

# J.P.Morgan

**JPMorgan Chase Bank, National Association,  
New Zealand Branch and associated JPMorgan Chase Bank, New  
Zealand group**

## **Disclosure Statement**

**For the nine months ended 30 September 2016**



# Disclosure Statement

For the nine months ended 30 September 2016

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## 1. DEFINITIONS

In this Disclosure Statement, unless the context otherwise requires:

| Term            | Description                                                                                                                                                                                                                                                                                                                                  |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Registered Bank | The worldwide operations of JPMorgan Chase Bank, National Association or JPMorgan Chase Bank, NA. This includes the Banking Group                                                                                                                                                                                                            |
| NZ Branch       | The New Zealand operations of Registered Bank conducted through its New Zealand branch                                                                                                                                                                                                                                                       |
| JPMCC           | JPMorgan Chase & Co, the ultimate holding company of the Registered Bank                                                                                                                                                                                                                                                                     |
| Banking Group   | The consolidated New Zealand operations of the Registered Bank, and includes the business conducted through NZ Branch and the Registered Bank's subsidiaries and associated companies operating in New Zealand, being J.P. Morgan Australia Limited, J.P. Morgan Markets Australia Pty Limited and J.P. Morgan Securities Australia Limited. |

Unless otherwise defined in this Disclosure Statement, terms defined in the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) ("the **Order**") have the same meaning in this document.

## 2. CORPORATE INFORMATION

### Registered Bank

JPMorgan Chase Bank, National Association

### Address of the Registered Bank's principal office

1111 Polaris Parkway  
Columbus, Ohio, 43240  
USA

### Ultimate Holding Company

JPMorgan Chase & Co.

### Ultimate Holding Company's Address for Service

270 Park Avenue  
New York, New York 10017-2014  
USA

### Incorporation

The Registered Bank is a national banking association offering a wide range of banking and financial services to its customers both domestically and internationally. It is chartered by the Office of the Comptroller of the Currency (OCC), a bureau of the United States Department of the Treasury. The Registered Bank's main office is located in Columbus, Ohio.

The Registered Bank was organised in the legal form of a banking corporation under the laws of the State of New York on 26 November 1968 for an unlimited duration. On 13 November 2004 it converted from a New York State banking corporation to a national banking association. On the same date Bank One, National Association (Chicago, Illinois) and Bank One, National Association (Columbus, Ohio) merged into JPMorgan Chase Bank, with the Registered Bank being the surviving legal entity.

The Registered Bank is one of the principal, wholly-owned subsidiaries of JPMCC. The ordinary shares of JPMCC are listed on the New York and London Exchanges and form part of the Dow Jones Industrial Average index of the New York Stock Exchange. JPMCC delisted its shares from the Tokyo Exchange effective Sunday, 26 April 2015.

### 3. FINANCIAL SUPPORT

#### Ranking of Local Creditors in Winding-up

NZ Branch is a branch of the Registered Bank and is not a separate legal entity. Therefore, assets and liabilities of NZ Branch are consolidated in the balance sheet of the Registered Bank.

The rights of all creditors of the Registered Bank, including those located in New Zealand, in the event of the Registered Bank's insolvency, would be governed by the U.S. Federal Deposit Insurance Act of 1950. Under U.S. federal law, the Office of the Comptroller of the Currency, as the appropriate federal banking regulator of national banks, is empowered to declare a national bank insolvent, and appoint the Federal Deposit Insurance Corporation (the "FDIC") as receiver. In this role, the FDIC is authorised to liquidate the assets of the insolvent institution and distribute the proceeds to the institution's creditors. Payment to holders of insured deposits held in the Registered Bank's U.S. Branches, administrative expenses of the receiver and secured creditors rank in priority of payment over all other unsecured creditors, including depositors in the Registered Bank's non-U.S. branches (such as NZ Branch) who would then rank *pari passu* in order of payment. The basic insurance amount is US\$250,000 per U.S. depositor per insured. In addition, U.S. federal law provides that national banks are not required to repay deposits at their non-U.S. branches if the relevant branch cannot pay them due to an action by the local government preventing payment or an act of war, insurrection or civil strife, unless the bank has expressly agreed in writing to repay the deposits under those circumstances.

#### Guarantee Arrangements

No material obligations of the New Zealand business of the Registered Bank (or the Banking Group) are guaranteed as at the date of signing the Disclosure Statement.

### 4. CORPORATE GOVERNANCE

#### Directors of the Registered Bank

A number of changes to the Directors of the Registered Bank were made in the nine months ended 30 September 2016, please see below for the relevant changes.

The name, occupation, professional qualifications and country of residence of each Director of the Registered Bank are as follows:

#### No change since 31 December 2015

James S Crown  
Independent Director, President of Henry Crown and Company  
BA - Hampshire College; Law Degree - Stanford University Law School  
United States of America

Laban P Jackson, Jr  
Independent Director, Chairman and Chief Executive Officer of Clear Creek Properties, Inc.  
US Military Academy  
United States of America

William C Weldon (Non Executive Chairman of the Board)  
Independent Director, Retired Chairman and CEO, Johnson and Johnson  
BA - Quinnipiac University  
United States of America

#### Appointed on 19 September 2016

Todd A. Combs  
Independent Director, Investment Officer, Berkshire Hathaway Inc.  
BS - Florida State University  
MBA - Columbia Business School  
United States of America



Appointed on 17 May 2016

Linda B Bammann

Independent Director, Retired Deputy Head of Risk Management  
BA - Stanford University; MA – University of Michigan  
United States of America

James A Bell

Independent Director, Retired Executive Vice President, The Boeing Company  
BS - California State University  
United States of America

Crandall C Bowles

Independent Director, Chairman Emeritus, The Springs Company  
BA - Wellesley College; MBA – Columbia University  
United States of America

Stephen B Burke

Independent Director, Chief Executive Officer, NBCUniversal, LLC  
BA - Colgate University; MBA – Harvard Business School  
United States of America

James Dimon

Director, Chief Executive Officer and President  
Bachelor's Degree - Tufts University; MBA – Harvard Business School  
United States of America

Timothy P Flynn

Independent Director, Retired Chairman and Chief Executive Officer, KPMG International  
BA - The University of St. Thomas  
United States of America

Michael A Neal

Independent Director, Retired Vice Chairman, General Electric Company; Retired Chairman and Chief Executive Officer, GE Capital  
BS - Georgia Institute of Technology  
United States of America

Lee R Raymond

Independent Director, Lead Director, JPMorgan Chase & Co., Retired Chairman and Chief Executive Officer, Exxon Mobil Corporation  
BS - University of Wisconsin; Ph.D. Chemical Engineering – University of Minnesota  
United States of America

Resigned on 17 May 2016

Marianne Lake

Executive Director, Chief Executive Officer, President, and Chief Financial Officer  
BSc of Physics – Reading University  
United Kingdom

Matthew E Zames

Executive Director and Chief Operating Officer  
Massachusetts Institute of Technology  
United States of America

**Address to which communications addressed to the Directors may be sent**

Office of the Secretary

JPMorgan Chase Bank, National Association  
270 Park Avenue  
New York, New York 10017-2070  
United States of America

## **Non-banking group companies of which the Directors of the Registered Bank are directors**

The following Directors of the Registered Bank hold the following directorships:

- Mr Crown is a director of Henry Crown and Company and General Dynamics Corporation, companies incorporated in the United States of America
- Mr Jackson is a director of Clear Creek Properties, Inc., a company incorporated in the United States of America
- Mr Weldon is a director of CVS Health Corporation and Exxon Mobil Corporation, companies incorporated in the United States of America
- Mr Bell is a director of Dow Chemical Company, CDW Corporation and Apple, Inc., companies incorporated in the United States of America
- Mr Bowles is a director of Deere and Company, a company incorporated in the United States of America
- Mr Burke is a director of Berkshire Hathaway Inc., a company incorporated in the United States of America
- Mr Flynn is a director of Wal-Mart Stores, Inc. and Alcoa Corporation, companies incorporated in the United States of America
- Mr Combs is a director of Berkshire Hathaway subsidiaries Precision Castparts Corp., Charter Brokerage LLC and Duracell Inc.

