

2011 BASEL II PILLAR 3 DISCLOSURES

J.P. Morgan Ireland bank-regulated entities

2011 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.

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 Ireland (Nominees) Limited and JPMorgan Tranaut Holdings Limited, which was liquidated in February 2011.)
- J. P. Morgan Bank Dublin plc ("JPMBD"),

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 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. 2010 Annual Report](#)

[JPMorgan Chase & Co. Form 10-Q: 31 March 2011](#)

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 ("ECAs") 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 2010, 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 2010.

[Note: BCD Annex XII Part 2 point 3]

Tier 1, Tier 2 and Tier 3 Capital Resources

As at 31 Dec 10	JPMBI \$MM	JPMBD \$MM
Tier 1 Capital		
Called-up share capital	57	1
Eligible reserves	231	1,119
Total Tier 1 capital before deductions (excluding innovative Tier 1)	288	1,120
<u>Deductions from Tier 1</u>		
Goodwill and other intangible assets	-1	-
Excess expected loss	-	-
Other deductions	-	-
Total deductions from Tier 1	-1	-
Total Tier 1 capital after deductions and restrictions	287	1,120
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	287	1,120

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 10	JPMBI \$MM	JPMBD \$MM
Credit Risk Exposure: Analysis by Exposure Class		
Regional governments or local authorities	-	1
Institutions	16	16
Corporates	2	-
Short term claims on institutions and corporates	-	7
Collective investment undertakings (CIUs)	-	1
Total - Standardised Approach Requirement	18	25

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

As at 31 Dec 10	JPMBI \$MM	JPMBD \$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 10	JPMBI \$MM	JPMBD \$MM
Operational Risk - Basic Indicator Approach	12	8

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 10</u>	JPMBD \$MM
Gross Positive Fair Value of Contracts	500
Potential Future Credit Exposure	135
Netting Benefits	196
Netted Current Credit Exposure	439
Collateral Held	-
Net Derivatives Credit Exposure	439

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 10	\$MM	\$MM
Credit Risk Exposure Class Pre CRM		
Central governments or central banks	18	14
Institutions	984	920
Corporates	44	33
Other items	5	5
Total Standardised Approach Credit Risk Exposure	1,051	972

JPMBD

	Exposure Pre CRM	Average Exposure Pre CRM over the year
As at 31 Dec 10	\$MM	\$MM
Credit Risk Exposure Class Pre CRM		
Central governments or central banks	828	846
Regional governments or local authorities	2	6
Institutions	975	1,289
Corporates	3	15
Short term claims on institutions and corporates	457	537
Collective investment undertakings (CIUs)	8	9
Total Standardised Approach Credit Risk Exposure	2,273	2,702

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 10	\$MM	\$MM	\$MM	\$MM	\$MM
Credit Risk Exposure Class Pre CRM					
Central governments or central banks	-	18	-	-	18
Institutions	817	17	9	141	984
Corporates	2	40	2	-	44
Other items	-	5	-	-	5
Total Standardised Approach Credit Risk Exposure	819	80	11	141	1,051

JPMBD

	United Kingdom	Other European Union	United States	Asia	Total
As at 31 Dec 10	\$MM	\$MM	\$MM	\$MM	\$MM
Credit Risk Exposure Class Pre CRM					
Central governments or central banks	-	10	-	-	10
Regional governments or local authorities	-	820	-	-	820
Institutions	727	49	185	14	975
Corporates	-	-	3	-	3
Short term claims on institutions and corporates	457	-	-	-	457
Collective investment undertakings (CIUs)	8	-	-	-	8
Total Standardised Approach Credit Risk Exposure	1,192	879	188	14	2,273

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

	Banks	Mutual Funds	Other	Total
As at 31 Dec 10	\$MM	\$MM	\$MM	\$MM
Credit Risk Exposure Class Pre CRM				
Central governments or central banks	18	-	-	18
Institutions	984	-	-	984
Corporates	-	41	3	44
Other items	-	-	5	5
Total Standardised Approach Credit Risk Exposure	1,002	41	8	1,051

