

2012 BASEL II PILLAR 3 DISCLOSURES

J.P. Morgan Ireland bank-regulated entities

2012 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, and relate to the activities of the following Irish entities:

- J.P. Morgan Bank (Ireland) plc ("JPMBI") fully consolidated with J.P. Morgan Administration (Ireland) Limited and J.P. Morgan Ireland (Nominees) Limited;
- J. P. Morgan Dublin Bank plc ("JPMBDP").

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 ECAs for Pillar 1 Standardised Credit Risk Capital Requirement

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

*Interest Rate Risk in the Banking Book*JPMBI

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.

JPMBDP

Interest Rate Risk in the Banking Book (IRRBB) is the risk to interest income arising from a mismatch between the duration of assets and liabilities that arises in the normal course of business activities. As the bulk of the cash used to fund assets results from our US\$1.12billion capital base (which does not attract an interest charge) the level of interest rate risk is deemed to be immaterial.

This risk is measured daily by calculating the basis point value (BPV) for JPMBDP's Banking Book at a transaction level. BPV represents the sensitivity to changes in interest rates and quantifies the impact of a one basis point parallel shift in the yield curve. The greater the BPV the greater the sensitivity to interest rates. The BPV is available at transaction level, and is bucketed by maturity to facilitate transparency and risk monitoring. The BPV limit has been set to reflect the Director's appetite for this risk and a limit utilisation report is produced daily for JPMBDP.

This report is also submitted to the Risk Committee of JPMBDP monthly and to the Board quarterly

Remuneration Policies and Disclosures

Compensation disclosures are set out in the following link and are also disclosed in the annual reports of JPMBI and JPMBDP. <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 both JPMBI and JPMBDP 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" and in particular the sub-sections entitled "Capital Management"; "Credit Risk Management" and the other sub-sections on risk management.

JPMBDP and JPMBI operate within the wider JPM group and adopt the relevant policies, processes, methodologies and controls established and operating within the group where appropriate and required. They adopt the JPMC methods for assigning internal capital and credit limits for counterparty credit exposures. JPMBDP secures collateral where possible and establishes credit reserves when and if required. Wrong way risk is identified and where appropriate and possible mitigating actions are pursued. Neither JPMBI nor JPMBI are externally rated by ECAs.

Internal Capital Adequacy Assessment Process (ICAAP)

Outside their regulatory capital requirements, JPMBI and JPMBDP both perform internal capital adequacy assessments in accordance with the Capital Requirements Directive and Irish Statutory Instrument 627.

The purpose of the ICAAP for each bank is to assess the current and potential risks run by JPMBI and JPMBDP 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 Bank, N.A. 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. Worldwide Security Services is allocated a 15.17% beta and Treasury Services has a 28.17% beta. JPMBDP has the same beta as Corporate Treasury of 414.39%.

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 and JPMBDP would turn to its actual shareholders. Capital forecasting for both entities 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 or JPMDB to seek more capital in the foreseeable future because the businesses performed are not balance sheet intensive, profits are relatively stable and neither entity is actively marketing credit as a product.

Furthermore, as at December 31, 2011, the actual capital of JPMBI and JPMBDP far exceeded the Pillar I credit and operational risk capital requirements. This highlights the fact that both JPMBI and JPMDB are well capitalised relative to its risks.

Our conclusion, based on the Risk Assessment and Quantification and the capital position analysis, is that JPMBI and JPMBDP are adequately capitalised relative to the risks they run, and relative to their 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 2011, the J.P. Morgan entities in scope had capital resources which were more than the required minimum.

The following table shows capital resources as at 31 December 2011.

[Note: BCD Annex XII Part 2 point 3]

Tier 1, Tier 2 and Tier 3 Capital Resources

As at 31 Dec 11	JPMBI \$MM	JPMBDP \$MM
Tier 1 Capital		
Called-up share capital	57	1
Eligible reserves	245	1,120
Total Tier 1 capital before deductions (excluding innovative Tier 1)	302	1,121
<u>Deductions from Tier 1</u>		
Goodwill and other intangible assets	-	-
Excess expected loss	-	-
Other deductions	-	-
Total deductions from Tier 1	-	-
Total Tier 1 capital after deductions and restrictions	302	1,121
Tier 2 Capital		
Revaluation reserves	-	-
Qualifying subordinated liabilities	-	-
Undated subordinated debt	-	-
Dated subordinated debt	-	-
Total Tier 2 capital before deductions	-	-
<u>Deductions from Tier 2</u>		
None	-	-
Total Tier 2 capital after deductions and restrictions	-	-
Total Tier 2 capital after deductions and restrictions	-	-
<u>Regulatory deductions from Tier 1 and Tier 2 capital</u>		
None	-	-
Total deductions from Tier 1 and Tier 2	-	-
Tier 3 Capital	-	-
Total net capital resources	302	1,121