Each of the Directors of the Registered Bank also serves on the Board of Directors of JPMCC

In addition, the Directors of the Registered Bank are directors of a number of companies which are either wholly-owned subsidiaries of the Registered Bank, are of a charitable or philanthropic nature, or relate to their personal superannuation or business affairs, and which are not listed in this document.

## **Director Related Transactions**

There are no transactions between the Directors and the Registered Bank or any member of the Banking Group as at the date of this Disclosure Statement which have either been entered into on terms other than those which would in the ordinary course of business of the Registered Bank or any member of the Banking Group, be given to any other person of like circumstances or means, or which could otherwise be reasonably likely to materially influence the exercise of the Directors' duties.

## **Responsible Persons authorised in writing to sign this Disclosure Statement in accordance with section 82 of the Reserve Bank of New Zealand Act 1989 on behalf of each Director**

The name, occupation, professional qualifications and country of residence of each Responsible Person are as follows:

Robert C Priestley

Senior Country Officer, JPMorgan Australia and New Zealand Group

Bachelor of Commerce – University of Melbourne; Association of Chartered Accountants; Fellow of the Australian Institute of Management

Australia

Warren Davis

Senior Country Business Manager, JPMorgan Australia and New Zealand Group

Australia

Stewart Old

Senior Financial Officer, JPMorgan Australia and New Zealand Group

Bachelor of Arts, Bachelor of Laws, Master of Laws – University of Sydney; Certified Practicing Accountant

Australia



### **New Zealand Chief Executive Officer**

The name, occupation, professional qualifications and country of residence of the New Zealand Chief Executive Officer who held office at any time during the reporting period ended 30 September 2016 are as follows:

Mark R Lawrence  
Chief Executive Officer – New Zealand  
Bachelor of Commerce – Otago University  
New Zealand

In his capacity as Chief Executive Officer of New Zealand, Mr Mark Lawrence reports to Mr Warren Davis.

### **Address to which communications addressed to the Responsible Persons, and the New Zealand Chief Executive Officer, may be sent**

JPMorgan Chase Bank, National Association - New Zealand Branch  
PO Box 5652  
Lambton Quay, Wellington 6145  
New Zealand

### **Non-banking group companies of which the New Zealand Chief Executive Officer is a director**

Mr Lawrence is a director of JP Morgan Trust Company (New Zealand) Limited.

### **New Zealand Chief Executive Officer Related Transactions**

There are no transactions between the New Zealand Chief Executive Officer and the Registered Bank or any member of the Banking Group as at the date of this Disclosure Statement which have either been entered into on terms other than those which would, in the ordinary course of business of the Registered Bank or any member of the Banking Group, be given to any other person of like circumstances or means, or which could otherwise be reasonably likely to materially influence the exercise of the New Zealand Chief Executive Officer's duties.

### **Transactions with Related Persons**

JPMCC has adopted a policy entitled "Transactions with Related Persons Policy" (Policy) which sets forth JPMCC's policies and procedures for reviewing and approving transactions with related persons (i.e. JPMCC's Directors, executive officers and their immediate family members). The transactions covered by the Policy include any financial transaction, arrangement or relationship in which JPMCC (including the Registered Bank) is a participant, where:

- the related person has or will have a direct or indirect material interest; and
- the aggregate amount involved will or may be expected to exceed US\$120,000 in any fiscal year.

After becoming aware of any transaction which may be subject to the Policy, the related person is required to report all relevant facts with respect to the transaction to the General Counsel of JPMCC.

Upon determination by the General Counsel that a transaction requires review under the Policy, the material facts of the transaction and the related person's interest in the transaction are provided, in the case of Directors, to the Governance Committee of JPMCC and, in the case of executive officers, to the Audit Committee.

The transaction is then reviewed by the applicable committee, which determines whether approval or ratification of the transaction shall be granted. In reviewing a transaction, the applicable committee considers facts and circumstances which it considers relevant to its determination. Material facts may include:

- management's assessment of the commercial reasonableness of the transaction;
- the materiality of the related person's direct or indirect interest in the transaction;
- whether the transaction may involve an actual or the appearance of a conflict of interest; and
- if the transaction involves a Director, the impact of the transaction on the Director's independence.

## Transactions with Related Persons (continued)

Certain types of transactions are pre-approved in accordance with the terms of the Policy. These include transactions in the ordinary course of business involving financial products and services provided by, or to, JPMCC (including the Registered Bank), including loans, provided such transactions are in compliance with the Sarbanes-Oxley Act, Federal Reserve Board Regulation O and other applicable laws and regulations.

### Regulation O

Regulation O of the Federal Reserve Board of the United States of America establishes requirements for loans and other extensions of credit that the Registered Bank may make to persons affiliated with the Registered Bank. The purpose of Regulation O is to protect the soundness of financial institutions in the United States of America by preventing unwarranted extensions of credit by a financial institution to persons affiliated with the financial institution that could put the financial institution's capital at risk. Regulation O prohibits the Registered Bank from lending to its Directors and their related interests unless such extensions of credit:

- are made on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated third parties;
- are made following credit underwriting procedures that are not less stringent than for comparable transactions with unrelated third parties; and
- do not involve more than the normal risk of repayment or present other unfavourable features.

The New Zealand Chief Executive Officer is not subject to Regulation O.

### Conflicts of Interest

The Conflicts Office of JPMCC monitors the Registered Bank's business activities to avoid or manage any conflicts of interests and related reputation risks. The Conflicts Office reviews transactions, products and activities that may pose significant risks to the Registered Bank's reputation as a result of actual or perceived conflicts of interest. Any transaction, product or activity that raises significant reputation risk for the Registered Bank as a result of actual or perceived conflicts of interest must be referred to the Conflicts Office for review and approval. JPMCC's policy entitled "Conflicts Policy" (and related, business-specific modifications) describes the activities subject to the Registered Bank's conflicts risk management and the requirements for reporting them.

### Corporate Governance and Risk Management

The Registered Bank's Board and management execute their duties with regards to meeting prudential and statutory requirements by setting in place prudent risk management policies and controls.

The risk management framework and governance structure of the Registered Bank is intended to provide comprehensive controls and ongoing management of the major risks inherent in its business activities.

### Conditions of Registration

The Registered Bank was entered into the Reserve Bank of New Zealand register of registered banks effective 1 October 2007.

As at 30 September 2016 the registration of JPMorgan Chase Bank, N.A. ("the registered bank") in New Zealand is subject to the following conditions (the "**Conditions of Registration**") which came into effect on 1 November 2015:

1. *That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities.*

*In this condition of registration, the meaning of "material" is based on generally accepted accounting practice.*

2. *That the banking group's insurance business is not greater than 1% of its total consolidated assets.*

*For the purposes of this condition of registration, the banking group's insurance business is the sum of the following amounts for entities in the banking group:*



## Conditions of Registration (continued)

- (a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and
- (b) if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity's insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

In determining the total amount of the banking group's insurance business—

- (a) all amounts must relate to on balance sheet items only and must comply with generally accepted accounting practice; and
- (b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of insurance business.

For the purposes of this condition of registration,—

"insurance business" means the undertaking or assumption of liability as an insurer under a contract of insurance:

"insurer" and "contract of insurance" have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

3. That the business of the registered bank in New Zealand does not constitute a predominant proportion of the business of the registered bank.
4. That no appointment to the position of the New Zealand chief executive officer of the registered bank shall be made unless:
- (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
- (b) the Reserve Bank has advised that it has no objection to that appointment.
5. That JPMorgan Chase Bank, N.A. complies with the requirements imposed on it by the Office of the Comptroller of the Currency and the Federal Reserve Bank of New York.
6. That, with reference to the following table, each capital adequacy, ratio of JPMorgan Chase Bank, N.A. must be equal to or greater than the applicable minimum requirement.

| Capital adequacy ratio       | Minimum Requirement<br>On and after 1 January 2015 |
|------------------------------|----------------------------------------------------|
| Common Equity Tier 1 capital | 4.5 percent                                        |
| Tier 1 capital               | 6 percent                                          |
| Total capital                | 8 percent                                          |

For the purposes of this condition of registration, the capital adequacy ratios—

- (a) must be calculated as a percentage of the registered bank's risk weighted assets; and
- (b) are otherwise as administered by the Office of the Comptroller of the Currency and the Federal Reserve Bank of New York.
7. That liabilities of the registered bank in New Zealand, net of amounts due to related parties (including amounts due to a subsidiary or affiliate of the registered bank) do not exceed NZ\$15 billion.

