

Report Prepared On: 08/26/14

**Structured Product Details**

|                            |  |
|----------------------------|--|
| <b>Name</b>                | PLUS linked to Financial Select Sector SPDR Fund   |
| <b>Issue Size</b>          | \$6.98 million   |
| <b>Issue Price</b>         | \$10   |
| <b>Term</b>                | 13 Months  |
| <b>Annualized Coupon</b>   | 0.00%  |
| <b>Pricing Date</b>        | March 14, 2014   |
| <b>Issue Date</b>          | March 19, 2014   |
| <b>Valuation Date</b>      | April 14, 2015   |
| <b>Maturity Date</b>       | April 19, 2015   |
| <b>Issuer</b>              | JPMorgan   |
| <b>CDS Rate</b>            | 26.35 bps  |
| <b>Swap Rate</b>           | 0.55%  |
| <b>Reference Asset</b>     | Financial Select Sector SPDR Fund  |
| <b>Initial Level</b>       | \$21.80  |
| <b>Dividend Rate</b>       | 1.46%  |
| <b>Implied Volatility</b>  | 18.40%   |
| <b>Delta<sup>1</sup></b>   | 0.76   |
| <b>Fair Price at Issue</b> | \$9.62   |
| <b>CUSIP</b>               | 48127E593  |
| <b>SEC Link</b>            | <a href="http://www.sec.gov/Archives/edgar/data/19617/000095010314001930/dp44872_424b2-2264.htm">www.sec.gov/Archives/edgar/data/19617/000095010314001930/dp44872_424b2-2264.htm</a> |

**PLUS linked to Financial Select Sector SPDR Fund**

**Description**

JPMorgan issued \$6.98 million of PLUS linked to Financial Select Sector SPDR Fund on March 19, 2014 at \$10 per note.

These notes are JPMorgan-branded PLUS securities that do not pay periodic coupons, but instead pay a single amount at maturity depending on Financial Select Sector SPDR Fund's share price at maturity.

If Financial Select Sector SPDR Fund's share price on April 14, 2015 is higher than \$21.80, but lower than \$22.82, the notes pay a return equal to the percentage increase in Financial Select Sector SPDR Fund multiplied by 3.0. If on April 14, 2015 Financial Select Sector SPDR Fund's share price is above the \$22.82, the notes pay the maximum payout of \$11.40. If on April 14, 2015 Financial Select Sector SPDR Fund's share price is below \$21.80, investors receive the face value per note reduced by the percentage decline in the reference asset. The notes will pay nothing at maturity if the reference asset declines to zero.

**Valuation**

This note can be valued as a combination of a note from JPMorgan, a short at-the-money put option, three long at-the-money call options, and three short out-of-the-money call options. The short at-the-money put option exposes investors to any decline in Financial Select Sector SPDR Fund. The three short out-of-the-money call options has the strike price of \$22.82, and limits the maximum return of the notes beyond the cap level. For reasonable valuation inputs this note was worth \$9.62 when it was issued on March 19, 2014 because the value of the options investors gave JPMorgan plus the interest investors would have received on JPMorgan's straight debt was worth \$0.38 more than the call options investors received from JPMorgan.

There is no active secondary market for most structured products. Structured products, including this note, therefore are much less liquid than simple stocks, bonds, notes and mutual funds. Investors are likely to receive less than the structured product's estimated market value if they try to sell the structured product prior to maturity. Our valuations do not incorporate this relative lack of liquidity and therefore should be considered an upper bound on the value of the structured product.

**Related Research**

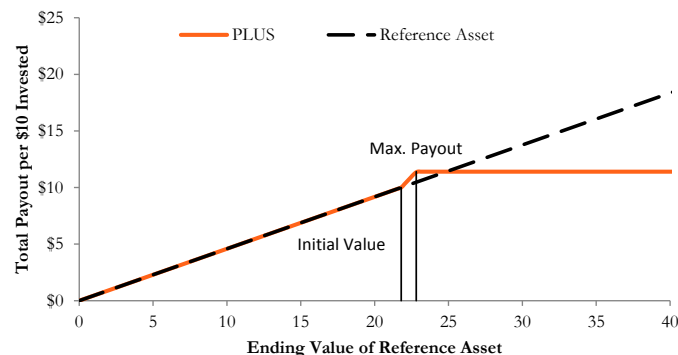
**Research Papers:**

[www.slcg.com/research.php](http://www.slcg.com/research.php)

- "Are Structured Products Suitable for Retail Investors?" December 2006.
- "Structured Products in the Aftermath of Lehman Brothers," November 2009.
- "What TiVo and JP Morgan Teach Us about Reverse Convertibles," June 2010.

