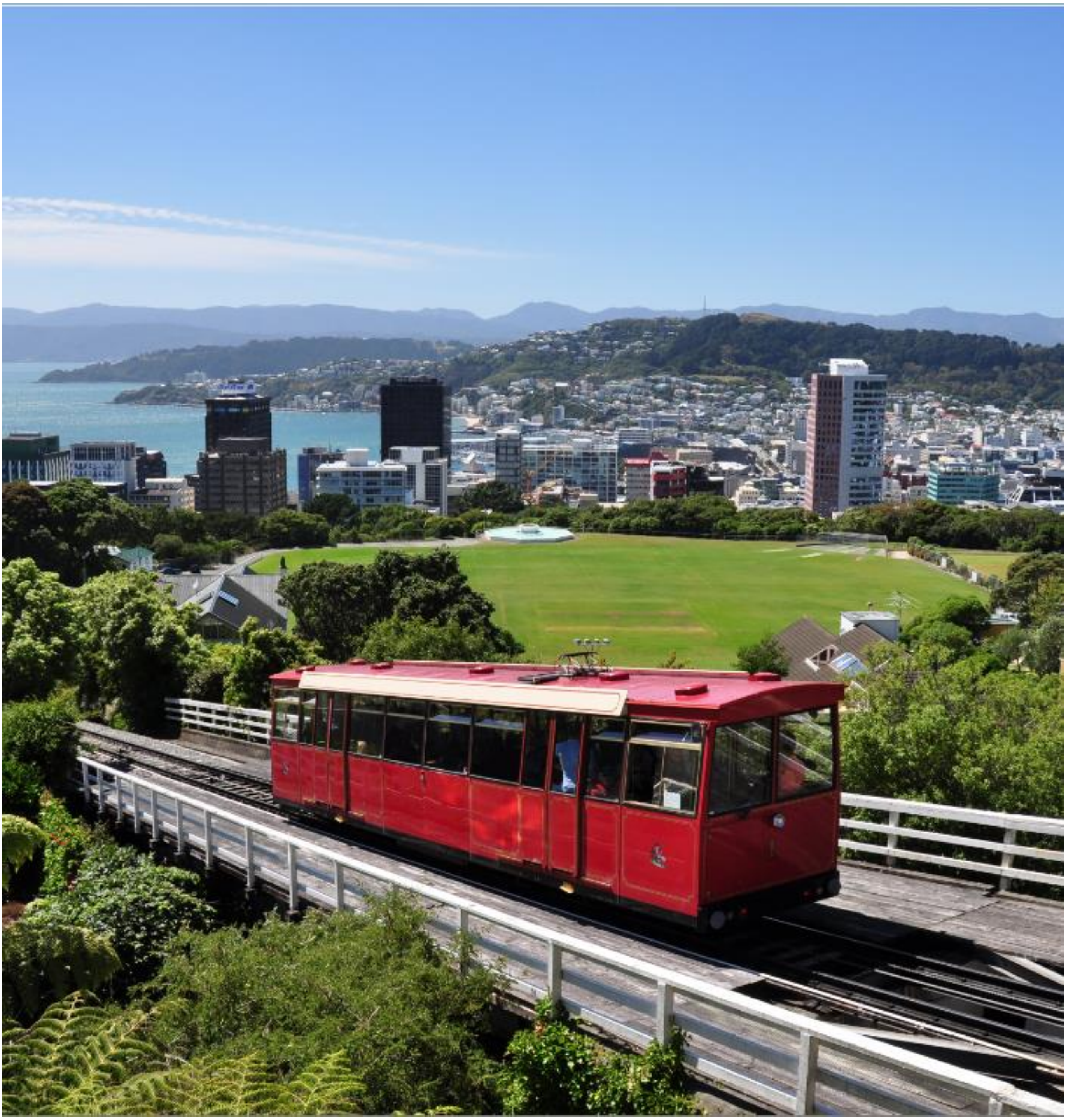
J.P.Morgan

JPMorgan Chase Bank, N.A., - New Zealand Branch and associated JPMorgan Chase Bank, New Zealand group

Disclosure Statement

For the year ended 31 December 2020



Disclosure Statement

For the twelve months ended 31 December 2020

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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, N.A. 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 New Zealand Branch 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 main office

1111 Polaris Parkway
Columbus, Ohio, 43240
United States of America

Ultimate Holding Company

JPMorgan Chase & Co.

Ultimate Holding Company's Address for Service

383 Madison Avenue
New York, New York 10179
United States of America

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, N.A. with the Registered Bank being the surviving legal entity.

The Registered Bank is one of the principal, wholly-owned subsidiaries of JPMCC. The shares of common stock of JPMCC are listed on the New York Stock Exchange and form part of the Dow Jones Industrial Average index of the New York Stock Exchange.

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

On 19 May 2020, the annual terms of James A. Bell and Laban P. Jackson as Independent Non-Executive Directors of the Registered Bank ended and they did not seek re-election. Virginia M. Rometty joined the Board of Directors of the Registered Bank as an Independent Non-Executive Director on 19 May 2020 and Phebe N. Novakovic joined the Board of Directors of the Registered Bank as an Independent Non-Executive Director on 7 December 2020.

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

Linda B Bammann - Independent Non-Executive Director
Retired Deputy Head of Risk Management of JPMorgan Chase & Co.
BA - Stanford University; MA - University of Michigan
United States of America

Stephen B Burke - Independent Non-Executive Director – Non-Executive Chairman
Chairman of NBCUniversal, LLC
BA - Colgate University; MBA - Harvard Business School
United States of America

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

James S Crown - Independent Non-Executive Director
Chairman and Chief Executive Officer of Henry Crown and Company
BA - Hampshire College; J.D. - Stanford University Law School
United States of America

Directors of the Registered Bank (continued)

James Dimon - Director
Chief Executive Officer and President of JPMorgan Chase Bank, National Association
Chairman and Chief Executive Officer of JPMorgan Chase & Co.
BA - Tufts University; MBA - Harvard Business School
United States of America

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

Mellody Hobson - Independent Non-Executive Director
Co-CEO, President and Director of Ariel Investments, LLC
BA - Princeton University
United States of America

Michael A. Neal - Independent Non-Executive Director
Retired Vice Chairman of General Electric Company and Retired Chairman and Chief Executive Officer of GE Capital
BS - Georgia Institute of Technology
United States of America

Phebe Nevenka Novakovic – Independent Non-Executive Director
Chairman and Chief Executive Officer of General Dynamics and Director of Abbott Laboratories since 2010
MBA – University of Pennsylvania Wharton School
United States of America

Virginia M. Rometty - Independent Non-Executive Director
Chairman of International Business Machines Corporation
BS - Northwestern University
United States of America

Address to which communications addressed to the Directors may be sent

Office of the Secretary
JPMorgan Chase Bank, National Association
4 New York Plaza, Floor 8
New York, New York 10004
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. Burke is a director of Berkshire Hathaway Inc., a company incorporated in the United States of America
- Mr. Combs is a director of Berkshire Hathaway subsidiaries Charter Brokerage LLC, Duracell Inc., and Precision Castparts Corp., companies incorporated in the United States of America
- Mr. Crown is a director of General Dynamics Corporation and the Chairman of Henry Crown and Company, companies incorporated in the United States of America
- Mr. Flynn is a director of Alcoa Corporation, United Healthcare Incorporated, and Wal-Mart Stores, Inc., companies incorporated in the United States of America
- Ms. Hobson is a director and Vice Chair of Starbucks Corporation, a company incorporated in the United States of America
- Mrs. Rometty is a director of International Business Machines Corporation, a company incorporated in the United States of America

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

Non-banking group companies of which the Directors of the Registered Bank are directors (continued)

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 were 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 Bedwell
Senior Country Officer, JPMorgan Australia and New Zealand
BCom – University of Western Sydney; MCom – University of New South Wales
Australia

Warren Davis
Senior Country Business Manager, JPMorgan Australia and New Zealand
Australia

Eleen Wong (Appointed: 25 February 2021)
Senior Financial Officer, JPMorgan Australia and New Zealand
BCom – University of Western Australia; Certified Practicing Accountant
Australia

Stewart Old (Resigned: 25 February 2021)
Senior Financial Officer, JPMorgan Australia and New Zealand
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 31 December 2020 are as follows:

Warren Davis
Acting New Zealand Chief Executive Officer
Senior Country Business Manager, JPMorgan Australia and New Zealand Group
Australia

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

JPMorgan Chase Bank, N.A. - New Zealand Branch
PO Box 5652
Lambton Quay, Wellington 6145
New Zealand

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

Mr Warren Davis resigned as a Director of J.P. Morgan Trust Company (New Zealand) Limited on 12 August 2020.

Acting New Zealand Chief Executive Officer Related Transactions

There were no transactions between Mr Davis, as the acting 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 acting New Zealand Chief Executive Officer's duties.

Name and address of any auditor whose report is referred to in this Disclosure Statement

PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay, Barangaroo
Sydney NSW 2000
Australia

PricewaterhouseCoopers LLP
300 Madison Avenue
New York, New York 10017
United States of America

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, where appropriate, approving transactions with related persons (i.e. JPMCC's Directors, executive officers and their immediate family members, among others). 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 (other than solely as a result of being a director); 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 to the Corporate Governance & Nominating Committee of JPMCC ("Governance Committee").

The transaction is then reviewed by the disinterested members of the Governance Committee, which determines whether approval or ratification of the transaction shall be granted. In reviewing a transaction, the 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.

Certain types of transactions are pre-approved under 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), such as banking, brokerage, investment and financial advisory products and services, on terms substantially similar to those extended to unafilliated third parties not related to JPMCC, provided such transactions are permitted by the Sarbanes-Oxley Act of 2002, 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:

Regulation O (continued)

- 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 acting 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 "Global 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.

Within the three lines of defense model of the Registered Bank, the lines of business own management of risks and compliance with applicable laws/rules/regulations, while independent functions (Risk, Compliance, Audit) provide oversight, guidance and effective challenge.

Audit Committee and Internal Audit

The Banking Group is audited by J.P. Morgan Internal Audit, which is an independent function that provides objective assurance guided by a philosophy of adding value to improve the operations of the organization. It assists the organization in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, and internal control processes.

The scope of Internal Auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the design of the organization's governance, risk management, and internal control processes as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives.

The General Auditor reports functionally to the Audit Committee of the Board of Directors and administratively to the Chief Executive Officer. This reporting relationship is designed to ensure the ongoing independence of the Internal Audit function in order to provide for the objectivity of its findings, recommendations and opinions.

Internal Audit follows a comprehensive four year risk-based cycle audit plan, which is developed after risk assessments are completed at the Audit Universe Item (AUI) level ("Bottom Up" Risk Assessment). The plan is supplemented to ensure that key risks, controls, and topics obtain adequate coverage in the plan year (referred to as the "Top Down" Analysis). Depending on the nature and risk profile of the business and the related audit objectives, one or more of the following audit activity types may be leveraged:

- Audit – Examination of significant business and operational key risks and the controls established to mitigate those risks, including compliance with laws, regulations and established policies and procedures
- Post-acquisition Review – Performed upon the purchase of an entire company, the purchase of a portfolio from another business, the in-sourcing of a business process from another company, or participation in a joint venture to assess the control environment of the acquired company/process in relation to JPMCC standards

Audit Committee and Internal Audit (continued)

- Targeted Control Review – Focused on a select group of key risks and controls to allow Internal Audit to quickly assess and communicate whether key controls are operating effectively or require remediation
- Continuous Monitoring - Performed to monitor business risk profiles, analyze changes, and adjust risk assessments and planned coverage, as necessary
- Change Activity - Encompasses any event with significant impact on the control environment, including new products/ businesses, new/significantly revised regulations, new accounting pronouncements, large-scale remediation programs, system development/implementation, business migrations/consolidations, business divestitures and branch/office closures
- Audit Issue Validation – Audit performs validation on internal audit and regulator identified issues within 60 days of issue closure.

