

JPMORGAN CHASE BANK, N.A.

HONG KONG BRANCH

Key Financial Disclosure Statements

for the year ended December 31, 2018

SECTION A: BRANCH INFORMATION

I. Unaudited Income Statement

(in millions of Hong Kong Dollars)

	Year ended		Year ended	
	Dec 31, 2018		Dec 31, 2017	
Interest income		1,820		910
Interest expense		(1,314)		(445)
Other operating income				
Gains less losses arising from trading in foreign currencies		762		(751)
Gains less losses on securities held for trading purposes		73		(46)
Gains less losses from other trading activities		14		569
Net fees and commission income				
Gross fees and commission income	7,665		7,825	
Gross fees and commission expenses	(278)	7,387	(306)	7,519
Operating income		<u>8,742</u>		<u>7,756</u>
Operating expenses				
Staff costs	(3,809)		(3,727)	
Premises expenses	(582)		(606)	
Equipment expenses	(314)		(393)	
Travel & entertainment expenses	(134)		(149)	
Others	(2,632)	(7,471)	(2,212)	(7,087)
Impairment charges on loans and receivable		—		(256)
Gains less losses from disposal of fixed assets		18		13
Profit before taxation		<u>1,289</u>		<u>426</u>
Tax expense		(220)		(82)
Profit after taxation		<u>1,069</u>		<u>344</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, 2018	As at Jun 30, 2018
Due from Exchange Fund	1,440	2,675
Cash and balances with banks	6,114	4,628
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	134	907
Amount due from overseas offices of the institution	75,309	68,397
Trade bills	1,434	1,172
Securities held for trading purposes	3,961	24
Loans and receivables	75,578	76,296
Investment securities	5,290	6,355
Other investments	111	115
Property, plant and equipment and investment properties	459	519
Total assets	<u>169,830</u>	<u>161,088</u>
Liabilities		
Deposits and balances from banks	5,387	3,906
Deposits from customers		
Demand deposits and current accounts	44,566	43,258
Time, call and notice deposits	4,625	4,504
Amount due to overseas offices of the institution	48,094	48,265
Other liabilities	67,158	61,155
Total liabilities	<u>169,830</u>	<u>161,088</u>

III. Additional Balance Sheet Information

(in millions of Hong Kong Dollar, except ratios)

(i) Loans and receivables

	As at Dec 31, 2018	As at Jun 30, 2018
Loans and advances to customers	10,771	15,502
Loans and advances to banks	783	—
Accrued interest and other accounts	2,976	1,594
Derivatives receivables	61,048	59,200
Impairment allowances on loans and receivables (Note 1)		
- Collective provisions	—	—
- Specific provisions	—	—
	75,578	76,296

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\$94,180,000 as at December 31, 2018 (June 30, 2018: HK\$93,149,000).

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, 2018	As at Jun 30, 2018
The following countries or geographical segments have gross impaired loans and advances to customers:		
Hong Kong	—	—
Total	—	—
The following countries or geographical segments have specific provisions made for such loans and advances to customers:		
Hong Kong	—	—
Total	—	—
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%

Impaired loans and advances are individually assessed loans which exhibit objective evidence of impairment on an individual basis. There were no charge-off impaired loans and advances to customers as at December 31, 2018 (June 30, 2018: Nil).

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, 2018 (June 30, 2018: Nil).

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

	As at Dec 31, 2018	As at Jun 30, 2018
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
Manufacturing	235	272
Information technology	235	209
Transport and transport equipment	1,175	1,177
Others	—	2,355
Trade finance	7,532	9,365
Loans and advances for use outside Hong Kong	1,594	2,124
	<u>10,771</u>	<u>15,502</u>

Balance of loans and advances covered by collateral or other security as of December 31, 2018 was HK\$256,734,000 (June 30, 2018 was HK\$117,709,000).

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

	As at Dec 31, 2018	As at Jun 30, 2018
Overdue loans and advances to customers 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%
Overdue loans and advances to banks and other financial institutions 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 collaterals held against overdue loans as at December 31, 2018 (June 30, 2018: Nil).

