Non-collateralised Structured Products

Issuer

J.P. Morgan Structured Products B.V.

(Incorporated with limited liability in The Netherlands)

Guarantor

JPMorgan Chase Bank, National Association

(a national banking association organized under the laws of United States of America)

Managers

J.P. Morgan Securities plc
J.P. Morgan Securities (Asia Pacific) Limited

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This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Stock Exchange's Listing Rules) for the purpose of giving information with regard to the issuer, the guarantor and the structured products referred to in this document. The issuer and the guarantor accept full responsibility for the accuracy of the information contained in the base listing document dated 31 May 2012 (the base listing document), the supplemental disclosure document dated 10 July 2012 (the first supplement disclosure document) and this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in the base listing document, the first supplemental disclosure document and this document misleading.

Investors are warned that the price of the structured products may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the structured products and carefully study the risk factors set out in this document, the base listing document and the first supplemental disclosure document and, where necessary, seek professional advice, before they invest in the structured products.

The structured products constitute general unsecured contractual obligations of us as the issuer and of no other person and will rank equally among themselves and with all our and our guarantor's other unsecured obligations (save for those obligations preferred by law) upon liquidation. If you purchase the structured products, you are relying upon the creditworthiness of us and our guarantor, and have no rights under the structured products against (a) the company which has issued the underlying securities, (b) the trustee or the manager of the underlying trust, (c) the index compiler of any underlying index, or any other person. If we become insolvent or default on our obligations under the structured products or our guarantor becomes insolvent or defaults on its obligations under the guarantee, you may not be able to recover all or even part of the amount due under the structured products (if any).

The issuer and the guarantor are part of a large global financial institution and have many financial products and contracts outstanding at any given time. When purchasing the structured products, you will be relying on the creditworthiness of the issuer and the guarantor and of no one else.

The distribution of this document, our base listing document and the first supplemental disclosure document and the offering, sale and delivery of structured products in certain jurisdictions may be restricted by law. You are required to inform yourselves about and to observe such restrictions. Please read Annex 3 "Purchase and Sale" in the base listing document. **The structured products have not been and will not be registered under the United States Securities Act of 1933, as amended (the Securities Act), and trading in the structured products has not been and will not be approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act. The structured products may not be offered or sold within the United States or to or for the account or benefit of U.S. Persons (as defined in Regulation S under the Securities Act).**

Second Supplemental Disclosure Document dated 26 September 2012

J.P.Morgan

IMPORTANT

If you are in doubt as to the contents of this second supplemental disclosure document, you should obtain independent professional advice.

We, the issuer of our structured products, are publishing this second supplemental disclosure document in order to obtain a listing on the Stock Exchange of our warrants, callable bull/bear contracts (the CBBCs) and other structured products. We will refer to the warrants, the CBBCs and other structured products as "structured products" in this second supplemental disclosure document. This second supplemental disclosure document contains the guarantor's consolidated financial statements for the quarterly period ended 30 June 2012. You should read this second supplemental disclosure document as well as our base listing document, the first supplemental disclosure document and the relevant supplemental listing document to understand the offer before deciding whether to buy our structured products.

Copies of our base listing document, the first supplemental disclosure document, this second supplemental disclosure document and the relevant supplemental listing document (together with a Chinese translation of each of these documents) and other documents listed under the section "Where can I read copies of the Issuer's documentation?" in the relevant supplemental listing document may be inspected at the offices of J.P. Morgan Securities (Asia Pacific) Limited, 25/F, Chater House, 8 Connaught Road Central, Hong Kong.

本公司基本上市文件、第一份補充披露文件、本第二份補充披露文件及有關補充上市文件(及以上各份文件的中譯本)連同有關補充上市文件之「本人從何處可查閱發行人的文件?」一節所列之其餘文件,可於J.P. Morgan Securities (Asia Pacific) Limited 於香港干諾道中8號遮打大廈25樓的辦事處供查閱。

We do not give you investment advice; you must decide for yourself, after reading the listing documents for the relevant structured products and, if necessary, seeking professional advice, whether our structured products meet your investment needs.

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTERLY PERIOD ENDED 30 JUNE 2012 RELATING TO THE GUARANTOR

This section sets out the guarantor's consolidated financial statements for the quarterly period ended 30 June 2012 (the "**2012 quarterly financial statements**"). You can read and inspect a copy of the 2012 quarterly financial statements by going to the offices of J.P. Morgan Securities (Asia Pacific) Limited at 25/F, Chater House, 8 Connaught Road Central, Hong Kong. The 2012 quarterly financial statements can also be viewed at http://www.jpwarrants.com.hk.

References to page numbers refer to the original page numbers of the 2012 quarterly financial statements.

JPMORGAN CHASE BANK,
NATIONAL ASSOCIATION

(a wholly-owned subsidiary of JPMorgan Chase & Co.)

CONSOLIDATED FINANCIAL STATEMENTS

For the quarterly period ended June 30, 2012

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JPMorgan Chase Bank, National Association
(a wholly-owned subsidiary of JPMorgan Chase & Co.)
Consolidated statements of income (unaudited)

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2012**	2011	**2012**	2011
Revenue				
Investment banking fees	**$ 237**	$ 900	**$ 856**	$ 1,857
Principal transactions	**(1,772)**	1,724	**(766)**	4,512
Lending- and deposit-related fees	**1,544**	1,646	**3,058**	3,185
Asset management, administration and commissions	**2,455**	2,546	**4,787**	4,990
Securities gains[(a)]	**955**	835	**1,472**	924
Mortgage fees and related income	**2,265**	1,102	**4,276**	562
Credit card income	**863**	1,034	**1,676**	1,973
Other income	**841**	851	**2,695**	1,542
Noninterest revenue	**7,388**	10,638	**18,054**	19,545
Interest income	**10,277**	11,261	**21,008**	21,844
Interest expense	**1,629**	2,294	**3,248**	4,260
Net interest income	**8,648**	8,967	**17,760**	17,584
Total net revenue	**16,036**	19,605	**35,814**	37,129
Provision for credit losses	**(212)**	1,167	**10**	2,206
Noninterest expense				
Compensation expense	**5,798**	5,722	**12,595**	12,071
Occupancy expense	**979**	825	**1,827**	1,681
Technology, communications and equipment expense	**1,152**	1,090	**2,298**	2,159
Professional and outside services	**1,462**	1,363	**2,880**	2,618
Marketing	**190**	222	**379**	398
Other expense	**2,422**	4,813	**7,413**	7,769
Amortization of intangibles	**107**	120	**214**	240
Total noninterest expense	**12,110**	14,155	**27,606**	26,936
Income before income tax expense	**4,138**	4,283	**8,198**	7,987
Income tax expense	**1,216**	1,400	**2,063**	2,403
Net income	**$ 2,922**	$ 2,883	**$ 6,135**	$ 5,584

(a) The following other-than-temporary impairment losses are included in securities gains for the periods presented.

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2012**	2011	**2012**	2011
Debt securities JPMorgan Chase Bank, N.A. does not intend to sell that have credit losses				
Total other-than-temporary impairment losses	**$ (103)**	$ –	**$ (113)**	$ (27)
Losses recorded in/(reclassified from) other comprehensive income	**84**	(13)	**87**	(16)
Total credit losses recognized in income	**(19)**	(13)	**(26)**	(43)
Securities JPMorgan Chase Bank, N.A. intends to sell	**(37)**	–	**(37)**	–
Total other-than-temporary impairment losses recognized in income	**$ (56)**	$ (13)	**$ (63)**	$ (43)

The Notes to Consolidated Financial Statements (unaudited) are an integral part of these statements.

JPMorgan Chase Bank, National Association
(a wholly-owned subsidiary of JPMorgan Chase & Co.)
Consolidated statements of comprehensive income (unaudited)

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2012**	2011	**2012**	2011
Net income	**$ 2,922**	$ 2,883	**$ 6,135**	$ 5,584
Other comprehensive income/(loss), after-tax				
Unrealized gains/(losses) on AFS securities	**(327)**	928	**1,203**	682
Translation adjustments, net of hedges	**(174)**	(8)	**(58)**	2
Cash flow hedges	**38**	(14)	**(5)**	(108)
Defined benefit pension and OPEB plans	**14**	5	**19**	(9)
Total other comprehensive income/(loss), after-tax	**(449)**	911	**1,159**	567
Comprehensive income	**$ 2,473**	$ 3,794	**$ 7,294**	$ 6,151

The Notes to Consolidated Financial Statements (unaudited) are an integral part of these statements.

JPMorgan Chase Bank, National Association
(a wholly-owned subsidiary of JPMorgan Chase & Co.)
Consolidated balance sheets (unaudited)

(in millions, except share data)	**June 30, 2012**	December 31, 2011
Assets		
Cash and due from banks	**$ 43,095**	$ 57,594
Deposits with banks	**128,101**	84,226
Federal funds sold and securities purchased under resale agreements (included **$20,231** and $21,849 at fair value)	**185,543**	180,485
Securities borrowed (included **$11,518** and $15,344 at fair value)	**62,239**	74,533
Trading assets (included assets pledged of **$44,048** and $32,488)	**289,960**	322,558
Securities (included **$345,750** and $357,092 at fair value and assets pledged of **$90,495** and $95,162)	**345,760**	357,104
Loans (included **$1,033** and $503 at fair value)	**611,824**	600,155
Allowance for loan losses	**(18,999)**	(21,507)
Loans, net of allowance for loan losses	**592,825**	578,648
Accrued interest and accounts receivable	**54,223**	44,734
Premises and equipment	**12,140**	11,958
Goodwill	**27,379**	27,415
Mortgage servicing rights	**7,118**	7,223
Other intangible assets	**1,265**	1,479
Other assets (included **$6,901** and $6,807 at fair value and assets pledged of **$945** and $1,109)	**63,189**	63,721
Total assets[(a)]	**$ 1,812,837**	$ 1,811,678
Liabilities		
Deposits (included **$5,310** and $4,933 at fair value)	**$ 1,162,998**	$ 1,190,738
Federal funds purchased and securities loaned or sold under repurchase agreements (included **$8,600** and $7,640 at fair value)	**188,371**	169,150
Other borrowed funds (included **$5,723** and $5,063 at fair value)	**15,587**	15,213
Trading liabilities	**128,865**	123,834
Accounts payable and other liabilities (included **$42** and $51 at fair value)	**79,914**	77,095
Beneficial interests issued by consolidated variable interest entities (included **$26** and $156 at fair value)	**18,370**	22,983
Long-term debt (included **$14,632** and $17,832 at fair value)	**82,585**	81,888
Total liabilities[(a)]	**1,676,690**	1,680,901
Commitments and contingencies (see Notes 22 and 24 of these Consolidated Financial Statements)		
Stockholder's equity		
Preferred stock ($1 par value; authorized 15,000,000 shares: issued **zero** shares)	**—**	—
Common stock ($12 par value; authorized 150,000,000 shares; issued **148,761,243** shares)	**1,785**	1,785
Capital surplus	**77,308**	77,232
Retained earnings	**52,376**	48,241
Accumulated other comprehensive income/(loss)	**4,678**	3,519
Total stockholder's equity	**136,147**	130,777
Total liabilities and stockholder's equity	**$ 1,812,837**	$ 1,811,678

(a) The following table presents information on assets and liabilities related to variable interest entities ("VIEs") that are consolidated by JPMorgan Chase Bank, N.A. at June 30, 2012, and December 31, 2011. The difference between total VIE assets and liabilities represents JPMorgan Chase Bank, N.A.'s interests in those entities, which were eliminated in consolidation.

(in millions)	**June 30, 2012**	December 31, 2011
Assets		
Trading assets	**$ 3,064**	$ 1,565
Loans	**33,566**	35,424
All other assets	**957**	1,281
Total assets	**$ 37,587**	$ 38,270
Liabilities		
Beneficial interests issued by consolidated variable interest entities	**$ 18,370**	$ 22,983
All other liabilities	**1,360**	1,402
Total liabilities	**$ 19,730**	$ 24,385

The assets of the consolidated VIEs are used to settle the liabilities of those entities. The holders of the beneficial interests do not have recourse to the general credit of JPMorgan Chase Bank, N.A. At both June 30, 2012, and December 31, 2011, JPMorgan Chase Bank, N.A. provided limited program-wide credit enhancement of $3.1 billion related to its JPMorgan Chase Bank, N.A.-administered multi-seller conduits, which are eliminated in consolidation. For further discussion, see Note 16 on pages 68-76 of these Consolidated Financial Statements.

The Notes to Consolidated Financial Statements (unaudited) are an integral part of these statements.

JPMorgan Chase Bank, National Association
(a wholly-owned subsidiary of JPMorgan Chase & Co.)
Consolidated statements of changes in stockholder's equity (unaudited)

	Six months ended June 30,			
(in millions)		**2012**		2011
Common stock				
Balance at January 1 and June 30	**$**	**1,785**	$	1,785
Capital surplus				
Balance at January 1		**77,232**		76,771
Cash capital contribution from JPMorgan Chase & Co.		**85**		15
Adjustments to capital due to transactions with JPMorgan Chase & Co.		**(9)**		(13)
Other		**—**		4
Balance at June 30		**77,308**		76,777
Retained earnings				
Balance at January 1		**48,241**		41,785
Net income		**6,135**		5,584
Cash dividends paid to JPMorgan Chase & Co.		**(2,000)**		(4,000)
Balance at June 30		**52,376**		43,369
Accumulated other comprehensive income/(loss)				
Balance at January 1		**3,519**		2,876
Other comprehensive income		**1,159**		567
Balance at June 30		**4,678**		3,443
Total stockholder's equity	**$**	**136,147**	$	125,374

The Notes to Consolidated Financial Statements (unaudited) are an integral part of these statements.

JPMorgan Chase Bank, National Association
(a wholly-owned subsidiary of JPMorgan Chase & Co.)
Consolidated statements of cash flows (unaudited)

(in millions)	Six months ended June 30, 2012	2011
Operating activities		
Net income	**$ 6,135**	$ 5,584
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Provision for credit losses	**10**	2,206
Depreciation and amortization	**1,735**	1,644
Amortization of intangibles	**214**	240
Deferred tax benefit	**(1,207)**	(486)
Investment securities gains	**(1,472)**	(924)
Originations and purchases of loans held-for-sale	**(14,867)**	(40,196)
Proceeds from sales, securitizations and paydowns of loans held-for-sale	**17,024**	41,599
Net change in:		
Trading assets	**34,811**	19,656
Securities borrowed	**12,308**	234
Accrued interest and accounts receivable	**(8,937)**	(13,592)
Other assets	**(2,420)**	1,275
Trading liabilities	**8,444**	(6,555)
Accounts payable and other liabilities	**3,572**	10,928
Other operating adjustments	**(4,341)**	2,950
Net cash provided by operating activities	**51,009**	24,563
Investing activities		
Net change in:		
Deposits with banks	**(43,875)**	(149,404)
Federal funds sold and securities purchased under resale agreements	**(5,043)**	10,608
Held-to-maturity securities:		
Proceeds	**2**	2
Available-for-sale securities:		
Proceeds from maturities	**62,744**	39,966
Proceeds from sales	**52,837**	41,871
Purchases	**(100,864)**	(80,383)
Proceeds from sales and securitizations of loans held-for-investment	**3,025**	3,762
Other changes in loans, net	**(21,771)**	(21,392)
All other investing activities, net	**(992)**	(715)
Net cash used in investing activities	**(53,937)**	(155,685)
Financing activities		
Net change in:		
Deposits	**(26,702)**	117,106
Federal funds purchased and securities loaned or sold under repurchase agreements	**19,191**	1,590
Other borrowed funds	**263**	(480)
Beneficial interests issued by consolidated variable interest entities	**(4,345)**	807
Proceeds from long-term borrowings and trust preferred capital debt securities	**21,071**	27,891
Payments of long-term borrowings and trust preferred capital debt securities	**(19,568)**	(9,680)
Cash capital contribution from JPMorgan Chase & Co.	**85**	15
Dividends paid to JPMorgan Chase & Co.	**(2,000)**	(4,000)
All other financing activities, net	**327**	(127)
Net cash (used in)/provided by financing activities	**(11,678)**	133,122
Effect of exchange rate changes on cash and due from banks	**107**	646
Net (decrease)/increase in cash and due from banks	**(14,499)**	2,646
Cash and due from banks at the beginning of the period	**57,594**	26,604
Cash and due from banks at the end of the period	**$ 43,095**	$ 29,250
Cash interest paid	**$ 3,226**	$ 4,548
Cash income taxes (refunded)/paid, net	**(1,243)**	847

The Notes to Consolidated Financial Statements (unaudited) are an integral part of these statements.

See Glossary of Terms on pages 100-102 of these Consolidated Financial Statements for definitions of terms used throughout the Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Note 1 – Basis of presentation

JPMorgan Chase Bank, National Association ("JPMorgan Chase Bank, N.A."), is a wholly-owned bank subsidiary of JPMorgan Chase & Co. ("JPMorgan Chase"), which is a leading global financial services firm and one of the largest banking institutions in the United States of America ("U.S."), with operations worldwide. JPMorgan Chase Bank, N.A. is a national banking association that is chartered by the Office of the Comptroller of the Currency ("OCC"), a bureau of the United States Department of the Treasury. JPMorgan Chase Bank, N.A.'s main office is located in Columbus, Ohio, and it has branches in 23 states. JPMorgan Chase Bank, N.A. offers a wide range of banking services to its customers both in the U.S. and internationally, including investment banking, financial services for consumers and small business, commercial banking, financial transactions processing and asset management. Under the J.P. Morgan and Chase brands, JPMorgan Chase Bank, N.A. serves millions of customers in the U.S. and many of the world's most prominent corporate, institutional and governmental clients.

The accounting and financial reporting policies of JPMorgan Chase Bank, N.A. and its subsidiaries conform to accounting principles generally accepted in the U.S. ("U.S. GAAP"). Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by regulatory authorities.

The unaudited consolidated financial statements prepared in conformity with U.S. GAAP require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expense, and the disclosures of contingent assets and liabilities. Actual results could be different from these estimates. In the opinion of management, all normal, recurring adjustments have been included for a fair statement of this interim financial information.

These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements, and related notes thereto, included in JPMorgan Chase Bank N.A.'s Consolidated Financial Statements for the year ended December 31, 2011(the "2011 Annual Financial Statements").

Certain amounts reported in prior periods have been reclassified to conform to the current presentation.

Note 2 – Accounting and reporting developments

Fair value measurement and disclosures

In May 2011, the Financial Accounting Standards Board ("FASB") issued guidance that amends the requirements for fair value measurement and disclosure. The guidance changes and clarifies certain existing requirements related to portfolios of financial instruments and valuation adjustments, requires additional disclosures for fair value measurements categorized in level 3 of the fair value hierarchy (including disclosure of the range of inputs used in certain valuations), and requires additional disclosures for certain financial instruments that are not carried at fair value. The guidance was effective in the first quarter of 2012, and JPMorgan Chase Bank, N.A. adopted the new guidance, effective January 1, 2012. The application of this guidance did not have a material effect on JPMorgan Chase Bank, N.A.'s Consolidated Balance Sheets or results of operations.

Accounting for repurchase and similar agreements

In April 2011, the FASB issued guidance that amends the criteria used to assess whether repurchase and similar agreements should be accounted for as financings or sales (purchases) with forward agreements to repurchase (resell). Specifically, the guidance eliminates circumstances in which the lack of adequate collateral maintenance requirements could result in a repurchase agreement being accounted for as a sale. The guidance was effective for new transactions or existing transactions that were modified beginning January 1, 2012. JPMorgan Chase Bank, N.A. has accounted for its repurchase and similar agreements as secured financings, and therefore, the application of this guidance did not have an impact on JPMorgan Chase Bank, N.A.'s Consolidated Balance Sheets or results of operations.

Presentation of other comprehensive income

In June 2011, the FASB issued guidance that modifies the presentation of other comprehensive income in the Consolidated Financial Statements. The guidance requires that items of net income, items of other comprehensive income, and total comprehensive income be presented in one continuous statement or in two separate but consecutive statements. For public companies the guidance is effective for interim and annual reporting periods beginning after December 15, 2011. However, in December 2011, the FASB issued guidance that deferred the presentation requirements relating to reclassifications of items from accumulated other comprehensive income ("AOCI") and into the income statement. The guidance was effective in the first quarter of 2012, and JPMorgan Chase Bank, N.A. adopted the new guidance, effective January 1, 2012. The application of this guidance only affected the presentation of the Consolidated Financial Statements and had no impact on JPMorgan Chase Bank, N.A.'s Consolidated Balance Sheets or results of operations.

Balance sheet netting

In December 2011, the FASB issued guidance that requires enhanced disclosures about derivatives and securities financing agreements that are subject to legally enforceable master netting or similar agreements, or that have otherwise been offset on the balance sheet under certain specific conditions that permit net presentation. The guidance will become effective in the first quarter of 2013. The application of this guidance will only affect the disclosure of these instruments and will have no impact on JPMorgan Chase Bank, N.A.'s Consolidated Balance Sheets or results of operations.

Note 3 – Business changes and developments

Global settlement on servicing and origination of mortgages

On February 9, 2012, JPMorgan Chase announced that it had agreed to a settlement in principle (the "global settlement") with a number of federal and state government agencies, including the U.S. Department of Justice ("DOJ"), the U.S. Department of Housing and Urban Development, the Consumer Financial Protection Bureau and the State Attorneys General, relating to the servicing and origination of mortgages. The global settlement, which became effective on April 5, 2012, calls for JPMorgan Chase to, among other things: (i) make cash payments of approximately $1.1 billion, a portion of which will be set aside for payments to borrowers ("Cash Settlement Payment"); (ii) provide approximately $500 million of refinancing relief to certain "underwater" borrowers whose loans are owned and serviced by JPMorgan Chase ("Refi Program"); and (iii) provide approximately $3.7 billion of additional relief for certain borrowers, including reductions of principal on first and second liens, payments to assist with short sales, deficiency balance waivers on past foreclosures and short sales, and forbearance assistance for unemployed homeowners ("Consumer Relief Program"). In addition, the global settlement requires JPMorgan Chase to adhere to certain enhanced mortgage servicing standards. The Cash Settlement Payment was made on April 13, 2012.

As JPMorgan Chase performs refinancings under the Refi Program and provides relief to borrowers under the Consumer Relief Program, JPMorgan Chase will receive credits that will reduce its remaining obligation under each of these programs. If JPMorgan Chase does not meet certain targets set forth in the global settlement agreement for providing either refinancings under the Refi Program or other borrower relief under the Consumer Relief Program within certain prescribed time periods, JPMorgan Chase must instead make additional cash payments. In general, 75% of the targets must be met within two years of the date of the global settlement and 100% must be achieved within three years of that date. JPMorgan Chase expects to file its first quarterly report concerning its compliance with the global settlement with the Office of Mortgage Settlement Oversight in November 2012. The report will include information regarding refinancings completed under the Refi Program and relief provided to borrowers under the Consumer Relief Program, as well as credits earned by JPMorgan Chase under the global settlement as a result of performing such actions.

The global settlement releases JPMorgan Chase from certain further claims by participating government entities related to servicing activities, including foreclosures and loss mitigation activities; certain origination activities; and certain bankruptcy-related activities. Not included in the global settlement are any claims arising out of securitization activities, including representations made to investors respecting mortgage-backed securities; criminal claims; and repurchase demands from the GSEs, among other items.

Also on February 9, 2012, JPMorgan Chase entered into agreements with the Board of Governors of the Federal Reserve System ("Federal Reserve") and the OCC for the payment of civil money penalties related to conduct that was the subject of consent orders entered into with the banking regulators in April 2011. JPMorgan Chase's payment obligations under those agreements will be deemed satisfied by JPMorgan Chase's payments and provisions of relief under the global settlement.

While JPMorgan Chase expects to incur additional operating costs to comply with portions of the global settlement, including the enhanced servicing standards, JPMorgan Chase's 2011 results of operations have reflected the estimated costs of the global settlement. Accordingly, the financial impact of the global settlement on JPMorgan Chase's financial condition and results of operations for the six months ended June 30, 2012, was not material. For further information on this global settlement, see Loan modifications in Note 14 on pages 43–65 and Mortgage Foreclosure Investigations and Litigation in Note 24 on pages 87–97 of these Consolidated Financial Statements.

Washington Mutual, Inc. bankruptcy plan confirmation

On February 17, 2012, a bankruptcy court confirmed the joint plan containing the global settlement agreement resolving numerous disputes among Washington Mutual, Inc. ("WMI"), JPMorgan Chase and the Federal Deposit Insurance Corporation ("FDIC") as well as significant creditor groups (the "WaMu Global Settlement"). The WaMu Global Settlement was finalized on March 19, 2012, pursuant to the execution of a definitive agreement and court approval, and JPMorgan Chase recognized additional assets, including certain pension-related assets, as well as tax refunds, resulting in a pretax gain of $1.1 billion for the three months ended March 31, 2012. For additional information related to the WaMu Global Settlement, see Washington Mutual Litigations in Note 24 on pages 96–97 of these Consolidated Financial Statements.

Subsequent events

JPMorgan Chase Bank, N.A. has performed an evaluation of events that have occurred subsequent to June 30, 2012, through August 17, 2012 (the date these Consolidated Financial Statements were available to be issued). Other than the event discussed below, there have been no material subsequent events that occurred during such period that would require disclosure or recognition in these Consolidated Financial Statements, as of or for the six months ended June 30, 2012.

Interchange litigation settlement

In July 2012, JPMorgan Chase signed a memorandum of understanding to enter into a settlement agreement to resolve the claims of a group of U.S. merchant and retail associations regarding credit card interchange rules and fees. The settlement agreement provides, among other things, that a cash payment of $6.05 billion will be made to the plaintiffs, of which JPMorgan Chase's share is approximately 20%. The plaintiffs will also receive an amount equal to ten basis points of interchange for a period of eight months. The eight month period will begin after the court preliminarily approves the settlement agreement. The settlement agreement also provides for modifications to the credit card networks' (e.g., Visa and MasterCard) rules, including those that prohibit surcharging credit transactions. The settlement agreement is subject to court approval. JPMorgan Chase expects that the financial impact of the proposed settlement on JPMorgan Chase's financial condition and results of operations for the third quarter of 2012 and future periods will not be material. For additional information on this settlement agreement, see Interchange Litigation in Note 24 on page 90 of these Consolidated Financial Statements.

Note 4 – Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Valuation process

JPMorgan Chase Bank, N.A. has an established and well-documented process for determining fair values.

Risk-taking functions are responsible for providing fair value estimates for assets and liabilities carried on the Consolidated Balance Sheet at fair value. A valuation control function, which is independent of the risk-taking function, verifies the fair value estimates leveraging independently derived prices, valuation inputs and other market data, where available.

Where independent prices or inputs are not available, additional review is performed by the valuation control function to ensure the reasonableness of information that cannot be verified to external independent data, and may include: evaluating the limited market activity including client unwinds; benchmarking of valuations inputs to those for similar instruments; decomposition of the valuation of structured instruments into individual components; comparing expected to actual cash flows; review of detailed profit and loss components, which are analyzed over time; review of trends in collateral valuation; and additional levels of management review for larger, more complex holdings.

The valuation control function is also responsible for determining any valuation adjustments that may be required, based on market conditions and other specific facts and circumstances, to ensure that JPMorgan Chase Bank, N.A.'s positions are recorded at fair value. Judgment is required to assess the need for valuation adjustments to appropriately reflect counterparty credit quality; JPMorgan Chase Bank, N.A.'s creditworthiness; liquidity considerations; unobservable parameters; and, for certain portfolios that meet specified criteria, the size of the net open risk position. The determination of such adjustments follows a consistent framework across JPMorgan Chase Bank, N.A.

Valuation model review and approval

If prices or quotes are not available for an instrument or a similar instrument, fair value is generally determined using valuation models that consider relevant transaction data such as maturity and use as inputs market-based or independently sourced parameters. Where this is the case the price verification process described above is applied to the inputs to those models.

JPMorgan Chase's Model Review Group within JPMorgan Chase's Model Risk and Development Group, which in turn reports to the Chief Risk Officer, is responsible for reviewing and approving valuation models used by JPMorgan Chase Bank, N.A. Model reviews consider a number of factors about the model's suitability for valuation of a particular product including whether it accurately reflects the significant risk characteristics of a particular product; the selection and reliability of model inputs; consistency with models for similar products; the appropriateness of any model-related adjustments; and sensitivity to input parameters and assumptions that cannot be observed from the market. In addition, the model reviews consider the reasonableness of model methodology and assumptions, and additional testing is conducted, including back-testing of model outcomes.

All new significant valuation models, as well as major changes to existing models, are reviewed and approved prior to implementation except where specified conditions are met. Previously approved models are reviewed and re-approved periodically.

For a further discussion of JPMorgan Chase Bank, N.A.'s valuation methodologies for assets, liabilities and lending-related commitments measured at fair value and the fair value hierarchy, see Note 4 on pages 10–24 of JPMorgan Chase Bank N.A.'s 2011 Annual Financial Statements.

The following table presents the asset and liabilities reported at fair value as of June 30, 2012, and December 31, 2011, by major product category and fair value hierarchy.

Assets and liabilities measured at fair value on a recurring basis

June 30, 2012 (in millions)	Fair value hierarchy Level 1[f]	Level 2[f]	Level 3[f]	Netting	Total fair value
Federal funds sold and securities purchased under resale agreements	$ –	$ 20,231	$ –	$ –	$ 20,231
Securities borrowed	–	11,518	–	–	11,518
Trading assets:					
Debt instruments:					
Mortgage-backed securities:					
U.S. government agencies[a]	–	49	–	–	49
Residential – nonagency	–	1,328	177	–	1,505
Commercial – nonagency	–	342	66	–	408
Total mortgage-backed securities	–	1,719	243	–	1,962
U.S. Treasury and government agencies[a]	7,762	29	–	–	7,791
Obligations of U.S. states and municipalities	–	3,884	315	–	4,199
Certificates of deposit, bankers' acceptances and commercial paper	143	2,097	–	–	2,240
Non-U.S. government debt securities	23,370	34,018	70	–	57,458
Corporate debt securities	–	22,270	5,038	–	27,308
Loans	–	23,717	8,929	–	32,646
Asset-backed securities	–	773	5,189	–	5,962
Total debt instruments	31,275	88,507	19,784	–	139,566
Equity securities	52,753	799	181	–	53,733
Physical commodities[b]	13,158	1,659	–	–	14,817
Other	–	1,760	769	–	2,529
Total debt and equity instruments[c]	97,186	92,725	20,734	–	210,645
Derivative receivables:					
Interest rate	187	1,367,005	6,761	(1,331,112)	42,841
Credit	–	125,404	10,909	(131,790)	4,523
Foreign exchange	2,392	126,552	3,971	(120,565)	12,350
Equity	–	46,039	2,952	(40,928)	8,063
Commodity	386	33,745	1,460	(24,053)	11,538
Total derivative receivables[d]	2,965	1,698,745	26,053	(1,648,448)	79,315
Total trading assets	100,151	1,791,470	46,787	(1,648,448)	289,960
Available-for-sale securities:					
Mortgage-backed securities:					
U.S. government agencies[a]	86,375	9,580	–	–	95,955
Residential – nonagency	–	72,313	266	–	72,579
Commercial – nonagency	–	10,081	169	–	10,250
Total mortgage-backed securities	86,375	91,974	435	–	178,784
U.S. Treasury and government agencies[a]	8,048	3,600	–	–	11,648
Obligations of U.S. states and municipalities	36	16,659	–	–	16,695
Certificates of deposit	–	2,993	–	–	2,993
Non-U.S. government debt securities	32,664	18,989	–	–	51,653
Corporate debt securities	–	45,562	–	–	45,562
Asset-backed securities:					
Collateralized loan obligations	–	–	25,553	–	25,553
Other	–	12,457	–	–	12,457
Equity securities	377	28	–	–	405
Total available-for-sale securities	127,500	192,262	25,988	–	345,750
Loans	–	359	674	–	1,033
Mortgage servicing rights	–	–	7,118	–	7,118
Other assets	12	12	6,877	–	6,901
Total assets measured at fair value on a recurring basis	$ 227,663	$ 2,015,852 [e]	$ 87,444 [e]	$ (1,648,448)	$ 682,511
Deposits	$ –	$ 3,434	$ 1,876	$ –	$ 5,310
Federal funds purchased and securities loaned or sold under repurchase agreements	–	8,600	–	–	8,600
Other borrowed funds	–	4,962	761	–	5,723
Trading liabilities:					
Debt and equity instruments[c]	37,151	11,371	303	–	48,825
Derivative payables:					
Interest rate	265	1,334,272	3,436	(1,303,452)	34,521
Credit	–	129,862	6,464	(130,355)	5,971
Foreign exchange	1,953	138,266	5,731	(128,020)	17,930
Equity	–	40,757	5,611	(36,810)	9,558
Commodity	336	35,380	1,747	(25,403)	12,060
Total derivative payables[d]	2,554	1,678,537	22,989	(1,624,040)	80,040
Total trading liabilities	39,705	1,689,908	23,292	(1,624,040)	128,865
Accounts payable and other liabilities	–	–	42	–	42
Beneficial interests issued by consolidated VIEs	–	9	17	–	26
Long-term debt	–	9,110	5,522	–	14,632
Total liabilities measured at fair value on a recurring basis	$ 39,705	$ 1,716,023	$ 31,510	$ (1,624,040)	$ 163,198

December 31, 2011 (in millions)	Fair value hierarchy Level 1[f]	Level 2[f]	Level 3[f]	Netting	Total fair value
Federal funds sold and securities purchased under resale agreements	$ –	$ 21,849	$ –	$ –	$ 21,849
Securities borrowed	–	15,344	–	–	15,344
Trading assets:					
Debt instruments:					
Mortgage-backed securities:					
U.S. government agencies[a]	–	181	–	–	181
Residential – nonagency	–	1,571	192	–	1,763
Commercial – nonagency	–	534	110	–	644
Total mortgage-backed securities	–	2,286	302	–	2,588
U.S. Treasury and government agencies[a]	5,933	206	–	–	6,139
Obligations of U.S. states and municipalities	–	2,671	300	–	2,971
Certificates of deposit, bankers' acceptances and commercial paper	143	1,099	–	–	1,242
Non-U.S. government debt securities	19,413	40,070	104	–	59,587
Corporate debt securities	–	26,747	6,061	–	32,808
Loans	–	21,361	10,257	–	31,618
Asset-backed securities	–	851	6,167	–	7,018
Total debt instruments	25,489	95,291	23,191	–	143,971
Equity securities	67,461	847	209	–	68,517
Physical commodities[b]	20,983	2,484	–	–	23,467
Other	–	1,897	700	–	2,597
Total debt and equity instruments[c]	113,933	100,519	24,100	–	238,552
Derivative receivables:					
Interest rate	449	1,430,624	6,678	(1,395,118)	42,633
Credit	–	152,606	17,105	(162,966)	6,745
Foreign exchange	802	161,635	4,630	(150,272)	16,795
Equity	–	44,751	2,667	(40,556)	6,862
Commodity	4,561	33,126	1,731	(28,447)	10,971
Total derivative receivables[d]	5,812	1,822,742	32,811	(1,777,359)	84,006
Total trading assets	119,745	1,923,261	56,911	(1,777,359)	322,558
Available-for-sale securities:					
Mortgage-backed securities:					
U.S. government agencies[a]	92,426	14,681	–	–	107,107
Residential – nonagency	–	67,554	3	–	67,557
Commercial – nonagency	–	10,119	267	–	10,386
Total mortgage-backed securities	92,426	92,354	270	–	185,050
U.S. Treasury and government agencies[a]	3,747	4,514	–	–	8,261
Obligations of U.S. states and municipalities	36	12,683	70	–	12,789
Certificates of deposit	–	3,017	–	–	3,017
Non-U.S. government debt securities	24,844	19,754	–	–	44,598
Corporate debt securities	–	61,777	–	–	61,777
Asset-backed securities:					
Collateralized loan obligations	–	116	24,745	–	24,861
Other	–	16,324	–	–	16,324
Equity securities	386	29	–	–	415
Total available-for-sale securities	121,439	210,568	25,085	–	357,092
Loans	–	328	175	–	503
Mortgage servicing rights	–	–	7,223	–	7,223
Other assets	11	5	6,791	–	6,807
Total assets measured at fair value on a recurring basis	$ 241,195	$ 2,171,355[e]	$ 96,185[e]	$ (1,777,359)	$ 731,376
Deposits	$ –	$ 3,515	$ 1,418	$ –	$ 4,933
Federal funds purchased and securities loaned or sold under repurchase agreements	–	7,640	–	–	7,640
Other borrowed funds	–	3,910	1,153	–	5,063
Trading liabilities:					
Debt and equity instruments[c]	33,644	11,387	155	–	45,186
Derivative payables:					
Interest rate	402	1,400,414	4,062	(1,371,807)	33,071
Credit	–	156,882	9,377	(159,511)	6,748
Foreign exchange	846	159,286	6,164	(148,573)	17,723
Equity	–	39,747	6,656	(36,324)	10,079
Commodity	3,114	35,705	2,522	(30,314)	11,027
Total derivative payables[d]	4,362	1,792,034	28,781	(1,746,529)	78,648
Total trading liabilities	38,006	1,803,421	28,936	(1,746,529)	123,834
Accounts payable and other liabilities	–	–	51	–	51
Beneficial interests issued by consolidated VIEs	–	156	–	–	156
Long-term debt	–	11,376	6,456	–	17,832
Total liabilities measured at fair value on a recurring basis	$ 38,006	$ 1,830,018	$ 38,014	$ (1,746,529)	$ 159,509

(a) At June 30, 2012, and December 31, 2011, included total U.S. government-sponsored enterprise obligations of $80.8 billion and $89.5 billion respectively, which were predominantly mortgage-related.

(b) Physical commodities inventories are generally accounted for at the lower of cost or market. "Market" is a term defined in U.S. GAAP as not exceeding fair value less costs to sell ("transaction costs"). Transaction costs for JPMorgan Chase Bank, N.A.'s physical commodities inventories are either not applicable or immaterial to the value of the inventory. Therefore, market approximates fair value for JPMorgan Chase Bank, N.A.'s physical commodities inventories. When fair value hedging has been applied (or when market is below cost), the carrying value of physical commodities approximates fair value, because under fair value hedge accounting, the cost basis is adjusted for changes in fair value. For a further discussion of JPMorgan Chase Bank, N.A.'s hedge accounting relationships, see Note 6 on pages 25–33 of these Consolidated Financial Statements. To provide consistent fair value disclosure information, all physical commodities inventories have been included in each period presented.

(c) Balances reflect the reduction of securities owned (long positions) by the amount of securities sold but not yet purchased (short positions) when the long and short positions have identical Committee on Uniform Security Identification Procedures numbers ("CUSIPs").

(d) As permitted under U.S. GAAP, JPMorgan Chase Bank, N.A. has elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists. For purposes of the tables above, JPMorgan Chase Bank, N.A. does not reduce derivative receivables and derivative payables balances for this netting adjustment, either within or across the levels of the fair value hierarchy, as such netting is not relevant to a presentation based on the transparency of inputs to the valuation of an asset or liability. Therefore, the balances reported in the fair value hierarchy table are gross of any counterparty netting adjustments. However, if JPMorgan Chase Bank, N.A. were to net such balances within level 3, the reduction in the level 3 derivative receivables and payables balances would be $8.4 billion and $11.6 billion at June 30, 2012, and December 31, 2011, respectively; this is exclusive of the netting benefit associated with cash collateral, which would further reduce the level 3 balances.

(e) Includes investments in hedge funds, private equity funds, real estate and other funds that do not have readily determinable fair values. JPMorgan Chase Bank, N.A. uses net asset value per share when measuring the fair value of these investments. At June 30, 2012, and December 31, 2011, the fair values of these investments were $799 million and $666 million, respectively, of which $755 million and $487 million, respectively were classified in level 2, and $44 million and $179 million, respectively, in level 3.

(f) For the three and six months ended June 30, 2012 and 2011, there were no significant transfers between levels 1 and 2 and from level 2 into level 3. For the six months ended June 30, 2012, transfers from level 3 into level 2 included $1.6 billion of derivative payables based on increased observability of certain structured equity derivatives. There were no significant transfers from level 3 into level 2 during the three months ended June 30, 2012. For the three and six months ended June 30, 2011, the transfers from levels 3 into level 2 were not significant. All transfers are assumed to occur at the beginning of the reporting period.

Level 3 valuations

JPMorgan Chase Bank, N.A. has established and well-documented processes for determining fair value, including for instruments where fair value is estimated using significant unobservable inputs (level 3). For further information on JPMorgan Chase Bank, N.A.'s valuation process and a detailed discussion of the determination of fair value for individual financial instruments, see Note 4 on pages 10-24 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

Estimating fair value requires the application of judgment. The type and level of judgment required is largely dependent on the amount of observable market information available to JPMorgan Chase Bank, N.A. For instruments valued using internally developed models that use significant unobservable inputs and are therefore classified within level 3 of the fair value hierarchy, judgments used to estimate fair value are more significant than those required when estimating the fair value of instruments classified within levels 1 and 2.

In arriving at an estimate of fair value for an instrument within level 3, management must first determine the appropriate model to use. Second, due to the lack of observability of significant inputs, management must assess all relevant empirical data in deriving valuation inputs — including, but not limited to, transaction details, yield curves, interest rates, prepayment rates, default rates, volatilities, correlations, equity or debt prices, valuations of comparable instruments, foreign exchange rates and credit curves. Finally, management judgment must be applied to assess the appropriate level of valuation adjustments to reflect counterparty credit quality, JPMorgan Chase Bank, N.A.'s credit worthiness, constraints on liquidity and unobservable parameters, where relevant. The judgments made are typically affected by the type of product and its specific contractual terms, and the level of liquidity for the product or within the market as a whole.

The following table presents JPMorgan Chase Bank, N.A.'s primary level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the range of values for those inputs. While the determination to classify an instrument within level 3 is based on the significance of the unobservable inputs to the overall fair value measurement, level 3 financial instruments typically include observable components (that is, components that are actively quoted and can be validated to external sources) in addition to the unobservable components. The level 1 and/or level 2 inputs are not included in the table. In addition, JPMorgan Chase Bank, N.A. manages the risk of the observable components of level 3 financial instruments using securities and derivative positions that are classified within levels 1 or 2 of the fair value hierarchy.

The range of values presented in the table is representative of the highest and lowest level input used to value the significant instruments within a classification. The input range does not reflect the level of input uncertainty, instead it is driven by the different underlying characteristics of the various instruments within the classification.

For more information on valuation inputs and control, see Note 4 on pages 10-24 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

Level 3 inputs[(a)]

June 30, 2012 (in millions, except for ratios and basis points)

Product/Instrument	Fair value	Principal valuation technique	Unobservable inputs	Range of input values
Residential mortgage-backed securities and loans	$ 7,330	Discounted cash flows	Yield	5 % - 35%
			Prepayment speed	2 % - 20%
			Conditional default rate	0 % - 75%
			Loss severity	0 % - 45%
Commercial mortgage-backed securities and loans[(b)]	727	Discounted cash flows	Yield	0 % - 85%
			Prepayment speed	0 % - 10%
			Conditional default rate	0 % - 100%
			Loss severity	0 % - 40%
Corporate debt securities, obligations of U.S. states and municipalities, and other[(c)]	10,006	Discounted cash flows	Credit spread	130 bps - 250 bps
			Yield	5 % - 30%
		Market comparables	Price	20 - 115
Net interest rate derivatives	3,325	Option pricing	Interest rate correlation	(75)% - 100%
			Interest rate spread volatility	0 % - 60%
Net credit derivatives[(b)]	4,445	Discounted cash flows	Credit correlation	20 % - 90%
Net foreign exchange derivatives	(1,760)	Option pricing	Foreign exchange correlation	(75)% - 40%
Net equity derivatives	(2,659)	Option pricing	Equity volatility	10 % - 60%
Net commodity derivatives	(287)	Option pricing	Commodity volatility	30 % - 50%
Collateralized loan obligations[(d)]	30,236	Discounted cash flows	Default correlation	99%
			Credit spread	140 bps - 1000 bps
			Prepayment speed	20%
			Conditional default rate	2 % - 75%
			Loss severity	40 % - 100%
Mortgage servicing rights ("MSRs")	7,118	Discounted cash flows	Refer to Note 17 on pages 75–77 of these Consolidated Financial Statements.	
Retained interests in credit card securitization trusts	5,974	Discounted cash flows	Refer to Note 16 on pages 67–75 of these Consolidated Financial Statements.	
Long-term debt, other borrowed funds, and deposits[(e)]	8,159	Option pricing	Interest rate correlation	(75)% - 100%
			Foreign exchange correlation	(75)% - 40%
			Equity correlation	(40)% - 85%
		Discounted cash flows	Credit correlation	20 % - 80%

(a) The categories presented in the table have been aggregated based upon product type which may differ from their classification on the Consolidated Balance Sheet.
(b) The unobservable inputs and associated input ranges for approximately $1.5 billion in credit derivative receivables and $1.4 billion in credit derivative payables with underlying mortgage risk have been included in the inputs and ranges provided for commercial mortgage-backed securities and loans.
(c) Approximately 21% of instruments in this category include price as an unobservable input. This balance includes certain securities and illiquid trading loans, which are generally valued using comparable prices for similar instruments.
(d) Collateralized loan obligations ("CLOs") are securities backed by corporate loans. At June 30, 2012, $25.6 billion of CLOs were held in the available-for-sale ("AFS") securities portfolio and $4.6 billion were included in asset-backed securities held in the trading portfolio. Substantially all of the securities are rated "AAA", "AA" and "A". For a further discussion of CLOs held in the AFS securities portfolio, see Note 12 on pages 38–42 of these Consolidated Financial Statements.
(e) Long-term debt, other borrowed funds, and deposits include structured notes issued by JPMorgan Chase Bank, N.A. that are financial instruments containing embedded derivatives. The estimation of the fair value of structured notes is predominantly based on the derivative features embedded within the instruments. The significant unobservable inputs are broadly consistent with those presented for derivative receivables.

