

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

(Chamber of Commerce Number: 34259454)

Annual report for the year ended 31 December 2017

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

Directors' report

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 2017.

Principal activity

The Company's primary activity is the management and issuance of structured products comprising certificates, warrants and other market participation notes, and the subsequent economic hedging ("hedge", "hedging") of these positions.

Review of business

During the year, the Company continued to issue structured products. The proceeds from the sale of the structured products were used to fund the activities of other JPMorgan Chase & Co. (together with its subsidiaries "Firm" or "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. In 2017, the Company issued structured products in the Asia Pacific region, Europe, the Middle East, Latin America and the United States of America, issued to private investors or listed on exchanges.

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

Key performance indicators ("KPIs")

As the Company is managed as part of the Corporate Investment Bank of JPMorgan Chase there are no KPIs that are specific to the Company. The results are monitored against expectations of the business activities. A more detailed description of the Firm's key performance indicators may be found within the JPMorgan Chase & Co. 2017 Annual Report.

Business environment, strategy and future outlook

The primary objective of the Company is the continued development of structured 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 Company's financial and operational risks and has responsibility for ensuring effective risk management and control. 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 financial year after taxation is \$4.2 million (2016: \$1.7 million).

No dividend was paid or proposed during the year (2016: nil).

Events after the reporting period

The Directors are not aware of any events or circumstances which have taken place after 31 December 2017 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 year and up to the date of signing the financial statements were as follows:

J.C.P. van Uffelen	(Appointed 6 March 2007)
D.R. Hansson	(Appointed 5 August 2010)
W.H. Kamphuijs	(Appointed 1 September 2014)
H.P. de Kanter	(Appointed 10 April 2014) (Resigned 20 March 2018)
R. Terasawa	(Appointed 30 October 2014) (Resigned 20 March 2018)
D. Robertson	(Appointed 20 March 2018)
M.F.C van der Werff	(Appointed 20 March 2018)

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Directors' report (continued)

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. Gender diversity was below the goals as set out in article 2:276 section 2 of the Dutch Civil Code, however with effect from 20 March 2018, the Company complies with the gender diversity goals.

Creditor payment policy

All invoices from suppliers are settled on the Company's behalf by an affiliated JPMorgan Chase 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

Expected developments of the Company

The directors of the Company expect:

- a) that the Company will continue to issue structured products;
- b) that the Company will not enter into fixed asset investments; and
- c) that the interest income will continue to fluctuate in line with the development in market interest rates.

Statement under Transparency Directive (as implemented in Dutch law)

The directors confirm to the best of their knowledge that:

- a) the attached financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union and give a true and fair view of the assets, liabilities, financial position and profit of the Company for the year ended 31 December 2017, and
- b) the annual report for the year ended 31 December 2017, 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 2017.

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 and is formed of entirely non-management, independent directors in compliance with the recommendations from the EU Commission. Details of the Charter, Membership, Duties and Responsibilities can be found on the Firm's website.

Independent auditors

Following mandatory audit firm rotation rules required by Dutch Law, effective for the year ended 31 December 2017 the previous auditors PricewaterhouseCoopers Accountants N.V. are rotated off the audit and Mazars Paardekooper Hoffman Accountants N.V. are appointed as the auditors of the Company for the year 2017.

J.P. MORGAN STRUCTURED PRODUCTS B.V.
Directors' report (continued)

The financial statements on pages 4 to 25 were approved by the Board of Directors on 16 April 2018 and signed on its behalf by:

Board of Directors

D. Robertson

W.H. Kamphuijs

J.C.P. van Uffelen

D.R. Hansson

M.F.C van der Werff

Date:

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Balance sheet

31 December		2017	2016
	Notes	\$'000	\$'000
Assets			
Current assets			
Financial assets held for trading	5	25,708,466	18,791,157
Trade and other receivables	6	113,042	562,456
Current tax asset		—	219
Cash and cash equivalents	7	6,238,197	607,888
Total assets		32,059,705	19,961,720
Liabilities			
Current liabilities			
Financial liabilities designated at fair value through profit or loss	8	17,889,305	14,341,164
Financial liabilities held for trading	9	7,819,161	4,449,993
Trade and other payables	11	5,773,691	605,978
Current tax liability		584	—
Bank overdraft	7	42,098	33,951
Total liabilities		31,524,839	19,431,086
Equity			
Capital and reserves attributable to equity shareholders of the Company			
Share capital	12	26	26
Share premium reserve		499,997	499,997
Legal reserve		2	2
Retained earnings		34,841	30,609
Total equity		534,866	530,634
Total liabilities and equity		32,059,705	19,961,720

Chamber of Commerce Number: 34259454

The notes on pages 8 - 25 form an integral part of the financial statements.

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Income statement

Year ended 31 December		2017	2016
	Notes	\$'000	\$'000
Fee and commission income	13	12,568	6,728
Fee and commission expense	13	(6,787)	(5,134)
Administrative expenses		(2,484)	(1,399)
Net foreign exchange (loss)/gain		(115)	50
Operating profit		3,182	245
Interest income	15	26,876	3,824
Interest expense	15	(24,430)	(1,892)
Profit before income tax		5,628	2,177
Income tax expense	16	(1,396)	(474)
Profit for the year attributable to equity shareholders of the Company		4,232	1,703

The profit for the year resulted from continuing operations.

There were no items of other comprehensive income or expense and therefore no statement of comprehensive income has been separately presented.

