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S&P Global
China Ratings

Credit Rating Report

# JPMorgan Chase Bank (China) Company Limited

Issuer Credit Rating*: $AAA_{spc}$; Outlook: Stable

**Rating Date: February 23, 2025**
**Date of Expiry: February 22, 2026**

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* This rating is an Issuer Credit Rating (ICR). An ICR typically reflects our view of the senior unsecured credit rating of an issuer and is not specific to an individual issuance that it may issue.

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The above "Date of Expiry" refers to the validity period of this report. The rating presented in this report is effective from the rating date until the date of expiry.

## Rating Summary

| Company Name | Rating Type | Current Rating | Rating Date | Outlook/CreditWatch |
|---|---|---|---|---|
| JPMorgan Chase Bank (China) Company Limited | Issuer Credit Rating | AAA$_{spc}$ | February 23, 2025 | Stable |

| Stand-alone Credit Profile (SACP) | aa$_{spc}$+ |
|---|---|
| Anchor | a+ |
| Business Position | -1 |
| Capital & Earnings | +2 |
| Risk Position | +2 |
| Funding & Liquidity | 0 |
| Holistic Adjustment | 0 |

+

| External Support | +1 |
|---|---|
| Supporting Entity | JPMorgan Chase Bank N.A. |
| External Support | Extremely Strong |

| Issuer Credit Rating (ICR) |
|---|
| AAA$_{spc}$/Stable |

## Credit Highlights

| Key Strengths | Key Risks |
|---|---|
| — Very strong capital and very prudent risk management, with asset quality among the best in China. | — Small lending size in China. |
| — Unique advantages in cross-border banking business. | |
| — Extremely likely to receive support from its parent, who has extremely high credit quality. | |

## Peer Comparison

| | 2022 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | JPMorgan Chase Bank (China) | Commercial Bank Average | Foreign Bank Average | JPMorgan Chase Bank (China) | Commercial Bank Average | Foreign Bank Average |
| Total assets (bil.) | 63.69 | 174.48 | 76.48 | 66.66 | 196.05 | 87.47 |
| Net income (bil.) | 0.67 | 1.26 | 0.54 | 0.45 | 1.31 | 0.52 |
| Reported capital adequacy ratio (%) | 27.99 | 15.17 | 19.29 | 26.57 | 15.06 | 19.58 |
| Return on average assets (%) | 1.11 | 0.76 | 0.59 | 0.69 | 0.70 | 0.56 |
| Non-performing loan ratio (%) | - | 1.63 | 0.72 | - | 1.59 | 0.85 |
| Reserve coverage ratio (%) | Not applicable | 205.85 | 301.97 | Not applicable | 205.14 | 293.92 |

Sources: JPMorgan Chase Bank (China), NAFR, public information of banks, collected and adjusted by S&P Global (China) Ratings.

## Rating Overview

JPMorgan Chase Bank (China) maintains stable business strength and sustains unique advantages in cross-border banking businesses.

It has significantly scaled up its asset-backed securities ("ABS") investments in recent years. Amid intensifying market competition, borrowing demand from multinational corporation clients plateaus. The bank's lending size witnessed fluctuation.

Its focus on capital-light business leads to modest capital consumption. Thus its capital adequacy ratio maintains at a very high level. It enjoys solid revenue and profitability.

It keeps very prudent risk appetite, with no non-performing loans ("NPL") on its book.

Meanwhile, its parent bank continues to maintain very strong willingness and ability to provide support in time of crisis.

## Rating Outlook

The stable outlook reflects our expectation that JPMorgan Chase Bank (China)'s SACP and importance to its parent, JP Morgan Chase Bank N.A., will remain unchanged over the next two years or beyond.

**Downside Scenario:**

We may consider lowering its ICR if we believe that the bank's importance to its parent declines, or its parent's issuer credit quality deteriorates significantly. In our view, both scenarios are highly unlikely in the foreseeable future.

We may consider lowering its SACP if the bank significantly raises its risk appetite, or its capital adequacy deteriorates by a large margin.

**Upside Scenario:**

We may consider raising its SACP if its market share in China increases significantly.

## Rating History of JPMorgan Chase Bank (China) by S&P Global (China) Ratings

| Issuer Credit Ratings | Outlook/CreditWatch | Rating Date | Date of Expiry | Related Reports |
|---|---|---|---|---|
| $AAA_{spc}$ | Stable | 2020-02-24 | - | Credit Rating Report |
| $AAA_{spc}$ | Stable | 2021-02-24 | - | Credit Rating Report |
| $AAA_{spc}$ | Stable | 2022-02-24 | - | Credit Rating Report |
| $AAA_{spc}$ | Stable | 2023-02-24 | 2024-02-23 | Credit Rating Report |
| $AAA_{spc}$ | Stable | 2024-02-23 | 2025-02-22 | Credit Rating Report |
| $AAA_{spc}$ | Stable | 2025-02-23 | 2026-02-22 | Current Report |

Note: These ratings are conducted based on S&P Global (China) Ratings Financial Institutions Methodology, and no quantitative model is used.

## Related Methodologies, Models & Research

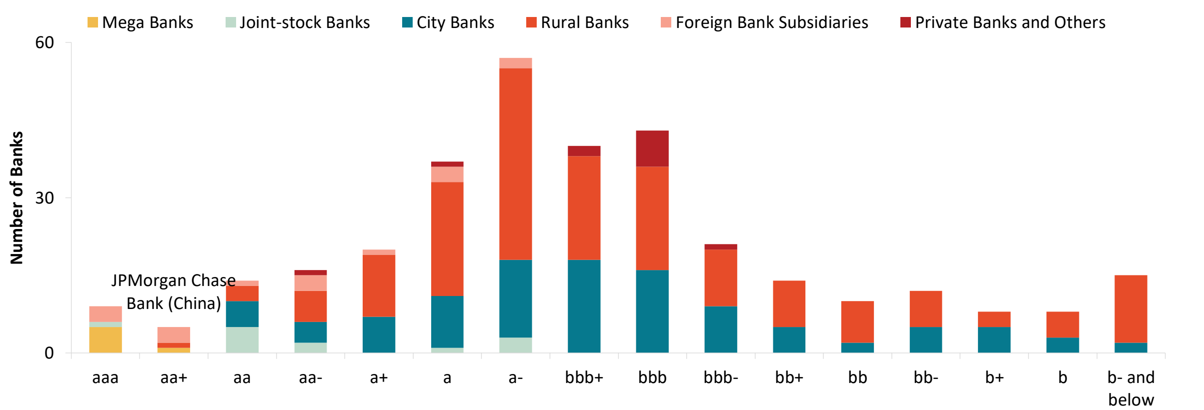
**Methodology Applied:**

— S&P Global (China) Ratings Financial Institutions Methodology
— S&P Global (China) Ratings General Considerations on Rating Modifiers and Relative Ranking

