

BASEL III PILLAR III DISCLOSURES

JPMorgan Chase Bank, N.A., Mumbai Branch

Quarter ended June 30, 2015

Basel III - Pillar III disclosures for the quarter ended June 30, 2015

I. Scope of application

The Pillar III disclosures under Basel III Capital Regulation included herein are made solely to meet the requirements in India, and relate solely to the activities of JPMorgan Chase Bank, N.A., Mumbai Branch (“The Branch”) and its two associate Non Banking Financial Companies which are J.P. Morgan Securities India Private Limited (“JPMSI”) and J.P. Morgan Advisors India Private Limited (“JPMAI”). The Branch, JPMSI and JPMAI are wholly-owned subsidiaries of JPMorgan Chase & Co., U.S.A (“the Firm”) and together constitute “The Consolidated Bank” in line with the Reserve Bank of India (“RBI”) guidelines on the preparation of consolidated prudential returns.

For the purpose of financial reporting, the Branch is not required to consolidate any of its associates in accordance with Accounting Standard (‘AS’) 21, Consolidated Financial Statements.

For the purpose of consolidated prudential regulatory reporting, the consolidated Bank includes the above mentioned two associates as required by RBI in its circular on “Financial Regulation of Systemically Important NBFC’s and Bank’s relationship with them” vide circular ref. DBOD.No.FSD.BC.46/24.01.028/2006-07 dated December 12, 2006 read with “Guidelines for consolidated accounting and other quantitative methods to facilitate consolidated supervision” vide circular ref. DBOD.No. BP.BC. 72 /21.04.018/2001-02 dated February 25, 2003.

The Branch does not have any subsidiaries nor does it hold any stake in any company.

For a comprehensive discussion of risk management of the Firm, including its consolidated subsidiaries, please refer to Firm’s Annual Report for the year ended December 31, 2014, which is available in the Investor Relations section of www.jpmorganchase.com.

Details of associates of the Branch along with the consolidation status for accounting and regulatory purposes are given below:

a. Accounting and regulatory consolidation

Name of the entity / Country of incorporation	Included under accounting scope of consolidation (yes / no)	Method of consolidation	Included under regulatory scope of consolidation (yes / no)	Method of consolidation	Reasons if consolidated under only one of the scopes of consolidation
J.P. Morgan Securities India Private Limited (India)	No	NA	Yes	Line by line consolidation method adopted as per AS-21	As per the RBI circular number DBOD.No.FSD.BC.46/24.01.028 /2006-07 dated December 12, 2006 the Branch is not required to publish consolidated financial statements as per AS-21
J.P. Morgan Advisors India Private Limited (India)	No	NA	Yes	Line by line consolidation method adopted as per AS-21	As per the RBI circular number DBOD.No.FSD.BC.46/24.01.028 /2006-07 dated December 12, 2006 the Branch is not required to publish consolidated financial statements as per AS-21

b. List of group entities not considered for consolidation both under the accounting and regulatory scope of consolidation

There are no group entities that are not considered for consolidation.

c. List of group entities considered for consolidation

(Rs. in million)

Name of the entity / country of incorporation (as indicated in (i)a. above)	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity)
J.P. Morgan Securities India Private Limited (India)	NBFC	1,538	18,720
J.P. Morgan Advisors India Private Limited (India)	NBFC	2,050	5,424

d. The aggregate amount of capital deficiencies in all subsidiaries which are not included in the regulatory scope of consolidation i.e. that are deducted

Not applicable as there are no subsidiaries of the Branch.

e. The aggregate amounts (e.g. current book value) of the bank's total interests in insurance entities, which are risk-weighted:

As of June 30, 2015, the Branch does not have investment in any insurance entity.

f. Restrictions or impediments on transfer of funds or regulatory capital within the banking group

There are no restrictions or impediments on transfer of funds within the Group.

