

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 2017

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

## CORPORATE GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 (resigned on 7 March 2018)  
Independent Non-Executive Director/Chairman

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

Lau Souk Huan (resigned on 22 September 2017)  
Independent Non-Executive Director

Faisal bin Ismail  
Independent Non-Executive Director/Chairman

Omar bin Malek Ali Merican  
Independent Non-Executive Director

John Leo Buckley  
Non-Independent Executive Director

Robert Armor Morris (appointed on 23 January 2018)  
Independent Non-Executive Director

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**CORPORATE GOVERNANCE STATEMENT  
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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

**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.

**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 Board of Directors. He is also a member of the Board's Audit Committee, Board Risk Committee, Nomination 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. He has more than 30 years experience in various industries including hotels, property investment and development, healthcare, power at top / senior management level. His experience included corporate, M&A, finance, tax planning, transformation and HR. He 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.

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BOARD OF DIRECTORS (CONTINUED)

Profile of Directors (continued)

**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 and the Remuneration Committee. He is also a member of the 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. He has worked in Europe and Asia in risk, research, sales and proprietary trading principally of equity derivatives at O'Connor, James Capel and Solomon Brothers. His most recent appointment was as the Chief Operating Office of Bursa Malaysia Berhad for the period from 2005 to 2010.

**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 and Guilds of 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.

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BOARD OF DIRECTORS (CONTINUED)

Profile of Directors (continued)

**Robert Armor Morris**

Robert Armor Morris was appointed to the Board as an Independent Non-Executive Director on 23 January 2018. Mr Morris is currently the Chairman of the Board's Audit Committee and the Nomination Committee. He is also a member of the Board Risk Management Committee, and Remuneration Committee of the Bank.

Mr. Morris has a Bachelor of Science degree in Business Economics and Accountancy from Southampton University. He is an Associate with the Institute of Chartered Accountants in England and Wales, a Fellow of the Hong Kong Institute of Certified Public Accountants and an Associate with the Association of Certified Fraud Examiners as well as previously being a board member of the Hong Kong Chapter. He has more than 18 year of experience in corporate banking after which he established the East Asia fraud and dispute practices of consultancy firms, including one of the Big Four accounting firms, being appointed the Area Head of the practice in each case.

He has worked in Asia for most of his 37-year career and has extensive regional experience in lending to corporates, trade finance, financial investigations, dispute services, forensic accounting and financial restructuring projects.

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 2017, 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 (resigned on 22 September 2017)	4/4
Faisal bin Ismail	6/6
Omar bin Malek Ali Merican	6/6
John Leo Buckley	6/6

Directors' Training

In 2017, 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  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)**

**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 2017, 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 (resigned on 22 September 2017)	4/4
Faisal bin Ismail	6/6

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 2017, the Audit Committee met 4 times and the attendance at the Audit Committee meetings is as follows:

Directors	Attendance
Lau Souk Huan – Chairman (resigned on 22 September 2017)	3/3
Fauziah binti Hisham	4/4
Faisal bin Ismail (Chairman)	4/4
Omar bin Malek Ali Merican	4/4

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**CORPORATE GOVERNANCE STATEMENT  
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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 2017, the Nomination Committee met 6 times and the attendance at the Nomination Committee meeting is as follows:

Directors	Attendance
Faisal bin Ismail – Chairman	6/6
Fauziah binti Hisham	6/6
Steven Ronald Clayton	6/6
Lau Souk Huan (resigned on 22 September 2017)	4/4
Omar bin Malek Ali Merican	6/6

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 2017, the Remuneration Committee met once and the attendance at the Remuneration Committee meeting is as follows:

Directors	Attendance
Fauziah binti Hisham – Chairman	1/1
Lau Souk Huan	1/1
Faisal bin Ismail	1/1



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### CORPORATE GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (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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**CORPORATE GOVERNANCE STATEMENT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)**

**REMUNERATION**

Remuneration Policy & Practice

The Bank's well established compensation philosophy provides guiding principles that drive compensation-related decision-making across all levels of the Firm. We strive to clearly communicate our compensation philosophy to promote firmwide fairness and consistency. We believe the effectiveness of our compensation program is dependent upon the alignment of sound pay practices with our compensation philosophy.

