J.P.Morgan

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

Disclosure Statement

For the year ended 31 December 2016

Disclosure Statement

For the twelve months ended 31 December 2016

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

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

2. CORPORATE INFORMATION

Registered Bank

JPMorgan Chase Bank, National Association

Address of the Registered Bank's principal office

1111 Polaris Parkway
Columbus, Ohio, 43240
USA

Ultimate Holding Company

JPMorgan Chase & Co.

Ultimate Holding Company's Address for Service

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

Incorporation

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

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

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

3. FINANCIAL SUPPORT

Ranking of Local Creditors in Winding-up

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

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

Guarantee Arrangements

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

4. CORPORATE GOVERNANCE

Directors of the Registered Bank

A number of changes to the Directors of the Registered Bank were made in the twelve months ended 31 December 2016, please see below for the relevant changes.

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

<u>No change since 31 December 2015</u>

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

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

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

<u>Appointed on 19 September 2016</u>

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

Appointed on 17 May 2016

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

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

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

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

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

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

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

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

Resigned on 17 May 2016

Marianne Lake
Executive Director, Chief Executive Officer and President (continues as Chief Financial Officer)
BSc of Physics – Reading University
United Kingdom

Matthew E Zames
Executive Director (continues as Chief Operating Officer)
Massachusetts Institute of Technology
United States of America

Address to which communications addressed to the Directors may be sent

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

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

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

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

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

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

Director Related Transactions

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

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

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

Robert C Priestley
Senior Country Officer, JPMorgan Australia and New Zealand Group
Bachelor of Commerce – University of Melbourne; Association of Chartered Accountants; Fellow of the Australian Institute of Management
Australia

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

Stewart Old
Senior Financial Officer, JPMorgan Australia and New Zealand Group
Bachelor of Arts, Bachelor of Laws, Master of Laws – University of Sydney; Certified Practicing Accountant
Australia

New Zealand Chief Executive Officer

The name, occupation, professional qualifications and country of residence of the New Zealand Chief Executive Officer who held office at any time during the reporting period ended 31 December 2016 are as follows:

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

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

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

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

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

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

New Zealand Chief Executive Officer Related Transactions

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

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 1171
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 approving transactions with related persons (i.e. JPMCC's Directors, executive officers and their immediate family members). The transactions covered by the Policy include any financial transaction, arrangement or relationship in which JPMCC (including the Registered Bank) is a participant, where:

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

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

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

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

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

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

Regulation O

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

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

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

Conflicts of Interest

The Conflicts Office of JPMCC monitors the Registered Bank's business activities to avoid or manage any conflicts of interests and related reputation risks. The Conflicts Office reviews transactions, products and activities that may pose significant risks to the Registered Bank's reputation as a result of actual or perceived conflicts of interest. Any transaction, product or activity that raises significant reputation risk for the Registered Bank as a result of actual or perceived conflicts of interest must be referred to the Conflicts Office for review and approval. JPMCC's policy entitled "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 relies on JPMCC's firmwide Internal Audit function, which is an independent function that provides objective assurance guided by a philosophy of adding value to improve the operations of the organization. It assists the organization in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, and internal control processes.

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

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

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

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

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

As at 31 December 2016, the registration of JPMorgan Chase Bank, N.A. ("the registered bank") in New Zealand is subject to the following conditions (the "**Conditions of Registration**") which came into effect on 1 November 2015:

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

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

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

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

   (a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and

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

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

   (a) all amounts must relate to on balance sheet items only and must comply with generally accepted accounting practice; and

   (b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of insurance business.

   For the purposes of this condition of registration,–

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

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

3. *That the business of the registered bank in New Zealand does not constitute a predominant proportion of the business of the registered bank.*

4. *That no appointment to the position of the New Zealand chief executive officer of the registered bank shall be made unless:*

   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and

   (b) the Reserve Bank has advised that it has no objection to that appointment.

5. *That JPMorgan Chase Bank, N.A. complies with the requirements imposed on it by the Office of the Comptroller of the Currency and the Federal Reserve Bank of New York.*

Conditions of Registration (continued)

6. *That, with reference to the following table, each capital adequacy, ratio of JPMorgan Chase Bank, N.A. must be equal to or greater than the applicable minimum requirement.*

Capital adequacy ratio	*Minimum Requirement On and after 1 January 2015*
Common Equity Tier 1 capital	*4.5 percent*
Tier 1 capital	*6 percent*
Total capital	*8 percent*

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

(a) must be calculated as a percentage of the registered bank's risk weighted assets; and

(b) are otherwise as administered by the Office of the Comptroller of the Currency and the Federal Reserve Bank of New York.

7. *That liabilities of the registered bank in New Zealand, net of amounts due to related parties (including amounts due to a subsidiary or affiliate of the registered bank) do not exceed NZ$15 billion.*

8. *That retail deposits of the registered bank in New Zealand do not exceed $200 million. For the purposes of this condition, retail deposits are defined as deposits by natural persons, excluding deposits with an outstanding balance which exceeds $250,000.*

9. *That, for a loan-to-valuation measurement period, the total of the business of the registered bank in New Zealand's qualifying new mortgage lending amount in respect of APIL with a loan-to-valuation ratio of more than 70%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of APIL arising in the loan-to-valuation measurement period.*

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

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

12. *That the business of the registered bank in New Zealand must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the registered bank's agreement before the borrower can grant to another person a charge over the residential property used as a security for the loan.*

In these conditions of registration,–

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

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

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

Conditions of Registration (continued)

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

In conditions of registration 9 to 12,–

> *"ANPIL", "APIL", "loan-to-valuation ratio", "non-Auckland loan", "qualifying new mortgage lending amount in respect of [...]" and "residential mortgage loan" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS 19) dated November 2015, where the version of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Standardised Approach)" (BS2A) referred to in BS19 for the purpose of defining these terms is that dated November 2015.*
>
> *"loan-to-valuation measurement period" means a period of six calendar months ending on the last day of the sixth calendar month, the first of which ends on the last day of April 2016.*

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

5. PENDING PROCEEDINGS OR ARBITRATION

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

6. CURRENT CREDIT RATING OF THE REGISTERED BANK

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

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

Legend to Rating Scales

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

(a) Moody's applies numeric modifiers to each generic ratings category from Aa to B, indicating that the counterparty is:
  (1) in the higher end of its letter rating category
  (2) in mid-range
  (3) in lower end

(b) S&P and Fitch apply plus (+) or minus (-) signs to ratings from AA to CCC, to indicate relative standing within the major rating categories.

