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 2016

J.P. MORGAN STRUCTURED PRODUCTS B.V.
Interim report for the six month period ended 30 June 2016

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J.P. MORGAN STRUCTURED PRODUCTS BV
Directors' report for the period ended 30 June 2016

The directors present their report and the interim financial statements of J.P. Morgan Structured Products B.V. (the "Company") for the six month period ended 30 June 2016. The company is part of JPMorgan Chase & Co. group (together with its subsidiaries, the "Firm" or "JPMorgan Chase").

Principal activity

The Company's primary activity is the management and issuance 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 from the sale of the securities were used to fund the activities of other JPMorgan Chase undertakings through certain economic hedging arrangements. The principal purpose of these hedging arrangements is to hedge against various risks associated with the issuance activity. During the 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.

The Company's ultimate controlling entity is JPMorgan Chase & Co.

Key performance indicators

As the Company is managed as part of a global investment bank there are no KPI's that are specific to the Company. The results are monitored against expectations of the business activities.

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 Firm's risk management framework. The Board of Directors monitors the Firm'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 JPMorgan Chase undertakings so that all such risks are effectively hedged from the perspective of the Company. Further details on the financial risks of the Company are set out in note 16 to the financial statements.

Results and dividends

The results for the period are set out on page 5 and show the Company's profit for the period after taxation is $1,362,000 (2015: $431,000).

No dividend was paid or proposed during the period (2015: nil).

Events after the reporting period

The Directors are not aware of any events or circumstances which have taken place after 30 June 2016 but before these financial statements have been approved for issue, that could materially affect the financial position or results of the Company and which would require specific disclosure in these financial statements.

Directors

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

J.C.P. van Uffelen
D.R. Hansson
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 JPMorgan Chase undertaking, JPMorgan Chase Bank, N.A.

The Firm'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

Herikerbergweg 238
Luna ArenA, 1101CM
Amsterdam

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 give a true and fair view of the assets, liabilities, financial position and profit of the Company for the period ended 30 June 2016, and
b) the annual report for the period ended 30 June 2016, consisting of the directors report and the financial statements, gives a true and fair view of the position as per the balance sheet date 30 June 2016.

The directors further herewith report their 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 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 Firm, including the Company. Details of the Charter, Membership, Duties and Responsibilities can be found on the Firm's website.

J.P. MORGAN STRUCTURED PRODUCTS B.V.
Directors' report for the period ended 30 June 2016 (continued)

The financial statements on pages 4 to 21 were approved by the Board of Directors on xx September 2016 and signed on its behalf by:

Board of Directors

W.H. Kamphuijs

J.C.P. van Uffelen

Date: 20 September 2016

J.P. MORGAN STRUCTURED PRODUCTS B.V.
Balance sheet as at 30 June 2016 (unaudited)

	Note	Unaudited 30 June 2016 $'000	31 December 2015 $'000
Assets			
Current assets			
Financial assets held for trading	4	**19,121,150**	19,047,163
Trade and other receivables	5	**636,468**	635,924
Current tax asset		**1,211**	1,062
Cash and cash equivalents	6	**606,073**	684,731
Total assets		**20,364,902**	20,368,880
Liabilities			
Current liabilities			
Financial liabilities designated at fair value through profit or loss	7	**19,121,150**	19,047,163
Trade and other payables	10	**72,136**	245,976
Bank overdraft	6	**641,323**	546,810
Total liabilities		**19,834,609**	19,839,949
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		**30,268**	28,906
Total equity		**530,293**	528,931
Total liabilities and equity		**20,364,902**	20,368,880

Chamber of Commerce Number: 34259454

The notes on pages 8 - 21 form an integral part of the financial statements.

