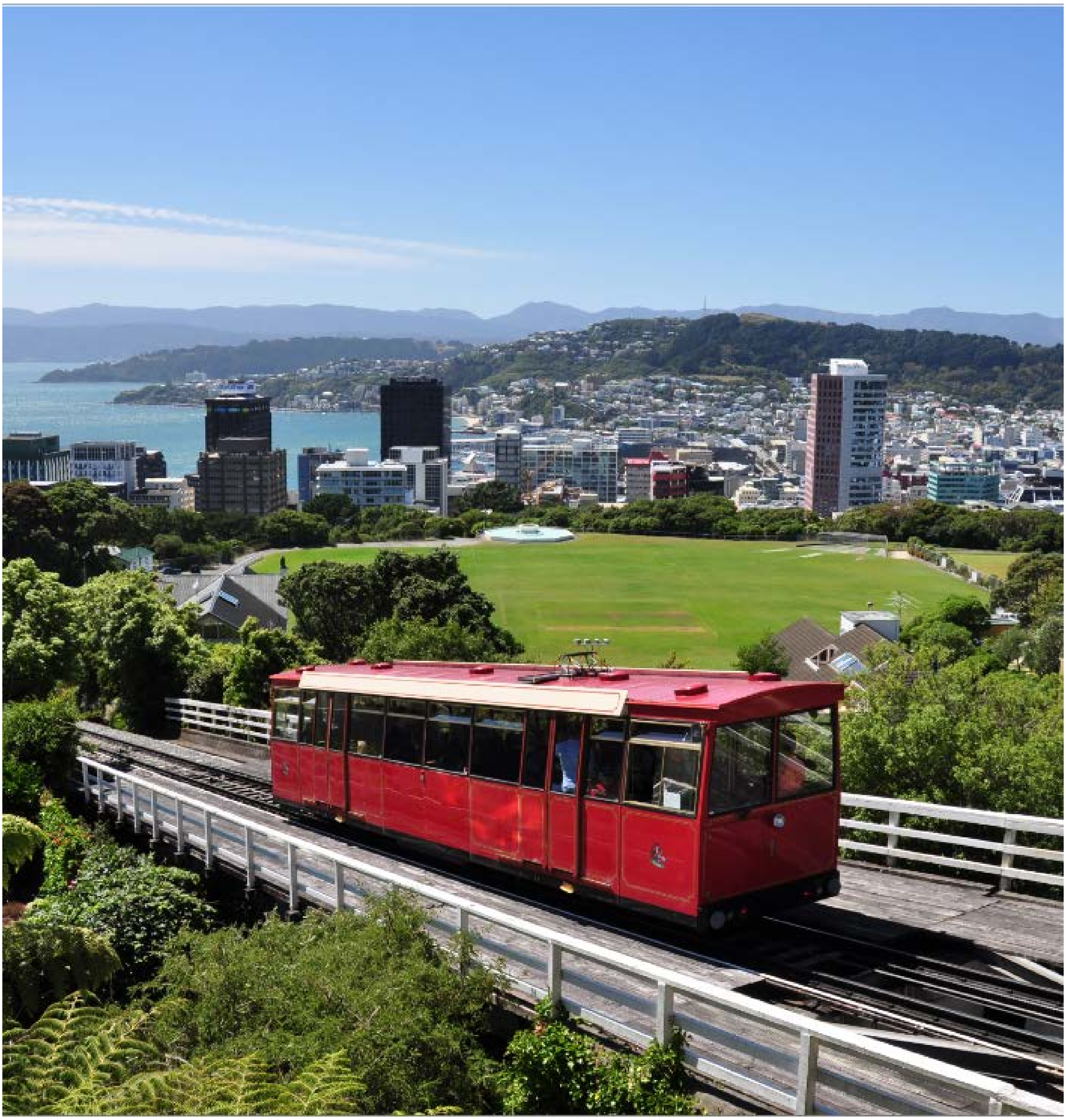
JPMorgan Chase Bank, N.A., - New Zealand Branch and associated JPMorgan Chase Bank, New Zealand group

Disclosure Statement

For the year ended 31 December 2018



Disclosure Statement

For the twelve months ended 31 December 2018

CONTENTS

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 NZ Branch and the Registered Bank's subsidiaries and associated companies operating in New Zealand, being J.P. Morgan Australia Limited, J.P. Morgan Markets Australia Pty Limited and J.P. Morgan Securities Australia Limited. The business activities of J.P. Morgan Australia Limited and J.P.Morgan Markets Australia Pty Limited were transferred to J.P. Morgan Securities Australia Limited pursuant to a scheme of arrangement on 18 August 2018 and subsequently deregistered under Financial Service Providers (Registration and Dispute Resolution) Act 2008.

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

2. CORPORATE INFORMATION

Registered Bank

JPMorgan Chase Bank, National Association

Address of the Registered Bank's principal office

1111 Polaris Parkway
Columbus, Ohio, 43240
USA

Ultimate Holding Company

JPMorgan Chase & Co.

Ultimate Holding Company's Address for Service

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 ordinary shares 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 May 15, 2018, Mellody Hobson was elected to the board of Directors of the Registered Bank and succeeded Crandall C Bowles who did not seek reelection. There have been no other changes to the board of Directors of the Registered Bank since 31 December 2017.

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

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

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

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

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

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

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

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

Mellody Hobson
Independent Director, President of Ariel Investments, LLC
AB - Princeton University
United States of America

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

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

Lee R Raymond
Independent Director, Retired Chairman and Chief Executive Officer, Exxon Mobil Corporation
BS - University of Wisconsin; Ph.D. Chemical Engineering - University of Minnesota
United States of America

William C Weldon (Non Executive Chairman of the Board)
Independent Director, Retired Chairman and CEO, Johnson & Johnson
BA - Quinnipiac 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 Bell is a director of Apple Inc., CDW Corporation, and DowDuPont Inc., companies incorporated in the United States of America
- Mr Burke is a director of Berkshire Hathaway Inc., a company incorporated in the United States of America
- Mr 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 Henry Crown and Company, companies incorporated in the United States of America

- Mr Flynn is a director of Alcoa Corporation, UnitedHealth Group Incorporated and Walmart Inc., companies incorporated in the United States of America

- Ms Hobson is a director of Starbucks Corporation and The Estée Lauder Companies Inc., companies incorporated in the United States of America

- Mr Jackson is a director of Clear Creek Properties, Inc., a company incorporated in the United States of America

- Mr Weldon is a director of CVS Health Corporation and Exxon Mobil Corporation, companies incorporated in the United States of America

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

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

Director Related Transactions

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

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

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

Paul Uren
Senior Country Officer, JPMorgan Australia and New Zealand
Bachelor of Commerce – University of Canterbury, New Zealand
Australia

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

Stewart Old
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 2018 are as follows:

From 26 May 2018 to date:
Warren Davis
Acting New Zealand Chief Executive Officer
Senior Country Business Manager, JPMorgan Australia and New Zealand Group
Australia

From 1 January 2018 to 25 May 2018:
Mark R Lawrence*
Chief Executive Officer – New Zealand
Bachelor of Commerce – Otago University
New Zealand

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

*Mark Lawrence resigned from his capacity as Chief Executive Officer – New Zealand effective end of day on 25 May 2018.

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 Mark Lawrence was a director of J.P. Morgan Trust Company (New Zealand) Limited. His effective date of resignation was 11 May 2018.

Mr Warren Davis was appointed as a Director of J.P. Morgan Trust Company (New Zealand) Limited on 16 May 2018.

