MARCH 2021

PILLAR III DISCLOSURE

J.P. Morgan Saudi Arabia Company

License Number: 12164-37

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1. Scope of Application

This report is prepared and issued by J.P. Morgan Saudi Arabia Company (hereinafter referred to as "JPMSA" or the "Company") in accordance with the requirements of Article 68 of the Prudential Regulations issued by the Capital Markets Authority (hereinafter referred to as "CMA").

These rules include guidelines for the annual market disclosure of the Company's capital and risk management information required to be published on JPMSA website (http://www.jpmorgansaudiarabia.com).

JPMSA is a subsidiary of a foreign bank and does not hold any subsidiary investment in or outside of Saudi Arabia. As at 31 December 2020, the Company has share capital of SAR 93.8 million.

The ultimate parent of the entity in scope of the disclosure is JPMorgan Chase & Co. ("JPMorgan Chase"), a financial holding company incorporated under Delaware law in 1968.

This document refers to JPMorgan Chase or the "Firm" when referring to frameworks, methodologies, systems and controls that are adopted throughout JPMorgan Chase & Co. and its subsidiaries. JPMSA or the "Company" is used to refer to documents, financial resources and other tangible concepts relevant only to J.P. Morgan Saudi Arabia Company.

2. Capital Structure

The capital injected by the parent companies of JPMSA is unconditional in nature and does not have to be repaid unless the company is liquidated. Since its incorporation, the Company's capital base increased from an initial share capital of SAR 60 million in 2008 to SAR 93.8 million. JPMSA also plans to retain its accumulated profits for the foreseeable future to strengthen its capital position and support planned expansionary activities. JPMSA's total capital base is SAR 273.5mm as at 31 Dec 2020.

Further information on capital structure is set out in Exhibit A.1 in the Appendix.

3. Capital Adequacy

The Company is continuously strengthening its risk management framework to support the growing business requirements. The current risk management process in JPMSA is considered adequate in terms of its size and operations. JPMSA ICAAP defines the framework for measuring, monitoring, reporting all material risks and for the efficient capital planning process to ensure sufficient capital is available to meet the usual business activities and any unforeseen contingencies.

JPMSA is considered adequately capitalized over the capital planning horizon. The Company also plans to retain its accumulated profits for the foreseeable future as part of its capital planning and management.

Under the CMA Prudential Rules, JPMSA's minimum capital requirement is SAR 31.3 million. As at 31 December 2020, JPMSA has total shareholders' equity of SAR 273.5 million which results in a coverage ratio of 8.74. The table below is a summary of the capital adequacy disclosure as set out full in Exhibits A.1 and A.2 in the Appendix.

Exhibit 3.1

Capital Base – 31 December 2020	
	SAR 000s
Paid up capital	93,750
Audited retained earnings	161,120
Reserves (other than revaluation reserves)	19,839
Deductions from Tier-1 capital	(1,200)
Total Capital Base	**273,509**
Minimum Capital Requirement	31,285
Total Capital Ratio (times)	**8.74**

4. Risk Management

Risk is an inherent part of J.P. Morgan Chase's business activities. When the Firm extends a consumer or wholesale loan, advises customers 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 risks by all individuals within the Firm.
- Ownership of risk identification, assessment, data and management within each of the lines of business (LOB) and corporate functions (Corporate).
- 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 (the "Board").

4.1 Firmwide Risk Governance Framework

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

The Firm relies upon each of its LOBs and Corporate areas giving rise to risk to operate within the parameters identified by the IRM function, and within its own management-identified risk and control standards. Each LOB and Treasury & 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.

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

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.

