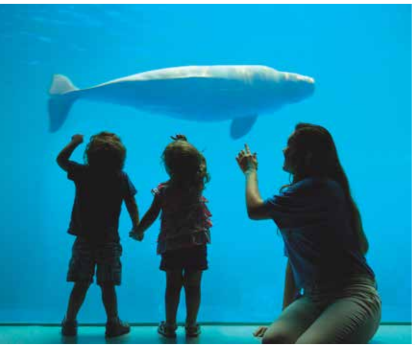
WPD-6 (Part 22)

ANNUAL REPORT 2014

JPMorgan Chase & Co.



Financial Highlights

As of or for the year ended December 31, (in millions, except per share, ratio data and headcount)	2014	2013
Reported basis[a]		
Total net revenue	**$ 94,205**	$ 96,606
Total noninterest expense	**61,274**	70,467
Pre-provision profit	**32,931**	26,139
Provision for credit losses	**3,139**	225
Net income	**$ 21,762**	$ 17,923
Per common share data		
Net income per share:		
Basic	**$ 5.34**	$ 4.39
Diluted	**5.29**	4.35
Cash dividends declared	**1.58**	1.44
Book value	**57.07**	53.25
Tangible book value[b]	**44.69**	40.81
Selected ratios		
Return on common equity	**10%**	9%
Return on tangible common equity[b]	**13**	11
Common equity Tier 1 ("CET1") capital ratio[c]	**10.2**	10.7
Tier 1 capital ratio[c]	**11.6**	11.9
Total capital ratio[c]	**13.1**	14.4
Selected balance sheet data (period-end)		
Loans	**$ 757,336**	$ 738,418
Total assets	**2,573,126**	2,415,689
Deposits	**1,363,427**	1,287,765
Total stockholders' equity	**232,065**	211,178
Headcount	**241,359**	251,196

(a) Results are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), except where otherwise noted.
(b) Non-GAAP financial measure. For further discussion, see "Explanation and Reconciliation of the Firm's Use of Non-GAAP Financial Measures" in this Annual Report.
(c) Basel III Transitional rules became effective on January 1, 2014; prior period data is based on Basel I rules. As of December 31, 2014, the ratios presented are calculated under the Basel III Advanced Transitional Approach. CET1 capital under Basel III replaced Tier 1 common capital under Basel I. Prior to Basel III becoming effective, Tier 1 common capital under Basel I was a non-GAAP financial measure. For further discussion, see "Regulatory capital" in this Annual Report.

JPMorgan Chase & Co. (NYSE: JPM) is a leading global financial services firm with assets of $2.6 trillion and operations worldwide. The firm is a leader in investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing and asset management. A component of the Dow Jones Industrial Average, JPMorgan Chase & Co. serves millions of consumers in the United States and many of the world's most prominent corporate, institutional and government clients under its J.P. Morgan and Chase brands.

Information about J.P. Morgan's capabilities can be found at jpmorgan.com and about Chase's capabilities at chase.com. Information about JPMorgan Chase & Co. is available at jpmorganchase.com.

WPD-6 (Part 22)

communities

clients

customers

employees

veterans

nonprofits

business owners

schools

hospitals

local governments

JPMorgan Chase & Co.

Dear Fellow Shareholders,

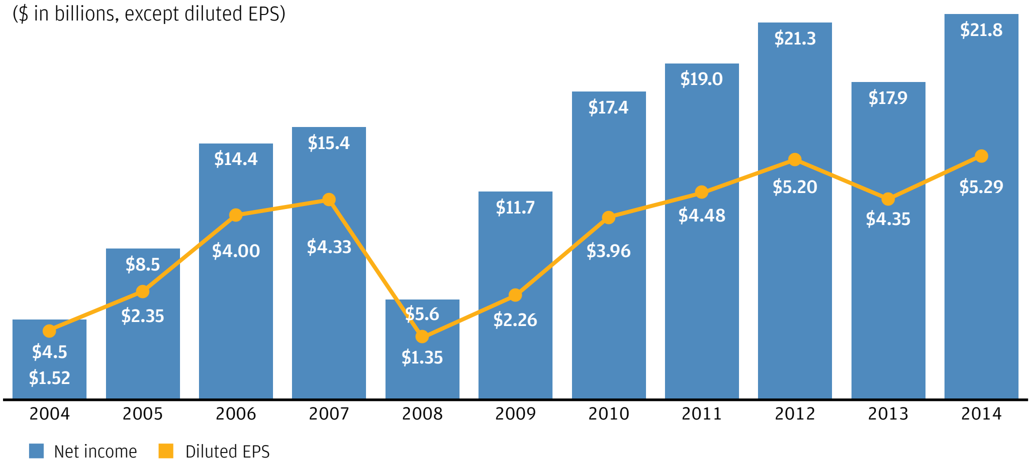
Jamie Dimon,
Chairman and
Chief Executive Officer

Seven years ago, the world was shaken by the global financial crisis. And since then, our company has been dealing with extraordinary challenges as a result of that crisis. We have endured an unprecedented economic, political and social storm — the impact of which will continue to be felt for years and possibly decades to come. What is most striking to me, in spite of all the turmoil, is that our company became safer and stronger — and it never stopped supporting clients, communities and the growth of economies around the world.

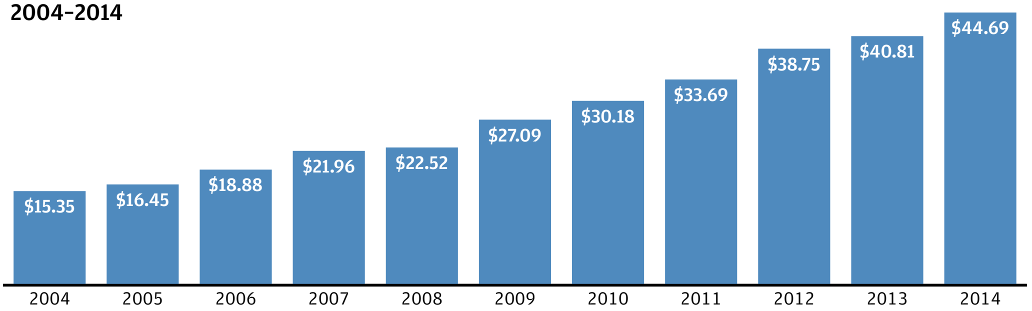
I feel extraordinarily privileged to work for this great company with such talented people. Our management team and our employees do outstanding work every single day — sometimes under enormous pressure — while dealing with an extreme number of complex business and regulatory issues. The way our people and our firm are able to address our challenges and admit our mistakes while continuing to grow our businesses and support our clients fills me with pride.

Our company earned a record $21.8 billion in net income on revenue[1] of $97.9 billion in 2014. In fact, we have delivered record results in the last four out of five years, and we hope to continue to deliver in the future. Our financial results reflected strong underlying performance across our businesses. Over the course of last year, our four franchises maintained – and even strengthened – our leadership positions and continued to gain market share, improve customer satisfaction and foster innovation. We also continued to deliver on our many commitments – including business simplification, regulatory requirements, controls, expense discipline and capital requirements.

Earnings and Diluted Earnings per Share
2004–2014
($ in billions, except diluted EPS)



Tangible Book Value per Share
2004–2014



[1] Represents managed revenue

Bank One/JPMorgan Chase & Co. tangible book value per share performance vs. S&P 500

	Bank One (A)	S&P 500 (B)	Relative Results (A) – (B)
Performance since becoming CEO of Bank One (3/27/2000–12/31/2014)[(a)]:			
Compounded annual gain	12.7%	5.3%	7.4%
Overall gain	434.9%	105.1%	329.8%

	JPMorgan Chase & Co. (A)	S&P 500 (B)	Relative Results (A) – (B)
Performance since the Bank One and JPMorgan Chase & Co. merger (7/1/2004–12/31/2014):			
Compounded annual gain	14.1%	8.0%	6.1%
Overall gain	300.5%	124.5%	176.0%

Tangible book value over time captures the company's use of capital, balance sheet and profitability. In this chart, we are looking at heritage Bank One shareholders and JPMorgan Chase & Co. shareholders. The chart shows the increase in tangible book value per share; it is an aftertax number assuming all dividends were retained vs. the S&P 500 (a pretax number with dividends reinvested).

[(a)] On March 27, 2000, Jamie Dimon was hired as CEO of Bank One

We believe that, in 2014, we continued to deliver for our shareholders. The table above shows the growth in tangible book value per share, which we believe is a conservative measure of value. You can see that the tangible book value per share has grown far more than the Standard & Poor's 500 Index (S&P 500) in both time periods. For Bank One shareholders since March 27, 2000, the stock has performed far better than most financial companies and the S&P 500. And since the JPMorgan Chase & Co. merger with Bank One on July 1, 2004, we have performed well versus other financial companies and slightly below the S&P 500. The details are shown in the table below.

Stock total return analysis

	Bank One	S&P 500	S&P Financials Index
Performance since becoming CEO of Bank One (3/27/2000–12/31/2014)[(a)]:			
Compounded annual gain	10.4%	4.0%	2.2%
Overall gain	328.3%	78.8%	37.4%

	JPMorgan Chase & Co.	S&P 500	S&P Financials Index
Performance since the Bank One and JPMorgan Chase & Co. merger (7/1/2004–12/31/2014):			
Compounded annual gain	7.5%	8.0%	0.9%
Overall gain	113.3%	124.5%	9.5%

This chart shows actual returns of the stock, with dividends included, for heritage shareholders of Bank One and JPMorgan Chase & Co. vs. the Standard & Poor's 500 Index (S&P 500) and the Standard & Poor's Financials Index (S&P Financials Index).

[(a)] On March 27, 2000, Jamie Dimon was hired as CEO of Bank One

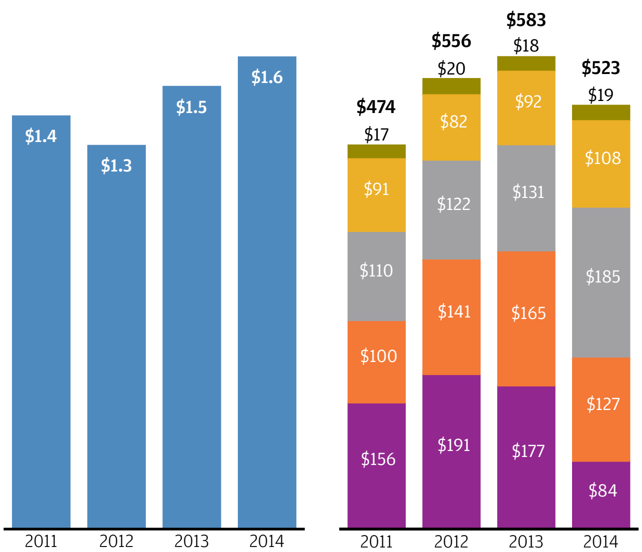
However, our stock performance has not been particularly good in the last five years. While the business franchise has become stronger, I believe that legal and regulatory costs and ***future uncertainty*** regarding legal and regulatory costs have hurt our company and the value of our stock and have led to a price/earnings ratio lower than some of our competitors. We are determined to limit (we can never completely eliminate them) our legal costs over time, and as we do, we expect that the strength and quality of the underlying business will shine through.

JPMorgan Chase continued to support consumers and businesses and make a significant positive impact on our communities. In 2014, the firm **provided credit and raised capital of more than $2.1 trillion for our clients.** The firm also has hired nearly 8,700 military veterans since 2011 as a proud founding member of the 100,000 Jobs Mission, which recently has increased the goal to 300,000 jobs. Our firm was there to help small businesses – we **provided $19 billion of credit to U.S. small businesses**, which allowed them to develop new products, expand operations and hire more workers. In total, we **provided $197 billion of credit to consumers.** And we provided credit and raised capital of **more than $75 billion for nonprofit and government entities, including states, municipalities, hospitals and universities.** Our strength allows us to be there for our clients and communities in good times – and, more important, in bad times. In the face of many difficult challenges, we never stopped doing our job, and we demonstrated that the work we do matters. And we also continue to build our business by investing in infrastructure, systems, technology and new products and by adding bankers and branches around the world.

New and Renewed Credit and Capital for Clients
at December 31,

Corporate clients
($ in trillions)

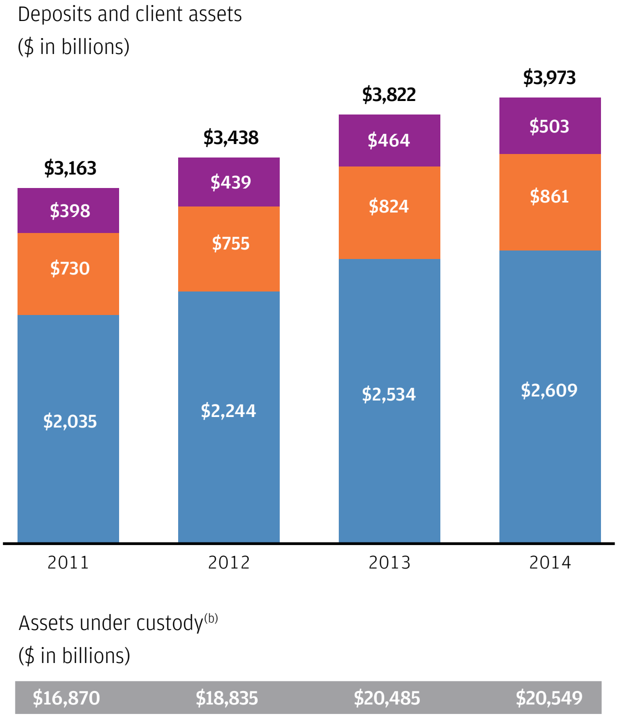
Consumer and Commercial Banking
($ in billions)



	Year-over-year change		
	'11 to '12	'12 to '13	'13 to '14
Corporate clients	(9)%	20%	7%
Small business	18%	(8)%	5%
Card & Auto	(10)%	12%	18%
Commercial/ Middle market	11%	8%	41%
Asset management	41%	17%	(23)%
Mortgage/ Home equity	22%	(7)%	(53)%
Total Consumer and Commercial Banking	17%	5%	(10)%

Our clients also exhibit their faith in us by entrusting us to take care of their money — either as deposits or as client assets entrusted to us — as shown in the chart below.

Assets Entrusted to Us by Our Clients
at December 31,



	Year-over-year change		
	'11 to '12	'12 to '13	'13 to '14
Deposits			
Consumer	10%	6%	8%
Wholesale	3%	9%	4%
Client assets[a]	10%	13%	3%

[a] Represent assets under management as well as custody, brokerage, administration and deposit accounts

[b] Represents activities associated with the safekeeping and servicing of assets

In this letter, I will discuss the issues highlighted below. I also encourage you to read the letters written by several of our business leaders about our main businesses, our critical operations and controls, and some of our corporate responsibility efforts.

As usual, this letter will describe some of our successes and opportunities, as well as our challenges and issues. The main sections of the letter are as follows:

I. We have an outstanding franchise — our company has emerged as an endgame winner, but we need to earn it every day

II. We build for the long term — we manage through-the-cycle, and we always are prepared for the toughest of times

III. We will successfully navigate the new global financial architecture (and we are well on our way to having fortress controls)

IV. We have a solid strategy and believe our future outlook is very good — but, as usual, there still are a lot of things to think and worry about

V. We have a fully engaged board, an exceptional management team and a strong corporate culture

I. WE HAVE AN OUTSTANDING FRANCHISE — OUR COMPANY HAS EMERGED AS AN ENDGAME WINNER, BUT WE NEED TO EARN IT EVERY DAY

If you think back 10, 20 or 30 years ago, my predecessors and I struggled to try to build a great company, which we hoped would emerge as an endgame winner. The ultimate outcome was unclear – and many competitors did not survive (this is true for most large-scale consolidating industries). Even for those of us that did, it was quite a struggle. Today, it is clear that our company is an endgame winner – both in the United States and globally – which is invaluable in *any* industry. And while we have had some difficult times since the financial crisis, the power of the franchise has shone through. We also know that future success is not guaranteed – only consistently good management over a long period of time can ensure long-term success in any business. But we certainly are in a very good place.

We have delivered good multi-year financial results (strong margins and returns and low volatility) and have shown a great ability to adapt to changes — both from the marketplace and the regulatory environment

We always compare our margins and returns with those of our best competitors in each business. The chart below, which is very similar to a chart we showed at our Investor Day, shows some of these numbers for 2014. We believe that the right discipline is to compare each of our businesses against *its* best competitor. It is a mistake just to look at the consolidated numbers and compare them – every company has a different mix of businesses. The chart below also shows how our businesses compare in terms of margins,

JPMorgan Chase Is in Line with Best-in-Class Peers in Both Efficiency and Returns

	Efficiency			Returns		
	JPM 2014 overhead ratios	Best-in-class peer overhead ratios[2] weighted by JPM revenue mix	JPM target overhead ratios	JPM 2014 ROE	Best-in-class peer ROTCE[4] weighted by JPM equity mix	JPM target ROE
Consumer & Community Banking	58%	55% WFC	~50%	18%	16% WFC	20%
Corporate & Investment Bank	62%[1]	60% Citi	55%-60%	13%[1]	14% Citi	13%
Commercial Banking	39%	38% PNC	35%	18%	13% PNC	18%
Asset Management	71%	69% UBS WM & BLK	≤70%	23%	27% BEN	25%+
JPMorgan Chase	60%[1]	59%[1]	55%+/-	13%[3]	13%	~15%[3]

[1] Excludes legal expense
[2] Best-in-class overhead ratio represents implied expenses of comparable peer segments weighted by JPMorgan Chase (JPM) revenue: Wells Fargo Community Banking (WFC), Citi Institutional Clients Group (Citi), PNC Corporate and Institutional Banking (PNC), UBS Wealth Management and Wealth Management Americas (UBS WM) and BlackRock (BLK), and JPM Corporate segment
[3] Represents ROTCE for total JPMorgan Chase. Goodwill is primarily related to the Bank One merger and prior acquisitions and is predominantly retained by Corporate
[4] Best-in-class ROTCE represents implied net income minus preferred stock dividends of comparable peers weighted by JPM tangible common equity: WFC, Citi, PNC, Franklin Templeton (BEN) and JPM Corporate segment

our target margins in a normal environment and, most important, our return on equity (ROE). On most of these measures, we are very close to the best-in-class competitor.

A good company should be able to earn competitive margins over an extended period of time regardless of economic conditions while investing and without taking excessive risk

Any company can improve earnings in the short run by taking on additional risk or cutting back on investments. Any company can grow rapidly if it takes on too much risk – but that usually is the kind of growth one comes to regret. Our margins have been quite good, even as we have been investing for the long run. These investment expenses lower our short-term returns, but they are "good" expenses. In addition to the tremendous amount that we invest annually in technology and infrastructure, some examples of where we have invested over the past five years are:

- 448 retail branches in the United States
- 28 wholesale offices abroad
- 2,498 Chase Private Client locations/branches, supported by 594 new Private Client advisors
- 20 Commercial Banking expansion cities, including approximately 350 Commercial Banking bankers
- 205 small business bankers

A good company always should be investing while it also is waste cutting; i.e., cutting out any unnecessary expenses. However, I often have received bad advice on what are unnecessary expenses. For example, spending on important strategic off-sites, research and development for innovation, marketing that has a positive return – those are good expenses. We take a bus trip annually to visit branches, operating centers and clients. It is both fun and enormously productive – and it is not an unnecessary expense – it makes us a better company. Even our annual Retail National Sales Conference with the top 5% of our branch bankers, loan officers and tellers is critical – we spend time working together, we learn a lot and we get to thank these outstanding employees at an awards recognition dinner. While it is perfectly reasonable in tough times to dramatically reduce the cost of that conference, it is unwise to cancel it. I have been to every single one of these events since I started running Bank One, and I intend to continue that tradition.

We earned adequate returns while building an increasingly stronger capital base

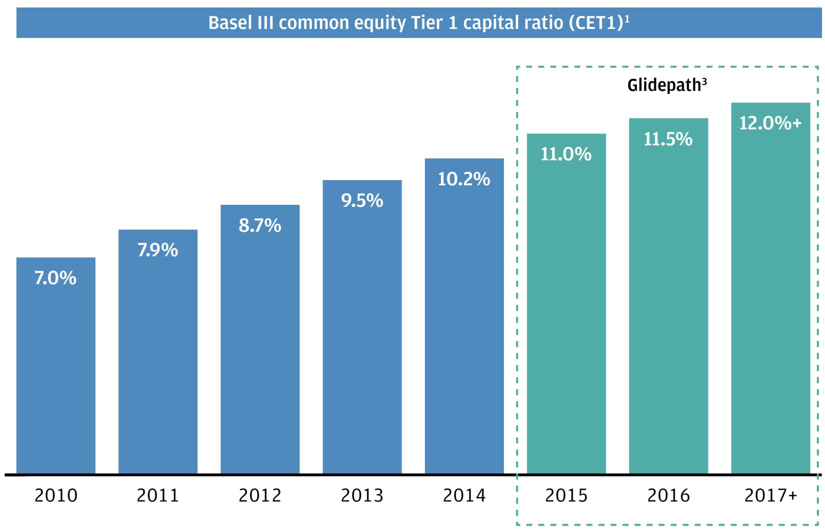
During these challenging years, our company has confronted difficult markets, billions of dollars of additional regulatory costs, billions of dollars of costs due to changes in products and services, and, unfortunately, very high legal costs. And we have had to hold an increasing amount of capital throughout this time. While there is no question that these events did reduce our performance and returns, we have been able to adapt, meet the new rules and perform fairly well financially.

The chart below shows earnings, the capital we returned to shareholders through dividends and stock buybacks, our returns on tangible common equity and our high quality liquid assets (HQLA). High quality liquid assets essentially are deposits held at the Federal Reserve and central banks, agency mortgage-backed securities and Treasuries, and they are the component of our balance sheet that has grown most dramatically. Only HQLA count for liquid assets under banking regulators' definition of liquidity – and we currently have more than is required by the regulators.

The chart below also shows that even after dramatically increasing capital and liquidity, both of which reduce returns on capital, we were able to earn an adequate return on tangible common equity, grow our capital base as needed and still return capital to shareholders.

Capital, Liquidity, Returns

($ in billions, except ratios)



	2010	2011	2012	2013	2014
Earnings	$ 17	$ 19	$ 21	$ 18	$ 22
Total capital returned[2]	4	13	6	10	11
HQLA	NA	NA	341	522	600
ROTCE	15%	15%	15%	11%	13%

[1] Basel III rules became effective on January 1, 2014. The ratios presented for 2010-2014 are calculated under the Basel III Advanced Fully Phased-In Approach and, for 2010-2013, reflect the firm's best estimate based on its understanding of the rules in the relevant period

[2] Represents common dividends plus stock buybacks, which are gross of employee issuance

[3] Reflects the firm's Basel III CET1 ratio glidepath for 2015-2017+

Leading Client Franchises

Building exceptional client franchises

We have built our client franchises over time with substantial share gains and opportunity for more

		2006	2014	
Consumer & Community Banking	Deposits market share	3.6%[1]	7.5%	Relationships with ~50% of U.S. households
	# of top 50 Chase markets where we are #1 (top 3) deposits	11 (25)	15 (40)	#1 customer satisfaction among largest U.S. banks for the third consecutive year[14]
	Card sales market share	16%[2]	21%[2]	#1 primary banking relationship share in Chase footprint[15]
	Merchant processing volume	#3[3]	#1[4]	#1 U.S. credit card issuer based on loans outstanding[2]
				~50% of U.S. e-Commerce volume[16]
Corporate & Investment Bank	Global Investment Banking fees[5]	#2	#1	>80% of Fortune 500 companies do business with us
	Market share[5]	8.6%	8.1%	Top 3 in 15 product categories out of 16[17]
	Total Markets[6,7]	#8	#1	#1 in both U.S. and EMEA Investment Banking fees[18]
	Market share[6,7]	7.9%	16.2%	#1 in Global debt, equity and equity-related[18]
	FICC[6,7]	#7	#1	#1 in Global long-term debt and Loan syndications[18]
	Market share[6,7]	9.1%	18.6%	Top 3 Custodian globally with AUC of $20.5 trillion
	Equities[6,7]	#8	#3	#1 USD clearinghouse with 19.2% share in 2014[19]
	Market share[6,7]	6.0%	11.5%	
Commercial Banking	# of states with Middle Market banking presence	22	30	Average loans grew by 13% CAGR 2006-2014[20]
	# of states with top 3 Middle Market banking market share[8]	6	10	Industry-leading credit performance TTC – 8 consecutive quarters of net recoveries or single-digit NCO rate
	Multifamily lending[9]	#28	#1	Leveraging the firm's platform – average ~9 products/client
	Gross Investment Banking revenue ($ in billions)	$0.7	$2.0	
	% of North America Investment Banking fees	16%	35%	
Asset Management	Global active long-term open-end mutual fund AUM flows[10]	#2	#1	84% of 10-year long-term mutual fund AUM in top 2 quartiles[21]
	AUM market share[10]	1.8%	2.5%	23 consecutive quarters of positive long-term AUM flows
	Overall Global Private Bank *(Euromoney)*	#5	#1	Revenue growth >70% and long-term AUM growth >80% since 2006
	Client assets market share[11]	~1%	~2%	
	U.S. Hedge Fund Manager *(Absolute Return)*[12]	#11[13]	#2	Doubled Global Wealth Management client assets (2x industry rate) since 2006[22]
	AUM market share[12]	1.4%	3.4%	

For footnoted information, refer to slides 11 and 50 in the 2015 Firm Overview Investor Day presentation, which is available on JPMorgan Chase & Co.'s website at (http://investor.shareholder.com/jpmorganchase/presentations.cfm), under the heading Investor Relations, Investor Presentations, JPMorgan Chase 2015 Investor Day, Firm Overview, and on Form 8-K as furnished to the SEC on February 24, 2015, which is available on the SEC's website (www.sec.gov). Further, for footnote 20, CAGR represents compound annual growth rate

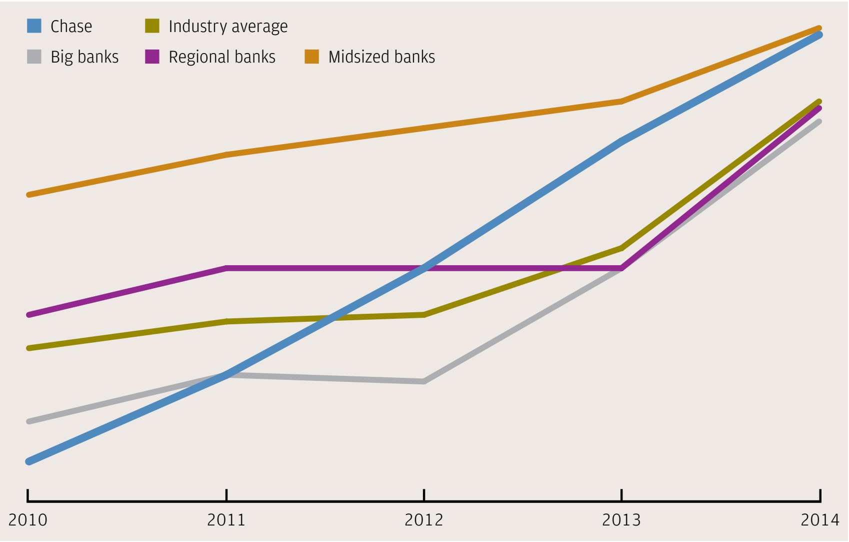
Our businesses have been able to gain market share, which only happens when we are creating happy clients

Importantly, much of the growth has been organic. Please review some of the numbers in the chart above – they speak for themselves. If you had asked me back in 2006 if we could have accomplished those kinds of market share numbers, I would have been skeptical. And, fortunately, we have plenty of areas where we still can grow or do better – I will talk about this in a later section of this letter.

Most of our businesses have exhibited improving customer satisfaction

The chart on the next page shows the great progress that our Consumer Bank has made in improving satisfaction scores. In fact, American Customer Satisfaction Index named Chase #1 in customer satisfaction among large banks in 2014. We have received even better scores than most of the regional banks and essentially are equal in ranking to the midsized banks. (We still are not satisfied, however, and want to be even better.) We believe that our customer satisfaction has been going up for multiple reasons: error rate reduction, better products and services, good old-fashioned service with a smile, and, importantly, innovations like deposit-friendly ATMs and continual improvement in online and mobile banking services. While the chart shows satisfaction in the Consumer Bank, we also have had increasing customer satisfaction scores in our small business, mortgage, auto finance and credit card franchises.

Consumer Satisfaction Score: 2010-2014[1]



[1] Source: J.D. Power U.S. Retail Banking Satisfaction Study; Big Banks defined as Chase, Bank of America, Wells Fargo, Citibank, U.S. Bank, PNC Bank

Our mix of businesses works for clients — and for shareholders

All companies, including banks, have a slightly different mix of businesses, products and services. The most critical question is, "***Does what you do work for clients?***" Our franchise does work for clients by virtue of the fact that we are gaining share in each of our businesses, and it works for shareholders by virtue of the fact that we are earning decent returns – and some of our competitors are not.

Other considerations are whether your company has "moats" – is it protected in some way from debilitating competition or events? And has it performed consistently – in good times and in bad? We believe that we have well-fortified moats in the form of economies of scale, brand, expertise, technology and operations, and – importantly – competitive advantages created by our ability to cross sell (more on this later in this letter). In addition, we have performed fairly consistently in good times and in bad. Even in 2008, the worst year in perhaps 75 years for financial companies, we earned 6% return on common tangible equity – not great but not bad, all things considered. Additionally, we have embedded strengths that are hard to replicate – the knowledge and cohesiveness of our people, our long-standing client relationships, our technology and product capabilities, our fortress balance sheet and our global presence in more than 100 countries.

Our mix of businesses leads to effective cross sell and substantial competitive advantages. We are not a conglomerate of separate, unrelated businesses – we are an operating company providing financial services to consumers, companies and communities

A conglomerate is a group of unrelated businesses held under one umbrella holding company. There is nothing wrong with a conglomerate, but we are not that. In our case, whether you are an individual, a company (large or small) or a government, when you walk in the front door and talk with our bankers, we provide you with essential financial products, services and advice. We have a broad product offering and some distinct capabilities, which, combined, create a mix of businesses that works well for each of our client segments.

Part of our mix of businesses, however, is not unique. While we divide our company into four distinct businesses, the truth is that many regional banks do a lot of what three of our four businesses do (i.e., Chase Consumer & Community Banking, Commercial Banking and Asset Management). The biggest difference between us and regional banks is our global Corporate & Investment Bank (and the non-U.S. part of our Asset Management business).

Our broad product set and some of our unique capabilities (some we inherited, and some we built carefully over time), combined with effective cross sell, create substantial competitive advantage. The examples below make some of those advantages clear:

- Commercial Banking now generates 35% of our U.S. investment banking business. This means we are able to bring JPMorgan Chase's exceptional Investment Bank to serve hundreds of midsized corporations and institutions with the best global investment banking products and services in the industry. We can do this because our Commercial Bank is in hundreds of towns across the country where we can serve clients locally – person to person – and also bring the best of JPMorgan Chase to them.
- Around the world, we can bring exceptional private banking services to CEOs and company owners or help private banking clients with their global commercial banking needs.
- Because of our international footprint, we bring global banking services – from cash management to M&A – to approximately 2,500 of our more than 20,000 Corporate Client Banking and Middle Market Banking clients, who are rapidly expanding overseas and who need these services from someone they know and can trust.
- We market Chase Paymentech, our merchant acquirer, through our branches to small businesses, through the Commercial Bank to midsized companies and through our Corporate & Investment Bank to large, multinational corporations.

America's financial system is still the best the world has ever seen – it is large and diverse – and it serves the best economy the world has ever seen, which also is large and diverse

America's financial system still is the best the world has ever seen, and it includes not just banks but asset managers, private equity, venture capital, individual and corporate investors, non-bank financial companies, and public and private markets. In fact, in the United States, banks are a much smaller part of the financial system and the economy than in most other countries. And there is a great need for the services of all banks, from large global banks to smaller regional and community banks.

Our large global Corporate & Investment Bank does things that regional and community banks simply cannot do. We offer unique capabilities to large corporations, large investors and governments, including federal institutions, states and cities. For example, we provide extensive credit lines or raise capital for these clients, often in multiple jurisdictions and in multiple currencies. We essentially manage the checking accounts for these large institutions, often in many different countries. On the average day, JPMorgan Chase moves approximately $6 trillion for these types of institutions. On the average day, we raise or lend $6 billion for these institutions. On the average day, we buy or sell approximately $800 billion of securities to serve investors and issuers. In 2014, our Corporate & Investment Bank raised $61 billion for states, cities, governments and universities, including funds to renovate the historic Arthur Ashe (Tennis) Stadium in New York City, revenue bonds to assist municipalities and hospitals, and green bonds to finance environmentally beneficial projects such as green buildings, clean water and renewable energy. As a firm, we spend approximately $700 million a year on research so that we can educate investors, institutions and governments about economies, markets and companies. The needs of these clients will be met – one way or another – by large financial institutions that can bear the costs and risks involved. Simply put, if it is not done by a large American financial institution, it will be done by a large non-American financial institution.

Regional and community banks are critical to their communities — in fact, we are a huge supporter and their largest banking partner. These banks are deeply embedded in their communities, many of which are not served by larger banks. They have an intimate knowledge of the local economy and local small businesses, which allows them to cost-effectively serve those clients. JPMorgan Chase, as a traditional "money center bank" and "bankers' bank," in fact, is the largest banker in America to regional and community banks. We provide them with many services so they can continue to serve their clients. For example, we directly lend to them, we process payments for them, we finance some of their mortgage activities, we raise capital for them (both debt and equity), we advise them on acquisitions, and we buy and sell securities for them. We also provide them with interest rate swaps and foreign exchange both for themselves – to help them hedge some of their exposures – and for their clients.

However, large does not necessarily mean complex (and things should be complex only for a good reason)

Many of the activities we do that are considered large are easy to understand. All of our 5,600 Chase consumer branches do essentially the same thing, and many of our large global transactions are not any more complicated than a loan for a middle market client. While we agree with the concept that you should keep things as simple as possible, some things, by their very nature, are more complex. And that complexity cannot be reduced by wishful thinking. In fact, basic lending, whether to a large company or a midsized company, is one of the more complex things we do because one must understand the economy, the nature of the business and often the types of collateral involved. There are many judgmental factors to consider as well, which might include the character of the borrower, the growth prospects of the business, and an understanding of the products and services and technology of the business.

There are understandable questions about the role that large financial institutions play. Some of these questions make people nervous, in part because they do not understand the larger picture. These are important questions, and we always are willing to help explain what we do and why we do it. Taken in small component pieces, these activities generally are easier to understand. While some may criticize a bank's activities instead of taking the time to understand them, this does not contribute to a genuinely constructive dialogue around the role of banks.

People also should ask themselves one basic question: ***Why do banks offer these services?*** The fact is, almost everything we do is because clients want and need our various and sometimes complex services. (We do many activities that are ancillary to clients' direct needs, but we must do these things to provide clients with what they need. For example, in order to support our operation, we run global data centers, we hedge our own exposures and we maintain liquid pools of investments.)

I would venture to say that banking is not as complex as making airplanes, discovering effective pharmaceuticals, building safe cars, developing innovative electronics and, of course, understanding nuclear physics. There are huge benefits to the complexity involved in those other industries – but there also are sometimes negative consequences. The question for society is: Are we, in total, better off or worse off because of some of the great products and services that come with complexity? The answer in our opinion is a resounding yes, though you should always strive to minimize the risks. But we want to acknowledge that the difference with banks, as pointed out by critics, is that if and when they make mistakes, they can severely harm the economy. This concern is legitimate, and I will talk about it in a later section.

Larger does not necessarily mean more risky

For example, many large banks had no problem navigating the financial crisis, while many smaller banks went bankrupt. Many of these smaller banks went bankrupt because they were undiversified, meaning that most of their lending took place in a specific geography. A good example was when oil collapsed in the late 1980s. Texas banks went bankrupt because of their direct exposure to oil companies and also because of their exposure to real estate whose value depended largely on the success of the oil business. Since the crisis began seven years ago, more than 500 smaller banks have gone bankrupt, and JPMorgan Chase has contributed approximately $8 billion to the Federal Deposit Insurance Corporation to help pay for the resolution of those banks.

And, yes, there are both costs and benefits to size and complexity

The benefits of size are obvious: huge economies of scale, the ability to serve large clients and make large investments, and safe diversification, among others. And, yes, there sometimes are clear negatives to size – usually in the form of arrogance, greed, complacency or lack of attention to detail. (There also are many small businesses afflicted with these diseases – they kill companies both large and small.) Good companies get the benefits of size and continuously are fighting off the negatives. And there are lots of winners and losers, particularly as industries consolidate. In every industry, you will see companies that benefit from size – and those that don't.

Our size and strength allow us to create benefits for society by helping economies and communities around the world grow and prosper

We are able to do our part in supporting communities and economies around the world because we are strong, stable and permanent. And because of this strength and stability, we can continue to support our clients in good times and, more important, in the toughest of times. The most important thing we can do is keep our company healthy and vibrant so that we can serve the needs of customers, consumers and businesses and help local economies and the thousands of cities and various communities around the world where we operate to grow and prosper.

In addition, we strongly believe in being a good corporate citizen. We are one of the most philanthropic companies in the world (we give away more than $200 million a year), but we are able to do much more than provide money. We bring the skills, resources and global knowledge of our entire firm to support the economic growth and progress of communities across the globe. One example is our research, such as studying how our communities analyze labor market conditions so they can get better at training people for jobs or how cities can further develop their economies. See Peter Scher's Corporate Responsibility letter on page 58 for more details on our efforts to support cities and communities around the globe. Following are three unique initiatives that we'd like to focus on:

JPMorgan Chase Institute. We will be officially launching an exciting new initiative called the JPMorgan Chase Institute, which is a global think tank dedicated to delivering data-rich analyses, expert insights and thought leadership for the public good. Drawing on the knowledge, market access, broad relationships and resources across the firm, the JPMorgan Chase Institute will help inform both business and policy decisions by grounding them with facts, data and thoughtful analysis. Our aim is to help decision makers – policymakers, businesses and nonprofit leaders – appreciate the scale, granularity, diversity and interconnectedness of the global economic system to inform smarter decisions and good policies that advance global prosperity for consumers, businesses and countries. The research agenda will include groundbreaking analytic work on the financial behavior of individuals, insights on the small business sector, and expert profiling of global trade and capital flows.

Detroit. We brought all of our resources to bear in a special, coordinated way, which we never have done before, to try to help the city of Detroit. We have been doing business there for more than 80 years and already are the largest consumer, commercial and investment bank serving Detroit's consumers and companies. But we wanted to do more to help kick-start the city's recovery. This effort is a $100 million commitment, which includes investments, philanthropy and our people working in tandem with a set of city leaders who have come together to work toward a common purpose. Our initial interest in undertaking this effort was made possible because of our faith in the extraordinary work and talent of Mayor Duggan and Gov. Snyder (and Kevyn Orr, who recently left as Emergency Manager). Their dedication to coherently, comprehensively and pragmatically attacking the city's enormous problems made us want to do more. In fact, everything we have done to help is the result of asking a broad array of the city's leaders what they really needed and then working with them to come up with some creative solutions. Let me give just a few examples:

- We expanded the city's effort to systematically map every single parcel in Detroit and provided the technology assistance so that residents can use their phones to continually update the database.
- We helped provide financing for people who wanted to purchase land or to buy and renovate homes.
- We supported nonprofit organizations, including Focus: HOPE, in their efforts to help people gain skills from job training programs.
- We helped small businesses get access to the advice, training and other resources needed to grow, including a new commercial kitchen at Eastern Market that will allow more food businesses to expand.
- We provided lending for development – both commercial development to let businesses like Global Titanium expand jobs and residential development and new construction of apartment buildings in Detroit's urban core and neighborhoods.
- We created the Detroit Service Corps to bring more than 50 of our top managers to work full time with Detroit nonprofits to help them analyze challenges, solve problems and give them the best chance for success.

Helping Detroit's economy recover and thrive would be a shining example of American resilience and ingenuity at work.

Military and veterans. Another effort that we want you to know about is what JPMorgan Chase has done to help position military members, veterans and their families for success in their post-service lives through employment, housing and educational programs. In 2011, JPMorgan Chase and 10 other companies launched the 100,000 Jobs Mission, setting a goal of collectively hiring 100,000 veterans. The 100,000 Jobs Mission now includes more than 190 companies that have collectively hired more than 217,000 veterans since 2011 and has pledged to hire a total of 300,000 veterans. JPMorgan Chase hired over 1,800 veterans in 2014, nearly a 40% year-over-year increase, for a total of nearly 8,700 veterans hired since 2011. Further, we expanded our employment programs to address the unique needs of women veterans and military spouses. We hope that this makes you as proud of JPMorgan Chase as it does for all of us.

II. WE BUILD FOR THE LONG TERM — WE MANAGE THROUGH-THE-CYCLE, AND WE ALWAYS ARE PREPARED FOR THE TOUGHEST OF TIMES

Our paramount responsibility to society and to our clients is to be there in good times and bad times

We have a huge obligation to society – not only must we never fail, but we need to be steadfast. Never failing means having the financial strength, liquidity, margins, and strong and diverse earnings where you can weather any storm. It also means having the ability to adapt, survive and even thrive through the cycles.

Steadfast means that you will be there no matter what happens, and being there means that you can continue to properly serve your clients even in tough times. In the toughest of times, it is not about making a profit. It is about helping your clients survive. I should point out that in the toughest of times, particularly in 2009, JPMorgan Chase rolled over and extended credit to small and medium-sized businesses a total of $63 billion, to governments and nonprofits a total of $110 billion, and to large corporations a total of $1.1 trillion. I will talk more about this later.

We extensively manage our risks so that we can survive in any scenario. The Federal Reserve's stress test is a tough measure of our survival capability — though our ability to survive is stronger than that test implies

We are fanatics about stress testing and risk management. It is in our best interest to protect this company – for the sake of our shareholders, clients, employees and communities. If you went to our risk committee meetings, you would see a number of professionals working to thoughtfully manage and reduce our risk – we don't want a bunch of cowboys trying to increase it. We run hundreds of stress tests a week, across our global credit and trading operations, to ensure our ability to withstand and survive many bad scenarios. These scenarios include events like what happened in 2008, other historically damaging events and also new situations that might occur. Our stress tests include analyzing extremely bad outcomes relating to the Eurozone, Russia and the Middle East.

Regarding the Eurozone, we must be prepared for a potential exit by Greece. We continually stress test our company for possible repercussions resulting from such an event (even though, in our opinion, after the initial turmoil, it is quite possible that it would prompt greater structural reform efforts by countries that remain). Also regarding geopolitical crises, one of our firm's great thinkers, Michael Cembalest, reviewed all of the major geopolitical crises going back to the Korean War, which included multiple crises involving the Soviet Union and countries in the Middle East, among others. Only one of these events derailed global financial markets: the 1973 war in the Middle East that resulted in an oil embargo, caused oil prices to quadruple and put much of the world into recession. We stress test frequently virtually every country and all credit, market and interest rate exposures; and we analyze not only the primary effects but the secondary and tertiary consequences. And we stress test for extreme moves – like the one you recently saw around oil prices. Rest assured, we extensively manage our risks.

The Federal Reserve's Comprehensive Capital Analysis and Review (CCAR) stress test is another tough measure of our survival capability. The stress test is good for our industry in that it clearly demonstrates the ability of each and every bank to be properly capitalized, even after an extremely difficult environment. Specifically, the test is a nine-quarter scenario where unemployment suddenly goes to 10.1%, home prices drop 25%, equities plummet approximately 60%, credit losses skyrocket and market-making loses a lot of money (like in the Lehman Brothers crisis).

To make sure the test is severe enough, the Fed essentially built into *every* bank's results some of the insufficient and poor decisions that *some* banks made during the crisis. While I don't explicitly know, I believe that the Fed makes the following assumptions:

- The stress test essentially assumes that certain models don't work properly, particularly in credit (this clearly happened with mortgages in 2009).
- The stress test assumes all of the negatives of market moves but none of the positives.
- The stress test assumes that all banks' risk-weighted assets would grow fairly significantly. (The Fed wants to make sure that a bank can continue to lend into a crisis and still pass the test.) This could clearly happen to any one bank though it couldn't happen to all banks at the same time.
- The stress test does not allow a reduction for stock buybacks and dividends. Again, many banks did not do this until late in the last crisis.

I believe the Fed is appropriately conservatively measuring the above-mentioned aspects and wants to make sure that each and every bank has adequate capital in a crisis without having to rely on good management decisions, perfect models and rapid responses.

We believe that we would perform far better under the Fed's stress scenario than the Fed's stress test implies. Let me be perfectly clear – I support the Fed's stress test, and we at JPMorgan Chase think that it is important that the Fed stress test each bank the way it does. But it also is important for our shareholders to understand the difference between the Fed's stress test and what we think actually would happen. Here are a few examples of where we are fairly sure we would do better than the stress test would imply:

- We would be far more aggressive on cutting expenses, particularly compensation, than the stress test allows.
- We would quickly cut our dividend and stock buyback programs to conserve capital. In fact, we reduced our dividend dramatically in the first quarter of 2009 and stopped all stock buybacks in the first quarter of 2008.
- We would not let our balance sheet grow quickly. And if we made an acquisition, we would make sure we were properly capitalized for it. When we bought Washington Mutual (WaMu) in September of 2008, we immediately raised $11.5 billion in common equity to protect our capital position. There is no way we would make an acquisition that would leave us in a precarious capital position.
- And last, our trading losses would unlikely be $20 billion as the stress test shows. The stress test assumes that dramatic market moves all take place on one day and that there is very little recovery of values. In the real world, prices drop over time, and the volatility of prices causes bid/ask spreads to widen – which helps market-makers. In a real-world example, in the six months after the Lehman Brothers crisis, J.P. Morgan's actual trading results were $4 billion of losses – a significant portion of which related to the Bear Stearns acquisition – which would not be repeated. We also believe that our trading exposures are much more conservative today than they were during the crisis.

Finally, and this should give our shareholders a strong measure of comfort: During the ***actual*** financial crisis of 2008 and 2009, ***we never lost money in any quarter***.

