

REMUNERATION REPORT 2012
(DISCLOSURE PURSUANT TO § 7 INSTITUTS-VERGÜTUNGSVERORDNUNG)

J.P. Morgan

TABLE OF CONTENT

1.	General	2
2.	Compensation Practices and Principles	2
2.1.	Governance	3
2.2.	Relevant market place	5
3.	Elements of Compensation	6
3.1.	Base salary	6
3.2.	Annual variable compensation	6
4.	Specific Remuneration Principles for Management Board Members of J.P. Morgan AG (Vorstand)	8
5.	J.P. Morgan AG Supervisory Board Approvals	8
6.	Disclosure	9
	Appendix	10
	The Firm's Compensation practices and principles	10

REMUNERATION REPORT 2012

1. General

This disclosure statement relates to the following entities:

J.P. Morgan AG
JPMorgan Chase Bank, N.A., Frankfurt Branch

In the following, the term “**J.P. Morgan**” refers to each of these entities unless otherwise specified.

The term “**Firm**” will refer to all J.P. Morgan Chase & Co. group entities globally.

This remuneration statement sets out J.P. Morgan’s general compensation principles which apply to all remuneration arrangements. Details of specific remuneration programs are set forth in the relevant plan terms and conditions as in force from time to time.

We believe that J.P. Morgan has consistently been at the forefront of sensible compensation practices. We have a rigorous performance and compensation management system that we believe to be aligned with global regulatory principles, including the requirements under German Stock Corporation Law as amended by the Act on Adequateness of Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung) and the Requirements for the Compensation in Financial Institutions (Instituts-Vergütungsverordnung).

2. Compensation Practices and Principles

At J.P. Morgan, our compensation philosophy, practices and principles are an important part of our business strategy. They help to attract and retain the employees we need and provide a control framework for the elements of compensation we use and the processes to maintain a balanced approach to compensation. Our current and potential talent pool is highly marketable and can be attracted to opportunities across a broad spectrum of regulated and unregulated financial services businesses. Our competition for talent includes not only other global banks, investment banks, regional/local banks, and asset managers, but also boutique investment firms, hedge funds and private equity firms.

Our actions are as important as our principles. In the past years, we undertook extensive internal reviews of our programs in light of the global economic environment, proposed and enacted legislation, and global regulatory initiatives. We have examined our policies and practices against multiple sources of regulatory guidance, and believe that our principles and practices are substantially consistent with recommended approaches.

Our compensation structure is designed to contribute to the achievement of the Firm’s short-term and long-term strategic and operational objectives, while avoiding unnecessary or excessive

risk-taking. We do this through a total compensation program comprised of an appropriate mix of fixed pay (base salary) and variable pay in the form of cash incentives and long-term equity-based incentives.

We have taken a number of steps in recent years as described further below, to help mitigate risk and further our objective of sensible and sound compensation practices. These steps include adoption of new recoupment policies and furthering the role of risk management in our compensation. In addition, consistent with regulatory guidance, beginning in 2010, employees across multiple businesses had the mix of their total compensation adjusted to provide more fixed compensation (i. e., salary) and less variable compensation (i. e., incentives) going forward.

We adhere to the Firm's compensation principles and practices which are described below and are set forth in the appendix. Compensation practices continue to evolve and we will aim to continue to be at the forefront of best compensation practices in the industry.

2.1. GOVERNANCE

The Firm's compensation programs are intended to attract and retain employees with the skills and talent we need to create sustained value for the Firm and its shareholders.

We believe our approach is simple, consistent, effective and understandable. As such, we rely on commonly recognized elements of compensation and we use various design mechanisms to seek to ensure our incentive compensation arrangements are sensitive to risk-taking. In determining our compensation elements and their design, we also review the competitive landscape.

