

# Pillar 3 Semi-annual Disclosure Report as at 30<sup>th</sup> June 2020

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J.P. Morgan Bank Luxembourg S.A.

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## 1. Introduction

### Background

The need to assess whether an institution should disclose some information more frequently than annually, under Part Eight of the Capital Requirements Regulation (“CRR”)<sup>1</sup>, originates in Article 433 and the requirements are further articulated in the European Banking Authority (“EBA”) Guidelines<sup>2</sup> (“GL1”), which were adopted by the Commission de Surveillance du Secteur Financier (“CSSF”)<sup>3</sup> from 15<sup>th</sup> November 2017.

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

As from 30<sup>th</sup> 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 2 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 30<sup>th</sup> June and 31<sup>st</sup> 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”)<sup>5</sup> have applied the Guidelines by:

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

### Scope (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 GL<sup>2</sup>.

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 half year 2020. All data is recorded as at 30<sup>th</sup> June 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.

As at 30<sup>th</sup> June 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),

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

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

<sup>3</sup> 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](http://www.cssf.lu/fileadmin/files/Lois_reglements/Circulaires/Hors_blanchiment_terrorisme/cssf17_673.pdf)

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

<sup>5</sup> Capital Requirements Directive

- 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 2019 and the upcoming year as per the following:

Annual Disclosure 2019: June 2020 (Published)  
Quarterly Disclosure Q1: June 2020 (Published)  
Semi-annual H1: September 2020  
Quarterly Disclosure Q3: December 2020

### Means of Disclosure (Article 434)

JPMBL leverages dedicated local and firm wide 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>.

### Firm wide 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. Firm wide 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 firm wide level, 10K and 10Q, provide further information at the following link:  
<http://investor.shareholder.com/jpmorganchase/basel.cfm>.

## 2. Own Funds (Article 437)

### Own Funds Disclosures

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

The information represented in the tables below constitutes the applicable data elements for Own Funds identified in Title VII of the Guidelines. Capital ratios are disclosed in accordance with the CRR.

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

JPMBL has chosen to not apply the treatment offered by article 468 of CRR 'quick fix' related to the temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic.

Table 1: CRD IV Regulatory Capital

Own Funds Disclosure Template		(\$'m)	Regulation (EU) No 575/2013 Article Reference
<b>Common Equity Tier 1 (CET1) Capital: Instruments and Reserves</b>			
1	Capital instruments and the related share premium accounts	3,250	26 (1), 27, 28, 29
	<i>of which: Ordinary Shares</i>	21	EBA list 26 (3)
	<i>of which: Share premium</i>	3,229	EBA list 26 (3)
2	Retained earnings	1,932	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	<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>5,180</b>	
<b>Common Equity Tier 1 (CET1) Capital: Regulatory Adjustments</b>			
7	Additional value adjustments (negative amount)	(1)	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	(28)	36 (1) (b), 37
25a	Losses for the current financial year (negative amount)	(39)	36 (1) (a)
28	<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>(68)</b>	
29	<b>Common Equity Tier 1 (CET1) capital</b>	<b>5,112</b>	
<b>Additional Tier (AT1) Capital: Instruments</b>			
36	<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	-	
<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>			
43	<b>Total regulatory adjustments to Additional Tier 1 (AT1) capital</b>	-	
44	<b>Additional Tier 1 (AT1) capital</b>	-	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>5,112</b>	
<b>Tier 2 (T2) Capital: Instruments and Provisions</b>			
51	<b>Tier 2 (T2) capital before regulatory adjustments</b>	-	
<b>Tier 2 (T2) Capital: Regulatory Adjustments</b>			
57	<b>Total regulatory adjustments to Tier 2 (T2) capital</b>	-	
58	<b>Tier 2 (T2) capital</b>	-	
59	<b>Total capital (TC = T1 + T2)</b>	<b>5,112</b>	
60	<b>Total risk weighted assets</b>	<b>25,078</b>	
<b>Capital Ratios and Buffers</b>			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	20.39%	92 (2) (a)
62	Tier 1 (as a percentage of total risk exposure amount)	20.39%	92 (2) (b)
63	Total capital (as a percentage of total risk exposure amount)	20.39%	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: capital conservation buffer requirement</i>	2.50%	
66	<i>of which: countercyclical buffer requirement</i>	0.03%	
67a	<i>of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer</i>	0.50%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	12.39%	CRD 128

## Own Funds Reconciliation

The table below presents a reconciliation between audited balance sheet own funds and regulatory own funds as at 30<sup>th</sup> June 2020 in accordance with the requirements set out in Commission Implementing Regulation (EU) No 1423/2013.

