J.P. MORGAN STRUCTURED PRODUCTS B.V.

Amsterdam, the Netherlands

(Chamber of Commerce Number: 34259454)

Annual report for the year ended 31 December 2011

Vastgesteld door de Algemene
Vergadering van Aandeelhouders
op 2 7 MRT 2012

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Annual report for the year ended 31 December 2011

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J.P. MORGAN STRUCTURED PRODUCTS B.V.
Directors' report for the year ended 31 December 2011

The directors present their report and the audited financial statements of J.P. Morgan Structured Products B.V. (the "Company") for the year ended 31 December 2011.

Principal activity

The Company's primary activity is the management and issuance of securitised derivatives comprising certificates, warrants and notes including equity linked, reverse convertible and market participation notes, and the subsequent hedging of those risk positions.

Review of business

During the year, the Company continued to issue securities. The proceeds of the sale of the securities were used to enter into certain economic hedging arrangements with other JPMorgan Chase & Co. (the Group) companies. The principal purpose of the hedging arrangements entered into between the Company and the relevant Group companies is to hedge against various risks associated with the securities issuance activity. In 2011, the Company issued securities in the Asia Pacific region, in Europe, the Middle East, Africa, Latin America and a limited number in the United States of America.

Key performance indicators

The results are monitored against expectations of the business activities. A more detailed description of the Group key performance indicators may be found within the Group annual report.

Business environment, strategy and future outlook

The primary objective of the Company will be the continued development of securitised products to be offered and sold to retail, 'high net worth' and institutional investors principally outside of the United States of America, linked to a range of underlying reference assets including equity, credit, interest rates, commodities and so called 'alternatives' such as funds and hedge funds.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed within the Group's annual report which does not form part of this report.

Results and dividends

The results for the year are set out on page 7 and show the Company's profit for the year after taxation is $1,347,000 (2010: $1,284,000).

No dividend was paid or proposed during the year (2010:$nil).

Directors

The directors of the Company who served during the year and up to the date of signing the directors report were as follows:

J.P. Everwijn	(Resigned 29 December 2011)
J.C.W. van Burg	
J.C.P. van Uffelen	
R.M. Fernandes	(Resigned 12 March 2012)
D.R. Hansson	
R.W. de Koning	(Appointed 23 December 2011)

Financial risk management

Risk management is an inherent part of the Group (of which the Company is a part) business activities. The Group and the Company's risk management framework and governance structure are intended to provide comprehensive controls and ongoing management of its major risks.

The market, credit and liquidity risks resulting from the issuance of these structured securities, are matched by simultaneously entering into equal and offsetting over the counter (OTC) transactions, reported as financial assets held for trading, with Group companies so that all such risks are effectively hedged. Regular checks are made on open OTC transactions to ensure the continued effectiveness of the economic hedges in place.

To the extent that settlement-related timing differences between issuance and the OTC hedge may result in funding requirements, these are funded by the Group undertakings involved in the transaction.

Liquidity risk

The ability to maintain a sufficient level of liquidity is crucial to financial services companies, particularly their ability to maintain appropriate levels of liquidity during periods of adverse conditions. The Group's primary sources of liquidity include a diversified deposit base and access to equity capital markets, long-term unsecured and secured funding sources (including asset securitisations and borrowings from Federal Home Loan Banks ("FHLBs")). The Group's funding strategy is intended to ensure liquidity and diversity of funding sources to meet actual and contingent liabilities during both normal and stress periods. Consistent with this strategy, the Group maintains large pools of highly liquid unencumbered assets and significant sources of secured funding, and monitors its capacity in the wholesale funding markets across various geographic regions and in various currencies. Group's Management liquidity position is strong, based on its liquidity metrics as of December 31, 2011 and believes that the Group's unsecured and secured funding capacity is sufficient to meet its on - and off - balance sheet obligations. The Group was able to access funding markets as needed during 2011 and throughout the recent financial crisis.

Governance

The Group's governance process is designed to ensure that its liquidity position remains strong. The Asset-Liability Committee reviews and approves the Group's liquidity policy and contingency funding plan. Corporate Treasury formulates and is responsible for executing the Group's liquidity policy and contingency funding plan as well as measuring, monitoring, reporting and managing the Group's liquidity risk profile. The Group uses a centralised approach for liquidity risk management to maximise liquidity access, minimise funding costs and permit identification and coordination of global liquidity risk.

Liquidity monitoring

The Group employs a variety of metrics to monitor and manage liquidity. One set of analyses used by the Group relates to the timing of liquidity sources versus liquidity uses. A second set of analyses focuses on ratios of funding and liquid collateral.

The Group performs regular liquidity stress tests as part of its liquidity monitoring. The purpose of the liquidity stress tests is intended to ensure sufficient liquidity for the Group under both idiosyncratic and systemic market stress conditions. These scenarios evaluate the Group's liquidity position across a full year horizon analysing the net funding gaps resulting from contractual and contingent cash and collateral outflows versus the Group ability to generate additional liquidity by pledging or selling excess collateral and issuing unsecured debt. The Group liquidity position is strong under the defined stress scenarios outlined above.

