

BASEL III PILLAR 3 DISCLOSURES

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

**REGULATORY CAPITAL DISCLOSURE PREPARED UNDER THE BANKING (DISCLOSURE)
RULES**

31ST DECEMBER 2013

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED**Regulatory capital instruments****Main features and Full terms and conditions**

		Subordinated loan notes	Share capital
1	Issuer	J.P. Morgan Securities (Asia Pacific) Limited	J.P. Morgan Securities (Asia Pacific) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA	NA
3	Governing law(s) of the instrument	Hong Kong Law	Hong Kong Law
	Regulatory treatment		
4	Transitional Basel III rules	Tier 2 capital	NA
5	Post-transitional Basel III rules	NA	Common Equity Tier 1 capital
6	Eligible at solo/group/group & solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Unsecured subordinated debt instrument	Ordinary shares
8	Amount recognized in regulatory capital (as of most recent reporting date)	US\$112,500,000	US\$402,000,000
9	Par value of instrument	US\$125,000,000	US\$349,538,000
10	Accounting classification	Liability – amortized cost	Shareholders' equity
11	Original date of issuance	1st July 2002: US\$ 65,000,000 17th December 2008: US\$ 60,000,000	Shares were issued in the following years: 1987, 2001, 2002, 2008
12	Perpetual or dated	Dated	Perpetual
13	Original maturity date	31st December 2022	No maturity
14	Issuer call subject to prior supervisory approval	No	No
15	Optional call date, contingent call dates and redemption amount	NA	NA
16	Subsequent call dates, if applicable	NA	NA

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED**Regulatory capital instruments****Main features and Full terms and conditions (continued)**

	Coupons / dividends		
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	Interest is charged at higher of twelve-month LIBOR minus 250 basis points and the amount representing 3/208 of the Company's net profit before tax. Interest is capped at 20% per annum.	NA
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down feature	No	No
31	If write-down, write-down trigger(s)	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED**Regulatory capital instruments****Main features and Full terms and conditions (continued)**

34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All obligations payable or owing by the Company	Subordinated loan notes
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	NA	NA

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

CAPITAL DISCLOSURE TEMPLATE

Capital base of the Company as at 31st December 2013 is shown below (expressed in US\$'000 unless otherwise stated).

CET1 capital: instruments and reserves		Reference to Balance Sheet reconciliation
Directly issued qualifying CET1 capital instruments plus any related share premium	402,000	(2)+(3)
Retained earnings	193,619	(4)
Disclosed reserves	53,012	(5)
Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)	NA	
Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	NA	
CET1 capital before regulatory deductions	648,631	
CET1 capital: regulatory deductions		
Valuation adjustments	NA	
Goodwill (net of associated deferred tax liability)	-	
Other intangible assets (net of associated deferred tax liability)	NA	
Deferred tax assets net of deferred tax liabilities	27,240	(1)
Cash flow hedge reserve	NA	
Excess of total EL amount over total eligible provisions under the IRB approach	NA	
Gain-on-sale arising from securitization transactions	NA	
Gains and losses due to changes in own credit risk on fair valued liabilities	NA	
Defined benefit pension fund net assets (net of associated deferred tax liabilities)	NA	
Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	NA	
Reciprocal cross-holdings in CET1 capital instruments	NA	

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

CAPITAL DISCLOSURE TEMPLATE (continued)

CET1 capital: regulatory deductions		Reference to Balance Sheet reconciliation
Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	NA	
Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	NA	
Mortgage servicing rights (amount above 10% threshold)	NA	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	NA	
Amount exceeding the 15% threshold	NA	
of which: significant investments in the common stock of financial sector entities	NA	
of which: mortgage servicing rights	NA	
of which: deferred tax assets arising from temporary differences	NA	
National specific regulatory adjustments applied to CET1 capital	NA	
Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	NA	
Regulatory reserve for general banking risks	NA	
Securitization exposures specified in a notice given by the Monetary Authority	NA	
Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	NA	
Capital shortfall of regulated non-bank subsidiaries	NA	
Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	NA	
Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	NA	
Total regulatory deductions to CET1 capital	27,240	
CET1 capital	621,391	

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CAPITAL DISCLOSURE TEMPLATE (continued)

