

# Pillar 3 Quarterly Disclosure Report as at 30<sup>th</sup> Sep 2018

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J.P. Morgan Capital Holdings Limited

J.P. Morgan Securities Plc

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## 1. Introduction

### Background

The need to assess whether an institution should disclose some information more frequently than annually, under Part Eight of the Capital Requirements Regulation ('CRR')<sup>1</sup>, originates in Article 433. The requirements are further articulated in the European Banking Authority ('EBA') Guidelines<sup>2</sup> ('GL1'), which were adopted by the Prudential Regulation Authority ('PRA') from 15<sup>th</sup> October 2015<sup>3</sup>.

In addition, the requirements of EBA Final Report on Guidelines for Disclosure under Part Eight of the CRR<sup>4</sup> ('EBA GL2') have been incorporated into JPMC's disclosure process from 1<sup>st</sup> January 2018, and are followed for this document.

Production of all Pillar 3 disclosure for J.P. Morgan entities in the EMEA region is governed by the JPMC EMEA Pillar 3 Policy Addendum which outlines scope, review and approval governance process requirements, including annual review on frequency and omissions policies, and by the EMEA Pillar 3 Process document.

All J.P. Morgan Chase entities regulated under the Capital Requirements Directive IV ('CRD IV')<sup>5</sup> have applied the Guidelines by:

- Enhancing the Pillar 3 policy and process to include a full assessment of the need to publish data more frequently than annually; and
- Identifying the key data elements to disclose in order to meet the needs of potential users of the disclosure.

### Scope

All J.P. Morgan European regulated entities have been considered in the assessment under the JPMC EMEA Pillar 3 Policy for inclusion for disclosure, and then for more frequent than annual disclosure.

**J.P. Morgan Capital Holdings Limited ('JPMCHL')** is the highest consolidated level of J.P. Morgan entities within the UK and is defined as an Other Systemically Important Institution ('O-SII') as disclosed by the EBA on 25<sup>th</sup> April 2016, and is therefore included for disclosure under the requirements of EBA GL2.

**J.P. Morgan Securities Plc ('JPMS plc')** has been identified as a significant solo entity under Article 13 of the CRR, according to the aforementioned JPMC EMEA Pillar 3 Policy and is included on that basis.

The internal assessment process to determine which J.P. Morgan entities should disclose more frequently than annually concluded that both **JPMCHL** and **JPMS plc** are the UK entities meeting the qualitative and quantitative thresholds to necessitate more frequent disclosure.

The data disclosed in this document represents disclosure for the third quarter of 2018.

All data is recorded as at 30<sup>th</sup> September 2018 and consistent with CoRep and produced on an unaudited basis.

No items have been omitted due to confidentiality, materiality or for proprietary reasons under Titles III and IV of the Guidelines. Any line items that are not applicable have been hidden for presentation purposes.

### Means of Disclosure (Article 434)

The disclosure report is made available according to Article 434 CRR on the website of JPMorgan Chase & Co. ('JPMC') at <http://investor.shareholder.com/jpmorganchase/sec.cfm>. The latest Annual disclosure is also available via this link.

### Firmwide Disclosure

The ultimate parent of the entities in scope of this disclosure is JPMorgan Chase & Co., which is incorporated in the United States of America. Firmwide disclosure is made under the Basel III requirement available at the below link. 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>.

<sup>1</sup>Capital Requirements Regulation (CRR) / Regulation [EU] No. 575/2013

<sup>2</sup>EBA Guidelines on materiality, proprietary and confidentiality and on disclosure frequency 23 December 2014

<sup>3</sup>PRA expectation of firms' compliance with EBA/GL/2014/14: <http://www.bankofengland.co.uk/prd/Pages/crdiv/updates.aspx>

<sup>4</sup>EBA Final Report on Guidelines for Disclosure under Part Eight of Regulation (EU) No 575/2013 Version 2 published 16<sup>th</sup> December 2016

<sup>5</sup>Capital Requirements Directive (CRD IV) / Regulation [EU] Directive 2013/36/EU

## 2. Own Funds (Article 437)

### Own Funds Disclosures

Capital resources represent the amount of regulatory capital available to an entity to cover all risks. Defined under the CRR, capital resources are designated into two tiers, Tier 1 and Tier 2. Tier 1 capital consists of Common Equity Tier 1 ('CET1') and Additional Tier 1 ('AT1'). CET1 is the highest quality of capital and typically represents share capital, reserves and audited profit; AT1 contains hybrid debt instruments; Tier 2 capital typically consists of subordinated debt and other eligible capital instruments.

