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

Errata Notice: Disclosure Statement

For the year ended 31 December 2021

In the Disclosure Statement for the period ended 31 December 2021 (published on 28 March 2022), the Responsible Persons on behalf of each of the Directors note that the previously published Disclsoure Statement for the period ended 31 December 2021 was missing information under schedule 2.14 (2), and included incorrect information under schedule 2.19 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Orders 2014 (as amended) ("Orders in Council"), as set out below:

1. Page 7 referred to the fact that the Conditions of Registration have changed, however did not include a description of these changes;

2. Page 9 referred to the incorrect dates for the Banking Prudential Requirements (BPR) document version dates and "loan-to valuation measurement period" in the Conditions of Registration; and

3. Page 11 incorrectly referenced the half year accounting period, instead of the full year accounting period.

Such information was missing or incorrect from the date of publication (28 March 2022) of the Disclosure Statement up to and including 9 June 2022.

The updated Disclosure Statement for the period ended 31 December 2021 is attached to this notice and can also be accessed online at http://www.jpmorgan.com/pages/international/newzealand.

Signed by Mr Davis and Mr Bedwell as Responsible Persons on behalf of each of the Directors.

Warren Davis	9 June 2022 Date
Robert Bedwell	9 June 2022 Date

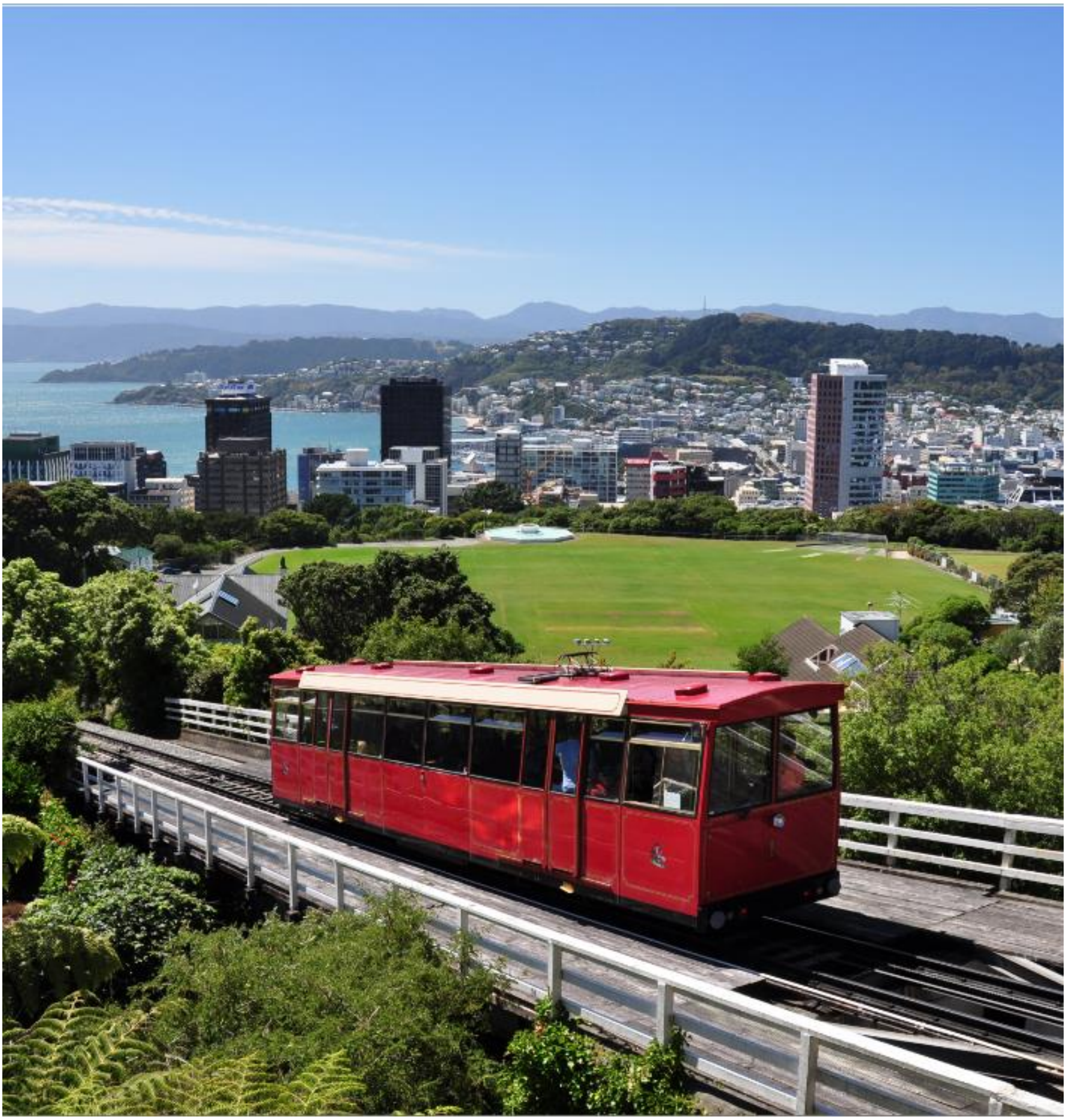
Signed on behalf of the Directors of JPMorgan Chase Bank, National Association.

J.P.Morgan

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

Disclosure Statement

For the year ended 31 December 2021



Disclosure Statement

For the year ended 31 December 2021

CONTENTS

1. DEFINITIONS

In this Disclosure Statement, unless the context otherwise requires:

Term	Description
Registered Bank	The worldwide operations of JPMorgan Chase Bank, National Association or JPMorgan Chase Bank, N.A. This includes the Banking Group
NZ Branch	The New Zealand operations of Registered Bank conducted through its New Zealand branch
JPMCC	JPMorgan Chase & Co, the ultimate non-bank 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.
General Auditor	External and independent party appointed to conduct an assessment on internal controls and financial reporting.

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 Non-Bank Holding Company

JPMorgan Chase & Co.

Ultimate Non-Bank 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

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

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

Directors of the Registered Bank (continued)

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
BS - Georgia Institute of Technology
United States of America

Phebe Nevenka Novakovic – Independent Non-Executive Director
Chairman and Chief Executive Officer of General Dynamics since 2013
MBA – University of Pennsylvania Wharton School
United States of America

Virginia M. Rometty - Independent Non-Executive Director
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 and CEO of Henry Crown and Company, companies incorporated in the United States of America
- Mr. Flynn is a director of 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

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

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

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

Director Related Transactions

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

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

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

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

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

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

Stewart Old (Resigned: 25 February 2021)
Senior Financial Officer, JPMorgan Australia and New Zealand
Bachelor of Arts, Bachelor of Laws, Master of Laws – University of Sydney; Certified Practicing Accountant
Australia

New Zealand Chief Executive Officer

The name, occupation, professional qualifications and country of residence of the New Zealand Chief Executive Officer who held office at any time during the reporting period ended 31 December 2021 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 not a Director of any non-banking group companies.

Acting New Zealand Chief Executive Officer Related Transactions

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

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

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

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

Transactions with Related Persons

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

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

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

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

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

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

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

Regulation O

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

- 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.

Regulation O (continued)

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

Conflicts of Interest

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

Corporate Governance and Risk Management

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

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

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

Audit Committee and Internal Audit

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

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

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

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

- Audit – Examination of significant business and operational key risks and the controls established to mitigate those risks, including compliance with laws, regulations and established policies and procedures

- Post-acquisition Review – Performed upon the purchase of an entire company, the purchase of a portfolio from another business, the in-sourcing of a business process from another company, or participation in a joint venture to assess the control environment of the acquired company/process in relation to JPMCC standards

- 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

Audit Committee and Internal Audit (continued)

- Change Activity - Encompasses any event with significant impact on the control environment, including new products/ businesses, new/significantly revised regulations, new accounting pronouncements, large-scale remediation programs, system development/implementation, business migrations/consolidations, business divestitures and branch/office closures
- Audit Issue Validation – Audit performs validation on internal audit and regulator identified issues within 60 days of issue closure.