We hope that, over time, capital planning becomes more predictable. We do not believe that banks are trying to "game" the system. What we are trying to do is understand the regulatory goals and objectives so we can properly embed them in our decision-making process. It is critical for the banking system that the treatment of capital is coherent and consistent over time and is not in any way capricious. Capital is precious, and it needs to be deployed intelligently in the business or properly returned to shareholders. If shareholders do not have a clear understanding of capital management and have unreasonable expectations, then that capital will be devalued. This is a bad outcome for all involved.

While there always will be cycles, we need to keep our eye on the important things, too — the outlook for long-term growth is excellent

The needs of countries, companies, investor clients and individuals will continue to grow over time. The chart below shows some of the long-term growth that is expected in some critical areas, including the underlying growth of gross domestic product and trade, investable/financial assets, infrastructure and capital markets activities. This is the *fuel* that will drive our business in the future.

Therefore, we take a long-term perspective on investing. How we currently view low net interest margins is a good example of making decisions for the long run

To capture our share of the growth in our underlying businesses, we need to continually invest in bankers, branches and capabilities (research, products and technology) to drive down our costs and better serve our clients. It is a lot of hard work that needs to be supported by all of our critical functions, from finance and human resources to operations and controls. This kind of investing should not be done in a stop-start way to manage short-term profitability.

Quarterly earnings – even annual earnings – frequently are the result of actions taken over the past five or 10 years. Our company continued to invest through the crisis – often when others could not – in order to capture future growth.

Global Macro Themes

	2014	2024	Growth
World gross domestic product ($ in trillions)	$ 78	$ 133	■ 5.5% CAGR
World exports ($ in trillions)	$ 22	$ 38	■ 1.7x
Investable assets ($ in trillions)	$ 263	$ 481	■ 6% CAGR ■ 12% emerging ■ 4% developed
Infrastructure spend ($ in trillions)	$36 over last 18 years	$57 over next 18 years	■ 1.6x ■ 2.6x emerging ■ 1.1x developed
Number of companies with $1+ billion revenue	8,000	15,000[1]	■ 1.9x ■ 3.8x emerging ■ 1.2x developed

Source: International Monetary Fund, World Bank, McKinsey, JPMorgan Chase analysis

[1] 2025 estimate

A very good current example of how we view investing and long-term decision making is how we are dealing with the squeeze on our net interest margins (NIM) due to extremely low interest rates. The best example of this is in our consumer business, where NIM has gone from 2.95% to 2.20% (from 2009 to 2014). This spread reduction has reduced our net interest income by $2.5 billion, from $10 billion to $7.5 billion – or if you look at it per account, from $240 to $180. Since we strongly believe this is a temporary phenomenon and we did not want to take more risk to increase our NIM (which we easily could have done), we continued to open new accounts. Over those years, we added 4.5 million accounts – and, in fact, very good sizable accounts. This has reduced our operating margins from 36% to 32%, but we don't care. When normal interest rates return, we believe this will add $3 billion to revenue and improve our operating margin to more than 40%.

Our long-term view means that we do not manage to temporary P/E ratios — the tail should not wag the dog

Price/earnings (P/E) ratios, like stock prices, are temporary and volatile and should not be used to run and build a business. We have built one great franchise, our way, which has been quite successful for some time. As long as the business being built is a real franchise and can stand the test of time, one should not overreact to Mr. Market. This does not mean we should not listen to what investors are saying – it just means we should not overreact to their comments – particularly if their views reflect temporary factors. While the stock market over a long period of time is the ultimate judge of performance, it is not a particularly good judge over a short period of time. A more consistent measure of value is our tangible book value, which has had healthy growth over time. Because of our conservative accounting, tangible book value is a very good measure of the growth of the value of our company. In fact, when Mr. Market gets very moody and depressed, we think it might be a good time to buy back stock.

I often have received bad advice about what we should do to earn a higher P/E ratio. Before the crisis, I was told that we were too conservatively financed and that more leverage would help our earnings. Outsiders said that one of our weaknesses in fixed income trading was that we didn't do enough collateralized debt obligations and structured investment vehicles. And others said that we couldn't afford to invest in initiatives like our own branded credit cards and the buildout of our Chase Private Client franchise during the crisis. Examples like these are exactly the reasons why one should not follow the herd.

While we acknowledge that our P/E ratio is lower than many of our competitors' ratio, one must ask why. I believe our stock price has been hurt by higher legal and regulatory costs and continues to be depressed due to future *uncertainty* regarding both.

We still face legal uncertainty though we are determined to reduce it over time. Though we still face legal uncertainty (particularly around foreign exchange trading), we are determined to reduce it and believe it will diminish over time. I should point out that while we certainly have made our share of costly mistakes, a large portion of our legal expense over the last few years has come from issues that we acquired with Bear Stearns and WaMu. These problems were far in excess of our expectations. Virtually 70% of all our mortgage legal costs, which have been extraordinary (they now total close to $19 billion), resulted from those two acquisitions. In the Bear Stearns case, we did not anticipate that we would have to pay the penalties we ultimately were required to pay. And in the WaMu case, we thought we had robust indemnities from the Federal Deposit Insurance Corporation and the WaMu receivership, but as part of our negotiations with the Department of Justice that led to our big mortgage settlement, we had to give those up. In case you were wondering: No, we would not do something like Bear Stearns again – in fact, I don't think our Board would let me take the call. The WaMu deal might still make sense but at a much lower price to make up for the ongoing legal uncertainty (including the government's ability to take away our bargained-for indemnities). I did not, and perhaps could not, have anticipated such a turn of events. These are expensive lessons that I will not forget.

Part of the issue around legal costs is that banks are now frequently paying penalties to five or six different regulators (both domestic and international) on exactly the same issue. This is an unprecedented approach that probably warrants a serious policy discussion – especially if those regulators (as at least some of them have acknowledged) don't take into account what is being paid to the others. For now, it's simply a reality for big banks, and certainly for us, that when one or more employees do something wrong, we'll hear from multiple regulators on the subject.

The good news is that our legal costs are coming down and, we hope, will normalize by 2016.

Uncertainty remains around regulatory requirements, though we believe this will diminish over time, too. That uncertainty is particularly acute around the extra capital that JPMorgan Chase will have to hold because of the new Global Systemically Important Bank (G-SIB) rules, the ultimate impact of the Volcker Rule, total loss-absorbing capacity, CCAR and Recovery & Resolution. And it's because of that uncertainty that a majority of the time I spend with analysts and investors these days is devoted to regulation. Very little time is spent talking about the actual business, like client transactions, market share gains or other business drivers. Many questions still remain, and they are hard to explain or are difficult to answer, including: Why did American regulators simply double the G-SIB capital requirements for American banks versus all other global banks? Will higher capital requirements be added later? Given that much uncertainty, which is greater for JPMorgan Chase than for most other banks, it is understandable that people would pay less for our earnings than they otherwise might pay.

Having said all this, the contours of all of the new regulations have emerged, and we believe that regulatory uncertainty will diminish over time. And, we hope, so will the drag on our P/E ratio.

Think like a long-term investor, manage like an operator

So our ultimate goal is to think like a long-term investor – build great franchises, strengthen moats and have good through-the-cycle financial results. Achieve the benefits of scale and eliminate the negatives. Develop great long-term achievable strategies. And manage the business relentlessly, like a great operator. Finally, continue to develop excellent management that keeps it all going. As Thomas Edison said, "Vision without execution is hallucination."

III. WE WILL SUCCESSFULLY NAVIGATE THE NEW GLOBAL FINANCIAL ARCHITECTURE (AND WE ARE WELL ON OUR WAY TO HAVING FORTRESS CONTROLS)

We have meaningfully simplified the company

While I have said that it is good housekeeping to keep our company as simple as possible, we have done an extraordinary amount of cleaning out this past year. More important, last year, we *said* that we would do it, and this year we actually *did it*. The chart below shows that we did it by shedding businesses, reducing products and materially de-risking by reducing certain types of clients that simply create too much risk in the new world. In total, we have reduced approximately $25 billion in assets through this effort. All of this makes the work of our compliance and control executives that much easier, as they can focus more on what's important.

We are well on our way to having fortress controls

The intense effort over the last few years now is yielding real results and will go a long way in protecting the company in the future. When we are done, we hope not just to have met the heightened expectations of our regulators but to have exceeded them. In addition to successfully completing CCAR (which we will strive to do every year), there are other examples of tangible progress. Following are some of our accomplishments:

- **Strengthened compliance.** We have added approximately 8,000 people across the firm with a mission to strengthen our compliance capabilities. We have further aligned global leadership to drive focus and consistency across key risk areas such as AML/BSA (Anti-Money Laundering/

Executed Significant Business Simplification Agenda

Operating with fortress principles

Simplifying our business

- ✓ Completed the spin-out of One Equity Partners and closed on the sale of a portion of our Private Equity portfolio
- ✓ Exited physical commodities business
- ✓ Sold Global Special Opportunities Group portfolio
- ✓ Exit in process of majority of Broker Dealer Services business
- ✓ Terminated transaction services for ~500 Foreign Correspondent Banking clients
- ✓ Ceased originating student loans
- ✓ Announced exit of Sears Canada and several smaller non-core card partnerships
- ✓ Announced exit of International Commercial Card
- ✓ Sold interest in Carlson Wagonlit Travel agency
- ✓ Sold Retirement Plan Services unit
- ✓ Exited prepaid card and Order to Pay businesses
- ✓ Sold health savings account business

Incremental financial impact[1]

($ in billions)	2015	2016 and beyond
Revenue	**$1.6** ▼	$0.7 ▼
Expense	**$1.6** ▼	$0.6 ▼

Other meaningful business actions

- ✓ Simplified Mortgage Banking products from 37 to 18 products as of 2014, with a target of further reducing to 15
- ✓ Rationalized Global Investment Management products: reduced U.S. funds # by net 6%, Asia funds net 4% and Europe funds net 2% in 2014
- ✓ De-risking through client selection —discontinuing certain businesses with select clients:
  - ✓ Exited ~8,000 clients in Business Banking and Commercial Banking
  - ✓ Exited ~5,500 foreign Politically Exposed Person relationships
- ✓ Sold significant portion of CIB's trade finance EXIM/ECA[2] portfolio

[1] Does not include impact of the One Equity Partners and Private Equity portfolio sale
[2] EXIM = Export-Import Bank; ECA = Export Credit Agency

Bank Secrecy Act), fiduciary risk, market conduct risk, employee compliance and privacy. We have enhanced our policies and implemented new procedures and technology support.

- **New anti-money laundering systems deployed.** We have implemented Mantas, an industry-leading transaction monitoring platform, for all U.S. dollar payment transactions. This provides a significant improvement in our transaction monitoring capabilities and allows us to decommission multiple less effective legacy systems. We also have upgraded our processes and technology support in AML investigations and sanctions. We have more to do, but a strong foundation is in place.

- **Foreign correspondent banking review.** Given the regulatory scrutiny around these activities, we have exited many relationships with foreign correspondent banks where we have risk-related concerns or where we needed to simplify our business. In addition to the relationship exits, we have improved our controls for foreign correspondent banking activities, including enhancing our technology to better monitor U.S. dollar correspondent bank transactions – which allowed us to implement 10 new transaction monitoring scenarios to better track millions of transactions each day.

- **Enhanced controls in connection with payday lender practices.** We reviewed our policies, systems and processes to decrease financial burdens on our customers and hinder payday lenders' ability to engage in predatory collection practices. And then we did the following: eliminated multiple return item fees, enhanced our policy and systems for stop payment requests, and allowed account closure with a pending transaction and/or a negative balance. (NACHA rules originally did not allow a bank to close an account with a pending transaction. Consumers wanted to close the account to stop payday lenders from trying to take money from the account on a daily basis.) In addition, we are working with NACHA to develop new standards for the entire industry.

- **Mortgage servicing improvements.** As one of the United States' largest mortgage lenders, some of our practices were not designed to handle the unprecedented increase in volume that occurred as a result of the financial crisis. Therefore, we reviewed the areas that needed enhancement and took the appropriate actions. We focused on improving our operating model, we dedicated more than 10,000 employees to assist customers that were having difficulty making payments, and we improved our communications with customers to provide better counseling and more clarity about the options available. We also invested more than 280,000 hours of our technology employees' time to improve our Mortgage Servicing business, including enhancing the loan modification application to improve the systems that track and manage customer complaints and responses.

- **Model review.** More than 300 employees are working in Model Risk and Development. In 2014, this highly specialized team completed over 500 model reviews, implemented a system to assess the ongoing performance of the 1,000+ most complex models in the firm, and continued to enhance capital and loss models for our company.

Fortunately, most of our strategies stay essentially the same

Many banks will have to make some fairly drastic changes to their strategies, and because various banks are facing different overarching constraints, those strategies may be dramatically dissimilar. We are fortunate that our strategies will remain essentially the same, which allows us to avoid the upheaval, both internally and externally with clients, that often comes when strategies need to be changed dramatically.

However, a small percentage of our products and services will require some surgery (more on that later). In addition, because some companies are making large strategic moves, we would expect to see an ongoing shift in market shares and pricing. It is possible that we will benefit from both of these trends.

While uncertainty remains, the contours to the new rules are largely known, and we have made enormous progress adapting to them

The chart below describes the new rules and regulations with which we need to comply. And remember, these new rules affect each product, business, legal entity and client. Every requirement has a few hundred

2015 Financial Architecture

	Description	Selected requirements	Selected JPMorgan Chase actions
Capital	■ Improving the banking sector's ability to absorb losses arising from financial and economic stress	■ 750+ requirements with 21 regulators involved ■ ~27 different capital ratio requirements	■ 950+ people ■ 20,000+ pages of supporting documentation ■ 225+ new models
Liquidity	■ Ensuring banks hold sufficient liquid assets to survive acute liquidity stress ■ Prevent overreliance on short-term wholesale funding	■ 500+ requirements ■ 15+ jurisdictional variations expected	■ 400+ people ■ Process and store 1+ billion records per day from 200+ feeds
Recovery & Resolution	■ Ensuring the resiliency of firms to prevent failure ■ Preparing living wills	■ Annual global recovery plan ■ Annual resolution plans for 34 entities, with plans by business and critical operations ■ 10+ jurisdictions issued or proposed Recovery & Resolution regulation, with more expected	■ 1,000+ people ■ 1+ million work hours devoted annually
Mortgages	■ Reforming the nation's housing finance system ■ Expanding origination, servicing and securitization regulation	■ 90+ new, proposed or amended rules, notices and regulations contained within ~13,000 pages of regulatory text ■ ~2,000 pages of systemic reform legislation introduced	■ ~800,000 compliance training hours ■ ~1.4 million work hours dedicated to systems and process implementation
Data reporting and management	■ Enhancing data-related capabilities by increasing accountability and transparency for data quality ■ Improving the firm's ability to collect, manage and report on data in order to facilitate greater market and product transparency	■ 11 principles with 1,000+ requirements ■ 3,300+ pages of requirements, principles and guidance	■ 1,000+ people working across 43 business groups ■ 120+ distinct programs with 1,400+ milestones
Derivatives	■ Enhancing pre- and post-trade transparency ■ Promoting use of electronic trading venues and central clearing ■ Bolstering capital and margin requirements	■ 99 proposed or finalized regulations (U.S.) and 237 final articles (European Union) ■ 3,150+ pages of requirements and guidance	■ 700+ people ■ 60 workstreams
Volcker	■ Restricting banks from undertaking certain types of market activities ■ Controlling risks associated with certain trading and funds-related activity	■ 1,000+ pages covering 36 requirements, with 5 regulators involved	■ 300+ people ■ 7 trading metrics reported monthly across 15 business areas

Note: This list of regulations is not comprehensive; estimates of resources are approximate detailed rules around it to which we need to adapt. While it is a lot of work, we believe we will be able to successfully accomplish all of it. We have spoken about many of these rules and requirements in the past so we won't go into greater detail here, other than on the new G-SIB capital rules, which will have some material effects on some of our businesses.

Intense effort is going into understanding and adapting to the new G-SIB capital rules. Last year, we described how we had to manage the company to satisfy several new constraints (all of the liquidity, leverage, capital and CCAR requirements). To do this, we were *pushing* these new rules and requirements all the way down to the product and client levels. The G-SIB capital rules are a new constraint that we also need to manage to, and for JPMorgan Chase, they possibly are the most important constraint, though this may change over time. Therefore, we also need to push the new G-SIB rules to the product and client levels.

Unlike RWA, which lets one measure the risk embedded in each asset and, thus, the capital needed to hold against it, G-SIB is multivariate. G-SIB is not a simple calculation. It requires thousands of calculations, and it does not look at just assets – it looks at products, services, assets, type of client (i.e., international and financial or corporate) and collateral type, among others in order to determine capital levels.

G-SIB will have its highest impact on non-operating deposits, gross derivatives, the clearing business in general and certain clients, particularly financial institutions, including central banks. At the end of the day, we believe that we can manage through this process and reduce our capital requirements while maintaining our core franchises. To the extent that these changes materially impact clients, we will do it thoughtfully and carefully and help them find appropriate alternatives.

G-SIB is not a direct measure of risk. The G-SIB calculations show that JPMorgan Chase is the most Global Systemically Important Bank, and, therefore, we have to hold more capital than any other bank in the world. Some of our shareholders believe that this designation implies that before the additional capital is held, we may be the riskiest institution, too. But G-SIB is not a true measure of risk, like RWA or CCAR. (And as shareholders have mentioned to me, many of these measures do not indicate how they would look at risk; i.e., margins, earnings diversification and actual performance in tough times, in addition to criteria such as capital and liquidity.)

In fact, parts of G-SIB are very risk insensitive – for example, it does not measure our actual and largest risks in credit markets (still our largest exposures) – and it adds a lot of capital for some activities that have absolutely no risk involved. One example will suffice: We take non-operating deposits (deposits that are very short term in nature from investors so they can manage their short-term cash needs) from central banks and large financial institutions. We have approximately $350 billion of non-operating deposits, a large portion from financial institutions, which we immediately turn around and deposit at the Federal Reserve, and this is risk-free to us. We mostly do this as an accommodation to large institutions that need to move extensive sums of money around and we generate minimal earnings from this activity. We recently announced that we are going to reduce these deposits by $100 billion, which in the context of the firm's broader actions will reduce our common equity requirements by approximately $3.5 billion. (Since these changes involve some of the largest financial institutions in the world, we are doing this very carefully and are trying to make sure that clients have access to alternatives such as access to money market funds and direct access to Federal Reserve facilities.)

We hope to learn a lot more about the G-SIB calculations. Many questions remain, which we hope will be answered over time such as:

- It is unclear (it has not been made transparent to us) how and why these calculations are supposed to reflect systemic risk. In addition, they are relative calculations, which means that even if we and everybody else all reduced these exposures, our surcharge would not change, while presumably systemic risk would drop.
- It is unclear how these calculations take into consideration the extensive number of new rules and regulations that are supposed to reduce systemic risk (i.e., total loss-absorbing capacity, net stable funding ratio, liquidity coverage ratio, supplementary leverage ratio and the new Recovery & Resolution rules).
- It is unclear why the U.S. regulators doubled the calculations versus everyone else in the world, particularly since the U.S. banking system, as a percentage of the U.S. economy, is smaller than in most other countries.

G-SIB is important, and we take it seriously. The G-SIB capital surcharge, however calculated, is an important part of our capital needs. And since we are outsized, relative to our competitors (our capital surcharge currently is estimated as 4.5% of risk-weighted assets, yet many of our competitors are between 2%-4% of risk-weighted assets), we will be more comfortable when the surcharge is reduced. We already have begun to lower the surcharge by 0.5%, and, over time, expect to do more than that. Marianne Lake and Daniel Pinto gave details on this topic in their Investor Day presentations. The regulators have made it clear that these are important measures of global systemic risk, and they have given us a clear road map to how we can reduce these exposures – and we are going to take that road.

We must and will meet the regulators' demands on Recovery & Resolution – whatever it takes

A critical part of eliminating "Too Big to Fail" is meeting the regulators' demands on Recovery & Resolution. The Recovery Plan is the first line of defense in a crisis situation and serves as the road map for how to prevent the firm from actually failing. It gives the regulators the comfort that the firm has done sufficient upfront planning and analysis and has an outline for how the firm could recover if confronted with a severe financial crisis. The plan essentially helps the regulators understand the comprehensive set of alternatives and actions available to enable the firm to fully recover and prevent a failure. Resolution Plans, on the other hand, are the playbooks for how the company can be restructured or unwound in an orderly way in the event of a failure so that other banks and the general economy would not suffer. The plans outline for the regulators a set of strategies, necessary information and detailed plans by legal entity. For instance, JPMorgan Chase has reported that it has 34 legal entities and branches housing the vast majority of the firm's essential operations and businesses. Each legal entity has to be understood by the regulators and must have distinct intercompany agreements and a comprehensive plan in place to manage the legal entity in the event that it needs to be resolved. We have taken these requirements very seriously as evidenced by the more than 1,000 people working diligently on the extensive Recovery & Resolution requirements. In addition, we are working to reduce the number of entities we have and to simplify our structure and inter-entity arrangements. We need to satisfy all of our regulators on these plans, and we will do whatever it takes to meet their expectations.

There have been two critical developments toward giving governments and regulators comfort on Recovery & Resolution, which, according to some key regulators, will effectively end Too Big to Fail and will be completed in 2015. First, the regulators have almost finished plans around total loss-absorbing capacity, which will require large banks to hold a lot of additional long-term debt, which could be converted to equity in the event of a failure and thereby enable the firm to remain open to serve customers and markets. Second, the industry agreed to put in place specific rules and guidelines on how to deal globally with derivatives contracts of a failed institution. This gives regulators and governments the knowledge that, in a failure, derivatives contracts can be properly managed and will not make the situation worse.

The industry will be stronger and safer because of all of the new regulations, and the future is bright for well-run banks

There is no question that, today, the global banking system is safer and stronger – possibly more so than it has ever been. That is not to say that the changes do not create a whole range of challenges, complexities and new risks (which we will talk about in the next section). But at the end of the day, the system will be safer and more stable than ever. I may sound a little like Voltaire's optimistic character Dr. Pangloss for saying this, but I am hopeful that in the next five to 10 years, high-quality banks will be thriving in their work to support economies and help society.

IV. WE HAVE A SOLID STRATEGY AND BELIEVE OUR FUTURE OUTLOOK IS VERY GOOD – BUT, AS USUAL, THERE STILL ARE A LOT OF THINGS TO THINK AND WORRY ABOUT

We already have spoken about the fact that most of our strategy will stay essentially the same and that while some areas may require a little surgery, we strongly believe we will be able to successfully navigate the new world. Some of that surgery will slow down our growth a little bit in certain areas, but we are quite optimistic that we can grow in others.

Most of our growth will be organic – we have been doing this successfully for a decade – and opportunities abound

We are optimistic that all of our businesses can grow, and, below, I describe some initiatives that are particularly exciting.

Chase Private Client started as a gleam in our eye back in 2010. Chase Private Client branches are dedicated to serving our affluent clients' investment needs. From one test branch (which didn't go very well, but, fortunately, we kept on trying), we now have more than 2,500 Chase Private Client offices. They now manage investments and deposits of $190 billion. While the branch buildout is essentially complete, we think the potential for growth remains large.

Small business. We are making our premier products and services work better together for a more holistic experience for our small business customers, whose time and attention should be spent on running their business, not going to the bank. We see a huge opportunity in this fragmented market – there is no dominant bank for the 28 million small businesses in the United States. At JPMorgan Chase, we serve 3.9 million American small businesses across Business Banking, Card Services and Chase Commerce Solutions, and we have successfully grown all of these businesses. We want to become the easiest bank to do business with, and we are working hard to speed applications, simplify forms and add digital conveniences. For example, we want a small business to fill out an application that can qualify it for Ink® (our small business credit card), Paymentech, deposits and loans all at once. We believe that if we bundle the services that small businesses really want and also provide meaningful advice, we can dramatically grow this business. Looking ahead, we know small businesses become large companies at a much more rapid pace than in years past. Serving these companies well now can solidify long-term client relationships that could span several lines of business in the future.

Excellent prospects for our Corporate & Investment Bank. Our Corporate & Investment Bank is an example of a business that has had exceptional relative multi-year performance. And even recently when it has been under a lot of regulatory pressure due to higher capital constraints and other regulatory demands, the business has been able to earn a 13% return on equity[1]. It is an endgame winner, and it benefits substantially from the rest of the company, which helps drive its best-in-class results.

However, in our current environment, we don't expect a lot of growth or robust returns as we adjust to the new world. But we continue to believe that the long run is quite attractive. At Investor Day, we showed that the Corporate & Investment Bank in 2006 was #1, #2 or #3 in eight of the 16 product categories that we are in. Now we are #1, #2 or #3 in 15 of the 16 product categories that we are in. But the exciting part is a program that Daniel Pinto calls Path to #1, which shows when you divide those 16 businesses into sub-businesses and geographies, there are lots of areas where we are not close to #1, #2 or #3, and, in most of those places, we should be able to improve. So as the business goes through an inordinate amount of change, the underlying needs of our clients continue to grow, and we will grow with them and believe we can gain share, too.

[1] Excludes legal expense

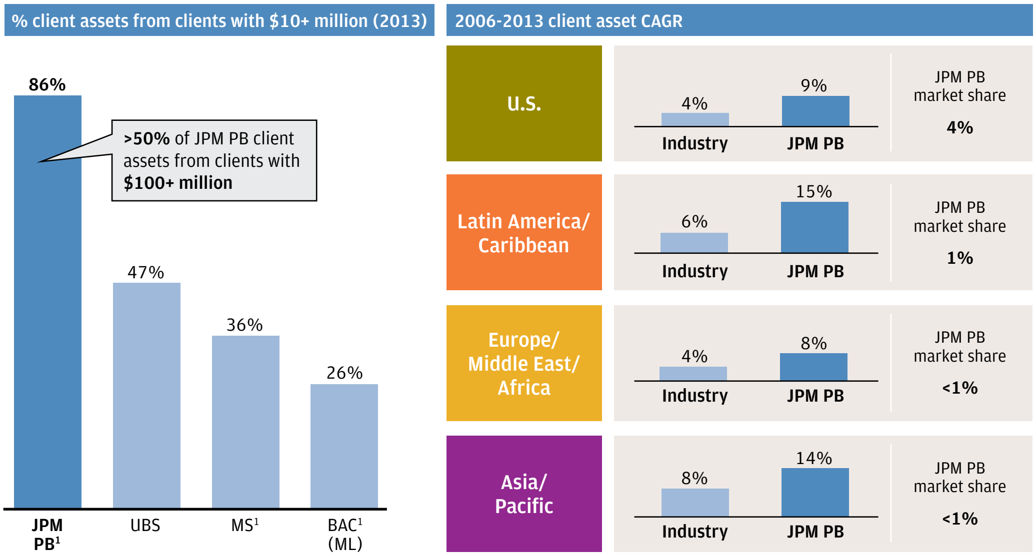
We are going to do a better job of covering family and private offices in both the Private Bank and the Investment Bank. Family offices have become larger, more sophisticated and more global, and they actively buy minority or whole stakes in businesses. More than 2,300 families across the globe had assets of $1 billion or more in 2014. Together, they control over $7 trillion in assets, a number that has grown in excess of 10% since 2011. While J.P. Morgan already works with many of these families as clients, we believe we can do a far better job of providing the full range of products and services offered by our Private Bank and Investment Bank.

Private banking will grow for years. In Mary Erdoes' Investor Day presentation, she showed that while we have the best private bank in the United States, our business still is rather small, and there is plenty of room to grow. This is even truer in Asia Pacific and Latin America. The chart below shows how strong our business is and illustrates that there is plenty of room to grow our market share internationally.

Retail banking presence still has room to grow. While we cannot acquire a retail bank in the United States, we can – and intend to – enter cities where we have never been. We will keep those cities we might choose to enter a surprise – but we hope to begin doing this in 2016. And remember, when we enter a city, we can bring the full force of JPMorgan Chase to bear, from retail, small business and private banking to middle market and local coverage of large corporations.

We particularly are excited about our payments business in total. The combination of Chase Paymentech, our merchant acquirer, ChaseNet, our proprietary Visa-supported network, and ChasePay, our proprietary wallet, allows us to offer merchants – large and small – better deals in terms of economics, simpler contracts, better data and more effective marketing to their clients. It also allows us to better serve consumer clients with a wide variety of offers and ease of use. We are going to be very aggressive in growing this business, and we will be disappointed if we don't announce some exciting and potentially market-changing ventures.

Trusted Advisor to the World's Most Sophisticated Clients



Every +10 basis points in market share internationally = $150+ million of revenue

[1] PB = Private Bank; MS = Morgan Stanley; BAC = Bank of America (Merrill Lynch)

Big, fast data. We continue to leverage the data generated across JPMorgan Chase, as well as data that we purchase to create intelligent solutions that support our internal activities and allow us to provide value and insights to our clients. For example, we are monitoring our credit card and treasury services transactions to catch fraudulent activities before they impact our clients, we are helping our clients mitigate costs by optimizing the collateral they post in support of derivatives contracts, and we are highlighting insights to our merchant acquiring and co-brand partners.

There always will be new emerging competitors that we need to keep an eye on

New competitors always will be emerging – and that is even truer today because of new technologies and large changes in regulations. The combination of these factors will have a lot of people looking to compete with banks because they have fewer capital and regulatory constraints and fewer legacy systems. We also have a healthy fear of the potential effects of an uneven playing field, which may be developing. Below are some areas that we are keeping an eye on.

Large banks outside the United States are coming. In terms of profitability, the top two Chinese banks are almost twice our size. Thirty years ago, Industrial and Commercial Bank of China operated in only a handful of countries, but it now has branches or subsidiaries in more than 50 countries. It has a huge home market and a strategic reason to follow the large, rapidly growing global Chinese multinationals overseas. It may take 10 years, but we'd be foolish to discount their ambition and resources. We're also seeing world-class banks emerge and grow in places like India and Brazil, and Japanese and Canadian banks are coming on strong, too. Many of these banks are supported in their expansionary efforts by their government and will not need to live by some of the same rules that we in the United States must adhere to, including capital requirements. We welcome the competition, but we are worried that an uneven playing field may hamper us many years from now.

Silicon Valley is coming. There are hundreds of startups with a lot of brains and money working on various alternatives to traditional banking. The ones you read about most are in the lending business, whereby the firms can lend to individuals and small businesses very quickly and – these entities believe – effectively by using Big Data to enhance credit underwriting. They are very good at reducing the "pain points" in that they can make loans in minutes, which might take banks weeks. We are going to work hard to make our services as seamless and competitive as theirs. And we also are completely comfortable with partnering where it makes sense.

Competitors are coming in the payments area. You all have read about Bitcoin, merchants building their own networks, PayPal and PayPal look-alikes. Payments are a critical business for us – and we are quite good at it. But there is much for us to learn in terms of real-time systems, better encryption techniques, and reduction of costs and "pain points" for customers.

Some payments systems, particularly the ACH system controlled by NACHA, cannot function in real time and, worse, are continuously misused by free riders on the system. There is a true cost to allowing people to move money. For example, it costs retailers 50-70 basis points to use cash (due to preventing fraud and providing security, etc.). And retailers often will pay 1% to an intermediary to guarantee that a check is good. A guaranteed check essentially is the same as a debit card transaction for which they want to pay 0%. For some competitors, free riding is the only thing that makes their competition possible. Having said that, we need to acknowledge our own flaws. We need to build a real-time system that properly charges participants for usage, allows for good customer service, and minimizes fraud and bad behavior.

Rest assured, we analyze all of our competitors in excruciating detail – so we can learn what they are doing and develop our own strategies accordingly.

Cybersecurity, fraud and privacy need intensive investment on the part of your entire company, and we must do it in collaboration with the government and regulators

Matt Zames describes on page 40 some of the efforts we are making on cyber. What I want to emphasize to our shareholders is the absolute, critical and immediate need to combat cybersecurity threats and the related issues of fighting fraud and protecting privacy. In these areas, we will do whatever it takes to protect the company and its clients. Regarding privacy, I do not believe that most people fully understand what no longer is private and how their information is being bought, sold and used. As a bank, we are appropriately restricted in how we can use our data, but we have found many examples of our data being misused by a third party. We are going to be very aggressive in limiting and controlling how third parties can use JPMorgan Chase data.

It is critical that government and business and regulators collaborate effectively and in real time. Cybersecurity is an area where government and business have been working well together, but there is much more to be done. And if it is not done in a concerted way, we all will pay a terrible price.

The banking system is far safer than it has been in the past, but we need to be mindful of the consequences of the myriad new regulations and current monetary policy on the money markets and liquidity in the marketplace – particularly if we enter a highly stressed environment

There are many new rules, and, in conjunction with current monetary policy, they already are having a large effect on money markets and liquidity in the marketplace. One famous scientist once said, "A Rule of Three (ART): A statistical specification with more than three explanatory variables is meaningless." Simply put, it is impossible to figure out the cumulative effect of all these changes even in a benign environment. But what is far more important is what the effect of these changes might be if we enter a *stressed environment*. As a risk policy matter, we need to make the assumption that there will be unpredictable and unintended consequences – sometimes these are to good effect, but what we need to worry about are those that have a potentially bad effect.

In the rest of this section, we will look at how the table is set – what is going on that is the same or different than in the past. Later in this section, we will speculate on what might happen differently if we enter a new crisis.

Most important, we will enter the next crisis with a banking system that is stronger than it has ever been

Each individual bank is safer than before, and the banking sector overall is stronger and sounder because, among other things:

- Capital levels are far higher today than before the crisis and, by some measures, higher than they have ever been. For example, a very basic measure of capital, going back around 100 years, was a simple ratio of equity to assets. In the last six years, it's back to high numbers not seen since the late 1930s.
- Highly liquid assets held by banks probably are much higher than ever before.
- Many exotic and complex products are gone.
- Many standardized derivatives are moving to clearinghouses.
- Both consumer and commercial loans are underwritten to better standards than before the crisis.
- Transparency to investors is far higher.
- Boards and regulators are far more engaged.

But many things will be different – for example, there will be far more risk residing in the central clearinghouses, and non-bank competitors will have become bigger lenders in the marketplace

Clearinghouses will be the repository of far more risk than they were in the last crisis because more derivatives will be cleared in central clearinghouses. It is important to remember that clearinghouses consolidate – but don't necessarily eliminate – risk. That risk, however, is mitigated by proper margining and collateral. We have long maintained that it is important to stress test central clearinghouses in a similar way that banks are stress tested to make sure the central clearinghouses' capital and resources are sufficient for a highly stressed environment. Clearinghouses are a good thing but not if they are a point of failure in the next crisis.

Non-bank competitors are increasingly beginning to do basic lending in consumer, small business and middle market. In middle market syndicated lending, their share recently has increased from 3% a few years ago to 5% today, and many people estimate that it will continue to increase over the years to come. There is nothing wrong with having competitors, including non-bank competitors. However, they will act differently from banks in the next stressed environment. I will write about this later in this section when we go through a thought exercise of the next crisis.

There already is far less liquidity in the general marketplace: why this is important to issuers and investors

Liquidity in the marketplace is of value to both issuers of securities and investors in securities. For issuers, it reduces their cost of issuance, and for investors, it reduces their cost when they buy or sell. Liquidity can be even more important in a stressed time because investors need to sell quickly, and without liquidity, prices can gap, fear can grow and illiquidity can quickly spread – even in supposedly the most liquid markets.

Some investors take comfort in the fact that spreads (i.e., the price between bid and ask) have remained rather low and healthy. But market depth is far lower than it was, and we believe that is a precursor of liquidity. For example, the market depth of 10-year Treasuries (defined as the average size of the best three bids and offers) today is $125 million, down from $500 million at its peak in 2007. The likely explanation for the lower depth in almost all bond markets is that inventories of market-makers' positions are dramatically lower than in the past. For instance, the total inventory of Treasuries readily available to market-makers today is $1.7 trillion, down from $2.7 trillion at its peak in 2007. Meanwhile, the Treasury market is $12.5 trillion; it was $4.4 trillion in 2007. The trend in dealer positions of corporate bonds is similar. Dealer positions in corporate securities are down by about 75% from their 2007 peak, while the amount of corporate bonds outstanding has grown by 50% since then.

Inventories are lower – not because of one new rule but because of the multiple new rules that affect market-making, including far higher capital and liquidity requirements and the pending implementation of the Volcker Rule. There are other potential rules, which also may be adding to this phenomenon. For example, post-trade transparency makes it harder to do sizable trades since the whole world will know one's position, in short order.

Recent activity in the Treasury markets and the currency markets is a warning shot across the bow

Treasury markets were quite turbulent in the spring and summer of 2013, when the Fed hinted that it soon would slow its asset purchases. Then on one day, October 15, 2014, Treasury securities moved 40 basis points, statistically 7 to 8 standard deviations – an unprecedented move – an event that is supposed to happen only once in every 3 billion years or so (the Treasury market has only been around for 200 years or so – of course, this should make you question statistics to begin with). Some currencies recently have had similar large moves. Importantly, Treasuries and major country currencies are considered the most *standardized* and *liquid* financial instruments in the world.

The good news is that almost no one was significantly hurt by this, which does show good resilience in the system. But this happened in what we still would consider a fairly benign environment. If it were to happen in a stressed environment, it could have far worse consequences.

Some things never change — there will be another crisis, and its impact will be felt by the financial markets

The trigger to the next crisis will not be the same as the trigger to the last one – but there will be another crisis. Triggering events could be geopolitical (the 1973 Middle East crisis), a recession where the Fed rapidly increases interest rates (the 1980-1982 recession), a commodities price collapse (oil in the late 1980s), the commercial real estate crisis (in the early 1990s), the Asian crisis (in 1997), so-called "bubbles" (the 2000 Internet bubble and the 2008 mortgage/housing bubble), etc. While the past crises had different roots (you could spend a lot of time arguing the degree to which geopolitical, economic or purely financial factors caused each crisis), they generally had a strong effect across the financial markets.

While crises look different, the anatomy of how they play out does have common threads. When a crisis starts, investors try to protect themselves. First, they sell the assets they believe are at the root of the problem. Second, they generally look to put more of their money in safe havens, commonly selling riskier assets like credit and equities and buying safer assets by putting deposits in strong banks, buying Treasuries or purchasing very safe money market funds. Often at one point in a crisis, investors can sell only less risky assets if they need to raise cash because, virtually, there may be no market for the riskier ones. These investors include individuals, corporations, mutual funds, pension plans, hedge funds – pretty much everyone – each individually doing the right thing for themselves but, collectively, creating the market disruption that we've witnessed before. This is the "run-on-the-market" phenomenon that you saw in the last crisis.

And now, a thought exercise of what might be different in the next crisis

It sometimes is productive to conduct a thought exercise – in effect trying to re-enact a "run on the market" but, in this case, applying the new rules to see what effect they might have. Even though we must necessarily be prepared for a crisis at all times, we hope a real crisis is many years down the road. And in the United States, we would be entering the crisis with a banking system that is far stronger than in the past, which, on its own, could reduce the probability *and* severity of the next crisis. We are not going to guess at the potential cause of the crisis, but we will assume that, as usual, we will have the normal "run-on-the-market" type of behavior by investors. So let's now turn to look at how a crisis might affect the markets in the new world.

The money markets (deposits, repos, short-term Treasuries) will behave differently in the next crisis

- Banks are required to hold liquid assets against 100% of potential cash outflows in a crisis. Liquid assets essentially are cash held at central banks, Treasuries and agency mortgage-backed securities. Outflows are an estimate of how much cash would leave the bank in the first 30 days of a crisis. This would include things like deposit outflows, depending on the type of deposit, and revolver takedowns, depending primarily on the type of borrower. In my opinion, banks and their board of directors will be very reluctant to allow a liquidity coverage ratio below 100% – even if the regulators say it is okay. And, in particular, no bank will want to be the *first* institution to report a liquidity coverage ratio below 100% for fear of looking weak.

- In a crisis, weak banks lose deposits, while strong banks usually gain them. In 2008, JPMorgan Chase's deposits went up more than $100 billion. It is unlikely that we would want to accept new deposits the next time around because they would be considered non-operating deposits (short term in nature) and would require valuable capital under both the supplementary leverage ratio and G-SIB.

- In a crisis, everyone rushes into Treasuries to protect themselves. In the last crisis, many investors sold risky assets and added more than $2 trillion to their ownership of Treasuries (by buying Treasuries or government money market funds). This will be even more true in the next crisis. But it seems to us that there is a greatly reduced supply of Treasuries to go around – in effect, there may be a shortage of all forms of good collateral. Currently, $13 trillion of Treasuries are outstanding, but, according to our estimates, less than half of this amount is effectively free to be sold. Approximately $6 trillion is accounted for by foreign exchange reserve holdings for foreign countries that have a strong desire to hold Treasuries in order to manage their currencies. The Federal Reserve owns $2.5 trillion in Treasuries, which it has said it will not sell for now; and banks hold $0.5 trillion, which, for the most part, they are required to hold due to liquidity requirements. Many people point out that the banks now hold $2.7 trillion in "excess" reserves at the Federal Reserve (JPMorgan Chase alone has more than $450 billion at the Fed). But in the new world, these reserves are not "excess" sources of liquidity at all, as they are required to maintain a bank's liquidity coverage ratio. In a crisis, if banks turn away deposits, most investors will have other options, which include:

  1. Buying Treasuries directly.
  2. Buying money market funds, which own Treasuries.
  3. Buying repos, which are collateralized by Treasuries.
  4. Investing directly at the Fed for a limited set of investors (government-sponsored enterprises, money funds).
  5. Purchasing credit instruments like commercial paper.

Buyers of credit (loans, secured loans, underwriting and investments) will be more reluctant to extend credit

- In the crisis, many banks lent against various forms of good collateral (but not necessarily the highest quality collateral) to help clients create liquidity and navigate through the crisis. The collateral often came with significant haircuts and was of the type that banks thought they easily could risk-manage, and, for the most part, they did. In the last crisis, JPMorgan Chase did tens of billions of this type of lending. In the next crisis, banks will have a hard time increasing this type of credit because it will require capital and more liquidity.

- In a crisis, clients also draw down revolvers (for JPMorgan Chase alone, this peaked at approximately $20 billion at one point in 2009) – sometimes because they want to be conservative and have cash on hand and sometimes because they need the money. As clients draw down revolvers, risk-weighted assets go up, as will the capital needed to support the revolver. In addition, under the advanced Basel rules, we calculate that capital requirements can go up more than 15% because, in a crisis, assets are calculated to be even riskier. This certainly is very procyclical and would force banks to hoard capital.

- In addition, banks may have a decrease in capital because new regulatory capital rules require losses on investment securities to reduce regulatory capital. This would be particularly true if interest rates were rising in the next crisis, which cannot be ruled out. (Typically, Treasury yields drop dramatically in a crisis, and that possibly could happen in this case, too, especially as they would be in short supply. But, again, one cannot rely on this.)

- In the last crisis, some healthy banks used their investment portfolios to buy and hold securities or loans. In the next crisis, banks will not be able to do that because buying most types of securities or loans would increase their RWA and reduce their liquidity.

- In the last crisis, banks underwrote (for other banks) $110 billion of stock issuance through rights offerings. Banks might be reluctant to do this again because it utilizes precious capital and requires more liquidity.
- It is my belief that in a crisis environment, non-bank lenders will not continue rolling over loans or extending new credit except at exorbitant prices that take advantage of the crisis situation.

On the other hand, banks continued to lend at fair prices in the last crisis because of the long-term and total relationship involved. Banks knew they had to lend freely because effectively they are the "lender of last resort" to their clients as the Federal Reserve is to the banks. ***This is a critical point: JPMorgan Chase and most other banks understood their vital role in actively lending to clients.*** In 2008 and 2009, JPMorgan Chase rolled over more than $260 billion of loans and credit facilities to small businesses, middle market companies and large companies, in addition to $18 billion for states and municipalities, hospitals and nonprofits. We rolled over these capital and lending commitments to support our clients and always maintained fair (and not rapacious) pricing, reflecting our long-term relationship with them.

The markets in general could be more volatile – this could lead to a more rapid reduction of valuations

The items mentioned above (low inventory, reluctance to extend credit, etc.) make it more likely that a crisis will cause more volatile market movements with a rapid decline in valuations even in what are very liquid markets. It will be harder for banks either as lenders or market-makers to "stand against the tide."

But the American financial markets and, more important, the American economy generally have been extraordinarily resilient

Banks may be less able to act positively in the next crisis, but they also are far stronger and unlikely, in our opinion, to create the next crisis. Many other actors in the financial system, from hedge funds to long-term investors, including corporations and large money managers, will, at some point, step in and buy assets. The government, of course, always is able to step in and play an important role.

In addition, regulators can improve the liquidity rules to allow banks to provide liquidity on a more "graduated" basis against more types of assets and give more flexibility on the "margin" than is required. That is, they can give themselves both gas and brakes; i.e., change liquidity rules to fit the environment. In addition, we should try to eliminate procyclical rules, which can exacerbate a crisis.

Fundamentally, as long as the economy is not collapsing, financial markets generally recover. Whatever the turn of events, JPMorgan Chase will have the capability to play its role in supporting clients and communities in the countries in which we operate.

V. WE HAVE A FULLY ENGAGED BOARD, AN EXCEPTIONAL MANAGEMENT TEAM AND A STRONG CORPORATE CULTURE

We want to be a standard-bearer in the industry when it comes to meeting the heightened standards demanded by our regulators – and not just because it's required but because we think it's the right thing to do for our shareholders, clients, employees and communities. And we want to do this across all measures – from our controls to board governance, the cultivating of a strong culture and how we are fighting cyber attacks to how we treat our clients. It starts at the top – with the Board of Directors.

Your Board is fully engaged in all critical matters

The entire Board is fully engaged in the affairs of the company. Board members are fully engaged in the company, from setting the agenda of the Board meetings to reviewing strategy and demanding strong controls to determining CEO compensation and succession planning. Board members also are increasingly engaged in regulatory and shareholder affairs. Several of the Board members meet regularly with our key regulators and major shareholders.

Management succession planning is a priority of the Board. Regarding succession planning, the Board always must be prepared for the "hit-by-the-bus" scenario (which, of course, is not my preference), but ongoing succession planning for the medium and long term is the highest priority of the Board. Importantly, our Board members have complete access to and relationships with the key senior people and continually interact with them, both formally and informally. Both the Board members and I believe that, under all scenarios, this company has several capable potential successors.

