J.P. MORGAN STRUCTURED PRODUCTS B.V.
Amsterdam, the Netherlands

(Chamber of Commerce Number: 34259454)

Annual report for the year ended 31 December 2009

J.P. MORGAN STRUCTURED PRODUCTS B.V.
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J.P. MORGAN STRUCTURED PRODUCTS B.V.
Directors report for the year ended 31 December 2009

The directors present their report and the financial statements of the Company for the year ended 31 December 2009.

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 2009, the Company issued securities in the Asia Pacific region, in Europe, the Middle East, Africa 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 $1,276,000 (2008: $9,183,000).

No dividend was paid or proposed during the year (2008:$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
J.C.W. van Burg
J.C.P. van Uffelen
B.P. von Gunten (Resigned 1 February 2009)

Financial risk management

Risk management is an inherent part of the Group's business activities and the Company has adopted the same risk management policies and procedures as the Group as a whole. 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 Company exercises oversight through the Board of directors and delegation from the Board to various sub-committees which are organised in line with the Group risk management policy.

The market, credit and liquidity risks resulting from the issuance of these securitised derivatives, are matched by simultaneously entering into equal and offsetting over the counter (OTC) transactions, reported as financial assets held for trading, with internal 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 during periods of adverse conditions. The Group's primary sources of liquidity include a diversified deposit base and access to long-term debt (including trust preferred capital debt securities) and equity capital markets. 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. The Group also maintains access to secured funding capacity through overnight borrowings from various central banks.

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 monitors liquidity trends, tracks historical and prospective on and off-balance sheet liquidity obligations, identifies and measures internal and external liquidity warning signals to permit early detection of liquidity issues, and manages contingency planning (including identification and testing of various and market-driven stress scenarios). Various tools, which together contribute to an overall liquidity perspective of the Group which are used to monitor and manage liquidity.

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.

A component of liquidity management is the Group's contingency funding plan. The plan considers various temporary and long-term stress scenarios where access to wholesale unsecured funding is severely limited or nonexistent, taking into account both on and off-balance sheet exposures, and separately evaluates access to funding sources by the ultimate parent holding company and the Group's bank subsidiaries.

Financial risk management (continued)

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 Chief Risk 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.

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 and because of the complexity of the range of products traded or strategically managed within the Group, a combination of risk management and measurement tools are used to analyse the market risk as follows:

- 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 moves 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 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 and the Company maintain a system of comprehensive policies and a control framework designed to provide a sound and well-controlled operational environment.

Creditor payment policy

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

JPMorgan 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
Strawinskylaan 3105, Floor 7
1077 ZX Amsterdam,
The Netherlands

Expected developments of the Compa ny

The directors of the Company expect:

a) that the Company will continue to issue securities;
b) that the Company will not enter into 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 2009, and
b) the annual report for the year ended 31 December 2009, 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 2009 and of the developments during the year of the Company and of the expected developments of the Company, and of circumstances on which the developments of the profitability depend.

We further herewith report our arrangements for an audit committee (the "Audit Committee") as follows:

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 acticle 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

J.P. Everwijn

J.C.W. van Burg

J.C.P. van Uffelen

Date: 29 March 2010

J.P. MORGAN STRUCTURED PRODUCTS B.V.
Balance sheet as at 31 December 2009 (after result appropriation)

	Notes	2009	2008
		$'000	$'000
Assets			
Current assets			
Financial assets held for trading	4	**48,112,872**	17,002,231
Trade and other receivables	5	**42,325**	123,702
Current tax asset		**231**	3,991
Cash and cash equivalents	6	**543,377**	571,429
Total assets		**48,698,805**	17,701,353
Liabilities			
Current liabilities			
Financial liabilities designated at fair value through profit or loss	7	**48,112,872**	17,002,231
Trade and other payables	10	**43,422**	24,689
Bank overdraft	6	**17,750**	150,948
Total liabilities		**48,174,044**	17,177,868
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		**24,736**	23,460
Total equity		**524,761**	523,485
Total liabilities and equity		**48,698,805**	17,701,353

By the order of the Board

J.P. Everwijn **J.C.W. van Burg**

J.C.P. van Uffelen

Date: 29 March 2010

The notes on pages 10 - 25 form an integral part of the financial statements.

