

JPMORGAN CHASE BANK, N.A.

HONG KONG BRANCH

JPMorgan Chase Bank, N.A., organized under the laws of U.S.A. with limited liability

**Key Financial Disclosure Statements
for the six months ended June 30, 2022**

SECTION A: BRANCH INFORMATION

I. Unaudited Income Statement

(in millions of Hong Kong Dollars)

	Period ended		Period ended	
	Jun 30, 2022		Jun 30, 2021	
Interest income		513		393
Interest expense		(204)		(116)
Other operating income				
Gains less losses arising from trading in foreign currencies		1,306		398
Gains less losses on securities held for trading purposes		(3)		18
Gains less losses from other trading activities		(560)		235
Net fees and commission income				
Gross fees and commission income	4,247		4,504	
Gross fees and commission expenses	(326)	3,921	(303)	4,201
Others		20		2
Operating income		4,993		5,131
Operating expenses				
Staff costs	(2,106)		(1,924)	
Premises expenses	(283)		(273)	
Equipment expenses	(193)		(185)	
Travel & entertainment expenses	(29)		(20)	
Others	(1,819)	(4,430)	(1,712)	(4,114)
Impairment losses and provisions for impaired loans and receivables		(1,203)		(176)
Gains less losses from disposal of fixed assets		(1)		—
(Loss)/Profit before taxation		(641)		841
Tax credit/(expense)		170		(143)
(Loss)/Profit after taxation		(471)		698

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

II. Unaudited Balance Sheet Information

(in millions of Hong Kong Dollars)

Assets	As at Jun 30, 2022	As at Dec 31, 2021
Due from Exchange Fund	11,818	11,736
Cash and balances with banks	11,726	6,507
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	—	183
Amount due from overseas offices of the institution	55,800	67,394
Trade bills, net of impairment allowance	1,079	940
Securities held for trading purposes	250	2,828
Loans and receivables	183,376	135,780
Investment securities	7,629	6,833
Other investments	99	101
Property, plant and equipment and investment properties	4,975	5,267
Total assets	<u>276,752</u>	<u>237,569</u>
Liabilities		
Deposits and balances from banks	6,474	7,880
Deposits from customers		
Demand deposits and current accounts	46,578	48,568
Time, call and notice deposits	850	9,434
Amount due to overseas offices of the institution	53,065	50,082
Other liabilities	169,720	121,352
Provisions	65	253
Total liabilities	<u>276,752</u>	<u>237,569</u>

III. Additional Balance Sheet Information

(in millions of Hong Kong Dollar)

(i) Loans and receivables

	As at Jun 30, 2022	As at Dec 31, 2021
Loans and advances to customers	17,272	19,034
Loans and advances to banks	4,042	3,899
Accrued interest and other accounts	5,698	7,252
Derivatives receivables	158,070	105,906
Provision for impaired loans, receivables and other accounts		
- Collective provisions	(1,706)	(311)
- Specific provisions	—	—
	<u>183,376</u>	<u>135,780</u>

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) Gross amount of loans and advances to customers by major country or geographical segments

	As at Jun 30, 2022
The following countries or areas have constituted 10% or more of the aggregate gross amount of loans and advances to customers:	
Hong Kong	7,263
China	4,219
United States	3,798
	As at Dec 31, 2021
The following countries or areas have constituted 10% or more of the aggregate gross amount of loans and advances to customers:	
Hong Kong	7,404
United States	5,119
Thailand	3,405

Loans and advances to customers are on-balance sheet exposures of counterparties based on the location of the counterparties.

III. Additional Balance Sheet Information (Continued)

(in millions of Hong Kong Dollar, except ratios)

(iii) Impaired loans and advances to customers

Impaired Loans are identified in accordance with the definitions set out in the Return of Loans and Advances and Provision (Form MA(BS)2A) issued by HKMA, where loans and advances have been classified as “substandard”, “doubtful” and “loss” are reported.

