

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

(Chamber of Commerce Number: 34259454)

Annual report for the year ended 31 December 2013

J.P. MORGAN STRUCTURED PRODUCTS B.V.
Annual report for the year ended 31 December 2013

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J.P. MORGAN STRUCTURED PRODUCTS B.V.

Directors' report for the year ended 31 December 2013

The directors present their report and the audited financial statements of J.P. Morgan Structured Products B.V. (the "Company") for the year ended 31 December 2013.

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 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 these hedging arrangements is to hedge against various risks associated with the issuance activity. In 2013, the Company issued securities in the Asia Pacific region, Europe, the Middle East, Africa, Latin America and the United States of America.

The Company's ultimate controlling entity is J.P. Morgan Chase & Co.

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

Principal risks and uncertainties

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

The financial risks arising from the structured securities issued by the Company are matched by simultaneously entering into equal and offsetting over the counter (OTC) transactions with other group companies so that all such risks are effectively hedged. Further details on the financial risks of the Company are set out in note 17 to the financial statements.

Results and dividends

The results for the year are set out on page 5 and show the Company's profit for the year after taxation is \$743,000 (2012: \$1,113,000).

No dividend was paid or proposed during the year (2012:\$nil).

Events after the reporting period

The Directors are not aware of any events or circumstances which have taken place after 31 December 2013 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.

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Directors' report for the year ended 31 December 2013 (continued)

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.C.W. van Burg
J.C.P. van Uffelen
D.R. Hansson
G.H.K. Yu
R.W. de Koning

Composition of the Board

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

Creditor payment policy

All invoices from suppliers are settled on the Company's behalf by an affiliated Group company, 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

Herikerbergweg 238
Luna ArenA, 1101CM
Amsterdam, Zuidoost

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 year ended 31 December 2013, and
- b) the annual report for the year ended 31 December 2013, 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 2013

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

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Directors' report for the year ended 31 December 2013 (continued)

Audit Committee

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

Independent auditors

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

The financial statements on pages 4 to 20 were approved by the Board of Directors on 18 March 2014 and signed on its behalf.

Board of Directors

R.W. de Koning

J.C.W. van Burg

J.C.P. van Uffelen

D.R. Hansson

G.H.K. Yu

Date: 18 March 2014

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Balance sheet as at 31 December 2013

		2013	Restated 2012
	Notes	\$'000	\$'000
Assets			
Current assets			
Financial assets held for trading	4	21,722,216	18,370,543
Trade and other receivables	5	242,644	9,658
Current tax asset		404	118
Cash and cash equivalents	6	670,260	604,372
Total assets		22,635,524	18,984,691
Liabilities			
Current liabilities			
Financial liabilities designated at fair value through profit or loss	7	21,722,216	18,370,543
Trade and other payables	10	279,818	27,298
Bank overdraft	6	104,242	58,345
Total liabilities		22,106,276	18,456,186
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		29,223	28,480
Total equity		529,248	528,505
Total liabilities and equity		22,635,524	18,984,691

Chamber of Commerce Number: 34259454

The notes on pages 8 - 20 form an integral part of the financial statements.

J.P. MORGAN STRUCTURED PRODUCTS B.V.
Income statement for the year ended 31 December 2013

		2013	2012
	Notes	\$'000	\$'000
Fee and commission income	12	8,282	5,661
Fee and commission expense	12	(6,221)	(2,960)
Administrative expenses		(2,407)	(2,779)
Net foreign exchange loss		(431)	(148)
Operating loss	13	(777)	(226)
Net interest income	15	1,755	1,699
Profit before income tax		978	1,473
Income tax expense	16	(235)	(360)
Profit for the year attributable to equity shareholders of the Company		743	1,113

Statement of comprehensive income for the year ended 31 December 2013

	2013	2012
	\$'000	\$'000
Profit for the year	743	1,113
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	743	1,113

The profit for the year resulted from continuing operations.

The notes on pages 8 - 20 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 2013

	Share capital	Share premium reserve	Legal reserve	Retained earnings	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2013	26	499,997	2	28,480	528,505
Profit for the year	-	-	-	743	743
Balance at 31 December 2013	26	499,997	2	29,223	529,248
Balance at 1 January 2012	26	499,997	2	27,367	527,392
Profit for the year	-	-	-	1,113	1,113
Balance at 31 December 2012	26	499,997	2	28,480	528,505

The notes on pages 8 - 20 form an integral part of the financial statements.

