2014 BASEL II PILLAR 3 DISCLOSURES FOR YEAR ENDING DEC 31ST 2013

J.P. MORGAN BANK (IRELAND) plc

2014 Basel II Pillar 3 disclosures

The view of JPMorgan Chase & Co. ("JPMC") is that the full force of Basel II should apply at the consolidated level. It is our belief that the application of Pillar 3 at individual entity level is unduly burdensome and potentially misleading. Our intention is to seek a waiver from individual entity Pillar 3 requirements once we are able to fulfil the requirement of making appropriate public disclosures at Group level. In the interim we have made Pillar 3 disclosures at entity level. These disclosures are not necessarily an accurate reflection of the risk profile of our Irish entities. This is because JPMC manages its risks on a Line of Business basis. Users are advised that the information should not be used for decision-making purposes.

The Basel II Pillar 3 disclosures included herein are made solely to meet the requirements in Ireland of J.P. Morgan Bank (Ireland) plc ("JPMBI") fully consolidated with J.P. Morgan Administration (Ireland) Limited and J.P. Morgan Ireland (Nominees) Limited.

Pillar 3 disclosures comprise two types:

- Qualitative disclosures relating primarily to risk management practices and
- Quantitative disclosures relating primarily to actual risk exposures

Qualitative disclosures were made for the first time in 2008, while quantitative disclosures were made for the first time in 2009.

Qualitative disclosures applicable to all J.P. Morgan entities globally

J.P. Morgan ("JPM" or "the firm") has published the required qualitative disclosures in the JPMC Annual Report and more recent quarterly United States Securities and Exchange Commission Form 10-Q filings, which can be accessed via the following links:

- http://investor.shareholder.com/jpmorganchase/annual.cfm
- http://investor.shareholder.com/jpmorganchase/sec.cfm

Additional qualitative disclosures applicable only to relevant Irish entities

Pillar 1 Operational Risk Capital Requirement

JPM Irish entities subject to local capital requirements for operational risk have adopted the Basic Indicator Approach for Pillar 1 purposes.

Nominated ECAIs for Pillar 1 Standardised Credit Risk Capital Requirement

The external credit assessment institutions ("ECAIs") used in the determination of credit quality steps are Fitch, Moody's and Standard and Poor's. The ratings from each of these ECAIs are used for all standardised risk classes.

Interest Rate Risk in the Banking Book

JPMBI does not have Interest Rate Risk in the Banking Book due to the short tenor of the balance sheet. There is not interest rate mismatch between assets and liabilities.

Remuneration Policies and Disclosures

Quantitative Disclosures for directors of JPMBI may be found in the most recently published annual reports of JPMBI filed with Companies Registration Office in Ireland. These disclosures are proportionate to the materiality of the remuneration paid to key employees. JPMBI also files an annual Remuneration Return with the Central Bank of Ireland. Qualitative disclosures on compensation and remuneration are set out in the most recent EU Remuneration Disclosure which can be found using the following link http://investor.shareholder.com/jpmorganchase/basel.cfm.

Scope of application of Capital Requirements Directive

Outside regulatory requirements to hold capital, there are no current or foreseen material practical or legal impediments to the prompt transfer of own funds or repayment of liabilities among the parent undertakings or, where applicable, their subsidiaries.

In the case of JPMBI, all subsidiaries are included in the consolidation and all entities to which these disclosures relate for JPMBI are based in Ireland.

Counterparty Credit Risk Exposure

Detailed disclosures on counterparty credit risk exposure are contained in the JPMC annual report which is available at http://investor.shareholder.com/jpmorganchase/annual.cfm

In particular, counterparty credit risk exposure is discussed in the section entitled “Management’s discussion and analysis”.

JPMBI operates within the wider JPM group and adopts the relevant policies, processes, methodologies and controls established and operating within the group where appropriate and required. It adopts the JPMC methods for assigning internal capital and credit limits for counterparty credit exposures. JPMBI is not externally rated by ECAIs.

Internal Capital Adequacy Assessment Process (ICAAP)

Outside its regulatory capital requirements, JPMBI performs internal capital adequacy assessments in accordance with the Capital Requirements Directive and Irish Statutory Instrument 627.

The purpose of the ICAAP is to assess the current and potential risks run by JPMBI to determine whether the current and forecasted levels of capital are sufficient relative to those risks. The document leverages the work performed internationally within JPMorgan Chase & Co. to perform capital assessments under Pillar 2 of the revised Basel framework.

The approach to calculating credit risk for the purposes of the Capital Assessment Process (Pillar 2) has been to apply the Basel 2 Advanced Internal Ratings Based Approach to the exposures on the Bank balance sheet. The US-AIRB approach is more risk-sensitive than the approach used to calculate capital under Pillar 1 and uses the Firm's own internal credit assessments.

The minimum internal capital requirement is set to 8% along with the regulatory limit under Pillar 1.