Acting New Zealand Chief Executive Officer Related Transactions

There were no transactions between Mr Davis, as the acting New Zealand Chief Executive Officer, or Mr Lawrence, while he was the New Zealand Chief Executive Officer, and the Registered Bank or any member of the Banking Group as at the date of this Disclosure Statement which have either been entered into on terms other than those which would, in the ordinary course of business of the Registered Bank or any member of the Banking Group, be given to any other person of like circumstances or means, or which could otherwise be reasonably likely to materially influence the exercise of the acting New Zealand Chief Executive Officer's or the 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 unaffiliated third parties not related to JPMCC, provided such transactions are permitted by the Sarbanes-Oxley Act, Federal Reserve Board Regulation O and other applicable laws and regulations.

Regulation O

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

- are made on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated third parties;

- are made following credit underwriting procedures that are not less stringent than for comparable transactions with unrelated third parties; and

- do not involve more than the normal risk of repayment or present other unfavourable features.

The 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.

Audit Committee and Internal Audit (continued)

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
- 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

There was a change to the Conditions of Registration which came into effect on 1 January 2018 in relation to the residential mortgage lending to property investors and non-property investors and the Framework for Restrictions on High-LVR Residential Mortgage Lending (BS19).

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

As at 31 December 2018, the registration of JPMorgan Chase Bank, N.A. ("the registered bank") in New Zealand is subject to the following conditions (the "**Conditions of Registration**") which came into effect on 1 January 2018:

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.*

Conditions of Registration (continued)

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.

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.

Conditions of Registration (continued)

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.*

9. *That, for a loan-to-valuation measurement period, the total of the business of the registered bank in New Zealand's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 65%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.*

10. *That, for a loan-to-valuation measurement period, the total of the business of the registered bank in New Zealand's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 15% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.*

11. *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 security for the loan.*

In these conditions of registration,–

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

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

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

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

In conditions of registration 9 to 11,–

"loan-to-valuation ratio", "non property-investment residential mortgage loans", property-investment residential mortgage loans", "qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans", 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" (BS19) dated January 2018, and where the version of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Standardised Approach)" (BS2A) referred to in BS19 for the purpose of defining these terms is that dated November 2015.

"loan-to-valuation measurement period" means a period of six calendar months ending on the last day of the sixth calendar month, the first of which ends on the last day of June 2018.

New conditions of registration were issued by the Reserve Bank of New Zealand and will apply to the Registered Bank on and after 1 January 2019. The changes relate to updates to the the loan-to valuation ratios.

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 (changed on 25 Oct 2018)	Stable
Standard & Poor's Corporation	A+	-	Stable
Fitch IBCA, Inc	AA	AA- (changed on 21 June 2018)	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

(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 2018 and the Registered Bank's audited financial statements for the fiscal year ended 31 December 2018 ("2018 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 2018 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 2018 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, James A Bell, Stephen B Burke, Todd A Combs, James S Crown, James Dimon, Timothy P Flynn, Mellody Hobson, Laban P Jackson Jr, Michael A Neal, Lee R Raymond and William C Weldon.

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

Warren Davis	25 March 2019 Date
Stewart Old	25 March 2019 Date

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

12. FIVE YEAR SUMMARY FOR THE BANKING GROUP

	Audited 12 months 31/12/2018 $'000	Audited 12 months 31/12/2017 $'000	Audited 12 months 31/12/2016 $'000	Audited 12 months 31/12/2015 $'000	Audited 12 months 31/12/2014 $'000
STATEMENT OF COMPREHENSIVE INCOME					
Interest income	26,979	16,846	16,862	20,336	14,808
Interest expense	(17,986)	(9,354)	(10,916)	(14,901)	(9,044)
Net interest income	**8,993**	**7,492**	**5,946**	**5,435**	**5,764**
Other operating income	19,431	13,137	15,043	11,660	13,477
Total operating income	**28,424**	**20,629**	**20,989**	**17,095**	**19,241**
Credit impairment losses	-	-	-	-	-
Operating expenses	(12,687)	(11,025)	(13,134)	(11,254)	(10,284)
Net profit/(loss) before taxation	**15,737**	**9,604**	**7,855**	**5,841**	**8,957**
Income tax (expense)/benefit	(4,839)	(2,952)	(2,400)	(1,857)	(2,583)
Net profit/(loss) after taxation	**10,898**	**6,652**	**5,455**	**3,984**	**6,374**
Other comprehensive income, net of tax	(317)	89	(95)	(30)	(194)
Total comprehensive income for the period	**10,581**	**6,741**	**5,361**	**3,954**	**6,180**
Minority interests	-	-	-	-	-
Repatriation to / (reimbursement from) Head Office	**10,581**	**6,741**	**5,361**	**3,954**	**6,180**
STATEMENT OF FINANCIAL POSITION					
Total assets	1,806,231	1,573,202	845,578	883,856	1,016,408
Total individually impaired assets	-	-	-	-	-
Total liabilities	1,806,231	1,573,202	845,578	883,856	1,016,408
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 2018

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 25 March 2019. 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. The business activities of J.P. Morgan Australia Limited and J.P. Morgan Markets Australia Pty Limited were transferred to J.P. Morgan Securities Australia Limited on 18 August 2018, pursuant to a scheme of arrangement.

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

D. Comparatives

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

E. Critical Accounting Estimates and Judgements

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

- **Fair Value**

  Where an active market exists for a financial instrument, fair values are determined by reference to the quoted prices/yields at balance date. Such instruments are classified as level 1 within the fair value hierarchy table in Note 30 (Fair Value Measurement). 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.

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Critical Accounting Estimates and Judgements (continued)

- **Measurement of the expected credit loss allowance**
  An expected credit loss allowance ("ECL") is required for financial assets measured at amortised cost and fair value through other comprehensive income as well as lending-related commitments such as loan commitments and financial guarantees. The measurement of ECL requires the use of complex models and significant assumptions about future economic conditions and credit behaviours. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed on page 21 (Impairment of financial assets and lending-related commitments), which also sets out key sensitivities of the ECL to changes in these inputs.

A number of significant judgements are also required in measuring ECL, such as:

- Determining the criteria for identifying when financial instruments have experienced a significant increase in credit risk;
- Choosing appropriate forecasts and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type financial instrument/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

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

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

F. Significant Accounting Policies

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 when it is probable that the economic benefits will flow to the Banking Group and the revenue amount can be reliably measured.

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.

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. 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.

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. However any gains or losses from macro hedging are excluded in the financial statements as deriving of the specific allocation applicable to the Banking Group is operationally challenging.

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.

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.

8. Impairment

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they may be impaired.

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 group 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.

9. 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.

10. 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.

11. 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.

12. Interest Expense

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

13. 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.

14. 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. For employee benefit expenses which are not recharged by Head Office within this timeframe, the corresponding amounts are credited to "Employee Benefit Reserve" in the Statement of Changes in Equity. Employee Benefit Reserve for 2018 is nil (2017: nil).

15. Operating Lease Payments and Receipts

The Banking Group has entered into operating leases for its premises. The total payments made under operating leases net of incentives received, if any, are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

16. 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.

17. Change in Accounting Policies

For the year ended 31 December 2018, the following new accounting standards were adopted effective as at 1 January 2018. As required by NZ IAS 34, the nature and effect of these changes are set out below.

NZ-IFRS 9 '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 amount due from central and other banks, margin and other receivables.

Financial liabilities are measured at amortised cost unless they are held for trading or a 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, payables and provision for taxation.

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). In addition, the carrying amount of financial assets is adjusted by recognising an expected credit loss allowance through to profit or loss.