Comparative figures as at Dec 31, 2021 presented below has been restated to conform with the above definition on impaired loans and advances to customers.

	As at Jun 30, 2022	As at Dec 31, 2021 (restated)
The following countries or geographical segments have gross impaired loans and advances to customers:		
Hong Kong	1	1
Asia Pacific excluding Hong Kong	205	56
	<u>206</u>	<u>57</u>
Percentage of such loans and advances to the total loans and advances to customers	1.19%	0.30%

There were no specific provisions made for impaired loans and advances to customers.

There were no collateral which has been taken into account in respect of such loans and advances to which the specific provisions relate.

Loans and advances to customers are on-balance sheet exposures of counterparties based on the location of the counterparties.

(iv) Impaired loans and advances to banks

Impaired Loans are identified in accordance with the definitions set out in the Return of Loans and Advances and Provision (Form MA(BS)2A) issued by HKMA, where loans and advances have been classified as “substandard”, “doubtful” and “loss” are reported.

Comparative figures as at Dec 31, 2021 presented below has been restated to conform with the above definition on impaired loans and advances to banks.

	As at Jun 30, 2022	As at Dec 31, 2021 (restated)
The following countries or geographical segments have gross impaired loans and advances to banks:		
Asia Pacific excluding Hong Kong	—	1,044
Percentage of such loans and advances to the total loans and advances to banks	— %	26.78%

There were no specific provisions made for impaired loans and advances to banks.

There were no collateral which has been taken into account in respect of such loans and advances to which the specific provisions relate.

III. Additional Balance Sheet Information (Continued)

(in millions of Hong Kong Dollars)

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

	As at Jun 30, 2022	As at Dec 31, 2021
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
Property development	569	565
Financial concerns	61	—
Wholesale and retail trade	404	457
Manufacturing	1,569	3
Transport and transport equipment	1	830
Information technology	5,436	2,491
Others	6	300
Trade finance	5,786	7,458
Loans and advances for use outside Hong Kong	3,440	6,930
	<u>17,272</u>	<u>19,034</u>

Balance of loans and advances covered by collateral or other security as of June 30, 2022 was HK\$740 millions (December 31, 2021 was HK\$790 millions).

(vi) Overdue loans and advances to customers and banks

There were no overdue loans and advances to customers and banks as at June 30, 2022 (December 31, 2021: Nil).

There were no collateral held against overdue loans as at June 30, 2022 (December 31, 2021: Nil).

There were no specific provisions made on such overdue loans and advances as at June 30, 2022 (December 31, 2021: Nil).

(vii) There were no rescheduled loans and advances to customers and banks as at June 30, 2022 (December 31, 2021: Nil).

(viii) There were no overdue other assets (including trade bills and debt securities) as at June 30, 2022 (December 31, 2021: Nil).

(ix) There were no repossessed assets held as at June 30, 2022 (December 31, 2021: Nil).

(x) Other liabilities

	As at Jun 30, 2022	As at Dec 31, 2021
Accrued expenses and other accounts	9,231	11,423
Derivatives payables	160,489	109,929
	<u>169,720</u>	<u>121,352</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 Jun 30, 2022						
Developed countries	60,035	—	47	5,474	—	65,556
Offshore centers	4,264	3	109	8,316	1,608	14,300
Developing Asia and Pacific	6,193	3,328	968	4,144	—	14,633
As at Dec 31, 2021						
Developed countries	68,423	—	323	10,087	—	78,833
Offshore centers	4,269	2	1,380	4,884	539	11,074
Developing Asia and Pacific	5,577	5,079	488	5,031	—	16,175

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, 2021: developed countries, offshore centers and developing Asia and Pacific) constituted 10% or more of the international claims as at June 30, 2022.

