Associateship in Company Administration, Sheffield Polytechnic, United Kingdom.

Mr. Clayton has been in the financial industry for more than 30 years, commencing his career in KPMG Peat Marwick in Hong Kong in 1981.

Mr. Clayton held the position of Senior Manager, Corporate Banking in NZI Bank, Hong Kong. He then joined Credit Lyonnais Securities Asia as Managing Director and Head of Corporate Finance for Singapore, Malaysia and Thailand. Mr. Clayton has also been a Country Head and Managing Director of Caspian Research (Malaysia) Sdn. Bhd, and a Managing Director in Debt Capital Markets and Investment Banking of Nomura International, Malaysia. Before joining JPMorgan in 2011, he was the Managing Director and Country Manager for Barclays Capital in Malaysia.

**Lau Souk Huan**

Christine Lau Souk Huan was appointed to the Board as an Independent Non-Executive Director on 3 July 2011. Ms. Lau is currently the Chairman of the Remuneration Committee and Audit Committee. She is also a member of the Board and Board's Nomination Committee and Board Risk Committee of the Bank.

Ms. Lau holds a Bachelor Degree in Accounting (Honours) from University of Malaya and she is a Certified Public Accountant from the Malaysian Institute of Certified Public Accountants. Ms Lau is also a member of the Malaysian Institute of Accountants. Ms. Lau is presently a Project Director with the Malaysian Accounting Standards Board, an independent authority which develops and sets accounting standards in Malaysia.

Prior to joining the Bank in 1995, Ms Lau spent about 8 years with PricewaterhouseCoopers. Subsequently, Ms. Lau worked for JPMorgan primarily as the Senior Financial Officer for a period of 14 years. In addition, Ms. Lau was also co-Country Operating Officer, Director of subsidiary entities, trustee of the Bank's retirement fund, country coordinator for philanthropy and company secretary for the Bank.

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BOARD OF DIRECTORS (CONTINUED)

Profile of Directors (continued)

**Faisal bin Ismail**

Faisal bin Ismail was appointed to the Board as an Independent Non-Executive Director on 26 August 2011. Encik Faisal is currently the Chairman of the Nomination Committee. He is also a member of the Board and Board's Audit Committee, Board Risk Committee and Remuneration Committee of the Bank.

Encik Faisal is a Chartered Accountant (ICAEW) who trained and qualified with Touche Ross & Co. (now Deloitte Touche Tohmatsu) in London and also in a public accountants firm, Hanafiah Raslan & Mohammad in Malaysia. He has more than 30 years experience in various industries including hotels, property investment and development, healthcare, power and in many areas at top / senior management level including corporate, M&A, finance, tax planning, transformation, HR etc. He has had exposure in a few countries including U.K., South Africa and Australia. He was an Executive Director in Landmarks Berhad, a listed hotels Group, and Group Managing Director of Pantai Holdings Berhad, a healthcare/ hospitals Group. He is currently working in Khazanah Group.

**Omar bin Malek Ali Merican**

Omar bin Malek Ali Merican was appointed to the Board as an Independent Non-Executive Director on 11 January 2012. Encik Omar is currently the Chairman of the Board Risk Committee. He is also a member of the Board and Board's Audit Committee and Nomination Committee of the Bank.

Encik Omar has a B Soc Sci Economics from Birmingham University and a M Sc Management from the Sloan School of Management. Before moving to Asia, he was Head of UK equity derivative research at James Capel in London and an employee of O'Connor Securities, a derivatives trading company. Encik Omar initiated the Far Eastern equity derivative specialist research and sales business for James Capel Asia in Hong Kong, and a derivative trader with Salomon Brothers Hong Kong (SBHK) Limited. After moving to Malaysia, he was the founder of Merican & Partners Asset Management Sdn. Bhd, providing advisory services and acting as an independent fund manager. His most recent appointment was as the Chief Operating Office of Bursa Malaysia Berhad for the period of 2005 and 2010.

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**BOARD OF DIRECTORS (CONTINUED)**

Profile of Directors (continued)

**John Leo Buckley**

John Leo Buckley was appointed to the Board as a Non-Independent Executive Director on 4 October 2016. Mr. Buckley is currently a member of the Board and Board's Nomination Committee of the Bank.

Mr. Buckley holds a Bachelor Degree (Hons) in Electrical and Electronic Engineering, First Class from Imperial College, University of London. He also holds an Associate membership from Chartered Institute of Management Accountants, Association of Corporate Treasurer and City of Guilds London Institute respectively.

Mr. Buckley is presently the Asia Pacific Chief Risk Officer of JPMCB since August 2013. In this capacity, he is responsible for the oversight and management of Asia Pacific wholesale risk (Market Risk, Credit Risk, Operational Risk, Principle Risk, Model Risk, Liquidity Risk, Fiduciary Risk and Country Risk).

