

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, 2019**

SECTION A: BRANCH INFORMATION

I. Unaudited Income Statement

(in millions of Hong Kong Dollars)

| | Period ended | | Period ended | |
|---|---------------------|---------|---------------------|---------|
| | Jun 30, 2019 | | Jun 30, 2018 | |
| Interest income | | 1,173 | | 717 |
| Interest expense | | (880) | | (519) |
| Other operating income | | | | |
| Gains less losses arising from trading in foreign currencies | | 53 | | 724 |
| Gains less losses on securities held for trading purposes | | (17) | | 36 |
| Gains less losses from other trading activities | | 103 | | (284) |
| Net fees and commission income | | | | |
| Gross fees and commission income | 4,329 | | 3,727 | |
| Gross fees and commission expenses | (314) | 4,015 | (86) | 3,641 |
| Others | | — | | — |
| Operating income | | 4,447 | | 4,315 |
| Operating expenses | | | | |
| Staff costs | (1,942) | | (1,946) | |
| Premises expenses | (252) | | (279) | |
| Equipment expenses | (133) | | (151) | |
| Travel & entertainment expenses | (64) | | (58) | |
| Others | (1,316) | (3,707) | (1,349) | (3,783) |
| Impairment losses and provisions for impaired loans and receivables | | (134) | | — |
| Gains less losses from disposal of fixed assets | | — | | 9 |
| Profit before taxation | | 606 | | 541 |
| Tax expense | | (97) | | (78) |
| Profit after taxation | | 509 | | 463 |

II. Unaudited Balance Sheet Information

(in millions of Hong Kong Dollars)

| Assets | As at Jun 30, 2019 | As at Dec 31, 2018 |
|---|---------------------------|---------------------------|
| Due from Exchange Fund | 589 | 1,440 |
| Cash and balances with banks | 7,689 | 6,114 |
| Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months | — | 134 |
| Amount due from overseas offices of the institution | 56,325 | 75,309 |
| Trade bills, net of impairment allowance | 1,572 | 1,434 |
| Certificates of deposit held | — | — |
| Securities held for trading purposes | 531 | 3,961 |
| Loans and receivables | 84,753 | 75,578 |
| Investment securities | 5,918 | 5,290 |
| Other investments | 111 | 111 |
| Property, plant and equipment and investment properties | 3,935 | 459 |
| Total assets | <u>161,423</u> | <u>169,830</u> |
| Liabilities | | |
| Deposits and balances from banks | 4,839 | 5,387 |
| Deposits from customers | | |
| Demand deposits and current accounts | 38,204 | 44,566 |
| Savings deposits | — | — |
| Time, call and notice deposits | 2,272 | 4,625 |
| Amount due to overseas offices of the institution | 41,431 | 48,094 |
| Certificates of deposit issued | — | — |
| Issued debt securities | — | — |
| Other liabilities | 74,625 | 67,158 |
| Provisions | 52 | — |
| Total liabilities | <u>161,423</u> | <u>169,830</u> |

III. Additional Balance Sheet Information

(in millions of Hong Kong Dollar)

(i) Loans and receivables

| | As at Jun 30, 2019 | As at Dec 31, 2018 |
|---|--------------------|--------------------|
| Loans and advances to customers | 12,553 | 10,771 |
| Loans and advances to banks | 1,693 | 783 |
| Accrued interest and other accounts | 4,269 | 2,976 |
| Derivatives receivables | 66,411 | 61,048 |
| Provision for impaired loans, receivables and other accounts (Note 1) | | |
| - Collective provisions | (173) | — |
| - Specific provisions | — | — |
| | 84,753 | 75,578 |

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. The collective impairment allowances on loans was booked at the Branch instead of made centrally in New York Head Office effective from January 1, 2019.

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, 2019 |
|---|--------------------|
| The following countries or areas have constituted 10% or more of the aggregate gross amount of loans and advances to customers: | |
| Hong Kong | 6,941 |
| United States | 2,312 |
| | |
| | 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 |

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

| | As at Jun 30, 2019 | As at Dec 31, 2018 |
|---|---------------------------|---------------------------|
| The following countries or geographical segments have gross impaired loans and advances to customers: | | |
| Hong Kong | 6,704 | — |
| Asia Pacific excluding Hong Kong | 3,031 | — |
| North and Latin America | 2,700 | — |
| | <u>12,435</u> | <u>—</u> |

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.

| | | |
|--|--------|-------|
| Percentage of such loans and advances to the total loans and advances to customers | 99.06% | 0.00% |
|--|--------|-------|

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

| | As at Jun 30, 2019 | As at Dec 31, 2018 |
|---|---------------------------|---------------------------|
| The following countries or geographical segments have gross impaired loans and advances to banks: | | |
| Asia Pacific excluding Hong Kong | 131 | — |

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.

| | | |
|--|-------|-------|
| Percentage of such loans and advances to the total loans and advances to banks | 7.74% | 0.00% |
|--|-------|-------|

