# Pillar 3 Disclosure Report as at 31.12.2014

U.K. entities

30th September 2015

J.P.Morgan

# Contents

List of Tables

# Pillar 3 Disclosure Report 2014

## 1.Introduction

### Background

The Basel Committee on Banking Supervision has published its set of rules on 16 December 2010, referred to as Basel III.

Basel III includes the Basel II agreement as of 2004, which consists of 3 supplemental Pillars:

- Pillar 1 – Minimum Capital Requirements
- Pillar 2 – Internal Capital Adequacy Assessment Process and
- Pillar 3 – Public Disclosure

Pillar 3 Public Disclosure provides market participants with information on applied rules, own funds, risk, risk analysis and thus the capital adequacy.

The transposition of the Basel III framework into European law was done in two parts: publication of the Capital Requirements Directive IV (CRD IV/Directive 2013/36/EU) and the Capital Requirements Regulation (CRR/Regulation [EU] Nr. 575/2013). It was published in the Official Journal of the European Union on 27 June 2013. Part 8 of CRR includes additional provisions on regulatory disclosure for credit institutions.

Both the Directive and the Regulation are applicable since 1 January 2014.

### Aim of the disclosure report

This report shall provide an overview of the risk profile and risk management of the UK entities in scope.

This disclosure fulfills the requirements as set out in Part Eight of the CRR, and in the supplementary Implementing Technical Standards and guidelines issued by the European Banking Authority (EBA).[1]

In accordance with Article 432 CRR and EBA guidelines in EBA/GL/2014/14[2] on material, proprietary or confidential information, the representations in this report are based on materiality as defined in EBA/GL/2014/14.

### Frequency and means of disclosure (Art. 433 and 434)

The UK entities in scope publish an annual report in accordance with Article 433 CRR.

Disclosure frequency will be assessed under EBA/GL/2014/14. In line with the Prudential Regulation Authority (PRA)'s statement on 29 June 2015[3], this decision will take effect on disclosures published after 15 October 2015.

The disclosure report is made available according to Article 434 CRR on the website of JPMorgan Chase & Co. at

http://investor.shareholder.com/jpmorganchase/basel.cfm

---

[1] EBA Final draft Implementing Technical Standards on the disclosure of Own Funds 26th July 2013

EBA Final draft Implementing Technical standards amending ITS on the disclosure of Leverage Ratio 15th June 2015

[2] EBA Guidelines on materiality, proprietary and confidentiality and on disclosure frequency 23 December 2014

[3] PRA expectation of firms' compliance with EBA/GL/2014/14;

http://www.bankofengland.co.uk/pra/Pages/crdiv/updates.aspx

## Scope of application (Art. 436)

These disclosures are made at the highest consolidated level of J.P. Morgan entities within the U.K. and include disclosure for the following:

- J.P. Morgan Capital Holdings Limited (JPMCHL), the primary subsidiaries of which are J.P. Morgan Securities plc., J.P. Morgan Europe Limited, J.P. Morgan Limited and J.P. Morgan International Bank Limited
- Bear Stearns United Kingdom Holdings Limited (BSUKHL), the primary subsidiary of which is J.P. Morgan Markets Limited, and
- J.P. Morgan Mansart Management Limited (JPMMML) which does not have a UK Parent entity.

A separate disclosure document for J.P. Morgan Asset Management International Limited is available at

http://investor.shareholder.com/jpmorganchase/basel.cfm

The main activities of the entities within JPMCHL consist of the following:

- Corporate & Investment Bank – Investment Banking, Treasury Services and Lending
- Investor Services – Agency Clearing, Collateral Management and Execution, Custody & Fund Services and Financing
- Markets
- Global Wealth Management (primarily within J.P. Morgan International Bank Limited)

The main activities of the entity within BSUKHL consist of Investor Services and Markets.

The main activities of JPMMML are the provision of strategic asset management services via fund solutions.

As required under Article 436 CRR, it is confirmed that outside of regulatory requirements to hold capital, there are no current or foreseen material practical or legal impediments to the prompt transfer of funds or repayment of liabilities among the parent undertakings or, where applicable, their subsidiaries.

## Firmwide disclosure

The ultimate parent of the entities in scope of the disclosure is JPMorgan Chase & Co. (JPMC), which is incorporated in the United States of America.

Firmwide disclosure is made under Basel III requirement available at the below link. Reference is made to this throughout the document:

http://files.shareholder.com/downloads/ONE/490910175x0x811627/9875F990-DE2F-420E-84C1-54EDDBE9C493/JPMorgan_Chase_Co_4Q14_Basel_Pillar_3_Report.pdf

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/sec.cfm

This document refers to 'J.P. Morgan', 'J.P. Morgan Group' or 'Firm' when referring to frameworks, methodologies, systems and controls that are adopted throughout JPMorgan Chase & Co. and its subsidiaries. Entity names are used to refer to documents, financial resources and other tangible concepts relevant only to that entity.

‘JPMCHL’ is used to refer interchangeably to J.P. Morgan Capital Holdings Limited as stand-alone entity as well as the consolidated group of entities.

‘BSUKHL’ is used to refer interchangeably to Bear Stearns United Kingdom Holdings Limited as stand-alone entity as well as the consolidated group of entities.

# 2.Risk management and objectives (Art. 435)

## Risk management framework

Risk is an inherent part of J.P. Morgan's business activities. When the Firm extends a consumer or wholesale loan, advises customers on their investment decisions, makes markets in securities, or conducts any number of other services or activities, the Firm takes on some degree of risk. The Firm's overall objective in managing risk is to protect the safety and soundness of the Firm, avoid excessive risk taking, and manage and balance risk in a manner that serves the interest of our clients, customers and shareholders. The Firm's approach to risk management covers a broad spectrum of risk areas.

The Firm believes that effective risk management requires:

- Acceptance of responsibility, including identification and escalation of risk issues, by all individuals within the Firm;
- Ownership of risk management within each line of business (LOB) and corporate functions; and
- Firmwide structures for risk governance.

Firmwide Risk Management is overseen and managed on an enterprise-wide basis. The Firm's Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Risk Officer (CRO) and Chief Operating Officer (COO) develop and set the risk management framework and governance structure for the Firm, which is intended to provide comprehensive controls and ongoing management of the major risks inherent in the Firm's business activities. The Firm's risk management framework is intended to create a culture of transparency, awareness and personal responsibility through reporting, collaboration, discussion, escalation and sharing of information. The CEO, CFO, CRO and COO are ultimately responsible and accountable to the Firm's Board of Directors. The Firm's risk culture strives for continual improvement through ongoing employee training and development, as well as talent retention. The Firm also approaches its incentive compensation arrangements through an integrated risk, compensation and financial management framework to encourage a culture of risk awareness and personal accountability.

The Firm has identified various risks that are inherent in its business activities. These include Credit Risk, Market Risk, Operational Risk, Liquidity Risk, Fiduciary Risk, Interest Rate Risk in the Banking Book, Business Risk and Leverage Risk, which are set out in further detail below.

The Firm's control environment can be thought of in terms of the businesses, the control functions and Internal Audit.

The lines of business are responsible for developing and maintaining effective internal controls for their respective business lines. They are accountable for identifying and addressing the risks presented by their respective businesses and for operating within a sound control environment. Oversight & Control teams are embedded within businesses to maintain a strong and consistent control environment across the organization.

***Control functions.*** In addition to Oversight & Control, the Firm's control functions include Risk, Finance, Compliance and Legal. They each have their own set of responsibilities but work together to provide oversight of the businesses and set firmwide control policies.

***Internal Audit.*** The Internal Audit function operates independently from other parts of the Firm, providing testing and evaluation of processes and controls across the entire enterprise. The Internal Audit team assesses the effectiveness of governance, risk management and internal controls; evaluates compliance with laws and regulations; and identifies opportunities for improvement. Through this structure, we seek to subject business decisions and actions to rigorous consideration, testing and review for compliance with relevant laws and regulations.

## Risk governance and oversight

The LOBs are responsible for managing the risks inherent in their respective business activities.

The Risk organization operates independently from the revenue-generating businesses, providing a credible challenge to them. The CRO is the head of the Risk organization and is responsible for the overall direction of Risk oversight. The CRO is supported by individuals and organizations that align to lines of business and corporate functions, as well as others that align to specific risk types.

The Firm's Risk Management organization and other firmwide functions with risk-related responsibilities (i.e., Oversight and Control Group, Legal and Compliance) provide independent oversight of the monitoring, evaluation and escalation of risk.

Within the Europe, Middle East and Africa region, a governance framework has been developed in alignment with the firmwide policies and procedures and provides an additional layer of control on a regional and legal entity basis.

Each regulated legal entity in the UK has its own Board of Directors which has direct accountability and legal responsibility to ensure the entity acts within the framework and overall strategy and control of the Firm. The Boards delegate certain matters to a number of key regional Committees for regional risk control and oversight. The EMEA governance framework connects legal entity, LOB and global governance structures. These are the EMEA Management Committee (EMC), the EMEA Risk Committee (ERC) and the EMEA Operating Committee (EOC):

- The EMEA Management Committee (EMC) provides holistic regional oversight for any business conducted in EMEA or booked into EMEA entities. The EMC ensures that any significant decisions taken within the EMEA region are aligned to the Firm's strategy and that the regional strategies are appropriate for the EMEA entities, considers the material risks and issues that are escalated to the EMC by regional forums, and provides the necessary oversight and challenge for any proposed mitigation/remediation activities. The EMC is accountable to the Boards of the individual legal entities.
- The EMEA Risk Committee (ERC) provides oversight and challenge of risks for any business conducted in EMEA or booked into EMEA entities, and is chaired by the EMEA CRO. The ERC is accountable to the EMC and the Firmwide Risk Committee (FRC), where the EMEA CRO is also a member, and the Boards of the individual legal entities. The ERC met 35 times during 2014.
- The EMEA Operating Committee (EOC) provides oversight and management of the operating environment to ensure appropriate management of operational risk and the maintenance of a sound internal control environment across all LOBs in the EMEA region. The EOC is accountable to the EMC and the Boards of the individual legal entities.

The Committees above may delegate responsibility for management and oversight of risks to other committees or forums.

Additionally, the EMEA Audit and Compliance Committee reports into the global Audit Committee and the Boards of the individual legal entities, and oversees the integrity of financial statements, monitors and reviews internal financial controls and the effectiveness of the Internal Audit function.

## Identification and measurement of key risks

The entities in scope complete the Internal Capital Adequacy Assessment Process (ICAAP) periodically, which forms part of management and decision-making processes such as the Firm's risk appetite, strategy, capital and risk management frameworks, and stress testing. The ICAAP is used to assess the key risks to which the Firm is exposed; how these risks are measured, managed, monitored and mitigated; and how much capital the Firm should hold to reflect these risks now, in the future and under stressed conditions. Further information is provided on the ICAAP process under Art. 438.

## Credit Risk

Credit Risk is the risk of loss arising from the default of a customer, client or counterparty. The Firm is exposed to credit risk through its underwriting, lending and trading activities with and for clients and counterparties, as well as through its operating services activities, such as cash management, settlement and clearing activities. A portion of the loans originated or acquired by the Firm's wholesale businesses are generally retained on the balance sheet; the Firm's syndicated loan business distributes a significant percentage of originations into the market and is an important component of portfolio management.

Credit Risk is an independent risk management function that identifies and monitors credit risks throughout the Firm and defines credit risk policies and procedures. The Credit Risk function reports to the Firm's Chief Risk Officer. Credit Risk is responsible for the following functions:

- Establishing a comprehensive credit risk policy framework
- Monitoring and managing credit exposure across all portfolio segments, including transaction and line approval
- Assigning credit authorities in connection with the approval of all credit exposure
- Intensive management of criticized exposures and delinquent loans
- Determining the allowance for credit losses and ensuring appropriate credit risk-based capital management

Due to the nature of the business conducted in JPMMML, there is limited credit risk arising from this activity. The description of Credit Risk Management practices described in this document does not apply to this entity as alternative control processes are in place.

**Risk identification and measurement**

The Credit Risk function identifies, measures, limits, manages and monitors credit risk across our businesses. To measure credit risk, the Firm employs several methodologies for estimating the likelihood of obligor or counterparty default. Methodologies for measuring credit risk vary depending on several factors, including type of asset, volatility in trading markets, risk measurement parameters and risk assessment processes. Credit risk measurement is based on the probability of default of an obligor or counterparty, the loss severity given a default event and the exposure at default.

Based on these factors and related market-based inputs the Firm estimates credit losses for its exposures. Expected credit losses inherent in the wholesale loan portfolios are reflected in the provision for loan losses, and probable credit losses inherent in lending-related commitments are reflected in the provision for lending related commitments. These losses are estimated using empirical statistical analyses and other factors. In addition, potential and unexpected credit losses are reflected in the allocation of credit risk capital and represent the potential volatility of actual losses relative to the established allowances for loan losses and lending related commitments. The analyses for these losses include stress testing (considering alternative economic scenarios) as described in the Stress testing section below. The methodologies used to estimate credit losses depend on the characteristics of the credit exposure, as described below.

**Risk-rated exposure**

Risk-rated portfolios are generally held in Corporate & Investment Bank. For the risk rated portfolio, credit loss estimates are based on estimates of the probability of default (PD) and loss severity given a default. The estimation process begins with risk-ratings that are assigned to each loan facility to differentiate risk within the portfolio. These risk ratings are reviewed regularly by Credit Risk Management and revised as needed to reflect the borrower's current financial position, risk profile and related collateral. The probability of default is the likelihood that a loan will default and not be fully repaid by the borrower. The loss given default (LGD) is the estimated loss on the loan that would be realized upon the default of the borrower and takes into consideration collateral and structural support for each credit facility. The probability of default is estimated for each borrower, and a loss given default is estimated for each credit facility. The calculations and assumptions are based on historic experience, financial and economic analysis and management judgment and are reviewed regularly.

**Stress testing**

Stress testing is important in measuring and managing credit risk in the Firm's credit portfolio. The Firm uses stress testing to inform decisions on setting risk appetite both at a Firm and LOB level. Stress testing results across a range of scenarios and products are regularly reported to relevant management committees providing additional insight into credit portfolio's sensitivities under stress and measurement against risk appetite.  This additional insight supports timely management notification and action, when required.

**Risk monitoring and management**

The Firm has developed policies and practices that are designed to preserve the independence and integrity of the approval and decision-making process of extending credit to ensure credit risks are assessed accurately, approved properly, monitored regularly and managed actively at both the transaction and portfolio levels. The policy framework establishes credit approval authorities, concentration limits, risk-rating methodologies, portfolio review parameters and guidelines for management of distressed exposures. In addition, certain models, assumptions and inputs used in evaluating and monitoring credit risk are independently validated by groups that are separate from the line of businesses.

Wholesale credit risk is monitored regularly at an aggregate portfolio, industry and individual client and counterparty level with established concentration limits that are reviewed and revised as deemed appropriate by management, typically on an annual basis.

Management of the Firm's wholesale credit risk exposure is accomplished through a number of means, including:

- Loan underwriting and credit approval process
- Loan syndications and participations
- Loan sales and securitisations
- Master netting agreements
- Collateral and other risk-reduction techniques

**Risk reporting**

To enable monitoring of credit risk and effective decision-making, aggregate credit exposure, concentration levels and risk profile changes are reported regularly to senior Credit Risk Management. Detailed portfolio reporting of industry, product and geographic concentrations occurs monthly, and the appropriateness of the allowance for credit losses is reviewed by senior management at least on a quarterly basis. Through the risk reporting and governance structure, credit risk trends and limit exceptions are provided regularly to, and discussed with, senior management and the relevant Board of Directors as appropriate.

## Market Risk

Market risk is the potential for adverse changes in the value of the Firm's assets and liabilities resulting from changes in market variables such as interest rates, foreign exchange rates, equity prices, commodity prices, implied volatilities or credit spreads.

The UK legal entity approach applies the firmwide approach as outlined below, as appropriate to each legal entity, with legal entity specific governance overlay.

Market Risk is an independent risk management function that identifies and monitors market risks throughout the Firm and defines market risk policies and procedures. The Market Risk function reports to the Firm's Chief Risk Officer. Market Risk seeks to control risk, facilitate efficient risk/return decisions, reduce volatility in operating performance and provide transparency into the Firm's market risk profile for senior management, the Board of Directors and regulators. Market Risk is responsible for the following functions:

- Establishment of a market risk policy framework
- Independent measurement, monitoring and control of line of business and firmwide market risk
- Definition, approval and monitoring of limits
- Performance of stress testing and qualitative risk assessments

Due to the nature of the business conducted in JPMMML, there is limited market risk arising from this activity. The description of Market Risk Management practices described in this document does not apply to this entity as alternative control processes are in place.

**Risk identification and measurement**

Each line of business is responsible for the management of the market risks within its units. The nature of the hedging and risk mitigation strategies performed across the Group corresponds to the market risk management instruments available within each legal entity. These strategies range from the use of traditional market instruments, such as interest rate swaps, to more sophisticated hedging strategies to address a combination of risk factors arising at portfolio level. The independent risk management group responsible for overseeing each line of business is charged with ensuring that all material market risks are appropriately identified, measured, monitored and managed in accordance with the risk policy framework set out by Market Risk.

Because no single measure can reflect all aspects of market risk, the Firm uses various metrics, both statistical and non-statistical, including:

- VaR
- Economic-value stress testing
- Non-statistical risk measures
- Risk identification for large exposures

**Risk monitoring and management**

Market risk is controlled primarily through a series of limits set in the context of the market environment and business strategy. In setting limits, the Firm takes into consideration factors such as market volatility, product liquidity and accommodation of client business and management experience. The Firm maintains different levels of limits. Corporate level limits include VaR and stress limits. Similarly, line of business limits include VaR and stress limits and may be supplemented by non-statistical measurements. Limits may also be set within the lines of business, as well at the portfolio or legal entity level. Limits are set by Market Risk and are regularly reviewed and updated as appropriate, with any changes approved by lines of business management and Market Risk. Senior management, including the Firm's CEO and CRO, are responsible for reviewing and approving certain of these risk limits on an ongoing basis. All limits that have not been reviewed within specified time periods by Market Risk are escalated to senior management. The JPMS plc Directors' Risk Policy Committee, the EMEA Risk Committee, JPMS plc Chief Risk Officer, JPMS plc Market Risk Officer and senior management are responsible for reviewing and approving JPMS plc Market Risk limits on an ongoing basis with oversight from the JPMS plc Board. The JPMEL delegated Board members and Market Risk Officer are responsible for reviewing and approving JPMEL Market Risk limits on an ongoing basis with oversight from the JPMEL Board.

The JPMML Board is responsible for approving JPMML market risk limits.

The lines of business are responsible for adhering to established limits against which exposures are monitored and reported. Limit breaches are required to be reported in a timely manner by Risk Management to limit approvers, Market Risk and senior management. In the event of a breach, Market Risk consults with Firm senior management and lines of business senior management to determine the appropriate course of action required to return to compliance, which may include a reduction in risk in order to remedy the breach. Certain Firm or line of business-level limits that have been breached for three business days or longer, or by more than 30%, are escalated to senior management and the Firmwide Risk Committee.

**Material portfolio of covered positions**

JPMCHL's market risks arise predominantly from activities in the Firm's Corporate & Investment Bank (CIB) business booked in JPMS plc. CIB makes markets in products across fixed income, foreign exchange, equities and commodities markets. JPMCHL's portfolio of covered positions under Basel III is predominantly held by the CIB. Some additional covered positions are held by the Firm's other lines of business. BSUKHL's market risks arise from positions in the Firm's CIB business booked in JP Morgan Markets Limited.

**Value-at-Risk (VaR)**

VaR is a statistical risk measure used to estimate the potential loss from adverse market moves in a normal market environment. The Firm has a single overarching VaR model framework used for calculating Regulatory VaR and Risk Management VaR. The framework is employed across the Firm using historical simulation based on data for the previous 12 months. The framework's approach assumes that historical changes in market values are representative of the distribution of potential outcomes in the immediate future. Underlying the overall VaR model framework are individual VaR models that simulate historical market returns for individual products and/or risk factors. To capture material market risks as part of the Firm's risk management framework, comprehensive VaR model calculations are performed daily for businesses whose activities give rise to market risk. These VaR models are granular and incorporate numerous risk factors and inputs to simulate daily changes in market values over the historical period; inputs are selected based on the risk profile of each portfolio as sensitivities and historical time series used to generate daily market values may be different across product types or risk management systems. The VaR model results across all portfolios are aggregated at the Firm level. Since VaR is based on historical data, it is an imperfect measure of market risk exposure and potential losses, and it is not used to estimate the impact of stressed market conditions or to manage any impact from potential stress events. In addition, based on their reliance on available historical data, limited time horizons, and other factors, VaR measures are inherently limited in their ability to measure certain risks and to predict losses, particularly those associated with market illiquidity and sudden or severe shifts in market conditions. The Firm therefore considers other measures in addition to VaR, such as stress testing, to capture and manage its market risk positions.

VaR is calculated assuming a one-day holding period and an expected tail-loss methodology which approximates a 95% confidence level. This means that, assuming current changes in market values are consistent with the historical changes used in the simulation, the Firm would expect to incur VaR “band breaks,” defined as losses greater than that predicted by VaR estimates, not more than five times in every 100 trading days. For risk management purposes, the Firm believes the use of a 95% confidence level with a one-day holding period provides a stable measure of VaR that closely aligns to the day-to-day risk management decisions made by the lines of business and provides necessary/appropriate information to respond to risk events on a daily basis.

The Firm’s VaR is disclosed in its SEC filings. JPMS plc’s VaR is disclosed in its annual financial filings.

**Economic-value stress testing**

Along with VaR, stress testing is an important tool in measuring and controlling risk. While VaR reflects the risk of loss due to adverse changes in markets using recent historical market behaviour as an indicator of losses, stress testing is intended to capture the Firm’s exposure to unlikely but plausible events in abnormal markets. The Firm runs weekly stress tests on market-related risks across the lines of business using multiple scenarios that assume significant changes in risk factors such as credit spreads, equity prices, interest rates, currency rates or commodity prices. The framework uses a grid-based approach, which calculates multiple magnitudes of stress for both market rallies and market sell-offs for each risk factor. Stress-test results, trends and explanations based on current market risk positions are reported to the Firm’s senior management and to the lines of business to allow them to better understand the sensitivity of positions to certain defined events and to enable them to manage their risks with more transparency. Stress scenarios are defined and reviewed by Market Risk, and significant changes are reviewed by the relevant Risk Committees. While most of the scenarios estimate losses based on significant market moves, such as an equity market collapse or credit crisis, the Firm also develops scenarios to quantify risk arising from specific portfolios or concentrations of risks, which attempt to capture certain idiosyncratic market movements. Scenarios may be redefined on an ongoing basis to reflect current market conditions. Ad hoc scenarios are run in response to specific market events or concerns. The Firm’s stress testing framework is utilized in calculating results for scenarios used in the UK ICAAP process.