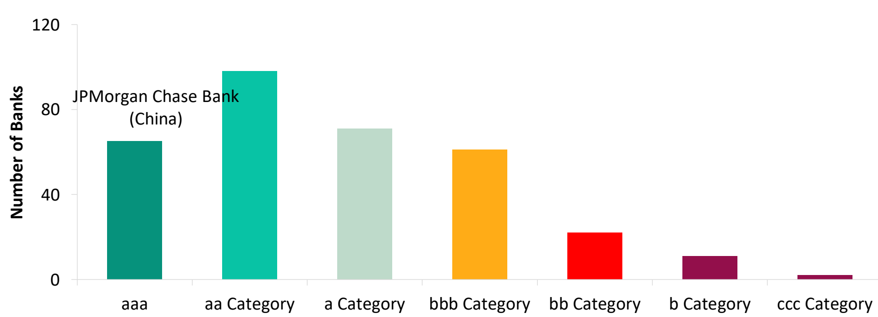
**Model Applied:** None.

## Distribution of Rating Factors for Major Banks in China


## Distribution of Stand-alone Credit Quality of Major Banks in China (Excluding External Support in Times of Need)




## Distribution of Issuer Credit Quality of Major Banks in China (Including External Support in Times of Need)




Note: The issuer credit quality distributions expressed in this page are only our indicative views of credit quality derived from a desktop analysis based on public information without interactive review with any particular entity (except for solicited rating projects) or the full credit rating process such as a rating committee. The opinions expressed herein are not and should not be represented as a credit rating and should not be taken as an indication of a final credit rating on any particular entity.

Source: S&P Global (China) Ratings.

## Declaration

No association that may affect the independence, objectivity and unbiasedness of the rating process exists between S&P Global (China) Ratings or its analysts and the rated entity, other than the engagement as a result of this credit rating project.

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This credit rating report is used to support related decision making, and does not constitute a conclusion or recommendation that any particular decision(s) should be made.

## Surveillance Plan

S&P Ratings (China) Co., Ltd. shall monitor the credit quality of the rated issuer on a periodic (if applicable) and an ongoing basis. If any material credit events are likely to change the credit quality of the issuer, we will conduct ad hoc surveillance and determine whether the outstanding ratings need to be adjusted.


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## Anchor

### Considering the economic risk and industry risk faced by China’s commercial banking industry, we typically apply an anchor of “a+” to commercial banks in China.

We expect China’s GDP growth to slow down in 2025 compared to last year’s. In our view, the government’s ongoing monetary and fiscal policies will support the real estate sector, the resolution of local government debts, and economic growth. However, a slowing global demand and the uncertainty over new government policies in the U.S. would bring more risks to China’s economy. In particular, exports may be hit by higher tariff of the U.S. and subsequently impact investment and consumer sectors.

We expect the overall credit outlook for commercial banks in China to remain stable because of ongoing government support. China’s commercial banking sector continues to report stable capital and asset quality metrics, but we continue to expect pressure on credit cost and profitability going forward. State-owned mega banks are expected to maintain stable capitalization and resilient profitability, while small- and medium-sized banks face more pressure. Therefore, we believe the SACPs of commercial banks are likely to show greater differentiation in the foreseeable future. Certain regional banks have weak capital positions, and their asset quality and profitability are sensitive to real estate and LGFV risks. Meanwhile, China’s banking sector maintains stable access to funding and sound liquidity, which wins time for small- and medium-sized banks with significant risk exposure to mitigate such risks. In our opinion, ongoing strong regulatory and government support for the banking sector should keep overall credit quality stable.

Foreign bank subsidiaries in the Chinese banking sector are small in terms of market share and scale. They are typically fully owned by their parents, sharing parents’ brand, actively engaging in cross-selling activities, and enjoying ongoing support in terms of capital injection and liquidity support. We expect strong support from the parent banks should the subsidiaries come under pressure. International banking groups generally maintain good credit quality, and strong and stable group support continue to play an important role in foreign bank subsidiaries’ overall credit quality.

While Chinese banks have enjoyed rapid growth in the past decade, most foreign bank subsidiaries have seen modest loan book growth. There are 41 foreign bank subsidiaries in total and they only have a market share of 1% in the Chinese commercial banking industry.

In recent years, many foreign bank subsidiaries’ loan books have shrunk as they adhere to their low-risk growth strategies and the industry competition intensifies.

While they are smaller than domestic banks in terms of business scale, foreign bank subsidiaries have unique advantages in cross-border and global banking services. They play a critical role in helping Chinese corporations go global and are an indispensable part of China's commercial banking industry.

Foreign bank subsidiaries have the highest capital adequacy ratios in China. As of the end of September 2024, their average capital adequacy ratio was 19.97%, 4.35 percentage points higher than the industry average. In recent years, shrinking loan business and decreasing capital consumption have led to an increase in capital adequacy for many foreign bank subsidiaries. We expect their lending business to maintain a slow growth and their capital adequacy ratios to remain at a high level in 2025.

Despite the remarkable decrease in NIM across Chinese domestic banking industry, many foreign bank subsidiaries saw milder NIM slippage compared to their Chinese peers, because they maintained higher proportion of assets denominated in foreign currencies. In 2023, foreign bank subsidiaries’ NIM dropped by 1 basis point YoY to 1.57%, compared to a decrease of 22 basis points to 1.69% for domestic banks. In the first three quarters of 2024, foreign bank subsidiaries’ NIM was 1.44%, down by 13 basis points from the beginning of the year, versus a decrease of 16 basis points to 1.53% for domestic banks during the same period.

Foreign bank subsidiaries have maintained solid asset quality and controllable credit cost. As of the end of September 2024, their average NPL loan ratio stood at 1.10%, versus domestic banks’ average of 1.56%. They rarely have exposure to LGFVs, and some have controllable real estate exposure. In our view, the challenges facing China’s real estate sector should pose only a temporary earnings strain on these foreign bank subsidiaries and have no materially negative impact on their capital adequacy and credit quality.