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

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

4.2 EMEA Risk Governance Framework

J.P. Morgan's risk governance structure is based on the principle that each line of business is responsible for managing the risk inherent in its business, albeit with appropriate corporate oversight. Each LOB risk committee is responsible for decisions regarding the business risk strategy, policies (as appropriate) and controls. Therefore, each LOB within JPMSA forms part of the Firmwide risk governance structure. To complement the global line of business structure, there is a regional governance construct as below:

- The ERC provides oversight of the risks inherent in the Firm's business conducted in EMEA or booked into EMEA entities and relevant branches as well as EMEA branches of ex-EMEA firms. Oversight of Tier 2 and 3 entities (including JPMSA) are overseen by the EMEA Risk Forum, a sub-forum of the ERC.
- The ERC is accountable to the EMEA Management Committee (EMC) and the boards, Risk Committees and Oversight Committees of the relevant legal entities. It reports to the Firmwide Risk Committee (FRC), the EMEA HR Control Forum, in addition to the EMC and the relevant legal entity boards.
- The EMEA CRO leads the Risk Management function in the region and chairs the ERC and EMEA Risk Forum. The EMEA CRO is a member of the EMC.

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

Global Legal Entity Risk Governance

JPMorgan Chase utilizes Legal Entities (LEs) around the world to implement its overall strategy. It is incumbent on lines of business to manage risk at the level of the LE and to comply with associated regulatory expectations. The IRM function focuses on the control and management of risk and has established the Legal Entity Risk Framework to create a Firmwide approach to LE risk:

- The Risk Management and Compliance (RM&C) Legal Entity Forum (LE Forum) oversees the framework as the governing body, supported by the LE Framework team
- LEs are tiered based on risk which define appropriate levels of LE risk governance and the requirement for appointment of LE Risk Managers (LERMs or Chief Risk Officers where required by regulatory designations)
- LE Risk Managers (LERMs) are accountable for the holistic oversight of risk at an entity level
- LERMs may delegate responsibility for certain tasks to Regional Chief Risk Officer (CRO) teams
- Risk functions/stripes are responsible for setting global standards and executing legal entity requirements with respect to risk oversight.

Risk Management and Compliance Legal Entity Forum The LE Forum is the governing body for the Legal Entity Risk Framework and oversees how the framework is implemented across all regions. The LE Forum promotes alignment with established Firmwide processes and procedures; any divergence driven by local laws and regulations is reviewed by the Forum and subsequently documented by the LE Risk Framework Team.

The LE Forum exercises oversight and control of the legal entity risk management and governance standards across all regions. It is responsible for:

- Periodic review and update of LE Risk Framework and Governance documentation, as required
- Establishment, review, recommendation and consideration of exceptions to standards, guidance and procedures that relate to LE Risk governance
- Acting as a steering group to hold project leaders and participants accountable for implementation
- Reviewing and addressing matters relating to the LE Risk governance support model.

4.3 JPMSA Legal Entity Risk Governance Framework

JPMSA is part of the firmwide and regional risk governance oversight framework as described above.

The JPMSA Board has delegated to the JPMSA Local Management Committee ("LMC"), composed of senior management, to ensure that any significant decisions are aligned to the Firm's strategy in light of any relevant KSA regulatory requirements, to consider the material risks and issues that are escalated to the LMC, and to provide the necessary oversight and challenge for any proposed mitigation/remediation activities.

The Location Operational Risk and Control Committee ("LORCC"), composed of respective business and control function representatives, is responsible to monitor adherence to the Operational Risk Management Framework (please refer to Operational Risk below) as well as review and identify operational risk and control items requiring escalation .

JPMSA has assigned a legal entity risk manager for the day to day risk management of the entity. The JPMSA legal entity risk manager is a member of the EMEA Risk Forum as well as the LMC and also attends the LORCC.

4.4 Firmwide Risk Appetite Framework

JPMC Risk Appetite is a high level statement of the firm's appetite for risk. 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.

4.5 JPMSA Risk Appetite

JPMSA leverages the firm wide Risk Appetite framework. JPMSA is also subject to a defined framework of target capital levels, as well as specific thresholds / triggers for escalation and action. Based on this framework, corrective action is taken as and when required to maintain an appropriate capitalization level.

4.6 Risk Assessment

JPMSA completes the Internal Capital Adequacy Assessment Process ("ICAAP") annually, which forms part of management and decision-making processes such as the JPMSA risk appetite, strategy, capital and risk management frameworks, and stress testing. The ICAAP is used to assess the risks to which the JPMSA is exposed; how these risks are measured, managed, monitored and mitigated; and how much capital the JPMSA should hold to reflect these risks now, in the future and under stressed conditions.

