JPMORGAN CHASE & CO.

Frank Bisignano, Co-Chief Operating Officer JPMorgan Chase and Chief Executive Officer Mortgage Banking

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BancAnalysts Association of Boston Conference

JPMORGAN CHASE & CO.

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Mortgage Banking: Positioned for success in 2012

Performance

- YTD 3Q12 net income of $2.9B vs. YTD 3Q11 net loss of $1.9B
- Originations at near record levels – positioned for growth
- Servicing expense improved ~$750mm YTD 3Q12 versus YTD 3Q11
- Housing market turned with positive asset quality trends

Customers

- Earned highest rating among large servicers[1] – up 7 spots to 4th overall
- Customer complaint inventories down 91% since May 2011 peak
- Default customer satisfaction 16 percentage points higher than May 2011 low

Controls

- Enhanced compliance, risk and control infrastructure
- DOJ settlement: on track to meet obligations well within the 3-year timeframe
  - $2.9B of $4.2B DOJ menu credits completed[2]
  - All 320 servicing standards implemented by October 2012
- Consent order servicing requirements implemented

People

- Continue to leverage firmwide expertise from Investment Bank, CIO and Consumer businesses to drive improvements
- Number of mortgage bankers up 1,500, or 47%, from 1Q11 due to focused hiring and improved attrition
- Enhanced culture of quality and control

Technology

- Technology and process re-design investments are yielding results
  - Consolidated 3 servicing platforms into 1
  - Re-engineered modification process end-to-end

[1] In J.D. Power Servicer Satisfaction Survey
[2] To be validated by the Office of Mortgage Settlement Oversight (OMSO)

2012 Results

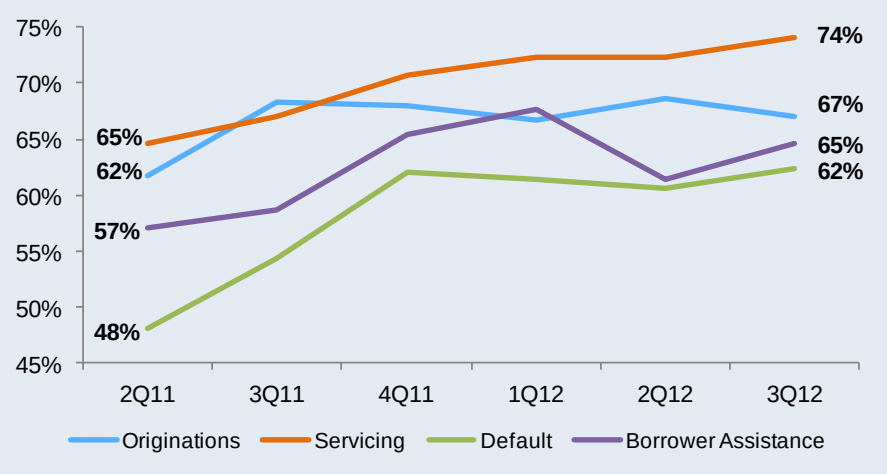
P&L ($mm)	2010 Actuals	2011 Actuals	YTD 3Q11	YTD 3Q12
Production pretax	($216)	$993	$832	$2,762
Servicing pretax	1,191	(3,797)	(3,211)	(254)
Real Estate Portfolios pretax	(4,311)	(504)	(486)	2,136
Total net income	($1,924)	($2,138)	($1,869)	$2,923

Key drivers ($B, except ratios)	2010 Actuals	2011 Actuals	YTD 3Q11	YTD 3Q12
Total origination market size	$1,630.0	$1,350.0	$950.0	$1,220.0
Chase mortgage loan originations	155.6	145.6	107.0	129.6
Chase Retail channel originations	68.8	87.2	64.1	75.0
Chase Correspondent channel originations	85.5	57.9	42.5	54.4
REP NCI owned portfolio (EOP)	150.3	132.5	136.5	120.3
REP LLR/annualized net charge-offs (EOP)	136%	249%	270%	234%[1]

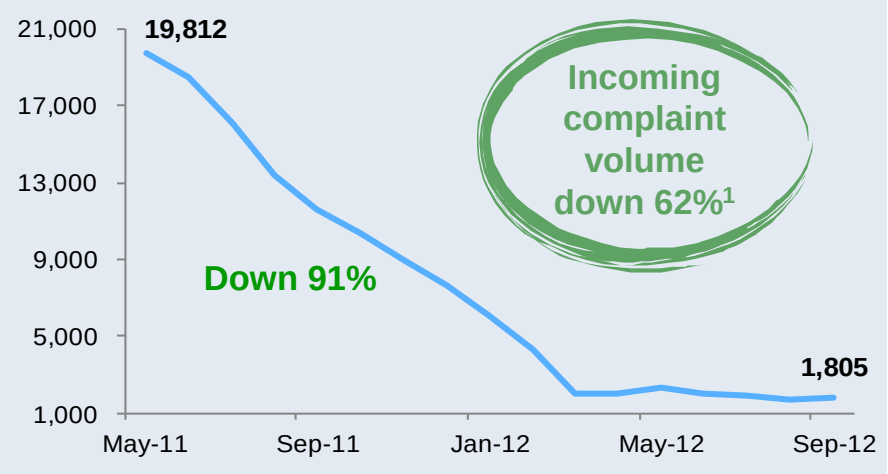
[1] Annualized net charge-offs for YTD 3Q12 exclude $825mm of incremental charge-offs taken in 3Q12 in accordance with regulatory guidance requiring loans discharged under Chapter 7 bankruptcy and not reaffirmed by the borrower ("Chapter 7 loans") to be charged off to their net realizable value of the collateral and to be placed on nonaccrual, regardless of their delinquency status