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, 2019 | As at Dec 31, 2018 |
|--|--------------------|--------------------|
| Loans and advances for use in Hong Kong | | |
| Industrial, commercial and financial | | |
| Property development | — | — |
| Property investment | — | — |
| Financial concerns | — | — |
| Stockbrokers | — | — |
| Wholesale and retail trade | — | — |
| Manufacturing | 215 | 235 |
| Transport and transport equipment | — | 1,175 |
| Recreational activities | — | — |
| Information technology | 701 | 235 |
| Others | 51 | — |
| Individuals | — | — |
| Trade finance | 7,695 | 7,532 |
| Loans and advances for use outside Hong Kong | 3,891 | 1,594 |
| | <u>12,553</u> | <u>10,771</u> |

Balance of loans and advances covered by collateral or other security as of June 30, 2019 was HK\$198,826,725 (December 31, 2018 was HK\$256,734,000).

(vi) Overdue loans and advances to customers and banks

There were no overdue loans and advances to customers and banks as at June 30, 2019 (December 31, 2018: Nil).

There were no collateral held against overdue loans as at June 30, 2019 (December 31, 2018: Nil).

There were no specific provisions made on such overdue loans and advances as at June 30, 2019 (December 31, 2018: Nil).

(vii) There were no rescheduled loans and advances to customers and banks as at June 30, 2019 (December 31, 2018: Nil).

(viii) There were no overdue other assets (including trade bills and debt securities) as at June 30, 2019 (December 31, 2018: Nil).

(ix) There were no repossessed assets held as at June 30, 2019 (December 31, 2018: Nil).

(x) Other liabilities

| | As at Jun 30, 2019 | As at Dec 31, 2018 |
|-------------------------------------|--------------------|--------------------|
| Accrued expenses and other accounts | 8,951 | 6,324 |
| Derivatives payables | 65,674 | 60,834 |
| | <u>74,625</u> | <u>67,158</u> |

IV. International claims

| | Banks | Official sector | Non-bank private sector | | Others | Total |
|---------------------|--------|-----------------|---------------------------------|------------------------------|--------|--------|
| | | | Non-bank financial institutions | Non-financial private sector | | |
| As at Jun 30, 2019 | | | | | | |
| Developed countries | 57,302 | — | 7 | 5,009 | — | 62,318 |
| Offshore centers | 4,602 | 2 | 71 | 9,264 | 845 | 14,784 |
| 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 |

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, 2018: developed countries and offshore centers) constituted 10% or more of the international claims as at June 30, 2019.

V. Non-Bank Mainland Exposures

(in millions of Hong Kong Dollars, excepts ratios)

As at Jun 30, 2019

| 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) | 4,466 | 6,289 | 10,755 |
| Local governments, local government-owned entities and their subsidiaries and JVs | — | 712 | 712 |
| PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs | 580 | 3,099 | 3,679 |
| Other entities of central governments | 50 | 446 | 496 |
| PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China | 1,649 | 1,604 | 3,253 |
| Other counterparties where the exposures are considered to be non-bank Mainland China exposures | 1,504 | 2,156 | 3,660 |
| Total | <u>8,249</u> | <u>14,306</u> | <u>22,555</u> |
| Total assets after provisions | 161,371 | | |
| On-balance sheet exposures as percentage of total assets | 5.11% | | |

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 joint ventures (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> |
| Total assets after provisions | 169,830 | | |
| On-balance sheet exposures as percentage of total assets | 4.41% | | |

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, 2019 | USD | AUD | CNY | EUR | GBP | IDR | INR | JPY |
|---|--------------|--------------|----------------|--------------|-------------|--------------|--------------|--------------|
| Currency positions | | | | | | | | |
| Spot assets | 78,020 | 858 | 27,585 | 4,019 | 693 | 303 | 721 | 8,361 |
| Spot liabilities | (96,898) | (895) | (22,441) | (4,472) | (735) | (411) | (793) | (7,234) |
| Forward purchases | 2,095,455 | 30,369 | 745,152 | 96,892 | 35,937 | 6,712 | 16,567 | 520,850 |
| Forward sales | (2,070,920) | (31,140) | (752,407) | (96,778) | (35,937) | (4,862) | (16,831) | (519,939) |
| Net options position | (995) | 7 | (395) | — | — | (27) | — | 6 |
| Net long/(short) position including options | <u>4,662</u> | <u>(801)</u> | <u>(2,506)</u> | <u>(339)</u> | <u>(42)</u> | <u>1,715</u> | <u>(336)</u> | <u>2,044</u> |

| As at Jun 30, 2019 (Continued) | KRW | NZD | PHP | SGD | THB | TWD | Total |
|---|--------------|------------|--------------|------------|----------------|----------------|--------------|
| Currency positions | | | | | | | |
| Spot assets | 3,850 | 187 | 93 | 2,273 | 498 | 1,850 | 129,311 |
| Spot liabilities | (3,552) | (109) | (101) | (2,240) | (743) | (1,856) | (142,480) |
| Forward purchases | 30,689 | 6,943 | 3,165 | 43,972 | 4,326 | 166,141 | 3,803,170 |
| Forward sales | (29,925) | (6,854) | (3,994) | (43,768) | (8,202) | (168,345) | (3,789,902) |
| Net options position | 787 | — | — | — | — | 339 | (278) |
| Net long/(short) position including options | <u>1,849</u> | <u>167</u> | <u>(837)</u> | <u>237</u> | <u>(4,121)</u> | <u>(1,871)</u> | <u>(179)</u> |