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**Payoff Curve at Maturity**

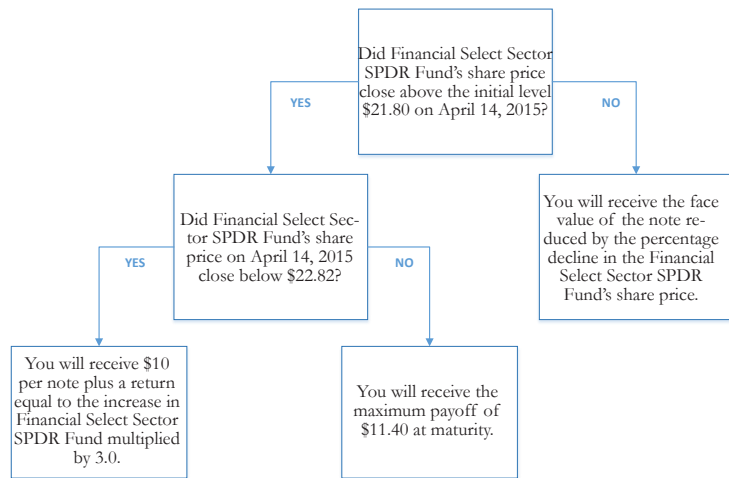


The payoff diagram shows the final payoff of this note given Financial Select Sector SPDR Fund's share price (horizontal axis). For comparison, the dashed line shows the payoff if you invested in Financial Select Sector SPDR Fund directly.

**Principal Payback Table**

| Financial Select Sector SPDR Fund | Note Payoff    |
|-----------------------------------|----------------|
| \$0.00                            | \$0.00         |
| \$2.18                            | \$1.00         |
| \$4.36                            | \$2.00         |
| \$6.54                            | \$3.00         |
| \$8.72                            | \$4.00         |
| \$10.90                           | \$5.00         |
| \$13.08                           | \$6.00         |
| \$15.26                           | \$7.00         |
| \$17.44                           | \$8.00         |
| \$19.62                           | \$9.00         |
| <b>\$21.80</b>                    | <b>\$10.00</b> |
| \$23.98                           | \$11.40        |
| \$26.16                           | \$11.40        |
| \$28.34                           | \$11.40        |
| \$30.52                           | \$11.40        |
| \$32.70                           | \$11.40        |

**Maturity Payoff Diagram**



*The contingent payoffs of this PLUS.*

**Analysis**

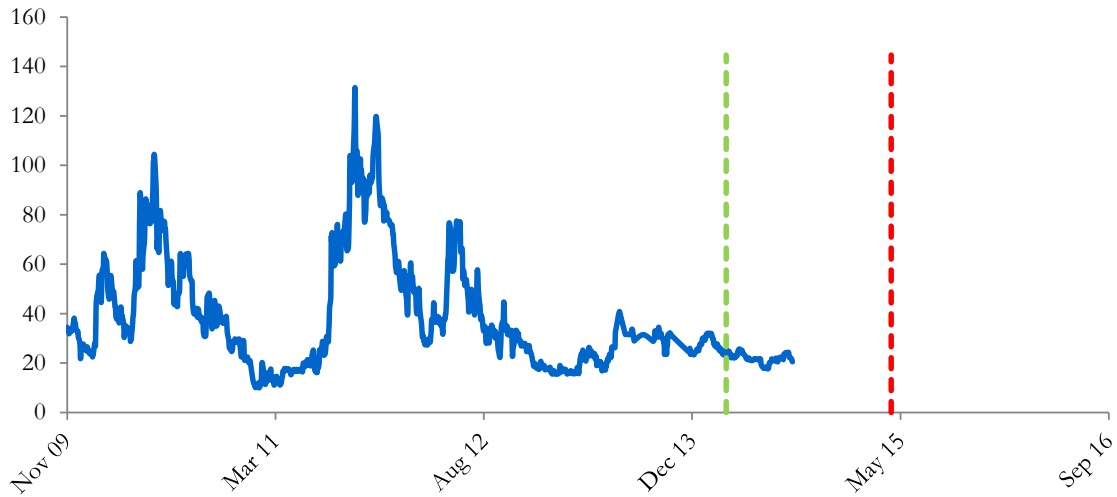
This PLUS pays investors the increase in Financial Select Sector SPDR Fund multiplied by 3.0 capped at 14.00%, but if Financial Select Sector SPDR Fund declines over the term of the note, investors will suffer losses equal to the percentage decline in Financial Select Sector SPDR Fund. In addition, investors bear the credit risk of JPMorgan. Investors purchasing this PLUS effectively sell at-the-money put and out-of-the-money call options to JPMorgan, buy at-the-money call options, and a zero-coupon note from JPMorgan. This PLUS is fairly priced if and only if the market value of the options investors received from JPMorgan equals the market value of the options investors gave JPMorgan plus the interest investors would have received on JPMorgan's straight debt.