7. INSURANCE BUSINESS AND NON-CONSOLIDATED ACTIVITIES

The Banking Group does not conduct any insurance business.

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

8. MORTGAGE BUSINESS

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

9. OTHER MATERIAL MATTERS

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

10. FINANCIAL STATEMENTS OF THE REGISTERED BANK AND BANKING GROUP

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

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

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

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

- This Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) as at the date on which this Disclosure Statement is signed;
- The Registered Bank has complied with all conditions of registration that applied during the 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, 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 James S Crown, William C Weldon, Laban P Jackson Jr, Linda B Bammann, James A Bell, Crandall C Bowles, Stephen B Burke, James Dimon, Timothy P Flynn, Michael A Neal, Lee R Raymond and Todd A Combs.

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

Stewart Old — Date: 28 March 2017

Mark Lawrence — Date: 28 March 2017

Signed on behalf of the Directors of JPMorgan Chase Bank N.A.

12. FIVE YEAR SUMMARY FOR THE BANKING GROUP

	Audited 12 months 31/12/2016 $'000	Audited 12 months 31/12/2015 $'000	Audited 12 months 31/12/2014 $'000	Audited 12 months 31/12/2013 $'000	Audited 12 months 31/12/2012 $'000
STATEMENT OF COMPREHENSIVE INCOME					
Interest income	16,862	20,336	14,808	13,464	27,491
Interest expense	(10,916)	(14,901)	(9,044)	(7,459)	(16,094)
Net interest income	**5,946**	**5,435**	**5,764**	**6,005**	**11,397**
Other operating income	15,043	11,660	13,477	3,373	2,394
Total operating income	**20,989**	**17,095**	**19,241**	**9,378**	**13,791**
Credit impairment losses	-	-	-	-	-
Operating expenses	(13,134)	(11,254)	(10,284)	(12,382)	(9,263)
Net profit/(loss) before taxation	**7,855**	**5,841**	**8,957**	**(3,004)**	**4,528**
Income tax (expense)/benefit	(2,400)	(1,857)	(2,583)	880	(2,155)
Net profit/(loss) after taxation	**5,455**	**3,984**	**6,374**	**(2,124)**	**2,373**
Other comprehensive income, net of tax	(95)	(30)	(194)	159	(1,441)
Total comprehensive income for the period	**5,360**	**3,954**	**6,180**	**(1,965)**	**932**
Minority interests	-	-	-	-	-
Repatriation to / (reimbursement from) Head Office	**5,360**	**3,954**	**6,180**	**(1,965)**	**422**
STATEMENT OF FINANCIAL POSITION					
Total assets	845,578	883,856	1,016,408	969,680	745,754
Total individually impaired assets	-	-	-	-	-
Total liabilities	845,578	883,856	1,016,408	969,680	745,754
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 2016

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.

The Act governs how financial products are created, promoted and sold, and the ongoing responsibilities of those who offer, deal and trade them. It covers a number of different areas, including fair dealing provisions, disclosure of offers of financial products, and Financial Reporting. The Act became effective on a phased basis, with the last phase occurring in December 2015. Management have considered the impact of the Act and, from a Financial Reporting perspective, note that the Registered Bank has become a "FMC reporting entity" from 1 January 2016. This has resulted in increased reporting requirements for auditors should a modified audit opinion be issued, and a reduction in the reporting deadline for New Zealand Companies Office submissions.

These financial statements are for the Banking Group and are authorised by the Directors for issue on 28 March 2017. 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, the New Zealand branch operations of J.P. Morgan Australia Limited, J.P. Morgan Securities Australia Limited and J.P. Morgan Markets Australia Pty Limited, have been aggregated to form the Banking Group.

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

D. Comparatives

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

E. Critical Accounting Estimates and Judgements

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

- **Fair Value**
  Where an active market exists for a financial instrument, fair values are determined by reference to the quoted prices/yields at balance date. Such instruments are classified as level 1 within the fair value hierarchy table in Note 28 (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.

E. Critical Accounting Estimates and Judgements (continued)

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

- **Impairment of Goodwill and Intangible Assets**

  Goodwill and intangible assets are tested annually for impairment to determine whether the fair value is less than the carrying amount and whether the impairment is other than temporary. The fair value is determined based on present value of future cash flow projection at a discount rate of 15.0%. The cash flow projection model is based on management assumptions of future growth rates for expenses and revenue. All future cash flows are based on five year projections based on most recent forecasts, incorporating a 1% 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.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 earning 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. Financial Instruments

The Banking Group classifies its financial instruments in the following categories: financial instruments at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its instruments at initial recognition and re-evaluates this designation at every reporting date.

Classification

(i) Financial instruments at fair value through profit and loss

Financial instruments at fair value through profit or loss are financial instruments held for trading. A financial instrument is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading, unless they are designated as hedges. Instruments in this category are classified as current assets or current liabilities if they are expected to be settled within 12 months; otherwise classified under as non-current.

As at balance date, the Banking Group holds the following financial instruments in this category:

- Financial assets at fair value through profit or loss
- Financial liabilities at fair value through profit or loss

9. Financial Instruments (continued)

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Banking Group's loans and receivables comprise 'trade and other receivables', 'commercial loans', 'client overdraft', 'cash collateral pledged on reverse repurchase agreements' and 'cash collateral received on repurchase agreements' in the Statement of Financial Position.

As part of its operating activities, the Banking Group lends and borrows securities on a collateralised basis. The securities lent under such agreements are ordinarily not derecognised from the Statement of Financial Position, as the risks and rewards of ownership remain with the initial holder. Cash collateral pledged under such agreements is recognised as a financial asset, while cash received is recognised as a financial liability.

Fees and interest relating to stock borrowing or lending and repurchase or reverse repurchase agreements are recognised in the Statement of Comprehensive Income, using the effective interest rate method, over the expected life of the agreement.

Recognition and measurement

Financial instruments carried at fair value through profit or loss are initially recognised at fair value excluding transaction costs which are expensed in the profit and loss component of the Statement of Comprehensive Income in the period in which they arise.

Gains and losses arising from changes in the fair value of the 'financial instruments at fair value through profit or loss' category are included in the profit and loss component of the Statement of Comprehensive Income in the period in which they arise. Dividend income from financial instruments at fair value through profit or loss is recognised in the profit and loss component of the Statement of Comprehensive Income as part of trading income when the Banking Group's right to receive payments is established.

Loans and receivables at initial recognition, are measured at fair value plus transaction costs that are directly attributable to the acquisition of the asset. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Regular way purchases and sales of financial assets are accounted for at trade date.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Group has transferred substantially all risks and rewards or ownership.