The information represented in the tables below constitutes the applicable data elements for Own Funds identified in Title VII of the Guidelines.

The final column represents the capital position on a fully-phased in basis after all CRR transitional provisions have expired and phase-out of grandfathered capital instruments under pre-CRR national transposition measures is complete. Other capital impacts including instrument maturity or behavioural changes are not considered for the fully-phased in position.

### Capital Ratio Commentary

- **JPMCHL:** The total capital ratio has decreased by 0.31% (17.93% as at 30<sup>th</sup> June 2018). The decrease in the total capital ratio is mainly driven by a decrease in CET1 impacting the numerator of the ratio. This movement is driven by paid out dividends.
- **JPMs plc:** The total capital ratio has increased by 0.94% (15.89% as at 30<sup>th</sup> June 2018). The increase in the total capital ratio is driven by:
  - an increase in CET1 impacting the numerator of the ratio due to recognition of the audited interim profits;
  - a decrease in RWAs primarily due to market risk impacting the denominator of the ratio.

**Table 1: CRDIV Regulatory Capital for JPMCHL**

Transitional Own Funds Disclosure Template (\$'mm)		Amount at Disclosure Date	Regulation (EU) No 575/2013 Article Reference	Fully-Phased in Position
<b>Common Equity Tier 1 capital: instruments and reserves</b>				
1	Capital instruments and the related share premium accounts	8,081	26 (1), 27, 28, 29, EBA list 26 (3)	8,081
	of which: Ordinary shares	8,081	EBA list 26 (3)	8,081
2	Retained earnings	28,851	26 (1) (c)	28,851
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	9,570	26 (1)	9,570
6	<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	46,502		46,502
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>				
7	Additional value adjustments (negative amount)	(1,089)	34, 105	(1,089)
8	Intangible assets (net of related tax liability) (negative amount)	(78)	36 (1) (b), 37, 472 (4)	(78)
28	<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	(1,167)		(1,167)
29	<b>Common Equity Tier 1 (CET1) capital</b>	45,335		45,335
<b>Additional Tier 1 (AT1) capital: Instruments</b>				
44	<b>Additional Tier 1 (AT1) capital</b>	0		0
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	45,335		45,335
<b>Tier 2 (T2) capital: instruments and provisions</b>				
58	<b>Tier 2 (T2) capital</b>	0		0
59	<b>Total capital (TC = T1 + T2)</b>	45,335		45,335
60	<b>Total risk weighted assets</b>	257,260		257,260
<b>Capital ratios and buffers</b>				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	17.62%	92 (2) (a), 465	17.62%
62	Tier 1 (as a percentage of total risk exposure amount)	17.62%	92 (2) (b), 465	17.62%
63	Total capital (as a percentage of total risk exposure amount)	17.62%	92 (2) (c)	17.62%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer (G-SII or O-SII buffer) expressed as a percentage of risk exposure amount)	6.51%	CRD 128, 129, 130	7.13%
65	of which: capital conservation buffer requirement	1.88%		2.5%
66	of which: countercyclical buffer requirement	0.13%		0.13%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	9.62%	CRD 128	9.62%
<b>Amounts below the thresholds for deduction (before risk weighting)</b>				

Transitional Own Funds Disclosure Template (\$'mm)		Amount at Disclosure Date	Regulation (EU) No 575/2013 Article Reference	Fully-Phased in Position
72	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)	4,425	36 (1) (h), 46, 45, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	4,425
73	Direct and indirect holdings by the institution of the CET1 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)	259	36 (1) (i), 45, 48, 470, 472 (11)	259
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	93	36 (1) (c), 38, 48, 470, 472 (5)	93