The Audit Committee is composed of four non-management Directors who are required by regulations to meet the independence and expertise requirements. The purpose of the Audit Committee is to assist the Board oversight of:

- The independent registered public accounting firm's qualifications and independence;
- The performance of the JPMCC's internal audit function and the independent registered public accounting firm; and
- Management's responsibilities to assure that there is in place an effective system of controls reasonably designed to:
    - Safeguard the assets and income of JPMCC;
    - Assure the integrity of JPMCC's financial statements; and
    - Maintain compliance with JPMCC's ethical standards, policies, plans and procedures, and with laws and regulations.

Conditions of registration for JPMorgan Chase Bank, N.A. in New Zealand

There was a change to the Conditions of Registration which came into effect on 1 May 2020. The registration of JPMorgan Chase Bank, N.A. ("the registered bank") in New Zealand is subject to the following conditions:

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:

   (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 the insurance business.

Conditions of registration for JPMorgan Chase Bank, N.A. in New Zealand (continued)

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 total 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 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.*

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.*

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 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.

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:

	Current Rating	*Previous Credit Rating (if changed in the previous two years)*	*Outlook*
Moody's Investor Services, Inc	Aa2	Aa3	Stable
Standard & Poor's Corporation	A+	-	Stable
Fitch IBCA, Inc	AA	-	Stable

Legend to Rating Scales

Long Term Debt Ratings	*Moody's (a)*	*S&P (b)*	*FITCH (b)*
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

Legend to Rating Scales (continued)

(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

Any person, upon request and without charge, may obtain a copy of the Banking Group's most recent Disclosure Statement, which contains a copy of the most recent publicly available (un-audited) consolidated financial statements of the Registered Bank ("Call Report") for the period ended 31 December 2020 and the Registered Bank's audited financial statements for the fiscal year ended 31 December 2020 ("2020 Financials") by requesting a copy from jpm_rbnz_finance_aus@jpmorgan.com. The most recent Call Report is also available online at http://www.jpmorgan.com/pages/international/newzealand.

The Call Report is prepared in accordance with the regulatory instructions issued by the Federal Financial Institutions Examination Council ("FFIEC"), as compared to the 2020 Financials which is prepared in accordance with U.S. GAAP. In 1997, the FFIEC adopted U.S. GAAP as the reporting basis for the consolidated balance sheet, income statement and related schedules included in the Call Report. Despite the adoption of U.S. GAAP as the reporting basis for the Call Report, the presentation of financial statements in the Call Report differs significantly from the presentation of financial statements included in the 2020 Financials, the Call Report generally contains less disclosure than audited financial statements prepared in accordance with U.S. GAAP.

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

Each Director, and the acting New Zealand Chief Executive Officer, after due enquiry, believes 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 full year 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, operational risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems were being properly applied during the full year 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 Linda B Bammann, Stephen B Burke, Todd A Combs, James S Crown, James Dimon, Timothy P Flynn, Mellody Hobson, Michael A Neal, Phebe Nevenka Novakovic, and Virginia M. Rometty.

This Disclosure Statement is signed by Ms Wong as a Responsible Person on behalf of each of the Directors, and Mr Davis, as acting New Zealand Chief Executive Officer.

Warren Davis	26 March 2021 Date
Eleen Wong	26 March 2021 Date

Signed on behalf of the Directors of JPMorgan Chase Bank, National Association.

12. FIVE YEAR SUMMARY FOR THE BANKING GROUP

FIVE YEAR SUMMARY

	Audited 12 months 31/12/2020 $'000	Audited 12 months 31/12/2019 $'000	Audited 12 months 31/12/2018 $'000	Audited 12 months 31/12/2017 $'000	Audited 12 months 31/12/2016 $'000
STATEMENT OF COMPREHENSIVE INCOME					
Interest income	17,121	31,412	26,979	16,846	16,862
Interest expense	(9,399)	(17,762)	(17,986)	(9,354)	(10,916)
Net interest income	**7,722**	**13,650**	**8,993**	**7,492**	**5,946**
Other operating income	25,302	15,880	19,431	13,137	15,043
Total operating income	**33,024**	**29,530**	**28,424**	**20,629**	**20,989**
Credit impairment losses	(43)	50	-	-	-
Operating expenses	(14,637)	(15,833)	(12,687)	(11,025)	(13,134)
Net profit/(loss) before taxation	**18,344**	**13,747**	**15,737**	**9,604**	**7,855**
Income tax (expense)/benefit	(5,753)	(4,581)	(4,839)	(2,952)	(2,400)
Net profit/(loss) after taxation	**12,591**	**9,166**	**10,898**	**6,652**	**5,455**
Other comprehensive income, net of tax	53	340	(317)	89	(95)
Total comprehensive income for the period	**12,644**	**9,506**	**10,581**	**6,741**	**5,360**
Minority interests	-	-	-	-	-
Repatriation to / (reimbursement from) Head Office	**12,644**	**9,506**	**10,581**	**6,741**	**5,360**
STATEMENT OF FINANCIAL POSITION					
Total assets	2,385,163	2,004,247	1,806,231	1,573,202	845,578
Total individually impaired assets	-	-	-	-	-
Total liabilities	2,385,163	2,004,247	1,806,231	1,573,202	845,578
Head office accounts	**-**	**-**	**-**	**-**	**-**

Amounts included in the above statement are fully disclosed in the audited financial statements. None of the profit and loss in the above periods is attributable to non-controlling interests.

Disclosure Statement
FOR THE YEAR ENDED 31 DECEMBER 2020

Contents

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.

These financial statements are for the Banking Group and are authorised by the Directors for issue on 26 March 2021. 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

The financial statements of NZ Branch and the New Zealand branch operations of J.P. Morgan Securities Australia 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. However, for certain financial instruments where no active market exists, judgement is used to select the valuation technique which best estimates its fair value.

  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. Refer to the fair value hierarchy table in Note 29 (Fair Value Measurement).

  Loans at fair value through other comprehensive income are classified within level 3 as there are no observable market data.

  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.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Significant Accounting Policies

Accounting policies, which materially affect the measurement of profit and the financial position, have been applied.

1. Revenue

Revenue is measured at the fair value of the consideration received or receivable. The Banking Group recognises revenue upon satisfaction of performance obligations, which occur when control of the goods or services are transferred to the customer.

Interest revenue is recognised on an accrual basis using the effective interest rate method.

Fees and commissions revenue is recognised on the execution of a client order or upon the delivery of a service to a client. Fees and commissions received that are integral to the effective interest rate of a financial asset are recognised using the effective interest method. Loan commitment fees, together with related direct cost, are deferred and recognised as an adjustment to the effective interest rate on a loan once drawn.

The Registered Bank manages the hedging holistically for both Australia and New Zealand and follows two methods in doing so:

(i) Direct hedging for single security transactions;
(ii) Macro hedging for large portfolio of transactions.

Trading revenue includes realised and unrealised gains and losses arising from changes in the fair value of financial instruments and gains and losses from direct hedging. Any gains or losses from direct hedging are included in the Disclosure Statements of the Banking Group regardless whether they have been transacted with New Zealand clients or counter parties to ensure the financial statements reflect economic reality of the underlying transactions.

2. Foreign Currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which it operates (the functional currency). These financial statements are presented in New Zealand dollars, which is the Banking Group's functional and presentation currency. Monetary assets and liabilities denominated in foreign currencies at balance date are converted at rates of exchange ruling at that date. Gains and losses due to currency fluctuations are included in the Statement of Comprehensive Income.

The results and financial position of all foreign operations that have a functional currency different from New Zealand dollars are translated into the presentation currency as follows:

- Assets and liabilities for each financial position presented are translated at the closing rate at the date of that financial position;

- Income and expenses for each Statement of Comprehensive Income are translated at average exchange rates, unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions;

- Opening retained earnings is brought forward at the closing rate of previous financial year; and

- All resulting exchange differences are recognised in the foreign currency translation reserve as a separate component of equity.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Significant Accounting Policies (continued)

3. Taxation

Current tax is calculated by reference to the amount of income taxes payable or recoverable in tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the Banking Group in respect of the taxable profits to date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is accounted for using the financial position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Banking Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

4. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and bank overdrafts.

Bank overdrafts are classified within current liabilities in the Statement of Financial Position.

5. Goods and Services Tax (GST)

The Statement of Comprehensive Income has been prepared so that all components are stated exclusive of GST, except where GST is not recoverable. All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

6. Provision for Doubtful Debts

All receivables held by the Banking Group are regularly reviewed and a specific provision is raised for any amounts where recovery is considered doubtful.

7. Receivables

Receivables comprise client and other receivables, which are due for settlement no more than 30 days from the date of recognition, and receivables from wholly-owned group entities, which are unsecured and are settled periodically.

Receivables are recognised initially at fair value and subsequently measured at amortised cost, being the principal amounts that are due at balance date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful debts.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in the period in which they are identified, and a provision for doubtful debts is established when there is objective evidence that the Banking Group will not be able to collect all amounts due. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Significant Accounting Policies (continued)

8. Financial Instruments

Recognition of financial assets and financial liabilities

The Banking Group recognises financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade-date, which is the date on which the Banking Group commits to purchase or sell an asset.

Classification and measurement of financial assets and financial liabilities

On initial recognition, financial assets are classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification is based on both the business model for managing the financial assets and their contractual cash flow characteristics. Factors considered by the Banking Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated.

Financial assets and financial liabilities measured at amortised cost

Financial assets are measured at amortised cost if they are held under a business model with the objective to collect contractual cash flows ("Hold to Collect") and they have contractual terms under which cash flows are solely payments of principal and interest ("SPPI"). In making the SPPI assessment, the Banking Group considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets measured at amortised cost include amounts due from central and other banks, margin and other receivables.

Financial liabilities are measured at amortised cost unless they are held for trading or are designated as measured at fair value through profit or loss. Most of the Banking Group's financial liabilities are measured at amortised cost. Financial liabilities measured at amortised cost include deposits – short term and payables.

Financial assets and financial liabilities measured at amortised cost are initially recognised at fair value including transaction costs (which are explained below). The initial amount recognised is subsequently reduced for principal repayments and for accrued interest using the effective interest method (see below). Certain transactions with a related party financial institution are measured at amortized cost as they are managed as part of a 'hold-to-collect' business model for liquidity management. Due to the short term and highly collaterised nature of these financial instruments, amortised cost approximates fair value. A global fair value model was implemented, which was adopted by the Group on 1 January 2020.

The effective interest method is used to allocate interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability or a shorter period when appropriate, to the net carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset or financial liability. The calculation of the effective interest rate includes all fees and commissions paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issuance or disposal of a financial asset or financial liability. Gains and losses arising on the disposal of financial assets measured at amortised cost are recognised in 'trading income/loss'.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Significant Accounting Policies (continued)

8. Financial Instruments (continued)

Financial assets and financial liabilities fair value through other comprehensive income (FVOCI)

Financial assets are measured at FVOCI if they are held under a business model with the objective of both collecting contractual cash flows and selling the financial assets ("Hold to Collect and Sell"), and they have contractual terms under which cash flows are SPPI.

Financial assets measured at FVOCI include loans.

Financial assets measured at FVOCI are initially recognised at fair value, which includes direct transaction costs. The financial assets are subsequently re-measured at fair value with any changes presented in other comprehensive income (OCI) except for changes attributable to impairment, interest income and foreign currency exchange gains and losses. Impairment losses and interest income are measured and presented in profit or loss on the same basis as financial assets measured at amortised cost (see above).

On disposal of financial assets measured at FVOCI, the cumulative gains or losses in OCI are reclassified from equity, and recognised in other income.