## Conditions of Registration (continued)

8. That retail deposits of the registered bank in New Zealand do not exceed \$200 million. For the purposes of this condition, retail deposits are defined as deposits by natural persons, excluding deposits with an outstanding balance which exceeds \$250,000.
9. That, for a loan-to-valuation measurement period, the total of the business of the registered bank in New Zealand's qualifying new mortgage lending amount in respect of APIL with a loan-to-valuation ratio of more than 70%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of APIL arising in the loan-to-valuation measurement period.
10. That, for a loan-to-valuation measurement period, the total of the business of the registered bank in New Zealand's qualifying new mortgage lending amount in respect of ANPIL with a loan-to-valuation ratio of more than 80%, must not exceed 10% of the total of the qualifying new mortgage lending amount in respect of ANPIL arising in the loan-to-valuation measurement period.
11. That, for a loan-to-valuation measurement period, the total of the business of the registered bank in New Zealand's qualifying new mortgage lending amount in respect of non-Auckland loans with a loan-to-valuation ratio of more than 80%, must not exceed 15% of the total of the qualifying new mortgage lending amount in respect of non-Auckland loans arising in the loan to valuation measurement period.
12. That the business of the registered bank in New Zealand must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the registered bank's agreement before the borrower can grant to another person a charge over the residential property used as a security for the loan.

In these conditions of registration,–

*"banking group" means the New Zealand business of the registered bank and its subsidiaries as required to be reported in group financial statements for the group's New Zealand business under section 461B(2) of the Financial Markets Conduct Act 2013.*

*"business of the registered bank in New Zealand" means the New Zealand business of the registered bank as defined in the requirement for financial statements for the New Zealand business in section 461B(1) of the Financial Markets Conduct Act 2013.*

*"generally accepted accounting practice" has the same meaning as in section 8 of the Financial Reporting Act 2013.*

*"liabilities of the registered bank in New Zealand" means the liabilities that the registered bank would be required to report in financial statements for its New Zealand business if section 461B(1) of the Financial Markets Conduct Act 2013 applied.*

In conditions of registration 9 to 12,–

*"ANPIL", "APIL", "loan-to-valuation ratio", "non-Auckland loan", "qualifying new mortgage lending amount in respect of [...]" and "residential mortgage loan" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS 19) dated November 2015, where the version of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Standardised Approach)" (BS2A) referred to in BS19 for the purpose of defining these terms is that dated November 2015.*

*"loan-to-valuation measurement period" means a period of six calendar months ending on the last day of the sixth calendar month, the first of which ends on the last day of April 2016.*

There were no changes to the conditions of registration from 31 December 2015.

## 5. PENDING PROCEEDINGS OR ARBITRATION

There are no pending proceedings or arbitration of which we are aware that may have a material adverse effect on the Banking Group, nor, to the extent publicly available, that may have a material adverse effect on the Registered Bank.



## 6. CURRENT CREDIT RATING OF THE REGISTERED BANK

The Registered Bank has the following general credit ratings applicable to long term senior unsecured obligations payable in any country or currency and applicable in New Zealand, in New Zealand dollars:

|                                | <i>Current Rating</i> | <i>Previous Credit Rating<br/>(if changed in the previous two<br/>years)</i> | <i>Outlook</i> |
|--------------------------------|-----------------------|------------------------------------------------------------------------------|----------------|
| Moody's Investor Services, Inc | Aa3                   | -                                                                            | Stable         |
| Standard & Poor's Corporation  | A+                    | -                                                                            | Stable         |
| Fitch IBCA, Inc                | AA-                   | A+ (changed on 19 May 2015)                                                  | Stable         |

### Legend to Rating Scales

| <i>Long Term Debt Ratings</i>                                           | <i>Moody's<br/>(a)</i> | <i>S&amp;P<br/>(b)</i> | <i>FITCH<br/>(b)</i> |
|-------------------------------------------------------------------------|------------------------|------------------------|----------------------|
| Highest quality/Extremely strong capacity to pay interest and principal | Aaa                    | AAA                    | AAA                  |
| High quality/Very strong                                                | Aa                     | AA                     | AA                   |
| Upper medium grade/Strong                                               | A                      | A                      | A                    |
| Medium grade (lowest investment grade)/Adequate                         | Baa                    | BBB                    | BBB                  |
| Predominately speculative/Less near term vulnerability to default       | Ba                     | BB                     | BB                   |
| Speculative, low grade/Greater vulnerability                            | B                      | B                      | B                    |
| Poor to default/Identifiable vulnerability                              | Caa                    | CCC                    | CCC                  |
| Highest speculations                                                    | Ca                     | CC                     | CC                   |
| Lowest quality, no interest                                             | C                      | C                      | C                    |
| Payment in default, in arrears – questionable value                     |                        | D                      | D                    |

- (a) Moody's applies numeric modifiers to each generic ratings category from Aa to B, indicating that the counterparty is:
- (1) in the higher end of its letter rating category
  - (2) in mid-range
  - (3) in lower end
- (b) S&P and Fitch apply plus (+) or minus (-) signs to ratings from AA to CCC, to indicate relative standing within the major rating categories.

## 7. INSURANCE BUSINESS AND NON-CONSOLIDATED ACTIVITIES

The Banking Group does not conduct any insurance business.

The Registered Bank does not conduct in New Zealand, outside of the Banking Group, any insurance business or non-financial activities.

## 8. MORTGAGE BUSINESS

The Banking Group does not provide mortgage loans in New Zealand.

## 9. OTHER MATERIAL MATTERS

There are no other matters relating to the business or affairs of the Registered Bank and the Banking Group which are not contained elsewhere in this Disclosure Statement which, if disclosed, would materially adversely affect the decision of a person to subscribe for debt securities of which the Registered Bank or any member of the Banking Group is the issuer.

## 10. FINANCIAL STATEMENTS OF THE REGISTERED BANK AND BANKING GROUP

Attached to, and forming part of, this Disclosure Statement are the most recent publicly available audited financial statements of the Registered Bank (consolidated) for the twelve months ended 31 December 2015, and (unaudited) financial statements of the Registered Bank (consolidated) for the nine months ended 30 September 2016, each prepared in accordance with US GAAP.

The most recent publicly available Disclosure Statement of the Banking Group and the Registered Bank can be accessed online at <http://www.jpmorgan.com/pages/international/newzealand>

## 11. STATEMENT BY THE DIRECTORS AND NEW ZEALAND CHIEF EXECUTIVE OFFICER

Each Director, and the New Zealand Chief Executive Officer, after due enquiry, believe that:

- This Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) as at the date on which this Disclosure Statement is signed;
- The Registered Bank has complied with all conditions of registration that applied during the accounting period;
- NZ Branch had systems in place to monitor and control adequately the material risks of the Registered Bank's Banking Group, including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems were being properly applied during the accounting period; and
- This Disclosure Statement is not false or misleading as at the date on which this Disclosure Statement is signed.

The current directors of the Registered Bank are James S Crown, William C Weldon, Laban P Jackson Jr, Linda B Bammann, James A Bell, Crandall C Bowles, Stephen B Burke, James Dimon, Timothy P Flynn, Michael A Neal, Lee R Raymond and Todd A Combs.

