Pillar 3 Semi-Annual Disclosure Report as at 30th June 2019

J.P. Morgan Bank Luxembourg S.A.

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1.Introduction

Background

The need to assess whether an institution should disclose some information more frequently than annually, under Part Eight of the Capital Requirements Regulation ("CRR")[1], originates in Article 433 and the requirements are further articulated in the European Banking Authority ("EBA") Guidelines[2] ("GL1"), which were adopted by the Commission de Surveillance du Secteur Financier ("CSSF")[3] from 15th November 2017.
In addition, the requirements of EBA Final Report on Guidelines for Disclosure under Part Eight of the CRR[4] ("EBA GL2") have been incorporated into JPMC's disclosure process from 1st January 2018, and are followed for this document.
Production of all Pillar 3 disclosure for J.P. Morgan entities in the EMEA region is governed by the JPMC EMEA Pillar 3 Policy Addendum which outlines scope, review and approval governance process requirements, including annual review on frequency and omissions policies.
All J.P. Morgan Chase entities regulated under the Capital Requirements Directive IV ("CRD IV")[5] have applied the Guidelines by:

- Enhancing the Pillar 3 policy and process to include a full assessment of the need to publish data more frequently than annually; and
- Identifying the key data elements to disclose in order to meet the needs of potential users of the disclosure.

Scope

All J.P. Morgan European regulated entities have been considered in the assessment, under the JPMC EMEA Pillar 3 Policy, for inclusion for disclosure, and then for more frequent than annual disclosure.
J.P. Morgan Bank Luxembourg S.A. ("JPMBL") is defined as an Other Systemically Important Institution ("O-SII") and is therefore included for disclosure under the requirements of EBA GL[2].

The internal assessment process to determine which J.P. Morgan entities should disclose more frequently than annually concluded that JPMBL is meeting the qualitative and quantitative thresholds to necessitate more frequent disclosure.
The data disclosed in this document represents disclosure for the first semester of 2019. All data is recorded as at 30th June 2019, consistent with CoRep reporting and produced on an unaudited basis. No items have been omitted due to confidentiality, materiality or for proprietary reasons under Titles III and IV of the Guidelines. Any line items that are not applicable have been hidden for presentation purposes.

All information in this report is disclosed in millions of United States Dollars (US$m), unless otherwise specified.
JPMBL is presenting its disclosures on an individual basis (including foreign branches). There are no subsidiaries to be consolidated.
As at 30st June 2019, JPMBL has eleven branches located respectively in:

- Amsterdam (J.P. Morgan Bank Luxembourg S.A., Amsterdam Branch),
- Oslo (J.P. Morgan Bank Luxembourg S.A., Oslo Branch),
- Copenhagen (J.P. Morgan Bank Luxembourg S.A., Copenhagen Branch),
- Helsinki (J.P. Morgan Bank Luxembourg S.A., Helsinki Branch),
- Stockholm (J.P. Morgan Bank Luxembourg S.A., Stockholm Branch),
- Dublin (J.P. Morgan Bank Luxembourg S.A., Dublin Branch),
- Brussels (J.P. Morgan Bank Luxembourg S.A., Brussels Branch),
- Madrid (J.P. Morgan Bank Luxembourg S.A., Madrid Branch),
- Milan (J.P. Morgan Bank Luxembourg S.A., Milan Branch),
- Frankfurt (J.P. Morgan Bank Luxembourg S.A., Frankfurt Branch),
- London (J.P. Morgan Bank Luxembourg S.A., London Branch)

[1] Capital Requirements Regulation (CRR) / Regulation [EU] No. 575/2013
[2] EBA Guidelines on materiality, proprietary and confidentiality and on disclosure frequency 23 December 2014
[3] CSSF expectation of firms' compliance with EBA/GL/2016/11: http://www.cssf.lu/fileadmin/files/Lois_reglements/Circulaires/Hors_blanchiment_terrorisme/cssf17_673.pdf
[4] EBA Final Report on Guidelines for Disclosure under Part Eight of Regulation (EU) No 575/2013 Version 2 published 16th December 2016
[5] Capital Requirements Directive (CRD IV) / Regulation [EU] Directive 2013/36/EU

Means of Disclosure (Art. 434)

The disclosure report is made available according to Article 434 CRR on the website of JPMorgan Chase & Co. (“JPMC”) at http://investor.shareholder.com/jpmorganchase/basel.cfm. The latest Annual disclosure is also available via this link.