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Income statement for the six month period ended 30 June 2016 (unaudited)

	Note	**Unaudited 30 June 2016**	Unaudited 30 June 2015
		$'000	$'000
Fee and commission income	12	**1,850**	4,537
Fee and commission expense	12	**(1,250)**	(3,873)
Administrative expenses		**(322)**	(430)
Net foreign exchange loss		**7**	(68)
Operating profit		**285**	166
Net interest income	14	**1,516**	378
Profit before income tax		**1,801**	544
Income tax expense	15	**(439)**	(113)
Profit for the period attributable to equity shareholders of the Company		**1,362**	431

Statement of comprehensive income for the six month period ended 30 June 2016 (unaudited)

	Unaudited 30 June 2016	Unaudited 30 June 2015
	$'000	$'000
Profit for the period	**1,362**	431
Other comprehensive income	**—**	—
Total comprehensive income for the period	**1,362**	431

The profit for the period resulted from continuing operations.

The notes on pages 8 - 21 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 2016 (unaudited)

	Share capital	Share premium reserve	Legal reserve	Retained earnings	Total equity
	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2016	26	499,997	2	28,906	528,931
Profit for the period and total comprehensive income	—	—	—	1,362	1,362
Balance as at 30 June 2016	**26**	**499,997**	**2**	**30,268**	**530,293**
Balance as at 1 January 2015	26	499,997	2	31,273	531,298
Profit for the period and total comprehensive income	—	—	—	431	431
Balance as at 30 June 2015	**26**	**499,997**	**2**	**31,704**	**531,729**

The notes on pages 8 - 21 form an integral part of the financial statements.

J.P. MORGAN STRUCTURED PRODUCTS B.V.
Statement of cash flows for the period ended 31 December 2016 (unaudited)

	Note	**Unaudited 30 June 2016**	Unaudited 30 June 2015
		$'000	$'000
Cash flow from operating activities			
Profit before income tax		**1,801**	544
Income tax paid		**(587)**	(396)
Interest income	14	**(1,516)**	(378)
Net foreign exchange loss		**(7)**	68
		(309)	(162)
Changes in working capital			
Financial assets held for trading		**(73,987)**	(2,945,028)
Trade and other receivables		**(544)**	(12,502)
Financial liabilities designated at fair value through profit or loss		**73,987**	2,945,028
Trade and other payables		**(173,840)**	(41,472)
Net cash used in operating activities		**(174,693)**	(54,136)
Cash flow from investing activities			
Interest received	14	**1,516**	378
Net cash generated from investing activities		**1,516**	378
Net decrease in cash and cash equivalents		**(173,178)**	(53,758)
Net cash and cash equivalents at the beginning of the period		**137,921**	287,627
Effect of exchange rate changes on cash and cash equivalents		**7**	(68)
Net cash and cash equivalents at the end of the period	6	**(35,250)**	233,801

The notes on pages 8 - 21 form an integral part of the financial statements.

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 the risk associated with these notes through hedging with other JPMorgan Chase undertakings. The valuation of a structured note will have no impact on the income statement, capital or net assets; as a change in valuation of a structured note will have an equal offsetting change in the value of the hedging transaction with other JPMorgan Chase undertakings. 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 2016 to 30 June 2016 and have been approved for issue by the Board of Directors.

2.1 Basis of preparation

These condensed interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with IAS 34, 'Interim financial reporting', as adopted by the European Union and in accordance with Book 2, Title 9 of the Dutch Civil Code. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRSs as adopted by the European Union. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and financial liabilities measured at fair value through profit or loss.

2.2 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are consistent with those adopted by the Company in its annual financial statements for the year ended 31 December 2015. These policies have been applied consistently, unless otherwise stated, and the financial statements have been prepared on a going concern basis.

New and amended standards adopted by the Company

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2016 that would be expected to have a material impact on the Company.

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 2016 and concluded that the following standards are relevant:

- IFRS 9 - Financial Instruments (effective date 1 January 2018); and
- IFRS 15 - Revenue from Contracts with Customers (effective date 1 January 2018).

The Company is in the process of assessing the full impact of the above standards to its results. There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

3. Critical accounting estimates and judgements

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 the same as those applied for the year ended 31 December 2015.

4. Financial assets held for trading

	Unaudited 30 June 2016	31 December 2015
	$'000	$'000
Financial assets held for trading	19,121,150	19,047,163

Financial assets held for trading represent over the counter (OTC) transactions with other JPMorgan Chase undertakings, see note 8.

