

**J.P. Morgan International Derivatives Ltd.**

(incorporated with limited liability in Jersey)

as Issuer

JPMorgan Chase Bank, N.A.

(a National Banking Association organised pursuant to the laws of the United States of America)

as Guarantor in respect of

Up to SEK 500,000,000 Notes Linked to the DAXglobal[®] Alternative Energy Index PI (EUR) and the S&P Global Water Index – Price Return (EUR), due November 2011**Structured Products Programme for the issuance of Notes, Warrants and Certificates****Issue Price: 110.00 per cent. per Note**

This document, comprised of the Summary and Securities Note (this "**Document**"), together with the registration document dated 23 May 2007 of JPMIDL (as defined below) (the "**JPMIDL Registration Document**"), and the registration document dated 23 May 2007 of JPMCB (as defined below) (the "**Original JPMCB Registration Document**") as supplemented by a supplement to the Original JPMCB Registration Document dated 6 June 2007 (the Original JPMCB Registration Document as so supplemented, the "**JPMCB Registration Document**"), and together with the JPMIDL Registration Document, the "**Registration Documents**", each of which has previously been published on the website of the Luxembourg Stock Exchange, (www.bourse.lu), constitutes a prospectus (the "**Prospectus**") for the purposes of article 5.3 of Directive 2003/71/EC (the "**Prospectus Directive**") relating to up to SEK 500,000,000 Notes Linked to the DAXglobal[®] Alternative Energy Index PI (EUR) and the S&P Global Water Index – Price Return (EUR), due November 2011 (the "**Notes**") to be issued by J.P. Morgan International Derivatives Ltd. (the "**Issuer**" or "**JPMIDL**") under its Structured Products Programme for the issuance of Notes, Warrants and Certificates (the "**Programme**") and irrevocably and unconditionally guaranteed by JPMorgan Chase Bank, N.A. (the "**Guarantor**" or "**JPMCB**") under the Guarantee (as defined below).

The Notes shall also be referred to in this Document as the "**Instruments**".

This Document, which will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu), and the Registration Documents should be read and construed in conjunction with the Base Prospectus (as defined in "Documents Incorporated by Reference" below and to the extent only of the specified sections of the Base Prospectus incorporated by reference herein).

The Instruments will be offered for sale to the public in the Kingdom of Sweden during a subscription period from (and including) 8 August 2007 to (and including) 28 September 2007, provided that the relevant regulatory approvals have been granted. Such subscription period is subject to adjustment by or on behalf of the Issuer and any adjustments to the subscription period will be set out in one or more notices to be made available on the website of the Luxembourg Stock Exchange (www.bourse.lu) (and for the avoidance of doubt, no supplement to this Document will be published in relation thereto). The total number of Instruments to be issued, and the final Participation, will be determined based on market demand for the Instruments during the subscription period together with market conditions (including the prices of the underlying Reference Assets (as defined below)) at the end of the subscription period and will be made available on the website of the Luxembourg Stock Exchange (www.bourse.lu) on or around 25 October 2007 (and for the avoidance of doubt, no supplement to this Document will be published in relation thereto).

If the amount subscribed for during this subscription period is less than SEK 25,000,000, then the offer of the Instruments may be withdrawn and no Instruments will be issued, and notification of such withdrawal will be available on the website of the Luxembourg Stock Exchange (www.bourse.lu) on or around the end of the subscription period.

Application has been made to the Commission de Surveillance du Secteur Financier (the "CSSF") in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities to approve this Prospectus and application has been made for the Instruments to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange, which is regulated by Directive 2004/39/EC on Markets in Financial Instruments.

Save as provided herein, each of JPMIDL and JPMCB accepts responsibility for the information given in this Document and confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Document is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect its import. With respect to paragraph 50 (*Additional selling restrictions*) of the Terms and Conditions, HQ Bank AB ("**HQ**") accepts responsibility for the information contained under the heading, "Purchase and Offer by HQ Bank AB" and confirms that, having taken all reasonable care to ensure that such is the case, the information contained in paragraph 50 under such heading is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect its import.

The Instruments and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or any state securities laws, and trading in the Instruments has not been approved by the U.S. Commodity Futures Trading Commission (the "**CFTC**") under the U.S. Commodity Exchange Act, as amended (the "**CEA**"). The Instruments include Instruments in bearer form that are subject to certain U.S. tax law requirements. Subject to certain exceptions, Instruments may not be offered, sold, pledged, assigned, delivered, transferred or redeemed at any time within the United States or to, or for the account or benefit of, any U.S. Person. The term "U.S. Person" has the meaning ascribed to it in either Regulation S under the Securities Act ("**Regulation S**") or the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"). The Instruments are being offered and sold outside the United States to non-U.S. Persons pursuant to the registration exemptions contained in Regulation S and Section 3(a)(2) of the Securities Act and may not be legally or beneficially owned at any time by any U.S. Person.

The Issue Price in respect of the Instruments specified above may be more than the market value of such Instruments as at the Issue Date, and the price, if any, at which the Dealer or any other person is willing to purchase such Instruments in secondary market transactions is likely to be lower than the Issue Price in respect of such Instruments. In particular, the Issue Price in respect of the Instruments may take into account amounts with respect to commissions relating to the issue and sale of such Instruments as well as amounts relating to the hedging of the Issuer's obligations under such Instruments, and secondary market prices are likely to exclude such amounts. In addition, pricing models of relevant market participants may differ or produce a different result.

The Commission de Surveillance du Secteur Financier of Luxembourg has been requested to provide the competent authority of the Kingdom of Sweden for the purposes of the Prospectus Directive with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive. Further requests may be made in the future.

Arranger and Dealer

J.P. Morgan Securities Ltd.

The Guarantee (the "Guarantee") irrevocably and unconditionally guarantees the due and punctual settlement of all obligations of JPMIDL under Instruments issued by JPMIDL under the Agency Agreement (as defined in the Conditions). The Guarantee is not a deposit insured or guaranteed by the United States Federal Deposit Insurance Corporation ("FDIC") or any other government authority. The Guarantee is an unsecured and unsubordinated debt obligation of the Guarantor and not of its parent, JPMorgan Chase & Co. ("JPMorgan Chase"), or any of its affiliates, and will rank *pari passu* with all other unsecured and unsubordinated indebtedness of the Guarantor, subject to a preference in favour of certain deposit liabilities of the Guarantor or other obligations that are subject to any priorities or preferences.

An investment in Instruments is subject to a very high degree of complex risks which may arise without warning, may at times be volatile and losses may occur quickly and in unanticipated magnitude. Instruments are extremely speculative. No person should acquire any Instruments unless that person understands the nature of the relevant transaction and the extent of that person's exposure to potential loss and has a valid business purpose for acquiring such Instruments and any investment in such Instruments is consistent with such person's overall investment strategy. Each prospective purchaser of the Instruments should consider carefully whether the Instruments it considers acquiring are suitable for it in the light of such prospective purchaser's investment objectives, financial capabilities and expertise. Prospective purchasers of the Instruments should consult their own business, financial, investment, legal, accounting, regulatory, tax and other professional advisers to assist them in determining the suitability of the Instruments for them as an investment. See "Risk Factors".

No person has been authorised to give any information or to make any representation other than those contained in this Document in connection with the issue or sale of the Instruments and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or the Dealer. Neither the delivery of this Document nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or the date upon which this Document has been most recently supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof or the date upon which this Document has been most recently supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Document and the offering or sale of the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession this Document comes are required by the Issuer, the Guarantor and the Dealer to inform themselves about and to observe any such restriction. The publication of this Document is not intended as an offer or solicitation for the purchase or sale of any financial instrument in any jurisdiction where such offer or solicitation would violate the laws of such jurisdiction. The Instruments and the Guarantee have not been and will not be registered under the Securities Act and include Instruments in bearer form that are subject to U.S. tax law requirements. Instruments may not be offered, sold, transferred, pledged, assigned, delivered or redeemed within the United States or to or for the account or benefit of any U.S. Person. The Instruments are being offered and sold outside the United States to non-U.S. Persons in reliance on the registration exemptions contained in Regulation S and Section 3(a)(2) under the Securities Act. For a description of certain restrictions on offers and sales of Instruments and on distribution of this Document, see "Subscription and Sale" in the Base Prospectus incorporated herein (beginning at page 283).

The Instruments have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "SEC"), any state securities commission in the United States, the CFTC, any U.S. federal or state banking authority or any other U.S. regulatory authority nor has any of the foregoing authorities passed upon or endorsed the merits of the offering of Instruments or the accuracy or the adequacy of this Document. Any representation to the contrary is a criminal offence in the United States. This Document does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Dealer to subscribe for, or purchase, any Instruments.

Each prospective purchaser of Instruments and such purchaser's employees, representatives, or other agents may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of the offering of Instruments pursuant to this Document and all materials of any kind (including any opinions or other tax analyses provided) relating to such U.S. federal income tax treatment and tax structure.

The Dealer has not separately verified the information contained in this Document. The Dealer does not make any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Document. This Document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor or the Dealer that any recipient of this Document should purchase the Instruments. Each potential purchaser of Instruments should determine for himself the relevance of the information contained in this Document and any purchase of Instruments should be based upon such investigation as such potential purchaser deems necessary. The Dealer does not undertake to review the financial condition or affairs of either of the Issuer or the Guarantor during the life of the arrangements contemplated by this Document nor to advise any investor or potential investor in the Instruments of any information coming to the attention of the Dealer.