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'.

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

Financial assets are measured at FVTOCI 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 FVTOCI include loans and overdrafts.

Financial assets measured at FVTOCI 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 FVTOCI, 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

Financial assets and financial liabilities are measured at fair value through profit or loss (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 are unrealised gains and losses.

In addition, certain financial assets that are not held for trading are measured at FVTPL if they are do not meet the criteria to be measured at amortised cost or FVTOCI. 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 FVTOCI.

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.

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 FVTOCI are presented separately in interest income from financial instruments measured at amortised cost and FVTOCI.

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 has conducted quantitative tests, which considers, but is 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.

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 and the adoption of the ECL model resulted in $20,330 increase of additional impairment allowances as at 1 January 2018.

The notes below provide more detail for how the expected credit loss allowance is measured.

Impact Assessment

The adoption of the NZ-IFRS 9 requirements as at 1 January 2018 have resulted in a reduction in the Company's retained earnings by $20,330 arising from additional expected credit losses and an increase of $385,525 to other comprehensive income as a result of the change in classification of loans from amortised cost to FVTOCI. There is no impact for the reclassification of reverse repurchase agreements and repurchase agreements from amortised cost to FVTPL.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

		Banking Group ($'000)						
Banking Group ($'000)	Ref	NZ IAS 39 Measurement category[3]	NZ IAS 39 Carrying amount at 31 December 2017[4]	Reclassification[1] of NZ IAS 39 carrying amounts	Remeasurement[2] due to reclassification	NZ-IFRS 9 ECL	NZ-IFRS 9 Measurement category	NZ-IFRS 9 Carrying amount at 1 January 2018
Assets								
Cash and balances at central banks		Amortised cost	196,616	-	-	-	Amortised cost	196,616
Loans and advances to customers	**a**	Amortised cost	132,167	-	386	(20)	FVOCI	132,533
Cash collateral pledged on reverse repurchase agreements[5]	**b**	Amortised cost	810,633	-	-	-	FVTPL	810,633
Government bonds, notes and securities		FVTPL	66,478	-	-	-	FVTPL	66,478
Margin and other receivables		Amortised cost	361,562	-	-	-	Amortised cost	361,562
Other receivables[6]		n/a	4,596	-	-	-	n/a	4,596
Intangible assets		n/a	712	-	-	-	n/a	712
Deferred tax assets		n/a	438	-	-	-	n/a	438
Total assets			**1,573,202**	**-**	**386**	**(20)**	**-**	**1,573,568**

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Banking Group ($'000)	Ref	NZ IAS 39 Measurement category[3]	NZ IAS 39 Carrying amount at 31 December 2017[4]	Reclassification[1] of NZ IAS 39 carrying amounts	Remeasurement[2] due to reclassification	NZ-IFRS 9 ECL	NZ-IFRS 9 Measurement category	NZ-IFRS 9 Carrying amount at 1 January 2018
		Banking Group ($'000)						
Liabilities								
Deposits - short term		Amortised cost	328,426	-	-	-	Amortised cost	328,426
Cash collateral pledged on reverse repurchase agreements[5]	c	Amortised cost	826,343	-	-	-	FVTPL	826,343
Trading securities	c	FVTPL	31,488	-	-	-	FVTPL	31,488
Margin payable		Amortised cost	354,914	-	-	-	Amortised cost	354,914
Other payables[6]		n/a	29,375	-	386	(20)	n/a	29,741
Provision for taxation		n/a	2,656	-	-	-	n/a	2,656
Total liabilities			**1,573,202**	**-**	**386**	**(20)**	**-**	**1,573,568**
Equity								
Attributable to the shareholders of the Banking Group		n/a	-	-	-	-	n/a	-
Total equity			**-**	**-**	**-**	**-**	**-**	**-**
Total liabilities and equity			**1,573,202**	**-**	**386**	**(20)**	**-**	**1,573,568**

[1] Reclassifications constitute transfers from the previous NZ IAS 39 categories of FVTPL, held-to-maturity, loans and receivables and available-for-sale to the NZ-IFRS 9 categories of amortised cost, FVTPL or FVOCI.

[2] Remeasurements constitute ECL and other valuation changes relating to reclassification changes from the adoption of NZ-IFRS 9, such as a change from amortised cost to FVTPL or FVOCI.

[3] Under NZ IAS 39 all of the Banking Group's financial assets measured at amortised cost were categorised as loans and receivables.

[4] The financial statement balance sheet lines, financial assets at amortized cost and financial liabilities at amortized cost as presented in the 31 December 2017 financial statements have been renamed as either financial assets at fair value through other comprehensive income or financial assets held at fair value through profit and loss, and financial liabilities held at fair value through profit and loss.

[5] On adoption of NZ-IFRS 9, the Banking Group was required to reclassify certain securities purchased under agreements to resell and securities borrowed from designated at FVTPL to FVTPL. The Banking Group did not elect to reclassify any financial liabilities from designated at FVTPL to FVTPL.

[6] Profits of the Banking Group are repatriated to Head Office and losses are reimbursed by the Head Office on a month lag basis. The NZ-IFRS 9 impact have therefore been recorded as a payable as at 1 January 2018.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 as shown in the table above:

a) Loans and overdrafts

Loans and overdrafts to custwere previously classified as loans and receivables, and they were measured at amortised cost under NZ IAS 39. The Banking Group determined these loans and overdrafts have contractual terms that meet the SPPI criteria, but those 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 loans, which amounted to $188 million, were reclassified as FVOCI under NZ-IFRS 9. The remainder of the Banking Group's loans and overdrafts are held with the objective to collect contractual cash flows, and they continue to be measured at amortised cost under NZ-IFRS 9.

b) Securities purchased under agreements to resell and securities borrowed

Securities purchased under agreements to resell and securities borrowed were previously classified under NZ IAS 39 as:

- loans and receivables measured at amortised cost for those that mature in 12 months or less; and
- designated as measured at fair value through profit or loss for those that mature in more than 12 months or contained an embedded derivative that would have otherwise have required bifurcation.

The Banking Group has determined that these financial instruments 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. These financial instruments amounted to $740 million and $127 million, respectively, and were classified as FVTPL on adoption of NZ-IFRS 9.

c) Securities sold under agreements to repurchase and securities loaned

Securities sold under agreements to repurchase and securities loaned were previously classified under NZ IAS 39 as:

- financial liabilities measured at amortised cost for those that mature in 12 months or less; and
- designated as measured at fair value through profit or loss for those that mature in more than 12 months or contained an embedded derivative that would have otherwise required bifurcation.

Within the Corporate and Investment Banking portfolio, these financial instruments are managed together with securities purchased under agreements to resell and securities borrowed, respectively, and on adoption of NZ-IFRS 9, these portfolios were measured at FVTPL, and the Banking Group to elected to designate them as measured at FVTPL to eliminate or significantly reduce measurement inconsistencies (i.e., an accounting mismatch) that would have otherwise been created. The financial instruments amounted to $837 million and $7 million respectively, and were classified as FVTPL on adoption of NZ-IFRS 9.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NZ-IFRS 15 'Revenue from Contracts with Customers'

NZ-IFRS 15 replaces all current guidance on revenue recognition from contracts with customers. It requires identification of discrete performance obligations within a transaction and an associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of the goods or services are transferred to the customer. NZ-IFRS 15 also specifies the accounting treatment for costs incurred to obtain or fulfil a contract. Costs are recognised as an asset only if the entity expects to recover them. Any capitalised contract costs are amortised on a systematic basis that is consistent with the transfer of the related goods and services.

