

**J.P. MORGAN STRUCTURED PRODUCTS B.V.**  
(Registered Number: 34259454)

**Financial statements for the six month period ended 30 June 2013**

**J.P. MORGAN STRUCTURED PRODUCTS B.V.**  
**Interim report for the six month period ended 30 June 2013**

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

## **Directors' report for the period ended 30 June 2013**

The directors present their report and the financial statements of the Company for the six month period ended 30 June 2013.

### **Principal activity**

The Company's primary activity is the issuance and management of structured debt securities comprising certificates, warrants and notes such as reverse convertible instruments and other market participation notes, and the subsequent hedging of these risk exposures.

### **Review of business**

During the period, the Company continued to issue securities. The proceeds from issuance were used to enter into economic hedging agreements with other J.P. Morgan Chase & Co. companies ("the Group"). The purpose of these agreements is to hedge the Company's various risks assumed as result of the securities issuance activities. During this interim period, the Company issued securities in Asia, Europe, Latin America and a limited number in the Middle East, Africa and 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 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 trading activities expose it to financial and operational risks, which are managed by the Board of Directors, using the JP Morgan Chase & Co. 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") hedging contracts with other group companies so that all risks exposures are effectively hedged. Further details on the financial risks of the Company are set out in note 15 to the interim financial statements.

### **Results and dividends**

The results for the period are set out on page 4 and show the Company's profit for the period after taxation is \$498,000 (2012: \$627,000)

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

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

## **Directors' report for the period ended 30 June 2013 (continued)**

### **Directors**

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

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

### **Creditor payment policy**

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

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

### **Registered address**

Luna ArenA  
Herikerbergweg 238  
1101 CM Amsterdam Zuidoost  
The Netherlands

### **Expected developments of the Company**

The directors of the Company expect:

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

### **Statement under Transparency Directive (as implemented in Dutch law)**

The directors confirm to the best of their knowledge that:

- a) the attached financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union and give a true and fair view of the assets, liabilities, financial position and financial performance of the Company for the six month period ended 30 June 2013, and
- b) the interim report for the six month period ended 30 June 2013, consisting of the directors report and the financial statements, give a true and fair view of the position as at 30 June 2013 and of the developments during the period, expected developments and of circumstances on which the developments of the profitability of the Company depend.

### **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 2006/43/EC, 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.

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

### **Directors' report for the period ended 30 June 2013 (continued)**

The financial statements on pages 4 to 14 were approved by the Board of Directors on 21 August 2013 and signed on its behalf.

**By order of the Board**

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**R.W. de Koning**

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**J.C.W. van Burg**

**Date:** 21 August 2013

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

## Income statement for the six month period ended 30 June 2013

		Unaudited 30 June 2013 \$'000	Unaudited 30 June 2012 \$'000
	Notes		
Fee and commission income	10	3,342	2,192
Fee and commission expense	10	(2,236)	(574)
Administrative expenses		(1,590)	(1,418)
Net foreign exchange gain		185	49
<b>Operating (loss)/profit</b>		<b>(299)</b>	<b>249</b>
Interest and similar income	11	942	569
<b>Profit before income tax</b>		<b>643</b>	<b>818</b>
Income tax expense	12	(145)	(191)
<b>Profit for the period attributable to equity shareholders of the Company</b>		<b>498</b>	<b>627</b>

## Statement of comprehensive income for the six month period ended 30 June 2013

	Unaudited 30 June 2013 \$'000	Unaudited 30 June 2012 \$'000
<b>Profit for the period</b>	<b>498</b>	<b>627</b>
Other comprehensive income for the period, net of tax	-	-
<b>Total comprehensive income for the period</b>	<b>498</b>	<b>627</b>

The profit for the period resulted from continuing operations.

