

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

REGULATORY DISCLOSURE PREPARED UNDER THE BANKING (DISCLOSURE) RULES

30TH JUNE 2024

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

1 Key prudential ratios

Key prudential ratios disclosures as required by section 16AB of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

		30th June 2024	31st March 2024	31st December 2023	30th September 2023	30th June 2023
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	1,971,384	1,906,443	1,865,991	1,844,013	1,824,701
2	Tier 1	1,971,384	1,906,443	1,865,991	1,844,013	1,824,701
3	Total capital	1,971,384	1,906,443	1,865,991	1,844,013	1,824,701
	RWA (amount)					
4	Total RWA	2,894,031	2,970,880	3,148,920	3,199,319	3,159,615
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	67.8 %	64.2 %	59.0 %	57.6 %	57.3 %
6	Tier 1 ratio (%)	67.8 %	64.2 %	59.0 %	57.6 %	57.3 %
7	Total capital ratio (%)	67.8 %	64.2 %	59.0 %	57.6 %	57.3 %
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.500 %	2.500 %	2.500 %	2.500 %	2.500 %
9	Countercyclical capital buffer requirement (%)	0.115 %	0.249 %	0.079 %	0.329 %	0.198 %
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	N/A	N/A	N/A	N/A	N/A
11	Total AI-specific CET1 buffer requirements (%)	2.615 %	2.749 %	2.579 %	2.829 %	2.698 %
12	CET1 available after meeting the AI's minimum capital requirements (%)	59.8 %	56.2 %	51.0 %	49.6 %	49.3 %
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	2,668,577	2,504,481	2,465,460	2,557,623	2,461,010
14	LR (%)	73.6 %	76.1 %	75.3 %	72.1 %	73.6 %
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	N/A	N/A	N/A	N/A	N/A
16	Total net cash outflows	N/A	N/A	N/A	N/A	N/A
17	LCR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2 institution only:					
17a	LMR (%)	465.2 %	342.4 %	373.3 %	356.6 %	621.6 %
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18	Total available stable funding	N/A	N/A	N/A	N/A	N/A
19	Total required stable funding	N/A	N/A	N/A	N/A	N/A
20	NSFR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

The increase in capital ratios when compared to 31st March 2024 was due to decreased RWA of credit risk mainly driven by intercompany balance, decreased RWA of operational risk and increased capital contributed by profit for the quarter.

The increase in LMR when compared to 31st March 2024 was due to decrease in qualified liabilities during the quarter.

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2 Overview of RWA

Overview of RWA disclosures as required by section 16C of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

		RWA		Minimum capital requirements
		30th June 2024	31st March 2024	30th June 2024
1	Credit risk for non-securitization exposures	871,937	905,769	69,755
2	Of which STC approach	871,937	905,769	69,755
2a	Of which BSC approach	—	—	—
3	Of which foundation IRB approach	—	—	—
4	Of which supervisory slotting criteria approach	—	—	—
5	Of which advanced IRB approach	—	—	—
6	Counterparty default risk and default fund contributions	11,567	4,877	925
7	Of which SA-CCR approach	—	—	—
7a	Of which CEM	—	—	—
8	Of which IMM(CCR) approach	—	—	—
9	Of which others	11,567	4,877	925
10	CVA risk	—	—	—
11	Equity positions in banking book under the simple risk-weight method and internal models method	—	—	—
12	Collective investment scheme (“CIS”) exposures - LTA	N/A	N/A	N/A
13	CIS exposures - MBA	N/A	N/A	N/A
14	CIS exposures - FBA	N/A	N/A	N/A
14a	CIS exposures - combination of approaches	N/A	N/A	N/A
15	Settlement risk	—	—	—
16	Securitization exposures in banking book	—	—	—
17	Of which SEC-IRBA	—	—	—
18	Of which SEC-ERBA (including IAA)	—	—	—
19	Of which SEC-SA	—	—	—
19a	Of which SEC-FBA	—	—	—
20	Market risk	10,711	11,899	857
21	Of which STM approach	10,711	11,899	857
22	Of which IMM approach	—	—	—
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	N/A	N/A	N/A

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2 Overview of RWA (continued)

		RWA		Minimum capital requirements
		30th June 2024	31st March 2024	30th June 2024
24	Operational risk	1,999,816	2,048,335	159,985
24a	Sovereign concentration risk	—	—	—
25	Amounts below the thresholds for deduction (subject to 250% RW)	—	—	—
26	Capital floor adjustment	—	—	—
26a	Deduction to RWA	—	—	—
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	—	—	—
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	—	—	—
27	Total	2,894,031	2,970,880	231,522
N/A: Not applicable in the case of Hong Kong				

Standardized approach is used for the calculation of risk-weighted assets for credit risk and market risk. Basic indicator approach (BIA approach) is used for the calculation of risk-weighted assets for operational risk.