The notes on pages 8 - 25 form an integral part of the financial statements.

J.P. MORGAN STRUCTURED PRODUCTS B.V.
Statement of changes in equity

	Share capital	Share premium reserve	Legal reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2017	26	499,997	2	30,609	530,634
Profit for the financial year	—	—	—	4,232	4,232
Balance as at 31 December 2017	26	499,997	2	34,841	534,866
Balance at 1 January 2016	26	499,997	2	28,906	528,931
Profit for the financial year	—	—	—	1,703	1,703
Balance as at 31 December 2016	26	499,997	2	30,609	530,634

The notes on pages 8 - 25 form an integral part of the financial statements.

J.P. MORGAN STRUCTURED PRODUCTS B.V.
Statement of cash flows

Year ended 31 December		2017	2016
	Notes	\$'000	\$'000
Cash flow from operating activities			
Profit before income tax		5,628	2,177
Income tax (paid)/received*		(683)	347
Interest income	15	(26,876)	(3,824)
Interest expense	15	24,430	1,892
Net foreign exchange losses/(gains)		115	(50)
		2,614	542
Changes in working capital			
(Increase)/decrease in financial assets held for trading		(6,917,309)	256,006
Decrease in trade and other receivables*		449,390	73,540
Increase/(decrease) in financial liabilities held for trading*		3,369,168	(354,727)
Increase in financial liabilities designated at fair value through profit or loss*		3,548,141	98,721
Increase/(decrease) in trade and other payables*		5,167,712	(156,415)
Net cash from operating activities		5,619,716	(82,333)
Cash flow from financing activities			
Interest income	15	26,876	3,824
Interest expense	15	(24,430)	(1,892)
Net cash from financing activities		2,446	1,932
Net increase/(decrease) in cash and cash equivalents		5,622,162	(80,401)
Net cash and cash equivalents at the beginning of the year		573,937	654,338
Net cash and cash equivalents at the end of the year	7	6,196,099	573,937

The notes on pages 8 - 25 form an integral part of the financial statements.

* Certain balances have been restated to conform with current period disclosure.

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements

1. General information

J.P. Morgan Structured Products B.V. (the "Company") was incorporated on 6 November 2006 as a private company with limited liability and is incorporated and domiciled in The Netherlands, with registration number 34259454. The address of the registered office is at Herikerbergweg 238, Luna Arena, 1101CM, Amsterdam, The Netherlands. 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 of the largest group in which the results of the Company are consolidated is J.P. Morgan Chase & Co. (together with its subsidiaries, the "Firm" or "JPMorgan Chase"), 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 group's consolidated financial statements can be obtained from 25 Bank Street, Canary Wharf, London E14 5JP, England.

The Company's main activity is the issuance of structured products comprising certificates, warrants and market participation notes, and the subsequent economic hedging ("hedge", "hedging") of the risk associated with these notes through hedging with other JPMorgan Chase companies. The valuation of a structured product will have no impact on the income statement, capital or net assets; as a change in valuation of a structured product will have an equal offsetting change in the value of the hedging transaction with other JPMorgan Chase undertakings.

These financial statements reflect the operations of the Company during the year from 1 January 2017 to 31 December 2017 and have been approved for issue by the Board of Directors on 16 April 2018.

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 consistently to all the years presented, unless otherwise stated, and the financial statements 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 guidance provided by the International Financial Reporting Standards Interpretations Committee ("IFRIC") has been followed. 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.

Reclassification of and adjustments to prior year amounts have been made to conform with current year presentation and to correctly reflect the nature of the balances so as to provide additional transparency and information in these financial statements.

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 2017 that would be expected to have a material impact on the Company.

New standards, amendments and interpretations not yet adopted

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 2018 and concluded that the following standards are relevant:

IFRS 9 was issued by the International Accounting Standards Board ("IASB") in July 2014 and replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement' ("IAS 39"). The standard introduces new guidance on the classification and measurement of financial assets and a single, forward-looking expected credit loss ("ECL") impairment model. The standard also requires entities to provide users of financial statements with additional disclosures. IFRS 9 is applicable retrospectively, except where otherwise prescribed by transitional provisions of the standard, and is effective for annual periods beginning on or after 1 January 2018. The Company has adopted the new standard on 1 January 2018. Based on 31 December 2017 data, the Company estimates the adoption of IFRS 9 will not result in a material impact to the Company.

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Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

New standards, amendments and interpretations not yet adopted (continued)

IFRS 15 was released in May 2014 by the IASB. This standard requires that revenue from contracts with customers be recognised upon transfer of control of a good or service in the amount of consideration expected to be received. IFRS 15 also changes the accounting for certain contract costs, including whether they may be offset against revenue in the income statement, and requires additional disclosures about revenue and contract costs. IFRS 15 may be adopted using a full retrospective approach or a modified, cumulative effect approach wherein the guidance is applied only to existing contracts as of the date of initial application, and to new contracts transacted after that date. IFRS 15 is applicable retrospectively and must be applied in an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2018. The Company has adopted the new standard on 1 January 2018, using the full retrospective method of adoption, where applicable.

Implementation program

The Company's implementation efforts included the identification of revenue and associated costs within the scope of the guidance, as well as the evaluation of revenue contracts, and any changes to existing revenue recognition policies. The Company did not identify any material changes in the timing of revenue recognition or presentation of revenues and expenses.

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.