| As at Dec 31, 2018 | USD | CNY | IDR | INR | JPY | KRW | PHP | SGD |
|---|---------------|----------------|--------------|--------------|--------------|----------------|--------------|------------|
| Currency positions | | | | | | | | |
| Spot assets | 76,858 | 33,210 | 264 | 548 | 9,637 | 2,460 | 46 | 1,696 |
| Spot liabilities | (103,097) | (28,403) | (480) | (571) | (7,132) | (2,444) | (41) | (1,999) |
| Forward purchases | 1,769,106 | 691,672 | 6,123 | 13,560 | 366,590 | 23,684 | 2,892 | 46,858 |
| Forward sales | (1,725,070) | (704,597) | (3,846) | (14,064) | (367,699) | (25,919) | (3,704) | (46,161) |
| Net options position | 150 | 219 | (236) | — | — | — | — | — |
| Net long/(short) position including options | <u>17,947</u> | <u>(7,899)</u> | <u>1,825</u> | <u>(527)</u> | <u>1,396</u> | <u>(2,219)</u> | <u>(807)</u> | <u>394</u> |

| As at Dec 31, 2018 (Continued) | THB | TWD | Total |
|---|----------------|----------------|--------------|
| Currency positions | | | |
| Spot assets | 344 | 1,166 | 126,229 |
| Spot liabilities | (580) | (1,132) | (145,879) |
| Forward purchases | 3,153 | 122,517 | 3,046,155 |
| Forward sales | (7,495) | (126,218) | (3,024,773) |
| Net options position | — | — | 133 |
| Net long/(short) position including options | <u>(4,578)</u> | <u>(3,667)</u> | <u>1,865</u> |

As at June 30, 2019, USD, AUD, CNY, EUR, GBP, IDR, INR, JPY, KRW, NZD, PHP, SGD, THB and TWD (December 31, 2018: USD, CNY, IDR, INR, JPY, KRW, PHP, SGD, 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, 2019 (December 31, 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 Jun 30, 2019 | As at Dec 31, 2018 |
|---|---------------------------|---------------------------|
| Contingent Liabilities and Commitments | | |
| Direct credit substitutes | 1,675 | 1,946 |
| Transaction-related contingencies | — | — |
| Trade-related contingencies | 3,421 | 2,427 |
| Note issuance and revolving underwriting facilities | — | — |
| Other commitments | 21,932 | 34,480 |
| Others (including forward asset purchases, amounts owing on partly paid-up shares and securities, forward forward deposits placed, asset sales or other transactions with recourse) | — | — |
| Derivatives | | |
| Exchange rate-related derivative contracts | 4,226,023 | 3,539,056 |
| Interest rate derivative contracts | 4,120,234 | 3,632,183 |
| Others | 73,567 | 69,441 |

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, 2019 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, 2019 | As at Dec 31, 2018 |
|--|---------------------------|---------------------------|
| Aggregate credit risk weighted amount of the off-balance sheet instruments | | |
| Exchange rate-related derivative contracts | 10,008 | 30,515 |
| Interest rate derivative contracts | 18,819 | 23,105 |
| Others | 4,644 | 4,372 |
| Fair value of the off-balance sheet instruments | | |
| Exchange rate-related derivative contracts | 32,104 | 34,657 |
| Interest rate derivative contracts | 33,444 | 25,601 |
| Others | 863 | 790 |

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.

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, 2019 | As at Dec 31, 2018 |
|---------------------------------|---------------------------|---------------------------|
| Capital adequacy ratio (Note 2) | 15.8% | 15.5% |
| Shareholders' funds | 263,215 | 256,515 |

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 Jun 30, 2019 | As at Dec 31, 2018 |
|---|---------------------------|---------------------------|
| Total assets | 2,727,379 | 2,622,532 |
| Total liabilities | 2,464,164 | 2,366,017 |
| Total loans and advances (net of allowance for loan losses) | 943,723 | 971,109 |
| Total customer deposits | 1,524,361 | 1,470,666 |

| | Six Months Ended Jun 30, 2019 | Six Months Ended Jun 30, 2018 |
|----------------|--|--|
| Pre-tax profit | 22,575 | 21,234 |

Remarks: The quarterly earnings report of JPMorgan Chase & Co. on July 16, 2019 has 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.

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.

SECTION C: LIQUIDITY RISK MANAGEMENT (Continued)

(in millions of Hong Kong Dollars, except ratios)

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.

I. Liquidity Ratios

| | 3 month's average of Q2 2019 | 3 month's average of Q2 2018 |
|-------------------------------------|---|---|
| Average liquidity maintenance ratio | 63.24% | 67.74% |
| Average core funding ratio | 224.83% | 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 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.