Firmwide Disclosure

The ultimate parent of the entity in scope of this disclosure is JPMorgan Chase & Co., which is incorporated in the United States of America. Firmwide disclosure is made under the Basel III requirement available at the below link. In addition, the U.S. Securities and Exchange Commission filings made at the firmwide level, 10K and 10Q, provide further information at the following link: http://investor.shareholder.com/jpmorganchase/basel.cfm.

2.Own Funds (Art. 437)

Own Funds Disclosures

Capital resources represent the amount of regulatory capital available to an entity to cover all risks. Defined under the CRR, capital resources are designated into two tiers, Tier 1 and Tier 2. Tier 1 capital consists of Common Equity Tier 1 ("CET1") and Additional Tier 1 ("AT1"). CET1 is the highest quality of capital and typically represents share capital, reserves and audited profit; AT1 contains hybrid debt instruments; Tier 2 capital typically consists of subordinated debt and other eligible capital instruments.

The information represented in the tables below constitutes the applicable data elements for Own Funds identified in Title VII of the Guidelines. Capital ratios are disclosed in accordance with the CRR.

The final column represents the capital position on a fully-phased in basis after all CRR transitional provisions have expired and phase-out of grandfathered capital instruments under pre-CRR national transposition measures is complete. Other capital impacts including instrument maturity or behavioral changes are not considered for the fully-phased in position.

Table 1: CRD IV Regulatory Capital

	Transitional Own Funds Disclosure Template ($'m)	Amount at Disclosure Date	Regulation (EU) No 575/2013 Article Reference	Fully-Phased in Position
Common Equity Tier 1 (CET1) Capital: Instruments and Reserves				
1	Capital instruments and the related share premium accounts	3,250	26 (1), 27, 28, 29, EBA list 26 (3)	3,250
	of which: Ordinary Shares	21	EBA list 26 (3)	21
	of which: Share premium	3,229	EBA list 26 (3)	3,229
2	Retained earnings	1,612	26 (1) (c)	1,612
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	(2)	26 (1)	(2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**4,860**		**4,860**
Common Equity Tier 1 (CET1) Capital: Regulatory Adjustments				
7	Additional value adjustments (negative amount)	(0)	34, 105	(0)
8	Intangible assets (net of related tax liability) (negative amount)	(45)	36 (1) (b), 37, 472 (4)	(45)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(45)**		**(45)**
29	**Common Equity Tier 1 (CET1) capital**	**4,815**		**4,815**
60	**Total risk weighted assets**	**23,745**		**23,745**
Capital Ratios and Buffers				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	20.28%	92 (2) (a), 465	20.28%
62	Tier 1 (as a percentage of total risk exposure amount)	20.28%	92 (2) (b), 465	20.28%
63	Total capital (as a percentage of total risk exposure amount)	20.28%	92 (2) (c)	20.28%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer (G-SII or O-SII buffer) expressed as a percentage of risk exposure amount)	7.58%	CRD 128, 129, 130	7.58%
65	*of which*: capital conservation buffer requirement	2.50%		2.50%
66	*of which:* countercyclical buffer requirement	0.08%		0.08%
67	*of which*: systemic risk buffer requirement	0.00%		0.00%
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.50%	CRD 131	0.50%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	12.28%	CRD 128	12.28%

Own Funds Reconciliation

The tables below present a reconciliation between unaudited balance sheet own funds and regulatory own funds as at 30th June 2019 in accordance with the requirements set out in Commission Implementing Regulation (EU) No 1423/2013.

Table 2: Reconciliation of Regulatory Own Funds to Balance Sheet

Regulatory Own Funds Reconciliation to Balance Sheet	$'m
193,884 Ordinary Shares of $110 each	21
Share Premium Account	3,229
Retained Earnings	1,786
Other Reserves	19
CET1 Capital - Balance Sheet Own Funds	**5,055**
Less Regulatory Adjustments	**(240)**
(-) Unaudited Profit	(195)
(-) Intangible Assets	(45)
(-) Additional Valuation Adjustments	(0)
CET1 Capital - Regulatory Own Funds After Adjustments	**4,815**
Total Regulatory Own Funds	**4,815**

Main Features of Capital Instruments

The table below presents the main features of regulatory capital instruments for JPMBL as at 30th June 2019 and as required by Commission Implementing Regulation (EU) No 1423/2013. The terms and conditions for these instruments can be found on the Luxembourg business registers (LBR) website.