**Non-statistical risk measures**

Non-statistical risk measures include sensitivities to variables used to value positions, such as credit spread sensitivities, interest rate basis point values and market values. These measures provide granular information on the Firm’s market risk exposure. They are aggregated by line-of-business and by risk type, and are used for tactical control and monitoring limits.

**Risk identification for large exposures**

The Firm has certain potential low-probability but plausible and material, idiosyncratic risks not well captured by its other existing risk analysis and reporting for credit, market, and other risks. These idiosyncratic risks may arise in a number of forms, e.g. changes in legislation, an unusual combination of market events, or specific counterparty events. These identified risks are grouped under the term Risk Identification for Large Exposures (RIFLEs). The identified and monitored RIFLEs allow the Firm to monitor earnings vulnerability that is not adequately covered by its other standard risk measurements.

## Operational risk

Operational Risk is the risk of loss resulting from inadequate or failed processes or systems or due to external events that are neither market nor credit-related. Operational risk is inherent in the Firm's activities and can manifest itself in various ways, including fraudulent acts, business interruptions, and inappropriate behavior of employees, failure to comply with applicable laws and regulations or failure of vendors to perform in accordance with their arrangements. These events could result in financial losses, litigation and regulatory fines, as well as other damage to the Firm. The goal is to keep operational risk at appropriate levels, in light of the Firm's financial strength, the characteristics of its businesses, the markets in which it operates, and the competitive and regulatory environment to which it is subject.

**Risk Identification and Measurement**

To monitor and control operational risk, the Firm maintains an overall Operational Risk Management Framework (ORMF) which comprises governance oversight, risk assessment, capital measurement, and reporting and monitoring. The ORMF is intended to enable the Firm to function with a sound and well-controlled operational environment.

Risk Management is responsible for prescribing the ORMF to the lines of business and corporate functions and to provide independent oversight of its implementation.

The lines of business and corporate functions are responsible for implementing the ORMF. The firmwide Oversight and Control Group, comprised of dedicated control officers within each of the lines of business and Corporate functional areas, as well as a central oversight team, is responsible for day to day review and monitoring of ORMF execution.

The components of the Operational Risk Management Framework are:

**Oversight and governance**

Control committees oversee the operational risks and control environment of the respective line of business, function or region. These committees escalate operational risk issues to their respective line of business, function or regional Risk committee and also escalate significant risk issues (and/or risk issues with potential Firmwide impact) to the Firmwide Control Committee (FCC). The FCC provides a monthly forum for reviewing and discussing firmwide operational risk metrics and management, including existing and emerging issues and reviews execution against the ORMF. It escalates significant issues to the Firmwide Risk Committee, as appropriate.

**Risk self-assessment**

In order to evaluate and monitor operational risk, the lines of business and functions utilize the Firm's standard risk and control self-assessment (RCSA) process and supporting architecture. The RCSA process requires management to identify material inherent operational risks, assess the design and operating effectiveness of relevant controls in place to mitigate such risks, and evaluate residual risk. Action plans are developed for control issues that are identified, and businesses are held accountable for tracking and resolving issues on a timely basis. Risk performs sample independent challenge of the RCSA programme.

**Risk reporting and monitoring**

Operational risk management and control reports provide information, including actual operational loss levels, self assessment results and the status of issue resolution to the lines of business and senior management. The purpose of these reports is to enable management to maintain operational risk at appropriate levels within each line of business, to escalate issues and to provide consistent data aggregation across the Firm's businesses and functions. The Firm has a process for capturing, tracking and monitoring operational risk events. The Firm analyzes errors and losses and identifies trends. Such analysis enables identification of the causes associated with risk events faced by the lines of business.

**Capital measurement**

For information related to operational risk measurement refer to Art. 446.

## Liquidity Risk

Liquidity and funding management for the in scope entities is integrated into the firmwide liquidity management framework. The primary objectives of effective liquidity management are to ensure that the Firm's core businesses are able to operate in support of client needs, meet contractual and contingent obligations through normal economic cycles as well as stress events, ensure funding mix optimization, and availability of liquidity sources. The Firm manages liquidity and funding using a centralized global approach in order to optimize liquidity sources and uses.

In the context of liquidity management for the entities in scope, the business is responsible for:

- Analyzing and understanding the liquidity characteristics of each legal entity's lines of business assets and liabilities, taking into account legal, regulatory, and operational restrictions;
- Defining and monitoring legal entity liquidity strategies, policies, guidelines, and contingency funding plans;
- Managing liquidity within local regulatory requirements and approved internal liquidity risk limits.

The Firm has an independent liquidity risk oversight function whose primary objective is to provide assessment, measurement, monitoring, and control of liquidity risk across the Firm. Liquidity Risk Oversight's responsibilities include, but are not limited to:

- Establishing and monitoring limits, indicators, and thresholds, including liquidity appetite tolerances;
- Defining and monitoring internal firmwide and legal entity stress tests and regulatory defined stress testing;
- Reporting and monitoring liquidity positions, balance sheet variances and funding activities;
- Conducting ad hoc analysis to identify potential emerging liquidity risks.

The Firm has systems in place to aid in the measurement, management, monitoring and reporting of liquidity risks.

**Stress testing**

The legal entity stress tests are intended to ensure sufficient liquidity for the legal entity under a variety of adverse scenarios. Results of stress tests are therefore considered in the formulation of the legal entity's assessment of its liquidity position. Liquidity outflow assumptions are modelled across a range of time horizons and contemplate both market and idiosyncratic stress. Standard stress tests are performed on a regular basis and ad hoc stress tests are performed in response to specific market events or concerns.

Liquidity stress tests assume all of the entity's contractual obligations are met and then take into consideration varying levels of access to unsecured and secured funding markets. Additionally, assumptions with respect to potential non-contractual and contingent outflows are contemplated.

**Internal Liquidity Adequacy Assessment Process**

Annually, the relevant entities in scope each complete the Internal Liquidity Adequacy Assessment Process (ILAAP), which provides management with an assessment of the adequacy of each entity's liquidity resources to cover liabilities as they fall due in stressed conditions. Stress scenarios cover both market and idiosyncratic events.

The ILAAP details how each entity measures its liquidity risk, the methodologies and assumptions used and how each entity's Board determines the size of the Liquid Asset Buffer is appropriate. If changes in an entity's business, strategy, activities or operational environment suggest that the current level of liquid resources or the funding profile is no longer adequate, then the document will be updated more frequently. The ILAAP is reviewed by management and is approved by the Board of each entity.

**Regulatory measures**

- PRA Individual Liquidity Guidance (ILG)

The PRA's ILG applies to JPMCHL's key legal entities JPMS plc, JPMEL and JPMIB. It details the amount and quality of liquidity resources which the PRA considers appropriate for an entity to survive in a stress without undertaking any other financing actions other than utilising the PRA Liquid Asset Buffer.

The Financial Conduct Authority's (FCA) ILG applies to JPMML. It details the amount and quality of liquidity resources which the FCA considers appropriate for an entity to survive in a stress without undertaking any other financing actions other than utilising the FCA liquid asset buffer.

- EBA Liquidity Coverage Ratio (EBA LCR)

The EBA LCR regulation will require JPMCHL's key legal entities JPMS plc, JPMEL, and JPMIB to hold sufficient high quality liquid assets (HQLA) to survive up to a 30 days horizon under a combined idiosyncratic and market-wide liquidity stress shock.

In October 2015, JPMS plc, JPMEL and JPMIB will transition from the PRA ILG to the EBA LCR as the regulatory minimum requirement for liquidity.

An EBA LCR for JPMML is prepared and monitored on a monthly basis to ensure the entity holds sufficient high quality liquid assets (HQLA) to survive up to a 30 days horizon under a combined idiosyncratic and market-wide liquidity stress shock. The LCR is currently prepared for internal purposes only, pending the publication of FCA policy guidance relating to CRD IV liquidity measures.

The Basel Committee has issued the final standard for the Net Stable Funding Ratio, which will become a minimum standard by January 1, 2018. This will be a future requirement for the entities in scope.

## Interest rate risk in the banking book

The Firm's interest rate risk in the banking book (IRRBB) results from traditional banking activities, which includes the extension of loans and credit facilities, and taking deposits (collectively referred to as non-trading activities), and the impact from the investment securities' portfolio and other related Treasury asset-liability management activities. Chief Investment Office (CIO) manages IRRBB exposure on behalf of the Firm by identifying, measuring, modelling and monitoring IRR across the Firm's balance sheet. CIO identifies and understands material balance sheet impacts of new initiatives and products and executes market transactions to manage IRR through CIO investment portfolio's positions. Execution by CIO will be based on parameters established by policy implemented by senior management. Lines of businesses are responsible for developing and reviewing specific LOB IRR modelling assumptions. In certain legal entities, Treasury manages IRR in partnership with CIO.

**Oversight and governance**

The CIO, Treasury and Other Corporate (CTC) Risk Committee is the governing committee with respect to the Firm's IRRBB. The CTC Risk Committee reviews the Firm's IRR Management policy, which is approved by the Firm's Board of Directors, reviews the

IRR profile of the firm and compliance with IRR limits, and reviews significant changes to IRR models and/or model assumptions. In addition, IRR exposures and significant model and/or model assumption changes are reviewed by the Firm's Asset and Liability Committee (ALCO). The Asset and Liability Committee provides a framework for overseeing the IRRBB of lines of business, foreign jurisdictions and key legal entities to appropriate line of business ALCOs. The CTC Risk Committee also governs the IRR Oversight Group, an independent dedicated Risk group within CTC and reports into the CTC Chief Risk Officer. IRR Oversight's responsibilities include, but not limited to, the following:

- Providing independent Risk oversight for IRR management
- Creating governance over IRR assumptions and parameter selection/calibration and
- Identifying and monitoring IRR and establishing limits as appropriate

**Risk identification and measurement**

The Firm conducts simulations of changes in structural interest rate-sensitive revenue under a variety of interest rate scenarios for interest rate-sensitive assets and liabilities. Earnings-at-risk scenarios estimate the sensitivity of pre-tax income to changes in interest rates over rolling 12 months compared to base scenario, utilizing multiple assumptions. These scenarios highlight exposures to changes in interest rates, pricing sensitivities on deposits, optionality and changes in product mix. The scenarios include forecasted balance sheet changes, as well as prepayment and reinvestment behavior.

For more details on IRRBB for the Firm, refer to the firmwide disclosure and SEC filings.

In addition to the firmwide IRR measures, IRRBB for the entities in scope is monitored through the standard approach, in line with PRA guidance (as discussed in the PRA's consultation paper CP 1/15 – Assessing capital adequacy under Pillar 2). Further information on the rate shocks are provided under Art. 448.

## Securitisation Risk

The risks related to securitisation and resecuritisation positions are managed in accordance with the Firm's credit risk and market risk management policies.

**Due diligence**

For each securitisation and resecuritisation position, the Firm performs due diligence on the credit worthiness of each position prior to entering into that position, and documents such due diligence within three business days as required by Basel III. The Firm's due diligence procedures are designed to provide it with a comprehensive understanding of the features that would materially affect the performance of a securitisation or resecuritisation.

The Firm's due diligence procedures include analyzing and monitoring:

- The quality of the position, including information regarding the performance of the underlying credit exposures and relevant market data;
- The structural and other enhancement features that may affect the credit quality of a securitisation or resecuritisation; and
- For resecuritisation positions, information on the performance of the underlying securitisation exposures.

The level of detail included in the due diligence procedures is commensurate with the complexity of each securitisation or resecuritisation position held. In addition to pre-trade due diligence, the due diligence procedures are performed on a quarterly basis for each securitisation and resecuritisation position.

**Market risk monitoring**

Each line of business that transacts in these positions and the Market Risk function work together to monitor the positions, position changes, and the composition of the total portfolio. This includes, but is not limited to, the review of daily positions against approved risk limits using risk measures such as market values, risk factor sensitivities and stress loss scenarios. Covered securitisation and resecuritisation positions are included in the Firm's Risk Management VaR and Regulatory VaR. These positions are included in the market risk and limit reports that are distributed on a daily basis to the trading desks, Risk Management and senior managers within the lines of business.

**Credit risk mitigation**

Various strategies are employed by the Firm to mitigate the risk from securitisation and resecuritisation positions. These include credit risk mitigation at both the transaction and portfolio levels, and include analysis of the underlying collateral, diversification of the positions, and hedging, among others.

JPMorgan Chase securitisation exposures are sensitive to interest rate levels and the overall credit environment. The Firm may hedge credit spread and interest rate risk, and currency risk associated with non-U.S. denominated assets, as needed, related to its securitisation and resecuritisation positions. JPMorgan Chase's policies allow various financial instruments to be employed to mitigate or hedge the risks of securitisation and resecuritisation positions. Examples of these instruments include U.S. Treasuries, interest rate swaps, FX forwards, and various credit derivatives.

**Securitisation risk-weighted assets**

Basel III Advanced rules prescribe a hierarchy of approaches for calculating securitisation RWA starting with the Supervisory Formula Approach (SFA), which uses internal models to determine RWA; followed by the Simplified Supervisory Formula Approach (SSFA), which uses supervisory risk weights and other inputs to determine RWA; and finally the application of a 1250% risk weight.

For securitisation exposures in the banking book, Basel III overlays a maximum capital requirement which can result in an effective risk weight lower than the risk weight calculated in the hierarchy of approaches. Additionally, the regulatory prescribed scalar applied broadly to credit risk RWA may result in a banking book exposure receiving a risk weight greater than 1250%.

## Fiduciary risk

Fiduciary risk is the risk of a failure to exercise the applicable high standard of care, to act in the best interests of clients as required under applicable law or regulation.

Depending on the fiduciary activity and capacity in which the Firm is acting, federal and state statutes and regulations, and common law require the Firm to adhere to specific duties in which the Firm must always place the client's interests above its own.

Fiduciary Risk Management is the responsibility of the relevant LOB risk and/or other governance committees. Senior business, legal, risk and compliance managers, who have particular responsibility for fiduciary matters, work with the relevant LOB risk committees with the goal of ensuring that businesses providing investment, trusts and estates, or other fiduciary products or services that give rise to fiduciary duties to clients perform at the appropriate standard relative to their fiduciary relationship with a client. Each LOB and its respective risk and/or other governance committees are responsible for the oversight and management of the fiduciary risks in their businesses. Of particular focus are the policies and practices that address a business's responsibilities to a client, including performance and service requirements and expectations; client suitability determinations; and disclosure obligations and communications. In this way, the relevant LOB risk and/ or other governance committees provide oversight of the Firm's efforts to monitor, measure and control the performance and delivery of the products or services to clients that may give rise to such fiduciary duties, as well as the Firm's fiduciary responsibilities with respect to the Firm's employee benefit plans.

The Firmwide Fiduciary Risk Governance Committee is a forum for risk matters related to the Firm's fiduciary activities and oversees the firmwide fiduciary risk governance framework. It supports the consistent identification and escalation of fiduciary risk matters by the relevant lines of business or corporate functions responsible for managing fiduciary activities. The committee escalates significant issues to the Firmwide Risk Committee and any other committee considered appropriate.

## Leverage Risk

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 capital adequacy framework is based around a regular cycle of point-in-time capital calculations and reporting, supplemented by forward-looking projections and stress-testing, with corrective action taken as and when required to maintain an appropriate level of capitalisation. Each part of the process is subject to rigorous control.

The entities in scope complete the Internal Capital Adequacy Assessment Process periodically, which provides management with a view of the impact of severe and unexpected events on earnings, risk-weighted assets and capital. The Firm's ICAAP integrates stress testing protocols with capital planning.

The process assesses the potential impact of alternative economic and business scenarios on the Firm's earnings and capital. These scenarios are articulated in terms of macroeconomic factors, which are key drivers of business results; global market shocks, which generate short-term but severe trading losses; and idiosyncratic operational risk events. The scenarios are intended to capture and stress key vulnerabilities and idiosyncratic risks facing the Firm. However, when defining a broad range of scenarios, realized events can always be worse. Accordingly, management considers additional stresses outside these scenarios, as necessary. ICAAP results are reviewed by management and the relevant Boards of Directors.

## Business Risk

J.P. Morgan's stress testing programme is an important component in managing business risk, testing the Firm's financial resilience in a range of severe economic and market conditions. For example, quarterly baseline and stressed capital plans are prepared under the ICAAP framework, which include P&L projections (as well as RWAs and the overall capital position) over the three-year time horizon modelled. Where these show risks to capital beyond the entities' risk appetite, remedial action is taken.

For new products and services, failure to identify new or changed risks may expose the Group to financial loss or harm its reputation. Accordingly the New Business Initiative Approval (NBIA) policy provides a framework that encourages innovation and the introduction of new products, while making sure that risks are identified, measured, monitored and controlled. LOBs are authorised to introduce new products, services and processes and are responsible for the new products and services they introduce.

Under the NBIA policy, the business is required to undertake an analysis of the economic, regulatory or legal entity capital impact of the new business, as appropriate. Mandatory signoffs for NBIAs include the CRO or legal entity risk manager for each entity and the EMEA Legal Entity Controller, ensuring the risk implications for an entity are considered in NBIA decisions as well as the compatibility of NBIAs with the strategy for relevant entities. A thorough risk review is also required with LOB and cross functional participation to address all potential risks including any heightened risk due to complexity, valuation, future changes in the marketplace and a less favorable economic environment.

## Risk Appetite

The Firm's overall risk appetite is established by management taking into consideration the Firm's capital and liquidity positions, earnings power, and diversified business model. The risk appetite framework is a tool to measure the capacity to take risk and is expressed in loss tolerance parameters at the Firm and/or LOB levels, including tolerances on net income, capital, liquidity risk, credit risk, market risk and structural interest rate risk. Performance against these parameters informs management's strategic decisions and is reported to the DRPC.

Various initiatives have been underway to improve the company's risk appetite framework, including:

- Enhancing risk appetite quantitative parameters
- Leveraging capital adequacy and stress testing processes to inform decisions on setting the risk appetite
- Enhancing firmwide communications and training about risk appetite

Key figures and ratios regarding the interaction between the risk profile and the risk tolerance are deemed to be proprietary information as it relates to competitively significant operational conditions and business circumstances, as defined within EBA guidelines EBA/GL/2014/14.

## Board Declaration – Adequacy of Risk Management Arrangements

The Boards of entities in scope of the disclosure are satisfied that Management has taken reasonable care to establish and maintain risk systems and controls as appropriate to the business.

## Members of the Board of Directors

**J.P. Morgan Capital Holdings Limited**

The J.P. Morgan Capital Holdings Limited Board is comprised of three directors. The directors are:

- **Amanda Cameron**

Ms. Cameron joined the Board of JPMCHL in September 2014. She is a Managing Director and the Senior Country Officer for Luxembourg. Prior to this, Ms. Cameron was the Chief Risk Officer for Investor Services in APAC. Ms. Cameron has held a variety of senior leadership roles in APAC and EMEA covering client management, business management, sales development, business transformation, and risk and controls. Prior to joining JPMorgan, Ms. Cameron worked for Dai-ichi Kangyo Bank and Brown Brothers Harriman, both in Luxembourg.

- **Gregory Baer**

Mr. Baer joined the Board of JPMCHL in November 2014. He is a Managing Director and Head of Regulatory Policy at JPMorgan

Chase. He previously served as General Counsel for Corporate and Regulatory Law at JP Morgan Chase, as a deputy general counsel at Bank of America, and as a partner at Wilmer, Cutler, Pickering, Hale & Dorr. From 1999 to 2001, Mr. Baer served as Assistant Secretary for Financial Institutions at the U.S. Department of the Treasury, after serving as Deputy Assistant Secretary. Mr. Baer previously was managing senior counsel at the Board of Governors of the Federal Reserve System. Mr. Baer received his J.D. cum laude from Harvard Law School in 1987 and his A.B. with honors from University of North Carolina at Chapel Hill in 1984.

- **Jonathan Griffin**

Mr. Griffin joined the Board of JPMCHL in June 2006. He is the chairman of JPMCHL and is managing director and CEO of JPMorgan Asset Management (Europe) Sarl (JPMAME) in Luxembourg. Mr. Griffin has held various senior management positions within the JPMorgan group since joining the firm in 1986 and has worked in Germany, Japan, Luxembourg and the UK. JPMAME is an authorised UCITS and AIF Management Company with branches in eight European countries. JPMAME supervises the activities of JPMorgan's Luxembourg domiciled mutual fund ranges which are registered for distribution in over 30 countries worldwide. Mr Griffin has also been a Board member of ALFI (the Association of Luxembourg Mutual Funds) since 2007.

Members of the Board of Directors have also held internal and/or external directorships during the year ended December 31, 2014 as follows:

| | Internal | External |
|---|---|---|
| Amanda Cameron | 1 | 0 |
| Gregory Baer | 1 | 0 |
| Jonathan Griffin | 1 | 0 |

*Note:*

*Directorships held within the same group are counted as a single directorship, and those in organisations with non-commercial objectives are disregarded*

**J.P. Morgan Securities plc**

The J.P. Morgan Securities plc Board is comprised of three non-executive directors and six executive directors. The directors are:

- Sir Winfried Bischoff

Sir Win joined the Board of JPMS plc as a Non-Executive Director in July 2014 and became the Non-Executive Chairman in December 2014. He is currently the Chairman of the Financial Reporting Council in the UK. He was previously Chairman of Lloyds Banking Group from 2009. Sir Win has substantial experience of leading complex international boards in the UK and the US. His background spans a range of sectors, including banking and capital markets, finance and government regulation and public policy. He is a Non-Executive Director of McGraw Hill Financial Inc., and was Chairman of the Advisory Council of The City UK. Sir Win was appointed Chairman of Citigroup Europe in 2000. He became the acting Chief Executive Officer of Citigroup Inc. in 2007 and was subsequently appointed as Chairman in the same year until his retirement in February 2009. Prior to this, he was the Group Chief Executive and then Chairman of Schroders. Sir Win holds a Bachelor of Commerce degree from the University of the Witwatersrand, Johannesburg. He has held a total of 10 publically listed company directorships since 1983.

