

JPMorgan Chase Financial Company LLC

(a direct wholly-owned subsidiary of JPMorgan Chase & Co.)

Financial Statements **As of and for the six months ended June 30, 2024** **(unaudited)**

JPMorgan Chase Financial Company LLC
(a direct wholly-owned subsidiary of JPMorgan Chase & Co.)
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Board of Managers' Report

The Managers present their report and the financial statements of JPMorgan Chase Financial Company LLC (the "Company") for the six months ended June 30, 2024.

Jurisdiction of incorporation and ultimate shareholding

The Company was formed as a limited liability company in the State of Delaware in the United States of America ("U.S.") on September 30, 2015 pursuant to and in accordance with the Delaware Limited Liability Company Act with file number 5838642. The Company is a direct wholly-owned finance subsidiary of JPMorgan Chase & Co., ("JPMorgan Chase"), a company incorporated in the State of Delaware in the U.S.

Principal activity

As a finance subsidiary of JPMorgan Chase, the Company has no independent operations beyond the issuance and administration of its securities and the collection of intercompany obligations. Aside from the initial capital contribution from JPMorgan Chase, substantially all the assets of the Company relate to obligations of JPMorgan Chase to make payments under loans made by the Company to JPMorgan Chase or under other intercompany agreements. As a result, the Company's ability to make payments in respect of its securities is limited. The Company is dependent upon payments from JPMorgan Chase to meet its obligations under its securities. The Company is not a key operating subsidiary of JPMorgan Chase and in a bankruptcy or resolution of JPMorgan Chase, the Company is not expected to have sufficient resources to meet its obligations in respect of its securities as they come due.

The Company intends to lend the net proceeds from the sale of its securities to JPMorgan Chase. JPMorgan Chase expects that it will use the proceeds from these loans to provide additional funds for its operations and for other general corporate purposes. Any securities issued by the Company will be fully and unconditionally guaranteed by JPMorgan Chase.

Review of business

Effective June 1, 2024, the Company became a direct subsidiary of JPMorgan Chase and substantially all the rights and obligations owed to the Company by other subsidiaries of JPMorgan Chase under its intercompany agreements became rights and obligations of JPMorgan Chase. Prior to that the Company was a wholly-owned subsidiary of JPMorgan Chase Holdings LLC (the "IHC"), which is an intermediate holding company and direct wholly-owned subsidiary of JPMorgan Chase.

During the six months ended June 30, 2024, the Company continued to issue securities. The net proceeds from the sale of the securities are now loaned to JPMorgan Chase. The Company will continue to finance its activities through payments under loans made by the Company to JPMorgan Chase.

Business environment, strategy and future outlook

Securities issued by the Company are offered to meet investor needs for products that reflect certain risk-return profiles and specific market exposures.

Principal risks and uncertainties

The Company's issuance activities expose it to financial and operational risks, which are managed by the Board of Managers, using JPMorgan Chase's risk management framework. The Board of Managers monitors the Company's financial and operational risks and has responsibility for ensuring effective risk management and control (refer to the Management's discussion and analysis section of JPMorgan Chase & Co.'s 2023 Annual Report on Form 10-K for the year ended December 31, 2023 ("JPMorgan Chase's 2023 Annual Report")).

The following sections outline the key risks that are inherent in the Company's business activities. A detailed description of the policies and processes adopted by JPMorgan Chase may be found within JPMorgan Chase's 2023 Annual Report. The report is available at <https://www.jpmorganchase.com/ir/annual-report>.

Liquidity risk

Liquidity risk is the risk that JPMorgan Chase will be unable to meet its cash and collateral needs as they arise or that it does not have the appropriate amount, composition and tenor of funding and liquidity to support its assets and liabilities. JPMorgan Chase has a Liquidity Risk Management ("LRM") function whose primary objective is to provide independent oversight of liquidity risk across JPMorgan Chase. Liquidity Risk Management's responsibilities include:

- Defining, monitoring and reporting liquidity risk metrics;
- Independently establishing and monitoring limits and indicators, including liquidity risk appetite;
- Developing a process to classify, monitor and report limit breaches;
- Performing an independent review of liquidity risk management processes to evaluate their adequacy and effectiveness;

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- Monitoring and reporting internal Firmwide and legal entity liquidity stress tests, regulatory defined metrics, as well as liquidity positions, balance sheet variances and funding activities; and
- Approving or escalating for review new or updated liquidity stress assumptions.

Treasury and the Chief Investment Office ("CIO") are responsible for liquidity management.

The primary objectives of JPMorgan Chase's liquidity management are to:

- Ensure that JPMorgan Chase's core businesses and material legal entities are able to operate in support of client needs and meet contractual and contingent financial obligations through normal economic cycles as well as during stress events; and
- Manage an optimal funding mix and availability of liquidity sources.

As part of JPMorgan Chase's overall liquidity management strategy, JPMorgan Chase manages liquidity and funding using a centralized, global approach designed to:

- Optimize liquidity sources and uses;
- Monitor exposures;
- Identify constraints on the transfer of liquidity between JPMorgan Chase's legal entities; and
- Maintain the appropriate amount of surplus liquidity at a Firmwide and legal entity level, where relevant.

Committees responsible for liquidity governance include the Firmwide Asset and Liability Committee ("ALCO") as well as regional ALCOs, the Treasurer Committee, and the Corporate ("CTC") Risk Committee. In addition, the Board Risk Committee reviews and recommends to the Board of Directors, for approval, JPMorgan Chase's liquidity risk tolerances, liquidity strategy, and liquidity policy.

Reputation risk

Reputation risk is the risk that an action or inaction may negatively impact perception of JPMorgan Chase's integrity and reduce confidence in JPMorgan Chase's competence by various stakeholders, including clients, counterparties, customers, communities, investors, regulators, or employees. Reputation risk is assessed and defined at the Firmwide level and is applicable to the Company.

The types of events that may result in reputation risk are wide-ranging and can be introduced by JPMorgan Chase's employees, business strategies and activities, clients, customers and counterparties with which JPMorgan Chase does business. These events could contribute to financial losses, litigation, regulatory enforcement actions, fines, penalties or other sanctions, as well as other harm to JPMorgan Chase.

Reputation Risk Management is an independent risk management function that establishes the governance framework for managing reputation risk across JPMorgan Chase's Line of Businesses ("LOB") and Corporate. Reputation risk is inherently challenging to identify, manage, and quantify.

JPMorgan Chase's reputation risk management function includes the following activities:

- Maintaining a Firmwide Reputation Risk Governance policy and a standard consistent with the reputation risk framework
- Providing oversight of the governance framework through processes and infrastructure to support consistent identification, escalation and monitoring of reputation risk issues Firmwide

The Reputation Risk Governance policy establishes the principles for managing reputation risk for JPMorgan Chase. It is the responsibility of each LOB, Corporate and employees to consider the reputation of JPMorgan Chase when deciding whether to offer a new product, engage in a transaction or client relationship, enter a new jurisdiction, initiate a business process or consider any other activity. Environmental impacts and social concerns are increasingly important considerations in assessing JPMorgan Chase's reputation risk, and are a component of JPMorgan Chase's reputation risk governance.