Table 3: Main Features of Regulatory Capital Instruments

Capital Instruments Main Features ($'m)		JPMBL CET1 $110 ordinary shares
1	Issuer	J.P. Morgan Bank Luxembourg S.A.
2	Governing law(s) of the instrument	Article 37 et seq. of "Luxembourg Company Law: Law of 10th August 1915 on commercial companies" (Loi du 10 août 1915 concernant les sociétés commerciales)
3	Transitional CRR rules	Common Equity Tier 1
4	Post-transitional CRR rules	Common Equity Tier 1
5	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo
6	Instrument type (types to be specified by each jurisdiction)	Shares of a public limited liability company (Actions d'une société anonyme)
7	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	USD 21
8	Nominal amount of instrument	USD 110
8a	Issue price	USD 110
9	Accounting classification	Shareholders' equity
10	Original date of issuance	$11m May 16th, 1973 $6m September 3rd, 2018 $4m January 29th, 2019
11	Perpetual or dated	Perpetual
12	Fixed or floating dividend/coupon	Floating
13	Existence of a dividend stopper	No
14a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
14b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
15	Noncumulative or cumulative	Non-cumulative
16	Convertible or non-convertible	Non-convertible
17	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Equity is the lowest level in the hierarchy
18	Non-compliant transitioned features	No

3.Capital Requirements (Art. 438)

The tables below show a breakdown of the risk weighted assets and associated Minimum Capital Requirements for JPMBL. The Minimum Capital Requirement is the amount of Pillar 1 capital that the CRR requires JPMBL to hold at all times. JPMBL Total Capital Resources must be greater than its Minimum Capital Requirement, allowing for a capital excess to cover any additional obligations, for example, Pillar 2.

The main risk type JPMBL is exposed to for Capital allocation purposes is Credit risk. The Standardised Approach has been used for the calculation of Credit Risk, Counterparty Credit Risk and Market Risk. The basic indicator approach has been used for the calculation of Operational Risk Capital Requirements.

Table 4: EU OV1 - Overview of RWAs

$'m		RWA		Minimum capital requirements
		Q2 2019	Q1 2019	
1	**Credit risk (excluding counterparty credit risk) (CCR)**	**20,596**	**20,599**	**1,648**
2	*Of which* the standardised approach	20,596	20,599	1,648
6	**CCR**	**620**	**473**	**50**
7	*Of which* marked to market	495	371	40
8	*Of which original exposure*	1,692	1,557	n/a
9	*of which* SA for CCR	495	371	40
12	*Of which* CVA	125	102	10
19	**Market Risk**	**16**	**15**	**1**
20	*Of which* the standardised approach	16	15	1
23	**Operational Risk**	**2,513**	**2,513**	**201**
24	*Of which* basic indicator approach	2,513	2,513	201
29	**Total**	**23,745**	**23,601**	**1,900**

4. Exposure to Counterparty Credit Risk (Article 439)

Counterparty Credit Risk Analysis

The table below shows counterparty credit risk exposures (excluding trades cleared through a CCP) by methods used to calculate CRR regulatory requirements for JPMBL. Counterparty credit risk exposures are calculated under the standardised approaches set out in the CRR. Derivative exposures are calculated using the MtM method (CRR Article 274). SFTs use the Financial Collateral Comprehensive Method ("FCCM") (CRR Article 223). Long settlement transactions are treated under the FCCM method.

Table 5: EU CCR1 – Analysis of CRR exposure by approach

	$'m	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
1	Mark to market		172	405			577	492
9	Financial collateral comprehensive method (for SFTs)						14	3
11	**Total**							**495**

The following table represents an overview of the impact of netting and collateral held on exposures for derivatives (including long settlement transactions) and SFTs.

Table 6: EU CCR5-A – Impact of netting and collateral held on exposure values

$'m	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	267	(94)	172	0	172
SFTs not subject to a netting agreement	1,115	0	1,115	(1,101)	14
Total	**1,381**	**(94)**	**1,287**	**(1,101)**	**186**
Non Eligible collateral under CRR	-	-	-	(3,528)	-

Collateral Used in Counterparty Credit Risk

The breakdown of all types of collateral posted or received by JPMBL to mitigate CCR exposure to derivatives and SFTs is shown in the table below. As at 30th June 2019, the majority of collateral used which JPMBL held was in debt securities.

Table 7: EU CCR5-B – Composition of collateral for exposures to CCR

$'m	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of Collateral received		Fair value of collateral posted		Fair value of collateral received	Fair value of collateral posted
	Segregated	Unsegregated	Segregated	Unsegregated		
Debt securities (Central Governments)	-	-	-	-	1,116	-
Total	**-**	**-**	**-**	**-**	**1,116**	**-**

CVA Capital Charge

The exposure value and associated RWAs subject to CVA capital charges are calculated according to both the Advanced method as set in CRR Article 383 and the Standardised method as prescribed in CRR Article 384.

