

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, 2023**

SECTION A: BRANCH INFORMATION

I. Unaudited Income Statement

(in millions of Hong Kong Dollars)

	Period ended		Period ended	
	Jun 30, 2023		Jun 30, 2022	
Interest income		2,251		513
Interest expense		(1,596)		(204)
Other operating income				
Gains less losses arising from trading in foreign currencies		293		1,306
Gains less losses on securities held for trading purposes		(11)		(3)
Gains less losses from other trading activities		128		(560)
Net fees and commission income				
Gross fees and commission income	5,348		4,247	
Gross fees and commission expenses	(187)	5,161	(326)	3,921
Others		—		20
Operating income		<u>6,226</u>		<u>4,993</u>
Operating expenses				
Staff costs	(2,145)		(2,106)	
Premises expenses	(314)		(283)	
Equipment expenses	(172)		(193)	
Travel & entertainment expenses	(60)		(29)	
Others	(2,015)	(4,706)	(1,819)	(4,430)
Impairment losses and provisions for impaired loans and receivables		600		(1,203)
Gains less losses from disposal of fixed assets		—		(1)
Profit / (loss) before taxation		<u>2,120</u>		<u>(641)</u>
Tax (expense) / credit		(347)		170
Profit / (loss) after taxation		<u><u>1,773</u></u>		<u><u>(471)</u></u>

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

II. Unaudited Balance Sheet Information

(in millions of Hong Kong Dollars)

Assets	As at Jun 30, 2023	As at Dec 31, 2022 (restated)
Due from Exchange Fund	2,819	3,064
Cash and balances with banks	11,019	17,336
Placements with banks which have a residual contractual maturity of		
Less than or equal to one month	6,447	1,434
More than one month but not more than twelve months	28	—
Amount due from overseas offices of the institution	70,144	59,606
Trade bills, net of impairment allowance	776	617
Securities held for trading purposes	33	57
Loans and receivables, net of impairment allowance	157,033	210,506
Investment securities	4,570	5,696
Other investments	94	97
Property, plant and equipment and investment properties	4,196	4,466
Total assets	<u>257,159</u>	<u>302,879</u>
Liabilities		
Deposits and balances from banks	8,395	6,588
Deposits from customers		
Demand deposits and current accounts	69,955	62,846
Time, call and notice deposits	1,450	809
Amount due to overseas offices of the institution	33,133	40,554
Other liabilities	144,201	192,059
Provisions	25	23
Total liabilities	<u>257,159</u>	<u>302,879</u>

III. Additional Balance Sheet Information

(in millions of Hong Kong Dollar)

(i) Loans and receivables

	As at Jun 30, 2023	As at Dec 31, 2022
Loans and advances to customers	16,338	16,633
Loans and advances to banks	2,149	3,404
Accrued interest and other accounts	3,882	5,704
Derivatives receivables	135,999	186,693
Provision for impaired loans, receivables and other accounts		
- Collective provisions	(1,335)	(1,928)
- Specific provisions	—	—
	<u>157,033</u>	<u>210,506</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, 2023
The following countries or areas have constituted 10% or more of the aggregate gross amount of loans and advances to customers:	
Hong Kong	7,587
China	3,966
United States	3,017
	As at Dec 31, 2022
The following countries or areas have constituted 10% or more of the aggregate gross amount of loans and advances to customers:	
Hong Kong	6,186
China	4,142
United States	3,768

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.

	As at Jun 30, 2023	As at Dec 31, 2022
The following countries or geographical segments have gross impaired loans and advances to customers:		
Asia Pacific	135	218
Western & Eastern Europe	—	114
	<u>135</u>	<u>332</u>
Percentage of such loans and advances to the total loans and advances to customers	0.83%	2.00%

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.

There were no impaired loans and advances to banks as at June 30, 2023 (December 31, 2022: Nil).