Credit risk

Credit risk is the risk associated with the default or change in credit profile of a client, counterparty or customer. JPMorgan Chase provides credit to a variety of clients and customers, ranging from large corporate and institutional clients to individual consumers and small businesses. In its consumer businesses, JPMorgan Chase is exposed to credit risk primarily through its home lending, credit card, auto, and business banking businesses. In its wholesale businesses, JPMorgan Chase is exposed to credit risk through its underwriting, lending, market-making, and hedging activities with and for clients and counterparties, as well as through its operating services activities (such as cash management and clearing activities), and securities financing activities. JPMorgan Chase is also exposed to credit risk through its investment securities portfolio and cash placed with banks.

Credit Risk Management monitors, measures and manages credit risk throughout JPMorgan Chase and defines credit risk policies and procedures. JPMorgan Chase's credit risk management governance includes the following activities:

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- Maintaining a credit risk policy framework
- Monitoring, measuring and managing credit risk across all portfolio segments, including transaction and exposure approval
- Setting industry and geographic concentration limits, as appropriate, and establishing underwriting guidelines
- Assigning and managing credit approval authorities in connection with the approval of credit exposure
- Managing criticized exposures and delinquent loans, and
- Estimating credit losses and supporting appropriate credit risk-based capital management

JPMorgan Chase has developed policies and practices that are designed to preserve the independence and integrity of the approval and decision-making process for extending credit so that credit risks are assessed accurately, approved properly, monitored regularly and managed actively at both the transaction and portfolio levels. The policy framework establishes credit approval authorities, concentration limits, risk-rating methodologies, portfolio review parameters and guidelines for management of distressed exposures. In addition, certain models, assumptions and inputs used in evaluating and monitoring credit risk are independently validated by groups that are separate from the LOBs.

To enable monitoring of credit risk and effective decision-making, aggregate credit exposure, credit quality forecasts, concentration levels and risk profile changes are reported regularly to senior members of Credit Risk Management. Detailed portfolio reporting of industry, clients, counterparties and customers, product and geography are prepared, and the appropriateness of the allowance for credit losses is reviewed by senior management at least on a quarterly basis. Through the risk reporting and governance structure, credit risk trends and limit exceptions are provided regularly to, and discussed with, risk committees, senior management and the Board of Directors.

Market risk

Market risk is the risk associated with the effect of changes in market factors such as interest and foreign exchange rates, equity and commodity prices, credit spreads or implied volatilities, on the value of assets and liabilities held for both the short and long term.

Market Risk Management monitors market risks throughout JPMorgan Chase and defines market risk policies and procedures.

Market Risk Management seeks to manage risk, facilitate efficient risk/return decisions, reduce volatility in operating performance and provide transparency into JPMorgan Chase's market risk profile for senior management, the Board of Directors and regulators. Market Risk Management is responsible for the following functions:

- Maintaining a market risk policy framework
- Independently measuring, monitoring and controlling LOB, Corporate, and Firmwide market risk
- Defining, approving and monitoring of limits
- Performing stress testing and qualitative risk assessments

There is no single measure to capture market risk and therefore Market Risk Management uses various metrics, both statistical and nonstatistical, to assess risk including:

- Value-at-risk ("VaR")
- Stress testing
- Profit and loss drawdowns
- Earnings-at-risk
- Economic Value Sensitivity
- Other sensitivity-based measures

Market risk exposure is managed primarily through a series of limits set in the context of the market environment and business strategy. In setting limits, Market Risk Management takes into consideration factors such as market volatility, product liquidity, accommodation of client business, and management judgment. Market Risk Management maintains different levels of limits. JPMorgan Chase level limits include VaR and stress limits. Similarly, LOB and Corporate limits include VaR and stress limits and may be supplemented by certain nonstatistical risk measures such as profit and loss drawdowns. Limits may also be set within the LOBs and Corporate, as well as at the legal entity level.

Market Risk Management sets limits and regularly reviews and updates them as appropriate. Senior management is responsible for reviewing and approving certain of these risk limits on an ongoing basis. Limits that have not been reviewed within specified time periods by Market Risk Management are reported to senior management. The LOBs and Corporate are responsible for adhering to established limits against which exposures are monitored and reported.

Limit breaches are required to be reported in a timely manner to limit approvers, which include Market Risk Management and senior management. In the event of a breach, Market Risk Management consults with senior members of appropriate groups

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within JPMorgan Chase to determine the suitable course of action required to return the applicable positions to compliance, which may include a reduction in risk in order to remedy the breach or granting a temporary increase in limits to accommodate an expected increase in client activity and/or market volatility. JPMorgan Chase, Corporate or LOB-level limit breaches are escalated as appropriate.

Models used to measure market risk are inherently imprecise and are limited in their ability to measure certain risks or to predict losses. This imprecision may be heightened when sudden or severe shifts in market conditions occur.

Market Risk Management periodically reviews JPMorgan Chase's existing market risk measures to identify opportunities for enhancement, and to the extent appropriate, will calibrate those measures accordingly over time.

Operational risk

Operational risk is the risk of an adverse outcome resulting from inadequate or failed internal processes or systems; human factors; or external events impacting JPMorgan Chase's processes or systems. Operational risk includes compliance, conduct, legal, and estimations and model risk. Operational risk is inherent in the Company's activities and can manifest itself in various ways, including fraudulent acts, business disruptions (including those caused by extraordinary events beyond JPMorgan Chase's control), cyber attacks, inappropriate employee behavior, failure to comply with applicable laws, rules and regulations or failure of vendors or other third party providers to perform in accordance with their agreements. Operational Risk Management attempts to manage operational risk at appropriate levels in light of the Company's financial position, the characteristics of its businesses, and the markets and regulatory environments in which it operates.

The Company leverages JPMorgan Chase's Compliance, Conduct, and Operational Risk ("CCOR") Management Framework which is designed to enable JPMorgan Chase to govern, identify, measure, monitor and test, manage and report on JPMorgan Chase's operational risk.

Operational risk can manifest itself in various ways. Operational risk subcategories include Compliance risk, Conduct risk, Legal risk and Estimations and Model risk. More information on these risk subcategories, where relevant, can be found in the respective risk management sections herein while additional details on other select examples of operational risk are provided below.

Business and technology resiliency risk

Disruptions can occur due to forces beyond JPMorgan Chase's and Company's control such as the spread of infectious diseases or pandemics, severe weather, natural disasters, the effects of climate change, power or telecommunications loss, failure of a third party to provide expected services, cyberattacks, civil or political unrest or terrorism. The Firmwide Business Resiliency Program is designed to enable JPMorgan Chase to prepare for, adapt to, withstand and recover from business disruptions including occurrence of an extraordinary events beyond its control that may impact critical business functions and supporting assets including staff, technology, facilities and third parties. The program includes governance, awareness training, planning and testing of recovery strategies, as well as strategic and tactical initiatives to identify, assess, and manage business resiliency risks. The Company benefits from the program.

Cybersecurity risk

Cybersecurity risk is the risk of harm or loss resulting from misuse or abuse of technology or the unauthorized disclosure of data.

Cybersecurity risk is an important and continuously evolving focus for JPMorgan Chase and the Company. Significant resources are devoted to protecting and enhancing the security of computer systems, software, networks, storage devices, and other technology. JPMorgan Chase's security efforts are designed to protect against, among other things, cybersecurity attacks that can result in unauthorized access to confidential information, the destruction of data, disruptions to or degradations of service, the sabotaging of systems or other damage.

Compliance risk

Compliance risk, a subcategory of operational risk, is the risk of failing to comply with laws, rules, regulations or codes of conduct and standards of self-regulatory organizations.

