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)

(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 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

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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

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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

	Fair value hierarchy				
June 30, 2012 (in millions)	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 measurements using significant unobservable inputs: 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
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 measurements using significant unobservable inputs: 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
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)

Six months ended June 30, 2012 (in millions)	Fair value measurements using significant unobservable inputs							
	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)

Six months ended June 30, 2012 (in millions)	Fair value measurements using significant unobservable inputs								
	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.

(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
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.

(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 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.

(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
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.

(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
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	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 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	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 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	Residential real estate – excluding PCI • Home equity – senior lien • Home equity – junior lien • Prime mortgage, including option ARMs • Subprime mortgage Other consumer loans • Auto[(c)] • Business banking[(c)] • Student and other Residential real estate – PCI • 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				2011			
	Wholesale	Consumer, excluding credit card	Credit card	Total	Wholesale	Consumer, excluding credit card	Credit card	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				2011			
	Wholesale	Consumer, excluding credit card	Credit card	Total	Wholesale	Consumer, excluding credit card	Credit card	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,		Six months ended June 30,	
	2012	2011	**2012**	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.

	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
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.

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2012**	2011	**2012**	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		Junior lien	
	Jun 30, 2012	Dec 31, 2011	Jun 30, 2012	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	90–149 days past due	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	90–149 days past due	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				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
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				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
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.

	Delinquencies				
June 30, 2012 (in millions, except ratios)	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%**

	Delinquencies				
December 31, 2011 (in millions, except ratios)	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.

(in millions, except rates and where otherwise noted)	Credit card[d][e] June 30, 2012	Credit card[d][e] December 31, 2011	Commercial and other June 30, 2012	Commercial and other 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.

(in millions, except where otherwise noted)	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 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			2011		
	Pretax	Tax effect	After-tax	Pretax	Tax effect	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			2011		
	Pretax	Tax effect	After-tax	Pretax	Tax effect	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						Carrying value[j]	
	June 30, 2012					Dec 31, 2011	June 30, 2012	Dec 31, 2011
	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	Total		
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.

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

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

CONSOLIDATED FINANCIAL STATEMENTS

For the three years ended December 31, 2011

FOR THE THREE YEARS ENDED DECEMBER 31, 2011

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To the Board of Directors and Stockholder of JPMorgan Chase Bank, National Association:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, changes in stockholder's equity and comprehensive income and cash flows present fairly, in all material respects, the financial position of JPMorgan Chase Bank, National Association and its subsidiaries (the "Bank") at December 31, 2011 and December 31, 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

March 23, 2012

PricewaterhouseCoopers LLP •300 Madison Avenue • New York, NY 10017

Consolidated statements of income

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

Year ended December 31, (in millions)	2011	2010	2009
Revenue			
Investment banking fees	**$ 2,931**	$ 3,104	$ 3,534
Principal transactions	**7,248**	7,824	8,688
Lending- and deposit-related fees	**6,442**	6,328	7,033
Asset management, administration and commissions	**9,753**	9,365	9,000
Securities gains[(a)]	**1,459**	2,975	1,369
Mortgage fees and related income	**2,669**	3,219	3,080
Credit card income	**3,854**	3,386	4,254
Other income	**3,217**	2,462	1,439
Noninterest revenue	**37,573**	38,663	38,397
Interest income	**43,709**	42,951	50,093
Interest expense	**8,010**	7,020	10,502
Net interest income	**35,699**	35,931	39,591
Total net revenue	**73,272**	74,594	77,988
Provision for credit losses	**5,344**	9,406	22,712
Noninterest expense			
Compensation expense	**22,279**	20,811	19,791
Occupancy expense	**3,405**	3,226	3,250
Technology, communications and equipment expense	**4,429**	4,155	4,029
Professional and outside services	**5,519**	4,728	4,335
Marketing	**872**	786	621
Other expense	**14,591**	15,191	10,356
Amortization of intangibles	**483**	534	599
Merger costs	**–**	–	410
Total noninterest expense	**51,578**	49,431	43,391
Income before income tax expense and extraordinary gain	**16,350**	15,757	11,885
Income tax expense	**3,894**	3,931	3,539
Income before extraordinary gain	**12,456**	11,826	8,346
Extraordinary gain	**–**	–	76
Net income	**$ 12,456**	$ 11,826	$ 8,422

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

Year ended December 31, (in millions)	2011	2010	2009
Total other-than-temporary impairment losses	**$ (27)**	$ –	$ (506)
Losses recorded in/(reclassified from) other comprehensive income	**(49)**	(6)	368
Total credit losses recognized in income	**$ (76)**	$ (6)	$ (138)

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

Consolidated balance sheets

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

December 31, (in millions, except share data)	2011	2010
Assets		
Cash and due from banks	$ 57,594	$ 26,604
Deposits with banks	84,226	20,451
Federal funds sold and securities purchased under resale agreements (included **$21,849** and $19,876 at fair value)	180,485	175,166
Securities borrowed (included **$15,344** and $13,961 at fair value)	74,533	57,370
Trading assets (included assets pledged of **$32,488** and $25,690)	322,558	358,150
Securities (included **$357,092** and $310,745 at fair value and assets pledged of **$95,162** and $87,107)	357,104	310,762
Loans (included **$503** and $973 at fair value)	600,155	553,004
Allowance for loan losses	(21,507)	(22,435)
Loans, net of allowance for loan losses	578,648	530,569
Accrued interest and accounts receivable	44,734	35,985
Premises and equipment	11,958	10,987
Goodwill	27,415	27,348
Mortgage servicing rights	7,223	13,440
Other intangible assets	1,479	1,967
Other assets (included **$6,807** and $8,139 at fair value and assets pledged of **$1,109** and $1,305)	63,721	62,822
Total assets[(a)]	$ 1,811,678	$ 1,631,621
Liabilities		
Deposits (included **$4,933** and $4,327 at fair value)	$ 1,190,738	$ 1,019,993
Federal funds purchased and securities loaned or sold under repurchase agreements (included **$7,640** and $2,555 at fair value)	169,150	178,552
Other borrowed funds (included **$5,063** and $7,125 at fair value)	15,213	23,119
Trading liabilities	123,834	124,438
Accounts payable and other liabilities (included **$51** and $127 at fair value)	77,095	68,619
Beneficial interests issued by consolidated variable interest entities (included **$156** and $354 at fair value)	22,983	26,099
Long-term debt (included **$17,832** and $20,819 at fair value)	81,888	67,584
Total liabilities[(a)]	1,680,901	1,508,404
Commitments and contingencies (see Notes 27, 28 and 29 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	77,232	76,771
Retained earnings	48,241	41,785
Accumulated other comprehensive income/(loss)	3,519	2,876
Total stockholder's equity	130,777	123,217
Total liabilities and stockholder's equity	$ 1,811,678	$ 1,631,621

(a) The following table presents information on assets and liabilities related to VIEs that are consolidated by JPMorgan Chase Bank, N.A. at December 31, 2011 and 2010. The difference between total VIE assets and liabilities represents JPMorgan Chase Bank, N.A.'s interests in those entities, which were eliminated in consolidation.

December 31, (in millions)	2011	2010
Assets		
Trading assets	$ 1,565	$ 2,947
Loans	35,424	27,467
All other assets	1,281	1,520
Total assets	$ 38,270	$ 31,934
Liabilities		
Beneficial interests issued by consolidated variable interest entities	$ 22,983	$ 26,099
All other liabilities	1,402	1,661
Total liabilities	$ 24,385	$ 27,760

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 December 31, 2011 and 2010, JPMorgan Chase Bank, N.A. provided limited program-wide credit enhancement of $3.1 billion and $2.0 billion, respectively, related to its JPMorgan Chase Bank, N.A.-administered multi-seller conduits, which are eliminated in consolidation. For further discussion, see Note 17 on pages 80–92 of these Consolidated Financial Statements.

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

Consolidated statements of changes in stockholder's equity and comprehensive income

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

Year ended December 31, (in millions)	2011	2010	2009
Common stock			
Balance at January 1 and December 31	**$ 1,785**	$ 1,785	$ 1,785
Capital surplus			
Balance at January 1	**76,771**	78,377	77,254
Cash capital contribution from JPMorgan Chase & Co.	**92**	594	704
Adjustments to capital due to transactions with JPMorgan Chase & Co.	**365**	(927)	419
Other	**4**	(1,273)	–
Balance at December 31	**77,232**	76,771	78,377
Retained earnings			
Balance at January 1	**41,785**	45,494	52,309
Cumulative effect of change in accounting principles	**–**	19	–
Net income	**12,456**	11,826	8,422
Cash dividends paid to JPMorgan Chase & Co.	**(6,000)**	(15,500)	(15,200)
Net internal legal entity mergers	**–**	(54)	(37)
Balance at December 31	**48,241**	41,785	45,494
Accumulated other comprehensive income/(loss)			
Balance at January 1	**2,876**	1,638	(2,581)
Cumulative effect of change in accounting principles	**–**	(38)	–
Other comprehensive income	**643**	1,276	4,219
Balance at December 31	**3,519**	2,876	1,638
Total stockholder's equity	**$ 130,777**	$ 123,217	$ 127,294
Comprehensive income			
Net income	**$ 12,456**	$ 11,826	$ 8,422
Other comprehensive income	**643**	1,276	4,219
Comprehensive income	**$ 13,099**	$ 13,102	$ 12,641

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

Consolidated statements of cash flows

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

Year ended December 31, (in millions)	2011	2010	2009
Operating activities			
Net income	$ 12,456	$ 11,826	$ 8,422
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Provision for credit losses	5,344	9,406	22,712
Depreciation and amortization	3,364	3,113	2,707
Amortization of intangibles	483	534	599
Deferred tax expense/(benefit)	61	(1,951)	(3,339)
Investment securities gains	(1,459)	(2,975)	(1,369)
Originations and purchases of loans held-for-sale	(51,121)	(37,086)	(21,976)
Proceeds from sales, securitizations and paydowns of loans held-for-sale	52,646	40,054	32,655
Net change in:			
Trading assets	26,000	(57,261)	96,801
Securities borrowed	(17,224)	(12,019)	(2,580)
Accrued interest and accounts receivable	(8,743)	2,287	8,742
Other assets	(19,704)	(18,584)	29,590
Trading liabilities	11,043	13,687	(66,404)
Accounts payable and other liabilities	12,354	22,545	(14,974)
Other operating adjustments	5,907	6,764	3,187
Net cash provided by/(used in) operating activities	31,407	(19,660)	94,773
Investing activities			
Net change in:			
Deposits with banks	(63,775)	41,454	65,730
Federal funds sold and securities purchased under resale agreements	(5,059)	(9,274)	33,530
Held-to-maturity securities:			
Proceeds	5	8	9
Available-for-sale securities:			
Proceeds from maturities	87,165	99,807	82,634
Proceeds from sales	64,973	115,985	110,148
Purchases	(197,081)	(175,145)	(331,539)
Proceeds from sales and securitizations of loans held-for-investment	6,455	18,815	29,175
Other changes in loans, net	(58,759)	(6,519)	48,855
Net cash received from/(used in) business acquisitions or dispositions	45	(1,576)	3
Net maturities of asset-backed commercial paper guaranteed by the FRBB	–	–	130
All other investing activities, net	(2,000)	(238)	(642)
Net cash (used in)/provided by investing activities	(168,031)	83,317	38,033
Financing activities			
Net change in:			
Deposits	177,375	(6,965)	(68,668)
Federal funds purchased and securities loaned or sold under repurchase agreements	(9,308)	(15,475)	13,395
Other borrowed funds	(4,583)	1,460	(45,087)
Beneficial interests issued by consolidated variable interest entities	(2,681)	(1,015)	(2,197)
Proceeds from long-term borrowings and trust preferred capital debt securities	32,409	13,286	16,737
Payments of long-term borrowings and trust preferred capital debt securities	(18,935)	(38,020)	(32,117)
Cash capital contribution from JPMorgan Chase & Co.	92	594	704
Dividends paid to JPMorgan Chase & Co.	(6,000)	(15,500)	(15,200)
All other financing activities, net	103	(909)	(1,023)
Net cash provided by/(used in) financing activities	168,472	(62,544)	(133,456)
Effect of exchange rate changes on cash and due from banks	(858)	312	327
Net increase/(decrease) in cash and due from banks	30,990	1,425	(323)
Cash and due from banks at the beginning of the period	26,604	25,179	25,502
Cash and due from banks at the end of the period	$ 57,594	$ 26,604	$ 25,179
Cash interest paid	$ 8,497	$ 7,269	$ 11,657
Cash income taxes paid, net[(a)]	6,427	6,117	6,664

Note: Effective January 1, 2010, JPMorgan Chase Bank, N.A. adopted accounting guidance related to VIEs. Upon adoption of the guidance, JPMorgan Chase Bank, N.A. consolidated noncash assets and liabilities of $22.6 billion and $22.7 billion, respectively.

(a) Includes $4.8 billion, $3.7 billion and $4.6 billion paid to JPMorgan Chase & Co. in 2011, 2010 and 2009, respectively.

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

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.

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

Consolidation

The Consolidated Financial Statements include the accounts of JPMorgan Chase Bank, N.A. and other entities in which JPMorgan Chase Bank, N.A. has a controlling financial interest. All material intercompany balances and transactions have been eliminated. JPMorgan Chase Bank, N.A. determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity ("VIE").

Voting Interest Entities

Voting interest entities are entities that have sufficient equity and provide the equity investors voting rights that enable them to make significant decisions relating to the entity's operations. For these types of entities, JPMorgan Chase Bank, N.A.'s determination of whether it has a controlling interest is primarily based on the amount of voting equity interests held. Entities in which JPMorgan Chase Bank, N.A. has a controlling financial interest, through ownership of the majority of the entities' voting equity interests, or through other contractual rights that give JPMorgan Chase Bank, N.A. control, are consolidated by JPMorgan Chase Bank, N.A.

Investments in companies in which JPMorgan Chase Bank, N.A. has significant influence over operating and financing decisions (but does not own a majority of the voting equity interests) are accounted for (i) in accordance with the equity method of accounting (which requires JPMorgan Chase Bank, N.A. to recognize its proportionate share of the entity's net earnings), or (ii) at fair value if the fair value option was elected at the inception of JPMorgan Chase Bank, N.A.'s investment. These investments are generally included in other assets, with income or loss included in other income.

Certain JPMorgan Chase Bank, N.A.-sponsored asset management funds are structured as limited partnerships or limited liability companies. While JPMorgan Chase Bank, N.A. acts as investment advisor for these structures and is responsible for day to day decision-making, equity interests held in the structures, if any, are insignificant and the non-affiliated members of the Boards of Directors have the ability to remove JPMorgan Chase Bank, N.A. as advisor without cause. Accordingly, JPMorgan Chase Bank, N.A. does not consolidate these funds.

JPMorgan Chase Bank, N.A.'s investment companies make investments in both publicly-held and privately-held entities, including investments in buyouts, growth equity and venture opportunities. These investments are accounted for under investment company guidelines and accordingly, irrespective of the percentage of equity ownership interests held, are carried on the Consolidated Balance Sheets at fair value, and are recorded in other assets.

Variable Interest Entities

VIEs are entities that, by design, either (1) lack sufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) have equity investors that do not have the ability to make significant decisions relating to the entity's operations through voting rights, or do not have the obligation to absorb the expected losses, or do not have the right to receive the residual returns of the entity.

The most common type of VIE is a special purpose entity ("SPE"). SPEs are commonly used in securitization transactions in order to isolate certain assets and distribute the cash flows from those assets to investors. The basic SPE structure involves a company selling assets to the SPE; the SPE funds the purchase of those assets by issuing securities to investors. The legal documents that govern the transaction specify how the cash earned on the assets must be allocated to the SPE's investors and other parties that have rights to those cash flows. SPEs are generally structured to insulate investors from claims on the SPE's assets by creditors of other entities, including the creditors of the seller of the assets.

The primary beneficiary of a VIE (i.e., the party that has a controlling financial interest) is required to consolidate the assets and liabilities of the VIE. The primary beneficiary is the party that has both (1) the power to direct the activities of an entity that most significantly impact the VIE's

economic performance; and (2) through its interests in the VIE, the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

To assess whether JPMorgan Chase Bank, N.A. has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, JPMorgan Chase Bank, N.A. considers all the facts and circumstances, including its role in establishing the VIE and its ongoing rights and responsibilities. This assessment includes, first, identifying the activities that most significantly impact the VIE's economic performance; and second, identifying which party, if any, has power over those activities. In general, the parties that make the most significant decisions affecting the VIE (such as asset managers, collateral managers, servicers, or owners of call options or liquidation rights over the VIE's assets) or have the right to unilaterally remove those decision-makers are deemed to have the power to direct the activities of a VIE.

To assess whether JPMorgan Chase Bank, N.A. has the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE, JPMorgan Chase Bank, N.A. considers all of its economic interests, including debt and equity investments, servicing fees, and derivative or other arrangements deemed to be variable interests in the VIE. This assessment requires that JPMorgan Chase Bank, N.A. apply judgment in determining whether these interests, in the aggregate, are considered potentially significant to the VIE. Factors considered in assessing significance include: the design of the VIE, including its capitalization structure; subordination of interests; payment priority; relative share of interests held across various classes within the VIE's capital structure; and the reasons why the interests are held by JPMorgan Chase Bank, N.A.

JPMorgan Chase Bank, N.A. performs on-going reassessments of: (1) whether entities previously evaluated under the majority voting-interest framework have become VIEs, based on certain events, and therefore subject to the VIE consolidation framework; and (2) whether changes in the facts and circumstances regarding JPMorgan Chase Bank, N.A.'s involvement with a VIE cause JPMorgan Chase Bank, N.A.'s consolidation conclusion to change.

In January 2010, the Financial Accounting Standards Board ("FASB") issued an amendment which deferred the requirements of the accounting guidance for VIEs for certain investment funds, including mutual funds, private equity funds and hedge funds. For the funds to which the deferral applies, JPMorgan Chase Bank, N.A. continues to apply other existing authoritative accounting guidance to determine whether such funds should be consolidated.

Assets held for clients in an agency or fiduciary capacity by JPMorgan Chase Bank, N.A. are not assets of JPMorgan Chase Bank, N.A. and are not included in the Consolidated Balance Sheets.

Use of estimates in the preparation of consolidated financial statements

The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expense, and disclosures of contingent assets and liabilities. Actual results could be different from these estimates.

Foreign currency translation

JPMorgan Chase Bank, N.A. revalues assets, liabilities, revenue and expense denominated in non-U.S. currencies into U.S. dollars using applicable exchange rates.

Gains and losses relating to translating functional currency financial statements for U.S. reporting are included in other comprehensive income/(loss) ("OCI") within stockholder's equity. Gains and losses relating to nonfunctional currency transactions, including non-U.S. operations where the functional currency is the U.S. dollar, are reported in the Consolidated Statements of Income.

Statements of cash flows

For JPMorgan Chase Bank, N.A.'s Consolidated Statements of Cash Flows, cash is defined as those amounts included in cash and due from banks.

Significant accounting policies

The following table identifies JPMorgan Chase Bank, N.A.'s other significant accounting policies and the Note and page where a detailed description of each policy can be found.

Policy	Note	Page
Business changes and developments	Note 3	Page 9
Fair value measurement	Note 4	Page 10
Fair value option	Note 5	Page 24
Derivative instruments	Note 7	Page 28
Noninterest revenue	Note 8	Page 37
Interest income and interest expense	Note 9	Page 38
Pension and other postretirement employee benefit plans	Note 10	Page 39
Employee stock-based incentives	Note 11	Page 46
Securities	Note 13	Page 48
Securities financing activities	Note 14	Page 54
Loans	Note 15	Page 55
Allowance for credit losses	Note 16	Page 76
Variable interest entities	Note 17	Page 80
Goodwill and other intangible assets	Note 18	Page 92
Premises and equipment	Note 19	Page 95
Long-term debt	Note 21	Page 97
Income taxes	Note 24	Page 101
Off-balance sheet lending-related financial instruments, guarantees and other commitments	Note 27	Page 106
Litigation	Note 29	Page 113

Note 2 – Accounting and reporting developments

Fair value measurement and disclosures

In January 2010, the FASB issued guidance that requires new disclosures, and clarifies existing disclosure requirements, about fair value measurements. The clarifications and the requirement to separately disclose transfers of instruments between level 1 and level 2 of the fair value hierarchy was effective for interim reporting periods beginning after December 15, 2009; JPMorgan Chase Bank, N.A. adopted this guidance in the first quarter of 2010. In addition, a new requirement to provide purchases, sales, issuances and settlements in the level 3 rollforward on a gross basis was effective for fiscal years beginning after December 15, 2010. JPMorgan Chase Bank, N.A. adopted the new guidance, effective January 1, 2011. For information about fair value measurements, see Note 4 on pages 10–24 of these Consolidated Financial Statements.

In May 2011, the 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 is effective in the first quarter of 2012. The application of this guidance is not expected to have a material effect on JPMorgan Chase Bank, N.A.'s Consolidated Balance Sheets or results of operations.

Determining whether a restructuring is a troubled debt restructuring

In April 2011, the FASB issued guidance to clarify existing standards for determining whether a modification represents a troubled debt restructuring ("TDR") from the perspective of the creditor. In addition, the guidance established an effective date for enhanced disclosures related to TDRs. The guidance and new disclosures became effective in the third quarter of 2011 and were applied retrospectively to January 1, 2011. For information regarding JPMorgan Chase Bank, N.A.'s TDRs, see Note 15 on pages 55–75 of these Consolidated Financial Statements. 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 is effective for new transactions or existing transactions that are modified beginning January 1, 2012. JPMorgan Chase Bank, N.A. has accounted for its repurchase and similar agreements as secured financings, and therefore, JPMorgan Chase Bank, N.A. does not expect the application of this guidance will 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 out of accumulated other comprehensive income and into the income statement. The application of this guidance will only affect the presentation of the Consolidated Financial Statements and will have 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 is 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

Other business events

RBS Sempra transaction

On July 1, 2010, JPMorgan Chase completed the acquisition of RBS Sempra Commodities' global oil, global metals and European power and gas businesses. JPMorgan Chase acquired approximately $1.7 billion of net assets which included $3.3 billion of debt which was immediately repaid. JPMorgan Chase Bank, N.A. paid approximately $1.7 billion related to this acquisition, which included a portion of the debt that was immediately repaid. This acquisition significantly expanded the number of clients the commodities business can serve and has enabled the commodities business to offer clients more products in more regions of the world.

Purchase of remaining interest in J.P. Morgan Cazenove

On January 4, 2010, JPMorgan Chase Bank, N.A. purchased the remaining interest in J.P. Morgan Cazenove, an investment banking business partnership formed in 2005, which resulted in an adjustment to JPMorgan Chase Bank, N.A.'s capital surplus of approximately $1.3 billion.

Other internal transfers of legal entities under common control

On January 1, 2010, JPMorgan Chase Bank, N.A. transferred its wholly-owned subsidiary, JPMorgan Investment Advisors Inc. ("JPMIA"), to a JPMorgan Chase subsidiary. JPMIA's principal activity was investment advisory for the asset management business. At the time of the transfer, JPMIA had approximately $850 million of assets, predominantly consisting of $546 million of other intangible assets and $255 million of deposits with banks. In addition, $300 million of goodwill recorded on the books of JPMorgan Chase Bank, N.A. was also transferred in connection with this transaction.

On May 1, 2009, JPMorgan Chase contributed its wholly-owned subsidiary, Bear Stearns Financial Products Inc. ("BSFP"), to JPMorgan Chase Bank, N.A. BSFP's principal activity is offering fixed income and equity-index derivative products to AAA or similarly rated counterparties. At the time of the transfer, BSFP had approximately $1.1 billion of assets, predominantly consisting of $560 million of accrued interest and accounts receivable and $541 million of trading assets-derivative receivables.

In addition to the above transfer to JPMorgan Chase Bank, N.A., in 2009, JPMorgan Chase transferred various other wholly-owned subsidiaries to JPMorgan Chase Bank, N.A. In 2011, total assets for these subsidiaries were $375 million, which were predominantly cash and due from banks, federal funds sold and securities purchased under resale agreements and goodwill. In 2009, the total assets for these subsidiaries were $93 million, which were predominantly deposits with banks and equity investments. There were no wholly-owned subsidiaries transferred from JPMorgan Chase to JPMorgan Chase Bank, N.A. in 2010.

In addition to the above transfer from JPMorgan Chase Bank, N.A., in 2010, JPMorgan Chase Bank, N.A. transferred various wholly-owned subsidiaries to JPMorgan Chase. The total assets for these subsidiaries were $15 million, $11 million and $36 million in 2011, 2010 and 2009, respectively. In 2011 these assets were predominantly deposits with banks; in 2010, these assets were primarily accrued interest and accounts receivable, and in 2009 these assets were largely cash and due from banks.

The internal transfers of the above legal entities were accounted for at historical cost in accordance with U.S. GAAP. However, all of the transfers were reflected in the Consolidated Financial Statements prospectively, and not as of the beginning of all periods presented, because the impact of these transfers was not material to JPMorgan Chase Bank, N.A.'s Consolidated Financial Statements for any of the years ended December 31, 2011, 2010 or 2009.

Subsequent events

JPMorgan Chase Bank, N.A. has performed an evaluation of events that have occurred subsequent to December 31, 2011, through March 23, 2012 (the date these Consolidated Financial Statements were available to be issued). Other than the events 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 year ended December 31, 2011.

Global settlement on servicing and origination of mortgages

On February 9, 2012, JPMorgan Chase announced that it 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, 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 is subject to the

execution of a definitive agreement and court approval, 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); (ii) provide approximately $500 million of refinancing relief to certain "underwater" borrowers whose loans are owned by JPMorgan Chase; 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. (If JPMorgan Chase does not meet certain targets for provision of the refinancing or other borrower relief within certain prescribed time periods, JPMorgan Chase will instead make cash payments.) In addition, under the global settlement JPMorgan Chase will be required to adhere to certain enhanced mortgage servicing standards.

The global settlement releases JPMorgan Chase from further claims 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 U.S. government-sponsored entities ("GSEs"), among other items.

Also on February 9, 2012, JPMorgan Chase entered into agreements in principle with The Board of Governors of the Federal Reserve System (the "Federal Reserve") and the Office of the Comptroller of the Currency 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 prior period results of operations have reflected the estimated costs of the global settlement. Accordingly, JPMorgan Chase expects that the financial impact of the global settlement on JPMorgan Chase's financial condition and results of operations for the first quarter of 2012 and future periods will not be material. For further information on this settlement, see "Mortgage Foreclosure Investigations and Litigation" in Note 29 on pages 113–122 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"). Pursuant to this agreement, JPMorgan Chase expects to recognize additional assets, including certain pension-related assets, as well as tax refunds, in future periods as the settlement is executed and various state and federal tax matters are resolved. For additional information related to the WaMu Global Settlement, see "Washington Mutual Litigation" in Note 29 on pages 113–122 of these Consolidated Financial Statements.

Note 4 – Fair value measurement

JPMorgan Chase Bank, N.A. carries a portion of its assets and liabilities at fair value. These assets and liabilities are predominantly carried at fair value on a recurring basis. Certain assets and liabilities are carried at fair value on a nonrecurring basis, including mortgage, home equity and other loans, where the carrying value is based on the fair value of the underlying collateral.

JPMorgan Chase Bank, N.A. has an established and well-documented process for determining fair values. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based on quoted market prices, where available. If listed prices or quotes are not available, fair value is based on internally developed models that consider relevant transaction data such as maturity and use as inputs, market-based or independently sourced market parameters, including but not limited to yield curves, interest rates, volatilities, equity or debt prices, foreign exchange rates and credit curves. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments include amounts to reflect counterparty credit quality, JPMorgan Chase Bank, N.A.'s creditworthiness, constraints on liquidity and unobservable parameters. Valuation adjustments are applied consistently over time.

- Credit valuation adjustments ("CVA") are necessary when the market price (or parameter) is not indicative of the credit quality of the counterparty. As few classes of derivative contracts are listed on an exchange, derivative positions are predominantly valued using internally developed models that use as their basis observable market parameters. An adjustment is necessary to reflect the credit quality of each derivative counterparty to arrive at fair value. The adjustment also takes into account contractual factors designed to reduce JPMorgan Chase Bank, N.A.'s credit exposure to each counterparty, such as collateral and legal rights of offset.
- Debit valuation adjustments ("DVA") are taken to reflect the credit quality of JPMorgan Chase Bank, N.A. in the valuation of liabilities measured at fair value. The methodology to determine the adjustment is consistent with CVA and incorporates JPMorgan Chase Bank, N.A.'s credit spread as observed through the credit default swap market.

- Liquidity valuation adjustments are necessary when JPMorgan Chase Bank, N.A. may not be able to observe a recent market price for a financial instrument that trades in inactive (or less active) markets or to reflect the cost of exiting larger-than-normal market-size risk positions (liquidity adjustments are not taken for positions classified within level 1 of the fair value hierarchy; see below). JPMorgan Chase Bank, N.A. estimates the amount of uncertainty in the initial valuation based on the degree of liquidity in the market in which the financial instrument trades and makes liquidity adjustments to the carrying value of the financial instrument. JPMorgan Chase Bank, N.A. measures the liquidity adjustment based on the following factors: (1) the amount of time since the last relevant pricing point; (2) whether there was an actual trade or relevant external quote; and (3) the volatility of the principal risk component of the financial instrument. Costs to exit larger-than-normal market-size risk positions are determined based on the size of the adverse market move that is likely to occur during the period required to bring a position down to a nonconcentrated level.
- Unobservable parameter valuation adjustments are necessary when positions are valued using internally developed models that use as their basis unobservable parameters – that is, parameters that must be estimated and are, therefore, subject to management judgment. Unobservable parameter valuation adjustments are applied to mitigate the possibility of error and revision in the estimate of the market price provided by the model.

JPMorgan Chase Bank, N.A. has numerous controls in place intended to ensure that its fair values are appropriate. An independent model review group reviews JPMorgan Chase Bank, N.A.'s valuation models and approves them for use for specific products. All valuation models within JPMorgan Chase Bank, N.A. are subject to this review process. A price verification group, independent from the risk-taking function, ensures observable market prices and market-based parameters are used for valuation wherever possible. For those products with material parameter risk for which observable market levels do not exist, an independent review of the assumptions made on pricing is performed. Additional review includes deconstruction of the model valuations for certain structured instruments into their components and benchmarking valuations, where possible, to similar products; validating valuation estimates through actual cash settlement; and detailed review and explanation of recorded gains and losses, which are analyzed daily and over time. Valuation adjustments, which are also determined by the independent price verification group, are based on established policies and applied consistently over time. Any changes to the valuation methodology are reviewed by management to confirm that the changes are justified. As markets and products develop and the pricing for certain products becomes more or less transparent, JPMorgan Chase Bank, N.A. continues to refine its valuation methodologies.

The methods described above to estimate fair value may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while JPMorgan Chase Bank, N.A. believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Valuation Hierarchy

A three-level valuation hierarchy has been established under U.S. GAAP for disclosure of fair value measurements. The valuation hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows.

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – one or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

The following table is a description of the valuation methodologies used by JPMorgan Chase Bank, N.A. to measure its more significant products/instruments at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Product/instrument	Valuation methodology, inputs and assumptions	Classifications in the valuation hierarchy
Securities financing agreements	Valuations are based on discounted cash flows, which consider: • Derivative features • Market rates for respective maturity • Collateral	Instruments carried at fair value are generally classified in level 2
Loans and lending-related commitments - wholesale		
Trading portfolio	Where observable market data is available, valuations are based on: • Observed market prices (circumstances are limited) • Relevant broker quotes • Observed market prices for similar instruments Where observable market data is unavailable or limited, valuations are based on discounted cash flows, which consider the following: • Discount rate • Expected credit losses • Loss severity rates • Prepayment rates • Servicing costs	Level 2 or 3
Loans held for investment and associated lending-related commitments	Valuations are based on discounted cash flows, which consider: • Credit spreads, derived from the cost of credit default swaps ("CDS"); or benchmark credit curves developed by JPMorgan Chase Bank, N.A. by industry and credit rating, and which take into account the difference in loss severity rates between bonds and loans • Prepayment rates Lending-related commitments are valued similar to loans and reflect the portion of an unused commitment expected, based on JPMorgan Chase Bank, N.A.'s average portfolio historical experience, to become funded prior to an obligor default For information regarding the valuation of loans measured at collateral value, see pages 55–75 of Note 15 of these Consolidated Financial Statements.	Loans held for investment and associated lending-related commitments that are not carried at fair value are not classified within the fair value hierarchy
Loans - consumer		
Held for investment consumer loans, excluding credit card	Valuations are based on discounted cash flows, which consider: • Discount rates (derived from primary origination rates and market activity) • Expected lifetime credit losses (considering expected and current default rates for existing portfolios, collateral prices, and economic environment expectations (i.e., unemployment rates)) • Estimated prepayments • Servicing costs • Market liquidity For information regarding the valuation of loans measured at collateral value, see pages 55–75 of Note 15 of these Consolidated Financial Statements.	Consumer loans in this category are not carried at fair value and are not classified within the fair value hierarchy
Credit card receivables	Valuations are based on discounted cash flows, which consider: • Projected interest income and late fee revenue, funding, servicing and credit costs, and loan repayment rates • Estimated life of receivables (based on projected loan payment rates) • Discount rate – based on expected return on receivables • Credit costs – allowance for loan losses is considered a reasonable proxy for the credit cost based on the short-term nature of credit card receivables	Credit card loans are not carried at fair value and are not classified within the fair value hierarchy

Product/instrument	Valuation methodology, inputs and assumptions	Classifications in the valuation hierarchy
Loans - consumer (continued)		
Conforming residential mortgage loans expected to be sold	Fair value is based upon observable pricing of mortgage-backed securities with similar collateral and incorporates adjustments to these prices to account for differences between the security and the value of the underlying loans, which include credit characteristics, portfolio composition, and liquidity.	Predominantly classified within level 2
Securities	Quoted market prices are used where available.	Level 1
	In the absence of quoted market prices, securities are valued based on: • Observed market prices for similar securities • Relevant broker quotes • Discounted cash flows (see specific product discussion below)	Level 2 or 3
	Mortgage- and asset-backed securities specific inputs: • Collateral characteristics • Deal-specific payment and loss allocations • Current market assumptions related to discount rate, prepayments, defaults and recoveries	
	Collateralized debt obligations ("CDOs"), including collateralized loan obligations ("CLOs"), specific inputs: • Collateral characteristics • Deal-specific payment and loss allocations • Expected prepayment, default, recovery, default correlation and liquidity spread assumptions • Credit spreads • Credit rating data	
Physical commodities	Valued using observable market prices or data	Level 1 or 2
Derivatives	Exchange-traded derivatives are valued using observable market prices.	Level 1
	Derivatives that are not exchange-traded, which include plain vanilla options and interest rate and credit default swaps, are valued using internally developed models and/or a series of techniques such as the Black-Scholes option pricing model, simulation models, or a combination of models, which are consistently applied. Inputs include: • Contractual terms including period to maturity • Readily observable parameters including interest rates and volatility • Credit quality of the counterparty and of JPMorgan Chase Bank, N.A. • Correlation levels	Level 2 or 3
	Derivatives that are valued based on models with significant unobservable inputs include: *Structured credit derivatives specific inputs:* • CDS spreads and recovery rates • Correlation between the underlying debt instruments (levels are modeled on a transaction basis and calibrated to liquid benchmark tranche indices) • Actual transactions, where available, are used to regularly recalibrate unobservable parameters	
	Certain long-dated equity option specific inputs: • Long-dated equity volatilities	
	Callable interest rate FX exotic options specific inputs: • Correlation between interest rates and FX rates • Parameters describing the evolution of underlying interest rates	

Product/instrument	Valuation methodology, inputs and assumptions	Classification in the valuation hierarchy
Mortgage servicing rights ("MSRs")	See Mortgage servicing rights on pages 92–94 of Note 18 of these Consolidated Financial Statements.	Level 3
Retained interests in credit card securitizations	Valuations are based on discounted cash flows, which consider: • Expected credit losses • Principal payment rates • Discount rate	Level 3
Fund investments (i.e., mutual/ collective investment funds, private equity funds, hedge funds, and real estate funds)	Net asset value ("NAV") • NAV is validated by sufficient level of observable activity (i.e, purchases and sales) • Adjustments to the NAV are required for restrictions on redemption (e.g., lock up periods or withdrawal limitations) or where observable activity is limited	 Level 1 Level 2 or 3
Beneficial interests issued by consolidated VIE	Valued using observable market information, where available In the absence of observable market information, valuations are based on the fair value of the underlying assets held by the VIE	Level 2 or 3
Long-term debt, not carried at fair value	Valuations are based on discounted cash flows, which consider: • Market rates for respective maturity • Credit quality of JPMorgan Chase Bank, N.A. (DVA)	Long-term debt, excluding structured notes, is not carried at fair value and is not classified within the fair value hierarchy
Structured notes (included in Deposits, Other borrowed funds and Long-term debt)	Valuations are based on discounted cash flows, which consider: • Credit quality of JPMorgan Chase Bank, N.A. (DVA) • Consideration of derivative features	Level 2 or 3

The following table presents the asset and liabilities measured at fair value as of December 31, 2011 and 2010 by major product category and fair value hierarchy.

Assets and liabilities measured at fair value on a recurring basis

	Fair value hierarchy				
December 31, 2011 (in millions)	Level 1[f]	Level 2[f]	Level 3[f]	Netting adjustments	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:					
Credit card receivables	–	5,310	–	–	5,310
Collateralized loan obligations	–	116	24,745	–	24,861
Other	–	11,014	–	–	11,014
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[e]	$ 241,195	$ 2,171,355	$ 96,185	$ (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

	Fair value hierarchy				
December 31, 2010 (in millions)	Level 1[f]	Level 2[f]	Level 3[f]	Netting adjustments	Total fair value
Federal funds sold and securities purchased under resale agreements	$ –	$ 19,876	$ –	$ –	$ 19,876
Securities borrowed	–	13,961	–	–	13,961
Trading assets:					
Debt instruments:					
Mortgage-backed securities:					
U.S. government agencies[a]	384	215	–	–	599
Residential – nonagency	–	852	187	–	1,039
Commercial – nonagency	–	263	200	–	463
Total mortgage-backed securities	384	1,330	387	–	2,101
U.S. Treasury and government agencies[a]	8,178	282	–	–	8,460
Obligations of U.S. states and municipalities	–	781	244	–	1,025
Certificates of deposit, bankers' acceptances and commercial paper	137	1,090	–	–	1,227
Non-U.S. government debt securities	31,591	38,464	202	–	70,257
Corporate debt securities	–	32,182	4,844	–	37,026
Loans	–	21,642	10,423	–	32,065
Asset-backed securities	–	903	6,368	–	7,271
Total debt instruments	40,290	96,674	22,468	–	159,432
Equity securities	106,318	880	344	–	107,542
Physical commodities[b]	18,105	24	–	–	18,129
Other	–	855	750	–	1,605
Total debt and equity instruments[c]	164,713	98,433	23,562	–	286,708
Derivative receivables:					
Interest rate	872	1,117,915	5,327	(1,095,421)	28,693
Credit	–	111,937	17,902	(122,004)	7,835
Foreign exchange	1,121	161,396	4,234	(142,613)	24,138
Equity	–	38,666	4,868	(39,172)	4,362
Commodity	1,323	37,622	1,877	(34,408)	6,414
Total derivative receivables[d]	3,316	1,467,536	34,208	(1,433,618)	71,442
Total trading assets	168,029	1,565,969	57,770	(1,433,618)	358,150
Available-for-sale securities:					
Mortgage-backed securities:					
U.S. government agencies[a]	104,736	15,490	–	–	120,226
Residential – nonagency	1	48,969	5	–	48,975
Commercial – nonagency	–	4,893	251	–	5,144
Total mortgage-backed securities	104,737	69,352	256	–	174,345
U.S. Treasury and government agencies[a]	432	10,826	–	–	11,258
Obligations of U.S. states and municipalities	31	8,098	67	–	8,196
Certificates of deposit	–	3,641	–	–	3,641
Non-U.S. government debt securities	13,107	7,670	–	–	20,777
Corporate debt securities	–	60,660	–	–	60,660
Asset-backed securities:					
Credit card receivables	–	8,856	–	–	8,856
Collateralized loan obligations	–	128	13,470	–	13,598
Other	–	8,777	–	–	8,777
Equity securities	593	44	–	–	637
Total available-for-sale securities	118,900	178,052	13,793	–	310,745
Loans	–	422	551	–	973
Mortgage servicing rights	–	–	13,440	–	13,440
Other assets	6	7	8,126	–	8,139
Total assets measured at fair value on a recurring basis[e]	$ 286,935	$ 1,778,287	$ 93,680	$ (1,433,618)	$ 725,284
Deposits	$ –	$ 3,554	$ 773	$ –	$ 4,327
Federal funds purchased and securities loaned or sold under repurchase agreements	–	2,555	–	–	2,555
Other borrowed funds	–	5,992	1,133	–	7,125
Trading liabilities:					
Debt and equity instruments[c]	40,266	13,015	2	–	53,283
Derivative payables:					
Interest rate	1,139	1,089,777	3,138	(1,070,058)	23,996
Credit	–	113,405	12,562	(119,922)	6,045
Foreign exchange	972	159,248	4,870	(139,715)	25,375
Equity	–	38,633	7,569	(35,692)	10,510
Commodity	866	36,992	2,634	(35,263)	5,229
Total derivative payables[d]	2,977	1,438,055	30,773	(1,400,650)	71,155
Total trading liabilities	43,243	1,451,070	30,775	(1,400,650)	124,438
Accounts payable and other liabilities	–	–	127	–	127
Beneficial interests issued by consolidated VIEs	–	179	175	–	354
Long-term debt	–	11,261	9,558	–	20,819
Total liabilities measured at fair value on a recurring basis	$ 43,243	$ 1,474,611	$ 42,541	$ (1,400,650)	$ 159,745

(a) At December 31, 2011 and 2010, included total U.S. government-sponsored enterprise obligations of $89.5 billion and $94.7 billion respectively, which were predominantly mortgage-related.
(b) Physical commodities inventories are generally accounted for at the lower of cost or fair value.
(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 receivable and payable balances would be $11.6 billion and $12.5 billion at December 31, 2011 and 2010, respectively; this is exclusive of the netting benefit associated with cash collateral, which would further reduce the level 3 balances.

(e) At December 31, 2011 and 2010, balances included investments valued at net asset values of $1.6 billion and $1.9 billion, respectively, of which $954 million and $874 million, respectively, were classified in level 1, $487 million and $741 million, respectively, in level 2, and $179 million and $243 million, respectively, in level 3.

(f) For the years ended December 31, 2011 and 2010, there were no significant transfers between levels 1 and 2. For the year ended December 31, 2011, transfers from level 3 into level 2 included $2.2 billion of long-term debt due to a decrease in valuation uncertainty of certain structured notes. For the year ended December 31, 2010, transfers from level 3 into level 2 included $1.2 billion of trading loans due to increased price transparency. There were no significant transfers into level 3 for the years ended December 31, 2011 and 2010. All transfers are assumed to occur at the beginning of the reporting period.

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 years ended December 31, 2011, 2010 and 2009. 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.

