

Registration No.

199401030666 (316347-D)

J.P. MORGAN CHASE BANK BERHAD
(Incorporated in Malaysia)

BASEL 2 PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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J.P. MORGAN CHASE BANK BERHAD
(Incorporated in Malaysia)

BASEL 2 PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

1 CAPITAL STRUCTURE AND ADEQUACY

The capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

The capital adequacy ratios of the Bank are as follows:

	<u>30.06.2020</u> RM'000	<u>31.12.2019</u> RM'000
<u>Tier-I capital</u>		
Paid-up share capital	437,500	437,500
Retained earnings	1,089,820	1,089,820
Fair value reserve through other comprehensive income	(629)	101
Option reserve	11,953	11,953
	<u>1,538,644</u>	<u>1,539,374</u>
Deferred tax assets	(3,051)	(3,051)
Financial Assets at fair value through other comprehensive income	-	(56)
Total Tier I capital	<u>1,535,593</u>	<u>1,536,267</u>
<u>Tier-II capital</u>		
Regulatory reserve	-	5,105
ECL not credit impaired	18,323	780
Total Tier II capital	<u>18,323</u>	<u>5,885</u>
Total capital	<u>1,553,916</u>	<u>1,542,152</u>
Common Equity Tier 1 capital ratio	20.751%	35.328%
Tier 1 capital ratio	20.751%	35.328%
Total capital ratio	<u>20.999%</u>	<u>35.464%</u>

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

1 CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 30 June 2020:

<u>Exposure Class</u>	<u>Gross exposures</u> RM'000	<u>Net exposures</u> RM'000	<u>Risk weighted assets</u> RM'000	<u>Capital requirements</u> RM'000
(a) <u>Credit Risk</u>				
On-balance sheet exposures				
Sovereigns/central banks	6,443,789	6,443,789	256,950	20,556
Banks	3,998,296	3,998,296	819,013	65,521
Insurance companies, securities firms and fund managers	541,950	541,950	272,102	21,768
Corporates	372,405	372,405	372,405	29,792
Residential mortgages	958	958	335	27
Higher risk assets	4	4	6	1
Other assets	27,660	27,660	27,258	2,180
Defaulted exposures	69	69	34	3
Total on-balance sheet exposures	11,385,131	11,385,131	1,748,103	139,848
Off-balance sheet exposures				
Over-the-counter ('OTC') derivatives	3,901,531	3,901,531	1,544,558	123,565
Off balance sheet exposures other than OTC derivatives	210,570	210,570	187,730	15,018
Total off-balance sheet exposures	4,112,101	4,112,101	1,732,288	138,583
Total on and off-balance sheet exposures	15,497,232	15,497,232	3,480,391	278,431
	<u>Long position</u>	<u>Short position</u>		
(b) <u>Market risk</u>				
Interest rate risk	116,417,531	114,868,300	2,619,479	209,558
Foreign currency risk	130,238	285,853	285,853	22,868
Options risk			410,051	32,804
(c) <u>Operational risk</u>			604,281	48,342
Total risk weighted assets and capital requirements			7,400,055	592,003

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1 CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 31 December 2019:

<u>Exposure Class</u>	<u>Gross exposures</u> RM'000	<u>Net exposures</u> RM'000	<u>Risk weighted assets</u> RM'000	<u>Capital requirements</u> RM'000
(a) <u>Credit Risk</u>				
On-balance sheet exposures				
Sovereigns/central banks	5,781,829	5,781,829	81,863	6,549
Banks	1,862,069	1,862,069	372,550	29,804
Insurance companies, securities firms and fund managers	259,050	259,050	129,829	10,386
Corporates	264,944	264,944	264,944	21,196
Residential mortgages	1,054	1,054	369	30
Higher risk assets	4	4	6	1
Other assets	32,520	32,520	32,009	2,561
Defaulted exposures	68	68	34	3
Total on-balance sheet exposures	8,201,538	8,201,538	881,604	70,530
Off-balance sheet exposures				
Over-the-counter ('OTC') derivatives	2,568,067	2,568,067	932,265	74,581
Off balance sheet exposures other than OTC derivatives	303,351	303,351	275,386	22,031
Total off-balance sheet exposures	2,871,418	2,871,418	1,207,651	96,612
Total on and off-balance sheet exposures	11,072,956	11,072,956	2,089,255	167,142
	<u>Long position</u>	<u>Short position</u>		
(b) <u>Market risk</u>				
Interest rate risk	112,328,805	111,562,393	1,468,018	117,442
Foreign currency risk	9,786	-	9,786	783
Options risk			263,112	21,049
(c) <u>Operational risk</u>			518,381	41,470
Total risk weighted assets and capital requirements			4,348,552	347,886