Changes in unobservable inputs

The following provides a description of the impact on a fair value measurement of a change in an unobservable input, and the interrelationship between unobservable inputs, where relevant and significant. The impact of changes in inputs may not be independent, therefore the descriptions provided below indicate the impact of a change in an input in isolation. Where relationships exist between two unobservable inputs, those relationships are discussed below. Relationships may also exist between observable and unobservable inputs (for example, as observable interest rates rise, unobservable prepayment rates decline). Such relationships have not been included in the discussion below. In addition, for each of the individual relationships described below, the inverse relationship would also generally apply.

Discount rates and spreads
Yield – The yield of an asset is the interest rate used to discount future cash flows in a discounted cash flow calculation. An increase in the yield, in isolation, would result in a decrease in a fair value measurement.

Credit spread – The credit spread is the amount of additional annualized return over the market interest rate that a market participant would demand for taking exposure to the credit risk of an instrument. The credit spread for an instrument forms part of the discount rate used in a discounted cash flow calculation. Generally an increase in the credit spread would result in a decrease in a fair value measurement.

Performance rates of underlying collateral in collateralized obligations (e.g. MBS, CLOs, etc.)
Prepayment speed – The prepayment speed is a measure of the voluntary unscheduled principal repayments of a prepayable obligation in a collateralized pool. Prepayment speeds generally decline as borrower delinquencies rise. An increase in prepayment speeds, in isolation, would result in a decrease in a fair value measurement of assets valued at a premium to par and an increase in a fair value measurement of assets valued at a discount to par.

Conditional default rate – The conditional default rate is a measure of the reduction in the outstanding collateral balance underlying a collateralized obligation as a result of defaults. While there is typically no direct relationship between conditional default rates and prepayment speeds, collateralized obligations for which the underlying collateral have high prepayment speeds will tend to have lower conditional default rates. An increase in conditional default rates would generally be accompanied by an increase in loss severity and an increase in credit spreads. An increase in the conditional default rate, in isolation, would result in a decrease in a fair value measurement.

Loss severity – The loss severity (the inverse of which is termed the recovery rate) is the expected amount of future realized losses resulting from the ultimate liquidation of a particular loan, expressed as the net amount of loss relative to the outstanding loan balance. An increase in loss severity is generally accompanied by an increase in conditional default rates. An increase in the loss severity, in isolation, would result in a decrease in a fair value measurement.

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

Default correlation – Default correlation measures whether the loans that collateralize an issued CLO are more likely to default together or separately. An increase in default correlation would result in a decrease in a fair value measurement of a senior tranche in the capital structure of a collateralized obligation.

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

Changes in level 3 recurring fair value measurements
The following tables include a rollforward of the Consolidated Balance Sheet amounts (including changes in fair value) for financial instruments classified by JPMorgan Chase Bank, N.A. within level 3 of the fair value hierarchy for the three and six months ended June 30, 2012 and 2011. When a determination is made to classify a financial instrument within level 3, the determination is based on the significance of the unobservable parameters to the overall fair value measurement. However, level 3 financial instruments typically include, in addition to the unobservable or level 3 components, observable components (that is, components that are actively quoted and can be validated to external sources); accordingly, the gains and losses in the table below include changes in fair value due in part to observable factors that are part of the valuation methodology. Also, JPMorgan Chase Bank, N.A. risk-manages the observable components of level 3 financial instruments using securities and derivative positions that are classified within level 1 or 2 of the fair value hierarchy; as these level 1 and level 2 risk management instruments are not included below, the gains or losses in the following tables do not reflect the effect of JPMorgan Chase Bank, N.A.'s risk management activities related to such level 3 instruments.

Three months ended June 30, 2012 (in millions)	Fair value measurements using significant unobservable inputs							
	Fair value at April 1, 2012	Total realized/ unrealized gains/(losses)	Purchases[f]	Sales	Settlements	Transfers into and/ or out of level 3[g]	Fair value at June 30, 2012	Change in unrealized gains/ (losses) related to financial instruments held at June 30, 2012
Assets:								
Trading assets:								
Debt instruments:								
Mortgage-backed securities:								
U.S. government agencies	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Residential – nonagency	176	5	24	(25)	(3)	–	177	(2)
Commercial – nonagency	95	3	2	(5)	(20)	(9)	66	(4)
Total mortgage-backed securities	271	8	26	(30)	(23)	(9)	243	(6)
Obligations of U.S. states and municipalities	324	2	–	(11)	–	–	315	(3)
Non-U.S. government debt securities	81	(5)	135	(126)	(15)	–	70	–
Corporate debt securities	5,285	(10)	1,616	(1,442)	(293)	(118)	5,038	161
Loans	9,225	38	969	(433)	(794)	(76)	8,929	21
Asset-backed securities	5,759	(178)	36	(284)	(143)	(1)	5,189	(164)
Total debt instruments	20,945	(145)	2,782	(2,326)	(1,268)	(204)	19,784	9
Equity securities	166	(36)	62	(9)	(1)	(1)	181	(35)
Other	809	(5)	7	(4)	(38)	–	769	(5)
Total trading assets – debt and equity instruments	21,920	(186) [b]	2,851	(2,339)	(1,307)	(205)	20,734	(31) [b]
Net derivative receivables:								
Interest rate	2,609	2,156	194	(34)	(1,636)	36	3,325	927
Credit	4,803	170	26	(25)	(530)	1	4,445	246
Foreign exchange	(1,320)	(649)	29	(20)	204	(4)	(1,760)	(614)
Equity	(3,555)	822	535	(913)	417	35	(2,659)	424
Commodity	(720)	50	(14)	71	306	20	(287)	13
Total net derivative receivables	1,817	2,549 [b]	770	(921)	(1,239)	88	3,064	996 [b]
Available-for-sale securities:								
Asset-backed securities	25,239	(353)	1,850	(566)	(617)	–	25,553	(353)
Other	282	24	233	(93)	(11)	–	435	2
Total available-for-sale securities	25,521	(329) [c]	2,083	(659)	(628)	–	25,988	(351) [c]
Loans	305	(8) [b]	468	–	(91)	–	674	(16) [b]
Mortgage servicing rights	8,039	(1,119) [d]	526	–	(328)	–	7,118	(1,119) [d]
Other assets	5,245	(12) [e]	–	(2,213)	3,857	–	6,877	(20) [e]

Three months ended June 30, 2012 (in millions)	Fair value measurements using significant unobservable inputs								
	Fair value at April 1, 2012	Total realized/ unrealized (gains)/losses	Purchases[f]	Sales	Issuances	Settlements	Transfers into and/ or out of level 3[g]	Fair value at June 30, 2012	Change in unrealized (gains)/losses related to financial instruments held at June 30, 2012
Liabilities:[a]									
Deposits	$ 1,651	$ 35 [b]	$ –	$ –	$ 357	$ (96)	$ (71)	$ 1,876	$ 34 [b]
Other borrowed funds	982	(201) [b]	–	–	335	(348)	(7)	761	(159) [b]
Trading liabilities – debt and equity instruments	220	(4) [b]	(692)	800	–	(16)	(5)	303	(4) [b]
Accounts payable and other liabilities	46	–	–	–	–	(4)	–	42	–
Beneficial interests issued by consolidated VIEs	17	–	–	–	–	–	–	17	–
Long-term debt	5,761	(156) [b]	–	–	570	(414)	(239)	5,522	(113) [b]

Three months ended June 30, 2011 (in millions)	Fair value at April 1, 2011	Total realized/ unrealized gains/(losses)	Purchases[f]	Sales	Settlements	Transfers into and/ or out of level 3[g]	Fair value at June 30, 2011	Change in unrealized gains/ (losses) related to financial instruments held at June 30, 2011
	Fair value measurements using significant unobservable inputs							
Assets:								
Trading assets:								
Debt instruments:								
Mortgage-backed securities:								
U.S. government agencies	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Residential – nonagency	240	44	46	(39)	(14)	(52)	225	18
Commercial – nonagency	195	1	77	(97)	(5)	–	171	(2)
Total mortgage-backed securities	435	45	123	(136)	(19)	(52)	396	16
Obligations of U.S. states and municipalities	231	1	–	(1)	–	–	231	12
Non-U.S. government debt securities	113	1	113	(111)	(34)	–	82	1
Corporate debt securities	5,373	(186)	1,776	(1,813)	48	65	5,263	(160)
Loans	10,654	7	1,343	(1,446)	(137)	(487)	9,934	46
Asset-backed securities	6,560	205	222	(639)	(202)	–	6,146	72
Total debt instruments	23,366	73	3,577	(4,146)	(344)	(474)	22,052	(13)
Equity securities	329	14	38	(46)	(25)	(41)	269	14
Other	770	(15)	11	(11)	(38)	–	717	(15)
Total trading assets – debt and equity instruments	24,465	72 (b)	3,626	(4,203)	(407)	(515)	23,038	(14) (b)
Net derivative receivables:								
Interest rate	1,472	1,303	226	(37)	(780)	47	2,231	598
Credit	4,334	322	1	(3)	78	(4)	4,728	657
Foreign exchange	(34)	(573)	96	(3)	(208)	(63)	(785)	(581)
Equity	(3,233)	(146)	140	(285)	(108)	9	(3,623)	8
Commodity	(699)	(65)	29	2	(31)	(5)	(769)	(113)
Total net derivative receivables	1,840	841 (b)	492	(326)	(1,049)	(16)	1,782	569 (b)
Available-for-sale securities:								
Asset-backed securities	14,741	98	851	(12)	(545)	–	15,133	98
Other	321	(8)	–	–	–	–	313	2
Total available-for-sale securities	15,062	90 (c)	851	(12)	(545)	–	15,446	100 (c)
Loans	304	1 (b)	22	–	(3)	–	324	1 (b)
Mortgage servicing rights	12,881	(962) (d)	804	–	(480)	–	12,243	(962) (d)
Other assets	6,795	6 (e)	68	(400)	(806)	–	5,663	5 (e)

Three months ended June 30, 2011 (in millions)	Fair value at April 1, 2011	Total realized/ unrealized (gains)/losses	Purchases[f]	Sales	Issuances	Settlements	Transfers into and/ or out of level 3[g]	Fair value at June 30, 2011	Change in unrealized (gains)/losses related to financial instruments held at June 30, 2011
	Fair value measurements using significant unobservable inputs								
Liabilities:[a]									
Deposits	$ 749	$ 3 (b)	$ –	$ –	$ 157	$ (46)	$ –	$ 863	$ 4 (b)
Other borrowed funds	1,569	5 (b)	–	–	296	(88)	–	1,782	4 (b)
Trading liabilities – debt and equity instruments	50	(3) (b)	(60)	131	–	–	4	122	(3) (b)
Accounts payable and other liabilities	82	1 (e)	–	–	–	(10)	–	73	1 (e)
Beneficial interests issued by consolidated VIEs	210	22 (b)	–	–	–	(232)	–	–	–
Long-term debt	9,207	247 (b)	–	–	332	(377)	–	9,409	170 (b)

	Fair value measurements using significant unobservable inputs							
Six months ended June 30, 2012 (in millions)	Fair value at January 1, 2012	Total realized/ unrealized gains/(losses)	Purchases[f]	Sales	Settlements	Transfers into and/ or out of level 3[g]	Fair value at June 30, 2012	Change in unrealized gains/ (losses) related to financial instruments held at June 30, 2012
Assets:								
Trading assets:								
Debt instruments:								
Mortgage-backed securities:								
U.S. government agencies	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Residential – nonagency	192	21	54	(61)	(7)	(22)	177	11
Commercial – nonagency	110	2	22	(33)	(26)	(9)	66	(5)
Total mortgage-backed securities	302	23	76	(94)	(33)	(31)	243	6
Obligations of U.S. states and municipalities	300	2	36	(20)	(3)	–	315	–
Non-U.S. government debt securities	104	3	340	(357)	(20)	–	70	4
Corporate debt securities	6,061	472	3,913	(2,704)	(2,338)	(366)	5,038	555
Loans	10,257	87	1,804	(1,076)	(1,559)	(584)	8,929	115
Asset-backed securities	6,167	25	276	(835)	(445)	1	5,189	(7)
Total debt instruments	23,191	612	6,445	(5,086)	(4,398)	(980)	19,784	673
Equity securities	209	(89)	63	(23)	(4)	25	181	(60)
Other	700	145	39	(48)	(67)	–	769	147
Total trading assets – debt and equity instruments	24,100	668 (b)	6,547	(5,157)	(4,469)	(955)	20,734	760 (b)
Net derivative receivables:								
Interest rate	2,616	3,468	309	(103)	(2,654)	(311)	3,325	946
Credit	7,728	(2,186)	104	(43)	(1,159)	1	4,445	(1,879)
Foreign exchange	(1,534)	(511)	48	(178)	422	(7)	(1,760)	(471)
Equity	(3,989)	86	884	(1,652)	602	1,410	(2,659)	(427)
Commodity	(791)	39	(47)	37	380	95	(287)	31
Total net derivative receivables	4,030	896 (b)	1,298	(1,939)	(2,409)	1,188	3,064	(1,800) (b)
Available-for-sale securities:								
Asset-backed securities	24,745	(351)	3,170	(1,064)	(1,063)	116	25,553	(355)
Other	340	29	261	(113)	(82)	–	435	7
Total available-for-sale securities	25,085	(322) (c)	3,431	(1,177)	(1,145)	116	25,988	(348) (c)
Loans	175	(9) (b)	534	–	(107)	81	674	(15) (b)
Mortgage servicing rights	7,223	(523) (d)	1,099	–	(681)	–	7,118	(523) (d)
Other assets	6,791	(58) (e)	32	(2,213)	2,325	–	6,877	(64) (e)

	Fair value measurements using significant unobservable inputs								
Six months ended June 30, 2012 (in millions)	Fair value at January 1, 2012	Total realized/ unrealized (gains)/losses	Purchases[f]	Sales	Issuances	Settlements	Transfers into and/ or out of level 3[g]	Fair value at June 30, 2012	Change in unrealized (gains)/losses related to financial instruments held at June 30, 2012
Liabilities:[a]									
Deposits	$ 1,418	$ 166 (b)	$ –	$ –	$ 708	$ (232)	$ (184)	$ 1,876	$ 155 (b)
Other borrowed funds	1,153	13 (b)	–	–	656	(1,107)	46	761	(15) (b)
Trading liabilities – debt and equity instruments	155	(17) (b)	(1,395)	1,591	–	(26)	(5)	303	(3) (b)
Accounts payable and other liabilities	51	–	–	–	–	(9)	–	42	–
Beneficial interests issued by consolidated VIEs	–	–	–	–	17	–	–	17	–
Long-term debt	6,456	(168) (b)	–	–	1,244	(1,308)	(702)	5,522	(46) (b)

Six months ended June 30, 2011 (in millions)	Fair value measurements using significant unobservable inputs							
	Fair value at January 1, 2011	Total realized/ unrealized gains/(losses)	Purchases[f]	Sales	Settlements	Transfers into and/ or out of level 3[g]	Fair value at June 30, 2011	Change in unrealized gains/ (losses) related to financial instruments held at June 30, 2011
Assets:								
Trading assets:								
Debt instruments:								
Mortgage-backed securities:								
U.S. government agencies	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Residential – nonagency	187	79	109	(72)	(26)	(52)	225	39
Commercial – nonagency	200	20	187	(230)	(6)	–	171	7
Total mortgage-backed securities	387	99	296	(302)	(32)	(52)	396	46
Obligations of U.S. states and municipalities	244	(11)	4	(1)	(5)	–	231	–
Non-U.S. government debt securities	202	5	242	(254)	(39)	(74)	82	6
Corporate debt securities	4,844	(75)	3,272	(2,880)	(57)	159	5,263	(153)
Loans	10,423	37	2,186	(1,702)	(603)	(407)	9,934	(16)
Asset-backed securities	6,368	501	602	(1,109)	(235)	19	6,146	283
Total debt instruments	22,468	556	6,602	(6,248)	(971)	(355)	22,052	166
Equity securities	344	41	50	(53)	(25)	(88)	269	49
Other	750	15	13	(12)	(49)	–	717	20
Total trading assets – debt and equity instruments	23,562	612 (b)	6,665	(6,313)	(1,045)	(443)	23,038	235 (b)
Net derivative receivables:								
Interest rate	2,189	1,768	358	(120)	(1,662)	(302)	2,231	431
Credit	5,340	(524)	2	(3)	(68)	(19)	4,728	(346)
Foreign exchange	(636)	(513)	121	(3)	261	(15)	(785)	(522)
Equity	(2,701)	(68)	243	(631)	(510)	44	(3,623)	28
Commodity	(757)	295	97	(43)	(380)	19	(769)	4
Total net derivative receivables	3,435	958 (b)	821	(800)	(2,359)	(273)	1,782	(405) (b)
Available-for-sale securities:								
Asset-backed securities	13,470	570	1,961	(12)	(856)	–	15,133	577
Other	323	(1)	–	–	(9)	–	313	(2)
Total available-for-sale securities	13,793	569 (c)	1,961	(12)	(865)	–	15,446	575 (c)
Loans	551	28 (b)	26	–	(281)	–	324	15 (b)
Mortgage servicing rights	13,440	(1,725) (d)	1,562	–	(1,034)	–	12,243	(1,725) (d)
Other assets	8,126	3 (e)	73	(400)	(2,139)	–	5,663	–

Six months ended June 30, 2011 (in millions)	Fair value measurements using significant unobservable inputs								
	Fair value at January 1, 2011	Total realized/ unrealized (gains)/losses	Purchases[f]	Sales	Issuances	Settlements	Transfers into and/ or out of level 3[g]	Fair value at June 30, 2011	Change in unrealized (gains)/losses related to financial instruments held at June 30, 2011
Liabilities:[a]									
Deposits	$ 773	$ (8) (b)	$ –	$ –	$ 211	$ (112)	$ (1)	$ 863	$ –
Other borrowed funds	1,133	(41) (b)	–	–	864	(176)	2	1,782	(3) (b)
Trading liabilities – debt and equity instruments	2	(1) (b)	(60)	179	–	(2)	4	122	(1) (b)
Accounts payable and other liabilities	127	3 (e)	–	–	–	(57)	–	73	3 (e)
Beneficial interests issued by consolidated VIEs	175	57 (b)	–	–	–	(232)	–	–	–
Long-term debt	9,558	323 (b)	–	–	798	(1,354)	84	9,409	31 (b)

(a) Level 3 liabilities as a percentage of total JPMorgan Chase Bank, N.A. liabilities accounted for at fair value (including liabilities measured at fair value on a nonrecurring basis) were 19% and 24% at June 30, 2012, and December 31, 2011, respectively.

(b) Predominantly reported in principal transactions revenue, except for changes in fair value for mortgage loans and lending-related commitments originated with the intent to sell within the retail financial services business, which are reported in mortgage fees and related income.

(c) Realized gains/(losses) on AFS securities, as well as other-than-temporary impairment losses that are recorded in earnings, are reported in securities gains. Unrealized gains/(losses) are reported in OCI. Realized gains/(losses) and foreign exchange remeasurement adjustments recorded in income on AFS securities were $(274) million and $103 million for the three months ended June 30, 2012 and 2011, and were $(181) million and $431 million for the six months ended June 30, 2012 and 2011, respectively. Unrealized gains/(losses) recorded on AFS securities in OCI were $(55) million and $(13) million for the three months ended June 30, 2012 and 2011, and were $(141) million and $138 million for the six months ended June 30, 2012 and 2011, respectively.

(d) Changes in fair value for mortgage servicing rights within the retail financial services business are reported in mortgage fees and related income.
(e) Predominantly reported in other income and principal transactions revenue.
(f) Loan originations are included in purchases.
(g) All transfers into and/or out of level 3 are assumed to occur at the beginning of the reporting period.

Level 3 analysis

Consolidated Balance Sheets changes

Level 3 assets (including assets measured at fair value on a nonrecurring basis) were 4.9% of total JPMorgan Chase Bank, N.A. assets and 13.1% of total assets measured at fair value at June 30, 2012, compared with 5.6% and 13.7%, respectively, at December 31, 2011. The following describes significant changes to level 3 assets since December 31, 2011.

For the three months ended June 30, 2012

Level 3 assets were $89.3 billion at June 30, 2012, reflecting a decrease of $1.0 billion from the first quarter largely related to:

- $1.6 billion decrease in derivative receivables, predominantly driven by a reduction in credit derivatives risk positions in the investment banking business and equity market movements;
- $921 million decrease in MSRs. For further discussion of the change, refer to Note 17 on pages 75–77 of these Consolidated Financial Statements; and
- $1.6 billion increase in other assets, predominantly due to an increase in JPMorgan Chase Bank, N.A.'s seller's interest in nonconsolidated credit card trusts sponsored by an affiliate.

For the six months ended June 30, 2012

Level 3 assets decreased by $11.3 billion in the first six months of 2012, due to the following:

- $6.8 billion decrease in derivative receivables largely as a result of the impact of tightening reference entity credit spreads on credit derivatives; and
- $3.4 billion decrease in trading assets – debt and equity instruments, predominantly driven by sales and settlements of loans, corporate debt and CLOs.

Gains and losses

Included in the tables for the three months ended June 30, 2012

- $2.5 billion of net gains on derivatives, largely related to gains in interest rate lock commitments due to increased volumes and declining interest rates; and
- $1.1 billion of losses on MSRs. For discussion of the change, refer to Note 17 on pages 75–77 of these Consolidated Financial Statements.

Included in the tables for the three months ended June 30, 2011

- $962 million of losses on MSRs. For further discussion of the change, refer to Note 17 on pages 75–77 of these Consolidated Financial Statements; and
- $841 million of net gains on derivatives, largely driven by declines in interest rates.

Included in the tables for the six months ended June 30, 2012

- $896 million of net gains on derivatives, driven by $3.5 billion of gains predominantly on interest rate lock commitments due to increased volumes and declining interest rates, partially offset by $2.2 billion of losses on credit derivatives largely as a result of tightening of reference entity credit spreads.

Included in the tables for the six months ended June 30, 2011

- $1.7 billion of losses on MSRs. For further discussion of the change, refer to Note 17 on pages 75–77 of these Consolidated Financial Statements; and
- $958 million of net gains on derivatives, largely driven by declines in interest rates.

Assets and liabilities measured at fair value on a nonrecurring basis

Certain assets, liabilities and unfunded lending-related commitments are measured at fair value on a nonrecurring basis; that is, they are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). At June 30, 2012, assets measured at fair value on a nonrecurring basis were $2.2 billion comprised predominantly of loans that had fair value adjustments in the first six months of 2012. At December 31, 2011, assets measured at fair value on a nonrecurring basis were $4.8 billion, comprised predominantly of loans that had fair value adjustments during the twelve months of 2011. At June 30, 2012, $296 million and $1.9 billion of these assets were classified in levels 2 and 3 of the fair value hierarchy, respectively. At December 31, 2011, $369 million and $4.4 billion of these assets were classified in levels 2 and 3 of the fair value hierarchy, respectively. Liabilities measured at fair value on a nonrecurring basis were not significant at June 30, 2012, and December 31, 2011. For the six months ended June 30, 2012 and 2011, there were no significant transfers between levels 1, 2, and 3. The total change in the value of assets and liabilities for which a fair value adjustment has been included in the Consolidated Statements of Income for the three months ended June 30, 2012 and 2011, related to financial instruments held at those dates were losses of $477 million and $688 million, respectively; and for the six months ended June 30, 2012 and 2011, were losses of $812 million and $1.2 billion, respectively. These losses were predominantly associated with loans.

For information about the measurement of impaired collateral-dependent loans, and other loans where the carrying value is based on the fair value of the underlying collateral (e.g., residential mortgage loans charged off in accordance with regulatory guidance), see Note 15 on pages 55–75 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

Additional disclosures about the fair value of financial instruments that are not carried on the Consolidated Balance Sheets at fair value

The following table presents the carrying values and estimated fair values at June 30, 2012, of financial assets and liabilities, excluding financial instruments which are carried at fair value on a recurring basis, and information is provided on their classification within the fair value hierarchy. For additional information regarding the financial instruments within the scope of this disclosure, and the methods and significant assumptions used to estimate their fair value, see Note 4 on pages 10–24 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

	June 30, 2012					December 31, 2011	
		Estimated fair value hierarchy					
(in billions)	Carrying value	Level 1	Level 2	Level 3	Total estimated fair value	Carrying value	Estimated fair value
Financial assets							
Cash and due from banks	**$ 43.1**	**$ 43.1**	**$ –**	**$ –**	**$ 43.1**	$ 57.6	$ 57.6
Deposits with banks	**128.1**	**124.1**	**4.0**	**–**	**128.1**	84.2	84.2
Accrued interest and accounts receivable	**54.2**	**–**	**53.0**	**1.2**	**54.2**	44.7	44.7
Federal funds sold and securities purchased under resale agreements	**165.3**	**–**	**165.3**	**–**	**165.3**	158.6	158.6
Securities borrowed	**50.7**	**–**	**50.7**	**–**	**50.7**	59.2	59.2
Loans, net of allowance for loan losses[(a)]	**591.8**	**–**	**24.7**	**567.2**	**591.9**	578.1	576.4
Other	**34.9**	**–**	**30.1**	**5.0**	**35.1**	35.0	35.4
Financial liabilities							
Deposits	**$ 1,157.7**	**$ –**	**$ 1,157.1**	**$ 1.1**	**$ 1,158.2**	$ 1,185.8	$ 1,186.4
Federal funds purchased and securities loaned or sold under repurchase agreements	**179.8**	**–**	**179.8**	**–**	**179.8**	161.5	161.5
Other borrowed funds	**9.9**	**–**	**9.9**	**–**	**9.9**	10.2	10.2
Accounts payable and other liabilities	**53.1**	**–**	**48.8**	**4.3**	**53.1**	51.4	51.3
Beneficial interests issued by consolidated VIEs	**18.3**	**–**	**15.2**	**3.1**	**18.3**	22.8	22.7
Long-term debt and junior subordinated deferrable interest debentures	**68.0**	**–**	**59.7**	**5.0**	**64.7**	64.1	60.2

(a) Fair value is typically estimated using a discounted cash flow model that incorporates the characteristics of the underlying loans (including principal, contractual interest rate and contractual fees) and other key inputs, including expected lifetime credit losses, interest rates, prepayment rates, and primary origination or secondary market spreads. For certain loans, the fair value is measured based on the value of the underlying collateral. The difference between the estimated fair value and carrying value of a financial asset or liability is the result of the different methodologies used to determine fair value as compared with carrying value. For example, credit losses are estimated for a financial asset's remaining life in a fair value calculation but are estimated for a loss emergence period in a loan loss reserve calculation; future loan income (interest and fees) is incorporated in a fair value calculation but is generally not considered in the allowance for loan losses. For a further discussion of JPMorgan Chase Bank, N.A.'s methodologies for estimating the fair value of loans and lending-related commitments, see Note 4 on pages 10–24 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements and pages 10–22 of this Note.

The majority of JPMorgan Chase Bank, N.A.'s lending-related commitments are not carried at fair value on a recurring basis on the Consolidated Balance Sheets, nor are they actively traded. The carrying value and estimated fair value of JPMorgan Chase Bank, N.A.'s wholesale lending-related commitments were as follows for the periods indicated.

	June 30, 2012					December 31, 2011	
		Estimated fair value hierarchy					
(in billions)	Carrying value[(a)]	Level 1	Level 2	Level 3	Total estimated fair value	Carrying value[(a)]	Estimated fair value
Wholesale lending-related commitments	**$ 0.7**	**$ –**	**$ –**	**$ 3.2**	**$ 3.2**	$ 0.6	$ 3.3

(a) Represents the allowance for wholesale lending-related commitments. Excludes the current carrying values of the guarantee liability and the offsetting asset, each of which are recognized at fair value at the inception of guarantees.

JPMorgan Chase Bank, N.A. does not estimate the fair value of consumer lending-related commitments. In many cases, JPMorgan Chase Bank, N.A. can reduce or cancel these commitments by providing the borrower notice or, in some cases, without notice as permitted by law. For a further discussion of the valuation of lending-related commitments, see page 10 of this Note.

Trading assets and liabilities – average balances

Average trading assets and liabilities were as follows for the periods indicated.

(in millions)	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Trading assets – debt and equity instruments[a]	**$ 228,763**	$ 302,477	**$ 234,933**	$ 300,468
Trading assets – derivative receivables	**82,163**	74,177	**82,079**	75,392
Trading liabilities – debt and equity instruments[a][b]	**48,982**	59,001	**49,156**	57,973
Trading liabilities – derivative payables	**82,538**	69,739	**81,015**	71,754

(a) Balances reflect the reduction of securities owned (long positions) by the amount of securities sold, but not yet purchased (short positions) when the long and short positions have identical CUSIP numbers.

(b) Primarily represent securities sold, not yet purchased.

Note 5 – Fair value option

For a discussion of the primary financial instruments for which the fair value option was previously elected, including the basis for those elections and the determination of instrument-specific credit risk, where relevant, see Note 5 on pages 24–26 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

Changes in fair value under the fair value option election

The following table presents the changes in fair value included in the Consolidated Statements of Income for the three and six months ended June 30, 2012 and 2011, for items for which the fair value option was elected. The profit and loss information presented below only includes the financial instruments that were elected to be measured at fair value; related risk management instruments, which are required to be measured at fair value, are not included in the table.

	Three months ended June 30,					
	2012			2011		
(in millions)	Principal transactions	Other income	Total changes in fair value recorded	Principal transactions	Other income	Total changes in fair value recorded
Federal funds sold and securities purchased under resale agreements	**$ 63**	**$ –**	**$ 63**	$ 110	$ –	$ 110
Securities borrowed	**–**	**–**	**–**	(8)	–	(8)
Trading assets:						
Debt and equity instruments, excluding loans	**(66)**	**1** [c]	**(65)**	17	(4) [c]	13
Loans reported as trading assets:						
Changes in instrument-specific credit risk	**218**	**11** [c]	**229**	222	4 [c]	226
Other changes in fair value	**78**	**1,782** [c]	**1,860**	52	1,371 [c]	1,423
Loans:						
Changes in instrument-specific credit risk	**(18)**	**–**	**(18)**	–	–	–
Other changes in fair value	**3**	**–**	**3**	17	–	17
Other assets	**–**	**(30)** [d]	**(30)**	–	(30) [d]	(30)
Deposits[a]	**(1)**	**–**	**(1)**	(93)	–	(93)
Federal funds purchased and securities loaned or sold under repurchase agreements	**(33)**	**–**	**(33)**	(16)	–	(16)
Other borrowed funds[a]	**1,014**	**–**	**1,014**	673	–	673
Trading liabilities	**3**	**–**	**3**	(2)	–	(2)
Beneficial interests issued by consolidated VIEs	**(1)**	**–**	**(1)**	(24)	–	(24)
Other liabilities	**–**	**–**	**–**	–	(1) [d]	(1)
Long-term debt:						
Changes in instrument-specific credit risk[a]	**(85)**	**–**	**(85)**	146	–	146
Other changes in fair value[b]	**345**	**–**	**345**	(187)	–	(187)

	Six months ended June 30,					
	2012			2011		
(in millions)	Principal transactions	Other income	Total changes in fair value recorded	Principal transactions	Other income	Total changes in fair value recorded
Federal funds sold and securities purchased under resale agreements	**$ 15**	**$ –**	**$ 15**	$ (6)	$ –	$ (6)
Securities borrowed	**14**	**–**	**14**	1	–	1
Trading assets:						
Debt and equity instruments, excluding loans	**265**	**3** (c)	**268**	150	(1) (c)	149
Loans reported as trading assets:						
Changes in instrument-specific credit risk	**624**	**29** (c)	**653**	587	4 (c)	591
Other changes in fair value	**(174)**	**3,359** (c)	**3,185**	131	2,094 (c)	2,225
Loans:						
Changes in instrument-specific credit risk	**(32)**	**–**	**(32)**	(2)	–	(2)
Other changes in fair value	**6**	**–**	**6**	60	–	60
Other assets	**–**	**(81)** (d)	**(81)**	–	(45) (d)	(45)
Deposits[(a)]	**(161)**	**–**	**(161)**	(110)	–	(110)
Federal funds purchased and securities loaned or sold under repurchase agreements	**(30)**	**–**	**(30)**	17	–	17
Other borrowed funds[(a)]	**559**	**–**	**559**	1,097	–	1,097
Trading liabilities	**12**	**–**	**12**	(5)	–	(5)
Beneficial interests issued by consolidated VIEs	**–**	**–**	**–**	(64)	–	(64)
Other liabilities	**–**	**–**	**–**	–	(3) (d)	(3)
Long-term debt:						
Changes in instrument-specific credit risk[(a)]	**(504)**	**–**	**(504)**	199	–	199
Other changes in fair value[(b)]	**(332)**	**–**	**(332)**	(37)	–	(37)

(a) Total changes in instrument-specific credit risk related to structured notes were $415 million and $142 million for the three months ended June 30, 2012 and 2011, and $(53) million and $165 million for the six months ended June 30, 2012 and 2011, respectively. These totals include adjustments for structured notes classified within deposits and other borrowed funds, as well as long-term debt.
(b) Structured notes are debt instruments with embedded derivatives that are tailored to meet a client's need. The embedded derivative is the primary driver of risk. Although the risk associated with the structured notes is actively managed, the gains/(losses) reported in this table do not include the income statement impact of such risk management instruments.
(c) Reported in mortgage fees and related income.
(d) Reported in other income.

Difference between aggregate fair value and aggregate remaining contractual principal balance outstanding

The following table reflects the difference between the aggregate fair value and the aggregate remaining contractual principal balance outstanding as of June 30, 2012, and December 31, 2011, for loans, long-term debt and long-term beneficial interests for which the fair value option has been elected.

	June 30, 2012			December 31, 2011		
(in millions)	Contractual principal outstanding	Fair value	Fair value over/(under) contractual principal outstanding	Contractual principal outstanding	Fair value	Fair value over/(under) contractual principal outstanding
Loans[a]						
Nonaccrual loans						
Loans reported as trading assets	**$ 3,025**	**$ 735**	**$ (2,290)**	$ 3,165	$ 812	$ (2,353)
Loans	**187**	**111**	**(76)**	112	56	(56)
Subtotal	**3,212**	**846**	**(2,366)**	3,277	868	(2,409)
All other performing loans						
Loans reported as trading assets	**33,082**	**31,911**	**(1,171)**	32,370	30,806	(1,564)
Loans	**970**	**922**	**(48)**	494	447	(47)
Total loans	**$ 37,264**	**$ 33,679**	**$ (3,585)**	$ 36,141	$ 32,121	$ (4,020)
Long-term debt						
Principal-protected debt	**$ 5,793** [d]	**$ 5,123**	**$ (670)**	$ 6,885 [d]	$ 6,643	$ 242
Nonprincipal-protected debt[b]	**NA**	**9,509**	**NA**	NA	11,189	NA
Total long-term debt	**NA**	**$ 14,632**	**NA**	NA	$ 17,832	NA
Total long-term beneficial interests[c]	**NA**	**$ 26**	**NA**	NA	$ 156	NA

(a) There were no performing loans which were ninety days or more past due as of June 30, 2012 and December 31, 2011, respectively.
(b) Remaining contractual principal is not applicable to nonprincipal-protected notes. Unlike principal-protected structured notes, for which JPMorgan Chase Bank, N.A. is obligated to return a stated amount of principal at the maturity of the note, nonprincipal-protected structured notes do not obligate JPMorgan Chase Bank, N.A. to return a stated amount of principal at maturity, but to return an amount based on the performance of an underlying variable or derivative feature embedded in the note.
(c) At both June 30, 2012, and December 31, 2011, included only nonprincipal protected debt.
(d) Where JPMorgan Chase Bank, N.A. issues principal-protected zero-coupon or discount notes, the balance reflected as the remaining contractual principal is the final principal payment at maturity.

At June 30, 2012, and December 31, 2011, the contractual amount of letters of credit for which the fair value option was elected was $4.1 billion and $3.9 billion, respectively, with a corresponding fair value of $(78) million and $(5) million, respectively. For further information regarding off-balance sheet lending-related financial instruments, see Note 27 on pages 106–111 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

Note 6 – Derivative instruments

JPMorgan Chase Bank, N.A. makes markets in derivatives for customers and also uses derivatives to hedge or manage its market and credit risk exposures. For a further discussion of JPMorgan Chase Bank, N.A.'s use and accounting policies regarding derivative instruments, see Note 7 on pages 28-37 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

JPMorgan Chase Bank, N.A.'s disclosures are based on the accounting treatment and purpose of these derivatives. A limited number of JPMorgan Chase Bank, N.A.'s derivatives are designated in hedge accounting relationships and are disclosed according to the type of hedge (fair value hedge, cash flow hedge, or net investment hedge). Derivatives not designated in hedge accounting relationships include derivatives that are used to manage certain risks associated with specified assets or liabilities ("specified risk management" positions) as well as derivatives used in JPMorgan Chase Bank, N.A.'s market-making businesses or for other purposes.

The following table outlines JPMorgan Chase Bank, N.A.'s primary uses of derivatives and the related hedge accounting designation or disclosure category.

Type of Derivative	Use of Derivative	Designation and disclosure	Affected business or unit	Consolidated Financial Statements page reference
Manage identified risk exposures in qualifying hedge accounting relationships:				
◦ Interest rate	Hedge fixed rate assets and liabilities	Fair value hedge	Corporate/ Private equity	28
◦ Interest rate	Hedge floating rate assets and liabilities	Cash flow hedge	Corporate/ Private equity	29
◦ Foreign exchange	Hedge foreign currency-denominated assets and liabilities	Fair value hedge	Corporate/ Private equity	28
◦ Foreign exchange	Hedge forecasted revenue and expense	Cash flow hedge	Corporate/ Private equity	29
◦ Foreign exchange	Hedge the value of JPMorgan Chase Bank, N.A.'s investments in non-U.S. subsidiaries	Net investment hedge	Corporate/ Private equity	30
◦ Commodity	Hedge commodity inventory	Fair value hedge	Investment banking	28
Manage specifically identified exposures:				
◦ Interest rate	Manage the risk of the mortgage pipeline, warehouse loans and MSRs	Specified risk management	Retail financial services	30
◦ Credit	Manage the credit risk of wholesale lending exposures	Specified risk management	Investment banking	30
◦ Credit[(a)]	Manage the credit risk of certain AFS securities	Specified risk management	Corporate/ Private equity	30
◦ Commodity	Manage the risk of certain commodities-related contracts and investments	Specified risk management	Investment banking	30
◦ Interest rate and foreign exchange	Manage the risk of certain other specified assets and liabilities	Specified risk management	Corporate/ Private equity	30
Make markets in derivatives and other activity:				
• Various	Market-making and related risk management	Market-making and other	Investment banking	30
• Various	Other derivatives, including the synthetic credit portfolio	Market-making and other	Investment banking, Corporate/ Private equity	30

(a) Includes a limited number of single-name credit derivatives used to mitigate the credit risk arising from specified AFS securities.

Synthetic credit portfolio

The synthetic credit portfolio is a portfolio of index credit derivatives, including short and long positions, that was held by the Chief Investment Office ("CIO"). On July 2, 2012, CIO transferred the synthetic credit portfolio, other than a portion that aggregated to a notional amount of approximately $12 billion, to the investment banking business. Both the portion of the synthetic credit portfolio transferred to the investment banking business, as well as the portion retained by CIO continue to be included in the gains and losses on derivatives related to market-making activities and other derivatives category on page 30 of this Note.

Notional amount of derivative contracts

The following table summarizes the notional amount of derivative contracts outstanding as of June 30, 2012, and December 31, 2011.

	Notional amounts[b]	
(in billions)	**June 30, 2012**	December 31, 2011
Interest rate contracts		
Swaps	**$ 35,227**	$ 38,805
Futures and forwards	**9,209**	7,033
Written options	**3,900**	3,841
Purchased options	**4,069**	4,029
Total interest rate contracts	**52,405**	53,708
Credit derivatives[a]	**6,017**	5,776
Foreign exchange contracts		
Cross-currency swaps	**3,270**	2,934
Spot, futures and forwards	**4,589**	4,521
Written options	**719**	674
Purchased options	**730**	670
Total foreign exchange contracts	**9,308**	8,799
Equity contracts		
Swaps	**169**	134
Futures and forwards	**34**	9
Written options	**498**	457
Purchased options	**478**	392
Total equity contracts	**1,179**	992
Commodity contracts		
Swaps	**287**	319
Spot, futures and forwards	**181**	128
Written options	**336**	289
Purchased options	**298**	256
Total commodity contracts	**1,102**	992
Total derivative notional amounts	**$ 70,011**	$ 70,267

(a) Primarily consists of credit default swaps. For more information on volumes and types of credit derivative contracts, see the Credit derivatives discussion on pages 32-33 of this Note.

(b) Represents the sum of gross long and gross short notional derivative contracts with third parties and JPMorgan Chase affiliates. For additional information on related party derivatives, see Note 19 on page 79 of these Consolidated Financial Statements.

While the notional amounts disclosed above give an indication of the volume of JPMorgan Chase Bank, N.A.'s derivatives activity, the notional amounts significantly exceed, in JPMorgan Chase Bank, N.A.'s view, the possible losses that could arise from such transactions. For most derivative transactions, the notional amount is not exchanged; it is used simply as a reference to calculate payments.

Impact of derivatives on the Consolidated Balance Sheets

The following table summarizes information on derivative receivables and payables (before and after netting adjustments) that are reflected on JPMorgan Chase Bank, N.A.'s Consolidated Balance Sheets as of June 30, 2012, and December 31, 2011, by accounting designation (e.g., whether the derivatives were designated in hedge accounting relationships or not) and contract type.

Derivative receivables and payables[a]

	Gross derivative receivables				Gross derivative payables			
June 30, 2012 (in millions)	Not designated as hedges	Designated as hedges	Total derivative receivables	Net derivative receivables[c]	Not designated as hedges	Designated as hedges	Total derivative payables	Net derivative payables[c]
Trading assets and liabilities								
Interest rate	**$ 1,371,565**	**$ 2,388**	**$ 1,373,953**	**$ 42,841**	**$1,335,681**	**$ 2,292**	**$ 1,337,973**	**$ 34,521**
Credit	**136,313**	**—**	**136,313**	**4,523**	**136,326**	**—**	**136,326**	**5,971**
Foreign exchange[b]	**131,808**	**1,107**	**132,915**	**12,350**	**144,673**	**1,277**	**145,950**	**17,930**
Equity	**48,991**	**—**	**48,991**	**8,063**	**46,368**	**—**	**46,368**	**9,558**
Commodity	**34,392**	**1,199**	**35,591**	**11,538**	**36,962**	**501**	**37,463**	**12,060**
Total fair value of trading assets and liabilities	**$ 1,723,069**	**$ 4,694**	**$ 1,727,763**	**$ 79,315**	**$1,700,010**	**$ 4,070**	**$ 1,704,080**	**$ 80,040**

	Gross derivative receivables				Gross derivative payables			
December 31, 2011 (in millions)	Not designated as hedges	Designated as hedges	Total derivative receivables	Net derivative receivables[c]	Not designated as hedges	Designated as hedges	Total derivative payables	Net derivative payables[c]
Trading assets and liabilities								
Interest rate	$ 1,435,347	$ 2,404	$ 1,437,751	$ 42,633	$1,403,343	$ 1,535	$ 1,404,878	$ 33,071
Credit	169,711	—	169,711	6,745	166,259	—	166,259	6,748
Foreign exchange[b]	164,410	2,657	167,067	16,795	165,646	650	166,296	17,723
Equity	47,418	—	47,418	6,862	46,403	—	46,403	10,079
Commodity	36,080	3,338	39,418	10,971	40,242	1,099	41,341	11,027
Total fair value of trading assets and liabilities	$ 1,852,966	$ 8,399	$ 1,861,365	$ 84,006	$1,821,893	$ 3,284	$ 1,825,177	$ 78,648

(a) Balances exclude structured notes for which the fair value option has been elected. See Note 5 on pages 22–24 of these Consolidated Financial Statements for further information.

(b) Excludes $11 million of foreign currency-denominated debt designated as a net investment hedge at December 31, 2011. There was no such hedge designation at June 30, 2012.

(c) As permitted under U.S. GAAP, JPMorgan Chase Bank, N.A. has elected to net derivative receivables and derivative payables and the related cash collateral received and paid, respectively, when a legally enforceable master netting agreement exists.

Impact of derivatives on the Consolidated Statements of Income

The following tables provide information related to gains and losses recorded on derivatives based on their hedge accounting designation or purpose.

Fair value hedge gains and losses

The following tables present derivative instruments, by contract type, used in fair value hedge accounting relationships, as well as pretax gains/(losses) recorded on such derivatives and the related hedged items for the three and six months ended June 30, 2012 and 2011, respectively. JPMorgan Chase Bank, N.A. includes gains/(losses) on the hedging derivative and the related hedged item in the same line item in the Consolidated Statements of Income.