J.P. MORGAN STRUCTURED PRODUCTS B.V.
Income statement for the year ended 31 December 2009

	Notes	**31 December 2009 $'000**	31 December 2008 $'000
Fee and commission income	12	**7,545**	4,652
Fee and commission expense	12	**(3,766)**	(2,016)
Administrative expenses		**(2,840)**	(2,430)
Net foreign exchange (loss)/gain		**(251)**	22
Operating profit	13	**688**	228
Interest received	14	**1,200**	12,613
Profit before income tax		**1,888**	12,841
Income tax expense	15	**(612)**	(3,658)
Profit for the year attributable to equity shareholders of the Company		**1,276**	9,183

Statement of comprehensive income for the year ended 31 December 2009

	2009 $'000	2008 $'000
Profit for the year	**1,276**	9,183
Other comprehensive income for the year, net of tax	**-**	-
Total comprehensive income for the year	**1276**	9183

The profit for the year resulted from continuing operations.

The notes on pages 10 - 25 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 2009

	Share capital $'000	Share premium reserve $'000	Legal reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2009	26	499,997	2	23,460	523,485
Profit for the year	-	-	-	1,276	1,276
Balance at 31 December 2009	**26**	**499,997**	**2**	**24,736**	**524,761**
Balance at 1 January 2008	26	499,997	4	14,275	514,302
Profit for the year	-	-	-	9,183	9,183
Transfer from legal reserve to retained earnings	-	-	(2)	2	-
Balance at 31 December 2008	26	499,997	2	23,460	523,485

The notes on pages 10 - 25 form an integral part of the financial statements.

J.P. MORGAN STRUCTURED PRODUCTS B.V.
Statement of Cash flow for the year ended 31 December 2009

	Notes	31 December 2009 $'000	31 December 2008 $'000
Cash flow from operating activities			
Profit before income tax		**1,888**	12,841
Income tax paid		**3,148**	(3,271)
Interest and similar income	14	**(1,200)**	(12,613)
Net foreign exchange loss/(gain)		**251**	(22)
		4,087	(3,065)
Changes in working capital			
Financial assets held for trading		**(31,110,641)**	(16,021,693)
Trade and other receivables		**81,377**	(123,142)
Financial liabilities designated at fair value through profit or loss		**31,110,641**	16,021,693
Trade and other payables		**18,733**	14,536
Net cash generated from/used in operating activities		**104,197**	(111,671)
Cash flow from investing activities			
Interest received	14	**1,200**	12,613
Net cash generated from investing activities		**1,200**	12,613
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		**420,481**	519,517
Effect of realised exchange rate changes on cash and cash equivalents		**(251)**	22
Cash and cash equivalents at the end of the year	6	**525,627**	420,481

The notes on pages 10 - 25 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 2009

1. General information

J.P. Morgan Structured Products B.V. (the "Company"), Amsterdam, 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 to 31 December 2009.

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 29 March 2010.

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. 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.

Standards, amendments and interpretations effective in 2009

On 1 January 2009, the Company adopted the Amendments to IFRS 7, 'Financial Instruments: Disclosures' which require enhanced disclosures about fair value measurements. The amendments only relate to disclosure and do not have any impact on the classification, recognition or measurement of the Company's financial instruments. These amendments were applied prospectively in accordance with the transitional provisions of IFRS 7.

On 1 January 2009, the Company adopted amendments to IAS1 (revised), 'Presentation of financial statements', which affects the presentation of certain primary financial statements.

