Pillar 3 Quarterly Disclosure Report as at 31st March 2018

J.P. Morgan Bank Luxembourg S.A.

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Pillar 3 Disclosure Report 2017

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')[1], originates in Article 433 and the requirements are further articulated in the European Banking Authority ('EBA') Guidelines[2] ('GL1'), which were adopted by the Commission de Surveillance du Secteur Financier ('CSSF')[3] from 15th November 2017.

In addition, the requirements of EBA Final Report on Guidelines for Disclosure under Part Eight of the CRR[4] ('EBA GL2') have been incorporated into JPMC's disclosure process from 1st 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.

All J.P. Morgan Chase entities regulated under the Capital Requirements Directive IV ('CRD IV')[5] 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 Bank Luxembourg S.A. ('JPMBL') is defined as an Other Systemically Important Institution ('O-SII') and is therefore included for disclosure under the requirements of EBA GL[2].

The internal assessment process to determine which J.P. Morgan entities should disclose more frequently than annually concluded that JPMBL is meeting the qualitative and quantitative thresholds to necessitate more frequent disclosure.

The data disclosed in this document represents disclosure for the first quarter of 2018. All data is recorded as at 31st March 2018, consistent with CoRep reporting 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.

All information in this report is disclosed in millions of United States Dollars (US$m), unless otherwise specified.
JPMBL is presenting its disclosures on a stand-alone basis as there are no branches or subsidiaries to be consolidated.

Means of Disclosure (Art. 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/basel.cfm. The latest Annual disclosure is also available via this link.

Firmwide Disclosure

The ultimate parent of the entity 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/basel.cfm.

[1] Capital Requirements Regulation (CRR) / Regulation [EU] No. 575/2013
[2] EBA Guidelines on materiality, proprietary and confidentiality and on disclosure frequency 23 December 2014
[3] CSSF expectation of firms' compliance with EBA/GL/2016/11:
http://www.cssf.lu/fileadmin/files/Lois_reglements/Circulaires/Hors_blanchiment_terrorisme/cssf17_673.pdf
[4] EBA Final Report on Guidelines for Disclosure under Part Eight of Regulation (EU) No 575/2013 Version 2 published 16th December 2016
[5] Capital Requirements Directive (CRD IV) / Regulation [EU] Directive 2013/36/EU

2.Own Funds (Art. 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. Capital ratios are disclosed in accordance with the CRR.

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.

Table 1: CRD IV Regulatory Capital for JPMBL

Transitional Own Funds Disclosure Template ($'m)		Amount at Disclosure Date	Regulation (EU) No 575/2013 Article Reference	Fully-Phased in Position
Common Equity Tier 1 (CET1) Capital: Instruments and Reserves				
1	Capital instruments and the related share premium accounts	11	26 (1), 27, 28, 29, EBA list 26 (3)	11
	of which: Ordinary Shares	11	EBA list 26 (3)	11
2	Retained earnings	1,388	26 (1) (c)	1,388
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-	26 (1)	-
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	1,399		1,399
Common Equity Tier 1 (CET1) Capital: Regulatory Adjustments				
44	**Additional Tier 1 (AT1) capital**	-		-
45	**Tier 1 capital (T1 = CET1 + AT1)**	1,399		1,399
Tier 2 (T2) Capital: Regulatory Adjustments				
58	**Tier 2 (T2) capital**	-		-
59	**Total capital (TC = T1 + T2)**	1,399		1,399
60	**Total risk weighted assets**	3,557		3,557
Capital Ratios and Buffers				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	39.34%	92 (2) (a), 465	39.34%
62	Tier 1 (as a percentage of total risk exposure amount)	39.34%	92 (2) (b), 465	39.34%
63	Total capital (as a percentage of total risk exposure amount)	39.34%	92 (2) (c)	39.34%
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)	9.38%	CRD 128, 129, 130	9.50%
65	*of which*: capital conservation buffer requirement	2.50%		2.50%
66	*of which:* countercyclical buffer requirement	0.00%		0.00%
67	*of which*: systemic risk buffer requirement	0.00%		0.00%
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.38%	CRD 131	0.50%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	31.34%	CRD 128	31.34%

Own Funds Reconciliation

The tables below present a reconciliation between unaudited balance sheet own funds and regulatory own funds as at 31st March 2018 in accordance with the requirements set out in Commission Implementing Regulation (EU) No 1423/2013.

Table 2: Reconciliation of Regulatory Own Funds to Balance Sheet for JPMBL

Regulatory Own Funds Reconciliation to Balance Sheet	$'m
CET1 Capital	1,399
100,000 Ordinary Shares of $110 each	11
Share Premium Account	-
Pension Reserve	-
Other Reserves	19
Retained Earnings	1,369
CET1 Capital - Balance Sheet Own Funds	**1,399**
Less Regulatory Adjustments	-
(-) Intangible Assets: Goodwill	-
(-) Additional Valuation Adjustments	-
(-) Available for Sale Financial Asset Reserve	-
CET1 Capital - Regulatory Own Funds After Adjustments	**1,399**
Total Regulatory Own Funds	**1,399**

Main Features of Capital Instruments

The table below presents the main features of regulatory capital instruments for JPMBL as at 31st March 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.

1423/2013. The terms and conditions for these instruments can be found on the Companies House website.

