

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

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

**31ST DECEMBER 2023**

## 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).

|     |   | 31st<br>December<br>2023 | 30th<br>September<br>2023 | 30th June<br>2023 | 31st March<br>2023 | 31st<br>December<br>2022 |
|-----|---|--------------------------|---------------------------|-------------------|--------------------|--------------------------|
|     | <b>Regulatory capital (amount)</b>  |                          |                           |                   |                    |                          |
| 1   | Common Equity Tier 1 (CET1)   | 1,865,991                | 1,844,013                 | 1,824,701         | 1,788,550          | 1,743,110                |
| 2   | Tier 1  | 1,865,991                | 1,844,013                 | 1,824,701         | 1,788,550          | 1,743,110                |
| 3   | Total capital   | 1,865,991                | 1,844,013                 | 1,824,701         | 1,788,550          | 1,743,110                |
|     | <b>RWA (amount)</b>   |                          |                           |                   |                    |                          |
| 4   | Total RWA   | 3,148,920                | 3,199,319                 | 3,159,615         | 3,257,944          | 3,199,105                |
|     | <b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>          |                          |                           |                   |                    |                          |
| 5   | CET1 ratio (%)  | 59.0 %                   | 57.6 %                    | 57.3 %            | 54.9 %             | 54.3 %                   |
| 6   | Tier 1 ratio (%)  | 59.0 %                   | 57.6 %                    | 57.3 %            | 54.9 %             | 54.3 %                   |
| 7   | Total capital ratio (%)   | 59.0 %                   | 57.6 %                    | 57.3 %            | 54.9 %             | 54.3 %                   |
|     | <b>Additional CET1 buffer requirements (as a percentage of RWA)</b>           |                          |                           |                   |                    |                          |
| 8   | Capital conservation buffer requirement (%)                                   | 2.500 %                  | 2.500 %                   | 2.500 %           | 2.500 %            | 2.500 %                  |
| 9   | Countercyclical capital buffer requirement (%)                                | 0.079 %                  | 0.329 %                   | 0.198 %           | 0.190%             | 0.105 %                  |
| 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 (%)                                | 2.579 %                  | 2.829 %                   | 2.698 %           | 2.690%             | 2.605 %                  |
| 12  | CET1 available after meeting the AI's minimum capital requirements (%)        | 51.0 %                   | 49.6 %                    | 49.3 %            | 46.9 %             | 46.3 %                   |
|     | <b>Basel III leverage ratio</b>   |                          |                           |                   |                    |                          |
| 13  | Total leverage ratio (LR) exposure measure                                    | 2,465,460                | 2,557,623                 | 2,461,010         | 2,448,006          | 2,438,651                |
| 14  | LR (%)  | 75.3 %                   | 72.1 %                    | 73.6 %            | 73.1 %             | 71.2 %                   |
|     | <b>Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)</b>     |                          |                           |                   |                    |                          |
|     | 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 (%)   | 373.3 %                  | 356.6 %                   | 621.6 %           | 326.3 %            | 371.6 %                  |
|     | <b>Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)</b>             |                          |                           |                   |                    |                          |
|     | 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                      |

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

### 2 Overview of risk management

Risk is an inherent part of business activities of JPMorgan Chase & Co. (“JPMorgan Chase”, the “Group” or the “Firm”), the ultimate holding company of J.P. Morgan Securities (Asia Pacific) Limited (“JPMSAPL” or the “Company”). When the Firm extends a consumer or wholesale loan, advises customers and clients on their investment decisions, makes markets in securities or offers other products or services, the Firm takes on some degree of risk. The Firm’s overall objective is to manage its businesses, and the associated risks, in a manner that balances serving the interests of its clients, customers and investors and protects the safety and soundness of the Firm.

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

- Acceptance of responsibility, including identification and escalation of risk by all individuals within the Firm;
- Ownership of risk identification, assessment, data and management within each of the lines of business (“LOBs”) and corporate functions (“CF”); and
- Firmwide structures for risk governance.

The Firm follows a disciplined and balanced compensation framework with strong internal governance and independent oversight by the Board of Directors (“BODs” or the “Board”).

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

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

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

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

In addition, there are other functions that contribute to the Firmwide control environment but are not considered part of a particular line of defense, including Finance, Human Resources and Legal, and are responsible for adherence to applicable laws, rules and regulations and policies and standards established by IRM with respect to their own processes.

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

### 2 Overview of risk management (continued)

At the Company level, the JPMSAPL BODs act as a central governing committee and is the primary oversight and escalation point for the Company's sub-committees, the responsibilities of the BODs include:

- Review of business performance, progress of key initiatives, growth and cross LOB initiatives;
- Review of country performance, strategies and opportunities across LOBs and platforms;
- Review of significant Risk and Control issues and monitoring progress resolution plans;
- Review of significant Business support and Infrastructure matters; and
- Oversight for any business conducted or booked into the Company to ensure compliance with existing global and legal entity governance framework.

Hong Kong Risk Asset and Liability Committee ("HK RALCO") of the Company is delegated by the BODs to provide the oversight of risks inherent in the Company's business in Hong Kong, including but not limited to:

- Risks: Market, credit, liquidity, structural interest rate, model and country risks, also operational, compliance and reputation risk framework
- Asset and Liability committee ("ALCO"): Funding, capital, liquidity management, financial statements and interest rate risk in banking book and relevant ALCO related regulatory/compliance matters

The HK RALCO is co-chaired by the CRO and the Senior Financial Officer ("SFO").

Other key committee is the Hong Kong Location Operating Committee ("LOC"). LOC is responsible for the oversight and control of operating risk within the location. Hong Kong LOC meetings are held on a monthly basis to review all operating risk matters. The respective operation area managers are responsible to escalate to their line regional managers and the Hong Kong Senior Country Business Manager.

JPMorgan Chase Risk Appetite framework govern the firm's overall appetite for risk, as outlined in Quantitative and Qualitative Risk Appetite policies. Both quantitative and qualitative risks are used to monitor and measure the Firm's Risk Appetite. The Risk Appetite framework integrates risk controls, earnings, capital management, liquidity management and return targets to set the Firm's risk appetite in the context of its objectives for key stakeholders, including but not limited to shareholders, depositors, regulators and clients.

Quantitative risk appetite is set and evaluated in the context of the Firm's business strategy and risk taking, as well as capital and liquidity planning as determined during the periodic assessment process. Quantitative risk appetite is set for each of the following categories: profitability risk, capital risk, wholesale credit risk, consumer credit risk, market risk, structural interest rate risk, and liquidity risk.

Risk Appetite is a business as usual ("BAU") risk management framework which includes ongoing assessment of Firm and LOB performance against risk appetite. Risk Appetite is designed to assess the Firm's performance under normal and moderately stressed conditions. Firm level risk appetite is set such that profitability of the Firm is the primary loss absorbing mechanism. Risk Appetite is part of the Firm's ongoing capital management process, including the assessment of planned capital actions through the quarterly review of Risk Appetite results.

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### 2 Overview of risk management (continued)

The Firmwide Risk Executives ("FREs") of Qualitative Risk Appetite is responsible for developing the Firmwide Qualitative Risk Appetite framework, inclusive of the Qualitative Risk Appetite statement, which includes the following risk areas: Compliance, Conduct, Reputational and Operational. The framework outlines a qualitative evaluation that is supported by quantitative measures (metrics). Risk appetite for qualitative risks is set by LOBs and/or CFs and evaluated in the context of the firm's business strategy and risk taking, and considers a broad range of constraints and associated objectives (e.g., financial, regulatory, reputational). The Quarterly Assessment results will be shared with the Firmwide Risk Committee, providing opportunity for raising issues or challenge, prior to presentation to the Board Risk Committee.

The Firm's Quantitative Risk Appetite policy is applicable to the Company. The legal entity's governance and quantitative parameters reflect local regulations, operations and business strategy.

With respect to the qualitative risks, in accordance with the LE Qualitative Risk Appetite Standard, JPMSAPL relies on the firmwide QRA approach and results or a separate QRA assessment is performed.

#### Credit Risk measurement

Refer to note 14 - General information about Credit Risk for details.

#### Liquidity Risk measurement

Refer to note 13 - Liquidity Risk management for details.

#### Market Risk measurement

Refer to note 31 - Qualitative disclosures related to Market Risk for details.

#### Interest rate risk in banking book ("IRRBB") measurement

Refer to note 33 - Interest rate risk in banking book management for details.

#### Operational risk measurement

In addition to the level of actual operational risk losses, operational risk measurement includes operational risk based capital based on the Basic Indicator Approach (according to Basel III - Basic Indicator Approach). Scenario analysis is also used to assist in quantifying material operational risks and for operational risk capital adequacy assessment. The objective of scenario analysis is to provide senior management with a forward-looking view of exceptional but plausible operational risk events and to assess their potential outcome, which is used to facilitate the assessment of operational risk capital adequacy. Scenarios reflect risks that could materialize within the foreseeable future and may or may not have previously impacted JPMSAPL.