Financial liabilities are derecognised and removed from the Statement of Financial Position when they are extinguished, that is, when the obligation is discharged, cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms, or the modification of the terms of an existing financial liability, shall be recognised as an extinguishment of the original financial liability and the recognition of a new financial liability.

Offsetting financial instruments

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.

Impairment

The Banking Group assesses at the end of each reporting period whether there is objective evidence that a financial instrument or group of financial instruments is impaired. A financial instrument or a group of financial instruments is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred

9. Financial Instruments (continued)

Impairment (continued)

after the initial recognition for the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial instrument or group of financial instruments that can be reliably estimated.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Banking Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

10. Intangible Assets

(i) Goodwill

Represents the excess of the purchase consideration over the identifiable net assets of an acquisition at the date of gaining control. Goodwill on acquisition of subsidiaries is included in intangible asset. Goodwill is recognised as an asset and not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate they may be impaired and is carried at cost less accumulated impairment losses.

(ii) Customer Contracts

Represents customer contracts/relationships are deemed to be acquired at fair value, and are amortised over a useful life of 10 years, on a straight line basis. NZ branch acquires the rights to decide which client (contracts) it will novate subject to clients' agreement. The contracts and relationships are deemed to be one intangible asset as the acquired relationship is critical in entering into contracts with the clients, since such contracts are typically open ended with no maturity and on par with the relationships. Reasonable lifetime for these contracts/relationships is 10 years.

11. Property, Plant and Equipment

Plant and equipment, including leasehold improvements, is measured on the cost basis less depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining the recoverable amount.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Banking Group, commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements. The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	19% - 39%
Leasehold Improvements	9% - 25%

11. Property, Plant and Equipment (continued)

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each end of the reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income.

12. 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.

13. 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.

14. 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.

15. Interest Expense

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

16. 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.

17. 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 2016 is nil (2015: nil).

18. 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.

19. Principal Activities

The Banking Group companies are involved in investment banking, treasury and securities services activities.

20. Change in Accounting Policies

No change in accounting policies were made during the year.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

		Banking Group ($'000)	
	Note	Audited 12 months 31/12/2016	Audited 12 months 31/12/2015
Interest income	1	16,862	20,336
Interest expense		(10,916)	(14,901)
Net interest income		**5,946**	**5,435**
Other operating income/(loss)	2	15,043	11,660
Total operating income		**20,989**	**17,095**
Operating expenses	3	(13,134)	(11,254)
Net profit/(loss) before taxation		**7,855**	**5,841**
Income tax (expense)/benefit	4	(2,400)	(1,857)
Net profit/(loss) after taxation		**5,455**	**3,984**
Other comprehensive income, net of tax	6	(95)	(30)
Total comprehensive income for the period		**5,360**	**3,954**

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 2016

	Note	Banking Group ($'000)			
		Ordinary Shares	Retained Earnings	Foreign currency translation reserve	Total Equity
31 December 2015					
Equity as at 1 January 2015 (audited)		-	-	-	-
Net profit/(loss) after taxation		-	3,984	-	3,984
Foreign currency translation reserve movement	6	-	-	(30)	(30)
Total comprehensive income for the period		-	**3,984**	**(30)**	**3,954**
(Repatriation)/reimbursement (to)/from head office		-	(3,984)	30	(3,954)
Equity as at 31 December 2015 (audited)	5	-	-	-	-
31 December 2016					
Equity as at 1 January 2016 (audited)		-	-	-	-
Net profit/(loss) after taxation		-	5,455	-	5,455
Foreign currency translation reserve movement	6	-	-	(95)	(95)
Total comprehensive income for the year		-	**5,455**	**(95)**	**5,360**
(Repatriation)/reimbursement (to)/from head office		-	(5,455)	95	(5,360)
Equity as at 31 December 2016 (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 2016

	Note	Banking Group ($'000) Audited 12 months 31/12/2016	Banking Group ($'000) Audited 12 months 31/12/2015
ASSETS			
Current Assets			
Cash and cash equivalents	7	211,601	115,787
Margin and other receivables	8	357,560	415,889
Financial assets at fair value through profit or loss		37,769	101,753
Cash collateral pledged on reverse repurchase agreements		122,881	156,311
Loans and advances		114,657	93,113
		844,468	**882,853**
Non Current Assets			
Fixed assets	9	-	49
Intangible assets	20	750	788
Deferred tax assets		360	166
		1,110	**1,003**
Total Assets		**845,578**	**883,856**
LIABILITIES			
Current Liabilities			
Deposits – short term	11	326,505	209,535
Financial liabilities at fair value through profit or loss		63,702	93,973
Cash collateral received on repurchase agreements		59,418	149,269
Payables	12	393,129	429,763
Provision for taxation		2,824	1,316
Total Liabilities		**845,578**	**883,856**
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 2016

		Banking Group ($'000)	
		Audited 12 months 31/12/2016	**Audited 12 months 31/12/2015**
CASH FLOWS FROM OPERATING ACTIVITIES			
Fees, commissions and other income received		12,776	8,042
Payments to suppliers and employees		(6,293)	(7,497)
Receipts from/(payments to) related parties		97,778	(221,351)
Net movement in margin balances		(4,196)	942
Net proceed from disposal/(purchase) of financial instruments		(23,623)	35,752
Net (increase)/decrease in loans		(21,544)	(45,069)
Increase/(decrease) in deposits		42,852	24,340
Tax paid		(749)	(925)
Interest received		13,498	16,494
Interest paid		(13,281)	(11,897)
Net cash inflow/(outflow) from operating activities	**17**	**97,218**	**(201,169)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Plant and equipment		-	(47)
Net cash inflow/(outflow) from investing activities		**0**	**(47)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repatriation of profit		(1,513)	(2,796)
Net cash inflow/(outflow) from financing activities		**(1,513)**	**(2,796)**
Net increase/(decrease) in cash		**95,705**	**(204,012)**
Opening cash and cash equivalents		**115,787**	**319,181**
Effect of changes in foreign exchange rates on cash balances		109	618
Closing cash and cash equivalents	**7**	**211,601**	**115,787**