- Incentive compensation decisions are based on employees' contributions to sustained financial performance, adjusted for risk-taking and capital usage where appropriate.
- We do not rely on formulaic approaches tied to narrow measures. Performance evaluations consider multiple criteria – individual performance, business unit performance, Firm performance, controls, partnership and culture.
- Performance measures included in incentive plans are assessed for the potential to encourage or discourage employees to take excessive risks and assist in mitigating those risks.
- Incentive compensation decisions factor in the level and duration of risk taken.
- We use mechanisms, such as risk-adjusted metrics, deferrals, clawbacks and three- and five-year vesting on long term incentives to seek to ensure that compensation considers the relationship of near-term rewards to longer-term risks.
 - The majority of compensation plans at J.P. Morgan address potential timing conflicts by including payment deferral features. Awards that are deferred into equity have multi-year vesting. By staggering the vesting of equity awards over time, the interests of employees to build long-term, sustainable performance (i. e., quality earnings) are better aligned with the long-term interests of both customers and shareholders.

- Incentives are split between cash and deferred equity, with the percentage being deferred and awarded in equity increasing as an employee’s incentive compensation increases.
- Clawback/recovery provisions are in place for incentive awards (cash and equity incentive compensation). Under our recoupment policy adopted in 2006, J.P. Morgan may seek repayment of incentive compensation (cash and equity) in the event of a material restatement of the Firm’s financial results for the relevant period.
- For members of the Firm’s Operating Committee and other senior employees, a protection-based vesting provision was added to 2012 awards such that the portion of RSUs scheduled to vest in the third year may be cancelled if the business results of the employee’s Line of Business does not meet an applicable financial threshold for any year during the vesting period. For most Lines of Business, the applicable financial threshold will be negative annual pre-provision net income.
- J.P. Morgan very rarely offers guarantees and only upon hiring and for a maximum of one year. In 2012, no contractual guarantees were extended to new employees.
- There are no golden parachutes for executives and we do not use supplemental executive retirement plans.
- Compensation of risk and control professionals is not predominantly based on the performance of the business they oversee.

We strive for a long-term orientation both in the way we assess performance and in the way we structure compensation.

The aim of our compensation programs and policies is to motivate all employees to attain strong and sustained performance, both on an absolute and relative basis. We achieve this through processes and tools that are clear, transparent and effective at driving behaviors that expand the depth and breadth of our positive impact on clients.

Certain features of our compensation programs are targeted to help us achieve individual objectives, and other elements help us achieve multiple objectives simultaneously. Our vesting periods for stock awards generally provide that one-half vests after two years and the balance vests after three years. As a result of these awards, employees share the same interest in the Firm’s long-term success as other shareholders, and we believe that such ownership is a positive factor in retaining key employees. We also use these features to focus executives across all lines of business on longer-term strategy and the overall results of the Firm, particularly at more senior levels where executives can have a greater role in our long-term success.

We have recoupment policies in place, which provide for the cancellation or recovery of stock awards made to employees in appropriate circumstances.

2.2. RELEVANT MARKET PLACE

We use comparison groups, or benchmarking, to understand market practices and trends, to evaluate the competitiveness of our programs and to assess the efficiency of these programs. Each of our lines of business operates under the Firm's overall compensation framework, but uses compensation programs appropriate to its competitive environment. Given the diversity of our businesses, our global operations and the complexity of the products and services we provide, our comparison group is also diverse, global and complex.

As a result, the Firm reviews actual compensation levels, typically from compensation surveys, for companies that either directly compete with us for business and/or talent or are global organizations with similar scope, size or other characteristics to J.P. Morgan.

We believe that no one, single performance metric should determine the level of incentives awarded, particularly since there needs to be a balance of short-term and long-term metrics and a focus on sustained performance. Likewise, more balanced incentives should use multiple levels of performance measurement to discourage decisions that would only benefit one of several key stakeholders, i. e., individual executives, teams, the Firm or shareholders.

As a general matter, in assessing performance, we consider:

- Performance of the individual employee, the relevant line of business, and the Firm as a whole.
- Performance that is based on measurable and sustained financial results through the business cycle.
- Performance that is both relative and absolute, in that each year's performance is compared not just to our own prior performance or achievement of current goals, but also to appropriately chosen comparison companies that compete in similar markets and provide similar financial products and services.

The performance criteria we consider include a robust set of quantitative and qualitative factors focused on financial performance, leadership skills, proper investing in the business, innovation and risk/control management. While specific factors will differ from business to business, function to function, and during different business cycles, among the most important factors that commonly apply are:

- Financial performance – operating earnings; revenue growth; expense management; return on capital; capital and liquidity management; quality of earnings.
- Leadership skills – contribution across business lines; establishing, refining and executing long-term strategic plans; focusing on doing what's best for our clients and customers; attracting, developing and retaining highly effective and diverse leaders; executing acquisition integration tasks; building an inclusive culture; supporting the Firm's values.

