

Report Prepared On: 02/03/13

Structured Product Details

Name Auto Callable Contingent Interest Notes linked to Citigroup Inc

Issue Size \$5.45 million
Issue Price \$1,000
Term 12 Months
Annualized Coupon 14.50%

Pricing Date September 28, 2012
Issue Date October 3, 2012
Valuation Date October 11, 2013
Maturity Date October 17, 2013

Issuer JPMorgan
CDS Rate 37.27 bps
Swap Rate 0.95%

Reference Asset Citigroup, Inc.'s stock

Initial Level \$32.72
Dividend Rate 0.00%
Implied Volatility 38.05%

Fair Price at Issue \$984.42

CUSIP 48126DAH2
SEC Link www.sec.gov/Archives/edgar/data/19617/000095010312005185/dp33292_424b2-ps723.htm

Related Research

Research Papers:
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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Auto Callable Contingent Interest Notes linked to Citigroup Inc

Description

JPMorgan issued \$5.45 million of Auto Callable Contingent Interest Notes linked to Citigroup Inc on October 3, 2012 at \$1,000 per note.

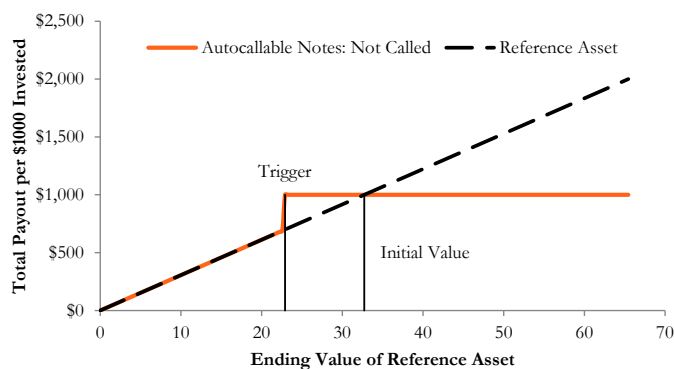
These 12-month notes are UBS-branded reverse convertible notes. On the quarterly coupon observation date, if the notes are not called back, they pay either quarterly coupon at an annualized rate of 14.50% if Citigroup, Inc.'s stock price closes above the coupon barrier \$22.90, or no coupon if the stock price closes below the barrier. The first coupon observation date is January 10, 2013. This autocallable notes will be called back if the reference stock price on any quarterly call observation date after January 10, 2013 exceeds the initial stock price \$32.72. In this case, investors receive the principal plus any unpaid coupons. At maturity, the notes convert into shares of the reference security—30.56 shares of Citigroup, Inc.'s stock in this case—if the market value of the reference stock at the note's maturity is below the trigger price \$22.90 (70% of the reference asset on September 28, 2012). Otherwise, investors will receive the \$1,000 face value.

Valuation

This note can be viewed as a combination of a zero-coupon note from JPMorgan, a series of contingent coupon payments, and a short put option on the reference asset. For reasonable valuation inputs this note was worth \$984.42 per \$1,000 face value when it was issued on October 3, 2012, including \$992.38 for the present value of the zero-coupon note, (\$74.63) for the short put options, and \$66.67 for the present value of all future contingent coupon payments.

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.

Payoff Curve at Maturity

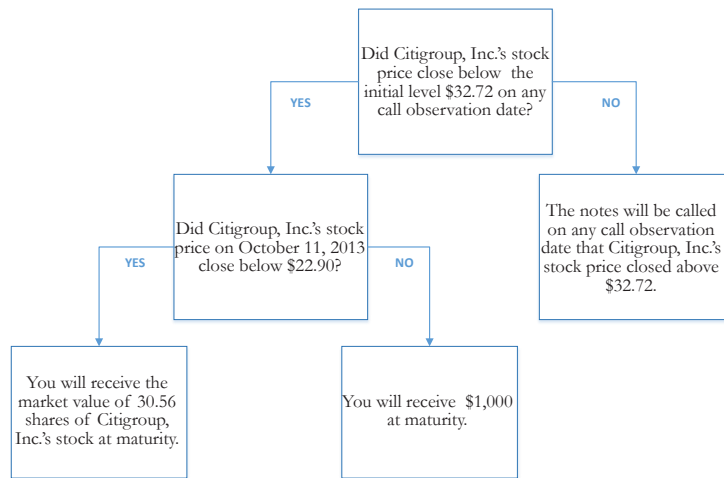


The payoff diagram shows the final payoff of this note given Citigroup, Inc.'s stock price (horizontal axis). For comparison, the dashed line shows the payoff if you invested in Citigroup, Inc.'s stock directly.