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

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

Conditions of Registration

Changes to Conditions of Registration

There have been the following changes to the Bank's Conditions of Registration during the year ended 31 December 2021:

Change #	Effective Date of Change	Description of Change
1	1 March 2021	Reinstatement of conditions that impose restrictions on new residential mortgage lending at high Loan-to-Value Ratios (LVR). Conditions 9 to 12 and related definitions (below) were added 9. That, for a loan-to-valuation measurement period ending on or before 30 September 2021, the total of the business of the registered bank in New Zealand's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 70%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period. 10. That, for a loan-to-valuation measurement period ending on or after 31 October 2021, the total of the business of the registered bank in New Zealand's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 60%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period. 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 property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

		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 security for the loan. In conditions of registration 9 to 12,— "loan-to-valuation ratio", "non property-investment residential mortgage loan", "property-investment residential mortgage loan", "qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans", and "residential mortgage loan" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated January 2019, and where the version of the Reserve Bank of New Zealand document "Capital Adequacy Framework (Standardised Approach)" (BS2A) referred to in BS19 for the purpose of defining these terms is that dated November 2015. "loan-to-valuation measurement period" means— (a) the six calendar month period ending on the last day of August 2021; and (b) thereafter 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 September 2021.
2	1 October 2021	Incorporated adjustments necessary to bring into effect the new Banking Prudential Requirements (BPRs) which reflect the final decision of the capital review; and implement the new restrictions on LVR for residential mortgage lending. Conditions 9 to 11 were amended to: 9. That, for a loan-to-valuation measurement, the total of the business of the registered bank in New Zealand's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 60%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period. 10. That, for a loan-to-valuation measurement period ending on or before 31 March 2022, the total of the bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period. 11. That, for a loan-to-valuation measurement period ending on or after 30 April 2022, the total of the business of the registered bank in New Zealand's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 10% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.
		Also, related definitions applicable to conditions 9-12 including loan-to-valuation measurement period were amended to: "loan-to-valuation ratio", "non property-investment residential mortgage loan", "property-investment residential mortgage loan", "qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", "qualifying

<table>
<tr><td></td><td></td><td>new mortgage lending amount in respect of non property-investment residential mortgage loans", and "residential mortgage loan" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated October 2021, and where the version dates of the Reserve Bank of New Zealand Banking Prudential Requirement (BPR) documents referred to in BS19 for the purpose of defining these terms.

<table><tr><th>BPR document</th><th>Version date</th></tr><tr><td>BPR131: Standardised credit risk RWAs</td><td>1 October 2021</td></tr><tr><td>BPR001: Glossary</td><td>1 July 2021</td></tr></table>
"loan-to-valuation measurement period" means—
(a) the six calendar month period ending on the last day of March 2022; and
(b) thereafter 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 2022.</td></tr>
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Conditions of Registration for JPMorgan Chase Bank, N.A. in New Zealand

The registration of JPMorgan Chase Bank, N.A. ("the registered bank") in New Zealand is subject to the following conditions as at 31 December 2021:

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

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

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

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

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

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

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

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

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

   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.*

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

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

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

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

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

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

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

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

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

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

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

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

9. *That, for a loan-to-valuation measurement, the total of the business of the registered bank in New Zealand's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 60%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.*

10. *That, for a loan-to-valuation measurement period ending on or before 31 March 2022, the total of the bank's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.*

11. *That, for a loan-to-valuation measurement period ending on or after 30 April 2022, the total of the business of the registered bank in New Zealand's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 10% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.*

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 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.

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

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

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

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

In conditions of registration 9 to 12,—

"loan-to-valuation ratio", "non property-investment residential mortgage loan", "property-investment residential mortgage loan", "qualifying new mortgage lending amount in respect of property-investment residential mortgage loans", "qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans", and "residential mortgage loan" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated October 2021, and where the version dates of the Reserve Bank of New Zealand Banking Prudential Requirement (BPR) documents referred to in BS19 for the purpose of defining these terms.

BPR document	Version date
BPR131: Standardised credit risk RWAs	1 October 2021
BPR001: Glossary	1 July 2021

"loan-to-valuation measurement period" means—

(a) the six calendar month period ending on the last day of March 2022; and

(b) thereafter 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 2022.

The Reserve Bank of New Zealand have also notified the Banking Group of new conditions of registration which come into effect on or after 1 January 2022. The changes relate to updates on LVR, specifically to clarify the timing of the LVR restrictions, with no changes to the policy or calibration.

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	-	Stable
Standard & Poor's Corporation	A+	-	Positive
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

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

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

7. INSURANCE BUSINESS AND NON-CONSOLIDATED ACTIVITIES

The Banking Group does not conduct any insurance business.

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

8. MORTGAGE BUSINESS

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

9. OTHER MATERIAL MATTERS

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

10. FINANCIAL STATEMENTS OF THE REGISTERED BANK AND BANKING GROUP

Any person, upon request and without charge, may obtain a copy of the Banking Group's most recent Disclosure Statement, which contains a copy of the most recent publicly available (un-audited) consolidated financial statements of the Registered Bank ("Call Report") for the period ended 31 December 2021 and the Registered Bank's audited financial statements for the fiscal year ended 31 December 2021 ("2021 Financials") by requesting a copy from jpm_rbnz_finance_aus@jpmorgan.com. The most recent Call Report is also available online at http://www.jpmorgan.com/pages/international/newzealand.

The Call Report is prepared in accordance with the regulatory instructions issued by the Federal Financial Institutions Examination Council ("FFIEC"), as compared to the 2021 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 2021 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 in all material aspects with each condition 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 Linda B Bammann, Stephen B Burke, Todd A Combs, James S Crown, James Dimon, Timothy P Flynn, Mellody Hobson, Michael A Neal, Phebe Nevenka Novakovic, and Virginia M. Rometty.

Signed by Mr Davis and Mr Bedwell as Responsible Persons on behalf of each of the Directors.

Warren Davis	9 June 2022 Date
Robert Bedwell	9 June 2022 Date

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

12. FIVE YEAR SUMMARY FOR THE BANKING GROUP

	Audited 12 months 31/12/2021 $'000	Audited 12 months 31/12/2020 $'000	Audited 12 months 31/12/2019 $'000	Audited 12 months 31/12/2018 $'000	Audited 12 months 31/12/2017 $'000
STATEMENT OF COMPREHENSIVE INCOME					
Interest income	27,734	17,121	31,412	26,979	16,846
Interest expense	(7,022)	(9,399)	(17,762)	(17,986)	(9,354)
Net interest income	**20,712**	**7,722**	**13,650**	**8,993**	**7,492**
Other operating income	(4,598)	25,302	15,880	19,431	13,137
Total operating income	**16,114**	**33,024**	**29,530**	**28,424**	**20,629**
Credit impairment losses	(1,805)	43	(50)	-	-
Operating expenses	(12,859)	(14,723)	(15,733)	(12,687)	(11,025)
Net profit/(loss) before taxation	**1,450**	**18,344**	**13,747**	**15,737**	**9,604**
Income tax (expense)/benefit	(548)	(5,753)	(4,581)	(4,839)	(2,952)
Net profit/(loss) after taxation	**902**	**12,591**	**9,166**	**10,898**	**6,652**
Other comprehensive income, net of tax	7	53	340	(317)	89
Total comprehensive income for the period	**909**	**12,644**	**9,506**	**10,581**	**6,741**
Minority interests	-	-	-	-	-
Repatriation to / (reimbursement from) Head Office	**909**	**12,644**	**9,506**	**10,581**	**6,741**
STATEMENT OF FINANCIAL POSITION					
Total assets	2,575,542	2,385,163	2,004,247	1,806,231	1,573,202
Total individually impaired assets	-	-	-	-	-
Total liabilities	2,575,542	2,385,163	2,004,247	1,806,231	1,573,202
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 2021

Contents

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Banking Group ($'000)	
		Audited 12 months 31/12/2021	Audited 12 months 31/12/2020
Interest income			
Calculated using the effective interest rate method		847	4,059
Being from instruments held at fair value		26,887	13,062
Total Interest income	**1**	**27,734**	**17,121**
Interest expense		(7,022)	(9,399)
Net interest income		**20,712**	**7,722**
Other operating income/(loss)	**2**	(4,598)	25,302
Total operating income		**16,114**	**33,024**
Credit impairment losses		(1,805)	43
Operating expenses	**3**	(12,859)	(14,723)
Net profit/(loss) before taxation		**1,450**	**18,344**
Income tax (expense)/benefit	**4**	(548)	(5,753)
Net profit/(loss) after taxation		**902**	**12,591**
Other comprehensive income, net of tax	**6**	7	53
Total comprehensive income for the period		**909**	**12,644**

