

2009 BASEL II PILLAR 3 DISCLOSURES

J.P. Morgan Ireland bank-regulated entities

2009 Basel II Pillar 3 disclosures

JPMorgan Chase & Co's view 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 JPMorgan manages its risks on a Line of Business basis. Users are advised that the information should not be used for decision-making purposes

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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"), (primary subsidiaries: J.P. Morgan Administration (Ireland) Limited, J.P. Morgan Nominees (Ireland) Limited and JPMorgan Tranaut Holdings Limited)
- J. P. Morgan Dublin Bank plc ("JPMBD"), (primary subsidiaries: Bear Stearns Asset Management (Ireland) Limited, Bear Stearns Dublin Development Centre Limited and Quintillion Holding Company 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 are made for the first time in 2009.

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

J.P. Morgan has published the required qualitative disclosures in the JPMorgan Chase & Co. Annual Report and more recent quarterly United States Securities and Exchange Commission Form 10-Q filings, which can be accessed via the following links:

[JPMorgan Chase & Co. 2008 Annual Report](#)

[JPMorgan Chase & Co. Form 10-Q: 30 September 2009](#)

Additional qualitative disclosures applicable only to relevant Irish entities

Pillar 1 Operational Risk Capital Requirement

J.P. Morgan 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 ("ECAIs") used in the determination of credit quality steps are Fitch, Moody's and Standard and Poors. The ratings from each of these ECAs are used for all standardised risk classes.

Quantitative disclosures

Capital Resources

As at 31 December 2008, 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 2008.

[Note: BCD Annex XII Part 2 point 3]

Tier 1, Tier 2 and Tier 3 Capital Resources

As at 31 Dec 08	JPMBI \$MM	JPMBD \$MM
Tier 1 Capital		
Called-up share capital	57	1
Eligible reserves	201	758
Total Tier 1 capital before deductions (excluding innovative Tier 1)	258	759
<u>Deductions from Tier 1</u>		
Goodwill and other intangible assets	-25	-
Excess expected loss	-9	-
Total deductions from Tier 1	-34	-
Total Tier 1 capital after deductions and restrictions	224	759
Tier 2 Capital		
Revaluation reserves	2	-
Qualifying subordinated liabilities	-	-
Undated subordinated debt	-	-
Dated subordinated debt	-	377
Total Tier 2 capital before deductions	2	377
<u>Deductions from Tier 2</u>		
None	-	-
Total Tier 2 capital after deductions and restrictions	2	377
Total Tier 2 capital after deductions and restrictions	2	377
<u>Regulatory deductions from Tier 1 and Tier 2 capital</u>		
None	-	-
Total deductions from Tier 1 and Tier 2	-	-
Tier 3 Capital	-	929
Total net capital resources	226	2,065

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 08	JPMBI \$MM	JPMBD \$MM
Credit Risk Exposure: Analysis by Exposure Class		
Regional governments or local authorities	-	2
Institutions	13	98
Corporates	1	-
Secured on real estate property	-	6
Total - Standardised Approach Requirement	14	106

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

As at 31 Dec 08	JPMBI \$MM	JPMBD \$MM
Market Risk		
Foreign exchange PRR	-	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 08	JPMBI \$MM	JPMBD \$MM
Operational Risk - Basic Indicator Approach	14	17

Counterparty (Trading Book) Credit Risk Exposures

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

[Note: BCD Annex XII Part 2 point 5]

Counterparty credit exposure**Standardised Approach**

<u>As at 31 Dec 08</u>	JPMBD \$MM
Gross Positive Fair Value of Contracts	2,512
Potential Future Credit Exposure	3,207
Netting Benefits	-1,587
Netted Current Credit Exposure	4,132
Collateral Held	-2,099
Net Derivatives Credit Exposure	2,033

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 08	\$MM	\$MM
Credit Risk Exposure Class Pre CRM		
Central governments or central banks	8	15
Institutions	538	802
Corporates	42	143
Other items	6	6
Total Standardised Approach Credit Risk Exposure	593	965

JPMBD

	Exposure Pre CRM	Average Exposure Pre CRM over the year
As at 31 Dec 08	\$MM	\$MM
Credit Risk Exposure Class Pre CRM		
Regional governments or local authorities	40	100
Administrative bodies and non-commercial undertakings	-	10
Institutions	7,057	20,777
Secured on real estate property	105	132
Total Standardised Approach Credit Risk Exposure	7,201	21,019

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

	United Kingdom	Other European Union	United States	Total
As at 31 Dec 08	\$MM	\$MM	\$MM	\$MM
Credit Risk Exposure Class Pre CRM				
Central governments or central banks	8	-	-	8
Institutions	380	57	101	537
Corporates	-	41	-	41
Other items	-	6	-	6
Total Standardised Approach Credit Risk Exposure	388	104	101	593

JPMBD

	United Kingdom	Other European Union	United States	Asia	Rest of the World	Total
As at 31 Dec 08	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM
Credit Risk Exposure Class Pre CRM						
Regional governments or	-	18	22	-	-	40

local authorities						
Institutions	2,909	350	3,399	125	274	7,057
Secured on real estate property	-	104	1	-	-	105
Total Standardised Approach Credit Risk Exposure	2,909	472	3,421	125	274	7,201