Financial assets and financial liabilities measured at fair value through profit or loss (FVTPL)

Financial assets and financial liabilities are measured at FVTPL if they are held for trading. Under NZ-IFRS 9, a financial asset or a financial liability is defined as “held for trading” if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking or it is a derivative. However, such financial instruments are used by the Banking Group predominantly in connection with its client-driven market-making and/or for hedging certain assets, liabilities, positions, cash flows or anticipated transactions (i.e. risk management activities).

Financial assets and financial liabilities held for trading comprise government bonds, notes and securities, cash collateral pledged on reverse repurchase agreements, trading securities, cash collateral received on repurchase agreements, both debt and equity securities, loans and derivatives and the related unrealised gains and losses.

In addition, certain financial assets that are not held for trading are measured at FVTPL if they do not meet the criteria to be measured at amortised cost or FVOCI. For example, if the financial assets are managed on a fair value basis, have contractual cash flows that are not SPPI or are equity securities. The Banking Group did not elect to measure any equity instruments at FVOCI.

Financial instruments measured at FVTPL are initially recognised at fair value in the balance sheet. Transaction costs and any subsequent fair value gains or losses are recognised in profit or loss as they arise.

The Banking Group manages cash instruments, in the form of debt and equity securities, and derivatives on a unified basis, including hedging relationships between cash securities and derivatives. Accordingly the Firm reports the gains and losses on the cash instruments and the gains and losses on the derivatives on a net basis in trading profits.

Subject to certain criteria, the Banking Group can designate financial assets and financial liabilities to be measured at fair value through profit or loss. Designation is only possible when the financial instrument is initially recognised and cannot subsequently be reclassified. Financial assets can be designated as measured at fair value through profit or loss only if such designation eliminates or significantly reduces a measurement or recognition inconsistency. Financial liabilities can be designated as measured at fair value through profit or loss only if such designation (a) eliminates or significantly reduces a measurement or recognition inconsistency; or (b) applies to a group of financial assets, financial liabilities or both that the Banking Group manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative unless the embedded derivative does not significantly modify the cash flows required by the contract or when a similar hybrid instrument is considered that separation of the embedded derivative is prohibited.

F. Significant Accounting Policies (continued)

8. Financial Instruments (continued)

Financial assets and financial liabilities measured at fair value through profit or loss (continued)

Financial assets and financial liabilities that the Banking Group designates as measured at fair value through profit or loss are recognised at fair value at initial recognition, with transaction costs being recognised in profit or loss and subsequently measured at fair value. Gains and losses on financial assets and financial liabilities designated at fair value through profit or loss are recognised in profit or loss as they arise.

The Banking Group has designated securities purchased under agreements to resell and securities borrowed within the Banking Group's Corporate and Investment Banking portfolios to be measured at FVTPL as they are managed on a fair value basis. Changes in the fair value of financial assets designated as measured at FVTPL are recognised immediately in trading profit or loss (see section 'Trading income' below).

Changes in the fair value of financial liabilities designated as measured at FVTPL are recognised in profit or loss except for gains/losses attributable to changes in the Banking Group's own credit risk. These gains/losses are recognised in OCI unless doing so results in an accounting mismatch with directly offsetting financial assets measured at fair value through profit or loss.

Interest income and interest expense

Unless a financial asset is credit-impaired, interest income is recognised by applying the effective interest method to the carrying amount of a financial asset before adjusting for any allowance for expected credit losses. If a financial asset is credit-impaired, interest income is recognised by applying the effective interest rate to the carrying amount of the financial asset including any allowance for expected credit losses.

Interest expense on financial liabilities is recognised by applying the effective interest method to the amortised cost of financial liabilities.

Interest income and expense on financial assets and financial liabilities measured at amortised cost and FVOCI are presented separately in interest income from financial instruments measured at amortised cost and FVOCI.

Interest income and expense on financial instruments measured at fair value through profit or loss is presented separately in interest income from financial instruments measured at FVTPL.

Impairment of financial assets and lending-related commitments

The Banking Group recognises ECL for financial assets that are measured at amortised cost or FVOCI, and specified off-balance sheet lending-related commitments such as loan commitments and financial guarantee contracts.

Provisions for ECL are recognised on initial recognition of the financial instrument based on expectations of credit losses at that time. The credit loss allowance includes ECLs for financial instruments that may default in the next 12-month period for financial instruments that have not observed a significant increase in credit risk since initial recognition ("stage 1") or over a lifetime period for financial instruments that have observed a significant increase in credit risk since initial recognition ("stage 2"). The allowance also includes lifetime ECLs for financial instruments where there is objective evidence of credit-impairment at the reporting date ("stage 3"). In determining the appropriate stage for a financial instrument, the Banking Group applies the definition of default consistent with the Basel definition of default to maintain uniformity of the definition across the Registered Bank.

The determination of the stage for credit losses under the ECL model is dependent on the measurement of a significant increase in credit risk ('SICR'). In determining SICR, the Banking Group conducts quantitative tests, which consider, but are not limited to, existing risk management indicators, credit rating changes and reasonable and supportable forward-looking information. Forward-looking information reflects a range of scenarios that incorporate macro-economic factors that are composed and monitored by a JPMorgan Chase's firm-wide specialised economic forecasting team.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Significant Accounting Policies (continued)

8. Financial Instruments (continued)

Impairment of financial assets and lending-related commitments (continued)

The key input components for the quantification of expected credit loss through the ECL model includes the probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”). The Banking Group seeks to efficiently and effectively leverage as much as possible existing regulatory and capital frameworks where overlap is present for NZ-IFRS 9. Differences observed between content in existing frameworks and requirements under NZ-IFRS 9 have been identified and are adjusted accordingly. The inputs to the ECL model capture historical datasets and a reasonable and supportable forecasting horizon to estimate expected credit losses.

In determining the appropriate stage for a financial instrument, the Banking Group applies the definition of default consistent with the Basel definition of default to maintain uniformity of the definition across the Registered Bank. All of the Banking Group’s loans are categorized in Stage 1.

The following discussion explains how the Banking Group applied the classification requirements of NZ-IFRS 9 to determine the classifications of certain financial assets and financial liabilities:

a) Loans and overdrafts

The Banking Group determined loans and overdrafts have contractual terms that meet the SPPI criteria, but the loans within the Banking Group’s Trade Finance and Credit Portfolio Group portfolios are managed with the objective of both collecting contractual cash flows and realising cash flows from sales. Consequently, these have been classified as FVOCI under NZ-IFRS 9. The loans in the Commercial Banking line of business and overdrafts in the Corporate and Investment Banking line of business are held with the objective to collect contractual cash flows. As such, these have been classified as amortised cost under NZ-IFRS 9.

b) Securities purchased under agreements to resell and securities borrowed

The Banking Group has determined that securities purchased under agreements to resell and securities borrowed within the Corporate and Investment Banking portfolios are managed on a fair value basis, and they are therefore ineligible to be measured at amortised cost or FVOCI under NZ-IFRS 9.

c) Securities sold under agreements to repurchase and securities loaned

Securities sold under agreements to repurchase and securities loaned within the Corporate and Investment Banking portfolio, are managed together with securities purchased under agreements to resell and securities borrowed, respectively. These are measured at FVTPL, and the Banking Group has elected to designate them as measured at FVTPL on adoption, to eliminate or significantly reduce measurement inconsistencies (i.e., an accounting mismatch) that would have otherwise been created.

9. Impairment

Other assets are tested for impairment at least annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Significant Accounting Policies (continued)

10. Payables

Payables represent liabilities for goods and services provided to the Banking Group prior to the end of the reporting period, which are unpaid. These amounts are unsecured and are usually settled within 30 days of recognition.

Payables to entities within the wholly-owned group are unsecured and are settled periodically, usually within 30 days of recognition.

Payables also include interest expenses and funds payable to clients.

11. Deposits and Amounts Due to Other Financial Institutions

Deposits and amounts due to other financial institutions are recognised initially at fair value plus transaction costs and subsequently at amortised cost using the effective interest rate method.

12. Repatriation of Profits to Head Office

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

13. Interest Expense

Interest expenses include interest on bank overdrafts, borrowings and interest paid to clients for deposits held.

14. Employee Benefit Expenses

Employee benefits, including salaries, annual bonuses, paid annual leave and the costs of non-monetary benefits, including any related on-costs, are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

15. Equity Compensation Benefits

A restricted stock/unit award is the right to be vested in a specific number of shares of JPMCC common stock on a specific date(s), provided that the employee meets the grant's restriction requirements. The awards will vest based on the schedule in the Award Agreement and are subject to the related Terms and Conditions of the award, including continued employment. Employees granted restricted stock are shareholders and have voting rights.

The Banking Group reimburses JPMCC for the costs of the equity compensation benefits as such costs which are incurred for the benefit of the Banking Group's employees and are part of the total staff costs of the Banking Group. These employee benefit expenses which are measured at their fair value at grant date are amortised and recognised in the Statement of Comprehensive Income over the relevant vesting periods. These employee benefit expenses are credited to "Amounts payable to wholly owned group entities" in "Trade and other payables" where an obligation to settle with Head Office arises within 12 months.

F. Significant Accounting Policies (continued)

16. Leases

In accordance with NZ-IFRS 16 Leases the Banking Group recognises lease right-of-use ("ROU") assets and lease liabilities on the Statement of Financial Position for its leases, at the lease commencement date. Lease ROU assets are included in Property, plant and equipment, and lease liabilities are included in other payable in the Banking Group's Statement of Financial Position. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the lease commencement date plus any initial direct costs incurred, less any lease incentives received. The ROU asset is subsequently amortized on a straight-line basis from the commencement date to the earlier of the end of the useful life of the ROU asset or the lease term. The estimated useful life of the ROU asset is determined on the same basis as those of the property and equipment. In addition, the ROU asset may be reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Banking Group's incremental borrowing rate. The lease liability is measured at amortized cost using a constant periodic rate of interest. It is remeasured when there is a change in an index or rate, or if the Banking Group changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in earnings if the carrying amount of the ROU asset has been reduced to zero.