Year ended December 31, 2011 (in millions)	Fair value measurements using significant unobservable inputs								Change in unrealized gains/(losses) related to financial instruments held at Dec. 31, 2011
	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 Dec. 31, 2011	
Assets:									
Trading assets:									
Debt instruments:									
Mortgage-backed securities:									
U.S. government agencies	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Residential – nonagency	187	70	125	(97)	–	(50)	(43)	192	12
Commercial – nonagency	200	8	215	(259)	–	(54)	–	110	–
Total mortgage-backed securities	387	78	340	(356)	–	(104)	(43)	302	12
Obligations of U.S. states and municipalities	244	(12)	78	(5)	–	(5)	–	300	(12)
Non-U.S. government debt securities	202	35	552	(531)	–	(80)	(74)	104	38
Corporate debt securities	4,844	(162)	7,893	(5,894)	–	(796)	176	6,061	31
Loans	10,423	(114)	4,506	(2,720)	–	(1,602)	(236)	10,257	36
Asset-backed securities	6,368	60	2,238	(2,241)	–	(277)	19	6,167	(189)
Total debt instruments	22,468	(115)	15,607	(11,747)	–	(2,864)	(158)	23,191	(84)
Equity securities	344	(2)	105	(98)	–	(44)	(96)	209	26
Other	750	41	18	(37)	–	(72)	–	700	69
Total trading assets – debt and equity instruments	23,562	(76) [b]	15,730	(11,882)	–	(2,980)	(254)	24,100	11 [b]
Net derivative receivables:									
Interest rate	2,189	5,129	521	(218)	–	(4,302)	(703)	2,616	1,390
Credit	5,340	2,273	22	(13)	–	125	(19)	7,728	2,772
Foreign exchange	(636)	(1,969)	171	5	–	688	207	(1,534)	(1,889)
Equity	(2,701)	(14)	803	(1,873)	–	(249)	45	(3,989)	(459)
Commodity	(757)	196	126	(61)	–	(354)	59	(791)	(165)
Total net derivative receivables	3,435	5,615 [b]	1,643	(2,160)	–	(4,092)	(411)	4,030	1,649 [b]
Available-for-sale securities:									
Asset-backed securities	13,470	(108)	15,268	(1,388)	–	(2,497)	–	24,745	(106)
Other	323	(2)	56	(11)	–	(26)	–	340	8
Total available-for-sale securities	13,793	(110) [c]	15,324	(1,399)	–	(2,523)	–	25,085	(98) [c]
Loans	551	(8) [b]	55	(9)	–	(414)	–	175	(22) [b]
Mortgage servicing rights	13,440	(7,133) [d]	2,816	–	–	(1,900)	–	7,223	(7,133) [d]
Other assets	8,126	25 [e]	75	(710)	–	(725)	–	6,791	14 [e]

Year ended December 31, 2011 (in millions)	Fair value measurements using significant unobservable inputs								Change in unrealized (gains)/losses related to financial instruments held at Dec. 31, 2011
	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 Dec. 31, 2011	
Liabilities:[a]									
Deposits	$ 773	$ 15 [b]	$ –	$ –	$ 441	$ (394)	$ 583	$ 1,418	$ 4 [b]
Other borrowed funds	1,133	(239) [b]	–	–	1,443	(808)	(376)	1,153	(83) [b]
Trading liabilities – debt and equity instruments	2	22 [b]	(341)	577	–	(109)	4	155	2 [b]
Accounts payable and other liabilities	127	5 [e]	–	–	–	(81)	–	51	5 [e]
Beneficial interests issued by consolidated VIEs	175	57 [b]	–	–	–	(232)	–	–	– [b]
Long-term debt	9,558	121 [b]	–	–	1,872	(2,997)	(2,098)	6,456	111 [b]

Year ended December 31, 2010 (in millions)	Fair value measurements using significant unobservable inputs					
	Fair value at January 1, 2010	Total realized/ unrealized gains/ (losses)	Purchases, issuances, settlements, net	Transfers into and/or out of level 3[g]	Fair value at Dec. 31, 2010	Change in unrealized gains/ (losses) related to financial instruments held at Dec. 31, 2010
Assets:						
Trading assets:						
Debt instruments:						
Mortgage-backed securities:						
U.S. government agencies	$ –	$ –	$ –	$ –	$ –	$ –
Residential – nonagency	242	117	(144)	(28)	187	95
Commercial – nonagency	180	75	(56)	1	200	–
Total mortgage-backed securities	422	192	(200)	(27)	387	95
Obligations of U.S. states and municipalities	257	(7)	(6)	–	244	(6)
Non-U.S. government debt securities	88	(33)	192	(45)	202	(8)
Corporate debt securities	4,558	(416)	757	(55)	4,844	32
Loans	11,070	(140)	737	(1,244)	10,423	(250)
Asset-backed securities	6,520	136	(302)	14	6,368	156
Total debt instruments	22,915	(268)	1,178	(1,357)	22,468	19
Equity securities	284	137	3	(80)	344	163
Other	675	225	(151)	1	750	275
Total trading assets – debt and equity instruments	23,874	94 [b]	1,030	(1,436)	23,562	457 [b]
Net derivative receivables:						
Interest rate	2,038	2,697	(2,523)	(23)	2,189	111
Credit	10,182	(1,764)	(2,987)	(91)	5,340	(1,059)
Foreign exchange	1,083	(796)	(485)	(438)	(636)	(378)
Equity	(1,915)	(435)	(444)	93	(2,701)	(83)
Commodity	(504)	(124)	(192)	63	(757)	(75)
Total net derivative receivables	10,884	(422) [b]	(6,631)	(396)	3,435	(1,484) [b]
Available-for-sale securities:						
Asset-backed securities	12,255	(215)	1,430	–	13,470	(168)
Other	151	39	61	72	323	18
Total available-for-sale securities	12,406	(176) [c]	1,491	72	13,793	(150) [c]
Loans	310	52 [b]	197	(8)	551	34 [b]
Mortgage servicing rights	15,342	(2,325) [d]	423	–	13,440	(2,325) [d]
Other assets	3,610	(53) [e]	4,569	–	8,126	(92) [e]

Year ended December 31, 2010 (in millions)	Fair value measurements using significant unobservable inputs					
	Fair value at January 1, 2010	Total realized/ unrealized (gains)/losses	Purchases, issuances, settlements, net	Transfers into and/or out of level 3[g]	Fair value at Dec. 31, 2010	Change in unrealized (gains)/ losses related to financial instruments held at Dec. 31, 2010
Liabilities:[a]						
Deposits	$ 476	$ 28 [b]	$ (61)	$ 330	$ 773	$ (77) [b]
Other borrowed funds	492	(124) [b]	1,007	(242)	1,133	445 [b]
Trading liabilities – debt and equity instruments	10	5 [b]	(32)	19	2	–
Accounts payable and other liabilities	3	(7) [e]	131	–	127	(5) [e]
Beneficial interests issued by consolidated VIEs	568	26 [b]	(419)	–	175	27 [b]
Long-term debt	13,965	(147) [b]	(4,352)	92	9,558	713 [b]

Year ended December 31, 2009 (in millions)	Fair value measurements using significant unobservable inputs: Fair Value at January 1, 2009	Total realized/ unrealized gains/ (losses)	Purchases, issuances settlements, net	Transfers into and/or out of level 3[g]	Fair value at Dec. 31, 2009	Change in unrealized gains/ (losses) related to financial instruments held at Dec. 31, 2009
Assets:						
Trading assets:						
Debt instruments:						
Mortgage-backed securities:						
U.S. government agencies	$ –	$ –	$ –	$ –	$ –	$ –
Residential – nonagency	615	113	(129)	(357)	242	22
Commercial – nonagency	174	73	(68)	1	180	–
Total mortgage-backed securities	789	186	(197)	(356)	422	22
Obligations of U.S. states and municipalities	353	(30)	(66)	–	257	(28)
Non-U.S. government debt securities	12	35	(22)	63	88	32
Corporate debt securities	4,838	154	(3,516)	3,082	4,558	(9)
Loans	14,481	(366)	(3,306)	261	11,070	(615)
Asset-backed securities	5,540	1,432	(378)	(74)	6,520	736
Total debt instruments	26,013	1,411	(7,485)	2,976	22,915	138
Equity securities	235	(43)	(96)	188	284	9
Other	489	81	55	50	675	89
Total trading assets – debt and equity instruments	26,737	1,449 [b]	(7,526)	3,214	23,874	236 [b]
Total net derivative receivables	8,464	(12,324) [b]	(1,749)	16,493	10,884	(11,058) [b]
Available-for-sale securities:						
Asset-backed securities	11,195	(77)	1,137	–	12,255	(101)
Other	63	59	371	(342)	151	58
Total available-for-sale securities	11,258	(18) [c]	1,508	(342)	12,406	(43) [c]
Loans	1,397	(47) [b]	(1,818)	778	310	(85) [b]
Mortgage servicing rights	9,236	5,735 [d]	371	–	15,342	5,735 [d]
Other assets	2,826	(434) [e]	1,201	17	3,610	(447) [e]

Year ended December 31, 2009 (in millions)	Fair value measurements using significant unobservable inputs: Fair value at January 1, 2009	Total realized/ unrealized (gains)/losses	Purchases, issuances settlements, net	Transfers into and/or out of level 3[g]	Fair value at Dec. 31, 2009	Change in unrealized (gains)/ losses related to financial instruments held at Dec. 31, 2009
Liabilities:[a]						
Deposits	$ 1,235	$ 47 [b]	$ (870)	$ 64	$ 476	$ (36) [b]
Other borrowed funds	56	(63) [b]	653	(154)	492	9 [b]
Trading liabilities:						
Debt and equity instruments	287	57 [b]	(331)	(3)	10	9 [b]
Accounts payable and other liabilities	–	(7) [b]	10	–	3	(7) [b]
Beneficial interests issued by consolidated VIEs	–	344 [b]	(766)	990	568	327 [b]
Long-term debt	14,525	1,173 [b]	(3,059)	1,326	13,965	1,534 [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 24%, 27% and 34% at December 31, 2011, 2010 and 2009, 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 available-for-sale ("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 $(242) million, $25 million and $121 million for the years ended December 31, 2011, 2010 and 2009, respectively. Unrealized gains/(losses) recorded on AFS securities in OCI were $132 million, $(201) million and $(139) million for the years ended December 31, 2011, 2010 and 2009, 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) Largely reported in other income.
(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.

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 December 31, 2011 and 2010, assets measured at fair value on a nonrecurring basis were $4.8 billion and $7.2 billion, respectively, comprised predominantly of loans. 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. At December 31, 2010, $312 million and $6.8 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 December 31, 2011 and 2010. For the years ended December 31, 2011 and 2010, 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 years ended December 31, 2011, 2010 and 2009, related to financial instruments held at those dates were losses of $2.0 billion, $3.3 billion and $4.6 billion, respectively; these losses were predominantly associated with loans.

For further 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 these Consolidated Financial Statements.

Level 3 analysis

Level 3 assets at December 31, 2011, predominantly included derivative receivables, MSRs, CLOs held within the available-for-sale and trading portfolios and loans within the trading portfolio.

- Derivative receivables included $32.8 billion related to interest rate, credit, foreign exchange, equity and commodity contracts . Credit derivative receivables of $17.1 billion included $12.1 billion of structured credit derivatives with corporate debt underlying and $3.4 billion of CDS largely on commercial mortgages where the risks are partially mitigated by similar and offsetting derivative payables. Interest rate derivative receivables of $6.7 billion include long-dated structured interest rate derivatives which are dependent on the correlation between different interest rate curves. Foreign exchange derivative receivables of $4.6 billion included long-dated foreign exchange derivatives which are dependent on the correlation between foreign exchange and interest rates. Equity derivative receivables of $2.7 billion principally included long-dated contracts where the volatility levels are unobservable. Commodity derivative receivables of 1.7 billion largely included long-dated oil contracts.
- CLOs totaling $30.0 billion are securities backed by corporate loans. At December 31, 2011, $24.7 billion of CLOs were held in the AFS securities portfolio and $5.3 billion were included in asset-backed securities held in the trading portfolio. Substantially all of the securities are rated "AAA," "AA" and "A" and had an average credit enhancement of 30%. Credit enhancement in CLOs is primarily in the form of subordination, which is a form of structural credit enhancement where realized losses associated with assets held by the issuing vehicle are allocated to the various tranches of securities issued by the vehicle considering their relative seniority. For a further discussion of CLOs held in the AFS securities portfolio, see Note 13 on pages 48–53 of these Consolidated Financial Statements.
- Trading loans totaling $10.3 billion included $4.4 billion of residential mortgage whole loans and commercial mortgage loans for which there is limited price transparency; and $4.0 billion of reverse mortgages for which the principal risk sensitivities are mortality risk and home prices. The fair value of the commercial and residential mortgage loans is estimated by projecting expected cash flows, considering relevant borrower-specific and market factors, and discounting those cash flows at a rate reflecting current market liquidity. Loans are partially hedged by level 2 instruments, including credit default swaps and interest rate derivatives, for which valuation inputs are observable and liquid.
- MSRs represent the fair value of future cash flows for performing specified mortgage servicing activities for others (predominantly with respect to residential mortgage loans). For a further discussion of the MSR asset, the interest rate risk management and valuation methodology used for MSRs, including valuation assumptions and sensitivities, and a summary of the changes in the MSR asset, see Note 18 on pages 92–95 of these Consolidated Financial Statements.

Consolidated Balance Sheets changes
Level 3 assets (including assets measured at fair value on a nonrecurring basis) were 5.6% of total JPMorgan Chase Bank, N.A. assets and 13.7% of total assets measured at fair value at December 31, 2011, compared with 6.2% and 13.7%, respectively, at December 31, 2010. The following describes significant changes to level 3 assets since December 31, 2010.

For the year ended December 31, 2011
Level 3 assets increased by $47 million during 2011, due to the following:

- $11.3 billion increase in asset-backed AFS securities, predominantly driven by purchases of CLOs;
- $6.2 billion decrease in MSRs. For further discussion of the change, refer to Note 18 on pages 92–95 of these Consolidated Financial Statements;
- $2.1 billion decrease in nonrecurring retained loans predominantly due to portfolio runoff;
- $1.4 billion decrease in derivative receivables, largely driven by unwinds and maturities of equity derivatives, partially offset by declining interest rates; and
- $1.3 billion decrease in JPMorgan Chase Bank, N.A.'s undivided interests in nonconsolidated credit card trusts sponsored by an affiliate, classified in other assets, predominantly due to the reduction of credit card loan receivables in the trusts.

Gains and Losses
Gains and losses included in the tables for 2011, 2010 and 2009 included:

2011

Included in the tables for the year ended December 31, 2011
- $7.1 billion of losses on MSRs. For further discussion of the change, refer to Note 18 on pages 92–95 of these Consolidated Financial Statements; and
- $5.6 billion of net gains on derivatives, related to declining interest rates and tightening of credit spreads, partially offset by losses due to fluctuation in foreign exchange rates.

2010

Included in the tables for the year ended December 31, 2010
- $2.3 billion of losses on MSRs.

2009

Included in the tables for the year ended December 31, 2009
- $12.3 billion of net losses on derivatives, primarily related to the tightening of credit spreads;
- $5.7 billion of gains on MSRs; and
- $1.4 billion of gains related to trading – debt and equity assets, primarily related to asset-backed securities;
- $1.2 billion of losses related to structured note liabilities, predominantly due to volatility in the equity markets.

Additional disclosures about the fair value of financial instruments (including financial instruments not carried at fair value)

U.S. GAAP requires disclosure of the estimated fair value of certain financial instruments, and the methods and significant assumptions used to estimate their fair value. Financial instruments within the scope of these disclosure requirements are included in the following table. However, certain financial instruments and all nonfinancial instruments are excluded from the scope of these disclosure requirements. Accordingly, the fair value disclosures provided in the following table include only a partial estimate of the fair value of JPMorgan Chase Bank, N.A.'s assets and liabilities. For example, JPMorgan Chase Bank, N.A. has developed long-term relationships with its customers through its deposit base and credit card accounts, commonly referred to as core deposit intangibles and credit card relationships. In the opinion of management, these items, in the aggregate, add significant value to JPMorgan Chase Bank, N.A., but their fair value is not disclosed in this Note.

Financial instruments for which carrying value approximates fair value
Certain financial instruments that are not carried at fair value on the Consolidated Balance Sheets are carried at amounts that approximate fair value, due to their short-term nature and generally negligible credit risk. These instruments include cash and due from banks; deposits with banks; federal funds sold; securities purchased under resale agreements and securities borrowed with short-dated maturities; short-term receivables and accrued interest receivable; commercial paper; federal funds purchased; securities loaned and sold under repurchase agreements with short-dated maturities; other borrowed funds (excluding advances from the Federal Home Loan Banks ("FHLBs")); accounts payable; and accrued liabilities. In addition, U.S. GAAP requires that the fair value for deposit liabilities with no stated maturity (i.e., demand, savings and certain money market deposits) be equal to their carrying value; recognition of the inherent funding value of these instruments is not permitted.

The following table presents the carrying values and estimated fair values of financial assets and liabilities.

	2011		2010	
December 31, (in billions)	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Financial assets				
Assets for which fair value approximates carrying value	**$ 141.8**	**$ 141.8**	$ 47.1	$ 47.1
Accrued interest and accounts receivable	**44.7**	**44.7**	36.0	36.0
Federal funds sold and securities purchased under resale agreements (included **$21.8** and $19.9 at fair value)	**180.5**	**180.5**	175.2	175.2
Securities borrowed (included **$15.3** and $14.0 at fair value)	**74.5**	**74.5**	57.4	57.4
Trading assets	**322.6**	**322.6**	358.2	358.2
Securities (included **$357.1** and $310.7 at fair value)	**357.1**	**357.1**	310.8	310.8
Loans (included **$0.5** and $1.0 at fair value)[(a)]	**578.6**	**576.9**	530.6	531.6
Mortgage servicing rights at fair value	**7.2**	**7.2**	13.4	13.4
Other (included **$6.8** and $8.1 at fair value)	**41.8**	**42.2**	41.1	41.3
Financial liabilities				
Deposits (included **$4.9** and $4.3 at fair value)	**$ 1,190.7**	**$ 1,191.3**	$ 1,020.0	$ 1,021.1
Federal funds purchased and securities loaned or sold under repurchase agreements (included **$7.6** and $2.6 at fair value)	**169.2**	**169.2**	178.6	178.6
Other borrowed funds (included **$5.1** and $7.1 at fair value)[(b)]	**15.2**	**15.2**	23.1	23.1
Trading liabilities	**123.8**	**123.8**	124.4	124.4
Accounts payable and other liabilities (included **$0.1** and $0.1 at fair value)	**51.5**	**51.4**	47.7	47.7
Beneficial interests issued by consolidated VIEs (included **$0.2** and $0.4 at fair value)	**23.0**	**22.9**	26.1	26.1
Long-term debt and junior subordinated deferrable interest debentures (included **$17.8** and $20.8 at fair value)[(b)]	**81.9**	**78.0**	67.6	67.1

(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 a loan loss reserve calculation. For a further discussion of JPMorgan Chase Bank, N.A.'s methodologies for estimating the fair value of loans and lending-related commitments, see pages 12–14 of this Note.
(b) Effective January 1, 2011, $4.3 billion of long-term advances from FHLBs were reclassified from other borrowed funds to long-term debt. The prior-year period has been revised to conform with the current presentation.

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.

	2011		2010	
December 31, (in billions)	Carrying value[(a)]	Estimated fair value	Carrying value[(a)]	Estimated fair value
Wholesale lending-related commitments	**$0.6**	**$3.3**	$0.7	$0.9

(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 lending-related commitments, see Note 27 on pages 106–111 of these Consolidated Financial Statements; for further information on the valuation of lending-related commitments, see pages 12–14 of this Note.

Trading assets and liabilities

Trading assets include debt and equity instruments owned by JPMorgan Chase Bank, N.A. ("long" positions) that are held for client market-making and client-driven activities, as well as for certain risk management activities, certain loans managed on a fair value basis and for which JPMorgan Chase Bank, N.A. has elected the fair value option, and physical commodities inventories that are generally accounted for at the lower of cost or fair value. Trading liabilities include debt and equity instruments that JPMorgan Chase Bank, N.A. has sold to other parties but does not own ("short" positions). JPMorgan Chase Bank, N.A. is obligated to purchase instruments at a future date to cover the short positions. Included in trading assets and trading liabilities are the reported receivables (unrealized gains) and payables (unrealized losses) related to derivatives. Trading assets and liabilities are carried at fair value on the Consolidated Balance Sheets. 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").

Trading assets and liabilities - average balances

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

Year ended December 31, (in millions)	2011	2010	2009
Trading assets – debt and equity instruments[a]	**$ 278,942**	$ 252,926	$ 213,483
Trading assets – derivative receivables	**80,814**	74,416	95,231
Trading liabilities – debt and equity instruments[a][b]	**56,615**	53,824	41,188
Trading liabilities – derivative payables	**74,867**	68,291	74,412

(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

The fair value option provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments, and written loan commitments not previously carried at fair value.

Elections

Elections were made by JPMorgan Chase Bank, N.A. to:

- Mitigate income statement volatility caused by the differences in the measurement basis of elected instruments (for example, certain instruments elected were previously accounted for on an accrual basis) while the associated risk management arrangements are accounted for on a fair value basis;
- Eliminate the complexities of applying certain accounting models (e.g., hedge accounting or bifurcation accounting for hybrid instruments); and/or
- Better reflect those instruments that are managed on a fair value basis.

Elections include the following:

- Loans purchased or originated as part of securitization warehousing activity, subject to bifurcation accounting, or managed on a fair value basis.
- Securities financing arrangements with an embedded derivative and/or a maturity of greater than one year.
- Owned beneficial interests in securitized financial assets that contain embedded credit derivatives, which would otherwise be required to be separately accounted for as a derivative instrument.
- Certain investments that receive tax credits and other equity investments acquired as part of the Washington Mutual transaction.
- Structured notes issued as part of the investment banking business's client-driven activities. (Structured notes are financial instruments that contain embedded derivatives.)
- Long-term beneficial interests issued by the investment banking business's consolidated securitization trusts where the underlying assets are carried at fair value.

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 years ended December 31, 2011, 2010 and 2009, 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.

	2011			2010			2009		
December 31, (in millions)	Principal transactions	Other income	Total changes in fair value recorded	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	**$ 260**	**$ –**	**$ 260**	$ 176	$ –	$ 176	$ (533)	$ –	$ (533)
Securities borrowed	**(61)**	**–**	**(61)**	31	–	31	82	–	82
Trading assets:									
Debt and equity instruments, excluding loans	**(25)**	**(6)** (c)	**(31)**	345	(2) (c)	343	405	34 (c)	439
Loans reported as trading assets:									
Changes in instrument-specific credit risk	**411**	**(174)** (c)	**237**	921	(6) (c)	915	157	(177) (c)	(20)
Other changes in fair value	**127**	**5,263** (c)	**5,390**	(270)	4,449 (c)	4,179	1,117	3,119 (c)	4,236
Loans:									
Changes in instrument-specific credit risk	**13**	**–**	**13**	47	–	47	(69)	–	(69)
Other changes in fair value	**19**	**–**	**19**	41	–	41	40	–	40
Other assets	**(49)**	**(6)** (d)	**(55)**	–	(79) (d)	(79)	–	(359) (d)	(359)
Deposits[(a)]	**(238)**	**–**	**(238)**	(566)	–	(566)	(766)	–	(766)
Federal funds purchased and securities loaned or sold under repurchase agreements	**(6)**	**–**	**(6)**	(31)	–	(31)	115	–	115
Other borrowed funds[(a)]	**3,161**	**–**	**3,161**	522	–	522	(796)	–	(796)
Trading liabilities	**(57)**	**–**	**(57)**	(19)	–	(19)	1	–	1
Beneficial interests issued by consolidated VIEs	**(56)**	**–**	**(56)**	(35)	–	(35)	3	–	3
Other liabilities	**–**	**(5)** (d)	**(5)**	1	9 (d)	10	(132)	–	(132)
Long-term debt:									
Changes in instrument-specific credit risk[(a)]	**926**	**–**	**926**	397	–	397	(1,241)	–	(1,241)
Other changes in fair value[(b)]	**(82)**	**–**	**(82)**	660	–	660	(1,663)	–	(1,663)

(a) Total changes in instrument-specific credit risk related to structured notes were $899 million, $467 million and $(1.3) billion for the years ended December 31, 2011, 2010 and 2009, 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 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.

Determination of instrument-specific credit risk for items for which a fair value election was made

The following describes how the gains and losses included in earnings during 2011, 2010 and 2009, which were attributable to changes in instrument-specific credit risk, were determined.

- Loans and lending-related commitments: For floating-rate instruments, all changes in value are attributed to instrument-specific credit risk. For fixed-rate instruments, an allocation of the changes in value for the period is made between those changes in value that are interest rate-related and changes in value that are credit-related. Allocations are generally based on an analysis of borrower-specific credit spread and recovery information, where available, or benchmarking to similar entities or industries.
- Long-term debt: Changes in value attributable to instrument-specific credit risk were derived principally from observable changes in JPMorgan Chase Bank, N.A.'s credit spread.
- Resale and repurchase agreements, securities borrowed agreements and securities lending agreements: Generally, for these types of agreements, there is a requirement that collateral be maintained with a market value equal to or in excess of the principal amount loaned; as a result, there would be no adjustment or an immaterial adjustment for instrument-specific credit risk related to these agreements.

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 December 31, 2011 and 2010, for loans, long-term debt and long-term beneficial interests for which the fair value option has been elected.

December 31, (in millions)	2011 Contractual principal outstanding	2011 Fair value	2011 Fair value over/ (under) contractual principal outstanding	2010 Contractual principal outstanding	2010 Fair value	2010 Fair value over/ (under) contractual principal outstanding
Loans[(a)]						
Nonaccrual loans						
Loans reported as trading assets	**$ 3,165**	**$ 812**	**$ (2,353)**	$ 3,389	$ 877	$ (2,512)
Loans	**112**	**56**	**(56)**	132	111	(21)
Subtotal	**3,277**	**868**	**(2,409)**	3,521	988	(2,533)
All other performing loans						
Loans reported as trading assets	**32,370**	**30,806**	**(1,564)**	32,584	31,188	(1,396)
Loans	**494**	**447**	**(47)**	952	862	(90)
Total loans	**$ 36,141**	**$ 32,121**	**$ (4,020)**	$ 37,057	$ 33,038	$ (4,019)
Long-term debt						
Principal-protected debt	**$ 6,885** (d)	**$ 6,643**	**$ (242)**	$ 7,942 (d)	$ 7,913	$ (29)
Nonprincipal-protected debt[(b)]	**NA**	**11,189**	**NA**	NA	12,906	NA
Total long-term debt	**NA**	**$ 17,832**	**NA**	NA	$ 20,819	NA
Total long-term beneficial interests[(c)]	**NA**	**$ 156**	**NA**	NA	$ 354	NA

(a) There were no performing loans which were ninety days or more past due as of December 31, 2011 and 2010, 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) Includes only nonprincipal protected debt at December 31, 2011 and 2010.

(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 December 31, 2011 and 2010, the contractual amount of letters of credit for which the fair value option was elected was $3.9 billion and $3.8 billion, respectively, with a corresponding fair value of $(5) million and $(6) million, respectively. For further information regarding off-balance sheet lending-related financial instruments, see Note 27 on pages 106–111 of these Consolidated Financial Statements.

Note 6 – Credit risk concentrations

Concentrations of credit risk arise when a number of customers are engaged in similar business activities or activities in the same geographic region, or when they have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions.

JPMorgan Chase Bank, N.A. regularly monitors various segments of its credit portfolio to assess potential concentration risks and to obtain collateral when deemed necessary. Senior management is significantly involved in the credit approval and review process, and risk levels are adjusted as needed to reflect JPMorgan Chase Bank, N.A.'s risk appetite.

In JPMorgan Chase Bank, N.A.'s wholesale portfolio, risk concentrations are evaluated primarily by industry and monitored regularly on both an aggregate portfolio level and on an individual customer basis. Management of JPMorgan Chase Bank, N.A.'s wholesale exposure is accomplished through loan syndication and participation, loan sales, securitizations, credit derivatives, use of master netting agreements, and collateral and other risk-reduction techniques. In the consumer portfolio, concentrations are evaluated primarily by product and by U.S. geographic region, with a key focus on trends and concentrations at the portfolio level, where potential risk concentrations can be remedied through changes in underwriting policies and portfolio guidelines.

JPMorgan Chase Bank, N.A. does not believe that its exposure to any particular loan product (e.g., option adjustable rate mortgages ("ARMs")), industry segment (e.g., commercial real estate) or its exposure to residential real estate loans with high loan-to-value ratios results in a significant concentration of credit risk. Terms of loan products and collateral coverage are included in JPMorgan Chase Bank, N.A.'s assessment when extending credit and establishing its allowance for loan losses.

For further information regarding on-balance sheet credit concentrations by major product and/or geography, see Notes 7, 15 and 16 on pages 28—37, 55—75 and 76—79, respectively, of these Consolidated Financial Statements. For information regarding concentrations of off-balance sheet lending-related financial instruments by major product, see Note 27 on pages 106—111 of these Consolidated Financial Statements.

The table below presents both on-balance sheet and off-balance sheet wholesale- and consumer-related credit exposure by JPMorgan Chase Bank, N.A.'s three credit portfolio segments as of December 31, 2011 and 2010.

	2011				2010			
	Credit	On-balance sheet		Off-balance	Credit	On-balance sheet		Off-balance
December 31, (in millions)	exposure	Loans	Derivatives	sheet[b]	exposure	Loans	Derivatives	sheet[b]
Wholesale								
Banks and finance companies	**$ 70,348**	**$ 29,330**	**$ 19,384**	**$ 21,634**	$ 62,520	$ 21,738	$ 17,466	$ 23,316
Real estate	**67,421**	**54,508**	**1,159**	**11,754**	63,995	53,321	830	9,844
Healthcare	**41,862**	**8,623**	**2,947**	**30,292**	40,706	5,754	2,015	32,937
State and municipal governments	**40,253**	**5,973**	**6,190**	**28,090**	34,715	5,226	4,924	24,565
Oil and gas	**33,137**	**10,647**	**1,903**	**20,587**	25,410	5,530	3,420	16,460
Asset managers	**32,914**	**6,045**	**9,216**	**17,653**	28,218	6,970	6,212	15,036
Consumer products	**29,516**	**9,134**	**1,046**	**19,336**	27,279	7,777	973	18,529
Utilities	**26,187**	**4,696**	**1,870**	**19,621**	25,366	3,674	3,104	18,588
Retail and consumer services	**22,695**	**6,249**	**554**	**15,892**	20,569	5,675	758	14,136
Technology	**17,867**	**4,365**	**1,313**	**12,189**	14,235	2,720	1,479	10,036
Central government	**17,101**	**623**	**10,776**	**5,702**	10,858	1,118	5,765	3,975
Machinery and equipment manufacturing	**16,471**	**5,093**	**413**	**10,965**	13,237	3,545	427	9,265
Transportation	**16,193**	**9,896**	**943**	**5,354**	9,440	3,593	772	5,075
Metals/mining	**15,093**	**6,049**	**554**	**8,490**	11,100	3,267	726	7,107
Insurance	**13,043**	**1,106**	**2,032**	**9,905**	10,823	1,092	1,576	8,155
All other[a]	**281,822**	**114,817**	**23,706**	**143,299**	237,581	88,829	20,995	127,757
Subtotal	**741,923**	**277,154**	**84,006**	**380,763**	636,052	219,829	71,442	344,781
Loans held-for-sale and loans at fair value	**3,027**	**3,027**	**–**	**–**	4,112	4,112	–	–
Interests in purchased receivables	**79**	**–**	**–**	**–**	391	–	–	–
Total wholesale	**745,029**	**280,181**	**84,006**	**380,763**	640,555	223,941	71,442	344,781
Total consumer, excluding credit card[b]	**348,176**	**290,958**	**–**	**57,218**	367,177	307,339	–	59,838
Total credit card	**56,602**	**29,016**	**–**	**27,586**	41,230	21,724	–	19,506
Total exposure	**$ 1,149,807**	**$ 600,155**	**$ 84,006**	**$ 465,567**	$ 1,048,962	$ 553,004	$ 71,442	$ 424,125

(a) For more information on exposures to SPEs included within All other, see Note 17 on pages 80–92 of these Consolidated Financial Statements.
(b) Represents lending-related financial instruments.

Note 7 – Derivative instruments

Derivative instruments enable end-users to modify or mitigate exposure to credit or market risks. Counterparties to a derivative contract seek to obtain risks and rewards similar to those that could be obtained from purchasing or selling a related cash instrument without having to exchange upfront the full purchase or sales price. JPMorgan Chase Bank, N.A. makes markets in derivatives for customers and also uses derivatives to hedge or manage its own market risk exposures. The majority of JPMorgan Chase Bank, N.A.'s derivatives are entered into for market-making purposes.

Trading derivatives

JPMorgan Chase Bank, N.A. makes markets in a variety of derivatives to meet the needs of customers (both dealers and clients) and to generate revenue through this trading activity ("client derivatives"). Customers use derivatives to mitigate or modify interest rate, credit, foreign exchange, equity and commodity risks. JPMorgan Chase Bank, N.A. actively manages the risks from its exposure to these derivatives by entering into other derivative transactions or by purchasing or selling other financial instruments that partially or fully offset the exposure from client derivatives. JPMorgan Chase Bank, N.A. also seeks to earn a spread between the client derivatives and offsetting positions, and from the remaining open risk positions.

Risk management derivatives

JPMorgan Chase Bank, N.A. manages its market risk exposures using various derivative instruments.

Interest rate contracts are used to minimize fluctuations in earnings that are caused by changes in interest rates. Fixed-rate assets and liabilities appreciate or depreciate in market value as interest rates change. Similarly, interest income and expense increase or decrease as a result of variable-rate assets and liabilities resetting to current market rates, and as a result of the repayment and subsequent origination or issuance of fixed-rate assets and liabilities at current market rates. Gains or losses on the derivative instruments that are related to such assets and liabilities are expected to substantially offset this variability in earnings. JPMorgan Chase Bank, N.A. generally uses interest rate swaps, forwards and futures to manage the impact of interest rate fluctuations on earnings.

Foreign currency forward contracts are used to manage the foreign exchange risk associated with certain foreign currency-denominated (i.e., non-U.S. dollar) assets and liabilities and forecasted transactions, as well as JPMorgan Chase Bank, N.A.'s net investments in certain non-U.S. subsidiaries or branches whose functional currencies are not the U.S. dollar. As a result of fluctuations in foreign currencies, the U.S. dollar-equivalent values of the foreign currency-denominated assets and liabilities or forecasted revenue or expense increase or decrease. Gains or losses on the derivative instruments related to these foreign currency-denominated assets or liabilities, or forecasted transactions, are expected to substantially offset this variability.

Commodities contracts are used to manage the price risk of certain commodities inventories. Gains or losses on these derivative instruments are expected to substantially offset the depreciation or appreciation of the related inventory. Also in the commodities portfolio, electricity and natural gas futures and forwards contracts are used to manage price risk associated with energy-related tolling and load-serving contracts and investments.

JPMorgan Chase Bank, N.A. uses credit derivatives to manage the counterparty credit risk associated with loans and lending-related commitments. Credit derivatives compensate the purchaser when the entity referenced in the contract experiences a credit event, such as bankruptcy or a failure to pay an obligation when due. Credit derivatives primarily consist of credit default swaps. For a further discussion of credit derivatives, see the discussion in the Credit derivatives section on pages 35–37 of this Note.

For more information about risk management derivatives, see the risk management derivatives gains and losses table on page 33 of this Note, and the hedge accounting gains and losses tables on pages 31–33 of this Note.

Accounting for derivatives

All free-standing derivatives are required to be recorded on the Consolidated Balance Sheets at fair value. As permitted under U.S. GAAP, JPMorgan Chase Bank, N.A. nets derivative assets and liabilities, and the related cash collateral received and paid, when a legally enforceable master netting agreement exists between JPMorgan Chase Bank, N.A. and the derivative counterparty. The accounting for changes in value of a derivative depends on whether or not the transaction has been designated and qualifies for hedge accounting. Derivatives that are not designated as hedges are marked to market through earnings. The tabular disclosures on pages 29–37 of this Note provide additional information on the amount of, and reporting for, derivative assets, liabilities, gains and losses. For further discussion of derivatives embedded in structured notes, see Notes 4 and 5 on pages 10–24 and 24–26, respectively, of these Consolidated Financial Statements.

Derivatives designated as hedges

JPMorgan Chase Bank, N.A. applies hedge accounting to certain derivatives executed for risk management purposes – generally interest rate, foreign exchange and commodity derivatives. However, JPMorgan Chase Bank, N.A. does not seek to apply hedge accounting to all of the derivatives involved in its risk management activities. For example, JPMorgan Chase Bank, N.A. does not apply hedge accounting to purchased credit default swaps used to manage the credit risk of loans and commitments, because of the difficulties in qualifying such contracts as hedges. For the same reason, JPMorgan Chase Bank, N.A. does not apply hedge accounting to certain interest rate and commodity derivatives used for risk management purposes.

To qualify for hedge accounting, a derivative must be highly effective at reducing the risk associated with the exposure being hedged. In addition, for a derivative to be designated as a hedge, the risk management objective and strategy must be documented. Hedge documentation must identify the derivative hedging instrument, the asset or liability or forecasted transaction and type of risk to be hedged, and how the effectiveness of the derivative is assessed prospectively and retrospectively. To assess effectiveness, JPMorgan Chase Bank, N.A. uses statistical methods such as regression analysis, as well as nonstatistical methods including dollar-value comparisons of the change in the fair value of the derivative to the change in the fair value or cash flows of the hedged item. The extent to which a derivative has been, and is expected to continue to be, effective at offsetting changes in the fair value or cash flows of the hedged item must be assessed and documented at least quarterly. Any hedge ineffectiveness (i.e., the amount by which the gain or loss on the designated derivative instrument does not exactly offset the change in the hedged item attributable to the hedged risk) must be reported in current-period earnings. If it is determined that a derivative is not highly effective at hedging the designated exposure, hedge accounting is discontinued.

There are three types of hedge accounting designations: fair value hedges, cash flow hedges and net investment hedges. JPMorgan Chase Bank, N.A. uses fair value hedges primarily to hedge fixed-rate long-term debt, AFS securities and certain commodities inventories. For qualifying fair value hedges, the changes in the fair value of the derivative, and in the value of the hedged item, for the risk being hedged, are recognized in earnings. If the hedge relationship is terminated, then the fair value adjustment to the hedged item continues to be reported as part of the basis of the hedged item and for interest-bearing instruments is amortized to earnings as a yield adjustment. Derivative amounts affecting earnings are recognized consistent with the classification of the hedged item – primarily net interest income and principal transactions revenue.

JPMorgan Chase Bank, N.A. uses cash flow hedges to hedge the exposure to variability in cash flows from floating-rate financial instruments and forecasted transactions, primarily the rollover of short-term assets and liabilities, and foreign currency-denominated revenue and expense. For qualifying cash flow hedges, the effective portion of the change in the fair value of the derivative is recorded in OCI and recognized in the Consolidated Statements of Income when the hedged cash flows affect earnings. Derivative amounts affecting earnings are recognized consistent with the classification of the hedged item – primarily interest income, interest expense, noninterest revenue and compensation expense. The ineffective portions of cash flow hedges are immediately recognized in earnings. If the hedge relationship is terminated, then the value of the derivative recorded in accumulated other comprehensive income/(loss) ("AOCI") is recognized in earnings when the cash flows that were hedged affect earnings. For hedge relationships that are discontinued because a forecasted transaction is not expected to occur according to the original hedge forecast, any related derivative values recorded in AOCI are immediately recognized in earnings.

JPMorgan Chase Bank, N.A. uses foreign currency hedges to protect the value of its net investments in certain non-U.S. subsidiaries or branches whose functional currencies are not the U.S. dollar. For foreign currency qualifying net investment hedges, changes in the fair value of the derivatives are recorded in the translation adjustments account within AOCI.

Notional amount of derivative contracts

The following table summarizes the notional amount of derivative contracts outstanding as of December 31, 2011 and 2010.

	Notional amounts[(a)]	
December 31, (in billions)	**2011**	2010
Interest rate contracts		
Swaps	**$ 38,805**	$ 46,371
Futures and forwards	**7,033**	8,607
Written options	**3,841**	4,069
Purchased options	**4,029**	3,958
Total interest rate contracts	**53,708**	63,005
Credit derivatives	**5,776**	5,475
Foreign exchange contracts		
Cross-currency swaps	**2,934**	2,566
Spot, futures and forwards	**4,521**	3,907
Written options	**674**	674
Purchased options	**670**	649
Total foreign exchange contracts	**8,799**	7,796
Equity contracts		
Swaps	**134**	117
Futures and forwards	**9**	45
Written options	**457**	434
Purchased options	**392**	360
Total equity contracts	**992**	956
Commodity contracts		
Swaps	**319**	338
Spot, futures and forwards	**128**	125
Written options	**289**	230
Purchased options	**256**	222
Total commodity contracts	**992**	915
Total derivative notional amounts	**$ 70,267**	$ 78,147

(a) 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 22, on page 99 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 December 31, 2011 and 2010, by accounting designation (e.g., whether the derivatives were designated as hedges or not) and contract type.

Free-standing derivative receivables and payables[a]

	Gross derivative receivables				Gross derivative payables			
December 31, 2011 (in millions)	Not designated as hedges	Designated as hedges	Total derivative receivables	Net derivative receivables	Not designated as hedges	Designated as hedges	Total derivative payables	Net derivative payables
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**

	Gross derivative receivables				Gross derivative payables			
December 31, 2010 (in millions)	Not designated as hedges	Designated as hedges	Total derivative receivables	Net derivative receivables	Not designated as hedges	Designated as hedges	Total derivative payables	Net derivative payables
Trading assets and liabilities								
Interest rate	$ 1,122,294	$ 1,820	$ 1,124,114	$ 28,693	$ 1,093,673	$ 381	$ 1,094,054	$ 23,996
Credit	129,839	–	129,839	7,835	125,967	–	125,967	6,045
Foreign exchange[b]	166,517	234	166,751	24,138	164,034	1,056	165,090	25,375
Equity	43,534	–	43,534	4,362	46,202	–	46,202	10,510
Commodity	40,798	24	40,822	6,414	38,414	2,078 [c]	40,492	5,229
Total fair value of trading assets and liabilities	$ 1,502,982	$ 2,078	$ 1,505,060	$ 71,442	$ 1,468,290	$ 3,515	$ 1,471,805	$ 71,155

(a) Excludes structured notes for which the fair value option has been elected. See Note 5 on pages 24–26 of these Consolidated Financial Statements for further information.

(b) Excludes $11 million and $21 million of foreign currency-denominated debt designated as a net investment hedge at December 31, 2011 and 2010, respectively.

(c) Excludes $1.0 billion related to commodity derivatives that were embedded in a debt instrument and used as fair value hedging instruments that were recorded in the line item of the host contract (other borrowed funds) at December 31, 2010.

Impact of derivatives on the Consolidated Statements of Income

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 years ended December 31, 2011, 2010 and 2009, 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:	
Year ended December 31, 2011 (in millions)	Derivatives	Hedged items	Total income statement impact	Hedge ineffectiveness[e]	Excluded components[f]
Contract type					
Interest rate[a]	**$ (773)**	**$ 611**	**$ (162)**	**$ (45)**	**$ (117)**
Foreign exchange[b]	**4,905** [d]	**(3,329)**	**1,576**	**–**	**1,576**
Commodity[c]	**1,872**	**(2,998)**	**(1,126)**	**–**	**(1,126)**
Total	**$ 6,004**	**$ (5,716)**	**$ 288**	**$ (45)**	**$ 333**

	Gains/(losses) recorded in income			Income statement impact due to:	
Year ended December 31, 2010 (in millions)	Derivatives	Hedged items	Total income statement impact	Hedge ineffectiveness[e]	Excluded components[f]
Contract type					
Interest rate[a]	$ (77)	$ (109)	$ (186)	$ 40	$ (226)
Foreign exchange[b]	278 [d]	(529)	(251)	–	(251)
Commodity[c]	(1,354)	1,882	528	–	528
Total	$ (1,153)	$ 1,244	$ 91	$ 40	$ 51

	Gains/(losses) recorded in income			Income statement impact due to:	
Year ended December 31, 2009 (in millions)	Derivatives	Hedged items	Total income statement impact	Hedge ineffectiveness[e]	Excluded components[f]
Contract type					
Interest rate[a]	$ (244)	$ 287	$ 43	$ (49)	$ 92
Foreign exchange[b]	(1,629) [d]	1,884	255	–	255
Commodity[c]	(430)	399	(31)	–	(31)
Total	$ (2,303)	$ 2,570	$ 267	$ (49)	$ 316

(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 spot foreign currency rates, were recorded in principal transactions revenue.
(c) Consists of overall fair value hedges of certain commodities inventories. 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 years ended December 31, 2011, 2010 and 2009, 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]				
Year ended December 31, 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]	**$ 547**	**$ 19**	**$ 566**	**$ 560**	**$ 13**
Foreign exchange[b]	**(9)**	**–**	**(9)**	**(58)**	**(49)**
Total	**$ 538**	**$ 19**	**$ 557**	**$ 502**	**$ (36)**

	Gains/(losses) recorded in income and other comprehensive income/(loss)[c]				
Year ended December 31, 2010 (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]	$ 274	$ 20	$ 294	$ 812	$ 538
Foreign exchange[b]	(82)	(3)	(85)	(141)	(59)
Total	$ 192	$ 17	$ 209	$ 671	$ 479

	Gains/(losses) recorded in income and other comprehensive income/(loss)[c]				
Year ended December 31, 2009 (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]	$ (157)	$ (63)	$ (220)	$ 30	$ 187
Foreign exchange[b]	279	–	279	693	414
Total	$ 122	$ (63)	$ 59	$ 723	$ 601

(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 net interest income, noninterest revenue and compensation expense.
(c) JPMorgan Chase Bank, N.A. did not experience any forecasted transactions that failed to occur for the years ended December 31, 2011 and 2009. In 2010, JPMorgan Chase Bank, N.A. reclassified a $25 million loss from AOCI to earnings because JPMorgan Chase Bank, N.A. determined that it was probable that forecasted interest payment cash flows related to certain wholesale deposits would not occur.
(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 $217 million (after-tax) of net gains recorded in AOCI at December 31, 2011, 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 tables present 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 years ended December 31, 2011, 2010 and 2009.

	Gains/(losses) recorded in income and other comprehensive income/(loss)					
	2011		2010		2009	
Year ended December 31, (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	Excluded components recorded directly in income[(a)]	Effective portion recorded in OCI
Contract type						
Foreign exchange derivatives	**$ (220)**	**$ 205**	$ (125)	$ (123)	$ (101)	$ (389)
Foreign currency denominated debt	**—**	**—**	—	41	NA	NA
Total	**$ (220)**	**$ 205**	$ (125)	$ (82)	$ (101)	$ (389)

(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 2011, 2010 and 2009.

Risk management derivatives gains and losses (not designated as hedging instruments)

The following table presents nontrading derivatives, by contract type, that were not designated in hedge relationships, and the pretax gains/(losses) recorded on such derivatives for the years ended December 31, 2011, 2010 and 2009. These derivatives are risk management instruments used to mitigate or transform market risk exposures arising from banking activities other than trading activities, which are discussed separately below.

	Derivatives gains/(losses) recorded in income		
Year ended December 31, (in millions)	**2011**	2010	2009
Contract type			
Interest rate[(a)]	**$ 8,030**	$ 5,008	$ (3,102)
Credit[(b)]	**(57)**	(237)	(3,222)
Foreign exchange[(c)]	**(146)**	(69)	(56)
Equity[(b)]	**—**	—	(9)
Total	**$ 7,827**	$ 4,702	$ (6,389)

(a) Gains and losses were recorded in principal transactions revenue, mortgage fees and related income, and net interest income.
(b) Gains and losses were recorded in principal transactions revenue.
(c) Gains and losses were recorded in principal transactions revenue and net interest income.

