

Pillar 3 Annual Disclosure Report as at 31st December 2020

J.P. Morgan Bank Luxembourg S.A.

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1. Introduction (Articles 431,432,433,434)

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”) Guidelines² (“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 CRR⁴ (“EBA GL2”) have been incorporated into J.P. Morgan Chase & Co. (“JPMC”) disclosure process from 1st January 2018, and are followed for this document.

As from 30th June 2020 a new section is being disclosed in order to comply with EBA Guideline EBA/GL/2020/07 on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis published 2nd June 2020 in its final version. The reporting and disclosure requirements are on the basis of these guidelines put forward strictly in the context of the COVID-19 pandemic, and are therefore expected to be time-limited. Disclosure should be performed semi-annually on 30th June and 31st December.

In order to comply with the ECB report on institutions climate-related and environmental risk disclosures dated November 2020 and in accordance with Article 449a CRR a new section has been added to Pillar 3 disclosure: 14. Environmental, Social and Corporate Governance (Article 449a). Disclosure should be performed semi-annually on 30th June and 31st December.

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 (Article 431)

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 GL².

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 financial year of 2020. All data is recorded as at 31st December 2020, consistent with Common Reporting (“CoRep”) reporting and produced on an audited basis. All information in this report is disclosed in millions of United States Dollars (\$m), unless otherwise specified. JPMBL is presenting its disclosures on an individual basis (including foreign branches) as there are no subsidiaries to be consolidated.

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

As at 31st December 2020, JPMBL has 11 branches respectively located in:

- Amsterdam (J.P. Morgan Bank Luxembourg S.A., Amsterdam Branch),
- Brussels (J.P. Morgan Bank Luxembourg S.A., Brussels Branch),
- Copenhagen (J.P. Morgan Bank Luxembourg S.A., Copenhagen Branch),
- Dublin (J.P. Morgan Bank Luxembourg S.A., Dublin Branch),
- Frankfurt (J.P. Morgan Bank Luxembourg S.A., Frankfurt Branch),
- Helsinki (J.P. Morgan Bank Luxembourg S.A., Helsinki Branch),
- London (J.P. Morgan Bank Luxembourg S.A., London Branch),
- Madrid (J.P. Morgan Bank Luxembourg S.A., Madrid Branch)
- Milan (J.P. Morgan Bank Luxembourg S.A., Milan Branch)
- Oslo (J.P. Morgan Bank Luxembourg S.A., Oslo Branch),
- Stockholm (J.P. Morgan Bank Luxembourg S.A., Stockholm Branch),

The disclosure report is made available on the website of JPMorgan Chase & Co. ("JPMC") at:

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

Non-material, proprietary of confidential information (Article 432)

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.

Frequency of disclosure (Article 433)

The Pillar 3 disclosure report is published on a quarterly basis, the month after the release of the financial statements which is FinRep on a quarterly basis and the Financial Statements on an annual basis. Therefore the disclosure report is published for 2020 and the upcoming year as per the following:

Annual Disclosure 2020: June 2021

Quarterly Disclosure Q1 2021: June 2021

Semi-Annual H1 2021: September 2021

Quarterly Disclosure Q3 2021: December 2021

Annual Disclosure 2021: June 2022

Means of Disclosure (Article 434)

JPMBL leverages dedicated local and firmwide teams responsible to interpret the regulation, stay up to date on the latest development as a mean of verification to comply with the disclosure requirements.

In addition, all disclosure are made available in one single location:

<https://jpmorganchaseco.gcs-web.com/financial-information/basel-pillar-and-lcr-disclosures/pillar-luxembourg>

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>.

2. Risk Management and Objectives (Article 435)

Firmwide Risk Management Framework

Risk is an inherent part of JPMorgan Chase's ("the Firm") business activities. When the firm extends a customer or wholesale loan, advises customers and clients on their investment decisions, makes markets in securities or offers other products or services, the Firm take on some degree of risk. The Firm's overall objective is to manage its businesses, and the associated risks, in a manner that balances serving the interests of its clients, customers and investors and protects the safety and soundness of the Firm.

The Firm believes that effective risk management requires, among other things:

- Acceptance of responsibility, including identification and escalation of risks, by all individuals within the Firm;
- Ownership of risk identification, assessment, data and management within each of the LOB and corporate; and
- Firmwide structures for risk governance.

The Firm follows a disciplined and balanced compensation framework with strong internal governance and independent oversight by the Board of Directors.

Risk Organization

The Firm's risk governance and oversight framework is managed on a Firmwide basis. The Firm has an Independent Risk Management ("IRM") function, which consists of the Risk Management and Compliance organizations. The Chief Executive Officer ("CEO") appoints, subject to approval by the Risk Committee of the Board ("Board Risk Committee"), the Firm's Chief Risk Officer ("CRO") to lead the IRM organization and manage the risk governance structure of the Firm.

The Firm relies upon each of its LOBs and Corporate areas giving rise to risk to operate within the parameters identified by the IRM function, and within its own management-identified risk and control standards. Each LOB and Treasury and Chief Investment Office ("TCIO"), including their aligned Operations, Technology and Control Management are the Firm's "first line of defence" and own the identification of risks, as well as the design and execution of controls to manage those risks. The first line of defence is responsible for adherence to applicable laws, rules and regulations and for the implementation of the risk management structure (which may include policy, standards, limits, thresholds and controls) established by IRM.

The IRM function is independent of the businesses and is the Firm's "the second line of defence". The IRM function independently assesses and challenges the first line of defence risk management practices. The IRM is also responsible for its own adherence to applicable laws, rules and regulations and for the implementation of policies and standards established by IRM with respect to its own processes.

Internal Audit is an independent function that provides objective assessment on the adequacy and effectiveness of firmwide processes, controls, governance and risk management as the "third line of defence". The Internal Audit Function is headed by the General Auditor, who reports to the Audit Committee and administratively to the CEO.

In addition, there are functions that contribute to the firmwide control environment that are not considered part of a particular line of defence including Finance, Human Resources and Legal.

Firmwide Risk Governance Structure

The independent status of the IRM function is supported by a governance structure that provides for escalation of risk issues to senior management, the FRC, and the Board of Directors, as appropriate.

The firm places key reliance on LOBs and Corporate areas for identifying and documenting material risks, and for managing, controlling, monitoring and escalating risks as appropriate and in accordance with IRM standards or LOB/Corporate area procedures. Senior management and each responsible individual in the LOBs and Corporate areas are responsible for identifying, managing and escalating, as appropriate, risk matters at a minimum to meet IRM standards in addition to any LOB/Function established procedures.

LOBs and Corporate areas must establish the appropriate committee structure within their organizations, as necessary, to provide escalation channels for issues relating to both risk management governance and the risks the firm is taking.

The Firmwide Risk Committee (“FRC”), co-chaired by the JPML CEO and CRO, is the firm’s highest management-level risk committee. The FRC provides oversight of the risks inherent in the firm’s businesses and is the recipient of topics and issues raised by its members or the Chair(s) of a subordinate committee. The escalation channel is defined within each risk committee’s or forum’s governing documents. The FRC escalates significant issues to the Board Risk Committee as appropriate.

Regional LE Risk Governance

- As described above, J.P. Morgan’s risk governance structure is based on the principle that each line of business is responsible for managing the risk inherent in its business, albeit with appropriate corporate oversight. Each LOB risk committee is responsible for decisions regarding the business risk strategy, policies (as appropriate) and controls. Therefore, each LOB within JPML forms part of the firmwide risk governance structure. To complement the global line of business structure, there is a regional governance construct as below: The EMEA Risk Committee (“ERC”) provides oversight of the risks inherent in the Firm’s business conducted in EMEA or booked into EMEA entities and relevant branches as well as EMEA branches of ex-EMEA firms.
- The ERC is accountable to the EMEA Management Committee (“EMC”) and the boards, Risk Committees and Oversight Committees of delegating legal entities. It reports to the FRC, the EMEA HR Control Forum, in addition to the EMC and delegating legal entity boards.
- The EMEA CRO leads the Risk Management function in the region and chairs the ERC. The EMEA CRO is a member of the EMC and meets with local regulators on a regular basis.

Whilst J.P. Morgan has established a comprehensive firmwide risk policy framework, this is supplemented as required by legal entity-specific risk policies, which are approved by the relevant entity Boards and Risk Committees.

JPML Risk Management Framework

The JPML Risk Function implements a risk management framework which is consistent with the three lines of defence model (as per CSSF 20/759 , an update of Circular 12/552). This model and its implementation is described in the JPML Risk Governance and Oversight Policy, and is derived from Firmwide policy. The risk management policies adopted by JPML govern the activities of the 1st and 2nd lines of defence and are designed to identify, measure, report, manage and monitor specific types of risk with the ultimate objective of ensuring robust risk management and capital adequacy of JPML.

The guiding principles of the JPML Risk Management framework are outlined in the JPML Risk Strategy approved by the Board of Directors.

The JPML Board believes that the existing risk framework is sufficient for the effective management of their risks and are committed to investing in resources, systems and controls to ensure that these continue to meet business needs.

Exhibit 1: JPML Three Lines of Defence

First Line of Defence	Second Line of Defence	Third Line of Defence
Business Executives	Risk Management	Internal Audit
Client Servicing	Compliance	
Business Operations	Financial Control	
Product	IT Governance and Controls	
Business Control Office		

- The First Line of Defence is represented by the business units that take or acquire risks and are responsible for monitoring, assessing and improving the operational control environment on a continuous basis.
- The Second Line of Defence is represented by the four distinct risk and controls functions – the Risk Management, Compliance, Financial Control and Information Technology Governance and Controls – that act as advisories to the business on a day to day basis but have the power and independence to report and escalate risks or business issues directly to JPMBL Authorized Management and ultimately the Directors of the Board.
- The Third Line of Defence is represented by Internal Audit who provides JPMBL Authorized Management and the Directors of the Board with independent assessment on the effectiveness of the internal controls established.

The JPMBL Authorized Management defines (and monitors the effectiveness of) the control environment in the form of a detailed risk and control framework of the Bank and its activities. The controls and risks identified are subject to validation and review, both on a continuous basis and on a periodic review cycle by Management, the Internal Audit & Compliance departments and other members of the internal and external controls community. The JPMBL Chief Risk Officer (“CRO”), appointed by the BoD, is the head of the JPMBL IRM function and a member of the JPMBL Authorized Management.

JPMBL Risk Governance

The JPMBL Board of Directors has ultimate and overall responsibility for managing JPMBL and the risks to which it is or may be exposed. It is responsible for ensuring that the JPMBL acts within the overall strategy of the Bank and that JPMBL complies with all applicable laws and regulations.

JPMBL has established a Board of Directors’ Risk Committee (“JPMBL Board Risk Committee”), which assist the JPMBL Board of Directors in its mission to assess the adequacy between the risks incurred, JPMBL’s ability to manage these risks and the internal and regulatory own funds and liquidity reserves.

The JPMBL Management Committee is responsible for the effective, sound and prudent day-to-day running of the business, and through the JPMBL CRO, the JPMBL Risk Management function. The JPMBL Board of Directors delegates the responsibility to the JPMBL Management Committee to implement the strategies and guiding principles laid down by it in addition to the day-to-day running of the Bank.

The JPMBL Risk Oversight Committee (“JPMBL ROC”), which is a sub-committee of the JPMBL Management Committee, provides oversight of the risks inherent in JPMBL’s. It also provides oversight of the governance frameworks for Operational Risk, Reputational Risk, and Compliance Risk, including Fiduciary Risk. The JPMBL ROC meets on a monthly basis.

The JPMBL Chief Risk Officer (“JPMBL CRO”), is a JPMBL Authorized Manager. The JPMBL CRO is appointed by the JPMBL Board of Directors and is responsible for independently overseeing, monitoring/controlling and reporting JPMBL risks. The JPMBL CRO chairs the JPMBL ROC and is a permanent attendee of JPMBL Board Risk Committee as well a core member of the EMEA Risk Committee.

Identification and measurement of key risks

JPMBL completes the Internal Capital Adequacy Assessment Process (“ICAAP”) periodically, which forms part of management and decision-making processes such as JPMBL’s risk appetite, strategy, capital and risk management frameworks, and stress testing.

The ICAAP is used as the basis for monitoring and analysing the potential impact of material risk on the amount of internal capital necessary to cover those risks.. The ICAAP assesses risks to capital and aims to ensure that the capital adequacy of an institution is met at all times. For this, JPMBL needs to have sufficient capital resources to bear its risks, absorb losses and follow a sustainable strategy on an ongoing basis and even during a prolonged period of adverse developments. Setting risk appetite limits and individual sub-limits ensures the integration of the ICAAP into the day-to-day decision making of JPMBL. The risks identified as material include Credit Risk, Operational Risk, Interest Rate Risk in the Banking Book (“IRRBB”), and Strategic Risk (incl. Business Risk and Liquidity Risk).

Risk Appetite

Risk Appetite is a high-level statement of the types and level of risk JPMBL is willing to take; it provides a tool for senior management to articulate and assess how much risk is acceptable across quantitative and qualitative measures. The guiding principles of the JPMBL Risk Appetite are outlined in the JPMBL Risk Appetite Framework and a supporting Risk Appetite Parameters and Guidelines document, approved at least annually by the JPMBL Board of Directors. Key figures and ratios regarding the interaction between the risk profile and the risk appetite are deemed to be proprietary information as it relates to competitively significant operational conditions and business circumstances, as defined within EBA guidelines EBA/GL/2014/14.

Credit Risk

Credit risk is the risk associated with the default or change in credit profile of a customer, client or counterparty. JPMBL extends credit, where necessary, to support the overall Business Strategy. JPMBL is primarily exposed to credit risk through its underwriting and lending activities in Private Bank ("PB") as well as through its operating services activities (i.e. overnight and intraday credit extension to Securities Services, Wholesale Payments and Commercial Banking Clients), derivatives to Private Bank and Securities Services clients and Nostro facilities to custody clients and agent bank network, its securities financing activities as agent (i.e. Agency Securities Lending business) and cash placed with banks. JPMBL also places vast amount of its liquidity with its parent via placements and reverse repos.

Credit Risk Organization

Credit risk management is an independent risk management function that monitors, measures and manages credit risk throughout the firm and defines credit risk policies and procedures. The credit risk function is segregated into two distinct groups, both reporting into the JPMBL CRO: Credit Risk Controlling and Credit Risk Approving, made up by the Corporate and Investment Banking ("CIB")/Commercial Banking ("CB") team and the Private Banking ("PB") team.

Credit Risk Controlling is responsible to establish and maintain the JPMBL Credit Risk governance framework. It establishes and monitors a risk limit framework which specifies governance for approvals, reporting and escalations, ensure compliance with banking regulatory requirements and corresponding implementation within credit risk management. It supports the CRO to develop and implement the Credit Risk Strategy.

The Credit Risk Approving teams are responsible to approve of all credit exposure booked into JPMBL (unless qualifying for rules-based policies), performs quantitative and qualitative analysis for new transactions, amendments to existing transactions, and regular client and portfolio reviews, risk grading of credit exposures.

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

JPMBL adheres to the JPMBL Credit Risk Management Framework, which is approved by the JPMBL Board. The JPMBL Framework is supported by an underlying JPMBL Credit Risk Guidelines and other related documents.

Risk Identification and Measurement

The Credit Risk Management function monitors, measures and limits credit risk across the Firm's businesses. To measure credit risk, the Firm employs methodologies for estimating the likelihood of obligor or counterparty default and the loss severity given a default event and the exposure at default. Methodologies for measuring credit risk vary depending on several factors, including type of asset (e.g., consumer versus wholesale), risk measurement parameters (e.g., delinquency status and borrower's credit score versus wholesale risk-rating) and risk management and collection processes (e.g., retail collection centre versus centrally managed workout groups). Credit risk measurement is based on the probability of default of an obligor or counterparty, the loss severity given a default event and the exposure at default.