- Laban Jackson

For further information in relation to Mr Jackson, please see the below link.

http://www.jpmorganchase.com/corporate/About-JPMC/board-of-directors.htm#jackson

- Scott Moeller

Professor Moeller joined the Board of JPMS plc as a Non-Executive Director in July 2012. He is also the Chairman of the JPMS plc Directors' Risk Policy Committee, a role he has held since 2013 and Chairman of the J.P. Morgan Europe Limited Directors' Risk Policy Committee, a role he has held since 2014. Professor Moeller is a director and the founder of the M&A Research Centre at Cass Business School where he is also a Professor in the Practice of Finance. Prior to teaching, Professor Moeller was at Deutsche Bank in London for six years in several senior banking positions. Prior to Deutsche Bank, he worked first at Booz Allen & Hamilton Management Consultants for over five years and then at Morgan Stanley for over twelve years in New York, Japan, and finally as co-manager and then member of the Board of Morgan Stanley Bank AG in Germany.

- Andrew Cox

Mr. Cox joined the Board of JPMS plc in November 2001. He is currently a Managing Director, and head of Credit Risk in EMEA. He joined JPMorgan in 1987, and has worked in the New York and London office, primarily in Risk, but with roles in technology and trading room business management. He is a member of the EMEA Risk Committee and other key regional governance forums. Mr. Cox holds a Bachelor of Science in Physics from King's College London.

- Mark Garvin

Mr. Garvin joined the Board of JPMS plc in September 2011, and is currently Vice Chairman for the Corporate & Investment Bank. Prior to this he was Chairman, Treasury & Securities Services International, a position he held until assuming his current role in 2012. Mr. Garvin has worked at JPMorgan and its predecessor banks since 1978, and has held a number of roles including UK Senior Country Officer and EMEA Chief Operating Officer Mr. Garvin holds a Bachelor of Science from Georgetown University and an MBA from American University.

- Elena Korablina

Ms. Korablina joined the Board of JPMS plc in February 2014. She is currently the J.P. Morgan Europe, Middle East and Africa Chief Financial Officer, responsible for finance activities across the region. She is a member of the EMEA Management Committee and other key regional governance forums. Ms. Korablina has worked at the firm for nearly seventeen years. Prior to her current role, she held a number of roles at the firm, including EMEA Regional Controller, Global Product Controller for several Markets businesses, and Senior Finance Officer in different locations across Europe, including Moscow, Luxembourg, and London. Before joining J.P. Morgan, Ms. Korablina was an auditor with PricewaterhouseCoopers in Moscow. Ms. Korablina holds a Bachelor of Science in Mathematical Economics from Moscow State University.

- Julia Meazzo

Ms. Meazzo joined the Board of JPMS plc in May 2015. She is currently a Managing Director and HR Executive for the EMEA Region. Prior to this she was the Business Manager for Credit Business and Global Emerging Markets, and HR Business Partner in South Africa. Prior to joining JPMorgan, Ms. Meazzo worked for Johnson & Johnson, Proctor & Gamble, and Cap Gemini Management Consulting. Ms. Meazzo has a degree in Business Commerce from Rhodes University South Africa.

- Daniel Pinto

Mr. Pinto joined the Board of JPMS plc in 2007. He is currently the CEO of the Corporate & Investment Bank of JPMorgan Chase & Co. Mr. Pinto has spent his career at JPMorgan and its predecessor companies, beginning with Manufacturers Hanover Trust in New York and Buenos Aires in 1983, where he was a financial analyst and foreign exchange trader, eventually taking on responsibility for all Argentine sovereign debt. In 1992, he moved to Chemical Bank in Buenos Aires as head of Sales, distributing local and international products to institutional clients, banks and corporations in Argentina, Uruguay and Paraguay. He then became head trader and treasurer of Chemical Bank in Mexico before moving in 1996 to Chase Manhattan Bank in London, where he was responsible for local markets in Eastern Europe, Middle East, Africa and Asia. He has a bachelor's degree in Public Accounting and a B.S. in Business Administration from Universidad Nacional de Lomas de Zamora in Buenos Aires.

- Timothy Throsby

Mr. Throsby joined the Board of JPMS plc in August 2011. He is currently a Managing Director, and Global Head of Equities. Prior to joining JP Morgan in 2010, Mr. Throsby was a Partner and Senior Managing Director at the Citadel Investment Group, running the firms activities across Asia and Japan. Before that he was a Managing Director and Global Head of Derivatives, Convertibles, and Risk Arbitrage at Lehman Brothers in New York. Prior to that, he was Managing Director and Head of Equity Derivatives for Asia and Japan at Goldman Sachs in Tokyo. Mr. Throsby holds a degree in Economics from the University of Sydney.

Members of the Board of Directors have also held internal and/or external directorships during the year ended December 31, 2014 as follows:

| | Executive | Non-Executive |
|---|---|---|
| Sir Winfried Bischoff | 0 | 4 |
| Laban Jackson | 0 | 4 |
| Scott Moeller | 1 | 2 |
| Andrew Cox | 1 | 0 |
| Mark Garvin | 1 | 1 |
| Elena Korablina | 1 | 0 |
| Julia Meazzo | 1 | 0 |
| Daniel Pinto | 1 | 1 |
| Timothy Throsby | 1 | 0 |

*Note:*

*Directorships held within the same group are counted as a single directorship, and those in organisations with non-commercial objectives are disregarded*

**Bear Stearns UK Holdings Limited**

The Bear Stearns UK Holdings Limited Board is comprised of two directors. The directors are:

- Stephen White

Mr. White joined the Board of BSUKHL in January 2013. He is currently an Executive Director, and UK Controller, covering UK Legal Entity Control and UK Regulatory Reporting. Mr. White has over 16 years of experience in the Financial Services industry, working at institutions such as Tullett & Tokyo, HSBC, and Commerzbank AG. Prior to joining JPMorgan, Mr. White worked for the Royal Bank of Scotland and ABN Amro as Head of UK Financial Reporting, and GBM Global Controller Change Director. Mr. White is a fellow of the Association of Chartered Certified Accountants, and a member of the Association of Corporate Treasurers.

- John Hobson

Mr. Hobson joined the Board of BSUKHL in June 2015. He is currently an Executive Director and UK Legal Entities Controller, with specific focus on J.P. Morgan Securities plc, the main entity in EMEA.

Prior to joining JPMorgan, Mr. Hobson worked for Barclays, the Royal Bank of Scotland and ABM Amro. Mr. Hobson is an Associate of Chartered Certified Accountants.

Members of the Board of Directors have also held internal and/or external directorships during the year ended December 31, 2014 as follows:

| | Internal | External |
|---|---|---|
| Stephen White | 1 | 0 |
| John Hobson | 1 | 0 |

*Note:*

*Directorships held within the same group are counted as a single directorship, and those in organisations with non-commercial objectives are disregarded*

**J.P. Morgan Mansart Management Limited**

The J.P. Morgan Mansart Management Limited Board is comprised of three directors. The directors are:

- Shahzad Sadique

Mr. Sadique joined JPMorgan in 2012, and became a director and the CEO of JPMMML in May of that year. He has over 18 years of industry experience and previously held senior positions as the Head of Morgan Stanley's structured and alternative fund business within their Investment Bank and was co-Head of the retail structuring team for the multi-asset platform at Dresdner Bank. Mr. Sadique began his career at Merrill Lynch in the global equity derivatives group. He graduated with a M.Sc degree in International Securities and Investment Banking and a BA (Hons) in Financial Economics from the University of Reading ISMA.

- Matthew Melling

Mr. Melling joined the Board of JPMMML in May 2014. He is currently a Managing Director and the EMEA Regional Controller. Mr. Melling joined JPMorgan in 1996 and has held a number of roles, including EMEA and Global Product Controller for Emerging Markets, and Credit and Emerging Markets Middle Office. He started his career in banking on the Natwest Graduate programme, before moving to Chase Manhattan, a heritage JPMorgan firm. Mr. Melling holds a Bachelor of Science in Chemistry from King’s College London.

- Dale Braithwait

Mr. Braithwait joined the Board of JPMMML in March 2014. He is currently an Executive Director and the EMEA Firmwide Risk Executive. Mr. Braithwait chairs the firm’s EMEA Legal Entity Risk Committee and is a member of the EMEA Risk Committee and the EMEA Operating Committee. Mr. Braithwait joined J.P. Morgan in 1997 and has held various roles relating to risk management, intermediation, and fund administration, most recently as Global Head of Credit Clearing. During a period from 2003 to 2005, Mr. Braithwait left J.P. Morgan to set-up the Risk, Operations and Finance functions for a fund manager. Mr. Braithwait holds a Bachelor of Science in Chemistry from Imperial College, London.

Members of the Board of Directors have also held internal and/or external directorships during the year ended December 31, 2014 as follows:

| | Internal | External |
|---|---|---|
| Shahzad Sadique | 1 | 2 |
| Matthew Melling | 1 | 0 |
| Dale Braithwait | 1 | 0 |

*Note:*

*Directorships held within the same group are counted as a single directorship, and those in organisations with non-commercial objectives are disregarded*

## Diversity & Inclusion

J.P. Morgan has a disciplined focus on our Workforce, Workplace and Marketplace – with management accountability as the foundation and element most critical to our ability to hire, train and retain great and diverse employees whose unique perspectives help us realize our business objectives. We are committed to a culture of openness and meritocracy, and believe in giving every individual an opportunity to succeed while bringing their whole selves to work.

**Guiding Principles**

- Management accountability – engage managers at all levels of the organization to be responsible for their people platform and incorporate diversity and inclusion into their business and people practices
- Workforce – continuously expand our scope for attracting talent and fostering, supporting and increasing internal mobility across all of our lines of business and functions
- Workplace - create the opportunities for all individuals to contribute and effectively work together to achieve success as a whole.
- Marketplace – recruit quality people who reflect the customers and communities that we serve and the marketplaces where we operate so that we increase our ability to deliver solutions and strengthen our financial performance.

**Scope and Process**

Our firmwide diversity council and regional councils in Latin America, EMEA and Asia in partnership with senior leaders drive the diversity agenda on a local level. Each respective scope is implemented on a regional basis in line with the respective business objectives. Business Resource Groups (BRG), comprised of senior leaders across all businesses, functions and regions, representing different diverse groups help deepen our inclusive work environment. Each BRG is sponsored by a J.P. Morgan Operating Committee member.

**Metrics**

To drive management accountability, show progress against our plans and determine where we need to focus, a series of firmwide, regional and LOB/Function reports are prepared and shared with various levels of management on a scheduled basis (e.g. monthly, quarterly or annually).

**Target for representation of Women on EMEA Boards**

At a regional level, JPMorgan Chase & Co. have set an internal target to achieve 30% representation of women on our Boards in EMEA by end of 2015, at which time we will undertake a review. These targets will be achieved through periodic reviews of structure, size, composition and performance of Boards, and a promotion and focus on the existing practices embedded in our firmwide Diversity & Inclusion Strategy outlined above.

## 3.Own funds (Art. 437)

Table 1. Capital Resources as at 31 December 2014 for JPMCHL group entities

This table shows the Group's capital resources. The table presents the components of regulatory capital as at 31 December 2014 using the format set out in Annex IV and Annex VI of the commission implementing regulation (EU) and components of regulatory capital as at 31 December 2014 (CRD IV basis).

| Capital Resources | JPMCHL $m | JPMS Plc $m | JPMEL $m | JPMIB $m | JPML $m |
|---|---|---|---|---|---|
| **Shareholders Equity (excluding non controlling interests) per balance** | **37,560** | **35,682** | **3,928** | **1,235** | **2,378** |
| less: other equity Instruments (recognised as AT1/T2 capital) | | (7,153) | | | |
| Adjustment to retained earnings for foreseeable dividends | | (880) | (500) | | |
| **Other regulatory adjustments and deductions** | | | | | |
| Goodwill and intangible assets (net of related tax liability) | (2,841) | (2,659) | (57) | (1) | (1,066) |
| Additional value adjustments | (1,006) | (1,005) | (1) | | |
| Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities | | (1,338) | | | |
| **Fully Loaded Common Equity Tier 1** | **33,713** | **22,647** | **3,370** | **1,234** | **1,312** |
| Regulatory transitional adjustment relating direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities[c] | | 607 | | | |
| Regulatory adjustments relating to unrealised gains | | | (9) | (0) | |
| Goodwill and intangible assets (net of related tax liability) | | | | | 853 |
| Qualifying AT1 deductions that exceed the AT1 capital of the institution | | | | | (853) |
| **PRA Transitional Common Equity Tier 1** | **33,713** | **23,254** | **3,361** | **1,234** | **1,312** |
| **Additional Tier 1 (AT1) capital** | | | | | |
| **Fully Loaded Tier 1** | **33,713** | **22,647** | **3,370** | **1,234** | **1,312** |
| Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013 | | | | | (853) |
| of which: Goodwill and intangible assets | | | | | (853) |
| Qualifying AT1 deductions that exceed the AT1 capital of the institution | | | | | 853 |
| Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 | | 4,123 | | | |
| Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties | 66 | | | | |
| **PRA Transitional Additional Tier 1** | **66** | **4,122** | **0** | **0** | **0** |
| **PRA Transitional Tier 1** | **33,779** | **27,377** | **3,361** | **1,234** | **1,312** |
| **Tier 2 (T2) capital** | | | | | |
| Capital instruments and the related share premium accounts | | 7,260 | | | |
| Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments) issued by subsidiaries and held by third parties | 82 | | | | |
| **Fully Loaded Tier 2** | **82** | **7,259** | **0** | **0** | **0** |
| **Fully Loaded Total Regulatory capital** | **33,795** | **29,907** | **3,370** | **1,234** | **1,312** |
| Transitional adjustments due to grandfathered AT1/T2 instruments[d] | (66) | (4,123) | | | |
| **PRA Transitional Tier 2** | **16** | **3,137** | **0** | **0** | **0** |
| **PRA Transitional Total Regulatory capital** | **33,795** | **30,514** | **3,361** | **1,234** | **1,312** |

*Note:*

(a) *Shareholder equity does not include goodwill or subordinated debt and so reconciliation not applicable on these two items.*
(b) *Shareholder equity breakdown can be found in the respective entities statutory accounts.*
(c) *This is in relation to transitional rules in regards to AT1/T2 as per article reference 469*
(d) *This is in relation to transitional rules in regards to AT1/T2 as per article reference 486 and minority interests as per article reference 480.*

Table 2. Capital Resources as at 31 December 2014 for BSUKHL, JPMML, JPMMML

This table shows the Group's capital resources. The table presents the components of regulatory capital as at 31 December 2014 using the format set out in Annex IV and Annex VI of the commission implementing regulation (EU) and components of regulatory capital as at 31 December 2014 (CRD IV basis).

| Capital Resources | BSUKHL<br>$m | JPMML<br>$m | JPMMML<br>$m |
|---|---|---|---|
| **Shareholders Equity (excluding non controlling interests) per balance** | **738** | **4,099** | **20** |
| **Other regulatory adjustments and deductions** | | (25) | |
| Additional value adjustments | (0) | (0) | |
| **Fully Loaded Common Equity Tier 1** | **738** | **4,074** | **20** |
| **FCA Transitional Common Equity Tier 1** | **738** | **4,074** | **20** |
| **Additional Tier 1 (AT1) capital** | | | |
| **Fully Loaded Tier 1** | **738** | **4,074** | **20** |
| Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 | | 20 | |
| **FCA Transitional Additional Tier 1** | **0** | **20** | **0** |
| **FCA Transitional Tier 1** | **738** | **4,094** | **20** |
| **Tier 2 (T2) capital** | | | |
| Capital instruments and the related share premium accounts | | 25 | |
| Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments) issued by subsidiaries and held by third parties | 31 | | |
| **Fully Loaded Tier 2** | **31** | **25** | **0** |
| **Fully Loaded Total Regulatory capital** | **769** | **4,099** | **20** |
| Transitional adjustments in relation to minority interests [b] | **1,317** | | |
| Transitional adjustments due to grandfathered AT1/T2 instruments [c] | | (20) | |
| **FCA Transitional Tier 2** | **1,348** | **5** | **0** |
| **FCA Transitional Total Regulatory capital** | **2,086** | **4,099** | **20** |

*Note:*

*(a) Shareholder equity breakdown can be found in the respective entities statutory accounts.*

*(b) This is in relation to transitional rules in regards to minority interests as per article reference 480.*

*(c) This is in relation to transitional rules in regards to AT1/T2 as per article reference 486.*

Table 3. CRD IV regulatory capital for JPMCHL

This table shows the components of regulatory capital presented on a transitional and fully loaded basis as at 31 December 2014. This disclosure has been prepared using the format set out in Annex IV and Annex VI of the final 'implementing technical standards with regard to disclosure of own funds requirements for institution' (Commission implementing regulation - EU 1423/2013).

| | JPMCHL | | |
|---|---|---|---|
| | 31 December 2014 Transitional Position $m | Transitional Impacts $m | 31 December 2014 Fully Loaded Position $m |
| **Common Equity Tier 1 capital: instruments and reserves** | | | |
| Capital instruments and the related share premium accounts | 8,081 | | 8,081 |
| Retained earnings | 24,437 | | 24,437 |
| Accumulated other comprehensive income (and other reserves) | 5,042 | | 5,042 |
| **Common Equity Tier 1 capital before regulatory adjustments** | **37,560** | **0** | **37,560** |
| **Common Equity Tier 1 capital: regulatory adjustments** | | | |
| Goodwill and intangible assets (net of related tax liability) | (2,841) | | (2,841) |
| Additional Value Adjustments | (1,006) | | (1,006) |
| **Total regulatory adjustments to Common Equity Tier 1** | **(3,847)** | **0** | **(3,847)** |
| **Common Equity Tier 1 capital** | **33,713** | **0** | **33,713** |
| **Additional Tier 1 (AT1) capital** | | | |
| Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties | 66 | (66) | 0 |
| **Tier 1 capital (T1 = CET1 + AT1)** | **33,779** | **(66)** | **33,713** |
| **Tier 2 capital: instruments and provisions** | | | |
| Capital instruments and the related share premium accounts | 16 | 66 | 82 |
| **Tier 2 capital** | **16** | **66** | **82** |
| | | | |
| **Total capital (TC = T1 + T2)** | **33,795** | **0** | **33,795** |
| | | | |
| **Total risk weighted assets** | **228,958** | | **228,958** |
| **Capital ratios** | | | |
| Common Equity Tier 1 (as a percentage of risk exposure amount) | 14.7% | | 14.7% |
| Tier 1 (as a percentage of risk exposure amount) | 14.8% | | 14.7% |
| Total capital (as a percentage of risk exposure amount) | 14.8% | | 14.8% |
| Common Equity Tier 1 available to meet buffers | 10.2% | | 10.2% |
| **Amounts below the thresholds for deduction (before risk weighting)** | | | |
| Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions) | 2,099 | | 2,099 |
| Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions) | 1,276 | | 1,276 |
| Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability) | 91 | | 91 |

Table 4. CRD IV regulatory capital for JPMS Plc

This table shows the components of regulatory capital presented on a transitional and fully loaded basis as at 31 December 2014. This disclosure has been prepared using the format set out in Annex IV and Annex VI of the final 'implementing technical standards with regard to disclosure of own funds requirements for institution' (Commission implementing regulation - EU 1423/2013).

| | JPMS Plc | | |
|---|---|---|---|
| | 31 December 2014 Transitional Position | Transitional Impacts | 31 December 2014 Fully Loaded Position |
| | $m | $m | $m |
| **Common Equity Tier 1 capital: instruments and reserves** | | | |
| Capital instruments and the related share premium accounts | 17,848 | | 17,848 |
| Retained earnings | 8,903 | | 8,903 |
| Accumulated other comprehensive income (and other reserves) | 1,778 | | 1,778 |
| Adjustment to retained earnings for foreseeable dividends | (880) | | (880) |
| **Common Equity Tier 1 capital before regulatory adjustments** | **27,649** | **0** | **27,649** |
| **Common Equity Tier 1 capital: regulatory adjustments** | | | |
| Goodwill and intangible assets (net of related tax liability) | (2,659) | | (2,659) |
| Additional Value Adjustments | (1,005) | | (1,005) |
| Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities | (731) | (607) | (1,338) |
| **Total regulatory adjustments to Common Equity Tier 1** | **(4,395)** | **(607)** | **(5,002)** |
| **Common Equity Tier 1 capital** | **23,254** | **(607)** | **22,647** |
| **Additional Tier 1 (AT1) capital** | | | |
| Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 | 4,123 | (4,123) | 0 |
| **Tier 1 capital (T1 = CET1 + AT1)** | **27,377** | **(4,730)** | **22,647** |
| **Tier 2 capital: instruments and provisions** | | | |
| Capital instruments and the related share premium accounts | 3,137 | 4,123 | 7,260 |
| **Tier 2 capital** | **3,137** | **4,123** | **7,260** |
| **Total capital (TC = T1 + T2)** | **30,514** | **(607)** | **29,907** |
| **Total risk weighted assets** | **213,340** | | **214,090** |
| **Capital ratios** | | | |
| Common Equity Tier 1 (as a percentage of risk exposure amount) | 10.9% | | 10.6% |
| Tier 1 (as a percentage of risk exposure amount) | 12.8% | | 10.6% |
| Total capital (as a percentage of risk exposure amount) | 14.3% | | 14.0% |
| Common Equity Tier 1 available to meet buffers | 6.4% | | 6.1% |
| **Amounts below the thresholds for deduction (before risk weighting)** | | | |
| Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions) | 1,692 | | 1,692 |
| Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions) | 869 | | 869 |
| Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability) | 55 | | 55 |
| **Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)** | | | |
| Current cap on AT1 instruments subject to phase out arrangements | 4,123 | | |
| Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) | 1,030 | | |

*Note:*

*(a) RWA change from transitional to fully loaded is a result of higher large exposure charge driven by the lower capital resources.*

Table 5. CRD IV regulatory capital for JPMEL

This table shows the components of regulatory capital presented on a transitional and fully loaded basis as at 31 December 2014. This disclosure has been prepared using the format set out in Annex IV and Annex VI of the final 'implementing technical standards with regard to disclosure of own funds requirements for institution' (Commission implementing regulation - EU 1423/2013).