	Gains/(losses) recorded in income			Income statement impact due to:	
Three months June 30, 2012 (in millions)	Derivatives	Hedged items	Total income statement impact	Hedge ineffectiveness[e]	Excluded components[f]
Contract type					
Interest rate[a]	**$ (1,021)**	**$ 910**	**$ (111)**	**$ (33)**	**$ (78)**
Foreign exchange[b]	**4,534** [d]	**(4,523)**	**11**	**–**	**11**
Commodity[c]	**1,234**	**(1,029)**	**205**	**25**	**180**
Total	**$ 4,747**	**$ (4,642)**	**$ 105**	**$ (8)**	**$ 113**

	Gains/(losses) recorded in income			Income statement impact due to:	
Three months June 30, 2011 (in millions)	Derivatives	Hedged items	Total income statement impact	Hedge ineffectiveness[e]	Excluded components[f]
Contract type					
Interest rate[a]	$ (207)	$ 157	$ (50)	$ (2)	$ (48)
Foreign exchange[b]	(1,798) [d]	1,906	108	–	108
Commodity[c]	(449)	(41)	(490)	–	(490)
Total	$ (2,454)	$ 2,022	$ (432)	$ (2)	$ (430)

	Gains/(losses) recorded in income			Income statement impact due to:	
Six months June 30, 2012 (in millions)	Derivatives	Hedged items	Total income statement impact	Hedge ineffectiveness[e]	Excluded components[f]
Contract type					
Interest rate[a]	**$ (720)**	**$ 675**	**$ (45)**	**$ 42**	**$ (87)**
Foreign exchange[b]	**1,700** [d]	**(1,673)**	**27**	**–**	**27**
Commodity[c]	**(876)**	**599**	**(277)**	**51**	**(328)**
Total	**$ 104**	**$ (399)**	**$ (295)**	**$ 93**	**$ (388)**

	Gains/(losses) recorded in income			Income statement impact due to:	
Six months June 30, 2011 (in millions)	Derivatives	Hedged items	Total income statement impact	Hedge ineffectiveness[e]	Excluded components[f]
Contract type					
Interest rate[a]	$ (232)	$ 166	$ (66)	$ (4)	$ (62)
Foreign exchange[b]	(5,034) [d]	5,048	14	–	14
Commodity[c]	(386)	234	(152)	–	(152)
Total	$ (5,652)	$ 5,448	$ (204)	$ (4)	$ (200)

(a) Primarily consists of hedges of the benchmark (e.g., London Interbank Offered Rate ("LIBOR")) interest rate risk of fixed-rate long-term debt and AFS securities. Gains and losses were recorded in net interest income.
(b) Primarily consists of hedges of the foreign currency risk of long-term debt and AFS securities for changes in spot foreign currency rates. Gains and losses related to the derivatives and the hedged items, due to changes in foreign currency rates, were recorded in principal transactions revenue.
(c) Consists of overall fair value hedges of physical commodities inventories that are generally carried at the lower of cost or market (market approximates fair value). Gains and losses were recorded in principal transactions revenue.
(d) Represents revenue related to certain foreign exchange trading derivatives designated as fair value hedging instruments.
(e) Hedge ineffectiveness is the amount by which the gain or loss on the designated derivative instrument does not exactly offset the gain or loss on the hedged item attributable to the hedged risk.
(f) Certain components of hedging derivatives are permitted to be excluded from the assessment of hedge effectiveness, such as forward points on foreign exchange forward contracts. Amounts related to excluded components are recorded in current-period income.

Cash flow hedge gains and losses

The following tables present derivative instruments, by contract type, used in cash flow hedge accounting relationships, and the pretax gains/(losses) recorded on such derivatives, for the three and six months ended June 30, 2012 and 2011, respectively. JPMorgan Chase Bank, N.A. includes the gain/(loss) on the hedging derivative in the same line item as the offsetting change in cash flows on the hedged item in the Consolidated Statements of Income.

	Gains/(losses) recorded in income and other comprehensive income/(loss)[c]				
Three months June 30, 2012 (in millions)	Derivatives – effective portion reclassified from AOCI to income	Hedge ineffectiveness recorded directly in income[d]	Total income statement impact	Derivatives – effective portion recorded in OCI	Total change in OCI for period
Contract type					
Interest rate[a]	**$ 107**	**$ –**	**$ 107**	**$ 178**	**$ 71**
Foreign exchange[b]	**(2)**	**–**	**(2)**	**(12)**	**(10)**
Total	**$ 105**	**$ –**	**$ 105**	**$ 166**	**$ 61**

	Gains/(losses) recorded in income and other comprehensive income/(loss)[c]				
Three months June 30, 2011 (in millions)	Derivatives – effective portion reclassified from AOCI to income	Hedge ineffectiveness recorded directly in income[d]	Total income statement impact	Derivatives – effective portion recorded in OCI	Total change in OCI for period
Contract type					
Interest rate[a]	$ 138	$ 6	$ 144	$ 149	$ 11
Foreign exchange[b]	(7)	–	(7)	(41)	(34)
Total	$ 131	$ 6	$ 137	$ 108	$ (23)

	Gains/(losses) recorded in income and other comprehensive income/(loss)[c]				
Six months June 30, 2012 (in millions)	Derivatives – effective portion reclassified from AOCI to income	Hedge ineffectiveness recorded directly in income[d]	Total income statement impact	Derivatives – effective portion recorded in OCI	Total change in OCI for period
Contract type					
Interest rate[a]	**$ 214**	**$ 5**	**$ 219**	**$ 137**	**$ (77)**
Foreign exchange[b]	**(3)**	**–**	**(3)**	**67**	**70**
Total	**$ 211**	**$ 5**	**$ 216**	**$ 204**	**$ (7)**

	Gains/(losses) recorded in income and other comprehensive income/(loss)[c]				
Six months June 30, 2011 (in millions)	Derivatives – effective portion reclassified from AOCI to income	Hedge ineffectiveness recorded directly in income[d]	Total income statement impact	Derivatives – effective portion recorded in OCI	Total change in OCI for period
Contract type					
Interest rate[a]	$ 273	$ 9	$ 282	$ 135	$ (138)
Foreign exchange[b]	15	–	15	(23)	(38)
Total	$ 288	$ 9	$ 297	$ 112	$ (176)

(a) Primarily consists of benchmark interest rate hedges of LIBOR-indexed floating-rate assets and floating-rate liabilities. Gains and losses were recorded in net interest income.
(b) Primarily consists of hedges of the foreign currency risk of non-U.S. dollar-denominated revenue and expense. The income statement classification of gains and losses follows the hedged item – primarily noninterest revenue and compensation expense.
(c) JPMorgan Chase Bank, N.A. did not experience any forecasted transactions that failed to occur for the three and six months ended June 30, 2012 and 2011.
(d) Hedge ineffectiveness is the amount by which the cumulative gain or loss on the designated derivative instrument exceeds the present value of the cumulative expected change in cash flows on the hedged item attributable to the hedged risk.

Over the next 12 months, JPMorgan Chase Bank, N.A. expects that $194 million (after-tax) of net gains recorded in AOCI at June 30, 2012, related to cash flow hedges will be recognized in income. The maximum length of time over which forecasted transactions are hedged is 9 years, and such transactions primarily relate to core lending and borrowing activities.

Net investment hedge gains and losses

The following table presents hedging instruments, by contract type, that were used in net investment hedge accounting relationships, and the pretax gains/(losses) recorded on such instruments for the three and six months ended June 30, 2012 and 2011.

	Gains/(losses) recorded in income and other comprehensive income/(loss)			
	2012		2011	
Three months ended June 30, (in millions)	Excluded components recorded directly in income[(a)]	Effective portion recorded in OCI	Excluded components recorded directly in income[(a)]	Effective portion recorded in OCI
Foreign exchange derivatives	**$ (72)**	**$ 371**	$ (63)	$ (337)
Foreign currency denominated debt	**—**	**—**	—	—
Total	**$ (72)**	**$ 371**	$ (63)	$ (337)

	Gains/(losses) recorded in income and other comprehensive income/(loss)			
	2012		2011	
Six months ended June 30, (in millions)	Excluded components recorded directly in income[(a)]	Effective portion recorded in OCI	Excluded components recorded directly in income[(a)]	Effective portion recorded in OCI
Foreign exchange derivatives	**$ (122)**	**$ 192**	$ (127)	$ (580)
Foreign currency denominated debt	**—**	**—**	—	(1)
Total	**$ (122)**	**$ 192**	$ (127)	$ (581)

(a) Certain components of hedging derivatives are permitted to be excluded from the assessment of hedge effectiveness, such as forward points on foreign exchange forward contracts. Amounts related to excluded components are recorded in current-period income. JPMorgan Chase Bank, N.A. measures the ineffectiveness of net investment hedge accounting relationships based on changes in spot foreign currency rates, and therefore there was no ineffectiveness for net investment hedge accounting relationships during the three and six months ended June 30, 2012 and 2011.

Gains and losses on derivatives used for specified risk management purposes

The following table presents pretax gains/(losses) recorded on a limited number of derivatives, not designated in hedge accounting relationships, that are used to manage risks associated with certain specified assets and liabilities, including certain risks arising from the mortgage pipeline, warehouse loans, MSRs, wholesale lending exposures, AFS securities, foreign currency-denominated liabilities, and commodities-related contracts and investments.

	Derivatives gains/(losses) recorded in income			
	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2012**	2011	**2012**	**2011**
Contract type				
Interest rate[(a)]	**$ 2,308**	$ 1,453	**$ 2,857**	$ 1,528
Credit[(b)]	**(13)**	(7)	**(57)**	(65)
Foreign exchange[(c)]	**(11)**	(67)	**(20)**	(89)
Total	**$ 2,284**	$ 1,379	**$ 2,780**	$ 1,374

(a) Primarily relates to interest rate derivatives used to hedge the interest rate risks associated with the mortgage pipeline, warehouse loans and MSRs. Gains and losses were recorded predominantly in mortgage fees and related income.

(b) Relates to credit derivatives used to mitigate credit risk associated with lending exposures in JPMorgan Chase Bank, N.A.'s wholesale businesses, and single-name credit derivatives used to mitigate credit risk arising from certain AFS securities. These derivatives do not include CIO's synthetic credit portfolio or credit derivatives used to mitigate counterparty credit risk arising from derivative receivables, both of which are included in gains and losses on derivatives related to market-making activities and other derivatives below. Gains and losses were recorded in principal transactions revenue.

(c) Primarily relates to hedges of the foreign exchange risk of specified foreign currency-denominated liabilities. Gains and losses were recorded in principal transactions revenue and net interest income.

Gains and losses on derivatives related to market-making activities and other derivatives

JPMorgan Chase Bank, N.A. makes markets in derivatives in order to meet the needs of customers and uses derivatives to manage certain risks associated with net open risk positions from JPMorgan Chase Bank, N.A.'s market-making activities, including the counterparty credit risk arising from derivative receivables. These derivatives, as well as all other derivatives (including the CIO synthetic credit portfolio) that are not included in the hedge accounting or specified risk management categories above, are included in this category. Gains and losses on these derivatives are recorded in principal transactions revenue.

Credit risk, liquidity risk and credit-related contingent features
For a more detailed discussion of credit risk, liquidity risk and credit-related contingent features, see Note 7 on pages 28–37 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

The following table shows the aggregate fair value of net derivative payables that contain contingent collateral or termination features that may be triggered upon a downgrade and the associated collateral JPMorgan Chase Bank, N.A. has posted in the normal course of business at June 30, 2012, and December 31, 2011.

Derivative payables containing downgrade triggers

(in millions)	June 30, 2012	December 31, 2011
Aggregate fair value of net derivative payables	**$ 19,010**	$ 13,148
Collateral posted	**14,747**	8,557

The following table shows the impact of a single-notch and two-notch ratings downgrade to JPMorgan Chase Bank, N.A. and its subsidiaries, at June 30, 2012, and December 31, 2011, related to derivative contracts with contingent collateral or termination features that may be triggered upon a downgrade. Derivatives contracts generally require additional collateral to be posted or terminations to be triggered when the predefined threshold rating of major rating agencies is breached. A downgrade by a single rating agency that does not result in a rating lower than a preexisting corresponding rating provided by another major rating agency will generally not result in additional collateral or termination payment requirements. The liquidity impact in the table is calculated based upon a downgrade below the lowest current rating provided by major rating agencies.

Liquidity impact of derivative downgrade triggers

	June 30, 2012		December 31, 2011	
(in millions)	Single-notch downgrade	Two-notch downgrade	Single-notch downgrade	Two-notch downgrade
Amount of additional collateral to be posted upon downgrade	**$ 888**	**$ 1,356**	$ 1,361	$ 1,848
Amount required to settle contracts with termination triggers upon downgrade	**1,104**	**1,783**	1,046	1,662

The following tables show the carrying value of derivative receivables and payables after netting adjustments, and adjustments for collateral held (including cash, U.S. government and agency securities and other G7 government bonds) and transferred as of June 30, 2012, and December 31, 2011.

Impact of netting adjustments on derivative receivables and payables

	Derivative receivables		Derivative payables	
(in millions)	**June 30, 2012**	December 31, 2011	**June 30, 2012**	December 31, 2011
Gross derivative fair value	**$ 1,727,763**	$ 1,861,365	**$ 1,704,080**	$ 1,825,177
Netting adjustment – offsetting receivables/payables[(a)]	**(1,570,371)**	(1,696,526)	**(1,570,371)**	(1,696,526)
Netting adjustment – cash collateral received/paid[(a)]	**(78,077)**	(80,833)	**(53,669)**	(50,003)
Carrying value on Consolidated Balance Sheets	**$ 79,315**	$ 84,006	**$ 80,040**	$ 78,648

Total derivative collateral

	Collateral held		Collateral transferred	
(in millions)	**June 30, 2012**	December 31, 2011	**June 30, 2012**	December 31, 2011
Netting adjustment for cash collateral[(a)]	**$ 78,077**	$ 80,833	**$ 53,669**	$ 50,003
Liquid securities and other cash collateral[(b)]	**16,774**	21,092	**19,918**	17,635
Additional liquid securities and cash collateral[(c)]	**14,474**	9,226	**5,073**	3,576
Total collateral for derivative transactions	**$ 109,325**	$ 111,151	**$ 78,660**	$ 71,214

(a) As permitted under U.S. GAAP, JPMorgan Chase Bank, N.A. has elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists.
(b) Represents cash collateral received and paid that is not subject to a legally enforceable master netting agreement, and liquid securities collateral held and transferred.
(c) Represents liquid securities and cash collateral held and transferred at the initiation of derivative transactions, which is available as security against potential exposure that could arise should the fair value of the transactions move, as well as collateral held and transferred related to contracts that have non-daily call frequency for collateral to be posted, and collateral that JPMorgan Chase Bank, N.A. or a counterparty has agreed to return but has not yet settled as of the reporting date. These amounts were not netted against the derivative receivables and payables in the tables above, because, at an individual counterparty level, the collateral exceeded the fair value exposure at both June 30, 2012, and December 31, 2011.

Credit derivatives

For a more detailed discussion of credit derivatives, see Note 7 on pages 28–37 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

JPMorgan Chase Bank, N.A. is both a purchaser and seller of protection in the credit derivatives market and uses these derivatives for two primary purposes. First, in its capacity as a market-maker, JPMorgan Chase Bank, N.A. actively manages a portfolio of credit derivatives by purchasing and selling credit protection, predominantly on corporate debt obligations, to meet the needs of customers. Second, as an end-user, JPMorgan Chase Bank, N.A. uses credit derivatives to manage credit risk associated with lending exposures (loans and unfunded commitments) and derivatives counterparty exposures in JPMorgan Chase Bank, N.A.'s wholesale businesses, and to manage the credit risk arising from certain AFS securities and from certain financial instruments in JPMorgan Chase Bank, N.A.'s market-making businesses. In addition, the synthetic credit portfolio is a portfolio of index credit derivatives held by CIO. For more information on the synthetic credit portfolio, see the discussion on page 25 of this Note.

The following tables present a summary of the notional amounts of credit derivatives and credit-related notes JPMorgan Chase Bank, N.A. sold and purchased as of June 30, 2012, and December 31, 2011.

As shown in the table below, JPMorgan Chase Bank, N.A. manages the credit risk on contracts to sell protection by purchasing protection with identical or similar underlying reference instruments (including single-name, portfolio coverage or specified indices). Other purchased protection referenced in the following tables includes credit derivatives purchased on reference instruments where JPMorgan Chase Bank, N.A. has not sold any protection on the identical reference instrument, as well as protection purchased through credit-related notes.

JPMorgan Chase Bank, N.A. does not use notional amounts of credit derivatives as the primary measure of risk management for such derivatives, because the notional amount does not take into account the probability of the occurrence of a credit event, the recovery value of the reference obligation (which typically reduces the amount actually required to be paid on the credit derivative contract), or related cash instruments and economic hedges, each of which reduces, in JPMorgan Chase Bank, N.A.'s view, the risks associated with such derivatives.

Total credit derivatives and credit-related notes

	Maximum payout/Notional amount			
June 30, 2012 (in millions)	Protection sold	Protection purchased with identical underlyings[c]	Net protection (sold)/ purchased[d]	Other protection purchased[e]
Credit derivatives				
Credit default swaps[a]	**$ (2,935,446)**	**$ 2,905,478**	**$ (29,968)**	**$ 54,692**
Other credit derivatives[b]	**(80,036)**	**14,312**	**(65,724)**	**27,031**
Total credit derivatives	**(3,015,482)**	**2,919,790**	**(95,692)**	**81,723**
Credit-related notes	**(382)**	**–**	**(382)**	**2,818**
Total	**$ (3,015,864)**	**$ 2,919,790**	**$ (96,074)**	**$ 84,541**

	Maximum payout/Notional amount			
December 31, 2011 (in millions)	Protection sold	Protection purchased with identical underlyings[c]	Net protection (sold)/ purchased[d]	Other protection purchased[e]
Credit derivatives				
Credit default swaps[a]	$ (2,841,186)	$ 2,798,540	$ (42,646)	$ 29,067
Other credit derivatives[b]	(79,700)	4,955	(74,745)	22,291
Total credit derivatives	(2,920,886)	2,803,495	(117,391)	51,358
Credit-related notes	(736)	–	(736)	3,731
Total	$ (2,921,622)	$ 2,803,495	$ (118,127)	$ 55,089

(a) At June 30, 2012, and December 31, 2011, included: (1) $59 million and $131 million of protection sold, respectively, and (2) $31.3 billion and $26.4 billion of protection purchased, respectively, related to credit portfolio activity; the synthetic credit portfolio held by CIO is also included.

(b) Primarily consists of total return swaps and credit default swap ("CDS") options.

(c) Represents the total notional amount of protection purchased where the underlying reference instrument (single-name, portfolio or index) is identical to the reference instrument on protection sold; the notional amount of protection purchased for each individual identical underlying reference instrument may be greater or lower than the notional amount of protection sold.

(d) Does not take into account the fair value of the reference obligation at the time of settlement, which would generally reduce the amount the seller of protection pays to the buyer of protection in determining settlement value.

(e) Represents protection purchased by JPMorgan Chase Bank, N.A. on referenced instruments (single-name, portfolio or index) where JPMorgan Chase Bank, N.A. has not sold any protection on the identical reference instrument.

The following tables summarize the notional and fair value amounts of credit derivatives and credit-related notes as of June 30, 2012, and December 31, 2011, where JPMorgan Chase Bank, N.A. is the seller of protection. The maturity profile is based on the remaining contractual maturity of the credit derivative contracts. The ratings profile is based on the rating of the reference entity on which the credit derivative contract is based. The ratings and maturity profile of credit derivatives and credit-related notes where JPMorgan Chase Bank, N.A. is the purchaser of protection are comparable to the profile reflected below.

Protection sold – credit derivatives and credit-related notes ratings[(a)]/maturity profile

June 30, 2012 (in millions)	<1 year	1–5 years	>5 years	Total notional amount	Fair value of receivables[(b)]	Fair value of payables[(b)]	Net fair value
Risk rating of reference entity							
Investment-grade	**$ (453,722)**	**$ (1,301,837)**	**$ (352,713)**	**$ (2,108,272)**	**$ 5,187**	**$ (33,752)**	**$ (28,565)**
Noninvestment-grade	**(254,635)**	**(545,677)**	**(107,280)**	**(907,592)**	**19,075**	**(75,386)**	**(56,311)**
Total	**$ (708,357)**	**$ (1,847,514)**	**$ (459,993)**	**$ (3,015,864)**	**$ 24,262**	**$ (109,138)**	**$ (84,876)**

December 31, 2011 (in millions)	<1 year	1–5 years	>5 years	Total notional amount	Fair value of receivables[(b)]	Fair value of payables[(b)]	Net fair value
Risk rating of reference entity							
Investment-grade	$ (352,222)	$ (1,262,156)	$ (346,781)	$ (1,961,159)	$ 7,809	$ (57,759)	$ (49,950)
Noninvestment-grade	(241,938)	(590,283)	(128,242)	(960,463)	13,339	(85,601)	(72,262)
Total	$ (594,160)	$ (1,852,439)	$ (475,023)	$ (2,921,622)	$ 21,148	$ (143,360)	$ (122,212)

(a) The ratings scale is based on JPMorgan Chase Bank, N.A.'s internal ratings, which generally correspond to ratings as defined by S&P and Moody's.
(b) Amounts are shown on a gross basis, before the benefit of legally enforceable master netting agreements and cash collateral received by JPMorgan Chase Bank, N.A.

Note 7 – Noninterest revenue

For a discussion of the components of and accounting policies for JPMorgan Chase Bank, N.A.'s noninterest revenue, see Note 8 on pages 37–38 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.
The following table presents the components of investment banking fees.

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2012**	2011	**2012**	2011
Underwriting				
Equity	**$ 84**	$ 147	**$ 167**	$ 282
Debt	**19**	511	**414**	1,127
Total underwriting	**103**	658	**581**	1,409
Advisory	**134**	242	**275**	448
Total investment banking fees	**$ 237**	$ 900	**$ 856**	$ 1,857

The following table presents all realized and unrealized gains and losses recorded in principal transactions revenue by major underlying type of risk exposures.

Principal transactions revenue includes realized and unrealized gains and losses recorded on derivatives, other financial instruments, private equity investments, and physical commodities used in market-making and client-driven activities.

In addition, principal transactions revenue also includes certain realized and unrealized gains and losses related to hedge accounting and specified risk management activities disclosed separately in Note 6, including: (a) certain derivatives designated in qualifying hedge accounting relationships (primarily fair value hedges of commodity and foreign exchange risk), (b) certain derivatives used for specified risk management purposes, primarily to mitigate credit risk, foreign exchange risk and commodity risk, and (c) other derivatives, including the synthetic credit portfolio held by CIO. See Note 6 on pages 25-33 of these Consolidated Financial Statements for information on the income statement classification of gains and losses on derivatives.

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2012**	2011	**2012**	2011
Trading revenue by risk exposure				
Interest rate	**$ 793**	$ 146	**$ 2,140**	$ 710
Credit[(a)]	**(3,835)**	463	**(5,256)**	1,173
Foreign exchange	**360**	179	**905**	793
Equity	**770**	707	**1,023**	1,410
Commodity[(b)]	**146**	233	**439**	432
Total trading revenue	**(1,766)**	1,728	**(749)**	4,518
Private equity gains/(losses)[(c)]	**(6)**	(4)	**(17)**	(6)
Principal transactions	**$ (1,772)**	$ 1,724	**$ (766)**	$ 4,512

(a) Includes losses of $4.4 billion and $5.8 billion on the synthetic credit portfolio for the three and six months ended June 30, 2012, respectively. In June 2012, CIO identified a portion of the synthetic credit portfolio that aggregated to a notional amount of approximately $12 billion; subsequent losses of $240 million are included in these amounts.
(b) Includes realized gains and losses and unrealized losses on physical commodities inventories that are generally carried at the lower of cost or market (market approximates fair value), subject to any applicable fair value hedge accounting adjustments, and gains and losses on commodity derivatives and other financial instruments that are carried at fair value through income. Commodity derivatives are frequently used to manage JPMorgan Chase Bank N.A.'s risk exposure to its physical commodities inventories. Gains/(losses) related to commodity fair value hedges were $205 million and $(490) million for the three months ended June 30, 2012 and 2011, respectively. Gains/(losses) related to commodity fair value hedges were $(277) million and $(152) million for the six months ended June 30, 2012 and 2011, respectively.
(c) Includes revenue on private equity investments.

The following table presents components of asset management, administration and commissions.

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2012**	2011	**2012**	2011
Total asset management fees	**$ 364**	$ 371	**$ 716**	$ 724
Total administration fees[(a)]	**553**	543	**1,082**	1,060
Commission and other fees				
Brokerage commissions	**258**	327	**576**	702
All other commissions and fees	**1,280**	1,305	**2,413**	2,504
Total commissions and fees	**1,538**	1,632	**2,989**	3,206
Total asset management, administration and commissions	**$ 2,455**	$ 2,546	**$ 4,787**	$ 4,990

(a) Includes fees for custody, securities lending, funds services and securities clearance.

Note 8 – Interest income and Interest expense

For a description of JPMorgan Chase Bank, N.A.'s accounting policies regarding interest income and interest expense, see Note 9 on pages 38–39 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

Details of interest income and interest expense were as follows.

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2012**	2011	**2012**	2011
Interest income				
Loans	**$ 6,040**	$ 5,926	**$ 12,111**	$ 11,825
Securities	**2,052**	2,546	**4,295**	4,722
Trading assets	**1,468**	1,997	**3,019**	3,833
Federal funds sold and securities purchased under resale agreements	**522**	565	**1,075**	1,070
Securities borrowed	**73**	90	**223**	197
Deposits with banks	**141**	138	**293**	231
Other assets[(a)]	**(19)**	(1)	**(8)**	(34)
Total interest income	**10,277**	11,261	**21,008**	21,844
Interest expense				
Interest-bearing deposits	**809**	1,242	**1,631**	2,261
Short-term and other liabilities[(b)]	**518**	756	**1,009**	1,417
Long-term debt	**267**	259	**539**	516
Beneficial interests issued by consolidated VIEs	**35**	37	**69**	66
Total interest expense	**1,629**	2,294	**3,248**	4,260
Net interest income	**8,648**	8,967	**17,760**	17,584
Provision for credit losses	**(212)**	1,167	**10**	2,206
Net interest income after provision for credit losses	**$ 8,860**	$ 7,800	**$ 17,750**	$ 15,378

(a) Includes the results of excluded components of hedge accounting relationships, such as forward points on foreign currency forward contracts.
(b) Includes brokerage customer payables.

Note 9 – Pension and other postretirement employee benefit plans

For a discussion of JPMorgan Chase Bank, N.A.'s pension plans, see Note 10 on pages 39-45 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

The following table presents the components of net periodic benefit costs reported in the Consolidated Statements of Income for JPMorgan Chase Bank, N.A.'s significant defined benefit pension plans and defined contribution plans.

	Pension plans			
	U.S.		Non-U.S.	
Three months ended June 30, (in millions)	**2012**	2011	**2012**	2011
Components of net periodic benefit cost				
Benefits earned during the period	**$ 1**	$ 1	**$ 8**	$ 8
Interest cost on benefit obligations	**22**	5	**29**	32
Expected return on plan assets	**(31)**	–	**(33)**	(36)
Amortization:				
Net (gain)/loss	**2**	1	**8**	12
Prior service cost/(credit)	**–**	–	**–**	(1)
Net periodic defined benefit cost	**(6)**	7	**12**	15
Other defined benefit pension plans[(a)]	**4**	4	**–**	3
Total defined benefit plans	**(2)**	11	**12**	18
Total defined contribution plans	**106**	81	**65**	56
Total pension cost included in compensation expense	**$ 104**	$ 92	**$ 77**	$ 74

	Pension plans			
	U.S.		Non-U.S.	
Six months ended June 30, (in millions)	**2012**	2011	**2012**	2011
Components of net periodic benefit cost				
Benefits earned during the period	**$ 2**	$ 2	**$ 17**	$ 16
Interest cost on benefit obligations	**28**	10	**59**	64
Expected return on plan assets	**(35)**	–	**(67)**	(72)
Amortization:				
Net (gain)/loss	**4**	2	**17**	24
Prior service cost/(credit)	**–**	–	**–**	(1)
Net periodic defined benefit cost	**(1)**	14	**26**	31
Other defined benefit pension plans[(a)]	**7**	11	**1**	5
Total defined benefit plans	**6**	25	**27**	36
Total defined contribution plans	**189**	163	**135**	125
Total pension cost included in compensation expense	**$ 195**	$ 188	**$ 162**	$ 161

(a) Includes various defined benefit pension plans which are individually immaterial.

The fair values of plan assets for the material non-U.S. defined benefit pension plans were $3.1 billion as of June 30, 2012, and $3.0 billion as of December 31, 2011. See Note 20 on pages 80–81 of these Consolidated Financial Statements for further information on unrecognized amounts (i.e., net loss and prior service costs/(credit)) reflected in AOCI for the three and six month periods ended June 30, 2012 and 2011.

For the full year 2012, the cost associated with funding benefits under the JPMorgan Chase Bank, N.A.'s U.S. non-qualified defined benefit pension plans is expected to total $39 million. The 2012 contributions to JPMorgan Chase Bank, N.A.'s non-U.S. defined benefit pension plans are expected to be $49 million.

JPMorgan Chase charged JPMorgan Chase Bank, N.A. $55 million and $50 million, for the three month periods ended June 30, 2012 and 2011, respectively, and $112 million and $99 million for the six month periods ended June 30, 2012 and 2011, respectively, for its share of the U.S. qualified defined benefit pension plan expense. For its share of the U.S. other postretirement employee benefit ("OPEB") plan expense, JPMorgan Chase charged JPMorgan Chase Bank, N.A. $0.3 million and $0.3 million, for the three month periods ended June 30, 2012 and 2011, respectively, and $0.5 million and $0.6 million for the six month periods ended June 30, 2012 and 2011, respectively.

Effective March 19, 2012, JPMorgan Chase Bank, N.A. became the sponsor of the Washington Mutual Pension Plan. The fair values of plan assets for this plan were $1.8 billion as of June 30, 2012. It is anticipated that the plan's net assets will be merged into the JPMorgan Chase Retirement plan later in 2012.

Consolidated disclosures of information about the pension and OPEB plans of JPMorgan Chase are included in Note 9 on pages 213–222 of JPMorgan Chase's 2011 Annual Report on Form 10-K and in Note 8 on page 146 of JPMorgan Chase's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012.

Note 10 – Employee stock-based incentives

Certain employees of JPMorgan Chase Bank, N.A. participate in JPMorgan Chase's long-term stock-based incentive plans, which provide grants of common stock-based awards, including stock options, stock appreciation rights ("SARs") and restricted stock units ("RSUs"). For a discussion of the accounting policies and other information relating to employee stock-based incentives, see Note 11 on pages 46–47 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements and Note 10 on pages 222–224 of JPMorgan Chase's 2011 Annual Report on Form 10-K.

JPMorgan Chase Bank, N.A. recognized the following compensation expense related to JPMorgan Chase's various employee stock-based incentive plans in its Consolidated Statements of Income.

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2012**	2011	**2012**	2011
Cost of prior grants of RSUs and SARs that are amortized over their applicable vesting periods	**$ 300**	$ 335	**$ 674**	$ 699
Accrual of estimated costs of RSUs and SARs to be granted in future periods including those to full-career eligible employees	**100**	122	**252**	276
Total compensation expense related to employee stock-based incentive plans	**$ 400**	$ 457	**$ 926**	$ 975

In the first quarter of 2012, in connection with its annual incentive grant, JPMorgan Chase granted employees of JPMorgan Chase Bank, N.A. 37 million RSUs and 11 million SARs with weighted-average grant date fair values of $35.62 per RSU and $8.89 per SAR.

Note 11 – Noninterest expense

The following table presents the components of noninterest expense.

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2012**	2011	**2012**	2011
Compensation expense	**$ 5,798**	$ 5,722	**$ 12,595**	$ 12,071
Noncompensation expense:				
Occupancy expense	**979**	825	**1,827**	1,681
Technology, communications and equipment expense	**1,152**	1,090	**2,298**	2,159
Professional and outside services	**1,462**	1,363	**2,880**	2,618
Marketing	**190**	222	**379**	398
Other expense[(a)]	**2,422**	4,813	**7,413**	7,769
Amortization of intangibles	**107**	120	**214**	240
Total noncompensation expense	**6,312**	8,433	**15,011**	14,865
Total noninterest expense	**$ 12,110**	$ 14,155	**$ 27,606**	$ 26,936

(a) Included litigation expense of $230 million and $1.9 billion for the three months ended June 30, 2012 and 2011, and $2.9 billion and $2.5 billion for the six months ended June 30, 2012 and 2011, respectively.

Note 12 – Securities

Securities are primarily classified as AFS or trading. Securities classified as trading are discussed in Note 4 on pages 10–22 of these Consolidated Financial Statements. Predominantly all of the AFS securities portfolio is held by CIO in connection with its asset-liability management objectives. At June 30, 2012, the average credit rating of the debt securities comprising the AFS portfolio was AA+ (based on external ratings where available and internal ratings which correspond to ratings as defined by S&P and Moody's). For additional information regarding AFS securities, see Note 13 on pages 48–53 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

Realized gains and losses

The following table presents realized gains and losses and other-than-temporary impairment ("OTTI") losses that were recognized in income from AFS securities.

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2012**	2011	**2012**	2011
Realized gains	**$ 1,627**	$ 875	**$ 2,353**	$ 1,013
Realized losses	**(616)**	(27)	**(818)**	(46)
Net realized gains[(a)]	**1,011**	848	**1,535**	967
Other-than-temporary impairment losses ("OTTI"):				
Credit-related[(b)]	**(19)**	(13)	**(26)**	(43)
Securities JPMorgan Chase Bank, N.A. intends to sell[(c)]	**(37)**	–	**(37)**	–
Total OTTI losses recognized in income	**(56)**	(13)	**(63)**	(43)
Net securities gains	**$ 955**	$ 835	**$ 1,472**	$ 924

(a) Proceeds from securities sold were within approximately 4% of amortized cost for both the three and six months ended June 30, 2012 and 2011.
(b) Includes OTTI losses recognized in income on certain prime mortgage-backed securities for the three months ended June 30, 2012, certain obligations of U.S. states and municipalities and prime mortgage-backed securities for the six months ended June 30, 2012, and on certain prime mortgage-backed securities for the three and six months ended June 30, 2011.
(c) Represents the excess of the amortized cost over the fair value of certain non-U.S. corporate debt securities JPMorgan Chase Bank, N.A. intends to sell.

The amortized costs and estimated fair values of AFS and held-to-maturity ("HTM") securities were as follows for the dates indicated.

	June 30, 2012				December 31, 2011			
(in millions)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale debt securities								
Mortgage-backed securities:								
U.S. government agencies[(a)]	**$ 90,844**	**$ 5,112**	**$ 1**	**$ 95,955**	$ 101,968	$ 5,141	$ 2	$ 107,107
Residential:								
Prime and Alt-A	**2,668**	**58**	**174** [(c)]	**2,552**	2,170	54	218 [(c)]	2,006
Subprime	**262**	**2**	**–**	**264**	1	–	–	1
Non-U.S.	**69,585**	**472**	**294**	**69,763**	66,067	170	687	65,550
Commercial	**9,611**	**643**	**4**	**10,250**	9,799	633	46	10,386
Total mortgage-backed securities	**172,970**	**6,287**	**473**	**178,784**	180,005	5,998	953	185,050
U.S. Treasury and government agencies[(a)]	**11,538**	**111**	**1**	**11,648**	8,094	169	2	8,261
Obligations of U.S. states and municipalities	**15,652**	**1,140**	**97**	**16,695**	11,977	860	48	12,789
Certificates of deposit	**2,989**	**5**	**1**	**2,993**	3,017	–	–	3,017
Non-U.S. government debt securities	**51,273**	**411**	**31**	**51,653**	44,276	402	80	44,598
Corporate debt securities[(b)]	**45,817**	**285**	**540**	**45,562**	63,217	206	1,646	61,777
Asset-backed securities:								
Collateralized loan obligations	**25,306**	**387**	**140**	**25,553**	24,474	553	166	24,861
Other	**12,329**	**140**	**12**	**12,457**	16,117	262	55	16,324
Total available-for-sale debt securities	**337,874**	**8,766**	**1,295** [(c)]	**345,345**	351,177	8,450	2,950 [(c)]	356,677
Available-for-sale equity securities	**388**	**17**	**–**	**405**	404	11	–	415
Total available-for-sale securities	**$ 338,262**	**$ 8,783**	**$ 1,295** [(c)]	**$ 345,750**	$ 351,581	$ 8,461	$ 2,950 [(c)]	$ 357,092
Total held-to-maturity securities	**$ 10**	**$ 1**	**$ –**	**$ 11**	$ 12	$ 1	$ –	$ 13

(a) Includes total U.S. government-sponsored enterprise obligations with fair values of $80.8 billion and $89.3 billion at June 30, 2012, and December 31, 2011, respectively.
(b) Consists primarily of bank debt including sovereign government-guaranteed bank debt.
(c) Includes a total of $166 million and $91 million (pretax) of unrealized losses related to prime mortgage-backed securities and obligations of U. S. states and municipalities for which credit losses have been recognized in income at June 30, 2012, and prime mortgage-backed securities for which credit losses have been recognized in income at December 31, 2011, respectively. These unrealized losses are not credit-related and remain reported in AOCI.

Securities impairment

The following tables present the fair value and gross unrealized losses for AFS securities by aging category at June 30, 2012, and December 31, 2011.

	Securities with gross unrealized losses					
	Less than 12 months		12 months or more			
June 30, 2012 (in millions)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Total fair value	Total gross unrealized losses
Available-for-sale debt securities						
Mortgage-backed securities:						
U.S. government agencies	**$ 646**	**$ 1**	**$ –**	**$ –**	**$ 646**	**$ 1**
Residential:						
Prime and Alt-A	**393**	**4**	**1,062**	**170**	**1,455**	**174**
Subprime	**–**	**–**	**–**	**–**	**–**	**–**
Non-U.S.	**13,614**	**63**	**11,806**	**231**	**25,420**	**294**
Commercial	**521**	**4**	**–**	**–**	**521**	**4**
Total mortgage-backed securities	**15,174**	**72**	**12,868**	**401**	**28,042**	**473**
U.S. Treasury and government agencies	**5,373**	**1**	**–**	**–**	**5,373**	**1**
Obligations of U.S. states and municipalities	**1,119**	**97**	**–**	**–**	**1,119**	**97**
Certificates of deposit	**1,103**	**1**	**–**	**–**	**1,103**	**1**
Non-U.S. government debt securities	**13,422**	**25**	**1,155**	**6**	**14,577**	**31**
Corporate debt securities	**8,569**	**119**	**13,406**	**421**	**21,975**	**540**
Asset-backed securities:						
Collateralized loan obligations	**5,499**	**47**	**4,240**	**93**	**9,739**	**140**
Other	**2,187**	**5**	**849**	**7**	**3,036**	**12**
Total available-for-sale debt securities	**52,446**	**367**	**32,518**	**928**	**84,964**	**1,295**
Available-for-sale equity securities	**–**	**–**	**–**	**–**	**–**	**–**
Total securities with gross unrealized losses	**$ 52,446**	**$ 367**	**$ 32,518**	**$ 928**	**$ 84,964**	**$ 1,295**

	Securities with gross unrealized losses					
	Less than 12 months		12 months or more			
December 31, 2011 (in millions)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Total fair value	Total gross unrealized losses
Available-for-sale debt securities						
Mortgage-backed securities:						
U.S. government agencies	$ 2,724	$ 2	$ –	$ –	$ 2,724	$ 2
Residential:						
Prime and Alt-A	649	12	970	206	1,619	218
Subprime	–	–	–	–	–	–
Non-U.S.	30,500	266	25,176	421	55,676	687
Commercial	663	46	–	–	663	46
Total mortgage-backed securities	34,536	326	26,146	627	60,682	953
U.S. Treasury and government agencies	3,369	2	–	–	3,369	2
Obligations of U.S. states and municipalities	147	42	20	6	167	48
Certificates of deposit	–	–	–	–	–	–
Non-U.S. government debt securities	11,460	65	1,286	15	12,746	80
Corporate debt securities	22,081	900	9,585	746	31,666	1,646
Asset-backed securities:						
Collateralized loan obligations	5,610	49	3,913	117	9,523	166
Other	4,727	40	1,169	15	5,896	55
Total available-for-sale debt securities	81,930	1,424	42,119	1,526	124,049	2,950
Available-for-sale equity securities	–	–	–	–	–	–
Total securities with gross unrealized losses	$ 81,930	$ 1,424	$ 42,119	$ 1,526	$ 124,049	$ 2,950

Other-than-temporary impairment

The following table presents OTTI losses that are included in the securities gains and losses table above.

(in millions)	Three months ended June 30, 2012	2011	Six months ended June 30, 2012	2011
Debt securities JPMorgan Chase Bank, N.A. does not intend to sell that have credit losses				
Total OTTI[(a)]	**$(103)**	$ –	**$(113)**	$ (27)
Losses recorded in/(reclassified from) AOCI	**84**	(13)	**87**	(16)
Total credit-related losses recognized in income[(b)]	**$ (19)**	$ (13)	**$ (26)**	$ (43)
Securities JPMorgan Chase Bank, N.A. intends to sell[(c)]	**$ (37)**	$ –	**$ (37)**	$ –
Total OTTI losses recognized in income	**$ (56)**	$ (13)	**$ (63)**	$ (43)

(a) For initial OTTI, represents the excess of the amortized cost over the fair value of AFS debt securities. For subsequent impairments of the same security, represents additional declines in fair value subsequent to previously recorded OTTI, if applicable.
(b) Includes OTTI losses recognized in income on certain prime mortgage-backed securities for the three months ended June 30, 2012, certain obligations of U.S. states and municipalities and prime mortgage-backed securities for the six months ended June 30, 2012, and on certain prime mortgage-backed securities for the three and six months ended June 30, 2011, that JPMorgan Chase Bank, N.A. does not intend to sell. Subsequent credit losses may be recorded on securities without a corresponding further decline in fair value if there has been a decline in expected cash flows.
(c) Represents the excess of the amortized cost over the fair value of certain non-U.S. corporate debt securities JPMorgan Chase Bank, N.A. intends to sell.

Changes in the credit loss component of credit-impaired debt securities

The following table presents a rollforward for the three and six months ended June 30, 2012 and 2011, of the credit loss component of OTTI losses that have been recognized in income, related to debt securities that JPMorgan Chase Bank, N.A. does not intend to sell.

(in millions)	Three months ended June 30, 2012	2011	Six months ended June 30, 2012	2011
Balance, beginning of period	**$ 196**	$ 143	**$ 189**	$ 113
Newly credit-impaired securities	**14**	–	**20**	4
Losses reclassified from other comprehensive income on previously credit-impaired securities	**5**	13	**6**	39
Balance, end of period	**$ 215**	$ 156	**$ 215**	$ 156

Gross unrealized losses

Gross unrealized losses have generally decreased since December 31, 2011, including those that have been in an unrealized loss position for 12 months or more. Except for certain securities that JPMorgan Chase Bank, N.A. intends to sell for which the unrealized losses have been recognized in income during the second quarter of 2012, as of June 30, 2012, JPMorgan Chase Bank, N.A. does not intend to sell the securities with a loss position in AOCI, and it is not likely that JPMorgan Chase Bank, N.A. will be required to sell these securities before recovery of their amortized cost basis. Except for the securities reported in the table above for which credit losses have been recognized in income, JPMorgan Chase Bank, N.A. believes that the securities with an unrealized loss in AOCI are not other-than-temporarily impaired as of June 30, 2012.

Following is a description of JPMorgan Chase Bank, N.A.'s principal AFS securities positions with the most significant unrealized losses that have existed for 12 months or more as of June 30, 2012, and the key assumptions used in JPMorgan Chase Bank, N.A.'s estimate of the present value of the cash flows expected to be collected from these investments.

Mortgage-backed securities – Prime and Alt-A nonagency
As of June 30, 2012, gross unrealized losses related to prime and Alt-A residential mortgage-backed securities issued by private issuers were $174 million, of which $170 million related to securities that have been in an unrealized loss position for 12 months or more. JPMorgan Chase Bank, N.A. has recognized OTTI on securities that are backed primarily by mortgages with higher credit risk characteristics based on collateral type, vintage and geographic concentration. The remaining securities that have not experienced OTTI generally either do not possess all of these characteristics or have sufficient credit enhancements to protect the investments. These credit enhancements are primarily in the form of subordination, which is a form of structural enhancement where realized losses associated with assets held in the vehicle that issued the securities are allocated to the various tranches of securities and considers the relative priority of claims on the assets and earnings of the issuing vehicle. The average credit enhancements associated with the below investment-grade positions that have experienced OTTI losses and those that have not are 7% and 17%, respectively.

JPMorgan Chase Bank, N.A.'s cash flow estimates are based on a loan-level analysis that considers housing prices, loan-to-value ("LTV") ratio, loan type, geographical location of the underlying property and unemployment rates, among other factors. The weighted-average underlying conditional default rate on the positions was forecasted to be 31%; the related weighted-average loss severity forecast was 50%; and estimated prepayment speeds ranged from 3% to 35%. Based on the results of this analysis, an OTTI loss of $19 million and $20 million was recognized for the three and six months ended June 30, 2012, respectively, on certain securities due to their higher loss assumptions, and the unrealized loss of $174 million is considered temporary as management believes that the credit enhancement levels for those securities remain sufficient to support JPMorgan Chase Bank, N.A.'s investment.

