

JPMORGAN CHASE BANK, N.A.

HONG KONG BRANCH

**Key Financial Disclosure Statements
for the year ended December 31, 2016**

JPMorgan Chase Bank, N.A., Hong Kong Branch

SECTION A: BRANCH INFORMATION

I. Unaudited Income Statement

(in millions of Hong Kong Dollars)

	Year ended		Year ended	
	Dec 31, 2016		Dec 31, 2015	
Interest income		711		803
Interest expense		(257)		(239)
Other operating income				
Gains less losses arising from trading in foreign currencies		210		735
Gains less losses on securities held for trading purposes		14		(10)
Gains less losses from other trading activities		(229)		(9)
Net fees and commission income				
Gross fees and commission income	6,684		6,184	
Gross fees and commission expenses	<u>(103)</u>	6,581	<u>(188)</u>	5,996
Others		<u>-</u>		<u>1</u>
Operating income		7,030		7,277
Operating expenses				
Staff costs	(3,728)		(3,895)	
Premises expenses	(599)		(573)	
Equipment expenses	(455)		(392)	
Travel & entertainment expenses	(125)		(135)	
Others	<u>(2,084)</u>	(6,991)	<u>(2,196)</u>	(7,191)
Impairment allowances written back on loans and receivable		1		23
Gains less losses from disposal of fixed assets		<u>24</u>		<u>290</u>
Profit before taxation		64		399
Taxation		<u>(15)</u>		<u>(56)</u>
Profit after taxation		<u>49</u>		<u>343</u>

JPMorgan Chase Bank, N.A., Hong Kong Branch

II. Unaudited Balance Sheet Information

(in millions of Hong Kong Dollars)

Assets	As at Dec 31, 2016	As at Jun 30, 2016
Due from Exchange Fund	3,915	2,790
Cash and balances with banks	4,841	7,061
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	1,262	1,447
Amount due from overseas offices of the institution	39,904	34,690
Trade bills	731	660
Certificates of deposit held	400	400
Securities held for trading purposes	-	3,816
Loans and receivables	93,761	53,506
Investment securities	5,896	6,201
Other investments	116	118
Property, plant and equipment and investment properties	<u>650</u>	<u>728</u>
Total assets	<u><u>151,476</u></u>	<u><u>111,417</u></u>
 Liabilities		
Deposits and balances from banks	4,898	9,980
Deposits from customers		
Demand deposits and current accounts	34,597	33,309
Time, call and notice deposits	3,037	2,117
Amount due to overseas offices of the institution	27,716	20,708
Other liabilities	<u>81,228</u>	<u>45,303</u>
Total liabilities	<u><u>151,476</u></u>	<u><u>111,417</u></u>

JPMorgan Chase Bank, N.A., Hong Kong Branch

III. Additional Balance Sheet Information

(in millions of Hong Kong Dollar, except ratios)

(i) Loans and receivables

	As at Dec 31, 2016	As at Jun 30, 2016
Loans and advances to customers	14,158	8,682
Loans and advances to banks	775	481
Accrued interest and other accounts	916	1,634
Derivatives receivables	77,912	42,709
Impairment allowances on loans and receivables (Note 1)		
- Collectively assessed	-	-
- Individually assessed	-	-
	<u>93,761</u>	<u>53,506</u>

Note 1: The impairment allowances on loans are made centrally in New York Head Office in accordance with the group policy and the portion related to loan exposures in JPMorgan Chase Bank, N.A., Hong Kong Branch ("the Branch") were HK\$242,048,000 as at December 31, 2016 (June 30, 2016: HK\$287,082,000).

Impairment Allowance Policy

JPMorgan Chase & Co.'s allowance for credit losses covers the wholesale and consumer loan portfolios and represents management's estimate of probable credit losses inherent in the JPMorgan Chase & Co's loan portfolio as of disclosure date. Management also computes an allowance for wholesale lending-related commitments using a methodology similar to that used for the wholesale loans.