4.6.1 Credit Risk

Risk definition	Credit risk is the risk associated with the default or change in credit profile of a client, counterparty or customer. In its wholesale businesses, J.P. Morgan is exposed to credit risk through its underwriting, lending, market-making, and hedging activities with and for clients and counterparties, as well as through its operating services activities (such as cash management and clearing activities), securities financing activities, investment securities portfolio, and cash placed with banks.

Firmwide Credit Risk Management

Risk governance and policy framework	Credit risk management is an independent risk management function that monitors, measures and manages credit risk throughout the J.P. Morgan group and defines credit risk policies and procedures. The credit risk function reports to the Firm's CRO. The Firm's credit risk management governance includes the following activities: ▪ Establishing a comprehensive 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 all credit exposure ▪ Managing criticized exposures and delinquent loans ▪ Estimating credit losses and ensuring appropriate credit risk-based capital management. J.P. Morgan has developed policies and practices that are designed to preserve the independence and integrity of the approval and decision-making process to extend credit to ensure credit risks are assessed accurately, approved properly, monitored regularly and managed actively at both the transaction and portfolio levels. The Firmwide policy framework establishes credit approval authorities, concentration limits, risk-rating methodologies, portfolio review parameters and guidelines for management of distressed exposures.
Risk appetite	The Firm's Risk Appetite framework incorporates quantitative parameters at the Firm and LOB level for Credit Risk including projections under the J.P. Morgan Adverse stress scenario for Wholesale and Consumer Credit Costs, including Card and Home Lending.
Approach to risk management	**Risk Measurement** Methodologies for measuring credit risk vary depending on several factors, including type of asset, risk measurement parameters and risk management and collection processes. Credit risk measurement is based on the probability of default of an obligor or counterparty, the loss severity given a default event and the exposure at default. Credit loss estimates are based on estimates of the probability of default ("PD") and loss severity given a default. The probability of default is the likelihood that a borrower will default on its obligation; the loss given default ("LGD") is the estimated loss on the loan that would be realized upon the default and takes into consideration collateral and structural support for each credit facility. The estimation process includes assigning risk ratings to each borrower and credit facility to

differentiate risk within the portfolio. These risk ratings are reviewed regularly by Credit Risk Management and revised as needed to reflect the borrower's current financial position, risk profile and related collateral. The calculations and assumptions are based on both internal and external historical experience and management judgment and are reviewed regularly.

For portfolios that fluctuate based upon an underlying reference asset or index, potential future exposure is measured using probable and unexpected loss calculations based upon estimates of probability of default and loss severity given a default.

Concentration Risk

Concentrations of credit risk arise when a number of 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. Credit risk concentrations are evaluated primarily by industry, geography and credit family, and monitored regularly on both an aggregate portfolio level and on an individual client or counterparty basis.

Settlement Risk and Delivery Risk

Products not settled on DAP (Delivery After Payment) or PvP (Payment vs. Payment) terms require settlement exposure to be quantified (the delivery risk of physical commodity products is included in the DRE calculation), 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 (DSL). Business units are required to obtain credit approval for Daily Settlement Limits (DSLs) for clients trading products not settled on DAP or PvP. A DSL is a notional amount that limits the US$ equivalent receivable value of non-DAP/non-PvP transactions contracted to settle on a particular date.

Credit Risk Approval and Control

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

Establishment of Credit Lines: All credit exposure must be approved in advance by a Credit Officer(s) with the level of credit authority required by the applicable credit authority grid unless qualifying for rules-based policies, described separately below. Such approval, together with details of the credit limits are recorded in the Integrated Credit Risk Desktop (iCRD).

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

Risk monitoring

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

Risk reporting

To enable monitoring of credit risk and effective decision making, aggregate credit exposure, credit quality forecasts, concentration levels and risk profile changes are reported regularly to senior members of Credit Risk Management. Detailed portfolio reporting of industry; clients, counterparties and customers; product and geographic concentrations occurs monthly, 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 Board of Directors as appropriate.

Stress testing

Stress testing is important in measuring and managing credit risk in the Firm's credit portfolio. The process assesses the potential impact of alternative economic and business scenarios on estimated credit losses for the Firm. 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.