Table 2: CRDIV Regulatory Capital for JPMS plc

Transitional Own Funds Disclosure Template (\$'mm)		Amount at Disclosure Date	Regulation (EU) No 575/2013 Article Reference	Fully-Phased in Position
<b>Common Equity Tier 1 capital: instruments and reserves</b>				
1	Capital instruments and the related share premium accounts	22,394	26 (1), 27, 28, 29, EBA list 26 (3)	22,394
	of which: Ordinary shares	22,394	EBA list 26 (3)	22,394
2	Retained earnings	12,402	26 (1) (c)	12,402
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	6,691	26 (1)	6,691
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	886	26 (2)	886
6	<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	42,373		42,373
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>				
7	Additional value adjustments (negative amount)	(1,089)	34, 105	(1,089)
28	<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	(1,089)		(1,089)
29	<b>Common Equity Tier 1 (CET1) capital</b>	41,284		41,284
<b>Additional Tier 1 (AT1) capital: Instruments</b>				
44	<b>Additional Tier 1 (AT1) capital</b>	0		0
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	41,284		41,284
<b>Tier 2 (T2) capital: instruments and provisions</b>				
58	<b>Tier 2 (T2) capital</b>	0		0
59	<b>Total capital (TC = T1 + T2)</b>	41,284		41,284
60	<b>Total risk weighted assets</b>	245,334		245,334
<b>Capital ratios and buffers</b>				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	16.83%	92 (2) (a), 465	16.83%
62	Tier 1 (as a percentage of total risk exposure amount)	16.83%	92 (2) (b), 465	16.83%
63	Total capital (as a percentage of total risk exposure amount)	16.83%	92 (2) (c)	16.83%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer (G-SII or O-SII buffer) expressed as a percentage of risk exposure amount)	6.51%	CRD 128, 129, 130	7.13%
65	of which: capital conservation buffer requirement	1.88%		2.5%
66	of which: countercyclical buffer requirement	0.13%		0.13%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	8.83%	CRD 128	8.83%
<b>Amounts below the thresholds for deduction (before risk weighting)</b>				
72	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)	3,991	36 (1) (h), 46, 45, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	3,991
73	Direct and indirect holdings by the institution of the CET1 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)	2,240	36 (1) (i), 45, 48, 470, 472 (11)	2,240
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	87	36 (1) (c), 38, 48, 470, 472 (5)	87

## Own Funds Reconciliation

The tables below present a reconciliation between unaudited balance sheet own funds and regulatory own funds as at 30<sup>th</sup> September 2018 in accordance with the requirements set out in Commission Implementing Regulation (EU) No 1423/2013.

**Table 3: Reconciliation of Regulatory Own Funds to Balance Sheet for JPMCHL**

Regulatory Own Funds Reconciliation to Balance Sheet	\$'mm
<b>CET1 Capital</b>	
406,909,774 Ordinary Shares of \$10 each	4,069
Share Premium Account	4,012
Pension Reserve	(99)
Other Reserves	9,669
Retained Earnings	32,658
<b>CET1 Capital - Balance Sheet Own Funds</b>	<b>50,309</b>
<i>Less Regulatory Adjustments</i>	
(-) Unaudited Profit	(3,807)
(-) Intangible Assets Goodwill	(78)
(-) Additional Valuation Adjustments	(1,089)
<b>CET1 Capital - Regulatory Own Funds After Adjustments</b>	<b>45,335</b>
<b>Total Regulatory Own Funds</b>	<b>45,335</b>

**Table 4: Reconciliation of Regulatory Own Funds to Balance Sheet for JPMS plc**

Regulatory Own Funds Reconciliation to Balance Sheet	\$'mm
<b>CET1 Capital</b>	
1,244,343 Ordinary Shares of \$10,000 each	12,443
50,000 Ordinary Shares of £1.24 each	0
Share Premium Account	9,951
Other Reserves	6,691
Retained Earnings	17,034
<b>CET1 Capital - Balance Sheet Own Funds</b>	<b>46,119</b>
<i>Less Regulatory Adjustments</i>	
(-) Unaudited Profit	(3,746)
(-) Additional Valuation Adjustments	(1,089)
<b>CET1 Capital - Regulatory Own Funds After Adjustments</b>	<b>41,284</b>
<b>Total Regulatory Own Funds</b>	<b>41,284</b>

## Main Features of Capital Instruments

The table below presents the main features of regulatory capital instruments for JPMCHL and JPMS plc as at 30<sup>th</sup> September 2018 and as required by Commission Implementing Regulation (EU) No 1423/2013. The terms and conditions for these instruments can be found on the Companies House website.