**OUR COMPENSATION PHILOSOPHY**

- |   |  |
|---|--|
| <p>✓ <b>Principles-based compensation philosophy</b><br/>Provides guiding principles that drive compensation-related decision-making across all levels of the Firm</p>  | <p>✓ <b>Robust anti-hedging/anti-pledging provisions</b><br/>Strict prohibition on hedging and pledging of unvested awards and shares owned outright</p>   |
| <p>✓ <b>Pay at risk</b><br/>Operating Committee member compensation is mostly "at-risk" and contingent on the achievement of performance goals that are integrally linked to shareholder value and safety and soundness</p> | <p>✓ <b>Strong clawback provisions</b><br/>Comprehensive recovery provisions enable us to cancel or reduce unvested awards and require repayment of previously paid compensation, if appropriate</p> |
| <p>✓ <b>Majority of variable pay is in deferred equity</b><br/>Operating Committee member variable compensation is mostly deferred in the form of PSUs and RSUs that vest over three years<sup>1</sup></p>                  | <p>✓ <b>Competitive benchmarking</b><br/>To make informed decisions on pay levels and pay practices, we benchmark ourselves against our peer groups</p>  |
| <p>✓ <b>Risk, Controls &amp; Conduct impacts pay</b><br/>In making pay decisions, we consider material risk, controls &amp; conduct issues and make adjustments to compensation, when appropriate</p>                       | <p>✓ <b>Responsible use of equity</b><br/>We manage our equity program responsibly, using less than 1% of weighted average diluted shares in 2017 for employee compensation</p>                      |
| <p>✓ <b>Strong share holding requirements</b><br/>Operating Committee members are required to retain significant portions of net shares received from awards to increase ownership over the long-term</p>                   | <p>✓ <b>Robust shareholder engagement</b><br/>Each year we provide the Board with feedback from our shareholders on a variety of topics, including our compensation programs and practices</p>       |

**SOUND GOVERNANCE AVOIDS POOR PAY PRACTICES**

- |   |   |
|---|---|
| <p>✗ <b>No golden parachute agreements</b><br/>We do not provide additional payments or benefits as a result of a change-in-control event</p>   | <p>✗ <b>No guaranteed bonuses</b><br/>We do not provide guaranteed bonuses, except for select individuals at hire and only for one year</p>   |
| <p>✗ <b>No special severance</b><br/>We do not provide special severance. All employees, including Operating Committee members, participate at the same level of severance, based on years of service, capped at 52 weeks up to a maximum credited salary</p> | <p>✗ <b>No special executive benefits</b></p> <ul style="list-style-type: none"> <li>▪ No private club dues or tax gross-ups for benefits</li> <li>▪ No special health or medical benefits</li> <li>▪ No 401(k) Savings Plan matching contribution</li> <li>▪ No special pension credits</li> </ul> |

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CORPORATE GOVERNANCE STATEMENT  
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REMUNERATION (CONTINUED)

Remuneration Policy & Practice (continued)

The Compensation for independent control function employees, including Risk, Compliance and Audit, is ultimately determined by the Functions. 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 that enable it 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 we take with respect to accountable individuals are based on the relevant circumstances, including the nature of their involvement, the magnitude of the event and the impact on the Bank.

EQUITY CLAWBACK PROVISIONS		AWARD TYPE	
		VESTED	UNVESTED
Restatement	▪ In the event of a <b>material restatement of the Firm's financial results</b> for the relevant period	✓	✓
	▪ This provision also <b>applies to cash incentives</b>		
Misconduct	▪ If the employee engaged in <b>conduct detrimental</b> to the Firm that causes material financial or reputational harm to the Firm	✓	✓
	▪ If the award was based on <b>material misrepresentation</b> by the employee	✓	✓
	▪ If the employee is <b>terminated for cause</b>	✓	✓
Risk-related and Other	▪ If the employee improperly or with gross negligence <b>failed to identify, raise or assess</b> , in a timely manner and as reasonably expected, issues and/or concerns with respect to <b>risks material to the Firm</b>	✓	✓
	▪ If the award was based on <b>materially inaccurate performance metrics</b> , whether or not the employee was responsible for the inaccuracy	✓	✓
Protection Based Vesting	▪ If <b>performance in relation to the priorities</b> 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, <b>has been unsatisfactory for a sustained period of time</b>		✓
	▪ 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 <b>did not meet its annual line of business financial threshold</b>		✓
	▪ If for any one calendar year during the vesting period, <b>pre-tax pre-provision income is negative</b> , as reported by the Firm		✓
	▪ If, for the three calendar years preceding the <b>third year vesting date</b> , the Firm <b>does not meet a 15% cumulative return on tangible common equity</b>		✓

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CORPORATE GOVERNANCE STATEMENT  
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REMUNERATION (CONTINUED)

Measurement of Performance

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

1. Business Results
2. Risk, Controls & Conduct
3. Client/Customer Focus
4. Teamwork and Leadership

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

To promote a proper pay-for-performance alignment, the Bank does not assign relative weightings to the above categories.

Directors' Remuneration

	<u>2017</u> RM'000	<u>2016</u> RM'000
Fees	458	500
Other remuneration	4,540	4,557
	<u>4,998</u>	<u>5,057</u>
Analysis of Directors' remuneration:		
Executive Director:		
- Salary, bonuses and other remuneration	4,062	4,076
- Defined contribution retirement plan	475	478
- Benefits-in-kind	3	3
Non-executive Directors:		
- Fees/allowances	458	500
	<u>4,998</u>	<u>5,057</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 2017:

Remuneration	No. of Senior Management	Unrestricted RM'000	Deferred RM'000
Fixed	7	4,160	-
Variable		2,370	473