Unless otherwise expressly stated herein, the information included therein with respect to the Reference Assets shall consist only of extracts from, or summaries of, publicly available information. The Issuer accepts responsibility that such information has been correctly extracted or summarised. No further or other responsibility in respect of such information is accepted by the Issuer or the Guarantor and no responsibility whatsoever is accepted by the Dealer (or any other entity in the JPMorgan Chase Group (as defined below)). In particular, none of the relevant Issuer, the Guarantor or the Dealer (or any other entity in the JPMorgan Chase Group) accepts responsibility in respect of the accuracy or completeness of the information set forth herein concerning the Reference Assets or that there has not occurred any event which would affect the accuracy or completeness of such information. Further, this Document may include tables showing the high and low levels or prices (as applicable) of the Reference Assets for the periods indicated. While such tables provide some historical data regarding the risks of investing in the Reference Assets, past results are not necessarily indicative of future performance. Prospective purchasers of the relevant Instruments are advised to consult their own legal, tax, accountancy and other professional advisers to assist them in determining the suitability of the relevant Instruments for them as an investment. Each prospective purchaser of the relevant Instruments should be fully aware of and understand the complexity and risks inherent in the relevant Instruments before it makes its investment decision in accordance with the objectives of its business.

Each prospective purchaser of Instruments must ensure that the complexity and risks inherent in the Instruments are suitable for such prospective purchaser's objectives and, if applicable, the size, nature and condition of such purchaser's business.

The Jersey Financial Services Commission (the "Commission") has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958, as amended, to the issue of Instruments by the Issuer.

The Jersey Financial Services Commission (the "Commission") has given, and has not withdrawn, its consent under Article 8 of the Control of Borrowing (Jersey) Order 1958, as amended to the circulation in Jersey of an offer for subscription, sale or exchange of Instruments by the Issuer.

The Commission is protected by the Control of Borrowing (Jersey) Law 1947, as amended, against liability arising from the discharge of its functions under that law.

A copy of this document has been delivered to the Jersey Registrar of Companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002. The Registrar has given, and has not withdrawn, his consent to its circulation.

It must be distinctly understood that, in giving these consents, neither the Jersey Registrar of Companies nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statements made, or opinions expressed, with regard to them.

Capitalised terms used herein shall be as defined in "Terms and Conditions" unless otherwise specified.

In this Document, unless otherwise specified or the context otherwise requires, references to "U.S.\$", "USD", "\$" and "U.S. Dollars" are to United States dollars, and to "EUR", "euro" and "€" are to the currency introduced at the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended, and to "SEK" or "Swedish Krona" are to the currency of the Kingdom of Sweden.

DOCUMENTS INCORPORATED BY REFERENCE

The information contained in the following document, which has previously been published on the website of the Luxembourg Stock Exchange (www.bourse.lu), is incorporated in, and forms a part of, this Document:

- the base prospectus dated 23 May 2007 relating to issues of non-equity securities under the Programme by JPMIDL and JPMCB and which has been approved for the purpose of the Prospectus Directive (the "**Original Base Prospectus**"), as supplemented by a supplement to the Original Base Prospectus dated 6 June 2007 relating to the filing by JPMCB of its Consolidated Reports of Condition and Income as at 31 March 2007 with the U.S. Federal Deposit Insurance Company (the "**2007 First Quarter Call Report Supplement**") (the Original Base Prospectus as so supplemented, the "**Base Prospectus**"). The table below sets out the relevant page references for the information incorporated herein by reference:

Information incorporated by reference	Page reference
<i>From the Original Base Prospectus</i>	
Risk Factors (excluding "Risk Factors relating to Polish Notes" and the subsequent risk factors relating to Polish Notes)	Pages 21-44
General Note Conditions	Pages 45-123
Summary of Provisions relating to the Notes while in Global Form	Pages 208-213
Use of Proceeds	Page 217
Form of Guarantee	Pages 218-220
Subscription and Sale	Pages 283-298
Taxation	Pages 299-321
General Information	Pages 322-323
<i>From the 2007 First Quarter Call Report Supplement</i>	
Incorporation of the 2007 First Quarter Call Report	Page 2

Any information not listed in the table above but included in the document incorporated by reference is given for information purposes only.

Investors who have not previously reviewed the information contained in the above document should do so in connection with their evaluation of the Instruments.

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SUMMARY

This summary must be read as an introduction to this Document and any decision to invest in the Instruments should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference. Following implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each Member State of the European Economic Area, no civil liability will attach to the Issuer or the Guarantor in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus. Where a claim relating to the information contained in the Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Information and risk factors in respect of JPMCB and JPMIDL

JPMCB

History and Development of JPMCB

JPMCB is a wholly owned bank subsidiary of JPMorgan Chase. JPMorgan Chase is incorporated in the State of Delaware in the United States and has its headquarters in New York. JPMCB's registered office is located at 1111 Polaris Parkway, Columbus, Ohio 43240, United States of America and its principal place of business is located at 270 Park Avenue, New York, NY 10017, United States of America (telephone number +1 212 270 6000). JPMCB is a commercial bank offering a wide range of banking services to its customers both domestically and internationally. JPMCB is chartered and its business is subject to examination and regulation by the U.S. Office of the Comptroller of the Currency ("OCC"), a bureau of the United States Department of the Treasury. Its powers are set forth in the United States National Bank Act and include all such incidental powers as shall be necessary to carry on the business of banking; by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin, and bullion; by loaning money on personal security; and by obtaining, issuing, and circulating notes. JPMCB was organised in the legal form of a banking corporation organised under the laws of the State of New York on 26 November 1968 for an unlimited duration. On 13 November 2004, JPMCB converted from a New York state-chartered bank organised under the laws of the State of New York to a national banking association organised under the laws of the United States of America.

Chase Bank USA, National Association with its main office located in Newark, Delaware, is another principal bank subsidiary of JPMorgan Chase. JPMorgan Chase's principal nonbank subsidiary is J.P. Morgan Securities Inc. The bank and nonbank subsidiaries of JPMorgan Chase operate nationally as well as through overseas branches and subsidiaries, representative offices and affiliated banks.

As of 31 December 2006, JPMCB had total assets of U.S.\$ 1,179.4 billion, total net loans of U.S.\$ 416.7 billion, total deposits of U.S.\$ 650.6 billion, and total stockholder's equity of U.S.\$ 96.0 billion.

JPMCB is a member of the Federal Reserve System and its deposits are insured by the Federal Deposit Insurance Corporation. Its Federal Reserve Bank Identification Number is 852218.

Principal Business Activities

JPMCB's business activities are, for management reporting purposes, organised and integrated with the businesses of JPMorgan Chase and its affiliates into business segments for each line of business as well as a Corporate segment. The wholesale businesses are comprised of the Investment Bank, Commercial Banking, Treasury & Securities Services, and Asset Management. The consumer business is comprised of Retail Financial Services.

Organisational Structure

JPMCB is one of the principal, wholly-owned bank subsidiaries of JPMorgan Chase, a company incorporated in the State of Delaware in the U.S.. The ordinary shares of JPMorgan Chase are listed on the New York Stock Exchange under the ticker "JPM" and they are also listed on the London and Tokyo Stock Exchanges. The ordinary shares of JPMorgan Chase form part of the Dow Jones Industrial Average Index of the New York Stock Exchange. Financial and legal information on JPMorgan Chase, including the most recent Form 10-K for the year ended 31 December 2006 of JPMorgan Chase, the 2006 Annual Report of JPMorgan Chase and

additional annual, quarterly and current reports filed with the U.S. Securities and Exchange Commission ("SEC") by JPMorgan Chase, as they become available, may be obtained by any interested party from the SEC website (<http://www.sec.gov>). Further information regarding JPMorgan Chase and its group can be obtained from its website (<http://www.jpmorganchase.com>).

Financial information concerning JPMCB

Historical financial information

JPMCB's Audited Financial Statements for 2006 and 2005 are incorporated by reference into the JPMCB Registration Document and have been audited by PricewaterhouseCoopers LLP.

The accounting and financial reporting policies of JPMorgan Chase and its subsidiaries conform to U.S. generally accepted accounting principles and prevailing industry practices. Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by U.S. bank regulatory authorities.

JPMorgan Chase's consolidated financial statements include the accounts of JPMCB and its majority-owned subsidiaries after eliminating intercompany balances and transactions.

Interim and other financial information

JPMCB is required to file quarterly Consolidated Reports of Condition and Income ("**Call Reports**") with the U.S. Federal Deposit Insurance Corporation ("**FDIC**"). Such Call Reports have a standard format approved by the FDIC and include the balance sheet and profit and loss accounts. Incorporated by reference into the JPMCB Registration Document are JPMCB's consolidated balance sheet as at 31 March 2006, 30 June 2006, 30 September 2006, 31 December 2006 and 31 March 2007 and the consolidated profit and loss account as at 31 December 2005 and 31 December 2006 registered by JPMCB with the FDIC in the format required by FDIC. This financial information has not been audited.

Call Reports are prepared in accordance with regulatory instructions issued by the U.S. Federal Financial Institutions Examinations Council. Because of the special supervisory, regulatory and economic policy needs served by Call Reports, such regulatory instructions do not in all cases follow generally accepted accounting principles or the opinions and statements of the Accounting Principles Board or the Financial Accounting Standards Board. Nevertheless, Call Reports do provide important information concerning the financial condition of JPMCB.

Call Reports are on file with, and are publicly available upon written request to the U.S. Federal Deposit Insurance Corporation at 550 17th Street, N.W., Washington D.C. 20429, Attention: Disclosure Group, Room F-518. The FDIC also has an Internet website where Call Reports can be viewed, at www.fdic.gov/.