Each of the LOBs and Corporate hold primary ownership of and accountability for managing their compliance risk. JPMorgan Chase's Operational Risk and Compliance Organization ("Operational Risk and Compliance"), which is independent of the LOBs and Corporate, provides independent review, monitoring and oversight of business operations with a focus on compliance with the laws, rules, and regulations applicable to the delivery of JPMorgan Chase's products and services to clients and customers.

These compliance risks relate to a wide variety of laws, rules and regulations across the LOBs and Corporate, and jurisdictions, and include risks related to financial products and services, relationships and interactions with clients and customers, and

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employee activities. For example, compliance risks include those associated with anti-money laundering compliance, trading activities, market conduct, and complying with the laws, rules, and regulations related to the offering of products and services across jurisdictional borders.

Other functions provide oversight of significant regulatory obligations that are specific to their respective areas of responsibility.

Operational Risk and Compliance implements policies and standards designed to govern, identify, measure, monitor and test, manage, and report on compliance risk.

Estimations and model risk

Estimations and model risk, a subcategory of operational risk, is the potential for adverse consequences from decisions based on incorrect or misused estimation outputs.

JPMorgan Chase uses models and other analytical and judgment-based estimations across various businesses and functions. The estimation methods are of varying levels of sophistication and are used for many purposes, such as the valuation of positions and measurement of risk, assessing regulatory capital requirements, conducting stress testing, evaluating the allowance for credit losses and making business decisions. A dedicated independent function, Model Risk Governance and Review ("MRGR"), defines and governs JPMorgan Chase's policies relating to the management of model risk and risks associated with certain analytical and judgment-based estimations, such as those used in risk management, budget forecasting and capital planning and analysis.

The governance of analytical and judgment-based estimations within MRGR's scope follows a consistent approach which is used for models, as described in detail below.

Model risks are owned by the users of the models within the LOBs and Corporate based on the specific purposes of such models. Users and developers of models are responsible for developing, implementing and testing their models, as well as referring models to MRGR for review and approval. Once models have been approved, model users and developers are responsible for maintaining a robust operating environment, and must monitor and evaluate the performance of the models on an ongoing basis. Model users and developers may seek to enhance models in response to changes in the relevant portfolios and in product and market developments, as well as to capture improvements in available modeling techniques and systems capabilities.

Models are tiered based on an internal standard according to their complexity, the exposure associated with the model and JPMorgan Chase's reliance on the model. This tiering is subject to the approval of MRGR. In its review of a model, MRGR considers whether the model is suitable for the specific purposes for which it will be used. When reviewing a model, MRGR analyzes and challenges the model methodology and the reasonableness of model assumptions, and may perform or require additional testing, including back-testing of model outcomes. Model reviews are approved by the appropriate level of management within MRGR based on the relevant model tier.

Under JPMorgan Chase's Estimations and Model Risk Management Policy, MRGR reviews and approves new models, as well as material changes to existing models, prior to their use. In certain circumstances, exceptions may be granted to JPMorgan Chase's policy to allow a model to be used prior to review or approval. MRGR may also require the user to take appropriate actions to mitigate the model risk if it is to be used in the interim. These actions will depend on the model and may include, for example, limitation of trading activity.

While models are inherently imprecise, the degree of imprecision or uncertainty can be heightened by the market or economic environment. This is particularly true when the current and forecasted environments are significantly different from the historical environments upon which the models were developed. This increased uncertainty may necessitate a greater degree of judgment and analytics to inform any adjustments that JPMorgan Chase may make to model outputs than would otherwise be the case.

Financial risk

Further details on the financial risk of the Company are set out in the Management's discussion and analysis section of JPMorgan Chase's 2023 Annual Report.

Results and dividends

The results for the six months ended June 30, 2024 are set out on page 8 and show the Company's earnings for the period after taxation is a net loss of \$21.0 million. The net loss is mostly offset in other comprehensive income as the fair value

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unrealized gains and losses resulting from changes in JPMorgan Chase's own credit risk of liabilities for which the fair value option has been elected is required to be presented separately.

No dividend was paid or proposed during the six months ended June 30, 2024.

Events after the reporting period

The managers are not aware of any events or circumstances which have taken place after June 30, 2024, but before these financial statements have been approved for issue, that could materially affect the financial position or results of the Company and which would require specific disclosure in these financial statements.

Managers

The managers of the Company who served during the period and up to the date of signing the financial statements were as follows:

Patrick Dempsey	(Appointed January 28, 2016)
Bin Yu	(Appointed February 14, 2020)
Brandon P. Igyarto	(Appointed May 13, 2021)
Michael O. Kurd	(Appointed February 1, 2022)
Daniel T. Roose	(Appointed February 1, 2022)

Registered address

The Corporation Trust Company
Corporation Trust Center
1209 Orange Street
Wilmington, Delaware 19801
United States of America

Principal Executive Office

383 Madison Avenue
New York, New York 10179
United States of America

Expected developments of the Company

The managers of the Company expect that:

- the Company will continue to issue securities; and
- the principal transactions and interest expense will continue to fluctuate in line with the Company's issuance activity and the development in market interest rates.

Statement under Transparency Directive (as implemented in Luxembourg law)

The managers confirm to the best of their knowledge that:

- the attached financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company for the six months ended June 30, 2024;
- the interim report for the six months ended June 30, 2024, consisting of the managers' report and the attached financial statements, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as per the statement of financial condition date June 30, 2024; and
- the managers' report includes a fair review of the important events that have occurred during the first six months of the financial year, their impact on the attached financial statements and the principal risks and uncertainties that the Company faces for the remaining six months of the financial year.

These financial statements were approved by the Board of Managers on September 9, 2024.

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Statements of Financial Condition (unaudited)

(in thousands)	June 30, 2024	December 31, 2023
Assets		
Cash	\$ 279,493	\$ 259,429
Receivables	4,472	55,774
Financial instruments owned, at fair value	44,705,070	44,118,317
Other assets	8,608	—
Total assets	\$ 44,997,643	\$ 44,433,520
Liabilities		
Short-term borrowings (included \$2,098,811 and \$1,327,486 at fair value)	\$ 2,098,811	\$ 1,348,268
Payables	34,546	17,870
Other liabilities and accrued expenses	2,123	24,315
Long-term debt, at fair value	42,634,083	42,817,105
Total liabilities	44,769,563	44,207,558
Contingencies (refer to Note 11)		
Member's equity		
Member's interest	250,000	250,000
Retained earnings	17,391	38,368
Accumulated other comprehensive loss	(39,311)	(62,406)
Total member's equity	228,080	225,962
Total liabilities and member's equity	\$ 44,997,643	\$ 44,433,520

The accompanying Notes are an integral part of the Financial Statements.

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Statements of Income/(Loss) and Comprehensive Income/(Loss) (unaudited)

(in thousands)	Six months ended June 30,	
	2024	2023
Revenues		
Principal transactions	\$ 144,073	\$ 100,128
Other	1,152	1,707
Noninterest revenues	145,225	101,835
Interest income	2,311	1,140
Interest expense	168,423	124,292
Net interest income	(166,112)	(123,152)
Total net revenues	(20,887)	(21,317)
Noninterest expenses		
Management fees and allocated corporate overhead	65	859
Other	25	5
Total noninterest expenses	90	864
Net loss	\$ (20,977)	\$ (22,181)
Other comprehensive income	23,095	20,404
Comprehensive income/(loss)	\$ 2,118	\$ (1,777)

The accompanying Notes are an integral part of the Financial Statements.