JPMSA Credit Risk Management

Risk profile	JPMSA's credit risk profile is limited and short-term, and is driven by deposits held with JPMorgan Chase Bank, N.A. or local banks rated no less than BBB+ (or equivalent) by major rating agencies.. Other assets mainly comprise of fee accruals due from related parties and prepaid expenses. Due to the nature of the business conducted in JPMSA, there is limited credit risk arising from its activities. There are no past due claims or receivables provision on the JPMSA balance sheet. No collateral or netting has been taken in support of any transaction to date. JPMSA's credit concentration risk is related to single name concentration (JPM group and Saudi British Bank), industry concentration (financial sector) and geographical concentration (Saudi Arabia and USA). Please see Exhibit 4.1 for further details.
Risk governance and policy framework	JPMSA's legal entity approach mirrors the firm-wide approach with legal entity specific governance overlay. Credit risk oversight responsibility for JPMSA sits with the Local Management Committee, made up of senior management, which in turn reports to the Board of JPMSA.
Approach to risk management	The regional approach mirrors the firm-wide approach and is complemented by activities and governance that are specific to JPMSA.

Resourcing of credit function and credit approval

JPMSA has established an outsourced model through an SLA framework to leverage firm-wide credit risk analysis capability covering the initial credit risk analysis including assignment of ratings.

In addition a Booking Office Country Approval ("BOCA") firmwide workflow has been established to trigger formal notification and local approval for any changes to non-rule based facilities. The BOCA workflow enables JPMSA to log and maintain relevant documentation and ensure an audit trail regarding the decision to grant change to credits to be included in JPMSA's files.

Monitoring and managing the quality of the credit portfolio

Establishment of settlement lines

For the equities brokerage business, individual settlement limits have been granted to certain counterparties in order to manage potential counterparty risks (from counterparties failing to settle). In addition, an aggregate trading limit has been established to ensure JPMSA remains adequately capitalized even in adverse events.

Concentration Risk

Credit concentration risk is managed at the firm wide level through a matrix of credit family exposure thresholds, industry limits and country risk limits. The concentration risk framework complements but does not replace normal credit approval and review requirements.

Measurement and Reporting

JPMSA uses the prescribed methodology under Pillar I requirements of the CMA Prudential Rules to calculate regulatory capital for credit risk. Credit risk capital requirement is included in the monthly capital adequacy report which is submitted to the LMC as well as to the CMA.

Exhibit 4.1

Credit Risk – 31 December 2020

	Gross Exposures SAR 000s	Net Exposures SAR 000s	Risk Weighted Assets SAR 000s	Capital Requirement SAR 000s
Authorised persons and banks	293,985	293,985	58,797	8,232
Other Assets	11,486	11,486	34,458	4,824
Total on-balance sheet exposures	**305,471**	**305,471**	**93,255**	**13,056**

4.6.2 Market Risk

Risk definition	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.

Firmwide Market Risk Management	
Risk governance and policy framework	Market Risk Management monitors market risks throughout the Firm and defines market risk policies, procedures and frameworks. 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 Line of Business Chief Risk Officers (LOB CROs) are responsible for establishing an effective market risk organization. The FRE Market Risk and LOB Heads of Market Risk establish the framework to measure, monitor and control market risk.
Risk appetite	JPMC's Risk Appetite framework includes quantitative parameters for Market Risk.
Approach to risk management	**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. As the appropriate set of risk measures utilized for a given business activity depends on business mandate, risk horizon, materiality, market volatility and other factors, not all measures are used in all cases. **VaR** The Firm utilizes VaR, a statistical risk measure, to estimate the potential loss from adverse market moves in the current market environment. The Firm has a single VaR framework used as a basis for calculating VaR. VaR is calculated using historical simulation based on data for the previous 12 months assuming a one-day holding period and an expected tail-loss methodology which approximates a 95% or 99% confidence level. These VaR results are reported to senior management, the Board of Directors and regulators. **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. Stress testing measures the Firm's vulnerability to losses under a range of stressed but plausible economic and market scenarios. The results are used to understand the exposures responsible for those potential losses and are measured against limits. **Non-statistical Risk Measures** Market risk measures such as credit spreads, net open positions, basis point values, option sensitivities, are utilized within specific market context and aggregated across businesses. **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. Senior management, including the Firm's CEO, CRO and Market Risk Management are responsible for reviewing and approving limits on an ongoing basis. Limits that have not been reviewed within a specified time period by Market Risk Management are discussed with senior management. Limit breaches are required to be reported in a timely manner to limit signatories. Market Risk Management and senior management as appropriate determine the course of action required to return to compliance, such as a reduction in risk or the granting a temporary increase in limits. Aged or significant breaches are escalated to senior management, the LOB Risk Committee, and/or the Firmwide Risk Committee.