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

### 3 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 |
|-----|---|--------------------|---------------------|------------------------------|
|     |   | 31st December 2023 | 30th September 2023 | 31st December 2023           |
| 1   | Credit risk for non-securitization exposures  | 994,853            | 986,126             | 79,588                       |
| 2   | Of which STC approach   | 994,853            | 986,126             | 79,588                       |
| 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  | —                  | —                   | —                            |
| 7   | Of which SA-CCR approach  | —                  | —                   | —                            |
| 7a  | Of which CEM  | —                  | —                   | —                            |
| 8   | Of which IMM(CCR) approach  | —                  | —                   | —                            |
| 9   | Of which others   | —                  | —                   | —                            |
| 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   | 10,103             | 11,408              | 808                          |
| 21  | Of which STM approach   | 10,103             | 11,408              | 808                          |
| 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                          |

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

**3 Overview of RWA (continued)**

|  |  | RWA                |                     | Minimum capital requirements |
|--|--|--------------------|---------------------|------------------------------|
|  |  | 31st December 2023 | 30th September 2023 | 31st December 2023           |
| 24   | Operational risk   | 2,143,964          | 2,201,785           | 171,517                      |
| 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 | —                  | —                   | —                            |
| <b>27</b>                                    | <b>Total</b>   | <b>3,148,920</b>   | <b>3,199,319</b>    | <b>251,913</b>               |
| 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.

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

### 4 Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories as required by section 16D of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

|   | Carrying values as reported in published financial statements | Carrying values under scope of regulatory consolidation | Carrying values of items:        |   |   |                                  |  |
|---|---|---|----------------------------------|---|---|----------------------------------|--|
|   |   |   | subject to credit risk framework | subject to counterparty credit risk framework | subject to the securitization framework | subject to market risk framework | not subject to capital requirements or subject to deduction from capital |
| <b>Assets</b>   |   |   |                                  |   |   |                                  |  |
| Balances with banks                                   | 2,223,937   | 2,223,937   | 2,223,937                        | —   | —                                       | —                                | —  |
| Financial assets at fair value through profit or loss | 17,409  | 17,409  | —                                | —   | —                                       | 17,409                           | —  |
| Deferred tax assets                                   | 23,270  | 23,270  | —                                | —   | —                                       | —                                | 23,270   |
| Other assets  | 219,459   | 219,459   | 216,549                          | —   | —                                       | 93                               | 2,817  |
| Taxation receivable                                   | 4,505   | 4,505   | 4,505                            | —   | —                                       | —                                | —  |
| Fixed assets  | 71  | 71  | 71                               | —   | —                                       | —                                | —  |
| Right-of-use assets                                   | 79  | 79  | 79                               | —   | —                                       | —                                | —  |
| <b>Total assets</b>                                   | <b>2,488,730</b>  | <b>2,488,730</b>  | <b>2,445,141</b>                 | <b>—</b>                                      | <b>—</b>                                | <b>17,502</b>                    | <b>26,087</b>  |
| <b>Liabilities</b>                                    |   |   |                                  |   |   |                                  |  |
| Deposits and balances from banks                      | 177,478   | 177,478   | —                                | —   | —                                       | —                                | 177,478  |
| Other liabilities                                     | 421,887   | 421,887   | —                                | —   | —                                       | —                                | 421,887  |
| Lease liabilities                                     | 83  | 83  | —                                | —   | —                                       | —                                | 83   |
| Taxation payable                                      | 21  | 21  | —                                | —   | —                                       | —                                | 21   |
| <b>Total liabilities</b>                              | <b>599,469</b>  | <b>599,469</b>  | <b>—</b>                         | <b>—</b>                                      | <b>—</b>                                | <b>—</b>                         | <b>599,469</b>   |



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

### 5 Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Main sources of differences between regulatory exposure amounts and carrying values in financial statements as required by section 16E of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

|          | Total  | Items subject to:     |                          |                                    |                       |               |
|----------|--|-----------------------|--------------------------|------------------------------------|-----------------------|---------------|
|          |  | credit risk framework | securitization framework | counterparty credit risk framework | market risk framework |               |
| <b>1</b> | <b>Asset carrying value amount under scope of regulatory consolidation</b> | <b>2,462,643</b>      | <b>2,445,141</b>         | —                                  | —                     | <b>17,502</b> |
| 2        | Liabilities carrying value amount under regulatory scope of consolidation  | —                     | —                        | —                                  | —                     | —             |
| 3        | Total net amount under regulatory scope of consolidation                   | 2,462,643             | 2,445,141                | —                                  | —                     | 17,502        |
| 4        | Default Risk Exposures   | —                     | —                        | —                                  | —                     | —             |
| 5        | <i>Differences due to non-positive current exposure</i>                    | (179)                 | (179)                    | —                                  | —                     | —             |
| 6        | <i>Differences due to consideration of provisions</i>                      | 2,353                 | 2,353                    | —                                  | —                     | —             |
| <b>7</b> | <b>Exposure amounts considered for regulatory purposes</b>                 | <b>2,464,817</b>      | <b>2,447,315</b>         | —                                  | —                     | <b>17,502</b> |

### Explanations of differences between accounting and regulatory exposure amounts

The key differences between accounting carrying amounts and regulatory exposure amounts are:

- i. Default risk exposures: Derivative regulatory exposures include potential future exposure and replacement cost ;
- ii. The carrying values of assets in financial statement are net of provisions. From regulatory perspective, non-defaulted exposure are reported in gross value.

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

### 6 Prudent valuation adjustments

Prudent valuation adjustments as required by section 16FA of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

|    |                                  | Equity | Interest rates | FX | Credit | Commodities | Total | Of which:<br>In the trading book | Of which:<br>In the banking book |
|----|----------------------------------|--------|----------------|----|--------|-------------|-------|----------------------------------|----------------------------------|
| 1  | Close-out uncertainty, of which: | —      | —              | —  | —      | —           | —     | —                                | —                                |
| 2  | <i>Mid-market value</i>          | —      | —              | —  | —      | —           | —     | —                                | —                                |
| 3  | <i>Close-out costs</i>           | —      | —              | —  | —      | —           | —     | —                                | —                                |
| 4  | <i>Concentration</i>             | —      | —              | —  | —      | —           | —     | —                                | —                                |
| 5  | Early termination                | —      | —              | —  | —      | —           | —     | —                                | —                                |
| 6  | Model risk                       | —      | —              | —  | —      | —           | —     | —                                | —                                |
| 7  | Operational risks                | —      | —              | —  | —      | —           | —     | —                                | —                                |
| 8  | Investing and funding costs      | —      | —              | —  | —      | —           | —     | —                                | —                                |
| 9  | Unearned credit spreads          | —      | —              | —  | —      | —           | —     | —                                | —                                |
| 10 | Future administrative costs      | —      | —              | —  | —      | —           | —     | —                                | —                                |
| 11 | Other adjustments                | —      | —              | —  | —      | —           | —     | —                                | —                                |
| 12 | <b>Total adjustments</b>         | —      | —              | —  | —      | —           | —     | —                                | —                                |

As of 31st December 2023, no additional prudent valuation adjustment is deemed required as the Firm's valuation policy is materially consistent with prudential valuation requirements.

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

### 7 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 |
|---|---|----------------|--|
| <b>CET1 capital: instruments and reserves</b> |   |                |  |
| 1   | Directly issued qualifying CET1 capital instruments plus any related share premium  | 527,000        | [a]  |
| 2   | Retained earnings   | 1,292,542      | [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   | <b>CET1 capital before regulatory adjustments</b>   | 1,889,261      |  |
| <b>CET1 capital: regulatory deductions</b>    |   |                |  |
| 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)  | 23,270         | [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   |

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

**7 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  | <b>Total regulatory deductions to CET1 capital</b>   | 23,270    |  |
| 29  | <b>CET1 capital</b>  | 1,865,991 |  |
|     | <b>AT1 capital: instruments</b>  |           |  |
| 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  | <b>AT1 capital before regulatory deductions</b>  | —         |  |
|     | <b>AT1 capital: regulatory deductions</b>  |           |  |
| 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  | <b>Total regulatory deductions to AT1 capital</b>  | —         |  |
| 44  | <b>AT1 capital</b>   | —         |  |
| 45  | <b>Tier 1 capital (T1 = CET1 + AT1)</b>  | 1,865,991 |  |

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

**7 Composition of regulatory capital (continued)**

|   |  | Amount    | Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation |
|---|--|-----------|--|
| <b>Tier 2 capital: instruments and provisions</b> |  |           |  |
| 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  | <b>Tier 2 capital before regulatory deductions</b>   | —         |  |
| <b>Tier 2 capital: regulatory deductions</b>      |  |           |  |
| 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  | <b>Total regulatory adjustments to Tier 2 capital</b>  | —         |  |
| 58  | <b>Tier 2 capital (T2)</b>   | —         |  |
| 59  | <b>Total regulatory capital (TC = T1 + T2)</b>   | 1,865,991 |  |
| 60  | <b>Total RWA</b>   | 3,148,920 |  |
| <b>Capital ratios (as a percentage of RWA)</b>    |  |           |  |
| 61  | <b>CET1 capital ratio</b>  | 59.0 %    |  |
| 62  | <b>Tier 1 capital ratio</b>  | 59.0 %    |  |
| 63  | <b>Total capital ratio</b>   | 59.0 %    |  |

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

**7 Composition of regulatory capital (continued)**

|    |   | Amount         | Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation |
|----|---|----------------|--|
| 64 | <b>Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)</b>                           | 2.579 %        |  |
| 65 | of which: capital conservation buffer requirement   | 2.500 %        |  |
| 66 | of which: bank specific countercyclical capital buffer requirement  | 0.079 %        |  |
| 67 | of which: higher loss absorbency requirement  | N/A            |  |
| 68 | <b>CET1 (as a percentage of RWA) available after meeting minimum capital requirements</b>   | 51.0 %         |  |
|    | <b>National minima (if different from Basel 3 minimum)</b>  |                |  |
| 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   |
|    | <b>Amounts below the thresholds for deduction (before risk weighting)</b>   |                |  |
| 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   |
|    | <b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>   |                |  |
| 76 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the 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   | —              |  |
|    | <b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>  |                |  |
| 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>  | —              |  |

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

### 7 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 | <b>Deferred tax assets (net of associated deferred tax liabilities)</b>  | 23,270          | —               |
|    | <u>Explanation</u><br>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.