Mr. Buckley was the Chief Financial Officer for Asia Pacific for 2 years up to August 2013. In addition, Mr. Buckley was also the Interim Senior Country Officer of Singapore in 2013, where he provided location oversight and governance across all lines of businesses operating in Singapore including Corporate Investment Bank, Asset Management, Commercial Banking and Corporate.

Roles and Responsibilities of the Board

The Board of Directors is ultimately responsible for the operations, conduct and the financial soundness of the Bank through competent management, reviewing and monitoring the objectives, strategies and business plans of the Bank, ensuring that proper controls are in place and that the business of the Bank is carried out with a high standard of integrity. The Board operates under an approved terms of reference which sets out their roles and responsibilities towards the Bank.

Mechanisms are in place within the Bank to connect the oversight of the Board and the day to day functioning of the Bank's employees to ensure that the Bank conducts its daily businesses in accordance with the Bank's objectives and policies and in compliance with the laws and regulations that govern the Bank's businesses. JPMC's risk management framework and governance structure are intended to provide comprehensive controls and ongoing management of its major risks.

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**CORPORATE GOVERNANCE STATEMENT  
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**BOARD OF DIRECTORS (CONTINUED)**

Frequency and Conduct of Board meetings

The Board meets at least once every two (2) months. The Board receives and reviews regular reports from the management on key operational, risk management, finance, legal and compliance matters. The Board also receives presentations from key businesses on business priorities and new business initiatives.

The Board meeting agenda and papers are distributed to the Directors in advance to allow time for their appropriate review. The proceedings from the Board meetings are minuted and circulated to the Directors for their perusal prior to confirmation at the following Board meeting.

During the financial year ended 31 December 2016, the Board met 6 times and the attendance at the Board meetings is as follows:

Directors	Attendance
Fauziah binti Hisham – Chairman	6/6
Steven Ronald Clayton	6/6
Lau Souk Huan	6/6
Faisal bin Ismail	6/6
Omar bin Malek Ali Merican	6/6
John Leo Buckley ( <i>appointed on 4 October 2016</i> )	1/1
Anthony Julian Cole ( <i>resigned on 8 October 2016</i> )	5/5

Directors' Training

In 2016, the Board members have received various training programmes on areas relevant to their duties and responsibilities as Directors, covering topics in the areas of Regulatory and Compliance, Banking Industry and Corporate Governance. The training programmes are in the form of internal training and development resources, online training programs and external seminars/talks.

The Directors had also attended talks, dialogue sessions and focus group sessions organized by Financial Institutions Directors' Education ("FIDE") Forum.

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**CORPORATE GOVERNANCE STATEMENT  
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**BOARD COMMITTEES**

Board Risk Committee

The Board Risk Committee is responsible for the oversight of the CEO and senior management's responsibility for assessing and managing the Bank's credit risk, market risk, interest rate risk, investment risk, liquidity risk and reputational risk.

The Board Risk Committee meets at least once every two (2) months. During the financial year ended 31 December 2016, the Board Risk Committee met 6 times and the attendance at the Board Risk Committee meetings is as follows:

Directors	Attendance
Omar bin Malek Ali Merican – Chairman	6/6
Fauziah binti Hisham	6/6
Lau Souk Huan	6/6
Faisal bin Ismail	6/6
Anthony Julian Cole	5/5

Audit Committee

The primary function of the Audit Committee is to provide independent oversight of the Bank's financial reporting and internal control system and ensuring checks and balances with the Bank. The Audit Committee also assists the Board of Directors in discharging its statutory duties and responsibilities.

The Audit Committee meets at least once every three (3) months. During the financial year ended 31 December 2016, the Audit Committee met 5 times and the attendance at the Audit Committee meetings is as follows:

Directors	Attendance
Lau Souk Huan – Chairman	5/5
Fauziah binti Hisham	4/5
Faisal bin Ismail	5/5
Omar bin Malek Ali Merican	5/5
Anthony Julian Cole	4/4



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**BOARD COMMITTEES (CONTINUED)**

Nomination Committee

The Nomination Committee is responsible to provide a formal and transparent procedure for the appointment of Directors and CEO as well as the assessment of effectiveness of individual Directors, board as a whole and performance of the CEO and key senior management officers.

The Nomination Committee meets at least annually. During the financial year ended 31 December 2016, the Nomination Committee met 2 times and the attendance at the Nomination Committee meeting is as follows:

Directors	Attendance
Faisal bin Ismail – Chairman	2/2
Fauziah binti Hisham	2/2
Steven Ronald Clayton	2/2
Lau Souk Huan	2/2
Omar bin Malek Ali Merican	2/2
Anthony Julian Cole	2/2

Remuneration Committee

The Remuneration Committee is responsible to provide a formal and transparent procedure for the remuneration of Directors and CEO. The Committee also reviews and endorses, where appropriate the remuneration of key senior management officers as recommended by regional management and lines of business.