This Disclosure Statement is signed by Mr Old as a Responsible Person on behalf of each of the Directors, and Mr Lawrence, New Zealand Chief Executive Officer



Stewart Old

24 November 2016

Date



Mark Lawrence

24 November 2016

Date



# Disclosure Statement

For the nine months ended 30 September 2016

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## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### A. Statutory Base

These financial statements have been prepared and presented in accordance with the requirements of the Financial Reporting Act 2013, the Financial Markets Conduct Act 2013 (the Act), the Companies Act 1993, the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order, 2014 (as amended), the Reserve Bank of New Zealand Act 1989, applicable New Zealand equivalents to International Financial Reporting Standards (NZ-IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial report, comprising the financial statements and accompanying notes of the Banking Group (as defined on page 1) comply with International Financial Reporting Standards.

The Act governs how financial products are created, promoted and sold, and the ongoing responsibilities of those who offer, deal and trade them. It covers a number of different areas, including fair dealing provisions, disclosure of offers of financial products, and Financial Reporting. The Act became effective on a phased basis, with the last phase occurring in December 2014. Management have considered the impact of the Act and, from a Financial Reporting perspective, note that the Registered Bank has become a "FMC reporting entity" from 1 January 2015. This has resulted in increased reporting requirements for auditors should a modified audit opinion be issued, and a reduction in the reporting deadline for New Zealand Companies Office submissions.

These financial statements are for the Banking Group and are authorised by the Directors for issue on 24 November 2016. The Registered Bank has the power to amend and re-issue the financial report.

### B. Measurement Base

The financial statements are based on the general principles of historical cost, as modified by the valuation of certain assets which are recorded at their fair values. The going concern concept and the accruals concept of accounting have been adopted. All amounts are expressed in New Zealand dollars and all references to "\$" are to New Zealand dollars unless otherwise stated. The amounts in the financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

### C. Basis of Aggregation and Preparation

This interim report has been prepared in accordance with the New Zealand International Accounting Standard (IAS) 34.

The financial statements of NZ Branch, the New Zealand branch operations of J.P. Morgan Australia Limited, J.P. Morgan Securities Australia Limited and J.P. Morgan Markets Australia Pty Limited, have been aggregated to form the Banking Group.

All transactions and balances between entities within the Banking Group have been eliminated.

### D. Comparatives

Where necessary, comparatives have been reclassified to conform with changes in presentation in the current reporting period. Where restatements are material, the nature of and the reason for the restatement are disclosed in the relevant note.

### E. Critical Accounting Estimates and Judgements

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Banking Group's accounting policies. Estimates and judgements are determined using historical knowledge and other factors, including a reasonable expectation of future events. Estimates, where applied, are subject to continuing evaluation for appropriateness. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are detailed below.

- **Fair Value**

Where an active market exists for a financial instrument, fair values are determined by reference to the quoted prices/yields at balance date. Such instruments are classified as level 1 within the fair value hierarchy table in the audited financial statements of the Banking Group for the year ended 31 December 2015. However, for certain financial instruments where no active market exists, judgement is used to select the valuation technique which best estimates its fair value.



## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### E. Critical Accounting Estimates and Judgements (continued)

The fair value of financial instruments held by the Banking Group at balance date, where valuation techniques or models have been applied, are classified within level 2 of the fair value hierarchy table, as inputs to the techniques and models are market observable.

#### • Impairment of Goodwill and Intangible Assets

Goodwill and intangible assets are tested annually for impairment to determine whether the fair value is less than the carrying amount and whether the impairment is other than temporary. The fair value is determined based on present value of future cash flow projection at a discount rate of 15.0%. The cash flow projection model is based on management assumptions of future growth rates for expenses and revenue. All future cash flows are based on five year projections based on most recent forecasts, incorporating a 2% growth rate. The business forecasts applied by management are considered appropriate as they are based on past experience and are consistent with observable current market information. The results of the impairment testing performed did not result in any impairment being identified.

There are no other judgements that management has made in the process of applying the Banking Group's accounting policies that have a significant effect on the amounts recognised in the financial statements, nor any key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### F. Significant Accounting Policies

There have been no changes in accounting policies or methods of computation in the preparation of the financial statements for the nine months ended 30 September 2016 since the most recent annual financial statements for the year ended 31 December 2015.

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

|                                                  |      | Banking Group (\$'000)              |                                     |                                    |
|--------------------------------------------------|------|-------------------------------------|-------------------------------------|------------------------------------|
|                                                  | Note | Unaudited<br>9 months<br>30/09/2016 | Unaudited<br>9 months<br>30/09/2015 | Audited<br>12 months<br>31/12/2015 |
| Interest income                                  | 1    | 11,586                              | 15,287                              | 20,336                             |
| Interest expense                                 |      | (7,235)                             | (11,210)                            | (14,901)                           |
| <b>Net interest income</b>                       |      | <b>4,351</b>                        | <b>4,077</b>                        | <b>5,435</b>                       |
| Other operating income/(loss)                    | 2    | 8,522                               | 9,042                               | 11,660                             |
| <b>Total operating income</b>                    |      | <b>12,873</b>                       | <b>13,119</b>                       | <b>17,095</b>                      |
| Operating expenses                               | 3    | (9,157)                             | (8,247)                             | (11,254)                           |
| <b>Net profit/(loss) before taxation</b>         |      | <b>3,716</b>                        | <b>4,872</b>                        | <b>5,841</b>                       |
| Income tax (expense)/benefit                     | 4    | (1,097)                             | (1,463)                             | (1,857)                            |
| <b>Net profit/(loss) after taxation</b>          |      | <b>2,619</b>                        | <b>3,409</b>                        | <b>3,984</b>                       |
| Other comprehensive income, net of tax           | 6    | (32)                                | 49                                  | (30)                               |
| <b>Total comprehensive income for the period</b> |      | <b>2,587</b>                        | <b>3,458</b>                        | <b>3,954</b>                       |

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



**STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

| Banking Group (\$'000)                             |                    |                      |                                               |                 |
|----------------------------------------------------|--------------------|----------------------|-----------------------------------------------|-----------------|
| Note                                               | Ordinary<br>Shares | Retained<br>Earnings | Foreign<br>currency<br>translation<br>reserve | Total<br>Equity |
| <b>30 September 2015 (nine month period)</b>       |                    |                      |                                               |                 |
| Equity as at 1 January 2015 (audited)              | -                  | -                    | -                                             | -               |
| Net profit/(loss) after taxation                   | -                  | 3,409                | -                                             | 3,409           |
| Foreign currency translation reserve movement      | 6                  | -                    | 49                                            | 49              |
| <b>Total comprehensive income for the period</b>   | -                  | <b>3,409</b>         | <b>49</b>                                     | <b>3,458</b>    |
| (Repatriation)/reimbursement (to)/from head office | -                  | (3,409)              | (49)                                          | (3,458)         |
| <b>Equity as at 30 September 2015 (unaudited)</b>  | 5                  | -                    | -                                             | -               |
| <b>31 December 2015 (twelve month period)</b>      |                    |                      |                                               |                 |
| Equity as at 1 January 2015 (audited)              | -                  | -                    | -                                             | -               |
| Net profit/(loss) after taxation                   | -                  | 3,984                | -                                             | 3,984           |
| Foreign currency translation reserve movement      | 6                  | -                    | (30)                                          | (30)            |
| <b>Total comprehensive income for the year</b>     | -                  | <b>3,984</b>         | <b>(30)</b>                                   | <b>3,954</b>    |
| (Repatriation)/reimbursement (to)/from head office | -                  | (3,984)              | 30                                            | (3,954)         |
| <b>Equity as at 31 December 2015 (audited)</b>     | 5                  | -                    | -                                             | -               |
| <b>30 September 2016 (nine month period)</b>       |                    |                      |                                               |                 |
| Equity as at 1 January 2016 (audited)              | -                  | -                    | -                                             | -               |
| Net profit/(loss) after taxation                   | -                  | 2,619                | -                                             | 2,619           |
| Foreign currency translation reserve movement      | 6                  | -                    | (32)                                          | (32)            |
| <b>Total comprehensive income for the year</b>     | -                  | <b>2,619</b>         | <b>(32)</b>                                   | <b>2,587</b>    |
| (Repatriation)/reimbursement (to)/from head office | -                  | (2,619)              | 32                                            | (2,587)         |
| <b>Equity as at 30 September 2016 (unaudited)</b>  | 5                  | -                    | -                                             | -               |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2016**