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Statements of Changes in Member's Equity (unaudited)

(in thousands)	Six months ended June 30,	
	2024	2023
Member's interest		
Balance at January 1	\$ 250,000	\$ 250,000
Contributions/(distributions)	—	—
Balance at June 30	250,000	250,000
Retained earnings/(accumulated deficit)		
Balance at January 1	38,368	(36,651)
Net loss	(20,977)	(22,181)
Balance at June 30	17,391	(58,832)
Accumulated other comprehensive income/(loss)		
Balance at January 1	(62,406)	15,302
Other comprehensive income	23,095	20,404
Balance at June 30	(39,311)	35,706
Total member's equity at June 30	\$ 228,080	\$ 226,874

The accompanying Notes are an integral part of the Financial Statements.

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Statements of Cash Flows (unaudited)

(in thousands)	Six months ended June 30,	
	2024	2023
Operating activities		
Net loss	\$ (20,977)	\$ (22,181)
Net change in operating assets:		
Receivables	51,302	128,962
Financial instruments owned	(586,753)	(7,095,782)
Other assets	(8,608)	3,034
Net change in operating liabilities:		
Payables	16,676	(16,668)
Other liabilities and accrued expenses	(22,127)	(29,494)
Other operating adjustments	1,938,067	2,638,480
Net cash provided by/(used in) operating activities	1,367,580	(4,393,649)
Financing activities		
Net change in short-term borrowings	670,868	364,348
Proceeds from long-term debt	11,579,678	7,693,192
Payments of long-term debt	(13,544,523)	(3,634,165)
All other financing activities, net	(53,474)	49,974
Net cash (used in)/provided by financing activities	(1,347,451)	4,473,349
Effect of exchange rate changes on cash	(65)	(740)
Net increase in cash	20,064	78,960
Cash at beginning of year	259,429	174,307
Cash at the end of the period	\$ 279,493	\$ 253,267
Cash paid during the period for interest	\$ 168,423	\$ 124,292

The accompanying Notes are an integral part of the Financial Statements.

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Notes to Financial Statements (unaudited)

1. Organization

JPMorgan Chase Financial Company LLC (the “Company”), is a direct wholly-owned subsidiary of JPMorgan Chase & Co. (“JPMorgan Chase”), a leading financial services firm based in the United States of America (“U.S.”), with operations worldwide. For purposes of this report, an “affiliate” is defined as JPMorgan Chase or a direct or indirect subsidiary of JPMorgan Chase. The Company is subject to the jurisdiction of the Board of Governors of the Federal Reserve System (the “Federal Reserve”).

Effective June 1, 2024, the Company became a direct subsidiary of JPMorgan Chase and substantially all the rights and obligations owed to the Company by other subsidiaries of JPMorgan Chase under its intercompany agreements became rights and obligations of JPMorgan Chase. Prior to that the Company was a wholly-owned subsidiary of JPMorgan Chase Holdings LLC (the “IHC”), which is an intermediate holding company and direct wholly-owned subsidiary of JPMorgan Chase.

Nature of business

The Company’s sole purpose is providing JPMorgan Chase with financing by issuing securities designed to meet investor demand for products that reflect certain risk-return profiles and specific market exposure. The Company lends, through inter-affiliate note arrangements, the net proceeds from these offerings to JPMorgan Chase.

Parent company guarantee of certain obligations

All securities issued by the Company are fully and unconditionally guaranteed by JPMorgan Chase.

2. Significant accounting policies

The accounting and financial reporting policies of the Company conform to accounting principles generally accepted in the U.S. (“U.S. GAAP”). Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by regulatory authorities.

(a) Accounting and reporting developments

Financial Accounting Standards Board (“FASB”) Standards issued but not yet adopted

Standard	Summary of guidance	Effects on Financial Statements
Segment Reporting: Improvements to Reportable Segment Disclosures <i>Issued November 2023</i>	<ul style="list-style-type: none"> Requires disclosure of significant segment expenses that are readily provided to the chief operating decision maker (“CODM”) and included in segment profit or loss. Requires disclosure of the title and position of the CODM and an explanation of how the CODM uses the reported segment measures in assessing segment performance and deciding how to allocate resources. Clarifies that segment disclosures apply to single segment reporting entities. 	<ul style="list-style-type: none"> Required effective date: Annual Financial Statements for the year ending December 31, 2024 and for interim Financial Statements thereafter.^(a) The Company is currently evaluating the potential impact on the Financial Statements disclosures.

(a) Early adoption is permitted.

(b) Basis of presentation

Use of estimates in the preparation of the Financial Statements

The preparation of the Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. Actual results could be different from these estimates. In the opinion of management, all normal, recurring adjustments have been included such that this financial information is fairly stated.

Foreign currency translation

The Company revalues assets, liabilities, revenues and expenses denominated in non-U.S. currencies into U.S. dollars using applicable exchange rates.

(c) Receivables and payables

Receivables and payables include net receivables or net payables arising from unsettled trades on an affiliate and non-affiliate basis. Receivables and payables additionally include when the Company fails to deliver securities to a purchaser by the settlement date or fails to receive securities from a seller by the settlement date.

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Notes to Financial Statements (unaudited)

(d) Financial instruments owned, short-term borrowings and long-term debt

Financial instruments owned, short-term borrowings and long-term debt are predominantly accounted for at fair value. The short-term borrowings and long-term debt represent structured product issuances, and financial instruments owned represent those proceeds from the sale of the structured products being used to fund the activities of other JPMorgan Chase undertakings through certain economic hedging arrangements. These securities transactions are recorded on the trade date, the date on which an agreement is executed to purchase or sell a security. Refer to Note 3 for further information related to the Company's valuation methodologies under fair value measurement.

(e) Accumulated other comprehensive income/(loss)

Accumulated other comprehensive income/(loss) ("AOCI") includes the after-tax change in unrealized gains and losses on intercompany fair value option elected liabilities arising from changes in the Company's own credit risk (Debit Valuation Adjustment "DVA"). Refer to Note 10 for further information.

(f) Principal transactions revenue

Principal transactions revenue includes affiliate and non-affiliate realized and unrealized gains and losses on structured notes recorded on financial instruments owned, short-term borrowings and long-term debt under the fair value option. Refer to Notes 4 and 5 for further information.

(g) Interest income and interest expense

Interest income is accrued on interest-earning assets and interest expense predominantly includes the current period interest recorded primarily related to structured notes recorded in short-term borrowings and long-term debt. Refer to Note 6 for further information.

3. Fair value measurement of financial instruments

The Company carries a portion of its assets and liabilities at fair value. These assets and liabilities are predominantly carried at fair value on a recurring basis (i.e., assets and liabilities that are measured and reported at fair value on the Company's Statements of Financial Condition). Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, they are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment).

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based on quoted market prices or inputs, where available. If prices or quotes are not available, fair value is based on valuation models and other valuation techniques that consider relevant transaction characteristics (such as maturity) and use, as inputs, observable or unobservable market parameters, including yield curves, interest rates, volatilities, prices (such as commodity, equity or debt prices), correlations, foreign exchange ("FX") rates and credit curves. Fair value may also incorporate valuation adjustments.