Industry analysis of Credit risk exposure under the Standardised approach

JPMBI

	Banks	Mutual Funds	Other	Total
As at 31 Dec 08	\$MM	\$MM	\$MM	\$MM
Credit Risk Exposure Class Pre CRM				
Central governments or central banks	8	-	-	8
Institutions	519	13	5	538
Corporates	32	9	-	42
Other items	-	-	6	6
Total Standardised Approach Credit Risk Exposure	560	22	11	593

JPMBD

	Banks	Energy and water	Other	Total
As at 31 Dec 08	\$MM	\$MM	\$MM	\$MM
Credit Risk Exposure Class Pre CRM				
Regional governments or local authorities	-	-	40	40
Institutions	3,398	1	3,658	7,057
Secured on real estate property	-	-	104	104
Total Standardised Approach Credit Risk Exposure	3,398	1	3,802	7,201

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

	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 08	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM
Credit Risk Exposure Class Pre CRM							
Central governments or central banks	8	-	-	-	-	-	8
Institutions	537	1	-	-	-	-	538
Corporates	42	-	-	-	-	-	42
Other items	-	-	3	-	3	-	6
Total Standardised Approach Credit Risk Exposure	587	1	3	-	3	-	593

JPMBD

	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 08	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM
Credit Risk Exposure Class Pre CRM							
Regional governments or local authorities	-	-	-	-	40	-	40
Institutions	3,068	113	158	26	-	3,692	7,057
Secured on real estate property	-	-	-	-	-	105	105
Total Standardised Approach Credit Risk Exposure	3,068	113	158	26	40	3,797	7,201

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

Not applicable for JPMBI.

JPMBD

	Impaired exposures \$MM	Past Due exposures \$MM	Provision \$MM
As at 31 Dec 08			
Banks	-	-	-
Pension			
Funds	-	-	-
Energy and water	-	-	-
Other	294	-	89
Total	294	-	89

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

Not applicable for JPMBI.

JPMBD

	Impaired exposures \$MM	Past Due exposures \$MM	Provision \$MM
As at 31 Dec 08			
United Kingdom	-	-	-
Other European Union	294	53	89
United States	-	-	-
Africa	-	-	-
Asia	-	-	-
Rest of the World	-	-	-
Total	294	53	89

Analysis of movement on impairment and amounts taken directly to the income statement

Not applicable for JPMBI.

JPMBD

Impairment Movement	Provision \$MM
As at 31 Dec 07	3
Acquisitions & Disposals	-
Exchange and other adjustments	-
Unwind of discount	-
Amounts written off	-
Recoveries	-
Amounts charged against profit	86
As at 31 Dec 08	89

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 08	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM
Central governments or central banks	-	-	-	-	-	-	8	8	-
Institutions	477	-	60	-	-	-	-	538	12
Corporates	-	32	9	-	-	-	-	42	2
Other items	-	-	6	-	-	-	-	6	-
Total Standardised Approach Credit Risk Exposure/ Capital	477	32	75	-	-	-	8	593	14

JPMBD

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 08	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM
Institutions	5,833	-	1,152	72	144	-	-	7,201	-
Total Standardised Approach Credit Risk Exposure/ Capital	5,833	-	1,152	72	144	-	-	7,201	-

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 08	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM
Institutions	487	32	66	-	-	-	8	593	14
Total Standardised Approach Credit Risk Exposure/ Capital	487	32	66	-	-	-	8	593	14

JPMBD

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 08	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM
Institutions	1,743	-	315	20	-	-	22	2,100	-
Total Standardised Approach Credit Risk Exposure/ Capital	1,743	-	315	20	-	-	22	2,100	-

Non Trading Book exposures in Equities.

The following shows the exposures in equities in regards to the Non Trading Book.

[Note: BCD Annex XII Part 2 point 12]

Fair value of and gains and losses on equity investments**JPMBD****Fair value of and gains and losses on equity investments**

Non Trading Book Equity Investments	As at 31 Dec 08
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Fair Value	\$MM
Exchange Traded	-
Private Equity	-
Other	-
Total	-

Cumulative Realised Gains / Losses from Sale and Liquidations of equity investments	-
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Unrealised gains/(losses)	
Total Gains or Losses	-6
Amount included in Tier 1,2 or 3 Capital	-6

Latent Revaluation gains/(losses)	
Total Gains or Losses	-
Amount included in Tier 1,2 or 3 Capital	-

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 08	\$MM	\$MM	\$MM
Standardised Approach Credit Risk Exposure Class			
Central governments or central banks	-	-	8
Institutions	-	-	547
Corporates	-	-	32
Other items	-	-	6
Total	-	-	593

JPMBD

	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 08	\$MM	\$MM	\$MM
Standardised Approach Credit Risk Exposure Class			
Regional governments or local authorities	29	-	-
Institutions	4,852	-	-
Secured on real estate property	220	-	-
Total	5,101	-	-