

J.P.Morgan

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

Disclosure Statement

For the six months ended 30 June 2020



Disclosure Statement

For the six months ended 30 June 2020

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1. DEFINITIONS

In this Disclosure Statement, unless the context otherwise requires:

Term	Description
Registered Bank	The worldwide operations of JPMorgan Chase Bank, National Association or JPMorgan Chase Bank, N.A. This includes the Banking Group.
NZ Branch	The New Zealand operations of Registered Bank conducted through its New Zealand branch.
JPMCC	JPMorgan Chase & Co, the ultimate holding company of the Registered Bank.
Banking Group	The consolidated New Zealand operations of the Registered Bank, and includes the business conducted through New Zealand Branch and J.P. Morgan Securities Australia Limited.

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

2. CORPORATE INFORMATION

Registered Bank

JPMorgan Chase Bank, National Association

Address of the Registered Bank’s main office

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

Ultimate Holding Company

JPMorgan Chase & Co.

Ultimate Holding Company’s Address for Service

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

Incorporation

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

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

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

3. FINANCIAL SUPPORT

Ranking of Local Creditors in Winding-up

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

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

Guarantee Arrangements

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

4. CORPORATE GOVERNANCE

Directors of the Registered Bank

On 21 May 2019, the annual term of William C. Weldon as an Independent Non-Executive Director of the Registered Bank ended and he did not seek re-election. In addition, on 19 May 2020, the annual terms of James A. Bell and Laban P. Jackson as Independent Non-Executive Directors of the Registered Bank ended and they did not seek re-election. Furthermore, Virginia M. Rometty joined the Board of Directors of the Registered Bank as an Independent Non-Executive Director on 19 May 2020.

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

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

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

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

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

Directors of the Registered Bank (continued)

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

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

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

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

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

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

Address to which communications addressed to the Directors may be sent

Office of the Secretary
JPMorgan Chase Bank, National Association
4 New York Plaza, Floor 8
New York, New York 10004
United States of America

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

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

- Mr. Burke is a director of Berkshire Hathaway Inc., a company incorporated in the United States of America
- Mr. Combs is a director of Berkshire Hathaway subsidiaries Charter Brokerage LLC, Duracell Inc., and Precision Castparts Corp., companies incorporated in the United States of America
- Mr. Crown is a director of General Dynamics Corporation and the Chairman of Henry Crown and Company, companies incorporated in the United States of America
- Mr. Flynn is a director of Alcoa Corporation, United Healthcare Incorporated, and Wal-Mart Stores, Inc., companies incorporated in the United States of America
- Ms. Hobson is a director and Vice Chair of Starbucks Corporation, a company incorporated in the United States of America
- Mrs. Rometty is a director of International Business Machines Corporation, a company incorporated in the United States of America

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

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

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

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

Robert Bedwell

Senior Country Officer, JPMorgan Australia and New Zealand

BCom – University of Western Sydney; MCom – University of New South Wales

Australia

Warren Davis

Senior Country Business Manager, JPMorgan Australia and New Zealand

Australia

Stewart Old

Senior Financial Officer, JPMorgan Australia and New Zealand

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

Australia

New Zealand Chief Executive Officer

The name, occupation, professional qualifications and country of residence of the New Zealand Chief Executive Officer who held office at any time during the reporting period ended 30 June 2020 are as follows:

Warren Davis

Acting New Zealand Chief Executive Officer

Senior Country Business Manager, JPMorgan Australia and New Zealand Group

Australia

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

JPMorgan Chase Bank, N.A. - New Zealand Branch

PO Box 5652

Lambton Quay, Wellington 6145

New Zealand

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

Mr Warren Davis is a Director of J.P. Morgan Trust Company (New Zealand) Limited.

Acting New Zealand Chief Executive Officer Related Transactions

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

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

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

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

Transactions with Related Persons

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

- the related person has or will have a direct or indirect material interest (other than solely as a result of being a director); and
- the aggregate amount involved will or may be expected to exceed US\$120,000 in any fiscal year.

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

Upon determination by the General Counsel that a transaction requires review under the Policy, the material facts of the transaction and the related person's interest in the transaction are provided to the Corporate Governance & Nominating Committee of JPMCC ("Governance Committee").

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

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

Certain types of transactions are pre-approved under the terms of the Policy. These include transactions in the ordinary course of business involving financial products and services provided by, or to, JPMCC (including the Registered Bank), such as banking, brokerage, investment and financial advisory products and services, on terms substantially similar to those extended to unaffiliated third parties not related to JPMCC, provided such transactions are permitted by the Sarbanes-Oxley Act of 2002, Federal Reserve Board Regulation O and other applicable laws and regulations.