**Table 2: Reconciliation of Regulatory Own Funds to Balance Sheet**

Regulatory Own Funds Reconciliation to Balance Sheet	(\$'m)
<b>Balance Sheet Own Funds</b>	
193,884 Ordinary Shares of \$110 each	21
Pension Reserve	-
Share Premium Account	3,229
Retained Earnings	1,891
Other Reserves	-
<b>CET1 Capital - Balance Sheet Own Funds</b>	<b>5,141</b>
<b>Less Regulatory Adjustments</b>	<b>(29)</b>
(-) Unaudited Profit	(0)
(-) Intangible Assets: Goodwill	-
(-) Available for Sale Financial Asset Reserve	-
(-) Intangible Assets	(28)
(-) Additional Valuation Adjustments	(1)
<b>CET1 Capital - Regulatory Own Funds After Adjustments</b>	<b>5,112</b>
<b>Total Regulatory Own Funds</b>	<b>5,112</b>

## Main Features of Capital Instruments

The table below presents the main features of regulatory capital instruments applicable for JPMBL as at 30<sup>th</sup> June 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 registers website.

**Table 3: Main Features of Regulatory Capital Instruments**

Capital Instruments Main Features		CET1 \$110 ordinary shares
1	Issuer	J.P. Morgan Bank Luxembourg S.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)
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo
7	Instrument type (types to be specified by each jurisdiction)	Shares of a public limited liability company (Actions d'une société anonyme)
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	\$21m
9	Nominal amount of instrument	\$110
9a	Issue price	\$110
10	Accounting classification	Shareholders' equity
11	Original date of issuance	\$11m May 16 <sup>th</sup> 1973 \$6m September 3 <sup>rd</sup> 2018 \$4m January 29 <sup>th</sup> 2019
12	Perpetual or dated	Perpetual
17	Fixed or floating dividend/coupon	Floating
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Equity is the lowest level in the hierarchy
36	Non-compliant transitioned features	No

### 3. 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.

#### **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.

Table 4: EU OV1 - Overview of RWAs

(\$'m)			RWA		Minimum capital requirements
			Q2 2020	Q1 2020	
	1	<b>Credit risk (excluding counterparty credit risk) (CCR)</b>	<b>21,390</b>	<b>23,308</b>	<b>1,711</b>
Article 438(c)(d)	2	<i>Of which</i> the standardised approach	21,390	23,308	1,711
Article 438(c)(d)	3	<i>Of which</i> the foundation IRB (FIRB) approach	-	-	-
Article 438(c)(d)	4	<i>Of which</i> the advanced IRB (AIRB) approach	-	-	-
Article 438(d)	5	<i>Of which</i> equity IRB under the simple risk-weighted approach or the IMA	-	-	-
Article 107	6	<b>CCR</b>	<b>942</b>	<b>1,106</b>	<b>75</b>
Article 438(c)(d)	7	<i>Of which</i> marked to market	772	909	62
Article 438(c)(d)	8	<i>Of which</i> original exposure	6,385	9,406	n/a
	9	<i>Of which</i> the standardised approach	4	22	0
	10	<i>Of which</i> internal model method (IMM)	-	-	-
Article 438(c)(d)	11	<i>Of which</i> risk exposure amount for contributions to the default fund of a CCP	-	-	-
Article 438(c)(d)	12	<i>Of which</i> CVA	167	175	13
Article 438(e)	13	<b>Settlement risk</b>	-	-	-
Article 449(o)(i)	14	<b>Securitisation exposures in banking book (after the cap)</b>	-	-	-
	15	<i>Of which</i> IRB approach	-	-	-
	16	<i>Of which</i> IRB supervisory formula approach (SFA)	-	-	-
	17	<i>Of which</i> internal assessment approach (IAA)	-	-	-
	18	<i>Of which</i> standardised approach	-	-	-
Article 438(e)	19	<b>Market Risk</b>	<b>3</b>	<b>26</b>	<b>0</b>
	20	<i>Of which</i> the standardised approach	3	26	0
	21	<i>Of which</i> IMA	-	-	-
Article 438(e)	22	<b>Large exposures</b>	-	-	-
Article 438(f)	23	<b>Operational Risk</b>	<b>2,726</b>	<b>2,726</b>	<b>218</b>
	24	<i>Of which</i> basic indicator approach	2,726	2,726	218
	25	<i>Of which</i> standardised approach	-	-	-
	26	<i>Of which</i> advanced measurement approach	-	-	-
Article 437(2), Article 48 and Article 60	27	<b>Amounts below the thresholds for deduction (subject to 250% risk weight)</b>	<b>17</b>	<b>12</b>	<b>1</b>
Article 500	28	<b>Floor adjustment</b>	-	-	-
	29	<b>Total</b>	<b>25,078</b>	<b>27,178</b>	<b>2,006</b>