Risk Factors

Set forth below are certain risks and uncertainties that JPMCB believes could adversely affect JPMCB's results:

- JPMCB's results of operations could be adversely affected by U.S. and international markets and economic conditions.
- There is increasing competition in the financial services industry which may adversely affect JPMCB's results of operations.
- JPMCB's acquisitions and integration of acquired businesses may not result in all of the benefits anticipated.
- JPMCB relies on its systems, employees and certain counterparties, and certain failures could materially adversely affect JPMCB's operations.
- JPMCB's non-U.S. trading activities and operations are subject to risk of loss, particularly in emerging markets.
- If JPMCB does not successfully handle issues that may arise in the conduct of its business and operations its reputation could be damaged, which could in turn negatively affect its business.

- JPMCB operates within a highly regulated industry and its business and results are significantly affected by the regulations to which it is subject.
- JPMCB faces significant legal risks, both from regulatory investigations and proceedings and from private actions brought against JPMCB.
- JPMCB's ability to attract and retain qualified employees is critical to the success of its business and failure to do so may materially adversely affect its performance.
- Government monetary policies and economic controls may have a significant adverse affect on JPMCB's businesses and results of operations.
- JPMCB's framework for managing its risks may not be effective in mitigating risk and loss to JPMCB.
- If JPMCB does not effectively manage its liquidity, its business could be negatively impacted.
- Future events may be different to those anticipated by JPMCB's management assumptions and estimates, which may cause unexpected losses in the future.

JPMIDL

History and Development of JPMIDL

JPMIDL was incorporated as a limited liability company under the laws of Jersey in Jersey, Channel Islands, on 20 June 1990 to exist for an unlimited duration. JPMIDL was registered at the Royal Court of Jersey under registered number 47659 and has its registered offices at Rathbone House, 15 Esplanade, St. Helier, Jersey, JE1 1RB, Channel Islands (telephone number +44 1534 740 000). By special resolution of the shareholders of JPMIDL passed on 23 June 2000, the name of JPMIDL was changed from "J.P. Morgan Jersey Limited" to "J.P. Morgan Investor Derivatives Ltd." effective 26 June 2000, and then from "J.P. Morgan Investor Derivatives Ltd." to "J.P. Morgan International Derivatives Ltd." by special resolution of its shareholders passed on 15 May 2001 effective 15 May 2001. By special resolution of the shareholders of JPMIDL passed on 9 October 2000, JPMIDL became a public company.

Principal Activities

JPMIDL's business principally consists of the issuance of securitised derivatives comprising notes, warrants and certificates, including equity-linked, reverse convertible and market participation notes and the subsequent hedging of those risk positions. All issues which have been closed to date are subject to hedging arrangements. The proceeds of the sale of the securities are used for general corporate purposes, including the entry into hedging arrangements with other JPMorgan Chase companies. JPMIDL anticipates that the hedging arrangements will be sufficient to hedge itself against the market risk of its securities issuance activities. JPMIDL also has receipts from and makes payments to other JPMorgan Chase companies.

JPMCB may issue notes which if held until the maturity date of such notes may be redeemed by way of the application of the redemption amount of such notes to the purchase of certain warrants. These warrants would, upon exercise in accordance with their terms, entitle the warrant holder to acquire preference shares issued by JPMIDL.

Principal Markets

During the financial year ending 31 December 2006, JPMIDL issued securities in the Asia Pacific region, in Europe, the Middle East, Africa and issued a limited number of securities in the United States of America.

Organisational Structure

J.P. Morgan International Derivatives Ltd. is a wholly-owned subsidiary of J.P. Morgan International Finance Limited, which is in turn an indirect, wholly-owned subsidiary of JPMorgan Chase Bank, N.A.. JPMorgan Chase Bank, N.A. is one of the principal, wholly-owned bank subsidiaries of JPMorgan Chase & Co., a company incorporated in the State of Delaware in the United States of America. The ordinary shares of JPMorgan Chase & Co. are listed on the New York Stock Exchange with ticker "JPM" and they are also listed on the London and Tokyo Stock Exchanges. The ordinary shares of JPMorgan Chase & Co. form part of the Dow Jones Industrial Average Index of the New York Stock Exchange.

Financial information concerning JPMIDL

Historical financial information

The audited financial statements of JPMIDL have been audited in accordance with auditing standards issued by the United Kingdom's Auditing Practices Board and are prepared in accordance with Jersey company law and generally accepted accounting principles applied in the United Kingdom.

The audited financial statements of JPMIDL for the financial years ending 31 December 2006 and 31 December 2005 are incorporated by reference into the JPMIDL Registration Document. PricewaterhouseCoopers LLP and their predecessor PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, of Southwark Towers, 32 London Bridge Street, London SE1 9SY have audited without qualification the financial statements of JPMIDL for the years ended 31 December 2006 and 31 December 2005. A copy of the auditor's report appears at page 5 of the JPMIDL 2006 Annual Report and at page 5 of the JPMIDL 2005 Annual Report are incorporated by reference into the JPMIDL Registration Document.

Save for in respect of such financial statements, no other information included in the JPMIDL Registration Document or any document incorporated by reference herein has been audited.

JPMIDL will not publish interim financial statements until required to do so by applicable law or regulation.

Risk Factors

Set forth below is a summary of certain risks and uncertainties that JPMIDL believes could adversely affect JPMIDL's results:

- JPMIDL's ability to perform its obligations may be affected by any inability or failure to perform obligations owed to JPMIDL by other JPMorgan Chase companies.

Capital Structure

The authorised share capital of JPMIDL is U.S.\$ 140,000 and £10,000,000 consisting of U.S.\$ 140,000 divided into 140,000 shares with a par value of U.S.\$ 1.00 each; £ 5,000,000 divided into 500,000,000 nominal shares with a par value of £0.01 each, and £5,000,000 divided into 500,000,000 unclassified shares with a par value of £0.01 each available for issue as separate classes of preference shares.

The issued share capital is 140,000 ordinary shares of U.S.\$ 1.00 each. All of the ordinary shares are fully paid. Each share entitles its holder to one vote at the Annual General Meetings and Extraordinary General Meetings of JPMIDL. JPMIDL does not hold any of its own shares.

Information and risk factors with respect to the Notes

Issuer	J.P. Morgan International Derivatives Ltd.
Guarantor	JPMorgan Chase Bank, N.A.
Guarantee	The Guarantor has irrevocably and unconditionally guaranteed, as primary obligor and not merely as surety, the due and punctual settlement in full of all obligations due and owing by JPMIDL under the Notes and Coupons issued by JPMIDL, after taking account of any set-off, combination of accounts, netting or similar arrangement from time to time exercisable by JPMIDL against any person to whom obligations are from time to time being owed, when and as due (whether at maturity, by acceleration or otherwise).
Description of the Notes	Up to SEK 500,000,000 Notes Linked to the DAXglobal [®] Alternative Energy Index PI (EUR) and the S&P Global Water Index – Price Return (EUR), due November 2011.
Description of the Reference Assets	<p>Reference Assets means the Indices to which the Notes are linked and which are as follows:</p> <ul style="list-style-type: none">(i) DAXglobal[®] Alternative Energy Index PI (EUR) (<i>Bloomberg Code: DXAEP Index</i>) (the "DXAEP") as more fully described in Part 1 of the Annex (<i>Information relating to the DAXglobal[®] Alternative Energy Index PI (EUR)</i>); and(ii) S&P Global Water Index – Price Return (EUR) (<i>Bloomberg Code: SPGTAQUE Index</i>) (the "SPGTAQUE") as more fully described in Part 2 of the Annex (<i>Information relating to the S&P Global Water Index – Price Return (EUR)</i>). <p>The Notes are not sponsored, endorsed, promoted or sold by any Index Sponsor.</p>
Subscription Period	The Notes will be offered for sale to the public in the Kingdom of Sweden during a subscription period from (and including) 8 August 2007 to (and including) 28 September 2007, provided that the relevant regulatory approvals have been granted. Such subscription period is subject to adjustment by or on behalf of the Issuer in accordance with the applicable regulations.
Dealer	J.P. Morgan Securities Ltd.
Fiscal Agent	The Bank of New York
Paying Agents	The Bank of New York (Luxembourg) S.A.
Registrar	The Bank of New York (Luxembourg) S.A.
Transfer Agents	The Bank of New York (Luxembourg) S.A.
Swedish Issuing and Paying Agent	Swedbank (publ), Custody E6, Regeringsgatan 13, SE-105, 34 Stockholm, Sweden.
Swedish Registrar	VPC AB, Regeringsgatan 65, Box 7822, SE-103, 97 Stockholm,

Sweden.

Calculation Agent J.P. Morgan Securities Ltd.
Issue Date 31 October 2007
Issue Price 110 per cent. of the Aggregate Nominal Amount.

The Issue Price in respect of the Notes specified above may be more than the market value of such Notes as at the Issue Date, and the price, if any, at which the Dealer or any other person is willing to purchase such Notes in secondary market transactions is likely to be lower than the Issue Price in respect of such Notes. In particular, the Issue Price in respect of the Notes may take into account amounts with respect to commissions relating to the issue and sale of such Notes as well as amounts relating to the hedging of the Issuer's obligations under such Notes, and secondary market prices are likely to exclude such amounts. In addition, pricing models of relevant market participants may differ or produce a different result.