The increase in counterparty default risk and default fund contribution when compared to 31st March 2024 was mainly due to the upsized reverse repurchase agreements entered into during the quarter.

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3 Composition of regulatory capital

Composition of regulatory capital disclosures as required by section 16FB of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	527,000	[a]
2	Retained earnings	1,394,781	[b]
3	Disclosed reserves	69,719	[c]
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	—	
6	CET1 capital before regulatory adjustments	1,991,500	
CET1 capital: regulatory deductions			
7	Valuation adjustments	—	
8	Goodwill (net of associated deferred tax liabilities)	—	
9	Other intangible assets (net of associated deferred tax liabilities)	—	
10	Deferred tax assets (net of associated deferred tax liabilities)	20,116	[d]
11	Cash flow hedge reserve	—	
12	Excess of total EL amount over total eligible provisions under the IRB approach	—	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	—	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	—	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	—	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	—	
17	Reciprocal cross-holdings in CET1 capital instruments	—	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	—	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	—	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable

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3 Composition of regulatory capital (continued)

		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
26	National specific regulatory adjustments applied to CET1 capital	—	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	—	
26b	Regulatory reserve for general banking risks	—	
26c	Securitization exposures specified in a notice given by the MA	—	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	—	
26e	Capital shortfall of regulated non-bank subsidiaries	—	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	—	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	—	
28	Total regulatory deductions to CET1 capital	20,116	
29	CET1 capital	1,971,384	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	—	
31	of which: classified as equity under applicable accounting standards	—	
32	of which: classified as liabilities under applicable accounting standards	—	
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	—	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	—	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	—	
36	AT1 capital before regulatory deductions	—	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	—	
38	Reciprocal cross-holdings in AT1 capital instruments	—	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	—	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	—	
41	National specific regulatory adjustments applied to AT1 capital	—	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	—	
43	Total regulatory deductions to AT1 capital	—	
44	AT1 capital	—	
45	Tier 1 capital (T1 = CET1 + AT1)	1,971,384	

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3 Composition of regulatory capital (continued)

		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	—	
47	<i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	—	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	—	
49	<i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	—	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	—	
51	Tier 2 capital before regulatory deductions	—	
Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	—	
53	Reciprocal cross-holdings in Tier 2 capital instruments	—	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	—	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as “section 2 institution” under §2(1) of Schedule 4F to BCR only)	—	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	—	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	—	
56	National specific regulatory adjustments applied to Tier 2 capital	—	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	—	
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	—	
57	Total regulatory adjustments to Tier 2 capital	—	
58	Tier 2 capital (T2)	—	
59	Total regulatory capital (TC = T1 + T2)	1,971,384	
60	Total RWA	2,894,031	
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	67.8 %	
62	Tier 1 capital ratio	67.8 %	
63	Total capital ratio	67.8 %	

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3 Composition of regulatory capital (continued)

		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	2.615 %	
65	of which: capital conservation buffer requirement	2.500 %	
66	of which: bank specific countercyclical capital buffer requirement	0.115 %	
67	of which: higher loss absorbency requirement	Not applicable	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	59.8 %	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	—	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	—	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
	Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	—	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	—	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	—	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	—	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	<i>Current cap on CET1 capital instruments subject to phase-out arrangements</i>	Not applicable	Not applicable
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	Not applicable
82	<i>Current cap on AT1 capital instruments subject to phase-out arrangements</i>	—	
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	—	
84	<i>Current cap on Tier 2 capital instruments subject to phase-out arrangements</i>	—	
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	—	

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3 Composition of regulatory capital (continued)

Notes to the template:

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

	Description	Hong Kong basis	Basel III basis
10	Deferred tax assets (net of associated deferred tax liabilities)	20,116	—
	<u>Explanation</u> As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		

Remarks:

The amount of the 10% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.