2.2 Foreign currency translation

Monetary assets and monetary liabilities in foreign currencies are translated into United States ("U.S.") dollars at rates of exchange ruling on the balance sheet date. Income and expense items denominated in foreign currencies are translated into U.S. 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 U.S. dollars at the exchange rate ruling 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").

U.S. dollars is considered as the functional and presentation currency of the Company.

2.4 Financial assets and financial liabilities

The Company classifies its financial assets and financial liabilities in the following categories on initial recognition: financial assets and financial liabilities held for trading and financial assets and financial liabilities designated at fair value through profit or loss.

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.

i. 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.

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

Financial assets and financial liabilities that the Company designates on initial recognition as being at fair value through profit or loss are recognised at fair value, with transaction costs being recognised in profit or loss and 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 reclassified.

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.4 Financial assets and financial liabilities (continued)

Financial assets or financial liabilities are designated 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.

iii. Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the contractual right to receive cash flows from the asset has expired, or has been transferred with either of the following conditions met:

- a) the Company has transferred substantially all the risks and rewards of ownership of the asset; or
- b) the Company has neither retained nor transferred substantially all of the risks and rewards; but has relinquished control of the asset.

Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

iv. Recognition of deferred day one profit and loss

The Company enters into transactions where fair value is determined using valuation models for which not all inputs are market observable prices or rates. Such a financial instrument is initially recognised at the transaction price, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as 'day one profit and loss', is not recognised immediately in the income statement when based on unobservable inputs.

The timing of recognition of deferred day one profit and loss is determined for each class of financial asset and liability. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

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.

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. Where market prices are unavailable, fair value is based on valuation 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, interest rates, volatilities, equity or debt prices, foreign exchange rates and credit curves. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

For financial assets and liabilities held at fair value, most market parameters in the valuation model are either directly observable or are implied from instrument prices. When input values do not directly correspond to the most actively traded market parameters the model may perform numerical procedures in the pricing such as interpolation.

The Company classifies its assets and liabilities according to a hierarchy that has been established under IFRS for disclosure of fair value measurements. The fair value hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3 inputs).

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

Further details on fair value measurements are provided in note 10 to the financial statements.

2.6 Income and expense recognition

Interest income and expense are recognised on an effective interest rate basis. 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.

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.6 Income and expense recognition (continued)

Fees and commissions are recognised when the underlying contract becomes legally binding or at the agreed due date if later.

Profits and losses resulting from the purchase and sale of securities and the revaluation of financial instruments are recognised as trading gains or losses on a trade-date basis, including related transaction costs but excluding the associated interest.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash and balances at banks and loans and advances to banks with maturities of three months or less.

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.

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 Current and deferred income tax

Income tax payable on taxable profits (current tax) is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offset against taxable profits arising in the current or prior period. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and legislation enacted or substantively enacted by the balance sheet date, which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are only offset when there is both a legal right and an intention to settle on a net basis.

3. Critical accounting estimates and judgements

The preparation of financial statements generally requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. The nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements:

Fair value measurement

The Company carries a significant portion of its assets and liabilities at fair value on a recurring basis. Estimating fair value often 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 that are classified within level 3 of the valuation 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. Second, the lack of observability of certain significant inputs requires management to assess all relevant empirical data in deriving valuation inputs - including, for example, transaction details, yield curves, interest rates, prepayment rates, default rates, volatilities, correlations, equity or debt prices, valuations of comparable instruments, foreign exchange rates and credit curves. For further discussion of the valuation of level 3 instruments, including unobservable inputs used, see note 10.

For instruments classified in levels 2 and 3, management judgement must be applied to assess the appropriate level of valuation adjustments, the Company's credit-worthiness, market funding rates, liquidity considerations, unobservable parameters, and for portfolios that meet specified criteria, the size of the net open risk position. The judgements made are typically affected by the type of product and its specific contractual terms, and the level of liquidity for the product or within the market as a whole. For further discussion of valuation adjustments applied by the Company, see note 10.

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements (continued)

3. Critical accounting estimates and judgements (continued)

Fair value measurement (continued)

The use of methodologies or assumptions different than those used by the Company could result in a different estimate of fair value at the reporting date. For a detailed discussion of the Company's valuation process and hierarchy, its determination of fair value for individual financial instruments, and the potential impact of using reasonable possible alternative assumptions for the valuations, see note 10.

4. Segmental analysis

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 EMEA. All fee and commission income is received from JPMorgan Chase undertakings within the EMEA region.

5. Financial assets held for trading

	2017	2016
	\$'000	\$'000
Financial assets held for trading	25,708,466	18,791,157

Financial assets held for trading predominantly represent derivatives and fully funded OTC financial instruments with other JPMorgan Chase undertakings, see note 10.

6. Trade and other receivables

	2017	2016
	\$'000	\$'000
Trade and other receivables	101,043	107,260
Amounts owed by JPMorgan Chase undertakings	11,999	455,196
	113,042	562,456

The majority of amounts within trade and other receivables were not past due or impaired as at 31 December 2017 (31 December 2016: nil).

7. Net cash and cash equivalents

	2017	2016
	\$'000	\$'000 (restated)
Cash held with JPMorgan Chase undertakings	6,222,828	586,297
Cash held with third parties	15,369	21,591
	6,238,197	607,888
Bank overdraft		
Balances due to JPMorgan Chase undertakings	(30,934)	(26,798)
Balances due to third parties	(11,164)	(7,153)
	(42,098)	(33,951)
Net cash and cash equivalents as reported in the cash flow statement	6,196,099	573,937

Presented within bank overdraft in 2016, short term borrowings due to JPMorgan Chase undertakings of \$395.2 million has been reclassified to trade payables to better reflect the substance of the balance and to conform with current year presentation, with a net balance sheet impact of \$nil. (Refer to note 11, 17 and 19).