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 2021

		Banking Group ($'000)				
	Note	**Share Capital**	**Other Reserves**	**Foreign Currency Translation Reserve**	**Retained Earnings**	**Total Equity**
31 December 2020						
Equity as at 1 January 2020 (audited)		**-**	**-**	**-**	**-**	**-**
Net profit/(loss) after taxation		-	-	-	12,591	12,591
Movement during the period						
Total comprehensive income for the period	**6**	**-**	**-**	**53**	**12,591**	**12,644**
(Repatriation)/reimbursement (to)/from head office		-	-	(53)	(12,591)	(12,644)
Equity as at 31 December 2020 (audited)	**5**	**-**	**-**	**-**	**-**	**-**
31 December 2021						
Equity as at 1 January 2021 (audited)		-	-	-	-	-
Net profit/(loss) after taxation		-	-	-	902	902
Movement during the period	**6**	-	-	7	-	7
Total comprehensive income for the period		**-**	**-**	**7**	**902**	**909**
(Repatriation)/reimbursement (to)/from head office		-	-	(7)	(902)	(909)
Equity as at 31 December 2021 (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 2021

	Note	Banking Group ($'000)	
		Audited 12 months 31/12/2021	Audited 12 months 31/12/2020
ASSETS			
Current Assets			
Cash and cash equivalents	**7**	981,428	418,909
Margin and other receivables	**8**	11,772	80,989
Financial assets at fair value through profit or loss	**9**	1,564,892	1,881,524
Financial assets at amortised cost	**10**	15,135	3,053
		2,573,227	**2,384,475**
Non Current Assets			
Property, plant & equipment	**11**	113	244
Intangible assets	**12**	-	-
Provision for taxation		1,259	-
Deferred tax assets	**13**	943	444
		2,315	**688**
		2,575,542	**2,385,163**
LIABILITIES			
Current Liabilities			
Deposits – short term	**14**	987,419	422,666
Financial liabilities at fair value through profit or loss	**15**	1,479,622	1,863,994
Payables	**12,16**	107,994	93,737
Provision for taxation		507	4,498
		2,575,542	**2,384,895**
Non Current Liabilities			
Payables	**12,16**	-	50
Provision for taxation		-	218
		-	**268**
		2,575,542	**2,385,163**
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 2021

		Banking Group ($'000)	
		Audited 12 months 31/12/2021	Audited 12 months 31/12/2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Fees, commissions and other income received		18,734	18,981
Payments to suppliers and employees		67,647	(32,112)
Receipts from/(payments to) related parties		546,328	(134,495)
Net movement in margin balances		9,743	(8,629)
Net proceed from disposal/(purchase) of financial instruments		(95,116)	17,896
Net (increase)/decrease in loans		(12,082)	394,038
Increase/(decrease) in deposits		69,259	16,224
Tax paid		(1,075)	(6,558)
Interest received		25,314	8,877
Interest paid		(5,571)	(7,083)
Net cash inflow/(outflow) from operating activities	**22**	**623,181**	**267,139**
CASH FLOWS FROM INVESTING ACTIVITIES			
Plant and equipment		12	31
Net cash inflow/(outflow) from investing activities		**12**	**31**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for leases		(155)	(158)
Repatriation of profit		(539)	(4,941)
Net cash inflow/(outflow) from financing activities		**(694)**	**(5,099)**
Net increase/(decrease) in cash		**622,499**	**262,071**
Opening cash and cash equivalents		**418,909**	**136,215**
Effect of changes in foreign exchange rates on cash balances		(59,980)	20,623
Closing cash and cash equivalents	**7**	**981,428**	**418,909**

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

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 re-issue on 9 June 2022. The Registered Bank has the power to amend and re-issue the financial report.

B. Measurement Base

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

C. Basis of Aggregation and Preparation

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

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

D. Comparatives

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

E. Critical Accounting Estimates and Judgements

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

- **Fair Value**

  Where an active market exists for a financial instrument, fair values are determined by reference to the quoted prices/yields at balance date, such instruments are classified as level 1. However, for certain financial instruments where no active market exists, judgement is used to select the valuation technique which best estimates its fair value.

  The fair value of financial instruments held by the Banking Group at balance date, where valuation techniques or models have been applied, are classified within level 2 of the fair value hierarchy table, as inputs to the techniques and models are market observable. Refer to the fair value hierarchy table in Note 29 (Fair Value Measurement).

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

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Significant Accounting Policies

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

1. Revenue

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

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

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

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

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

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

2. Foreign Currencies

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

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

- Assets and liabilities for each financial position presented are translated at the closing rate at the date of that financial position;
- Income and expenses for each Statement of Comprehensive Income are translated at average exchange rates, unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions;
- Opening retained earnings is brought forward at the closing rate of previous financial year; and
- All resulting exchange differences are recognised in the foreign currency translation reserve as a separate component of equity.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Significant Accounting Policies (continued)

3. Taxation

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

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

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

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

4. Cash and Cash Equivalents

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

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

5. Goods and Services Tax (GST)

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

6. Provision for Doubtful Debts

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

7. Receivables

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

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

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Significant Accounting Policies (continued)

8. Financial Instruments

Recognition of financial assets and financial liabilities

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

Classification and measurement of financial assets and financial liabilities

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

Financial assets and financial liabilities measured at amortised cost

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

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

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

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

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Significant Accounting Policies (continued)

8. Financial Instruments (continued)

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

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

Financial assets measured at FVOCI include loans.

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

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

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

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

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

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

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

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

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Significant Accounting Policies (continued)

8. Financial Instruments (continued)

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

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

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

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

Interest income and interest expense

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

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

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

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

Impairment of financial assets and lending-related commitments

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

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

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Significant Accounting Policies (continued)

8. Financial Instruments (continued)

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

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

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

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

a) Loans and overdrafts

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

b) Securities purchased under agreements to resell and securities borrowed

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

c) Securities sold under agreements to repurchase and securities loaned

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

9. Impairment

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Significant Accounting Policies (continued)

10. Payables

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

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

Payables also include interest expenses and funds payable to clients.

11. Deposits and Amounts Due to Other Financial Institutions

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

12. Repatriation of Profits to Head Office

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

13. Interest Expense

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

14. Employee Benefit Expenses

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

15. Equity Compensation Benefits

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

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

F. Significant Accounting Policies (continued)

16. Leases

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

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

17. Principal Activities

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

18. Accounting amendments adopted during the year ended 31 December 2021

In response to the uncertain long-term viability of interest rate benchmarks, specifically LIBOR, the International Acocunting Standards Board (IASB) commenced a review of the financial reporting implications associated with IBOR reform. This resulted in amendments to accounting standards and were subsequently issued in two phases.

Interest Rate Benchmark Reform was released by the NZASB in November 2019 and amended hedge accounting requirements to provide relief from the potential effects of uncertainty caused by IBOR reform. The Banking Group does not apply hedge accounting, hence, the amendments related to hedge accounting requirements are not applicable to the Banking Group.

Interest Rate Benchmark Reform – Phase 2 makes amendments to NZ-IFRS 9 Financial Instruments, NZ IAS 39 Financial Instruments: Recognition and Measurement and NZ-IFRS 7 Financial Instruments: Disclosures resulting from the IBOR reform. The amendments only apply to those changes to financial instruments and hedging relationships that are a direct consequence of IBOR reform and where cash flows are amended on an economically equivalent basis. The Banking Group does not expect modifications to be significant, as a result of the adoption of this amendment. The amendment also requires disclosures about risks arising from the reform and how an entity is managing the transition to alternative benchmark rates, refer to Note 27 for more details.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 1 - INTEREST INCOME

	Banking Group ($'000)	
	Audited 12 months 31/12/2021	**Audited 12 months 31/12/2020**
Financial assets at amortised cost		
Cash and cash equivalents	360	379
Loans and advances	487	3,020
Financial assets at fair value through profit or loss	26,887	13,062
Financial assets at fair value through other comprehensive income	-	660
Total interest income	**27,734**	**17,121**

NOTE 2 - OTHER OPERATING INCOME/(LOSS)

	Banking Group ($'000)	
	Audited 12 months 31/12/2021	**Audited 12 months 31/12/2020**
Fee and commissions income	22,198	23,624
Trading (loss)/income	(27,376)	2,233
Other (loss)/income	580	(555)
Total other operating (loss)/income	**(4,598)**	**25,302**

NOTE 3 – OPERATING EXPENSES

	Banking Group ($'000)	
	Audited 12 months 31/12/2021	**Audited 12 months 31/12/2020**
Administration expenses	10,134	9,975
Fee and commissions expenses*	271	1,946
Employee expenses	1,165	1,188
Occupancy expenses	102	77
Depreciation & amortisation	129	140
Professional services expenses	72	201
Technology & communications expenses	3	15
Other expenses	983	1,181
Total operating expenses	**12,859**	**14,723**

*Fees and commissions expenses includes a rebate from the Reserve Bank of New Zealand, as a NZClear participant.