There were no overdue trade bills and debt securities at the Branch as at December 31, 2018 (June 30, 2018: Nil).

(vi) There were no rescheduled loans and advances to customers, banks and financial institutions as at December 31, 2018 (June 30, 2018: Nil).

(III) Additional Balance Sheet Information (Continued)

(in millions of Hong Kong Dollars)

(vii) There were no repossessed assets held at the Branch as at December 31, 2018 (June 30, 2018: Nil).

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

	As at Dec 31, 2018
The following countries or areas have constituted 10% or more of the aggregate gross amount of loans and advances to customers:	
Hong Kong	5,766
United States	2,847

	As at Jun 30, 2018
The following countries or areas have constituted 10% or more of the aggregate gross amount of loans and advances to customers:	
Hong Kong	10,444
United States	2,338

(ix) Other liabilities

	As at Dec 31, 2018	As at Jun 30, 2018
Accrued expenses and other accounts	6,324	3,487
Derivatives payables	60,834	57,668
	<u>67,158</u>	<u>61,155</u>

IV. International claims

	Banks	Official sector	Non-bank private sector		Others	Total
			Non-bank financial institutions	Non-financial private		
As at Dec 31, 2018						
Developed countries	76,803	—	7	4,747	—	81,557
Offshore centers	3,578	2	27	6,107	970	10,684
As at Jun 30, 2018						
Developed countries	68,978	—	6	3,884	—	72,868
Offshore centers	3,472	4	114	11,373	157	15,120

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, 2018: developed countries and offshore centers) constituted 10% or more of the international claims as at December 31, 2018.

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

V. Non-Bank Mainland Exposures

(in millions of Hong Kong Dollars)

As at Dec 31, 2018

Types of counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
Central government, central government-owned entities and their subsidiaries and JVs	5,184	9,026	14,210
Local governments, local government-owned entities and their subsidiaries and JVs	—	363	363
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	937	2,620	3,557
Other entities of central governments	—	442	442
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,126	1,561	2,687
Other counterparties where the exposures are considered to be non-bank Mainland China exposures	235	6,092	6,327
Total	<u>7,482</u>	<u>20,104</u>	<u>27,586</u>

As at Jun 30, 2018

Types of counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
Central government, central government-owned entities and their subsidiaries and JVs	9,397	5,301	14,698
Local governments, local government-owned entities and their subsidiaries and JVs	—	613	613
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	460	2,242	2,702
Other entities of central governments	114	283	397
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	755	1,619	2,374
Other counterparties where the exposures are considered to be non-bank Mainland China exposures	589	664	1,253
Total	<u>11,315</u>	<u>10,722</u>	<u>22,037</u>

There were no specific provisions as at December 31, 2018 (June 30, 2018: 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, 2018	USD	KRW	TWD	THB	CNY
Currency positions					
Spot assets	76,858	2,460	1,166	344	33,210
Spot liabilities	(103,097)	(2,444)	(1,132)	(580)	(28,403)
Forward purchases	1,769,106	23,684	122,517	3,153	691,672
Forward sales	(1,725,070)	(25,919)	(126,218)	(7,495)	(704,597)
Net options position	150	—	—	—	219
Net long/(short) position including options	<u>17,947</u>	<u>(2,219)</u>	<u>(3,667)</u>	<u>(4,578)</u>	<u>(7,899)</u>

As at Jun 30, 2018	USD	JPY	CNY	TWD	THB
Currency positions					
Spot assets	74,136	5,649	23,580	2,876	1,083
Spot liabilities	(97,055)	(4,335)	(23,093)	(2,775)	(1,160)
Forward purchases	1,599,166	252,398	556,120	127,836	2,095
Forward sales	(1,563,118)	(251,908)	(558,661)	(131,692)	(5,999)
Net options position	258	—	(258)	—	—
Net long/(short) position including options	<u>13,387</u>	<u>1,804</u>	<u>(2,312)</u>	<u>(3,755)</u>	<u>(3,981)</u>