Mortgage-backed securities – Non-U.S.
As of June 30, 2012, gross unrealized losses related to non-U.S. residential mortgage-backed securities were $294 million, of which $231 million related to securities that have been in an unrealized loss position for 12 months or more. Substantially all of these securities are rated "AAA," "AA" or "A" and primarily represent mortgage exposures in

the United Kingdom and the Netherlands. The key assumptions used in analyzing non-U.S. residential mortgage-backed securities for potential credit losses include credit enhancements, loss severities, conditional default rates, and prepayment speeds. Credit enhancement is primarily in the form of subordination and was approximately 9% of the outstanding principal balance of securitized mortgage loans, compared with expected lifetime losses of 1% of the outstanding principal. In assessing potential credit losses, the weighted-average conditional default rate was forecasted to be approximately 1%, the related weighted-average loss severity was forecasted at approximately 30% and prepayment speeds ranged from 10% to 15%. The unrealized loss is considered temporary, based on management's assessment that the estimated future cash flows together with the credit enhancement levels for those securities remain sufficient to support JPMorgan Chase Bank, N.A.'s investment.

Corporate debt securities
As of June 30, 2012, gross unrealized losses related to corporate debt securities were $540 million, of which $421 million related to securities that have been in an unrealized loss position for 12 months or more. Substantially all of the corporate debt securities are currently rated investment-grade, including those in an unrealized loss position. Various factors were considered in assessing whether JPMorgan Chase Bank, N.A. expects to recover the amortized cost of corporate debt securities including, but not limited to, the strength of issuer credit ratings, the financial condition of guarantors and the length of time and the extent to which a security's fair value has been less than its amortized cost. The fair values of securities in an unrealized loss position were on average within approximately 3% of amortized cost. Based on management's assessment, JPMorgan Chase Bank, N.A. expects to recover the entire amortized cost basis of all corporate debt securities that it does not intend to sell as of June 30, 2012. In addition, during the three and six months ended June 30, 2012, JPMorgan Chase Bank, N.A. recorded losses of $37 million and $37 million, respectively, on corporate debt securities based on its intention to sell certain of these securities.

Asset-backed securities – Collateralized loan obligations
As of June 30, 2012, gross unrealized losses related to CLOs were $140 million, of which $93 million related to securities that were in an unrealized loss position for 12 months or more. Overall, unrealized losses have decreased since December 31, 2011, predominantly due to spread tightening. Substantially all of these securities are rated "AAA," "AA" or "A" and have an average credit enhancement of 31%. JPMorgan Chase Bank, N.A. assumed conditional default rates of 2%, based on current default trends for the collateral underlying the securities. The unrealized loss is considered temporary, based on management's assessment that the estimated future cash flows together with the credit enhancement levels for those securities remain sufficient to support JPMorgan Chase Bank, N.A.'s investment.

Contractual maturities and yields

The following table presents the amortized cost and estimated fair value at June 30, 2012, of JPMorgan Chase Bank, N.A.'s AFS and HTM securities by contractual maturity.

By remaining maturity June 30, 2012 (in millions)	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years[c]	Total
Available-for-sale debt securities					
Mortgage-backed securities[a]					
Amortized cost	$ –	$ 10,159	$ 8,021	$ 154,790	$ 172,970
Fair value	–	10,221	8,331	160,232	178,784
Average yield[b]	–%	2.15%	2.76%	3.51%	3.40%
U.S. Treasury and government agencies[a]					
Amortized cost	$ 7,149	$ 2,705	$ 1,684	$ –	$ 11,538
Fair value	7,150	2,806	1,692	–	11,648
Average yield[b]	0.32%	2.38%	1.30%	–%	0.94%
Obligations of U.S. states and municipalities					
Amortized cost	$ 501	$ 325	$ 519	$ 14,307	$ 15,652
Fair value	501	354	536	15,304	16,695
Average yield[b]	1.12%	6.43%	5.09%	6.30%	6.09%
Certificates of deposit					
Amortized cost	$ 2,938	$ 51	$ –	$ –	$ 2,989
Fair value	2,940	53	–	–	2,993
Average yield[b]	4.48%	3.28%	–%	–%	4.46%
Non-U.S. government debt securities					
Amortized cost	$ 22,159	$ 17,624	$ 7,815	$ 3,675	$ 51,273
Fair value	22,170	17,761	8,003	3,719	51,653
Average yield[b]	1.22%	2.03%	2.57%	3.09%	1.84%
Corporate debt securities					
Amortized cost	$ 8,298	$ 26,082	$ 11,370	$ 67	$ 45,817
Fair value	8,288	26,024	11,177	73	45,562
Average yield[b]	2.13%	3.26%	4.40%	4.61%	3.34%
Asset-backed securities					
Amortized cost	$ 1	$ 3,683	$ 18,943	$ 15,008	$ 37,635
Fair value	1	3,724	19,162	15,123	38,010
Average yield[b]	2.43%	2.26%	1.96%	2.40%	2.17%
Total available-for-sale debt securities					
Amortized cost	$ 41,046	$ 60,629	$ 48,352	$ 187,847	$ 337,874
Fair value	41,050	60,943	48,901	194,451	345,345
Average yield[b]	1.48%	2.63%	2.78%	3.63%	3.07%
Available-for-sale equity securities					
Amortized cost	$ –	$ –	$ –	$ 388	$ 388
Fair value	–	–	–	405	405
Average yield[b]	–%	–%	–%	0.88%	0.88%
Total available-for-sale securities					
Amortized cost	$ 41,046	$ 60,629	$ 48,352	$ 188,235	$ 338,262
Fair value	41,050	60,943	48,901	194,856	345,750
Average yield[b]	1.48%	2.63%	2.78%	3.62%	3.06%
Total held-to-maturity securities					
Amortized cost	$ –	$ 8	$ 2	$ –	$ 10
Fair value	–	9	2	–	11
Average yield[b]	–%	6.89%	6.55%	–%	6.82%

(a) U.S. government agencies and U.S. government-sponsored enterprises were the only issuers whose securities exceeded 10% of JPMorgan Chase Bank, N.A.'s total stockholder's equity at June 30, 2012.

(b) The average yield is calculated using the effective yield of each security at the end of the period, weighted based on the amortized cost of each security. The effective yield includes the contractual coupon, amortization of premiums and accretion of discounts, and the effect of related hedging derivatives. Taxable-equivalent amounts are used where applicable. The effective yield excludes unscheduled principal prepayments; and accordingly, actual maturities of securities may differ from their contractual or expected maturities as certain securities may be prepaid.

(c) Includes securities with no stated maturity. Substantially all of JPMorgan Chase Bank, N.A.'s residential mortgage-backed securities and collateralized mortgage obligations are due in 10 years or more, based on contractual maturity. The estimated duration, which reflects anticipated future prepayments based on a consensus of dealers in the market, is approximately three years for agency residential mortgage-backed securities, two years for agency residential collateralized mortgage obligations and three years for nonagency residential collateralized mortgage obligations.

Note 13 – Securities financing activities

For a discussion of accounting policies relating to securities financing activities, see Note 14 on page 54 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements. For further information regarding securities borrowed and securities lending agreements for which the fair value option has been elected, see Note 5 on pages 22–24 of these Consolidated Financial Statements.

The following table details JPMorgan Chase Bank, N.A.'s securities financing agreements, all of which are accounted for as collateralized financings during the periods presented.

(in millions)	June 30, 2012	December 31, 2011
Securities purchased under resale agreements[(a)]	$ 185,274	$ 180,171
Securities borrowed[(b)]	62,239	74,533
Securities sold under repurchase agreements[(c)]	$ 157,867	$ 145,662
Securities loaned	29,338	21,099

(a) At June 30, 2012, and December 31, 2011, included resale agreements of $20.2 billion and $21.8 billion, respectively, accounted for at fair value.
(b) At June 30, 2012, and December 31, 2011, included securities borrowed of $11.5 billion and $15.3 billion, respectively, accounted for at fair value.
(c) At June 30, 2012, and December 31, 2011, included repurchase agreements of $8.6 billion and $7.6 billion, respectively, accounted for at fair value.

The amounts reported in the table above were reduced by $73.2 billion and $71.8 billion at June 30, 2012, and December 31, 2011, respectively, as a result of agreements in effect that meet the specified conditions for net presentation under applicable accounting guidance.

For further information regarding assets pledged and collateral received in securities financing agreements, see Note 23 on page 87 of these Consolidated Financial Statements.

Note 14 – Loans

Loan accounting framework

The accounting for a loan depends on management's strategy for the loan, and on whether the loan was credit-impaired at the date of acquisition. JPMorgan Chase Bank, N.A. accounts for loans based on the following categories:

- Originated or purchased loans held-for-investment (i.e., "retained"), other than purchased credit-impaired ("PCI") loans
- Loans held-for-sale
- Loans at fair value
- PCI loans held-for-investment

For a detailed discussion of loans, including accounting policies, see Note 15 on pages 55-75 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements. See Note 5 on pages 22–24 of these Consolidated Financial Statements for further information on JPMorgan Chase Bank, N.A.'s elections of fair value accounting under the fair value option. See Note 4 on pages 10–22 of these Consolidated Financial Statements for further information on loans carried at fair value and classified as trading assets.

Loan portfolio

JPMorgan Chase Bank, N.A.'s loan portfolio is divided into three portfolio segments, which are the same segments used to determine the allowance for loan losses: Wholesale; Consumer, excluding credit card; and Credit card. Within each portfolio segment, JPMorgan Chase Bank, N.A. monitors and assesses the credit risk in the following classes of loans, based on the risk characteristics of each loan class:

Wholesale[a]	**Consumer, excluding credit card**[b]	**Credit card**
• Commercial and industrial • Real estate • Financial institutions • Government agencies • Other	<u>Residential real estate – excluding PCI</u> • Home equity – senior lien • Home equity – junior lien • Prime mortgage, including option ARMs • Subprime mortgage <u>Other consumer loans</u> • Auto[c] • Business banking[c] • Student and other <u>Residential real estate – PCI</u> • Home equity • Prime mortgage • Subprime mortgage • Option ARMs	• Credit card loans

(a) Includes loans reported in the investment banking, commercial banking, treasury and securities services, asset management, and corporate businesses.
(b) Includes loans reported in the retail financial services business, auto and student loans reported in the card services and auto businesses and residential real estate loans reported in the corporate business and the asset management business.
(c) Includes auto and business banking risk-rated loans that apply the wholesale methodology for determining the allowance for loan losses; these loans are managed by the card services and auto business and the retail financial services business, respectively, and therefore, for consistency in presentation, are included with the other consumer loan classes.

The following table summarizes JPMorgan Chase Bank, N.A.'s loan balances by portfolio segment.

	June 30, 2012				December 31, 2011			
(in millions)	Wholesale	Consumer, excluding credit card	Credit card[a]	Total	Wholesale	Consumer, excluding credit card	Credit card[a]	Total
Retained	**$ 297,793**	**$ 283,733**	**$ 28,325**	**$ 609,851** [b]	$ 277,154	$ 290,958	$ 29,016	$ 597,128 [b]
Held-for-sale	**922**	**–**	**18**	**940**	2,524	–	–	2,524
At fair value	**1,033**	**–**	**–**	**1,033**	503	–	–	503
Total	**$ 299,748**	**$ 283,733**	**$ 28,343**	**$ 611,824**	$ 280,181	$ 290,958	$ 29,016	$ 600,155

(a) Includes billed finance charges and fees net of an allowance for uncollectible amounts.
(b) Loans (other than PCI loans and those for which the fair value option has been selected) are presented net of unearned income, unamortized discounts and premiums, and net deferred loan costs of $2.3 billion and $2.2 billion at June 30, 2012, and December 31, 2011, respectively.

The following tables provide information about the carrying value of retained loans purchased, sold and reclassified to held-for-sale during the periods indicated. These tables exclude loans recorded at fair value. On an ongoing basis, JPMorgan Chase Bank, N.A. manages its exposure to credit risk. Selling loans is one way that JPMorgan Chase Bank, N.A. reduces its credit exposures.

Three months ended June 30, (in millions)	2012 Wholesale	2012 Consumer, excluding credit card	2012 Credit card	2012 Total	2011 Wholesale	2011 Consumer, excluding credit card	2011 Credit card	2011 Total
Purchases	**$ 253**	**$ 1,854**	**$ –**	**$ 2,107**	$ 218	$ 1,668	$ –	$ 1,886
Sales	**809**	**985**	**–**	**1,794**	805	401	–	1,206
Retained loans reclassified to held-for-sale	**55**	**–**	**35**	**90**	123	–	–	123

Six months ended June 30, (in millions)	2012 Wholesale	2012 Consumer, excluding credit card	2012 Credit card	2012 Total	2011 Wholesale	2011 Consumer, excluding credit card	2011 Credit card	2011 Total
Purchases	**$ 574**	**$ 3,613**	**$ –**	**$ 4,187**	$ 341	$ 3,660	$ –	$ 4,001
Sales	**1,672**	**1,342**	**–**	**3,014**	1,682	658	–	2,340
Retained loans reclassified to held-for-sale	**117**	**–**	**239**	**356**	297	–	–	297

The following table provides information about gains/(losses) on loan sales by portfolio segment.

(in millions)	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Net gains/(losses) on sales of loans (including lower of cost or fair value adjustments)[(a)]				
Wholesale	**$ 36**	$ 73	**$ 68**	$ 133
Consumer, excluding credit card	**42**	28	**74**	53
Credit card	**(2)**	(1)	**(7)**	(2)
Total net gains/(losses) on sales of loans (including lower of cost or fair value adjustments)	**$ 76**	$ 100	**$ 135**	$ 184

(a) Excludes sales related to loans accounted for at fair value.

Wholesale loan portfolio

Wholesale loans include loans made to a variety of customers from large corporate and institutional clients to certain high-net worth individuals. The primary credit quality indicator for wholesale loans is the risk rating assigned each loan. For further information on these risk ratings, see Notes 15 and 16 on pages 55–79 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

The table below provides information by class of receivable for the retained loans in the Wholesale portfolio segment.

	Commercial and industrial		Real estate	
(in millions, except ratios)	**Jun 30, 2012**	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011
Loans by risk ratings				
Investment-grade	**$ 56,524**	$ 51,382	**$ 38,075**	$ 33,917
Noninvestment-grade:				
Noncriticized	**44,618**	38,214	**15,776**	15,839
Criticized performing[a]	**2,046**	2,234	**3,091**	3,879
Criticized nonaccrual[a]	**767**	881	**759**	873
Total noninvestment-grade	**47,431**	41,329	**19,626**	20,591
Total retained loans	**$ 103,955**	$ 92,711	**$ 57,701**	$ 54,508
% of total criticized to total retained loans[a]	**2.71%**	3.36%	**6.67%**	8.72%
% of nonaccrual loans to total retained loans[a]	**0.74**	0.95	**1.32**	1.60
Loans by geographic distribution[b]				
Total non-U.S.	**$ 33,054**	$ 30,797	**$ 1,749**	$ 1,497
Total U.S.	**70,901**	61,914	**55,952**	53,011
Total retained loans	**$ 103,955**	$ 92,711	**$ 57,701**	$ 54,508
Loan delinquency[c]				
Current and less than 30 days past due and still accruing	**$ 103,043**	$ 91,564	**$ 56,780**	$ 53,224
30–89 days past due and still accruing	**116**	266	**117**	327
90 or more days past due and still accruing[d]	**29**	–	**45**	84
Criticized nonaccrual[a]	**767**	881	**759**	873
Total retained loans	**$ 103,955**	$ 92,711	**$ 57,701**	$ 54,508

(a) Exposures deemed criticized generally represent a ratings profile similar to a rating of "CCC+"/"Caa1" and lower, as defined by S&P and Moody's, respectively, which may differ from criticized exposure as defined by regulatory agencies.
(b) The U.S. and non-U.S. distribution is determined based predominantly on the domicile of the borrower.
(c) The credit quality of wholesale loans is assessed primarily through ongoing review and monitoring of an obligor's ability to meet contractual obligations rather than relying on the past due status, which is generally a lagging indicator of credit quality. For a discussion of more significant risk factors, see Note 15 on page 59 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.
(d) Represents loans that are considered well-collateralized and therefore still accruing interest.
(e) Other primarily includes loans to special-purpose entities ("SPEs") and loans to private banking clients. See Note 1 on pages 6–8 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements for additional information on SPEs.

The following table presents additional information on the real estate class of loans within the Wholesale portfolio segment for the periods indicated. For further information on real estate loans, see Note 15 on pages 55–75 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

	Multifamily		Commercial lessors	
(in millions, except ratios)	**Jun 30, 2012**	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011
Real estate retained loans	**$ 35,225**	$ 32,528	**$ 14,934**	$ 14,295
Criticized exposure[a]	**1,869**	2,450	**1,589**	1,629
% of criticized exposure to total real estate retained loans[a]	**5.31%**	7.53%	**10.64%**	11.40%
Criticized nonaccrual[a]	**$ 346**	$ 412	**$ 301**	$ 278
% of criticized nonaccrual to total real estate retained loans[a]	**0.98%**	1.27%	**2.02%**	1.94%

(a) Exposures deemed criticized generally represent a ratings profile similar to a rating of "CCC+"/"Caa1" and lower, as defined by S&P and Moody's, respectively, which may differ from criticized exposure as defined by regulatory agencies.

(table continued from previous page)

Financial institutions		Government agencies		Other[e]		Total retained loans	
Jun 30, 2012	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011
$ 28,615	$ 28,781	**$ 6,418**	$ 6,261	**$ 81,647**	$ 76,519	**$ 211,279**	$ 196,860
8,689	8,910	**359**	366	**9,586**	7,417	**79,028**	70,746
186	247	**4**	4	**369**	808	**5,696**	7,172
17	36	**12**	16	**235**	570	**1,790**	2,376
8,892	9,193	**375**	386	**10,190**	8,795	**86,514**	80,294
$ 37,507	$ 37,974	**$ 6,793**	$ 6,647	**$ 91,837**	$ 85,314	**$ 297,793**	$ 277,154
0.54%	0.75 %	**0.24%**	0.30%	**0.66%**	1.62%	**2.51%**	3.45%
0.05	0.09	**0.18**	0.24	**0.26**	0.67	**0.60**	0.86
$ 28,670	$ 30,048	**$ 1,090**	$ 582	**$ 38,553**	$ 32,201	**$ 103,116**	$ 95,125
8,837	7,926	**5,703**	6,065	**53,284**	53,113	**194,677**	182,029
$ 37,507	$ 37,974	**$ 6,793**	$ 6,647	**$ 91,837**	$ 85,314	**$ 297,793**	$ 277,154
$ 37,473	$ 37,885	**$ 6,778**	$ 6,608	**$ 90,412**	$ 83,672	**$ 294,486**	$ 272,953
17	51	**3**	23	**1,171**	1,058	**1,424**	1,725
–	2	**–**	–	**19**	14	**93**	100
17	36	**12**	16	**235**	570	**1,790**	2,376
$ 37,507	$ 37,974	**$ 6,793**	$ 6,647	**$ 91,837**	$ 85,314	**$ 297,793**	$ 277,154

(table continued from previous page)

Commercial construction and development		Other		Total real estate loans	
Jun 30, 2012	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011
$ 3,055	$ 3,148	**$ 4,487**	$ 4,537	**$ 57,701**	$ 54,508
196	297	**196**	376	**3,850**	4,752
6.42%	9.43%	**4.37%**	8.29%	**6.67%**	8.72%
$ 22	$ 69	**$ 90**	$ 114	**$ 759**	$ 873
0.72%	2.19%	**2.01%**	2.51%	**1.32%**	1.60%

Wholesale impaired loans and loan modifications

Wholesale impaired loans include loans that have been placed on nonaccrual status and/or that have been modified in a troubled debt restructuring ("TDR"). All impaired loans are evaluated for an asset-specific allowance as described in Note 15 on page 66 of these Consolidated Financial Statements.

The table below provides information about the JPMorgan Chase Bank, N.A.'s wholesale impaired loans.

(in millions)	Commercial and industrial Jun 30, 2012	Commercial and industrial Dec 31, 2011	Real estate Jun 30, 2012	Real estate Dec 31, 2011	Financial institutions Jun 30, 2012	Financial institutions Dec 31, 2011	Government agencies Jun 30, 2012	Government agencies Dec 31, 2011	Other Jun 30, 2012	Other Dec 31, 2011	Total retained loans Jun 30, 2012	Total retained loans Dec 31, 2011
Impaired loans												
With an allowance	**$ 633**	$ 819	**$ 569**	$ 621	**$ 5**	$ 21	**$ 12**	$ 16	**$ 111**	$ 473	**$ 1,330**	$ 1,950
Without an allowance[(a)]	**258**	177	**207**	279	**11**	18	**—**	—	**126**	103	**602**	577
Total impaired loans	**$ 891**	$ 996	**$ 776**	$ 900	**$ 16**	$ 39	**$ 12**	$ 16	**$ 237**	$ 576	**$ 1,932**	$ 2,527
Allowance for loan losses related to impaired loans	**$ 244**	$ 271	**$ 119**	$ 148	**$ 3**	$ 5	**$ 7**	$ 10	**$ 28**	$ 77	**$ 401**	$ 511
Unpaid principal balance of impaired loans[(b)]	**1,549**	1,677	**934**	1,107	**33**	63	**13**	17	**370**	1,007	**2,899**	3,871

(a) When the discounted cash flows, collateral value or market price equals or exceeds the recorded investment in the loan, then the loan does not require an allowance. This typically occurs when the impaired loans have been partially charged-off and/or there have been interest payments received and applied to the loan balance.

(b) Represents the contractual amount of principal owed at June 30, 2012, and December 31, 2011. The unpaid principal balance differs from the impaired loan balances due to various factors, including charge-offs; interest payments received and applied to the carrying value; net deferred loan fees or costs; and unamortized discount or premiums on purchased loans.

The following table presents JPMorgan Chase Bank, N.A.'s average impaired loans for the periods indicated.

(in millions)	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Commercial and industrial	**$ 884**	$ 1,397	**$ 897**	$ 1,454
Real estate	**838**	2,090	**854**	2,412
Financial institutions	**20**	67	**24**	81
Government agencies	**12**	23	**14**	22
Other	**299**	635	**347**	635
Total[(a)]	**$ 2,053**	$ 4,212	**$ 2,136**	$ 4,604

(a) The related interest income on accruing impaired loans and interest income recognized on a cash basis were not material for the three and six months ended June 30, 2012 and 2011.

Loan modifications

Certain loan modifications are considered to be TDRs as they provide various concessions to borrowers who are experiencing financial difficulty. All TDRs are reported as impaired loans in the tables above. For further information, see Note 15 on pages 57 and 62-63 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

The following table provides information about JPMorgan Chase Bank, N.A.'s wholesale loans that have been modified in TDRs as of the dates presented.

	Commercial and industrial		Real estate		Financial institutions		Government agencies		Other		Total retained loans	
(in millions)	**Jun 30, 2012**	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011
Loans modified in TDRs	**$ 464**	$ 531	**$ 121**	$ 176	**$ –**	$ 2	**$ 11**	$ 16	**$ 19**	$ 25	**$ 615**	$ 750
TDRs on nonaccrual status	**341**	415	**88**	128	**–**	–	**11**	16	**18**	19	**458**	578
Additional commitments to lend to borrowers whose loans have been modified in TDRs	**201**	147	**–**	–	**–**	–	**–**	–	**–**	–	**201**	147

TDR activity rollforward

The following tables reconcile the beginning and ending balances of wholesale loans modified in TDRs for the periods presented and provide information regarding the nature and extent of modifications during those periods.

Three months ended June 30, (in millions)	Commercial and industrial		Real estate		Other[b]		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Beginning balance of TDRs	**$ 419**	$ 156	**$ 148**	$ 270	**$ 97**	$ 23	**$ 664**	$ 449
New TDRs	**52**	$ 573	**7**	20	**3**	6	**62**	599
Increases to existing TDRs	**19**	17	**–**	4	**–**	–	**19**	21
Charge-offs post-modification	**(6)**	–	**–**	–	**(7)**	–	**(13)**	–
Sales and other[a]	**(20)**	(63)	**(34)**	(5)	**(63)**	(1)	**(117)**	(69)
Ending balance of TDRs	**$ 464**	$ 683	**$ 121**	$ 289	**$ 30**	$ 28	**$ 615**	$ 1,000

Six months ended June 30, (in millions)	Commercial and industrial		Real estate		Other[b]		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Beginning balance of TDRs	**$ 531**	$ 212	**$ 176**	$ 907	**$ 43**	$ 24	**$ 750**	$ 1,143
New TDRs	**56**	$ 582	**10**	60	**66**	6	**132**	648
Increases to existing TDRs	**20**	19	**–**	4	**–**	–	**20**	23
Charge-offs post-modification	**(15)**	(6)	**(2)**	(142)	**(7)**	–	**(24)**	(148)
Sales and other[a]	**(128)**	(124)	**(63)**	(540)	**(72)**	(2)	**(263)**	(666)
Ending balance of TDRs	**$ 464**	$ 683	**$ 121**	$ 289	**$ 30**	$ 28	**$ 615**	$ 1,000

(a) Sales and other are largely sales and paydowns, but also includes performing loans restructured at market rates that were removed from the reported TDR balance of $17 million and none during the three months ended June 30, 2012 and 2011, respectively, and $40 million and $78 million during the six months ended June 30, 2012 and 2011, respectively.

(b) Includes loans to Financial institutions, Government agencies and Other.

Financial effects of modifications and redefaults

Loans modified as TDRs are typically term or payment extensions and, to a lesser extent, deferrals of principal and/or interest on commercial and industrial and real estate loans. For the three months ended June 30, 2012 and 2011, the average term extension granted on loans with term or payment extensions was 1.3 years and 3.6 years, respectively. The weighted-average remaining term for all loans modified during these periods was 2.8 years and 5.3 years, respectively. For the six months ended June 30, 2012 and 2011, the average term extension granted on loans with term or payment extensions was 1.3 years and 3.5 years, respectively. The weighted-average remaining term for all loans modified during these periods was 3.6 years and 5.1 years, respectively. Wholesale TDR loans that redefaulted within one year of the modification were $30 million and $41 million during the three months ended June 30, 2012 and 2011, respectively, and $76 million and $83 million during the six months ended June 30, 2012 and 2011, respectively. A payment default is deemed to occur when the borrower has not made a loan payment by its scheduled due date after giving effect to any contractual grace period.

Consumer, excluding credit card loan portfolio

Consumer loans, excluding credit card loans, consist primarily of residential mortgages, home equity loans and lines of credit, auto loans, business banking loans, and student and other loans, with a primary focus on serving the prime consumer credit market. The portfolio also includes home equity loans secured by junior liens and mortgage loans with interest-only payment options to predominantly prime borrowers, as well as certain payment-option loans originated by Washington Mutual that may result in negative amortization.

The table below provides information about consumer retained loans by class, excluding the Credit card loan portfolio segment.

(in millions)	Jun 30, 2012	Dec 31, 2011
Residential real estate – excluding PCI		
Home equity:		
Senior lien	**$ 17,814**	$ 18,741
Junior lien	**46,432**	49,952
Mortgages:		
Prime, including option ARMs	**69,582**	69,175
Subprime	**7,806**	8,434
Other consumer loans		
Auto	**48,456**	47,414
Business banking	**18,209**	17,641
Student and other	**12,823**	14,055
Residential real estate – PCI		
Home equity	**21,867**	22,697
Prime mortgage	**14,395**	15,180
Subprime mortgage	**4,784**	4,976
Option ARMs	**21,565**	22,693
Total retained loans	**$ 283,733**	$ 290,958

Delinquency rates are a primary credit quality indicator for consumer loans, excluding credit card. Other indicators that are taken into consideration for consumer loans, excluding credit card, include:

- For residential real estate loans, including both non-PCI and PCI portfolios: The current estimated LTV ratio, or the combined LTV ratio in the case of loans with a junior lien; the geographic distribution of the loan collateral; and the borrowers' current or "refreshed" FICO score.
- For scored auto, scored business banking and student loans: The geographic distribution of the loans.
- For risk-rated business banking and auto loans: The risk rating of the loan; the geographic considerations relevant to the loan; and whether the loan is considered to be criticized and/or nonaccrual.
- For business banking loans: The industry specific conditions relevant to the loans.

For further information on consumer credit quality indicators, see Note 15 on pages 55–75 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

Residential real estate – excluding PCI loans

The following tables provide information by class for residential real estate – excluding PCI retained loans in the Consumer, excluding credit card, portfolio segment.

The following factors should be considered in analyzing certain credit statistics applicable to JPMorgan Chase Bank, N.A.'s residential real estate – excluding PCI loans portfolio: (i) junior lien home equity loans may be fully charged off when the loan becomes 180 days past due, the borrower is either unable or unwilling to repay the loan, and the value of the collateral does not support the repayment of the loan, resulting in relatively high charge-off rates for this product class; and (ii) the lengthening of loss-mitigation timelines may result in higher delinquency rates for loans carried at estimated collateral value that remain on JPMorgan Chase Bank, N.A.'s Consolidated Balance Sheets.

Residential real estate – excluding PCI loans

(in millions, except ratios)	Home equity – Senior lien Jun 30, 2012	Home equity – Senior lien Dec 31, 2011	Home equity – Junior lien Jun 30, 2012	Home equity – Junior lien Dec 31, 2011
Loan delinquency[(a)]				
Current	$ **17,107**	$ 17,977	$ **45,229**	$ 48,469
30–149 days past due	**339**	398	**999**	1,256
150 or more days past due	**368**	366	**204**	227
Total retained loans	$ **17,814**	$ 18,741	$ **46,432**	$ 49,952
% of 30+ days past due to total retained loans	**3.97%**	4.08%	**2.59%**	2.97%
90 or more days past due and still accruing	$ **—**	$ —	$ **—**	$ —
90 or more days past due and government guaranteed[(b)]	**—**	—	**—**	—
Nonaccrual loans	**472**	490	**2,029** [(g)]	782
Current estimated LTV ratios[(c)(d)(e)]				
Greater than 125% and refreshed FICO scores:				
Equal to or greater than 660	$ **240**	$ 334	$ **5,331**	$ 6,461
Less than 660	**115**	160	**1,617**	2,037
101% to 125% and refreshed FICO scores:				
Equal to or greater than 660	**545**	663	**7,174**	8,722
Less than 660	**202**	240	**1,997**	2,509
80% to 100% and refreshed FICO scores:				
Equal to or greater than 660	**1,492**	1,623	**9,363**	9,490
Less than 660	**475**	593	**2,171**	2,552
Less than 80% and refreshed FICO scores:				
Equal to or greater than 660	**12,583**	12,615	**16,272**	15,398
Less than 660	**2,162**	2,513	**2,507**	2,783
U.S. government-guaranteed	**—**	—	**—**	—
Total retained loans	$ **17,814**	$ 18,741	$ **46,432**	$ 49,952
Geographic region				
California	$ **2,527**	$ 2,995	$ **10,653**	$ 12,239
New York	**2,536**	2,381	**9,213**	9,605
Florida	**810**	926	**2,480**	2,890
Illinois	**1,240**	1,095	**3,155**	3,131
Texas	**2,389**	2,858	**1,489**	1,492
New Jersey	**579**	500	**2,710**	2,753
Arizona	**1,090**	1,089	**2,099**	2,340
Washington	**595**	701	**1,577**	1,809
Ohio	**1,418**	1,421	**1,085**	1,062
Michigan	**852**	882	**1,155**	1,276
All other[(f)]	**3,778**	3,893	**10,816**	11,355
Total retained loans	$ **17,814**	$ 18,741	$ **46,432**	$ 49,952

(a) Individual delinquency classifications included mortgage loans insured by U.S. government agencies as follows: current includes $2.8 billion and $3.0 billion; 30–149 days past due includes $2.3 billion and $2.3 billion; and 150 or more days past due includes $10.7 billion and $10.3 billion at June 30, 2012, and December 31, 2011, respectively.

(b) These balances, which are 90 days or more past due but insured by U.S. government agencies, are excluded from nonaccrual loans. In predominately all cases, 100% of the principal balance of the loans is insured and interest is guaranteed at a specified reimbursement rate subject to meeting agreed-upon servicing guidelines. These amounts are excluded from nonaccrual loans because reimbursement of insured and guaranteed amounts is proceeding normally. At June 30, 2012, and December 31, 2011, these balances included $7.5 billion and $7.0 billion, respectively, of loans that are no longer accruing interest because interest has been curtailed by the U.S. government agencies although, in predominantly all cases, 100% of the principal is still insured. For the remaining balance, interest is being accrued at the guaranteed reimbursement rate.

(c) Represents the aggregate unpaid principal balance of loans divided by the estimated current property value. Current property values are estimated, at a minimum, quarterly, based on home valuation models using nationally recognized home price index valuation estimates incorporating actual data to the extent available and forecasted data where actual data is not available. These property values do not represent actual appraised loan level collateral values; as such, the resulting ratios are necessarily imprecise and should be viewed as estimates.

(d) Junior lien represents combined LTV, which considers all available lien positions related to the property. All other products are presented without consideration of subordinate liens on the property.

(e) Refreshed FICO scores represent each borrower's most recent credit score, which is obtained by JPMorgan Chase Bank, N.A. at least on a quarterly basis.

(f) At June 30, 2012, and December 31, 2011, included mortgage loans insured by U.S. government agencies of $15.8 billion and $15.6 billion, respectively.

(g) Includes $1.4 billion of performing junior liens at June 30, 2012, that are subordinate to senior liens that are 90 days or more past due; such junior liens are now being reported as nonaccrual loans based upon regulatory guidance issued in the first quarter of 2012. Of the total, $1.3 billion were current at June 30, 2012. Prior periods have not been restated.

(h) At June 30, 2012, and December 31, 2011, excluded mortgage loans insured by U.S. government agencies of $13.0 billion and $12.6 billion, respectively. These amounts were excluded as reimbursement of insured amounts is proceeding normally.

(table continued from previous page)

Mortgages					
Prime, including option ARMs		Subprime		Total residential real estate – excluding PCI	
Jun 30, 2012	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011
$ 53,702	$ 53,331	**$ 6,213**	$ 6,520	**$ 122,251**	$ 126,297
3,034	3,273	**623**	744	**4,995**	5,671
12,846	12,571	**970**	1,170	**14,388**	14,334
$ 69,582	$ 69,175	**$ 7,806**	$ 8,434	**$ 141,634**	$ 146,302
4.11% (h)	4.76% (h)	**20.41%**	22.69%	**4.49%** (h)	5.09% (h)
$ –	$ –	**$ –**	$ –	**$ –**	$ –
11,934	11,509	**–**	–	**11,934**	11,509
2,736	2,496	**1,434**	1,660	**6,671**	5,428
$ 2,689	$ 3,113	**$ 283**	$ 361	**$ 8,543**	$ 10,269
1,164	1,391	**784**	1,048	**3,680**	4,636
3,945	4,182	**422**	488	**12,086**	14,055
1,461	1,491	**1,037**	1,259	**4,697**	5,499
7,464	7,934	**666**	740	**18,985**	19,787
2,102	1,941	**1,262**	1,447	**6,010**	6,533
31,062	30,165	**1,542**	1,395	**61,459**	59,573
3,865	3,403	**1,810**	1,696	**10,344**	10,395
15,830	15,555	**–**	–	**15,830**	15,555
$ 69,582	$ 69,175	**$ 7,806**	$ 8,434	**$ 141,634**	$ 146,302
$ 15,717	$ 14,960	**$ 1,186**	$ 1,188	**$ 30,083**	$ 31,382
9,539	9,309	**996**	1,083	**22,284**	22,378
3,996	4,089	**974**	1,051	**8,260**	8,956
3,443	3,670	**317**	356	**8,155**	8,252
2,587	2,703	**239**	294	**6,704**	7,347
1,835	1,797	**372**	400	**5,496**	5,450
1,024	1,100	**158**	186	**4,371**	4,715
1,613	1,485	**168**	186	**3,953**	4,181
379	421	**187**	197	**3,069**	3,101
791	878	**198**	198	**2,996**	3,234
28,658	28,763	**3,011**	3,295	**46,263**	47,306
$ 69,582	$ 69,175	**$ 7,806**	$ 8,434	**$ 141,634**	$ 146,302

The following table represents JPMorgan Chase Bank, N.A.'s delinquency statistics for junior lien home equity loans and lines as of June 30, 2012, and December 31, 2011.

June 30, 2012 (in millions, except ratios)	Delinquencies: 30–89 days past due	Delinquencies: 90–149 days past due	Delinquencies: 150+ days past due	Total loans	Total 30+ day delinquency rate
HELOCs:[(a)]					
Within the revolving period[(b)]	**$ 495**	**$ 236**	**$ 163**	**$ 39,063**	**2.29%**
Within the required amortization period	**40**	**14**	**19**	**1,813**	**4.03**
HELOANs	**144**	**70**	**23**	**5,556**	**4.27**
Total	**$ 679**	**$ 320**	**$ 205**	**$ 46,432**	**2.59%**

December 31, 2011 (in millions, except ratios)	Delinquencies: 30–89 days past due	Delinquencies: 90–149 days past due	Delinquencies: 150+ days past due	Total loans	Total 30+ day delinquency rate
HELOCs:[(a)]					
Within the revolving period[(b)]	$ 597	$ 308	$ 169	$ 42,089	2.55%
Within the required amortization period	45	19	16	1,568	5.10
HELOANs	188	99	42	6,295	5.23
Total	$ 830	$ 426	$ 227	$ 49,952	2.97%

(a) In general, HELOCs are revolving loans for a 10-year period, after which time the HELOC converts to a loan with a 20-year amortization period.
(b) JPMorgan Chase Bank, N.A. manages the risk of HELOCs during their revolving period by closing or reducing the undrawn line to the extent permitted by law when borrowers are experiencing financial difficulty or when the collateral does not support the loan amount.

Home equity lines of credit ("HELOCs") within the required amortization period and home equity loans ("HELOANs") have higher delinquency rates than do HELOCs within the revolving period. That is primarily because the fully-amortizing payment required for those products is higher than the minimum payment options available for HELOCs within the revolving period. The higher delinquency rates associated with amortizing HELOCs and HELOANs are factored into the loss estimates produced by JPMorgan Chase Bank, N.A.'s delinquency roll-rate methodology, which estimates defaults based on the current delinquency status of a portfolio.

Impaired loans

The table below sets forth information about JPMorgan Chase Bank, N.A.'s residential real estate impaired loans, excluding PCI loans. These loans are considered to be impaired as they have been modified in a TDR. All impaired loans are evaluated for an asset-specific allowance as described in Note 15 on page 66 of these Consolidated Financial Statements.

	Home equity				Mortgages				Total residential real estate – excluding PCI	
	Senior lien		Junior lien		Prime, including option ARMs		Subprime			
(in millions)	**Jun 30, 2012**	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011
Impaired loans										
With an allowance	**$ 542**	$ 318	**$ 681**	$ 621	**$ 4,623**	$ 3,512	**$ 3,154**	$ 2,915	**$ 9,000**	$ 7,366
Without an allowance[(a)]	**17**	16	**78**	35	**487**	485	**179**	163	**761**	699
Total impaired loans[(b)]	**$ 559**	$ 334	**$ 759**	$ 656	**$ 5,110**	$ 3,997	**$ 3,333**	$ 3,078	**$ 9,761**	$ 8,065
Allowance for loan losses related to impaired loans	**$ 190**	$ 80	**$ 188**	$ 141	**$ 107**	$ –	**$ 253**	$ 344	**$ 738**	$ 565
Unpaid principal balance of impaired loans[(c)]	**683**	432	**1,187**	992	**6,523**	5,205	**4,909**	4,639	**13,302**	11,268
Impaired loans on nonaccrual status	**76**	77	**147**	159	**867**	799	**749**	793	**1,839**	1,828

(a) Represents collateral-dependent residential mortgage loans that are charged off to the fair value of the underlying collateral less cost to sell.
(b) At June 30, 2012, and December 31, 2011, $5.4 billion and $4.3 billion, respectively, of loans modified subsequent to repurchase from Government National Mortgage Association ("Ginnie Mae") in accordance with the standards of the appropriate government agency (i.e., Federal Housing Administration ("FHA"), U.S. Department of Veterans Affairs ("VA"), Rural Housing Services ("RHS")) were excluded from loans accounted for as TDRs. When such loans perform subsequent to modification in accordance with Ginnie Mae guidelines, they are generally sold back into Ginnie Mae loan pools. Modified loans that do not re-perform become subject to foreclosure.
(c) Represents the contractual amount of principal owed at June 30, 2012, and December 31, 2011. The unpaid principal balance differs from the impaired loan balances due to various factors, including charge-offs, net deferred loan fees or costs; and unamortized discounts or premiums on purchased loans.

The following table presents average impaired loans and the related interest income reported by JPMorgan Chase Bank, N.A.

Three months ended June 30,	Average impaired loans		Interest income on impaired loans[(a)]		Interest income on impaired loans on a cash basis[(a)]	
(in millions)	**2012**	2011	**2012**	2011	**2012**	2011
Home equity						
Senior lien	**$ 389**	$ 274	**$ 4**	$ 2	**$ –**	$ 1
Junior lien	**732**	489	**7**	4	**1**	1
Mortgages						
Prime, including option ARMs	**4,544**	2,928	**46**	28	**5**	2
Subprime	**3,246**	2,928	**43**	35	**6**	3
Total residential real estate – excluding PCI	**$ 8,911**	$ 6,619	**$ 100**	$ 69	**$ 12**	$ 7

Six months ended June 30,	Average impaired loans		Interest income on impaired loans[(a)]		Interest income on impaired loans on a cash basis[(a)]	
(in millions)	**2012**	2011	**2012**	2011	**2012**	2011
Home equity						
Senior lien	**$ 362**	$ 259	**$ 7**	$ 5	**$ 1**	$ 1
Junior lien	**708**	425	**13**	8	**2**	1
Mortgages						
Prime, including option ARMs	**4,306**	2,618	**88**	52	**9**	5
Subprime	**3,159**	2,850	**83**	69	**10**	6
Total residential real estate – excluding PCI	**$ 8,535**	$ 6,152	**$ 191**	$ 134	**$ 22**	$ 13

(a) Generally, interest income on loans modified in TDRs is recognized on a cash basis until such time as the borrower has made a minimum of six payments under the new terms. As of June 30, 2012 and 2011, $801 million and $844 million, respectively, were loans on which the borrowers had not yet made six payments under their modified terms and other TDRs placed on nonaccrual status under regulatory guidance.

Loan modifications

In accordance with the terms of the global settlement, which became effective on April 5, 2012, JPMorgan Chase expects to provide approximately $500 million of refinancing relief to certain “underwater” borrowers under the Refi Program and approximately $3.7 billion of additional relief for certain borrowers under the Consumer Relief Program, including reductions of principal on first and second liens.

The purpose of the Refi Program is to allow eligible borrowers who are current on their mortgage loans to refinance their existing loans; such borrowers are otherwise unable to do so because they have no equity or, in many cases, negative equity in their homes. Under the Refi Program, the interest rate on each loan that is refinanced may be reduced either for the remaining life of the loan or for five years. JPMorgan Chase has determined that it will reduce the interest rates on loans that it refinances under the Refi Program for the remaining lives of those loans. Most of the refinancings are not expected to result in term extensions and so, in that regard, are more similar to loan modifications than to traditional refinancings. A significant portion of the refinancings expected to be performed under the Refi Program had been finalized as of June 30, 2012.

JPMorgan Chase Bank, N.A. continues to modify first and second lien loans under the Consumer Relief Program. These loan modifications are primarily expected to be executed under the terms of either the U.S. Treasury’s Making Home Affordable (“MHA”) programs (e.g., the Home Affordable Modification Program (“HAMP”), the Second Lien Modification Program (“2MP”)) or one of JPMorgan Chase Bank, N.A.’s proprietary modification programs. For further information on the global settlement, see Business changes and developments in Note 3 on pages 9–10 and Mortgage Foreclosure Investigations and Litigation in Note 24 on page 94 of these Consolidated Financial Statements.

Modifications of residential real estate loans, excluding PCI loans, are generally accounted for and reported as TDRs. There were no additional commitments to lend to borrowers whose residential real estate loans, excluding PCI loans, have been modified in TDRs. For further information, see Note 15 on pages 57 and 67–69 of JPMorgan Chase Bank, N.A.’s 2011 Annual Financial Statements.

TDR activity rollforward

The following tables reconcile the beginning and ending balances of residential real estate loans, excluding PCI loans, modified in TDRs for the periods presented.