In addition, international banking groups have maintained good credit quality in recent years. Stable and strong group support plays an important role in ensuring the very good issuer credit quality of these China subsidiaries. The first half of 2023 saw banking turmoil in the US and Europe. Except for SPD Silicon Valley Bank which suffered direct impact, most foreign bank subsidiaries operating in China are not negatively affected by the incidents of Silicon Valley Bank and Credit Suisse.

We usually expect foreign bank subsidiaries to receive parental support in times of stress. Foreign bank subsidiaries are typically fully owned by their parents, sharing parents' brands and receiving effective parental support in terms of cross-selling activities, capital injection and liquidity. Due to massive cross-selling activities, these subsidiaries' actual contribution to parents is likely to be higher than what is reflected on their balance sheets.

Although most of these subsidiaries' contribution to their parents' income and assets is limited, considering China's very important position in the world economy, we believe that the commitment of international banks in the Chinese market is long-term and strategic.

Considering the economic risk and industry risk faced by China's commercial banking industry, we apply an anchor of a+ for JPMorgan Chase Bank (China). This anchor applies to commercial banks (including foreign bank subsidiaries) operating in China.

## Stand-alone Credit Profile

Set up in 2007, JPMorgan Chase Bank (China) is the fully owned subsidiary of JPMorgan Chase Bank N.A., which is the lead bank of JPMorgan Chase & Co. ("JPMorgan"), the holding company. JPMorgan is one of the largest and most diversified global banks in the world.

As the global bank's locally incorporated commercial bank in China, JPMorgan Chase Bank (China) is an integral part of its parent's global banking network and a key part of JPMorgan's China strategy. As of the end of 2023, it reported total assets of 66.66 billion RMB. In 2023, it generated revenue of 1.85 billion RMB and net income of 448 million RMB, with an ROAE of 3.87%. It has seven branches in China (Beijing, Shanghai, Tianjin, Chengdu, Guangzhou, Shenzhen, and Suzhou).

### 2.1 Business Position

**The bank has unique advantage in providing cross-border banking services thanks to business synergy with its parent. Meanwhile, it has a small lending size in China. Overall, we apply a one-notch downward adjustment to its business position.**

JPMorgan is one of the largest and most diversified global banks in the world. It can provide its clients with diversified and sophisticated banking services across the world, including corporate and investment banking, commercial banking, treasury services and asset management. As an integral part of one of the largest and most diversified global banks, JPMorgan Chase Bank (China) is in a unique position to provide its clients with global banking services through coordination with other entities within the JPMorgan family. Its distinctive cross-border banking advantages are backed by the strong global banking capabilities of its parent.

JPMorgan Chase Bank (China) is dedicated to providing comprehensive financial solutions for its clients. Leveraging JPMorgan's global network, it acts as a point of entry for its parent into the domestic market through providing high-quality cross-border financial services. The bank has particular strengths in trade financing, cash management and US dollar clearing services.

The bank focuses on fostering long-term relationships with its clients and maintains high lending criteria through strategically targeting superior fast-growing corporates with demand for cross-border banking services. Its client base is mainly composed of strong multinationals, large state-owned corporations, leaders in various industries, and small and medium enterprises pursuing global expansion.

The bank is actively expanding its client base of leading small and medium corporates with international business in recent years, in a bid to meet their needs for cross-border intermediary services such as payment and cash management. The number of small and medium-sized corporation clients have increased remarkably, and this sector has become a key driver for the bank's business growth over the past few years.

The bank’s strategic focus is on providing high-quality cross-border financial services, and its lending business, small in scale and prone to volatility, is not a strategic priority. In our opinion, fluctuations in its loan book size do not affect its business stability.

JPMorgan Chase Bank (China) ‘s borrowing demand mainly comes from multinational corporation clients. Due to sluggish borrowing demand from these clients in recent years, The bank's loan size has not increased significantly and has even declined during certain years. As of the end of 2023, its gross customer loans decreased by 6.47% YoY to 10.77 billion RMB. Its average gross customer loans from 2019 to 2023 were around 11.53 billion RMB. Its loan book saw a YoY increase in 2024.

Thanks to its different strategic priority, the bank has a very small market share in China in traditional lending and deposit taking businesses. As of the end of 2023, its market shares for deposits and loans in China were about 0.014% and 0.005%, respectively.

The bank’s ABS investment has rapidly expanded in recent years. As of the end of 2023, its net ABS investment doubled YoY to 9.14 billion RMB. Its invested ABS products include asset-backed notes, non-standard trusts and publicly offered loan ABS. The bank sees ABS investment as one of its key development areas going forward and plans to continuously scale up and diversify its ABS portfolio.

The bank maintains good revenue. In 2023, its operating income dropped by 9.56% YoY to 1.85 billion RMB, because income sensitive to market risk was exceptionally higher in 2022 amid substantial market volatility. Therefore, the revenue decline in 2023 is in line with expectation. In 2024, the bank’s operating income increased compared to 2023.

Due to a different business structure, its net interest income represents a smaller share of operating income compared to its Chinese peers. In 2023, its net interest income increased by 28.31% YoY to 562 million RMB, following an adjustment to its asset structure. The contribution of net interest income to operating income rose from 21.42% to 30.38%. Market-risk-sensitive income (mainly investment income, gains/losses from fair - value changes, and exchange gains/losses) was 819 million RMB, down from last year’s 1.08 billion RMB. This segment contributed 44.28% of operating income. Service fee income from collaborative business was 434 million RMB, contributing 23.44% to operating income. Net fees and commission income increased by 15.06% YoY to 35 million RMB, contributing less than 2% to operating income.

Since the income and profit that JPMorgan Chase Bank (China) generates for its parent bank through cross-selling activities are not fully reflected in its own financial statements, the bank's business strength, business stability, and its contribution to the parent bank's business are far better than what is shown in its own financial reports.

## 2.2 Capital and Earnings

**We apply a two-notch uplift to the bank’s capital and earnings to reflect its very solid capital adequacy and healthy adjusted profit.**

JPMorgan Chase Bank (China)’s capitalization is much stronger than the industry average. Its reported regulatory tier 1 capital adequacy ratio was 26.21% as of the end of 2023, much higher than the industry average of 12.12%. In our view, the very strong capitalization is attributed to its small lending book, an investment portfolio has a high proportion of treasury bonds and policy bank bonds (low credit-risk weight for such exposures), and low leverage level. As of the end of September 2024, its tier 1 capital adequacy ratio was 27.21%.