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2 CREDIT RISK

2.1 Distribution of Credit Exposures

(i) Geographical Distribution

Credit risk exposure analysed by country in respect of the Bank's financial assets, including off-balance sheet financial instruments, are set out in the following table.

The country exposure analysis is based on the residency of the borrowers and counterparties. In respect of derivatives financial instruments, the amount subject to, and hence disclosed as, credit risk is limited to the current fair value of the instruments that are favourable to the Bank (i.e. assets).

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

2 CREDIT RISK (CONTINUED)

2.1 Distribution of Credit Exposures (continued)

(i) Geographical Distribution (continued)

30.06.2020

	Short-term funds and placements with financial institutions	Securities purchased under resale agreement	Financial assets held at fair value through profit and loss	Derivative financial instruments	Financial assets held at fair value though other comprehensive income	Loans and advances	Amount due from related parties	Other assets*	On balance sheet total	Commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	5,678,737	3,513,038	1,392,219	1,214,878	346,877	360,066	10,087	225,800	12,741,702	3,241,271
United Kingdom	-	-	-	51,695	-	-	64,726	-	116,421	423,646
USA	-	-	-	27,286	-	107	485,392	-	512,785	124,238
Hong Kong	-	-	-	7,848	-	-	12,509	-	20,357	28,328
Singapore	3,353	-	-	54,998	-	102	167	482,136	540,756	242,880
Others	16,673	-	-	23,016	-	3,562	1,337	-	44,588	51,738
	<u>5,698,763</u>	<u>3,513,038</u>	<u>1,392,219</u>	<u>1,379,721</u>	<u>346,877</u>	<u>363,837</u>	<u>574,218</u>	<u>707,936</u>	<u>13,976,609</u>	<u>4,112,101</u>
Assets not subject to credit risk	401	-	-	-	-	(18,348)	-	37,584	19,637	-
	<u>5,699,164</u>	<u>3,513,038</u>	<u>1,392,219</u>	<u>1,379,721</u>	<u>346,877</u>	<u>345,489</u>	<u>574,218</u>	<u>745,520</u>	<u>13,996,246</u>	<u>4,112,101</u>

*Other assets include statutory deposits with Bank Negara Malaysia, tax recoverable, deferred tax assets, right-of-use assets, fixed assets and other assets.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances.

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2 CREDIT RISK (CONTINUED)

2.1 Distribution of Credit Exposures (continued)

(i) Geographical Distribution (continued)

31.12.2019

	Short-term funds and placements with financial institutions	Securities purchased under resale agreement	Financial assets held at fair value through profit and loss	Derivative financial instruments	Financial assets held at fair value through other comprehensive income	Loans and advances	Amount due from related parties	Other assets*	On balance sheet total	Commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	4,785,906	1,814,557	408,409	477,329	843,453	261,615	95,590	734	8,687,593	2,311,285
United Kingdom	-	-	-	48,569	-	-	1,739	-	50,308	292,093
USA	-	-	-	34,878	-	-	49,814	35	84,727	133,613
Hong Kong	-	-	-	3,303	-	-	4,888	2	8,193	24,950
Singapore	4,213	-	-	20,611	-	365	322	258,443	283,954	98,637
Others	8,541	-	-	2,672	-	4,115	796	-	16,124	10,840
	<u>4,798,660</u>	<u>1,814,557</u>	<u>408,409</u>	<u>587,362</u>	<u>843,453</u>	<u>266,095</u>	<u>153,149</u>	<u>259,214</u>	<u>9,130,899</u>	<u>2,871,418</u>
Assets not subject to credit risk	512	-	-	-	-	(804)	-	59,208	58,916	-
	<u>4,799,172</u>	<u>1,814,557</u>	<u>408,409</u>	<u>587,362</u>	<u>843,453</u>	<u>265,291</u>	<u>153,149</u>	<u>318,422</u>	<u>9,189,815</u>	<u>2,871,418</u>

*Other assets include statutory deposits with Bank Negara Malaysia, tax recoverable, deferred tax assets, right-of-use assets, fixed assets and other assets.