NZ-IFRS 15 specifically excludes financial instruments recognised under NZ-IFRS 9 Financial Instruments. As such, the impacted revenue streams for the Banking Group are limited to fee-based revenue items such as investment banking fees, custody fees and securities clearing. Based on the Banking Group's assessment of revenue streams, the Banking Group is not materially impacted upon adoption and no transition adjustment is required.

NZ-IFRS 16 'Leases'

NZ-IFRS 16 will eliminate the distinction between operating and finance leases for lessees and will result in lessees bringing almost all leases onto their balance sheets. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. This standard is effective for periods beginning on or after 1 January 2019. The lease commitments are disclosed in note 21. The accounting by lessors will remain largely unchanged. Impact not expected to be material.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Banking Group ($'000) Audited 12 months 31/12/2018	Audited 12 months 31/12/2017
Interest income from :			
Financial assets at amortised cost		3,587	13,840
Financial assets at fair value through profit or loss		18,029	3,006
Financial assets at fair value through other comprehensive income		5,363	-
Interest income	**1**	26,979	16,846
Interest expense		(17,986)	(9,354)
Net interest income		**8,993**	**7,492**
Other operating income/(loss)	**2**	19,431	13,137
Total operating income		**28,424**	**20,629**
Operating expenses	**3**	(12,687)	(11,025)
Net profit/(loss) before taxation		**15,737**	**9,604**
Income tax (expense)/benefit	**4**	(4,839)	(2,952)
Net profit/(loss) after taxation		**10,898**	**6,652**
Other comprehensive income, net of tax	**6**	(317)	89
Total comprehensive income for the period		**10,581**	**6,741**

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 2018

		Banking Group ($'000)				
	Note	Share Capital	Other Reserves	Foreign currency translation reserve	Retained Earnings	Total Equity
31 December 2017						
Equity as at 1 January 2017 (audited)		**-**	**-**	**-**	**-**	**-**
Net profit/(loss) after taxation		-	-	-	6,652	6,652
Movement during the period	**6**	-	-	89	-	89
Total comprehensive income for the period		**-**	**-**	**89**	**6,652**	**6,741**
(Repatriation)/reimbursement (to)/from head office		-	-	(89)	(6,652)	(6,741)
Equity as at 31 December 2017 (audited)	**5**	**-**	**-**	**-**	**-**	**-**
31 December 2018						
Equity as at 1 January 2018 (audited)		**-**	**-**	**-**	**-**	**-**
Opening balance adjustment for adoption of NZ-IFRS 9		**-**	**386**	**-**	**(20)**	**366**
Restated equity as at 1 January 2018		-	386	-	(20)	366
Net profit/(loss) after taxation		-	-	-	10,898	10,898
Movement during the period	**6**	-	(156)	(161)	-	(317)
Total comprehensive income for the year		**-**	**(156)**	**(161)**	**10,898**	**10,581**
(Repatriation)/reimbursement (to)/from head office		-	(230)	161	(10,878)	(10,946)
Equity as at 31 December 2018 (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 2018

	Note	Banking Group ($'000)	
		Audited	Audited
		12 months	12 months
		31/12/2018	31/12/2017
ASSETS			
Current Assets			
Cash and cash equivalents	**7**	175,330	196,616
Margin and other receivables	**8**	530,070	366,158
Financial assets at fair value through profit or loss	**9**	866,802	66,478
Financial assets at amortised cost:			
Cash collateral pledged on reverse repurchase agreements		-	810,633
Loans and advances		-	132,167
Financial assets at fair value through other comprehensive income	**10**	232,987	-
Derivative assets		11	-
		1,805,200	**1,572,052**
Non Current Assets			
Intangible assets	**22**	674	712
Deferred tax assets	**11**	357	438
		1,031	**1,150**
Total Assets		**1,806,231**	**1,573,202**
LIABILITIES			
Deposits – short term	**12**	408,224	328,426
Financial liabilities at fair value through profit or loss	**13**	844,237	31,488
Financial liabilities at amortised cost:			
Cash collateral received on repurchase agreements		-	826,343
Payables	**14**	547,963	384,289
Provision for taxation		5,807	2,656
Total Liabilities		**1,806,231**	**1,573,202**
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 2018

		Banking Group ($'000)	
		Audited 12 months 31/12/2018	**Audited 12 months 31/12/2017**
CASH FLOWS FROM OPERATING ACTIVITIES			
Fees, commissions and other income received		10,952	11,092
Payments to suppliers and employees		(2,105)	(4,049)
Receipts from/(payments to) related parties		83,667	33,059
Net movement in margin balances		(2,394)	(1,047)
Net proceed from disposal/(purchase) of financial instruments		(3,208)	17,440
Net (increase)/decrease in loans		(100,820)	(17,510)
Increase/(decrease) in deposits		12,393	(47,890)
Tax paid		(1,894)	(1,078)
Interest received		10,294	10,979
Interest paid		(25,394)	(14,233)
Net cash inflow/(outflow) from operating activities	**19**	**(18,509)**	**(13,237)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repatriation of profit		(2,667)	(1,967)
Net cash inflow/(outflow) from financing activities		**(2,667)**	**(1,967)**
Net increase/(decrease) in cash		**(21,176)**	**(15,204)**
Opening cash and cash equivalents		**196,616**	**211,601**
Effect of changes in foreign exchange rates on cash balances		(110)	219
Closing cash and cash equivalents	**7**	**175,330**	**196,616**

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

	Banking Group ($'000)	
	Audited 12 months 31/12/2018	Audited 12 months 31/12/2017
NOTE 1 - INTEREST INCOME		
Financial assets at amortised cost		
Cash and cash equivalents	3,587	3,992
Trading securities	-	6,317
Loans	-	3,531
Financial assets at fair value through profit or loss	18,029	3,006
Financial assets at fair value through other comprehensive income	5,363	-
Total interest income	**26,979**	**16,846**

NOTE 2 – OTHER OPERATING INCOME/(LOSS)

Fee and commissions income	19,124	13,672
Trading income/(loss)	76	(811)
Other income	231	276
Total other operating income/(loss)	**19,431**	**13,137**

NOTE 3 – OPERATING EXPENSES

Administration expenses	8,303	6,301
Fee and commissions expense	1,674	1,509
Employee expenses	1,347	1,954
Other expenses	939	925
Occupancy expenses	302	176
Depreciation & amortisation	38	38
Professional services expenses	69	98
Technology & communications expenses	10	13
Travel expenses	5	11
Total operating expenses	**12,687**	**11,025**

NOTE 4 – INCOME TAX EXPENSE / (BENEFIT)

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

Current tax	4,761	3,045
Deferred tax	81	(78)
Over/ (Under) provision for prior years	(3)	(15)
	4,839	**2,952**

	Banking Group ($'000)	
	Audited 12 months 31/12/2018	Audited 12 months 31/12/2017
NOTE 4 – INCOME TAX EXPENSE		
(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	15,737	9,604
Income tax expense/(benefit) - prima facie at the Australian rate of 30% and New Zealand rate of 28%	4,641	2,823
Tax effect of non deductible expense	201	144
Adjustment for (over)/under provision in prior periods	(3)	(15)
Total income tax expense	**4,839**	**2,952**

NOTE 5 - EQUITY

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

NOTE 6 – OTHER COMPREHENSIVE INCOME		
Opening balance	-	-
Opening balance adjustment for adoption of NZ IFRS 9	386	-
Restated opening balance	**386**	**-**
Changes in the fair value of loans at FVOCI	(156)	-
Foreign currency translation reserve movement	(161)	89
Movement during the period	**(317)**	**89**
(Repatriation)/reimbursement (to)/from head office	(69)	(89)
Closing balance	**-**	**-**

