

**J.P. MORGAN STRUCTURED PRODUCTS B.V.**

**Amsterdam, the Netherlands**

**(Chamber of Commerce Number: 34259454)**

**Financial statements for the six month period ended 30 June 2015**

**J.P. MORGAN STRUCTURED PRODUCTS B.V.**  
**Interim report for the six month period ended 30 June 2015**

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# **J.P. MORGAN STRUCTURED PRODUCTS B.V.**

## **Directors' report for the period ended 30 June 2015**

The directors present their report and the financial statements of J.P. Morgan Structured Products B.V. (the "Company") for the six month period ended 30 June 2015.

### **Principal activity**

The Company's primary activity is the issuance and management of structured notes comprising certificates, warrants and other market participation notes, and the subsequent hedging of these risk positions.

### **Review of business**

During the period, the Company continued to issue securities. The proceeds of the sale of securities were used to enter into economic hedging agreements with other J.P. Morgan Chase & Co. companies ("the Group") through certain economic hedging arrangements. The principal purpose of these hedging arrangements is to hedge against various risks associated with the issuance activity. During this interim period, the Company issued securities in the Asia Pacific region, Europe, the Middle East, Africa, Latin America and the United States of America, and are either issued to private investors or listed on exchanges.

### **Key performance indicators**

As the Company is managed as part of a global investment bank there are no KPIs that are specific to the Company. The results are monitored against expectations of the business activities. A more detailed description of the Group's key performance indicators may be found within the Group annual report.

### **Business environment, strategy and future outlook**

The primary objective of the Company is 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**

The Company's issuance activities expose it to financial and operational risks, which are managed by the Board of Directors, using the Group's risk management framework. The Board of Directors monitors the Company's financial and operational risks and has responsibility for ensuring effective risk management and control.

The financial risks arising from the structured securities issued by the Company are matched by simultaneously entering into equal and offsetting over the counter ("OTC") transactions with other group companies so that all such risks are effectively hedged. Further details on the financial risks of the Company are set out in note 15 to the interim financial statements.

### **Results and dividends**

The results for the period are set out on page 4 and show the Company's profit for the period after taxation is \$431,000 (2014: profit of \$424,000).

No dividend was paid or proposed during the period (2014: \$nil).

# **J.P. MORGAN STRUCTURED PRODUCTS B.V.**

## **Directors' report for the period ended 30 June 2015 (continued)**

### **Directors**

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

D.R. Hansson  
J.C.P. van Uffelen  
H.P. de Kanter  
R. Terasawa  
W.H. Kamphuijs

### **Composition of the Board**

The size and composition of the Board of Managing Directors and the combined experience and expertise should reflect the best fit for profile and strategy of the Company. The Company is aware that the gender diversity is below the goals as set out in article 2:276 section 2 of the Dutch Civil Code and the Company will pay close attention to gender diversity in the process of recruiting and appointing new Managing Directors.

### **Creditor payment policy**

All invoices from suppliers are settled on the Company's behalf by an affiliated Group company, JP Morgan Chase Bank, N.A.

JP Morgan Chase Bank, N.A.'s policy is to pay invoices (including those in respect of the Company) upon presentation, except where other arrangements have been negotiated with the supplier. It is the policy of the Company to abide by the terms of payment, provided the supplier performs according to the terms of the contract.

### **Registered address**

Luna ArenA  
Herikerbergweg 238  
1101 CM 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 continue to fluctuate in line with the development in 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 and give a true and fair view of the assets, liabilities, financial position and financial performance of the Company for the six month period ended 30 June 2015, and
- b) the interim report for the six month period ended 30 June 2015, consisting of the directors report and the financial statements, give a true and fair view of the position as at 30 June 2015 and of the developments during the period.

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

# **J.P. MORGAN STRUCTURED PRODUCTS B.V.**

## **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.

The financial statements on pages 4 to 14 were approved by the Board of Directors on 25 August 2015 and signed on its behalf.

## **By order of the Board**

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**J.C.P. van Uffelen**

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**H.P. de Kanter**

**Date:** 25 August 2015

# J.P. MORGAN STRUCTURED PRODUCTS B.V.

## Income statement for the six month period ended 30 June 2015 (unaudited)

		Unaudited 30 June 2015 \$'000	Unaudited 30 June 2014 \$'000
	Notes		
Fee and commission income	10	4,537	5,250
Fee and commission expense	10	(3,873)	(3,521)
Administrative expenses		(430)	(1,706)
Net foreign exchange loss		(68)	(8)
<b>Operating profit</b>		<b>166</b>	<b>15</b>
Net interest income	11	378	548
<b>Profit before income tax</b>		<b>544</b>	<b>563</b>
Income tax expense	12	(113)	(139)
<b>Profit for the period attributable to equity shareholders of the Company</b>		<b>431</b>	<b>424</b>

## Statement of comprehensive income for the six month period ended 30 June 2015 (unaudited)

	Unaudited 30 June 2015 \$'000	Unaudited 30 June 2014 \$'000
<b>Profit for the period</b>	<b>431</b>	<b>424</b>
Other comprehensive income for the period, net of tax	-	-
<b>Total comprehensive income for the period</b>	<b>431</b>	<b>424</b>

The profit for the period resulted from continuing operations.