| | JPMEL | | |
|---|---|---|---|
| | 31 December 2014 Transitional Position | Transitional Impacts | 31 December 2014 Fully Loaded Position |
| | $m | $m | $m |
| **Common Equity Tier 1 capital: instruments and reserves** | | | |
| Capital instruments and the related share premium accounts | 1,629 | | 1,629 |
| Retained earnings | 2,209 | | 2,209 |
| Accumulated other comprehensive income (and other reserves) | 90 | | 90 |
| Adjustment to retained earnings for foreseeable dividends | (500) | | (500) |
| **Common Equity Tier 1 capital before regulatory adjustments** | **3,428** | **0** | **3,428** |
| **Common Equity Tier 1 capital: regulatory adjustments** | | | |
| Goodwill and intangible assets (net of related tax liability) | (57) | | (57) |
| Additional Value Adjustments | (1) | | (1) |
| Regulatory adjustments relating to unrealised gains and losses | (9) | 9 | 0 |
| Qualifying AT1 deductions that exceed the AT1 capital of the institution | | | |
| **Total regulatory adjustments to Common Equity Tier 1** | **(67)** | **9** | **(58)** |
| **Common Equity Tier 1 capital** | **3,361** | **9** | **3,370** |
| **Additional Tier 1 (AT1) capital** | | | |
| **Tier 1 capital (T1 = CET1 + AT1)** | **3,361** | **9** | **3,370** |
| **Tier 2 capital: instruments and provisions** | | | |
| **Tier 2 capital** | **0** | **0** | **0** |
| | | | |
| **Total capital (TC = T1 + T2)** | **3,361** | **9** | **3,370** |
| | | | |
| **Total risk weighted assets** | **6,893** | | **6,893** |
| **Capital ratios** | | | |
| Common Equity Tier 1 (as a percentage of risk exposure amount) | 48.8% | | 48.9% |
| Tier 1 (as a percentage of risk exposure amount) | 48.8% | | 48.9% |
| Total capital (as a percentage of risk exposure amount) | 48.8% | | 48.9% |
| Common Equity Tier 1 available to meet buffers | 44.3% | | 44.4% |
| **Amounts below the thresholds for deduction (before risk weighting)** | | | |
| Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability) | 6 | | 6 |

Table 6. CRD IV regulatory capital for JPMIB

This table shows the components of regulatory capital presented on a transitional and fully loaded basis as at 31 December 2014. This disclosure has been prepared using the format set out in Annex IV and Annex VI of the final 'implementing technical standards with regard to disclosure of own funds requirements for institution' (Commission implementing regulation - EU 1423/2013).

| | JPMIB | | |
|---|---|---|---|
| | 31 December 2014 Transitional Position | Transitional Impacts | 31 December 2014 Fully Loaded Position |
| | $m | $m | $m |
| **Common Equity Tier 1 capital: instruments and reserves** | | | |
| Capital instruments and the related share premium accounts | 840 | | 840 |
| Retained earnings | (5) | | (5) |
| Accumulated other comprehensive income (and other reserves) | 400 | | 400 |
| **Common Equity Tier 1 capital before regulatory adjustments** | **1,235** | **0** | **1,235** |
| **Common Equity Tier 1 capital: regulatory adjustments** | | | |
| Goodwill and intangible assets (net of related tax liability) | (1) | | (1) |
| **Total regulatory adjustments to Common Equity Tier 1** | **(1)** | **0** | **(1)** |
| **Common Equity Tier 1 capital** | **1,234** | **0** | **1,234** |
| **Additional Tier 1 (AT1) capital** | | | |
| **Tier 1 capital (T1 = CET1 + AT1)** | **1,234** | **0** | **1,234** |
| **Tier 2 capital: instruments and provisions** | | | |
| **Tier 2 capital** | **0** | **0** | **0** |
| | | | |
| **Total capital (TC = T1 + T2)** | **1,234** | **0** | **1,234** |
| | | | |
| **Total risk weighted assets** | **10,183** | | **10,183** |
| **Capital ratios** | | | |
| Common Equity Tier 1 (as a percentage of risk exposure amount) | 12.1% | | 12.1% |
| Tier 1 (as a percentage of risk exposure amount) | 12.1% | | 12.1% |
| Total capital (as a percentage of risk exposure amount) | 12.1% | | 12.1% |
| Common Equity Tier 1 available to meet buffers | 7.6% | | 7.6% |
| **Amounts below the thresholds for deduction (before risk weighting)** | | | |
| Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability) | 2 | | 2 |

Table 7. CRD IV regulatory capital for JPML

This table shows the components of regulatory capital presented on a transitional and fully loaded basis as at 31 December 2014. This disclosure has been prepared using the format set out in Annex IV and Annex VI of the final 'implementing technical standards with regard to disclosure of own funds requirements for institution' (Commission implementing regulation - EU 1423/2013).

| | JPML | | |
|---|---|---|---|
| | 31 December 2014 Transitional Position | Transitional Impacts | 31 December 2014 Fully Loaded Position |
| | $m | $m | $m |
| **Common Equity Tier 1 capital: instruments and reserves** | | | |
| Capital instruments and the related share premium accounts | 174 | | 174 |
| Retained earnings | 1,039 | | 1,039 |
| Accumulated other comprehensive income (and other reserves) | 1,165 | | 1,165 |
| **Common Equity Tier 1 capital before regulatory adjustments** | **2,378** | **0** | **2,378** |
| **Common Equity Tier 1 capital: regulatory adjustments** | | | |
| Goodwill and intangible assets (net of related tax liability) | (213) | (853) | (1,066) |
| Qualifying AT1 deductions that exceed the AT1 capital of the institution | (853) | 853 | |
| **Total regulatory adjustments to Common Equity Tier 1** | **(1,066)** | **0** | **(1,066)** |
| **Common Equity Tier 1 capital** | **1,312** | **0** | **1,312** |
| **Additional Tier 1 (AT1) capital** | | | |
| Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013 | | (853) | (853) |
| Of Which: Goodwill and Intangible Assets | | (853) | (853) |
| Qualifying AT1 deductions that exceed the AT1 capital of the institution | | 853 | 853 |
| **Tier 1 capital (T1 = CET1 + AT1)** | **1,312** | **0** | **1,312** |
| **Tier 2 capital: instruments and provisions** | | | |
| **Tier 2 capital** | **0** | **0** | |
| **Total capital (TC = T1 + T2)** | **1,312** | **0** | **1,312** |
| **Total risk weighted assets** | **2,325** | | **2,325** |
| **Capital ratios** | | | |
| Common Equity Tier 1 (as a percentage of risk exposure amount) | 56.4% | | 56.4% |
| Tier 1 (as a percentage of risk exposure amount) | 56.4% | | 56.4% |
| Total capital (as a percentage of risk exposure amount) | 56.4% | | 56.4% |
| Common Equity Tier 1 available to meet buffers | 51.9% | | 51.9% |
| **Amounts below the thresholds for deduction (before risk weighting)** | | | |
| Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability) | 23 | | 23 |

Table 8. CRD IV regulatory capital for BSUKHL

This table shows the components of regulatory capital presented on a transitional and fully loaded basis as at 31 December 2014. This disclosure has been prepared using the format set out in Annex IV and Annex VI of the final 'implementing technical standards with regard to disclosure of own funds requirements for institution' (Commission implementing regulation - EU 1423/2013).

| | BSUKHL | | |
|---|---|---|---|
| | 31st December 2014 Transitional Position $m | Transitional Impacts $m | 31 December 2014 Fully Loaded Position $m |
| **Common Equity Tier 1 capital: instruments and reserves** | | | |
| Capital instruments and the related share premium accounts | 629 | | 629 |
| Retained earnings | (1,333) | | (1,333) |
| Accumulated other comprehensive income (and other reserves) | 1,443 | | 1,443 |
| **Common Equity Tier 1 capital before regulatory adjustments** | **738** | **0** | **938** |
| **Common Equity Tier 1 capital: regulatory adjustments** | | | |
| Additional Value Adjustments | (0) | 0 | (0) |
| **Total regulatory adjustments to Common Equity Tier 1** | **(0)** | | **(0)** |
| **Common Equity Tier 1 capital** | **738** | **0** | **738** |
| **Additional Tier 1 (AT1) capital** | | | |
| **Tier 1 capital (T1 = CET1 + AT1)** | **738** | **0** | **738** |
| **Tier 2 capital: instruments and provisions** | | | |
| Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties | 1,348 | (1,317) | 31 |
| **Tier 2 capital** | **1,348** | **(1,317)** | **31** |
| | | | |
| **Total capital (TC = T1 + T2)** | **2,086** | **(1,317)** | **769** |
| | | | |
| **Total risk weighted assets** | **720** | | **965** |
| **Capital ratios** | | | |
| Common Equity Tier 1 (as a percentage of risk exposure amount) | 102.5% | | 76.5% |
| Tier 1 (as a percentage of risk exposure amount) | 102.5% | | 76.5% |
| Total capital (as a percentage of risk exposure amount) | 289.6% | | 79.7% |
| Common Equity Tier 1 available to meet buffers | 98.0% | | 72.0% |

*Note:*

*(a) RWA change from transitional to fully loaded is a result of higher large exposure charge driven by the lower capital resources.*

Table 9. CRD IV regulatory capital for JPMML

This table shows the components of regulatory capital presented on a transitional and fully loaded basis as at 31 December 2014. This disclosure has been prepared using the format set out in Annex IV and Annex VI of the final 'implementing technical standards with regard to disclosure of own funds requirements for institution' (Commission implementing regulation - EU 1423/2013).

| | JPMML | | |
|---|---|---|---|
| | 31st December 2014 Transitional Position $m | Transitional Impacts $m | 31 December 2014 Fully Loaded Position $m |
| **Common Equity Tier 1 capital: instruments and reserves** | | | |
| Capital instruments and the related share premium accounts | 126 | | 126 |
| Retained earnings | (129) | | (129) |
| Accumulated other comprehensive income (and other reserves) | 4,077 | | 4,077 |
| **Common Equity Tier 1 capital before regulatory adjustments** | **4,074** | **0** | **4,074** |
| **Common Equity Tier 1 capital: regulatory adjustments** | | | |
| Additional Value Adjustments | (0) | | (0) |
| **Total regulatory adjustments to Common Equity Tier 1** | **(0)** | **0** | **(0)** |
| **Common Equity Tier 1 capital** | **4,074** | **0** | **4,074** |
| **Additional Tier 1 (AT1) capital** | | | |
| Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 | 20 | (20) | 0 |
| **Tier 1 capital (T1 = CET1 + AT1)** | **4,094** | **(20)** | **4,074** |
| **Tier 2 capital: instruments and provisions** | | | |
| Capital instruments and the related share premium accounts | 5 | 20 | 25 |
| **Tier 2 capital** | **5** | **20** | **25** |
| | | | |
| **Total capital (TC = T1 + T2)** | **4,099** | **0** | **4,099** |
| | | | |
| **Total risk weighted assets** | **623** | **0** | **623** |
| **Capital ratios** | | | |
| Common Equity Tier 1 (as a percentage of risk exposure amount) | 653.6% | | 653.6% |
| Tier 1 (as a percentage of risk exposure amount) | 656.8% | | 653.6% |
| Total capital (as a percentage of risk exposure amount) | 657.6% | | 657.6% |
| Common Equity Tier 1 available to meet buffers | 649.1% | | 649.1% |
| **Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)** | | | |
| Current cap on AT1 instruments subject to phase out arrangements | 20 | | |
| Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) | 5 | | |

Table 10. CRD IV regulatory capital for JPMMML

This table shows the components of regulatory capital presented on a transitional and fully loaded basis as at 31 December 2014. This disclosure has been prepared using the format set out in Annex IV and Annex VI of the final 'implementing technical standards with regard to disclosure of own funds requirements for institution' (Commission implementing regulation - EU 1423/2013).

| | JPMMML | | |
|---|---|---|---|
| | 31 December 2014 Transitional Position $m | Transitional Impacts $m | 31 December 2014 Fully Loaded Position $m |
| **Common Equity Tier 1 capital: instruments and reserves** | | | |
| Capital instruments and the related share premium accounts | 25 | | 25 |
| Retained earnings | (5) | | (5) |
| **Common Equity Tier 1 capital before regulatory adjustments** | **20** | **0** | **20** |
| **Common Equity Tier 1 capital: regulatory adjustments** | | | |
| **Total regulatory adjustments to Common Equity Tier 1** | **0** | **0** | **0** |
| **Common Equity Tier 1 capital** | **20** | **0** | **20** |
| **Additional Tier 1 (AT1) capital** | | | |
| **Tier 1 capital (T1 = CET1 + AT1)** | **20** | **0** | **20** |
| **Tier 2 capital: instruments and provisions** | | | |
| **Tier 2 capital** | **0** | **0** | **0** |
| | | | |
| **Total capital (TC = T1 + T2)** | **20** | **0** | **20** |
| | | | |
| **Total risk weighted assets** | **12** | | **12** |
| **Capital ratios** | | | |
| Common Equity Tier 1 (as a percentage of risk exposure amount) | 157.6% | | 157.6% |
| Tier 1 (as a percentage of risk exposure amount) | 157.6% | | 157.6% |
| Total capital (as a percentage of risk exposure amount) | 157.6% | | 157.6% |
| Common Equity Tier 1 available to meet buffers | 153.1% | | 153.1% |

## Table 11. Capital Instruments for JPMCHL and Significant Subsidiaries

This table breaks down the capital issued by instrument and provides selected main features. Regulatory capital might differ from the amounts recorded under IFRS due to PRA/FCA requirements. The full terms and conditions of instruments can be found as registered at Companies House. A link to this location is provided on the Basel 3 page of the company website, adjacent to this document.

| | Capital Instruments Main Features<br>All amounts in $ and million | CET1 | CET1 | CET1 | CET1 | AT1<br>T2 | T2 | AT1<br>T2 | AT1<br>T2 |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Issuer | JPMCHL | JPMS Plc | JPMS Plc | JPMS Plc | JPMS Plc | JPMS Plc | JPMS Plc | JPMS Plc |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | Private Placement | Private Placement | Private Placement | Private Placement | Private Placement | Private Placement | Private Placement | Private Placement |
| 3 | Governing law(s) of the instrument | The Companies Act 2006 | The Companies Act 2006 | The Companies Act 2006 | The Companies Act 2006 | The Companies Act 2006 | The Companies Act 2006 | The Companies Act 2006 | The Companies Act 2006 |
| **Regulatory treatment** | | | | | | | | | |
| 4 | Transitional CRR rules | Common Equity Tier 1 | Common Equity Tier 1 | Common Equity Tier 1 | Common Equity Tier 1 | Additional Tier 1/Tier 2 | Tier 2 | Additional Tier 1/Tier 2 | Additional Tier 1/Tier 2 |
| 5 | Post-transitional CRR rules | Common Equity Tier 1 | Common Equity Tier 1 | Common Equity Tier 1 | Common Equity Tier 1 | Tier 2 | Tier 2 | Tier 2 | Tier 2 |
| 6 | Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated | Consolidated | Solo | Solo | Solo | Solo | Solo | Solo | Solo |
| 7 | Instrument type (types to be specified by each jurisdiction) | $ ordinary | $ ordinary | £ ordinary | £ ordinary | $ preference | $ preference | $ preference | $ preferred ordinary |
| 8 | Amount recognised in regulatory capital (Currency in million, as of most recent reporting date) | 8,081 includes nominal and premium | 17,848 includes nominal and premium | 0 | 0 | 1725 - AT1<br>431 - T2 | 2000 | 2120 - AT1<br>530 - T2 | 277 AT1<br>69 - T2 |
| 9 | Nominal amount of instrument | 10 | 10,000 | 1 | 1 | 10,000 | 10,000 | 10,000 | 10,000 |
| 9a | Issue price | 10 | 10000 | 1 | 1.24 | 10000 | 10000 | 10000 | 10000 |
| 9b | Redemption price | N/A | N/A | N/A | N/A | 10000 | 10000 | 10000 | 10000 |
| 10 | Accounting classification | Shareholders' equity | Shareholders' equity | Shareholders' equity | Shareholders' equity | Shareholders' equity | Shareholders' equity | Shareholders' equity | Shareholders' equity |
| 11 | Original date of issuance | $0.2m Nov 18 1999<br>$2,000m Jan 25 2000<br>$959m Nov 2 2000<br>$1,110m Apr 9 2002<br>$0.01m Dec 12 2006<br>$0.01m Mar 7 2007<br>$0.01m Oct 15 2007 | $647m Oct 22 1991<br>$290m Mar 1 2000<br>$500m Jan 2 2007<br>$278m Jan 12 2007<br>$270m Dec 1 2008<br>$230m Dec 4 2008<br>$1,200m Dec 16 2008<br>$300m Jan 30 2009<br>$2,000m Dec 20 2010<br>$2,274m May 27 2011<br>$362m Dec 12 2011<br>$1,263m Dec 16 2013<br>$116m Dec 2014<br>$662m Jul 27 2015 | $0.000004m Oct 27 1999 | $0.1m May 28 2012 | $2,087m Oct 30 2007<br>$70m Dec 4 2007 | $2,000m Jan 31 2011 | $510m Jun 9 2004<br>$325m Dec 22 2004<br>$302m Feb 23 2005<br>$450m Nov 17 2005<br>$150m Mar 2 2006<br>$200m Mar 20 2006<br>$713 Oct 1 2007 | $346 Mar 26 2002 |
| 12 | Perpetual or dated | perpetual | perpetual | perpetual | perpetual | perpetual | perpetual | perpetual | perpetual |
| 13 | Original maturity date | No maturity | No maturity | No maturity | No maturity | 43034 | 44228 | June 10 2009 | No maturity |
| 14 | Issuer call subject to prior supervisory approval | No | No | No | No | Yes | Yes | Yes | No |
| 15 | Optional call date, contingent call dates and redemption amount | N/A | N/A | N/A | N/A | 10000 | 10000 | 10000 | N/A |
| 16 | Subsequent call dates, if applicable | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| **Coupons / dividends** | | | | | | | | | |
| 17 | Fixed or floating dividend/coupon | N/A | N/A | N/A | N/A | Fixed-rate | Fixed-rate | Floating-rate | N/A |
| 18 | Coupon rate and any related index | N/A | N/A | N/A | N/A | 2.75% and 2.85% above 10 year treasury at time of issue | 0.08 | 0.9% + 12 month US$ LIBOR | 0.9% + 12 month US$ LIBOR |
| 19 | Existence of a dividend stopper | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Fully discretionary | Fully discretionary | Fully discretionary | Fully discretionary | Fully discretionary | Fully discretionary | Partially discretionary | Fully discretionary |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Fully discretionary | Fully discretionary | Fully discretionary | Fully discretionary | Fully discretionary | Fully discretionary | Fully discretionary | Fully discretionary |
| 21 | Existence of step up or other incentive to redeem | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 22 | Noncumulative or cumulative | N/A | N/A | N/A | N/A | Non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 24 | If convertible, conversion trigger(s) | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 25 | If convertible, fully or partially | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 26 | If convertible, conversion rate | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 27 | If convertible, mandatory or optional conversion | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 28 | If convertible, specify instrument type convertible into | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 29 | If convertible, specify issuer of instrument it converts into | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 30 | Write-down features | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 31 | If write-down, write-down trigger(s) | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 32 | If write-down, full or partial | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 33 | If write-down, permanent or temporary | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | One class of share & same rights attached to all shares | Ranks below preference shares in respect of income and capital distributions | Ranks below preferred ordinary and preference shares in respect of income and capital distributions | Ranks below preference ordinary and preference shares in respect of income and capital distributions | Ranks above ordinary shares in respect of income and capital distributions | Ranks above ordinary shares in respect of income and capital distributions | Ranks above ordinary shares in respect of income and capital distributions | Ranks above ordinary shares in respect of income and capital distributions |
| 36 | Non-compliant transitioned features | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 37 | If yes, specify non-compliant features | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

## Table 11. Capital Instruments for JPMCHL and Significant Subsidiaries (continued)

| Capital Instruments Main Features<br>All amounts in $ and million | | CET1 | CET1 | CET1 | CET1 | CET1 |
|---|---|---|---|---|---|---|
| 1 | Issuer | JPMEL | JPMIB | JPML | JPML | JPMEL |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | Private Placement | Private Placement | Private Placement | Private Placement | Private Placement |
| 3 | Governing law(s) of the instrument | The Companies Act 2006 | The Companies Act 2006 | The Companies Act 2006 | The Companies Act 2006 | The Companies Act 2006 |
| **Regulatory treatment** | | | | | | |
| 4 | Transitional CRR rules | Common Equity Tier 1 | Common Equity Tier 1 | Common Equity Tier 1 | Common Equity Tier 1 | Common Equity Tier 1 |
| 5 | Post-transitional CRR rules | Common Equity Tier 1 | Common Equity Tier 1 | Common Equity Tier 1 | Common Equity Tier 1 | Common Equity Tier 1 |
| 6 | Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated | Solo | Solo | Solo | Solo | Solo |
| 7 | Instrument type (types to be specified by each jurisdiction) | $ ordinary | $ ordinary | £ ordinary | $ ordinary | $ ordinary |
| 8 | Amount recognised in regulatory capital (Currency in million, as of most recent reporting date) | 1629 includes nominal and premium | 840 | 15 | 159 | 1629 includes nominal and premium |
| 9 | Nominal amount of instrument | 1 | 1 | 1 | 5 | 1 |
| 9a | Issue price | 1 | 1 | 1 | 5 | 1 |
| 9b | Redemption price | N/A | N/A | N/A | N/A | N/A |
| 10 | Accounting classification | Shareholders' equity | Shareholders' equity | Shareholders' equity | Shareholders' equity | Shareholders' equity |
| 11 | Original date of issuance | $0.000001m Sep 08 1992<br>$95m Sep 30 1993<br>$350m May 11 1995<br>$36m May 01 1997<br>$206m Oct 31 1997<br>$500m Nov 28 1997<br>$85m Nov 02 1998<br>$9m Oct 20 1999<br>$117m Dec 15 2005 | $0.000001m Dec 14 1999<br>$320m Dec 13 2012<br>$7m Dec 14 1999<br>$93m Apr 26 2000<br>$100m Jun 14 2001<br>$20m Sep 07 2004<br>$100m Oct 29 2004<br>$200m Apr 05 2007<br>$0.000001m Dec 14 1999 | $13m Dec 18 1987<br>$1m Nov 30 1989<br>$1m Dec 18 1987 | $23m Oct 21 1986<br>$40m Mar 17 1989<br>$39m Nov 15 1991<br>$0.26m Nov 16 1990<br>$0.00001m Jan 31 1991<br>$0.00001m Nov 13 1991<br>$28m Dec 19 1991<br>$18m Jan 1 1992 | $0.000001m Sep 08 1992<br>$95m Sep 30 1993<br>$350m May 11 1995<br>$36m May 01 1997<br>$206m Oct 31 1997<br>$500m Nov 28 1997<br>$85m Nov 02 1998<br>$9m Oct 20 1999<br>$117m Dec 15 2005 |
| 12 | Perpetual or dated | perpetual | Perpetual | perpetual | perpetual | perpetual |
| 13 | Original maturity date | No maturity | No maturity | No maturity | No maturity | No maturity |
| 14 | Issuer call subject to prior supervisory approval | No | No | No | No | No |
| 15 | Optional call date, contingent call dates and redemption amount | N/A | N/A | N/A | N/A | N/A |
| 16 | Subsequent call dates, if applicable | N/A | N/A | N/A | N/A | N/A |
| **Coupons / dividends** | | | | | | |
| 17 | Fixed or floating dividend/coupon | N/A | N/A | N/A | N/A | N/A |
| 18 | Coupon rate and any related index | N/A | N/A | N/A | N/A | N/A |
| 19 | Existence of a dividend stopper | N/A | N/A | N/A | N/A | N/A |
| 20 a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Fully discretionary | Fully discretionary | Fully discretionary | Fully discretionary | Fully discretionary |
| 20 b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Fully discretionary | Fully discretionary | Fully discretionary | Fully discretionary | Fully discretionary |
| 21 | Existence of step up or other incentive to redeem | N/A | N/A | N/A | N/A | N/A |
| 22 | Noncumulative or cumulative | N/A | N/A | N/A | N/A | N/A |
| 23 | Convertible or non-convertible | N/A | N/A | N/A | N/A | N/A |
| 24 | If convertible, conversion trigger(s) | N/A | N/A | N/A | N/A | N/A |
| 25 | If convertible, fully or partially | N/A | N/A | N/A | N/A | N/A |
| 26 | If convertible, conversion rate | N/A | N/A | N/A | N/A | N/A |
| 27 | If convertible, mandatory or optional conversion | N/A | N/A | N/A | N/A | N/A |
| 28 | If convertible, specify instrument type convertible into | N/A | N/A | N/A | N/A | N/A |
| 29 | If convertible, specify issuer of instrument it converts into | N/A | N/A | N/A | N/A | N/A |
| 30 | Write-down features | N/A | N/A | N/A | N/A | N/A |
| 31 | If write-down, write-down trigger(s) | N/A | N/A | N/A | N/A | N/A |
| 32 | If write-down, full or partial | N/A | N/A | N/A | N/A | N/A |
| 33 | If write-down, permanent or temporary | N/A | N/A | N/A | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism | N/A | N/A | N/A | N/A | N/A |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | One class of share & same rights attached to all shares | Only one shareholder and one class of shares - same rights attached to all shares | Ranks pari passu | Ranks pari passu | One class of share & same rights attached to all shares |
| 36 | Non-compliant transitioned features | N/A | N/A | N/A | N/A | N/A |
| 37 | If yes, specify non-compliant features | N/A | N/A | N/A | N/A | N/A |