Principal Payback Table

Citigroup, Inc.'s Stock	Note Payoff
\$0.00	\$0.00
\$3.27	\$100.00
\$6.54	\$200.00
\$9.82	\$300.00
\$13.09	\$400.00
\$16.36	\$500.00
\$19.63	\$600.00
\$22.90	\$1,000.00
\$26.18	\$1,000.00
\$29.45	\$1,000.00
\$32.72	\$1,000.00
\$35.99	\$1,000.00
\$39.26	\$1,000.00
\$42.54	\$1,000.00
\$45.81	\$1,000.00
\$49.08	\$1,000.00

Maturity Payoff Diagram



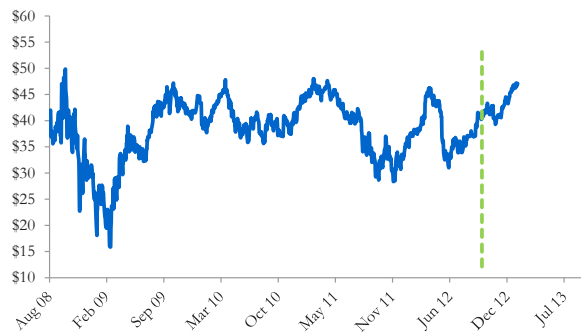
The contingent payoffs of this Auto Callable Contingent Interest Note.

Analysis

The 14.50% coupon rate on this Auto Callable Contingent Interest Note is higher than those paid by JPMorgan on its straight debts but, in addition to JPMorgan's credit risk, investors bear the risk that, 1) the note may be called; 2) the note may pay zero coupon because of the coupon contingency; 3) and the note will be converted into shares of Citigroup, Inc.'s stock when Citigroup, Inc.'s stock is worth substantially less than the face value of the note.

Investors purchasing these autocallable phoenix notes effectively sell contingent put options to JPMorgan and post the note's issue price as collateral to secure satisfaction of the investors' obligations under the option contracts. JPMorgan pays investors a contingent coupon that is part payment for the put options and part interest on the investors' posted collateral. This Auto Callable Contingent Interest Note is fairly priced if and only if the difference between the contingent coupon and interest paid on JPMorgan's straight debt equals the value of the contingent put options investors are giving to JPMorgan. Whether this Auto Callable Contingent Interest Note is suitable or not is identically equivalent to whether selling put options on the reference stock at the option premium being paid by JPMorgan was suitable for the investor.

JPMorgan's Stock Price



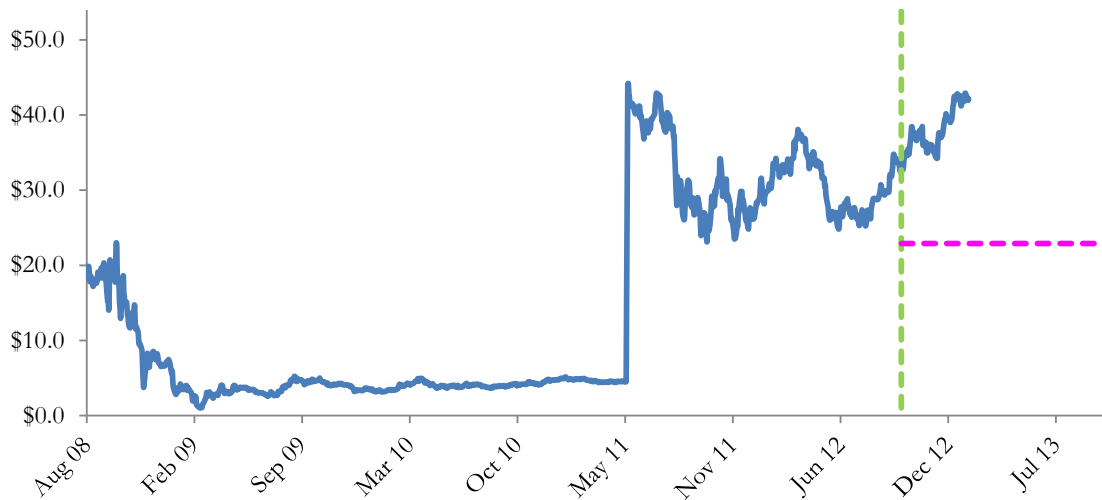
The graph above shows the adjusted closing price of the issuer JPMorgan for the past several years. The stock price of the issuer is an indication of the financial strength of JPMorgan. The adjusted price shown above incorporates any stock split, reverse stock split, etc.

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 Auto Callable Contingent Interest Note. Fluctuations in JPMorgan's CDS rate impact the market value of the notes in the secondary market.