(ii) Impaired loans and advances to customers

	As at Dec 31, 2016	As at Jun 30, 2016
Gross impaired loans and advances to customers (Note 2)		
Hong Kong	-	-
Total	<u>-</u>	<u>-</u>
Market value of collateral held against impaired loans and advances to customers	-	-
Percentage of such loans and advances to the total loans and advances to customers	0.00%	0.00%

Note 2: Impaired loans and advances are individually assessed loans which exhibit objective evidence of impairment on an individual basis. There were no impaired loans and advances to banks and other financial institutions as at December 31, 2016 (June 30, 2016: Nil).

JPMorgan Chase Bank, N.A., Hong Kong Branch

III. Additional Balance Sheet Information (continued)

(in millions of Hong Kong Dollars, except ratios)

(iii) The breakdown of gross amount of loans and advances to customers by industry sectors

	As at Dec 31, 2016	As at Jun 30, 2016
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
Manufacturing	54	679
Information technology	1,467	1,293
Wholesale and retail trade	510	1,489
Financial concerns	1	-
Others	6,000	5
Trade finance	2,587	2,660
Loans and advances for use outside Hong Kong	<u>3,539</u>	<u>2,556</u>
	<u>14,158</u>	<u>8,682</u>

Balance of loans and advances covered by collateral or other security as of December 31, 2016 was HK\$950,183,000 (June 30, 2016 was HK\$1,107,813,000).

(iv) Overdue loans and advances to customers, banks and other financial institutions

	As at Dec 31, 2016	As at Jun 30, 2016
Overdue loans and advances to customer which have been overdue for:		
Six months or less but over three months	-	-
One year or less but over six months	-	-
Over one year	-	-
Percentage of such loans and advances to the total loans and advances to customers	0.00%	0.00%

There were no overdue loans to banks and other financial institutions as at December 31, 2016 (June 30, 2016: Nil).

There was no collateral held against overdue loans as at December 31, 2016 (June 30, 2016: Nil).

There were no overdue trade bills and debt securities at the Branch as at December 31, 2016 (June 30, 2016: Nil).

(v) There were no rescheduled loans and advances to customers, banks and financial institutions as at December 31, 2016 (June 30, 2016: Nil).

(vi) There were no repossessed assets held at the Branch as at December 31, 2016 (June 30, 2016: Nil).

JPMorgan Chase Bank, N.A., Hong Kong Branch

III. Additional Balance Sheet Information (continued)

(in millions of Hong Kong Dollars)

(vii) Gross amount of loans and advances to customers by country or geographical area

As at Dec 31, 2016

The following countries or areas have constituted 10% or more of the aggregate gross amount of loans and advances to customers:

Hong Kong	9,693
United States	1,539

As at Jun 30, 2016

The following countries or areas have constituted 10% or more of the aggregate gross amount of loans and advances to customers:

Hong Kong	3,895
United States	1,585
Macau	1,319
China	881

(viii) Other liabilities

As at Dec 31, 2016

As at Jun 30, 2016

Accrued expenses and other accounts	3,698	2,863
Derivatives payables	<u>77,530</u>	<u>42,440</u>
	<u>81,228</u>	<u>45,303</u>

JPMorgan Chase Bank, N.A., Hong Kong Branch

IV. International claims

(in millions of Hong Kong Dollars)

	Banks	Official sector	Non-bank private sector		Others	Total
			Non-bank financial institutions	Non-financial private sector		
As at Dec 31, 2016						
Developed countries	40,364	-	15	2,143	-	42,522
Offshore centers	2,096	2	166	4,114	227	6,605
Developing Asia and Pacific	3,887	186	64	2,236	-	6,373
As at Jun 30, 2016						
Developed countries	35,492	-	8	2,422	-	37,922
Offshore centers	4,092	2	62	4,332	260	8,748
Developing Asia and Pacific	3,155	4,032	116	1,780	-	9,083

International claims are on-balance sheet 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 country 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 country. At geographical areas level, developed countries, offshore centers and developing Asia and Pacific (June 30, 2016: developed countries, offshore centers and developing Asia and Pacific) constituted 10% or more of the international claims as at December 31, 2016.