The Remuneration Committee meets at least annually. During the financial year ended 31 December 2016, the Remuneration Committee met 3 times and the attendance at the Remuneration Committee meeting is as follows:

Directors	Attendance
Fauziah binti Hisham – Chairman	3/3
Lau Souk Huan	3/3
Faisal bin Ismail	3/3

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### CORPORATE GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

#### INTERNAL CONTROL FRAMEWORK

The Board of Directors of the Bank is responsible for the Bank's internal control framework for risk management and internal control.

The Bank's internal control framework consists of risk management policies and internal control procedures appropriately embedded in the Bank's business processes and are established in accordance with the nature and extent of the existing and emerging principal risks faced by the Bank. It is also intended to reflect the Bank's sound business practice in pursuing its objectives.

The management of the Bank assists the Board in identifying, evaluating, communicating, escalating and managing principal risks and reviewing the robustness and effectiveness of the risk management policies and internal control procedures. In view of the inherent limitations associated with any internal controls framework, the risk management policies and internal control procedures can only provide reasonable but not absolute assurance of effectiveness against material misstatement, errors, losses or fraud.

The management of the Bank continuously conducts assessments and business monitoring initiatives including business initiated reviews on their key processes, procedures and controls. Key gaps or control weaknesses identified would have corrective actions which are documented, escalated to the management and tracked for closure.

Location Management Committee, Risk/Asset & Liability Committee and Location Operating Committee are key governance committees set up by the Bank as part of the monitoring function to ensure effective management and supervision in accordance with the respective committees' terms of reference.

In order to preserve a strong ethical culture, the Bank has also adopted the JPMC firm-wide Code of Conduct that embeds the values of integrity, fairness and accountability in all that we do.

The Code of Conduct represents the Bank's commitment to operate with the highest level of integrity and ethical conduct. As part of the Conduct, retaliatory actions against any individual for raising legitimate concerns or questions regarding ethical matters, or for reporting suspected violations are prohibited.

Ethics hotlines are made available to all employees who wish to report/voice any concerns on any suspected violations of the law, regulations as well as any actions that do not live up to the Firm's standards of ethical conduct.

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**REMUNERATION**

Remuneration Policy & Practice

The Bank's compensation philosophy provides guiding principles that drive compensation-related decision-making across all levels of the Firm. We believe that a well-established and clearly communicated compensation philosophy drives fairness and consistency across the Firm. The table below sets forth our compensation philosophy.

<p>Tying pay to performance and aligning with shareholders' interests</p>	<p>In making compensation-related decisions, we focus on long-term, risk-adjusted performance (including assessment of performance by the Firm's risk and control professionals) and reward behaviours that generate sustained value for the Firm. This means that compensation should not be overly formulaic, rigid or focused on the short-term.</p> <p>Part of the incentive compensation paid to executive officers above a minimum threshold should be in equity that vests over multiple years.</p>
<p>Encouraging a shared success culture</p>	<p>Teamwork should be encouraged and rewarded to foster a "shared success" culture.</p> <p>Contributions should be considered across the Bank, within business units, and at an individual level when evaluating an employee's performance.</p>
<p>Attracting and retaining top talent</p>	<p>The Bank's long-term success depends on the talents of the employees. The Bank's compensation system plays a significant role in attracting, motivating and retaining top talent.</p> <p>Competitive and reasonable compensation should help attract and retain the best talent to grow and sustain the Bank's business.</p>
<p>Integrating risk management and compensation</p>	<p>Risk management, compensation recovery, and repayment policies should be robust and disciplined enough to deter excessive risk-taking.</p> <p>HR control forums should generate honest, fair and objective evaluations and identify individuals responsible for meaningful risk-related events and their accountability.</p> <p>Recoupment policies should include recovery of cash and equity compensation.</p> <p>Pay practices must comply with applicable rules and regulations, both in Malaysia and worldwide.</p>
<p>No special perquisites and non performance based compensation</p>	<p>Compensation should be straightforward and consist primarily of cash and equity incentives.</p> <p>The Bank does not have special supplemental retirement or other special benefits just for executives, nor any change in control agreements, golden parachutes, merger bonuses, or other special severance benefit arrangements for executives.</p>

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REMUNERATION (CONTINUED)

Remuneration Policy & Practice (continued)

<p>Maintaining strong governance</p>	<p>Strong corporate governance is fostered by independent Board oversight of the Bank's executive compensation program, including defining the compensation philosophy, reviewing and approving the overall incentive compensation budget including the terms of compensation awards; CEO compensation is subject to Board ratification.</p> <p>The Bank has a rigorous process in place to review risk and control issues at the Bank, line of business, function, and region level, which can and has led to impacts on compensation pools as well as reductions in compensation at the individual level, in addition to other employee actions.</p>
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**PAY PRACTICES ARE ALIGNED WITH COMPENSATION PHILOSOPHY**

We believe the effectiveness of our compensation program is dependent upon alignment of our pay practices with our compensation philosophy. The following exhibit illustrates this strong alignment and further underscores our objective to maintaining an executive compensation program that is consistent with best practice.