Regulation O

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

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

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

Conflicts of Interest

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

Corporate Governance and Risk Management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For the purposes of this condition of registration,—

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

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

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

Capital adequacy ratio	Minimum requirement on and after 1 January 2015
Common Equity Tier 1 capital	4.5 percent
Tier 1 capital	6 percent
Total capital	8 percent

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

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

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

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

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

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

In these conditions of registration, —

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

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

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

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

5. PENDING PROCEEDINGS OR ARBITRATION

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

6. CURRENT CREDIT RATING OF THE REGISTERED BANK

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

	Current Rating	Previous Credit Rating (if changed in the previous two years)	Outlook
Moody’s Investor Services, Inc	Aa2	Aa3 (changed on 25 Oct 2018)	Stable
Standard & Poor’s Corporation	A+	-	Stable
Fitch IBCA, Inc	AA	-	Stable

Legend to Rating Scales

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

Legend to Rating Scales (continued)

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

7. INSURANCE BUSINESS AND NON-CONSOLIDATED ACTIVITIES

The Banking Group does not conduct any insurance business.

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

8. MORTGAGE BUSINESS

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

9. OTHER MATERIAL MATTERS

After the outbreak of Coronavirus disease 2019 ("COVID-19") in early 2020, a series of precautionary and control measures have been and continue to be implemented across the country/region. As at the date of when this financial report was authorised for issue, management was not aware of any material adverse effects on the financial performance or position of the Banking Group, as a result of the COVID-19 pandemic. Further, the Banking Group is not aware of any material effects of the IBOR transition which is due to occur in 2021. There are no other matters relating to the business or affairs of the Registered Bank and the Banking Group which are not contained elsewhere in this Disclosure Statement which, if disclosed, would materially adversely affect the decision of a person to subscribe for debt securities of which the Registered Bank or any member of the Banking Group is the issuer.

10. FINANCIAL STATEMENTS OF THE REGISTERED BANK AND BANKING GROUP

Any person, upon request and without charge, may obtain a copy of the Banking Group's most recent Disclosure Statement, which contains a copy of the most recent publicly available (un-audited) consolidated financial statements of the Registered Bank ("Call Report") for the period ended 30 June 2020 and the Registered Bank's audited financial statements for the fiscal year ended 31 December 2019 ("2019 Financials") by requesting a copy from jpm_rbnz_finance_au@jpmorgan.com. The most recent Call Report is also available online at <http://www.jpmorgan.com/pages/international/newzealand>.

The Call Report is prepared in accordance with the regulatory instructions issued by the Federal Financial Institutions Examination Council ("FFIEC"), as compared to the 2019 Financials which is prepared in accordance with U.S. GAAP. In 1997, the FFIEC adopted U.S. GAAP as the reporting basis for the consolidated balance sheet, income statement and related schedules included in the Call Report. Despite the adoption of U.S. GAAP as the reporting basis for the Call Report, the presentation of financial statements in the Call Report differs significantly from the presentation of financial statements included in the 2019 Financials, the Call Report generally contains less disclosure than audited financial statements prepared in accordance with U.S. GAAP.

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

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

- This Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) as at the date on which this Disclosure Statement is signed;
- The Registered Bank has complied with all conditions of registration that applied during the full year accounting period;

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

- NZ Branch had systems in place to monitor and control adequately the material risks of the Registered Bank's Banking Group, including credit risk, concentration of credit risk, operational risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems were being properly applied during the full year accounting period; and
- This Disclosure Statement is not false or misleading as at the date on which this Disclosure Statement is signed.

The current directors of the Registered Bank are Linda B. Bammann, Stephen B. Burke, Todd A. Combs, James S. Crown, James Dimon, Timothy P. Flynn, Mellody Hobson, Michael A. Neal, Lee R. Raymond and Virginia M. Rometty.

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



Warren Davis

21 August 2020

Date



Stewart Old

21 August 2020

Date

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

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Disclosure Statement

FOR THE HALF YEAR ENDED 30 JUNE 2020

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STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

A. Statutory Base

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

These financial statements are for the Banking Group and are authorised by the Directors for issue on 21 August 2020. The Registered Bank has the power to amend and re-issue the financial report.

B. Measurement Base

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

C. Basis of Aggregation and Preparation

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

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

D. Comparatives

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

E. Critical Accounting Estimates and Judgements

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

- **Fair Value**

Where an active market exists for a financial instrument, fair values are determined by reference to the quoted prices/yields at balance date. Such instruments are classified as level 1 within the fair value hierarchy table in the audited financial statements of the Banking Group for the year ended 31 December 2019 and are still considered to be level 1 as at 30 June 2020. However, for certain financial instruments where no active market exists, judgement is used to select the valuation technique which best estimates its fair value.

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

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Critical Accounting Estimates and Judgements (continued)

- **Measurement of the expected credit loss allowance**

An expected credit loss allowance (“ECL”) is required for financial assets measured at amortised cost and fair value through other comprehensive income as well as lending-related commitments such as loan commitments and financial guarantees. The measurement of ECL requires the use of complex models and significant assumptions about future economic conditions and credit behaviours. The Banking Group has assessed the effects of the COVID-19 pandemic and the ability to recover its loans and advances. The Banking Group’s largest loan of \$99.8 million was repaid on 31 July 2020 and the facility was cancelled. The repayment and cancellation were factored into the Banking Group’s ECL assessment, and no ECL was recognised with respect to this loan.