The level of precision in estimating unobservable market inputs or other factors can affect the amount of gain or loss recorded for a particular position. Furthermore, while the Company believes its valuation methods are appropriate and consistent with those of other market participants, the methods and assumptions used reflect management judgment and may vary across the Company's businesses and portfolios.

The Company uses various methodologies and assumptions in the determination of fair value. The use of different methodologies or assumptions by other market participants compared with those used by the Company could result in the Company deriving a different estimate of fair value at the reporting date.

Valuation process

Risk-taking functions are responsible for providing fair value estimates for assets and liabilities carried on the Statements of Financial Condition at fair value. JPMorgan Chase's Valuation Control Group ("VCG"), which is part of JPMorgan Chase's Finance function and independent of the risk-taking functions, is responsible for verifying these estimates and determining any fair value adjustments that may be required to ensure that the Company's positions are recorded at fair value. In addition, JPMorgan Chase's Firmwide Valuation Governance Forum ("VGF"), which is composed of senior finance and risk executives, is responsible for overseeing the management of risks arising from valuation activities conducted across JPMorgan Chase. JPMorgan Chase's VGF is chaired by the JPMorgan Chase Firmwide head of the VCG (under the direction of JPMorgan Chase's Controller), and includes sub-forums covering the Company.

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Price verification process

The VCG verifies fair value estimates provided by the risk-taking functions by leveraging independently derived prices, valuation inputs and other market data, where available. Where independent prices or inputs are not available, the VCG performs additional review to ensure the reasonableness of the estimates. The additional review may include evaluating the limited market activity including client unwinds, benchmarking valuation inputs to those used for similar instruments, decomposing the valuation of structured instruments into individual components, comparing expected to actual cash flows, and reviewing profit and loss trends. There are also additional levels of management review for more significant or complex positions.

The VCG determines any valuation adjustments that may be required to the estimates provided by the risk-taking functions. No adjustments to quoted prices are applied for instruments classified within level 1 of the fair value hierarchy (refer to the discussion below for further information on the fair value hierarchy). For other positions, judgment is required to assess the need for valuation adjustments to appropriately reflect liquidity considerations, unobservable parameters, and, for certain portfolios that meet specified criteria, the size of the net open risk position. The determination of such adjustments follows a consistent framework across JPMorgan Chase.

- Liquidity valuation adjustments are considered where an observable external price or valuation parameter exists but is of lower reliability, potentially due to lower market activity. Liquidity valuation adjustments are made based on current market conditions. Factors that may be considered in determining the liquidity adjustment include analysis of: (1) the estimated bid-offer spread for the instrument being traded; (2) alternative pricing points for similar instruments in active markets; and (3) the range of reasonable values that the price or parameter could take.
- The Company manages certain portfolios of financial instruments on the basis of net open risk exposure and, as permitted by U.S. GAAP, has elected to estimate the fair value of such portfolios on the basis of a transfer of the entire net open risk position in an orderly transaction. Where this is the case valuation adjustments may be necessary to reflect the cost of exiting a larger-than-normal market-size net open risk position. Where applied, such adjustments are based on factors that a relevant market participant would consider in the transfer of the net open risk position, including the size of the adverse market move that is likely to occur during the period required to sufficiently reduce the net open risk position.
- Uncertainty adjustments related to unobservable parameters may be made when positions are valued using prices or input parameters to valuation models that are unobservable due to a lack of market activity or because they cannot be implied from observable market data. Such prices or parameters must be estimated and are, therefore, subject to management judgment. Adjustments are made to reflect the uncertainty inherent in the resulting valuation estimate.
- Where appropriate, the Company also applies adjustments to its estimates of fair value in order to appropriately reflect counterparty credit quality, JPMorgan Chase's own creditworthiness and the impact of funding, using a consistent framework across the Company.

Valuation model review and approval

If prices or quotes are not available for an instrument or a similar instrument, fair value is generally determined using valuation models that consider relevant transaction terms such as maturity and use as inputs market-based or independently sourced parameters. Where this is the case the price verification process described above is applied to the inputs in those models.

Under JPMorgan Chase's Estimations and Model Risk Management Policy, Model Risk Governance and Review ("MRGR") reviews and approves new models, as well as material changes to existing models, prior to implementation in the operating environment. In certain circumstances exceptions may be granted to JPMorgan Chase's policy to allow a model to be used prior to review or approval. JPMorgan Chase's MRGR may also require the user to take appropriate actions to mitigate the model risk if it is to be used in the interim. These actions will depend on the model and may include, for example, limitation of trading activity.

Fair value hierarchy

A three-level fair value hierarchy has been established under U.S. GAAP for disclosure of fair value measurements. The fair value hierarchy is based on the observability of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows.

- Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

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- Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - one or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following is a description of the valuation methodologies generally used by the Company to measure its more significant products/instruments at fair value, including the general classification of such instruments pursuant to the fair value hierarchy.

Product/instrument	Valuation methodology	Classifications in the fair value hierarchy
Structured notes (included in financial instruments owned, short-term borrowings and long-term debt)	<ul style="list-style-type: none"> • Valuations are based on discounted cash flow analyses that consider the embedded derivative and the terms and payment structure of the financial instrument. • The embedded derivative features are considered using models such as the Black-Scholes option pricing model, simulation models, or a combination of models that may use observable or unobservable valuation inputs, depending on the embedded derivative. The specific inputs used vary according to the nature of the embedded derivative features, as described in the discussion below regarding derivatives valuation. 	Level 2 or 3

The following table presents the assets and liabilities reported at fair value as of June 30, 2024 and December 31, 2023, by major product category and fair value hierarchy.

June 30, 2024 (in thousands)	Fair value hierarchy			Total fair value
	Level 1	Level 2	Level 3	
Total assets measured at fair value on a recurring basis				
Financial instruments owned	\$ -	\$ 27,211,619	\$ 17,493,451	\$ 44,705,070
Total liabilities measured at fair value on a recurring basis				
Short-term borrowings	\$ -	\$ 2,046,721	\$ 52,090	\$ 2,098,811
Long-term debt	-	25,189,805	17,444,278	42,634,083

December 31, 2023 (in thousands)	Fair value hierarchy			Total fair value
	Level 1	Level 2	Level 3	
Total assets measured at fair value on a recurring basis				
Financial instruments owned	\$ -	\$ 28,726,588	\$ 15,391,729	\$ 44,118,317
Total liabilities measured at fair value on a recurring basis				
Short-term borrowings	\$ -	\$ 1,093,334	\$ 234,152	\$ 1,327,486
Long-term debt	-	27,659,698	15,157,407	42,817,105

Level 3 valuations

The Company has established well-structured processes for determining fair value, including for instruments where fair value is estimated using significant unobservable inputs (level 3).

Estimating fair value requires the application of judgment. The type and level of judgment required is largely dependent on the amount of observable market information available to the Company. For instruments valued using internally developed valuation models and other valuation techniques that use significant unobservable inputs and are therefore classified within level 3 of the fair value hierarchy, judgments used to estimate fair value are more significant than those required when estimating the fair value of instruments classified within levels 1 and 2.

In arriving at an estimate of fair value for an instrument within level 3, management must first determine the appropriate valuation model or other valuation technique to use. Second, due to the lack of observability of significant inputs, management must assess relevant empirical data in deriving valuation inputs including transaction details, yield curves, interest rates, prepayment speed, default rates, volatilities, correlations, prices (such as commodity, equity or debt prices), valuations of comparable instruments, foreign exchange rates and credit curves.