**JPMorgan's Stock Price**



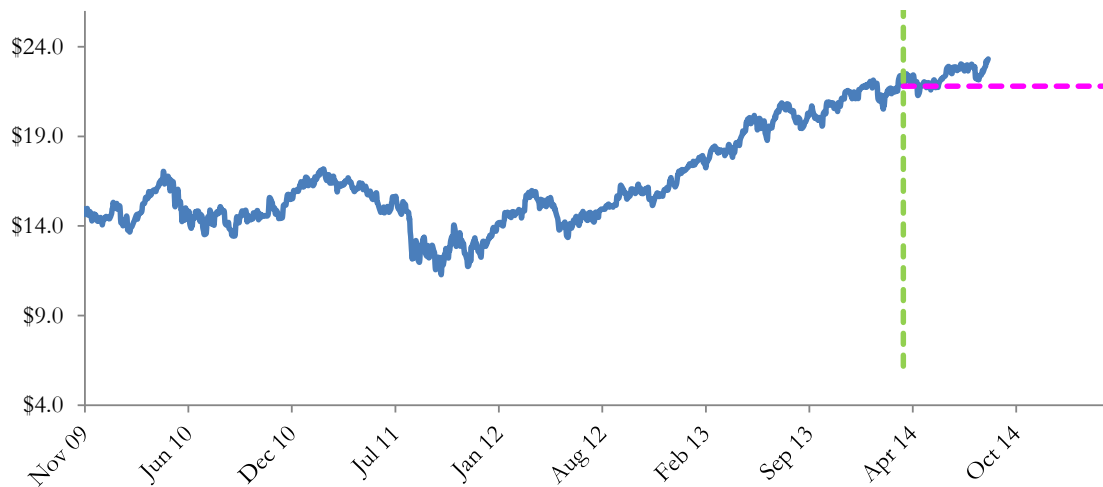
*The graph above shows the adjusted closing price of the issuer JPMorgan for the past several years. The stock price of the issuer is an indication of the financial strength of JPMorgan. The adjusted price shown above incorporates any stock split, reverse stock split, etc.*

### JPMorgan's CDS Rate



Credit default swap (CDS) rates are the market price that investors require to bear credit risk of an issuer such as JPMorgan. CDS rates are usually given in basis points (bps). One basis point equals 0.01%. Higher CDS rates reflect higher perceived credit risk, higher required yields, and therefore lower market value of JPMorgan's debt, including outstanding PLUS. Fluctuations in JPMorgan's CDS rate impact the market value of the notes in the secondary market.

### Financial Select Sector SPDR Fund's Share Price

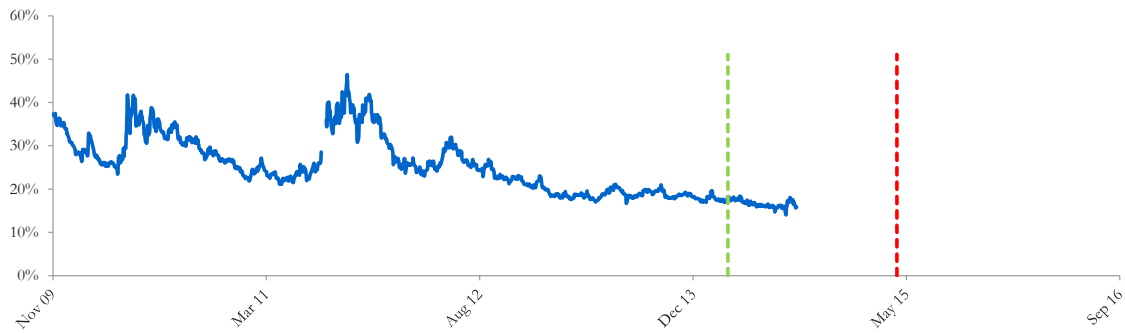


The graph above shows the historical levels of Financial Select Sector SPDR Fund for the past several years. The final payoff of this note is determined by Financial Select Sector SPDR Fund's share price at maturity. Higher fluctuations in Financial Select Sector SPDR Fund's share price correspond to a greater uncertainty in the final payout of this PLUS.