Based on these factors and related market-based inputs, the Firm estimates credit losses for its exposures. Probable credit losses inherent in the wholesale loan portfolios are reflected in the provision for loan losses and probable credit losses inherent in lending-related commitments are reflected in the provision for lending related commitments. These losses are estimated using statistical analyses and other factors. In addition, potential and unexpected credit losses are reflected in the allocation of credit risk capital and represent the potential volatility of actual losses relative to the established allowances for loan losses and lending related commitments. The analyses for these losses include stress testing that considers alternative economic scenarios and are described in the stress testing section below.

Credit loss estimates are based on estimates of the probability of default (“PD”) and loss severity given a default. The probability of default is the likelihood that a borrower will default on its obligation; the loss given default (“LGD”) is the estimated loss on the loan that would be realized upon the default and takes into consideration collateral and structural support for each credit facility. The estimation process includes assigning risk ratings to each borrower and credit facility to differentiate risk within the portfolio. These risk ratings are reviewed regularly by Credit Risk Management and revised as needed to reflect the borrower’s current financial position, risk profile and any collateral. The calculations and assumptions are based on both internal and external historical experience and management judgment and are reviewed regularly.

To capture the potential future variability of credit exposure, the Firm calculates, on a client-by-client basis, three measures of potential derivatives-related credit loss: Peak, Derivative Risk Equivalent (“DRE”), and Average exposure (“AVG”). These measures all incorporate netting and collateral benefits, where applicable. Peak represents a conservative measure of potential exposure to a counterparty calculated in a manner that is broadly equivalent to a 97.5% confidence level over the life of the transaction. Peak is the primary measure used by the Firm for setting of credit limits for derivative contracts, senior management reporting and derivatives exposure management. DRE exposure is a measure that expresses the risk of derivative exposure on a basis intended to be equivalent to the risk of loan exposures. DRE is a less extreme measure of potential credit loss than Peak and is used as an input for aggregating derivative credit risk exposures with loans and other credit risk. Where possible, the Firm seeks to mitigate its credit risk exposures arising from derivative transactions through the use of legally enforceable master netting arrangements and collateral agreements.

Stress Testing

Stress testing is important in measuring and managing credit risk in the Firm’s credit portfolio. The process assesses the potential impact of alternative economic and business scenarios on estimated credit losses for the Firm. The stress test results may indicate credit migration, changes in delinquency trends and potential losses in the credit portfolio. The Firm uses stress testing to inform decisions on setting risk appetite both at a Firm and LOB level, as well as to assess the impact of stress on individual counterparties.

Credit Risk Approval and Control

Approval of clients: All clients are subject to credit analysis and financial review by Credit Risk Management before new business is accepted.

Establishment of credit limits: All credit exposure must be approved in advance by a Credit Officer(s) with the level of credit authority required by the applicable credit authority grid unless qualifying for rules-based policies, described separately below. Such approval, together with details of the credit limits are recorded in the Credit systems. Credit Officers approve intraday, advised and unadvised overdraft lines for clients based on analysis undertaken by Credit Risk Management.

In some instances, credit limits can be approved according to predetermined rules that are subject to annual review by the appropriate Credit Officers and the JPMBL CRO. The policy framework governing this provides a single, consistent global approach while allowing the application of differing local requirements.

In addition to the Credit Officer approval, a Legal Entity approval, known as Booking Office Country Approval (“BOCA”) has been established to trigger formal notification and approval by a designated JPMBL BOCA approver for changes to non-rules based facilities. The JPMBL CRO (and delegates) are designated as BOCA approvers for JPMBL for Legal Entity approval.

Intraday exposure control: Intraday credit limits are approved, prior to credit extension, by a Credit Officer with the level of credit authority as set forth in the Bank's Credit Approval Principles. Intraday credit limits are assigned to individual client legal entities. Intraday limits are sized based on overall credit appetite for the client and credit family and take into consideration factors including (but not limited to):

- Financial profile of client (including size, liquidity, credit metrics)
- Client obligor credit ratings
- Strength of lien
- Quality and quantity of collateral
- Client need/ historical usage (to ensure facilities are not oversized)

Intraday credit limits exceptions and breaches may occur if there is insufficient availability of cash and/or credit. Exceptions are reviewed and monitored by the Transaction Approval Group ("TAG"). TAG actively monitors these breaches to intraday limits through Global Funds Control ("GFC") for payments and Exposure Control Module ("ECM") for trades. Release of breaching transactions is governed by LOB credit authority grids. TAG will not release the transaction if it is not within their authority; the transaction is then escalated to the Credit Executive with appropriate credit authority for their approval. If approved, TAG will release the transaction. If not approved, the payment will be held until appropriate funding is received or cancelled. Payments and trades with values in excess of the available IDL will be referred by the transactional approval teams (i.e. Transaction Approval Group and Transaction Risk Management) to the following:

During JPMBL Opening Hours:

- a) A JPMBL Credit Officer for credit and legal entity approval, where the overdrawn amount or excess is less than or equal to USD 500mm (and only where the amount exceeds the transaction approval group's discretionary approval tolerance) and,
- b) in all other cases, (i.e. for excesses greater than USD 500mm) additionally to point a), to the JPMBL Head of CIB Credit / JPMBL CRO for legal entity approval.

Outside of JPMBL Opening Hours:

transactional approval teams refer excesses to Global Credit Officers in the U.S. or APAC for approval via a "follow the sun" model. Any out of hours approvals are reported on a T+1 daily basis to the JPMBL credit officer.

The credit decision within this context is based on the following facts:

- client credit worthiness, i.e. client's Obligor Grade (if available)
- information – if available - on historic payment patterns of the client
- information when cover will be received provided by Client Service teams

Risk Monitoring and Management

Wholesale credit risk is monitored regularly at an aggregate portfolio, geography, industry and individual client and counterparty level with established concentration limits that are reviewed and revised as deemed appropriate by management, typically on an annual basis. Industry and counterparty limits, as measured in terms of exposure and economic risk appetite, are subject to stress-based loss constraints. In addition, wrong-way risk - the risk that exposure to a counterparty is positively correlated with the impact of a default by the same counterparty, which could cause exposure to increase at the same time as the counterparty's capacity to meet its obligations is decreasing - is actively monitored as this risk could result in greater exposure at default compared with a transaction with another counterparty that does not have this risk.

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

- Loan underwriting and credit approval process;
- Loan syndications and participations;
- Loan sales and securitisations;
- Credit derivatives;

- Master netting agreements; and
- Collateral and other risk-reduction techniques.

In addition to Risk Management, an independent Credit Review function is responsible for: Independently validating or changing the risk grades assigned to exposures in the Firm's wholesale and commercial-oriented retail credit portfolios, and assessing the timeliness of risk grade changes initiated by responsible business units; and Evaluating the effectiveness of business units' credit management processes, including the adequacy of credit analyses and risk grading/LGD rationales, proper monitoring and management of credit exposures, and compliance with applicable grading policies and underwriting guidelines.

Risk Reporting

To enable monitoring of credit risk and effective decision-making, aggregate credit exposure, credit quality forecasts, concentration levels and risk profile changes are reported regularly to senior members of Credit Risk Management. Detailed portfolio reporting of industry, clients, counterparties and customers, product and geographic concentrations occurs monthly. Through the risk reporting and governance structure, credit risk trends and limit exceptions are provided regularly to, and discussed with, risk committees and JPMBL senior management as appropriate.

Market Risk

Market risk is the risk associated with the effect of changes in market factors such as interest and foreign exchange rates, equity and commodity prices, credit spreads or implied volatilities, on the value of assets and liabilities held for both the short and long term.

Market Risk Management monitors market risks throughout the Firm and defines market risk policies, procedures and other guidance as appropriate. The Market Risk Management function reports to the Firm's CRO, and seeks to manage risk, facilitate efficient risk/return decisions, reduce volatility in operating performance and provide transparency into the Firm's market risk profile.

Risk Governance & Policy Framework

JPMBL's approach to market risk governance mirrors the Firmwide approach and is outlined in the JPMBL's Market Risk Management Framework. The JPMBL Market Risk Management Framework outlines the following:

- Responsibilities of the JPMBL CRO and the JPMBL Market Risk Officer ("MRO");
- Market Risk measures utilized such as VaR, Stress and non-statistical measures;
- Controls such as JPMBL's market risk limit framework (limit levels, limit signatories, limit reviews and escalation).

The JPMBL Board of Directors approves JPMBL's Market Risk Management Framework annually.

Risk Measurement

There is no single measure to capture market risk and therefore JPMBL's uses various metrics both statistical and non-statistical to assess risk. The appropriate set of risk measures utilised for a given business activity is tailored based on business mandate, risk horizon, materiality, market volatility and other factors.

VaR

JPMBL utilises Value-at risk ("VaR"), a statistical risk measure, to estimate the potential loss from adverse market moves in the current market environment.

The VaR framework is employed across the Firm using historical simulation based on data for the previous 12 months. VaR is calculated assuming a one-day holding period and an expected tail-loss methodology which approximates a 95% confidence level.

Stress Testing

Along with VaR, stress testing is an important tool to assess risk. While VaR reflects the risk of loss due to adverse changes in markets using recent historical market behaviour, stress testing reflects the risk of loss from hypothetical changes in the value of market risk sensitive positions applied simultaneously.

JPMBL runs weekly stress tests on market-related risks across the lines of business using multiple scenarios that assume significant changes in risk factors such as credit spreads, equity prices, interest rates, currency rates or commodity prices. JPMBL uses a number of standard scenarios that capture different risk factors across asset classes including geographical factors, specific idiosyncratic factors and extreme tail events. The stress testing framework calculates multiple magnitudes of potential stress for both market rallies and market sell-offs for each risk factor and combines them in multiple ways to capture different market scenarios.

Stress testing complements VaR by allowing risk managers to shock current market prices to more extreme levels relative to those historically realized, and to stress test the relationships between market prices under extreme scenarios.

Stress-test results, trends and qualitative explanations based on current market risk positions are reported to JPMBL's senior management to allow them to better understand the sensitivity of positions to certain defined events and to enable them to manage their risks with more transparency.

Other Non-statistical measures

Aside from VaR and stress testing, other specific risk measures, such as but not limited to FX Delta and IRBPV, are also utilized within specific market context and aggregated across businesses as required.

Risk Monitoring and Control

Limits

Market risk limits are employed as the primary control to align JPMBL's market risk with certain quantitative parameters within JPMBL's Risk Appetite framework. JPMBL, its LOBs and their business units should not exceed their limits unless authorized by a Temporary Limit Approval ("TLA") or a limit change.

JPMBL's limits include VaR, Stress and Non-statistical limits established for the legal entity, in aggregate, and for individual businesses operating out of the legal entity:

- JPMBL's Chief Executive Officer ("CEO"), JPMBL's CRO and JPMBL's MRO are approvers of limits for the legal entity in aggregate;
- Appropriate Business Area representatives and Market Risk Management representatives are approvers of business area specific limits.

As part of the holistic analysis of JPMBL's market risk, market risk limits for JPMBL are reviewed at least semi-annually. Limit reviews appropriately consider the underlying trading, investing and hedging strategies of the business.

A valid market risk limit breach requires that the business take immediate steps to reduce exposure so as to be within limit, unless a Temporary Limit is approved. Limit utilizations and notifications of valid market risk limit breaches are sent to appropriate JPMBL limit signatories and the Global LE MR Head daily. Aged or significant market risk limit breaches are escalated to the JPMBL Management Committee, EMEA Risk Committee, the Firmwide Risk Executive Market Risk and the Global LE MR Head.

Risk Reporting

JPMBL has its own set of regular market risk reports, which include daily notifications of limit utilizations and limit breaches and where applicable, granular market risk metrics which provide transparency into potential risk concentrations.

Operational Risk

Operational risk is the risk associated with an adverse outcome resulting from inadequate or failed internal processes or systems; human factors; or external events impacting the Firm's processes or systems; Operational Risk includes compliance, conduct, legal, and estimations and model risk. Operational risk is inherent in the Firm's activities and can manifest itself in various ways, including fraudulent acts, business interruptions, cyber attacks, inappropriate employee behaviour, failure to comply with applicable laws and regulations or failure of vendors to perform in accordance with their agreements. Operational Risk Management attempts to manage operational risk at appropriate levels in light of the Firm's financial position, the characteristics of its businesses, and the markets and regulatory environment in which it operates.

Firmwide Compliance, Conduct, and Operational Risk Management Framework

The Firm's Compliance, Conduct, and Operational Risk ("CCOR") Management Framework is designed to enable the Firm to govern, identify, measure, monitor and test, manage and report on the Firm's operational risk.

Operational Risk Governance

The LOBs and Corporate are responsible for the management of operational risk. The Control Management Organization, which consists of control managers within each LOB and Corporate, is responsible for the day-to-day execution of the CCOR Framework and the evaluation of the effectiveness of their control environments to determine where targeted remediation efforts may be required.

The Firm's Global Chief Compliance Officer ("CCO") and FRE for Operational Risk is responsible for defining the CCOR Management Framework and establishing minimum standards for its execution. Operational Risk Officers ("OROs") report to both the LOB CROs and to the FRE for Operational Risk, and are independent of the respective businesses or functions they oversee.

The Firm's CCOR Management policy establishes the CCOR Management Framework for the Firm. The CCOR Management Framework is articulated in the Risk Governance and Oversight Policy which is reviewed and approved by the Board Risk Committee periodically.

Operational Risk Identification

The Firm utilizes a structured risk and control self-assessment process that is executed by the LOBs and Corporate. As part of this process, the LOBs and Corporate evaluate the effectiveness of their control environment to assess where controls have failed, and to determine where remediation efforts may be required. The Firm's Operational Risk and Compliance organization ("Operational Risk and Compliance") provides oversight of these activities and may also perform independent assessments of significant operational risk events and area of concentrated or emerging risk.

Operational Risk Measurement

Operational Risk and Compliance performs independent risk assessments of the Firm's operational risks, which includes assessing the effectiveness of the control environment and reporting the results to senior management.

In addition, operational risk measurement includes operational risk-based capital and operational risk loss projections under both baseline and stressed conditions.

The primary component of the operational risk capital estimate is the Loss Distribution Approach ("LDA") statistical model, which simulates the frequency and severity of future operational risk loss projections based on historical data. The LDA model is used to estimate an aggregate operational risk loss over a one-year time horizon, at a 99.9% confidence level. The LDA model incorporates actual internal operational risk losses in the quarter following the period in which those losses were realized, and the calculation generally continues to reflect such losses even after the issues or business activities giving rise to the losses have been remediated or reduced.

As required under the Basel III capital framework, the Firm's operational risk-based capital methodology, which uses the Advanced Measurement Approach ("AMA"), incorporates internal and external losses as well as management's view of tail risk captured through

operational risk scenario analysis, and evaluation of key business environment and internal control metrics. The Firm does not reflect the impact of insurance in its AMA estimate of operational risk capital.

The Firm considers the impact of stressed economic conditions on operational risk losses and develops a forward- looking view of material operational risk events that may occur in a stressed environment. The Firm's operational risk stress testing framework is utilized in calculating results for the Firm's CCAR and other stress testing processes.

Operational Risk Monitoring and Testing

The results of risk assessments performed by Operational Risk and Compliance are leveraged as one of the key criteria in the independent monitoring and testing of the LOBs and Corporate's compliance with laws and regulation. Through monitoring and testing, Operational Risk and Compliance independently identifies areas of operational risk and tests the effectiveness of controls within the LOBs and Corporate.