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The following table presents, as of June 30, 2024, the Company's primary level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, the significant unobservable inputs, the range of values for those inputs and the weighted or arithmetic averages of such inputs. While the determination to classify an instrument within level 3 is based on the significance of the unobservable inputs to the overall fair value measurement, level 3 financial instruments typically include observable components (that is, components that are actively quoted and can be validated to external sources) in addition to the unobservable components. The level 1 and/or level 2 inputs are not included in the table.

The range of values presented in the table is representative of the highest and lowest level input used to value the significant groups of instruments within a product/instrument classification. Where provided, the weighted averages of the input values presented in the table are calculated based on the fair value of the instruments that the input is being used to value.

In the Company's view, the input range, weighted and arithmetic average values do not reflect the degree of input uncertainty or an assessment of the reasonableness of the Company's estimates and assumptions. Rather, they reflect the characteristics of the various instruments held by the Company and the relative distribution of instruments within the range of characteristics. For example, two option contracts may have similar levels of market risk exposure and valuation uncertainty, but may have significantly different implied volatility levels because the option contracts have different underlyings, tenors, or strike prices. The input range and weighted and arithmetic average values will therefore vary from period-to-period and parameter-to-parameter based on the characteristics of the instruments held by the Company at each Statement of Financial Condition date.

Level 3 inputs

Product/instrument ^{(a)(b)}	Fair value (in thousands)	Principal valuation technique	Unobservable inputs	Range of input values	Average ^(c)
Financial instruments owned	\$ 17,493,451	Option pricing	Interest rate volatility	7bps – 490bps	115bps
			Bermudan switch value	0% – 26%	8%
			Interest rate correlation	(82)% – 97%	64%
			IR-FX correlation	(35)% – 60%	6%
			Equity volatility	2% – 126%	22%
			Equity correlation	(10)% – 100%	67%
			Equity-FX correlation	(80)% – 38%	(29)%
			Equity-IR correlation	(5)% – 30%	11%
Short-term borrowings and long-term debt	17,496,368	Option pricing	Interest rate volatility	7bps – 490bps	115bps
			Bermudan switch value	0% – 26%	8%
			Interest rate correlation	(82)% – 97%	64%
			IR-FX correlation	(35)% – 60%	6%
			Equity volatility	2% – 126%	22%
			Equity correlation	(10)% – 100%	67%
			Equity-FX correlation	(80)% – 38%	(29)%
			Equity-IR correlation	(5)% – 30%	11%

(a) The inputs presented for each valuation technique in the table are, in some cases, not applicable to every instrument valued using the technique as the characteristics of the instruments can differ.

(b) These instruments represent structured notes issued to and by the Company. The structured notes are predominantly financial instruments that contain embedded derivatives. The estimate of the fair value of the structured notes includes the derivative features embedded within the instruments. The significant unobservable inputs are broadly consistent with those presented for derivatives.

(c) Amounts represent derivative related inputs where arithmetic averages are used.

Changes in and ranges of unobservable inputs

The following discussion provides a description of the impact on a fair value measurement of a change in each unobservable input in isolation, and the interrelationship between unobservable inputs, where relevant and significant. The impact of changes in inputs may not be independent, as a change in one unobservable input may give rise to a change in another unobservable input. Where relationships do exist between two unobservable inputs, those relationships are discussed below. Relationships may also exist between observable and unobservable inputs (for example, as observable interest rates rise, unobservable prepayment rates decline); such relationships have not been included in the discussion below. In addition, for each of the individual relationships described below, the inverse relationship would also generally apply.

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The following discussion also provides a description of attributes of the underlying instruments and external market factors that affect the range of inputs used in the valuation of the Company's positions.

Correlation - Correlation is a measure of the relationship between the movements of two variables. Correlation is a pricing input for a derivative product where the payoff is driven by one or more underlying risks. Correlation inputs are related to the type of derivative (e.g., interest rate, credit, equity, foreign exchange and commodity) due to the nature of the underlying risks. When parameters are positively correlated, an increase in one parameter will result in an increase in the other parameter. When parameters are negatively correlated, an increase in one parameter will result in a decrease in the other parameter. An increase in correlation can result in an increase or a decrease in a fair value measurement. Given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in a fair value measurement.

The level of correlation used in the valuation of derivatives with multiple underlying risks depends on a number of factors including the nature of those risks. For example, the correlation between two credit risk exposures would be different than that between two interest rate risk exposures. Similarly, the tenor of the transaction may also impact the correlation input, as the relationship between the underlying risks may be different over different time periods. Furthermore, correlation levels are very much dependent on market conditions and could have a relatively wide range of levels within or across asset classes over time, particularly in volatile market conditions.

Volatility - Volatility is a measure of the variability in possible returns for an instrument, parameter or market index given how much the particular instrument, parameter or index changes in value over time. Volatility is a pricing input for options, including equity options, commodity options, and interest rate options. Generally, the higher the volatility of the underlying, the riskier the instrument. Given a long position in an option, an increase in volatility, in isolation, would generally result in an increase in a fair value measurement.

The level of volatility used in the valuation of a particular option-based derivative depends on a number of factors, including the nature of the risk underlying the option (e.g., the volatility of a particular equity security may be significantly different from that of a particular commodity index), the tenor of the derivative as well as the strike price of the option.

Bermudan switch value - The switch value is the difference between the overall value of a Bermudan swaption, which can be exercised at multiple points in time, and its most expensive European swaption and reflects the additional value that the multiple exercise dates provide the holder. Switch values are dependent on market conditions and can vary greatly depending on a number of factors, such as the tenor of the underlying swap as well as the strike price of the option. An increase in switch value, in isolation, would generally result in an increase in a fair value measurement.

Changes in level 3 recurring fair value measurements

The following tables include a rollforward of the Statements of Financial Condition amounts (including changes in fair value) for financial instruments classified by the Company within level 3 of the fair value hierarchy for the six months ended June 30, 2024 and 2023. When a determination is made to classify a financial instrument within level 3, the determination is based on the significance of the unobservable inputs to the overall fair value measurement. However, level 3 financial instruments typically include, in addition to the unobservable or level 3 components, observable components (that is, components that are actively quoted and can be validated to external sources); accordingly, the gains and losses in the following tables include changes in fair value due in part to observable factors that are part of the valuation methodology.