	Banking Group ($'000)	
	Audited 12 months 31/12/2021	**Audited 12 months 31/12/2020**
NOTE 4 – INCOME TAX EXPENSE / (BENEFIT)		
(a) The components of tax expense/ (benefit) comprise:		
Current tax	1,047	5,815
Deferred tax	(499)	(62)
	548	**5,753**
(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	1,450	18,344
Income tax expense/(benefit) - prima facie at the Australian rate of 30% and New Zealand rate of 28%	467	5,448
Tax effect of non deductible expense	81	305
Total income tax expense	**548**	**5,753**

NOTE 5 - EQUITY

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

	Banking Group ($'000)	
	Audited 12 months 31/12/2021	**Audited 12 months 31/12/2020**
NOTE 6 – OTHER COMPREHENSIVE INCOME		
Opening balance	-	-
FVOCI additions	-	163
FVOCI reversals on loan repayment	-	(163)
Foreign currency translation reserve movement	7	53
Movement during the period	**7**	**53**
(Repatriation)/reimbursement (to)/from head office	(7)	(53)
Closing balance	**-**	**-**

	Banking Group ($'000)	
	Audited 12 months 31/12/2021	**Audited 12 months 31/12/2020**
NOTE 7 – CASH AND CASH EQUIVALENTS		
Due from central and other banks		
New Zealand - short term deposit	525,000	300,000
New Zealand - at call	116,772	53,702
Overseas - at call	339,656	65,207
Total due from central and other banks	981,428	418,909
Total cash and cash equivalents	**981,428**	**418,909**

	Banking Group ($'000)	
	Audited 12 months 31/12/2021	**Audited 12 months 31/12/2020**
NOTE 8 – MARGIN AND OTHER RECEIVABLES		
Margin receivable	8,946	76,989
Interest receivable	112	98
Fee income receivable	2,709	3,880
Other receivable	5	22
Total margin and other receivables	**11,772**	**80,989**

	Banking Group ($'000)	
	Audited 12 months 31/12/2021	**Audited 12 months 31/12/2020**
NOTE 9 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Government bonds, notes and securities	462,368	223,760
Cash collateral pledged on reverse repurchase agreements	1,102,524	1,657,764
Total financial assets at fair value through profit or loss	**1,564,892**	**1,881,524**

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

	Banking Group ($'000)	
	Audited 12 months 31/12/2021	**Audited 12 months 31/12/2020**
NOTE 10 - FINANCIAL ASSETS AT AMORTISED COST		
Loans and advances	16,940	3,053
Expected credit loss allowance	(1,805)	-
Total financial assets at amortised cost	**15,135**	**3,053**

Refer to Note 31 for details of the movement in loans and advances and the expected credit loss allowance, as well as assumptions made in assessing ECL.

NOTE 11 LEASES

Amounts recognised in the Statement of Financial Position

The Statement of Financial Positions shows the following amounts relating to leases as at 31 December 2021:

Right-of-use assets*
Properties $45,000
* included in the line item 'Property, plant & equipment' in the Statement of Financial Position

Lease liabilities **
Current $49,000
Non-current Nil
** 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 twelve months ended 31 December 2021:

Amortization charge of right-of-use assets
Properties $129,000

Interest Expense on Lease Liability
Leases $4,000

	Banking Group ($'000)	
	Audited 12 months 31/12/2021	**Audited 12 months 31/12/2020**
NOTE 12 – INTANGIBLE ASSETS		
Goodwill	-	-
Intangible assets – Custody clearing services software	289	289
Intangible assets – Customer contracts/relationships	377	377
Accumulated amortisation of intangible assets	(666)	(666)
Net Intangibles	**-**	**-**

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

NOTE 13 - DEFERRED TAX ASSETS

Movements	Depreciation $'000	Employee Entitlements $'000	Other $'000	Total $'000
At 1 January 2020	242	53	87	382
(Charged)/credited				
- to profit or loss	76	18	(32)	62
- to other comprehensive income	-	-	-	-
At 31 December 2020	318	71	55	444
(Charged)/credited				
- to profit or loss	(3)	2	500	499
- to other comprehensive income	-	-	-	-
At 31 December 2021	**315**	**73**	**555**	**943**

NOTE 14 – DEPOSITS - SHORT TERM

	Banking Group ($'000)	
	Audited 12 months 31/12/2021	**Audited 12 months 31/12/2020**
Deposits	987,419	422,666
Total Deposits – short term	**987,419**	**422,666**

Retail deposits of the Registered Bank in New Zealand for the period were Nil (2020: Nil).

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

	Banking Group ($'000)	
	Audited 12 months 31/12/2021	**Audited 12 months 31/12/2020**
Trading securities	95,755	132,139
Cash collateral received on repurchase agreements	1,383,867	1,731,855
Total financial liabilities at fair value through profit or loss	**1,479,622**	**1,863,994**

NOTE 16 – PAYABLES

	Banking Group ($'000)	
	Audited 12 months 31/12/2021	**Audited 12 months 31/12/2020**
Margin payable	9,423	67,723
Interest payable	197	4
Accrued expenses	16,502	4,498
Amounts due to related parties	81,693	21,298
Other payable	179	264
Total payables	**107,994**	**93,787**

NOTE 17 – AUDITORS' REMUNERATION

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

	Banking Group	
	Audited 12 months 31/12/2021	**Audited 12 months 31/12/2020**
Audit and review of financial reports	171,208	168,248
Other audit-related work	40,317	38,766
Total auditor's remuneration	**211,525**	**207,014**

NOTE 18 – KEY MANAGEMENT COMPENSATION

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

	Banking Group ($'000)	
	Audited 12 months 31/12/2021	**Audited 12 months 31/12/2020**
Salaries and other short term benefits	263	165
Post-employment benefits	9	6
Other termination benefits	1	-
Share-based payments	50	38
Long term benefits	5	5
Total key management compensation	**328**	**214**

NOTE 19 – RELATED PARTY TRANSACTIONS

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

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

NOTE 19 – RELATED PARTY TRANSACTIONS (continued)

	Banking Group ($'000)	
	Audited 12 months 31/12/2021	Audited 12 months 31/12/2020
Due from Related Parties		
Cash and cash equivalents	280,473	9,002
Interest receivable	66	95
Fee income receivable	154	160
Cash collateral pledged on reverse repurchase agreements	941,248	1,014,528
Loans and advances	481	2,034
Total due from related parties	**1,222,422**	**1,025,819**
Due to Related Parties		
Deposits – short term	668,349	172,855
Interest payable	180	-
Accrued expenses	12,969	102
Cash collateral received on repurchase agreements	888,092	1,597,227
Amounts due to related parties	81,693	21,298
Provision for taxation	910	4,688
Total due to related parties	**1,652,193**	**1,796,170**
Received from Related Parties		
Interest income	2,406	8,438
Fee and commissions income	5,230	5,058
Trading income/(loss)	20	148
Other income	369	-
Total received from related parties	**8,025**	**13,644**
Paid to Related Parties		
Interest expense	1,438	2,355
Administration expenses	10,134	9,975
Income tax expense/(benefit)	910	4,688
Employee benefits expense	168	-
Total paid to related parties	**12,650**	**17,018**

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

NOTE 20 – TOTAL LIABILITIES OF THE REGISTERED BANK, NET OF AMOUNTS DUE TO RELATED PARTIES

	NZ Branch ($'000)	
	Audited 12 months 31/12/2021	Audited 12 months 31/12/2020
Total liabilities net of amounts due to related parties	**322,394**	**254,504**

NOTE 21 – COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2021, the Banking Group had an undrawn committed facility of Nil (31 December 2020: Nil) and a stand-by letter of credit of Nil (31 December 2020: Nil).