Positioned for success: Consistent improvement in customer satisfaction

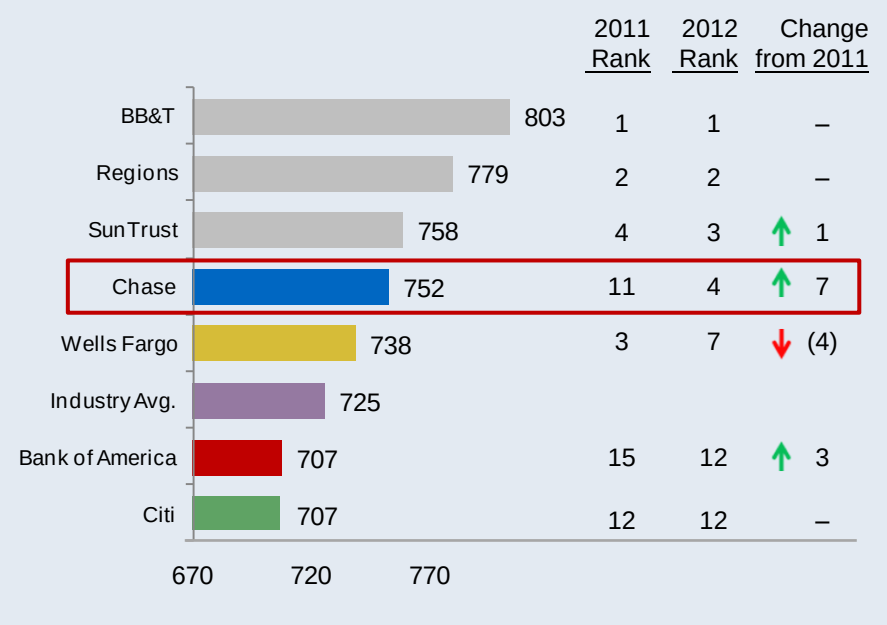
Customer satisfaction trends



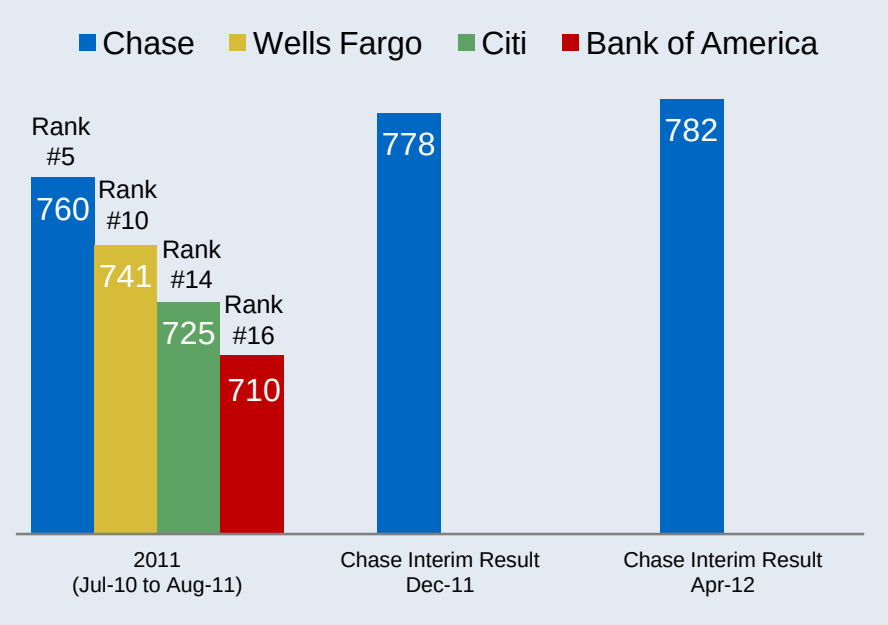
Customer complaint inventory



J.D. Power Mortgage Servicer Survey – Satisfaction index



J.D. Power Mortgage Origination Survey – Satisfaction index



[1] Incoming complaint volume decrease from peak in March 2011 to September 2012

2012 Ongoing vs. Legacy view: Ongoing business profitable

Mortgage Banking ($mm)	2012 Performance scenario[1]			
	Ongoing	Legacy	Total	Normalized
Production				
Pretax income	$4,099	($250)	$3,849	$1,500 +/-
Servicing				
Servicing operating pretax	265	(1,302)	(1,037)	
MSR risk management	724	0	724	
Total pretax income	$989	($1,302)	($313)	$1,000 +/-
Real Estate Portfolios[2]				
Pretax pre-provision	533	1,997	2,530	
Credit costs	154	215	369	
Total pretax income	$379	$1,782	$2,161	$500-$1,000
Total Mortgage Banking pretax income	$5,467	$230	$5,697	$3,000-$3,500
Mortgage Banking net income	$3,315	$247	$3,562	$1,800-$2,100

- Margin compression
- Market share growth

- Expense improvements
- Lower delinquencies
- Portfolio growth

- Credit stabilizing
- Portfolio run-off

[1] 2012 performance scenario assumes 4Q12 equal to 3Q12 actual, less $825mm of incremental charge-offs of Chapter 7 loans, $900mm release of reserves and $100mm expense for foreclosure-related matters

[2] Legacy portfolio includes WaMu purchased credit-impaired loans, discontinued products, and certain prime loans with estimated current LTVs greater than 80% as of January 2010. Ongoing portfolio end-of-period loan balance is $35B and legacy portfolio end-of-period loan balance is $146B

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Chase Origination market analysis and strategy

Origination market analysis

- Record profitability in Originations due to record low rates, limited industry capacity and strong MBS demand
- Market size not driving profitability

Originations strategy

Capture the customer

- Increase Mortgage Banker sales force in branches
- Capture Chase Private Client mortgage opportunity
- Capture customers in initial stage of search process
- Build Realtor relationships to drive purchase volume
- Leverage Correspondent channel for new relationships

Deliver superior customer service

- Shorten cycle times
- Relentlessly focus on improving key drivers of satisfaction
- Properly set customer expectations, deliver constant process updates and enable customer feedback
- Offer the right products

