

JPMORGAN CHASE & CO
Form 10-Q
November 04, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2011

Commission file number 1-5805

JPMORGAN CHASE & CO.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-2624428

(I.R.S. Employer
Identification No.)

270 Park Avenue, New York, New York
(Address of principal executive offices)

10017
(Zip Code)

(212) 270-6000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

T Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

T Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer T Accelerated filer o .

Non-accelerated filer (Do not check if a smaller reporting company) o Smaller reporting company o .

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

o Yes T No

Number of shares of common stock outstanding as of October 31, 2011: 3,799,765,675

FORM 10-Q
TABLE OF CONTENTS

	Page
Part I - Financial information	
Item 1	
	<u>Consolidated Financial Statements – JPMorgan Chase & Co.:</u>
	<u>Consolidated Statements of Income (unaudited) for the three and nine months ended September 30, 2011 and 2010</u>
	100
	<u>Consolidated Balance Sheets (unaudited) at September 30, 2011, and December 31, 2010</u>
	101
	<u>Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Income (unaudited) for the nine months ended September 30, 2011 and 2010</u>
	102
	<u>Consolidated Statements of Cash Flows (unaudited) for the nine months ended September 30, 2011 and 2010</u>
	103
	<u>Notes to Consolidated Financial Statements (unaudited)</u>
	104
	<u>Report of Independent Registered Public Accounting Firm</u>
	193
	<u>Consolidated Average Balance Sheets, Interest and Rates (unaudited) for the three and nine months ended September 30, 2011 and 2010</u>
	194
	<u>Glossary of Terms and Line of Business Metrics</u>
	196
Item 2	
	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations:</u>
	<u>Consolidated Financial Highlights</u>
	3
	<u>Introduction</u>
	4
	<u>Executive Overview</u>
	6
	<u>Consolidated Results of Operations</u>
	11
	<u>Explanation and Reconciliation of the Firms Use of Non-GAAP Financial Measures</u>
	14
	<u>Business Segment Results</u>
	16
	<u>International Operations</u>
	48
	<u>Balance Sheet Analysis</u>
	49
	<u>Off-Balance Sheet Arrangements</u>
	52
	<u>Capital Management</u>
	57
	<u>Risk Management</u>
	61
	<u>Supervision and Regulation</u>
	94
	<u>Critical Accounting Estimates Used by the Firm</u>
	95
	<u>Accounting and Reporting Developments</u>
	98
	<u>Forward-Looking Statements</u>
	99
Item 3	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	201
Item 4	<u>Controls and Procedures</u>
	202
Part II - Other information	
Item 1	<u>Legal Proceedings</u>
	202
Item 1A	<u>Risk Factors</u>
	202
Item 2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	204
Item 3	<u>Defaults Upon Senior Securities</u>
	206
Item 5	<u>Other Information</u>
	206
Item 6	<u>Exhibits</u>
	206

JPMORGAN CHASE & CO.

CONSOLIDATED FINANCIAL HIGHLIGHTS

(unaudited)

(in millions, except per share, headcount and ratio data)

Nine months ended
September 30,

As of or for the period ended,	3Q11	2Q11	1Q11	4Q10	3Q10	2011	2010	
Selected income statement data								
Total net revenue	\$23,763	\$26,779	\$25,221	\$26,098	\$23,824	\$75,763	\$76,596	
Total noninterest expense	15,534	16,842	15,995	16,043	14,398	48,371	45,153	
Pre-provision profit ^(a)	8,229	9,937	9,226	10,055	9,426	27,392	31,443	
Provision for credit losses	2,411	1,810	1,169	3,043	3,223	5,390	13,596	
Income before income tax expense	5,818	8,127	8,057	7,012	6,203	22,002	17,847	
Income tax expense	1,556	2,696	2,502	2,181	1,785	6,754	5,308	
Net income	\$4,262	\$5,431	\$5,555	\$4,831	\$4,418	\$15,248	\$12,539	
Per common share data								
Net income per share:								
Basic	\$1.02	\$1.28	\$1.29	\$1.13	\$1.02	\$3.60	\$2.86	
Diluted	1.02	1.27	1.28	1.12	1.01	3.57	2.84	
Cash dividends declared per share ^(b)	0.25	0.25	0.25	0.05	0.05	0.75	0.15	
Book value per share	45.93	44.77	43.34	43.04	42.29	45.93	42.29	
Common shares outstanding								
Average: Basic	3,859.6	3,958.4	3,981.6	3,917.0	3,954.3	3,933.2	3,969.4	
Diluted	3,872.2	3,983.2	4,014.1	3,935.2	3,971.9	3,956.5	3,990.7	
Common shares at period-end	3,798.9	3,910.2	3,986.6	3,910.3	3,925.8	3,798.9	3,925.8	
Share price ^(c)								
High	\$42.55	\$47.80	\$48.36	\$43.12	\$41.70	\$48.36	\$48.20	
Low	28.53	39.24	42.65	36.21	35.16	28.53	35.16	
Close	30.12	40.94	46.10	42.42	38.06	30.12	38.06	
Market capitalization	114,422	160,083	183,783	165,875	149,418	114,422	149,418	
Selected ratios								
Return on common equity ("ROE")	9	% 12	% 13	% 11	% 10	% 11	% 10	%
Return on tangible common equity ("ROTCE")	13	17	18	16	15	16	15	
Return on assets ("ROA")	0.76	0.99	1.07	0.92	0.86	0.94	0.82	
Overhead ratio	65	63	63	61	60	64	59	
Deposits-to-loans ratio	157	152	145	134	131	157	131	
Tier 1 capital ratio	12.1	12.4	12.3	12.1	11.9			
Total capital ratio	15.3	15.7	15.6	15.5	15.4			
Tier 1 leverage ratio	6.8	7.0	7.2	7.0	7.1			
	9.9	10.1	10.0	9.8	9.5			

Tier 1 common capital
ratio^(d)Selected balance sheet data
(period-end)^(e)

Trading assets	\$461,531	\$458,722	\$501,148	\$489,892	\$475,515	\$461,531	\$475,515	
Securities	339,349	324,741	334,800	316,336	340,168	339,349	340,168	
Loans	696,853	689,736	685,996	692,927	690,531	696,853	690,531	
Total assets	2,289,240	2,246,764	2,198,161	2,117,605	2,141,595	2,289,240	2,141,595	
Deposits	1,092,708	1,048,685	995,829	930,369	903,138	1,092,708	903,138	
Long-term debt ^(e)	273,688	279,228	269,616	270,653	271,495	273,688	271,495	
Common stockholders' equity	174,487	175,079	172,798	168,306	166,030	174,487	166,030	
Total stockholders' equity	182,287	182,879	180,598	176,106	173,830	182,287	173,830	
Headcount	256,663	250,095	242,929	239,831	236,810	256,663	236,810	
Credit quality metrics								
Allowance for credit losses	\$29,036	\$29,146	\$30,438	\$32,983	\$35,034	\$29,036	\$35,034	
Allowance for loan losses to total retained loans	4.09	% 4.16	% 4.40	% 4.71	% 4.97	% 4.09	% 4.97	%
Allowance for loan losses to retained loans excluding purchased credit-impaired loans ^(f)	3.74	3.83	4.10	4.46	5.12	3.74	5.12	
Nonperforming assets	\$12,194	\$13,240	\$14,986	\$16,557	\$17,656	\$12,194	\$17,656	
Net charge-offs ^(g)	2,507	3,103	3,720	5,104	4,945	9,330	18,569	
Net charge-off rate ^(g)	1.44	% 1.83	% 2.22	% 2.95	% 2.84	% 1.83	% 3.53	%
Wholesale net charge-off/(recovery) rate	(0.24)	) 0.14	0.30	0.49	0.49	0.05	0.92
Consumer net charge-off rate ^(g)	2.40	2.74	3.18	4.12	3.90	2.78	4.66	

(a) Pre-provision profit is total net revenue less noninterest expense. The Firm believes that this financial measure is useful in assessing the ability of a lending institution to generate income in excess of its provision for credit losses.

(b) On March 18, 2011, the Board of Directors increased the Firm's quarterly common stock dividend from \$0.05 to \$0.25 per share.

(c) Share prices shown for JPMorgan Chase's common stock are from the New York Stock Exchange. JPMorgan Chase's common stock is also listed and traded on the London Stock Exchange and the Tokyo Stock Exchange.

(d) Tier 1 common capital ratio ("Tier 1 common ratio") is Tier 1 common capital divided by risk-weighted assets. The Firm uses Tier 1 common capital ("Tier 1 common") along with the other capital measures to assess and monitor its capital position. For further discussion of Tier 1 common capital ratio, see Regulatory capital on pages 57–60 of this Form 10-Q.

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

(f) Excludes the impact of home lending purchased credit-impaired ("PCI") loans. For further discussion, see Allowance for credit losses on pages 87–89 of this Form 10-Q.

(g) Net charge-offs and net charge-off rates for the fourth quarter of 2010 include the effect of \$632 million of charge-offs related to the estimated net realizable value of the collateral underlying delinquent residential home loans. Because these losses were previously recognized in the provision and allowance for loan losses, this adjustment had no impact on the Firm's net income.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section of the Form 10-Q provides management's discussion and analysis ("MD&A") of the financial condition and results of operations of JPMorgan Chase & Co. ("JPMorgan Chase" or the "Firm"). See the Glossary of terms on pages 196–199 for definitions of terms used throughout this Form 10-Q.

The MD&A included in this Form 10-Q contains statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based on the current beliefs and expectations of JPMorgan Chase's management and are subject to significant risks and uncertainties. These risks and uncertainties could cause the Firm's actual results to differ materially from those set forth in such forward-looking statements. For a discussion of such risks and uncertainties, see Forward-looking Statements on page 99 and Part II, Item 1A: Risk Factors, on pages 202–204 of this Form 10-Q, Part II, Item 1A, Risk Factors on pages 181 and 192-193 of JPMorgan Chase's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011, and June 30, 2011, respectively, and Part I, Item 1A: Risk Factors on pages 5–12 of JPMorgan Chase's Annual Report on Form 10-K for the year ended December 31, 2010, filed with the U.S. Securities and Exchange Commission ("2010 Annual Report" or "2010 Form 10-K"), to which reference is hereby made.

INTRODUCTION

JPMorgan Chase & Co., a financial holding company incorporated under Delaware law in 1968, is a leading global financial services firm and one of the largest banking institutions in the United States of America ("U.S."), with \$2.3 trillion in assets, \$182.3 billion in stockholders' equity and operations in more than 60 countries as of September 30, 2011. The Firm is a leader in investment banking, financial services for consumers and small business, commercial banking, financial transaction processing, asset management and private equity. Under the J.P. Morgan and Chase brands, the Firm serves millions of customers in the U.S. and many of the world's most prominent corporate, institutional and government clients.

JPMorgan Chase's principal bank subsidiaries are JPMorgan Chase Bank, National Association ("JPMorgan Chase Bank, N.A."), a national bank with branches in 23 states in the U.S.; and Chase Bank USA, National Association ("Chase Bank USA, N.A."), a national bank that is the Firm's credit card issuing bank. JPMorgan Chase's principal nonbank subsidiary is J.P. Morgan Securities LLC ("JPMorgan Securities"), the Firm's U.S. investment banking firm. JPMorgan Chase's activities are organized, for management reporting purposes, into six business segments, as well as Corporate/Private Equity. The Firm's wholesale businesses comprise the Investment Bank, Commercial Banking, Treasury & Securities Services and Asset Management segments. The Firm's consumer businesses comprise the Retail Financial Services and Card Services & Auto segments. A description of the Firm's business segments, and the products and services they provide to their respective client bases, follows.

Investment Bank

J.P. Morgan is one of the world's leading investment banks, with deep client relationships and broad product capabilities. The clients of the Investment Bank ("IB") are corporations, financial institutions, governments and institutional investors. The Firm offers a full range of investment banking products and services in all major capital markets, including advising on corporate strategy and structure, capital-raising in equity and debt markets, sophisticated risk management, market-making in cash securities and derivative instruments, prime brokerage, and research.

Retail Financial Services

Retail Financial Services ("RFS") serves consumers and businesses through personal service at bank branches and through ATMs, online banking and telephone banking. Customers can use nearly 5,400 bank branches (third-largest nationally) and more than 16,700 ATMs (second-largest nationally), as well as online and mobile banking around the clock. Nearly 32,100 branch salespeople assist customers with checking and savings accounts, mortgages, home equity and business loans, and investments across the 23-state footprint from New York and Florida to California.

Card Services & Auto

Card Services & Auto ("Card") is one of the nation's largest credit card issuers, with over \$127 billion in credit card loans and over 64 million open credit card accounts (excluding the commercial card portfolio). In the nine months ended September 30, 2011, customers used Chase credit cards (excluding the commercial card portfolio) to meet over

\$250 billion of their spending needs. Through its merchant acquiring business, Chase Paymentech Solutions, Card is a global leader in payment processing and merchant acquiring. Consumers also can obtain loans through more than 16,900 auto dealerships and 1,900 schools and universities nationwide.

Commercial Banking

Commercial Banking (“CB”) delivers extensive industry knowledge, local expertise and dedicated service to more than 24,000 clients nationally, including corporations, municipalities, financial institutions and not-for-profit entities with annual revenue generally ranging from \$10 million to \$2 billion, and nearly 35,000 real estate investors/owners. CB partners with the Firm’s other businesses to provide comprehensive solutions, including lending, treasury services, investment banking and asset management, to meet its clients’ domestic and international financial needs.

Treasury & Securities Services

Treasury & Securities Services (“TSS”) is a global leader in transaction, investment and information services. TSS is one of the world’s largest cash management providers and a leading global custodian. Treasury Services (“TS”) provides cash management, trade, wholesale card and liquidity products and services to small- and mid-sized companies, multinational corporations, financial institutions and government entities. TS partners with IB, CB, RFS and Asset Management businesses to serve clients firmwide. Certain TS revenue is included in other segments’ results. Worldwide Securities Services holds, values, clears and services securities, cash and alternative investments for investors and broker-dealers, and manages depository receipt programs globally.

Asset Management

Asset Management (“AM”), with assets under supervision of \$1.8 trillion, is a global leader in investment and wealth management. AM clients include institutions, retail investors and high-net-worth individuals in every major market throughout the world. AM offers global investment management in equities, fixed income, real estate, hedge funds, private equity and liquidity products, including money-market instruments and bank deposits. AM also provides trust and estate, banking and brokerage services to high-net-worth clients, and retirement services for corporations and individuals. The majority of AM’s client assets are in actively managed portfolios.

EXECUTIVE OVERVIEW

This executive overview of MD&A highlights selected information and may not contain all of the information that is important to readers of this Form 10-Q. For a complete description of events, trends and uncertainties, as well as the capital, liquidity, credit and market risks, and the critical accounting estimates affecting the Firm and its various lines of business, this Form 10-Q should be read in its entirety.

Economic environment

The U.S. economy strengthened in the third quarter, led by a pickup in consumer and business spending. Overall labor market indicators continued to be weak, and the unemployment rate remained elevated. The housing sector remained depressed; however, business investment in equipment and software continued to increase. Also, inflation moderated since earlier in the year as energy prices declined from their peaks.

Concerns about sovereign debt in Greece and other euro-zone countries, as well as the sovereign debt exposures of the European banking system, were a source of stress in the global financial markets during the quarter. The impact of these strains on U.S. economic activity is difficult to judge, but the resulting volatility in the debt and capital markets has likely affected household and business confidence.

The Board of Governors of the Federal Reserve System (the "Federal Reserve") took several actions during the third quarter and in earlier periods to support a stronger economic recovery and to help support conditions in mortgage markets. These actions included extending the average maturity of its holdings of securities, reinvesting principal payments from its holdings of agency debt and U.S. government agency mortgage-backed securities into other agency mortgage-backed securities and maintaining its existing policy of rolling over maturing U.S. Treasury securities at auction. The Federal Reserve maintained the target range for the federal funds rate at zero to one-quarter percent and provided specific guidance regarding its prediction about policy rates, saying that economic conditions were likely to warrant exceptionally low levels for the federal funds rate at least through mid-2013.

Financial performance of JPMorgan Chase

(in millions, except per share data and ratios)	Three months ended September 30,			Nine months ended September 30,		
	2011	2010	Change	2011	2010	Change
Selected income statement data						
Total net revenue	\$23,763	\$23,824	—	% \$75,763	\$76,596	(1)%
Total noninterest expense	15,534	14,398	8	48,371	45,153	7
Pre-provision profit	8,229	9,426	(13)	27,392	31,443	(13)
Provision for credit losses	2,411	3,223	(25)	5,390	13,596	(60)
Net income	4,262	4,418	(4)	15,248	12,539	22
Diluted earnings per share	1.02	1.01	1	3.57	2.84	26
Return on common equity	9	% 10	%	11	% 10	%
Capital ratios						
Tier 1 capital	12.1	11.9				
Tier 1 common	9.9	9.5				

Business overview

JPMorgan Chase reported third-quarter 2011 net income of \$4.3 billion, or \$1.02 per share, on net revenue of \$23.8 billion. Net income was down 4% compared with net income of \$4.4 billion, or \$1.01 per share, in the third quarter of 2010. ROE for the third quarter of 2011 was 9%, compared with 10% in the prior year. Current-quarter results included several significant items, including a \$542 million pretax (\$0.09 per share after-tax) loss in Private Equity; \$1.0 billion pretax (\$0.15 per share after-tax) of additional litigation expense, predominantly for mortgage-related matters, in Corporate; and a \$1.9 billion pretax (\$0.29 per share after-tax) benefit from debit valuation adjustment ("DVA") gains in the Investment Bank, resulting from widening of the Firm's credit spreads. In the Investment Bank, Credit Portfolio also recognized a \$691 million pretax (\$0.11 per share after-tax) net loss, including hedges, from credit valuation adjustments ("CVA") on derivative assets, due to the widening of credit spreads for the Firm's counterparties.

The decrease in net income for the third quarter of 2011 was driven by higher noninterest expense, largely offset by a lower provision for credit losses. Net revenue was flat compared with the prior-year quarter, as lower principal transactions revenue, lower net interest income, and lower investment banking fees were largely offset by higher mortgage fees and related income, and higher securities gains. The increase in mortgage fees and related income was driven by lower repurchase losses compared with the prior year which included a \$1.5 billion increase in the mortgage repurchase reserve. The decline in net interest income was driven predominantly by runoff of higher-yielding loans and spread compression. The decrease in the provision for credit losses reflected improved delinquency trends across most consumer portfolios compared with the prior year. The increase in noninterest expense was driven by higher noncompensation expense.

The Firm's third-quarter results reflected a challenging investment banking and capital markets environment which contributed to lower revenue in the Investment Bank (excluding the DVA gain). However, the Investment Bank maintained its #1 ranking in Global Investment Banking Fees for the first nine months of 2011. Retail Financial Services demonstrated good underlying performance, with solid revenue and increased deposits in Consumer & Business Banking and strong retail mortgage origination volumes in the Mortgage Banking business. In the Card business, credit card sales volume, excluding Commercial Card, was up 10% compared with the prior year. Commercial Banking reported continued loan growth and record liability balances. In Treasury & Securities Services, trade finance loans increased 69% and liability balances increased 41%. Corporate/Private Equity results included private equity losses, compared with gains in the third quarter of 2010, reflecting economic conditions. Corporate/Private Equity results were also negatively affected by the Firm's decision to take certain positions in its securities portfolio in anticipation of an eventual increase in interest rates, and by additional litigation expense. Wholesale credit trends in the third quarter remained stable. Delinquency trends in Retail Financial Services improved modestly compared with the prior year and were flat compared with the prior quarter; while losses in the mortgage and home equity portfolios remained high and are expected to stay elevated. Net charge-offs improved in the Chase credit card portfolio, and lower estimated losses resulted in a reduction in the allowance for loan losses for the portfolio in the third quarter of 2011.

JPMorgan Chase ended the third quarter with a Basel I Tier 1 Common ratio of 9.9%. This strong capital position enabled the Firm to repurchase \$4.4 billion of common stock and warrants during the third quarter. The Firm estimated that its Basel III Tier 1 Common ratio was approximately 7.7% at September 30, 2011. Total firmwide credit reserves of \$29.0 billion were flat compared with the level at June 30, 2011, resulting in a firmwide loan loss coverage ratio of 3.74%, excluding purchased credit-impaired loans. Total deposits increased to \$1.1 trillion, up 21% from the prior year. Total stockholders' equity at September 30, 2011, was \$182.3 billion.

Net income for the first nine months of 2011 was \$15.2 billion, or \$3.57 per share, compared with \$12.5 billion, or \$2.84 per share, in the first nine months of 2010. The increase was driven by a significantly lower provision for credit losses, partially offset by higher noninterest expense and lower net revenue. The lower provision for credit losses reflected an improved credit environment compared with the prior year. The modest decline in net revenue for the first nine months of 2011 was driven by lower net interest income, predominantly offset by higher asset management, administration and commissions revenue, higher credit card income and higher investment banking fees. The increase in noninterest expense compared with the first nine months of 2010 was driven by higher compensation expense. During the first nine months of 2011, JPMorgan Chase provided credit to and raised capital of over \$1.3 trillion for its clients, up 22% compared with the same period last year; this included \$12.6 billion lent to small businesses, up 71%. The Firm originated more than 560,000 mortgages; provided credit cards to approximately 6.6 million people; and lent or increased credit to more than 1,100 not-for-profit and government entities, including states, municipalities, hospitals and universities. In addition, the Firm has been very successful in hiring more than 2,200 U.S. military veterans so far this year and has increased its net employee headcount in the U.S. by more than 13,200.

The discussion that follows highlights the performance of each business segment compared with the prior-year quarter and presents results on a managed basis. For more information about managed basis, as well as other non-GAAP financial measures used by management to evaluate the performance of each line of business, see pages 14–15 of this Form 10-Q.

Investment Bank net income increased from the prior year as higher net revenue was partially offset by an increased provision for credit losses and higher noninterest expense. Net revenue included a \$1.9 billion gain from DVA on certain structured and derivative liabilities, resulting from the widening of the Firm's credit spreads. This was partially offset by a \$691 million net loss, including hedges, from CVA on derivative assets within Credit Portfolio, due to the widening of credit spreads for the Firm's counterparties. Fixed Income and Equity Markets revenue increased compared with the third quarter of 2010 due to the DVA gain. In addition, results in Fixed Income Markets reflected solid revenue from rates and currency-related products, partially offset by lower results in credit-related products. Equity Markets revenue reflected solid client revenue, partially offset by the impact of challenging market conditions. The provision for credit losses was an expense in the third quarter of 2011, compared with a benefit in the third quarter of 2010. The third quarter of 2011 included an increase in the allowance that reflected a more cautious credit

outlook. The increase in noninterest expense was driven by higher noncompensation expense.

Retail Financial Services net income increased compared with the prior year driven by higher net revenue and a lower provision for credit losses, partially offset by higher noninterest expense. The increase in net revenue was driven by higher mortgage fees and related income, and higher debit card income and deposit-related fees, partially offset by lower net interest income resulting from lower loan balances due to the runoff of the mortgage loan portfolio. The provision for credit losses decreased, reflecting a reduction in net charge-offs, driven by a modest improvement in delinquency trends. The increase in noninterest expense from the prior year was driven by investments in branch and mortgage production sales and support staff, as well as elevated default-related costs.

7

Card Services & Auto net income decreased compared with the third quarter of 2010 driven by higher noninterest expense and lower net revenue, predominantly offset by a lower provision for credit losses. The decrease in net revenue was driven by a decline in net interest income, reflecting lower average loan balances, narrower loan spreads and a decreased level of fees. These decreases were predominantly offset by lower revenue reversals associated with lower net charge-offs, and higher net interchange income. Credit card sales volume, excluding the Washington Mutual and Commercial Card portfolios, was up 10% from the prior year. The lower provision for credit losses reflected lower net charge-offs and a reduction of \$370 million to the allowance for loan losses due to lower estimated losses. The increase in noninterest expense was due to higher marketing expense and the inclusion of the Commercial Card business.

Commercial Banking net income increased, driven by a lower provision for credit losses and higher net revenue. The increase in net revenue was driven by growth in liability and loan balances, predominantly offset by spread compression on liability products and changes in the valuation of investments held at fair value. Average liability balances reached a record level in the third quarter of 2011, up 31% from the third quarter of 2010. End-of-period loan balances were up 9% from the prior year and have increased for five consecutive quarters. The decrease in the provision for credit losses compared with the prior year reflected lower net charge-offs, mainly related to commercial real estate. Noninterest expense increased from the third quarter of 2010, primarily reflecting higher headcount-related expense.

Treasury & Securities Services net income increased from the prior year, driven by higher net revenue and an increased benefit from the provision for credit losses, largely offset by higher noninterest expense. Worldwide Securities Services net revenue increased, driven by higher net interest income due to higher deposit balances. Assets under custody of \$16.3 trillion were up 2% from the prior year. Treasury Services net revenue increased, driven by higher deposit balances, predominantly offset by the effect of the transfer of the Commercial Card business to Card in the first quarter of 2011. The increased benefit in the provision for credit losses reflected a reduction in the allowance for loan losses resulting primarily from repayments. Higher noninterest expense was mainly driven by continued expansion into new markets and higher other noncompensation expense, partially offset by the transfer of the Commercial Card business to Card.