The notes on pages 8 - 14 form an integral part of the financial statements.

# J.P. MORGAN STRUCTURED PRODUCTS B.V.

## Statement of changes in equity for the period ended 30 June 2015 (unaudited)

	Share capital	Share premium reserve	Legal reserve	Retained earnings	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 January 2015</b>	26	499,997	2	31,273	531,298
Profit for the period	-	-	-	431	431
<b>Balance at 30 June 2015</b>	<b>26</b>	<b>499,997</b>	<b>2</b>	<b>31,704</b>	<b>531,729</b>
<b>Balance at 1 January 2014</b>	26	499,997	2	29,223	529,248
Profit for the period	-	-	-	424	424
<b>Balance at 30 June 2014</b>	<b>26</b>	<b>499,997</b>	<b>2</b>	<b>29,647</b>	<b>529,672</b>

The notes on pages 8 - 14 form an integral part of the financial statements.

**J.P. MORGAN STRUCTURED PRODUCTS B.V.**  
**Balance sheet as at 30 June 2015 (unaudited)**

		Unaudited 30 June 2015 \$'000	31 December 2014 \$'000
	Notes		
<b>Assets</b>			
<b>Current assets</b>			
Financial assets held for trading	4	25,003,114	22,058,086
Trade and other receivables	5	568,847	556,345
Current tax asset		298	15
Cash and cash equivalents	6	579,607	595,686
<b>Total assets</b>		<b>26,151,866</b>	<b>23,210,132</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities designated at fair value through profit or loss	7	25,003,114	22,058,086
Trade and other payables	8	271,217	312,689
Bank overdraft	6	345,806	308,059
<b>Total liabilities</b>		<b>25,620,137</b>	<b>22,678,834</b>
<b>Equity</b>			
<b>Capital and reserves attributable to equity shareholders of the Company</b>			
Share capital	9	26	26
Share premium reserve		499,997	499,997
Legal reserve		2	2
Retained earnings		31,704	31,273
<b>Total equity</b>		<b>531,729</b>	<b>531,298</b>
<b>Total liabilities and equity</b>		<b>26,151,866</b>	<b>23,210,132</b>

Chamber of Commerce Number: 34259454

The notes on pages 8 - 14 form an integral part of the financial statements.



**J.P. MORGAN STRUCTURED PRODUCTS B.V.**  
**Cash flow statement for the period ended 30 June 2015 (unaudited)**

		Unaudited 30 June 2015 \$'000	Unaudited 30 June 2014 \$'000
	Notes		
<b>Cash flow from operating activities</b>			
Profit before income tax		544	563
Income tax paid		(396)	(268)
Interest income	11	(378)	(548)
Net foreign exchange gain/(loss)		68	8
		<b>(162)</b>	<b>(245)</b>
<b>Changes in working capital</b>			
Financial assets held for trading		<b>(2,945,028)</b>	(297,898)
Trade and other receivables		<b>(12,502)</b>	159,518
Financial liabilities designated at fair value through profit or loss		<b>2,945,028</b>	297,898
Trade and other payables		<b>(41,472)</b>	(182,330)
Net cash generated/(used) from operating activities		<b>(54,136)</b>	(23,057)
<b>Cash flow from investing activities</b>			
Interest received	11	378	548
Net cash generated from investing activities		<b>378</b>	548
Net decrease in cash and cash equivalents		<b>(53,758)</b>	(22,509)
Cash and cash equivalents at the beginning of the period		<b>287,627</b>	566,018
Effect of realised exchange rate changes on cash and cash equivalents		<b>(68)</b>	(8)
<b>Cash and cash equivalents at the end of the period</b>	6	<b>233,801</b>	543,501

The notes on pages 8 - 14 form an integral part of the financial statements.

# **J.P. MORGAN STRUCTURED PRODUCTS B.V.**

## **Notes to the financial statements for the period ended 30 June 2015 (continued)**

### **Notes to the financial statements for the period ended 30 June 2015**

#### **1. General information**

J.P. Morgan Structured Products B.V. Amsterdam's (the "Company") main activity is the issuance of structured notes comprising certificates, warrants and market participation notes, and the subsequent hedging of these risk positions. The Company was incorporated on 6 November 2006.

The Company is a private company with limited liability incorporated and domiciled in the Netherlands and is wholly owned by J.P. Morgan International Finance Limited. The Company's ultimate parent is J.P. Morgan Chase & Co.