Table 8: EU CCR2 – CVA capital charge

	$'m	Exposure value	RWAs
4	All portfolios subject to the standardised method	316	125
5	**Total subject to the CVA capital charge**	**316**	**125**

Credit Derivatives Breakdown

The table below presents a breakdown of credit derivatives notionals for JPMBL by product type and whether they are held for client intermediation (other credit derivatives) or for the firm's own portfolio (credit derivative hedges). The firm does not use credit derivatives hedges for the purpose of credit risk mitigation as at 30th June 2019.

Table 9: EU CCR6 – Credit derivatives exposures

$'m	Other credit derivatives
Notionals	
Single-name credit default swaps	600
Total notionals	**600**
Fair values	
Positive fair value (asset)	16
Negative fair value (liability)	(16)

5. Credit Risk Adjustments (Article 442)

Definitions

The following definitions are used for accounting purposes:

- **Impairment of financial assets:** Impairment losses on loans and receivables are measured as the difference between the financial assets carrying amount and the present value of the estimated future cash flows discounted at the financial asset's effective interest rate.
- **Impairment of non-financial assets:** An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units).
- **Past due:** A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Analysis of Credit Exposures

The tables below show defaulted and non-defaulted exposures before credit risk mitigation broken down by exposure class and associated credit risk adjustments. Credit risk adjustments arising from loan loss provisions which are individually immaterial are not used to reduce the exposure value. This is consistent with the CoRep submission.

Table 10: EU CR1-A – Credit quality of exposures by exposure class and instrument

$'m		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net Values
		Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
16	Central governments or central banks	—	7,280	—	—	—	—	7,280
18	Public sector entities	—	0	—	—	—	—	0
21	Institutions	—	39,115	—	—	—	—	32,165
22	Corporates	—	15,331	—	—	—	—	14,130
34	Other Exposure	—	474	—	—	—	—	474
35	Total standardised approach	—	62,200	—	—	—	—	54,049
36	**Total**	**—**	**62,200**	—	**—**	**—**	**—**	**54,049**
37	Of which: Loans	—	39,888	—	—	—	—	39,876
38	Of which: Off-balance-sheet exposures	—	9,374	—	—	—	—	2,336

Industry Analysis of Credit Exposures

The tables below present an analysis of credit quality of on-balance sheet and off-balance sheet exposures before credit risk mitigation by industry sector and associated credit risk adjustments.

Table 11: EU CR1-B – Credit quality of exposures by industry or counterparty types

Exposure class ($'m)		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					
1	Financial industry	-	54,415	-	-	-	-	48,407
18	Other services	-	7,785	-	-	-	-	5,642
19	**Total**	**-**	**62,200**	**-**	**-**	**-**	**-**	**54,049**

Geographical Location of Exposures

The tables below show credit exposures before credit risk mitigation broken down by geographic location. Other geographical areas includes multilateral development banks and international organisations which operate across multiple regions.

Table 12: EU CR1-C – Credit quality of exposures by geography

	$'m	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					
1	**EMEA**	**-**	**38,352**	**-**	**-**	**-**	**-**	**31,533**
2	Luxembourg	-	8,328	-	-	-	-	7,509
3	United Kingdom	-	16,639	-	-	-	-	13,592
4	France	-	2,440	-	-	-	-	1,900
5	Italy	-	2,551	-	-	-	-	2,473
6	Germany	-	2,072	-	-	-	-	1,718
7	Spain	-	1,019	-	-	-	-	1,014
8	Other countries in EMEA (Residual Exposure)	-	5,303	-	-	-	-	3,327
9	**AMERICA**	**-**	**22,854**	**-**	**-**	**-**	**-**	**21,579**
10	United States	-	19,782	-	-	-	-	18,662
11	Other countries in AMERICA (Residual Exposure)	-	3,072	-	-	-	-	2,917
12	**APAC**	**-**	**326**	**-**	**-**	**-**	**-**	**274**
13	Hong Kong	-	65	-	-	-	-	65
14	India	-	61	-	-	-	-	62
15	Japan	-	41	-	-	-	-	41
16	Other countries in APAC (Residual Exposure)	-	159	-	-	-	-	106
17	**OTHER GEOGRAPHICAL AREAS**	**-**	**668**	**-**	**-**	**-**	**-**	**663**
18	**Total**	**-**	**62,200**	**-**	**-**	**-**	**-**	**54,049**

Non-performing and Forborne Exposures

The following tables provide an overview of non-performing and forborne exposures as per the Commission Implementing regulation (EU) No 680/2017.
No exposure was forborne as at 30th June 2019.

