

**JPMORGAN CHASE BANK, N.A.**  
**HONG KONG BRANCH**  
**Key Financial Disclosure Statements**  
**for the six months ended June 30, 2017**

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

## SECTION A: BRANCH INFORMATION

### I. Unaudited Income Statement

(in millions of Hong Kong Dollars)

	Period ended		Period ended	
	Jun 30, 2017		Jun 30, 2016	
Interest income		416		350
Interest expense		(191)		(132)
Other operating income				
Gains less losses arising from trading in foreign currencies		(627)		(121)
Gains less losses on securities held for trading purposes		(5)		10
Gains less losses from other trading activities		528		203
Net fees and commission income				
Gross fees and commission income	3,617		3,167	
Gross fees and commission expenses	<u>(109)</u>	3,508	<u>(25)</u>	3,142
Others		<u>17</u>		<u>-</u>
Operating income		3,646		3,452
Operating expenses				
Staff costs	(1,854)		(2,001)	
Premises expenses	(332)		(285)	
Equipment expenses	(207)		(203)	
Travel & entertainment expenses	(64)		(59)	
Others	<u>(1,068)</u>	(3,525)	<u>(1,021)</u>	(3,569)
Impairment charges on loans and advances		(303)		-
Gains less losses from disposal of fixed assets		<u>13</u>		<u>15</u>
Loss before taxation		(169)		(102)
Taxation		<u>17</u>		<u>9</u>
Loss after taxation		<u>(152)</u>		<u>(93)</u>

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

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### II. Unaudited Balance Sheet Information

(in millions of Hong Kong Dollars)

<b>Assets</b>	<b>As at Jun 30, 2017</b>	<b>As at Dec 31, 2016</b>
Due from Exchange Fund	2,374	3,915
Cash and balances with banks	5,453	4,841
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	711	1,262
Amount due from overseas offices of the institution	36,933	39,904
Trade bills	770	731
Certificates of deposit held	-	400
Securities held for trading purposes	1,594	-
Loans and receivables	65,495	93,761
Investment securities	5,899	5,896
Other investments	116	116
Property, plant and equipment and investment properties	<u>555</u>	<u>650</u>
Total assets	<u><u>119,900</u></u>	<u><u>151,476</u></u>
 <b>Liabilities</b>		
Deposits and balances from banks	5,712	4,898
Deposits from customers		
Demand deposits and current accounts	33,212	34,597
Time, call and notice deposits	3,028	3,037
Amount due to overseas offices of the institution	26,547	27,716
Other liabilities	<u>51,401</u>	<u>81,228</u>
Total liabilities	<u><u>119,900</u></u>	<u><u>151,476</u></u>

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

### III. Additional Balance Sheet Information

(in millions of Hong Kong Dollars, except ratios)

(i) Loans and receivables

	As at Jun 30, 2017	As at Dec 31, 2016
Loans and advances to customers	15,659	14,158
Loans and advances to banks	78	775
Accrued interest and other accounts	1,587	916
Derivatives receivables	48,301	77,912
Impairment charges on loans and receivables (Note 1)		
- Collective provisions	-	-
- Specific provisions	(130)	-
	<u>65,495</u>	<u>93,761</u>

*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\$104,146,000 as at June 30, 2017 (December 31, 2016: HK\$242,048,000).*

*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 Jun 30, 2017	As at Dec 31, 2016
The following countries or geographical segments have gross impaired loans and advances to customers:		
Hong Kong	<u>290</u>	<u>-</u>
Total	<u>290</u>	<u>-</u>
The following countries or geographical segments have specific provisions made for such loans and advances to customers:		
Hong Kong	<u>(130)</u>	<u>-</u>
Total	<u>(130)</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	1.85%	0.00%

Impaired loans and advances are individually assessed loans which exhibit objective evidence of impairment on an individual basis. The gross impaired loans and advances to customers have been charged off by HK\$173,500,000 as at June 30, 2017 (December 31, 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) There were no impaired loans and advances to banks and other financial institutions as at June 30, 2017 (December 31, 2016: Nil).