## Table 12. Capital Instruments for BSUKHL and Significant Subsidiaries as well as JPMMML

| | Capital Instruments Main Features<br>All amounts in $ and million | CET1 | CET1 | AT1<br>T2 | CET1 | CET1 |
|---|---|---|---|---|---|---|
| 1 | Issuer | BSUKHL | JPMML | JPMML | JPMMML | JPMMML |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | Private Placement | Private Placement | Private Placement | Private Placement | Private Placement |
| 3 | Governing law(s) of the instrument | The Companies Act 2006 | The Companies Act 2006 | The Companies Act 2006 | The Companies Act 2006 | The Companies Act 2006 |
| **Regulatory treatment** | | | | | | |
| 4 | Transitional CRR rules | | Common Equity Tier 1 | Common Equity Tier 1 | Additional Tier 1/Tier 2 | Common Equity Tier 1 |
| 5 | Post-transitional CRR rules | Common Equity Tier 1 | Common Equity Tier 1 | Tier 2 | Common Equity Tier 1 | Common Equity Tier 1 |
| 6 | Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated | Consolidated | Solo | Solo | Solo | Solo |
| 7 | Instrument type (types to be specified by each jurisdiction) | £ ordinary | £ ordinary | $ preference | £ ordinary | $ ordinary |
| 8 | Amount recognised in regulatory capital (Currency in million, as of most recent reporting date) | 629 | 0 | 20 - AT1<br>5 - T2 | 0 | 25 |
| 9 | Nominal amount of instrument | 1 | 1 | 1,000,000 | 1 | 1 |
| 9a | Issue price | 1 | 1 | 1,000,000 | 1 | 1 |
| 9b | Redemption price | N/A | N/A | 1,000,000 | N/A | N/A |
| 10 | Accounting classification | Shareholders' equity | Shareholders' equity | Shareholders' equity | Shareholders' equity | Shareholders' equity |
| 11 | Original date of issuance | $0.000004m Oct 9 2000<br>$280m Nov 6 2000<br>$14m Jul 24 2002<br>$141m May 31 2007<br>$93m Aug 30 2007<br>$45m Nov 29 2007 | $0.0006m Mar 19 2008 | $25m Jan 24 2003 | $0.000002m Nov 7 2007 | $25m Oct 22 2012 |
| 12 | Perpetual or dated | perpetual | perpetual | perpetual | perpetual | perpetual |
| 13 | Original maturity date | No maturity | No maturity | No maturity | No maturity | No maturity |
| 14 | Issuer call subject to prior supervisory approval | No | No | Yes | No | No |
| 15 | Optional call date, contingent call dates and redemption amount | N/A | N/A | N/A | N/A | N/A |
| 16 | Subsequent call dates, if applicable | N/A | N/A | N/A | N/A | N/A |
| **Coupons / dividends** | | | | | | |
| 17 | Fixed or floating dividend/coupon | N/A | N/A | N/A | N/A | N/A |
| 18 | Coupon rate and any related index | N/A | N/A | N/A | N/A | N/A |
| 19 | Existence of a dividend stopper | N/A | N/A | N/A | N/A | N/A |
| 20 a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Fully discretionary | Fully discretionary | Fully discretionary | Fully discretionary | Fully discretionary |
| 20 b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Fully discretionary | Fully discretionary | Fully discretionary | Fully discretionary | Fully discretionary |
| 21 | Existence of step up or other incentive to redeem | N/A | N/A | N/A | N/A | N/A |
| 22 | Noncumulative or cumulative | N/A | N/A | Non-cumulative | N/A | N/A |
| 23 | Convertible or non-convertible | N/A | N/A | N/A | N/A | N/A |
| 24 | If convertible, conversion trigger(s) | N/A | N/A | N/A | N/A | N/A |
| 25 | If convertible, fully or partially | N/A | N/A | N/A | N/A | N/A |
| 26 | If convertible, conversion rate | N/A | N/A | N/A | N/A | N/A |
| 27 | If convertible, mandatory or optional conversion | N/A | N/A | N/A | N/A | N/A |
| 28 | If convertible, specify instrument type convertible into | N/A | N/A | N/A | N/A | N/A |
| 29 | If convertible, specify issuer of instrument it converts into | N/A | N/A | N/A | N/A | N/A |
| 30 | Write-down features | N/A | N/A | N/A | N/A | N/A |
| 31 | If write-down, write-down trigger(s) | N/A | N/A | N/A | N/A | N/A |
| 32 | If write-down, full or partial | N/A | N/A | N/A | N/A | N/A |
| 33 | If write-down, permanent or temporary | N/A | N/A | N/A | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism | N/A | N/A | N/A | N/A | N/A |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | One class of share & same rights attached to all shares | Ranks pari passu | Ranks pari passu | Ranks pari passu | Ranks pari passu |
| 36 | Non-compliant transitioned features | N/A | N/A | N/A | N/A | N/A |
| 37 | If yes, specify non-compliant features | N/A | N/A | N/A | N/A | N/A |

## 4.Capital requirements (Art. 438)

A strong capital position is essential to the Firm’s business strategy and competitive position. The Firm’s capital strategy focuses on long-term stability, which enables the Firm to build and invest in market-leading businesses, even in a highly stressed environment.

### Internal Capital Adequacy Assessment Process

The entities in scope complete an Internal Capital Adequacy Assessment Process (ICAAP) on a periodic basis, which provides management with a view of the impact of severe and unexpected events on earnings, risk-weighted assets and capital. The Firm’s ICAAP integrates stress testing protocols with capital planning.

The process assesses the potential impact of alternative economic and business scenarios on the Firm’s earnings and capital. These scenarios are articulated in terms of macroeconomic factors, which are key drivers of business results; global market shocks, which generate short-term but severe trading losses; and idiosyncratic operational risk events. The scenarios are intended to capture and stress key vulnerabilities and idiosyncratic risks facing the entities in scope. However, when defining a broad range of scenarios, realized events can always be worse. Accordingly, management considers additional stresses outside these scenarios, as necessary. ICAAP results are reviewed by management and the relevant Board of Directors.

### Minimum capital requirements

Tables 13 and 14 present minimum capital requirements for JPMCHL and its significant subsidiaries, BSUKHL and its significant subsidiary and JPMMML.

The standardized approach has been used for the calculation of Credit Risk and Market Risk Capital Requirements.
The basic indicator approach has been used for the calculation of Operational Risk Capital Requirements.
The Large Exposures Capital Requirement is entirely due to exposures to other JPMorgan group entities.

Table 13. Minimal Capital Requirements for Credit Risk (Banking Book) under the Standardised Approach

| Own funds credit exposure class<br>As at 31 December 2014 | JPMCHL<br>$m | JPMS plc<br>$m | JPMEL<br>$m | JPMIB<br>$m | JPML<br>$m | BSUKHL<br>$m | JPMML<br>$m | JPMMML<br>$m |
|---|---|---|---|---|---|---|---|---|
| Central governments or central banks | 18 | 11 | 1 | 0 | 7 | 4 | | |
| Public sector entities | 0 | | | 0 | | | | |
| Multilateral Development Banks | 0 | | | | | | | |
| Institutions | 14 | 507 | 2 | 0 | 4 | 1 | | 0 |
| Corporates | 758 | 431 | 234 | 34 | 9 | 8 | 4 | |
| Secured by mortgages on immovable property | 113 | 2 | | 111 | | | | |
| Items associated with particularly high risk | 35 | 35 | | | | | | |
| Claims on institutions and corporate with a short-term credit assessment | 711 | 109 | 40 | 565 | | 4 | 16 | |
| Other items | 368 | 346 | 15 | 7 | | 3 | | |
| **Total Capital Requirements** | **2,017** | **1,441** | **292** | **717** | **20** | **20** | **20** | **0** |

Table 14: Minimum capital requirement for market risk, settlement risk, large exposures and operational risk

| Own funds<br>As at 31 December 2014 | JPMCHL<br>$m | JPMS plc<br>$m | JPMEL<br>$m | JPMIB<br>$m | JPML<br>$m | BSUKHL<br>$m | JPMML<br>$m | JPMMML<br>$m |
|---|---|---|---|---|---|---|---|---|
| Position Risk | 5,166 | 4,914 | 20 | 0 | | 7 | 7 | |
| Commodities Risk | 55 | 55 | | | | | | |
| Foreign-Exchange Risk | 810 | 808 | 1 | 2 | 1 | 1 | 1 | |
| Settlement Risk | 60 | 60 | 0 | | | 1 | 1 | |
| Large Exposures | 3,256 | 3,178 | | | | 19 | | |
| Operational Risk | 1,205 | 696 | 237 | 44 | 186[4] | 0 | 4 | 1[4] |

[4] Operational risks for limited licence companies J. P. Morgan Ltd and J. P. Morgan Mansart Management Ltd are captured in Fixed Overheads Requirement

# 5.Exposure to counterparty credit risk (Art. 439)

## Internal capital and credit limits for counterparty credit exposures

The Firm expresses counterparty credit exposure using three measures of potential future exposure: Peak, Securities / Derivative Risk Equivalent ("S/DRE"), and Average exposure, using Monte-Carlo methods.  Monte-Carlo simulation models generate a mark-to-market distributions for a portfolio of financial instruments under various future market states. This calculation takes into account the effects of credit risk mitigants, such as close-out netting and collateral agreements.

Peak exposure to a counterparty is an extreme measure of exposure calculated at a 97.5% confidence level. In the case of derivatives, but conceptually similar for securities exposure via SRE, DRE is a measure that expresses the risk of derivative exposure on a basis intended to be equivalent to the risk of loan exposures. The measurement is done by equating the unexpected loss in a derivative counterparty exposure (which takes into consideration both the loss volatility and the credit rating of the counterparty) with the unexpected loss in a loan exposure (which takes into consideration only the credit rating of the counterparty). DRE is a less extreme measure of potential credit loss than Peak and is the primary measure used by the Firm for credit limits and credit approval of derivative transactions. Finally, Average is a measure of the expected fair value of the Firm's derivative receivables at future time periods, including the benefit of collateral. Average exposure over the total life of the derivative contract is used as the primary metric for pricing purposes and is used to calculate credit capital and the CVA

In order to assess the internal credit capital required to support its business in the event of unexpected credit losses, the Firm uses economic credit risk capital. To compute economic credit capital, the loss distribution for the wholesale portfolio is calculated by running Monte-Carlo simulations using J.P. Morgan's Proprietary Capital Model (PCM) with a one-year horizon. The principal drivers of portfolio capital are:

- The risk characteristics of individual exposures; and
- The correlations among different borrowers.

Portfolio capital is allocated to each exposure using a formula based on the exposure's Risk Grade, Probability of Default (PD), Loss Given Default (LGD), Loan Equivalent (LEQ) exposure amount, and tenor.

## Policies for securing collateral and establishing credit reserves, and with respect to wrong-way risk exposures

Entities in scope are covered by firmwide policies relating to the type of acceptable collateral posted in support of all forms of credit exposure.  Cash and certain high quality bonds are generally considered acceptable collateral.

The receipt of collateral to secure credit exposures is reflected through the LGD estimate at the facility level for Traditional Credit Products and through the expected exposure estimate for OTC derivatives and repo-style transactions in the economic capital calculations. The existence of guarantees is reflected in the internal risk grade assigned to the exposure, if the guarantee meets certain documentation standards and provides acceptable coverage of the obligor's indebtedness and economic and political risks. To address residual risk related to collateral and guarantees, the Firm has instituted policies to assess and monitor the enforceability and effectiveness of these credit risk mitigants.

The firm may be exposed to additional credit risk as a result of the wrong way nature of certain OTC derivatives and securities financing trades, or the wrong way nature of collateral taken against OTC derivative exposures. Wrong way risk is broadly defined as the potential for increased correlation between the Firm's exposure to a counterparty (AVG) and the counterparty's credit quality. Accordingly J.P. Morgan has established a credit policy that defines the CIB governance framework and additional controls to cover specific and general wrong way risk. Specific wrong way OTC Derivatives and securities financing trades within JPMS plc will have conservative credit exposure assigned which would lead to the CVA, Regulatory Credit Capital and Economic Credit Capital being much higher than for unrelated trades.

The impact of a downgrade in the Firm's credit rating is considered in the JPMorgan Chase & Co. SEC 10-K filing, at a firmwide level. The nature and magnitude of the impact of ratings downgrades depends on numerous contractual and behavioral factors (which the Firm believes are incorporated in its liquidity risk and stress testing metrics). Credit rating downgrade analysis is incorporated within the internal stress metrics for JPMCHL's key entities (JPMS plc, JPMEL and JPMIB)

## Counterparty Credit Risk analysis

### Table 15. Counterparty credit exposure analysed by financial contract type for JPMCHL and JPMS Plc

This table shows the counterparty credit risk exposure post-CRM, analysed by the type of financial contract. All derivatives are calculated using the mark to market approach and SFTs use the Financial Collateral Comprehensive Method. 'Other' financial contract type relates to Long Settlement Transactions

| Financial Contract Type | JPMCHL | | JPMS Plc | |
|---|---|---|---|---|
| As at 31 December 2014 | Mark To Market Approach $m | Other Approach $m | Mark To Market Approach $m | Other Approach $m |
| Interest Rate Contracts | 16,332 | - | 16,256 | - |
| Foreign Currency Contracts | 10,609 | - | 10,133 | - |
| Equities Contracts | 17,275 | - | 17,207 | - |
| Precious Metal other than Gold Contracts | 193 | - | 188 | - |
| Commodities other than Precious Metal Contracts | 10,437 | - | 10,436 | - |
| Securities Financing Transactions | - | 20,720 | - | 20,727 |
| Credit Derivatives | 7,017 | - | 6,992 | - |
| Other | - | 199 | - | 206 |
| **Total** | **61,863** | **20,919** | **61,212** | **20,933** |

### Table 16. Counterparty credit exposure analysed by financial contract type for JPMEL and JPMIB

This table shows the counterparty credit risk exposure post-CRM, analysed by the type of financial contract. All derivatives are calculated using the MTM approach and SFTs use the Financial Collateral Comprehensive Method.

| Financial Contract Type | JPMEL | | JPMIB | |
|---|---|---|---|---|
| As at 31 December 2014 | Mark To Market Approach $m | Other Approach $m | Mark To Market Approach $m | Other Approach $m |
| Interest Rate Contracts | - | - | 76 | - |
| Foreign Currency Contracts | 166 | - | 310 | - |
| Equities Contracts | - | - | 68 | - |
| Precious Metal other than Gold Contracts | - | - | 5 | - |
| Commodities other than Precious Metal Contracts | - | - | 1 | - |
| Securities Financing Transactions | - | 296 | - | 57 |
| Credit Derivatives | - | - | 24 | - |
| **Total** | **166** | **296** | **484** | **57** |

### Table 17. Counterparty credit exposure analysed by financial contract type for BSUKHL and JPMML

This table shows the counterparty credit risk exposure post-CRM, analysed by the type of financial contract. All derivatives are calculated using the mark to market approach and SFTs use the Financial Collateral Comprehensive Method.

| Financial Contract Type | BSUKHL | | JPMML | |
|---|---|---|---|---|
| | Mark To Market Approach | Other Approach | Mark To Market Approach | Other Approach |
| As at 31 December 2014 | $m | $m | $m | $m |
| Foreign Currency Contracts | 17 | - | 17 | - |
| Equities Contracts | 32 | - | 32 | - |
| Precious Metal other than Gold Contracts | 22 | - | 22 | - |
| Securities Financing Transactions | - | 294 | - | 294 |
| **Total** | **70** | **294** | **70** | **294** |

*Note:*

*(a) There is no counterparty credit risk in JPM Limited and JPM Mansart*

### Table 18. Counterparty credit exposure by approach

This table shows the counterparty credit risk trading book exposures for derivatives exposures. The population does not include CCR relating to securities financing. Exposures reported under the Mark to Market (MTM) method are subject to appropriate netting and collateral offsets and require adjustment for market driven movements that may lead to increased replacement cost at the time of default, i.e. the potential future credit exposure

| Outstanding amount of exposure held | Gross Positive Fair Value of Contracts | Potential Future Credit Exposure | Netting Benefits | Net Current Credit Exposure | Collateral Held | Net Derivatives Credit Exposure |
|---|---|---|---|---|---|---|
| As at 31 December 2014 | $m | $m | $m | $m | $m | $m |
| **JPMCHL** | 230,605 | 128,184 | (240,429) | 118,360 | 56,498 | 61,863 |
| **JPMS Plc** | 230,241 | 127,870 | (240,489) | 117,622 | 56,410 | 61,212 |
| **JPMEL** | 83 | 84 | 0 | 166 | 0 | 166 |
| **JPMIB** | 391 | 231 | (45) | 578 | 93 | 485 |
| **BSUKHL** | 73 | 25 | (28) | 71 | 0 | 70 |
| **JPMML** | 73 | 25 | (28) | 71 | 0 | 70 |

*Note:*

*(b) There is no counterparty credit risk in JPM Limited and JPM Mansart*

Note: Neither JPMCHL nor BSUKHL (including all significant subsidiaries) use credit derivatives for hedging purposes

# 6.Credit risk adjustments (Art. 442)

## Definitions

The following definitions are used for accounting purposes:

***Impairment loss***: amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount (IAS 36).
***Past due***: A financial asset is past due when a counterparty has failed to make a payment when contractually due (IFRS 7).

## Credit risk adjustments for loan assets

The Company assesses at each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or portfolio of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that that loss event has an adverse impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Where there is objective evidence that impairment has been incurred; the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows.

Impairment losses are calculated based on a statistical method which incorporates the effects of the time value of money and considers cash flows from the remaining life of the asset compared to its carrying value.

Specific provisions are raised against specific loans and advances to customers when the Company considers that the credit worthiness of the borrower has deteriorated such that the recovery of the whole or part of an outstanding advance is in serious doubt. The asset is given an internal risk rating from 1 to 10 with 10 being the highest risk. No objective evidence of impairment exists if the asset is rated 1 to 6. Assets which are risk rated 7 and above are considered troubled or non-performing and are examined for impairment.

## Credit risk adjustments for derivatives

In determining the fair value of a derivative portfolio, Credit valuation adjustments are necessary to adjust the fair value to reflect the credit quality of the counterparty. Debit valuation adjustments are taken to reflect the credit quality of the Company in the valuation of liabilities measured at fair value. The Group also incorporates the impact of funding in its valuation estimates where there is evidence that a market participant in the principal market would incorporate it in a transfer of the instrument. Effective 2013, the Group implemented a funding valuation adjustment framework to incorporate the impact of funding into its valuation estimates for uncollateralised (including partially collateralised) OTC derivatives.

The Company is not generally exposed to either counterparty, its own credit risk or funding risk on its external derivatives portfolio as J.P.Morgan Chase Bank N.A., a group undertaking, provides credit and funding risk protection to the Company on its derivatives portfolio in return for an initial fee paid for each new transaction at its inception. Accordingly, the Company does not recognise Credit, Debit or Funding valuation adjustments.

## Credit Risk Exposures before credit risk mitigation

The following tables show the credit risk exposures before the application of credit risk mitigation.