II. Capital Adequacy

On a group-wide basis, Firm's capital management framework is intended to ensure that there is sufficient capital to support the underlying risks of the Firm's business activities and to maintain "well-capitalized" status under US regulatory requirements. In addition, the Firm holds capital above these requirements as deemed appropriate to achieve management's regulatory and debt rating objectives. The Firm assesses its capital adequacy relative to the risks underlying the Firm's business activities, utilizing internal risk-assessment methodologies.

At local level, the Branch leverages as far as possible the group-wide capital management framework and risk assessment methodologies. These considerations are formalized as part of a local Internal Capital Adequacy Assessment Process (ICAAP), as required by local regulation.

The Capital Management process at branch level is coordinated by the Finance organization with inputs from appropriate local and firm wide risk specialists, and is reviewed by the Branch Management Committee. It is the responsibility of local management to determine the appropriate level of capitalization for the Branch and to ensure the businesses are managed within those capital limits or to request for additional capital in accordance with the Firm's Major Capital Infusion policy. In the normal course of events, management reviews the adequacy of capital fortnightly or with increased frequency if circumstances demand.

A summary of the Consolidated Bank capital requirement under Basel III guidelines for credit risk, market risk and operational risk and the capital adequacy ratio as on June 30, 2015 is presented below.

Capital requirements for credit risk (Rs. in million)

Particulars	Amount ¹
- Portfolios subject to standardised approach	22,735
- Securitisation exposure	-
Total	22,735

Capital requirements for market risk

Standardised duration method	Amount ¹
- Interest rate risk	4,181
- Foreign exchange risk (including gold)	1,005
- Equity risk	-
Total	5,186

Capital requirements for operational risk

Particulars	Amount ¹
- Basic indicator approach	2,932

Particulars	Standalone ²	Consolidated ¹
CRAR	17.20%	19.96%
Tier I CRAR	16.77%	18.67%
Tier II CRAR	0.43%	1.29%

Notes :-

1. Includes all entities considered under regulatory scope of consolidation.
2. Standalone represents JPMorgan Chase Bank, N.A., Mumbai Branch.

III Credit Risk

Credit Risk Management Policy

Credit risk can be defined as the risk to earnings or capital arising from an obligor's failure to meet the terms of any contract with the lender or otherwise fail to perform as agreed. The Firm provides credit (for example, through loans, lending-related commitments and derivatives) to customers of all sizes, from large corporate clients to the individual consumer¹. The Firm manages the risk/reward relationship of each credit and discourages the retention of assets that do not generate a positive return above the cost of risk-adjusted capital.

Credit risk organization

At a global level, the Chief Risk Officer (CRO) is responsible for the overall direction of the firm's risk management functions and is head of the Risk Management organization. The CRO reports to the CEO and the Directors' Risk Policy Committee (DRPC). The CEO and CRO co-chair the Firmwide Risk Committee (FRC), which is attended by each LOB CEO, the Chief Operating Officer (COO) of the firm, LOB CROs, Firmwide Risk Executives (FREs) and other senior managers from risk and control functions. The credit team/credit officers report to the CRO both at a local and a global level.

The Firm's credit risk management governance consists of the following primary functions:

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

Risk identification

The Firm is exposed to credit risk through lending, trading and capital markets activities. Credit risk management works in partnership with the business segments in identifying and aggregating exposures across all lines of business.

Risk measurement

To measure credit risk, the Firm employs several methodologies for estimating the likelihood of obligor or counterparty default. Credit risk measurement is based upon the amount of exposure should the obligor or the counterparty default, the probability of default and the loss severity given a default event. These finally result in a facility grade for each facility sanctioned by the Firm to a customer. Based on these factors and related market-based inputs, the Firm estimates both probable and unexpected losses for the wholesale and consumer portfolios. Probable losses are based primarily upon statistical estimates of credit losses as a result of obligor or counterparty default. Unexpected losses, reflected in the allocation of credit risk capital, represent the potential volatility of actual losses relative to the probable level of losses. Risk measurement for the wholesale portfolio is assessed primarily on a risk-rated basis.