NOTE 22 – RECONCILIATION OF NET SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Banking Group ($'000)	
	Audited 12 months 31/12/2021	Audited 12 months 31/12/2020
Net profit/(loss) for the period	**902**	**12,591**
Movement in Head Office Repatriation included in net surplus	(370)	(7,702)
Depreciation and amortisation	137	148
Interest expense on leases	-	1
Changes in operating assets and liabilities:		
Movement in financial instruments	(67,740)	15,663
Movement in fee income receivable	1,171	1,015
Movement in accrued interest receivable	(14)	194
Movement in amounts due from related parties	-	36
Movement in margin receivables	68,043	(35,209)
Movement in other receivable	17	20
Movement in deferred tax assets	(499)	(62)
Movement in loans	(12,082)	394,039
Movement in deposits	564,753	(100,586)
Movement in tax payable	(5,468)	1,135
Movement in accrued interest payable	193	(41)
Movement in margin payable	(58,300)	26,580
Movement in other payables	59	(5,525)
Movement in accrued expenses	12,004	(1,447)
Movement in amounts due to related parties	60,395	(13,130)
Movement in foreign exchange translation balances attributable to cash and other balances	59,980	(20,581)
Net cash inflow/(outflow) from operating activities	**623,181**	**267,139**

NOTE 23 – EVENTS AFTER THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the reporting period which significantly affected, or may significantly affect, the operations, the results of those operations, or the state of affairs of the Banking Group in future financial years.

NOTE 24 – INTEREST EARNING AND DISCOUNT BEARING ASSETS AND LIABILITIES

	Banking Group ($'000)	
	Audited 12 months 31/12/2021	Audited 12 months 31/12/2020
Interest earning and discount bearing assets	2,561,455	2,303,486
Interest and discount bearing liabilities	2,467,235	2,286,854

NOTE 25 – CAPITAL ADEQUACY

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

Under the risk-based capital guidelines of the OCC, the Registered Bank is required to maintain minimum ratios of CET1, Tier 1 and Total capital to risk-weighted assets ("RWA"). The Registered Bank is required to calculate its capital adequacy under both of the Basel III approaches (Standardized and Advanced) as required by the Collins Amendment of the Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). The Registered Bank's capital adequacy is evaluated against the lower of the two ratios. Failure to meet these minimum requirements could cause the OCC to take action. The Registered Bank is required to maintain minimum ratios for CET1 of 4.5%, Tier 1 Capital of 6% and Total Capital of 8% as at 31 December 2021. A capital conservation buffer of 2.5% applies in addition to these ratios.

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

Capital Adequacy Ratios	Basel III Advanced Transitional Registered Bank 31/12/2021 Unaudited	Basel III Standardised Registered Bank 31/12/2021 Unaudited	Basel III Advanced Transitional Registered Bank 31/12/2020 Unaudited	Basel III Standardised Registered Bank 31/12/2020 Unaudited
Common Equity Tier 1 Capital	19.2%	16.9%	17.4%	15.7%
Tier 1 Capital	19.2%	16.9%	17.4%	15.7%
Total Capital	19.5%	17.8%	17.8%	16.9%

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 26 – ACTIVITIES OF THE BANKING GROUP IN NEW ZEALAND

As at 31 December 2021, no members of the Banking Group have been involved in:

(a) the origination of securitised assets or the marketing or servicing of securitisation schemes;
(b) the marketing and distribution of insurance products; and
(c) the establishment, marketing, or sponsorship of trust or funds management

Custodial Services

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

The financial statements of the Banking Group include income in respect of custodial services provided to customers by the NZ Branch. As at 31 December 2021, 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 $35,161 million (December 2020: $46,101 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

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

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

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

NOTE 27 – RISK MANAGEMENT (continued)

Liquidity Risk

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

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

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

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

Market Risk (includes currency and interest rate risk)

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

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

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

Credit Risk

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

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

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

NOTE 27 – RISK MANAGEMENT (continued)

Operational Risk

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

Compliance, Conduct and Operational Risk (CCOR) Management Framework

The firm's Compliance, Conduct and Operational Risk (CCOR) Framework describes the second line of defense coverage of compliance, conduct, and operational risk and consists of the following six components:

Govern

CCOR establishes the policies and standards regarding the management of compliance, conduct, and operational risk and enables oversight and independent assessment over compliance, conduct, and operational risks inherent within the firm's activities.

Identify

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

Measure

CCOR independently assesses compliance, conduct, and operational risks through quantitative and qualitative means, performing estimation of operational risk stress losses, and determining operational risk regulatory capital. CCOR's independent assessment identifies risk drivers that may impact compliance, conduct, and operational risk activities and the controls to help mitigate such risks.

Monitor and Test

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

Manage

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

Report

CCOR reports on the results of its activities to the LOBs and Corporate Functions including changes in risk assessments, results of monitoring and testing, and required corrective actions. CCOR reports and escalates issues to the Risk Committee and senior management consistent with the firm's escalation practices.

NOTE 27 – RISK MANAGEMENT (continued)

Local Governance and Other Controls

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

The Australia & New Zealand Location Operating Committee ("ANZLOC") is directly accountable to the Australia & New Zealand Location Management Committee ("ANZLMC") for executing JPMCC's country strategy, with focus on the performance and stability of the operating platform and providing assessment of the progress on strategic alignment with business strategy. It provides the operating framework to support adherence to policy and to ensure that appropriate controls are in place to manage and mitigate operational risk across lines of business (LOBs) operating in ANZ and is the primary oversight and key escalation point for regulatory, functional, operational risk and control initiatives, including location-wide review on significant control issues and progress on remediation programs.

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.

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 2021 and are held by the Banking Group for the purposes of managing liquidity risk.

	Banking Group ($'000) Audited 31/12/2021							
	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	981,428	456,428	525,000	-	-	-	-	-
*Margin and other receivables	11,772	8,946	2,826	-	-	-	-	-
*Financial assets at fair value through profit or loss	1,564,892	-	1,564,892	-	-	-	-	-
*Financial assets at amortised cost	15,135	-	15,135	-	-	-	-	-
Property, plant & equipment	113	-	-	-	-	-	-	113
Provision for taxation	1,259	-	-	-	-	1,259	-	-
Deferred tax assets	943	-	-	-	-	-	-	943
Total Assets	**2,575,542**	**465,374**	**2,107,853**	**-**	**-**	**1,259**	**-**	**1,056**
LIABILITIES								
Deposits – short term	987,419	803,661	183,758	-	-	-	-	-
Financial liabilities at fair value through profit or loss	1,479,622	-	1,479,622	-	-	-	-	-
Margin payable	9,423	9,423	-	-	-	-	-	-
Other payables	98,571	-	98,571				-	-
Provision for taxation	507	-	-	-	507	-	-	-
Total Liabilities	**2,575,542**	**813,084**	**1,761,951**	**-**	**507**	**-**	**-**	**-**

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

NOTE 27 – RISK MANAGEMENT (continued)

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

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

NOTE 27 – RISK MANAGEMENT (continued)

Sensitivity analysis

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

	Banking Group ($'000)				
	Audited 31/12/2021				
		Interest Rate Risk			
		-1%		+1%	
	Carrying Amount	Profit	Equity	Profit	Equity
ASSETS					
Cash and cash equivalents	981,428	(2,454)	(2,454)	2,454	2,454
Margin and other receivables	11,772	-	-	-	-
Trading securities	462,368	(22,425)	(22,425)	22,425	22,425
Cash collateral pledged on reverse repurchase agreements	1,102,524	(2,238)	(2,238)	2,238	2,238
Financial assets at amortised cost	15,135	(38)	(38)	38	38
Property, plant & equipment	113	-	-	-	-
Provision for taxation	1,259	-	-	-	-
Deferred tax assets	943	-	-	-	-
Total Assets	**2,575,542**	**(27,155)**	**(27,155)**	**27,155**	**27,155**
LIABILITIES					
Deposits – short term	987,419	(2,469)	(2,469)	2,469	2,469
Trading securities	95,755	(1,331)	(1,331)	1,331	1,331
Cash collateral received on repurchase agreements	1,383,867	(637)	(637)	637	637
Payables	107,994	-	-	-	-
Provision for taxation	507	-	-	-	-
Total Liabilities	**2,575,542**	**(4,437)**	**(4,437)**	**4,437**	**4,437**

NOTE 27 – RISK MANAGEMENT (continued)

Sensitivity analysis (continued)