5. Trade and other receivables

	Unaudited 30 June 2016	31 December 2015
	$'000	$'000
Trade receivables	208,387	175,847
Amounts owed by JPMorgan Chase undertakings	428,081	460,077
	636,468	635,924

Trade and other receivables mainly consist of unsettled trades. All trade and other receivables are non interest bearing.

There were no amounts within trade and other receivables that were past due or impaired as at 30 June 2016 (30 June 2015: $nil).

6. Cash and cash equivalents

	Unaudited 30 June 2016	31 December 2015
	$'000	$'000
Cash placed with JPMorgan Chase undertakings	588,274	595,779
Cash placed outside the Firm	17,799	88,952
	606,073	684,731
Bank overdraft		
- balances due to JPMorgan Chase undertakings	(624,608)	(528,437)
- balances due to third parties	(16,715)	(18,373)
	(641,323)	(546,810)

Net cash and cash equivalents as reported in the cash flow statement is ($35,250) (2014: $233,801).

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

	Unaudited 30 June 2016	31 December 2015
	$'000	$'000
Financial liabilities designated at fair value through profit or loss	19,121,150	19,047,163

Financial liabilities designated at fair value through profit and loss include short term and long term structured notes and market participating warrants. The notes involve a wide range of contractual terms and economic payoffs. The details of each note are set out in the prospectus for each issuance.

Debit valuation adjustments are necessary to reflect the credit quality of the Firm 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 contractual payments associated with the notes issued by the Company are guaranteed by JPMorgan Chase Bank, N.A.

The change in the fair value of financial liabilities designated at fair value through profit and loss attributable to changes in own credit risk is immaterial.

8. Assets and liabilities measured at fair value

Valuation process

The Company carries a portion of its assets and liabilities at fair value on a recurring basis.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based on quoted market prices, where available. If listed prices or quotes are not available, fair value is based on models that consider relevant transaction characteristics (such as maturity) and use as inputs observable or unobservable market parameters, including but not limited to yield curves, volatilities, equity or debt prices, foreign exchange rates and credit curves.

The level of precision in estimating unobservable market inputs or other factors can affect the amount of gain or loss recorded for a particular position. Furthermore, while the Company believes its valuation methods are appropriate and consistent with those of other market participants, the methods and assumptions used reflect management judgement and may vary across the Company's businesses and portfolios. The use of different methodologies or assumptions to those used by the Company could result in a different estimate of fair value at the reporting date.

Risk-taking functions are responsible for providing fair value estimates for assets and liabilities carried on the balance sheet at fair value. The Firm's valuation control function, which is part of the Firm's Finance function and independent of the risk-taking functions, is responsible for verifying these estimates and determining any fair value adjustments that may be required to ensure that the Firm's positions are recorded at fair value. The valuation control function verifies fair value estimates provided by the risk-taking functions by leveraging independently derived prices, valuation inputs and other market data, where available.

Debit valuation adjustments (DVA) are taken to reflect the credit quality of the Company in the valuation of liabilities measured at fair value. The Firm also incorporates the impact of funding in its valuation estimates where there is evidence that a market participant in the principal market would incorporate it in a transfer of the instrument.

Fair value hierarchy

The Company classifies its assets and liabilities according to a valuation hierarchy that reflects the observability of significant market inputs. The three levels are defined as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - one or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorisation within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

8. Assets and liabilities measured at fair value (continued)

Valuation methodologies

The following table describes the valuation methodologies used by the Firm to measure its more significant products/ instruments at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Product/instrument	Valuation methodology, inputs and assumptions	Classifications in the valuation hierarchy
Structured notes	• Valuations are based on discounted cash flow analysis that consider the embedded derivative and the terms and payment structure of the note. • The embedded derivative features are considered using models such as the Black-Scholes option pricing model, simulation models, or a combination of models that use observable or unobservable valuation inputs, depending on the embedded derivative. The specific inputs used vary according to the nature of the embedded derivative features, as described in the discussion above regarding derivative valuation. Adjustments are then made to this base valuation to reflect the Company's own creditworthiness (DVA) and to incorporate the impact of funding (FVA).	Level 2 or 3
Derivatives and fully funded OTC financial instruments	Exchange-traded derivatives that are actively traded and valued using the exchange price.	Level 1
	Derivatives that are valued using models such as the Black-Scholes option pricing model, simulation models, or a combination of models, that use observable or unobservable valuation inputs (e.g. plain vanilla options and interest rate and credit default swaps). Inputs include: • Contractual terms including the period to maturity • Readily observable parameters including interest rates and volatility • Credit quality of the counterparty and of the Firm • Market funding levels • Correlation levels	Level 2 or 3