Settlement Currency SEK

Nominal Amount/Specified Denomination per Note SEK 10,000

Minimum Trading Size The Notes may only be traded in a minimum multiple of one Note (corresponding to a Nominal Amount of SEK 10,000) and, thereafter in multiples of one Note (corresponding to a Nominal Amount of SEK 10,000).

Maturity Date 21 November 2011

Redemption Date Maturity Date

Settlement Cash settlement

Interest None

Redemption Amount Index Linked

On the Redemption Date (subject to earlier redemption in accordance with the General Note Conditions), the Holders will receive the Aggregate Nominal Amount of the Notes they have invested in, together with an additional amount equal to (i) the product of (a) Participation, and (b) the weighted arithmetic average of the percentage return of each Index at each of the 16 Averaging Dates over the Closing Index Level of such Index on the Initial Valuation Date (being 31 October 2007), multiplied by (ii) the Specified Denomination.

The Participation will be determined by the Calculation Agent on or around 25 October 2007 (and such shall be notified to investors by publication on the website of the Luxembourg Stock Exchange (www.bourse.lu) (provided that no supplement shall be published in relation thereto) and will not be less than 0.90.

Capitalised terms but not defined here are defined in Part A and/or

Part C of the Section entitled "Terms and Conditions" below.

Early Redemption	The Notes may be redeemed early following an event of default as set out in General Note Condition 9. Notes will be redeemable at the option of the Issuer prior to maturity for tax reasons as set out in General Note Condition 5(c). The Early Redemption Amount in respect of each Note may be less than the Nominal Amount per Note and shall be an amount determined by the Calculation Agent as representing the fair market value of such Notes immediately prior (and ignoring the circumstances leading) to such Early Redemption, adjusted to account fully for any reasonable expenses and costs of unwinding any underlying and/or related hedging and funding arrangements (including, without limitation any equity options, equity swaps or other instruments of any type whatsoever hedging the Issuer's obligations under the Notes).
Disruptions	A Disrupted Day or Market Disruption Event (each as defined herein) may result in postponement of and/or alternative provisions for valuation and may have an adverse effect on the value of the Notes.
Method of Issue	The Notes will be issued in series (each a " Series "). Each Series may be issued in tranches (each a " Tranche ") on the same or different issue dates.
Form of Notes	The Notes are "Swedish Notes", being Notes issued in uncertificated and dematerialised book-entry form in accordance with the Swedish Financial Instruments Accounts Act (<i>Sw. lag (1998:1479) om kontoföring av finansiella instrument</i>). Accordingly, the "Terms and Conditions of the Notes" set forth in the Base Prospectus are completed and amended on the terms set forth in Part 4 of the Annex thereto (and in the Terms and Conditions as set forth below).
Status of Notes	Notes will constitute unsubordinated and unsecured obligations of the Issuer.
Cross Default and Negative Pledge	None
Taxation	<p> Holders will be liable for any taxes due and payable arising in connection with any exercise, settlement or redemption of Notes and/or with the resulting transfer of any reference asset(s).</p> <p> Holders should also take note of the section entitled "Taxation" relating to Swedish Taxation on pages 313 – 316 of the Original Base Prospectus.</p>
Governing Law	The Notes are governed by English law. The Guarantee is governed by New York law.
Listing and Admission to Trading	Application has been made for the Notes to be admitted to the Official List of the Luxembourg Stock Exchange and the SOX List of the Stockholm Stock Exchange and traded on the Regulated Market of the Luxembourg Stock Exchange and the Stockholm Stock Exchange. No assurances can be given that such listing and admission to trading will be approved.

Relevant Clearing Systems

VPC AB

No Ownership by U.S. Person

Notes may not be legally or beneficially owned by U.S. Persons at any time, provided that J.P. Morgan Securities Ltd. may from time to time purchase or sell the Notes to its affiliates pursuant to other applicable registration exemptions under the Securities Act. Each holder and each beneficial owner of a Note, (a) as a condition to purchasing such Note or any beneficial interest therein, will be deemed to represent that neither it nor any person for whose account or benefit the Notes are being purchased is (i) located in the USA, (ii) is a U.S. Person or (iii) was solicited to purchase the Notes while present in the USA and (b) will be deemed on purchase to agree not to offer, sell, deliver, pledge or otherwise transfer any Notes at any time, directly or indirectly in the USA or to any U.S. Person.

Upon subscription or purchase of a Note, each subscriber or purchaser will be required to confirm and certify that it has fully understood the Certification appearing below (or a translation thereof into the Swedish language), and that it confirms that it fully complies with and agrees to such Certification. and makes the undertakings and authorisations set out therein:

Certification

This is to certify that the purchaser and owner of the Notes (i) is not a citizen or resident of the United States, a partnership, corporation or other entity created or organized under the laws of the United States, an estate the income of which is subject to United States Federal income taxation regardless of its source or a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, and (ii) is not purchasing the Notes for purposes of resale during the 40 day period beginning on the issue date for the Notes.

We undertake to advise you promptly on or prior to the date on which you intend to submit your certification relating to the Notes held by you for our account in accordance with your documented procedures if any applicable statement herein is not correct on such date, and in the absence of any such notification it may be assumed that this certification applies as of such date.

We understand that this certification is required in connection with certain tax laws of the United States. In connection therewith, if administrative and legal proceedings are commenced or threatened in connection with which this certification is or would be relevant, we irrevocably authorize you to produce this certification to any interested party in such proceedings.

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(J) AND 1287(A) OF THE INTERNAL REVENUE CODE OF THE UNITED STATES.

Selling Restrictions

Restrictions apply to offers, sales or transfers of the Notes in various jurisdictions. See "Subscription and Sale" beginning at page 283 of the Original Base Prospectus incorporated by reference herein. In all jurisdictions offers, sales or transfers may only be effected to the extent lawful in the relevant jurisdiction.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), J.P. Morgan Securities Ltd. has represented and agreed, and any other Dealer who is appointed by the relevant Issuer in connection with an issue of Notes will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year (2) a total balance sheet of more than €43,000,000 and (3) an annual turnover of more than €50,000,000, as shown in its (or, in Sweden, two) last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing, the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Risk Factors

Summary of risks relating to the Notes generally:

- the Notes may not be a suitable investment for all investors
- the market value of the Notes may be volatile, and may be adversely affected by a number of factors, and the price at which a Holder will be able to sell Notes prior to maturity may be at a substantial discount to the market value of such Notes on the Issue Date
- an active trading market for the Notes may not develop
- the Issue Price of the Notes may be more than the market value of such Notes as at the Issue Date, and the price of the Notes in secondary market transactions
- the Notes may be redeemed prior to maturity
- JPMorgan Chase and its subsidiaries (the "**JPMorgan Group**") are subject to various potential conflicts of interest in respect of the Notes, including in relation to its hedging and market-making activities, which could have an adverse effect on the Notes
- the Calculation Agent (which is a member of the JPMorgan Group) has very broad discretionary authority to make various determinations and adjustments under the Notes, any of which may have an adverse effect on the value and/or the amounts payable under the Notes
- the Notes are unsecured obligations
- the Notes may be redeemed early if the Issuer's performance under such Notes has become unlawful or impractical in whole or in part for any reason
- any consequential postponement of or any alternative provisions for valuation following a Market Disruption Event may have an adverse effect on the value of the Notes
- the exposure (if any) to the upside value of a relevant Reference Asset may be capped
- it may not be possible to use the Notes as a perfect hedge against the market risk associated with investing in a Reference Asset
- there may be regulatory consequences to the holder of holding Notes linked to a Reference Asset
- the actual yield received by a purchaser of the Notes may be reduced from the stated yield by transaction costs
- a Holder may find that the effective yield on the Notes may be diminished by the tax impact on that holder of its investment in the Notes
- The Guarantee is not a deposit insured or guaranteed by any government authority.

RISK FACTORS

Investing in the Notes involves certain risks. Prospective investors should consider, amongst other things, the following:

- the risk factors set forth in "Risk Factors relating to JPMIDL" set forth in the Original JPMIDL Registration Document (beginning at page 4);
- the risk factors set forth in "Risk Factors relating to JPMCB" set forth in the Original JPMCB Registration Document (beginning at page 4);
- the risk factors set forth in "Risk Factors" set forth in the Base Prospectus (beginning at page 22) incorporated by reference herein, including certain additional risks relating to Index Linked Instruments linked to an Index Basket; and
- the Guarantee is not a deposit insured or guaranteed by any government authority.

TERMS AND CONDITIONS

The terms and conditions of the Notes shall consist of the General Note Conditions as set forth in the Base Prospectus (beginning at page 45) as completed and/or varied in accordance with the terms and conditions set forth below. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

PART A – CONTRACTUAL TERMS

1. (i) Issuer: J.P. Morgan International Derivatives Ltd.
(ii) Guarantor: JPMorgan Chase Bank, N.A.
2. (i) Series Number: 2007- 2776
(ii) Tranche Number: One
3. **Specified Currency or Currencies:** Swedish Krona ("**SEK**")
4. **Settlement Currency:** SEK
5. **Relevant Exchange Rate:** Not Applicable
6. **Aggregate Nominal Amount:**
 - (i) Series: Up to SEK 500,000,000. The Aggregate Nominal Amount will be finalised on or around 31 October 2007.
 - (ii) Tranche: Up to SEK 500,000,000. The Aggregate Nominal Amount will be finalised on or around 31 October 2007.
7. **Issue Price:** 110.00 per cent. of the Aggregate Nominal Amount.