Liquidity of the ultimate parent holding company and its nonbank subsidiaries is monitored independently as well as in conjunction with the liquidity of the Group's bank subsidiaries. At the ultimate parent holding company level, long-term funding is managed to ensure that the parent holding company has, at a minimum, sufficient liquidity to cover its obligations and those of its nonbank subsidiaries within the next 12 months. For bank subsidiaries, the focus of liquidity risk management is on maintenance of unsecured and secured funding capacity sufficient to meet on and off-balance sheet obligations.

Financial risk management (continued)

Liquidity risk (continued)

In addition to the parent holding company, the Group maintains a significant amount of liquidity - primarily at its bank subsidiaries, but also at its nonbank subsidiaries. The Global Liquidity Reserve represents consolidated sources of available liquidity to the Group, including cash on deposit at central banks, and cash proceeds reasonably expected to be received in secured financings of highly liquid, unencumbered securities - such as government-issued debt, government- and Federal Deposit Insurance Corporation ("FDIC") guaranteed corporate debt, U.S. government agency debt and agency mortgage-backed securities ("MBS"). The liquidity amount anticipated to be realized from secured financings is based on management's current judgment and assessment of the Group's ability to quickly raise secured financings. The Global Liquidity Reserve also includes the Group's borrowing capacity at various FHLBs, the Federal Reserve Bank discount window and various other central banks from collateral pledged by the Group to such banks. Although considered as a source of available liquidity, the Group does not view borrowing capacity at the Federal Reserve Bank discount window and various other central banks as a primary source of funding.

In addition to the Global Liquidity Reserve, the Group has significant amounts of other high-quality, marketable securities available to raise liquidity, such as corporate debt and equity securities.

Credit risk

The Group has developed policies and practices that are designed to preserve the independence and integrity of the approval and decision making of extending credit and are intended to ensure credit risks are assessed accurately, approved properly, monitored regularly and managed actively at both the transaction and portfolio levels.

Each business within the Group has its own independent credit risk management function, reporting to the Business Executive and the Chief Credit Officer which are responsible for making credit decisions. They approve significant new transactions and product offerings and exercise, on behalf of the directors, final authority over credit risk assessment. They are also responsible for monitoring the credit risk profile of the portfolio and reporting monthly to the Group's Operating Committee.

To measure credit risk, the Group employs several methodologies for estimating the likelihood of the obligor or counterparty default. These methodologies vary depending on certain factors, including type of asset, risk measurement parameters and collection processes. Credit risk measurement is based upon the amount of exposure should the obligor or the counterparty default, the probability of default and the loss sensitivity given a default event. Based upon these factors and related market-based inputs the Group estimates both probable and unexpected losses for its assets portfolio.

Market risk

Market risk represents the potential loss in value of portfolios and financial instruments caused by adverse movements in market variables such as interest and foreign exchange rates, credit spreads, and equity and commodity prices. Market Risk (MR) is a corporate risk governance function within the Group that is independent of the lines of business and identifies, measures, monitors and controls market risk. MR works in partnership with the business segments within the Group and the directors of the Company and seeks to facilitate efficient risk/return decisions, reduce volatility in operating performance and refine and monitor market risk policies and procedures.

Market risk (continued)

Since no single measure can reflect all aspects of market risk, the Group uses several measures, both statistical and non-statistical, including:

- Statistical risk measures
  - Value-at-Risk (VAR)
  - Risk identification for large exposures (RIFLE)

- Non-statistical risk measures
  - Economic value stress tests
  - Earnings-at-risk stress tests
  - Other measures of position size and sensitivity to market movements

The Group's VAR statistical measure gauges the potential loss from adverse market movements in an ordinary market environment. Through the Group's RIFLE system, risk managers identify worst-case losses that could arise from an unusual or specific event, such as a potential tax change, and estimate the probabilities of such a loss. This information is then communicated to the appropriate level of management, thereby permitting the Group and the directors to identify further earnings vulnerabilities. MR regularly reviews and updates risk limits, and the Group's Operating Committee reviews and approves risk limits at least twice a year.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed processes or systems, human factors or external events. To monitor and control operating risk, the Group maintains a system of comprehensive policies and a control framework designed to provide a sound and well-controlled operational environment.

Registered address
Strawinskylaan 3105, Floor 7
1077 ZX Amsterdam,
The Netherlands

Expected developments of the Company

The directors of the Company expect:

a) that the Company will continue to issue securities;
b) that the Company will not enter into fixed asset investments; and
c) that the interest income will depend on market interest rates.

Statement under Transparency Directive (as implemented in Dutch law).