Management of Operational Risk

The operational risk areas or issues identified through monitoring and testing are escalated to the LOBs and Corporate to be remediated through action plans, as needed, to mitigate operational risk. Operational Risk and Compliance may advise the LOBs and Corporate in the development and implementation of action plans.

Operational Risk Reporting

Escalation of risks is a fundamental expectation for employees at the Firm. Risks identified by Operational Risk and Compliance are escalated to the appropriate LOB and Corporate Control Committees, as needed. Operational Risk and Compliance has established standards to ensure that consistent operational risk reporting and operational risk reports are produced on a Firmwide basis as well as by LOBs and Corporate. Reporting includes the evaluation of key risk indicators and key performance indicators against established thresholds as well as the assessment of different types of operational risk against stated risk appetite. The standards reinforce escalation protocols to senior management and to the Board of Directors.

Covid-19 Pandemic

Under the CCOR Management Framework, Operational Risk and Compliance monitors and assesses COVID-19 related legal and regulatory developments associated with the Firm's financial products and services offered to clients and customers as part of the existing change management process. The Firm will continue to review and assess the impact of the pandemic on operational risk and implement adequate measures as needed.

Fiduciary Risk

Fiduciary risk is the failure to exercise the applicable standard of care, failure to act in the best interests of clients or treat clients fairly as required under applicable law or regulation, potentially resulting in regulatory risk, reputation risk and financial liability.

Depending on the fiduciary activity and capacity in which the Firm is acting, common law and regulation require adherence to specific duties in which the Firm must always place the client's interest above its own. As an example, common law requires that fiduciaries act in accordance with the duties of loyalty and care:

- Duty of Loyalty: Act in the best interest of their clients, refrain from impermissible self-dealing, avoid or manage conflicts of interest; and,
- Duty of Care: Manage client assets with reasonable care, skill, and prudence in context of whole portfolio and individual securities.

Risk Profile

Typically the Corporate Investment Bank (CIB) has less exposure to products which convey fiduciary duties although the private banking Wealth Management (WM) activities do more extensively assume elements of fiduciary obligations. There are specific situations and services that the CIB provides that are deemed fiduciary and require adherence to specific duties in which J.P. Morgan must always place the client's interest above its own. CIB also carries out fiduciary activities in a number of Securities Services product areas, although most notably within the Custody and Depositary functions, Transfer Agency and Agency Securities Lending products. WM is exposed to fiduciary risk through its discretionary and brokerage businesses. As an Investment Manager JPMBL has a Fiduciary Obligation to ensure clients' assets are managed in-line with the agreed upon mandate with reasonable care, skill and prudence.

Risk Management Objectives

JPMBL has adopted a disciplined and structured, end-to-end approach to ongoing oversight of its Fiduciary Activities, which is captured in relevant firm policies and procedures within the Fiduciary Management and Control Framework (Framework). CIB and WM are responsible for understanding and complying with laws, regulations, and other obligations arising from their Fiduciary Activities in their respective businesses and functions. This includes adhering to such laws, regulations, obligations and other policies for maintaining appropriate controls.

Risk Governance structure

JPMBL implements its governance structure in line with the Luxembourg regulatory requirements and in so doing in line with the three lines of defence. The obligations and responsibilities of the control functions within the second and third line of defence are documented as a part of the JPMBL governance framework. JPMBL maintains policies and procedures designed to drive a culture of escalation as well as the requirement to raise issues of concern at different points within the entity's governance structure. The responsibility for the escalation and reporting of relevant matters starts with the relevant businesses and proceeds into the JPMBL Risk Oversight Committee (ROC) which provides oversight of the risks inherent in JPMBL's businesses. The JPMBL ROC escalates significant Fiduciary Risk issues to the appropriate EMEA Risk, Line of Business or Firm Committees as well as the relevant Board sub-committee or main Board of Directors where necessary.

The Firm has a comprehensive Fiduciary Management and Control Policy as well as Fiduciary Standards.

Liquidity Risk

Please refer to section 18.

Interest Rate Risk in the Banking Book ("IRRBB")

IRRBB is defined as Interest Rate Risk ("IRR") resulting from the firm's traditional banking activities (accrual accounted on and off balance sheet positions) which includes extension of loans and credit facilities, taking deposits and issuing debt (collectively referred to as 'non-trading' activities); and also the impact from CIO investment portfolio and other related CIO, Treasury activities. IRR from non-trading activities can occur due to a variety of factors, including but not limited to:

- Differences in timing among the maturity or repricing of assets, liabilities and off-balance sheet instruments;
- Differences in the amounts of assets, liabilities and off-balance sheet instruments that are maturing or repricing at the same time;
- Differences in the amounts by which short-term and long-term market interest rates change (for example, changes in the slope of the yield curve); and
- The impact of changes in the maturity of various assets, liabilities or off-balance sheet instruments as interest rates change.

Oversight and Governance

Management of IRRBB within J.P. Morgan Bank Luxembourg is delegated to the EU Asset and Liability Committee (EU ALCO); the EU ALCO, chaired by the EU Treasurer, is responsible for reviewing the IRRBB exposures and/or profile of JPMBL, and IRRBB assumptions applied within the entity.

JPMBL ALM Risk has responsibility for IRR oversight in JPMBL and provides periodic updates on IRRBB to the ROC. JPMBL ALM Risk's responsibilities include, but are not limited to:

- Measuring and monitoring IRR and establishing limits; and
- Creating and maintaining governance over IRR assumptions.

Risk Identification and Measurement

The JPMBL Treasurer manages IRRBB exposure by identifying, measuring, modelling and monitoring IRR across the balance sheet. T/CIO identifies and understands material balance sheet impacts of new initiatives and products and will execute transactions to manage IRR as appropriate, and ensure compliance with internal and regulatory requirements. LOBs are responsible for developing and monitoring the appropriateness of LOB-specific IRR modelling assumptions.

Measures to manage IRR include the following:

- **Earnings-at-Risk ("EaR")**, which estimates the interest rate exposure for a given interest rate scenario. It is presented as a sensitivity to a baseline scenario, which includes net interest income and certain interest rate-sensitive fees;
- **Economic Value Sensitivity ("EVS")**, which measures the change in economic value ("EV") of JPMBL balance sheet due to changes in interest rates.

The calculation of IRRBB exposure is subject to behavioural assumptions on client deposits, which may include both timing and size of cashflows associated with the deposits. Within JPMBL, these metrics are reported to the Risk Oversight Committee on a periodic basis.

Business Risk

Business risk is the risk associated with the Firm's current and future business plans and objectives. Business risk includes the risk to current or anticipated earnings, capital, liquidity, enterprise value, or the Firm's reputation arising from adverse business decisions, poor implementation of business decisions, or lack of responsiveness to changes in the industry or external environment.

Risk Management

Business risk as it impacts capital is managed through the entities' strategic and business planning as part of their Capital Management Framework.

Business risk is also considered and managed in a wider context. For example, for new products and services, failure to identify new or changed risks may expose the Firm to financial loss or harm its reputation. Accordingly the New Business Initiative Approval ("NBIA") policy provides a framework that governs the review and approval of new or materially changed products and services, while making sure that risks are identified, measured, monitored and controlled. LOBs are authorised to introduce new products, services and processes and are responsible for the new products and services they introduce.

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

Risk Reporting and Measurement

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

Risk Mitigation

Capital projections are used as a tool to help mitigate business risk. If the baseline capital projections, which include P&L projections from the LOB, show a reduction in the earnings, this could be an indicator that a strategy is not implemented successfully. Similarly, where the stressed capital projections show risks to capital beyond the entities' risk appetite, remedial action is taken.

Additionally, where unacceptable risks are identified through the NBIA process, changes are made to the new business initiative prior to their implementation or the initiative is withdrawn.

Reputation Risk

Reputation risk is the risk that an action or inaction may negatively impact perception of the firm's integrity and reduce confidence in the firm's competence by its various constituents, including clients, counterparties, customers, investors, regulators, employees, communities or the broader public.

Reputation risk is the responsibility of each Lines of Business ("LOB"), function, and employee within the firm. The Reputation Risk Office ("RRO") is the conduit through which transactions or matters are raised to the relevant Reputation Risk Committee ("RRC") or other forum for the appropriate escalation and determination of reputation risk.

JPM has an established risk management governance framework, including a policy and standards, for managing reputation risk. The requirements of the reputation risk governance framework as described in the Firmwide Reputation Risk Governance policy are executed by each of JPM's LOBs through adherence to the Firmwide Reputation Risk Standard.

The Bank's reputation risk framework is designed to assist with identification and escalation of potential reputation risk as highlighted in the Firmwide Reputation Risk Standard. JPM takes a qualitative approach to assessing Reputation Risk given the nature of the risk.

Leverage Risk

Leverage is defined at a high level as the ratio of a firm's assets, off-balance sheet obligations, commitments and contingencies to its capital base. There is a risk that, either through excessive growth or erosion of the capital base, the degree of leverage becomes unsustainable. This in turn may require unintended corrective measures to the entities' business plans, including distressed selling of assets which might result in losses or in valuation adjustments to remaining assets.

Risk Management

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.

Risk Reporting and Measurement

The capital adequacy framework is based around a regular cycle of point-in-time capital and leverage calculations and reporting, supplemented by forward-looking projections and stress-testing. Each part of the process is subject to rigorous control.

JPMBL completes the ICAAP on a quarterly basis, which provides management with a view of the impact of severe and unexpected events on earnings, capital resources, risk-weighted assets and balance sheet. The Firm's ICAAP integrates stress testing protocols with

capital and leverage planning. More detail on the ICAAP is included in Section 4. Capital Requirements. Leverage ratio is calculated on a monthly basis and reported under CoRep to the regulator on a quarterly basis.

Risk Mitigation

The entities in scope are subject to a defined framework of target capital and leverage levels, as well as specific thresholds / triggers for escalation and action. Based on this framework, corrective action is taken as and when required to maintain an appropriate level of leverage.

ESG Risk

For further details please refer to section 14 of this document.

Board Declaration - Adequacy of Risk Management Arrangements

The Board of JPMBL is satisfied that Management has taken reasonable care to establish and maintain risk systems and controls as appropriate to the business.

Members of the Board of Directors

In selecting candidates for the Board, JPMBL looks for individuals with strong personal attributes, diverse backgrounds and demonstrated expertise and success in one or more disciplines relevant to the business and commensurate with its size, complexity and risk profile and who are collectively suitable and equipped to carry out the Board's overall responsibility for JPMBL. The goal is to have a Board of Directors consisting of individuals with a combination of skills, experience and personal qualities that will well serve it, its committees, the Firm and the shareholders. Candidates for directorship may be recommended by current Board members or management.

As at 31st December 2020, the JPMBL Board was comprised of seven directors:

Pablo Garnica (Executive Director)

Pablo Garnica is CEO of J.P. Morgan Private Bank in Europe, Middle East and Africa ("EMEA"). Based in Luxembourg, Mr Garnica oversees the activities across the EMEA Private Banking business. He is a Board Member of J.P. Morgan (Suisse) SA and is CEO and Board Member of J.P. Morgan Bank Luxembourg S.A. Additionally, Mr Garnica serves on several other firmwide governance forums within EMEA.

Mr Garnica has worked in the bank for over 20 years. After joining as a banker in the Madrid office, Mr Garnica became Head of J.P. Morgan's Private Banking business in Spain and Portugal, leading a significant growth in the firm's presence in these markets. In his current role as CEO he has led J.P. Morgan's private banking growth in both onshore and offshore markets.

Prior to J.P. Morgan, Mr Garnica spent several years at Banesto in both Mexico and the U.S.A. serving Latin American private clients and family businesses.

Mr Garnica holds a degree in Economics and Business from CUNEF.

Mark Garvin (Chairman – Non Executive Director)

Mark Garvin is Vice Chairman for the Corporate & Investment Bank at J.P. Morgan. He is also Chairman of the Supervisory Board of J.P. Morgan AG and Chairman of the Board of Directors of J.P. Morgan Bank Luxembourg S.A.

Mr. Garvin has worked for J.P. Morgan and its predecessor banks since 1978. After serving in various capacities in the Latin American division he became credit officer in Paris in 1982. He transferred to London in 1985 where he assumed responsibility for UK client coverage. In 1988 he was appointed deputy general manager of the London branch and in 1992 became UK Senior Country Officer. In 1997 he was appointed Chief Operating Officer – Europe, Middle East & Africa, and in 2004 became Chairman, Treasury & Securities Services International, a position he held until assuming his current role in 2012. He is a Director of British American Business.

Mr. Garvin holds a BS from Georgetown University as well as an MBA from the American University.

Christopher Rowland (Non-Executive Director) – resigned on 10th March 2021

Christopher Rowland was the Product Executive for J.P. Morgan's Custody business and head of Securities Services EMEA. In his role, Mr. Rowland was responsible for setting the strategy and managing the P&L for the Global Custody, Direct Custody, and Depository Services products provided to institutional investor clients of the firm with asset under custody of \$21trillion. As head of Securities Services EMEA Mr. Rowland has responsibility for the governance of the business regionally.

Mr. Rowland has worked at J.P. Morgan twice, most recently joining the firm in 2006 to establish the EMEA product management group for Global Custody EMEA followed by running the product development strategy for the Custody business, establishing Corporate and Investment Bank securities processing utilities and running the Global Fund Services business. Mr. Rowland took his current role in Q4 2014. Previously at J.P. Morgan (1994-2001) Mr. Rowland performed operations and operational outsourcing sales roles covering derivative products in the Investment Bank. Mr. Rowland spent 4 years at BNP Paribas Securities Services where he led the sales and relationship management team for the Direct Custody and Clearing business in the UK.

Mr. Rowland holds a B.A. in history and politics from Swansea University.

Ignace Combes (Independent Non-Executive Director)

Ignace Combes is an Independent Non-Executive Director of the Bank and Chairman of the Risk Committee since the middle of 2016. Mr. Combes has a Masters in Civil Engineering from Gent University in Belgium together with an MBA from Vlerick Management School in Belgium. After several years as a project manager for JPMorgan Mr. Combes joined Euroclear where he progressed to being Head of Operations for Belgium. Mr. Combes then returned to J.P. Morgan in NY where he was Worldwide Head of Marketing for 5 years. Mr. Combes re-joined Euroclear and had risen to the position of Deputy CEO for Euroclear Group when he left. Mr. Combes is currently also an Independent Non-Executive Director of Partena Professional. Mr. Combes, in his executive career, has also been a Board Member of other major financial institutions.

Alison Livesey (Non-Executive Director)

Alison Livesey is a London based Managing Director in Wholesale Payments and is responsible for Business Transformation alongside her role as the European Location Head. She is currently focused on the Legal Entity Strategy for Wholesale Payments, encapsulating Brexit and firm-wide strategies, accelerating the value from the regional businesses that make up Wholesale Payments and driving the business growth across the European franchise.

Ms. Livesey has been featured in a number of industry publications and newspaper articles including a 2018 article on The Women Driving J.P. Morgan's EMEA Push – Transaction Banking featured in The Banker Magazine.

Prior to her current role, Ms. Livesey was part of the global strategic execution team within Treasury Services focused, from a business perspective, on its operating framework and building and maintaining a robust control environment. Before joining Treasury Services in 2014, Ms. Livesey spent 15 years in a variety of different Compliance roles in London, New York and Frankfurt. In her last role she was the Chief Compliance Officer for Treasury Services, based in New York.

Ms Livesey is a member of the Board of J.P. Morgan Bank Luxembourg S.A. and the EMEA Diversity Council.

Ms Livesey has an LLB Law degree from The University of Hull and is a qualified barrister in the UK and a member of Lincoln's Inn.

Elizabeth Munro (Non-Executive Director)

Elizabeth Munro is the Head of Finance and Business Management for the International Private Bank. In this role Ms. Munro oversees all Finance, Business Management and Strategy aspects for the Private Bank in Asia, EMEA and Latin America. Ms. Munro moved into this role, having spent the prior six years as the Senior Business Manager for the Private Bank in EMEA.