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

### 8 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).

|  | <b>Balance sheet as in<br/>published financial<br/>statements</b> | <b>Under regulatory<br/>scope of<br/>consolidation</b> | <b>Reference</b> |
|--|---|--|------------------|
|  | As at 31st December<br>2023<br>US\$'000                           | As at 31st December<br>2023<br>US\$'000                |                  |
| <b>ASSETS</b>  |   |  |                  |
| Balances with banks                                      | 2,223,937   | 2,223,937  |                  |
| Financial assets at fair value through<br>profit or loss | 17,409  | 17,409   |                  |
| Deferred tax assets                                      | 23,270  | 23,270   | [d]              |
| Taxation receivable                                      | 4,505   | 4,505  |                  |
| Other assets   | 219,459   | 219,459  |                  |
| Fixed assets   | 71  | 71   |                  |
| Right-of-use assets                                      | 79  | 79   |                  |
| <b>Total assets</b>                                      | <b>2,488,730</b>  | <b>2,488,730</b>                                       |                  |
| <b>EQUITY</b>  |   |  |                  |
| Share capital  | 527,000   | 527,000  | [a]              |
| Reserves   | 1,362,261   | 1,362,261  |                  |
| <i>of which: retained earnings</i>                       |   | 1,292,542  | [b]              |
| <i>disclosed reserves</i>                                |   | 69,719   | [c]              |
| <b>Total equity</b>                                      | <b>1,889,261</b>  | <b>1,889,261</b>                                       |                  |
| <b>LIABILITIES</b>                                       |   |  |                  |
| Deposits and balances from banks                         | 177,478   | 177,478  |                  |
| Other liabilities  | 421,887   | 421,887  |                  |
| Lease Liabilities  | 83  | 83   |                  |
| Taxation payable   | 21  | 21   |                  |
| <b>Total liabilities</b>                                 | <b>599,469</b>  | <b>599,469</b>   |                  |
| <b>Total equity and liabilities</b>                      | <b>2,488,730</b>  | <b>2,488,730</b>                                       |                  |



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

### 9 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 <sup>1</sup>  | NA   |
| 5  | Post-transitional Basel III rules <sup>2</sup>                                     | 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:<br>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:

<sup>1</sup> Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the BCR.

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

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

### 9 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            |

### 10 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 31st December 2023             |                                       |                            |             |
|---|--|--------------------------------------|---------------------------------------|----------------------------|-------------|
|   | 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 %                                  | 4,965                                 |                            |             |
| 2 | Australia                                  | 1 %                                  | 2,827                                 |                            |             |
| 3 | United Kingdom                             | 2 %                                  | 31                                    |                            |             |
| 4 | Sum  |                                      | 7,823                                 |                            |             |
| 5 | Total                                      |                                      | 99,630                                | 0.079 %                    | 2,484       |

### 11 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  | 2,488,730                    |
| 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 specific and collective provisions that are allowed to be excluded from exposure measure   | —                            |
| 7  | Other adjustments  | (23,270)                     |
| 8  | <b>Leverage ratio exposure measure</b>   | <b>2,465,460</b>             |

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

**12 Leverage ratio (“LR”)**

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

|  |  | 31st<br>December<br>2023 | 30th<br>September<br>2023 |
|--|--|--------------------------|---------------------------|
| <b>On-balance sheet exposures</b>                  |  |                          |                           |
| 1  | On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)  | 2,488,730                | 2,579,337                 |
| 2  | Less: Asset amounts deducted in determining Tier 1 capital   | (23,270)                 | (21,714)                  |
| 3  | <b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>  | <b>2,465,460</b>         | <b>2,557,623</b>          |
| <b>Exposures arising from derivative contracts</b> |  |                          |                           |
| 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   | <b>Total exposures arising from derivative contracts</b>   | <b>—</b>                 | <b>—</b>                  |
| <b>Exposures arising from SFTs</b>                 |  |                          |                           |
| 12   | Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions  | —                        | —                         |
| 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   | <b>Total exposures arising from SFTs</b>   | <b>—</b>                 | <b>—</b>                  |
| <b>Other off-balance sheet exposures</b>           |  |                          |                           |
| 17   | Off-balance sheet exposure at gross notional amount  | —                        | —                         |
| 18   | Less: Adjustments for conversion to credit equivalent amounts  | —                        | —                         |
| 19   | <b>Off-balance sheet items</b>   | <b>—</b>                 | <b>—</b>                  |
| <b>Capital and total exposures</b>                 |  |                          |                           |
| 20   | <b>Tier 1 capital</b>  | <b>1,865,991</b>         | <b>1,844,013</b>          |
| 20a  | <b>Total exposures before adjustments for specific and collective provisions</b>   | <b>2,465,460</b>         | <b>2,557,623</b>          |
| 20b  | <b>Adjustments for specific and collective provisions</b>  | <b>—</b>                 | <b>—</b>                  |
| 21   | <b>Total exposures after adjustments for specific and collective provisions</b>  | <b>2,465,460</b>         | <b>2,557,623</b>          |
| <b>Leverage ratio</b>                              |  |                          |                           |
| 22   | <b>Leverage ratio</b>  | <b>75.3 %</b>            | <b>72.1 %</b>             |

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

### 13 Liquidity risk management

Liquidity risk is the risk that the Firm will be unable to meet its contractual and contingent obligations as they arise or that it does not have the appropriate amount, composition and tenor of funding and liquidity to support its asset and liabilities.

#### Liquidity Risk Management

The Liquidity Risk Management ("LRM") group is part of Chief Investment Office, Treasury and Corporate ("CTC") Risk, an Independent Risk Management function, reporting to the CTC CRO who also serves as the Firmwide Risk Executive of Liquidity Risk. LRO is responsible for the independent assessment, measuring, monitoring, and control of liquidity risk across the firm. LRM responsibilities include, but are not limited to:

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

#### Risk Governance and Measurement

Specific committees responsible for liquidity governance include firmwide ALCO as well as LOB and regional ALCOs, and the Chief Investment Office, Treasury and Corporate Risk Committee ("CTC RC"). In addition, the JPMSAPL Risk Committee reviews and recommends to the BOD, for formal approval, the Firm's liquidity risk tolerances, liquidity strategy and liquidity policy at least annually.

The BODs of JPMSAPL has delegated oversight of liquidity risk to HK RALCO. Liquidity risk Management is governed by HK RALCO, co-chaired by the CRO and SFO.

As governed by the HK RALCO Terms of Reference, where required, matters will be escalated from HK RALCO to JPMSAPL Risk Committee, BOD, Asia Pacific Risk Committee ("APRC"), or Asia Pacific Capital and Liquidity Committee ("APCALC").

#### Internal Stress Testing

Liquidity stress tests are intended to ensure sufficient liquidity for JPMSAPL under a variety of adverse scenarios. Results of stress tests are therefore considered in the formulation of JPMSAPL's funding plan assessment of its liquidity position. Liquidity outflow assumptions are modelled across a range of time horizons and contemplate both market and idiosyncratic stress. Standard stress tests are performed on a regular basis and ad hoc stress tests are performed in response to specific market events or concerns.

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

### 13 Liquidity risk management (continued)

Liquidity stress tests assume JPMSAPL's contractual obligations are met and then take into consideration:

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

#### Contingency Funding Plan ("CFP")

The Firm's CFP sets out the strategies for addressing and managing liquidity resource needs during a liquidity stress event and incorporates liquidity risk limits, indicators and risk appetite tolerances that make up Liquidity Escalation Points. The CFP also identifies the alternative contingent funding and liquidity resources available to the Firm and its legal entities (including JPMSAPL) in a period of stress. JPMSAPL is an integral part of the firmwide CFP framework.

Treasury and Chief Investment Office ("TCIO") maintains a legal entity addendum to the firmwide CFP, which is reviewed and approved by the HK RALCO and the JPMSAPL BOD, at least annually.