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

	As at Jun 30, 2017	As at Dec 31, 2016
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
Manufacturing	51	54
Information technology	484	1,467
Wholesale and retail trade	290	510
Financial concerns	-	1
Others	6,000	6,000
Trade finance	6,709	2,587
Loans and advances for use outside Hong Kong	<u>2,125</u>	<u>3,539</u>
	<u>15,659</u>	<u>14,158</u>

Balance of loans and advances covered by collateral or other security as of June 30, 2017 was HK\$776,991,000 (December 31, 2016 was HK\$950,183,000).

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

	As at Jun 30, 2017	As at Dec 31, 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 June 30, 2017 (December 31, 2016: Nil).

There were no collaterals held against overdue loans as at June 30, 2017 (December 31, 2016: Nil).

There were no overdue trade bills and debt securities at the Branch as at June 30, 2017 (December 31, 2016: Nil).

(vi) There were no rescheduled loans and advances to customers, banks and financial institutions as at June 30, 2017 (December 31, 2016: Nil).

(vii) There were no repossessed assets held at the Branch as at June 30, 2017 (December 31, 2016: Nil).

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

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### 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 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

**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

(ix) Other liabilities

**As at Jun 30, 2017**

**As at Dec 31, 2016**

Accrued expenses and other accounts	2,998	3,698
Derivatives payables	<u>48,403</u>	<u>77,530</u>
	<u>51,401</u>	<u>81,228</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		
<b>As at Jun 30, 2017</b>						
Developed countries	38,021	-	2	2,640	-	40,633
Offshore centers	3,792	3	96	4,826	237	8,954
Developing Asia and Pacific	1,437	1,822	193	2,220	-	5,672
<b>As at Dec 31, 2016</b>						
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

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 (December 31, 2016: developed countries, offshore centers and developing Asia and Pacific) constituted 10% or more of the international claims as at June 30, 2017.

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

### V. Non-Bank Mainland Exposures

(in millions of Hong Kong Dollars)

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>

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>

There were no specific provisions as at June 30, 2017 (December 31, 2016: Nil).

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



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

### VI. Currency Risk

(in millions of Hong Kong Dollars)

<b>As at Jun 30, 2017</b>	USD	JPY	IDR	THB	CNY
<b>Currency positions</b>					
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net long/(short) position	<u>5,149</u>	<u>2,613</u>	<u>1,073</u>	<u>(4,300)</u>	<u>(3,729)</u>
<b>As at Dec 31, 2016</b>	USD	CNY	THB		
<b>Currency positions</b>					
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 June 30, 2017, USD, JPY, IDR, THB and CNY (December 31, 2016: USD, CNY 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 June 30, 2017 (December 31, 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 Jun 30, 2017	As at Dec 31, 2016
Contingent Liabilities and Commitments		
Direct Credit Substitutes	2,050	2,302
Trade-related contingencies	2,768	5,133
Other commitments	30,570	34,342
Others (including forward asset purchases, amounts owing on partly paid shares and securities, forward forward deposits placed, asset sales or other transactions with recourse)	224	2,602
Derivatives		
Exchange rate contracts	2,460,245	2,354,244
Interest rate contracts	2,892,830	2,724,712
Others	19,588	2,612

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 June 30, 2017 and December 31, 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 Jun 30, 2017	As at Dec 31, 2016
Aggregate credit risk weighted amount of the off-balance sheet instruments		
Exchange rate contracts	27,464	38,556
Interest rate contracts	21,433	22,585
Others	1,735	120
Fair value of the off-balance sheet instruments		
Exchange rate contracts	21,952	48,196
Interest rate contracts	25,655	29,608
Others	694	108

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

	Period ended Jun 30, 2017	Period ended Jun 30, 2016
Average liquidity maintenance ratio	64.44%	61.45%

The Liquidity Maintenance Ratio (“LMR”) is computed in accordance with Section 97H of the Banking Ordinance. The average LMR is the six-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

*(in thousands of US Dollars)*

The Branch has complied with Part 3 (disclosure on remuneration) of CG-5 guideline issued by the Hong Kong Monetary Authority, below are the disclosures made pursuant to the requirements set out:

- (i) The design and implementation of the remuneration system

Please refer to the JPMorgan Chase & Co.’s proxy statement dated April 5, 2017 for details on the remuneration policy, including the Compensation Discussion and Analysis and the JPMorgan Chase & Co.’s compensation practice and principles. The proxy statement is available from JPMorgan Chase & Co.’s public website.