Asset Management net income decreased from the prior year, reflecting higher noninterest expense, partially offset by higher net revenue. The growth in net revenue was due to higher deposit and loan balances, a gain on the sale of an investment, net inflows to products with higher margins, and the effect of higher market levels. This growth was partially offset by lower valuations of seed capital investments and narrower deposit spreads. Assets under supervision of \$1.8 trillion increased 2% from the prior year due to deposit and custody inflows. Assets under management decreased slightly from the prior year due to net outflows from liquidity products and the effect of lower markets, offset by net inflows to long-term products. The increase in noninterest expense largely resulted from non-client-related litigation expense and an increase in compensation expense due to increased headcount.

Corporate/Private Equity reported a net loss for the third quarter of 2011, compared with net income in the third quarter of 2010. Both Private Equity and Corporate reported net losses. In Private Equity the net loss was driven by a significant decline in net revenue, driven primarily by net write-downs on privately-held investments and lower valuations of public securities held at fair value in the portfolio. In Corporate, net interest income was lower as a result of portfolio repositioning in anticipation of an eventual increase in market interest rates and a reduced benefit from financing the securities portfolio. Noninterest expense included \$1.0 billion of additional litigation expense, predominantly for mortgage-related matters. Noninterest expense in the prior year included \$1.3 billion of additional litigation expense, predominantly for mortgage-related matters.

2011 Business outlook

The following forward-looking statements are based on the current beliefs and expectations of JPMorgan Chase's management and are subject to significant risks and uncertainties. These risks and uncertainties could cause the Firm's actual results to differ materially from those set forth in such forward-looking statements. See Forward-Looking Statements on page 99 and Risk Factors on pages 202–204 of this Form 10-Q.

JPMorgan Chase's outlook for the fourth quarter of 2011 and full-year 2012 should be viewed against the backdrop of the global and U.S. economies, financial markets activity, the geopolitical environment, the competitive environment,

client activity levels, and regulatory and legislative developments in the U.S. and other countries where the Firm does business. Each of these linked factors will affect the performance of the Firm and its lines of business.

In the Consumer & Business Banking business within RFS, the Firm estimates that fourth-quarter 2011 revenue will be reduced by approximately \$300 million as a result of the effect of the Durbin Amendment. Furthermore, as the full impact of the elimination of certain debit card rewards programs is reflected in the run rate, the Durbin Amendment is expected to reduce revenue by approximately \$1.0 billion on an annualized basis. Also, given the current low interest rate environment, spread compression will likely reduce net income for this business in 2012 on an annualized basis by approximately \$400 million.

In the Mortgage Production and Servicing business within RFS, revenue will continue to be negatively affected by continued elevated levels of repurchases of mortgages previously sold. Management estimates that realized mortgage repurchase losses could be approximately \$350 million, or slightly higher, for the fourth quarter of 2011. Also for Mortgage Production and Servicing, management expects the business to continue to incur elevated default management and foreclosure-related costs including

additional costs associated with the Firm's mortgage servicing processes, particularly its loan modification and foreclosure procedures, and costs to comply with the Consent Orders entered into with the banking regulators. (See Enhancements to Mortgage Servicing on pages 85–86 and Note 16 on pages 168–172 of this Form 10-Q for further information about the Consent Orders.) It is also possible that the Firm will incur additional fees and assessments related to foreclosure delays as well as other costs in connection with the potential settlement of the governmental investigations related to the Firm's mortgage servicing procedures.

For the Mortgage Banking Portfolios within RFS, management believes that total quarterly net charge-offs could be approximately \$1.2 billion, and it is possible that they could be modestly better. Given current origination and production levels, combined with management's current estimate of portfolio runoff levels, the residential real estate portfolio is expected to decline by approximately 10% to 15% annually for the foreseeable future. The annual reduction in the residential real estate portfolio is expected to reduce net interest income in each period. However, over time, the reduction in net interest income is expected to be more than offset by an improvement in credit costs and lower expenses. In addition, as the portfolio continues to run off, management anticipates that approximately \$1.0 billion of capital may become available for redeployment each year, subject to the capital requirements associated with the remaining portfolio.

In Card, given current high repayment rates, management expects end-of-period outstandings for the Chase credit card portfolio (excluding the Washington Mutual and Commercial Card portfolios) could be between \$115 billion and \$120 billion by the end of 2011. The net charge-off rate for the Chase credit card portfolio, excluding Washington Mutual and Commercial Card, could improve over the next quarter or so from the 4.34% reported in the third quarter. Ongoing weak economic conditions, combined with elevated delinquencies and ongoing discussions regarding mortgage foreclosure-related matters with federal and state officials, continue to result in a high level of uncertainty in the residential real estate portfolio. Further declines in U.S. housing prices and increases in the unemployment rate remain possible; were this to occur, currently anticipated results for both RFS and Card could be adversely affected. In IB, TSS, CB and AM, revenue will be affected by market levels, volumes and volatility, which will influence client flows and assets under management, supervision and custody. For AM, management expects revenue to decline from the third-quarter 2011 run-rate as a result of the decline in asset values. CB and TSS will continue to experience lower net interest margins as long as market interest rates remain low. In addition, the wholesale credit environment will influence levels of charge-offs, repayments and provision for credit losses for IB, CB, TSS and AM.

In Private Equity, within the Corporate/Private Equity segment, earnings will likely continue to be volatile and be influenced by capital markets activity, market levels, the performance of the broader economy and investment-specific issues. Corporate's net interest income levels will generally trend with the size and duration of the investment securities portfolio. Corporate quarterly net income, excluding Private Equity, significant nonrecurring items and litigation expense, is anticipated to be approximately zero in the fourth quarter of 2011 due to spread compression and the Firm's continued repositioning of the investment securities portfolio. In 2012, Corporate quarterly net income, excluding Private Equity, and excluding significant nonrecurring items and litigation expense, could be approximately \$200 million, though these results will depend on the decisions that the Firm makes over the course of the year with respect to repositioning of the investment securities portfolio.

The Firm faces litigation in its various roles as issuer and/or underwriter in mortgage-backed securities ("MBS") offerings, primarily related to offerings involving third parties other than the U.S. government-sponsored entities (commonly referred to as the "GSEs"). It is possible that these matters will take a number of years to resolve; their ultimate resolution is inherently uncertain and reserves for such litigation matters may need to be increased in the future.

Management and the Firm's Board of Directors continually evaluate ways to deploy the Firm's strong capital base in order to enhance shareholder value. Such alternatives could include the repurchase of common stock and warrants, increasing the common stock dividend and pursuing alternative investment opportunities. In the first nine months of 2011, the Firm repurchased \$8.0 billion in common stock and warrants that had been approved by the Federal Reserve for 2011.

Regulatory developments

JPMorgan Chase is subject to regulation under state and federal laws in the U.S., as well as the applicable laws of each of the various other jurisdictions outside the U.S. in which the Firm does business. The Firm is currently experiencing a period of unprecedented change in regulation and such changes could have a significant impact on how the Firm conducts business. The Firm continues to work diligently in assessing and understanding the implications of the regulatory changes it is facing, and is devoting substantial resources to implementing all the new rules and regulations while meeting the needs and expectations of its clients. While the Firm has made a preliminary assessment of the likely impact of certain of the anticipated changes, as more fully described below, the Firm cannot, given the current status of the regulatory developments, quantify the possible effects on its business and operations of all of the significant changes that are currently underway.

In September 2011, the Federal Deposit Insurance Corporation (“FDIC”) issued, and in October 2011, the Board of Governors of the Federal Reserve System (the “Federal Reserve”) issued, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), a final rule that will require bank holding companies with assets of \$50 billion or more and companies designated as systemically important by the Financial Stability Oversight Council (“FSOC”) to report periodically to the Federal Reserve, the FDIC and the FSOC on a resolution plan under the Bankruptcy Code in the event of material financial distress or failure (a “resolution plan”). In September 2011, the FDIC also issued an interim final rule that will require insured depository institutions with greater than \$50 billion in assets to submit periodic contingency plans to the FDIC for resolution under the Federal Deposit Insurance Act in the event of failure. The timing of initial, annual and interim resolution plan submissions under both the rules is the same. The Firm’s initial resolution plan submissions are due on July 1, 2012, with annual updates thereafter, and the Firm is in the process of developing its resolution plans.

On October 1, 2011, the final rules implementing the Durbin Amendment provisions of the Dodd-Frank Act became effective. These rules limit the amount the Firm may charge for each debit card transaction it processes. The Firm currently anticipates that the effect of these rules will reduce fourth quarter 2011 revenue by approximately \$300 million. Furthermore, as the full impact of the elimination of certain debit card rewards programs is reflected in the run rate, the Durbin Amendment is expected to reduce revenue by approximately \$1.0 billion on an annualized basis. Under the Dodd-Frank Act, the Firm will be subject to comprehensive regulation of its derivatives business, including strict capital and margin requirements, central clearing of standardized over-the-counter derivatives, and heightened supervision. The Dodd-Frank Act also requires banking entities, such as JPMorgan Chase, to significantly restructure their derivatives businesses, including changing the legal entities through which such businesses are conducted. The proposed margin rules for uncleared swaps may apply extraterritorially to U.S. firms doing business with foreign clients outside of the United States. European and Asian firms doing business outside the United States would not be subject to requiring clients to post margin in similar transactions. If the rules become final as currently drafted, JPMorgan Chase could be at a significant competitive disadvantage, which could have a material adverse effect on its derivatives businesses.

The Firm will also be affected by the requirements of Section 619 of the Dodd-Frank Act, and specifically the provisions prohibiting proprietary trading and restricting the activities involving private equity and hedge funds (the “Volcker Rule”). On October 11, 2011, regulators proposed the remaining rules to implement the Volcker Rule. In order to begin planning for its implementation, the Firm is currently in the process of identifying the activities that it expects to be affected by the Volcker Rule. The Firm believes that proprietary trading activities are separable from client market making and other client driven businesses as well as risk management activities. Under the proposed rules, “proprietary trading” is defined as the trading of securities, derivatives, or futures (or options on any of the foregoing) that is predominantly for the purpose of short-term resale, benefiting from short-term movements in prices or for realizing arbitrage profits for the Firm’s own account. The proposed rule’s definition of proprietary trading does not include client market-making, or certain risk management activities. The Firm ceased some proprietary trading activities during 2010, and is planning to cease its remaining proprietary trading activities within the timeframe mandated by the Volcker Rule. However, interpretation of the proposed rules will occur over time and it is not clear under the proposed rules whether some portion of the Firm’s market-making and risk mitigation activities, as currently conducted, will be required to be curtailed or otherwise adversely affected.

In June 2011, the Basel Committee and the Financial Stability Board (“FSB”) announced that certain global systemically important banks (“GSIBs”) would be required to maintain additional capital, above the Basel III Tier 1 common equity minimum, in amounts ranging from 1% to 2.5%, depending upon the bank’s systemic importance. Furthermore, in order to provide a disincentive for banks facing the highest required level of Tier 1 common equity to “increase materially their global systemic importance in the future,” an additional 1% charge could be applied. JPMorgan Chase estimates that its Basel III Tier 1 common ratio was approximately 7.7% at the end of the third quarter of 2011. This level is well in excess of that which is required today under existing rules and is greater than the level the Firm expects will be required under the proposed rules for up to five years, including the additional buffer for GSIBs. The Firm expects that its strong capital position and significant earnings power will allow it to actively grow its business and rapidly meet any proposed Basel III requirements as they are phased in.

CONSOLIDATED RESULTS OF OPERATIONS

The following section provides a comparative discussion of JPMorgan Chase's Consolidated Results of Operations on a reported basis for the three and nine months ended September 30, 2011 and 2010. Factors that relate primarily to a single business segment are discussed in more detail within that business segment. For a discussion of the Critical Accounting Estimates Used by the Firm that affect the Consolidated Results of Operations, see pages 95–97 of this Form 10-Q and pages 149–154 of JPMorgan Chase's 2010 Annual Report.

Revenue (in millions)	Three months ended September 30,			Nine months ended September 30,		
	2011	2010	Change	2011	2010	Change
Investment banking fees	\$1,052	\$1,476	(29)%	\$4,778	\$4,358	10 %
Principal transactions	1,370	2,341	(41)	9,255	8,979	3
Lending- and deposit-related fees	1,643	1,563	5	4,838	4,795	1
Asset management, administration and commissions	3,448	3,188	8	10,757	9,802	10
Securities gains	607	102	495	1,546	1,712	(10)
Mortgage fees and related income	1,380	707	95	1,996	2,253	(11)
Credit card income	1,666	1,477	13	4,799	4,333	11
Other income	780	468	67	2,236	1,465	53
Noninterest revenue	11,946	11,322	6	40,205	37,697	7
Net interest income	11,817	12,502	(5)	35,558	38,899	(9)
Total net revenue	\$23,763	\$23,824	— %	\$75,763	\$76,596	(1)%

Total net revenue for the third quarter of 2011 was \$23.8 billion, relatively flat compared with the third quarter of 2010. Lower principal transactions revenue and net interest income were largely offset by higher mortgage fees and related income and securities gains. For the first nine months of 2011, total net revenue was \$75.8 billion, down slightly from the first nine months of 2010. Lower net interest income was largely offset by higher asset management, administration and commissions revenue, credit card income and other income.

Investment banking fees for the third quarter of 2011 decreased compared with the prior year, in particular, for debt underwriting and equity underwriting, due to lower industry-wide volumes. For the first nine months of 2011, investment banking fees were higher, driven predominantly by an increase in advisory fees, reflecting higher industry-wide completed M&A volumes relative to the comparable 2010 level. For additional information on investment banking fees, which are primarily recorded in IB, see IB segment results on pages 18–21 of this Form 10-Q. Principal transactions revenue decreased compared with the third quarter of 2010, driven by private equity losses, partially offset by higher trading revenue. The private equity losses were primarily due to net write-downs on private investments and lower valuations of public securities held at fair value in the Corporate/Private Equity portfolio. Trading revenue included a \$1.9 billion gain from DVA on certain structured and derivative liabilities, resulting from the widening of the Firm's credit spreads, partially offset by a \$691 million net loss, including hedges, from CVA on derivative assets within Credit Portfolio in IB, due to the widening of credit spreads for the Firm's counterparties. Excluding the DVA and CVA results, trading revenue declined as a result of the challenging market conditions. For the first nine months of 2011, principal transactions revenue increased compared with the prior year, driven largely by DVA gains of \$2.0 billion compared with \$494 million in the prior year, as well as higher private equity gains relative to the comparable period in 2010. These were offset by a \$828 million net loss, including hedges, from CVA on derivative assets within Credit Portfolio in IB. For additional information on principal transactions revenue, see IB and Corporate/Private Equity segment results on pages 18–21 and 46–47, respectively, and Note 6 on pages 126–127 of this Form 10-Q.

Lending- and deposit-related fees increased in the third quarter of 2011 compared with the prior year. The increase was primarily driven by the introduction in the first quarter of 2011 of a new checking account product offering in RFS, and the conversion of some existing checking accounts into the new product offering. For the nine months ended September 30, 2011, lending- and deposit-related fees increased slightly compared with the prior year, reflecting the net-positive impact of the items in RFS that drove the quarterly comparison, predominantly offset by the impact of

regulatory and policy changes affecting nonsufficient fund/overdraft (“NSF/OD”) fees, and higher lending-related fees in IB. For additional information on lending- and deposit-related fees, which are mostly recorded in RFS, CB, TSS and IB, see RFS on pages 22–31, CB on pages 36–38, TSS on pages 39–41 and IB segment results on pages 18–21 of this Form 10-Q.

Asset management, administration and commissions revenue increased from the third quarter and first nine months of 2010. The increases reflected higher asset management fees in AM and RFS, driven by net inflows to products with higher margins and the effect of higher market levels in both periods, and higher administration fees in TSS, reflecting net inflows of assets under custody. For additional information on these fees and commissions, see the segment discussions for AM on pages 42–45 and TSS on pages 39–41 of this Form 10-Q.

Securities gains increased from the third quarter of 2010 but decreased compared with the first nine months of 2010. Results in both comparable periods were primarily due to the repositioning of the portfolio in response to changes in market environment and rebalancing exposures. For additional information on securities gains, which are mostly recorded in the Firm's Corporate segment, see the Corporate/Private Equity segment discussion on pages 46–47 of this Form 10-Q.

Mortgage fees and related income increased compared with the third quarter of 2010, driven by significantly lower repurchase losses, partially offset by lower mortgage servicing rights ("MSR") risk management income. Mortgage fees and related income decreased compared with the first nine months of 2010, reflecting a MSR risk management loss of \$1.2 billion for the first nine months of 2011, compared with income of \$850 million for the first nine months of 2010, predominantly offset by lower repurchase losses. The \$1.2 billion loss was driven by a \$1.1 billion decline in fair value of the MSR related to revised cost to service assumptions incorporated in the MSR valuation in the first quarter of 2011. For additional information on mortgage fees and related income, which is recorded primarily in RFS, see RFS's Mortgage Production and Servicing discussion on pages 26–29, and Note 16 on pages 168–172 of this Form 10-Q. For additional information on repurchase losses, see the Mortgage repurchase liability discussion on pages 53–56 and Note 21 on pages 176–180 of this Form 10-Q.

Credit card income increased in both the third quarter and first nine months of 2011. The increase for both periods largely reflected higher net interchange income associated with higher customer transaction volume on debit and credit cards, as well as lower partner revenue-sharing (a contra-revenue item) due to the impact of the Kohl's portfolio sale. These increases were partially offset by lower revenue from fee-based products. For additional information on credit card income, see the Card and RFS segment results on pages 32–35, and pages 22–31, respectively, of this Form 10-Q.

Other income increased compared with the third quarter and first nine months of 2010, driven by valuation adjustments on certain assets and incremental income from recent acquisitions in IB, and a gain on the sale of an investment, which was partly offset by lower valuations of seed capital investments in AM. Higher auto operating lease income in Card, resulting from growth in lease volume, also contributed to the increase in the first nine months of 2010.

Net interest income decreased in the third quarter and first nine months of 2011 compared with the prior year. The declines in both periods were driven by lower average loan balances and yields, primarily in Card and RFS, reflecting the expected runoff of credit card balances and residential real estate loans; lower yields on securities, reflecting portfolio repositioning in anticipation of an increasing interest rate environment; lower fees on credit card receivables, reflecting the impact of legislative changes; and higher average deposit balances and yields. The decrease was offset partially by lower revenue reversals associated with lower credit card charge-offs, and higher trading asset balances. The Firm's average interest-earning assets were \$1.8 trillion in the third quarter of 2011, and the net yield on those assets, on a fully taxable-equivalent ("FTE") basis, was 2.66%, a decrease of 35 basis points from the third quarter of 2010. For the first nine months of 2011, average interest-earning assets were \$1.7 trillion, and the net yield on those assets, on an FTE basis, was 2.75%, a decrease of 38 basis points from the first nine months of 2010. For further information on the impact of the legislative changes on the Consolidated Statements of Income, see Card discussion on credit card legislation on page 79 of JPMorgan Chase's 2010 Annual Report.

Provision for credit losses (in millions)	Three months ended September 30,			Nine months ended September 30,				
	2011	2010	Change	2011	2010	Change		
Wholesale	\$127	\$44	189	%)	\$(376)	\$(764)	51	%)
Consumer, excluding credit card	1,285	1,546	(17)	)	3,731	6,994	(47))
Credit card	999	1,633	(39)	)	2,035	7,366	(72))
Total consumer	2,284	3,179	(28)	)	5,766	14,360	(60))
Total provision for credit losses	\$2,411	\$3,223	(25)	)%	\$5,390	\$13,596	(60))%

The provision for credit losses decreased compared with the third quarter and first nine months of 2010. The credit card provision was down from both prior-year periods, driven primarily by improved delinquency and net credit loss trends. The consumer, excluding credit card, provision was also down from both prior-year periods, reflecting improved delinquency and charge-off trends in 2011 across most portfolios, and the absence of additions to the

allowance for loan losses. The wholesale provision increased compared with the third quarter and first nine months in 2010, primarily reflecting loan growth and other portfolio activity. For a more detailed discussion of the loan portfolio and the allowance for credit losses, see the segment discussions for RFS on pages 22–31, Card on pages 32–35, IB on pages 18–21 and CB on pages 36–38, and the Allowance for credit losses section on pages 87–89 of this Form 10-Q.

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Noninterest expense (in millions)	Three months ended September 30,			Nine months ended September 30,		
	2011	2010	Change	2011	2010	Change
Compensation expense ^(a)	\$6,908	\$6,661	4 %	\$22,740	\$21,553	6 %
Noncompensation expense:						
Occupancy	935	884	6	2,848	2,636	8
Technology, communications and equipment	1,248	1,184	5	3,665	3,486	5
Professional and outside services	1,860	1,718	8	5,461	4,978	10
Marketing	926	651	42	2,329	1,862	25
Other ^{(b)(c)}	3,445	3,082	12	10,687	9,942	7
Amortization of intangibles	212	218	(3)	641	696	(8)
Total noncompensation expense	8,626	7,737	11	25,631	23,600	9
Total noninterest expense	\$15,534	\$14,398	8 %	\$48,371	\$45,153	7 %

(a) Year-to-date 2010 included 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.

Included litigation expense of \$1.3 billion and \$4.3 billion for the three and nine months ended September 30,

(b) 2011, respectively, compared with \$1.5 billion and \$5.2 billion for the three and nine months ended September 30, 2010, respectively.

Included foreclosed property expense of \$151 million and \$535 million for the three and nine months ended

(c) September 30, 2011, respectively, compared with \$251 million and \$798 million for the three and nine months ended September 30, 2010, respectively.

Total noninterest expense for the third quarter of 2011 was \$15.5 billion, an increase of \$1.1 billion, compared with the third quarter of 2010. Total noninterest expense for the first nine months of 2011 was \$48.4 billion, up by \$3.2 billion, compared with the first nine months of 2010. The increases in both periods compared with the prior year were largely due to higher noncompensation and compensation expense.

Compensation expense increased from the third quarter and first nine months of 2010. The increase in both comparable periods was driven by investments in branch and mortgage production sales and support staff in RFS and increased headcount in AM, partially offset by lower performance-based compensation expense in IB. In addition, the nine-month comparison reflects the absence of the U.K. Bank Payroll Tax that was recorded in IB in the second quarter of 2010.

The increase in noncompensation expense in the third quarter of 2011 was due to higher marketing expense in Card and higher FDIC assessments across businesses. Effective April 1, 2011, the FDIC changed its methodology for calculating the deposit insurance assessment rate for large banks. The new rule changed the assessment base from insured deposits to average consolidated total assets less average tangible equity, and changed the assessment rate calculation. A non-client-related litigation expense in AM, higher professional services expense due to Consent Orders and foreclosure-related matters in RFS, and the impact of continued investments in the businesses, also contributed to the increase.

Noncompensation expense for the first nine months of 2011 was also affected by the aforementioned items, together with a \$1.7 billion expense for estimated litigation and other costs of foreclosure-related matters in RFS and higher operating expense related to growth in business activities in IB. These were offset partially by lower litigation expense in the first nine months of 2011 in IB and Corporate, as charges for mortgage-related matters were lower than in 2010. For a further discussion of litigation expense, see Note 23 on pages 181–189 of this Form 10-Q. For a discussion of amortization of intangibles, refer to the Balance Sheet Analysis on pages 49–51, and Note 16 on pages 168–172 of this Form 10-Q.

Income tax expense (in millions, except rate)	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Income before income tax expense	\$5,818	\$6,203	\$22,002	\$17,847
Income tax expense	1,556	1,785	6,754	5,308

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Effective tax rate 26.7 % 28.8 % 30.7 % 29.7 %

The decrease in the effective tax rate during the third quarter of 2011 was primarily the result of lower reported pretax income and changes in the proportion of income subject to U.S. federal and state and local taxes, as well as deferred tax benefits associated with state and local income taxes. In addition, the third quarter of 2011 included tax benefits associated with the disposition of certain investments; the prior year period included tax benefits associated with the resolution of tax audits. The increase in the effective tax rate during the nine months ended September 30, 2011, was primarily the result of higher reported pretax income and changes in the proportion of income subject to U.S. federal and state and local taxes. In addition, the prior year period included tax benefits recognized upon the resolution of tax audits. These factors were partially offset by deferred tax benefits associated with state and local income taxes. For additional information on income taxes, see Critical Accounting Estimates Used by the Firm on pages 95–97 of this Form 10-Q.

EXPLANATION AND RECONCILIATION OF THE FIRM'S USE OF NON-GAAP FINANCIAL MEASURES

The Firm prepares its consolidated financial statements using accounting principles generally accepted in the U.S. ("U.S. GAAP"); these financial statements appear on pages 100–103 of this Form 10-Q. That presentation, which is referred to as "reported" basis, provides the reader with an understanding of the Firm's results that can be tracked consistently from year to year and enables a comparison of the Firm's performance with other companies' U.S. GAAP financial statements.