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

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 31/12/2021	**Audited 31/12/2020**
Credit Risk Components:		
Cash and cash equivalents	981,428	418,909
Margin and other receivables	11,772	80,989
Financial assets at fair value through profit or loss	1,564,892	1,881,524
Financial assets at amortised cost	15,135	3,053
	2,573,227	**2,384,475**
Credit Risk by industry		
Finance	2,110,428	2,160,022
Manufacturing	331	511
Local authorities	462,368	223,808
Other	100	134
	2,573,227	**2,384,475**
Credit Risk by geographical area		
Within New Zealand	1,201,224	1,183,184
Overseas	1,372,003	1,201,291
	2,573,227	**2,384,475**

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 31/12/2021	Audited 31/12/2020
Funding Risk Components:		
Deposits – short term	987,419	422,666
Financial liabilities at fair value through profit or loss	1,479,622	1,863,994
Payables	107,994	93,787
	2,575,035	**2,380,447**
Funding Risk by industry		
Finance	2,301,969	2,117,554
Property and business services	99,743	61,769
Electricity, gas and water	274	71,096
Manufacturing	45,379	44,303
Information media & telecommunications	38,456	38,834
Wholesale trade	2,069	44,224
Other	87,145	2,667
	2,575,035	**2,380,447**
Funding Risk by geographical area		
Within New Zealand	200,956	257,566
Overseas	2,374,079	2,122,881
	2,575,035	**2,380,447**

NOTE 27 – RISK MANAGEMENT (continued)

Interest Rate Sensitivity

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

	Banking Group ($'000)						
	Audited 31/12/2021						
	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	981,428	981,428	-	-	-	-	-
Margin and other receivables	11,772	-	-	-	-	-	11,772
Financial assets at fair value through profit or loss	1,564,892	1,564,892	-	-	-	-	-
Financial assets at amortised cost	15,135	15,135	-	-	-	-	-
Property, plant & equipment	113	-	-	-	-	-	113
Provision for taxation	1,259	-	-	-	-	-	1,259
Deferred tax assets	943	-	-	-	-	-	943
Total Assets	**2,575,542**	**2,561,455**	**-**	**-**	**-**	**-**	**14,087**
LIABILITIES							
Deposits – short term	987,419	987,419	-	-	-	-	-
Financial liabilities at fair value through profit or loss	1,479,622	1,479,622	-	-	-	-	-
Margin and other payables	107,994	74	-	-	-	-	107,920
Provision for taxation	507	-	-	-	-	-	507
Total Liabilities	**2,575,542**	**2,467,115**	**-**	**-**	**-**	**-**	**108,427**

NOTE 27 – RISK MANAGEMENT (continued)

Interest Rate Sensitivity (continued)

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

NOTE 27 – RISK MANAGEMENT (continued)

Interbank Offered Rates (IBOR) Reform

The Interbank Offered Rates (IBORs) are interest rate benchmarks that are used in financial transactions to determine amounts payable by the parties involved in these transactions, including bonds, stuctured finance and derivatives. The London Interbank Offered Rate (LIBOR) is the most widely used interest rate benchmark in financial markets and has been used by the Banking Group for its financial instruments. LIBOR is calculated on submissions from selected panel banks and is published in five currencies and a range of tenors. On 5 March 2021, the FCA announced that all LIBOR settings for all tenors of EUR, CHF, JPY and GBP and one week and two month USD LIBOR serrings will be ceased from 31 December 2021, with all other USD LIBOR tenors to be ceased from 30 June 2023.

Risk

The IBOR reform can potentially pose the following risks on the Banking Group:

- Operational risk: the IBOR reform will result in changes to the Banking Group's IT infrastructure, controls and reporting systems;
- Compliance risk: due to the IBOR reform their could potentially be non-compliance with newly established and amended regulatory requirements;
- Financial risk: the IBOR reform could raise risks associated with pricing due to the changes in interest rates; and
- Market risk: the IBOR reform could potentially disrupt markets, creating adverse effects on operations.

The Banking Group does not expect a change to its existing risk management frameworks and controls, due to the IBOR reform. Since 2018, the Registered Bank formed a working group, which involves Firmwide representatives across Finance, Operations, Legal, Technology and Compliance, to closely monitor the impact as a result of this reform, mitigate any associated risks and to successfully transition financial instruments from IBORs to Alternative Reference Rates (ARR), which is discussed further below.

Governance

The Registered Bank established a Firmwide LIBOR Transition program in early 2018, which is overseen by senior management. In 2021, the Registered Bank continued to work towards reducing its exposure to IBOR-referencing contracts, including derivatives, bilateral and syndicated loans, securities, and debt and preferred stock issuances, to meet the industry milestones and recommendations published by National Working Groups ("NWG"). In 2021, the Registered Bank prioritised contract remediation for those currencies and tenors of LIBOR for which publication ceased on December 31, 2021. The Registered Bank engaged with clients to arrange for the remediation of in-scope IBOR-linked contracts, and to amend contracts with clients that were prepared to do so. The Registered Bank also successfully executed the conversion to ARR's at various central counterparties ("CCPs") which took place in the end of 2021. The Registered Bank was operationally ready to support rate fallback mechanisms across all products at IBOR cessation and transitioned contracts to fallback rates upon rate cessation.

Transition

The table below shows the outstanding principal amounts of non-derivative financial instruments, and the contractual amounts of off-balance sheet exposures held by the Banking Group as at December 31, 2021 that are subject to IBOR reform. The table includes financial instruments with a contractual maturity date later than the relevant agreed IBOR cessation date.

Banking Group NZ$'000	USD LIBOR
Financial instruments (outstanding principal amount):	
Loans and advances	15,731
Loan commitments (off-balance sheet)	100,273
Total financial instruments	116,004

Contracts whose primary purpose is not exposure to an IBOR, such as those that only have penalty terms referencing an IBOR, have been excluded as these contracts do not expose the Banking Group to material risk as a result of the reform. In addition, contracts that have been changed to incorporate the new alternative reference rates before the relevant cessation dates are excluded because no further transition work is expected to implement the reform.

NOTE 27 – RISK MANAGEMENT (continued)

Offsetting financial assets and financial liabilities

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

	Banking Group ($'000)			
	Effects of offsetting on the Balance Sheet			
	Gross amounts	Gross amounts set off in the Balance Sheet	Reserve Balance	Net amounts presented in Balance Sheet
FINANCIAL ASSETS				
2021				
Amounts receivable from wholly-owned group entities	**-**	**-**	**-**	**-**
Cash collateral pledged on reverse repurchase agreements	**1,103**	**-**	**-**	**1,103**
Total	**1,103**	**-**	**-**	**1,103**
2020				
Amounts receivable from wholly-owned group entities	-	-	-	-
Cash collateral received on repurchase agreements	1,658	-	-	1,658
Total	**1,658**	**-**	**-**	**1,658**
FINANCIAL LIABILITIES				
2021				
Amounts payable to wholly-owned group entities	**81,693**	**-**	**-**	**81,693**
Cash collateral pledged on reverse repurchase agreements	**1,384**	**-**	**-**	**1,384**
Total	**83,077**	**-**	**-**	**83,077**
2020				
Amounts payable to wholly-owned group entities	21,298	-	-	21,298
Cash collateral received on repurchase agreements	1,732	-	-	1,732
Total	**23,030**	**-**	**-**	**23,030**

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 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 based on 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 2021				
Financial assets at fair value through profit or loss	-	1,564,892	-	**1,564,892**
Financial liabilities at fair value through profit or loss	-	1,479,622	-	**1,479,622**

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

NOTE 29 – FINANCIAL INSTRUMENTS BY CATEGORY

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

	Banking Group Audited $'000			
	Amortised Cost	**Fair value through profit or loss**	**Fair value through other comprehensive income**	**Total**
31 December 2021				
Assets				
Current Assets				
Cash and cash equivalents	981,428	-	-	**981,428**
Margin and other receivables	11,772	-	-	**11,772**
Financial assets at fair value through profit or loss	-	1,564,892	-	**1,564,892**
Financial assets at amortised cost	15,135			**15,135**
	1,008,335	**1,564,892**	**-**	**2,573,227**
Liabilities				
Current Liabilities				
Deposits - short term	987,419	-	-	**987,419**
Financial liabilities at fair value through profit or loss	-	1,479,622	-	**1,479,622**
Margin and other payables	107,920	-	-	**107,920**
	1,095,339	**1,479,622**	**-**	**2,574,961**
31 December 2020				
Assets				
Current Assets				
Cash and cash equivalents	418,909	-	-	**418,909**
Margin and other receivables	80,989	-	-	**80,989**
Financial assets at fair value through profit or loss	-	1,881,524	-	**1,881,524**
Financial assets at amortised cost	3,053	-	-	**3,053**
	502,951	**1,881,524**	**-**	**2,384,475**
Liabilities				
Current Liabilities				
Deposits - short term	422,666	-	-	**422,666**
Financial liabilities at fair value through profit or loss	-	1,863,994	-	**1,863,994**
Margin and other payables	93,592	-	-	**93,592**
	516,258	**1,863,994**	**-**	**2,380,252**

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 Banking Prudential Requirements BPR140: Market Risk, 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 Banking Prudential Requirements BPR140: Market Risk.