Table 13: EU CR1-E – Non-performing and forborne exposures

$'m		Gross carrying amount of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
			Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing exposures		On non-performing exposures	Of which forborne exposures
						Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		
020	Loans and advances	51,218	—	—	0	—	—	—	(11)	—	—	—	—	—
030	Off-balance-sheet exposures	9,574	—	—	—	—	—	—	(0)	—	—	—	—	—

Credit Risk Adjustments

No general or specific credit risk adjustment was made in the reporting period.

Defaulted and Impaired Exposures

Defaulted exposures

JPMBL has no defaulted exposures as of June 30th 2019.

Impaired exposures

From January 2018 allowances representing management's estimates of Expected Credit Losses ("ECL") have been made against some exposures in accordance with the applicable IFRS 9 accounting framework. These ECL are accounted for under the form of credit-impairments in the meaning of IFRS 9.

The impairment standard of IFRS9 requires legal entities to take ECL provisions upon initial recognition of some financial instruments and to update the amount of allowance for credit losses ("ACL") in subsequent reporting periods depending on the extent of credit deterioration since initial recognition.
In that context the Bank utilizes a three stage model for impairment assessments based on the changes in credit quality since initial recognition:

- Stage 1 – performing instruments that have not experienced a Significant Increase in Credit Risk since initial recognition.
- Stage 2 – performing instruments that have experienced a Significant Increase in Credit Risk since initial recognition.
- Stage 3 – nonperforming instruments that are determined to be credit impaired

As of June 30th 2019 all ECL provisions can be broken down as follows:

($)	On-balance-sheet amount	Off-balance-sheet amount	ECL
Stage 1	4,738,062	103,519	4,841,581
Stage 2	6,578,774	281,153	6,859,927
Total	**11,316,836**	**384,672**	**11,701,508**

JPMBL has no other impaired exposures than the ones determined under the above framework.

Past-Due Exposures

As of June 30th 2019 JPMBL has USD 35,962 of past due exposures on loans. These exposures are all past due for more than 90 days but less than 180 days.

6. Use of External Credit Assessment Institutions (Article 444)

ECAIs and Exposure Classes

Under the Standardised approach, RWA are calculated using credit ratings assigned by External Credit Assessment Institutions (“ECAI”). The firm applies the standard ECAI ratings to risk weight mappings provided by the EBA.

J. P. Morgan uses the following ECAIs to determine risk weights for this purpose:

- Moody’s;
- Standard & Poor’s (“S&P”); and
- Fitch.

These rating assessments are used for calculation of the risk weights for the following classes of exposure:

- Central governments and central banks;
- Institutions.

All other exposure classes are assigned risk weightings described in the standardised approach as per the CRR (Article 113 to Article 134).

Credit Risk Exposures

Credit risk exposure and CRM effects

The following tables show exposures before and after application of credit risk mitigations and conversion factors as well as their related RWA broken down by credit exposure classes. Risk weights applied for EEA member states are applied under article 114 and hence bucketed under 0%.

Table 14: EU CR4 - Standardised approach – Credit risk exposure and CRM effects

Exposure classes ($'m)		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWA	RWA density
1	Central governments or central banks	7,280	-	7,280	-	-	0%
3	Public Sector Entities	0	-	0	-	0	71%
6	Institutions	31,412	7,703	30,309	1,856	6,487	20%
7	Corporates	13,660	1,671	13,650	480	14,130	100%
16	Other items	474	-	474	-	474	100%
17	**Total**	**52,826**	**9,374**	**51,713**	**2,336**	**21,091**	**39%**

Credit Risk Exposure Pre-Credit Risk Mitigation

The following tables show exposures before credit risk mitigation broken down by credit exposure class and risk weights. Risk weights applied for EEA member states are applied under article 114 and hence bucketed under 0%.

Table 15: EU CR5 – Standardised approach (Pre-CRM)

Exposure classes		Risk weight ($'m)				Total	Of which unrated
		0%	20%	50%	100%		
1	Central governments or central banks	7,280	-	-	-	7,280	-
3	Public Sector Entities	-	0	-	0	0	-
6	Institutions	-	39,022	36	57	39,114	-
7	Corporates	925	-	-	14,407	15,332	15,332
16	Other items	-	-	-	474	474	474
17	**Total**	**8,205**	**39,022**	**36**	**14,938**	**62,200**	**15,806**

Credit Risk Exposure Post-Credit Risk Mitigation

The breakdown of credit risk exposures (excluding counterparty credit risk) post conversion factor and post risk mitigation technique (including volatility adjustments) under the standardised approach, by exposure class, is presented in the tables below.