#### Liquidity Management

The primary objectives of the Firm's liquidity management are to:

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

As part of the Firm's overall liquidity management strategy, the Firm manages liquidity and funding using a centralized, global approach in order to:

- Optimize liquidity sources and uses;
- Monitor exposures;
- Identify constraints on the transfer of liquidity between the Firm's legal entities; and
- Maintain the appropriate amount of surplus liquidity at a firmwide and legal entity level, where relevant.

In the context of the Firm's liquidity management, TCIO is responsible for:

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

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

### 13 Liquidity risk management (continued)

#### Liquidity ratio

31st December  
2023

Average Liquidity Maintenance Ratio 419.42 %

The average LMR as of 31st December 2023 is calculated as the simple average of each calendar month's average LMR for the relevant period computed in accordance with the Banking (Liquidity) Rules.

Liquidity exposures and balance sheet items, broken down into maturity buckets are disclosed in note 21 "Maturity Analysis" in the Company's Financial Statements.

### 14 General information about credit risk

#### Credit Risk Organization and management framework

Credit Risk Management monitors, measures, and manages credit risk throughout the J.P. Morgan group and defines credit risk policies and procedures.

The Firm's credit risk management governance includes the following activities:

- Maintaining a credit risk policy framework;
- Monitoring, measuring, and managing credit risk across all portfolio segments, including transaction and exposure approval;
- Setting industry and geographic concentration limits, as appropriate and establishing underwriting guidelines;
- Assigning and managing credit authorities in connection with the approval of credit exposure;
- Managing criticised exposures and delinquent loans; and
- Estimating credit losses and supporting appropriate credit risk-based capital management.

The Credit Risk function is overseen in Hong Kong by the Credit Risk Officer for Greater China, who reports to the Head of Greater China Credit Risk and ultimately to the APAC Head of Credit Risk. Credit Risk Officers are responsible for analysing specific portfolios of clients, negotiating credit documentation and assisting in execution of credit transactions.

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

### 14 General information about credit risk (continued)

#### Risk monitoring and management

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

#### Stress Testing

Stress testing is important in measuring and managing credit risk in the Firm's credit portfolio. The stress testing process assesses the potential impact of alternative economic and business scenarios on estimated credit losses for the Firm. Economic scenarios and the underlying parameters are defined centrally, articulated in terms of macroeconomic factors, and applied across the businesses. The stress test results may indicate credit migration, changes in delinquency trends and potential losses in the credit portfolio. In addition to the periodic stress testing processes, management also considers additional stresses outside these scenarios, including industry and country-specific stress scenarios, as necessary. The Firm uses stress testing to inform decisions on setting risk appetite both at a Firm and LOB level, as well as to assess the impact of stress on individual counterparties.

#### Risk reporting

To enable monitoring of credit risk and effective decision making, aggregate credit exposure, credit quality forecasts, concentration levels and risk profile changes are reported regularly to senior members of Credit Risk Management. Detailed portfolio reporting of industry, clients, counterparties and customers, product and geography are prepared, and the appropriateness of the allowance for credit losses is reviewed by senior management at least on a quarterly basis. Through the risk reporting and governance structure, credit risk trends and limit exceptions are provided regularly to, and discussed with, risk committees, senior management and the BODs.

The firmwide approach to managing concentration risk and settlement risk is summarized below.

*Concentration risk* - Concentrations of credit risk arise when few clients, counterparties or customers are engaged in similar business activities or activities in the same geographic region, or when they have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions. The Firm regularly monitors various segments of its credit portfolios to assess potential credit risk concentrations and to obtain additional collateral when deemed necessary and permitted under the Firm's agreements. Senior management is significantly involved in the credit approval and review process, and risk levels are adjusted as needed to reflect the Firm's risk appetite. The Firm manages Wholesale Credit Risk at a client and portfolio level, and has established relevant client and portfolio limits, thresholds, and indicators to monitor, escalate and control large concentrations of credit exposure that can subject the Firm to the risk of credit losses. Credit risk concentrations are evaluated primarily by industry, and monitored regularly on both an aggregate portfolio level and on an individual client or counterparty basis.

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

### 14 General information about credit risk (continued)

*Credit Family Thresholds* - Large concentrations of credit exposure to a credit family can subject the Firm to the risk of credit losses. The Wholesale Credit Family Thresholds Standard (Standard) sets minimum requirements for establishing, managing, reporting, and escalating wholesale credit family concentration across the Firm. Credit Family Exposure that exceeds the Firmwide Threshold levels will result in an over threshold situation and will require action in accordance with the governance set forth in this Standard. The primary responsibility for over threshold management rests with the LOB that owns the credit family relationship including families where exposure is spread across multiple LOBs. Credit Family Threshold exposures that are over the Firmwide Threshold are reported monthly by Wholesale Credit Risk Reporting and distributed to Credit Risk Management. The reporting covers details on credit families that are over-threshold, as well as Name Specific Thresholds that have been established during the month. In addition to this Monthly Report, Wholesale Credit Risk Reporting is responsible for sharing the over threshold credit family list with Credit Portfolio Group (CPG). CPG actively monitors and manages exposure to families that are over threshold via secondary market activities.

*Industry Risk* - Industry limits and thresholds are used to manage the Firm's concentration to industries from wholesale credit exposures. The industry limits and thresholds are governed under the Wholesale Credit Portfolio Limits and Threshold Standard that sets out the minimum requirements for establishing, reporting and managing credit risk limits and thresholds. Wholesale Credit Risk or LOB Credit Risk establishes, defines criteria, monitors, and reviews credit risk limits and thresholds, including validating the limit breaches and thresholds and providing the commentary for valid breaches in accordance with the Standard. Industry limits and thresholds are reviewed on an annual basis. Presently there are no legal entity specific industry thresholds or limits applicable to JPMSAPL.

#### JPMSAPL specific risk management

*JPMSAPL Large Exposures and Risk Concentrations* - At a local level, JPMSAPL monitors large exposures on a stand-alone basis in accordance with the Banking (Exposure Limits) Rules ("BELR") and the HKMA Supervisory Policy Manual ("SPM") CR-G-8 Large Exposures and Risk Concentrations and Connected Lending (CR-G-9). The purpose of the large exposure regime is to ensure that JPMSAPL manages its exposure to connected and third-party counterparties within appropriate limits set in relation to its capital resources.

*Settlement Risk and Delivery Risk* - JPMSAPL engages in equity brokerage and is a client facing entity. It is a market-maker for Hong Kong Government Bills and Notes. JPMSAPL also places funds with, and borrows funds from, JPMorgan Chase Bank, N.A. ("JPMCB") and other banks.

The majority of securities trades are settled via recognized clearing houses and exchanges, within standard settlement periods, on a Delivery versus Payment ("DVP") basis.

Products not settled on Delivery After Payment ("DAP"), DVP or Payment vs. Payment ("PvP") terms require settlement exposure to be quantified, monitored and controlled. Settlement risk is calculated using the Duration Based Settlement Risk ("DBSE") metric. It measures the amount of purchased contracts which may be delivered on a single day to a particular counterparty (or eligible borrowers). The measure takes into account the duration of settlement risk resulting from settling different currencies locally and is used for limits monitoring against Daily Settlement Limits ("DSLs").



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

### 15 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             | —                         | 16,906                  | —                        | —  | —   | —  | 16,906        |
| 3 | Off-balance sheet exposures | —                         | —                       | —                        | —  | —   | —  | —             |
| 4 | <b>Total</b>                | —                         | <b>16,906</b>           | —                        | —  | —   | —  | <b>16,906</b> |

### 16 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   |   |
|----------|--|---|
| <b>1</b> | <b>Defaulted loans and debt securities at end of the previous reporting period</b> | — |
| 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  | — |
| <b>6</b> | <b>Defaulted loans and debt securities at end of the current reporting period</b>  | — |

### 17 Additional disclosure related to credit quality of exposures

The Company classifies the debt securities as fair value through profit or loss (“FVTPL”) in accordance to applicable accounting standards and the Company’s accounting policies.

Financial assets measured at FVTPL is measured at fair market value. The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Company establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, discounted cash flow analysis and option pricing models, and other valuation techniques commonly used by market participants. Financial assets measured at FVTPL does not have past due or impaired exposure.

For determining impairments, the Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

### 17 Additional disclosure related to credit quality of exposures (continued)

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Restructured exposure means the original terms of repayment of the exposure have been revised because of the inability of the obligor to meet the original repayment terms. It does not include an exposure where the exposure has subsequently been serviced by the obligor in accordance with the revised repayment terms continuously for (i) in the case of an exposure with monthly payments (including both interest and principal), a period of not less than 6 months; or (ii) in any other case, a period of not less than 12 months.

There were no exposures which are past due for more than 90 days but are not impaired.

There were no impaired exposures, accounting past due exposures and restructured exposures as at 31st December 2023.