The full Board meets without the CEO at every Board meeting. Going way back to Bank One's Board more than a decade ago and before it was mandated, the Board would meet without the CEO (that's me) because we all thought it was best for Board members to have an open conversation about the CEO and the company without feeling any pressure. The Board continues that practice today. New rules mandate that directors meet at least once a year without the CEO – yet our Board does so at every Board meeting; i.e., eight times a year. And usually at the end of the session, the Lead Director comes to see me to give feedback and guidance about what the Board is thinking and what it wants.

We have a strong corporate culture – but we must continuously strengthen it

JPMorgan Chase has served its shareholders, customers and communities with distinction for more than 200 years. Since we were founded, our company has been guided by a simple principle that perhaps was best articulated by J.P. Morgan, Jr., in 1933, when he said: "I should state that at all times, the idea of doing only first-class business, and that in a first-class way, has been before our minds." We continue to strive to meet that principle.

Acknowledging mistakes – and learning from them – is part of the fabric of this company. We also recognize that we have made a number of mistakes – some of them quite painful and costly – over the last several years. One of the things we learned was that we needed to redouble our efforts around culture – not reinvent our culture but recommit to it and ensure that it is an enduring strength of this institution. While we have done an extensive amount of work over the past year and a half to make sure we get this right, we know that it can't be a one-time effort. It's like keeping physically fit – you can't get in shape and expect to stay that way if you stop exercising.

Our efforts around culture and conduct are substantial and include the following:

We will continuously reinforce our business principles. Back in July 2004 at the close of the JPMorgan Chase and Bank One merger, we sent a small blue book to all employees outlining the capabilities of the combined firm, as well as our mission and business principles. While much has changed over the past decade, our commitment to these principles remains the same. In July 2014, we marked the 10-year anniversary of JPMorgan Chase and Bank One coming together to form this exceptional company. It was fitting that on this special occasion, we rededicated ourselves to those same business principles by distributing the rearticulated business principles on How We Do Business to every person in the company. These core principles (which are written in plain English and include lots of specific examples) describe how we want to conduct business, and they will continue to guide us as we move forward. What we are doing ***differently*** today is that we are taking substantial actions to continuously inculcate our employees and our leadership on these principles:

- We want to make the How We Do Business principles part of every major conversation at the company – from the hiring, onboarding and training of new recruits to town halls and management meetings.
- We conduct a substantial amount of ongoing training and certification, from the Code of Conduct for all employees to the Code of Ethics for Finance Professionals that applies to the CEO, Chief Financial Officer, Controller and all professionals of the firm worldwide serving in a finance, accounting, corporate treasury, tax or investor relations role.
- We have enhanced our leadership training. We have thousands of educational programs, and we have consistently trained the top several hundred people on leadership. But we did not train people when they became first-time managers or, importantly, managers of managers. This will be another opportunity to drive home our How We Do Business principles. The heart of this training provides the chance to teach our leadership how to do the right thing – not the easy thing – and to continually reinforce the principle of treating others in the way you would like to be treated.
- We also developed a pilot program within our Corporate & Investment Bank in Europe, the Middle East and Africa on How We Do Business, which includes focus groups and other efforts to analyze cultural themes and address any concerns around conduct and behavior. This year, we have taken the learnings from that pilot and will be rolling them out in a global, firmwide Culture and Conduct Program.

These initiatives will make us a better company. We hope they will reduce any bad behavior. No human endeavor can ever be perfect, but we are hopeful that as incidences of bad behavior decline and as management's responses to bad behavior are vigorous, governments and regulators will appreciate the intensity of our efforts.

Compensation has been consistent and fair and is awarded with proper pay-for-performance

Our long-term success depends on the talents of our employees. And our firm's compensation system plays a significant role in our ability to attract, retain and motivate the highest quality workforce. We design our compensation program to encompass best practices, support our business objectives and enhance shareholder value. For example:

- We do not have change-of-control agreements, special executive retirement plans, golden parachutes or things like special severance packages for senior executives.
- We do not pay bonuses for completing a merger, which we regard as part of the job. (When a merger has proved successful, compensation might go up.)

- We virtually have no private "deals" or multi-year contracts for senior management.
- We always have looked at financial performance as a critical factor, but not the only factor, in pay-for-performance. We have formulas (which always have been properly charged for capital usage) for how we accrue compensation, but we do not pay it out in a formulaic way to anyone. Financial performance alone is not a comprehensive picture of performance. Broader contributions are important, like qualitative skills such as leadership attributes, character and integrity, and management ability. This also includes recruiting, coaching and training, building better systems and fostering innovation, just to name a few.
- We also have invoked comprehensive clawbacks of previously granted awards and/or repayment of previously vested awards when we thought it was appropriate. In 2014 alone, more than 200 employees had compensation reduced for risk- and control-related events. Importantly, many more than that were terminated for poor performance or ethical lapses during the course of the year.

Compensation alone is not enough, and one should not confuse good compensation with good morale. Getting compensation right is critical – everyone wants to feel they are being paid fairly, and most people have other alternatives. But proper compensation alone is not enough. I have seen many companies try to make up for politics, bureaucracy and low morale with high compensation – it does not work. When a company has been doing poorly, or treats its customers badly, the company should expect low morale. What employees want to see is that the company faces its issues, reduces politics and bureaucracy, and improves customer service and satisfaction. Maintaining a corporate culture where the right people are promoted and everyone is treated with respect is as important as compensation. Then morale will improve, and employees will be proud of where they work every day.

We need to operate like a partnership. If, for example, a company's largest, and perhaps most important, business unit is under enormous stress and strain, unlikely to earn money regardless of who is in charge, a manager might ask his or her best leader to take on the job of running that business. This may be the toughest job in the company, one that will take years to work through before the ship has been righted. When the manager asks a leader to take on the responsibility, she quite appropriately will want to know whether she will be supported in the toughest of times: "Will you make sure the organization doesn't desert me?" "Will you stop the politics of people using my unit's poor performance against me?" "Will you compensate me fairly?" My answer to these questions would be yes. And as long as I thought she was doing the job well, I would want to pay her like our best leaders, profits aside. Conversely, we all know that a rising tide lifts all boats. When that's the case, paying that leader too much possibly is the worst thing one can do – because it teaches people the wrong lesson.

We still believe deeply in share ownership. We would like all our senior managers to have a large portion of their net worth in the company. We believe this fosters partnership. While some make the argument that it causes excessive risk taking – we disagree. The first people to lose all of their money if a company fails are the shareholders and the management team. We want your management team to be good stewards of your capital and to treat it as they would their own. It is formulaic compensation plans, where people are paid solely on financial performance, that can cause undue risky and bad behavior.

The entire Operating Committee gets involved in compensation – it is not done in a back room. One way we make sure we are fair and just with compensation is that the entire Operating Committee spends a substantial amount of time reviewing the compensation of our top 500 people – this way, we have internal justice, we can review someone's total performance across all measures, and we can understand how a manager manages up, down and across the organization – not just up.

We want to have the best people, and competitive compensation is critical. We must continue to pay our people properly, competitively and well for doing a good job. It is imperative at JPMorgan Chase that we continue to attract and retain the best.

We treat all of our people fairly. While we generally talk about compensation for the most senior managers, the compensation levels of our entire employee population are fairly similar to that of the U.S. population's household income distribution. We invest a significant amount of time and money to ensure that all of our employees are properly compensated. We still have a defined benefit pension plan for most of our employees that provides a fixed income upon retirement to supplement Social Security and any other savings they have. We also provide a 401(k) plan with matching dollars. In addition, we have excellent healthcare plans that incentivize people to take care of themselves. For example, premiums are lower if an employee gets an annual physical examination or stops smoking. We also subsidize these healthcare plans more for lower paid employees (at 90%) versus our higher paid employees (who are at 50%). And each year, we are recognized as a great place to work by various groups, including *Working Mother* 100 Best Companies, Top 100 Military Friendly Employers by *G.I. Jobs* magazine and Best Employers for Healthy Lifestyles by the National Business Group on Health, among many others.

As we centralize all risk functions, we also must be certain that line of business CEOs remain empowered to manage their business end to end

We always have tried to be very thoughtful about which functions are centralized or decentralized at the company. We always have centralized functions that can create huge economies of scale like data centers or utilities that are used by the entire company (like general ledgers and payroll) or critical control functions (like Corporate Legal, firmwide accounting policies, etc.). We try to decentralize where we can and when it makes sense to do so. For example, while a lot of finance functions reside at Corporate (like accounting policy), some finance people are devoted to only one line of business, so we keep them within that line of business. We do this to provide direct accountability, speed up decision making and minimize bureaucracy.

In the new world, in order to improve the consistency of controls, regulators have demanded that most risk and control functions be centralized, including Risk, Compliance, Finance, Oversight & Control, Audit and Legal. In doing this, we have given huge amounts of additional authority to functions at our corporate headquarters. Corporate headquarters can sometimes forget that it exists only because there is a banker in front of a client somewhere. The Home Depot, one of America's great companies, does not call its corporate headquarters the corporate headquarters – it's called Store Support Center to remind employees every day why they are there: to support the stores and the clients. This still remains true at JPMorgan Chase – we at Corporate would not be here if we didn't have our bankers in front of clients.

We need to work hard to get the best of both centralization and decentralization. And we need to manage Corporate so the line of business CEOs and management teams are fully responsible and empowered to manage their businesses. Centralization should not mean demoralizing bureaucracy or slowing down services as multiple committees and layers sign off on every decision and stifle innovation. We have been managing through this process with our eyes wide open. The Operating Committee members of the company spend a considerable amount of time to make sure we get this right.

We need to develop the right culture and avoid creating a culture of finger-pointing. We need to analyze our mistakes because that is the only way we can fix them and consistently improve. But we cannot allow this to devolve into crippling bureaucratic activity or create a culture of backstabbing and blame. We need to develop a safe environment where people can raise issues and admit and analyze mistakes without fear of retribution. We must treat people properly and respectfully – even if we have to make tough decisions.

I believe this company currently has the best management team with whom I have ever been associated – and I mean their character, culture and capabilities. I now ask questions that I did not ask when I was a younger manager: “Would I want to work for these managers?” “Would I want my children to work for these managers?” My answer would not always have been yes, but now it is. These leaders have navigated the last several years with fortitude and a smile, driving results, making tough decisions and treating each other as complete partners. They are the reason why both performance and morale remain strong in this environment.

CLOSING COMMENTS

I feel enormously fortunate to be part of the remarkable 200-year journey of this exceptional company.

I wish you all could see our employees and your management team at work, particularly in these challenging times. If you did, I know that you, like me, would be bursting with appreciation and pride and have great comfort in knowing that our wonderful legacy will continue.

Jamie Dimon
Chairman and Chief Executive Officer

April 8, 2015

A Culture of Excellence

Matt Zames

EXCEPTIONAL CLIENT SERVICE

OPERATIONAL EXCELLENCE

A COMMITMENT TO INTEGRITY, FAIRNESS AND RESPONSIBILITY

A GREAT TEAM AND WINNING CULTURE

Our firm has a rich, 200-year history of serving its clients and customers with integrity and establishing relationships based on trust. It is our responsibility to preserve and build upon the solid values on which this firm was founded. The tone we set as stewards of the firm is critical, and managing a culture of excellence, as well as integrity, requires us to have a sophisticated and comprehensive infrastructure.

The Chief Operating Office is central to delivering operational excellence. It is responsible for many of the firm's corporate utilities, including Treasury, the Chief Investment Office, Global Technology, Operations, Oversight & Control, Compliance, Corporate Strategy, Global Real Estate, Global Security & Military Affairs and Regulatory Affairs, among others. In 2014, we focused a great deal on what it means to be a Global Systemically Important Bank (G-SIB) and how best to ensure we manage to the needs of our critical stakeholders – shareholders, clients, customers and employees – given our significance to worldwide markets and the global economy. We continue to respond to the changing regulatory landscape, including requirements for G-SIBs, and we are evaluating the businesses we manage and the products and services we offer in the context of these new requirements. As an example, we announced the firm is targeting up to a $100 billion reduction in non-operating wholesale deposits. At a minimum, we are committed to ensuring we remain safely within the 4.5% G-SIB capital surcharge bucket and are looking at additional actions to potentially reduce our surcharge by an incremental 50 basis points.

Last year, we published Business Principles, key themes around which we want to drive the firm. These principles are fundamental to our success and provide guidance for our identity as a company while informing our firmwide strategic priorities.

We distributed the principles to our employees and regulators and followed up with a more extensive "How We Do Business – The Report," which is available on our public website.

We recently launched a firmwide Culture and Conduct Program to further reinforce the behavioral standards implicit in these Business Principles. The program is not about reinventing our culture but recommitting to it. It considers our culture, business models, tone from senior executives, governance and incentive structures; how they influence daily decision making at all levels; and the impact of those decisions on our clients, our reputation and the integrity of the markets. Our objective is to instill in our employees a strong sense of personal accountability through broad, deep integration of common standards across businesses and geographies. In 2015, we will develop a suite of metrics to enable management to keep a pulse on how we are doing in regard to our company culture and with respect to specific conduct risks. We have committed, in 2015, that each line of business and function will implement a Culture and Conduct Program aligned to the firmwide framework.

Execution against our principles requires us to be ever mindful of new opportunities to reduce complexity and improve efficiency. As part of our business simplification strategy, we spun off One Equity Partners, the firm's private equity unit, which was completed in early January 2015. We realized significant savings through the reshaping of our workforce and consolidation of jobs in the right locations, creating efficiencies in labor and real estate costs and promoting consistency in our control culture. We are committed to managing expenses tightly, eliminating waste, and running the firm in a nimble and flexible manner.

We continue to look for additional opportunities to do business in smarter ways. For example, over the last few years, the firm made a significant investment in telecommunications and collaboration tools to facilitate alternatives to air travel. We have rationalized the population of vendors, in large part through the establishment of preferred vendors in categories such as information technology (IT), real estate services, printing, and marketing and advertising. In addition, we are in the process of rationalizing our population of law firms and physical security vendors.

We will not compromise on the control environment and, to that end, continue to tighten data controls for ourselves, as well as for our third parties. This involves fortifying our defenses to ensure all of our managers, employees and vendors are following the appropriate security and hygiene practices with regard to work email, password protection, data encryption, system entitlements and social media. We continue to carefully monitor third-party systems and to increase our oversight of all the vendors with whom we work to make sure their protections are adequate.

Liquidity and interest rate risk management continue to be important

Liquidity and interest rate risk management are fundamental to how we manage the firm and take on increasing importance for the firm as a G-SIB. As we advance our thinking in response to an evolving set of regulatory requirements, we are driving a coordinated approach to management of the firm's balance sheet.

2014 featured final versions of important regulatory liquidity rules, notably the liquidity coverage ratio by U.S. banking regulators and Basel's final rule on the net stable funding ratio, with which we are compliant. We devoted significant resources to understanding the potential liquidity impact of changing Fed monetary policy and rising rates, particularly the impact on our wholesale deposit base. As a direct result of this effort, we further refined and improved our internal stress framework. We continue to be in compliance with our internal measures.

We progressed our technology buildout to enable more flexible and timely liquidity stress testing for the enterprise and major legal entities. We further evolved the Liquidity Risk Oversight group, which provides independent assessment, measurement, monitoring and control of liquidity risk. We established a firmwide program to set up a best-in-class intraday liquidity management process and infrastructure in preparation for a changing market environment and emerging regulatory expectations.

We continue to actively manage our investment securities portfolio of over $340 billion, the primary vehicle used to offset the firm's loan and deposit mismatch and moderate firmwide structural interest rate risk. In 2014, we further increased the proportion of investment securities that we intend to hold to maturity to nearly $50 billion, which will help to mitigate Basel III capital volatility in a rising rate environment. The average yield of our investment securities portfolio increased by 45 basis points from a yield of 2.32 in 2013 to 2.77 in 2014 despite generally lower interest rates, and we maintained an average portfolio rating of AA+.

Cybersecurity remains a top priority

In 2014, we experienced cyber threats of an unprecedented scale. This included a data breach we incurred last summer, which we voluntarily disclosed. We continue to discover and block new and unique malware, viruses and phishing attempts to obtain access to our data. Importantly, cyber attacks to date have not resulted in material harm to our clients or customers and have not had a material adverse impact on our results or operations.

To defend against these threats, we spent more than $250 million in 2014 on our cyber capabilities. We established three global Security Operations Centers to monitor, detect and defend the firm. We organized cyber defense exercises to test our capabilities and conducted an independent assessment of our cybersecurity program to identify actions for continual improvement. We doubled the number of cybersecurity personnel over the past two years and hired top-notch security experts.

Over the next two years, we will increase our cybersecurity spend by nearly 80% and enhance our cyber defense capabilities with robust testing, advanced analytics and improved technology coverage. We will strengthen our partnerships with government agencies to understand the full spectrum of cyber risks in the environment and increase our response capabilities.

Technology is critical to our competitive advantage and to the protection of our clients and customers

Over the past six years, the firm has invested 8%-9% of its annual revenue to fund our global technology capabilities, one of the largest investments we make at JPMorgan Chase. Even as we are committed to expense management, we will not compromise our investment opportunities for the future, especially as they relate to innovative and efficient delivery to our clients and customers and protection of their security.

Demand for technology continues to grow. IT supports 318,000 desktops, 66,000 servers in 32 strategic data centers, 25,000 databases and 7,100 business applications. Our global telecommunications network connects our presence in 60 countries along with our 5,600 Chase branches and 18,000 ATMs. We have more than 35 million active online, and over 19 million active mobile, clients and customers. We process approximately $6 trillion of payments daily on behalf of the firm and its clients and customers.

In 2015, approximately 50% of our technology investment spend will be in support of our strategic business priorities, including:

- Digital: End-to-end digital commerce across web, mobile and future channels and across our businesses.
- Data & Analytics: Leveraging of our firmwide data assets for operational stability, customer value, revenue generation, and risk and security.
- Mobile, Unified Communications: Communications channel integration into business applications to enrich interaction among employees, clients and customers.
- Next Generation Cloud Infrastructure: Increased cloud footprint to enhance cost efficiency and flexibility using highly elastic, on-demand, self-service infrastructure.
- Next Generation Development: Increased developer productivity, quality and pace of application delivery.
- Security & Controls: Framework to address the increasing volume, pace and sophistication of security threats.

In addition, we will continue to innovate in 2015 by improving branch automation and efficiency, extending our electronic trading platforms, launching an advisor workstation platform for Asset Management and implementing a new commercial real estate loan originations system.

Our focus on the control agenda has become "business as usual"

We have made substantial investments and transformative changes to strengthen our control environment. Since the creation of Oversight & Control in 2012 to embed greater focus and discipline on controls within each business, the group has successfully integrated into each business and function to make the control agenda a core strategy and priority.

Over the past few years, Oversight & Control has significantly enhanced the quality of, and standard requirements for, our business self-assessment process, designed to identify and assess key operating risks in each area. We introduced common control reporting on a range of metrics and, in 2015, will further develop capabilities to analyze trends and conduct impact analysis across businesses. Of the original 24 enterprise-wide programs established in 2013 to tackle top control issues, many now are complete, and the work has transitioned from projects to business-as-usual operations. We anticipate closing the lion's share of the programs in 2015.

The compliance agenda is continuously evolving

Our firm's compliance capabilities have improved significantly over the past year. 2014 was focused on execution across the foundational components of the compliance program. We enhanced standards and protocols across core practices, strengthened our employee compliance program, and continue to evolve and develop trade and e-communications surveillance programs. Building a world-class Anti-Money Laundering (AML) program remains a top priority, and a significant amount of work has been completed on the Bank Secrecy Act/AML and Sanctions programs, including a new, global set of Know Your Customer standards.

This year, Compliance will focus on enhancing standards for market conduct risk, fiduciary responsibilities, employee compliance and regulatory reporting. Ongoing strategic technology investments and process improvements will position us to continue delivering in a heightened regulatory environment.

Conclusion

We understand the importance of operational excellence, effective risk management across all risk categories, a fortress infrastructure, and a culture that is rooted in integrity, fairness and responsibility. We have addressed new challenges by applying lessons learned more effectively, and we are able to respond more quickly owing to the talent of our people and our investments in infrastructure and controls.

We continue to strengthen our client- and customer-centered culture and set high standards for performance as we invest in targeted growth opportunities and first-rate systems and operations, simplify our businesses and redouble expense management efforts. Our Business Principles will be our guidepost as we make decisions each step of the way. We are indebted to our predecessors for the solid foundation we inherited and will be vigilant in our commitment to maintaining the world-class reputation we have worked so hard to build. The company is well-positioned to help our clients and customers to the fullest, with integrity, and that is what we intend to do. To achieve our objectives, we must execute strategically and with urgency.

Matt Zames
Chief Operating Officer

2014 HIGHLIGHTS AND ACCOMPLISHMENTS

- Evaluated business activities in light of G-SIB; committed to operating at or below the 4.5% G-SIB capital surcharge bucket
- Targeted a $100 billion reduction in non-operating wholesale deposits
- Launched a firmwide Culture and Conduct Program to reinforce our Business Principles across all businesses and functions globally
- Met liquidity regulatory requirements; advanced our own internal framework, including technology capabilities and independent risk oversight
- Maintained AA+ average rating in our investment securities portfolio; improved the average yield of investment securities from 2.32 in 2013 to 2.77 in 2014 despite low rate environment
- Spun off One Equity Partners as part of ongoing business simplification efforts
- Managed expenses tightly through, among other things, creating economies of scale through consolidation of jobs in strategic locations and establishment of preferred vendors
- Matured our efforts to further strengthen controls, including transitioning many enterprise-wide programs to business-as-usual
- For the sixth consecutive year, invested 8%-9% of the firm's annual revenue in global technology capabilities and digital innovation
- Processed an average of approximately $6 trillion in payments daily
- Spent more than $250 million in 2014 to protect the firm from cyber attacks and will increase cyber spend by nearly 80% over the next two years

Consumer & Community Banking

Gordon Smith

I'm proud to say that Consumer & Community Banking (CCB) has grown stronger in 2014, adding more customers, building market share and improving the customer experience across all of our channels. Today, we've earned relationships with nearly half of all U.S. households and 3.9 million small businesses. In 2014, we added approximately 600,000 new CCB households, bringing our total to almost 58 million. As important, we've deepened the relationships with our existing customers. More people consider Chase their primary bank than any other bank in our footprint, and customer attrition has reached historic lows. More customers are doing business with Chase, and they are staying with us for the long term.

Leading the industry

Our core strategy for CCB for the past four years has been to build lifetime, engaged relationships with our customers. That begins and ends with a consistent and outstanding customer experience across Chase. I have yet to see any business that can grow over time without happy customers. And in our business, where customers have extensive choices across all of our products, that's acutely true.

We're pleased with our progress. I don't think anyone can ever declare victory on the customer experience, but we can celebrate the success we've had. One key measure that we track is our Net Promoter Score (NPS), which simply is how many customers say they would refer a friend to Chase. Since mid-2011, our NPS has roughly doubled in Consumer Banking and Card and tripled in Business Banking. In fact, nearly all CCB businesses are at or close to all-time highs.

We also received validation from respected outside groups. The American Customer Satisfaction Index named Chase #1 in customer satisfaction among large banks in 2014. J.D. Power ranked us #3 in Highest Customer Satisfaction in Mortgage Originations (up from #12 in 2010) and #2 in Mortgage Servicing (up from #13 in 2010). In Business Banking, we are #1 or #2 in every region (up from #22 in 2010).

Building stronger relationships with customers has led to measurable improvement in our leadership positions. This year, the Federal Deposit Insurance Corporation (FDIC) named us #1 in deposit growth among the largest 50 U.S. banks. We are the #1 credit card issuer, #1 in total U.S. credit and debit payments volume, the #2 mortgage originator and servicer, and the #3 non-captive auto lender. Chase is #1 in ATMs and #2 in branches, and chase.com is the #1 online banking portal. Forrester Research named us #1 in mobile banking functionality for the third consecutive year.

With our combination of scale, leading products and outstanding service, we wouldn't trade our franchise for anyone's.

2014 financial results

Across CCB, our businesses delivered strong underlying results throughout 2014 despite market and industry headwinds. Our net income was $9.2 billion, down from $11.1 billion in 2013. Our revenue of $44.4 billion was down 5% from $46.5 billion in 2013, primarily due to the smaller mortgage originations market during 2014. In 2014, we also experienced lower reserve releases across the Mortgage and Credit Card businesses and felt the continued impact of lower deposit margins. While credit performance still is very strong, the rate of improvement compared with last year has slowed. Overall, we ended the year with a strong return on equity (ROE) of 18%, just under our long-term target of 20% ROE.

We particularly are pleased that we achieved this positive momentum while hitting our aggressive expense target. Since 2012, we have taken

$3.2 billion of expense out of CCB, and we are on track to reduce expenses by an additional $2 billion by the end of 2016. Staying disciplined and being as efficient as possible allow us to invest back into our businesses and create strong returns for all of you who have chosen to invest in our company.

CCB demonstrated significant growth in nearly every business in 2014.

Here are some highlights from our businesses:

Consumer & Business Banking

Consumer & Business Banking deposits were up 8% to nearly half a trillion dollars by the end of the year. We talked about customer attrition reaching historic lows – it is down 4% since 2010. To put this in perspective, that equates to 1 million Consumer Banking households and an incremental $15 billion in deposits.

Chase Private Client (CPC) continues to be a notable success. We have grown to more than 325,000 CPC clients, up 51% from 2013. Client investment assets were up 13%. Since 2012, we've tripled our net new CPC deposits and investments, with 60% of new investments coming from customers who are investing with Chase for the first time. With 55% of affluent households living within two miles of a Chase branch or ATM, we feel well-positioned to continue that growth.

Business Banking loan originations were up 28% in 2014. Loans were up 6%, and deposits were up 12%. And we are extremely proud that we were the #1 Small Business Administration lender for women and minorities in the United States for the third year in a row.

Mortgage

The 2014 mortgage market was one of the most challenging we have faced. We have been very focused on transforming our Mortgage franchise to a simpler, higher quality and less volatile business. In 2014, Mortgage originations were down 53% from 2013 due to the challenging rate environment. But we didn't forget the industry lessons learned over the past several years and remained disciplined. We ceded some market share to focus on our strategy of acquiring high-quality loans. And we actively reduced our foreclosure inventory from roughly 170,000 in 2013 to 90,000 in 2014.

One of the lessons we learned from the industry crisis in Mortgage is that complexity kills. We have reduced the number of mortgage products from 37 to 18, and by the end of 2015, it will be down to 15. Yet those 15 products still will meet 97% of customers' needs. I'm sure the 22 products we are exiting were developed with good intentions to help customers, but they created unnecessary complexity for employees and more expense and execution risk than we needed.

Mortgage Banking also has made tremendous progress in reducing expenses. Mortgage expenses were down 30% over 2013.

Credit Card and Payments

Card Services sales volume of $465.6 billion was up 11% year-over-year, outperforming the industry for the 28th consecutive quarter. Credit trends continue to improve, and credit card net charge-offs were down 12% from 2013. Our Merchant Services business processes nearly half of the total e-commerce payment volume in the United States. Our processing volume was $847.9 billion, up 13% year-over-year.

Payments is one of the most interesting areas in our business as consumers are adapting to new ways to pay. We like our strategic position as both a bank that issues cards for consumers and a payment processor for merchants. Through ChaseNet, we also have our own network and can complete every aspect of the payment transaction.

One of the most exciting developments of the year was Apple Pay™. Chase participated as both a consumer issuer and a merchant acquirer. Chase cardholders can register their cards in Apple Pay™ and make digital payments simply by hitting a fingerprint button on their iPhone® 6. Our merchant customers will be able to use our software development kit to enable payments online, in-app and in-store. Tokenization will make those payments safe and secure.

Auto

In Auto, we continue to grow while maintaining our credit discipline. Our originations volume of $27.5 billion was up 5%, with our average loans up 4%. Here, too, we have stayed disciplined by retaining high credit standards. Our average FICO score on loan originations was 32 points higher than the industry average.

Digital

Digital is transforming our industry. We've seen tremendous growth rates in customer adoption of our digital services. The number of customers who are active on Chase mobile went from 8.2 million in 2011 to 19.1 million in 2014. On average, we added about 18,000 new mobile users per day throughout 2014.

Quite simply, we plan to be the bank of choice for digitally savvy customers. Digital is core to our commitment to an outstanding customer experience. We're bringing digital service to everything from routine deposits to credit card applications, rewards redemptions and mortgage application tracking.

Today's customers expect to be able to transact with us whenever and wherever they choose, whether that's through a superior digital experience, a convenient ATM or a neighborhood branch. Every experience needs to be personal, easy and fast.

With advances in technology, customers will be able to complete 90% of teller transactions at our smart ATMs by the end of 2016. We have made things easier by increasing withdrawal limits and allowing customers to receive their cash in any bill denomination they choose. Mobile also is changing quickly. Customers now can securely view their balances without having to log in and print statements directly from their phone.

Customers aren't choosing between digital and branches – they are using both. When our customers use digital, we see lower attrition, and we're more likely to be their primary bank. We know that our customers still want to come into the branch when they need advice or support, but for a basic transaction, they increasingly prefer to do it themselves.

Here are some of the indicators of the rapid growth in digital in just one year:

- 19 million mobile app users, up 20%
- 45 million Mobile QuickDeposit℠ transactions, up 25%
- 30 million Mobile Chase QuickPay℠ transactions, up 80%
- 60 million in Mobile Bill Pay, up 30%
- 200 million deposits made in a Chase ATM, up 10%

Providing a best-in-class digital experience also is more efficient for the bank. It costs us 3 cents to accept a deposit made from a smartphone and 8 cents for one at an ATM. With our new technologies, we have lowered our costs per deposit by ~50% in 2014 versus 2007.

Our 5,600 branch network is one of our most important assets for acquiring and deepening relationships. Last year, our branches helped nearly 20,000 first-time homebuyers and 400,000 new small businesses and approved more than 1 million credit cards for customers. We've built a footprint that covers the highest growth markets in the United States. But now that our buildout is complete, we won't open as many new branches over the next few years. As all effective retailers do, we continually review locations to determine where we can consolidate and still remain convenient for customers. As a result, our overall branch count will be down slightly from prior years.

Controls: Strengthen and simplify our business

Over the past two years, we have made significant investments in improving our controls. We hired dedicated teams to focus on de-risking the business and invested in technology to automate more processes and reduce manual errors. As one example, we have strengthened our Anti-Money Laundering (AML) procedures with a technology fix. Employees must fill out every data field before completing a new customer application.

Throughout 2014, we made excellent progress on our control agenda. We exited 5,000 Politically Exposed Person relationships and 4,000 relationships with small businesses in high-risk geographies and industries. And we closed more than 100,000 accounts through AML screening and monitoring processes. We hope that by the end of 2015, we will have closed most of our legacy issues and invested in a stronger, simpler and safer business for the long term.

As we move forward into 2015, our core strategy is focused on three key areas: customers, controls and profitability. We will continue to focus on a great customer experience while investing in the best mobile and digital capabilities in the industry. We will continue to further simplify our business by reducing the number of non-core products we have and investing in automation. And to deliver shareholder value, we will meet our expense targets and drive out unnecessary costs while continuing to invest in our business.

Conclusion

Across CCB, we feel very well-positioned for the future. The CCB Leadership Team and I are so proud to serve our customers and shareholders and to lead this exceptional business. Thank you for your investment in our company.

Gordon Smith
CEO, Consumer & Community Banking

2014 HIGHLIGHTS AND ACCOMPLISHMENTS

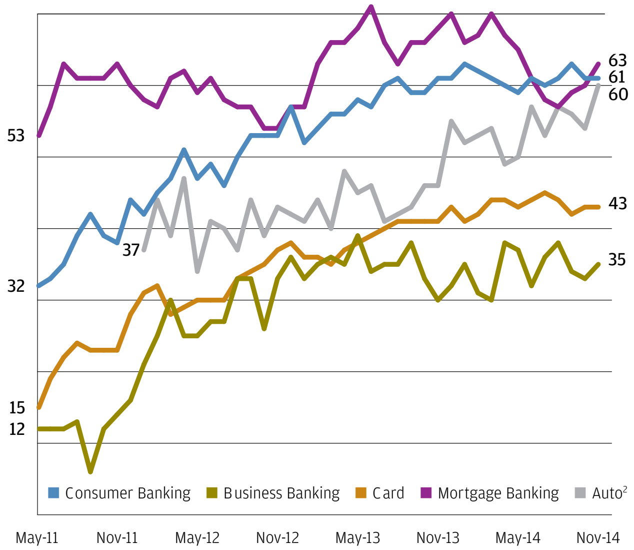
- Consumer relationships with almost half of U.S. households
- #1 among large banks in the 2014 American Customer Satisfaction Index survey for the third year in a row
- #1 primary banking relationship share in our footprint

- #1 in deposit growth among the largest 50 U.S. banks by the FDIC
- Outpaced the industry in deposit growth for the third consecutive year
- #1 in deposit share in three of the largest deposit markets
- #1 most visited banking portal in the United States – chase.com; #1 mobile banking functionality

- #1 Small Business Administration lender for women and minorities in the United States for the third year in a row
- #1 credit card issuer in the United States based on loans outstanding
- #1 U.S. co-brand credit card issuer
- #1 in total U.S. credit and debit payments volume

- #1 wholly-owned merchant acquirer in the United States
- #2 mortgage originator; #2 mortgage servicer
- #3 non-captive auto lender

Net Promoter Score[1]

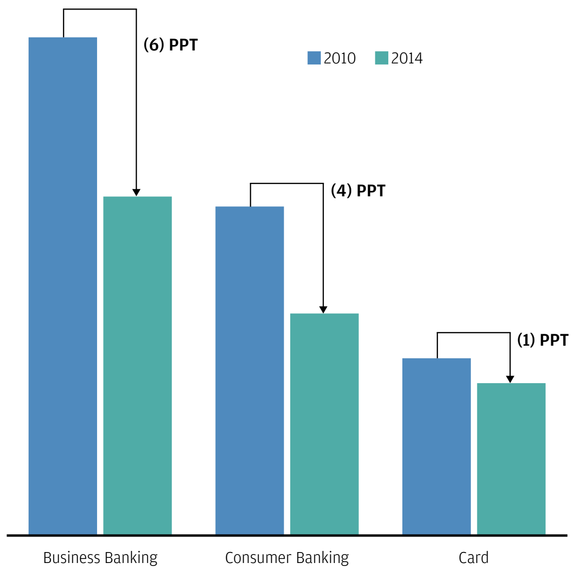


Source: Internal data

[1] Note: Net Promoter Score (NPS) = % promoters minus % detractors

[2] Auto NPS score tracked beginning in January 2012

Chase Household Attrition Rates[3]



Source: Internal data

[3] Includes households that close all Chase accounts; average of annualized monthly attrition rates over 12 months for 2010 and 2014

PPT = Percentage points

The Branch of the Future is here today

In our branches, state-of-the-art smart ATMs allow customers to self-serve for transactions. Today, 50% of all transactions can be made at an ATM. By the end of 2016, that number will be 90%.

Corporate & Investment Bank

Daniel Pinto

In 2014, the Corporate & Investment Bank (CIB) continued to deliver for clients on the strength of its unique scale, its complete range of offerings and its global reach.

By any measure, the J.P. Morgan CIB is an outstanding franchise. No other firm places so consistently among the top ranks of products across Investment Banking, Markets and Investor Services. Our 2014 performance stands as an example of our ability to adapt to new capital and regulatory rules while optimizing our business, capturing efficiencies and targeting expense reductions – even as we continued to invest for the future.

With a global roster of 7,200 clients, counting more than 80% among the Fortune 500, the CIB offers an inventory of integrated financial products and services. To serve that client base, the CIB has more than 51,000 employees and a presence in 60 countries. Our expertise runs the gamut across investment banking, market-making, investor services, treasury services and research. The work we accomplished in 2014 on behalf of our clients is reflected in our top-tier rankings across the CIB's spectrum of products and services.

Last year, J.P. Morgan helped clients raise $1.6 trillion in capital, a 7% increase over the previous year. Of that amount, $61 billion was raised on behalf of states, local governments, hospitals, universities, school districts and nonprofits. Those funds were earmarked to build research facilities, construct children's hospitals, finance clean water projects through green bonds and extend new rail lines in cities to alleviate traffic congestion, among other public service projects. The CIB also was the #1 firm in U.S. dollar clearing for clients with a 19% share on Fedwire and the Clearing House Interbank Payments System (CHIPS).

It is a franchise that would be extremely difficult to replicate, especially in the regulatory and economic environment we encounter today.

But we are not complacent. Nor do we take our top rankings for granted. In an evolving industry, we must be willing to anticipate and embrace change, operate efficiently and be vigilant in ensuring that our conduct doesn't just meet high standards – it sets them.

In a year marked by uneven economic recovery in Europe, low market volatility and the implementation of additional capital standards, the ability to embrace change and adapt enabled the CIB to maintain its leading market share across all business lines and generate strong returns on $34.6 billion in net revenue – the highest among our corporate and investment bank peers.

With an improving global economy in 2015, I am confident that many of the headwinds we encountered last year will turn into tailwinds. As the recovery spreads throughout regions, countries and industry sectors, we foresee CEOs gaining confidence to pursue more opportunities. We remain one of the few truly global banks that can provide the complete array of products and services to fuel corporate growth, which, in turn, underpins economic expansion.

Earnings

For the year, the CIB reported net income of $6.9 billion on net revenue of $34.6 billion with a reported return on equity (ROE) of 10%. Excluding legal expense, the CIB earned $8.7 billion with an ROE of 13%. Investment Banking fees of $6.6 billion were up 4% from the year before. And since 2010, the CIB's Global Investment Banking fees have risen by 25% compared with 17% for the rest of the industry, according to Dealogic.

Combined revenue in Treasury Services and Securities Services rose by 15% during the past five years, far outpacing the rest of the top players' 2% gain.

The Corporate & Investment Bank's broad range of products and services has the positive effect of smoothing out business fluctuations in different market and economic environments. For example, since 2010, the CIB experienced overall volatility in annual revenue of just 4% compared with 6% for its top competitors. That stability, across fixed income and equity markets, is rooted in our tradition of strong risk management.

What's more, this year's ROE is calculated on $61 billion of allocated capital, which is $13.5 billion, or 28%, greater today than it was in 2012.

But strong results going forward depend upon our maintaining a disciplined approach to expenses. Since 2010, we have reduced front office costs by more than $2 billion. Although much of that reduction has been offset by cost increases in controls, litigation and regulatory fees, we believe those areas are reaching a peak and will normalize over time.

Over the next three years, we have targeted expense reductions of $2.8 billion, partly coming from more end-to-end efficiencies in technology and operations and a better allocation of resources according to the depth of client relationships. We also expect to capture cost savings from divestitures and simplification efforts already undertaken in 2014.

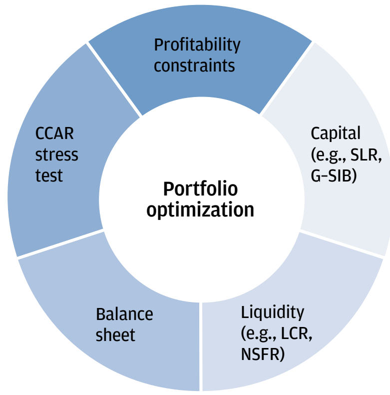
Serving clients = gaining share

J.P. Morgan gained share and continued to hold top-tier positions across our lines of business, a testament to the firm's client focus and resiliency. In a difficult year, the CIB share of Investment Banking fee revenue led the industry at 8.1%, maintaining its #1 ranking for the sixth year in a row, according to Dealogic.

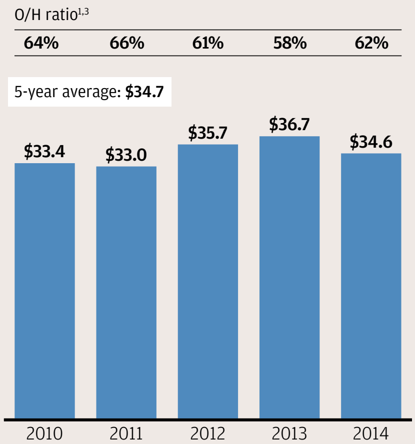
Also impressive is our ability to work collaboratively across business lines, making it easier for clients to realize their strategic growth plans. For instance, by collaborating across the firm, the CIB once again was able to facilitate client strategies through its partnerships, notably with Asset Management and Commercial Banking. In fact, more Commercial Banking business flowed to the CIB during 2014 than ever before, generating a record $2 billion in Investment Banking revenue, up by 18% compared with the year before. The power of our partnership with Commercial Banking has been an important factor in bolstering J.P. Morgan's market share, even as the overall industry wallet has declined in recent years.

In 2014, our client demographic continued its shift toward international business. Since 2010, the CIB's combined revenue from Europe, the Middle East and Africa (EMEA), Asia Pacific and Latin America grew by

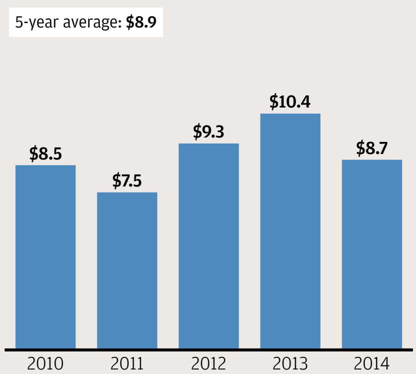
Optimizing the Businesses under Multiple Constraints



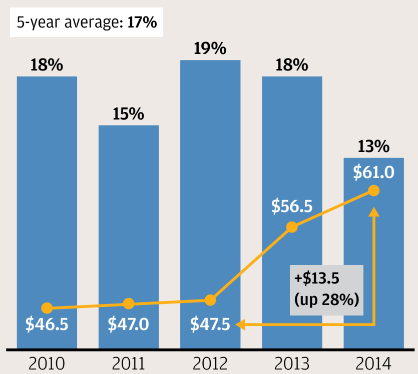
Net Revenue and Overhead Ratio[1,2]
($ in billions)



Net Income[1,2,3]
($ in billions)



ROE[1,3] (%) and Capital
($ in billions)



[1] Net revenue, net income, ROE and overhead (O/H) ratio, exclude FVA (effective 2013) and DVA, non-GAAP financial measures, for 2013 and prior years. These measures are used by management for assessment of the underlying performance of the business and for comparability with peers

[2] All years have been revised for preferred dividends

[3] All years exclude the impact of legal expense

DVA = debit valuation adjustment; FVA = funding valuation adjustment; GAAP = generally accepted accounting principles in the U.S.; LCR = liquidity coverage ratio; NSFR = net stable funding ratio; SLR = supplementary leverage ratio

12%. In recent years, international clients collectively have accounted for half of our revenue. They are progressively seeking a broader range of our services and using more of J.P. Morgan's product lineup. As of 2014, about half of our international clients use five or more products, while single-product client relationships have declined by 30%. Internationally, loans grew by 24%, assets under custody are up 36% and cross-border revenue with corporate clients has grown by 13% since 2010.

In Investor Services, clients entrusted J.P. Morgan with $20.5 trillion in assets under custody, up from $16.1 trillion in 2010, driven by asset appreciation, as well as client inflows.

Treasury Services operating deposits have nearly doubled since 2010. In Markets, we now have an 11.5% market share in equities due to a 7% gain in revenue since 2010 compared with revenue for the rest of the top 10 banks, which is down collectively by 7%. And in fixed income markets, our share has consistently ranked #1 during the last five years.

Achieving completeness while simplifying

Having a complete set of core products, accessible to clients across a global network, does not mean we intend to be all things to all people.

As a result of shifts in the regulatory and market environments, we shed ancillary businesses in 2014, including the Global Special Opportunities Group investment portfolio, as well as our physical commodities activities – though we kept our core financial commodities business.

No industry operates in a static environment, least of all ours, so we recognize the necessity of being adaptable and nimble. The CIB has established a successful track record of optimizing its business model while adjusting to multiple regulatory and other constraints, among them leverage, liquidity, Comprehensive Capital Analysis and Review stress testing, G-SIB and Basel rules. We push down to a very granular level in the organization the achievement of strong risk-adjusted returns in order to maximize long-term shareholder value. For our newest constraint, G-SIB, the CIB will be optimizing capital usage across clients, products and G-SIB factors.

In implementing those efforts, along with others, we have simplified our structure, improved our overall risk profile, and focused our attention on the business lines most valuable to clients and the CIB. By selectively narrowing our business, we also improved our ability to invest in the technologies and services our clients will require and demand in the future while making us stronger for the long term.

"How We Do Business — The Report"

During the course of last year, one of our most important projects was a self-examination leading to an in-depth report called "How We Do Business – The Report." J.P. Morgan's culture and conduct must be based on integrity, respect for our colleagues and, above all, a commitment to always act in our clients' best interests. In putting the lessons we've learned into practice, we are escalating issues promptly. We also have developed enhanced training programs and are working with our regulators around the world to improve our communication and transparency. When every one of our employees comes to work in the morning, the guiding principle should be, and I believe it is, to do the right thing for our clients at all times. Drawing from the report, we have rededicated ourselves to the principles espoused by J.P. Morgan, Jr., in 1933 when he said: "I should state that at all times, the idea of doing only first-class business, and that in a first-class way, has been before our minds."

Our strategies

We are continually looking for ways to improve, be more efficient and serve our clients better. Efficiency is not a code word for eliminating worthwhile and beneficial products and services. To us, it means cultivating and mining our business to find ways we can provide our services faster, better and more effectively.

Efficiency means making incremental investments to enhance and expand what we offer, closing gaps to increase our longer term profitability and embracing the raft of change that is sure to define our industry going forward. We also will be looking to leverage a best-in-class infrastructure across the CIB, retiring duplicative platforms and participating in industry utilities to perform non-proprietary functions across our lines of business.

In our Global Investment Banking business, we will build on our leadership positions across advisory, investing in sectors and geographies where we see areas of opportunity and continued growth.

At the same time, we are making the necessary investments across our Markets businesses and are implementing trading technologies to ensure we are operationally prepared to capture client flows in whichever form our clients want to trade. Already, we have seen gains through our efforts to date. Equity e-commerce volume is up by 22% in the United States and by 57% in EMEA, just in the last year. Recently, we have consistently captured share gains in foreign exchange e-commerce, and we hold top-tier rankings on most of the major multi-dealer platforms.