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2 CREDIT RISK (CONTINUED)

2.1 Distribution of Credit Exposures (continued)

(ii) Industry Distribution

Credit risk exposure analysed by industry sectors in respect of the Bank's financial assets, including off-balance sheet financial instruments, are set out in the following table.

The industry sector exposure analysis is based on the industry sector of the borrowers and counterparties. In respect of derivatives financial instruments, the amount subject to, and hence disclosed as, credit risk is limited to the current fair value of the instruments that are favourable to the Bank (i.e. assets).

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2 CREDIT RISK (CONTINUED)

2.1 Distribution of Credit Exposures (continued)

(ii) Industry Distribution (continued)

30.06.2020

	Short-term funds and placements with financial institutions	Securities purchased under resale agreement	Financial assets held at fair value through profit and loss	Derivative financial instruments	Financial assets held at fair value through other comprehensive income	Loans and advances	Amount due from related parties	Other assets**	On balance sheet total	Commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Manufacturing	-	-	-	29,017	-	265,340	-	383	294,740	203,853
Wholesale and retail	-	-	-	7,006	-	-	-	-	7,006	26,018
Finance, insurance and business services	187,012	3,091,976	6,704	1,286,386	-	94,214	574,218	696,661	5,937,171	3,605,145
Government and Government Agencies	5,511,751	421,062	1,385,515	27,908	346,877	-	-	10,387	7,703,500	84,805
Electricity, gas and water	-	-	-	220	-	-	-	-	220	3,364
Transport, storage and communication	-	-	-	91	-	3,227	-	-	3,318	78,285

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2 CREDIT RISK (CONTINUED)

2.1 Distribution of Credit Exposures (continued)

(ii) Industry Distribution (continued)

30.06.2020

	Short-term funds and placements with financial institutions	Securities purchased under resale agreement	Financial assets held at fair value through profit and loss	Derivative financial instruments	Financial assets held at fair value through other comprehensive income	Loans and advances	Amount due from related parties	Other assets**	On balance sheet total	Commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Individual/Purchase of landed property - residential	-	-	-	-	-	1,056	-	-	1,056	155
Others	-	-	-	29,093	-	-	-	505	29,598	110,476
	<u>5,698,763</u>	<u>3,513,038</u>	<u>1,392,219</u>	<u>1,379,721</u>	<u>346,877</u>	<u>363,837</u>	<u>574,218</u>	<u>707,936</u>	<u>13,976,609</u>	<u>4,112,101</u>
Assets not subject to credit risk	401	-	-	-	-	(18,348)	-	37,584	19,637	-
	<u><u>5,699,164</u></u>	<u><u>3,513,038</u></u>	<u><u>1,392,219</u></u>	<u><u>1,379,721</u></u>	<u><u>346,877</u></u>	<u><u>345,489</u></u>	<u><u>574,218</u></u>	<u><u>745,520</u></u>	<u><u>13,996,246</u></u>	<u><u>4,112,101</u></u>

** Other assets include tax recoverable, deferred tax assets, fixed assets, right-of-use assets, statutory deposits with Bank Negara Malaysia and other assets.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances.

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2 CREDIT RISK (CONTINUED)

(ii) Industry Distribution (continued)

31.12.2019

	Short-term funds and placements with financial institutions RM'000	Securities purchased under resale agreement RM'000	Financial assets held at fair value through profit and loss RM'000	Derivative financial instruments RM'000	Financial assets held at fair value through other comprehensive income RM'000	Loans and advances RM'000	Amount due from related parties RM'000	Other assets** RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Manufacturing	-	-	-	30,796	-	183,365	-	140	214,301	245,216
Wholesale and retail	-	-	-	5,347	-	-	-	4	5,351	16,885
Finance, insurance and business services	68,780	1,640,748	6,302	541,443	-	39,907	153,149	258,471	2,708,800	2,425,383
Government and Government Agencies	4,729,880	173,809	402,107	6,556	843,453	-	-	94	6,155,899	35,203
Electricity, gas and water	-	-	-	1,129	-	-	-	64	1,193	2,247
Transport, storage and communication	-	-	-	4	-	4,105	-	49	4,158	82,477