#### a. Breakdown by geographical areas

|                                  | In US\$'000<br>Amount |
|----------------------------------|-----------------------|
| Hong Kong                        | 4,870                 |
| Asia Pacific excluding Hong Kong | 12,036                |
| <b>Total</b>                     | <b>16,906</b>         |

#### b. Breakdown by industry

|                        | In US\$'000<br>Amount |
|------------------------|-----------------------|
| Government             | 16,906                |
| Financial institutions | —                     |
| Corporates             | —                     |
| <b>Total</b>           | <b>16,906</b>         |

#### c. Breakdown by residual maturity

|                        | In US\$'000<br>Amount |
|------------------------|-----------------------|
| Up to 3 months         | —                     |
| Over 3 months - 1 year | 4,487                 |
| Over 1 year - 5 years  | 11,059                |
| Over 5 years           | 1,360                 |
| <b>Total</b>           | <b>16,906</b>         |

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

### 18 Qualitative disclosures related to credit risk mitigation

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The Company has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

Management of the Firm's wholesale credit risk exposure is accomplished through a number of means, including collateral and other risk-reduction techniques. There was no credit risk mitigation used by the Company.

### 19 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    | 16,906                               | —                       | —  | —  | —   |
| 3 | <b>Total</b>       | <b>16,906</b>                        | —                       | —  | —  | —   |
| 4 | Of which defaulted | —                                    | —                       | —  | —  | —   |

### 20 Qualitative disclosures on use of ECAI ratings under STC approach

Standard & Poor's Ratings Services, Moody's Investors Service and Fitch Ratings are the external credit assessment institutions ("ECAIs") that the Company has used to determine the risk weights of the exposures from banks, securities firms and other corporates.

The process it used to map ECAI issuer ratings to exposures booked in its banking book is a process as prescribed in Part 4 of the Banking (Capital) Rules.

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

**21 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  | —                             | —                        | —                               | —                        | —                   | —             |
| 2  | PSE exposures  | —                             | —                        | —                               | —                        | —                   | —             |
| 2a | Of which: domestic PSEs  | —                             | —                        | —                               | —                        | —                   | —             |
| 2b | Of which: foreign PSEs   | —                             | —                        | —                               | —                        | —                   | —             |
| 3  | Multilateral development bank exposures  | —                             | —                        | —                               | —                        | —                   | —             |
| 4  | Bank exposures   | 2,299,390                     | —                        | 2,299,390                       | —                        | 881,044             | 38.3 %        |
| 5  | Securities firm exposures  | 68,154                        | —                        | 68,154                          | —                        | 34,077              | 50.0 %        |
| 6  | Corporate exposures  | 65,088                        | —                        | 65,088                          | —                        | 65,050              | 99.9 %        |
| 7  | CIS exposures  | —                             | —                        | —                               | —                        | —                   | —             |
| 8  | Cash items   | —                             | —                        | —                               | —                        | —                   | —             |
| 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   | 14,682                        | —                        | 14,682                          | —                        | 14,682              | 100.0 %       |
| 13 | Past due exposures   | —                             | —                        | —                               | —                        | —                   | —             |
| 14 | Significant exposures to commercial entities   | —                             | —                        | —                               | —                        | —                   | —             |
| 15 | <b>Total</b>   | <b>2,447,314</b>              | <b>—</b>                 | <b>2,447,314</b>                | <b>—</b>                 | <b>994,853</b>      | <b>40.7 %</b> |

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

**22 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  | —  | —   | —              | —   | —                | —   | —             | —    | —    | —      | —  |
| 2  | PSE exposures  | —  | —   | —              | —   | —                | —   | —             | —    | —    | —      | —  |
| 2a | Of which: domestic PSEs  | —  | —   | —              | —   | —                | —   | —             | —    | —    | —      | —  |
| 2b | Of which: foreign PSEs   | —  | —   | —              | —   | —                | —   | —             | —    | —    | —      | —  |
| 3  | Multilateral development bank exposures  | —  | —   | —              | —   | —                | —   | —             | —    | —    | —      | —  |
| 4  | Bank exposures   | —  | —   | 895,503        | —   | 1,403,887        | —   | —             | —    | —    | —      | 2,299,390  |
| 5  | Securities firm exposures  | —  | —   | —              | —   | 68,154           | —   | —             | —    | —    | —      | 68,154   |
| 6  | Corporate exposures  | —  | —   | —              | —   | 75               | —   | 65,013        | —    | —    | —      | 65,088   |
| 7  | CIS exposures  | —  | —   | —              | —   | —                | —   | —             | —    | —    | —      | —  |
| 8  | Cash items   | —  | —   | —              | —   | —                | —   | —             | —    | —    | —      | —  |
| 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   | —  | —   | —              | —   | —                | —   | 14,682        | —    | —    | —      | 14,682   |
| 13 | Past due exposures   | —  | —   | —              | —   | —                | —   | —             | —    | —    | —      | —  |
| 14 | Significant exposures to commercial entities   | —  | —   | —              | —   | —                | —   | —             | —    | —    | —      | —  |
| 15 | <b>Total</b>   | —  | —   | <b>895,503</b> | —   | <b>1,472,116</b> | —   | <b>79,695</b> | —    | —    | —      | <b>2,447,314</b>   |

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

### 23 Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs)

The Company has adopted the Standardized approach for regulatory capital calculation of its counterparty credit risk (“CCR”) arising from its exposure in the banking and trading book.

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

As at 31st December 2023, no recognised credit derivative contract is applied as credit risk mitigation and no valid bilateral netting agreement is taken into account in the calculation of regulatory capital. The Company does not use guarantees and other forms of credit risk mitigation.

Wrong-way risk - the risk that exposure to a counterparty is positively correlated with the impact of a default by the same counterparty, which could cause exposure to increase at the same time as the counterparty’s capacity to meet its obligations is decreasing - is actively monitored as this risk could result in greater exposure at default compared with a transaction with another counterparty that does not have this risk.

### 24 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 ( $\alpha$ ) 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)          |                       |     |               |   | —                               | —   |
| 5  | VaR (for SFTs)                             |                       |     |               |   | —                               | —   |
| 6  | <b>Total</b>                               |                       |     |               |   |                                 | —   |

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

**25 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 | <b>Total</b>   | —            | —   |

**26 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                              | —  | —   | —   | —   | —   | —   | —    | —    | —    | —      | —                                     |
| 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                        | —  | —   | —   | —   | —   | —   | —    | —    | —    | —      | —                                     |
| 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 | <b>Total</b>                                     | —  | —   | —   | —   | —   | —   | —    | —    | —    | —      | —                                     |

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

### 27 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     | —  | —            | —                               | —            | —  | —                               |
| Government agency debt   | —  | —            | —                               | —            | —  | —                               |
| Corporate bonds          | —  | —            | —                               | —            | —  | —                               |
| Equity securities        | —  | —            | —                               | —            | —  | —                               |
| Other collateral         | —  | —            | —                               | —            | —  | —                               |
| <b>Total</b>             | —  | —            | —                               | —            | —  | —                               |

### 28 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 |
|---|-------------------|-----------------|
| <b>Notional amounts</b>                   |                   |                 |
| Single-name credit default swaps          | —                 | —               |
| Index credit default swaps                | —                 | —               |
| Total return swaps                        | —                 | —               |
| Credit-related options                    | —                 | —               |
| Other credit-related derivative contracts | —                 | —               |
| <b>Total notional amounts</b>             | —                 | —               |
| <b>Fair values</b>                        |                   |                 |
| Positive fair value (asset)               | —                 | —               |
| Negative fair value (liability)           | —                 | —               |



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

### 29 Exposures to CCPs

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

|           |   | Exposure after CRM | RWA |
|-----------|---|--------------------|-----|
| <b>1</b>  | <b>Exposures of the AI as clearing member or clearing client to qualifying CCPs (total)</b>           |                    | —   |
| 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   | —                  | —   |
| <b>11</b> | <b>Exposures of the AI as clearing member or clearing client to non-qualifying CCPs (total)</b>       |                    | —   |
| 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   | —                  | —   |

### 30 Securitization Exposures

The Company has no securitization exposures as at 31st December 2023.

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

### 31 Qualitative disclosures related to market risk

#### (a) Firmwide Market Risk Management

##### Market Risk Management Definition and Governance

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

The Firm, through its LOBs, may be exposed to market risk as a result of various financial activities, including trading, funding, underwriting and investing. Market Risk Management monitors market risks throughout the Firm and defines market risk policies and procedures. The Market Risk Management function reports to the Firm's CRO, and seeks to manage risk, facilitate efficient risk/return decisions, reduce volatility in operating performance and provide transparency into the Firm's market risk profile.

The Firmwide Risk Executive ("FRE") Market Risk and LOB CROs are responsible for establishing an effective market risk organization. The FRE Market Risk and LOB Heads of Market Risk oversee the implementation of the framework to measure, monitor and control market risk.

##### Approach to Risk Management

###### *Market Risk Measurement*

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

###### (i) Value-At-Risk ("VaR")

The Firm utilises VaR, a statistical risk measure, to estimate the potential loss from adverse market moves in the current market environment. The framework is employed across the Firm using historical simulation based on data for the previous 12 months.

VaR is calculated assuming a one-day holding period and an expected tail-loss methodology which approximates a 95% confidence level. These VaR results are reported to senior management and regulators.