8. Assets and liabilities measured at fair value (continued)

Valuation methodologies (continued)

The following tables present the assets and liabilities reported at fair value as of 30 June 2016 and 31 December 2015, by major product category and fair value hierarchy.

Assets and liabilities measured at fair value on a recurring basis

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Unaudited 30 June 2016				
Financial assets held for trading:				
Financial assets held for trading	255,582	14,760,004	4,105,564	19,121,150
Total assets at fair value at 30 June 2016	255,582	14,760,004	4,105,564	19,121,150
Financial liabilities designated at fair value through profit or loss				
Structured securities and warrants	—	13,361,008	5,760,142	19,121,150
Total liabilities at fair value at 30 June 2016	—	13,361,008	5,760,142	19,121,150

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
31 December 2015				
Financial assets held for trading:				
Financial assets held for trading	267,845	15,324,486	3,454,832	19,047,163
Total assets at fair value at 31 December 2015	267,845	15,324,486	3,454,832	19,047,163
Financial liabilities designated at fair value through profit or loss				
Structured securities and warrants	—	14,111,878	4,935,285	19,047,163
Total liabilities at fair value at 31 December 2015	—	14,111,878	4,935,285	19,047,163

The Company hedges all structured note issuances by entering into hedging transactions with other JPMorgan Chase companies. On occasions, the hedging transactions are booked as multiple elements in order to ensure the risk associated with the notes is fully hedged. Each of these elements is classified in the fair value hierarchy in line with the requirements of IFRS 13, and as such the levelling of the structured notes and hedges can differ.

9. Movements in assets and liabilities measured in Level 3

Level 3 valuations

The Firm has established well-documented processes for determining fair value, including for instruments where fair value is estimated using significant unobservable inputs (level 3).

Estimating fair value requires the application of judgement. The type and level of judgement required is largely dependent on the amount of observable market information available to the Company. For instruments valued using internally developed models that use significant unobservable inputs are classified within level 3 of the fair value hierarchy, judgements used to estimate fair value are more significant than those required when estimating the fair value of instruments classified within levels 1 and 2. In arriving at an estimate of fair value for an instrument within level 3, management must first determine the appropriate model to use.

The following table presents the Firm's primary level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, the significant unobservable inputs, the range of values for those inputs and, for certain instruments, the weighted averages of such inputs. While the determination to classify an instrument within level 3 is based on the significance of the unobservable inputs to the overall fair value measurement, level 3 financial instruments typically include observable components (that is, components that are actively quoted and can be validated to external sources) in addition to the unobservable components.

The range of values presented in the table is representative of the highest and lowest level input used to value the significant groups of instruments within a product/ instrument classification. Where provided, the weighted averages of the input values presented in the table are calculated based on the fair value of the instruments that the input is being used to value.

In the Company's view, the input range and the weighted average value reflect the characteristics of the various instruments held by the Company and the relative distribution of instruments within the range of characteristics.

The input range and weighted average values will therefore vary from period-to-period and parameter to parameter based on the characteristics of the instruments held by the Company at each balance sheet date.