### Table 19. Credit Risk Exposures before Credit Risk Mitigation (CRM) for JPMCHL

| EAD pre-CRM credit exposure class | JPMCHL | |
|---|---|---|
| | Exposure Pre CRM | Average Exposure Pre CRM over the Year |
| As at 31 Dec 14 | $m | $m |
| Central governments or central banks | 1,781 | 3,516 |
| Regional governments or local authorities | 13 | 16 |
| Multilateral development banks | 0 | 0 |
| Institutions | 585 | 2,728 |
| Corporates | 10,518 | 11,759 |
| Public sector entities | 0 | 3 |
| Past due items | 1,443 | 1,358 |
| Items belonging to regulatory high-risk categories (e.g. Private equity) | 289 | 75 |
| Short term claims on institutions and corporates | 12,141 | 16,743 |
| Other items | 5,058 | 4,248 |
| **Total Standardised Approach Credit Risk Exposure** | **31,828** | **40,446** |

### Table 20. Credit Risk Exposures before Credit Risk Mitigation (CRM) for JPMS Plc

| EAD pre-CRM credit exposure class | JPMS Plc | |
|---|---|---|
| | Exposure Pre CRM | Average Exposure Pre CRM over the Year |
| As at 31 Dec 14 | $m | $m |
| Central governments or central banks | 108 | 98 |
| Multilateral development banks | 0 | 0 |
| Institutions | 2,882 | 3,300 |
| Corporates | 6,123 | 7,481 |
| Mortgages | 59 | 46 |
| Public sector entities | | 3 |
| Items belonging to regulatory high-risk categories (e.g. Private equity) | 289 | 72 |
| Short term claims on institutions and corporates | 5,578 | 6,519 |
| Other items | 4,777 | 4,015 |
| **Total Standardised Approach Credit Risk Exposure** | **19,816** | **21,534** |

### Table 21.Credit Risk Exposures before Credit Risk Mitigation (CRM) for JPMEL

| EAD pre-CRM credit exposure class | JPMEL | |
|---|---|---|
| | Exposure Pre CRM | Average Exposure Pre CRM over the Year |
| As at 31 Dec 14 | $m | $m |
| Central governments or central banks | 125 | 45 |
| Institutions | 55 | 259 |
| Corporates | 3,218 | 3,084 |
| Short term claims on institutions and corporates | 3,012 | 2,155 |
| Other items | 193 | 178 |
| **Total Standardised Approach Credit Risk Exposure** | **6,603** | **5,721** |

## Table 22. Credit Risk Exposures before Credit Risk Mitigation (CRM) for JPMIB

| EAD pre-CRM credit exposure class | JPMIB | |
|---|---|---|
| | Exposure Pre CRM | Average Exposure Pre CRM over the Year |
| As at 31 Dec 14 | $m | $m |
| Central governments or central banks | 1,629 | 3,379 |
| Regional governments or local authorities | 13 | 16 |
| Institutions | 58 | 37 |
| Corporates | 431 | 563 |
| Mortgages | 1,385 | 1,312 |
| Public sector entities | 0 | 0 |
| Items belonging to regulatory high-risk categories (e.g. Private equity) | | 3 |
| Short term claims on institutions and corporates | 11,545 | 10,140 |
| Other items | 88 | 54 |
| **Total Standardised Approach Credit Risk Exposure** | **15,149** | **15,504** |

## Table 23. Credit Risk Exposures before Credit Risk Mitigation (CRM) for BSUKHL

| EAD pre-CRM credit exposure class | BSUKHL | |
|---|---|---|
| | Exposure Pre CRM | Average Exposure Pre CRM over the Year |
| As at 31 Dec 14 | $m | $m |
| Central governments or central banks | 5 | 24 |
| Institutions | 36 | 115 |
| Corporates | 100 | 62 |
| Short term claims on institutions and corporates | 143 | 102 |
| Other items | 186 | 103 |
| **Total Standardised Approach Credit Risk Exposure** | **470** | **406** |

## Table 24. Credit Risk Exposures before Credit Risk Mitigation (CRM) for JPMML

| EAD pre-CRM credit exposure class | JPMML | |
|---|---|---|
| | Exposure Pre CRM | Average Exposure Pre CRM over the Year |
| As at 31 Dec 14 | $m | $m |
| Central governments or central banks | 4 | 23 |
| Institutions | | 79 |
| Corporates | 50 | 13 |
| Short term claims on institutions and corporates | 290 | 131 |
| Other items | 186 | 103 |
| **Total Standardised Approach Credit Risk Exposure** | **530** | **349** |

## Table 25. Credit Risk Exposures before Credit Risk Mitigation (CRM) for JPML

| EAD pre-CRM credit exposure class | JPML | |
|---|---|---|
| | Exposure Pre CRM | Average Exposure Pre CRM over the Year $m |
| As at 31 Dec 14 | $m | $m |
| Institutions | 3,963 | 3,184 |
| Corporates | 132 | 163 |
| **Total Standardised Approach Credit Risk Exposure** | **4,095** | **3,347** |

## Geographical location of exposures

These tables show exposure at default pre-CRM (credit risk mitigation), broken down by credit exposure class and geographic location of the counterparty. In regards to the geographical analysis, the exposures relate to the location in which the customer is based.

### Table 26. Geographic analysis of credit exposure for JPMCHL

| EAD pre-CRM credit exposure class | JPMCHL | | | | | | |
|---|---|---|---|---|---|---|---|
| As at 31 Dec 14 | United Kingdom $m | Europe $m | United States $m | Africa $m | Asia $m | Rest of the world $m | Total $m |
| Central governments or central banks | 144 | 176 | 1,452 | | 0 | 9 | 1,781 |
| Regional governments or local authorities | | 13 | | | | | 13 |
| Multilateral development banks | | | | | | 0 | 0 |
| International organisations | | | | | | | |
| Institutions | 4 | 165 | 351 | | 1 | 65 | 585 |
| Corporates | 493 | 5,267 | 3,611 | | 187 | 960 | 10,518 |
| Retail | | | | | | | |
| Mortgages | 893 | 175 | 88 | 11 | 17 | 259 | 1,443 |
| Public sector entities | | | | | 0 | | 0 |
| Items belonging to regulatory high-risk categories (e.g. Private equity) | 0 | 289 | | | | 0 | 289 |
| Short term claims on institutions and corporates | 2,316 | 3,770 | 3,333 | 2 | 1,477 | 1,243 | 12,141 |
| Other items | 147 | 58 | 4,848 | | | 6 | 5,058 |
| **Total Standardised Approach Credit Risk Exposure** | **3,997** | **9,913** | **13,683** | **13** | **1,682** | **2,542** | **31,828** |

### Table 27. Geographic analysis of credit exposure for JPMS Plc

| EAD pre-CRM credit exposure class | JPMS Plc | | | | | | |
|---|---|---|---|---|---|---|---|
| As at 31 Dec 14 | United Kingdom $m | Europe $m | United States $m | Africa $m | Asia $m | Rest of the world $m | Total $m |
| Central governments or central banks | 108 | 0 | | | 0 | 0 | 108 |
| Multilateral development banks | | | | | | 0 | 0 |
| Institutions | 2,713 | 111 | 58 | | 0 | 0 | 2,882 |
| Corporates | 100 | 3,465 | 1,969 | | 0 | 589 | 6,123 |
| Mortgages | 59 | | | | | | 59 |
| Items belonging to regulatory high-risk categories (e.g. Private equity) | 0 | 289 | | | | 0 | 289 |
| Short term claims on institutions and corporates | 1,355 | 1,080 | 2,752 | 2 | 197 | 192 | 5,578 |
| Other items | | 58 | 4,714 | | | 5 | 4,777 |
| **Total Standardised Approach Credit Risk Exposure** | **4,335** | **5,003** | **9,493** | **2** | **197** | **786** | **19,816** |

### Table 28. Geographic analysis of credit exposure for JPMEL

| EAD pre-CRM credit exposure class | JPMEL | | | | | | |
|---|---|---|---|---|---|---|---|
| As at 31 Dec 14 | United Kingdom $m | Europe $m | United States $m | Africa $m | Asia $m | Rest of the world $m | Total $m |
| Central governments or central banks | 6 | | | | | 119 | 125 |
| Institutions | 1 | 54 | 0 | | | | 55 |
| Corporates | 286 | 1,438 | 1,185 | | | 309 | 3,218 |
| Short term claims on institutions and corporates | 2,300 | 127 | 477 | | 1 | 107 | 3,012 |
| Collective investment undertakings (CIUs) | | | | | | | |
| Other items | 147 | | 46 | | | | 193 |
| **Total Standardised Approach Credit Risk Exposure** | **2,740** | **1,619** | **1,708** | **0** | **1** | **535** | **6,603** |

### Table 29. Geographic analysis of credit exposure for JPMIB

| EAD pre-CRM credit exposure class<br>As at 31 Dec 14 | JPMIB<br>United Kingdom<br>$m | <br>Europe<br>$m | <br>United States<br>$m | <br>Africa<br>$m | <br>Asia<br>$m | <br>Rest of the world<br>$m | <br>Total<br>$m |
|---|---|---|---|---|---|---|---|
| Central governments or central banks | 2 | 175 | 1,452 | | | | 1,629 |
| Regional governments or local authorities | | 13 | | | | | 13 |
| Institutions | 58 | | | | | | 58 |
| Corporates | 40 | 113 | 0 | | 201 | 77 | 431 |
| Retail | | | | | | | |
| Mortgages | 567 | 175 | 88 | 11 | 73 | 471 | 1385 |
| Public sector entities | | | | | 0 | | 0 |
| Short term claims on institutions and corporates | 4,813 | 2,554 | 245 | 55 | 1,370 | 2,508 | 11545 |
| Other items | | | 88 | | | | 88 |
| **Total Standardised Approach Credit Risk Exposure** | **5,480** | **3,031** | **1,873** | **66** | **1,644** | **3,056** | **15,149** |

### Table 30. Geographic analysis of credit exposure for BSUKHL

| EAD pre-CRM credit exposure class<br>As at 31 Dec 14 | BSUKHL<br>United Kingdom<br>$m | <br>Europe<br>$m | <br>United States<br>$m | <br>Africa<br>$m | <br>Asia<br>$m | <br>Rest of the world<br>$m | <br>Total<br>$m |
|---|---|---|---|---|---|---|---|
| Central governments or central banks | | | | | | 5 | 5 |
| Institutions | | | 36 | | | | 36 |
| Corporates | 49 | | 51 | | | | 100 |
| Short term claims on institutions and corporates | 34 | 87 | 22 | | | | 143 |
| Other items | 186 | | | | | | 186 |
| **Total Standardised Approach Credit Risk Exposure** | **269** | **87** | **108** | **0** | **0** | **5** | **470** |

### Table 31. Geographic analysis of credit exposure for JPMML

| EAD pre-CRM credit exposure class<br>As at 31 Dec 14 | JPMML<br>United Kingdom<br>$m | <br>Europe<br>$m | <br>United States<br>$m | <br>Asia<br>$m | <br>Africa<br>$m | <br>Rest of the world<br>$m | <br>Total<br>$m |
|---|---|---|---|---|---|---|---|
| Central governments or central banks | | | | | | 4 | 4 |
| Corporates | | | 50 | | | | 50 |
| Short term claims on institutions and corporates | 181 | 87 | 22 | | | | 289 |
| Other items | 186 | | | | | | 186 |
| **Total Standardised Approach Credit Risk Exposure** | **367** | **87** | **72** | **0** | **0** | **4** | **530** |

### Table 32. Geographic analysis of credit exposure for JPML

| EAD pre-CRM credit exposure class<br>As at 31 Dec 14 | JPML<br>United Kingdom<br>$m | <br>Europe<br>$m | <br>United States<br>$m | <br>Asia<br>$m | <br>Africa<br>$m | <br>Rest of the world<br>$m | <br>Total<br>$m |
|---|---|---|---|---|---|---|---|
| Institutions | | | 3,961 | 1 | | 1 | 3,963 |
| Corporates | 0 | | 128 | 2 | | 2 | 132 |
| **Total Standardised Approach Credit Risk Exposure** | **0** | | **4,089** | **3** | **0** | **3** | **4,905** |

## Industry analysis of credit exposures

These tables show exposure at default pre-CRM (credit risk mitigation), broken down by credit exposure class and the industrial sector associated with the obligor or counterparty.

### Table 33. Industry analysis of credit exposure for JPMCHL

| EAD pre-CRM credit exposure class | JPMCHL | | | | |
|---|---|---|---|---|---|
| | Banks | Non-Bank Financial Institutions | Non-Financial Corporations | Other | Total |
| As at 31 Dec 14 | $m | $m | $m | $m | $m |
| Central governments or central banks | | 0 | | 1,781 | 1,781 |
| Regional governments or local authorities | | | | 13 | 13 |
| Multilateral development banks | | | | 0 | 0 |
| International organisations | | | | | |
| Institutions | 456 | 99 | | 30 | 585 |
| Corporates | 5 | 2,290 | 8,030 | 193 | 10,518 |
| Retail | | | | | |
| Mortgages | | 446 | | 997 | 1,443 |
| Public sector entities | | | | 0 | 0 |
| Items belonging to regulatory high-risk categories (e.g. Private equity) | | 289 | 0 | | 289 |
| Short term claims on institutions and corporates | 3,889 | 4,662 | 1,162 | 2,428 | 12,141 |
| Other items | 797 | 4,261 | | | 5,058 |
| **Total Standardised Approach Credit Risk Exposure** | **5,147** | **12,047** | **9,192** | **5,442** | **31,828** |

### Table 34. Industry analysis of credit exposure for JPMS Plc

| EAD pre-CRM credit exposure class | JPMS Plc | | | | |
|---|---|---|---|---|---|
| | Banks | Non-Bank Financial Institutions | Non-Financial Corporations | Other | Total |
| As at 31 Dec 14 | $m | $m | $m | $m | $m |
| Central governments or central banks | | 0 | | 108 | 108 |
| Multilateral development banks | | | | 0 | 0 |
| Institutions | 2,766 | 116 | | | 2,882 |
| Corporates | 3 | 655 | 5,334 | 131 | 6,123 |
| Mortgages | 59 | | | | 59 |
| Items belonging to regulatory high-risk categories (e.g. Private equity) | | 289 | 0 | | 289 |
| Short term claims on institutions and corporates | 3,432 | 1,868 | 267 | | 5,578 |
| Other items | 797 | 3,980 | | | 4,777 |
| **Total Standardised Approach Credit Risk Exposure** | **7,068** | **6,908** | **5,601** | **239** | **19,816** |

### Table 35. Industry analysis of credit exposure for JPMEL

| EAD pre-CRM credit exposure class | JPMEL | | | | |
|---|---|---|---|---|---|
| | Banks | Non-Bank Financial Institutions | Non-Financial Corporations | Other | Total |
| As at 31 Dec 14 | $m | $m | $m | $m | $m |
| Central governments or central banks | | | 119 | 6 | 125 |
| Institutions | 20 | 1 | 34 | | 55 |
| Corporates | | 347 | 2,814 | 57 | 3,218 |
| Short term claims on institutions and corporates | 327 | 2,470 | 215 | | 3,012 |
| Other items | | 46 | | 147 | 193 |
| **Total Standardised Approach Credit Risk Exposure** | **347** | **2,864** | **3,182** | **210** | **6,603** |

## Table 36. Industry analysis of credit exposure for JPMIB

| EAD pre-CRM credit exposure class | JPMIB | | | | |
|---|---|---|---|---|---|
| | Banks | Non-Bank Financial Institutions | Non-Financial Corporations | Other | Total |
| As at 31 Dec 14 | $m | $m | $m | $m | $m |
| Central governments or central banks | | | | 1,629 | 1,629 |
| Regional governments or local authorities | | | | 13 | 13 |
| Institutions | 57 | 1 | | | 58 |
| Corporates | | 169 | 200 | 62 | 431 |
| Retail | | | | | |
| Mortgages | | 443 | 3 | 939 | 1,385 |
| Public sector entities | | | | 0 | 0 |
| Short term claims on institutions and corporates | 4,546 | 3,885 | 685 | 2,429 | 11,545 |
| Other items | | 88 | | | 88 |
| **Total Standardised Approach Credit Risk Exposure/Capital** | **4,603** | **4,586** | **888** | **5,072** | **15,149** |

## Table 37. Industry analysis of credit exposure for BSUKHL

| EAD pre-CRM credit exposure class | BSUKHL | | | | |
|---|---|---|---|---|---|
| | Banks | Non-Bank Financial Institutions | Non-Financial Corporations | Other | Total |
| As at 31 Dec 14 | $m | $m | $m | $m | $m |
| Central governments or central banks | | 5 | | | 5 |
| Institutions | 36 | | | | 36 |
| Corporates | | 100 | | | 100 |
| Short term claims on institutions and corporates | 109 | | 34 | | 143 |
| Other items | 186 | | | | 186 |
| **Total Standardised Approach Credit Risk Exposure/Capital** | **331** | **105** | **34** | **0** | **470** |

## Table 38. Industry analysis of credit exposure for JPMML

| EAD pre-CRM credit exposure class | JPMML | | | | |
|---|---|---|---|---|---|
| | Banks | Non-Bank Financial Institutions | Non-Financial Corporations | Other | Total |
| As at 31 Dec 14 | $m | $m | $m | $m | $m |
| Central governments or central banks | | 4 | | | 4 |
| Corporates | | 50 | | | 50 |
| Short term claims on institutions and corporates | 109 | 34 | 147 | | 290 |
| Other items | 186 | | | | 186 |
| **Total Standardised Approach Credit Risk Exposure/Capital** | **295** | **88** | **147** | **0** | **530** |

## Table 39. Industry analysis of credit exposure for JPML

| EAD pre-CRM credit exposure class | JPML | | | | |
|---|---|---|---|---|---|
| | Banks | Non-Bank Financial Institutions | Non-Financial Corporations | Other | Total |
| As at 31 Dec 14 | $m | $m | $m | $m | $m |
| Institutions | 3,963 | | | | 3,963 |
| Corporates | | 128 | | 4 | 132 |
| **Total Standardised Approach Credit Risk Exposure/Capital** | **3,963** | **128** | | **4** | **4,095** |

## Residual maturity analysis of credit exposures

These tables show exposure at default pre-CRM (credit risk mitigation), broken down by credit exposure class and residual maturity. Residual maturity is the remaining number of years before and obligation becomes due according to the existing terms of agreement.

### Table 40. Residual maturity analysis of credit exposures for JPMCHL

| EAD pre-CRM credit exposure class | JPMCHL | | | | | | |
|---|---|---|---|---|---|---|---|
| As at 31 Dec 14 | On demand and qualifying revolving $m | Under one year $m | Over one year but not more than three years $m | Over three years but not more than five years $m | Over Five years but not more than ten years $m | Over ten years or undated $m | Total $m |
| Central governments or central banks | 1,719 | 9 | | | | 53 | 1,781 |
| Regional governments or local authorities | 13 | | | | | | 13 |
| Multilateral development banks | | | | | | 0 | 0 |
| International organisations | | | | | | | |
| Institutions | 360 | 57 | 56 | 43 | 40 | 29 | 585 |
| Corporates | 859 | 563 | 1,103 | 1,640 | 2,923 | 3,430 | 10,518 |
| Mortgages | 1,443 | | | | | | 1,443 |
| Public sector entities | 0 | | | | | | 0 |
| Items belonging to regulatory high-risk categories (e.g. Private equity) | 289 | | | | | 0 | 289 |
| Short term claims on institutions and corporates | 660 | 11,298 | 27 | | 2 | 154 | 12,141 |
| Other items | 5,058 | | | | | | 5,058 |
| **Total Standardised Approach Credit Risk Exposure** | **10,401** | **11,927** | **1,186** | **1,683** | **2,965** | **3,666** | **31,828** |

### Table 41. Residual maturity analysis of credit exposures for JPMS Plc

| EAD pre-CRM credit exposure class | JPMS Plc | | | | | | |
|---|---|---|---|---|---|---|---|
| As at 31 Dec 14 | On demand and qualifying revolving $m | Under one year $m | Over one year but not more than three years $m | Over three years but not more than five years $m | Over Five years but not more than ten years $m | Over ten years or undated $m | Total $m |
| Central governments or central banks | | 0 | | | | 108 | 108 |
| Multilateral development banks | | | | | | 0 | 0 |
| Institutions | | 30 | 27 | 25 | 4 | 2,796 | 2,882 |
| Corporates | | 372 | 2,133 | 3,225 | 388 | 5 | 6,123 |
| Mortgages | | | | | | 59 | 59 |
| Items belonging to regulatory high-risk categories (e.g. Private equity) | | | | | | 289 | 289 |
| Short term claims on institutions and corporates | | 4,302 | | | | 1,276 | 5,578 |
| Other items | | | | | | 4,777 | 4,777 |
| **Total Standardised Approach Credit Risk Exposure** | **0** | **4,704** | **2,160** | **3,250** | **392** | **9,310** | **19,816** |

Table 42. Residual maturity analysis of credit exposures for JPMEL

| EAD pre-CRM credit exposure class<br>As at 31 Dec 14 | JPMEL<br>On demand and qualifying revolving<br>$m | Under one year<br>$m | Over one year but not more than three years<br>$m | Over three years but not more than five years<br>$m | Over Five years but not more than ten years<br>$m | Over ten years or undated<br>$m | Total<br>$m |
|---|---|---|---|---|---|---|---|
| Central governments or central banks | | | | | | 125 | 125 |
| Institutions | | 6 | 14 | 34 | 0 | 1 | 55 |
| Corporates | | 115 | 1,195 | 1606 | 197 | 105 | 3,218 |
| Short term claims on institutions and corporates | 2 | 2,642 | 144 | | | 224 | 3,012 |
| Other items | | | | | | 193 | 193 |
| **Total Standardised Approach Credit Risk Exposure** | **2** | **2,763** | **1,353** | **1,640** | **197** | **648** | **6,603** |

Table 43. Residual maturity analysis of credit exposures for JPMIB

| EAD pre-CRM credit exposure class<br>As at 31 Dec 14 | JPMIB<br>On demand and qualifying revolving<br>$m | Under one year<br>$m | Over one year but not more than three years<br>$m | Over three years but not more than five years<br>$m | Over Five years but not more than ten years<br>$m | Over ten years or undated<br>$m | Total<br>$m |
|---|---|---|---|---|---|---|---|
| Central governments or central banks | 1 | | | | | 1,628 | 1,629 |
| Regional governments or local authorities | | | | | | 13 | 13 |
| Institutions | | 57 | | | | 1 | 58 |
| Corporates | | 357 | 47 | 3 | 11 | 13 | 431 |
| Retail | | | | | | | |
| Mortgages | | 193 | 460 | 707 | 25 | | 1,385 |
| Public sector entities | 0 | | | | | | 0 |
| Short term claims on institutions and corporates | 3,135 | 7,637 | | | | 773 | 11,545 |
| Other items | | | | | | 88 | 88 |
| **Total Standardised Approach Credit Risk Exposure** | **3,136** | **8,244** | **507** | **710** | **36** | **2,517** | **15,149** |

Table 44. Residual maturity analysis of credit exposures for BSUKHL

| EAD pre-CRM credit exposure class<br>As at 31 Dec 14 | BSUKHL<br>On demand and qualifying revolving<br>$m | Under one year<br>$m | Over one year but not more than three years<br>$m | Over three years but not more than five years<br>$m | Over Five years but not more than ten years<br>$m | Over ten years or undated<br>$m | Total<br>$m |
|---|---|---|---|---|---|---|---|
| Central governments or central banks | | | | | | 5 | 5 |
| Institutions | | | | | | 36 | 36 |
| Corporates | | | | | | 100 | 100 |
| Short term claims on institutions and corporates | | 143 | | | | | 143 |
| Other items | | | | | | 186 | 186 |
| **Total Standardised Approach Credit Risk Exposure** | **0** | **143** | **0** | **0** | **0** | **327** | **470** |

Table 45. Residual maturity analysis of credit exposures for JPMML

| EAD pre-CRM credit exposure class | JPMML | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 14 | $m | $m | $m | $m | $m | $m | $m |
| Central governments or central banks | | | | | | 4 | 4 |
| Corporates | | | | | | 50 | 50 |
| Short term claims on institutions and corporates | | 290 | | | | | 290 |
| Other items | | | | | | 186 | 186 |
| **Total Standardised Approach Credit Risk Exposure** | **0** | **290** | **0** | **0** | **0** | **240** | **530** |

Table 46. Residual maturity analysis of credit exposures for JPML

| EAD pre-CRM credit exposure class | JPML | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 14 | $m | $m | $m | $m | $m | $m | $m |
| Institutions | | | | | | 3,963 | 3,963 |
| Corporates | | | | | | 132 | 132 |
| **Total Standardised Approach Credit Risk Exposure** | **0** | **0** | **0** | **0** | **0** | **4,095** | **4,095** |

## Past due and impaired loans

The tables below represent the past due and impaired loans for 2014. JPMCHL and JPMEL are the only entities with such loans and hence being disclosed.