17. Principal Activities

The Banking Group companies are involved in investment banking, fixed income market making, futures & options broker/dealer and clearing, treasury and securities services activities.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Banking Group ($'000)	
		Audited	Audited
		12 months	12 months
		31/12/2020	31/12/2019
Interest income			
Calculated using the effective interest rate method		4,059	10,412
Being from instruments held at fair value		13,062	21,000
Total Interest income	**1**	**17,121**	**31,412**
Interest expense		(9,399)	(17,762)
Net interest income		**7,722**	**13,650**
Other operating income/(loss)	**2**	25,302	15,880
Total operating income		**33,024**	**29,530**
Operating expenses	**3**	(14,680)	(15,783)
Net profit/(loss) before taxation		**18,344**	**13,747**
Income tax (expense)/benefit	**4**	(5,753)	(4,581)
Net profit/(loss) after taxation		**12,591**	**9,166**
Other comprehensive income, net of tax	**6**	53	340
Total comprehensive income for the period		**12,644**	**9,506**

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

		Banking Group ($'000)				
	Note	**Share Capital**	**Other Reserves**	**Foreign Currency Translation Reserve**	**Retained Earnings**	**Total Equity**
31 December 2019						
Equity as at 1 January 2019 (audited)		**-**	**-**	**-**	**-**	**-**
Net profit/(loss) after taxation		-	-	-	9,166	9,166
Movement during the period		-	433	(93)	-	340
Total comprehensive income for the period	**6**	**-**	**433**	**(93)**	**9,166**	**9,506**
(Repatriation)/reimbursement (to)/from head office		-	(433)	93	(9,166)	(9,506)
Equity as at 31 December 2019 (audited)	**5**	**-**	**-**	**-**	**-**	**-**
31 December 2020						
Equity as at 1 January 2020 (audited)		-	-	-	-	-
Net profit/(loss) after taxation		-	-	-	12,591	12,591
Movement during the period	**6**	-	-	53	-	53
Total comprehensive income for the period		**-**	**-**	**53**	**12,591**	**12,644**
(Repatriation)/reimbursement (to)/from head office		-	-	(53)	(12,591)	(12,644)
Equity as at 31 December 2020 (audited)	**5**	**-**	**-**	**-**	**-**	**-**

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	Banking Group ($'000) Audited 12 months 31/12/2020	Audited 12 months 31/12/2019
ASSETS			
Current Assets			
Cash and cash equivalents	**7**	418,909	136,215
Margin and other receivables	**8**	80,989	47,045
Financial assets at fair value through profit or loss	**9**	1,881,524	1,423,185
Financial assets at amortised cost	**10**	3,053	191,744
Financial assets at fair value through other comprehensive income	**11**	-	205,347
		2,384,475	**2,003,536**
Non Current Assets			
Property, plant & equipment	**12**	244	329
Intangible assets	**13**	-	-
Deferred tax assets	**14**	444	382
		688	**711**
		2,385,163	**2,004,247**
LIABILITIES			
Current Liabilities			
Deposits – short term	**15**	422,666	523,252
Financial liabilities at fair value through profit or loss	**16**	1,863,994	1,389,905
Payables	**12,17**	93,737	87,225
Provision for taxation		4,498	2,630
Derivative liabilities		-	87
		2,384,895	**2,003,099**
Non Current Liabilities			
Payables	**12,17**	50	195
Provision for taxation		218	953
		268	**1,148**
		2,385,163	**2,004,247**
Net Assets		**-**	**-**
EQUITY			
Attributable to the shareholders of the Banking Group		-	-
Total Equity	**5**	**-**	**-**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

		Banking Group ($'000)	
		Audited 12 months 31/12/2020	Audited 12 months 31/12/2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Fees, commissions and other income received		18,981	17,790
Payments to suppliers and employees		(32,112)	1,524
Receipts from/(payments to) related parties		(134,495)	81,005
Net movement in margin balances		(8,629)	8,405
Net proceed from disposal/(purchase) of financial instruments		17,896	(12,670)
Net (increase)/decrease in loans		394,038	(164,104)
Increase/(decrease) in deposits		16,224	33,011
Tax paid		(6,558)	(5,265)
Interest received		8,877	13,737
Interest paid		(7,083)	(11,832)
Net cash inflow/(outflow) from operating activities	**23**	**267,139**	**(38,399)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Plant and equipment		31	(13)
Net cash inflow/(outflow) from investing activities		**31**	**(13)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for leases		(158)	(134)
Repatriation of profit		(4,941)	(78)
Net cash inflow/(outflow) from financing activities		**(5,099)**	**(212)**
Net increase/(decrease) in cash		**262,071**	**(38,624)**
Opening cash and cash equivalents		**136,215**	**175,330**
Effect of changes in foreign exchange rates on cash balances		20,623	(491)
Closing cash and cash equivalents	**7(a)**	**418,909**	**136,215**

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

	Banking Group ($'000)	
	Audited 12 months 31/12/2020	**Audited 12 months 31/12/2019**
NOTE 1 - INTEREST INCOME		
Financial assets at amortised cost		
Cash and cash equivalents	379	2,491
Loans and advances	3,020	5,256
Financial assets at fair value through profit or loss	13,062	21,000
Financial assets at fair value through other comprehensive income	660	2,665
Total interest income	**17,121**	**31,412**

	Banking Group ($'000)	
	Audited 12 months 31/12/2020	**Audited 12 months 31/12/2019**
NOTE 2 - OTHER OPERATING INCOME/(LOSS)		
Fee and commissions income	23,624	17,831
Trading income/(loss)	2,233	(2,053)
Other (loss)/income	(555)	102
Total other operating income/(loss)	**25,302**	**15,880**

	Banking Group ($'000)	
	Audited 12 months 31/12/2020	**Audited 12 months 31/12/2019**
NOTE 3 – OPERATING EXPENSES		
Administration expenses	9,975	10,360
Fee and commissions expenses	1,946	1,867
Employee expenses	1,188	1,058
Goodwill impairment	-	642
Occupancy expenses	77	206
Depreciation & amortisation	140	183
Professional services expenses	201	272
Technology & communications expenses	15	6
Credit loss expense	(43)	50
Other expenses	1,181	1,139
Total operating expenses	**14,680**	**15,783**

	Banking Group ($'000)	
	Audited 12 months 31/12/2020	**Audited 12 months 31/12/2019**

NOTE 4 – INCOME TAX EXPENSE / (BENEFIT)

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

Current tax	5,815	4,620
Deferred tax	(62)	(25)
Over/ (Under) provision for prior years	-	(14)
	5,753	**4,581**

(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	18,344	13,747
Income tax expense/(benefit) - prima facie at the Australian rate of 30% and New Zealand rate of 28%	5,448	4,039
Tax effect of non deductible expense	305	556
Adjustment for (over)/under provision in prior periods	-	(14)
Total income tax expense	**5,753**	**4,581**

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.

	Banking Group ($'000)	
	Audited 12 months 31/12/2020	**Audited 12 months 31/12/2019**

NOTE 6 – OTHER COMPREHENSIVE INCOME

Opening balance	-	-
FVOCI additions	163	433
FVOCI reversals on loan repayment	(163)	-
Foreign currency translation reserve movement	53	(93)
Movement during the period	**53**	**340**
(Repatriation)/reimbursement (to)/from head office	(53)	(340)
Closing balance	**-**	**-**

	Banking Group ($'000)	
	Audited 12 months 31/12/2020	**Audited 12 months 31/12/2019**
NOTE 7 – CASH AND CASH EQUIVALENTS		
Due from central and other banks		
New Zealand - short term deposit	300,000	85,000
New Zealand - at call	53,702	36,375
Overseas - at call	65,207	14,840
Total due from central and other banks	418,909	136,215
Total cash and cash equivalents	**418,909**	**136,215**

7 (a) Reconciliation of Cash

Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:

Cash and cash equivalents	418,909	136,215
	418,909	**136,215**

	Banking Group ($'000)	
	Audited 12 months 31/12/2020	**Audited 12 months 31/12/2019**
NOTE 8 – MARGIN AND OTHER RECEIVABLES		
Margin receivable	76,989	41,780
Interest receivable	98	292
Amounts due from related parties	-	36
Fee income receivable	3,880	4,895
Other receivable	22	42
Total margin and other receivables	**80,989**	**47,045**

	Banking Group ($'000)	
	Audited 12 months 31/12/2020	**Audited 12 months 31/12/2019**
NOTE 9 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Government bonds, notes and securities	223,760	103,670
Cash collateral pledged on reverse repurchase agreements	1,657,764	1,319,515
Total financial assets at fair value through profit or loss	**1,881,524**	**1,423,185**

There are no changes to fair value that are attributable to changes in credit risk of the financial asset.

	Banking Group ($'000)	
	Audited 12 months 31/12/2020	**Audited 12 months 31/12/2019**
NOTE 10 - FINANCIAL ASSETS AT AMORTISED COST		
Loans and advances	3,053	191,778
Expected credit loss allowance	-	(34)
Total financial assets at amortised cost	**3,053**	**191,744**

	Banking Group ($'000)	
	Audited 12 months 31/12/2020	**Audited 12 months 31/12/2019**
NOTE 11 - FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
Loans and advances	-	205,000
Expected credit loss allowance	-	(86)
Fair value adjustment through other comprehensive income	-	433
Total financial assets at fair value through other comprehensive income	**-**	**205,347**

NOTE 12 LEASES

Amounts recognised in the Statement of Financial Position

The Statement of Financial Positions shows the following amounts relating to leases as at 31 December 2020:

Right-of-use assets*
Properties $168,000
* included in the line item ‘Property, plant & equipment’ in the Statement of Financial Position

Lease liabilities **
Current $145,000
Non-current $49,000
** included in the line item ‘Payables’ in the Statement of Financial Position and ‘Other Payables’ in Note 17

Amounts recognised in the Statement of Comprehensive Income

The Statement of Comprehensive Income shows the following amounts relating to leases for the twelve months ended 31 December 2020:

Amortization charge of right-of-use assets
Properties $140,000

Interest Expense on Lease Liability
Leases $9,000

NOTE 13 – INTANGIBLE ASSETS

	Banking Group ($'000)	
	Audited 12 months 31/12/2020	**Audited 12 months 31/12/2019**
Goodwill	-	-
Intangible assets – Custody clearing services software	289	289
Intangible assets – Customer contracts/relationships	377	377
Accumulated amortisation of intangible assets	(666)	(666)
Net Intangibles	**-**	**-**

Goodwill and intangible assets were acquired as part of the purchase of ANZ New Zealand custody business on 18 December 2009. A determination was made that the Registered Bank would cease to support third party direct custody clients in New Zealand (these clients are typically offshore banks and broker-dealers who seek a sub-custodian for safekeeping and settlement on New Zealand securities). Third party direct custody clients in New Zealand will need to appoint new agent banks to provide sub-custodial services in the New Zealand market. There is no impact to clients who contract with the NZ Branch as a global custodian and the Registered Bank remains committed to this business. The NZ Branch will continue to act as the sub-custodian entity in New Zealand for global custody business only. Following this decision, the carrying value of the goodwill on the balance sheet of the Banking Group has been assessed as impaired.

NOTE 14 - DEFERRED TAX ASSETS

Movements	**Depreciation $'000**	**Employee Entitlements $'000**	**Other $'000**	**Total $'000**
At 1 January 2019	246	42	69	357
(Charged)/credited				
- to profit or loss	(4)	11	18	25
- to other comprehensive income	-	-	-	-
At 31 December 2019	242	53	87	382
(Charged)/credited				
- to profit or loss	76	18	(32)	62
- to other comprehensive income	-	-	-	-
At 31 December 2020	**318**	**71**	**55**	**444**

NOTE 15 – DEPOSITS - SHORT TERM

	Banking Group ($'000)	
	Audited 12 months 31/12/2020	**Audited 12 months 31/12/2019**
Deposits	422,666	523,252
Total Deposits – short term	**422,666**	**523,252**

Retail deposits of the Registered Bank in New Zealand for the period were Nil (2019: Nil).

NOTE 16 - FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Banking Group ($'000)	
	Audited 12 months 31/12/2020	Audited 12 months 31/12/2019
Trading securities	132,139	2,589
Cash collateral received on repurchase agreements	1,731,855	1,387,316
Total financial liabilities at fair value through profit or loss	**1,863,994**	**1,389,905**

NOTE 17 – PAYABLES

	Banking Group ($'000)	
	Audited 12 months 31/12/2020	Audited 12 months 31/12/2019
Margin payable	67,723	41,143
Interest payable	4	45
Accrued expenses	4,498	5,945
Amounts due to related parties	21,298	34,428
Other payable	264	5,859
Total payables	**93,787**	**87,420**

NOTE 18 – AUDITORS' REMUNERATION

Fees for services rendered by the auditors in relation to statutory audit are borne by a related party, J.P. Morgan Administrative Services Australia Limited. During the year, the auditor of the Banking Group earned the following remuneration in respect of the work performed (balances are reported in AUD).

	Banking Group	
	Audited 12 months 31/12/2020	Audited 12 months 31/12/2019
Audit and review of financial reports	168,248	167,248
Other audit-related work	38,766	38,766
Total auditor's remuneration	**207,014**	**206,014**

NOTE 19 – KEY MANAGEMENT COMPENSATION

Key management personnel are defined as being Directors and Senior Management of the entities within the Banking Group. The information relating to the key management personnel disclosures includes transactions within those individuals, their close family members or entities under their control.