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements (continued)

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

	2017	2016
	\$'000	\$'000 (restated)
Financial liabilities designated at fair value through profit or loss	17,889,305	14,341,164

Financial liabilities held for trading which represent warrants and derivatives, presented within financial liabilities designated at fair value through profit or loss in 2016 of \$4,450.0 million, has been reclassified to financial liabilities held for trading to better reflect the substance of the balance and to conform with current year presentation, with a net balance sheet impact of \$nil. (Refer to note 9, 10, 17 and 19).

Financial liabilities designated at fair value through profit and loss include short term and long term structured notes. In certain instances, the customers have the rights to exercise put options. Other securities include early redemption clauses. As a result, the notes have been disclosed as having a maturity within one year in the table above. The contractual payments associated with the notes issued by the Company are predominantly guaranteed by JPMorgan Chase Bank, N.A. and may be repayable on customer demand. 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 amount of change attributable to changes in its own credit and funding risk in the financial liabilities designated at fair value through profit or loss and held for trading for 2017 is a gain of \$76.9 million (2016: gain of \$42.7 million). This is fully offset by an equal and opposite amount in financial assets held for trading (refer to note 5).

9. Financial liabilities held for trading

	2017	2016
	\$'000	\$'000 (restated)
Financial liabilities held for trading	7,819,161	4,449,993

Financial liabilities held for trading consists of warrants and derivatives. Prior year amounts have been restated to conform with current year presentation (Refer to note 8, 10, 17 and 19).

10. 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 or inputs, where available. If prices or quotes are not available, fair value is based on valuation models and other valuation techniques that consider relevant transaction characteristics (such as maturity) and use as inputs observable or unobservable market parameters, including yield curves, interest rates, 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.

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements (continued)

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

Valuation model review and approval

If prices or quotes are not available for an instrument or a similar instrument, fair value is generally determined using valuation models that consider relevant transaction data such as maturity and use as inputs market-based or independently sourced parameters. The Model Risk function is independent of the model owners and reviews and approves valuation models used by the Company.

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.

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 below regarding derivative valuation. Adjustments are then made to this base valuation to reflect the Firm's own credit risk (DVA).	Level 2 or 3
Equity securities	Quoted market prices are used where available.	Level 1
Derivatives and fully funded OTC financial instruments	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 as well as considering the contractual terms. The key valuation inputs used will depend on the type of derivative and the nature of the underlying instruments and may include equity prices, commodity prices, interest rate yield curves, foreign exchange rates, volatilities, correlations, credit default swaps ("CDS") spreads and recovery rates. Additionally, the credit quality of the counterparty and of the Firm's as well as market funding levels may also be considered.	Level 2 or 3

The following tables present the assets and liabilities reported at fair value as of 31 December 2017 and 2016, by major product category and fair value hierarchy.

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements (continued)

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

Assets and liabilities measured at fair value on a recurring basis

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2017				
Financial assets held for trading:				
Financial assets held for trading	411,580	17,829,952	7,466,934	25,708,466
Total financial assets	411,580	17,829,952	7,466,934	25,708,466
Financial liabilities held for trading:				
Financial liabilities held for trading	—	(7,081,469)	(737,692)	(7,819,161)
Financial liabilities designated at fair value through profit or loss:				
Structured notes	—	(9,703,119)	(8,186,186)	(17,889,305)
Total financial liabilities	—	(16,784,588)	(8,923,878)	(25,708,466)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2016 (restated)				
Financial assets held for trading:				
Financial assets held for trading	414,318	13,739,415	4,637,424	18,791,157
Total financial assets	414,318	13,739,415	4,637,424	18,791,157
Financial liabilities held for trading:				
Financial liabilities held for trading	—	(3,830,899)	(619,094)	(4,449,993)
Financial liabilities designated at fair value through profit or loss:				
Structured notes	—	(8,640,229)	(5,700,935)	(14,341,164)
Total financial liabilities	—	(12,471,128)	(6,320,029)	(18,791,157)

The Company hedges all structured note issuances by entering into hedging transactions with other JPMorgan Chase companies. The hedging transactions can be 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 'Fair Value Measurement', and as such the fair value hierarchy of the structured notes and hedges can differ.

Level 3 valuations

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

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements (continued)

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

Level 3 valuations (continued)

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 valuation models and other valuation techniques 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 valuation model or other valuation technique to use.

The following table presents the Company'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 do not reflect the degree of input uncertainty or an assessment of the reasonableness of the Company's estimates and assumptions. Rather, they reflect the characteristics of the various instruments held by the Company and the relative distribution of instruments within the range of characteristics. For example, two option contracts may have similar levels of market risk exposure and valuation uncertainty, but may have significantly different implied volatility levels because the option contracts have different underlyings, tenors, or strike prices.