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

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

- **Impairment of Intangible Assets**

Intangible assets are tested annually for impairment to determine whether the fair value is less than the carrying amount and whether the impairment is other than temporary. The fair value is determined based on present value of future cash flow projection at a discount rate of 15.0%. The cash flow projection model is based on management assumptions of future growth rates for expenses and revenue. All future cash flows are based on five year projections based on most recent forecasts, incorporating a 2% growth rate. The business forecasts applied by management are considered appropriate as they are based on past experience and are consistent with observable current market information. The results of the impairment testing performed for the comparative periods did not result in any impairment being identified. There were no intangible assets for the reporting period.

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

F. Significant Accounting Policies

There have been no changes in accounting policies or methods of computation in the preparation of the financial statements for the six months ended 30 June 2020 since the most recent annual financial statements for the year ended 31 December 2019.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2020**

Banking Group (\$'000)			
	Unaudited	Unaudited	Audited
Note	6 months	6 months	12 months
	30/06/2020	30/06/2019	31/12/2019
Interest income			
Calculated using the effective interest rate method	3,475	5,150	10,412
Other	7,945	9,707	21,000
Total Interest income	11,420	14,857	31,412
Interest expense	(5,300)	(8,851)	(17,762)
Net interest income	6,120	6,006	13,650
Other operating income/(loss)	14,408	8,584	15,880
Total operating income	20,528	14,590	29,530
Operating expenses	(7,802)	(6,165)	(15,783)
Net profit/(loss) before taxation	12,726	8,425	13,747
Income tax (expense)/benefit	(3,768)	(2,445)	(4,581)
Net profit/(loss) after taxation	8,958	5,980	9,166
Other comprehensive income, net of tax	96	417	340
Total comprehensive income for the period	9,054	6,397	9,506

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

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2020

Banking Group (\$'000)					
Note	Share Capital	Other Reserves	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
30 June 2019					
	-	-	-	-	-
	-	-	-	5,980	5,980
	-	430	(13)	-	417
6	-	430	(13)	5,980	6,397
	-	(430)	13	(5,980)	(6,397)
5	-	-	-	-	-
31 December 2019					
	-	-	-	-	-
	-	-	-	9,166	9,166
6	-	433	(93)	-	340
	-	433	(93)	9,166	9,506
	-	(433)	93	(9,166)	(9,506)
5	-	-	-	-	-
30 June 2020					
	-	-	-	-	-
	-	-	-	8,958	8,958
6	-	-	96	-	96
	-	-	96	8,958	9,054
	-	-	(96)	(8,958)	(9,054)
5	-	-	-	-	-

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

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

Banking Group (\$'000)				
Note	Unaudited 6 months 30/06/2020	Unaudited 6 months 6/30/2019	Audited 12 months 31/12/2019	
ASSETS				
Current Assets				
Cash and cash equivalents	7	565,127	148,534	136,215
Margin and other receivables	8	48,527	70,589	47,045
Financial assets at fair value through profit or loss	9	3,402,109	896,659	1,423,185
Financial assets at amortised cost	10	149,536	149,114	191,744
Financial assets at fair value through other comprehensive income	11	-	130,383	205,347
Derivative assets		21	-	-
		4,165,320	1,395,279	2,003,536
Non Current Assets				
Property, plant & equipment	12	350	388	329
Intangible assets	13	-	656	-
Deferred tax assets		382	357	382
		732	1,401	711
		4,166,052	1,396,680	2,004,247
LIABILITIES				
Current Liabilities				
Overdrafts	7(a)	-	13,519	-
Deposits – short term	14	712,118	375,045	523,252
Financial liabilities at fair value through profit or loss	15	3,366,731	888,338	1,389,905
Payables	12,16	81,031	112,713	87,225
Provision for taxation		5,807	6,745	2,630
Derivative liabilities		-	90	87
		4,165,687	1,396,450	2,003,099
Non Current Liabilities				
Payables	12,16	122	-	195
Provision for taxation		243	230	953
		365	230	1,148
		4,166,052	1,396,680	2,004,247
Net Assets		-	-	-
EQUITY				
Attributable to the shareholders of the Banking Group		-	-	-
Total Equity	5	-	-	-

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

**STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

Banking Group (\$'000)			
	Unaudited 6 months 30/06/2020	Unaudited 6 months 30/06/2019	Audited 12 months 31/12/2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Fees, commissions and other income received	10,535	6,572	17,790
Payments to suppliers and employees	(10,707)	(2,381)	1,524
Receipts from/(payments to) related parties	222,032	(45,586)	81,005
Net movement in margin balances	6,557	34,638	8,405
Net proceed from disposal/(purchase) of financial instruments	1,525	14,363	(12,670)
Net (increase)/decrease in loans	247,555	(46,510)	(164,104)
Increase/(decrease) in deposits	(44,298)	5,224	33,011
Tax paid	(4,511)	(1,542)	(5,265)
Interest received	5,908	6,490	13,737
Interest paid	(3,537)	(11,464)	(11,832)
Net cash inflow/(outflow) from operating activities	19 431,059	(40,196)	(38,399)
CASH FLOWS FROM INVESTING ACTIVITIES			
Plant and equipment	(75)	-	(13)
Net cash inflow/(outflow) from investing activities	(75)	-	(13)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for leases	(75)	(52)	(134)
Repatriation of profit	(1,223)	(40)	(78)
Net cash inflow/(outflow) from financing activities	(1,298)	(92)	(212)
Net increase/(decrease) in cash	429,686	(40,288)	(38,624)
Opening cash and cash equivalents	136,215	175,330	175,330
Effect of changes in foreign exchange rates on cash balances	(774)	(27)	(491)
Closing cash and cash equivalents	7(a) 565,127	135,015	136,215