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2 CREDIT RISK (CONTINUED)

2.1 Distribution of Credit Exposures (continued)

(ii) Industry Distribution (continued)

31.12.2019

	Short-term funds and placements with financial institutions RM'000	Securities purchased under resale agreement RM'000	Financial assets held at fair value through profit and loss RM'000	Derivative financial instruments RM'000	Financial assets held at fair value through other comprehensive income RM'000	Loans and advances RM'000	Amount due from related parties RM'000	Other assets** RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Individual/Purchase of landed property - residential	-	-	-	-	-	1,151	-	-	1,151	155
Others	-	-	-	2,087	-	37,567	-	392	40,046	63,852
	<u>4,798,660</u>	<u>1,814,557</u>	<u>408,409</u>	<u>587,362</u>	<u>843,453</u>	<u>266,095</u>	<u>153,149</u>	<u>259,214</u>	<u>9,130,899</u>	<u>2,871,418</u>
Assets not subject to credit risk	512	-	-	-	-	(804)	-	59,208	58,916	-
	<u>4,799,172</u>	<u>1,814,557</u>	<u>408,409</u>	<u>587,362</u>	<u>843,453</u>	<u>265,291</u>	<u>153,149</u>	<u>318,422</u>	<u>9,189,815</u>	<u>2,871,418</u>

** Other assets include tax recoverable, deferred tax assets, fixed assets, right-of-use assets, statutory deposits with Bank Negara Malaysia and other assets.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances.

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

2 CREDIT RISK (CONTINUED)

2.1 Distribution of Credit Exposures (continued)

(iii) Residual Contractual Maturity

Credit risk exposure analysed by residual contractual maturity in respect of the Bank's financial assets, including off-balance sheet financial instruments, are set out in the following table.

	Less than <u>1 year</u> RM'000	1 – 5 <u>years</u> RM'000	Over 5 <u>years</u> RM'000	<u>Total</u> RM'000
<u>30.06.2020</u>				
<i>On-balance sheet exposures</i>				
Cash and short-term funds	5,699,164	-	-	5,699,164
Securities purchased under resale agreement	3,513,038	-	-	3,513,038
Financial assets held at fair value through profit and loss ("FVTPL")	351,445	848,795	191,979	1,392,219
Derivative financial instruments	526,247	737,392	116,082	1,379,721
Financial assets held at fair value through other comprehensive income ("FVOCI")	294,076	52,801	-	346,877
Loans and advances	344,598	293	598	345,489
Amount due from related parties	574,218	-	-	574,218
Total on-balance sheet exposures	11,302,786	1,639,281	308,659	13,250,726
<i>Off-balance sheet exposures</i>				
Over-the-counter ("OTC") derivatives	1,359,179	2,172,658	369,694	3,901,531
Off balance sheet exposures other than OTC derivatives	174,692	35,878	-	210,570
Total off-balance sheet exposures	1,533,871	2,208,536	369,694	4,112,101
Total on and off-balance sheet exposures	12,836,657	3,847,817	678,353	17,362,827

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2 CREDIT RISK (CONTINUED)

2.1 Distribution of Credit Exposures (continued)

(iii) Residual Contractual Maturity

	<u>Less than 1 year</u> RM'000	<u>1 – 5 years</u> RM'000	<u>Over 5 years</u> RM'000	<u>Total</u> RM'000
<u>31.12.2019</u>				
<i>On-balance sheet exposures</i>				
Cash and short-term funds	4,799,172	-	-	4,799,172
Securities purchased under resale agreement	1,814,557	-	-	1,814,557
Financial assets held at fair value through profit and loss ("FVTPL")	42,229	218,234	147,946	408,409
Derivative financial instruments	281,557	271,449	34,356	587,362
Financial assets held at fair value through other comprehensive income ("FVOCI")	843,453	-	-	843,453
Loans and advances	264,303	313	675	265,291
Amount due from related parties	153,149	-	-	153,149
Total on-balance sheet exposures	<u>8,198,420</u>	<u>489,996</u>	<u>182,977</u>	<u>8,871,393</u>
<i>Off-balance sheet exposures</i>				
Over-the-counter ('OTC') derivatives	885,444	1,472,860	209,763	2,568,067
Off balance sheet exposures other than OTC derivatives	169,225	134,126	-	303,351
Total off-balance sheet exposures	<u>1,054,669</u>	<u>1,606,986</u>	<u>209,763</u>	<u>2,871,418</u>
Total on and off-balance sheet exposures	<u>9,253,089</u>	<u>2,096,982</u>	<u>392,740</u>	<u>11,742,811</u>