Trading derivative gains and losses

JPMorgan Chase Bank, N.A. has elected to present derivative gains and losses related to its trading activities together with the nonderivative instruments with which they are risk managed. All amounts are recorded in principal transactions revenue in the Consolidated Statements of Income for the years ended December 31, 2011, 2010 and 2009. The amounts below do not represent a comprehensive view of JPMorgan Chase Bank, N.A.'s trading activities because they do not include certain revenue associated with those activities, including net interest income earned on cash instruments used in trading activities and gains and losses on cash instruments that are risk managed without derivative instruments.

	Gains/(losses) recorded in principal transactions revenue		
Year ended December 31, (in millions)	**2011**	2010	2009
Type of instrument			
Interest rate	**$ (223)**	$ 577	$ 4,691
Credit	**2,478**	3,080	4,599
Foreign exchange	**1,053**	1,844	2,690
Equity	**1,854**	1,359	1,008
Commodity	**2,174**	63	668
Total	**$ 7,336**	$ 6,923	$ 13,656

Credit risk, liquidity risk and credit-related contingent features

In addition to the specific market risks introduced by each derivative contract type, derivatives expose JPMorgan Chase Bank, N.A. to credit risk — the risk that derivative counterparties may fail to meet their payment obligations under the derivative contracts and the collateral, if any, held by JPMorgan Chase Bank, N.A. proves to be of insufficient value to cover the payment obligation. It is the policy of JPMorgan Chase Bank, N.A. to actively pursue the use of legally enforceable master netting agreements and collateral agreements to mitigate derivative counterparty credit risk. The amount of derivative receivables reported on the Consolidated Balance Sheets is the fair value of the derivative contracts after giving effect to legally enforceable master netting agreements and cash collateral held by JPMorgan Chase Bank, N.A. These amounts represent the

cost to JPMorgan Chase Bank, N.A. to replace the contracts at then-current market rates should the counterparty default.

While derivative receivables expose JPMorgan Chase Bank, N.A. to credit risk, derivative payables expose JPMorgan Chase Bank, N.A. to liquidity risk, as the derivative contracts typically require JPMorgan Chase Bank, N.A. to post cash or securities collateral with counterparties as the mark-to-market ("MTM") of the contracts moves in the counterparties' favor, or upon specified downgrades in JPMorgan Chase Bank, N.A.'s and its subsidiaries' respective credit ratings. Certain derivative contracts also provide for termination of the contract, generally upon a downgrade of either JPMorgan Chase Bank, N.A. or the counterparty, at the fair value of the derivative contracts. 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 December 31, 2011 and 2010.

Derivative payables containing downgrade triggers

December 31, (in millions)	**2011**	2010
Aggregate fair value of net derivative payables	**$ 13,148**	$ 15,070
Collateral posted	**8,557**	10,944

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 December 31, 2011 and 2010, related to derivative contracts with contingent collateral or termination features that may be triggered upon a downgrade.

Liquidity impact of derivative downgrade triggers

	2011		2010	
December 31, (in millions)	Single-notch downgrade	Two-notch downgrade	Single-notch downgrade	Two-notch downgrade
Amount of additional collateral to be posted	**$ 1,361**	**$ 1,848**	$ 1,434	$ 2,944
Amount required to settle contracts with termination triggers	**1,046**	**1,662**	430	954

The following tables show the carrying value of derivative receivables and payables after netting adjustments, and adjustments for collateral held and transferred as of December 31, 2011 and 2010.

Impact of netting adjustments on derivative receivables and payables

	Derivative receivables		Derivative payables	
December 31, (in millions)	**2011**	2010	**2011**	2010
Gross derivative fair value	**$ 1,861,365**	$ 1,505,060	**$ 1,825,177**	$ 1,471,805
Netting adjustment – offsetting receivables/payables[(a)]	**(1,696,526)**	(1,362,503)	**(1,696,526)**	(1,362,502)
Netting adjustment – cash collateral received/paid[(a)]	**(80,833)**	(71,115)	**(50,003)**	(38,148)
Carrying value on Consolidated Balance Sheets	**$ 84,006**	$ 71,442	**$ 78,648**	$ 71,155

Total derivative collateral

	Collateral held		Collateral transferred	
December 31, (in millions)	**2011**	2010	**2011**	2010
Netting adjustment for cash collateral[(a)]	**$ 80,833**	$ 71,115	**$ 50,003**	$ 38,148
Liquid securities and other cash collateral[(b)]	**21,092**	17,076	**17,635**	10,022
Additional liquid securities and cash collateral[(c)]	**9,226**	11,112	**3,576**	2,742
Total collateral for derivative transactions	**$ 111,151**	$ 99,303	**$ 71,214**	$ 50,912

(a) As permitted under U.S. GAAP, JPMorgan Chase Bank, N.A. has elected to net cash collateral received and paid together with the related derivative receivables and derivative payables 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 December 31, 2011 and 2010.

Credit derivatives

Credit derivatives are financial instruments whose value is derived from the credit risk associated with the debt of a third-party issuer (the reference entity) and which allow one party (the protection purchaser) to transfer that risk to another party (the protection seller). Credit derivatives expose the protection purchaser to the creditworthiness of the protection seller, as the protection seller is required to make payments under the contract when the reference entity experiences a credit event, such as a bankruptcy, a failure to pay its obligation or a restructuring. The seller of credit protection receives a premium for providing protection but has the risk that the underlying instrument referenced in the contract will be subject to a credit event.

As a purchaser of credit protection, JPMorgan Chase Bank, N.A. has risk that the counterparty providing the credit protection will default. As a seller of credit protection, JPMorgan Chase Bank, N.A. has risk that the underlying entity referenced in the contract will be subject to a credit event. 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 credit derivative 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 made by the relevant ISDA Determination Committee, comprised of 10 sell-side and five buy-side ISDA member firms.

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 risk manages a portfolio of credit derivatives by purchasing and selling credit protection, predominantly on corporate debt obligations, to meet the needs of customers. As a seller of protection, JPMorgan Chase Bank, N.A.'s exposure to a given reference entity may be offset partially, or entirely, with a contract to purchase protection from another counterparty on the same or similar reference entity. Second, JPMorgan Chase Bank, N.A. uses credit derivatives to mitigate credit risk associated with its overall derivative receivables and traditional commercial credit lending exposures (loans and unfunded commitments) as well as to manage its exposure to residential and commercial mortgages. In accomplishing the above, JPMorgan Chase Bank, N.A. uses different types of credit derivatives. Following is a summary of various types of credit derivatives.

Credit default swaps

Credit derivatives may reference the credit of either a single reference entity ("single-name") or a broad-based index. JPMorgan Chase Bank, N.A. purchases and sells protection on both single- name and index-reference obligations. Single-name CDS and index CDS contracts are OTC derivative contracts. Single-name CDS are used to manage the default risk of a single reference entity, while index CDS contracts are used to manage the credit risk associated with the broader credit markets or credit market segments. Like the S&P 500 and other market indices, a CDS index comprises a portfolio of CDS across many reference entities. New series of CDS indices are periodically established with a new underlying portfolio of reference entities to reflect changes in the credit markets. If one of the reference entities in the index experiences a credit event, then the reference entity that defaulted is removed from the index. CDS can also be referenced against specific portfolios of reference names or against customized exposure levels based on specific client demands: for example, to provide protection against the first $1 million of realized credit losses in a $10 million portfolio of exposure. Such structures are commonly known as tranche CDS.

For both single-name CDS contracts and index CDS contracts, upon the occurrence of a credit event, under the terms of a CDS contract neither party to the CDS contract 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, also known as the recovery value. The protection purchaser does not need to hold the debt instrument of the underlying reference entity in order to receive amounts due under the CDS contract when a credit event occurs.

Credit-related notes

A credit-related note is a funded credit derivative where the issuer of the credit-related note purchases from the note investor credit protection on a referenced entity. Under the contract, the investor pays the issuer the par value of the note at the inception of the transaction, and in return, the issuer pays periodic payments to the investor, based on the credit risk of the referenced entity. The issuer also repays the investor the par value of the note at maturity unless the reference entity experiences a specified credit event. If a credit event occurs, the issuer is not obligated to repay the par value of the note, but rather, the issuer pays the investor the difference between the par value of the note and the fair value of the defaulted reference obligation at the time of settlement. Neither party to the credit-related note has recourse to the defaulting reference entity. For a further discussion of credit-related notes, see Note 17 on pages 80–92 of these Consolidated Financial Statements.

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 December 31, 2011 and 2010. Upon a credit event, JPMorgan Chase Bank, N.A. as a seller of protection would typically pay out only a percentage of the full notional amount of net protection sold, as the amount actually required to be paid on the contracts takes into account the

recovery value of the reference obligation at the time of settlement. JPMorgan Chase Bank, N.A. manages the credit risk on contracts to sell protection by purchasing protection with identical or similar underlying reference entities. Other purchased protection referenced in the following tables includes credit derivatives bought on related, but not identical, reference positions (including indices, portfolio coverage and other reference points) 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, 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			
December 31, 2011 (in millions)	Protection sold	Protection purchased with identical underlyings[b]	Net protection (sold)/purchased[c]	Other protection purchased[d]
Credit derivatives				
Credit default swaps	**$ (2,841,186)**	**$ 2,798,540**	**$ (42,646)**	**$ 29,067**
Other credit derivatives[a]	**(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**

	Maximum payout/Notional amount			
December 31, 2010 (in millions)	Protection sold	Protection purchased with identical underlyings[b]	Net protection (sold)/purchased[c]	Other protection purchased[d]
Credit derivatives				
Credit default swaps	$ (2,661,549)	$ 2,652,945	$ (8,604)	$ 32,477
Other credit derivatives[a]	(93,757)	10,016	(83,741)	24,234
Total credit derivatives	(2,755,306)	2,662,961	(92,345)	56,711
Credit-related notes	(1,977)	–	(1,977)	2,990
Total	$ (2,757,283)	$ 2,662,961	$ (94,322)	$ 59,701

(a) Primarily consists of total return swaps and credit default swap options.
(b) Represents the total notional amount of protection purchased where the underlying reference instrument 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.
(c) 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.
(d) Represents protection purchased by JPMorgan Chase Bank, N.A. through single-name and index credit default swaps or credit-related notes.

The following tables summarize the notional and fair value amounts of credit derivatives and credit-related notes as of December 31, 2011 and 2010, 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

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

December 31, 2010 (in millions)	<1 year	1–5 years	>5 years	Total notional amount	Fair value[(b)]
Risk rating of reference entity					
Investment-grade	$ (175,659)	$ (1,194,726)	$ (337,108)	$ (1,707,493)	$ (17,293)
Noninvestment-grade	(148,923)	(703,136)	(197,731)	(1,049,790)	(60,183)
Total	$ (324,582)	$ (1,897,862)	$ (534,839)	$ (2,757,283)	$ (77,476)

(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 8 – Noninterest revenue

Investment banking fees

This revenue category includes advisory and equity and debt underwriting fees. Underwriting fees are recognized as revenue when JPMorgan Chase Bank, N.A. has rendered all services to the issuer and is entitled to collect the fee from the issuer, as long as there are no other contingencies associated with the fee. Underwriting fees are net of syndicate expense; JPMorgan Chase Bank, N.A. recognizes credit arrangement and syndication fees as revenue after satisfying certain retention, timing and yield criteria. Advisory fees are recognized as revenue when the related services have been performed and the fee has been earned.

The following table presents the components of investment banking fees.

Year ended December 31, (in millions)	**2011**	2010	2009
Underwriting			
Equity	**$ 376**	$ 759	$ 1,295
Debt	**1,759**	1,697	1,458
Total underwriting	**2,135**	2,456	2,753
Advisory[(a)]	**796**	648	781
Total investment banking fees	**$ 2,931**	$ 3,104	$ 3,534

(a) Effective January 1, 2010, JPMorgan Chase Bank, N.A. adopted accounting guidance related to VIEs. Upon adoption of the guidance, JPMorgan Chase Bank, N.A. consolidated its JPMorgan Chase Bank, N.A.-administered multi-seller conduits. The consolidation of the conduits did not significantly change JPMorgan Chase Bank, N.A.'s net income as a whole; however, certain advisory fees considered inter-company were eliminated while net interest income and lending- and deposit-related fees increased.

Principal transactions

Principal transactions revenue consists of trading revenue, which is driven by JPMorgan Chase Bank, N.A.'s client market-making and client driven activities as well as certain risk management activities.

The spread between the price at which JPMorgan Chase Bank, N.A. buys and sells financial instruments and physical commodities inventories to and from its clients and other market-makers is recognized as trading revenue. Trading revenue also includes unrealized gains and losses on financial instruments (including those for which the fair value option was elected) and unrealized losses on physical commodities inventories (generally carried at lower of cost or fair value) that JPMorgan Chase Bank, N.A. holds in inventory as a market-maker to meet client needs, or for risk management purposes.

Lending- and deposit-related fees

This revenue category includes fees from loan commitments, standby letters of credit, financial guarantees, deposit-related fees in lieu of compensating balances, cash management-related activities or transactions, deposit accounts and other loan-servicing activities. These fees are recognized over the period in which the related service is provided.

Asset management, administration and commissions

This revenue category includes fees from investment management and related services, custody, brokerage services, insurance premiums and commissions, and other products. These fees are recognized over the period in which the related service is provided. Performance-based fees, which are earned based on exceeding certain

benchmarks or other performance targets, are accrued and recognized at the end of the performance period in which the target is met.

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

Year ended December 31, (in millions)	2011	2010	2009
Total asset management fees	**$ 1,416**	$ 1,345	$ 1,385
Total administration fees[(a)]	**2,065**	1,884	1,769
Commission and other fees			
Brokerage commissions	**1,274**	1,318	1,300
All other commissions and fees	**4,998**	4,818	4,546
Total commissions and fees	**6,272**	6,136	5,846
Total asset management, administration and commissions	**$ 9,753**	$ 9,365	$ 9,000

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

Mortgage fees and related income

This revenue category primarily reflects the retail financial services business's mortgage production and servicing revenue, including: fees and income derived from mortgages originated with the intent to sell; mortgage sales and servicing including losses related to the repurchase of previously-sold loans; the impact of risk management activities associated with the mortgage pipeline, warehouse loans and MSRs; and revenue related to any residual interests held from mortgage securitizations. This revenue category also includes gains and losses on sales and lower of cost or fair value adjustments for mortgage loans held-for-sale, as well as changes in fair value for mortgage loans originated with the intent to sell and measured at fair value under the fair value option. Changes in the fair value of the retail financial services business's mortgage servicing rights are reported in mortgage fees and related income. Net interest income from mortgage loans, and securities gains and losses on AFS securities used in mortgage-related risk management activities, are recorded in interest income and securities gains/(losses), respectively. For a further discussion of MSRs, see Note 18 on pages 92–95 of these Consolidated Financial Statements.

Credit card income

The revenue related to credit cards primarily results from a participation arrangement with a bank affiliate of JPMorgan Chase Bank, N.A. and from the credit card business in Canada.

This revenue category includes interchange income from credit and debit cards and net fees earned from processing credit card transactions for merchants. Prior to 2010, this revenue category included servicing fees earned in connection with securitization activities; such fees have been eliminated in consolidation since January 1, 2010, when JPMorgan Chase Bank, N.A. consolidated its JPMorgan Chase Bank, N.A.-sponsored credit card securitization trust (see Note 17 on pages 80–92 of these Consolidated Financial Statements). Credit card income is recognized as earned. Annual fees and direct loan origination costs are deferred and recognized on a straight-line basis over a 12-month period. Expense related to rewards programs is recorded when the rewards are earned by the customer and is netted against interchange income.

Note 9 – Interest income and Interest expense

Interest income and interest expense is recorded in the Consolidated Statements of Income and classified based on the nature of the underlying asset or liability. Interest income and interest expense includes the current-period interest accruals for financial instruments measured at fair value, except for financial instruments containing embedded derivatives that would be separately accounted for in accordance with U.S. GAAP absent the fair value option election; for those instruments, all changes in fair value including any interest elements, are reported in principal transactions revenue. For financial instruments that are not measured at fair value, the related interest is included within interest income or interest expense, as applicable.

Details of interest income and interest expense were as follows.

Year ended December 31, (in millions)	2011	2010	2009
Interest income			
Loans	**$ 23,927**	$ 24,428	$ 28,479
Securities	**9,036**	9,454	11,993
Trading assets	**7,390**	6,814	6,979
Federal funds sold and securities purchased under resale agreements	**2,303**	1,590	1,513
Securities borrowed	**428**	395	334
Deposits with banks	**588**	315	860
Other assets[(a)]	**37**	(45)	(65)
Total interest income[(b)]	**43,709**	42,951	50,093
Interest expense			
Interest-bearing deposits	**4,306**	3,718	5,231
Short-term and other liabilities[(c)(d)]	**2,567**	1,871	2,895
Long-term debt[(d)]	**1,005**	1,302	2,275
Beneficial interests issued by consolidated VIEs	**132**	129	101
Total interest expense[(b)]	**8,010**	7,020	10,502
Net interest income	**35,699**	35,931	39,591
Provision for credit losses	**5,344**	9,406	22,712
Net interest income after provision for credit losses	**$ 30,355**	$ 26,525	$ 16,879

(a) Includes the results of excluded components of hedge accounting relationships, such as forward points on foreign currency forward contacts.
(b) Effective January 1, 2010, JPMorgan Chase Bank, N.A. adopted accounting guidance related to VIEs. Upon the adoption of the guidance, JPMorgan Chase Bank, N.A. consolidated its JPMorgan Chase Bank, N.A.-sponsored credit card securitization trust, its JPMorgan Chase Bank, N.A.-administered multi-seller conduits and certain other consumer loan securitization entities, primarily mortgage-related. The

consolidation of these VIEs did not significantly change JPMorgan Chase Bank, N.A.'s total net income. However, it did affect the classification of items on JPMorgan Chase Bank, N.A.'s Consolidated Statements of Income; as a result of the adoption of the guidance, certain noninterest revenue was eliminated in consolidation, offset by the recognition of interest income, interest expense, and provision for credit losses.

(c) Includes brokerage customer payables.

(d) Effective January 1, 2011, the long-term portion of advances from FHLBs was reclassified from other borrowed funds to long-term debt. The related interest expense for the prior-year period has also been reclassified to conform with the current presentation.

Note 10 – Pension and other postretirement employee benefit plans

JPMorgan Chase Bank, N.A.'s defined benefit pension plans are accounted for in accordance with U.S. GAAP for retirement benefits.

Defined benefit pension plans and other postretirement employee benefit plans

Substantially all of JPMorgan Chase Bank, N.A.'s U.S. employees are provided benefits through JPMorgan Chase's qualified noncontributory, U.S. defined benefit pension plan. JPMorgan Chase Bank, N.A. also offers benefits through defined benefit pension plans to qualifying employees in certain non-U.S. locations. In addition, JPMorgan Chase Bank, N.A. offers postretirement medical and life insurance benefits to certain retirees and postretirement medical benefits to qualifying U.S. employees through JPMorgan Chase plans. These JPMorgan Chase plans are discussed in the JPMorgan Chase pension and other postretirement employee benefit ("OPEB") plans section on page 45 of this Note.

JPMorgan Chase Bank, N.A. also offers certain qualifying employees in the U.S. the ability to participate in a number of defined benefit pension plans not subject to Title IV of the Employee Retirement Income Security Act. The most significant of these plans is the U.S. Excess Retirement Plan, pursuant to which certain employees earn pay and interest credits on compensation amounts above the maximum stipulated by law under a qualified plan. JPMorgan Chase Bank, N.A. announced that, effective May 1, 2009, pay credits would no longer be provided on compensation amounts above the maximum stipulated by law. The U.S. Excess Retirement Plan had an unfunded projected benefit obligation in the amount of $222 million and $221 million, at December 31, 2011 and 2010, respectively.

It is JPMorgan Chase Bank, N.A.'s policy to fund the pension plans in amounts sufficient to meet the requirements under applicable laws. In 2012, the cost of funding benefits under the U.S. Excess Retirement Plan is expected to be $31 million. The expected amount of 2012 contributions to the non-U.S. defined benefit pension plans is $49 million of which $37 million is contractually required.

Defined contribution plans

JPMorgan Chase Bank, N.A.'s employees may also participate in one of the two qualified defined contribution plans offered by JPMorgan Chase in the U.S. and other similar arrangements offered by JPMorgan Chase Bank, N.A. in certain non-U.S. locations, all of which are administered in accordance with applicable local laws and regulations. The most significant of these plans is The JPMorgan Chase 401(k) Savings Plan (the"401(k) Savings Plan"), which covers substantially all U.S. employees. The 401(k) Savings Plan allows employees to make pretax and Roth 401(k) contributions to tax-deferred investment portfolios. The JPMorgan Chase Common Stock Fund, which is an investment option under the 401(k) Savings Plan, is a nonleveraged employee stock ownership plan.

JPMorgan Chase Bank, N.A. matched eligible employee contributions in the 401(k) Savings Plan up to 5% of benefits-eligible compensation (e.g., base pay) on a per pay period basis through April 30, 2009; commencing May 1, 2009, matching contributions are made annually. Employees begin to receive matching contributions after completing a one-year-of-service requirement. Employees with total annual cash compensation of $250,000 or more are not eligible for matching contributions. Matching contributions are immediately vested for employees hired before May 1, 2009, and will vest after three years of service for employees hired on or after May 1, 2009. The 401(k) Savings Plan also permits discretionary profit-sharing contributions by participating companies for certain employees, subject to a specified vesting schedule.

Effective August 10, 2009, JPMorgan Chase Bank, N.A. became the sponsor of the WaMu Savings Plan and that plan's assets were merged into the 401(k) Savings Plan effective March 31, 2010.

The following table presents the changes in benefit obligations, plan assets and funded status amounts reported on the Consolidated Balance Sheets for JPMorgan Chase Bank, N.A.'s defined benefit pension plans.

As of or for the year ended December 31,	U.S.		Non-U.S.	
(in millions)	**2011**	2010	**2011**	2010
Change in benefit obligation				
Benefit obligation, beginning of year	**$ (359)**	$ (344)	**$ (2,598)**	$ (2,531)
Benefits earned during the year	**(3)**	(3)	**(33)**	(26)
Interest cost on benefit obligations	**(18)**	(20)	**(125)**	(120)
Plan amendments	**–**	–	**–**	10
Business combinations	**–**	–	**–**	(12) (b)
Employee contributions	**NA**	NA	**(5)**	(4)
Net gain/(loss)	**(33)**	(20)	**(160)**	(71)
Benefits paid	**31**	29	**93**	96
Settlements	**–**	–	**–**	(1)
Special termination benefits	**–**	–	**–**	(1)
Foreign exchange impact and other	**2**	(1)	**1**	62
Benefit obligation, end of year	**$ (380)**	$ (359)	**$ (2,827)**	$ (2,598)
Change in plan assets				
Fair value of plan assets, beginning of year	**$ –**	$ –	**$ 2,647**	$ 2,432
Actual return on plan assets	**–**	–	**277**	228
JPMorgan Chase Bank, N.A. contributions	**31**	29	**169**	157
Employee contributions	**–**	–	**5**	4
Benefits paid	**(31)**	(29)	**(93)**	(96)
Settlements	**–**	–	**–**	(5)
Foreign exchange impact and other	**–**	–	**(16)**	(73)
Fair value of plan assets, end of year	**$ –**	$ –	**$ 2,989** (c)	$ 2,647 (c)
Funded/(unfunded) status[a]	**$ (380)**	$ (359)	**$ 162**	$ 49
Accumulated benefit obligation, end of year	**$ (380)**	$ (359)	**$ (2,800)**	$ (2,575)

(a) Represents underfunded plans with an aggregate balance of $478 million and $423 million at December 31, 2011 and 2010, respectively, and overfunded plans with an aggregate balance of $260 million and $113 million at December 31, 2011 and 2010, respectively.
(b) Represents change resulting from the acquisition of RBS Sempra Commodities business in 2010.
(c) At December 31, 2011 and 2010, non-U.S. defined benefit pension plan amounts not measured at fair value included $56 million and $9 million, respectively, of accrued receivables, and at December 31, 2011, $69 million of accrued liabilities.

Gains and losses

For JPMorgan Chase Bank, N.A.'s defined benefit pension plans, fair value is used to determine the expected return on plan assets. Amortization of net gains and losses is included in annual net periodic benefit cost if, as of the beginning of the year, the net gain or loss exceeds 10% of the greater of the projected benefit obligation or the fair value of the plan assets. Any excess is amortized over the average future service period of defined benefit pension plan participants, which for the U.S. Excess Retirement Plan is currently nine years and for the non-U.S. defined benefit pension plans is the period appropriate for the affected plan.

The following table presents pretax pension amounts recorded in AOCI related to JPMorgan Chase Bank, N.A.'s significant defined benefit pension plans.

December 31,	U.S.		Non-U.S.	
(in millions)	**2011**	2010	**2011**	2010
Net gain/(loss)	**$ (102)**	$ (74)	**$ (544)**	$ (566)
Prior service credit/(cost)	**(1)**	(1)	**12**	13
Accumulated other comprehensive income/(loss), pretax, end of year	**$ (103)**	$ (75)	**$ (532)**	$ (553)

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

	U.S.			Non-U.S.		
Year ended December 31, (in millions)	**2011**	2010	2009	**2011**	2010	2009
Components of net periodic benefit cost						
Benefits earned during the year	**$ 3**	$ 3	$ 5	**$ 33**	$ 28	$ 26
Interest cost on benefit obligations	**18**	20	21	**125**	121	122
Expected return on plan assets	**—**	—	—	**(141)**	(126)	(114)
Amortization:						
Net (gain)/loss	**5**	2	2	**48**	56	44
Prior service cost/(credit)	**—**	—	—	**(1)**	(1)	—
Settlement (gain)/loss	**—**	—	—	**—**	6	1
Special termination benefits	**—**	—	—	**—**	1	—
Net periodic defined benefit cost	**26**	25	28	**64**	85	79
Other defined benefit pension plans[(a)]	**20**	14	14	**5**	7	8
Total defined benefit plans	**46**	39	42	**69**	92	87
Total defined contribution plans	**347**	298	318	**248**	222	198
Total pension and OPEB cost included in compensation expense	**$ 393**	$ 337	$ 360	**$ 317**	$ 314	$ 285
Changes in plan assets and benefit obligations recognized in other comprehensive income						
Net (gain)/loss arising during the year	**33**	20	23	**25**	(21)	183
Prior service credit arising during the year	**—**	—	—		(10)	(1)
Amortization of net loss	**(5)**	(3)	(2)	**(48)**	(56)	(44)
Amortization of prior service (cost)/credit	**—**	—	(1)	**1**	1	—
Settlement loss/(gain)	**—**	—	—	**—**	(1)	(1)
Foreign exchange impact and other	**—**	—	—	**1**	(25)	43
Total recognized in other comprehensive income	**28**	17	20	**(21)**	(112)	180
Total recognized in net periodic benefit cost and other comprehensive income	**$ 54**	$ 42	$ 48	**$ 43**	$ (27)	$ 259

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

It is expected that $37 million and $1 million, pretax, of net loss and prior service credit, respectively, related to non-U.S. defined benefit pension plans recorded in AOCI at December 31, 2011, will be recognized in earnings during 2012.

The following table presents the actual rate of return on plan assets for the non-U.S. defined benefit pension plans.

Year ended December 31,	**2011**	2010	2009
Actual rate of return	**(4.29)-13.12%**	0.77-10.65%	3.17-22.43%

Plan assumptions

JPMorgan Chase Bank, N.A.'s expected long-term rate of return for its non-U.S. defined benefit pension plans' assets is a blended average of the investment advisor's projected long-term (10 years or more) returns for the various asset classes, weighted by the asset allocation. Returns on asset classes are developed using a forward-looking approach and are not strictly based upon historical returns. For the U.K. defined benefit pension plans, which represent the most significant of JPMorgan Chase Bank, N.A.'s non-U.S. defined benefit pension plans, procedures are used to develop the expected long-term rate of return on plan assets, taking into consideration local market conditions and the specific allocation of plan assets. The expected long-term rate of return on U.K. plan assets is an average of projected long-term returns for each asset class. The return on equities has been selected by reference to the yield on long-term U.K. government bonds plus an equity risk premium above the risk-free rate. The expected return on "AA" rated long-term corporate bonds is based on an implied yield for similar bonds.

The discount rate used in determining the benefit obligation under the U.S. Excess Retirement Plan was selected by reference to the yields on portfolios of bonds with maturity dates and coupons that closely match the plan's projected cash flows; such portfolios are derived from a broad-based universe of high-quality corporate bonds as of the measurement date. In years in which these hypothetical bond portfolios generate excess cash, such excess is assumed to be reinvested at the one-year forward rates implied by the Citigroup Pension Discount Curve published as of the measurement date. The discount rate for the U.K. defined benefit pension plans represents a rate implied from the yield curve of the year-end iBoxx £ corporate "AA" 15-year-plus bond index.

The following tables present the weighted-average annualized actuarial assumptions for the projected benefit obligations and the components of net periodic benefit costs, for JPMorgan Chase Bank, N.A.'s significant U.S. and non-U.S. defined benefit pension plans, as of and for the periods indicated.

Weighted-average assumptions used to determine benefit obligations

	U.S.		Non-U.S.	
December 31,	**2011**	2010	**2011**	2010
Discount rate	**4.60%**	5.50%	**1.50-4.80%**	1.60–5.50%
Rate of compensation increase	**NA**	NA	**2.75-4.20**	3.00–4.50

Weighted-average assumptions used to determine net periodic benefit costs

	U.S.			Non-U.S.		
Year ended December 31,	**2011**	2010	2009	**2011**	2010	2009
Discount rate	**5.50%**	6.00%	6.65%	**1.60-5.50%**	2.00–5.70%	2.00–6.20%
Expected long-term rate of return on plan assets	**NA**	NA	NA	**2.40-5.40**	2.40–6.20	2.50–6.90
Rate of compensation increase	**NA**	4.00	4.00	**3.00-4.50**	3.00–4.50	3.00–4.00

At December 31, 2011, JPMorgan Chase Bank, N.A. decreased the discount rates used to determine its benefit obligations for the U.S. Excess Retirement Plan in light of current market interest rates, which will result in an immaterial increase in expense for 2012. To indicate the sensitivity of the U.S. Excess Retirement Plan to changes in the discount rate, a 25-basis point decline in the discount rate would result in an immaterial increase in expense for 2012 and a $5 million increase in the related projected benefit obligation.

As of December 31, 2011, the 2012 interest crediting rate assumption was set at 5.00%, as compared to 5.25% in 2011 . A 25-point basis point increase in the interest crediting rate for the U.S. Excess Retirement Plan would result in an immaterial increase in 2012 U.S. defined benefit pension expense and an immaterial increase in the related projected benefit obligation.

JPMorgan Chase Bank, N.A.'s non-U.S. defined benefit pension plans expense is also sensitive to changes in the discount rate. A 25-basis point decline in the discount rates for the non-U.S. plans would result in an increase in the 2012 non-U.S. defined benefit pension plan expense of approximately $11 million.

Investment strategy and asset allocation

The investment policy for the U.K. defined benefit pension plans, which represent the most significant of the non-U.S. defined benefit pension plans, is to maximize returns subject to an appropriate level of risk relative to the plans' liabilities.

In order to reduce the volatility in returns relative to the plans' liability profiles, the U.K. defined benefit pension plans' largest asset allocations are to debt securities of appropriate durations. Other assets, mainly equity securities, are then invested for capital appreciation, to provide long-term investment growth. Asset allocations for the U.K. defined benefit pension plans are reviewed and rebalanced on a regular basis.

As of December 31, 2011, assets held by JPMorgan Chase Bank, N.A.'s non-U.S. defined benefit pension plans do not include JPMorgan Chase common stock, except in connection with the investments in third-party stock-index funds. The non-U.S. plans hold investments in funds that are sponsored or managed by affiliates of JPMorgan Chase Bank, N.A. in the amount of $194 million and $155 million as of December 31, 2011 and 2010, respectively.

The following table presents the weighted-average asset allocation of the fair values of total plan assets at December 31 for the years indicated, as well as the respective approved target allocation by asset category, for JPMorgan Chase Bank, N.A.'s non-U.S. defined benefit pension plans.

	Target	% of plan assets	
December 31,	Allocation	**2011**	2010
Asset category			
Debt securities[(a)]	72%	**74%**	71%
Equity securities	27	**25**	28
Alternatives	1	**1**	1
Total	100%	**100%**	100%

(a) Debt securities primarily include corporate debt and non-U.S. government debt securities.

Fair value measurement of the plans' assets and liabilities

For information on fair value measurements, including descriptions of level 1, 2, and 3 of the fair value hierarchy and the valuation methods employed by JPMorgan Chase Bank, N.A., see Note 4 on pages 10–24 of these Consolidated Financial Statements.

Pension plan assets and liabilities measured at fair value

	Non-U.S. defined benefit pension plans							
	2011				2010			
December 31, 2011 (in millions)	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Cash and cash equivalents	$ 72	$ –	$ –	$ 72	$ 81	$ –	$ –	$ 81
Equity securities:								
Capital equipment	69	12	–	81	68	13	–	81
Consumer goods	64	30	–	94	75	21	–	96
Banks and finance companies	83	13	–	96	113	9	–	122
Business services	48	10	–	58	53	10	–	63
Energy	52	10	–	62	59	6	–	65
Materials	35	6	–	41	50	13	–	63
Other	161	5	–	166	195	16	–	211
Total equity securities	512	86	–	598	613	88	–	701
Common/collective trust funds	138	170	–	308	46	180	–	226
Corporate debt securities[(a)]	–	958	–	958	–	718	–	718
Non-U.S. government debt securities	–	904	–	904	–	864	–	864
Mortgage-backed securities	17	–	–	17	1	–	–	1
Derivative receivables	–	7	–	7	–	3	–	3
Other[(b)]	74	65	–	139	18	51	–	69
Total assets measured at fair value[(c)(d)]	$ 813	$ 2,190	$ –	$ 3,003	$ 759	$ 1,904	$ –	$ 2,663
Derivative payables	–	(1)	–	(1)	–	(25)	–	(25)
Total liabilities measured at fair value[(e)]	$ –	$ (1)	$ –	$ (1)	$ –	$ (25)	$ –	$ (25)

(a) Corporate debt securities include debt securities of non-U.S. corporations.
(b) Other primarily consists of exchange-traded funds and insurance contracts. Exchange-traded funds are primarily classified within level 1 of the fair value hierarchy given they are valued using observable market prices. Insurance contracts are guaranteed return investments subject to the credit risk of the insurance company and are classified in level 2 of the valuation hierarchy.
(c) At December 31, 2011 and 2010, excluded accrued receivables for dividends and interest receivables of $56 million and $9 million, respectively.
(d) At December 31, 2011 and 2010, the fair value of investments valued at NAV were $308 million and $226 million, respectively, which were classified within the valuation hierarchy as follows: $138 million and $46 million in level 1 and $170 million and $180 million in level 2.
(e) At December 31, 2011, excluded accrued liabilities for investments purchased of $69 million.

Changes in level 3 fair value measurements using significant unobservable inputs

The following tables present the changes in level 3 assets during the years ended December 31, 2010 and 2009. There were no level 3 assets during the year ended December 31, 2011.

Year ended December 31, 2010 (in millions)	Fair value January 1, 2010	Actual return on plan assets: Realized gains/(losses)	Actual return on plan assets: Unrealized gains/(losses)	Purchases, sales and settlements, net	Transfers in and/or out of level 3	Fair value, December 31, 2010
Non-U.S. defined benefit pension plans						
Other	$ 13	$ –	$ (1)	$ (12)	$ –	$ –
Total non-U.S. plans	$ 13	$ –	$ (1)	$ (12)	$ –	$ –

Year ended December 31, 2009 (in millions)	Fair value January 1, 2009	Actual return on plan assets: Realized gains/(losses)	Actual return on plan assets: Unrealized gains/(losses)	Purchases, sales and settlements, net	Transfers in and/or out of level 3	Fair value, December 31, 2009
Non-U.S. defined benefit pension plans						
Other	$ 14	$ –	$ (1)	$ –	$ –	$ 13
Total non-U.S. plans	$ 14	$ –	$ (1)	$ –	$ –	$ 13

Estimated future benefit payments

The following table presents benefit payments expected to be paid, which include the effect of expected future service, for the years indicated.

Year ended December 31, (in millions)	U.S. defined benefit pension plans	Non-U.S. defined benefit pension plans
2012	$ 33	$ 95
2013	29	99
2014	28	101
2015	27	110
2016	27	116
Years 2017–2021	134	658

JPMorgan Chase defined benefit pension and OPEB plans

JPMorgan Chase Bank, N.A.’s U.S. employees are eligible to participate in JPMorgan Chase's U.S. qualified, noncontributory defined benefit pension plan. In addition, qualifying U.S. employees may receive medical and life insurance benefits that are provided through JPMorgan Chase's U.S. OPEB plan. Benefits vary with length of service and date of hire and provide for limits on JPMorgan Chase Bank, N.A.'s share of covered medical benefits. The medical and life insurance benefits are both contributory. Defined benefit pension expense and postretirement medical benefit expense are determined based upon employee participation in the JPMorgan Chase plans and effected through an intercompany charge from JPMorgan Chase, which is cash settled monthly.

JPMorgan Chase Bank, N.A. was charged $204 million, $182 million and $246 million in 2011, 2010 and 2009, respectively, for its share of the U.S. qualified defined benefit pension plan expense; and it was charged $1 million, $1 million and $12 million in 2011, 2010 and 2009, respectively, for its share of the U.S. OPEB plan expense.

Consolidated disclosures of information about the defined benefit pension and OPEB plans of JPMorgan Chase, including the funded status of the plans, components of benefit cost and weighted-average actuarial assumptions are included in Note 9 on pages 213-222 of JPMorgan Chase’s 2011 Annual Report on Form 10-K.

Note 11 – Employee stock-based incentives

Employee stock-based awards

JPMorgan Chase Bank, N.A.'s employees receive annual incentive compensation based on their performance, the performance of their business and JPMorgan Chase's consolidated operating results. JPMorgan Chase Bank, N.A.'s employees participate, to the extent they meet minimum eligibility requirements, in various stock-based incentive plans sponsored by JPMorgan Chase. For additional information regarding JPMorgan Chase's employee stock-based incentives, see Note 10 on pages 222-224 of JPMorgan Chase's Annual Report on Form 10-K for the year ended December 31, 2011.

In 2011, 2010 and 2009, JPMorgan Chase granted long-term stock-based awards to certain key employees under the 2005 Long-Term Incentive Plan (the "2005 Plan"). The 2005 Plan became effective on May 17, 2005, and was last amended in May 2011. Under the terms of the amended 2005 plan, as of December 31, 2011, 318 million shares of common stock are available for issuance through May 2015. The amended 2005 Plan is the only active plan under which JPMorgan Chase is currently granting stock-based incentive awards. In the following discussion, the 2005 Plan, plus prior JPMorgan Chase plans and plans assumed as the result of acquisitions, are referred to collectively as the "LTI Plans," and such plans constitute JPMorgan Chase's stock-based incentive plans.

Restricted stock units ("RSUs") are awarded at no cost to the recipient upon their grant. RSUs are generally granted annually and generally vest at a rate of 50% after two years and 50% after three years and convert into shares of JPMorgan Chase common stock at the vesting date. In addition, RSUs typically include full-career eligibility provisions, which allow employees to continue to vest upon voluntary termination, subject to post-employment and other restrictions based on age or service-related requirements. All of these awards are subject to forfeiture until vested and contain clawback provisions that may result in cancellation prior to vesting under certain specified circumstances. RSUs entitle the recipient to receive cash payments equivalent to any dividends paid on the underlying common stock during the period the RSUs are outstanding and, as such, are considered participating securities as discussed in Note 24 on page 277 of JPMorgan Chase's 2011 Annual Report on Form 10-K.

Under the LTI Plans, stock options and stock appreciation rights ("SARs") have generally been granted with an exercise price equal to the fair value of JPMorgan Chase's common stock on the grant date. JPMorgan Chase typically awards SARs to certain key employees once per year; it also periodically grants employee stock options and SARs to individual employees. The 2011, 2010 and 2009 grants of SARs to key employees vest ratably over five years (i.e., 20% per year) and contain clawback provisions similar to RSUs. The 2011 and 2010 grants of SARs contain full-career eligibility provisions; the 2009 grants of SARs do not include any full-career eligibility provisions. SARs generally expire 10 years after the grant date.

JPMorgan Chase Bank, N.A. separately recognizes compensation expense for each tranche of each award as if it were a separate award with its own vesting date. Generally, for each tranche granted, compensation expense is recognized on a straight-line basis from the grant date until the vesting date of the respective tranche, provided that the employees will not become full-career eligible during the vesting period. For awards with full-career eligibility provisions and awards granted with no future substantive service requirement, JPMorgan Chase Bank, N.A. accrues the estimated value of awards expected to be awarded to employees as of the grant date without giving consideration to the impact of post-employment restrictions. For each tranche granted to employees who will become full-career eligible during the vesting period, compensation expense is recognized on a straight-line basis from the grant date until the earlier of the employee's full-career eligibility date or the vesting date of the respective tranche.

In January 2008, JPMorgan Chase awarded to its Chairman and Chief Executive Officer ("CEO") up to 2 million SARs. The terms of this award are distinct from, and more restrictive than, other equity grants regularly awarded by JPMorgan Chase. The SARs, which have a 10-year term, will become exercisable no earlier than January 22, 2013, and have an exercise price of $39.83. The number of SARs that will become exercisable (ranging from none to the full 2 million) and their exercise date or dates may be determined by the Board of Directors based on an annual assessment of the performance of both the CEO and JPMorgan Chase. JPMorgan Chase Bank, N.A. recognizes this award ratably over an assumed five-year service period, subject to a requirement to recognize changes in the fair value of the award through the grant date. JPMorgan Chase Bank, N.A. recognized $(4) million, $4 million and $9 million in compensation expense in 2011, 2010 and 2009, respectively, for this award.

RSUs, employee stock options and SARs activity

Compensation expense for RSUs is measured based on the number of shares granted multiplied by the stock price at the grant date, and for employee stock options and SARs, is measured at the grant date using the Black-Scholes valuation model. Compensation expense for these awards is recognized in net income as described previously. The following table summarizes JPMorgan Chase Bank, N.A.'s RSUs, employee stock options and SARs activity for 2011.

Year ended December 31, 2011 (in thousands, except weighted-average data, and where otherwise stated)	RSUs		Options/SARs			
	Number of shares	Weighted-average grant date fair value	Number of awards	Weighted-average exercise price	Weighted-average remaining contractual life (in years)	Aggregate intrinsic value
Outstanding, January 1	151,022	$ 30.28	184,758	$ 40.91		
Granted	38,294	43.98	11,806	44.28		
Exercised or vested	(79,980)	26.97	(12,415)	31.98		
Forfeited	(3,740)	36.40	(3,772)	39.31		
Canceled	NA	NA	(58,548)	51.09		
Transferred	3,014	30.28	1,101	40.91		
Outstanding, December 31	108,610	$ 37.47	122,930	$ 37.94	4.5	$ 332,508
Exercisable, December 31	NA	NA	84,777	38.00	3.0	212,258

The total fair value of RSUs that vested during the years ended December 31, 2011, 2010 and 2009, was $3.6 billion, $1.5 billion and $777 million, respectively. The weighted-average grant date per share fair value of stock options and SARs granted during the years ended December 31, 2011, 2010 and 2009, was $13.03, $12.23 and $8.23, respectively. The total intrinsic value of options exercised during the years ended December 31, 2011, 2010 and 2009, was $156 million, $135 million and $130 million, respectively.

Compensation expense

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.

Year ended December 31, (in millions)	**2011**	2010	2009
Cost of prior grants of RSUs and SARs that are amortized over their applicable vesting periods	**$ 1,321**	$ 1,559	$ 1,538
Accrual of estimated costs of RSUs and SARs to be granted in future periods including those to full-career eligible employees	**442**	473	570
Total compensation expense related to employee stock-based incentive plans	**$ 1,763**	$ 2,032	$ 2,108

At December 31, 2011, approximately $830 million (pretax) of compensation cost related to unvested awards had not yet been charged to net income. That cost is expected to be amortized into compensation expense over a weighted-average period of 1.1 year. JPMorgan Chase Bank, N.A. does not capitalize any compensation cost related to share-based compensation awards to employees.

Tax benefits

Income tax benefits related to stock-based incentive arrangements recognized in JPMorgan Chase Bank, N.A.'s Consolidated Statements of Income for the years ended December 31, 2011, 2010 and 2009, were $688 million, $793 million and $822 million, respectively. Pursuant to a tax sharing agreement between JPMorgan Chase Bank, N.A. and its parent, JPMorgan Chase, excess tax benefits related to stock-based incentive awards, are recorded by JPMorgan Chase. In accordance with the aforementioned tax sharing arrangement, cash payments were made by JPMorgan Chase to JPMorgan Chase Bank, N.A.

Valuation assumptions

The following table presents the assumptions used to value employee stock options and SARs granted during the years ended December 31, 2011, 2010 and 2009, under the Black-Scholes valuation model.

Year ended December 31,	**2011**	2010	2009
Weighted-average annualized valuation assumptions			
Risk-free interest rate	**2.58%**	3.89%	2.32%
Expected dividend yield[(a)]	**2.20**	3.13	3.40
Expected common stock price volatility	**34**	37	56
Expected life (in years)	**6.5**	6.4	6.6

(a) In 2011, the expected dividend yield was determined using forward-looking assumptions. In 2010 and 2009 the expected dividend yield was determined using historical dividend yields.