Three months ended June 30, (in millions)	Home equity – Senior lien 2012	Home equity – Senior lien 2011	Home equity – Junior lien 2012	Home equity – Junior lien 2011	Mortgages – Prime, including option ARMs 2012	Mortgages – Prime, including option ARMs 2011	Mortgages – Subprime 2012	Mortgages – Subprime 2011	Total residential real estate – (excluding PCI) 2012	Total residential real estate – (excluding PCI) 2011
Beginning balance of TDRs	**$ 337**	$ 257	**$ 704**	$ 424	**$ 4,132**	$ 2,735	**$ 3,081**	$ 2,879	**$ 8,254**	$ 6,295
New TDRs[a]	**231**	46	**92**	151	**1,094**	470	**352**	215	**1,769**	882
Charge-offs post-modification[b]	**(3)**	(4)	**(7)**	(25)	**(22)**	(30)	**(42)**	(51)	**(74)**	(110)
Foreclosures and other liquidations	**—**	—	**(2)**	(2)	**(27)**	(25)	**(23)**	(18)	**(52)**	(45)
Principal payments and other	**(6)**	(3)	**(28)**	(11)	**(67)**	(50)	**(35)**	(24)	**(136)**	(88)
Ending balance of TDRs	**$ 559**	$ 296	**$ 759**	$ 537	**$ 5,110**	$ 3,100	**$ 3,333**	$ 3,001	**$ 9,761**	$ 6,934
Permanent modifications	**$ 527**	$ 260	**$ 753**	$ 516	**$ 4,863**	$ 2,792	**$ 3,204**	$ 2,742	**$ 9,347**	$ 6,310
Trial modifications	**$ 32**	$ 36	**$ 6**	$ 21	**$ 247**	$ 308	**$ 129**	$ 259	**$ 414**	$ 624

Six months ended June 30, (in millions)	Home equity – Senior lien 2012	Home equity – Senior lien 2011	Home equity – Junior lien 2012	Home equity – Junior lien 2011	Mortgages – Prime, including option ARMs 2012	Mortgages – Prime, including option ARMs 2011	Mortgages – Subprime 2012	Mortgages – Subprime 2011	Total residential real estate – (excluding PCI) 2012	Total residential real estate – (excluding PCI) 2011
Beginning balance of TDRs	**$ 334**	$ 226	**$ 656**	$ 283	**$ 3,997**	$ 1,944	**$ 3,078**	$ 2,668	**$ 8,065**	$ 5,121
New TDRs[a]	**243**	83	**188**	318	**1,354**	1,331	**466**	527	**2,251**	2,259
Charge-offs post-modification[b]	**(8)**	(7)	**(24)**	(39)	**(54)**	(51)	**(90)**	(114)	**(176)**	(211)
Foreclosures and other liquidations	**—**	—	**(5)**	(5)	**(53)**	(41)	**(61)**	(36)	**(119)**	(82)
Principal payments and other	**(10)**	(6)	**(56)**	(20)	**(134)**	(83)	**(60)**	(44)	**(260)**	(153)
Ending balance of TDRs	**$ 559**	$ 296	**$ 759**	$ 537	**$ 5,110**	$ 3,100	**$ 3,333**	$ 3,001	**$ 9,761**	$ 6,934
Permanent modifications	**$ 527**	$ 260	**$ 753**	$ 516	**$ 4,863**	$ 2,792	**$ 3,204**	$ 2,742	**$ 9,347**	$ 6,310
Trial modifications	**$ 32**	$ 36	**$ 6**	$ 21	**$ 247**	$ 308	**$ 129**	$ 259	**$ 414**	$ 624

(a) Any permanent modification of a loan previously reported as a new TDR as the result of a trial modification is not also reported as a new TDR.
(b) Includes charge-offs on unsuccessful trial modifications.

Nature and extent of modifications

MHA, as well as JPMorgan Chase Bank, N.A.'s proprietary modification programs, generally provide various concessions to financially troubled borrowers including, but not limited to, interest rate reductions, term or payment extensions and deferral of principal and/or interest payments that would otherwise have been required under the terms of the original agreement.

The following tables provide information about how residential real estate loans, excluding PCI loans, were modified during the periods presented.

	Home equity				Mortgages				Total residential real estate - (excluding PCI)	
	Senior lien		Junior lien		Prime, including option ARMs		Subprime			
Three months ended June 30,	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Number of loans approved for a trial modification, but not permanently modified	**180**	66	**160**	58	**572**	76	**553**	158	**1,465**	358
Number of loans permanently modified	**2,465**	342	**2,035**	2,550	**3,418**	1,250	**4,565**	1,193	**12,483**	5,335
Concession granted:[(a)]										
Interest rate reduction	**87%**	78%	**86%**	95%	**87%**	61%	**67%**	81%	**79%**	82%
Term or payment extension	**33**	80	**84**	80	**62**	68	**35**	73	**50**	75
Principal and/or interest deferred	**3**	4	**16**	20	**15**	24	**6**	19	**9**	19
Principal forgiveness	**3**	10	**11**	26	**15**	4	**39**	14	**21**	17
Other[(b)]	**2**	36	**6**	9	**42**	56	**6**	30	**15**	27

	Home equity				Mortgages				Total residential real estate - (excluding PCI)	
	Senior lien		Junior lien		Prime, including option ARMs		Subprime			
Six months ended June 30,	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Number of loans approved for a trial modification, but not permanently modified	**242**	151	**300**	132	**796**	184	**763**	394	**2,101**	861
Number of loans permanently modified	**2,694**	523	**3,836**	5,239	**4,284**	3,644	**5,691**	1,867	**16,505**	11,273
Concession granted:[(a)]										
Interest rate reduction	**85%**	77%	**90%**	96%	**84%**	40%	**70%**	83%	**81%**	75%
Term or payment extension	**40**	80	**76**	81	**65**	63	**41**	72	**55**	74
Principal and/or interest deferred	**4**	5	**18**	20	**19**	15	**7**	18	**12**	17
Principal forgiveness	**5**	8	**9**	23	**17**	2	**37**	10	**20**	13
Other[(b)]	**2**	38	**5**	9	**36**	71	**6**	30	**13**	34

(a) As a percentage of the number of loans modified. The sum of the percentages exceeds 100% because predominantly all of the modifications include more than one type of concession.
(b) Represents variable interest rate to fixed interest rate modifications.

Financial effects of modifications and redefaults

The following tables provide information about the financial effects of the various concessions granted in modifications of residential real estate loans, excluding PCI, and also about redefaults of certain loans modified in TDRs for the periods presented.

Three months ended June 30, (in millions, except weighted-average data and number of loans)	Home equity				Mortgages				Total residential real estate – (excluding PCI)	
	Senior lien		Junior lien		Prime, including option ARMs		Subprime			
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Weighted-average interest rate of loans with interest rate reductions – before TDR	**7.27%**	7.29%	**5.65%**	5.55%	**6.28%**	6.28%	**7.64%**	8.33%	**6.70%**	6.77%
Weighted-average interest rate of loans with interest rate reductions – after TDR	**4.87**	3.74	**1.98**	1.52	**4.01**	2.90	**4.46**	3.61	**4.09**	2.86
Weighted-average remaining contractual term (in years) of loans with term or payment extensions – before TDR	**19**	17	**21**	20	**25**	25	**24**	24	**24**	23
Weighted-average remaining contractual term (in years) of loans with term or payment extensions – after TDR	**30**	31	**32**	35	**35**	36	**32**	36	**34**	36
Charge-offs recognized upon permanent modification	**$ 1**	$ —	**$ 6**	$ 39	**$ 8**	$ 13	**$ 6**	$ 5	**$ 21**	$ 57
Principal deferred	**2**	1	**7**	11	**54**	30	**19**	14	**82**	56
Principal forgiven	**2**	1	**7**	25	**62**	4	**137**	11	**208**	41
Number of loans that redefaulted within one year of permanent modification[(a)]	**84**	45	**353**	205	**216**	247	**414**	441	**1,067**	938
Balance of loans that redefaulted within one year of permanent modification[(a)]	**$ 6**	$ 3	**$ 12**	$ 11	**$ 66**	$ 66	**$ 45**	$ 68	**$ 129**	$ 148

Six months ended June 30, (in millions, except weighted-average data and number of loans)	Home equity				Mortgages				Total residential real estate – (excluding PCI)	
	Senior lien		Junior lien		Prime, including option ARMs		Subprime			
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Weighted-average interest rate of loans with interest rate reductions – before TDR	**7.24%**	7.34%	**5.64%**	5.47%	**6.21%**	6.21%	**7.83%**	8.32%	**6.68%**	6.65%
Weighted-average interest rate of loans with interest rate reductions – after TDR	**4.74**	3.62	**1.83**	1.44	**3.72**	2.87	**4.29**	3.65	**3.79**	2.78
Weighted-average remaining contractual term (in years) of loans with term or payment extensions – before TDR	**20**	17	**21**	21	**25**	25	**24**	24	**24**	24
Weighted-average remaining contractual term (in years) of loans with term or payment extensions – after TDR	**30**	30	**32**	35	**35**	34	**32**	36	**34**	34
Charge-offs recognized upon permanent modification	**$ 2**	$ —	**$ 12**	$ 74	**$ 21**	$ 24	**$ 11**	$ 8	**$ 46**	$ 106
Principal deferred	**3**	1	**15**	20	**93**	53	**29**	25	**140**	99
Principal forgiven	**5**	1	**11**	44	**88**	5	**173**	14	**277**	64
Number of loans that redefaulted within one year of permanent modification[(a)]	**140**	83	**720**	369	**404**	522	**685**	1,009	**1,949**	1,983
Balance of loans that redefaulted within one year of permanent modification[(a)]	**$ 11**	$ 7	**$ 26**	$ 17	**$ 112**	$ 142	**$ 76**	$ 157	**$ 225**	$ 323

(a) Represents loans permanently modified in TDRs that experienced a payment default in the period presented, and for which the payment default occurred within one year of the modification. The dollar amounts presented represent the balance of such loans at the end of the reporting period in which they defaulted. For residential real estate loans modified in TDRs, payment default is deemed to occur when the loan becomes two contractual payments past due. In the event that a modified loan redefaults, it is probable that the loan will ultimately be liquidated through foreclosure or another similar type of liquidation transaction. Redefaults of loans modified within the last 12 months may not be representative of ultimate redefault levels.

Approximately 85% of the trial modifications approved on or after July 1, 2010 (the approximate date on which substantial revisions were made to the HAMP program), that are seasoned more than six months have been successfully converted to permanent modifications.

The primary performance indicator for TDRs is the rate at which modified loans redefault. At June 30, 2012, the cumulative redefault rates of residential real estate loans, excluding PCI loans, based upon permanent modifications completed after October 1, 2009 that are seasoned more than six months are 21% for senior lien home equity, 16% for junior lien home equity, 15% for prime mortgages including option ARMs, and 26% for subprime mortgages.

At June 30, 2012, the weighted-average estimated remaining lives of residential real estate loans, excluding PCI loans, permanently modified in TDRs were 5.6 years for senior lien home equity, 6.7 years for junior lien home equity, 9.1 years for prime mortgage, including option ARMs and 7.2 years for subprime mortgage. The estimated remaining lives of these loans reflect estimated prepayments, both voluntary and involuntary (i.e., foreclosures and other forced liquidations).

Other consumer loans

The tables below provide information for other consumer retained loan classes, including auto, business banking and student loans.

	Auto		Business banking		Student and other		Total other consumer	
(in millions, except ratios)	**Jun 30, 2012**	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011
Loan delinquency[(a)]								
Current	**$ 48,022**	$ 46,879	**$ 17,766**	$ 17,162	**$ 11,646**	$ 12,817	**$ 77,434**	$ 76,858
30–119 days past due	**429**	528	**273**	326	**707**	777	**1,409**	1,631
120 or more days past due	**5**	7	**170**	153	**470**	461	**645**	621
Total retained loans	**$ 48,456**	$ 47,414	**$ 18,209**	$ 17,641	**$ 12,823**	$ 14,055	**$ 79,488**	$ 79,110
% of 30+ days past due to total retained loans	**0.90%**	1.13%	**2.43%**	2.72%	**1.92%** (d)	1.77% (d)	**1.41%** (d)	1.60% (d)
90 or more days past due and still accruing [(b)]	**$ –**	$ –	**$ –**	$ –	**$ 547**	$ 551	**$ 547**	$ 551
Nonaccrual loans	**101**	118	**587**	694	**82**	69	**770**	881
Geographic region								
California	**$ 4,744**	$ 4,413	**$ 1,621**	$ 1,342	**$ 1,167**	$ 1,253	**$ 7,532**	$ 7,008
New York	**3,706**	3,614	**2,806**	2,792	**1,275**	1,372	**7,787**	7,778
Florida	**1,951**	1,881	**436**	313	**588**	655	**2,975**	2,849
Illinois	**2,559**	2,495	**1,398**	1,364	**782**	848	**4,739**	4,707
Texas	**4,563**	4,465	**2,716**	2,673	**916**	1,040	**8,195**	8,178
New Jersey	**1,887**	1,829	**375**	376	**431**	459	**2,693**	2,664
Arizona	**1,596**	1,494	**1,141**	1,165	**283**	311	**3,020**	2,970
Washington	**765**	735	**190**	160	**233**	247	**1,188**	1,142
Ohio	**2,591**	2,633	**1,468**	1,541	**817**	876	**4,876**	5,050
Michigan	**2,166**	2,282	**1,387**	1,389	**580**	633	**4,133**	4,304
All other	**21,928**	21,573	**4,671**	4,526	**5,751**	6,361	**32,350**	32,460
Total retained loans	**$ 48,456**	$ 47,414	**$ 18,209**	$ 17,641	**$ 12,823**	$ 14,055	**$ 79,488**	$ 79,110
Loans by risk ratings[(c)]								
Noncriticized	**$ 7,734**	$ 6,763	**$ 12,539**	$ 11,740	**NA**	NA	**$ 20,273**	$ 18,503
Criticized performing	**172**	166	**727**	817	**NA**	NA	**899**	983
Criticized nonaccrual	**4**	3	**456**	524	**NA**	NA	**460**	527

(a) Loans insured by U.S. government agencies under the Federal Family Education Loan Program ("FFELP") are included in the delinquency classifications presented based on their payment status.

(b) These amounts represent student loans, which are insured by U.S. government agencies under the FFELP. These amounts were accruing as reimbursement of insured amounts is proceeding normally.

(c) For risk-rated business banking and auto loans, the primary credit quality indicator is the risk rating of the loan, including whether the loans are considered to be criticized and/or nonaccrual.

(d) June 30, 2012, and December 31, 2011, excluded loans 30 days or more past due and still accruing, which are insured by U.S. government agencies under the FFELP, of $931 million and $989 million, respectively. These amounts were excluded as reimbursement of insured amounts is proceeding normally.

Other consumer impaired loans and loan modifications

The tables below set forth information about JPMorgan Chase Bank, N.A.'s other consumer impaired loans, including risk-rated business banking and auto loans that have been placed on nonaccrual status, and loans that have been modified in TDRs.

(in millions)	Auto		Business banking		Total other consumer[(c)]	
	Jun 30, 2012	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011
Impaired loans						
With an allowance	**$ 86**	$ 88	**$ 630**	$ 713	**$ 716**	$ 801
Without an allowance[(a)]	**—**	3	**—**	—	**—**	3
Total impaired loans	**$ 86**	$ 91	**$ 630**	$ 713	**$ 716**	$ 804
Allowance for loan losses related to impaired loans	**$ 13**	$ 12	**$ 177**	$ 225	**$ 190**	$ 237
Unpaid principal balance of impaired loans[(b)]	**121**	126	**728**	822	**849**	948
Impaired loans on nonaccrual status	**39**	41	**473**	551	**512**	592

(a) When discounted cash flows, collateral value or market price equals or exceeds the recorded investment in the loan, then the loan does not require an allowance. This typically occurs when the impaired loans have been partially charged off and/or there have been interest payments received and applied to the loan balance.
(b) Represents the contractual amount of principal owed at June 30, 2012, and December 31, 2011. The unpaid principal balance differs from the impaired loan balances due to various factors, including charge-offs; interest payments received and applied to the principal balance; net deferred loan fees or costs; and unamortized discounts or premiums on purchased loans.
(c) There were no impaired student and other loans at June 30, 2012, and December 31, 2011.

The following table presents average impaired loans for the periods presented.

(in millions)	Average impaired loans[(b)] Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
Auto	**$ 88**	$ 92	**$ 90**	$ 95
Business banking	**646**	764	**667**	768
Total other consumer[(a)]	**$ 734**	$ 856	**$ 757**	$ 863

(a) There were no impaired student and other loans for the three or six months ended June 30, 2012 and 2011.
(b) The related interest income on impaired loans, including those on a cash basis, was not material for the three or six months ended June 30, 2012 and 2011.

Loan modifications

The following table provides information about JPMorgan Chase Bank, N.A.'s other consumer loans modified in TDRs. All of these TDRs are reported as impaired loans in the tables above.

(in millions)	Auto		Business banking		Total other consumer[(c)]	
	Jun 30, 2012	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011
Loans modified in troubled debt restructurings[(a)(b)]	**$ 86**	$ 88	**$ 366**	$ 415	**$ 452**	$ 503
TDRs on nonaccrual status	**39**	38	**209**	253	**248**	291

(a) These modifications generally provided interest rate concessions to the borrower or deferral of principal repayments.
(b) Additional commitments to lend to borrowers whose loans have been modified in TDRs as of June 30, 2012, and December 31, 2011, were immaterial.
(c) There were no student and other loans modified in TDRs at June 30, 2012, and December 31, 2011.

TDR activity rollforward

The following tables reconcile the beginning and ending balances of other consumer loans modified in TDRs for the periods presented.

Three months ended June 30, (in millions)	Auto		Business banking		Total other consumer	
	2012	2011	**2012**	2011	**2012**	2011
Beginning balance of TDRs	**$ 91**	$ 90	**$ 378**	$ 408	**$ 469**	$ 498
New TDRs	**10**	12	**21**	62	**31**	74
Charge-offs	**(2)**	(1)	**(2)**	(1)	**(4)**	(2)
Foreclosures and other liquidations	**–**	–	**–**	(2)	**–**	(2)
Principal payments and other	**(13)**	(13)	**(31)**	(38)	**(44)**	(51)
Ending balance of TDRs	**$ 86**	$ 88	**$ 366**	$ 429	**$ 452**	$ 517

Six months ended June 30, (in millions)	Auto		Business banking		Total other consumer	
	2012	2011	**2012**	2011	**2012**	2011
Beginning balance of TDRs	**$ 88**	$ 91	**$ 415**	$ 395	**$ 503**	$ 486
New TDRs	**27**	25	**34**	118	**61**	143
Charge-offs	**(4)**	(3)	**(5)**	(2)	**(9)**	(5)
Foreclosures and other liquidations	**–**	–	**–**	(2)	**–**	(2)
Principal payments and other	**(25)**	(25)	**(78)**	(80)	**(103)**	(105)
Ending balance of TDRs	**$ 86**	$ 88	**$ 366**	$ 429	**$ 452**	$ 517

Financial effects of modifications and redefaults

For auto loans, TDRs typically occur in connection with the bankruptcy of the borrower. In these cases, the loan is modified with a revised repayment plan that typically incorporates interest rate reductions and, to a lesser extent, principal forgiveness.

For business banking loans, concessions are dependent on individual borrower circumstances and can be of a short-term nature for borrowers who need temporary relief or longer term for borrowers experiencing more fundamental financial difficulties. Concessions are predominantly term or payment extensions, but also may include interest rate reductions.

The balance of business banking loans modified in TDRs that experienced a payment default, and for which the payment default occurred within one year of the modification, was $14 million and $21 million, during the three months ended June 30, 2012 and 2011, respectively, and $25 million and $45 million, during the six months ended June 30, 2012 and 2011, respectively; the corresponding balance of redefaulted auto loans modified in TDRs was insignificant. A payment default is deemed to occur as follows: (1) for scored auto and business banking loans, when the loan is two payments past due; and (2) for risk-rated business banking loans and auto loans, when the borrower has not made a loan payment by its scheduled due date after giving effect to the contractual grace period, if any.

The following table provides information about the financial effects of the various concessions granted in modifications of other consumer loans for the periods presented.

	Three months ended June 30,				Six months ended June 30,			
	Auto		Business banking		Auto		Business banking	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Weighted-average interest rate of loans with interest rate reductions – before TDR	**12.55%**	11.61%	**8.24%**	7.45%	**10.99%**	11.65%	**8.14%**	7.40%
Weighted-average interest rate of loans with interest rate reductions – after TDR	**5.10**	5.86	**6.03**	5.62	**4.71**	5.71	**6.07**	5.59
Weighted-average remaining contractual term (in years) of loans with term or payment extensions – before TDR	**NM**	NM	**0.7**	1.7	**NM**	NM	**1.0**	1.6
Weighted-average remaining contractual term (in years) of loans with term or payment extensions – after TDR	**NM**	NM	**1.9**	2.5	**NM**	NM	**2.5**	2.7

Purchased credit-impaired loans

For a detailed discussion of PCI loans, including the related accounting policies, see Note 15 on pages 55–75 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

Residential real estate – PCI loans

The table below sets forth information about JPMorgan Chase Bank, N.A.'s consumer, excluding credit card, PCI loans.

	Home equity		Prime mortgage		Subprime mortgage		Option ARMs		Total PCI	
(in millions, except ratios)	**Jun 30, 2012**	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011	**Jun 30, 2012**	Dec 31, 2011
Carrying value[(a)]	**$21,867**	$22,697	**$14,395**	$15,180	**$ 4,784**	$ 4,976	**$21,565**	$22,693	**$62,611**	$65,546
Related allowance for loan losses[(b)]	**1,908**	1,908	**1,929**	1,929	**380**	380	**1,494**	1,494	**5,711**	5,711
Loan delinquency (based on unpaid principal balance)										
Current	**$21,518**	$22,682	**$11,620**	$12,148	**$ 4,366**	$ 4,388	**$17,260**	$17,919	**$54,764**	$57,137
30–149 days past due	**858**	1,130	**758**	912	**629**	782	**1,207**	1,467	**3,452**	4,291
150 or more days past due	**1,282**	1,252	**2,556**	3,000	**1,774**	2,059	**5,829**	6,753	**11,441**	13,064
Total loans	**$23,658**	$25,064	**$14,934**	$16,060	**$ 6,769**	$ 7,229	**$24,296**	$26,139	**$69,657**	$74,492
% of 30+ days past due to total loans	**9.05%**	9.50%	**22.19%**	24.36%	**35.50%**	39.30%	**28.96%**	31.45%	**21.38%**	23.30%
Current estimated LTV ratios (based on unpaid principal balance)[(c)(d)]										
Greater than 125% and refreshed FICO scores:										
Equal to or greater than 660	**$ 5,616**	$ 5,915	**$ 2,094**	$ 2,313	**$ 446**	$ 473	**$ 2,190**	$ 2,509	**$10,346**	$11,210
Less than 660	**3,092**	3,299	**2,175**	2,319	**1,773**	1,939	**4,025**	4,608	**11,065**	12,165
101% to 125% and refreshed FICO scores:										
Equal to or greater than 660	**5,106**	5,393	**3,127**	3,328	**442**	434	**3,665**	3,959	**12,340**	13,114
Less than 660	**2,112**	2,304	**2,136**	2,314	**1,365**	1,510	**3,575**	3,884	**9,188**	10,012
80% to 100% and refreshed FICO scores:										
Equal to or greater than 660	**3,271**	3,482	**1,507**	1,629	**348**	372	**3,490**	3,740	**8,616**	9,223
Less than 660	**1,208**	1,264	**1,331**	1,457	**1,130**	1,197	**2,972**	3,035	**6,641**	6,953
Lower than 80% and refreshed FICO scores:										
Equal to or greater than 660	**2,292**	2,409	**1,184**	1,276	**199**	198	**2,167**	2,189	**5,842**	6,072
Less than 660	**961**	998	**1,380**	1,424	**1,066**	1,106	**2,212**	2,215	**5,619**	5,743
Total unpaid principal balance	**$23,658**	$25,064	**$14,934**	$16,060	**$ 6,769**	$ 7,229	**$24,296**	$26,139	**$69,657**	$74,492
Geographic region (based on unpaid principal balance)										
California	**$14,282**	$15,091	**$ 8,477**	$ 9,121	**$ 1,566**	$ 1,661	**$12,715**	$13,565	**$37,040**	$39,438
New York	**1,120**	1,179	**969**	1,018	**675**	709	**1,483**	1,548	**4,247**	4,454
Florida	**2,164**	2,307	**1,136**	1,265	**724**	812	**2,812**	3,201	**6,836**	7,585
Illinois	**529**	558	**475**	511	**373**	411	**642**	702	**2,019**	2,182
Texas	**417**	455	**158**	168	**388**	405	**125**	140	**1,088**	1,168
New Jersey	**444**	471	**424**	445	**277**	297	**907**	969	**2,052**	2,182
Arizona	**439**	468	**237**	254	**114**	126	**327**	362	**1,117**	1,210
Washington	**1,293**	1,368	**356**	388	**152**	160	**604**	649	**2,405**	2,565
Ohio	**29**	32	**76**	79	**105**	114	**100**	111	**310**	336
Michigan	**75**	81	**226**	239	**176**	187	**252**	268	**729**	775
All other	**2,866**	3,054	**2,400**	2,572	**2,219**	2,347	**4,329**	4,624	**11,814**	12,597
Total unpaid principal balance	**$23,658**	$25,064	**$14,934**	$16,060	**$ 6,769**	$ 7,229	**$24,296**	$26,139	**$69,657**	$74,492

(a) Carrying value includes the effect of fair value adjustments that were applied to the consumer PCI portfolio at the date of acquisition.

(b) Management concluded as part of JPMorgan Chase Bank, N.A.'s regular assessment of the PCI loan pools that it was probable that higher expected credit losses would result in a decrease in expected cash flows. As a result, an allowance for loan losses for impairment of these pools has been recognized.

(c) Represents the aggregate unpaid principal balance of loans divided by the estimated current property value. Current property values are estimated, at a minimum, quarterly, based on home valuation models using nationally recognized home price index valuation estimates incorporating actual data to the extent available and forecasted data where actual data is not available. These property values do not represent actual appraised loan level collateral values; as such, the resulting ratios are necessarily imprecise and should be viewed as estimates. Current estimated combined LTV for junior lien home equity loans considers all available lien positions related to the property.

(d) Refreshed FICO scores, which JPMorgan Chase Bank, N.A. obtains at least quarterly, represent each borrower's most recent credit score.

Approximately 21% of the PCI home equity portfolio are senior lien loans; the remaining balance are junior lien HELOANs or HELOCs. The following tables represent delinquency statistics for PCI junior lien home equity loans and lines of credit based on unpaid principal balance as of June 30, 2012, and December 31, 2011.

June 30, 2012 (in millions, except ratios)	Delinquencies 30-89 days past due	 90-149 days past due	 150+ days past due	Total loans	Total 30+ day delinquency rate
HELOCs:[a]					
Within the revolving period[b]	**$ 376**	**$ 217**	**$ 574**	**$ 17,010**	**6.86%**
Within the required amortization period[c]	**21**	**11**	**11**	**549**	**7.83**
HELOANs	**40**	**21**	**43**	**1,203**	**8.65**
Total	**$ 437**	**$ 249**	**$ 628**	**$ 18,762**	**7.00%**

December 31, 2011 (in millions, except ratios)	Delinquencies 30-89 days past due	 90-149 days past due	 150+ days past due	Total loans	Total 30+ day delinquency rate
HELOCs:[a]					
Within the revolving period[b]	$ 500	$ 296	$ 543	$ 18,246	7.34%
Within the required amortization period[c]	16	11	5	400	8.00
HELOANs	53	29	44	1,327	9.50
Total	$ 569	$ 336	$ 592	$ 19,973	7.50%

(a) In general, HELOCs are revolving loans for a 10-year period, after which time the HELOC converts to a loan with a 20-year amortization period.
(b) Substantially all undrawn HELOCs within the revolving period have been closed.
(c) Predominantly all of these loans have been modified to provide a more affordable payment to the borrower.

The table below sets forth the accretable yield activity for JPMorgan Chase Bank, N.A.'s PCI consumer loans for the three and six months ended June 30, 2012 and 2011, and represents JPMorgan Chase Bank, N.A.'s estimate of gross interest income expected to be earned over the remaining life of the PCI loan portfolios. This table excludes the cost to fund the PCI portfolios, and therefore does not represent net interest income expected to be earned on these portfolios.

	Total PCI			
	Three months ended June 30,		Six months ended June 30,	
(in millions, except ratios)	**2012**	2011	**2012**	2011
Beginning balance	**$ 19,717**	$ 18,816	**$ 19,072**	$ 19,097
Accretion into interest income	**(638)**	(706)	**(1,296)**	(1,410)
Changes in interest rates on variable-rate loans	**(33)**	(181)	**(173)**	(213)
Other changes in expected cash flows[a]	**521**	154	**1,964**	609
Balance at June 30	**$ 19,567**	$ 18,083	**$ 19,567**	$ 18,083
Accretable yield percentage	**4.45%**	4.36%	4.47%	4.32%

(a) For the three and six months ended June 30, 2012, other changes in expected cash flows were principally driven by the impact of modifications, but also related to changes in prepayment assumptions. For the three and six months ended June 30, 2011, other changes in expected cash flows were principally driven by changes in prepayment assumptions.

The factors that most significantly affect estimates of gross cash flows expected to be collected, and accordingly the accretable yield balance, include: (i) changes in the benchmark interest rate indices for variable-rate products such as option ARM and home equity loans; and (ii) changes in prepayment assumptions.

Since the date of acquisition, the decrease in the accretable yield percentage has been primarily related to a decrease in interest rates on variable-rate loans and, to a lesser extent, extended loan liquidation periods. Certain events, such as extended loan liquidation periods, affect the timing of expected cash flows but not the amount of cash expected to be received (i.e., the accretable yield balance). Extended loan liquidation periods reduce the accretable yield percentage because the same accretable yield balance is recognized against a higher-than-expected loan balance over a longer-than-expected period of time.

Credit card loan portfolio

The Credit card portfolio segment includes credit card loans originated and purchased by JPMorgan Chase Bank, N.A. In addition, an affiliate of JPMorgan Chase Bank, N.A. has a participation agreement with a subsidiary of JPMorgan Chase Bank, N.A. under which the affiliate sells credit card receivables to the subsidiary on an ongoing basis. The credit card receivables purchased by the subsidiary may subsequently be sold to credit card securitization trusts sponsored by the affiliate; those trusts, which are not consolidated by JPMorgan Chase Bank, N.A., are discussed further in Note 16 on pages 67–75 of these Consolidated Financial Statements. Delinquency rates are the primary credit quality indicator for credit card loans. The geographic distribution of the loans provides insight as to the credit quality of the portfolio based on the regional economy. While the borrower's credit score is another general indicator of credit quality, because the borrower's credit score tends to be a lagging indicator, JPMorgan Chase Bank, N.A. does not use credit scores as a primary indicator of credit quality. For more information on credit quality indicators, see Note 15 on pages 55–75 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements. JPMorgan Chase Bank, N.A. generally originates new card accounts to prime consumer borrowers. However, certain cardholders' FICO scores may change over time, depending on the performance of the cardholder and changes in credit score technology.

The table below sets forth information about JPMorgan Chase Bank, N.A.'s credit card loans.

(in millions, except ratios)	Jun 30, 2012	Dec 31, 2011
Loan delinquency		
Current and less than 30 days past due and still accruing	**$ 27,756**	$ 28,268
30–89 days past due and still accruing	**304**	379
90 or more days past due and still accruing	**265**	369
Nonaccrual loans	**–**	–
Total retained credit card loans	**$ 28,325**	$ 29,016
Loan delinquency ratios		
% of 30+ days past due to total retained loans	**2.01%**	2.58%
% of 90+ days past due to total retained loans	**0.94**	1.27
Credit card loans by geographic region		
California	**$ 3,455**	$ 3,454
New York	**2,126**	2,158
Texas	**2,165**	2,133
Florida	**1,447**	1,498
Illinois	**1,574**	1,580
New Jersey	**1,128**	1,154
Ohio	**1,056**	1,091
Pennsylvania	**934**	980
Michigan	**811**	841
Virginia	**629**	645
All other U.S. states	**10,649**	10,858
Canada	**2,351**	2,624
Total retained credit card loans	**$ 28,325**	$ 29,016
Percentage of portfolio based on carrying value with estimated refreshed FICO scores[(a)]		
Equal to or greater than 660	**85.6%**	83.3%
Less than 660	**14.4**	16.7

(a) Refreshed FICO scores are estimated based on a statistically significant random sample of credit card accounts in the credit card portfolio for the periods shown. JPMorgan Chase Bank, N.A. obtains refreshed FICO scores at least quarterly.

Credit card impaired loans and loan modifications

For a detailed discussion of impaired credit card loans, including credit card loan modifications, see Note 15 on pages 55–75 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

The table below sets forth information about JPMorgan Chase Bank, N.A.'s impaired credit card loans. All of these loans are considered to be impaired as they have been modified in TDRs.

(in millions)	Jun 30, 2012	Dec 31, 2011
Impaired credit card loans with an allowance[a][b]		
Credit card loans with modified payment terms[c]	**$ 896**	$ 1,066
Modified credit card loans that have reverted to pre-modification payment terms[d]	**126**	209
Total impaired credit card loans	**$ 1,022**	$ 1,275
Allowance for loan losses related to impaired credit card loans	**$ 343**	$ 478

(a) The carrying value and the unpaid principal balance are the same for credit card impaired loans.
(b) There were no impaired loans without an allowance.
(c) Represents credit card loans outstanding to borrowers enrolled in a credit card modification program as of the date presented.
(d) Represents credit card loans that were modified in TDRs but that have subsequently reverted back to the loans' pre-modification payment terms. At June 30, 2012, and December 31, 2011, $73 million and $137 million, respectively, of loans have reverted back to the pre-modification payment terms of the loans due to noncompliance with the terms of the modified loans. Based on JPMorgan Chase Bank, N.A.'s historical experience a substantial portion of these loans is expected to be charged-off in accordance with JPMorgan Chase Bank, N.A.'s standard charge-off policy. The remaining $53 million and $72 million at June 30, 2012, and December 31, 2011, respectively, of these loans are to borrowers who have successfully completed a short-term modification program. JPMorgan Chase Bank, N.A. continues to report these loans as TDRs since the borrowers' credit lines remain closed.

The following table presents average balances of impaired credit card loans and interest income recognized on those loans.

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2012**	2011	**2012**	2011
Average impaired credit card loans	**$ 1,093**	$ 1,504	**$ 1,150**	$ 1,504
Interest income on impaired credit card loans	**14**	24	**29**	48

Loan modifications

JPMorgan Chase Bank, N.A. may offer one of a number of loan modification programs to credit card borrowers who are experiencing financial difficulty. JPMorgan Chase Bank, N.A. has short-term programs for borrowers who may be in need of temporary relief, and long-term programs for borrowers who are experiencing more fundamental financial difficulties. Most of the credit card loans have been modified under long-term programs. Modifications under long-term programs involve placing the customer on a fixed payment plan, generally for 60 months. Modifications under all short- and long-term programs typically include reducing the interest rate on the credit card. Certain borrowers enrolled in a short-term modification program may be given the option to re-enroll in a long-term program. Substantially all modifications are considered to be TDRs. If the cardholder does not comply with the modified payment terms, then the credit card loan agreement reverts back to its pre-modification payment terms. Assuming that the cardholder does not begin to perform in accordance with those payment terms, the loan continues to age and will ultimately be charged-off in accordance with JPMorgan Chase Bank, N.A.'s standard charge-off policy. In addition, if a borrower successfully completes a short-term modification program, then the loan reverts back to its pre-modification payment terms. However, in most cases, JPMorgan Chase Bank, N.A. does not reinstate the borrower's line of credit.

The following table provides information regarding the nature and extent of modifications of credit card loans for the periods presented.

	New enrollments			
	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2012**	2011	**2012**	2011
Short-term programs	**$ 3**	$ 6	**$ 9**	$ 15
Long-term programs	**74**	106	**160**	237
Total new enrollments	**$ 77**	$ 112	**$ 169**	$ 252

Financial effects of modifications and redefaults

The following table provides information about the financial effects of the concessions granted on credit card loans modified in TDRs and redefaults for the period presented.

	Three months ended June 30,		Six months ended June 30,	
(in millions, except weighted-average data)	**2012**	2011	**2012**	2011
Weighted-average interest rate of loans – before TDR	**14.64%**	14.94%	**15.24%**	15.05%
Weighted-average interest rate of loans – after TDR	**4.95**	4.89	**5.12**	4.98
Loans that redefaulted within one year of modification[a]	**$ 15**	$ 35	**$ 32**	$ 66

(a) Represents loans modified in TDRs that experienced a payment default in the period presented, and for which the payment default occurred within one year of the modification. The amounts presented represent the balance of such loans as of the end of the quarter in which they defaulted.

For credit card loans modified in TDRs, payment default is deemed to have occurred when the loans become two payments past due. At the time of default, a loan is removed from the modification program and reverts back to its pre-modification terms. Based on historical experience, a substantial portion of these loans is expected to be charged-off in accordance with JPMorgan Chase Bank, N.A.'s standard charge-off policy. In the second quarter of 2012, JPMorgan Chase Bank, N.A. revised its policy for recognizing charge-offs on restructured loans that do not comply with their modified payment terms. These loans will now charge-off when they are 120 days past due rather than 180 days past due.

Also based on historical experience, the estimated weighted-average ultimate default rate for modified credit card loans was 35.85% at both June 30, 2012, and December 31, 2011.

Note 15 – Allowance for credit losses

For detailed discussion of the allowance for credit losses and the related accounting policies, see Note 16 on pages 76–79 JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

Allowance for credit losses and loans and lending-related commitments by impairment methodology

The table below summarizes information about the allowance for loan losses, loans by impairment methodology, the allowance for lending-related commitments and lending-related commitments by impairment methodology.

Six months ended June 30, (in millions)	2012 Wholesale	2012 Consumer, excluding credit card	2012 Credit card	2012 Total	2011 Wholesale	2011 Consumer, excluding credit card	2011 Credit card	2011 Total
Allowance for loan losses								
Beginning balance at January 1,	**$ 4,218**	**$ 15,918**	**$ 1,371**	**$ 21,507**	$ 4,670	$ 16,199	$ 1,566	$ 22,435
Gross charge-offs	**162**	**2,109**	**630**	**2,901**	353	2,667	784	3,804
Gross recoveries	**(139)**	**(240)**	**(98)**	**(477)**	(129)	(259)	(122)	(510)
Net charge-offs	**23**	**1,869**	**532**	**2,424**	224	2,408	662	3,294
Provision for loan losses	**46**	**(410)**	**281**	**(83)**	(437)	2,161	572	2,296
Other	**8**	**(9)**	**–**	**(1)**	(10)	12	7	9
Ending balance at June 30,	**$ 4,249**	**$ 13,630**	**$ 1,120**	**$ 18,999**	$ 3,999	$ 15,964	$ 1,483	$ 21,446
Allowance for loan losses by impairment methodology								
Asset-specific[a]	**$ 401**	**$ 928**	**$ 343** [b]	**$ 1,672**	$ 749	$ 1,016	$ 585 [b]	$ 2,350
Formula-based	**3,848**	**6,991**	**777**	**11,616**	3,250	10,007	898	14,155
PCI	**–**	**5,711**	**–**	**5,711**	–	4,941	–	4,941
Total allowance for loan losses	**$ 4,249**	**$ 13,630**	**$ 1,120**	**$ 18,999**	$ 3,999	$ 15,964	$ 1,483	$ 21,446
Loans by impairment methodology								
Asset-specific	**$ 1,932**	**$ 10,477**	**$ 1,022**	**$ 13,431**	$ 3,371	$ 7,157	$ 1,454	$ 11,982
Formula-based	**295,846**	**210,645**	**27,303**	**533,794**	240,057	220,329	24,305	484,691
PCI	**15**	**62,611**	**–**	**62,626**	54	68,994	–	69,048
Total retained loans	**$ 297,793**	**$ 283,733**	**$ 28,325**	**$ 609,851**	$ 243,482	$ 296,480	$ 25,759	$ 565,721
Impaired collateral-dependent loans								
Net charge-offs	**$ 44**	**$ 51**	**$ –**	**$ 95**	$ 57	$ 45	$ –	$ 102
Carrying value	**667**	**820**	**–**	**1,487**	1,140	795	–	1,935
Allowance for lending-related commitments								
Beginning balance at January 1,	**$ 645**	**$ 7**	**$ –**	**$ 652**	$ 685	$ 6	$ –	$ 691
Provision for lending-related commitments	**93**	**–**	**–**	**93**	(90)	–	–	(90)
Other	**(4)**	**–**	**–**	**(4)**	(2)	–	–	(2)
Ending balance at June 30,	**$ 734**	**$ 7**	**$ –**	**$ 741**	$ 593	$ 6	$ –	$ 599
Allowance for lending-related commitments by impairment methodology								
Asset-specific	**$ 181**	**$ –**	**$ –**	**$ 181**	$ 144	$ –	$ –	$ 144
Formula-based	**553**	**7**	**–**	**560**	449	6	–	455
Total allowance for lending-related commitments	**$ 734**	**$ 7**	**$ –**	**$ 741**	$ 593	$ 6	$ –	$ 599
Lending-related commitments by impairment methodology								
Asset-specific	**$ 634**	**$ –**	**$ –**	**$ 634**	$ 827	$ –	$ –	$ 827
Formula-based	**411,779**	**57,755**	**28,582**	**498,116**	362,490	59,287	27,062	448,839
Total lending-related commitments	**$ 412,413**	**$ 57,755**	**$ 28,582**	**$ 498,750**	$ 363,317	$ 59,287	$ 27,062	$ 449,666

(a) Includes risk-rated loans that have been placed on nonaccrual status and loans that have been modified in a TDR.
(b) The asset-specific credit card allowance for loan losses is related to loans that have been modified in a TDR; such allowance is calculated based on the loans' original contractual interest rates and does not consider any incremental penalty rates.

Note 16 – Variable interest entities

For a further description of JPMorgan Chase Bank N.A.'s accounting policies regarding consolidation of variable interest entities ("VIEs"), see Note 1 on pages 6-8 of JPMorgan Chase Bank N.A.'s 2011 Annual Financial Statements.

The following table summarizes the most significant types of JPMorgan Chase Bank N.A.-sponsored VIEs by business.

JPMorgan Chase Bank, N.A. business	*Transaction Type*	*Activity*	*Consolidated Financial Statements page reference*
Retail financial services	Mortgage and other securitization trusts	Securitization of originated and purchased residential mortgages	68-69
Investment banking	Mortgage and other securitization trusts	Securitization of both originated and purchased residential and commercial mortgages, automobile and student loans	68-69
	Multi-seller conduits	Assisting clients in accessing the financial markets in a cost-efficient manner and structures transactions to meet investor needs	70
	Investor intermediation activities:		
	Municipal bond vehicles		70–71
	Credit-related note and asset swap vehicles		71
Card services	Credit card securitization trust	Securitization of both originated and purchased credit card receivables	70

JPMorgan Chase Bank, N.A. also invests in and provides financing and other services to VIEs sponsored by third parties, as described on page 71 of this Note and Note 17 on pages 86-87 of JPMorgan Chase Bank, N.A.'s 2011 Financial Statements.

Significant JPMorgan Chase Bank, N.A.-sponsored variable interest entities

Mortgage and other securitizations

JPMorgan Chase Bank, N.A. securitizes (or has securitized) originated and purchased residential mortgages, commercial mortgages and other consumer loans (including automobile and student loans) primarily in its investment banking and card services businesses. Depending on the particular transaction, as well as the respective business involved, JPMorgan Chase Bank, N.A. may act as the servicer of the loans and/or retain certain beneficial interest in the securitization trusts.

For a more detailed description of JPMorgan Chase Bank, N.A.'s involvement with JPMorgan Chase Bank, N.A.-sponsored mortgage and other securitization trusts as well as the accounting treatment related to such trusts, see Note 17 on pages 81-82 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

The following table presents the total unpaid principal amount of assets held in JPMorgan Chase Bank, N.A.-sponsored securitization entities in which it has continuing involvement, including those JPMorgan Chase Bank, N.A.-sponsored securitization entities that are consolidated by JPMorgan Chase Bank, N.A. Continuing involvement includes servicing the loans; holding senior interests or subordinated interests; recourse or guarantee arrangements; and derivative transactions. In certain instances, JPMorgan Chase Bank, N.A.'s only continuing involvement is servicing the loans. See Securitization activity on page 73 of this Note for further information regarding JPMorgan Chase Bank, N.A.'s cash flows with and interests retained in nonconsolidated VIEs.

	Principal amount outstanding			JPMorgan Chase Bank, N.A. interest in securitized assets in nonconsolidated VIEs(d)(e)		
June 30, 2012(a) (in billions)	Total assets held by securitization VIEs	Assets held in consolidated securitization VIEs	Assets held in nonconsolidated securitization VIEs with continuing involvement	Trading assets	AFS securities	Total interests held by JPMorgan Chase Bank, N.A.
Securitization-related						
Residential mortgage:						
Prime(b)	**$ 62.6**	**$ 0.9**	**$ 58.6**	**$ 0.2**	**$ –**	**$ 0.2**
Subprime	**24.5**	**–**	**19.9**	**–**	**–**	**–**
Option ARMs	**28.7**	**0.3**	**28.4**	**–**	**–**	**–**
Commercial and other(c)	**90.9**	**–**	**70.2**	**–**	**1.7**	**1.7**
Student	**4.0**	**4.0**	**–**	**–**	**–**	**–**
Total	**$ 210.7**	**$ 5.2**	**$ 177.1**	**$ 0.2**	**$ 1.7**	**$ 1.9**

	Principal amount outstanding			JPMorgan Chase Bank, N.A. interest in securitized assets in nonconsolidated VIEs(d)(e)		
December 31, 2011(a) (in billions)	Total assets held by securitization VIEs	Assets held in consolidated securitization VIEs	Assets held in nonconsolidated securitization VIEs with continuing involvement	Trading assets	AFS securities	Total interests held by JPMorgan Chase Bank, N.A.
Securitization-related						
Residential mortgage:						
Prime(b)	$ 69.2	$ 1.0	$ 64.5	$ 0.2	$ –	$ 0.2
Subprime	26.3	–	25.0	–	–	–
Option ARMs	31.4	0.3	31.1	–	–	–
Commercial and other(c)	89.6	–	66.6	–	1.5	1.5
Student	4.1	4.1	–	–	–	–
Total	$ 220.6	$ 5.4	$ 187.2	$ 0.2	$ 1.5	$ 1.7

(a) Excludes U.S. government agency securitizations. See page 73 of this Note for information on JPMorgan Chase Bank, N.A.'s loan sales to U.S. government agencies.
(b) Includes Alt-A loans.
(c) Consists of securities backed by commercial loans (predominantly real estate) and non-mortgage-related consumer receivables purchased from third parties. JPMorgan Chase, N.A. generally does not retain a residual interest in its sponsored commercial mortgage securitization transactions.
(d) The table above excludes the following: retained servicing (see Note 17 on pages 76–78 of these Consolidated Financial Statements for a discussion of MSRs); securities retained from loans sales to U.S. government agencies; interest rate and foreign exchange derivatives primarily used to manage interest rate and foreign exchange risks of securitization entities (See Note 6 on pages 25–33 of these Consolidated Financial Statements for further information on derivatives). There were no senior and subordinated securities purchased in connection with the investment banking business's secondary market-making activities at June 30, 2012, and December 31, 2011.
(e) As of June 30, 2012, and December 31, 2011, 49% and 89%, respectively, of JPMorgan Chase Bank N.A.'s retained securitization interests, which are carried at fair value, were risk-rated "A" or better, on an S&P-equivalent basis. The retained interests in prime residential mortgages consisted of $136 million and $106 million of investment-grade and $61 million and $45 million of noninvestment-grade retained interests at June 30, 2012, and December 31, 2011, respectively. The retained interests in commercial and other securitizations trusts consisted of $1.6 billion and $1.6 billion of investment-grade and $16 million and $5 million of noninvestment-grade retained interests at June 30, 2012, and December 31, 2011, respectively.