As an active market-maker, we can foresee the increasing complexity that will define the Markets business. Our strategy recognizes that change is inevitable, even if its exact nature cannot be foretold. But in whatever form our clients need us, the CIB will be prepared to capture client flow in all its various forms. Whether it's by voice, electronic or direct market access; whether we are acting on a principal basis or on an agency basis, we will be there for our clients with the products they want.

Our Treasury Services business will focus on the needs of global multinationals to capture the cross-border payments and foreign exchange business associated with increasing global trade flows. With our investments in electronic commerce, we actively will pursue opportunities to migrate clients to electronic solutions and look for more efficiencies across our technology platforms.

Our Investor Services business, which contains some of our most important businesses on behalf of institutional investors and broker-dealers, has made great strides to improve the end-to-end client experience. We want to make doing business with us as easy as possible – from sales to onboarding to operations and technology to client service.

From a capital perspective, the CIB will continue to be affected by rules based on risk-weighted assets. We will adjust our mix of capital-intensive businesses accordingly and fine-tune the platform as needed. We are intent on reducing our capital-footprint and on keeping ourselves nimble while remaining true to our reputation of providing liquidity and capital in any market environment.

Looking ahead, the signals are positive for a global economy that is gaining momentum. Increasing confidence among consumers and CEOs is expected to continue. That would underpin strong corporate earnings and healthy markets and sustain the active level of merger and acquisition (M&A) activity that marked 2014. Our M&A practice particularly was strong in 2014, with improved wallet share on global industry-wide volume that was up by 26% for the year. We believe 2015 will be another active period in which clients will look to us for global advisory capabilities and cross-border expertise. Our proven track record includes advising on the largest, most complex deals, which, in many cases, involved acquisition financing and strategies to address shareholder views and other marketplace forces.

Emerging markets economies are becoming increasingly important in global commerce. Both as consumers and as sources of new products and services, multinational companies are expanding their operations in those economies and will require the breadth of services J.P. Morgan uniquely is able to provide.

In 2015, we will execute our strategy in a way that optimizes capital, supports our clients and aids economic growth. Global institutions turn to J.P. Morgan because it has the talent, expertise and portfolio of services needed to conduct their business. We look forward to continuing that tradition in 2015 and beyond.

Daniel Pinto
CEO, Corporate & Investment Bank

2014 HIGHLIGHTS AND ACCOMPLISHMENTS

- The Corporate & Investment Bank delivered market-leading performance in 2014; $34.6 billion in net revenue was the largest in the industry.
- J.P. Morgan helped clients raise $1.6 trillion in capital — 7% more than in the previous year. Of that amount, $61 billion was raised on behalf of states, local governments and public institutions to finance educational facilities, healthcare, environmental projects and other similar purposes.
- Clients entrusted J.P. Morgan with $20.5 trillion in assets under custody, up from $16.1 trillion in 2010.
- Treasury Services and Securities Services revenue rose by 15% during the past five years, far outpacing the rest of the top players' 2% gain.
- The CIB has more than 51,000 employees with a presence in 60 countries, serving 7,200 of the world's most significant corporates and financial institutions, governments and nonprofit organizations.
- No other firm in 2014 placed so consistently among the top ranks of products across Investment Banking, Markets and Investor Services.
- The CIB is targeting $2.8 billion in expense reductions by 2017, including capturing cost savings from divestitures and simplification efforts already undertaken in 2014.
- The firm's business mix is increasingly becoming international; since 2010, the CIB's combined revenue from EMEA, Asia Pacific and Latin America has grown by 12%.

Commercial Banking

Douglas Petno

Our commitment is to be the best commercial bank by helping our clients succeed and by making a positive difference in our communities. In 2014, this meant investing in our business and controls, remaining focused on our clients, and continuing to execute our proven strategy with discipline and patience.

For the year, Commercial Banking (CB) delivered strong results, earning $2.6 billion of net income on revenue of $6.9 billion. Our continued expense discipline and exceptional credit performance helped us achieve a return on equity of 18%. We are quite proud of these results as our business continues to navigate changes in the regulatory landscape and adapt to shifting market pressures.

The drivers of our success remain consistent over time: We have an outstanding client franchise, real competitive advantages and a sustainable growth plan. I'm proud to convey our progress for 2014 and share our exciting plans for 2015.

Everything starts with our clients

Selecting the best clients is absolutely critical to the value of our franchise and is deeply embedded in our culture. We seek clients that are highly reputable, share our risk philosophy, have strong management teams and work in preferred industries we truly understand. We believe that we are judged by the company we keep, and, as such, our fantastic client franchise is the foundation for our entire business.

With our global reach and broad-based capabilities, we empower our bankers to be there for our clients with advice, capital and industry insights. By knowing their business, supporting their ambitions and understanding their challenges, we are able to best serve our clients and build strong relationships.

Trust and relationships are often reinforced in times of trouble. That was the case for one of our clients, a large beverage distributor based in the Seattle area. A few years ago, an unexpected industry sales tax increase caused the company to lose a significant portion of revenue within a short time period. The family-run business needed patience to execute a long-term recovery plan and avoid dramatic job reductions. During this stressful and challenging period, our beverage industry bankers consistently met with senior managers at the company to provide advice and guidance while they developed their plan. In 2014, the company successfully completed its turnaround. Staying with our clients through times like this, and earning their trust and gratitude, is the reason we come to work each day. We pride ourselves on our relationship focus and the loyal support we provide our clients.

Real competitive advantages

Our clients rely on our industry-leading capabilities and comprehensive services that no other commercial bank can provide. As part of JPMorgan Chase, CB is uniquely positioned with access to the #1 investment bank, a leading asset management business, comprehensive payments and treasury services, and an extensive branch footprint. Today, our typical client uses nine of our products and services, and it is common to see our longer-term relationships use more than 20.

When our clients seek to make more efficient payments, generate better reporting, and securely process transactions from their own customers, we leverage our market-leading commercial payments platforms. In 2014, less than 30% of our clients utilized our commercial card and merchant services capabilities. We believe we can double the usage rates of both of these products over time.

Collaborating with the Corporate & Investment Bank (CIB) enables us to bring differentiated advice and market access to our clients. In 2014, CB relationships generated a record $2 billion in investment banking revenue, representing 35% of the CIB's North American investment banking revenue and reaching the revenue target we set in

2011. We accomplished this by advising 75 clients on strategic transactions and executing more than 1,200 capital markets financings. As we expand our coverage, we believe we can do even more for our clients. We have set a new, long-term goal of $3 billion in investment banking revenue, and we are confident our partnership with the CIB will enable us to deliver over time.

While our platform and capabilities differentiate us, our success ultimately hinges on our people. We have 7,300 employees, including 1,400 bankers in 118 U.S. cities and 14 international locations. These employees average 20 years of experience, have deep industry expertise and are firmly rooted in their local communities. I'm incredibly proud of the quality and integrity of our people. Their continuous focus on our clients and positive impact in their communities never cease to impress.

Sustainable growth

We continue to execute our disciplined, long-term growth plan, which is designed to add new, high-quality clients and deepen those relationships over time. We are growing our customer base by selectively expanding our geographic footprint and focusing on key growth industries.

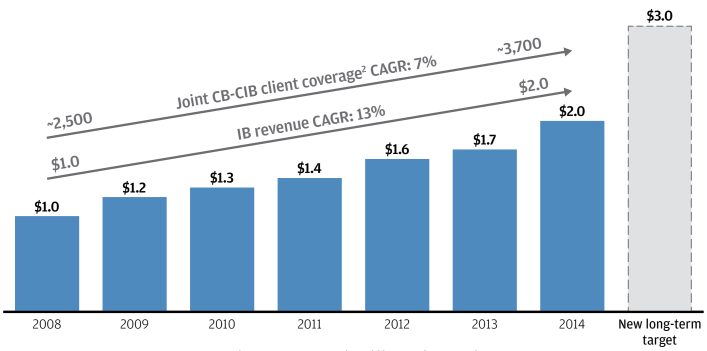
In 2014, we continued to pursue our market expansion strategy in the United States, increasing our footprint to 34 new markets, where we served nearly 1,700 clients and generated $327 million in revenue. We are on our way to reaching our long-term revenue target of $1 billion from these expansion markets.

To enhance our long-standing industry leadership positions, we are adding specialized bankers and underwriters in many key industries such as technology, healthcare, and food and agriculture. Industry specialization allows us to better deliver client-specific solutions, manage industry risks and demonstrate continuity across the industry life cycle. We see real opportunities to expand our relationships in these key industries and have positioned our teams to best serve these markets.

More and more of our Middle Market Banking clients expect their international activity to increase and be a meaningful percentage of total sales in the next few years. Our International Banking team is well-positioned to help these clients grow and operate in overseas markets. We've added dedicated resources in 14 key international locations and have access to JPMorgan Chase's international footprint in 60 countries.

Commercial Banking Gross Investment Banking Revenue[1]

($ in billions)



CIB partnership has resulted in differentiated client coverage

[1] Represents the total revenue related to investment banking products sold to CB clients

[2] Commercial Banking clients and prospects jointly covered by the CIB

CAGR = Compound annual growth rate

In our real estate businesses, we continue to see an excellent opportunity to grow our loan portfolio. We believe we can add high-quality assets through the current market environment, as well as benefit from the $1 trillion of industry maturities that are due over the next three years. In addition, our lending platform is unique in the market and has allowed us to support new clients throughout the life of their loans. We are well-positioned to take advantage of this tremendous opportunity and be a stable source of capital for clients.

Clear priorities

Our priorities for 2015 reflect our mission. To help our clients succeed and make a difference in our communities, we will continue to invest in our business and hire the best people in our markets. We will focus on delivering individual customer solutions to build deeper, stronger relationships. We will continue to safeguard our clients and our business by maintaining our fortress controls. This means understanding all risks in our business and investing in process improvements as needed.

I am incredibly proud of the entire Commercial Banking team. Because of its leadership and fortitude, we've been able to successfully adapt to the evolving regulatory environment and remain disciplined in a competitive market. 2014 showed the real power of our franchise, and I am excited about what we will achieve this year and beyond for our shareholders, clients and employees.

Douglas Petno
CEO, Commercial Banking

2014 HIGHLIGHTS AND ACCOMPLISHMENTS

Performance highlights

- Revenue of $6.9 billion
- Grew end-of-period loans 8%; 18 consecutive quarters of loan growth
- Generated return on equity of 18% on $14 billion of allocated capital
- Continued superior credit quality – net charge-off ratio of 0%

Leadership positions

- Top 3 traditional middle market syndicated lender[1]
- #1 U.S. multifamily lender[2]
- J.P. Morgan ACCESS Online ranked the #1 cash management portal in North America by Greenwich Associates[3]

Business segment highlights

- Middle Market Banking – Fifth consecutive year of loan growth; added more than 550 new clients
- Corporate Client Banking – Record gross investment banking revenue[4]
- Commercial Term Lending – Record quarterly originations; full-year originations of nearly $13 billion
- Real Estate Banking – Eighth consecutive quarter of loan growth with a record $10 billion in originations
- Community Development Banking – Originated more than $1 billion in new construction loans, building 9,000 units of affordable housing in nearly 90 cities within our footprint

Firmwide contribution

- Commercial Banking clients accounted for 35% of total North American investment banking fees[5]
- $2.4 billion in treasury services revenue
- Almost $120 billion in assets under management from Commercial Banking clients, generating close to $500 million in investment management revenue
- $490 million in Card Services revenue[4]

Progress in key growth areas

- Middle Market expansion – Record revenue of $327 million; 19% CAGR[6] since 2012
- Investment Banking – Record gross revenue[4] of $2 billion; 12% CAGR[6] since 2012
- International Banking – Record revenue[7] of $304 million; 13% CAGR[6] since 2012

[1] Thomson Reuters as of year-end 2014. Traditional middle market is defined as credit facilities of <$100 million from clients with <$500 million in revenue

[2] Federal Deposit Insurance Corporation data as of 3Q 2014

[3] Greenwich Associates 2014 Online Services Benchmarking Study

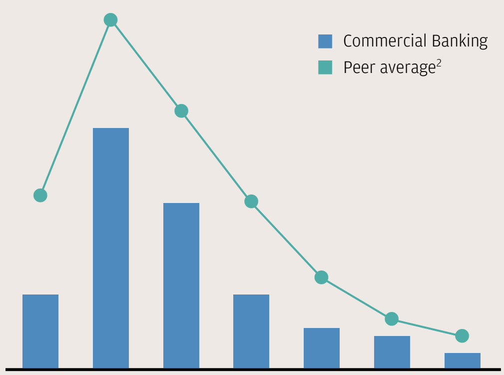
[4] Investment banking and Card Services revenue represents gross revenue generated by CB clients. Investment banking includes Banking and Markets revenue. Card Services includes Commercial Card and Paymentech revenue

[5] Calculated based on gross domestic investment banking revenue for syndicated and leveraged finance, M&A, equity underwriting and bond underwriting

[6] Compound annual growth rate

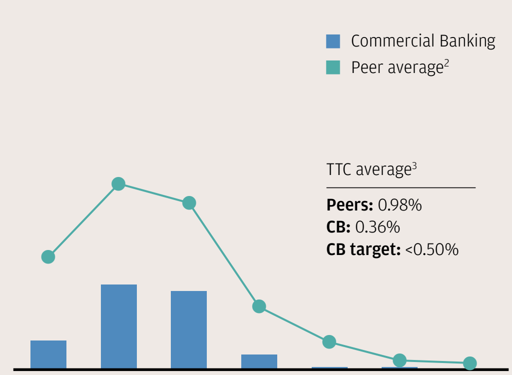
[7] Denotes overseas revenue from U.S. multinational clients

Non-performing Loans[1]



	2008	2009[4]	2010[4]	2011	2012	2013	2014
Peers	2.1%	4.2%	3.1%	2.0%	1.1%	0.6%	0.4%
CB	0.9%	2.9%	2.0%	0.9%	0.5%	0.4%	0.2%

Net Charge-offs



	2008	2009[5]	2010[5]	2011	2012	2013	2014
Peers	1.4%	2.2%	2.0%	0.8%	0.3%	0.1%	0.1%
CB	0.4%	1.0%	0.9%	0.2%	0.0%[6]	0.0%[6]	0.0%

[1] Based on end-of-period loans

[2] Peer averages include CB-equivalent segments or wholesale portfolios at BAC, CMA, FITB, KEY, PNC, USB, WFC

[3] Through-the-cycle (TTC), 2008-2014 average

[4] Excluding pre-acquisition Washington Mutual (WaMu) originations, Chase represented 1.67% in 2009 and 1.02% in 2010

[5] Excluding pre-acquisition WaMu originations, Chase represented 0.93% in 2009 and 0.74% in 2010

[6] Commercial Banking net charge-offs for 2012 and 2013 were 0.03%

Asset Management

Mary Callahan Erdoes

At J.P. Morgan Asset Management, we take great pride in the fact that so many institutions and individuals around the world entrust us to manage their money. Clients rely on our advice, ideas and solutions for some of their most meaningful life events, from saving for college or retirement to securing their family's future to supporting philanthropic and charitable endeavors. With a heritage dating back nearly 200 years, we know how important it is to earn clients' trust, and we recognize that it is our responsibility to re-earn that trust every day.

Our strong fiduciary culture enables us to stay focused first and foremost on our top priority: long-term investment performance. This core principle of our business, combined with advice-driven client coverage teams, has enabled us to build a leading global client franchise that delivers superior investment strategies to our clients and strong financial performance to our shareholders.

Consistently reporting strong investment performance for clients

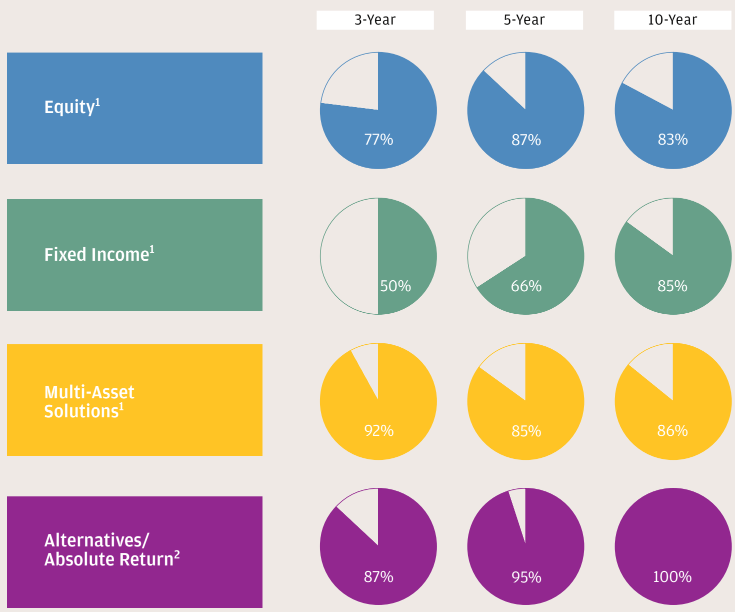
Success, both for our clients and our business, begins with our continuous investment in research for our clients. Our investment management platform, for example, has a global network of more than 600 portfolio managers, 250 research analysts and 30 market strategists.

Our research-based approach has led to 84% of our 10-year long-term mutual fund assets under management (AUM) placing in the top two performance quartiles and 228 of our mutual funds being 4- or 5-star rated. It is worth noting that our performance is not the result of strength in one particular asset class or region. It represents top-tier performance spanning asset classes around the world.

Client flows

Clients around the globe vote with their feet, and they continue to entrust us with more of their assets every year. In 2014, our client assets grew to $2.4 trillion as we received an additional $100 billion in net long-term client asset flows. In fact, since 2010, we have averaged $100 billion per year in net long-term client asset flows.

% of 2014 Assets Under Management Over Peer Median[1]/Benchmark[2]
(net of fees)



[1] Represents the proportion of retail open-ended mutual fund assets that are ranked above peer category median

[2] Represents the proportion of GIM assets in mutual funds, commingled funds and segregated portfolios that are exceeding (net of management fees) their respective official benchmark. Excludes private equity, real assets and other longer-dated or closed-end investment strategies

For footnoted information, refer to slides 23 and 24 in the 2015 Asset Management Investor Day presentation, which is available on JPMorgan Chase & Co.'s website at http://investor.shareholder.com/jpmorganchase/presentations.cfm, under the heading JPMorgan Chase 2015 Investor Day, Asset Management, and on Form 8-K as furnished to the SEC on February 24, 2015, which is available on the SEC's website at www.sec.gov.

We also have achieved 23 consecutive quarters of positive long-term AUM flows, a milestone that few, if any, of our competitors can match. Our active equity mutual fund flows ranked #2 in the industry in 2014, marking our third consecutive year ranking in the top three. In fixed income, we ranked #4 in long-term active mutual fund AUM flows, and, importantly, we are the only firm that ranked in the top four in each of the past five years.

Creating strong financial performance for shareholders

We are proud of being able to deliver such impactful results to our clients while, at the same time, delivering first-rate financial performance to our shareholders. In 2014, we achieved revenue growth of 5%, pre-tax income growth of 5%, pre-tax margin of 29% and return on equity of 23%.

Within the business, each of our client franchises – Global Investment Management (GIM) and Global Wealth Management (GWM) – continues to deliver impressive growth. In 2014, both businesses achieved record annual revenue and strong pre-tax earnings growth. Given the long-term approach we take to running our business, we are even prouder of our sustained performance over the past five years.

GIM

Since 2009, GIM has a compound annual growth rate (CAGR) of 9% for revenue and 7% for pre-tax earnings. That success is due, in large part, to our core strengths of being insight driven, taking a long-term approach and leveraging our global talent. Our retail funds business has had impressive asset gains, with five-year growth of 120%. Our institutional business is growing faster than the market in all client channels – insurance, defined contribution, U.S. endowments and foundations, sovereign wealth funds and defined benefit.

GWM

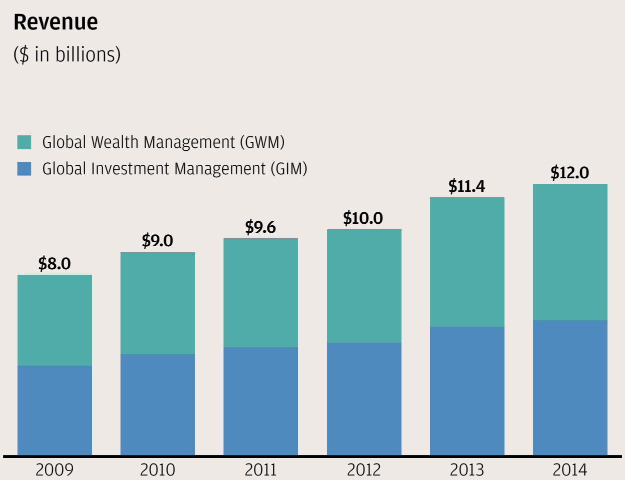
It is an equally powerful story in GWM, where revenue and pre-tax income have increased at a CAGR of 8% and 7%, respectively, since 2009. We continue to differentiate ourselves in the marketplace as the firm that can offer unparalleled insights to help clients fulfill their vision. As an example of our clients' commitment to GWM, more than 50% of our assets come from clients with at least $100 million entrusted with the firm. All of our clients, no matter the size of their relationship with us, choose to work with J.P. Morgan because we take the time to get to know their personal needs, and we can help them across both sides of their balance sheet.

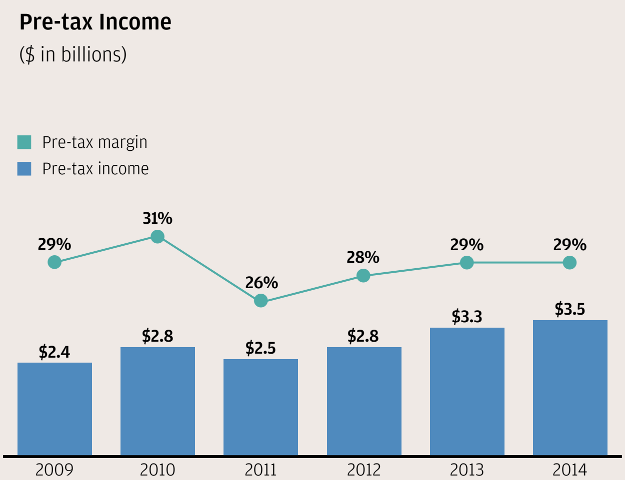
Continuously reinvesting for the future

Our success would not be possible without continued reinvestment in the business – both to expand our offering and to maintain a strong control and risk environment. Our long-term commitment to building the best possible franchise means that we always are focused on ways to improve our business across all market cycles.

Adding top advisors to cover more clients

We continue to invest in bringing on world-class talent. Over the last five years, we hired and trained hundreds of new advisors. Expanding our client coverage teams enables us to help more clients around the world who need investment expertise and long-





term solutions. We have nearly 20,000 people serving clients in more than 130 countries across the globe, including 60% of the world's largest pension funds, sovereign wealth funds and central banks; more than 3,000 global financial intermediaries; and many of the world's wealthiest individuals and families.

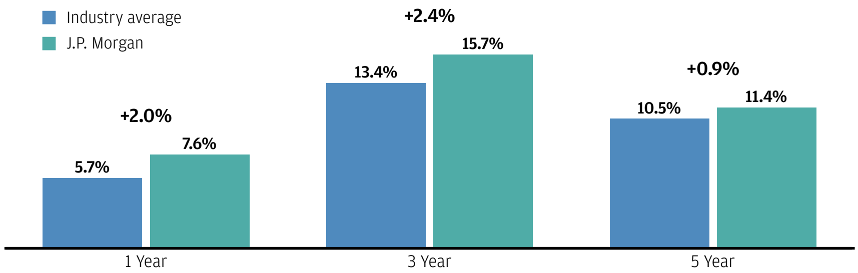
Leader in Alternatives

We are one of the leading alternatives providers, with $214 billion in alternatives/absolute return client assets across our client franchises. That places us ahead of nearly all of the largest players in this space. Much of our growth is due to our focus on innovating to meet client needs. In 2014, we introduced more than 30 new strategies focusing on timely themes that include private technology late-stage equity, emerging markets growth equity, specialty insurance and credit, liquid alternatives and infrastructure.

High-growth multi-asset solutions platform

In 2015, we are faced with global central bank policy divergence, regulatory changes, complex geopolitical issues and increasing market volatility. Given this landscape, investors are looking for solutions providers who can act quickly and offer go-anywhere

SmartRetirement 2035 (S&P Target Date 2035)[1]



[1] Fund and index performance as of 12/31/14. Fund performance is net of fees. SmartRetirement performance is reflective of U.S. select shares. S&P Target Date 2035 total return USD represents Total Return Index. Past performance is not indicative of future performance, which may vary. Industry average source: Morningstar, *Strategic Insight* and eVestment

and absolute return-focused strategies to complement their portfolios.

GIM's multi-asset solutions business is designed to help clients in this regard. The business has seen tremendous growth over the past five years, with a CAGR of 31%. That places us firmly in front of the industry average of 13%. Our momentum includes having our SmartRetirement offering named 2014 U.S. Allocation Fund Manager of the Year by Morningstar, with seven of its nine vintages in the top decile over the past five years.

A strong position with room to grow

We are incredibly proud of how our business has evolved over the past years, decades and centuries. We are doing more for clients than ever before, and our commitment to first-class business in a first-class way has created a franchise that would be hard to replicate. It is a great privilege to be entrusted with so many client assets from around the world. In return, we are committed to working hard every day to continue to generate value for clients, shareholders and employees.

Mary

Mary Callahan Erdoes
CEO, Asset Management

2014 HIGHLIGHTS AND ACCOMPLISHMENTS

- Best Global Wealth Manager, *Euromoney* Global Excellence Awards
- #1 U.S. Large Cap Core Equity Manager of the Year, *Institutional Investor*
- #1 Equity and Fixed Income Private Bank Portfolio Management, *Euromoney*
- #1 Institutional Money Market Fund Manager Worldwide, *iMoneyNet*
- #1 Global Active Long-Term Mutual Fund Flows, *Strategic Insight*
- 2014 U.S. Allocation Fund Manager of the Year, Morningstar
- Top European Buyside Firm, Thomson Reuters Extel
- Best Asset Management Company for Asia, *The Asset*
- Best Private Bank for Asia High-Net-Worth, *The Asset*
- #1 Large Fund of Hedge Funds Manager of the Year, *Institutional Investor*

Corporate Responsibility

Peter Scher

A common challenge facing communities around the world is the need for greater economic growth and more widely shared prosperity. Creating more jobs, starting and expanding businesses, and removing barriers to opportunity will not only benefit society but, by extension, our firm.

At the core of our business, JPMorgan Chase is in a unique position to help our clients navigate an ever more complex global economy and spur the growth that fuels their progress. We not only understand the challenges clients are facing, we have the skills, resources and expertise to make a meaningful difference in helping solve them.

Our corporate responsibility work has the same objective – to use the skills, resources and expertise of our firm to support the economic growth and progress of our communities. In recent years, we have sharpened that focus. With millions of people around the world migrating to urban areas, cities are fast becoming the key drivers of global economic growth – and essential linchpins in expanding access to opportunity. So we have refocused many of our efforts on helping develop strategies to bolster the long-term economic vitality of the world's cities.

In 2014, we developed and expanded our programs with a focus on three distinct challenges:

First, we are helping metropolitan regions compete more effectively in the global economy. Through our Global Cities Initiative with the Brookings Institution, we have expanded our work to help cities in the United States, Europe, Asia and Latin America develop strategies for increasing international trade and investment ties.

Second, we are helping cities around the world address one of their biggest challenges: the need for a better trained workforce to fill the millions of jobs left open due to a shortage of applicants with the right skills. Through our New Skills at Work program, we are developing strategies that align workforce training with the skills employers seek and are providing much-needed data to strengthen workforce systems.

Finally, we are helping cities create thriving small business sectors centered around high-growth industries through our Small Business Forward initiative.

All of these challenges come together in Detroit. In 2014, we made a $100 million, five-year commitment to the city's economic recovery that brings together both business and philanthropic resources to support and accelerate some of the most innovative efforts underway to revitalize an iconic American city. But we're putting more than just our money to work; our people have significant expertise to offer, and, in 2014, we sent a dozen of our top managers from around the world to Detroit to work with local nonprofits. It's a model we plan to replicate and expand in the coming years.

Underpinning all of these efforts is the belief that achieving meaningful impact requires us to apply the same standard to our philanthropic investments as we do to our business investments: a genuine commitment to accountability, transparency and impact.

To that end, we recently formed a five-year partnership with the Urban Institute, one of the most well-respected nonprofit research organizations in the United States, to assess our major philanthropic initiatives – to analyze our efforts, produce independent research and strengthen our programs – further advancing our commitment to maximum impact for our communities and accountability to our shareholders.

We are very proud of our work over this past year and are committed to making our communities and our firm even stronger.

Peter Scher
Head of Corporate Responsibility

Invested in Detroit

JPMorgan Chase has roots in Detroit going back to the 1930s, supporting our clients and the community through the investments, loans and other services that are core to our business. And while we recognize that the city's challenges remain significant, JPMorgan Chase believes that Detroit has the ingredients and intrinsic strengths to rebuild a vibrant, modern economy.

In 2014, JPMorgan Chase launched a $100 million, five-year commitment to support and accelerate the dynamic recovery that is underway in Detroit:

- Community Development: We provided $40 million in responsive, long-term investment capital to two leading community development financial institutions to finance vital projects that often lack access to traditional sources of capital.
- Stronger Neighborhoods: Our support of the Detroit Land Bank Authority and our innovative partnership with a local community bank to provide rehabilitation loan financing are accelerating the city's ambitious efforts to reduce blight and stabilize neighborhoods.
- Workforce Readiness: We are helping the city strengthen its workforce system, build partnerships between employers and training programs, and give residents access to training in the skills employers are seeking.
- Small Business Growth: We are partnering with local nonprofits to help Detroit's vibrant small businesses access the resources and expertise needed to get their businesses off the ground.

Detroit's recovery will take time, but we are excited by the progress we have seen so far. We're in the city for the long term, and we will continue to learn and adapt as we work with our partners to help tackle Detroit's challenges.

New Skills at Work

In December 2013, we launched New Skills at Work, a $250 million, five-year workforce readiness initiative to close skills gaps in sectors where employers struggle to fill vacancies and to help job seekers access the education and training required for these positions. A key component of the program is focused on research that provides actionable data to better understand the dynamics of labor markets. Based on those findings, we directed grants to support innovative nonprofit programs around the world that demonstrate success working with employers to articulate demand in growing sectors and training workers in those high-demand areas. Here are some examples:

- In Houston, we co-chaired a task force composed of businesses, training programs and educational institutions that developed UpSkill Houston, a five-year plan to raise awareness of middle-skill job opportunities, increase access to technical education and training, and improve the alignment between employers and education/training providers.

- In Europe, we provided data-driven, country-specific analyses that map the latest employment trends and identify barriers to full and inclusive employment in the United Kingdom, Germany, Spain and France. In conjunction with U.K.-based Institute for Public Policy Research, we released a comprehensive review of European jobs and skills.
- In New York City, we published a report that identified high-growth employment sectors for middle-skill jobs and outlined recommendations to address the skills gaps impeding employment in these industries. We supported an innovative partnership among a large employer, a social service organization and a community college that helps young adults in a low-income community acquire the credentials needed to secure a job in the expanding healthcare sector.

Global Cities Initiative

The Global Cities Initiative (GCI), a joint project launched by the Brookings Institution and JPMorgan Chase in 2012, equips metropolitan leaders with the data, policy ideas and networks needed to support the economic growth of metropolitan regions through trade and investment. In 2014, GCI introduced innovative research, including an analysis of the role foreign direct investment (FDI) plays in rebuilding metro economies, a report on the economic contributions of foreign students to U.S. cities, an analysis of the changing patterns of London's exports, and research on the global competitiveness of Munich, Hong Kong and Mumbai.

Supporting this new research, GCI held high-profile convenings around the world that brought together leaders from business, government and nonprofits to explore best practices and catalyze local action. GCI held meetings in Hong Kong, London, Louisville-Lexington, Munich, Phoenix and Seattle — each of which attracted hundreds of participants interested in understanding how their metropolitan area was developing trade and investment strategies.

To transform knowledge about global trade and investment into local action, GCI launched the Global Cities Exchange (GCX) — an academy for cities seeking to develop and implement actionable global strategies. By the end of 2014, GCX had enrolled 28 cities, of which 12 had completed export strategies, and six were working on FDI strategies.

Small Business Forward

Small businesses act as vital engines driving job creation and economic development, but many entrepreneurs lack access to the resources needed for growth. In 2014, JPMorgan Chase launched Small Business Forward, a $30 million, five-year initiative to catalyze small business development in cities around the world.

We know that having a good business idea is only part of what it takes for entrepreneurs to succeed. They also need access to investors, training, facilities, customers and export opportunities. Research has shown that these supports become even more effective when they target clusters of small businesses working in the same sector and geography. According to a study conducted by the Initiative for a Competitive Inner City and supported by JPMorgan Chase, businesses in well-established clusters outpaced overall regional growth by more than 300% between 2003 and 2011.

Small Business Forward supports nonprofits around the world that provide small business clusters with the critical resources they need to succeed. By helping regional economies build on their core assets to develop thriving enterprises, we are strengthening communities across the globe.

2014 HIGHLIGHTS AND ACCOMPLISHMENTS

Developing local economies and communities

- Provided $2.6 billion to low- and moderate-income communities through our community development lending and equity investments to build or preserve 35,100 units of affordable housing, serve 5,000 students, create nearly 2,200 manufacturing jobs and serve 380,000 patients at healthcare facilities.
- Implemented year one of the firm's New Skills at Work program, a $250 million, five-year initiative to strengthen local workforce systems by providing real-time data and supporting partners to align training with employer and job seeker needs (see previous page).
- Committed $5 million over two years to help underserved youth across the United States obtain the skills necessary to build lasting careers and partnered with other organizations to create almost 50,000 summer jobs for teens and learning opportunities for more than 54,000 young people in 14 cities. In 2014, we released a report highlighting best practices from our network of nonprofit partners and identifying opportunities to advance summer youth programs.

- Expanded The Fellowship Initiative, a JPMorgan Chase college-access program for young men of color that provides academic, leadership and experiential learning opportunities for 120 student Fellows in New York, Chicago and Los Angeles to develop the knowledge, skills and networks needed to complete high school and succeed in college and beyond.
- Expanded the impact of the Global Cities Initiative beyond the United States and assessed the global competitiveness of European and Asian cities, convened leaders from around the world and broadened the reach of the Global Cities Exchange network of cities (see previous page).
- Exceeded 560,000 hours of volunteer service by JPMorgan Chase employees globally and provided $3.3 million of technical assistance to nonprofits through Technology for Social Good, an initiative utilizing our employees' skills to develop technology solutions for the social sector.

Honoring U.S. military and veterans

- Continued our leadership of the 100,000 Jobs Mission, a coalition of employers formed in 2011 that collectively hired more than 217,000 U.S. veterans and military spouses by the end of 2014 and raised its hiring goal to 300,000 hires. From 2011 through March 2015, JPMorgan Chase has hired nearly 8,700 veterans.
- Supported research conducted by RAND Corporation to capture the lessons and experiences from 100,000 Jobs Mission companies on integrating veterans into the private sector workforce.
- Exceeded the first-year goal of the firm's $20 million, five-year commitment by deploying $8 million to help U.S. military veterans and their families develop in-demand job skills, retain quality employment, increase college graduation rates and connect to stable housing opportunities.
- Awarded more than 750 newly renovated, mortgage-free homes worth over $125 million to veterans and their families since 2010.

Supporting small business development

- Provided $19 billion in new credit to small businesses across the United States and was recognized as the #1 lender by units to women- and minority-owned businesses for the third consecutive year by the U.S. Small Business Administration.
- Launched Small Business Forward, a $30 million, five-year commitment to support small business clusters that provide comprehensive support services to entrepreneurs (see previous page).
- Awarded $3 million to support small businesses making a positive impact in communities across the United States through our Mission Main Street Grants® program.

Strengthening financial capability

- Launched the Financial Solutions Lab, a $30 million, five-year initiative to identify, test and expand promising innovations to help Americans increase savings, improve credit and build assets. The first Lab competition focuses on supporting solutions to help consumers manage their household finances.
- Committed $35 million over two years to support and expand proven financial capability programs with nonprofits globally, investing in the development of technology-driven products and services designed to meet consumer needs, the infrastructure to expand the availability of these products and services, and the research to evaluate and share best practices with the field.

Promoting sustainable investment

- Underwrote more than $2.2 billion in green bonds – debt issuances where proceeds are directed toward environmentally beneficial or climate-friendly purposes – in 2014.
- Provided founding sponsorship of NatureVest, an initiative of The Nature Conservancy to attract investment capital to conservation.
- Invested $5 million through a new joint investment with the U.K. government in Novastar Ventures to develop early-stage businesses that provide essential basic services to underserved communities in East Africa.
- Announced the first investments through the Global Health Investment Fund, an innovative financing vehicle structured by JPMorgan Chase and the Bill & Melinda Gates Foundation, to support the final development and distribution of a new treatment for cholera and a powerful diagnostic for tuberculosis.

Increasing transparency with stakeholders

- Convened senior business leaders and leading national policy groups to foster open conversations about Chase products, policies and public policy matters that impact, in particular, low- and moderate-income communities, communities of color and people with disabilities.
- Released an Environmental and Social Policy Framework, after extensive engagement with external stakeholders, to communicate our approach to environmental and social risks in our business.
- Collaborated with Ceres to engage a group of external stakeholders in a dialogue focused on sharing perspectives and priorities to help us enhance our approach to human rights.

Financial:

Management's discussion and analysis:

Audited financial statements:

Supplementary information:

FIVE-YEAR SUMMARY OF CONSOLIDATED FINANCIAL HIGHLIGHTS

(unaudited) As of or for the year ended December 31, (in millions, except per share, ratio, headcount data and where otherwise noted)		**2014**	2013	2012	2011	2010
Selected income statement data						
Total net revenue		**$ 94,205**	$ 96,606	$ 97,031	$ 97,234	$ 102,694
Total noninterest expense		**61,274**	70,467	64,729	62,911	61,196
Pre-provision profit		**32,931**	26,139	32,302	34,323	41,498
Provision for credit losses		**3,139**	225	3,385	7,574	16,639
Income before income tax expense		**29,792**	25,914	28,917	26,749	24,859
Income tax expense		**8,030**	7,991	7,633	7,773	7,489
Net income		**$ 21,762**	$ 17,923	$ 21,284	$ 18,976	$ 17,370
Earnings per share data						
Net income:	Basic	**$ 5.34**	$ 4.39	$ 5.22	$ 4.50	$ 3.98
	Diluted	**5.29**	4.35	5.20	4.48	3.96
Average shares:	Basic	**3,763.5**	3,782.4	3,809.4	3,900.4	3,956.3
	Diluted	**3,797.5**	3,814.9	3,822.2	3,920.3	3,976.9
Market and per common share data						
Market capitalization		**$ 232,472**	$ 219,657	$ 167,260	$ 125,442	$ 165,875
Common shares at period-end		**3,714.8**	3,756.1	3,804.0	3,772.7	3,910.3
Share price[(a)]						
High		**$ 63.49**	$ 58.55	$ 46.49	$ 48.36	$ 48.20
Low		**52.97**	44.20	30.83	27.85	35.16
Close		**62.58**	58.48	43.97	33.25	42.42
Book value per share		**57.07**	53.25	51.27	46.59	43.04
Tangible book value per share ("TBVPS")[(b)]		**44.69**	40.81	38.75	33.69	30.18
Cash dividends declared per share		**1.58**	1.44	1.20	1.00	0.20
Selected ratios and metrics						
Return on common equity ("ROE")		**10%**	9%	11%	11%	10%
Return on tangible common equity ("ROTCE")[(b)]		**13**	11	15	15	15
Return on assets ("ROA")		**0.89**	0.75	0.94	0.86	0.85
Overhead ratio		**65**	73	67	65	60
Loans-to-deposits ratio		**56**	57	61	64	74
High quality liquid assets ("HQLA") (in billions)[(c)]		**$ 600**	$ 522	$ 341	NA	NA
Common equity tier 1 ("CET1") capital ratio[(d)]		**10.2%**	10.7%	11.0%	10.1%	9.8%
Tier 1 capital ratio [(d)]		**11.6**	11.9	12.6	12.3	12.1
Total capital ratio[(d)]		**13.1**	14.4	15.3	15.4	15.5
Tier 1 leverage ratio[(d)]		**7.6**	7.1	7.1	6.8	7.0
Selected balance sheet data (period-end)						
Trading assets		**$ 398,988**	$ 374,664	$ 450,028	$ 443,963	$ 489,892
Securities[(e)]		**348,004**	354,003	371,152	364,793	316,336
Loans		**757,336**	738,418	733,796	723,720	692,927
Total assets		**2,573,126**	2,415,689	2,359,141	2,265,792	2,117,605
Deposits		**1,363,427**	1,287,765	1,193,593	1,127,806	930,369
Long-term debt[(f)]		**276,836**	267,889	249,024	256,775	270,653
Common stockholders' equity		**212,002**	200,020	195,011	175,773	168,306
Total stockholders' equity		**232,065**	211,178	204,069	183,573	176,106
Headcount		**241,359**	251,196	258,753	259,940	239,515
Credit quality metrics						
Allowance for credit losses		**$ 14,807**	$ 16,969	$ 22,604	$ 28,282	$ 32,983
Allowance for loan losses to total retained loans		**1.90%**	2.25%	3.02%	3.84%	4.71%
Allowance for loan losses to retained loans excluding purchased credit-impaired loans[(g)]		**1.55**	1.80	2.43	3.35	4.46
Nonperforming assets		**$ 7,967**	$ 9,706	$ 11,906	$ 11,315	$ 16,682
Net charge-offs		**4,759**	5,802	9,063	12,237	23,673
Net charge-off rate		**0.65%**	0.81%	1.26%	1.78%	3.39%

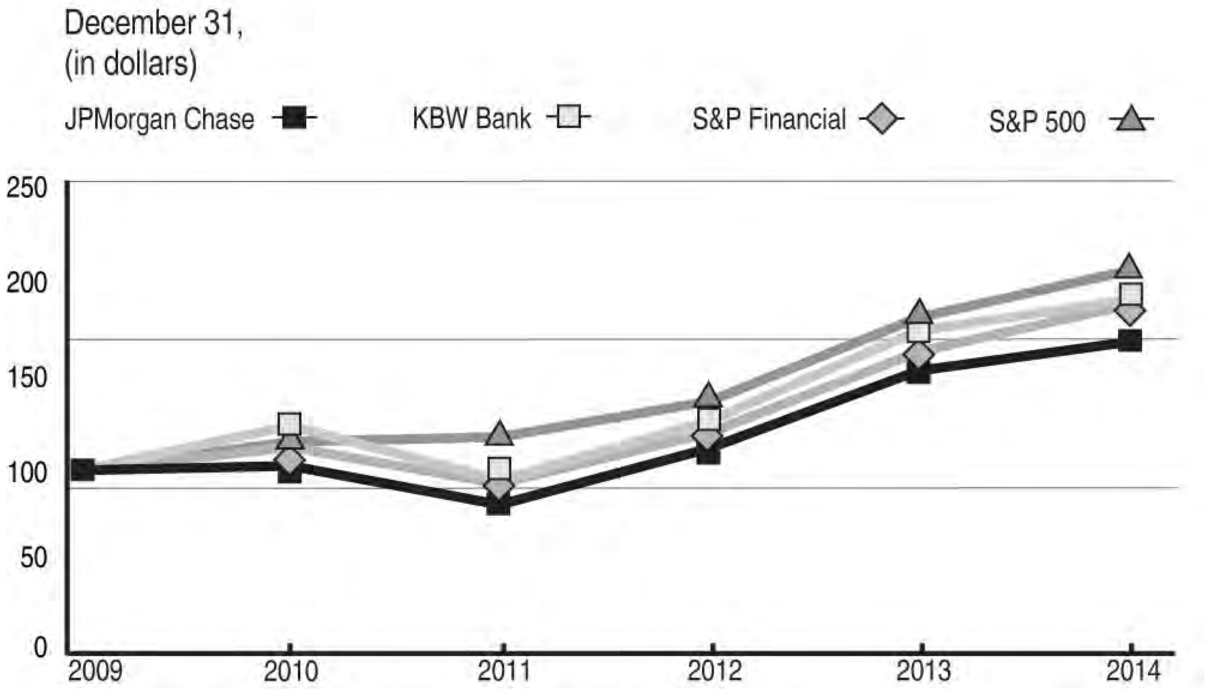
(a) Share prices shown for JPMorgan Chase's common stock are from the New York Stock Exchange. JPMorgan Chase's common stock is also listed and traded on the London Stock Exchange and the Tokyo Stock Exchange.
(b) TBVPS and ROTCE are non-GAAP financial measures. TBVPS represents the Firm's tangible common equity divided by common shares at period-end. ROTCE measures the Firm's annualized earnings as a percentage of tangible common equity. For further discussion of these measures, see Explanation and Reconciliation of the Firm's Use of Non-GAAP Financial Measures on pages 77–78.
(c) HQLA represents the Firm's estimate of the amount of assets that qualify for inclusion in the liquidity coverage ratio under the final U.S. rule ("U.S. LCR") as of December 31, 2014, and under the Basel III liquidity coverage ratio ("Basel III LCR") for prior periods. The Firm did not begin estimating HQLA until December 31, 2012. For additional information, see HQLA on page 157.
(d) Basel III Transitional rules became effective on January 1, 2014; prior period data is based on Basel I rules. As of December 31, 2014 the ratios presented are calculated under the Basel III Advanced Transitional Approach. CET1 capital under Basel III replaced Tier 1 common capital under Basel I. Prior to Basel III becoming effective on January 1, 2014, Tier 1 common capital under Basel I was a non-GAAP financial measure. See Regulatory capital on pages 146–153 for additional information on Basel III and non-GAAP financial measures of regulatory capital.
(e) Included held-to-maturity securities of $49.3 billion and $24.0 billion at December 31, 2014 and 2013, respectively. Held-to-maturity balances for the other periods were not material.
(f) Included unsecured long-term debt of $207.5 billion, $199.4 billion, $200.6 billion, $231.3 billion and $238.2 billion respectively, as of December 31, of each year presented.
(g) Excludes the impact of residential real estate purchased credit-impaired ("PCI") loans. For further discussion, see Allowance for credit losses on pages 128–130.