The expected volatility assumption is derived from the implied volatility of JPMorgan Chase's stock options. The expected life assumption is an estimate of the length of time that an employee might hold an option or SAR before it is exercised or canceled, and the assumption is based on JPMorgan Chase's historical experience.

Note 12 – Noninterest expense

The following table presents the components of noninterest expense.

Year ended December 31, (in millions)	2011	2010	2009
Compensation expense[a]	$ 22,279	$ 20,811	$ 19,791
Noncompensation expense:			
Occupancy expense	3,405	3,226	3,250
Technology, communications and equipment expense	4,429	4,155	4,029
Professional and outside services	5,519	4,728	4,335
Marketing	872	786	621
Other expense[b][c]	14,591	15,191	10,356
Amortization of intangibles	483	534	599
Total noncompensation expense	29,299	28,620	23,190
Merger costs	–	–	410 [d]
Total noninterest expense	$ 51,578	$ 49,431	$ 43,391

(a) Expense for 2010 includes a payroll tax expense related to the United Kingdom ("U.K.") Bank Payroll Tax on certain compensation awarded from December 9, 2009, to April 5, 2010, to relevant banking employees.
(b) Included litigation expense of $4.1 billion, $6.2 billion and $57 million for the years ended December 31, 2011, 2010 and 2009, respectively,
(c) Included foreclosed property expense of $621 million, $875 million and $1.2 billion for the years ended December 31, 2011, 2010 and 2009, respectively.
(d) Total merger-related costs for the year ended December 31, 2009 were comprised of $253 million in compensation costs, $11 million in occupancy costs, and $146 million in technology and communications and other costs.

Note 13 – Securities

Securities are primarily classified as AFS or trading. Trading securities are discussed in Note 4 on pages 10–24 of these Consolidated Financial Statements. Securities are classified primarily as AFS when used to manage JPMorgan Chase Bank, N.A.'s exposure to interest rate movements or used for longer-term strategic purposes. AFS securities are carried at fair value on the Consolidated Balance Sheets. Unrealized gains and losses, after any applicable hedge accounting adjustments, are reported as net increases or decreases to accumulated other comprehensive income/(loss). The specific identification method is used to determine realized gains and losses on AFS securities, which are included in securities gains/(losses) on the Consolidated Statements of Income.

Other-than-temporary impairment

AFS debt and equity securities in unrealized loss positions are analyzed as part of JPMorgan Chase Bank, N.A.'s ongoing assessment of other-than-temporary impairment ("OTTI"). For most types of debt securities, JPMorgan Chase Bank, N.A. considers a decline in fair value to be other-than-temporary when JPMorgan Chase Bank, N.A. does not expect to recover the entire amortized cost basis of the security. For beneficial interests in securitizations that are rated below "AA" at their acquisition, or that can be contractually prepaid or otherwise settled in such a way that JPMorgan Chase Bank, N.A. would not recover substantially all of its recorded investment, JPMorgan Chase Bank, N.A. considers an OTTI to have occurred when there is an adverse change in expected cash flows. For AFS equity securities, JPMorgan Chase Bank, N.A. considers a decline in fair value to be other-than-temporary if it is probable that JPMorgan Chase Bank, N.A. will not recover its amortized cost basis.

Potential OTTI is considered using a variety of factors, including the length of time and extent to which the market value has been less than cost; adverse conditions specifically related to the industry, geographic area or financial condition of the issuer or underlying collateral of a security; payment structure of the security; changes to the rating of the security by a rating agency; the volatility of the fair value changes; and JPMorgan Chase Bank, N.A.'s intent and ability to hold the security until recovery.

For debt securities, JPMorgan Chase Bank, N.A. recognizes OTTI losses in earnings if it has the intent to sell the debt security, or if it is more likely than not that JPMorgan Chase Bank, N.A. will be required to sell the debt security before recovery of its amortized cost basis. In these circumstances the impairment loss is equal to the full difference between the amortized cost basis and the fair value of the securities. When JPMorgan Chase Bank, N.A. has the intent and ability to hold AFS debt securities in an unrealized loss position, it evaluates the expected cash flows to be received and determines if a credit loss exists. In the event of a credit loss, only the amount of impairment associated with the credit loss is recognized in income. Amounts relating to factors other than credit losses are recorded in OCI.

JPMorgan Chase Bank, N.A.'s cash flow evaluations take into account the factors noted above and expectations of relevant market and economic data as of the end of the reporting period. For securities issued in a securitization, JPMorgan Chase Bank, N.A. estimates cash flows considering underlying loan-level data and structural features of the securitization, such as subordination, excess spread, overcollateralization or other forms of credit enhancement, and compares the losses projected for the underlying collateral ("pool losses") against the level of credit enhancement in the securitization structure to determine whether these features are sufficient to absorb the pool losses, or whether a credit loss exists. JPMorgan Chase Bank, N.A. also performs other analyses to support its cash flow projections, such as first-loss analyses or stress scenarios.

For equity securities, OTTI losses are recognized in earnings if JPMorgan Chase Bank, N.A. intends to sell the security. In other cases JPMorgan Chase Bank, N.A. considers the relevant factors noted above, as well as its intent and ability to retain its investment for a period of time sufficient to allow for any anticipated recovery in market value, and whether evidence exists to support a realizable value equal to or greater than the carrying value. Any impairment loss on an equity security is equal to the full difference between the amortized cost basis and the fair value of the security.

Realized gains and losses

The following table presents realized gains and losses and credit losses that were recognized in income from AFS securities.

Year ended December 31, (in millions)	2011	2010	2009
Realized gains	**$ 1,669**	$ 3,298	$ 2,066
Realized losses	**(134)**	(317)	(559)
Net realized gains[(a)]	**1,535**	2,981	1,507
Credit losses included in securities gains[(b)]	**(76)**	(6)	(138)
Net securities gains	**$ 1,459**	$ 2,975	$ 1,369

(a) Proceeds from securities sold were within approximately 4% of amortized cost in 2011, and within approximately 3% of amortized cost in 2010 and 2009.
(b) Includes other-than-temporary impairment losses recognized in income on certain prime mortgage-backed securities for the years ended December 31, 2011, 2010 and 2009.

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

	2011				2010			
December 31, (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)]	**$ 101,968**	**$ 5,141**	**$ 2**	**$ 107,107**	$ 117,364	$ 3,159	$ 297	$ 120,226
Residential:								
Prime and Alt-A	**2,170**	**54**	**218** [(c)]	**2,006**	2,173	81	250 [(c)]	2,004
Subprime	**1**	**–**	**–**	**1**	1	–	–	1
Non-U.S.	**66,067**	**170**	**687**	**65,550**	47,089	290	409	46,970
Commercial	**9,799**	**633**	**46**	**10,386**	4,650	498	4	5,144
Total mortgage-backed securities	**180,005**	**5,998**	**953**	**185,050**	171,277	4,028	960	174,345
U.S. Treasury and government agencies[(a)]	**8,094**	**169**	**2**	**8,261**	11,168	118	28	11,258
Obligations of U.S. states and municipalities	**11,977**	**860**	**48**	**12,789**	8,436	45	285	8,196
Certificates of deposit	**3,017**	**–**	**–**	**3,017**	3,642	1	2	3,641
Non-U.S. government debt securities	**44,276**	**402**	**80**	**44,598**	20,614	191	28	20,777
Corporate debt securities[(b)]	**63,217**	**206**	**1,646**	**61,777**	60,586	491	417	60,660
Asset-backed securities:								
Credit card receivables	**5,125**	**185**	**–**	**5,310**	8,469	392	5	8,856
Collateralized loan obligations	**24,474**	**553**	**166**	**24,861**	13,336	472	210	13,598
Other	**10,992**	**77**	**55**	**11,014**	8,694	91	8	8,777
Total available-for-sale debt securities	**351,177**	**8,450**	**2,950** [(c)]	**356,677**	306,222	5,829	1,943 [(c)]	310,108
Available-for-sale equity securities	**404**	**11**	**–**	**415**	560	83	6	637
Total available-for-sale securities	**$ 351,581**	**$ 8,461**	**$ 2,950** [(c)]	**$ 357,092**	$ 306,782	$ 5,912	$ 1,949 [(c)]	$ 310,745
Total held-to-maturity securities	**$ 12**	**$ 1**	**$ –**	**$ 13**	$ 17	$ 2	$ –	$ 19

(a) Includes total U.S. government-sponsored enterprise obligations with fair values of $89.3 billion and $94.2 billion at December 31, 2011 and 2010, respectively, which were predominantly mortgage-related.
(b) Consists primarily of bank debt including sovereign government-guaranteed bank debt.
(c) Includes a total of $91 million and $133 million (pretax) of unrealized losses related to prime mortgage-backed securities for which credit losses have been recognized in income at December 31, 2011 and 2010, 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 December 31, 2011 and 2010.

	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:						
Credit card receivables	**–**	**–**	**–**	**–**	**–**	**–**
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**

	Securities with gross unrealized losses					
	Less than 12 months		12 months or more			
December 31, 2010 (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	$ 14,039	$ 297	$ –	$ –	$ 14,039	$ 297
Residential:						
Prime and Alt-A	–	–	1,193	250	1,193	250
Subprime	–	–	–	–	–	–
Non-U.S.	35,166	379	1,080	30	36,246	409
Commercial	131	1	11	3	142	4
Total mortgage-backed securities	49,336	677	2,284	283	51,620	960
U.S. Treasury and government agencies	921	28	–	–	921	28
Obligations of U.S. states and municipalities	5,635	277	20	8	5,655	285
Certificates of deposit	1,771	2	–	–	1,771	2
Non-U.S. government debt securities	6,960	28	–	–	6,960	28
Corporate debt securities	18,287	416	64	1	18,351	417
Asset-backed securities:						
Credit card receivables	–	–	345	5	345	5
Collateralized loan obligations	460	10	6,321	200	6,781	210
Other	2,609	8	–	–	2,609	8
Total available-for-sale debt securities	85,979	1,446	9,034	497	95,013	1,943
Available-for-sale equity securities	–	–	2	6	2	6
Total securities with gross unrealized losses	$ 85,979	$ 1,446	$ 9,036	$ 503	$ 95,015	$ 1,949

Other-than-temporary impairment

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

Year ended December 31, (in millions)	2011	2010	2009
Debt securities JPMorgan Chase Bank, N.A. does not intend to sell that have credit losses			
Total other-than-temporary impairment losses[(a)]	**$ (27)**	$ –	$ (506)
Losses recorded in/ (reclassified from) other comprehensive income	**(49)**	(6)	368
Total credit losses recognized in income[(b)]	**$ (76)**	$ (6)	$ (138)

(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) Represents the credit loss component on certain prime mortgage-backed securities for 2011, 2010 and 2009 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.

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

The following table presents a rollforward for the years ended December 31, 2011, 2010 and 2009, 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.

Year ended December 31, (in millions)	2011	2010	2009
Balance, beginning of period	**$ 113**	$ 138	$ –
Additions:			
Newly credit-impaired securities	**4**	–	138
Losses reclassified from other comprehensive income on previously credit-impaired securities	**72**	6	–
Reductions:			–
Sales of credit-impaired securities	**–**	(31)	–
Balance, end of period	**$ 189**	$ 113	$ 138

Gross unrealized losses

Gross unrealized losses have generally increased since December 31, 2010, including those that have been in an unrealized loss position for 12 months or more. As of December 31, 2011, 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 December 31, 2011.

Following is a description of JPMorgan Chase Bank, N.A.'s principal investment securities with the most significant unrealized losses that have existed for 12 months or more as of December 31, 2011, and the key assumptions used in JPMorgan Chase Bank, N.A.'s estimate of the present value of the cash flows most likely to be collected from these investments.

Mortgage-backed securities – Prime and Alt-A nonagency
As of December 31, 2011, gross unrealized losses related to prime and Alt-A residential mortgage-backed securities issued by private issuers were $218 million, of which $206 million related to securities that have been in an unrealized loss position for 12 months or more. JPMorgan Chase Bank, N.A. has previously 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, primarily in the form of subordination, to protect the investment. The average credit enhancements associated with the below investment-grade positions that have experienced OTTI losses and those that have not are 1% and 18%, 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 default rate on the positions was forecasted to be 25%; the related weighted-average loss severity forecast was 52%; and estimated voluntary prepayment rates ranged from 4% to 19%. Based on the results of this analysis, an OTTI loss of $76 million was recognized in 2011 on certain securities due to their higher loss assumptions, and the unrealized loss of $218 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 December 31, 2011, gross unrealized losses related to non-U.S. residential mortgage-backed securities were $687 million, of which $421 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, recovery rates, default rates, and constant prepayment rates. Credit enhancement is primarily in the form of subordination, which is a form of structural credit enhancement where realized losses associated with assets held in an issuing vehicle are allocated to the various tranches of securities issued by the

vehicle considering their relative seniority. Credit enhancement in the form of subordination was approximately 10% 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, assumptions included recovery rates of 60%, default rates of 0.25% to 0.5% and constant prepayment rates of 15% to 20%. 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 December 31, 2011, gross unrealized losses related to corporate debt securities were $1.6 billion, of which $746 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 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 4% 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 were in an unrealized loss position as of December 31, 2011.

Asset-backed securities – Collateralized loan obligations
As of December 31, 2011, gross unrealized losses related to CLOs were $166 million, of which $117 million related to securities that were in an unrealized loss position for 12 months or more. Overall losses have decreased since December 31, 2010, mainly as a result of lower default forecasts and spread tightening across various asset classes. Substantially all of these securities are rated "AAA," "AA" or "A" and have an average credit enhancement of 30%. The key assumptions considered in analyzing potential credit losses were underlying loan and debt security defaults and loss severity. Based on current default trends for the collateral underlying the securities, JPMorgan Chase Bank, N.A. assumed initial collateral default rates of 2% and 4% beginning in 2012 and thereafter. Further, loss severities were assumed to be 48% for loans and 82% for debt securities. Losses on collateral were estimated to occur approximately 18 months after default. 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 December 31, 2011, of JPMorgan Chase Bank, N.A.'s AFS and HTM securities by contractual maturity.

By remaining maturity December 31, 2011 (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	$ 15	$ 3,666	$ 3,932	$ 172,392	$ 180,005
Fair value	15	3,653	4,073	177,309	185,050
Average yield[b]	5.04%	3.20%	3.08%	3.65%	3.62%
U.S. Treasury and government agencies[a]					
Amortized cost	$ 4,859	$ 2,984	$ –	$ 251	$ 8,094
Fair value	4,862	3,099	–	300	8,261
Average yield[b]	0.59%	2.20%	–%	3.89%	1.29%
Obligations of U.S. states and municipalities					
Amortized cost	$ –	$ 211	$ 802	$ 10,964	$ 11,977
Fair value	–	227	843	11,719	12,789
Average yield[b]	–%	3.76%	3.27%	4.84%	4.71%
Certificates of deposit					
Amortized cost	$ 3,017	$ –	$ –	$ –	$ 3,017
Fair value	3,017	–	–	–	3,017
Average yield[b]	4.33%	–%	–%	–%	4.33%
Non-U.S. government debt securities					
Amortized cost	$ 20,863	$ 15,299	$ 7,524	$ 590	$ 44,276
Fair value	20,861	15,440	7,699	598	44,598
Average yield[b]	1.27%	2.13%	2.86%	4.94%	1.88%
Corporate debt securities					
Amortized cost	$ 21,909	$ 29,890	$ 11,399	$ 19	$ 63,217
Fair value	21,978	29,004	10,777	18	61,777
Average yield[b]	2.06%	3.09%	4.45%	5.42%	2.98%
Asset-backed securities					
Amortized cost	$ 2	$ 6,464	$ 18,037	$ 16,088	$ 40,591
Fair value	2	6,618	18,390	16,175	41,185
Average yield[b]	2.28%	2.88%	2.06%	2.48%	2.36%
Total available-for-sale debt securities					
Amortized cost	$ 50,665	$ 58,514	$ 41,694	$ 200,304	$ 351,177
Fair value	50,735	58,041	41,782	206,119	356,677
Average yield[b]	1.73%	2.78%	2.98%	3.62%	3.13%
Available-for-sale equity securities					
Amortized cost	$ –	$ –	$ –	$ 404	$ 404
Fair value	–	–	–	415	415
Average yield[b]	–%	–%	–%	0.69%	0.69%
Total available-for-sale securities					
Amortized cost	$ 50,665	$ 58,514	$ 41,694	$ 200,708	$ 351,581
Fair value	50,735	58,041	41,782	206,534	357,092
Average yield[b]	1.73%	2.78%	2.98%	3.62%	3.13%
Total held-to-maturity securities					
Amortized cost	$ –	$ 8	$ 3	$ 1	$ 12
Fair value	–	9	3	1	13
Average yield[b]	–%	6.90%	6.73%	6.48%	6.83%

(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 December 31, 2011.

(b) Average yield is computed using the effective yield of each security owned at the end of the period, weighted based on the amortized cost of each security. The effective yield considers the contractual coupon, amortization of premiums and accretion of discounts, and the effect of related hedging derivatives. Taxable-equivalent amounts are used where applicable.

(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 four years for nonagency residential collateralized mortgage obligations.

Note 14 – Securities financing activities

JPMorgan Chase Bank, N.A. enters into resale agreements, repurchase agreements, securities borrowed transactions and securities loaned transactions (collectively, "securities financing agreements") primarily to finance JPMorgan Chase Bank, N.A.'s inventory positions, acquire securities to cover short positions, accommodate customers' financing needs, and settle other securities obligations.

Securities financing agreements are treated as collateralized financings on JPMorgan Chase Bank, N.A.'s Consolidated Balance Sheets. Resale and repurchase agreements are generally carried at the amounts at which the securities will be subsequently sold or repurchased, plus accrued interest. Securities borrowed and securities loaned transactions are generally carried at the amount of cash collateral advanced or received. Where appropriate under applicable accounting guidance, resale and repurchase agreements with the same counterparty are reported on a net basis. Fees received and paid in connection with securities financing agreements are recorded in interest income and interest expense, respectively.

JPMorgan Chase Bank, N.A. has elected the fair value option for certain securities financing agreements. For further information regarding the fair value option, see Note 5 on pages 24–26 of these Consolidated Financial Statements. The securities financing agreements for which the fair value option has been elected are reported within securities purchased under resale agreements; securities loaned or sold under repurchase agreements; and securities borrowed on the Consolidated Balance Sheets. Generally, for agreements carried at fair value, current-period interest accruals are recorded within interest income and interest expense, with changes in fair value reported in principal transactions revenue. However, for financial instruments containing embedded derivatives that would be separately accounted for in accordance with accounting guidance for hybrid instruments, all changes in fair value, including any interest elements, are reported in principal transactions revenue.

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.

December 31, (in millions)	2011	2010
Securities purchased under resale agreements[(a)]	$ 180,171	$ 174,592
Securities borrowed[(b)]	74,533	57,370
Securities sold under repurchase agreements[(c)]	$ 145,662	$ 158,688
Securities loaned	21,099	13,898

(a) At December 31, 2011 and 2010, included resale agreements of $21.8 billion and $19.9 billion, respectively, accounted for at fair value.
(b) At December 31, 2011 and 2010, included securities borrowed of $15.3 billion and $14.0 billion, respectively, accounted for at fair value.
(c) At December 31, 2011 and 2010, included repurchase agreements of $7.6 billion and $2.6 billion, respectively, accounted for at fair value.

The amounts reported in the table above were reduced by $71.8 billion and $54.8 billion at December 31, 2011 and 2010, respectively, as a result of agreements in effect that meet the specified conditions for net presentation under applicable accounting guidance.

JPMorgan Chase Bank, N.A.'s policy is to take possession, where possible, of securities purchased under resale agreements and of securities borrowed. JPMorgan Chase Bank, N.A. monitors the value of the underlying securities (primarily G7 government securities, U.S. agency securities and agency MBS, and equities) that it has received from its counterparties and either requests additional collateral or returns a portion of the collateral when appropriate in light of the market value of the underlying securities. Margin levels are established initially based upon the counterparty and type of collateral and monitored on an ongoing basis to protect against declines in collateral value in the event of default. JPMorgan Chase Bank, N.A. typically enters into master netting agreements and other collateral arrangements with its resale agreement and securities borrowed counterparties, which provide for the right to liquidate the purchased or borrowed securities in the event of a customer default. As a result of JPMorgan Chase Bank, N.A.'s credit risk mitigation practices described above on resale and securities borrowed agreements, JPMorgan Chase Bank, N.A. did not hold any reserves for credit impairment on these agreements as of December 31, 2011 and 2010.

For further information regarding assets pledged and collateral received in securities financing agreements, see Note 28 on page 112 of these Consolidated Financial Statements.

Note 15 – 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

The following provides a detailed accounting discussion of these loan categories:

Loans held-for-investment (other than PCI loans)

Originated or purchased loans held-for-investment, other than PCI loans, are measured at the principal amount outstanding, net of the following: allowance for loan losses; net charge-offs; interest applied to principal (for loans accounted for on the cost recovery method); unamortized discounts and premiums; and net deferred loan fees or costs.

Interest income

Interest income on performing loans held-for-investment, other than PCI loans, is accrued and recognized as interest income at the contractual rate of interest. Purchase price discounts or premiums, as well as net deferred loan fees or costs, are amortized into interest income over the life of the loan to produce a level rate of return.

Nonaccrual loans

Nonaccrual loans are those on which the accrual of interest has been suspended. Loans (other than credit card loans and certain consumer loans insured by U.S. government agencies) are placed on nonaccrual status and considered nonperforming when full payment of principal and interest is in doubt, which for consumer loans, excluding credit card, is generally determined when principal or interest is 90 days or more past due and collateral, if any, is insufficient to cover principal and interest. A loan is determined to be past due when the minimum payment is not received from the borrower by the contractually specified due date or for certain loans (e.g., residential real estate loans), when a monthly payment is due and unpaid for 30 days or more. All interest accrued but not collected is reversed against interest income at the date a loan is placed on nonaccrual status. In addition, the amortization of deferred amounts is suspended. In certain cases, interest income on nonaccrual loans may be recognized to the extent cash is received (i.e., cash basis) when the recorded loan balance is deemed fully collectible; however, if there is doubt regarding the ultimate collectibility of the recorded loan balance, all interest cash receipts are applied to reduce the carrying value of the loan (the cost recovery method).

A loan may be returned to accrual status when repayment is reasonably assured and there has been demonstrated performance under the terms of the loan or, if applicable, the terms of the restructured loan.

As permitted by regulatory guidance, credit card loans are generally exempt from being placed on nonaccrual status; accordingly, interest and fees related to credit card loans continue to accrue until the loan is charged off or paid in full. However, JPMorgan Chase Bank, N.A. separately establishes an allowance for the estimated uncollectible portion of billed and accrued interest and fee income on credit card loans.

Allowance for loan losses

The allowance for loan losses represents the estimated probable losses on held-for-investment loans. Changes in the allowance for loan losses are recorded in the provision for credit losses on JPMorgan Chase Bank, N.A.'s Consolidated Statements of Income. See Note 16 on pages 76–79 for further information on JPMorgan Chase Bank, N.A.'s accounting polices for the allowance for loan losses.

Charge-offs

Wholesale loans and risk-rated business banking and auto loans are charged off against the allowance for loan losses when it is highly certain that a loss has been realized. This determination includes many factors, including the prioritization of JPMorgan Chase Bank, N.A.'s claim in bankruptcy, expectations of the workout/restructuring of the loan and valuation of the borrower's equity.

Credit card loans are charged off by the end of the month in which the account becomes 180 days past due, or within 60 days from receiving notification about a specified event (e.g., bankruptcy of the borrower), whichever is earlier.

Consumer loans, other than risk-rated business banking and auto loans and PCI loans, are generally charged off to the allowance for loan losses upon reaching specified stages of delinquency, in accordance with the Federal Financial Institutions Examination Council ("FFIEC") policy. Residential mortgage loans and scored business banking loans are generally charged down to estimated net realizable value (the fair value of collateral less costs to sell) at no later than 180 days past due.

Collateral-dependent loans are charged down to estimated net realizable value when deemed impaired (for example, upon modification in a troubled debt restructuring). A loan is considered to be collateral-dependent when repayment of the loan is expected to be provided solely by the underlying collateral, rather than by cash flows from the borrower's operations, income or other resources.

When a loan is charged down to the estimated net realizable value, the determination of the fair value of the collateral depends on the type of collateral (e.g., securities, real estate). In cases where the collateral is in the form of liquid securities, the fair value is based on quoted market prices

or broker quotes. For illiquid securities or other financial assets, the fair value of the collateral is estimated using a discounted cash flow model.

For residential real estate loans, collateral values are based upon external valuation sources. When it becomes likely that a borrower is either unable or unwilling to pay, JPMorgan Chase Bank, N.A. obtains a broker's price opinion of the home based on an exterior-only valuation ("exterior opinions"), which is then updated at least every six months thereafter. As soon as practicable after taking physical possession of the property through foreclosure, JPMorgan Chase Bank, N.A. obtains an appraisal based on an inspection that includes the interior of the home ("interior appraisals"). Exterior opinions and interior appraisals are discounted based upon JPMorgan Chase Bank, N.A.'s experience with actual liquidation values as compared to the estimated values provided by exterior opinions and interior appraisals, considering state- and product-specific factors.

For commercial real estate loans, collateral values are generally based on appraisals from internal and external valuation sources. Collateral values are typically updated every six to twelve months, either by obtaining a new appraisal or by performing an internal analysis, in accordance with JPMorgan Chase Bank, N.A.'s policies. JPMorgan Chase Bank, N.A. also considers both borrower- and market-specific factors, which may result in obtaining appraisal updates or broker price opinions at more frequent intervals.

Loans held-for-sale

Held-for-sale loans are measured at the lower of cost or fair value, with valuation changes recorded in noninterest revenue. For wholesale loans, the valuation is performed on an individual loan basis. For consumer loans, the valuation is performed on a portfolio basis.

Interest income on loans held-for-sale is accrued and recognized based on the contractual rate of interest.

Loan origination fees or costs and purchase price discounts or premiums are deferred in a contra loan account until the related loan is sold. The deferred fees and discounts or premiums are an adjustment to the basis of the loan and therefore are included in the periodic determination of the lower of cost or fair value adjustments and/or the gain or losses recognized at the time of sale.

Held-for-sale loans are subject to the nonaccrual policies described above.

Because held-for-sale loans are recognized at the lower of cost or fair value, JPMorgan Chase Bank, N.A.'s allowance for loan losses and charge-off policies do not apply to these loans.

Loans at fair value

Loans used in a trading strategy or risk managed on a fair value basis are measured at fair value, with changes in fair value recorded in noninterest revenue.

For these loans, the earned current contractual interest payment is recognized in interest income. Changes in fair value are recognized in noninterest revenue. Loan origination fees are recognized upfront in noninterest revenue. Loan origination costs are recognized in the associated expense category as incurred.

Because these loans are recognized at fair value, JPMorgan Chase Bank, N.A.'s nonaccrual, allowance for loan losses, and charge-off policies do not apply to these loans.

See Note 5 on pages 24–26 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 and Note 5 on pages 24–26 and 10–24 of these Consolidated Financial Statements for further information on loans carried at fair value and classified as trading assets.

PCI loans

PCI loans held-for-investment are initially measured at fair value. PCI loans have evidence of credit deterioration since the loan's origination date and therefore it is probable, at acquisition, that all contractually required payments will not be collected. Because PCI loans are initially measured at fair value, which includes an estimate of future credit losses, no allowance for loan losses related to PCI loans is recorded at the acquisition date. See pages 71–72 of this Note for information on accounting for PCI loans subsequent to their acquisition.

Loan classification changes

Loans in the held-for-investment portfolio that management decides to sell are transferred to the held-for-sale portfolio at the lower of cost or fair value on the date of transfer. Credit-related losses are charged against the allowance for loan losses; losses due to changes in interest rates or foreign currency exchange rates are recognized in noninterest revenue.

In the event that management decides to retain a loan in the held-for-sale portfolio, the loan is transferred to the held-for-investment portfolio at the lower of cost or fair value on the date of transfer. These loans are subsequently assessed for impairment based on JPMorgan Chase Bank, N.A.'s allowance methodology. For a further discussion of the methodologies used in establishing JPMorgan Chase Bank, N.A.'s allowance for loan losses, see Note 16 on pages 76–79 of these Consolidated Financial Statements.

Loan modifications

JPMorgan Chase Bank, N.A. seeks to modify certain loans in conjunction with its loss-mitigation activities. Through the modification, JPMorgan Chase Bank, N.A. grants one or more concessions to a borrower who is experiencing financial difficulty in order to minimize JPMorgan Chase Bank, N.A.'s economic loss, avoid foreclosure or repossession of the collateral, and to ultimately maximize payments received by JPMorgan Chase Bank, N.A. from the borrower. The concessions granted vary by program and by borrower-specific characteristics, and may include interest rate reductions, term extensions, payment deferrals, or the acceptance of equity or other assets in lieu of payments. In certain limited circumstances, loan modifications include principal forgiveness.

Such modifications are accounted for and reported as troubled debt restructurings ("TDRs"). A loan that has been modified in a TDR is generally considered to be impaired until it matures, is repaid, or is otherwise liquidated, regardless of whether the borrower performs under the modified terms. In certain limited cases, the effective interest rate applicable to the modified loan is at or above the current market rate at the time of the restructuring. In such circumstances, and assuming that the loan subsequently performs under its modified terms and JPMorgan Chase Bank, N.A. expects to collect all contractual principal and interest cash flows, the loan is disclosed as impaired and as a TDR only during the year of the modification; in subsequent years, the loan is not disclosed as an impaired loan or as a TDR so long as repayment of the restructured loan under its modified terms is reasonably assured.

Loans, except for credit card loans, modified in a TDR are generally placed on nonaccrual status, although in many cases such loans were already on nonaccrual status prior to modification. These loans may be returned to performing status (resuming the accrual of interest) if the following criteria are met: (a) the borrower has performed under the modified terms for a minimum of six months and/or six payments, and (b) JPMorgan Chase Bank, N.A. has an expectation that repayment of the modified loan is reasonably assured based on, for example, the borrower's debt capacity and level of future earnings, collateral values, LTV ratios, and other current market considerations. In certain limited and well-defined circumstances in which the loan is current at the modification date, such loans are not placed on nonaccrual status at the time of modification.

Because loans modified in TDRs are considered to be impaired, these loans are evaluated for an asset-specific allowance, which considers the expected re-default rates for the modified loans and is determined based on the same methodology used to estimate JPMorgan Chase Bank, N.A.'s asset-specific allowance component. A loan modified in a TDR remains subject to the asset-specific allowance methodology throughout its remaining life, regardless of whether the loan is performing and has been returned to accrual status. For further discussion of the methodology used to estimate JPMorgan Chase Bank, N.A.'s asset-specific allowance, see Note 16 on pages 76–79 of these Consolidated Financial Statements.

Foreclosed property

JPMorgan Chase Bank, N.A. acquires property from borrowers through loan restructurings, workouts, and foreclosures. Property acquired may include real property (e.g., residential real estate, land, buildings, and fixtures) and commercial and personal property (e.g., aircraft, railcars, and ships).

At the time JPMorgan Chase Bank, N.A. takes physical possession, the property is recorded in other assets on the Consolidated Balance Sheets at fair value less estimated costs to sell. Each quarter the fair value of the acquired property is reviewed and adjusted, if necessary. Subsequent changes to fair value are charged/credited to noninterest revenue. Operating expense, such as real estate taxes and maintenance, are charged to other expense.

Loan portfolio

JPMorgan Chase Bank, N.A.'s loan portfolio is divided into three portfolio segments, which are the same segments it uses 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	Residential real estate – excluding PCI • Home equity – senior lien • Home equity – junior lien • Prime mortgage, including option ARMs • Subprime mortgage Other consumer loans • Auto[(c)] • Business banking[(c)] • Student and other Residential real estate – PCI • Home equity • Prime mortgage • Subprime mortgage • Option ARMs	• Credit card

(a) Includes loans reported in the investment banking, commercial banking, treasury and securities services, asset management, and the corporate businesses.
(b) Includes loans reported in the retail financial services business, auto and student loans reported in the card services and auto business 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.

December 31, 2011 (in millions)	Wholesale	Consumer, excluding credit card	Credit card	Total
Retained	**$ 277,154**	**$ 290,958**	**$ 29,016**	**$ 597,128** (a)
Held-for-sale	**2,524**	**–**	**–**	**2,524**
At fair value	**503**	**–**	**–**	**503**
Total	**$ 280,181**	**$ 290,958**	**$ 29,016**	**$ 600,155**

December 31, 2010 (in millions)	Wholesale	Consumer, excluding credit card	Credit card	Total
Retained	$ 219,829	$ 307,185	$ 21,665	$ 548,679 (a)
Held-for-sale	3,139	154	59	3,352
At fair value	973	–	–	973
Total	$ 223,941	$ 307,339	$ 21,724	$ 553,004

(a) Loans (other than PCI loans and those for which the fair value option has been selected) are presented net of unamortized discounts and premiums, unearned income, and net deferred loan costs of $2.2 billion and $1.8 billion at December 31, 2011 and 2010, respectively.

The following table provides information about the carrying value of retained loans purchased, retained loans sold and retained loans 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.

Year ended December 31, 2011 (in millions)	Wholesale	Consumer, excluding credit card	Credit card	Total
Purchases	$ 906	$ 7,525	$ –	$ 8,431
Sales	3,043	1,376	–	4,419
Retained loans reclassified to held-for-sale	485	–	–	485

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

Year ended December 31, (in millions)	**2011**	2010	2009
Net gains/(losses) on sales of loans (including lower of cost or fair value adjustments)[(a)]			
Wholesale	**$ 112**	$ 204	$ 234
Consumer, excluding credit card	**131**	265	127
Credit card	**(2)**	2	10
Total net gains/(losses) on sales of loans (including lower of cost or fair value adjustments)[(a)]	**$ 241**	$ 471	$ 371

(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. Risk ratings are used to identify the credit quality of loans and differentiate risk within the portfolio. Risk ratings on loans consider the probability of default ("PD") and the loss given default ("LGD"). PD is the likelihood that a loan will not be repaid at default. The LGD is the estimated loss on the loan that would be realized upon the default of the borrower and takes into consideration collateral and structural support for each credit facility.

Management considers several factors to determine an appropriate risk rating, including the obligor's debt capacity and financial flexibility, the level of the obligor's earnings, the amount and sources for repayment, the level and nature of contingencies, management strength, and the industry and geography in which the obligor operates. Risk ratings generally represent ratings profiles similar to those defined by S&P and Moody's. Investment grade ratings range from "AAA/Aaa" to "BBB-/Baa3." Noninvestment grade ratings are classified as noncriticized ("BB+/Ba1 and B-/B3") and criticized ("CCC+"/"Caa1 and below"), and the criticized portion is further subdivided into performing and nonaccrual loans, representing management's assessment of the collectibility of principal and interest. Criticized loans have a higher probability of default than noncriticized loans.

Risk ratings are reviewed on a regular and ongoing basis by Credit Risk Management and are adjusted as necessary for updated information affecting the obligor's ability to fulfill its obligations.

As noted above, the risk rating of a loan considers the industry in which the obligor conducts its operations. As part of the overall credit risk management framework, JPMorgan Chase Bank, N.A. focuses on the management and diversification of its industry and client exposures, with particular attention paid to industries with actual or potential credit concern. See Note 6 on page 27 in these Consolidated Financial Statements for further detail on industry concentrations.

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

As of or for the year ended December 31, (in millions, except ratios)	Commercial and industrial		Real estate	
	2011	2010	**2011**	2010
Loans by risk ratings				
Investment grade	**$ 51,382**	$ 30,729	**$ 33,917**	$ 28,378
Noninvestment grade:				
Noncriticized	**38,214**	29,612	**15,839**	16,289
Criticized performing	**2,234**	2,290	**3,879**	5,720
Criticized nonaccrual	**881**	1,598	**873**	2,934
Total noninvestment grade	**41,329**	33,500	**20,591**	24,943
Total retained loans	**$ 92,711**	$ 64,229	**$ 54,508**	$ 53,321
% of total criticized to total retained loans	**3.36%**	6.05%	**8.72%**	16.23%
% of nonaccrual loans to total retained loans	**0.95**	2.49	**1.60**	5.50
Loans by geographic distribution[a]				
Total non-U.S.	**$ 30,797**	$ 17,720	**$ 1,497**	$ 1,963
Total U.S.	**61,914**	46,509	**53,011**	51,358
Total retained loans	**$ 92,711**	$ 64,229	**$ 54,508**	$ 53,321
Net charge-offs	$ 90	$ 403	$ 250	$ 859
% of net charge-offs to end of period retained loans	0.10%	0.63%	0.46%	1.61%
Loan delinquency[b]				
Current and less than 30 days past due and still accruing	**$ 91,564**	$ 62,190	**$ 53,224**	$ 49,988
30–89 days past due and still accruing	**266**	434	**327**	290
90 or more days past due and still accruing[c]	**–**	7	**84**	109
Criticized nonaccrual	**881**	1,598	**873**	2,934
Total retained loans	**$ 92,711**	$ 64,229	**$ 54,508**	$ 53,321

(a) The U.S. and non-U.S. distribution is determined based predominantly on the domicile of the borrower.
(b) 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 page 59 of this Note.
(c) Represents loans that are considered well-collateralized and therefore still accruing interest.
(d) Other primarily includes loans to SPEs and loans to private banking clients. See Note 1 on pages 6–8 of these Consolidated 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. The real estate class primarily consists of secured commercial loans mainly to borrowers for multi-family and commercial lessor properties. Multifamily lending specifically finances apartment buildings. Commercial lessors receive financing specifically for real estate leased to retail, office and industrial tenants. Commercial construction and development loans represent financing for the construction of apartments, office and professional buildings and malls. Other real estate loans include lodging, real estate investment trusts ("REITs"), single-family, homebuilders and other real estate.

December 31, (in millions, except ratios)	Multifamily		Commercial lessors	
	2011	2010	**2011**	2010
Real estate retained loans	**$ 32,528**	$ 30,595	**$ 14,295**	$ 15,620
Criticized exposure	**2,450**	3,798	**1,629**	3,546
% of criticized exposure to total real estate retained loans	**7.53%**	12.41%	**11.40%**	22.70%
Criticized nonaccrual	**$ 412**	$ 1,016	**$ 278**	$ 1,546
% of criticized nonaccrual to total real estate retained loans	**1.27%**	3.32%	**1.94%**	9.90%

(table continued from previous page)

Financial institutions		Government agencies		Other[(d)]		Total retained loans	
2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
$ 28,781	$ 22,692	**$ 6,261**	$ 5,980	**$ 76,519**	$ 55,484	**$ 196,860**	$ 143,263
8,910	8,358	**366**	377	**7,417**	7,809	**70,746**	62,445
247	317	**4**	3	**808**	320	**7,172**	8,650
36	136	**16**	22	**570**	781	**2,376**	5,471
9,193	8,811	**386**	402	**8,795**	8,910	**80,294**	76,566
$ 37,974	$ 31,503	**$ 6,647**	$ 6,382	**$ 85,314**	$ 64,394	**$ 277,154**	$ 219,829
0.75 %	1.44%	**0.30%**	0.39%	**1.62%**	1.71%	**3.45%**	6.42%
0.09	0.43	**0.24**	0.34	**0.67**	1.21	**0.86**	2.49
$ 30,048	$ 20,043	**$ 582**	$ 874	**$ 32,201**	$ 25,753	**$ 95,125**	$ 66,353
7,926	11,460	**6,065**	5,508	**53,113**	38,641	**182,029**	153,476
$ 37,974	$ 31,503	**$ 6,647**	$ 6,382	**$ 85,314**	$ 64,394	**$ 277,154**	$ 219,829
$ (117)	$ 72	**$ –**	$ 2	**$ 197**	$ 387	**$ 420**	$ 1,723
(0.31)%	0.23%	**–%**	0.03%	**0.23%**	0.60%	**0.15%**	0.78%
$ 37,885	$ 31,334	**$ 6,608**	$ 6,345	**$ 83,672**	$ 62,832	**$ 272,953**	$ 212,689
51	31	**23**	15	**1,058**	541	**1,725**	1,311
2	2	**–**	–	**14**	240	**100**	358
36	136	**16**	22	**570**	781	**2,376**	5,471
$ 37,974	$ 31,503	**$ 6,647**	$ 6,382	**$ 85,314**	$ 64,394	**$ 277,154**	$ 219,829

(table continued from previous page)

Commercial construction and development		Other		Total real estate loans	
2011	2010	**2011**	2010	**2011**	2010
$ 3,148	$ 3,395	**$ 4,537**	$ 3,711	**$ 54,508**	$ 53,321
297	618	**376**	692	**4,752**	8,654
9.43%	18.20%	**8.29%**	18.65%	**8.72%**	16.23%
$ 69	$ 173	**$ 114**	$ 199	**$ 873**	$ 2,934
2.19%	5.10%	**2.51%**	5.36%	**1.60%**	5.50%

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 TDR. All impaired loans are evaluated for an asset-specific allowance as described in Note 16 on pages 76–79.

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

December 31, (in millions)	Commercial and industrial		Real estate		Financial institutions		Government agencies		Other		Total retained loans	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Impaired loans												
With an allowance	**$ 819**	$ 1,482	**$ 621**	$ 2,508	**$ 21**	$ 127	**$ 16**	$ 22	**$ 473**	$ 697	**$ 1,950**	$ 4,836
Without an allowance[(a)]	**177**	151	**279**	445	**18**	8	**–**	–	**103**	8	**577**	612
Total impaired loans	**$ 996**	$ 1,633	**$ 900**	$ 2,953	**$ 39**	$ 135	**$ 16**	$ 22	**$ 576**	$ 705	**$ 2,527**	$ 5,448
Allowance for loan losses related to impaired loans	**$ 271**	$ 431	**$ 148**	$ 825	**$ 5**	$ 61	**$ 10**	$ 14	**$ 77**	$ 238	**$ 511**	$ 1,569
Unpaid principal balance of impaired loans[(b)]	**1,677**	2,406	**1,107**	3,483	**63**	244	**17**	30	**1,007**	1,046	**3,871**	7,209

(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 December 31, 2011 and 2010. 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 years ended 2011, 2010 and 2009.

Year ended December 31, (in millions)	**2011**	2010	2009
Commercial and industrial	**$ 1,289**	$ 1,618	$ 1,737
Real estate	**1,804**	3,082	2,416
Financial institutions	**84**	304	646
Government agencies	**20**	5	4
Other	**634**	855	457
Total[(a)]	**$ 3,831**	$ 5,864	$ 5,260

(a) The related interest income on accruing impaired loans and interest income recognized on a cash basis were not material for the years ended December 31, 2011, 2010 and 2009.

Loan modifications

Certain loan modifications that 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. 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.

December 31, (in millions)	Commercial and industrial		Real estate		Financial institutions		Government agencies		Other		Total retained loans	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Loans modified in troubled debt restructurings	**$ 531**	$ 211	**$ 176**	$ 907	**$ 2**	$ 1	**$ 16**	$ 22	**$ 25**	$ 1	**$ 750**	$ 1,142
TDRs on nonaccrual status	**415**	162	**128**	830	**–**	1	**16**	22	**19**	1	**578**	1,016
Additional commitments to lend to borrowers whose loans have been modified in TDRs	**147**	1	**–**	–	**–**	–	**–**	–	**–**	–	**147**	1

TDR activity rollforward

The following table reconciles the beginning and ending balances of wholesale loans modified in TDRs for the period presented and provides information regarding the nature and extent of modifications during the period.

Year ended December 31, 2011 (in millions)	Commercial and industrial	Real estate	Other[(b)]	Total
Beginning balance of TDRs	$ 211	$ 907	$ 24	$ 1,142
New TDRs	665	113	32	810
Increases to existing TDRs	96	16	–	112
Charge-offs post-modification	(30)	(146)	–	(176)
Sales and other[(a)]	(411)	(714)	(13)	(1,138)
Ending balance of TDRs	$ 531	$ 176	$ 43	$ 750

(a) Sales and other are predominantly sales and paydowns, but may include performing loans restructured at market rates that are no longer reported as TDRs.

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

Financial effects of modifications and redefaults
Loans modified as TDRs during the year ended December 31, 2011, are predominantly term or payment extensions and, to a lesser extent, deferrals of principal and/or interest on commercial and industrial and real estate loans. The average term extension granted on loans with term or payment extensions was 3.3 years for the year ended December 31, 2011. The weighted-average remaining term for all loans modified during the year ended December 31, 2011 was 4.5 years. Wholesale TDR loans that redefaulted within one year of the modification were $96 million during the year ended December 31, 2011. 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.