NOTE 7 – CASH AND CASH EQUIVALENTS		
Due from central and other banks		
New Zealand - short term deposit	130,000	160,000
New Zealand - at call	40,402	34,438
Overseas - at call	4,928	2,178
Total due from central and other banks	175,330	196,616
Total cash and cash equivalents	**175,330**	**196,616**

NOTE 8 – MARGIN AND OTHER RECEIVABLES		
Margin receivable	521,846	361,562
Interest receivable	163	157
Amounts due from related parties	6	2,165
Fee income receivable	7,967	2,111
Other receivable	88	163
Total margin and other receivables	**530,070**	**366,158**

NOTE 9 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Government bonds, notes and securities	126,517	66,478
Cash collateral pledged on reverse repurchase agreements	740,285	-
Total financial assets at fair value through profit or loss	**866,802**	**66,478**

	Banking Group ($'000)	
	Audited 12 months 31/12/2018	Audited 12 months 31/12/2017
NOTE 10 - FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
Loans and overdrafts	233,292	-
Expected credit loss allowance	(75)	-
Impact in classification from amortised cost to fair value through other comprehensive income	(230)	-
Loans and overdrafts (after NZ-IFRS 9 impact)	232,987	-
Total financial assets at fair value through to other comprehensive income	**232,987**	**-**

NOTE 11 - DEFERRED TAX ASSETS

Movements	**Depreciation**	**Employee Entitlements**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January 2017	268	45	47	360
(Charged)/credited				
- to profit or loss	81	(3)	-	78
- to other comprehensive income	-	-	-	-
At 31 December 2017	349	42	47	438
(Charged)/credited				
- to profit or loss	(103)	(0)	22	(81)
- to other comprehensive income				
At 31 December 2018	**246**	**42**	**69**	**357**

	Banking Group ($'000)	
	Audited 12 months 31/12/2018	Audited 12 months 31/12/2017
NOTE 12 – DEPOSITS - SHORT TERM		
Deposits	408,224	328,426
Total Deposits – short term	**408,224**	**328,426**

Retail deposits of the Registered Bank in New Zealand for the period was Nil (2017: Nil).

NOTE 13 - FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Trading securities	7,451	31,488
Cash collateral received on repurchase agreements	836,786	-
Total financial liabilities at fair value through profit or loss	**844,237**	**31,488**

NOTE 14 – PAYABLES

Margin payable	512,804	354,914
Interest payable	11	1
Accrued expenses	4,279	3,498
Amounts due to related parties	29,401	25,876
Other payable	1,468	-
Total payables	**547,963**	**384,289**

NOTE 15 – 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.

	Banking Group ($'000)	
	Audited	
	12 months 31/12/2018	12 months 31/12/2017
Audit and review of financial reports	211,500	227,254
Other audit-related work	60,425	64,926
Total auditor's remuneration	**271,925**	**292,180**

NOTE 16 – KEY MANAGEMENT COMPENSATION

Key management personnel are defined as being Directors and Senior Management of the entities within the Banking Group. The information relating 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 31/12/2018	12 months 31/12/2017
Salaries and other short term benefits	178	648
Post-employment benefits	6	14
Other termination benefits	-	-
Share-based payments	72	107
Long term benefits	2	13
Total key management compensation	**258**	**782**

NOTE 17 – 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 three Australian incorporated companies within the Banking Group under various tax sharing agreements. These transactions were made on terms equivalent to those that prevail in arm's length transactions. No related party debts have been written off, forgiven or provided for during the year.

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

	Banking Group ($'000)	
	Audited 12 months 31/12/2018	Audited 12 months 31/12/2017
Due from Related Parties		
Cash and cash equivalents	3,979	1,445
Fee income receivable	118	82
Amounts due from related parties	6	2,165
Margin receivable	236,893	97,585
Derivative assets	11	-
Cash collateral pledged on reverse repurchase agreements	683,534	794,860
Loans and advances	18,183	2,097
Total due from related parties	**942,724**	**898,234**
Due to Related Parties		
Deposits – short term	207,648	140,243
Interest payable	11	1
Cash collateral received on repurchase agreements	121,344	236,058
Amounts due to related parties	29,401	25,876
Provision for taxation	5,148	2,001
Total due to related parties	**363,552**	**404,179**
Received from Related Parties		
Interest income	16,679	5,859
Fee and commissions income	2,658	2,820
Total received from related parties	**19,337**	**8,679**
Paid to Related Parties		
Interest expense	7,408	4,802
Administration expenses	8,303	6,301
Other expenses	55	-
Income tax expense/(benefit)	69	2,001
Total paid to related parties	**15,835**	**13,104**

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

NOTE 18 - TOTAL LIABILITIES OF THE REGISTERED BANK, NET OF AMOUNTS DUE TO RELATED PARTIES

	NZ Branch ($'000)	
	Audited	
	12 months 31/12/2018	12 months 31/12/2017
Total liabilities net of amounts due to related parties	**205,700**	**192,461**

NOTE 19 - RECONCILIATION OF NET SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Banking Group ($'000)	
	Audited	
	12 months 31/12/2018	12 months 31/12/2017
Net profit/(loss) for the period	**10,898**	**6,652**
Movement in Head Office Repatriation included in net surplus	(8,070)	(4,776)
Depreciation and amortisation	37	37
Changes in operating assets and liabilities:		
Movement in financial instruments	(3,284)	18,255
Movement in fee income receivable	(5,856)	78
Movement in accrued interest receivable	(6)	(8)
Movement in amounts due from related parties	2,159	(1,463)
Movement in margin receivables	(160,284)	(7,135)
Movement in other receivable	75	(70)
Movement in deferred tax assets	81	(78)
Movement in loans	(100,820)	(17,510)
Movement in deposits	79,799	1,921
Movement in tax payable	3,151	(168)
Movement in accrued interest payable	10	(77)
Movement in margin payable	157,890	6,088
Movement in other payables	1,468	(36)
Movement in accrued expenses	781	805
Movement in amounts due to related parties	3,525	(15,620)
Movement in foreign exchange translation balances attributable to cash and other balances	(63)	(132)
Net cash inflow/(outflow) from operating activities	**(18,509)**	**(13,237)**

NOTE 20 - COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2018, the Banking Group had an undrawn committed facility of Nil (31 December 2017: Nil) and a stand-by letter of credit of $1.5mm (31 December 2017: $2.5mm). In addition, the Banking Group had lease commitments of $0.68mm as at the reporting date (31 December 2017: $0.27mm).

NOTE 21 - LEASE COMMITMENTS

Lease payment and lease commitments for the rental and make good of premises are payable as follows:

	Banking Group ($'000)	
	Audited	
	12 months 31/12/2018	12 months 31/12/2017
Lease payment included in the Statement of Comprehensive Income	205	205
Lease commitment		
0-1 year	68	205
1-5 years	-	68
> 5 years	-	-

NOTE 22 - INTANGIBLE ASSETS

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

	Banking Group ($'000)	
	Audited	
	12 months 31/12/2018	12 months 31/12/2017
Goodwill	642	642
Intangible assets – Custody clearing services software	289	289
Intangible assets – Customer contracts/relationships	377	377
Accumulated amortisation of intangible assets	(634)	(596)
Net Intangibles	**674**	**712**

NOTE 23 - 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 Banking Group in future financial years.