**Table 5: Main Features of Regulatory Capital Instruments**

Capital Instruments Main Features		JPMCHL	JPMS plc		
		CET1	CET1	CET1	CET1
		\$10 ordinary shares	\$10,000 ordinary shares	£1 ordinary shares	£1.24 ordinary shares
1	Issuer	JPMCHL	JPMS plc	JPMS plc	JPMS plc
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for 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
<b>Regulatory treatment</b>					
4	Transitional CRR rules	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
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	(sub-)consolidated	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	\$ Ordinary	\$ Ordinary	£ Ordinary	£ Ordinary
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date).	\$8,081 includes nominal and premium	\$22,394 includes nominal and premium	0	0
9	Nominal amount of instrument	\$10	\$10,000	£1	£1.24
9a	Issue price	average issue price \$20	average issue price \$17,997	£1	£1.24
9b	Redemption price	N/A	N/A	N/A	N/A
10	Accounting classification	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity
11	Original date of issuance (issued paid up share capital)	\$0.2m Nov 18 1999 \$2,000m Jan 25 2000 \$959m Nov 2 2000 \$1,110m Apr 9 2002 \$0.01m Dec 12 2006 \$0.01m Mar 7 2007	\$647m Oct 22 1991 \$290m Mar 1 2000 \$500m Jan 2 2007 \$278m Jan 12 2007 \$270m Dec 1 2008 \$230m Dec 4 2008 \$300m Jan 30 2009 \$2,000m Dec 20 2010 \$2,274m May 27 2011 \$362m Dec 12 2011 \$1,263m Dec 16 2013 \$116m Dec 2014 \$662m Jul 27 2015 \$2051m Sep 11 2017	£0.000002m Oct 27 1999	£0.062m May 28 2012
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	No	No	No	No



Capital Instruments Main Features		JPMCHL	JPMS plc		
		CET1	CET1	CET1	CET1
		\$10 ordinary shares	\$10,000 ordinary shares	£1 ordinary shares	£1.24 ordinary shares
15	Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
<b>Coupons / dividends</b>					
17	Fixed or floating dividend/coupon	N/A	N/A	N/A	N/A
18	Coupon rate and any related index	N/A	N/A	N/A	N/A
19	Existence of a dividend stopper	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Full discretionary	Full discretionary	Full discretionary	Full discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Full discretionary	Full discretionary	Full discretionary	Full discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	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
30	Write-down features	N/A	N/A	N/A	N/A
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	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
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
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A

### 3. Capital Requirements (Article 438)

#### Minimum Capital Requirements

The tables below show a breakdown of the RWAs and associated Minimum Capital Requirements for JPMCHL and JPMS plc. The Minimum Capital Requirement is the amount of Pillar 1 capital that the CRR requires JPMCHL and JPMS plc to hold at all times. Both JPMCHL and JPMS plc's Total Capital Resources must be greater than its Minimum Capital Requirement, allowing for a capital excess to cover any additional obligations, for example, Pillar 2.

The standardised approach has been used for the calculation of Credit Risk. The mark-to-market method and internal model method ('IMM') have been employed to calculate OTC derivative exposure in Credit Counterparty Risk.

Market Risk Capital Requirements have been measured by using a combination of the standardised approach and internal models including Value-at-Risk ('VaR') approved by the PRA. The basic indicator approach has been used for the calculation of Operational Risk Capital Requirements.

#### Key Changes During the Period

- Credit risk (excluding CCR) has decreased following the reclassification of excess pledged collateral from credit risk to CCR.
- CCR has increased following the reclassification of excess pledged collateral from credit risk and increased business activity in SFTs and Derivatives.
- Market risk RWAs under the standardised approach have decreased primarily due to decreases in the specific risk of traded debt instruments.
- JPMS plc's amounts below the thresholds for deduction have decreased due to a reduction in significant investments.