The directors confirm to the best of their knowledge that:

a) the attached financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company for the year ended 31 December 2011, and
b) the annual report for the year ended 31 December 2011, consisting of the directors report and the financial statements, gives a true and fair view of the position as per the balance sheet date 31 December 2011

The directors further herewith report their arrangements for an audit committee (the "Audit Committee") as follows:

J.P. MORGAN STRUCTURED PRODUCTS B.V.
Directors' report for the year ended 31 December 2011 (continued)

Audit Committee

The Company makes use of the exemption to the requirement to establish its own Audit Committee based on Article 3a of the Royal Decree of 26 July 2008 implementing article 41 of the EU Directive 2006/43EG, as the Audit Committee of JPMorgan Chase & Co. that is compliant with the requirements will fulfil the role of the Company's Audit Committee. JPMorgan Chase & Co. operates an Audit Committee, which covers the Group, including the Company. Details of the Charter, Membership, Duties and Responsibilities can be found on the Group's website.

Independent auditor

The auditor, PricewaterhouseCoopers Accountants N.V., have indicated their willingness to continue in office. A resolution to reappoint PricewaterhouseCoopers Accountants N.V. as auditor to the Company will be proposed at the annual general meeting.

By order of the Board of Directors

R.W. de Koning	**J.C.W. van Burg**
J.C.P. van Uffelen	**D.R. Hansson**

Date: 21 March 2012

J.P. MORGAN STRUCTURED PRODUCTS B.V.
Balance sheet as at 31 December 2011

	Notes	2011 $'000	2010 $'000
Assets			
Current assets			
Financial assets held for trading	4	**22,625,693**	27,129,607
Trade and other receivables	5	**14,992**	3,717
Current tax asset		**433**	471
Cash and cash equivalents	6	**607,156**	615,024
Total assets		**23,248,274**	27,748,819
Liabilities			
Current liabilities			
Financial liabilities designated at fair value through profit or loss	7	**22,625,693**	27,129,607
Trade and other payables	10	**80,706**	44,769
Bank overdraft	6	**14,483**	48,398
Total liabilities		**22,720,882**	27,222,774
Equity			
Capital and reserves attributable to equity shareholders of the Company			
Share capital	11	**26**	26
Share premium reserve		**499,997**	499,997
Legal reserve		**2**	2
Retained earnings		**27,367**	26,020
Total equity		**527,392**	526,045
Total liabilities and equity		**23,248,274**	27,748,819

The notes on pages 10 - 24 form an integral part of the financial statements.

J.P. MORGAN STRUCTURED PRODUCTS B.V.
Income statement for the year ended 31 December 2011

	Notes	2011 $'000	2010 $'000
Fee and commission income	12	**9,719**	6,392
Fee and commission expense	12	**(6,023)**	(2,715)
Administrative expenses		**(3,561)**	(3,548)
Net foreign exchange gains		**1,295**	611
Operating profit	13	**1,430**	740
Interest income	15	**570**	1,037
Profit before income tax		**2,000**	1,777
Income tax expense	16	**(653)**	(493)
Profit for the year attributable to equity shareholders of the Company		**1,347**	1,284

Statement of comprehensive income for the year ended 31 December 2011

	2011 $'000	2010 $'000
Profit for the year	**1,347**	1,284
Other comprehensive income for the year, net of tax	**-**	-
Total comprehensive income for the year	**1,347**	1,284

The profit for the year resulted from continuing operations.

The notes on pages 10 - 24 form an integral part of the financial statements.

J.P. MORGAN STRUCTURED PRODUCTS B.V.
Statement of changes in equity for the year ended 31 December 2011

	Share capital	Share premium reserve	Legal reserve	Retained earnings	Total equity
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 January 2011	26	499,997	2	26,020	526,045
Profit for the year	-	-	-	1,347	1,347
Balance at 31 December 2011	**26**	**499,997**	**2**	**27,367**	**527,392**
Balance at 1 January 2010	26	499,997	2	24,736	524,761
Profit for the year	-	-	-	1,284	1,284
Balance at 31 December 2010	26	499,997	2	26,020	526,045

The notes on pages 10 - 24 form an integral part of the financial statements.

J.P. MORGAN STRUCTURED PRODUCTS B.V.
Statement of cash flows for the year ended 31 December 2011

	Notes	31 December 2011 $'000	31 December 2010 $'000
Cash flow from operating activities			
Profit before income tax		**2,000**	1,777
Income tax paid		**(615)**	(733)
Interest income	15	**(570)**	(1,037)
Net foreign exchange loss		**(1,295)**	(611)
		(480)	(604)
Changes in working capital			
Financial assets held for trading		**4,503,914**	20,983,265
Trade and other receivables		**(11,275)**	38,608
Financial liabilities designated at fair value through profit or loss		**(4,503,914)**	(20,983,265)
Trade and other payables		**35,937**	1,347
Net cash generated from operating activities		**24,182**	39,351
Cash flow from investing activities			
Interest received	15	**570**	1,037
Net cash generated from investing activities		**570**	1,037
Net increase in cash and cash equivalents		**24,752**	40,388
Cash and cash equivalents at the beginning of the year		**566,626**	525,627
Effect of exchange rate changes on cash and cash equivalents		**1,295**	611
Cash and cash equivalents at the end of the year	6	**592,673**	566,626

The notes on pages 10 - 24 form an integral part of the financial statements.