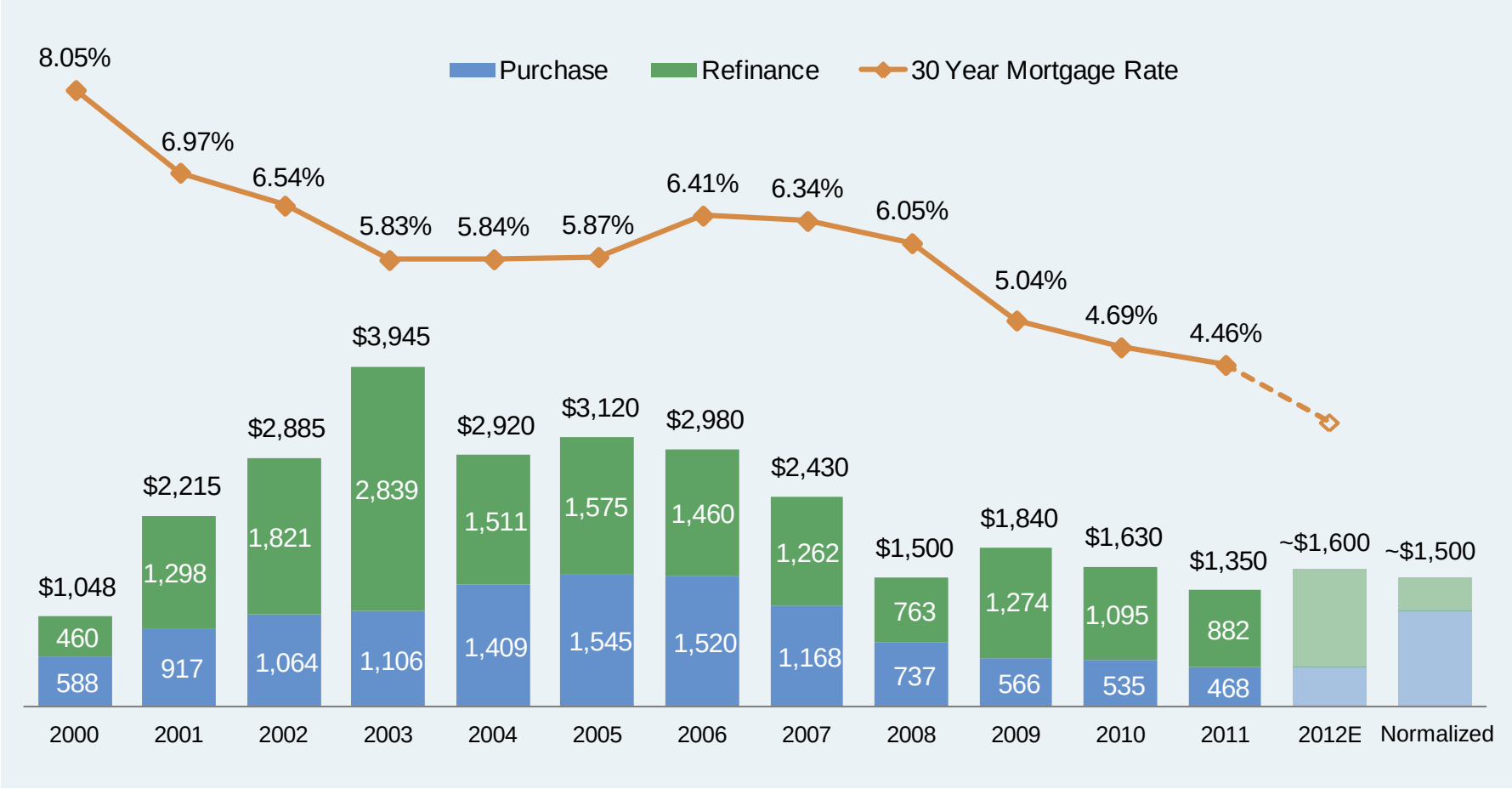
Provide great service at a low cost

- Improve operations efficiency and scalability through Mortgage Express – our new loan origination system to be rolled out in phases in 2013 and 2014
- Continue to drive high sales productivity

We remain optimistic about our ability to generate good returns after the refinance boom has ended

The Mortgage origination market, both purchase and refinance, has contracted

Mortgage rate and market size, 2000 – 2011, 2012 projected & future "normalized" ($B)

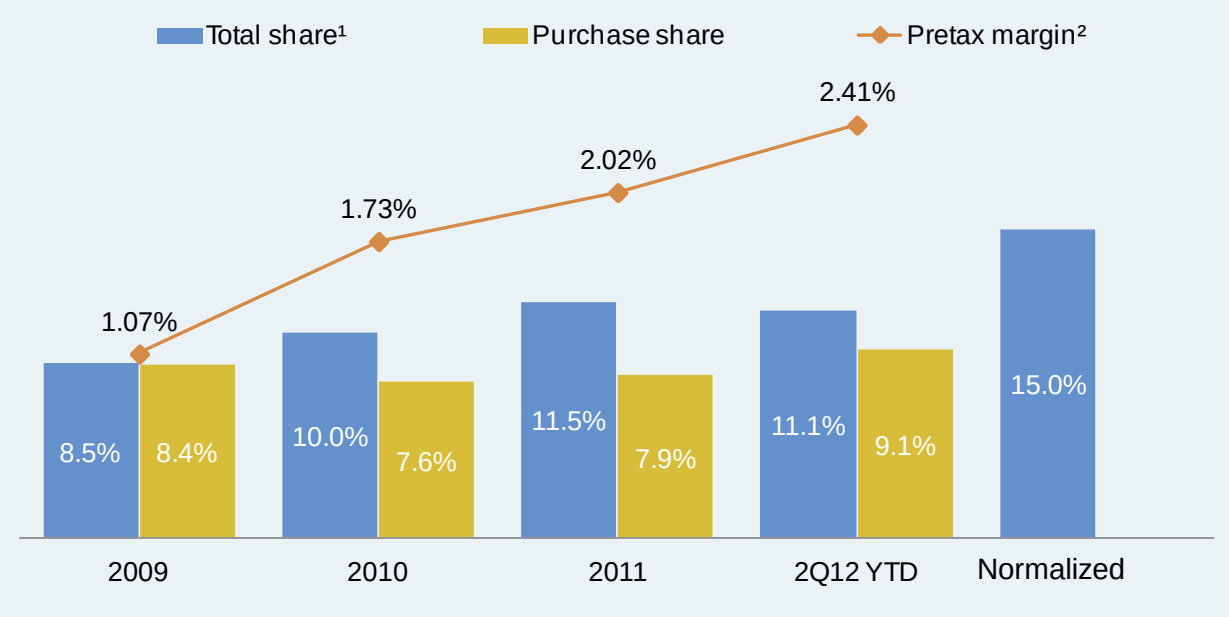


Source: Inside Mortgage Finance; Freddie Mac; Chase estimates

- 2011 purchase market was the smallest since 1999
- 2011 refinance market was in line with 2008; at the lowest level since 2000

Attractive production returns even as margins normalize

Share of total market[1] and total production pretax margin[2]



Normalized pretax income	**$1.5B +/-**
Normalized pretax margin	**65bps +/-**

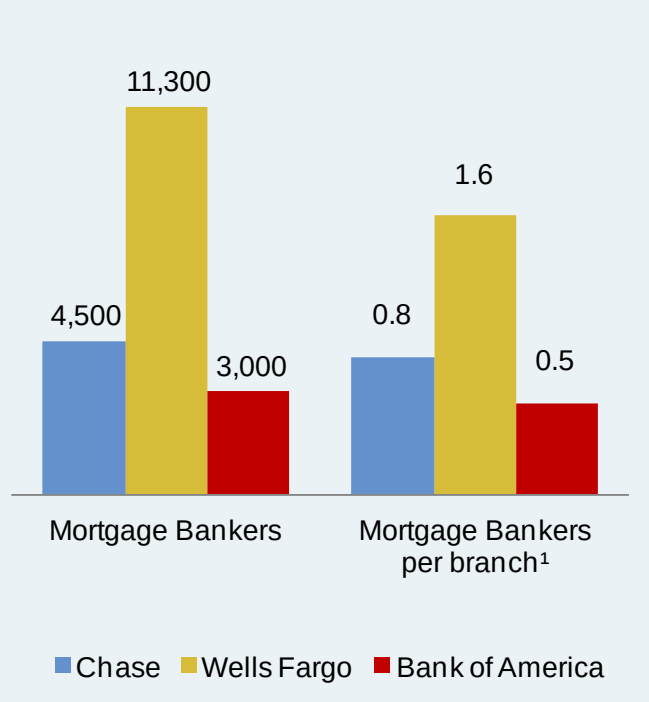
Source: Inside Mortgage Finance
[1] Originations are firmwide
[2] Pretax margin excludes repurchase losses and Home Equity and JPM Private Bank originations

Commentary

- Margins expected to compress from these levels
  - Industry capacity expanding – both existing competitors and new entrants
  - GSE guarantee fees continue to increase as expected
  - Lower demand as refinance population is exhausted and rates rise
  - Higher capital requirements