Table 6: EU OV1 - Overview of RWAs for JPMCHL<sup>6</sup>

\$'mm			RWA		Minimum capital requirements
			Q3 2018	Q2 2018	Q3 2018
	1	<b>Credit risk (excluding CCR)</b>	27,950	32,277	2,236
Article 438(c)(d)	2	Of which the standardised approach	27,950	32,277	2,236
Article 107 and Article 438(c)(d)	6	<b>CCR</b>	119,121	111,986	9,530
Article 438(c)(d)	7	Of which mark to market	31,876	30,698	2,550
	10	Of which internal model method (IMM)	24,584	22,622	1,967
Article 438(c)(d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	92	84	7
Article 438(c)(d)	12	Of which CVA	9,211	9,647	737
Article 438(e)	13	<b>Settlement risk</b>	773	461	62
Article 438 (e)	19	<b>Market risk</b>	93,068	101,429	7,445
	20	Of which the standardised approach	80,482	87,562	6,438
	21	Of which IMA	12,586	13,867	1,007
Article 438(f)	23	<b>Operational risk</b>	15,959	15,956	1,277
	24	Of which basic indicator approach	15,959	15,956	1,277
Article 437(2), Article 48 and Article 60	27	<b>Amounts below the thresholds for deduction (subject to 250% risk weight)</b>	389	335	31
	29	<b>Total</b>	257,260	262,444	20,581

Table 7: EU OV1 - Overview of RWAs for JPMS plc<sup>7</sup>

\$'mm			RWA		Minimum capital requirements
			Q3 2018	Q2 2018	Q3 2018
	1	<b>Credit risk (excluding CCR)</b>	20,807	24,974	1,665
Article 438(c)(d)	2	Of which the standardised approach	20,807	24,974	1,665
Article 107 and Article 438(c)(d)	6	<b>CCR</b>	118,401	111,128	9,472
Article 438(c)(d)	7	Of which mark to market	31,245	30,029	2,500

<sup>6</sup> The exposure value to SFTs is included under CCR, it is not shown in the CCR breakdown, as in line with the prescribed template.

<sup>7</sup> as per footnote 6

\$'mm			RWA		Minimum capital requirements
			Q3 2018	Q2 2018	Q3 2018
	10	Of which internal model method (IMM)	24,586	22,622	1,967
Article 438(c)(d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	92	84	7
Article 438(c)(d)	12	Of which CVA	8,968	9,450	717
Article 438(e)	13	<b>Settlement risk</b>	683	381	55
Article 438 (e)	19	<b>Market risk</b>	87,983	96,043	7,039
	20	Of which the standardised approach	75,397	82,176	6,032
	21	Of which IMA	12,586	13,867	1,007
Article 438(f)	23	<b>Operational risk</b>	12,258	12,258	981
	24	Of which basic indicator approach	12,258	12,258	981
Article 437(2), Article 48 and Article 60	27	<b>Amounts below the thresholds for deduction (subject to 250% risk weight)</b>	5,202	8,633	416
	29	<b>Total</b>	245,334	253,417	19,628

## Total Capital Requirements

In accordance with PRA Supervisory Statement SS31/15 the firm is now required to disclose the Total Capital Requirements ('TCR'). TCR is the sum of Pillar 1 and Pillar 2A capital requirements. The requirement is only applicable for firms at the highest level of consolidation in the UK.

Table 8: Total Capital Requirements for JPMCHL

\$'mm	JPMCHL	
	Q3 2018	Q2 2018
Total Capital Requirements	28,332	28,884
Total Capital Requirements as percentage of RWA (%)	12.80%	13.03%

## Capital Requirements for Counterparty Credit Risk under the IMM

The flow statements explaining changes in the CCR RWAs determined under the IMM are depicted in the table below. The current PRA permission for IMM covers only non-cleared OTC derivatives.

Table 9: EU CCR7 - RWA flow statements of CCR exposures under the IMM for JPMCHL

\$'mm		RWA amounts	Capital requirements
1	<b>RWA as at end of previous reporting period</b>	<b>22,622</b>	<b>1,810</b>
2	Asset size	1,840	147
3	Credit quality of counterparties	138	11
4	Model updates (IMM only)	0	0
5	Methodology and policy (IMM only)	0	0
8	Other <sup>8</sup>	(16)	(1)
9	<b>RWAs as at the end of the current reporting period</b>	<b>24,584</b>	<b>1,967</b>

## Capital Requirements for Market Risk under the IMA

The standardised approach and Internal market risk models are employed to compute own funds requirements for market risk. As it is displayed in the table below, own funds requirements decreased by \$102mm to \$1,007mm mainly driven by decreases in SVaR.