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
At 31 December 2017	\$'000	\$'000	\$'000			
Derivatives and fully funded OTC financial instruments	7,466,934	(737,692)	6,729,242	Option pricing	Interest rate correlation	(50)% - 98%
					Interest rate spread volatility	27bps - 38bps
					Interest rate - FX correlation	(50)% - 70%
					Equity correlation	0% - 85%
					Equity - FX correlation	(50)% - 30%
					Equity - Interest rate correlation	10% - 40%
					Equity volatility	20% - 55%
Structured notes	—	(8,186,186)	(8,186,186)	Option pricing	Interest rate correlation	(50)% - 98%
					Interest rate spread volatility	27bps - 38bps
					Interest rate - FX correlation	(50)% - 70%
					Equity correlation	0% - 85%
					Equity - FX correlation	(50)% - 30%
					Equity - Interest rate correlation	10% - 40%
Total	7,466,934	(8,923,878)	(1,456,944)			

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements (continued)

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

Product/instrument	Asset	Liability	Net fair value	Principal valuation technique	Unobservable input	Range of input values
At 31 December 2016	\$'000	\$'000	\$'000			
Derivatives and fully funded OTC financial instruments	4,637,424	(619,094)	4,018,330	Option pricing	Credit Correlation FX Correlation Equity Volatility Interest rate correlation Interest rate spread volatility	30% - 85% (30)% - 65% 20% - 60% (30)% - 100% 3% - 38%
Structured notes	—	(5,700,935)	(5,700,935)	Option pricing Discounted cash flows	Interest rate correlation Interest rate spread volatility Foreign exchange correlation Equity correlation Credit correlation	(30)% - 100% 3% - 38% (30)% - 65% (50)% - 80% 30% - 85%
Total	4,637,424	(6,320,029)	(1,682,605)			

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

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 (for example, as observable interest rates rise, unobservable prepayment rates decline); 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.

Yield - 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.

Credit spread - 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.

Correlation - 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.

Volatility - 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 companies so that any price risk is effectively hedged. As at 31 December 2017, 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.

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements (continued)

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

Movement in Level 3 assets and liabilities

Financial assets held for trading

	2017	2016
	\$'000	\$'000
At 1 January	4,637,424	3,454,832
Total gain/(loss) recognised in income statement *	708,645	(176,874)
Purchases	5,980,031	3,891,081
Settlements	(4,300,656)	(2,551,516)
Transfers in to level 3	849,130	162,383
Transfers out of level 3	(407,640)	(142,482)
At 31 December	7,466,934	4,637,424
Change in unrealised profit related to financial instruments held at 31 December *	439,045	110,488

Financial liabilities held for trading and designated at fair value through profit and loss

	2017	2016
	\$'000	\$'000
At 1 January	6,320,029	4,935,285
Total loss recognised in income statement *	558,771	102,396
Purchases	112,293	13,886
Issuances	8,208,958	4,729,348
Settlements	(6,874,126)	(3,371,836)
Transfers in to level 3	1,101,082	358,493
Transfers out of level 3	(503,129)	(447,543)
At 31 December	8,923,878	6,320,029
Change in unrealised (loss)/profit related to financial instruments held at 31 December *	(211,169)	81,794

* As explained above, 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 years ended 31 December 2017 and 2016, there were no transfers between levels 1 and 2.

During the year ended 31 December 2017, significant transfers from level 2 to level 3 included the following:

- \$831 million of assets driven by a reduction in observability of debt and equity instruments.
- \$1,082 million of liabilities driven by a reduction in observability of structured notes and equity hedge instruments.

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements (continued)

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

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

During the year ended 31 December 2016, significant transfers from level 3 to level 2 included the following:

- \$390 million of assets driven by an increase in observability of debt and equity instruments.
- \$484 million of liabilities driven by an increase in observability of structured notes.

All transfers are assumed to occur at the beginning of the period in which they occur.

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 cash and cash equivalents, bank overdraft, trade and other receivables and trade and other payables.

The company has \$6,351.2 million (2016: \$1,170.3 million) of current financial assets and \$5,815.8 million (2016: \$639.9 million) 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 on the balance as at 31 December 2017 (2016: 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 31 December 2017, amounted to \$2,429.2 million (2016: \$2,494.5 million).

11. Trade and other payables

	2017	2016 (restated)
	\$'000	\$'000
Trade payables	132,086	189,703
Amounts owed to JPMorgan Chase undertakings	5,641,605	416,275
	5,773,691	605,978

Current year trade and other payables predominantly consist of variation margin received from other JPMorgan Chase undertakings.

Prior year amounts have been restated to conform to current year presentation, refer note 7.

12. Share capital

	2017	2016
	€'000	€'000
Authorised share capital		
90,000 (2016: 90,000) Ordinary shares of €1.00 each	90	90
	2017	2016
	\$'000	\$'000
Issued and fully paid share capital		
20,000 (2016: 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 year.

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements (continued)

13. Fees and commissions

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

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

14. Audit fee

	2017	2016
	\$'000	\$'000
Auditors' remuneration for the audit of the Company's annual financial statements	41	174

15. Interest income and expense

All interest income and expenses are from JPMorgan chase undertakings.

16. Income tax expense

	2017	2016
	\$'000	\$'000
Income tax expense:		
Current tax	1,396	474
Tax on profit on ordinary activities	1,396	474
Profit for the year before tax	5,628	2,177
Tax calculated at applicable tax rates	1,396	474
Income tax expense	1,396	474

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

17. Financial risk management

Risk is an inherent part of the Company's business activities. The Company's overall objective is to manage its businesses, and the associated risks, in a manner that balances serving the interests of its clients and customers and protects the safety and soundness of the Company.

