

JPMORGAN CHASE BANK, N.A.
HONG KONG BRANCH
Key Financial Disclosure Statements
for the year ended December 31, 2017

SECTION A: BRANCH INFORMATION

I. Unaudited Income Statement

(in millions of Hong Kong Dollars)

	Year ended		Year ended	
	Dec 31, 2017		Dec 31, 2016	
Interest income		910		711
Interest expense		(445)		(257)
Other operating income				
Gains less losses arising from trading in foreign currencies		(751)		210
Gains less losses on securities held for trading purposes		(46)		14
Gains less losses from other trading activities		569		(229)
Net fees and commission income				
Gross fees and commission income	7,825		6,684	
Gross fees and commission expenses	(306)	7,519	(103)	6,581
Others		—		—
Operating income		<u>7,756</u>		<u>7,030</u>
Operating expenses				
Staff costs	(3,727)		(3,728)	
Premises expenses	(606)		(599)	
Equipment expenses	(393)		(455)	
Travel & entertainment expenses	(149)		(125)	
Others	(2,212)	(7,087)	(2,084)	(6,991)
Impairment (charges) / written back on loans and receivable		(256)		1
Gains less losses from disposal of fixed assets		13		24
Profit before taxation		<u>426</u>		<u>64</u>
Taxation		(82)		(15)
Profit after taxation		<u>344</u>		<u>49</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, 2017	As at Jun 30, 2017
Due from Exchange Fund	3,912	2,374
Cash and balances with banks	6,302	5,453
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	82	711
Amount due from overseas offices of the institution	40,241	36,933
Trade bills	985	770
Securities held for trading purposes	2,166	1,594
Loans and receivables	65,811	65,495
Investment securities	4,474	5,899
Other investments	113	116
Property, plant and equipment and investment properties	472	555
Total assets	<u>124,558</u>	<u>119,900</u>
Liabilities		
Deposits and balances from banks	4,975	5,712
Deposits from customers		
Demand deposits and current accounts	31,662	33,212
Time, call and notice deposits	3,940	3,028
Amount due to overseas offices of the institution	29,175	26,547
Other liabilities	54,806	51,401
Total liabilities	<u>124,558</u>	<u>119,900</u>

III. Additional Balance Sheet Information

(in millions of Hong Kong Dollar, except ratios)

(i) Loans and receivables

	As at Dec 31, 2017	As at Jun 30, 2017
Loans and advances to customers	11,706	15,659
Loans and advances to banks	—	78
Accrued interest and other accounts	1,574	1,587
Derivatives receivables	52,531	48,301
Impairment allowances on loans and receivables (Note 1)		
- Collective provisions	—	—
- Specific provisions	—	(130)
	65,811	65,495

Note 1: The collective 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\$99,986,000 as at December 31, 2017 (June 30, 2017: HK\$104,146,000).

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, 2017	As at Jun 30, 2017
The following countries or geographical segments have gross impaired loans and advances to customers:		
Hong Kong	—	290
Total	—	290
The following countries or geographical segments have specific provisions made for such loans and advances to customers:		
Hong Kong	—	(130)
Total	—	(130)
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%	1.85%

Impaired loans and advances are individually assessed loans which exhibit objective evidence of impairment on an individual basis. There were no charge-offs for impaired loans and advances to customers as at December 31, 2017 (June 30, 2017: HK\$173,500,000).

III. Additional Balance Sheet Information (Continued)

(in millions of Hong Kong Dollars, except ratios)

(iii) There were no impaired loans and advances to banks and other financial institutions as at December 31, 2017 (June 30, 2017: Nil).

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

	As at Dec 31, 2017	As at Jun 30, 2017
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
Manufacturing	43	51
Information technology	484	484
Wholesale and retail trade	—	290
Others	2,345	6,000
Trade finance	6,066	6,709
Loans and advances for use outside Hong Kong	2,768	2,125
	<u>11,706</u>	<u>15,659</u>

Balance of loans and advances covered by collateral or other security as of December 31, 2017 was HK\$790,303,000 (June 30, 2017 was HK\$776,991,000).

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

	As at Dec 31, 2017	As at Jun 30, 2017
Overdue loans and advances to customer which have been overdue for:		
More than 3 months but not more than 6 months	—	—
More than 6 months but not more than one year	—	—
More than 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, 2017 (June 30, 2017: Nil).

There were no collaterals held against overdue loans as at December 31, 2017 (June 30, 2017: Nil).

There were no overdue trade bills and debt securities at the Branch as at December 31, 2017 (June 30, 2017: Nil).

(vi) There were no rescheduled loans and advances to customers, banks and financial institutions as at December 31, 2017 (June 30, 2017: Nil).

(vii) There were no repossessed assets held at the Branch as at December 31, 2017 (June 30, 2017: Nil).

III. Additional Balance Sheet Information (Continued)

(in millions of Hong Kong Dollars)

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

As at Dec 31, 2017

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

Hong Kong	6,790
United States	2,554

As at Jun 30, 2017

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

Hong Kong	12,060
United States	1,752

(ix) Other liabilities

	As at Dec 31, 2017	As at Jun 30, 2017
Accrued expenses and other accounts	4,380	2,998
Derivatives payables	50,426	48,403
	<u>54,806</u>	<u>51,401</u>

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, 2017						
Developed countries	41,443	—	8	3,784	—	45,235
Offshore centers	4,574	1	113	5,675	239	10,602
As at Jun 30, 2017						
Developed countries	38,021	—	2	2,640	—	40,663
Offshore centers	3,792	3	96	4,826	237	8,954
Developing Asia and Pacific	1,437	1,822	193	2,220	—	5,672

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 and offshore centers (June 30, 2017: developed countries, offshore centers and developing Asia and Pacific) constituted 10% or more of the international claims as at December 31, 2017.