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

	Banking Group ($'000)	
	Audited 12 months 31/12/2016	Audited 12 months 31/12/2015
NOTE 1 - INTEREST INCOME		
Cash and cash equivalents	5,641	8,773
Trading securities	8,237	9,129
Loans	2,984	2,434
Total interest income	**16,862**	**20,336**
NOTE 2 – OTHER OPERATING INCOME/(LOSS)		
Fee and commissions income	15,911	11,475
Trading income/(loss)	(915)	123
Other income	47	62
Total other operating income/(loss)	**15,043**	**11,660**
NOTE 3 – OPERATING EXPENSES		
Administration expenses	6,937	6,629
Employee expenses	1,507	1,888
Fee and commissions expense	2,602	1,114
Other expenses	1,688	1,023
Occupancy expenses	190	220
Depreciation & amortisation	88	188
Professional services expenses	106	137
Technology & communications expenses	15	47
Travel expenses	1	8
Total operating expenses	**13,134**	**11,254**

	Banking Group ($'000)	
	Audited 12 months 31/12/2016	Audited 12 months 31/12/2015
NOTE 4 – INCOME TAX EXPENSE / (BENEFIT)		
(a) The components of tax expense/ (benefit) comprise:		
Current tax	2,301	1,810
Deferred tax	(194)	19
Over/ (Under) provision for prior years	16	28
	2,123	**1,857**
(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	7,855	5,841
Income tax expense/(benefit) - prima facie at the Australian rate of 30% and New Zealand rate of 28%	2,301	1,725
Tax effect of non deductible expense	83	104
Adjustment for (over)/under provision in prior periods	16	28
Total income tax expense	**2,400**	**1,857**

NOTE 5 - EQUITY

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

NOTE 6 – OTHER COMPREHENSIVE INCOME

Opening balance	-	-
Currency retranslation during the period	(95)	(30)
(Repatriation)/reimbursement (to)/from head office	95	30
Closing balance	-	-

NOTE 7 – CASH AND CASH EQUIVALENTS

Due from central and other banks

New Zealand - short term deposit	162,000	68,000
New Zealand - at call	45,888	29,517
Overseas - at call	3,713	18,270
Total due from central and other banks	211,601	115,787
Total cash and cash equivalents	**211,601**	**115,787**

	Banking Group ($'000)	
	Audited 12 months 31/12/2016	Audited 12 months 31/12/2015
7 (a) Reconciliation of Cash		
Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:		
Cash and cash equivalents	211,601	115,787
	211,601	**115,787**

NOTE 8 – MARGIN AND OTHER RECEIVABLES

Fee income receivable	2,189	1,720
Interest receivable	149	293
Amounts due from related parties	702	3,775
Margin receivable	354,427	409,787
Income tax receivable	-	314
Other receivable	93	-
Total margin and other receivables	**357,560**	**415,889**

NOTE 9 - FIXED ASSETS

	Banking Group ($'000) Audited 31/12/2016		
	Leasehold Improvements	Plant and equipment	Total
Cost			
Opening Balance	428	189	617
Additions	-	-	-
Disposals	-	-	-
FX Effect	(8)	(3)	(11)
Total Fixed Assets	**420**	**186**	**606**
Accumulated Depreciation			
Opening Balance	402	166	568
Depreciation	27	23	50
Disposals	-	-	-
FX Effect	(9)	(3)	(12)
Total Accumulated Depreciation	**420**	**186**	**606**
Carrying Value	-	-	-

All fully depreciated assets were still in use during the year.

NOTE 9 - FIXED ASSETS (continued)

	Banking Group ($'000) Audited 31/12/2015		
	Leasehold Improvements	Plant and equipment	Total
Cost			
Opening Balance	374	122	496
Additions	-	47	47
Disposals	-	-	-
FX Effect	54	20	74
Total Fixed Assets	**428**	**189**	**617**
Accumulated Depreciation			
Opening Balance	280	83	363
Depreciation	79	72	151
Disposals	-	-	-
FX Effect	43	11	54
Total Accumulated Depreciation	**402**	**166**	**568**
Carrying Value	**26**	**23**	**49**

NOTE 10 - DEFERRED TAX ASSETS

Movements	Depreciation $'000	Employee Entitlements $'000	Other $'000	Total $'000
At 1 January 2015	41	44	100	185
(Charged)/credited				
- to profit or loss	27	9	(55)	(19)
- to other comprehensive income	-	-	-	-
At 31 December 2015	68	53	45	166
(Charged)/credited				
- to profit or loss	200	(8)	2	194
- to other comprehensive income	-	-	-	-
At 31 December 2016	**268**	**45**	**47**	**360**

NOTE 11 – DEPOSITS - SHORT TERM

	Banking Group ($'000) Audited 12 months 31/12/2016	Audited 12 months 31/12/2015
Deposits	326,505	209,535
Total Deposits – short term	**326,505**	**209,535**

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

NOTE 12 – PAYABLES

	Banking Group ($'000)	
	Audited 12 months 31/12/2016	Audited 12 months 31/12/2015
Interest payable	78	84
Margin payable	348,826	408,382
Accrued expenses	2,693	2,679
Amounts due to related parties	41,496	18,587
Deferred revenue	-	23
Other payable	36	8
Total payables	**393,129**	**429,763**

NOTE 13 – 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)	
	12 months 31/12/2016	12 months 31/12/2015
Audit and review of financial reports	206,422	169,883
Other audit-related work	60,287	61,432
Total auditor's remuneration	266,709	231,315

NOTE 14 – 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.

Key Management Compensation

	Banking Group ($'000) Audited	
	12 months 31/12/2016	12 months 31/12/2015
Salaries and other short term benefits	653	804
Post-employment benefits	11	21
Other termination benefits	9	6
Share-based payments	122	164
Long term benefits	15	11
Total key management compensation	**810**	**1,006**

NOTE 15 – 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 31/12/2016	**Audited 12 months 31/12/2015**
Due from Related Parties		
Cash and cash equivalents	2,715	2,033
Fee income receivable	126	24
Amounts due from related parties	702	3,775
Margin receivable	90,323	175,545
Cash collateral pledged on reverse repurchase agreements	15,273	37,534
Loans and advances	13,800	3
Total due from related parties	**122,939**	**218,914**
Due to Related Parties		
Deposits – short term	90,432	16,314
Interest payable	1	1
Cash collateral received on repurchase agreements	52,403	19,587
Amounts due to related parties	41,496	18,587
Provision for taxation	2,775	1,316
Total due to related parties	**187,107**	**55,805**
Received from Related Parties		
Interest income	3,508	3,773
Fee and commissions income	2,699	2,545
Total received from related parties	**6,207**	**6,318**
Paid to Related Parties		
Interest expense	2,359	2,976
Administration expenses	6,916	6,562
Fee and commissions expense	1,474	-
Income tax expense/(benefit)	1,531	1,329
Total paid to related parties	**12,280**	**10,867**