As at December 31, 2018, USD, KRW, TWD, THB and CNY (June 30, 2018: USD, JPY, CNY, TWD and THB) 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, 2018 (June 30, 2018: 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, 2018	As at Jun 30, 2018
Contingent Liabilities and Commitments		
Direct Credit Substitutes	1,946	2,660
Trade-related contingencies	2,427	3,550
Other commitments	34,480	22,553
Others (including forward asset purchases, amounts owing on partly paid shares and securities, forward forward deposits placed, asset sales or other transactions with recourse)	—	28,501
Derivatives		
Exchange rate contracts	3,539,056	3,218,749
Interest rate contracts	3,632,183	3,040,312
Others	69,441	80,342

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 deposits placed as at June 30, 2018 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, 2018	As at Jun 30, 2018
Aggregate credit risk weighted amount of the off-balance sheet instruments		
Exchange rate contracts	30,515	32,437
Interest rate contracts	23,105	20,440
Others	4,372	4,921
Fair value of the off-balance sheet instruments		
Exchange rate contracts	34,657	32,045
Interest rate contracts	25,601	26,337
Others	790	818

The contract amounts, fair values, and credit risk weighted amounts of the above derivatives do not take into account the effect of bilateral netting agreements.

VIII. Disclosure on remuneration

Please refer to the JPMorgan Chase & Co.'s proxy statement dated April 5, 2019 for the details on the remuneration policy, including the Compensation Discussion and Analysis and the JPMorgan Chase & Co.'s compensation practice and principles, director compensation and executive compensation. The proxy statement is available from JPMorgan Chase & Co.'s public website: <https://www.jpmorganchase.com/corporate/investor-relations/annual-report-proxy.htm>.

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, 2018	As at Jun 30, 2018
Capital adequacy ratio (Note 2)	15.5%	15.9%
Shareholders' funds	256,515	257,458

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, 2018	As at Jun 30, 2018
Total assets	2,622,532	2,590,050
Total liabilities	2,366,017	2,332,592
Total loans and advances (net of allowance for loan losses)	971,109	935,164
Total customer deposits	1,470,666	1,452,122

	Year ended Dec 31, 2018	Year ended Dec 31, 2017
Pre-tax profit	40,764	35,900

Remarks: The annual report of JPMorgan Chase & Co. on April 4, 2019 have been used for disclosure purpose in this Section.

SECTION C: LIQUIDITY RISK MANAGEMENT

(in millions of Hong Kong Dollars, except ratios)

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 an independent 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, reporting into the Chief Investment Office (“CIO”), Treasury and Corporate (“CTC”), Chief Risk Officer (“CRO”). Liquidity Risk Oversight’s responsibilities include, but are not limited to:

- Establishing and monitoring limits and indicators, including liquidity risk appetite;
- Monitoring and reporting internal firmwide and legal entity stress tests, and regulatory define stress testing;
- Approving or escalating for review new or updated liquidity stress assumptions;
- Defining, monitoring, and reporting liquidity risk metrics that provide insight and control into liquidity risk activities;
- Monitoring and reporting liquidity positions, balance sheet variances, and funding activities;
- Conducting ad hoc analysis to identify potential emerging liquidity risk; and
- Performing independent review of liquidity risk management processes.

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.

SECTION C: LIQUIDITY RISK MANAGEMENT (Continued)

(in millions of Hong Kong Dollars, except ratios)

Internal Stress Testing

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

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 legal entities such as regulatory, legal, or other restrictions.

Contingency Funding Plan

The Firm's Contingency Funding Plan ("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 at least annually.

Funding Strategy

As part of the Firm's overall liquidity management strategy, 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;
- Monitor exposures;
- Identify constraints on the transfer of liquidity between the Firm's legal entities; and
- Maintain the appropriate amount of surplus liquidity at a firmwide and legal entity level, where relevant.