Citigroup, Inc.'s Stock Price

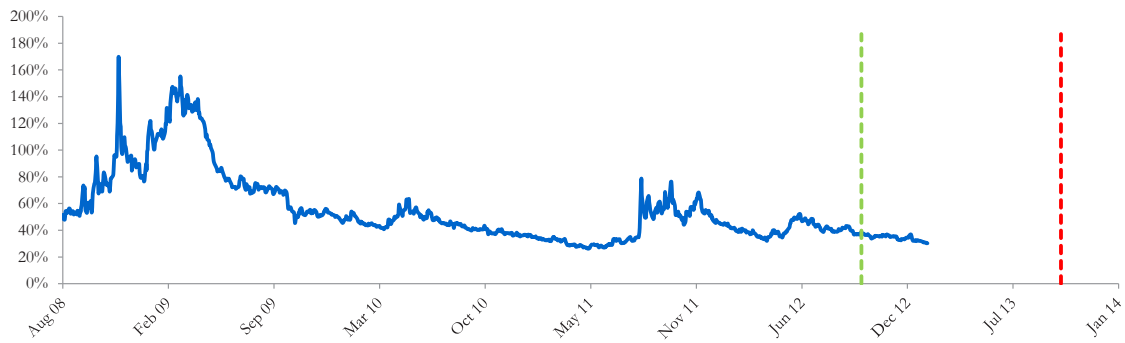


The graph above shows the historical levels of Citigroup, Inc.'s stock for the past several years. The final payoff of this note is determined by Citigroup, Inc.'s stock price at maturity. Higher fluctuations in Citigroup, Inc.'s stock price correspond to a greater uncertainty in the final payoff of this Auto Callable Contingent Interest Note.

Realized Payoff

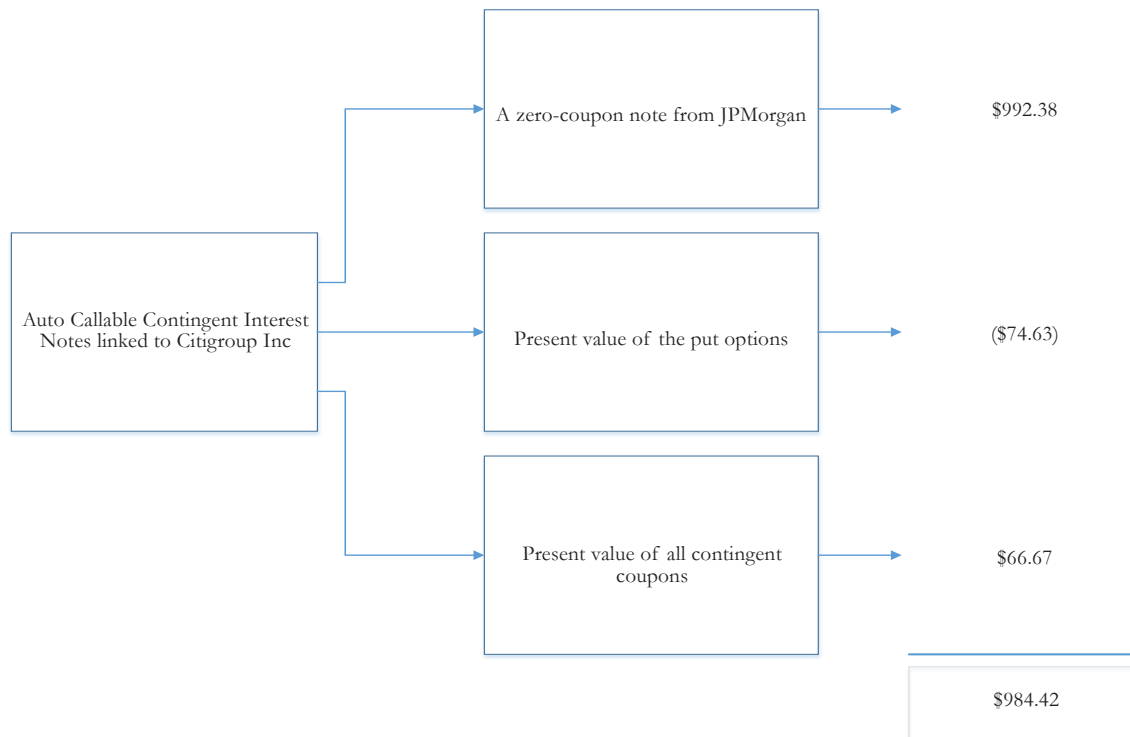
This note was early terminated on January 10, 2013 due to its automatic call feature. The Citigroup, Inc.'s stock price on January 10, 2013 was \$42.83, higher than the initial level \$32.72. Investors received \$1,000 per note plus any unpaid coupons.

Reference Asset Citigroup, Inc.'s Stock's Implied Volatility



The annualized implied volatility of Citigroup, Inc.'s stock on September 28, 2012 was 38.05%, meaning that options contracts on Citigroup, Inc.'s stock were trading at prices that reflect an expected annual volatility of 38.05%. The higher the implied volatility, the larger the expected fluctuations of Citigroup, Inc.'s stock price and of the Note's market value during the life of the Notes.

Decomposition of this Auto Callable Contingent Interest Note



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 Auto Callable Contingent Interest Note.

1. Delta measures the sensitivity of the price of the note to the Citigroup, Inc.'s stock price on September 28, 2012.
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 Citigroup, Inc.'s stock on September 28, 2012.
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.