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, 2023	As at Dec 31, 2022
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
Property development	547	565
Financial concerns	1,061	1,646
Stockbrokers	3,680	—
Wholesale and retail trade	242	122
Manufacturing	317	1,561
Transport and transport equipment	55	76
Information technology	4,874	5,335
Trade finance	5,088	5,323
Loans and advances for use outside Hong Kong	474	2,005
	<u>16,338</u>	<u>16,633</u>

Balance of loans and advances covered by collateral or other security as of June 30, 2023 was HK\$561 million (December 31, 2022 was HK\$456 million).

(vi) Overdue loans and advances to customers and banks

There were no overdue loans and advances to customers and banks as at June 30, 2023 (December 31, 2022: Nil).

There were no collateral held against overdue loans as at June 30, 2023 (December 31, 2022: Nil).

There were no specific provisions made on such overdue loans and advances as at June 30, 2023 (December 31, 2022: Nil).

(vii) There were no rescheduled loans and advances to customers and banks as at June 30, 2023 (December 31, 2022: Nil).

(viii) There were no overdue other assets (including trade bills and debt securities) as at June 30, 2023 (December 31, 2022: Nil).

(ix) There were no repossessed assets held as at June 30, 2023 (December 31, 2022: Nil).

(x) Other liabilities

	As at Jun 30, 2023	As at Dec 31, 2022
Accrued expenses and other accounts	8,643	8,339
Derivatives payables	135,558	183,720
	<u>144,201</u>	<u>192,059</u>

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IV. International claims

(in millions of Hong Kong Dollars)

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. Claims on individual countries and territories or areas, after risk transfer, amounting to 10% or more of the international claims are as follows:

	Banks	Official sector	Non-bank private sector		Others	Total
			Non-bank financial institutions	Non-financial private sector		
As at Jun 30, 2023						
Developed countries	73,471	—	400	6,184	—	80,055
<i>of which: United States</i>	67,433	—	205	9,683	—	77,321
Offshore centers	11,377	2	5,493	4,543	555	21,970
<i>of which: Hong Kong</i>	9,057	2	4,428	6,563	555	20,605
As at Dec 31, 2022						
Developed countries	52,999	—	30	12,780	—	65,809
<i>of which: United States</i>	52,651	—	123	12,526	—	65,300
Offshore centers	25,331	2	917	(1,071)	3,022	28,201
<i>of which: Hong Kong</i>	17,244	2	47	6,869	3,022	27,184

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V. Non-Bank Mainland Exposures

(in millions of Hong Kong Dollars, excepts ratios)

The analysis of Non-Bank Mainland Exposures are identified in accordance with the definitions set out in MA(BS)20 Return of Mainland Activities issued by the HKMA.

As at Jun 30, 2023

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)	1,499	7,466	8,965
Local governments, local government-owned entities and their subsidiaries and JVs	—	144	144
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,780	8,826	10,606
Other entities of central governments	—	279	279
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	181	78	259
Other counterparties where the exposures are considered to be non-bank Mainland China exposures	3,946	598	4,544
Total	7,406	17,391	24,797
Total assets after provisions	257,134		
On-balance sheet exposures as percentage of total assets	2.88 %		

As at Dec 31, 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)	814	8,365	9,179
Local governments, local government-owned entities and their subsidiaries and JVs	—	117	117
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3,663	8,882	12,545
Other entities of central governments	781	273	1,054
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	985	468	1,453
Other counterparties where the exposures are considered to be non-bank Mainland China exposures	3,933	778	4,711
Total	10,176	18,883	29,059
Total assets after provisions	302,856		
On-balance sheet exposures as percentage of total assets	3.36 %		

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)

The following is the summary of the major foreign currency exposures in accordance with the definitions set out in MA(BS)6 Return of Foreign Currency Position issued by the HKMA.