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4 Reconciliation of regulatory capital to balance sheet

Reconciliation of regulatory capital to balance sheet as required by section 16FC of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

	Balance sheet as in published financial statements As at 30th June 2024 US\$'000	Under regulatory scope of consolidation As at 30th June 2024 US\$'000	Reference
ASSETS			
Balances with banks	1,820,390	1,820,390	
Financial assets at fair value through profit or loss	12,877	13,465	
Deferred tax assets	20,116	20,116	[d]
Other assets	835,191	834,603	
Fixed assets	51	51	
Right-of-use assets	68	68	
Total assets	2,688,693	2,688,693	
EQUITY			
Share capital	527,000	527,000	[a]
Reserves	1,464,500	1,464,500	
<i>of which: retained earnings</i>		<i>1,394,781</i>	[b]
<i>disclosed reserves</i>		<i>69,719</i>	[c]
Total equity	1,991,500	1,991,500	
LIABILITIES			
Deposits and balances from banks	327,215	327,215	
Other liabilities	357,534	357,534	
Taxation payable	12,371	12,371	
Lease Liabilities	73	73	
Total liabilities	697,193	697,193	
Total equity and liabilities	2,688,693	2,688,693	

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5 Main features of regulatory capital instruments

Main features of regulatory capital instruments as required by section 16FE of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated). The full terms and conditions of the capital instruments can be found in the website, <https://www.jpmorgan.com/content/dam/jpm/global/disclosures/hk/common-equity-tier1-capital.pdf>

		Share capital
1	Issuer	J.P. Morgan Securities (Asia Pacific) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3	Governing law(s) of the instrument	Hong Kong Law
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules ¹	NA
5	Post-transitional Basel III rules ²	Common Equity Tier 1 capital
6	Eligible at solo / group / solo and group	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (as of most recent reporting date)	US\$527,000
9	Par value of instrument	NA
10	Accounting classification	Shareholders' equity
11	Original date of issuance	Shares were issued in the following years: 1987, 2001, 2002, 2008, 2017
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend / coupon	Floating
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA

Footnote:

¹ *Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the BCR.*

² *Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the BCR.*

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5 Main features of regulatory capital instruments (continued)

		Share capital
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	NA
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

6 Geographical distribution of credit exposures used in countercyclical capital buffer (“CCyB”)

Geographical distribution of credit exposures used in countercyclical capital buffer as required by section 16FG of the Banking (Disclosure) Rules (expressed in US\$’000 unless otherwise stated).

		As at 30th June 2024			
	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect (%)	RWA used in computation of CcyB ratio	AI-specific CCyB ratio (%)	CCyB amount
1	Hong Kong SAR	1 %	3,627		
2	Australia	1 %	3,195		
3	Germany	0.75 %	—		
4	South Korea	1 %	1,088		
5	United Kingdom	2 %	28		
6	Sum		7,938		
7	Total		69,137	0.115 %	3,328

7 Summary comparison of accounting assets against leverage ratio (“LR”) exposure measure

Summary comparison of accounting assets against leverage ratio (“LR”) exposure measure as required by section 16FH of the Banking (Disclosure) Rules (expressed in US\$’000 unless otherwise stated).

	Item	Value under the LR framework
1	Total consolidated assets as per published financial statements	2,688,693
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	—
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	—
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	—
3a	Adjustments for eligible cash pooling transactions	—
4	Adjustments for derivative contracts	—
5	Adjustment for SFTs (i.e. repos and similar secured lending)	—
6	Adjustment for off-balance sheet (“OBS”) items (i.e. conversion to credit equivalent amounts of OBS exposures)	—
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	—
7	Other adjustments	(20,116)
8	Leverage ratio exposure measure	2,668,577

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8 Leverage ratio (“LR”)

Leverage ratio as required by section 16FI of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