Table 3: Main Features of Regulatory Capital Instruments

Capital Instruments Main Features ($'m)		JPMBL
		CET1
		$110 ordinary shares
1	Issuer	J.P. Morgan Bank Luxembourg S.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private	N/A
3	Governing law(s) of the instrument	Article 37 et seq. of "Luxembourg Company Law: Law of
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo
7	Instrument type (types to be specified by each jurisdiction)	Shares of a public limited liability company (Actions
8	Amount recognised in regulatory capital (Currency in million, as of most	USD 11
9	Nominal amount of instrument	USD 110
9a	Issue price	USD 110
9b	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	May 16th, 1973
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type	Equity is the lowest level in the hierarchy
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

3.Capital Requirements (Art. 438)

The tables below show a breakdown of the risk weighted assets and associated Minimum Capital Requirements for JPMBL.
The Minimum Capital Requirement is the amount of Pillar 1 capital that the CRR requires JPMBL to hold at all times. JPMBL 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 key risk types JPMBL is exposed to for Capital allocation purposes are Credit risk and Operational risk. The basic indicator approach has been used for the calculation of Operational Risk Capital Requirements. The standardised approach has been used for the calculation of Credit Risk.

Table 4: EU OV1 - Overview of RWAs for JPMBL

	($'m)	RWA		Minimum capital requirements
		Q1 2018	Q4 2017	
1	**Credit risk (excluding counterparty credit risk) (CCR)**	**2,862**	**2,688**	**368**
2	*Of which* the standardised approach	2,862	2,688	368
6	**CCR**	-	-	-
13	**Settlement risk**	-	-	-
14	**Securitisation exposures in banking book (after cap)**	-	-	-
19	**Market Risk**	-	-	-
22	**Large exposures**	-	-	-
23	**Operational Risk**	**695**	**695**	**89**
24	*Of which* basic indicator approach	695	695	89
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	-	-	-
28	**Floor adjustment**	-	-	-
29	**Total**	**3,557**	**3,383**	**457**

The table below shows a breakdown of the Minimum Capital Requirements for Credit Risk (including Counterparty Credit Risk) for JPMBL. Credit Risk (including Counterparty Credit Risk) is the risk of loss arising from a borrower or counterparty failing to meet its financial obligations.

Table 5: EU OV1 additional - Overview of RWAs by exposure class

	Exposure classes ($'m)	RWA	Capital requirements
1	Central governments or central banks	-	-
2	Regional government or local authorities	-	-
3	Public sector entities	-	-
4	Multilateral development banks	-	-
5	International organisations	-	-
6	Institutions	2,535	203
7	Corporates	182	15
8	Retail	-	-
9	Secured by mortgages on immovable property	-	-
10	Exposures in default	-	-
11	Higher-risk categories	-	-
12	Covered bonds	-	-
13	Institutions and corporates with a short-term credit assessment	-	-
14	Collective investment undertakings	-	-
15	Equity	-	-
16	Other items	145	12
17	**Total**	**2,862**	**230**

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

Table 6: Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures

	Regulatory Own Funds Reconciliation to Balance Sheet	$'m
1	Total assets as per prudential reporting	16,906
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	91
13	**Leverage ratio total exposure measure**	**16,997**

Table 7: Leverage Ratio Common Disclosure

	Regulatory Own Funds Reconciliation to Balance Sheet	$'m
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	16,906
2	(Asset amounts deducted in determining Tier 1 capital)	-
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**16,906**
	Derivative exposures	
11	**Total derivatives exposures (sum of lines 4 to 10)**	-
	SFT exposures	
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	-
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	905
18	(Adjustments for conversion to credit equivalent amounts)	- 815
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**91**
	Capital and total exposure measure	
20	**Tier 1 capital**	**1,399**
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**16,997**
	Leverage ratio	
22	**Leverage ratio**	**8.23%**

5.Liquidity (Art. 435 (1) (f))

The Liquidity Coverage Ratio[11] 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 was required to be 60% at 1st October 2015, rising to 70% on 1st January 2016 and 80% on 1st January 2017 until reaching a minimum requirement of 100% from 1st 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 8: Items prone to rapid change as defined in EBA GL/2017/01 for JPMBL

	JPMBL
Currency and units:	($'m)
Quarter ending on:	31-Mar-18
Number of data points used in the calculation of averages	12
	Total weighted adjusted value (average)
LIQUIDITY BUFFER	**3,016**
TOTAL NET CASH OUTFLOWS	**1,978**
LIQUIDITY COVERAGE RATIO (%)	**153%**

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. JPMBL’s average LCR was 153% for the quarter ending on 31st March 2018.

[11]The average ratio disclosed is calculated as a simple average over the 12 data points used and not as a formula of liquidity buffer divided by total net cash outflows

6.Glossary of Acronyms

AT	Additional Tier
BIA	Basic Indicator Approach
CET	Common Equity Tier
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CSSF	Commission de Surveillance du Secteur Financier
CVA	Credit Valuation Adjustment
EBA	European Banking Authority
EMEA	Europe, Middle East and Africa
IFRS	International Financial Reporting Standards
LCR	Liquidity Coverage Ratio
JPMBL	J.P. Morgan Bank Luxembourg S.A.
JPMC	J.P. Morgan Chase and Company