

# J.P.Morgan

**JPMorgan Chase Bank, National Association,  
New Zealand Branch**

## **Disclosure Statement**

**For the three months ended 31 March 2014**



# Disclosure Statement

For the three months ended 31 March 2014

## CONTENTS

|  |    |
|--|----|
| Definitions .....  | 1  |
| Corporate Information .....  | 1  |
| Financial Support .....  | 2  |
| Corporate Governance .....   | 2  |
| Pending Proceedings or Arbitration .....                                   | 7  |
| Current credit rating of JPMCB .....                                       | 8  |
| Insurance Business and Non-Consolidated Activities .....                   | 8  |
| Other Material Matters .....   | 9  |
| Financial Statements of the Overseas Bank and Overseas Banking Group ..... | 9  |
| Statement by the Directors and Chief Executive Officer of JPMCB NZ.....    | 9  |
| Disclosure Statement .....   | 10 |

## DEFINITIONS

In this Disclosure Statement, unless the context otherwise requires:

**JPMCB** means the worldwide operations of JPMorgan Chase Bank, N.A., including JPMCB NZ Group;

**JPMCB NZ or Branch** means the New Zealand operations of JPMCB conducted through its New Zealand branch;

**JPMCC** means JPMorgan Chase & Co; and

the term “**Banking Group**” or “**JPMCB NZ Group**” means the consolidated New Zealand operations of JPMCB, and includes the business conducted through JPMCB NZ and JPMCB’s subsidiaries and associated companies operating in New Zealand, being J.P. Morgan Australia Limited, J.P. Morgan Markets Australia Pty Limited and J.P. Morgan Securities Australia Limited.

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

## CORPORATE INFORMATION

### Registered Bank

JPMorgan Chase Bank, National Association (generally abbreviated to JPMorgan Chase Bank, N.A.), New Zealand Branch.

### Address for Service

Level 13, ASB Tower  
2 Hunter Street  
Wellington 6011  
New Zealand

### Name and Address for Service of the Overseas Bank and Ultimate Holding Company

|  |  |
|--|--|
| <b>Overseas Bank</b><br>JPMorgan Chase Bank, N.A.  | <b>Ultimate Holding Company</b><br>JPMorgan Chase & Co.  |
| <b>Overseas Bank Address for Service</b><br>1111 Polaris Parkway<br>Columbus, Ohio, 43240<br>USA | <b>Ultimate Holding Company Address for Service</b><br>270 Park Avenue<br>New York, New York 10017-2014<br>USA |

### Incorporation

JPMCB is a commercial bank offering a wide range of banking 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. JPMCB’s main office is located in Columbus, Ohio, and it has branches in 23 States of America.

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

JPMCB is one of the principal, wholly-owned subsidiaries of JPMCC. The ordinary shares of JPMCC are listed on the New York, London and Tokyo Stock Exchanges and form part of the Dow Jones Industrial Average index of the New York Stock Exchange.

## FINANCIAL SUPPORT

### Ranking of Local Creditors in Winding-up

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

The rights of all creditors of JPMCB, including those located in New Zealand, in the event of JPMCB'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 such 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 JPMCB'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 JPMCB's non-U.S. branches (such as JPMCB NZ) who would then rank *pari passu* in order of payment. The basic insurance amount is \$US250,000 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 JPMCB (or the JPMCB NZ Group) are guaranteed as at the date of signing the Disclosure Statement.

## CORPORATE GOVERNANCE

### Directors of JPMCB

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

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

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

Marianne Lake  
Executive Director, Chief Executive Officer, President, and Chief Financial Officer  
BSc of Physics - Reading University  
United Kingdom

William C Weldon  
Retired Chairman and CEO, Johnson and Johnson  
Quinnipiac University  
United States of America

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

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

Office of the Secretary  
JPMorgan Chase Bank, N.A.  
270 Park Avenue  
New York, New York 10017-2070  
United States of America

**Non-banking group companies of which the Directors of JPMCB are directors**

The following Directors of JPMCB hold the following directorships:

- Mr Crown is a director of Henry Crown and Company and General Dynamics Corporation, companies incorporated in the United States of America
- Mr Jackson is a director of Clear Creek Properties, Inc., a company incorporated in the United States of America
- Mr Weldon is a director of CVS Caremark Corporation, The Chubb Corporation, and Exxon Mobil Corporation, companies incorporated in the United States of America

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

**JPMCB NZ's Chief Executive Officer and Chief Administration Officer**

The name, occupation, professional qualifications and country of residence of the JPMCB NZ Chief Executive Officer who held office at any time during the reporting period ended 31 March 2014 are as follows:

Mark Richard Lawrence  
Chief Executive Officer - New Zealand  
Bachelor of Commerce - Otago University  
New Zealand

The name, occupation, professional qualifications and country of residence of the JPMCB NZ Chief Administrative Officer are as follows:

Warren Davis  
Chief Administrative Officer - Australia and New Zealand  
Australia

**Non-banking group companies of which the New Zealand Chief Executive Officer and Chief Administration Officer are directors**

Mr Davis is the director of Ord Minnet Holdings Pty Limited, a company registered in Australia. In addition, Mr Davis is a director of a number of companies which are either wholly-owned subsidiaries of JPMCB, are of a charitable or philanthropic nature, or relate to his personal superannuation or business affairs, and which are not listed in this document.

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

**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**

- Robert Clive Priestley Senior Country Officer, JPMorgan Australia and New Zealand Group, and Chief Executive Officer, ASEAN
- Warren Davis Chief Administrative Officer, JPMorgan Australia and New Zealand Group

Mr Robert Priestley is the Senior Country Officer, JPMorgan Australia and New Zealand Group, and Chief Executive Officer, ASEAN. In his capacity as Chief Executive Officer of New Zealand, Mr Mark Lawrence reports to Mr Warren Davis.