Probable and unexpected loss calculations are based upon estimates of probability of default and loss given default. Probability of default is the expected default calculated on an obligor basis. Loss given default is an estimate of losses that are based upon collateral and structural support for each credit facility. Calculations and assumptions are based upon management information systems and methodologies which are under continual review. Risk ratings are assigned and reviewed on an ongoing basis by Credit Risk Team and revised, if needed, to reflect the borrowers' current risk profiles and the related collateral and structural positions.

Risk monitoring

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 and 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 problem loan management protocols. Wholesale credit risk is monitored regularly on an aggregate portfolio, industry and individual customer basis with established

¹ In India, the client base primarily consists of large / medium sized corporate and financial entities.

concentration limits that are reviewed and revised, as deemed appropriate by management, on an annual basis. In order to meet credit risk management objectives, the Firm seeks to maintain a risk profile that is diverse in terms of borrower, product type, industry and geographic concentration. Management of the Firm's wholesale exposure is accomplished through loan syndication and participations, loan sales and securitisations, credit derivatives, use of master netting agreements and collateral and other risk-reduction techniques.

At a local level, the consolidated bank monitors large exposures in accordance with RBI regulations on single / group obligor limits. This ensures that large single obligor / group exposures are managed within appropriate limits set in relation to our capital resources. For the Branch, the large exposure limit for single borrowers is 15% of the capital funds and 40% in case of borrower group. In exceptional circumstances, with the approval of the Management Committee the single and group borrower limit can be enhanced up to a further 5% of capital funds. Similar limits are in place for JPMSI which are monitored inline with RBI applicable regulations. JPMAI has exemption from single obligor exposure norms. The exposure for each client is monitored on a daily basis by the local operations team. Any breaches in the limits are highlighted to senior management immediately along with the reasons for the breach. Management then takes a decision on the future course of action on exposures to that particular client. These breaches, if any are also reported to RBI. The exposure monitoring is reviewed and reported by the external concurrent auditors in their monthly reports. In addition, industry concentrations and risk mitigation through collateral are also addressed in the local credit policies for all credit exposures. The local policy for the Branch also specifically addresses exposure to sectors like Real Estate, and NBFC's, and policies governing purchase of distressed debt. Further, in line with RBI regulation on Exposure to Intra group entities, (ITEs), the bank has implemented daily exposure monitoring process for single entity and group intra entity exposure.

Risk reporting

At a firm level, to enable monitoring of credit risk and decision-making, aggregate credit exposure, credit quality forecasts, concentrations levels and risk profile changes are reported regularly to senior credit risk management. Detailed portfolio reporting of industry, customer 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.

At a local level, the Credit Risk function is overseen in Mumbai by the Chief Risk Officer (CRO) for the Branch. The CRO works closely with the regional as well as Global Credit Risk Management (GCRM) teams to ensure that the credit exposure taken at the Mumbai branch is in line with the bank's risk management policy framework. There is a comprehensive credit authority framework in place which enables decision making to be escalated in response to the size and risk intensity of the request. There is adequate credit authority delegated to the CRO for smooth functioning of the overall portfolio and business needs.

The India Credit Committee (ICC) approves the credit exposure that is to be booked in the Mumbai branch in accordance with the loan policy and the CRO is one of the members of this committee. The ICC meets on a periodic basis and accords its decision on credit requests from the various business units at the Branch. Minutes of the ICC meetings are signed off by the Chairman of the ICC subsequently. Similarly for JPMSI and JPMAI, the Board of Directors reviews and approves proposals to book any credit exposures in these entities. On a monthly basis, the India Risk Committee (IRC) reviews the JPMCB portfolio. Break-down of the portfolio by sector, security, products, rating etc is reviewed on a monthly basis and updates on the sensitive sectors, unhedged foreign currency exposure etc are reviewed on a quarterly basis by the IRC.