Table 16: EU CR5 – Standardised approach (Post-CRM)

Exposure classes		Risk weight ($'m)				Total	Of which unrated
		0%	20%	50%	100%		
1	Central governments or central banks	7,280	-	-	-	7,280	-
3	Public Sector Entities	-	0	-	0	0	-
6	Institutions	-	32,075	36	54	32,164	-
7	Corporates	-	-	-	14,131	14,131	14,131
16	Other items	-	-	-	474	474	474
17	**Total**	**7,280**	**32,075**	**36**	**14,659**	**54,049**	**14,605**

Counterparty Credit Risk Exposures

Counterparty Credit Risk Exposures Pre-Credit Risk Mitigation

The table below shows exposures at default pre credit risk mitigation technique for counterparty credit risk broken down by exposure class and risk weight.

Table 17: EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk (Pre-CRM)

Exposure classes		Risk weight ($'m)							Total	Of which unrated
		20%	50%	70%	75%	100%	150%	Others		
6	Institutions	1,220	-	-	-	0	-	-	1,220	0
7	Corporates	-	-	-	-	471	-	-	471	464
11	**Total**	**1,220**	**-**	**-**	**-**	**471**	**-**	**-**	**1,691**	**464**

Counterparty Credit Risk Exposures Post-Credit Risk Mitigation

The table below shows exposures at default post credit risk mitigation technique (including volatility adjustments) for counterparty credit risk broken down by exposure class and risk weight.

Table 18: EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk (Post-CRM)

Exposure classes		Risk weight ($'m)							Total	Of which unrated
		20%	50%	70%	75%	100%	150%	Others		
6	Institutions	120	-	-	-	0	-	-	120	0
7	Corporates	-	-	-	-	471	-	-	471	464
11	**Total**	**120**	**-**	**-**	**-**	**471**	**-**	**-**	**591**	**464**

7. Exposure to Market Risk (Article 445)

JPMBL's market risks arise predominantly from activities in the Firm's WM business. WM makes markets in products across fixed income, foreign exchange, equities and commodities markets. JPMBL's portfolio of covered positions under Basel III is predominantly held by WM. Some additional covered positions are held by the Firm's other LOBs.

CIB's market risks arise predominantly from foreign-exchange risk on account of unmatched currency positions in the banking book. Foreign exchange risk is a function of the difference between long and short positions in each currency. The foreign exchange exposures included in the balance sheet relate mainly to takings and placings in currencies other than JPMBL's base currency, and the currency mismatch between revenues and costs, whereby there is no material cost.

Table 19: EU MR1 – Market risk under the standardised approach

		$'m	
		RWAs	Capital requirements
Outright products			
1	Interest rate risk (general and specific)	4	0
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	-	-
4	Commodity risk	12	1
9	**Total**	**16**	**1**

Significant changes in the reporting period:

The RWA for commodity risk and interest rate risk are generated from the derivatives book within the Wealth Management line of business, which has been integrated in to JPMBL in January 2019.

8. Leverage (Article 451)

The leverage ratio is a measure of Tier 1 capital as a percentage of exposure as defined under the CRR rules.
The requirement for the calculation and reporting of leverage ratios was introduced as part of CRD IV in 2014, and amended by the European Commission Delegated Act (EU) 2015/62 in 2015.

As a result of this, CRD IV legislation allows for the calculation of a transitional leverage ratio aligned to the phasing in of a number of capital deductions and the phasing out of grandfathered instruments as allowed for the calculation of own funds under the CRR.
CRD IV does not currently include a minimum Leverage Ratio requirement; however, the Basel Committee on Banking Supervision (the 'Basel Committee') has indicatively proposed a minimum requirement of 3%.

Leverage risk is monitored through the same processes and frameworks as capital adequacy and stress-testing. The latter is particularly important, as it is forward-looking: if the Firm's leverage ratios remain sustainable under stressed conditions, the risk of forced de-leveraging will be low.

The Firm has adopted a point-in-time calculation of the leverage ratio, as per Commission Delegated Regulation 2015/62.
The information represented in the tables below constitutes the key applicable data elements for leverage identified in Title VII of the EBA Guidelines.