FIVE-YEAR STOCK PERFORMANCE

The following table and graph compare the five-year cumulative total return for JPMorgan Chase & Co. ("JPMorgan Chase" or the "Firm") common stock with the cumulative return of the S&P 500 Index, the KBW Bank Index and the S&P Financial Index. The S&P 500 Index is a commonly referenced U.S. equity benchmark consisting of leading companies from different economic sectors. The KBW Bank Index seeks to reflect the performance of banks and thrifts that are publicly traded in the U.S. and is composed of 24 leading national money center and regional banks and thrifts. The S&P Financial Index is an index of 85 financial companies, all of which are components of the S&P 500. The Firm is a component of all three industry indices.

The following table and graph assume simultaneous investments of $100 on December 31, 2009, in JPMorgan Chase common stock and in each of the above indices. The comparison assumes that all dividends are reinvested.

December 31, (in dollars)	2009	2010	2011	2012	2013	**2014**
JPMorgan Chase	$ 100.00	$ 102.30	$ 81.87	$ 111.49	$ 152.42	**$ 167.48**
KBW Bank Index	100.00	123.36	94.75	125.91	173.45	**189.69**
S&P Financial Index	100.00	112.13	93.00	119.73	162.34	**186.98**
S&P 500 Index	100.00	115.06	117.48	136.27	180.39	**205.07**



This section of JPMorgan Chase's Annual Report for the year ended December 31, 2014 ("Annual Report"), provides Management's discussion and analysis ("MD&A") of the financial condition and results of operations of JPMorgan Chase. See the Glossary of Terms on pages 309–313 for definitions of terms used throughout this Annual Report. The MD&A included in this Annual Report contains statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based on the current beliefs and expectations of JPMorgan Chase's management and are subject to significant risks and uncertainties. These risks and uncertainties could cause the Firm's actual results to differ materially from those set forth in such forward-looking statements. Certain of such risks and uncertainties are described herein (see Forward-looking Statements on page 169) and in JPMorgan Chase's Annual Report on Form 10-K for the year ended December 31, 2014 ("2014 Form 10-K"), in Part I, Item 1A: Risk factors; reference is hereby made to both.

INTRODUCTION

JPMorgan Chase & Co., a financial holding company incorporated under Delaware law in 1968, is a leading global financial services firm and one of the largest banking institutions in the U.S., with operations worldwide; the Firm had $2.6 trillion in assets and $232.1 billion in stockholders' equity as of December 31, 2014. The Firm is a leader in investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing and asset management. Under the J.P. Morgan and Chase brands, the Firm serves millions of customers in the U.S. and many of the world's most prominent corporate, institutional and government clients.

JPMorgan Chase's principal bank subsidiaries are JPMorgan Chase Bank, National Association ("JPMorgan Chase Bank, N.A."), a national banking association with U.S. branches in 23 states, and Chase Bank USA, National Association ("Chase Bank USA, N.A."), a national banking association that is the Firm's credit card–issuing bank. JPMorgan Chase's principal nonbank subsidiary is J.P. Morgan Securities LLC ("JPMorgan Securities"), the Firm's U.S. investment banking firm. The bank and nonbank subsidiaries of JPMorgan Chase operate nationally as well as through overseas branches and subsidiaries, representative offices and subsidiary foreign banks. One of the Firm's principal operating subsidiaries in the U.K. is J.P. Morgan Securities plc, a subsidiary of JPMorgan Chase Bank, N.A.

JPMorgan Chase's activities are organized, for management reporting purposes, into four major reportable business segments, as well as a Corporate segment. The Firm's consumer business is the Consumer & Community Banking ("CCB") segment. The Corporate & Investment Bank ("CIB"), Commercial Banking ("CB"), and Asset Management ("AM") segments comprise the Firm's wholesale businesses. For a description of the Firm's business segments, and the products and services they provide to their respective client bases refer to Business Segment Results on pages 79–104, and Note 33.

EXECUTIVE OVERVIEW

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

Financial performance of JPMorgan Chase

Year ended December 31, (in millions, except per share data and ratios)	2014	2013	Change
Selected income statement data			
Total net revenue	**$ 94,205**	$ 96,606	(2)%
Total noninterest expense	**61,274**	70,467	(13)
Pre-provision profit	**32,931**	26,139	26
Provision for credit losses	**3,139**	225	NM
Net income	**21,762**	17,923	21
Diluted earnings per share	**5.29**	4.35	22
Return on common equity	**10%**	9%	
Capital ratios[a]			
CET1	**10.2**	10.7	
Tier 1 capital	**11.6**	11.9	

(a) Basel III Transitional rules became effective on January 1, 2014; December 31, 2013 data is based on Basel I rules. As of December 31, 2014 the ratios presented are calculated under the Basel III Advanced Transitional Approach. CET1 capital under Basel III replaced Tier 1 common capital under Basel I. Prior to Basel III becoming effective on January 1, 2014, Tier 1 common capital under Basel I was a non-GAAP financial measure. See Regulatory capital on pages 146–153 for additional information on Basel III and non-GAAP financial measures of regulatory capital.

Summary of 2014 Results

JPMorgan Chase reported record full-year 2014 net income of $21.8 billion, and record earnings per share of $5.29, on net revenue of $94.2 billion. Net income increased by $3.8 billion, or 21%, compared with net income of $17.9 billion, or $4.35 per share, in 2013. ROE for the year was 10%, compared with 9% for the prior year.

The increase in net income in 2014 was driven by lower noninterest expense, largely offset by higher provision for credit losses and lower net revenue. The decrease in noninterest expense was driven by lower legal expense as well as lower compensation expense.

The provision for credit losses increased from the prior year as result of a lower level of benefit from reductions in the consumer allowance for loan losses, partially offset by lower net charge-offs. The decrease in the consumer allowance for loan losses was predominantly the result of continued improvement in home prices and delinquencies in the residential real estate portfolio. The wholesale provision reflected a continued favorable credit environment.

Total firmwide allowance for credit losses was $14.8 billion resulting in a loan loss coverage ratio of 1.55%, excluding the purchase credit-impaired ("PCI") portfolio, compared with 1.80% in the prior year. The Firm's allowance for loan losses to nonperforming loans retained, excluding the PCI portfolio and credit card, was 106% compared with 100% in 2013.

Firmwide, net charge-offs were $4.8 billion for the year, down $1.0 billion, or 18% from 2013. Nonperforming assets at year-end were $8.0 billion, down $1.7 billion, or 18%.

The Firm's results reflected solid underlying performance across its four major reportable business segments, with continued strong lending and deposit growth. Consumer & Community Banking was #1 in deposit growth for the third consecutive year and Consumer & Business Banking within Consumer & Community Banking was #1 in customer satisfaction among the largest U.S. banks for the third consecutive year as measured by The American Customer Satisfaction Index ("ACSI"). Credit card sales volume (excluding Commercial Card) was up 11% for the year. The Corporate & Investment Bank maintained its #1 ranking in Global Investment Banking Fees and moved up to a #1 ranking in Europe, Middle East and Africa ("EMEA"), according to Dealogic. Commercial Banking loans increased to $149 billion, an 8% increase compared with the prior year. Commercial Banking also had record gross investment banking revenue of $2.0 billion, up 18% compared with the prior year. Asset Management achieved twenty-three consecutive quarters of positive net long-term client flows and increased average loan balances by 16% in 2014.

The Firm maintained its fortress balance sheet, ending the year with an estimated Basel III Advanced Fully Phased-in CET1 capital ratio of 10.2%, compared with 9.5% in the prior year. Total deposits increased to $1.4 trillion, up 6% from the prior year. Total stockholders' equity was $232 billion at December 31, 2014. (The Basel III Advanced Fully Phased-in CET1 capital ratio is a non-GAAP financial measure, which the Firm uses along with the other capital measures, to assess and monitor its capital position. For further discussion of the Firm's capital ratios, see Regulatory capital on pages 146–153.)

During 2014, the Firm continued to serve customers, corporate clients and the communities in which it does business. The Firm provided credit to and raised capital of $2.1 trillion for its clients during 2014; this included $19 billion lent to U.S. small businesses and $75 billion to nonprofit and government entities, including states, municipalities, hospitals and universities.

The discussion that follows highlights the performance of each business segment compared with the prior year and presents results on a managed basis. For more information about managed basis, as well as other non-GAAP financial measures used by management to evaluate the performance of each line of business, see pages 77–78.

Consumer & Community Banking net income was $9.2 billion, a decrease of 17% compared with the prior year, due to higher provision for credit losses and lower net revenue, partially offset by lower noninterest expense. Net interest income decreased, driven by spread compression and lower mortgage warehouse balances, largely offset by higher deposit balances in Consumer & Business Banking and higher loan balances in Credit Card. Noninterest revenue decreased, driven by lower mortgage fees and related income. The provision for credit losses was $3.5 billion, compared with $335 million in the prior year. The current-year provision reflected a $1.3 billion reduction in the allowance for loan losses and total net charge-offs of $4.8 billion. Noninterest expense decreased from the prior year, driven by lower Mortgage Banking expense.

Corporate & Investment Bank net income was $6.9 billion, a decrease of 22% compared with the prior year, primarily reflecting lower revenue as well as higher noninterest expense. Banking revenues decreased from the prior year primarily due to lower Lending revenues, driven by mark to market losses on securities received from restructured loans, compared to gains in the prior year, partially offset by higher investment banking fees. Markets & Investor Services revenues increased slightly from the prior year as 2013 included losses from FVA/DVA, primarily driven by FVA implementation, while the current year reflected lower Fixed Income Markets revenue. Credit Adjustments & Other revenue was a loss of $272 million. Noninterest expense increased compared with the prior year driven by higher noncompensation expense, predominantly due to higher legal expense and investment in controls. This was partially offset by lower performance-based compensation expense.

Commercial Banking net income was $2.6 billion, flat compared with the prior year, reflecting lower net revenue and higher noninterest expense, predominantly offset by a lower provision for credit losses. Net interest income decreased from the prior year, reflecting yield compression, the absence of proceeds received in the prior year from a lending-related workout, and lower purchase discounts recognized on loan repayments, partially offset by higher loan balances. Noninterest revenue increased, reflecting higher investment banking revenue, largely offset by business simplification and lower lending fees. Noninterest expense increased from the prior year, largely reflecting higher investments in controls.

Asset Management net income was $2.2 billion, an increase of 3% from the prior year, reflecting higher net revenue and lower provision for credit losses, predominantly offset by higher noninterest expense. Noninterest revenue increased from the prior year, due to net client inflows and the effect of higher market levels, partially offset by lower valuations of seed capital investments. Noninterest expense increased from the prior year, as the business continues to invest in both infrastructure and controls.

Corporate net income was $864 million, an increase compared with a loss in the prior year. The current year included $821 million of legal expense, compared with $10.2 billion of legal expense, which included reserves for litigation and regulatory proceedings, in the prior year.

Business outlook

The following forward-looking statements are based on the current beliefs and expectations of JPMorgan Chase's management and are subject to significant risks and uncertainties. These risks and uncertainties could cause the Firm's actual results to differ materially from those set forth in such forward-looking statements. See Forward-Looking Statements on page 169 and the Risk Factors section on pages 8–17.

Over the past few years, the Firm has been adapting to the regulatory environment while continuing to serve its clients and customers, invest in its businesses, and deliver strong returns to its shareholders. The Firm's initiatives include building a fortress control environment, de-risking and simplification of the organization, a disciplined approach to managing expense, evolving its capital assessment framework as well as rigorous optimization of the Firm's balance sheet and funding.

The Firm has been devoting substantial resources to execute on its control agenda. The Oversight and Control function, established in 2012, has been working closely and extensively with the Firm's other control disciplines, including Compliance, Risk Management, Legal, Internal Audit, and other functions, to address the Firm's control-related projects that are cross-line of business and that have significant regulatory impact or respond to regulatory actions. The Firm's investment in the control agenda and investment in technology, are considered by management to be essential to the Firm's future.

The Firm has substantially completed executing its business simplification agenda. In 2013, the Firm ceased originating student loans, exited certain high risk customers and became more selective about on-boarding certain customers. Following on these initiatives, in 2014, the Firm exited several non-core credit card co-branded relationships, sold the Retirement Plan Services business within AM, exited certain prepaid card businesses, reduced its offering of mortgage banking products, completed the sale of the CIB's Global Special Opportunity Group investment portfolio, and the sale and liquidation of a significant part of CIB's physical commodities business. In January 2015, the Firm completed the "spin out" of the One Equity Partners ("OEP") private equity business (together with a sale of a portion of the OEP portfolio to a group of private equity firms). These actions will allow the Firm to focus on core activities for its core clients and reduce risk to the Firm. While it is anticipated that these exits will reduce revenues and expenses, they are not expected to have a meaningful impact on the Firm's profitability.

The Firm's simplification agenda, however, is more extensive than exiting businesses, products or clients that were non-core, not at scale or not returning the appropriate level of return. The Firm is also focused on operational and structural simplicity, and streamlining and centralizing certain operational functions and processes in order to attain more consistencies and efficiencies across the Firm. To that end, the Firm is working on simplifying its legal entity structure, simplifying its Global Technology function, rationalizing its use of vendors, and optimizing its real estate location strategy.

As the Firm continues to experience an unprecedented increase in regulation and supervision, it continues to evolve its financial architecture to respond to this changing landscape. In 2014, the Firm exceeded the minimum capital levels required by the current rules and intends to continue to build capital in response to the higher Global Systemically Important Bank ("G-SIB") capital surcharge proposed by U.S. banking regulators. In addition, the Firm is adapting its capital assessment framework to review businesses and client relationships against G-SIB and applicable capital requirements, and imposing internal limits on business activities to align or optimize the Firm's balance sheet and RWA with regulatory requirements in order to ensure that business activities generate appropriate levels of shareholder value.

The Firm intends to balance return of capital to shareholders with achieving higher capital ratios over time. The Firm expects the capital ratio calculated under the Basel III Standardized Approach to become its binding constraint by the end of 2015, or slightly thereafter. The Firm anticipates reaching Basel III Fully Phased-In Advanced and Standardized CET1 ratios of approximately 11% by the end of 2015 and is targeting a Basel III CET1 ratio of approximately 12% by the end of 2018, assuming a 4.5% G-SIB capital surcharge. If the Firm's G-SIB capital surcharge is lower than 4.5%, the Firm will adjust its Basel III CET1 target accordingly.

Likewise, the Firm will be evolving its funding framework to ensure it meets the current and proposed more stringent regulatory liquidity rules, including those relating to the availability of adequate Total Loss Absorbing Capacity ("TLAC") at G-SIB organizations. The Firm estimated that it had, as of December 31, 2014, approximately 15% minimum TLAC as a percentage of Basel III Advanced Fully Phased-in RWA, excluding capital buffers currently in effect, based on its understanding of how the Financial Stability Board's proposal may be implemented in the U.S. While the precise composition and calibration of TLAC, as well as the conformance period, are yet to be defined by U.S. banking regulators, the Firm expects the requirement will lead to incremental debt issuance by the Firm and higher funding costs over the next few years.

The Firm expects it will continue to make appropriate adjustments to its businesses and operations in the year ahead in response to ongoing developments in the legal and regulatory, as well as business and economic, environment in which it operates. The Firm intends to take a disciplined approach to growing revenues and controlling expenses in light of its capital and liquidity constraints. The Firm's deep client relationships and its investments in its businesses, including branch optimization, new card relationships, expansion into new markets, and hiring additional sales staff and client advisors, are expected to generate significant revenue growth over the next several years. At the same time, the Firm intends to leverage its scale and improve its operating efficiencies so that it can fund these growth initiatives, as well as maintain its control and technology programs, without increasing its expenses. As a result, the Firm anticipates achieving a managed overhead ratio of approximately 55% over the next several years, including the impact of revenue growth.

2015 Business Outlook

JPMorgan Chase's outlook for the full-year 2015 should be viewed against the backdrop of the global and U.S. economies, financial markets activity, the geopolitical environment, the competitive environment, client activity levels, and regulatory and legislative developments in the U.S. and other countries where the Firm does business. Each of these inter-related factors will affect the performance of the Firm and its lines of business.

Management expects core loan growth of approximately 10% in 2015. The Firm continues to experience charge-offs at levels lower than its through-the-cycle expectations; if favorable credit trends continue, management expects the Firm's total net charge offs could remain low, at an amount modestly over $4 billion in 2015, and expects a reduction in the consumer allowance for loan losses over the next two years.

Firmwide adjusted expense in 2015 is expected to be approximately $57 billion, excluding Firmwide legal expenses and foreclosure-related matters.

In Consumer & Business Banking within CCB, management expects continued spread compression in the deposit margin and a modest decline in net interest income in the first quarter of 2015. In Mortgage Banking within CCB, management expects quarterly servicing expense to decline to below $500 million by the second quarter of 2015 as default volume continues to decline. In Card Services within CCB, management expects the revenue rate in 2015 to remain at the low end of the target range of 12% to 12.5%.

In CIB, Markets revenue in the first quarter of 2015 will be impacted by the Firm's business simplification initiatives completed in 2014, resulting in a decline of approximately $500 million, or 10%, in Markets revenue and a decline of approximately $300 million in expense, compared to the prior year first quarter. Based on strong performance to date, particularly in January, management currently expects 2015 first quarter Markets revenue to be higher than the prior year first quarter, even with the negative impact of business simplification; however, Markets revenue actual results will depend on performance through the remainder of the quarter, which can be volatile.

Overall, the Firm expects the impact from its business simplification initiatives will be a reduction of approximately $1.6 billion in revenue and a corresponding reduction of approximately $1.6 billion in expense resulting in no meaningful impact on the Firm's 2015 anticipated net income.

CONSOLIDATED RESULTS OF OPERATIONS

The following section provides a comparative discussion of JPMorgan Chase's Consolidated Results of Operations on a reported basis for the three-year period ended December 31, 2014. Factors that relate primarily to a single business segment are discussed in more detail within that business segment. For a discussion of the Critical Accounting Estimates Used by the Firm that affect the Consolidated Results of Operations, see pages 161–165.

Revenue

Year ended December 31, (in millions)	2014	2013	2012
Investment banking fees	$ 6,542	$ 6,354	$ 5,808
Principal transactions[(a)]	10,531	10,141	5,536
Lending- and deposit-related fees	5,801	5,945	6,196
Asset management, administration and commissions	15,931	15,106	13,868
Securities gains	77	667	2,110
Mortgage fees and related income	3,563	5,205	8,687
Card income	6,020	6,022	5,658
Other income[(b)]	2,106	3,847	4,258
Noninterest revenue	**50,571**	53,287	52,121
Net interest income	**43,634**	43,319	44,910
Total net revenue	**$ 94,205**	$ 96,606	$ 97,031

(a) Included funding valuation adjustments (("FVA") effective 2013)) and debit valuation adjustments ("DVA") on over-the-counter ("OTC") derivatives and structured notes, measured at fair value. FVA and DVA gains/(losses) were $468 million and $(1.9) billion for the years ended December 31, 2014 and 2013, respectively. DVA losses were ($930) million for the year ended December 31, 2012.

(b) Included operating lease income of $1.7 billion, $1.5 billion and $1.3 billion for the years ended December 31, 2014, 2013 and 2012, respectively.

2014 compared with 2013

Total net revenue for 2014 was down by $2.4 billion, or 2%, compared with the prior year, predominantly due to lower mortgage fees and related income, and lower other income. The decrease was partially offset by higher asset management, administration and commissions revenue.

Investment banking fees increased compared with the prior year, due to higher advisory and equity underwriting fees, largely offset by lower debt underwriting fees. The increase in advisory fees was driven by the combined impact of a greater share of fees for completed transactions, and growth in industry-wide fee levels. The increase in equity underwriting fees was driven by higher industry-wide issuance. The decrease in debt underwriting fees was primarily related to lower bond underwriting compared with a stronger prior year, and lower loan syndication fees on lower industry-wide fee levels. Investment banking fee share and industry-wide data are sourced from Dealogic, an external vendor. For additional information on investment banking fees, see CIB segment results on pages 92–96, CB segment results on pages 97–99, and Note 7.

Principal transactions revenue, which consists of revenue primarily from the Firm's client-driven market-making and private equity investing activities, increased compared with the prior year as the prior year included a $1.5 billion loss related to the implementation of the FVA framework for OTC derivatives and structured notes. The increase was also due to higher private equity gains as a result of higher net gains on sales. The increase was partially offset by lower fixed income markets revenue in CIB, primarily driven by credit-related and rates products, as well as the impact of business simplification initiatives. For additional information on principal transactions revenue, see CIB and Corporate segment results on pages 92–96 and pages 103–104, respectively, and Note 7.

Lending- and deposit-related fees decreased compared with the prior year, reflecting the impact of business simplification initiatives and lower trade finance revenue in CIB. For additional information on lending- and deposit-related fees, see the segment results for CCB on pages 81–91, CIB on pages 92–96 and CB on pages 97–99.

Asset management, administration and commissions revenue increased compared with the prior year, reflecting higher asset management fees driven by net client inflows and the effect of higher market levels in AM and CCB. The increase was offset partially by lower commissions and other fee revenue in CCB as a result of the exit of a non-core product in the second half of 2013. For additional information on these fees and commissions, see the segment discussions of CCB on pages 81–91, AM on pages 100–102, and Note 7.

Securities gains decreased compared with the prior year, reflecting lower repositioning activity related to the Firm's investment securities portfolio. For additional information, see the Corporate segment discussion on pages 103–104 and Note 12.

Mortgage fees and related income decreased compared with the prior year. The decrease was predominantly due to lower net production revenue driven by lower volumes due to higher levels of mortgage interest rates, and tighter margins. The decline in net production revenue was partially offset by a lower loss on the risk management of mortgage servicing rights ("MSRs"). For additional information, see the segment discussion of CCB on pages 85–87 and Note 17.

Card income remained relatively flat but included higher net interchange income on credit and debit cards due to growth in sales volume, offset by higher amortization of new account origination costs. For additional information on credit card income, see CCB segment results on pages 81–91.

Other income decreased from the prior year, predominantly as a result of the absence of two significant items recorded in Corporate in 2013, namely: a $1.3 billion gain on the sale of Visa shares and a $493 million gain from the sale of One Chase Manhattan Plaza. Lower valuations of seed capital investments in AM and losses related to the exit of non-core portfolios in Card also contributed to the decrease. These items were partially offset by higher auto lease income as a result of growth in auto lease volume, and a benefit from a tax settlement.

Net interest income increased slightly from the prior year, predominantly reflecting higher yields on investment securities, the impact of lower interest expense, and higher average loan balances. The increase was partially offset by lower yields on loans due to the run-off of higher-yielding loans and new originations of lower-yielding loans, and lower average interest-earning trading asset balances. The Firm's average interest-earning assets were $2.0 trillion, and the net interest yield on these assets, on a fully taxable-equivalent ("FTE") basis, was 2.18%, a decrease of 5 basis points from the prior year.

2013 compared with 2012

Total net revenue for 2013 was down by $425 million, or less than 1%. The 2013 results were driven by lower mortgage fees and related income, net interest income, and securities gains, predominantly offset by higher principal transactions revenue, and asset management, administration and commissions revenue.

Investment banking fees increased compared with the prior year, reflecting higher equity and debt underwriting fees, partially offset by lower advisory fees. Equity and debt underwriting fees increased, driven by strong market issuance and greater share of fees in equity capital markets and loans. Advisory fees decreased, as industry-wide M&A fee levels declined. Investment banking fee share and industry-wide data are sourced from Dealogic, an external vendor.

Principal transactions revenue increased compared with the prior year, reflecting CIB's strong equity markets revenue, partially offset by a $1.5 billion loss from implementing a FVA framework for OTC derivatives and structured notes in the fourth quarter of 2013, and a $452 million loss from DVA on structured notes and derivative liabilities (compared with a $930 million loss from DVA in the prior year). The prior year also included a $5.8 billion loss on the synthetic credit portfolio incurred by CIO in the six months ended June 30, 2012; a $449 million loss on the index credit derivative positions retained by CIO in the three months ended September 30, 2012; and additional modest losses incurred by CIB from the synthetic credit portfolio in the last six months of 2012. These losses were partially offset by a $665 million gain recognized in 2012 in Corporate, representing the recovery on a Bear Stearns-related subordinated loan.

Lending- and deposit-related fees decreased compared with the prior year, largely due to lower deposit-related fees in CCB, resulting from reductions in certain product and transaction fees.

Asset management, administration and commissions revenue increased from 2012, driven by higher investment management fees in AM due to net client inflows, the effect of higher market levels, and higher performance fees, and to higher investment sales revenue in CCB.

Securities gains decreased compared with the prior-year period, reflecting the results of repositioning the CIO available-for-sale ("AFS") portfolio.

Mortgage fees and related income decreased in 2013 compared with 2012, reflecting lower Mortgage Banking net production and servicing revenue. The decrease in net production revenue was due to lower margins and volumes. The decrease in net servicing revenue was predominantly due to lower MSR risk management results.

Card income increased compared with the prior year period, driven by higher net interchange income on credit and debit cards and higher merchant servicing revenue due to growth in sales volume.

Other income decreased in 2013 compared with the prior year, predominantly reflecting lower revenues from significant items recorded in Corporate. In 2013, the Firm recognized a $1.3 billion gain on the sale of Visa shares, a $493 million gain from the sale of One Chase Manhattan Plaza, and a modest loss related to the redemption of TruPS. In 2012, the Firm recognized a $1.1 billion benefit from the Washington Mutual bankruptcy settlement and an $888 million extinguishment gain related to the redemption of TruPS. The net decrease was partially offset by higher revenue in CIB, largely from client-driven activity.

Net interest income decreased in 2013 compared with the prior year, primarily reflecting the impact of the runoff of higher yielding loans and originations of lower yielding loans, and lower trading-related net interest income. The decrease in net interest income was partially offset by lower long-term debt and other funding costs. The Firm's average interest-earning assets were $2.0 trillion in 2013, and the net interest yield on those assets, on a FTE basis, was 2.23%, a decrease of 25 basis points from the prior year.

Provision for credit losses

Year ended December 31, (in millions)	2014	2013	2012
Consumer, excluding credit card	**$ 419**	$ (1,871)	$ 302
Credit card	**3,079**	2,179	3,444
Total consumer	**3,498**	308	3,746
Wholesale	**(359)**	(83)	(361)
Total provision for credit losses	**$ 3,139**	$ 225	$ 3,385

2014 compared with 2013

The provision for credit losses increased by $2.9 billion from the prior year as result of a lower benefit from reductions in the consumer allowance for loan losses, partially offset by lower net charge-offs. The consumer allowance release in 2014 was primarily related to the consumer, excluding credit card portfolio, and reflected the continued improvement in home prices and delinquencies in the residential real estate portfolio. The wholesale provision reflected a continued favorable credit environment. For a more detailed discussion of the credit portfolio and the allowance for credit losses, see the segment discussions of CCB on pages 81–91, CIB on pages 92–96 and CB on pages 97–99, and the Allowance for credit losses section on pages 128–130.

2013 compared with 2012

The provision for credit losses decreased by $3.2 billion compared with the prior year, due to a higher benefit from reductions in the allowance for loan losses, as well as lower net charge-offs partially due to incremental charge-offs recorded in 2012 in accordance with regulatory guidance on certain loans discharged under Chapter 7 bankruptcy. The consumer allowance release in 2013 reflected the improvement in home prices in the residential real estate portfolio and improvement in delinquencies in the residential real estate and credit card portfolios. The 2013 wholesale provision reflected a favorable credit environment and stable credit quality trends.

Noninterest expense

Year ended December 31, (in millions)	2014	2013	2012
Compensation expense	**$30,160**	$30,810	$30,585
Noncompensation expense:			
Occupancy	**3,909**	3,693	3,925
Technology, communications and equipment	**5,804**	5,425	5,224
Professional and outside services	**7,705**	7,641	7,429
Marketing	**2,550**	2,500	2,577
Other[(a)(b)]	**11,146**	20,398	14,989
Total noncompensation expense	**31,114**	39,657	34,144
Total noninterest expense	**$61,274**	$70,467	$64,729

(a) Included firmwide legal expense of $2.9 billion, $11.1 billion and $5.0 billion for the years ended December 31, 2014, 2013 and 2012, respectively.
(b) Included FDIC-related expense of $1.0 billion, $1.5 billion and $1.7 billion for the years ended December 31, 2014, 2013 and 2012, respectively.

2014 compared with 2013

Total noninterest expense decreased by $9.2 billion, or 13%, from the prior year, driven by lower other expense (in particular, legal expense) and lower compensation expense.

Compensation expense decreased compared with the prior year, predominantly driven by lower headcount in CCB's Mortgage Banking business, lower performance-based compensation expense in CIB, and lower postretirement benefit costs. The decrease was partially offset by investments in the businesses, including headcount, for controls.

Noncompensation expense decreased compared with the prior year, due to lower other expense, predominantly reflecting lower legal expense. Lower expense for foreclosure-related matters and lower production and servicing-related expense in CCB's Mortgage Banking business, lower FDIC-related assessments, and lower amortization expense due to the completion of the amortization of certain intangibles, also contributed to the decline. The decrease was offset partially by investments in the businesses, including for controls, and costs related to business simplification initiatives across the Firm. For a further discussion of legal expense, see Note 31. For a discussion of amortization of intangibles, refer to Note 17.

2013 compared with 2012

Total noninterest expense was up by $5.7 billion, or 9%, compared with the prior year, predominantly due to higher legal expense.

Compensation expense increased in 2013 compared with the prior year, due to the impact of investments across the businesses, including front office sales and support staff, and costs related to the Firm's control agenda; these were partially offset by lower compensation expense in CIB and in CCB's Mortgage Banking business, reflecting the effect of lower servicing headcount.

Noncompensation expense increased in 2013 from the prior year. The increase was due to higher other expense, reflecting $11.1 billion of firmwide legal expense, predominantly in Corporate, representing additional reserves for several litigation and regulatory proceedings, compared with $5.0 billion of expense in the prior year. Investments in the businesses, higher legal-related professional services expense, and costs related to the Firm's control agenda also contributed to the increase. The increase was offset partially by lower mortgage servicing expense in CCB and lower occupancy expense for the Firm, which predominantly reflected the absence of charges recognized in 2012 related to vacating excess space.

Income tax expense

Year ended December 31, (in millions, except rate)	**2014**	2013	2012
Income before income tax expense	**$ 29,792**	$ 25,914	$ 28,917
Income tax expense	**8,030**	7,991	7,633
Effective tax rate	**27.0%**	30.8%	26.4%

2014 compared with 2013
The decrease in the effective tax rate from the prior year was largely attributable to the effect of the lower level of nondeductible legal-related penalties, partially offset by higher 2014 pretax income, in combination with changes in the mix of income and expense subject to U.S. federal, state and local income taxes, and lower tax benefits associated with tax adjustments and the settlement of tax audits. For additional information on income taxes, see Critical Accounting Estimates Used by the Firm on pages 161–165 and Note 26.

2013 compared with 2012
The increase in the effective tax rate compared with the prior year was predominantly due to the effect of higher nondeductible legal-related penalties in 2013. This was largely offset by the impact of lower pretax income, in combination with changes in the mix of income and expense subject to U.S. federal, state and local taxes, business tax credits, tax benefits associated with prior year tax adjustments and audit resolutions.

CONSOLIDATED BALANCE SHEETS ANALYSIS

Selected Consolidated balance sheets data

December 31, (in millions)	2014	2013	Change
Assets			
Cash and due from banks	$ 27,831	$ 39,771	(30)%
Deposits with banks	484,477	316,051	53
Federal funds sold and securities purchased under resale agreements	215,803	248,116	(13)
Securities borrowed	110,435	111,465	(1)
Trading assets:			
Debt and equity instruments	320,013	308,905	4
Derivative receivables	78,975	65,759	20
Securities	348,004	354,003	(2)
Loans	757,336	738,418	3
Allowance for loan losses	(14,185)	(16,264)	(13)
Loans, net of allowance for loan losses	743,151	722,154	3
Accrued interest and accounts receivable	70,079	65,160	8
Premises and equipment	15,133	14,891	2
Goodwill	47,647	48,081	(1)
Mortgage servicing rights	7,436	9,614	(23)
Other intangible assets	1,192	1,618	(26)
Other assets	102,950	110,101	(6)
Total assets	$ 2,573,126	$ 2,415,689	7
Liabilities			
Deposits	$ 1,363,427	$ 1,287,765	6
Federal funds purchased and securities loaned or sold under repurchase agreements	192,101	181,163	6
Commercial paper	66,344	57,848	15
Other borrowed funds	30,222	27,994	8
Trading liabilities:			
Debt and equity instruments	81,699	80,430	2
Derivative payables	71,116	57,314	24
Accounts payable and other liabilities	206,954	194,491	6
Beneficial interests issued by consolidated VIEs	52,362	49,617	6
Long-term debt	276,836	267,889	3
Total liabilities	2,341,061	2,204,511	6
Stockholders' equity	232,065	211,178	10
Total liabilities and stockholders' equity	$ 2,573,126	$ 2,415,689	7 %

Consolidated balance sheets overview

JPMorgan Chase's total assets and total liabilities increased by $157.4 billion and $136.6 billion, respectively, from December 31, 2013.

The following is a discussion of the significant changes in the Consolidated balance sheets from December 31, 2013.

Cash and due from banks and deposits with banks
The net increase was attributable to higher levels of excess funds primarily as a result of growth in deposits. The Firm's excess funds were placed with various central banks, predominantly Federal Reserve Banks.

Federal funds sold and securities purchased under resale agreements
The decrease in federal funds sold and securities purchased under resale agreements was predominantly attributable to a shift in the deployment of the Firm's excess cash by Treasury to deposits with banks and to client activity, including a decline in public deposits that require collateral.

Trading assets and liabilities–debt and equity instruments
The increase in trading assets and liabilities predominantly related to client-driven market-making activities in CIB was primarily driven by higher levels of debt securities and trading loans. For additional information, refer to Note 3.

Trading assets and liabilities–derivative receivables and payables
The increase in both receivables and payables was predominantly due to client-driven market-making activities in CIB, specifically in interest rate derivatives as a result of market movements; commodity derivatives predominantly driven by the significant decline in oil prices; and foreign exchange derivatives reflecting the appreciation of the U.S. dollar against certain currencies. The increases were partially offset by a decline in equity derivatives. For additional information, refer to Derivative contracts on pages 125–127, and Notes 3 and 5.

Securities
The decrease was predominantly due to lower levels of non-U.S. residential mortgage-backed securities and U.S. Treasuries, partially offset by higher levels of obligations of U.S. states and municipalities and U.S. residential mortgage-backed securities. For additional information related to securities, refer to the discussion in the Corporate segment on pages 103–104, and Notes 3 and 12.

Loans and allowance for loan losses
The increase in loans was attributable to higher consumer and wholesale loans. The increase in consumer loans was due to prime mortgage originations in CCB and AM, as well as credit card, business banking and auto loan originations in CCB, partially offset by paydowns and charge-offs or liquidation of delinquent loans. The increase in wholesale loans was due to a favorable credit environment throughout 2014, which drove an increase in client activity.

The decrease in the allowance for loan losses was driven by a reduction in the consumer allowance, predominantly as a result of continued improvement in home prices and delinquencies in the residential real estate portfolio. For a more detailed discussion of the loan portfolio and the allowance for loan losses, refer to Credit Risk Management on pages 110–111, and Notes 3, 4, 14 and 15.

Accrued interest and accounts receivable
The increase was due to higher receivables from security sales that did not settle, and higher client receivables related to client-driven market-making activities in CIB.

Mortgage servicing rights
For additional information on MSRs, see Note 17.

Other assets
The decrease was driven by several factors, including lower deferred tax assets; lower private equity investments due to sales, partially offset by unrealized gains; and lower real estate owned.

Deposits
The increase was attributable to higher consumer and wholesale deposits. The increase in consumer deposits reflected a continuing positive growth trend, resulting from strong customer retention, maturing of recent branch builds, and net new business. The increase in wholesale deposits was driven by client activity and business growth. For more information on consumer deposits, refer to the CCB segment discussion on pages 81–91; the Liquidity Risk Management discussion on pages 156–160; and Notes 3 and 19. For more information on wholesale client deposits, refer to the AM, CB and CIB segment discussions on pages 100–102, pages 97–99 and pages 92–96, respectively, and the Liquidity Risk Management discussion on pages 156–160.

Federal funds purchased and securities loaned or sold under repurchase agreements
The increase in federal funds purchased and securities loaned or sold under repurchase agreements was predominantly attributable to higher financing of the Firm's trading assets-debt and equity instruments. The increase was partially offset by client activity in CIB. For additional information on the Firm's Liquidity Risk Management, see pages 156–160.

Commercial paper
The increase was due to commercial paper issuances in the wholesale markets consistent with Treasury's liquidity and short-term funding plans and, to a lesser extent, a higher volume of liability balances related to CIB's liquidity management product whereby clients choose to sweep their deposits into commercial paper. For additional information on the Firm's other borrowed funds, see Liquidity Risk Management on pages 156–160.

Accounts payable and other liabilities
The increase was attributable to higher client payables related to client short positions, and higher payables from security purchases that did not settle, both in CIB. The increase was partially offset by lower legal reserves, largely reflecting the settlement of legal and regulatory matters.

Beneficial interests issued by consolidated VIEs
The increase was predominantly due to net new consolidated credit card and municipal bond vehicles, partially offset by a reduction in conduit commercial paper issued to third parties and the deconsolidation of certain mortgage securitization trusts. For further information on Firm-sponsored VIEs and loan securitization trusts, see Off-Balance Sheet Arrangements on pages 74–75 and Note 16.

Long-term debt
The increase was due to net issuances, consistent with Treasury's long-term funding plans. For additional information on the Firm's long-term debt activities, see Liquidity Risk Management on pages 156–160.

Stockholders' equity
The increase was due to net income and preferred stock issuances, partially offset by the declaration of cash dividends on common and preferred stock, and repurchases of common stock. For additional information on accumulated other comprehensive income/(loss) ("AOCI"), see Note 25; for the Firm's capital actions, see Capital actions on page 154.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL CASH OBLIGATIONS

In the normal course of business, the Firm enters into various contractual obligations that may require future cash payments. Certain obligations are recognized on-balance sheet, while others are off-balance sheet under U.S. GAAP. The Firm is involved with several types of off–balance sheet arrangements, including through nonconsolidated special-purpose entities ("SPEs"), which are a type of VIE, and through lending-related financial instruments (e.g., commitments and guarantees).

Special-purpose entities

The most common type of VIE is an SPE. SPEs are commonly used in securitization transactions in order to isolate certain assets and distribute the cash flows from those assets to investors. SPEs are an important part of the financial markets, including the mortgage- and asset-backed securities and commercial paper markets, as they provide market liquidity by facilitating investors' access to specific portfolios of assets and risks. SPEs may be organized as trusts, partnerships or corporations and are typically established for a single, discrete purpose. SPEs are not typically operating entities and usually have a limited life and no employees. The basic SPE structure involves a company selling assets to the SPE; the SPE funds the purchase of those assets by issuing securities to investors.

JPMorgan Chase uses SPEs as a source of liquidity for itself and its clients by securitizing financial assets, and by creating investment products for clients. The Firm is involved with SPEs through multi-seller conduits, investor intermediation activities, and loan securitizations. See Note 16 for further information on these types of SPEs.

The Firm holds capital, as deemed appropriate, against all SPE-related transactions and related exposures, such as derivative transactions and lending-related commitments and guarantees.

The Firm has no commitments to issue its own stock to support any SPE transaction, and its policies require that transactions with SPEs be conducted at arm's length and reflect market pricing. Consistent with this policy, no JPMorgan Chase employee is permitted to invest in SPEs with which the Firm is involved where such investment would violate the Firm's Code of Conduct. These rules prohibit employees from self-dealing and acting on behalf of the Firm in transactions with which they or their family have any significant financial interest.

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

For certain liquidity commitments to SPEs, JPMorgan Chase Bank, N.A. could be required to provide funding if its short-term credit rating were downgraded below specific levels, primarily "P-1", "A-1" and "F1" for Moody's, Standard & Poor's and Fitch, respectively. These liquidity commitments support the issuance of asset-backed commercial paper by Firm-administered consolidated SPEs. In the event of a short-term credit rating downgrade, JPMorgan Chase Bank, N.A., absent other solutions, would be required to provide funding to the SPE, if the commercial paper could not be reissued as it matured. The aggregate amounts of commercial paper outstanding held by third parties as of December 31, 2014 and 2013, was $12.1 billion and $15.5 billion, respectively. The aggregate amounts of commercial paper outstanding could increase in future periods should clients of the Firm-administered consolidated SPEs draw down on certain unfunded lending-related commitments. These unfunded lending-related commitments were $9.9 billion and $9.2 billion at December 31, 2014 and 2013, respectively. The Firm could facilitate the refinancing of some of the clients' assets in order to reduce the funding obligation. For further information, see the discussion of Firm-administered multi-seller conduits in Note 16.

The Firm also acts as liquidity provider for certain municipal bond vehicles. The Firm's obligation to perform as liquidity provider is conditional and is limited by certain termination events, which include bankruptcy or failure to pay by the municipal bond issuer or credit enhancement provider, an event of taxability on the municipal bonds or the immediate downgrade of the municipal bond to below investment grade. See Note 16 for additional information.

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

JPMorgan Chase provides lending-related financial instruments (e.g., commitments and guarantees) to meet the financing needs of its customers. The contractual amount of these financial instruments represents the maximum possible credit risk to the Firm should the counterparty draw upon the commitment or the Firm be required to fulfill its obligation under the guarantee, and should the counterparty subsequently fail to perform according to the terms of the contract. Most of these commitments and guarantees expire without being drawn or a default occurring. As a result, the total contractual amount of these instruments is not, in the Firm's view, representative of its actual future credit exposure or funding requirements. For further discussion of lending-related financial instruments, guarantees and other commitments, and the Firm's accounting for them, see Lending-related commitments on page 125 and Note 29. For a discussion of liabilities associated with loan sales-and securitization-related indemnifications, see Note 29.

Contractual cash obligations

The accompanying table summarizes, by remaining maturity, JPMorgan Chase's significant contractual cash obligations at December 31, 2014. The contractual cash obligations included in the table below reflect the minimum contractual obligation under legally enforceable contracts with terms that are both fixed and determinable. Excluded from the below table are certain liabilities with variable cash flows and/or no obligation to return a stated amount of principal at the maturity.

The carrying amount of on-balance sheet obligations on the Consolidated balance sheets may differ from the minimum contractual amount of the obligations reported below. For a discussion of mortgage repurchase liabilities and other obligations, see Note 29.

Contractual cash obligations

By remaining maturity at December 31, (in millions)	2014					2013
	2015	2016-2017	2018-2019	After 2019	**Total**	Total
On-balance sheet obligations						
Deposits[a]	**$ 1,345,919**	**$ 8,200**	**$ 3,318**	**$ 4,160**	**$ 1,361,597**	$ 1,286,587
Federal funds purchased and securities loaned or sold under repurchase agreements	**189,002**	**2,655**	**30**	**441**	**192,128**	181,163
Commercial paper	**66,344**	**—**	**—**	**—**	**66,344**	57,848
Other borrowed funds[a]	**15,734**	**—**	**—**	**—**	**15,734**	15,655
Beneficial interests issued by consolidated VIEs[a]	**27,833**	**12,860**	**6,125**	**3,382**	**50,200**	47,621
Long-term debt[a]	**33,982**	**86,620**	**61,468**	**80,818**	**262,888**	256,739
Other[b]	**3,494**	**1,217**	**1,022**	**2,622**	**8,355**	7,720
Total on-balance sheet obligations	**1,682,308**	**111,552**	**71,963**	**91,423**	**1,957,246**	1,853,333
Off-balance sheet obligations						
Unsettled reverse repurchase and securities borrowing agreements[c]	**40,993**	**—**	**—**	**—**	**40,993**	38,211
Contractual interest payments[d]	**6,980**	**10,006**	**6,596**	**24,456**	**48,038**	48,021
Operating leases[e]	**1,722**	**3,216**	**2,402**	**5,101**	**12,441**	14,266
Equity investment commitments[f]	**454**	**92**	**50**	**512**	**1,108**	2,119
Contractual purchases and capital expenditures	**1,216**	**970**	**366**	**280**	**2,832**	3,425
Obligations under affinity and co-brand programs	**906**	**1,262**	**96**	**39**	**2,303**	3,283
Other	**—**	**—**	**—**	**—**	**—**	11
Total off-balance sheet obligations	**52,271**	**15,546**	**9,510**	**30,388**	**107,715**	109,336
Total contractual cash obligations	**$ 1,734,579**	**$ 127,098**	**$ 81,473**	**$ 121,811**	**$ 2,064,961**	$ 1,962,669

(a) Excludes structured notes where the Firm is not obligated to return a stated amount of principal at the maturity of the notes, but is obligated to return an amount based on the performance of the structured notes.
(b) Primarily includes dividends declared on preferred and common stock, deferred annuity contracts, pension and postretirement obligations and insurance liabilities. Prior periods were revised to conform with the current presentation.
(c) For further information, refer to unsettled reverse repurchase and securities borrowing agreements in Note 29.
(d) Includes accrued interest and future contractual interest obligations. Excludes interest related to structured notes where the Firm's payment obligation is based on the performance of certain benchmarks.
(e) Includes noncancelable operating leases for premises and equipment used primarily for banking purposes and for energy-related tolling service agreements. Excludes the benefit of noncancelable sublease rentals of $2.2 billion and $2.6 billion at December 31, 2014 and 2013, respectively.
(f) At December 31, 2014 and 2013, included unfunded commitments of $147 million and $215 million, respectively, to third-party private equity funds; and $961 million and $1.9 billion of unfunded commitments, respectively, to other equity investments.