### Realized Payoff

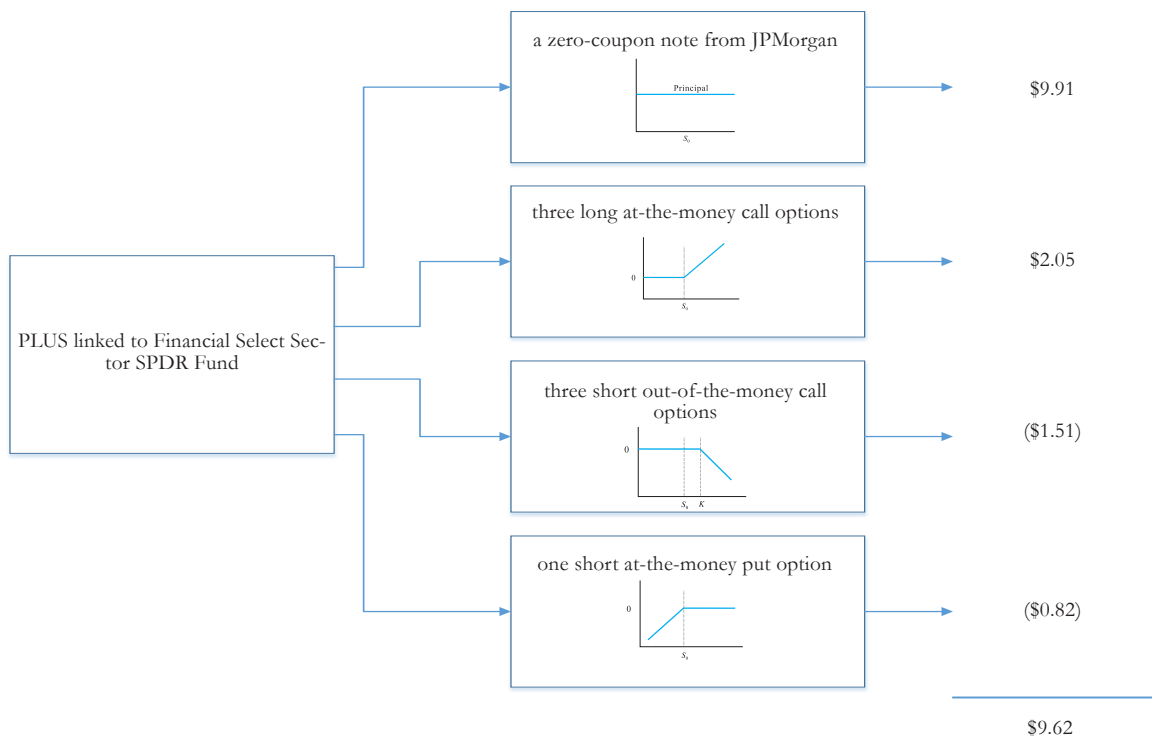
This product will mature on April 19, 2015.

## Reference Asset Financial Select Sector SPDR Fund's Implied Volatility



The annualized implied volatility of Financial Select Sector SPDR Fund on March 14, 2014 was 18.40%, meaning that options contracts on Financial Select Sector SPDR Fund were trading at prices that reflect an expected annual volatility of 18.40%. The higher the implied volatility, the larger the expected fluctuations of Financial Select Sector SPDR Fund's share price and of the Note's market value during the life of the Notes.

## Decomposition of this PLUS



This note can be decomposed into different components, and each component can be valued separately. The chart above shows the value of each component of this PLUS.

1. Delta measures the sensitivity of the price of the note to the Financial Select Sector SPDR Fund's share price on March 14, 2014.
2. CDS rates can be considered a measure of the probability that an issuer will default over a certain period of time and the likely loss given a default. The lower the CDS rate, the lower the default probability. CDS rate is given in basis points (1 basis point equals 0.01%), and is considered as a market premium, on top of the risk-free rate, that investors require to insure against a potential default.
3. Fair price evaluation is based on the Black-Scholes model of the Financial Select Sector SPDR Fund on March 14, 2014.
4. Calculated payout at maturity is only an approximation, and may differ from actual payouts at maturity.
5. Our evaluation does not include any transaction fees, broker commissions, or liquidity discounts on the notes.