The Issue Price specified above may be more than the market value of the Notes as at the Issue Date, and the price, if any, at which J.P. Morgan Securities Ltd. or any other person is willing to purchase the Notes in secondary market transactions is likely to be lower than the Issue Price. In particular, the Issue Price may take into account amounts with respect to commissions relating to the issue and sale of the Notes as well as amounts relating to the hedging of the Issuer's obligations under the Notes, and secondary market prices are likely to exclude such amounts. In addition, pricing models of relevant market participants may differ or produce a different result.
8. (i) Issue Size: Up to 50,000 Notes
(ii) Minimum trading size: One Note (corresponding to a Nominal Amount of SEK 10,000) and, thereafter, multiples of one Note

		(corresponding to a Nominal Amount of SEK 10,000)
	(iii) Specified Denominations:	SEK 10,000
9.	(i) Issue Date:	31 October 2007
	(ii) Interest Commencement Date:	Not Applicable
10.	Maturity Date:	21 November 2011
11.	Redemption Date:	The Maturity Date
12.	Interest Basis:	Non-interest bearing. There shall be no amount payable on account of interest under the Notes.
13.	Redemption/Payment Basis:	Index Linked Redemption
14.	Change of Interest or Redemption/Payment Basis:	Not Applicable
15.	Put/Call Options:	Not Applicable
16.	(i) Status of the Notes:	Senior
	(ii) Status of the Guarantee:	Senior
	(iii) Date Board approval for issuance of Notes and Guarantee obtained	20 July 2007
17.	Method of distribution:	Non-syndicated
PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE		
18.	Fixed Rate Note Provisions:	Not Applicable
19.	Floating Rate Provisions:	Not Applicable
20.	Zero Coupon Note Provisions:	Not Applicable
21.	Index Linked Interest Note Provisions:	Not Applicable
22.	Equity Linked Interest Note Provisions:	Not Applicable
23.	Dual Currency Note Provisions:	Not Applicable
PROVISIONS RELATING TO REDEMPTION		
24.	Call Option:	Not Applicable
25.	Put Option:	Not Applicable
26.	Knock-in Event:	Not Applicable
27.	Knock-out Event:	Not Applicable
28.	Final Redemption Amount:	Not Applicable

29. **Early Redemption Amount:**
- (i) Early Redemption Amount(s) payable on redemption for taxation reasons (General Note Condition 5(c)) or an event of default (General Note Condition 9) and/or the method of calculating the same (if required or if different from that set out in the General Note Conditions) (or in the case of Equity Linked Notes following certain corporate events in accordance with General Note Condition 5(j)(v)(A) and (B) and/or the method of calculating the same (if required or if different from that set out in General Note Condition 5(b))): General Note Condition 5(b)(ii) applies
 - (ii) Redemption for taxation reasons permitted on days other than Interest Payment Dates (General Note Condition 5(c)): Yes
 - (iii) Unmatured Coupons to become void upon early redemption (Bearer Notes only) (General Note Condition 6(f)): Not Applicable
30. **Additional Termination Events:** Not Applicable
31. **Index Linked Redemption Notes:** Applicable
- (i) Index: An index basket (the "**Index Basket**") comprising the following Indices (each an "**Index**" and together the "**Indices**"):
 - (i) DAXglobal[®] Alternative Energy Index PI (EUR) (*Bloomberg Code: DXAEP Index*) (the "**DXAEP**") as more fully described in Part 1 of the Annex (*Information relating to the DAXglobal[®] Alternative Energy Index PI (EUR)*); and
 - (ii) S&P Global Water Index – Price Return (EUR) (*Bloomberg Code: SPGTAQUE Index*) (the "**SPGTAQUE**") as more fully described in Part 2 of the Annex (*Information relating to the S&P Global Water Index – Price Return (EUR)*)
 - (ii) Type of Index for the purposes of General Note Condition 17: In respect of each Index, a Multi-Exchange Index

(iii) Index Sponsor:	In respect of the (i) DXAEP, Deutsche Börse AG; and (ii) SPGTAQUE, Standard & Poor's Corporation, a division of the McGraw-Hill Companies, Inc.
(iv) Exchange:	In respect of each Index, as specified in paragraph 4 of Part B of the Schedule to the General Note Conditions and the General Security Conditions.
(v) Related Exchange:	The principal exchange on which options and futures contracts on the Index are traded, if any, as determined by the Calculation Agent.
(vi) Index Level:	Not Applicable
(vii) Closing Index Level:	Applicable
(viii) Redemption Amount:	As specified in Part C
(ix) Index Performance:	Not Applicable
(x) Index Ranking:	Not Applicable
(xi) Knock-in Event:	Not Applicable
(xii) Knock-out Event	Not Applicable
(xiii) Valuation Date:	Not Applicable
(xiv) Valuation Time:	In respect of each Index, as specified in paragraph 12 of Part B of the Schedule to the General Note Conditions and the General Security Conditions.
(xv) Initial Valuation Date	31 October 2007
(xvi) Interest Valuation Date:	Not Applicable
(xvii) Initial Averaging Dates or Averaging Dates (General Note Condition 5(i)(iv)):	For each Index (i) 30 July 2010, and (ii) the last Scheduled Trading Day of each month from, and including, August 2010, to and including, October 2011 (each an " Averaging Date " and together, the " Averaging Dates "). The Averaging Date scheduled to fall in October 2011 shall be the " Final Averaging Date ". For the avoidance of doubt, there shall be 16 Averaging Dates in total.
(a) Omission	Not Applicable
(b) Postponement	Applicable
(c) Modified Postponement	Not Applicable
(xviii) Baseline Date:	Not Applicable
(xix) Disrupted Day/Market Disruption Events:	In respect of each Index, General Note Condition 5(h) and General Note Condition 5(i) shall apply, as

		amended pursuant to General Note Condition 17.
(xx)	Correction Cut-Off Date:	In relation to each Index, the second Scheduled Trading Day immediately prior to the Maturity Date.
(xxi)	Maximum Disruption Extension Period (if other than eight Scheduled Trading Days in respect of any relevant date)	Not Applicable
(xxii)	Index Disclaimer:	Applicable
(xxiii)	Other terms or special conditions:	See Part C
32.	Equity Linked Redemption Notes:	Not Applicable
33.	Credit Linked Notes:	Not Applicable
GENERAL PROVISIONS APPLICABLE TO THE NOTES		
34.	New Global Note:	No
35.	Form of Notes:	Swedish Notes being Notes issued in uncertificated and dematerialised book-entry form in accordance with the Swedish Financial Instruments Accounts Act (<i>Sw. lag (1998:1479) om kontoföring av finansiella instrument</i>).
		For so long as the Notes are Swedish Notes, they are Registered Notes, subject to the provisions of Part 4 (<i>Amendments to the Terms and Conditions in respect of Swedish Notes</i>) of the Annex to the General Note Conditions.
(i)	Temporary or permanent global Note/ Certificate:	Not Applicable
(ii)	Applicable TEFRA exemption:	D Rules
36.	(i) Additional Financial Centre(s) (General Note Condition 6(h)) or other special provisions relating to payment dates:	London (and, for the avoidance of doubt, Stockholm).
	(ii) Additional Business Centre(s) (General Note Condition 4(j)):	London (and, for the avoidance of doubt, Stockholm).
37.	Payment Disruption Event (General Note Condition 6(i)):	Not Applicable
38.	Physical Delivery:	Not Applicable
39.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and	No

dates on which such Talons mature):

40. **Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:** Not Applicable
41. **Details relating to Instalment Notes:** Not Applicable
42. **Redenomination, renominalisation and reconventioning provisions:** Not Applicable
43. **Consolidation provisions:** The provisions of General Note Condition 12 shall apply
44. **Other final terms or special conditions:** Applicable – see Part C

DISTRIBUTION

45. (i) If syndicated, names and addresses of Managers and underwriting commitments: Not Applicable
- (ii) Date of Subscription Agreement: Not Applicable. The Notes will be offered for sale to the public in the Kingdom of Sweden during a subscription period from (and including) 8 August 2007 to (and including) 28 September 2007, provided that the relevant regulatory approvals have been granted. Such subscription period is subject to adjustment by or on behalf of the Issuer in accordance with the applicable regulations. The results of the offering will be available on the website of the Luxembourg Stock Exchange on or around 25 October 2007.
- (iii) Stabilising Manager(s) (if any): Not Applicable
46. **If non-syndicated, name and address of Dealer:** J.P. Morgan Securities Ltd. of 125 London Wall, London EC2Y 5AJ
47. **Total commission and concession:** Not Applicable
48. **U.S. selling restrictions:** Section 3(a)(2) and Regulation S under the Securities Act - No offers or sales at any time within the United States or to or for the account or benefit of any U.S. Person; no legal or beneficial ownership by a U.S. Person at any time. "U.S. Person" has the meaning ascribed to it in the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or the U.S. Internal Revenue Code of 1986, as amended.

TEFRA D Rules - Bearer Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**") unless the Notes are issued in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

49. **Non-exempt Offer:**

An offer of the Notes may be made by the Dealer other than pursuant to Article 3(2) of the Prospectus Directive in Sweden during the period from (and including) 8 August 2007 to (and including) 28 September 2007.

50. **Additional Selling restrictions**

Initial Purchase

J.P. Morgan Securities Ltd. in its capacity as Dealer will subscribe for the Notes upon their issuance and will comply with the selling restrictions set out below:

Except as set out in this Document, no action has been or will be taken by the Dealer that would permit a public offering of the Notes or possession or distribution of any offering material in relation to the Notes in any jurisdictions where action for that purpose is required. No offers, sales or deliveries of the Notes, or distribution of any offering material relating to the Notes, may be made in or from any jurisdictions except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligations on the Issuer.