JPMorgan Chase's and the Company's risk management framework seeks to mitigate risk and loss to the Firm and Company. The Firm has established processes and procedures intended to identify, measure, monitor, report and analyse the types of risk to which the Firm is subject. However, as with any risk management framework, there are inherent limitations to the Firm's risk management strategies because there may exist, or develop in the future, risks that the Firm has not appropriately anticipated or identified.

The Company exercises oversight through the Board of Directors which are aligned to the Firm risk management framework and regulatory requirements.

An overview of the key aspects of risk management is provided below. A substantial majority of these risks, which arise from the structured products issued by the Company are offset by simultaneously entering into equal and offsetting OTC transactions with other JPMorgan Chase undertakings so that all such risks are effectively hedged.

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements (continued)

17. Financial risk management (continued)

The following sections outline the key risks that are inherent in the Company's business activities.

Risk	Definition
Economic risks	
Credit risk	The risk associated with the default or change in credit profile of a customer.
Liquidity risk	The risk that the Company will be unable to meet its contractual and contingent financial obligations as they arise or that it does not have the appropriate amount, composition and tenor of funding and liquidity to support its assets and liabilities.
Market risk	The risk associated with the effect of changes in market factors, such as interest rates or foreign exchange rates, equity and commodity prices, implied volatilities or credit spreads, on the value of assets and liabilities held for both the short and long term.
Other core risks	
Compliance risk	The risk of failure to comply with applicable laws, rules and regulations.
Operational risk	The risk associated with inadequate or failed internal processes, people or systems, or from external events.
Reputation risk	The potential that an action, inaction, transaction, investment or event will reduce trust in the Company and the Firm's integrity or competence by our various constituents, including clients, counterparties, regulators, employees and the broader public.

An overview of the key aspects of risk management is provided below. A detailed description of the policies and processes adopted by the Firm may be found within the JPMorgan Chase & Co. 2017 Annual Report on Form 10-K.

Credit risk

Credit risk is the risk associated with the default or change in credit profile of a client, counterparty or customer. The Company is not exposed to credit risk through the issuance of securities. The hedging activity exposes the Company to credit risk of internal JPMorgan Chase undertakings, which is collateralised.

Credit exposures

Balance sheet exposure by financial asset

The table below presents the Company's gross balance sheet exposure to financial assets without taking account of any collateral or economic hedges in place.

	2017 \$'000	2016 \$'000 (restated)
Financial assets held for trading*	25,296,886	18,376,839
Trade and other receivables	113,042	562,456
Cash and cash equivalents	6,238,197	607,888
	31,648,125	19,547,183

Included within the above assets, balances held with other JPMorgan Chase undertakings are \$31,532 million (2016: \$19,418 million).

Financial assets held for trading and cash and cash equivalents are considered to be of investment grade.

*Prior year amount has been restated to exclude assets amounting to \$414.3 million which are not considered as credit risk exposure to conform with current year presentation.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its contractual and contingent financial obligations as they arise or that it does not have the appropriate amount, composition and tenor of funding and liquidity to support its assets and liabilities.

The Company's issuances are economically hedged with the OTC transactions with other JPMorgan Chase undertakings. To the extent that settlement-related timing differences between issuances and the OTC hedge may result in funding requirements, these are funded by other Firm companies involved in the transactions. The contractual payments associated with the notes issued by the Company are predominantly guaranteed by JPMorgan Chase Bank, N.A.

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements (continued)

17. Financial risk management (continued)

Liquidity risk (continued)

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

	2017 Less than 1 year \$'000	2016 Less than 1 year \$'000 (restated)
Financial liabilities designated at fair value through profit or loss	17,889,305	14,341,164
Financial liabilities held for trading	7,819,161	4,449,993
Bank overdraft	42,098	33,951
Trade and other payables	5,773,691	605,978
	31,524,255	19,431,086

Included with the above liabilities, the balances held with other JPMorgan Chase undertakings are \$8,195 million (2016: \$2,955 million). Prior year amounts have been restated to conform to current year presentation, refer note 7 and 8.

Market risk

Market risk is the exposure to an adverse change in the market value of financial instruments caused by a change in market parameters. The primary categories of market parameters are:

- Interest rates - Interest rate risk primarily results from exposure to changes in the level, slope and curvature of the yield curve and the volatility of interest rates;
- Foreign exchange rates - Foreign exchange rate risk results from exposure to changes in prices and volatility of currency rates;
- Equity prices - Equity price risk arises from exposure to changes in prices and volatility of individual equities, equity baskets and equity indices;
- Credit spreads - Credit spreads are the difference between yields on corporate debt subject to default risk and government bonds; and
- Commodity prices - Commodity price risk results from exposures to changes in prices and volatility of commodities, such as natural gas, crude oil, petroleum products, precious and base metals and electricity.

Market risk, arising from the Company's issuances are economically hedged by equal and offsetting OTC transactions with other Firm companies. Should this change, the Company would be managed as part of the enterprise wide market risk management framework. There is no significant residual price, foreign exchange risk, credit spread and interest rate risk in the Company as at 31 December 2017.

The Company has an immaterial cash flow interest rate risk from interest bearing cash and cash equivalents balances.

Compliance risk

Compliance risk is the risk of failure to comply with applicable laws, rules and regulations.

Each line of business and function is accountable for managing its compliance risk. The Firm's Compliance Organisation ("Compliance") works closely with senior management to provide independent review, monitoring and oversight of business operations with a focus on compliance with regulatory obligations applicable to the offering of the Firm's products and services to clients and customers.