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

Banking Group (\$'000)

Unaudited 6 months 30/06/2020	Unaudited 6 months 30/06/2019	Audited 12 months 31/12/2019
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NOTE 1 - INTEREST INCOME

Financial assets at amortised cost			
Cash and cash equivalents	296	1,623	2,491
Loans and advances	1,911	2,048	5,256
Financial assets at fair value through profit or loss	7,945	9,707	21,000
Financial assets at fair value through other comprehensive income	1,268	1,479	2,665
Total interest income	11,420	14,857	31,412

NOTE 2 - OTHER OPERATING INCOME/(LOSS)

Fee and commissions income	11,062	8,449	17,831
Trading income/(loss)	3,731	18	(2,053)
Other (loss)/income	(385)	117	102
Total other operating income/(loss)	14,408	8,584	15,880

NOTE 3 – OPERATING EXPENSES

Administration expenses	5,367	4,124	10,360
Fee and commissions expenses	820	800	1,867
Employee expenses	527	417	1,058
Goodwill impairment	-	-	642
Occupancy expenses	66	149	206
Depreciation & amortisation	73	101	183
Professional services expenses	158	61	272
Technology & communications expenses	2	4	6
Credit loss expense	149	(5)	50
Other expenses	640	514	1,139
Total operating expenses	7,802	6,165	15,783

NOTE 4 – INCOME TAX EXPENSE / (BENEFIT)

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

Current tax	3,768	2,463	4,620
Deferred tax	-	-	(25)
Over/ (Under) provision for prior years	-	(18)	(14)
	3,768	2,445	4,581

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

Operating surplus/(deficit) before tax	12,726	8,425	13,747
Income tax expense/(benefit) - prima facie at the Australian rate of 30% and New Zealand rate of 28%	3,768	2,463	4,039
Tax effect of non deductible expense	-	-	556
Adjustment for (over)/under provision in prior periods	-	(18)	(14)
Total income tax expense	3,768	2,445	4,581

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2020

NOTE 5 - EQUITY

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

	Banking Group (\$'000)		
	Unaudited 6 months 30/06/2020	Unaudited 6 months 30/06/2019	Audited 12 months 31/12/2019
Opening balance	-	-	-
FVOCI additions	163	430	433
FVOCI reversals on loan repayment	(163)	-	-
Foreign currency translation reserve movement	96	(13)	(93)
Movement during the period	96	417	340
(Repatriation)/reimbursement (to)/from head office	(96)	(417)	(340)
Closing balance	-	-	-

NOTE 6 – OTHER COMPREHENSIVE INCOME

Opening balance
FVOCI additions
FVOCI reversals on loan repayment
Foreign currency translation reserve movement
Movement during the period
(Repatriation)/reimbursement (to)/from head office
Closing balance

	Banking Group (\$'000)		
	Unaudited 6 months 30/06/2020	Unaudited 6 months 30/06/2019	Audited 12 months 31/12/2019
Due from central and other banks			
New Zealand - short term deposit	205,000	-	85,000
New Zealand - at call	44,955	145,678	36,375
Overseas - at call	315,172	2,856	14,840
Total due from central and other banks	565,127	148,534	136,215
Total cash and cash equivalents	565,127	148,534	136,215

7 (a) Reconciliation of Cash

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

Cash and cash equivalents	565,127	148,534	136,215
Overdrafts	-	(13,519)	-
	565,127	135,015	136,215

NOTE 8 – MARGIN AND OTHER RECEIVABLES

Margin receivable	45,368	38,893	41,780
Interest receivable	67	224	292
Amounts due from related parties	643	23,326	36
Fee income receivable	2,393	8,086	4,895
Other receivable	56	60	42
Total margin and other receivables	48,527	70,589	47,045

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

Banking Group (\$'000)

Unaudited 6 months 30/06/2020	Unaudited 6 months 30/06/2019	Audited 12 months 31/12/2019
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NOTE 9 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Government bonds, notes and securities	114,193	24,305	103,670
Cash collateral pledged on reverse repurchase agreements	3,287,916	872,354	1,319,515
Total financial assets at fair value through profit or loss	3,402,109	896,659	1,423,185

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

NOTE 10 - FINANCIAL ASSETS AT AMORTISED COST

Loans and advances	149,593	149,137	191,778
Expected credit loss allowance	(57)	(23)	(34)
Total financial assets at amortised cost	149,536	149,114	191,744

NOTE 11 - FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Loans and advances	-	130,000	205,000
Expected credit loss allowance	-	(47)	(86)
Fair value adjustment through other comprehensive income	-	430	433
Total financial assets at fair value through other comprehensive income	-	130,383	205,347