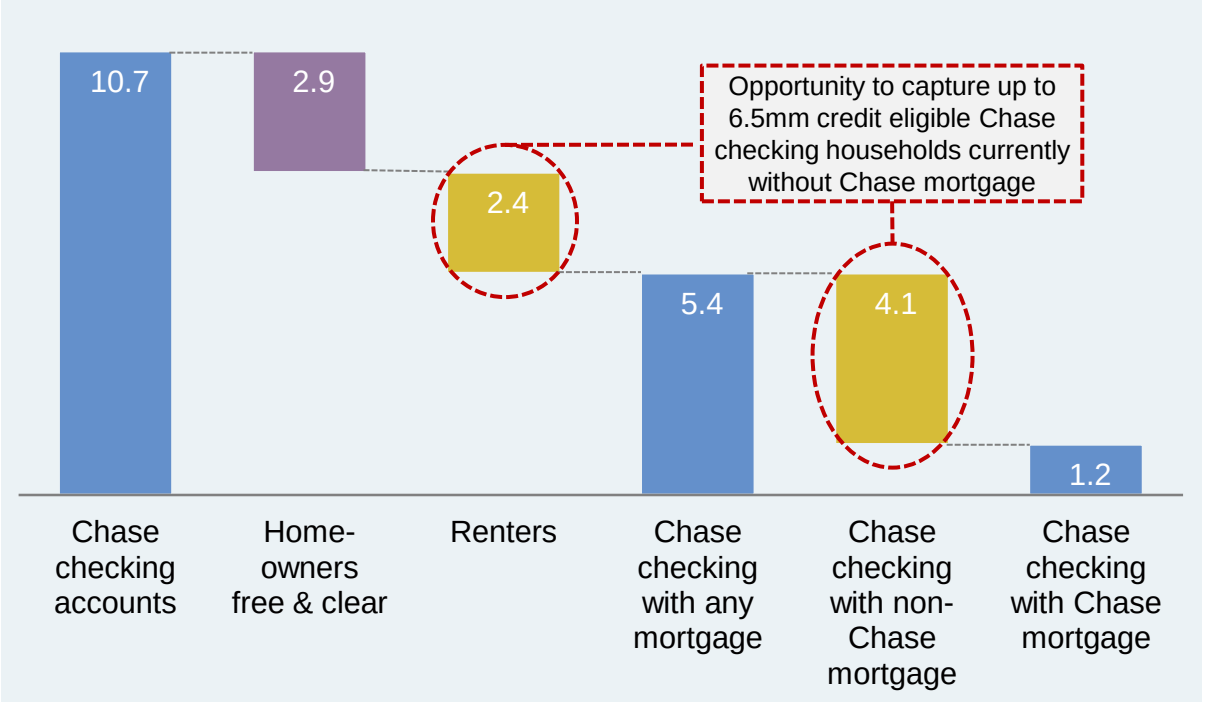
Ample opportunities to drive profitable share growth in our branches, even in a declining refinance market

2Q12 mortgage bankers vs. branches



Source: Public filings
[1] EOP; Wells Fargo includes bank branches and mortgage stores

Chase in-the-money & credit eligible[1] checking households as of Aug. 2012 (mm)



[1] In-the-money defined as eligible for refinance at 3.5% into a product with offer rate 50 bps lower than the current loan mortgage rate; credit eligible defined as meets FICO and LTV requirements with no bankruptcy or foreclosure history

- Recent origination focus has been on opportunity in our serviced book (e.g., HARP)
- Growing retail sales force; on track to add ~1,000 Mortgage Bankers in 2012
- Ample runway to increase sales force size to reach competitors' penetration levels

Capturing Chase Private Client mortgage opportunity

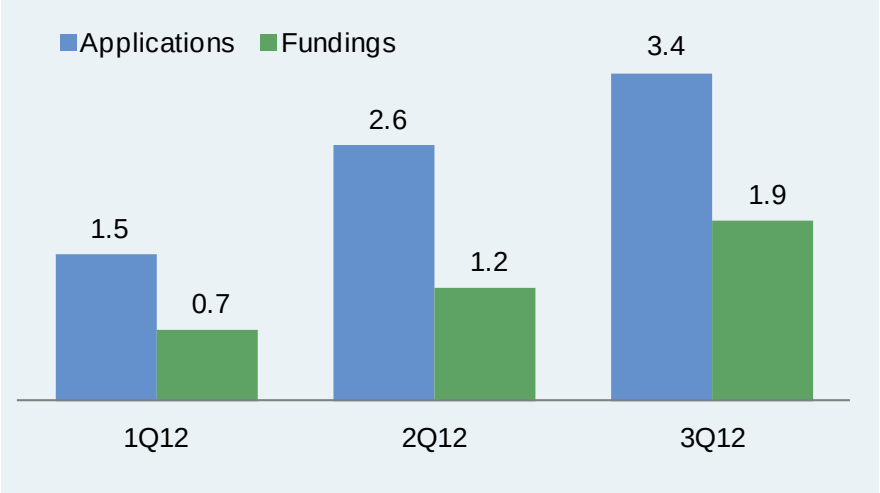
Opportunity

- Chase Private Client has grown from 16 branch locations in 2010 to 1,000 as of Oct. 2012
  - CPC clients increased from 700 to over 63,000
- Applications over 1,000 per month
- Mortgage has a unique value proposition with
  - Hand-picked Mortgage Bankers
  - Special processing and underwriting queues
  - Closing cost discounts
  - Expanded credit guidelines and higher servicing standards

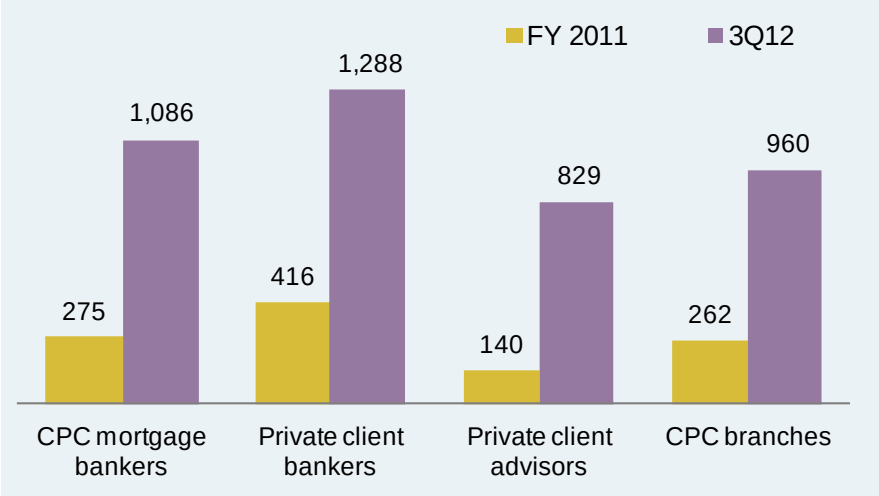
CPC and Retail channel client comparison (as of Aug. 2012)

	CPC	Retail
Avg. deposit & investment balance	$650k	$18k
% with mortgage	17%	8%
Avg. mortgage loan size YTD	$473k	$206k
% with Jumbo loan	35%	4%

CPC volume (units in 000's)



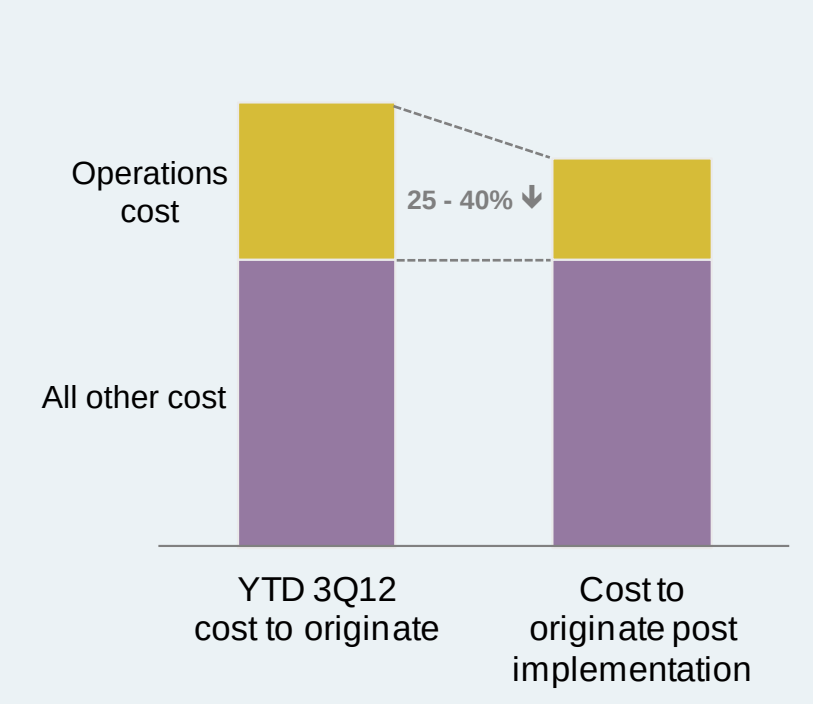
Key metrics (as of Sept. 2012)