For the purposes of Pillar 2 operational risk quantification, the corresponding operational risk weighting factor for each line of business used is known as a 'beta'. The beta is defined as the line of business operational risk capital divided by the line of business operating revenue. Treasury & Security Services, now part of Corporate Investment Bank, is allocated a 28.93% beta.

Capital is allocated to the lines of business for operational risk using a risk-based capital allocation methodology which estimates operational risk on a bottom-up basis. The operational risk capital model is based upon actual losses and potential scenario-based stress losses, with adjustments to the capital calculation to reflect changes in the quality of the control environment or the use of risk-transfer products.

Selective judgmental overrides can be applied to the capital numbers if the Bank believes that its "riskiness" of the business is higher or lower than the riskiness of the business as a whole.

If additional capital were to be required, JPMBI would turn to its actual shareholders. Capital forecasting is based on a combination of factors including stress testing, potential new business, forecasted market conditions, forecasted business activity, etc.

We do not expect JPMBI to seek more capital in the foreseeable future because the businesses performed are not balance sheet intensive, profits are relatively stable and it does not actively market credit as a product.

Furthermore, as at December 31, 2013, the actual capital of JPMBI far exceeded the Pillar I and Pillar 2 credit and operational risk capital requirements. This highlights the fact that JPMBI is well capitalised relative to its risks.

Our conclusion, based on the Risk Assessment and Quantification and the capital position analysis, is that JPMBI is adequately capitalised relative to the risks it runs, and relative to its projected business. This assessment will be kept under review as business profiles develop and, in any event, at least annually.

Quantitative disclosures

Capital Resources

As at 31 December 2013, JPMBI had capital resources which were more than the required minimum.

The following table shows capital resources as at 31 December 2013.

[Note: DIRECTIVE 2006/48/EC Annex XII Part 2 point 3]

Tier 1, Tier 2 and Tier 3 Capital Resources

As at 31 Dec 13	**$MM**
Tier 1 Capital	
Called-up share capital	57
Eligible reserves	292
Total Tier 1 capital before deductions (excluding innovative Tier 1)	348
Deductions from Tier 1	
Goodwill and other intangible assets	-
Excess expected loss	-
Other deductions	-
Total deductions from Tier 1	-
Total Tier 1 capital after deductions and restrictions	**348**
Tier 2 Capital	
Revaluation reserves	-
Qualifying subordinated liabilities	-
Undated subordinated debt	-
Dated subordinated debt	-
Total Tier 2 capital before deductions	-
Deductions from Tier 2	
None	-
Total Tier 2 capital after deductions and restrictions	-
Total Tier 2 capital after deductions and restrictions	**-**
Regulatory deductions from Tier 1 and Tier 2 capital	
None	-
Total deductions from Tier 1 and Tier 2	-
Tier 3 Capital	**-**
Total net capital resources	**348**

Minimum Capital Requirements

The below information show the minimum capital requirements for the entities in scope, for Credit and Market risk using the Standardised approach and for Operational Risk using the Basic Indicator approach.

[Note: DIRECTIVE 2006/48/EC Annex XII Part 2 point 4 (part)]

Minimal Capital Requirements for Credit Risk (Banking Book) under the Standardised Approach

As at 31 Dec 13	**$MM**
Credit Risk Exposure: Analysis by Exposure Class	
Regional governments or local authorities	-
Institutions	31
Corporates	2
Short term claims on institutions and corporates	-
Collective investment undertakings (CIUs)	-
Total - Standardised Approach Requirement	**33**

Minimum capital requirements for market risk, counterparty risk and concentration risk

As at 31 Dec 13	
Market Risk	**$MM**
Foreign exchange Risk Capital	1
Total Market Risk Capital Requirement	**1**
Counterparty risk capital component	**-**
Concentration risk capital component	**-**

Minimum Capital Requirement for Operational Risk

As at 31 Dec 13	**$MM**
Operational Risk - Basic Indicator Approach	**16**

Credit Risk Exposures before Credit Risk Mitigation (CRM)

The following shows the Credit Risk Exposures the Group faces before the application of credit risk mitigation. In regards to the geographical analysis, the exposures relate to the location in which the customer is based.

[Note: DIRECTIVE 2006/48/EC Annex XII Part 2 point 6 (part)]

	Exposure Pre CRM	Average Exposure Pre CRM over the year
As at 31 Dec 13	**$MM**	**$MM**
Credit Risk Exposure Class Pre CRM		
Central governments or central banks	24	23
Institutions	1,776	1,990
Corporates	109	94
Other items	6	5
Total Standardised Approach Credit Risk Exposure	**1,915**	**2,112**

Geographical analysis of Credit risk exposure under the Standardised approach

	United Kingdom	Other European Union	United States	Rest of the World	Total
As at 31 Dec 13	**$MM**	**$MM**	**$MM**	**$MM**	**$MM**
Credit Risk Exposure Class Pre CRM					
Central governments or central banks	-	24	-	-	24
Institutions	1,724	18	1	31	1,776
Corporates	-	100	6	3	109
Other items	-	6	-	-	6
Total Standardised Approach Credit Risk Exposure	**1,724**	**148**	**7**	**35**	**1,915**