NOTE 12 LEASES

Amounts recognised in the Statement of Financial Position

The Statement of Financial Positions shows the following amounts relating to leases as at 30 June 2020:

Right-of-use assets*

Properties \$260,000

* included in the line item 'Property, plant & equipment' in the Statement of Financial Position

Lease liabilities **

Current \$143,000

Non-current \$122,000

** included in the line item 'Payables' in the Statement of Financial Position and 'Other Payables' in Note 16

Amounts recognised in the Statement of Comprehensive Income

The Statement of Comprehensive Income shows the following amounts relating to leases for the six months ended 30 June 2020:

Amortization charge of right-of-use assets

Properties \$72,000

Interest Expense on Lease Liability

Leases \$5,000

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2020

Banking Group (\$'000)

	Unaudited 6 months 30/06/2020	Unaudited 6 months 30/06/2019	Audited 12 months 31/12/2019
Goodwill	-	642	-
Intangible assets – Custody clearing services software	289	289	289
Intangible assets – Customer contracts/relationships	377	377	377
Accumulated amortisation of intangible assets	(666)	(652)	(666)
Net Intangibles	-	656	-

NOTE 13 – INTANGIBLE ASSETS

Goodwill and intangible assets were acquired as part of the purchase of the ANZ New Zealand custody business on 18 December 2009. In February 2020, a determination was made that the Registered Bank would cease to support third party direct custody clients in New Zealand by the end of 2020 (these clients are typically offshore banks and broker-dealers who seek a sub-custodian for safekeeping and settlement on New Zealand securities). Third party direct custody clients in New Zealand will need to appoint new agent banks to provide sub-custodial services in the New Zealand market. There is no impact to clients who contract with the NZ Branch as a global custodian and the Registered Bank remains committed to this business. The NZ Branch will continue to act as the sub-custodian entity in New Zealand for global custody business only. Following this decision, the carrying value of the goodwill on the balance sheet of the Banking Group has been assessed as impaired.

NOTE 14 – DEPOSITS - SHORT TERM

Deposits	712,118	375,045	523,252
Total Deposits – short term	712,118	375,045	523,252

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

NOTE 15 - FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Trading securities	64,797	14,633	2,589
Cash collateral received on repurchase agreements	3,301,934	873,705	1,387,316
Total financial liabilities at fair value through profit or loss	3,366,731	888,338	1,389,905

NOTE 16 – PAYABLES

Margin payable	51,288	64,489	41,143
Interest payable	12	28	45
Accrued expenses	1,896	3,127	5,945
Amounts due to related parties	27,340	42,483	34,428
Other payable	617	2,586	5,859
Total payables	81,153	112,713	87,420

NOTE 17 – RELATED PARTY TRANSACTIONS

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

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

NOTE 17 – RELATED PARTY TRANSACTIONS (continued)

	Banking Group (\$'000)		
	Unaudited 6 months 30/06/2020	Unaudited 6 months 30/06/2019	Audited 12 months 31/12/2019
Total due from related parties	2,312,348	883,964	1,344,656
Total due to related parties	2,340,764	247,031	1,238,278

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

	NZ Branch (\$'000)		
	Unaudited 6 months 30/06/2020	Unaudited 6 months 30/06/2019	Audited 12 months 31/12/2019
Total liabilities net of amounts due to related parties	192,838	223,910	245,397

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

	Banking Group (\$'000)		
	Unaudited 6 months 30/06/2020	Unaudited 6 months 30/06/2019	Unaudited 12 months 31/12/2019
Net profit/(loss) for the period	8,958	5,980	9,166
Movement in Head Office Repatriation included in net surplus	(7,831)	(5,926)	(8,997)
Depreciation and amortisation	78	100	150
Interest expense on leases	5	-	4
Goodwill impairment	-	-	674
Changes in operating assets and liabilities:			
Movement in financial instruments	(2,206)	14,345	(10,617)
Movement in fee income receivable	2,502	(119)	3,072
Movement in accrued interest receivable	225	(61)	(129)
Movement in amounts due from related parties	(607)	(23,320)	(30)
Movement in margin receivables	(3,588)	482,953	480,066
Movement in other receivable	(14)	28	46
Movement in deferred tax assets	-	-	(25)
Movement in loans	247,556	(46,510)	(164,104)
Movement in deposits	188,866	(33,178)	115,028
Movement in tax payable	2,467	1,168	(2,224)
Movement in accrued interest payable	(33)	17	34
Movement in margin payable	10,145	(448,315)	(471,661)
Movement in other payables	(5,173)	715	4,056
Movement in accrued expenses	(4,049)	(1,152)	1,666
Movement in amounts due to related parties	(7,088)	13,082	5,027
Movement in foreign exchange translation balances attributable to cash and other balances	846	(3)	399
Net cash inflow/(outflow) from operating activities	431,059	(40,196)	(38,399)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2020

NOTE 20 – COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2020, the Banking Group had an undrawn committed facility of Nil (30 June 2019: Nil) and a stand-by letter of credit of Nil (30 June 2019: \$1.5 million).