J.P. MORGAN STRUCTURED PRODUCTS B.V.
Statement of cash flows for the year ended 31 December 2013

		31 December	Restated 31 December
		2013	2012
	Notes	\$'000	\$'000
Cash flow from operating activities			
Profit before income tax		978	1,473
Income tax paid		(521)	(45)
Interest income	15	(1,755)	(1,699)
Net foreign exchange loss		431	148
		(867)	(123)
Changes in working capital			
Financial assets held for trading		(3,351,673)	4,255,150
Trade and other receivables		(232,986)	5,334
Financial liabilities designated at fair value through profit or loss		3,351,673	(4,255,150)
Trade and other payables		252,520	(53,408)
Net cash generated from operating activities		18,667	(48,197)
Cash flow from investing activities			
Interest received	15	1,755	1,699
Net cash generated from investing activities		1,755	1,699
Net increase in cash and cash equivalents		20,422	(46,498)
Cash and cash equivalents at the beginning of the year		546,027	592,673
Effect of exchange rate changes on cash and cash equivalents		(431)	(148)
Cash and cash equivalents at the end of the year	6	566,018	546,027

The notes on pages 8 - 20 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 2013

1. General information

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

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

These financial statements reflect the operations of the Company during the year from 1 January 2013 to 31 December 2013 and have been approved for issue by the Board of Directors on 18 March 2014.

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, and have been prepared on a going concern basis.

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

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

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements for the year ended 31 December 2013 (continued)

2 Summary of significant accounting policies (continued)

2.1 Accounting convention (continued)

New and amended standards adopted by the Company

On 1 January 2013, the Company adopted IFRS 13, 'Fair value measurement' which replaces guidance on fair value measurement in other existing IFRS's. These changes had minimal impact on the disclosure in the financial statements.

On 1 January 2013, the Company adopted amendments to IFRS 7, 'Financial Instruments: Disclosures' which require enhanced disclosures about financial instruments which have been offset in the statement of financial position. The amendments relate only to disclosure and do not have any impact on the classification, recognition or measurement of the Company's financial instruments.

On 1 January 2013, the Company adopted amendments to IAS 32, 'Financial Instruments: Presentation' which have eliminated previous inconsistencies in the accounting guidance and have clarified that tax treatment of distribution to holders of equity instruments be in accordance with IAS 12 'Income Taxes'. The amendments are not expected to have significant impact on the Company's financial statements.

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 2014 and concluded that the following are relevant:

- IFRS 9 - Financial Instruments (effective date is yet to be confirmed)
- IAS 32 - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)

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

2.2 Foreign currency translation

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

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

2.3 Functional and presentation currency

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

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

Year end exchange rate (USD/EUR)	1.38135	(2012: 1.32215)
Average rate for the year (USD/EUR)	1.32879	(2012: 1.29192)

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements for the year ended 31 December 2013 (continued)

2 Summary of significant accounting policies (continued)

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 are initially recognised on trade date at fair value in the balance sheet with transaction costs being recorded in profit or loss and any gains or losses are taken directly to the income statement. Subsequently, they are measured at fair value.

Financial assets and financial liabilities designated at fair value through profit and 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.

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements for the year ended 31 December 2013 (continued)

2 Summary of significant accounting policies (continued)

2.5 Fair value

Fair value is 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 (an exit price).

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. These valuation models include the same assumptions and take into account the same characteristics of the asset or liability as market participants would.

Fair value measurements are categorised into a three-level hierarchy, based on the type of inputs to the valuation techniques used, as follows: 1) level 1 inputs are quoted prices in active markets for items identical to the asset or liability being measured. If there is a quoted price in an active market (that is, a level 1 input), an entity uses that price without adjustment when measuring fair value; 2) level 2 inputs are other observable inputs; and 3) level 3 inputs are unobservable inputs, but that nevertheless must be developed to reflect the assumptions that market participants would use when determining an appropriate price for the asset or liability. Each fair value measurement is categorised based on the lowest level input that is significant to it.

2.6 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.

2.7 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.

2.8 Share capital

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

2.9 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.

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements for the year ended 31 December 2013 (continued)

2 Summary of significant accounting policies (continued)

2.10 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.

2.11 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 current 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.

3. Critical accounting estimates and judgments

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In this regard, the Directors believe that the critical accounting policies where judgement is necessarily applied are those which relate to the valuation of financial instruments. Refer notes 2.4 and 2.5.

4. Financial assets held for trading

	2013	Restated 2012
	\$'000	\$'000
Financial assets held for trading	21,722,216	18,370,543

An amount of \$363,013,308 relating to derivative assets as at 31 December 2012 has been reclassified out of derivative liabilities (note 7) and presented on a gross basis to reflect the underlying arrangements more appropriately. This reclassification has also been reflected in note 8 to these financial statements. It is not reasonably practical to reliably estimate the amount of a similar adjustment that may have been required to balances as at 31 December 2011.

5. Trade and other receivables

	2013	2012
	\$'000	\$'000
Trade receivables	144,372	3,090
Amounts owed by group undertakings	98,272	6,568
	242,644	9,658

There were no amounts within trade and other receivables that were past due or impaired as at 31 December 2013 (31 December 2012: \$nil).

