

**BASEL III PILLAR 3 DISCLOSURES**

**J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED**

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

**31ST DECEMBER 2016**

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

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

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

	Coupons / dividends		
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	Interest is charged at higher of twelve-month LIBOR minus 250 basis points, the amount representing 3/208 of the Company's net profit before tax on each note of US\$ 5,000,000 or 0%. Interest is capped at 20% per annum.	NA
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down feature	No	No
31	If write-down, write-down trigger(s)	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA

## **J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED**

### **Regulatory capital instruments**

#### **Main features and Full terms and conditions (continued)**

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

#### **Note :**

On 28th February 2017, JPMSAPL has early redeemed US\$125 million subordinated loan notes issued by JPMSAPL via conversion of such subordinated loan notes (Tier 2 capital) to share capital (Tier 1 capital) in JPMSAPL. The capital structure will consist of only Tier 1 capital post conversion while the total capital remains unchanged.

# J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

## CAPITAL DISCLOSURE TEMPLATE

Capital base of the Company as at 31st December 2016 is shown below (expressed in US\$'000 unless otherwise stated).

CET1 capital: instruments and reserves			Reference to Balance Sheet reconciliation
1	Directly issued qualifying CET1 capital instruments plus any related share premium	402,000	(2)
2	Retained earnings	216,225	(3)
3	Disclosed reserves	62,882	(4)
4	Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)	NA	
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	NA	
6	<b>CET1 capital before regulatory deductions</b>	681,107	
CET1 capital: regulatory deductions			
7	Valuation adjustments	NA	
8	Goodwill (net of associated deferred tax liability)	NA	
9	Other intangible assets (net of associated deferred tax liability)	NA	
10	Deferred tax assets net of deferred tax liabilities	18,072	(1)
11	Cash flow hedge reserve	NA	
12	Excess of total EL amount over total eligible provisions under the IRB approach	NA	
13	Gain-on-sale arising from securitization transactions	NA	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	NA	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	NA	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	NA	
17	Reciprocal cross-holdings in CET1 capital instruments	NA	

**J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED**

**CAPITAL DISCLOSURE TEMPLATE (continued)**

<b>CET1 capital: regulatory deductions</b>			<b>Reference to Balance Sheet reconciliation</b>
18	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	NA	
19	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	NA	
20	Mortgage servicing rights (amount above 10% threshold)	NA	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	NA	
22	Amount exceeding the 15% threshold	NA	
23	of which: significant investments in the common stock of financial sector entities	NA	
24	of which: mortgage servicing rights	NA	
25	of which: deferred tax assets arising from temporary differences	NA	
26	National specific regulatory adjustments applied to CET1 capital	NA	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	NA	
26b	Regulatory reserve for general banking risks	NA	
26c	Securitization exposures specified in a notice given by the Monetary Authority	NA	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	NA	
26e	Capital shortfall of regulated non-bank subsidiaries	NA	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	NA	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	NA	
28	<b>Total regulatory deductions to CET1 capital</b>	18,072	
29	<b>CET1 capital</b>	663,035	

**J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED**

**CAPITAL DISCLOSURE TEMPLATE (continued)**

	<b>AT1 capital: instruments</b>		<b>Reference to Balance Sheet reconciliation</b>
30	Qualifying AT1 capital instruments plus any related share premium	NA	
31	of which: classified as equity under applicable accounting standards	NA	
32	of which: classified as liabilities under applicable accounting standards	NA	
33	<i>Capital instruments subject to phase out arrangements from AT1 capital</i>	NA	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	NA	
35	of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements	NA	
36	<b>AT1 capital before regulatory deductions</b>	NA	
	<b>AT1 capital: regulatory deductions</b>		
37	Investments in own AT1 capital instruments	NA	
38	Reciprocal cross-holdings in AT1 capital instruments	NA	
39	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	NA	
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	NA	
41	National specific regulatory adjustments applied to AT1 capital	NA	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	NA	
43	<b>Total regulatory deductions to AT1 capital</b>	NA	
44	<b>AT1 capital</b>	NA	
45	<b>Tier 1 capital (Tier 1 = CET1 + AT1)</b>	663,035	

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

	<b>Tier 2 capital: instruments and provisions</b>		<b>Reference to Balance Sheet reconciliation</b>
46	Qualifying Tier 2 capital instruments plus any related share premium	125,000	(5)
47	Capital instruments subject to phase out arrangements from Tier 2 capital	NA	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	NA	
49	of which: capital instruments issued by subsidiaries subject to phase out arrangements	NA	
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	NA	
51	<b>Tier 2 capital before regulatory deductions</b>	125,000	
	<b>Tier 2 capital: regulatory deductions</b>		
52	Investments in own Tier 2 capital instruments	NA	
53	Reciprocal cross-holdings in Tier 2 capital instruments	NA	
54	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	NA	
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	NA	
56	National specific regulatory adjustments applied to Tier 2 capital	NA	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	NA	
57	<b>Total regulatory deductions to Tier 2 capital</b>	NA	
58	<b>Tier 2 capital</b>	125,000	
59	<b>Total capital (Total capital = Tier 1 + Tier 2)</b>	788,035	
60	<b>Total risk weighted assets</b>	2,097,166	



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

<b>Capital ratios (as a percentage of risk weighted assets)</b>		
61	CET1 capital ratio	31.6%
62	Tier 1 capital ratio	31.6%
63	Total capital ratio	37.6%
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3B of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	5.162%
65	of which: capital conservation buffer requirement	0.625%
66	of which: bank specific countercyclical buffer requirement	0.037%
67	of which: G-SIB or D-SIB buffer requirement	NA
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3B of the BCR	24.09%
<b>National minima (if different from Basel 3 minimum)</b>		
69	National CET1 minimum ratio	NA
70	National Tier 1 minimum ratio	NA
71	National Total capital minimum ratio	NA
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	NA
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	NA
74	Mortgage servicing rights (net of related tax liability)	NA
75	Deferred tax assets arising from temporary differences (net of related tax liability)	NA