NOTE 16 – TOTAL LIABILITIES OF THE REGISTERED BANK, NET OF AMOUNTS DUE TO RELATED PARTIES

	NZ Branch ($'000)	
	Audited	
	12 months 31/12/2016	12 months 31/12/2015
Total liabilities net of amounts due to related parties	**238,851**	**195,944**

NOTE 17 – RECONCILIATION OF NET PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Banking Group ($'000)	
	Audited	
	12 months 31/12/2016	12 months 31/12/2015
Net profit/(loss) for the period	**5,455**	**3,984**
Movement in Head Office Repatriation included in net surplus	(3,847)	(1,157)
Depreciation and amortisation	88	188
Changes in operating assets and liabilities:		
Movement in financial instruments	(22,707)	35,629
Movement in fee income receivable	(469)	66
Movement in accrued interest receivable	144	(69)
Movement in amounts due from related parties	3,073	5,250
Movement in margin receivables	55,360	(222,677)
Movement in other receivable	221	1,190
Movement in deferred tax assets	(194)	19
Movement in loans	(21,544)	(45,069)
Movement in deposits	116,971	(155,351)
Movement in tax payable	1,508	(745)
Movement in accrued interest payable	(6)	28
Movement in margin payable	(59,557)	223,619
Movement in other payables	-	-
Movement in accrued expenses	42	(2,325)
Movement in amounts due to related parties	22,909	(43,009)
Movement in deferred revenue	(23)	(73)
Movement in foreign exchange translation balances attributable to cash and other balances	(206)	(667)
Net cash inflow/(outflow) from operating activities	**97,218**	**(201,169)**

NOTE 18 – COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2016, the Banking Group had an undrawn committed facility of Nil (31 December 2015: $225.7mm) and a stand-by letter of credit of $4.8mm (31 December 2015: $20.1mm). In addition, the Banking Group had lease commitments of $0.48mm as at the reporting date (31 December 2015: $0.07mm).

NOTE 19 – 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 31/12/2016	12 months 31/12/2015
Lease payment included in the Statement of Comprehensive Income	205	215
Lease commitment		
0-1 year	205	68
1-5 year	273	-
> 5 years	-	-

NOTE 20 – 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 31/12/2016	12 months 31/12/2015
Goodwill	642	642
Intangible assets – Custody clearing services software	289	289
Intangible assets – Customer contracts/relationships	377	377
Accumulated amortisation of intangible assets	(558)	(520)
Net Intangibles	**750**	**788**

NOTE 21 – 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 22 – FINANCIAL STATEMENTS OF THE REGISTERED BANK

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

NOTE 23 – INTEREST EARNING AND DISCOUNT BEARING ASSETS AND LIABILITIES

	Banking Group ($'000)	
	Audited 12 months 31/12/2016	Audited 12 months 31/12/2015
Interest earning and discount bearing assets	486,908	466,964
Interest and discount bearing liabilities	449,625	452,777

NOTE 24 – CAPITAL ADEQUACY

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

Basel III presents two comprehensive methodologies for calculating RWA: a general (standardized) approach ("Basel III Standardized"), and an advanced approach ("Basel III Advanced"). Certain of the requirements of Basel III are subject to phase-in periods that began on January 1, 2014 and continue through the end of 2018 ("transitional period"). Basel III capital rules will become fully phased-in on January 1, 2019, at which point the Firm will continue to calculate its capital ratios under both the Basel III Standardized and Advanced Approaches.

All banking institutions are currently required to have a minimum capital ratio of 4.5% of CET1 capital. Certain banking organizations, including the Firm, are required to hold additional amounts of capital to serve as a "capital conservation buffer". The capital conservation buffer is intended to be used to absorb potential losses in times of financial or economic stress. If not maintained, the Firm could be limited in the amount of capital that may be distributed, including dividends and common equity repurchases. The capital conservation buffer is subject to a phase-in period that began January 1, 2016 and continues through the end of 2018.

As an expansion of the capital conservation buffer, the Firm is also required to hold additional levels of capital in the form of a GSIB surcharge and a countercyclical capital buffer. The Firm's Fully Phased-In GSIB surcharge for 2016 was calculated to be 2.5% under Method 1 and 4.5% under Method 2. Accordingly, the Firm's minimum capital ratios applicable in 2016 include a GSIB surcharge of 1.125%, resulting from the application of the transition provisions to the 4.5% fully phased-in GSIB surcharge. For 2017, the Firm has calculated its Fully Phased-In GSIB surcharge to be 2.5% under Method 1 and 3.5% under Method 2 resulting in the inclusion of a GSIB surcharge of 1.75% in the Firm's minimum capital ratios after application of the transition provisions.

The countercyclical capital buffer takes into account the macro financial environment in which large, internationally active banks function. On September 8, 2016 the Federal Reserve published the framework that will apply to the setting of the countercyclical capital buffer. As of October 24, 2016 the Federal Reserve reaffirmed setting the U.S. countercyclical capital buffer at 0%, and stated that it will review the amount at least annually. The countercyclical capital buffer can be increased if the Federal Reserve, FDIC and OCC determine that credit growth in the economy has become excessive and can be set at up to an additional 2.5% of RWA subject to a 12-month implementation period.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016
SUPPLEMENTAL INFORMATION

NOTE 24 – CAPITAL ADEQUACY (continued)

Based on the Firm's most recent estimate of its GSIB surcharge and the current countercyclical buffer being set at 0%, the Firm estimates its Fully Phased-In CET1 capital requirement, at January 1, 2019, would be 10.5% (reflecting the 4.5% CET1 capital requirement, the Fully Phased-In 2.5% capital conservation buffer and the GSIB surcharge of 3.5%). As well as meeting the capital ratio requirements of Basel III, the Firm must, in order to be "well-capitalized", maintain a minimum 6% Tier 1 capital and a 10% Total capital requirement. At December 31, 2016 and 2015, JPMorgan Chase maintained Basel III Standardized Transitional and Basel III Advanced Transitional ratios in excess of the well-capitalized standards established by the Federal Reserve.

The Firm continues to believe that over the next several years, it will operate with a Basel III CET1 capital ratio between 11% and 12.5%. It is the Firm's intention that the Firm's capital ratios continue to meet regulatory minimums as they are fully implemented in 2019 and thereafter.