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

2 CREDIT RISK (CONTINUED)

2.2 Past Due and Impaired Loans and Advances

(i) Industry Distribution

The sectoral analysis of past due and impaired loans and advances and the ECL allowance by sectors are set out in the following table:

	Stage 2 credit not impaired loans and advances RM'000	Stage 3 credit impaired loans and advances RM'000	ECL credit impaired allowance RM'000	ECL not credit impaired allowance RM'000	ECL credit impaired allowance during the year RM'000	Write offs during the year RM'000
<u>30 Jun 2020</u>						
Individual/Purchase of landed property - residential	-	93	24	-	-	-
	-	93	24	-	-	-
<u>31 Dec 2019</u>						
Individual/Purchase of landed property - residential	-	92	24	-	1	-
	-	92	24	-	1	-

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

2 CREDIT RISK (CONTINUED)

2.2 Past Due and Impaired Loans and Advances (continued)

(ii) Geographical Distribution

The geographical analysis of past due and impaired loans and advances and the ECL allowance are set out in the following table:

	Stage 2 credit not impaired loans and advances RM'000	Stage 3 credit impaired loans and advances RM'000	ECL credit impaired allowance RM'000	ECL not credit impaired allowance RM'000
<u>30 Jun 2020</u>				
Malaysia	-	93	24	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Stage 2 credit not impaired loans and advances RM'000	Stage 3 credit impaired loans and advances RM'000	ECL credit impaired allowance RM'000	ECL not credit impaired allowance RM'000
<u>31 Dec 2019</u>				
Malaysia	-	92	24	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

2 CREDIT RISK (CONTINUED)

2.2 Past Due and Impaired Loans and Advances (continued)

(iii) Movement in expected credit losses for loans and advances

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u> Lifetime ECL credit impaired	<u>Total</u>
	12 months ECL RM'000	Lifetime ECL not credit impaired RM'000	RM'000	RM'000
As at 1 January 2020	105	675	24	804
Transfer:				
Transfer from Stage 1 to Stage 2	(2)	14	-	12
Transfer from Stage 2 to Stage 1	208	(330)	-	(122)
New originated or purchased	8	-	-	8
Changes due to change in credit risk	719	16,926	-	17,645
As at 30 June 2020	<u>1,038</u>	<u>17,285</u>	<u>24</u>	<u>18,347</u>

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u> Lifetime ECL credit impaired	<u>Total</u>
	12 months ECL RM'000	Lifetime ECL not credit impaired RM'000	RM'000	RM'000
As at 1 January 2019	138	43	23	204
Loans derecognised or repaid	(13)	(3)	-	(16)
New originated or purchased	13	-	-	13
Changes due to change in credit risk	(33)	635	1	603
As at 31 December 2019	<u>105</u>	<u>675</u>	<u>24</u>	<u>804</u>

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2 CREDIT RISK (CONTINUED)

2.3 Credit Risk Exposures under Standardised Approach

The Bank applies external ratings assigned by recognised External Credit Assessment Institutions (“ECAIs”) in determining risk weight for credit exposure classes and are recognised by BNM in RWCAF. The Bank uses ratings assigned by Standard & Poor’s (“S&P”), Moody’s Investors Service (“Moody’s”) and Fitch Ratings (“Fitch”).

The following tables set out the credit exposures by risk weights and after credit risk mitigation:

Risk weight as at 30 June 2020 for credit risk exposures:

<u>Weighted</u>	<u>Sovereigns & Central bank</u> RM'000	<u>PSE</u> RM'000	<u>Banks</u> RM'000	<u>Insurance companies, securities firms and funds managers</u> RM'000	<u>Corporates</u> RM'000	<u>Residential mortgages</u> RM'000	<u>Higher risk assets</u> RM'000	<u>Other assets</u> RM'000	<u>Total exposures after netting and credit risk</u> RM'000	<u>Total risk weighted assets</u> RM'000
0%	5,159,037	-	-	-	-	-	-	402	5,159,439	-
20%	1,300,211	69,345	5,763,629	-	-	-	-	-	7,133,185	1,426,637
35%	-	-	-	-	-	958	-	-	958	335
50%	-	-	1,630,310	670,086	-	69	-	-	2,300,465	1,150,232
100%	-	-	-	77,600	798,323	-	-	27,258	903,181	903,181
150%	-	-	-	-	-	-	4	-	4	6
Total	6,459,248	69,345	7,393,939	747,686	798,323	1,027	4	27,660	15,497,232	3,480,391