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

V. Non-Bank Mainland Exposures

(in millions of Hong Kong Dollars, excepts ratios)

As at Jun 30, 2022

Types of counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	1,130	6,976	8,106
Local governments, local government-owned entities and their subsidiaries and JVs	—	118	118
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	4,258	8,679	12,937
Other entities of central governments	942	283	1,225
Other entities of local governments	—	—	—
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	624	96	720
Other counterparties where the exposures are considered to be non-bank Mainland China exposures	3,952	622	4,574
Total	<u>10,906</u>	<u>16,774</u>	<u>27,680</u>
Total assets after provisions	276,687		
On-balance sheet exposures as percentage of total assets	3.94 %		

As at Dec 31, 2021

Types of counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	4,785	6,875	11,660
Local governments, local government-owned entities and their subsidiaries and JVs	—	78	78
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3,383	7,910	11,293
Other entities of central governments	1,081	2	1,083
Other entities of local governments	3	78	81
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,418	2,495	3,913
Other counterparties where the exposures are considered to be non-bank Mainland China exposures	835	4,292	5,127
Total	<u>11,505</u>	<u>21,730</u>	<u>33,235</u>
Total assets after provisions	237,316		
On-balance sheet exposures as percentage of total assets	4.85 %		

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 Jun 30, 2022	USD	INR	AUD	THB	JPY	TWD	Total	
Currency positions								
Spot assets	153,201	962	1,801	633	3,514	7,001	167,112	
Spot liabilities	(175,721)	(1,103)	(505)	(610)	(2,708)	(6,895)	(187,542)	
Forward purchases	2,095,391	20,094	11,382	453	55,414	297,264	2,479,998	
Forward sales	(2,064,701)	(20,083)	(11,391)	(1,575)	(58,142)	(303,932)	(2,459,824)	
Net options position	(2,137)	2,137	—	—	616	(364)	252	
Net long/(short) position including options	<u>6,033</u>	<u>2,007</u>	<u>1,287</u>	<u>(1,099)</u>	<u>(1,306)</u>	<u>(6,926)</u>	<u>(4)</u>	
As at Dec 31, 2021	USD	CNY	AUD	JPY	IDR	THB	TWD	Total
Currency positions								
Spot assets	138,008	41,352	552	2,484	72	159	1,599	184,226
Spot liabilities	(159,624)	(34,592)	(1,009)	(2,845)	(158)	(444)	(1,643)	(200,315)
Forward purchases	1,867,270	946,542	21,071	62,841	1,870	545	436,280	3,336,419
Forward sales	(1,843,846)	(951,703)	(19,346)	(63,421)	(2,933)	(1,420)	(439,689)	(3,322,358)
Net options position	(566)	—	—	—	—	—	—	(566)
Net long/(short) position including options	<u>1,242</u>	<u>1,599</u>	<u>1,268</u>	<u>(941)</u>	<u>(1,149)</u>	<u>(1,160)</u>	<u>(3,453)</u>	<u>(2,594)</u>

As at June 30, 2022, USD, INR, AUD, THB, JPY and TWD (December 31, 2021: USD, CNY, AUD, JPY, IDR, THB and TWD) 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, 2022 (December 31, 2021: 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 Jun 30, 2022	As at Dec 31, 2021
Contingent Liabilities and Commitments		
Direct credit substitutes	665	659
Transaction-related contingencies	—	—
Trade-related contingencies	4,148	6,837
Note issuance and revolving underwriting facilities	—	—
Other commitments	20,814	23,905
Others (including forward asset purchases, amounts owing on partly paid-up shares and securities, forward deposits placed, asset sales or other transactions with recourse)	367	346
Derivatives		
Exchange rate-related derivative contracts	4,449,082	3,999,163
Interest rate derivative contracts	3,977,757	3,701,742
Others	77,726	72,167

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 deposits placed as at June 30, 2022 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, 2022	As at Dec 31, 2021
Fair value of the off-balance sheet instruments		
Exchange rate-related derivative contracts	42,144	31,711
Interest rate derivative contracts	124,189	74,472
Others	796	1,018