**Address to which communications addressed to the Responsible Persons, including the 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

**Director Related Transactions**

There are no transactions between the Directors and JPMCB and any member of JPMCB NZ 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 JPMCB or any member of JPMCB NZ 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.

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

- the related person has or will have a direct or indirect material interest; and
- the aggregate amount involved will or may be expected to exceed \$US120,000 in any fiscal year.

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

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

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

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

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

## Regulation O

Regulation O of the Federal Reserve Board of the United States of America establishes requirements for loans and other extensions of credit that JPMCB may make to persons affiliated with JPMCB. 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 JPMCB from lending to its Directors and their related interests unless such extensions of credit:

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

## JPMCB NZ's Chief Executive Officer

The New Zealand Chief Executive Officer is not subject to Regulation O. There are no transactions between the New Zealand Chief Executive Officer and JPMCB or any member of JPMCB NZ 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 JPMCB or any member of JPMCB NZ Group, be given to any other person of like circumstances or means, or which could otherwise be reasonably likely to materially influence the exercise of the New Zealand Chief Executive Officer's duties.

## Conflicts of Interest

The Conflicts Office of JPMCC monitors JPMCB'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 JPMCB's reputation as a result of actual or perceived conflicts of interest. Any transaction, product or activity that raises significant reputation risk for JPMCB 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 JPMCB's conflicts risk management and the requirements for reporting them.

## Conditions of Registration

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

The registration of JPMCB NZ is subject to the following conditions (the "Conditions of Registration") which came into effect from 1 January 2014:

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.

## Conditions of Registration (continued)

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

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

For the purposes of these conditions of registration -

“insurance business” means the undertaking or assumption of liability as an insurer under a contract of insurance;

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

3. That the business of the registered bank in New Zealand does not constitute a predominant proportion of the business of the registered bank.
4. That no appointment to the position of the New Zealand Chief Executive Officer of the registered bank shall be made unless:
  - (i) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
  - (ii) the Reserve Bank has advised that it has no objection to the 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                |                             |
|------------------------------|------------------------------------|-----------------------------|
|                              | 1 January 2014 to 31 December 2014 | On and after 1 January 2015 |
| Common Equity Tier 1 capital | 4 percent                          | 4.5 percent                 |
| Tier 1 capital               | 5.5 percent                        | 6 percent                   |
| Total capital                | 8 percent                          | 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 \$NZ15 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.
  9. That, for a loan-to-valuation measurement period, the total of the business of the registered bank in New Zealand's qualifying new mortgage lending amounts must not for residential properties with a loan-to-valuation ratio of more than 80%, exceed 10% of the total of the qualifying new mortgage lending amounts arising in the loan-to-valuation measurement period.



10. That the business of the registered bank in New Zealand must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the registered bank's agreement before the borrower can grant to another person a charge over the residential property used as a security for the loan.
11. That the business of the registered bank in New Zealand must not permit a borrower to grant a charge in favour of another person over a residential property used as security for a residential mortgage loan unless the sum of the lending secured by the charge and the loan value for the residential mortgage loan would not exceed 80% of the property value of the residential property when the lending secured by the charge is drawn down.
12. That the business of the registered bank in New Zealand must not provide a residential mortgage loan if the residential property to be mortgaged to the registered bank as security for the residential mortgage loan is subject to a charge in favour of another person unless the total amount of credit secured by the residential property would not exceed 80% of the property value when the residential mortgage loan is drawn down.
13. That the business of the registered bank in New Zealand must not
  - (a) act as broker or arrange a residential mortgage loan for the business of the registered bank outside New Zealand or for an associated person of the registered bank outside New Zealand; or
  - (b) facilitate the drawdown of a residential mortgage loan the registered bank originated as part of its business outside New Zealand or by an associated person of the registered bank outside New Zealand without notifying the Reserve Bank of this activity in the manner and form specified by the Reserve Bank.

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 9(2) of the Financial Reporting Act 1993;

"business of the registered bank in New Zealand" means the New Zealand business of the registered bank as required to be reported in financial statements under section 8(2) of the Financial Reporting Act 1993;

"generally accepted accounting practice" has the same meaning as in section 2 of the Financial Reporting Act 1993;

"liabilities of the registered bank in New Zealand" means the liabilities of the registered bank as required to be reported in financial statements under section 8(2) of the Financial Reporting Act 1993.

In conditions of registration 9 to 13 -

"loan-to-valuation ratio", "loan value", "property value", "qualifying new mortgage lending amount" and "residential mortgage loan" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS 19) dated September 2013;

"loan-to-valuation measurement period" means a period of six calendar months ending on the last day of the sixth calendar month, the first of which ends on the last day of March 2014.

#### **PENDING PROCEEDINGS OR ARBITRATION**

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

## CURRENT CREDIT RATING OF JPMCB

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

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

### Legend to Rating Scales

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

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

### Members of JPMCB NZ Group

JPMCB NZ Group companies (other than JPMCB NZ), being:

- the New Zealand Operation of J.P. Morgan Australia Limited (incorporated in Australia);
- the New Zealand Operation of J.P. Morgan Markets Australia Pty Limited (incorporated in Australia); and
- the New Zealand Operation of J.P. Morgan Securities Australia Limited (incorporated in Australia)

are involved in investment banking activities. These companies are wholly-owned by JPMCB.

### INSURANCE BUSINESS AND NON-CONSOLIDATED ACTIVITIES

JPMCB NZ Group does not conduct any insurance business.

JPMCB does not conduct in New Zealand, outside of the JPMCB NZ Group, any insurance business or non-financial activities.

## OTHER MATERIAL MATTERS

There are no other matters relating to the business or affairs of JPMCB NZ and the JPMCB NZ 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 JPMCB NZ or any other member of the JPMCB NZ Group is the issuer.