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2 CREDIT RISK (CONTINUED)

2.3 Credit Risk Exposures under Standardised Approach (continued)

Risk weight as at 31 December 2019 for credit risk exposures:

<u>Weighted</u>	<u>Sovereigns & Central bank</u> RM'000	<u>PSE</u> RM'000	<u>Banks</u> RM'000	<u>Insurance companies, securities firms and funds managers</u> RM'000	<u>Corporates</u> RM'000	<u>Residential mortgages</u> RM'000	<u>Higher risk assets</u> RM'000	<u>Other assets</u> RM'000	<u>Total exposures after netting and credit risk</u> RM'000	<u>Total risk weighted assets</u> RM'000
0%	5,372,512	-	-	-	-	-	-	512	5,373,024	-
20%	409,317	35,203	3,433,294	-	-	-	-	-	3,877,814	775,563
35%	-	-	-	-	-	1,054	-	-	1,054	369
50%	-	-	606,921	408,498	-	68	-	-	1,015,487	507,744
100%	-	-	-	91,194	682,372	-	-	32,007	805,573	805,573
150%	-	-	-	-	-	-	4	-	4	6
Total	5,781,829	35,203	4,040,215	499,692	682,372	1,122	4	32,519	11,072,956	2,089,255

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2 CREDIT RISK (CONTINUED)

2.3 Credit Risk Exposures under Standardised Approach (continued)

The following tables set out the rated exposures according to rating by ECAs:

(i) Ratings of corporate by approved ECAs

<u>Exposure class</u>	<u>Moody</u>	<u>Aaa to Aa3</u>	<u>A1 to A3</u>	<u>Baa1 to Ba3</u>	<u>B1 to C</u>	<u>Unrated</u>
	<u>S & P</u>	<u>AAA to AA-</u>	<u>A+ to A-</u>	<u>BBB+ to BB-</u>	<u>B+ to D</u>	<u>Unrated</u>
	<u>Fitch</u>	<u>AAA to AA-</u>	<u>A+ to A-</u>	<u>BBB+ to BB-</u>	<u>B+ to D</u>	<u>Unrated</u>
	<u>RAM</u>	<u>AAA to AA3</u>	<u>A1 to A-</u>	<u>BBB1 to BB3</u>	<u>B to D</u>	<u>Unrated</u>
	<u>MARC</u>	<u>AAA to AA-</u>	<u>A+ to A-</u>	<u>BBB+ to BB-</u>	<u>B+ to D</u>	<u>Unrated</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>30.06.2020</u>						
On and Off:						
Balance Sheet						
Exposures						
Public Sector Entities		-	69,345	-	-	-
Insurance companies, securities firms and fund managers		-	685,733	61,840	-	113
Corporates		-	36,158	393,316	368,849	-
		-	<u>791,236</u>	<u>455,156</u>	<u>368,849</u>	<u>113</u>
			<u><u>791,236</u></u>	<u><u>455,156</u></u>	<u><u>368,849</u></u>	<u><u>113</u></u>
<u>31.12.2019</u>						
On and Off:						
Balance Sheet						
Exposures						
Public Sector Entities		-	35,203	-	-	-
Insurance companies, securities firms and fund managers		-	430,036	69,657	-	-
Corporates		-	98,709	289,115	294,547	-
		-	<u>563,948</u>	<u>358,772</u>	<u>294,547</u>	<u>-</u>
			<u><u>563,948</u></u>	<u><u>358,772</u></u>	<u><u>294,547</u></u>	<u><u>-</u></u>

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

2 CREDIT RISK (CONTINUED)

2.3 Credit Risk Exposures under Standardised Approach (continued)

(ii) Ratings of Sovereigns/Central Banks and Banking Institutions by approved ECAIs

