

**JPMORGAN CHASE BANK, N.A.**  
**HONG KONG BRANCH**  
**Key Financial Disclosure Statements**  
**for the six months ended June 30, 2018**

**SECTION A: BRANCH INFORMATION**

**I. Unaudited Income Statement**

*(in millions of Hong Kong Dollars)*

	<b>Period ended</b>		<b>Period ended</b>	
	<b>Jun 30, 2018</b>		<b>Jun 30, 2017</b>	
Interest income		717		416
Interest expense		(519)		(191)
Other operating income				
Gains less losses arising from trading in foreign currencies		724		(627)
Gains less losses on securities held for trading purposes		36		(5)
Gains less losses from other trading activities		(284)		528
Net fees and commission income				
Gross fees and commission income	3,727		3,617	
Gross fees and commission expenses	(86)	3,641	(109)	3,508
Others		—		17
Operating income		<u>4,315</u>		<u>3,646</u>
Operating expenses				
Staff costs	(1,946)		(1,854)	
Premises expenses	(279)		(332)	
Equipment expenses	(151)		(207)	
Travel & entertainment expenses	(58)		(64)	
Others	(1,349)	(3,783)	(1,068)	(3,525)
Impairment charges on loans and receivable		—		(303)
Gains less losses from disposal of fixed assets		9		13
Profit / (loss) before taxation		<u>541</u>		<u>(169)</u>
Tax (expense) / income		(78)		17
Profit / (loss) after taxation		<u>463</u>		<u>(152)</u>

**II. Unaudited Balance Sheet Information**

*(in millions of Hong Kong Dollars)*

<b>Assets</b>	<b>As at Jun 30, 2018</b>	<b>As at Dec 31, 2017</b>
Due from Exchange Fund	2,675	3,912
Cash and balances with banks	4,628	6,302
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	907	82
Amount due from overseas offices of the institution	68,397	40,241
Trade bills	1,172	985
Securities held for trading purposes	24	2,166
Loans and receivables	76,296	65,811
Investment securities	6,355	4,474
Other investments	115	113
Property, plant and equipment and investment properties	519	472
Total assets	<u>161,088</u>	<u>124,558</u>
<b>Liabilities</b>		
Deposits and balances from banks	3,906	4,975
Deposits from customers		
Demand deposits and current accounts	43,258	31,662
Time, call and notice deposits	4,504	3,940
Amount due to overseas offices of the institution	48,265	29,175
Other liabilities	61,155	54,806
Total liabilities	<u>161,088</u>	<u>124,558</u>

**III. Additional Balance Sheet Information**

(in millions of Hong Kong Dollar, except ratios)

(i) Loans and receivables

	As at Jun 30, 2018	As at Dec 31, 2017
Loans and advances to customers	15,502	11,706
Accrued interest and other accounts	1,594	1,574
Derivatives receivables	59,200	52,531
Impairment allowances on loans and receivables (Note 1)		
- Collective provisions	—	—
- Specific provisions	—	—
	76,296	65,811

*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\$93,149,000 as at June 30, 2018 (December 31, 2017: HK\$99,986,000).*

*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, 2018	As at Dec 31, 2017
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 June 30, 2018 (December 31, 2017: 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 June 30, 2018 (December 31, 2017: Nil).

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

	<b>As at Jun 30, 2018</b>	<b>As at Dec 31, 2017</b>
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
Manufacturing	272	43
Information technology	209	484
Transport and transport equipment	1,177	—
Others	2,355	2,345
Trade finance	9,365	6,066
Loans and advances for use outside Hong Kong	2,124	2,768
	<u>15,502</u>	<u>11,706</u>

Balance of loans and advances covered by collateral or other security as of June 30, 2018 was HK\$117,709,000 (December 31, 2017 was HK\$790,303,000).

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

	<b>As at Jun 30, 2018</b>	<b>As at Dec 31, 2017</b>
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 June 30, 2018 (December 31, 2017: Nil).

There were no collaterals held against overdue loans as at June 30, 2018 (December 31, 2017: Nil).

There were no overdue trade bills and debt securities at the Branch as at June 30, 2018 (December 31, 2017: Nil).

(vi) There were no rescheduled loans and advances to customers, banks and financial institutions as at June 30, 2018 (December 31, 2017: Nil).

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

**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

(ix) Other liabilities

**As at Jun 30, 2018**      **As at Dec 31, 2017**

Accrued expenses and other accounts	3,487	4,380
Derivatives payables	57,668	50,426
	<u>61,155</u>	<u>54,806</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		
<b>As at Jun 30, 2018</b>						
Developed countries	68,978	—	6	3,884	—	72,868
Offshore centers	3,472	4	114	11,373	157	15,120
<b>As at Dec 31, 2017</b>						
Developed countries	41,443	—	8	3,784	—	45,235
Offshore centers	4,574	1	113	5,675	239	10,602

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 (December 31, 2017: developed countries and offshore centers) constituted 10% or more of the international claims as at June 30, 2018.