NOTE 21 – EVENTS AFTER THE REPORTING PERIOD

Subsequent to the half year, the Banking Group's largest loan of \$99.8 million was repaid on 31 July 2020 and the facility was cancelled. The repayment and cancellation were factored into our ECL assessment, and no ECL was recognised with respect to this loan. No other matters or circumstances have arisen since the end of the reporting period which significantly affected, or may significantly affect, the operations, the results of those operations, or the state of affairs of the Banking Group in future financial years.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2020
SUPPLEMENTAL INFORMATION

NOTE 22 – INTEREST EARNING AND DISCOUNT BEARING ASSETS AND LIABILITIES

	Banking Group (\$'000)		
	Unaudited	Unaudited	Unaudited
	6 months	6 months	12 months
	30/06/2020	30/06/2019	31/12/2019
Interest earning and discount bearing assets	4,116,772	1,324,690	1,956,491
Interest and discount bearing liabilities	4,079,114	1,277,305	1,913,492

NOTE 23 – CAPITAL ADEQUACY

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

Under the risk-based capital guidelines of the OCC, the Registered Bank is required to maintain minimum ratios of CET1, Tier 1 and Total capital to risk-weighted assets (“RWA”). The Registered Bank is required to calculate its capital adequacy under both of the Basel III approaches (Standardized and Advanced) as required by the Collins Amendment of the Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”). The Registered Bank’s capital adequacy is evaluated against the lower of the two ratios. Failure to meet these minimum requirements could cause the OCC to take action. The Registered Bank is required to maintain minimum ratios for CET1 of 4.5%, Tier 1 Capital of 6% and Total Capital of 8% as at 30 June, 2020. A capital conservation buffer of 2.5% applies in addition to these ratios.

The ratios given below for the Registered Bank are for the consolidated group, including the Registered Bank and its subsidiary and associated companies. The capital ratios for the Registered Bank on an unconsolidated basis are not publicly available.

Capital Adequacy Ratios	Basel III Advanced Transitional Registered Bank 30/06/2020 Unaudited	Basel III Standardised Registered Bank 30/06/2020 Unaudited	Basel III Advanced Transitional Registered Bank 30/06/2019 Unaudited	Basel III Standardised Registered Bank 30/06/2019 Unaudited
Common Equity Tier 1 Capital	16.57%	14.88%	16.71%	14.99%
Tier 1 Capital	16.57%	14.89%	16.71%	14.99%
Total Capital	16.98%	16.09%	17.30%	16.20%

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

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

NOTE 24 – ACTIVITIES OF THE BANKING GROUP IN NEW ZEALAND

As at 30 June 2020, no members of the Banking Group has 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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2020
SUPPLEMENTAL INFORMATION

NOTE 24 – ACTIVITIES OF THE BANKING GROUP IN NEW ZEALAND (continued)

Custodial Services

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

The financial statements of the Banking Group include income in respect of custodial services provided to customers by the NZ Branch. As at 30 June 2020, securities held on behalf of NZ Branch's customers were excluded from the Statement of Financial Position. The value of securities held in custody by NZ Branch was \$43,745 million (December 2019: \$44,865 million).

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

NOTE 25 – RISK MANAGEMENT

During the six months ended 30 June 2020, the Banking Group has not become exposed to a new category of risk and 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2020
SUPPLEMENTAL INFORMATION

NOTE 25 – 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 30 June 2020 and are held by the Banking Group for the purposes of managing liquidity risk.

	Banking Group (\$'000)							
	Unaudited 30/06/2020							
	Total	On Demand	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Non specified
ASSETS								
*Cash and cash equivalents	565,127	360,127	205,000	-	-	-	-	-
*Margin and other receivables	48,527	45,368	3,159	-	-	-	-	-
*Financial assets at fair value through profit or loss	3,402,109	-	3,402,109	-	-	-	-	-
*Financial assets at amortised cost	149,536	49,282	100,254	-	-	-	-	-
Derivative assets	21	21	-	-	-	-	-	-
Property, plant & equipment	350	-	-	-	-	-	-	350
Deferred tax assets	382	-	-	-	-	-	-	382
Total Assets	4,166,052	454,798	3,710,522	-	-	-	-	732
LIABILITIES								
Deposits – short term	712,118	633,783	78,335	-	-	-	-	-
Financial liabilities at fair value through profit or loss	3,366,731	-	3,366,731	-	-	-	-	-
Margin payable	51,288	51,288	-	-	-	-	-	-
Other payables	29,865	-	29,635	36	72	122	-	-
Provision for taxation	6,050	-	-	-	5,807	243	-	-
Total Liabilities	4,166,052	685,071	3,474,701	36	5,879	365	-	-

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2020
SUPPLEMENTAL INFORMATION

NOTE 25 – 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)
	Unaudited 30/06/2020
Credit Risk Components:	
Cash and cash equivalents	565,127
Margin and other receivables	48,527
Financial assets at fair value through profit or loss	3,402,109
Financial assets at amortised cost	149,536
Derivative assets	21
	4,165,320
Credit Risk by industry	
Finance	3,901,490
Manufacturing	148,950
Local authorities	114,193
Other	687
	4,165,320
Credit Risk by geographical area	
Within New Zealand	1,347,404
Overseas	2,817,916
	4,165,320