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements for the year ended 31 December 2013 (continued)

6. Cash and cash equivalents

	2013	2012
	\$'000	\$'000
Cash placed with Group undertakings	658,056	604,372
Cash placed outside the Group	12,204	-
Bank Overdraft		
- balances due to Group undertakings	(83,539)	(54,111)
- balances due to third parties	(20,703)	(4,234)
Cash and cash equivalents as reported in cash flow statement	566,018	546,027

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

	2013	Restated 2012
	\$'000	\$'000
Financial liabilities designated at fair value through profit or loss	21,722,216	18,370,543

Financial liabilities designated at fair value through profit and loss include short term and long term structured notes, market participating warrants and OTC transactions with other Group companies.

Debit valuation adjustments are necessary to reflect the credit quality of the Group in the valuation of such liabilities. The directors consider that the Company is fully hedged and that there would, in the normal course of business, be no impact to the results of the Company due to movements in the fair value of the financial liabilities designated at fair value through profit or loss.

The amount of decrease in the fair value of the financial liabilities designated at fair value through profit and loss for 2013 attributable to changes in own credit risk is \$52,254,701 (2012: \$105,306,231). This amount is fully offset by an equal and opposite amount in financial assets held for trading.

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements for the year ended 31 December 2013 (continued)

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 \$'000
At 31 December 2013				
Financial assets held for trading				
Financial assets held for trading	26,652	16,745,689	4,949,875	21,722,216
Total assets at fair value at 31 December 2013	26,652	16,745,689	4,949,875	21,722,216
Financial liabilities designated at fair value through profit or loss				
Structured securities, warrants and derivatives	-	(16,005,769)	(5,716,447)	(21,722,216)
Total liabilities at fair value at 31 December 2013	-	(16,005,769)	(5,716,447)	(21,722,216)
Restated				
At 31 December 2012				
Financial assets held for trading				
Financial assets held for trading	-	14,598,837	3,771,706	18,370,543
Total assets at fair value at 31 December 2012	-	14,598,837	3,771,706	18,370,543
Financial liabilities designated at fair value through profit or loss				
Structured securities, warrants and derivatives	-	(13,784,996)	(4,585,547)	(18,370,543)
Total liabilities at fair value at 31 December 2012	-	(13,784,996)	(4,585,547)	(18,370,543)

An amount of \$813,841,000 relating to financial assets held for trading as at 31 December 2012 has been reclassified from Level 3 to Level 2 to reflect the nature of the underlying transactions more appropriately.

No amounts have been offset in accordance with the requirements of IAS 32: 'Presentation of financial instruments', as at 31 December 2013 (2012: \$nil). Amounts subject to master netting agreements which are not offset in the balance sheet as the offsetting criteria have not been met, amounted to \$526,112,336 as at 31 December 2013 (2012: \$363,013,308).

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements for the year ended 31 December 2013 (continued)

9. Movements in assets and liabilities measured in Level 3

Financial assets held for trading	Restated	
	2013	2012
	\$'000	\$'000
At 1 January	3,771,706	3,752,911
Total gain/(loss) recognised in income statement	(589,269)	78,189
Purchases	5,621,480	1,395,702
Settlements	(3,630,913)	(1,701,935)
Transfers in to level 3	1,053,444	1,019,875
Transfers out of level 3	(1,276,573)	(773,036)
At 31 December	4,949,875	3,771,706
Total profit for the year included in trading profit for the above assets held at 31 December	452,592	44,448

Structured securities liabilities	Restated	
	2013	2012
	\$'000	\$'000
At 1 January	4,585,547	4,290,466
Total (gain)/loss recognised in income statement	(373,079)	41,573
Purchases	8,710	(76,251)
Issuances	5,920,539	2,664,639
Settlements	(4,320,737)	(2,309,296)
Transfers in to level 3	1,369,716	779,229
Transfers out of level 3	(1,474,249)	(804,813)
At 31 December	5,716,447	4,585,547
Total loss for the year included in trading loss for the above liabilities held at 31 December	398,810	84,046

Price risk from the issued instruments is matched by entering into equal and offsetting (OTC) transactions with other Group companies so that any price risk is effectively hedged. As at 31 December 2013, any movement in indices or ratings would result in no change to the results of the Company. Consequently, no sensitivity analysis for level 3 financial instruments is disclosed.

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

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements for the year ended 31 December 2013 (continued)

10. Trade and other payables

	2013	2012
	\$'000	\$'000
Trade payables	217,917	27,051
Amounts owed to Group undertakings	61,901	247
	279,818	27,298

11. Share capital

	2013	2012
	\$'000	\$'000
Authorised share capital		
90,000 Ordinary shares of €1.00 each	€ 90	€ 90
Issued and fully paid share capital		
20,000 (2012: 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 number of authorised share capital during the year.