The Dealer represents and agrees that, in making any offers or sales of Notes or distributing any offering materials relating thereto in any country or jurisdictions, it has complied and will comply with all applicable laws in such country or jurisdiction.

Purchase and Offer by HQ Bank AB

Under a purchase agreement entered into between the Dealer and HQ Bank AB ("**HQ**"), a bank supervised by the Swedish Financial Supervision Authority ("**SFSA**"), HQ has agreed to purchase from the Dealer and the Dealer has agreed to sell to HQ some or all of the Notes subscribed by the Dealer.

HQ has informed the Dealer that it and sub-distributors appointed by it contemplate offering, in their own names and on their own behalf, Notes to the public in Sweden. The main terms (as from time to time

specified, amended or complemented by HQ or the relevant sub-distributor) are set out below:

Applications: Purchases from HQ or the relevant sub-distributor can be made by submitting a purchase commitment form provided by HQ or the relevant sub-distributor or otherwise as instructed by HQ or the relevant sub-distributor.

HQ or the relevant sub-distributor will only approve purchases at or above the aggregate minimum nominal amount of SEK 10,000, corresponding to one Note of nominal amount of SEK 10,000 and or such other minimum nominal amount (not less than SEK 10,000) as HQ or the relevant sub-distributor may specify.

Payment and delivery: Payments for the Notes shall be made to HQ or the relevant sub-distributor by wire transfer on or about 31 October 2007 or such other date as the relevant sub-distributor may specify or by interact payment upon the submission of the purchase commitment form, as instructed by HQ or the relevant sub-distributor.

HQ estimates that the Notes would be delivered to the purchasers' respective book-entry securities accounts on or around 31 October 2007.

Commission: HQ or the relevant sub-distributor will charge a commission, payable by the purchaser, at up to 4.0 per cent. of the purchase price of the Notes purchased.

Right to cancel: HQ reserves the right to cancel the offer if the nominal amount of purchases are less than SEK 25,000,000 or if HQ assesses, at its absolute discretion, that any applicable laws, court rulings, decisions by governmental or other authorities or other similar factors render it illegal, impossible or impractical, in whole or part, to complete the offer or that there has been a material adverse change in the market conditions. In case of cancellation, HQ or the relevant sub-distributor will repay the purchase price and commission paid by any purchaser without interest.

Liability for the offer: Any offers by HQ or the relevant sub-distributor will be made in its own name and on its own behalf and not as an agent of the Issuer or the Dealer and only HQ or the relevant sub-distributor will be liable for the offer in Sweden. Neither the Issuer nor the Dealer accepts any liability for the offer or sale by HQ or the relevant sub-distributor of Notes to the purchasers in Sweden.

Governing law of the offer and jurisdiction: The

terms and conditions of HQ or the relevant sub-distributor's offer are governed by Swedish law. Any disputes regarding the offer are submitted to the jurisdiction of Swedish courts, provided that purchasers who are consumers are entitled to submit all disputes regarding the offer to the court having jurisdiction in their domicile. Complaints relating to the offer may also be submitted to the SFSA.

Market Making Arrangements: The Issuer will not enter into any contracts with any person to make a market in the Notes. HQ will under normal market conditions provide on a daily basis a purchase price and, if possible, a sale price. Such prices will only be valid on the relevant date. The purchase price will be determined at the sole discretion of HQ and may not reflect the market value of the Notes.

GENERAL

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| 51. | Additional steps that may only be taken following approval by an Extraordinary Resolution in accordance with General Note Condition 10(a): | Not Applicable |
| 52. | The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of SEK 1.00 = U.S.\$ 0.15039, producing a sum of (for Notes not denominated in U.S. dollars): | Up to U.S.\$ 75,195,000 |

PART B - OTHER INFORMATION

LISTING AND ADMISSION TO TRADING

- (i) Listing: Application has been made to list the Notes on the (a) Official List of the Luxembourg Stock Exchange and (b) the SOX List of the Stockholm Stock Exchange with effect from, at the earliest, the Issue Date. No assurance can be given that such application will be granted (or, if granted, will be granted by the Issue Date).
- (ii) Admission to trading: Application has been made for the Notes to be admitted to trading on (a) the Regulated Market of the Luxembourg Stock Exchange and (b) the Stockholm Stock Exchange on and from the Issue Date. No assurance can be granted that such application will be approved on or before the issue Date.

RATINGS

The Notes will not be rated.

NOTIFICATION

The *Commission de Surveillance du Secteur Financier* ("CSSF") has been requested to provide the Swedish Financial Supervisory Authority (*Finansinspektionen*) with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospective Directive.

INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save as discussed in the section of the Base Prospectus entitled "Subscription and Sale", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) Reasons for the offer Not Applicable
- (ii) Estimated net proceeds: Not Applicable
- (iii) Estimated total expenses: Not Applicable

PERFORMANCE OF UNDERLYING/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING

Details of the past and future performance and the volatility of the Indices may be obtained from Bloomberg[®].

Further information on the Indices is also set forth in the Annex hereto.

The Redemption Amount of the Notes and the value of the Notes depend on the performance of the Indices on each of the 16 Averaging Dates. See Part C.

POST-ISSUANCE INFORMATION

The Issuer will not provide any post-issuance information, except if required by any applicable laws and regulations.

OPERATIONAL INFORMATION

Intended to be held in a manner which would allow Eurosystem eligibility:	No
ISIN Code:	SE0002088047
Common Code:	030943066
Any Clearing System(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	As set out in the Agency Agreement, or, as long as the Notes are registered with VPC AB, Swedbank (publ), Custody E6, Regeringstgatan 13, SE-105, 34 Stockholm, Sweden, as issuing agent.
Delivery:	Delivery against payment
The Agents appointed in respect of the Notes are:	As set out in the Agency Agreement

TERMS AND CONDITIONS OF THE OFFER

Offer Period:	8 August 2007 to 28 September 2007
Offer Price:	Issue Price
Conditions to which the offer is subject:	Not Applicable
Description of the application process:	Not Applicable
Description of possibility to reduce subscription and manner for refunding excess amount paid by applicant:	Not Applicable
Details of the minimum and/or maximum amount of application:	Not Applicable
Details of the method and time limits for paying up and delivering the Notes:	Not Applicable
Manner and date in which results of the offer are to be made public:	The results of the offering will be available on the website of the Luxembourg Stock Exchange on or around 25 October 2007.
Procedure for exercising right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	Not Applicable
Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:	Not Applicable
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	Not Applicable
Amount of any expenses and taxes specifically	Not Applicable

charged to the subscriber or purchaser:

Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: HQ Bank AB, Norrlandsgatan 15, 103 71 Stockholm, Sweden.

PART C - OTHER APPLICABLE TERMS

1. Redemption Amount

Unless the Notes have been previously redeemed or purchased and cancelled in accordance with the General Note Conditions (as completed and amended herein), the Issuer shall redeem each Note (of the Specified Denomination) on the Redemption Date (subject to the General Note Conditions) and in such case, the Redemption Amount in respect of each Note (of the Specified Denomination) shall be an amount in SEK determined by the Calculation Agent in accordance with the following formula:

$$SD \times [1 + (\text{Participation} \times \text{Option Payout})]$$

2. Definitions

The following words and expressions shall have the following meanings:

"**Option Payout**" means the value determined by the Calculation Agent in accordance with the following formula:

$$\text{Max}(0; \text{Weighted Basket Differential})$$

Where:

"**Weighted Basket Differential**" means the aggregate of the weighted average performance of each Index across the 16 Averaging Dates, being an amount determined by the Calculation Agent in accordance with the following formula:

$$\sum_{i=1}^{i=2} w_i \times \left(\frac{\text{Final Index Level}_i}{\text{Initial Index Level}_i} - 1 \right)$$

Where:

"**Final Index Level_i**" means, in respect of each Index_i, the arithmetic average of the Closing Index Level of such Index_i in respect of the 16 Averaging Dates;

"**i**" means, in respect of (i) DXAEP, one (i=1), and (ii) SPGTAQUE, two (i=2);

"**Index_i**" means, for a given value of i, the Index corresponding to such value;

"**Initial Index Level_i**" means, in respect of each Index_i, the Closing Index Level of such Index_i in respect of the Initial Valuation Date;

"**w_i**" or "**Weighting**" means, in respect of (i) DXAEP, 0.70 and (ii) SPGTAQUE, 0.30; and

"**Σ**" or sigma, means the sum of, such that, for example, $\sum_{i=1}^{i=N} x_i \times \left(\frac{y_i}{z_i} - 1 \right)$ is defined by $x_1 \times \left(\frac{y_1}{z_1} - 1 \right) + x_2 \times \left(\frac{y_2}{z_2} - 1 \right) + \dots + x_N \times \left(\frac{y_N}{z_N} - 1 \right)$.

"**Max**" followed by a series of amounts inside brackets means whichever is the greater of the amounts separated by a semi-colon inside those brackets.

"Participation" means a value (expressed as an amount in decimal) to be determined by the Calculation Agent on or about 25 October 2007 (and such shall be notified to investors by publication on the website of the Luxembourg Stock Exchange (www.bourse.lu), provided that no supplement shall be published in relation thereto), but which shall not be less than 0.90.

"SD" means, in respect of each Note, the Specified Denomination (being SEK 10,000), or, if less, its outstanding nominal amount.