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

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 Jun 30, 2022	As at Dec 31, 2021
Capital adequacy ratio (Note 1)	15.7%	16.8%
Shareholders' funds	286,143	294,127

Note 1: 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 Jun 30, 2022	As at Dec 31, 2021
Total assets	3,841,314	3,743,567
Total liabilities	3,555,171	3,449,440
Total loans and advances (net of allowance for loan losses)	1,086,405	1,061,328
Total customer deposits	2,471,544	2,462,303

	Six Months Ended Jun 30, 2022	Six Months Ended Jun 30, 2021
Pre-tax profit	20,928	32,794

Remarks: The quarterly earnings report of JPMorgan Chase & Co. on July 14, 2022 has been used for disclosure purpose in this Section.

SECTION C: LIQUIDITY RISK MANAGEMENT

Liquidity Risk

Liquidity risk is the risk that JPMorgan Chase & Co. (the “Firm” or “JPMC”), including the JPMorgan Chase Bank, 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 Liquidity Risk Oversight (“LRO”) group within Chief Investment Office, Treasury, and Corporate (“CTC”) Risk is part of the Independent Risk Management function, reporting to the CTC Chief Risk Officer who also serves as the Firmwide Risk Executive Liquidity Risk. LRO is responsible for the independent assessment, measuring, monitoring, and control of liquidity risk across the firm. LRO’s responsibilities include, but are not limited to:

- Defining, monitoring and reporting liquidity risk metrics;
- Independently establishing and monitoring limits and indicators, including liquidity risk appetite;
- Developing a process to classify, monitor and report limit breaches;
- Performing independent review of liquidity risk management processes;
- Monitoring and reporting internal firmwide and legal entity stress tests and regulatory defined stress tests;
- Approving or escalating for review new or updated liquidity stress assumptions; and
- Monitoring and reporting liquidity positions, balance sheet variances and funding activities.

Risk Governance and Measurement

APAC Asset Liability Management (“ALM”) Risk team which reports into Head of International ALM Risk is responsible for the Liquidity Risk Oversight for APAC legal entities. Regional liquidity risk oversight in Asia Pacific is governed by the APAC Risk Committee chaired by the APAC Chief Risk Officer.

LRO 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 Capital and Liquidity Committee or Asia Pacific Risk Committee.

SECTION C: LIQUIDITY RISK MANAGEMENT (Continued)

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") sets out the strategies for addressing and managing liquidity resource needs during a liquidity stress event and incorporates liquidity risk limits, indicators and risk appetite tolerances that make up Liquidity Escalation Points. The CFP also identifies the alternative contingent funding and liquidity resources available to the Firm and its legal entities (including the Branch) in a period of stress. The Branch is an integral part of the firmwide CFP framework.

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

Liquidity Management

The primary objectives of the Firm's 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 financial obligations through normal economic cycles as well as during stress events, and
- Manage an optimal funding mix and availability of liquidity sources.

As part of the Firm's overall liquidity management strategy, the Firm manages liquidity and funding using a centralized, global approach 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 Management (Continued)

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

- Analyzing and understanding the liquidity characteristics of the assets and liabilities of the Firm, LOBs and legal entities, taking into account legal, regulatory, and operational restrictions;
- Developing internal liquidity stress testing assumptions;
- Defining and monitoring Firmwide and legal entity-specific liquidity strategies, policies, reporting and contingency funding plans;
- Managing liquidity within the Firm's approved liquidity risk appetite tolerances and limits;
- Managing compliance with regulatory requirements related to funding and liquidity risk; and
- Setting FTP in accordance with underlying liquidity characteristics of balance sheet assets and liabilities as well as certain off-balance sheet items.

I. Liquidity Ratios

	3 month's average of Q2 2022	3 month's average of Q2 2021
Average liquidity maintenance ratio	84.38 %	83.81 %
Average core funding ratio	187.45 %	217.65 %

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.