Table 1

**JPMorgan Chase Bank (China) -- Reported Capital Adequacy Ratios and Capital Quality Metrics (As of End of September 2024)**

| Metrics (%) | Minimum regulatory requirement | Commercial Bank Average | JPMorgan Chase Bank (China) |
|---|---|---|---|
| Capital adequacy ratio | 10.5 | 15.62 | 27.84 |
| Tier 1 capital adequacy ratio | 8.5 | 12.44 | 27.21 |

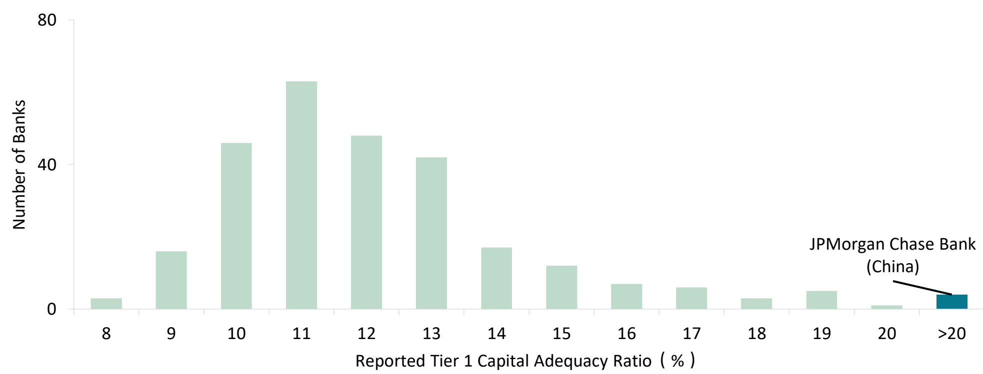
| | | | |
|---|---|---|---|
| CET 1 capital adequacy ratio | 7.5 | 10.86 | 27.21 |
| CET 1 capital/net capital | N/A | 69.57 | 97.76 |
| Tier 1 capital/net capital | N/A | 79.64 | 97.76 |

Sources: JPMorgan Chase Bank (China), NAFR, collected and adjusted by S&P Global (China) Ratings.

Chart 1

**JPMorgan Chase Bank (China) has very strong capitalization**

Industry Comparison: Distribution of Reported Regulatory Tier 1 Capital Adequacy Ratio of Major Banks in China as of End of 2023

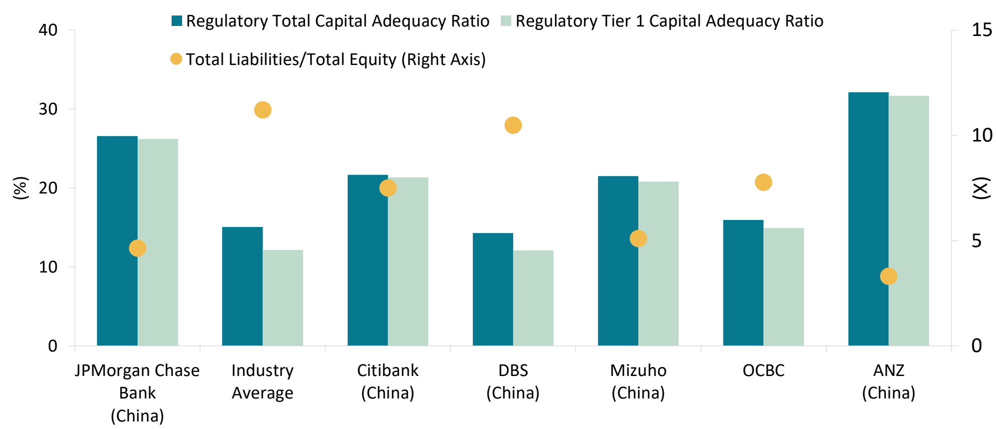



Sources: Public information of banks, collected and adjusted by S&P Global (China) Ratings.

Chart 2

**The bank's capital adequacy ratio is higher than the industry average and its peers**

Peer Comparison: Reported Regulatory Capital Adequacy Ratios and Leverage Levels as of the End of 2023




Sources: NAFR, public information of banks, collected and adjusted by S&P Global (China) Ratings.

We expect a likely expansion in its capital-consuming businesses in 2025, and thus its tier 1 capital adequacy ratio is estimated to decline but still stay as high as over 20%. Its tier 1 capital adequacy ratio will not be significantly less than 20% over the next 24 months. Given its very high capital adequacy at present, we hold a positive view if this ratio declines in the future, which indicates improved capital efficiency.

Table 2

**JPMorgan Chase Bank (China) – Tier 1 Capital Adequacy Forecast by S&P Global (China) Ratings**

| (Bil. RMB) | 2024 Estimate | | 2025 Forecast | | Base case assumptions and conclusions |
|---|---|---|---|---|---|
| | Amount | YoY Change | Amount | YoY Change | |
| Risk-weighted assets | 54.3 | 21% | 61.2 | 13% | Its RWA is estimated to grow by roughly 21% in 2024, driven by loan book expansion and ABS investment increase.<br>RWA is expected to grow by about 13% in 2025 assuming steady growth in capital-intensive businesses such as lending and ABS investment.<br>Assuming a NIM of 1.1%-1.2%, a cost-to-income ratio of around 70%, and a loan loss reserve/loan book ratio of about 1.6%, its ROE in 2025 is estimated to stay above 3%.<br>We assume no dividend payout from the bank. It hasn't paid any dividend since establishment and all retained earnings have been used for business development in China.<br>In general, we expect a healthy business growth in 2025, with likely higher capital consumption and slightly lower capital adequacy ratio, thus leading to better capital efficiency. |
| Tier 1 capital | 12.1 | 3% | 12.6 | 4% | |
| Tier 1 capital adequacy ratio forecast | About 22% | | >20% | | |

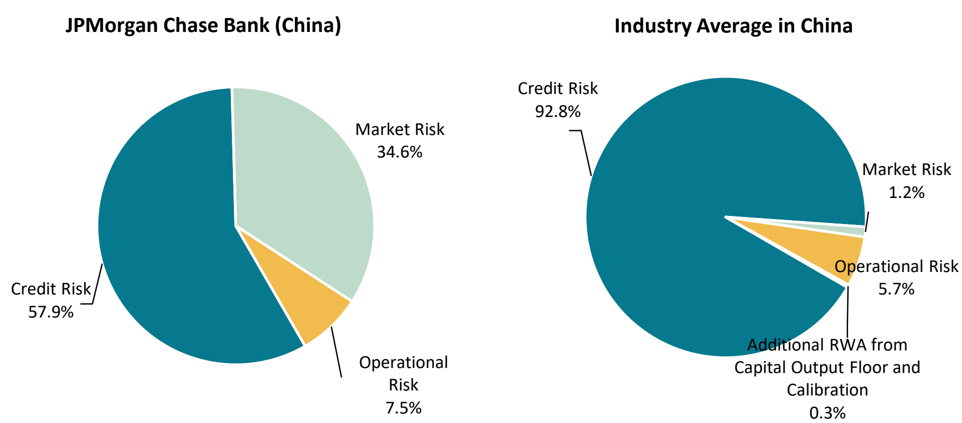
Source: S&P Global (China) Ratings.