As at Jun 30, 2023	INR	CNY	SGD	KRW	THB	TWD
Currency positions						
Spot assets	1,150	59,465	1,932	14,436	339	4,696
Spot liabilities	(1,338)	(60,813)	(1,909)	(14,411)	(233)	(4,539)
Forward purchases	16,228	996,074	46,029	7,422	1,071	255,568
Forward sales	(16,002)	(995,242)	(45,449)	(7,979)	(1,824)	(260,128)
Net options position	1,775	1,234	—	(54)	—	(28)
Net long/(short) position	<u>1,813</u>	<u>718</u>	<u>603</u>	<u>(586)</u>	<u>(647)</u>	<u>(4,431)</u>

As at Dec 31, 2022	CNY	INR	SGD	JPY	TWD	USD
Currency positions						
Spot assets	46,084	1,161	2,379	5,190	7,162	184,829
Spot liabilities	(37,382)	(1,415)	(1,938)	(4,905)	(6,900)	(198,716)
Forward purchases	878,527	16,633	47,784	102,513	289,441	1,872,132
Forward sales	(882,517)	(16,774)	(47,314)	(104,912)	(292,789)	(1,866,331)
Net options position	(92)	2,547	—	759	(142)	(3,535)
Net long/(short) position	<u>4,620</u>	<u>2,152</u>	<u>911</u>	<u>(1,355)</u>	<u>(3,228)</u>	<u>(11,621)</u>

As at June 30, 2023, INR, CNY, SGD, KRW, THB and TWD (December 31, 2022: CNY, INR, SGD, JPY, TWD and USD) 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, 2023 (December 31, 2022: 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, 2023	As at Dec 31, 2022
Contingent Liabilities and Commitments		
Direct credit substitutes	368	675
Transaction-related contingencies	—	—
Trade-related contingencies	3,273	3,438
Note issuance and revolving underwriting facilities	—	—
Other commitments	21,402	24,295
Others (including forward asset purchases, amounts owing on partly paid-up shares and securities, forward deposits placed, asset sales or other transactions with recourse)	—	—
Derivatives		
Exchange rate-related derivative contracts	4,552,987	4,019,490
Interest rate derivative contracts	4,079,416	3,933,667
Others	59,477	76,104

For contingent liabilities and commitments, the contract amounts represent the amount at risk should the contract be fully drawn upon and the client default.

There were no forward forward deposits placed as at June 30, 2023 (December 31, 2022: Nil). 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, 2023		As at Dec 31, 2022 (restated)	
	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities
Fair value of the off-balance sheet instruments				
Exchange rate-related derivative contracts	57,997	57,121	42,812	43,477
Interest rate derivative contracts	77,172	76,799	143,003	139,805
Others	830	1,638	878	438
	<u>135,999</u>	<u>135,558</u>	<u>186,693</u>	<u>183,720</u>

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, 2023	As at Dec 31, 2022
Capital adequacy ratio (<i>Note 1</i>)	17.3%	16.8%
Shareholders' funds	312,516	292,332

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, 2023	As at Dec 31, 2022
Total assets	3,868,240	3,665,743
Total liabilities	3,555,724	3,373,411
Total loans and advances (net of allowance for loan losses)	1,278,089	1,115,921
Total customer deposits	2,398,962	2,340,179

	Six Months Ended Jun 30, 2023	Six Months Ended Jun 30, 2022
Pre-tax profit	33,553	20,928

Remarks: The quarterly earnings report of JPMorgan Chase & Co. on July 14, 2023 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. (“JPMC”), 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 Management

The Liquidity Risk Management (“LRM”) 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. LRM is responsible for the independent assessment, measuring, monitoring, and control of liquidity risk across the firm. LRM’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 metrics, as well as liquidity positions, balance sheet variances and funding activities; and
- Approving or escalating for review new or updated liquidity stress assumptions.

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 Management 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.

LRM 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 Chief Investment Office ("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, lines of business 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 fund transfer pricing 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 2023	3 month's average of Q2 2022
Average liquidity maintenance ratio	73.63 %	84.38 %
Average core funding ratio	265.74 %	187.45 %

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.