Credit card securitizations
For a more detailed description of JPMorgan Chase Bank, N.A.'s involvement with credit card securitizations, see pages 82–83 of JPMorgan Chase Bank, N.A.'s 2011 Annual Consolidated Financial Statements.

As a result of JPMorgan Chase Bank, N.A.'s continuing involvement, JPMorgan Chase Bank, N.A. is considered to be the primary beneficiary of its sponsored credit card securitization trust, SCORE. See table on page 72 of this Note for further information on consolidated VIE assets and liabilities.

JPMorgan Chase Bank, N.A. involvement with credit card affiliated securitization entities sponsored by an affiliate
In addition to the JPMorgan Chase Bank, N.A.-sponsored credit card securitization trust, on an ongoing basis, JPMorgan Chase Bank, N.A. sells credit card receivables to various credit card securitization trusts ("Trusts") sponsored by an affiliate. The consideration received for the sales is an undivided interest in the respective Trusts. These credit card securitizations trusts are consolidated by the affiliate as it is the primary beneficiary of the Trusts.

Retained interests in nonconsolidated credit card securitizations sponsored by an affiliate
At June 30, 2012, and December 31, 2011, JPMorgan Chase Bank, N.A. had $6.0 billion and $5.6 billion, respectively, related to its undivided interests in the Trusts. These undivided interests are measured at fair value and classified as other assets. JPMorgan Chase Bank, N.A. also retains senior and subordinated securities issued from the Trusts. The retained securities totaled $593 million and $655 million at June 30, 2012, and December 31, 2011, respectively, all of which were classified as AFS securities.

Multi-seller conduits
For a more detailed description of JPMorgan Chase Bank, N.A.'s principal involvement with its administered multi-seller conduits, see Note 17 on page 83-84 of JPMorgan Chase Bank, N.A.'s 2011 Annual Consolidated Financial Statements. JPMorgan Chase Bank, N.A. consolidates its JPMorgan Chase Bank, N.A.-administered multi-seller conduits, as it has both the power to direct the most significant activities of the conduits and a potentially significant economic interest in the conduits.

In the normal course of business, JPMorgan Chase Bank, N.A. trades and invests in commercial paper, including commercial paper issued by JPMorgan Chase Bank, N.A.-administered multi-seller conduits. JPMorgan Chase Bank, N.A. held $17.3 billion and $11.3 billion of the commercial paper issued by JPMorgan Chase Bank, N.A.-administered multi-seller conduits at June 30, 2012, and December 31, 2011, respectively, which was eliminated in consolidation. JPMorgan Chase Bank, N.A.'s investments were not driven by market illiquidity and it is not obligated under any agreement to purchase the commercial paper issued by JPMorgan Chase Bank, N.A.-administered multi-seller conduits.

JPMorgan Chase Bank, N.A. provides deal-specific liquidity as well as program-wide liquidity and credit enhancement to its administered multi-seller conduits, which have been eliminated in consolidation. The administered multi-seller conduits then provide certain of their clients with lending-related commitments. The unfunded portion of these commitments was $12.9 billion and $10.8 billion at June 30, 2012, and December 31, 2011, respectively, and are included as off-balance sheet lending-related commitments. For more information on off-balance sheet lending-related commitments, see Note 22 on pages 84–88 of these Consolidated Financial Statements.

VIEs associated with investor intermediation activities

Municipal bond vehicles
For a more detailed description of JPMorgan Chase Bank, N.A.'s principal involvement with municipal bond vehicles, see Note 17 on pages 84–85 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

JPMorgan Chase Bank, N.A.'s exposure to nonconsolidated municipal bond VIEs at June 30, 2012, and December 31, 2011, including the ratings profile of the VIEs' assets, was as follows.

(in billions)	Fair value of assets held by VIEs	Liquidity facilities	Excess/(deficit)[(a)]	Maximum exposure
Nonconsolidated municipal bond vehicles				
June 30, 2012	**$ 14.1**	**$ 8.0**	**$ 6.1**	**$ 8.0**
December 31, 2011	13.5	7.9	5.6	7.9

	Ratings profile of VIE assets[(b)]						
	Investment-grade				Noninvestment-grade		
(in billions, except where otherwise noted)	AAA to AAA-	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and below	Fair value of assets held by VIEs	Wt. avg. expected life of assets (years)
June 30, 2012	**$ 1.6**	**$ 11.6**	**$ 0.8**	**$ –**	**$ 0.1**	**$ 14.1**	**6.2**
December 31, 2011	1.5	11.2	0.7	–	0.1	13.5	6.6

(a) Represents the excess/(deficit) of the fair values of municipal bond assets available to repay the liquidity facilities, if drawn.
(b) The ratings scale is based on JPMorgan Chase Bank, N.A.'s internal risk ratings and is presented on an S&P-equivalent basis.

Credit-related note and asset swap vehicles

For a more detailed description of JPMorgan Chase Bank, N.A.'s principal involvement with credit-related note and asset swap vehicles, see Note 17 on pages 85–86 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

Exposure to nonconsolidated credit-related note and asset swap VIEs at June 30, 2012, and December 31, 2011, was as follows.

June 30, 2012 (in billions)	Net derivative receivables	Total exposure[(b)]	Par value of collateral held by VIEs[(c)]
Credit-related notes			
Static structure	**$ 1.0**	**$ 1.0**	**$ 5.3**
Managed structure	**2.6**	**2.6**	**6.4**
Total credit-related notes	**3.6**	**3.6**	**11.7**
Asset swaps	**0.9**	**0.9**	**7.5**
Total	**$ 4.5**	**$ 4.5**	**$ 19.2**

December 31, 2011 (in billions)	Net derivative receivables	Total exposure[(b)]	Par value of collateral held by VIEs[(c)]
Credit-related notes			
Static structure	$ 1.0	$ 1.0	$ 9.1
Managed structure	2.7	2.7	7.7
Total credit-related notes	3.7	3.7	16.8
Asset swaps	0.6	0.6	8.6
Total	$ 4.3	$ 4.3	$ 25.4

(a) Trading assets principally comprise notes issued by VIEs, which from time to time are held as part of the termination of a deal or to support limited market-making.
(b) On-balance sheet exposure that includes net derivative receivables and trading assets – debt and equity instruments.
(c) JPMorgan Chase Bank, N.A.'s maximum exposure arises through the derivatives executed with the VIEs; the exposure varies over time with changes in the fair value of the derivatives. JPMorgan Chase Bank, N.A. relies on the collateral held by the VIEs to pay any amounts due under the derivatives; the vehicles are structured at inception so that the par value of the collateral is expected to be sufficient to pay amounts due under the derivative contracts.

JPMorgan Chase Bank, N.A. consolidated credit-related note vehicles with collateral fair values of $416 million and $231 million, at June 30, 2012, and December 31, 2011, respectively. JPMorgan Chase Bank, N.A. consolidated these vehicles, because in its role as secondary market-maker, it held positions in these entities that provided JPMorgan Chase Bank, N.A. with control of certain vehicles. JPMorgan Chase Bank, N.A. did not consolidate any asset swap vehicles at June 30, 2012, and December 31, 2011.

VIEs sponsored by third parties

JPMorgan Chase Bank, N.A. also invests in and provides financing and other services to VIEs sponsored by third parties, as described on pages 86-87 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

Investment in a third-party credit card securitization trust
JPMorgan Chase Bank, N.A. holds an interest in a third-party-sponsored VIE, which is a credit card securitization trust that owns credit card receivables issued by a national retailer. The interest is classified as a loan and has a fair value of approximately $1.5 billion and $1.0 billion at June 30, 2012, and December 31, 2011, respectively. JPMorgan Chase Bank, N.A. is not the primary beneficiary of the trust as it does not have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. For more information on loans, see Note 14 on pages 43–66 of these Consolidated Financial Statements.

Consolidated VIE assets and liabilities

The following table presents information on assets and liabilities related to VIEs consolidated by JPMorgan Chase Bank, N.A. as of June 30, 2012, and December 31, 2011.

	Assets				Liabilities		
June 30, 2012 (in billions)[(a)]	Trading assets – debt and equity instruments	Loans	Other[(d)]	Total assets[(e)]	Beneficial interests in VIE assets[(f)]	Other[(g)]	Total liabilities
VIE program type							
JPMorgan Chase Bank, N.A.-administered multi-seller conduits	**$ –**	**$ 28.0**	**$ 0.2**	**$ 28.2**	**$ 10.8**	**$ –**	**$ 10.8**
Municipal bond vehicles	**2.6**	**–**	**–**	**2.6**	**4.2**	**–**	**4.2**
Mortgage securitization entities[(b)]	**–**	**1.1**	**–**	**1.1**	**–**	**1.2**	**1.2**
Other[(c)]	**0.5**	**4.1**	**0.7**	**5.3**	**3.0**	**0.1**	**3.1**
JPMorgan Chase Bank, N.A.-sponsored credit card trust	**–**	**0.4**	**–**	**0.4**	**0.4**	**–**	**0.4**
Total	**$ 3.1**	**$ 33.6**	**$ 0.9**	**$ 37.6**	**$ 18.4**	**$ 1.3**	**$ 19.7**

	Assets				Liabilities		
December 31, 2011 (in billions)[(a)]	Trading assets – debt and equity instruments	Loans	Other[(d)]	Total assets[(e)]	Beneficial interests in VIE assets[(f)]	Other[(g)]	Total liabilities
VIE program type							
JPMorgan Chase Bank, N.A.-administered multi-seller conduits	–	29.7	0.2	29.9	18.7	–	18.7
Municipal bond vehicles	0.7	–	–	0.7	0.7	–	0.7
Mortgage securitization entities[(b)]	–	1.2	–	1.2	–	1.3	1.3
Other[(c)]	0.9	4.1	1.1	6.1	3.2	0.1	3.3
JPMorgan Chase Bank, N.A.-sponsored credit card trust	$ –	$ 0.4	$ –	$ 0.4	$ 0.4	$ –	$ 0.4
Total	$ 1.6	$ 35.4	$ 1.3	$ 38.3	$ 23.0	$ 1.4	$ 24.4

(a) Excludes intercompany transactions which were eliminated in consolidation.
(b) Includes residential and commercial mortgage securitizations.
(c) Primarily comprises student loan securitization entities. JPMorgan Chase Bank, N.A. consolidated $4.0 billion and $4.1 billion of student loan securitization entities as of June 30, 2012, and December 31, 2011, respectively.
(d) Includes assets classified as cash, derivative receivables, AFS securities, and other assets within the Consolidated Balance Sheets.
(e) The assets of the consolidated VIEs included in the program types above are used to settle the liabilities of those entities. The difference between total assets and total liabilities recognized for consolidated VIEs represents JPMorgan Chase Bank, N.A.'s interest in the consolidated VIEs for each program type.
(f) The interest-bearing beneficial interest liabilities issued by consolidated VIEs are classified in the line item on the Consolidated Balance Sheets titled, "Beneficial interests issued by consolidated variable interest entities." The holders of these beneficial interests do not have recourse to the general credit of JPMorgan Chase Bank, N.A. Included in beneficial interests in VIE assets are long-term beneficial interests of $3.3 billion and $4.0 billion at June 30, 2012, and December 31, 2011, respectively. The maturities of the long-term beneficial interests as of June 30, 2012, were as follows: $9 million under one year, $482 million between one and five years, and $2.8 billion over five years.
(g) Includes liabilities classified as accounts payable and other liabilities on the Consolidated Balance Sheets.

Supplemental information on loan securitizations

JPMorgan Chase Bank, N.A. securitizes and sells a variety of loans, including residential mortgage, credit card, automobile, student and commercial (primarily related to real estate) loans, as well as debt securities. The primary purposes of these securitization transactions are to satisfy investor demand and to generate liquidity for JPMorgan Chase Bank, N.A.

Securitization activity

The following tables provide information related to JPMorgan Chase Bank, N.A.'s securitization activities for the three and six months ended June 30, 2012 and 2011, related to assets held in JPMorgan Chase Bank, N.A. -sponsored securitization entities that were not consolidated by JPMorgan Chase Bank, N.A., as sale accounting was achieved based on the accounting rules in effect at the time of the securitization.

	Three months ended June 30,					
	2012			2011		
(in millions)	Credit card[c]	Residential mortgage[d][e]	Commercial and other[f]	Credit card[c]	Residential mortgage[d][e]	Commercial and other[f]
Principal securitized	$ 2,140	$ –	$ 2,914 [g]	$ 400	$ –	$ 1,447
Pretax gains	7	—	—	2	—	—
All cash flows during the period:						
Proceeds from new securitizations[a]	$ 2,140	$ –	$ 2,914 [g]	$ 400	$ –	$ 1,489
Servicing fees collected	—	172	1	–	188	1
Proceeds from collections received in revolving securitizations	5,392	–	–	10,848	–	–
Purchases of previously transferred financial assets (or the underlying collateral)[b]	—	39	–	–	301	–
Cash flows received on the interests that continue to be held by JPMorgan Chase Bank, N.A.	4,269	9	23	3,069	7	6

	Six months ended June 30,					
	2012			2011		
(in millions)	Credit card[c]	Residential mortgage[d][e]	Commercial and other[f]	Credit Card[c]	Residential mortgage[d][e]	Commercial and other[f]
Principal securitized	$ 2,140	$ –	$ 2,914 [g]	$ 400	$ –	$ 2,940
Pretax gains	7	—	—	2	—	—
All cash flows during the period:						
Proceeds from new securitizations[a]	$ 2,140	$ –	$ 2,914 [g]	$ 400	$ –	$ 3,001
Servicing fees collected	—	352	2	–	369	1
Proceeds from collections received in revolving securitizations	16,008	–	–	20,307	–	–
Purchases of previously transferred financial assets (or the underlying collateral)[b]	—	79	–	–	678	–
Cash flows received on the interests that continue to be held by JPMorgan Chase Bank, N.A.	7,824	11	44	7,625	14	16

(a) Proceeds from new securitizations received as cash for the three and six months ended June 30, 2012 and 2011.
(b) Includes cash paid by JPMorgan Chase Bank, N.A. to reacquire assets from off–balance sheet, nonconsolidated entities – for example, loan repurchases due to representation and warranties and servicer clean-up calls.
(c) Includes securitization activity related to JPMorgan Chase Bank, N.A.'s undivided interest in credit card securitization trusts.
(d) Includes prime, Alt-A, subprime, and option ARMs. Excludes sales for which JPMorgan Chase Bank, N.A. did not securitize the loan (including loans sold to Ginnie Mae, Fannie Mae and Freddie Mac).
(e) There were no residential mortgage securitizations during the three and six months ended June 30, 2012 and 2011.
(f) Includes commercial and student loan securitizations.
(g) Includes $851 million of principal and $859 million of proceeds from commercial securitizations co-sponsored by third parties for the three and six months ended June 30, 2012.

Loans sold to agencies and other third-party-sponsored securitization entities

In addition to the amounts reported in the securitization activity tables above, JPMorgan Chase Bank, N.A., in the normal course of business, sells originated and purchased mortgage loans on a nonrecourse basis, predominantly to Ginnie Mae, Fannie Mae and Freddie Mac (the "Agencies"). These loans are sold primarily for the purpose of securitization by the Agencies, which also provide credit enhancement of the loans through certain guarantee provisions. JPMorgan Chase Bank, N.A. does not consolidate these securitization vehicles as it is not the primary beneficiary. For a limited number of loan sales, JPMorgan Chase Bank, N.A. is obligated to share a portion of the credit risk associated with the sold loans with the purchaser. See Note 22 on pages 84–88 of these Consolidated Financial Statement for additional information about JPMorgan Chase Bank, N.A.'s loans sales- and securitization-related indemnifications.

The following table summarizes the activities related to loans sold to U.S. government-sponsored agencies and third-party-sponsored securitization entities.

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2012**	2011	**2012**	2011
Carrying value of loans sold[(a)(b)]	**$ 44,131**	$ 32,609	**$ 84,090**	$ 71,856
Proceeds received from loan sales as cash	**1,412**	565	**1,960**	905
Proceeds from loans sales as securities[(c)]	**42,251**	31,511	**81,125**	69,683
Total proceeds received from loan sales	**$ 43,663**	$ 32,076	**$ 83,085**	$ 70,588
Gains on loan sales	**56**	30	**91**	52

(a) Predominantly to U.S. government agencies.
(b) MSRs were excluded from the above table. See Note 17 on pages 76–78 of these Consolidated Financial Statements for further information on originated MSRs.
(c) Predominantly includes securities from U.S. government agencies that are generally sold shortly after receipt.

Options to repurchase delinquent loans

In addition to JPMorgan Chase Bank, N.A.'s obligation to repurchase certain loans due to material breaches of representations and warranties as discussed in Note 22 on pages 84–88 of these Consolidated Financial Statements, JPMorgan Chase Bank, N.A. also has the option to repurchase delinquent loans that it services for Ginnie Mae, as well as for other U.S. government agencies in certain arrangements. JPMorgan Chase Bank, N.A. typically elects to repurchase delinquent loans from Ginnie Mae as it continues to service them and/or manage the foreclosure process in accordance with the applicable requirements, and such loans continue to be insured or guaranteed. When JPMorgan Chase Bank, N.A.'s repurchase option becomes exercisable, such loans must be reported on the Consolidated Balance Sheets as a loan with a corresponding liability. As of June 30, 2012, and December 31, 2011, JPMorgan Chase Bank, N.A. had recorded on its Consolidated Balance Sheets $15.9 billion and $15.7 billion, respectively, of loans that either had been repurchased or for which JPMorgan Chase Bank, N.A. had an option to repurchase. Predominately all of the amounts presented above relate to loans that have been repurchased from Ginnie Mae. Additionally, real estate owned resulting from voluntary repurchases of loans was $1.3 billion and $1.0 billion as of June 30, 2012, and December 31, 2011, respectively. Substantially all of these loans and real estate owned are insured or guaranteed by U.S. government agencies, and where applicable, reimbursement is proceeding normally. For additional information, refer to Note 14 on pages 43–66 of these Consolidated Financial Statements and Note 15 on pages 55–75 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

JPMorgan Chase Bank, N.A.'s interest in securitized assets held at fair value

The following table outlines the key economic assumptions used to determine the fair value, as of June 30, 2012, and December 31, 2011, of certain of JPMorgan Chase Bank, N.A.'s retained interests in nonconsolidated VIEs (other than MSRs), that are valued using modeling techniques. The table also outlines the sensitivities of those fair values to immediate 10% and 20% adverse changes in assumptions used to determine fair value. For a discussion of MSRs, see Note 17 on pages 76–78 of these Consolidated Financial Statements.

	Credit card[d][e]		Commercial and other	
(in millions, except rates and where otherwise noted)	**June 30, 2012**	December 31, 2011	**June 30, 2012**	December 31, 2011
JPMorgan Chase Bank, N.A. interests in securitized assets[a][b]	**$ 6,567**	$ 5,603	**$ 1,644**	$ 1,565
Weighted-average life (in years)	**0.4**	0.3	**3.8**	4.2
Weighted-average constant prepayment rate[c]	**22.7%**	24.2%	**—%**	—%
	PPR	PPR	**CPR**	CPR
Impact of 10% adverse change	**$ (18)**	$ (16)	**$ —**	$ —
Impact of 20% adverse change	**(36)**	(32)	**—**	—
Weighted-average loss assumption	**3.1%**	4.2%	**—%**	—%
Impact of 10% adverse change	**$ (20)**	$ (28)	**$ —**	$ —
Impact of 20% adverse change	**(40)**	(55)	**—**	—
Weighted-average discount rate	**11.0%**	12.0%	**3.6%**	4.3%
Impact of 10% adverse change	**$ (1)**	$ —	**$ (14)**	$ (22)
Impact of 20% adverse change	**(2)**	(1)	**(28)**	(44)

(a) JPMorgan Chase Bank, N.A.'s interests in prime mortgage securitizations were $197 million and $151 million, as of June 30, 2012, and December 31, 2011, respectively. These include retained interests in Alt-A loans. JPMorgan Chase Bank, N.A. had no interests in subprime mortgage securitizations as of June 30, 2012, and December 31, 2011. Additionally, JPMorgan Chase Bank, N.A. had interests in option ARM mortgage securitizations of $25 million and $23 million at June 30, 2012, and December 31, 2011, respectively.

(b) Includes certain investments acquired in the secondary market but predominantly held for investment purposes.

(c) PPR: principal payment rate; CPR: constant prepayment rate.

(d) Excludes JPMorgan Chase Bank, N.A.'s retained senior and subordinated AFS securities in its credit card securitization trust, which are discussed on page 70 of this Note.

(e) Includes securitization activity related to JPMorgan Chase Bank, N.A.'s undivided interests in credit card securitization trusts.

The sensitivity analysis in the preceding table is hypothetical. Changes in fair value based on a 10% or 20% variation in assumptions generally cannot be extrapolated easily, because the relationship of the change in the assumptions to the change in fair value may not be linear. Also, in the table, the effect that a change in a particular assumption may have on the fair value is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might counteract or magnify the sensitivities. The above sensitivities also do not reflect risk management practices JPMorgan Chase Bank, N.A. may undertake to mitigate such risks.

Loan delinquencies and liquidation losses

The table below includes information about components of nonconsolidated securitized financial assets, in which JPMorgan Chase Bank, N.A. has continuing involvement, and delinquencies as of June 30, 2012, and December 31, 2011, respectively; and liquidation losses for the three and six months ended June 30, 2012 and 2011, respectively.

	Securitized assets		90 days past due		Liquidation losses			
					Three months ended June 30,		Six months ended June 30,	
(in millions)	**June 30, 2012**	December 31, 2011	**June 30, 2012**	December 31, 2011	**2012**	2011	**2012**	2011
Securitized loans[(a)]								
Residential mortgage:								
Prime mortgage[(b)]	**$ 58,573**	$ 64,447	**$ 9,105**	$ 11,398	**$ 891**	$ 391	**$ 1,843**	$ 932
Subprime mortgage	**19,902**	25,047	**6,824**	9,518	**793**	493	**1,350**	1,082
Option ARMs	**28,426**	31,075	**8,036**	9,999	**634**	465	**1,250**	908
Commercial and other	**70,236**	66,608	**2,976**	3,986	**399**	232	**566**	437
Total loans securitized[(c)]	**$ 177,137**	$ 187,177	**$ 26,941**	$ 34,901	**$ 2,717**	$ 1,581	**$ 5,009**	$ 3,359

(a) Total assets held in securitization-related SPEs were $210.7 billion and $220.6 billion, respectively, at June 30, 2012, and December 31, 2011. The $177.1 billion and $187.2 billion, respectively, of loans securitized at June 30, 2012, and December 31, 2011, excludes: $28.4 billion and $28.0 billion, respectively, of securitized loans in which JPMorgan Chase Bank, N.A. has no continuing involvement, and $5.2 billion and $5.4 billion, respectively, of loan securitizations consolidated on JPMorgan Chase Bank, N.A.'s Consolidated Balance Sheets at June 30, 2012, and December 31, 2011.
(b) Includes Alt-A loans.
(c) Includes securitized loans that were previously recorded at fair value and classified as trading assets.

Note 17 – Goodwill and other intangible assets

For a discussion of the accounting policies related to goodwill and other intangible assets, see Note 18 on pages 92–95 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

Goodwill and other intangible assets consists of the following:

(in millions)	**June 30, 2012**	December 31, 2011
Goodwill	**$ 27,379**	$ 27,415
Mortgage servicing rights	**7,118**	7,223
Other intangible assets:		
Purchased credit card relationships	**$ 66**	$ 77
Other credit card-related intangibles	**428**	479
Core deposit intangibles	**472**	594
Other intangibles	**299**	329
Total other intangible assets	**$ 1,265**	$ 1,479

Goodwill

The following table presents changes in the carrying amount of goodwill.

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2012**	2011	**2012**	2011
Balance at beginning of period[(a)]	**$ 27,436**	$ 27,384	**$ 27,415**	$ 27,348
Changes during the period from:				
Business combinations	**10**	9	**20**	31
Dispositions	**—**	—	**—**	—
Other[(b)]	**(67)**	8	**(56)**	22
Balance at June 30[(a)]	**$ 27,379**	$ 27,401	**$ 27,379**	$ 27,401

(a) Reflects gross goodwill balances as JPMorgan Chase Bank, N.A. has not recognized any impairment losses to date.
(b) Includes foreign currency translation adjustments and other tax-related adjustments.

Goodwill was not impaired at June 30, 2012, or December 31, 2011, nor was any goodwill written off due to impairment during the six months ended June 30, 2012 and 2011.

Mortgage servicing rights

Mortgage servicing rights represent the fair value of expected future cash flows for performing servicing activities for others. The fair value considers estimated future servicing fees and ancillary revenue, offset by estimated costs to service the loans, and generally declines over time as net servicing cash flows are received, effectively amortizing the MSR asset against contractual servicing and ancillary fee income. MSRs are either purchased from third parties or recognized upon sale or securitization of mortgage loans if servicing is retained. For a further description of the MSR asset, interest rate risk management, and the valuation of MSRs, see Note 18 on pages 92–95 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements and Note 4 on pages 10–22 of these Consolidated Financial Statements.

The following table summarizes MSR activity for the three and six months ended June 30, 2012 and 2011.

	Three months ended June 30,		Six months ended June 30,	
(in millions, except where otherwise noted)	**2012**	2011	**2012**	2011
Fair value at beginning of period	**$ 8,039**	$ 12,881	**$ 7,223**	$ 13,440
MSR activity				
Originations of MSRs	**524**	562	**1,096**	1,319
Purchase of MSRs	**2**	242	**3**	243
Disposition of MSRs	**—**	—	**—**	—
Changes due to modeled amortization	**(328)**	(480)	**(681)**	(1,034)
Net additions and amortization	**198**	324	**418**	528
Changes due to market interest rates	**(1,195)**	(934)	**(551)**	(568)
Other changes in valuation due to inputs and assumptions[(a)]	**76**	(28)	**28**	(1,157)
Total change in fair value of MSRs[(b)]	**(1,119)**	(962)	**(523)**	(1,725)
Fair value at June 30[(c)]	**$ 7,118**	$ 12,243	**$ 7,118**	$ 12,243
Change in unrealized gains/(losses) included in income related to MSRs held at June 30	**$ (1,119)**	$ (962)	**$ (523)**	$ (1,725)
Contractual service fees, late fees and other ancillary fees included in income	**$ 949**	$ 983	**$ 1,982**	$ 1,958
Third-party mortgage loans serviced at June 30 (in billions)	**$ 868**	$ 949	**$ 868**	$ 949
Servicer advances at June 30 (in billions)[(d)]	**$ 10.2**	$ 10.9	**$ 10.2**	$ 10.9

(a) Represents the aggregate impact of changes in model inputs and assumptions such as costs to service, home prices, mortgage spreads, ancillary income, and assumptions used to derive prepayment speeds, as well as changes to the valuation models themselves.
(b) Includes changes related to commercial real estate of $(3) million and $(2) million for the three months ended June 30, 2012 and 2011, and $(5) million and $(4) million for the six months ended June 30, 2012 and 2011, respectively.
(c) Includes $26 million and $36 million related to commercial real estate at June 30, 2012 and 2011, respectively.
(d) Represents amounts JPMorgan Chase Bank, N.A. pays as the servicer (e.g., scheduled principal and interest to a trust, taxes and insurance), which will generally be reimbursed within a short period of time after the advance from future cash flows from the trust or the underlying loans. JPMorgan Chase Bank, N.A.'s credit risk associated with these advances is minimal because reimbursement of the advances is senior to all cash payments to investors. In addition, JPMorgan Chase Bank, N.A. maintains the right to stop payment if the collateral is insufficient to cover the advance.

In the first half of 2011, JPMorgan Chase Bank, N.A. determined that the fair value of the MSR asset had declined, reflecting higher estimated future servicing costs related to enhanced servicing processes, particularly loan modification and foreclosure procedures, including costs to comply with Consent Orders entered into with the banking regulators. The increase in the cost to service assumption contemplated significant and prolonged increases in staffing levels in the core and default servicing function, and specifically considered the higher cost to service certain high-risk vintages. These higher estimated future costs resulted in a $1.1 billion decrease in the fair value of the MSR asset during the six months ended June 30, 2011.

The table below outlines the key economic assumptions used to determine the fair value of JPMorgan Chase Bank, N.A.'s MSRs at June 30, 2012, and December 31, 2011; and it outlines the sensitivities of those fair values to immediate adverse changes in those assumptions, as defined below.

(in millions, except rates)	**June 30, 2012**	December 31, 2011
Weighted-average prepayment speed assumption ("CPR")	**16.47%**	18.07%
Impact on fair value of 10% adverse change	**$ (546)**	$ (585)
Impact on fair value of 20% adverse change	**(1,042)**	(1,118)
Weighted-average option adjusted spread	**7.74%**	7.83%
Impact on fair value of 100 basis points adverse change	**$ (268)**	$ (269)
Impact on fair value of 200 basis points adverse change	**(517)**	(518)

CPR: Constant prepayment rate.

The sensitivity analysis in the preceding table is hypothetical and should be used with caution. Changes in fair value based on variation in assumptions generally cannot be easily extrapolated, because the relationship of the change in the assumptions to the change in fair value are often highly interrelated and may not be linear. In this table, the effect that a change in a particular assumption may have on the fair value is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which would either magnify or counteract the impact of the initial change.

Other intangible assets

The $214 million decrease in other intangible assets during the six months ended June 30, 2012, was predominantly due to $214 million in amortization.

The components of credit card relationships, core deposits and other intangible assets were as follows.

	June 30, 2012			December 31, 2011		
(in millions)	Gross amount[(a)]	Accumulated amortization[(a)]	Net carrying value	Gross amount	Accumulated amortization	Net carrying value
Purchased credit card relationships	**$ 248**	**$ 182**	**$ 66**	$ 247	$ 170	$ 77
Other credit card-related intangibles	**781**	**353**	**428**	781	302	479
Core deposit intangibles	**4,133**	**3,661**	**472**	4,133	3,539	594
Other intangibles[(b)]	**831**	**532**	**299**	879	550	329

(a) The decrease in the gross amount and accumulated amortization from December 31, 2011, was due to the removal of fully amortized assets.
(b) Includes intangible assets of approximately $63 million consisting primarily of asset management advisory contracts, which were determined to have an indefinite life and are not amortized.

Amortization expense

The following table presents amortization expense related to credit card relationships, core deposits and other intangible assets.

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2012**	2011	**2012**	2011
Purchased credit card relationships	**$ 6**	$ 6	**$ 12**	$ 12
Other credit card-related intangibles	**26**	25	**51**	50
Core deposit intangibles	**61**	72	**122**	144
Other intangibles	**14**	17	**29**	34
Total amortization expense	**$ 107**	$ 120	**$ 214**	$ 240

Future amortization expense

The following table presents estimated future amortization expense related to credit card relationships, core deposits and other intangible assets.

For the year (in millions)	Purchased credit card relationships	Other credit card-related intangibles	Core deposit intangibles	Other intangibles	**Total**
2012[(a)]	$ 24	$ 100	$ 240	$ 61	$ 425
2013	20	101	196	57	374
2014	18	100	103	44	265
2015	16	94	26	27	163
2016	–	34	14	21	69

(a) Includes $12 million, $51 million, $122 million and $29 million of amortization expense related to purchased credit card relationships, other credit card related intangibles, core deposit intangibles and other intangibles, respectively, recognized during the six months ended June 30, 2012.

Note 18 – Deposits

For further discussion on deposits, see Note 20 on page 96 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

At June 30, 2012, and December 31, 2011, noninterest-bearing and interest-bearing deposits were as follows.

(in millions)	**June 30, 2012**	December 31, 2011
U.S. offices		
Noninterest-bearing	**$ 350,953**	$ 348,585
Interest-bearing:		
Demand[(a)]	**46,683**	55,516
Savings[(b)]	**379,937**	375,037
Time (included **$4,463** and $3,861 at fair value)[(c)]	**54,882**	55,884
Total interest-bearing deposits	**481,502**	486,437
Total deposits in U.S. offices	**832,455**	835,022
Non-U.S. offices		
Noninterest-bearing	**17,374**	19,060
Interest-bearing:		
Demand	**207,777**	221,708
Savings	**1,003**	687
Time (included **$847** and $1,072 at fair value)[(c)]	**104,389**	114,261
Total interest-bearing deposits	**313,169**	336,656
Total deposits in non-U.S. offices	**330,543**	355,716
Total deposits	**$ 1,162,998**	$ 1,190,738

(a) Includes Negotiable Order of Withdrawal ("NOW") accounts, and certain trust accounts.
(b) Includes Money Market Deposit Accounts ("MMDAs").
(c) Includes structured notes classified as deposits for which the fair value option has been elected. For further discussion, see Note 5 on pages 24-26 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

Note 19 – Related party transactions

JPMorgan Chase Bank, N.A. regularly enters into transactions with JPMorgan Chase and its various subsidiaries.

Significant revenue and expense transactions with related parties are listed below.

(in millions)	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Interest income from affiliates				
Deposits with affiliated banks	**$ –**	$ (1)	**$ 1**	$ 2
Available-for-sale securities with affiliates	**6**	7	**11**	17
Federal funds sold and securities purchased under resale agreements, and securities borrowed with affiliates	**3**	(2)	**35**	14
Loans to affiliates	**9**	16	**24**	22
Interest expense to affiliates				
Interest-bearing deposits of affiliates	**$ 80**	$ 126	**$ 182**	$ 229
Federal funds purchased and securities loaned or sold under repurchase agreements, and other borrowed funds due to affiliates	**(4)**	20	**11**	48
Long-term debt payable to JPMorgan Chase & Co. and affiliates	**129**	97	**257**	193
Guaranteed capital debt securities issued to nonbank affiliates	**12**	12	**23**	23
Servicing agreements and fee arrangements with affiliates				
Noninterest revenue	**$ 1,330**	$ 1,419	**$ 2,543**	$ 2,618
Noninterest expense	**829**	1,149	**1,786**	2,315

Significant balances with related parties are listed below.

(in millions)	June 30, 2012	December 31, 2011
Assets		
Deposits with affiliated banks	**$ 775**	$ 909
Available-for-sale securities issued by affiliates	**593**	655
Federal funds sold and securities purchased under resale agreements, and securities borrowed with affiliates	**64,934**	67,226
Loans to affiliates	**3,671**	3,264
Accrued interest and accounts receivable, and other assets due from affiliates	**22,463**	14,563
Liabilities		
Noninterest-bearing deposits of affiliates	**$ 2,874**	$ 2,352
Interest-bearing deposits of affiliates	**80,118**	94,976
Federal funds purchased and securities loaned or sold with affiliates under repurchase agreements, and other borrowed funds due to affiliates	**46,278**	49,826
Accounts payable and other liabilities payable to affiliates	**5,823**	4,739
Long-term debt payable to JPMorgan Chase & Co. and affiliates	**35,509**	35,509
Junior subordinated deferrable interest debentures held by trusts that issued guaranteed capital debt securities to nonbank affiliates	**600**	600

At June 30, 2012, and December 31, 2011, net derivative payables to affiliates were $8.2 billion and $8.7 billion, respectively.

Note 20 – Accumulated other comprehensive income/(loss)

AOCI includes the after-tax change in unrealized gains and losses on AFS securities, foreign currency translation adjustments (including the impact of related derivatives hedges), cash flow hedging activities, and net loss and prior service costs/(credit) related to JPMorgan Chase Bank, N.A.'s defined benefit pension and OPEB plans.

As of or for the three months ended June 30, 2012 (in millions)	Unrealized gains/ (losses) on AFS securities[a]	Translation adjustments, net of hedges	Cash flow hedges	Defined benefit pension and OPEB plans	Accumulated other comprehensive income/(loss)
Balance at April 1, 2012	**$ 4,908** [b]	**$ 247**	**$ 352**	**$ (380)**	**$ 5,127**
Net change	**(327)** [c]	**(174)**	**38**	**14**	**(449)**
Balance at June 30, 2012	**$ 4,581** [b]	**$ 73**	**$ 390**	**$ (366)**	**$ 4,678**

As of or for the three months ended June 30, 2011 (in millions)	Unrealized gains/ (losses) on AFS securities[a]	Translation adjustments, net of hedges	Cash flow hedges	Defined benefit pension and OPEB plans	Accumulated other comprehensive income/(loss)
Balance at April 1, 2011	$ 2,205 [b]	$ 400	$ 324	$ (397)	$ 2,532
Net change	928 [d]	(8)	(14)	5	911
Balance at June 30, 2011	$ 3,133 [b]	$ 392	$ 310	$ (392)	$ 3,443

As of or for the six months ended June 30, 2012 (in millions)	Unrealized gains/ (losses) on AFS securities[a]	Translation adjustments, net of hedges	Cash flow hedges	Defined benefit pension and OPEB plans	Accumulated other comprehensive income/(loss)
Balance at January 1, 2012	**$ 3,378** [b]	**$ 131**	**$ 395**	**$ (385)**	**$ 3,519**
Net change	**1,203** [e]	**(58)**	**(5)**	**19**	**1,159**
Balance at June 30, 2012	**$ 4,581** [b]	**$ 73**	**$ 390**	**$ (366)**	**$ 4,678**

As of or for the six months ended June 30, 2011 (in millions)	Unrealized gains/ (losses) on AFS securities[a]	Translation adjustments, net of hedges	Cash flow hedges	Defined benefit pension and OPEB plans	Accumulated other comprehensive income/(loss)
Balance at January 1, 2011	$ 2,451 [b]	$ 390	$ 418	$ (383)	$ 2,876
Net change	682 [f]	2	(108)	(9)	567
Balance at June 30, 2011	$ 3,133 [b]	$ 392	$ 310	$ (392)	$ 3,443

(a) Represents the after-tax difference between the fair value and amortized cost of securities accounted for as AFS.
(b) Included after-tax unrealized losses not related to credit on debt securities for which credit losses have been recognized in income of $(101) million, $(48) million, $(56) million, $(62) million, $(65) million and $(81) million at June 30, 2012, April 1, 2012, January 1, 2012, June 30, 2011, April 1, 2011 and January 1, 2011, respectively.
(c) The net change for the three months ended June 30, 2012, was due primarily to realization of gains on sales of mortgage-backed securities, non-U.S. government debt and obligations of U.S., state and municipalities, partially offset by market value increases driven by the tightening of spreads.
(d) The net change for the three months ended June 30, 2011, was due primarily to increased market value on agency MBS and municipal securities, partially offset by the widening of spreads on non-U.S. corporate debt and realization of gains.
(e) The net change for the six months ended June 30, 2012, was due primarily to market value increases driven by the tightening of spreads across the portfolio, partially offset by sales of mortgage-backed securities and non-U.S. government debt.
(f) The net change for the six months ended June 30, 2011, was due primarily to increased market value on agency MBS and municipal securities, partially offset by the widening of spreads on non-U.S. corporate debt and realization of gains due to portfolio repositioning.

The following table presents the pretax and after-tax changes in the components of other comprehensive income/(loss).

Three months ended June 30, (in millions)	2012 Pretax	2012 Tax effect	2012 After-tax	2011 Pretax	2011 Tax effect	2011 After-tax
Unrealized gains/(losses) on AFS securities:						
Net unrealized gains/(losses) arising during the period	**$ 420**	**$ (164)**	**$ 256**	$ 2,369	$ (930)	$ 1,439
Reclassification adjustment for realized (gains)/losses included in net income	**(955)**	**372**	**(583)**	(835)	324	(511)
Net change	**(535)**	**208**	**(327)**	1,534	(606)	928
Translation adjustments:						
Translation	**(632)**	**232**	**(400)**	301	(104)	197
Hedges	**371**	**(145)**	**226**	(337)	132	(205)
Net change	**(261)**	**87**	**(174)**	(36)	28	(8)
Cash flow hedges:						
Net unrealized gains/(losses) arising during the period	**166**	**(64)**	**102**	108	(42)	66
Reclassification adjustment for realized (gains)/losses included in net income	**(105)**	**41**	**(64)**	(131)	51	(80)
Net change	**61**	**(23)**	**38**	(23)	9	(14)
Defined benefit pension and OPEB plans:						
Prior service credits arising during the period	**—**	**—**	**—**	1	—	1
Net gains/(losses) arising during the period	**—**	**—**	**—**	—	—	—
Reclassification adjustments included in net income:						
Prior service costs/(credits)	**—**	**—**	**—**	(1)	—	(1)
Amortization of net loss	**10**	**(3)**	**7**	13	(5)	8
Foreign exchange and other	**12**	**(5)**	**7**	(5)	2	(3)
Net change	**22**	**(8)**	**14**	8	(3)	5
Total other comprehensive income/(loss)	**$ (713)**	**$ 264**	**$ (449)**	$ 1,483	$ (572)	$ 911

Six months ended June 30, (in millions)	2012 Pretax	2012 Tax effect	2012 After-tax	2011 Pretax	2011 Tax effect	2011 After-tax
Unrealized gains/(losses) on AFS securities:						
Net unrealized gains/(losses) arising during the period	**$ 3,449**	**$ (1,348)**	**$ 2,101**	$ 2,053	$ (806)	$ 1,247
Reclassification adjustment for realized (gains)/losses included in net income	**(1,472)**	**574**	**(898)**	(919)	354	(565)
Net change	**1,977**	**(774)**	**1,203**	1,134	(452)	682
Translation adjustments:						
Translation	**(278)**	**103**	**(175)**	552	(195)	357
Hedges	**192**	**(75)**	**117**	(581)	226	(355)
Net change	**(86)**	**28**	**(58)**	(29)	31	2
Cash flow hedges:						
Net unrealized gains/(losses) arising during the period	**204**	**(80)**	**124**	112	(44)	68
Reclassification adjustment for realized (gains)/losses included in net income	**(211)**	**82**	**(129)**	(288)	112	(176)
Net change	**(7)**	**2**	**(5)**	(176)	68	(108)
Defined benefit pension and OPEB plans:						
Prior service credits arising during the period	**—**	**—**	**—**	1	—	1
Net gains/(losses) arising during the period	**14**	**(5)**	**9**	(17)	8	(9)
Reclassification adjustments included in net income:						
Prior service costs/(credits)	**—**	**—**	**—**	(1)	—	(1)
Amortization of net loss	**21**	**(7)**	**14**	26	(10)	16
Foreign exchange and other	**(6)**	**2**	**(4)**	(26)	10	(16)
Net change	**29**	**(10)**	**19**	(17)	8	(9)
Total other comprehensive income/(loss)	**$ 1,913**	**$ (754)**	**$ 1,159**	$ 912	$ (345)	$ 567

Note 21 – Regulatory capital

JPMorgan Chase Bank, N.A.'s banking regulator, the OCC, establishes capital requirements, including well-capitalized standards for national banks.

There are two categories of risk-based capital: Tier 1 capital and Tier 2 capital. Tier 1 capital consists of common stockholders' equity, perpetual preferred stock, noncontrolling interests in subsidiaries and trust preferred capital debt securities, less goodwill and certain other adjustments. Tier 2 capital consists of preferred stock not qualifying as Tier 1 capital, subordinated long-term debt and other instruments qualifying as Tier 2 capital, and the aggregate allowance for credit losses up to a certain percentage of risk-weighted assets. Total capital is Tier 1 capital plus Tier 2 capital. Under the risk-based capital guidelines of the OCC, JPMorgan Chase Bank, N.A. is required to maintain minimum ratios of Tier 1 and Total capital to risk-weighted assets, as well as minimum leverage ratios (which are defined as Tier 1 capital divided by adjusted quarterly average assets). Failure to meet these minimum requirements could cause the OCC to take action. As of June 30, 2012, and December 31, 2011, JPMorgan Chase Bank, N.A. was well-capitalized and met all capital requirements to which it was subject.

The following table presents the regulatory capital, assets and risk-based capital ratios for JPMorgan Chase Bank, N.A. at June 30, 2012, and December 31, 2011. These amounts are determined in accordance with U.S. banking regulations. JPMorgan Chase Bank, N.A.'s capital ratios as of June 30, 2012, have been revised from those previously reported based on regulatory guidance received on August 8, 2012. The revision relates to an adjustment to JPMorgan Chase Bank, N.A.'s regulatory capital ratios to reflect regulatory guidance regarding a limited number of market risk models used for certain positions held by JPMorgan Chase Bank, N.A. during the first half of the year, including the CIO synthetic credit portfolio.