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements for the year ended 31 December 2011

1. General information

J.P. Morgan Structured Products B.V. (the "Company") was incorporated on 6 November 2006 as a private company with limited liability under the laws of the Netherlands. These financial statements reflect the operations of the Company during the year from 1 January 2011 to 31 December 2011.

The Company's main activity is the issuance of securitised derivatives comprising certificates, warrants and notes including equity linked, reverse convertible and market participation notes, and the subsequent hedging of those risk positions.

These financial statements have been approved for issue by the Board of Directors on 21 March 2012.

2. Summary of significant accounting policies

2.1 Accounting convention

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied to all the years presented, unless otherwise stated.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union and prepared in accordance with Book 2, Title 9 of the Dutch Civil Code. Where necessary, comparative figures have been amended to conform with change in presentation in the current year. The financial statements have been prepared under the historical cost convention, except that financial instruments are stated at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

New and amended standards adopted by the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the Company.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted

The directors have assessed the impact of standards, interpretations and amendments to existing standards that have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2011 and concluded that only the following is relevant, based on information available to 21 March 2012:

- IFRS 9, 'Financial instruments' (effective 1 January 2015)
- IFRS 13, 'Fair value measurement' (effective 1 January 2013)

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

2 Summary of significant accounting policies (continued)

2.2 Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated into US dollars at rates of exchange ruling on the balance sheet date. Income and expense items denominated in foreign currencies are translated into US dollars at exchange rates prevailing at the date of the transactions. Any gains or losses arising on translation are taken directly to the income statement.

Non-monetary items denominated in foreign currencies that are stated at historical cost are translated into US dollars at the date of the transaction.

2.3 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in US dollars, which is the Company's functional and presentation currency.

The US dollar is the functional currency as this is the currency of the primary economic environment in which the Company operates and generates net cashflows. The exchange rates used are:

Year end exchange rate (USD/EUR)	1.29205	(2010: 1.32705)
Average rate for the year (USD/EUR)	1.39759	(2010: 1.32026)

2.4 Financial assets and financial liabilities

The Company classifies its financial assets and financial liabilities in the following categories: financial assets and financial liabilities held for trading and financial assets and financial liabilities designated at fair value through profit or loss. The directors determine the classification of its investments at initial recognition.

The Company recognises a financial asset or a financial liability on its balance sheet when it becomes party to the contractual provisions of the instrument.

Financial assets and financial liabilities held for trading

The Company considers a financial asset or financial liability 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.

Financial assets and financial liabilities held for trading comprise equity derivatives. These instruments are initially recognised on trade date at fair value in the balance sheet with transaction costs being recorded in profit or loss and any gains or losses are taken directly to the income statement. Subsequently, they are measured at fair value.

Financial assets and financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities that the Company designates on initial recognition as being at fair value through profit or loss are recognised at fair value, with transaction costs being recognised in profit or loss and are subsequently measured at fair value. Gains and losses on financial assets and financial liabilities that are designated at fair value through profit or loss are recognised in profit or loss as they arise. A financial instrument may only be designated at inception as held at fair value through profit or loss and cannot subsequently be changed.

Financial assets or financial liabilities are designated as 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 Company 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.

2 Summary of significant accounting policies (continued)

2.4 Financial assets and financial liabilitites (continued)

Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the right to receive cash flows from the assets has expired; or when the Company has transferred its contractual right to receive the cash flows of the financial assets, and either
- substantially all the risks and rewards of ownership have been transferred; or
- substantially all the risks and rewards have neither been retained nor transferred but control is not retained.

Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

2.5 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values are determined by reference to observable market prices where available and reliable. Fair values of financial assets and financial liabilities are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments where representative market prices for an instrument are not available or are unreliable because of poor liquidity, the fair value is derived from prices for its components using appropriate pricing or valuation techniques that are based on independently sourced market parameters. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist and valuation models.

2.6 Impairment

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or portfolio of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that that loss event has an adverse impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2.7 Income and expense recognition

Interest income and expense are recognised on an accruals basis.

Fees and commissions are recognised when the underlying contract becomes legally binding or at the agreed due date if later, unless a fee is received relating to work to be completed in the future in which case it is recognised over the period in accordance with the effective interest rate method. Effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees receivable, that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

Profits and losses resulting from the revaluation of financial instruments are recognised as trading gains or losses on a trade date basis.

Expenses are recognised when the underlying contract becomes legally binding or at an agreed due date if later.

2 Summary of significant accounting policies (continued)

2.8 Cash and cash equivalents

Cash and cash equivalents in the cash flow statement represent cash in hand and balances with banks, other short term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown in note 6.

2.9 Share capital

The share capital of the Company consists of ordinary shares, classified as equity.

2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.12 Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.13 Provisions for liabilities and charges

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

3. Critical accounting estimates and judgments

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In this regard, the Directors believe that the critical accounting policies where judgement is necessarily applied are those which relate to the valuation of financial instruments. Refer notes 2.4 to 2.6.

4. Financial assets held for trading

	2011	2010
	$'000	$'000
Derivative receivables	22,625,693	27,129,607

Derivative receivables represent funded total return swaps with other Group undertakings.