These compliance risks relate to a wide variety of legal and regulatory obligations, depending on the Line of Business ("LOB") and the jurisdiction, and include those related to products and services, relationships and interactions with clients and customers, and employee activities.

Governance and oversight

Compliance is led by the Firms' Chief Compliance Officer ("CCO") who reports to the Firm's Chief Risk Officer ("CRO"). The regional CCOs, including the EMEA CCO, are part of this structure.

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements (continued)

17. Financial risk management (continued)

Compliance risk (continued)

The Firm maintains oversight and coordination of its Compliance practices through the Firm's CCO, lines of business CCOs and regional CCOs who implement the Compliance program globally across the lines of business and regions.

The Firm has in place a Code of Conduct (the "Code") which applies to the Company. Each employee is given annual training in respect of the Code and is required annually to affirm his or her compliance with the Code. The Code sets forth the Firm's core principles and fundamental values, including that no employee should ever sacrifice integrity - or give the impression that he or she has. The Code requires prompt reporting of any known or suspected violation of the Code, any internal Firm policy, or any law or regulation applicable to the Firm's business. It also requires the reporting of any illegal conduct, or conduct that violates the underlying principles of the Code, by any of the Firm's employees, customers, suppliers, contract workers, business partners, or agents. Specified employees are specially trained and designated as "code specialists" who act as a resource to employees on Code matters. In addition, concerns may be reported anonymously and the Firm prohibits retaliation against employees for the good faith reporting of any actual or suspected violations of the Code. The Code and the associated employee compliance program are focused on the regular assessment of certain key aspects of the Firm's culture and conduct initiatives.

Operational risk

Operational risk is the risk associated with inadequate or failed internal processes, people and systems, or from external events; operational risk includes cybersecurity risk, business and technology resiliency risk, payment fraud risk, and third-party outsourcing risk.

Operational risk is inherent in the Company's activities and can manifest itself in various ways, including fraudulent acts, business interruptions, inappropriate employee behavior, failure to comply with applicable laws and regulations or failure of vendors to perform in accordance with their arrangements. These events could result in financial losses, litigation and regulatory fines, as well as other damages to the Company. The goal is to keep operational risk at appropriate levels in light of the Company's financial position, the characteristics of its businesses, and the markets and regulatory environments in which it operates.

Risk management

To monitor and control operational risk, the Firm has an Operational Risk Management Framework ("ORMF") which is designed to enable the Firm to maintain a sound and well-controlled operational environment. The ORMF has four main components: Governance, Risk Assessment, Measurement, and Monitoring and Reporting.

Cybersecurity risk

Cybersecurity risk is an important, continuous and evolving focus for the Firm and Company. The Firm and Company devotes significant resources to protecting and continuing to improve the security of the Firm and Company's computer systems, software, networks and other technology assets. These security efforts are intended to protect against, among other things, cybersecurity attacks by unauthorized parties to obtain access to confidential information, destroy data, disrupt or degrade service, sabotage systems or cause other damage. The Firm continues to make significant investments in enhancing its cyberdefense capabilities and to strengthen its partnerships with the appropriate government and law enforcement agencies and other businesses in order to understand the full spectrum of cybersecurity risks in the operating environment, enhance defenses and improve resiliency against cybersecurity threats. The Firm actively participates in discussions of cybersecurity risks with law enforcement, government officials, peer and industry groups, and has significantly increased efforts to educate employees and clients on the topic.

Third parties with which the Company does business or that facilitate the Company's business activities (e.g. vendors) could also be sources of cybersecurity risk to the Company. Third party cybersecurity incidents such as system breakdowns or failures, misconduct by the employees of such parties, or cyberattacks could affect their ability to deliver a product or service to the Company or result in lost or compromised information of the Company or its clients. Clients can also be sources of cybersecurity risk to the Company, particularly when their activities and systems are beyond the Company's own security and control systems. As a result, the Company engages in regular and ongoing discussions with certain vendors and clients regarding cybersecurity risks and opportunities to improve security. However, where cybersecurity incidents are due to client failure to maintain the security of their own systems and processes, clients will generally be responsible for losses incurred.

To protect the confidentiality, integrity and availability of the Firm and Company's infrastructure, resources and information, the Firm leverages the ORMF to ensure risks are identified and managed within defined corporate tolerances. The Firm's Board of Directors and the Audit Committee are regularly briefed on the Firm's cybersecurity policies and practices and ongoing efforts to improve security, as well as its efforts regarding significant cybersecurity events.

Reputation risk

Reputation risk is the potential that an action, inaction, transaction, investment or event will reduce trust in the Company's integrity or competence by our various constituents, including clients, counterparties, regulators, employees and the broader public.

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements (continued)

17. Financial risk management (continued)

Reputation risk (continued)

Risk management

Maintaining the Company's reputation is the responsibility of each individual employee. The Firm's Reputation Risk Governance policy explicitly vests each employee with the responsibility to consider the reputation of the Firm when engaging in any activity. Because the types of events that could harm the Firm's reputation are so varied across the Firm's LOB, each LOB has a separate reputation risk governance infrastructure in place, which consists of three key elements: clear, documented escalation criteria appropriate to the business; a designated primary discussion forum - in most cases, one or more dedicated reputation risk committees; and a list of designated contacts, to whom questions relating to reputation risk should be referred. Any matter giving rise to reputation risk that originates in a corporate function is required to be escalated directly to Firmwide Reputation Risk Governance ("FRRG") or to the relevant Risk Committee. LOB reputation risk governance is overseen by a Firmwide Reputation Risk Governance function, which provides oversight of the governance infrastructure and process to support the consistent identification, escalation, management and monitoring of reputation risk issues Firmwide.