December 31, (in millions)	2011	2010
Residential real estate – excluding PCI		
Home equity:		
Senior lien	**$ 18,741**	$ 21,076
Junior lien	**49,952**	56,991
Mortgages:		
Prime, including option ARMs	**69,175**	66,123
Subprime	**8,434**	9,849
Other consumer loans		
Auto	**47,414**	48,367
Business banking	**17,641**	16,799
Student and other	**14,055**	15,217
Residential real estate – PCI		
Home equity	**22,697**	24,459
Prime mortgage	**15,180**	17,322
Subprime mortgage	**4,976**	5,398
Option ARMs	**22,693**	25,584
Total retained loans	**$ 290,958**	$ 307,185

Delinquency rates are a primary credit quality indicator for consumer loans. Loans that are more than 30 days past due provide an early warning of borrowers that may be experiencing financial difficulties and/or who may be unable or unwilling to repay the loan. As the loan continues to age, it becomes more clear that the borrower is likely either unable or unwilling to pay. In the case of residential real estate loans, late-stage delinquencies (greater than 150 days past due) are a strong indicator of loans that will ultimately result in a short sale or foreclosure. In addition to delinquency rates, other credit quality indicators for consumer loans vary based on the class of loan, as follows:

- 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, is an indicator of the potential loss severity in the event of default. Additionally, LTV or combined LTV can provide insight into a borrower's continued willingness to pay, as the delinquency rate of high-LTV loans tends to be greater than that for loans where the borrower has equity in the collateral. The geographic distribution of the loan collateral also provides insight as to the credit quality of the portfolio, as factors such as the regional economy, home price changes and specific events such as hurricanes, earthquakes, etc. will affect credit quality. The borrower's current or "refreshed" FICO score is a secondary credit-quality indicator for certain loans, as FICO scores are an indication of the borrower's credit payment history. Thus, a loan to a borrower with a low FICO score (660 or below) is considered to be of higher risk than a loan to a borrower with a high FICO score. Further, a loan to a borrower with a high LTV ratio and a low FICO score is at greater risk of default than a loan to a borrower that has both a high LTV ratio and a high FICO score.
- For auto, scored business banking and student loans, geographic distribution is an indicator of the credit performance of the portfolio. Similar to residential real estate loans, geographic distribution provides insights into the portfolio performance based on regional economic activity and events.
- Risk-rated business banking and auto loans are similar to wholesale loans in that the primary credit quality indicators are the risk rating that is assigned to the loan and whether the loans are considered to be criticized and/or nonaccrual. Risk ratings are reviewed on a regular and ongoing basis by Credit Risk Management and are adjusted as necessary for updated information affecting borrowers' ability to fulfill their obligations. Consistent with other classes of consumer loans, the geographic distribution of the portfolio provides insights into portfolio performance based on regional economic activity and events.

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

December 31, (in millions, except ratios)	Home equity – Senior lien 2011	Home equity – Senior lien 2010	Home equity – Junior lien 2011	Home equity – Junior lien 2010
Loan delinquency[(a)]				
Current and less than 30 days past due	**$ 17,977**	$ 20,316	**$ 48,469**	$ 55,301
30–149 days past due	**398**	414	**1,256**	1,504
150 or more days past due	**366**	346	**227**	186
Total retained loans	**$ 18,741**	$ 21,076	**$ 49,952**	$ 56,991
% of 30+ days past due to total retained loans	**4.08%**	3.61%	**2.97%**	2.97%
90 or more days past due and still accruing	**$ —**	$ —	**$ —**	$ —
90 or more days past due and government guaranteed[(b)]	**—**	—	**—**	—
Nonaccrual loans	**490**	479	**782**	784
Current estimated LTV ratios[(c)(d)(e)(f)]				
Greater than 125% and refreshed FICO scores:				
Equal to or greater than 660	**$ 334**	$ 314	**$ 6,461**	$ 6,927
Less than 660	**160**	169	**2,037**	2,494
101% to 125% and refreshed FICO scores:				
Equal to or greater than 660	**663**	535	**8,722**	9,377
Less than 660	**240**	216	**2,509**	2,873
80% to 100% and refreshed FICO scores:				
Equal to or greater than 660	**1,623**	1,643	**9,490**	11,259
Less than 660	**593**	568	**2,552**	3,147
Less than 80% and refreshed FICO scores:				
Equal to or greater than 660	**12,615**	15,108	**15,398**	17,634
Less than 660	**2,513**	2,523	**2,783**	3,280
U.S. government-guaranteed	**—**	—	**—**	—
Total retained loans	**$ 18,741**	$ 21,076	**$ 49,952**	$ 56,991
Geographic region				
California	**$ 2,995**	$ 3,257	**$ 12,239**	$ 13,967
New York	**2,381**	2,575	**9,605**	10,710
Florida	**926**	1,013	**2,890**	3,341
Illinois	**1,095**	1,221	**3,131**	3,516
Texas	**2,858**	3,392	**1,492**	1,791
New Jersey	**500**	538	**2,753**	3,072
Arizona	**1,089**	1,215	**2,340**	2,735
Washington	**701**	759	**1,809**	2,046
Ohio	**1,421**	1,655	**1,062**	1,247
Michigan	**882**	1,001	**1,276**	1,474
All other[(g)]	**3,893**	4,450	**11,355**	13,092
Total retained loans	**$ 18,741**	$ 21,076	**$ 49,952**	$ 56,991

(a) Individual delinquency classifications included mortgage loans insured by U.S. government agencies as follows: current and less than 30 days past due includes $3.0 billion and $2.5 billion; 30–149 days past due includes $2.3 billion and $2.5 billion; and 150 or more days past due includes $10.3 billion and $7.9 billion at December 31, 2011 and 2010, 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 servicing guidelines. These amounts are excluded from nonaccrual loans because reimbursement of insured and guaranteed amounts is proceeding normally. At December 31, 2011 and 2010, these balances included $7.0 billion and $2.8 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) For senior lien home equity loans, prior-period amounts have been revised to conform with the current-period presentation.
(g) At December 31, 2011 and 2010, included mortgage loans insured by U.S. government agencies of $15.6 billion and $12.9 billion, respectively.
(h) At December 31, 2011 and 2010, excluded mortgage loans insured by U.S. government agencies of $12.6 billion and $10.3 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	
2011	2010	**2011**	2010	**2011**	2010
$ 53,331	$ 51,583	**$ 6,520**	$ 7,262	**$ 126,297**	$ 134,462
3,273	3,707	**744**	1,088	**5,671**	6,713
12,571	10,833	**1,170**	1,499	**14,334**	12,864
$ 69,175	$ 66,123	**$ 8,434**	$ 9,849	**$ 146,302**	$ 154,039
4.76% [(h)]	6.52% [(h)]	**22.69%**	26.27%	**5.09%** [(h)]	6.07% [(h)]
$ –	$ –	**$ –**	$ –	**$ –**	$ –
11,509	9,413	**–**	–	**11,509**	9,413
2,496	3,773	**1,660**	2,047	**5,428**	7,083
$ 3,113	$ 3,000	**$ 361**	$ 332	**$ 10,269**	$ 10,573
1,391	1,583	**1,048**	1,137	**4,636**	5,383
4,182	4,324	**488**	489	**14,055**	14,725
1,491	1,641	**1,259**	1,459	**5,499**	6,189
7,934	8,924	**740**	845	**19,787**	22,671
1,941	2,265	**1,447**	1,830	**6,533**	7,810
30,165	27,840	**1,395**	1,640	**59,573**	62,222
3,403	3,627	**1,696**	2,117	**10,395**	11,547
15,555	12,919	**–**	–	**15,555**	12,919
$ 69,175	$ 66,123	**$ 8,434**	$ 9,849	**$ 146,302**	$ 154,039
$ 14,960	$ 15,584	**$ 1,188**	$ 1,509	**$ 31,382**	$ 34,317
9,309	8,513	**1,083**	1,205	**22,378**	23,003
4,089	4,281	**1,051**	1,240	**8,956**	9,875
3,670	3,477	**356**	408	**8,252**	8,622
2,703	2,392	**294**	301	**7,347**	7,876
1,797	1,738	**400**	466	**5,450**	5,814
1,100	1,203	**186**	213	**4,715**	5,366
1,485	1,580	**186**	216	**4,181**	4,601
421	437	**197**	240	**3,101**	3,579
878	925	**198**	257	**3,234**	3,657
28,763	25,993	**3,295**	3,794	**47,306**	47,329
$ 69,175	$ 66,123	**$ 8,434**	$ 9,849	**$ 146,302**	$ 154,039

The following table represents JPMorgan Chase Bank, N.A.'s delinquency statistics for junior lien home equity loans as of December 31, 2011 and 2010.

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]	**$ 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%**

December 31, 2010 (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]	$ 663	$ 383	$ 145	$ 48,466	2.46%
Within the required amortization period	41	19	10	1,048	6.68
HELOANs	249	149	31	7,477	5.74
Total	$ 953	$ 551	$ 186	$ 56,991	2.97%

(a) In general, HELOCs are open-ended, 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. 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 16 on pages 76–79 of these Consolidated Financial Statements.

December 31, (in millions)	Home equity: Senior lien 2011	Senior lien 2010	Junior lien 2011	Junior lien 2010	Mortgages: Prime, including option ARMs 2011	Prime, including option ARMs 2010	Subprime 2011	Subprime 2010	Total residential real estate – excluding PCI 2011	Total residential real estate – excluding PCI 2010
Impaired loans										
With an allowance	**$ 318**	$ 211	**$ 621**	$ 258	**$ 3,512**	$ 1,436	**$ 2,915**	$ 2,490	**$ 7,366**	$ 4,395
Without an allowance[a]	**16**	15	**35**	25	**485**	508	**163**	178	**699**	726
Total impaired loans[b]	**$ 334**	$ 226	**$ 656**	$ 283	**$ 3,997**	$ 1,944	**$ 3,078**	$ 2,668	**$ 8,065**	$ 5,121
Allowance for loan losses related to impaired loans	**$ 80**	$ 77	**$ 141**	$ 82	**$ –**	$ 88	**$ 344**	$ 532	**$ 565**	$ 779
Unpaid principal balance of impaired loans[c]	**432**	265	**992**	402	**5,205**	2,582	**4,639**	3,674	**11,268**	6,923
Impaired loans on nonaccrual status	**77**	38	**159**	63	**799**	487	**793**	611	**1,828**	1,199

(a) When discounted cash flows or collateral value equals or exceeds the recorded investment in the loan, the loan does not require an allowance. This typically occurs when an impaired loan has been partially charged off.

(b) At December 31, 2011 and 2010, $4.3 billion and $3.0 billion, respectively, of loans modified subsequent to repurchase from 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 December 31, 2011 and 2010. 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.

Year ended December 31,	Average impaired loans			Interest income on impaired loans[a]			Interest income on impaired loans on a cash basis[a]		
(in millions)	**2011**	2010	2009	**2011**	2010	2009	**2011**	2010	2009
Home equity									
Senior lien	**$ 287**	$ 207	$ 142	**$ 10**	$ 15	$ 7	**$ 1**	$ 1	$ 1
Junior lien	**520**	266	187	**18**	10	9	**2**	1	1
Mortgages									
Prime, including option ARMs	**3,206**	1,446	463	**124**	68	32	**12**	13	8
Subprime	**2,961**	2,466	1,948	**143**	119	98	**15**	19	6
Total residential real estate – excluding PCI	**$ 6,974**	$ 4,385	$ 2,740	**$ 295**	$ 212	$ 146	**$ 30**	$ 34	$ 16

(a) Generally, interest income on loans modified in a TDR 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 December 31, 2011 and 2010, $811 million and $537 million, respectively, of loans were TDRs for which the borrowers had not yet made six payments under their modified terms.

Loan modifications

JPMorgan Chase Bank, N.A. is participating in the U.S. Treasury's Making Home Affordable ("MHA") programs and is continuing to expand its other loss-mitigation efforts for financially distressed borrowers who do not qualify for the U.S. Treasury's programs. The MHA programs include the Home Affordable Modification Program ("HAMP") and the Second Lien Modification Program ("2MP"). JPMorgan Chase Bank, N.A.'s other loss-mitigation programs for troubled borrowers who do not qualify for HAMP include the traditional modification programs offered by the GSEs and Ginnie Mae, as well as JPMorgan Chase Bank, N.A.'s proprietary modification programs, which include concessions similar to those offered under HAMP and 2MP but with expanded eligibility criteria. In addition, JPMorgan Chase Bank, N.A. has offered specific targeted modification programs to higher risk borrowers, many of whom were current on their mortgages prior to modification.

In order to be offered a permanent modification under HAMP, a borrower must successfully make three payments under the new terms during a trial modification period. JPMorgan Chase Bank, N.A. also offers one proprietary modification program that is similar to HAMP and that includes a comparable trial modification period. Borrowers who do not successfully complete the trial modification period do not qualify to have their loans permanently modified under that particular program; however, in certain cases, JPMorgan Chase Bank, N.A. considers whether the borrower might qualify for a different loan modification program.

Permanent modifications of residential real estate loans, excluding PCI loans, are generally accounted for and reported as TDRs. In addition, In the fourth quarter of 2011, JPMorgan Chase Bank, N.A. began to characterize as TDRs loans to borrowers who have been approved for a trial modification either under HAMP or under the proprietary program noted above, even though such loans have not yet been permanently modified. Regardless of whether the borrower successfully completes the trial modification, such loans will continue to be reported as TDRs until charged-off, repaid or otherwise liquidated. JPMorgan Chase Bank, N.A. previously considered the risk characteristics of loans in a trial modification in determining its formula-based allowance for loan losses. As a result, the recharacterization of trial modifications as TDRs during the fourth quarter of 2011 did not have a significant impact on JPMorgan Chase Bank, N.A.'s allowance for loan losses.

There were no additional commitments to lend to borrowers whose residential real estate loans, excluding PCI loans, have been modified in TDRs.

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.

Year ended December 31, 2011 (in millions)	Home equity: Senior lien	Home equity: Junior lien	Mortgages: Prime, including option ARMs	Mortgages: Subprime	Total residential real estate – (excluding PCI)
Beginning balance of TDRs	$ 226	$ 283	$ 1,944	$ 2,668	$ 5,121
New TDRs[a]	136	517	2,472	812	3,937
Charge-offs post-modification[b]	(15)	(77)	(106)	(228)	(426)
Foreclosures and other liquidations (e.g., short sales)	(1)	(11)	(106)	(83)	(201)
Principal payments and other	(12)	(56)	(207)	(91)	(366)
Ending balance of TDRs	$ 334	$ 656	$ 3,997	$ 3,078	$ 8,065
Permanent modifications	285	633	3,770	2,909	7,597
Trail modifications	49	23	227	169	468

(a) Includes all loans to borrowers who were approved for trial modification on or after January 1, 2011, as well as all loans permanently modified during the year ended December 31, 2011. In the event that a trial modification is reported as a new TDR, any subsequent permanent modification of that same loan is not 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 table provides information about how residential real estate loans, excluding PCI loans, were permanently modified during the period presented.

	Home equity		Mortgages		
Year ended December 31, 2011	Senior lien	Junior lien	Prime, including option ARMs	Subprime	Total residential real estate – (excluding PCI)
Number of loans approved for a trial modification, but not permanently modified	651	776	762	1,509	3,698
Number of loans permanently modified	1,000	9,119	7,028	4,528	21,675
Permanent concession granted:[(a)(b)]					
Interest rate reduction	80%	95%	62%	80%	81%
Term or payment extension	88	81	73	72	77
Principal and/or interest deferred	10	21	22	20	21
Principal forgiveness	7	20	3	14	12
Other[(c)]	29	7	63	26	30

(a) As a percentage of the number of loans permanently modified. The sum of the percentages exceeds 100% because predominantly all of the permanent modifications include more than one type of concession.
(b) Except for the "Other" category, the percentages representing the various types of concessions granted are estimated to be materially consistent with those related to loans approved for trial modification.
(c) Represents variable interest rate to fixed interest rate modifications. To date, these concessions have solely related to permanent modifications.

Financial effects of modifications and redefaults

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

	Home equity		Mortgages		
Year ended December 31, 2011 (in millions, except weighted-average data and number of loans)	Senior lien	Junior lien	Prime, including option ARMs	Subprime	Total residential real estate – (excluding PCI)
Weighted-average interest rate of loans with interest rate reductions – before TDR[(a)]	7.25%	5.46%	5.98%	8.30%	6.48%
Weighted-average interest rate of loans with interest rate reductions – after TDR[(a)]	3.51	1.49	3.27	3.45	3.01
Weighted-average remaining contractual term (in years) of loans with term or payment extensions – before TDR[(a)]	18	21	25	24	24
Weighted-average remaining contractual term (in years) of loans with term or payment extensions – after TDR[(a)]	30	34	35	35	35
Charge-offs recognized upon permanent modification	$ 1	$ 116	$ 49	$ 19	$ 185
Principal deferred[(b)]	4	35	152	60	251
Principal forgiven[(b)]	1	62	19	45	127
Number of loans that redefaulted within one year of permanent modification[(c)]	222	1,310	1,016	1,859	4,407
Balance of loans that redefaulted within one year of permanent modification[(c)]	$ 18	$ 52	$ 289	$ 266	$ 625
Cumulative permanent modification redefault rates[(d)]	21%	14%	15%	28%	19%

(a) Represents information about loans that have been permanently modified. The financial effects of such concessions related to loans approved for trial modification are estimated to be materially consistent with the financial effects presented above.
(b) Represents information about loans that have been permanently modified. Principal deferred and principal forgiven related to loans approved for trial modification totaled $118 million for the year ended December 31, 2011.
(c) 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.
(d) Based upon permanent modifications completed after October 1, 2009 that are seasoned more than six months.

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.

At December 31, 2011, the weighted-average estimated remaining lives of residential real estate loans, excluding PCI loans, permanently modified in TDRs were 7.0 years, 6.9 years, 8.9 years and 6.7 years for senior lien home equity, junior lien home equity, prime mortgage, including option ARMs, and subprime mortgage, respectively. 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.

December 31, (in millions, except ratios)	Auto		Business banking		Student and other		Total other consumer	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
Loan delinquency[a]								
Current and less than 30 days past due	**$ 46,879**	$ 47,778	**$ 17,162**	$ 16,227	**$ 12,817**	$ 13,904	**$ 76,858**	$ 77,909
30–119 days past due	**528**	579	**326**	351	**777**	795	**1,631**	1,725
120 or more days past due	**7**	10	**153**	221	**461**	518	**621**	749
Total retained loans	**$ 47,414**	$ 48,367	**$ 17,641**	$ 16,799	**$ 14,055**	$ 15,217	**$ 79,110**	$ 80,383
% of 30+ days past due to total retained loans	**1.13%**	1.22%	**2.72%**	3.40%	**1.77%** [d]	1.62% [d]	**1.60%** [d]	1.75% [d]
90 or more days past due and still accruing [b]	**$ —**	$ —	**$ —**	$ —	**$ 551**	$ 625	**$ 551**	$ 625
Nonaccrual loans	**118**	141	**694**	819	**69**	67	**881**	1,027
Geographic region								
California	**$ 4,413**	$ 4,307	**$ 1,342**	$ 851	**$ 1,253**	$ 1,327	**$ 7,008**	$ 6,485
New York	**3,614**	3,875	**2,792**	2,876	**1,372**	1,299	**7,778**	8,050
Florida	**1,881**	1,923	**313**	220	**655**	720	**2,849**	2,863
Illinois	**2,495**	2,608	**1,364**	1,319	**848**	935	**4,707**	4,862
Texas	**4,465**	4,505	**2,673**	2,547	**1,040**	1,247	**8,178**	8,299
New Jersey	**1,829**	1,842	**376**	422	**459**	501	**2,664**	2,765
Arizona	**1,494**	1,499	**1,165**	1,218	**311**	379	**2,970**	3,096
Washington	**735**	716	**160**	115	**247**	276	**1,142**	1,107
Ohio	**2,633**	2,961	**1,541**	1,645	**876**	1,003	**5,050**	5,609
Michigan	**2,282**	2,434	**1,389**	1,399	**633**	722	**4,304**	4,555
All other	**21,573**	21,697	**4,526**	4,187	**6,361**	6,808	**32,460**	32,692
Total retained loans	**$ 47,414**	$ 48,367	**$ 17,641**	$ 16,799	**$ 14,055**	$ 15,217	**$ 79,110**	$ 80,383
Loans by risk ratings[c]								
Noncriticized	**$ 6,763**	$ 5,803	**$ 11,740**	$ 10,338	**NA**	NA	**$ 18,503**	$ 16,141
Criticized performing	**166**	265	**817**	982	**NA**	NA	**983**	1,247
Criticized nonaccrual	**3**	12	**524**	574	**NA**	NA	**527**	586

(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. Prior-period amounts have been revised to conform with the current-period presentation.

(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) December 31, 2011 and 2010, excluded loans 30 days or more past due and still accruing, which are insured by U.S. government agencies under the FFELP, of $989 million and $1.1 billion, 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.

December 31, (in millions)	Auto		Business banking		Total other consumer[c]	
	2011	2010	**2011**	2010	**2011**	2010
Impaired loans						
With an allowance	**$ 88**	$ 102	**$ 713**	$ 774	**$ 801**	$ 876
Without an allowance[a]	**3**	–	**–**	–	**3**	–
Total impaired loans	**$ 91**	$ 102	**$ 713**	$ 774	**$ 804**	$ 876
Allowance for loan losses related to impaired loans	**$ 12**	$ 16	**$ 225**	$ 248	**$ 237**	$ 264
Unpaid principal balance of impaired loans[b]	**126**	132	**822**	899	**948**	1,031
Impaired loans on nonaccrual status	**41**	50	**551**	647	**592**	697

(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 December 31, 2011 and 2010. 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 December 31, 2011 and 2010.

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

Year ended December 31, (in millions)	Average impaired loans[b]		
	2011	2010	2009
Auto	**$ 92**	$ 120	$ 100
Business banking	**760**	682	396
Total other consumer[a]	**$ 852**	$ 802	$ 496

(a) There were no impaired student and other loans for the years ended 2011, 2010 and 2009.
(b) The related interest income on impaired loans, including those on a cash basis, was not material for the years ended 2011, 2010 and 2009.

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.

December 31, (in millions)	Auto		Business banking		Total other consumer[c]	
	2011	2010	**2011**	2010	**2011**	2010
Loans modified in troubled debt restructurings[a][b]	**$ 88**	$ 91	**$ 415**	$ 395	**$ 503**	$ 486
TDRs on nonaccrual status	**38**	39	**253**	268	**291**	307

(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 December 31, 2011 and 2010, were immaterial.
(c) There were no student and other loans modified in TDRs at December 31, 2011 and 2010.

TDR activity rollforward

The following table reconciles the beginning and ending balances of other consumer loans modified in TDRs for the period presented.

Year ended December 31, 2011 (in millions)	Auto	Business banking	Total other consumer
Beginning balance of TDRs	$ 91	$ 395	$ 486
New TDRs	54	195	249
Charge-offs	(5)	(11)	(16)
Foreclosures and other liquidations	–	(3)	(3)
Principal payments and other	(52)	(161)	(213)
Ending balance of TDRs	$ 88	$ 415	$ 503

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.

For the year ended December 31, 2011, the interest rates on auto loans modified in TDRs were reduced on average from 12.45% to 5.70%, and the interest rates on business banking loans modified in TDRs were reduced on average from 7.55% to 5.52%. For business banking loans, the weighted-average remaining term of all loans modified in TDRs during the year ended December 31, 2011, increased from 1.4 years to 2.6 years. For all periods presented, principal forgiveness related to auto loans was immaterial.

The balance of business banking loans modified in TDRs that experienced a payment default during the year ended December 31, 2011, and for which the payment default occurred within one year of the modification, was $80 million; 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, in any.

Purchased credit-impaired loans

PCI loans are initially recorded at fair value at acquisition; PCI loans acquired in the same fiscal quarter may be aggregated into one or more pools, provided that the loans have common risk characteristics. A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. With respect to the Washington Mutual transaction, all of the consumer loans were aggregated into pools of loans with common risk characteristics.

On a quarterly basis, JPMorgan Chase Bank, N.A. estimates the total cash flows (both principal and interest) expected to be collected over the remaining life of each pool. These estimates incorporate assumptions regarding default rates, loss severities, the amounts and timing of prepayments and other factors that reflect then-current market conditions. Probable decreases in expected cash flows (i.e., increased credit losses) trigger the recognition of impairment, which is then measured as the present value of the expected principal loss plus any related foregone interest cash flows, discounted at the pool's effective interest rate. Impairments are recognized through the provision for credit losses and an increase in the allowance for loan losses. Probable and significant increases in expected cash flows (e.g., decreased credit losses, the net benefit of modifications) would first reverse any previously recorded allowance for loan losses with any remaining increases recognized prospectively as a yield adjustment over the remaining estimated lives of the underlying loans. The impacts of (i) pre-payments, (ii) changes in variable interest rates, and (iii) any other changes in the timing of expected cash flows are recognized prospectively as adjustments to interest income. Disposals of loans – which may include sales of loans, receipt of payments in full by the borrower, or foreclosure – result in removal of the loans from the PCI portfolio.

JPMorgan Chase Bank, N.A. continues to modify certain PCI loans. The impact of these modifications is incorporated into JPMorgan Chase Bank, N.A.'s quarterly assessment of whether a probable and significant change in expected cash flows has occurred, and the loans continue to be accounted for and reported as PCI loans. In evaluating the effect of modifications on expected cash flows, JPMorgan Chase Bank, N.A. incorporates the effect of any foregone interest and also considers the potential for redefault. JPMorgan Chase Bank, N.A. develops product-specific probability of default estimates, which are used to compute expected credit losses. In developing these probabilities of default, JPMorgan Chase Bank, N.A. considers the relationship between the credit quality characteristics of the underlying loans and certain assumptions about home prices and unemployment based upon industry-wide data. JPMorgan Chase Bank, N.A. also considers its own historical loss experience to date based on actual redefaulted PCI modified loans.

The excess of cash flows expected to be collected over the carrying value of the underlying loans is referred to as the accretable yield. This amount is not reported on JPMorgan Chase Bank, N.A.'s Consolidated Balance Sheets but is accreted into interest income at a level rate of return over the remaining estimated lives of the underlying pools of loans.

If the timing and/or amounts of expected cash flows on PCI loans were determined not to be reasonably estimable, no interest would be accreted and the loans would be reported as nonaccrual loans; however, since the timing and amounts of expected cash flows for JPMorgan Chase Bank, N.A.'s PCI consumer loans are reasonably estimable, interest is being accreted and the loans are being reported as performing loans.

Charge-offs are not recorded on PCI loans until actual losses exceed the estimated losses that were recorded as purchase accounting adjustments at acquisition date. To date, no charge-offs have been recorded for these consumer loans.

The PCI portfolio affects JPMorgan Chase Bank, N.A.'s results of operations primarily through: (i) contribution to

net interest margin; (ii) expense related to defaults and servicing resulting from the liquidation of the loans; and (iii) any provision for loan losses. The PCI loans acquired in the Washington Mutual transaction were funded based on the interest rate characteristics of the loans. For example, variable-rate loans were funded with variable-rate liabilities and fixed-rate loans were funded with fixed-rate liabilities with a similar maturity profile. A net spread will be earned on the declining balance of the portfolio, which is estimated as of December 31, 2011, to have a remaining weighted-average life of 7.5 years.

Residential real estate – PCI loans

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

December 31, (in millions, except ratios)	Home equity		Prime mortgage		Subprime mortgage		Option ARMs		Total PCI	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Carrying value[a]	**$ 22,697**	$24,459	**$15,180**	$17,322	**$ 4,976**	$ 5,398	**$22,693**	$25,584	**$65,546**	$ 72,763
Related allowance for loan losses[b]	**1,908**	1,583	**1,929**	1,766	**380**	98	**1,494**	1,494	**5,711**	4,941
Loan delinquency (based on unpaid principal balance)										
Current and less than 30 days past due	**$ 22,682**	$25,783	**$12,148**	$13,035	**$ 4,388**	$ 4,312	**$17,919**	$18,672	**$57,137**	$ 61,802
30–149 days past due	**1,130**	1,348	**912**	1,468	**782**	1,020	**1,467**	2,215	**4,291**	6,051
150 or more days past due	**1,252**	1,181	**3,000**	4,425	**2,059**	2,710	**6,753**	9,904	**13,064**	18,220
Total loans	**$ 25,064**	$28,312	**$16,060**	$18,928	**$ 7,229**	$ 8,042	**$26,139**	$30,791	**$74,492**	$ 86,073
% of 30+ days past due to total loans	**9.50%**	8.93%	**24.36%**	31.13%	**39.30%**	46.38%	**31.45%**	39.36%	**23.30%**	28.20%
Current estimated LTV ratios (based on unpaid principal balance)[c][d][e]										
Greater than 125% and refreshed FICO scores:										
Equal to or greater than 660	**$ 5,915**	$ 6,289	**$ 2,313**	$ 2,400	**$ 473**	$ 432	**$ 2,509**	$ 2,681	**$11,210**	$ 11,802
Less than 660	**3,299**	4,043	**2,319**	2,744	**1,939**	2,129	**4,608**	6,330	**12,165**	15,246
101% to 125% and refreshed FICO scores:										
Equal to or greater than 660	**5,393**	6,053	**3,328**	3,815	**434**	424	**3,959**	4,292	**13,114**	14,584
Less than 660	**2,304**	2,696	**2,314**	3,011	**1,510**	1,663	**3,884**	5,005	**10,012**	12,375
80% to 100% and refreshed FICO scores:										
Equal to or greater than 660	**3,482**	3,995	**1,629**	1,970	**372**	374	**3,740**	4,152	**9,223**	10,491
Less than 660	**1,264**	1,482	**1,457**	1,857	**1,197**	1,477	**3,035**	3,551	**6,953**	8,367
Lower than 80% and refreshed FICO scores:										
Equal to or greater than 660	**2,409**	2,641	**1,276**	1,443	**198**	186	**2,189**	2,281	**6,072**	6,551
Less than 660	**998**	1,113	**1,424**	1,688	**1,106**	1,357	**2,215**	2,499	**5,743**	6,657
Total unpaid principal balance	**$ 25,064**	$28,312	**$16,060**	$18,928	**$ 7,229**	$ 8,042	**$26,139**	$30,791	**$74,492**	$ 86,073
Geographic region (based on unpaid principal balance)										
California	**$ 15,091**	$17,012	**$ 9,121**	$10,891	**$ 1,661**	$ 1,971	**$13,565**	$16,130	**$39,438**	$ 46,004
New York	**1,179**	1,316	**1,018**	1,111	**709**	736	**1,548**	1,703	**4,454**	4,866
Florida	**2,307**	2,595	**1,265**	1,519	**812**	906	**3,201**	3,916	**7,585**	8,936
Illinois	**558**	627	**511**	562	**411**	438	**702**	760	**2,182**	2,387
Texas	**455**	525	**168**	194	**405**	435	**140**	155	**1,168**	1,309
New Jersey	**471**	540	**445**	486	**297**	316	**969**	1,064	**2,182**	2,406
Arizona	**468**	539	**254**	359	**126**	165	**362**	528	**1,210**	1,591
Washington	**1,368**	1,535	**388**	451	**160**	178	**649**	745	**2,565**	2,909
Ohio	**32**	38	**79**	91	**114**	122	**111**	131	**336**	382
Michigan	**81**	95	**239**	279	**187**	214	**268**	345	**775**	933
All other	**3,054**	3,490	**2,572**	2,985	**2,347**	2,561	**4,624**	5,314	**12,597**	14,350
Total unpaid principal balance	**$ 25,064**	$28,312	**$16,060**	$18,928	**$ 7,229**	$ 8,042	**$26,139**	$30,791	**$74,492**	$ 86,073

(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 represent each borrower's most recent credit score obtained by JPMorgan Chase Bank, N.A. JPMorgan Chase Bank, N.A. obtains refreshed FICO scores at least quarterly.

(e) For home equity loans, prior-period amounts have been revised to conform with the current-period presentation.

Approximately 20% of the PCI home equity portfolio are senior lien loans; the remaining balance are junior lien HELOANs or HELOCs. The following table represents delinquency statistics for PCI junior lien home equity loans based on unpaid principal balance as of December 31, 2011 and 2010.

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%**

December 31, 2010 (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]	$ 601	$ 404	$ 428	$ 21,172	6.77%
Within the required amortization period[c]	1	–	1	37	5.41
HELOANs	79	49	46	1,573	11.06
Total	$ 681	$ 453	$ 475	$ 22,782	7.06%

(a) In general, HELOCs are open-ended, 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 years ended December 31, 2011, 2010 and 2009, 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.

Year ended December 31, (in millions, except ratios)	Total PCI		
	2011	2010	2009
Beginning balance	**$ 19,097**	$ 25,544	$ 32,619
Accretion into interest income	**(2,767)**	(3,232)	(4,363)
Changes in interest rates on variable-rate loans	**(573)**	(819)	(4,849)
Other changes in expected cash flows[a]	**3,315**	(2,396)	2,137
Balance at December 31	**$ 19,072**	$ 19,097	$ 25,544
Accretable yield percentage	**4.33%**	4.35%	5.14%

(a) Other changes in expected cash flows may vary from period to period as JPMorgan Chase Bank, N.A. continues to refine its cash flow model and periodically updates model assumptions. For the year ended December 31, 2011, other changes in expected cash flows were largely driven by the impact of modifications, but also related to changes in prepayment assumptions. For the years ended December 31, 2010 and 2009, other changes in expected cash flows were principally driven by changes in prepayment assumptions, as well as reclassification to the nonaccretable difference. Changes to prepayment assumptions change the expected remaining life of the portfolio, which drives changes in expected future interest cash collections. Such changes do not have a significant impact on the accretable yield percentage.

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 17 on pages 80-92 of these Consolidated Financial Statements.

Delinquency rates are the primary credit quality indicator for credit card loans as they provide an early warning that borrowers may be experiencing difficulties (30-days past due), as well as information on those borrowers that have been delinquent for a longer period of time (90-days past due). In addition to delinquency rates, the geographic distribution of the loans provides insight as to the credit quality of the portfolio based on the regional economy.

The borrower's credit score is another general indicator of credit quality. Because the borrower's credit score tends to be a lagging indicator of credit quality, JPMorgan Chase Bank, N.A. does not use credit scores as a primary indicator of credit quality. However, the distribution of such scores provides a general indicator of credit quality trends within the portfolio. Refreshed FICO score information for a statistically significant random sample of the credit card portfolio is indicated in the table below, as FICO is considered to be the industry benchmark for credit scores.

JPMorgan Chase Bank, N.A. generally originates new card accounts to prime consumer borrowers. However, certain cardholders' refreshed 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.

As of or for the year ended December 31, (in millions, except ratios)	Credit card[b]	
	2011	2010
Net charge-offs	$ 1,209	$ 1,643
% of net charge-offs to retained loans	4.74%	9.44%
Loan delinquency		
Current and less than 30 days past due and still accruing	**$ 28,268**	$ 20,825
30–89 days past due and still accruing	**379**	397
90 or more days past due and still accruing	**369**	443
Nonaccrual loans	**—**	—
Total retained loans	**$ 29,016**	$ 21,665
Loan delinquency ratios		
% of 30+ days past due to total retained loans	**2.58%**	3.88%
% of 90+ days past due to total retained loans	**1.27**	2.04
Credit card loans by geographic region		
California	**$ 3,454**	$ 2,455
New York	**2,158**	1,530
Texas	**2,133**	1,481
Florida	**1,498**	1,116
Illinois	**1,580**	1,110
New Jersey	**1,154**	792
Ohio	**1,091**	807
Pennsylvania	**980**	722
Michigan	**841**	623
Virginia	**645**	464
Colorado	**647**	457
All other U.S. states	**10,211**	7,400
Canada	**2,624**	2,708
Total retained loans	**$ 29,016**	$ 21,665
Percentage of portfolio based on carrying value with estimated refreshed FICO scores[a]		
Equal to or greater than 660	**83.3%**	80.6%
Less than 660	**16.7**	19.4

(a) Refreshed FICO scores are estimated based on a statistically significant random sample of credit card accounts in the credit card portfolio for the period shown. JPMorgan Chase Bank, N.A. obtains refreshed FICO scores at least quarterly.
(b) Includes billed finance charges and fees net of an allowance for uncollectible amounts.

Credit card impaired loans and loan modifications

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.

December 31, (in millions)	Credit card 2011	2010
Impaired loans with an allowance[a][b]		
Credit card loans with modified payment terms[c]	$ **1,066**	$ 1,195
Modified credit card loans that have reverted to pre-modification payment terms[d]	**209**	267
Total impaired loans	$ **1,275**	$ 1,462
Allowance for loan losses related to impaired loans	$ **478**	$ 571

(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 December 31, 2011 and 2010, $137 million and $167 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 $72 million and $100 million at December 31, 2011 and 2010, 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.

Year ended December 31, (in millions)	2011	2010	2009
Average impaired loans	$ **1,439**	$ 1,117	$ 1,017
Interest income on impaired loans	**90**	61	60

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 a more fundamental level of 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 tables provide information regarding the nature and extent of modifications of credit card loans for the period presented.

Year ended December 31, 2011 (in millions)	Credit card Short-term programs	Long-term programs
New enrollments	$ 29	$ 430

Financial effects of modifications and redefaults

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

Year ended December 31, 2011 (in millions, except weighted-average data)	Credit card
Weighted-average interest rate of loans – before TDR	14.91%
Weighted-average interest rate of loans – after TDR	5.04
Loans that redefaulted within one year of modification[a]	$ 116

(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 are expected to be charged-off in accordance with JPMorgan Chase Bank, N.A.'s standard charge-off policy. Also based on historical experience, the estimated weighted-average ultimate default rate for modified credit card loans was 35.85% at December 31, 2011, and 36.43% at December 31, 2010.

Note 16 – Allowance for credit losses

JPMorgan Chase Bank, N.A.'s allowance for loan losses covers the wholesale and consumer, including credit card, loan portfolios, and represents management's estimate of probable credit losses inherent in JPMorgan Chase Bank, N.A.'s loan portfolio. The allowance for loan losses includes an asset-specific component, a formula-based component and a component related to PCI loans, as described below. Management also estimates an allowance for wholesale and consumer lending-related commitments using methodologies similar to those used to estimate the allowance on the underlying loans. During 2011, JPMorgan Chase Bank, N.A. did not make any significant changes to the methodologies or policies used to determine its allowance for credit losses; such policies are described in the following paragraphs.

The asset-specific component of the allowance relates to loans considered to be impaired, which includes loans that have been modified in TDRs as well as risk-rated loans that have been placed on nonaccrual status. To determine the asset-specific component of the allowance, larger loans are evaluated individually, while smaller loans are evaluated as pools using historical loss experience for the respective class of assets. Risk-rated loans (primarily wholesale loans) are segmented by risk rating, while scored loans (i.e., consumer loans) are pooled by product type.

JPMorgan Chase Bank, N.A. generally measures the asset-specific allowance as the difference between the recorded investment in the loan and the present value of the cash flows expected to be collected, discounted at the loan's original effective interest rate. Subsequent changes in impairment are reported as an adjustment to the provision for loan losses. In certain cases, the asset-specific allowance is determined using an observable market price, and the allowance is measured as the difference between the recorded investment in the loan and the loan's fair value. Impaired collateral-dependent loans are charged down to the fair value of collateral less costs to sell and therefore may not be subject to an asset-specific reserve as for other impaired loans. See Note 15 on pages 55–75 of these Consolidated Financial Statements for more information about charge-offs and collateral-dependent loans.

The asset-specific component of the allowance for impaired loans that have been modified in TDRs incorporates the effects of foregone interest, if any, in the present value calculation and also incorporates the effect of the modification on the loan's expected cash flows, which considers the potential for redefault. For wholesale loans modified in TDRs, expected losses incorporate redefaults based on management's expectation of the borrower's ability to repay under the modified terms. For residential real estate loans modified in TDRs, JPMorgan Chase Bank, N.A. develops product-specific probability of default estimates, which are applied at a loan level to compute expected losses. In developing these probabilities of default, JPMorgan Chase Bank, N.A. considers the relationship between the credit quality characteristics of the underlying loans and certain assumptions about home prices and unemployment, based upon industry-wide data. JPMorgan Chase Bank, N.A. also considers its own historical loss experience to date based on actual redefaulted modified loans. For credit card loans modified in TDRs, expected losses incorporate projected redefaults based on JPMorgan Chase Bank, N.A.'s historical experience by type of modification program.

The formula-based component is based on a statistical calculation to provide for probable principal losses inherent in performing risk-rated loans and all consumer loans, except for any loans restructured in TDRs and PCI loans. See Note 15 on pages 55–75 of these Consolidated Financial Statements for more information on PCI loans.

For risk-rated loans, the statistical calculation is the product of an estimated probability of default ("PD") and an estimated loss given default ("LGD"). These factors are differentiated by risk rating and expected maturity. In assessing the risk rating of a particular loan, among the factors considered are the obligor's debt capacity and financial flexibility, the level of the obligor's earnings, the amount and sources for repayment, the level and nature of contingencies, management strength, and the industry and geography in which the obligor operates. These factors are based on an evaluation of historical and current information, and involve subjective assessment and interpretation. Emphasizing one factor over another or considering additional factors could impact the risk rating assigned by JPMorgan Chase Bank, N.A. to that loan. PD estimates are based on observable external through-the-cycle data, using credit-rating agency default statistics. LGD estimates are based on JPMorgan Chase Bank, N.A.'s history of actual credit losses over more than one credit cycle.

For scored loans, the statistical calculation is performed on pools of loans with similar risk characteristics (e.g., product type) and generally computed by applying expected loss factors to outstanding principal balances over an estimated loss emergence period. The loss emergence period represents the time period between the date at which the loss is estimated to have been incurred and the ultimate realization of that loss (through a charge-off). Estimated loss emergence periods may vary by product and may change over time; management applies judgment in estimating loss emergence periods, using available credit information and trends.

Loss factors are statistically derived and sensitive to changes in delinquency status, credit scores, collateral values and other risk factors. JPMorgan Chase Bank, N.A. uses a number of different forecasting models to estimate both the PD and the loss severity, including delinquency roll rate models and credit loss severity models. In developing PD and loss severity assumptions, JPMorgan Chase Bank, N.A. also considers known and anticipated changes in the economic environment, including changes in home prices, unemployment rates and other risk indicators.

A nationally recognized home price index measure is used to estimate both the PD and the loss severity on residential real estate loans at the metropolitan statistical areas ("MSA") level. Loss severity estimates are regularly validated by comparison to actual losses recognized on defaulted loans, market-specific real estate appraisals and property sales activity. The economic impact of potential modifications of residential real estate loans is not included in the statistical calculation because of the uncertainty regarding the type and results of such modifications.

Management applies judgment within an established framework to adjust the results of applying the statistical calculation described above. The determination of the appropriate adjustment is based on management's view of uncertainties that have occurred but that are not yet reflected in the loss factors and that relate to current macroeconomic and political conditions, the quality of underwriting standards and other relevant internal and external factors affecting the credit quality of the portfolio. In addition, for the risk-rated portfolios, any adjustments made to the statistical calculation also consider concentrated and deteriorating industries. For the scored loan portfolios, adjustments to the statistical calculation are accomplished in part by analyzing the historical loss experience for each major product segment. Factors related to unemployment, home prices, borrower behavior and lien position, the estimated effects of the mortgage foreclosure-related settlement with federal and state officials and uncertainties regarding the ultimate success of loan modifications are incorporated into the calculation, as appropriate. For junior lien products, management considers the delinquency and/or modification status of any senior liens in determining the adjustment.

Management establishes an asset-specific allowance for lending-related commitments that are considered impaired and computes a formula-based allowance for performing wholesale and consumer lending-related commitments. These are computed using a methodology similar to that used for the wholesale loan portfolio, modified for expected maturities and probabilities of drawdown.

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the loan portfolio, in light of the factors then prevailing, may result in significant changes in the allowances for loan losses and lending-related commitments in future periods.

At least quarterly, the allowance for credit losses is reviewed by the Chief Risk Officer, the Chief Financial Officer and the Controller of JPMorgan Chase and discussed with the Risk Policy and Audit Committees of the Board of Directors of JPMorgan Chase. As of December 31, 2011, JPMorgan Chase Bank, N.A. deemed the allowance for credit losses to be appropriate (i.e., sufficient to absorb probable credit losses that are inherent in the portfolio).

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.

	2011			
Year ended December 31, (in millions)	Wholesale	Consumer, excluding credit card	Credit card	Total
Allowance for loan losses				
Beginning balance at January 1,	$ 4,670	$ 16,199	$ 1,566	$ 22,435
Cumulative effect of change in accounting principles[(a)]	–	–	–	–
Gross charge-offs	863	5,188	1,433	7,484
Gross recoveries	(443)	(506)	(224)	(1,173)
Net charge-offs	420	4,682	1,209	6,311
Provision for loan losses	(11)	4,376	1,014	5,379
Other	(21)	25	–	4
Ending balance at December 31,	$ 4,218	$ 15,918	$ 1,371	$ 21,507
Allowance for loan losses by impairment methodology				
Asset-specific[(b)]	$ 511	$ 802	$ 478	$ 1,791
Formula-based	3,707	9,405	893	14,005
PCI	–	5,711	–	5,711
Total allowance for loan losses	$ 4,218	$ 15,918	$ 1,371	$ 21,507
Loans by impairment methodology				
Asset-specific	$ 2,527	$ 8,869	$ 1,275	$ 12,671
Formula-based	274,606	216,543	27,741	518,890
PCI	21	65,546	–	65,567
Total retained loans	$ 277,154	$ 290,958	$ 29,016	$ 597,128
Impaired collateral-dependent loans				
Net charge-offs[(c)]	$ 126	$ 98	$ –	$ 224
Loans measured at fair value of collateral less cost to sell[(c)]	826	762 [(d)]	–	1,588
Allowance for lending-related commitments				
Beginning balance at January 1,	$ 685	$ 6	$ –	$ 691
Cumulative effect of change in accounting principles[(a)]	–	–	–	–
Provision for lending-related commitments	(37)	2	–	(35)
Other	(3)	(1)	–	(4)
Ending balance at December 31,	$ 645	$ 7	$ –	$ 652
Allowance for lending-related commitments by impairment methodology				
Asset-specific	$ 150	$ –	$ –	$ 150
Formula-based	495	7	–	502
Total allowance for lending-related commitments	$ 645	$ 7	$ –	$ 652
Lending-related commitments by impairment methodology				
Asset-specific	$ 856	$ –	$ –	$ 856
Formula-based	379,907	57,218	27,586	464,711
Total lending-related commitments	$ 380,763	$ 57,218	$ 27,586	$ 465,567

(a) Effective January 1, 2010, JPMorgan Chase Bank, N.A. adopted accounting guidance related to VIEs. Upon adoption of the guidance, JPMorgan Chase Bank, N.A. consolidated its-sponsored credit card securitization trust, its-administered multi-seller conduits and certain other consumer loan securitization entities, primarily mortgage-related. As a result, $65 million, $14 million and $76 million, respectively, of allowance for loan losses were recorded on-balance sheet with the consolidation of these entities. For further discussion, see Note 17 on pages 80–92 of these Consolidated Financial Statements.
(b) Includes risk-rated loans that have been placed on nonaccrual status and loans that have been modified in a TDR.
(c) Prior periods have been revised to conform with the current presentation.
(d) Includes collateral-dependent residential mortgage loans that are charged off to the fair value of the underlying collateral less cost to sell. These loans are considered collateral-dependent under regulatory guidance because they involve modifications where an interest-only period is provided or a significant portion of principal is deferred.