Increasing operations effectiveness, service and efficiency

Production operations headcount

Retail channel cost to originate



- Grew operations staff ~50% through September to increase ability to handle refinance volume
  - Below-average productivity in the near-term as new staff becomes seasoned
- New mortgage origination technology platform and process will be rolled out in phases in 2013 and 2014
- Changes will improve ability to rapidly increase or decrease originations capacity

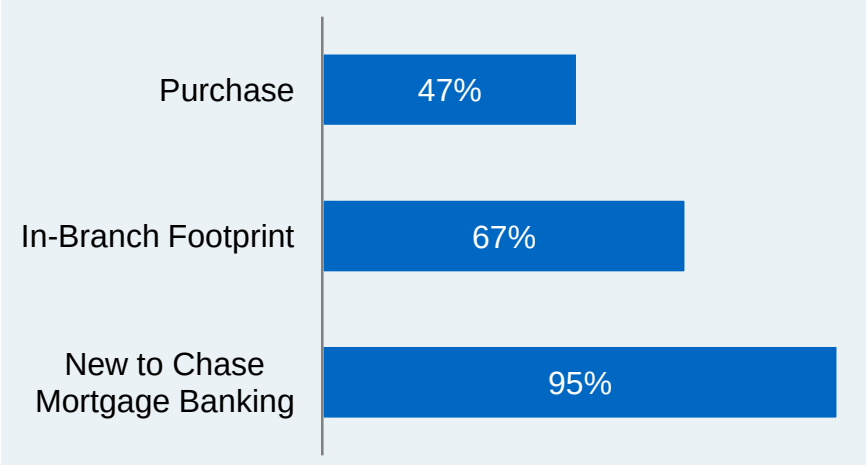
Capturing and recapturing new customers in Chase Correspondent

Correspondent origination business

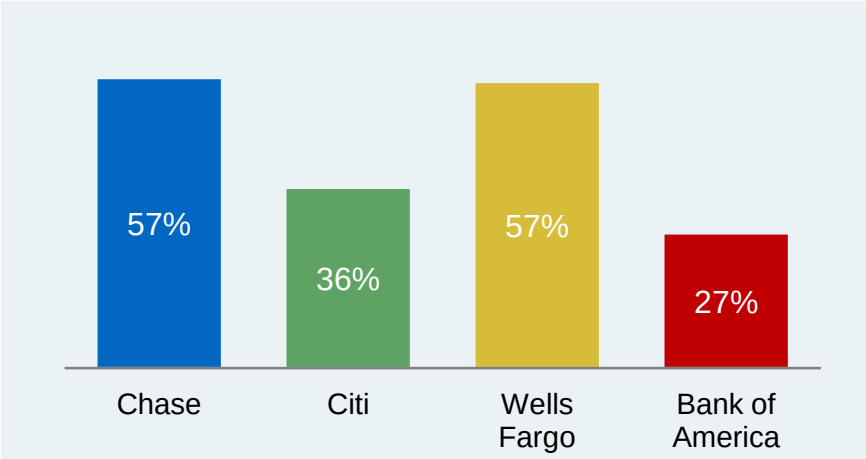
- Strong stand-alone profitability and generator of good-yielding servicing assets
- Good credit performance and high quality standards
- #2 share in concentrated market
- Cross-sell opportunities to an attractive client base; Chase Correspondent deposit customers[1] have:
  - 3x deposit balances
  - 2x more likely to have Chase home equity or auto loans
  - 41% more likely to be affluent
  - 15% more likely to have Chase credit cards
- Good recapture rate leading to strong future refinance opportunity

[1] As compared to all Chase deposit customers

Key Correspondent origination stats – August 2012 YTD



Percentage of mortgage payoffs recaptured by same lender in footprint (2Q11 through 2Q12)



Source: County courthouse recordings
Note: These recapture rates are limited to loans recorded at the county courthouse funded by specific lender brand (primarily direct originations, but also includes broker when applicable)

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Improving servicing profitability

Normalizing costs

- Achieving short-term run rate savings
  - Delinquent accounts decreasing
  - Modification inventory reduced through borrower assistance initiatives and default resolutions
- Expect servicing expense to normalize over time
- Managing legal and regulatory challenges that remain

Servicing strategies

- Focused on growing our performing servicing portfolio, where we are a low cost servicer and can utilize platform economies of scale
- Considering the sale (or subservicing) of high risk and non-performing segments, where we can leverage cost advantages and capacity of third party specialty servicers

Controls

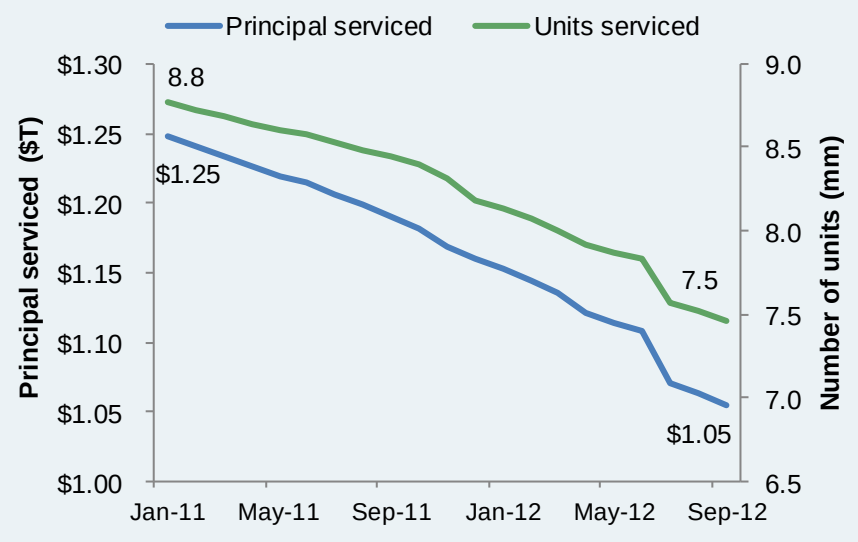
- Servicing standards required by the DOJ/AG settlement have been implemented
- Established a sustainable controls framework