- Investing in the business – investing for growth (business expansion and technology); executing other major projects; achieving and maintaining market leadership positions in key businesses; supporting and strengthening the communities we serve worldwide.
- Innovation – improving client satisfaction; improving operational efficiency; thinking beyond your own business.
- Risk and control management – credit and risk management; maintaining compliance and controls; protecting the Firm’s integrity and reputation.

We believe that an ownership stake in the Firm best aligns our employees’ interests with those of our shareholders.

Our compensation programs are designed to annually deliver a meaningful portion of total compensation in equity to employees who can have the greatest impact on the bottom line and to increase for our most senior employees the equity portion of their compensation to strengthen the alignment with shareholder interests. J.P. Morgan pays a significant portion of our executive compensation in equity-based long-term incentives, subject to clawback provisions. That enhanced alignment to shareholder interests is deliberate and focuses executive activities and decisions on those areas that increase shareholder value. We further believe that by granting competitive, annual equity awards subject to multi-year vesting and termination/forfeiture/clawback provisions, the interests of employees to build long term, sustainable performance (i.e. quality earnings) are better aligned with the long term interests of both customers and shareholders.

3. Elements of Compensation

Our salary programs, compensation levels, cash/stock mix, deferral rates, terms and conditions for equity awards, and the design of business-specific incentives are among the elements we frequently review. Basic information on the salary program as well as the discretionary bonus program are available for all German staff on the Firm’s intranet.

3.1. BASE SALARY

- Provides a measure of certainty and predictability to meet certain living and other financial commitments.
- Reviewed periodically and subject to increase if, among other reasons, the employee acquires material additional responsibilities, or the market changes substantially.

3.2. ANNUAL VARIABLE COMPENSATION

- Performance based incentive which can vary significantly from year to year.
- The Firm views incentive compensation in the context of total compensation and does not establish target levels of incentive compensation as a percentage of the relevant employees’ annual base compensation.

The Firm's principal discretionary incentive arrangement, which covers the majority of employees across virtually all of our Lines of Businesses, incorporates several broad design features that seek to ensure incentive awards are appropriately risk-adjusted and relate to actual results achieved.

Short-term incentives

The cash portion is paid and the equity portion is awarded shortly following the performance year, generally in January.

Long-term incentives

Restricted Stock Units ("RSUs")

The equity portion of incentive compensation is awarded in the form of RSUs determined by a mandatory deferral percentage representing a portion of the entire incentive award; the proportion deferred increases with total compensation. 50 % of the RSU portion of the award vests on the second anniversary of the grant date and 50 % vests on the third anniversary of the grant date.

Stock Appreciation Rights ("SARs")

The Firm also grants stock settled SARs to select senior officers. The awards become exercisable ratably on each of the first five anniversaries of the grant date and shares received upon exercise must be held for at least five years after the grant date.

Stock-based awards vest over multiple years, and such awards granted since 2010 are subject to the Firm's right to cancel an unvested or unexercised award, and to require repayment of the value of certain shares distributed under awards already vested if:

- the employee is terminated for cause or the Firm determines after termination that the employee could have been terminated for cause,
- the employee engages in conduct that causes material financial or reputational harm to the Firm or its business activities,
- the Firm determines that the award was based on materially inaccurate performance metrics, whether or not the employee was responsible for the inaccuracy,
- the award was based on a material misrepresentation by the employee,
- for certain senior employees, such employees improperly or with gross negligence fail to identify, raise, or assess, in a timely manner and as reasonably expected, risks and/or concerns with respect to risks material to the firm or its business activities.

In addition half of the awards made during 2012 to our most senior employees may be forfeited if the business results of the employee's Line of Business does not meet an applicable financial threshold for any year during the vesting period. For most Lines of Business, the applicable financial threshold will be negative annual pre-provision net income.