(table continued from previous page)

2010				2009			
Wholesale	Consumer, excluding credit card	Credit card	Total	Wholesale	Consumer, excluding credit card	Credit card	Total
$ 7,137	$ 14,663	$ 1,966	$ 23,766	$ 6,419	$ 8,927	$ 1,807	$ 17,153
14	76	65	155	–	–	–	–
1,984	8,213	1,818	12,015	3,075	10,377	2,851	16,303
(261)	(463)	(175)	(899)	(90)	(300)	(181)	(571)
1,723	7,750	1,643	11,116	2,985	10,077	2,670	15,732
(761)	9,200	1,172	9,611	3,660	15,793	2,980	22,433
3	10	6	19	43	20	(151)	(88)
$ 4,670	$ 16,199	$ 1,566	$ 22,435	$ 7,137	$ 14,663	$ 1,966	$ 23,766
$ 1,569	$ 1,043	$ 571	$ 3,183	$ 2,033	$ 892	$ 708	$ 3,633
3,101	10,215	995	14,311	5,104	12,190	1,258	18,552
–	4,941	–	4,941	–	1,581	–	1,581
$ 4,670	$ 16,199	$ 1,566	$ 22,435	$ 7,137	$ 14,663	$ 1,966	$ 23,766
$ 5,448	$ 5,997	$ 1,462	$ 12,907	$ 6,829	$ 3,605	$ 1,503	$ 11,937
214,337	228,425	20,203	462,965	189,851	253,406	16,489	459,746
44	72,763	–	72,807	135	81,245	–	81,380
$ 219,829	$ 307,185	$ 21,665	$ 548,679	$ 196,815	$ 338,256	$ 17,992	$ 553,063
$ 633	$ 285	$ –	$ 918	$ 1,394	$ 166	$ –	$ 1,560
1,267	830 [d]	–	2,097	1,744	186 [d]	–	1,930
$ 923	$ 12	$ –	$ 935	$ 631	$ 25	$ –	$ 656
(18)	–	–	(18)	–	–	–	–
(199)	(6)	–	(205)	289	(10)	–	279
(21)	–	–	(21)	3	(3)	–	–
$ 685	$ 6	$ –	$ 691	$ 923	$ 12	$ –	$ 935
$ 180	$ –	$ –	$ 180	$ 297	$ –	$ –	$ 297
505	6	–	511	626	12	–	638
$ 685	$ 6	$ –	$ 691	$ 923	$ 12	$ –	$ 935
$ 1,071	$ –	$ –	$ 1,071	$ 1,556	$ –	$ –	$ 1,556
343,710	59,838	19,506	423,054	343,441	74,827	19,675	437,943
$ 344,781	$ 59,838	$ 19,506	$ 424,125	$ 344,997	$ 74,827	$ 19,675	$ 439,499

Note 17 - Variable interest entities

For a further description of JPMorgan Chase Bank, N.A.'s accounting policies regarding consolidation of VIEs, see Note 1 on pages 6-8 of these Consolidated Financial Statements.

The following table summarizes the most significant types of JPMorgan Chase Bank, N.A.-sponsored VIEs by each JPMorgan Chase Bank, N.A. business. JPMorgan Chase Bank, N.A. considers a "sponsored" VIE to include any entity where: (1) JPMorgan Chase Bank, N.A. is the principal beneficiary of the structure; (2) the VIE is used by JPMorgan Chase Bank, N.A. to securitize JPMorgan Chase Bank, N.A. assets; (3) the VIE issues financial instruments with the JPMorgan Chase Bank, N.A. name; or (4) the entity is a JPMorgan Chase Bank, N.A.-administered asset-backed commercial paper conduit.

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	81-82
Investment banking	Mortgage and other securitization trusts	Securitization of both originated and purchased residential and commercial mortgages, automobile and student loans	81-82
	Multi-seller conduits	Assisting clients in accessing the financial markets in a cost-efficient manner and structures transactions to meet investor needs	83-84
	Investor intermediation activities:		
	Municipal bond vehicles		84-85
	Credit-linked note vehicles and asset swap vehicles		85-86
Card services	Credit card securitization trust	Securitization of both originated and purchased credit card receivables	82-83

JPMorgan Chase Bank, N.A.'s other businesses are also involved with VIEs, but to a lesser extent, as follows:

- Asset management business: Sponsors and manages certain funds that are deemed VIEs. As asset manager of the funds, the asset management business earns a fee based on assets managed; the fee varies with each fund's investment objective and is competitively priced. For fund entities that qualify as VIEs, the asset management business's interests are not considered to be significant variable interests, and therefore, the financial results of these entities are not consolidated by JPMorgan Chase Bank, N.A.
- Treasury and securities services business: Provides services to a number of VIEs that are similar to those provided to non-VIEs. The treasury and securities services business earns market-based fees for the services it provides. The treasury and securities services business's interests are generally not considered to be potentially significant variable interests and/or treasury and securities services business does not control these VIEs, and therefore, the financial results of these entities are not consolidated by JPMorgan Chase Bank, N.A.
- Commercial banking business: The commercial banking business makes investments in and provides lending to community development entities that may meet the definition of a VIE. In addition, the commercial banking business provides financing and lending-related services to certain client-sponsored VIEs. In general, the commercial banking business does not control the activities of these entities, and therefore, the financial results of these entities are not consolidated by JPMorgan Chase Bank, N.A.
- Corporate business: The corporate business uses VIEs to issue guaranteed capital debt securities. See Note 21 on pages 97–98 of these Consolidated Financial Statements for further information.

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 this Note.

JPMorgan Chase Bank, N.A.-sponsored mortgage and other securitization trusts

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 retail financial 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 interests in the securitization trusts.

Effective January 1, 2010, JPMorgan Chase Bank, N.A. consolidated certain mortgage securitization trusts (both residential and commercial) and JPMorgan Chase Bank, N.A.-sponsored automobile and student loan trusts as a result of the implementation of VIE consolidation accounting guidance. See the table on page 87 of this Note for information on the consolidation of VIEs. The consolidation determination was based on JPMorgan Chase Bank, N.A.'s ability to direct the activities of these VIEs through its servicing responsibilities and duties, including making decisions related to loan modifications and workouts. Additionally, the nature and extent of JPMorgan Chase Bank, N.A.'s continuing economic involvement with these trusts obligates it to absorb losses and gives it the right to receive benefits from the VIEs that could potentially be significant.

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. and those that are not 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 pages 88–89 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]		
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]	**$ 68.2**	**$ 0.7**	**$ 63.8**	**$ 0.2**	**$ –**	**$ 0.2**
Subprime	**26.3**	**0.1**	**25.0**	**–**	**–**	**–**
Option ARMs	**31.1**	**–**	**31.1**	**–**	**–**	**–**
Commercial and other[c]	**89.6**	**–**	**66.6**	**–**	**1.5**	**1.5**
Student	**4.1**	**4.1**	**–**	**–**	**–**	**–**
Total	**$ 219.3**	**$ 4.9**	**$ 186.5**	**$ 0.2**	**$ 1.5**	**$ 1.7**

	Principal amount outstanding			JPMorgan Chase Bank, N.A. interest in securitized assets in nonconsolidated VIEs[d][e]		
December 31, 2010[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]	$ 85.0	$ 1.3	$ 83.5	$ 0.2	$ –	$ 0.2
Subprime	29.6	–	28.2	–	–	–
Option ARMs	36.1	0.3	35.8	–	–	–
Commercial and other[c]	104.6	–	84.4	–	0.7	0.7
Student	4.5	4.5	–	–	–	–
Total	$ 259.8	$ 6.1	$ 231.9	$ 0.2	$ 0.7	$ 0.9

(a) Excludes U.S. government agency securitizations. See page 90 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 Bank, 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 18 on pages 92–95 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 7 on pages 28–37 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 December 31, 2011 and December 31, 2010, respectively.
(e) As of December 31, 2011 and 2010, 89% and 91%, 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 $106 million and $107 million of investment-grade and $45 million and $59 million of noninvestment-grade retained interests at December 31, 2011 and 2010, respectively. The retained interests in commercial and other securitizations trusts consisted of $1.6 billion and $674 million of investment-grade and $5 million and $15 million of noninvestment-grade retained interests at December 31, 2011 and 2010, respectively.

Residential mortgage
JPMorgan Chase Bank, N.A. securitizes residential mortgage loans originated by the retail financial services business, as well as residential mortgage loans purchased from third parties by either the retail financial services business or the investment banking business. The retail financial services business generally retains servicing for all residential mortgage loans it originated or purchased, and for certain mortgage loans purchased by the investment banking business. For securitizations serviced by the retail financial services business, JPMorgan Chase Bank, N.A. has the power to direct the significant activities of the VIE because it is responsible for decisions related to loan modifications and workouts. The retail financial services business may retain an interest upon securitization.

In addition, the investment banking business engages in underwriting and trading activities involving securities issued by JPMorgan Chase Bank, N.A.-sponsored securitization trusts. As a result, the investment banking business at times retains senior and/or subordinated interests (including residual interests) in residential mortgage securitizations upon securitization, and/or reacquires positions in the secondary market in the normal course of business. In certain instances, as a result of the positions retained or reacquired by the investment banking business or held by the retail financial services business, when considered together with the servicing arrangements entered into by the retail financial services business, JPMorgan Chase Bank, N.A. is deemed to be the primary beneficiary of certain securitization trusts. See the table on page 87 of this Note for more information on the consolidated residential mortgage securitizations.

JPMorgan Chase Bank, N.A. does not consolidate a mortgage securitization (JPMorgan Chase Bank, N.A.-sponsored or third-party-sponsored) when it is not the servicer (and therefore does not have the power to direct the most significant activities of the trust) or does not hold a beneficial interest in the trust that could potentially be significant to the trust. At December 31, 2011 and 2010, JPMorgan Chase Bank, N.A. did not consolidate the assets of certain JPMorgan Chase Bank, N.A.-sponsored residential mortgage securitization VIEs, in which JPMorgan Chase Bank, N.A. had continuing involvement, primarily due to the fact that JPMorgan Chase Bank, N.A. did not hold an interest in these trusts that could potentially be significant to the trusts. See the table on page 81 of this Note for further information on interests held in nonconsolidated securitizations.

Commercial mortgages and other consumer securitizations
The investment banking business originates and securitizes commercial mortgage loans, and engages in underwriting and trading activities involving the securities issued by securitization trusts. The investment banking business may retain unsold senior and/or subordinated interests in commercial mortgage securitizations at the time of securitization but, generally, JPMorgan Chase Bank, N.A. does not service commercial loan securitizations. For commercial mortgage securitizations the power to direct the significant activities of the VIE generally is held by the servicer or investors in a specified class of securities ("controlling class"). See the table on page 87 of this Note for more information on the consolidated commercial mortgage securitizations, and the table on page 81 of this Note for further information on interests held in nonconsolidated securitizations.

JPMorgan Chase Bank, N.A. also securitizes automobile and student loans. JPMorgan Chase Bank, N.A. retains servicing responsibilities for all originated and certain purchased student and automobile loans and has the power to direct the activities of these VIEs through these servicing responsibilities. See the table on page 87 of this Note for more information on the consolidated student loan securitizations, and the table on page 81 of this Note for further information on interests held in nonconsolidated securitizations.

Credit card securitizations
Consolidation of JPMorgan Chase Bank, N.A.-sponsored credit card securitization trust
JPMorgan Chase Bank, N.A. securitizes originated and purchased credit card loans in a JPMorgan Chase Bank, N.A.-sponsored entity. JPMorgan Chase Bank, N.A.'s primary continuing involvement after securitization includes servicing the receivables, retaining an undivided seller's interest in the receivables and maintaining escrow accounts.

Effective January 1, 2010, JPMorgan Chase Bank, N.A. was

deemed to be the primary beneficiary of the SCORE trust, a JPMorgan Chase Bank, N.A.-sponsored credit card securitization trust, and consolidated the assets and liabilities of the trust. The primary beneficiary determination was based on JPMorgan Chase Bank, N.A.'s ability to direct the activities of the VIE through its servicing responsibilities and other duties, including making decisions as to the receivables that are transferred into the trust and as to any related modifications and workouts. Additionally, the nature and extent of JPMorgan Chase Bank, N.A.'s other continuing involvement with the trust, including the retention of an undivided seller's interest in the receivables and the maintenance of escrow accounts, obligates JPMorgan Chase Bank, N.A. to absorb losses and gives it the right to receive certain benefits from the VIE that could potentially be significant.

The underlying securitized credit card receivables and other assets are available only for payment of the beneficial interests issued by the SCORE trust; they are not available to pay JPMorgan Chase Bank, N.A.'s other obligations or the claims of JPMorgan Chase Bank, N.A.'s other creditors.

The agreement with the SCORE trust requires JPMorgan Chase Bank, N.A. to maintain a minimum undivided interest in the receivables transferred to the trust of 12%. As of December 31, 2011 and 2010, JPMorgan Chase Bank, N.A. held an undivided interest in the SCORE trust of $90 million and $121 million, respectively, which was eliminated in consolidation. The credit card receivables in the SCORE trust underlying this undivided interest are classified within loans. JPMorgan Chase Bank, N.A. did not retain any senior and subordinated securities from the SCORE trust as of December 31, 2011 and 2010.

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 were consolidated by an affiliate at January 1, 2010, due to the change in the consolidation accounting guidance.

Retained interests in nonconsolidated credit card securitizations sponsored by an affiliate
At December 31, 2011 and 2010, JPMorgan Chase Bank, N.A. had $5.6 billion and $6.9 billion, respectively, related to its undivided interests in the Trusts. These undivided interests are measured at fair value and classified in other assets. JPMorgan Chase Bank, N.A. also retains senior and subordinated securities issued from the Trusts. The retained securities totaled $655 million at December 31, 2011, all of which was classified as AFS securities, and $1.4 billion at December 31, 2010, of which $1.3 billion was classified as AFS securities and $105 million as trading assets.

Multi-seller conduits
Multi-seller conduit entities are separate bankruptcy remote entities that purchase interests in, and make loans secured by, pools of receivables and other financial assets pursuant to agreements with customers of JPMorgan Chase Bank, N.A. The conduits fund their purchases and loans through the issuance of highly rated commercial paper. The primary source of repayment of the commercial paper is the cash flows from the pools of assets. In most instances, the assets are structured with deal-specific credit enhancements provided to the conduits by the customers (i.e., sellers) or other third parties. Deal-specific credit enhancements are generally structured to cover a multiple of historical losses expected on the pool of assets, and are typically in the form of overcollateralization provided by the seller. The deal-specific credit enhancements mitigate JPMorgan Chase Bank, N.A.'s potential losses on its agreements with the conduits.

To ensure timely repayment of the commercial paper, each asset pool financed by the conduits has a minimum 100% deal-specific liquidity facility associated with it provided by JPMorgan Chase Bank, N.A. JPMorgan Chase Bank, N.A., also provides the multi-seller conduit vehicles with uncommitted program-wide liquidity facilities and program-wide credit enhancement in the form of standby letters of credit. The amount of program-wide credit enhancement required varies by conduit and ranges between 5% and 10% of the commercial paper that is outstanding.

JPMorgan Chase Bank, N.A. consolidates its JPMorgan Chase Bank, N.A.-administered multi-seller conduits, as JPMorgan Chase Bank, N.A. has both the power to direct the significant activities of the conduits and a potentially significant economic interest in the conduits. As administrative agent and in its role in structuring transactions, JPMorgan Chase Bank, N.A. makes decisions regarding asset types and credit quality, and manages the commercial paper funding needs of the conduits. JPMorgan Chase Bank, N.A.'s interests that could potentially be significant to the VIEs include the fees received as administrative agent and liquidity and program-wide credit enhancement provider, as well as the potential exposure to the liquidity and credit enhancement facilities provided to the conduits. See page 87 of this Note for further information on consolidated VIE assets and liabilities.

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 $11.3 billion of the commercial paper issued by JPMorgan Chase Bank, N.A.-administered multi-seller conduits at December 31, 2011, which was eliminated in consolidation. JPMorgan Chase Bank, N.A. did not hold commercial paper issued by JPMorgan Chase Bank, N.A.-administered multi-seller conduits at December 31, 2010. JPMorgan Chase Bank, N.A.'s investments were not driven by market illiquidity, and JPMorgan Chase Bank, N.A. is not

obligated under any agreement to purchase the commercial paper issued by JPMorgan Chase Bank, N.A.-administered multi-seller conduits.

Deal-specific liquidity facilities, program-wide liquidity and credit enhancement provided by JPMorgan Chase Bank, N.A. have been eliminated in consolidation. JPMorgan Chase Bank, N.A. provides lending-related commitments to certain clients of JPMorgan Chase Bank, N.A.-administered multi-seller conduits. The unfunded portion of these commitments was $10.8 billion and $10.0 billion at December 31, 2011 and 2010 respectively, which are reported as off-balance sheet lending-related commitments. For more information on off-balance sheet lending-related commitments, see Note 27 on pages 106–111 of these Consolidated Financial Statements.

VIEs associated with investor intermediation activities

As a financial intermediary, JPMorgan Chase Bank, N.A. creates certain types of VIEs and also structures transactions with these VIEs, typically using derivatives, to meet investor needs. JPMorgan Chase Bank, N.A. may also provide liquidity and other support. The risks inherent in the derivative instruments or liquidity commitments are managed similarly to other credit, market or liquidity risks to which JPMorgan Chase Bank, N.A. is exposed. The principal types of VIEs for which JPMorgan Chase Bank, N.A. is engaged in on behalf of clients are municipal bond vehicles, credit-related note vehicles and asset swap vehicles.

Municipal bond vehicles

JPMorgan Chase Bank, N.A. has created a series of trusts that provide short-term investors with qualifying tax-exempt investments, and that allow investors in tax-exempt securities to finance their investments at short-term tax-exempt rates. In a typical transaction, the vehicle purchases fixed-rate longer-term highly rated municipal bonds and funds the purchase by issuing two types of securities: (1) puttable floating-rate certificates and (2) inverse floating-rate residual interests ("residual interests"). The maturity of each of the puttable floating-rate certificates and the residual interests is equal to the life of the vehicle, while the maturity of the underlying municipal bonds is typically longer. Holders of the puttable floating-rate certificates may "put," or tender, the certificates if the remarketing agent cannot successfully remarket the floating-rate certificates to another investor. A liquidity facility conditionally obligates the liquidity provider to fund the purchase of the tendered floating-rate certificates. Upon termination of the vehicle, proceeds from the sale of the underlying municipal bonds would first repay any funded liquidity facility or outstanding floating-rate certificates and the remaining amount, if any, would be paid to the residual interests. If the proceeds from the sale of the underlying municipal bonds are not sufficient to repay the liquidity facility, in certain transactions the liquidity provider has recourse to the residual interest holders for reimbursement. Certain residual interest holders may be required to post collateral with JPMorgan Chase Bank, N.A., as liquidity provider, to support such reimbursement obligations should the market value of the municipal bonds decline.

JPMorgan Chase Bank, N.A. often serves as the sole liquidity provider of the puttable floating-rate certificates. The liquidity provider's obligation to perform is conditional and is limited by certain termination events, which include bankruptcy or failure to pay by the municipal bond issuer or credit enhancement provider, an event of taxability on the municipal bonds or the immediate downgrade of the municipal bond to below investment-grade. In addition, JPMorgan Chase Bank, N.A.'s exposure as liquidity provider is further limited by the high credit quality of the underlying municipal bonds, the excess collateralization in the vehicle or in certain transactions the reimbursement agreements with the residual interest holders. However, a downgrade of JPMorgan Chase Bank, N.A.'s short-term rating does not affect JPMorgan Chase Bank, N.A.'s obligation under the liquidity facility.

The long-term credit ratings of the puttable floating rate certificates are directly related to the credit ratings of the underlying municipal bonds, to the credit rating of any insurer of the underlying municipal bond, and JPMorgan Chase Bank, N.A.'s short-term credit rating as liquidity provider. A downgrade in any of these ratings would affect the rating of the puttable floating-rate certificates and could cause demand for these certificates by investors to decline or disappear.

JPMorgan Chase Bank, N.A. consolidates municipal bond vehicles if it owns the residual interest. The residual interest generally allows the owner to make decisions that significantly impact the economic performance of the municipal bond vehicle, primarily by directing the sale of the municipal bonds owned by the vehicle. In addition, the residual interest owners have the right to receive benefits and bear losses that could potentially be significant to the municipal bond vehicle. JPMorgan Chase Bank, N.A. does not consolidate municipal bond vehicles if it does not own the residual interests, since JPMorgan Chase Bank, N.A. does not have the power to make decisions that significantly impact the economic performance of the municipal bond vehicle.

JPMorgan Chase Bank, N.A.'s exposure to nonconsolidated municipal bond VIEs at December 31, 2011 and 2010, including the ratings profile of the VIEs' assets was as follows.

December 31, (in billions)	Fair value of assets held by VIEs	Liquidity facilities[a]	Excess/(deficit)[b]	Maximum exposure
Nonconsolidated municipal bond vehicles				
2011	**$ 13.5**	**$ 7.9**	**$ 5.6**	**$ 7.9**
2010	13.7	8.8	4.9	8.8

December 31, (in billions, except where otherwise noted)	Ratings profile of VIE assets[c] — Investment-grade: AAA to AAA-	AA+ to AA-	A+ to A-	BBB+ to BBB-	Noninvestment-grade: BB+ and below	Fair value of assets held by VIEs	Wt. avg. expected life of assets (years)
2011	**$ 1.5**	**$ 11.2**	**$ 0.7**	**$ –**	**$ 0.1**	**$ 13.5**	**6.6**
2010	1.9	11.2	0.6	–	–	13.7	15.5

(a) JPMorgan Chase Bank, N.A. may serve as credit enhancement provider to municipal bond vehicles in which it serves as liquidity provider. JPMorgan Chase Bank, N.A. provided insurance on underlying municipal bonds, in the form of letters of credit, of $10 million at December 31, 2010. JPMorgan Chase bank, N.A. did not provide insurance on underlying municipal bonds at December 31, 2011.
(b) Represents the excess/(deficit) of the fair values of municipal bond assets available to repay the liquidity facilities, if drawn.
(c) 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

Credit-linked note vehicles

JPMorgan Chase Bank, N.A. structures transactions with credit-related note vehicles in which the VIE purchases highly rated assets, such as asset-backed securities, and enters into a credit derivative contract with JPMorgan Chase Bank, N.A. to obtain exposure to a referenced credit which the VIE otherwise does not hold. The VIE then issues credit-linked notes ("CLNs") with maturities predominantly ranging from one to 10 years in order to transfer the risk of the referenced credit to the VIE's investors. Clients and investors often prefer using a CLN vehicle since the CLNs issued by the VIE generally carry a higher credit rating than such notes would if issued directly by JPMorgan Chase Bank, N.A. As a derivative counterparty in a credit-related note structure, JPMorgan Chase Bank, N.A. has a senior claim on the collateral of the VIE and reports such derivatives on its Consolidated Balance Sheets at fair value. The collateral purchased by such VIEs is largely investment-grade, with a significant amount being rated "AAA." JPMorgan Chase Bank, N.A. divides its credit-related note structures broadly into two types: static and managed.

In a static credit-related note structure, the CLNs and associated credit derivative contract either reference a single credit (e.g., a multi-national corporation), or all or part of a fixed portfolio of credits. In a managed credit-related note structure, the CLNs and associated credit derivative generally reference all or part of an actively managed portfolio of credits. An agreement exists between a portfolio manager and the VIE that gives the portfolio manager the ability to substitute each referenced credit in the portfolio for an alternative credit. JPMorgan Chase Bank, N.A. does not act as portfolio manager; its involvement with the VIE is generally limited to being a derivative counterparty. As a net buyer of credit protection, in both static and managed credit-related note structures, JPMorgan Chase Bank, N.A. pays a premium to the VIE in return for the receipt of a payment (up to the notional of the derivative) if one or more of the credits within the portfolio defaults, or if the losses resulting from the default of reference credits exceed specified levels. JPMorgan Chase Bank, N.A. does not provide any additional contractual financial support to the VIE. In addition, JPMorgan Chase Bank, N.A. has not historically provided any financial support to the CLN vehicles over and above its contractual obligations. Since each CLN is established to the specifications of the investors, the investors have the power over the activities of that VIE that most significantly affect the performance of the CLN. Accordingly, JPMorgan Chase Bank, N.A. does not generally consolidate these credit-related note entities. Furthermore, JPMorgan Chase Bank, N.A. does not have a variable interest that could potentially be significant. As a derivative counterparty, JPMorgan Chase Bank, N.A. has a senior claim on the collateral of the VIE and reports such derivatives on its Consolidated Balance Sheets at fair value. Substantially all of the assets purchased by such VIEs are investment-grade.

Asset swap vehicles

JPMorgan Chase Bank, N.A. structures and executes transactions with asset swap vehicles on behalf of investors. In such transactions, the VIE purchases a specific asset or assets and then enters into a derivative with JPMorgan Chase Bank, N.A. in order to tailor the interest rate or foreign exchange currency risk, or both, according to investors' requirements. Generally, the assets are held by the VIE to maturity, and the tenor of the derivatives would match the maturity of the assets. Investors typically invest in the notes issued by such VIEs in order to obtain exposure to the credit risk of the specific assets, as well as exposure to foreign exchange and interest rate risk that is tailored to

their specific needs. The derivative transaction between JPMorgan Chase Bank, N.A. and the VIE may include currency swaps to hedge assets held by the VIE denominated in foreign currency into the investors' local currency or interest rate swaps to hedge the interest rate risk of assets held by the VIE; to add additional interest rate exposure into the VIE in order to increase the return on the issued notes, or to convert an interest-bearing asset into a zero-coupon bond.

JPMorgan Chase Bank, N.A.'s exposure to asset swap vehicles is generally limited to its rights and obligations under the interest rate and/or foreign exchange derivative contracts. JPMorgan Chase Bank, N.A. historically has not provided any financial support to the asset swap vehicles over and above its contractual obligations. JPMorgan Chase Bank, N.A. does not generally consolidate these asset swap vehicles, since it does not have the power to direct the significant activities of these entities and does not have a variable interest that could potentially be significant. As a derivative counterparty, JPMorgan Chase Bank, N.A. has a senior claim on the collateral of the VIE and reports such derivatives on its Consolidated Balance Sheets at fair value. Substantially all of the assets purchased by such VIEs are investment-grade.

Exposure to nonconsolidated credit-related note and asset swap VIEs at December 31, 2011 and 2010, was as follows.

December 31, 2011 (in billions)	Net derivative receivables	Total exposure[a]	Par value of collateral held by VIEs[b]
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**

December 31, 2010 (in billions)	Net derivative receivables	Total exposure[a]	Par value of collateral held by VIEs[b]
Credit-related notes			
Static structure	$ 1.0	$ 1.0	$ 9.5
Managed structure	2.8	2.8	10.7
Total credit-related notes	3.8	3.8	20.2
Asset swaps	0.3	0.3	7.6
Total	$ 4.1	$ 4.1	$ 27.8

(a) On-balance sheet exposure that includes net derivative receivables and trading assets-debt and equity instruments. At both December 31, 2011 and 2010, the amount of trading assets issued by nonconsolidated credit-related notes and asset swap vehicles that were held by JPMorgan Chase Bank, N.A., were immaterial.

(b) 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 $231 million and $394 million, at December 31, 2011 and 2010, 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 December 31, 2011 and 2010.

VIEs sponsored by third parties

Investment in a third-party credit card securitization trust

JPMorgan Chase Bank, N.A. holds two interests in a third-party-sponsored VIE, which is a credit card securitization trust that owns credit card receivables issued by a national retailer. JPMorgan Chase Bank, N.A. is not the primary beneficiary of the trust as JPMorgan Chase Bank, N.A. does not have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. JPMorgan Chase Bank, N.A.'s interests in the VIE include investments classified as AFS securities that had fair values of $2.9 billion and $3.1 billion at December 31, 2011 and 2010, respectively, and other interests which are classified as loans and have a fair value of approximately $1.0 billion and $1.0 billion at December 31, 2011 and 2010, respectively. For more information on AFS securities and loans, see Notes 13 and 15 on pages 48–53 and 55–75, respectively, of these Consolidated Financial Statements.

Other VIEs sponsored by third parties

JPMorgan Chase Bank, N.A. enters into transactions with VIEs structured by other parties. These include, for

example, acting as a derivative counterparty, liquidity provider, investor, underwriter, placement agent, trustee or custodian. These transactions are conducted at arm's-length, and individual credit decisions are based on the analysis of the specific VIE, taking into consideration the quality of the underlying assets. Where JPMorgan Chase Bank, N.A. does not have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, or a variable interest that could potentially be significant, JPMorgan Chase Bank, N.A. records and reports these positions on its Consolidated Balance Sheets similarly to the way it would record and report positions in respect of any other third-party transaction.

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 December 31, 2011 and 2010.

	Assets				Liabilities		
December 31, 2011 (in billions)	Trading assets – debt and equity instruments	Loans	Other[(c)]	Total assets[(d)]	Beneficial interests in VIE assets[(e)]	Other[(f)]	Total liabilities
VIE program type							
JPMorgan Chase Bank, N.A.-administered multi-seller conduits	$ **—**	$ **29.7**	$ **0.2**	$ **29.9**	$ **18.7**	$ **—**	$ **18.7**
Mortgage securitization entities[(a)]	**—**	**1.2**	**—**	**1.2**	**—**	**1.3**	**1.3**
Other[(b)]	**1.6**	**4.1**	**1.1**	**6.8**	**3.9**	**0.1**	**4.0**
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**

	Assets				Liabilities		
December 31, 2010 (in billions)	Trading assets – debt and equity instruments	Loans	Other[(c)]	Total assets[(d)]	Beneficial interests in VIE assets[(e)]	Other[(f)]	Total liabilities
VIE program type							
JPMorgan Chase Bank, N.A.-administered multi-seller conduits	$ —	$ 21.1	$ 0.6	$ 21.7	$ 21.6	$ 0.1	$ 21.7
Mortgage securitization entities[(a)]	—	1.5	—	1.5	—	1.6	1.6
Other[(b)]	2.9	4.4	0.9	8.2	4.1	—	4.1
JPMorgan Chase Bank, N.A.-sponsored credit card trust	—	0.5	—	0.5	0.4	—	0.4
Total	$ 2.9	$ 27.5	$ 1.5	$ 31.9	$ 26.1	$ 1.7	$ 27.8

(a) Includes residential and commercial mortgage securitizations.
(b) Primarily comprises student loan securitization entities and other asset-backed securities. JPMorgan Chase Bank, N.A. consolidated $4.1 billion and $4.5 billion of student loan securitization entities as of December 31, 2011 and 2010, respectively, and $1.7 billion and $2.9 billion of other asset-backed securities as of December 31, 2011 and 2010, respectively.
(c) Included assets classified as cash, derivative receivables, AFS securities, and other assets within the Consolidated Balance Sheets.
(d) 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.
(e) 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 $4.0 billion and $4.5 billion at December 31, 2011 and 2010, respectively. The maturities of the long-term beneficial interests as of December 31, 2011, were as follows: $14 million under one year, $638 million between one and five years, and $3.4 billion over five years.
(f) Included 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.

For loan securitizations in which JPMorgan Chase Bank, N.A. is not required to consolidate the trust, JPMorgan Chase Bank, N.A. records the transfer of the loan receivable to the trust as a sale when the accounting criteria for a sale are met. Those criteria are: (1) the transferred financial assets are legally isolated from JPMorgan Chase Bank, N.A.'s creditors; (2) the transferee or beneficial interest holder can pledge or exchange the transferred financial assets; and (3) JPMorgan Chase Bank, N.A. does not maintain effective control over the transferred financial assets (e.g., JPMorgan Chase Bank, N.A. cannot repurchase the transferred assets before their maturity and it does not have the ability to unilaterally cause the holder to return the transferred assets).

For loan securitizations accounted for as a sale, JPMorgan Chase Bank, N.A. recognizes a gain or loss based on the difference between the value of proceeds received (including cash, beneficial interests, or servicing assets received) and the carrying value of the assets sold. Gains and losses on securitizations are reported in noninterest revenue.

Securitization activity

The following tables provide information related to JPMorgan Chase Bank, N.A.'s securitization activities for the years ended December 31, 2011, 2010 and 2009, related to assets held in JPMorgan Chase Bank, N.A.-sponsored securitization entities that were not consolidated by JPMorgan Chase Bank, N.A., and sale accounting was achieved based on the accounting rules in effect at the time of the securitization.

For the years ended December 31, 2011 and 2009, there were no mortgage loans that were securitized, except for commercial and other, and there were no cash flows from JPMorgan Chase Bank, N.A. to the SPEs related to recourse arrangements.

Effective January 1, 2010, all of JPMorgan Chase Bank, N.A.-sponsored credit card securitization trusts and predominantly all of JPMorgan Chase Bank, N.A.-sponsored student loan and auto securitization trusts were consolidated as a result of the accounting guidance related to VIEs and, accordingly, are not included in the securitization activity tables below for the years ended December 31, 2011 and 2010.

Prior to January 1, 2010, JPMorgan Chase Bank, N.A. did not consolidate its credit card, residential and commercial mortgage, automobile, and certain student loan securitizations based on the accounting guidance in effect at that time. JPMorgan Chase Bank, N.A. recorded only its retained interests in the entities on its Consolidated Balance Sheets.

Year ended December 31, (in millions, except rates)	2011 Credit card[d]	2011 Residential mortgage[e][f]	2011 Commercial and other[d][g]	2010 Credit card[d]	2010 Residential mortgage[e][f]	2010 Commercial and other[d][g]	2009 Credit card[d]	2009 Residential mortgage[e][f]	2009 Commercial and other[d][g]
Principal securitized	**$ 710**	**$ –**	**$ 5,961**	$ 1,150	$ 35	$ 2,237	$13,868	$ –	$ 500
Pretax gains	**3**	**–**	**–** [h]	16	–	– [h]	10	–	– [h]
All cash flows during the period:									
Proceeds from new securitizations[a]	**$ 710**	**$ –**	**$ 5,984**	$ 1,150	$ 35	$ 2,326	$13,868	$ –	$ 542
Servicing fees collected	**–**	**717**	**3**	–	784	4	540	933	18
Other cash flows received	**–**	**–**	**–**	–	–	–	2,180	–	–
Proceeds from collections reinvested in revolving securitizations	**39,979**	**–**	**–**	44,587	–	–	71,856	–	–
Purchases of previously transferred financial assets (or the underlying collateral)[b]	**–**	**725**	**–**	–	273	–	–	165	167
Cash flows received on the interests that continue to be held by JPMorgan Chase Bank, N.A.	**13,535**	**29**	**53**	24,035	38	48	184	429	75
Key assumptions used to measure retained interests originated during the year (rates per annum)									
Prepayment rate[c]							16.7% PPR		
Weighted-average life (in years)							0.5		
Expected credit losses							8.9%		
Discount rate							16.0%		

(a) Proceeds from new securitizations were received as cash for the years ended December 31, 2011, 2010 and 2009, except for $3.5 billion received as securities from credit card securitization trust classified in level 2 of the valuation hierarchy for the year ended December 31, 2009.
(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) PPR: principal payment rate.
(d) Includes securitization activity related to JPMorgan Chase Bank, N.A.'s undivided interests in credit card securitization trusts and retained interests in commercial mortgage securitization trusts that are sponsored by a JPMorgan Chase affiliate.
(e) 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).
(f) There were no retained interests held in the residential mortgage securitization completed in 2010. There were no residential mortgage securitizations in 2011 and 2009.
(g) Includes commercial, student loan and automobile loan securitizations.
(h) JPMorgan Chase Bank, N.A. elected the fair value option for loans pending securitization. The carrying value of these loans accounted for at fair value approximated the proceeds received from securitization.

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 27 on pages 106–111 of these Consolidated Financial Statements 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.

Year ended December 31, (in millions)	**2011**	2010	2009
Carrying value of loans sold[a][b]	**$ 150,632**	$ 156,615	$ 154,571
Proceeds received from loan sales as cash	**2,864**	3,887	1,702
Proceeds from loans sales as securities[c]	**145,340**	149,786	149,343
Total proceeds received from loan sales	**$ 148,204**	$ 153,673	$ 151,045
Gains on loan sales	**133**	212	89

(a) Predominantly to U.S. government agencies.
(b) MSRs were excluded from the above table. See Note 18 on pages 92–95 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 27 on pages 106–111 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 December 31, 2011 and 2010, JPMorgan Chase Bank, N.A. had recorded on its Consolidated Balance Sheets $15.7 billion and $13.0 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 $1.0 billion and $1.9 billion as of December 31, 2011 and 2010, 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 15 on pages 55–75 of these Consolidated 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 December 31, 2011 and 2010, 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 18 on pages 92–95 of these Consolidated Financial Statements.

	Credit card[d][e]		Commercial and other[e]	
December 31, (in millions, except rates and where otherwise noted)	**2011**	2010	**2011**	2010
JPMorgan Chase Bank, N.A. interests in securitized assets[a][b]	**$ 5,603**	$ 6,886	**$ 1,565**	$ 689
Weighted-average life (in years)	**0.3**	0.4	**4.2**	4.2
Weighted-average constant prepayment rate[c]	**24.2%**	21.8%	**–%**	–%
	PPR	PPR	**CPR**	CPR
Impact of 10% adverse change	**$ (16)**	$ (5)	**$ –**	$ –
Impact of 20% adverse change	**(32)**	(10)	**–**	–
Weighted-average loss assumption	**4.2%**	7.0%	**–%**	–%
Impact of 10% adverse change	**$ (28)**	$ (67)	**$ –**	$ –
Impact of 20% adverse change	**(55)**	(91)	**–**	–
Weighted-average discount rate	**12.0%**	12.0%	**4.3%**	9.0%
Impact of 10% adverse change	**$ –**	$ –	**$ (22)**	$ (10)
Impact of 20% adverse change	**(1)**	–	**(44)**	(21)

(a) JPMorgan Chase Bank, N.A.'s interests in prime mortgage securitizations were $151 million and $166 million, as of December 31, 2011 and 2010, respectively. These include retained interests in Alt-A loans. JPMorgan Chase Bank, N.A. had no interests in subprime mortgage securitizations as of December 31, 2011 and 2010, respectively. Additionally, JPMorgan Chase Bank, N.A. had interests in option ARM mortgage securitizations of $23 million and $29 million at December 31, 2011 and 2010, 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 pages 82-83 of this Note.
(e) Includes securitization activity related to JPMorgan Chase Bank, N.A.'s undivided interests in credit card securitization trusts and retained interest in commercial mortgage securitization trusts that are sponsored by a JPMorgan Chase affiliate.

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 delinquencies, liquidation losses and components of nonconsolidated securitized financial assets in which JPMorgan Chase Bank, N.A. has continuing involvement as of December 31, 2011 and 2010.

	Securitized assets		90 days past due		Liquidation losses	
As of or for the year ended December 31, (in millions)	**2011**	2010	**2011**	2010	**2011**	2010
Securitized loans[a]						
Residential mortgage:						
Prime mortgage[b]	**$ 63,780**	$ 83,530	**$ 11,398**	$ 14,132	**$ 2,455**	$ 2,020
Subprime mortgage	**25,028**	28,158	**9,518**	10,222	**2,318**	2,725
Option ARMs	**31,075**	35,786	**9,999**	10,788	**1,907**	2,305
Commercial and other	**66,608**	84,389	**3,986**	4,472	**843**	583
Total loans securitized[c]	**$ 186,491**	$ 231,863	**$ 34,901**	$ 39,614	**$ 7,523**	$ 7,633

(a) Total assets held in securitization-related SPEs were $219.3 billion and $259.8 billion, respectively, at December 31, 2011 and 2010. The $186.5 billion and $231.9 billion, respectively, of loans securitized at December 31, 2011 and 2010 excludes: $27.9 billion and $21.8 billion, respectively, of securitized loans in which JPMorgan Chase Bank, N.A. has no continuing involvement, and $4.9 billion and $6.1 billion, respectively, of loan securitizations consolidated on JPMorgan Chase Bank, N.A.'s Consolidated Balance Sheets at December 31, 2011 and 2010.
(b) Includes Alt-A loans.
(c) Includes securitized loans that were previously recorded at fair value and classified as trading assets.

Implementation of change in consolidation accounting guidance for VIEs

On January 1, 2010, JPMorgan Chase Bank, N.A. implemented consolidation accounting guidance related to VIEs. The following table summarizes the incremental impact at adoption of the new guidance.

(in millions, except ratios)	U.S. GAAP assets	U.S. GAAP liabilities	Stockholder's equity	Tier 1 capital
As of December 31, 2009	$ 1,627,684	$ 1,500,390	$ 127,294	9.52%
Impact of new accounting guidance for consolidation of VIEs				
Multi-seller conduits	17,724	17,744	(20)	–
Mortgage & other	4,528	4,572	(44)	(0.02)
Credit card	393	348	45	0.30
Total impact of new guidance	22,645	22,664	(19)	0.28
Beginning balance as of January 1, 2010	$ 1,650,329	$ 1,523,054	$ 127,275	9.80%

Note 18 – Goodwill and other intangible assets

Goodwill and other intangible assets consist of the following.

December 31, (in millions)	2011	2010	2009
Goodwill	**$ 27,415**	$ 27,348	$ 27,510
Mortgage servicing rights	**7,223**	13,440	15,342
Other intangible assets:			
Purchased credit card relationships	**$ 77**	$ 103	$ 122
Other credit card-related intangibles	**479**	576	657
Core deposit intangibles	**594**	879	1,207
Other intangibles	**329**	409	973
Total other intangible assets	**$ 1,479**	$ 1,967	$ 2,959

Goodwill

Goodwill is recorded upon completion of a business combination as the difference between the purchase price and the fair value of the net assets acquired. Subsequent to initial recognition, goodwill is not amortized but is tested for impairment during the fourth quarter of each fiscal year, or more often if events or circumstances, such as adverse changes in the business climate, indicate there may be impairment.

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

Year ended December 31, (in millions)	2011	2010	2009
Balance at beginning of period[(a)]	**$ 27,348**	$ 27,510	$ 27,371
Changes during the period from:			
Business combinations	**109**	125	44
Dispositions	**(3)**	(318)	–
Other[(b)]	**(39)**	31	95
Balance at December 31[(a)]	**$ 27,415**	$ 27,348	$ 27,510

(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.

Impairment testing

Goodwill was not impaired at December 31, 2011 or 2010, nor was any goodwill written off due to impairment during 2011, 2010 or 2009.

The goodwill impairment test is performed in two steps. In the first step, the current fair value of each reporting unit is compared with its carrying value, including goodwill. If the fair value is in excess of the carrying value (including goodwill), then the reporting unit's goodwill is considered not to be impaired. If the fair value is less than the carrying value (including goodwill), then a second step is performed. In the second step, the implied current fair value of the reporting unit's goodwill is determined by comparing the fair value of the reporting unit (as determined in step one) to the fair value of the net assets of the reporting unit, as if the reporting unit were being acquired in a business combination. The resulting implied current fair value of goodwill is then compared with the carrying value of the reporting unit's goodwill. If the carrying value of the goodwill exceeds its implied current fair value, then an impairment charge is recognized for the excess. If the carrying value of goodwill is less than its implied current fair value, then no goodwill impairment is recognized.

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.

As permitted by U.S. GAAP, JPMorgan Chase Bank, N.A. elected to account for its MSRs at fair value. JPMorgan Chase Bank, N.A. treats its MSRs as a single class of servicing assets based on the availability of market inputs used to measure the fair value of its MSR asset and its treatment of MSRs as one aggregate pool for risk management purposes. JPMorgan Chase Bank, N.A. estimates the fair value of MSRs using an option-adjusted spread ("OAS") model, which projects MSR cash flows over multiple interest rate scenarios in conjunction with JPMorgan Chase Bank, N.A.'s prepayment model, and then

discounts these cash flows at risk-adjusted rates. The model considers portfolio characteristics, contractually specified servicing fees, prepayment assumptions, delinquency rates, late charges, other ancillary revenue and costs to service, and other economic factors. JPMorgan Chase Bank, N.A. compares fair value estimates and assumptions to observable market data where available, and also considers recent market activity and actual portfolio experience.

The fair value of MSRs is sensitive to changes in interest rates, including their effect on prepayment speeds. MSRs typically decrease in value when interest rates decline because declining interest rates tend to increase prepayments and therefore reduce the expected life of the net servicing cash flows that comprise the MSR asset. Conversely, securities (e.g., mortgage-backed securities), principal-only certificates and certain derivatives (i.e., those for which JPMorgan Chase Bank, N.A. receives fixed-rate interest payments) increase in value when interest rates decline. JPMorgan Chase Bank, N.A. uses combinations of derivatives and securities to manage changes in the fair value of MSRs. The intent is to offset any interest-rate related changes in the fair value of MSRs with changes in the fair value of the related risk management instruments.