	Banking Group ($'000)	
	Audited 12 months 31/12/2020	Audited 12 months 31/12/2019
Salaries and other short term benefits	165	244
Post-employment benefits	6	6
Other termination benefits	-	-
Share-based payments	38	109
Long term benefits	5	8
Total key management compensation	**214**	**367**

NOTE 20 – RELATED PARTY TRANSACTIONS

During the year, 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 Australian incorporated company 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 year.

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

	Banking Group ($'000)	
	Audited 12 months 31/12/2020	Audited 12 months 31/12/2019
Due from Related Parties		
Cash and cash equivalents	9,002	3,650
Interest receivable	95	57
Fee income receivable	160	231
Amounts due from related parties	-	36
Cash collateral pledged on reverse repurchase agreements	1,014,528	1,292,936
Loans and advances	2,034	47,803
Total due from related parties	**1,025,819**	**1,344,713**
Due to Related Parties		
Overdraft		
Deposits – short term	172,855	289,665
Interest payable	-	3
Accrued expenses	102	-
Cash collateral received on repurchase agreements	1,597,227	911,255
Amounts due to related parties	21,298	34,428
Provision for taxation	4,688	2,840
Derivative liabilities	-	87
Total due to related parties	**1,796,170**	**1,238,278**

NOTE 20 – RELATED PARTY TRANSACTIONS (continued)

	Banking Group ($'000)	
	Audited 12 months 31/12/2020	**Audited 12 months 31/12/2019**
Received from Related Parties		
Interest income	8,438	17,546
Fee and commissions income	5,058	3,374
Trading income/(loss)	148	-
Total received from related parties	**13,644**	**20,920**
Paid to Related Parties		
Interest expense	2,355	5,884
Administration expenses	9,975	10,360
Income tax expense/(benefit)	4,688	2,840
Total paid to related parties	**17,018**	**19,084**

Cash movements with other J.P. Morgan entities outside of the Banking Group are presented on a net basis.

NOTE 21 – TOTAL LIABILITIES OF THE REGISTERED BANK, NET OF AMOUNTS DUE TO RELATED PARTIES

	NZ Branch ($'000)	
	Audited 12 months 31/12/2020	**Audited 12 months 31/12/2019**
Total liabilities net of amounts due to related parties	**254,504**	**245,397**

NOTE 22 – COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2020, the Banking Group had an undrawn committed facility of Nil (31 December 2019: Nil) and a stand-by letter of credit of Nil (31 December 2019: Nil).

NOTE 23 – RECONCILIATION OF NET SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Banking Group ($'000)	
	Audited 12 months 31/12/2020	**Audited 12 months 31/12/2019**
Net profit/(loss) for the period	**12,591**	**9,166**
Movement in Head Office Repatriation included in net surplus	(7,702)	(8,997)
Depreciation and amortisation	148	150
Interest expense on leases	1	4
Goodwill impairment	-	674
Changes in operating assets and liabilities:		
Movement in financial instruments	15,663	(10,617)
Movement in fee income receivable	1,015	3,072
Movement in accrued interest receivable	194	(129)
Movement in amounts due from related parties	36	(30)
Movement in margin receivables	(35,209)	480,066
Movement in other receivable	20	46
Movement in deferred tax assets	(62)	(25)
Movement in loans	394,039	(164,104)
Movement in deposits	(100,586)	115,028
Movement in tax payable	1,135	(2,224)
Movement in accrued interest payable	(41)	34
Movement in margin payable	26,580	(471,661)
Movement in other payables	(5,525)	4,056
Movement in accrued expenses	(1,447)	1,666
Movement in amounts due to related parties	(13,130)	5,027
Movement in foreign exchange translation balances attributable to cash and other balances	(20,581)	399
Net cash inflow/(outflow) from operating activities	**267,139**	**(38,399)**

NOTE 24 – 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 25 – INTEREST EARNING AND DISCOUNT BEARING ASSETS AND LIABILITIES

	Banking Group ($'000)	
	Audited 12 months 31/12/2020	**Audited 12 months 31/12/2019**
Interest earning and discount bearing assets	2,303,486	1,956,491
Interest and discount bearing liabilities	2,286,854	1,913,492

NOTE 26 – CAPITAL ADEQUACY

The Federal Reserve Board establishes capital requirements for the consolidated financial holding company, JPMCC. The Office of the Comptroller of the Currency ("OCC") establishes similar requirements for the Registered Bank.

Under the risk-based capital guidelines of the OCC, the Registered Bank is required to maintain minimum ratios of CET1, Tier 1 and Total capital to risk-weighted assets ("RWA"). The Registered Bank is required to calculate its capital adequacy under both of the Basel III approaches (Standardized and Advanced) as required by the Collins Amendment of the Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). The Registered Bank's capital adequacy is evaluated against the lower of the two ratios. Failure to meet these minimum requirements could cause the OCC to take action. The Registered Bank is required to maintain minimum ratios for CET1 of 4.5%, Tier 1 Capital of 6% and Total Capital of 8% as at 31 December 2020. A capital conservation buffer of 2.5% applies in addition to these ratios.

The ratios given below for the 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.

Capital Adequacy Ratios	**Basel III Advanced Transitional Registered Bank 31/12/2020 Unaudited**	**Basel III Standardised Registered Bank 31/12/2020 Unaudited**	**Basel III Advanced Transitional Registered Bank 31/12/2019 Unaudited**	**Basel III Standardised Registered Bank 31/12/2019 Unaudited**
Common Equity Tier 1 Capital	17.4%	15.7%	16.3%	14.2%
Tier 1 Capital	17.4%	15.7%	16.3%	14.2%
Total Capital	17.8%	16.9%	16.9%	15.4%

As at the reporting date, the Registered Bank was well-capitalised and met all capital requirements to which it was subject.

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.

NOTE 27 – ACTIVITIES OF THE BANKING GROUP IN NEW ZEALAND

As at 31 December 2020, 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

In February 2020, a determination was made that the Registered Bank would cease to support third party direct custody clients in New Zealand (these clients are typically offshore banks and broker-dealers who seek a sub-custodian for safekeeping and settlement on New Zealand securities). Third party direct custody clients in New Zealand will need to appoint new agent banks to provide sub-custodial services in the New Zealand market. There is no impact to clients who contract with the NZ Branch as a global custodian and the Registered Bank remains committed to this business. The NZ Branch will continue to act as the sub-custodian entity in New Zealand for global custody business only.

The financial statements of the Banking Group include income in respect of custodial services provided to customers by the NZ Branch. As at 31 December 2020, 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 $46,101 million (December 2019: $44,865 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.

NOTE 28 – RISK MANAGEMENT

The Registered Bank subsidiaries in Australia and New Zealand undertake financial risk management functions on a group basis, in line with the global policy and procedure framework of the JPMorgan Chase & Co. group.

The Australia and New Zealand Risk Committee ("ANZRC") provides oversight of the risks inherent in JPMCC's business in Australia and New Zealand, including credit, country, liquidity, market, model, principal, and structural interest rate risks. It also provides oversight of the risk governance frameworks for compliance, fiduciary, operational, and reputational risks. It reviews and recommends key risk metrics (credit, market, liquidity, principal, compliance, conduct and operational risk) and any other risk related matters as determined by the committee members. The Committee is chaired by the Australia and New Zealand Chief Risk Officer ("CRO") with committee members including the Senior Country Officer, the Senior Country Business Manager and representatives from the various Risk stripes, Treasury, Finance, Compliance, Internal Audit and Legal.

The Banking Group must implement all relevant Firmwide risk management policies. Where possible, the Banking Group will comply solely with existing global policies given their strength and broad scope. A local policy is only developed in circumstances where a specific regulatory or risk management requirement exists.

The full list of risk management policies is maintained internally on the Firmwide Policy Portal.

NOTE 28 – RISK MANAGEMENT (continued)

Liquidity Risk

Liquidity risk is the risk that JPMCC, including the Banking Group, will be unable to meet its contractual and contingent obligations. Liquidity risk management is intended to ensure JPMCC has the appropriate amount, composition and tenor of funding and liquidity in support of its assets and liabilities.

Liquidity Risk Oversight group is responsible for independent assessment, measuring, monitoring, and control of liquidity risk across JPMCC, reporting to the CIO, Treasury and Corporate ("CTC") CRO. Their responsibilities include, but are not limited to:

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

The day-to-day responsibility for management of liquidity risk of the NZ Branch is delegated to the Australia and New Zealand Treasurer who, operating under the functional oversight of Asia Pacific Regional Treasurer, ensures compliance with the Reserve Bank of New Zealand regulations. The Australia and New Zealand Treasurer formulates the location's liquidity strategies including contingency planning; monitors the cash flow requirements of NZ Branch to manage funding gaps; maintains ongoing interaction with lines of business to track business trends and associated funding needs and monitors and maintains access to cost effective funding. This comprehensive liquidity risk management framework ensures NZ Branch maintains adequate liquidity to meet its cash obligations even during periods of funding stress.

Market Risk (includes currency and interest rate risk)

The Banking Group is subject to limited market risk through its treasury operations and fixed income market making over New Zealand Government and New Zealand Bank Bills (including making a market in repurchase and reverse repurchase transactions).

The Head of Australia and New Zealand Market Risk Management is located in Sydney, and covers all businesses and legal entities within the Banking Group. There are no unique market risk requirements locally and the identification, monitoring and control functions are conducted in line with the global policy requirements, leveraging the global systems and infrastructure.

Local management oversight of all structural risk exposures managed across Treasury and Fixed Income is conducted through the location ANZRC.

Credit Risk

The Banking Group is subject to limited credit risk from the Banking Group's loans to customers and securities settlement for custody clients. The Credit Risk Management function uses only globally applicable risk policies, procedures and systems of JPMCC.

Monitoring the credit risk profile of the location is conducted by Credit Risk Management in Sydney. Final authority for credit risk assessments is formalised based on a credit authority grid. Where necessary, approval may be sought from offshore Credit Executives for ultimately foreign owned obligors and where higher lending authority is required. The Credit Risk Management report is presented at the ANZRC each quarter.

All credit risk of JPMCC is centrally managed by the Credit Portfolio Group unit within Credit Risk Management. The Credit Portfolio Group focuses on (i) developing and implementing forward-looking strategies for actively managing JPMCC's retained credit portfolio and (ii) focusing on concentrations (thresholds), correlation (industry limits) and credit migration with the objective of maximizing economic performance through the credit cycle.

NOTE 28 – RISK MANAGEMENT (continued)

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed processes or systems, human factors or due to external events that are neither market- nor credit-related. Operational risk is inherent in JPMCC's activities and can manifest itself in various ways, including fraudulent acts, business interruptions, inappropriate employee behaviour, failure to comply with applicable laws and regulations or failure of vendors to perform in accordance with their arrangements. These events could result in financial losses, litigation and regulatory fines, as well as other damages to JPMCC. The goal is to keep operational risk at appropriate levels in light of JPMCC's financial strength, the characteristics of its businesses, and the markets and regulatory environments in which it operates.

Compliance, Conduct and Operational Risk (CCOR) Management Framework

Independent governance and oversight of 1st Line of Defense (LOD) activities and timely escalation of identified issues are primary responsibilities of and expectations for CCOR. The CCOR Management Framework which establishes the Firm's approach or methodology to govern, identify, measure, monitor and test, manage, and report on compliance, conduct, and operational risks.

Govern

The CCOR Management Framework sets forth the requirements for the 1st LOD to manage their compliance, conduct, and operational risks and for the 2nd LOD to provide oversight and independent risk assessment on the 1st LOD activities.

The CCOR Management Framework relies upon the prompt escalation of issues by LOBs and functions, as the primary owners of compliance, conduct, and operational risks. Control Managers within the 1st LOD assist the LOBs with respect to control design, evaluation, and issue management for these risks.