Capital Adequacy Ratios	Basel III Advanced Transitional Registered Bank 31/12/2016 Unaudited	Basel III Standardised Registered Bank 31/12/2016 Unaudited	Basel III Advanced Transitional Registered Bank 31/12/2015 Audited	Basel III Standardised Registered Bank 31/12/2015 Audited
Common Equity Tier 1 Capital	14.20%	13.87%	13.51%	13.36%
Tier 1 Capital	14.20%	13.87%	13.54%	13.39%
Total Capital	14.62%	14.82%	14.12%	14.50%

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

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

NOTE 25 – CONCENTRATION OF CREDIT EXPOSURE TO INDIVIDUAL COUNTERPARTIES

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

NOTE 26 – ACTIVITIES OF THE BANKING GROUP IN NEW ZEALAND

As at 31 December 2016, no members of the Banking Group have been involved in:
(a) the origination of securitised assets or the marketing or servicing of securitisation schemes;
(b) the marketing and distribution of insurance products; and
(c) the establishment, marketing, or sponsorship of trust or funds management

NOTE 26 – ACTIVITIES OF THE BANKING GROUP IN NEW ZEALAND (continued)

Custodial Services

The financial statements of the Banking Group include income in respect of custodial services provided to customers by the NZ Branch. As at 31 December 2016, securities held on behalf of NZ Branch's customers were excluded from the Statement of Financial Position. The value of securities held in custody by NZ Branch was $35,133 million (December 2015: $34,338 million).

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

NOTE 27 – RISK MANAGEMENT

During the year ended 31 December 2016, there have been no material changes to the Banking Group's policies for managing risks in relation to credit risk, interest rate risk, currency risk, equity risk, liquidity risk, operational risk or any other material business risk to which it is exposed.

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 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.

Global risk management policies are included in JPMorgan Chase & Co.'s financial statements. Copies are available from our web-page: https://www.jpmorganchase.com/corporate/investor-relations/annual-report-proxy.htm

Liquidity Risk

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

Liquidity Risk Oversight group is responsible for independent assessment, measuring, monitoring, and control of liquidity risk across the firm, 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 stress tests, and monitoring and reporting regulatory defined 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.

NOTE 27 – RISK MANAGEMENT (continued)

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. Stress testing of the Fixed Income structural interest rate positions are also reported to ANZRC quarterly.

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 the Firm.

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 the firm 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

Overview

To monitor and control operational risk, JPMCC maintains an Operational Risk Management Framework ("ORMF") designed to enable the Firm to maintain a sound and well-controlled operational environment. The lines of business and corporate functions are responsible for implementing the ORMF. The Firmwide Oversight and Control Group, which consists of dedicated control officers within each of the lines of business and corporate functional areas, as well as a central oversight team, is responsible for day to day execution of the ORMF. Operational Risk Officers ("OROs") are independent of the lines of business, corporate functions, and Oversight and Control. The OROs provide oversight of the implementation of the ORMF within each line of business and corporate function. The Banking Group adheres to JPMCC's ORMF and global Operational Risk policies.

NOTE 27 – RISK MANAGEMENT (continued)

Operational Risk (continued)

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 Australia and New Zealand sub-committees reporting into it. These committees 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 Officer for Australia and New Zealand who provides the overall controls execution and oversight across all businesses and functions in the location.

Risk Identification and Self-Assessment

In order to evaluate and monitor operational risk, the lines of business and corporate functions utilize several processes to identify, assess, mitigate and manage operational risk. Firmwide standards are in place for each of these processes and set the minimum requirements for how they must be applied. JPMCC's risk and control self-assessment ("RCSA") process and supporting architecture requires management to identify material inherent operational risks, assess the design and operating effectiveness of relevant controls in place to mitigate such risks, and evaluate residual risk. Action plans are developed for control issues that are identified,

and businesses are held accountable for tracking and resolving issues on a timely basis. OROs perform an independent challenge of the RCSA program including residual risk results.

JPMCC also tracks and monitors operational risk events which are analysed by the responsible businesses and corporate functions. This enables identification of the root causes of the operational risk events and evaluation of the associated controls.
All J.P. Morgan Australian incorporated legal entities within the Banking Group have Boards who are ultimately responsible for the oversight of the licensing and regulatory obligations, risk management systems and processes supporting their business activities.

Furthermore, lines of business and corporate functions establish key risk indicators to manage and monitor operational risk and the control environment. These assist in the early detection and timely escalation of issues or events.

Risk Monitoring and Reporting

Operational risk management and control reports provide information, including actual operational loss levels, self-assessment results and the status of issue resolution to the lines of business and senior management. In addition, key control indicators and operating metrics are monitored against targets and thresholds. The purpose of these reports is to enable management to maintain operational risk at appropriate levels within each line of business, to escalate issues and to provide consistent data aggregation across JPMCC's businesses and functions.

Each line of business has escalation and incident reporting procedures which ensure that incidents are identified and escalated to appropriate personnel such as direct supervisors, Legal and Compliance, Audit, Operational Risk and Global Security and Investigations. The line of business also ensures incidents are appropriately documented and assessed for potential breaches of regulations and laws relevant to our banking authorisation, and reported as appropriate, and that preventative measures are implemented to prevent the incident occurring again.

NOTE 27 – RISK MANAGEMENT (continued)

Operational Risk (continued)

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 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 2016 and are held by the Banking Group for the purposes of managing liquidity risk.

	Banking Group ($'000) Audited 31/12/2016							
	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	211,601	49,601	162,000	-	-	-	-	-
Margin receivable	354,427	354,427	-	-	-	-	-	-
Receivables	3,133	-	3,133	-	-	-	-	-
Goverment bonds	37,769	-	37,769	-	-	-	-	-
Non-goverment bonds	-	-	-	-	-	-	-	-
Cash collateral pledged on reverse repurchase agreements	122,881	-	122,881	-	-	-	-	-
Loans and advances	114,657	22,472	92,185	-	-	-	-	-
Fixed assets	-	-	-	-	-	-	-	-
Intangible assets	750	-	-	-	-	-	-	750
Deferred tax assets	360	-	-	-	-	-	-	360
Total Assets	**845,578**	**426,500**	**417,968**	**-**	**-**	**-**	**-**	**1,110**
LIABILITIES								
Overdrafts	-	-	-	-	-	-	-	-
Deposits – short term	326,505	326,505	-	-	-	-	-	-
Goverment bonds	63,702	-	63,702	-	-	-	-	-
Cash collateral received on repurchase agreements	59,418	-	59,418	-	-	-	-	-
Margin payable	348,826	348,826	-	-	-	-	-	-
Payables	44,303	-	44,303	-	-	-	-	
Provision for taxation	2,824	-	-	-	2,824	-	-	-
Total Liabilities	**845,578**	**675,331**	**167,423**	**-**	**2,824**	**-**	**-**	**-**

NOTE 27 – RISK MANAGEMENT (continued)