AT1 capital: instruments		Reference to Balance Sheet reconciliation
Qualifying AT1 capital instruments plus any related share premium	NA	
of which: classified as equity under applicable accounting standards	NA	
of which: classified as liabilities under applicable accounting standards	NA	
<i>Capital instruments subject to phase out arrangements from AT1 capital</i>	NA	
AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	NA	
of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements	NA	
AT1 capital before regulatory deductions	NA	
AT1 capital: regulatory deductions		
Investments in own AT1 capital instruments	NA	
Reciprocal cross-holdings in AT1 capital instruments	NA	
Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	NA	
Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	NA	
National specific regulatory adjustments applied to AT1 capital	NA	
Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	NA	
Total regulatory deductions to AT1 capital	NA	
AT1 capital	NA	
Tier 1 capital (Tier 1 = CET1 + AT1)	621,391	

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CAPITAL DISCLOSURE TEMPLATE (continued)

Tier 2 capital: instruments and provisions		Reference to Balance Sheet reconciliation
Qualifying Tier 2 capital instruments plus any related share premium	NA	
Capital instruments subject to phase out arrangements from Tier 2 capital	112,500	(6)
Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	NA	
of which: capital instruments issued by subsidiaries subject to phase out arrangements	NA	
Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	NA	
Tier 2 capital before regulatory deductions	112,500	
Tier 2 capital: regulatory deductions		
Investments in own Tier 2 capital instruments	NA	
Reciprocal cross-holdings in Tier 2 capital instruments	NA	
Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	NA	
Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	NA	
National specific regulatory adjustments applied to Tier 2 capital	NA	
Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	NA	
Total regulatory deductions to Tier 2 capital	NA	
Tier 2 capital	112,500	
Total capital (Total capital = Tier 1 + Tier 2)	733,891	
Total risk weighted assets	1,782,265	

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED
CAPITAL DISCLOSURE TEMPLATE (continued)

Capital ratios (as a percentage of risk weighted assets)	
CET1 capital ratio	34.8%
Tier 1 capital ratio	34.8%
Total capital ratio	41.2%
Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3B of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	NA
of which: capital conservation buffer requirement	NA
of which: bank specific countercyclical buffer requirement	NA
of which: G-SIB or D-SIB buffer requirement	NA
CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3B of the BCR	NA
National minima (if different from Basel 3 minimum)	
National CET1 minimum ratio	NA
National Tier 1 minimum ratio	NA
National Total capital minimum ratio	NA
Amounts below the thresholds for deduction (before risk weighting)	
Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	NA
Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	NA
Mortgage servicing rights (net of related tax liability)	NA
Deferred tax assets arising from temporary differences (net of related tax liability)	NA

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED**CAPITAL DISCLOSURE TEMPLATE (continued)**

Applicable caps on the inclusion of provisions in Tier 2 capital	
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardized (credit risk) approach (prior to application of cap)	NA
Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	NA
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	NA
Cap for inclusion of provisions in Tier 2 under the IRB approach	NA
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)	
Current cap on CET1 capital instruments subject to phase out arrangements	NA
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA
Current cap on AT1 capital instruments subject to phase out arrangements	NA
Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	NA
Current cap on Tier 2 capital instruments subject to phase out arrangements	NA
Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	NA

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

CAPITAL DISCLOSURE TEMPLATE (continued)

Reconciliation of regulatory capital showing in capital disclosure template to balance sheet is disclosed as follows:

Balance Sheet Reconciliation

	Balance sheet as in financial statements As at 31st December 2013 US\$'000	Under regulatory scope As at 31st December 2013 US\$'000	Reference to capital disclosure template
ASSETS			
Balances with banks	1,381,794	1,381,794	
Trading assets	201,095	201,095	
Deferred tax assets	27,240	27,240	(1)
Other assets	140,166	140,166	
Fixed assets	3,631	3,631	
Total assets	<u>1,753,926</u>	<u>1,753,926</u>	
EQUITY			
Share capital	349,538	349,538	(2)
Reserves	299,093	299,093	
<i>of which: share premium</i>	-	52,462	(3)
<i>retained earnings</i>	-	193,619	(4)
<i>disclosed reserves</i>	-	53,012	(5)
Total equity	<u>648,631</u>	<u>648,631</u>	
LIABILITIES			
Deposits and balances from banks	622,927	622,927	
Trading liabilities	17,226	17,226	
Other liabilities	340,142	340,142	
Subordinated loan notes	125,000	125,000	
<i>of which: subordinated debt not eligible for inclusion in regulatory capital</i>	-	12,500	
<i>subordinated debt eligible for inclusion in regulatory capital</i>	-	112,500	(6)
Total liabilities	<u>1,105,295</u>	<u>1,105,295</u>	
Total equity and liabilities	<u>1,753,926</u>	<u>1,753,926</u>	