The Firmwide Control Committee (FCC) provides a forum for senior management to discuss firmwide compliance, conduct, and operational risks and reviews CCOR Management Framework execution. CCOR issues may be escalated by Lines of Business (LOB) and function Control Committees to the FCC, which may, in turn, escalate to the Firmwide Risk Committee (FRC).

Each LOB and function must establish a control committee as required in the Control Committee Standards. Control committees oversee the compliance, conduct, and operational risk and control environment of the respective LOB or function. JPMCC's Operational Risk Governance Policy is approved by the Directors' Risk Policy Committee ("DRPC"). This policy establishes the Operational Risk Management Framework for JPMCC. The assessments of operational risk using this framework are reviewed with the DRPC.

Identify

The LOBs and Corporate Functions have primary responsibility for the identification of the compliance, conduct, and operational risks inherent within their day-to-day business activities, consistent with standards established by CCOR. CCOR provides oversight and independent assessment of the risks identified by the LOBs and Corporate Functions and, where appropriate, escalates any new or emerging risks.

Measure

CCOR must independently perform risk assessments of the firm's compliance, conduct, and operational risks. Risk assessment activities are executed based on quantitative and qualitative means including estimation of operational risk stress losses, and determining operational risk regulatory capital. CCOR independently identifies risk drivers that may impact CCOR risk activities and the controls to help mitigate such risks.

NOTE 28 – RISK MANAGEMENT (continued)

Monitor and Test

CCOR uses the results of risk assessments to identify heightened areas of compliance, conduct, and operational risk to independently monitor the risks and test the effectiveness of controls within the LOBs and Corporate Functions. CCOR utilizes key risk indicators (KRIs), key performance indicators (KPIs), and other metrics to periodically identify areas where incremental monitoring and / or testing may be needed.

Manage

CCOR informs the firm of compliance, conduct, and operational risk levels and provides associated second line of defense support to all areas of the firm (except Audit). These activities include raising issues for the first line of defense to remediate through action plans and reviewing KRI and KPI thresholds. CCOR leverages a centralized strategy for metrics and dashboard reporting to support these activities.

Report

Each LOB and function must regularly report and escalate matters to the appropriate governance forum on key operational risks, including operational risk loss levels, risk assessment results, and status of open issues and associated resolution. In addition, risk indicators or metrics may be established and monitored against thresholds or targets, where appropriate (Control Committee Standards).

The second line of defense must develop and present reports to the firm's operational risk and control governing bodies, including the FCC, FRC and Board Risk Committee as required by each committee's charter.

Local Governance

Within the Banking Group there are a number of local Governance Committees which help to oversee and drive the CCOR Management Framework.

The Australia & New Zealand Location Operating Committee ("ANZLOC") is directly accountable to the Australia & New Zealand Location Management Committee ("ANZLMC") for executing JPMCC's country strategy and is the primary oversight and escalation point for key functional initiatives in the country across all lines of business. The ANZLOC provides oversight to ensure operational risk policies and procedures are adhered to, appropriate controls to manage and mitigate operational and compliance risks are in place across the country, and timely and appropriate escalation of related issues to the ANZRC, ANZLMC and the Asia Pacific Operating Committee.

The ANZLOC has a number of Australia and New Zealand sub-committees reporting into it (including Australia and New Zealand Work Health & Safety Working Group, Australia & New Zealand Technology Operating Committee, Australia and New Zealand Anti-Money Laundering Governance Forum, Australia & New Zealand Markets Business Control Forum, Australia & New Zealand Treasury Services Risk & Control Meeting and New Business and Outsourcing Initiative Working Group). These committees and forums provide oversight of the operational risks and control environment of the function or LOB, as appropriate. They are responsible for reviewing the identification, management and monitoring of existing and emerging operational issues, remediation actions and trends.

There is a dedicated Location Control Manager for Australia and New Zealand who provides the overall controls execution and oversight across all businesses and functions in the location.

Other Controls

Prior to launch, new products are subject to the requirements of the New Business Initiative Approval ("NBIA") program including an assessment of potential impact to legal entities. The NBIA program assesses whether enhancements are required to the existing control framework in order to effectively manage the operational risks inherent in the new product or activity, and the program also requires post implementation review. All NBIAs require approval by the Australia and New Zealand New Business and Outsourcing Initiative Working Group, which is chaired by the Australia and New Zealand Senior Country Business Manager.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020
SUPPLEMENTAL INFORMATION

NOTE 28 – RISK MANAGEMENT (continued)

Other Controls (continued)

Location management evaluates the key financial and operational controls for processes and applications that the Banking Group operates as well as the processes and applications that the location outsources to external and offshore providers. On a quarterly basis, an attestation is provided by senior location management for each entity, confirming that the system of internal controls and program for compliance with applicable laws and regulations, are operating in an adequate and effective manner. These attestations, as well as significant or material changes and issues in the financial reporting process, are reviewed and evaluated centrally by the senior location management team, who in turn provide a location attestation to regional management.

Reviews of the Banking Group's risk management systems

The Registered Bank's Internal Audit's scope encompasses the key risks and the critical risk management functions across the organisation. Internal audit of the Banking Group's risk management systems can be either through product aligned audits or audits focused on the risk management functions. Audits are conducted on a cyclical basis ranging from one to four years. The design and effectiveness of the Australia and New Zealand risk management framework is subject to review by internal audit at least annually. None of the audit reviews described above were carried out by a party external to the Registered Bank.

Exposure to Liquidity Risk

The following table shows a composition of our funding sources that contribute to the liquidity risk position as at 31 December 2020 and are held by the Banking Group for the purposes of managing liquidity risk.

	Banking Group ($'000)							
	Audited							
	31/12/2020							
	Total	On Demand	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Non specified
ASSETS								
*Cash and cash equivalents	418,909	118,909	300,000	-	-	-	-	-
*Margin and other receivables	80,989	76,989	4,000	-	-	-	-	-
*Financial assets at fair value through profit or loss	1,881,524	-	1,881,524	-	-	-	-	-
*Financial assets at amortised cost	3,053	-	3,053	-	-	-	-	-
Derivative assets	-	-	-	-	-	-	-	-
Property, plant & equipment	244	-	-	-	-	-	-	244
Deferred tax assets	444	-	-	-	-	-	-	444
Total Assets	**2,385,163**	**195,898**	**2,188,577**	**-**	**-**	**-**	**-**	**688**
LIABILITIES								
Deposits – short term	422,666	421,913	753	-	-	-	-	-
Financial liabilities at fair value through profit or loss	1,863,994	-	1,863,994	-	-	-	-	-
Margin payable	67,723	67,723	-	-	-	-	-	-
Other payables	26,064	-	25,905	36	73	50	-	-
Provision for taxation	4,716	-	-	-	4,498	218	-	-
Total Liabilities	**2,385,163**	**489,636**	**1,890,652**	**36**	**4,571**	**268**	**-**	**-**

* Represents the Banking Group's assets held for managing liquidity risk.

NOTE 28 – RISK MANAGEMENT (continued)

	Banking Group ($'000) Audited 31/12/2019							
	Total	**On Demand**	**Up to 3 months**	**Over 3 months and up to 6 months**	**Over 6 months and up to 1 year**	**Over 1 year and up to 2 years**	**Over 2 years**	**Non specified**
ASSETS								
*Cash and cash equivalents	136,215	51,215	85,000	-	-	-	-	-
*Margin and other receivables	47,045	41,780	5,265	-	-	-	-	-
*Financial assets at fair value through profit or loss	1,423,185	-	1,423,185	-	-	-	-	-
*Financial assets at amortised cost	191,744	96,381	95,363	-	-	-	-	-
*Financial assets at fair value through other comprehensive income	205,347	-	205,347	-	-	-	-	-
Property, plant & equipment	329	-	-	-	-	-	-	329
Deferred tax assets	382	-	-	-	-	-	-	382
Total Assets	**2,004,247**	**189,376**	**1,814,160**	**-**	**-**	**-**	**-**	**711**
LIABILITIES								
Deposits – short term	523,252	500,428	22,824	-	-	-	-	-
Financial liabilities at fair value through profit or loss	1,389,905	-	1,389,905	-	-	-	-	-
Margin payable	41,143	41,143	-	-	-	-	-	-
Other payables	46,277	-	45,976	35	71	145	50	-
Provision for taxation	3,583	-	-	-	2,630	953	-	-
Derivative liabilities	87	-	87	-	-	-	-	-
Total Liabilities	**2,004,247**	**541,571**	**1,458,792**	**35**	**2,701**	**1,098**	**50**	**-**

* Represents the Banking Group's assets held for managing liquidity risk.

NOTE 28 – RISK MANAGEMENT (continued)

Sensitivity analysis

The tables below summarise the pre-tax sensitivity of financial assets and financial liabilities to changes in the interest rate. The carrying value of the assets and liabilities were used as the basis for the analysis and financial modelling was used to determine the impact on those values of changes in each risk scenario. The sensitivity to interest rate movements, models the impact of a 1% parallel movement, both up and down, in the yield curve on earnings.

	Banking Group ($'000)				
	Audited 31/12/2020				
		Interest Rate Risk			
		-1%		+1%	
	Carrying Amount	Profit	Equity	Profit	Equity
ASSETS					
Cash and cash equivalents	418,909	(1,047)	(1,047)	1,047	1,047
Margin and other receivables	80,989	-	-	-	-
Trading securities	223,760	(10,852)	(10,852)	10,852	10,852
Cash collateral pledged on reverse repurchase agreements	1,657,764	(3,365)	(3,365)	3,365	3,365
Financial assets at amortised cost	3,053	(8)	(8)	8	8
Financial assets at fair value through other comprehensive income	-	-	-	-	-
Property, plant & equipment	244	-	-	-	-
Deferred tax assets	444	-	-	-	-
Total Assets	**2,385,163**	**(15,272)**	**(15,272)**	**15,272**	**15,272**
LIABILITIES					
Deposits – short term	422,666	(1,057)	(1,057)	1,057	1,057
Trading securities	132,139	(1,837)	(1,837)	1,837	1,837
Cash collateral received on repurchase agreements	1,731,855	(797)	(797)	797	797
Payables	93,787	-	-	-	-
Provision for taxation	4,716	-	-	-	-
Derivative liabilities	-	-	-	-	-
Total Liabilities	**2,385,163**	**(3,691)**	**(3,691)**	**3,691**	**3,691**

NOTE 28 – RISK MANAGEMENT (continued)

Sensitivity analysis (continued)

	Banking Group ($'000)				
	Audited 31/12/2019				
		Interest Rate Risk			
		-1%		+1%	
	Carrying Amount	Profit	Equity	Profit	Equity
ASSETS					
Cash and cash equivalents	136,215	(1,362)	(1,362)	1,362	1,362
Margin and other receivables	47,045	-	-	-	-
Trading securities	103,670	(4,427)	(4,427)	4,427	4,427
Cash collateral pledged on reverse repurchase agreements	1,319,515	(19,001)	(19,001)	19,001	19,001
Financial assets at amortised cost	191,744	(1,917)	(1,917)	1,917	1,917
Financial assets at fair value through other comprehensive income	205,347	(2,053)	(2,053)	2,053	2,053
Property, plant & equipment	329	-	-	-	-
Deferred tax assets	382	-	-	-	-
Total Assets	**2,004,247**	**(28,760)**	**(28,760)**	**28,760**	**28,760**
LIABILITIES					
Deposits – short term	523,252	(5,233)	(5,233)	5,233	5,233
Trading securities	2,589	(66)	(66)	66	66
Cash collateral received on repurchase agreements	1,387,316	(15,194)	(15,194)	15,194	15,194
Payables	87,420	-	-	-	-
Provision for taxation	3,583	-	-	-	-
Derivative liabilities	87	-	-	-	-
Total Liabilities	**2,004,247**	**(20,493)**	**(20,493)**	**20,493**	**20,493**

NOTE 28 – RISK MANAGEMENT (continued)

Concentration of Credit Risk

The carrying amount of the Banking Group's financial assets represents the maximum credit exposure. The concentration of credit risk is determined based on categories provided by The Reserve Bank of New Zealand for the preparation of regulatory returns. Each concentration is identified by shared characteristics, specifically industry and geographical area.