JPMSA Legal Entity Market Risk Management	
Risk profile	JPMSA market risk is limited to the foreign exchange risk arising from non-SAR balances. The non-SAR open currency positions are primarily in USD. The Company may be exposed to equity market risk in case of rejected trades under the Independent Custody Model Equities Brokerage business (ICM), the probability of which is deemed to be low. Please see Exhibit 4.2 for further details.
Risk governance and policy framework	Market risk exposures arising from activities managed within JPMSA are managed as part of the enterprise-wide market risk management framework. The Legal Entity Risk Manager (LERM), in partnership with firmwide Market Risk, is responsible for considering the market risk exposures within JPMSA and applying controls, as appropriate.
Approach to risk management	JPMSA has a daily report to monitor equity and FX delta from rejected trades under the ICM business and has also implemented limits to monitor and control potential market risk arising from such rejected trades. JPMSA uses the prescribed methodology under Pillar I requirements of the CMA Prudential Rules to calculate regulatory capital for market risk. Market risk capital requirement included in the monthly capital adequacy report which is submitted to the LMC as well as to the CMA.

Exhibit 4.2

Market risk – 31 December 2020		
	Long Position SAR 000s	Capital Requirement SAR 000s
Foreign exchange	234,998	4,700
Total Market Risk	**234,998**	**4,700**

4.6.3 Operational Risk

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

Firmwide Operational Risk Management	
Risk governance and policy framework	The Firm's Compliance, Conduct, and Operational Risk ("CCOR") Management Framework is designed to enable the Firm to govern, identify, measure, monitor and test, manage and report on the Firm's operational risk.
Risk appetite	The Firm's objective is to keep Operational Risk at appropriate residual levels by maintaining a sound control environment whereby operations are not disrupted, allowing the Firm to deliver to clients and customers with only brief interruptions. The Firm's financial strength, characteristics of its businesses, markets in which it operates, and competitive and regulatory environment to which it is subject are considered when setting its appetite.
Approach to risk management	**Operational Risk Governance** The LOBs and Corporate are responsible for the management of operational risk. The Control Management Organization, which consists of control managers within each LOB and Corporate, is responsible for the day-to-day execution of the CCOR Framework and the evaluation of the effectiveness of their control environments to determine where targeted remediation efforts may be required. The Firm's Global Chief Compliance Officer ("CCO") and Firmwide Risk Executive ("FRE") for Operational Risk is responsible for defining the CCOR Management Framework and establishing minimum standards for its execution. Operational Risk Officers ("OROs") report to both the LOB Chief Risk Officers ("CROs") and to the FRE for Operational Risk, and are independent of the respective businesses or functions they oversee. The Firm's CCOR Management policy establishes the CCOR Management Framework for the Firm. The CCOR Management Framework is articulated in the Risk Governance and Oversight Policy which is reviewed and approved by the Board Risk Committee periodically. **Operational Risk Identification** The Firm utilizes a structured risk and control self-assessment process that is executed by the LOBs and Corporate. As part of this process, the LOBs and Corporate evaluate the effectiveness of their control environment to assess where controls have failed, and to determine where remediation efforts may be required. The Firm's Operational Risk and Compliance organization ("Operational Risk and Compliance") provides oversight of these activities and may also perform independent assessments of significant operational risk events and areas of concentrated or emerging risk. **Operational Risk Measurement** Operational Risk and Compliance performs independent risk assessments of the Firm's operational risks, which includes assessing the effectiveness of the control environment and reporting the results to senior management. In addition, operational risk measurement includes operational risk-based capital and operational risk loss projections under both baseline and stressed conditions.