In addition to analyzing the Firm's results on a reported basis, management reviews the Firm's results and the results of the lines of business on a "managed" basis, which is a non-GAAP financial measure. The Firm's definition of managed basis starts with the reported U.S. GAAP results and includes certain reclassifications to present total net revenue for the Firm (and each of the business segments) on a FTE basis. Accordingly, revenue from tax-exempt securities and investments that receive tax credits is presented in the managed results on a basis comparable to taxable securities and investments. This non-GAAP financial measure allows management to assess the comparability of revenue arising from both taxable and tax-exempt sources. The corresponding income tax impact related to tax-exempt items is recorded within income tax expense. These adjustments have no impact on net income as reported by the Firm as a whole or by the lines of business.

Tangible common equity ("TCE"), a non-GAAP financial measure, represents common stockholders' equity (i.e., total stockholders' equity less preferred stock) less goodwill and identifiable intangible assets (other than MSRs), net of related deferred tax liabilities. ROTCE, a non-GAAP financial ratio, measures the Firm's earnings as a percentage of TCE. Tier 1 common under Basel III rules, a non-GAAP financial measure, is used by management to assess the Firm's capital position in conjunction with its capital ratios under Basel I requirements. For additional information on Tier 1 common under Basel III, see Basel III on pages 59–60 of this Form 10-Q. In management's view, these measures are meaningful to the Firm, as well as analysts and investors, in assessing the Firm's use of equity and in facilitating comparisons with competitors.

Management also uses certain non-GAAP financial measures at the business-segment level, because it believes these other non-GAAP financial measures provide information to investors about the underlying operational performance and trends of the particular business segment and, therefore, facilitate a comparison of the business segment with the performance of its competitors. Non-GAAP financial measures used by the Firm may not be comparable to similarly named non-GAAP financial measures used by other companies.

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The following summary table provides a reconciliation from the Firm's reported U.S. GAAP results to managed basis.

(in millions, except per share and ratios)	Three months ended September 30, 2011			Three months ended September 30, 2010		
	Reported Results	Fully tax-equivalent adjustments	Managed basis	Reported Results	Fully tax-equivalent adjustments	Managed basis
Revenue						
Investment banking fees	\$ 1,052	\$ —	\$ 1,052	\$ 1,476	\$ —	\$ 1,476
Principal transactions	1,370	—	1,370	2,341	—	2,341
Lending- and deposit-related fees	1,643	—	1,643	1,563	—	1,563
Asset management, administration and commissions	3,448	—	3,448	3,188	—	3,188
Securities gains	607	—	607	102	—	102
Mortgage fees and related income	1,380	—	1,380	707	—	707
Credit card income	1,666	—	1,666	1,477	—	1,477
Other income	780	472	1,252	468	415	883
Noninterest revenue	11,946	472	12,418	11,322	415	11,737
Net interest income	11,817	133	11,950	12,502	96	12,598
Total net revenue	23,763	605	24,368	23,824	511	24,335
Noninterest expense	15,534	—	15,534	14,398	—	14,398
Pre-provision profit	8,229	605	8,834	9,426	511	9,937
Provision for credit losses	2,411	—	2,411	3,223	—	3,223
Income before income tax expense	5,818	605	6,423	6,203	511	6,714
Income tax expense	1,556	605	2,161	1,785	511	2,296
Net income	\$ 4,262	\$ —	\$ 4,262	\$ 4,418	\$ —	\$ 4,418
Diluted earnings per share	\$ 1.02	\$ —	\$ 1.02	\$ 1.01	\$ —	\$ 1.01
Return on assets	0.76	% NM	0.76	% 0.86	% NM	0.86
Overhead ratio	65	NM	64	60	NM	59
	Nine months ended September 30, 2011			Nine months ended September 30, 2010		
(in millions, except per share and ratios)	Reported Results	Fully tax-equivalent adjustments	Managed basis	Reported Results	Fully tax-equivalent adjustments	Managed basis
Revenue						
Investment banking fees	\$ 4,778	\$ —	\$ 4,778	\$ 4,358	\$ —	\$ 4,358
Principal transactions	9,255	—	9,255	8,979	—	8,979
Lending- and deposit-related fees	4,838	—	4,838	4,795	—	4,795
Asset management, administration and commissions	10,757	—	10,757	9,802	—	9,802
Securities gains	1,546	—	1,546	1,712	—	1,712
Mortgage fees and related income	1,996	—	1,996	2,253	—	2,253
Credit card income	4,799	—	4,799	4,333	—	4,333
Other income	2,236	1,433	3,669	1,465	1,242	2,707
Noninterest revenue	40,205	1,433	41,638	37,697	1,242	38,939
Net interest income	35,558	373	35,931	38,899	282	39,181
Total net revenue	75,763	1,806	77,569	76,596	1,524	78,120
Noninterest expense	48,371	—	48,371	45,153	—	45,153
Pre-provision profit	27,392	1,806	29,198	31,443	1,524	32,967
Provision for credit losses	5,390	—	5,390	13,596	—	13,596

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Income before income tax expense	22,002	1,806	23,808	17,847	1,524	19,371
Income tax expense	6,754	1,806	8,560	5,308	1,524	6,832
Net income	\$15,248	\$ —	\$15,248	\$12,539	\$ —	\$12,539
Diluted earnings per share	\$3.57	\$ —	\$3.57	\$2.84	\$ —	\$2.84
Return on assets	0.94	% NM	0.94	% 0.82	% NM	0.82 %
Overhead ratio	64	NM	62	59	NM	58

Average tangible common equity

(in millions)	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Common stockholders' equity	\$174,454	\$163,962	\$172,667	\$159,737
Less: Goodwill	48,631	48,745	48,770	48,546
Less: Certain identifiable intangible assets	3,545	4,094	3,736	4,221
Add: Deferred tax liabilities ^(a)	2,639	2,620	2,617	2,575
Tangible common equity	\$124,917	\$113,743	\$122,778	\$109,545

^(a) Represents deferred tax liabilities related to tax-deductible goodwill and to identifiable intangibles created in nontaxable transactions, which are netted against goodwill and other intangibles when calculating TCE.

Other financial measures

The Firm also discloses the allowance for loan losses to total retained loans, excluding home lending PCI loans. For a further discussion of this credit metric, see Allowance for credit losses on pages 87–89 of this Form 10-Q.

BUSINESS SEGMENT RESULTS

The Firm is managed on a line of business basis. The business segment financial results presented reflect the current organization of JPMorgan Chase. There are six major reportable business segments: the Investment Bank, Retail Financial Services, Card Services & Auto, Commercial Banking, Treasury & Securities Services and Asset Management, as well as a Corporate/Private Equity segment. The business segments are determined based on the products and services provided, or the type of customer served, and reflect the manner in which financial information is currently evaluated by management. Results of these lines of business are presented on a managed basis.

Description of business segment reporting methodology

Results of the business segments are intended to reflect each segment as if it were essentially a stand-alone business. The management reporting process that derives business segment results allocates income and expense using market-based methodologies. For a further discussion of those methodologies, see Business Segment Results – Description of business segment reporting methodology on pages 67–68 of JPMorgan Chase’s 2010 Annual Report. The Firm continues to assess the assumptions, methodologies and reporting classifications used for segment reporting, and further refinements may be implemented in future periods.

Business segment changes

Commencing July 1, 2011, the Firm’s business segments have been reorganized as follows:

Auto and Student Lending transferred from the RFS segment and are reported with Card in a single segment. Retail Financial Services continues as a segment, organized in two components: Consumer & Business Banking (formerly Retail Banking) and Mortgage Banking (including Mortgage Production and Servicing, and Real Estate Portfolios). The business segment information associated with RFS and Card has been revised to reflect the business reorganization retroactive to January 1, 2010.

Business segment capital allocation changes

Each business segment is allocated capital by taking into consideration stand-alone peer comparisons, economic risk measures and regulatory capital requirements. The amount of capital assigned to each business is referred to as equity. Effective January 1, 2011, capital allocated to Card was reduced and that of TSS was increased. For further information about these capital changes, see Line of business equity on pages 60–61 of this Form 10-Q.

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Segment Results – Managed Basis^(a)

The following table summarizes the business segment results for the periods indicated.

Three months ended September 30, (in millions, except ratios)	Total net revenue			Noninterest expense			Pre-provision profit ^(c)		
	2011	2010	Change	2011	2010	Change	2011	2010	Change
Investment Bank ^(b)	\$6,369	\$5,353	19 %	\$3,799	\$3,704	3 %	\$2,570	\$1,649	56 %
Retail Financial Services	7,535	6,814	11	4,565	4,170	9	2,970	2,644	12
Card Services & Auto	4,775	5,085	(6)	2,115	1,792	18	2,660	3,293	(19)
Commercial Banking	1,588	1,527	4	573	560	2	1,015	967	5
Treasury & Securities Services	1,908	1,831	4	1,470	1,410	4	438	421	4
Asset Management	2,316	2,172	7	1,796	1,488	21	520	684	(24)
Corporate/Private Equity ^(b)	(123)	1,553	NM	1,216	1,274	(5)	(1,339)	279	NM
Total	\$24,368	\$24,335	— %	\$15,534	\$14,398	8 %	\$8,834	\$9,937	(11)%

Three months ended September 30, (in millions, except ratios)	Provision for credit losses			Net income/(loss)			Return on equity		
	2011	2010	Change	2011	2010	Change	2011	2010	
Investment Bank ^(b)	\$54	\$(142)	NM	\$1,636	\$1,286	27 %	16	13	%
Retail Financial Services	1,027	1,397	(26)%	1,161	716	62	18	12	
Card Services & Auto	1,264	1,784	(29)	849	926	(8)	21	20	
Commercial Banking	67	166	(60)	571	471	21	28	23	
Treasury & Securities Services	(20)	(2)	NM	305	251	22	17	15	
Asset Management	26	23	13	385	420	(8)	24	26	
Corporate/Private Equity ^(b)	(7)	(3)	(133)	(645)	348	NM	NM	NM	
Total	\$2,411	\$3,223	(25)%	\$4,262	\$4,418	(4)%	9	10	%

Nine months ended September 30, (in millions, except ratios)	Total net revenue			Noninterest expense			Pre-provision profit ^(c)		
	2011	2010	Change	2011	2010	Change	2011	2010	Change
Investment Bank ^(b)	\$21,916	\$20,004	10 %	\$13,147	\$13,064	1 %	\$8,769	\$6,940	26 %
Retail Financial Services	20,143	20,748	(3)	14,736	12,012	23	5,407	8,736	(38)
Card Services & Auto	14,327	15,400	(7)	6,020	5,311	13	8,307	10,089	(18)
Commercial Banking	4,731	4,429	7	1,699	1,641	4	3,032	2,788	9
Treasury & Securities Services	5,680	5,468	4	4,300	4,134	4	1,380	1,334	3
Asset Management	7,259	6,371	14	5,250	4,335	21	2,009	2,036	(1)
Corporate/Private Equity ^(b)	3,513	5,700	(38)	3,219	4,656	(31)	294	1,044	(72)
Total	\$77,569	\$78,120	(1)%	\$48,371	\$45,153	7 %	\$29,198	\$32,967	(11)%

Nine months ended September 30, (in millions, except ratios)	Provision for credit losses			Net income			Return on equity		
	2011	2010	Change	2011	2010	Change	2011	2010	
Investment Bank ^(b)	\$(558)	\$(929)	40 %	\$6,063	\$5,138	18 %	20	17	%
Retail Financial Services	3,220	6,501	(50)	1,145	1,269	(10)	6	7	
Card Services & Auto	2,561	7,861	(67)	3,493	1,324	164	29	10	

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Commercial Banking	168	145	16	1,724	1,554	11	29	26	
Treasury & Securities Services	(18)	(57)	68	954	822	16	18	17	
Asset Management	43	63	(32)	1,290	1,203	7	27	25	
Corporate/Private Equity ^(b)	(26)	12	NM	579	1,229	(53)	NM	NM	
Total	\$5,390	\$13,596	(60)%	\$15,248	\$12,539	22	% 11	% 10	%

(a) Represents reported results on a tax-equivalent basis.

Corporate/Private Equity includes an adjustment to offset IB's inclusion of a credit allocation income/(expense) to

(b) TSS in total net revenue; TSS reports the credit allocation as a separate line on its income statement (not within total net revenue).

(c) Pre-provision profit is total net revenue less noninterest expense. The Firm believes that this financial measure is useful in assessing the ability of a lending institution to generate income in excess of its provision for credit losses.

INVESTMENT BANK

For a discussion of the business profile of IB, see pages 69–71 of JPMorgan Chase’s 2010 Annual Report and Introduction on page 4 of this Form 10-Q.

Selected income statement data (in millions, except ratios)	Three months ended September 30,			Nine months ended September 30,		
	2011	2010	Change	2011	2010	Change
Revenue						
Investment banking fees	\$1,039	\$1,502	(31)%	\$4,740	\$4,353	9 %
Principal transactions	2,253	1,129	100	7,960	7,165	11
Lending- and deposit-related fees	210	205	2	642	610	5
Asset management, administration and commissions	563	565	—	1,730	1,761	(2)
All other income ^(a)	228	61	274	630	196	221
Noninterest revenue	4,293	3,462	24	15,702	14,085	11
Net interest income	2,076	1,891	10	6,214	5,919	5
Total net revenue ^(b)	6,369	5,353	19	21,916	20,004	10
Provision for credit losses	54	(142)	NM	(558)	(929)	40
Noninterest expense						
Compensation expense	1,850	2,031	(9)	7,708	7,882	(2)
Noncompensation expense	1,949	1,673	16	5,439	5,182	5
Total noninterest expense	3,799	3,704	3	13,147	13,064	1
Income before income tax expense	2,516	1,791	40	9,327	7,869	19
Income tax expense	880	505	74	3,264	2,731	20
Net income	\$1,636	\$1,286	27	\$6,063	\$5,138	18
Financial ratios						
Return on common equity	16	% 13	%	20	% 17	%
Return on assets	0.81	0.68		0.99	0.97	
Overhead ratio	60	69		60	65	
Compensation expense as a percentage of total net revenue ^(c)	29	38		35	39	
Revenue by business						
Investment banking fees:						
Advisory	\$365	\$385	(5)	\$1,395	\$1,045	33
Equity underwriting	178	333	(47)	1,012	1,100	(8)
Debt underwriting	496	784	(37)	2,333	2,208	6
Total investment banking fees	1,039	1,502	(31)	4,740	4,353	9
Fixed income markets ^(d)	3,328	3,123	7	12,846	12,150	6
Equity markets ^(e)	1,424	1,135	25	4,053	3,635	11
Credit portfolio ^{(a)(f)}	578	(407)	NM	277	(134)	NM
Total net revenue	\$6,369	\$5,353	19	\$21,916	\$20,004	10

IB manages traditional credit exposures related to Global Corporate Bank (“GCB”) on behalf of IB and TSS.

(a) Effective January 1, 2011, IB and TSS share the economics related to the Firm’s GCB clients. IB recognizes this sharing agreement within all other income. The prior-year period reflected the reimbursement from TSS for a portion of the total costs of managing the credit portfolio on behalf of TSS.

Total net revenue included tax-equivalent adjustments, predominantly due to income tax credits related to affordable housing and alternative energy investments as well as tax-exempt income from municipal bond investments of \$440 million and \$390 million for the three months ended September 30, 2011 and 2010, and \$1.4 billion and \$1.2 billion for the nine months ended September 30, 2011 and 2010, respectively.

- The compensation expense as a percentage of total net revenue ratio for the nine months ended September 30, 2010, excluding the payroll tax expense related to the U.K. Bank Payroll Tax on certain compensation awarded
- (c) from December 9, 2009, to April 5, 2010, to relevant banking employees, which is a non-GAAP financial measure, was 37%. IB excludes this tax from the ratio because it enables comparability between periods.
 - (d) Fixed income markets primarily include revenue related to market-making across global fixed income markets, including foreign exchange, interest rate, credit and commodities markets.
 - (e) Equity markets primarily include revenue related to market-making across global equity products, including cash instruments, derivatives, convertibles and Prime Services.
 - (f) Credit portfolio revenue includes net interest income, fees and loan sale activity, as well as gains or losses on securities received as part of a loan restructuring, for IB's credit portfolio. Credit portfolio revenue also includes the results of risk management related to the Firm's lending and derivative activities. See pages 74–75 of the Credit Risk Management section of this Form 10-Q for further discussion.

Quarterly results

Net income was \$1.6 billion, up 27% from the prior year. Higher net revenue was partially offset by an increased provision for credit losses and higher noninterest expense.

Net revenue included a \$1.9 billion gain from DVA on certain structured and derivative liabilities, resulting from the widening of the Firm's credit spreads. This was partially offset by a \$691 million net loss, including hedges, from CVA on derivative assets within Credit Portfolio, due to the widening of credit spreads for the Firm's counterparties. Net revenue was \$6.4 billion, compared with \$5.4 billion in the prior year. Investment banking fees were down 31% to \$1.0 billion, consisting of debt underwriting fees of \$496 million (down 37%), equity underwriting fees of \$178 million (down 47%) and advisory fees of \$365 million (down 5%). Fixed Income Markets revenue was \$3.3 billion, up 7% (down 14% excluding DVA gains of \$529 million). These results reflected solid revenue from rates and currency-related products, partially offset by lower results in credit-related products. Equity Markets revenue was \$1.4 billion, up 25% (down 15% excluding DVA gains of \$377 million). These results reflected solid client revenue, partially offset by the impact of challenging market conditions. Credit Portfolio revenue was \$578 million, including DVA gains of \$979 million and net interest income and fees on retained loans, largely offset by a \$691 million net loss, including hedges, from CVA.

The provision for credit losses was \$54 million, driven by an increase in the allowance that reflected a more cautious credit outlook, offset by recoveries on restructured loans; this compared with a benefit of \$142 million in the prior year. The current-quarter provision reflected net recoveries of \$168 million, compared with net charge-offs of \$33 million in the prior year. The ratio of the allowance for loan losses to end-of-period loans retained was 2.30%, compared with 3.85% in the prior year.

Noninterest expense was \$3.8 billion, up 3% from the prior year, driven by higher noncompensation expense.

Return on equity was 16% on \$40.0 billion of average allocated capital.

Year-to-date results

Net income was \$6.1 billion, compared with \$5.1 billion for the prior year, driven by higher net revenue partially offset by a lower benefit from the provision for credit losses as well as slightly higher noninterest expense.

Net revenue included a \$2.0 billion gain from DVA on certain structured and derivative liabilities, resulting from the widening of the Firm's credit spreads. This was partially offset by a \$828 million net loss, including hedges, from CVA on derivative assets within Credit Portfolio, due to the widening of credit spreads for the Firm's counterparties. Net revenue was \$21.9 billion, up 10% compared with \$20.0 billion in the prior year. Investment banking fees of \$4.7 billion were up 9% compared with the prior year, consisting of debt underwriting fees of \$2.3 billion (up 6%), advisory fees of \$1.4 billion (up 33%), and equity underwriting fees of \$1.0 billion (down 8%). Fixed Income Markets revenue was \$12.8 billion, up 6% (up 3% excluding DVA gains of \$688 million), reflecting stronger performance in rates-related products as well as commodities. Equity Markets revenue was \$4.1 billion, up 11% (up 5% excluding DVA gains of \$383 million), driven by solid client revenue. Credit Portfolio revenue was \$277 million, driven by DVA gains of \$933 million and net interest income and fees on retained loans, largely offset by a \$828 million net loss, including hedges, from CVA.

The provision for credit losses was a benefit of \$558 million, reflecting a reduction in the allowance for loan losses, largely as a result of net repayments. Net recoveries were \$38 million compared with net charge-offs of \$758 million in the prior year.

Noninterest expense was \$13.1 billion, relatively flat from the prior year, driven by higher noncompensation expense offset by lower incentive-based compensation expense and the absence of the U.K. Bank Payroll Tax that was recorded in the second quarter of 2010.

Return on equity was 20% on \$40.0 billion of average allocated capital.

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Selected metrics (in millions, except headcount and ratios)	Three months ended September 30,			Nine months ended September 30,			
	2011	2010	Change	2011	2010	Change	
Selected balance sheet data (period-end)							
Loans:							
Loans retained ^(a)	\$58,163	\$51,299	13	% \$58,163	\$51,299	13	%
Loans held-for-sale and loans at fair value	2,311	2,252	3	2,311	2,252	3	
Total loans	60,474	53,551	13	60,474	53,551	13	
Equity	40,000	40,000	—	40,000	40,000	—	
Selected balance sheet data (average)							
Total assets	\$803,667	\$746,926	8	\$820,239	\$711,277	15	
Trading assets-debt and equity instruments	329,984	300,517	10	357,735	293,605	22	
Trading assets-derivative receivables	79,044	76,530	3	71,993	69,547	4	
Loans:							
Loans retained ^(a)	57,265	53,331	7	55,089	55,042	—	
Loans held-for-sale and loans at fair value	2,431	2,678	(9)	) 3,468	3,118	11	
Total loans	59,696	56,009	7	58,557	58,160	1	
Adjusted assets ^(b)	597,513	539,459	11	612,292	524,658	17	
Equity	40,000	40,000	—	40,000	40,000	—	
Headcount	26,615	26,373	1	26,615	26,373	1	
Credit data and quality statistics							
Net charge-offs/(recoveries)	\$(168)	) \$33	NM	\$(38)	) \$758	NM	
Nonperforming assets:							
Nonaccrual loans:							
Nonaccrual loans retained ^{(a)(c)}	1,274	2,025	(37)	) 1,274	2,025	(37))
Nonaccrual loans held-for-sale and loans at fair value	150	361	(58)	) 150	361	(58))
Total nonperforming loans	1,424	2,386	(40)	) 1,424	2,386	(40))
Derivative receivables	7	255	(97)	) 7	255	(97))
Assets acquired in loan satisfactions	77	148	(48)	) 77	148	(48))
Total nonperforming assets	1,508	2,789	(46)	) 1,508	2,789	(46))
Allowance for credit losses:							
Allowance for loan losses	1,337	1,976	(32)	) 1,337	1,976	(32))
Allowance for lending-related commitments	444	570	(22)	) 444	570	(22))
Total allowance for credit losses	1,781	2,546	(30)	) 1,781	2,546	(30))
Net charge-off/(recovery) rate ^{(a)(d)}	(1.16)	)% 0.25	%	(0.09)	)% 1.84	%	
Allowance for loan losses to period-end loans retained ^{(a)(d)}	2.30	3.85		2.30	3.85		
Allowance for loan losses to nonaccrual loans retained ^{(a)(c)(d)}	105	98		105	98		
Nonaccrual loans to period-end loans	2.35	4.46		2.35	4.46		

Market risk-average trading and credit
portfolio VaR – 95% confidence level

Trading activities:

Fixed income	\$48	\$72	(33)	\$47	\$68	(31)
Foreign exchange	10	9	11	10	11	(9)
Equities	19	21	(10)	24	22	9
Commodities and other	15	13	15	15	16	(6)
Diversification ^(e)	(39)	(38)	(3)	(38)	(43)	12
Total trading VaR ^(f)	53	77	(31)	58	74	(22)
Credit portfolio VaR ^(g)	38	30	27	30	25	20
Diversification ^(e)	(21)	(8)	(163)	(11)	(9)	(22)
Total trading and credit portfolio VaR	\$70	\$99	(29)	\$77	\$90	(14)

(a) Loans retained included credit portfolio loans, leveraged leases and other accrual loans, and excluded loans held-for-sale and loans at fair value.

Adjusted assets, a non-GAAP financial measure, equals total assets minus: (1) securities purchased under resale agreements and securities borrowed less securities sold, not yet purchased; (2) assets of consolidated variable interest entities (“VIEs”); (3) cash and securities segregated and on deposit for regulatory and other purposes; (4) goodwill and intangibles; and (5) securities received as collateral. The amount of adjusted assets is presented to assist the reader in comparing IB’s asset and capital levels to other investment banks in the securities industry.

(b) Asset-to-equity leverage ratios are commonly used as one measure to assess a company's capital adequacy. IB believes an adjusted asset amount that excludes the assets discussed above, which were considered to have a low risk profile, provides a more meaningful measure of balance sheet leverage in the securities industry.

(c) Allowance for loan losses of \$320 million and \$603 million were held against these nonaccrual loans at September 30, 2011 and 2010, respectively.

(d) Loans held-for-sale and loans at fair value were excluded when calculating the allowance coverage ratio and net charge-off rate.

Average value-at-risk (“VaR”) was less than the sum of the VaR of the components described above, which is due to (e) portfolio diversification. The diversification effect reflects the fact that the risks were not perfectly correlated. The risk of a portfolio of positions is therefore usually less than the sum of the risks of the positions themselves.

Trading VaR includes substantially all trading activities in IB, including the credit spread sensitivities of certain mortgage products and syndicated lending facilities that the Firm intends to distribute; however, particular risk (f) parameters of certain products are not fully captured, for example, correlation risk. Trading VaR does not include the DVA taken on derivative and structured liabilities to reflect the credit quality of the Firm. See VaR discussion on pages 90–92 and the DVA sensitivity table on page 92 of this Form 10-Q for further details.