## FINANCIAL STATEMENTS OF THE OVERSEAS BANK AND OVERSEAS BANKING GROUP

Attached to, and forming part of, this Disclosure Statement are the most recent publicly available (audited) financial statements of JPMCB (consolidated) for the twelve months ended 31 December 2013, and (unaudited) financial statements of JPMCB (consolidated) for the three months ended 31 March 2014, each prepared in accordance with US GAAP.

The most recent publicly available Disclosure Statement of JPMorgan Chase Bank New Zealand Group and JPMorgan Chase Bank, NA can be accessed online at <http://www.jpmorgan.com/pages/international/newzealand>

## STATEMENT BY THE DIRECTORS AND CHIEF EXECUTIVE OFFICER OF JPMCB NZ

Each Director, and the Chief Executive Officer of JPMCB NZ, after due enquiry by them, believe that:

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

The current directors of JPMCB are James S Crown, William C Weldon, Matthew E Zames, Laban P Jackson, Jr and Marianne Lake.

This Disclosure Statement is signed by Mr Davis and Mr Lawrence as Responsible Persons on behalf of each of the Directors.

  
\_\_\_\_\_  
Warren Davis

27 May 2014

\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Mark Lawrence

27 May 2014

\_\_\_\_\_  
Date

## Disclosure Statement

For the three months ended 31 March 2014

### Contents

|   |    |
|---|----|
| Statement of Significant Accounting Policies .....  | 11 |
| Statement of Comprehensive Income .....   | 13 |
| Statement of Changes in Equity .....  | 14 |
| Statement of Financial Position .....   | 15 |
| Statement of Cash Flows .....   | 16 |
| <b>Notes to the Interim Financial Statements</b>  |    |
| Note 1 Interest Income .....  | 17 |
| Note 2 Other Operating Income/(Loss) .....  | 17 |
| Note 3 Operating Expenses .....   | 17 |
| Note 4 Income Tax Expense/(Benefit) .....   | 17 |
| Note 5 Equity .....   | 18 |
| Note 6 Currency Translation Reserve .....   | 18 |
| Note 7 Cash and Cash Equivalents .....  | 18 |
| Note 8 Trading and Other Receivables .....  | 19 |
| Note 9 Deposits - Short Term.....   | 19 |
| Note 10 Payables .....  | 19 |
| Note 11 Related Party Transactions .....  | 20 |
| Note 12 Total Liabilities of the Registered Bank, Net of Amounts Due to Related Parties ..... | 21 |
| Note 13 Reconciliation of Net Surplus to Net Cash Inflow from Operating Activities .....      | 21 |
| Note 14 Commitments and Contingent Liabilities .....  | 22 |
| Note 15 Intangible Assets .....   | 22 |
| Note 16 Events after the Reporting Period .....   | 22 |
| Note 17 Financial Statements of JPMorgan Chase Bank, N.A. ....                                | 23 |
| Note 18 Interest Earning and Discount Bearing Assets and Liabilities .....                    | 23 |
| Note 19 Capital Adequacy .....  | 23 |
| Note 20 Concentration of Credit Exposure to Individual Counterparties .....                   | 24 |
| Note 21 Activities of the Banking Group in New Zealand .....                                  | 24 |
| Note 22 Risk Management .....   | 24 |
| Note 23 Exposures to Market Risk .....  | 25 |
| Note 24 Registered Bank Asset Quality .....   | 25 |
| Note 25 Registered Bank Profitability and Size .....  | 26 |

## 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 1993 and the Companies Act 1993, the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014, 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 Branch (as defined below) and the Banking Group (as defined below) comply with International Financial Reporting Standards.

These financial statements are for JPMorgan Chase Bank, N.A., New Zealand Branch (JPMCB NZ or the Branch) and the "Banking Group", comprising the New Zealand operations of JPMCB NZ and all those subsidiaries of JPMorgan Chase Bank, N.A. whose business is required to be reported in the financial statements for the Group's New Zealand business. These financial statements should be read in conjunction with the audited financial statements of the banking group for the year-ended 31 December 2013.

These financial statements are authorised by the Directors for issue on 27 May 2014. The company 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

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

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

### D. Comparatives

Where necessary, comparatives have been reclassified to conform with changes in presentation in the current reporting period.

### E. Critical Accounting Estimates and Judgements

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

- **Fair Value**

Where an active market exists for a financial instrument, fair values are determined by reference to the quoted prices/yields at balance date. Such instruments are classified as level 1 within the fair value hierarchy table in the audited financial statements of the Banking Group for the year ended 31 December 2013. 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 company 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.

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- **Impairment of Goodwill and Intangible Assets**

The recoverable amount of goodwill is determined based on the future cash flow projection discounted by reporting units estimated cash of equity capital of 15.0%. The Group's cost of equity is determined using the Capital Asset Pricing Model. The discount rate used for each reporting unit represents an estimate of the cost of equity capital for that reporting unit and is determined based on the Firm's overall cost of equity, as adjusted for the risk characteristics specific to each reporting unit and jurisdiction. To assess the reasonableness of the discount rates used for each reporting unit, management compares the discount rate to the estimated cost of equity for publicly traded institutions with similar businesses and risk characteristics.

All future cash flows are based on approved five year strategic plans, plus a further four year projection incorporating a 3% growth rate to reflect inflation. While the plan assumes certain economic conditions, including net interest margin contractions to 30bps, client attrition of 10% in custody and 5% in fund administration and a 10% repricing for all products, plus market share increases, technology deployments and expense synergies, the forecast is not reliant on any one particular assumption. The business forecasts applied by management are considered appropriate as they are based on past experience and are consistent with observable current market information. The results of the impairment testing performed did not result in any impairment being identified.

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

### F. Significant Accounting Policies

There have been no changes in accounting policies or methods of computation in the preparation of the financial statements for the quarter ending 31 March 2014 since the most recent annual financial statements for the year ending 31 December 2013.