Included within financial assets held for trading are financial instruments for which fair values are derived in whole or in part from appropriate pricing or valuation techiques that are not based on directly observable market transactions. The directors consider that the Company is perfectly hedged and that there would be no impact due to movements in the fair value of the financial assets held for trading to the results of the Company (refer to note 7).

5. Trade and other receivables

	2011	2010
	$'000	$'000
Amounts owed by group undertakings	14,992	3,717
	14,992	3,717

There were no amounts within trade and other receivables that were past due or impaired as at 31 December 2011 and as at 31 December 2010.

6. Cash and cash equivalents

	2011	2010
	$'000	$'000
Cash placed with Group undertakings	594,918	614,895
Balances with third party	12,238	129
Cash and cash equivalents	**607,156**	**615,024**
Bank Overdraft		
- balances due to Group undertakings	(14,482)	(24,314)
- balances due to third parties	(1)	(24,084)
Cash and cash equivalents as reported in cash flow statement	**592,673**	**566,626**

7. Financial liabilities designated at fair value through profit or loss

	2011	2010
	$'000	$'000
Financial liabilities designated at fair value through profit or loss	22,625,693	27,129,607

Included within financial liabilities designated at fair value through profit or loss are financial instruments for which fair values are derived in whole or in part from appropriate pricing or valuation techniques that are not based on directly observable market transactions. Debit valuation adjustments are necessary to reflect the credit quality of the Group in the valuation of such liabilities. The directors consider that the Company is perfectly hedged and that there would, in the normal course of business, be no impact to the results of the Company due to movements in the fair value of the financial liabilities designated at fair value through profit or loss.

The amount of change attributable to changes in credit risk in the fair value of the financial liabilities designated at fair value through profit or loss for 2011 is $113,051,462 (2010: $96,641,956). This amount is fully offset by an equal and opposite amount in financial assets held for trading (Refer note 4).

The carrying amount of financial liabilities designated at fair value through profit or loss was $113,051,462 (2010: $96,641,956) lower than the contractual amount at maturity.

8. Assets and liabilities measured at fair value

	Level 1 Quoted market prices in active markets	Level 2 Internal models with significant observable market parameters	Level 3 Internal models with significant unobservable market parameters	Total carrying value
At 31 December 2011	$'000	$'000	$'000	$'000
Financial assets held for trading				
Derivative receivables	-	18,335,227	4,290,466	22,625,693
Total assets at fair value at 31 December 2011	-	18,335,227	4,290,466	22,625,693
Financial liabilities designated at fair value through profit or loss				
Structured securities	-	(18,335,227)	(4,290,466)	(22,625,693)
Total liabilities at fair value at 31 December 2011	-	(18,335,227)	(4,290,466)	(22,625,693)
At 31 December 2010				
Financial assets held for trading				
Derivative receivables	-	25,629,409	1,500,198	27,129,607
Total assets at fair value at 31 December 2010	-	25,629,409	1,500,198	27,129,607
Financial liabilities designated at fair value through profit or loss				
Structured securities	-	(25,629,409)	(1,500,198)	(27,129,607)
Total liabilities at fair value at 31 December 2010	-	(25,629,409)	(1,500,198)	(27,129,607)

9. Movements in assets and liabilities measured in Level 3

Derivative receivable assets

	2011	2010
	$'000	$'000
At 1 January	1,500,198	10,590,783
Total gains recognised in income statement	(107,960)	(512,264)
Purchases	2,412,341	1,058,144
Settlements	(1,354,548)	(3,005,889)
Transfers in to level 3	2,020,209	1,190,736
Transfers out of level 3	(179,774)	(7,821,312)
At 31 December	4,290,466	1,500,198
Total profit for the year included in trading profit for the above assets held at 31 December	25,267	105,432

Structured securities liabilities

	2011	2010
	$'000	$'000
At 1 January	1,500,198	10,590,783
Total loss recognised in income statement	(107,960)	(512,264)
Purchases	-	82,841
Issuances	2,412,341	975,303
Settlements	(1,354,548)	(3,005,889)
Transfers in to level 3	2,020,209	1,190,736
Transfers out of level 3	(179,774)	(7,821,312)
At 31 December	4,290,466	1,500,198
Total loss for the year included in trading loss for the above liabilities held at 31 December	(25,267)	(105,432)

Price risk from the issued instruments is matched by entering into equal and offsetting (OTC) transactions with internal Group companies so that any price risk is effectively hedged. As at 31 December 2011, any movement in indices or ratings would result in no change to the financial profit of the Company. Consequently, no sensitivity analysis for level 3 financial instruments is disclosed.

The movements in assets and liabilities measured in level 3 significantly relate to further refinement of the fair value hierarchy classification process, given observability of market data for the input parameters in conjunction with the risk profile of the product.

10. Trade and other payables

	2011	2010
	$'000	$'000
Trade creditors	73,423	44,243
Amounts owed to group undertakings	7,283	526
	80,706	**44,769**

11. Share capital

	2011	2010
	'000	'000
Authorised share capital		
90,000 Ordinary shares of €1.00 each	€ 90	€ 90
Issued and fully paid share capital		
20,000 Ordinary shares of €1.00 each	$ 26	$ 26

In accordance with the requirements of Article 373 Book 2 of the Dutch Civil Code, the Company holds an amount of $2,000 in a legal reserve in respect of revaluation of Euro denominated share capital.