12. Fees and commissions

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

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

13. Operating loss

	2013	2012
	\$'000	\$'000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration for the audit of the Company's annual financial statements	177	181

The audit fee mentioned comprises solely the fee of external auditor PricewaterhouseCoopers Accountants N.V for the statutory audit of the financial statements.

14. Segmental analysis

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

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements for the year ended 31 December 2013 (continued)

15. Net interest income

	2013	2012
	\$'000	\$'000
Interest income	1,755	1,699

All interest income is receivable from other Group undertakings.

16. Income tax expense

	2013	2012
	\$'000	\$'000
(a) income tax expense:		
Current tax	232	355
Adjustments in respect of prior years	3	5
Tax on profit on ordinary activities	235	360
Profit for the year before tax	978	1,473
Tax calculated at applicable tax rates	232	355
Impact of:		
- Adjustments in respect of prior years	3	5
Income tax expense	235	360

The standard tax rate in the Netherlands is 25% (2012: 25%). A tax rate of 20% is applied to the first €200,000 (2013: \$266,116, 2012: \$258,386).

17. Financial risk management

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

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

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

Liquidity risk

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

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements for the year ended 31 December 2013 (continued)

17. Financial risk management (continued)

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

	2013 Less than 1 year	Restated 2012 Less than 1 year
	\$'000	\$'000
Financial liabilities designated at fair value through profit or loss	21,722,216	18,370,543
Bank overdraft	104,242	58,345
Trade and other payables	279,816	27,298
	22,106,274	18,456,186

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 economic hedges in place:

	2013	Restated 2012
	\$'000	\$'000
Financial assets held for trading	21,722,216	18,370,543
Trade and other receivables	242,644	9,658
Cash and cash equivalents	670,260	604,372
	22,635,120	18,984,573

Included within the above assets, the balances held with other Group undertakings are \$21,882,032,000 (2012: \$18,618,470,000).

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

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 group companies. There is immaterial residual price or foreign exchange risk in the Company as at 31 December 2013 or 31 December 2012.

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.

	2013	2012
	\$'000	\$'000
50 basis points increase in local interest rates	5,431	2,123
50 basis points decrease in local interest rates	(5,431)	(2,123)

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements for the year ended 31 December 2013 (continued)

17. Financial risk management (continued)

Fair value of financial assets and financial liabilities

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

18. Managed capital

Total equity of \$529,248,000 (2012: \$528,505,000) constitutes the managed capital of the Company which consists entirely of issued share capital, share premium reserve, legal reserve and retained earnings.

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

19. Related party transactions

Related parties comprise:

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

(b) Group undertakings of the Company.

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

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

(i) Outstanding balances at year end

	Administrative Manager 31 December 2013	JPMorgan Chase Group undertakings 31 December 2013	Administrative Manager 31 December 2012	JPMorgan Chase Group undertakings 31 December 2012
	\$'000	\$'000	\$'000	\$'000
Financial assets held for trading	-	21,196,104	-	18,007,530
Trade and other receivables	-	98,272	-	6,568
Cash and cash equivalents	-	658,056	-	604,372
Trade and other payables	-	(61,901)	-	(247)
Bank Overdraft	-	(83,539)	-	(54,111)

(ii) Income and expenses

	Administrative Manager 31 December 2013	JPMorgan Chase Group undertakings 31 December 2013	Administrative Manager 31 December 2012	JPMorgan Chase Group undertakings 31 December 2012
	\$'000	\$'000	\$'000	\$'000
Fees and commission income	-	8,282	-	5,661
Fees and commission expense	-	(6,221)	-	(2,960)
Administrative expenses	(2,407)	-	(2,482)	-
Interest income	-	2,065	-	1,679

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements for the year ended 31 December 2013 (continued)

20. Parent undertaking

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

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

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

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

The Company Secretary
25 Bank Street
Canary Wharf
London
E14 5JP
United Kingdom

The Board of Directors

R.W. de Koning

J.C.W. van Burg

J.C.P. van Uffelen

D.R. Hansson

G.H.K. Yu

Date: 18 March 2014

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 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.

Audit report

The audit report is included on page 22 of these financial statements.



Independent auditor's report

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

Report on the financial statements

We have audited the accompanying 2013 financial statements of JP Morgan Structured Products B.V., Amsterdam, which comprise the balance sheet as at 31 December 2013, the income statement, the statements of comprehensive income, changes in equity and statement of cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility

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

Auditor's responsibility

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

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

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

PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, P.O. Box 90357, 1006 BJ Amsterdam, The Netherlands

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2013, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

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

Amsterdam, 18 March 2014
PricewaterhouseCoopers Accountants N.V.

Original signed by: R.E.H.M. van Adrichem RA