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 MARCH 2014

|  |      | Banking Group (\$'000)              |                                     |                                    |
|--|------|-------------------------------------|-------------------------------------|------------------------------------|
|  | Note | Unaudited<br>3 months<br>31/03/2014 | Unaudited<br>3 months<br>31/03/2013 | Audited<br>12 months<br>31/12/2013 |
| Interest income                                  | 1    | 3,842                               | 3,047                               | 13,464                             |
| Interest expense                                 |      | (2,263)                             | (1,643)                             | (7,459)                            |
| <b>Net interest income</b>                       |      | <b>1,579</b>                        | <b>1,404</b>                        | <b>6,005</b>                       |
| Other operating income/(loss)                    | 2    | 2,777                               | 858                                 | 3,373                              |
| <b>Total operating income</b>                    |      | <b>4,356</b>                        | <b>2,262</b>                        | <b>9,378</b>                       |
| Operating expenses                               | 3    | (2,758)                             | (3,073)                             | (12,382)                           |
| <b>Net profit/(loss) before taxation</b>         |      | <b>1,598</b>                        | <b>(811)</b>                        | <b>(3,004)</b>                     |
| Income tax (expense)/benefit                     | 4    | (476)                               | 235                                 | 880                                |
| <b>Net profit/(loss) after taxation</b>          |      | <b>1,122</b>                        | <b>(576)</b>                        | <b>(2,124)</b>                     |
| Other comprehensive income, net of tax           | 6    | (3)                                 | (1)                                 | 159                                |
| <b>Total comprehensive income for the period</b> |      | <b>1,119</b>                        | <b>(577)</b>                        | <b>(1,965)</b>                     |

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

STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2014

| Banking Group (\$'000)  |                    |                      |   |                 |
|-------------------------|--------------------|----------------------|---|-----------------|
| Note                    | Ordinary<br>Shares | Retained<br>Earnings | Foreign<br>currency<br>translation<br>reserve<br>movement | Total<br>Equity |
| <b>31 March 2013</b>    |                    |                      |   |                 |
|                         | -                  | 1,258                | (1,258)   | -               |
|                         | -                  | (576)                | -   | (576)           |
| 6                       | -                  | -                    | (1)   | (1)             |
|                         | -                  | (576)                | (1)   | (577)           |
|                         | -                  | (682)                | 1,259   | 577             |
| 5                       | -                  | -                    | -   | -               |
| <b>31 December 2013</b> |                    |                      |   |                 |
|                         | -                  | 1,258                | (1,258)   | -               |
|                         | -                  | (2,124)              | -   | (2,124)         |
| 6                       | -                  | -                    | 159   | 159             |
|                         | -                  | (2,124)              | 159   | (1,965)         |
|                         | -                  | 866                  | 1,099   | 1,965           |
| 5                       | -                  | -                    | -   | -               |
| <b>31 March 2014</b>    |                    |                      |   |                 |
|                         | -                  | -                    | -   | -               |
|                         | -                  | 1,122                | -   | 1,122           |
| 6                       | -                  | -                    | (3)   | (3)             |
|                         | -                  | 1,122                | (3)   | 1,119           |
|                         | -                  | (1,122)              | 3   | (1,119)         |
| 5                       | -                  | -                    | -   | -               |

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



STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2014

|  |      | Banking Group (\$'000)              |                                     |                                    |
|--|------|-------------------------------------|-------------------------------------|------------------------------------|
|  | Note | Unaudited<br>3 months<br>31/03/2014 | Unaudited<br>3 months<br>31/03/2013 | Audited<br>12 months<br>31/12/2013 |
| <b>ASSETS</b>  |      |                                     |                                     |                                    |
| <b>Current Assets</b>                                      |      |                                     |                                     |                                    |
| Cash and cash equivalents                                  | 7    | 373,763                             | 479,247                             | 301,772                            |
| Trading and other receivables                              | 8    | 292,533                             | 263,326                             | 282,119                            |
| Financial assets at fair value through profit or loss      |      | 64,707                              | 188,975                             | 36,809                             |
| Cash collateral pledged on reverse repurchase agreements   |      | 155,613                             | 82,393                              | 295,965                            |
| Loans  |      | 48,691                              | 42,002                              | 51,815                             |
|  |      | <b>935,307</b>                      | <b>1,055,943</b>                    | <b>968,480</b>                     |
| <b>Non Current Assets</b>                                  |      |                                     |                                     |                                    |
| Fixed assets   |      | 173                                 | 265                                 | 204                                |
| Intangible assets  | 15   | 853                                 | 891                                 | 863                                |
| Deferred tax assets  |      | 133                                 | 131                                 | 133                                |
|  |      | <b>1,159</b>                        | <b>1,287</b>                        | <b>1,200</b>                       |
| <b>Total Assets</b>  |      | <b>936,466</b>                      | <b>1,057,230</b>                    | <b>969,680</b>                     |
| <b>LIABILITIES</b>   |      |                                     |                                     |                                    |
| <b>Current Liabilities</b>                                 |      |                                     |                                     |                                    |
| Overdrafts   | 7(a) | -                                   | 6                                   | -                                  |
| Deposits - short term                                      | 9    | 421,925                             | 521,740                             | 354,135                            |
| Financial liabilities at fair value through profit or loss |      | 28,698                              | 186,636                             | 12,907                             |
| Cash collateral received on repurchase agreements          |      | 152,393                             | 78,287                              | 309,296                            |
| Payables   | 10   | 332,902                             | 269,513                             | 292,886                            |
| Provision for taxation                                     |      | 548                                 | 1,048                               | 456                                |
| <b>Total Liabilities</b>                                   |      | <b>936,466</b>                      | <b>1,057,230</b>                    | <b>969,680</b>                     |
| <b>Net Assets</b>  |      | -                                   | -                                   | -                                  |
| <b>EQUITY</b>  |      |                                     |                                     |                                    |
| Attributable to the shareholders of the Banking Group      |      | -                                   | -                                   | -                                  |
| <b>Total Equity</b>  | 5    | -                                   | -                                   | -                                  |