Table 10: EU MR2-B – RWA flow statements of market risk exposures under the IMA for JPMCHL

\$'mm		VaR	SVaR	IRC	Total RWAs	Total capital requirements
1	<b>RWAs at previous quarter end</b>	<b>2,613</b>	<b>8,790</b>	<b>2,464</b>	<b>13,867</b>	<b>1,109</b>
2	Movement in risk levels	(212)	(1,168)	99	(1,281)	(102)
3	Model updates/changes	0	0	0	0	0
4	Methodology and policy	0	0	0	0	0
8	<b>RWAs at the end of reporting period</b>	<b>2,401</b>	<b>7,622</b>	<b>2,563</b>	<b>12,586</b>	<b>1,007</b>

<sup>8</sup> Includes changes in Specific Wrong Way Risk ('SWWR').

## 4. Leverage (Article 451)

The leverage ratio is a measure of Tier 1 capital as a percentage of exposure as defined under the CRR rules.

The requirement for the calculation and reporting of leverage ratios was introduced as part of CRD IV in 2014 and amended by the European Commission Delegated Act (EU) 2015/62 in 2015. As a result of this, CRD IV legislation allows for the calculation of a transitional leverage ratio aligned to the phasing in of a number of capital deductions and the phasing out of grandfathered instruments as allowed for the calculation of own funds under the CRR. CRD IV does not currently include a minimum Leverage Ratio requirement; however, the Basel Committee on Banking Supervision (the 'Basel Committee') has indicatively proposed a minimum requirement of 3%.

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 Firm has adopted a point-in-time calculation of the leverage ratio, as per Commission Delegated Regulation 2015/62.

### Leverage Ratio Commentary

- **JPMCHL:** The leverage ratio has decreased by 0.46% (6.54% as at 30<sup>th</sup> June 2018). The decrease in the leverage ratio is driven by a decrease in Tier 1 Capital impacting the numerator of the ratio due to dividend being paid out, and by increased leverage exposure value driven by SFT exposures impacting the denominator of the ratio.
- **JPMS plc:** The leverage ratio has decreased by 0.08% (5.67% as at 30<sup>th</sup> June 2018). The decrease in the leverage ratio is driven by an increase in the leverage exposure value impacting the denominator of the ratio. This movement is primarily due to increased SFT exposures.

The information represented in the tables below constitutes the key applicable data elements for leverage identified in Title VII of the EBA Guidelines.

**Table 11: Leverage Ratio Common Disclosure**

LR Com: Leverage Ratio Common Disclosure (\$'mm)		JPMCHL	JPMS plc
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	271,080	265,642
2	(Asset amounts deducted in determining Tier 1 capital)	(1,089)	(1,089)
3	<b>Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)</b>	269,991	264,553
<b>Derivative exposures</b>			
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	50,255	50,003
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to- market method)	230,029	229,445
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(47,043)	(46,891)
8	(Exempted CCP leg of client-cleared trade exposures)	(16,780)	(16,780)
9	Adjusted effective notional amount of written credit derivatives	550,254	549,133
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(550,254)	(549,133)
11	<b>Total derivative exposures (sum of lines 4 to 10)</b>	216,461	215,777
<b>SFT exposures</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	366,817	367,746
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(179,200)	(179,200)
14	Counterparty credit risk exposure for SFT assets	58,122	58,050
16	<b>Total securities financing transaction exposures (sum of lines 12 to 15a)</b>	245,739	246,596
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposures at gross notional amount	24,519	21,565
18	(Adjustments for conversion to credit equivalent amounts)	(11,162)	(9,813)
19	<b>Other off-balance sheet exposures (sum of lines 17 and 18)</b>	13,357	11,752
<b>Capital and total exposure measure</b>			
20	<b>Tier 1 capital</b>	45,335	41,284
21	<b>Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)</b>	745,548	738,678
<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	6.08%	5.59%