Table 47. Analysis of impaired and past due exposures and allowance for impairment by exposure type for JPMCHL

This table shows total loans and advances to customers and banks, past due balances and impaired loan balances, split by exposure type.

| | JPMCHL | | | | | |
|---|---|---|---|---|---|---|
| | Neither Past due nor Impaired | Past Due but not Impaired | Impaired Loans | | Total | Allowance for Impairment |
| | | | Individually | Collectively | | |
| As at 31 Dec 14 | $m | $m | $m | $m | $m | $m |
| Loans and advances to banks | 4,855 | | | | 4,855 | |
| Loans and advances to customers | 11,174 | 11 | 66 | | 11,251 | 10 |
| Financial assets available for sale | 1,468 | | | | 1,468 | |
| **Total** | **17,497** | **11** | **66** | **0** | **17,574** | **10** |

### Table 48. Analysis of impaired and past due exposures and allowance for impairment by exposure type for JPMEL

This table shows total loans and advances to customers and banks, past due balances and impaired loan balances, split by exposure type.

| | JPMEL | | | | | |
|---|---|---|---|---|---|---|
| | Neither Past due nor Impaired | Past Due but not Impaired | Impaired Loans | | Total | Allowance for Impairment |
| | | | Individually | Collectively | | |
| As at 31 Dec 14 | $m | $m | $m | $m | $m | $m |
| Loans and advances to banks | 219 | | | | 219 | |
| Loans and advances to customers | 2,711 | 11 | 66 | | 2,788 | 10 |
| Financial assets available for sale | 10 | | | | 10 | |
| **Total** | **2,940** | **11** | **66** | **0** | **3,017** | **10** |

The tables below represent the analysis of movement on impairment taken directly to P&L for 2014. JPMCHL and JPMEL are the only entities with such loans and hence disclosed.

### Table 49. Geographic analysis of impaired and past due exposures and allowance for impairment for JPMCHL

This table shows past due and impaired loans and advances to customers and banks split by geographic location of the counterparty.

| | JPMCHL | | | | |
|---|---|---|---|---|---|
| | Past Due but not Impaired | Impaired Loans | | Total | Allowance for Impairment |
| | | Individually | Collectively | | |
| As at 31 Dec 14 | $m | $m | $m | $m | $m |
| UK | | 27 | | 27 | 2 |
| Other European Union | | 27 | | 27 | 5 |
| Rest of the World | | 12 | | 12 | 3 |
| **Total** | **0** | **66** | **0** | **66** | **10** |

### Table 50. Geographic analysis of impaired and past due exposures and allowance for impairment for JPMEL

This table shows past due and impaired loans and advances to customers and banks split by geographic location of the counterparty.

| | JPMEL | | | | |
|---|---|---|---|---|---|
| | Past Due but not Impaired | Impaired Loans | | Total | Allowance for Impairment |
| | | Individually | Collectively | | |
| As at 31 Dec 14 | $m | $m | $m | $m | $m |
| UK | | 27 | | 27 | 2 |
| Other European Union | | 27 | | 27 | 5 |
| Rest of the World | | 12 | | 12 | 3 |
| **Total** | **0** | **66** | **0** | **66** | **10** |

### Table 51. Analysis of movement on impairment and amounts taken directly to profit and loss for JPMCHL

This table shows the movement in the impairment allowance for individually impaired loans between 2013 and 2014 year-end.

| Impairment movement | JPMCHL Allowance for Impairment Year Ended 31 December 2014 $m |
|---|---|
| Starting period | 13 |
| Acquisitions and disposals | |
| Exchange and other adjustments | |
| Unwind of discount | |
| Amounts written off | |
| Recoveries | (0) |
| Amounts charged against profit (see below) | (3) |
| **Ending period** | **10** |
| **Amounts charged against profit** | **P&L Impact $m** |
| New and increased impairment allowances | 0 |
| Releases | (3) |
| Recoveries | |
| **Total impairment on loans and advances** | **(3)** |

### Table 52. Analysis of movement on impairment and amounts taken directly to profit and loss for JPMEL

This table shows the movement in the impairment allowance for individually impaired loans between 2013 and 2014 year-end.

| Impairment movement | JPMEL Allowance for Impairment Year Ended 31 December 2014 $m |
|---|---|
| Starting period | 13 |
| Acquisitions and disposals | |
| Exchange and other adjustments | |
| Unwind of discount | |
| Amounts written off | |
| Recoveries | - |
| Amounts charged against profit (see below) | (3) |
| **Ending period** | **10** |
| **Amounts charged against profit** | **P&L Impact $m** |
| New and increased impairment allowances | - |
| Releases | (3) |
| Recoveries | |
| **Total impairment on loans and advances** | **(3)** |

# 7.Unencumbered assets (Art. 443)

Disclosure of the information required under article 443 of the CRR, including those detailed in the EBA Guidelines on encumbered and unencumbered assets[5], has been made under separate disclosure on June 30th 2015.

This document can be found on the Company website, adjacent to this document, following the link copied here:

http://investor.shareholder.com/jpmorganchase/basel.cfm

# 8.Use of External Credit Assessment Institutions (Art. 444)

## ECAIs and exposure classes

Under the Standardised approach, risk weighted assets (RWAs) are calculated using credit ratings assigned by External Credit Assessment Institutions (ECAIs).

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

- Moody's
- Standard & Poor's (S&P)
- Fitch

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

- Central governments and central banks
- Institutions
- Corporates
- Securitisation positions
- Multilateral development banks
- Regional governments and local authorities
- Short-term claims on institutions and corporates

All other exposure classes are assigned risk weightings described in the Standard approach for RWA calculation in C

[5] EBA/GL/2014/03 pub. 27th June 2014

## CQS and Risk Weight Mapping for Rated and Unrated Counterparties

J. P. Morgan uses the credit rating to CQS (credit quality step) mapping tables (Table 1 and 2) provided by EBA[6] to determine appropriate CQS for counterparties and securities. Exposures can not be assigned a risk weight lower than sovereign risk weight. Long-term and short-term risk weight percentages are then determined using exposure class and maturity in compliance with CRR[7].

Table 53. Standardised approach: mapping of ECAIs' credit assessments to credit quality steps. Long term mapping[2]

| Credit Quality Step | Fitch's assessments | Moody's assessments | S&P's assessments | Corporate and CIUs | Institution | | | Sovereign | Securitisation (Standardised Approach) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Sovereign method | Credit Assessment method | | | |
| | | | | | | Maturity | Maturity 3 months or less | | |
| 1 | AAA to AA- | Aaa to Aa3 | AAA to AA- | 20% | 20% | 20% | 20% | 0% | 20% |
| 2 | A+ to A- | A1 to A3 | A+ to A- | 50% | 50% | 50% | 20% | 20% | 50% |
| 3 | BBB+ to BBB- | Baa1 to Baa3 | BBB+ to BBB- | 100% | 100% | 50% | 20% | 50% | 100% |
| 4 | BB+ to BB- | Ba1 to Ba3 | BB+ to BB- | 100% | 100% | 100% | 50% | 100% | 350% |
| 5 | B+ to B- | B1 to B- | B+ to B- | 150% | 100% | 100% | 50% | 100% | 1250% |
| 6 | CCC+ and below | Caa1 and below | CCC+ and below | 150% | 150% | 150% | 150% | 150% | 1250% |

Table 54. Standardised approach: mapping of ECAIs' credit assessments to credit quality steps. Short term mapping[2]

| Credit Quality Step | Fitch | Moody's | S&P | Risk weight | Securitisation (Standardised approach) |
|---|---|---|---|---|---|
| 1 | F1+, F1 | P-1 | A-1+, A-1 | 20% | 20% |
| 2 | F2 | P-2 | A-2 | 50% | 50% |
| 3 | F3 | P-3 | A-3 | 100% | 100% |
| 4 | Below F3 | NP | All short-term ratings below A-3 | 150% | 1250% |
| 5 | | | | 150% | 1250% |
| 6 | | | | 150% | 1250% |

If institution is unrated, central government CQS rating is used (or 20% risk weight if maturity is less than 3 months). If corporate is unrated, higher of 100% and central government risk weight is assigned. For an exposure to a regional government or local authority, the risk weight is determined based on the CQS setting applicable to the central government. Unrated central governments and banks are assigned 100% risk weight.

In accordance with Article 139 of the CRR, to determine the risk weight assigned to the issue, the issue credit assessment is used. When no directly applicable credit assessment exists for the issue, the general credit assessment for the issuer is used, provided the criteria stated in CRR[8] are satisfied. Otherwise the issue exposure is treated as unrated.

JP Morgan applies risk weights as prescribed in the CRR[9].

[6] http://www.eba.europa.eu/documents/10180/16166/4+Ausust+2006_Mapping.pdf

[7] PART THREE, Title III, Chapter II, Section 2, CRR

http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R0575&from=EN

[8] PART THREE, Title III, Chapter II, Section 2, Article 139 (2), CRR

http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R0575&from=EN

[9] PART THREE, Title III, Chapter II, Section 2, CRR

http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R0575&from=EN

## Exposures at default by credit quality step

The following tables show exposures at default, broken down by credit exposure class and credit quality step. The tables include exposures subject to the Standardised approach. For regulatory capital purposes, the in-scope entities do not apply credit risk mitigation in the calculation of credit risk exposures.

### Table 55. Credit quality step analysis of exposure and capital deductions under the Standardised Approach for JPMCHL

This table shows exposure at default, broken down by credit exposure class and credit quality step. This table includes exposures subject to the Standardised approach.

| EAD pre-CRM credit exposure class | JPMCHL | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 (7) | Total |
| As at 31 Dec 14 | $m | $m | $m | $m | $m | $m | $m | $m |
| Central governments or central banks | 1,514 | | | | | | 267 | 1,781 |
| Regional governments or local authorities | | | | | | | 13 | 13 |
| Multilateral development banks | | | | | | | 0 | 0 |
| International organisations | | | | | | | | |
| Institutions | 393 | 1 | 17 | 1 | | | 173 | 585 |
| Corporates | 1,386 | 2,074 | 389 | 792 | 168 | 63 | 5,646 | 10,518 |
| Retail | | | | | | | | |
| Mortgages | | | | | | | 1,443 | 1,443 |
| Public sector entities | | | | | | | 0 | 0 |
| Items belonging to regulatory high-risk categories (e.g. Private equity) | | | | | | | 289 | 289 |
| Short term claims on institutions and corporates | 2,530 | 44 | 31 | 47 | 12 | | 9,477 | 12,141 |
| Other items | 2 | 13 | 0 | | | | 5,043 | 5,058 |
| **Total Standardised Approach Credit Risk Exposure/Capital** | **5,825** | **2,132** | **437** | **840** | **180** | **63** | **22,351** | **31,828** |

### Table 56. Credit quality step analysis of exposure and capital deductions under the Standardised Approach for JPMS Plc

This table shows exposure at default, broken down by credit exposure class and credit quality step. This table includes exposures subject to the Standardised approach.

| EAD pre-CRM credit exposure class | JPMS Plc | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 (7) | Total |
| As at 31 Dec 14 | $m | $m | $m | $m | $m | $m | $m | $m |
| Central governments or central banks | 53 | | | | | | 55 | 108 |
| Multilateral development banks | | | | | | | 0 | 0 |
| Institutions | 50 | | | | | | 2,832 | 2,882 |
| Corporates | 1,026 | 1,354 | 228 | 532 | 31 | 32 | 2,920 | 6,123 |
| Retail | | | | | | | | 0 |
| Mortgages | | | | | | | 59 | 59 |
| Items belonging to regulatory high-risk categories (e.g. Private equity) | | | | | | | 289 | 289 |
| Short term claims on institutions and corporates | 2,305 | 34 | 16 | 35 | | | 3,188 | 5,578 |
| Other items | 2 | 13 | 0 | | | | 4,762 | 4,777 |
| **Total Standardised Approach Credit Risk Exposure/ Capital** | **3,436** | **1,401** | **244** | **567** | **31** | **32** | **14,105** | **19,816** |

### Table 57. Credit quality step analysis of exposure and capital deductions under the Standardised Approach for JPMEL

This table shows exposure at default, broken down by credit exposure class and credit quality step. This table includes exposures subject to the Standardised approach.

| EAD pre-CRM credit exposure class | JPMEL | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| As at 31 Dec 14 | Credit Quality Step 1 $m | Credit Quality Step 2 $m | Credit Quality Step 3 $m | Credit Quality Step 4 $m | Credit Quality Step 5 $m | Credit Quality Step 6 $m | Unrated (7) $m | Total $m |
| Central governments or central banks | 119 | | | | | | 6 | 125 |
| Institutions | 34 | 0 | 18 | 1 | | | 2 | 55 |
| Corporates | 360 | 719 | 161 | 260 | 136 | 32 | 1,550 | 3,218 |
| Short term claims on institutions and corporates | 90 | 10 | 15 | 12 | 13 | | 2,872 | 3,012 |
| Other items | | | | | | | 193 | 193 |
| **Total Standardised Approach Credit Risk Exposure/ Capital** | **603** | **729** | **194** | **273** | **149** | **32** | **4,623** | **6,603** |

### Table 58. Credit quality step analysis of exposure and capital deductions under the Standardised Approach for JPMIB

This table shows exposure at default, broken down by credit exposure class and credit quality step. This table includes exposures subject to the Standardised approach.

| EAD pre-CRM credit exposure class | JPMIB | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| As at 31 Dec 14 | Credit Quality Step 1 $m | Credit Quality Step 2 $m | Credit Quality Step 3 $m | Credit Quality Step 4 $m | Credit Quality Step 5 $m | Credit Quality Step 6 $m | Unrated (7) $m | Total $m |
| Central governments or central banks | 1,452 | | | | | | 177 | 1,629 |
| Administrative bodies and non-commercial undertakings | | | | | | | 13 | 13 |
| Institutions | | | | | | | 58 | 58 |
| Corporates | | | | | | | 431 | 431 |
| Mortgages | | | | | | | 1,385 | 1,385 |
| Public sector entities | | | | | | | 0 | 0 |
| Short term claims on institutions and corporates | 174 | | | | | | 11,371 | 11,545 |
| Other items | | | | | | | 88 | 88 |
| **Total Standardised Approach Credit Risk Exposure/ Capital** | **1,626** | **0** | **0** | **0** | **0** | **0** | **13,523** | **15,149** |

### Table 59. Credit quality step analysis of exposure and capital deductions under the Standardised Approach for JPML

This table shows exposure at default, broken down by credit exposure class and credit quality step. This table includes exposures subject to the Standardised approach.

| EAD pre-CRM credit exposure class | JPML | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| As at 31 Dec 14 | Credit Quality Step 1 $m | Credit Quality Step 2 $m | Credit Quality Step 3 $m | Credit Quality Step 4 $m | Credit Quality Step 5 $m | Credit Quality Step 6 $m | Unrated (7) $m | Total $m |
| Institutions | | 3,823 | | | | | 140 | 3,963 |
| Corporates | | | | | | | 132 | 132 |
| **Total Standardised Approach Credit Risk Exposure/ Capital** | **0** | **3,823** | **0** | **0** | **0** | **0** | **272** | **4,095** |

Table 60. Credit quality step analysis of exposure and capital deductions under the Standardised Approach for BSUKHL

This table shows exposure at default, broken down by credit exposure class and credit quality step. This table includes exposures subject to the Standardised approach.

| EAD pre-CRM credit exposure class | BSUKHL | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| As at 31 Dec 14 | Credit Quality Step 1 $m | Credit Quality Step 2 $m | Credit Quality Step 3 $m | Credit Quality Step 4 $m | Credit Quality Step 5 $m | Credit Quality Step 6 $m | Unrated (7) $m | Total $m |
| Central governments or central banks | | | | | | | 5 | 5 |
| Institutions | 36 | | | | | | | 36 |
| Corporates | | | | | | | 100 | 100 |
| Short term claims on institutions and corporates | 88 | | | | | | 55 | 143 |
| Other items | | | | | | | 186 | 186 |
| **Total Standardised Approach Credit Risk Exposure/ Capital** | **124** | **0** | **0** | **0** | **0** | **0** | **346** | **470** |

Table 61. Credit quality step analysis of exposure and capital deductions under the Standardised Approach for JPMML

This table shows exposure at default, broken down by credit exposure class and credit quality step. This table includes exposures subject to the Standardised approach.

| EAD pre-CRM credit exposure class | JPMML | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| As at 31 Dec 14 | Credit Quality Step 1 $m | Credit Quality Step 2 $m | Credit Quality Step 3 $m | Credit Quality Step 4 $m | Credit Quality Step 5 $m | Credit Quality Step 6 $m | Unrated (7) $m | Total $m |
| Central governments or central banks | | | | | | | 4 | 4 |
| Corporates | | | | | | | 50 | 50 |
| Short term claims on institutions and corporates | 88 | | | | | | 202 | 290 |
| Other items | | | | | | | 186 | 186 |
| **Total Standardised Approach Credit Risk Exposure/ Capital** | **88** | **0** | **0** | **0** | **0** | **0** | **442** | **530** |

## 9.Exposure to market risk (Art. 445)

JPMCHL's market risks arise predominantly from activities in the Firm's Corporate & Investment Bank business booked in JP Morgan Securities plc. CIB makes markets in products across fixed income, foreign exchange, equities and commodities markets. JPMCHL's portfolio of covered positions under Basel III is predominantly held by the Corporate and Investment Bank. Some additional covered positions are held by the Firm's other lines of business. BSUKHL's market risks arise from positions in the Firm's Corporate & Investment Bank and Treasury businesses booked in JP Morgan Markets Limited.

Table 62. Minimum capital requirement for market risk

| Market Risk | 2014 | |
|---|---|---|
| | Minimum Capital $m | RWA $m |
| **JPMCHL** | | |
| CAD 1 Model based PRR | - | - |
| Interest rate PRR | 2,562 | 32,027 |
| Equity PRR | 2,424 | 30,298 |
| Option PRR | - | - |
| Collective investment schemes PRR | 180 | 2,245 |
| Commodity PRR | 55 | 689 |
| Foreign exchange PRR | 810 | 10,131 |
| **Total Market Risk Capital Requirement** | **6,031** | **75,390** |
| **JPMS Plc** | | |
| CAD 1 Model based PRR | - | - |
| Interest rate PRR | 2,543 | 31,782 |
| Equity PRR | 2,191 | 27,392 |
| Option PRR | - | - |
| Collective investment schemes PRR | 180 | 2,245 |
| Commodity PRR | 55 | 689 |
| Foreign exchange PRR | 808 | 10,100 |
| **Total Market Risk Capital Requirement** | **5,777** | **72,208** |
| **JPMEL** | | |
| Interest rate PRR | 19 | 245 |
| Equity PRR | 0 | 0 |
| Foreign exchange PRR | 1 | 7 |
| **Total Market Risk Capital Requirement** | **20** | **252** |
| **JPMIB** | | |
| Interest rate PRR | 0 | 0 |
| Foreign exchange PRR | 2 | 25 |
| **Total Market Risk Capital Requirement** | **2** | **25** |
| **JPMML** | | |
| Interest rate PRR | 4 | 52 |
| Equity PRR | 2 | 31 |
| Foreign exchange PRR | 1 | 7 |
| **Total Market Risk Capital Requirement** | **7** | **90** |

*Note: JP Morgan Mansart has no market risk and hence not disclosed*

## 10.Operational Risk (Art. 446)

### Pillar 1

For Pillar 1 J. P. Morgan uses the Basic Indicator approach (BIA) to estimate its operational risks for the following entities:

- J. P. Morgan Securities Plc
- J. P. Morgan International Bank Ltd
- J. P. Morgan Europe Ltd
- J. P. Morgan Markets Ltd
- J. P. Morgan Capital Holdings Ltd
- Bear Stearns (UK) Holdings Ltd

Operational risks for limited licence companies J. P. Morgan Ltd and J. P. Morgan Mansart Management Ltd are captured in Fixed Overheads Requirement[10].

The following tables detail the operational risk RWAs reported in 2014 (Table 1) split by the method used to calculate operational risk capital requirement for each entity. Currently J. P. Morgan does not have PRA approval to calculate its operational risk requirement using Advanced Measurement Approach.

Table 63. Risk weighted assets for operational risk in 2014

| Calculation Method | JPMCHL $m | JPMS Plc $m | JPMEL $m | JPMIB $m | JPML $m | BSUKHL $m | JPMML $m | JPMMML $m |
|---|---|---|---|---|---|---|---|---|
| **Basic Indicator Approach** | 15,058 | 8,700 | 2,965 | 555 | | 0 | 44 | |
| **Fixed Overheads Requirement** | | | | | 2,325 | | | 12 |
| **TOTAL RWA** | **15,058** | **8,700** | **2,965** | **555** | **2,325** | **0** | **44** | **12** |

### Pillar 2

The Pillar 2A assessment is an internal view of the capital required to adequately support the risks of the UK regulated legal entities. This assessment takes into account the profile of each material entity specific risk.