NOTE 24 - INTEREST EARNING AND DISCOUNT BEARING ASSETS AND LIABILITIES

	Banking Group ($'000)	
	Audited 12 months 31/12/2018	Audited 12 months 31/12/2017
Interest earning and discount bearing assets	1,042,132	1,205,894
Interest and discount bearing liabilities	1,252,461	1,186,257

NOTE 25 - 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, 2018. A capital conservation buffer of 1.875% applies in addition to these ratios.

The ratios given in the next page 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. The Registered Bank is subject to the capital requirements of the OCC, the capital requirements of which are at least equal to those specified under the Basel framework and are not publicly available.

Capital Adequacy Ratios	Basel III Advanced Transitional Registered Bank 31/12/2018 Unaudited	Basel III Standardised Registered Bank 31/12/2018 Unaudited	Basel III Advanced Transitional Registered Bank 31/12/2017 Unaudited	Basel III Standardised Registered Bank 31/12/2017 Unaudited
Common Equity Tier 1 Capital	15.5%	13.9%	14.8%	13.8%
Tier 1 Capital	15.5%	13.9%	14.8%	13.8%
Total Capital	15.9%	14.7%	15.3%	14.7%

As of 31 December 2018 and 2017, 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 26 – ACTIVITIES OF THE BANKING GROUP IN NEW ZEALAND

As at 31 December 2018, 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

There were no changes to the activites of the Banking Group and any related arrangements since 31 December 2017.

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 2018, 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 $41,067 million (December 2017: $36,469 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 27 – RISK MANAGEMENT

During the year ended 31 December 2018, 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.

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 on key risk metrics (credit, market, liquidity, principal 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.

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.

NOTE 27 – RISK MANAGEMENT (continued)

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:

- Establishing and monitoring limits and indicators, including liquidity risk appetite;
- Defining, monitoring, and reporting internal firmwide and Legal Entity liquidity stress tests, and monitoring and reporting regulatory defined liquidity stress testing;
- Approving or escalating for review new or updated liquidity stress assumptions;
- Defining, monitoring, and reporting liquidity risk metrics that provide insight and control into liquidity risk activities;
- Monitoring and reporting liquidity positions, balance sheet variances, and funding activities; and
- Conducting ad hoc analysis to identify potential emerging liquidity risk.

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 and NZ Branch's liquidity risk management statement. 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. This committee reviews all structural interest rate risk or risk managed locally.

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.

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.

NOTE 27 – RISK MANAGEMENT (continued)

Operational Risk Management Framework

To monitor and control operational risk, JPMCC has an Operational Risk Management Framework ("ORMF") which is designed to enable JPMCC to maintain a sound and well-controlled operational environment. The ORMF is comprised of four main components: Governance, Risk Assessment, Measurement, and Monitoring and Reporting.

Governance

The lines of business and corporate functions are responsible for owning and managing their operational risks. The Firmwide Control Management Group, which consists of control managers within each line of business and corporate function, is responsible for the day-to-day execution of the ORMF. Line of business and corporate function control committees oversee the operational risk and control environments of their respective businesses and functions. These committees escalate operational risk issues to the Firmwide Control Committee ("FCC"), as appropriate. The Firmwide Risk Executive for Operational Risk Governance ("ORG"), a direct report to the Chief Risk Officer ("CRO"), is responsible for defining the ORMF and establishing minimum standards for its execution. Operational Risk Officers report to both the line of business CROs and to the Firmwide Risk Executive for ORG, and are independent of the respective businesses or corporate functions they oversee.

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.

Risk assessment

JPMCC utilizes several tools to identify, assess, mitigate and manage its operational risk. One such tool is the RCSA program which is executed by LOBs and corporate functions in accordance with the minimum standards established by ORG. As part of the RCSA program, lines of business and corporate functions identify key operational risks inherent in their activities, evaluate the effectiveness of relevant controls in place to mitigate identified risks, and define actions to reduce residual risk. Action plans are developed for identified control issues and businesses are held accountable for tracking and resolving issues in a timely manner.

Operational Risk Officers independently challenge the execution of the RCSA program and evaluate the appropriateness of the residual risk results. In addition to the RCSA program, JPMCC tracks and monitors events that have or could lead to actual operational risk losses, including litigation-related events. Responsible businesses and corporate functions analyze their losses to evaluate the efficacy of their control environment to assess where controls have failed, and to determine where targeted remediation efforts may be required. ORG provides oversight of these activities and may also perform independent assessments of significant operational risk events and areas of concentrated or emerging risk.

Measurement

In addition to the level of actual operational risk losses, operational risk measurement includes operational risk based capital and operational risk losses under both baseline and stressed conditions. The primary component of the operational risk capital estimate is the Loss Distribution Approach ("LDA") statistical model, which simulates the frequency and severity of future operational risk loss projections based on historical data. The LDA model is used to estimate an aggregate operational risk loss over a one-year time horizon, at a 99.9% confidence level. The LDA model incorporates actual internal operational risk losses in the quarter following the period in which those losses were realized, and the calculation generally continues to reflect such losses even after the issues or business activities giving rise to the losses have been remediated or reduced. As required under the Basel III capital framework, JPMCC's operational risk-based capital methodology, which uses the Advanced Measurement Approach, incorporates internal and external losses as well as management's view of tail risk captured through operational risk scenario analysis, and evaluation of key business environment and internal control metrics. JPMCC considers the impact of stressed economic conditions on operational risk losses and develops a forward looking view of material operational risk events that may occur in a stressed environment. JPMCC's operational risk stress testing framework is utilized in calculating results for JPMCC's Comprehensive Capital Analysis Review ("CCAR") and Internal Capital Adequacy Assessment Process ("ICAAP") processes

NOTE 27 – RISK MANAGEMENT (continued)

Monitoring and reporting

ORG has established standards for consistent operational risk reporting. The standards also reinforce escalation protocols to senior management and to the Board of Directors. Operational risk reports are produced on a firmwide basis as well as by line of business and corporate function.

Local Governance

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

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.

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.

Quantitative disclosures outlining the Banking Group's exposure to the risks discussed above, are covered on the next page:

NOTE 27 - RISK MANAGEMENT (continued)

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 2018 and are held by the Banking Group for the purposes of managing liquidity risk.

	Banking Group ($'000)							
	Audited							
	31/12/2018							
	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	175,330	45,330	130,000	-	-	-	-	-
*Margin receivable	521,846	521,846	-	-	-	-	-	-
*Receivables	8,224	-	8,224	-	-	-	-	-
*Goverment bonds	126,517	-	126,517	-	-	-	-	-
*Cash collateral pledged on reverse repurchase agreements	740,285	-	740,285	-	-	-	-	-
*Loans and advances	232,987	45,243	187,744	-	-	-	-	-
Derivative assets	11	-	-	-	-	-	-	11
Intangible assets	674	-	-	-	-	-	-	674
Deferred tax assets	357	-	-	-	-	-	-	357
Total Assets	**1,806,231**	**612,419**	**1,192,770**	**-**	**-**	**-**	**-**	**1,042**
LIABILITIES								
*Deposits – short term	408,224	407,672	552	-	-	-	-	-
*Goverment bonds	7,451	-	7,451	-	-	-	-	-
*Cash collateral received on repurchase agreements	836,786	-	836,786	-	-	-	-	-
*Margin payable	512,804	512,804	-	-	-	-	-	-
*Payables	35,159	-	35,159	-	-	-	-	-
Provision for taxation	5,807	-	-	-	5,148	659	-	-
Total Liabilities	**1,806,231**	**920,476**	**879,948**	**-**	**5,148**	**659**	**-**	**-**

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

NOTE 27 - RISK MANAGEMENT (continued)