Industry analysis of Credit risk exposure under the Standardised approach

	Banks	Mutual Funds	Other	Total
As at 31 Dec 13	**$MM**	**$MM**	**$MM**	**$MM**
Credit Risk Exposure Class Pre CRM				
Central governments or central banks	24	-	-	24
Institutions	1,776	-	-	1,776
Corporates	-	109	-	109
Other items	-	-	6	6
Total Standardised Approach Credit Risk Exposure	**1,800**	**109**	**6**	**1,915**

Residual maturity analysis of Credit risk exposure under the Standardised approach

	Exposure Pre CRM Standardised Approach Credit Risk Exposure Class						
	On demand and qualifying revolving	**Under one year**	**Over one year but not more than three years**	**Over three years but not more than five years**	**Over five years but not more than ten years**	**Over ten years or undated**	**Total**
As at 31 Dec 13	**$MM**	**$MM**	**$MM**	**$MM**	**$MM**	**$MM**	**$MM**
Credit Risk Exposure Class Pre CRM							
Central governments or central banks	24	-	-	-	-	-	24
Institutions	1,776	-	-	-	-	-	1,776
Corporates	109	-	-	-	-	-	109
Other items	-	-	-	-	6	-	6
Total Standardised Approach Credit Risk Exposure	**1,909**	**-**	**-**	**-**	**6**	**-**	**1,915**

Industry analysis and Geographical analysis of impaired and past due exposures and allowance for impairment.

As at 31 December 2013, there were no impaired and past due exposures for JPMBI.

Methodology for determining impairment provisions

Primary responsibility for determining impairment provisions is managed according to the Firm's Credit Policy. Specifically, responsibility resides with Global Credit Risk Management (credit analysis) and Credit Executives (credit approval). Credit risk associated with operational overdrafts is mitigated by Credit Risk Mitigation techniques including pledges/liens over assets under custody.

Credit quality steps before and after Credit Risk Mitigation using the Standardised Approach.

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

[Note: DIRECTIVE 2006/48/EC Annex XII Part 2 point 7]

	Credit exposure								Capital
Credit Exposure/ Capital Pre CRM	**Credit Quality Step 1**	**Credit Quality Step 2**	**Credit Quality Step 3**	**Credit Quality Step 4**	**Credit Quality Step 5**	**Credit Quality Step 6**	**Unrated**	**Total**	**Deducted from Capital Resources**
As at 31 Dec 13	**$MM**	**$MM**	**$MM**	**$MM**	**$MM**	**$MM**	**$MM**	**$MM**	**$MM**
Central governments or central banks	-	-	-	-	-	-	24	24	-
Institutions	1,761	-	15	-	-	-	-	1,776	-
Corporates	-	-	109	-	-	-	-	109	-
Other items	-	-	6	-	-	-	-	6	-
Total Standardised Approach Credit Risk Exposure/ Capital	**1,761**	**-**	**130**	**-**	**-**	**-**	**24**	**1,915**	**-**

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

	Credit exposure								Capital
Credit Exposure/ Capital Post CRM	**Credit Quality Step 1**	**Credit Quality Step 2**	**Credit Quality Step 3**	**Credit Quality Step 4**	**Credit Quality Step 5**	**Credit Quality Step 6**	**Unrated**	**Total**	**Deducted from Capital Resources**
As at 31 Dec 13	**$MM**	**$MM**	**$MM**	**$MM**	**$MM**	**$MM**	**$MM**	**$MM**	**$MM**
Central governments or central banks	-	-	-	-	-	-	24	24	-
Institutions	1,842	-	15	-	-	-	-	1,857	-
Corporates	-	-	28	-	-	-	-	28	-
Other items	-	-	6	-	-	-	-	6	-
Total Standardised Approach Credit Risk Exposure/ Capital	**1,842**	**-**	**49**	**-**	**-**	**-**	**22**	**1,915**	**-**

Non Trading Book exposures in Equities

As at 31 December 2013, there were no non trading book exposures in equities, and therefore, there were no realized gains or losses.

Non Trading Book exposure to Interest Rate risk

There is no material exposure to interest rate risk in the Non Trading Book.

Collateral and Guarantees

The following shows the exposure for assets after collateral and guarantees.

[Note: DIRECTIVE 2006/48/EC Annex XII Part 3 point 2]

<u>Collateral and Guarantees for Standardised Approach</u>

	Total Exposure after netting and volatility adjustments covered by Eligible Financial Collateral	Total Exposure after netting and volatility adjustments covered by Other (Non-Financial) Eligible Collateral	Total Exposure - after netting covered by Guarantees and Credit Derivatives
As at 31 Dec 13	**$MM**	**$MM**	**$MM**
Standardised Approach Credit Risk Exposure Class			
Central governments or central banks	24	24	24
Institutions	1,776	1,776	1,857
Corporates	109	109	28
Other items	6	6	6
Total	**1,915**	**1,915**	**1,915**