Credit portfolio VaR includes the derivative CVA, hedges of the CVA and mark-to-market (“MTM”) hedges of the (g) retained loan portfolio, which are all reported in principal transactions revenue. This VaR does not include the retained loan portfolio, which is not MTM.

According to Dealogic, for the first nine months of 2011, the Firm was ranked #1 in Global Investment Banking fees generated based on revenue, and #1 in Global Syndicated Loans; #1 in Global Debt, Equity and Equity-related; and #2 in Global Announced M&A; #1 in Global Long-Term Debt; and #4 in Global Equity and Equity-related, based on volume.

Market shares and rankings ^(a)	Nine months ended September 30, 2011		Full-year 2010			
	Market Share	Rankings	Market Share	Rankings		
Global investment banking fees ^(b) Debt, equity and equity-related	8.4	%	#1	7.6	%	#1
Global	6.8		1	7.2		1
U.S.	11.2		1	11.1		1
Syndicated loans						
Global	11.3		1	8.5		2
U.S.	21.6		1	19.1		2
Long-term debt ^(c)						
Global	6.8		1	7.2		2
U.S.	11.2		1	10.9		2
Equity and equity-related						
Global ^(d)	7.0		4	7.3		3
U.S.	12.3		1	13.1		2
Announced M&A ^(e)						
Global	22.4		2	16.2		4
U.S.	34.0		1	22.2		3

(a) Source: Dealogic. Global Investment Banking fees reflects ranking of fees and market share. Remainder of rankings reflects transaction volume rank and market share.

(b) Global Investment Banking fees exclude money market, short-term debt and shelf deals.

Long-term debt tables include investment-grade, high-yield, supranationals, sovereigns, agencies, covered bonds, (c) asset-backed securities (“ABS”) and mortgage-backed securities; and exclude money market, short-term debt, and U.S. municipal securities.

(d) Equity and equity-related rankings include rights offerings and Chinese A-Shares.

(e) Global announced M&A is based on transaction value at announcement; all other rankings are based on transaction proceeds, with full credit to each book manager/equal if joint. Because of joint assignments, market share of all participants will add up to more than 100%. M&A for the nine months ended September 30, 2011, and full-year 2010 reflects the removal of any withdrawn transactions. U.S. announced M&A represents any U.S. involvement

ranking.

International metrics (in millions)	Three months ended September 30,			Nine months ended September 30,				
	2011	2010	Change	2011	2010	Change		
Total net revenue ^(a)								
Europe/Middle East/Africa	\$1,995	\$1,538	30	% \$7,065	\$5,957	19	%	
Asia/Pacific	948	993	(5	)	2,832	2,882	(2)
Latin America/Caribbean	175	167	5		839	725	16	
North America	3,251	2,655	22		11,180	10,440	7	
Total net revenue	\$6,369	\$5,353	19		\$21,916	\$20,004	10	
Loans retained (period-end) ^(b)								
Europe/Middle East/Africa	\$15,361	\$12,781	20		\$15,361	\$12,781	20	
Asia/Pacific	6,892	5,595	23		6,892	5,595	23	
Latin America/Caribbean	3,222	1,545	109		3,222	1,545	109	
North America	32,688	31,378	4		32,688	31,378	4	
Total loans	\$58,163	\$51,299	13		\$58,163	\$51,299	13	

(a) Regional revenue is based primarily on the domicile of the client and/or location of the trading desk.

(b) Includes retained loans based on the domicile of the customer. Excludes loans held-for-sale and loans at fair value.

RETAIL FINANCIAL SERVICES

For a discussion of the business profile of RFS, see Introduction on page 4 of this Form 10-Q.

Effective July 1, 2011, RFS is organized into two components: (1) Consumer & Business Banking (formerly Retail Banking) and (2) Mortgage Banking (including Mortgage Production and Servicing, and Real Estate Portfolios). Consumer & Business Banking includes branch banking and business banking activities. Mortgage Production and Servicing includes mortgage origination and servicing activities. Real Estate Portfolios comprises residential mortgages and home equity loans, including the purchased credit-impaired portfolio acquired in the Washington Mutual transaction. For a further discussion of the business segment reorganization, see Business segment changes on page 16, and Note 24 on pages 190–192 of this Form 10-Q.

Selected income statement data (in millions, except ratios)	Three months ended September 30,			Nine months ended September 30,			
	2011	2010	Change	2011	2010	Change	
Revenue							
Lending- and deposit-related fees	\$833	\$743	12	% \$2,382	\$2,333	2	%
Asset management, administration and commissions	513	441	16	1,497	1,322	13	
Mortgage fees and related income	1,380	705	96	1,991	2,246	(11))
Credit card income	611	502	22	1,720	1,431	20	
Other income	136	143	(5)	) 378	452	(16))
Noninterest revenue	3,473	2,534	37	7,968	7,784	2	
Net interest income	4,062	4,280	(5)	) 12,175	12,964	(6))
Total net revenue ^(a)	7,535	6,814	11	20,143	20,748	(3))
Provision for credit losses	1,027	1,397	(26)	) 3,220	6,501	(50))
Noninterest expense							
Compensation expense	2,101	1,825	15	5,914	5,256	13	
Noncompensation expense	2,404	2,276	6	8,642	6,548	32	
Amortization of intangibles	60	69	(13)	) 180	208	(13))
Total noninterest expense	4,565	4,170	9	14,736	12,012	23	
Income before income tax expense	1,943	1,247	56	2,187	2,235	(2))
Income tax expense	782	531	47	1,042	966	8	
Net income	\$1,161	\$716	62	\$1,145	\$1,269	(10))
Financial ratios							
Return on common equity	18	% 12	%	6	% 7	%	
Overhead ratio	61	61		73	58		
Overhead ratio excluding core deposit intangibles ^(b)	60	60		72	57		

Total net revenue included tax-equivalent adjustments associated with tax-exempt loans to municipalities and other (a) qualified entities of \$2 million and \$2 million for the three months ended September 30, 2011 and 2010, respectively, and \$5 million and \$8 million for the nine months ended September 30, 2011 and 2010, respectively.

RFS uses the overhead ratio (excluding the amortization of core deposit intangibles (“CDI”)), a non-GAAP financial measure, to evaluate the underlying expense trends of the business. Including CDI amortization expense in the overhead ratio calculation would result in a higher overhead ratio in the earlier years and a lower overhead ratio in later years; this method would therefore result in an improving overhead ratio over time, all things remaining (b) equal. The non-GAAP ratio excluded Consumer & Business Banking’s CDI amortization expense related to prior business combination transactions of \$60 million and \$69 million for the three months ended September 30, 2011 and 2010, respectively, and \$180 million and \$208 million for the nine months ended September 30, 2011 and 2010, respectively.

Quarterly results

Retail Financial Services reported net income of \$1.2 billion, compared with \$716 million in the prior year. Net revenue was \$7.5 billion, an increase of \$721 million, or 11%, compared with the prior year. Net interest income was \$4.1 billion, down by \$218 million, or 5%, reflecting lower loan balances due to portfolio runoff. Noninterest revenue was \$3.5 billion, up by \$939 million, or 37%, driven by higher mortgage fees and related income, debit card income, and deposit-related fees.

The provision for credit losses was \$1.0 billion, a decrease of \$370 million from the prior year. While delinquency trends have modestly improved compared with the prior year, the current-quarter provision continued to reflect elevated losses in the mortgage and home equity portfolios. See Consumer Credit Portfolio on pages 78–87 of this Form 10-Q for the net charge-off amounts and rates. To date, no charge-offs have been recorded on PCI loans. Noninterest expense was \$4.6 billion, an increase of \$395 million, or 9%, from the prior year, driven by investments in branch and mortgage production sales and support staff, as well as elevated default-related costs.

Year-to-date results

Retail Financial Services reported net income of \$1.1 billion, compared with \$1.3 billion in the prior year. Net revenue was \$20.1 billion, a decrease of \$605 million, or 3%, compared with the prior year. Net interest income was \$12.2 billion, down by \$789 million, or 6%, reflecting the impact of lower loan balances, due to portfolio runoff, and narrower loan

spreads. Noninterest revenue was \$8.0 billion, up by \$184 million, or 2%, driven by higher debit card income and investment sales revenue largely offset by lower mortgage fees and related income.

The provision for credit losses was \$3.2 billion, a decrease of \$3.3 billion from the prior year. While delinquency trends and net charge-offs improved compared with the prior year, the current-year provision continued to reflect elevated losses in the mortgage and home equity portfolios. Additionally, the prior year provision included an addition to the allowance for loan losses of \$1.2 billion for the purchased credit-impaired portfolio. See Consumer Credit Portfolio on pages 78–87 of this Form 10-Q for the net charge-off amounts and rates. To date, no charge-offs have been recorded on PCI loans.

Noninterest expense was \$14.7 billion, an increase of \$2.7 billion, or 23%, from the prior year driven by elevated foreclosure and default-related costs including \$1.7 billion for estimated litigation and other costs of foreclosure-related matters.

Selected metrics (in millions, except headcount and ratios)	Three months ended September 30,			Nine months ended September 30,		
	2011	2010	Change	2011	2010	Change
Selected balance sheet data (period-end)						
Assets	\$276,799	\$300,913	(8)%	\$276,799	\$300,913	(8)%
Loans:						
Loans retained	235,572	260,647	(10)	235,572	260,647	(10)
Loans held-for-sale and loans at fair value ^(a)	13,153	13,032	1	13,153	13,032	1
Total loans	248,725	273,679	(9)	248,725	273,679	(9)
Deposits	388,735	363,295	7	388,735	363,295	7
Equity	25,000	24,600	2	25,000	24,600	2
Selected balance sheet data (average)						
Assets	\$283,443	\$309,523	(8)	\$289,486	\$316,407	(9)
Loans:						
Loans retained	238,273	264,467	(10)	244,204	272,744	(10)
Loans held-for-sale and loans at fair value ^(a)	16,608	15,571	7	16,243	14,222	14
Total loans	254,881	280,038	(9)	260,447	286,966	(9)
Deposits	382,202	361,668	6	377,678	359,669	5
Equity	25,000	24,600	2	25,000	24,600	2
Headcount	128,992	114,440	13	128,992	114,440	13
Credit data and quality statistics						
Net charge-offs	\$1,027	\$1,397	(26)	\$3,295	\$5,251	(37)
Nonaccrual loans:						
Nonaccrual loans retained	7,579	9,601	(21)	7,579	9,601	(21)
Nonaccrual loans held-for-sale and loans at fair value	132	166	(20)	132	166	(20)
Total nonaccrual loans ^{(b)(c)(d)}	7,711	9,767	(21)	7,711	9,767	(21)
Nonperforming assets ^{(b)(c)(d)}	8,576	11,155	(23)	8,576	11,155	(23)
Allowance for loan losses	15,479	15,106	2	15,479	15,106	2
Net charge-off rate ^(e)	1.71	% 2.10	%	1.80	% 2.57	%
Net charge-off rate excluding PCI loans ^{(e)(f)}	2.39	2.94		2.53	3.61	
Allowance for loan losses to ending loans retained ^(e)	6.57	5.80		6.57	5.80	
	6.26	6.61		6.26	6.61	

Allowance for loan losses to ending loans
retained excluding

PCI loans ^{(e)(f)}				
Allowance for loan losses to nonaccrual loans retained ^{(b)(e)(f)}	139	128	139	128
Nonaccrual loans to total loans	3.10	3.57	3.10	3.57
Nonaccrual loans to total loans excluding PCI loans ^(b)	4.25	4.91	4.25	4.91

Loans at fair value consist of prime mortgages originated with the intent to sell that are accounted for at fair value and classified as trading assets on the Consolidated Balance Sheets. These loans totaled \$13.0 billion and \$12.6 billion at September 30, 2011 and 2010, respectively. Average balances of these loans totaled \$16.5 billion and \$15.3 billion for the three months ended September 30, 2011 and 2010, respectively, and \$16.1 billion and \$14.0 billion for the nine months ended September 30, 2011 and 2010, respectively.

Excludes PCI loans that were acquired as part of the Washington Mutual transaction, which are accounted for on a pool basis. 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 the Firm is recognizing interest income on each pool of loans, they are all considered to be performing.

(c) Certain of these loans are classified as trading assets on the Consolidated Balance Sheets.

At September 30, 2011 and 2010, nonperforming assets excluded: (1) mortgage loans insured by U.S. government agencies of \$9.5 billion and \$9.2 billion, respectively, that are 90 or more days past due; and (2) real estate owned (d) insured by U.S. government agencies of \$2.4 billion and \$1.7 billion, respectively. These amounts were excluded as reimbursement of insured amounts is proceeding normally. For further discussion, see Note 13 on pages 136–157 of this

Form 10-Q which summarizes loan delinquency information.

(e) Loans held-for-sale and loans accounted for at fair value were excluded when calculating the allowance coverage ratio and the net charge-off rate.

Excludes the impact of PCI loans that were acquired as part of the Washington Mutual transaction. These loans were accounted for at fair value on the acquisition date, which incorporated management's estimate, as of that date, (f) of credit losses over the remaining life of the portfolio. An allowance for loan losses of \$4.9 billion and \$2.8 billion was recorded for these loans at September 30, 2011 and 2010, respectively, which was also excluded from the applicable ratios. To date, no charge-offs have been recorded for these loans.

CONSUMER & BUSINESS BANKING

Selected income statement data (in millions, except ratios)	Three months ended September 30,			Nine months ended September 30,		
	2011	2010	Change	2011	2010	Change
Noninterest revenue	\$1,952	\$1,692	15 %	\$5,598	\$5,128	9 %
Net interest income	2,730	2,744	(1)	8,095	8,191	(1)
Total net revenue	4,682	4,436	6	13,693	13,319	3
Provision for credit losses	126	173	(27)	287	561	(49)
Noninterest expense	2,842	2,798	2	8,354	8,041	4
Income before income tax expense	1,714	1,465	17	5,052	4,717	7
Net income	\$1,023	\$839	22	\$3,014	\$2,700	12
Overhead ratio	61	% 63	%	61	% 60	%
Overhead ratio excluding core deposit intangibles ^(a)	59	62		60	59	

Consumer & Business Banking uses the overhead ratio (excluding the amortization of CDI), a non-GAAP financial measure, to evaluate the underlying expense trends of the business. Including CDI amortization expense in the overhead ratio calculation would result in a higher overhead ratio in the earlier years and a lower overhead ratio in later years; this method would therefore result in an improving overhead ratio over time, all things remaining equal. (a) The non-GAAP ratio excluded Consumer & Business Banking's CDI amortization expense related to prior business combination transactions of \$60 million and \$69 million for the three months ended September 30, 2011 and 2010, respectively, and \$180 million and \$208 million for the nine months ended September 30, 2011 and 2010, respectively.

Quarterly results

Consumer & Business Banking reported net income of \$1.0 billion, an increase of \$184 million, or 22%, compared with the prior year. Net revenue was \$4.7 billion, up 6% from the prior year. Net interest income was \$2.7 billion, flat compared with the prior year, as the impact of lower deposit spreads was predominantly offset by the effect of higher deposit balances. Noninterest revenue was \$2.0 billion, an increase of 15%, driven by higher debit card revenue, deposit-related fees and investment fee revenue. The provision for credit losses was \$126 million, compared with \$173 million in the prior year. Net charge-offs were \$126 million, compared with \$173 million in the prior year. Noninterest expense was \$2.8 billion, up 2% from the prior year, due to sales force increases and new branch builds.

Year-to-date results

Consumer & Business Banking reported net income of \$3.0 billion, an increase of \$314 million, or 12%, compared with the prior year. Net revenue was \$13.7 billion, up 3% from the prior year. Net interest income was \$8.1 billion, flat to the prior year, as the impact from higher deposit balances was offset predominantly by the effect of lower deposit spreads. Noninterest revenue was \$5.6 billion, an increase of 9%, driven by higher debit card and investment sales revenue. The provision for credit losses was \$287 million, compared with \$561 million in the prior year. Net charge-offs were \$362 million, compared with \$561 million in the prior year. Noninterest expense was \$8.4 billion, up 4% from the prior year, resulting from sales force increases and new branch builds.

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Selected metrics (in billions, except ratios and where otherwise noted)	Three months ended September 30,			Nine months ended September 30,				
	2011	2010	Change	2011	2010	Change		
Business metrics								
Business banking origination volume (in millions)	\$1,440	\$1,126	28	% \$4,438	\$3,253	36	%	
End-of-period loans	17.3	16.6	4	17.3	16.6	4		
End-of-period deposits:								
Checking	142.1	124.2	14	142.1	124.2	14		
Savings	186.7	166.4	12	186.7	166.4	12		
Time and other	39.0	48.9	(20)	39.0	48.9	(20))	
Total end-of-period deposits	367.8	339.5	8	367.8	339.5	8		
Average loans	\$17.2	\$16.6	4	\$17.0	\$17.0	—		
Average deposits:								
Checking	137.0	123.5	11	135.2	122.4	10		
Savings	184.6	166.2	11	180.2	165.3	9		
Time and other	40.6	49.9	(19)	42.9	52.4	(18))	
Total average deposits	362.2	339.6	7	358.3	340.1	5		
Deposit margin	2.82	% 3.04	%	2.85	% 3.01	%		
Average assets	\$30.1	\$28.5	6	\$29.5	\$29.4	—		
Credit data and quality statistics (in millions, except ratios)								
Net charge-offs	\$126	\$173	(27))	\$362	\$561	(35))
Net charge-off rate	2.91	% 4.13	%	2.85	% 4.41	%		
Nonperforming assets	\$773	\$913	(15))	\$773	\$913	(15))
Retail branch business metrics (in millions, except ratios)								
Investment sales volume	\$5,102	\$5,798	(12))	\$18,020	\$17,510	3	
Client investment assets	132,255	127,743	4		132,255	127,743	4	
% managed accounts	23	% 18	%	23	% 18	%		
Number of:								
Branches	5,396	5,192	4	5,396	5,192	4		
Chase Private Client branch locations	139	16	NM	139	16	NM		
ATMs	16,708	15,815	6	16,708	15,815	6		
Personal bankers	24,205	21,438	13	24,205	21,438	13		
Sales specialists	7,891	7,123	11	7,891	7,123	11		
Active online customers (in thousands)	18,372	17,167	7	18,372	17,167	7		
Active mobile customers (in thousands)	7,266	4,600	58	7,266	4,600	58		
Chase Private Clients	11,711	3,890	201	11,711	3,890	201		
Checking accounts (in thousands)	26,541	27,014	(2))	26,541	27,014	(2))

MORTGAGE PRODUCTION AND SERVICING

Selected income statement data (in millions, except ratios)	Three months ended September 30,			Nine months ended September 30,		
	2011	2010	Change	2011	2010	Change
Mortgage fees and related income	\$ 1,380	\$ 705	96 %	\$ 1,991	\$ 2,246	(11)%
Other noninterest revenue	118	116	2	328	305	8
Net interest income	204	232	(12)	599	660	(9)
Total net revenue	1,702	1,053	62	2,918	3,211	(9)
Provision for credit losses	2	27	(93)	4	46	(91)
Noninterest expense	1,360	982	38	5,293	2,757	92
Income/(loss) before income tax expense/(benefit)	340	44	NM	(2,379)	408	NM
Net income/(loss)	\$ 205	\$ 25	NM	\$(1,574)	\$ 239	NM
Overhead ratio	80	% 93	%	181	% 86	%
Functional results						
Production						
Production revenue	\$ 1,090	\$ 1,233	(12)%	\$ 2,536	\$ 2,342	8 %
Production-related net interest & other income	213	216	(1)	630	629	—
Production-related revenue, excluding repurchase losses	1,303	1,449	(10)	3,166	2,971	7
Production expense	496	435	14	1,377	1,177	17
Income, excluding repurchase losses	807	1,014	(20)	1,789	1,794	—
Repurchase losses	(314)	(1,464)	79	(957)	(2,563)	63
Income/(loss) before income tax expense/(benefit)	493	(450)	NM	832	(769)	NM
Servicing						
Loan servicing revenue	1,039	1,153	(10)	3,102	3,446	(10)
Servicing-related net interest & other income	115	129	(11)	300	325	(8)
Servicing-related revenue	1,154	1,282	(10)	3,402	3,771	(10)
MSR asset amortization	(457)	(604)	24	(1,498)	(1,829)	18
Servicing expense ^(a)	866	574	51	3,920	1,626	141
Income/(loss), excluding MSR risk management	(169)	104	NM	(2,016)	316	NM
MSR risk management, incl. related net interest income/(expense) ^(b)	16	390	(96)	(1,195)	861	NM
Income/(loss) before income tax expense/(benefit)	(153)	494	NM	(3,211)	1,177	NM
Net income/(loss)	\$ 205	\$ 25	NM	\$(1,574)	\$ 239	NM

(a) Servicing expense includes both core and default servicing expense for all periods presented as well as \$1.7 billion estimated litigation and other costs of foreclosure-related matters for the nine months ended September 30, 2011.

MSR risk management predominantly includes (a) changes in the MSR asset fair value due to changes in market interest rates and other modeled inputs and assumptions, and (b) changes in the value of the derivatives used to hedge the MSR asset. See Note 16 on pages 168–172 of this Form 10-Q for further information regarding changes in value of the MSR asset and related hedges.

Quarterly results

Mortgage Production and Servicing reported net income of \$205 million, compared with \$25 million in the prior year. Mortgage production pretax income was \$493 million, compared with a pretax loss of \$450 million in the prior year. Production-related revenue, excluding repurchase losses, was \$1.3 billion, a decrease of 10% from the prior year. Current-quarter revenue reflected lower volumes and flat margins when compared with the prior year. Production expense was \$496 million, an increase of \$61 million, or 14%, reflecting a strategic shift to higher-cost retail originations both through the branch network and direct to the consumer. Repurchase losses were \$314 million, compared with prior-year repurchase losses of \$1.5 billion, which included a \$1.0 billion increase in the repurchase reserve.

Mortgage servicing, including MSR risk management, resulted in a pretax loss of \$153 million, compared with pretax income of \$494 million in the prior year. Servicing-related revenue was \$1.2 billion, a decline of 10% from the prior year, as a result of the decline in third-party loans serviced. MSR asset amortization was \$457 million, compared with \$604 million in the prior year; this reflected reduced amortization as a result of a lower MSR asset value, resulting from the adjustment recognized in the first quarter to reflect an increased cost to service. Offsetting the lower MSR asset amortization, servicing expense was \$866 million, an increase of \$292 million, reflecting higher core and default servicing costs. MSR risk management income was \$16 million, a decline of \$374 million from the prior year.

Year-to-date results

Mortgage Production and Servicing reported a net loss of \$1.6 billion, compared with net income of \$239 million in the prior year.

Mortgage production pretax income was \$832 million, compared with a pretax loss of \$769 million in the prior year. Production-related revenue, excluding repurchase losses, was \$3.2 billion, an increase of 7% from the prior year reflecting higher volumes and wider margins when compared with the prior year. Production expense was \$1.4 billion, an increase of \$200 million, or 17%, reflecting a strategic shift to higher-cost retail originations both through the branch network and direct to the consumer. Repurchase losses were \$957 million, compared with prior-year repurchase losses of \$2.6 billion, which included a \$1.6 billion increase in the repurchase reserve.

Mortgage servicing, including MSR risk management, resulted in a pretax loss of \$3.2 billion, compared with pretax income of \$1.2 billion in the prior year. Servicing-related revenue was \$3.4 billion, a decline of 10% from the prior year, as a result of the decline in third-party loans serviced. MSR asset amortization was \$1.5 billion, compared with \$1.8 billion in the prior year; this reflected reduced amortization as a result of a lower MSR asset value, resulting from the adjustment recognized to reflect an increased cost to service as discussed below. Offsetting the lower MSR asset amortization, servicing expense was \$3.9 billion, an increase of \$2.3 billion, driven by \$1.7 billion recorded for estimated litigation and other costs of foreclosures-related matters, as well as higher core and default servicing costs. MSR risk management was a loss of \$1.2 billion, compared with income of \$861 million in the prior year, driven by a decrease in the fair value of the MSR asset that was recognized in the first quarter of 2011 related to a revised cost to service assumption incorporated into the valuation to reflect the estimated impact of higher servicing costs to enhance servicing processes – particularly loan modifications and foreclosure procedures.