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
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NOTE 25 – 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)
	Unaudited 30/06/2020
Funding Risk Components:	
Deposits – short term	712,118
Financial liabilities at fair value through profit or loss	3,366,731
Payables	81,153
	4,160,002
Funding Risk by industry	
Finance	3,978,114
Property and business services	52,726
Electricity, gas and water	43,712
Manufacturing	30,168
Information media & telecommunications	26,703
Wholesale trade	22,665
Other	5,914
	4,160,002
Funding Risk by geographical area	
Within New Zealand	1,190,854
Overseas	2,969,148
	4,160,002

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2020
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NOTE 25 – RISK MANAGEMENT (continued)

Interest Rate Sensitivity

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

	Banking Group (\$'000)						
	Unaudited 30/06/2020						
	Total	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years	Not interest- bearing
ASSETS							
Cash and cash equivalents	565,127	565,127	-	-	-	-	-
Margin and other receivables	48,527	-	-	-	-	-	48,527
Financial assets at fair value through profit or loss	3,402,109	3,402,109	-	-	-	-	-
Financial assets at amortised cost	149,536	149,536	-	-	-	-	-
Derivative assets	21	21	-	-	-	-	-
Property, plant & equipment	350	-	-	-	-	-	350
Deferred tax assets	382	-	-	-	-	-	382
Total Assets	4,166,052	4,116,793	-	-	-	-	49,259
LIABILITIES							
Deposits – short term	712,118	712,118	-	-	-	-	-
Financial liabilities at fair value through profit or loss	3,366,731	3,366,731	-	-	-	-	-
Margin and other payables	81,153	35	36	72	122	-	80,888
Provision for taxation	6,050	-	-	-	-	-	6,050
Total Liabilities	4,166,052	4,078,884	36	72	122	-	86,938

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2020
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NOTE 26 – EXPOSURES TO MARKET RISK

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

	Banking Group (\$'000)	
	Unaudited	
	Implied risk weighted exposure	Notional capital charge
30 June 2020		
Market Risk End-period		
Interest rate risk	-	-
Foreign currency risk	15,626	1,250
Equity risk	-	-
1 January 2020 - 30 June 2020		
Market Risk Peak End-of-day		
Interest rate risk	-	-
Foreign currency risk	439,968	35,197
Equity risk	-	-

NOTE 27 –ASSET QUALITY

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

The table below presents assets past due at balance date:

	Banking Group (\$'000)				Total
	Unaudited				
	Less than 30 days past due	At least 30 days but less than 60 days past due	At least 60 days but less than 90 days past due	At least 90 days past due	
30 June 2020					
Past due and not impaired	512	-	-	-	512
30 June 2019					
Past due and not impaired	718	843	345	5,069	6,975

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2020
SUPPLEMENTAL INFORMATION

NOTE 27 – ASSET QUALITY (continued)

Registered Bank (consolidated)	
Unaudited	Unaudited
6 months	6 months
30/06/2020	30/06/2019
US\$'000	US\$'000

Total individually impaired assets (before allowances for credit impairment loss and net of interest held in suspense)	N/A	11,807,000
Total individually impaired assets expressed as a percentage of total assets	N/A	0.5%
Total individual credit impairment allowance	N/A	905,000
Total individual credit impairment allowance expressed as a percentage of total impaired assets	N/A	7.7%
Total collective credit impairment allowance	N/A	10,943,000

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

Registered Bank (consolidated)	
Unaudited	Unaudited
6 months	6 months
30/06/2020*	30/06/2019
US\$'000	US\$'000

Total non-accrual loans	8,628,000	5,678,000
Total loans	982,341,000	958,193,000
Total non-accrual loans expressed as a percentage of total loans	0.9%	0.6%
Total expected credit losses	32,071,000	13,147,000
Total expected credit losses expressed as a percentage of total loans	3.3%	1.4%

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2020
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NOTE 27 – ASSET QUALITY (continued)

	Banking Group		
	Unaudited	Unaudited	Audited
	6 months	6 months	12 months
	30/06/2020	30/06/2019	31/12/2019
	NZ\$'000	NZ\$'000	NZ\$'000
Movements in components of loss allowance (NZ IFRS 9)*			
Stage 1			
Opening balance	120	75	75
The charge to the statement of financial performance for an increase in individual loss allowances	(120)	(5)	45
Amounts written off	-	-	-
Recoveries of amounts written off in previous periods	-	-	-
Reversals of previously recognised impairment losses	-	-	-
Other movements, and the nature of those other movements	-	-	-
Closing balance	-	70	120
Stage 2			
Opening balance	-	-	-
The charge to the statement of financial performance for an increase in individual loss allowances	57	-	-
Amounts written off	-	-	-
Recoveries of amounts written off in previous periods	-	-	-
Reversals of previously recognised impairment losses	-	-	-
Other movements, and the nature of those other movements	-	-	-
Closing balance	57	-	-