	Banking Group ($'000)							
	Audited 31/12/2017							
	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	196,616	36,616	160,000	-	-	-	-	-
*Margin receivable	361,562	361,562	-	-	-	-	-	-
*Receivables	4,596	-	4,596	-	-	-	-	-
*Goverment bonds	66,478	-	66,478	-	-	-	-	-
*Cash collateral pledged on reverse repurchase agreements	810,633	-	810,633	-	-	-	-	-
*Loans and advances	132,167	2,167	130,000	-	-	-	-	-
Intangible assets	712	-	-	-	-	-	-	712
Deferred tax assets	438	-	-	-	-	-	-	438
Total Assets	**1,573,202**	**400,345**	**1,171,707**	**-**	**-**	**-**	**-**	**1,150**
LIABILITIES								
*Deposits – short term	328,426	327,874	552	-	-	-	-	-
*Goverment bonds	31,488	-	31,488	-	-	-	-	-
*Cash collateral received on repurchase agreements	826,343	-	826,343	-	-	-	-	-
*Margin payable	354,914	354,914	-	-	-	-	-	-
*Payables	29,375	-	29,375	-	-	-	-	-
Provision for taxation	2,656	-	-	-	2,001	655	-	-
Total Liabilities	**1,573,202**	**682,788**	**887,758**	**-**	**2,001**	**655**	**-**	**-**

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

NOTE 27 – 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 31/12/2018	**Audited 31/12/2017**
Credit Risk by industry		
Finance	1,435,847	1,304,522
Local Authorities	126,517	66,316
Other Manufacturing	58,349	-
Health and Community Services	927	-
	1,621,640	**1,370,838**
Credit Risk by geographical area		
Within New Zealand	351,498	130,103
Overseas	1,270,142	1,240,735
	1,621,640	**1,370,838**

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 27 – 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 31/12/2018	**Audited 31/12/2017**
Funding Risk by industry		
Finance	1,623,210	1,350,178
Local Authorities	-	31,487
Electricity, gas and water	35,397	29,356
Manufacturing	28,244	26,173
Business Services	45,917	55,941
Food Manufacturing	3,377	4,214
Communication	1,367	7,790
Other	27,752	36,032
	1,765,264	**1,541,171**
Funding Risk by geographical area		
Within New Zealand	996,091	342,037
Overseas	769,173	1,199,134
	1,765,264	**1,541,171**

NOTE 27 – RISK MANAGEMENT (continued)

Interest Rate Sensitivity

The Banking Group's exposure to interest rate risk, which 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 liablities, contractual repricing or maturity dates, whichever dates are earlier, grouped into maturity bands.

	Banking Group ($'000)						
	Audited 31/12/2018						
	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 - at call	45,330	45,330	-	-	-	-	-
Cash - short-term deposits	130,000	130,000	-	-	-	-	-
Margin receivable	521,846	-	-	-	-	-	521,846
Receivables	8,218	-	-	-	-	-	8,218
Receivables from related parties	6	-	-	-	-	-	6
Financial assets at fair value through profit or loss	866,802	866,802	-	-	-	-	-
Financial assets at fair value through other comprehensive income	232,987	232,987	-	-	-	-	-
Derivative assets	11	-	-	-	-	-	11
Intangible assets	674	-	-	-	-	-	674
Deferred tax assets	357	-	-	-	-	-	357
Total Assets	**1,806,231**	**1,275,119**	**-**	**-**	**-**	**-**	**531,112**
LIABILITIES							
Deposits – short term	408,224	408,224	-	-	-	-	-
Financial liabilities at fair value through profit or loss	844,237	844,237	-	-	-	-	-
Margin Payable	512,804	-	-	-	-	-	512,804
Payables	5,758	-	-	-	-	-	5,758
Payables to related parties	29,401	-	-	-	-	-	29,401
Provision for taxation	5,807	-	-	-	-	-	5,807
Total Liabilities	**1,806,231**	**1,252,461**	**-**	**-**	**-**	**-**	**553,770**

NOTE 27 - RISK MANAGEMENT (continued)

	Banking Group ($'000)						
	Audited 31/12/2017						
	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 - at call	36,616	36,616	-	-	-	-	-
Cash - short-term deposits	160,000	160,000	-	-	-	-	-
Margin receivable	361,562	-	-	-	-	-	361,562
Receivables	2,431	-	-	-	-	-	2,431
Receivables from related parties	2,165	-	-	-	-	-	2,165
Financial assets at fair value through profit or loss	66,478	66,478	-	-	-	-	-
Cash collateral pledged on reverse repurchase agreements	810,633	810,633	-	-	-	-	-
Loans and advances	132,167	132,167	-	-	-	-	-
Intangible assets	712	-	-	-	-	-	712
Deferred tax assets	438	-	-	-	-	-	438
Total Assets	**1,573,202**	**1,205,894**	**-**	**-**	**-**	**-**	**367,308**
LIABILITIES							
Deposits – short term	328,426	328,426	-	-	-	-	-
Financial liabilities at fair value through profit or loss	31,488	31,488	-	-	-	-	-
Cash collateral received on repurchase agreements	826,343	826,343	-	-	-	-	-
Margin payable	354,914	-	-	-	-	-	354,914
Payables	3,499	-	-	-	-	-	3,499
Payables to related parties	25,876	-	-	-	-	-	25,876
Provision for taxation	2,656	-	-	-	-	-	2,656
Total Liabilities	**1,573,202**	**1,186,257**	**-**	**-**	**-**	**-**	**386,945**

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.

NOTE 27 - RISK MANAGEMENT (continued)

Offsetting financial assets and financial liabilities (continued)

	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				
2018				
Amounts receivable from wholly-owned group entities	**103,673**	**(103,667)**	**-**	**6**
Total	**103,673**	**(103,667)**	**-**	**6**
2017				
Amounts receivable from wholly-owned group entities	51,750	(49,585)	-	2,165
Total	**51,750**	**(49,585)**	**-**	**2,165**
FINANCIAL LIABILITIES				
2018				
Amounts payable to wholly-owned group entities	**133,068**	**(103,667)**	**-**	**29,401**
Total	**133,068**	**(103,667)**	**-**	**29,401**
2017				
Amounts payable to wholly-owned group entities	75,461	(49,585)	-	25,876
Total	**75,461**	**(49,585)**	**-**	**25,876**

NOTE 28 – 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 2018				
Financial assets at fair value through profit or loss	-	866,802	-	**866,802**
Financial assets at fair value through other comprehensive income	-	-	232,987	**232,987**
Financial liabilities at fair value through profit or loss	-	844,237	-	**844,237**
	-	**1,711,039**	**232,987**	**1,944,026**

	Banking Group			
	Audited $'000			
	Level 1	Level 2	Level 3	Total
31 December 2017				
Financial assets at fair value through profit or loss	-	66,478	-	**66,478**
Financial assets at fair value through other comprehensive income	-	-	-	**-**
Financial liabilities at fair value through profit or loss	-	31,488	-	**31,488**
	-	**97,966**	**-**	**97,966**