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

V. Non-Bank Mainland Exposures

(in millions of Hong Kong Dollars)

As at Dec 31, 2017

Types of counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
Central government, central government-owned entities and their subsidiaries and JVs	6,798	10,005	16,803
Local governments, local government-owned entities and their subsidiaries and JVs	—	997	997
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,184	1,573	2,757
Other entities of central governments	131	370	501
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	979	1,707	2,686
Other counterparties where the exposures are considered to be non-bank Mainland China exposures	783	1,075	1,858
Total	<u>9,875</u>	<u>15,727</u>	<u>25,602</u>

As at Jun 30, 2017

Types of counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
Central government, central government-owned entities and their subsidiaries and JVs	6,663	7,425	14,088
Local governments, local government-owned entities and their subsidiaries and JVs	6,001	598	6,599
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	384	1,905	2,289
Other entities of central governments	39	251	290
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	458	1,671	2,129
Other counterparties where the exposures are considered to be non-bank Mainland China exposures	391	3,239	3,630
Total	<u>13,936</u>	<u>15,089</u>	<u>29,025</u>

There were no specific provisions as at December 31, 2017 (June 30, 2017: Nil).

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

VI. Currency Risk

(in millions of Hong Kong Dollars)

As at Dec 31, 2017	USD	JPY	THB	TWD	CNY
Currency positions					
Spot assets	51,085	2,786	533	832	29,664
Spot liabilities	(68,389)	(1,248)	(716)	(858)	(26,499)
Forward purchases	1,062,750	55,919	695	86,211	580,821
Forward sales	(1,038,524)	(55,542)	(4,474)	(88,829)	(585,848)
Net options position	6	—	—	—	—
Net long/(short) position including options	<u>6,928</u>	<u>1,915</u>	<u>(3,962)</u>	<u>(2,644)</u>	<u>(1,862)</u>
As at Jun 30, 2017	USD	JPY	IDR	THB	CNY
Currency positions					
Spot assets	51,199	1,822	168	484	26,127
Spot liabilities	(64,681)	(1,844)	(122)	(759)	(23,674)
Forward purchases	1,209,589	82,514	2,023	648	781,219
Forward sales	(1,190,958)	(79,879)	(996)	(4,673)	(787,401)
Net options position	—	—	—	—	—
Net long/(short) position including options	<u>5,149</u>	<u>2,613</u>	<u>1,073</u>	<u>(4,300)</u>	<u>(3,729)</u>

As at December 31, 2017, USD, JPY, THB, TWD and CNY (June 30, 2017: USD, JPY, IDR, THB and CNY) 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, 2017 (June 30, 2017: Nil).

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

VII. Off-Balance Sheet Exposures

(in millions of Hong Kong Dollars)

	As at Dec 31, 2017	As at Jun 30, 2017
Contingent Liabilities and Commitments		
Direct Credit Substitutes	1,920	2,050
Trade-related contingencies	3,061	2,768
Other commitments	30,336	30,570
Others (including forward asset purchases, amounts owing on partly paid shares and securities, forward deposits placed, asset sales or other transactions with recourse)	—	224
Derivatives		
Exchange rate contracts	2,164,980	2,460,245
Interest rate contracts	2,924,809	2,892,830
Others	70,591	19,588

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 deposit placed as at December 31, 2017 and June 30, 2017 were 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, 2017	As at Jun 30, 2017
Aggregate credit risk weighted amount of the off-balance sheet instruments		
Exchange rate contracts	27,931	27,464
Interest rate contracts	18,775	21,433
Others	6,984	1,735
Fair value of the off-balance sheet instruments		
Exchange rate contracts	26,749	21,952
Interest rate contracts	24,888	25,655
Others	894	694

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.

VIII. Liquidity

	Year ended Dec 31, 2017	Year ended Dec 31, 2016
Average liquidity maintenance ratio	65.69%	60.71%

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 2017 in compliance with Part 3 of CG-5 supervisory policy manual issued by the Hong Kong Monetary Authority in its 2018 interim financial disclosure statements.

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, 2017	As at Jun 30, 2017
Capital adequacy ratio (Note 2)	15.9%	16.0%
Shareholders' funds	255,693	258,483

Note 2: 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, 2017	As at Jun 30, 2017
Total assets	2,533,600	2,563,174
Total liabilities	2,277,907	2,304,691
Total loans and advances (net of allowance for loan losses)	917,093	895,404
Total customer deposits	1,443,982	1,439,473
	Year ended	Year ended
	Dec 31, 2017	Dec 31, 2016
Pre-tax profit	35,900	34,536

Remarks: The press release results of JPMorgan Chase & Co. on January 12, 2018 have been used for disclosure purpose in this Section.

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;
- Monitoring internal firmwide and material legal entity liquidity stress tests, and monitoring and reporting regulatory defined liquidity stress testing;
- Approving or escalating for review liquidity stress assumptions;
- Monitoring liquidity positions, balance sheet variances and funding activities; and
- 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.

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.

SECTION C: LIQUIDITY RISK (Continued)

Internal Stress Testing (Continued)

Liquidity outflow assumptions are modelled across a range of time horizons and currency dimensions 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 equity 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 and meet contractual and contingent obligations through normal economic cycles as well as during stress events, and
- 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 assets and liabilities of lines of business and the Branch, taking into account legal, regulatory and operational restrictions;
- Defining and monitoring the Branch's liquidity strategies, policies, guidelines, reporting and country addendum to firmwide Contingency Funding Plan ("CFP");
- Managing funding and liquidity within regulatory requirements and internal limits and indicators; and
- 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 approved by the firmwide ALCO and 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 funding and liquidity resources available to the Firm (including the Branch) in a period of stress.

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