Fair value measurements using significant unobservable inputs

Six months ended June 30, 2024 (in thousands)	Fair value, January 1, 2024	Total realized/unrealized gains/(losses) ^(a)	Purchases	Sales	Issuances	Settlements	Transfers into level 3	Transfers (out of) level 3	Fair value, June 30, 2024	Change in unrealized gains/(losses) related to financial instruments owned at June 30, 2024 ^(a)
Assets										
Financial instruments owned	\$15,391,729	\$ 855,980	\$17,455,645 ^(b)	\$29,340	\$ 130,315	\$(16,377,172) ^(b)	\$ 15,689	\$(8,075)	\$17,493,451	\$ 220,275

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Fair value measurements using significant unobservable inputs										
Six months ended June 30, 2024 (in thousands)	Fair value, January 1, 2024	Total realized/unrealized (gains)/losses ^(a)	Purchases	Sales	Issuances	Settlements	Transfers into level 3	Transfers (out of) level 3	Fair value, June 30, 2024	Change in unrealized (gains)/losses related to financial instruments owned at June 30, 2024 ^(a)
Liabilities										
Short-term borrowings	\$ 234,152	\$ 6,879	\$ -	\$ -	\$ 88,624	\$ (278,087)	\$ 522	\$ -	\$ 52,090	\$ 764
Long-term debt	15,157,407	837,121	-	-	5,769,505	(4,951,234)	724,524	(93,045)	17,444,278	806,386

Fair value measurements using significant unobservable inputs										
Six months ended June 30, 2023 (in thousands)	Fair value, January 1, 2023	Total realized/unrealized (gains)/losses ^(a)	Purchases	Sales	Issuances	Settlements	Transfers into level 3	Transfers (out of) level 3	Fair value, June 30, 2023	Change in unrealized gains/(losses) related to financial instruments owned at June 30, 2023 ^(a)
Assets										
Financial instruments owned	\$11,152,058	\$ 1,219,068	\$ 3,227,871	\$20,941	\$ 45,064	\$ (2,671,460)	\$ 13,246	\$ (178,666)	\$12,828,122	\$ 1,701,229

Fair value measurements using significant unobservable inputs										
Six months ended June 30, 2023 (in thousands)	Fair value, January 1, 2023	Total realized/unrealized (gains)/losses ^(a)	Purchases	Sales	Issuances	Settlements	Transfers into level 3	Transfers (out of) level 3	Fair value, June 30, 2023	Change in unrealized (gains)/losses related to financial instruments owned at June 30, 2023 ^(a)
Liabilities										
Short-term borrowings	\$ 166,671	\$ 12,366	\$ -	\$ -	\$ 210,289	\$ (147,057)	\$ -	\$ (4)	\$ 242,265	\$ 13,172
Long-term debt	10,986,077	1,198,130	-	-	3,074,057	(2,494,037)	13,097	(178,734)	12,598,590	1,669,918

(a) Reported in principal transactions revenue in the Statements of Income/(Loss) and Comprehensive Income/(Loss).

(b) Effective June 1, 2024, the Company became a direct subsidiary of JPMorgan Chase and substantially all the rights and obligations owed to the Company by other subsidiaries of JPMorgan Chase under its intercompany agreements became rights and obligations of JPMorgan Chase.

Transfers between levels for instruments carried at fair value on a recurring basis

During the six months ended June 30, 2024, significant transfers from level 2 into level 3 included the following:

- \$724.5 million of long-term debt as a result of a decrease in observability and an increase in the significance of unobservable inputs.

During the six months ended June 30, 2024, significant transfers from level 3 into level 2 included the following:

- \$93.0 million of long-term debt as a result of an increase in observability and a decrease in the significance of unobservable inputs.

During the six months ended June 30, 2023, significant transfers from level 3 into level 2 included the following:

- \$178.7 million of financial instruments owned and \$178.7 million of long-term debt as a result of an increase in observability and a decrease in the significance of unobservable inputs.

All transfers are based on changes in the observability and/or significance of the valuation inputs and are assumed to occur at the beginning of the quarterly period in which they occur.

Additional disclosures about the fair value of financial instruments that are not carried on the Statements of Financial Condition at fair value

U.S. GAAP requires disclosure of the estimated fair value of certain financial instruments, which are included in the following table. Certain financial instruments that are not carried at fair value on the Statements of Financial Condition are carried at amounts that approximate fair value, due to their short-term nature and generally negligible credit risk. These instruments include cash, receivables, other assets, short-term borrowings, payables, and other liabilities and accrued expenses.

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The following table presents by fair value hierarchy classification the carrying values and estimated fair values as of June 30, 2024 and December 31, 2023, of financial assets and liabilities, excluding financial instruments that are carried at fair value on a recurring basis, and their classification within the fair value hierarchy.

(in thousands)	Carrying value	June 30, 2024			Total estimated fair value	Carrying value	December 31, 2023			Total estimated fair value
		Estimated fair value hierarchy					Estimated fair value hierarchy			
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
Financial assets										
Cash	\$ 279,493	\$ 279,493	\$ –	\$ –	\$ 279,493	\$ 259,429	\$ 259,429	\$ –	\$ –	\$ 259,429
Receivables	4,472	–	4,472	–	4,472	55,774	–	55,774	–	55,774
Other assets	8,608	–	8,608	–	8,608	–	–	–	–	–
Financial liabilities										
Short-term borrowings	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 20,782	\$ –	\$ 20,782	\$ –	\$ 20,782
Payables	34,546	–	34,546	–	34,546	17,870	–	17,870	–	17,870
Other liabilities and accrued expenses	2,123	–	2,123	–	2,123	24,315	–	24,315	–	24,315

4. Fair value option

The fair value option provides an option to elect fair value for selected financial assets, financial liabilities and unrecognized firm commitments.

The Company has elected to measure certain instruments at fair value for several reasons, including to mitigate income statement volatility caused by the differences in the measurement basis of elected instruments (e.g., certain instruments that otherwise would be accounted for on an accrual basis) while the associated risk management arrangements are accounted for on a fair value basis, as well as to better reflect those instruments that are managed on a fair value basis.

The Company's election of fair value includes the following instruments:

- Structured notes and other hybrid instruments, which are predominantly financial instruments that contain embedded derivatives.

Changes in fair value under the fair value option election

The following table presents the changes in fair value included in the Statements of Income/(Loss) and Comprehensive Income/(Loss), which are all recorded in principal transactions, for the six months ended June 30, 2024 and 2023, for items for which the fair value option was elected. The profit and loss information presented in the following table only includes the financial instruments that were elected to be measured at fair value; related risk management instruments, which are required to be measured at fair value, are not included in the table.

(in thousands)	Principal transactions for the six months ended June 30,	
	2024	2023
Financial instruments owned:		
Debt and equity instruments	\$ 1,730,063	\$ 2,390,922
Short-term borrowings ^(a)	(79,675)	(55,887)
Long-term debt ^(a)	(1,812,149)	(2,453,489)

(a) Unrealized gains/(losses) due to instrument-specific credit risk (DVA) for liabilities for which the fair value option has been elected are recorded in AOCI, while realized gains/(losses) are recorded in principal transactions revenue. Realized gains/(losses) due to instrument-specific credit risk recorded in principal transactions revenue were not material for the six months ended June 30, 2024 and 2023.

Difference between aggregate fair value and aggregate remaining contractual principal balance outstanding

The following table reflects the difference between the aggregate fair value and the aggregate remaining contractual principal balance outstanding as of June 30, 2024 and December 31, 2023, for long-term debt for which the fair value option has been elected.

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(in thousands)	June 30, 2024			December 31, 2023		
	Contractual principal outstanding	Fair value	Fair value over/ (under) contractual principal outstanding	Contractual principal outstanding	Fair value	Fair value over/ (under) contractual principal outstanding
Long-term debt ^(a)						
Principal-protected debt	\$ 9,722,456 ^(b)	\$ 9,714,601	\$ (7,855)	\$ 9,977,616 ^(b)	\$ 10,061,366	\$ 83,750
Nonprincipal-protected debt	NA	32,919,482	NA	NA	32,755,739	NA
Total long-term debt	NA	\$ 42,634,083	NA	NA	\$ 42,817,105	NA

(a) Remaining contractual principal is not applicable to nonprincipal-protected notes. Unlike principal-protected structured notes, for which the Company is obligated to return a stated amount of principal at the maturity of the note, nonprincipal-protected structured notes do not obligate the Company to return a stated amount of principal at maturity, but to return an amount based on the performance of an underlying variable or derivative feature embedded in the note. The debt, both principal-protected and nonprincipal-protected, reflects unsecured and unsubordinated obligations of the Company, the payment on which is fully and unconditionally guaranteed by JPMorgan Chase. Any payment on any such debt is subject to the credit risk of the Company, as issuer of the debt, and the credit risk of JPMorgan Chase, as guarantor of the debt.