Customer satisfaction

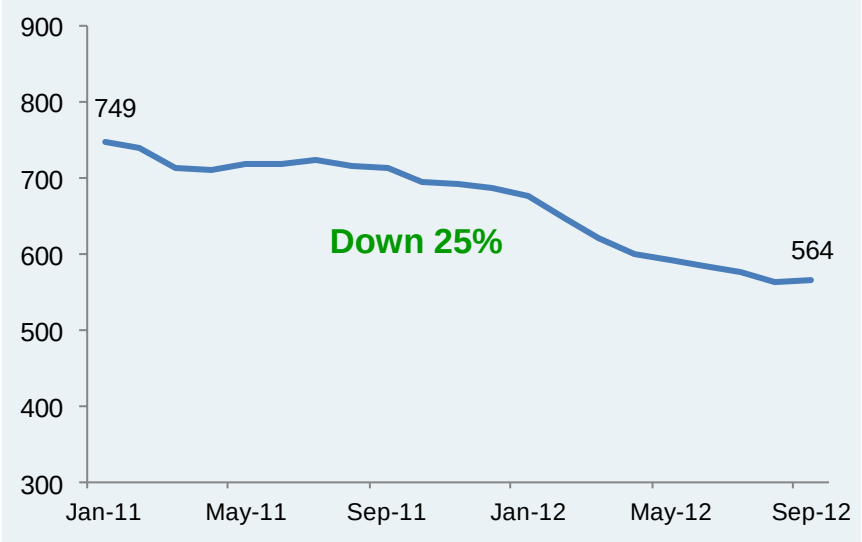
- Servicing customer satisfaction improved 9 percentage points since 2Q11 to 74%; default scores improved 14 percentage points over same period to 62%
- Deployed advanced voice technology for early escalation of customer issues

Positioning for success: Servicing performance

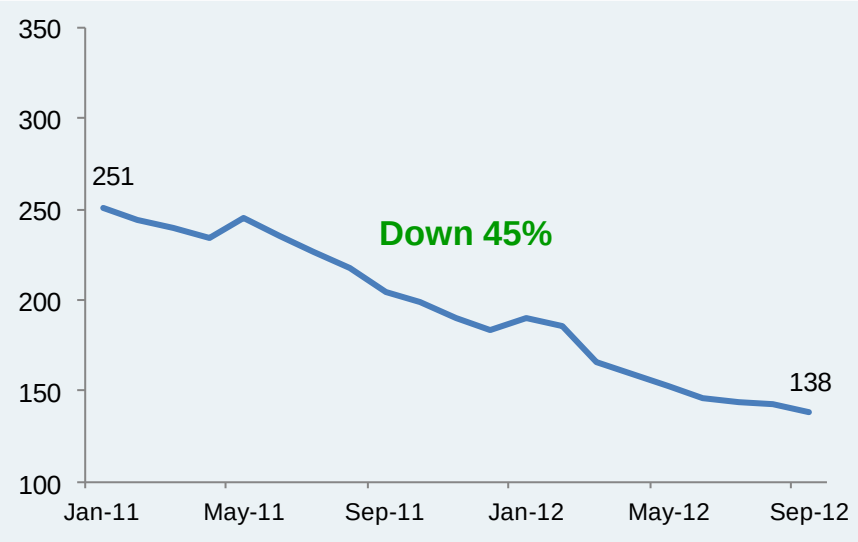
Serviced portfolio



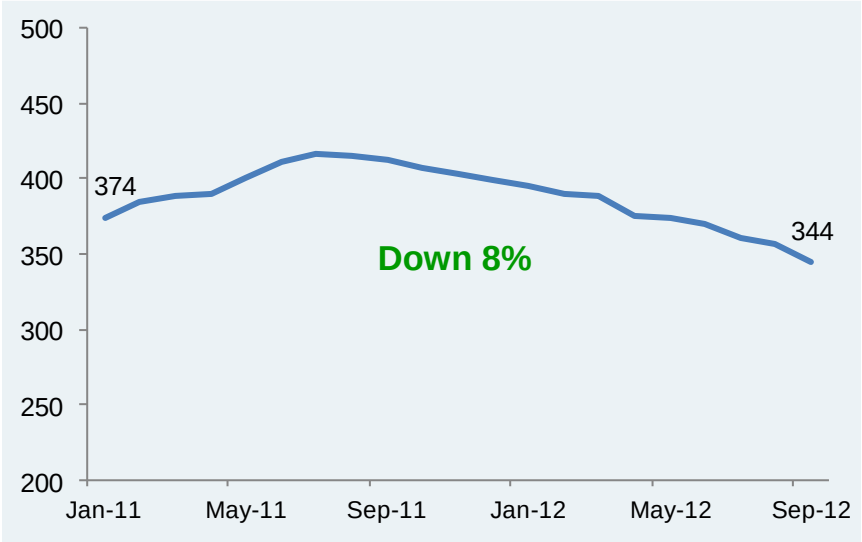
30+ inventory (in 000's)



Modification inventory (in 000's)

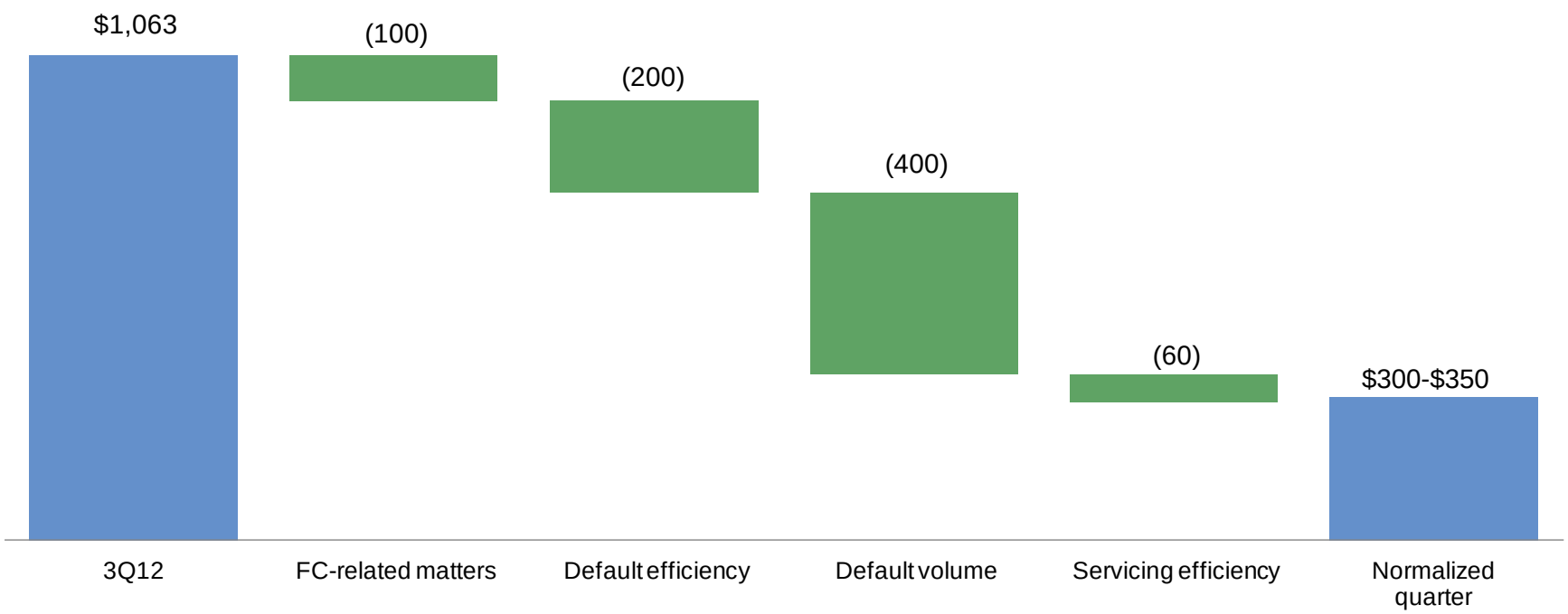


Foreclosure inventory (in 000's)