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

STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 MARCH 2014

| Banking Group (\$'000)  |                                     |                                     |                                    |
|---|-------------------------------------|-------------------------------------|------------------------------------|
| Note  | Unaudited<br>3 months<br>31/03/2014 | Unaudited<br>3 months<br>31/03/2013 | Audited<br>12 months<br>31/12/2013 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |                                     |                                     |                                    |
| Fees, commissions and other income received                   | 2,650                               | 1,291                               | 8,167                              |
| Payments to suppliers and employees                           | (495)                               | (2,401)                             | (7,829)                            |
| Receipts from/(payments to) related parties                   | 142,747                             | 172,318                             | (41,247)                           |
| Net movement in client balances                               | 39,621                              | 12,679                              | 9,882                              |
| Net proceed from disposal/(purchase) of financial instruments | (28,678)                            | 13,246                              | 2,275                              |
| Net (increase)/decrease in loans                              | 3,124                               | 21,104                              | 11,291                             |
| Increase/(decrease) in deposits                               | (88,019)                            | 49,903                              | 98,372                             |
| Tax paid  | (72)                                | (1,098)                             | (907)                              |
| Interest received   | 2,732                               | 2,956                               | 12,950                             |
| Interest paid   | (1,773)                             | (753)                               | (3,205)                            |
| <b>Net cash inflow/(outflow) from operating activities</b>    | <b>71,837</b>                       | <b>269,245</b>                      | <b>89,749</b>                      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |                                     |                                     |                                    |
| Plant and equipment   | 10                                  | 4                                   | (2)                                |
| <b>Net cash inflow/(outflow) from investing activities</b>    | <b>10</b>                           | <b>4</b>                            | <b>(2)</b>                         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |                                     |                                     |                                    |
| (Repatriation)/reimbursement of profit                        | (20)                                | 6,292                               | 5,870                              |
| <b>Net cash inflow/(outflow) from financing activities</b>    | <b>(20)</b>                         | <b>6,292</b>                        | <b>5,870</b>                       |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   | <b>71,827</b>                       | <b>275,541</b>                      | <b>95,617</b>                      |
| Opening cash and cash equivalents                             | 301,772                             | 201,864                             | 201,864                            |
| Effect of changes in foreign exchange rates on cash balances  | 164                                 | 1,836                               | 4,291                              |
| <b>Closing cash and cash equivalents</b>                      | <b>373,763</b>                      | <b>479,241</b>                      | <b>301,772</b>                     |

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2014

Banking Group (\$'000)

|  | Unaudited<br>3 months<br>31/03/2014 | Unaudited<br>3 months<br>31/03/2013 | Audited<br>12 months<br>31/12/2013 |
|--|-------------------------------------|-------------------------------------|------------------------------------|
|--|-------------------------------------|-------------------------------------|------------------------------------|

NOTE 1 - INTEREST INCOME

|                              |              |              |               |
|------------------------------|--------------|--------------|---------------|
| Cash and cash equivalents    | 1,678        | 1,947        | 9,945         |
| Trading securities           | 1,690        | 639          | 1,898         |
| Loans                        | 474          | 461          | 1,621         |
| <b>Total interest income</b> | <b>3,842</b> | <b>3,047</b> | <b>13,464</b> |

NOTE 2 - OTHER OPERATING INCOME/(LOSS)

|  |              |            |              |
|--|--------------|------------|--------------|
| Fee and commissions income                 | 2,798        | 3,036      | 11,018       |
| Trading income/(loss)                      | (21)         | (2,707)    | (9,551)      |
| Derivative income                          | -            | 529        | 1,906        |
| <b>Total other operating income/(loss)</b> | <b>2,777</b> | <b>858</b> | <b>3,373</b> |

NOTE 3 - OPERATING EXPENSES

|                                      |              |              |               |
|--------------------------------------|--------------|--------------|---------------|
| Administration expenses              | 1,903        | 2,292        | 8,711         |
| Employee expenses                    | 262          | 286          | 1,610         |
| Occupancy expenses                   | 58           | 59           | 238           |
| Technology & communications expenses | 17           | 30           | 56            |
| Professional services expenses       | 29           | 3            | 291           |
| Depreciation & amortisation          | 31           | 31           | 126           |
| Travel expenses                      | 10           | 6            | 32            |
| Other expenses                       | 448          | 366          | 1,318         |
| <b>Total operating expenses</b>      | <b>2,758</b> | <b>3,073</b> | <b>12,382</b> |

Administration expenses include indirect technology expenses of \$0.3mm (31 December 2013: \$1.9mm) relating to product expansion into New Zealand market.

NOTE 4 - INCOME TAX EXPENSE / (BENEFIT)

|  |            |              |              |
|--|------------|--------------|--------------|
| Operating surplus/(deficit) before tax   | 1,598      | (811)        | (3,004)      |
| Income tax expense/(benefit) - prima facie at the Australian rate of 30% and New Zealand rate of 28% | 476        | (235)        | (902)        |
| Tax effect of other assessable income  | -          | -            | 74           |
| Adjustment for (over)/under provision in prior periods   | -          | -            | (52)         |
| <b>Total income tax expense</b>  | <b>476</b> | <b>(235)</b> | <b>(880)</b> |

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
FOR THE PERIOD ENDED 31 MARCH 2014

Banking Group (\$'000)

| Unaudited<br>3 months<br>31/03/2014 | Unaudited<br>3 months<br>31/03/2013 | Audited<br>12 months<br>31/12/2013 |
|-------------------------------------|-------------------------------------|------------------------------------|
|-------------------------------------|-------------------------------------|------------------------------------|