2<sup>nd</sup> Quarter 2020 compared to 1st Quarter 2020: decrease in Credit Risk under the standardised approach (row 2) primarily driven by decrease in on balance sheet exposure (mainly driven by decrease in client cash deposit). Decrease in Credit and Counterparty Risk (row 8) primarily driven by the decrease of Securities Financing Transactions.

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

Exposure classes (\$'m)		RWA	Overall capital requirements
1	Central Governments or central banks	41	5
3	Public sector entities	-	-
6	Institutions	6,570	872
7	Corporates	14,250	1,892
8	Retail	-	-
9	High Risk Exposures	433	58
16	Other exposures	888	118
<b>17</b>	<b>Total</b>	<b>22,182</b>	<b>2,946</b>

## 4. Exposure to Counterparty Credit Risk (Article 439)

At the end of June 2020, JPMBL is exposed to Counterparty Credit Risk (CCR) via Securities Financing activities (Reverse Repos) and Derivatives transactions. The derivatives transactions 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 6: 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		390	484			874	772
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)						18	4
10	VaR for SFTs						-	-
11	<b>Total</b>							<b>776</b>

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 7: 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
1	Derivatives	526	(136)	390	-	390
2	SFTs not subject to a netting agreement	5,512	-	5,512	(5,494)	18
3	Non Eligible collateral under CRR	-	-	-	(4,307)	-
4	<b>Total</b>	<b>6,037</b>	<b>(136)</b>	<b>5,901</b>	<b>(5,494)</b>	<b>407</b>

Underlying exposures have been deemed significant (and shown separate) 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. As at 30<sup>th</sup> June 2020 the underlying exposures are lower than 3%.

### 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 30<sup>th</sup> June 2020, the majority of collateral used which JPMBL held was in debt securities.

Table 8: 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	-	219	-	255	-	-
Debt securities (Other)	-	4,089	-	-	-	-
Debt securities (Central Governments)	-	-	290	-	5,514	-
<b>Total</b>	-	<b>4,307</b>	<b>290</b>	<b>255</b>	<b>5,514</b>	-

2<sup>nd</sup> Quarter 2020 compared to 4<sup>th</sup> Quarter 2019: Increase Debt securities (Other) / Unsegregated (row 2) primarily driven by business activity. Increase in Debt securities (Central Governments) / Fair value of collateral received driven by business activity.

## 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 9: EU CCR2 – CVA capital charge**

	(\$'m)	Exposure value	RWAs
4	All portfolios subject to the standardised method	590	167
5	<b>Total subject to the CVA capital charge</b>	<b>590</b>	<b>167</b>

No significant changes compared to the latest reported number (4<sup>th</sup> Quarter 2019: RWA \$131m)

## 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 30<sup>th</sup> June 2020

**Table 10: EU CCR6 – Credit derivatives exposures**

(\$'m)	Other credit derivatives
<b>Notionals</b>	
Single-name credit default swaps	69
<b>Total notionals</b>	69
<b>Fair values</b>	
<b>Positive fair value (asset)</b>	7
<b>Negative fair value (liability)</b>	(7)

2<sup>nd</sup> Quarter 2020 compared to 4<sup>th</sup> Quarter 2019: Notional reduced from \$537m to \$69m, positions reduced by 6 times, driven by client activity.

## 5. 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.

### 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 ("LLP") which are individually immaterial are not used to reduce the exposure value. This is consistent with the CoRep submission.