Table 12: Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures

LR Sum: Leverage Ratio Summary Reconciliation (\$'mm)		JPMCHL	JPMS plc
1	Total assets as per published financial statements	682,195	674,745
4	Adjustments for derivative financial instruments	(7,037)	(4,780)
5	Adjustment for securities financing transactions (SFTs)	58,122	58,050
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	13,357	11,752
7	Other adjustments	(1,089)	(1,089)
8	<b>Leverage ratio total exposure measure</b>	<b>745,548</b>	<b>738,678</b>

## 5. Liquidity (Article 435 (1))

The Liquidity Coverage Ratio ('LCR')<sup>9</sup>, as per the Commission Delegated Regulation (EU) 2015/61, requires credit institutions to maintain an amount of unencumbered high quality liquid assets that is sufficient to meet their estimated total net cash outflows over a prospective 30 calendar-day period of significant stress. The LCR, in line with the PRA's LCR phasing-in schedule, was required to be 80% at 1<sup>st</sup> October 2015, rising to 90% on 1<sup>st</sup> January 2017 until reaching a minimum requirement of 100% from 1<sup>st</sup> January 2018.

### Key Ratios and Figures

The LCR disclosure in this document has been assessed in accordance with the European Banking Authority (EBA) guidelines on LCR disclosure (EBA/GL/2017/01) applying the necessary considerations set out in the EBA guidelines on materiality, proprietary and confidentiality and on disclosure frequency (EBA/GL/2014/14) and consistent with the EBA guidelines on disclosure requirements (EBA/GL/2016/11).

**Table 13: Items prone to rapid change as defined in EBA GL/2017/01 for JPMCHL and JPMS plc**

Scope of consolidation:	JPMCHL				JPMS plc			
Currency and units:	\$'mm	\$'mm	\$'mm	\$'mm	\$'mm	\$'mm	\$'mm	\$'mm
Quarter ending on:	31-Dec-17	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-17	31-Mar-18	30-Jun-18	30-Sep-18
Number of data points used in the calculation of averages:	12	12	12	12	12	12	12	12
	Total weighted adjusted value (average)				Total weighted adjusted value (average)			
<b>LIQUIDITY BUFFER</b>	<b>76,225</b>	<b>72,401</b>	<b>67,367</b>	<b>63,315</b>	<b>69,645</b>	<b>66,738</b>	<b>62,539</b>	<b>59,331</b>
<b>TOTAL NET CASH OUTFLOWS</b>	<b>31,072</b>	<b>29,608</b>	<b>27,172</b>	<b>24,244</b>	<b>33,266</b>	<b>31,849</b>	<b>28,716</b>	<b>25,046</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>	<b>250%</b>	<b>250%</b>	<b>255%</b>	<b>266%</b>	<b>214%</b>	<b>216%</b>	<b>227%</b>	<b>244%</b>

The weighted adjusted value of the liquidity buffer is the value of the total high quality liquid assets after the application of both haircuts and any applicable cap. The weighted adjusted value of net cash outflows is calculated after the inflows and outflows rates are applied and after any applicable cap on inflows.

The liquidity buffer disclosed covers both Pillar I and Pillar II liquidity risks.

<sup>9</sup> In line with the EBA guidelines the average ratio disclosed in Table 13 is calculated as an average over the 12 data points used for each item, and therefore the quoted ratio is not equal to the average 'Liquidity buffer' divided by average 'Total net cash outflows'.

## 6. Glossary of Acronyms

AT	Additional Tier
CCP	Central Counterparty Clearing House
CCR	Credit Counterparty Risk
CET	Common Equity Tier
CIB	Corporate and Investment Bank
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CVA	Credit Valuation Adjustment
EBA	European Banking Authority
ECAI	External Credit Assessment Institutions
EMEA	Europe, Middle East and Africa
JPMC	J.P. Morgan Chase and Company
JPMCHL	J.P. Morgan Capital Holdings Limited
JPMS plc	J.P. Morgan Securities plc
LCR	Liquidity Coverage Ratio
OTC	Over the Counter
PRA	Prudential Regulation Authority
RWA	Risk Weighted Assets
SFT	Securities Financing Transactions
SWWR	Specific Wrong Way Risk
VaR	Value-at-Risk