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V. Non-Bank Mainland Exposures

(in millions of Hong Kong Dollars)

As at Dec 31, 2016

Types of counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
Central government, central government-owned entities and their subsidiaries and JVs	1,071	12,380	13,451
Local governments, local government-owned entities and their subsidiaries and JVs	6,040	560	6,600
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	978	421	1,399
Other entities of central governments	95	479	574
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	621	1,718	2,339
Other counterparties where the exposures are considered to be non-bank Mainland China exposures	1,167	3,083	4,250
Total	<u>9,972</u>	<u>18,641</u>	<u>28,613</u>

As at Jun 30, 2016

Types of counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
Central government, central government-owned entities and their subsidiaries and JVs	5,356	12,516	17,872
Local governments, local government-owned entities and their subsidiaries and JVs	44	299	343
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	530	559	1,089
Other entities of central governments	111	466	577
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,196	878	2,074
Other counterparties where the exposures are considered to be non-bank Mainland China exposures	1,030	4,102	5,132
Total	<u>8,267</u>	<u>18,820</u>	<u>27,087</u>

There were no specific provisions as at December 31, 2016 (June 30, 2016: Nil).

The exposures to companies outside Mainland where the funds are for use in Mainland were mainly trade finance facilities and commercial loans.

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VI. Currency Risk

(in millions of Hong Kong Dollars)

As at Dec 31, 2016	USD	CNY	THB	
Currency positions				
Spot assets	50,108	50,034	228	
Spot liabilities	(70,665)	(48,287)	(270)	
Forward purchases	1,173,002	752,199	128	
Forward sales	(1,143,725)	(756,279)	(2,183)	
Net options position	<u>-</u>	<u>-</u>	<u>-</u>	
Net long/(short) position	<u>8,720</u>	<u>(2,333)</u>	<u>(2,097)</u>	
As at Jun 30, 2016	CNY	USD	THB	PHP
Currency positions				
Spot assets	30,877	38,436	313	53
Spot liabilities	(25,765)	(48,992)	(655)	(44)
Forward purchases	917,626	1,273,608	419	2,474
Forward sales	(918,538)	(1,262,404)	(2,251)	(3,158)
Net options position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net long/(short) position	<u>4,200</u>	<u>648</u>	<u>(2,174)</u>	<u>(675)</u>

As at December 31, 2016, CNY, USD and THB (June 30, 2016: CNY, USD, THB and PHP) constitute 10% or more of the total net position in all foreign currencies. There were no foreign currency net structural positions as at December 31, 2016 (June 30, 2016: Nil).

Net options position is calculated on the basis of delta-weighted positions of all foreign exchange options contracts.

JPMorgan Chase Bank, N.A., Hong Kong Branch

VII. Off-Balance Sheet Exposures

(in millions of Hong Kong Dollars)

	As at Dec 31, 2016	As at Jun 30, 2016
Contingent Liabilities and Commitments		
Direct Credit Substitutes	2,302	290
Trade-related contingencies	5,133	5,173
Other commitments	34,342	35,402
Others (including forward asset purchases, amounts owing on partly paid shares and securities, forward forward deposits placed, asset sales or other transactions with recourse)	2,602	13,844
Derivatives		
Exchange rate contracts	2,354,244	2,616,736
Interest rate contracts	2,724,712	1,890,079
Others	2,612	1,353

For contingent liabilities and commitments, the contract amounts represent the amount at risk should the contract be fully drawn upon and the client default.