**Table 11: 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	-	8,463	-	-	-	-	8,463
18	Public sector entities	-	-	-	-	-	-	-
21	Institutions	-	40,657	-	-	-	68	40,657
22	Corporates	-	15,217	-	-	-	93	15,217
24	Retail	-	-	-	-	-	-	-
29	Items associated with particularly high risk	-	229	-	-	-	4	229
34	Other Exposures	-	888	-	-	-	-	888
<b>35</b>	<b>Total standardised approach</b>	-	<b>65,454</b>	-	-	-	<b>165</b>	<b>65,454</b>
<b>36</b>	<b>Total</b>	-	<b>65,454</b>	-	-	-	<b>165</b>	<b>65,454</b>
37	Of which: Loans	-	12,981	-	-	-	160	12,981
39	Of which: Off-balance-sheet exposures	-	13,290	-	-	-	5	13,290

2<sup>nd</sup> Quarter 2020 compared to 4<sup>th</sup> Quarter 2019: 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.

**Table 12: 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	-	27	-	-	-	-	27
2	Financial and insurance activities	-	60,356	-	-	-	79	60,356
3	Other services	-	5,071	-	-	-	86	5,071
4	<b>Total</b>	-	<b>65,454</b>	-	-	-	<b>165</b>	<b>65,454</b>

No significant variance noted for gross carrying value of exposure classes between Q2-2020 vs. Q4-2019

## 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 2.5% of the total net value.

Table 13: EU CR1-C - Credit quality of exposures by geography

(\$'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	<b>North America</b>	-	<b>32,921</b>	-	-	-	<b>80</b>	<b>32,921</b>
2	US	-	30,094	-	-	-	66	30,094
3	Other	-	2,827	-	-	-	14	2,827
4	<b>Europe</b>	-	<b>31,709</b>	-	-	-	<b>62</b>	<b>31,709</b>
5	LU	-	8,203	-	-	-	9	8,203
6	GB	-	7,543	-	-	-	19	7,543
7	DE	-	3,322	-	-	-	1	3,322
8	IT	-	2,457	-	-	-	12	2,457
9	CH	-	2,499	-	-	-	1	2,499
10	FR	-	2,744	-	-	-	7	2,744
11	Other	-	4,941	-	-	-	13	4,941
12	<b>Other Areas</b>	-	<b>823</b>	-	-	-	<b>23</b>	<b>823</b>
13	<b>Total</b>	-	<b>65,454</b>	-	-	-	<b>165</b>	<b>65,454</b>

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, Republic of, Curaçao, Cayman Islands, Mexico, Panama, Saint Vincent and the Grenadines and British Virgin Islands. Other Europe: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Spain, Finland, Guernsey, Gibraltar, Greece, Croatia, Hungary, Ireland, Isle of Man, Iceland, Jersey, Liechtenstein, Lithuania,, Monaco, Malta, Netherlands, Norway, Poland, Portugal, Serbia, Russian Federation, Sweden, Slovenia, Slovakia, Ukraine and Vatican City State. Other Areas: United Arab Emirates, Argentina, Australia, Bahrain, Brazil, Botswana, Chile, China, Colombia, Egypt, Ghana, Hong Kong, Israel, Japan, Kenya, Kuwait, Kazakhstan, Lebanon, Lebanese Republic, 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 and Zimbabwe.

There are no significant changes versus prior reporting period (4<sup>th</sup> Quarter 2019).

## Non-performing and Forborne Exposures

The following tables provide an overview of non-performing and forborne exposures as per the Commission Implementing regulation (EU) No 680/2017 as at 30<sup>th</sup> June 2020.

**Table 14: EU CR1-E – Non-performing and forborne exposures**

(\$'m)	Gross carrying amount of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received		
		Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non-performing			On performing exposures		On non-performing		On non-performing exposures	Of which forborne exposures		
				Of which defaulted	Of which impaired	Of which forborne	Of which forborne	Of which forborne						
010	Debts securities	290	-	-	-	-	-	-	-	-	-	-	-	
020	Loans and advances	51,874	-	-	60	-	60	38	140	-	20	15	40	22
030	Off-balance-sheet exposures	13,290	-	-	-	-	-	-	5	-	-	-	-	-

Note: Loans and advances includes Central bank and other demand deposit exposures and excludes reverse repo lending as at 30<sup>th</sup> June 2020. No significant variance noted for gross carrying value of performing exposures between Q2 2020 vs. Q4-2019. Non-performing gross exposure as at 30 June 2020 driven of downgraded Wealth Management (WM) client lending exposure in JPMBL London Branch.