(in millions, except ratios)	**June 30, 2012**	December 31, 2011	Well-capitalized ratios[d]	Minimum capital ratios[d]
Regulatory capital				
Tier 1	**$ 102,958**	$ 98,426		
Total	**139,907**	136,017		
Assets				
Risk-weighted[a][b]	**$ 1,121,191**	$ 1,042,898		
Adjusted average[c]	**1,773,165**	1,789,194		
Capital ratios				
Tier 1	**9.2%**	9.4%	6.0%	4.0%
Total	**12.5**	13.0	10.0	8.0
Tier 1 leverage	**5.8**	5.5	5.0 [e]	3.0 [f]

(a) Risk-weighted assets consist of on– and off–balance sheet assets that are assigned to one of several broad risk categories and weighted by factors representing their risk and potential for default. On–balance sheet assets are risk-weighted based on the perceived credit risk associated with the obligor or counterparty, the nature of any collateral, and the guarantor, if any. Off–balance sheet assets such as lending-related commitments, guarantees, derivatives and other applicable off–balance sheet positions are risk-weighted by multiplying the contractual amount by the appropriate credit conversion factor to determine the on–balance sheet credit-equivalent amount, which is then risk-weighted based on the same factors used for on–balance sheet assets. Risk-weighted assets also incorporate a measure for the market risk related to applicable trading assets–debt and equity instruments, and foreign exchange and commodity derivatives. The resulting risk-weighted values for each of the risk categories are then aggregated to determine total risk-weighted assets.

(b) Includes off–balance sheet risk-weighted assets at June 30, 2012, and December 31, 2011, of $292.3 billion and $291.0 billion , respectively.

(c) Adjusted average assets, for purposes of calculating the leverage ratio, include total quarterly average assets adjusted for unrealized gains/(losses) on securities, less deductions for disallowed goodwill and other intangible assets, investments in certain subsidiaries, and the total adjusted carrying value of nonfinancial equity investments that are subject to deductions from Tier 1 capital.

(d) As defined by the U.S. banking regulations.

(e) Represents requirements for banking subsidiaries pursuant to U.S. banking regulations.

(f) The minimum Tier 1 leverage ratio for bank holding companies and banks is 3% or 4%, depending on factors specified in U.S. banking regulations.

Note: Rating agencies allow measures of capital to be adjusted upward for deferred tax liabilities, which have resulted from both nontaxable business combinations and from tax-deductible goodwill. JPMorgan Chase Bank, N.A. had deferred tax liabilities resulting from nontaxable business combinations totaling $256 million and $317 million at June 30, 2012, and December 31, 2011, respectively; and deferred tax liabilities resulting from tax-deductible goodwill of $1.2 billion at both June 30, 2012, and December 31, 2011.

A reconciliation of JPMorgan Chase Bank, N.A.'s Total stockholder's equity to Tier 1 capital and Total qualifying capital is presented in the table below.

(in millions)	June 30, 2012	December 31, 2011
Tier 1 capital		
Total stockholder's equity	**$ 136,147**	$ 130,777
Effect of certain items in AOCI excluded from Tier 1 capital	**(4,604)**	(3,387)
Qualifying hybrid securities and noncontrolling interests[a]	**810**	778
Less: Goodwill[b]	**26,134**	26,196
Fair value debit valuation adjustments on derivative and structured note liabilities related to JPMorgan Chase Bank, N.A.'s credit quality	**1,654**	1,776
Investments in certain subsidiaries and other	**–**	6
Other intangible assets[b]	**1,607**	1,764
Total Tier 1 capital	**102,958**	98,426
Tier 2 capital		
Long-term debt and other instruments qualifying as Tier 2	**22,828**	24,423
Qualifying allowance for credit losses	**14,114**	13,163
Adjustment for investments in certain subsidiaries and other	**7**	5
Total Tier 2 capital	**36,949**	37,591
Total qualifying capital	**$ 139,907**	$ 136,017

(a) Primarily includes trust preferred capital debt securities of certain business trusts.
(b) Goodwill and other intangible assets are net of any associated deferred tax liabilities.

Note 22 – Off–balance sheet lending-related financial instruments, guarantees, and other commitments

JPMorgan Chase Bank, N.A. provides lending-related financial instruments (e.g., commitments and guarantees) to meet the financing needs of its customers. The contractual amount of these financial instruments represents the maximum possible credit risk to JPMorgan Chase Bank, N.A. should the counterparty draw upon the commitment or JPMorgan Chase Bank, N.A. be required to fulfill its obligation under the guarantee, and should the counterparty subsequently fail to perform according to the terms of the contract. Most of these commitments and guarantees expire without being drawn or a default occurring. As a result, the total contractual amount of these instruments is not, in JPMorgan Chase Bank, N.A.'s view, representative of its actual future credit exposure or funding requirements. For a discussion of off-balance sheet lending-related financial instruments and guarantees, and JPMorgan Chase Bank, N.A.'s related accounting policies, see Note 27 on pages 106–111 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

To provide for the risk of loss inherent in wholesale and consumer (excluding credit card) contracts, an allowance for credit losses on lending-related commitments is maintained. See Note 15 on page 66 of these Consolidated Financial Statements for further discussion regarding the allowance for credit losses on lending-related commitments.

The following table summarizes the contractual amounts and carrying values of off-balance sheet lending-related financial instruments, guarantees and other commitments at June 30, 2012, and December 31, 2011. The amounts in the table below for credit card and home equity lending-related commitments represent the total available credit for these products. JPMorgan Chase Bank, N.A. has not experienced, and does not anticipate, that all available lines of credit for these products will be utilized at the same time. JPMorgan Chase Bank, N.A. can reduce or cancel credit card lines of credit by providing the borrower notice or, in some cases, without notice as permitted by law. JPMorgan Chase Bank, N.A. may reduce or close home equity lines of credit when there are significant decreases in the value of the underlying property, or when there has been a demonstrable decline in the creditworthiness of the borrower. Also, JPMorgan Chase Bank, N.A. typically closes credit card lines when the borrower is 60 days or more past due.

Off-balance sheet lending-related financial instruments, guarantees and other commitments

By remaining maturity (in millions)	Contractual amount – June 30, 2012 – Expires in 1 year or less	Expires after 1 year through 3 years	Expires after 3 years through 5 years	Expires after 5 years	Total	Dec 31, 2011 – Total	Carrying value[j] – June 30, 2012	Dec 31, 2011
Lending-related								
Consumer, excluding credit card:								
Home equity – senior lien	**$ 1,274**	**$ 4,827**	**$ 3,809**	**$ 3,664**	**$ 13,574**	$ 14,068	**$ –**	$ –
Home equity – junior lien	**2,679**	**8,596**	**6,054**	**4,400**	**21,729**	23,873	**–**	–
Prime mortgage	**3,470**	**–**	**–**	**–**	**3,470**	1,500	**–**	–
Subprime mortgage	**–**	**–**	**–**	**–**	**–**	–	**–**	–
Auto	**6,542**	**156**	**149**	**22**	**6,869**	6,694	**1**	1
Business banking	**10,478**	**496**	**96**	**334**	**11,404**	10,299	**6**	6
Student and other	**31**	**162**	**35**	**481**	**709**	784	**–**	–
Total consumer, excluding credit card	**24,474**	**14,237**	**10,143**	**8,901**	**57,755**	57,218	**7**	7
Credit card	**28,582**	**–**	**–**	**–**	**28,582**	27,586	**–**	–
Total consumer	**53,056**	**14,237**	**10,143**	**8,901**	**86,337**	84,804	**7**	7
Wholesale:								
Other unfunded commitments to extend credit[a][b][c]	**60,459**	**71,354**	**93,812**	**6,823**	**232,448**	215,029	**413**	334
Standby letters of credit and other financial guarantees[a][c][d][e]	**27,275**	**31,182**	**39,697**	**2,167**	**100,321**	100,836	**696**	688
Unused advised lines of credit	**66,105**	**8,103**	**295**	**357**	**74,860**	59,512	**–**	–
Other letters of credit[a][e]	**3,851**	**838**	**94**	**1**	**4,784**	5,386	**1**	2
Total wholesale	**157,690**	**111,477**	**133,898**	**9,348**	**412,413**	380,763	**1,110**	1,024
Total lending-related	**$ 210,746**	**$ 125,714**	**$ 144,041**	**$ 18,249**	**$ 498,750**	$ 465,567	**$ 1,117**	$ 1,031
Other guarantees and commitments								
Securities lending indemnifications[f]	**$ 200,319**	**$ –**	**$ –**	**$ –**	**$ 200,319**	$ 197,913	**NA**	NA
Derivatives qualifying as guarantees	**1,981**	**5,062**	**23,607**	**36,799**	**67,449**	75,583	**$ 213**	$ 457
Unsettled reverse repurchase and securities borrowing agreements[g]	**37,392**	**–**	**–**	**–**	**37,392**	26,639	**–**	–
Loan sale and securitization-related indemnifications:								
Mortgage repurchase liability[h]	**NA**	**NA**	**NA**	**NA**	**NA**	NA	**3,019**	3,244
Loans sold with recourse	**NA**	**NA**	**NA**	**NA**	**9,201**	9,657	**127**	127
Other guarantees and commitments[i]	**134**	**254**	**358**	**4,379**	**5,125**	4,954	**(78)**	(5)

(a) At June 30, 2012, and December 31, 2011, reflects the contractual amount net of risk participations totaling $559 million and $1.1 billion, respectively, for other unfunded commitments to extend credit; $18.2 billion and $19.8 billion, respectively, for standby letters of credit and other financial guarantees; and $721 million and $974 million, respectively, for other letters of credit. In regulatory filings with the Federal Reserve these commitments are shown gross of risk participations.
(b) At June 30, 2012, and December 31, 2011, included commitments to affiliates of $18 million and $19 million, respectively.
(c) At June 30, 2012, and December 31, 2011, included credit enhancements and bond and commercial paper liquidity commitments to U.S. states and municipalities, hospitals and other not-for-profit entities of $47.4 billion and $48.6 billion, respectively. These commitments also include liquidity facilities to nonconsolidated municipal bond VIEs; for further information, see Note 16 on pages 67–75 of these Consolidated Financial Statements.
(d) At June 30, 2012, and December 31, 2011, included unissued standby letters of credit commitments of $43.2 billion and $43.9 billion, respectively.
(e) At June 30, 2012, and December 31, 2011, JPMorgan Chase Bank, N.A. held collateral relating to $43.0 billion and $41.4 billion, respectively, of standby letters of credit; and $1.1 billion and $1.3 billion, respectively, of other letters of credit.
(f) At June 30, 2012, and December 31, 2011, collateral held by JPMorgan Chase Bank, N.A. in support of securities lending indemnification agreements was $197.1 billion and $197.2 billion, respectively. Securities lending collateral comprises primarily cash and securities issued by governments that are members of the Organisation for Economic Co-operation and Development ("OECD") and U.S. government agencies.
(g) At June 30, 2012, and December 31, 2011, the amount of commitments related to forward-starting reverse repurchase agreements and securities borrowing agreements were $2.8 billion and $1.2 billion, respectively. Commitments related to unsettled reverse repurchase agreements and securities borrowing agreements with regular-way settlement periods were $34.6 billion and $25.4 billion, at June 30, 2012, and December 31, 2011, respectively.
(h) Represents the estimated mortgage repurchase liability related to indemnifications for breaches of representations and warranties in loan sale and securitization agreements. For additional information, see Loan sale and securitization-related indemnifications on page 86 of this Note.
(i) At June 30, 2012, and December 31, 2011, included unfunded equity investment commitments of $1.0 billion and $1.1 billion, respectively. These commitments included zero and $26 million, respectively, related to investments that are generally fair valued at net asset value as discussed in Note 4 on pages 10–22 of these Consolidated Financial Statements. In addition, at June 30, 2012, and December 31, 2011, included letters of credit hedged by derivative transactions and managed on a market risk basis of $4.1 billion and $3.9 billion, respectively.
(j) For lending-related products, the carrying value represents the allowance for lending-related commitments and the guarantee liability; for derivative-related products, the carrying value represents the fair value. For all other products the carrying value represents the valuation reserve.

Other unfunded commitments to extend credit
Other unfunded commitments to extend credit generally comprise commitments for working capital and general corporate purposes, extensions of credit to support commercial paper facilities and bond financings in the event that those obligations cannot be remarketed to new investors as well as committed liquidity facilities to clearing organization.

Also included in other unfunded commitments to extend credit are commitments to noninvestment-grade counterparties in connection with leveraged and acquisition finance activities, which were $6.3 billion and $6.0 billion at June 30, 2012, and December 31, 2011, respectively. For further information, see Note 4 and Note 5 on pages 10–22 and 22–24 respectively, of these Consolidated Financial Statements.

In addition, JPMorgan Chase Bank, N.A. acts as a clearing and custody bank in the U.S. tri-party repurchase transaction market. In its role as clearing and custody bank, JPMorgan Chase Bank, N.A. is exposed to intra-day credit risk of the cash borrowers, usually broker-dealers; however, this exposure is secured by collateral and typically extinguished through the settlement process by the end of the day. For the three months ended June 30, 2012, the tri-party repurchase daily balances averaged $352 billion.

Guarantees
JPMorgan Chase Bank, N.A. considers the following off-balance sheet lending-related arrangements to be guarantees under U.S. GAAP: standby letters of credit and financial guarantees, securities lending indemnifications, certain indemnification agreements included within third-party contractual arrangements and certain derivative contracts. For a further discussion of the off-balance sheet lending-related arrangements JPMorgan Chase Bank, N.A. considers to be guarantees, and the related accounting policies, see Note 27 on pages 106–111 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements. The recorded amounts of the liabilities related to guarantees and indemnifications at June 30, 2012, and December 31, 2011, excluding the allowance for credit losses on lending-related commitments, are discussed below.

Standby letters of credit and other financial guarantees
Standby letters of credit ("SBLC") and other financial guarantees are conditional lending commitments issued by JPMorgan Chase Bank, N.A. to guarantee the performance of a customer to a third party under certain arrangements, such as commercial paper facilities, bond financings, acquisition financings, trade and similar transactions. The carrying values of standby and other letters of credit were $697 million and $690 million at June 30, 2012, and December 31, 2011, respectively, which were classified in accounts payable and other liabilities on the Consolidated Balance Sheets; these carrying values included $321 million and $311 million, respectively, for the allowance for lending-related commitments, and $376 million and $379 million, respectively, for the guarantee liability and corresponding asset.

The following table summarizes the types of facilities under which standby letters of credit and other letters of credit arrangements are outstanding by the ratings profiles of JPMorgan Chase Bank, N.A.'s customers, as of June 30, 2012, and December 31, 2011.

Standby letters of credit, other financial guarantees and other letters of credit

	June 30, 2012		December 31, 2011	
(in millions)	Standby letters of credit and other financial guarantees	Other letters of credit	Standby letters of credit and other financial guarantees	Other letters of credit
Investment-grade[(a)]	**$ 76,227**	**$ 3,332**	$ 77,932	$ 4,105
Noninvestment-grade[(a)]	**24,094**	**1,452**	22,904	1,281
Total contractual amount[(b)]	**$ 100,321** [(c)]	**$ 4,784**	$ 100,836 [(c)]	$ 5,386
Allowance for lending-related commitments	**$ 320**	**$ 1**	$ 309	$ 2
Commitments with collateral	**42,970**	**1,061**	41,418	1,264

(a) The ratings scale is based on JPMorgan Chase Bank, N.A.'s internal ratings which generally correspond to ratings as defined by S&P and Moody's.
(b) At June 30, 2012, and December 31, 2011, reflects the contractual amount net of risk participations totaling $18.2 billion and $19.8 billion, respectively, for standby letters of credit and other financial guarantees; and $721 million and $974 million, respectively, for other letters of credit. In regulatory filings with the Federal Reserve these commitments are shown gross of risk participations.
(c) At June 30, 2012, and December 31, 2011, included unissued standby letters of credit commitments of $43.2 billion and $43.9 billion, respectively.

Derivatives qualifying as guarantees
In addition to the contracts described above, JPMorgan Chase Bank, N.A. transacts certain derivative contracts that have the characteristics of a guarantee under U.S. GAAP. For further information on these derivatives, see Note 27 on pages 106–111 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements. The total notional value of the derivatives that JPMorgan Chase Bank, N.A. deems to be guarantees was $67.4 billion and $75.6 billion at June 30, 2012, and December 31, 2011, respectively. The notional amount generally represents JPMorgan Chase Bank, N.A.'s maximum exposure to derivatives qualifying as guarantees. However, exposure to certain stable value contracts is contractually limited to a substantially lower percentage of the notional amount; the notional amount on these stable value contracts was $26.3 billion and $26.1 billion and the maximum exposure to loss was $2.8 billion and $2.8 billion, at June 30, 2012, and December 31, 2011,

respectively. The fair values of the contracts reflect the probability of whether JPMorgan Chase Bank, N.A. will be required to perform under the contract. The fair value related to derivatives that JPMorgan Chase Bank, N.A. deems to be guarantees were derivative payables of $305 million and $555 million and derivative receivables of $92 million and $98 million at June 30, 2012, and December 31, 2011, respectively. JPMorgan Chase Bank, N.A. reduces exposures to these contracts by entering into offsetting transactions, or by entering into contracts that hedge the market risk related to the derivative guarantees.

In addition to derivative contracts that meet the characteristics of a guarantee, JPMorgan Chase Bank, N.A. is both a purchaser and seller of credit protection in the credit derivatives market. For a further discussion of credit derivatives, see Note 6 on pages 25–33 of these Consolidated Financial Statements.

Loan sales- and securitization-related indemnifications

Mortgage repurchase liability

In connection with JPMorgan Chase Bank, N.A.'s loan sale and securitization activities with the GSEs and other loan sale and private-label securitization transactions, as described in Note 16 on pages 67–75 of these Consolidated Financial Statements, and Note 17 on pages 80–92 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements, JPMorgan Chase Bank, N.A. has made representations and warranties that the loans sold meet certain requirements. JPMorgan Chase Bank, N.A. may be, and has been, required to repurchase loans and/or indemnify the GSEs and other investors for losses due to material breaches of these representations and warranties. Generally, the maximum amount of future payments JPMorgan Chase Bank, N.A. would be required to make for breaches of these representations and warranties would be equal to the unpaid principal balance of such loans that are deemed to have defects that were sold to purchasers (including securitization-related SPEs) plus, in certain circumstances, accrued and unpaid interest on such loans and certain expense.

JPMorgan Chase Bank, N.A. has recognized a mortgage repurchase liability of $3.0 billion and $3.2 billion, as of June 30, 2012, and December 31, 2011, respectively, which is reported in accounts payable and other liabilities net of probable recoveries from third-party originators of $436 million and $518 million at June 30, 2012, and December 31, 2011, respectively.

Substantially all of the estimates and assumptions underlying JPMorgan Chase Bank, N.A.'s established methodology for computing its recorded mortgage repurchase liability — including factors such as the amount of probable future demands from purchasers, trustees or investors, the ability of JPMorgan Chase Bank, N.A. to cure identified defects, the severity of loss upon repurchase or foreclosure, and recoveries from third parties — require application of a significant level of management judgment. Estimating the mortgage repurchase liability is further complicated by historical data and uncertainty surrounding numerous external factors, including: (i) macro-economic factors and (ii) the level of future demands, which is dependent, in part, on actions taken by third parties such as the GSEs, mortgage insurers, trustees and investors.

While JPMorgan Chase Bank, N.A. uses the best information available to it in estimating its mortgage repurchase liability, the estimation process is inherently uncertain and imprecise and, accordingly, losses in excess of the amounts accrued as of June 30, 2012, are reasonably possible. JPMorgan Chase Bank, N.A. believes the estimate of the range of reasonably possible losses, in excess of its established repurchase liability, is from $0 to approximately $1.6 billion at June 30, 2012. This estimated range of reasonably possible loss considers JPMorgan Chase Bank, N.A.'s GSE-related exposure based on an assumed peak to trough decline in home prices of 42%, which is an additional 7 percentage point decline in home prices beyond JPMorgan Chase Bank, N.A.'s current assumptions which were derived from a nationally recognized home price index. Although JPMorgan Chase Bank, N.A. does not consider a further decline in home prices of this magnitude likely to occur, such a decline could increase the levels of loan delinquencies, which may, in turn, increase the level of repurchase demands from the GSEs and potentially result in additional repurchases of loans at greater loss severities; each of these factors could affect JPMorgan Chase Bank, N.A.'s mortgage repurchase liability. Claims related to private-label securitizations have, thus far, generally manifested themselves through threatened or pending litigation, which JPMorgan Chase Bank, N.A. has considered with other litigation matters as discussed in Note 24 on pages 87–97 of these Consolidated Financial Statements. Actual repurchase losses could vary significantly from JPMorgan Chase Bank, N.A.'s recorded mortgage repurchase liability or this estimate of reasonably possible additional losses, depending on the outcome of various factors, including those considered above.

The following table summarizes the change in the mortgage repurchase liability for each of the periods presented.

Summary of changes in mortgage repurchase liability[a]

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2012**	2011	**2012**	2011
Repurchase liability at beginning of period	**$ 3,231**	$ 3,227	**$ 3,244**	$ 3,000
Realized losses[b]	**(228)**	(219)	**(533)**	(435)
Provision[c]	**16**	243	**308**	686
Repurchase liability at end of period	**$ 3,019** [d]	$ 3,251	**$ 3,019**	$ 3,251

(a) Mortgage repurchase demands associated with private-label securitizations are separately evaluated by JPMorgan Chase Bank, N.A. in establishing its litigation reserves.

(b) Includes principal losses and accrued interest on repurchased loans, "make-whole" settlements, settlements with claimants, and certain related expense. Make-whole settlements were $88 million and $118 million for the three months ended June 30, 2012 and 2011, respectively, and $237 million and $230 million for the six months ended June 30, 2012 and 2011, respectively.

(c) Includes $28 million and $10 million of provision related to new loan sales for the three months ended June 30, 2012 and 2011, respectively, and $55 million and $23 million for the six months ended June 30, 2012 and 2011, respectively.
(d) Includes $17 million at June 30, 2012, related to future repurchase demands on loans sold by Washington Mutual to the GSEs.

Loans sold with recourse
JPMorgan Chase Bank, N.A. provides servicing for mortgages and certain commercial lending products on both a recourse and nonrecourse basis. In nonrecourse servicing, the principal credit risk to JPMorgan Chase Bank, N.A. is the cost of temporary servicing advances of funds (i.e., normal servicing advances). In recourse servicing, the servicer agrees to share credit risk with the owner of the mortgage loans, such as Fannie Mae or Freddie Mac or a private investor, insurer or guarantor. Losses on recourse servicing predominantly occur when foreclosure sales proceeds of the property underlying a defaulted loan are less than the sum of the outstanding principal balance, plus accrued interest on the loan and the cost of holding and disposing of the underlying property. JPMorgan Chase Bank, N.A.'s securitizations are predominantly nonrecourse, thereby effectively transferring the risk of future credit losses to the purchaser of the mortgage-backed securities issued by the trust. At June 30, 2012, and December 31, 2011, the unpaid principal balance of loans sold with recourse totaled $9.2 billion and $9.7 billion, respectively. The carrying value of the related liability that JPMorgan Chase Bank, N.A. has recorded, which is representative of JPMorgan Chase Bank, N.A.'s view of the likelihood it will have to perform under its recourse obligations, was $127 million at both June 30, 2012, and December 31, 2011.

Note 23 – Pledged assets and collateral

For a discussion of the JPMorgan Chase Bank, N.A.'s pledged assets and collateral, see Note 28 on page 112 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

Pledged assets
At June 30, 2012, assets were pledged to collateralize repurchase agreements, other securities financing agreements, derivative transactions and for other purposes, including to secure borrowings and public deposits. Certain of these pledged assets may be sold or repledged by the secured parties and are identified as financial instruments owned (pledged to various parties) on the Consolidated Balance Sheets. In addition, at June 30, 2012, and December 31, 2011, JPMorgan Chase Bank, N.A. had pledged $191.2 billion and $192.0 billion, respectively, of financial instruments it owns that may not be sold or repledged by the secured parties. Total assets pledged do not include assets of consolidated VIEs; these assets are used to settle the liabilities of those entities. See Note 16 on pages 67–75 of these Consolidated Financial Statements, and Note 17 on pages 80-92 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements, for additional information on assets and liabilities of consolidated VIEs.

Collateral
At June 30, 2012, and December 31, 2011, JPMorgan Chase Bank, N.A. had accepted assets as collateral that it could sell or repledge, deliver or otherwise use with a fair value of approximately $435.0 billion and $445.1 billion, respectively. This collateral was generally obtained under resale agreements, securities borrowing agreements, customer margin loans and derivative agreements. Of the collateral received, approximately $344.4 billion and $322.5 billion, respectively, were sold or repledged, generally as collateral under repurchase agreements, securities lending agreements or to cover short sales and to collateralize deposits and derivative agreements.

Note 24 – Litigation

Contingencies

As of June 30, 2012, JPMorgan Chase and its subsidiaries, including but not limited to JPMorgan Chase Bank, N.A., are defendants or putative defendants in numerous legal proceedings, including private, civil litigations and regulatory/government investigations. The litigations range from individual actions involving a single plaintiff to class action lawsuits with potentially millions of class members. Investigations involve both formal and informal proceedings, by both governmental agencies and self-regulatory organizations. These legal proceedings are at varying stages of adjudication, arbitration or investigation, and involve each of JPMorgan Chase's businesses and geographies and a wide variety of claims (including common law tort and contract claims and statutory antitrust, securities and consumer protection claims), some of which present novel legal theories.

Estimates of reasonably possible losses for legal proceedings are analyzed and managed at the JPMorgan Chase level and not at the subsidiary level (i.e., JPMorgan Chase Bank, N.A.). JPMorgan Chase believes the estimate of the aggregate range of reasonably possible losses, in excess of reserves established, for JPMorgan Chase's aggregate legal proceedings is from $0 to approximately $5.3 billion at June 30, 2012. This estimated aggregate range of reasonably possible losses is based upon currently available information for those proceedings in which JPMorgan Chase is involved, taking into account JPMorgan Chase's best estimate of such losses for those cases for which such estimate can be made. For certain cases, JPMorgan Chase does not believe that an estimate can currently be made. JPMorgan Chase's estimate involves significant judgment, given the varying stages of the proceedings (including the fact that many are currently in preliminary stages), the existence in many such proceedings of multiple defendants (including JPMorgan Chase and JPMorgan Chase Bank, N.A.) whose share of liability has yet to be determined, the numerous yet-unresolved issues in many of the proceedings (including issues regarding class certification and the scope of many of the claims) and the attendant uncertainty of the various potential outcomes of such proceedings. Accordingly, JPMorgan Chase's estimate will change from time to time, and actual losses may be more or less than the current estimate.

Set forth below are descriptions of material legal proceedings in which JPMorgan Chase and its subsidiaries (which may in certain instances include JPMorgan Chase Bank, N.A.) is involved or has been named a party.

Auction-Rate Securities Investigations and Litigation. Beginning in March 2008, several regulatory authorities initiated investigations of a number of industry participants, including JPMorgan Chase, concerning possible state and federal securities law violations in connection with the sale of auction-rate securities ("ARS"). The market for many such securities had frozen and a significant number of auctions for those securities began to fail in February 2008.

JPMorgan Chase, on behalf of itself and affiliates, agreed to a settlement in principle with the New York Attorney General's Office which provided, among other things, that JPMorgan Chase would offer to purchase at par certain ARS purchased from J.P. Morgan Securities LLC, Chase Investment Services Corp. and Bear, Stearns & Co. Inc. by individual investors, charities and small- to medium-sized businesses. JPMorgan Chase also agreed to a substantively similar settlement in principle with the Office of Financial Regulation for the State of Florida and the North American Securities Administrators Association ("NASAA") Task Force, which agreed to recommend approval of the settlement to all remaining states, Puerto Rico and the U.S. Virgin Islands. JPMorgan Chase has finalized the settlement agreements with the New York Attorney General's Office and the Office of Financial Regulation for the State of Florida. The settlement agreements provide for the payment of penalties totaling $25 million to all states. JPMorgan Chase is currently in the process of finalizing consent agreements with NASAA's member states; more than 45 of these consent agreements have been finalized to date.

JPMorgan Chase also faces a number of civil actions before courts and arbitration panels relating to JPMorgan Chase's sale and underwriting of ARS. The actions generally allege that JPMorgan Chase and other firms manipulated the market for ARS by placing bids at auctions that affected these securities' clearing rates or otherwise supported the auctions without properly disclosing these activities. JPMorgan Chase's motion to dismiss a putative class action that had been filed in the United States District Court for the Southern District of New York on behalf of purchasers of ARS was granted in March 2012.

Additionally, JPMorgan Chase was named in two putative antitrust class actions. The actions allege that JPMorgan Chase, along with numerous other financial institution defendants, colluded to maintain and stabilize the ARS market and then to withdraw their support for the ARS market. In January 2010, the District Court dismissed both actions. An appeal is pending in the United States Court of Appeals for the Second Circuit.

Bear Stearns Hedge Fund Matters. The Bear Stearns Companies LLC (formerly The Bear Stearns Companies Inc.) ("Bear Stearns"), certain current or former subsidiaries of Bear Stearns, including Bear Stearns Asset Management, Inc. ("BSAM") and Bear, Stearns & Co. Inc., and certain individuals formerly employed by Bear Stearns are named defendants (collectively the "Bear Stearns defendants") in multiple civil actions and arbitrations relating to alleged losses resulting from the failure of the Bear Stearns High Grade Structured Credit Strategies Master Fund, Ltd. (the "High Grade Fund") and the Bear Stearns High Grade Structured Credit Strategies Enhanced Leverage Master Fund, Ltd. (the "Enhanced Leverage Fund") (collectively the "Funds"). BSAM served as investment manager for both of the Funds, which were organized such that there were U.S. and Cayman Islands "feeder funds" that invested substantially all their assets, directly or indirectly, in the Funds. The Funds are in liquidation.

There are currently three civil actions pending in the United States District Court for the Southern District of New York relating to the Funds. One of these actions involves a derivative lawsuit brought on behalf of purchasers of partnership interests in the U.S. feeder fund to the Enhanced Leverage Fund, alleging that the Bear Stearns defendants mismanaged the Funds. This action seeks, among other things, unspecified compensatory damages based on alleged investor losses. The parties have reached an agreement to settle this derivative action, pursuant to which BSAM would pay a maximum of approximately $18 million. In April 2012, the District Court granted final approval of this settlement. In May 2012, objectors representing certain interests in the U.S. feeder fund filed a notice of appeal to the United States Court of Appeals for the Second Circuit from the District Court's final approval of the settlement. (A separate derivative action, also alleging that the Bear Stearns defendants mismanaged the Funds, was brought on behalf of purchasers of partnership interests in the U.S. feeder fund to the High Grade Fund, and was dismissed following a Court-approved settlement with similar terms, pursuant to which BSAM paid approximately $19 million.)

The second pending action, brought by the Joint Voluntary Liquidators of the Cayman Islands feeder funds, makes allegations similar to those asserted in the derivative lawsuits related to the U.S. feeder funds, alleges net losses of approximately $700 million and seeks compensatory and punitive damages. The parties presently are engaged in discovery.

The third action was brought by Bank of America and Banc of America Securities LLC (together "BofA") alleging breach of contract and fraud in connection with a $4 billion securitization in May 2007 known as a "CDO-squared," for which BSAM served as collateral manager. This securitization was composed of certain collateralized debt obligation holdings that were purchased by BofA from the Funds. BofA currently seeks damages up to approximately $535 million. The Court recently granted BofA's motion to amend its complaint to reinstate a previously dismissed claim for breach of fiduciary duty. Briefing of motions for summary judgment is scheduled to occur in late 2012 and into early 2013.

Bear Stearns Shareholder Litigation and Related Matters. Various shareholders of Bear Stearns have commenced purported class actions against Bear Stearns and certain of its former officers and/or directors on behalf of all persons who purchased or otherwise acquired common stock of Bear Stearns between December 14, 2006, and March 14, 2008 (the "Class Period"). During the Class Period, Bear Stearns had between 115 million and 120 million common shares outstanding, and the price per share of those securities declined from a high of $172.61 to a low of $30 at the end of the period. The actions, originally commenced in several federal courts and thereafter consolidated before the United States District Court for the Southern District of New York, allege that the defendants issued materially false and misleading statements regarding Bear Stearns' business and financial results and that, as a result of those false statements, Bear Stearns' common stock traded at artificially inflated prices during the Class Period. An agreement has been reached to settle the consolidated class actions for $275 million. The settlement, which remains subject to the final court approval, has been preliminarily approved by the Court and a hearing to consider final approval has been scheduled for September 2012. In addition, several individual shareholders of Bear Stearns have also commenced or threatened to commence their own arbitration proceedings and lawsuits asserting claims similar to those in the consolidated class actions. Certain of these matters have been dismissed or settled.

Separately, an agreement has been reached to resolve a class action brought under the Employee Retirement Income Security Act ("ERISA") against Bear Stearns and certain of its former officers and/or directors on behalf of participants in the Bear Stearns Employee Stock Ownership Plan for alleged breaches of fiduciary duties in connection with the management of that Plan. Under the settlement, which remains subject to final court approval, the class will receive $10 million. The Court has preliminarily approved the settlement, and scheduled a hearing to consider final approval in September 2012.

Bear Stearns, former members of Bear Stearns' Board of Directors and certain of Bear Stearns' former executive officers have also been named as defendants in a shareholder derivative and class action suit which is pending in the United States District Court for the Southern District of New York. Plaintiffs assert claims for breach of fiduciary duty, violations of federal securities laws, waste of corporate assets and gross mismanagement, unjust enrichment, abuse of control and indemnification and contribution in connection with the losses sustained by Bear Stearns as a result of its purchases of subprime loans and certain repurchases of its own common stock. Certain individual defendants are also alleged to have sold their holdings of Bear Stearns common stock while in possession of material nonpublic information. Plaintiffs seek compensatory damages in an unspecified amount. The District Court dismissed the action, and plaintiffs have appealed.

CIO Investigations and Litigations. JPMorgan Chase is responding to a series of class actions, shareholder derivative actions, shareholder demands and government investigations relating to the synthetic credit portfolio of JPMorgan Chase's CIO. JPMorgan Chase has received requests for documents and information in connection with governmental inquiries and investigations by Congress, the OCC, Federal Reserve, DOJ, the U.S. Securities and Exchange Commission ("SEC"), Commodity Futures Trading Commission ("CFTC"), UK Financial Services Authority, the State of Massachusetts and other government agencies, including in Japan, Singapore and Germany. JPMorgan Chase is cooperating with these investigations.

In addition, JPMorgan Chase and certain of its affiliates and current and former directors and officers have been named as defendants in eight actions arising out of CIO's recently announced losses.

Four putative class actions alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder have been brought on behalf of alleged classes of purchasers of JPMorgan Chase's common stock during varying periods ranging from less than one month to more than two years. These actions generally allege that JPMorgan Chase and certain current and former officers made false or misleading statements concerning CIO's trading practices and financial performance.

Separately, a putative class action has been brought on behalf of participants in certain of JPMorgan Chase's retirement and other plans during the period after April 12, 2012 who held JPMorgan Chase's common stock in those plans. This action asserts claims under ERISA for alleged breaches of fiduciary duties by JPMorgan Chase, certain affiliates and certain current and former directors and officers in connection with the management of those plans. The complaint generally alleges that defendants breached the duty of prudence by allowing investment in JPMorgan Chase's common stock when they knew or should have known that it was unsuitable for the plans' investment and that JPMorgan Chase and certain current and former officers made false or misleading statements concerning the soundness of JPMorgan Chase's common stock and the prudence of investing in JPMorgan Chase's common stock.

Three shareholder derivative actions have also been brought purportedly on behalf of JPMorgan Chase against certain of JPMorgan Chase's current and former directors and officers for alleged breaches of their fiduciary duties in connection with their alleged failure to exercise adequate oversight over CIO. These actions generally allege that defendants' failure to exercise such oversight and to manage the risk of CIO's trading activities led to CIO's losses.

The securities actions, ERISA action and one of the three shareholder derivative actions are pending in the United States District Court for the Southern District of New York, while the two other derivative actions are pending in New York State Supreme Court. Defendants have not yet responded to the complaints in any of the actions.

City of Milan Litigation and Criminal Investigation. In January 2009, the City of Milan, Italy (the "City") issued civil proceedings against (among others) JPMorgan Chase Bank, N.A. and J.P. Morgan Securities plc (formerly J.P. Morgan Securities Ltd.) (together, "JPMorgan Chase") in the District Court of Milan. The proceedings relate to (a) a bond issue by the City in June 2005 (the "Bond"), and (b) an associated swap transaction, which was subsequently restructured on a number of occasions between 2005 and 2007 (the "Swap"). The City seeks damages and/or other remedies against JPMorgan Chase (among others) on the grounds of alleged "fraudulent and deceitful acts" and alleged breach of advisory obligations in connection with the Swap and the Bond, together with related swap transactions with other counterparties. JPMorgan Chase has entered into a settlement agreement with the City to resolve the City's civil proceedings.

In March 2010, a criminal judge directed four current and former JPMorgan Chase personnel and JPMorgan Chase Bank, N.A. (as well as other individuals and three other banks) to go forward to a full trial that started in May 2010. Although JPMorgan Chase is not charged with any crime and does not face criminal liability, if one or more of its employees were found guilty, JPMorgan Chase could be subject to administrative sanctions, including restrictions on its ability to conduct business in Italy and monetary penalties. Hearings have continued on a weekly basis since May 2010.

Enron Litigation. JPMorgan Chase and certain of its officers and directors are involved in several lawsuits seeking damages arising out of JPMorgan Chase's banking relationships with Enron Corp. and its subsidiaries ("Enron"). A number of actions and other proceedings against JPMorgan Chase previously were resolved, including a class action lawsuit captioned Newby v. Enron Corp. and adversary proceedings brought by Enron's bankruptcy estate. A purported class action filed on behalf of JPMorgan Chase employees who participated in JPMorgan Chase's 401(k) plan asserting claims under ERISA for alleged breaches of fiduciary duties by JPMorgan Chase, its directors and named officers was dismissed, and the dismissal was affirmed by the United States Court of Appeals for the Second Circuit. Motions to dismiss are pending in an individual action by an Enron investor and an action by an Enron counterparty.

FERC Investigation. JPMorgan Chase's commodities business owns or has the right to output from several electricity generating facilities. JPMorgan Chase is responding to requests for information in connection with an investigation by the Federal Energy Regulatory Commission (the "FERC") regarding bidding practices by this business in certain organized power markets.

Interchange Litigation. A group of merchants and retail associations filed a series of putative class action complaints relating to interchange in several federal courts. The complaints allege, among other claims, that Visa and MasterCard, as well as certain other banks, conspired to set the price of credit and debit card interchange fees, enacted respective rules in violation of antitrust laws, and engaged in tying/bundling and exclusive dealing. All cases were consolidated in the United States District Court for the Eastern District of New York for pretrial proceedings.

In July 2012, Visa, Inc., its wholly-owned subsidiaries Visa U.S.A. Inc. and Visa International Service Association, MasterCard Incorporated, MasterCard International Incorporated and various United States financial institution defendants, including JPMorgan Chase & Co., JPMorgan Chase Bank, N.A., Chase Bank USA, N.A., Chase Paymentech Solutions, LLC and certain predecessor institutions, signed a memorandum of understanding (the "MOU") to enter into a settlement agreement (the "Settlement Agreement") to resolve the claims of the U.S. merchant and retail association plaintiffs (the "Class Plaintiffs") in the multi-district litigation ("MDL 1720"). The MOU outlines certain conditions precedent to a settlement including: (i) requisite corporate approvals, (ii) reaching agreement on certain appendices to the Settlement Agreement, and (iii) reaching negotiated settlements with the individual plaintiffs whose claims were consolidated with MDL 1720. The Settlement Agreement with the Class Plaintiffs is subject to court approval.

The Settlement Agreement provides, among other things, that a cash payment of $6.05 billion will be made to the Class Plaintiffs, of which JPMorgan Chase's share is approximately 20%. The Class Plaintiffs will also receive an amount equal to ten basis points of interchange for a period of eight months as provided in the Settlement Agreement. The eight month period will begin after the Court preliminarily approves the Settlement Agreement. The Settlement Agreement also provides for modifications to the credit card networks' rules, including those that prohibit surcharging credit transactions. The Settlement Agreement is subject to final documentation and approval by the Court.

Investment Management Litigation. Four cases have been filed claiming that investment portfolios managed by J.P. Morgan Investment Management Inc. ("JPMorgan Investment Management") were inappropriately invested in securities backed by subprime residential real estate collateral. Plaintiffs claim that JPMorgan Investment Management and related defendants are liable for losses of more than $1 billion in market value of these securities. The first case was filed by NM Homes One, Inc. in the United States District Court for the Southern District of New York. Following rulings on motions addressed to the pleadings, plaintiff's claims for breach of contract, breach of fiduciary duty, negligence and gross negligence survive, and discovery is proceeding. In the second case, filed by Assured Guaranty (U.K.) in New York state court, discovery is proceeding on plaintiff's claims for breach of contract, breach of fiduciary duty and gross negligence. In the third case, filed by Ambac Assurance UK Limited in New York state court, the Appellate Division reversed the lower court's dismissal of the case and discovery is proceeding. The fourth case, filed by CMMF LLP in New York state court, asserts claims under New York law for breach of fiduciary duty, gross negligence, breach of contract and negligent misrepresentation. The lower court denied in part defendants' motion to dismiss and discovery is proceeding.

Lehman Brothers Bankruptcy Proceedings. In May 2010, Lehman Brothers Holdings Inc. ("LBHI") and its Official Committee of Unsecured Creditors (the "Committee") filed a complaint (and later an amended complaint) against JPMorgan Chase Bank, N.A. in the United States Bankruptcy Court for the Southern District of New York that asserts both federal bankruptcy law and state common law claims, and seeks, among other relief, to recover $8.6 billion in collateral that was transferred to JPMorgan Chase Bank, N.A. in the weeks preceding LBHI's bankruptcy. The amended complaint also seeks unspecified damages on the grounds that JPMorgan Chase Bank, N.A.'s collateral requests hastened LBHI's demise. In February 2012, JPMorgan Asset Management and Highbridge Capital Management reached a settlement with LBHI and the Committee, which resulted in the return to LBHI of $700 million of the $8.6 billion of collateral sought by the amended complaint. JPMorgan Chase Bank, N.A. moved to dismiss plaintiffs' amended complaint in its entirety, and also moved to transfer the litigation from the Bankruptcy Court to the United States District Court for the Southern District of New York. The District Court directed the Bankruptcy Court to decide the motion to dismiss while the District Court is considering the transfer motion. In April 2012, the Bankruptcy Court issued a decision granting in part and denying in part JPMorgan Chase Bank, N.A.'s motion to dismiss. The Court dismissed the counts of the amended complaint seeking avoidance of the allegedly constructively fraudulent and preferential transfers made to JPMorgan Chase Bank, N.A. during the months of August and September 2008. The Court denied JPMorgan Chase Bank, N.A.'s motion to dismiss as to the other claims, including claims that allege intentional misconduct. The District Court has not yet ruled on the transfer motion.

JPMorgan Chase Bank, N.A. also filed counterclaims against LBHI alleging that LBHI fraudulently induced JPMorgan Chase Bank, N.A. to make large clearing advances to Lehman against inappropriate collateral, which left JPMorgan Chase Bank, N.A. with more than $25 billion in claims (the "Clearing Claims") against the estate of Lehman Brothers Inc. ("LBI"), LBHI's broker-dealer subsidiary. These claims have been paid in full, subject to the outcome of the litigation. Discovery is underway, with any trial unlikely to begin before 2013. In August 2011, LBHI and the Committee filed an objection to the deficiency claims asserted by JPMorgan Chase Bank, N.A. against LBHI with respect to the Clearing Claims, principally on the grounds that JPMorgan Chase Bank, N.A. had not conducted the sale of the securities collateral held for such claims in a commercially reasonable manner.

LIBOR Investigations and Litigation. JPMorgan Chase has received subpoenas and requests for documents and, in some cases, interviews, from the DOJ, CFTC, SEC, European Commission, UK Financial Services Authority, Canadian Competition Bureau, Swiss Competition Commission and other regulatory authorities and banking associations around the world. The documents and information sought relate primarily to the process by which interest rates were submitted to the British Bankers Association ("BBA") in connection with the setting of the BBA's London Interbank Offered Rate ("LIBOR") for various currencies, principally in 2007 and 2008. Some of the other inquiries also relate to similar processes by which information on rates is submitted to European Banking Federation ("EBF") in connection with the setting of the EBF's Euro Interbank Offered Rates ("EURIBOR") and to the Japanese Bankers' Association for the setting of Tokyo Interbank Offered Rates ("TIBOR") as well as to other processes for the setting of other reference rates in various parts of the world during similar time periods. JPMorgan Chase is cooperating with these inquiries.

In addition, JPMorgan Chase has been named as a defendant along with other banks in a series of individual and class actions filed in various United States District Courts alleging that since 2005 the defendants either individually suppressed the LIBOR, Euroyen TIBOR or EURIBOR rates artificially or colluded in submitting rates that were artificially low. Plaintiffs allege that they transacted in loans, derivatives or other financial instruments whose values are impacted by changes in U.S. dollar LIBOR, Yen LIBOR, Euroyen TIBOR or EURIBOR, and assert a variety of claims including antitrust claims seeking treble damages.