CONSOLIDATED CASH FLOWS ANALYSIS

	Year ended December 31,		
(in millions)	**2014**	2013	2012
Net cash provided by/(used in)			
Operating activities	**$ 36,593**	$ 107,953	$ 25,079
Investing activities	**(165,636)**	(150,501)	(119,825)
Financing activities	**118,228**	28,324	87,707
Effect of exchange rate changes on cash	**(1,125)**	272	1,160
Net decrease in cash and due from banks	**$ (11,940)**	$ (13,952)	$ (5,879)

Operating activities

JPMorgan Chase's operating assets and liabilities support the Firm's capital markets and lending activities, including the origination or purchase of loans initially designated as held-for-sale. Operating assets and liabilities can vary significantly in the normal course of business due to the amount and timing of cash flows, which are affected by client-driven and risk management activities and market conditions. The Firm believes cash flows from operations, available cash balances and the Firm's ability to generate cash through short- and long-term borrowings are sufficient to fund the Firm's operating liquidity needs.

Cash provided by operating activities in 2014 predominantly resulted from net income after noncash operating adjustments and reflected higher net proceeds from loan securitizations and sales activities when compared with 2013. In 2013 cash provided reflected a decrease in trading assets from client-driven market-making activities in CIB, resulting in lower levels of debt securities. Cash used in 2013 for loans originated and purchased with an initial intent to sell was slightly higher than the cash proceeds received from sales and paydowns of loans and reflected significantly higher levels of activities over the prior-year period. Cash provided during 2012 resulted from a decrease in securities borrowed reflecting a shift in the deployment of excess cash to resale agreements as well as lower client activity in CIB; partially offset by a decrease in accounts payable and other liabilities predominantly due to lower CIB client balances.

Investing activities

The Firm's investing activities predominantly include loans originated to be held for investment, the investment securities portfolio and other short-term interest-earning assets. Cash used in investing activities during 2014, 2013, and 2012 resulted from increases in deposits with banks, attributable to higher levels of excess funds; in 2014, cash was used for growth in wholesale and consumer loans, while in 2013 and 2012 cash used reflected growth in wholesale loans. Partially offsetting these cash outflows in 2014 and 2013 was a net decline in securities purchased under resale agreements due to a shift in the deployment of the Firm's excess cash by Treasury, and a net decline in consumer loans in 2013 and 2012 from paydowns and portfolio runoff or liquidation of delinquent loans. In 2012, additional cash was used for securities purchased under resale agreements. All years reflected cash proceeds from net maturities and sales of investment securities.

Financing activities

The Firm's financing activities includes cash from customer deposits, and cash proceeds from issuing long-term debt, and preferred and common stock. Cash provided by financing activities in 2014 predominantly resulted from higher consumer and wholesale deposits. The increase in consumer deposits reflected a continuing positive growth trend resulting from strong customer retention, maturing of recent branch builds, and net new business. The increase in wholesale deposits was driven by client activity and deposit growth. Cash provided in 2013 was driven by growth in both wholesale and consumer deposits, net proceeds from long-term borrowings, and net issuance of preferred stock; partially offset by a decrease in securities loaned or sold under repurchase agreements, predominantly due to changes in the mix of the Firm's funding sources. Cash provided in 2012 was due to growth in both consumer and wholesale deposits and an increase in federal funds purchased and securities loaned or sold under repurchase agreements due to higher secured financings of the Firm's assets. In all periods, cash proceeds were offset by repurchases of common stock and cash dividends on common and preferred stock.

* * *

For a further discussion of the activities affecting the Firm's cash flows, see Balance Sheet Analysis on pages 72–73.

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

The Firm prepares its Consolidated Financial Statements using U.S. GAAP; these financial statements appear on pages 172–176. That presentation, which is referred to as "reported" basis, provides the reader with an understanding of the Firm's results that can be tracked consistently from year to year and enables a comparison of the Firm's performance with other companies' U.S. GAAP financial statements.

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

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

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

	2014			2013			2012		
Year ended December 31, (in millions, except ratios)	Reported Results	Fully taxable-equivalent adjustments[a]	Managed basis	Reported Results	Fully taxable-equivalent adjustments[a]	Managed basis	Reported Results	Fully taxable-equivalent adjustments[a]	Managed basis
Other income	**$ 2,106**	**$ 2,733**	**$ 4,839**	$ 3,847	$ 2,495	$ 6,342	$ 4,258	$ 2,116	$ 6,374
Total noninterest revenue	**50,571**	**2,733**	**53,304**	53,287	2,495	55,782	52,121	2,116	54,237
Net interest income	**43,634**	**985**	**44,619**	43,319	697	44,016	44,910	743	45,653
Total net revenue	**94,205**	**3,718**	**97,923**	96,606	3,192	99,798	97,031	2,859	99,890
Pre-provision profit	**32,931**	**3,718**	**36,649**	26,139	3,192	29,331	32,302	2,859	35,161
Income before income tax expense	**29,792**	**3,718**	**33,510**	25,914	3,192	29,106	28,917	2,859	31,776
Income tax expense	**8,030**	**3,718**	**11,748**	7,991	3,192	11,183	7,633	2,859	10,492
Overhead ratio	**65%**	**NM**	**63%**	73%	NM	71%	67%	NM	65%

(a) Predominantly recognized in CIB and CB business segments and Corporate.

Calculation of certain U.S. GAAP and non-GAAP financial measures

Certain U.S. GAAP and non-GAAP financial measures are calculated as follows:

Book value per share ("BVPS")
Common stockholders' equity at period-end / Common shares at period-end

Overhead ratio
Total noninterest expense / Total net revenue

Return on assets ("ROA")
Reported net income / Total average assets

Return on common equity ("ROE")
Net income* / Average common stockholders' equity

Return on tangible common equity ("ROTCE")
Net income* / Average tangible common equity

Tangible book value per share ("TBVPS")
Tangible common equity at period-end / Common shares at period-end

* Represents net income applicable to common equity

Tangible common equity ("TCE"), ROTCE and TBVPS are each non-GAAP financial measures. TCE represents the Firm's common stockholders' equity (i.e., total stockholders' equity less preferred stock) less goodwill and identifiable intangible assets (other than MSRs), net of related deferred tax liabilities. ROTCE measures the Firm's earnings as a percentage of average TCE. TBVPS represents the Firm's TCE at period-end divided by common shares at period-end. TCE, ROTCE, and TBVPS are meaningful to the Firm, as well as investors and analysts, in assessing the Firm's use of equity.

Additionally, certain credit and capital metrics and ratios disclosed by the Firm are non-GAAP measures. For additional information on these non-GAAP measures, see Credit Risk Management on pages 110–111, and Regulatory capital on pages 146–153.

Tangible common equity

(in millions, except per share and ratio data)	Period-end Dec 31, 2014	Period-end Dec 31, 2013	Average Year ended December 31, 2014	2013	2012
Common stockholders' equity	**$ 212,002**	$ 200,020	**$ 207,400**	$ 196,409	$ 184,352
Less: Goodwill	**47,647**	48,081	**48,029**	48,102	48,176
Less: Certain identifiable intangible assets	**1,192**	1,618	**1,378**	1,950	2,833
Add: Deferred tax liabilities[(a)]	**2,853**	2,953	**2,950**	2,885	2,754
Tangible common equity	**$ 166,016**	$ 153,274	**$ 160,943**	$ 149,242	$ 136,097
Return on tangible common equity	**NA**	NA	**13%**	11%	15%
Tangible book value per share	**$ 44.69**	$ 40.81	**NA**	NA	NA

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

Core net interest income

In addition to reviewing net interest income on a managed basis, management also reviews core net interest income to assess the performance of its core lending, investing (including asset-liability management) and deposit-raising activities. These activities exclude the impact of CIB's market-based activities. The core data presented below are non-GAAP financial measures due to the exclusion of CIB's market-based net interest income and related assets. Management believes this exclusion provides investors and analysts another measure by which to analyze the non-market-related business trends of the Firm and provides a comparable measure to other financial institutions that are primarily focused on core lending, investing and deposit-raising activities.

Core net interest income data

Year ended December 31, (in millions, except rates)	2014	2013	2012
Net interest income - managed basis[(a)(b)]	**$ 44,619**	$ 44,016	$ 45,653
Less: Market-based net interest income[(c)]	**5,552**	5,492	6,223
Core net interest income[(a)(c)]	**$ 39,067**	$ 38,524	$ 39,430
Average interest-earning assets	**$ 2,049,093**	$ 1,970,231	$ 1,842,417
Less: Average market-based earning assets	**510,261**	504,218	499,339
Core average interest-earning assets	**$ 1,538,832**	$ 1,466,013	$ 1,343,078
Net interest yield on interest-earning assets - managed basis	**2.18%**	2.23%	2.48%
Net interest yield on market-based activities[(c)]	**1.09**	1.09	1.25
Core net interest yield on core average interest-earning assets[(c)]	**2.54%**	2.63%	2.94%

(a) Interest includes the effect of related hedging derivatives. Taxable-equivalent amounts are used where applicable.

(b) For a reconciliation of net interest income on a reported and managed basis, see reconciliation from the Firm's reported U.S. GAAP results to managed basis on page 77.

(c) Effective with the fourth quarter of 2014, the Firm changed the methodology it uses to allocate preferred stock dividends to the lines of business. Prior period amounts were revised to conform with the current allocation methodology. The Firm's Consolidated balance sheets and consolidated results of operations were not affected by this reporting change. For further discussion please see Preferred stock dividend allocation reporting change on pages 79–80.

2014 compared with 2013

Core net interest income increased by $543 million in 2014 to $39.1 billion, and core average interest-earning assets increased by $72.8 billion to $1.5 trillion. The increase in net interest income in 2014 predominantly reflected higher yields on investment securities, the impact of lower interest expense, and higher average loan balances. The increase was partially offset by lower yields on loans due to the run-off of higher-yielding loans and new originations of lower-yielding loans. The increase in average interest-earning assets largely reflected the impact of higher average balance of deposits with banks. These changes in net interest income and interest-earning assets resulted in the core net interest yield decreasing by 9 basis points to 2.54% for 2014.

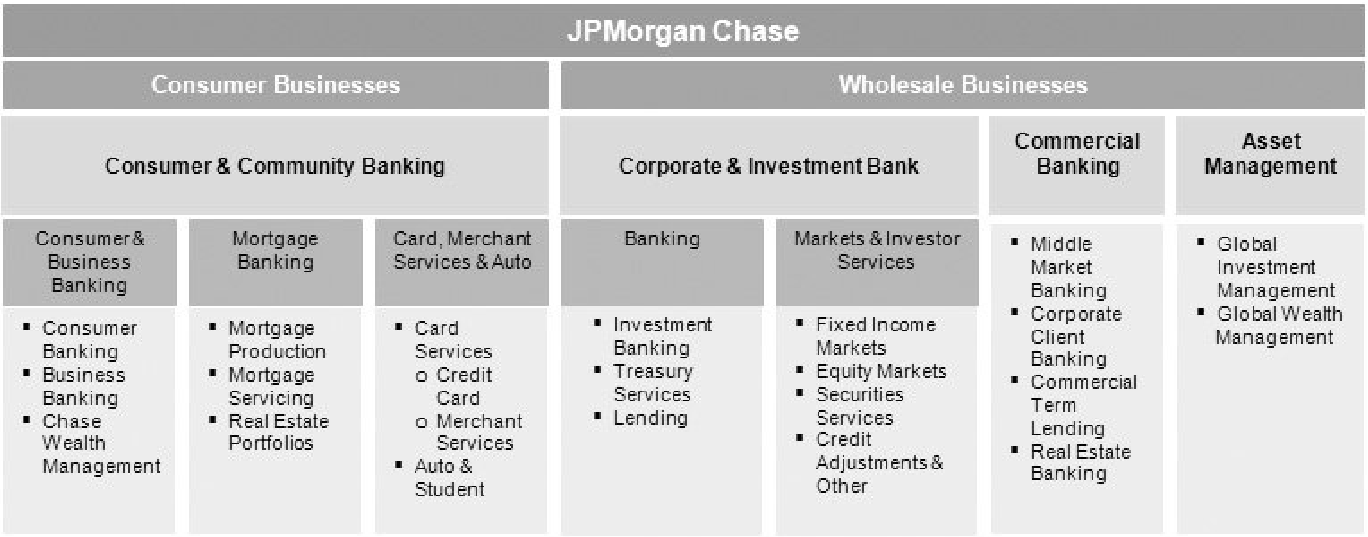
2013 compared with 2012

Core net interest income decreased by $906 million in 2013 to $38.5 billion, and core average interest-earning assets increased by $122.9 billion to $1.5 trillion. The decline in net interest income in 2013 primarily reflected the impact of the runoff of higher-yielding loans and originations of lower-yielding loans. The decrease in net interest income was partially offset by lower long-term debt and other funding costs. The increase in average interest-earning assets reflected the impact of higher deposits with banks. The core net interest yield decreased by 31 basis points to 2.63% in 2013, primarily reflecting the impact of a significant increase in deposits with banks and lower loan yields, partially offset by the impact of lower long-term debt yields and deposit rates.

BUSINESS SEGMENT RESULTS

The Firm is managed on a line of business basis. There are four major reportable business segments – Consumer & Community Banking, Corporate & Investment Bank, Commercial Banking and Asset Management. In addition, there is a Corporate segment.

The business segments are determined based on the products and services provided, or the type of customer served, and they reflect the manner in which financial information is currently evaluated by management. Results of these lines of business are presented on a managed basis. For a definition of managed basis, see Explanation and Reconciliation of the Firm's use of non-GAAP financial measures, on pages 77–78.



Description of business segment reporting methodology

Results of the business segments are intended to reflect each segment as if it were essentially a stand-alone business. The management reporting process that derives business segment results allocates income and expense using market-based methodologies. The Firm continues to assess the assumptions, methodologies and reporting classifications used for segment reporting, and further refinements may be implemented in future periods.

Revenue sharing

When business segments join efforts to sell products and services to the Firm's clients, the participating business segments agree to share revenue from those transactions. The segment results reflect these revenue-sharing agreements.

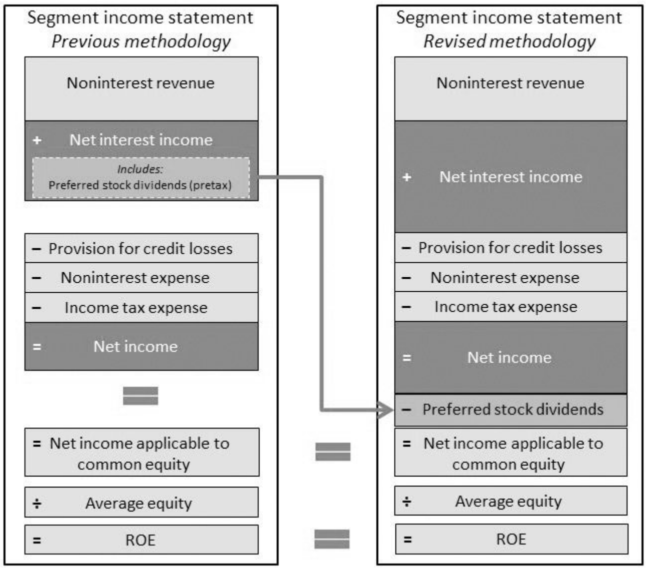
Funds transfer pricing

Funds transfer pricing is used to allocate interest income and expense to each business and transfer the primary interest rate risk exposures to the Treasury group within Corporate. The allocation process is unique to each business segment and considers the interest rate risk, liquidity risk and regulatory requirements of that segment as if it were operating independently, and as compared with its stand-alone peers. This process is overseen by senior management and reviewed by the Firm's Asset-Liability Committee ("ALCO").

Preferred stock dividend allocation reporting change

As part of its funds transfer pricing process, the Firm allocates substantially all of the cost of its outstanding preferred stock to its reportable business segments, while retaining the balance of the cost in Corporate. Prior to the fourth quarter of 2014, this cost was allocated to the Firm's reportable business segments as interest expense, with an offset recorded as interest income in Corporate. Effective with the fourth quarter of 2014, this cost is no longer included in interest income and interest expense in the segments, but rather is now included in net income applicable to common equity to be consistent with the presentation of firmwide results. As a result of this reporting change, net interest income and net income in the reportable business segments increases; however, there was no impact to the segments' return on common equity ("ROE"). The Firm's net interest income, net income, Consolidated balance sheets and consolidated results of operations were not impacted by this reporting change, as preferred stock dividends have been and continue to be distributed from retained earnings and, accordingly, were never reported as a component of the Firm's consolidated net interest income or net income. Prior period segment and core net interest income amounts throughout this Annual Report have been revised to conform with the current period presentation.

The following chart depicts how preferred stock dividends were allocated to the business segments before and after the aforementioned methodology change.



Business segment capital allocation changes

Each business segment is allocated capital by taking into consideration stand-alone peer comparisons, regulatory capital requirements (as estimated under Basel III Advanced Fully Phased-In) and economic risk measures. The amount of capital assigned to each business is referred to as equity. On at least an annual basis, the Firm assesses the level of capital required for each line of business as well as the assumptions and methodologies used to allocate capital to its lines of business and updates the equity allocations to its lines of business as refinements are implemented. For further information about these capital changes, see Line of business equity on page 153.

Expense allocation

Where business segments use services provided by support units within the Firm, or another business segment, the costs of those services are allocated to the respective business segments. The expense is generally allocated based on actual cost and upon usage of the services provided. In contrast, certain other expense related to certain corporate functions, or to certain technology and operations, are not allocated to the business segments and are retained in Corporate. Retained expense includes: parent company costs that would not be incurred if the segments were stand-alone businesses; adjustments to align certain corporate staff, technology and operations allocations with market prices; and other items not aligned with a particular business segment.

Segment Results – Managed Basis[(a)]

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

Year ended December 31,	Total net revenue			Total noninterest expense			Pre-provision profit/(loss)		
(in millions)	**2014**	2013	2012	**2014**	2013	2012	**2014**	2013	2012
Consumer & Community Banking	**$ 44,368**	$ 46,537	$ 50,278	**$ 25,609**	$ 27,842	$ 28,827	**$ 18,759**	$ 18,695	$ 21,451
Corporate & Investment Bank	**34,633**	34,786	34,762	**23,273**	21,744	21,850	**11,360**	13,042	12,912
Commercial Banking	**6,882**	7,092	6,912	**2,695**	2,610	2,389	**4,187**	4,482	4,523
Asset Management	**12,028**	11,405	10,010	**8,538**	8,016	7,104	**3,490**	3,389	2,906
Corporate	**12**	(22)	(2,072)	**1,159**	10,255	4,559	**(1,147)**	(10,277)	(6,631)
Total	**$ 97,923**	$ 99,798	$ 99,890	**$ 61,274**	$ 70,467	$ 64,729	**$ 36,649**	$ 29,331	$ 35,161

Year ended December 31,	Provision for credit losses			Net income/(loss)			Return on equity		
(in millions, except ratios)	**2014**	2013	2012	**2014**	2013	2012	**2014**	2013	2012
Consumer & Community Banking	**$ 3,520**	$ 335	$ 3,774	**$ 9,185**	$ 11,061	$ 10,791	**18%**	23%	25%
Corporate & Investment Bank	**(161)**	(232)	(479)	**6,925**	8,887	8,672	**10**	15	18
Commercial Banking	**(189)**	85	41	**2,635**	2,648	2,699	**18**	19	28
Asset Management	**4**	65	86	**2,153**	2,083	1,742	**23**	23	24
Corporate	**(35)**	(28)	(37)	**864**	(6,756)	(2,620)	**NM**	NM	NM
Total	**$ 3,139**	$ 225	$ 3,385	**$ 21,762**	$ 17,923	$ 21,284	**10%**	9%	11%

(a) Effective with the fourth quarter of 2014, the Firm changed the methodology it uses to allocate preferred stock dividends to the lines of business. Prior period amounts for net revenue, pre-provision profit/(loss) and net income/(loss) for each of the business segments were revised to conform with the current allocation methodology. The Firm's Consolidated balance sheets and consolidated results of operations were not affected by this reporting change. For further discussion please see Preferred stock dividend allocation reporting change in Business Segment Results on pages 79–80.

CONSUMER & COMMUNITY BANKING

Consumer & Community Banking serves consumers and businesses through personal service at bank branches and through ATMs, online, mobile and telephone banking. CCB is organized into Consumer & Business Banking, Mortgage Banking (including Mortgage Production, Mortgage Servicing and Real Estate Portfolios) and Card, Merchant Services & Auto ("Card"). Consumer & Business Banking offers deposit and investment products and services to consumers, and lending, deposit, and cash management and payment solutions to small businesses. Mortgage Banking includes mortgage origination and servicing activities, as well as portfolios comprised of residential mortgages and home equity loans, including the PCI portfolio acquired in the Washington Mutual transaction. Card issues credit cards to consumers and small businesses, provides payment services to corporate and public sector clients through its commercial card products, offers payment processing services to merchants, and provides auto and student loan services.

Selected income statement data

Year ended December 31, (in millions, except ratios)	2014	2013	2012
Revenue			
Lending- and deposit-related fees	**$ 3,039**	$ 2,983	$ 3,121
Asset management, administration and commissions	**2,096**	2,116	2,093
Mortgage fees and related income	**3,560**	5,195	8,680
Card income	**5,779**	5,785	5,446
All other income	**1,463**	1,473	1,473
Noninterest revenue	**15,937**	17,552	20,813
Net interest income	**28,431**	28,985	29,465
Total net revenue	**44,368**	46,537	50,278
Provision for credit losses	**3,520**	335	3,774
Noninterest expense			
Compensation expense	**10,538**	11,686	11,632
Noncompensation expense	**15,071**	16,156	17,195
Total noninterest expense	**25,609**	27,842	28,827
Income before income tax expense	**15,239**	18,360	17,677
Income tax expense	**6,054**	7,299	6,886
Net income	**$ 9,185**	$ 11,061	$ 10,791
Financial ratios			
Return on common equity	**18%**	23%	25%
Overhead ratio	**58**	60	57

Note: As discussed on pages 79–80, effective with the fourth quarter of 2014 the Firm changed its methodology for allocating the cost of preferred stock to its reportable business segments. Prior periods have been revised to conform with the current period presentation.

Note: In the discussion and the tables which follow, CCB presents certain financial measures which exclude the impact of PCI loans; these are non-GAAP financial measures. For additional information, see Explanation and Reconciliation of the Firm's Use of Non-GAAP Financial Measures.

2014 compared with 2013

Consumer & Community Banking net income was $9.2 billion, a decrease of $1.9 billion, or 17%, compared with the prior year, due to higher provision for credit losses and lower net revenue, partially offset by lower noninterest expense.

Net revenue was $44.4 billion, a decrease of $2.2 billion, or 5%, compared with the prior year. Net interest income was $28.4 billion, down $554 million, or 2%, driven by spread compression and lower mortgage warehouse balances, largely offset by higher deposit balances in Consumer & Business Banking and higher loan balances in Credit Card. Noninterest revenue was $16.0 billion, a decrease of $1.6 billion, or 9%, driven by lower mortgage fees and related income.

The provision for credit losses was $3.5 billion, compared with $335 million in the prior year. The current-year provision reflected a $1.3 billion reduction in the allowance for loan losses and total net charge-offs of $4.8 billion. The prior-year provision reflected a $5.5 billion reduction in the allowance for loan losses and total net charge-offs of $5.8 billion. For more information, including net charge-off amounts and rates, see Consumer Credit Portfolio.

Noninterest expense was $25.6 billion, a decrease of $2.2 billion, or 8%, from the prior year, driven by lower Mortgage Banking expense.

2013 compared with 2012

Consumer & Community Banking net income was $11.1 billion, an increase of $270 million, or 3%, compared with the prior year, due to lower provision for credit losses and lower noninterest expense, predominantly offset by lower net revenue.

Net revenue was $46.5 billion, a decrease of $3.7 billion, or 7%, compared with the prior year. Net interest income was $29.0 billion, down $480 million, or 2%, driven by lower deposit margins, lower loan balances due to net portfolio runoff and spread compression in Credit Card, largely offset by higher deposit balances. Noninterest revenue was $17.6 billion, a decrease of $3.3 billion, or 16%, driven by lower mortgage fees and related income, partially offset by higher card income.

The provision for credit losses was $335 million, compared with $3.8 billion in the prior year. The current-year provision reflected a $5.5 billion reduction in the allowance for loan losses and total net charge-offs of $5.8 billion. The prior-year provision reflected a $5.5 billion reduction in the allowance for loan losses and total net charge-offs of $9.3 billion, including $800 million of incremental charge-offs related to regulatory guidance. For more information, including net charge-off amounts and rates, see Consumer Credit Portfolio on pages 113–119.

Noninterest expense was $27.8 billion, a decrease of $985 million, or 3%, from the prior year, driven by lower mortgage servicing expense, partially offset by investments in Chase Private Client expansion, higher non-MBS related legal expense in Mortgage Production, higher auto lease depreciation, and costs related to the control agenda.

Selected metrics

As of or for the year ended December 31, (in millions, except headcount)	2014	2013	2012
Selected balance sheet data (period-end)			
Total assets	**$ 455,634**	$ 452,929	$ 467,282
Trading assets - loans[a]	**8,423**	6,832	18,801
Loans:			
Loans retained	**396,288**	393,351	402,963
Loans held-for-sale	**3,416**	940	—
Total loans	**399,704**	394,291	402,963
Deposits	**502,520**	464,412	438,517
Equity[b]	**51,000**	46,000	43,000
Selected balance sheet data (average)			
Total assets	**$ 447,750**	$ 456,468	$ 467,641
Trading assets - loans[a]	**8,040**	15,603	17,573
Loans:			
Loans retained	**389,967**	392,797	408,559
Loans held-for-sale	**917**	209	433
Total loans	**$ 390,884**	$ 393,006	$ 408,992
Deposits	**486,919**	453,304	413,948
Equity[b]	**51,000**	46,000	43,000
Headcount	**137,186**	151,333	164,391

(a) Predominantly consists of prime mortgages originated with the intent to sell that are accounted for at fair value.
(b) 2014 includes $3.0 billion of capital held at the CCB level related to legacy mortgage servicing matters.

Selected metrics

As of or for the year ended December 31, (in millions, except ratios and where otherwise noted)	2014	2013	2012
Credit data and quality statistics			
Net charge-offs[a][b]	**$ 4,773**	$ 5,826	$ 9,280
Nonaccrual loans[c][d]	**6,401**	7,455	9,114
Nonperforming assets[c][d][e]	**6,872**	8,109	9,791
Allowance for loan losses[a]	**10,404**	12,201	17,752
Net charge-off rate[a][b]	**1.22%**	1.48%	2.27%
Net charge-off rate, excluding PCI loans[b]	**1.40**	1.73	2.68
Allowance for loan losses to period-end loans retained	**2.63**	3.10	4.41
Allowance for loan losses to period-end loans retained, excluding PCI loans[f]	**2.02**	2.36	3.51
Allowance for loan losses to nonaccrual loans retained, excluding credit card[c][f]	**58**	57	72
Nonaccrual loans to total period-end loans, excluding credit card[e]	**2.38**	2.80	3.31
Nonaccrual loans to total period-end loans, excluding credit card and PCI loans[c][e]	**2.88**	3.49	4.23
Business metrics			
Number of:			
Branches	**5,602**	5,630	5,614
ATMs[g]	**18,056**	20,290	19,062
Active online customers (in thousands)	**36,396**	33,742	31,114
Active mobile customers (in thousands)	**19,084**	15,629	12,359

(a) Net charge-offs and the net charge-off rates excluded $533 million and $53 million of write-offs in the PCI portfolio for the years ended December 31, 2014 and 2013, respectively. These write-offs decreased the allowance for loan losses for PCI loans. For further information on PCI write-offs, see Allowance for Credit Losses on pages 128–130.
(b) Net charge-offs and net charge-off rates for the year ended December 31, 2012, included $800 million of charge-offs, recorded in accordance with regulatory guidance on certain loans discharged under Chapter 7 bankruptcy and not reaffirmed by the borrower ("Chapter 7 loans") to be charged off to the net realizable value of the collateral and to be considered nonaccrual, regardless of their delinquency status. Excluding these charges-offs, net charge-offs for the year ended December 31, 2012, would have been $8.5 billion and excluding these charge-offs and PCI loans, the net charge-off rate for the year ended December 31, 2012, would have been 2.45%.
(c) Excludes PCI loans. The Firm is recognizing interest income on each pool of PCI loans as they are all performing.
(d) At December 31, 2014, 2013 and 2012, nonperforming assets excluded: (1) mortgage loans insured by U.S. government agencies of $7.8 billion, $8.4 billion and $10.6 billion, respectively, that are 90 or more days past due; (2) student loans insured by U.S. government agencies under the Federal Family Education Loan Program ("FFELP") of $367 million, $428 million and $525 million respectively, that are 90 or more days past due; (3) real estate owned ("REO") insured by U.S. government agencies of $462 million, $2.0 billion and $1.6 billion, respectively. These amounts have been excluded based upon the government guarantee.
(e) Prior periods were revised to conform with the current presentation.
(f) The allowance for loan losses for PCI loans of $3.3 billion, $4.2 billion and $5.7 billion at December 31, 2014, December 31, 2013, and December 31, 2012, respectively; these amounts were also excluded from the applicable ratios.
(g) Includes eATMs, formerly Express Banking Kiosks ("EBK"). Prior periods were revised to conform with the current presentation.

Consumer & Business Banking

Selected income statement data

As of or for the year ended December 31, (in millions, except ratios)	2014	2013	2012
Revenue			
Lending- and deposit-related fees	**$ 3,010**	$ 2,942	$ 3,068
Asset management, administration and commissions	**2,025**	1,815	1,638
Card income	**1,605**	1,495	1,353
All other income	**534**	492	498
Noninterest revenue	**7,174**	6,744	6,557
Net interest income	**11,052**	10,668	10,629
Total net revenue	**18,226**	17,412	17,186
Provision for credit losses	**305**	347	311
Noninterest expense	**12,149**	12,162	11,490
Income before income tax expense	**5,772**	4,903	5,385
Net income	**$ 3,443**	$ 2,943	$ 3,224
Return on common equity	**31%**	26%	36%
Overhead ratio	**67**	70	67
Equity (period-end and average)	**$ 11,000**	$ 11,000	$ 9,000

2014 compared with 2013

Consumer & Business Banking net income was $3.4 billion, an increase of $500 million, or 17%, compared with the prior year, due to higher net revenue.

Net revenue was $18.2 billion, up 5% compared with the prior year. Net interest income was $11.1 billion, up $384 million, or 4% compared with the prior year, driven by higher deposit balances, largely offset by deposit spread compression. Noninterest revenue was $7.2 billion, up $430 million, or 6%, driven by higher investment revenue, reflecting record client investment assets, higher debit card revenue, reflecting an increase in transaction volume, and higher deposit-related fees as a result of an increase in customer accounts.

Noninterest expense was $12.1 billion, flat from the prior year, reflecting lower costs driven by efficiencies implemented in the business, offset by the increased cost of controls.

2013 compared with 2012

Consumer & Business Banking net income was $2.9 billion, a decrease of $281 million, or 9%, compared with the prior year, due to higher noninterest expense, partially offset by higher noninterest revenue.

Net revenue was $17.4 billion, up 1% compared with the prior year. Net interest income was $10.7 billion, flat compared with the prior year, driven by higher deposit balances, offset by lower deposit margin. Noninterest revenue was $6.7 billion, an increase of 3%, driven by higher investment sales revenue and debit card revenue, partially offset by lower deposit-related fees.

Noninterest expense was $12.2 billion, up 6% from the prior year, reflecting continued investments in the business, and costs related to the control agenda.

Selected metrics

As of or for the year ended December 31, (in millions, except ratios)	2014	2013	2012
Business metrics			
Business banking origination volume	**$ 6,599**	$ 5,148	$ 6,542
Period-end loans	**21,200**	19,416	18,883
Period-end deposits:			
Checking	**213,049**	187,182	170,354
Savings	**255,148**	238,223	216,422
Time and other	**21,349**	26,022	31,753
Total period-end deposits	**489,546**	451,427	418,529
Average loans	**20,152**	18,844	18,104
Average deposits:			
Checking	**198,996**	176,005	153,422
Savings	**249,281**	229,341	204,449
Time and other	**24,057**	29,227	34,224
Total average deposits	**472,334**	434,573	392,095
Deposit margin	**2.21%**	2.32%	2.57%
Average assets	**$ 38,298**	$ 37,174	$ 34,431

Selected metrics

As of or for the year ended December 31, (in millions, except ratios and where otherwise noted)	2014	2013	2012
Credit data and quality statistics			
Net charge-offs	**$ 305**	$ 337	$ 411
Net charge-off rate	**1.51%**	1.79%	2.27%
Allowance for loan losses	**$ 703**	$ 707	$ 698
Nonperforming assets	**286**	391	488
Retail branch business metrics			
Net new investment assets	**$ 16,088**	$ 16,006	$ 11,128
Client investment assets	**213,459**	188,840	158,502
% managed accounts	**39%**	36%	29%
Number of:			
Chase Private Client locations	**2,514**	2,149	1,218
Personal bankers	**21,039**	23,588	23,674
Sales specialists	**3,994**	5,740	6,076
Client advisors	**3,090**	3,044	2,963
Chase Private Clients	**325,653**	215,888	105,700
Accounts (in thousands)[(a)]	**30,481**	29,437	28,073
Households (in millions)	**25.7**	25.0	24.1

(a) Includes checking accounts and Chase Liquid® cards.

Mortgage Banking

Selected Financial statement data

As of or for the year ended December 31, (in millions, except ratios)	2014	2013	2012
Revenue			
Mortgage fees and related income	**$ 3,560**	$ 5,195	$ 8,680
All other income	**37**	283	475
Noninterest revenue	**3,597**	5,478	9,155
Net interest income	**4,229**	4,758	5,016
Total net revenue	**7,826**	10,236	14,171
Provision for credit losses	**(217)**	(2,681)	(490)
Noninterest expense	**5,284**	7,602	9,121
Income before income tax expense	**2,759**	5,315	5,540
Net income	**$ 1,668**	$ 3,211	$ 3,468
Return on common equity	**9%**	16%	19%
Overhead ratio	**68**	74	64
Equity (period-end and average)	**$ 18,000**	$ 19,500	$ 17,500

2014 compared with 2013
Mortgage Banking net income was $1.7 billion, a decrease of $1.5 billion, or 48%, from the prior year, driven by a lower benefit from the provision for credit losses and lower net revenue, partially offset by lower noninterest expense.

Net revenue was $7.8 billion, a decrease of $2.4 billion, or 24%, compared with the prior year. Net interest income was $4.2 billion, a decrease of $529 million, or 11%, driven by spread compression and lower loan balances due to portfolio runoff and lower warehouse balances. Noninterest revenue was $3.6 billion, a decrease of $1.9 billion, or 34%, driven by lower mortgage fees and related income.

The provision for credit losses was a benefit of $217 million, compared with a benefit of $2.7 billion in the prior year. The current year reflected a $700 million reduction in the allowance for loan losses, reflecting continued improvement in home prices and delinquencies. The prior year included a $3.8 billion reduction in the allowance for loan losses. Net charge-offs were $483 million, compared with $1.1 billion in the prior year.

Noninterest expense was $5.3 billion, a decrease of $2.3 billion, or 30%, from the prior year, due to lower expense in production and servicing reflecting lower headcount-related expense, the absence of non-MBS related legal expense and lower expense on foreclosure-related matters.

2013 compared with 2012
Mortgage Banking net income was $3.2 billion, a decrease of $257 million, or 7%, compared with the prior year, driven by lower net revenue, predominantly offset by a higher benefit from the provision for credit losses and lower noninterest expense.

Net revenue was $10.2 billion, a decrease of $3.9 billion, or 28%, compared with the prior year. Net interest income was $4.8 billion, a decrease of $258 million, or 5%, driven by lower loan balances due to net portfolio runoff. Noninterest revenue was $5.5 billion, a decrease of $3.7 billion, driven by lower mortgage fees and related income.

The provision for credit losses was a benefit of $2.7 billion, compared with a benefit of $490 million in the prior year. The current year reflected a $3.8 billion reduction in the allowance for loan losses due to continued improvement in home prices and delinquencies. The prior year included a $3.9 billion reduction in the allowance for loan losses.

Noninterest expense was $7.6 billion, a decrease of $1.5 billion, or 17%, from the prior year, due to lower servicing expense, partially offset by higher non-MBS related legal expense in Mortgage Production.

Functional results

Year ended December 31, (in millions, except ratios)	2014	2013	2012
Mortgage Production			
Production revenue and other income[(a)]	$ 1,060	$ 2,973	$ 5,877
Production-related net interest income[(a)]	422	635	705
Production-related revenue, excluding repurchase (losses)/benefits	1,482	3,608	6,582
Production expense[(b)]	1,646	3,088	2,747
Income, excluding repurchase (losses)/ benefits	(164)	520	3,835
Repurchase (losses)/benefits	458	331	(272)
Income before income tax expense	294	851	3,563
Mortgage Servicing			
Loan servicing revenue and other income[(a)]	3,294	3,744	4,110
Servicing-related net interest income[(a)]	314	253	93
Servicing-related revenue	3,608	3,997	4,203
Changes in MSR asset fair value due to collection/realization of expected cash flows	(905)	(1,094)	(1,222)
Net servicing-related revenue	2,703	2,903	2,981
Default servicing expense	1,406	2,069	3,707
Core servicing expense[(b)]	865	904	1,033
Servicing Expense	2,271	2,973	4,740
Income/(loss), excluding MSR risk management	432	(70)	(1,759)
MSR risk management, including related net interest income/(expense)	(28)	(268)	616
Income/(loss) before income tax expense/(benefit)	404	(338)	(1,143)
Real Estate Portfolios			
Noninterest revenue	(282)	(209)	43
Net interest income	3,493	3,871	4,221
Total net revenue	3,211	3,662	4,264
Provision for credit losses	(223)	(2,693)	(509)
Noninterest expense	1,373	1,553	1,653
Income before income tax expense	2,061	4,802	3,120
Mortgage Banking income before income tax expense	$ 2,759	$ 5,315	$ 5,540
Mortgage Banking net income	$ 1,668	$ 3,211	$ 3,468
Overhead ratios			
Mortgage Production	85%	78%	43%
Mortgage Servicing	85	113	132
Real Estate Portfolios	43	42	39

(a) Prior periods were revised to conform with the current presentation.
(b) Includes provision for credit losses.

2014 compared with 2013

Mortgage Production pretax income was $294 million, a decrease of $557 million, or 65%, from the prior year, reflecting lower revenue, largely offset by lower expense and higher benefit from repurchase losses. Mortgage production-related revenue, excluding repurchase losses, was $1.5 billion, a decrease of $2.1 billion, from the prior year, driven by lower volumes due to higher levels of mortgage interest rates and tighter margins. Production expense was $1.6 billion, a decrease of $1.4 billion, or 47%, from the prior year, driven by lower headcount-related expense and the absence of non-MBS related legal expense.

Mortgage Servicing pretax income was $404 million, compared with a loss of $338 million in the prior year, reflecting lower expenses and lower MSR risk management loss, partially offset by lower net revenue. Mortgage net servicing-related revenue was $2.7 billion, a decrease of $200 million, or 7%, from the prior year, driven by lower average third-party loans serviced and lower revenue from an exited non-core product, partially offset by lower MSR asset amortization expense as a result of lower MSR asset value. MSR risk management was a loss of $28 million, compared with a loss of $268 million in the prior year. See Note 17 for further information regarding changes in value of the MSR asset and related hedges. Servicing expense was $2.3 billion, a decrease of $702 million, or 24%, from the prior year, reflecting lower headcount-related expense and lower expense for foreclosure related matters.

Real Estate Portfolios pretax income was $2.1 billion, down $2.7 billion, or 57%, from the prior year, due to a lower benefit from the provision for credit losses and lower net revenue, partially offset by lower noninterest expense. Net revenue was $3.2 billion, a decrease of $451 million, or 12%, from the prior year, driven by lower net interest income as a result of spread compression and lower loan balances due to portfolio runoff. The provision for credit losses was a benefit of $223 million, compared with a benefit of $2.7 billion in the prior year. The current-year provision reflected a $700 million reduction in the allowance for loan losses, $400 million from the non credit-impaired allowance and $300 million from the purchased credit-impaired allowance, due to continued improvement in home prices and delinquencies. The prior-year provision reflected a $3.8 billion reduction in the allowance for loan losses, $2.3 billion from the non credit-impaired allowance and $1.5 billion from the purchased credit-impaired allowance. Net charge-offs were $477 million, compared with $1.1 billion in the prior year. See Consumer Credit Portfolio on pages 113–119 for the net charge-off amounts and rates. Noninterest expense was $1.4 billion, a decrease of $180 million, or 12%, compared with the prior year, driven by lower FDIC-related expense and lower foreclosed asset expense due to lower foreclosure inventory.

2013 compared with 2012

Mortgage Production pretax income was $851 million, a decrease of $2.7 billion from the prior year, reflecting lower margins, lower volumes and higher legal expense, partially offset by a benefit in repurchase losses. Production-related revenue, excluding repurchase losses, was $3.6 billion, a decrease of $3.0 billion, or 45%, from the prior year, largely reflecting lower margins and lower volumes from rising rates. Production expense was $3.1 billion, an increase of $341 million, or 12%, from the prior year, due to higher non-MBS related legal expense and higher compensation-related expense. Repurchase losses for the current year reflected a benefit of $331 million, compared with repurchase losses of $272 million in the prior year. The current year reflected a reduction in the repurchase liability largely as a result of the settlement with the GSEs.

Mortgage Servicing pretax loss was $338 million, compared with a pretax loss of $1.1 billion in the prior year, driven by lower expense, partially offset by a MSR risk management loss. Mortgage net servicing-related revenue was $2.9 billion, a decrease of $78 million. MSR risk management was a loss of $268 million, compared with income of $616 million in the prior year, driven by the net impact of various changes in model inputs and assumptions. See Note 17 for further information regarding changes in value of the MSR asset and related hedges. Servicing expense was $3.0 billion, a decrease of $1.8 billion, or 37%, from the prior year, reflecting lower costs associated with the Independent Foreclosure Review and lower servicing headcount.

Real Estate Portfolios pretax income was $4.8 billion, up $1.7 billion from the prior year, or 54%, due to a higher benefit from the provision for credit losses, partially offset by lower net revenue. Net revenue was $3.7 billion, a decrease of $602 million, or 14%, from the prior year. This decrease was due to lower net interest income, resulting from lower loan balances due to net portfolio runoff, and lower noninterest revenue due to higher loan retention. The provision for credit losses was a benefit of $2.7 billion, compared with a benefit of $509 million in the prior year. The current-year provision reflected a $3.8 billion reduction in the allowance for loan losses, $2.3 billion from the non credit-impaired allowance and $1.5 billion from the purchased credit-impaired allowance, reflecting continued improvement in home prices and delinquencies. The prior-year provision included a $3.9 billion reduction in the allowance for loan losses from the non credit-impaired allowance. Net charge-offs were $1.1 billion, compared with $3.3 billion in the prior year. Prior-year total net charge-offs included $744 million of incremental charge-offs reported in accordance with regulatory guidance on certain loans discharged under Chapter 7 bankruptcy. Noninterest expense was $1.6 billion, a decrease of $100 million, or 6%, compared with the prior year, driven by lower foreclosed asset expense due to lower foreclosure inventory, largely offset by higher FDIC-related expense.

Mortgage Production and Mortgage Servicing

Selected metrics

As of or for the year ended December 31, (in millions, except ratios)	**2014**	2013	2012
Selected balance sheet data (Period-end)			
Trading assets - loans[a]	**$ 8,423**	$ 6,832	$ 18,801
Loans:			
Prime mortgage, including option ARMs[b]	**$ 13,557**	$ 15,136	$ 17,290
Loans held-for-sale	**314**	614	–
Selected balance sheet data (average)			
Trading assets - loans[a]	**8,040**	15,603	17,573
Loans:			
Prime mortgage, including option ARMs[b]	**14,993**	16,495	17,335
Loans held-for-sale	**394**	114	–
Average assets	**42,456**	57,131	59,837
Repurchase liability (period-end)	**249**	651	2,530
Credit data and quality statistics			
Net charge-offs:			
Prime mortgage, including option ARMs	**6**	12	19
Net charge-off rate:			
Prime mortgage, including option ARMs	**0.04%**	0.07%	0.11%
30+ day delinquency rate[c]	**2.06**	2.75	3.05
Nonperforming assets[d][e]	**$ 389**	$ 519	$ 599

(a) Predominantly consists of prime mortgages originated with the intent to sell that are accounted for at fair value.

(b) Predominantly represents prime mortgage loans repurchased from Government National Mortgage Association ("Ginnie Mae") pools, which are insured by U.S. government agencies.

(c) At December 31, 2014, 2013 and 2012, excluded mortgage loans insured by U.S. government agencies of $9.7 billion, $9.6 billion and $11.8 billion respectively, that are 30 or more days past due. These amounts have been excluded based upon the government guarantee. For further discussion, see Note 14 which summarizes loan delinquency information.

(d) At December 31, 2014, 2013 and 2012, nonperforming assets excluded: (1) mortgage loans insured by U.S. government agencies of $7.8 billion, $8.4 billion and $10.6 billion respectively, that are 90 or more days past due; and (2) REO insured by U.S. government agencies of $462 million, $2.0 billion and $1.6 billion, respectively. These amounts have been excluded based upon the government guarantee.

(e) Prior periods were revised to conform with the current presentation.

Selected metrics

As of or for the year ended December 31, (in billions, except ratios)	2014	2013	2012
Business metrics			
Mortgage origination volume by channel			
Retail	**$ 29.5**	$ 77.0	$ 101.4
Correspondent[a]	**48.5**	88.5	79.4
Total mortgage origination volume[b]	**$ 78.0**	$ 165.5	$ 180.8
Mortgage application volume by channel			
Retail	**$ 55.6**	$ 108.0	$ 164.5
Correspondent[a]	**63.2**	89.2	101.2
Total mortgage application volume	**$ 118.8**	$ 197.2	$ 265.7
Third-party mortgage loans serviced (period-end)	**$ 751.5**	$ 815.5	$ 859.4
Third-party mortgage loans serviced (average)	**784.6**	837.3	847.0
MSR carrying value (period-end)	**7.4**	9.6	7.6
Ratio of MSR carrying value (period-end) to third-party mortgage loans serviced (period-end)	**0.98%**	1.18%	0.88%
Ratio of loan servicing-related revenue to third-party mortgage loans serviced (average)	**0.36**	0.40	0.46
MSR revenue multiple[c]	**2.72x**	2.95x	1.91x

(a) Includes rural housing loans sourced through correspondents, and prior to November 2013, through both brokers and correspondents, which are underwritten and closed with pre-funding loan approval from the U.S. Department of Agriculture Rural Development, which acts as the guarantor in the transaction.
(b) Firmwide mortgage origination volume was $83.3 billion, $176.4 billion and $189.9 billion for the years ended December 31, 2014, 2013 and 2012, respectively.
(c) Represents the ratio of MSR carrying value (period-end) to third-party mortgage loans serviced (period-end) divided by the ratio of loan servicing-related revenue to third-party mortgage loans serviced (average).