The maximum exposure to credit risk at reporting date was:

	Banking Group ($'000)	
	Audited 31/12/2020	**Audited 31/12/2019**
Credit Risk Components:		
Cash and cash equivalents	418,909	136,215
Margin and other receivables	80,989	47,045
Financial assets at fair value through profit or loss	1,881,524	1,423,185
Financial assets at amortised cost	3,053	191,744
Financial assets at fair value through other comprehensive income	-	205,347
	2,384,475	**2,003,536**
Credit Risk by industry		
Finance	2,160,022	1,679,730
Manufacturing	511	218,592
Local authorities	223,808	103,754
Other	134	1,460
	2,384,475	**2,003,536**
Credit Risk by geographical area		
Within New Zealand	1,183,184	614,640
Overseas	1,201,291	1,388,896
	2,384,475	**2,003,536**

Cash balances are held with registered banks in New Zealand rated AA- by S&P. There is no provision for doubtful debts in relation to the receivables, and there are no significant concentrations of credit risk at the end of the reporting period.

NOTE 28 – RISK MANAGEMENT (continued)

Concentration of Funding Risk

The carrying amount of the Banking Group's financial liabilities represents the maximum funding exposure. The maximum exposure to funding risk at reporting date was:

	Banking Group ($'000)	
	Audited 31/12/2020	**Audited 31/12/2019**
Funding Risk Components:		
Deposits – short term	422,666	523,252
Financial liabilities at fair value through profit or loss	1,863,994	1,389,905
Payables	93,787	87,420
Derivative liabilities	-	87
	2,380,447	**2,000,664**
Funding Risk by industry		
Finance	2,117,554	1,709,709
Property and business services	61,769	144,886
Electricity, gas and water	71,096	45,613
Manufacturing	44,303	36,552
Information media & telecommunications	38,834	26,496
Wholesale trade	44,224	18,896
Other	2,667	18,512
	2,380,447	**2,000,664**
Funding Risk by geographical area		
Within New Zealand	257,566	431,636
Overseas	2,122,881	1,569,028
	2,380,447	**2,000,664**

NOTE 28 – RISK MANAGEMENT (continued)

Interest Rate Sensitivity

The Banking Group's exposure to interest rate risk, is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the period-end interest rates on classes of financial assets and financial liabilities. The table below shows the interest rate repricing schedule for each class of financial assets and financial liabilities, contractual repricing or maturity dates, whichever dates are earlier, grouped into maturity bands.

	Banking Group ($'000) Audited 31/12/2020						
	Total	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Not interest-bearing
ASSETS							
Cash and cash equivalents	418,909	418,909	-	-	-	-	-
Margin and other receivables	80,989	-	-	-	-	-	80,989
Financial assets at fair value through profit or loss	1,881,524	1,881,524	-	-	-	-	-
Financial assets at amortised cost	3,053	3,053	-	-	-	-	-
Property, plant & equipment	244	-	-	-	-	-	244
Deferred tax assets	444	-	-	-	-	-	444
Total Assets	**2,385,163**	**2,303,486**	**-**	**-**	**-**	**-**	**81,677**
LIABILITIES							
Deposits – short term	422,666	422,666	-	-	-	-	-
Financial liabilities at fair value through profit or loss	1,863,994	1,863,994	-	-	-	-	-
Margin and other payables	93,787	36	36	73	50	-	93,592
Provision for taxation	4,716	-	-	-	-	-	4,716
Total Liabilities	**2,385,163**	**2,286,696**	**36**	**73**	**50**	**-**	**98,308**

NOTE 28 – RISK MANAGEMENT (continued)

Interest Rate Sensitivity (continued)

	Banking Group ($'000) Audited 31/12/2019						
	Total	**Up to 3 months**	**Over 3 months and up to 6 months**	**Over 6 months and up to 1 year**	**Over 1 year and up to 2 years**	**Over 2 years**	**Not interest-bearing**
ASSETS							
Cash and cash equivalents	136,215	136,215	-	-	-	-	-
Margin and other receivables	47,045	-	-	-	-	-	47,045
Financial assets at fair value through profit or loss	1,423,185	1,423,185	-	-	-	-	-
Financial assets at amortised cost	191,744	191,744	-	-	-	-	-
Financial assets at fair value through other comprehensive income	205,347	205,347	-	-	-	-	-
Property, plant & equipment	329	-	-	-	-	-	329
Deferred tax assets	382	-	-	-	-	-	382
Total Assets	**2,004,247**	**1,956,491**	**-**	**-**	**-**	**-**	**47,756**
LIABILITIES							
Deposits – short term	523,252	523,252	-	-	-	-	-
Financial liabilities at fair value through profit or loss	1,389,905	1,389,905	-	-	-	-	-
Margin and other payables	87,420	34	35	71	145	50	87,085
Provision for taxation	3,583	-	-	-	-	-	3,583
Derivative liabilities	87	-	-	-	-	-	87
Total Liabilities	**2,004,247**	**1,913,191**	**35**	**71**	**145**	**50**	**90,755**

NOTE 28 – RISK MANAGEMENT (continued)

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the Statement of Financial Position are disclosed in the following table.

	Banking Group ($'000)			
	Effects of offsetting on the Balance Sheet			
	Gross amounts	Gross amounts set off in the Balance Sheet	Reserve Balance	Net amounts presented in Balance Sheet
FINANCIAL ASSETS				
2020				
Amounts receivable from wholly-owned group entities	-	-	-	-
Cash collateral pledged on reverse repurchase agreements	**1,658**	-	-	**1,658**
Total	**1,658**	-	-	**1,658**
2019				
Amounts receivable from wholly-owned group entities	36	-	-	36
Cash collateral received on repurchase agreements	1,320	-	-	1,320
Total	**1,356**	-	-	**1,356**
FINANCIAL LIABILITIES				
2020				
Amounts payable to wholly-owned group entities	**21,298**	-	-	**21,298**
Cash collateral pledged on reverse repurchase agreements	**1,732**	-	-	**1,732**
Total	**23,030**	-	-	**23,030**
2019				
Amounts payable to wholly-owned group entities	34,428	-	-	34,428
Cash collateral received on repurchase agreements	1,387	-	-	1,387
Derivative liabilities	87	-	-	87
Total	**35,902**	-	-	**35,902**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020
SUPPLEMENTAL INFORMATION

NOTE 29 – FAIR VALUE MEASUREMENT

Financial instruments held at fair value are categorised under a three-level valuation hierarchy, reflecting the availability of observable market inputs for the valuation of each particular class of financial instrument held as of the balance date. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The three levels are defined as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), including quoted prices for similar assets and liabilities in active markets.
Level 3 - inputs for the asset or liability that are not based on observable market data.

The table below presents the financial instruments held at fair value at balance date, classified by level, according to the fair value hierarchy:

The carrying amounts for the financial assets and liabilities are assumed to be approximate to their fair value due to their short-term nature.

	Banking Group Audited $'000			
	Level 1	**Level 2**	**Level 3**	**Total**
31 December 2020				
Financial assets at fair value through profit or loss	-	1,881,524	-	**1,881,524**
Financial liabilities at fair value through profit or loss	-	1,863,994	-	**1,863,994**
	-	**3,745,518**	**-**	**3,745,518**

	Banking Group Audited $'000			
	Level 1	**Level 2**	**Level 3**	**Total**
31 December 2019				
Financial assets at fair value through profit or loss	-	1,423,185	-	**1,423,185**
Financial assets at fair value through other comprehensive income	-	-	205,347	**205,347**
Financial liabilities at fair value through profit or loss	-	1,389,905	-	**1,389,905**
Derivative liabilities	-	87	-	87
	-	**2,813,177**	**205,347**	**3,018,524**

NOTE 30 – FINANCIAL INSTRUMENTS BY CATEGORY

The following is an analysis of financial instruments held at the end of the reporting period for the Banking Group:

	Banking Group Audited $'000			
	Amortised Cost	**Fair value through profit or loss**	**Fair value through other comprehensive income**	**Total**
31 December 2020				
Assets				
Current Assets				
Cash and cash equivalents	418,909	-	-	**418,909**
Margin and other receivables	80,989	-	-	**80,989**
Financial assets at fair value through profit or loss	-	1,881,524	-	**1,881,524**
Financial assets at amortised cost	3,053			**3,053**
	502,951	**1,881,524**	**-**	**2,384,475**
Liabilities				
Current Liabilities				
Deposits - short term	422,666	-	-	**422,666**
Financial liabilities at fair value through profit or loss	-	1,863,994	-	**1,863,994**
Margin and other payables	93,592	-	-	**93,592**
	516,258	**1,863,994**	**-**	**2,380,252**
31 December 2019				
Assets				
Current Assets				
Cash and cash equivalents	136,215	-	-	**136,215**
Margin and other receivables	47,045	-	-	**47,045**
Financial assets at fair value through profit or loss	-	1,423,185	-	**1,423,185**
Financial assets at amortised cost	191,744	-	-	**191,744**
Financial assets at fair value through other comprehensive income	-	-	205,347	**205,347**
	375,004	**1,423,185**	**205,347**	**2,003,536**
Liabilities				
Current Liabilities				
Deposits - short term	523,252	-	-	**523,252**
Financial liabilities at fair value through profit or loss	-	1,389,905	-	**1,389,905**
Margin and other payables	87,085	-	-	**87,085**
	610,337	**1,389,905**	**-**	**2,000,242**

NOTE 31 – EXPOSURES TO MARKET RISK

Set out below are details of market risk end-period notional capital charges. This has 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.

	Banking Group ($'000)	
	Unaudited	
	Implied risk weighted exposure	Notional capital charge
31 December 2020		
Market Risk End-period		
Interest rate risk	-	-
Foreign currency risk	4	-
Equity risk	-	-
1 July 2020 - 31 December 2020		
Market Risk Peak End-of-day		
Interest rate risk	-	-
Foreign currency risk	242,583	19,407
Equity risk	-	-

NOTE 32 –ASSET QUALITY

There are no expected material losses or diminution in asset value for 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)				
	Audited				
	Less than 30 days past due	At least 30 days but less than 60 days past due	At least 60 days but less than 90 days past due	At least 90 days past due	Total
31 December 2020					
Past due and not impaired	895	-	433	-	1,328
31 December 2019					
Past due and not impaired	1,983	562	39	-	2,584

NOTE 32 – ASSET QUALITY (continued)

As at the reporting date, the Banking Group has no individually impaired assets; or any assets under administration.

	Registered Bank (consolidated)	
	Unaudited 12 months 31/12/2020 US$'000	Unaudited 12 months 31/12/2019 US$'000
Total individually impaired assets (before allowances for credit impairment loss and net of interest held in suspense)	N/A	8,538,000
Total individually impaired assets expressed as a percentage of total assets	N/A	0.4%
Total individual credit impairment allowance	N/A	847,000
Total individual credit impairment allowance expressed as a percentage of total impaired assets	N/A	9.9%
Total collective credit impairment allowance	N/A	11,272,000

Effective 1 January 2020 on adopting ASU 2016-13 *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, the Registered Bank is no longer required to publicly disclose individually impaired assets and collectively impaired assets separately.