|                                                            |      | Banking Group (\$'000)              |                                     |                                    |
|------------------------------------------------------------|------|-------------------------------------|-------------------------------------|------------------------------------|
|                                                            | Note | Unaudited<br>9 months<br>30/09/2016 | Unaudited<br>9 months<br>30/09/2015 | Audited<br>12 months<br>31/12/2015 |
| <b>ASSETS</b>                                              |      |                                     |                                     |                                    |
| <b>Current Assets</b>                                      |      |                                     |                                     |                                    |
| Cash and cash equivalents                                  | 7    | 312,819                             | 440,682                             | 115,787                            |
| Trading and other receivables                              | 8    | 351,483                             | 462,402                             | 415,889                            |
| Financial assets at fair value through profit or loss      |      | 90,056                              | 161,147                             | 101,753                            |
| Cash collateral pledged on reverse repurchase agreements   |      | 226,332                             | 96,128                              | 156,311                            |
| Loans and advances                                         |      | 99,639                              | 80,186                              | 93,113                             |
|                                                            |      | <b>1,080,329</b>                    | <b>1,240,545</b>                    | <b>882,853</b>                     |
| <b>Non Current Assets</b>                                  |      |                                     |                                     |                                    |
| Fixed assets                                               |      | -                                   | 93                                  | 49                                 |
| Intangible assets                                          | 15   | 759                                 | 797                                 | 788                                |
| Deferred tax assets                                        |      | 460                                 | 93                                  | 166                                |
|                                                            |      | <b>1,219</b>                        | <b>983</b>                          | <b>1,003</b>                       |
| <b>Total Assets</b>                                        |      | <b>1,081,548</b>                    | <b>1,241,528</b>                    | <b>883,856</b>                     |
| <b>LIABILITIES</b>                                         |      |                                     |                                     |                                    |
| <b>Current Liabilities</b>                                 |      |                                     |                                     |                                    |
| Deposits – short term                                      | 9    | 406,007                             | 515,889                             | 209,535                            |
| Financial liabilities at fair value through profit or loss |      | 84,540                              | 91,584                              | 93,973                             |
| Cash collateral received on repurchase agreements          |      | 178,528                             | 148,406                             | 149,269                            |
| Payables                                                   | 10   | 410,583                             | 482,399                             | 429,763                            |
| Provision for taxation                                     |      | 1,890                               | 3,250                               | 1,316                              |
| <b>Total Liabilities</b>                                   |      | <b>1,081,548</b>                    | <b>1,241,528</b>                    | <b>883,856</b>                     |
| <b>Net Assets</b>                                          |      | -                                   | -                                   | -                                  |
| <b>EQUITY</b>                                              |      |                                     |                                     |                                    |
| Attributable to the shareholders of the Banking Group      |      | -                                   | -                                   | -                                  |
| <b>Total Equity</b>                                        | 5    | -                                   | -                                   | -                                  |

The above Statement of Financial Position should be read in conjunction with the accompanying notes.



**STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

|                                                               |           | Banking Group (\$'000) |                |                  |
|---------------------------------------------------------------|-----------|------------------------|----------------|------------------|
|                                                               |           | Unaudited              | Unaudited      | Audited          |
|                                                               |           | 9 months               | 9 months       | 12 months        |
|                                                               |           | 30/09/2016             | 30/09/2015     | 31/12/2015       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |           |                        |                |                  |
| Fees, commissions and other income received                   |           | 9,685                  | 6,428          | 8,042            |
| Payments to suppliers and employees                           |           | 804                    | (3,273)        | (7,497)          |
| Receipts from/(payments to) related parties                   |           | 192,664                | 46,067         | (221,351)        |
| Net movement in margin balances                               |           | (3,573)                | (3,150)        | 942              |
| Net proceed from disposal/(purchase) of financial instruments |           | (40,913)               | 33,198         | 35,752           |
| Net (increase)/decrease in loans                              |           | (6,526)                | (32,142)       | (45,069)         |
| Increase/(decrease) in deposits                               |           | 45,021                 | 72,929         | 24,340           |
| Tax paid                                                      |           | (700)                  | (822)          | (925)            |
| Interest received                                             |           | 10,076                 | 12,804         | 16,494           |
| Interest paid                                                 |           | (8,754)                | (9,488)        | (11,897)         |
| <b>Net cash inflow/(outflow) from operating activities</b>    | <b>13</b> | <b>197,784</b>         | <b>122,551</b> | <b>(201,169)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |           |                        |                |                  |
| Plant and equipment                                           |           | -                      | (73)           | (47)             |
| <b>Net cash inflow/(outflow) from investing activities</b>    |           | <b>-</b>               | <b>(73)</b>    | <b>(47)</b>      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |           |                        |                |                  |
| Repatriation of profit                                        |           | (1,112)                | (587)          | (2,796)          |
| <b>Net cash inflow/(outflow) from financing activities</b>    |           | <b>(1,112)</b>         | <b>(587)</b>   | <b>(2,796)</b>   |
| <b>Net increase/(decrease) in cash</b>                        |           | <b>196,672</b>         | <b>121,891</b> | <b>(204,012)</b> |
| Opening cash and cash equivalents                             |           | 115,787                | 319,181        | 319,181          |
| Effect of changes in foreign exchange rates on cash balances  |           | 360                    | (390)          | 618              |
| <b>Closing cash and cash equivalents</b>                      | <b>7</b>  | <b>312,819</b>         | <b>440,682</b> | <b>115,787</b>   |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

**Banking Group (\$'000)**

| <b>Unaudited</b>  | <b>Unaudited</b>  | <b>Audited</b>    |
|-------------------|-------------------|-------------------|
| <b>9 months</b>   | <b>9 months</b>   | <b>12 months</b>  |
| <b>30/09/2016</b> | <b>30/09/2015</b> | <b>31/12/2015</b> |

**NOTE 1 - INTEREST INCOME**

|                              |               |               |               |
|------------------------------|---------------|---------------|---------------|
| Cash and cash equivalents    | 4,581         | 6,490         | 8,773         |
| Trading securities           | 4,665         | 7,085         | 9,129         |
| Loans                        | 2,340         | 1,712         | 2,434         |
| <b>Total interest income</b> | <b>11,586</b> | <b>15,287</b> | <b>20,336</b> |

**NOTE 2 – OTHER OPERATING INCOME/(LOSS)**

|                                            |              |              |               |
|--------------------------------------------|--------------|--------------|---------------|
| Fee and commissions income                 | 10,896       | 8,904        | 11,475        |
| Trading income/(loss)                      | (2,415)      | 30           | 123           |
| Other income/(loss)                        | 41           | 108          | 62            |
| <b>Total other operating income/(loss)</b> | <b>8,522</b> | <b>9,042</b> | <b>11,660</b> |

**NOTE 3 – OPERATING EXPENSES**

|                                      |              |              |               |
|--------------------------------------|--------------|--------------|---------------|
| Administration expenses              | 5,337        | 4,868        | 6,629         |
| Employee expenses                    | 1,100        | 1,352        | 1,888         |
| Fee and commissions expense          | 831          | 786          | 1,114         |
| Occupancy expenses                   | 146          | 168          | 220           |
| Depreciation & amortisation          | 78           | 141          | 188           |
| Professional services expenses       | 70           | 119          | 137           |
| Technology & communications expenses | 11           | 39           | 47            |
| Travel expenses                      | -            | 7            | 8             |
| Other expenses                       | 1,584        | 767          | 1,023         |
| <b>Total operating expenses</b>      | <b>9,157</b> | <b>8,247</b> | <b>11,254</b> |