4. Specific Remuneration Principles for Management Board Members of J.P. Morgan AG (Vorstand)

German law establishes additional specific requirements for the remuneration of the Management Board of J.P. Morgan AG. The Supervisory Board (Aufsichtsrat) of J.P. Morgan AG decides to apply remuneration principles developed by the Firm with sufficient room to consider local requirements it deems relevant in order to ensure strict compliance with these requirements.

5. J.P. Morgan AG Supervisory Board Approvals

In accordance with the German Stock Corporation Act, the Management Board of J.P. Morgan AG is competent and responsible for the remuneration of the employees of J.P. Morgan AG.

The Supervisory Board of J.P. Morgan AG, in turn, is reviewing the compensation of the Management Board members of J.P. Morgan AG on a regular basis to ensure strict compliance with these requirements.

The Supervisory Board will inter alia specifically monitor and approve the following aspects with respect to J.P. Morgan AG's remuneration systems on an annual basis:

- Overall compensation set up for J.P. Morgan AG's Management Board.
- Adequate business set up and consideration of J.P. Morgan AG's risk strategy and risk profile.
- Adequate use of performance related instruments within the remuneration systems to sustain yield of product/business (e.g. malus and clawback clauses).

All members of the Management Board have employment contracts covering, among other matters, their compensation.

6. Disclosure

2011 ¹ in € thousands	Fixed compensation 2011	Variable compensation 2011	Total compensation 2011	Number of staff with variable compensation
J.P. Morgan AG	18,114	3,361	21,475	249
cib Banking	3,116	1,150	4,266	33
cib Markets & Investor Services	4,218	995	5,213	49
Corporate & Operations	10,779	1,216	11,995	167
JPMorgan Chase Bank, N.A., Frankfurt Branch	3,995	7,640	11,635	20
Total	22,109	11,001	33,110	269

¹ Numbers for 2011 have been updated since logic for calculations has been changed 2012 vs. 2011.

2012 in € thousands	Fixed compensation 2012	Variable compensation 2012	Total compensation 2012	Number of staff with variable compensation
J.P. Morgan AG	17,630	3,581	21,210	237
cib Banking	3,352	1,043	4,395	34
cib Markets & Investor Services	3,660	1,068	4,728	42
Corporate & Operations	10,618	1,470	12,088	161
JPMorgan Chase Bank, N.A., Frankfurt Branch	3,758	9,811	13,570	18
Total	21,388	13,392	34,780	255

APPENDIX

The Firm's Compensation practices and principles

We believe that JPMorgan Chase has consistently been at the forefront of sensible compensation practices.

We have a rigorous performance and compensation management system that incorporates the following practices and principles:

- A focus on multi-year, long-term, risk-adjusted performance and rewarding behavior that generates sustained value for the Firm through business cycles.
- An emphasis on teamwork and a “shared success” culture.
- A significant stock component (with deferred vesting) for shareholder alignment and retention of top talent.
- Disciplined risk management, compensation recovery and recovery policies should be robust enough to deter excessive risk taking and strike balance in the delivery of compensation.
- A recognition that competitive and reasonable compensation helps attract and retain the best talent necessary to grow and sustain our business.
- Strict limits or prohibitions on executive perquisites, special executive retirement or severance plans.
- Independent Board oversight of the Firm's compensation practices and principles and their implementation.

These practices and principles are supported by additional beliefs that guide how we operate.

A focus on multi-year, long-term, risk-adjusted performance and rewarding behavior that generates sustained value for the Firm through business cycles means compensation should not be overly rigid, formulaic or short-term oriented.

- Compensation programs should be designed as much as possible to allow for the Firm to exercise discretion and retain flexibility in compensation decisions. Multi-year guarantees should be kept to an absolute minimum. More generally, the assessment of performance should not be overly formulaic and should not overemphasize any single financial measure or single year, as that can result in unhealthy incentives and lead to unintended, undesirable results.
- Performance should be considered using a broad-based evaluation of people and their contributions to ensure that the right results are being encouraged. Factors such as integrity, compliance, institutionalizing customer relationships, recruiting and training a diverse, outstanding workforce, building better systems, innovation, and other outcomes should be included. Performance feedback should be obtained from multiple sources across the Firm to ensure it is both balanced and comprehensive.
- Commission-based incentives generally should be limited.