12. Fee and commission

All fee and commission income is receivable from other Group undertakings.

All fee and commission expense are paid by other undertakings and reimbursed by the Company.

13. Operating profit

Trading profit comprises profit and loss resulting from the revaluation of financial instruments and interest income and interest expense from trading activities which are perfectly hedged.

Administrative expenses include charges for financial services, directors' fees and auditors' remuneration.

During the year under review the Company did not employ any personnel and hence incurred no wages, salaries, related social security charges or pension cost. The Company has a legal entity which acts as the Administrative Manager and receives a remuneration $3,561,000 (2010: $3,548,000) per year. This remuneration is reflected in the income statement. The Company has no supervisory directors.

Auditor's remuneration for the audit of the Company's financial statements was $170,000 (2010: $145,000). These fees relate only to the procedures applied to the Company by accounting firms and external auditors as referred to in Section 1 (1) of the Dutch Accounting Firms Oversight Act (Dutch acronym: WtA).

14. Segmental analysis

In the opinion of the directors, the Company's activities comprise only one business segment, namely international investment banking services, with no material geographical segments to report on. Consequently any segmental analysis of the Company's revenues and assets is deemed to be unnecessary.

15. Interest income

	2011	2010
	$'000	$'000
Interest income	570	1,037

All interest income is receivable from other Group undertakings.

16. Income tax expense

	2011	2010
(a) income tax expense:	$'000	$'000
Current tax	486	278
Adjustments in respect of prior years	167	215
Tax on profit on ordinary activities	**653**	493
Profit for the year before tax	2,000	1,777
Tax calculated at applicable tax rates	486	439
Impact of:		
- Adjustments in respect of prior years	167	215
- Non deductible expenses	0	(161)
Income tax expense	**653**	493

The standard tax rate in the Netherlands is 25% (2010: 25.5%). A tax rate of 20% is applied to the first €200,000 (2011: $276,672, 2010:$264,597).

17. Financial risk management

Risk management is an inherent part of the Group's (of which the Company is a part) business activities. The Group and the Company's risk management framework and governance structure are intended to provide comprehensive controls and ongoing management of its major risks.

Risk management and oversight begins with the Operating Committee of the Board of Directors of the Group, which approves the governance of activities, delegating the formulation of policy and day to day risk oversight and management to the relevant sub-committees of the Group i.e. the IB Risk Committee.

An overview of the key aspects of risk management and use of financial instruments is provided below. A more detailed description of the policies and processes adopted by all Group companies may be found within the JPMorgan Chase & Co. annual report.

Liquidity risk

The ability to maintain a sufficient level of liquidity is crucial to financial services companies, particularly their ability to maintain appropriate levels of liquidity during periods of adverse conditions. The Group's primary sources of liquidity include a diversified deposit base and access to equity capital markets, long-term unsecured and secured funding sources (including asset securitisations and borrowings from Federal Home Loan Banks ("FHLBs")). The Group's funding strategy is intended to ensure liquidity and diversity of funding sources to meet actual and contingent liabilities during both normal and stress periods. Consistent with this strategy, the Group maintains large pools of highly liquid unencumbered assets and significant sources of secured funding, and monitors its capacity in the wholesale funding markets across various geographic regions and in various currencies Group's Management liquidity position is strong, based on its liquidity metrics as of December 31, 2011 and believes that the Group's unsecured and secured funding capacity is sufficient to meet its on - and off - balance sheet obligations. The Group was able to access funding markets as needed during 2011 and throughout the recent financial crisis.

Governance
The Group's governance process is designed to ensure that its liquidity position remains strong. The Asset-Liability Committee reviews and approves the Group's liquidity policy and contingency funding plan. Corporate Treasury formulates and is responsible for executing the Group's liquidity policy and contingency funding plan as well as measuring, monitoring, reporting and managing the Group's liquidity risk profile. The Group uses a centralised approach for liquidity risk management to maximise liquidity access, minimise funding costs and permit identification and coordination of global liquidity risk.

Liquidity monitoring
The Group employs a variety of metrics to monitor and manage liquidity. One set of analyses used by the Group relates to the timing of liquidity sources versus liquidity uses. A second set of analyses focuses on ratios of funding and liquid collateral.

The Group performs regular liquidity stress tests as part of its liquidity monitoring. The purpose of the liquidity stress tests is intended to ensure sufficient liquidity for the Group under both idiosyncratic and systemic market stress conditions. These scenarios evaluate the Group's liquidity position across a full year horizon analysing the net funding gaps resulting from contractual and contingent cash and collateral outflows versus the Group ability to generate additional liquidity by pledging or selling excess collateral and issuing unsecured debt. The Group liquidity position is strong under the defined stress scenarios outlined above.