<u>Exposure class</u>	Moody	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S & P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A1 to A-	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
<u>30.06.2020</u>						
On and Off:						
Balance Sheet						
Exposures						
Sovereigns/Central						
Banks		-	6,459,248	-	-	-
Banks		-	4,800,332	2,593,515	91	-
		-	11,259,580	2,593,515	91	-
<u>31.12.2019</u>						
On and Off:						
Balance Sheet						
Exposures						
Sovereigns/Central						
Banks		-	5,781,829	-	-	-
Banks		-	3,921,684	118,439	92	-
		-	9,703,513	118,439	92	-

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2 CREDIT RISK (CONTINUED)

2.4 Credit Risk Mitigation (“CRM”)

The following tables set out the credit exposures that are covered by eligible guarantees and collaterals as allowed under the RWCAF.

<u>30.06.2020</u>	<u>Exposures before CRM RM'000</u>	<u>Exposures covered by guarantees/ credit derivatives RM'000</u>	<u>Exposures covered by eligible financial collateral RM'000</u>
<u>Exposure Class</u>			
<i>On-balance sheet exposures</i>			
Sovereigns/central banks	6,443,789	-	421,061
Banks	3,998,296	-	3,091,976
Insurance companies, securities firms and fund managers	541,950	-	-
Corporates	372,405	-	-
Residential mortgages	958	-	-
Higher risk assets	4	-	-
Other assets	27,660	-	-
Defaulted exposures	69	-	-
Total on-balance sheet exposures	<u>11,385,131</u>	<u>-</u>	<u>3,513,037</u>
<i>Off-balance sheet exposures</i>			
Over-the-counter ('OTC') derivatives	3,901,531	101,083	318,901
Off balance sheet exposures other than OTC derivatives	210,570	-	-
Total off-balance sheet exposures	<u>4,112,101</u>	<u>101,083</u>	<u>318,901</u>
Total on and off-balance sheet exposures	<u><u>15,497,232</u></u>	<u><u>101,083</u></u>	<u><u>318,901</u></u>

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2 CREDIT RISK (CONTINUED)

2.4 Credit Risk Mitigation (“CRM”) (continued)

<u>31.12.2019</u>	<u>Exposures before CRM</u> RM'000	<u>Exposures covered by guarantees/ credit derivatives</u> RM'000	<u>Exposures covered by eligible financial collateral</u> RM'000
<u>Exposure Class</u>			
<i>On-balance sheet exposures</i>			
Sovereigns/central banks	5,781,829	-	-
Banks	1,862,069	-	-
Insurance companies, securities firms and fund managers	259,050	-	-
Corporates	264,944	-	-
Residential mortgages	1,054	-	-
Higher risk assets	4	-	-
Other assets	32,520	-	-
Defaulted exposures	68	-	-
Total on-balance sheet exposures	<u>8,201,538</u>	<u>-</u>	<u>-</u>
<i>Off-balance sheet exposures</i>			
Over-the-counter (“OTC”) derivatives	2,568,067	65,723	111,895
Off balance sheet exposures other than OTC derivatives	303,351	-	-
Total off-balance sheet exposures	<u>2,871,418</u>	<u>65,723</u>	<u>111,895</u>
Total on and off-balance sheet exposures	<u><u>11,072,956</u></u>	<u><u>65,723</u></u>	<u><u>111,895</u></u>

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2 CREDIT RISK (CONTINUED)

2.5 Off-Balance Sheet Exposures and Counterparty Credit Risk

The following tables set out the off-balance sheet exposures and counterparty credit risk.

	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
<u>30.06.2020</u>				
Direct credit substitutes	174,412	-	174,412	155,821
Transaction-related contingent items	72,005	-	36,003	31,754
Short-term self-liquidating trade related contingencies	-	-	-	-
Foreign exchange related contracts:				
- less than one year	51,362,684	387,088	1,060,178	432,778
- one year to less than five years	4,176,570	64,038	367,563	168,220
- more than five years	128,475	662	22,503	7,777
Interest rate related contracts:				
- less than one year	16,471,966	54,895	92,824	32,302
- one year to less than five years	45,159,338	617,788	1,617,661	603,136
- more than five years	2,971,537	115,216	346,236	117,956
Equity related contracts				
- less than one year	1,576,103	84,263	206,177	104,550
- one year to less than five years	500,738	16,061	87,306	45,630
Credit related contracts				
- less than one year	375,392	39,506	100,129	32,018
- one year to less than five years	5,000	204	954	191
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	311	-	155	155
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in borrower's creditworthiness	1,709,391	-	-	-
	<u>124,683,922</u>	<u>1,379,721</u>	<u>4,112,101</u>	<u>1,732,288</u>

* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines.