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

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

## Statement of changes in equity for the period ended 30 June 2013 (unaudited)

	Share capital	Share premium reserve	Legal reserve	Retained earnings	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 January 2013</b>	26	499,997	2	28,480	528,505
Profit for the period	-	-	-	498	498
<b>Balance at 30 June 2013</b>	<b>26</b>	<b>499,997</b>	<b>2</b>	<b>28,978</b>	<b>529,003</b>
<b>Balance at 1 January 2012</b>	26	499,997	2	27,367	527,392
Profit for the period	-	-	-	627	627
<b>Balance at 30 June 2012</b>	<b>26</b>	<b>499,997</b>	<b>2</b>	<b>27,994</b>	<b>528,019</b>

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

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

## Balance sheet as at 30 June 2013

		Unaudited 30 June 2013 \$'000	31 December 2012 \$'000
	Notes		
<b>Assets</b>			
<b>Current assets</b>			
Financial assets held for trading	4	18,917,765	18,007,530
Trade and other receivables	5	219,555	9,658
Current tax asset		724	118
Cash and cash equivalents	6	756,641	604,372
<b>Total assets</b>		<b>19,894,685</b>	<b>18,621,678</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities designated at fair value through profit or loss	7	18,917,765	18,007,530
Trade and other payables	8	394,445	27,298
Bank overdraft	6	53,472	58,345
<b>Total liabilities</b>		<b>19,365,682</b>	<b>18,093,173</b>
<b>Equity</b>			
<b>Capital and reserves attributable to equity shareholders of the Company</b>			
Share capital	9	26	26
Share premium reserve		499,997	499,997
Legal reserve		2	2
Retained earnings		28,978	28,480
<b>Total equity</b>		<b>529,003</b>	<b>528,505</b>
<b>Total liabilities and equity</b>		<b>19,894,685</b>	<b>18,621,678</b>

By the order of the Board

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R.W. de Koning

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J.C.W. van Burg

Date: 21 August 2013

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



**J.P. MORGAN STRUCTURED PRODUCTS B.V.**  
**Cash flow statement for the period ended 30 June 2013**

		Unaudited 30 June 2013 \$'000	Unaudited 30 June 2012 \$'000
	Notes		
<b>Cash flow from operating activities</b>			
Profit before income tax		643	818
Income tax paid		(101)	(207)
Interest income	11	(942)	(569)
Net foreign exchange loss		(185)	(49)
		(585)	(7)
<b>Changes in working capital</b>			
Financial assets held for trading		(910,235)	(4,628,947)
Trade and other receivables		(209,897)	(363,768)
Financial liabilities designated at fair value through profit or loss		910,235	4,628,947
Trade and other payables		366,497	(44,987)
Net cash used in from operating activities		156,015	(408,762)
<b>Cash flow from investing activities</b>			
Interest received	11	942	569
Net cash generated from investing activities		942	569
Net increase/(decrease) in cash and cash equivalents		156,957	(408,193)
Cash and cash equivalents at the beginning of the period		546,027	592,673
Effect of realised exchange rate changes on cash and cash equivalents		185	49
<b>Cash and cash equivalents at the end of the period</b>	6	703,169	184,529

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

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

## **Notes to the financial statements for the period ended 30 June 2013**

### **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 period from 1 January 2013 to 30 June 2013. The interim financial statements have neither been audited nor reviewed by the external auditors.

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

These interim financial statements have been approved for issue by the Board of Directors on 21 August 2013.

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

The condensed interim financial information for the six month period ended 30 June 2013 has been prepared in accordance with IAS 34, Interim financial reporting. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards.

### **3. Accounting Policies**

The interim financial statements have been prepared on the going concern basis and under the historical cost convention as modified by the revaluation of certain financial instruments. The interim financial statements have also been prepared using accounting policies consistent with those adopted by the Company in its annual financial statements for the year ended 31 December 2012.

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

The following standards and improvements to standards were effective for the first time for the financial year beginning 1 January 2013 and have been adopted by the Company, with effect 1 January 2013. There was no material impact on the Profit and Loss, and opening balance of Retained Earnings for current period and any prior periods reported, as a result of adoption of these standards.