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Selected metrics (in billions, except ratios and where otherwise noted)	Three months ended September 30,			Nine months ended September 30,			
	2011	2010	Change	2011	2010	Change	
Selected balance sheet data							
End-of-period loans:							
Prime mortgage, including option ARMs ^{(a)(b)}	\$14.8	\$13.8	7	% \$14.8	\$13.8	7	%
Loans held-for-sale and loans at fair value ^(c)	13.2	13.0	2	13.2	13.0	2	
Average loans:							
Prime mortgage, including option ARMs ^{(a)(d)}	14.4	13.6	6	14.2	13.3	7	
Loans held-for-sale and loans at fair value ^(c)	16.6	15.6	6	16.2	14.2	14	
Average assets	59.7	58.5	2	59.7	56.1	6	
Repurchase reserve (ending)	3.2	3.0	7	3.2	3.0	7	
Credit data and quality statistics (in millions, except ratios)							
Net charge-offs:							
Prime mortgage, including option ARMs	2	10	(80)	) 4	29	(86))
Net charge-off rate:							
Prime mortgage, including option ARMs ^(d)	0.06	% 0.30	%	0.04	% 0.30	%	
30+ day delinquency rate ^{(b)(e)}	3.35	3.40		3.35	3.40		
Nonperforming assets ^(f)	\$691	\$786	(12)	) \$691	\$786	(12))
Business metrics							
Origination volume by channel							
Retail	\$22.4	\$19.2	17	\$64.1	\$45.9	40	
Wholesale ^(g)	0.1	0.2	(50)	) 0.4	1.0	(60))
Correspondent ^(g)	13.4	19.1	(30)	) 37.2	49.8	(25))
CNT (negotiated transactions)	0.9	2.4	(63)	) 5.3	8.1	(35))
Total origination volume	\$36.8	\$40.9	(10)	) \$107.0	\$104.8	2	
Application volume by channel							
Retail	\$37.7	\$34.6	9	\$102.6	\$82.7	24	
Wholesale ^(g)	0.2	0.6	(67)	) 0.8	2.0	(60))
Correspondent ^(g)	20.2	30.7	(34)	) 48.7	72.4	(33))
Total application volume	\$58.1	\$65.9	(12)	) \$152.1	\$157.1	(3))
Third-party mortgage loans serviced (ending)	\$924.5	\$1,012.7	(9)	) \$924.5	\$1,012.7	(9))
Third-party mortgage loans serviced (average)	931.4	1,028.6	(9)	) 945.7	1,056.3	(10))
MSR net carrying value (ending) ^(h)	7.8	10.3	(24)	) 7.8	10.3	(24))
Ratio of MSR net carrying value (ending) to third-party mortgage loans serviced (ending)	0.84	% 1.02	%	0.84	% 1.02	%	
Ratio of annualized loan servicing revenue to third-party mortgage loans serviced (average)	0.44	0.44		0.44	0.44		
MSR revenue multiple ⁽ⁱ⁾	1.91x	2.32x		1.91x	2.32x		

Predominantly represents prime loans repurchased from Government National Mortgage Association (“Ginnie Mae”) (a) pools, which are insured by U.S. government agencies. See further discussion of loans repurchased from Ginnie Mae pools in Mortgage repurchase liability on pages 53–56 of this Form 10-Q.

At September 30, 2011 and 2010, end-of-period loans owned included loans held-for-sale of \$131 million and (b) \$428 million, respectively. No allowance for loan losses was recorded for these loans. These amounts were excluded when calculating the 30+ day delinquency rate.

Loans at fair value consist of prime mortgages originated with the intent to sell that are accounted for at fair value and classified as trading assets on the Consolidated Balance Sheets. These loans totaled \$13.0 billion and \$12.6 (c) billion at September 30, 2011 and 2010, respectively. Average balances of these loans totaled \$16.5 billion and \$15.3 billion for the three months ended September 30, 2011 and 2010, respectively, and \$16.1 billion and \$14.0 billion for the nine months ended September 30, 2011 and 2010, respectively.

Average loans owned included loans held-for-sale of \$108 million and \$226 million for the three months ended (d) September 30, 2011 and 2010, respectively, and \$105 million and \$210 million for the nine months ended September 30, 2011 and 2010, respectively. These amounts were excluded when calculating the net charge-off rate.

At September 30, 2011 and 2010, excludes mortgage loans insured by U.S. government agencies of \$10.5 billion (e) and \$10.2 billion, respectively, that are 30 or more days past due. These amounts were excluded as reimbursement of insured amounts is proceeding normally.

At September 30, 2011 and 2010, nonperforming assets excluded: (1) mortgage loans insured by U.S. government (f) agencies of \$9.5 billion and \$9.2 billion, respectively, that are 90 or more days past due; and (2) real estate owned insured by U.S. government agencies of \$2.4 billion and \$1.7 billion, respectively. These amounts were excluded as reimbursement of insured amounts is proceeding normally.

(g) Includes rural housing loans sourced through brokers and correspondents, which are underwritten under Rural Housing Services.

The fair value of the MSR asset decreased \$5.8 billion during the nine months ended September 30, 2011. See (h) Note 16 on pages 168–172 of this Form 10-Q for further information regarding changes in value of the MSR asset and related hedges.

(i) Represents the ratio of MSR net carrying value (ending) to third-party mortgage loans serviced (ending) divided by the ratio of annualized loan servicing revenue to third-party mortgage loans serviced (average).

REAL ESTATE PORTFOLIOS

Selected income statement data (in millions, except ratios)	Three months ended September 30,			Nine months ended September 30,		
	2011	2010	Change	2011	2010	Change
Noninterest revenue	\$23	\$21	10 %	\$51	\$105	(51)%
Net interest income	1,128	1,304	(13)	3,481	4,113	(15)
Total net revenue	1,151	1,325	(13)	3,532	4,218	(16)
Provision for credit losses	899	1,197	(25)	2,929	5,894	(50)
Noninterest expense	363	390	(7)	1,089	1,214	(10)
Income/(loss) before income tax expense/(benefit)	(111)	(262)	58	(486)	(2,890)	83
Net income/(loss)	\$(67)	\$(148)	55	\$(295)	\$(1,670)	82
Overhead ratio	32 %	29 %		31 %	29 %	

Quarterly results

Real Estate Portfolios reported a net loss of \$67 million, compared with a net loss of \$148 million in the prior year. The improvement was driven by a lower provision for credit losses, largely offset by lower net revenue.

Net revenue was \$1.2 billion, down by \$174 million, or 13%, from the prior year. The decrease was driven by a decline in net interest income as a result of lower loan balances due to portfolio runoff.

The provision for credit losses was \$899 million, compared with \$1.2 billion in the prior year. The current-quarter provision reflected a reduction in net charge-offs, driven by a modest improvement in delinquency trends. See Consumer Credit Portfolio on pages 78–87 of this Form 10-Q for the net charge-off amounts and rates. To date, no charge-offs have been recorded on PCI loans.

Noninterest expense was \$363 million, down by \$27 million, or 7%, from the prior year, reflecting a decrease in foreclosed asset expense due to temporary delays in foreclosure activity.

Year-to-date results

Real Estate Portfolios reported a net loss of \$295 million, compared with a net loss of \$1.7 billion in the prior year. The improvement was driven by a lower provision for credit losses, partially offset by lower net revenue.

Net revenue was \$3.5 billion, down by \$686 million, or 16%, from the prior year. The decrease was driven by a decline in net interest income as a result of lower loan balances due to portfolio runoff and narrower loan spreads.

The provision for credit losses was \$2.9 billion, compared with \$5.9 billion in the prior year. The current-year provision reflected a reduction in net charge-offs driven by improved delinquency trends. Also, the prior-year provision included an addition to the allowance for loan losses of \$1.2 billion for the Washington Mutual PCI portfolios. See Consumer Credit Portfolio on pages 78–87 of this Form 10-Q for the net charge-off amounts and rates. To date, no charge-offs have been recorded on PCI loans.

Noninterest expense was \$1.1 billion, down by \$125 million, or 10%, from the prior year, reflecting a decrease in foreclosed asset expense due to temporary delays in foreclosure activity.

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Selected metrics (in billions)	Three months ended September 30,			Nine months ended September 30,		
	2011	2010	Change	2011	2010	Change
Loans excluding PCI ^(a)						
End-of-period loans owned:						
Home equity	\$80.3	\$91.7	(12)%	\$80.3	\$91.7	(12)%
Prime mortgage, including option ARMs	45.5	51.3	(11)	45.5	51.3	(11)
Subprime mortgage	10.0	12.0	(17)	10.0	12.0	(17)
Other	0.7	0.9	(22)	0.7	0.9	(22)
Total end-of-period loans owned	\$136.5	\$155.9	(12)	\$136.5	\$155.9	(12)
Average loans owned:						
Home equity	\$81.6	\$93.3	(13)	\$84.1	\$96.4	(13)
Prime mortgage, including option ARMs	46.2	52.2	(11)	47.7	54.3	(12)
Subprime mortgage	10.3	12.3	(16)	10.7	13.0	(18)
Other	0.7	1.0	(30)	0.8	1.0	(20)
Total average loans owned	\$138.8	\$158.8	(13)	\$143.3	\$164.7	(13)
PCI loans ^(a)						
End-of-period loans owned:						
Home equity	\$23.1	\$25.0	(8)	\$23.1	\$25.0	(8)
Prime mortgage	15.6	17.9	(13)	15.6	17.9	(13)
Subprime mortgage	5.1	5.5	(7)	5.1	5.5	(7)
Option ARMs	23.3	26.4	(12)	23.3	26.4	(12)
Total end-of-period loans owned	\$67.1	\$74.8	(10)	\$67.1	\$74.8	(10)
Average loans owned:						
Home equity	\$23.3	\$25.2	(8)	\$23.7	\$25.7	(8)
Prime mortgage	15.9	18.2	(13)	16.5	18.8	(12)
Subprime mortgage	5.1	5.6	(9)	5.2	5.8	(10)
Option ARMs	23.7	26.7	(11)	24.4	27.7	(12)
Total average loans owned	\$68.0	\$75.7	(10)	\$69.8	\$78.0	(11)
Total Real Estate Portfolios						
End-of-period loans owned:						
Home equity	\$103.4	\$116.7	(11)	\$103.4	\$116.7	(11)
Prime mortgage, including option ARMs	84.4	95.6	(12)	84.4	95.6	(12)
Subprime mortgage	15.1	17.5	(14)	15.1	17.5	(14)
Other	0.7	0.9	(22)	0.7	0.9	(22)
Total end-of-period loans owned	\$203.6	\$230.7	(12)	\$203.6	\$230.7	(12)
Average loans owned:						
Home equity	\$104.9	\$118.5	(11)	\$107.8	\$122.1	(12)
Prime mortgage, including option ARMs	85.8	97.1	(12)	88.6	100.8	(12)
Subprime mortgage	15.4	17.9	(14)	15.9	18.8	(15)
Other	0.7	1.0	(30)	0.8	1.0	(20)
Total average loans owned	\$206.8	\$234.5	(12)	\$213.1	\$242.7	(12)
Average assets	\$193.7	\$222.5	(13)	\$200.3	\$230.9	(13)
Home equity origination volume	0.3	0.3	—	0.8	0.9	(11)

PCI loans represent loans acquired in the Washington Mutual transaction for which a deterioration in credit quality occurred between the origination date and JPMorgan Chase's acquisition date. These loans were initially recorded at fair value and accrete interest income over the estimated lives of the loans as long as cash flows are reasonably estimable, even if the underlying loans are contractually past due.

Included within Real Estate Portfolios are PCI loans that the Firm acquired in the Washington Mutual transaction. For PCI loans, the excess of the undiscounted gross cash flows expected to be collected over the carrying value of the

loans (the “accretable yield”) is accreted into interest income at a level rate of return over the expected life of the loans. The net spread between the PCI loans and the related liabilities are expected to be relatively constant over time, except for any basis risk or other residual interest rate risk that remains and for certain changes in the accretable yield percentage (e.g., from extended loan liquidation periods and from prepayments). As of September 30, 2011, the remaining weighted-average life of the PCI loan portfolio is expected to be 7.1 years. For further information, see Note 13, PCI loans, on pages 153–154 of this Form 10-Q. The loan balances are expected to decline more rapidly in the earlier years as the most troubled loans are liquidated, and more slowly thereafter as the remaining troubled borrowers have limited refinancing opportunities. Similarly, default and servicing expense are expected to be higher in the earlier years and decline over time as liquidations slow down.

To date the impact of the PCI loans on Real Estate Portfolios’ net income has been modestly negative. This is due to the current net spread of the portfolio, the provision for loan losses recognized subsequent to its acquisition, and the higher level of default and servicing expense associated with the portfolio. Over time, the Firm expects that this portfolio will contribute positively to net income.

Credit data and quality statistics (in millions, except ratios)	Three months ended September 30,			Nine months ended September 30,		
	2011	2010	Change	2011	2010	Change
Net charge-offs excluding PCI loans ^(a) :						
Home equity	\$581	\$730	(20)%	\$1,893	\$2,652	(29)%
Prime mortgage, including options ARMs	172	266	(35)	531	1,015	(48)
Subprime mortgage	141	206	(32)	483	945	(49)
Other	5	12	(58)	22	49	(55)
Total net charge-offs	\$899	\$1,214	(26)	\$2,929	\$4,661	(37)
Net charge-off rate excluding PCI loans ^(a) :						
Home equity	2.82	% 3.10	%	3.01	% 3.68	%
Prime mortgage, including options ARMs	1.48	2.02		1.49	2.50	
Subprime mortgage	5.43	6.64		6.04	9.72	
Other	2.83	4.76		3.68	6.55	
Total net charge-off rate excluding PCI loans	2.57	3.03		2.73	3.78	
Net charge-off rate – reported:						
Home equity	2.20	% 2.44	%	2.35	% 2.90	%
Prime mortgage, including options ARMs	0.80	1.09		0.80	1.35	
Subprime mortgage	3.63	4.57		4.06	6.72	
Other	2.83	4.76		3.68	6.55	
Total net charge-off rate – reported	1.72	2.05		1.84	2.57	
30+ day delinquency rate excluding PCI loans ^(b)	5.80	% 6.77	%	5.80	% 6.77	%
Allowance for loan losses	\$14,659	\$14,111	4	\$14,659	\$14,111	4
Nonperforming assets ^(c)	7,112	9,456	(25)	7,112	9,456	(25)
Allowance for loan losses to ending loans retained	7.20	% 6.12	%	7.20	% 6.12	%
Allowance for loan losses to ending loans retained excluding PCI loans ^(a)	7.12	7.25		7.12	7.25	

Excludes the impact of PCI loans that were acquired as part of the Washington Mutual transaction. These loans were accounted for at fair value on the acquisition date, which incorporated management's estimate, as of that date, (a) of credit losses over the remaining life of the portfolio. An allowance for loan losses of \$4.9 billion and \$2.8 billion was recorded for these loans at September 30, 2011 and 2010, respectively, which was also excluded from the applicable ratios. To date, no charge-offs have been recorded for these loans.

(b) At September 30, 2011 and 2010, the delinquency rate for PCI loans was 24.44% and 28.07%, respectively.

Excludes PCI loans that were acquired as part of the Washington Mutual transaction, which are accounted for on a pool basis. Since each pool is accounted for as a single asset with a single composite interest rate and an aggregate (c) expectation of cash flows, the past-due status of the pools, or that of the individual loans within the pools, is not meaningful. Because the Firm is recognizing interest income on each pool of loans, they are all considered to be performing.

CARD SERVICES & AUTO

For a discussion of the business profile of Card, see Introduction on page 4 of this Form 10-Q.

Effective July 1, 2011, Card includes Auto and Student Lending. For a further discussion of the business segment reorganization, see Business segment changes on page 16, and Note 24 on pages 190-192 of this Form 10-Q.

Selected income statement data ^(a) (in millions, except ratios)	Three months ended September 30,			Nine months ended September 30,		
	2011	2010	Change	2011	2010	Change
Revenue						
Credit card income	\$ 1,053	\$ 864	22 %	\$ 3,074	\$ 2,586	19 %
All other income	201	196	3	533	587	(9)
Noninterest revenue ^(b)	1,254	1,060	18	3,607	3,173	14
Net interest income	3,521	4,025	(13)	10,720	12,227	(12)
Total net revenue	4,775	5,085	(6)	14,327	15,400	(7)
Provision for credit losses	1,264	1,784	(29)	2,561	7,861	(67)
Noninterest expense						
Compensation expense	459	406	13	1,366	1,244	10
Noncompensation expense	1,560	1,280	22	4,348	3,714	17
Amortization of intangibles	96	106	(9)	306	353	(13)
Total noninterest expense ^(c)	2,115	1,792	18	6,020	5,311	13
Income before income tax expense	1,396	1,509	(7)	5,746	2,228	158
Income tax expense	547	583	(6)	2,253	904	149
Net income	\$ 849	\$ 926	(8)	\$ 3,493	\$ 1,324	164
Financial ratios ^(a)						
Return on common equity	21	% 20	%	29	% 10	%
Overhead ratio	44	35		42	34	

(a) Effective January 1, 2011, the commercial card business that was previously in TSS was transferred to Card. There is no material impact on the financial data; prior-year periods were not revised.

(b) Included Commercial Card noninterest revenue of \$76 million and \$223 million for the three and nine months ended September 30, 2011, respectively.

(c) Included Commercial Card noninterest expense of \$76 million and \$220 million for the three and nine months ended September 30, 2011, respectively.

Quarterly results

Net income was \$849 million, compared with \$926 million in the prior year.

Net revenue was \$4.8 billion, a decrease of \$310 million, or 6%, from the prior year. Net interest income was \$3.5 billion, down by \$504 million, or 13%. The decrease was driven by lower average loan balances, narrower loan spreads, and a decreased level of fees. These decreases were partially offset by lower revenue reversals associated with lower charge-offs. Noninterest revenue was \$1.3 billion, an increase of \$194 million, or 18%, from the prior year. The increase was driven by higher net interchange income, lower partner revenue-sharing due to the impact of the Kohl's portfolio sale, and the transfer of the Commercial Card business to Card from TSS in the first quarter of 2011. These increases were partially offset by lower revenue from fee-based products. Excluding the impact of the Commercial Card business, noninterest revenue increased 11%.

The provision for credit losses was \$1.3 billion, compared with \$1.8 billion in the prior year. The current-quarter provision reflected lower net charge-offs and a reduction of \$370 million to the allowance for loan losses due to lower estimated losses. The prior-year provision included a reduction of \$1.5 billion to the allowance for loan losses. The net charge-off rate was 3.47%, down from 6.43% in the prior year; the 30+ day delinquency rate was 2.36%, down from 3.49% in the prior year. Excluding the Washington Mutual and Commercial Card portfolios, the Credit Card net charge-off rate¹ was 4.34%, down from 8.06% in the prior year; and the 30+ day delinquency rate¹ was 2.64%, down

from 4.13% in the prior year. The Auto net charge-off rate was 0.36%, down from 0.56% in the prior year. The Student net charge-off rate was 2.66%, up from 2.27% in the prior year.

Noninterest expense was \$2.1 billion, an increase of \$323 million, or 18%, from the prior year, due to higher marketing expense and the inclusion of the Commercial Card business. Excluding the impact of the Commercial Card business, noninterest expense increased 14%.

Year-to-date results

Net income was \$3.5 billion, compared with \$1.3 billion in the prior year.

Net revenue was \$14.3 billion, a decrease of \$1.1 billion, or 7%, from the prior year. Net interest income was \$10.7 billion, down by \$1.5 billion, or 12%. The decrease was driven by lower average loan balances, the impact of legislative changes, and a decreased level of fees. These decreases were partially offset by lower revenue reversals associated with lower charge-offs. Noninterest revenue was \$3.6 billion, an increase of \$434 million, or 14%, from the prior year. The increase was driven by the transfer of the Commercial Card business to Card from TSS in the first quarter of 2011, higher net interchange income, and lower partner revenue-sharing due to the impact of the Kohl's portfolio sale. These increases were partially offset by lower revenue from fee-based products. Excluding the impact of the Commercial Card business, noninterest revenue increased 7%.

The provision for credit losses was \$2.6 billion, compared with \$7.9 billion in the prior year. The current-year provision reflected lower net charge-offs and a reduction of \$3.4 billion to the allowance for loan losses due to lower estimated losses. The prior-year provision included a reduction of \$4.0 billion to the allowance for loan losses. The net charge-off rate was 4.23%, down from 7.57% in the prior year. Excluding the Washington Mutual and Commercial Card portfolios, the Credit Card net charge-off rate¹ was 5.28%, down from 9.24% in the prior year. The Auto net charge-off rate was 0.31%, down from 0.64% in the prior year. The Student net charge-off rate was 2.91%, up from 2.41% in the prior year.

Noninterest expense was \$6.0 billion, an increase of \$709 million, or 13%, from the prior year, due to higher marketing expense and the inclusion of the Commercial Card business. Excluding the impact of the Commercial Card business, noninterest expense increased 9%.

For further information on legislative changes affecting the Credit Card business, see Card discussion on page 79 of JPMorgan Chase's 2010 Annual Report.

¹ For Credit Card, includes loans held-for-sale, which are non-GAAP financial measures, to provide more meaningful measures that enable comparability with prior periods.

Selected metrics (in millions, except headcount, ratios and where otherwise noted)	Three months ended September 30,			Nine months ended September 30,		
	2011	2010	Change	2011	2010	Change
Selected balance sheet data (period-end) ^(a)						
Loans:						
Credit Card	\$127,135	\$136,436	(7)%	\$127,135	\$136,436	(7)%
Auto	46,659	48,186	(3)	46,659	48,186	(3)
Student	13,751	14,687	(6)	13,751	14,687	(6)
Total loans ^(b)	187,545	199,309	(6)	187,545	199,309	(6)
Equity	16,000	18,400	(13)	16,000	18,400	(13)
Selected balance sheet data (average) ^(a)						
Total assets	\$199,974	\$207,474	(4)	\$200,803	\$215,653	(7)
Loans:						
Credit Card	126,536	140,059	(10)	128,015	147,326	(13)
Auto	46,549	47,726	(2)	47,064	47,353	(1)
Student	13,865	14,824	(6)	14,135	16,410	(14)
Total loans ^(c)	186,950	202,609	(8)	189,214	211,089	(10)
Equity	16,000	18,400	(13)	16,000	18,400	(13)
Headcount ^(d)	27,554	26,382	4	27,554	26,382	4
Credit data and quality statistics ^(a)						
Net charge-offs:						
Credit Card	\$1,499	\$3,133	(52)	\$5,535	\$11,366	(51)
Auto	42	67	(37)	108	227	(52)
Student	93	84	11	308	269	14

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Total net charge-offs	1,634	3,284	(50)	5,951	11,862	(50)
Net charge-off rate:						
Credit Card ^(e)	4.70	% 8.87	%	5.83	% 10.31	%
Auto	0.36	0.56		0.31	0.64	
Student ^(f)	2.66	2.27		2.91	2.41	
Total net charge-off rate	3.47	6.43		4.23	7.57	

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Selected metrics (in millions, except headcount, ratios and where otherwise noted)	Three months ended September 30,			Nine months ended September 30,		
	2011	2010	Change	2011	2010	Change
Delinquency rates						
30+ day delinquency rate:						
Credit Card ^(g)	2.90	% 4.57	%	2.90	% 4.57	%
Auto	1.01	0.97		1.01	0.97	
Student ^{(h)(i)}	1.93	1.77		1.93	1.77	
Total 30+ day delinquency rate	2.36	3.49		2.36	3.49	
90+ day delinquency rate - Credit Card ^(g)	1.43	2.41		1.43	2.41	
Nonperforming assets ^(j)	\$232	\$268	(13)%	\$232	\$268	(13)%
Allowance for loan losses:						
Credit Card	7,528	13,029	(42)	7,528	13,029	(42)
Auto and Student	1,009	1,048	(4)	1,009	1,048	(4)
Total allowance for loan losses	8,537	14,077	(39)	8,537	14,077	(39)
Allowance for loan losses to period-end loans:						
Credit Card ^(g)	5.93	% 9.55	%	5.93	% 9.55	%
Auto and Student ^(h)	1.67	1.67		1.67	1.67	
Total allowance for loan losses to period-end loans	4.55	7.06		4.55	7.06	
Business metrics						
Credit Card, excluding Commercial Card^(a)						
Sales volume (in billions)	\$87.3	\$79.6	10	\$250.3	\$227.1	10
New accounts opened	2.0	2.7	(26)	6.6	7.9	(16)
Open accounts ^(k)	64.3	89.0	(28)	64.3	89.0	(28)
Merchant Services						
Bank card volume (in billions)	\$138.1	\$117.0	18	\$401.1	\$342.1	17
Total transactions (in billions)	6.1	5.2	17	17.6	14.9	18
Auto and Student						
Origination volume (in billions)						
Auto	\$5.9	\$6.1	(3)	\$16.1	\$18.2	(12)
Student	0.1	0.2	(50)	0.2	1.9	(89)
Supplemental information^{(a)(l)(m)}						
Card Services, excluding Washington Mutual portfolio						
Loans (period-end)	\$115,766	\$121,932	(5)	\$115,766	\$121,932	(5)
Average loans	114,940	124,933	(8)	115,762	130,610	(11)
Net interest income ⁽ⁿ⁾	8.61	% 8.98	%	8.77	% 8.77	%
Net revenue ⁽ⁿ⁾	11.73	11.33		11.77	11.04	
Risk adjusted margin ^{(n)(o)}	8.93	6.76		9.32	4.41	
Net charge-offs	\$1,242	\$2,539	(51)	\$4,519	\$9,025	(50)
Net charge-off rate ^(p)	4.29	% 8.06	%	5.22	% 9.24	%
30+ day delinquency rate ^(q)	2.62	4.13		2.62	4.13	
90+ day delinquency rate ^(q)	1.28	2.16		1.28	2.16	
Card Services, excluding Washington Mutual and Commercial Card portfolios						
Loans (period-end)	\$114,207	\$121,932	(6)	\$114,207	\$121,932	(6)

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Average loans	113,541	124,933	(9)	114,425	130,610	(12)
Net interest income ⁽ⁿ⁾	8.79 %	8.98 %		8.94 %	8.77 %	
Net revenue ⁽ⁿ⁾	11.68	11.33		11.71	11.04	
Risk adjusted margin ^{(n)(o)}	8.84	6.76		9.23	4.41	
Net charge-offs	\$1,242	\$2,539	(51)	\$4,518	\$9,025	(50)
Net charge-off rate ^(p)	4.34 %	8.06 %		5.28 %	9.24 %	
30+ day delinquency rate ^{(q)(r)}	2.64	4.13		2.64	4.13	
90+ day delinquency rate ^{(q)(s)}	1.30	2.16		1.30	2.16	

Effective January 1, 2011, the commercial card business that was previously in TSS was transferred to Card. There (a) is no material impact on the financial data; prior-year periods were not revised. The commercial card portfolio is excluded from business metrics and supplemental information where noted.