JPMBD

	Banks	Financial Institutions	Govern ments	Total
As at 31 Dec 10	\$MM	\$MM	\$MM	\$MM
Credit Risk Exposure Class Pre CRM				
Central governments or central banks	10	-	820	830
Institutions	62	913	-	975
Corporates	-	3	-	3
Short term claims on institutions and corporates	-	457	-	457
Collective investment undertakings (CIUs)	-	8	-	8
Total Standardised Approach Credit Risk Exposure	72	1,381	820	2,273

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 10	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM
Credit Risk Exposure Class Pre CRM							
Central governments or central banks	18	-	-	-	-	-	18
Institutions	984	-	-	-	-	-	984
Corporates	44	-	-	-	-	-	44
Other items	-	-	-	-	5	-	5
Total Standardised Approach Credit Risk Exposure	1,046	-	-	-	5	-	1,051

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 10	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM
Credit Risk Exposure Class Pre CRM							
Central governments or central banks	-	643	185	-	-	-	828
Regional governments or local authorities	-	2	-	-	-	-	2
Institutions	-	187	-	-	-	788	975
Corporates	-	3	-	-	-	-	3
Short term claims on institutions and corporates	-	457	-	-	-	-	457
Collective investment undertakings (CIUs)	-	-	8	-	-	-	8
Total Standardised Approach Credit Risk Exposure	-	1,292	193	-	-	788	2,273

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

As at 31 December 2010, there were no impaired and past due exposures for JPMBD and JPMBI.

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 10	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM
Central governments or central banks	-	-	-	-	-	-	18	18	-
Institutions	978	4	2	-	-	-	-	984	16
Corporates	-	-	44	-	-	-	-	44	3
Other items	-	-	5	-	-	-	-	5	-
Total Standardised Approach Credit Risk Exposure/ Capital	978	4	51	-	-	-	18	1,051	19

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 10	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM
Central governments or central banks	828	-	-	-	-	-	-	828	-
Regional governments or local authorities	-	2	-	-	-	-	-	2	-
Institutions	459	443	13	-	-	1	60	976	-
Corporates	-	-	1	-	-	-	-	1	-
Short term claims on institutions and corporates	457	-	-	-	-	-	-	457	-
Collective investment undertakings (CIUs)	-	-	8	-	-	-	-	8	-
Total Standardised Approach Credit Risk Exposure/ Capital	1,744	445	22	-	-	1	60	2,272	-

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

JPMBI

	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 10	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM
Central governments or central banks	-	-	-	-	-	-	18	18	-
Institutions	1,002	4	2	-	-	-	-	1,008	16
Corporates	-	-	20	-	-	-	-	20	2
Other items	-	-	5	-	-	-	-	5	-
Total Standardised Approach Credit Risk Exposure/ Capital	1,002	4	27	-	-	-	18	1,051	18

JPMBD

	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 10	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM
Central governments or central banks	828	-	-	-	-	-	-	828	-
Regional governments or local authorities	-	2	-	-	-	-	-	2	-
Institutions	459	49	13	-	-	1	60	582	-
Corporates	-	-	1	-	-	-	-	1	-
Short term claims on institutions and corporates	457	-	-	-	-	-	-	457	-
Collective investment undertakings (CIUs)	-	-	8	-	-	-	-	8	-
Total Standardised Approach Credit Risk Exposure/ Capital	1,744	51	22	-	-	1	60	1,878	-

Non Trading Book exposures in Equities.

As at 31 December 2010, 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 10	\$MM	\$MM	\$MM
Standardised Approach Credit Risk Exposure Class			
Central governments or central banks	18	18	18
Institutions	984	984	1,008
Corporates	44	44	20
Other items	5	5	5
Total	1,051	1,051	1,051

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 10	\$MM	\$MM	\$MM
Standardised Approach Credit Risk Exposure Class			
Central governments or central banks	829	-	-
Regional governments or local authorities	2	-	-
Institutions	177	-	-
Corporates	405	-	-
Short term claims on institutions and corporates	457	-	-
Collective investment undertakings (CIUs)	8	-	-
Total	1,878	-	-