Product/Instrument	Asset	Liability	Net fair value	Principal valuation technique	Unobservable input	Range of input values	Weighted average
Unaudited 30 June 2016	**$'000**	**$'000**	**$'000**				
Trading assets	3,170,899		3,170,899	Discounted cash flows	Credit Spread	40bps - 375bps	177bps
					Yield	3% - 20%	6%
					Price	$0 - $340	$90
Total derivatives	934,665		934,665				
Credit derivatives				Discounted cash flows	Credit Correlation	30% - 90%	
Foreign exchange derivatives				Option pricing	Foreign exchange correlation	(20)% - 70%	
Equity derivatives				Option pricing	Equity Volatility	20 % - 60%	
Interest rate derivatives				Option pricing	Interest rate correlation	(30)% - 97%	
					Interest rate spread volatility	3% - 38%	
Structured notes		(5,760,142)	(5,760,142)	Option pricing	Interest rate correlation	(30)% - 97%	
					Interest rate spread volatility	3% - 38%	
					Foreign exchange correlation	(20)% - 70%	
					Equity correlation	(50)% - 75%	
				Discounted cash flows	Credit correlation	30% - 90%	
Total assets and liabilities	4,105,564	(5,760,142)	(1,654,578)				

The categories presented in the table have been aggregated based upon product type.

9. Movements in assets and liabilities measured in Level 3 (continued)

Level 3 valuations (continued)

Product/Instrument	Asset	Liability	Net fair value	Principal valuation technique	Unobservable input	Range of input values	Weighted average
31 December 2015	**$'000**	**$'000**	**$'000**				
Trading assets	2,960,087	—	2,960,087	Discounted cash flows	Credit Spread	60bps - 225bps	146bps
					Yield	1% - 20%	5%
					Price	$0 - $168	$89
Total derivatives	494,745	(425,129)	69,616				
Credit derivatives				Discounted cash flows	Credit Correlation	35 % - 90%	
Foreign exchange derivatives				Option pricing	FX Correlation	0 % - 60%	
Equity derivatives				Option pricing	Equity Volatility	20 % - 65%	
Interest rate derivatives				Option pricing	Interest rate correlation	(52)% - 99%	
					Interest rate spread volatility	3% - 38%	
Structured notes	—	(4,510,156)	(4,510,156)	Option pricing	Interest rate correlation	(52)% - 99%	
					Interest rate spread volatility	3% - 38%	
					Foreign exchange correlation	0 % - 60%	
					Equity correlation	(50)% - 80%	
				Discounted cash flows	Credit correlation	35% - 90%	
Total assets and liabilities	3,454,832	(4,935,285)	(1,480,453)				

The categories presented in the table have been aggregated based upon the product type.

9. Movements in assets and liabilities measured in Level 3 (continued)

Changes in and ranges of unobservable inputs

The following discussion provides a description of the impact on fair value measurement of a change in each unobservable input in isolation, and the interrelationship between unobservable inputs, where relevant and significant. The impact of changes in inputs may not be independent as a change in one unobservable input may give rise to a change in another unobservable input; where relationships exist between two unobservable inputs, those relationships are discussed below. Relationships may also exist between observable and unobservable inputs, such relationships have not been included in the discussion below. In addition, for each of the individual relationships described below, the inverse relationship would also generally apply.

<u>Yield</u> - The yield of an asset is the interest rate used to discount future cash flows in a discounted cash flow calculation. An increase in the yield, in isolation, would result in a decrease in a fair value measurement.

<u>Credit spread</u> - The credit spread is the amount of additional annualised return over the market interest rate that a market participant would demand for taking exposure to the credit risk of an instrument. The credit spread for an instrument forms part of the discount rate used in a discounted cash flow calculation. Generally, an increase in the credit spread would result in a decrease in a fair value measurement. For loans, credit spreads reflect the credit quality of the obligor and the tenor of the obligation.

<u>Correlation</u> - Correlation is a measure of the relationship between the movements of two variables (e.g., how the change in one variable influences the change in the other). Correlation is a pricing input for a derivative product where the payoff is driven by one or more underlying risks. Correlation inputs are related to the type of derivative due to the nature of the underlying risks. When parameters are positively correlated, an increase in one parameter will result in an increase in the other parameter. When parameters are negatively correlated, an increase in one parameter will result in a decrease in the other parameter. An increase in correlation can result in an increase or a decrease in a fair value measurement. Given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in a fair value measurement.