## Credit Risk Adjustments

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

## Defaulted and Impaired Exposures

### Defaulted exposures

JPMBL has no defaulted exposures as of 30<sup>th</sup> June 2020.

### Impaired exposures

Effective January 2018, allowances representing management's estimates of Expected Credit Losses ("ECL") 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 of June 30<sup>th</sup> 2020 all ECL provisions can be broken down as follows:

(\$'m)	On-balance-sheet amount	Off-balance-sheet amount	ECL
Stage 1	127.0	4.9	131.9
Stage 2	12.8	-	12.8
Stage 3	20.6	-	20.6
<b>Total</b>	<b>160.4</b>	<b>4.9</b>	<b>165.3</b>

ECL are treated as Credit risk adjustment charges of the period to the Bank's related exposures as disclosed in "CR1" tables above. JPMBL has no other impaired exposures than the ones determined under the above framework.

## Past Due Exposures

Table 15: EU CR1-D Ageing of past due exposures

(\$'m)		Gross carrying values					
		≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
1	Loans	-	-	-	60	-	-
2	Debt securities	-	-	-	-	-	-
3	<b>Total exposures</b>	-	-	-	<b>60</b>	-	-

Movement in past due exposures from prior reporting period driven of Wealth Management (WM) 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

## 6. 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 EEA member states are applied under article 114 and hence bucketed under 0%.

**Table 16: 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	RWAs	RWA density
1	Central governments or central banks	8,463	-	8,463	-	41	0%
3	Public sector entities	-	-	-	-	-	0%
6	Institutions	29,629	11,028	29,629	2,520	6,508	20%
7	Corporates	12,986	2,231	12,986	663	13,649	100%
11	Exposures associated with particularly high risk	198	31	198	15	321	150%
16	Other items	888	-	888	-	888	100%
17	<b>Total</b>	<b>52,164</b>	<b>13,290</b>	<b>52,164</b>	<b>3,198</b>	<b>21,407</b>	<b>39%</b>

JPMBL's exposures before and post CCF and CRM as at 30<sup>th</sup> June 2020 have decreased versus 31<sup>st</sup> December 2019 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 17: EU CR5 – Standardised approach (Pre-CRM)**

Exposure classes (\$'m)		Risk weight						Total	Of which unrated
		0%	20%	50%	100%	150%	250%		
1	Central governments or central banks	8,446	-	-	-	-	17	8,463	8,463
3	Public sector entities	-	-	-	-	-	-	-	-
6	Institutions	-	40,396	15	234	12	-	40,657	11,433
7	Corporates	1,102	-	-	14,115	-	-	15,217	15,217
11	Exposures associated with particularly high risk	-	-	-	-	229	-	229	229
16	Other items	-	-	-	888	-	-	888	888
17	<b>Total</b>	<b>9,548</b>	<b>40,396</b>	<b>15</b>	<b>15,237</b>	<b>241</b>	<b>17</b>	<b>65,454</b>	<b>36,230</b>

JPMBL's exposures before and post CRM as at 30<sup>th</sup> June 2020 have increased versus 31<sup>st</sup> December 2019 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 18: EU CR5 – Standardised approach (post-CRM)**

Exposure classes (\$'m)		Risk weight						Total	Of which unrated
		0%	20%	50%	100%	150%	250%		
1	Central governments or central banks	8,446	-	-	-	-	17	8,463	8,463
3	Public sector entities	-	-	-	-	-	-	-	-
6	Institutions	-	32,049	15	73	12	-	32,149	2,925
7	Corporates	-	-	-	13,649	-	-	13,649	13,649
11	Exposures associated with particularly high risk	-	-	-	-	214	-	214	214
16	Other items	-	-	-	888	-	-	888	888
17	<b>Total</b>	<b>8,446</b>	<b>32,049</b>	<b>15</b>	<b>14,610</b>	<b>225</b>	<b>17</b>	<b>55,363</b>	<b>26,139</b>