		30th June 2024	31st March 2024
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	2,018,389	2,207,739
2	Less: Asset amounts deducted in determining Tier 1 capital	(20,116)	(23,451)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	1,998,273	2,184,288
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	—	—
5	Add-on amounts for PFE associated with all derivative contracts	—	—
6	Gross-up for collateral provided in respect of derivative contracts where deducted from the balance sheet assets pursuant to the applicable accounting framework	—	—
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	—	—
8	Less: Exempted CCP leg of client-cleared trade exposures	—	—
9	Adjusted effective notional amount of written credit-related derivative contracts	—	—
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	—	—
11	Total exposures arising from derivative contracts	—	—
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	670,304	320,193
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	—	—
14	CCR exposure for SFT assets	—	—
15	Agent transaction exposures	—	—
16	Total exposures arising from SFTs	670,304	320,193
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	—	—
18	Less: Adjustments for conversion to credit equivalent amounts	—	—
19	Off-balance sheet items	—	—
Capital and total exposures			
20	Tier 1 capital	1,971,384	1,906,443
20a	Total exposures before adjustments for specific and collective provisions	2,668,577	2,504,481
20b	Adjustments for specific and collective provisions	—	—
21	Total exposures after adjustments for specific and collective provisions	2,668,577	2,504,481
Leverage ratio			
22	Leverage ratio	73.6 %	76.1 %

The increase in exposures arising from SFTs when compared to 31st March 2024 was mainly due to the upsized reverse repurchase agreements entered into during the quarter.

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9 Credit quality of exposures

Credit quality of exposures as required by section 16H of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

		Gross carrying amounts of		Allowances / impairments	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
1	Loan	—	—	—	—	—	—	—
2	Debt Securities	—	12,877	—	—	—	—	12,877
3	Off-balance sheet exposures	—	—	—	—	—	—	—
4	Total	—	12,877	—	—	—	—	12,877

10 Changes in defaulted loans and debt securities

Changes in defaulted loans and debt securities as required by section 16I of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

	Amount	
1	Defaulted loans and debt securities at end of the previous reporting period	—
2	Loans and debt securities that have defaulted since the last reporting period	—
3	Returned to non-defaulted status	—
4	Amounts written off	—
5	Other changes	—
6	Defaulted loans and debt securities at end of the current reporting period	—

11 Overview of recognized credit risk mitigation

Overview of recognized credit risk mitigation as required by section 16L of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

	Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
1	Loans	—	—	—	—
2	Debt securities	12,877	—	—	—
3	Total	12,877	—	—	—
4	Of which defaulted	—	—	—	—

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12 Credit risk exposures and effects of recognized credit risk mitigation - for STC approach

Credit risk exposures and effects of recognized credit risk mitigation - for STC approach as required by section 16N of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

	Exposure classes	Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign exposures	—	—	—	647,171	—	—
2	PSE exposures	—	—	—	—	—	—
2a	Of which: domestic PSEs	—	—	—	—	—	—
2b	Of which: foreign PSEs	—	—	—	—	—	—
3	Multilateral development bank exposures	—	—	—	—	—	—
4	Bank exposures	1,885,536	—	1,885,536	—	798,212	42.3 %
5	Securities firm exposures	51,519	670,304	51,519	23,133	37,326	50.0 %
6	Corporate exposures	31,223	—	31,223	—	31,223	100.0 %
7	CIS exposures	—	—	—	—	—	—
8	Cash items	1	—	1	—	—	—
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	—	—	—	—	—	—
10	Regulatory retail exposures	—	—	—	—	—	—
11	Residential mortgage loans	—	—	—	—	—	—
12	Other exposures which are not past due exposures	16,743	—	16,743	—	16,743	100.0 %
13	Past due exposures	—	—	—	—	—	—
14	Significant exposures to commercial entities	—	—	—	—	—	—
15	Total	1,985,022	670,304	1,985,022	670,304	883,504	33.3 %

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13 Credit risk exposures by asset classes and by risk weights - for STC approach

Credit risk exposures by asset classes and by risk weights - for STC approach as required by section 16O of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
	Exposure class											
1	Sovereign exposures	647,171	—	—	—	—	—	—	—	—	—	647,171
2	PSE exposures	—	—	—	—	—	—	—	—	—	—	—
2a	Of which: domestic PSEs	—	—	—	—	—	—	—	—	—	—	—
2b	Of which: foreign PSEs	—	—	—	—	—	—	—	—	—	—	—
3	Multilateral development bank	—	—	—	—	—	—	—	—	—	—	—
4	Bank exposures	—	—	481,855	—	1,403,681	—	—	—	—	—	1,885,536
5	Securities firm exposures	—	—	—	—	74,652	—	—	—	—	—	74,652
6	Corporate exposures	—	—	—	—	—	—	31,223	—	—	—	31,223
7	CIS exposures	—	—	—	—	—	—	—	—	—	—	—
8	Cash items	1	—	—	—	—	—	—	—	—	—	1
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	—	—	—	—	—	—	—	—	—	—	—
10	Regulatory retail exposures	—	—	—	—	—	—	—	—	—	—	—
11	Residential mortgage loans	—	—	—	—	—	—	—	—	—	—	—
12	Other exposures which are not past due exposures	—	—	—	—	—	—	16,743	—	—	—	16,743
13	Past due exposures	—	—	—	—	—	—	—	—	—	—	—
14	Significant exposures to commercial entities	—	—	—	—	—	—	—	—	—	—	—
15	Total	647,172	—	481,855	—	1,478,333	—	47,966	—	—	—	2,655,326