	Banking Group ($'000)	
	Unaudited	
	Implied risk weighted exposure	Notional capital charge
31 December 2021		
Market Risk End-period		
Interest rate risk	-	-
Currency risk	4	-
Equity risk	-	-
1 July 2021 - 31 December 2021		
Market Risk Peak End-of-day		
Interest rate risk	-	-
Currency risk	414,813	33,185
Equity risk	-	-

NOTE 31 – ASSET QUALITY

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

- aggregate amount of any undrawn balances on lending commitments to counterparties for whom drawn balances are classified as individually impaired;
- other individually impaired assets;
- restructured assets;
- financial assets acquired through the enforcement of security;
- real estate assets acquired through the enforcement of security;
- other assets acquired through the enforcement of security; and
- other assets under administration.

The table below presents assets past due at balance date:

	Banking Group ($'000)				
	Audited				
	Less than 30 days past due	At least 30 days but less than 60 days past due	At least 60 days but less than 90 days past due	At least 90 days past due	Total
31 December 2021					
Past due and not impaired	85	-	-	-	85
31 December 2020					
Past due and not impaired	895	-	433	-	1,328

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021
SUPPLEMENTAL INFORMATION

NOTE 31 – ASSET QUALITY (continued)

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

	Registered Bank (consolidated)	
	Unaudited 12 months 31/12/2021 US$'000	Unaudited 12 months 31/12/2020 US$'000
Total non-accrual loans	8,296,000	11,112,000
Total loans	1,085,106,000	1,023,733,000
Total non-accrual loans expressed as a percentage of total loans	0.8%	1.1%
Total expected credit losses	16,378,000	28,318,000
Total expected credit losses expressed as a percentage of total loans	1.5%	2.8%

The following tables presents the movement in the allowance for ECL in the Banking Group for the year.

	ECL				Gross Carrying Amount			
	Stage 1 12-month ECL NZ$'000	Stage 2 Lifetime ECL NZ$'000	Stage 3 Lifetime ECL NZ$'000	Total NZ$'000	Stage 1 NZ$'000	Stage 2 NZ$'000	Stage 3 NZ$'000	Total NZ$'000
As at 1 January 2020	(34)	-	-	(34)	396,778	-	-	396,778
New loans originated or purchased	-	-	-	-	3,049	-	-	3,049
Loans derecognised or repaid	34	-	-	34	(396,774)	-	-	- 396,774
Existing loans (including credit quality changes)	-	-	-	-	-	-	-	-
Stage transfers	-	-	-	-	-	-	-	-
As at 31 December 2020	-	-	-	-	3,053	-	-	3,053
New loans originated or purchased	(1,805)	-	-	(1,805)	16,940	-	-	16,940
Loans derecognised or repaid	-	-	-	-	(3,053)	-	-	(3,053)
Existing loans (including credit quality changes)	-	-	-	-	-	-	-	-
Stage transfers	-	-	-	-	-	-	-	-
As at 31 December 2021	(1,805)	-	-	(1,805)	16,940	-	-	16,940

NOTE 31 – ASSET QUALITY (continued)

Modelled Provision for ECL

ECL is an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes and considering the time value of money, reasonable and supportable information about past events, current economic conditions and forecasts of future economic conditions. The Banking Group has applied five forward-looking scenarios (extreme upside, relative upside, central, relative adverse and extreme adverse), to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL. Each of these scenarios contain a set of Macroeconomic Variables ("MEVs") that reflect forward-looking economic and financial conditions. MEVs include, but are not limited to FX rates, inflation and GDP per country or country block (group of countries that have similar economic circumstances). MEVs for each scenario are projected over a reasonable and supportable forecast period of two years. After the forecast period, the losses revert to historical averages over a one-year transition period. On a quarterly basis, the five economic scenarios are updated, and probability weighted.

Enhancement in Modelling Methodology

In 2020, the Banking Group enhanced its statistical model methodology used for collective assessment to better estimate expected credit losses. Key model enhancements included:

- Expansion of forecasting during the reasonable and supportable period from using three forward looking scenarios (central, adverse and upside) to five forward looking scenarios (central, relative upside, extreme upside, relative adverse and extreme adverse); and
- Introduction of large loan uncertainty (LLU), which captures the variation in loan sizes across the portfolio by taking into consideration the risk of large exposures defaulting due to the non-homogeneous nature of the portfolio.

Sensitivity Analysis of Weighting

The Banking Group’s allowance for credit losses is sensitive to numerous factors, which may differ depending on the portfolio. Changes in economic conditions or in the Banking Group’s assumptions and judgements could affect its estimate of expected credit losses in the portfolio as at the balance sheet date.

The Banking Group considers a variety of factors and inputs in estimating the allowance for credit losses. It is difficult to estimate how alternative judgements in specific factors might affect the overall allowance for credit losses due to the idiosyncratic nature of the factors and inputs involved.

To illustrate the potential magnitude of an alternative judgement, the Company estimates that adjusting the extreme downside scenario weighting to 100% as of December 31, 2021 could imply an increase to modelled ECL of approximately NZD $1,743,786.

The purpose of this sensitivity analysis is to provide an indication of the isolated impact of a hypothetical alternative judgement on the modelled ECL and is not intended to imply management’s expectation of future deterioration of the economy, nor any specific risk factors.

Sensitivity analysis of ECL due to staging

The impact of staging on the Banking Group’s ECL recognised on balance sheet as at 31 December 2021, by comparing the allowance if all performing financial assets were in Stage 2, to the actual ECL recognised on these assets is NZD $3,676,387.

NOTE 31 – ASSET QUALITY (continued)

	Banking Group	
	Audited 12 months 31/12/2021 NZ$'000	Audited 12 months 31/12/2020 NZ$'000
Movements in components of loss allowance (NZ IFRS 9)*		
Stage 1		
Opening balance	-	120
The charge to the statement of financial performance for an increase in individual loss allowances	(1,805)	(120)
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	(1,805)	-

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

Impacts of changes in gross financial assets on loss allowances (NZ IFRS 9)	Banking Group Audited 12 months 31/12/2021 NZ$'000	Audited 12 months 31/12/2020 NZ$'000
Loans and advances (Note 10)		
Pre allowance opening balance	3,053	396,778
Additions	16,467	3,049
Repayments	(2,580)	(396,774)
Pre allowance closing balance	16,940	3,053
Closing loss allowance	(1,805)	-
Total Loans and advances (Note 10)	15,135	3,053

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

There were no individually impaired assets for the Banking Group at any point during the financial years 2021 and 2020.

NOTE 32– REGISTERED BANK PROFITABILITY AND SIZE

	Registered Bank (consolidated)	
	Unaudited	**Unaudited**
	12 months	**12 months**
	31/12/2021	**31/12/2020**
	US$'000	**US$'000**
Net profit/(loss) after taxation	38,054,000	21,022,000
Net profit/(loss) after taxation, over the previous 12 month period, as a percentage of average total assets	1.3%	0.7%
Total assets	3,306,982,000	3,025,285,000
Percentage increase/(decrease) in total assets from previous period	9.3%	29.2%

Independent auditor's report

To the Directors of JPMorgan Chase Bank, National Association

This report is for the aggregated New Zealand operations of New Zealand Branch of JPMorgan Chase Bank, N.A., and J.P. Morgan Securities Australia Limited, New Zealand Branch (the 'Banking Group').

This report includes:

- our audit opinion on the Disclosure Statement on pages 15 to 58 which consists of the financial statements prepared in accordance with Clause 25 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the 'Order'), New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS');

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

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

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

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

We have audited the Disclosure Statement of the Banking Group on pages 15 to 58 which consists of the financial statements required by Clause 25 of the Order and supplementary information required by Schedules 4, 7, 11 and 13 of the Order which comprises:

- the statement of comprehensive income for the year ended 31 December 2021;
- the statement of changes in equity for the year ended 31 December 2021;
- the statement of financial position as at 31 December 2021;
- the statement of cash flows for the year ended 31 December 2021;
- the notes to the financial statements, which include the statement of significant accounting policies; and
- the supplementary information required by Schedules 4, 7, 11 and 13 of the Order.