###### (ii) Stress Testing

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

The Firm runs weekly stress tests on market-related risks across the LOB using multiple scenarios that assume significant changes in risk factors such as credit spreads, equity prices, interest rates, currency rates or commodity prices.

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

### 31 Qualitative disclosures related to market risk (continued)

#### (a) Firmwide Market Risk Management (continued)

##### (ii) Stress Testing (continued)

The Firm uses a number of standard scenarios that capture different risk factors across asset classes including geographical factors, specific idiosyncratic factors and extreme tail events. The stress testing framework calculates multiple magnitudes of potential stress for both market rallies and market sell-offs for each risk factor and combines them in multiple ways to capture different market scenarios. The flexibility of the stress testing framework allows risk managers to construct new, specific scenarios that can be used to form decisions about future possible stress events.

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

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

Stress scenarios are defined and reviewed by Market Risk, and significant changes are reviewed by the relevant LOB Risk Committees and may be redefined on a periodic basis to reflect current market conditions.

#### Risk Monitoring and Control

Market risk limits are employed as the primary control to align the Firm's market risk with certain quantitative parameters within the Firm's Risk Appetite framework.

Market Risk sets limits and regularly reviews and updates them as appropriate, with any changes approved by Firm or LOB or Company management, as appropriate, and Market Risk. Limits that have not been reviewed within a specified time period by Market Risk Management are escalated to senior management.

Limit breaches are required to be reported in a timely manner to limit approvers, which include Market Risk and senior management. In the event of a limit breach, Market Risk consults with senior management to determine the course of action required to return to Compliance, which may include a reduction in risk in order to remedy the breach or the granting a temporary increase in limits to accommodate an expected increase in client activity and/or market volatility. Certain Firm, LOB or legal entity limits that have been breached are escalated to senior management, the LOB Risk Committee, Regional Risk Committee and/or the Firmwide Risk Committee, as appropriate.

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

### 31 Qualitative disclosures related to market risk (continued)

#### (b) Legal Entity Market Risk Management: JPMSAPL

##### Risk Governance & Policy framework

JPMSAPL's approach to market risk governance mirrors the firmwide approach is outlined in the Market Risk Management, JPMSAPL Policy ('Policy'). The Policy outlines the following:

- Responsibilities of the Legal Entity Risk Manager ("LERM") and the Market Risk Officer ("MRO");
- Market risk measures utilized such as VaR, Stress and non-statistical measures; and
- Controls such as JPMSAPL's market risk limits framework (limit levels, limit signatories, limit reviews, limit breach reporting and limit breach escalation).

JPMSAPL's BOD approves substantive changes to the Policy annually.

##### Risk Appetite

Market risk limits are set in accordance with the Firm's Risk Appetite Framework.

##### Approach to Risk Management

Specific areas of how the broader market risk framework is applied at Legal Entity level are described below.

##### VaR

JPMSAPL applies the firmwide approach for Risk Management VaR as described in the Firmwide Market Risk Management section.

##### Stress Testing

JPMSAPL applies the firmwide stress testing approach, including applying stress scenarios assigned on account of local regulatory requirements.

JPMSAPL's market risk profile during 2023 was primarily driven by:

- 1) IR Basis Point Value ("BPV")

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

### 31 Qualitative disclosures related to market risk (continued)

#### (b) Legal Entity Market Risk Management: JPMSAPL (continued)

##### Risk Monitoring and Control

###### *Limits*

LOBs and their Business Areas operating out of JPMSAPL are subject to two sets of limits, i.e. Enterprise wide market risk LOB/Business Area limits and the Company specific market risk limits.

The structure and framework of JPMSAPL-specific limits is based on the complexity of activities managed within the Company and the categories of related market risk exposures arising from these activities.

JPMSAPL's legal entity limits include:

- Legal Entity Wide - VaR and Stress L1 Limits

JPMSAPL Chief Executive Officer, LERM and MRO are signatories to the limits on behalf of the HK RALCO. Aged and significant limit breaches are escalated to the HK RALCO as well as the APRC.

Market Risk reviews all market risk limits at least semi-annually. Limits are established in accordance with the minimum standards outlined in the firmwide Legal Entity Market Risk Framework. The limit structure applied depends on the category of limit control being applied within the Company and the risk tier of the Company.

###### *Risk Reporting*

JPMSAPL has its own set of regular market risk reports and where applicable, comprise of market risk metrics for management to review and action, as appropriate.

##### Positions booked Offshore

JPMorgan Chase is a global bank operating in multiple jurisdictions and has a global transfer pricing policy for derivative market making and related transactions. JPMSAPL follows this global transfer pricing policy. For positions booked in offshore entities (i.e. not in JPMSAPL) where risk managers are employed by JPMSAPL, profits and losses will be attributed from the booking entities to JPMSAPL under the global transfer pricing policy. Regulatory capital, if required, is held either in the offshore regulated entities or at the JPMCB consolidated level. As a parent bank, JPMCB is required under the New York capital rule to monitor and maintain the capital adequacy for the Firm on a consolidated basis (including bank branches and subsidiaries, regulated and non-regulated). It is our global model to maintain regulatory capital in the booking entities or at the JPMCB consolidated level. Local management will continuously re-assess if additional capital is needed due to changes in regulations or change in operating model.

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

### 32 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) | 4,273         |
| 2 | Equity exposures (general and specific risk)        | 1,006         |
| 3 | Foreign exchange (including gold) exposures         | 4,824         |
| 4 | Commodity exposures                                 | —             |
|   | Option exposures                                    |               |
| 5 | Simplified approach                                 | —             |
| 6 | Delta-plus approach                                 | —             |
| 7 | Other approach                                      | —             |
| 8 | Securitization exposures                            | —             |
| 9 | <b>Total</b>  | <b>10,103</b> |

### 33 Interest rate risk in banking book - risk management objectives and policies

Interest rate risk in the banking book is defined as Interest Rate Risk ("IRR") resulting from the Firm's traditional banking activities as a result of movements in interest rates. IRRBB can occur due to a variety of factors, including but not limited to:

- Differences between the timing of rate changes and the timing of cash flows (repricing risk);
- Changing rate relationships among yield curves that affect banking activities (basis risk);
- Changing rate relationships across the spectrum of maturities (yield curve risk); and
- Interest-rate-related options embedded in banking products (option risk).

#### Risk Governance

The HK RALCO, co-chaired by the SFO and CRO, is responsible for providing IRR oversight at legal entity level and ensuring appropriate governance, controls and limits (as applicable) are in place.

As governed by the HK RALCO Terms of Reference, where required, matters will be escalated from HK RALCO to the JPMSAPL Risk Committee, BODs, APRC, or APCALC. As governed by the JPMSAPL Risk Committee Terms of Reference, where required, matters will be escalated from JPMSAPL Risk Committee to the Hong Kong Location Management Committee or APRC.

#### Risk Measurement & Internal Stress Testing

TCIO manages IRRBB exposure on behalf of the Firm by identifying, measuring, modeling and monitoring IRR across the Firm's balance sheet. TCIO works with the LOBs in defining methodologies for measuring IRRBB. TCIO identifies and understands material balance sheet impacts of new initiatives and products and executes market transactions to manage IRRBB via placements/takings and through TCIO investment portfolio's positions wherever applicable.

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

### 33 Interest rate risk in banking book - risk management objectives and policies (continued)

#### Risk Measurement & Internal Stress Testing (continued)

Execution by TCIO will be based on parameters established by senior management, per the TCIO Investment Policy. LOBs are responsible for developing and monitoring the appropriateness of LOB specific IRR modeling assumptions.

IRRBB is evaluated using two primary metrics, impact to the Company's earnings through Earnings at Risk ("EaR") metric, and impact to the Company's equity through Economic Value Sensitivity ("EVS") metric:

- EaR measures the extent to which changes in interest rates will affect the Company's net interest income ("NII") over the following 12 months period under four parallel shift scenarios in interest rate curve.
- EVS determines changes in Economic Value of Equity ("EVE") due to changes in interest rates under two parallel and four non-parallel shift scenarios in interest rate curve.

In JPMSAPL, the business activities exposed to interest rate risk in the banking book are confined to the Company's non-trading portfolio ("the banking book"). These activities are minimal and short-dated, and largely involve inter-group takings and placings with JPMCB Hong Kong Branch or other JPMCB bank entities. These activities are risk captured according to their contractual characteristics. JPMSAPL does not engage in deposit and loan activities.

The IRRBB metrics are regularly monitored, reported on a regular basis and presented in the HK RALCO meeting on monthly basis.