JPMBL's exposures before and post CRM as at 30<sup>th</sup> June 2020 have increased versus 31<sup>st</sup> December 2019 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 19: EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk (Pre-CRM)**

Exposure classes (\$'m)		Risk weight				Total	Of which unrated
		20%	100%	150%	Others		
6	Institutions	5,664	28	-	-	5,692	5,692
7	Corporates	22	596	-	-	618	618
10	Other items	-	-	75	-	75	75
<b>11</b>	<b>Total</b>	<b>5,686</b>	<b>624</b>	<b>75</b>	<b>-</b>	<b>6,385</b>	<b>6,385</b>

### 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 20: EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk (Post-CRM)**

Exposure classes (\$'m)		Risk weight			Total	Of which unrated
		20%	100%	150%		
6	Institutions	170	28	-	198	198
7	Corporates	22	596	-	618	618
10	Other items	-	-	75	75	75
<b>11</b>	<b>Total</b>	<b>191</b>	<b>624</b>	<b>75</b>	<b>891</b>	<b>891</b>

## 7. Exposure to Market Risk (Article 445)

JPMBL's market risk profile is primarily driven by exposure from the derivatives book for Wealth Management line of Business.

**Table 21: EU MR1 – Market risk under the standardised approach**

	(\$'m)	RWA's	Capital requirements
	Outright Products		
1	Interest rate risk (general and specific)	3.0	0.2
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)	-	-
<b>9</b>	<b>Total</b>	<b>3.0</b>	<b>0.2</b>

As of 30<sup>th</sup> June 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.

No significant change to be noted compared to 4<sup>th</sup> Quarter 2019, except commodity risk are netted at contract level in line with article 360 of CRR and EBA Q&A 2015\_1813 resulting in no capital requirement, which is applied since Q2-2020.

## 8. 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 (“BCBS”) has indicatively proposed a minimum requirement of 3%.

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	30 June 2020
Entity name	J.P. Morgan Bank Luxembourg S.A.
Level of application	Consolidated

**Table 22: LRSum: Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures**

LRSum: Leverage Ratio Summary Reconciliation		(\$'m)
1	Total assets as per financial statements	58,242
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	346
5	Adjustment for securities financing transactions (SFTs)	1
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	501
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	(70)
8	<b>Leverage ratio total exposure measure</b>	<b>59,020</b>

Table 23: LRSpl: 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	<b>Total on-balance sheet exposures (exc. Derivatives, SFTs and exempted exposures), of which:</b>	<b>52,161</b>
EU-3	Banking book exposures, of which:	52,161
EU-5	Exposures treated as sovereigns	8,463
EU-7	Institutions	29,629
EU-10	Corporate	13,181
EU-12	Other exposures (e.g. equity, securitisations and other non-credit obligation assets)	888

Table 24: LR Com: Leverage Ratio Common Disclosure

LRCom: Leverage Ratio Common Disclosure		(\$'m)
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	52,161
2	(Asset amounts deducted in determining Tier 1 capital)	(29)
<b>3</b>	<b>Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)</b>	<b>52,132</b>
<b>Derivative exposures</b>		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	390
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	484
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(255)
9	Adjusted effective notional amount of written credit derivatives	69
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(69)
<b>11</b>	<b>Total derivatives exposures (sum of lines 4 to 10)</b>	<b>619</b>
<b>SFT exposures</b>		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	5,514
<b>16</b>	<b>Total securities financing transaction exposures (sum of lines 12 to 15a)</b>	<b>5,514</b>
<b>Other off-balance sheet exposures</b>		
17	Off-balance sheet exposures at gross notional amount	2,267
18	(Adjustments for conversion to credit equivalent amounts)	(1,766)
<b>19</b>	<b>Other off-balance sheet exposures (sum of lines 17 and 18)</b>	<b>501</b>
<b>Capital and total exposure measure</b>		
<b>20</b>	<b>Tier 1 capital</b>	<b>5,112</b>
<b>21</b>	<b>Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)</b>	<b>59,020</b>
<b>Leverage ratio</b>		
<b>22</b>	<b>Leverage ratio</b>	<b>8.66%</b>

## 9. 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 30<sup>th</sup> June 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.

### 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 30<sup>th</sup> June 2020 there are reverse repo transactions in place with JPMCB N.A. for \$5,514m.