The bank's market risk exposure represents a significant portion of its risk-weighted assets ("RWA"). This differs from the usual structure in the industry, where credit risk is the dominant risk type. As of the end of 2023, the bank's credit risk and market risk accounted for 57.9% and 34.6% of its RWA, respectively, while the industry average was 92.8% and 1.2%, respectively. Despite the inherent volatile nature of market risk, thanks to its prudent stance on risk-taking and effective market risk management, we believe the bank's capital and earnings volatility is effectively managed. Meanwhile, this would lead to fluctuation in its reported capital adequacy ratio, objectively. That said, its tier 1 capital adequacy ratio is very high and would stay above 20% in 2024-2025 even after taking into account such fluctuation.

Chart 3

**Market risk represents a significant portion of its risk-weighted assets**

Industry Comparison: RWA Breakdown as of End of 2023

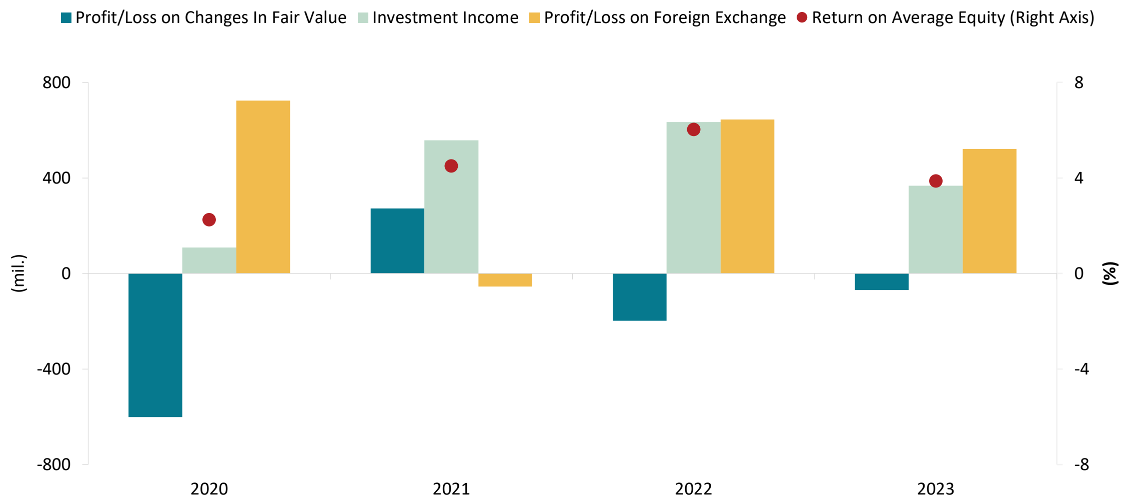



Sources: JPMorgan Chase Bank (China), NAFR, collected and adjusted by S&P Global (China) Ratings.

Chart 4

**Capital market volatility has a significant impact on its profitability**

JPMorgan Chase Bank (China): Income Sensitive to Market Risk and ROAE




Note: ROAE = net income / [(total equity at the beginning of the year + total equity at the end of the year) / 2].
Sources: JPMorgan Chase Bank (China), collected and adjusted by S&P Global (China) Ratings.

The bank's NIM is below the industry average due to the low credit risk premium of its high - credit - quality assets. Its borrowing customers have superior credit quality, leading to a low credit risk premium for loan pricing. Meanwhile, it holds a large amount of high-credit-quality investment assets with relatively low yields. Its NIM was 1.11% in 2023, below the industry average of 1.69%.

Despite a significant decline in market rates, the bank's NIM diverges from the industry trend thanks to its improved investment returns driven by increased ABS investment. In 2023, its NIM widened by 14 basis points YoY to 1.11%, while commercial banks' average NIM declined by 22 basis points for the same period. In 2024, its NIM remained generally unchanged, while the industry continued to suffer NIM compression.

Thanks to its very good asset quality (with no bad debts reported to date), the bank's provisioning is mainly driven by regulatory requirements on the ratio of its reserves to gross customer loans. As of the end of 2023, its loan loss reserves/gross customer loans ratio was 1.61%, fully meeting the 1.5% minimum regulatory requirement. As the bank has no bad debts, any changes in loan impairment are dependent on how the scale of the bank's loan business changes. In 2023, it reversed loan impairment loss of 15 million RMB due to a decrease in loan size, and the total reversal of credit impairment loss throughout the year was 17 million RMB.

Similar to other foreign banks operating in China, the bank's cost-to-income ratio is higher than the industry average. In 2023, the bank's adjusted business and administrative expenses to operating income ratio was 70.45%, 11.04 percentage points higher than in 2022 and versus the industry average of 35.26%. The increased cost-to-income ratio is attributed to increased remuneration expense and decreased revenue.

Albeit its low NIM and high operating cost, the bank achieved industry-average return on assets in 2023, driven by decent returns on income sensitive to market risk. Its ROAA decreased by 0.43 percentage points YoY to 0.69% in 2023, generally consistent with the industry average of 0.70% and better than the average of foreign bank subsidiaries at 0.56%. Its average ROAA in 2021-2023 was 0.87%.

Given its significantly lower leverage than its Chinese peers, the bank has a lower ROAE than the industry average. In 2023, its ROAE dropped by 2.16 percentage points YoY to 3.87%, below the industry average of 8.93%.