(b) Where the Company issues principal-protected zero-coupon or discount notes, the balance reflects the contractual principal payment at maturity or, if applicable, the contractual principal payment at the Company's next call date.

5. Noninterest revenues

Principal transactions revenue

Principal transactions revenue is driven by many factors, including:

- the bid-offer spread, which is the difference between the price at which a market participant is willing and able to sell an instrument to the Company and the price at which another market participant is willing and able to buy it from the Company, and vice versa; and
- realized and unrealized gains and losses on financial instruments, including those accounted for under the fair value option.
 - Realized gains and losses result from the sale of instruments, closing out or termination of transactions, or interim cash payments.
 - Unrealized gains and losses result from changes in valuation.

The following table presents for the six months ended June 30, 2024 and 2023, all realized and unrealized gains/(losses) recorded in principal transactions revenue. Principal transactions revenue is presented primarily by instrument type.

(in thousands)	Six months ended June 30,	
	2024	2023
Contract type		
Interest rate	\$ 156,992	\$ 112,520
Credit	3,872	(643)
Foreign exchange	1,955	(646)
Equity	(17,802)	(9,622)
Commodity	(944)	(1,481)
Total principal transactions	\$ 144,073	\$ 100,128

6. Interest income and interest expense

Interest income and interest expense are recorded in the Statements of Income/(Loss) and Comprehensive Income/(Loss) and classified based on the nature of the underlying asset or liability. Interest expense does not include the interest accruals for financial instruments containing embedded derivatives which would be separately accounted for in accordance with U.S. GAAP absent the fair value option election; for those instruments, all changes in fair value, including any interest elements, are primarily reported in principal transactions revenue in the Statements of Income/(Loss) and Comprehensive Income/(Loss). Details of interest income and interest expense for the six months ended June 30, 2024 and 2023, are as follows.

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(in thousands)	Six months ended June 30,	
	2024	2023
Interest income		
Other	\$ 2,311	\$ 1,140
Total interest income	\$ 2,311	\$ 1,140
Interest expense		
Structured products	\$ 168,065	\$ 123,504
Other	358	788
Total interest expense	\$ 168,423	\$ 124,292
Net interest income	\$ (166,112)	\$ (123,152)

7. Short-term borrowings

The following is a summary of the Company's variable rate short-term borrowings, which have maturities of less than one year, as of June 30, 2024 and December 31, 2023.

	June 30, 2024			December 31, 2023		
	Amount (in thousands)	Interest rates	Secured/unsecured	Amount (in thousands)	Interest rates	Secured/unsecured
Structured notes	\$ 2,098,811	Various ^(a)	Unsecured	\$ 1,327,486	Various ^(a)	Unsecured
Other	—	NA	Unsecured	20,782	NA	Unsecured
Total	\$ 2,098,811			\$ 1,348,268		

(a) The interest rates are based on the performance of various equity-linked and other indexed instruments. The Company has elected to measure these instruments at fair value under the fair value option.

8. Long-term debt

The following table is a summary of long-term debt carrying values representing the Company's unsecured long-term structured notes (including unamortized premiums and discounts, issuance costs, valuation adjustments and fair value adjustments, where applicable) by remaining contractual maturity as of June 30, 2024 and December 31, 2023. The interest rates are based on the performance of various equity-linked and other indexed instruments. The Company has elected to measure these instruments at fair value under the fair value option.

(in thousands)	June 30, 2024				December 31, 2023			
	Under 1 year	1 - 5 years	After 5 years	Total	Under 1 year	1 - 5 years	After 5 years	Total
Long-term debt								
Variable rate notes	\$ 16,747,033	\$ 22,185,733	\$ 3,701,317	\$ 42,634,083	\$ 16,633,100	\$ 22,833,255	\$ 3,350,750	\$ 42,817,105

9. Related parties

The Company regularly enters into transactions with JPMorgan Chase predominantly by lending through inter-affiliate note arrangements the net proceeds from structured notes offerings. Balances with related parties as of June 30, 2024 and December 31, 2023, are listed in the following table.

(in thousands)	June 30, 2024	December 31, 2023
Assets		
Cash	\$ 270,151	\$ 216,245
Receivables	1,887	49,354
Financial instruments owned, at fair value	44,695,036	44,108,516
Liabilities		
Short-term borrowings (included \$219,495 and \$40,057 at fair value)	\$ 219,495	\$ 54,287
Payables	29,724	15,271
Other liabilities and accrued expenses	—	20,240
Long-term debt, at fair value	1,720,282	1,915,158

JPMorgan Chase Financial Company LLC
(a direct wholly-owned subsidiary of JPMorgan Chase & Co.)
Notes to Financial Statements (unaudited)

Revenue and expense-related transactions with related parties for the six months ended June 30, 2024 and 2023, are listed in the following table.

(in thousands)	Six months ended June 30,	
	2024	2023
Interest income		
Other	\$ 2,311	\$ 1,140
Interest expense		
Other	\$ 358	\$ 335
Noninterest revenues		
Principal transactions	\$ 2,555,040	\$ 3,064,740
Other	1,152	1,707
Expenses		
Management fees and allocated corporate overhead	\$ 65	\$ 859

10. Accumulated other comprehensive income/(loss)

AOCI includes the after-tax change in unrealized gains and losses on fair value option elected liabilities arising from changes in the Company's own credit risk (DVA). Pre-tax and after-tax considerations do not impact the components of AOCI. Balances are listed in the following table.

(in thousands)	
Total accumulated other comprehensive income at December 31, 2023	\$ (62,406)
DVA on fair value option elected liabilities	23,095
Total accumulated other comprehensive income at June 30, 2024	\$ (39,311)
(in thousands)	
Total accumulated other comprehensive loss at December 31, 2022	\$ 15,302
DVA on fair value option elected liabilities	20,404
Total accumulated other comprehensive income at June 30, 2023	\$ 35,706

11. Contingencies

Litigation

In the ordinary course of business the Company may become a defendant in legal proceedings in connection with its debt issuance business. In accordance with the provisions of U.S. GAAP for contingencies, the Company accrues for a litigation-related liability when it is probable that such a liability has been incurred and the amount of the loss can be reasonably estimated. The Company evaluates its outstanding legal proceedings, if any, periodically to assess whether a litigation reserve should be established.

While the outcome of litigation is inherently uncertain, the Company believes, based upon its current knowledge, and after consultation with counsel, that there are no pending or threatened legal proceedings affecting the Company that would require the establishment of a litigation reserve. There is no assurance that the Company will not need to establish a reserve, or to adjust the amount of such a reserve, for a litigation-related liability in the future.

12. Subsequent events

The Company has performed an evaluation of events that have occurred subsequent to June 30, 2024, and through September 9, 2024 (the date of the filing of this report). There have been no material subsequent events that occurred during such period that would require disclosure or recognition on the Financial Statements as of June 30, 2024.