ANNEX

INFORMATION RELATING TO THE UNDERLYINGS

The information included herein with respect to the Underlyings consists only of extracts from, or summaries of, publicly available information. The Issuer accepts responsibility that such information has been correctly extracted or summarised. No further or other responsibility in respect of such information is accepted by the Issuer and no responsibility whatsoever is accepted by J.P. Morgan Securities Ltd. ("JPMSL"). In particular, neither the Issuer nor JPMSL accepts responsibility in respect of the accuracy or completeness of the information set forth herein concerning the Underlyings or that there has not occurred any event which would affect the accuracy or completeness of such information.

Prospective purchasers of the Relevant Securities are advised to consult their own legal, tax, accountancy and other professional advisers to assist them in determining the suitability of the Relevant Securities for them as an investment. Each prospective purchaser of the Relevant Securities should be fully aware of and understand the complexity and risks inherent in the Relevant Securities before it makes its investment decision in accordance with the objectives of its business.

For the purposes of this Annex:

"Underlyings" means the Indices (as defined in Part A above).

"Relevant Securities" means the Notes (as described in Part A above).

ANNEX

Part 1

INFORMATION RELATING TO THE DAXGLOBAL[®] ALTERNATIVE ENERGY INDEX PI (EUR) *(For the purpose of this Part 1 of this Annex, the "Index")*

The Index

The Index (*Bloomberg code DXAEP Index*) covers the performance of the global top 15 companies of the Alternative Energy Sector. This market segment comprises the following five sub-sectors: Natural Gas, Wind, Solar, Ethanol and Geothermal/Hybrids and Batteries.

The companies in each sector are selected via the market capitalisation of every company and an average daily trading turnover of more than 1 million USD

Source:

http://deutsche-boerse.com/dbag/dispatch/en/isg/gdb_navigation/market_data_analytics/20_indices/2710_international/300_alternative_energy_index?module=InOverview_Index&foldertype=Index&wp=DE000A0C4B75&wplist=DE000A0C4B75&lang=de&active=overview

(accessed 12 July 2007)

General Description of the Index

The Index provides a tradable and investable indicator, that reflects the impressive growth rates in the market segment Alternative Energy. At the same time the index facilitates financial participation in an industry sector whose economic and social importance grows on a steady basis due to the continuous decline in oil reserves and growing ecological awareness.

The Index universe is all global alternative energy companies from the Natural Gas, Wind, Solar, Ethanol and Geothermal/Hybrids and Batteries sectors. From this universe 15 companies will be selected for the Index. Selection is based upon market capitalisation and average daily trading turnover.

The composition of the Index is reviewed once a year; index chaining is done on a quarterly basis.

Sources:

http://deutsche-boerse.com/dbag/dispatch/en/isg/gdb_navigation/market_data_analytics/20_indices/2710_international/300_alternative_energy_index?module=InOverview_Index&foldertype=Index&wp=DE000A0C4B75&wplist=DE000A0C4B75&lang=de&active=overview

(accessed 12 July 2007)

Guide to the DAXglobal[®] Indices of Deutsche Börse, Version 1.9, dated June 2007

http://deutsche-boerse.com/dbag/dispatch/en/binary/gdb_content_pool/imported_files/public_files/10_downloads/50_information_services/30_Indices_Index_Licensing/21_guidelines/80_international_indices/DAXglobal_Guide.pdf

(accessed 12 July 2007)

Weighting

The Index weighting is based on free-float market capitalization. Moreover, each sector within the Index is capped to 20 percent and within the sector each company's weighting is capped to 10 percent. The cap limit prevents individual sectors and companies from dominating the Index.

Source:

Guide to the DAXglobal[®] Indices of Deutsche Börse, Version 1.9, dated June 2007

[http://deutsche-](http://deutsche-boerse.com/dbag/dispatch/en/binary/gdb_content_pool/imported_files/public_files/10_downloads/50_informati)

[boerse.com/dbag/dispatch/en/binary/gdb_content_pool/imported_files/public_files/10_downloads/50_informati](http://deutsche-boerse.com/dbag/dispatch/en/binary/gdb_content_pool/imported_files/public_files/10_downloads/50_informati)

[ons_services/30_Indices_Index_Licensing/21_guidelines/80_international_indices/DAXglobal_Guide.pdf](http://deutsche-boerse.com/dbag/dispatch/en/binary/gdb_content_pool/imported_files/public_files/10_downloads/50_informati)

(accessed 12 July 2007)

Calculation Methodology

The indices of Deutsche Börse AC are designed according to the index formula of Laspeyres and are calculated as follows:

$$\text{Index}_t = K_T \cdot \frac{\sum p_{it} \cdot \text{ff}_{iT} \cdot q_{iT} \cdot c_{it}}{\sum p_{i0} \cdot q_{i0}} \cdot \text{Base}$$

where:

c_{it} = Adjustment factor of company i at time t

ff_{iT} = Free-float⁷ factor of company i at time T

n = Number of constituents in the index

p_{i0} = Closing price of share/ADR/GDR of company i on the trading day before the first inclusion in an index of Deutsche Börse

p_{it} = Price of share/ADR/GDR of company i at time t

q_{i0} = Number of shares/ADRs/GDRs of company i on the trading day before the first inclusion in an index of Deutsche Börse

q_{iT} = Number of shares/ADRs/GDRs of company i at time T

t = Calculation time of the index

K_T = Index-specific chaining factor valid as of chaining date T

T = Date of the last chaining

For the Index, ff -factors are computed. For other DAXglobal[®] indices the $\text{ff}_{i,T}$ factors are set to 1 in the index formula.

The formula below is equivalent in analytic terms, but designed to achieve relative weightings

$$\text{Index}_t = \frac{\sum_{i=1}^n p_{it} \cdot (K_T \cdot \frac{ff_{iT} \cdot q_{iT}}{\sum_{i=1}^n q_{i0}} \cdot 100 \cdot c_{it})}{\sum_{i=1}^n p_{i0} \cdot \frac{q_{i0}}{\sum_{i=1}^n q_{i0}} \cdot 100} \cdot \text{Base} = \frac{\sum_{i=1}^n p_{it} \cdot F_{it}}{A} \cdot \text{Base}$$

where:
$$A = \frac{\sum_{i=1}^n p_{i0} \cdot q_{i0} \cdot 100}{\sum_{i=1}^n q_{i0}}$$

and:
$$F_{it} = K_T \cdot \frac{ff_{iT} \cdot q_{iT}}{\sum_{i=1}^n q_{i0}} \cdot 100 \cdot c_{it}$$

Index calculation can be reproduced in simplified terms by using the expression Fi:

- Multiply the current price by the respective Fi weighting factor;
- take the sum of these products; and
- divide this by the base value (A) which remains constant until a modification in the index composition occurs.

The Fi factors provide information on the number of shares/ADRs/GDRs required from each company to track the underlying index portfolio

The KT chaining factors are used and published as figures rounded to seven decimal places. The cit adjustment factors are included in the index formula on the basis of six decimal places. In the event of several adjustment events coinciding, such as 'ex-dividend' and 'ex subscription right' markdowns on the same day, only one single adjustment factor (six decimal places) is computed using the total markdown. Where several adjustment events are required for a single share/ADR/GDR but at different times, the factors rounded that way are multiplied by each other, and the product is rounded to six decimal places again.

When determining the cit adjustment factor for subscription rights, the rights value is used as a figure with two decimal places. Only in the case of a capital increase out of company reserves, such rights value is not rounded at all. If a dividend disadvantage has to be prorated (e.g. for three months), the value of such disadvantage used for index calculation is rounded to two decimal places.

The indices are rounded to two decimal places and published accordingly. The Fi factors are rounded to five decimal places and published accordingly, changing with each instrument-specific adjustment.

Source:

Guide to the DAXglobal[®] Indices of Deutsche Börse, Version 1.9, dated June 2007

<http://deutsche->

[boerse.com/dbag/dispatch/en/binary/gdb_content_pool/imported_files/public_files/10_downloads/50_informations_services/30_Indices_Index_Licensing/21_guidelines/80_international_indices/DAXglobal_Guide.pdf](http://deutsche-boerse.com/dbag/dispatch/en/binary/gdb_content_pool/imported_files/public_files/10_downloads/50_informations_services/30_Indices_Index_Licensing/21_guidelines/80_international_indices/DAXglobal_Guide.pdf)

(accessed 12 July 2007)

Performance of the Index

The following table sets out the high and low levels for the Index for the periods indicated. The historical performance of the Index should not be taken as an indication of future performance

Year ended 31 December	High	Low
2004	51.87	36.67
2005	111.02	52.52
2006	174.69	109.57
12 months ended June 2007	High	Low
July 2006	152.29	140.57
August 2006	150.55	146.69
September 2006	150.83	137.83
October 2006	146.81	140.34
November 2006	150.58	143.00
December 2006	153.78	150.39
January 2007	159.14	150.07
February 2007	167.20	157.20
March 2007	167.22	153.60
April 2007	173.73	166.70
May 2007	177.12	169.81
June 2007	178.74	170.04

Source:

Bloomberg[®] (accessed 18 July 2007)

The official closing level of the Index on 17 July 2007 was 183.54.

Source:

Bloomberg[®] (accessed 18 July 2007)

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ANNEX

Part 2

INFORMATION RELATING TO THE S&P GLOBAL WATER INDEX – PRICE RETURN (EUR) (For the purpose of this Part 2 of this Annex, the "Index")

The Index

The Index (*Bloomberg Code SPGTAQUE Index*) is comprised of 50 of the largest publicly traded companies in water-related businesses that meet specific investability requirements. The Index is designed to provide liquid exposure to the leading publicly listed companies in the global water industry, from both developed markets and emerging markets.