18. Managed capital

Total equity of \$534.9 million (2016: \$530.6 million) 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.

19. Related party transactions

Related parties comprise:

- (a) Directors and shareholders of the Company and companies in which they have an ownership interest
- (b) Other JPMorgan Chase undertakings

None of the Directors received remuneration from the Company during the year (2016: nil). The Company did not employ any staff in 2017 or 2016.

The Company's parent undertaking is detailed in note 1. 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, all related to normal business activities at arms length, are as follows:

Outstanding balances at year end

	JPMorgan Chase undertakings	JPMorgan Chase undertakings
	31 December 2017 \$'000	31 December 2016 \$'000 (restated)
Financial assets held for trading	25,708,466	18,791,157
Trade and other receivables	11,999	455,196
Cash and cash equivalents	6,222,828	586,297
Financial liabilities held for trading*	(2,482,502)	(2,494,498)
Financial liabilities designated at fair value through profit or loss*	(40,310)	(17,011)
Trade and other payables*	(5,641,605)	(416,275)
Bank overdraft*	(30,934)	(26,798)

*Prior year amounts have been restated to conform to current year presentation, refer to note 7, 8 and 9.

J.P. MORGAN STRUCTURED PRODUCTS B.V.

Notes to the financial statements (continued)

19. Related party transactions (continued)

Income and expenses

	JPMorgan Chase undertakings	JPMorgan Chase undertakings
	31 December 2017	31 December 2016
	\$'000	\$'000
Fees and commission income	12,568	6,728
Fees and commission expense	(6,787)	(5,134)
Administrative expenses	(200)	(200)
Net interest income	2,446	1,932

20. Proposed appropriation of net results

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

21. Subsequent events

The Company has evaluated subsequent events through the end of the reporting period and the date when the financial statements are authorised for issue and there were no significant events that would have a material impact on the financial statements.

The Board of Directors

D. Robertson

W.H. Kamphuijs

J.C.P. van Uffelen

D.R. Hansson

M.F.C van der Werff

Date:

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.

Independent auditor's report

The independent auditor's report is included on page 27 of this annual report.

INDEPENDENT AUDITOR'S REPORT

To: the general meeting of J.P.Morgan Structured Products B.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2017 INCLUDED IN THE ANNUAL REPORT

OUR OPINION

We have audited the financial statements 2017 of J.P. Morgan Structured Products B.V. In our opinion the accompanying financial statements give a true and fair view of the financial position of J.P. Morgan Structured Products B.V. as at 31 December 2017, 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 (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- the Balance Sheet as at 31 December 2017;
- the following statements for 2017: Income Statement, Statement of Changes in Equity and Cash Flow Statement; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of the company in accordance with the "EU Regulation on specific requirements regarding statutory audit of public-interest entities", the "Audit firms supervision act" (Wta), "Dutch Independence Standard regarding assurance engagements (ViO)" and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Dutch Code of Ethics (VGBA)".

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

MATERIALITY

Based on our professional judgement we determined the materiality for the financial statements as a whole at USD 320 million. The materiality is based on 1.0% of total assets. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

OUR KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the board of directors, but they are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Cooperation with other auditors

To the extent we have relied in our audit on other auditors within J.P. Morgan Chase & Co group, we have planned audit procedures to ensure sufficient involvement in the nature, timing and extent of the work performed by them. These procedures include issuing instructions to those auditors, reviewing reports prepared by them and reviewing their audit files.

Valuation of financial assets and financial liabilities

We consider the fair value of financial assets and financial liabilities as disclosed in note 5, 8 and 9 and in total both amounting to USD 25.7 billion as a key audit matter. This is due to the nature of the instruments and the number of input parameters taken into account in the valuation.

Our audit procedures regarding the valuation of the financial assets and financial liabilities include, amongst others, the following:

- We obtained an understanding of the valuation methodology and the processes and controls with respect to the valuation of the financial assets and financial liabilities measured at fair value.
- We tested the Company's controls over the validation of models used in the valuation of financial assets and financial liabilities. We also tested management's independent price verification controls, which are designed to validate the prices used by the trading desks;
- We substantively tested the inputs to the fair value calculations. With respect to the discount rates used and inputs for the valuation of embedded derivative elements, this included independently sourcing data from independent third party sources. Furthermore, we agreed the terms of a sample of instruments to the respective prospectuses;
- We tested the completeness and accuracy of the booking of economic hedges to ensure the Company had effective economic hedges in place;
- We evaluated the adequacy of the disclosures relating to the valuation of financial assets and financial liabilities for compliance with the disclosure requirements included in EU-IFRS.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Directors' Report;
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Directors' Report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

ENGAGEMENT

We were appointed as auditor of J.P. Morgan Structured Products B.V. as of the audit for the year 2017.

NO PROHIBITED NON-AUDIT SERVICES

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The board of directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining an understanding of internal control relevant to the audit 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;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the board of directors in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 16 April 2018

MAZARS PAARDEKOOPER HOFFMAN ACCOUNTANTS N.V.

w.s. J.C. van Oldenbeek MSc RA