Our opinion

In our opinion:

- The Banking Group's Disclosure Statement on pages 15 to 58 (excluding the supplementary information disclosed in accordance with Schedules 4, 7, 9, 11 and 13 of the Order and included within notes 14, 20, 24, 25, 26, 27, 30, 31, and 32):
  - (i) comply with generally accepted accounting practice in New Zealand;
  - (ii) comply with NZ IFRS and IFRS; and
  - (iii) give a true and fair view of the financial position of the Banking Group as at 31 December 2021, and its financial performance and cash flows for the year then ended.
- The supplementary information disclosed in accordance with Schedules 4, 7, 11 and 13 of the Order and included within notes 14, 20, 24, 26, 27, 31, and 32:
  - (i) has been prepared, in all material respects, in accordance with the guidelines issued under section 78(3) of the Reserve Bank of New Zealand Act 1989 or any conditions of registration;
  - (ii) is in accordance with the books and records of the Banking Group; and
  - (iii) fairly states, in all material respects, the matters to which it relates in accordance with those Schedules.

Basis for opinion

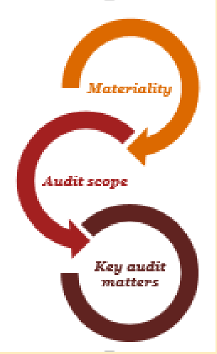
We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements and supplementary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

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

Our audit approach

Overview

	Overall materiality: NZ$621,604, which represents 3% of net revenue. We chose net revenue as the benchmark because, in our view, it is the benchmark against which performance of the Banking Group is most commonly measured by users due to the nature of the entity and the broader corporate structure. We performed a full scope audit over the aggregated financial information of the Banking Group.



We have determined that there are two key audit matters:

- Fair value of financial instruments
- Expected credit loss - Impairment of advances to customers and credit commitments

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Disclosure Statement. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the Disclosure Statement is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Disclosure Statement.

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

How we tailored our group audit scope

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

Certain operational processes which are critical to financial reporting for the Banking Group are undertaken outside of New Zealand. We worked with PwC network firms engaged in the JPMorgan Chase & Co group audit to understand and examine processes, test controls and perform other substantive audit procedures that supported material balances, classes of transactions and disclosures within the Banking Group’s financial statements. This enabled us to evaluate the effectiveness of those processes and consider the implications for the remainder of our audit work.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Fair value of financial assets and liabilities (Refer to Note 28 of the Disclosure Statement) Financial instruments held by the Banking Group include fixed income debt securities which are valued using market observable prices ("Level 2" financial instruments). The valuation of Level 2 financial instruments relies on models that use market-observable inputs to calculate the fair value which can include interest rates, yield curves, implied volatilities, and foreign exchange rates. We focused our attention on this area as the magnitude of the financial instruments balance is material to the Banking Group, and there is judgement involved in the determination of the fair value. Therefore, we have considered this as a key audit matter.	We evaluated the design and tested the operating effectiveness of key controls over the valuation of financial instruments. Testing of key controls included: • Evaluation of independent price verification controls which included enquiry with knowledgeable personnel, and observation of the control performance to ensure that independent pricing data, parameters, and product valuation policies are applied as part of our homogeneous population in the control testing. • Evaluation of model review and governance processes which include new model implementation, changes to existing models, and ongoing model performance assessments as part of our homogeneous population in the control testing. We have tested the valuation of these instruments at 31 December 2021 by engaging PwC Valuation experts. This team compares price and market value of the Banking Group's financial instrument portfolio to independently sourced prices and market values calculated using information from independent third-party data providers.

Expected credit loss - Impairment of advances to customers and credit commitments (Refer to Note 31 of the Disclosure Statement) As discussed in note 31 'Asset Quality' of the Disclosure Statement, the Banking Group's expected credit loss (ECL) on advances to customers is $1.8 million as at 31 December 2021. The determination of the ECL allowances requires the use of complex credit risk methodologies that are applied in models using the Banking Group's historic experience of the correlations between defaults and losses, borrower creditworthiness, segmentation of customers or portfolios and economic conditions. It also requires the determination of assumptions which involve estimation uncertainty. The assumptions that we focused our audit on include those with greater levels of management judgement and for which variations have the most significant impact on ECL allowances. Specifically, these included assigning loan credit risk grades used to derive probability of default as a part of the annual credit review of loans, forward-looking economic scenarios, changes to model assumptions and management model adjustments to modelled outcomes.	Our testing of significant assumptions and data used to determine the ECL allowances included testing the effectiveness of controls in place over the methodologies and their application. Specifically, these included controls over: • Model development, validation and monitoring; • Approval of economic variables; • Approval of economic scenarios; and • Approval of management model adjustments. Our audit procedures to assess compliance of the ECL methodologies with the requirements of NZ IFRS 9 included: • Engaging our professionals with experience in ECL modelling to assess the appropriateness of changes to models during the year; and • Assessing the appropriateness of methodologies and related models that did not change during the year. We further performed the following to assess the significant assumptions and data: • We challenged the appropriateness of the significant assumptions; • We assessed the reasonableness of the assumptions over forward looking information including the use of multiple scenarios, forecasts and weightings; • We tested a sample of customer credit risk ratings applied to loans; • We tested a sample of inputs of critical data from use in the ECL model back to its source of origination (i.e. to a source system or loan agreements). • We assessed the adequacy of the disclosures in relation to ECL allowances made in the financial statements in the context of the applicable financial reporting framework.

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

The Directors of the Banking Group (the 'Directors') are responsible for the other information included in the Disclosure Statement. The other information comprises the information required to be included in the Disclosure Statement in accordance with Schedule 2 of the Order and is included on pages 1 to 14. Our opinion on the Disclosure Statement and supplementary information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the Disclosure Statement and the supplementary information (excluding the supplementary information relating to credit and market risk exposures and capital adequacy disclosed in Notes 25 and 30) disclosed in accordance with Clause 25 and Schedules 4, 7, 11 and 13 of the Order, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Disclosure Statement.

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

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

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

We also report in accordance with the requirements of Clauses 2(1)(d) and 2(1)(e) of Schedule 1 of the Order. In relation to our audit of the financial statements and supplementary information (excluding the supplementary information relating to credit and market risk exposures and capital adequacy disclosed in Notes 25 and 30) for the year ended 31 December 2021:

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

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

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

We have reviewed the supplementary information relating to credit and market risk exposures and capital adequacy required by Schedule 9 of the Order as disclosed in Notes 25 and 30 of the Disclosure Statement of the Banking Group for the year ended 31 December 2021.

Our conclusion

Based on our review, nothing has come to our attention that causes us to believe that the supplementary information relating to credit and market risk exposures and capital adequacy disclosed in Notes 25 and 30, is not in all material respects, disclosed in accordance with Schedule 9 of the Order.

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

Basis for our conclusion

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

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

The Directors are responsible, on behalf of the Banking Group, for the preparation and fair presentation of the supplementary information relating to credit and market risk exposures and capital adequacy in accordance with Schedule 9 of the Order and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation 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 on the supplementary information relating to credit and market risk exposures and capital adequacy, disclosed in Notes 25 and 30 based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the supplementary information relating to credit and market risk exposures and capital adequacy, taken as a whole is not, in all material respects disclosed in accordance with Schedule 9 of the Order.

A review of the supplementary information relating to credit and market risk exposures and capital adequacy disclosed in Notes 25 and 30 in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform 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 and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly we do not express an audit opinion on the supplementary information relating to credit and market risk exposures and capital adequacy disclosed in Notes 25 and 30.

Auditor independence

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

Other than in our capacity as auditor we have no relationship with, or interests in, the Banking Group. Certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the Banking Group. These matters have not impaired our independence as auditor of the Banking Group.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants Sydney
9 June 2022

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

PricewaterhouseCoopers was the audit firm appointed to undertake the audit of the Disclosure Statement of JPMorgan Chase Bank, National Association New Zealand Banking Group for the year ended 31 December 2021. I was responsible for the execution of the review and delivery of our firm's independent auditor's report. The audit work was completed on9 June 2022 and an unqualified audit opinion is expressed as at that date.

Sam Hinchliffe
Partner