She received her MBA from New York University and undergraduate degree from Hamilton College.

Eilish Finan (Independent Non-Executive Director) – appointed on 1st April 2020

Eilish Finan has acted as an Independent Non-Executive Director for J.P. Morgan Bank (Ireland) PLC since November 2011, and for J.P. Morgan Bank Luxembourg S.A. since April 2020.

Ms. Finan has over 30 years in the international financial services industry and prior to 2008 held a number of executive positions with AIG Global Investments. Ms. Finan has significant experience in the asset management, private equity, fund management and insurance industries and served a four year term on the Board of National Asset Management Agency (NAMA) from 2009-2013. Ms. Finan is a Fellow of the Institute of Chartered Accountants in Ireland, holds a Diploma in Corporate Governance from the UCD Smurfit Business School and carries the Chartered Director designation from the Institute of Directors in the UK. She holds the designation of Certified Bank Director issued by The Institute of Banking in Ireland.

Ms. Finan is also a Director of Chase Paymentech Europe Limited, which is based in Dublin and houses J.P. Morgan's payments business in Ireland.

Directorships

Members of the Board of Directors have also held internal and/or external directorships during the year ended 31st December 2020 as follows:

Name	Internal Directorships*	External directorships
Mark Garvin	1	1
Alison Livesey	1	0
Elizabeth Munro	1	0
Ignace Combes	1	1
Christopher Rowland (resigned)	1	0
Pablo Garnica	1	0
Eilish Finan	1	3

Note: Directorships held within the same group are counted as a single directorship, and those in organisations with non-commercial objectives are disregarded. As such, for those Directors holding several Internal Directorships, the above numbers of "Internal Directorships" is still reflected as "1".

Diversity & Inclusion

In 2014, we set an internal target to achieve 30% representation of women on certain key boards in EMEA including JPMBL. Since then, we have made progress across the EMEA region, and have met our goal for representation of women on the JPMBL board. We will continue to monitor this annually.

3. Difference between accounting and regulatory scope (Article 436)

The tables below are showing a reconciliation and the differences between the values reported in the published financial statement as at the 31st December 2020 (LUX GAAP) and the values under scope of regulatory consolidation (IFRS) as per Guidelines on disclosure requirements in Part Eight of Regulation (EU) No 575/2013 Article 436.

Table 1: EU LI1 - Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

\$'m	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
ASSETS							
Cash in hand, balances with central banks and post office banks	14,127	14,141	14,141	-	-	-	-
Loans and advances to credit institutions	51,756	51,751	43,552	8,199	-	-	-
Loans and advances to customers	15,015	15,120	15,120	-	-	-	-
Bonds and other fixed-income transferable securities	125	125	125	-	-	-	-
Shares and other variable-yield transferable securities	0	0	0	-	-	-	-
Shares in affiliated undertakings	0	0	0	-	-	-	-
Intangible Assets	29	29	-	-	-	-	29
Tangible assets	16	32	32	-	-	-	-
Prepayments and accrued income	1,002	850	850	-	-	-	-
Total assets	82,069	82,047	73,820	8,199	-	-	29
LIABILITIES							
Amounts owed to credit institutions	1,274	-	-	-	-	-	-
Amounts owed to customers	70,440	-	-	-	-	-	-
Other liabilities	37	-	-	-	-	-	-
Accruals and deferred income	1,161	-	-	-	-	-	-
Provisions	235	-	-	-	-	-	-
Subordinated liabilities	3,500	-	-	-	-	-	-
Fund for general banking risks	39	-	-	-	-	-	-
Subscribed capital	21	-	-	-	-	-	-
Share Premium	3,234	-	-	-	-	-	-
Reserves	1,875	-	-	-	-	-	-
Profit or loss brought forward	0	-	-	-	-	-	-
Profit or loss for the financial year	252	-	-	-	-	-	-
Total liabilities	82,069	-	-	-	-	-	-

Table 2: EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	\$'m	Total	Items subject to			
			Credit risk framework	CCR framework	Securitisation framework	Market risk framework
1	Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	82,047	73,820	8,199	-	-
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	-	-	-	-	-
3	Total net amount under the regulatory scope of consolidation	82,047	73,820	8,199	-	-
4	Off balance sheet	18,862	18,862	-	-	-
5	Derivatives (LUX GAAP vs IFRS rules)	848	-	848	-	0
6	Exposure amounts considered for regulatory purposes	101,728	92,681	9,046	-	0

Table 3: EU LIA - Explanations of differences between accounting and regulatory exposure amounts

Item	Article	
	436(b)	455(c), 34, 105, 435(a) and 436(b)
Derivatives	As per LUX GAAP accounting rules derivatives are not being disclosed compared to IFRS rules for COREP	As per LUX GAAP accounting rules derivatives are not being disclosed compared to IFRS rules for COREP

4. 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. Capital ratios are disclosed in accordance with the CRR.

In addition to JPMBL’s Tier 1 capital (comprised solely by CET1 as per Table below), \$3.5bn of Tier 2 capital were issued by JPMBL on 18th November 2020, which were approved by the ECB on 19th November 2020. The counterparty is J.P. Morgan International Finance (“JPMIF”), which is the parent and only shareholder of JPMBL.

Table 4: CRD IV Regulatory Capital

Own Funds Disclosure Template \$'m		Amount at Disclosure Date	Regulation (EU) No 575/2013 Article Reference
Common Equity Tier 1 (CET1) Capital: Instruments and Reserves			
1	Capital instruments and the related share premium accounts	3,250	26 (1), 27, 28, 29
	<i>of which:</i> Ordinary Shares	21	EBA list 26 (3)
	<i>of which:</i> Share premium	3,229	EBA list 26 (3)
2	Retained earnings	1,930	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	(2)	26 (1)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	5,178	
Common Equity Tier 1 (CET1) Capital: Regulatory Adjustments			
7	Additional value adjustments (negative amount)	(1)	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	(29)	36 (1) (b), 37
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(29)	
29	Common Equity Tier 1 (CET1) capital	5,149	
Additional Tier 1 (AT1) Capital: Instruments			
36	Additional Tier 1 (AT1) capital before regulatory adjustments	-	
Additional Tier 1 (AT1) capital before regulatory adjustments			
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	
44	Additional Tier 1 (AT1) capital	-	
45	Tier 1 capital (T1 = CET1 + AT1)	5,149	
Tier 2 (T2) Capital: Instruments and Provisions			
46	Capital instruments and the related share premium accounts	3,500	62, 63
51	Tier 2 (T2) capital before regulatory adjustments	3,500	
Tier 2 (T2) Capital: Regulatory Adjustments			
57	Total regulatory adjustments to Tier 2 (T2) capital	-	
58	Tier 2 (T2) capital	3,500	
59	Total capital (TC = T1 + T2)	8,649	
60	Total risk weighted assets	30,452	
Capital Ratios and Buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	16.91%	92 (2) (a)
62	Tier 1 (as a percentage of total risk exposure amount)	16.91%	92 (2) (b)
63	Total capital (as a percentage of total risk exposure amount)	28.40%	92 (2) (c)
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)	7.53%	CRD 128, 129, 130, 131, 133
65	<i>of which:</i> capital conservation buffer requirement	2.50%	
66	<i>of which:</i> countercyclical buffer requirement	0.03%	
67a	<i>of which:</i> Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.50%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	8.91%	CRD 128

Own Funds Reconciliation

The tables below present a reconciliation between audited balance sheet own funds and regulatory own funds as at 31st December 2020 in accordance with the requirements set out in Commission Implementing Regulation (EU) No 1423/2013.

Table 5: Reconciliation of Regulatory Own Funds to Balance Sheet

Regulatory Own Funds Reconciliation to Balance Sheet	\$'m
Balance Sheet Own Funds	
193,884 Ordinary Shares of \$110 each	21
Pension Reserve	-
Share Premium Account	3,229
Retained Earnings	2,125
Other Reserves	-
CET1 Capital - Balance Sheet Own Funds	5,375
Less Regulatory Adjustments	(226)
(-) Unaudited Profit	(197)
(-) Intangible Assets: Goodwill	-
(-) Available for Sale Financial Asset Reserve	-
(-) Intangible Assets	(29)
(-) Additional Valuation Adjustments	(1)
CET1 Capital - Regulatory Own Funds After Adjustments	5,149
TIER 2 CAPITAL	3,500
Total Regulatory Own Funds	8,649

Main Features of Capital Instruments

The table below presents the main features of regulatory capital instruments for JPMBL as at 31st December 2020 and as required by Commission Implementing Regulation (EU) No 1423/2013. The terms and conditions for these instruments can be found on the Luxembourg business register website.

Table 6: Main Features of Regulatory Capital Instruments

Capital Instruments Main Features		JPMBL CET1	JPMBL Tier 2
		193,884 ordinary shares at \$110 each	17,500,000 notes at \$200 each
1	Issuer	J.P. Morgan Bank Luxembourg S.A.	J.P. Morgan Bank Luxembourg S.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A
3	Governing law(s) of the instrument	Article 37 et seq. of "Luxembourg Company Law: Law of 10th August 1915 on commercial companies" (Loi du 10 août 1915 concernant les sociétés commerciales)	Luxembourg law
4	Transitional CRR rules	Common Equity Tier 1	Tier 2 Capital
5	Post-transitional CRR rules	Common Equity Tier 1	Tier 2 Capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Shares of a public limited liability company (Actions d'une société anonyme)	Global Registered Note Certificate of a public limited liability

			company (Actions d'une société anonyme)
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	\$21m	\$3,500m
9	Nominal amount of instrument	\$110	\$200 per note
9a	Issue price	\$110	\$200 per note
9b	Redemption price	N/A	\$200 per note
10	Accounting classification	Shareholders' equity	Subordinated liability
11	Original date of issuance	\$11m May 16th, 1973 \$6m September 3rd, 2018 \$4m January 29th, 2019	November 18th, 2020
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	N/A	November 20th, 2028
14	Issuer call subject to prior supervisory approval	N/A	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	Redemption for regulatory or taxation reasons possible in whole but not in part, at any time upon 10 and not more than 60 day's prior notice at redemption price
16	Subsequent call dates, if applicable	N/A	Redemption for regulatory or taxation reasons possible in whole but not in part, at any time upon 10 and not more than 60 day's prior notice at redemption price
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	N/A	1M USD Libor + 111 basis points
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	N/A
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	N/A
21	Existence of step up or other incentive to redeem	N/A	No
22	Noncumulative or cumulative	Non-cumulative	N/A
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	N/A	No
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Equity is the lowest level in the hierarchy	Subordinated to all unsubordinated obligations
36	Non-compliant transitioned features	No	N/A
37	If yes, specify non-compliant features	N/A	N/A

5. Capital Requirements (Article 438)

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

Internal Capital Adequacy Assessment Process

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

Minimum Capital Requirements

The tables below show a breakdown of the risk weighted assets and associated Minimum Capital Requirements for JPMBL.

The standardised approach has been used for the calculation of Credit Capital Requirements. The Basic Indicator Approach ("BIA") has been used for the calculation of Operational Risk Capital Requirements using projected revenues to calculate the relevant indicator. The minimum capital requirements below represent the Pillar 1 requirements as per the CRR to be maintained 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 below requirements do not include additional minimum requirements set out by the ECB as part of the Supervisory Review and Evaluation Process ("SREP").

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 standardized approach has been used for the calculation of Credit Risk.

Table 7: EU OV1 - Overview of RWAs

\$'m		RWA		Minimum capital requirements
		Q4 2020	Q3 2020	
1	Credit risk (excluding counterparty credit risk) (CCR)	26,753	22,939	2,140
2	Of which the standardised approach	26,753	22,939	2,140
3	Of which the foundation IRB (FIRB) approach	-	-	-
4	Of which the advanced IRB (AIRB) approach	-	-	-
5	Of which equity IRB under the simple risk-weighted approach or the IMA	-	-	-
6	CCR	937	889	75
7	Of which marked to market	774	735	62
8	Of which original exposure	9,046	6,298	n/a
9	Of which the standardised approach	14	4	1
10	Of which internal model method (IMM)	-	-	-
11	Of which risk exposure amount for contributions to the default fund of a CCP	-	-	-
12	Of which CVA	150	151	12
13	Settlement risk	-	-	-
14	Securitisation exposures in the banking book (after the cap)	-	-	-
15	Of which IRB approach	-	-	-
16	Of which IRB supervisory formula approach (SFA)	-	-	-
17	Of which internal assessment approach (IAA)	-	-	-
18	Of which standardised approach	-	-	-
19	Market Risk	0	6	0

20	Of which the standardised approach	0	6	0
21	Of which IMA	-	-	-
22	Large exposures	-	-	-
23	Operational Risk	2,726	2,726	218
24	Of which basic indicator approach	2,726	2,726	218
25	Of which standardised approach	-	-	-
26	Of which advanced measurement approach	-	-	-
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	35	15	3
28	Floor adjustment	-	-	-
29	Total	30,452	26,576	2,436

4th Quarter 2020 compared to 3rd Quarter 2020: increase in Credit Risk under the standardised approach (row 2) primarily driven by on and off balance sheet exposures due to client migrations and incremental growth.

Table 8: EU OV1 additional - Overview of RWAs by exposure class

Exposure classes \$'m		RWA	Overall capital requirements
1	Central Governments or central banks	35	5
3	Public sector entities	-	-
6	Institutions	9,690	1,287
7	Corporates	16,483	2,189
8	Retail	-	-
9	High Risk Exposures	485	64
16	Other exposures	882	117
17	Total	27,576	3,663

6. Exposure to Counterparty Credit Risk (Article 439)

As at the end of 2020, JPMBL is exposed to Counterparty Credit Risk (“CCR”) via Securities Financing activities (Reverse Repos) and Derivatives transactions (which are traded on a back to back basis with the group).

Counterparty Credit Risk Analysis

The table below shows counterparty credit risk exposures (excluding trades cleared through a CCP) by methods used to calculate CRR regulatory requirements for JPMBL. Derivative exposures are calculated using the MtM method (CRR Article 274). SFTs use the Financial Collateral Comprehensive Method (“FCCM”) (CRR Articles 223-224). Long settlement transactions are treated under the FCCM method.

Table 9: EU CCR1 – Analysis of CRR exposure by approach

	\$'m	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
1	Mark to market		389	459			848	774
2	Original exposure	-					-	-
3	Standardised approach		-			-	-	-
4	IMM (for derivatives and SFTs)				-	-	-	-
5	Of which securities financing transactions				-	-	-	-
6	Of which derivatives and long settlement transactions				-	-	-	-
7	Of which from contractual cross-product netting				-	-	-	-
8	Financial collateral simple method (for SFTs)						-	-
9	Financial collateral comprehensive method (for SFTs)						69	14
10	VaR for SFTs						-	-
11	Total							788

The following table represents an overview of the impact of netting and collateral held on exposures for derivatives (including long settlement transactions) and SFTs.

Table 10: EU CCR5-A – Impact of netting and collateral held on exposure values

\$'m	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	651	(198)	453	(31)	422
SFTs not subject to a netting agreement	8,199	-	8,199	(8,130)	69
Non Eligible collateral under CRR	-	-	-	(5,172)	-
Total	8,849	(198)	8,652	(8,161)	491

Underlying exposures have been deemed significant (and shown separately) when following materiality threshold has been met: Exposure \geq 3% of total net exposure. Underlying exposures which have not met the materiality condition will therefore not be disclosed separately.

Collateral Used in Counterparty Credit Risk

The breakdown of all types of collateral posted or received by JPMBL to mitigate CCR exposure to derivatives and SFTs is shown in the table below. As at 31st December 2020, the majority of collateral used which JPMBL held was in debt securities.