The majority of residual maturity of forward forward deposit placed as at December 31, 2016 and June 30, 2016 was less than one year. For derivatives, the contract amounts of these instruments indicate the volume of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

	As at Dec 31, 2016	As at Jun 30, 2016
Aggregate credit risk weighted amount of the off-balance sheet instruments		
Exchange rate contracts	38,556	31,784
Interest rate contracts	22,585	12,261
Others	120	17
Fair value of the off-balance sheet instruments		
Exchange rate contracts	48,196	26,267
Interest rate contracts	29,608	16,433
Others	108	9

The contract amounts, fair values, and credit risk weighted amounts of the above derivatives are shown on a gross basis with no offsetting presentation due to bilateral netting agreements.

JPMorgan Chase Bank, N.A., Hong Kong Branch

VIII. Liquidity

	Year ended	Year ended
	Dec 31, 2016	Dec 31, 2015
Average liquidity maintenance ratio	60.71%	81.05%

The Liquidity Maintenance Ratio (“LMR”) is computed in accordance with Section 97H of the Banking Ordinance. The average LMR is the twelve-month’s arithmetic mean of the Branch's average LMR of each calendar month in accordance with the Banking (Liquidity) Rules.

IX. Disclosure on remuneration

The Branch intends to make disclosure on remuneration for 2016 in compliance with Part 3 of CG-5 supervisory policy manual issued by the Hong Kong Monetary Authority in its 2017 interim financial disclosure statements.

JPMorgan Chase Bank, N.A., Hong Kong Branch

SECTION B: BANK INFORMATION (Consolidated Basis)

(in millions of US Dollars, except ratios)

The information set out below was based on the consolidated accounts of JPMorgan Chase & Co.

I. Capital and Capital Adequacy

	As at Dec 31, 2016	As at Jun 30, 2016
Capital adequacy ratio (Note 3)	15.4%	15.2%
Shareholders' funds	254,190	252,423

Note 3: The capital adequacy ratio of JPMorgan Chase & Co. is calculated based on the US Federal Reserve Board Risk-Based Capital guidelines, which comply with the Capital Accord of the Basel Committee on Banking Supervision ("Basel").

II. Other financial information

	As at Dec 31, 2016	As at Jun 30, 2016
Total assets	2,490,972	2,466,096
Total liabilities	2,236,782	2,213,673
Total loans and advances (net of allowance for loan losses)	880,989	858,577
Total customer deposits	1,375,179	1,330,958

	Year ended	Year ended
	Dec 31, 2016	Dec 31, 2015
Pre-tax profit	34,536	30,702

Remarks: The press release results of JPMorgan Chase & Co. on January 13, 2017 have been used for disclosure purpose in this Section.

JPMorgan Chase Bank, N.A., Hong Kong Branch

SECTION C: LIQUIDITY RISK

Liquidity risk

Liquidity risk is the risk that JPMorgan Chase & Co. (“the Firm”), including the JPMCB, N.A., Hong Kong Branch (“the Branch”), will be unable to meet its contractual and contingent obligations or that it does not have the appropriate amount, composition and tenor of funding and liquidity to support its assets and liabilities.

Liquidity Risk Oversight

The Firm has a liquidity risk oversight function whose primary objective is to provide assessment, measuring, monitoring, and control of liquidity risk across the Firm, including the Branch. Liquidity risk oversight is managed through a dedicated Firmwide Liquidity Risk Oversight group. The Chief Investment Office (“CIO”), Treasury and Corporate (“CTC”) Chief Risk Officer (“CRO”), who reports to the CRO, as part of the independent risk management function, has responsibilities for Firmwide Liquidity Risk Oversight. Liquidity Risk Oversight’s responsibilities include but are not limited to:

- Establishing and monitoring limits and indicators, including liquidity risk appetite tolerances;
- Defining, monitoring, and reporting internal firmwide and material legal entity liquidity stress tests, and monitoring and reporting regulatory defined liquidity stress testing;
- Monitoring and reporting liquidity positions, balance sheet variances, and funding activities;
- Conducting ad hoc analysis to identify potential emerging liquidity risks.