Table 20: Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures

	Leverage Ratio Summary Reconciliation	$'m
1	Total assets as per financial statements	52,517
2	Adjustments for derivative financial instruments	324
5	Adjustment for securities financing transactions (SFTs)	(2)
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	572
7	Other adjustments	(69)
8	**Leverage ratio total exposure measure**	**53,342**

Table 21: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

	CRR leverage ratio exposures	$'m
EU-1	**Total on-balance sheet exposures (exc. Derivatives, SFTs and exempted exposures), of which:**	**51,122**
EU-3	Banking book exposures, of which:	51,122
EU-5	Exposures treated as sovereigns	7,280
EU-7	Institutions	30,189
EU-10	Corporate	13,179
EU-12	Other exposures (e.g. equity, securitisations and other non-credit obligation assets)	474

Table 22: Leverage Ratio Common Disclosure

	Leverage Ratio Common Disclosure	$'m
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	51,160
2	(Asset amounts deducted in determining Tier 1 capital)	(45)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**51,116**
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	172
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to- market method)	405
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(38)
9	Adjusted effective notional amount of written credit derivatives	600
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(600)
11	**Total derivatives exposures (sum of lines 4 to 10)**	**539**
	SFT exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	1,115
16	**Total SFT exposures (sum of lines 12 to 15a)**	**1,115**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	1,671
18	(Adjustments for conversion to credit equivalent amounts)	(1,099)
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**572**
	Capital and total exposure measure	
20	**Tier 1 capital**	**4,815**
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**53,342**
	Leverage ratio	
22	**Leverage ratio**	**9.03%**

9. Use of Credit Risk Mitigation Techniques (Article 453)

Credit Risk Mitigation Techniques

To reduce capital requirements exposures can be secured by collateral, financial guarantees or credit derivatives. JPMBL has historically secured some of its exposures with the group by collateral in the context of secured lending transactions.

As of 30th June 2019 JPMBL uses collateral as credit risk mitigation for its on Balance-Sheet Reverse Repo exposure and on the guarantees provided to its clients in the context of Agency Lending transactions.

Collateral Valuation and Management

The Firm's policies for collateral valuation and management are representative of industry standards and best practices. The fair value of the collateral is monitored daily. Full market value is not given to marketable assets accepted as collateral (apart from cash) in recognition of the fact that collateral is subject to price volatility and liquidity. A standard valuation reduction percentage (haircut) is applied to each asset class to mitigate the potential price decline of the collateral thereby covering volatility during the cure period. In addition, a Collateral Confidence Factor ("CCF") is assigned to each jurisdiction where the Firm has obtained a legal opinion on collateral enforceability. Any changes to CCFs require approval by Legal department. If the CCF is lower than 95% then, although J. P. Morgan would strictly have legal rights to collateral, conservatively no benefit is given to collateral in the exposure calculation for the purposes of capital requirements.

The Firm has internal policies in place relating to the type of acceptable collateral. Cash and high quality bonds are generally considered acceptable collateral.

Main Types of Collateral

Securities Financing Transactions

JPMBL exposure to other JPM entities is subject to capital charges. To offset exposures generated JPMBL may periodically enter into reverse repo transactions with the group. As at 30 June 2019 there is a reverse repo transaction in place with JPMBC N.A. for US$1,115mm.

The reverse repo transactions is executed under a Global Master Repurchase Agreement ("GMRA"), with variation margin posted bilaterally where the remaining exposure, post collateral, exceeded a predetermined threshold. From a capital perspective, the credit exposure was calculated using the Financial Collateral Comprehensive Method under the CRR, applying regulatory volatility haircuts to the collateral market values.

As at 30th June 2019, 100% of the collateral which JPMBL held from JPMBC N.A. was in government bonds of which 100% from G6 countries.

Agency Securities Lending

JPMBL has credit risk exposure arising from its agency Securities Lending activities and is using client collateral as a CRM technique to reduce its exposure. Acting as an Agent Lender JPMBL is required to meet the obligations laid down in the Securities Lending Agreement: If a borrower or a repo counterparty default were to occur, JPMBL, will liquidate respectively the collateral held and buy the securities lent so that it can return them to the lender / the asset purchased as part of the repo transaction and return the cash to the lender. If the value received from the collateral/ purchased asset is not sufficient to cover the cost to buy the securities / the cash value, JPMBL through its indemnity to the lending client, is responsible for compensating the client for the shortfall.

From a capital perspective, the credit exposures are calculated using the Financial Collateral Comprehensive Method under the CRR, applying regulatory volatility haircuts to the collateral market values.

Table 23: EU CR3 - CRM techniques

	$'m	Exposures unsecured - Carrying amount	Exposures secured - Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	38,771	1,115	1,115	-	-
2	**Total exposures**	**38,771**	**1,115**	**1,115**	**-**	**-**

As of 30th June 2019 JPMBL has no financial guarantees or credit derivatives used as credit risk mitigation items for its exposures.