**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

**Banking Group (\$'000)**

| <b>Unaudited</b>  | <b>Unaudited</b>  | <b>Audited</b>    |
|-------------------|-------------------|-------------------|
| <b>9 months</b>   | <b>9 months</b>   | <b>12 months</b>  |
| <b>30/09/2016</b> | <b>30/09/2015</b> | <b>31/12/2015</b> |

**NOTE 4 – INCOME TAX EXPENSE/ (BENEFIT)**

**(a) The components of tax expense / (benefit) comprise:**

|                                          |              |              |              |
|------------------------------------------|--------------|--------------|--------------|
| Current tax                              | 1,081        | 1,435        | 1,810        |
| Deferred tax                             | -            | -            | 19           |
| Over / (Under) provision for prior years | 16           | 28           | 28           |
|                                          | <b>1,097</b> | <b>1,463</b> | <b>1,857</b> |

**(b) The prima facie tax on operating surplus before tax is reconciled to the income tax expense / (benefit) as follows**

|                                                                                                        |              |              |              |
|--------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|
| Operating surplus / (deficit) before tax                                                               | 3,716        | 4,872        | 5,841        |
| Income tax expense / (benefit) - prima facie at the Australian rate of 30% and New Zealand rate of 28% | 1,081        | 1,435        | 1,725        |
| Tax effect of non deductible expense                                                                   | -            | -            | 104          |
| Adjustment for (over) / under provision in prior periods                                               | 16           | 28           | 28           |
| <b>Total income tax expense</b>                                                                        | <b>1,097</b> | <b>1,463</b> | <b>1,857</b> |

**NOTE 5 - EQUITY**

Profits of the Banking Group are repatriated to Head Office on a monthly basis. Similarly, any losses are reimbursed by Head Office on a monthly basis.

**NOTE 6 – OTHER COMPREHENSIVE INCOME**

|                                                      |          |          |          |
|------------------------------------------------------|----------|----------|----------|
| Opening balance                                      | -        | -        | -        |
| Currency retranslation during the period             | (32)     | 49       | (30)     |
| (Repatriation) / reimbursement (to)/from head office | 32       | (49)     | 30       |
| <b>Closing balance</b>                               | <b>-</b> | <b>-</b> | <b>-</b> |

**NOTE 7 – CASH AND CASH EQUIVALENTS**

**Due from central and other banks**

|                                               |                |                |                |
|-----------------------------------------------|----------------|----------------|----------------|
| New Zealand - short term deposit              | 250,000        | 317,000        | 68,000         |
| New Zealand - at call                         | 61,500         | 26,380         | 29,517         |
| Overseas - at call                            | 1,319          | 97,302         | 18,270         |
| <b>Total due from central and other banks</b> | <b>312,819</b> | <b>440,682</b> | <b>115,787</b> |
| <b>Total cash and cash equivalents</b>        | <b>312,819</b> | <b>440,682</b> | <b>115,787</b> |

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

**Banking Group (\$'000)**

| <b>Unaudited</b>  | <b>Unaudited</b>  | <b>Audited</b>    |
|-------------------|-------------------|-------------------|
| <b>9 months</b>   | <b>9 months</b>   | <b>12 months</b>  |
| <b>30/09/2016</b> | <b>30/09/2015</b> | <b>31/12/2015</b> |

**NOTE 8 – TRADING AND OTHER RECEIVABLES**

|                                            |                |                |                |
|--------------------------------------------|----------------|----------------|----------------|
| Fee income receivable                      | 1,904          | 1,843          | 1,720          |
| Interest receivable                        | 95             | 169            | 293            |
| Amounts due from related parties           | 1,899          | 49,802         | 3,775          |
| Margin receivable                          | 347,347        | 410,062        | 409,787        |
| Income tax receivable                      | 230            | 515            | 314            |
| Other receivable                           | 8              | 11             | -              |
| <b>Total trading and other receivables</b> | <b>351,483</b> | <b>462,402</b> | <b>415,889</b> |

**NOTE 9 – DEPOSITS - SHORT TERM**

|                                    |                |                |                |
|------------------------------------|----------------|----------------|----------------|
| Deposits                           | 406,007        | 515,889        | 209,535        |
| <b>Total Deposits – short term</b> | <b>406,007</b> | <b>515,889</b> | <b>209,535</b> |

Retail deposits of the Registered Bank in New Zealand for the period were Nil (2015: Nil).

**NOTE 10 – PAYABLES**

|                                |                |                |                |
|--------------------------------|----------------|----------------|----------------|
| Interest payable               | 77             | 61             | 84             |
| Margin payable                 | 342,367        | 404,565        | 408,382        |
| Accrued expenses               | 9,634          | 6,220          | 2,679          |
| Amounts due to related parties | 58,491         | 71,519         | 18,587         |
| Deferred revenue               | 4              | 29             | 23             |
| Other payable                  | 10             | 5              | 8              |
| <b>Total payables</b>          | <b>410,583</b> | <b>482,399</b> | <b>429,763</b> |



**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

**NOTE 11 – RELATED PARTY TRANSACTIONS**

During the period, there have been dealings between members of the Banking Group, and dealings with other subsidiaries of the Registered Bank. Dealings include activities such as funding, accepting deposits, payment of fees on behalf of the Banking Group, income attribution received from overseas desks for the sale of credits and rates products, and transactions between J.P. Morgan Australia Group Pty Limited, the head entity in the Australian tax consolidated group, and the three Australian incorporated companies within the Banking Group under various tax sharing agreements. These transactions were made on terms equivalent to those that prevail in arm's length transactions. No related party debts have been written off, forgiven or provided for during the period.

All of the Banking Group companies are ultimately owned by the Registered Bank.

| <b>Banking Group (\$'000)</b>  |                   |                   |                   |
|--------------------------------|-------------------|-------------------|-------------------|
|                                | <b>Unaudited</b>  | <b>Unaudited</b>  | <b>Audited</b>    |
|                                | <b>9 months</b>   | <b>9 months</b>   | <b>12 months</b>  |
|                                | <b>30/09/2016</b> | <b>30/09/2015</b> | <b>31/12/2015</b> |
| Total due from related parties | <b>248,967</b>    | <b>231,505</b>    | <b>218,914</b>    |
| Total due to related parties   | <b>240,146</b>    | <b>363,117</b>    | <b>55,805</b>     |

**NOTE 12 – TOTAL LIABILITIES OF THE REGISTERED BANK, NET OF AMOUNTS DUE TO RELATED PARTIES**

| <b>NZ Branch (\$'000)</b>                               |                   |                   |                   |
|---------------------------------------------------------|-------------------|-------------------|-------------------|
|                                                         | <b>Unaudited</b>  | <b>Unaudited</b>  | <b>Audited</b>    |
|                                                         | <b>9 months</b>   | <b>9 months</b>   | <b>12 months</b>  |
|                                                         | <b>30/09/2016</b> | <b>30/09/2015</b> | <b>31/12/2015</b> |
| Total liabilities net of amounts due to related parties | <b>247,890</b>    | <b>248,075</b>    | <b>195,944</b>    |