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

As required under the Basel III capital framework, the Firm's operational risk-based capital methodology, which uses the Advanced Measurement Approach ("AMA"), incorporates internal and external losses as well as management's view of tail risk captured through operational risk scenario analysis, and evaluation of key business environment and internal control metrics. The Firm does not reflect the impact of insurance in its AMA estimate of operational risk capital.

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

Operational Risk Monitoring and Testing

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

Operational Risk Management

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

Operational Risk Reporting

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

COVID-19 Pandemic

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

JPMSA Operational Risk Management	
Risk profile	Operational risk is an inherent part of the business activity conducted by JPMSA: investment banking advisory, brokerage (equities and markets), direct custody and clearing.

Risk governance and policy framework	JPMSA's approach mirrors the Firm's approach. The Location Operational Risk and Control Committee ("LORCC"), composed of respective business and control function representatives, is responsible for monitoring adherence to the Firmwide CCOR Framework as well as reviewing and identifying operational risk and control items requiring escalation.
Approach to risk management	JPMSA's approach mirrors the Firm's approach. JPMSA uses the methodology as prescribed by CMA Prudential Rules which is based on the Basic Indicator Approach (BIA) recommended by Basel.

Exhibit 4.3

Operational risk – 31 December 2020	
	Capital requirement SAR 000s
Total operational risk	**13,529**

4.6.4 Liquidity Risk

Risk definition	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 assets and liabilities.

Firmwide Liquidity Risk Management	
Risk governance and policy framework	The firm has established and implemented strategies, policies and procedures to effectively manage liquidity risk at the Firmwide, legal entity and LOB levels. The specific risk committees responsible for liquidity risk governance include the Board Risk Committee, Firmwide ALCO and CTC Risk Committee, as well as risk committees and ALCOs of regions, legal entities and LOBs. Liquidity Risk Oversight is managed through an independent Firmwide risk group within the Chief Investment Office, Treasury, and Corporate (CTC) Risk organization. ■ Liquidity risk management issues are governed by the CTC Risk Committee (RC), which is chaired by the JPMC CFO and CTC CRO. ■ The CTC RC will review amendments made to the liquidity risk stress testing assumptions used within the firm's risk appetite framework. The CTC RC will review stress methodology, assumptions, and results used within liquidity risk stress tests that are part of the firm's Risk Appetite framework on a quarterly basis. The assumptions and results included in the quarterly stress review will be approved by JPMC CRO, CFO and Global Treasurer. The firm's Liquidity Risk Oversight Policy specifies overall principles for the firm's approach to liquidity risk oversight. This policy establishes the requirements to assess, measure, monitor and control liquidity risk. Liquidity risk limits and indicators are governed by the Firmwide Liquidity Risk Limits and Indicators Standard, which is approved by the CTC CRO.
Risk appetite	The Board Risk Committee reviews the firm's liquidity risk appetite and recommends to the board as governed by the risk appetite policy. ■ 90 Day Risk Appetite: Maintain buffer of Local LAB assets sufficient to meet peak cash outflows caused by an immediate and acute stress scenario;

	■ 365 Day Risk Appetite: Management can access a broader pool of available unencumbered securities and/or reduce extension of wholesale credit to withstand prolonged liquidity outflows over 365 days. ■ Regulatory measures: US LCR ≥ 100%: Maintain US-defined HQLA sufficient to meet 30 days cumulative cash outflows established by the US LCR.
Approach to risk management	The firm has a liquidity risk oversight function whose primary objective is to provide assessment, measurement, monitoring, and control of liquidity risk across the firm. LRO's responsibilities include, but are not limited to: ■ Defining, monitoring and reporting liquidity risk metrics ■ Establishing and monitoring limits, indicators, and thresholds, including liquidity risk appetite ■ Developing a process to classify, monitor and report limit breaches ■ Performing an independent review of liquidity risk management processes ■ Monitoring and reporting internal Firmwide and legal entity liquidity stress tests as well as regulatory defined liquidity stress test ■ Approving or escalating for review new or updated liquidity stress assumptions ■ Monitoring and reporting liquidity positions, balance sheet variances, and funding requirements.