Definition of past due and impaired

In line with RBI directives, the "90 days' overdue" norm for identification of non-performing assets (NPA) has been adopted for the Branch and 180 days for JPMSI and JPMAIPL. Any amount due to the consolidated bank under any credit facility is 'overdue' if it is not paid on the due date fixed (i.e. is not paid as per the date the obligor is obligated to pay). In case of The Branch an NPA shall be a loan or an advance or a derivative contract where any amount to be received (as per the contractual terms) remains overdue for a period of more than 90 days or in respect of an Overdraft/Cash Credit the account remains 'out of order' for a period of more than 90 days. Likewise, in case of JPMSI and JPMAI an NPA shall be a loan or an advance where any amount to be received (as per the contractual terms) remains overdue for a period of more than 180 days.

Quantitative Disclosure

(Rs. in million)

Gross credit exposures	Amount¹
Fund based	116,297
Non fund based	277,673
Total	393,970

(Rs. in million)

Geographic distribution of exposures	Amount¹
Fund based - domestic	116,297
Non fund based - domestic	277,673
Fund based - overseas	-
Non fund based - overseas	-
Total	393,970

Note:-

1. Includes all entities considered under regulatory scope of consolidation and excludes investments covered under specific market risk and other assets.

Industry type disclosure of exposures¹

(Rs. in million)

Industry	Fund Based	Non Fund Based	Total Exposure
Other Services	53,596	170,490	224,086
NBFC	15,455	11,588	27,043
Computer Software	7,065	14,303	21,368
Other Industries	6,214	6,106	12,320
All Engineering - Others	3,942	14,979	18,921
Drugs and Pharma	3,644	10,869	14,513
Petroleum	2,256	2,546	4,802
Cement	15	8,117	8,132
All Engineering - Electronic	2,371	1,535	3,906
Vehicles, Vehicle Parts and Transport	6,916	8,930	15,846
Chemical Dyes Paints - Others	2,160	6,954	9,114
Trading	1,818	7,656	9,474
Vegetable Oils and Vanaspati	922	3,880	4,802
Iron and Steel	758	1,026	1,784
Paper and Paper Products	2,300	95	2,395
Telecommunication	-	605	605
Power			-
Energy - Electricity - Others	2,001	-	2,001
Petro Chemicals	2	4,826	4,828
Food Processing - Others	1	1,474	1,475
Beverages - Others	1,787	733	2,520
Glass & Glassware	200	400	600
Rubber and Rubber Products	35	262	297
Commercial Real Estate	2,717	299	3,016
Textiles - Others	-	-	-
Other Metal and Metal Products	122	-	122
Total	116,297	277,673	393,970

Note :-

1. Includes all entities considered under regulatory scope of consolidation and excludes investments covered under specific market risk and other assets.

Residual contractual maturity breakdown of assets¹**J.P.Morgan**

(Rs. In million)

Maturity Bucket	Cash and Balances with RBI	Balances with Banks & Money at Call & Short Notice	Investments	Advances	Fixed Assets	Other Assets	Grand Total
1- 14 days bucket	1,923	9,700	36,955	20,666	-	3,225	72,468
15 - 28 days	269	-	1,445	3,262	-	8	4,984
29 days to 3 months	905	-	11,422	3,859	-	21	16,207
>3 months to 6 months	258	-	1,755	1,272	-	229	3,514
>6 months to 1 year	357	-	103,482	2,950	-	55	106,844
>1 year to 3 years	1,311	-	7,047	12,548	-	1,451	22,357
>3 years to 5 years	1	-	1,384	2,797	-	26	4,208
>5 years	5	-	27	-	23	480	536
Total	5,029	9,700	163,517	47,354	23	5,495	231,118

*Including Money at call and short notice.