	Banking Group ($'000)							
	Audited							
	31/12/2015							
	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	115,787	115,787	-	-	-	-	-	-
Margin receivable	409,787	409,787	-	-	-	-	-	-
Receivables	6,102	-	5,788	-	314	-	-	-
Goverment bonds	101,708	-	101,708	-	-	-	-	-
Non-goverment bonds	45	-	45	-	-	-	-	-
Cash collateral pledged on reverse repurchase agreements	156,311	-	156,311	-	-	-	-	-
Loans and advances	93,113	928	92,185	-	-	-	-	-
Fixed assets	49	-	-	-	-	-	-	49
Intangible assets	788	-	-	-	-	-	-	788
Deferred tax assets	166	-	-	-	-	-	-	166
Total Assets	**883,856**	**526,502**	**356,037**	**-**	**314**	**-**	**-**	**1,003**
LIABILITIES								
Overdrafts	-	-	-	-	-	-	-	-
Deposits – short term	209,535	208,997	538	-	-	-	-	-
Goverment bonds	93,973	-	93,973	-	-	-	-	-
Cash collateral received on repurchase agreements	149,269	-	149,269	-	-	-	-	-
Margin payable	408,382	408,382	-	-	-	-	-	-
Payables	21,381	-	21,358	-	-	-	-	23
Provision for taxation	1,316	-	-	-	1,316	-	-	-
Total Liabilities	**883,856**	**617,379**	**265,138**	**-**	**1,316**	**-**	**-**	**23**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016
SUPPLEMENTAL INFORMATION

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 31/12/2016	**Audited 31/12/2015**
Credit Risk by industry		
Finance	591,963	629,070
Local Authorities	37,769	101,709
Communication	-	30,185
	629,732	**760,964**
Credit Risk by geographical area		
Within New Zealand	199,022	479,906
Overseas	430,710	281,058
	629,732	**760,964**

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 31/12/2016	**Audited 31/12/2015**
Funding Risk by industry		
Finance	603,538	618,499
Local Authorities	63,703	93,973
Electricity, gas and water	14,391	46,126
Manufacturing	34,715	34,272
Business Services	41,701	29,530
Communication	6,768	10,796
Food Manufacturing	3,973	4,054
Other	29,663	23,909
	798,452	**861,159**
Funding Risk by geographical area		
Within New Zealand	397,383	522,318
Overseas	401,069	338,841
	798,452	**861,159**

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, is as follows:

	Banking Group ($'000) Audited 31/12/2016						
	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	49,601	49,601	-	-	-	-	-
Cash - short-term deposits	162,000	162,000	-	-	-	-	-
Margin receivable	354,427	-	-	-	-	-	354,427
Receivables	2,431	-	-	-	-	-	2,431
Receivables from related parties	702	-	-	-	-	-	702
Financial assets at fair value through profit or loss	37,769	37,769	-	-	-	-	-
Cash collateral pledged on reverse repurchase agreements	122,881	122,881	-	-	-	-	-
Loans and advances	114,657	114,657	-	-	-	-	-
Fixed assets	-	-	-	-	-	-	-
Intangible assets	750	-	-	-	-	-	750
Deferred tax assets	360	-	-	-	-	-	360
Total Assets	**845,578**	**486,908**	**-**	**-**	**-**	**-**	**358,670**
LIABILITIES							
Overdrafts	-	-	-	-	-	-	-
Deposits – short term	326,505	326,505	-	-	-	-	-
Financial liabilities at fair value through profit or loss	63,702	63,702	-	-	-	-	-
Cash collateral received on repurchase agreements	59,418	59,418	-	-	-	-	-
Margin Payable	348,826	-	-	-	-	-	348,826
Payables	2,807	-	-	-	-	-	2,807
Payables to related parties	41,496	-	-	-	-	-	41,496
Provision for taxation	2,824	-	-	-	-	-	2,824
Total Liabilities	**845,578**	**449,625**	**-**	**-**	**-**	**-**	**395,953**

NOTE 27 – RISK MANAGEMENT (continued)

	Banking Group ($'000)						
	Audited 31/12/2015						
	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	47,787	47,787	-	-	-	-	-
Cash - short-term deposits	68,000	68,000	-	-	-	-	-
Margin receivable	409,787	-	-	-	-	-	409,787
Receivables	2,327	-	-	-	-	-	2,327
Receivables from related parties	3,775	-	-	-	-	-	3,775
Financial assets at fair value through profit or loss	101,753	101,753	-	-	-	-	-
Cash collateral pledged on reverse repurchase agreements	156,311	156,311	-	-	-	-	-
Loans and advances	93,113	93,113	-	-	-	-	-
Fixed assets	49	-	-	-	-	-	49
Intangible assets	788	-	-	-	-	-	788
Deferred tax assets	166	-	-	-	-	-	166
Total Assets	**883,856**	**466,964**	**-**	**-**	**-**	**-**	**416,892**
LIABILITIES							
Overdrafts	-	-	-	-	-	-	-
Deposits – short term	209,535	209,535	-	-	-	-	-
Financial liabilities at fair value through profit or loss	93,973	93,973	-	-	-	-	-
Cash collateral received on repurchase agreements	149,269	149,269	-	-	-	-	-
Margin payable	408,382	-	-	-	-	-	408,382
Payables	2,794	-	-	-	-	-	2,794
Payables to related parties	18,587	-	-	-	-	-	18,587
Provision for taxation	1,316	-	-	-	-	-	1,316
Total Liabilities	**883,856**	**452,777**	**-**	**-**	**-**	**-**	**431,079**

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				
2016				
Amounts receivable from wholly-owned group entities	**21,797**	**(21,095)**	**-**	**702**
Total	**21,797**	**(21,095)**	**-**	**702**
2015				
Amounts receivable from wholly-owned group entities	46,919	(43,144)	-	3,775
Total	**46,919**	**(43,144)**	**-**	**3,775**
FINANCIAL LIABILITIES				
2016				
Amounts payable to wholly-owned group entities	**62,591**	**(21,095)**	**-**	**41,496**
Total	**62,591**	**(21,095)**	**-**	**41,496**
2015				
Amounts payable to wholly-owned group entities	61,731	(43,144)	-	18,587
Total	**61,731**	**(43,144)**	**-**	**18,587**

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 2016				
Financial assets at fair value through profit or loss	-	37,769	-	**37,769**
Financial liabilities at fair value through profit or loss	-	63,702	-	**63,702**

	Banking Group			
	Audited $'000			
	Level 1	Level 2	Level 3	Total
31 December 2015				
Financial assets at fair value through profit or loss	-	101,753	-	101,753
Financial liabilities at fair value through profit or loss	-	93,973	-	93,973