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14 Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

Analysis of counterparty default risk exposures (other than those to CCPs) by approaches as required by section 16W of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	SA-CCR approach (for derivative contracts)	—	—		1.4	—	—
1a	CEM (for derivative contracts)	—	—		1.4	—	—
2	IMM (CCR) approach			—	—	—	—
3	Simple approach (for SFTs)					—	—
4	Comprehensive approach (for SFTs)					670,304	11,567
5	VaR (for SFTs)					—	—
6	Total						11,567

The increase in counterparty default risk exposure when compared to 31st December 2023 was mainly due to the reverse repurchase agreements entered into during the 6 month period.

15 CVA capital charge

CVA capital charge as required by section 16X of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

		EAD post CRM	RWA
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	—	—
1	(i) VaR (after application of multiplication factor if applicable)		—
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		—
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	—	—
4	Total	—	—

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16 Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights - for STC approach

Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights - for STC approach as required by section 16Y of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
	Exposure class											
1	Sovereign exposures	647,171	—	—	—	—	—	—	—	—	—	647,171
2	PSE exposures	—	—	—	—	—	—	—	—	—	—	—
2a	Of which: domestic PSEs	—	—	—	—	—	—	—	—	—	—	—
2b	Of which: foreign PSEs	—	—	—	—	—	—	—	—	—	—	—
3	Multilateral development bank exposures	—	—	—	—	—	—	—	—	—	—	—
4	Bank exposures	—	—	—	—	—	—	—	—	—	—	—
5	Securities firm exposures	—	—	—	—	23,133	—	—	—	—	—	23,133
6	Corporate exposures	—	—	—	—	—	—	—	—	—	—	—
7	CIS exposures	—	—	—	—	—	—	—	—	—	—	—
8	Regulatory retail exposures	—	—	—	—	—	—	—	—	—	—	—
9	Residential mortgage loans	—	—	—	—	—	—	—	—	—	—	—
10	Other exposures which are not past due exposures	—	—	—	—	—	—	—	—	—	—	—
11	Significant exposures to commercial entities	—	—	—	—	—	—	—	—	—	—	—
12	Total	647,171	—	—	—	23,133	—	—	—	—	—	670,304

17 Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)

Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs) as required by section 16ZA of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	—	—	—	—	—	—
Cash - other currencies	—	—	—	—	—	—
Domestic sovereign debt	—	—	—	—	—	—
Other sovereign debt	—	—	—	—	647,171	—
Government agency debt	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Equity securities	—	—	—	—	—	—
Other collateral	—	—	—	—	—	—
Total	—	—	—	—	—	—

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18 Credit-related derivatives contracts

Credit-related derivatives contracts as required by section 16ZB of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

	Protection bought	Protection sold
Notional amounts		
Single-name credit default swaps	—	—
Index credit default swaps	—	—
Total return swaps	—	—
Credit-related options	—	—
Other credit-related derivative contracts	—	—
Total notional amounts	—	—
Fair values		
Positive fair value (asset)	—	—
Negative fair value (liability)	—	—

19 Exposures to CCPs

Exposures to CCPs as required by section 16ZD of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