The Pillar 2A is based on an allocation of the JPMorgan Chase & Co global operational risk regulatory capital derived from the firm's Advanced Model Approach (AMA) regulatory capital model to the relevant lines of business (LOBs) across the JPMCHL group, and JPMML entity. The apportionment of capital is based on the global net operating revenue for each LOB for the JPMCHL group, and for JPMML entity accordingly and assets under management (AUM) in the case of JPMMML entity.

[10]PART THREE, Title I, Chapter 1, Article 97, CRR

# 11. Exposure to interest rate risk on positions not included in the trading book (Art. 448)

## Firmwide approach to Interest Rate Risk in the Banking Book

The Firm's interest rate risk in the banking book results from traditional banking activities, which includes the extension of loans and credit facilities, and taking deposits (collectively referred to as non-trading activities), and the impact from the investment securities' portfolio and other related Treasury asset-liability management activities. Chief Investment Office (CIO) manages IRRBB exposure on behalf of the Firm by identifying, measuring, modelling and monitoring IRR across the firm's balance sheet. CIO identifies and understands material balance sheet impacts of new initiatives and products and executes market transactions to manage IRR through CIO investment portfolio's positions. Execution by CIO will be based on parameters established by senior management, per the CIO Investment Policy. Lines of businesses are responsible for developing and reviewing specific LOB IRR modelling assumptions. In certain Legal entities, Treasury manages IRR in partnership with CIO.

The Firm conducts simulations of changes in structural interest rate-sensitive revenue under a variety of interest rate scenarios for interest rate-sensitive assets and liabilities. Earnings-at-risk scenarios estimate the sensitivity of pre-tax income to changes in interest rates over rolling 12 months compared to base scenario, utilizing multiple assumptions. These scenarios highlight exposures to changes in interest rates, pricing sensitivities on deposits, optionality and changes in product mix. The scenarios include forecasted balance sheet changes, as well as prepayment and reinvestment behavior.

IRR limits are part of the firmwide market risk limits framework, which is documented in the firmwide Market Risk Management policy.

## IRRBB for the consolidation J.P. Morgan Chase Holdings Ltd

In addition to the firmwide IRR measures, JPMCHL's IRRBB is monitored through the standard approach, in line with PRA guidance (as discussed in the PRA's consultation paper (CP 1/15 – Assessing capital adequacy under Pillar 2). In particular, the instantaneous impact of +/-200bp parallel shock in rates on the economic value of the non-trading books, as defined within the scope of the Interest Rate Management policy, is estimated for each of the UK entities under JPMCHL. The calculation at JPMCHL level excludes the impact of the residual IRRBB from other lines of business outside CIO & Treasury. The evaluation of the impact of the 200bp shock on the economic value of JPMCHL's non-trading book vs. the legal entity's capital resources is assessed quarterly.

The following table shows the economic impact for a 200bp shift in rate for Treasury risk positions in the banking book of JPMCHL as at December 2014. The following is calculated in USD.

Table64. IRRBB for JPMCHL

| As at 31 Dec 14 | JPMCHL Non Trading +200bp economic impact $m | Non Trading -200bp economic impact $m | Ratio of economic impact to Capital Resources % |
|---|---|---|---|
| USD | 23.6 | -23.6 | |
| EUR | 29.0 | -29.0 | |
| GBP | 6.5 | -6.5 | |
| JPY | -0.3 | 0.3 | |
| Other | -0.1 | 0.1 | |
| **Total** | **58.8** | **-58.8** | **0.2%** |

## IRRBB for the consolidation Bear Sterns U.K. Holdings Ltd

In addition to the firmwide IRR measures, BSUKHL's IRRBB is monitored through the standard approach, in line with PRA guidance (as discussed in the PRA's consultation paper (CP 1/15 – Assessing capital adequacy under Pillar 2). In particular, the instantaneous impact of +/-200bp parallel shock in rates on the economic value of the non-trading books, as defined within the scope of the *Interest Rate Management policy*, is estimated for each of the UK entities under BSUKHL. The calculation at BSUKHL level excludes the impact of the residual IRRBB from other lines of business outside CIO & Treasury.

The following table shows the economic impact for a 200bp shift in rate for Treasury risk positions in the banking book of BSUKHL as at December 2014. The following is calculated in USD.

Table 65. IRRBB for BSUKHL

| As at 31 Dec 14 | BSUKHL Non Trading +200bp economic impact $m | Non Trading -200bp economic impact $m | Ratio of economic impact to Capital Resources % |
|---|---|---|---|
| USD | -0.5 | 0.5 | |
| EUR | 0.0 | 0.0 | |
| GBP | -0.1 | 0.1 | |
| JPY | 0.0 | 0.0 | |
| Other | 0.0 | 0.0 | |
| **Total** | **-0.6** | **0.6** | **0.03%** |

## 12.Non Trading Book Equity Investments

The non trading book equity positions within JPMCHL consolidated group are primarily related to the holdings of investments in subsidiaries.

The table below shows the fair value of non trading book equity positions as at December 2014.

Table 66. Fair value of and gains and losses on equity investments for JPMS Plc

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

| Non Trading Book Equity Investments<br>Fair Value of and gains and losses on equity investments | JPMS plc<br>As at 31 Dec 14<br>$m |
|---|---|
| Exchange Traded | 0 |
| Private Equity | 0 |
| Other | 3,392 |
| **Total** | **3,392** |

Table 67. Fair value of and gains and losses on equity investments for JPMEL

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

| Non Trading Book Equity Investments<br>Fair Value of and gains and losses on equity investments | JPMEL<br>As at 31 Dec 14<br>$m |
|---|---|
| Exchange Traded | 0 |
| Private Equity | 0 |
| Other | 10 |
| **Total** | **10** |

## 13.Exposure to Securitisation Positions

JPMCHL, via its significant subsidiary JPMS plc, undertakes trading activity in securitisations as an investor and the risks related to such positions are managed in accordance with the Firm's market risk management policies.

There is no activity in securitised exposures in BSUKHL or in J.P. M. Mansart Ltd.

Each line of business that transacts in these positions and the Market Risk function work together to monitor the positions, position changes, and the composition of the total portfolio. This includes, but is not limited to, the review of daily positions against approved risk limits using risk measures such as market values, risk factor sensitivities and stress loss scenarios. These positions are included in VaR. These positions are included in the market risk and limit reports that are distributed on a daily basis to the trading desks, Risk Management and senior managers within the lines of business.

The tables below contain securitised exposure amounts calculated under the standardised approach.

Table 68. Outstanding amount of exposures securitised – Trading Book

| Exposure Type | 2014 | | |
|---|---|---|---|
| Traditional Transactions | Originator $m | Sponsor $m | Securitised Positions Held $m |
| Residential Mortgages | 0 | 0 | 928 |
| Commercial Mortgages | 0 | 0 | 355 |
| Credit Card Receivables | 0 | 0 | 0 |
| Leasing | 0 | 0 | 0 |
| Loans to Corporates or SMEs | 0 | 0 | 231 |
| Consumer Loans | 0 | 0 | 12 |
| Trade Receivables | 0 | 0 | 0 |
| Securitisations | 0 | 0 | 0 |
| Other Assets | 0 | 0 | 68 |
| **Total** | **0** | **0** | **1,703** |

*Note: Securitisation disclosures are only applicable for J.P. Morgan Securities plc as it is the only entity in the JPMCHL group that engages in securitisation activity.*

Table 69. Aggregate amount of securitised positions retained or purchased by exposure type – Trading book

| Exposure type | 2014 | | |
|---|---|---|---|
| | Retained $m | Purchased $m | Total $m |
| Residential Mortgages | | 928 | 928 |
| Commercial Mortgages | | 355 | 355 |
| Credit Card Receivables | | 0 | 0 |
| Leasing | | 0 | 0 |
| Loans to Corporates or SMEs | | 231 | 231 |
| Consumer Loans | | 121 | 121 |
| Trade Receivables | | 0 | 0 |
| Securitisations | | 0 | 0 |
| Other Assets | | 68 | 68 |
| **Total** | **0** | **1,703** | **1,703** |

*Note: Securitisation disclosures are only applicable for J.P. Morgan Securities plc as it is the only entity in the JPMCHL group that engages in securitisation activity.*

Table 70. Aggregate amount of securitised positions retained or purchased by risk weight band – Trading book

| Risk weight band | 2014 Retained $m | Purchased $m | IRB S&P Equivalent Rating | STD S&P Equivalent Rating |
|---|---|---|---|---|
| < 10% | | 0 | AAA to A+ (Senior Positions Only) | N/A |
| > 10% < 20% | | 437 | A to A- (Senior Positions Only) / AAA to A+ (Base Case) | N/A |
| > 20% < 50% | | 355 | A to A- (Base Case) | AAA to AA- |
| > 50% < 100% | | 258 | BBB+ to BBB (Base Case) | A+ to A- |
| > 100% < 650% | | 251 | BBB- (Base Case) to BB (Base Case) | BBB+ to BB- |
| > 650% < 1250% | | 401 | BB- (Base Case) | N/A |
| Deducted | | 0 | B+ & Below (Base Case) | B+ & Below |
| **Total** | **0** | **1,703** | | |

*Note: Securitisation disclosures are only applicable for J.P. Morgan Securities plc as it is the only entity in the JPMCHL group that engages in securitisation activity.*

Table 71. Aggregate amount of securitised positions retained or purchased by credit quality step

| Credit Quality Step<br>As at 31 December 2014 | Trading book<br>1<br>$m | 2<br>$m | 3<br>$m | 4<br>(only for credit assessments other than short-term credit assessments)<br>$m | All other credit quality steps<br>$m | Total<br>$m |
|---|---|---|---|---|---|---|
| Securitisations | 438 | 335 | 256 | 255 | 370 | 1,654 |
| Resecuritisations | 20 | 2 | 0 | 0 | 27 | 49 |
| **Total** | **458** | **337** | **256** | **255** | **397** | **1,703** |

*Note: Securitisation disclosures are only applicable for J.P. Morgan Securities plc as it is the only entity in the JPMCHL group that engages in securitisation activity.*

## 14.Remuneration policy (Art. 450)

The remuneration disclosures required under article 450 of the CRR are disclosed under separate documentation located adjacent to this disclosure on the company website. A link to the relevant page is included here:

http://investor.shareholder.com/jpmorganchase/basel.cfm

.

# 15.Leverage (Art. 451)

## Managing leverage risk

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 capital adequacy framework is based around a regular cycle of point-in-time capital calculations and reporting, supplemented by forward-looking projections and stress-testing, with corrective action taken as and when required to maintain an appropriate level of capitalisation. Each part of the process is subject to rigorous control.

Periodically, the Firm completes the Internal Capital Adequacy Assessment Process (ICAAP), which provides management with a view of the impact of severe and unexpected events on earnings, risk-weighted assets, capital and leverage. The Firm's ICAAP integrates stress testing protocols with capital planning.

The process assesses the potential impact of alternative economic and business scenarios on the Firm's earnings and capital. These scenarios are articulated in terms of macroeconomic factors, which are key drivers of business results; global market shocks, which generate short-term but severe trading losses; and idiosyncratic operational risk events. The scenarios are intended to capture and stress key vulnerabilities and idiosyncratic risks facing the Firm. However, when defining a broad range of scenarios, realized events can always be worse. Accordingly, management considers additional stresses outside these scenarios, as necessary. ICAAP results are reviewed by management and the relevant Boards of Directors.

Table 72. Summary reconciliation of accounting assets and leverage ratio exposures

| CRR Leverage Ratio | | JPMCHL | BSUKHL | JPMSPlc | JPMEL | JPMIB | JPMML |
|---|---|---|---|---|---|---|---|
| Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures | | $'m<br>Applicable Amounts | $'m<br>Applicable Amounts | $'m<br>Applicable Amounts | $'m<br>Applicable Amounts | $'m<br>Applicable Amounts | $'m<br>Applicable Amounts |
| 1 | Total assets as per published financial statements | 523,775 | 4,491 | 508,108 | 12,052 | 17,838 | 4,750 |
| 2 | Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation | - | - | - | - | - | - |
| 3 | (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR") | - | - | - | - | - | - |
| 4 | Adjustments for derivative financial instruments | (125,900) | (25) | (126,092) | 83 | (54) | (25) |
| 5 | Adjustments for securities financing transactions "SFTs" | 20,919 | 294 | 20,933 | 296 | 57 | 294 |
| 6 | Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) | 7,766 | - | 4,596 | 3,036 | 134 | - |
| EU-6a | (Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013) | - | - | - | - | - | - |
| EU-6b | (Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013) | - | - | - | - | - | - |
| 7 | Other adjustments | (3,668) | - | (4,881) | (57) | (1) | - |
| **8** | **Leverage ratio exposure** | **422,891** | **4,760** | **402,665** | **15,410** | **17,975** | **5,019** |

Table 72. Summary reconciliation of accounting assets and leverage ratio exposures (continued)

| CRR Leverage Ratio<br><br>Table LRCom: Leverage ratio common disclosure | | JPMCHL $'m CRR leverage ratio exposures | BSUKHL $'m CRR leverage ratio exposures | JPMSPlc $'m CRR leverage ratio exposures | JPMEL $'m CRR leverage ratio exposures | JPMIB $'m CRR leverage ratio exposures | JPMML $'m CRR leverage ratio exposures |
|---|---|---|---|---|---|---|---|
| | **On-balance sheet exposures (excl. derivatives and SFTs)** | | | | | | |
| 1 | On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral) | 328,006 | 4,403 | 312,881 | 11,970 | 17,213 | 4,662 |
| 2 | (Asset amounts deducted in determining Tier 1 capital) | (3,668) | - | (4,881) | (57) | (1) | - |
| **3** | **Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)** | **324,338** | **4,403** | **308,000** | **11,912** | **17,212** | **4,662** |
| | **Derivative exposures** | | | | | | |
| 4 | Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin) | 14,151 | 50 | 13,790 | 83 | 279 | 50 |
| 5 | Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method) | 83,238 | 21 | 82,860 | 84 | 299 | 21 |
| EU-5a | Exposure determined under Original Exposure Method | - | - | - | - | - | - |
| 6 | Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework | - | - | - | - | - | - |
| 7 | (Deductions of receivables assets for cash variation margin provided in derivatives transactions) | (14,957) | (8) | (14,951) | - | (6) | (8) |
| 8 | (Exempted CCP leg of client-cleared trade exposures) | (12,564) | - | (12,564) | - | - | - |
| 9 | Adjusted effective notional amount of written credit derivatives | - | - | - | - | - | - |
| 10 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | - | - | - | - | - | - |
| **11** | **Total derivative exposures (sum of lines 4 to 10)** | **69,869** | **62** | **69,136** | **166** | **572** | **62** |
| | **Securities financing transaction exposures** | | | | | | |
| 12 | Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions | 20,919 | 294 | 20,933 | 296 | 57 | 294 |
| 13 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | - | - | - | - | - | - |
| EU-14a | Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013 | - | - | - | - | - | - |
| 15 | Agent transaction exposures | - | - | - | - | - | - |
| EU-15a | (Exempted CCP leg of client-cleared SFT exposure) | - | - | - | - | - | - |
| **16** | **Total securities financing transaction exposures (sum of lines 12 to 15a)** | **20,919** | **294** | **20,933** | **296** | **57** | **294** |
| | **Other off-balance sheet exposures** | | | | | | |
| 17 | Off-balance sheet exposures at gross notional amount | 14,823 | - | 9,216 | 5,473 | 134 | - |
| 18 | (Adjustments for conversion to credit equivalent amounts) | (7,057) | - | (4,620) | (2,437) | - | - |
| **19** | **Other off-balance sheet exposures (sum of lines 17 to 18)** | **7,766** | **-** | **4,596** | **3,036** | **134** | **-** |
| | **Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)** | | | | | | |
| EU-19a | (Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet)) | - | - | - | - | - | - |
| EU-19b | (Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet)) | - | - | - | - | - | - |
| | **Capital and Total Exposure** | | | | | | |
| **20** | **Tier 1 capital** | **33,713** | **738** | **22,646** | **3,370** | **1,233** | **4,074** |
| **21** | **Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)** | **422,891** | **4,760** | **402,665** | **15,410** | **17,975** | **5,019** |
| | **Leverage ratio** | | | | | | |
| **22** | Leverage ratio | 7.97% | 15.51% | 5.62% | 21.87% | 6.86% | 81.18% |
| | **Choice on transitional arrangements and amount of derecognised fiduciary items** | | | | | | |
| EU-23 | Choice on transitional arrangements for the definition of the capital measure | Fully phased-in | Fully phased-in | Fully phased-in | Fully phased-in | Fully phased-in | Fully phased-in |
| EU-24 | Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013 | - | - | - | - | - | - |

Table 73. On balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

| CRR Leverage Ratio | | JPMCHL $'m | BSUKHL $'m | JPMSPlc $'m | JPMEL $'m | JPMIB $'m | JPMML $'m |
|---|---|---|---|---|---|---|---|
| Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) | | CRR leverage ratio exposures | CRR leverage ratio exposures | CRR leverage ratio exposures | CRR leverage ratio exposures | CRR leverage ratio exposures | CRR leverage ratio exposures |
| EU-1 | Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which: | 328,006 | 4,403 | 312,881 | 11,970 | 17,213 | 4,662 |
| EU-2 | Trading book exposures | 285,769 | 3,927 | 279,647 | 70 | 107 | 4,124 |
| EU-3 | Banking book exposures, of which: | 42,237 | 477 | 33,234 | 11,900 | 17,106 | 538 |
| EU-4 | Covered bonds | - | - | - | - | - | - |
| EU-5 | Exposures treated as sovereigns | 2,681 | 4 | 995 | 15 | 1,642 | 4 |
| EU-6 | Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns | 385 | - | 385 | - | - | - |
| EU-7 | Institutions | 1,241 | 43 | 3,592 | 1 | 58 | 7 |
| EU-8 | Secured by mortgages of immovable properties | 1,443 | - | 59 | - | 1,385 | - |
| EU-9 | Retail exposures | - | - | - | - | - | - |
| EU-10 | Corporate | 4,220 | 100 | 2,918 | 240 | 315 | 51 |
| EU-11 | Exposures in default | - | - | - | - | - | - |
| EU-12 | Other exposures (eg equity, securitisations, and other non-credit obligation assets) | 32,266 | 329 | 25,284 | 11,644 | 13,706 | 476 |

# 16.Use of credit risk mitigation techniques (Art. 453)

## 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.

The Firm has internal policies in place relating to the type of acceptable collateral. These policies apply to the business which is booked in applicable UK legal entities. Cash and high quality bonds are generally considered acceptable collateral

As at 31st December 2014, circa 80% of the collateral which JPMS plc held was in cash while the rest was in high quality bonds.

Table 74. Credit mitigation use by exposure type – Standardised Approach

| EAD covered by financial collateral and other eligible collateral | JPMCHL | JPMS Plc | JPMEL | JPMIB | JPML | BSUKHL | JPMML |
|---|---|---|---|---|---|---|---|
| As at 31 Dec 14 | $m | $m | $m | $m | $m | $m | $m |
| Central governments or central banks | 5,993 | 5,993 | | | | | |
| Regional governments or local authorities | 234 | 234 | | | | | |
| Multilateral development banks | 2 | 2 | | | | | |
| International organisations | 0 | 0 | | | | | |
| Institutions | 38,197 | 38,109 | | 93 | | | |
| Corporates | 8,108 | 8,108 | | | | 0 | 0 |
| Public sector entities | 122 | 122 | | | | | |
| Items belonging to regulatory high-risk categories (e.g. Private equity) | 1,752 | 1,752 | | | | | |
| Short term claims on institutions and corporates | 2,090 | 2,090 | 0 | | | | |
| **Total Standardised Approach Credit Risk Exposure** | **56,498** | **56,410** | **0** | **93** | **0** | **0** | **0** |

*Note: The numbers presented above are absolutes.*

## Exposures covered by credit derivatives and guarantees

The UK entity JPMS plc has a significant volume of both bought and sold credit derivatives in its trading portfolio. These are held for trading intent and are treated under the market risk framework rather than as credit risk mitigation. Any CDS trades in other UK entities are client-driven trading activity deemed to be immaterial under the definitions in EBA GL2014/14.

# 17.Disclosures not applicable to the UK Entities for the period ending 31 December 2014

The following Articles of CRR are not applicable as at December 31, 2014:

- Capital buffers (Art. 440)
- Indicators of global systemic importance (Art. 441)
- Use of the IRB Approach to credit risk (Art. 452)
- Use of the Advanced Measurement Approaches to operational risk (Art. 454)
- Use of Internal Market Risk Models (Art. 455)

# 18.Glossary of Acronyms

| | |
|---|---|
| ALCO | Asset and Liability Committee |
| AMA | Advanced Model Approach |
| AUM | Assets Under Management |
| BRG | Business Resource Group |
| BSUKHL | Bear Stearns United Kingdom Holdings Limited |
| CEO | Chief Executive officer |
| CFO | Chief Finance Office |
| CIB | Corporate and Investment Bank |
| CIO | Chief Investment Office |
| COO | Chief Operating Officer |
| CRD IV | Capital Requirements Directive and Regulation |
| CRO | Chief Risk Officer |
| CRR | Capital Requirements Regulation |
| CTC | The CIO, Treasury and Other Corporate (CTC) Risk Committee |
| DPRC | Directors Risk Policy Committee |
| EBA | European Banking Authority |
| EMC | EMEA Management Committee |
| EMEA | Europe, Middle East and Africa |
| EOC | EMEA Operating Committee |
| ERC | EMEA Risk Committee |
| FRC | Firmwide Risk Committee |
| IAS | International Accounting Standards |
| IFRS | International Financial Reporting Standards |
| ILAAP | Internal Liquidity Adequacy Assessment Process |
| ILG | PRA Individual liquidity Guidance |
| IRRBB | Interest Rate Risk in the Banking Book |
| JPMC | J.P.Morgan Chase and Company |
| JPMCHL | J.P.Morgan Chase Holdings Limited |
| JPMEL | J.P.Morgan Europe Limited |
| JPMIB | J.P.Morgan International Bank Limited |
| JPMLTD | J.P.Morgan Limited |
| JPMML | J.P.Morgan Markets Limited |
| JPMMML | J.P. Morgan Mansart Management Limited |
| JPMSPLC | J.P. Morgan Securities PLC |
| LOB | Line of Business |
| NBIA | New Business Initiative Assessment |
| ORMF | Operational Risk Management Framework |
| PCM | Proprietary Capital Model |
| PRA | Prudential Regulation Authority |
| RCSA | Risk Control Self Assessment |
| RIFLEs | Risk Identification for Large Exposures |
| S/DRE | Securities/Derivatives Risk Exposure |