2 Summary of significant accounting policies (continued)

2.1 Accounting convention (continued)

Standards, amendments and interpretations to existing standards that are effective but not relevant for the Company's operations

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 but are not relevant to the Company's operations:

- Amendment to IFRS 2, Share based payments (effective 1 January 2009)
- Revised IAS 23, Borrowing costs (effective 1 January 2009)
- IAS 28 (amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009).
- IAS 36 (amendment), 'Impairment of assets', (effective from 1 January 2009).
- IAS 38 (amendment), 'Intangible assets', (effective from 1 January 2009).
- IAS 19 (amendment), 'Employee benefits', (effective from 1 January 2009)
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).
- IFRS 1 (amendment), 'First time adoption of IFRS', (effective from 1 January 2009).
- IAS 27, (amendment), 'Consolidated and separate financial statements', (effective from 1 January 2009).
- IAS 16 (amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009).
- IAS 29 (amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009).
- IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009)
- IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009)
- IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009)
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009)
- IFRS 8, 'Operating segments' (effective from 1 January 2009)

Standards, amendments and interpretations to existing standards that are not yet effective or are not relevant for the Company's operations

The following standards, amendments and interpretations to existing standards have been published and are either mandatory for the Company's accounting periods beginning on or after 1 January 2010 or are not relevant to the Company's operations:

- IFRS 3 (Revised), Business combinations (effective 1 July 2009)
- IFRS 8, 'Disclosure of information about segment assets' (effective 1 January 2010).
- IFRIC 17, 'Distributions of non-cash assets to owners' (effective from 1 July 2009)
- IFRIC 18, 'Transfer of assets from customers' (effective from 1 July 2009)
- IAS 27 (Revised), Consolidated and separate financial statements (effective 1 July 2009)
- IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, 'Financial instruments: Recognition and measurement - embedded derivatives (amendements)' (effective 30 June 2009).
- IFRS 2, 'Scope of IFRS 2 and IFRS 3 (revised) (effective from 1 July 2009).
- IFRS 5, 'Disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations (effective 1 January 2010).
- IAS 1, 'Current/non-current classification of convertible instruments' (effective 1 January 2010).
- IAS 7, 'Classification of expenditures on unrecognised assets' (effective 1 January 2010).
- IAS 17, 'Classification of leases of land and buildings' (effective 1 January 2010).
- IAS 36, ' Unit of accounting for goodwill impairment test' (effective 1 January 2010).
- IAS 38, ' Additional consequential amendments arising from IFRS3 (revised)' (effective 1 January 2010).
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2010).

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.

Non-monetary items denominated in foreign currencies that are stated at fair value are translated into US dollars at foreign exchange rates ruling at the dates when the fair values were determined. Translation differences arising on non-monetary items measured at fair value are recognised in profit and loss account except for differences arising on available-for-sale non-monetary financial assets, which are included in available-for-sale financial assets reserve.

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 exchange rates used are:

Year end exchange rate (USD/EUR)	1.43031	(2008: 1.41431)
Average rate for the year (USD/EUR)	1.39507	(2008: 1.47075)

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.

2 Summary of significant accounting policies (continued)

2.4 Financial assets and financial liabilitites (continued)

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.

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 Summary of significant accounting policies (continued)

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.

2.8 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.

4. Financial assets held for trading

	2009	2008
	$'000	$'000
Financial assets held for trading	48,112,872	17,002,231

All financial assets held for trading are with other JPMorgan Chase 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 techniques 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 8)

5. Trade and other receivables

	2009	2008
	$'000	$'000
Amounts owed by Group undertakings	42,325	123,702

As at 31 December 2009, there were no amounts within trade and other receivables that were past due or impaired (2008:$nil)

6. Cash and cash equivalents

	2009	2008
	$'000	$'000
Cash placed with Group undertakings	536,436	542,710
Balances with third party	6,941	28,719
Cash and cash equivalents	**543,377**	**571,429**
Bank Overdraft		
- balances due to Group undertakings	(17,715)	(143,331)
- balances due to third parties	(35)	(7,617)
Cash and cash equivalents as reported in cash flow statement	**525,627**	**420,481**

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

	2009 $'000	2008 $'000
Financial liabilities designated at fair value through profit and loss	48,112,872	17,002,231

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. 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 liabilities held for trading to the results of the Company.

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 2009 is $54,159,066 (2008: $105,800,800). This amount is fully offset by an equal and opposite amount in financial assets held for trading. Refer note 4.

For financial liabilities designated at fair value through profit or loss there is no difference between the carrying value and the amount required to pay at maturity to the holder of the obligation.