NOTE 5 - EQUITY

|  |          |          |          |
|--|----------|----------|----------|
| Paid in share capital                        | -        | -        | -        |
| Reserves                                     | -        | -        | -        |
| Retained earnings                            | -        | -        | -        |
| <b>Total equity at the end of the period</b> | <b>-</b> | <b>-</b> | <b>-</b> |

NOTE 6 - CURRENCY TRANSLATION RESERVE

|  |          |          |          |
|--|----------|----------|----------|
| Opening balance  | -        | (1,258)  | (1,258)  |
| Currency retranslation during the period<br>(Repatriation)/reimbursement (to)/from head office | (3)      | (1)      | 159      |
|  | 3        | 1,259    | 1,099    |
| <b>Closing balance</b>   | <b>-</b> | <b>-</b> | <b>-</b> |

NOTE 7 - CASH AND CASH EQUIVALENTS

Due from central and other banks

|   |                |                |                |
|---|----------------|----------------|----------------|
| New Zealand - short term deposit              | 330,000        | 398,000        | 227,000        |
| New Zealand - at call                         | 7,176          | 64,683         | 56,658         |
| Overseas - at call                            | 36,587         | 16,564         | 18,114         |
| <b>Total due from central and other banks</b> | <b>373,763</b> | <b>479,247</b> | <b>301,772</b> |
| <b>Total cash and cash equivalents</b>        | <b>373,763</b> | <b>479,247</b> | <b>301,772</b> |

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 | 373,763        | 479,247        | 301,772        |
| Overdrafts                | -              | (6)            | -              |
|                           | <b>373,763</b> | <b>479,241</b> | <b>301,772</b> |

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
FOR THE PERIOD ENDED 31 MARCH 2014

Banking Group (\$'000)

|                                  | Unaudited<br>3 months<br>31/03/2014 | Unaudited<br>3 months<br>31/03/2013 | Audited<br>12 months<br>31/12/2013 |
|----------------------------------|-------------------------------------|-------------------------------------|------------------------------------|
| Fee income receivable            | 1,316                               | 2,112                               | 1,796                              |
| Interest receivable              | 203                                 | 296                                 | 302                                |
| Amounts due from related parties | 11,607                              | 47,797                              | 31,505                             |
| Client funds receivables         | 277,095                             | 211,120                             | 245,902                            |
| Income tax receivable            | 2,268                               | 1,983                               | 2,594                              |
| Other receivable                 | 44                                  | 18                                  | 20                                 |
|                                  | <b>292,533</b>                      | <b>263,326</b>                      | <b>282,119</b>                     |

NOTE 8 - TRADING AND OTHER RECEIVABLES

NOTE 9 - DEPOSITS - SHORT TERM

|                                    |                |                |                |
|------------------------------------|----------------|----------------|----------------|
| Deposits - at call                 | 421,925        | 521,740        | 354,135        |
| <b>Total Deposits - short term</b> | <b>421,925</b> | <b>521,740</b> | <b>354,135</b> |

Retail deposits of JPMCB NZ Branch for the period were \$1.2mm.

NOTE 10 - PAYABLES

|                                |                |                |                |
|--------------------------------|----------------|----------------|----------------|
| Interest payable               | 63             | 49             | 36             |
| Client funds payables          | 280,462        | 212,056        | 244,041        |
| Accrued expenses               | 2,606          | 2,461          | 2,091          |
| Amounts due to related parties | 49,688         | 54,682         | 46,622         |
| Fee income payables            | -              | 131            | -              |
| Deferred revenue               | 83             | 134            | 96             |
|                                | <b>332,902</b> | <b>269,513</b> | <b>292,886</b> |

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
FOR THE PERIOD ENDED 31 MARCH 2014**

**NOTE 11 - RELATED PARTY TRANSACTIONS**

The terms "JPMCB" or "Overseas Banking Group" mean the worldwide operations of JPMorgan Chase Bank, N.A., including JPMCB NZ Group. "JPMCB NZ" means the NZ operations of JPMCB conducted through its NZ branch.

The terms "Banking Group" or "JPMCB NZ Group" mean the consolidated New Zealand operations of JPMCB, and include the business conducted through JPMCB NZ and JPMCB's subsidiaries and associated companies in New Zealand (being J.P. Morgan Australia Limited, J.P. Morgan Securities Australia Limited and J.P. Morgan Markets Australia Pty Limited).

All of the Banking Group companies are ultimately owned by JPMCB.

The following branches are included in the Banking Group as they are registered in New Zealand and conduct investment banking activities in New Zealand, although the companies are Australian incorporated:

- the New Zealand Operation of J.P. Morgan Australia Limited (incorporated in Australia);
- the New Zealand Operation of J.P. Morgan Markets Australia Pty Limited (incorporated in Australia); and
- the New Zealand Operation of J.P. Morgan Securities Australia Limited (incorporated in Australia).

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

|                                | <b>Banking Group (\$'000)</b>                |  |   |
|--------------------------------|--|--|---|
|                                | <b>Unaudited<br/>3 months<br/>31/03/2014</b> | <b>Unaudited<br/>3 months<br/>31/03/2013</b> | <b>Audited<br/>12 months<br/>31/12/2013</b> |
| Total due from related parties | 225,182                                      | 51,213                                       | 368,153                                     |
| Total due to related parties   | 348,347                                      | 417,984                                      | 189,610                                     |

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
FOR THE PERIOD ENDED 31 MARCH 2014

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

|   | Branch (\$'000)        |                        |                         |
|---|------------------------|------------------------|-------------------------|
|   | Unaudited              | Unaudited              | Audited                 |
|   | 3 months<br>31/03/2014 | 3 months<br>31/03/2013 | 12 months<br>31/12/2013 |
| Total liabilities net of amounts due to related parties | 145,784                | 185,180                | 233,282                 |