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

	Banking Group		
	Unaudited	Unaudited	Audited
	6 months	6 months	12 months
	30/06/2020	30/06/2019	31/12/2019
	NZ\$'000	NZ\$'000	NZ\$'000
Impacts of changes in gross financial assets on loss allowances (NZ IFRS 9)			
Loans and advances (Note 10 and 11)			
Pre allowance opening balance	396,778	233,062	233,062
Additions	5,578	65,216	183,160
Amounts written off	-	-	-
Deletions	(252,764)	(19,141)	(19,444)
Pre allowance closing balance	149,592	279,137	396,778
Fair value through other comprehensive income	-	430	433
Closing loss allowance	(57)	(70)	(120)
Total Loans and advances (Note 10 and 11)	149,535	279,497	397,091

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2020
SUPPLEMENTAL INFORMATION

NOTE 28 – REGISTERED BANK PROFITABILITY AND SIZE

	Registered Bank (consolidated)	
	Unaudited 6 months 30/06/2020 US\$'000	Unaudited 6 months 30/06/2019 US\$'000
Net profit/(loss) after taxation	3,676,000	16,106,000
Net profit/(loss) after taxation, over the previous 12 month period, as a percentage of average total assets	0.7%	1.3%
Total assets	2,820,922,000	2,354,812,000
Percentage increase/(decrease) in total assets from previous period	19.8%	8.6%



Independent review report

To the Directors of JPMorgan Chase Bank, National Association

Report on the Disclosure Statement

We have reviewed pages 12 to 33 of the Disclosure Statement for the six months ended 30 June 2020 (the “Disclosure Statement”) of JPMorgan Chase Bank, National Association in respect of the New Zealand Banking Group (the “NZ Banking Group”), which includes the interim financial statements required by Clause 26 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the “Order”) and the supplementary information required by Schedules 5, 7, 9, 12 and 14 of the Order. The interim financial statements comprise the statement of financial position as at 30 June 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the six months then ended, and the notes to the interim financial statements that include a statement of significant accounting policies and other explanatory information. The NZ Banking Group comprises the New Zealand operations of JPMorgan Chase Bank, National Association.

Director’s responsibility for the Disclosure Statement

The Directors of the NZ Banking Group (the “Directors”) are responsible on behalf of the NZ Banking Group, for the preparation and fair presentation of the Disclosure Statement, which includes interim financial statements prepared in accordance with Clause 26 of the Order and for such internal control as the Directors determine is necessary to enable the preparation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible, on behalf of the NZ Banking Group, for the preparation and fair presentation of supplementary information in the Disclosure Statement which complies with Schedules 3, 5, 7, 9, 12 and 14 of the Order.

Our responsibility

Our responsibility is to express the following conclusions on the interim financial statements and supplementary information presented by the Directors based on our review:

- the interim financial statements (excluding the supplementary information): whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the interim financial statements have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* (NZ IAS 34) and International Accounting Standard 34: *Interim Financial Reporting* (IAS 34);
- the supplementary information (excluding the supplementary information relating to credit and market risk exposures and capital adequacy): whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 12 and 14 of the Order; and
- the supplementary information relating to credit and market risk exposures and capital adequacy: whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.



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). As the auditor of the NZ Banking Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review 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 International Standards on Auditing (New Zealand) and International Standards on Auditing. Accordingly, we do not express an audit opinion on the interim financial statements and supplementary information.

We are independent of the NZ Banking Group. Our firm carries out other services for the NZ Banking Group in the areas of providing assurance on the NZ Banking Group's annual financial statements, and regulatory filings. In addition, certain partners and employees of our firm may deal with the NZ Banking Group on normal terms within the ordinary course of trading activities of the NZ Banking Group. These matters have not impaired our independence as auditor of the NZ Banking Group.

Conclusion

We have examined the interim financial statements and supplementary information and based on our review, nothing has come to our attention that causes us to believe that:

- a) the interim financial statements on pages 12 to 34 (excluding the supplementary information) have not been prepared, in all material respects, in accordance with NZ IAS 34 and IAS 34;
- b) the supplementary information that is required to be disclosed under Schedules 5, 7, 12 and 14 of the Order, does not fairly state the matters to which it relates in accordance with those Schedules; and
- c) the supplementary information relating to credit and market risk exposures and capital adequacy that is required to be disclosed under Schedule 9 of the Order is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.



Who we report to

This report is made solely to the Directors, as a body. Our review work has been undertaken so that we might state those matters which we are required to state to them in our review 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 NZ Banking Group and the Directors, as a body, for our review procedures, for this report, or for the conclusions we have formed.

For and on behalf of:

A handwritten signature in black ink that reads 'Private-House Coopers'.

Chartered Accountants
21 August 2020

Sydney

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

PricewaterhouseCoopers was the audit firm appointed to undertake the review of the Disclosure Statement of JPMorgan Chase Bank, National Association New Zealand Banking Group for the six months ended 30 June 2020. I was responsible for the execution of the review and delivery of our firm's auditor's review statement. The review work was completed on 21 August 2020 and an unqualified review statement is expressed as at that date.

A handwritten signature in black ink that reads 'L Hinchliffe'.

Sam Hinchliffe
Partner