NOTE 29 - 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 2018				
Assets				
Current Assets				
Cash and cash equivalents	175,330	-	-	**175,330**
Margin receivable	521,846	-	-	**521,846**
Financial assets at fair value through profit or loss	-	866,802	-	**866,802**
Financial assets at fair value through other comprehensive income	-	-	232,987	**232,987**
	697,176	**866,802**	**232,987**	**1,796,965**
Liabilities				
Current Liabilities				
Deposits - short term	408,224	-	-	**408,224**
Financial liabilities at fair value through profit or loss	-	844,237	-	**844,237**
Margin payable	512,804	-	-	**512,804**
	921,028	**844,237**	**-**	**1,765,265**
31 December 2017				
Assets				
Current Assets				
Cash and cash equivalents	196,616	-	-	**196,616**
Margin receivable	361,562	-	-	**361,562**
Financial assets at fair value through profit or loss	-	66,478	-	**66,478**
Cash collateral pledged on reverse repurchase agreements	810,633	-	-	**810,633**
Loans and advances	132,167	-	-	**132,167**
	1,500,978	**66,478**	**-**	**1,567,456**
Liabilities				
Current Liabilities				
Deposits - short term	328,426	-	-	**328,426**
Financial liabilities at fair value through profit or loss	-	31,488	-	**31,488**
Cash collateral received on repurchase agreements	826,343	-	-	**826,343**
Margin payable	354,914	-	-	**354,914**
	1,509,683	**31,488**	**-**	**1,541,171**

NOTE 30 – 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	Notional capital charge
31 December 2018		
Market Risk End-period		
Interest rate risk	1,481	119
Foreign currency risk	(99,055)	(7,924)
Equity risk	-	-
1 July 2018 - 31 December 2018		
Market Risk Peak End-of-day		
Interest rate risk	1,481	119
Foreign currency risk	158,935	12,715
Equity risk	-	-

NOTE 31 -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 2018					
Past due and not impaired	899	148	471	647	2,165
31 December 2017					
Past due and not impaired	-	-	-	-	-

NOTE 31 - ASSET QUALITY (continued)

	Banking Group		Registered Bank (consolidated)	
	Audited 12 months 31/12/2018 NZ$'000	Audited 12 months 31/12/2017 NZ$'000	Audited 12 months 31/12/2018 US$'000	Audited 12 months 31/12/2017 US$'000
Total individually impaired assets (before allowances for credit impairment loss and net of interest held in suspense)	-	-	10,532,000	12,752,000
Total individually impaired assets expressed as a percentage of total assets	-	-	0.5%	0.6%
Total individual credit impairment allowance	-	-	9,878,000	10,081,000
Total individual credit impairment allowance expressed as a percentage of total impaired assets	-	-	93.8%	79.1%
Total collective credit impairment allowance	-	-	-	-
Non-financial assets acquired through the enforcement of security	-	-	-	-

	Banking Group	
	Audited 12 months 31/12/2018 NZ$'000	Audited 12 months 31/12/2017 NZ$'000
Movements in components of loss allowance (NZ IFRS 9)		
Opening balance	-	-
Opening balance adjustment for adoption of IFRS 9	20	-
Restated opening balance	20	-
The charge to the statement of financial performance for an increase in individual loss allowances	55	-
Amounts written off	-	-
Recoveries of amounts written off in previous periods	-	-
Reversals of previously recognised impairment losses	-	-
Other movements, and the nature of those other movements	-	-
Closing balance	75	-

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 2018 and 2017.

NOTE 32 - REGISTERED BANK PROFITABILITY AND SIZE

	Registered Bank (consolidated)	
	Audited 12 months 31/12/2018 US$'000	**Audited 12 months 31/12/2017 US$'000**
Net profit/(loss) after taxation	25,813,000	18,930,000
Net profit/(loss) after taxation, over the previous 12 month period, as a percentage of average total assets	1.2%	0.9%
Total assets	2,218,960,000	2,140,778,000
Percentage increase/(decrease) in total assets from previous period	3.7%	2.8%

Independent auditor's report

To the Directors of J.P. Morgan Chase Bank, National Association,

This report includes:

- our audit opinion on the Disclosure Statement on pages 13 to 53 which consists of the financial statements prepared in accordance with Clause 25 of the Registered Bank Disclosure Statements (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 Disclosure Statement and supplementary information (excluding the supplementary information relating to credit and market risk exposures and capital adequacy)

We have audited the Disclosure Statement of J.P. Morgan Chase Bank, National Association, New Zealand Banking Group (the "Banking Group") on pages 13 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 2018;
- 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 13 to 53 (excluding the supplementary information disclosed in accordance with Schedules 4, 7, 9, 11 and 13 of the Order and included within Notes 12, 18, 24, 25, 26, 27, 30, 31, and 32).

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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 2018, 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 12, 18, 24, 26, 27, 31, and 32:

(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.

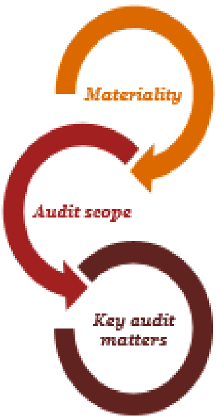
Basis for opinion

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 Disclosure Statement 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 Disclosure Statement is free from material misstatement.

Overall materiality: $852,000, which represents 3% of net revenues.

We chose net revenues 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 are 2 key audit matters:

- Fair value of financial instruments
- New accounting standards –NZ-IFRS 9

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 30 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. • Evaluation of model review and governance processes which include new model implementation, changes to existing models, and ongoing model performance assessments. We have tested the valuation of these instruments at 31 December 2018 by engaging our 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.
New accounting standards – NZ-IFRS 9 (Refer to paragraph 19 in the Statement of Significant Accounting Policies section of the Disclosure Statement) On 1 January 2018 the Banking Group transitioned to NZ-IFRS 9 which replaced NZ-IFRS 39. The implementation of the new accounting standard resulted in changes in classification and measurement of the Banking Group's financial assets and liabilities. Loans held by the Banking Group are now held at Fair Value Through Other Comprehensive Income ("FVTOCI") under NZ-IFRS 9. Additionally, NZ-IFRS 9 introduces and expected credit loss ("ECL") model	We have performed the following procedures over impairment of financial assets: • Evaluated impairment model performance and compliance with the requirements of the standard which included a review of model validation report and assessment of model performance. • Tested the data quality and integrity used to calculate impairments including current default grade, exposure amounts, and maturity dates.

which takes into account forward looking information reflecting the Banking Group's view on future economic events when determining impairment of financial assets Given this is a new and complex accounting standard which requires judgement we have considered this to be a key audit matter.	• Assessed of the reasonableness of assumptions used in the model including global and regional macroeconomic variables including benchmarking to independent sources. • Evaluated the reasonableness of the model output, assessed the need for any entity specific management overlays, and reconciled the final output to the general ledger. We have performed the following procedures over the classification and measurement changes to the Banking Group's financial assets and liabilities: • Reviewed reasonability of management's conclusions with respect to business model assessments, and the corresponding classification of the financial instruments. • Evaluated of the design and operating effectiveness of key controls in the FVOCI loan valuation process, and test the key inputs into used to derive fair value back to price tested sources for a sample of FVOCI loans. We have assessed the reasonableness of the Banking Group's transition note disclosure which describes the impact to the presentation of the Disclosure Statement due to changes in classification and measurement and impairment.

Information other than the financial statements 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 12. 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 Disclosure Statement 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 25 and 30) 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 these Disclosure Statement.

A further description of our responsibilities for the audit of the Disclosure Statement 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 25 and 30 for the year ended 31 December 2018:

(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 25 and 30 in the financial statements of the Banking Group for the year ended 31 December 2018.

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 25 and 30 is not in all material respects:

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

(ii) prepared in accordance with the 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.

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

Basis for our review conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Disclosure Statement 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 that 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 25, and 30 is not, in all material respects:

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

(ii) prepared in accordance with the 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 Note 25 and 30 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 25 and 30.

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 Banking Group's Directors. 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, 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
25 March 2019

Sydney