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**REMUNERATION (CONTINUED)**

Remuneration Policy & Practice (continued)

As part of the Bank's control processes, compensation of risk and control professionals is not based on the performance of the business they oversee.

To encourage a culture of risk awareness and personal accountability, the Bank approaches incentive compensation arrangements through an integrated risk, finance, compensation, and performance management framework. Employee conduct that gives rise to risks that may impact the Bank's performance in either the current year or future years is considered in determining bonus pools, including, among others, conduct related to referral hiring.

In making compensation related decisions, the Bank focuses on long-term, risk-adjusted performance (including assessment of performance by the Bank's risk and control professionals) and reward behaviors that generate sustained value. This means compensation should not be overly formulaic, rigid or focused on the short term.

To hold individuals responsible for taking risks inconsistent with the Bank's risk appetite and to discourage future imprudent behavior, the Bank has policies and procedures to take prompt and proportionate actions with respect to accountable individuals, including:

1. Reduce or altogether eliminate annual incentive compensation;
2. Cancel unvested awards (in full or in part);
3. Clawback/Recovery of previously paid compensation (cash and/or equity);
4. Demotion, negative performance rating or other appropriate employment actions;
5. Termination of employment

The precise actions to be taken with respect to accountable individuals are based on circumstances, including the nature of their involvement, the magnitude of the event and the impact on the Bank.

Measurement of Performance

In determining compensation, the Bank uses a balanced approach to assess performance against four broad categories:

1. Business and financial results
2. Risk and control objectives
3. Customer and client goals
4. People management and leadership objectives

These performance categories appropriately consider short, medium and long-term goals that drive sustained shareholder value, while accounting for risk and control objectives.

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REMUNERATION (CONTINUED)

Remuneration Policy & Practice (continued)

LONG-STANDING EQUITY CLAWBACK PROVISIONS		AWARD TYPE	
CLAWBACK TYPE	CLAWBACK TRIGGER	VESTED	UNVESTED
Restatement	<ul style="list-style-type: none"> <li>o In the event of a material restatement of the Firm's financial results for the relevant period (under our recoupment policy adopted in 2006)</li> <li>o This provision also applies to cash incentives</li> </ul>	✓	✓
Misconduct	o If the employee engaged in conduct detrimental to the Firm that causes material financial or reputational harm to the Firm	✓	✓
	o If the award was based on materially inaccurate performance metrics, whether or not the employee was responsible for the inaccuracy	✓	✓
	o If the award was based on material misrepresentation by the employee	✓	✓
	o If the employee is terminated for cause	✓	✓
Risk-related	o If the employee improperly or with gross negligence failed to identify, raise or assess, in a timely manner and as reasonably expected, issues and/or concerns with respect to risks material to the Firm	✓	✓
Protection Based Vesting (contingent upon performance) <sup>2,1</sup>	o If performance in relation to the priorities for their position, or the Firm's performance in relation to the priorities for which they share responsibility as a member of the Operating Committee, has been unsatisfactory for a sustained period of time		✓
	o If awards granted to participants in a line of business for which the Operating Committee member exercised responsibility were in whole or in part cancelled because the line of business did not meet its annual line of business financial threshold		✓
	o If for any one calendar year during the vesting period, pre-tax pre-provision income is negative, as reported by the Firm		✓
	o If, for the three calendar years preceding the third year vesting date, the Firm does not meet a 15% cumulative return on tangible common equity		✓

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REMUNERATION (CONTINUED)

Directors' Remuneration

	<u>2016</u> RM'000	<u>2015</u> RM'000
Fees	500	426
Other remuneration	4,557	4,474
	<u>5,057</u>	<u>4,900</u>
Analysis of Directors' remuneration:		
Executive Director:		
- Salary, bonuses and other remuneration	4,076	4,000
- Defined contribution retirement plan	478	471
- Benefits-in-kind	3	3
Non-executive Directors:		
- Fees/allowances	500	426
	<u>5,057</u>	<u>4,900</u>

Senior Officers and Material Risk Takers' Remuneration

Senior Management comprises Head of Key Businesses, Control functions in addition to designated material risk takers.

Set out below is the total value of cash based remuneration paid out to Senior Management of the Bank for the financial year ended 2016:

Remuneration	No. of Senior Management	Unrestricted RM'000	Deferred RM'000
Fixed	6	4,891	-
Variable		3,023	690