These financial statements reflect the operations of the Company during the period from 1 January 2015 to 30 June 2015. The interim financial statements have neither been audited nor reviewed by the external auditors.

These interim financial statements have been approved for issue by the Board of Directors on 25 August 2015.

#### **2. Basis of preparation**

The condensed interim financial information for the six month period ended 30 June 2015 has been prepared in accordance with IAS 34, Interim financial reporting. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

#### **3. Accounting Policies**

The interim financial statements have been prepared on the going concern basis and under the historical cost convention as modified by the revaluation of certain financial instruments. The interim financial statements have also been prepared using accounting policies consistent with those adopted by the Company in its annual financial statements for the year ended 31 December 2014, unless otherwise stated.

##### **3.1 New and amended standards adopted by the Company**

Amendments to IFRSs effective for the financial year ending 31 December 2015 are not expected to have a material impact on the Company.

##### **3.2 Standards, amendments and interpretations to existing standards that are not yet effective but relevant**

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 2015 and concluded that the following is relevant:

- IFRS 9 - Financial Instruments (effective date 1 January 2018)

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. The Company is yet to assess IFRS 9's full impact.

# J.P. MORGAN STRUCTURED PRODUCTS B.V.

## Notes to the financial statements for the period ended 30 June 2015 (continued)

### 4. Financial assets held for trading

	Unaudited 30 June 2015 \$'000	31 December 2014 \$'000
Financial assets held for trading	25,003,114	22,058,086

Financial assets held for trading represent over the counter (OTC) transactions with other Group undertakings.

### 5. Trade and other receivables

	Unaudited 30 June 2015 \$'000	31 December 2014 \$'000
Trade receivables	307,109	223,179
Amounts owed by Group undertakings	261,738	333,166
	568,847	556,345

Trade receivables mainly consist of unsettled trades.

There were no amounts within trade and other receivables that were past due or impaired as at 30 June 2015 (31 December 2014: \$nil).

### 6. Cash and cash equivalents

	Unaudited 30 June 2015 \$'000	31 December 2014 \$'000
Cash placed with Group undertakings	560,505	560,147
Balances with third party	19,102	35,539
<b>Cash and cash equivalents</b>	<b>579,607</b>	<b>595,686</b>
<b>Bank overdraft</b>		
Balances due to Group undertakings	(326,191)	(265,797)
Balances due to third parties	(19,615)	(42,262)
<b>Cash and cash equivalents as reported in cash flow statement</b>	<b>233,801</b>	<b>287,627</b>

# J.P. MORGAN STRUCTURED PRODUCTS B.V.

## Notes to the financial statements for the period ended 30 June 2015 (continued)

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

	Unaudited 30 June 2015 \$'000	31 December 2014 \$'000
Financial liabilities designated at fair value through profit or loss	25,003,114	22,058,086

Financial liabilities designated at fair value through profit and loss include short term and long term structured notes and market participating warrants.

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 fully 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 notes issued by the Company are guaranteed by JPMorgan Chase Bank, N.A.

The amount of decrease in the fair value of the financial liabilities designated at fair value through profit and loss for 2015 attributable to changes in own credit risk is \$33,103,526 (2014: \$27,957,913). This amount is fully offset by an equal and opposite amount in financial assets held for trading.

### 8. Trade and other payables

	Unaudited 30 June 2015 \$'000	31 December 2014 \$'000
Trade creditors	271,216	311,770
Amounts owed to Group undertakings	1,181	919
	<b>271,217</b>	<b>312,689</b>

Trade payables mainly consist of unsettled trades.

### 9. Share capital

	Unaudited 30 June 2015 \$'000	31 December 2014 \$'000
<b>Authorised share capital</b>		
90,000 Ordinary shares of €1.00 each	€ 90	€ 90
<b>Issued and fully paid share capital</b>		
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.

There has been no change in authorised share capital during the year.

### 10. Fee and commission income/ (expense)

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

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

# J.P. MORGAN STRUCTURED PRODUCTS B.V.

## Notes to the financial statements for the period ended 30 June 2015 (continued)

11. Net interest income	Unaudited 30 June 2015 \$'000	Unaudited 30 June 2014 \$'000
Net interest income	378	548

12. Current income tax	Unaudited 30 June 2015 \$'000	Unaudited 30 June 2014 \$'000
Income tax expense:		
Current tax	125	139
Adjustment in respect of prior years	(12)	-
<b>Tax on profit on ordinary activities</b>	<b>113</b>	<b>139</b>
Profit for the year before tax	544	563
Tax calculated at applicable tax rates	125	139
Adjustment in respect of prior years	(12)	-
<b>Income tax expense</b>	<b>113</b>	<b>139</b>

The standard tax rate in the Netherlands is 25% (2014: 25%). A tax rate of 20% is applied to the first €200,000 (2015: \$221,590, 2014: \$264,346).