Movement of NPAs and Provision for NPAs (including NPIs)

(Rs. In million)

Amount of NPAs (Gross)	Amount ¹
Substandard	467
Doubtful 1	-
Doubtful 2	-
Doubtful 3	-
Loss	-
Gross NPAs	467
Net NPAs	-
NPA Ratios	-
Gross NPAs to gross advances	0.00%
Net NPAs to net advances	-
Movement of NPAs (Gross)	
Opening balance ²	467
Additions	-
Reductions	-
Closing balance	467
Movement of provisions for NPAs	
Opening balance ²	47
Provision made during the year	-
Write-off/ (Write- back) of excess provisions	-
Closing balance	47
Amount of non-performing investments	-
Amount of provisions held for non-performing investments	-
Movement of provisions for depreciation on investments	-
Opening balance ²	28
Provisions made during the year	125
Write-off	-
Write-back of excess provisions	-
Closing balance	153

Note :-

1. Includes all entities considered under regulatory scope of consolidation.
2. Represents balance as of 1st April 2015.

Movement of Specific & General Provisions

J.P.Morgan

(Rs. in million)

Movement of Provisions	Specific Provisions	General Provisions
Opening balance	47	1,112
Provisions made during the year	-	160
Write-off	-	-
Write-back of excess provisions	-	(3)
Adjustments/Transfers between provisions	-	-
Closing balance	47	1,269

Details of write offs and recoveries that have been booked directly to the income statement

(Rs. in million)

Write offs that have been booked directly to the income statement	-
Recoveries that have been booked directly to the income statement	-

Major Industries breakup of NPA, Specific & general provisions & write offs during the period:

Industry	Gross NPAs as at 30 June 15	Specific Provision as at 30 June 15	General Provision as at 30 June 15	Specific provision during the current period	Write off during the current period
Other Services	-	-	615	-	-
NBFC	-	-	76	-	-
Computer Software	-	-	102	-	-
Other Industries	467	47	63	-	-
All Engineering - Others	-	-	18	-	-
Drugs and Pharma	-	-	60	-	-
Petroleum	-	-	35	-	-
Cement	-	-	3	-	-
All Engineering - Electronic	-	-	30	-	-
Vehicles, Vehicle Parts and Transport Equipment	-	-	56	-	-
Chemical Dyes Paints - Others	-	-	9	-	-
Trading	-	-	18	-	-
Vegetable Oils and Vanaspati	-	-	7	-	-
Iron and Steel	-	-	9	-	-
Paper and Paper Products	-	-	18	-	-
Telecommunication	-	-	30	-	-
Energy - Electricity - Others	-	-	24	-	-
Petro Chemicals	-	-	21	-	-
Beverages - Others	-	-	21	-	-
Glass & Glassware	-	-	2	-	-
Commercial Real Estate	-	-	41	-	-
Other Metal and Metal Products	-	-	1	-	-
Mining	-	-	9	-	-
Total	467	47	1,269	-	-

IV Credit Risk: Standardised approach

The consolidated bank is using issue ratings which are assigned by the accredited rating agencies viz. CRISIL, ICRA, Fitch and CARE and published in the public domain to assign risk-weights in terms of RBI guidelines for certain exposures. In respect of claims on non-resident corporate/ foreign banks, ratings assigned by international rating agencies i.e. Standard & Poor's, Moody's and Fitch are used. For all exposures, where multiple ratings are available, the second worst rating has been considered.

Details of Credit Risk Exposure (fund based and non-fund based) based on Risk - Weight:

(Rs. in million)

Particulars	Amount ¹
Below 100% risk weight	225,514
100% risk weight	176,129
More than 100% risk weight	17,999
Deducted	-
Total	419,642

Note:-

1. Includes all entities considered under regulatory scope of consolidation.

V Leverage Ratio

The leverage ratio has been calculated using the definitions of capital and total exposure. The Bank's leverage ratio, calculated in accordance with the RBI guidelines under consolidated framework is as follows:

(Rs. in million)

Particulars	
Tier 1 Capital	63,991
Exposure Measure	493,895
Leverage Ratio	12.96%