Liquidity of the ultimate parent holding company and its nonbank subsidiaries is monitored independently as well as in conjunction with the liquidity of the Group's bank subsidiaries. At the ultimate parent holding company level, long-term funding is managed to ensure that the parent holding company has, at a minimum, sufficient liquidity to cover its obligations and those of its nonbank subsidiaries within the next 12 months. For bank subsidiaries, the focus of liquidity risk management is on maintenance of unsecured and secured funding capacity sufficient to meet on and off-balance sheet obligations.

17. Financial risk management (continued)

Liquidity risk (continued)

In addition to the parent holding company, the Group maintains a significant amount of liquidity - primarily at its bank subsidiaries, but also at its nonbank subsidiaries. The Global Liquidity Reserve represents consolidated sources of available liquidity to the Group, including cash on deposit at central banks, and cash proceeds reasonably expected to be received in secured financings of highly liquid, unencumbered securities - such as government-issued debt, government- and Federal Deposit Insurance Corporation ("FDIC") guaranteed corporate debt, U.S. government agency debt and agency mortgage-backed securities ("MBS"). The liquidity amount anticipated to be realized from secured financings is based on management's current judgment and assessment of the Group's ability to quickly raise secured financings. The Global Liquidity Reserve also includes the Group's borrowing capacity at various FHLBs, the Federal Reserve Bank discount window and various other central banks from collateral pledged by the Group to such banks. Although considered as a source of available liquidity, the Group does not view borrowing capacity at the Federal Reserve Bank discount window and various other central banks as a primary source of funding.

In addition to the Global Liquidity Reserve, the Group has significant amounts of other high-quality, marketable securities available to raise liquidity, such as corporate debt and equity securities.

The following table provides details on the contractual maturity of all liabilities:

	2011 Less than 1 year	Total	2010 Less than 1 year	Total
	$'000	$'000	$'000	$'000
Financial liabilities designated at fair value through profit or loss	22,625,693	22,625,693	27,129,607	27,129,607
Bank overdraft	14,483	14,483	48,398	48,398
Trade and other payables	80,706	80,706	44,769	44,769
	22,720,882	22,720,882	27,222,774	27,222,774

Included within the above liabilities, the balances held with other Group undertakings are $21,765,000 (2010: $24,840,000).

Financial liabilities which are marked at fair value are typically redeemable on customer demand.

Credit risk

The Group has developed policies and practices that are designed to preserve the independence and integrity of the approval and decision making of extending credit and are intended to ensure credit risks are assessed accurately, approved properly, monitored regularly and managed actively at both the transaction and portfolio levels.

Each business within the Group has its own independent credit risk management function, reporting to the Business Executive and the Chief Credit Officer. These units are responsible for making credit decisions on behalf of the Company. They approve significant new transactions and product offerings and exercise on behalf of the directors, final authority over credit risk assessment. They are also responsible for monitoring the credit risk profile of the portfolio and reporting monthly to the Group's Operating Committee.

To measure credit risk, the Group employs several methodologies for estimating the likelihood of the obligor or counterparty default. These methodologies vary depending on certain factors, including type of asset, risk measurement parameters and collection processes. Credit risk measurement is based upon the amount of exposure should the obligor or the counterparty default, the probability of default and the loss sensitivity given a default event. Based upon these factors and related market-based inputs the Group estimates both probable and unexpected losses for its assets portfolio.

17. Financial risk management (continued)

Credit risk (continued)

The amounts in the table below show the maximum credit exposure of the Company:

	Grade	2011	2010
		$'000	$'000
Financial assets held for trading	Investment	22,625,693	27,129,607
Trade and other receivables	Investment	14,992	3,717
Cash and cash equivalents	Investment	607,156	615,024
		23,247,841	27,748,348

Included within the above assets, the balances held with other Group undertakings are $23,235,603,000 (2010: $27,718,992,000).

Market risk

Market risk represents the potential loss in value of portfolios and financial instruments caused by adverse movements in market variables such as interest and foreign exchange rates, credit spreads, and equity and commodity prices. Market Risk (MR) is a corporate risk governance function within the Group that is independent of the lines of business and identifies, measures, monitors and controls market risk. MR works in partnership with the business segments within the Group and seeks to facilitate efficient risk/return decisions, reduce volatility in operating performance and refine and monitor market risk policies and procedures.

Since no single measure can reflect all aspects of market risk, the Group uses several measures, both statistical and non-statistical, including:

Statistical Risk Measures
- Value-at-Risk (VAR)
- Risk identification for large exposures (RIFLE)

Non-Statistical Risk Measures
- Economic value stress tests
- Earning-at-risk stress tests
- Other measures of position size and sensitivity to market movements

The Group's VAR statistical measure gauges the potential loss from adverse market movements in an ordinary market environment. Through the Group's RIFLE system, risk managers identify worst-case losses that could arise from an unusual or specific event, such as a potential tax change, and estimate the probabilities of such a loss. This information is then communicated to the appropriate level of management, thereby permitting the Group and the directors to identify further earnings vulnerabilities. MR regularly reviews and updates risk limits, and the Group's Operating Committee reviews and approves risk limits at least twice a year.