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

**NOTE 13 – RECONCILIATION OF NET SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

|                                                                                           | Banking Group (\$'000) |                        |                         |
|-------------------------------------------------------------------------------------------|------------------------|------------------------|-------------------------|
|                                                                                           | Unaudited              | Unaudited              | Audited                 |
|                                                                                           | 9 months<br>30/09/2016 | 9 months<br>30/09/2015 | 12 months<br>31/12/2015 |
| <b>Net profit/(loss) for the period</b>                                                   | <b>2,654</b>           | <b>3,409</b>           | <b>3,984</b>            |
| Movement in Head Office Repatriation included in net surplus                              | (1,512)                | (2,870)                | (1,157)                 |
| Depreciation and amortisation                                                             | 78                     | 141                    | 188                     |
| <b>Changes in operating assets and liabilities:</b>                                       |                        |                        |                         |
| Movement in financial instruments                                                         | (38,498)               | 33,167                 | 35,629                  |
| Movement in fee income receivable                                                         | (184)                  | (57)                   | 66                      |
| Movement in accrued interest receivable                                                   | 198                    | 54                     | (69)                    |
| Movement in amounts due from related parties                                              | 1,876                  | (40,777)               | 5,250                   |
| Movement in margin receivables                                                            | 62,440                 | (222,952)              | (222,677)               |
| Movement in other receivable                                                              | 75                     | 978                    | 1,190                   |
| Movement in deferred tax assets                                                           | (329)                  | 93                     | 19                      |
| Movement in loans                                                                         | (6,526)                | (32,142)               | (45,069)                |
| Movement in deposits                                                                      | 196,474                | 151,002                | (155,351)               |
| Movement in tax payable                                                                   | 574                    | 1,189                  | (745)                   |
| Movement in accrued interest payable                                                      | (7)                    | 6                      | 28                      |
| Movement in margin payable                                                                | (66,013)               | 219,802                | 223,619                 |
| Movement in other payables                                                                | -                      | 5                      | -                       |
| Movement in accrued expenses                                                              | 6,958                  | 1,208                  | (2,325)                 |
| Movement in amounts due to related parties                                                | 39,939                 | 9,923                  | (43,009)                |
| Movement in deferred revenue                                                              | (19)                   | (67)                   | (73)                    |
| Movement in foreign exchange translation balances attributable to cash and other balances | (394)                  | 439                    | (667)                   |
| <b>Net cash inflow/(outflow) from operating activities</b>                                | <b>197,784</b>         | <b>122,551</b>         | <b>(201,169)</b>        |

**NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES**

As at 30 September 2016, the Banking Group had an undrawn committed facility of Nil (31 December 2015: \$225.7mm) and stand-by letters of credit of \$4.8mm (31 December 2015: \$20.1mm). In addition, the Banking Group had lease commitments of \$0.53mm as at the reporting date (31 December 2015: \$0.07mm).



**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**  
**SUPPLEMENTAL INFORMATION**

**NOTE 15 – INTANGIBLE ASSETS**

Goodwill and intangible assets were acquired as part of the purchase of ANZ New Zealand custody business on 18 December 2009.

|                                                        | Banking Group (\$'000) |            |            |
|--------------------------------------------------------|------------------------|------------|------------|
|                                                        | Unaudited              | Unaudited  | Audited    |
|                                                        | 9 months               | 9 months   | 12 months  |
|                                                        | 30/09/2016             | 30/09/2015 | 31/12/2015 |
| Goodwill                                               | 642                    | 642        | 642        |
| Intangible assets – Custody clearing services software | 289                    | 289        | 289        |
| Intangible assets – Customer contracts/relationships   | 377                    | 377        | 377        |
| Accumulated amortisation of intangible assets          | (549)                  | (511)      | (520)      |
| <b>Net Intangibles</b>                                 | <b>759</b>             | <b>797</b> | <b>788</b> |

**NOTE 16 – EVENTS AFTER THE REPORTING PERIOD**

No matters or circumstances have arisen since the end of the reporting period which significantly affected, or may significantly affect, the operations, the results of those operations, or the state of affairs of the Banking Group in future financial years.

**NOTE 17 – FINANCIAL STATEMENTS OF THE REGISTERED BANK**

Attached to, and forming part of, this Disclosure Statement are the most recently publicly available (un-audited) financial statements of the Registered Bank for the nine months ended 30 September 2016, and the most recent publicly available audited financial statements of the Registered Bank for the twelve months ended 31 December 2015, each prepared in accordance with US GAAP. The most recent publicly available Disclosure Statement of the Banking Group and the Registered Bank can be accessed online at <http://www.jpmorgan.com/pages/international/newzealand>.

**NOTE 18 – INTEREST EARNING AND DISCOUNT BEARING ASSETS AND LIABILITIES**

|                                              | Banking Group (\$'000) |            |            |
|----------------------------------------------|------------------------|------------|------------|
|                                              | Unaudited              | Unaudited  | Audited    |
|                                              | 9 months               | 9 months   | 12 months  |
|                                              | 30/09/2016             | 30/09/2015 | 31/12/2015 |
| Interest earning and discount bearing assets | 728,846                | 778,143    | 466,964    |
| Interest and discount bearing liabilities    | 669,075                | 755,879    | 452,777    |

**NOTE 19 – CAPITAL ADEQUACY**

The Federal Reserve Board establishes capital requirements, including well-capitalised standards, for the consolidated financial holding company, JPMorgan Chase & Co. The Office of the Comptroller of the Currency establishes similar requirements for the Registered Bank.

Basel III, for U.S. bank holding companies and banks, revised, among other things, the definition of capital and introduced a new common equity Tier 1 capital ("CET1 capital") requirement. Basel III presents two comprehensive methodologies for calculating risk-weighted assets ("RWA"), a general (Standardized) approach, which replaced Basel I RWA ("Basel III Standardized") effective 1 January 2015 and an advanced approach, which replaces Basel II RWA ("Basel III Advanced"); and sets out minimum capital ratios and overall capital adequacy standards. Certain of the requirements of Basel III are subject to phase-in periods that began 1 January 2014 and continue through the end of 2018 ("Transitional period").



**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**  
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**NOTE 19 – CAPITAL ADEQUACY (continued)**

Basel III capital rules will become fully phased-in on January 1, 2019, at which point JPMCC will continue to calculate its capital ratios under both the Basel III Standardized and Advanced Approaches. Basel III also includes a requirement for Advanced Approach banking organizations, including JPMCC, to calculate a Supplementary Leverage Ratio ("SLR"). The SLR is defined as Tier 1 capital under Basel III divided by JPMCC's total leverage exposure. Total leverage exposure is calculated by taking JPMCC's total average on-balance sheet assets, less amounts permitted to be deducted for Tier 1 capital, and adding certain off-balance sheet exposures, such as undrawn commitments and derivatives potential future exposure.

In addition to the regulatory minimum capital ratio of 4.5% of CET1 capital, certain banking organizations, including JPMCC, will be required to hold an additional amounts of capital to serve as a "capital conservation buffer." The capital conservation buffer is intended to be used to absorb potential losses in times of financial or economic stress; if not maintained, JPMCC could be limited in the amount of capital that may be distributed, including dividends and common equity repurchases. The capital conservation buffer is to be phased-in over time, beginning 1 January 2016 through 1 January 2019. When fully phased-in, the capital conservation buffer requires an additional 2.5% of CET1 capital, as well as additional levels of capital in the form of a GSIB surcharge and the recently implemented countercyclical capital buffer. The countercyclical capital buffer is a potential expansion of the capital conservation buffer that takes into account the macro financial environment in which large, internationally active banks function. As of December 31, 2015 the Federal Reserve reaffirmed setting the U.S. countercyclical capital buffer at 0%, and stated that it will review the amount at least annually.

On July 20, 2015, the Federal Reserve issued a final rule requiring GSIBs to calculate their GSIB surcharge, on an annual basis, under two separately prescribed methods, and to be subject to the higher of the two. The first method ("Method 1") reflects the GSIB surcharge as prescribed by Basel rules, and is calculated across five criteria: size, cross-jurisdictional activity, interconnectedness, complexity and substitutability. The second method ("Method 2") modifies the requirements to include a measure of short-term wholesale funding in place of substitutability, and introduces a GSIB score "multiplication factor." Based upon data as of December 31, 2015, the Firm estimates its fully phased-in GSIB surcharge would be 2% of CET1 capital under Method 1 and 3.5% under Method 2.