Minimum Capital Requirements

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

[Note: BCD Annex XII Part 2 point 4 (part)]

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

As at 31 Dec 11	JPMBI \$MM	JPMBDP \$MM
Credit Risk Exposure: Analysis by Exposure Class		
Regional governments or local authorities	-	-
Institutions	28	14
Corporates	2	-
Short term claims on institutions and corporates	-	1
Collective investment undertakings (CIUs)	-	-
Total - Standardised Approach Requirement	30	15

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

As at 31 Dec 11	JPMBI \$MM	JPMBDP \$MM
Market Risk		
Foreign exchange PRR	-	-
Total Market Risk Capital Requirement	-	-
Counterparty risk capital component	-	-
Concentration risk capital component	-	-

Minimum Capital Requirement for Operational Risk

As at 31 Dec 11	JPMBI \$MM	JPMBDP \$MM
Operational Risk - Basic Indicator Approach	12	1

Counterparty (Trading Book) Credit Risk Exposures

The following shows the Counterparty Credit Risk Exposures the JPMBDP faces. JPMBI does not have any trading book counterparty credit risk exposures.

[Note: BCD Annex XII Part 2 point 5]

Counterparty credit exposure**Standardised Approach**

<u>As at 31 Dec 11</u>	JPMBDP \$MM
Gross Positive Fair Value of Contracts	304
Potential Future Credit Exposure	96
Netting Benefits	186
Netted Current Credit Exposure	214
Collateral Held	-
Net Derivatives Credit Exposure	214

The Group has no notional value credit derivative contracts held for hedging purposes.

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: BCD Annex XII Part 2 point 6 (part)]

JPMBI

	Exposure Pre CRM	Average Exposure Pre CRM over the year
As at 31 Dec 11	\$MM	\$MM
Credit Risk Exposure Class Pre CRM		
Central governments or central banks	20	20
Institutions	1,714	1,338
Corporates	28	36
Other items	5	5
Total Standardised Approach Credit Risk Exposure	1,767	1,399

JPMBDP

	Exposure Pre CRM	Average Exposure Pre CRM over the year
As at 31 Dec 11	\$MM	\$MM
Credit Risk Exposure Class Pre CRM		
Central governments or central banks	674	953
Regional governments or local authorities	-	-
Institutions	1,228	853
Corporates	-	-
Short term claims on institutions and corporates	18	214
Collective investment undertakings (CIUs)	-	6
Total Standardised Approach Credit Risk Exposure	1,920	2,026

Geographical analysis of Credit risk exposure under the Standardised approach**JPMBI**

	United Kingdom	Other European Union	United States	Rest of the World	Total
As at 31 Dec 11	\$MM	\$MM	\$MM	\$MM	\$MM
Credit Risk Exposure Class Pre CRM					
Central governments or central banks	-	20	-	-	20
Institutions	1,696	14	3	1	1,714
Corporates	1	23	3	1	28
Other items	-	5	-	-	5
Total Standardised Approach Credit Risk Exposure	1,697	62	6	2	1,767

JPMBDP

	United Kingdom	Other European Union	United States	Asia	Total
As at 31 Dec 11	\$MM	\$MM	\$MM	\$MM	\$MM
Credit Risk Exposure Class Pre CRM					
Central governments or central banks	-	674	-	-	674
Regional governments or local authorities	-	-	-	-	-
Institutions	202	48	968	10	1,228
Corporates	-	-	-	-	-
Short term claims on institutions and corporates	18	-	-	-	18
Collective investment undertakings (CIUs)	-	-	-	-	-
Total Standardised Approach Credit Risk Exposure	220	722	968	10	1,920

Industry analysis of Credit risk exposure under the Standardised approach**JPMBI**

	Banks	Mutual Funds	Other	Total
As at 31 Dec 11	\$MM	\$MM	\$MM	\$MM
Credit Risk Exposure Class Pre CRM				
Central governments or central banks	20	-	-	20
Institutions	1,714	-	-	1,714
Corporates	-	26	2	28
Other items	-	-	5	5
Total Standardised Approach Credit Risk Exposure	1,734	26	7	1,767

JPMBDP

	Banks	Financial Institutions	Governments	Total
As at 31 Dec 11	\$MM	\$MM	\$MM	\$MM
Credit Risk Exposure Class Pre CRM				
Central governments or central banks	674	-	-	674
Institutions	222	1,003	-	1,225
Corporates	-	3	-	3
Short term claims on institutions and corporates	-	18	-	18
Collective investment undertakings (CIUs)	-	-	-	-
Total Standardised Approach Credit Risk Exposure	896	1,024	-	1,920