Normalizing servicing expense over time

Servicing and default expense ($mm)



Volume

- Loan portfolio stabilizes at 6.5-7.0mm units (3rd Party)
- 30+ delinquencies decline by 60% to steady state of ~200k units
- Modification pipeline materially reduced

Efficiencies

- Process improvements and technology enhancements in core servicing and default
- Consolidated site strategy
- Foreclosure/IFR-related matters completed
- Lower legal costs and operational losses

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Real Estate Portfolios simulation

Real Estate Portfolios — Simulated ending loan balance run-off and net income ($mm)

	2010	2011	2012[1]	2013	2014	2015
Ending loan balances ($B)	$223	$198	$177	$163	$153	$145
Ongoing ($B)	*37*	*36*	*37*	*43*	*49*	*55*
Legacy[2] ($B)	*186*	*162*	*140*	*120*	*104*	*90*
Revenue	$5,547	$4,592	$4,133	$3,400	$3,000	$2,700
Net charge-offs	6,450	3,805	3,500 +/-	2,000-3,000	1,500-2,500	750-1,500
Change in reserves	1,781	(230)	(3,150)			
Expense	1,627	1,521	1,603	1,400	1,200	1,100
Pretax net income/(loss)	**($4,311)**	**($504)**	**$2,180**	**($1,000)-$0**	**($700)-$300**	**$100-$850**

Commentary

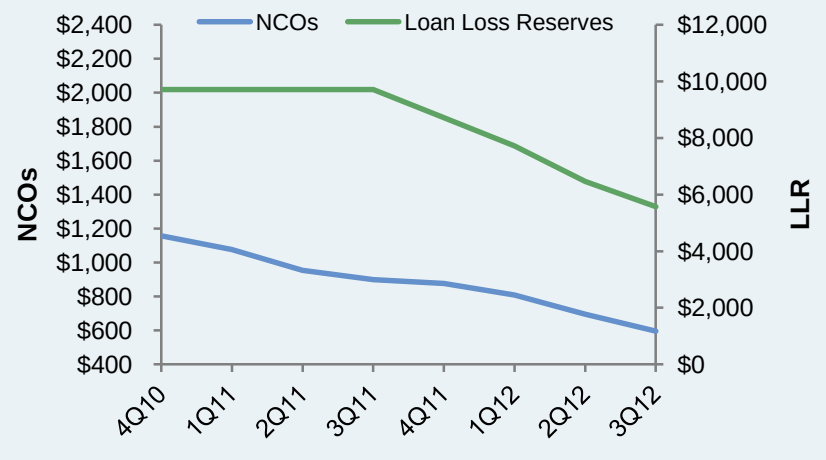
- Simulation assumes provision for credit losses equals net charge-offs; other reserve actions not simulated
- Although NII will decline as portfolio runs down, expense and credit losses will also decline
  - As a result, the net losses today will become a modest positive contribution to earnings over time

[1] Assumptions for 4Q12: Revenue and expense flat to 3Q12; net charge-offs in line with $600mm +/- guidance; no reserve actions simulated
[2] Legacy portfolio includes WaMu purchased credit-impaired loans, discontinued products, and certain prime loans with estimated current LTVs greater than 80% as of January 2010

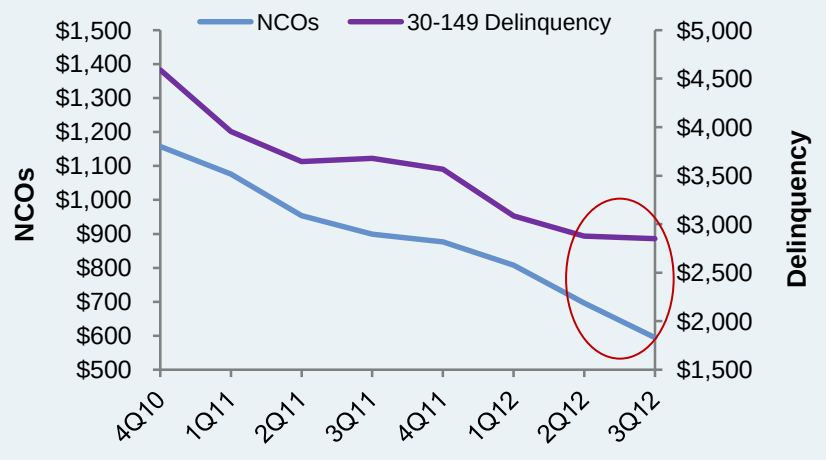
Credit update

Non-credit-impaired (NCI)

Net charge-offs[1] vs. loan loss reserve ($mm), excl. PCI



Net charge-offs[1] vs. 30-149 delinquencies ($mm), excl. PCI



- Total Mortgage Banking reserves of $5.6B (excluding WaMu purchased credit-impaired)
  - $3.2B reserve reduction since year-end
  - Reflects continued improvement in delinquencies and less uncertainty relating to future performance
  - Charge-offs declining faster than delinquencies as HPI improves and loss severities decline
- Total quarterly net charge-offs likely to be $600mm +/-

Purchased credit-impaired (PCI)

- Reserve and purchase accounting mark cover remaining lifetime losses
- Current reserve and mark reflect ~$34B of lifetime losses, of which $24B has been realized to-date

[1] 4Q10 net charge-offs exclude the one-time impact of the $632mm adjustment related to the timing of when the Firm recognized charge-offs on delinquent loans; 3Q12 net charge-offs exclude $825mm of Chapter 7 loans

Key themes addressed today

- Significant turn-around in financial performance
- Improved customer experience
- Control – meeting obligations with DOJ/AG and regulators
- Opportunities for growth in the Production business
- Servicing – normalizing costs, building efficiencies and growing portfolio
- Real Estate Portfolios – returning to profitability
- Our goal is to be the most efficient, profitable, and customer-centric mortgage business

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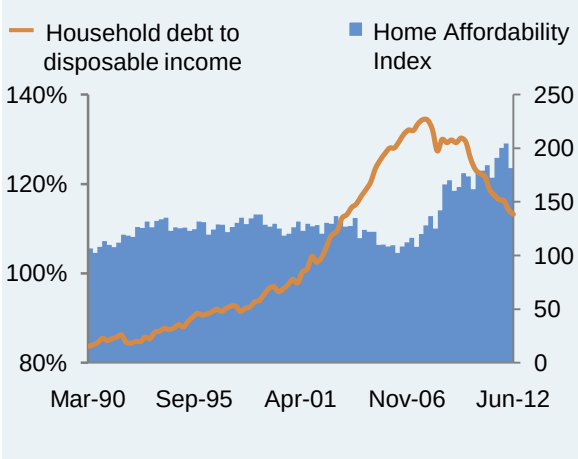
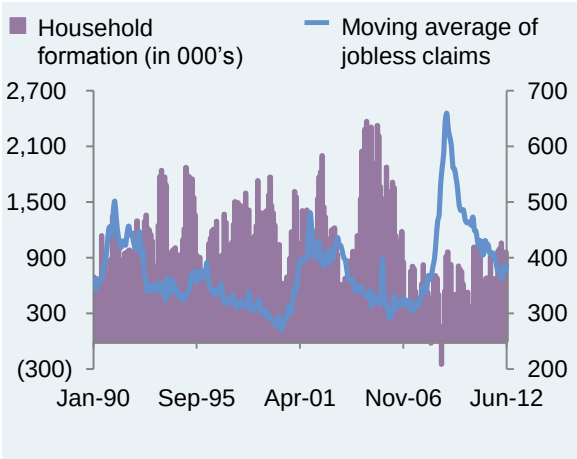
The housing market has turned