The following table summarizes MSR activity for the years ended December 31, 2011, 2010 and 2009.

Year ended December 31, (in millions, except where otherwise noted)	2011	2010	2009
Fair value at beginning of period	**$ 13,440**	$ 15,342	$ 9,236
MSR activity			
Originations of MSRs	**2,570**	3,153	3,615
Purchase of MSRs	**246**	26	2
Disposition of MSRs	**–**	(402)	(10)
Changes due to modeled amortization	**(1,900)**	(2,354)	(3,236)
Net additions and amortization	**916**	423	371
Changes due to market interest rates	**(5,407)**	(2,252)	5,766
Other changes in valuation due to inputs and assumptions[a]	**(1,726)**	(73)	(31)
Total change in fair value of MSRs[b]	**(7,133)**	(2,325)	5,735
Fair value at December 31[c]	**$ 7,223**	$ 13,440	$ 15,342
Change in unrealized gains/(losses) included in income related to MSRs held at December 31	**$ (7,133)**	$ (2,325)	$ 5,735
Contractual service fees, late fees and other ancillary fees included in income	**$ 3,927**	$ 4,256	$ 4,447
Third-party mortgage loans serviced at December 31 (in billions)	**$ 910**	$ 922	$ 1,030
Servicer advances at December 31 (in billions)[d]	**$ 11.1**	$ 7.6	$ 5.8

(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 $(9) million, $(1) million and $(4) million for the years ended December 31, 2011, 2010 and 2009, respectively.
(c) Includes $31 million, $40 million and $41 million related to commercial real estate at December 31, 2011, 2010 and 2009, 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.

During the year ended December 31, 2011, the fair value of the MSR decreased by $6.2 billion. This decrease was predominately due to a decline in market interest rates, which resulted in a loss of $5.4 billion. These losses were offset by gains of $5.6 billion on derivatives used to hedge the MSR asset; these derivatives are recognized on the Consolidated Balance Sheets separately from the MSR asset. Also contributing to the decline in fair value of the MSR asset was a $1.7 billion decrease related to revised cost to service and ancillary income assumptions incorporated in the MSR valuation. The increased cost to service assumptions reflect the estimated impact of higher servicing costs to enhance servicing processes, particularly loan modification and foreclosure procedures, including costs to comply with Consent Orders entered into with banking regulators. The increase in the cost to service assumption contemplates significant and prolonged increases in staffing levels in the core and default servicing functions. The decreased ancillary income assumption is similarly related to a reassessment of business practices in consideration of the Consent Orders and the existing industry-wide regulatory environment, which is broadly affecting market participants.

Also in the fourth quarter of 2011, JPMorgan Chase Bank, N.A. revised its OAS assumption and updated its proprietary prepayment model; these changes had generally offsetting effects. JPMorgan Chase Bank, N.A.'s OAS assumption is based upon capital and return requirements that JPMorgan Chase Bank, N.A. believes a market participant would consider, taking into account factors such as the pending Basel III capital rules. Consequently, the OAS assumption for JPMorgan Chase Bank, N.A.'s portfolio increased by approximately 400 basis points and decreased the fair value of the MSR asset by approximately $1.2 billion.

Since 2009, JPMorgan Chase Bank, N.A. has continued to refine its proprietary prepayment model based on a number of market-related factors, including a downward trend in home prices, a general tightening of credit underwriting standards and the associated impact on refinancing activity. In the fourth quarter of 2011,

JPMorgan Chase Bank, N.A. further enhanced its proprietary prepayment model to incorporate: (i) the impact of the Home Affordable Refinance Program ("HARP") 2.0), and (ii)assumptions that will limit modeled refinancings due to the combined influences of relatively strict underwriting standards and reduced levels of expected home price appreciation. In the aggregate, these refinements increased the fair value of the MSR asset by approximately $1.2 billion.

The decrease in the fair value of the MSR results in a lower asset value that will amortize in future periods against contractual and ancillary fee income received in future periods. While there is expected to be higher levels of noninterest expense associated with higher servicing costs in those future periods, there will also be less MSR amortization, which will have the effect of increasing mortgage fees and related income. The amortization of the MSR is reflected in the tables above under "Changes due to modeled amortization."

The table below outlines the key economic assumptions used to determine the fair value of JPMorgan Chase Bank, N.A.'s MSRs at December 31, 2011 and 2010; and it outlines the sensitivities of those fair values to immediate adverse changes in those assumptions, as defined below.

Year ended December 31, (in millions, except rates)	**2011**	2010
Weighted-average prepayment speed assumption ("CPR")	**18.07%**	10.67%
Impact on fair value of 10% adverse change	**$ (585)**	$ (795)
Impact on fair value of 20% adverse change	**(1,118)**	(1,541)
Weighted-average option adjusted spread	**7.83%**	3.92%
Impact on fair value of 100 basis points adverse change	**$ (269)**	$ (571)
Impact on fair value of 200 basis points adverse change	**(518)**	(1,097)

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 inter-related 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

Other intangible assets are recorded at their fair value upon completion of a business combination or certain other transactions, and generally represent the value of customer relationships or arrangements. Subsequently, JPMorgan Chase Bank, N.A.'s intangible assets with finite lives, including core deposit intangibles, purchased credit card relationships, and other intangible assets, are amortized over their useful lives in a manner that best reflects the economic benefits of the intangible asset. The $488 million decrease in other intangible assets during 2011, was due to $483 million in amortization.

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

	December 31, 2011			December 31, 2010		
(in millions)	Gross amount[(a)]	Accumulated amortization[(a)]	Net carrying value	Gross amount	Accumulated amortization	Net carrying value
Purchased credit card relationships	**$ 247**	**$ 170**	**$ 77**	$ 249	$ 146	$ 103
Other credit card-related intangibles	**781**	**302**	**479**	828	252	576
Core deposit intangibles	**4,133**	**3,539**	**594**	4,280	3,401	879
Other intangibles	**879**	**550**	**329**	911	502	409

(a) The decrease in the gross amount and accumulated amortization from December 31, 2010, was due to the removal of fully amortized assets.

In addition to the finite lived intangible assets in the previous table, JPMorgan Chase Bank, N.A. has intangible assets of approximately $60 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.

December 31, (in millions)	**2011**	2010	2009
Purchased credit card relationships	**$ 24**	$ 25	$ 25
Other credit card-related intangibles	**99**	93	84
Core deposit intangibles	**285**	328	390
Other intangibles	**75**	88	100
Total amortization expense	**$ 483**	$ 534	$ 599

Future amortization expense

The following table presents estimated future amortization expense related to credit card relationships, core deposits and other intangible assets at December 31, 2011.

For the year ended December 31, (in millions)	Purchased credit card relationships	Other credit card-related intangibles	Core deposit intangibles	Other intangibles	Total
2012	$ 23	$ 100	$ 240	$ 62	$ 425
2013	20	101	195	58	374
2014	18	101	103	44	266
2015	16	94	26	27	163
2016	–	34	14	21	69

Impairment testing

JPMorgan Chase Bank, N.A.'s intangible assets are tested for impairment annually or more often if events or changes in circumstances indicate that the asset might be impaired.

The impairment test for a finite-lived intangible asset compares the undiscounted cash flows associated with the use or disposition of the intangible asset to its carrying value. If the sum of the undiscounted cash flows exceeds its carrying value, then no impairment charge is recorded. If the sum of the undiscounted cash flows is less than its carrying value, then an impairment charge is recognized to the extent the carrying amount of the asset exceeds its fair value.

The impairment test for indefinite-lived intangible assets compares the fair value of the intangible asset to its carrying amount. If the carrying value exceeds the fair value, then an impairment charge is recognized for the difference.

Note 19 – Premises and equipment

Premises and equipment, including leasehold improvements, are carried at cost less accumulated depreciation and amortization. JPMorgan Chase Bank, N.A. computes depreciation using the straight-line method over the estimated useful life of an asset. For leasehold improvements, JPMorgan Chase Bank, N.A. uses the straight-line method computed over the lesser of the remaining term of the leased facility or the estimated useful life of the leased asset. JPMorgan Chase Bank, N.A. has recorded immaterial asset retirement obligations related to asbestos remediation in those cases where it has sufficient information to estimate the obligations' fair value.

JPMorgan Chase Bank, N.A. capitalizes certain costs associated with the acquisition or development of internal-use software. Once the software is ready for its intended use, these costs are amortized on a straight-line basis over the software's expected useful life and reviewed for impairment on an ongoing basis.

Note 20 – Deposits

At December 31, 2011 and 2010, noninterest-bearing and interest-bearing deposits were as follows.

December 31, (in millions)	2011	2010
U.S. offices		
Noninterest-bearing	**$ 348,585**	$ 230,412
Interest-bearing		
Demand[(a)]	**55,516**	41,640
Savings[(b)]	**375,037**	334,620
Time (included **$3,861** and $2,691 at fair value)[(c)]	**55,884**	66,776
Total interest-bearing deposits	**486,437**	443,036
Total deposits in U.S. offices	**835,022**	673,448
Non-U.S. offices		
Noninterest-bearing	**19,060**	11,002
Interest-bearing		
Demand	**221,708**	201,105
Savings	**687**	607
Time (included **$1,072** and $1,636 at fair value)[(c)]	**114,261**	133,831
Total interest-bearing deposits	**336,656**	335,543
Total deposits in non-U.S. offices	**355,716**	346,545
Total deposits	**$ 1,190,738**	$ 1,019,993

(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 these Consolidated Financial Statements.

At December 31, 2011 and 2010, time deposits in denominations of $100,000 or more were as follows.

December 31, (in millions)	2011	2010
U.S. offices	**$ 32,699**	$ 40,628
Non-U.S. offices	**96,027**	117,641
Total	**$ 128,726**	$ 158,269

At December 31, 2011, the maturities of interest-bearing time deposits were as follows.

December 31, 2011 (in millions)	U.S.	Non-U.S.	Total
2012	$ 41,490	$ 98,144	$ 139,634
2013	7,222	7,675	14,897
2014	1,947	1,188	3,135
2015	2,052	3,304	5,356
2016	2,532	1,748	4,280
After 5 years	641	2,202	2,843
Total	$ 55,884	$ 114,261	$ 170,145

Note 21 – Long-term debt

JPMorgan Chase Bank, N.A. issues long-term debt denominated in various currencies, although predominantly U.S. dollars, with both fixed and variable interest rates. Included in senior and subordinated debt below are various equity-linked or other indexed instruments, which JPMorgan Chase Bank, N.A. has elected to measure at fair value. Changes in fair value are recorded in principal transactions revenue in the Consolidated Statements of Income. The following table is a summary of long-term debt carrying values (including unamortized original issue discount, valuation adjustments and fair value adjustments, where applicable) by remaining contractual maturity as of December 31, 2011.

By remaining maturity at December 31, (in millions, except rates)		2011 Under 1 year	2011 1-5 years	2011 After 5 years	2011 **Total**	2010 Total
Long-term debt issued to unrelated parties						
FHLB advances:[a]	Fixed rate	**$ 18**	**$ 48**	**$ 172**	**$ 238**	$ 2,824
	Variable rate	**–**	**722**	**763**	**1,485**	1,460
	Interest rates [b]	**3.99-7.31%**	**0.45-0.45%**	**0.41-0.44%**	**0.41-7.31%**	0.28-4.05%
Senior debt:	Fixed rate	**$ 674**	**$ 2,881**	**$ 2,769**	**$ 6,324**	$ 4,907
	Variable rate	**$ 6,645**	**$ 17,693**	**$ 3,489**	**$ 27,827**	$ 29,529
	Interest rates [b]	**0.33-0.57%**	**0.13-3.75%**	**7.28-14.21%**	**0.13-14.21%**	0.21-14.21%
Subordinated debt:	Fixed rate	**$ –**	**$ 1,672**	**$ 7,083**	**$ 8,755**	$ 8,605
	Variable rate	**–**	**1,150**	**–**	**1,150**	1,150
	Interest rates [b]	**–%**	**0.87-5.88%**	**4.38-8.25%**	**0.87-8.25%**	0.63-8.25%
	Subtotal	**$ 7,337**	**$ 24,166**	**$ 14,276**	**$ 45,779**	$ 48,475
Long-term debt payable to JPMorgan Chase & Co. and affiliates						
Senior debt:	Fixed rate	**$ –**	**$ –**	**$ –**	**$ –**	$ –
	Variable rate	**4,400**	**12,600**	**–**	**17,000**	–
	Interest rates [b]	**0.60-0.60%**	**0.60-0.60%**	**–%**	**0.60-0.60%**	–%
Subordinated debt:	Fixed rate	**$ –**	**$ 4,500**	**$ –**	**$ 4,500**	$ 4,500
	Variable rate	**–**	**3,500**	**10,509**	**14,009**	14,009
	Interest rates [b]	**–%**	**1.05-5.75%**	**0.74-1.46%**	**0.74-5.75%**	0.66-5.75%
	Subtotal	**$ 4,400**	**$ 20,600**	**$ 10,509**	**$ 35,509**	$ 18,509
Junior subordinated debt payable to affiliates:	Fixed rate	**$ –**	**$ –**	**$ 600**	**$ 600**	$ 600
	Variable rate	**–**	**–**	**–**	**–**	–
	Interest rates [b]	**–%**	**–%**	**7.00-8.20%**	**7.00-8.20%**	7.00-8.20%
	Subtotal	**$ –**	**$ –**	**$ 600**	**$ 600**	$ 600
Total long-term debt[c][d][e]		**$ 11,737**	**$ 44,766**	**$ 25,385**	**$ 81,888** [g][h]	$ 67,584
Long-term beneficial interests:						
	Fixed rate	**$ 9**	**$ 420**	**$ 131**	**$ 560**	$ 658
	Variable rate	**5**	**218**	**3,242**	**3,465**	3,802
	Interest rates	**0.12-11.00%**	**0.06-5.63%**	**0.19-1.75%**	**0.06-11.00%**	0.05-11.00%
Total long-term beneficial interests[f]		**$ 14**	**$ 638**	**$ 3,373**	**$ 4,025**	$ 4,460

(a) Effective January 1, 2011, $4.3 billion of long-term advances from FHLBs were reclassified from other borrowed funds to long-term debt. The prior-year period has been revised to conform with the current presentation.

(b) The interest rates shown are the range of contractual rates in effect at year-end, including non-U.S. dollar fixed- and variable-rate issuances, which excludes the effects of the associated derivative instruments used in hedge accounting relationships, if applicable. The use of these derivative instruments modifies JPMorgan Chase Bank, N.A.'s exposure to the contractual interest rates disclosed in the table above. Including the effects of the hedge accounting derivatives, the range of modified rates in effect at December 31, 2011, for total long-term debt was 0.13% to 14.21%, versus the contractual range of 0.13% to 14.21% presented in the table above. The interest rate ranges shown exclude structured notes accounted for at fair value.

(c) Included long-term debt of $7.6 billion and $12.5 billion secured by assets totaling $74.7 billion and $76.3 billion at December 31, 2011 and 2010, respectively. The amount of long-term debt secured by assets does not include amounts related to hybrid instruments.

(d) Included $17.8 billion and $20.8 billion of outstanding structured notes accounted for at fair value at December 31, 2011 and 2010, respectively.

(e) Included $303 million and $639 million of outstanding zero-coupon notes at December 31, 2011 and 2010, respectively. The aggregate principal amount of these notes at their respective maturities was $1.2 billion and $2.0 billion, respectively.

(f) Included on the Consolidated Balance Sheets in beneficial interests issued by consolidated VIEs. Also included $156 million and $354 million of

outstanding structured notes accounted for at fair value at December 31, 2011 and 2010, respectively. Excluded short-term commercial paper and other short-term beneficial interests of $19.0 billion and $21.6 billion at December 31, 2011 and 2010, respectively.

(g) At December 31, 2011, long-term debt in the aggregate of $3.9 billion was redeemable at the option of JPMorgan Chase Bank, N.A., in whole or in part, prior to maturity, based on the terms specified in the respective notes.

(h) The aggregate carrying values of debt that matures in each of the five years subsequent to 2011 is $11.7 billion in 2012, $23.6 billion in 2013, $9.3 billion in 2014, $1.8 billion in 2015 and $10.1 billion in 2016.

The weighted-average contractual interest rates for total long-term debt excluding structured notes accounted for at fair value were 1.82% and 2.38% as of December 31, 2011 and 2010, respectively. In order to modify exposure to interest rate and currency exchange rate movements, JPMorgan Chase bank, N.A. utilizes derivative instruments, primarily interest rate and cross-currency interest rate swaps, in conjunction with some of its debt issues. The use of these instruments modifies JPMorgan Chase Bank, N.A.'s interest expense on the associated debt. The modified weighted-average interest rates for total long-term debt, including the effects of related derivative instruments, were 1.38% and 1.76% as of December 31, 2011 and 2010, respectively.

JPMorgan Chase Bank, N.A. has guaranteed certain debt of its subsidiaries, including both long-term debt and structured notes sold as part of JPMorgan Chase Bank, N.A.'s market-making activities. These guarantees rank on parity with all of JPMorgan Chase Bank, N.A.'s other unsecured and unsubordinated indebtedness. Guaranteed liabilities were $10.2 billion and $13.5 billion at December 31, 2011 and 2010, respectively.

JPMorgan Chase Bank, N.A.'s unsecured debt does not contain requirements that would call for an acceleration of payments, maturities or changes in the structure of the existing debt, provide any limitations on future borrowings or require additional collateral, based on unfavorable changes in JPMorgan Chase Bank, N.A.'s credit ratings, financial ratios or earnings.

Junior subordinated deferrable interest debentures held by trusts that issued guaranteed capital debt securities

At December 31, 2011, JPMorgan Chase Bank, N.A. had established 2 wholly-owned Delaware statutory business trusts ("issuer trusts") that had issued guaranteed capital debt securities.

The junior subordinated deferrable interest debentures issued by JPMorgan Chase Bank, N.A. to the issuer trusts, totaling $600 million at both December 31, 2011 and 2010, respectively, were reflected in JPMorgan Chase Bank, N.A.'s Consolidated Balance Sheets in long-term debt, and in the table on the preceding page under the caption "Junior subordinated debt payable to affiliates" (i.e., trust preferred capital debt securities). JPMorgan Chase Bank, N.A. also records the common capital securities issued by the issuer trusts in other assets in its Consolidated Balance Sheets at December 31, 2011 and 2010. The debentures issued to the issuer trusts by JPMorgan Chase Bank, N.A., less the common capital securities of the issuer trusts, qualified as Tier 1 capital as of December 31, 2011.

The following is a summary of the outstanding trust preferred capital debt securities, including unamortized original issue discount, issued by each trust, and the junior subordinated deferrable interest debenture issued to each trust, as of December 31, 2011.

December 31, 2011 (in millions)	Amount of trust preferred capital debt securities issued by trust[(a)]	Issue date	Stated maturity of trust preferred capital securities and debentures	Earliest redemption date	Interest rate of trust preferred capital securities and debentures	Interest payment/ distribution dates
BONA Capital I, LLC	$ 300	2000	2030	Any time	8.20%	Semiannually
BONA Capital II, LLC	300	2002	2032	Any time	7.00%	Semiannually
Total	$ 600					

(a) Represents the amount of trust preferred capital debt securities issued to the public by each trust, including unamortized original issue discount.

Note 22 - Related party transactions

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

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

Year ended December 31, (in millions)	2011	2010	2009
Interest income from affiliates			
Deposits with affiliated banks	$ 3	$ 8	$ 10
Available-for-sale securities with affiliates	30	93	–
Federal funds sold and securities purchased under resale agreements, and securities borrowed with affiliates	20	30	40
Loans to affiliates	48	27	30
Interest expense to affiliates			
Interest-bearing deposits of affiliates	484	298	457
Federal funds purchased and securities loaned or sold under repurchase agreements, and other borrowed funds due to affiliates	67	133	319
Long-term debt payable to JPMorgan Chase & Co. and affiliates	420	396	580
Guaranteed capital debt securities issued to nonbank affiliates	46	46	46
Servicing agreements and fee arrangements with affiliates			
Noninterest revenue	5,263	3,976	3,362
Noninterest expense	4,729	4,006	4,596

Significant balances with related parties are listed below.

December 31, (in millions)	2011	2010
Assets		
Deposits with affiliated banks	$ 909	$ 1,059
Available-for-sale securities with affiliates	655	1,248
Federal funds sold and securities purchased under resale agreements, and securities borrowed with affiliates	67,226	57,932
Loans to affiliates	3,264	2,213
Accrued interest and accounts receivable, and other assets due from affiliates	14,563	17,040
Liabilities		
Noninterest-bearing deposits of affiliates	2,352	2,158
Interest-bearing deposits of affiliates	94,976	111,158
Federal funds purchased and securities loaned or sold with affiliates under repurchase agreements, and other borrowed funds due to affiliates	49,826	48,204
Accounts payable and other liabilities payable to affiliates	4,739	5,216
Long-term debt payable to JPMorgan Chase & Co. and affiliates	35,509	18,509
Junior subordinated deferrable interest debentures held by trusts that issued guaranteed capital debt securities to nonbank affiliates	600	600

At December 31, 2011 and 2010, net derivative payables to affiliates were $8.7 billion and $7.3 billion, respectively.

Note 23 – 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), 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 year ended December 31, (in millions)	Unrealized gains/(losses) on AFS securities[(b)]	Translation adjustments, net of hedges	Cash flow hedges	Net loss and prior service costs/(credit) of defined benefit pension and OPEB plans	Accumulated other comprehensive income/(loss)
Balance at December 31, 2008	$ (1,815)	$ (220)	$ (239)	$ (307)	$ (2,581)
Net change	3,634 [(c)]	347	364	(126)	4,219
Balance at December 31, 2009	$ 1,819 [(d)]	$ 127	$ 125	$ (433)	$ 1,638
Cumulative effect of changes in accounting principles[(a)]	(38)	–	–	–	(38)
Net change	670 [(e)]	263	293	50	1,276
Balance at December 31, 2010	$ 2,451 [(d)]	$ 390	$ 418	$ (383)	$ 2,876
Net change	927 [(f)]	(259)	(23)	(2)	643
Balance at December 31, 2011	**$ 3,378** [(d)]	**$ 131**	**$ 395**	**$ (385)**	**$ 3,519**

(a) Reflects the effect of the adoption of accounting guidance related to the consolidation of VIEs, and to embedded credit derivatives in beneficial interests in securitized financial assets. AOCI decreased by $23 million due to the adoption of the accounting guidance related to VIEs, as a result of the reversal of the fair value adjustments taken on retained AFS securities that were eliminated in consolidation; for further discussion see Note 17 on pages 80–92 of these Consolidated Financial Statements. AOCI decreased by $15 million due to the adoption of the new guidance related to credit derivatives embedded in certain of JPMorgan Chase Bank, N.A.'s AFS securities; for further discussion see Note 7 on pages 28-37 of these Consolidated Financial Statements.
(b) Represents the after-tax difference between the fair value and amortized cost of securities accounted for as AFS.
(c) The net change during 2009 was due primarily to overall market spread and market liquidity improvement as well as changes in the composition of investments.
(d) Included after-tax unrealized losses not related to credit on debt securities for which credit losses have been recognized in income of $(56) million, $(81) million and $(226) million at December 31, 2011, 2010 and 2009, respectively.
(e) The net change during 2010 was due primarily to the narrowing of spreads on commercial and non-agency MBS as well as on collateralized loan obligations; also reflects increased market value on pass-through MBS due to narrowing of spreads and other market factors.
(f) The net change for 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 the realization of gains due to portfolio repositioning.

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

	2011			2010			2009		
Year ended December 31, (in millions)	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Unrealized gains/(losses) on AFS securities:									
Net unrealized gains/(losses) arising during the period	**$ 3,007**	**$ (1,189)**	**$ 1,818**	$ 4,051	$ (1,547)	$ 2,504	$ 7,309	$ (2,824)	$ 4,485
Reclassification adjustment for realized (gains)/losses included in net income	**(1,459)**	**568**	**(891)**	(2,992)	1,158	(1,834)	(1,388)	537	(851)
Net change	**1,548**	**(621)**	**927**	1,059	(389)	670	5,921	(2,287)	3,634
Translation adjustments:									
Translation	**(619)**	**235**	**(384)**	491	(179)	312	931	(346)	585
Hedges	**205**	**(80)**	**125**	(82)	33	(49)	(389)	151	(238)
Net change	**(414)**	**155**	**(259)**	409	(146)	263	542	(195)	347
Cash flow hedges:									
Net unrealized gains/(losses) arising during the period	**502**	**(192)**	**310**	671	(260)	411	723	(284)	439
Reclassification adjustment for realized (gains)/losses included in net income	**(538)**	**205**	**(333)**	(192)	74	(118)	(122)	47	(75)
Net change	**(36)**	**13**	**(23)**	479	(186)	293	601	(237)	364
Net loss and prior service cost/(credit) of defined benefit pension and OPEB plans:									
Net gains/(losses) and prior service credits arising during the period	**(56)**	**21**	**(35)**	26	(11)	15	(240)	89	(151)
Reclassification adjustment for net loss and prior service credits included in net income	**53**	**(20)**	**33**	58	(23)	35	48	(23)	25
Net change	**(3)**	**1**	**(2)**	84	(34)	50	(192)	66	(126)
Total other comprehensive income/(loss)	**$ 1,095**	**$ (452)**	**$ 643**	$ 2,031	$ (755)	$ 1,276	$ 6,872	$ (2,653)	$ 4,219

Note 24 – Income taxes

The results of operations of JPMorgan Chase Bank, N.A. are included in the consolidated federal, combined New York State and New York City, and certain other state income tax returns filed by JPMorgan Chase. A tax sharing arrangement between JPMorgan Chase and JPMorgan Chase Bank, N.A. requires intercompany payments to or from JPMorgan Chase for outstanding current tax assets and liabilities. JPMorgan Chase allocates to JPMorgan Chase Bank, N.A. its share of the consolidated and combined income tax expense or benefit based upon statutory rates applied to JPMorgan Chase Bank, N.A.'s earnings as if it were filing separate income tax returns.

JPMorgan Chase Bank, N.A. uses the asset and liability method to provide income taxes on all transactions recorded in the Consolidated Financial Statements. This method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets or liabilities for book and tax purposes. Accordingly, a deferred tax asset or liability for each temporary difference is determined based upon the tax rates that JPMorgan Chase Bank, N.A. expects to be in effect when the underlying items of income and expense are realized. JPMorgan Chase Bank, N.A.'s expense for income taxes includes the current and deferred portions of that expense. A valuation allowance is established to reduce deferred tax assets to the amount JPMorgan Chase Bank, N.A. expects to realize.

Due to the inherent complexities arising from the nature of JPMorgan Chase Bank, N.A.'s businesses, and from conducting business and being taxed in a substantial number of jurisdictions, significant judgments and estimates are required to be made. Agreement of tax liabilities between JPMorgan Chase Bank, N.A. and the many tax jurisdictions in which JPMorgan Chase Bank, N.A. files tax returns may not be finalized for several years. Thus, JPMorgan Chase Bank, N.A.'s final tax-related assets and liabilities may ultimately be different from those currently reported.

The components of income tax expense/(benefit) included in the Consolidated Statements of Income were as follows for each of the years ended December 31, 2011, 2010 and 2009.

Year ended December 31, (in millions)	**2011**	2010	2009
Current income tax expense			
U.S. federal	**$ 2,233**	$ 2,943	$ 3,429
Non-U.S.	**894**	2,343	2,251
U.S. state and local	**706**	596	1,198
Total current income tax expense	**3,833**	5,882	6,878
Deferred income tax expense/(benefit)			
U.S. federal	**786**	(1,829)	(2,401)
Non-U.S.	**64**	168	(478)
U.S. state and local	**(789)**	(290)	(460)
Total deferred income tax expense/(benefit)	**61**	(1,951)	(3,339)
Total income tax expense	**$ 3,894**	$ 3,931	$ 3,539

Total income tax expense includes $76 million, $485 million and $218 million of tax benefits recorded in 2011, 2010 and 2009, respectively, as a result of tax audit resolutions.

The preceding table does not reflect the tax effect of certain items that are recorded each period directly in stockholder's equity. The tax effect of all items recorded directly to stockholder's equity resulted in a decrease of $452 million, $719 million and $2.7 billion in 2011, 2010 and 2009, respectively.

U.S. federal income taxes have not been provided on the undistributed earnings of certain non-U.S. subsidiaries, to the extent that such earnings have been reinvested abroad for an indefinite period of time. Based on JPMorgan Chase Bank, N.A.'s ongoing review of the business requirements and capital needs of its non-U.S. subsidiaries, combined with the formation of specific strategies and steps taken to fulfill these requirements and needs, JPMorgan Chase Bank, N.A. has determined that the undistributed earnings of certain of its subsidiaries would be indefinitely reinvested to fund current and future growth of the related businesses. As management does not intend to use the earnings of these subsidiaries as a source of funding for its U.S. operations, such earnings will not be distributed to the U.S. in the foreseeable future. For 2011, pretax earnings of approximately $2.6 billion were generated and will be indefinitely reinvested in these subsidiaries. At December 31, 2011, the cumulative amount of undistributed pretax earnings in these subsidiaries approximated $21.7 billion. If JPMorgan Chase Bank, N.A. were to record a deferred tax liability associated with these undistributed earnings, the amount would be approximately $4.9 billion at December 31, 2011.

Tax expense applicable to securities gains and losses for the years 2011, 2010 and 2009 was $568 million, $1.2 billion and $531 million, respectively.

A reconciliation of the applicable statutory U.S. income tax rate to the effective tax rate for each of the years ended December 31, 2011, 2010 and 2009, is presented in the following table.

Year ended December 31,	2011	2010	2009
Statutory U.S. federal tax rate	**35.0%**	35.0%	35.0%
Increase/(decrease) in tax rate resulting from:			
U.S. state and local income taxes, net of U.S. federal income tax benefit	**0.7**	1.3	4.0
Tax-exempt income	**(1.7)**	(1.6)	(2.0)
Non-U.S. subsidiary earnings[(a)]	**(3.6)**	(4.4)	(3.8)
Business tax credits	**(4.8)**	(4.2)	(5.0)
Other, net	**(1.8)**	(1.2)	1.6
Effective tax rate	**23.8%**	24.9%	29.8%

(a) Includes earnings deemed to be reinvested indefinitely in non-U.S. subsidiaries.

Deferred income tax expense/(benefit) results from differences between assets and liabilities measured for financial reporting purposes versus income tax return purposes. Deferred tax assets are recognized if, in management's judgment, their realizability is determined to be more likely than not. If a deferred tax asset is determined to be unrealizable, a valuation allowance is established. The significant components of deferred tax assets and liabilities are reflected in the following table as of December 31, 2011 and 2010.

December 31, (in millions)	2011	2010
Deferred tax assets		
Allowance for loan losses	**$ 6,686**	$ 10,278
Employee benefits	**1,416**	1,371
Accrued expenses and other[(a)]	**6,655**	3,685
Tax attribute carryforwards[(a)]	**1,042**	966
Gross deferred tax assets	**15,799**	16,300
Valuation allowance	**(425)**	(825)
Deferred tax assets, net of valuation allowance	**$ 15,374**	$ 15,475
Deferred tax liabilities		
Depreciation and amortization[(a)]	**$ 2,157**	$ 3,684
Leasing transactions	**2,289**	1,912
Non-U.S. operations	**2,787**	2,457
Other, net[(a)]	**1,152**	–
Gross deferred tax liabilities	**$ 8,385**	$ 8,053
Net deferred tax assets	**$ 6,989**	$ 7,422

(a) The prior-year period has been revised to conform with the current presentation.

JPMorgan Chase Bank, N.A. has recorded deferred tax assets of $1.0 billion at December 31, 2011, in connection with U.S. federal, state and local and non-U.S. subsidiary net operating loss carryforwards. At December 31, 2011, the U.S. federal net operating loss carryforwards were approximately $3.0 billion; the state and local net operating loss carryforward was approximately $131 million; and the non-U.S. subsidiary net operating loss carryforward was $116 million. If not utilized, the U.S. federal net operating loss carryforwards and the state and local net operating loss carryforward will expire between 2027 and 2030. The non-U.S. subsidiary net operating loss carryforward has an unlimited carryforward period.

A valuation allowance has been recorded for certain portfolio investments and certain state and local tax benefits. During 2011, the valuation allowance decreased by $400 million predominantly related to the realization of state and local tax benefits.

At December 31, 2011, 2010 and 2009, JPMorgan Chase Bank, N.A.'s unrecognized tax benefits, excluding related interest expense and penalties, were $4.7 billion, $4.6 billion and $4.1 billion, respectively, of which $2.1 billion, $1.9 billion and $1.7 billion, respectively, if recognized, would reduce the annual effective tax rate. As JPMorgan Chase Bank, N.A. is presently under audit by a number of taxing authorities, it is reasonably possible that significant changes in the gross balance of unrecognized tax benefits may occur within the next 12 months. JPMorgan Chase Bank, N.A. does not expect that any changes over the next twelve months in its gross balance of unrecognized tax benefits caused by such audits would result in a significant change in its annual effective tax rate. The following table presents a reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31, 2011, 2010 and 2009.

Unrecognized tax benefits

Year ended December 31, (in millions)	2011	2010	2009
Balance at January 1,	**$ 4,625**	$ 4,076	$ 3,661
Increases based on tax positions related to the current period	**305**	471	322
Decreases based on tax positions related to the current period	**(110)**	(5)	(6)
Increases based on tax positions related to prior periods	**606**	1,537	301
Decreases based on tax positions related to prior periods	**(687)**	(1,345)	(115)
Decreases related to settlements with taxing authorities	**(9)**	(70)	(45)
Decreases related to a lapse of applicable statute of limitations	**(30)**	(39)	(42)
Balance at December 31,	**$ 4,700**	$ 4,625	$ 4,076

After-tax interest expense/(benefit) and penalties related to income tax liabilities recognized in income tax expense were $114 million, $(74) million and $196 million in 2011, 2010 and 2009, respectively.

At December 31, 2011 and 2010, in addition to the liability for unrecognized tax benefits, JPMorgan Chase Bank, N.A. had accrued $1.2 billion and $1.4 billion, respectively, for income tax-related interest and penalties.

JPMorgan Chase Bank, N.A., which is part of the JPMorgan Chase consolidated and combined groups, is continually under examination by the Internal Revenue Service, by taxing authorities throughout the world, and by many states throughout the U.S. The following table summarizes the status of significant income tax examinations of JPMorgan Chase and its consolidated subsidiaries as of December 31, 2011.

December 31, 2011	Periods under examination	Status
JPMorgan Chase – U.S.	1993 – 2002	Refund claims under review
JPMorgan Chase – U.S.	2003 – 2005[(a)]	Field examination completed, JPMorgan Chase intends to file refund claims
Bank One – U.S.	2000 – 2004	Refund claims under review
JPMorgan Chase – United Kingdom	2006 – 2010	Field examination
JPMorgan Chase – New York State and City	2005 – 2007	Field examination
JPMorgan Chase – California	2006 – 2008	Field examination

(a) JPMorgan Chase anticipates that the IRS will commence in 2012 an examination of the years 2006 through 2008.

The following table presents the U.S. and non-U.S. components of income before income tax expense and extraordinary gain for the years ended December 31, 2011, 2010 and 2009.

Year ended December 31, (in millions)	2011	2010	2009
U.S.	$ 7,569	$ 9,909	$ 3,013
Non-U.S.[(a)]	8,781	5,848	8,872
Income before income tax and extraordinary gain	**$ 16,350**	$ 15,757	$ 11,885

(a) For purposes of this table, non-U.S. income is defined as income generated from operations located outside the U.S.

Note 25 – Restrictions on cash and intercompany funds transfers

The business of JPMorgan Chase Bank, National Association ("JPMorgan Chase Bank, N.A.") is subject to examination and regulation by the OCC. JPMorgan Chase Bank, N.A. is a member of the U.S. Federal Reserve System, and its deposits in the U.S. are insured by the FDIC.

The Board of Governors of the Federal Reserve System (the "Federal Reserve") requires depository institutions to maintain cash reserves with a Federal Reserve Bank. The average amount of reserve balances deposited by JPMorgan Chase Bank, N.A. with various Federal Reserve Banks was approximately $4.4 billion and $803 million in 2011 and 2010, respectively.

Restrictions imposed by U.S. federal law prohibit JPMorgan Chase Bank, N.A. and certain of its affiliates from borrowing from banking subsidiaries unless the loans are secured in specified amounts. Such secured loans are generally limited to 10% of the banking subsidiary's total capital, as determined by the risk-based capital guidelines; the aggregate amount of all such loans is limited to 20% of the banking subsidiary's total capital.

In addition to dividend restrictions set forth in statutes and regulations, the OCC, the FDIC and the Federal Reserve have authority under the Financial Institutions Supervisory Act to prohibit or to limit the payment of dividends by the banking organizations they supervise, including JPMorgan Chase Bank, N.A. if, in the banking regulator's opinion, payment of a dividend would constitute an unsafe or unsound practice in light of the financial condition of the banking organization.

At January 1, 2012, JPMorgan Chase Bank, N.A. could pay, in the aggregate, $6.5 billion in dividends to JPMorgan Chase without the prior approval of its relevant banking regulators. The capacity to pay dividends in 2012 will be supplemented by JPMorgan Chase Bank, N.A.'s earnings during the year.

In compliance with rules and regulations established by U.S. and non-U.S. regulators, as of December 31, 2011 and 2010, cash in the amount of $13.9 billion and $15.5 billion, respectively, and securities with a fair value of $3 million and $2 million, respectively, were segregated in special bank accounts for the benefit of securities and futures brokerage customers. In addition, as of December 31, 2011 and 2010, JPMorgan Chase Bank, N.A. had other restricted cash of $3.5 billion and $1.7 billion, respectively, primarily representing cash reserves held at non-U.S. central banks and held for other general purposes.

Note 26 – 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 December 31, 2011 and 2010, JPMorgan Chase Bank, N.A. was well-capitalized and met all capital requirements to which it was subject.

Basel II

The minimum risk-based capital requirements adopted by the U.S. federal banking agencies follow the Capital Accord of the Basel Committee on Banking Supervision ("Basel I"). In 2004, the Basel Committee published a revision to the Accord ("Basel II"). The goal of the Basel II Framework is to provide more risk-sensitive regulatory capital calculations and promote enhanced risk management practices among large, internationally active banking organizations. U.S. banking regulators published a final Basel II rule in December 2007, which requires JPMorgan Chase Bank, N.A. to implement Basel II.

Prior to full implementation of the new Basel II Framework, JPMorgan Chase Bank, N.A. is required to complete a qualification period of four consecutive quarters during which it needs to demonstrate that it meets the requirements of the rule to the satisfaction of its U.S. banking regulators. JPMorgan Chase Bank, N.A. is currently in the qualification period and expects to be in compliance with all relevant Basel II rules within the established timelines. In addition, JPMorgan Chase Bank, N.A. has adopted, and will continue to adopt, based on various established timelines, Basel II rules in certain non-U.S. jurisdictions, as required.

"Basel 2.5"

During 2011, the U.S. federal banking agencies issued proposals for industry comment to revise the market risk capital rules of Basel II that would result in additional capital requirements for trading positions and securitizations.

Basel III

In addition to the Basel II Framework, on December 16, 2010, the Basel Committee issued the final version of the Capital Accord, commonly referred to as "Basel III," which revised Basel II by, among other things, narrowing the definition of capital, increasing capital requirements for specific exposures, introducing minimum standards for short-term liquidity coverage – the liquidity coverage ratio (the "LCR") – and term funding – the net stable funding ratio (the "NSFR"), and establishing an international leverage ratio. The LCR is a short-term liquidity measure which identifies a firm's unencumbered, high-quality liquid assets that can be converted into cash to meet net cash outflows during a 30-day severe stress scenario. The NSFR measures the amount of longer-term, stable sources of funding available to support the portion of all assets (on- and off-balance sheet) that cannot be monetized over a one-year period of extended stress. The Basel Committee also announced higher capital ratio requirements under Basel III, which provide that the common equity requirement will be increased to 7%, comprised of a minimum ratio of 4.5% plus a 2.5% capital conservation buffer.

On June 25, 2011, the Basel Committee announced an agreement to require global systemically important banks ("GSIBs") to maintain Tier 1 common requirements above the 7% minimum in amounts ranging from an additional 1% to an additional 2.5%. The Basel Committee also stated it intended to require certain GSIBs to maintain a further Tier 1 common requirement of an additional 1% under certain circumstances, to act as a disincentive for the GSIB from taking actions that would further increase its systemic importance. On July 19, 2011, the Basel Committee published a proposal on the GSIB assessment methodology, which reflects an approach based on five broad categories: size; interconnectedness; lack of substitutability; cross-jurisdictional activity; and complexity. In late September, the Basel Committee finalized the GSIB assessment methodology and Tier 1 common requirements.

In addition, the U.S. federal banking agencies have published proposed risk-based capital floors pursuant to the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") to establish a permanent Basel I floor under Basel II and Basel III capital calculations.

JPMorgan Chase Bank, N.A. will continue to monitor the ongoing rule-making process to assess both the timing and the impact of Basel III on its businesses and financial condition.

The following table presents the regulatory capital, assets and risk-based capital ratios for JPMorgan Chase Bank, N.A. at December 31, 2011 and 2010. These amounts are determined in accordance with U.S. banking regulations.

December 31, (in millions, except ratios)	2011	2010	Well-capitalized ratios[d]	Minimum capital ratios[d]
Regulatory capital				
Tier 1	**$ 98,426**	$ 91,764		
Total	**136,017**	130,444		
Assets				
Risk-weighted[a][b]	**1,042,898**	965,897		
Adjusted average[c]	**1,789,194**	1,611,486		
Capital ratios				
Tier 1	**9.4%**	9.5%	6.0%	4.0%
Total	**13.0**	13.5	10.0	8.0
Tier 1 leverage	**5.5**	5.7	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 December 31, 2011 and 2010, of $291.0 billion and $274.2 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 U.S. banking regulations.

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

(f) The minimum Tier 1 leverage ratio for 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 $317 million and $458 million at December 31, 2011 and 2010, respectively; and deferred tax liabilities resulting from tax-deductible goodwill of $1.2 billion and $958 million at December 31, 2011 and 2010, respectively.

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.

December 31, (in millions)	2011	2010
Tier 1 capital		
Total stockholder's equity	**$ 130,777**	$ 123,217
Effect of certain items in accumulated other comprehensive income/(loss) excluded from Tier 1 capital	**(3,387)**	(2,486)
Qualifying hybrid securities and noncontrolling interests[a]	**778**	783
Less: Goodwill[b]	**26,196**	26,389
Fair value DVA on derivative and structured note liabilities related to JPMorgan Chase Bank, N.A.'s credit quality	**1,776**	881
Investments in certain subsidiaries and other	**6**	1
Other intangible assets[b]	**1,764**	2,479
Total Tier 1 capital	**98,426**	91,764
Tier 2 capital		
Long-term debt and other instruments qualifying as Tier 2	**24,423**	26,415
Qualifying allowance for credit losses	**13,163**	12,230
Adjustment for investments in certain subsidiaries and other	**5**	35
Total Tier 2 capital	**37,591**	38,680
Total qualifying capital	**$ 136,017**	$ 130,444

(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 27 – 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.

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 16 on pages 76–79 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 December 31, 2011 and 2010. 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

	Contractual amount		Carrying value[j]	
December 31, (in millions)	**2011**	2010	**2011**	2010
Lending-related				
Consumer, excluding credit card:				
Home equity – senior lien	**$ 14,068**	$ 15,135	**$ –**	$ –
Home equity – junior lien	**23,873**	27,910	**–**	–
Prime mortgage	**1,500**	1,266	**–**	–
Subprime mortgage	**–**	–	**–**	–
Auto	**6,694**	5,246	**1**	2
Business banking	**10,299**	9,702	**6**	4
Student and other	**784**	579	**–**	–
Total consumer, excluding credit card	**57,218**	59,838	**7**	6
Credit card	**27,586**	19,506	**–**	–
Total consumer	**84,804**	79,344	**7**	6
Wholesale:				
Other unfunded commitments to extend credit[a][b][c]	**215,029**	199,604	**334**	348
Standby letters of credit and other financial guarantees[a][c][d][e]	**100,836**	94,282	**688**	695
Unused advised lines of credit	**59,512**	44,232	**–**	–
Other letters of credit[a][e]	**5,386**	6,663	**2**	2
Total wholesale	**380,763**	344,781	**1,024**	1,045
Total lending-related	**$ 465,567**	$ 424,125	**$ 1,031**	$ 1,051
Other guarantees and commitments				
Securities lending indemnifications[f]	**$ 197,913**	$ 193,701	**NA**	NA
Derivatives qualifying as guarantees[g]	**75,583**	87,749	**$ 457**	$ 295
Unsettled reverse repurchase and securities borrowing agreements	**26,639**	32,332	**–**	–
Loan sale and securitization-related indemnifications:				
Mortgage repurchase liability[h]	**NA**	NA	**3,244**	3,000
Loans sold with recourse	**9,657**	10,162	**127**	147
Other guarantees and commitments[i]	**4,954**	4,993	**(5)**	(6)

(a) At December 31, 2011 and 2010, reflects the contractual amount net of risk participations totaling $1.1 billion and $437 million, respectively, for other unfunded commitments to extend credit; $19.8 billion and $22.4 billion, respectively, for standby letters of credit and other financial guarantees; and $974 million and $1.1 billion, respectively, for other letters of credit. In regulatory filings with the Federal Reserve these commitments are shown gross of risk participations.