(b) Total period-end loans included loans held-for-sale of \$94 million and \$39 million at September 30, 2011 and 2010, respectively.

Total average loans included loans held-for-sale of \$1 million and \$112 million for the three months ended (c) September 30, 2011 and 2010, respectively, and \$1.1 billion and \$1.5 billion for the nine months ended September 30, 2011 and 2010, respectively.

(d) Headcount included 1,274 employees related to the transfer of the commercial card business from TSS to Card in the first quarter of 2011.

(e) Average loans included loans held-for-sale of \$1 million and \$1.1 billion for the three and nine months ended September 30, 2011, respectively. These amounts are excluded when calculating the net charge-off rate.

(f) Average loans included loans held-for-sale of \$112 million and \$1.5 billion for the three and nine months ended September 30, 2010, respectively. These amounts are excluded when calculating the net charge-off rate.

(g) Period-end loans included loans held-for-sale of \$94 million at September 30, 2011. No allowance for loan losses was recorded for these loans. Loans held-

for-sale are excluded when calculating the allowance for loan losses to period-end loans and delinquency rates.

(h) Period-end loans included loans held-for-sale of \$39 million at September 30, 2010. This amount is excluded when calculating the allowance for loan losses to period-end loans and the 30+ day delinquency rate.

Excluded student loans insured by U.S. government agencies under the Federal Family Education Loan Program (i) (“FFELP”) of \$995 million and \$1.0 billion at September 30, 2011 and 2010, respectively, that are 30 or more days past due. These amounts are excluded as reimbursement of insured amounts is proceeding normally.

Nonperforming assets excluded student loans insured by U.S. government agencies under the FFELP of \$567 (j) million and \$572 million at September 30, 2011 and 2010, respectively, that are 90 or more days past due. These amounts are excluded as reimbursement of insured amounts is proceeding normally.

(k) Reflects the impact of portfolio sales in the second quarter of 2011.

Supplemental information is provided for Card Services, excluding Washington Mutual and Commercial Card (l) portfolios and including loans held-for-sale, which are non-GAAP financial measures, to provide more meaningful measures that enable comparability with prior periods.

For additional information on loan balances, delinquency rates, and net charge-off rates for the Washington (m) Mutual portfolio, see Consumer credit portfolio, Credit Card, on page 86, and Note 13 on pages 155–157 of this Form 10-Q.

(n) As a percentage of average loans.

(o) Represents total net revenue less provision for credit losses.

Average loans included loans held-for-sale of \$1 million and \$1.1 billion for the three and nine months ended (p) September 30, 2011, respectively. These amounts are included when calculating the net charge-off rate.

(q) Period-end loans included loans held-for-sale of \$94 million at September 30, 2011. This amount is included when calculating the delinquency rates.

(r) At September 30, 2011 and 2010, the 30+ day delinquent loans for Card Services, excluding Washington Mutual and Commercial Card portfolios, were \$3,016 million and \$5,035 million, respectively.

(s) At September 30, 2011 and 2010, the 90+ day delinquent loans for Card Services, excluding Washington Mutual and Commercial Card portfolios, were \$1,486 million and \$2,630 million, respectively.

COMMERCIAL BANKING

For a discussion of the business profile of CB, see pages 82–83 of JPMorgan Chase’s 2010 Annual Report and Introduction on page 4 of this Form 10-Q.

Selected income statement data (in millions, except ratios)	Three months ended September 30,			Nine months ended September 30,		
	2011	2010	Change	2011	2010	Change
Revenue						
Lending- and deposit-related fees	\$269	\$269	—	% \$814	\$826	(1)%
Asset management, administration and commissions	35	36	(3)	104	109	(5)
All other income ^(a)	220	242	(9)	706	658	7
Noninterest revenue	524	547	(4)	1,624	1,593	2
Net interest income	1,064	980	9	3,107	2,836	10
Total net revenue ^(b)	1,588	1,527	4	4,731	4,429	7
Provision for credit losses	67	166	(60)	168	145	16
Noninterest expense						
Compensation expense	229	210	9	671	612	10
Noncompensation expense	337	341	(1)	1,005	1,002	—
Amortization of intangibles	7	9	(22)	23	27	(15)
Total noninterest expense	573	560	2	1,699	1,641	4
Income before income tax expense	948	801	18	2,864	2,643	8
Income tax expense	377	330	14	1,140	1,089	5
Net income	\$571	\$471	21	\$1,724	\$1,554	11
Revenue by product						
Lending ^(c)	\$857	\$693	24	\$2,574	\$2,000	29
Treasury services ^(c)	572	670	(15)	1,670	1,973	(15)
Investment banking	116	120	(3)	378	340	11
Other	43	44	(2)	109	116	(6)
Total Commercial Banking revenue	\$1,588	\$1,527	4	\$4,731	\$4,429	7
IB revenue, gross ^(d)	320	344	(7)	1,071	988	8
Revenue by client segment						
Middle Market Banking	\$791	\$766	3	\$2,335	\$2,279	2
Commercial Term Lending	297	256	16	869	722	20
Corporate Client Banking ^(e)	306	304	1	935	852	10
Real Estate Banking	104	118	(12)	301	343	(12)
Other	90	83	8	291	233	25
Total Commercial Banking revenue	\$1,588	\$1,527	4	\$4,731	\$4,429	7
Financial ratios						
Return on common equity	28	% 23	%	29	% 26	%
Overhead ratio	36	37		36	37	

(a) CB client revenue from investment banking products and commercial card transactions is included in all other income.

(b) Total net revenue included tax-equivalent adjustments from income tax credits related to equity investments in designated community development entities that provide loans to qualified businesses in low-income communities, as well as tax-exempt income from municipal bond activity, totaling \$90 million and \$59 million for the three months ended September 30, 2011 and 2010, respectively; and \$222 million and \$153 million for the nine months

ended September 30, 2011 and 2010, respectively.

Effective January 1, 2011, product revenue from commercial card and standby letters of credit transactions was

(c) included in lending. For the three and nine months ended September 30, 2011, the impact of the change was \$109 million and \$330 million, respectively. In prior-year periods, it was reported in treasury services.

(d) Represents the total revenue related to investment banking products sold to CB clients.

(e) Corporate Client Banking was known as Mid-Corporate Banking prior to January 1, 2011.

Quarterly results

Net income was \$571 million, an increase of \$100 million, or 21%, from the prior year. The improvement was driven by a decrease in the provision for credit losses and higher net revenue.

Net revenue was \$1.6 billion, up by \$61 million, or 4%, from the prior year. Net interest income was \$1.1 billion, up by \$84 million, or 9%, driven by growth in liability and loan balances, largely offset by spread compression on liability products. Noninterest revenue was \$524 million, down by \$23 million, or 4%, compared with the prior year, driven by changes in the valuation of investments held at fair value.

Revenue from Middle Market Banking was \$791 million, an increase of \$25 million, or 3%, from the prior year. Revenue from Commercial Term Lending was \$297 million, an increase of \$41 million, or 16%. Revenue from Corporate Client Banking was \$306 million, flat compared with the prior year. Revenue from Real Estate Banking was \$104 million, a decrease of \$14 million, or 12%.

The provision for credit losses was \$67 million, compared with \$166 million in the prior year. Net charge-offs were \$17 million (0.06% net charge-off rate) and were largely related to commercial real estate; this compared with net charge-offs of \$218 million (0.89% net charge-off rate) in the prior year. The allowance for loan losses to end-of-period loans retained was 2.50%, down from 2.72% in the prior year. Nonaccrual loans were \$1.4 billion, down by \$1.5 billion, or 51%, from the prior year, primarily as a result of commercial real estate repayments and loan sales.

Noninterest expense was \$573 million, an increase of \$13 million, or 2%, from the prior year, primarily reflecting higher headcount-related expense.

Year-to-date results

Net income was \$1.7 billion, an increase of \$170 million, or 11%, from the prior year. The increase was driven by higher net revenue, partially offset by an increase in noninterest expense.

Net revenue was \$4.7 billion, up by \$302 million, or 7%, compared with the prior year. Net interest income was \$3.1 billion, up by \$271 million, or 10%, driven by growth in liability and loan balances and wider loan spreads, partially offset by spread compression on liability products. Noninterest revenue was \$1.6 billion, an increase of \$31 million, or 2%, from the prior year; this was largely driven by increased community development investment-related revenue and higher investment banking revenue, partially offset by changes in the valuation of investments held at fair value.

Revenue from Middle Market Banking was \$2.3 billion, an increase of \$56 million, or 2%, from the prior year. Revenue from Commercial Term Lending was \$869 million, an increase of \$147 million, or 20%. Revenue from Corporate Client Banking was \$935 million, an increase of \$83 million, or 10%. Revenue from Real Estate Banking was \$301 million, a decrease of \$42 million, or 12%.

The provision for credit losses was \$168 million, compared with \$145 million in the prior year. Net charge-offs were \$88 million (0.12% net charge-off rate) and were largely related to commercial real estate, compared with \$623 million (0.87% net charge-off rate) in the prior year.

Noninterest expense was \$1.7 billion, an increase of \$58 million, or 4%, from the prior year reflecting higher headcount-related expense.

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Selected metrics (in millions, except headcount and ratios)	Three months ended September 30,			Nine months ended September 30,			
	2011	2010	Change	2011	2010	Change	
Selected balance sheet data (period-end):							
Loans:							
Loans retained	\$106,834	\$97,738	9	% \$106,834	\$97,738	9	%
Loans held-for-sale and loans at fair value	584	399	46	584	399	46	
Total loans	107,418	98,137	9	107,418	98,137	9	
Equity	8,000	8,000	—	8,000	8,000	—	
Selected balance sheet data (average):							
Total assets	\$145,195	\$130,237	11	\$143,069	\$132,176	8	
Loans:							
Loans retained	104,705	96,657	8	101,485	96,166	6	
Loans held-for-sale and loans at fair value	632	384	65	801	358	124	
Total loans	105,337	97,041	9	102,286	96,524	6	
Liability balances	180,275	137,853	31	166,503	135,939	22	
Equity	8,000	8,000	—	8,000	8,000	—	
Average loans by client segment:							
Middle Market Banking	\$41,540	\$35,299	18	\$39,932	\$34,552	16	
Commercial Term Lending	38,198	37,509	2	37,914	36,513	4	
Corporate Client Banking ^(a)	14,373	11,807	22	13,277	11,978	11	
Real Estate Banking	7,465	8,983	(17)	7,512	9,740	(23))
Other	3,761	3,443	9	3,651	3,741	(2))
Total Commercial Banking loans	\$105,337	\$97,041	9	\$102,286	\$96,524	6	
Headcount	5,417	4,805	13	5,417	4,805	13	
Credit data and quality statistics:							
Net charge-offs	\$17	\$218	(92)	\$88	\$623	(86))
Nonperforming assets							
Nonaccrual loans:							
Nonaccrual loans retained ^(b)	1,417	2,898	(51)	1,417	2,898	(51))
Nonaccrual loans held-for-sale and loans held at fair value	26	48	(46)	26	48	(46))
Total nonaccrual loans	1,443	2,946	(51)	1,443	2,946	(51))
Assets acquired in loan satisfactions	168	281	(40)	168	281	(40))
Total nonperforming assets	1,611	3,227	(50)	1,611	3,227	(50))
Allowance for credit losses:							
Allowance for loan losses	2,671	2,661	—	2,671	2,661	—	
Allowance for lending-related commitments	181	241	(25)	181	241	(25))
Total allowance for credit losses	2,852	2,902	(2)	2,852	2,902	(2))
Net charge-off rate ^(c)	0.06	% 0.89	%	0.12	% 0.87	%	
Allowance for loan losses to period-end loans retained ^(c)	2.50	2.72		2.50	2.72		
Allowance for loan losses to nonaccrual loans retained ^{(b)(c)}	188	92		188	92		
Nonaccrual loans to total period-end loans	1.34	3.00		1.34	3.00		

(a) Corporate Client Banking was known as Mid-Corporate Banking prior to January 1, 2011.

- (b) Allowance for loan losses of \$257 million and \$535 million was held against nonaccrual loans retained at September 30, 2011 and 2010, respectively.
- (c) Loans held-for-sale and loans at fair value were excluded when calculating the allowance coverage ratios and net charge-off rate.

TREASURY & SECURITIES SERVICES

For a discussion of the business profile of TSS, see pages 84–85 of JPMorgan Chase's 2010 Annual Report and Introduction on page 5 of this Form 10-Q.

Selected income statement data (in millions, except headcount and ratios)	Three months ended September 30,			Nine months ended September 30,		
	2011	2010	Change	2011	2010	Change
Revenue						
Lending- and deposit-related fees	\$310	\$318	(3)%	\$927	\$942	(2)%
Asset management, administration and commissions	656	644	2	2,077	2,008	3
All other income	141	210	(33)	423	595	(29)
Noninterest revenue	1,107	1,172	(6)	3,427	3,545	(3)
Net interest income	801	659	22	2,253	1,923	17
Total net revenue	1,908	1,831	4	5,680	5,468	4
Provision for credit losses	(20)	(2)	NM	(18)	(57)	68
Credit allocation income/(expense) ^(a)	9	(31)	NM	68	(91)	NM
Noninterest expense						
Compensation expense	718	701	2	2,152	2,055	5
Noncompensation expense	728	693	5	2,094	2,027	3
Amortization of intangibles	24	16	50	54	52	4
Total noninterest expense	1,470	1,410	4	4,300	4,134	4
Income before income tax expense	467	392	19	1,466	1,300	13
Income tax expense	162	141	15	512	478	7
Net income	\$305	\$251	22	\$954	\$822	16
Revenue by business						
Treasury Services	\$969	\$937	3	\$2,790	\$2,745	2
Worldwide Securities Services	939	894	5	2,890	2,723	6
Total net revenue	\$1,908	\$1,831	4	\$5,680	\$5,468	4
Revenue by geographic region^(b)						
Asia/Pacific	\$321	\$256	25	\$896	\$708	27
Latin America/Caribbean	61	50	22	217	166	31
Europe/Middle East/Africa	648	579	12	1,969	1,765	12
North America	878	946	(7)	2,598	2,829	(8)
Total net revenue	\$1,908	\$1,831	4	\$5,680	\$5,468	4
Financial ratios						
Return on common equity	17	% 15	%	18	% 17	%
Overhead ratio	77	77		76	76	
Pretax margin ratio	24	21		26	24	
Selected balance sheet data (period-end)						
Loans ^(c)	\$36,389	\$26,899	35	\$36,389	\$26,899	35
Equity	7,000	6,500	8	7,000	6,500	8
Trade finance loans by geographic region (period-end)^(b)						
Asia/Pacific	\$16,918	\$10,238	65	\$16,918	\$10,238	65
Latin America/Caribbean	5,228	3,357	56	5,228	3,357	56
Europe/Middle East/Africa	6,853	3,391	102	6,853	3,391	102
North America	1,105	820	35	1,105	820	35
Total finance loans	\$30,104	\$17,806	69	\$30,104	\$17,806	69

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Selected balance sheet data (average)

Total assets	\$60,141	\$42,445	42	\$53,612	\$41,211	30
Loans ^(c)	35,303	24,337	45	32,576	22,035	48
Liability balances	341,107	242,517	41	303,504	245,684	24
Equity	7,000	6,500	8	7,000	6,500	8
Headcount	28,157	28,544	(1)	28,157	28,544	(1)

IB manages traditional credit exposures related to GCB on behalf of IB and TSS. Effective January 1, 2011, IB and TSS share the economics related to the Firm's GCB clients. Included within this allocation are net revenue, (a) provision for credit losses, as well as expenses. The prior-year period reflected a reimbursement to IB for a portion of the total costs of managing the credit portfolio. IB recognizes this credit allocation as a component of all other income.

(b) Revenue and trade finance loans are based on TSS management's view of the domicile of clients.

Loan balances include trade finance loans, wholesale overdrafts and commercial card. Effective January 1, 2011,

(c) the commercial card loan business (of approximately \$1.2 billion) that was previously in TSS was transferred to Card. There is no material impact on the financial data; the prior-year period was not revised.

Quarterly results

Net income was \$305 million, an increase of \$54 million, or 22%, from the prior year.

Net revenue was \$1.9 billion, an increase of \$77 million, or 4%, from the prior year. Excluding the Commercial Card business, net revenue was up 7%. Treasury Services net revenue was \$969 million, an increase of \$32 million, or 3%. The increase was driven by higher deposit balances, predominantly offset by the transfer of the Commercial Card business to Card in the first quarter of 2011. Excluding the impact of the Commercial Card business, Treasury Services net revenue increased 10%. Worldwide Securities Services net revenue was \$939 million, an increase of \$45 million, or 5%. The increase was driven by higher net interest income due to higher deposit balances.

TSS generated firmwide net revenue of \$2.5 billion, including \$1.6 billion by Treasury Services; of that amount, \$969 million was recorded in Treasury Services, \$572 million in Commercial Banking, and \$68 million in other lines of business. The remaining \$939 million of firmwide net revenue was recorded in Worldwide Securities Services.

The provision for credit losses was a benefit of \$20 million, reflecting a reduction in allowance for loan losses resulting primarily from repayments.

Noninterest expense was \$1.5 billion, an increase of \$60 million, or 4%, from the prior year. The increase was mainly driven by continued expansion into new markets and higher other noncompensation expense, partially offset by the transfer of the Commercial Card business to Card. Excluding the Commercial Card business, TSS noninterest expense increased 9%.

Results for the quarter included a \$9 million pretax benefit related to the traditional credit portfolio for GCB clients that are managed jointly by IB and TSS.

Year-to-date results

Net income was \$954 million, an increase of \$132 million, or 16%, from the prior year.

Net revenue was \$5.7 billion, an increase of \$212 million, or 4%, from the prior year. Excluding the impact of the Commercial Card business, net revenue was up 7%. Worldwide Securities Services net revenue was \$2.9 billion, an increase of \$167 million, or 6%. The increase was driven by higher net interest income due to higher deposit balances and net inflows of assets under custody. Treasury Services net revenue was \$2.8 billion, an increase of \$45 million, or 2%. The increase was driven by higher deposit balances as well as higher trade loan volumes, predominantly offset by the transfer of the Commercial Card business to Card in the first quarter of 2011. Excluding the impact of the Commercial Card business, TS net revenue increased 8%.

TSS generated firmwide net revenue of \$7.5 billion, including \$4.7 billion by Treasury Services; of that amount, \$2.8 billion was recorded in Treasury Services, \$1.7 billion in Commercial Banking and \$196 million in other lines of business. The remaining \$2.9 billion of firmwide net revenue was recorded in Worldwide Securities Services.

The provision for credit losses was a benefit of \$18 million, reflecting a reduction in allowance for loan losses resulting primarily from repayments.

Noninterest expense was \$4.3 billion, an increase of \$166 million, or 4%, from the prior year. The increase was mainly driven by continued expansion into new markets, partially offset by the transfer of the Commercial Card business to Card. Excluding the impact of the Commercial Card business, TSS noninterest expense increased 9%.

Results for the first nine months of 2011 included a \$68 million pretax benefit related to the traditional credit portfolio for GCB clients.

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Selected metrics (in millions, except ratios and where otherwise noted)	Three months ended September 30,			Nine months ended September 30,		
	2011	2010	Change	2011	2010	Change
TSS firmwide disclosures						
Treasury Services revenue – reported	\$969	\$937	3 %	\$2,790	\$2,745	2 %
Treasury Services revenue reported in CB ^(a)	572	670	(15)	1,670	1,973	(15)
Treasury Services revenue reported in other lines of business	68	64	6	196	182	8
Treasury Services firmwide revenue ^(b)	1,609	1,671	(4)	4,656	4,900	(5)
Worldwide Securities Services revenue	939	894	5	2,890	2,723	6
Treasury & Securities Services firmwide revenue ^(b)	\$2,548	\$2,565	(1)	\$7,546	\$7,623	(1)
Treasury Services firmwide liability balances (average) ^(c)	414,485	302,921	37	376,661	303,742	24
Treasury & Securities Services firmwide liability balances (average) ^(c)	521,383	380,370	37	470,008	381,623	23
TSS firmwide financial ratios						
Treasury Services firmwide overhead ratio ^{(a)(d)}	56	% 55	%	57	% 55	%
Treasury & Securities Services firmwide overhead ratio ^{(a)(d)}	67	65		67	65	
Firmwide business metrics						
Assets under custody (in billions)	\$16,250	\$15,863	2	\$16,250	\$15,863	2
Number of:						
U.S.\$ ACH transactions originated	972	978	(1)	2,923	2,897	1
Total U.S.\$ clearing volume (in thousands)	33,117	30,779	8	96,362	89,979	7
International electronic funds transfer volume (in thousands) ^(e)	62,718	57,333	9	186,868	171,571	9
Wholesale check volume	601	531	13	1,741	1,535	13
Wholesale cards issued (in thousands) ^(f)	24,288	28,404	(14)	24,288	28,404	(14)
Credit data and quality statistics						
Net charge-offs	\$—	\$1	NM	\$—	\$1	NM
Nonaccrual loans	3	14	(79)	3	14	(79)
Allowance for credit losses:						
Allowance for loan losses	49	54	(9)	49	54	(9)
Allowance for lending-related commitments	46	52	(12)	46	52	(12)
Total allowance for credit losses	95	106	(10)	95	106	(10)
Net charge-off rate	—	% 0.02	%	—	% 0.01	%
Allowance for loan losses to period-end loans	0.14	0.20		0.14	0.20	
Allowance for loan losses to nonaccrual loans	NM	386		NM	386	
Nonaccrual loans to period-end loans	0.01	0.05		0.01	0.05	

Effective January 1, 2011, certain CB revenues were excluded in the TS firmwide metrics; they are instead directly captured within CB's lending revenue by product. The impact of this change was \$109 million for the three months ended September 30, 2011, and \$330 million for the nine months ended September 30, 2011. In previous periods, these revenues were included in CB's treasury services revenue by product.

(a) Treasury Services revenue reported in CB's treasury services revenue by product.
(b) TSS firmwide revenue includes foreign exchange ("FX") revenue recorded in TSS and FX revenue associated with TSS customers who are FX customers of IB. However, some of the FX revenue associated with TSS customers

who are FX customers of IB is not included in TS and TSS firmwide revenue. The total FX revenue generated was \$179 million and \$143 million for the three months ended September 30, 2011 and 2010, respectively, and \$504 million and \$455 million for the nine months ended September 30, 2011 and 2010, respectively.

(c) Firmwide liability balances include liability balances recorded in CB.

Overhead ratios have been calculated based on firmwide revenue and TSS and TS expense, respectively, including

(d) those allocated to certain other lines of business. FX revenue and expense recorded in IB for TSS-related FX activity are not included in this ratio.

(e) International electronic funds transfer includes non-U.S. dollar Automated Clearing House (“ACH”) and clearing volume.

Wholesale cards issued and outstanding include U.S. domestic commercial, stored value, prepaid and government

(f) electronic benefit card products. Effective January 1, 2011, the commercial card portfolio was transferred from TSS to Card.

ASSET MANAGEMENT

For a discussion of the business profile of AM, see pages 86–88 of JPMorgan Chase’s 2010 Annual Report and Introduction on page 5 of this Form 10-Q.