- IFRS 7 - Disclosure - Offsetting of Financial Assets and Financial Liabilities (effective 1 January 2013)
- IFRS 13 - Fair Value Measurements (effective 1 January 2013)
- IAS 34 - Interim financial reporting and segment information for total assets and liabilities (effective 1 January 2013)
- IAS 32 - Tax effect of distribution to holders of equity instruments (effective 1 January 2013)

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

- IFRS 9 - Financial Instruments (effective 1 January 2015)
- IAS 32 - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)

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

## Notes to the financial statements for the period ended 30 June 2013 (continued)

### 4. Financial assets held for trading

	Unaudited 30 June 2013 \$'000	31 December 2012 \$'000
Financial assets held for trading	18,917,765	18,007,530

All financial assets held for trading represent funded total return swaps held with other Group undertakings.

Included within financial assets held for trading are financial instruments for which fair values are derived in whole or in part from appropriate pricing or valuation 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 7).

The directors consider that due to the economic hedge relationship between financial assets held for trading and financial liabilities designated at fair value through profit or loss, the effect of any reasonable possible alternative assumptions used in the valuation technique is not significant to the results for the Company.

### 5. Trade and other receivables

	Unaudited 30 June 2013 \$'000	31 December 2012 \$'000
Trade receivables	-	3,090
Amounts owed by Group undertakings	219,555	6,568
	219,555	9,658

There were no amounts within trade and other receivables that were past due or impaired as at 30 June 2013 and as at 31 December 2012.

### 6. Cash and cash equivalents

	Unaudited 30 June 2013 \$'000	31 December 2012 \$'000
Cash placed with Group undertakings	748,737	604,372
Balances with third party	7,904	-
<b>Cash and cash equivalents</b>	<b>756,641</b>	<b>604,372</b>
<b>Bank overdraft</b>		
- balances due to Group undertakings	(15,120)	(54,111)
- balances due to third parties	(38,352)	(4,234)
<b>Cash and cash equivalents as reported in cash flow statement</b>	<b>703,169</b>	<b>546,027</b>

Cash and cash equivalents include balances held with other JPMorgan Chase group undertakings.

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

## Notes to the financial statements for the period ended 30 June 2013 (continued)

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

	Unaudited 30 June 2013 \$'000	31 December 2012 \$'000
Financial liabilities designated at fair value through profit or loss	18,917,765	18,007,530

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

The change in fair value of financial liabilities designated at fair value through profit and loss, due to change in the credit risk of the Company, for the 2013 interim period is \$115,382,839 (2012: \$105,306,231). This amount is fully offset by an equal and opposite amount in financial assets held for trading. The carrying amount at 30 June 2013 of financial liabilities designated at fair value through profit or loss was \$115,382,839 (2012: \$105,306,231) lower than the contractual amount at maturity.

### 8. Trade and other payables

	Unaudited 30 June 2013 \$'000	31 December 2012 \$'000
Trade creditors	281,356	27,051
Amounts owed to Group undertakings	113,089	247
	<b>394,445</b>	<b>27,298</b>

### 9. Share capital

	Unaudited 30 June 2013 \$'000	31 December 2012 \$'000
<b>Issued and fully paid share capital</b>		
20,000 Ordinary shares of €1.00 each	\$ 26	\$ 26

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

### 10. Fee and commission

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.

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

## Notes to the financial statements for the period ended 30 June 2013 (continued)

11. Interest income	Unaudited 30 June 2013 \$'000	Unaudited 30 June 2012 \$'000
Interest income	942	569

All interest income is receivable from other Group undertakings.

12. Current income tax	Unaudited 30 June 2013 \$'000	Unaudited 30 June 2012 \$'000
Income tax expense:		
Current tax	145	582
<b>Tax on profit on ordinary activities</b>	<b>145</b>	<b>582</b>
Profit for the year before tax	643	818
Tax calculated at applicable tax rates	145	582
<b>Income tax expense</b>	<b>145</b>	<b>582</b>

### 13. Managed capital

Total equity of \$529,003,000 constitutes the managed capital of the Company which consists entirely of issued share capital, share premium reserve and retained earnings.