- In a fiduciary business, certain roles are evaluated solely on individual and business unit results. In addition, some of these roles are paid long-term compensation with incentives linked directly to their investment strategies in order to more fully align their interests with those of the clients.

An emphasis on teamwork and a “shared success” culture should be encouraged and rewarded.

- Contributions should be considered across the Firm, within business units, and at an individual level when evaluating an employee’s performance.
- Performance should be based on realized profits and risk-adjusted returns that add to the long-term value of the franchise, rather than just revenues. We adjust financial performance for risk and use of the Firm’s capital.

A significant stock component (with deferred vesting) should create a meaningful ownership stake in the Firm, shareholder alignment and retention of top talent.

- A significant percentage of incentive compensation should be in stock that vests over multiple years.
- As the decision-making authority, importance, and impact of an employee’s role increases, a greater portion of total compensation should be awarded in stock.
- A proper balance between annual compensation and longer-term incentives should clearly delineate the importance of sustainable, realizable value. At JPMorgan Chase:
 - Our Board of Directors is paid a majority of their compensation in stock and our directors have agreed not to sell any shares of stock (including any open market purchases) for as long as they serve on the Board.
 - Senior executives receive at least 50% (and in some cases, substantially more) of their incentive compensation in stock.
 - The officers who make up our Operating Committee are generally required to hold 75% of compensation-related stock awards until retirement, subject to the Firm’s share retention policy.
 - Executives cannot short or hedge our stock, and even after retirement, executives typically continue to have substantial holdings of company stock.

Disciplined risk management, compensation recovery, and recovery policies should be robust enough to deter excessive risk-taking and strike balance in the delivery of compensation.

- Recoupment policies should go beyond Sarbanes-Oxley and other minimum requirements and include recovery of compensation paid for earnings that were never ultimately realized, or if it’s determined that compensation was based on materially inaccurate performance metrics or a misrepresentation by an employee. We have in place recovery provisions for “cause” terminations, misconduct, detrimental behavior, and actions causing financial or reputational harm to the Firm or its business activities. For members of the Operating Committee and senior employees with primary responsibility for risk positions and risk management, the Firm may

cancel or require repayment of shares if employees failed to properly identify, raise, or assess risks material to the Firm or its business activities.

Competitive and reasonable compensation should help attract and retain the best talent necessary to grow and sustain our business.

- Our long-term success depends in very large measure on the talents of our employees. Our compensation system plays a significant role in our ability to attract, motivate, and retain the highest quality management team and diverse workforce.
- Compensation should have an acute focus on meritocracy, shareholder alignment, sensitivity to the relevant market place, and disciplined processes to ensure it remains above reproach and can help build lasting value for our clients.
- For employees in good standing who have resigned and meet “full-career eligibility” or other acceptable criteria, awards generally should continue to vest over time on their original schedule and be subject to continuing post-employment obligations to the Firm during this period.

Strict limits and prohibitions eliminate executive perquisites, special executive retirement benefits, special severance plans and golden parachutes.

- An executive’s compensation should be straightforward and consist primarily of cash and equity.
- We do not maintain special supplemental retirement or other special benefits just for executives.
- The Firm generally has not had any change in control agreements, golden parachutes, merger bonuses or other special severance benefit arrangements for executives.

Independent Board oversight of the Firm’s compensation practices and principles and their implementation should ensure proper governance and regulatory compliance.

- Our Compensation & Management Development Committee, which includes only independent directors, reviews and approves the Firm’s overall compensation philosophy, principles, and practices.
- The Committee reviews the Firm’s compensation practices as they relate to risk and risk management in light of the Firm’s objectives, including its safety and soundness and the avoidance of excessive risk.
- The Committee reviews and approves the terms of our compensation award programs, including recovery provisions, restrictive covenants and vesting periods.
- The Committee reviews and approves the Firm’s overall incentive compensation pools and reviews those of each of the Firm’s Lines of Businesses and of the Corporate Sector.
- The Committee reviews the performance and approves all compensation awards for the Firm’s Operating Committee on a name-by-name basis.
- The full Board’s independent directors review the performance and approve the compensation of our CEO.

J.P.Morgan

J.P. Morgan AG,
JPMorgan Chase Bank, N.A., Frankfurt Branch
Junghofstraße 14
60311 Frankfurt am Main, Germany