Table 11: EU CCR5-B – Composition of collateral for exposures to CCR

\$'m	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of Collateral received		Fair value of collateral posted		Fair value of collateral received	Fair value of collateral posted
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash	-	245	-	164	-	-
Debt securities (Other)	-	4,927	-	-	-	-
Debt securities (Central Governments)	-	-	125	-	8,159	-
Total	-	5,172	125	164	8,159	-

4th Quarter 2020 compared to 2nd Quarter 2020: Increase Debt securities (Other) / Unsegregated primarily driven by business activity. Increase in Debt securities (Central Governments) / Fair value of collateral received driven by increase in Reverse Repos.

CVA Capital Charge

The exposure value and associated RWAs subject to CVA capital charges are calculated according to both the Advanced method as set in CRR Article 383 and the Standardised method as prescribed in CRR Article 384.

Table 12: EU CCR2 – CVA capital charge

	\$'m	Exposure value	RWAs
4	All portfolios subject to the standardised method	584	150
5	Total subject to the CVA capital charge	584	150

No significant changes compared to the latest reported number (Q2-2020: RWA \$167m)

Credit Derivatives Breakdown

The table below presents a breakdown of credit derivatives notionals for JPMBL by product type and whether they are held for client intermediation (other credit derivatives) or for the firm's own portfolio (credit derivative hedges). The firm does not use credit derivatives hedges for the purpose of credit risk mitigation as at 31st December 2020.

Table 13: EU CCR6 – Credit derivatives exposures

\$'m	Other credit derivatives
Notionals	-
Credit Default Swaps	78
Total notionals	78
Fair values	-
Positive fair value (asset)	8
Negative fair value (liability)	(8)

No significant changes compared to the latest reported number.

7. Countercyclical Capital Buffers (Article 440)

Under Basel III, each firm is required to hold an additional capital buffer against macroeconomic risks associated with an increase in aggregate credit. Each firm is required to calculate its institution-specific countercyclical buffer rate as a weighted average of the buffer rates that have been set for each jurisdiction to which the firm has relevant credit exposures. The countercyclical buffer is then the institution-specific countercyclical buffer rate multiplied by total RWA.

The tables below show a breakdown of the geographic distribution of relevant credit exposures along with the calculation of the institution-specific countercyclical capital buffer as per Commission Delegated Regulation (EU) 2015/1555. There are no banking securitization exposures and therefore no relevant credit exposures arising from banking book securitization exposures are shown below.

The template is being disclosed on an individual basis.

Table 14: Geographic Distribution of Credit Exposures Relevant to the Calculation of the Countercyclical Capital Buffer

Breakdown by country \$'m	General credit exposures	Trading book exposure	Own funds requirements			Own funds requirement weights	Countercyclical capital buffer rate
	Exposure value for SA	Sum of long and short position of trading book	Of which: General credit exposures	Of which: Trading book exposures	Total		
Luxembourg	1,903	-	152	-	152	11.8%	0.25%
Norway	38	-	3	-	3	0.2%	1.00%
Hong Kong	14	-	1	-	1	0.1%	1.00%
Slovakia	0	-	0	-	0	0.0%	1.00%
Bulgaria	0	-	0	-	0	0.0%	0.50%
Czech Republic	-	-	-	-	-	0.0%	0.50%
Other Countries	14,178	-	1,134	-	1,134	87.9%	0.00%
Total	16,133	-	1,291	-	1,291	100.0%	

Table 15: Amount of Institution-Specific Countercyclical Capital Buffer

	\$'m
Total Risk Exposure Amount	30,452
Institution Specific Countercyclical Buffer Rate	0.03%
Institution Specific Countercyclical Buffer Requirement	5

8.Credit Risk Adjustments (Article 442)

Definitions

The following definitions are used for accounting purposes:

- **Impairment of financial assets:** Impairment losses on loans and receivables are measured as the difference between the financial assets carrying amount and the present value of the estimated future cash flows discounted at the financial asset's effective interest rate.
- **Impairment of non-financial assets:** An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units).
- **Past due:** A financial asset is past due when a counterparty has failed to make a payment when contractually due.
- **Expected Credit Losses ("ECL"):** Expected credit losses for the year are formulated based on model derived credit costs for both external and intercompany exposures in the bank. These are then subject to local management assessment by the CRO, CFO and Risk Oversight Committee (RoC) of JPMBL to ensure no specific or general adjustments are required against specific client/industry/sector exposures.

Net and Average Exposures

Net values of on-balance sheet and off-balance exposures are depicted in the tables below. The net value is gross carrying value of exposure less impairments or provisions. The firm has calculated average exposure based on the average of the four quarter end points during the year.

Table 16: EU CRB-B - Total and average net amount of exposures

	Exposure class \$'m	Net exposure at the end of the period	Average net exposure over the period *
16	Central governments or central banks	14,266	9,924
21	Institutions	59,642	46,119
22	Corporates	17,611	16,455
29	Items associated with particularly high risk	280	178
34	Other exposures	882	1,075
35	Total standardised approach	92,681	73,752
36	Total	92,681	73,752

* The firm has calculated average exposure based on the average of the four quarter end points during the year of 2020. Increase in 2020 vs 2019 is driven by increase in Balance sheet size, client migration and incremental growth.

Exposure Class Analysis by Geographical Areas

The tables below provide a breakdown of net credit risk exposures (i.e. net values of on-balance sheet and off-balance sheet exposures before credit risk mitigation) by country. Other geographical areas includes multilateral development banks and international organisations which operate across multiple regions. The analysis is provided for countries exceeding 3.0% of the total net value.

Table 17: EU CRB-C - Geographical breakdown of exposures

Exposure class \$'m		Net Values										
		North America	US	Other North America	Europe	LU	GB	DE	CH	Other Europe	Other Areas	Total
7	Central Governments or central banks	125	125	-	14,141	6,234	8	7,799	-	100	-	14,266
12	Institutions	43,906	43,446	460	15,114	17	8,610	695	4,013	1,780	622	59,642
13	Corporates	2,489	185	2,305	14,488	2,246	2,266	375	266	9,336	633	17,611
17	Items associated with particularly high risk	145	0	145	134	-	30	10	0	94	0	280
22	Other exposures	203	179	24	670	412	27	12	6	212	9	882
23	Total Standardised Approach	46,868	43,934	2,934	44,548	8,909	10,941	8,891	4,285	11,522	1,265	92,681
24	Total	46,868	43,934	2,934	44,548	8,909	10,941	8,891	4,285	11,522	1,265	92,681

Geographical areas and countries have been deemed significant (and shown separate) when following materiality thresholds have been met: Area - Exposure in area \geq 10% of total exposure; Country - Exposure in country \geq 3% of total exposure. Countries which have not met the materiality condition however are located in a geographical area deemed being significant have been grouped under "Other" in the respective geographical area. All remaining countries deemed non significant located in non-significant geographical areas have been grouped under "Other Areas". Following countries were below the materiality thresholds and have been grouped as described above:

Other North America: Anguilla, Barbados, Bermuda, Bahamas, Belize, Canada, Costa Rica, Curaçao, Cayman Islands, Mexico, Panama, Saint Vincent and the Grenadines, British Virgin Islands.

Other Europe: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Spain, Finland, France, Guernsey, Gibraltar, Greece, Croatia, Hungary, Ireland, Isle of Man, Iceland, Italy, Jersey, Liechtenstein, Lithuania, Monaco, Malta, Netherlands, Norway, Poland, Portugal, Romania, Serbia, Russian Federation, Sweden, Slovenia, Slovakia, Ukraine.

Other Areas: United Arab Emirates, Argentina, Australia, Bahrain, Brazil, Botswana, China, Colombia, Egypt, Ghana, Hong Kong, Israel, Japan, Kenya, Republic of Korea, Kuwait, Kazakhstan, Liberia, Morocco, Marshall Islands, Mauritius, Malaysia, Nigeria, New Zealand, Oman, Peru, Qatar, Saudi Arabia, Singapore, Thailand, Tunisia, Turkey, Uganda, Wallis and Futuna, South Africa, Zambia, Zimbabwe.

The year over year increase of exposure cross regions and countries primarily is driven by increase in Balance sheet size, client migration and incremental growth.

Concentration Analysis of Credit Risk Exposures

As it is depicted in tables below the majority of credit risk exposures is concentrated in the finance industry.

Table 18: EU CRB-D - Concentration of exposures by industry or counterparty types

Exposure class \$'m		Finance Industry	Manufacturing	Others (Residual Exposure)	Total
7	Central Governments or central banks	14,266	-	-	14,266
12	Institutions	59,642	-	-	59,642
13	Corporates	11,412	20	6,179	17,611
17	Items associated with particularly high risk	-	-	280	280
22	Other exposures	-	-	882	882
23	Total SA approach	85,320	20	7,341	92,681
24	Total	85,320	20	7,341	92,681

The year over year increase of exposure is driven by the business activity.

Residual Maturity Analysis of Credit Risk Exposures

The tables below show net values of on-balance sheet exposures without taking into account the effects of credit risk mitigation broken down by exposure class and residual maturity. Residual maturity is the remaining number of years before an obligation becomes due according to the existing terms of agreement.

Table 19: EU CRB-E – Maturity of exposures

Exposure Class \$'m		Net Exposure Value					Total
		On Demand	<= 1 Year	> 1 year <= 5 years	> 5 years	No stated maturity	
7	Central Governments or central banks	14,266	-	-	-	-	14,266
12	Institutions	11,571	21,881	8,500	1,600	-	43,552
13	Corporates	3,575	7,936	2,868	494	-	14,873
17	Items associated with particularly high risk	15	48	151	33	-	247
22	Other exposures	-	-	-	-	882	882
23	Total SA approach	29,426	29,865	11,519	2,127	882	73,820
24	Total	29,426	29,865	11,519	2,127	882	73,820

The year over year increase of exposure and maturity structure primarily is driven by the increase in Balance sheet size, client migration and incremental growth.

Analysis of Credit Exposures

The tables below show defaulted and non-defaulted exposures before credit risk mitigation broken down by exposure class and associated credit risk adjustments. Credit risk adjustments arising from loan loss provisions which are individually immaterial are not used to reduce the exposure value. This is consistent with the CoRep submission.

Table 20: EU CR1-A – Credit quality of exposures by exposure class and instrument

Exposure class \$'m		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					
16	Central governments or central banks	-	14,266	-	-	-	-	14,266
18	Public sector entities	-	-	-	-	-	-	-
21	Institutions	-	59,673	-	-	-	27	59,673
22	Corporates	-	17,660	-	-	-	41	17,660
24	Retail	-	-	-	-	-	-	-
29	Items associated with particularly high risk	-	282	-	-	-	2	282
34	Other Exposures	-	882	-	-	-	-	882
35	Total standardised approach	-	92,763	-	-	-	71	92,763
36	Total	-	92,763	-	-	-	71	92,763
37	Of which: Loans	-	15,164	-	-	-	37	15,164
39	Of which: Off-balance-sheet exposures	-	18,868	-	-	-	6	18,868

4th Quarter 2020 compared to 3rd Quarter 2020: increase of exposure primarily is driven by the business activity.

Industry Analysis of Credit Exposures

The tables below present an analysis of credit quality of on-balance sheet and off-balance sheet exposures before credit risk mitigation by industry sector and associated credit risk adjustments.

As the NPL ratio is below 5% at 0.04% Template 6: Credit quality of loans and advances by industry (EBA Guidelines on disclosure of non-performing and forborne exposures EBA/GL/2018/10 from 17th December 2018 Annex II) is not disclosed. In order to comply below template as per EBA 2016 guidelines 'Template 12 – EU CR1-B – Credit quality of exposures by industry or counterparty types' is being used.

Table 21: EU CR1-B – Credit quality of exposures by industry or counterparty types

	Exposure class \$'m	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					
1	Manufacturing	-	20	-	-	-	2	20
2	Financial and insurance activities	-	85,457	-	-	-	38	85,457
3	Other services	-	7,286	-	-	-	31	7,286
4	Total	-	92,763	-	-	-	71	92,763

The year over year increase of exposure is primarily is driven by organic increased client activity during 2020 in Securities Services and Wholesale Payments line of business.

Geographical Location of Exposures

The tables below show credit exposures before credit risk mitigation broken down by geographic location. Other geographical areas includes multilateral development banks and international organisations which operate across multiple regions. The analysis is provided for countries exceeding 3.0% of the total net value.

As the NPL ratio is below 5% at 0.04% Template 5: Quality of non-performing exposures by geography (EBA Guidelines on disclosure of non-performing and forborne exposures EBA/GL/2018/10 from 17th December 2018 Annex II) is not disclosed. In order to comply below template as per EBA 2016 guidelines 'Template 12 – EU CR1-B – Credit quality of exposures by industry or counterparty types' and 'Template 13 – EU CR1-C – Credit quality of exposures by geography' is being used.

Table 22: EU CR1-C - Credit quality of exposures by geography

	Country/ Region \$'m	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					
1	North America	-	46,905	-	-	-	32	46,905
2	US	-	43,966	-	-	-	28	43,966
3	Other North America	-	2,939	-	-	-	4	2,939
4	Europe	-	44,590	-	-	-	39	44,590
5	LU	-	8,910	-	-	-	1	8,910
6	GB	-	10,967	-	-	-	25	10,967
7	DE	-	8,891	-	-	-	0	8,891
8	CH	-	4,285	-	-	-	0	4,285
11	Other Europe	-	11,537	-	-	-	13	11,537
12	Other Areas	-	1,267	-	-	-	0	1,267
13	Total	-	92,763	-	-	-	71	92,763

Geographical areas and countries have been deemed significant (and shown separate) when following materiality thresholds have been met: Area - Exposure in area \geq 10% of total exposure; Country - Exposure in country \geq 3% of total exposure. Countries which have not met the materiality condition however are located in a geographical area deemed being significant have been grouped under "Other" in the respective geographical area. All remaining countries deemed non significant located in non-significant geographical areas have been grouped under "Other Areas". Following countries were below the materiality thresholds and have been grouped as described above:

Other North America: Anguilla, Barbados, Bermuda, Bahamas, Belize, Canada, Costa Rica, Curaçao, Cayman Islands, Mexico, Panama, Saint Vincent and the Grenadines, British Virgin Islands.

Other Europe: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Spain, Finland, France, Guernsey, Gibraltar, Greece, Croatia, Hungary, Ireland, Isle of Man, Iceland, Italy, Jersey, Liechtenstein, Lithuania, Monaco, Malta, Netherlands, Norway, Poland, Portugal, Romania, Serbia, Russian Federation, Sweden, Slovenia, Slovakia, Ukraine.

Other Areas: United Arab Emirates, Argentina, Australia, Bahrain, Brazil, Botswana, China, Colombia, Egypt, Ghana, Hong Kong, Israel, Japan, Kenya, Republic of Korea, Kuwait, Kazakhstan, Liberia, Morocco, Marshall Islands, Mauritius, Malaysia, Nigeria, New Zealand, Oman, Peru, Qatar, Saudi Arabia, Singapore, Thailand, Tunisia, Turkey, Uganda, Wallis and Futuna, South Africa, Zambia, Zimbabwe.

The Quarter over quarter increase of exposure cross regions and countries primarily is driven by increase in Balance sheet size, client migration and incremental growth.

Non-performing and Forborne Exposures

The following tables provide an overview of non-performing and forborne exposures as per the EBA Guidelines on disclosure of non-performing and forborne exposures EBA/GL/2018/10 from 17th December 2018. As at 31st December 2020 JPMBL noted \$14m of non-performing exposures with forbearance measures related to Private Bank client lending (31st December 2019 : Nil).