**J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED**

**CAPITAL DISCLOSURE TEMPLATE (continued)**

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

**Notes to the template:**

Elements where a more conservative definition has been applied in the BCR relative to that set out in Basel III capital standards:

Row no.	Description	Hong Kong basis	Basel III basis
	Deferred tax assets net of deferred tax liabilities	18,072	18,072
10	<p><u>Explanation</u></p> <p>As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs that rely on future profitability of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III.</p> <p>The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities and other credit exposures to connected companies) under Basel III.</p>		
Remarks:			
The amount of the 10% / 15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the Banking (Capital) Rules.			

**Abbreviations:**

CET1: Common Equity Tier 1

AT1: Additional Tier 1

# J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

## CAPITAL DISCLOSURE TEMPLATE (continued)

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

### Balance Sheet Reconciliation

	Balance sheet as in financial statements As at 31st December 2016 US\$'000	Under regulatory scope As at 31st December 2016 US\$'000	Reference to capital disclosure template
<b>ASSETS</b>			
Balances with banks	1,152,739	1,152,739	
Financial assets at fair value through profit or loss	29,283	29,283	
Deferred tax assets	18,072	18,072	(1)
Other assets	164,837	164,837	
Fixed assets	3,026	3,026	
Total assets	<u>1,367,957</u>	<u>1,367,957</u>	
<b>EQUITY</b>			
Share capital	402,000	402,000	(2)
Reserves	279,107	279,107	
<i>of which: retained earnings</i>		216,225	(3)
<i>disclosed reserves</i>		62,882	(4)
Total equity	<u>681,107</u>	<u>681,107</u>	
<b>LIABILITIES</b>			
Deposits and balances from banks	220,930	220,930	
Trading liabilities	4,758	4,758	
Other liabilities	328,390	328,390	
Taxation payable	7,772	7,772	
Subordinated loan notes	125,000	125,000	(5)
Total liabilities	<u>686,850</u>	<u>686,850</u>	
Total equity and liabilities	<u>1,367,957</u>	<u>1,367,957</u>	

**J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED****LEVERAGE RATIO SUMMARY COMPARISON TABLE**

Leverage ratio of the Company as at 31st December 2016 is shown below (expressed in US\$'000 unless otherwise stated).

	<b>Item</b>	<b>Leverage ratio framework</b>
1	Total consolidated assets as per published financial statements	1,367,957
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	3
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	-
7	Other adjustments	18,072
8	<b>Leverage ratio exposure</b>	<b>1,349,882</b>

**J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED**
**LEVERAGE RATIO COMMON DISCLOSURE TEMPLATE**

	Item	Leverage ratio framework
<b>On-balance sheet exposures</b>		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	1,367,957
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital (reported as negative amounts)	(18,072)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	1,349,885
<b>Derivative exposures</b>		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	(3)
5	Add-on amounts for PFE associated with all derivatives transactions	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions (reported as negative amounts)	-
8	Less: Exempted CCP leg of client-cleared trade exposures (reported as negative amounts)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives (reported as negative amounts)	-
11	Total derivative exposures (sum of lines 4 to 10)	(3)

**J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED**
**LEVERAGE RATIO COMMON DISCLOSURE TEMPLATE (continued)**

<b>Securities financing transaction exposures</b>		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets (reported as negative amounts)	-
14	CCR exposure for SFT assets	-
15	Agent transaction exposures	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	-
<b>Other off-balance sheet exposures</b>		
17	Off-balance sheet exposure at gross notional amount	-
18	Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts)	-
19	Off-balance sheet items (sum of lines 17 and 18)	-
<b>Capital and total exposures</b>		
20	Tier 1 capital	663,035
21	Total exposures (sum of lines 3, 11, 16 and 19)	1,349,882
<b>Leverage ratio</b>		
22	<b>Basel III leverage ratio</b>	<b>49.1%</b>

As of 31st December 2015, the leverage ratio was 50.4%. The net Tier 1 capital amounted to USD654,642,000 and the total adjusted on- and off-balance sheet assets amounted to USD1,299,372,000.

The leverage ratio decreased by 1.3%. This was mainly due to increase in balances with banks and trading assets of USD44,023,000 and USD6,733,000 respectively and offset by increase in Tier 1 capital for USD8,393,000 mainly from increment in employee benefit reserve.

# J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

## COUNTERCYCLICAL CAPITAL BUFFER (CCyB) RATIO STANDARD DISCLOSURE TEMPLATE

Geographical breakdown of risk-weighted amounts (RWA) in relation to private sector credit exposures (expressed in US\$'000 unless otherwise stated).

		As at 31st December 2016			
		a	b	c	d
Jurisdiction (J)		Applicable JCCyB ratio in effect	Total RWA used in computation of CcyB ratio of AI	CCyB ratio of AI	CcyB amount of AI
1	Hong Kong	0.625%	4,686		
2	Mainland China	0%	-		
3	Australia	0%	629		
4	United Kingdom	0%	10,245		
5	India	0%	16		
6	Japan	0%	870		
7	Korea	0%	917		
8	Malaysia	0%	356		
9	Philippine	0%	89		
10	Singapore	0%	7,464		
11	Taiwan	0%	957		
12	United States	0%	52,573		
	Total		78,802	0.037%	29