JPMSA Liquidity Risk Management	
Risk profile	JPMSA's assets are mainly liquid overnight deposits or nostro accounts at banks. As at YE20, JPMSA has taken no loans but has liabilities of SAR32mm.
Risk governance and policy framework	JPMSA is incorporated into the Firmwide liquidity risk governance and policy framework (as above).
Approach to risk management	JPMSA is incorporated into the firm-wide liquidity risk management framework. JPMSA may need some funding in case of rejected trades under the Independent Custody Model in its Equities Brokerage. Although the probability of such rejection is relatively low, JPMSA has established processes for providing necessary liquidity to JPMSA in such scenarios by other JPM entities. The Company's balance sheet positions are included in the monthly report which is submitted to the LMC.

A. Appendices

Exhibit A.1

Disclosure on Capital Base – 31 December 2020	
Capital Base	SAR '000
Tier-1 capital	
Paid-up capital	93,750
Audited retained earnings	161,120
Share premium	0
Reserves (other than revaluation reserves)	19,839
Tier-1 capital contribution	0
Deductions from Tier-1 capital	(1,200)
Total Tier-1 capital	**273,509**
Tier-2 capital	
Subordinated loans	0
Cumulative preference shares	0
Revaluation reserves	0
Other deductions from Tier-2 (-)	0
Deduction to meet Tier-2 capital limit (-)	0
Total Tier-2 capital	**0**
Total capital base	**273,509**

Exhibit A.2

Disclosure on Capital Adequacy – 31 December 2020

Exposure Class	Exposures before CRM SAR '000	Net Exposures after CRM SAR '000	Risk Weighted Assets SAR '000	Capital Requirement SAR '000
Credit Risk				
On–balance Sheet Exposures				
Governments and Central Banks	–	–	–	–
Authorised Persons and Banks	293,985	293,985	58,797	8,232
Corporates				
Retail	–	–	–	–
Investments	–	–	–	–
Securitisation	–	–	–	–
Margin Financing	–	–	–	–
Other Assets	11,486	11,486	34,458	4,824
Total On–Balance sheet Exposures	**305,471**	**305,471**	**93,255**	**13,056**
Off–balance Sheet Exposures				
OTC/Credit Derivatives	–	–	–	–
Repurchase agreements	–	–	–	–
Securities borrowing/lending	–	–	–	–
Commitments	–	–	–	–
Other off–balance sheet exposures	–	–	–	–
Total Off–Balance sheet Exposures	**–**	**–**	**–**	**–**
Total On and Off-Balance sheet Exposures	**305,471**	**305,471**	**93,255**	**13,056**
Prohibited Exposure Risk Requirement	–	–	–	–
Total Credit Risk Exposures	**305,471**	**305,471**	**93,255**	**13,056**

Market Risk	**Long Position**	**Short Position**	
Interest rate risks	–	–	–
Equity price risks	–	–	–
Risks related to investment funds	–	–	–
Securitization/re-securitization positions	–	–	–
Excess exposure risks	–	–	–
Settlement risks and counterparty risks	–	–	–
Foreign exchange rate risks	249,981	–	4,700
Commodities risks	–	–	–
Total Market Risk Exposures	**249,981**	**–**	**4,700**
Operational Risk			**13,529**
Minimum Capital Requirements			31,285
Surplus/(Deficit) in capital			242,224
Total Capital ratio (times)			**8.74**