	Registered Bank (consolidated)	
	Unaudited 12 months 31/12/2020 US$'000	Unaudited 12 months 31/12/2019 US$'000
Total non-accrual loans	11,112,000	4,855,000
Total loans	1,023,733,000	963,138,000
Total non-accrual loans expressed as a percentage of total loans	1.1%	0.5%
Total expected credit losses	28,318,000	13,106,000
Total expected credit losses expressed as a percentage of total loans	2.8%	1.4%

*Upon adoption of ASU 2016-13 on 1 January 2020, the underlying accounting methodology has changed. Prior balances have not been restated accordingly.

NOTE 32 – ASSET QUALITY (continued)

	Banking Group	
	Audited 12 months 31/12/2020 NZ$'000	Audited 12 months 31/12/2019 NZ$'000
Movements in components of loss allowance (NZ IFRS 9)*		
Stage 1		
Opening balance	120	75
The charge to the statement of financial performance for an increase in individual loss allowances	(120)	45
Closing balance	-	120

*There were no Stage 2 or 3 loss allowances during the reporting period

	Banking Group	
Impacts of changes in gross financial assets on loss allowances (NZ IFRS 9)	Audited 12 months 31/12/2020 NZ$'000	Audited 12 months 31/12/2019 NZ$'000
Loans and advances (Note 10 and 11)		
Pre allowance opening balance	396,778	233,062
Additions	3,049	183,160
Amounts written off	-	-
Repayments	(396,774)	(19,444)
Pre allowance closing balance	3,053	396,778
Fair value through other comprehensive income	-	433
Closing loss allowance	-	(120)
Total Loans and advances (Note 10 and 11)	3,053	397,091

Neither the NZ Branch or the Banking Group have any financial assets designated as at fair value through profit or loss on which there have been changes in fair value that are attributable to changes in credit risk of the financial asset.

There were no individually impaired assets for the Banking Group at any point during the financial years 2020 and 2019.

NOTE 33– REGISTERED BANK PROFITABILITY AND SIZE

	Registered Bank (consolidated)	
	Unaudited 12 months 31/12/2020 US$'000	Unaudited 12 months 31/12/2019 US$'000
Net profit/(loss) after taxation	21,022,000	31,339,000
Net profit/(loss) after taxation, over the previous 12 month period, as a percentage of average total assets	0.7%	1.4%
Total assets	3,025,285,000	2,337,646,000
Percentage increase/(decrease) in total assets from previous period	29.2%	5.3%

Independent auditor's report

To the Directors of JPMorgan Chase Bank, National Association

This report includes:

- our audit opinion on the Disclosure Statement on pages 12 to 53 which consists of the financial statements prepared in accordance with Clause 25 of the Registered Bank Disclosure Statement (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the 'Order'), New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS');

- our audit opinion on the supplementary information prepared in accordance with Schedules 4, 7, 11 and 13 of the Order;

- our audit opinion on other legal and regulatory requirements in accordance with Clauses 2(1)(d) and 2(1)(e) of Schedule 1 of the Order; and

- our review conclusion on the supplementary information relating to credit and market risk exposures and capital adequacy prepared in accordance with Schedule 9 of the Order.

Report on the audit of the financial statements and supplementary information (excluding the supplementary information relating to credit and market risk exposures and capital adequacy)

We have audited the Disclosure Statement of JPMorgan Chase Bank, National Association, New Zealand Banking Group (the "Banking Group") on pages 12 to 53 which consists of the financial statements required by Clause 25 of the Order and supplementary information required by Schedules 4, 7, 11 and 13 of the Order which comprises:

- the statement of financial position as at 31 December 2020
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended;
- the notes to the financial statements, which include significant accounting policies; and
- the supplementary information required by Schedules 4, 7, 11 and 13 of the Order.

Our opinion

In our opinion:

- The Banking Group's Disclosure Statement on pages 12 to 53 (excluding the supplementary information disclosed in accordance with Schedules 4, 7, 9, 11 and 13 of the Order and included within notes 15, 21, 25, 26, 27, 28, 31, 32 and 33).

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(i) comply with generally accepted accounting practice in New Zealand;
(ii) comply with International Financial Reporting Standards; and
(iii) give a true and fair view of the financial position of the Banking Group as at 31 December 2020, and its financial performance and cash flows for the year then ended.

- The supplementary information disclosed in accordance with Schedules 4, 7, 11 and 13 of the Order and included within notes 15, 21, 25, 27, 28, 32 and 33:

(i) has been prepared, in all material respects, in accordance with the guidelines issued under section 78(3) of the Reserve Bank of New Zealand Act 1989 or any conditions of registration;
(ii) is in accordance with the books and records of the Banking Group; and
(iii) fairly states, in all material respects, the matters to which it relates in accordance with those Schedules.

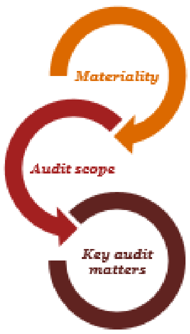
Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements and supplementary information (excluding the supplementary information relating to credit and market risk exposures and capital adequacy)* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall materiality: NZ$ 996,000, which represents 3% of net revenue.

We chose net revenue as the benchmark because in our view it is the benchmark against which performance of the Banking Group is most commonly measured by users due to the nature of the entity and the broader corporate structure

We have determined that there is a key audit matter:

- Fair value of financial instruments

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the Disclosure Statement as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the Disclosure Statement as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the Disclosure Statement and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the Disclosure Statement as a whole, taking into account the structure of the Banking Group, the accounting processes and controls, and the industry in which the Banking Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Disclosure Statement of the current year. These matters were addressed in the context of our audit of the Disclosure Statement as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Fair value of financial assets and liabilities (Refer to Note 29 of the Disclosure Statement) Financial instruments held by the Banking Group include fixed income debt securities which are predominantly valued using market observable prices ("Level 2" financial instruments). The valuation of Level 2 financial instruments rely on models that use market-observable inputs to calculate the fair value which can include interest rates, yield curves, implied volatilities, and foreign exchange rates. We focused our attention on this area as the magnitude of the financial instruments balance is material to the Banking Group, and there is judgement involved in the determination of the fair value. Therefore we have considered this as a key audit matter.	We evaluated the design and tested the operating effectiveness of key controls over the valuation of financial instruments. Testing of key controls included: • Evaluation of independent price verification controls which included enquiry with knowledgeable personnel, and observation of the control performance to ensure that independent pricing data, parameters, and product valuation policies are applied as part of our homogeneous population in the control testing. • Evaluation of model review and governance processes which include new model implementation, changes to existing models, and ongoing model performance assessments as part of our homogeneous population in the control testing. We have tested the valuation of these instruments at 31 December 2020 by engaging PwC Valuation experts. This team compares price and market value of the Banking Group's financial instrument portfolio to independently sourced prices and calculated market values from independent third-party data providers.

Information other than the financial statements, supplementary information and auditor's report

The Directors of the Banking Group (the 'Directors') are responsible for the other information included in the Disclosure Statement. The other information comprises the information required to be included in the Disclosure Statement in accordance with Schedule 2 of the Order and is included on pages 1 to 11. Our opinion on the Disclosure Statement and supplementary information does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Disclosure Statement and supplementary information, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Disclosure Statement or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements and supplementary information (excluding the supplementary information relating to credit and market risk exposures and capital adequacy)

The Directors are responsible, on behalf of the Banking Group, for the preparation and fair presentation of the Disclosure Statement in accordance with Clause 25 of the Order, NZ IFRS and IFRS and that give a true and fair view of the matters to which they relate. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation of Disclosure Statement that are free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible for the preparation and fair presentation of supplementary information in the Disclosure Statement which complies with Schedules 2, 4, 7, 11 and 13 of the Order.

In preparing the Disclosure Statement, the Directors are responsible for assessing the Banking Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Banking Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Disclosure Statement and supplementary information (excluding the supplementary information relating to credit and market risk exposures and capital adequacy)

Our objectives are to obtain reasonable assurance about whether the Disclosure Statement and the supplementary information (excluding the supplementary information relating to credit and market risk exposures and capital adequacy disclosed in Notes 26 and 31) disclosed in accordance with Clause 25 and Schedules 4, 7, 11 and 13 of the Order, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Disclosure Statement.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/

This description forms part of our auditor's report.

Report on other legal and regulatory requirements (excluding the supplementary information relating to credit and market risk exposures and capital adequacy)

We also report in accordance with the requirements of Clauses 2(1)(d) and 2(1)(e) of Schedule 1 of the Order. In relation to our audit of the financial statements and supplementary information (excluding the supplementary information relating to credit and market risk exposures and capital adequacy disclosed in Notes 26 and 31) for the year ended 31 December 2020:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Banking Group as far as appears from an examination of those records.

Report on the review of the supplementary information relating to credit and market risk exposures and capital adequacy

We have reviewed the supplementary information relating to credit and market risk exposures and capital adequacy required by Schedule 9 of the Order as disclosed in Notes 26 and 31 of the financial statements of the Banking Group for the year ended 31 December 2020.

Our review conclusion

Based on our review, nothing has come to our attention that causes us to believe that the supplementary information relating to credit and market risk exposures and capital adequacy disclosed in Notes 27 and 32 is not in all material respects:

(i) prepared in accordance with the Banking Group's conditions of registration;

(ii) prepared in accordance with Capital Adequacy Framework (Standardised Approach) (BS2A); and

(iii) disclosed in accordance with Schedule 9 of the Order.

This conclusion is to be read in the context of what we say in the remainder of this report.

Basis for our conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). Our responsibilities under this standard are further described in the *Auditor's responsibilities for the review of the supplementary information relating to credit and market risk exposures and capital adequacy* section of our report.

Responsibilities of the Directors for the supplementary information relating to credit and market risk exposures and capital adequacy

The Directors are responsible, on behalf of the Banking Group, for the preparation and fair presentation of the supplementary information relating to credit and market risk exposures and capital adequacy in accordance with Capital Adequacy Framework (Basel III Standardised and Advanced approaches) and the Capital Adequacy Framework (Standardised Approach) (BS2A), and is disclosed in accordance with Schedule 9 of the Order. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation of the supplementary information relating to credit and market risk exposures and capital adequacy that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the supplementary information relating to credit and market risk exposures and capital adequacy

Our responsibility is to express a conclusion, whether, based on our review, the supplementary information relating to credit and market risk exposures and capital adequacy, disclosed in Notes 26 and 31, is not, in all material respects:

(i) prepared in accordance with the Banking Group's conditions of registration; and

(ii) prepared in accordance with Capital Adequacy Framework (Basel III Standardised and Advanced approaches) and Capital Adequacy Framework (Standardised Approach) (BS2A); and

(iii) disclosed in accordance with Schedule 9 of the Order.

A review of the supplementary information relating to credit and market risk exposures and capital adequacy disclosed in Notes 26 and 31 in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with ISAs NZ and ISAs. Accordingly, we do not express an audit opinion on the supplementary information relating to credit and market risk exposures and capital adequacy disclosed in Notes 26 and 31.

Auditor independence

We are independent of the Banking Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Banking Group in the form of other assurance services. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the Banking Group. These matters have not impaired our independence as auditor of the Banking Group.

Who we report to

This report is made solely to the Directors, as a body. Our work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Banking Group and the Banking Group's Directors as a body, for our work, for this report or for the opinions and conclusion we have formed.

The engagement partner on the engagement resulting in this independent auditor's report is Sam Hinchliffe.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
26 March 2021

Sydney

I, Sam Hinchliffe, am currently a member of Chartered Accountants Australia and New Zealand and my membership number is 371737.

PricewaterhouseCoopers was the audit firm appointed to undertake the audit of the Disclosure Statement of JPMorgan Chase Bank, National Association New Zealand Banking Group for the year ended 31 December 2020. I was responsible for the execution of the review and delivery of our firm's independent auditor's report. The audit work was completed on 26 March 2021 and an unqualified audit opinion is expressed as at that date.

Sam Hinchliffe
Partner