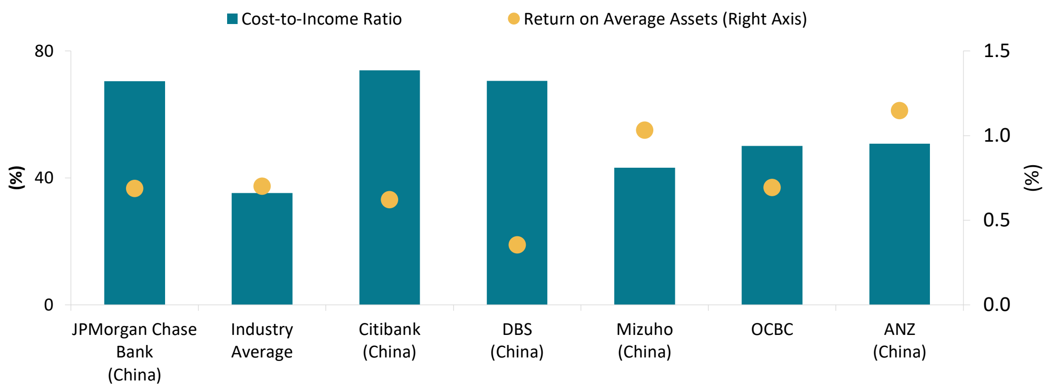
The bank has limited credit risk exposure and maintains effective market risk management. As such, we believe its adjusted profitability is healthy.

JPMorgan Chase Bank (China) sustained healthy profit growth in 2024. Considering its steady business strategy, we expect its profitability to remain generally stable with some normal fluctuations in 2025. It may ramp up its ABS investment further, which may lead to higher investment returns. Nonetheless, its income sensitive to market risk will eventually depend on how volatile the market is, where greater volatility typically brings higher income for the bank.

Chart 5

**JPMorgan Chase Bank (China) has an industry-average return on average assets in 2023**

Peer Comparison: Cost-to-Income Ratio and Return on Average Assets in 2023




Note: Return on average assets = net income / [(total assets at the beginning of the year + total assets at the end of the year)/2].

Sources: NAFR, public information of banks, collected and adjusted by S&P Global (China) Ratings.

## 2.3 Risk Position

### The bank has a very prudent approach to risk management and a low risk appetite. Therefore, we apply a two-notch uplift to its risk position.

JPMorgan has a sophisticated risk management framework at the global level and the risk management of JPMorgan Chase Bank (China) is fully integrated into the global risk management of its parent, resulting in prudent and effective risk governance between the bank and its parent. In our view, JPMorgan has deep expertise in managing complex market risk at the global level, and JPMorgan Chase Bank (China) has built an effective market risk management system, which has been integrated into the framework of its parent. In recent years, the bank has been committed to upgrading and consolidating its risk policies, and further refining and clarifying risk management responsibilities.

Loans represent a small share of its assets. As of the end of 2023, its net loans accounted for only 16.13% of total assets, cash and deposits to the central bank 19.28%, credit to other financial institutions 16.74%, and financial investments 34.84%.

The bank has a very prudent approach to risk management and has a very low risk appetite. We expect the bank's asset quality to remain excellent. Its loan book is composed of a selective corporate client base primarily containing leading multinationals and large Chinese corporations with very good credit standing. The bank's high lending standards mean it has maintained good credit asset quality for many years. To date, the bank has no non-performing loans and no overdue loans. We expect it to maintain very good asset quality over the next 12 months.

Considering its prudent underwriting standards and very strict credit risk classification practices, we view the probability of its special mention loans ("SMLs") migrating to non-performing as very low. Given its stricter loan classification criteria relative to the industry average, none of its SMLs have migrated to non-performing in recent years. In our view, the movements to its SML ratio would not have a significant impact on its actual asset quality performance. As of the end of 2023, SMLs accounted for 5.62% of its gross loans, representing an increase compared to 4.34% at the end of last year. This was mainly due to 1) a smaller loan book, and 2) a YoY increase of 106 million RMB in SMLs.

The bank has no exposure to real estate and construction and no LGFV exposure. As its borrowing clients are mostly multinational corporations with high credit quality, its asset quality has not been directly impacted in a significant way amid this round of credit down cycle.

The bank's loans concentrate in the manufacturing sector. As of the end of 2023, manufacturing exposure represented more than half of its loan book. Based on the macro environment, policy trends and its competitive strengths, the bank has zoomed in on some key areas for future development, including NEVs, consumer and health care sectors.

The bank's investment business has very high asset quality. As of the end of 2023, its investment assets came to 23.23 billion RMB, of which 51.41% were Chinese treasury bonds, 4.38% policy bank bonds, 4.67% NCDs, and the rest 39.54% were ABS products.

The bank has increased ABS investment since 2022. As of the end of 2023, its net ABS investment increased to 9.14 billion RMB from last year's 4.52 billion RMB. It further expanded its ABS investment in 2024.

We view the credit risk of its ABS investment as controllable. These ABS investments are all senior tranches, whose underlying assets mainly comprised those with high granularity and diversification and short maturity, such as car loans, consumer loans, micro and small enterprise loans and equipment leasing loans. The bank collaborates with leading asset generators with strong risk management capacity. The bank conducts risk monitoring in a robust manner.

The bank's interbank business also shows very high asset quality. It applies prudent standards to its interbank business, where it mainly works with China's mega banks, leading joint-stock banks, and top-quality city banks.

The bank is experienced in managing market risk. It employs a stringent risk limit framework as its primary risk control method (these risk limits include VaR, interest rate basis-point limit, foreign exchange net exposure limit, and volatility limit) and manages market risk through a well-developed mechanism and close monitoring of such risk.

In terms of interest rate risk, the bank's financial assets are mainly short- and medium-term ones that bear controllable duration risk. As of the end of 2023, financial assets maturing or to be repriced within 1 year, in 1-5 years, and in more than 5 years accounted for 59.47%, 35.73%, and 4.23% of its portfolio, respectively. For foreign exchange risk, it has hedged most of its foreign exchange exposure and we consider a substantial loss induced by foreign exchange or interest rate volatility as unlikely.

### 2.4 Funding and Liquidity

**The bank has a stable funding base and very prudent liquidity management, with strong liquidity. Therefore, there is no notching adjustment for its funding and liquidity.**

JPMorgan Chase Bank (China) has a stable funding base mainly composed of customer deposits. As of the end of 2023, 87.29% of its total funding was customer deposits, and 12.71% wholesale funding. The proportion of customer deposits increased by 5.14 percentage points YoY.

Corporate deposits largely come from daily operating activities of its corporate clients, showing good stability despite small in scale. Therefore, its incremental deposits are mainly demand deposits. As of the end of 2023, the proportion of its demand deposits in its deposit book grew by 5.17 percentage points YoY to 59.55%. The bank does not conduct retail banking business in China and has no retail deposits.

The bank has a robust deposit base. As of the end of 2023, its customer deposits grew by 10.76% YoY to 39.65 billion RMB, with a CAGR of 9.07% from 2021 to 2023.

The bank's deposit base can fully meet the funding needs of its lending business. Its average loan-to-deposit ratio was 36.13% in 2019-2023 and we expect the ratio to stay below 40% over the next 12 months.