<u>Volatility</u> - Volatility is a measure of the variability in possible returns for an instrument, parameter or market index given how much the particular instrument, parameter or index changes in value over time. Volatility is a pricing input for options, including equity options and interest rate options. Generally, the higher the volatility of the underlying, the riskier the instrument. Given a long position in an option, an increase in volatility, in isolation, would generally result in an increase in a fair value measurement.

Fair value of financial instruments valued using techniques that incorporate unobservable inputs

Price risk from the issued instruments is matched by entering into equal and offsetting (OTC) transactions with other JPMorgan Chase undertakings so that any price risk is effectively hedged. As at 30 June 2016, the use of alternative inputs would result in no change to the results of the Company. Consequently, no sensitivity analysis for level 3 financial instruments is disclosed.

Financial assets held for trading

	Unaudited 30 June 2016	**31 December 2015**
	$'000	**$'000**
At 1 January	3,454,832	5,286,836
Total gain/(loss) recognised in income statement *	(221,206)	(548,686)
Purchases	2,227,256	5,442,834
Settlements	(1,346,080)	(5,468,845)
Transfers into level 3	47,938	256,746
Transfers out of level 3	(57,176)	(1,514,053)
Total assets at fair value	4,105,564	3,454,832
Change in unrealised (loss)/profit related to financial instruments	41,577	18,795

9. Movements in assets and liabilities measured in Level 3 (continued)

Financial liabilities designated at fair value through profit and loss

	Unaudited 30 June 2016	31 December 2015
	$'000	$'000
At 1 January	4,935,285	6,987,469
Total gain/(loss) recognised in income statement *	(125,849)	(652,825)
Purchases	—	351,747
Issuances	2,136,446	6,166,176
Settlements	(1,087,851)	(6,314,035)
Transfers into level 3	201,350	365,533
Transfers out of level 3	(299,239)	(1,968,780)
Total assets at fair value	5,760,142	4,935,285
Change in unrealised profit/(loss) related to financial instruments	48,837	55,146

* As explained in note 8, the Company's hedging transactions are booked as multiple elements in order to ensure the risk associated with the notes is fully hedged, and as such the levelling of the structured notes and hedges can differ. The gain/(loss) recognised in the income statement as a result of changes in fair value related to level 3 financial instruments, including any changes to unrealised gain/(loss) is offset by an equal and opposite impact as a result of changes in fair value of the related hedging instruments that are classified across multiple levels.

Transfers between levels for instruments carried at fair value on a recurring basis

For the period ended 30 June 2016, there were no significant transfers between levels 1 and 2.

During the period ended 30 June 2016, there were no significant transfers transfers from level 2 to level 3 or from level 3 to level 2.

Fair value of financial instruments not carried on balance sheet at fair value

Certain financial instruments that are not carried at fair value on balance sheet are carried at amounts that approximate fair value, due to their short term nature and generally negligible credit risk. These instruments include trade and other receivables, cash and cash equivalents, trade and other payables and bank overdraft.

The company has $1,242,541,000 (2015: $1,320,655,000) of current financial assets and $713,459,000 (2015: $792,785,000) of current financial liabilities that are not measured at fair value. Given the short-term nature of these instruments, their carrying amounts in the balance sheet are a reasonable approximation of fair value.

Offsetting financial assets and financial liabilities

No financial assets and liabilities have been offset in the balance sheet as at 30 June 2016 (2015: nil).

Financial instruments, recognised within financial assets held for trading and financial liabilities held for trading, which were subject to master netting arrangements or other similar agreements but not offset, as at 30 June 2016, amounted to $929,183,269 (2015: $693,782,838).

10. Trade and other payables

	Unaudited 30 June 2016	31 December 2015
	$'000	**$'000**
Trade payables	70,568	62,580
Amounts owed to JPMorgan Chase undertakings	1,568	183,396
	72,136	245,976

Trade and other payables mainly consist of unsettled trades. All trade and other payables are non-interest bearing.

11. Share capital

	Unaudited 30 June 2016	31 December 2015
	€'000	**€'000**
Authorised share capital		
90,000 Ordinary shares of €1.00 each	€90	€90

	Unaudited 30 June 2016	31 December 2015
	$'000	**$'000**
Issued and fully paid share capital		
20,000 (2015: 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 the Euro denominated share capital.