Selected income statement data (in millions, except ratios)	Three months ended September 30,			Nine months ended September 30,				
	2011	2010	Change	2011	2010	Change		
Revenue								
Asset management, administration and commissions	\$1,617	\$1,498	8	% \$5,142	\$4,528	14	%	
All other income	281	282	—	915	725	26		
Noninterest revenue	1,898	1,780	7	6,057	5,253	15		
Net interest income	418	392	7	1,202	1,118	8		
Total net revenue	2,316	2,172	7	7,259	6,371	14		
Provision for credit losses	26	23	13	43	63	(32)	
Noninterest expense								
Compensation expense	999	914	9	3,106	2,685	16		
Noncompensation expense	775	557	39	2,078	1,598	30		
Amortization of intangibles	22	17	29	66	52	27		
Total noninterest expense	1,796	1,488	21	5,250	4,335	21		
Income before income tax expense	494	661	(25	)	1,966	1,973	—
Income tax expense	109	241	(55)	676	770	(12)
Net income	\$385	\$420	(8)	\$1,290	\$1,203	7	
Revenue by client segment								
Private Banking	\$1,298	\$1,181	10	\$3,904	\$3,484	12		
Institutional	455	506	(10)	1,708	1,505	13	
Retail	563	485	16	1,647	1,382	19		
Total net revenue	\$2,316	\$2,172	7	\$7,259	\$6,371	14		
Financial ratios								
Return on common equity	24	% 26	%	27	% 25	%		
Overhead ratio	78	69		72	68			
Pretax margin ratio	21	30		27	31			

Quarterly results

Net income was \$385 million, a decrease of \$35 million, or 8%, from the prior year. These results reflected higher noninterest expense, partially offset by higher net revenue.

Net revenue was \$2.3 billion, an increase of \$144 million, or 7%, from the prior year. Noninterest revenue was \$1.9 billion, up by \$118 million, or 7%, due to a gain on the sale of an investment, net inflows to products with higher margins, and the effect of higher market levels. This was partially offset by lower valuations of seed capital investments. Net interest income was \$418 million, up by \$26 million, or 7%, due to higher deposit and loan balances, partially offset by narrower deposit spreads.

Revenue from Private Banking was \$1.3 billion, up 10% from the prior year. Revenue from Retail was \$563 million, up 16%. Revenue from Institutional was \$455 million, down 10%.

The provision for credit losses was \$26 million, compared with \$23 million in the prior year.

Noninterest expense was \$1.8 billion, an increase of \$308 million, or 21%, from the prior year, largely resulting from non-client-related litigation expense and an increase in compensation expense due to increased headcount.

Year-to-date results

Net income was \$1.3 billion, an increase of \$87 million, or 7%, from the prior year. These results reflected higher net revenue and a lower provision for credit losses, offset by higher noninterest expense.

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Net revenue was \$7.3 billion, an increase of \$888 million, or 14%, from the prior year. Noninterest revenue was \$6.1 billion, up by \$804 million, or 15%, due to the effect of higher market levels, net inflows to products with higher margins, higher performance fees, and a gain on the sale of an investment. Net interest income was \$1.2 billion, up by \$84 million, or 8%, due to higher deposit and loan balances, partially offset by narrower deposit spreads. Revenue from Private Banking was \$3.9 billion, up 12% from the prior year. Revenue from Institutional was \$1.7 billion, up 13%. Revenue from Retail was \$1.6 billion, up 19%.

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The provision for credit losses was \$43 million, compared with \$63 million in the prior year.

Noninterest expense was \$5.3 billion, an increase of \$915 million, or 21%, from the prior year, largely resulting from an increase in compensation expense due to increased headcount and non-client-related litigation expense.

Business metrics (in millions, except headcount, ranking data and where otherwise noted)	Three months ended September 30,			Nine months ended September 30,			
	2011	2010	Change	2011	2010	Change	
Number of:							
Client advisors ^(a)	2,418	2,244	8	% 2,418	2,244	8	%
Retirement planning services participants (in thousands)	1,755	1,665	5	1,755	1,665	5	
JPMorgan Securities brokers	446	419	6	446	419	6	
% of customer assets in 4 & 5 Star Funds ^(b)	47	% 42	% 12	47	% 42	% 12	
% of AUM in 1 st and 2 nd quartiles: ^(c)							
1 year	49	% 67	% (27)	) 49	% 67	% (27))
3 years	73	% 65	% 12	73	% 65	% 12	
5 years	77	% 74	% 4	77	% 74	% 4	
Selected balance sheet data (period-end)							
Loans	\$54,178	\$41,408	31	\$54,178	\$41,408	31	
Equity	6,500	6,500	—	6,500	6,500	—	
Selected balance sheet data (average)							
Total assets	\$78,669	\$64,911	21	\$73,967	\$63,629	16	
Loans	52,652	39,417	34	48,840	37,819	29	
Deposits	111,090	87,841	26	101,341	85,012	19	
Equity	6,500	6,500	—	6,500	6,500	—	
Headcount	18,084	16,510	10	18,084	16,510	10	
Credit data and quality statistics							
Net charge-offs	\$—	\$13	NM	\$44	\$68	(35))
Nonaccrual loans	311	294	6	311	294	6	
Allowance for credit losses:							
Allowance for loan losses	240	257	(7)	) 240	257	(7))
Allowance for lending-related commitments	9	3	200	9	3	200	
Total allowance for credit losses	249	260	(4)	) 249	260	(4))
Net charge-off rate	—	% 0.13	%	0.12	% 0.24	%	
Allowance for loan losses to period-end loans	0.44	0.62		0.44	0.62		
Allowance for loan losses to nonaccrual loans	77	87		77	87		
Nonaccrual loans to period-end loans	0.57	0.71		0.57	0.71		
(a)	Effective January 1, 2011, the methodology used to determine client advisors was revised. Prior periods have been revised.						
(b)	Derived from Morningstar for the U.S., the U.K., Luxembourg, France, Hong Kong and Taiwan; and Nomura for Japan.						
(c)	Quartile ranking sourced from: Lipper for the U.S. and Taiwan; Morningstar for the U.K., Luxembourg, France and Hong Kong; and Nomura for Japan.						

Assets under supervision

Assets under supervision were \$1.8 trillion, an increase of \$36 billion, or 2%, from the prior year. Assets under management were \$1.3 trillion, a decrease of \$3 billion. This decrease was due to net outflows from liquidity products and the effect of lower market levels, offset by net inflows to long-term products. Custody, brokerage, administration and deposit balances were \$552 billion, up by \$39 billion, or 8%, due to deposit and custody inflows.

ASSETS UNDER SUPERVISION^(a) (in billions)

As of the quarter ended September 30,	2011	2010	Change
Assets by asset class			
Liquidity	\$464	\$521	(11)%
Fixed income	321	277	16
Equity and multi-asset	356	362	(2)
Alternatives	113	97	16
Total assets under management	1,254	1,257	—
Custody/brokerage/administration/deposits	552	513	8
Total assets under supervision	\$1,806	\$1,770	2
Assets by client segment			
Private Banking	\$276	\$276	—
Institutional ^(b)	673	696	(3)
Retail ^(b)	305	285	7
Total assets under management	\$1,254	\$1,257	—
Private Banking	\$738	\$698	6
Institutional ^(b)	674	697	(3)
Retail ^(b)	394	375	5
Total assets under supervision	\$1,806	\$1,770	2
Mutual fund assets by asset class			
Liquidity	\$409	\$466	(12)
Fixed income	101	88	15
Equity and multi-asset	139	151	(8)
Alternatives	8	7	14
Total mutual fund assets	\$657	\$712	(8)

^(a) Excludes assets under management of American Century Companies, Inc., in which the Firm sold its ownership interest on August 31, 2011. The Firm previously had an ownership interest of 41% at September 30, 2010.

^(b) In the second quarter of 2011, the client hierarchy used to determine asset classification was revised, and the prior-year periods have been revised.

(in billions)	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Assets under management rollforward				
Beginning balance	\$1,342	\$1,161	\$1,298	\$1,249
Net asset flows:				
Liquidity	(10)	27	(35)	(64)
Fixed income	3	12	31	40
Equity, multi-asset and alternatives	(1)	(1)	17	6
Market/performance/other impacts	(80)	58	(57)	26
Ending balance, September 30	\$1,254	\$1,257	\$1,254	\$1,257
Assets under supervision rollforward				

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Beginning balance	\$1,924	\$1,640	\$1,840	\$1,701
Net asset flows	11	41	54	27
Market/performance/other impacts	(129)	89	(88)	42
Ending balance, September 30	\$1,806	\$1,770	\$1,806	\$1,770

44

International metrics (in billions, except where otherwise noted)	Three months ended September 30,			Nine months ended September 30,				
	2011	2010	Change	2011	2010	Change		
Total net revenue (in millions) ^(a)								
Europe/Middle East/Africa	\$395	\$395	—	% \$1,312	\$1,161	13	%	
Asia/Pacific	248	226	10	751	662	13		
Latin America/Caribbean	168	125	34	584	373	57		
North America	1,505	1,426	6	4,612	4,175	10		
Total net revenue	\$2,316	\$2,172	7	\$7,259	\$6,371	14		
Assets under management								
Europe/Middle East/Africa	\$255	\$258	(1)	\$255	\$258	(1)
Asia/Pacific	104	107	(3)	104	107	(3)
Latin America/Caribbean	32	27	19	32	27	19		
North America	863	865	—	863	865	—		
Total assets under management	\$1,254	\$1,257	—	\$1,254	\$1,257	—		
Assets under supervision								
Europe/Middle East/Africa	\$306	\$307	—	\$306	\$307	—		
Asia/Pacific	140	139	1	140	139	1		
Latin America/Caribbean	87	74	18	87	74	18		
North America	1,273	1,250	2	1,273	1,250	2		
Total assets under supervision	\$1,806	\$1,770	2	\$1,806	\$1,770	2		

(a) Regional revenue is based on the domicile of clients.

CORPORATE / PRIVATE EQUITY

For a discussion of the business profile of Corporate/Private Equity, see pages 89–90 of JPMorgan Chase’s 2010 Annual Report.

Selected income statement data (in millions, except headcount)	Three months ended September 30,			Nine months ended September 30,		
	2011	2010	Change	2011	2010	Change
Revenue						
Principal transactions	\$(933)	\$1,143	NM%	\$1,110	\$1,621	(32)%
Securities gains	607	99	NM	1,546	1,699	(9)
All other income	186	(29)	NM	529	277	91
Noninterest revenue	(140)	1,213	NM	3,185	3,597	(11)
Net interest income	8	371	(98)	260	2,194	(88)
Total net revenue ^(a)	(132)	1,584	NM	3,445	5,791	(41)
Provision for credit losses	(7)	(3)	(133)	(26)	12	NM
Noninterest expense						
Compensation expense	552	574	(4)	1,823	1,819	—
Noncompensation expense ^(b)	1,995	1,927	4	5,235	6,436	(19)
Subtotal	2,547	2,501	2	7,058	8,255	(15)
Net expense allocated to other businesses	(1,331)	(1,227)	(8)	(3,839)	(3,599)	(7)
Total noninterest expense	1,216	1,274	(5)	3,219	4,656	(31)
Income/(loss) before income tax expense/(benefit)	(1,341)	313	NM	252	1,123	(78)
Income tax expense/(benefit) ^(c)	(696)	(35)	NM	(327)	(106)	(208)
Net income/(loss)	\$(645)	\$348	NM	\$579	\$1,229	(53)
Total net revenue						
Private equity	\$(546)	\$721	NM	\$949	\$884	7
Corporate	414	863	(52)	2,496	4,907	(49)
Total net revenue	\$(132)	\$1,584	NM	\$3,445	\$5,791	(41)
Net income/(loss)						
Private equity	\$(347)	\$344	NM	\$480	\$410	17
Corporate	(298)	4	NM	99	819	(88)
Total net income/(loss)	\$(645)	\$348	NM	\$579	\$1,229	(53)
Headcount	21,844	19,756	11	21,844	19,756	11

(a) Total net revenue included tax-equivalent adjustments, predominantly due to tax-exempt income from municipal bond investments of \$73 million and \$58 million for the three months ended September 30, 2011 and 2010, respectively; and \$206 million and \$163 million for the nine months ended September 30, 2011 and 2010, respectively.

(b) Included litigation expense of \$1.0 billion and \$2.6 billion for the three and nine months ended September 30, 2011, respectively, compared with \$1.3 billion and \$4.3 billion for the three and nine months ended September 30, 2010, respectively.

(c) Income tax expense/(benefit) in the three and nine months ended September 30, 2010, includes tax benefits recognized upon the resolution of tax audits.

Quarterly results

Net loss was \$645 million, compared with net income of \$348 million in the prior year.

Private Equity reported a net loss of \$347 million, compared with net income of \$344 million in the prior year. Net revenue was negative \$546 million, a decrease of \$1.3 billion, driven primarily by net write-downs on private investments and lower valuations of public securities held at fair value in the portfolio. Noninterest expense was

negative \$5 million, a decrease of \$189 million from the prior year.

Corporate reported a net loss of \$298 million, compared with net income of \$4 million in the prior year. Net revenue was \$414 million, including \$607 million of securities gains. Net interest income in 2011 was lower compared with 2010, primarily driven by repositioning of the securities portfolio and lower funding benefits from financing the portfolio. Noninterest expense included \$1.0 billion of additional litigation expense, predominantly for mortgage-related matters. Noninterest expense in the prior year included \$1.3 billion of additional litigation expense.

Year-to-date results

Net income was \$579 million, compared with net income of \$1.2 billion in the prior year.

Private Equity net income was \$480 million, compared with \$410 million in the prior year. Net revenue was \$949 million, an increase of \$65 million, driven primarily by gains on sales and net increases in investment valuations. Noninterest expense was \$210 million, a decrease of \$36 million from the prior year.

Corporate reported net income of \$99 million, compared with \$819 million in the prior year. Net revenue was \$2.5 billion, including \$1.5 billion of securities gains. Net interest income in 2011 was lower compared with 2010, primarily driven by repositioning of the securities portfolio and lower funding benefits from financing the portfolio. Noninterest expense was \$3.0 billion, which included \$2.6 billion of additional litigation reserves, predominantly for mortgage related matters. Noninterest expense in the prior year was \$4.4 billion which included \$4.3 billion of additional litigation reserves.

Treasury and Chief Investment Office (“CIO”)

Selected income statement and balance sheet data (in millions)	Three months ended September 30,			Nine months ended September 30,		
	2011	2010	Change	2011	2010	Change
Securities gains ^(a)	\$459	\$99	364 %	\$1,398	\$1,698	(18)%
Investment securities portfolio (average)	324,596	321,428	1	324,527	324,163	—
Investment securities portfolio (ending)	330,800	334,140	(1)	330,800	334,140	(1)
Mortgage loans (average)	13,748	9,174	50	12,641	8,629	46
Mortgage loans (ending)	14,226	9,550	49	14,226	9,550	49

(a) Reflects repositioning of the Corporate investment securities portfolio.

For further information on the investment securities portfolio, see Note 3 and Note 11 on pages 104–116 and 130–134, respectively, of this Form 10-Q. For further information on CIO VaR and the Firm’s nontrading interest rate-sensitive revenue at risk, see the Market Risk Management section on pages 90–93 of this Form 10-Q.

Private Equity Portfolio

Selected income statement and balance sheet data (in millions)	Three months ended September 30,			Nine months ended September 30,		
	2011	2010	Change	2011	2010	Change
Private equity gains/(losses)						
Realized gains	\$394	\$179	120 %	\$1,784	\$370	382 %
Unrealized gains/(losses) ^(a)	(827)	561	NM	(1,183)	479	NM
Total direct investments	(433)	740	NM	601	849	(29)
Third-party fund investments	(7)	10	NM	502	112	348
Total private equity gains/(losses) ^(b)	\$(440)	\$750	NM	\$1,103	\$961	15

Private equity portfolio information^(c)

(in millions)	September 30,	December 31,	Change
	2011	2010	
Publicly held securities			
Carrying value	\$709	\$875	(19)%
Cost	779	732	6
Quoted public value	778	935	(17)
Privately held direct securities			
Carrying value	4,322	5,882	(27)
Cost	6,556	6,887	(5)
Third-party fund investments ^(d)			
Carrying value	2,399	1,980	21
Cost	2,454	2,404	2
Total private equity portfolio			
Carrying value	\$7,430	\$8,737	(15)
Cost	\$9,789	\$10,023	(2)

(a) Unrealized gains/(losses) contain reversals of unrealized gains and losses that were recognized in prior periods and have now been realized.

(b) Included in principal transactions revenue in the Consolidated Statements of Income.

- (c) For more information on the Firm's policies regarding the valuation of the private equity portfolio, see Note 3 on pages 170–187 of JPMorgan Chase's 2010 Annual Report.
- (d) Unfunded commitments to third-party private equity funds were \$853 million and \$1.0 billion at September 30, 2011, and December 31, 2010, respectively.

The carrying value of the private equity portfolio at September 30, 2011, and December 31, 2010, was \$7.4 billion and \$8.7 billion, respectively. The decrease in the portfolio during the nine months ended September 30, 2011, is predominantly driven by sales of investments, partially offset by follow-on investments and net increases in investment valuations. The portfolio represented 5.5% and 6.9% of the Firm's stockholders' equity less goodwill at September 30, 2011, and December 31, 2010, respectively.

INTERNATIONAL OPERATIONS

During the three and nine months ended September 30, 2011, the Firm recorded approximately \$5.6 billion and \$19.2 billion, respectively, of revenue derived from clients, customers and counterparties domiciled outside of North America. Of those amounts, approximately 64% and 67%, respectively, were derived from Europe/Middle East/Africa (“EMEA”); approximately 28% and 24%, respectively, from Asia/Pacific; and approximately 8% and 9%, respectively, from Latin America/Caribbean. During the three and nine months ended September 30, 2010, the Firm recorded approximately \$5.0 billion and \$16.7 billion, respectively, of revenue derived from clients, customers and counterparties domiciled outside of North America. Of those amounts, approximately 61% and 65%, respectively, was derived from EMEA; approximately 32% and 27%, respectively, from Asia/Pacific; and approximately 7% and 8%, respectively, from Latin America/Caribbean.

The Firm is committed to further expanding its wholesale business activities outside of the United States, and it intends to add additional client-serving bankers, as well as product and sales support personnel, to address the needs of the Firm's clients located in these regions. With a comprehensive and coordinated international business strategy and growth plan, efforts and investments for growth outside of the United States will be accelerated and prioritized. Set forth below are certain key metrics related to the Firm's wholesale international operations, including, for each of EMEA, Asia/Pacific and Latin America/Caribbean, the number of countries in each such region in which it operates, front-office headcount, number of clients, revenue and selected balance-sheet data. For additional information regarding international operations, see International Operations on page 91, and Note 33 on page 290 of JPMorgan Chase's 2010 Annual Report.

(in millions, except where otherwise noted)	EMEA				Asia/Pacific				Latin America/Caribbean			
	Three months ended September 30,		Nine months ended September 30,		Three months ended September 30,		Nine months ended September 30,		Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
• Revenue	\$3,611	\$3,095	\$12,729	\$10,938	\$1,586	\$1,617	\$4,737	\$4,524	\$409	\$343	\$1,647	\$1,266
• Countries of operation	34	33	34	33	16	16	16	16	9	8	9	8
• Total headcount ^(a)	16,463	16,045	16,463	16,045	20,408	18,725	20,408	18,725	1,351	1,047	1,351	1,047
• Front-office headcount	6,105	5,945	6,105	5,945	4,269	4,074	4,269	4,074	560	423	560	423
• Significant clients ^(b)	923	886	923	886	475	420	475	420	158	128	158	128
• Deposits (average) ^(c)	\$166,518	\$132,947	\$158,849	\$135,515	\$53,220	\$47,646	\$50,760	\$50,429	\$2,033	\$1,964	\$2,163	\$1,558
• Loans (period-end) ^(d)	34,239	27,276	34,239	27,276	27,723	18,502	27,723	18,502	23,289	15,298	23,289	15,298
• Assets under management (in billions)	255	258	255	258	104	107	104	107	32	27	32	27
• Assets under supervision (in billions)	306	307	306	307	140	139	140	139	87	74	87	74

Note: Wholesale international operations comprises IB, AM, TSS, CB and CIO/Treasury.

(a) Total headcount includes all employees, including those in service centers, located in the region.

(b)

Significant clients are defined as companies with over \$1 million in revenue over a trailing 12-month period in the region (excludes private banking clients).

(c) Deposits are based on booking location.

(d) Loans outstanding are based predominantly on the domicile of the borrower and exclude loans held-for-sale and loans carried at fair value.

BALANCE SHEET ANALYSIS

Selected Consolidated Balance Sheets data

(in millions)	September 30, 2011	December 31, 2010
Assets		
Cash and due from banks	\$56,766	\$27,567
Deposits with banks	128,877	21,673
Federal funds sold and securities purchased under resale agreements	248,042	222,554
Securities borrowed	131,561	123,587
Trading assets:		
Debt and equity instruments	352,678	409,411
Derivative receivables	108,853	80,481
Securities	339,349	316,336
Loans	696,853	692,927
Allowance for loan losses	(28,350)	(32,266)
Loans, net of allowance for loan losses	668,503	660,661
Accrued interest and accounts receivable	72,080	70,147
Premises and equipment	13,812	13,355
Goodwill	48,180	48,854
Mortgage servicing rights	7,833	13,649
Other intangible assets	3,396	4,039
Other assets	109,310	105,291
Total assets	\$2,289,240	\$2,117,605
Liabilities		
Deposits	\$1,092,708	\$930,369
Federal funds purchased and securities loaned or sold under repurchase agreements	238,585	276,644
Commercial paper	51,073	35,363
Other borrowed funds ^(a)	29,318	34,325
Trading liabilities:		
Debt and equity instruments	76,592	76,947
Derivative payables	79,249	69,219
Accounts payable and other liabilities	199,769	170,330
Beneficial interests issued by consolidated VIEs	65,971	77,649
Long-term debt ^(a)	273,688	270,653
Total liabilities	2,106,953	1,941,499
Stockholders' equity	182,287	176,106
Total liabilities and stockholders' equity	\$2,289,240	\$2,117,605

Effective January 1, 2011, \$23.0 billion of long-term advances from FHLBs were reclassified from other borrowed (a) funds to long-term debt. The prior-year period has been revised to conform with the current presentation. For additional information, see Note 3 and Note 18 on pages 104–116 and 173, respectively, of this Form 10-Q.

Consolidated Balance Sheets overview

JPMorgan Chase's assets and liabilities increased from December 31, 2010, predominantly due to a significant level of deposit inflows from wholesale clients and, to a lesser extent, consumer clients. The higher level of inflows since the beginning of the year, which accelerated after the first quarter, contributed to increases in both cash and due from banks, and deposits with banks, particularly balances due from Federal Reserve Banks and other banks. In addition, the increase in total assets was driven by higher securities purchased under resale agreements, and an increase in securities. These increases were offset partially by lower trading assets. The increase in total liabilities was driven by the increase in deposits and, to a lesser extent, higher accounts payable, partially offset by lower securities sold under

repurchase agreements. The increase in stockholders' equity primarily reflected net income for the nine months ended September 30, 2011, net of repurchases of common equity. The following is a discussion of the significant changes in the specific line captions on the Consolidated Balance Sheets from December 31, 2010. For a description of the specific line captions discussed below, see pages 92–94 of JPMorgan Chase's 2010 Annual Report.

Cash and due from banks and deposits with banks

Cash and due from banks and deposits with banks increased significantly, reflecting the placement of funds with various central banks, including Federal Reserve Banks during the third quarter of 2011; the increase in these funds predominantly resulted from the overall growth in wholesale client deposits. For additional information, see the deposits discussion below.

Federal funds sold and securities purchased under resale agreements; and securities borrowed
Securities purchased under resale agreements and securities borrowed increased, predominantly in IB, reflecting higher client financing activity.

Trading assets and liabilities – debt and equity instruments

Trading assets – debt and equity instruments decreased, based on lower client market-making activity in IB; this resulted in declines in equity securities and U.S. government agency mortgage-backed securities, partially offset by an increase in U.S. treasury securities. For additional information, refer to Note 3 on pages 104–116 of this Form 10-Q.

Trading assets and liabilities – derivative receivables and payables

Derivative receivables and payables increased, predominantly due to increases in interest rate derivatives driven by declining interest rates, and commodity derivative balances driven by price movements in base metals and energy. For additional information, refer to Derivative contracts on pages 73–74, and Note 3 and Note 5 on pages 104–116 and 119–126, respectively, of this Form 10-Q.

Securities

Securities increased, largely due to repositioning of the portfolio in Corporate in response to changes in the market environment. This repositioning increased the levels of non-U.S. government debt and residential mortgage-backed securities, as well as collateralized loan obligations and reduced the levels of U.S. government agency securities. For additional information related to securities, refer to the discussion in the Corporate/Private Equity segment on pages 46–47, and Note 3 and Note 11 on pages 104–116 and 130–134, respectively, of this Form 10-Q.

Loans and allowance for loan losses

Loans increased, reflecting continued growth in client activity across all of the Firm's wholesale businesses. This increase was offset by continued portfolio runoff in RFS as well as lower seasonal balances, higher repayment rates, continued runoff of the Washington Mutual portfolio and the sale of the Kohl's portfolio. The allowance for loan losses decreased due to lower estimated losses in the credit card loan portfolio, reflecting improved delinquency trends and net credit losses, as well as loan sales and net repayments in the wholesale portfolio. For a more detailed discussion of the loan portfolio and the allowance for loan losses, refer to Credit Risk Management on pages 67–89, and Notes 3, 4, 13 and 14 on pages 104–116, 116–118, 136–157 and 158–159, respectively, of this Form 10-Q.