### 34 Quantitative information on interest rate risk in banking book

Quantitative information on interest rate risk in banking book as required by section 16ZQ of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

| Period                  | ΔEVE                      |                     | ΔNII                       |                     |
|-------------------------|---------------------------|---------------------|----------------------------|---------------------|
|                         | 31st December 2023        | 30th September 2023 | 31st December 2023         | 30th September 2023 |
| 1 Parallel up           | 3,064                     | 3,170               | (55,348)                   | (50,778)            |
| 2 Parallel down         | 67                        | 119                 | —                          | —                   |
| 3 Steepener             | 53                        | 95                  |                            |                     |
| 4 Flattener             | 2,167                     | 2,188               |                            |                     |
| 5 Short rate up         | 3,232                     | 3,297               |                            |                     |
| 6 Short rate down       | 82                        | 148                 |                            |                     |
| 7 <b>Maximum</b>        | <b>3,232</b>              | <b>3,297</b>        |                            |                     |
| <b>Period</b>           | <b>31st December 2023</b> |                     | <b>30th September 2023</b> |                     |
| 8 <b>Tier 1 capital</b> | <b>1,865,991</b>          |                     | <b>1,844,013</b>           |                     |

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

### 35 Remuneration

#### Governance and Oversight

The Company is part of the JPMorgan Chase & Co. group of companies ("The Firm"). As part of the Firm, the Company is governed by the Firmwide compensation philosophy.

The Firm strongly believes that its Firmwide compensation philosophy and its implementation fosters proper governance and regulatory compliance. That philosophy is subject to independent oversight and control by the Compensation and Management Development Committee ("CMDC"), a committee of the board of J.P. Morgan Chase & Co, the ultimate parent company of the Firm.

The CMDC oversees the Firm's compensation programs throughout the year, which enables the Committee to be proactive in its compensation planning to address both current and emerging developments or challenges. Key committee responsibilities related to the compensation programs include but not limited to:

- Periodically reviewing and approving a statement of the Firm's compensation philosophy, principles and practices
- Reviewing the Firm's compensation practices and the relationship among risk, risk management and compensation (including safety and soundness and avoiding practices that could encourage excessive risk-taking)
- Adopting pay practices and approving any necessary formulas, performance metrics or pool calculations in compliance with applicable U.S. and global regulatory, statutory or governance requirements
- Reviewing and approving overall incentive compensation pools (including equity/cash mix)
- Reviewing and approving the design and terms of compensation awards, including recovery/clawback provisions

The Board of the Company is responsible for the remuneration policies and practices as they apply to the Company, while the Company's Remuneration Committee advises and assists the Board in discharging its responsibility for the design and operation of the Company's remuneration policies and system, including overseeing compliance of those policies with applicable remuneration guidelines. In discharging its primary purpose, the Committee will uphold the interests of the Firm. In so doing, the Committee recognizes that the Firm's Board CMDC defines the Firm's compensation philosophy, and reviews and approves its overall incentive compensation pools.

#### Senior Management & Key Personnel

The Company's remuneration policies set out the definition for Senior Management and Key Personnel. According to the remuneration policies, Senior Management are defined as those who are responsible for oversight of the Company's firm-wide strategy or activities or those of the Company's material business lines. Individuals designated as Senior Management in the Company include the Board of Directors (Executive Directors only), Chief Executive, Alternate Chief Executive, Chief Risk Officer, Head of Internal Audit and Managers appointed under Section 72B of the Banking Ordinance, and Principally Responsible Person regime and other senior executives as required under local regulations. Key personnel comprises of all other designated material risk takers.



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

### 35 Remuneration (continued)

#### Compensation philosophy

The Firm's Business Principles and culture are fundamental to the Firm's success in how the Firm does business over the long-term. Guided by these Business Principles, the Firm's compensation philosophy is fundamental to our goals of attracting, retaining, and motivating the Firm's workforce in a competitive market. The Firm's compensation philosophy provides the guiding principles that drive compensation-related decisions. The key tenets of the Firm's compensation philosophy are:

- Paying for performance and aligning with shareholders' interests
- Encouraging a shared success culture
- Attracting and retaining top talent from all backgrounds
- Integrating risk management and compensation
- No special perquisites and non-performance based compensation
- Maintaining strong governance
- Transparency with shareholders

#### Link between Pay and Performance

The Firm uses a disciplined pay-for-performance framework to make decisions about the compensation of our employees, so that their compensation is commensurate with the overall performance of the Firm, their respective businesses, and their individual performance.

In accordance with our compensation philosophy, the Firm uses a balanced and holistic approach to assess performance throughout the year against four broad financial and non-financial performance dimensions:

- Business Results
- Client/Customer/Stakeholder
- Teamwork & Leadership
- Risk, Controls and Conduct

The Firm has specific expectations of performance under each dimension which differ depending on the employee's level and/or role. Demonstrating the expected behaviors consistent with the Firm's "How We Do Business" Principles and Code of Conduct is an important factor in the performance development process and these expectations are generally incorporated into these standard expectations which are available to employees in the Firm's performance development system. How We Do Business principles and practices should form a significant part of the overall assessment of employees each year. Qualitative performance considerations such as risk, control and conduct standards should be satisfactory overall for the role. For employees who have adverse performance in these principles and practices, managers should, where appropriate, override an employee's performance in business results, even where it is strong. Incentive compensation should be reduced or eliminated, as appropriate.

These four performance categories appropriately consider short-, and medium-term priorities that drive sustained shareholder value, while accounting for risk, controls and conduct outcomes. To promote a proper pay-for-performance alignment, the Firm does not assign relative weightings to these dimensions and also considers other relevant factors, including market practices. While there is no single performance dimension in isolation that determines compensation, a significant shortcoming in any one dimension may result in downward adjustments to employees' variable compensation, without limits.

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

### 35 Remuneration (continued)

Remuneration for the Control Functions is determined by reference to independent objectives and the incentive compensation allocations for these groups are managed separately from the LOBs that the Control Functions cover.

#### Compensation Structure

The Firm's disciplined pay-for-performance framework focuses on Total Compensation — base salary and incentive compensation.

**Base Salary:** Many factors can influence an employee's base salary, such as the role, experience level, market pay levels, location of the job and available talent. Base salary can be all, or a meaningful part, of an employee's Total Compensation, depending on the LOB/function and the employee's role.

**Annual Incentive Compensation:** The Firm's Annual Incentive Compensation Plan is a discretionary compensation program that aligns with the key tenets included in the Firm's compensation philosophy. The plan serves to motivate and reward employees for delivering sustained results.

Incentive compensation is awarded in cash and/or equity. Generally, as employees become more senior or the impact of their role increases, a greater portion of incentive compensation is awarded in equity.

Equity-based awards (i.e., deferred compensation) generally take the form of Restricted Stock Units ("RSUs") that vest over multiple years. The Firm believes equity-based awards are important to:

- Aligning employee compensation with shareholder value creation
- Supporting the long-term safety and soundness of the Firm with provisions allowing for cancellation or clawback of awards when warranted

While the Firm expects incentive compensation to be paid and to vest according to terms, the Firm believes strong provisions that reward long-term, sustained value while permitting the recovery of incentive compensation (both cash and equity) are important to managing the Firm's businesses.

#### Strong Accountability and Recovery Provisions

The Firm's compensation program is designed to hold employees accountable, when appropriate, for meaningful actions or issues that negatively impact business performance or the Firm's reputation in current or future years. Risk, controls and conduct issues are therefore carefully considered throughout the Firm's performance development and incentive compensation processes.

To hold individuals responsible for taking risks inconsistent with the Firm's risk appetite and to discourage future imprudent behaviour, the Firm has policies and procedures that enable it to take timely and proportionate actions with respect to accountable individuals, including:

- Reduce or altogether eliminate annual incentive compensation
- Cancel unvested awards (in full or in part)
- Clawback/Recover previously paid incentive compensation (cash and/or equity)
- Demotion, negative performance rating or other appropriate employment actions
- Termination of employment

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

### 35 Remuneration (continued)

The Firm has a framework in place that provides for recommended impacts to drive consistency. However, the precise actions the Firm may take with respect to accountable individuals, which may also include coaching and training in addition to the above, are based on the relevant circumstances, including the nature of their involvement, the magnitude of the event, the impact on the Firm and local laws.

Remuneration awarded during financial year as required by section 16ZT of the Banking (Disclosure) Rules.

| Remuneration amount and quantitative information |                           |  | Senior Management | Key Personnel   |
|--|---------------------------|--|-------------------|-----------------|
| 1  | Fixed remuneration        | Number of employees                                | 29                | 36              |
|  |                           |  | <b>US\$'000</b>   | <b>US\$'000</b> |
| 2  |                           | Total fixed remuneration                           | <b>13,846</b>     | <b>15,990</b>   |
| 3  |                           | Of which: cash-based                               | 13,846            | 15,990          |
| 4  |                           | Of which: deferred                                 | —                 | —               |
| 5  |                           | Of which: shares or other share-linked instruments | —                 | —               |
| 6  |                           | Of which: deferred                                 | —                 | —               |
| 7  |                           | Of which: other forms                              | —                 | —               |
| 8  | Of which: deferred        | —  | —                 |                 |
| 9  | Variable remuneration     | Number of employees                                | 27                | 34              |
|  |                           |  | <b>US\$'000</b>   | <b>US\$'000</b> |
| 10   |                           | Total variable remuneration                        | <b>44,782</b>     | <b>31,100</b>   |
| 11   |                           | Of which: cash-based                               | 24,737            | 18,218          |
| 12   |                           | Of which: deferred                                 | —                 | —               |
| 13   |                           | Of which: shares or other share-linked instruments | 20,045            | 12,882          |
| 14   |                           | Of which: deferred                                 | 20,045            | 12,882          |
| 15   |                           | Of which: other forms                              | —                 | —               |
| 16   | Of which: deferred        | —  | —                 |                 |
| 17   | <b>Total remuneration</b> |  | <b>58,628</b>     | <b>47,090</b>   |