10. Liquidity (Article 435 (1)(f))

The Liquidity Coverage Ratio[6] as per the Commission Delegated Regulation (EU) 2015/61 requires credit institutions to maintain an amount of unencumbered high quality liquid assets that is sufficient to meet their estimated total net cash outflows over a prospective 30 calendar-day period of significant stress.

From 1 January 2018 the LCR is required to be a minimum of 100%.

Key Ratios and Figures

The LCR disclosure in this document has been assessed in accordance with the European Banking Authority (EBA) guidelines on LCR disclosure (EBA/GL/2017/01) applying the necessary considerations set out in the EBA guidelines on materiality, proprietary and confidentiality and on disclosure frequency (EBA/GL/2014/14) and consistent with the EBA guidelines on disclosure requirements (EBA/GL/2016/11).

Table 24: Items prone to rapid change as defined in EBA GL/2017/01

	JPMBL			
Currency and units:	$'m			
Quarter ending on:	30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18
Number of data points used in the calculation of averages	12	12	12	12
	Total weighted adjusted value (average)			
LIQUIDITY BUFFER	**5,758**	**4,705**	**3,835**	**3,584**
TOTAL NET CASH OUTFLOWS	**3,509**	**2,835**	**2,206**	**1,992**
LIQUIDITY COVERAGE RATIO (%)	**165%**	**170%**	**176%**	**181%**

The weighted adjusted value of the liquidity buffer is the value of the total high quality liquid assets after the application of both haircuts and any applicable cap. The weighted adjusted value of net cash outflows is calculated after the inflows and outflows rates are applied and after any applicable cap on inflows.

JPMBL's average LCR was 165% for the quarter ending on 30th June 2019.

[6]In line with the EBA guidelines the average ratio disclosed in Table 24 is calculated as an average over the 12 data points used for each item, and therefore the quoted ratio is not equal to the average "Liquidity buffer" divided by average "Total net cash outflows".

11. Glossary of Acronyms

ACL	Allowance for Credt Losses
ALCO	Assets and Liabilities Committee
AML	Anti Money Laundering
AT1	Additional Tier 1
BCBS	Basel Committee on Banking Supervision
BCL	Banque Centrale de Luxembourg
BOCA	Booking Office Country Approach
BoD	Board of Directors
BRC	Board Risk Committee
CCDR	Comprehensive Capital Analysis and Review
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFP	Contingency Funding Plan
CFO	Chief Financial Officer
CoRep	Corporate Reporting
CRD IV	Capital Requirements Directive IV
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSSF	Commission de Surveillance du Secteur Financier
CVA	Credit Valuation Adjustment
DRPC	Boards or Directors’ Risk Policy Committees
EaR	Earnings at Risk
EBA	European Banking Autority
EBA GL1	EBA Guidelines on materiality, proprietary and confidentiality and on disclosure frequency 23 December 2014
EBA GL2	EBA Final Report on Guidelines for Disclosure under Part Eight of Regulation (EU) No 575/2013 Version 2 published 16th December 2016
ECAI	External Credit Assessment Institutions
ECL	Expected Credit Losses
EMC	EMEA Management Committee
EMEA	Europe Middle East and Africa
ERC	EMEA Risk Committee
EU	European Union
EVS	Economic Value Sensitivities
FCC	Firmwide Credit Committee
Firm	J.P. Morgan Chase & Co.
FRC	Firmwide Risk Committee
ICAAP	Internal Capital Adequacy Assessment Process
ICRD	Interactive Credit Risk Dashboard
ILAAP	Internal Liquidity Adequacy Assessment Process
IRR	Interest Rate Risk
IRRBB	Interest Rate Risk in the Banking Book
JPM	J.P. Morgan

JPMAG	J.P. Morgan AG
JPMBL	J.P. Morgan Bank Luxembourg S.A.
JPMBL MC	Management Committee
JPMC	J.P. Morgan Chase & Co.
JPMIG	J.P. Morgan International Bank
LCR	Liquidity Coverage Ratio
LDA	Loss Distribution Approach
LGD	Loss Given Default
LIOC	Local Infrastructure Operating Committee
LOB	Line of Business
LORCC	Location Operational Risk and Control Committee
LRF	Local Risk Forum
MRO	Market Risk Officer
NBDA	New Business Deal Approval
NBIA	New Business Initiatives Approvals
ORMF	Operational Risk Management Framework
O-SII	Other Systemically Important Institution
OTC	Over The Counter
PD	Probability of Default
RCSA	Risk & Control Self-Assessment
ROC	JPMBL Risk Oversight Committee
RWA	Risk Weighted Assets
TAG	Transaction Approval Group
TS	Treasury Services
VaR	Value at Risk
WM	Wealth Management