Real Estate Portfolios

Selected metrics

As of or for the year ended December 31, (in millions)	2014	2013	2012
Loans, excluding PCI			
Period-end loans owned:			
Home equity	**$ 50,899**	$ 57,863	$ 67,385
Prime mortgage, including option ARMs	**66,543**	49,463	41,316
Subprime mortgage	**5,083**	7,104	8,255
Other	**477**	551	633
Total period-end loans owned	**$123,002**	$114,981	$117,589
Average loans owned:			
Home equity	**$ 54,410**	$ 62,369	$ 72,674
Prime mortgage, including option ARMs	**56,104**	44,988	42,311
Subprime mortgage	**6,257**	7,687	8,947
Other	**511**	588	675
Total average loans owned	**$117,282**	$115,632	$124,607
PCI loans			
Period-end loans owned:			
Home equity	**$ 17,095**	$ 18,927	$ 20,971
Prime mortgage	**10,220**	12,038	13,674
Subprime mortgage	**3,673**	4,175	4,626
Option ARMs	**15,708**	17,915	20,466
Total period-end loans owned	**$ 46,696**	$ 53,055	$ 59,737
Average loans owned:			
Home equity	**$ 18,030**	$ 19,950	$ 21,840
Prime mortgage	**11,257**	12,909	14,400
Subprime mortgage	**3,921**	4,416	4,777
Option ARMs	**16,794**	19,236	21,545
Total average loans owned	**$ 50,002**	$ 56,511	$ 62,562
Total Real Estate Portfolios			
Period-end loans owned:			
Home equity	**$ 67,994**	$ 76,790	$ 88,356
Prime mortgage, including option ARMs	**92,471**	79,416	75,456
Subprime mortgage	**8,756**	11,279	12,881
Other	**477**	551	633
Total period-end loans owned	**$169,698**	$168,036	$177,326
Average loans owned:			
Home equity	**$ 72,440**	$ 82,319	$ 94,514
Prime mortgage, including option ARMs	**84,155**	77,133	78,256
Subprime mortgage	**10,178**	12,103	13,724
Other	**511**	588	675
Total average loans owned	**$167,284**	$172,143	$187,169
Average assets	**$164,387**	$163,898	$175,712
Home equity origination volume	**3,102**	2,124	1,420

WPD-6 (Part 22)

Credit data and quality statistics

As of or for the year ended December 31, (in millions, except ratios)		2014		2013		2012
Net charge-offs/ (recoveries), excluding PCI loans:[a][b]						
Home equity	$	**473**	$	966	$	2,385
Prime mortgage, including option ARMs		**22**		41		454
Subprime mortgage		**(27)**		90		486
Other		**9**		10		16
Total net charge-offs/ (recoveries), excluding PCI loans	$	**477**	$	1,107	$	3,341
Net charge-off/(recovery) rate, excluding PCI loans:[b]						
Home equity		**0.87%**		1.55%		3.28%
Prime mortgage, including option ARMs		**0.04**		0.09		1.07
Subprime mortgage		**(0.43)**		1.17		5.43
Other		**1.76**		1.70		2.37
Total net charge-off/ (recovery) rate, excluding PCI loans		**0.41**		0.96		2.68
Net charge-off/(recovery) rate – reported:[a][b]						
Home equity		**0.65%**		1.17%		2.52%
Prime mortgage, including option ARMs		**0.03**		0.05		0.58
Subprime mortgage		**(0.27)**		0.74		3.54
Other		**1.76**		1.70		2.37
Total net charge-off/ (recovery) rate – reported		**0.29**		0.64		1.79
30+ day delinquency rate, excluding PCI loans[c]		**2.67%**		3.66%		5.03%
Allowance for loan losses, excluding PCI loans	$	**2,168**	$	2,568	$	4,868
Allowance for PCI loans[a]		**3,325**		4,158		5,711
Allowance for loan losses	$	**5,493**	$	6,726	$	10,579
Nonperforming assets[d]		**5,786**		6,919		8,439
Allowance for loan losses to period-end loans retained		**3.24%**		4.00%		5.97%
Allowance for loan losses to period-end loans retained, excluding PCI loans		**1.76**		2.23		4.14

(a) Net charge-offs and the net charge-off rates excluded $533 million and $53 million of write-offs in the PCI portfolio for the years ended December 31, 2014 and 2013, respectively. These write-offs decreased the allowance for loan losses for PCI loans. For further information on PCI write-offs, see Allowance for Credit Losses on pages 128–130.

(b) Net charge-offs and net charge-off rates for the year ended December 31, 2012, included $744 million of charge-offs related to regulatory guidance. Excluding these charges-offs, net charge-offs for the year ended December 31, 2012, would have been $1.8 billion, $410 million and $416 million for the home equity, prime mortgage, including option ARMs, and subprime mortgage portfolios, respectively. Net charge-off rates for the same period, excluding these charge-offs and PCI loans, would have been 2.41%, 0.97% and 4.65% for the home equity, prime mortgage, including option ARMs, and subprime mortgage portfolios, respectively.

(c) The 30+ day delinquency rate for PCI loans was 13.33% 15.31% and 20.14% at December 31, 2014, 2013 and 2012, respectively.

(d) Excludes PCI loans. The Firm is recognizing interest income on each pool of PCI loans as they are all performing.

Mortgage servicing-related matters

The financial crisis resulted in unprecedented levels of delinquencies and defaults of 1-4 family residential real estate loans. Such loans required varying degrees of loss mitigation activities. Foreclosure is usually a last resort, and accordingly, the Firm has made, and continues to make, significant efforts to help borrowers remain in their homes.

The Firm has entered into various Consent Orders and settlements with federal and state governmental agencies and private parties related to mortgage servicing, origination, and residential mortgage-backed securities activities. The requirements of these Consent Orders and settlements vary, but in the aggregate, include cash compensatory payments (in addition to fines) and/or "borrower relief," which may include principal reduction, refinancing, short sale assistance, and other specified types of borrower relief. Other obligations required under certain Consent Orders and settlements, as well as under new regulatory requirements, include enhanced mortgage servicing and foreclosure standards and processes. The Firm has satisfied or is committed to satisfying these obligations within the mandated timeframes.

The mortgage servicing Consent Orders and settlements are subject to ongoing oversight by the Mortgage Compliance Committee of the Firm's Board of Directors. In addition, certain of the Consent Orders and settlements are the subject of ongoing reporting to various regulators and independent overseers.

The Firm's compliance with the Global Settlement and the RMBS Settlement are detailed in periodic reports published by the independent overseers.

Card, Merchant Services & Auto

Selected income statement data

As of or for the year ended December 31, (in millions, except ratios)	2014	2013	2012
Revenue			
Card income	**$ 4,173**	$ 4,289	$ 4,092
All other income	**993**	1,041	1,009
Noninterest revenue	**5,166**	5,330	5,101
Net interest income	**13,150**	13,559	13,820
Total net revenue	**18,316**	18,889	18,921
Provision for credit losses	**3,432**	2,669	3,953
Noninterest expense[(a)]	**8,176**	8,078	8,216
Income before income tax expense	**6,708**	8,142	6,752
Net income	**$ 4,074**	$ 4,907	$ 4,099
Return on common equity	**21%**	31%	24%
Overhead ratio	**45**	43	43
Equity (period-end and average)	**$ 19,000**	$ 15,500	$ 16,500

(a) Included operating lease depreciation expense of $1.2 billion, $972 million and $817 million for the years ended December 31, 2014, 2013 and 2012, respectively.

2014 compared with 2013

Card net income was $4.1 billion, a decrease of $833 million, or 17%, compared with the prior year, predominantly driven by higher provision for credit losses and lower net revenue.

Net revenue was $18.3 billion, down $573 million or 3% compared with the prior year. Net interest income was $13.2 billion, a decrease of $409 million, or 3%, from the prior year primarily driven by spread compression in Credit Card and Auto, partially offset by higher average loan balances. Noninterest revenue was $5.2 billion, down $164 million, or 3%, from the prior year. The decrease was primarily driven by higher amortization of new account origination costs and the impact of non-core portfolio exits, largely offset by higher auto lease income and net interchange income from higher sales volume.

The provision for credit losses was $3.4 billion, compared with $2.7 billion in the prior year. The current-year provision reflected lower net charge-offs and a $554 million reduction in the allowance for loan losses. The reduction in the allowance for loan losses was primarily related to a decrease in the asset-specific allowance resulting from increased granularity of the impairment estimates and lower balances related to credit card loans modified in TDRs, runoff in the student loan portfolio, and lower estimated losses in auto loans. The prior-year provision included a $1.7 billion reduction in the allowance for loan losses.

Noninterest expense was $8.2 billion, up $98 million, or 1% from the prior year primarily driven by higher auto lease depreciation expense and higher investment in controls, predominantly offset by lower intangible amortization and lower remediation costs.

2013 compared with 2012

Card net income was $4.9 billion, an increase of $808 million, or 20%, compared with the prior year, driven by lower provision for credit losses.

Net revenue was $18.9 billion, flat compared with the prior year. Net interest income was $13.6 billion, down $261 million, or 2%, from the prior year. The decrease was primarily driven by spread compression in Credit Card and Auto and lower average credit card loan balances, largely offset by the impact of lower revenue reversals associated with lower net charge-offs in Credit Card. Noninterest revenue was $5.3 billion, an increase of $229 million, or 4%, compared with the prior year primarily driven by higher net interchange income, auto lease income and merchant servicing revenue, largely offset by lower revenue from an exited non-core product and a gain on an investment security recognized in the prior year.

The provision for credit losses was $2.7 billion, compared with $4.0 billion in the prior year. The current-year provision reflected lower net charge-offs and a $1.7 billion reduction in the allowance for loan losses due to lower estimated losses reflecting improved delinquency trends and restructured loan performance. The prior-year provision included a $1.6 billion reduction in the allowance for loan losses. The Credit Card net charge-off rate was 3.14%, down from 3.95% in the prior year; and the 30+ day delinquency rate was 1.67%, down from 2.10% in the prior year. The Auto net charge-off rate was 0.31%, down from 0.39% in the prior year.

Noninterest expense was $8.1 billion, a decrease of $138 million, or 2%, from the prior year. This decrease was due to one-time expense items recognized in the prior year related to the exit of a non-core product and the write-off of intangible assets associated with a non-strategic relationship. The reduction in expenses was partially offset by increased auto lease depreciation and payments to customers required by a regulatory Consent Order during 2013.

Selected metrics

As of or for the year ended December 31, (in millions, except ratios and where otherwise noted)	2014	2013	2012
Selected balance sheet data (period-end)			
Loans:			
Credit Card	**$ 131,048**	$ 127,791	$ 127,993
Auto	**54,536**	52,757	49,913
Student	**9,351**	10,541	11,558
Total loans	**$ 194,935**	$ 191,089	$ 189,464
Selected balance sheet data (average)			
Total assets	**$ 202,609**	$ 198,265	$ 197,661
Loans:			
Credit Card	**125,113**	123,613	125,464
Auto	**52,961**	50,748	48,413
Student	**9,987**	11,049	12,507
Total loans	**$ 188,061**	$ 185,410	$ 186,384
Business metrics			
Credit Card, excluding Commercial Card			
Sales volume (in billions)	**$ 465.6**	$ 419.5	$ 381.1
New accounts opened	**8.8**	7.3	6.7
Open accounts	**64.6**	65.3	64.5
Accounts with sales activity	**34.0**	32.3	30.6
% of accounts acquired online	**56%**	55%	51%
Merchant Services (Chase Paymentech Solutions)			
Merchant processing volume (in billions)	**$ 847.9**	$ 750.1	$ 655.2
Total transactions (in billions)	**38.1**	35.6	29.5
Auto			
Origination volume (in billions)	**27.5**	26.1	23.4

The following are brief descriptions of selected business metrics within Card, Merchant Services & Auto.

Card Services includes the Credit Card and Merchant Services businesses.

Merchant Services processes transactions for merchants.

Total transactions – Number of transactions and authorizations processed for merchants.

Commercial Card provides a wide range of payment services to corporate and public sector clients worldwide through the commercial card products. Services include procurement, corporate travel and entertainment, expense management services, and business-to-business payment solutions.

Sales volume – Dollar amount of cardmember purchases, net of returns.

Open accounts – Cardmember accounts with charging privileges.

Auto origination volume – Dollar amount of auto loans and leases originated.

Selected metrics

As of or for the year ended December 31, (in millions, except ratios)	2014	2013	2012
Credit data and quality statistics			
Net charge-offs:			
Credit Card	**$ 3,429**	$ 3,879	$ 4,944
Auto[(a)]	**181**	158	188
Student	**375**	333	377
Total net charge-offs	**$ 3,985**	$ 4,370	$ 5,509
Net charge-off rate:			
Credit Card[(b)]	**2.75%**	3.14%	3.95%
Auto[(a)]	**0.34**	0.31	0.39
Student	**3.75**	3.01	3.01
Total net charge-off rate	**2.12**	2.36	2.96
Delinquency rates			
30+ day delinquency rate:			
Credit Card[(c)]	**1.44**	1.67	2.10
Auto	**1.23**	1.15	1.25
Student[(d)]	**2.35**	2.56	2.13
Total 30+ day delinquency rate	**1.42**	1.58	1.87
90+ day delinquency rate – Credit Card[(c)]	**0.70**	0.80	1.02
Nonperforming assets[(e)]	**$ 411**	$ 280	$ 265
Allowance for loan losses:			
Credit Card	**$ 3,439**	$ 3,795	$ 5,501
Auto & Student	**749**	953	954
Total allowance for loan losses	**$ 4,188**	**$ 4,748**	**$ 6,455**
Allowance for loan losses to period-end loans:			
Credit Card[(c)]	**2.69%**	2.98%	4.30%
Auto & Student	**1.17**	1.51	1.55
Total allowance for loan losses to period-end loans	**2.18**	2.49	3.41

(a) Net charge-offs and net charge-off rates for the year ended December 31, 2012, included $53 million of charge-offs of Chapter 7 loans. Excluding these incremental charge-offs, net charge-offs for the year ended December 31, 2012 would have been $135 million, and the net charge-off rate would have been 0.28%.

(b) Average credit card loans included loans held-for-sale of $509 million, $95 million and $433 million for the years ended December 31, 2014, 2013 and 2012, respectively. These amounts are excluded when calculating the net charge-off rate.

(c) Period-end credit card loans included loans held-for-sale of $3.0 billion and $326 million at December 31, 2014 and 2013, respectively. There were no loans held-for-sale at December 31, 2012. These amounts are excluded when calculating delinquency rates and the allowance for loan losses to period-end loans.

(d) Excluded student loans insured by U.S. government agencies under the FFELP of $654 million, $737 million and $894 million at December 31, 2014, 2013 and 2012, respectively, that are 30 or more days past due. These amounts have been excluded based upon the government guarantee.

(e) Nonperforming assets excluded student loans insured by U.S. government agencies under the FFELP of $367 million, $428 million and $525 million at December 31, 2014, 2013 and 2012, respectively, that are 90 or more days past due. These amounts have been excluded from nonaccrual loans based upon the government guarantee.

Card Services supplemental information

Year ended December 31, (in millions, except ratios)	**2014**	2013	2012
Revenue			
Noninterest revenue	**$ 3,593**	$ 3,977	$ 3,887
Net interest income	**11,462**	11,638	11,745
Total net revenue	**15,055**	15,615	15,632
Provision for credit losses	**3,079**	2,179	3,444
Noninterest expense	**6,152**	6,245	6,566
Income before income tax expense	**5,824**	7,191	5,622
Net income	**$ 3,547**	$ 4,340	$ 3,426
Percentage of average loans:			
Noninterest revenue	**2.87%**	3.22%	3.10%
Net interest income	**9.16**	9.41	9.36
Total net revenue	**12.03**	12.63	12.46

CORPORATE & INVESTMENT BANK

The Corporate & Investment Bank, comprised of Banking and Markets & Investor Services, offers a broad suite of investment banking, market-making, prime brokerage, and treasury and securities products and services to a global client base of corporations, investors, financial institutions, government and municipal entities. Within Banking, the CIB offers a full range of investment banking products and services in all major capital markets, including advising on corporate strategy and structure, capital-raising in equity and debt markets, as well as loan origination and syndication. Also included in Banking is Treasury Services, which includes transaction services, comprised primarily of cash management and liquidity solutions, and trade finance products. The Markets & Investor Services segment of the CIB is a global market-maker in cash securities and derivative instruments, and also offers sophisticated risk management solutions, prime brokerage, and research. Markets & Investor Services also includes the Securities Services business, a leading global custodian which includes custody, fund accounting and administration, and securities lending products sold principally to asset managers, insurance companies and public and private investment funds.

Selected income statement data

Year ended December 31, (in millions)	2014	2013	2012
Revenue			
Investment banking fees	$ 6,570	$ 6,331	$ 5,769
Principal transactions[(a)]	8,947	9,289	9,510
Lending- and deposit-related fees	1,742	1,884	1,948
Asset management, administration and commissions	4,687	4,713	4,693
All other income	1,512	1,593	1,184
Noninterest revenue	23,458	23,810	23,104
Net interest income	11,175	10,976	11,658
Total net revenue[(b)]	34,633	34,786	34,762
Provision for credit losses	(161)	(232)	(479)
Noninterest expense			
Compensation expense	10,449	10,835	11,313
Noncompensation expense	12,824	10,909	10,537
Total noninterest expense	23,273	21,744	21,850
Income before income tax expense	11,521	13,274	13,391
Income tax expense	4,596	4,387	4,719
Net income	$ 6,925	$ 8,887	$ 8,672

Note: As discussed on pages 79–80, effective with the fourth quarter of 2014 the Firm changed its methodology for allocating the cost of preferred stock to its reportable business segments. Prior periods have been revised to conform with the current period presentation.

(a) Included FVA (effective 2013) and DVA on OTC derivatives and structured notes, measured at fair value. FVA and DVA gains/(losses) were $468 million and $(1.9) billion for the years ended December 31, 2014 and 2013, respectively. DVA losses were ($930) million for the year ended December 31, 2012.
(b) Included tax-equivalent adjustments, predominantly due to income tax credits related to affordable housing and alternative energy investments, as well as tax-exempt income from municipal bond investments, of $2.5 billion, $2.3 billion and $2.0 billion for the years ended December 31, 2014, 2013 and 2012, respectively.

Selected income statement data

Year ended December 31, (in millions, except ratios)	2014	2013	2012
Financial ratios			
Return on common equity[(a)]	10%	15%	18%
Overhead ratio[(b)]	67	63	63
Compensation expense as percentage of total net revenue[(c)]	30	31	33
Revenue by business			
Advisory	$ 1,627	$ 1,315	$ 1,491
Equity underwriting	1,571	1,499	1,026
Debt underwriting	3,372	3,517	3,252
Total investment banking fees	6,570	6,331	5,769
Treasury Services	4,145	4,171	4,249
Lending	1,130	1,669	1,389
Total Banking	11,845	12,171	11,407
Fixed Income Markets[(d)]	13,848	15,832	15,701
Equity Markets	4,861	4,803	4,448
Securities Services	4,351	4,100	4,000
Credit Adjustments & Other[(e)]	(272)	(2,120)	(794)
Total Markets & Investor Services	22,788	22,615	23,355
Total net revenue	$34,633	$34,786	$34,762

(a) Return on equity excluding FVA (effective 2013) and DVA, a non-GAAP financial measure, was 17% and 19% for the years ended December 31, 2013 and 2012, respectively.
(b) Overhead ratio excluding FVA (effective 2013) and DVA, a non-GAAP financial measure, was 59% and 61% for the years ended December 31, 2013 and 2012, respectively.
(c) Compensation expense as a percentage of total net revenue excluding FVA (effective 2013) and DVA, a non-GAAP financial measure, was 30% and 32% for the years ended December 31, 2013 and 2012, respectively.
(d) Includes results of the synthetic credit portfolio that was transferred from the CIO effective July 2, 2012.
(e) Consists primarily of credit valuation adjustments ("CVA") managed by the credit portfolio group, and FVA (effective 2013) and DVA on OTC derivatives and structured notes. Results are presented net of associated hedging activities and net of CVA and FVA amounts allocated to Fixed Income Markets and Equity Markets.

Prior to January 1, 2014, CIB provided several non-GAAP financial measures excluding the impact of implementing the FVA framework (effective 2013) and DVA on: net revenue, net income, compensation ratio, overhead ratio, and return on equity. Beginning in the first quarter 2014, the Firm did not exclude FVA and DVA from its assessment of business performance; however, the Firm continues to present these non-GAAP measures for the periods prior to January 1, 2014, as they reflected how management assessed the underlying business performance of the CIB in those prior periods. In addition, the ratio for the allowance for loan losses to end-of-period loans, also a non-GAAP financial measure, is *calculated excluding the impact of consolidated Firm-administered multi-seller conduits and trade finance, to provide a more meaningful assessment of CIB's allowance coverage ratio. These measures are used by management to assess the underlying performance of the business and for comparability with peers.*

2014 compared with 2013
Net income was $6.9 billion, down 22% compared with $8.9 billion in the prior year. These results primarily reflected lower revenue as well as higher noninterest expense. Net revenue was $34.6 billion, flat compared with the prior year.

Banking revenue was $11.8 billion, down 3% from the prior year. Investment banking fees were $6.6 billion, up 4% from the prior year. The increase was driven by higher advisory and equity underwriting fees, partially offset by lower debt underwriting fees. Advisory fees were $1.6 billion up 24% on stronger share of fees for completed transactions as well as growth in the industry-wide fee levels, according to Dealogic. Equity underwriting fees were $1.6 billion up 5%, driven by higher industry wide issuance. Debt underwriting fees were $3.4 billion, down 4%, primarily related to lower loan syndication fees on lower industry-wide fee levels and lower bond underwriting fees. The Firm also ranked #1 globally in fees and volumes share across high grade, high yield and loan products. The Firm maintained its #2 ranking for M&A, and improved share of fees both globally and in the U.S. compared to the prior year. Treasury Services revenue was $4.1 billion, down 1% compared with the prior year, primarily driven by lower trade finance revenue as well as the impact of business simplification initiatives, largely offset by higher net interest income from increased deposits. Lending revenue was $1.1 billion, down from $1.7 billion in the prior year, driven by losses, compared with gains in the prior periods, on securities received from restructured loans, as well as lower net interest income.

Markets & Investor Services revenue was $22.8 billion, up 1% from the prior year. Fixed Income Markets revenue was $13.8 billion down 13% from the prior year driven by lower revenues in Fixed Income primarily from credit-related and rates products as well as the impact of business simplification. Equity Markets revenue was $4.9 billion up 1% as higher prime services revenue was partially offset by lower equity derivatives revenue. Securities Services revenue was $4.4 billion, up 6% from the prior year, primarily driven by higher net interest income on increased deposits and higher fees and commissions. Credit Adjustments & Other revenue was a loss of $272 million driven by net CVA losses partially offset by gains, net of hedges, related to FVA/DVA. The prior year was a loss of $2.1 billion (including the FVA implementation loss of $1.5 billion and DVA losses of $452 million).

Noninterest expense was $23.3 billion, up 7% compared to the prior year as a result of higher legal expense and investment in controls. This was partially offset by lower performance-based compensation expense as well as the impact of business simplification, including the sale or liquidation of a significant part of the physical commodities business. The compensation expense to net revenue ratio was 30%.

Return on equity was 10% on $61.0 billion of average allocated capital.

2013 compared with 2012
Net income was $8.9 billion, up 2% compared with the prior year.

Net revenue was $34.8 billion, flat compared with the prior year. Net revenue in 2013 included a $1.5 billion loss as a result of implementing a FVA framework for OTC derivatives and structured notes. The FVA framework incorporates the impact of funding into the Firm's valuation estimates for OTC derivatives and structured notes and reflects an industry migration towards incorporating the market cost of unsecured funding in the valuation of such instruments. The loss recorded in 2013 was a one-time adjustment arising on implementation of the new FVA framework.

Net revenue in 2013 also included a $452 million loss from DVA on structured notes and derivative liabilities, compared with a loss of $930 million in the prior year. Excluding the impact of FVA and DVA, net revenue was $36.7 billion and net income was $10.1 billion, compared with $35.7 billion and $9.2 billion, respectively in the prior year.

Banking revenue was $12.2 billion, compared with $11.4 billion in the prior year. Investment banking fees were $6.3 billion, up 10% from the prior year, driven by higher equity underwriting fees of $1.5 billion (up 46%) and record debt underwriting fees of $3.5 billion (up 8%), partially offset by lower advisory fees of $1.3 billion (down 12%). Equity underwriting results were driven by higher industry-wide issuance and an increase in share of fees compared with the prior year, according to Dealogic. Industry-wide loan syndication volumes and fees increased as the low-rate environment continued to fuel refinancing activity. The Firm also ranked #1 in industry-wide fee shares across high grade, high yield and loan products. Advisory fees were lower compared with the prior year as industry-wide completed M&A industry-wide fee levels declined 13%. The Firm maintained its #2 ranking and improved share for both announced and completed volumes during the year.

Treasury Services revenue was $4.2 billion, down 2% compared with the prior year, primarily reflecting lower trade finance spreads, partially offset by higher net interest income on higher deposit balances. Lending revenue was $1.7 billion, up from $1.4 billion, in the prior year reflecting net interest income on retained loans, fees on lending-related commitments, and gains on securities received from restructured loans.

Markets and Investor Services revenue was $22.6 billion compared to $23.4 billion in the prior year. Combined Fixed Income and Equity Markets revenue was $20.6 billion, up from $20.1 billion the prior year. Fixed Income Markets revenue was $15.8 billion slightly higher reflecting consistently strong client revenue and lower losses from the synthetic credit portfolio, which was partially offset by lower rates-related revenue given an uncertain rate outlook and low spread environment. Equities Markets revenue was

$4.8 billion up 8% compared with the prior year driven by higher revenue in derivatives and cash equities products and Prime Services primarily on higher balances. Securities Services revenue was $4.1 billion compared with $4.0 billion in the prior year on higher custody and fund services revenue primarily driven by higher assets under custody of $20.5 trillion. Credit Adjustments & Other was a loss of $2.1 billion predominantly driven by FVA (effective 2013) and DVA.

The provision for credit losses was a benefit of $232 million, compared with a benefit of $479 million in the prior year. The 2013 benefit reflected lower recoveries as compared with 2012 as the prior year benefited from the restructuring of certain nonperforming loans. Net recoveries were $78 million, compared with $284 million in the prior year reflecting a continued favorable credit environment with stable credit quality trends. Nonperforming loans were down 57% from the prior year.

Noninterest expense was $21.7 billion slightly down compared with the prior year, driven by lower compensation expense, offset by higher noncompensation expense related to higher litigation expense as compared with the prior year. The compensation ratio, excluding the impact of DVA and FVA (effective 2013), was 30% and 32% for 2013 and 2012, respectively.

Return on equity was 15% on $56.5 billion of average allocated capital and 17% excluding FVA (effective 2013) and DVA.

Selected metrics

As of or for the year ended December 31, (in millions, except headcount)	**2014**	2013	2012
Selected balance sheet data (period-end)			
Assets	**$ 861,819**	$ 843,577	$ 876,107
Loans:			
Loans retained[(a)]	**96,409**	95,627	109,501
Loans held-for-sale and loans at fair value	**5,567**	11,913	5,749
Total loans	**101,976**	107,540	115,250
Equity	**61,000**	56,500	47,500
Selected balance sheet data (average)			
Assets	**$ 854,712**	$ 859,071	$ 854,670
Trading assets-debt and equity instruments	**317,535**	321,585	312,944
Trading assets-derivative receivables	**64,833**	70,353	74,874
Loans:			
Loans retained[(a)]	**95,764**	104,864	110,100
Loans held-for-sale and loans at fair value	**7,599**	5,158	3,502
Total loans	**103,363**	110,022	113,602
Equity	**61,000**	56,500	47,500
Headcount	**51,129**	52,250	52,022

(a) Loans retained includes credit portfolio loans, trade finance loans, other held-for-investment loans and overdrafts.

Selected metrics

As of or for the year ended December 31, (in millions, except ratios and where otherwise noted)	**2014**	2013	2012
Credit data and quality statistics			
Net charge-offs/ (recoveries)	**$ (12)**	$ (78)	$ (284)
Nonperforming assets:			
Nonaccrual loans:			
Nonaccrual loans retained[(a)(b)]	**110**	163	535
Nonaccrual loans held-for-sale and loans at fair value	**11**	180	254
Total nonaccrual loans	**121**	343	789
Derivative receivables	**275**	415	239
Assets acquired in loan satisfactions	**67**	80	64
Total nonperforming assets	**463**	838	1,092
Allowance for credit losses:			
Allowance for loan losses	**1,034**	1,096	1,300
Allowance for lending-related commitments	**439**	525	473
Total allowance for credit losses	**1,473**	1,621	1,773
Net charge-off/(recovery) rate[(a)]	**(0.01)%**	(0.07)%	(0.26)%
Allowance for loan losses to period-end loans retained[(a)]	**1.07**	1.15	1.19
Allowance for loan losses to period-end loans retained, excluding trade finance and conduits	**1.82**	2.02	2.52
Allowance for loan losses to nonaccrual loans retained[(a)(b)]	**940**	672	243
Nonaccrual loans to total period-end loans	**0.12**	0.32	0.68

(a) Loans retained includes credit portfolio loans, trade finance loans, other held-for-investment loans and overdrafts.

(b) Allowance for loan losses of $18 million, $51 million and $153 million were held against these nonaccrual loans at December 31, 2014, 2013 and 2012, respectively.

Business metrics

As of or for the year ended December 31, (in millions, except ratios and where otherwise noted)	2014	2013	2012
Market risk-related revenue – trading loss days[(a)]	**9**	0	7
Assets under custody ("AUC") by asset class (period-end) in billions:			
Fixed Income	**$ 12,328**	$ 11,903	$ 11,745
Equity	**6,524**	6,913	5,637
Other[(b)]	**1,697**	1,669	1,453
Total AUC	**$ 20,549**	$ 20,485	$ 18,835
Client deposits and other third party liabilities (average)[(c)]	**$417,369**	$383,667	$355,766
Trade finance loans (period-end)	**25,713**	30,752	35,783

(a) Market risk-related revenue is defined as the change in value of: principal transactions revenue; trading-related net interest income; brokerage commissions, underwriting fees or other revenue; and revenue from syndicated lending facilities that the Firm intends to distribute; gains and losses from DVA and FVA are excluded. Market risk-related revenue – trading loss days represent the number of days for which the CIB posted losses under this measure. The loss days determined under this measure differ from the loss days that are determined based on the disclosure of market risk-related gains and losses for the Firm in the VaR back-testing discussion on pages 134–135.
(b) Consists of mutual funds, unit investment trusts, currencies, annuities, insurance contracts, options and other contracts.
(c) Client deposits and other third party liabilities pertain to the Treasury Services and Securities Services businesses, and include deposits, as well as deposits that are swept to on-balance sheet liabilities (e.g., commercial paper, federal funds purchased and securities loaned or sold under repurchase agreements) as part of their client cash management program.

League table results – IB Fee Share[(a)]

	2014		2013		2012	
Year ended December 31,	Fee Share	Rankings	Fee Share	Rankings	Fee Share	Rankings
Debt, equity and equity-related						
Global	**7.6%**	**#1**	8.3%	#1	7.8%	#1
U.S.	**10.7**	**1**	11.5	1	11.1	1
Long-term debt[(b)]						
Global	**8.0**	**1**	8.2	1	8.3	1
U.S.	**11.6**	**1**	11.6	1	11.7	1
Equity and equity-related						
Global[(c)]	**7.1**	**3**	8.4	2	7.1	1
U.S.	**9.6**	**2**	11.3	2	10.1	2
M&A[(d)]						
Global	**8.2**	**2**	7.6	2	6.5	2
U.S.	**10.0**	**2**	8.8	2	7.7	2
Loan syndications						
Global	**9.5**	**1**	9.9	1	8.2	2
U.S.	**13.3**	**1**	13.8	1	11.2	2
Global Investment Banking fees	**8.1%**	**#1**	8.5%	#1	7.5%	#1

League table results – volumes[(e)]

	2014		2013		2012	
Year ended December 31,	Market Share	Rankings	Market Share	Rankings	Market Share	Rankings
Debt, equity and equity-related						
Global	**6.8%**	**#1**	7.3%	#1	7.2%	#1
U.S.	**11.8**	**1**	12.0	1	11.5	1
Long-term debt[(b)]						
Global	**6.7**	**1**	7.2	1	7.1	1
U.S.	**11.3**	**1**	11.7	1	11.6	1
Equity and equity-related						
Global[(c)]	**7.6**	**3**	8.2	2	7.8	4
U.S.	**11.0**	**2**	12.1	2	10.4	5
M&A announced[(d)]						
Global	**21.6**	**2**	23.5	2	20.0	2
U.S.	**27.8**	**2**	36.4	2	24.3	2
Loan syndications						
Global	**12.4**	**1**	11.6	1	11.6	1
U.S.	**19.4**	**1**	17.8	1	18.2	1

(a) Source: Dealogic. Reflects the ranking and share of Global Investment Banking fees
(b) Long-term debt rankings include investment-grade, high-yield, supranationals, sovereigns, agencies, covered bonds, asset-backed securities ("ABS") and mortgage-backed securities; and exclude money market, short-term debt, and U.S. municipal securities.
(c) Global equity and equity-related rankings include rights offerings and Chinese A-Shares.
(d) M&A and Announced M&A rankings reflect the removal of any withdrawn transactions. U.S. M&A revenue wallet represents wallet from client parents based in the U.S. U.S. announced M&A volumes represents any U.S. involvement ranking.
(e) Source: Dealogic. Reflects transaction volume and market share. Global announced M&A is based on transaction value at announcement; because of joint M&A assignments, M&A market share of all participants will add up to more than 100%. All other transaction volume-based rankings are based on proceeds, with full credit to each book manager/equal if joint.

International metrics

Year ended December 31, (in millions)	2014	2013	2012
Total net revenue[a]			
Europe/Middle East/Africa	**$ 11,598**	$ 10,689	$ 10,787
Asia/Pacific	**4,698**	4,736	4,128
Latin America/Caribbean	**1,179**	1,340	1,533
Total international net revenue	**17,475**	16,765	16,448
North America	**17,158**	18,021	18,314
Total net revenue	**$ 34,633**	$ 34,786	$ 34,762
Loans (period-end)[a]			
Europe/Middle East/Africa	**$ 27,155**	$ 29,392	$ 30,266
Asia/Pacific	**19,992**	22,151	27,193
Latin America/Caribbean	**8,950**	8,362	10,220
Total international loans	**56,097**	59,905	67,679
North America	**40,312**	35,722	41,822
Total loans	**$ 96,409**	$ 95,627	$ 109,501
Client deposits and other third-party liabilities (average)[a]			
Europe/Middle East/Africa	**$ 152,712**	$ 143,807	$ 127,326
Asia/Pacific	**66,933**	54,428	51,180
Latin America/Caribbean	**22,360**	15,301	11,052
Total international	**$ 242,005**	$ 213,536	$ 189,558
North America	**175,364**	170,131	166,208
Total client deposits and other third-party liabilities	**$ 417,369**	$ 383,667	$ 355,766
AUC (period-end) (in billions)[a]			
North America	**$ 11,987**	$ 11,299	$ 10,504
All other regions	**8,562**	9,186	8,331
Total AUC	**$ 20,549**	$ 20,485	$ 18,835

(a) Total net revenue is based predominantly on the domicile of the client or location of the trading desk, as applicable. Loans outstanding (excluding loans held-for-sale and loans at fair value), client deposits and other third-party liabilities, and AUC are based predominantly on the domicile of the client.

COMMERCIAL BANKING

Commercial Banking delivers extensive industry knowledge, local expertise and dedicated service to U.S. and U.S. multinational clients, including corporations, municipalities, financial institutions and nonprofit entities with annual revenue generally ranging from $20 million to $2 billion. CB provides financing to real estate investors and owners. Partnering with the Firm's other businesses, CB provides comprehensive financial solutions, including lending, treasury services, investment banking and asset management to meet its clients' domestic and international financial needs.

Selected income statement data

Year ended December 31, (in millions, except ratios)	2014	2013	2012
Revenue			
Lending- and deposit-related fees	**$ 978**	$ 1,033	$ 1,072
Asset management, administration and commissions	**92**	116	130
All other income[a]	**1,279**	1,149	1,081
Noninterest revenue	**2,349**	2,298	2,283
Net interest income	**4,533**	4,794	4,629
Total net revenue[b]	**6,882**	7,092	6,912
Provision for credit losses	**(189)**	85	41
Noninterest expense			
Compensation expense	**1,203**	1,115	1,014
Noncompensation expense	**1,492**	1,495	1,375
Total noninterest expense	**2,695**	2,610	2,389
Income before income tax expense	**4,376**	4,397	4,482
Income tax expense	**1,741**	1,749	1,783
Net income	**$ 2,635**	$ 2,648	$ 2,699
Revenue by product			
Lending	**$ 3,576**	$ 3,945	$ 3,762
Treasury services	**2,448**	2,429	2,428
Investment banking	**684**	575	545
Other	**174**	143	177
Total Commercial Banking net revenue	**$ 6,882**	$ 7,092	$ 6,912
Investment banking revenue, gross	**$ 1,986**	$ 1,676	$ 1,597
Revenue by client segment			
Middle Market Banking	**$ 2,838**	$ 3,075	$ 3,010
Corporate Client Banking	**1,935**	1,851	1,843
Commercial Term Lending	**1,252**	1,239	1,206
Real Estate Banking	**495**	561	450
Other	**362**	366	403
Total Commercial Banking net revenue	**$ 6,882**	$ 7,092	$ 6,912
Financial ratios			
Return on common equity	**18%**	19%	28%
Overhead ratio	**39**	37	35

Note: As discussed on pages 79–80, effective with the fourth quarter of 2014 the Firm changed its methodology for allocating the cost of preferred stock to its reportable business segments. Prior periods have been revised to conform with the current period presentation.

(a) Includes revenue from investment banking products and commercial card transactions.
(b) Total net revenue included tax-equivalent adjustments from income tax credits related to equity investments in designated community development entities that provide loans to qualified businesses in low-income communities, as well as tax-exempt income from municipal bond activity of $462 million, $407 million and $381 million for the years ended December 31, 2014, 2013 and 2012, respectively.

2014 compared with 2013

Net income was $2.6 billion, flat compared with the prior year, reflecting lower net revenue and higher noninterest expense, predominantly offset by a lower provision for credit losses.

Net revenue was $6.9 billion, a decrease of $210 million, or 3%, compared with the prior year. Net interest income was $4.5 billion, a decrease of $261 million, or 5%, reflecting yield compression, the absence of proceeds received in the prior year from a lending-related workout, and lower purchase discounts recognized on loan repayments, partially offset by higher loan balances. Noninterest revenue was $2.3 billion, up $51 million, or 2%, reflecting higher investment banking revenue largely offset by business simplification and lower lending fees.

Noninterest expense was $2.7 billion, an increase of $85 million, or 3%, from the prior year, largely reflecting higher investments in controls.

2013 compared with 2012

Net income was $2.6 billion, a decrease of $51 million, or 2%, from the prior year, driven by an increase in noninterest expense and the provision for credit losses, partially offset by an increase in net revenue.

Net revenue was a record $7.1 billion, an increase of $180 million, or 3%, from the prior year. Net interest income was $4.8 billion, up by $165 million, or 4%, driven by higher loan balances and proceeds from a lending-related workout, partially offset by lower purchase discounts recognized on loan repayments. Noninterest revenue was $2.3 billion, flat compared with the prior year.

Noninterest expense was $2.6 billion, an increase of $221 million, or 9%, from the prior year, reflecting higher product- and headcount-related expense.

CB revenue comprises the following:

Lending includes a variety of financing alternatives, which are predominantly secured by receivables, inventory, equipment, real estate or other assets. Products include term loans, revolving lines of credit, bridge financing, asset-based structures, leases, commercial card products and standby letters of credit.

Treasury services includes revenue from a broad range of products and services that enable CB clients to manage payments and receipts, as well as invest and manage funds.

Investment banking includes revenue from a range of products that provide CB clients with sophisticated capital-raising alternatives, as well as balance sheet and risk management tools through advisory, equity underwriting, and loan syndications. Revenue from Fixed income and Equity market products used by CB clients is also included. Investment banking revenue, gross, represents total revenue related to investment banking products sold to CB clients.

Other product revenue primarily includes tax-equivalent adjustments generated from Community Development Banking activities and certain income derived from principal transactions.

CB is divided into four primary client segments: Middle Market Banking, Corporate Client Banking, Commercial Term Lending, and Real Estate Banking.

Middle Market Banking covers corporate, municipal and nonprofit clients, with annual revenue generally ranging between $20 million and $500 million.

Corporate Client Banking covers clients with annual revenue generally ranging between $500 million and $2 billion and focuses on clients that have broader investment banking needs.

Commercial Term Lending primarily provides term financing to real estate investors/owners for multifamily properties as well as office, retail and industrial properties.

Real Estate Banking provides full-service banking to investors and developers of institutional-grade real estate investment properties.

Other primarily includes lending and investment activities within the Community Development Banking and Chase Capital businesses.

Selected metrics

As of or for the year ended December 31, (in millions, except headcount)	**2014**	2013	2012
Selected balance sheet data (period-end)			
Total assets	**$ 195,267**	$ 190,782	$ 181,502
Loans:			
Loans retained	**147,661**	135,750	126,996
Loans held-for-sale and loans at fair value	**845**	1,388	1,212
Total loans	**$ 148,506**	$ 137,138	$ 128,208
Equity	**14,000**	13,500	9,500
Period-end loans by client segment			
Middle Market Banking	**$ 53,635**	$ 52,289	$ 50,552
Corporate Client Banking	**22,695**	20,925	21,707
Commercial Term Lending	**54,038**	48,925	43,512
Real Estate Banking	**13,298**	11,024	8,552
Other	**4,840**	3,975	3,885
Total Commercial Banking loans	**$ 148,506**	$ 137,138	$ 128,208
Selected balance sheet data (average)			
Total assets	$ 191,857	$ 185,776	$ 165,111
Loans:			
Loans retained	140,982	131,100	119,218
Loans held-for-sale and loans at fair value	782	930	882
Total loans	$ 141,764	$ 132,030	$ 120,100
Client deposits and other third-party liabilities	204,017	198,356	195,912
Equity	14,000	13,500	9,500
Average loans by client segment			
Middle Market Banking	**$ 52,444**	$ 51,830	$ 47,009
Corporate Client Banking	**21,608**	20,918	19,572
Commercial Term Lending	**51,120**	45,989	40,872
Real Estate Banking	**12,080**	9,582	8,562
Other	**4,512**	3,711	4,085
Total Commercial Banking loans	**$ 141,764**	$ 132,030	$ 120,100
Headcount	**7,262**	6,848	6,117

Selected metrics (continued)

As of or for the year ended December 31, (in millions, except ratios)	**2014**	2013	2012
Credit data and quality statistics			
Net charge-offs/(recoveries)	**$ (7)**	$ 43	$ 35
Nonperforming assets			
Nonaccrual loans:			
Nonaccrual loans retained[a]	**317**	471	644
Nonaccrual loans held-for-sale and loans at fair value	**14**	43	29
Total nonaccrual loans	**331**	514	673
Assets acquired in loan satisfactions	**10**	15	14
Total nonperforming assets	**341**	529	687
Allowance for credit losses:			
Allowance for loan losses	**2,466**	2,669	2,610
Allowance for lending-related commitments	**165**	142	183
Total allowance for credit losses	**2,631**	2,811	2,793
Net charge-off/(recovery) rate[b]	—%	0.03%	0.03%
Allowance for loan losses to period-end loans retained	1.67	1.97	2.06
Allowance for loan losses to nonaccrual loans retained[a]	778	567	405
Nonaccrual loans to total period-end loans	0.22	0.37	0.52

(a) An allowance for loan losses of $45 million, $81 million and $107 million was held against nonaccrual loans retained at December 31, 2014, 2013 and 2012, respectively.
(b) Loans held-for-sale and loans at fair value were excluded when calculating the net charge-off/(recovery) rate.

ASSET MANAGEMENT

Asset Management, with client assets of $2.4 trillion, is a global leader in investment and wealth management. AM clients include institutions, high-net-worth individuals and retail investors in every major market throughout the world. AM offers investment management across all major asset classes including equities, fixed income, alternatives and money market funds. AM also offers multi-asset investment management, providing solutions for a broad range of clients' investment needs. For Global Wealth Management clients, AM also provides retirement products and services, brokerage and banking services including trusts and estates, loans, mortgages and deposits. The majority of AM's client assets are in actively managed portfolios.

Selected income statement data

Year ended December 31, (in millions, except ratios and headcount)	2014	2013	2012
Revenue			
Asset management, administration and commissions	**$ 9,024**	$ 8,232	$ 7,041
All other income	**564**	797	806
Noninterest revenue	**9,588**	9,029	7,847
Net interest income	**2,440**	2,376	2,163
Total net revenue	**12,028**	11,405	10,010
Provision for credit losses	**4**	65	86
Noninterest expense			
Compensation expense	**5,082**	4,875	4,405
Noncompensation expense	**3,456**	3,141	2,699
Total noninterest expense	**8,538**	8,016	7,104
Income before income tax expense	**3,486**	3,324	2,820
Income tax expense	**1,333**	1,241	1,078
Net income	**$ 2,153**	$ 2,083	$ 1,742
Revenue by line of business			
Global Investment Management	**$ 6,327**	$ 5,951	$ 5,141
Global Wealth Management	**5,701**	5,454	4,869
Total net revenue	**$12,028**	$11,405	$10,010
Financial ratios			
Return on common equity	**23%**	23%	24%
Overhead ratio	**71**	70	71
Pretax margin ratio:			
Global Investment Management	**31**	32	30
Global Wealth Management	**27**	26	26
Asset Management	**29**	29	28
Headcount	**19,735**	20,048	18,645
Number of client advisors	**2,836**	2,962	2,821

Note: As discussed on pages 79–80, effective with the fourth quarter of 2014 the Firm changed its methodology for allocating the cost of preferred stock to its reportable business segments. Prior periods have been revised to conform with the current period presentation.