Table 23: Credit quality of forbore exposures

		Gross carrying amount/nominal amount of exposures with forbearance measures \$'m				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions \$'m		Collateral received and financial guarantees received on forbore exposures \$'m	
		Performing forbore	Non-performing forbore			On performing forbore exposures	On non-performing forbore exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
1	Loans and advances	-	14	14	14	-	(7)	-	-
2	Central banks	-	-	-	-	-	-	-	-
3	General governments	-	-	-	-	-	-	-	-
4	Credit institutions	-	-	-	-	-	-	-	-
5	Other financial corporations	-	-	-	-	-	-	-	-
6	Non-financial corporations	-	-	-	-	-	-	-	-
7	Households	-	14	14	14	-	(7)	-	-
8	Debt Securities	-	-	-	-	-	-	-	-
9	Loan commitments given	-	-	-	-	-	-	-	-
10	Total	-	14	14	14	-	(7)	-	-

As at 31st December 2020 JPMBL noted \$14m of non-performing exposures with forbearance measures related to Private Bank client lending (31st December 2019 : Nil).

Table 24: Credit quality of performing and non-performing exposures by past due days

		Gross carrying amount/nominal amount \$'m										
		Performing exposures			Non-performing exposures							
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
1	Loans and advances	73,738	73,738	-	32	-	-	32	-	-	-	14
2	Central banks	14,141	14,141	-	-	-	-	-	-	-	-	-
3	General governments	-	-	-	-	-	-	-	-	-	-	-
4	Credit institutions	44,465	44,465	-	-	-	-	-	-	-	-	-
5	Other financial corporations	9,008	9,008	-	-	-	-	-	-	-	-	-
6	Non-financial corporations	703	703	-	-	-	-	-	-	-	-	-
7	Of which SMEs	-	-	-	-	-	-	-	-	-	-	-
8	Households	5,421	5,421	-	32	-	-	32	-	-	-	14
9	Debt securities	125	125	-	-	-	-	-	-	-	-	-
10	Central banks	-	-	-	-	-	-	-	-	-	-	-
11	General governments	125	125	-	-	-	-	-	-	-	-	-
12	Credit institutions	-	-	-	-	-	-	-	-	-	-	-
13	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-
14	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-
15	Off-balance-sheet exposures	18,867			-							-
16	Central banks	-			-							-
17	General governments	-			-							-
18	Credit institutions	15,876			-							-
19	Other financial corporations	2,682			-							-
20	Non-financial corporations	200			-							-
21	Households	108			-							-
22	Total	92,730	73,863	-	32	-	-	32	-	-	-	14

As at 31st December 2020, JPMBL has \$32m of non-performing exposure pertaining to Private Banking client lending (31st December 2019: Nil). The Firm's gross non-performing loans ratio stands at 0.04% and the coverage ratio of non-performing loans by provisions was 45%.

Movement in past due exposures from prior reporting period are driven of Private Bank client lending exposure in JPMBL London Branch. This has lead to a downgrade of the client internal credit rating with WM credit officers performing ongoing monitoring and engagement with the client on outstanding exposure.

Table 25: Performing and non-performing exposures and related provisions

	Gross carrying amount/nominal amount \$'m						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions \$'m						Accumulated partial write-off \$'m	Collateral and financial guarantees received \$'m		
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures	
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3				
1	Loans and advances	73,738	72,142	1,595	32	-	32	61	44	17	15	-	15	-	23,222	18
2	Central banks	14,141	14,141	-	-	-	-	-	-	-	-	-	-	-	-	-
3	General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Credit institutions	44,465	44,465	-	-	-	30	30	-	-	-	-	-	-	8,205	-
5	Other financial corporations	9,008	7,995	1,013	-	-	12	6	6	-	-	-	-	-	8,911	-
6	Non-financial corporations	703	675	28	-	-	2	0	2	-	-	-	-	-	702	-
7	Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Households	5,421	4,867	554	32	-	32	17	7	10	15	-	15	-	5,404	18
9	Debt securities	125	125	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	General governments	125	125	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Off-balance-sheet exposures	18,867	18,723	144	-	-	6	6	-	-	-	-	-	-	-	-
16	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Credit institutions	15,876	15,876	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Other financial corporations	2,682	2,558	124	-	-	6	6	0	-	-	-	-	-	-	-
20	Non-financial corporations	200	200	-	-	-	-	0	0	-	-	-	-	-	-	-
21	Households	108	88	20	-	-	0	0	0	-	-	-	-	-	-	-
22	Total	92,730	90,991	1,739	32	-	32	67	50	17	15	-	15	-	-	-

Foreclosed assets

Table 26: Collateral obtained by taking possession and execution processes

		Collateral obtained by taking possession \$/m	
		Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)	-	-
2	Other than PP&E	-	-
3	Residential immovable property	-	-
4	Commercial Immovable property	-	-
5	Movable property (auto, shipping, etc.)	-	-
6	Equity and debt instruments	-	-
7	Other	-	-
8	Total	-	-

As at 31st December 2020 JPMBL holds no foreclosed assets and did not obtain collateral by possession and execution processes.

Credit Risk Adjustments

No general or specific credit risk adjustment was made in the reporting period.

Defaulted and Impaired Exposures

Defaulted exposures

As at 31st December 2020, JPMBL has \$14m as defaulted exposure that relates to the non-performing Private Bank client lending noted in Table 24: Credit quality of forborne exposures (31 December 2019 : NIL).

Impaired exposures

Effective January 2018, allowances representing management's estimates of Expected Credit Losses have been made against some exposures in accordance with the applicable IFRS 9 accounting framework. These ECL are accounted for under the form of credit-impairments in the meaning of IFRS 9.

The impairment standard of IFRS9 requires legal entities to take ECL provisions upon initial recognition of some financial instruments and to update the amount of allowance for credit losses in subsequent reporting periods depending on the extent of credit deterioration since initial recognition.

In that context the Bank utilizes a three stage model for impairment assessments based on the changes in credit quality since initial recognition:

- Stage 1 – performing instruments that have not experienced a Significant Increase in Credit Risk since initial recognition.
- Stage 2 – performing instruments that have experienced a Significant Increase in Credit Risk since initial recognition.
- Stage 3 – nonperforming instruments that are determined to be credit impaired

As at 31st December 2020, Stage 1 ECL was \$50m, Stage 2 ECL was \$17m and Stage 3 ECL was \$14m amounting to \$81m in total. ECL are treated as Credit risk adjustment charges of the period to the Bank's related exposures.

JPMBL has no other impaired exposures than the ones determined under the above framework

9. Encumbered Assets (Article 443)

The disclosure on encumbrance of assets and its publication is made with respect to data for the reporting period, the year ending 31st December 2020, following the EBA guidelines.

Information on importance of encumbrance

The below disclosure represents the computed median values of the four quarters of 2020, respectively March, June, September and December, in accordance with the European Banking Authority Guidelines EBA/GL/2014/03 on the disclosure of encumbered and unencumbered assets.

Assets and collateral have been determined as encumbered or not consistent with the definition provided in the EBA Guidelines on the Disclosure of Encumbered assets (EBA GL/2014/03). Assets are considered encumbered when they have been pledged or used to secure, collateralise or credit enhance a transaction which impacts their transferability and free use.

Table 27: Encumbered and unencumbered assets

	\$'m	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets
10	Assets of the reporting institution	1,009	207	61,437
40	Debt securities	207	207	-
70	of which: issued by general governments	207	207	-
120	Other assets	802	-	61,437
121	of which: Loans on demand	761	-	15,604
122	of which: Loans and advances other than loans on demand	-	-	43,978

As at 31st December 2020 JPMBL has encumbered assets for the following purposes:

- Wealth Management maintains US Treasury bills for initial margin requirements and cash for variation margin requirements for non-cleared client derivatives,
- In order to support the intraday lines for client activity, Wealth Management keeps deposits with one of the top financial services company,
- Minimum reserves are maintained on the back of client activity at Central Bank of Luxembourg, Bank of Italy, Deutsche Bundesbank, National Bank of Belgium, De Nederlandsche Bank and Central Bank of Ireland.

Table 28: Collateral received

	\$'m	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
130	Collateral received by the reporting institution	-	6,856
160	Debt securities	-	6,856
190	Of which: issued by general governments	-	6,856

As at 31st December 2020, 100% of the collateral available for encumbrance which JPMBL held from JPMBC N.A. was in government bonds of which 100% from G6 countries.

Table 29: Sources of encumbrance

	\$'m	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
10	Carrying amount of selected financial liabilities	283	283
120	Other sources of encumbrance	717	717

10. Use of External Credit Assessment Institutions (Article 444)

ECAIs and Exposure Classes

Under the Standardised approach, RWA are calculated using credit ratings assigned by External Credit Assessment Institutions (“ECAI”). The firm applies the standard ECAI ratings to risk weight mappings provided by the EBA.

JPMBL uses the following ECAIs to determine risk weights for this purpose:

- Moody’s;
- Standard & Poor’s (“S&P”); and
- Fitch.

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

- General governments and central banks;
- Credit institutions.

All other exposure classes are assigned risk weightings described in the standardised approach as per the CRR (Article 113 to Article 134)

Credit Risk Exposures

Credit risk exposure and CRM effects

The following tables show exposures before and after application of credit risk mitigations and conversion factors as well as their related RWA broken down by credit exposure classes. Risk weights applied for European Economic Area (“EEA”) member states are applied under article 114 and hence bucketed under 0%.

Table 30: EU CR4 - Standardised approach – Credit risk exposure and CRM effects

Exposure classes \$'m		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWA	RWA density
1	Central governments or central banks	14,266	-	14,266	-	35	0%
6	Institutions	43,552	16,090	43,552	3,578	9,624	20%
7	Corporates	14,873	2,738	14,873	989	15,852	100%
11	Exposures associated with particularly high risk	247	33	247	16	395	150%
16	Other items	882	-	882	-	882	100%
17	Total	73,820	18,862	73,820	4,584	26,788	34%

JPMBL's exposures before and post CCF and CRM as at 31st December 2020 have increased versus 30th June 2020 mainly due to business activity.

Credit Risk Exposure Pre-Credit Risk Mitigation

The following tables show exposures before credit risk mitigation broken down by credit exposure class and risk weights. Risk weights applied for EEA member states are applied under article 114 and hence bucketed under 0%.

Table 31: EU CR5 – Standardised approach (Pre-CRM)

Exposure classes \$'m		Risk weight (\$'m)						Total	Of which unrated
		0%	20%	50%	100%	150%	250%		
1	Central governments or central banks	14,252	-	-	-	-	14	14,266	14,266
6	Institutions	-	59,017	145	476	4	-	59,642	17,124
7	Corporates	957	24	35	16,541	53	-	17,611	17,520
11	Exposures associated with particularly high risk	-	-	-	-	280	-	280	280
16	Other items	-	-	-	882	-	-	882	882
17	Total	15,210	59,042	180	17,899	338	14	92,681	50,073

JPMBL's exposures before and post CRM as at 31st December 2020 have increased versus 30th June 2020 due to business activity.

Credit Risk Exposure Post-Credit Risk Mitigation

The breakdown of credit risk exposures (excluding counterparty credit risk) post conversion factor and post risk mitigation technique (including volatility adjustments) under the standardised approach, by exposure class, is presented in the tables below.

Table 32: EU CR5 – Standardised approach (post-CRM)

Exposure classes \$'m		Risk weight \$'m						Total	Of which unrated
		0%	20%	50%	100%	150%	250%		
1	Central governments or central banks	14,252	-	-	-	-	14	14,266	14,266
6	Institutions	-	46,794	145	186	4	-	47,130	4,612
7	Corporates	-	24	35	15,750	53	-	15,862	15,771
11	Exposures associated with particularly high risk	-	-	-	-	263	-	263	263
16	Other items	-	-	-	882	-	-	882	882
17	Total	14,252	46,819	180	16,818	321	14	78,404	35,795

JPMBL's exposures before and post CRM as at 31st December 2020 have increased versus 30th June 2020 due to business activity.

Counterparty Credit Risk Exposures

Counterparty Credit Risk Exposures Pre-Credit Risk Mitigation

The table below shows exposures at default pre credit risk mitigation technique for counterparty credit risk broken down by exposure class and risk weight.

Table 33: EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk (Pre-CRM)

Exposure classes		Risk weight \$'m								Total	Of which unrated
		0%	20%	50%	70%	75%	100%	150%	Others		
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	8,329	-	-	-	26	-	-	8,355	71
7	Corporates	-	0	-	-	-	631	-	-	631	578
8	Retail	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	60	-	60	91
11	Total	-	8,329	-	-	-	657	60	-	9,046	740

Counterparty Credit Risk Exposures Post-Credit Risk Mitigation

The table below shows exposures at default post credit risk mitigation technique (including volatility adjustments) for counterparty credit risk broken down by exposure class and risk weight.

Table 34: EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk (Post-CRM)

Exposure classes	Risk weight \$'m								Total	Of which unrated	
	0%	20%	50%	70%	75%	100%	150%	Others			
1 Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-
3 Public sector entities	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	-	199	-	-	-	26	-	-	-	225	71
7 Corporates	-	0	-	-	-	631	-	-	-	631	578
8 Retail	-	-	-	-	-	-	-	-	-	-	-
10 Other items	-	-	-	-	-	-	60	-	-	60	91
11 Total	-	199	-	-	-	657	60	-	-	916	740

11. Exposure to Market Risk (Article 445)

JPMBL's market risk profile is primarily driven by foreign-exchange risk arising from Treasury funding activities and exposure driven by the derivatives book for Wealth Management line of Business.

Table 35: EU MR1 – Market risk under the standardised approach

	\$'m	RWA's	Capital requirements
	Outright Products		
1	Interest rate risk (general and specific)	0.1	0.0
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	-	-
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation (specific risk)	-	-
9	Total	0.1	0.0

As at 31st December 2020, Pillar 1 foreign exchange risk is below the reporting threshold of 2% of regulatory capital. Hence, no capital has been allocated against foreign exchange risk.

12. Operational Risk (Article 446)

Pillar 1

JPMBL calculates the operational risk capital requirement for Pillar 1 using the Basic Indicator Approach (“BIA”) as set out under Basel III. The BIA sets the required level of operational risk capital as 15% of the bank’s annual positive gross income averaged over the previous three years. In line with Article 315 of the CRR, and confirmation from the ECB in February 2020, JPMBL is using a three year projection to calculate the relevant indicator. The level applied in Pillar 1 in this ICAAP is in line with the decision from the ECB, which implies that the Pillar 1 operational risk is known in advance until 2022 and won’t be updated during this period with new revenues projection. It is matching the ECB decision in its February 2020 letter.

Table 36: Risk Weighted Assets for Operational Risk

Basic indicator Approach	\$'m
Total RWA	2,726

Pillar 2

JPMBL uses an internal approach to calculate operational risk capital under Pillar 2 leveraging an operational risk scenario analysis framework.

Operational risk scenarios focus on exceptional but plausible operational risk events which may or may not have previously impacted JPMBL. Such operational risk events result from inadequate or failed internal processes or systems, human factors, or due to external events. They include legal risk and regulatory fines and exclude business strategy and reputational risk. The scenario analysis process is an important tool for assessing the operational risk exposure, thereby providing a forward looking view to the Board and senior management of potential future losses based on the risk profile of JPMBL.

The outputs from the scenario analysis process is used as an input into the Capital Model to derive the Operational Risk Capital for JPMBL.

13. Exposure to Interest Rate Risk on Positions Not Included In The Trading Book (Article 448)

JPMBL's exposure to Interest Rate Risk on non-trading book positions is monitored through Economic and Earnings based measures and is in line with ECB guidance. In particular, the instantaneous impact of a +/- 200bp parallel shock in interest rates on the economic value of the non-trading books is estimated for JPMBL, as defined within the scope of the Interest Rate Management policy. Impact of the +/- 200bp shock on the economic value of JPMBL non-trading book and Net Interest Income is assessed on monthly basis.