The bank's wholesale funding is very stable and part of it comes from its parent bank and other related parties. As of the end of 2023, 1.01 billion RMB was borrowed from its parent bank, together with another 3.44 billion RMB from related parties, accounting for an aggregate of 77.01% of its total wholesale funding.

The bank's financial assets feature short maturity and high liquidity. As of the end of 2023, its financial assets maturing within 3 months accounted for 49.89% of total financial assets, those with a maturity of 3 months to 1 year 19.89%, those with a maturity of 1 to 5 year 12.70%, and those with a maturity of over 5 years only 1.48%.

The bank adheres to prudent and robust liquidity management. It conducts liquidity stress testing on a continuous basis to satisfy liquidity demand even in stress scenario. The bank has strong liquidity resilience.

The bank's liquidity ratios remain very solid. As of the end of September 2024, its liquidity ratio stood at 85.82%, its liquidity matching rate 231.51%, and high-quality liquidity asset adequacy ratio 442.06%, all far above the minimum regulatory requirements of 25%, 100% and 100%, respectively.

**The bank has a stand-alone credit profile of "$aa_{spc+}$", three notches higher than the anchor of "a+", reflecting its small lending scale in China but very strong capital and asset quality.**

## External Support

**The extremely high likelihood of group support results in a one-notch uplift from the bank's SACP of "$aa_{spc}$+" . Therefore we assign an ICR of "$AAA_{spc}$" to JPMorgan Chase Bank (China).**

JPMorgan is one of the largest and most diversified global banks in the world. As of the date of this report, S&P Global Ratings assigned JPMorgan Chase Bank N.A. with a SACP of "a+" and an ICR of "AA-" with a "Stable" outlook. In November 2024, the ICR of JPMorgan Chase Bank N.A. was uplifted from "A+" to "AA-", reflecting the bank's expected solid performance going forward.

Table 3

**Strengths and Risks of JPMorgan Identified By S&P Global Ratings**

| Key Strengths | Key Risks |
|---|---|
| A highly diverse mix of global retail/commercial banking, capital markets, and asset management businesses with strong market positions | Complexity, particularly within its large capital markets business |
| A track record of better revenue stability and profitability than peers | High sensitivity of some business lines to investor confidence—with wholesale funding and large commercial deposits--creating liquidity risks |
| Good capital and liquidity as required by its status as a globally systemically important bank (GSIB) | |

Note: This strengths and risks analysis is an excerpt from the credit report on JPMorgan from S&P Global Ratings published July 2024, and it should be used and interpreted in the context of the rating criteria of S&P Global Ratings.

Sources: S&P Global Ratings, collected by S&P Global (China) Ratings.

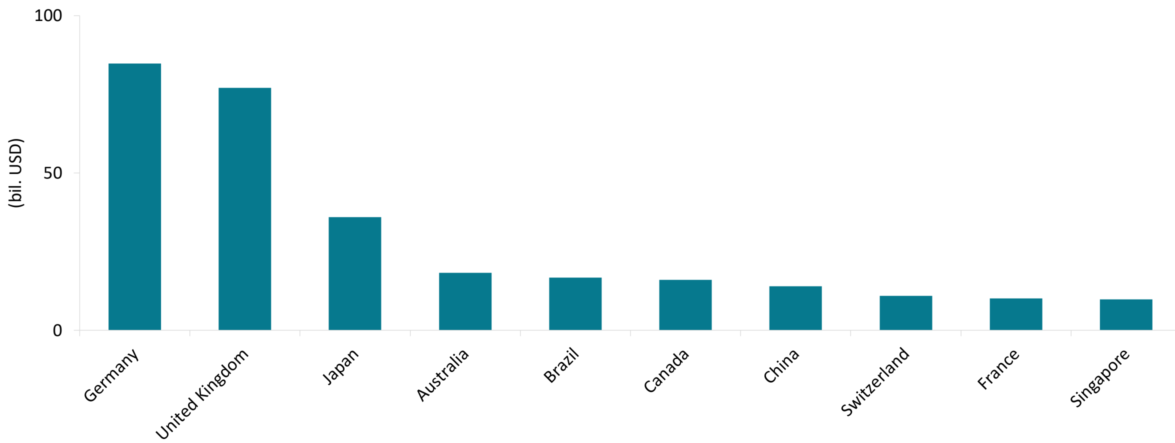
Based on the broad relationship observed between the credit opinions of S&P Global Ratings and S&P Global (China) Ratings, S&P Global (China) Ratings views the issuer credit quality of JPMorgan Chase Bank N.A. as extremely strong, equivalent to the issuer credit rating of "$AAA_{spc}$" in our national scale.

JPMorgan Chase Bank (China) is wholly owned by JPMorgan Chase Bank N.A. and is an integral part of JPMorgan's global banking operations. There is a strong business synergy between the bank and its parent. As of the end of 2023, JPMorgan Chase Bank (China) contributed 0.3% of its parent's total assets. In 2023, its net income accounted for 0.1% of its parent's net income. Nonetheless, the bank's actual contribution to its parent is much higher as the income and profit from cross-selling activity with its parent were not fully reflected in its own financial statements.

Chart 6

**JPMorgan has large exposure to China at the group level**

JPMorgan's Ten Largest Exposures by Country as of End of 2023 (excl. U.S.)




Sources: Annual reports of JPMorgan Chase Bank N.A., collected and adjusted by S&P Global (China) Ratings.

JPMorgan Chase Bank (China) has an effective corporate governance arrangement with its parent, and JPMorgan has been providing strong ongoing supervision and supports to the bank in both business operations and risk management. In addition, JPMorgan provides ongoing and stable funding support to JPMorgan Chase Bank (China) and has made a commitment to the Chinese banking regulator that, to the extent permitted by all applicable laws and regulations, it undertakes to replenish capital to the bank when necessary to comply with Chinese regulatory capital ratio requirement applicable to it.

JPMorgan is committed to implementing its strategy in China. In addition to the banking subsidiary, JPMorgan has also set up other wholly-owned entities or joint ventures in China, including a securities company, fund management company and futures company, underlining its position as one of the strongest foreign financial groups capable of providing comprehensive financial services in China. JPMorgan Securities (China) Co., Ltd. became the first wholly foreign-owned securities company in China in 2021. In 2023, with the approval of the China Securities Regulatory Commission, J.P. Morgan Asset Management completed its wholly-owned holding of CIFM, who then became the sixth wholly foreign-owned public fund manager in China. In our view, among those subsidiaries, JPMorgan Chase Bank (China) is one of the most important for the group thanks to its license as a locally incorporated commercial bank.