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

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

## Notes to the financial statements for the period ended 30 June 2013 (continued)

### 14. Related party transactions

Related parties comprise:

- (a) Directors and shareholders of the Company and companies in which they have an ownership interest;
- (b) Group undertakings of the Company.

The Company's parent undertaking is detailed in note 16. There were no transactions with the parent undertaking during the period.

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

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

	Unaudited Administrative Manager 30 June 2013 \$'000	Unaudited JPMorgan Chase group undertakings 30 June 2013 \$'000	Unaudited Administrative Manager 31 December 2012 \$'000	Unaudited JPMorgan Chase group undertakings 31 December 2012 \$'000
Financial assets held for trading	-	18,917,766	-	18,007,530
Trade and other receivables	-	219,555	-	9,658
Cash and cash equivalents	-	748,737	-	604,372
Bank overdraft	-	(15,120)	-	(247)
Trade and other payables	-	(113,089)	-	(54,111)

#### (ii) Income and expenses

	Unaudited Administrative Manager 30 June 2013 \$'000	Unaudited JPMorgan Chase group undertakings 30 June 2013 \$'000	Unaudited Administrative Manager 30 June 2012 \$'000	Unaudited JPMorgan Chase group undertakings 30 June 2012 \$'000
Fees and commission income	-	3,342	-	2,192
Fees and commission expense	-	(2,236)	-	(574)
Administrative expenses	(1,590)	-	(1,418)	-
Interest income	-	942	-	569

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

## Notes to the financial statements for the period ended 30 June 2013 (continued)

### 15. Financial risk management

The Company's activities expose it to various financial risks. These are liquidity risk, credit risk and market risk (which includes foreign exchange risk and price risk). These risks arise from the Company's structured debt securities issuance activities. They are managed by entering into equal and offsetting over the counter ("OTC") derivatives with other group companies, in order for the Company to effectively hedge itself.

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

The detailed JP Morgan Chase & Co. risk management framework, including policies and procedures, is set out in the JP Morgan Chase & Co. annual report, as at 31 December 2012.

#### Liquidity risk

Liquidity risk is the risk that the Company's funding sources may be insufficient to meet its liabilities as they fall due. Liquidity arises from the Company's security issuance activities. Security issuances are economically hedged with the OTC contracts entered into with other group companies. In the event that settlement-related timing differences arise between issuances and the OTC hedge, funding is provided by the group companies involved in the transaction.

	<b>2013</b>		<b>2012</b>	
	<b>Less than 1 year</b>	<b>Total</b>	<b>Less than 1 year</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Financial liabilities designated at fair value through profit and loss	18,917,765	18,917,765	18,007,530	18,007,530
Bank overdraft	53,472	53,472	58,345	58,345
Trade and other payables	394,445	394,445	27,298	27,298
	19,365,682	19,365,682	18,093,173	18,093,173

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

#### Credit risk

Credit risk is the risk of financial loss to the Company, as a result of a counterparty defaulting on its obligation towards the Company. As at 30 June 2013, 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 before taking into account the value of any collateral or economic hedges in place:

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Financial assets held for trading	18,917,765	18,007,530
Trade and other receivables	219,555	9,658
Cash and cash equivalents	756,641	604,372
	19,893,961	18,621,580

Included within the above assets, are balances held with group companies of \$19,886,057,000 (2012: \$18,618,470,000).

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

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

## **Notes to the financial statements for the period ended 30 June 2013 (continued)**

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

#### **Market risk**

Market risk is the exposure to an adverse change in the fair value or cashflows of the Company's financial instruments caused by a changes in market variables such as interest and foreign currency rates or equity and commodity prices. Market risk arises from the Company's security issuance activities. These issuances are economically hedged by the OTC contracts entered with other group companies. There is some insignificant residual price or foreign exchange risk in the Company, as at 30 June 2013 and 30 June 2012.

#### **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, the carrying value is a reasonable approximation of fair value, as they are repayable on demand by both parties.

### **16. Parent undertaking**

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

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

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

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

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