Risk Governance and Measurement

Specific committees responsible for liquidity governance include firmwide Asset-Liability Committee (“ALCO”) as well as line of business and regional ALCOs, and the CTC Risk Committee. In addition, the Directors Risk Policy Committee (“DRPC”) reviews and recommends to the Board of Directors, for formal approval, the Firm’s liquidity risk tolerances, liquidity strategy and liquidity policy at least annually.

Liquidity Risk Oversight for the Branch is governed by Hong Kong Risk, Asset & Liability Committee (“RALCO”), co-chaired by the Chief Risk Officer and Senior Financial Officer. As governed by the Hong Kong RALCO Term of Reference, where required, matters will be escalated from Hong Kong RALCO to Hong Kong Branch Committee or Asia Pacific Risk Committee.

Internal Stress Testing

Liquidity stress tests are intended to ensure sufficient liquidity for the Branch under a variety of adverse scenarios, including scenarios analyzed as part of the Firm’s resolution and recovery planning. Stress scenarios are produced for JPMorgan Chase & Co. (“Parent Company”) and the Firm’s material legal entities, including the Branch, on a regular basis and ad hoc stress tests are performed, as needed, in response to specific market events or concerns.

JPMorgan Chase Bank, N.A., Hong Kong Branch

SECTION C: LIQUIDITY RISK (Continued)

Internal Stress Testing (Continued)

Liquidity stress tests assume all of the Branch's contractual obligations are met and 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 material legal entities such as regulatory, legal, or other restrictions. Liquidity outflow assumptions are modelled across a range of time horizons and contemplate both market and idiosyncratic stress. Results of stress tests are considered in the formulation of the Firm's, including the Branch's, funding plan and assessment of its liquidity position. The Parent Company acts as a source of funding for the Firm through stock and long-term debt issuances, and JPMorgan Chase Holdings LLC ("the IHC") provides funding support to the ongoing operations of the Parent Company and its subsidiaries, as necessary. The Firm maintains liquidity at the Parent Company and the IHC, in addition to liquidity held at the operating subsidiaries, at levels sufficient to comply with liquidity risk tolerances and minimum liquidity requirements, to manage through periods of stress where access to normal funding sources is disrupted.

Liquidity management

Treasury and CIO is responsible for liquidity management. The primary objectives of effective liquidity management are to ensure that the Firm's core businesses and material legal entities are able to operate in support of client needs, meet contractual and contingent obligations through normal economic cycles as well as during stress events, and to manage an optimal funding mix and availability of liquidity sources. The Firm manages liquidity and funding using a centralized, global approach across its entities, taking into consideration both their current liquidity profile and any potential changes over time, in order to optimize liquidity sources and uses.

In the context of the Branch's liquidity management, Treasury and CIO is responsible for:

- Analyzing and understanding the liquidity characteristics of the lines of business and the Branch's assets and liabilities, taking into account legal, regulatory and operational restrictions;
- Defining and monitoring the Branch's liquidity strategies, policies, guidelines, and country addendum to firmwide Contingency Funding Plan ("CFP");
- Managing liquidity within regulatory requirements and internal limits and indicators;
- Setting transfer pricing in accordance with underlying liquidity characteristics of balance sheet assets and liabilities as well as certain off-balance sheet items.

Contingency Funding Plan

The Firm's CFP, which is reviewed by firmwide ALCO and approved by the DRPC, is a compilation of procedures and action plans for managing liquidity through stress events (including the Branch). The Branch is an integral part of the firmwide CFP framework. The CFP identifies the alternative contingent liquidity resources available to the Firm (including the Branch) in a stress event.

Treasury and CIO maintains a country addendum to the firmwide CFP, which is reviewed and approved by the Hong Kong RALCO.