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 30<sup>th</sup> June 2020, 100% of the collateral which JPMBL held from JPMCB N.A. 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. 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 25: 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	57,547	14,758	14,758	-	-
2	Total debt securities	290	-	-	-	-
<b>3</b>	<b>Total exposures</b>	<b>57,837</b>	<b>14,758</b>	<b>14,758</b>	<b>-</b>	<b>-</b>
4	Of which defaulted	-	-	-	-	-

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

As of 30<sup>th</sup> June 2020 JPMBL has no financial guarantees or credit derivatives used as credit risk mitigation items for its exposures. There is no significant changes versus last reported period (Q4-2019).

## 10. 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 Coverage Ratio (LCR)

The Liquidity Coverage Ratio<sup>6</sup> as per the Commission Delegated Regulation (EU) 2015/61 requires credit institutions to maintain an amount of unencumbered high quality liquid assets that is sufficient to meet their estimated total net cash outflows over a prospective 30 calendar-day period of significant stress.

The LCR 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).

<sup>6</sup> In line with the EBA guidelines the average ratio disclosed in Table 25 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'.

Table 26: EU LIQ1 – LCR disclosure (quarterly)

(\$'m)		Total weighted adjusted value (average)			
		30-Jun-20	31-Mar-20	31-Dec-19	30-Sep-19
Reference date:		30-Jun-20	31-Mar-20	31-Dec-19	30-Sep-19
Number of data points used in the calculation of averages		12	12	12	12
21	LIQUIDITY BUFFER	10,563	9,013	7,966	6,791
22	TOTAL NET CASH OUTFLOWS	5,700	5,133	4,787	4,148
23	LIQUIDITY COVERAGE RATIO (%)	183%	174%	166%	163%

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 183% for the quarter ending on 30<sup>th</sup> June 2020.



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 28: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria**

	(EUR'm)	Number of obligors	(EUR'm)	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	24							
2	Loans and advances subject to moratorium (granted)	2	21	-	-	21	-	-	-	-
3	of which: Households		21	-	-	21	-	-	-	-
4	of which: Collateralised by residential immovable property		21	-	-	21	-	-	-	-
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 29: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis**

(EUR'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	<b>Newly originated loans and advances subject to public guarantee schemes</b>	-	-	-	-
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.

## 12. Disclosures Not Applicable as of 30<sup>th</sup> June 2020

The following Articles of CRR are not applicable to JPMBL as at 30<sup>th</sup> June 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).

## 13. Glossary of Acronyms

ACL	Allowance for Credit Losses
ALCO	Assets and Liabilities Committee
AML	Anti-Money Laundering
AT1	Additional Tier 1
BCBS	Basel Committee on Banking Supervision
BCL	Banque Centrale de Luxembourg
BOCA	Booking Office Country Approach
BoD	Board of Directors
BRC	Board Risk Committee
CCDR	Comprehensive Capital Analysis and Review
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
DRPC	Boards or Directors' Risk Policy Committees
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
EMC	EMEA Management Committee
EMEA	Europe Middle East and Africa
ERC	EMEA Risk Committee
EU	European Union
EVS	Economic Value Sensitivities
FCC	Firm wide Credit Committee
Firm	J.P. Morgan Chase & Co.
FRC	Firm wide Risk Committee
ICAAP	Internal Capital Adequacy Assessment Process
ICRD	Interactive Credit Risk Dashboard
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.
JPMIG	J.P. Morgan International Bank
LCR	Liquidity Coverage Ratio
LDA	Loss Distribution Approach
LGD	Loss Given Default
LIOC	Local Infrastructure Operating Committee
LLP	Loan Loss Provision
LOB	Line of Business
LORCC	Location Operational Risk and Control Committee
LRF	Local Risk Forum
MRO	Market Risk Officer
NBDA	New Business Deal Approval
NBIA	New Business Initiatives Approvals
ORMF	Operational Risk Management Framework
O-SII	Other Systemically Important Institution
OTC	Over The Counter
PD	Probability of Default
RCSA	Risk & Control Self-Assessment
ROC	JPMBL Risk Oversight Committee
RWA	Risk Weighted Assets
TAG	Transaction Approval Group
TS	Treasury Services
VaR	Value at Risk
WM	Wealth Management