(b) At December 31, 2011 and 2010, included commitments to affiliates of $19 million and $70 million, respectively.

(c) At December 31, 2011 and 2010, included credit enhancements and bond and commercial paper liquidity commitments to U.S. states and municipalities, hospitals and other not-for-profit entities of $48.6 billion and $43.4 billion, respectively. These commitments also include liquidity facilities to nonconsolidated municipal bond VIEs; for further information, see Note 17 on pages 80–92 of these Consolidated Financial Statements.
(d) At December 31, 2011 and 2010, included unissued standby letters of credit commitments of $43.9 billion and $41.4 billion, respectively.
(e) At December 31, 2011 and 2010, JPMorgan Chase Bank, N.A. held collateral relating to $41.4 billion and $37.7 billion, respectively, of standby letters of credit; and $1.3 billion and $2.1 billion, respectively, of other letters of credit.
(f) At December 31, 2011 and 2010, collateral held by JPMorgan Chase Bank, N.A. in support of securities lending indemnification agreements was $197.2 billion and $196.2 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) Represents notional amounts of derivatives qualifying as guarantees.
(h) Represents the estimated 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 pages 109-110 of this Note.
(i) At December 31, 2011 and 2010, included unfunded equity investment commitments of $1.1 billion and $969 million, respectively. These commitments included $26 million and $36 million, respectively, related to investments that are generally fair valued at net asset value as discussed in Note 4 on pages 10–24 of these Consolidated Financial Statements. In addition, at December 31, 2011 and 2010, included letters of credit hedged by derivative transactions and managed on a market risk basis of $3.9 billion and $3.8 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, as well as extensions of credit to support commercial paper facilities and bond financings in the event that those obligations cannot be remarketed to new investors.

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 $6.0 billion and $5.8 billion at December 31, 2011 and 2010, respectively. For further information, see Note 4 and Note 5 on pages 10–24 and 24–26 respectively, of these Consolidated Financial Statements.

Guarantees
U.S. GAAP requires that a guarantor recognize, at the inception of a guarantee, a liability in an amount equal to the fair value of the obligation undertaken in issuing the guarantee. U.S. GAAP defines a guarantee as a contract that contingently requires the guarantor to pay a guaranteed party based upon: (a) changes in an underlying asset, liability or equity security of the guaranteed party; or (b) a third party's failure to perform under a specified agreement. 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.

As required by U.S. GAAP, JPMorgan Chase Bank, N.A. initially records guarantees at the inception date fair value of the obligation assumed (e.g., the amount of consideration received or the net present value of the premium receivable). For certain types of guarantees, JPMorgan Chase Bank, N.A. records this fair value amount in other liabilities with an offsetting entry recorded in cash (for premiums received), or other assets (for premiums receivable). Any premium receivable recorded in other assets is reduced as cash is received under the contract, and the fair value of the liability recorded at inception is amortized into income as lending and deposit-related fees over the life of the guarantee contract. For indemnifications provided in sales agreements, a portion of the sale proceeds is allocated to the guarantee, which adjusts the gain or loss that would otherwise result from the transaction. For these indemnifications, the initial liability is amortized to income as JPMorgan Chase Bank, N.A.'s risk is reduced (i.e., over time or when the indemnification expires). Any contingent liability that exists as a result of issuing the guarantee or indemnification is recognized when it becomes probable and reasonably estimable. The contingent portion of the liability is not recognized if the estimated amount is less than the carrying amount of the liability recognized at inception (adjusted for any amortization). The recorded amounts of the liabilities related to guarantees and indemnifications at December 31, 2011 and 2010, 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 $690 million and $697 million at December 31, 2011 and 2010, respectively, which were classified in accounts payable and other liabilities on the Consolidated Balance Sheets; these carrying values included $311 million and $337 million, respectively, for the allowance for lending-related commitments, and $379 million and $360 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 December 31, 2011 and 2010.

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

December 31, (in millions)	2011 Standby letters of credit and other financial guarantees	2011 Other letters of credit	2010 Standby letters of credit and other financial guarantees	2010 Other letters of credit
Investment-grade[a]	$ 77,932	$ 4,105	$ 69,759	$ 5,289
Noninvestment-grade[a]	22,904	1,281	24,523	1,374
Total contractual amount[b]	$ 100,836 [c]	$ 5,386	$ 94,282 [c]	$ 6,663
Allowance for lending-related commitments	$ 309	$ 2	$ 335	$ 2
Commitments with collateral	41,418	1,264	37,749	2,127

(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 December 31, 2011 and 2010, reflects the contractual amount net of risk participations totaling $19.8 billion and $22.4 billion, respectively, for standby letters of credit and other financial guarantees; and $974 million and $1.1 billion, respectively, for other letters of credit. In regulatory filings with the Federal Reserve these commitments are shown gross of risk participations.
(c) At December 31, 2011 and 2010, included unissued standby letters of credit commitments of $43.9 billion and $41.4 billion, respectively.

Advised lines of credit

An advised line of credit is a revolving credit line which specifies the maximum amount JPMorgan Chase Bank, N.A. may make available to an obligor on a nonbinding basis. The borrower receives written or oral advice of this facility. JPMorgan Chase Bank, N.A. may cancel this facility at any time by providing the borrower notice or, in some cases, without notice as permitted by law.

Securities lending indemnifications

Through JPMorgan Chase Bank, N.A.'s securities lending program, customers' securities, via custodial and non-custodial arrangements, may be lent to third parties. As part of this program, JPMorgan Chase Bank, N.A. provides an indemnification in the lending agreements which protects the lender against the failure of the third-party borrower to return the lent securities in the event JPMorgan Chase Bank, N.A. did not obtain sufficient collateral. To minimize its liability under these indemnification agreements, JPMorgan Chase Bank, N.A. obtains cash or other highly liquid collateral with a market value exceeding 100% of the value of the securities on loan from the borrower. Collateral is marked to market daily to help assure that collateralization is adequate. Additional collateral is called from the borrower if a shortfall exists, or collateral may be released to the borrower in the event of overcollateralization. If a borrower defaults, JPMorgan Chase Bank, N.A. would use the collateral held to purchase replacement securities in the market or to credit the lending customer with the cash equivalent thereof.

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. These contracts include written put options that require JPMorgan Chase Bank, N.A. to purchase assets upon exercise by the option holder at a specified price by a specified date in the future. JPMorgan Chase Bank, N.A. may enter into written put option contracts in order to meet client needs, or for other trading purposes. The terms of written put options are typically five years or less. Derivative guarantees also include contracts such as stable value derivatives that require JPMorgan Chase Bank, N.A. to make a payment of the difference between the market value and the book value of a counterparty's reference portfolio of assets in the event that market value is less than book value and certain other conditions have been met. Stable value derivatives, commonly referred to as "stable value wraps", are transacted in order to allow investors to realize investment returns with less volatility than an unprotected portfolio and are typically longer-term or may have no stated maturity, but allow JPMorgan Chase Bank, N.A. to terminate the contract under certain conditions.

Derivative guarantees are recorded on the Consolidated Balance Sheets at fair value in trading assets and trading liabilities. The total notional value of the derivatives that JPMorgan Chase Bank, N.A. deems to be guarantees was $75.6 billion and $87.7 billion at December 31, 2011 and 2010, 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 $26.1 billion and $25.9 billion and the maximum exposure to loss was $2.8 billion and $2.7 billion, at December 31, 2011 and 2010, 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 $555 million and $390 million and derivative receivables of $98 million and $95 million at December 31, 2011 and 2010, 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 7 on pages 28–37 of these Consolidated Financial Statements.

Unsettled reverse repurchase and securities borrowing agreements

In the normal course of business, JPMorgan Chase Bank, N.A. enters into reverse repurchase agreements and securities borrowing agreements that settle at a future date. At settlement, these commitments require that JPMorgan Chase Bank, N.A. advance cash to and accept securities from the counterparty. These agreements generally do not meet the definition of a derivative, and therefore, are not recorded on the Consolidated Balance Sheets until settlement date. At December 31, 2011 and 2010, the amount of commitments related to forward starting reverse repurchase agreements and securities borrowing agreements were $1.2 billion and $6.8 billion, respectively. Commitments related to unsettled reverse repurchase agreements and securities borrowing agreements with regular way settlement periods were $25.4 billion and $25.5 billion at December 31, 2011 and 2010, respectively.

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 Notes 17 on pages 80–92 of these Consolidated 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. Although there have been both generalized allegations, as well as specific demands that JPMorgan Chase Bank, N.A. should repurchase loans sold or deposited into private-label securitizations, and JPMorgan Chase Bank, N.A. experienced an increase in the number of requests for loan files ("file requests") in the latter part of 2011, loan-level repurchase demands and repurchases from private-label securitizations have been limited to date. 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.

Subsequent to JPMorgan Chase Bank, N.A.'s acquisition of certain assets and liabilities of Washington Mutual from the FDIC in September 2008, JPMorgan Chase Bank, N.A. resolved and/or limited certain current and future repurchase demands for loans sold to the GSEs by Washington Mutual, although it remains JPMorgan Chase Bank, N.A.'s position that such obligations remain with the FDIC receivership. JPMorgan Chase Bank, N.A. will continue to evaluate and may pay (subject to reserving its rights for indemnification by the FDIC) certain future repurchase demands related to individual loans, subject to certain limitations, and has considered such potential repurchase demands in its repurchase liability.

To estimate JPMorgan Chase Bank, N.A.'s mortgage repurchase liability arising from breaches of representations and warranties, JPMorgan Chase Bank, N.A. considers:

(i) the level of outstanding unresolved repurchase demands,

(ii) estimated probable future repurchase demands considering information about file requests, delinquent and liquidated loans, resolved and unresolved mortgage insurance rescission notices and JPMorgan Chase Bank, N.A.'s historical experience,

(iii) the potential ability of JPMorgan Chase Bank, N.A. to cure the defects identified in the repurchase demands ("cure rate"),

(iv) the estimated severity of loss upon repurchase of the loan or collateral, make-whole settlement, or indemnification,

(v) JPMorgan Chase Bank, N.A.'s potential ability to recover its losses from third-party originators, and

(vi) the terms of agreements with certain mortgage insurers and other parties.

Based on these factors, JPMorgan Chase Bank, N.A. has recognized a mortgage repurchase liability of $3.2 billion and $3.0 billion, as of December 31, 2011 and 2010, respectively, which is reported in accounts payable and other liabilities net of probable recoveries from third-party correspondents of $518 million and $517 million at December 31, 2011 and 2010, 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 December 31, 2011, 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 $2 billion at December 31, 2011. 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 44%, which is an additional 9 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 level of loan delinquencies, thereby potentially increasing the repurchase demand rate from the GSEs and increasing loss severity on repurchased loans, each of which 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 29 on pages 113–122 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]

Year ended December 31, (in millions)	2011	2010	2009
Repurchase liability at beginning of period	**$ 3,000**	$ 1,449	$ 1,012
Realized losses[b]	**(1,150)**	(1,361)	(1,175) (d)
Provision for repurchase losses	**1,394**	2,912	1,612
Repurchase liability at end of period	**$ 3,244** (c)	$ 3,000	$ 1,449

(a) Mortgage repurchase liabilities associated with pending or threatened litigation are not reported in this table because JPMorgan Chase Bank, N.A. separately evaluates its exposure to such repurchases 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. For the years ended December 31, 2011, 2010 and 2009, make-whole settlements were $570 million, $580 million and $227 million, respectively.
(c) Includes $173 million at December 31, 2011, related to future demands on loans sold by Washington Mutual to the GSEs.
(d) Includes JPMorgan Chase Bank, N.A.'s resolution of certain current and future repurchase demands for certain loans sold by Washington Mutual.

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 December 31, 2011 and 2010, the unpaid principal balance of loans sold with recourse totaled $9.7 billion and $10.2 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 and $147 million at December 31, 2011 and 2010, respectively.

Other off-balance sheet arrangements

Indemnification agreements – general

In connection with issuing securities to investors, JPMorgan Chase Bank, N.A. may enter into contractual arrangements with third parties that require JPMorgan Chase Bank, N.A. to make a payment to them in the event of a change in tax law or an adverse interpretation of tax law. In certain cases, the contract also may include a termination clause, which would allow JPMorgan Chase Bank, N.A. to settle the contract at its fair value in lieu of making a payment under the indemnification clause. JPMorgan Chase Bank, N.A. may also enter into indemnification clauses in connection with the licensing of software to clients ("software licensees") or when it sells a business or assets to a third party ("third-party purchasers"), pursuant to which it indemnifies software licensees for claims of liability or damages that may occur subsequent to the licensing of the software, or third-party purchasers for losses they may incur due to actions taken by JPMorgan Chase Bank, N.A. prior to the sale of the business or assets. It is difficult to estimate JPMorgan Chase Bank, N.A.'s maximum exposure under these indemnification arrangements, since this would require an assessment of future changes in tax law and future claims that may be made against JPMorgan Chase Bank, N.A. that have not yet occurred. However, based on historical experience, management expects the risk of loss to be remote.

Credit card charge-backs
Chase Paymentech Solutions, JPMorgan Chase Bank, N.A.'s merchant services business, is a global leader in payment processing and merchant acquiring.

Under the rules of Visa USA, Inc., and MasterCard International, JPMorgan Chase Bank, N.A., is liable primarily for the amount of each processed credit card sales transaction that is the subject of a dispute between a cardmember and a merchant. If a dispute is resolved in the cardmember's favor, Chase Paymentech will (through the cardmember's issuing bank) credit or refund the amount to the cardmember and will charge back the transaction to the merchant. If Chase Paymentech is unable to collect the amount from the merchant, Chase Paymentech will bear the loss for the amount credited or refunded to the cardmember. Chase Paymentech mitigates this risk by withholding future settlements, retaining cash reserve accounts or by obtaining other security. However, in the unlikely event that: (1) a merchant ceases operations and is unable to deliver products, services or a refund; (2) Chase Paymentech does not have sufficient collateral from the merchant to provide customer refunds; and (3) Chase Paymentech does not have sufficient financial resources to provide customer refunds, JPMorgan Chase Bank, N.A., would be liable for the amount of the transaction. For the year ended December 31, 2011, Chase Paymentech incurred aggregate credit losses of $13 million on $553.7 billion of aggregate volume processed, and at December 31, 2011, it held $204 million of collateral. For the year ended December 31, 2010, Chase Paymentech incurred aggregate credit losses of $12 million on $469.3 billion of aggregate volume processed, and at December 31, 2010, it held $189 million of collateral. For the year ended December 31, 2009, Chase Paymentech incurred aggregate credit losses of $11 million on $409.7 billion of aggregate volume processed, and at December 31, 2009, it held $213 million of collateral. JPMorgan Chase Bank, N.A. believes that, based on historical experience and the collateral held by Chase Paymentech, the fair value of JPMorgan Chase Bank, N.A.'s charge back-related obligations, which are representative of the payment or performance risk to JPMorgan Chase Bank, N.A., is immaterial.

Exchange and clearinghouse guarantees
JPMorgan Chase Bank, N.A. is a member of several securities and futures exchanges and clearinghouses, both in the U.S. and other countries. Membership in some of these organizations requires JPMorgan Chase Bank, N.A. to pay a pro rata share of the losses incurred by the organization as a result of the default of another member. Such obligations vary with different organizations. These obligations may be limited to members who dealt with the defaulting member or to the amount (or a multiple of the amount) of JPMorgan Chase Bank, N.A.'s contribution to a member's guarantee fund, or, in a few cases, the obligation may be unlimited. It is difficult to estimate JPMorgan Chase Bank, N.A.'s maximum exposure under these membership agreements, since this would require an assessment of future claims that may be made against JPMorgan Chase Bank, N.A. that have not yet occurred. However, based on historical experience, management expects the risk of loss to be remote.

JPMorgan Chase Bank, N.A. clears transactions on behalf of its clients through various clearinghouses, and JPMorgan Chase Bank, N.A. stands behind the performance of its clients on such trades. JPMorgan Chase Bank, N.A. mitigates its exposure to loss in the event of a client default by requiring that clients provide appropriate amounts of margin at the inception and throughout the life of the transaction, and can cease the provision of clearing services if clients do not adhere to their obligations under the clearing agreement. It is difficult to estimate JPMorgan Chase Bank, N.A.'s maximum exposure under such transactions, as this would require an assessment of transactions that clients may execute in the future. However, based upon historical experience, management believes it is unlikely that JPMorgan Chase Bank, N.A. will have to make any material payments under these arrangements and the risk of loss is expected to be remote.

Guarantees of subsidiaries and affiliates
In the normal course of business, JPMorgan Chase Bank, N.A. may provide counterparties with guarantees of certain of the trading and other obligations of its subsidiaries and affiliates on a contract-by-contract basis, as negotiated with JPMorgan Chase Bank, N.A.'s counterparties. The obligations of the subsidiaries are included on JPMorgan Chase Bank, N.A.'s Consolidated Balance Sheets, or are reflected as off-balance sheet commitments; therefore, JPMorgan Chase Bank, N.A. has not recognized a separate liability for these guarantees. At December 31, 2011 and 2010, there were no significant guarantees by JPMorgan Chase Bank, N.A of the obligations of its affiliates. JPMorgan Chase Bank, N.A. believes that the occurrence of any event that would trigger payments by JPMorgan Chase Bank, N.A. under these guarantees is remote.

JPMorgan Chase Bank, N.A. has guaranteed certain debt of its subsidiaries, including both long-term debt and structured notes sold as part of JPMorgan Chase Bank, N.A.'s market-making activities. These guarantees are not included in the table on page 106 of this Note. For additional information, see Note 21 on pages 97–98 of these Consolidated Financial Statements.

Note 28 – Commitments, pledged assets and collateral

Lease commitments

At December 31, 2011, JPMorgan Chase Bank, N.A. and its subsidiaries were obligated under a number of noncancelable operating leases for premises and equipment used primarily for banking purposes, and for energy-related tolling service agreements. Certain leases contain renewal options or escalation clauses providing for increased rental payments based on maintenance, utility and tax increases, or they require JPMorgan Chase Bank, N.A. to perform restoration work on leased premises. No lease agreement imposes restrictions on JPMorgan Chase Bank, N.A.'s ability to pay dividends, engage in debt or equity financing transactions or enter into further lease agreements.

The following table presents required future minimum rental payments under operating leases with noncancelable lease terms that expire after December 31, 2011.

Year ended December 31, (in millions)		
2012	$	1,317
2013		1,323
2014		1,221
2015		1,104
2016		971
After 2016		5,749
Total minimum payments required[(a)]		11,685
Less: Sublease rentals under noncancelable subleases		(1,216)
Net minimum payment required	$	10,469

(a) Lease restoration obligations are accrued in accordance with U.S. GAAP, and are not reported as a required minimum lease payment.

Total rental expense was as follows.

Year ended December 31, (in millions)		**2011**		2010		2009
Gross rental expense	**$**	**1,612**	$	1,611	$	1,614
Sublease rental income		**(153)**		(140)		(140)
Net rental expense	**$**	**1,459**	$	1,471	$	1,474

Pledged assets

At December 31, 2011, 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 December 31, 2011 and 2010, JPMorgan Chase Bank, N.A. had pledged $192.0 billion and $193.2 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. The significant components of JPMorgan Chase Bank, N.A.'s pledged assets were as follows.

December 31, (in billions)		**2011**		2010
Securities	**$**	**135.0**	$	112.1
Loans		**138.1**		158.7
Trading assets and other		**47.6**		36.5
Total assets pledged[(a)]	**$**	**320.7**	$	307.3

(a) Total assets pledged do not include assets of consolidated VIEs; these assets are used to settle the liabilities of those entities. See Note 17 on pages 80–92 of these Consolidated Financial Statements for additional information on assets and liabilities of consolidated VIEs.

Collateral

At December 31, 2011 and 2010, 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 $445.1 billion and $360.8 billion, respectively. This collateral was generally obtained under resale agreements, securities borrowing agreements, customer margin loans and derivative agreements. Of the collateral received, approximately $322.5 billion and $296.1 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 29 – Litigation

Contingencies

As of December 31, 2011, 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 various 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 its legal proceedings is from $0 to approximately $5.1 billion at December 31, 2011. 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 or one or more of its subsidiaries, including 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 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 as 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. 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 auction-rate securities 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 relating to JPMorgan Chase’s sales of auction-rate securities, including a putative securities class action in the United States District Court for the Southern District of New York that seeks unspecified damages, and individual arbitrations and lawsuits in various forums brought by institutional and individual investors that, together, seek damages totaling approximately $50 million. The actions generally allege that JPMorgan Chase and other firms manipulated the market for auction-rate securities by placing bids at auctions that affected these securities’ clearing rates or otherwise supported the auctions without properly disclosing these activities. Some actions also allege that JPMorgan Chase misrepresented that auction-rate securities were short-term instruments. The lawsuits are being coordinated before the federal District Court in New York.

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 auction-rate securities market and then to withdraw their support for the auction-rate securities 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. BSAM has reserved the right not to proceed with this settlement if plaintiff is unable to secure the participation of investors whose net contributions meet a prescribed percentage of the aggregate net contributions to this feeder fund. The court has preliminarily approved the settlement, which remains subject to final court approval. (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 alleges that it incurred losses in excess of $3 billion and seeks damages in an amount to be determined, although the amount of damages that BofA seeks may be substantially less than its alleged losses. Discovery is ongoing.

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, 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. 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 putative class actions. Certain of these matters have been dismissed or settled.

Separately, an agreement in principle 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 documentation and court approval, the class will receive $10 million.

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.

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 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. The civil proceedings have been stayed pending the determination of an application by JPMorgan Chase to the Supreme Court in Rome challenging jurisdiction, which was heard in November 2011.

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. The remaining Enron-related actions include an individual action by an Enron investor, an action by an Enron counterparty and 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. The class action has been dismissed, and is on appeal to the United States Court of Appeals for the Second Circuit. Motions to dismiss are pending in the other two actions.

Interchange Litigation. A group of merchants has filed a series of putative class action complaints in several federal courts. The complaints allege that Visa and MasterCard, as well as certain other banks and their respective bank holding companies, conspired to set the price of credit and debit card interchange fees, enacted respective association rules in violation of antitrust laws, and engaged in tying/bundling and exclusive dealing. The complaint seeks unspecified damages and injunctive relief based on the theory that interchange fees would be lower or eliminated but for the challenged conduct. Based on publicly available estimates, Visa and MasterCard branded payment cards generated approximately $40 billion of interchange fees industry-wide in 2010. All cases have been consolidated in the United States District Court for the Eastern District of New York for pretrial proceedings. The Court has dismissed all claims relating to periods prior to January 2004. The Court has not yet ruled on motions relating to the remainder of the case or plaintiffs' class certification motion. Fact and expert discovery have closed.

In addition to the consolidated class action complaint, plaintiffs filed supplemental complaints challenging the initial public offerings ("IPOs") of MasterCard and Visa (the "IPO Complaints"). With respect to the MasterCard IPO, plaintiffs allege that the offering violated Section 7 of the Clayton Act and Section 1 of the Sherman Act and that the offering was a fraudulent conveyance. With respect to the Visa IPO, plaintiffs are challenging the Visa IPO on antitrust theories parallel to those articulated in the MasterCard IPO pleading. Defendants have filed motions to dismiss the IPO Complaints. The Court has not yet ruled on those motions.

The parties also have filed motions seeking summary judgment as to various claims in the complaints. Oral argument on these summary judgment motions was heard in November 2011.

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 federal District Court in 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 lower court granted JPMorgan Investment Management's motion to dismiss. The New York State Appellate Division reversed the lower court's decision 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. JPMorgan Chase Bank, N.A. has moved to dismiss plaintiffs' amended complaint in its entirety, and has also moved to transfer the litigation from the Bankruptcy Court to the United States District Court for the Southern District of New York. Neither motion has yet been decided, but following argument on the motion to transfer the litigation, the District Court directed the Bankruptcy Court to decide the motion to dismiss while the District Court is considering 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 a trial scheduled for 2012. 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. JPMorgan Chase Bank, N.A. has received and is in various stages of responding to regulatory investigations regarding Lehman.

LIBOR Investigations and Litigation. JPMorgan Chase has received various subpoenas and requests for documents and, in some cases, interviews, from the United States Department of Justice, United States Commodity Futures Trading Commission, United States Securities and Exchange Commission, European Commission, United Kingdom Financial Services Authority, Canadian Competition Bureau and Swiss Competition Commission. The documents and information sought all relate to the process by which rates were submitted to the British Bankers Association ("BBA") in connection with the setting of the BBA's London Interbank Offered Rate ("LIBOR"), principally in 2007 and 2008. The inquiries from some of the regulators also relate to similar processes by which EURIBOR rates are submitted to the European Banking Federation and TIBOR rates are submitted to the Japanese Bankers' Association 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 U.S. federal courts alleging that since 2006 the defendants either individually suppressed the LIBOR rate artificially or colluded in submitting rates for LIBOR that were artificially low. Plaintiffs allege that they transacted in U.S. dollar LIBOR-based derivatives or other financial instruments whose values are impacted by changes in U.S. dollar LIBOR, and assert a variety of claims including antitrust claims seeking treble damages. All cases have been consolidated for pre-trial purposes in the United States District Court for the Southern District of New York. In November 2011, the District Court entered an Order appointing interim lead counsel for the 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.

Madoff Litigation. JPMorgan Chase & Co., JPMorgan Chase Bank, N.A., J.P. Morgan Securities LLC, and J.P. Morgan Securities Ltd. 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. By order dated October 31, 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 Ltd., Bear Stearns Alternative Assets International Ltd. and J.P. Morgan Clearing Corp. 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 and seek to recover payments made to defendants by the funds totaling approximately $150 million. Pursuant to an agreement with the Trustee, the liquidators of Fairfield have voluntarily dismissed their action against J.P. Morgan Securities Ltd. without prejudice to refiling. The other actions remain outstanding. The Bankruptcy Court has stayed these actions. In addition, a purported class action was brought against JPMorgan Chase in the United States District Court for the Southern District of New York, as is a motion by

separate potential class plaintiffs to add claims against JPMorgan Chase, JPMorgan Chase Bank, N.A., J.P. Morgan Securities LLC and J.P. Morgan Securities Ltd. 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.

Finally, JPMorgan Chase is a defendant in five actions pending in New York state court and two purported class actions in federal court in New York. The allegations in all of these actions are essentially identical, and involve claims against JPMorgan Chase Bank, N.A. for aiding and abetting fraud, aiding and abetting breach of fiduciary duty, conversion and unjust enrichment. In the state court actions, JPMorgan Chase Bank, N.A.'s motion to dismiss is pending. JPMorgan Chase Bank, N.A. has moved to dismiss the state court actions and intends to move to dismiss the 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 six putative class action lawsuits brought by customers of MF Global in federal district courts in Montana and 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 $200 million in customer segregated funds by MF Global.

In addition, 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 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. JPMorgan Chase is also responding to various governmental inquiries concerning MF Global.

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 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 and monoline claims involving approximately $120 billion of such securities, a number that decreased significantly in the fourth quarter of 2011 largely due to favorable rulings on standing in the class actions discussed below.

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 newly intervening plaintiffs; both parties have sought leave to appeal these rulings. In the third action, JPMorgan Chase's motion to dismiss remains pending. 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. Discovery is proceeding.

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). These actions involve claims by governmental agencies, including the Federal Housing Finance Administration, the National Credit Union Administration and the Federal Home Loan Banks of Pittsburgh, Seattle, San Francisco, Chicago, Indianapolis, Atlanta and Boston, as well as by or to benefit various institutional investors, including Cambridge Place Investment Management, various affiliates of the Allstate Corporation, the Charles Schwab Corporation, Massachusetts Mutual Life Insurance Company, Western & Southern Life Insurance Company, HSH Nordbank, IKB International, S.A., Sealink Funding, Ltd., Landesbank, Baden-Wurttemberg Stichting Pensioenfonds ABP, Bayerische Landesbank, Union Central Life Insurance Company, Capital Ventures International, John Hancock Life Insurance Company and certain affiliates, Dexia SA/NV and

certain affiliates, Deutsche Zentral-Genossenschaftsbank and Asset Management Fund and certain affiliates. These actions are pending in federal and state courts across the country 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 four pending actions commenced by bond insurers that guaranteed payments of principal and interest on approximately $3.5 billion of certain classes of six different MBS offerings sponsored by EMC. One of those actions, commenced by Syncora Guarantee, Inc., is pending in the United States District Court for the Southern District of New York against EMC only. Syncora has also filed two actions in New York state court: the first, against J.P. Morgan Securities LLC, asserts tort claims arising out of the same transaction as its federal complaint; the second asserts various tort and contract claims relating to a separate transaction against J.P. Morgan Securities LLC, JPMorgan Chase Bank, N.A. and Bear Stearns Asset-Backed Securities I LLC. Ambac has filed a similar complaint in New York state court relating to four MBS offerings, which alleges various contract and tort claims against EMC, J.P. Morgan Securities LLC and JPMorgan Chase Bank, N.A. These Ambac and Syncora actions seek unspecified damages and specific performance. In December 2011, Assured Guaranty Corp. dismissed its case filed against EMC with respect to one MBS offering that was pending in the United States District Court for the Southern District of New York.

In actions against JPMorgan Chase solely as an underwriter of other issuers' MBS offerings, JPMorgan Chase has contractual rights to indemnification from the issuers, but those indemnity rights may prove effectively unenforceable where the issuers are now defunct, such as affiliates of IndyMac Bancorp ("IndyMac Trusts") and Thornburg Mortgage ("Thornburg"). JPMorgan Chase may also be contractually obligated to indemnify underwriters in certain deals it issued. With respect to the IndyMac Trusts, J.P. Morgan Securities LLC, along with numerous other underwriters and individuals, is named as a defendant, both in its own capacity and as successor to Bear Stearns, in a purported class action pending in the United States District Court for the Southern District of New York brought on behalf of purchasers of securities in various IndyMac Trust MBS offerings. The court in that action has dismissed claims as to certain such securitizations, including all offerings in which no named plaintiff purchased securities, and allowed claims as to other offerings to proceed. Plaintiffs' motion to certify a class of investors in certain offerings is pending, and discovery is ongoing. In addition, J.P. Morgan Securities LLC and JPMorgan Chase are named as defendants in an individual action filed by the Federal Home Loan Bank of Pittsburgh in connection with a single offering by an affiliate of IndyMac Bancorp. Discovery in that action is ongoing and defendants moved for partial summary judgment in November 2011. Separately, J.P. Morgan Securities LLC, as successor to Bear, Stearns & Co. Inc., along with other underwriters and certain individuals, are defendants in an action pending in state court in California brought by MBIA Insurance Corp. ("MBIA"). The action relates to certain securities issued by IndyMac trusts in offerings in which Bear Stearns was an underwriter, and as to which MBIA provided guaranty insurance policies. MBIA purports to be subrogated to the rights of the MBS holders, and seeks recovery of sums it has paid and will pay pursuant to those policies. Discovery is ongoing. With respect to Thornburg, a Bear Stearns subsidiary is also a named defendant in a purported class action pending in the United States District Court for the District of New Mexico along with a number of other financial institutions that served as depositors and/or underwriters for three Thornburg MBS offerings. The Court granted in part defendants' motion to dismiss but indicated that plaintiffs could replead. Plaintiffs filed another amended complaint in December 2011, while defendants have asked the court to reconsider its ruling denying in part the defendants' motion to dismiss.

JPMorgan Chase or its affiliates are defendants in three actions brought by trustees of MBS on behalf of the purchasers of securities. In the first, Wells Fargo, as trustee for a single MBS trust, has filed an action against EMC Mortgage in Delaware state court alleging that EMC breached various representations and warranties and seeking the repurchase of more than 800 mortgage loans by EMC and indemnification for the trustee attorneys' fees and costs. In the second, a trustee for a single MBS trust filed a summons with notice in New York state court against EMC, Bear Stearns & Co. Inc. and JPMorgan Chase & Co., seeking damages for breach of contract. JPMorgan Chase has not yet been served with the complaint. In the third, JPMorgan Chase is a defendant in an action commenced by Deutsche Bank National Trust Co., acting as trustee for various MBS trusts. That case is described in more detail below with respect to the Washington Mutual Litigations.

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 which toll the statutes of limitations and repose 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 certificateholders who purport to have 25% or more of the voting rights in as many as 191 different trusts sponsored by JPMorgan Chase 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.

A shareholder complaint has been filed in New York state 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 action seeks an accounting and damages. The defendants have moved to dismiss the action.

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's origination and purchase of whole loans, underwriting and issuance of MBS, treatment of early payment defaults and potential breaches of securitization representations and warranties, 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 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, the SEC staff has invited JPMorgan Chase to submit responses to the proposed actions.

Mortgage Foreclosure Investigations and Litigation. JPMorgan Chase and four other firms have 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, 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 is subject to the execution of a definitive agreement and court approval, 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); (ii) provide approximately $500 million of refinancing relief to certain "underwater" borrowers whose loans are owned by JPMorgan Chase; 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. (If JPMorgan Chase does not meet certain targets for provision of the refinancing or other borrower relief within certain prescribed time periods, JPMorgan Chase will instead make cash payments.) In addition, under the global settlement JPMorgan Chase will be required to adhere to certain enhanced mortgage servicing standards.

The global settlement releases JPMorgan Chase from further claims 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.

JPMorgan Chase also entered into agreements in principle with the 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.

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 the Massachusetts action, and has yet to respond to the New York action.

Five purported class action lawsuits were filed against JPMorgan Chase relating to its mortgage foreclosure procedures. Two of those suits were dismissed with prejudice. A third suit has been resolved, and its dismissal will be obtained shortly. Additionally, JPMorgan Chase is defending a purported class action brought against Bank of America involving an EMC loan.

A shareholder derivative action has been filed in New York state 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. The action seeks a declaratory judgment and damages.

Municipal Derivatives Investigations and Litigation. Purported class action lawsuits and individual actions (the "Municipal Derivatives Actions") have been filed against JPMorgan Chase and Bear Stearns, as well as numerous other providers and brokers, alleging antitrust violations in the reportedly $100 billion to $300 billion annual 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.

The court denied in part and granted in part defendants' motions to dismiss the purported class and individual actions, permitting certain claims to proceed against JPMorgan Chase and others under federal and California state antitrust laws and under the California false claims act. Subsequently, a number of additional individual actions asserting substantially similar claims, including claims under New York and West Virginia state antitrust statutes, were filed against JPMorgan Chase, Bear Stearns and numerous other defendants. These cases are also being coordinated for pretrial purposes in the United States District Court for the Southern District of New York. Discovery is ongoing.

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 and a putative class of sewer rate payers filed complaints against JPMorgan Chase and several other defendants 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.

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.

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's motion to compel arbitration of certain plaintiffs' claims was initially denied by the District Court. On appeal, the United States Court of Appeals for the Eleventh Circuit vacated the District Court's order and remanded the case for reconsideration in light of a recent ruling by the United States Supreme Court in an unrelated case addressing the enforcement of an arbitration provision in a consumer product agreement. JPMorgan Chase has reached an agreement in principle to settle this matter in exchange for JPMorgan Chase paying $110 million and agreeing to change certain overdraft fee practices. The settlement is subject to documentation and court approval.

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.

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. Trial on the remaining duty of prudence claim is scheduled to begin in February 2012. In December 2011, JPMorgan Chase filed third-party claims for indemnification and contribution against the investment fiduciaries for three unnamed class members that maintained individual securities lending accounts. The parties have reached an agreement in principle to settle this action. The settlement is subject to documentation and court approval.

The fourth putative class action concerns investments of approximately $500 million in Lehman Brothers medium-term notes. JPMorgan Chase has moved to dismiss the amended complaint and is awaiting a decision. Discovery is proceeding while the motion is pending. 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.

Service Members Civil Relief Act and Housing and Economic Recovery Act Investigations and Litigation. Multiple government officials have conducted inquiries into JPMorgan Chase's procedures related to the Service Members Civil Relief Act ("SCRA") and the Housing and Economic Recovery Act of 2008 ("HERA"). These inquiries were prompted by JPMorgan Chase's public statements about its SCRA and HERA compliance and actions to remedy certain instances in which JPMorgan Chase mistakenly charged active or recently-active military personnel mortgage interest and fees in excess of that permitted by SCRA and HERA, and in a number of instances, foreclosed on borrowers protected by SCRA and HERA. JPMorgan Chase has implemented a number of procedural enhancements and controls to strengthen its SCRA and HERA compliance. In addition, an individual borrower filed a nationwide class action in United States District Court for South Carolina against JPMorgan Chase alleging violations of the SCRA related to home loans. JPMorgan Chase agreed to pay $27 million plus attorneys' fees, in addition to reimbursements previously paid by JPMorgan Chase, to settle the class action. Additional borrowers were subsequently added to the class, and JPMorgan Chase agreed to pay an additional $8 million into the settlement fund. The court entered a final order approving the settlement in January 2012.

Washington Mutual Litigations. Subsequent to JPMorgan Chase Bank, N.A.'s acquisition from the FDIC of substantially all of the assets and certain specified liabilities of Washington Mutual Bank ("Washington Mutual Bank") in September 2008, Washington Mutual Bank's parent holding company, Washington Mutual, Inc. ("WMI") and its wholly-owned subsidiary, WMI Investment Corp. (together, the "Debtors"), both commenced voluntary cases under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Case"). In the Bankruptcy Case, the Debtors have asserted rights and interests in certain assets. The assets in dispute include principally the following: (a) approximately $4 billion in trust securities contributed by WMI to Washington Mutual Bank (the "Trust Securities"); (b) the right to tax refunds arising from overpayments attributable to operations of Washington Mutual Bank and its subsidiaries; (c) ownership of and other rights in approximately $4 billion that WMI contends are deposit accounts at Washington Mutual Bank and one of its subsidiaries; and (d) ownership of and rights in various other contracts and other assets (collectively, the "Disputed Assets").

WMI, JPMorgan Chase and the FDIC have since been involved in litigations over these and other claims pending in the Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") and the United States District Court for the District of Columbia.

In May 2010, WMI, JPMorgan Chase and the FDIC announced a global settlement agreement among themselves and significant creditor groups (the "WaMu Global Settlement"). The WaMu Global Settlement is incorporated into WMI's Chapter 11 plan ("the Plan") submitted to the Bankruptcy Court. The WaMu Global Settlement resolves numerous disputes among WMI, JPMorgan Chase, the FDIC in its capacity as receiver for Washington Mutual Bank and the FDIC in its corporate capacity, as well as those of significant creditor groups, including disputes relating to the Disputed Assets. After several amendments to the Plan to address deficiencies

identified by the Bankruptcy Court that were unrelated to the WaMu Global Settlement, in February 2012 the Bankruptcy Court confirmed the Plan, including the WaMu Global Settlement.

Other proceedings related to Washington Mutual's failure are also pending before the Bankruptcy Court. Among other actions, in July 2010, certain holders of the Trust Securities commenced an adversary proceeding in the Bankruptcy Court against JPMorgan Chase, WMI, and other entities seeking, among other relief, a declaratory judgment that WMI and JPMorgan Chase do not have any right, title or interest in the Trust Securities. In early January 2011, the Bankruptcy Court granted summary judgment to JPMorgan Chase and denied summary judgment to the plaintiffs in the Trust Securities adversary proceeding. The plaintiffs have appealed that decision to the United States District Court for the District of Delaware. In connection with the current Plan, these plaintiffs filed a motion seeking a stay of further confirmation proceedings pending their appeal from the Bankruptcy Court's determination that they have no interest in the Trust Securities and are instead owners of WMI preferred equity. In January 2012, the Bankruptcy Court denied their motion, and the District Court denied their motions for a stay pending appeal and mandamus relief.

Other 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 WMI subsidiaries in connection with those securitization agreements. The case includes assertions that JPMorgan Chase may have assumed liabilities for the 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 trial court's dismissal and remanded the case for further proceedings. Plaintiffs, which now include only 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 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 are named as defendants or are otherwise involved in a substantial number of other legal proceedings. JPMorgan Chase 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 many of its currently outstanding legal 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. During the years ended December 31, 2011, 2010 and 2009, JPMorgan Chase Bank, N.A. incurred $4.1 billion, $6.2 billion and $57 million, respectively, of litigation expense. 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 the 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 30 – International operations

Financial information regarding international operations 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; financial information for international operations is not used to manage JPMorgan Chase Bank, N.A.

Note 31 – Business segments

U.S. GAAP for 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)	2011				2010			
As of or for the period ended	4th quarter	3rd quarter	2nd quarter	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter
Selected income statement data								
Noninterest revenue	**$ 6,952**	**$ 11,076**	**$ 10,638**	**$ 8,907**	$ 10,207	$ 7,920	$ 10,331	$ 10,205
Net interest income	**9,226**	**8,889**	**8,967**	**8,617**	8,638	8,982	8,887	9,424
Total net revenue	**16,178**	**19,965**	**19,605**	**17,524**	18,845	16,902	19,218	19,629
Provision for credit losses	**1,472**	**1,666**	**1,167**	**1,039**	2,742	1,941	1,292	3,431
Total noninterest expense	**11,780**	**12,862**	**14,155**	**12,781**	12,947	11,655	12,150	12,679
Income before income tax expense	**2,926**	**5,437**	**4,283**	**3,704**	3,156	3,306	5,776	3,519
Income tax expense	**336**	**1,155**	**1,400**	**1,003**	570	751	1,825	785
Net income	**$ 2,590**	**$ 4,282**	**$ 2,883**	**$ 2,701**	$ 2,586	$ 2,555	$ 3,951	$ 2,734
Selected ratios								
Tier 1 capital	**9.4%**	**9.3%**	**9.3%**	**9.4%**	9.5%	10.2%	10.5%	10.0%
Total capital	**13.0**	**13.0**	**13.1**	**13.4**	13.5	14.3	14.6	14.1
Tier 1 leverage	**5.5**	**5.5**	**5.5**	**5.7**	5.7	6.3	6.1	6.0
Tier 1 common capital[(a)]	**9.4**	**9.3**	**9.2**	**9.4**	9.4	10.2	10.4	9.9
Selected balance sheet data (period-end)								
Trading assets	**$ 322,558**	**$ 343,138**	**$ 342,228**	**$ 371,498**	$ 358,150	$ 355,575	$ 293,927	$ 325,713
Securities	**357,104**	**331,520**	**317,264**	**327,764**	310,762	334,447	307,380	339,922
Loans	**600,155**	**576,186**	**568,745**	**558,481**	553,004	559,220	559,219	566,013
Allowance for credit losses	**(22,159)**	**(22,438)**	**(22,045)**	**(22,438)**	(23,126)	(23,147)	(23,363)	(24,473)
Total assets	**1,811,678**	**1,826,387**	**1,791,060**	**1,723,460**	1,631,621	1,642,691	1,568,093	1,674,523
Deposits	**1,190,738**	**1,171,148**	**1,144,158**	**1,093,004**	1,019,993	984,210	969,042	1,020,582
Long-term debt[(b)]	**81,888**	**83,088**	**87,210**	**64,511**	67,584	69,565	74,967	82,977
Total stockholder's equity	**130,777**	**129,038**	**125,374**	**123,579**	123,217	132,170	130,905	127,370

(a) In connection with the U.S. Government's Supervisory Capital Assessment Program in 2009, U.S. banking regulators developed a new measure of capital, Tier 1 common, which 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.

(b) Effective January 1, 2011, the long-term portion of advances from FHLBs was reclassified from other borrowed funds to long-term debt. Prior periods have been revised to conform with the current presentation.

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[d]	**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) In connection with the U.S. Government's Supervisory Capital Assessment Program in 2009, U.S. banking regulators developed a new measure of capital, Tier 1 common, which 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.
(d) Effective January 1, 2011, the long-term portion of advances from FHLBs was reclassified from other borrowed funds to long-term debt. Prior periods have been revised to conform with the current presentation.

Beneficial interests issued by consolidated VIEs: Represents the third-party interests issued by VIEs that JPMorgan Chase Bank, N.A. consolidates where the third party interest holders do not have recourse to the general credit of JPMorgan Chase Bank, N.A. The underlying obligations of the VIEs consist of short-term borrowings, commercial paper and long-term debt.

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 credit default swap 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 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.

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.

Mark-to-market exposure: A measure, at a point in time, of the value of a derivative or foreign exchange contract in the open market. When the fair value is positive, it indicates the counterparty owes JPMorgan Chase Bank, N.A. and, therefore, creates credit risk for JPMorgan Chase Bank, N.A. When the fair value is negative, JPMorgan Chase Bank, N.A. owes the counterparty; in this situation, JPMorgan Chase Bank, N.A. has liquidity risk.

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.

Purchased credit-impaired ("PCI") loans: Acquired loans deemed to be credit-impaired under the FASB guidance for PCI loans. 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., FICO score, 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. Wholesale loans are determined to be credit-impaired if they meet the definition of an impaired loan under U.S. GAAP at the acquisition date. Consumer loans are determined to be credit-impaired based on specific risk characteristics of the loan, including product type, LTV ratios, FICO scores, and past due status.

Real estate investment trust ("REIT"): A special purpose investment vehicle that provides investors with the ability to participate directly in the ownership or financing of real-estate related assets by pooling their capital to purchase and manage income property (i.e., equity REIT) and/or mortgage loans (i.e., mortgage REIT). REITs can be publicly- or privately-held and they also qualify for certain favorable tax considerations.

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. RWA 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 RWA.

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") from the FDIC. The Washington Mutual acquisition resulted in negative goodwill, and accordingly, JPMorgan Chase Bank, N.A. recorded an extraordinary gain. A preliminary gain of $1.9 billion was recognized at December 31, 2008. The final total extraordinary gain that resulted from the Washington Mutual transaction was $2.0 billion.