- (ii) The quantitative information on remuneration for senior management and key personnel for the year ended December 31, 2016 and 2015 are as follows:

	<u>Senior Management</u>		<u>Key Personnel</u>	
	2016	2015	2016	2015
<b>Fixed remuneration</b>				
Cash-based (non-deferred)	2,873	2,998	2,608	4,035
<b>Variable remuneration</b>				
Cash-based (non-deferred)	4,136	3,882	2,344	2,723
Shares and share-linked instruments (deferred)	2,595	2,156	1,262	1,466
<b>Outstanding Deferred Remuneration (Share-linked)</b>				
Vested	6,581	2,912	1,135	4,829
Unvested	<u>7,577</u>	<u>7,349</u>	<u>3,487</u>	<u>7,406</u>
Total	14,158	10,261	4,622	12,235
<b>Deferred Remuneration (Share-linked)</b>				
Awarded	2,817	2,586	1,316	1,935
Paid out	1,887	3,273	2,891	6,706
<b>Deferred remuneration and retained remuneration (Share-linked)</b>				
Total amount of outstanding exposed to ex post explicit and/or implicit adjustments	14,158	10,261	4,622	12,235
Total amount of reductions during the financial year due to ex post explicit adjustments	-	-	-	-
Total amount of reductions during the financial year due to ex post implicit adjustments	-	-	-	-

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

### IX. Disclosure on remuneration (continued)

(in thousands of US Dollars)

	Senior Management		Key Personnel	
	2016	2015	2016	2015
<b>Number of beneficiaries</b>				
Fixed remuneration	10	9	15	20
Variable remuneration	10	9	15	20

	Senior Management and Key Personnel (Note 2)	
	2016	2015
<b>Guaranteed bonus awarded</b>		
Number of guaranteed bonuses awarded	-	-
Total amount of guaranteed bonuses awarded	-	-
Number of beneficiaries of such payments	-	-
<b>Sign-on awards made</b>		
Number of sign-on awards made	-	-
Total amount of sign-on awards made	-	-
Number of beneficiaries of such payments	-	-
<b>Severance payments awarded and/or made</b>		
Number of severance payments awarded and/or made	1	3
Total amount of severance payments awarded and/or made	143	377
Number of beneficiaries of such payments/awards	1	3
Highest such award/payment to a single person	-	143

*Note 2: The categories of “severance payments made” and “severance payments awarded” during the financial year have been combined into one category and the disclosure for this category includes data for senior management and key personnel. The number of severance payments awarded and made and number of beneficiaries of such payments have not been disclosed as a precaution to avoid disclosing the identity of the individuals concerned.*

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

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### 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

	<b>As at Jun 30, 2017</b>	<b>As at Dec 31, 2016</b>
Capital adequacy ratio (Note 3)	15.9%	15.5%
Shareholders' funds	258,483	254,190

*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

	<b>As at Jun 30, 2017</b>	<b>As at Dec 31, 2016</b>
Total assets	2,563,174	2,490,972
Total liabilities	2,304,691	2,236,782
Total loans and advances (net of allowance for loan losses)	895,404	880,989
Total customer deposits	1,439,473	1,375,179

	<b>Six months ended Jun 30, 2017</b>	<b>Six months ended Jun 30, 2016</b>
Pre-tax profit	18,090	16,918

Remarks: The press release results of JPMorgan Chase & Co. on July 14, 2017 have been used for disclosure purpose in this Section.

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

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### **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

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### 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.