### 13. Managed capital

Total equity of \$531,729,000 (2014: \$531,298,000) 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.

# **J.P. MORGAN STRUCTURED PRODUCTS B.V.**

## **Notes to the financial statements for the period ended 30 June 2015 (continued)**

### **14. 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 16. There were no transactions with the parent undertaking during the period.

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

#### **(i) Outstanding balances at period end**

	<b>Unaudited JPMorgan Chase group undertakings 30 June 2015 \$'000</b>	<b>JPMorgan Chase group undertakings 31 December 2014 \$'000</b>
Financial assets held for trading	25,003,114	22,058,086
Trade and other receivables	261,738	333,166
Cash and cash equivalents	560,505	560,147
Bank overdraft	(326,191)	(265,797)
Trade and other payables	(1,118)	(919)

#### **(ii) Income and expenses**

	<b>Unaudited JPMorgan Chase group undertakings 30 June 2015 \$'000</b>	<b>Unaudited JPMorgan Chase group undertakings 30 June 2014 \$'000</b>
Fees and commission income	4,537	5,250
Fees and commission expense	(3,873)	(1,103)
Administrative expenses	-	(1,706)
Net interest income/(expense)	392	547

# J.P. MORGAN STRUCTURED PRODUCTS B.V.

## Notes to the financial statements for the period ended 30 June 2015 (continued)

### 15. Financial risk management

The Company's activities expose it to various financial risks. These are liquidity risk, credit risk and market risk (which includes foreign exchange risk, interest rate risk and price risk). A substantial majority of these risks, which arise from the structured securities issued by the Company are matched by simultaneously entering into equal and offsetting over the counter (OTC) transactions with other group companies so that all such risks are effectively hedged.

The Company operates within the JPMorgan Chase & Co. risk management framework. The Board of Directors monitors the Company's financial risks and has responsibility for ensuring effective risk management and control.

The detailed JPMorgan Chase & Co. risk management framework, including policies and procedures, is set out in the JPMorgan Chase & Co. annual report.

#### Liquidity risk

Liquidity risk is the risk that the Company's funding sources may be insufficient to meet its liabilities as they fall due. The Company's issuance activities are economically hedged with the OTC transactions with group undertakings. To the extent that settlement-related timing differences between issuance transactions and the OTC hedge transactions may result in funding requirements, these are met by the Group companies involved in the transactions.

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

	<b>30 June 2015</b>	<b>31 Dec 2014</b>
	<b>Less than</b>	<b>Less than</b>
	<b>1 year</b>	<b>1 year</b>
	<b>\$'000</b>	<b>\$'000</b>
Financial liabilities designated at fair value through profit and loss	25,003,114	22,058,086
Bank overdraft	345,806	308,059
Trade and other payables	271,217	312,689
	<b>25,620,137</b>	<b>22,678,834</b>

Financial liabilities designated at fair value through profit or loss are typically redeemable on customer demand.

#### Credit risk

Credit risk is the risk that the counterparties to the Company's financial assets may default. The Company's assets are neither past due nor impaired.

The amounts in the table below show the Company's gross maximum exposure to credit risk without taking account of any collateral or credit risk mitigation in place.

	<b>30 June 2015</b>	<b>31 Dec 2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Financial assets held for trading	25,003,114	22,058,086
Trade and other receivables	568,847	556,345
Cash and cash equivalents	579,607	595,686
	<b>26,151,568</b>	<b>23,210,117</b>

Included within the above assets, the balances held with other Group undertakings are \$25,825,357,000 (2014: \$23,951,399,000).

All financial assets are considered to be of an investment grade.

# **J.P. MORGAN STRUCTURED PRODUCTS B.V.**

## **Notes to the financial statements for the period ended 30 June 2015 (continued)**

### **15. Financial risk management (continued)**

#### **Market risk**

Market risk represents the potential fluctuation in fair value or cash flows of the Company's financial instruments caused by movements in market variables such as interest and foreign exchange rates and equity prices. The market risks, including price, foreign exchange and interest rates risk, arising from the Company's issuances are economically hedged by equal and offsetting over the counter (OTC) transactions with other group companies. There is immaterial residual price or foreign exchange risk in the Company as at 30 June 2015 or 31 December 2014.

#### **Fair value of financial assets and financial liabilities**

For financial assets and financial liabilities which are not carried at fair value in the balance sheet, carrying value is a reasonable approximation of fair value, as they are repayable on demand by both parties.

### **16. 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  
25 Bank Street  
Canary Wharf  
E14 5JP  
London

**By order of the Board**

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**J.C.P. van Uffelen**

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**H.P. de Kanter**

**Date:** 25 August 2015