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

|   | Banking Group (\$'000) |                        |                         |
|---|------------------------|------------------------|-------------------------|
|   | Unaudited              | Unaudited              | Audited                 |
|   | 3 months<br>31/03/2014 | 3 months<br>31/03/2013 | 12 months<br>31/12/2013 |
| Net profit/(loss) for the period  | 1,122                  | (577)                  | (2,124)                 |
| Movement in Head Office Repatriation included in net surplus                    | (1,100)                | (5,715)                | (3,906)                 |
| Depreciation and amortisation   | 31                     | 31                     | 126                     |
| <b>Changes in operating assets and liabilities:</b>                             |                        |                        |                         |
| Movement in financial instruments   | (28,657)               | 15,952                 | 11,826                  |
| Movement in fee income receivable   | 480                    | (625)                  | (309)                   |
| Movement in accrued interest receivable   | 99                     | (89)                   | (95)                    |
| Movement in amounts due from related parties                                    | 19,898                 | (13,592)               | 2,700                   |
| Movement in client funds receivables  | (31,193)               | 41,706                 | 6,924                   |
| Movement in other receivable  | 302                    | (1,550)                | (2,163)                 |
| Movement in deferred tax assets   | -                      | -                      | (2)                     |
| Movement in loans   | 3,124                  | 21,104                 | 11,291                  |
| Movement in deposits  | 67,790                 | 250,425                | 82,820                  |
| Movement in tax payable   | 92                     | 206                    | (386)                   |
| Movement in accrued interest payable  | 27                     | 12                     | (1)                     |
| Movement in fee income payables   | -                      | 131                    | -                       |
| Movement in client funds payable  | 36,421                 | (29,027)               | 2,958                   |
| Movement in accrued expenses  | 515                    | 188                    | (182)                   |
| Movement in amounts due to related parties                                      | 3,066                  | (7,487)                | (15,547)                |
| Movement in deferred revenue  | (13)                   | (12)                   | (50)                    |
| Movement in foreign exchange translation balances attributable to cash balances | (167)                  | (1,836)                | (4,131)                 |
| <b>Net cash inflow/(outflow) from operating activities</b>                      | <b>71,837</b>          | <b>269,245</b>         | <b>89,749</b>           |

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
FOR THE PERIOD ENDED 31 MARCH 2014**

**NOTE 14 - COMMITMENTS AND CONTINGENT LIABILITIES**

As at 31 March 2014, the Group had an undrawn committed facility of \$117.0mm (31 December 2013: \$165.2mm) and a stand-by letter of credit of \$64.7mm (31 December 2013: \$31.4mm). In addition, the Group had lease commitments of \$0.5mm as at the reporting date (31 December 2013: \$0.5mm).

**NOTE 15 - INTANGIBLE ASSETS**

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

|  | <b>Banking Group (\$'000)</b> |                   |                   |
|--|-------------------------------|-------------------|-------------------|
|  | <b>Unaudited</b>              | <b>Unaudited</b>  | <b>Audited</b>    |
|  | <b>3 months</b>               | <b>3 months</b>   | <b>12 months</b>  |
|  | <b>31/03/2014</b>             | <b>31/03/2013</b> | <b>31/12/2013</b> |
| Goodwill   | 642                           | 642               | 642               |
| Intangible assets - Custody clearing services software | 289                           | 289               | 289               |
| Intangible assets - Customer contracts/relationships   | 377                           | 377               | 377               |
| Amortisation of intangible assets                      | (455)                         | (417)             | (445)             |
| <b>Net Intangibles</b>                                 | <b>853</b>                    | <b>891</b>        | <b>863</b>        |

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

No matter 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 JPMCB NZ branch or the JPMCB NZ Group in future financial years.



NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
FOR THE PERIOD ENDED 31 MARCH 2014  
SUPPLEMENTAL INFORMATION

NOTE 17 - FINANCIAL STATEMENTS OF JPMORGAN CHASE BANK, N.A.

Attached to, and forming part of, this Disclosure Statement are the most recent publicly available (un-audited) financial statements of JPMCB for the three months ended 31 March 2014 prepared in accordance with US GAAP, and the most recently audited financial statements of JPMCB, being for the twelve months ended 31 December 2013. The most recent publicly available Disclosure Statement of JPMorgan Chase Bank New Zealand Group and JPMorgan Chase Bank, NA can be accessed online at <http://www.jpmorgan.com/pages/international/newzealand>.

NOTE 18 - INTEREST EARNING AND DISCOUNT BEARING ASSETS AND LIABILITIES

|   | Banking Group (\$'000)              |                                     |                                    |
|---|-------------------------------------|-------------------------------------|------------------------------------|
|   | Unaudited<br>3 months<br>31/03/2014 | Unaudited<br>3 months<br>31/03/2013 | Audited<br>12 months<br>31/12/2013 |
| Interest earning and discount bearing assets      | 642,774                             | 665,361                             | 686,361                            |
| Interest earning and discount bearing liabilities | 603,016                             | 661,278                             | 676,338                            |

NOTE 19 - CAPITAL ADEQUACY

The Federal Reserve Board establishes capital requirements, including well-capitalised standards, for the consolidated financial holding company, JPMorgan Chase & Co. The Office of the Comptroller of the Currency establishes similar requirements for JPMCB. These requirements are equal to those specified under the Basel Framework, that is, 4% of Tier 1 Capital and 8% of Total Capital as a percentage of risk weighted assets. Both JPMorgan Chase & Co. and JPMCB exceeded these requirements as at 31 March 2014.

| Capital Adequacy Ratios | JPMCB (consolidated)<br>31/03/2014<br>Unaudited | JPMCB (consolidated)<br>31/03/2013<br>Unaudited | JPMCB (consolidated)<br>31/12/2013<br>Audited |
|-------------------------|---|---|---|
| Tier 1 Capital          | 12.07%  | 9.59%   | 11.93%  |
| Total Capital           | 13.70%  | 12.59%  | 14.13%  |