		Exposure after CRM	RWA
1	Exposures of the AI as clearing member or clearing client to qualifying CCPs (total)		—
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	—	—
3	(i) OTC derivative transactions	—	—
4	(ii) Exchange-traded derivative contracts	—	—
5	(iii) Securities financing transactions	—	—
6	(iv) Netting sets subject to valid cross-product netting agreements	—	—
7	Segregated initial margin	—	
8	Unsegregated initial margin	—	—
9	Funded default fund contributions	—	—
10	Unfunded default fund contributions	—	—
11	Exposures of the AI as clearing member or clearing client to non-qualifying CCPs (total)		—
12	Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:	—	—
13	(i) OTC derivative transactions	—	—
14	(ii) Exchange-traded derivative contracts	—	—
15	(iii) Securities financing transactions	—	—
16	(iv) Netting sets subject to valid cross-product netting agreements	—	—
17	Segregated initial margin	—	
18	Unsegregated initial margin	—	—
19	Funded default fund contributions	—	—
20	Unfunded default fund contributions	—	—

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20 Securitization Exposures

The Company has no securitization exposures as at 30th June 2024.

21 Market risk under STM approach

Market risk under STM approach as required by section 16ZL of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	3,589
2	Equity exposures (general and specific risk)	1,178
3	Foreign exchange (including gold) exposures	5,944
4	Commodity exposures	—
	Option exposures	
5	Simplified approach	—
6	Delta-plus approach	—
7	Other approach	—
8	Securitization exposures	—
9	Total	10,711

22 International claims

International claims are on-statement of financial position exposures of counterparties based on the location of the counterparties after taking into account any risk transfer. The risk transfers have been made if the claims are guaranteed by a party in a geographical area which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another geographical area. The Company's country risk exposures in the table below are prepared in accordance with the HKMA Return of International Banking Statistics - (MA(BS)21) guidelines. Claims on individual countries and territories or areas, after risk transfer, amounting to 10% or more of aggregate cross-border claims are as follows:

	Non-bank private sector					Total US\$'000
	Banks US\$'000	Official sector US\$'000	Non-bank financial institutions US\$'000	Non-financial private sector US\$'000	Others US\$'000	
As at 30th June 2024						
Developed countries	1,766,141	—	732,367	217	—	2,498,725
<i>of which: United States</i>	<i>1,714,713</i>	—	<i>723,349</i>	<i>217</i>	—	<i>2,438,279</i>

23 Loans and advances

There were no loans and advances to customers and banks, impaired assets, rescheduled advances, overdue or repossessed assets as at 30th June 2024.

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24 Off-balance sheet exposures other than derivative transactions

The Company has no off-balance sheet exposures other than derivative transactions as at 30th June 2024.

25 Assets used as security

There were no assets used by the Company as security as at 30th June 2024.

26 Non-Bank Mainland exposures

The Company's non-bank mainland exposures in the table below are prepared with reference to the HKMA's Return of Mainland Activities - (MA(BS)20) for the categories of non-bank counterparties and the types of direct exposures.

Type of Counterparties	On statement of financial position exposures US\$'000	Off statement of financial position exposures US\$'000	Total US\$'000	Specific provisions US\$'000
As at 30th June 2024				
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	8,067	—	8,067	—
Total	<u>8,067</u>	<u>—</u>	<u>8,067</u>	<u>—</u>
Total assets after provision	<u>2,688,693</u>			
On-statement of financial position exposures as percentage of total assets	<u>0.3 %</u>			

There were no off-statement of financial position exposures and specific provisions for 2024.

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27 Currency concentrations

The currency concentrations which constitute 10% or more of the total net open positions in all foreign currencies are as follows:

	USD	JPY	CNY	CHF	AUD	CAD	EUR	GBP	IDR	INR	LKR	MYR	NZD	PHP	PKR	SEK	THB	TWD	ZAR
Equivalent in US\$'000																			
Spot assets	2,310,305	144,928	35,682	1,255	11,360	6	16,064	10,066	239	589	97	209	21,942	3	252	314	1,703	—	35
Spot liabilities	(2,311,190)	(143,734)	(30,974)	(1,112)	(10,584)	(140)	(16,048)	(10,030)	(616)	(7)	—	(35)	(26,220)	(135)	—	(42)	(2,004)	(45)	(1)
Forward purchases	2,282	8	—	1	—	—	—	—	786	—	—	—	—	—	—	—	6	—	—
Forward sales	(2,774)	—	(1,960)	—	(69)	—	—	—	(252)	—	—	—	—	(2)	—	—	—	—	—
Net long/(short) position	(1,377)	1,202	2,748	144	707	(134)	16	36	157	582	97	174	(4,278)	(134)	252	272	(295)	(45)	34

The Company has no net structural position in any particular foreign currency.