Foreign exchange risk

Foreign exchange risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk on the issued instruments is matched by entering into equal and offsetting over the counter (OTC) transactions with internal Group companies in the same currency that foreign exchange risk in the Company is effectively hedged. Foreign exchange risk arising from non trading activity is assessed to be immaterial. Consequently, any sensitivity analysis of the Company's foreign exchange risk is deemed to be unnecessary.

17. Financial risk management (continued)

Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has a cash flow interest rate risk from cash and cash equivalents on the balance sheet. Interest rate risk on the issued instruments is matched by entering into equal and offsetting interest bearing over the counter (OTC) transactions with internal Group companies so that the interest rate risk from these instruments is effectively hedged.

The following table shows the effect of change in interest rates by 50 basis points which is considered to be reasonably possible for the portfolio that is based in countries with a low volatility in interest rates.

	2011	2010
	$'000	$'000
50 basis points increase in local interest rates	2,668	2,664
50 basis points decrease in local interest rates	(2,668)	(2,664)

Price risk

Price risk from the issued instruments is matched by entering into equal and offsetting over the counter (OTC) transactions with internal Group companies so that any price risk is effectively hedged. As at 31 December 2011, any movement in indices or ratings would result in no change to the financial profit of the Company.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed processes or systems, human factors or external events. To monitor and control operating risk, the Group maintains a system of comprehensive policies and a control framework designed to provide a sound and well-controlled operational environment.

Fair value of financial assets and financial liabilities

For all financial assets and financial liabilities, carrying value is a reasonable approximation of fair value.

18. Managed capital

Total equity of $527,392,000 constitutes the managed capital of the Company which consists entirely of issued share capital, share premium reserve, legal reserve and retained earnings.

The Company is not subject to any externally imposed capital requirements.

19. Related party transactions

Related parties comprise:

(a) Directors and shareholders of the Company and companies in which they have an ownership interest;

(b) Group undertakings of the Company.

The Company's parent undertaking is detailed in note 20. There were no transactions with the parent undertaking during the year.

Related party transactions, outstanding balances at year end, and income and expenses for the year, relating to normal business activities are as follows:

(i) Outstanding balances at year end

	Administrative Manager 31 December 2011	JPMorgan Chase Group undertakings 31 December 2011	Administrative Manager 31 December 2010	JPMorgan Chase Group undertakings 31 December 2010
	$'000	$'000	$'000	$'000
Financial assets held for trading	-	22,625,693	-	27,129,607
Trade and other receivables	-	14,992	-	3,717
Cash and cash equivalents	-	594,918	-	614,895
Trade and other payables	-	(7,283)	-	(526)
Bank Overdraft		(14,482)		(24,314)

(ii) Income and expenses

	Administrative Manager 31 December 2011	JPMorgan Chase Group undertakings 31 December 2011	Administrative Manager 31 December 2010	JPMorgan Chase Group undertakings 31 December 2010
	$'000	$'000	$'000	$'000
Fees and commission income		9,719		6,392
Fees and commission expense		(6,023)	-	(2,715)
Administrative expenses	(3,561)	-	(3,548)	-
Interest income	-	570	-	1,037

20. Parent undertaking

The Company's immediate parent undertaking is J.P. Morgan International Finance Limited which is incorporated in the state of Delaware in the United States of America.

The Company's ultimate parent undertaking and the parent undertaking of the largest group in which the results of the Company are consolidated, is JPMorgan Chase & Co., which is also incorporated in the state of Delaware in the United States of America.

The parent undertaking of the smallest group in which the Company's results are consolidated is J.P. Morgan International Finance Limited.

The largest and the smallest groups' consolidated financial statements can be obtained from:

The Company Secretary
125 London Wall
EC2Y 5AJ
London

By order of the Board of Directors

R.W. de Koning	**J.C.W. van Burg**
J.C.P. van Uffelen	**D.R. Hansson**

Date: 21 March 2012

21. Other Information

Profit appropriation according to the Articles of Association

The articles of association of the Company require that the allocation of profits be determined in a general meeting of the shareholders. The Management Board may resolve to pay interim dividends up to an amount which does not exceed the amount of the distributable part of the net assets. Dividends shall be paid after adoption of the annual accounts from which it appears that payment of dividends is permissible.

Proposed appropriation of net results

Management propose to appropriate the current year profits to the retained earnings. No dividend was paid or proposed during the year.

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Independent auditor's report

To: the General Meeting of Shareholders of JP Morgan Structured Products B.V.

Report on the financial statements

We have audited the accompanying 2011 financial statements of JP Morgan Structured Products B.V., Amsterdam ("The Company"), as set out on pages 6 to 24 which comprise the balance sheet as at 31 December 2011, the income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the directors are responsible for such internal control as they determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Reference: RvA/e0244473
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T: +31 (0) 88 792 00 20, F: +31 (0) 88 792 96 40, www.pwc.nl

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of The Company as at 31 December 2011, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Amsterdam, 23 March 2012
PricewaterhouseCoopers Accountants N.V.

Originally signed by R.E.H.M. van Adrichem RA