Source:

The S&P Index Methodology dated February 2007

http://www2.standardandpoors.com/spf/pdf/index/SP_Global_Water_Index_Methodology_Web.pdf

(accessed 12 July 2007)

General Description of the Index

To create diversified exposure across the global water market, the 50 constituents are distributed equally between two distinct clusters of water related businesses: Water Utilities & Infrastructure and Water Equipment & Materials.

Constituent weights are driven by size, with no single stock having a weight of more than 10% in the Index at each rebalancing.

The Index belongs to the S&P Global Thematic index series. This series offers liquid exposure to emerging investment themes. Other indices in this series are the S&P Global Clean Energy Index and the S&P Global Infrastructure Index.

The universe, from which the Index is drawn, is all publicly listed companies in Standard & Poor's CapitalIQ (CIQ) database with the term "water" in their business description. All of these are, then, reviewed to get further detail on their business and industry, and are classified as follows:

Set Name	Description	Exposure Score
Primary	Primary business is water	1
Secondary	Multi-Industry with significant water exposure	0.5
Eliminated	Marginal water exposure	0

Companies with an exposure score of 1 or 0.5 become the universe for the Index.

The universe is, then, narrowed down to an investable set of stocks based on the following criteria:

Market Capitalization. Stocks must have a total market capitalization above a Market Capitalization Threshold as of the reference date of each year. The Market Capitalization Threshold is currently US\$ 250 million.

Liquidity. Stocks must have three-month average daily trading volume above a Liquidity Threshold as of the reference date of each year. The Liquidity Threshold is currently 10,000 shares.

Listing Venues. The stock must be trading on a developed market exchange. Emerging market stocks are considered only if they have a developed market listing. Stocks passing these criteria form the Investable Universe.

The reference date for the eligibility screens above is the first trading date of November of each year. The Market Capitalization Threshold and Liquidity Threshold are subject to change on an annual basis according to market conditions.

Source:

The S&P Index Methodology dated February 2007

http://www2.standardandpoors.com/spf/pdf/index/SP_Global_Water_Index_Methodology_Web.pdf

(accessed 12 July 2007)

Approach

The methodology employs a modified market capitalization-weighting scheme, using the divisor methodology used in most Standard & Poor's equity indices. There are two steps in the creation of the Index. The first is the selection of the 50 companies; the second is the weighting of the Index constituents. The selection of Index constituents is done as follows:

All stocks in the Investable Universe are classified as being in one of the two clusters:

i) Water Equipment Instruments & Materials: Water Treatment Chemicals, Water Treatment Appliances, Pumps & Pumping Equipment, Plumbing Equipment, Plumbing Pipes, Fluid Power Pumps & Motors and Totalizing Fluid Meters & Counting Devices

ii) Water Utilities & Infrastructure: Water Supply, Water Utilities, Waste Water Treatment, Water Purification, Water Well Drilling, Water Testing and Water, Sewer & Pipeline Construction

The 25 largest companies with Exposure Scores of 1 from each of the two clusters are, then, selected.

In the event of fewer than 25 qualifying stocks in either of the two clusters with an exposure score of 1, the largest companies from within the respective cluster with an Exposure Score of 0.5 are added until the count reaches 25.

Weighting

At each rebalancing, the weight for each index constituent is set in the following manner:

1. Every stock is given an initial Adjustment Factor (AF) of 1. A Maximum Weight (MW) in the Index is set to 10% for stocks with an Exposure Score of 1 and 5% for stocks with an Exposure Score of 0.5. The weight of a stock in the index is defined as follows:

$$W_i = \text{Cluster Weight} * \text{Weight in Cluster}$$

where,

Cluster	Count	Weight
Water Equipment & Materials	25	50%
Water Utilities & Infrastructure	25	50%

$$\text{Weight in Cluster} = \frac{AF_i * \text{Market Cap}_i}{\sum_{i=1}^N (\text{Market Cap})_i * (AF)_i}$$

N = Count of stocks in the respective cluster

2. The weight for each stock in the Index is calculated as follows:

$$W_i = \frac{AF_i * \text{Market Cap}_i}{\sum_{i=1}^N (\text{Market Cap})_i * (AF)_i} * \text{ClusterWeight}$$

3. The adjustment factor for each stock is modified as follows:

If $W_i \geq MW$

then $AF_i = AF_{i, \text{previous}} - (10\% * AF_{i, \text{previous}})$

else $AF_i = AF_{i, \text{previous}}$

4. If, for every stock $W_i < MW$, then the process is complete and the weights derived in Step 2 are used. If not, Steps 2, and 3 are repeated until all stocks meet the minimum weight requirement. (Note: No further adjustments are made for stocks where the AF has been reduced to 0.1)

The MW parameter is the maximum weight of each stock at the rebalancing. This parameter can be changed depending upon market circumstances at rebalancing. Steps 1 through 4 modify the market cap-weighting scheme in a looped manner until the MW constraints are satisfied for all index constituents.

Source:

The S&P Index Methodology dated February 2007

http://www2.standardandpoors.com/spf/pdf/index/SP_Global_Water_Index_Methodology_Web.pdf

(accessed 12 July 2007)

Calculation Methodology

The Index is calculated by means of the divisor methodology used in all Standard & Poor's equity indices. The index value is simply the index market value divided by the index divisor:

$$\text{Index Value} = \frac{\text{Index Market Value}}{\text{Index Divisor}} \quad (1)$$

$$\text{Index Market Value} = \sum_{i=1}^N (\text{Index Shares})_i * (\text{Price})_i \quad (2)$$

Index Shares are set at the time of rebalancing in the following manner, such that for the *ith* constituent:

$$\text{Index Shares}_i = (1,000,000 * W_i) / \text{Price}_{\text{rebalancing day close, } i} \quad (3)$$

where W_i is the weight for the *ith* constituent at the rebalancing as derived from the previous section, and $\text{Price}_{\text{rebalancing day close, } i}$ is its price at the close of the rebalancing date. In order to maintain basket series continuity, it is also necessary to adjust the divisor at the rebalancing.

$$(\text{Index Value})_{\text{before rebalancing}} = (\text{Index Value})_{\text{after rebalancing}} \quad (4)$$

Therefore,

$$(\text{Divisor})_{\text{after rebalancing}} = \frac{(\text{Index Market Value})_{\text{after rebalancing}}}{(\text{Index Value})_{\text{before rebalancing}}} \quad (5)$$

Source:

The S&P Index Methodology dated February 2007

http://www2.standardandpoors.com/spf/pdf/index/SP_Global_Water_Index_Methodology_Web.pdf

(accessed 12 July 2007)

Performance of the Index

The following table sets out the high and low levels for the Index for the periods indicated. The historical performance of the Index should not be taken as an indication of future performance.

Year ended 31 December	High	Low
2004	994.74	820.42
2005	1,352.38	992.24
2006	1,619.98	1,311.25
12 months ended June 2007	High	Low

July 2006	1,399.25	1,329.39
August 2006	1,408.32	1,362.04
September 2006	1,465.76	1,393.58
October 2006	1,547.32	1,461.64
November 2006	1,580.30	1,530.14
December 2006	1,619.98	1,544.24
January 2007	1,658.31	1,594.35
February 2007	1,692.70	1,615.50
March 2007	1,661.98	1,573.18
April 2007	1,705.48	1,651.00
May 2007	1,765.86	1,694.33
June 2007	1,776.98	1,725.58

Source:
Bloomberg®
(accessed 18 July 2007)

The official closing level of the Index on 17 July 2007 was 1,747.78.

Source:
Bloomberg®
(accessed 18 July 2007)

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Registered Office of JPMIDL

J.P. Morgan International Derivatives Ltd

Rathbone House
15 Esplanade
St Helier
Jersey JE1 1RB
Channel Islands

Registered Office of JPMCB

JPMorgan Chase Bank, N.A.

1111 Polaris Parkway
Columbus
Ohio 43240
United States of America

Dealer

J.P. Morgan Securities Ltd.

125 London Wall
London, EC2Y 5AJ
England

Fiscal Agent, Exchange Agent, Paying Agent and Transfer Agent

The Bank of New York

One Canada Square
London E14 5AL
England

Paying Agent, Registrar and Transfer Agent

The Bank of New York (Luxembourg) S.A.

Aerogolf Centre
1A Hoehenhof, L1736
Senningerberg
Luxembourg

Calculation Agent and Delivery Agent

J.P. Morgan Securities Ltd.

125 London Wall
London, EC2Y 5AJ
England

Luxembourg Listing Agent

Bank of New York (Luxembourg) S.A.

Aerogolf Center
1A Hoehenhof
L-1736 Senningerberg
Luxembourg

Swedish Issuing Agent

Swedbank AB (Publ.)
Custody E6
Regeringsgatan 13
SE-105, 34 Stockholm
Sweden

Auditors

To JPMIDL

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London SE1 9SY
England

To JPMCB

PricewaterhouseCoopers LLP
300 Madison Avenue
New York, NY 10017
United States of America

Legal Advisers

To the Issuers under the Programme

in respect of Jersey law

Mourant du Feu & Jeune
22 Grenville Street
St Helier
Jersey JE4 8PX
Channel Islands

To the Dealer

in respect of English law

Ashurst
Broadwalk House
5 Appold Street
London EC2A 2HA
England