Residual maturity analysis of Credit risk exposure under the Standardised approach**JPMBI**

	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 11	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM
Credit Risk Exposure Class Pre CRM							
Central governments or central banks	20	-	-	-	-	-	20
Institutions	1,714	-	-	-	-	-	1,714
Corporates	28	-	-	-	-	-	28
Other items	-	-	-	-	5	-	5
Total Standardised Approach Credit Risk Exposure	1,762	-	-	-	5	-	1,762

JPMBDP

	Exposure Pre CRM Standardised Approach Credit Risk Exposure Class						Total
	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	
As at 31 Dec 11	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM
Credit Risk Exposure Class Pre CRM							
Central governments or central banks	-	6	668	-	-	-	674
Regional governments or local authorities	-	-	-	-	-	-	2
Institutions	153	969	-59	6	95	61	1,225
Corporates	-	-	3	-	-	-	3
Short term claims on institutions and corporates	-	18	-	-	-	-	18
Collective investment undertakings (CIUs)	-	-	-	-	-	-	8
Total Standardised Approach Credit Risk Exposure	153	993	612	6	95	61	1,920

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

As at 31 December 2011, there were no impaired and past due exposures for JPMBDP and 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: BCD Annex XII Part 2 point 7]

JPMBI

Credit Exposure/ Capital Pre CRM	Credit exposure								Capital
	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 11	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM
Central governments or central banks	-	-	-	-	-	-	20	20	-
Institutions	1,705	-	9	-	-	-	-	1,714	28
Corporates	-	-	28	-	-	-	-	28	2
Other items	-	-	5	-	-	-	-	5	-
Total Standardised Approach Credit Risk Exposure/ Capital	1,705	-	42	-	-	-	20	1,767	30

JPMBDP

Credit Exposure/ Capital Pre CRM	Credit exposure								Capital
	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 11	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM
Central governments or central banks	674	-	-	-	-	-	-	674	-
Regional governments or local authorities	-	-	-	-	-	-	-	-	-
Institutions	205	55	965	-	-	-	-	1,225	14
Corporates	-	-	-	-	-	-	-	-	-
Short term claims on institutions and corporates	-	-	-	18	-	-	-	18	1
Collective investment undertakings (CIUs)	-	-	3	-	-	-	-	3	-
Total Standardised Approach Credit Risk Exposure/ Capital	879	55	968	18	-	-	-	1,920	15

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

JPMBI

Credit Exposure/ Capital Post CRM	Credit exposure								Capital
	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 11	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM
Central governments or central banks	-	-	-	-	-	-	20	20	-
Institutions	1,714	-	9	-	-	-	-	1,723	28
Corporates	-	-	19	-	-	-	-	19	2
Other items	-	-	5	-	-	-	-	5	-
Total Standardised Approach Credit Risk Exposure/ Capital	1,714	-	33	-	-	-	20	1,767	30

JPMBDP

Credit Exposure/ Capital Post CRM	Credit exposure								Capital
	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 11	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM
Central governments or central banks	674	-	-	-	-	-	-	674	-
Regional governments or local authorities	-	-	-	-	-	-	-	-	-
Institutions	205	55	97	-	-	-	-	357	14
Corporates	-	-	-	-	-	-	-	-	-
Short term claims on institutions and corporates	-	-	-	18	-	-	-	18	1
Collective investment undertakings (CIUs)	-	-	3	-	-	-	-	3	-
Total Standardised Approach Credit Risk Exposure/ Capital	879	55	100	18	-	-	-	1,052	15

Non Trading Book exposures in Equities

As at 31 December 2011, 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.

Securitisation

The J.P. Morgan entities in scope do not have any exposures to Securitisations in the Banking Book.

Collateral and Guarantees

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

[Note: BCD Annex XII Part 3 point 2]

Collateral and Guarantees for Standardised Approach**JPMBI**

	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 11	\$MM	\$MM	\$MM
Standardised Approach Credit Risk Exposure Class			
Central governments or central banks	20	20	20
Institutions	1,714	1,714	1,723
Corporates	28	28	19
Other items	5	5	5
Total	1,767	1,767	1,767

JPMBDP

	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 11	\$MM	\$MM	\$MM
Standardised Approach Credit Risk Exposure Class			
Central governments or central banks	674	-	-
Regional governments or local authorities	-	-	-
Institutions	357	-	-
Corporates	-	-	-
Short term claims on institutions and corporates	18	-	-
Collective investment undertakings (CIUs)	3	-	-
Total	1,052	-	-