We believe that JPMorgan Chase Bank (China) has critical importance to its parent. Because of the extremely strong issuer credit quality of JPMorgan Chase Bank N.A., we assign an Issuer Credit Rating of "$AAA_{spc}$" to JPMorgan Chase Bank (China).

## Appendix

### Appendix 1: Key Financial Data

| JPMorgan Chase Bank (China) -- Key Financial Data | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **Business Position** | | | | | |
| Total assets (bil) | 47.26 | 61.30 | 55.98 | 63.69 | 66.66 |
| Gross customer loans (bil) | 11.91 | 10.20 | 13.26 | 11.52 | 10.77 |
| Customer deposits (bil) | 24.99 | 30.16 | 33.33 | 35.80 | 39.65 |
| Total equity (bil) | 9.94 | 10.12 | 10.79 | 11.33 | 11.81 |
| Operating income (bil) | 1.24 | 1.15 | 1.55 | 2.05 | 1.85 |
| Net income (bil) | 0.28 | 0.23 | 0.47 | 0.67 | 0.45 |
| Total assets / total assets of China's commercial banking industry (%) | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 |
| Customer loans/total loans of China's commercial banking industry (%) | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 |
| Customer deposits/total deposits of China's commercial banking industry (%) | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 |
| **Capital and Earnings** | | | | | |
| Reported regulatory total capital adequacy ratio (%) | 27.54 | 21.71 | 26.56 | 27.99 | 26.57 |
| Reported regulatory tier 1 capital adequacy ratio (%) | 26.92 | 21.30 | 26.00 | 27.55 | 26.21 |
| NIM calculated by S&P Global (China) Ratings (%) | 1.68 | 1.50 | 1.00 | 0.97 | 1.11 |
| Cost-to-income ratio (%) | 63.06 | 71.77 | 55.20 | 59.41 | 70.45 |
| Asset provisioning/pre-provision operating profits (%) | 22.60 | (27.35) | 3.00 | 0.66 | (3.27) |
| Loan provisioning/average gross customer loans (%) | 0.75 | (0.56) | 0.30 | (0.40) | (0.14) |
| Return on average assets (%) | 0.55 | 0.42 | 0.80 | 1.11 | 0.69 |
| Return on average equity (%) | 2.82 | 2.25 | 4.51 | 6.03 | 3.87 |
| **Risk Position** | | | | | |
| Non-performing loan ratio (%) | - | - | - | - | - |
| (Non-performing loans + special mention loans)/gross customer loans (%) | 1.06 | 3.80 | 3.62 | 4.34 | 5.62 |
| Loan loss reserves/gross customer loans (%) | 2.36 | 2.00 | 1.80 | 1.64 | 1.61 |
| Reserve coverage ratio (%) | N/A | N/A | N/A | N/A | N/A |
| Loan loss reserves/ (non-performing loans + special mention loans) (%) | 222.12 | 52.54 | 49.73 | 37.63 | 28.54 |
| Net write-offs/average gross customer loans (%) | - | - | - | - | - |
| **Funding and Liquidity** | | | | | |
| Customer loans/customer deposits (%) | 47.68 | 33.82 | 39.78 | 32.18 | 27.18 |
| Customer deposits/total funding (%) | 75.75 | 73.06 | 88.08 | 82.15 | 87.29 |
| Wholesale funding /total funding (%) | 24.25 | 26.94 | 11.92 | 17.85 | 12.71 |
| Regulatory high quality liquidity asset adequacy ratio (%) | 542.86 | 224.94 | 320.72 | 267.08 | 307.88 |
| Regulatory liquidity matching ratio (%) | 345.06 | 442.93 | 416.87 | 344.16 | 231.01 |

Note 1: In our view, JPMorgan Chase Bank (China) has a clear business model and sound financial management. Therefore, we haven't conducted any material adjustments to its financial data.

Note 2: JPMorgan Chase Bank (China)'s annual financial reports (2019-2023) have been audited by PricewaterhouseCoopers, and unqualified opinions have been issued on its financial statements.

Sources: JPMorgan Chase Bank (China), collected and adjusted by S&P Global (China) Ratings.

## Appendix 2: Key Terms

| Metrics | Formula |
|---|---|
| Wholesale funding | Borrowing from the central bank + borrowing and deposits from other financial institutions + financial assets sold for repurchase + financial liabilities held for trading + bonds payable. |
| NIM calculated by S&P Global (China) Ratings | Net interest income/ [(total interest-bearing assets at the beginning of the year + total interest-bearing assets at the end of the year)/2]. Net interest income considers impact of interest expense on lease liabilities. |
| Cost-to-income ratio | Operating and administrative expenses/operating income. Comparable across different periods as we deduct interest expense on lease liabilities from both numerator and denominator to calculate cost-to-income ratio for 2022 and 2023. |
| Return on average assets | Net income / [(total assets at the beginning of the year + total assets as of the end of the year)/2] |
| Return on average equity | Net income / [(total equity at the beginning of the year + total equity as of the end of the year)/2] |
| Dividend payout ratio | Dividend for the current year/net profit for the last year |

## Appendix 3: Ratings Definitions

| Category | Definition |
|---|---|
| $AAA_{spc}$ | The repayment ability is extremely strong, generally not impacted by any adverse economic environment, and the default risk is extremely low. |
| $AA_{spc}$ | The repayment ability is very strong, not considerably impacted by any adverse economic environment, and the default risk is very low. |
| $A_{spc}$ | The repayment ability is comparatively strong, comparatively vulnerable to the impact of adverse economic environment, and the default risk is comparatively low. |
| $BBB_{spc}$ | The repayment ability is average, comparatively impacted by adverse economic environment, and the default risk is average. |
| $BB_{spc}$ | The repayment ability is comparatively weak, materially impacted by adverse economic environment, and the default risk is comparatively high. |
| $B_{spc}$ | The repayment ability relies comparatively on fair economic environment and the default risk is very high. |
| $CCC_{spc}$ | The repayment ability relies extremely on fair economic environment and the default risk is extremely high. |
| $CC_{spc}$ | Lower protection in situation of bankruptcy or reorganization and the repayment of debt may not be generally guaranteed. |
| $C_{spc}$ | Unable to repay the debt. |

Note: Except for $AAA_{spc}$ and ratings below $CCC_{spc}$ , each rating may be added a "+" or "-" sign for minor adjustment to indicate a slightly higher or lower rating.