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2 CREDIT RISK (CONTINUED)

2.5 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
<u>31.12.2019</u>				
Direct credit substitutes	177,275	-	177,275	153,589
Transaction-related contingent items	74,006	-	37,003	32,724
Short-term self-liquidating trade related contingencies	14,826	-	2,965	2,965
Foreign exchange related contracts:				
- less than one year	31,745,761	238,707	699,788	297,716
- one year to less than five years	3,558,501	60,006	350,243	119,476
- more than five years	122,790	1,785	22,660	6,619
Interest rate related contracts:				
- less than one year	9,624,026	18,029	36,969	11,494
- one year to less than five years	34,587,526	177,570	927,672	271,892
- more than five years	2,325,772	32,571	187,103	50,925
Equity related contracts				
- less than one year	1,556,590	24,821	145,572	76,804
- one year to less than five years	799,146	26,733	132,337	71,732
Credit related contracts				
- less than one year	31,150	7,140	3,115	623
- one year to less than five years	321,429	-	62,608	24,984
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	172,217	-	86,108	86,108
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in borrower's creditworthiness	1,615,098	-	-	-
	<u>86,726,113</u>	<u>587,362</u>	<u>2,871,418</u>	<u>1,207,651</u>

* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines.

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2 CREDIT RISK (CONTINUED)

2.5 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

The table below shows the credit derivative contracts for client intermediation activities:

	<u>Principal amount</u> RM'000	<u>Credit equivalent amount</u> RM'000	<u>Risk weighted assets</u> RM'000
<u>30.06.2020</u>			
Credit related contracts			
Credit default swap			
- Protection bought	170,000	61,110	12,222
- Protection sold	210,392	39,973	19,987
	<u>380,392</u>	<u>101,083</u>	<u>32,209</u>
	<u>Principal amount</u> RM'000	<u>Credit equivalent amount</u> RM'000	<u>Risk weighted assets</u> RM'000
<u>31.12.2019</u>			
Credit related contracts			
Credit default swap			
- Protection bought	151,600	24,180	4,836
- Protection sold	200,979	41,543	20,771
	<u>352,579</u>	<u>65,723</u>	<u>25,607</u>

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3 MARKET RISK

The risk weighted assets and capital requirements for the various categories of risk under Market risk are set out in the following table:

			Risk weighted assets RM'000	Capital requirements RM'000
<u>30.06.2020</u>				
	<u>Long position</u>	<u>Short position</u>		
Interest rate risk	116,417,531	114,868,300	2,619,479	209,558
Foreign currency risk	130,238	285,853	285,853	22,868
Options risk			410,051	32,804
			<u>3,315,383</u>	<u>265,230</u>
<u>31.12.2019</u>				
Interest rate risk	112,328,805	111,562,393	1,468,018	117,442
Foreign currency risk	9,786	-	9,786	783
Options risk			263,112	21,049
			<u>1,740,916</u>	<u>139,274</u>

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4 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK

The sensitivity of the Bank's positions in banking book to interest rate changes are set out in the following table:

<u>30.06.2020</u>	<u>BCBS Parallel</u>	
	<u>Up</u>	<u>Down</u>
<u>Impact in Economic Value</u>	<u>RM'000</u>	<u>RM'000</u>
MYR	174,980	(217,593)
USD	68,945	(23,581)
Other	3,536	(1,902)
	<u>247,461</u>	<u>(243,076)</u>

<u>31.12.2019</u>	<u>BCBS Parallel</u>	
	<u>Up</u>	<u>Down</u>
<u>Impact in Economic Value</u>	<u>RM'000</u>	<u>RM'000</u>
MYR	106,530	(131,617)
USD	34,526	(65,027)
Other	1,873	(1,242)
	<u>142,929</u>	<u>(197,886)</u>

* Under BCBS Parallel Up and Down scenario, the Bank is applying 200 bps shock for USD and 300 bps shock for MYR as prescribed in BCBS Standards