8. Assets and liabilities measured at fair value

	Level 1 Quoted market prices in active markets $'000	Level 2 Internal models with significant observable market parameters $'000	Level 3 Internal models with significant unobservable market parameters $'000	Total carrying value at 31 December 2009 $'000
Financial assets held for trading				
Derivative receivables	-	37,522,089	10,590,783	48,112,872
Total assets at fair value	-	37,522,089	10,590,783	48,112,872
Financial liabilities designated at fair value through profit or loss				
Securitised derivatives	-	(37,522,089)	(10,590,783)	(48,112,872)
Total liabilities at fair value	-	(37,522,089)	(10,590,783)	(48,112,872)

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements for the year ended 31 December 2009 (continued)

9. Movements in assets and liabilities measured in Level 3

	Derivative recievable assets $'000
At 1 January 2009	1,792,229
Total gains recognised in income statement	1,596,364
Purchases	8,771,799
Settlements	(656,570)
Transfers in to level 3	184,871
Transfers out of level 3	(797,908)
At 31 December 2009	10,590,783
Total profit for the year included in trading profit for the above assets held at 31 December 2009	2,017,628

	Securitised derivatives liabilities $'000
At 1 January 2009	1,792,229
Total loss recognised in income statement	1,596,364
Purchases	(205,522)
Issuances	8,471,799
Settlements	(451,048)
Transfers in to level 3	184,871
Transfers out of level 3	(797,908)
At 31 December 2009	10,590,783
Total loss for the year included in trading loss for the above liabilities held at 31 December 2009	2,017,628

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 2009, any movement in indices or ratings would result in no change to the financial loss of the Company. Consequently, no sensitivity analysis for level 3 financial instruments is disclosed.

10. Trade and other payables

	2009 $'000	2008 $'000
Trade creditors	15,436	5,265
Amounts owed to Group undertakings	27,986	19,424
	43,422	**24,689**

11. Share capital

	2009 '000	2008 '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 JPMorgan Chase Group undertakings.

All fee and commission expense are paid by other JPMorgan Chase Group 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.

Auditors' remuneration for the audit of the Company's financial statements was $105,000 (2008: $118,000).

14. Interest recieved

	2009 $'000	2008 $'000
Interest recieved	1,200	12,613

All interest and similar income is receivable from other JPMorgan Chase Group undertakings.

15. Income tax expense

	2009	2008
(a) income tax expense:	$'000	$'000
Current tax	495	3,271
Adjustments in respect of prior years	117	387
Tax on profit on ordinary activities	**612**	3,658
Profit for the year before tax	1,888	12,841
Tax calculated at applicable tax rates	466	3,271
Impact of:		
- Adjustments in respect of prior years	117	387
- Non deductible expenses	29	-
Income tax expense	**612**	3,658

16. Financial risk management

Risk management is an inherent part of the Group's business activities and the Company has adopted the same risk management policies and procedures as the Group as a whole. 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 Company exercises oversight through the Board of directors and delegation from the Board to various sub-committees which are organised in line with the Group risk management policy.

The market, credit and liquidity risks resulting from the issuance of securitised derivatives, are matched by simultaneously entering into equal and offsetting over the counter (OTC) transactions, reported as financial assets held for trading, with internal 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.

Market risk

Market risk represents the potential loss in value of portfolios and financial instruments caused by adverse movements ii 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 and because of the complexity of the range of products traded or strategically managed within the Group, a combination of risk management and measurement tools are used to analyse the market risk as follows:

- 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 moves

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 to identify further earnings vulnerabilities. MR regularly reviews and updates risk limits, and the Group's Operating Committee reviews and approve 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 so tha foreign exchange risk in the Company is effectively hedged. Foreign exchange risk arising from non trading activity is oncharged to group companies. As at 31 December 2009, any movements in Sterling or Euro against US dollar (the functional currency of the Company) would result in no change to the financial profit of the Company.

16. Financial risk management (continued)

Liquidity risk

The ability to maintain a sufficient level of liquidity is crucial to financial services companies, during periods of adverse conditions. The Group's primary sources of liquidity includes a diversified deposit base and access to long-term debt (including trust preferred capital debt securities) and equity capital markets. 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. The Group also maintains access to secured funding capacity through overnight borrowings from various central banks.