The impact of 200bps parallel rates increase and decrease on the economic value and net interest income of JPMBL has been estimated as at 31st December 2020; the results for Economic Value Sensitivity (EVS) and Earnings-at-Risk (EaR) are provided in the table below.

Table 37: Interest Rate Risk in the Banking Book – Economic Impact

CCy	Non Trading +200bp Economic Impact \$'m	Non Trading -200bp Economic Impact \$'m
USD	149	(17)
EUR	347	(14)
Other	181	(122)
Total*	677	(153)

* Includes EBA floor and 50% haircut on currencies with positive results

Table 38: Interest Rate Risk in the Banking Book – Earnings Impact

CCy	Non Trading +200bp Earnings Impact \$'m	Non Trading -200bp Earnings Impact \$'m
USD	243	(78)
EUR	88	114
Other	26	52
Total	357	88

14. Environmental, Social and Corporate Governance (Article 449a)

Environmental, social and governance (“ESG”) considerations are integrated into the principles and policies that govern the overall business of JPMC, including JPMBL.

This includes having robust governance policies and practices, risk management framework and controls; striving to serve our customers exceptionally and transparently; investing in our employees and cultivating a diverse and inclusive work environment; working to strengthen the communities in which we live and work; and advancing sustainable solutions for our clients and within our operations. JPMC’s long-standing emphasis on running our business in this manner has made our Firm strong, resilient and well positioned to support our clients, customers, employees and communities across the globe, even in times of crisis such as the current COVID-19 pandemic.

Today, the world is facing a number of significant environmental and social (“E&S”) challenges. Climate change, deforestation and habitat loss, water quality and availability, waste, and the impact of development on communities and, especially, indigenous peoples, are just some of the threats that create risks for society and businesses, if they are not appropriately addressed. As a global financial institution, JPM Group (together with its subsidiaries) recognizes that our business decisions have the potential to impact the environment and surrounding communities. This is why understanding our clients’ approach to E&S issues is an important component of our risk management process. It helps us make more informed decisions, and in certain circumstances enables us to offer our clients information and guidance on good practices when they are seeking to access capital markets, provide disclosures to investors or improve sustainability practices. We believe our firm can play a valuable role to help our clients manage their E&S impacts.

JPMC is committed to creating a more sustainable future for the employers, customer and communities that it serves. In April 2021, JPMC announced a target of more than \$2.5tn over 10 years to advance climate action and sustainable development including \$1tn for green initiatives, such as renewable energy and clean technologies. This long-term target complements the Firm’s Paris-aligned financing strategy announced in 2020. In 2021, the Firm will release its Paris-aligned methodology and set emissions reduction targets for the three chosen sectors: Oil & Gas, Electric Power, and Automotive manufacturing sectors. As part of its Paris-aligned financing strategy, the Firm intends to help clients navigate the challenges and capitalize on the long-term economic and environmental benefits of transitioning to a low-carbon world. Through its recently established Center for Carbon Transition, the Firm will also engage clients on their long-term business strategies and related carbon disclosures. As reporting and data availability continue to improve beyond 2021, the Firm may explore coverage of other carbon-intensive sectors.

The JPMBL Management Board is committed to drive the transition to how we do business in future, taking into account the E&S considerations in our end-to-end product offering, client interactions, risk management and processes, in line with the firmwide commitment and leveraging the firmwide initiatives.

15. Remuneration (Article 450)

Background

This section sets out the remuneration disclosures required under Article 450 of CRR and clause 16 (1) of the Requirements for the Compensation in Financial Institutions in relation to JPMBL and in respect of the remuneration period (“Performance Year”) ending the 31st of December 2020.

This disclosure sets out general principles. Details of specific remuneration programmes are set forth in the relevant plan terms and conditions as in force from time to time.

Qualitative disclosures

As part of the Firm, JPMBL applies J.P. Morgan’s global compensation philosophy and pay practices, which are reflected in the Remuneration Policy applicable to JPMBL. The qualitative remuneration disclosures required under Paragraphs 1 (a) – (f) of Article 450 of the CRR for all employees of the Firm’s businesses located in EMEA, including staff of the Bank, is available in the most recent EMEA Remuneration Policy Disclosure at:

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

Additional qualitative disclosures specific to the Company

The Bank complied with the applicable remuneration requirements of CRD IV, as implemented by the Amendments of 23 July 2015 to the Law of 5 April 1993 on the financial sector (“LFS”) and CSSF Circulars 17/658, 15/622 and 10/437 and (the “Remuneration Rules”). The following additional disclosures should therefore be read in conjunction with the EMEA Remuneration Policy Disclosure:

- In accordance with the Remuneration Rules, JPMBL has established a local Remuneration Committee (“the Committee”) formed of three non-executive members of the Board of Directors of the Bank.
- The Committee reviews the remuneration policy applicable to the Bank (the “Remuneration Policy”) on an annual basis, recommends it to the Board for adoption, and oversees its implementation. The Committee last reviewed the Remuneration Policy that applied for the 2020 Performance Year in June 2020 with no material changes and was satisfied with its implementation.
- The Committee held four meetings in respect of the 2020 Performance Year, including meeting in January 2021 to consider the outcomes of the 2020 Year-End compensation review in respect of its CRD IV Identified Staff (as defined below).
- The Bank undertakes an annual review of its staff against the qualitative and quantitative criteria set out in the European Banking Authority’s relevant Regulatory Technical Standard (Commission Delegated Regulation (EU) No 604/2014) to identify those roles which could potentially have a material impact on the risk profile of the Company (“CRD IV Identified Staff”). A description of the types of employees considered as material risk takers is set out in the EMEA Remuneration Policy Disclosure. This CRD IV Identified Staff group is reviewed on an ongoing basis and CRD IV Identified Staff are notified of their status and the impact on their remuneration structure.
- JPMBL’s Risk and Compliance functions are involved in the review of the Remuneration Policy, including reviewing the Bank’s approach to the designation of its CRD IV Identified Staff. The Internal Audit function performs a central and independent review of the implementation of the Remuneration Policy on an annual basis, and relevant findings are reported to the Committee.
- The Bank has obtained the relevant shareholder approval in accordance with Article 94(1)g of CRD IV (as implemented by CSSF Circular 15/662) to pay its CRD IV Identified Staff a maximum ratio of fixed to variable compensation of 1:2. This approval was last received on 24 November 2020 with 100% of shareholders represented and a unanimous vote in favour.
- The compensation structure that applied to relevant CRD IV Identified Staff was as follows:
 - At least 40% of IC is deferred, rising to a minimum of 60% where (i) IC is EUR 500,000 or more; or (ii) the individual is an executive member of the Board.
 - The deferral period is at least three years, with vesting generally in three equal tranches on or around the anniversaries of the grant date.

- For CRD IV Identified Staff who are executive members of the Board or Senior Management, the deferral period is at least five years, with vesting in five equal tranches on or around the anniversaries of the grant date.
- At least 50% of IC (both deferred and non-deferred) is awarded as Retained Stock or Restricted Stock Units (“RSUs”).
- Retained Stock and relevant RSUs are subject to a twelve month, post-vesting retention period during which the underlying J.P. Morgan shares acquired may not be sold, pledged, assigned or transferred to a private brokerage account.
- For awards in respect of the 2017 Performance Year onwards, individuals are not entitled to receive or accrue dividend-equivalent payments on relevant RSUs until vesting.
- All IC is subject malus and clawback provisions which reflect the requirements of the Remuneration Rules, in addition to the firmwide recovery provisions and the Bonus Recoupment Policy.

Quantitative Disclosures

All staff

The table below shows the total compensation paid by JPMBL to its staff for the 2020 Performance Year.

Table 39: All staff

In EUR thousands	Fixed Compensation	Variable Compensation	Total Compensation
All staff	197,619	72,556	270,175

CRD IV Identified Staff

The following quantitative disclosures relate to the Bank’s “CRD IV Identified Staff” being those staff whose professional activities have a material impact on the Bank’s risk profile, as described above.

In preparation of these disclosures, JPMBL has taken into account its obligations to individuals under applicable EU and local data protection law. In light of these considerations, the Bank has concluded that it is appropriate to aggregate the compensation information in some areas.

Table 40: Breakdown by Business Area

In EUR thousands	Total Compensation 2020	Number of Identified Staff
Management Body and Senior Management ⁶	7,984	15
Wealth Management	48,600	46
Independent Control Functions	2,739	10
Other CRD IV Identified Staff	6,253	14
Total	65,575	85

Table 41: Breakdown of Total Compensation

In EUR thousands	Fixed Compensation 2020 (Cash)	Variable Compensation in respect of 2020			
		Upfront Cash	Upfront Equity	Deferred Cash	Deferred Equity
Management Body and Senior Management	4,273	752	613	52	2,294
Wealth Management	25,117	5,495	4,646	420	12,921
Independent Control Functions	2,212	345	66	44	71
Other CRD IV Identified Staff	3,935	962	508	90	757
Total	35,537	7,555	5,834	605	16,043

⁶ Includes both Executive and Non-Executive members of the Board and JPMBL’s Authorised Managers.

Table 42: Analysis of Deferred Compensation

In EUR thousands	Outstanding as at 1 January 2020 ⁷	Awarded during 2020	Paid out during 2020	Adjusted ex-post		Forfeited during 2020	Outstanding as at 31 December 2020	
				Explicit	Implicit ⁸		Unvested	Vested
Equity-based								
Management Body and Senior Management	6,669	2,810	(3,229)	-	(428)	-	5,822	-
Wealth Management	47,647	17,260	(20,780)	-	(4,313)	-	34,316	5,499
Independent Control Functions	1,311	589	(696)	-	(108)	-	1,095	-
Other CRD IV Identified Staff:	2,410	1,371	(1,381)	-	(344)	(393)	1,662	-
Cash-based								
Management Body and Senior Management	58	131	(13)	-	4	-	179	-
Wealth Management	46	880	(47)	-	16	-	896	-
Independent Control Functions	105	140	(59)	-	9	-	195	-
Other CRD IV Identified Staff:	38	83	(18)	-	1	-	104	-

Guarantees, Sign-on and Severance Payments

No guaranteed variable remuneration or sign on payments were made to CRD IV Identified Staff for the 2020 Performance Year.

In respect of severance payments, the Company has withheld this disclosure as explained above.

2020 Total Compensation for CRD IV Identified Staff Earning at least EUR 1 Million

2020 Total Compensation Bands	Number of Identified Staff
€1,000,000 to €1,500,000	11
Over €1,500,001	6

⁷ All outstanding deferred awards are subject to malus and clawback provisions as set out in the most recent EMEA Remuneration Policy Disclosure

⁸ The value of RSUs fluctuates with the value of the Firm's stock; the value of Deferred Cash awards fluctuates with the applicable interest rate.

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

Reference Data	
Reference Date	31 December 2020
Entity name	J.P. Morgan Bank Luxembourg S.A.
Level of application	Individual

Table 43: Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures

LRSum: Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures		\$'m
1	Total assets as per published financial statements	82,679
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	-
4	Adjustments for derivative financial instruments	216
5	Adjustment for securities financing transactions (SFTs)	(40)
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	617
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	-
7	Other adjustments	(57)
8	Leverage ratio total exposure measure	83,415

Table 44: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		\$'m
EU-1	Total on-balance sheet exposures (exc. Derivatives, SFTs and exempted exposures), of which:	73,820
EU-3	Banking book exposures, of which:	73,820
EU-5	Exposures treated as sovereigns	14,266
EU-7	Institutions	43,552
EU-10	Corporate	15,120
EU-12	Other exposures (e.g. equity, securitisations and other non-credit obligation assets)	882

Table 45: Leverage Ratio Common Disclosure

LRCom: Leverage Ratio Common Disclosure		\$'m
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	73,984
2	(Asset amounts deducted in determining Tier 1 capital)	(29)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	73,955
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	389
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	459
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(164)
9	Adjusted effective notional amount of written credit derivatives	78
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(78)
11	Total derivatives exposures (sum of lines 4 to 10)	684
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	8,159
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	8,159
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	2,771
18	(Adjustments for conversion to credit equivalent amounts)	(2,155)
19	Other off-balance sheet exposures (sum of lines 17 and 18)	617
Capital and total exposure measure		
20	Tier 1 capital	5,149
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	83,415
Leverage ratio		
22	Leverage ratio	6.17%

17. Use of Credit Risk Mitigation Techniques (Article 453)

Credit Risk Mitigation Techniques

To reduce capital requirements exposures can be secured by collateral, financial guarantees or credit derivatives. JPMBL has historically secured some of its exposures with the group by collateral in the context of secured lending transactions.

As of 31st December 2020 JPMBL uses collateral as credit risk mitigation for its on Balance-Sheet Reverse Repo exposures and on the guarantees provided to its clients in the context of Agency Lending transactions.

As part of its management of credit and counterparty credit exposures, the Firm actively engages in credit risk mitigation techniques to reduce the amount of credit risk it is taking, to spread the concentration of risk across its portfolio and ultimately to ensure efficient use of capital in compliance with the applicable regulations. This is accomplished through a number of means including receipt of collateral, master netting agreements, guarantees and other risk-reduction techniques.

Where possible, the Firm seeks to mitigate its credit risk exposures arising from derivative transactions through the use of legally enforceable master netting arrangements and collateral agreements.

The Firm seeks to mitigate its credit risk exposures through the use of legally enforceable master netting arrangements. These master agreements allow for netting of credit risk exposure to a counterparty resulting from transactions against the Group's obligations to the counterparty in the event of default, to produce lower net credit exposure. Similarly to CCF, Netting Confidence Factor ("NCF") is assigned to each jurisdiction/institution type where the Firm has obtained a legal opinion on the enforceability of the master trading agreement to close-out all governed transactions on a net basis in the event of a default (i.e. at a single legal claim). If the NCF is lower than 100%, no netting benefit is given.

JPMBL has not taken any market nor credit risk concentration within the CRM measures.

Collateral Valuation and Management

The Firm's policies for collateral valuation and management are representative of industry standards and best practices. The fair value of the collateral is monitored daily. Full market value is not given to marketable assets accepted as collateral (apart from cash) in recognition of the fact that collateral is subject to price volatility and liquidity. A standard valuation reduction percentage (haircut) is applied to each asset class to mitigate the potential price decline of the collateral thereby covering volatility during the cure period. In addition, a Collateral Confidence Factor ("CCF") is assigned to each jurisdiction where the Firm has obtained a legal opinion on collateral enforceability. Any changes to CCFs require approval by Legal department. If the CCF is lower than 95% then, although J. P. Morgan would strictly have legal rights to collateral, conservatively no benefit is given to collateral in the exposure calculation for the purposes of capital requirements.

The Firm has internal policies in place relating to the type of acceptable collateral. Cash and high quality bonds are generally considered acceptable collateral.

Main Types of Collateral

Securities Financing Transactions

JPMBL exposure to other JPM entities is subject to capital charges. To offset exposures generated JPMBL may periodically enter into reverse repo transactions with the group. As at 31st December 2020 there are reverse repo transactions in place with JPMBC N.A., London Branch for \$8,199m.

The reverse repo transactions is executed under a Global Master Repurchase Agreement ("GMRA"), with variation margin posted bilaterally where the remaining exposure, post collateral, exceeded a predetermined threshold. From a capital perspective, the credit exposure was calculated using the Financial Collateral Comprehensive Method under the CRR, applying regulatory volatility haircuts to the collateral market values.

As at 31st December 2020, 100% of the collateral which JPMBL held from JPMBC N.A., London Branch was in United States Treasury Securities.