Accrued interest and accounts receivable and other assets

Accrued interest and accounts receivable and other assets remained relatively flat, with no significant changes.

Goodwill

The decrease in goodwill was predominantly due to AM's sale of its investment in an asset manager. For additional information on goodwill, see Note 16 on pages 168–172 of this Form 10-Q.

Mortgage servicing rights

MSRs decreased, predominantly as a result of a decline in market interest rates. For additional information on MSRs, see Note 3 and Note 16 on pages 104–116 and 168–172, respectively, of this Form 10-Q.

Other intangible assets

The decrease in other intangible assets was due to amortization. For additional information on other intangible assets, see Note 16 on pages 168–172 of this Form 10-Q.

Deposits

Deposits increased significantly, predominantly due to an overall growth in wholesale client balances and, to a lesser extent, consumer deposit balances. For more information on deposits, refer to the RFS and AM segment discussions on pages 22–31 and 42–45, respectively; the Liquidity Risk Management discussion on pages 62–66; and Notes 3 and 17 on pages 104–116 and 173, respectively, of this Form 10-Q. For more information on wholesale liability balances, which includes deposits, refer to the CB and TSS segment discussions on pages 36–38 and 39–41, respectively, of this Form 10-Q.

Federal funds purchased and securities loaned or sold under repurchase agreements

Securities sold under repurchase agreements decreased, predominantly in IB, due to lower financing of the Firm's trading assets. For additional information on the Firm's Liquidity Risk Management, see pages 62–66 of this Form 10-Q.

Commercial paper and other borrowed funds

Commercial paper increased, due to growth in the volume of liability balances in sweep accounts related to TSS's cash management product. Other borrowed funds decreased, predominantly driven by maturities of short-term unsecured bank notes and short-term FHLB advances.

For additional information on the Firm's Liquidity Risk Management and other borrowed funds, see pages 62–66, and Note 18 on page 173 of this Form 10-Q.

Accounts payable and other liabilities

Accounts payable and other liabilities increased largely due to higher IB customer balances and additional litigation reserves, predominantly for mortgage-related matters.

Beneficial interests issued by consolidated VIEs

Beneficial interests decreased, predominantly due to maturities of Firm-sponsored credit card securitization transactions. For additional information on Firm-sponsored VIEs and loan securitization trusts, see Off-Balance Sheet Arrangements below, and Note 15 on pages 160–168 of this Form 10-Q.

Long-term debt

Long-term debt increased, partially due to net issuances of long-term borrowings. For additional information on the Firm's long-term debt activities, see the Liquidity Risk Management discussion on pages 62–66 of this Form 10-Q.

Stockholders' equity

Total stockholders' equity increased, predominantly due to net income in the first nine months of 2011; net issuances and commitments to issue under the Firm's employee stock-based compensation plans; and a net increase in accumulated other comprehensive income, 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 increase in stockholders' equity was partially offset by repurchases of common equity, and the declaration of cash dividends on common and preferred stock.

OFF-BALANCE SHEET ARRANGEMENTS

JPMorgan Chase is involved with several types of off-balance sheet arrangements, including through special-purpose entities (“SPEs”), which are a type of VIE, and through lending-related financial instruments (e.g., commitments and guarantees). For further discussion, see Off-Balance Sheet Arrangements and Contractual Cash Obligations on pages 95–101 of JPMorgan Chase’s 2010 Annual Report.

Special-purpose entities

SPEs are the most common type of VIE, used in securitization transactions in order to isolate certain assets and distribute related cash flows to investors. SPEs continue to be an important part of the financial markets, including the mortgage- and asset-backed securities and commercial paper markets, as they provide market liquidity by facilitating investors’ access to specific portfolios of assets and risks. The Firm holds capital, as deemed appropriate, against all SPE-related transactions and related exposures, such as derivative transactions and lending-related commitments and guarantees. For further information on the Firm’s involvement with SPEs, see Note 15 on pages 160–168 of this Form 10-Q; and Note 1 on pages 164–165 and Note 15 on pages 244–259 of JPMorgan Chase’s 2010 Annual Report.

Implications of a credit rating downgrade to JPMorgan Chase Bank, N.A.

For certain liquidity commitments to SPEs, the Firm could be required to provide funding if the short-term credit rating of JPMorgan Chase Bank, N.A., were downgraded below specific levels, primarily “P-1,” “A-1” and “F1” for Moody’s, Standard & Poor’s and Fitch, respectively. The aggregate amounts of these liquidity commitments, to both consolidated and nonconsolidated SPEs, were \$35.3 billion and \$34.2 billion at September 30, 2011, and December 31, 2010, respectively. Alternatively, if JPMorgan Chase Bank, N.A., were downgraded, the Firm could be replaced by another liquidity provider in lieu of providing funding under the liquidity commitment, or in certain circumstances, the Firm could facilitate the sale or refinancing of the assets in the SPE in order to provide liquidity.

Special-purpose entities revenue

The following table summarizes certain revenue information related to consolidated and nonconsolidated VIEs with which the Firm has significant involvement. The revenue reported in the table below primarily represents contractual servicing and credit fee income (i.e., income from acting as administrator, structurer or liquidity provider). It does not include gains and losses from changes in the fair value of trading positions (such as derivative transactions) entered into with VIEs. Those gains and losses are recorded in principal transactions revenue.

Revenue from VIEs and securitization entities (in millions)	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Multi-seller conduits	\$45	\$44	\$137	\$171
Investor intermediation	10	12	35	37
Other securitization entities ^(a)	322	478	1,095	1,566
Total	\$377	\$534	\$1,267	\$1,774

(a) Excludes servicing revenue from loans sold to and securitized by third parties.

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

JPMorgan Chase 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 the Firm should the counterparty draw upon the commitment or the Firm 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 the Firm’s view, representative of its actual future credit exposure or funding requirements. For further discussion of lending-related commitments and guarantees and the Firm’s accounting for them, see Lending-related commitments on page 75 and Note 21 on pages 176–180 of this Form 10-Q; and Lending-related commitments on page 128 and Note 30 on pages 275–280 of JPMorgan Chase’s 2010 Annual Report.

The following table presents, as of September 30, 2011, the amounts by contractual maturity of off-balance sheet lending-related financial instruments, guarantees and other commitments. The amounts in the table for credit card and

home equity lending-related commitments represent the total available credit to borrowers for these products. The Firm has not experienced, and does not anticipate, that all available lines of credit for these products would be used by borrowers at the same time. The Firm can reduce or cancel credit card lines of credit by providing the borrower notice or, in some cases, without notice as permitted by law. The Firm 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. The accompanying table excludes certain guarantees that do not have a contractual maturity date (e.g., loan sale and securitization-related indemnification obligations). For further information, see discussion of Mortgage repurchase liability and Loan sale and securitization-related indemnifications on pages 53–56 and in Note 21 on pages 176–180, respectively, of this Form 10-Q, and Repurchase liability and Loan sale and

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securitization-related indemnifications on pages 98–101 and in Note 30 on pages 275–280, respectively, of JPMorgan Chase’s 2010 Annual Report.

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

	September 30, 2011				Dec 31, 2010	
	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
By remaining maturity (in millions)						
Lending-related						
Consumer, excluding credit card:						
Home equity – senior lien	\$839	\$4,562	\$5,123	\$6,378	\$16,902	\$17,662
Home equity – junior lien	1,822	8,922	8,734	8,098	27,576	30,948
Prime mortgage	1,512	—	—	—	1,512	1,266
Subprime mortgage	—	—	—	—	—	—
Auto	7,188	140	83	5	7,416	5,246
Business banking	9,485	417	66	316	10,284	9,702
Student and other	89	152	158	492	891	579
Total consumer, excluding credit card	20,935	14,193	14,164	15,289	64,581	65,403
Credit card	528,830	—	—	—	528,830	547,227
Total consumer	549,765	14,193	14,164	15,289	593,411	612,630
Wholesale:						
Other unfunded commitments to extend credit ^{(a)(b)}	66,518	71,491	72,809	6,933	217,751	199,859
Standby letters of credit and other financial guarantees ^{(a)(b)(c)(d)}	29,023	36,784	30,669	3,039	99,515	94,837
Unused advised lines of credit	43,157	10,820	378	1,890	56,245	44,720
Other letters of credit ^{(a)(d)}	4,579	1,468	124	—	6,171	6,663
Total wholesale	143,277	120,563	103,980	11,862	379,682	346,079
Total lending-related	\$693,042	\$134,756	\$118,144	\$27,151	\$973,093	\$958,709
Other guarantees and commitments						
Securities lending guarantees ^(e)	\$199,020	\$—	\$—	\$—	\$199,020	\$181,717
Derivatives qualifying as guarantees ^(f)	3,318	5,059	36,944	35,922	81,243	87,768
Unsettled reverse repurchase and securities borrowing agreements	69,752	—	—	—	69,752	39,927
Other guarantees and commitments ^(g)	963	232	303	4,615	6,113	6,492

(a) At September 30, 2011, and December 31, 2010, represented the contractual amount net of risk participations totaling \$617 million and \$542 million, respectively, for Other unfunded commitments to extend credit; \$21.2 billion and \$22.4 billion, respectively, for Standby letters of credit and other financial guarantees; and \$1.4 billion

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 September 30, 2011, and December 31, 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 \$48.5 billion and \$43.4 billion, respectively. These commitments also include liquidity facilities to nonconsolidated municipal bond VIEs; for further information, see Note 15 on pages 160–168 of this Form 10-Q.

(c) At September 30, 2011, and December 31, 2010, included unissued Standby letters of credit commitments of \$43.0 billion and \$41.6 billion, respectively.

(d) At September 30, 2011, and December 31, 2010, JPMorgan Chase held collateral relating to \$40.7 billion and \$37.8 billion, respectively, of Standby letters of credit; and \$1.5 billion and \$2.1 billion, respectively, of collateral related to Other letters of credit.

(e) At September 30, 2011, and December 31, 2010, collateral held by the Firm in support of securities lending indemnification agreements totaled \$200.8 billion and \$185.0 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.

(f) Represents the notional amounts of derivative contracts qualifying as guarantees. For further discussion of guarantees, see Note 5 on pages 119–126 and Note 21 on pages 176–180 of this Form 10-Q.

(g) At September 30, 2011, and December 31, 2010, included unfunded commitments of \$853 million and \$1.0 billion, respectively, to third-party private equity funds; and \$1.4 billion and \$1.4 billion, respectively, to other equity investments. These commitments included \$790 million and \$1.0 billion, respectively, related to investments that are generally fair valued at net asset value as discussed in Note 3 on pages 104–116 of this Form 10-Q. In addition, at September 30, 2011, and December 31, 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 .

Mortgage repurchase liability

In connection with the Firm’s mortgage loan sale and securitization activities with Fannie Mae and Freddie Mac (the “GSEs”) and other mortgage loan sale and private-label securitization transactions, the Firm has made representations and warranties that the loans sold meet certain requirements. The Firm 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 generalized

allegations that the Firm should repurchase loans sold or deposited into private-label securitizations, predominantly all of the repurchase demands received by the Firm and the Firm's losses realized to date are related to transactions with the GSEs. The primary reasons for repurchase demands from the GSEs relate to alleged misrepresentations primarily arising from: (i) credit quality and/or undisclosed debt of the borrower; (ii) income level and/or employment status of the borrower; and (iii) appraised value of collateral. In substantially all instances where mortgage insurance has been rescinded, this resulted in a violation of representations and warranties made to the GSEs and, therefore, has also been a cause of repurchase demands from the GSEs.

From 2005 to 2008, excluding Washington Mutual, loans sold to the GSEs subject to certain representations and warranties for which the Firm may be liable were approximately \$380 billion; this amount represents the principal amount sold and has not been adjusted for subsequent activity, such as borrower repayments of principal or repurchases completed to date. In addition, from 2005 to 2008, Washington Mutual sold approximately \$150 billion of loans to the GSEs subject to certain representations and warranties. Subsequent to the Firm's acquisition of certain assets and liabilities of Washington Mutual from the FDIC in September 2008, the Firm resolved and/or limited certain current and future repurchase demands for loans sold to the GSEs by Washington Mutual, although it remains the Firm's position that such obligations remain with the FDIC receivership. For additional information regarding loans sold to the GSEs, see Repurchase liability on pages 98–101 of JPMorgan Chase's 2010 Annual Report.

The Firm also sells loans in securitization transactions with Ginnie Mae; these loans are typically insured or guaranteed by a government agency. The Firm, in its role as servicer, may elect, but is not required, to repurchase delinquent loans securitized by Ginnie Mae, including those that have been sold back to Ginnie Mae subsequent to modification. Amounts due under the terms of these repurchased loans continue to be insured and the reimbursement of insured amounts is proceeding normally. Accordingly, the Firm has not recorded any repurchase liability related to these loans.

From 2005 to 2008, the Firm and certain acquired entities made certain loan level representations and warranties in connection with approximately \$450 billion of residential mortgage loans that were sold or deposited into private-label securitizations. Of the \$450 billion originally sold or deposited (including \$165 billion by Washington Mutual, as to which the Firm maintains that certain of the repurchase obligations remain with the FDIC receivership), approximately \$187 billion of principal has been repaid (including \$69 billion related to Washington Mutual). In addition, approximately \$94 billion of the principal amount of loans has been liquidated (including \$34 billion related to Washington Mutual), with an average loss severity of 58%. The remaining outstanding principal balance of these loans (including Washington Mutual) was, as of September 30, 2011, approximately \$169 billion of which \$59 billion was 60 days or more past due. The remaining outstanding principal balance of loans related to Washington Mutual was approximately \$62 billion, of which \$22 billion were 60 days or more past due. For additional information regarding loans sold to private investors, see Repurchase liability on pages 98–101 of JPMorgan Chase's 2010 Annual Report.

To date, although there have been generalized allegations that the Firm should repurchase loans sold or deposited into private-label securitizations, loan-level repurchase demands in private-label securitizations have been limited. As a result, the Firm's repurchase reserve primarily relates to loan sales to the GSEs and is predominantly calculated based on the Firm's repurchase activity experience with the GSEs. While it is possible that the volume of repurchase demands from trustees or trustees directed by investors in private-label securitizations will increase in the future and that trustees or investors will pursue generalized allegations relating to a substantial portion of the Firm's private-label securitizations, the Firm cannot offer a reasonable estimate of those future demands based on historical experience to date. To the extent that repurchase demands are received related to loans that the Firm purchased from third parties that remain viable, the Firm typically will have the right to seek a recovery of related repurchase losses from the related third party. Claims related to private-label securitizations (including claims from insurers that have guaranteed certain obligations of the securitization trusts) have, thus far, generally manifested themselves through securities-related litigation. The Firm does not consider these claims in estimating its repurchase liability; rather, the Firm separately evaluates such exposures in establishing its litigation reserves. For additional information regarding litigation, see Note 23 on pages 181–189 of this Form 10-Q.

Estimated Mortgage Repurchase Liability

To estimate the Firm's repurchase liability arising from breaches of representations and warranties, the Firm considers:

- (i) the level of outstanding unresolved repurchase demands,
estimated probable future repurchase demands considering information about file requests, delinquent and
- (ii) liquidated loans, resolved and unresolved mortgage insurance rescission notices and the Firm's historical experience,
- (iii) the potential ability of the Firm 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) the Firm'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, the Firm has recognized a repurchase liability of \$3.6 billion and \$3.3 billion as of September 30, 2011, and December 31, 2010, respectively. For further discussion of the repurchase demand process and the approach used by the Firm to estimate the repurchase liability, see Repurchase liability on pages 98–101 of JPMorgan Chase's 2010 Annual Report.

The following table provides information about outstanding repurchase demands and unresolved mortgage insurance rescission notices, excluding those related to Washington Mutual, at each of the past five quarter-end dates.

Outstanding repurchase demands and unresolved mortgage insurance rescission notices by counterparty type ^(a)					
(in millions)	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010
GSEs and other	\$2,133	\$1,826	\$1,321	\$1,251	\$1,333
Mortgage insurers	1,112	1,093	1,240	1,121	1,007
Overlapping population ^(b)	(155)	(145)	(127)	(104)	(109)
Total	\$3,090	\$2,774	\$2,434	\$2,268	\$2,231

Periods prior to June 30, 2011, have been revised to include repurchase demands and mortgage insurance rescission notices related to certain loans sold or deposited into private-label securitizations. The Firm's outstanding repurchase demands are predominantly from the GSEs.

Because the GSEs may make repurchase demands based on mortgage insurance rescission notices that remain unresolved, certain loans may be subject to both an unresolved mortgage insurance rescission notice and an unresolved repurchase demand.

The following tables show the trend in repurchase demands and mortgage insurance rescission notices received by loan origination vintage, excluding those related to Washington Mutual, for the past five quarters. The Firm expects repurchase demands to remain at elevated levels or increase if there is a significant growth in private label repurchase demands.

Quarterly mortgage repurchase demands received by loan origination vintage^(a)

(in millions)	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010
Pre-2005	\$34	\$32	\$15	\$39	\$31
2005	200	57	45	73	67
2006	232	363	158	198	213
2007	602	510	381	539	537
2008	323	301	249	254	191
Post-2008	153	89	94	65	46
Total repurchase demands received	\$1,544	\$1,352	\$942	\$1,168	\$1,085

(a) Periods prior to June 30, 2011, have been revised to include repurchase demands related to certain loans sold or deposited into private-label securitizations.

Quarterly mortgage insurance rescission notices received by loan origination vintage^(a)

(in millions)	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010
Pre-2005	\$3	\$3	\$5	\$3	\$5
2005	15	24	32	9	7
2006	31	39	65	53	69
2007	63	72	144	142	134
2008	30	31	49	50	43
Post-2008	1	1	1	1	—
Total mortgage insurance rescissions received ^(b)	\$143	\$170	\$296	\$258	\$258

(a) Periods prior to June 30, 2011, have been revised to include mortgage insurance rescission notices related to certain loans sold or deposited into private-label securitizations.

(b) Mortgage insurance rescissions may ultimately result in a repurchase demand from the GSEs on a lagged basis.

This table includes mortgage insurance rescission notices for which the GSEs may also have issued a repurchase

demand.

Because the Firm has demonstrated an ability to cure certain types of defects more frequently than others (e.g., missing documents), trends in the types of defects identified as well as the Firm's historical data are considered in estimating the future cure rate. Since the beginning of 2010, the Firm's overall cure rate, excluding Washington Mutual, has been approximately 50%. Repurchases that have resulted from mortgage insurance rescissions are reflected in the Firm's overall cure rate. While the actual cure rate may vary from quarter to quarter, the Firm expects that the overall cure rate will remain in the 40-50% range for the foreseeable future.

The Firm has not observed a direct relationship between the type of defect that causes the breach of representations and warranties and the severity of the realized loss. Therefore, the loss severity assumption is estimated using the Firm's historical experience and projections regarding home price appreciation. Actual principal loss severities on finalized repurchases and "make-whole" settlements to date, excluding Washington Mutual, currently average approximately 50%, but may vary from quarter to quarter based on the characteristics of the underlying loans and changes in home prices.

When a loan was originated by a third-party correspondent, the Firm typically has the right to seek a recovery of related repurchase losses from the correspondent originator. Correspondent-originated loans comprise approximately 60% of loans underlying outstanding repurchase demands, excluding those related to Washington Mutual. The actual third-party recovery rate may vary from quarter to quarter based upon the underlying mix of correspondents (e.g., active, inactive, out-of-business originators) from

which recoveries are being sought.

The Firm has entered into agreements with two mortgage insurers to resolve their claims on certain portfolios for which the Firm is a servicer. These two agreements cover and have resolved approximately one-third of the Firm's total mortgage insurance rescission risk exposure, both in terms of the unpaid principal balance of serviced loans covered by mortgage insurance and the amount of mortgage insurance coverage. The impact of these agreements is reflected in the repurchase liability and the disclosed outstanding mortgage insurance rescission notices as of September 30, 2011. The Firm has considered its remaining unresolved mortgage insurance rescission risk exposure in estimating the repurchase liability as of September 30, 2011.

Substantially all of the estimates and assumptions underlying the Firm's established methodology for computing its recorded repurchase liability – including the amount of probable future demands from purchasers, trustees or investors (which is in part based on historical experience), the ability of the Firm 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 repurchase liability is further complicated by historical data that is not necessarily indicative of future expectations and uncertainty surrounding numerous external factors, including: (i) economic factors (for example, further declines in home prices and changes in borrower behavior may lead to increases in the number of defaults, the severity of losses, or both), 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 the Firm uses the best information available to it in estimating its repurchase liability, the estimation process is inherently uncertain, imprecise and potentially volatile as additional information is obtained and external factors continue to evolve.

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

Summary of changes in mortgage repurchase liability

	Three months ended September 30,		Nine months ended September 30,	
(in millions)	2011	2010	2011	2010
Repurchase liability at beginning of period	\$3,631	\$2,332	\$3,285	\$1,705
Realized losses ^(a)	(329)	(489)	(801)	(1,052)
Provision for repurchase losses	314	1,464	1,132	2,654
Repurchase liability at end of period	\$3,616	\$3,307	\$3,616	\$3,307

Includes principal losses and accrued interest on repurchased loans, "make-whole" settlements, settlements with claimants, and certain related expenses. Make-whole settlements were \$162 million and \$225 million for the three months ended September 30, 2011 and 2010, respectively, and \$403 million and \$480 million for the nine months ended September 30, 2011 and 2010, respectively.

The following table summarizes the total unpaid principal balance of repurchases during the periods indicated.

Unpaid principal balance of mortgage loan repurchases^(a)

	Three months ended September 30,		Nine months ended September 30,	
(in millions)	2011	2010	2011	2010
Ginnie Mae ^(b)	\$1,558	\$2,064	\$4,271	\$7,304
GSEs and other ^{(c)(d)}	385	452	848	1,267
Total	\$1,943	\$2,516	\$5,119	\$8,571

This table includes (i) repurchases of mortgage loans due to breaches of representations and warranties, and (ii) loans repurchased from Ginnie Mae loan pools or packages as described in (b) below. This table excludes transactions with mortgage insurers. While the rescission of mortgage insurance may ultimately trigger a repurchase demand, the mortgage insurers themselves do not present repurchase demands to the Firm.

(b) In substantially all cases, these repurchases represent the Firm's voluntary repurchase of certain delinquent loans from loan pools or packages as permitted by Ginnie Mae guidelines (i.e., they do not result from repurchase demands due to breaches of representations and warranties). The Firm typically elects to repurchase these delinquent loans as it continues to service them and/or manage the foreclosure process in accordance with

applicable requirements of Ginnie Mae, the Federal Housing Administration (“FHA”), Rural Housing Services (“RHS”) and/or the U.S. Department of Veterans Affairs (“VA”).

(c) Predominantly all of the repurchases related to demands by GSEs.

(d) Nonaccrual loans held-for-investment included \$415 million and \$354 million at September 30, 2011, and December 31, 2010, respectively, of loans repurchased as a result of breaches of representations and warranties.

CAPITAL MANAGEMENT

The following discussion of JPMorgan Chase's capital management highlights developments since December 31, 2010, and should be read in conjunction with Capital Management on pages 102–106 of JPMorgan Chase's 2010 Annual Report.

The Firm's capital management objectives are to hold capital sufficient to:

- Cover all material risks underlying the Firm's business activities;
- Maintain "well-capitalized" status under regulatory requirements;
- Achieve debt rating targets;
- Retain flexibility to take advantage of future investment opportunities; and
- Build and invest in businesses, even in a highly stressed environment.

Regulatory capital

The Federal Reserve establishes capital requirements, including well-capitalized standards, for the consolidated financial holding company. The Office of the Comptroller of the Currency ("OCC") establishes similar capital requirements and standards for the Firm's national banks, including JPMorgan Chase Bank, N.A. and Chase Bank USA, N.A. As of September 30, 2011, and December 31, 2010, JPMorgan Chase and all of its banking subsidiaries were well-capitalized and met all capital requirements to which each was subject.

The following table presents the regulatory capital, assets and risk-based capital ratios for JPMorgan Chase and its significant banking subsidiaries at September 30, 2011, and December 31, 2010. These amounts are determined in accordance with regulations issued by the Federal Reserve and/or OCC.

	JPMorgan Chase & Co. ⁽ⁱ⁾		JPMorgan Chase Bank, N.A. ⁽ⁱ⁾		Chase Bank USA, N.A. ⁽ⁱ⁾		Well-capitalized ratios ^(j)	Minimum capital ratios ^(j)
	Sep. 30, 2011	Dec. 31, 2010	Sep. 30, 2011	Dec. 31, 2010	Sep. 30, 2011	Dec. 31, 2010		
(in millions, except ratios)								
Regulatory capital								
Tier 1 ^(a)	\$147,823	\$142,450	\$95,890	\$91,764	\$12,096	\$12,966		
Total	186,510	182,216	133,405	130,444	15,596	16,659		
Tier 1 common ^(b)	120,234	114,763	95,113	90,981	12,096	12,966		

Assets