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**	**Total**
31 December 2016			
Assets			
Current Assets			
Trading and other receivables	357,560	-	**357,560**
Financial assets at fair value through profit or loss	-	37,769	**37,769**
Cash collateral pledged on reverse repurchase agreements	122,881	-	**122,881**
Loans and advances	114,657	-	**114,657**
	595,098	**37,769**	**632,867**
Liabilities			
Current Liabilities			
Financial liabilities at fair value through profit or loss	-	63,702	**63,702**
Cash collateral received on repurchase agreements	59,418	-	**59,418**
Payables	393,129	-	**393,129**
	452,547	**63,702**	**516,249**
31 December 2015			
Assets			
Current Assets			
Trading and other receivables	415,889	-	**415,889**
Financial assets at fair value through profit or loss	-	101,753	**101,753**
Cash collateral pledged on reverse repurchase agreements	156,311	-	**156,311**
Loans and advances	93,113	-	**93,113**
	665,313	**101,753**	**767,066**
Liabilities			
Current Liabilities			
Financial liabilities at fair value through profit or loss	-	93,973	**93,973**
Cash collateral received on repurchase agreements	149,269	-	**149,269**
Payables	429,763	-	**429,763**
	579,032	**93,973**	**673,005**

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 2016		
Market Risk End-period		
Interest rate risk	-	-
Foreign currency risk	4,585	367
Equity risk	-	-
1 July 2016 - 31 December 2016		
Market Risk Peak End-of-day		
Interest rate risk	750	60
Foreign currency risk	4,585	367
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				
	Up to 30 days	Over 30 days and up to 60 days	Over 60 days and up to 90 days	Over 90 days	Total
31 December 2016					
Past due and not impaired	342	318	327	15	1,002
31 December 2015					
Past due and not impaired	394	325	222	16	956

NOTE 31 – ASSET QUALITY (continued)

	Banking Group		Registered Bank (consolidated)	
	Audited 12 months	Audited 12 months	Unaudited 12 months	Audited 12 months
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	NZ$'000	NZ$'000	US$'000	US$'000
Total individually impaired assets (before allowances for credit impairment loss and net of interest held in suspense)	-	-	14,949,000	16,640,000
Total individually impaired assets expressed as a percentage of total assets	-	-	0.7%	0.9%
Total individual credit impairment allowance	-	-	10,715,000	10,807,000
Total individual credit impairment allowance expressed as a percentage of total impaired assets	-	-	71.7%	64.9%
Total collective credit impairment allowance	-	-	-	-
Non-financial assets acquired through the enforcement of security	-	-	-	-

NOTE 32 – REGISTERED BANK PROFITABILITY AND SIZE

	Registered Bank (consolidated)	
	Audited 12 months	Audited 12 months
	31/12/2016	31/12/2015
	US$'000	US$'000
Net profit/(loss) after taxation	19,372,000	16,928,000
Net profit/(loss) after taxation, over the previous 12 month period, as a percentage of average total assets	0.1%	0.8%
Total assets	2,082,803,000	1,914,658,000
Percentage increase/(decrease) in total assets from previous period	8.8%	-3.6%

Independent auditor's report

To the Directors of JPMorgan Chase Bank, National Association, New Zealand Banking Group

This report includes:

- our audit opinion on the Disclosure Statement on pages 14 to 51 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 (excluding capital adequacy) prepared in accordance with Schedules 4, 7, 10, 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 capital adequacy prepared in accordance with Schedule 9 of the Order.

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

We have audited the Disclosure Statement of JPMorgan Chase Bank, National Association, New Zealand Banking Group (the "Banking Group") on pages 14 to 51 which consists of the financial statements required by Clause 25 of the Order and the supplementary information (excluding the supplementary information relating to credit and market risk exposures and capital adequacy disclosed in Notes 24, 27, 30 and 31) required by Schedules 4, 7, 10, 11, and 13 of the Order.

The Banking Group's financial statements and supplementary information comprise:

- the statement of financial position as at 31 December 2016;
- 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 the Order (excluding supplementary information relating to credit and market risk exposures and capital adequacy).

Our opinion

In our opinion:

- The Banking Group's Disclosure Statement on pages 14 to 51 (excluding the supplementary information disclosed in Notes 22, 23, 24, 25, 26, 30, 31 and 32, and the Concentration of Credit Risk as disclosed in Note 27):

  (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 2016, and its financial performance and cash flows for the year then ended.

- The supplementary information disclosed in accordance with Schedules 4, 7, 10, 11, and 13 of the Order and included in Notes 25, 26, 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 our opinion

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

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

Information other than the financial statements and auditor's report

The Directors of the Banking Group (the "Directors") are responsible for the other information 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 13. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Banking Group, for the preparation and fair presentation of the financial statements prepared 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 controls as the Directors determine are necessary to enable the preparation of financial statements 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, 10, 11, and 13 of the Order.

In preparing the financial statements, 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 financial statements and supplementary information

Our objectives are to obtain reasonable assurance about whether the financial statements and the supplementary information (excluding the supplementary information relating to credit and market risk exposures and capital adequacy disclosed in Notes 24, 27, 30 and 31) disclosed in accordance with Clause 25 and Schedules 4, 7, 10, 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 opinions. 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 consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:
https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page6.aspx

This description forms part of our auditor's report.

Report on other legal and regulatory requirements (excluding 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 capital adequacy disclosed in Notes 24, 27, 30 and 31) for the year ended 31 December 2016:

(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 24, 27, 30 and 31 of the financial statements of the Banking Group for the year ended 31 December 2016.

Our review conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the supplementary information relating to capital adequacy disclosed in Notes 24, 27, 30 and 31, 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 Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). Our responsibilities under this standard are further described in the *Auditor's responsibilities for the review of the supplementary information relating to 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 prepared and disclosed in accordance with Schedule 9 of the Order. The Directors are also responsible for such internal controls 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 based on our review of the supplementary information relating to credit and market risk exposures and capital adequacy disclosed in Notes 24, 27, 30 and 31, whether anything has come to our attention that causes us to believe such supplementary information, 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.

A review of the supplementary information relating to capital adequacy disclosed in Notes 24, 27, 30 and 31 in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with ISAs NZ and ISAs. Accordingly we do not express an audit opinion on the supplementary information relating to credit and market risk exposures and capital adequacy disclosed in Notes 24, 27, 30 and 31.

Auditor independence

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

Our firm carries out other services for the Banking Group in the areas 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 Chris Cooper.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
28 March 2017

Sydney