There has been no change in the amount of authorised share capital during the period.

12. Fees and commissions

All fee and commission income is receivable from other JPMorgan Chase undertakings.

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

13. Segmental analysis

In the opinion of the directors, the Company's activities comprise only one business segment, namely Corporate and Investment Banking services. The Company issues structured notes, of which the majority are issued within the EMEA, followed by the Asia Pacific region. All fee and commission income is received from JPMorgan Chase undertakings within the EMEA region.

14. Net interest income

	Unaudited 30 June 2016	Unaudited 30 June 2015
	$'000	$'000
Interest income	1,516	378

15. Income tax expense

	Unaudited 30 June 2016	Unaudited 30 June 2015
(a) Income tax expense:	$'000	$'000
Current tax	439	125
Adjustments in respect of prior years	—	(12)
Tax on profit on ordinary activities	439	113
Profit for the period before tax	1,801	544
Tax calculated at applicable tax rates	439	125
Impact of:		
Adjustments in respect of prior years	—	(12)
Income tax expense	439	113

The standard tax rate in the Netherlands is 25% (2015: 25%). A tax rate of 20% is applied to the first €200,000 (2016: $220,888, 2015: $221,590).

16. 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 JPMorgan Chase undertakings 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 will be unable to meet its contractual and contingent obligations.The Company's issuance activities are economically hedged with the OTC transactions with JPMorgan Chase 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 JPMorgan Chase undertakings involved in the transactions.

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

	Unaudited 30 June 2016	31 December 2015
	Less than 1 year	Less than 1 year
	$'000	$'000
Financial liabilities designated at fair value through profit or loss	19,121,150	19,047,163
Bank overdraft	641,323	546,810
Trade and other payables	72,136	245,976
	19,834,609	19,839,949

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. As stated above, the Company's credit risk is substantially hedged with other JPMorgan Chase undertakings:

	Unaudited 30 June 2016	31 December 2015
	$'000	$'000
Financial assets held for trading	19,121,150	19,047,163
Trade and other receivables	636,468	635,924
Cash and cash equivalents	606,073	684,731
	20,363,691	20,367,818

Included within the above assets, balances held with other JPMorgan Chase undertakings are $19,906,011 (2015: $20,103,018).

All financial assets are considered to be of an investment grade, which is considered to be of high quality.

Market risk

Market risk represents the potential fluctuation in fair value or cashflows 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 JPMorgan Chase undertakings. There is immaterial residual price, foreign exchange or interest rate risk in the Company as at 30 June 2016 or 30 June 2015.

17. Managed capital

Total equity of $530,293,000 (2015: $528,931,000) 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 Company is not subject to any externally imposed capital requirements.

18. Related party transactions

Related parties comprise:

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

(b) JPMorgan Chase undertakings of the Company.

None of the Directors received remuneration from the Company during the period (2015: $nil). The Company did not employ any staff in 2016 or 2015.

The Company's parent undertaking is detailed in note 19. 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

	Unaudited JPMorgan Chase undertakings	JPMorgan Chase undertakings
	30 June 2016	31 December 2015
	$'000	$'000
Financial assets held for trading	18,889,656	19,047,163
Trade and other receivables	428,081	460,077
Cash and cash equivalents	588,274	595,779
Trade and other payables	(1,568)	(183,396)
Bank Overdraft	(624,608)	(528,437)

(ii) Income and expenses

	Unaudited JPMorgan Chase undertakings	Unaudited JPMorgan Chase undertakings
	30 June 2016	30 June 2015
	$'000	$'000
Fees and commission income	1,848	4,537
Fees and commission expense	(1,250)	(3,873)
Administrative expenses	—	—
Interest income	2,023	392

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 J.P. Morgan 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:

25 Bank Street
Canary Wharf London
E14 5JP
England

The Board of Directors

W.H. Kamphuijs

J.C.P. van Uffelen

Date: 20 September 2016

J.P. MORGAN STRUCTURED PRODUCTS B.V.
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 financial statements from which it appears that payment of dividends is permissible.

Proposed appropriation of net results

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