Capacity to purchase homes



Source: Bloomberg, Fed, BEA, JPMorgan

Pent-up demand

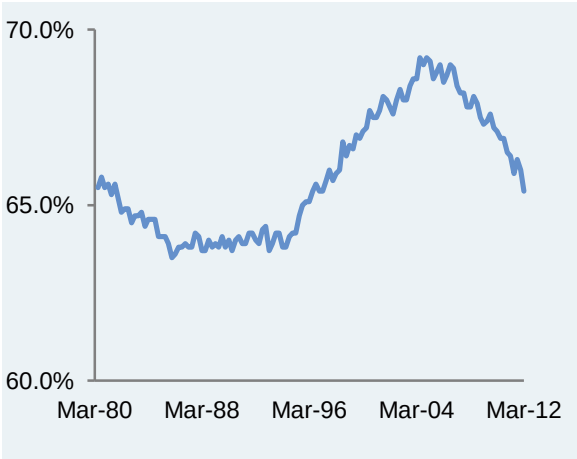


Source: Bloomberg, Census

U.S. housing starts (in 000's)

Source: National Association of Home Builders

Homeownership rate near historical lows



Source: Bloomberg

Commentary – Key indicators

Capacity to purchase

- Household debt to income down to 2003 levels
- Affordability at extremely high levels

Improving credit quality

- Loans with LTV ≥ 100% are at 22%[1], down from 25% YE2011
- Number of delinquent mortgages (30+ or in foreclosure) in the U.S. are at 11.6%[1], down from 12.6% YE2011

Supply and demand

- Pent-up demand: household formation at low levels compared to population growth. Improving unemployment should also drive demand
  - U.S. unemployment is at 7.8%[2], lowest level since January 2009, down from 10.0% at October 2009
- Supply: high household formation compared to housing starts
  - Homebuilder confidence improved to the highest level in 6 years and housing starts were at the highest level in 4 years

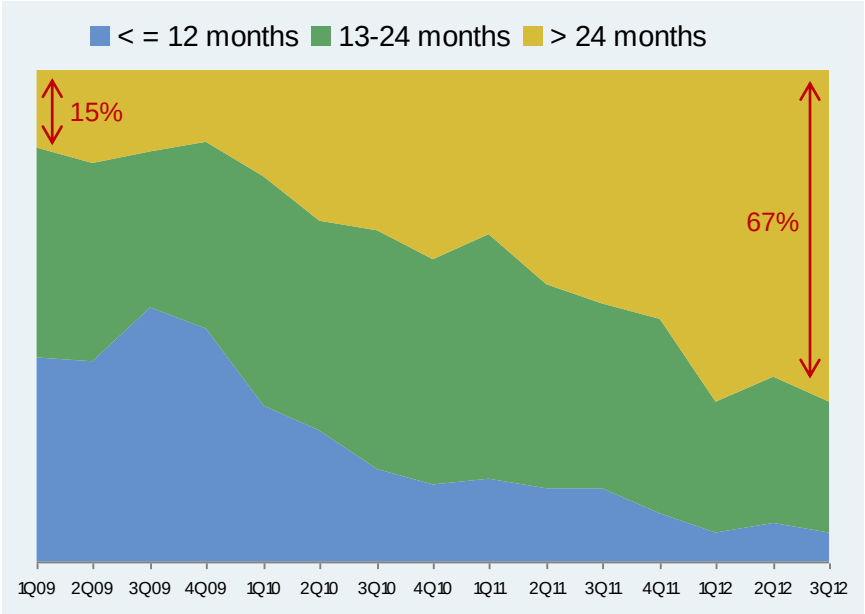
Homeownership near historical lows

- Declining homeownership rate; current rate returned to 1997 level

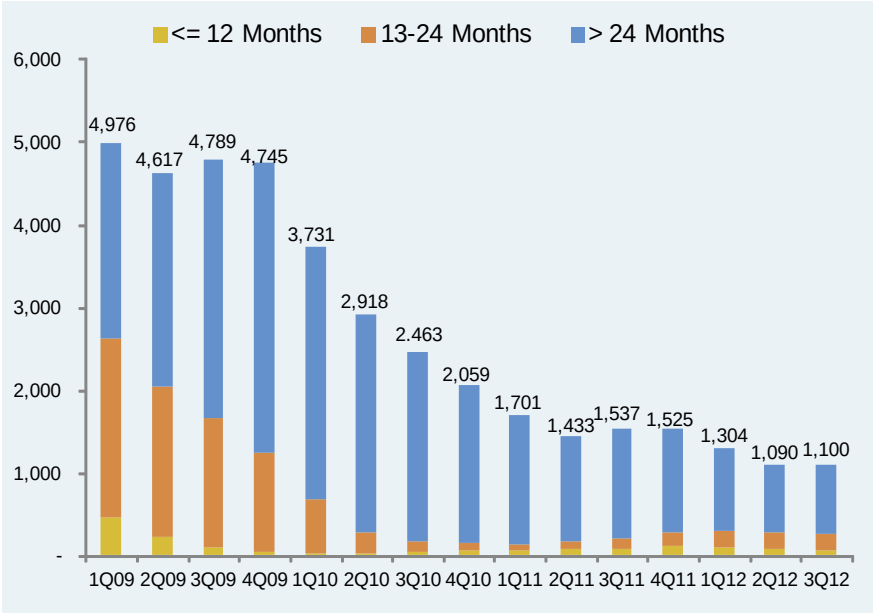
[1] Current data as of August 31, 2012
[2] As of September 30, 2012

3Q12 Repurchase update

GSE new demands by pay history
(Pre-2009 vintages, hChase)



GSE new loans to 90 days past due by burnout
(2005-2011 vintages, hChase, UPB $mm)



Commentary

- Reserves of $2.8B sufficient to cover approximately 3 years of 3Q12 annualized losses
- Loans going delinquent after 24 months of payment history are typically at a lower risk of repurchase
  - Cure rates[1] continue to be ~10-20 percentage points higher on loans with greater than 24 months pay history

[1] Ability to remedy purported defect

Forward-looking statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on the current beliefs and expectations of JPMorgan Chase & Co.'s management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. Factors that could cause JPMorgan Chase and Co.'s actual results to differ materially from those described in the forward-looking statements can be found in JPMorgan Chase & Co.'s Annual Report on Form 10-K for the year ended December 31, 2011, Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2012, and Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, which have been filed with the Securities and Exchange Commission and are available on JPMorgan Chase's website (http://investor.shareholder.com/jpmorganchase) and on the Securities and Exchange Commission's website (www.sec.gov). JPMorgan Chase & Co. does not undertake to update the forward-looking statements to reflect the impact of circumstances or events that may arise after the date of the forward-looking statements.