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

Risk Weighted Exposures

Risk weighted exposures for the Banking Group are derived in accordance with the Reserve Bank of New Zealand's Capital Adequacy Framework as required by the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)**  
**FOR THE PERIOD ENDED 31 MARCH 2014**  
**SUPPLEMENTAL INFORMATION**

**NOTE 20 - CONCENTRATION OF CREDIT EXPOSURE TO INDIVIDUAL COUNTERPARTIES**

JPMCB NZ Group has no aggregate credit exposure to an individual counterparty or group of closely related counterparties (whether bank or non-bank exposures) which equals or exceeds 10% of JPMCB's equity as at 31 March 2014, 31 March 2013 or 31 December 2013, or in respect of peak end-of-day aggregate credit exposures for the most recent quarter of the financial period.

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

As at 31 March 2014 no members of the Banking Group have been involved in:

- (a) the origination of securitised assets or the marketing or servicing of securitisation schemes; and
- (b) the marketing and distribution of insurance products.

**Custodial Services**

The financial statements of the Branch include income in respect of custodial services provided to customers by the Branch. As at 31 March 2014, securities held on behalf of the Branch's customers were excluded from the Branch's Statement of Financial Position. The value of securities held on behalf of the Branch's customers was NZD 25,830 million (December 2013: NZD 23,104 million).

The Branch is subject to the typical risks incurred by custodial operations. JPMorgan Chase & Co maintains a range of insurance policies (for its own benefit and that of subsidiaries including the Branch), including Banker's Blanket Bond Insurance that provides cover for it in respect of loss of money/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 22 - RISK MANAGEMENT**

During the three months ended 31 March 2014, there have been no material changes to the Banking Group's policies for managing risks in relation to credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk or any other material business risk to which it is exposed.

**Exposure to Liquidity Risk**

The following table shows a composition of our funding sources that contribute to the liquidity risk position as at 31 March 2014 and are held by the Banking Group for the purposes of managing liquidity risk.

|                           | <b>Banking Group (\$'000)</b> |
|---------------------------|-------------------------------|
|                           | <b>Unaudited</b>              |
|                           | <b>31/03/2014</b>             |
| Cash and cash equivalents | 373,763                       |
| Client funds receivables  | 277,095                       |
| Receivables               | 15,438                        |
| Government bonds          | 64,707                        |
| Cash collateral pledged   | 155,613                       |
| Loans                     | 48,691                        |
|                           | <b>935,307</b>                |

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
 FOR THE PERIOD ENDED 31 MARCH 2014  
 SUPPLEMENTAL INFORMATION

NOTE 23 - EXPOSURES TO MARKET RISK

Set out below are details of market risk end-period notional capital charges and market risk peak end-of-day notional capital charges. These have been derived using the Capital Adequacy Framework (Standardised Approach) (BS2A) methodology, which is in accordance with Schedule 9 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014. 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 |
| <b>31 March 2014</b>          |                                |                         |
| <b>Market Risk End-period</b> |                                |                         |
| Interest rate risk            | 1,175                          | 94                      |
| Foreign currency risk         | (3,987)                        | (319)                   |
| Equity risk                   | -                              | -                       |

NOTE 24 - REGISTERED BANK ASSET QUALITY

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

- 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) |                                      |                                      |              | Total |
|---------------------------|------------------------|--------------------------------------|--------------------------------------|--------------|-------|
|                           | Unaudited              |                                      |                                      |              |       |
|                           | 31/03/2014             |                                      |                                      |              |       |
|                           | Up to 30 days          | Over 30 days<br>and up to 60<br>days | Over 60 days<br>and up to 90<br>days | Over 90 days |       |
| Past due and not impaired | 389                    | 2                                    | -                                    | 13           | 404   |

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
FOR THE PERIOD ENDED 31 MARCH 2014  
SUPPLEMENTAL INFORMATION

NOTE 24 - REGISTERED BANK ASSET QUALITY (continued)

|  | JPMCB NZ Group                                  |   | JPMCB (consolidated)                            |   |
|--|---|---|---|---|
|  | Unaudited<br>3 months<br>31/03/2014<br>NZ\$'000 | Unaudited<br>3 months<br>31/03/2013<br>NZ\$'000 | Unaudited<br>3 months<br>31/03/2014<br>US\$'000 | Unaudited<br>3 months<br>31/03/2013<br>US\$'000 |
| Total individually impaired assets (before allowances for credit impairment loss and net of interest held in suspense) | -   | -   | 21,270,000                                      | 31,009,000                                      |
| Total individually impaired assets expressed as a percentage of total assets   | -   | -   | 1.1%  | 1.6%  |
| Total individual credit impairment allowance   | -   | -   | 12,883,000                                      | 16,399,000                                      |
| Total individual credit impairment allowance expressed as a percentage of total impaired assets                        | -   | -   | 60.6%   | 52.9%   |
| Total collective credit impairment allowance   | -   | -   | -   | -   |
| Non-financial assets acquired through the enforcement of security  | -   | -   | -   | -   |

NOTE 25 - REGISTERED BANK PROFITABILITY AND SIZE

|  | JPMCB (consolidated)                            |   |
|--|---|---|
|  | Unaudited<br>3 months<br>31/03/2014<br>US\$'000 | Unaudited<br>3 months<br>31/03/2013<br>US\$'000 |
| Net profit/(loss) after taxation   | 3,257,000                                       | 5,248,000                                       |
| Net profit/(loss) after taxation, over the previous 12 month period, as a percentage of average total assets | 0.7%  | 0.8%  |
| Total assets   | 1,970,450,000                                   | 1,948,150,000                                   |
| Percentage increase/(decrease) in total assets from previous period  | 1.1%  | 5.7%  |