Agency Securities Lending

JPMBL has credit risk exposure arising from its agency Securities Lending activities and is using client collateral as a CRM technique to reduce its exposure, as well as other mitigants such as borrower selection criteria and the management of credit limits as part of its CRM infrastructure. Acting as an Agent Lender JPMBL is required to meet the obligations laid down in the Securities Lending Agreement: If a borrower or a repo counterparty default were to occur, JPMBL, will liquidate respectively the collateral held and buy the securities lent so that it can return them to the lender / the asset purchased as part of the repo transaction and return the cash to the lender. If the value received from the collateral/ purchased asset is not sufficient to cover the cost to buy the securities / the cash value, JPMBL through its indemnity to the lending client, is responsible for compensating the client for the shortfall.

From a capital perspective, the credit exposures are calculated using the Financial Collateral Comprehensive Method under the CRR, applying regulatory volatility haircuts to the collateral market values.

Table 46: EU CR3 - CRM techniques

	\$'m	Exposures unsecured - Carrying amount	Exposures secured - Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	80,961	21,809	21,809	-	-
2	Total debt securities	125	-	-	-	-
3	Total exposures	81,086	21,809	21,809	-	-
4	Of which defaulted	-	-	-	-	-

Exposure secured by collateral represents an exposure to credit institutions only.

As at 31st December 2020 JPMBL has no financial guarantees or credit derivatives used as credit risk mitigation items for its exposures.

18. Liquidity Risk (Article 435 (1) (f))

Liquidity Risk is the risk that J.P. Morgan Bank Luxembourg S.A. will be unable to meet its contractual and contingent financial obligations as they arise or that it does not have the appropriate amount, composition and tenor of funding and liquidity to support its assets and liabilities.

The JPMBL Board has ultimate responsibility for liquidity risk within the entity. The Board reviews and establishes an appropriate level of liquidity risk appetite, and it also reviews and periodically approves relevant frameworks and policies that specify how liquidity risk is managed in relation to the entity.

JPMBL's liquidity and funding management is integrated into JPMorgan Chase & Co.'s (the Firm's) liquidity management framework.

Liquidity Risk Oversight

The bank has a liquidity risk oversight function whose primary objective is to provide independent assessment, measurement, monitoring, and control of liquidity risk across the entity. Liquidity Risk Oversight's responsibilities include:

- Defining, monitoring and reporting liquidity risk metrics;
- Establishing and monitoring limits and indicators, including Liquidity Risk Appetite;
- Developing a process to classify, monitor and report limit breaches;
- Performing an independent review of liquidity risk management processes;
- Monitoring and reporting internal firmwide and legal entity liquidity stress tests as well as regulatory defined liquidity stress tests;
- Approving or escalating for review new or updated liquidity stress assumptions; and
- Monitoring liquidity positions, balance sheet variances and funding activities;

Liquidity management

The JPMBL Treasurer is responsible for liquidity management in J.P. Morgan Bank Luxembourg S.A. The primary objectives of effective liquidity management are to:

- Ensure that the core businesses and material legal entities are able to operate in support of client needs and meet contractual and contingent financial obligations through normal economic cycles as well as during stress events, and
- Manage an optimal funding mix and availability of liquidity sources.

As part of the overall liquidity management strategy, liquidity and funding are managed using a centralised, global approach in order to:

- Optimize liquidity sources and uses;
- Monitor exposures;
- Identify constraints on the transfer of liquidity between J.P. Morgan Luxembourg S.A and other legal entities of the Firm; and
- Maintain the appropriate amount of surplus liquidity at a firmwide and legal entity level, where relevant.

In the context of liquidity management, Treasury and CIO is responsible for:

- Analysing and understanding the liquidity characteristics of the assets and liabilities, taking into account legal, regulatory, and operational restrictions;
- Developing internal liquidity stress testing assumptions;
- Defining and monitoring firmwide and legal entity specific liquidity strategies, policies, reporting and contingency funding plans;
- Managing liquidity within approved liquidity risk appetite tolerances and limits;
- Managing compliance with regulatory requirements related to funding and liquidity risk; and
- Setting transfer pricing in accordance with underlying liquidity characteristics of balance sheet assets and liabilities as well as certain off-balance sheet items.

The JPMBL board has mandated the JPMBL Treasurer to manage the liquidity and funding of JPMBL.

Risk Governance and Measurement

Committees responsible for liquidity governance in JPMBL include the EU Asset Liability Committee ("ALCO"), and the JPMBL Risk Oversight Committee ("ROC"). In addition, the Board Risk Committee reviews and recommends to the Board of Directors, for formal approval, the liquidity risk tolerances, liquidity strategy, and liquidity policy.

Internal Stress Testing

Liquidity stress tests are intended to ensure that JPMBL has sufficient liquidity under a variety of adverse scenarios, including scenarios analysed as part of resolution and recovery planning. Stress scenarios are produced for JPMorgan Chase & Co. and the Firm's material legal entities – including JPMBL – on a regular basis, and other stress tests are performed in response to specific market events or concerns.

Liquidity stress tests assume all of the Firm's contractual financial obligations are met and take into consideration:

- Varying levels of access to unsecured and secured funding markets,
- Estimated non-contractual and contingent cash outflows and
- Potential impediments to the availability and transferability of liquidity between jurisdictions and material legal entities such as regulatory, legal or other restrictions.

Liquidity outflow assumptions are modelled across a range of time horizons and currency dimensions and contemplate both market and idiosyncratic stresses. Results of stress tests are considered in the formulation of the Firm's funding plan and assessment of its liquidity position.

Contingency funding plan

The Firm's contingency funding plan ("CFP"), which is approved by the firmwide ALCO and the Board Risk Committee, is a compilation of procedures and action plans for managing liquidity through stress events. The JPMBL CFP addendum, which is approved by the JPMBL Board, is an integral part of the JPM Group CFP framework and is subject to the JPM Group procedures and action plans for managing liquidity through stress events. The JPMBL CFP addendum incorporates the limits and indicators set by the Liquidity Risk Oversight group. These limits and indicators are reviewed regularly to identify the emerging risks or vulnerabilities in the JPMBL's liquidity position. The CFP and JPMBL addendum identifies the alternative contingent funding and liquidity resources available to the Firm and JPMBL in a period of stress.

Internal Liquidity Adequacy Assessment Process

Annually, JPMBL completes the Internal Liquidity Adequacy Assessment Process ("ILAAP"), which provides management with an assessment of the adequacy of JPMBL liquidity resources to cover liabilities as they fall due in a range of stressed conditions. Stress scenarios cover both market and idiosyncratic events. The ILAAP details how JPMBL measures, manages and monitors its liquidity and funding risks against prescribed key liquidity risk drivers, the governance model employed and a forward looking liquidity and funding forecast consistent with the entity's business plan. If changes in the entity's business, strategy, activities or operational environment suggest that the current level of liquid resources or the funding profile is no longer adequate, then the document will be updated more frequently. The ILAAP is reviewed by management and approved by the JPMBL Board.

Liquidity risk reporting and measurement system

JPMBL uses the firm's strategic liquidity risk technology platform (Liquidity Risk Infrastructure – "LRI") to report and measure its liquidity risk position. LRI is the single global source for data consumption and reporting capabilities of the firm's liquidity reporting (both internal and external) and analytics as well as line of business, legal entity, currency and specific jurisdictional requirements and is also used to execute stress testing and associated limits and indicators.

Liquidity Coverage Ratio (LCR)

The Liquidity Coverage Ratio⁹ 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 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 47: EU LIQ1 – Quantitative information of LCR for JPMBL

Currency and units: \$'m		Total unweighted value (average)				Total weighted value (average)			
		31-Dec-20	30-Sep-20	30-Jun-20	31-Mar-20	31-Dec-20	30-Sep-20	30-Jun-20	31-Mar-20
Reference date:									
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					13,813	11,991	10,563	9,013
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	6,516	6,135	5,832	5,557	1,071	1,015	977	965
3	<i>Stable deposits</i>	67	67	65	66	3	3	3	3
4	<i>Less stable deposits</i>	6,054	5,769	5,559	5,491	1,068	1,012	974	961
5	Unsecured wholesale funding	54,257	47,826	43,657	41,113	23,489	20,865	19,454	18,452
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	33,488	29,148	25,987	24,648	8,372	7,287	6,497	6,162
7	<i>Non-operational deposits (all counterparties)</i>	20,769	18,678	17,670	16,465	15,117	13,578	12,957	12,290
8	<i>Unsecured debt</i>	-	-	-	-	-	-	-	-
9	Secured wholesale funding					14	13	13	7
10	Additional requirements	1,530	1,170	848	616	1,248	907	600	365
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	572	508	428	334	572	508	428	334
12	<i>Outflows related to loss of funding on debt products</i>	-	-	-	-	-	-	-	-
13	<i>Credit and liquidity facilities</i>	958	662	420	282	676	399	172	32
14	Other contractual funding obligations	130	108	79	53	68	48	22	0
15	Other contingent funding obligations	12,788	12,179	11,464	10,813	1,627	1,553	1,143	744
16	TOTAL CASH OUTFLOWS					27,516	24,400	22,210	20,533
CASH-INFLOWS									
17	Secured lending (eg reverse repos)	2,593	2,916	3,198	1,856	6	9	16	18
18	Inflows from fully performing exposures	23,870	22,249	21,753	22,068	20,381	18,830	18,270	18,644
19	Other cash inflows	13,386	10,192	7,507	6,689	2,134	1,804	1,539	1,373

⁹ In line with the EBA guidelines the average ratio disclosed in Table 47 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'.

EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	39,849	35,357	32,458	30,613	22,520	20,644	19,825	20,035
EU-20a	<i>Fully exempt inflows</i>	-	-	-	-	-	-	-	-
EU-20b	<i>Inflows Subject to 90% Cap</i>	-	-	-	-	-	-	-	-
EU-20c	<i>Inflows Subject to 75% Cap</i>	39,849	35,357	32,458	30,613	22,520	20,644	19,825	20,035
21	LIQUIDITY BUFFER					13,813	11,991	10,563	9,013
22	TOTAL NET CASH OUTFLOWS					7,137	6,247	5,700	5,133
23	LIQUIDITY COVERAGE RATIO (%)					193%	190%	183%	174%

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 193% as at 31st December 2020.

Concentration of funding and liquidity sources

JPMBL's HQLA primarily consists of unencumbered cash and certain high quality liquid securities as defined in the LCR rule. JPMBL funds its balance sheet through capital and operational and non-operational deposits.

Currency mismatch in the LCR

The currency composition of JPMBL's liquidity buffer is broadly matched with that of its net outflows for potential short term stress periods. Stress results are monitored for each significant currency.

19.COVID-19 (EBA GL 2020 07)

Table 48: Information on loans and advances subject to legislative and non-legislative moratoria

	\$'m	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing				Non performing			Performing				Non performing			Inflows to non-performing exposures
		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)			Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			
1	Loans and advances subject to moratorium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	of which: Households	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	<i>of which: Collateralised by residential immovable property</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	of which: Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	<i>of which: Small and Medium-sized Enterprises</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	<i>of which: Collateralised by commercial immovable property</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

There were no loans with active moratoria as at 31st December 2020.

Table 49: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

	\$'m	Number of obligors		Of which: legislative moratoria	Of which: expired	Gross carrying amount				
						Residual maturity of moratoria				
						<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	3								
2	Loans and advances subject to moratorium (granted)	3	28	-	28	-	-	-	-	-
3	of which: Households		28	-	28	-	-	-	-	-
4	of which: Collateralised by residential immovable property		28	-	28	-	-	-	-	-
5	of which: Non-financial corporations		-	-	-	-	-	-	-	-
6	of which: Small and Medium-sized Enterprises		-	-	-	-	-	-	-	-
7	of which: Collateralised by commercial immovable property		-	-	-	-	-	-	-	-

These loans represent mortgages against UK property, where a request has been granted to postpone interest payments as a result of financial stress resulting from COVID-19. The moratoria will apply for 3 months from the date of granting the postponement. There are no losses associated with these loans. The terms of the loans have not been extended.

Table 50: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

	\$'m	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	Newly originated loans and advances subject to public guarantee schemes	-	-	-	-
2	of which: Households	-			-
3	of which: Collateralised by residential immovable property	-			-
4	of which: Non-financial corporations	-	-	-	-
5	of which: Small and Medium-sized Enterprises	-			-
6	of which: Collateralised by commercial immovable property	-			-

No Loans and advances provided meeting that criteria as at 31st December 2020

20. Bank Recovery and Resolution Directive

Article 26 of the Bank Recovery and Resolution Directive (“BRRD”) states that member States shall ensure that group entities make public whether or not they have entered into a group financial support agreement pursuant to Article 19 of the BRRD and make public a description of the general terms of any such agreement and the names of the group entities that are party to it and update that information at least annually. Articles 431 to 434 of Regulation (EU) No 575/2013 shall apply.

Pursuant to the disclosure requirements under Part Eight of the CRR as further articulated in the EBA Guidelines JPMBL has not entered into any group financial support agreement.

21. Disclosures Not Applicable as at 31st December 2020

The following Articles of CRR are not applicable to JPMBL as at December 31st 2020:

- Indicators of global systemic importance (Article 441);
- Exposure to equities not included in the trading book (Article 447);
- Exposure to securitization positions (Article 449);
- Use of the IRB Approach to credit risk (Article 452);
- Use of the Advanced Measurement Approaches to operational risk (Article 454);
- Use of Internal Market Risk Models (Article 455).
- CRR 'quick fix': EBA/GL/2020/12: Guidelines amending Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR 'quick' fix in response to the COVID-19 pandemic.
- IFRS9 transitional arrangements: Guidelines on uniform disclosures under Article 473a of regulation (EU) No 575/2013 as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds

22. Glossary of Acronyms

ALCO	Assets and Liabilities Committee
AT1	Additional Tier 1
BOCA	Booking Office Country Approach
BoD	Board of Directors
BRC	Board Risk Committee
CCF	Credit Conversion Factor
CCOR	Compliance, Conduct, and Operational Risk
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFP	Contingency Funding Plan
CFO	Chief Financial Officer
CoRep	Corporate Reporting
CRD IV	Capital Requirements Directive IV
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSSF	Commission de Surveillance du Secteur Financier
CVA	Credit Valuation Adjustment
DRE	Derivatives Risk Equivalent
EaR	Earnings at Risk
EBA	European Banking Authority
EBA GL1	EBA Guidelines on materiality, proprietary and confidentiality and on disclosure frequency 23 December 2014
EBA GL2	EBA Final Report on Guidelines for Disclosure under Part Eight of Regulation (EU) No 575/2013 Version 2 published 16th December 2016
ECAI	External Credit Assessment Institutions
ECL	Expected Credit Losses
EEA	European Economic Area
EMC	EMEA Management Committee
EMEA	Europe Middle East and Africa
ERC	EMEA Risk Committee
EU	European Union
EVS	Economic Value Sensitivities
Firm	J.P. Morgan Chase & Co.
FRC	Firmwide Risk Committee
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
IRR	Interest Rate Risk
IRRBB	Interest Rate Risk in the Banking Book
JPM	J.P. Morgan
JPMAG	J.P. Morgan AG
JPMBL	J.P. Morgan Bank Luxembourg S.A.
JPMBL MC	Management Committee

JPMC	J.P. Morgan Chase & Co.
LCR	Liquidity Coverage Ratio
LDA	Loss Distribution Approach
LGD	Loss Given Default
LOB	Line of Business
MRO	Market Risk Officer
NBIA	New Business Initiatives Approvals
O-SII	Other Systemically Important Institution
PD	Probability of Default
ROC	JPMBL Risk Oversight Committee
RWA	Risk Weighted Assets
TAG	Transaction Approval Group
VaR	Value at Risk
WM	Wealth Management