The U.S. dollar LIBOR actions have been consolidated for pre-trial purposes in the United States District Court for the Southern District of New York. In November 2011, the Court entered an Order appointing interim lead counsel for two proposed classes: (i) plaintiffs who allegedly purchased U.S. dollar LIBOR-based financial instruments directly from the defendants in the over-the-counter market, and (ii) plaintiffs who allegedly purchased U.S. dollar LIBOR-based financial instruments on an exchange. In March 2012, the Court also accepted the transfer of a related action which seeks to bring claims on behalf of a proposed class consisting of purchasers of debt securities that pay an interest rate linked to U.S. dollar LIBOR. In June 2012, the defendants moved to dismiss all claims in the U.S. dollar LIBOR individual and purported class actions. In July 2012, the Court consolidated with the pending U.S. dollar LIBOR actions a recently filed action which asserts claims on behalf of a proposed class consisting of U.S. community banks that issued loans with interest rates tied to U.S. dollar

LIBOR.

Since July 2012, three new actions have been filed in the United States District Court for the Southern District of New York. The first action seeks to bring claims on behalf of a proposed class consisting of all lending institutions which are either headquartered or have a majority of their operations in the State of New York and which originated or purchased loans paying interest rates tied to U.S. dollar LIBOR. The second action seeks to bring claims on behalf of a proposed class composed of purchasers of over-the-counter transactions in U.S. dollar-based derivatives from certain non-party commercial banking and insurance institutions in the United States. The third action seeks to bring claims on behalf of a proposed class of all persons and entities who owned a preferred equity security on which dividends are payable at a rate tied to U.S. dollar LIBOR. These actions have not yet been consolidated with the other U.S. dollar LIBOR actions.

JPMorgan Chase also has been named as a defendant in two additional purported class actions filed in the United States District Court for the Southern District of New York. One of these actions seeks to bring claims on behalf of plaintiffs who allegedly purchased or sold exchange-traded Euroyen futures and options contracts. The other action seeks to bring claims on behalf of plaintiffs in the United States who allegedly purchased or sold EURIBOR-related financial instruments, either on an exchange or in over-the-counter transactions.

Madoff Litigation. JPMorgan Chase & Co., JPMorgan Chase Bank, N.A., J.P. Morgan Securities LLC, and J.P. Morgan Securities plc have been named as defendants in a lawsuit brought by the trustee (the "Trustee") for the liquidation of Bernard L. Madoff Investment Securities LLC ("Madoff"). The Trustee has served an amended complaint in which he has asserted 28 causes of action against JPMorgan Chase, 20 of which seek to avoid certain transfers (direct or indirect) made to JPMorgan Chase that are alleged to have been preferential or fraudulent under the federal Bankruptcy Code and the New York Debtor and Creditor Law. The remaining causes of action involve claims for, among other things, aiding and abetting fraud, aiding and abetting breach of fiduciary duty, conversion, contribution and unjust enrichment. The complaint generally alleges that JPMorgan Chase, as Madoff's long-time bank, facilitated the maintenance of Madoff's Ponzi scheme and overlooked signs of wrongdoing in order to obtain profits and fees. The complaint asserts common law claims that purport to seek approximately $19 billion in damages, together with bankruptcy law claims to recover approximately $425 million in transfers that JPMorgan Chase allegedly received directly or indirectly from Bernard Madoff's brokerage firm. In October 2011, the United States District Court for the Southern District of New York granted JPMorgan Chase's motion to dismiss the common law claims asserted by the Trustee, and returned the remaining claims to the Bankruptcy Court for further proceedings. The Trustee has appealed this decision.

Separately, J.P. Morgan Trust Company (Cayman) Limited, JPMorgan (Suisse) SA, J.P. Morgan Securities plc, Bear Stearns Alternative Assets International Ltd., J.P. Morgan Clearing Corp., J.P. Morgan Bank Luxembourg SA, and J.P. Morgan Markets Limited (formerly Bear Stearns International Limited) have been named as defendants in lawsuits presently pending in Bankruptcy Court in New York arising out of the liquidation proceedings of Fairfield Sentry Limited and Fairfield Sigma Limited (together, "Fairfield"), so-called Madoff feeder funds. These actions are based on theories of mistake and restitution, among other theories, and seek to recover payments made to defendants by the funds totaling approximately $155 million. Pursuant to an agreement with the Trustee, the liquidators of Fairfield have voluntarily dismissed their action against J.P. Morgan Securities plc without prejudice to refiling. The other actions remain outstanding. In addition, a purported class action was brought by investors in certain feeder funds against JPMorgan Chase in the United States District Court for the Southern District of New York, as was a motion by separate potential class plaintiffs to add claims against JPMorgan Chase & Co., JPMorgan Chase Bank, N.A., J.P. Morgan Securities LLC and J.P. Morgan Securities plc to an already-pending purported class action in the same court. The allegations in these complaints largely track those raised by the Trustee. The Court dismissed these complaints and plaintiffs have appealed.

JPMorgan Chase is a defendant in five other Madoff-related actions pending in New York state court and one purported class action in federal District Court in New York. The allegations in all of these actions are essentially identical, and involve claims against JPMorgan Chase Bank, N.A. for, among other things, aiding and abetting breach of fiduciary duty, conversion and unjust enrichment. JPMorgan Chase Bank, N.A. has moved to dismiss both the state and federal actions.

JPMorgan Chase Bank, N.A. is also responding to various governmental inquiries concerning the Madoff matter.

MF Global. JPMorgan Chase & Co. has been named as one of several defendants in a number of putative class action lawsuits brought by customers of MF Global in federal District Courts in New York, Illinois and Montana. The lawsuits have now all been consolidated before the United States District Court for the Southern District of New York. The actions allege, among other things, that JPMorgan Chase aided and abetted MF Global's alleged misuse of customer money and breaches of fiduciary duty and was unjustly enriched by the transfer of certain customer segregated funds by MF Global.

J.P. Morgan Securities LLC has been named as one of several defendants in a putative class action filed in federal District Court in New York on behalf of purchasers of MF Global's publicly traded securities including the securities issued pursuant to MF Global's February 2011 and August 2011 convertible note offerings. The lawsuits have now been consolidated before the federal District Court in New York. The complaint, which asserts violations of the

Securities Act of 1933 against the underwriter defendants, alleges that the offering documents contained materially false and misleading statements and omissions regarding MF Global's financial position, including its exposure to European sovereign debt. A motion to transfer all of these putative class actions to a single forum for consolidated or coordinated pretrial proceedings is currently pending before the United States Judicial Panel on Multidistrict Litigation.

JPMorgan Chase continues to respond to inquiries from the CFTC, SEC and SIPA Trustee concerning MF Global.

In June 2012, the SIPA Trustee issued a Report of the Trustee's Investigation and Recommendations, and stated that he is considering potential claims against JPMorgan Chase with respect to certain transfers identified in the Report.

Mortgage-Backed Securities and Repurchase Litigation and Regulatory Investigations. JPMorgan Chase and affiliates, Bear Stearns and affiliates and Washington Mutual affiliates have been named as defendants in a number of cases in their various roles as issuer, originator or underwriter in MBS offerings. These cases include purported class action suits, actions by individual purchasers of securities or by trustees for the benefit of purchasers of securities, and actions by monoline insurance companies that guaranteed payments of principal and interest for particular tranches of securities offerings. Although the allegations vary by lawsuit, these cases generally allege that the offering documents for securities issued by dozens of securitization trusts contained material misrepresentations and omissions, including with regard to the underwriting standards pursuant to which the underlying mortgage loans were issued, or assert that various representations or warranties relating to the loans were breached at the time of origination. There are currently pending and tolled investor claims involving approximately $130 billion of such securities. In addition, and as described below, there are pending and threatened claims by monoline insurers and by and on behalf of trustees that involve some of these and other securitizations.

In the actions against JPMorgan Chase as an MBS issuer (and, in some cases, also as an underwriter of its own MBS offerings), three purported class actions are pending against JPMorgan Chase and Bear Stearns, and/or certain of their affiliates and current and former employees, in the United States District Courts for the Eastern and Southern Districts of New York. Defendants moved to dismiss these actions. In the first of these three actions, the Court dismissed claims relating to all but one of the offerings. In the second action, the Court dismissed claims as to certain offerings and tranches for lack of standing, but allowed claims to proceed relating to some offerings and certificates, including ones raised by intervening plaintiffs; both sides have sought to appeal these rulings. In the third action, the Court largely denied defendants' motion to dismiss, and defendants have sought to appeal certain aspects of the decision. In a fourth purported class action pending in the United States District Court for the Western District of Washington, Washington Mutual affiliates, WaMu Asset Acceptance Corp. and WaMu Capital Corp., along with certain former officers or directors of WaMu Asset Acceptance Corp., have been named as defendants. The Court there denied plaintiffs' motion for leave to amend their complaint to add JPMorgan Chase Bank, N.A., as a defendant on the theory that it is a successor to Washington Mutual Bank. In October 2011, the Court certified a class of plaintiff investors to pursue the claims asserted but limited those claims to the 13 tranches of MBS in which a named plaintiff purchased. Expert discovery is proceeding. In July 2012, the Court denied defendants' motion for summary judgment. Trial is scheduled to begin in September 2012.

In addition to class actions, JPMorgan Chase is also a defendant in individual actions brought against certain affiliates of JPMorgan Chase, Bear Stearns and Washington Mutual as issuers (and, in some cases, as underwriters) of MBS. These actions involve claims by or to benefit various institutional investors and governmental agencies. These actions are pending in federal and state courts across the United States and are at various stages of litigation.

EMC Mortgage LLC (formerly EMC Mortgage Corporation) ("EMC"), an indirect subsidiary of JPMorgan Chase & Co., and certain other JPMorgan Chase entities currently are defendants in seven pending actions commenced by bond insurers that guaranteed payments of principal and interest on approximately $5 billion of certain classes of 17 different MBS offerings. These actions are pending in federal and state courts in New York and are in various stages of litigation.

In actions against JPMorgan Chase solely as an underwriter of other issuers' MBS offerings, JPMorgan Chase has contractual rights to indemnification from the issuers. However, those indemnity rights may prove effectively unenforceable where the issuers are now defunct, such as in pending cases where JPMorgan Chase has been named involving affiliates of IndyMac Bancorp and Thornburg Mortgage. JPMorgan Chase may also be contractually obligated to indemnify underwriters in certain deals it issued.

JPMorgan Chase or its affiliates are defendants in actions brought by trustees of various MBS trusts and others on behalf of the purchasers of securities issued by those trusts. The first action was commenced by Deutsche Bank National Trust Company, acting as trustee for various MBS trusts, against JPMorgan Chase and the FDIC based on MBS issued by Washington Mutual Bank and its affiliates; that case is described in the Washington Mutual Litigations section below. The other actions are at various initial stages of litigation in the New York and Delaware state courts, including actions brought by MBS trustees, each specific to a single MBS transaction, against EMC and/or JPMorgan Chase, and an action brought by the Federal Housing Finance Agency, as conservator for Freddie Mac, related to three trusts, against a WaMu affiliate and JPMorgan Chase. These cases generally allege breaches of various representations and warranties regarding securitized loans and seeks repurchase of those loans, as well as indemnification of attorneys' fees and costs and other remedies.

There is no assurance that JPMorgan Chase will not be named as a defendant in additional MBS-related litigation, and JPMorgan Chase has entered into agreements with a number of entities that purchased such securities that toll applicable limitations periods with respect to their claims. In addition, JPMorgan Chase has received several demands by securitization trustees that threaten litigation, as well as demands by investors directing or threatening to direct trustees to investigate claims or bring litigation, based on purported obligations to repurchase loans out of securitization trusts and alleged servicing deficiencies. These include but are not limited to a demand from a law firm, as counsel to a group of purchasers of MBS that purport to have 25% or more of the voting rights in as many as 191 different trusts sponsored by JPMorgan Chase or its affiliates with an original principal balance of more than $174 billion (excluding 52 trusts sponsored by Washington Mutual, with an original principal balance of more than $58 billion), made to various trustees to investigate potential repurchase and servicing claims. Further, there have been repurchase and servicing claims made in litigation against trustees not affiliated with JPMorgan Chase, but involving trusts JPMorgan Chase sponsored.

In April 2012, the Court granted JPMorgan Chase's motion to dismiss a shareholder complaint filed in New York Supreme Court against JPMorgan Chase and two affiliates, members of the boards of directors thereof and certain employees, asserting claims based on alleged wrongful actions and inactions relating to residential mortgage originations and securitizations. The Plaintiff may appeal the order. A second shareholder complaint has been filed in New York Supreme Court against current and former members of JPMorgan Chase's Board of Directors and JPMorgan Chase, as nominal defendant, alleging that the Board allowed JPMorgan Chase to engage in wrongful conduct regarding the sale of residential MBS and failed to implement adequate internal controls to prevent such wrongdoing.

In addition to the above-described litigation, JPMorgan Chase has also received, and responded to, a number of subpoenas and informal requests for information from federal and state authorities concerning mortgage-related matters, including inquiries concerning a number of transactions involving JPMorgan Chase and its affiliates' origination and purchase of whole loans, underwriting and issuance of MBS, treatment of early payment defaults and potential breaches of securitization representations and warranties, reserves and due diligence in connection with securitizations. In January 2012, JPMorgan Chase was advised by SEC staff that they are considering recommending to the Commission that civil or administrative actions be pursued arising out of two separate investigations they have been conducting. The first involves potential claims against J.P. Morgan Securities LLC and J.P. Morgan Acceptance Corporation I relating to due diligence conducted for two mortgage-backed securitizations and corresponding disclosures. The second involves potential claims against Bear Stearns entities, JPMorgan Chase & Co. and J.P. Morgan Securities LLC relating to settlements of claims against originators involving loans included in a number of Bear Stearns securitizations. In both investigations, JPMorgan Chase has submitted responses to the proposed actions.

Mortgage Foreclosure Investigations and Litigation. JPMorgan Chase and four other firms agreed to a settlement (the "global settlement") with a number of federal and state government agencies, including DOJ, the Department of Housing and Urban Development, the Consumer Financial Protection Bureau and the State Attorneys General, relating to the servicing and origination of mortgages. The global settlement was approved by the federal District Court for the District of Columbia effective April 5, 2012. Pursuant to the global settlement, JPMorgan Chase is required to make certain payments, provide various forms of relief to certain borrowers and adhere to certain enhanced mortgage servicing standards. The global settlement releases JPMorgan Chase from various state and federal claims, but these releases do not include claims arising out of securitization activities, including representations made to investors concerning MBS, criminal claims and repurchase demands from the GSEs, among other items. The New York Department of Financial Services was not a party to the settlement and did not release any claims.

The Attorneys General of Massachusetts and New York have separately filed lawsuits against JPMorgan Chase, other servicers and a mortgage recording company asserting claims for various alleged wrongdoings relating to mortgage assignments and use of the industry's electronic mortgage registry. JPMorgan Chase has moved to dismiss these actions.

Six purported class action lawsuits were filed against JPMorgan Chase relating to its mortgage foreclosure procedures. Two of the class actions have been dismissed with prejudice and one settled on an individual basis. Of the remaining active actions, one is in the discovery phase and the other two have motions to dismiss pending. Additionally, the purported class action brought against Bank of America involving an EMC loan has been dismissed.

Two shareholder derivative actions have been filed in New York Supreme Court against JPMorgan Chase's Board of Directors alleging that the Board failed to exercise adequate oversight as to wrongful conduct by JPMorgan Chase regarding mortgage servicing. These actions seek declaratory relief and damages. The defendants have moved to dismiss the first-filed action. In July 2012, the Court granted defendants' motion to dismiss the complaint in the first-filed action and gave plaintiff 45 days in which to file an amended complaint.

Municipal Derivatives Investigations and Litigation. Purported class action lawsuits and individual actions have been filed against JPMorgan Chase and Bear Stearns, as well as numerous other providers and brokers, alleging antitrust violations in the market for financial instruments related to municipal bond offerings referred to collectively as "municipal derivatives." In July 2011, JPMorgan Chase settled with federal and state governmental agencies to resolve their investigations into similar alleged conduct. The municipal derivatives actions have been consolidated and/ or coordinated in the United States District Court for the Southern District of New York. In April 2012, JPMorgan and Bear Stearns reached an agreement to settle the municipal derivatives actions for $45 million. The settlement is subject to court approval.

In addition, civil actions have been commenced against JPMorgan Chase relating to certain Jefferson County, Alabama (the "County") warrant underwritings and swap transactions. In November 2009, J.P. Morgan Securities LLC settled with the SEC to resolve its investigation into those transactions. Following that settlement, the County filed complaints against JPMorgan Chase and several other defendants in Alabama state court. An action on behalf of a purported class of sewer rate payers has also been filed in Alabama state court. The suits allege that JPMorgan Chase made payments to certain third parties in exchange for being chosen to underwrite more than $3 billion in warrants issued by the County and to act as the counterparty for certain swaps executed by the County. The complaints also allege that JPMorgan Chase concealed these third-party payments and that, but for this concealment, the County would not have entered into the transactions. The Court denied JPMorgan Chase's motions to dismiss the complaints in both proceedings. JPMorgan Chase filed mandamus petitions with the Alabama Supreme Court, seeking immediate appellate review of these decisions. The mandamus petition in the County's lawsuit was denied in April 2011. In November and December, 2011, the County filed notices of bankruptcy with the trial court in each of the cases and with the Alabama Supreme Court stating that it was a Chapter 9 Debtor in the U.S. Bankruptcy Court for the Northern District of Alabama and providing notice of the automatic stay. Subsequently, the portion of the sewer rate payer action involving claims against JPMorgan Chase was removed by certain defendants to the United States District Court for the Northern District of Alabama. In its order finding that removal of this action was proper, the District Court referred the action to the District's Bankruptcy Court, where the action remains pending. In July 2012, a group of purported creditors of the County filed a "Complaint in Intervention" in an adversary proceeding between the indenture trustee for the warrants and certain County creditors (including JPMorgan Chase) and the County, alleging that certain warrants were issued unlawfully and were thus null and void. The proposed intervenors also filed a motion seeking certification of a class of approximately 130,000 homeowners.

Two insurance companies that guaranteed the payment of principal and interest on warrants issued by the County have filed separate actions against JPMorgan Chase in New York state court. Their complaints assert that JPMorgan Chase fraudulently misled them into issuing insurance based upon substantially the same alleged conduct described above and other alleged non-disclosures. One insurer claims that it insured an aggregate principal amount of nearly $1.2 billion and seeks unspecified damages in excess of $400 million as well as unspecified punitive damages. The other insurer claims that it insured an aggregate principal amount of more than $378 million and seeks recovery of $4 million allegedly paid under the policies to date as well as any future payments and unspecified punitive damages. In December 2010, the court denied JPMorgan Chase's motions to dismiss each of the complaints. JPMorgan Chase has filed a cross-claim and a third party claim against the County for indemnity and contribution. The County moved to dismiss, which the court denied in August 2011. In consequence of its November 2011 bankruptcy filing, the County has asserted that these actions are stayed. In February 2012, one of the insurers filed a motion for a declaration that its action is not stayed as against JPMorgan Chase or, in the alternative, for an order lifting the stay as against JPMorgan Chase. JPMorgan Chase and the County opposed the motion, which remains pending.

Overdraft Fee/Debit Posting Order Litigation. JPMorgan Chase Bank, N.A. has been named as a defendant in several purported class actions relating to its practices in posting debit card transactions to customers' deposit accounts. Plaintiffs allege that JPMorgan Chase improperly re-ordered debit card transactions from the highest amount to the lowest amount before processing these transactions in order to generate unwarranted overdraft fees. Plaintiffs contend that JPMorgan Chase should have processed such transactions in the chronological order they were authorized. Plaintiffs seek the disgorgement of all overdraft fees paid to JPMorgan Chase by plaintiffs since approximately 2003 as a result of the re-ordering of debit card transactions. The claims against JPMorgan Chase have been consolidated with numerous complaints against other national banks in multi-District litigation pending in the United States District Court for the Southern District of Florida. JPMorgan Chase has reached an agreement to settle this matter in exchange for JPMorgan Chase paying $110 million and agreeing to change certain overdraft fee practices. On May 24, 2012, the Court granted preliminary approval of the settlement and scheduled a final approval hearing in December 2012.

Petters Bankruptcy and Related Matters. JPMorgan Chase and certain of its affiliates, including One Equity Partners ("OEP"), have been named as defendants in several actions filed in connection with the receivership and bankruptcy proceedings pertaining to Thomas J. Petters and certain affiliated entities (collectively, "Petters") and the Polaroid Corporation. The principal actions against JPMorgan Chase and its affiliates have been brought by a court-appointed receiver for Petters and the trustees in bankruptcy proceedings for three Petters entities. These actions generally seek to avoid, on fraudulent transfer and preference grounds, certain purported transfers in connection with (i) the 2005 acquisition by Petters of Polaroid, which at the time was majority-owned by OEP; (ii) two credit facilities that JPMorgan Chase and other financial institutions entered into with Polaroid; and (iii) a credit line and investment accounts held by Petters. The actions collectively seek recovery of approximately $450 million. Defendants have moved to dismiss the complaints in the actions filed by the Petters bankruptcy trustees and the parties have agreed to stay the action brought by the Receiver until after the Bankruptcy Court rules on the pending motions.

Securities Lending Litigation. JPMorgan Chase Bank, N.A. has been named as a defendant in four putative class actions asserting ERISA and other claims pending in the United States District Court for the Southern District of New York brought by participants in JPMorgan Chase's securities lending business. A fifth lawsuit was filed in New York state court by an individual participant in the program. Three of the purported class actions, which have been consolidated, relate to investments of approximately $500 million in medium-term notes of Sigma Finance Inc. ("Sigma"). In August 2010, the Court certified a plaintiff class consisting of all securities lending participants that held Sigma medium-term notes on September 30, 2008, including those that held the notes by virtue of participation in the investment of cash collateral through a collective fund, as well as those that held the notes by virtue of the investment of cash collateral through individual accounts. The Court granted JPMorgan Chase's motion for partial summary judgment as to plaintiffs' duty of loyalty claim, finding that JPMorgan Chase did not have a conflict of interest when it provided repurchase financing to Sigma while also holding Sigma medium-term notes in securities lending accounts. The parties reached an agreement to settle this action for $150 million. The Court granted final approval to the settlement in June 2012.

The fourth putative class action concerns investments of approximately $500 million in Lehman Brothers medium-term notes. The Court granted JPMorgan Chase's motion to dismiss all claims in April 2012. The plaintiff filed an amended complaint, which JPMorgan Chase moved to dismiss. The New York state court action, which is not a class action, concerns the plaintiff's alleged loss of money in both Sigma and Lehman Brothers medium-term notes. JPMorgan Chase has answered the complaint. Discovery is proceeding.

Washington Mutual Litigations. Proceedings related to Washington Mutual's failure are pending before the United States District Court for the District of Columbia and include a lawsuit brought by Deutsche Bank National Trust Company, initially against the FDIC, asserting an estimated $6 billion to $10 billion in damages based upon alleged breach of various mortgage securitization agreements and alleged violation of certain representations and warranties given by certain Washington Mutual, Inc. ("WMI") subsidiaries in connection with those securitization agreements. The case includes assertions that JPMorgan Chase may have assumed liabilities for alleged breaches of representations and warranties in the mortgage securitization agreements. The District Court denied as premature motions by JPMorgan Chase and the FDIC that sought a ruling on whether the FDIC retained liability for Deutsche Bank's claims. Discovery is underway.

In addition, JPMorgan Chase was sued in an action originally filed in state court in Texas (the "Texas Action") by certain holders of WMI common stock and debt of WMI and Washington Mutual Bank who seek unspecified damages alleging that JPMorgan Chase acquired substantially all of the assets of Washington Mutual Bank from the FDIC at a price that was allegedly too low. The Texas Action was transferred to the United States District Court for the District of Columbia, which ultimately granted JPMorgan Chase's and the FDIC's motions to dismiss the complaint, but the United States Court of Appeals for the District of Columbia Circuit reversed the District Court's dismissal and remanded the case for further proceedings. Plaintiffs, who sue now only as holders of Washington Mutual Bank debt following their voluntary dismissal of claims brought as holders of WMI common stock and debt, have filed an amended complaint alleging that JPMorgan Chase caused the closure of Washington Mutual Bank and damaged them by causing their bonds issued by Washington Mutual Bank, which had a total face value of $38 million, to lose substantially all of their value. JPMorgan Chase and the FDIC have again moved to dismiss this action.

* * *

In addition to the various legal proceedings discussed above, JPMorgan Chase and its subsidiaries, including JPMorgan Chase Bank, N.A., are named as defendants or are otherwise involved in a substantial number of other legal proceedings. JPMorgan Chase and JPMorgan Chase Bank, N.A. each believes it has meritorious defenses to the claims asserted against it in its currently outstanding legal proceedings and it intends to defend itself vigorously in all such matters. Additional legal proceedings may be initiated from time to time in the future.

JPMorgan Chase Bank, N.A. has established reserves for several hundred of its currently outstanding legal proceedings, including the legal proceedings discussed above to the extent it is a named party in the proceedings. JPMorgan Chase Bank, N.A. accrues for potential liability arising from such proceedings when it is probable that such liability has been incurred and the amount of the loss can be reasonably estimated. JPMorgan Chase Bank, N.A. evaluates its outstanding legal proceedings each quarter to assess its litigation reserves, and makes adjustments in such reserves, upwards or downwards, as appropriate, based on management's best judgment after consultation with counsel. JPMorgan Chase Bank, N.A. incurred litigation expense of $230 million and $1.9 billion, respectively, during the three months ended June 30, 2012 and 2011, and $2.9 billion and $2.5 billion, respectively, during the six months ended June 30, 2012 and 2011. There is no assurance that JPMorgan Chase Bank, N.A.'s litigation reserves will not need to be adjusted in the future.

In view of the inherent difficulty of predicting the outcome of legal proceedings, particularly where the claimants seek very large or indeterminate damages, or where the matters present novel legal theories, involve a large number of parties or are in early stages of discovery, JPMorgan Chase Bank, N.A. cannot state with confidence what will be the eventual outcomes of its currently pending matters, the timing of their ultimate resolution or the eventual losses, fines, penalties or impact related to those matters. JPMorgan Chase Bank, N.A. believes, based upon its current knowledge, after consultation with counsel and after taking into account its current litigation reserves, that the legal proceedings currently pending against it should not have a material adverse effect on JPMorgan Chase Bank, N.A.'s consolidated financial condition. JPMorgan Chase Bank, N.A. notes, however, that in light of the uncertainties involved in such proceedings, there is no assurance the ultimate resolution of these matters will not significantly exceed the reserves it has currently accrued; as a result, the outcome of a particular matter may be material to JPMorgan Chase Bank, N.A.'s operating results for a particular period, depending on, among other factors, the size of the loss or liability imposed and the level of JPMorgan Chase Bank, N.A.'s income for that period.

Note 25 – Business segments

U.S. GAAP for business segments of an enterprise and related information defines the criteria by which management determines the number and nature of its "operating segments" (i.e., business segments) and sets forth the financial information that is required to be disclosed about these business segments. This information is accumulated, managed and discussed at the JPMorgan Chase level and not at the subsidiary level (i.e., JPMorgan Chase Bank, N.A.). For financial reporting purposes, JPMorgan Chase Bank, N.A. is viewed by JPMorgan Chase as a legal entity only; business segment financial information is not prepared for JPMorgan Chase Bank, N.A.

Selected quarterly financial data (unaudited)

(in millions, except ratio data)	2012		2011				Six months ended June 30,	
As of or for the period ended	2nd quarter	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter	2012	2011
Selected income statement data								
Noninterest revenue	**$ 7,388**	$ 10,666	$ 6,952	$ 11,076	$ 10,638	$ 8,907	**$ 18,054**	$ 19,545
Net interest income	**8,648**	9,112	9,226	8,889	8,967	8,617	**17,760**	17,584
Total net revenue	**16,036**	19,778	16,178	19,965	19,605	17,524	**35,814**	37,129
Provision for credit losses	**(212)**	222	1,472	1,666	1,167	1,039	**10**	2,206
Total noninterest expense	**12,110**	15,496	11,780	12,862	14,155	12,781	**27,606**	26,936
Income before income tax expense	**4,138**	4,060	2,926	5,437	4,283	3,704	**8,198**	7,987
Income tax expense	**1,216**	847	336	1,155	1,400	1,003	**2,063**	2,403
Net income	**$ 2,922**	$ 3,213	$ 2,590	$ 4,282	$ 2,883	$ 2,701	**$ 6,135**	$ 5,584
Selected ratios								
Tier 1 capital	**9.2%**	9.0%	9.4%	9.3%	9.3%	9.4%	**9.2%**	9.3%
Total capital	**12.5**	12.4	13.0	13.0	13.1	13.4	**12.5**	13.1
Tier 1 leverage	**5.8**	5.7	5.5	5.5	5.5	5.7	**5.8**	5.5
Tier 1 common capital[(a)]	**9.1**	8.9	9.4	9.3	9.2	9.4	**9.1**	9.2
Selected balance sheet data (period-end)								
Trading assets	**$ 289,960**	$ 328,443	$ 322,558	$ 343,138	$ 342,228	$ 371,498	**$ 289,960**	$ 342,228
Securities	**345,760**	372,957	357,104	331,520	317,264	327,764	**345,760**	317,264
Loans	**611,824**	603,621	600,155	576,186	568,745	558,481	**611,824**	568,745
Allowance for credit losses	**(19,740)**	(21,130)	(22,159)	(22,438)	(22,045)	(22,438)	**(19,740)**	(22,045)
Total assets	**1,812,837**	1,842,569	1,811,678	1,826,387	1,791,060	1,723,460	**1,812,837**	1,791,060
Deposits	**1,162,998**	1,188,468	1,190,738	1,171,148	1,144,158	1,093,004	**1,162,998**	1,144,158
Long-term debt	**82,585**	81,608	81,888	83,088	87,210	64,511	**82,585**	87,210
Total stockholder's equity	**136,147**	133,645	130,777	129,038	125,374	123,579	**136,147**	125,374

(a) Tier 1 common, which was introduced by U.S. banking regulators in 2009, is defined as Tier 1 capital less elements of Tier 1 capital not in the form of common equity – such as perpetual preferred stock, noncontrolling interests in subsidiaries and trust preferred capital debt securities. Tier 1 common, a non-GAAP financial measure, is used by banking regulators, investors and analysts to assess and compare the quality and composition of JPMorgan Chase Bank, N.A.'s capital with the capital of other financial services companies. JPMorgan Chase Bank, N.A. uses Tier 1 common along with the other capital measures presented in this table to assess and monitor its capital position.

Selected annual financial data (unaudited)

(in millions, except ratio data) As of or for the year ended December 31,	2011	2010	2009	2008[b]	2007
Selected income statement data					
Noninterest revenue	$ 37,573	$ 38,663	$ 38,397	$ 33,229	$ 31,630
Net interest income	35,699	35,931	39,591	31,517	23,137
Total net revenue	73,272	74,594	77,988	64,746	54,767
Provision for credit losses	5,344	9,406	22,712	14,704	4,672
Provision for credit losses - accounting conformity[a]	–	–	–	1,534	–
Total noninterest expense	51,578	49,431	43,391	37,284	33,998
Income before income tax expense and extraordinary gain	16,350	15,757	11,885	11,224	16,097
Income tax expense	3,894	3,931	3,539	2,711	5,365
Income before extraordinary gain	12,456	11,826	8,346	8,513	10,732
Extraordinary gain[b]	–	–	76	1,906	–
Net income	$ 12,456	$ 11,826	$ 8,422	$ 10,419	$ 10,732
Selected ratios					
Tier 1 capital	9.4%	9.5%	9.5%	8.7%	8.3%
Total capital	13.0	13.5	13.5	12.5	11.8
Tier 1 leverage	5.5	5.7	6.0	5.9	6.2
Tier 1 common capital[c]	9.4	9.4	9.4	8.6	8.1
Selected balance sheet data (period-end)					
Trading assets	$ 322,558	$ 358,150	$ 302,589	$ 365,365	$ 390,459
Securities	357,104	310,762	347,873	199,744	82,511
Loans	600,155	553,004	558,424	662,312	461,662
Allowance for credit losses	(22,159)	(23,126)	(24,701)	(17,809)	(7,864)
Total assets	1,811,678	1,631,621	1,627,684	1,746,242	1,318,888
Deposits	1,190,738	1,019,993	1,024,036	1,055,765	772,087
Long-term debt	81,888	67,584	91,526	104,738	88,175
Total stockholder's equity	130,777	123,217	127,294	128,767	106,346

(a) Results for 2008 included an accounting conformity credit loss reserve provision related to the acquisition of Washington Mutual's banking operations.
(b) On September 25, 2008, JPMorgan Chase Bank, N.A. acquired the banking operations of Washington Mutual Bank. The Washington Mutual acquisition resulted in negative goodwill, and accordingly, JPMorgan Chase Bank, N.A. recorded an extraordinary gain.
(c) Tier 1 common, which was introduced by U.S. banking regulators in 2009, is defined as Tier 1 capital less elements of Tier 1 capital not in the form of common equity – such as perpetual preferred stock, noncontrolling interests in subsidiaries and trust preferred capital debt securities. Tier 1 common, a non-GAAP financial measure, is used by banking regulators, investors and analysts to assess and compare the quality and composition of JPMorgan Chase Bank, N.A.'s capital with the capital of other financial services companies. JPMorgan Chase Bank, N.A. uses Tier 1 common along with the other capital measures presented in this table to assess and monitor its capital position.

Beneficial interests issued by consolidated VIEs: Represents the interest of third-party holders of debt/ equity securities, or other obligations, issued by VIEs that JPMorgan Chase Bank, N.A. consolidates. The underlying obligations of the VIEs consist of short-term borrowings, commercial paper and long-term debt. The related assets consist of trading assets, available-for-sale securities, loans and other assets.

Benefit obligation: Refers to the projected benefit obligation for pension plans and the accumulated postretirement benefit obligation for OPEB plans.

Credit derivatives: Financial instruments whose value is derived from the credit risk associated with the debt of a third party issuer (the reference entity) which allow one party (the protection purchaser) to transfer that risk to another party (the protection seller). Upon the occurrence of a credit event, which may include, among other events, the bankruptcy or failure to pay by, or certain restructurings of the debt of, the reference entity, neither party has recourse to the reference entity. The protection purchaser has recourse to the protection seller for the difference between the face value of the CDS contract and the fair value of the reference obligation at the time of settling the credit derivative contract. The determination as to whether a credit event has occurred is generally made by the relevant ISDA Determination Committee, comprised of 10 sell-side and five buy-side ISDA member firms.

CUSIP number: A CUSIP (i.e., Committee on Uniform Securities Identification Procedures) number identifies most securities, including: stocks of all registered U.S. and Canadian companies, and U.S. government and municipal bonds. The CUSIP system – owned by the American Bankers Association and operated by Standard & Poor's – facilitates the clearing and settlement process of securities. The number consists of nine characters (including letters and numbers) that uniquely identify a company or issuer and the type of security. A similar system is used to identify non-U.S. securities (CUSIP International Numbering System).

FASB: Financial Accounting Standards Board.

FDIC: Federal Deposit Insurance Corporation.

FICO score: A measure of consumer credit risk provided by credit bureaus, typically produced from statistical models by Fair Isaac Corporation utilizing data collected by the credit bureaus.

G7 government bonds: Bonds issued by the government of one of countries in the "Group of Seven" ("G7") nations. Countries in the G7 are Canada, France, Germany, Italy, Japan, the United Kingdom and the United States of America.

Forward points: Represents the interest rate differential between two currencies, which is either added to or subtracted from the current exchange rate (i.e., "spot rate") to determine the forward exchange rate.

Home equity - senior lien: Represents loans where JPMorgan Chase Bank, N.A. holds the first security interest on the property.

Home equity - junior lien: Represents loans where JPMorgan Chase Bank, N.A. holds a security interest that is subordinate in rank to other liens.

Interchange income: A fee paid to a credit card issuer in the clearing and settlement of a sales or cash advance transaction.

Interests in purchased receivables: Represents an ownership interest in cash flows of an underlying pool of receivables transferred by a third-party seller into a bankruptcy-remote entity, generally a trust.

Investment-grade: An indication of credit quality based on JPMorgan Chase Bank, N.A.'s internal risk assessment system. "Investment grade" generally represents a risk profile similar to a rating of a "BBB-"/"Baa3" or better, as defined by independent rating agencies.

ISDA: International Swaps and Derivatives Association.

LLC: Limited Liability Company.

Loan-to-value ("LTV") ratio: For residential real estate loans, the relationship, expressed as a percentage, between the principal amount of a loan and the appraised value of the collateral (i.e., residential real estate) securing the loan.

Origination date LTV ratio
The LTV ratio at the origination date of the loan. Origination date LTV ratios are calculated based on the actual appraised values of collateral (i.e., loan-level data) at the origination date.

Current estimated LTV ratio
An estimate of the LTV as of a certain date. The current estimated LTV ratios are calculated using estimated collateral values derived from a nationally recognized home price index measured at the metropolitan statistical area ("MSA") level. These MSA-level home price indices comprise actual data to the extent available and forecasted data where actual data is not available. As a result, the estimated collateral values used to calculate these ratios do not represent actual appraised loan-level collateral values; as such, the resulting LTV ratios are necessarily imprecise and should therefore be viewed as estimates.

Combined LTV ratio
The LTV ratio considering all lien positions related to the property. Combined LTV ratios are used for junior lien home equity products.

Master netting agreement: An agreement between two counterparties who have multiple derivative contracts with each other that provides for the net settlement of all contracts, as well as cash collateral, through a single payment, in a single currency, in the event of default on or termination of any one contract.

Mortgage product types:

Alt-A
Alt-A loans are generally higher in credit quality than subprime loans but have characteristics that would disqualify the borrower from a traditional prime loan. Alt-A lending characteristics may include one or more of the following: (i) limited documentation; (ii) a high combined-loan-to-value ("CLTV") ratio; (iii) loans secured by non-owner occupied properties; or (iv) a debt-to-income ratio above normal limits. Perhaps the most important characteristic is limited documentation. A substantial proportion of traditional Alt-A loans are those where a borrower does not provide complete documentation of his or her assets or the amount or source of his or her income.

Option ARMs
The option ARM real estate loan product is an adjustable-rate mortgage loan that provides the borrower with the option each month to make a fully amortizing, interest-only or minimum payment. The minimum payment on an option ARM loan is based on the interest rate charged during the introductory period. This introductory rate is usually significantly below the fully indexed rate. The fully indexed rate is calculated using an index rate plus a margin. Once the introductory period ends, the contractual interest rate charged on the loan increases to the fully indexed rate and adjusts monthly to reflect movements in the index. The minimum payment is typically insufficient to cover interest accrued in the prior month, and any unpaid interest is deferred and added to the principal balance of the loan. Option ARM loans are subject to payment recast, which converts the loan to a variable-rate fully amortizing loan upon meeting specified loan balance and anniversary date triggers.

Prime
Prime mortgage loans generally have low default risk and are made to borrowers with good credit records and a monthly income at least three to four times greater than their monthly housing expense (mortgage payments plus taxes and other debt payments). These borrowers provide full documentation and generally have reliable payment histories.

Subprime
Subprime loans are designed for customers with one or more high risk characteristics, including but not limited to: (i) unreliable or poor payment histories; (ii) a high LTV ratio of greater than 80% (without borrower-paid mortgage insurance); (iii) a high debt-to-income ratio; (iv) an occupancy type for the loan is other than the borrower's primary residence; or (v) a history of delinquencies or late payments on the loan.

MSR risk management revenue: Includes changes in the fair value of the MSR asset due to market-based inputs, such as interest rates and volatility, as well as updates to assumptions used in the MSR valuation model; and derivative valuation adjustments and other, which represents changes in the fair value of derivative instruments used to offset the impact of changes in the market-based inputs to the MSR valuation model.

NA: Data is not applicable or available for the period presented.

Net charge-off rate: Represents net charge-offs (annualized) divided by average retained loans for the reporting period.

NM: Not meaningful.

OPEB: Other postretirement employee benefits.

Principal transactions revenue: Principal transactions revenue includes realized and unrealized gains and losses recorded on derivatives, other financial instruments, private equity investments, and physical commodities used in market-making and client-driven activities. In addition, principal transactions revenue also includes certain realized and unrealized gains and losses related to hedge accounting and specified risk management activities including: (a) certain derivatives designated in qualifying hedge accounting relationships (primarily fair value hedges of commodity and foreign exchange risk), (b) certain derivatives used for specified risk management purposes, primarily to mitigate credit risk, foreign exchange risk and commodity risk, and (c) other derivatives, including the synthetic credit portfolio.

Purchased credit-impaired ("PCI") loans: Represents loans that were acquired in the Washington Mutual transaction and deemed to be credit-impaired on the acquisition date in accordance with FASB guidance. The guidance allows purchasers to aggregate credit-impaired loans acquired in the same fiscal quarter into one or more pools, provided that the loans have common risk characteristics (e.g., product type, LTV ratios, FICO scores, past due status, geographic location). A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

Since each pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows, the past-due status of the pools, or that of the individual loans within the pools, is not meaningful. Because JPMorgan Chase Bank, N.A. is recognizing interest income on each pool of loans, they are all considered to be performing.

Charge-offs are not recorded on PCI loans until actual losses exceed estimated losses that were recorded as purchase accounting adjustments at the time of acquisition.

Retained loans: Loans that are held-for-investment excluding loans held-for-sale and loans at fair value.

Risk-weighted assets ("RWA"): Risk-weighted assets consist of on- and off-balance sheet assets that are assigned to one of several broad risk categories and weighted by factors representing their risk and potential for default. On-balance sheet assets are risk-weighted based on the perceived credit risk associated with the obligor or counterparty, the nature of any collateral, and the guarantor, if any. Off-balance sheet assets such as lending-related commitments, guarantees, derivatives and other applicable off-balance sheet positions are risk-weighted by multiplying the contractual amount by the appropriate credit conversion factor to determine the on-balance sheet credit equivalent amount, which is then risk-weighted based on the same factors used for on-balance sheet assets. Risk-weighted assets also incorporate a measure for market risk related to applicable trading assets-debt and equity instruments, and foreign exchange and commodity derivatives. The resulting risk-weighted values for each of the risk categories are then aggregated to determine total risk-weighted assets.

Troubled debt restructuring ("TDR"): Occurs when JPMorgan Chase Bank, N.A. modifies the original terms of a loan agreement by granting a concession to a borrower that is experiencing financial difficulty.

Unaudited: Financial statements and information that have not been subjected to auditing procedures sufficient to permit an independent certified public accountant to express an opinion.

U.S. GAAP: Accounting principles generally accepted in the United States of America.

U.S. government-sponsored enterprise obligations: Obligations of agencies originally established or chartered by the U.S. government to serve public purposes as specified by the U.S. Congress; these obligations are not explicitly guaranteed as to the timely payment of principal and interest by the full faith and credit of the U.S. government.

Washington Mutual transaction: On September 25, 2008, JPMorgan Chase acquired the banking operations of Washington Mutual Bank ("Washington Mutual Bank") from the FDIC. For additional information, see Glossary of Terms on page 128 of JPMorgan Chase Bank, N.A.'s 2011 Annual Financial Statements.

Statutory consents

As a national banking association organised under the federal laws of the United States of America, the guarantor is empowered to give guarantees. Each issue of structured products will have the benefit of the guarantee.

No material adverse change and litigation

Save as disclosed in our base listing document, the first supplemental disclosure document and this second supplemental disclosure document, there has been no material adverse change in our or the guarantor's financial position since the date of the most recently published audited financial statements of the guarantor on a consolidated basis or of the issuer respectively, as the case may be, that would have a material adverse effect on our ability to perform our obligations, or the guarantor's ability to perform its obligations respectively in the context of any issue of structured products.

Save as disclosed in our base listing document, the first supplemental disclosure document and this second supplemental disclosure document, we and the guarantor are not aware, to the best of our and the guarantor's knowledge and belief, of any litigation or claims of material importance in the context of any issue of structured products pending or threatened against us or the guarantor.

Credit ratings of the guarantor

As at the date of this second supplemental disclosure document, the guarantor's long term credit ratings are A+ by Standard and Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., A+ by Fitch, Inc., and Aa3 by Moody's Investors Service, Inc..

Financial information about the issuer and the guarantor

PricewaterhouseCoopers Accountants N.V., our auditors, have given and have not withdrawn their written consent to the inclusion in the base listing document of their report dated 23 March 2012 (which relates to our financial statements for the year ended 31 December 2011) in the form and context in which they are included. Their report was not prepared exclusively for incorporation in the base listing document.

PricewaterhouseCoopers LLP, USA, auditors of the guarantor, have given and have not withdrawn their written consent to the inclusion in the base listing document of their report dated 23 March 2012 (which relates to the guarantor's audited financial statements for the year ended 31 December 2011 comprising consolidated balance sheets at 31 December 2011 and 2010 and the related consolidated statements of income, changes in stockholder's equity, comprehensive income and cash flows for each of the three years ended 31 December 2011) in the form and context in which they are included. Their report was not prepared exclusively for incorporation in the base listing document.

Neither PricewaterhouseCoopers Accountants N.V. nor PricewaterhouseCoopers LLP, USA has any shareholding in us or the guarantor or any of the guarantor's subsidiaries nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities or securities of the guarantor or any of the guarantor's subsidiaries.

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