Consequently, based upon the final rules currently in effect, the minimum Basel III CET1 capital ratio requirement for JPMCC and the Registered Bank is expected to be 10.5%, comprised of the minimum ratio of 4.5% plus the 2.5% capital conservation buffer and the 3.5% G-SIB requirement both beginning 1 January 2019. Both JPMCC and the Registered Bank exceeded these requirements as at 30 September 2016.

| <b>Capital Adequacy Ratios</b> | <b>Basel III Advanced Transitional Registered Bank 30/09/2016 Unaudited</b> | <b>Basel III Standardised Registered Bank 30/09/2016 Unaudited</b> | <b>Basel III Advanced Transitional Registered Bank 30/09/2015 Unaudited</b> | <b>Basel III Standardised Registered Bank 30/09/2015 Unaudited</b> |
|--------------------------------|-----------------------------------------------------------------------------|--------------------------------------------------------------------|-----------------------------------------------------------------------------|--------------------------------------------------------------------|
| Common Equity Tier 1 Capital   | 13.52%                                                                      | 13.34%                                                             | 13.22%                                                                      | 12.94%                                                             |
| Tier 1 Capital                 | 13.54%                                                                      | 13.37%                                                             | 13.24%                                                                      | 12.96%                                                             |
| Total Capital                  | 14.05%                                                                      | 14.47%                                                             | 13.85%                                                                      | 14.09%                                                             |

The most recent publicly available Call Report of the Banking Group and the Registered Bank can be accessed online at <http://www.jpmorgan.com/pages/international/newzealand>.

The ratios given for Registered Bank are for the consolidated group, including the Registered Bank and its subsidiary and associated companies. The capital ratios for the Registered Bank on an unconsolidated basis are not publicly available. The Registered Bank is subject to the capital requirements of the Office of the Comptroller of the Currency, the capital requirements of which are at least equal to those specified under the Basel framework and are not publicly available.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**  
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**NOTE 20 – CONCENTRATION OF CREDIT EXPOSURE TO INDIVIDUAL COUNTERPARTIES**

The Banking Group has no aggregate credit exposure to an individual counterparty or group of closely related counterparties (whether bank or non-bank exposures) which equals or exceeds 10% of the Registered Bank's equity as at 30 September 2016, 30 September 2015 or 31 December 2015, or in respect of peak end-of-day aggregate credit exposures for the most recent quarter of the financial period.

**NOTE 21 – ACTIVITIES OF THE BANKING GROUP IN NEW ZEALAND**

As at 30 September 2016 no members of the Banking Group have been involved in:

- (a) the origination of securitised assets or the marketing or servicing of securitisation schemes;
- (b) the marketing and distribution of insurance products; and
- (c) the establishment, marketing, or sponsorship of trust or funds management

**Custodial Services**

The financial statements of the Banking Group include income in respect of custodial services provided to customers by the NZ Branch. As at 30 September 2016 securities held on behalf of NZ Branch's customers were excluded from the Statement of Financial Position. The value of securities held in custody by NZ Branch was \$36,386 million (December 2015: \$34,338 million).

NZ Branch is subject to the typical risks incurred by custodial operations. JPMCC maintains a range of insurance policies (for its own benefit and that of subsidiaries including NZ Branch), including Banker's Blanket Bond Insurance which provides cover for it in respect of loss of money or securities (through fraud, theft or disappearance). Such Banker's Blanket Bond cover is maintained with limits of cover which vary from time to time but which are considered prudent and in accordance with international levels and insurance market capacity.

There were no changes to the activities of the Banking Group and any related arrangements since 31 December 2015



**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)**  
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**NOTE 22 – RISK MANAGEMENT**

During the nine months ended 30 September 2016, there have been no material changes to the Banking Group's policies for managing risks in relation to credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk or any other material business risk to which it is exposed.

**Exposure to Liquidity Risk**

The following table shows a composition of our funding sources that contribute to the liquidity risk position as at 30 September 2016 and are held by the Banking Group for the purposes of managing liquidity risk.

|                                                          | <b>Banking Group (\$'000)</b> |
|----------------------------------------------------------|-------------------------------|
|                                                          | <b>Unaudited</b>              |
|                                                          | <b>30/09/2016</b>             |
| Cash and cash equivalents                                | 312,819                       |
| Client funds receivables                                 | 347,347                       |
| Receivables                                              | 4,136                         |
| Government bonds                                         | 90,037                        |
| Non-government bonds                                     | 19                            |
| Cash collateral pledged on reverse repurchase agreements | 226,332                       |
| Loans and advances                                       | 99,639                        |
|                                                          | <b>1,080,329</b>              |

**NOTE 23 – EXPOSURES TO MARKET RISK**

Set out below are details of market risk end-period notional capital charges. These have been derived using the Capital Adequacy Framework (Standardised Approach) (BS2A) methodology, which is in accordance with Schedule 9 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended). Market risk exposures have been derived using the Capital Adequacy Framework (Standardised Approach) (BS2A) methodology.

|                               | <b>Banking Group (\$'000)</b>         |                                |
|-------------------------------|---------------------------------------|--------------------------------|
|                               | <b>Unaudited</b>                      |                                |
|                               | <b>Implied risk weighted exposure</b> | <b>Notional capital charge</b> |
| <b>30 September 2016</b>      |                                       |                                |
| <b>Market Risk End-period</b> |                                       |                                |
| Interest rate risk            | -                                     | -                              |
| Foreign currency risk         | 220                                   | 18                             |
| Equity risk                   | -                                     | -                              |

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**  
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**NOTE 24 –ASSET QUALITY**

There are no expected material losses or diminution in asset value for the Banking Group. The provision of information in relation to the following classes of assets is therefore not necessary:

- aggregate amount of any undrawn balances on lending commitments to counterparties for whom drawn balances are classified as individually impaired;
- other individually impaired assets;
- restructured assets;
- financial assets acquired through the enforcement of security;
- real estate assets acquired through the enforcement of security;
- other assets acquired through the enforcement of security; and
- other assets under administration.

The table below presents assets past due at balance date:

| Banking Group (\$'000)    |                   |                               |                               |              |       |
|---------------------------|-------------------|-------------------------------|-------------------------------|--------------|-------|
| Unaudited                 |                   |                               |                               |              |       |
| 30/09/2016                |                   |                               |                               |              |       |
|                           | Less than 30 days | 30 days and less than 60 days | 60 days and less than 90 days | Over 90 days | Total |
| Past due and not impaired | 384               | 377                           | -                             | -            | 761   |

|                                                                                                                        | Banking Group                                   |                                                 | Registered Bank (consolidated)                  |                                                 |
|------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
|                                                                                                                        | Unaudited<br>9 months<br>30/09/2016<br>NZ\$'000 | Unaudited<br>9 months<br>30/09/2015<br>NZ\$'000 | Unaudited<br>9 months<br>30/09/2016<br>US\$'000 | Unaudited<br>9 months<br>30/09/2015<br>US\$'000 |
| Total individually impaired assets (before allowances for credit impairment loss and net of interest held in suspense) | -                                               | -                                               | 15,613,000                                      | 17,292,000                                      |
| Total individually impaired assets expressed as a percentage of total assets                                           | -                                               | -                                               | 0.7%                                            | 0.9%                                            |
| Total individual credit impairment allowance                                                                           | -                                               | -                                               | 11,209,000                                      | 10,716,000                                      |
| Total individual credit impairment allowance expressed as a percentage of total individually impaired assets           | -                                               | -                                               | 71.8%                                           | 62.0%                                           |
| Total collective credit impairment allowance                                                                           | -                                               | -                                               | -                                               | -                                               |



**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)**  
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**NOTE 25 – REGISTERED BANK PROFITABILITY AND SIZE**

|                                                                                                              | <b>Registered Bank (consolidated)</b> |                   |
|--------------------------------------------------------------------------------------------------------------|---------------------------------------|-------------------|
|                                                                                                              | <b>Unaudited</b>                      | <b>Unaudited</b>  |
|                                                                                                              | <b>9 months</b>                       | <b>9 months</b>   |
|                                                                                                              | <b>30/09/2016</b>                     | <b>30/09/2015</b> |
|                                                                                                              | <b>US\$'000</b>                       | <b>US\$'000</b>   |
| Net profit/(loss) after taxation                                                                             | 13,774,000                            | 12,681,000        |
| Net profit/(loss) after taxation, over the previous 12 month period, as a percentage of average total assets | 0.9%                                  | 0.8%              |
| Total assets                                                                                                 | 2,118,497,000                         | 1,943,686,000     |
| Percentage increase/(decrease) in total assets from previous period                                          | 9.0%                                  | 0.7%              |