SECTION C: LIQUIDITY RISK MANAGEMENT (Continued)

(in millions of Hong Kong Dollars, except ratios)

Liquidity Information Disclosures

I. Liquidity Ratios

	Quarter ended Dec 31, 2018 (3 month's average)	Quarter ended Sep 30, 2018 (3 month's average)	Year ended Dec 31, 2017 (12 month's average)
Average liquidity maintenance ratio	65.06%	68.96%	65.69%
Average core funding ratio	268.91%	258.47%	—

The Branch was designated as the category 2A institution by the Hong Kong Monetary Authority and thus required to comply with all the calculation and disclosure requirements related to Core Funding Ratio in accordance with the Banking (Liquidity) Rules effective from January 1, 2018.

The Liquidity Maintenance Ratio ("LMR") and Core Funding Ratio ("CFR") are computed in accordance with Section 97H of the Banking Ordinance. The average LMR and average CFR are the arithmetic mean of the average value for each calendar month of the reporting period in accordance with the Banking (Liquidity) Rules.

SECTION C: LIQUIDITY RISK MANAGEMENT (Continued)

(in millions of Hong Kong Dollars, except ratios)

II. Maturity Analysis

The table below analyses the Branch's on- and off-balance sheet into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

As at Dec 31, 2018	Repayable on demand	Up to 1 month	Over 1 month - 3 months	Over 3 months - 12 months	Over 1 year - 5 years	Over 5 years	Undated	Total
Total On-balance sheet assets (Note 3)	85,849	24,146	37,447	78,850	178,717	45,383	758	169,830
Total Off-balance sheet claims	590	—	—	—	—	—	—	590
Total On-balance sheet liabilities (Note 3)	76,649	19,396	35,203	77,749	196,107	44,274	129	169,830
Total Off-balance sheet obligations	21,411	590	163	514	1,908	2,779	—	27,365
Contractual maturity mismatch	(11,621)	4,160	2,081	587	(19,298)	(1,670)	—	
Cumulative contractual maturity mismatch	(11,621)	(7,461)	(5,380)	(4,793)	(24,091)	(25,761)	—	
As at Dec 31, 2017	Repayable on demand	Up to 1 month	Over 1 month - 3 months	Over 3 months - 12 months	Over 1 year - 5 years	Over 5 years	Undated	Total
Total On-balance sheet assets (Note 3)	61,546	18,567	34,673	96,762	187,153	42,461	729	124,558
Total Off-balance sheet claims	—	409	—	—	—	—	—	409
Total On-balance sheet liabilities (Note 3)	62,185	14,879	32,958	91,442	193,898	43,420	1,222	124,558
Total Off-balance sheet obligations	12,419	—	135	399	1,877	3,162	—	17,992
Contractual maturity mismatch	(13,058)	4,097	1,580	4,921	(8,622)	(4,121)	—	
Cumulative contractual maturity mismatch	(13,058)	(8,961)	(7,381)	(2,460)	(11,082)	(15,203)	—	

Note 3: Derivative contracts reported under the total column represents fair values not the cash flow as shown in each time bucket.

SECTION C: LIQUIDITY RISK MANAGEMENT (Continued)

(in millions of Hong Kong Dollars, except ratios)

III. Source of Funding

Significant funding instruments	As at Dec 31, 2018		As at Dec 31, 2017	
	Total amount	As % of total liabilities	Total amount	As % of total liabilities
Funding raised from connected parties	59,932	35.29%	42,001	33.72%
Funding raised from banks	2,819	1.66%	1,073	0.86%
Deposits from customers	22,311	13.14%	11,157	8.96%

There was no concentration limits on collateral pools as of December 31, 2018 (December 31, 2017: Nil).

Remarks: The HKMA Return on Liquidity Monitoring Tools (Form MA (BS) 23) as at December 31, 2018 and December 31, 2017 have been used for disclosure purpose for Maturity Analysis and Source of Funding in this section.