Exhibit A.3

Disclosure on Credit Risk's Risk Weight (SAR '000) – 31 December 2020

	Exposures after netting and credit risk mitigation												
Risk Weights	Governments and central banks	Administrative bodies and NPO	Authorised persons and banks	Margin Financing	Corporates	Retail	Past due items	Investments	Securitization	Other assets	Off-balance sheet commitments	Total Exposure after netting and Credit Risk Mitigation	Total Risk Weighted Assets
0%	–	–	–	–	–	–	–	–	–	–	–	–	–
20%	–	–	293,985	–	–	–	–	–	–	–	–	293,985	58,797
50%	–	–	–	–	–	–	–	–	–	–	–	–	–
100%	–	–	–	–	–	–	–	–	–	–	–	–	–
150%	–	–	–	–	–	–	–	–	–	–	–	–	–
200%	–	–	–	–	–	–	–	–	–	–	–	–	–
300%	–	–	–	–	–	–	–	–	–	11,486	–	11,486	34,458
400%	–	–	–	–	–	–	–	–	–	–	–	–	–
500%	–	–	–	–	–	–	–	–	–	–	–	–	–
714% (include prohibited exposure)	–	–	–	–	–	–	–	–	–	–	–	–	–
Average Risk Weight	0%	0%	20%	0%	714%	0%	0%	0%	0%	300%	0%	30.53%	30.53%
Deduction from Capital Base	–	–	8,232	–	-	–	–	–	–	4,824	–	13,056	13,056

Exhibit A.4

Disclosure on Credit Risk's Rated Exposure (SAR '000) – 31 December 2020

Exposure Class	Long term Ratings of counterparties							
	Credit quality step	1	2	3	4	5	6	Unrated
	S&P	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated
	Fitch	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated
	Moody's	Aaa TO Aa3	A1 TO A3	Baa1 TO Baa3	Ba1 TO Ba3	B1 TO B3	Caa1 and below	Unrated
	Capital Intelligence	AAA	AA TO A	BBB	BB	B	C and below	Unrated
On and Off-balance-sheet Exposures								
Governments and Central Banks		–	–	–	–	–	–	–
Authorised Persons and Banks		–	243,191	50,794	–	–	–	–
Corporates		–	–	–	–	–	–	–
Retail		–	–	–	–	–	–	–
Investments		–	–	–	–	–	–	–
Securitization		–	–	–	–	–	–	–
Margin Financing		–	–	–	–	–	–	–
Other Assets		–	8,866	–	–	–	–	2,620
Total		–	**252,057**	**50,794**	**–**	**–**	**–**	**2,620**

Exposure Class	Short term Ratings of counterparties					
	Credit quality step	1	2	3	4	Unrated
	S & P	A-1+, A-1	A-2	A-3	Below A-3	Unrated
	Fitch	F1+, F1	F2	F3	Below F3	Unrated
	Moody's	P-1	P-2	P-3	Not Prime	Unrated
	Capital Intelligence	A1	A2	A3	Below A3	Unrated
On and Off-balance-sheet Exposures						
Governments and Central Banks		–	–	–	–	–
Authorised Persons and Banks		243,191	50,794	–	–	–
Corporates		–	–	–	–	–
Retail		–	–	–	–	–
Investments		–	–	–	–	–
Securitization		–	–	–	–	–
Margin Financing		–	–	–	–	–
Other Assets		8,866	–	–	–	2,620
Total		**252,057**	**50,794**	**–**	**–**	**2,620**

Exhibit A.5

Disclosure on Credit Risk Mitigation (CRM) (SAR '000) – 31 December 2020

Exposure Class	Exposures before CRM	Exposures covered by Guarantees/ Credit derivatives	Exposures covered by Financial Collateral	Exposures covered by Netting Agreement	Exposures covered by other eligible collaterals	Exposures after CRM
Credit Risk						
On-balance Sheet Exposures						
Governments and Central Banks	–	–	–	–	–	–
Authorised Persons and Banks	293,985	–	–	–	–	293,985
Corporates	–	–	–	–	–	–
Retail	–	–	–	–	–	–
Investments	–	–	–	–	–	–
Securitization	–	–	–	–	–	–
Margin Financing	–	–	–	–	–	–
Other Assets	11,486	–	–	–	–	11,486
Total On-Balance sheet Exposures	**305,471**	–	–	–	–	**305,471**
Off-balance Sheet Exposures						
OTC/Credit Derivatives	–	–	–	–	–	–
Exposure in the form of repurchase agreements	–	–	–	–	–	–
Exposure in the form of securities lending	–	–	–	–	–	–
Exposure in the form of commitments	–	–	–	–	–	–
*Other Off-Balance sheet Exposures	–	–	–	–	–	–
Total Off-Balance sheet Exposures	–	–	–	–	–	–
Total On and Off-Balance sheet Exposures	**305,471**	–	–	–	–	**305,471**