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 monitors liquidity trends, tracks historical and prospective on- and off-balance sheet liquidity obligations, identifies and measures internal and external liquidity warning signals to permit early detection of liquidity issues, and manages contingency planning (including identification and testing of various market-driven stress scenarios). Various tools, which together contribute to an overall liquidity perspective of the Group which are used to monitor and manage liquidity.

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.

A component of liquidity management is the Group's contingency funding plan. The plan considers various temporary and long-term stress scenarios where access to wholesale unsecured funding is severely limited or nonexistent, taking into account both on and off-balance sheet exposures, and separately evaluates access to funding sources by the ultimate parent holding company and the Group's bank subsidiaries.

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

	2009 Less than 1 year $'000	2008 Less than 1 year $'000
Financial liabilities designated at fair value through profit or loss	48,112,872	17,002,231
Bank overdraft	17,750	150,948
Trade and other payables	43,422	24,689

Included within the above liabilities, the balances held with other Group undertakings are $45,701 (2008: $19,424).

The above financial liabilities are presented based on the earliest contractual maturity. Fair value is considered to be the best representation of undiscounted cash flows for financial liabilities.

16. Financial risk management (continued)

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 Chief Risk 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.

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

	2009 $'000	2008 $'000
Financial assets held for trading	48,112,872	17,002,231
Trade and other receivables	42,325	123,702
Cash and cash equivalents	543,377	571,429
	48,698,574	17,697,362

All financial assets held for trading were with other JPMorgan Chase Group undertakings.

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.

	2009 $'000	2008 $'000
50 basis points increase in local interest rates	2,658	2,631
50 basis points decrease in local interest rates	(2,658)	(2,631)

16. Financial risk management (continued)

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 2009, 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 and the Company maintain 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.

17. Managed capital

Total equity of $524,761,000 constitutes the managed capital of the Company which consists entirely of issued share capital, share premium reserve, legal reserve and retained earnings.

The directors are responsible for setting the objectives, policies and processes relating to the management of the Company's capital and maintain a set of policy documents to assist in discharging their responsibilities. The major risk categories considered by the Company are those pertaining to credit risk, liquidity risk, market risk and operational risk.

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 year ended 31 December 2009 (continued)

18. 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 19. 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

	Directors 31 December 2009 $'000	JPMorgan Chase Group undertakings 31 December 2009 $'000	Directors 31 December 2008 $'000	JPMorgan Chas Group undertakin 31 December 200 $'0
Financial assets held for trading	-	48,112,872	-	17,002,23
Trade and other receivables	-	42,325	-	123,70
Cash and cash equivalents	-	536,436	-	571,42
Trade and other payables	-	(27,986)	-	(19,42
Bank Overdraft		(17,715)		(143,33

(ii) Income and expenses

	Directors 31 December 2009 $'000	JPMorgan Chase Group undertakings 31 December 2009 $'000	Directors 31 December 2008 $'000	JPMorgan Chas Group undertakin 31 December 200 $'0
Net intragroup charges	-	-	-	
Fees and commission income		7,545		4,65
Fees and commission expense		(3,766)	-	(2,01
Administrative expenses	(2,822)	(18)	(2,180)	(21
Interest income	-	1,200	-	12,61

There was no remuneration paid to the directors of the Company.

Included within administration expenses was $2,822,000 (2008: $2,180,000) charged by Equity Trust Co. N.V., which share the following director with the Company:

J.C.W. van Burg

The Company had no employees, at any time during the year.

19. 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

20. 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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To: the General Meeting of Shareholders of
J.P. Morgan Structured Products B.V.

Auditor's report

Report on the financial statements

We have audited the accompanying 2009 financial statements of J.P. Morgan Structured Products B.V., ('the Company'), Amsterdam as set out on pages 6 to 25, which comprise the balance sheet as at 31 December 2009, the income statement, the statement 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.

The directors' responsibility

The directors of the Company are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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.

Opinion

In our opinion, the 2009 financial statements give a true and fair view of the financial position of J.P. Morgan Structured Products B.V. as at 31 December 2009, 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 Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the directors' report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 29 March 2010
PricewaterhouseCoopers Accountants N.V.

Original signed by J.A.M. Stael RA