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

### V. Non-Bank Mainland Exposures

(in millions of Hong Kong Dollars)

#### 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>

#### 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>

There were no specific provisions as at June 30, 2018 (December 31, 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)*

<b>As at Jun 30, 2018</b>	<b>USD</b>	<b>JPY</b>	<b>THB</b>	<b>TWD</b>	<b>CNY</b>
<b>Currency positions</b>					
Spot assets	74,136	5,649	1,083	2,876	23,580
Spot liabilities	(97,055)	(4,335)	(1,160)	(2,775)	(23,093)
Forward purchases	1,599,166	252,398	2,095	127,836	556,120
Forward sales	(1,563,118)	(251,908)	(5,999)	(131,692)	(558,661)
Net options position	258	—	—	—	(258)
Net long/(short) position including options	<u>13,387</u>	<u>1,804</u>	<u>(3,981)</u>	<u>(3,755)</u>	<u>(2,312)</u>
<b>As at Dec 31, 2017</b>	<b>USD</b>	<b>JPY</b>	<b>THB</b>	<b>TWD</b>	<b>CNY</b>
<b>Currency positions</b>					
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 June 30, 2018, USD, JPY, THB, TWD and CNY (December 31, 2017: USD, JPY, THB, TWD 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 June 30, 2018 (December 31, 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)*

	<b>As at Jun 30, 2018</b>	<b>As at Dec 31, 2017</b>
Contingent Liabilities and Commitments		
Direct Credit Substitutes	2,660	1,920
Trade-related contingencies	3,550	3,061
Other commitments	22,553	30,336
Others (including forward asset purchases, amounts owing on partly paid shares and securities, forward deposits placed, asset sales or other transactions with recourse)	28,501	—
Derivatives		
Exchange rate contracts	3,218,749	2,164,980
Interest rate contracts	3,040,312	2,924,809
Others	80,342	70,591

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 June 30, 2018 and December 31, 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.

	<b>As at Jun 30, 2018</b>	<b>As at Dec 31, 2017</b>
Aggregate credit risk weighted amount of the off-balance sheet instruments		
Exchange rate contracts	32,437	27,931
Interest rate contracts	20,440	18,775
Others	4,921	6,984
Fair value of the off-balance sheet instruments		
Exchange rate contracts	32,045	26,749
Interest rate contracts	26,337	24,888
Others	818	894

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. Liquidity**

	<b>2018</b>		<b>2017</b>
	<b>Q1</b>	<b>Q2</b>	<b>H1</b>
Average liquidity maintenance ratio	66.22%	67.74%	64.44%
Average core funding ratio	216.74%	214.05%	—

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 1 January 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.

**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, 2018 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) Senior Management comprises of the designated material risk takers on the Hong Kong Branch Committee in Registered Manager roles and on the Asia Pacific Management Committee. Key Personnel is comprise of all other designated material risk takers.

As part of our control processes, compensation of risk and control professionals is not based on the performance of the business they oversee. The compensation for independent control function professionals, including risk, compliance and audit, is ultimately determined by the functions.

(iii) The quantitative information on remuneration for senior management and key personnel for the year ended December 31, 2017 and 2016 are as follows:

	<b>Senior Management</b>		<b>Key Personnel</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Fixed remuneration</b>				
Cash-based (non-deferred)	2,601	2,873	2,102	2,608
<b>Variable remuneration</b>				
Cash-based (non-deferred)	3,442	4,136	1,707	2,344
Shares and share-linked instruments (deferred)	1,906	2,595	1,105	1,262



**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, 2018</b>	<b>As at Dec 31, 2017</b>
Capital adequacy ratio (Note 3)	15.9%	15.9%
Shareholders' funds	257,458	255,693

*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, 2018</b>	<b>As at Dec 31, 2017</b>
Total assets	2,590,050	2,533,600
Total liabilities	2,332,592	2,277,907
Total loans and advances (net of allowance for loan losses)	935,164	917,093
Total customer deposits	1,452,122	1,443,982

  

	<b>Six Months Ended</b>	<b>Six Months Ended</b>
	<b>Jun 30, 2018</b>	<b>Jun 30, 2017</b>
Pre-tax profit	21,234	18,090

Remarks: The press release results of JPMorgan Chase & Co. on July 13, 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 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. 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:

- Establishing and monitoring limits and indicators, including liquidity risk appetite;
- Monitoring and reporting internal firmwide and legal entity liquidity stress tests, and regulatory defined 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; 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 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 are able to operate in support of client needs and meet contractual and contingent financial 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 compliance with regulatory requirements related to funding and liquidity risk; 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.