Special payments as required by section 16ZU of the Banking (Disclosure) Rules.

| Special payments                             | Guaranteed bonuses  |                         | Sign-on awards      |                         | Severance payments  |                         |
|--|---------------------|-------------------------|---------------------|-------------------------|---------------------|-------------------------|
|  | Number of employees | Total amount (US\$'000) | Number of employees | Total amount (US\$'000) | Number of employees | Total amount (US\$'000) |
| Senior management and Key personnel (Note 3) | —                   | —                       | —                   | —                       | —                   | —                       |

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

### 35 Remuneration (continued)

Deferred remuneration as required by section 16ZV of the Banking (Disclosure) Rules.

| Deferred and retained remuneration |                         | Total amount of outstanding deferred remuneration | Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment | Total amount of amendment during the year due to ex post explicit adjustments | Total amount of amendment during the year due to ex post implicit adjustments | Total amount of deferred remuneration paid out in the financial year |
|------------------------------------|-------------------------|---|---|---|---|--|
|                                    |                         | US\$'000  | US\$'000  | US\$'000  | US\$'000  | US\$'000   |
| 1                                  | Senior management       | 62,001  | 62,001  | —   | 13,024  | 17,250   |
| 2                                  | Cash                    | —   | —   | —   | —   | —  |
| 3                                  | Shares                  | 62,001  | 62,001  | —   | 13,024  | 17,250   |
| 4                                  | Cash-linked instruments | —   | —   | —   | —   | —  |
| 5                                  | Other                   | —   | —   | —   | —   | —  |
| 6                                  | Key personnel           | 48,611  | 48,611  | —   | 10,242  | 14,286   |
| 7                                  | Cash                    | —   | —   | —   | —   | —  |
| 8                                  | Shares                  | 48,611  | 48,611  | —   | 10,242  | 14,286   |
| 9                                  | Cash-linked instruments | —   | —   | —   | —   | —  |
| 10                                 | Other                   | —   | —   | —   | —   | —  |
| 11                                 | <b>Total</b>            | <b>110,612</b>                                    | <b>110,612</b>  |   | <b>23,266</b>   | <b>31,536</b>  |

Notes:

- (1) The amounts described above include remuneration in respect of senior management and key personnel (as defined in the CG-5 Guideline on a Sound Remuneration System issued by the HKMA). Definition of Senior Management and Key Personnel follows the description stated above.
- (2) Senior Management and Key Personnel may have responsibilities beyond Hong Kong and the Company, as a result, do not perform services exclusively for the Company.
- (3) The disclosure for Senior Management and Key Personnel has been combined in categories of "guaranteed bonus awarded", "sign-on awards made" and "severance payments awarded and/or made". If the number of beneficiaries is less than 4, the number will be separately disclosed to HKMA for confidentiality purposes.
- (4) Total amount of outstanding deferred remuneration refers to the outstanding value as of 31st December 2023.
- (5) Total amount of amendment during the year due to ex post implicit adjustments considers the Firm's stock price movement during the reporting period.

### 36 Off-balance sheet exposures other than derivative transactions

The Company has no off-balance sheet exposures other than derivative transactions as at 31st December 2023.

### 37 Assets used as security

There were no assets used by the Company as security as at 31st December 2023.

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

### 38 Segmental information

#### (a) By class of business

The Company operates in the following classes of business:

| 31st December 2023 | Corporate &<br>Investment Bank<br>US\$'000 | Others<br>US\$'000 | Total<br>US\$'000 |
|--------------------|--|--------------------|-------------------|
| Total assets       | <u>607,538</u>                             | <u>1,881,192</u>   | <u>2,488,730</u>  |
| Total income       | <u>847,486</u>                             | <u>148,885</u>     | <u>996,371</u>    |
| Profit before tax  | <u>24,606</u>                              | <u>112,839</u>     | <u>137,445</u>    |

#### Notes:

- Corporate & Investment Bank comprises mainly fixed income, foreign exchange, derivatives trading activities, securities agency, equity derivatives trading and equity capital markets activities.
- Others include Treasury Department and Corporate Sectors, and overhead expenses.

#### (b) Geographical concentrations of operating profit, profit before taxation, assets, liabilities and contingent liabilities and commitments

A majority of the Company's operating profit, profit before taxation, assets, liabilities and contingent liabilities and commitments are booked in Hong Kong.

#### (c) 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:

|                                 | Banks<br>US\$'000 | Official<br>sector<br>US\$'000 | Non-bank private sector                           |  | Others<br>US\$'000 | Total<br>US\$'000 |
|---------------------------------|-------------------|--------------------------------|---|--|--------------------|-------------------|
|                                 |                   |                                | Non-bank<br>financial<br>institutions<br>US\$'000 | Non-financial<br>private<br>sector<br>US\$'000 |                    |                   |
| As at 31st December<br>2023     |                   |                                |   |  |                    |                   |
| Developed countries             | 2,214,084         | —                              | 96,953  | 41   | —                  | 2,311,078         |
| <i>of which : United States</i> | <i>2,153,120</i>  | <i>—</i>                       | <i>79,177</i>                                     | <i>41</i>                                      | <i>—</i>           | <i>2,232,338</i>  |

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

### 39 Loans and advances

There were no loans and advances to customers and banks, impaired assets, rescheduled advances, overdue or repossessed assets as at 31st December 2023.

### 40 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<br>of financial<br>position<br>exposures<br>US\$'000 | Off statement<br>of financial<br>position<br>exposures<br>US\$'000 | Total<br>US\$'000 | Specific<br>provisions<br>US\$'000 |
|---|---|--|-------------------|------------------------------------|
| As at 31st December 2023  |   |  |                   |                                    |
| Central government, central government-owned entities and their subsidiaries and joint ventures (JVs) | 12,083  | —  | 12,083            | —                                  |
| Total   | <u>12,083</u>   | <u>—</u>   | <u>12,083</u>     | <u>—</u>                           |
| Total assets after provision  | <u>2,488,730</u>  |  |                   |                                    |
| On-statement of financial position exposures as percentage of total assets                            | <u>0.49 %</u>   |  |                   |                                    |

There were no off-statement of financial position exposures and specific provisions for 2023.

### 41 Currency concentrations

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

|                           | USD          | CNY          | NZD            | JPY          | AUD        | IDR        | INR        | PKR        | SEK        | THB          |
|---------------------------|--------------|--------------|----------------|--------------|------------|------------|------------|------------|------------|--------------|
| Equivalent in US\$'000    |              |              |                |              |            |            |            |            |            |              |
| Spot assets               | 2,292,392    | 30,491       | 5,280          | 24,074       | 4,892      | 376        | 503        | 264        | 302        | 1,317        |
| Spot liabilities          | (2,288,854)  | (27,692)     | (9,379)        | (22,822)     | (4,060)    | (1,852)    | (8)        | (1)        | (44)       | (1,905)      |
| Forward purchases         | 1,229        | —            | —              | 1            | —          | 2,016      | —          | —          | —          | 7            |
| Forward sales             | 3,575        | 795          | —              | —            | 90         | 284        | —          | —          | —          | —            |
| Net long/(short) position | <u>8,342</u> | <u>3,594</u> | <u>(4,099)</u> | <u>1,253</u> | <u>922</u> | <u>824</u> | <u>495</u> | <u>263</u> | <u>258</u> | <u>(581)</u> |

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

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

### **42 Corporate governance**

The Company has adopted JPMorgan Chase's approach to Corporate Governance. The Board of JPMorgan Chase attaches great importance to maintaining a strong control environment and periodically reviews the Group's system of internal controls and risk management processes.

The BOD of JPMorgan Chase exercises oversight of JPMorgan Chase as a whole. In particular, the Audit Committee of the Board of JPMorgan Chase has oversight responsibility for the auditing and financial reporting processes of JPMorgan Chase and reviews with management JPMorgan Chase's systems of internal controls and financial reporting. The Risk Policy Committee of the BOD of JPMorgan Chase is responsible for oversight of the Chief Executive Officer's and senior management's responsibilities to assess and manage JPMorgan Chase's credit risk, market risk, interest rate risk, liquidity risk and reputation risk, and is also responsible for review of JPMorgan Chase's fiduciary and asset management activities.

To enable the Board and management of the Company to discharge their responsibilities effectively, the Board has delegated its daily management and oversight responsibilities to the location specific Committees in Hong Kong which review and as appropriate report on matters related to the Company, namely the HK RALCO and the Hong Kong LOC.

To the extent applicable, the Company has complied with the requirements set out in the guideline on "Corporate Governance of Locally Incorporated Authorized Institutions" issued by the Hong Kong Monetary Authority.

The Company's disclosures are governed by the disclosure policy, which has been approved by the BOD. The disclosure policy sets out the governance, control and assurance requirements for the information the Company discloses to the general public. The disclosures of the Company has been subject to independent review in accordance with the Company's policies on disclosure and its financial reporting and governance processes.