2014 compared with 2013

Net income was $2.2 billion, an increase of $70 million, or 3%, from the prior year, reflecting higher net revenue and lower provision for credit losses, predominantly offset by higher noninterest expense.

Net revenue was $12.0 billion, an increase of $623 million, or 5%, from the prior year. Noninterest revenue was $9.6 billion, up $559 million, or 6%, from the prior year, due to net client inflows and the effect of higher market levels, partially offset by lower valuations of seed capital investments. Net interest income was $2.4 billion, up $64 million, or 3%, from the prior year, due to higher loan and deposit balances, largely offset by spread compression.

Revenue from Global Investment Management was $6.3 billion, up 6% due to net client inflows and the effect of higher market levels, partially offset by lower valuations of seed capital investments. Revenue from Global Wealth Management was $5.7 billion, up 5% from the prior year due to higher net interest income from loan and deposit balances and net client inflows, partially offset by spread compression and lower brokerage revenue.

Noninterest expense was $8.5 billion, an increase of $522 million, or 7%, from the prior year, as the business continues to invest in both infrastructure and controls.

2013 compared with 2012

Net income was $2.1 billion, an increase of $341 million, or 20%, from the prior year, reflecting higher net revenue, largely offset by higher noninterest expense.

Net revenue was $11.4 billion, an increase of $1.4 billion, or 14%, from the prior year. Noninterest revenue was $9.0 billion, up $1.2 billion, or 15%, from the prior year, due to net client inflows, the effect of higher market levels and higher performance fees. Net interest income was $2.4 billion, up $213 million, or 10%, from the prior year, due to higher loan and deposit balances, partially offset by narrower loan and deposit spreads.

Revenue from Global Investment Management was $6.0 billion, up 16% due to net client inflows, the effect of higher market levels and higher performance fees. Revenue from Global Wealth Management was $5.5 billion, up 12% from the prior year due to higher net interest income from loan and deposit balances and higher brokerage revenue.

Noninterest expense was $8.0 billion, an increase of $912 million, or 13%, from the prior year, primarily due to higher headcount-related expense driven by continued front office expansion efforts, higher performance-based compensation and costs related to the control agenda.

AM’s lines of business comprise the following:

Global Investment Management provides comprehensive global investment services, including asset management, pension analytics, asset-liability management and active risk-budgeting strategies.

Global Wealth Management offers investment advice and wealth management, including investment management, capital markets and risk management, tax and estate planning, banking, lending and specialty-wealth advisory services.

AM’s client segments comprise the following:

Private Banking clients include high- and ultra-high-net-worth individuals, families, money managers, business owners and small corporations worldwide.

Institutional clients include both corporate and public institutions, endowments, foundations, nonprofit organizations and governments worldwide.

Retail clients include financial intermediaries and individual investors.

J.P. Morgan Asset Management has two high-level measures of its overall fund performance.

- **Percentage of mutual fund assets under management in funds rated 4- or 5-star:** Mutual fund rating services rank funds based on their risk-adjusted performance over various periods. A 5-star rating is the best rating and represents the top 10% of industry-wide ranked funds. A 4-star rating represents the next 22.5% of industry-wide ranked funds. A 3-star rating represents the next 35% of industry-wide ranked funds. A 2-star rating represents the next 22.5% of industry-wide ranked funds. A 1-star rating is the worst rating and represents the bottom 10% of industry-wide ranked funds. The “overall Morningstar rating” is derived from a weighted average of the performance figures associated with a fund’s three-, five- and ten-year (if applicable) Morningstar Rating metrics. For U.S. domiciled funds, separate star ratings are given at the individual share class level. The Nomura “star rating” is based on three-year risk-adjusted performance only. Funds with fewer than three years of history are not rated and hence excluded from this analysis. All ratings, the assigned peer categories and the asset values used to derive this analysis are sourced from these fund rating providers as mentioned in footnote (a). The data providers re-denominate the asset values into USD. This % of AUM is based on star ratings at the share class level for U.S. domiciled funds, and at a “primary share class” level to represent the star rating of all other funds except for Japan where Nomura provides ratings at the fund level. The “primary share class”, as defined by Morningstar, denotes the share class recommended as being the best proxy for the portfolio and in most cases will be the most retail version (based upon annual management charge, minimum investment, currency and other factors). Past performance is not indicative of future results.
- **Percentage of mutual fund assets under management in funds ranked in the 1st or 2nd quartile (one, three and five years):** All quartile rankings, the assigned peer categories and the asset values used to derive this analysis are sourced from the fund ranking providers mentioned in footnote (b). Quartile rankings are done on the net-of-fee absolute return of each fund. The data providers re-denominate the asset values into USD. This % of AUM is based on fund performance and associated peer rankings at the share class level for U.S. domiciled funds, at a “primary share class” level to represent the quartile ranking of Luxembourg, U.K. and Hong Kong funds and at the fund level for all other funds. The “primary share class”, as defined by Morningstar, denotes the share class recommended as being the best proxy for the portfolio and in most cases will be the most retail version (based upon annual management charge, minimum investment, currency and other factors). Where peer group rankings given for a fund are in more than one “primary share class” territory both rankings are included to reflect local market competitiveness (applies to “Offshore Territories” and “HK SFC Authorized” funds only). Past performance is not indicative of future results.

Selected metrics

As of or for the year ended December 31, (in millions, except ranking data and ratios)	**2014**	2013	2012
% of JPM mutual fund assets rated as 4- or 5-star[(a)]	**52%**	49%	47%
% of JPM mutual fund assets ranked in 1st or 2nd quartile:[(b)]			
1 year	**72**	68	67
3 years	**72**	68	74
5 years	**76**	69	76
Selected balance sheet data (period-end)			
Total assets	**$ 128,701**	$ 122,414	$ 108,999
Loans[(c)]	**104,279**	95,445	80,216
Deposits	**155,247**	146,183	144,579
Equity	**9,000**	9,000	7,000
Selected balance sheet data (average)			
Total assets	**$ 126,440**	$ 113,198	$ 97,447
Loans	**99,805**	86,066	68,719
Deposits	**150,121**	139,707	129,208
Equity	**9,000**	9,000	7,000
Credit data and quality statistics			
Net charge-offs	**$ 6**	$ 40	$ 64
Nonaccrual loans	**218**	167	250
Allowance for credit losses:			
Allowance for loan losses	**271**	278	248
Allowance for lending-related commitments	**5**	5	5
Total allowance for credit losses	**276**	283	253
Net charge-off rate	**0.01%**	0.05%	0.09%
Allowance for loan losses to period-end loans	**0.26**	0.29	0.31
Allowance for loan losses to nonaccrual loans	**124**	166	99
Nonaccrual loans to period-end loans	**0.21**	0.17	0.31

(a) Represents the “overall star rating” derived from Morningstar for the U.S., the U.K., Luxembourg, Hong Kong and Taiwan domiciled funds; and Nomura ’star rating’ for Japan domiciled funds. Includes only retail open ended mutual funds that have a rating. Excludes money market funds, Undiscovered Managers Fund, and Brazil and India domiciled funds.
(b) Quartile ranking sourced from: Lipper for the U.S. and Taiwan domiciled funds; Morningstar for the U.K., Luxembourg and Hong Kong domiciled funds; Nomura for Japan domiciled funds and FundDoctor for South Korea domiciled funds. Includes only retail open ended mutual funds that are ranked by the aforementioned sources. Excludes money market funds, Undiscovered Managers Fund, and Brazil and India domiciled funds.
(c) Included $22.1 billion, $18.9 billion and $10.9 billion of prime mortgage loans reported in the Consumer, excluding credit card, loan portfolio at December 31, 2014, 2013 and 2012, respectively. For the same periods, excluded $2.7 billion, $3.7 billion and $6.7 billion, respectively, of prime mortgage loans reported in the CIO portfolio within the Corporate segment.

Client assets

2014 compared with 2013

Client assets were $2.4 trillion, an increase of $44 billion, or 2%, compared with the prior year. Excluding the sale of Retirement Plan Services, client assets were up 8% compared with the prior year. Assets under management were $1.7 trillion, an increase of $146 billion, or 9%, from the prior year, due to net inflows to long-term products and the effect of higher market levels.

2013 compared with 2012

Client assets were $2.3 trillion at December 31, 2013, an increase of $248 billion, or 12%, compared with the prior year. Assets under management were $1.6 trillion, an increase of $172 billion, or 12%, from the prior year, due to net inflows to long-term products and the effect of higher market levels. Custody, brokerage, administration and deposit balances were $745 billion, up $76 billion, or 11%, from the prior year, due to the effect of higher market levels and custody inflows, partially offset by brokerage outflows.

Client assets

December 31, (in billions)	**2014**	2013	2012
Assets by asset class			
Liquidity	**$ 461**	$ 451	$ 458
Fixed income	**359**	330	330
Equity	**375**	370	277
Multi-asset and alternatives	**549**	447	361
Total assets under management	**1,744**	1,598	1,426
Custody/brokerage/administration/ deposits	**643**	745	669
Total client assets	**$ 2,387**	$ 2,343	$ 2,095
Memo:			
Alternatives client assets[(a)]	**166**	158	142
Assets by client segment			
Private Banking	**$ 428**	$ 361	$ 318
Institutional	**827**	777	741
Retail	**489**	460	367
Total assets under management	**$ 1,744**	$ 1,598	$ 1,426
Private Banking	**$ 1,057**	$ 977	$ 877
Institutional	**835**	777	741
Retail	**495**	589	477
Total client assets	**$ 2,387**	$ 2,343	$ 2,095

(a) Represents assets under management, as well as client balances in brokerage accounts.

Client assets (continued)

Year ended December 31, (in billions)	**2014**	2013	2012
Assets under management rollforward			
Beginning balance	**$ 1,598**	$ 1,426	$ 1,336
Net asset flows:			
Liquidity	**18**	(4)	(41)
Fixed income	**33**	8	27
Equity	**5**	34	8
Multi-asset and alternatives	**42**	48	23
Market/performance/other impacts	**48**	86	73
Ending balance, December 31	**$ 1,744**	$ 1,598	$ 1,426
Client assets rollforward			
Beginning balance	**$ 2,343**	$ 2,095	$ 1,921
Net asset flows	**118**	80	60
Market/performance/other impacts	**(74)**	168	114
Ending balance, December 31	**$ 2,387**	$ 2,343	$ 2,095

International metrics

Year ended December 31, (in billions, except where otherwise noted)	**2014**	2013	2012
Total net revenue (in millions)[(a)]			
Europe/Middle East/Africa	**$ 2,080**	$ 1,881	$ 1,641
Asia/Pacific	**1,199**	1,133	958
Latin America/Caribbean	**841**	879	773
North America	**7,908**	7,512	6,638
Total net revenue	**$ 12,028**	$ 11,405	$ 10,010
Assets under management			
Europe/Middle East/Africa	**$ 329**	$ 305	$ 258
Asia/Pacific	**126**	132	114
Latin America/Caribbean	**46**	47	45
North America	**1,243**	1,114	1,009
Total assets under management	**$ 1,744**	$ 1,598	$ 1,426
Client assets			
Europe/Middle East/Africa	**$ 391**	$ 367	$ 317
Asia/Pacific	**174**	180	160
Latin America/Caribbean	**115**	117	110
North America	**1,707**	1,679	1,508
Total client assets	**$ 2,387**	$ 2,343	$ 2,095

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

The Corporate segment comprises Private Equity, Treasury and Chief Investment Office ("CIO") and Other Corporate, which includes corporate staff units and expense that is centrally managed. Treasury and CIO are predominantly responsible for measuring, monitoring, reporting and managing the Firm's liquidity, funding and structural interest rate and foreign exchange risks, as well as executing the Firm's capital plan. The major Other Corporate units include Real Estate, Enterprise Technology, Legal, Compliance, Finance, Human Resources, Internal Audit, Risk Management, Oversight & Control, Corporate Responsibility and various Other Corporate groups. Other centrally managed expense includes the Firm's occupancy and pension-related expenses that are subject to allocation to the businesses.

Selected income statement data

Year ended December 31, (in millions, except headcount)	2014	2013	2012
Revenue			
Principal transactions	$ 1,197	$ 563	$ (4,268)
Securities gains	71	666	2,024
All other income	704	1,864	2,434
Noninterest revenue	1,972	3,093	190
Net interest income	(1,960)	(3,115)	(2,262)
Total net revenue[(a)]	12	(22)	(2,072)
Provision for credit losses	(35)	(28)	(37)
Noninterest expense			
Compensation expense	2,888	2,299	2,221
Noncompensation expense[(b)]	4,589	13,208	6,972
Subtotal	7,477	15,507	9,193
Net expense allocated to other businesses	(6,318)	(5,252)	(4,634)
Total noninterest expense	1,159	10,255	4,559
Income/(loss) before income tax expense/(benefit)	(1,112)	(10,249)	(6,594)
Income tax expense/(benefit)	(1,976)	(3,493)	(3,974)
Net income/(loss)	$ 864	$ (6,756)	$ (2,620)
Total net revenue			
Private equity	$ 1,118	$ 589	$ 645
Treasury and CIO	(1,317)	(2,068)	(4,089)
Other Corporate	211	1,457	1,372
Total net revenue	$ 12	$ (22)	$ (2,072)
Net income/(loss)			
Private equity	$ 400	$ 285	$ 319
Treasury and CIO	(1,165)	(1,454)	(2,718)
Other Corporate	1,629	(5,587)	(221)
Total net income/(loss)	$ 864	$ (6,756)	$ (2,620)
Total assets (period-end)	$ 931,705	$ 805,987	$ 725,251
Headcount	26,047	20,717	17,758

Note: As discussed on pages 79–80, effective with the fourth quarter of 2014 the Firm changed its methodology for allocating the cost of preferred stock to its reportable business segments. Prior periods have been revised to conform with the current period presentation.

(a) Included tax-equivalent adjustments, predominantly due to tax-exempt income from municipal bond investments of $730 million, $480 million and $443 million for the years ended December 31, 2014, 2013 and 2012, respectively.
(b) Included legal expense of $821 million, $10.2 billion and $3.7 billion for the years ended December 31, 2014, 2013 and 2012, respectively.

2014 compared with 2013

Net income was $864 million, compared with a net loss of $6.8 billion in the prior year.

Private Equity reported net income of $400 million, compared with net income of $285 million in the prior year, primarily due to higher net gains on sales, largely offset by higher noninterest expense related to goodwill impairment.

Treasury and CIO reported a net loss of $1.2 billion, compared with a net loss of $1.5 billion in the prior year. Net revenue was a loss of $1.3 billion, compared with a loss of $2.1 billion in the prior year. Current year net interest income was a loss of $1.7 billion compared with a loss of $2.7 billion in the prior year, primarily reflecting higher yields on investment securities. Securities gains were $71 million, compared to $659 million in the prior year, reflecting lower repositioning activity of the investment securities portfolio in the current period.

Other Corporate reported net income of $1.6 billion, compared with a net loss of $5.6 billion in the prior year. Current year noninterest revenue was $353 million compared with $1.8 billion in the prior year. Prior year noninterest revenue included gains of $1.3 billion and $493 million on the sales of Visa shares and One Chase Manhattan Plaza, respectively. The current year included $821 million of legal expense, compared with $10.2 billion, which included reserves for litigation and regulatory proceedings, in the prior year.

2013 compared with 2012

Net loss was $6.8 billion, compared with a net loss of $2.6 billion in the prior year.

Private Equity reported net income of $285 million, compared with net income of $319 million in the prior year. Net revenue was of $589 million, compared with $645 million in the prior year.

Treasury and CIO reported a net loss of $1.5 billion, compared with a net loss of $2.7 billion in the prior year. Net revenue was a loss of $2.1 billion, compared with a loss of $4.1 billion in the prior year. Net revenue in 2013 included $659 million of net securities gains from sales of available-for-sale investment securities, compared with securities gains of $2.0 billion; and $888 million of pretax extinguishment gains related to the redemption of trust preferred securities in the prior year. The extinguishment gains were related to adjustments applied to the cost basis of the trust preferred securities during the period they were in a qualified hedge accounting relationship. The prior year loss also reflected $5.8 billion of losses incurred by CIO from the synthetic credit portfolio for the six months ended June 30, 2012, and $449 million of losses from the retained index credit derivative positions for the three months ended September 30, 2012. Net interest income in 2013 was a loss of $2.7 billion compared with a loss of $1.7 billion in the prior year, primarily due to low interest rates and limited reinvestment opportunities. Net interest income improved in the fourth quarter of 2013 due to higher interest rates and better reinvestment opportunities.

Other Corporate reported a net loss of $5.6 billion, compared with a net loss of $221 million in the prior year. Noninterest revenue in 2013 was $1.8 billion, down 2% compared with the prior year. In 2013, noninterest revenue included gains of $1.3 billion and $493 million on the sales of Visa shares and One Chase Manhattan Plaza, respectively. Noninterest revenue in the prior year included a $1.1 billion benefit for the Washington Mutual bankruptcy settlement and a $665 million gain from the recovery on a Bear Stearns-related subordinated loan. Noninterest expense of $9.7 billion was up $5.9 billion compared with the prior year. Included in 2013 noninterest expense was $10.2 billion of legal expense, including reserves for litigation and regulatory proceedings, compared with $3.7 billion of expense for additional litigation reserves, largely for mortgage-related matters, in the prior year.

Treasury and CIO overview

Treasury and CIO are predominantly responsible for measuring, monitoring, reporting and managing the Firm's liquidity, funding and structural interest rate and foreign exchange risks, as well as executing the Firm's capital plan. The risks managed by Treasury and CIO arise from the activities undertaken by the Firm's four major reportable business segments to serve their respective client bases, which generate both on- and off-balance sheet assets and liabilities.

Treasury and CIO achieve the Firm's asset-liability management objectives generally by investing in high-quality securities that are managed for the longer-term as part of the Firm's investment securities portfolio. Treasury and CIO also use derivatives to meet the Firm's asset-liability management objectives. For further information on derivatives, see Note 6. The investment securities portfolio primarily consists of U.S. and non-U.S. government securities, agency and nonagency mortgage-backed securities, other asset-backed securities, corporate debt securities and obligations of U.S. states and municipalities. At December 31, 2014, the investment securities portfolio was $343.1 billion, and the average credit rating of the securities comprising the portfolio was AA+ (based upon external ratings where available and where not available, based primarily upon internal ratings that correspond to ratings as defined by S&P and Moody's). See Note 12 for further information on the details of the Firm's investment securities portfolio.

For further information on liquidity and funding risk, see Liquidity Risk Management on pages 156–160. For information on interest rate, foreign exchange and other risks, Treasury and CIO Value-at-risk ("VaR") and the Firm's structural interest rate-sensitive revenue at risk, see Market Risk Management on pages 131–136.

Selected income statement and balance sheet data

As of or for the year ended December 31, (in millions)	**2014**	2013	2012
Securities gains	**$ 71**	$ 659	$ 2,028
Investment securities portfolio (average)	**349,285**	353,712	358,029
Investment securities portfolio (period-end)[(a)]	**343,146**	347,562	365,421
Mortgage loans (average)	**3,308**	5,145	10,241
Mortgage loans (period-end)	**2,834**	3,779	7,037

(a) Period-end investment securities included held-to-maturity securities of $49.3 billion and $24.0 billion at December 31, 2014, and 2013, respectively. Held-to-maturity securities as of December 31, 2012, were not material.

Private Equity portfolio

Selected income statement and balance sheet data

Year ended December 31, (in millions)	**2014**	2013	2012
Private equity gains/(losses)			
Realized gains	**$ 1,164**	$ (170)	$ 17
Unrealized gains/(losses)[(a)]	**43**	734	639
Total direct investments	**1,207**	564	656
Third-party fund investments	**34**	137	134
Total private equity gains/(losses)[(b)]	**$ 1,241**	$ 701	$ 790

(a) Includes reversals of unrealized gains and losses that were recognized in prior periods and have now been realized.
(b) Included in principal transactions revenue in the Consolidated statements of income.

Private equity portfolio information[(a)]

December 31, (in millions)	**2014**	2013	2012
Publicly held securities			
Carrying value	**$ 878**	$ 1,035	$ 578
Cost	**583**	672	350
Quoted public value	**893**	1,077	578
Privately held direct securities			
Carrying value	**4,555**	5,065	5,379
Cost	**5,275**	6,022	6,584
Third-party fund investments[(b)]			
Carrying value	**433**	1,768	2,117
Cost	**423**	1,797	1,963
Total private equity portfolio			
Carrying value	**$ 5,866**	$ 7,868	$ 8,074
Cost	**6,281**	8,491	8,897

(a) For more information on the Firm's methodologies regarding the valuation of the Private Equity portfolio, see Note 3. For information on the sale of a portion of the Private Equity business in January 2015, see Note 2.
(b) Unfunded commitments to third-party private equity funds were $147 million, $215 million and $370 million at December 31, 2014, 2013 and 2012, respectively.

2014 compared with 2013

The carrying value of the private equity portfolio at December 31, 2014 was $5.9 billion, down from $7.9 billion at December 31, 2013. The decrease in the portfolio was predominantly driven by sales of investments, partially offset by unrealized gains.

2013 compared with 2012

The carrying value of the private equity portfolio at December 31, 2013 was $7.9 billion, down from $8.1 billion at December 31, 2012. The decrease in the portfolio was predominantly driven by sales of investments, partially offset by new investments and unrealized gains.

ENTERPRISE-WIDE RISK MANAGEMENT

Risk is an inherent part of JPMorgan Chase's business activities. When the Firm extends a consumer or wholesale loan, advises customers on their investment decisions, makes markets in securities, or conducts any number of other services or activities, the Firm takes on some degree of risk. The Firm's overall objective in managing risk is to protect the safety and soundness of the Firm, avoid excessive risk taking, and manage and balance risk in a manner that serves the interest of our clients, customers and shareholders.

The Firm's approach to risk management covers a broad spectrum of risk areas, such as credit, market, liquidity, model, structural interest rate, principal, country, operational, fiduciary and reputation risk.

The Firm believes that effective risk management requires:

- Acceptance of responsibility, including identification and escalation of risk issues, by all individuals within the Firm;
- Ownership of risk management within each line of business and corporate functions; and
- Firmwide structures for risk governance.

Firmwide Risk Management is overseen and managed on an enterprise-wide basis. The Firm's Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Chief Risk Officer ("CRO") and Chief Operating Officer ("COO") develop and set the risk management framework and governance structure for the Firm, which is intended to provide comprehensive controls and ongoing management of the major risks inherent in the Firm's business activities. The Firm's risk management framework is intended to create a culture of transparency, awareness and personal responsibility through reporting, collaboration, discussion, escalation and sharing of information. The CEO, CFO, CRO and COO are ultimately responsible and accountable to the Firm's Board of Directors.

The Firm's risk culture strives for continual improvement through ongoing employee training and development, as well as talent retention. The Firm also approaches its incentive compensation arrangements through an integrated risk, compensation and financial management framework to encourage a culture of risk awareness and personal accountability.

The following sections outline the key risks that are inherent in the Firm's business activities.

Risk	Definition	Key risk management metrics	Page references
Capital risk	The risk the Firm has an insufficient level and composition of capital to support the Firm's business activities and associated risks during normal economic environments and stressed conditions.	Risk-based capital ratios, Supplementary Leverage ratio	146-155
Compliance risk	The risk of fines or sanctions or of financial damage or loss due to the failure to comply with laws, rules, and regulations.	Not Applicable	144
Country risk	The risk that a sovereign event or action alters the value or terms of contractual obligations of obligors, counterparties and issuers or adversely affects markets related to a particular country.	Default exposure at 0% recovery, Stress	137-138
Credit risk	The risk of loss arising from the default of a customer, client or counterparty.	Total exposure; industry, geographic and customer concentrations; risk ratings; delinquencies; loss experience; stress	110-130
Fiduciary risk	The risk of a failure to exercise the applicable high standard of care, to act in the best interests of clients or to treat clients fairly, as required under applicable law or regulation.	Not Applicable	145
Legal risk	The risk of loss or imposition of damages, fines, penalties or other liability arising from failure to comply with a contractual obligation or to comply with laws or regulations to which the Firm is subject.	Not Applicable	144
Liquidity risk	The risk that the Firm will not have the appropriate amount, composition and tenor of funding and liquidity in support of its assets, and that the Firm will be unable to meet its contractual and contingent obligations through normal economic cycles and market stress events.	LCR; Stress	156-160
Market risk	The risk of loss arising from potential adverse changes in the value of the Firm's assets and liabilities resulting from changes in market variables such as interest rates, foreign exchange rates, equity prices, commodity prices, implied volatilities or credit spreads.	VaR, Stress, Sensitivities	131-136
Model risk	The risk of the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports.	Model Status, Model Tier	139
Non-USD FX risk	The risk arising from capital investments, forecasted expense and revenue, investment securities portfolio or issuing debt in denominations other than the U.S. dollar.	FX Net Open Position ("NOP")	203, 211-213
Operational risk	The risk of loss resulting from inadequate or failed processes or systems or due to external events that are neither market nor credit-related.	Firm-specific loss experience; industry loss experience; business environment and internal control factors ("BEICF")	140-143
Principal risk	The risk of an adverse change in the value of privately-held financial assets and instruments, typically representing an ownership or junior capital position. These positions have unique risks due to their illiquidity or for which there is less observable market or valuation data.	Carrying Value, Stress	140
Reputation risk	The risk that an action, transaction, investment or event will reduce the trust that clients, shareholders, employees or the broader public has in the Firm's integrity or competence.	Not Applicable	145
Structural interest rate risk	The risk resulting from the Firm's traditional banking activities (both on- and off-balance sheet positions) arising from the extension of loans and credit facilities, taking deposits and issuing debt (collectively referred to as "non-trading activities"), and also the impact from the CIO investment securities portfolio and other related CIO, Treasury activities.	Earnings-at-risk	136

Risk organization

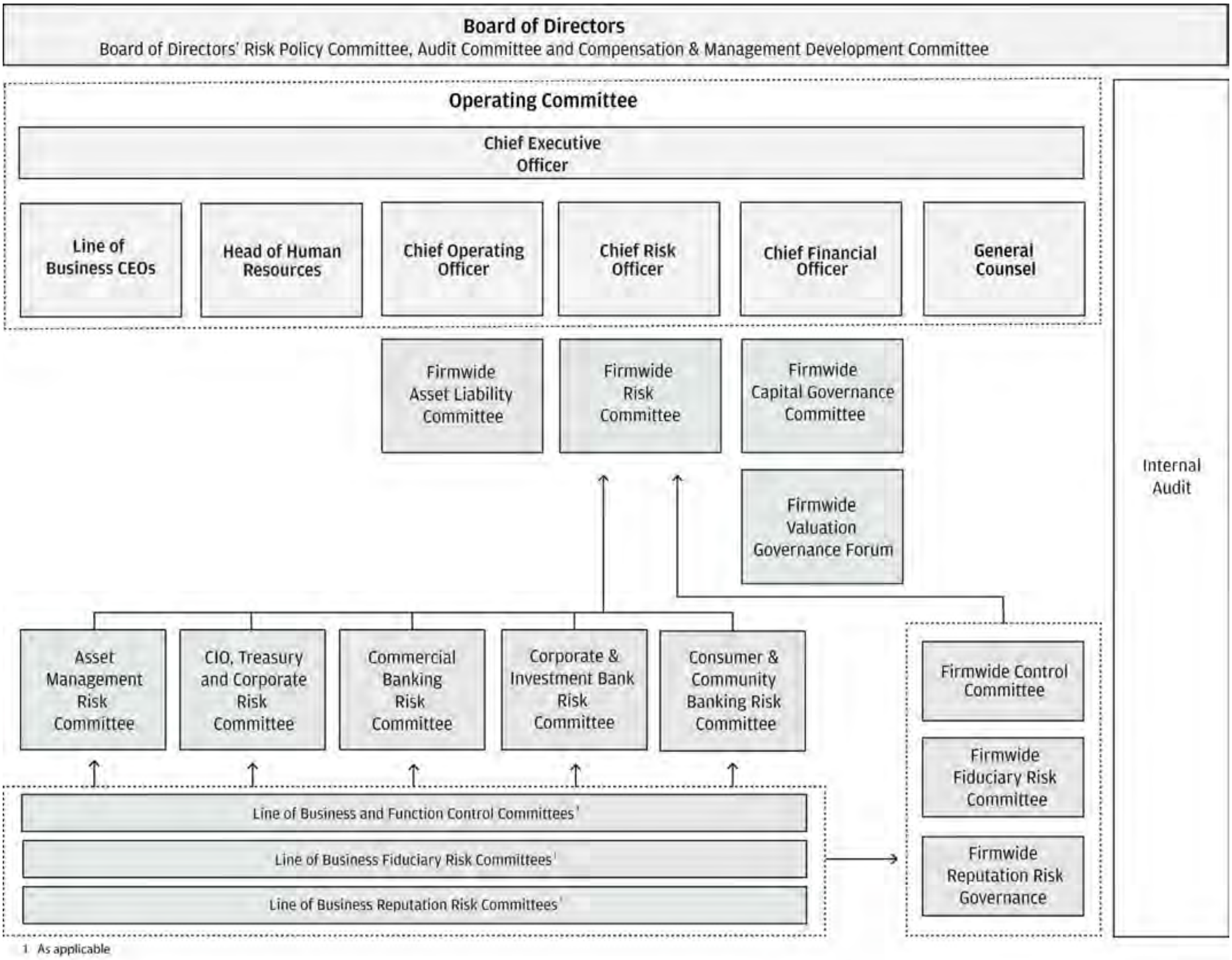
The LOBs are responsible for managing the risks inherent in their respective business activities. The Risk organization operates independently from the revenue-generating businesses, providing a credible challenge to them. The CRO is the head of the Risk organization and is responsible for the overall direction of Risk oversight. The CRO is supported by individuals and organizations that align to lines of business and corporate functions, as well as others that align to specific risk types.

The Firm's Risk Management Organization and other Firmwide functions with risk-related responsibilities (i.e., Regulatory Capital Management Office ("RCMO"), Firmwide Oversight and Control Group, Valuation Control Group ("VCG"), Legal and Compliance) provide independent oversight of the monitoring, evaluation and escalation of risk.

Risk governance

The independent stature of the Risk organization is supported by a governance structure that provides for escalation of risk issues up to senior management and the Board of Directors.

The chart below illustrates the governance structure and certain senior management level committees and forums that are primarily responsible for key risk-related functions. There are additional committees and forums not represented in the chart that are also responsible for management and oversight of risk.



The Board of Directors provides oversight of risk principally through the Board of Directors' Risk Policy Committee ("DRPC"), Audit Committee and, with respect to compensation, Compensation & Management Development Committee. Each committee of the Board oversees reputation risk issues within its scope of responsibility.

The Directors' Risk Policy Committee approves and periodically reviews the primary risk management policies of the Firm's global operations and oversees the operation of the Firm's global risk management framework. The committee's responsibilities include oversight of management's exercise of its responsibility to assess and manage: (i) credit risk, market risk, liquidity risk, model risk, structural interest rate risk, principal risk and country risk; (ii) the governance frameworks or policies for operational, fiduciary, reputational risks and the New Business Initiative Approval ("NBIA") process; and (iii) capital and liquidity planning and analysis. The DRPC reviews the firmwide value-at-risk and market stress tolerances, as well as any other parameter tolerances established by management in accordance with the Firm's Risk Appetite Policy. It reviews reports of significant issues identified by risk management officers, including reports describing the Firm's credit risk profile, and information about concentrations and country risks. The Firm's CRO, LOB CROs, LOB CEOs, heads of risk for Country Risk, Market Risk, Structural Interest Rate Risk, Liquidity Risk, Principal Risk, Wholesale Credit Risk, Consumer Credit Risk, Model Risk, Risk Management Policy, Reputation Risk Governance, Fiduciary Risk Governance, and Operational Risk Governance (all referred to as Firmwide Risk Executives) meet with and provide updates to the DRPC. Additionally, breaches in risk appetite tolerances, liquidity issues that may have a material adverse impact on the Firm and other significant matters as determined by the CRO or Firmwide functions with risk responsibility are escalated to the DRPC.

The Audit Committee has primary responsibility for assisting the Board in its oversight of the system of controls designed to reasonably assure the quality and integrity of the Firm's financial statements and that are relied upon to provide reasonable assurance of the Firm's management of operational risk. The Audit Committee also assists the Board in its oversight of legal and compliance risk. Internal Audit, an independent function within the Firm that provides independent and objective assessments of the control environment, reports directly to the Audit Committee and administratively to the CEO. Internal Audit conducts independent reviews to evaluate the Firm's internal control structure and compliance with applicable regulatory requirements and is responsible for providing the Audit Committee, senior management and regulators with an independent assessment of the Firm's ability to manage and control risk.

The Compensation & Management Development Committee assists the Board in its oversight of the Firm's compensation programs and reviews and approves the Firm's overall compensation philosophy and practices. The Committee reviews the Firm's compensation practices as they relate to risk and risk management in light of the Firm's objectives, including its safety and soundness and the avoidance of practices that encourage excessive risk taking. The Committee reviews and approves the terms of compensation award programs, including recovery provisions, vesting periods, and restrictive covenants, taking into account regulatory requirements. The Committee also reviews and approves the Firm's overall incentive compensation pools and reviews those of each of the Firm's lines of business and the Corporate segment. The Committee reviews the goals relevant to compensation for the Firm's Operating Committee, reviews Operating Committee members' performance against such goals, and approves their compensation awards. The Committee recommends to the full Board's independent directors, for ratification, the CEO's compensation. In addition, the Committee periodically reviews the Firm's management development and succession planning, as well as the Firm's diversity programs.

Among the Firm's senior management level committees that are primarily responsible for key risk-related functions are:

The Firmwide Risk Committee ("FRC") is the Firm's highest management-level Risk Committee. It provides oversight of the risks inherent in the Firm's businesses, including credit risk, market risk, liquidity risk, model risk, structural interest rate risk, principal risk and country risk. It also provides oversight of the governance frameworks for operational, fiduciary and reputational risks. The Committee is co-chaired by the Firm's CEO and CRO. Members of the committee include the Firm's COO, the Firm's CFO, LOB CEOs, LOB CROs, General Counsel, and other senior managers from risk and control functions. This committee serves as an escalation point for risk topics and issues raised by its members, the Line of Business Risk Committees, Firmwide Control Committee, Firmwide Fiduciary Risk Committee, Reputation Risk committees and regional Risk Committees. The committee escalates significant issues to the Board of Directors, as appropriate.

The Firmwide Control Committee ("FCC") is a forum to review and discuss firmwide operational risk, metrics and management, including existing and emerging issues, and execution against the operational risk management framework. The committee is co-chaired by the Firm's Chief Control Officer and the head of Firmwide Operational Risk Governance/Model Risk and Development. It serves as an escalation point for the line of business, function and regional Control Committees and escalates significant issues to the Firmwide Risk Committee, as appropriate.

The Firmwide Fiduciary Risk Committee ("FFRC") is a forum for risk matters related to the Firm's fiduciary activities and oversees the firmwide fiduciary risk governance framework, which supports the consistent identification and escalation of fiduciary risk matters by the relevant lines of business or corporate functions responsible for managing fiduciary activities. The committee escalates significant issues to the Firmwide Risk Committee and any other committee considered appropriate.

The Firmwide Reputation Risk Governance group seeks to promote consistent management of reputational risk across the Firm. Its objectives are to increase visibility of reputation risk governance; promote and maintain a globally consistent governance model for reputation risk across lines of business; promote early self-identification of potential reputation risks to the Firm; and provide thought leadership on cross-line of business reputation risk issues. Each line of business has a separate reputation risk governance structure which includes, in most cases, one or more dedicated reputation risk committees.

Line of business, corporate function, and regional risk and control committees:
Risk committees oversee the inherent risks in the respective line of business, function or region, including the review, assessment and decision making relating to specific risks, risk strategy, policy and controls. These committees escalate issues to the Firmwide Risk Committee, as appropriate.

Control committees oversee the operational risks and control environment of the respective line of business, function or region. These committees escalate operational risk issues to their respective line of business, function or regional Risk committee and also escalate significant risk issues (and/or risk issues with potential firmwide impact) to the Firmwide Control Committee.

The Asset-Liability Committee ("ALCO"), chaired by the Corporate Treasurer under the direction of the COO, monitors the Firm's overall balance sheet, liquidity risk and interest rate risk. ALCO is responsible for reviewing and approving the Firm's funds transfer pricing policy (through which lines of business "transfer" interest rate and foreign exchange risk to Treasury). ALCO is responsible for reviewing the Firm's Liquidity Risk Management and

Oversight Policy and contingency funding plan. ALCO also reviews the Firm's overall structural interest rate risk position, funding requirements and strategy, and the Firm's securitization programs (and any required liquidity support by the Firm of such programs).

The Capital Governance Committee, chaired by the Head of Regulatory Capital Management Office (under the direction of the Firm's CFO) is responsible for reviewing the Firm's Capital Management Policy and the principles underlying capital issuance and distribution alternatives. The Committee is also responsible for governing the capital adequacy assessment process, including overall design, assumptions and risk streams and ensuring that capital stress test programs are designed to adequately capture the idiosyncratic risks across the Firm's businesses.

Other corporate functions and forums with risk management-related responsibilities include:

The Firmwide Oversight and Control Group is comprised of dedicated control officers within each of the lines of business and corporate functional areas, as well as a central oversight team. The group is charged with enhancing the Firm's controls by looking within and across the lines of business and corporate functional areas to identify and control issues. The group enables the Firm to detect control problems more quickly, escalate issues promptly and get the right people involved to understand common themes and interdependencies among the various parts of the Firm. The group works closely with the Firm's other control-related functions, including Compliance, Legal, Internal Audit and Risk Management, to effectively remediate identified control issues across all affected areas of the Firm. As a result, the group facilitates the effective execution of the Firm's control framework and helps support operational risk management across the Firm.

The Firmwide Valuation Governance Forum ("VGF") is composed of senior finance and risk executives and is responsible for overseeing the management of risks arising from valuation activities conducted across the Firm. The VGF is chaired by the firmwide head of the Valuation Control function (under the direction of the Firm's CFO), and also includes sub-forums for the CIB, Consumer & Community Banking, Commercial Banking, Asset Management and certain corporate functions, including Treasury and CIO.

In addition to the committees, forums and groups listed above, the Firm has other management committees and forums at the LOB and regional levels, where risk-related topics are discussed and escalated as necessary. The membership of these committees is composed of senior management of the Firm including representation from the business and various control functions. The committees meet regularly to discuss a broad range of topics.

The JPMorgan Chase Bank N.A. Board of Directors is responsible for the oversight of management on behalf of JPMorgan Chase Bank N.A. The JPMorgan Chase Bank N.A. Board accomplishes this function acting directly and through the principal standing committees of the Firm's Board of Directors. Risk oversight on behalf of JPMorgan Chase Bank N.A. is primarily the responsibility of the Firm's DRPC, Audit Committee and, with respect to compensation-related matters, the Compensation & Management Development Committee.

Risk appetite

The Firm's overall risk appetite is established by management taking into consideration the Firm's capital and liquidity positions, earnings power, and diversified business model. The risk appetite framework is a tool to measure the capacity to take risk and is expressed in loss tolerance parameters at the Firm and/or LOB levels, including net income loss tolerances, liquidity limits and market limits. Performance against these parameters informs management's strategic decisions and is reported to the DRPC.

The Firm-level risk appetite parameters are set and approved by the Firm's CEO, CFO, CRO and COO. LOB-level risk appetite parameters are set by the LOB CEO, CFO, and CRO and are approved by the Firm's functional heads as noted above. Firmwide LOB diversification allows the sum of the LOBs' loss tolerances to be greater than the Firmwide loss tolerance.

Risk identification for large exposures

The Firm has certain potential low-probability but plausible and material, idiosyncratic risks not well captured by its other existing risk analysis and reporting for credit, market, and other risks. These idiosyncratic risks may arise in a number of forms, e.g. changes in legislation, an unusual combination of market events, or specific counterparty events. These identified risks are grouped under the term Risk Identification for Large Exposures ("RIFLEs"). The identified and monitored RIFLEs allow the Firm to monitor earnings vulnerability that is not adequately covered by its other standard risk measurements.

CREDIT RISK MANAGEMENT

Credit risk is the risk of loss arising from the default of a customer, client or counterparty. The Firm provides credit to a variety of customers, ranging from large corporate and institutional clients to individual consumers and small businesses. In its consumer businesses, the Firm is exposed to credit risk primarily through its residential real estate, credit card, auto, business banking and student lending businesses. Originated mortgage loans are retained in the mortgage portfolio, or securitized or sold to U.S. government agencies and U.S. government-sponsored enterprises; other types of consumer loans are typically retained on the balance sheet. In its wholesale businesses, the Firm is exposed to credit risk through its underwriting, lending and derivatives activities with and for clients and counterparties, as well as through its operating services activities, such as cash management and clearing activities. A portion of the loans originated or acquired by the Firm's wholesale businesses are generally retained on the balance sheet; the Firm's syndicated loan business distributes a significant percentage of originations into the market and is an important component of portfolio management.

Credit risk organization

Credit risk management is overseen by the Firm's CRO. The Firm's credit risk management governance consists of the following activities:

- Establishing a comprehensive credit risk policy framework
- Monitoring and managing credit risk across all portfolio segments, including transaction and line approval
- Assigning and managing credit authorities in connection with the approval of all credit exposure
- Managing criticized exposures and delinquent loans
- Determining the allowance for credit losses and ensuring appropriate credit risk-based capital management

Risk identification and measurement

The Credit Risk Management function identifies, measures, limits, manages and monitors credit risk across our businesses. To measure credit risk, the Firm employs several methodologies for estimating the likelihood of obligor or counterparty default. Methodologies for measuring credit risk vary depending on several factors, including type of asset (e.g., consumer versus wholesale), risk measurement parameters (e.g., delinquency status and borrower's credit score versus wholesale risk-rating) and risk management and collection processes (e.g., retail collection center versus centrally managed workout groups). Credit risk measurement is based on the probability of default of an obligor or counterparty, the loss severity given a default event and the exposure at default.

Based on these factors and related market-based inputs, the Firm estimates credit losses for its exposures. Probable credit losses inherent in the consumer and wholesale loan portfolios are reflected in the allowance for loan losses, and probable credit losses inherent in lending-related commitments are reflected in the allowance for lending-related commitments. These losses are estimated using statistical analyses and other factors as described in Note 15. In addition, potential and unexpected credit losses are reflected in the allocation of credit risk capital and represent the potential volatility of actual losses relative to the established allowances for loan losses and lending-related commitments. The analyses for these losses include stress testing (considering alternative economic scenarios) as described in the Stress testing section below.

The methodologies used to estimate credit losses depend on the characteristics of the credit exposure, as described below.

Scored exposure

The scored portfolio is generally held in CCB and predominantly includes residential real estate loans, credit card loans, certain auto and business banking loans, and student loans. For the scored portfolio, credit loss estimates are based on statistical analysis of credit losses over discrete periods of time and are estimated using portfolio modeling, credit scoring, and decision-support tools, which consider loan-level factors such as delinquency status, credit scores, collateral values, and other risk factors. Credit loss analyses also consider, as appropriate, uncertainties and other factors, including those related to current macroeconomic and political conditions, the quality of underwriting standards, and other internal and external factors. The factors and analysis are updated on a quarterly basis or more frequently as market conditions dictate.

Risk-rated exposure

Risk-rated portfolios are generally held in CIB, CB and AM, but also include certain business banking and auto dealer loans held in CCB that are risk-rated because they have characteristics similar to commercial loans. For the risk-rated portfolio, credit loss estimates are based on estimates of the probability of default ("PD") and loss severity given a default. The estimation process begins with risk-ratings that are assigned to each loan facility to differentiate risk within the portfolio. These risk ratings are reviewed regularly by Credit Risk management and revised as needed to reflect the borrower's current financial position, risk profile and related collateral. The probability of default is the likelihood that a loan will default and not be fully repaid by the borrower. The loss given default ("LGD") is the estimated loss on the loan that would be realized upon the default of the borrower and takes into consideration collateral and structural support for each credit facility. The probability of default is estimated for each borrower, and a loss given default is estimated for each credit facility. The calculations and assumptions are based on historic experience and management judgment and are reviewed regularly.

Stress testing
Stress testing is important in measuring and managing credit risk in the Firm's credit portfolio. The process assesses the potential impact of alternative economic and business scenarios on estimated credit losses for the Firm. Economic scenarios, and the parameters underlying those scenarios, are defined centrally, are articulated in terms of macroeconomic factors, and applied across the businesses. The stress test results may indicate credit migration, changes in delinquency trends and potential losses in the credit portfolio. In addition to the periodic stress testing processes, management also considers additional stresses outside these scenarios, as necessary. The Firm uses stress testing to inform decisions on setting risk appetite both at a Firm and LOB level, as well as to assess the impact of stress on industry concentrations.

Risk monitoring and management
The Firm has developed policies and practices that are designed to preserve the independence and integrity of the approval and decision-making process of extending credit to ensure 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 line of businesses.

For consumer credit risk, delinquency and other trends, including any concentrations at the portfolio level, are monitored, as certain of these trends can be modified through changes in underwriting policies and portfolio guidelines. Consumer Risk Management evaluates delinquency and other trends against business expectations, current and forecasted economic conditions, and industry benchmarks. Historical and forecasted trends are incorporated into the modeling of estimated consumer credit losses and are part of the monitoring of the credit risk profile of the portfolio. Under the Firm's model risk policy, new significant risk management models, as well as major changes to such models, are required to be reviewed and approved by the Model Review Group prior to implementation into the operating environment. Internal Audit also periodically tests the internal controls around the modeling process including the integrity of the data utilized. For a discussion of the Model Review Group, see page 139. For further discussion of consumer loans, see Note 14.

Wholesale credit risk is monitored regularly at an aggregate portfolio, industry and individual client and counterparty level with established concentration limits that are reviewed and revised as deemed appropriate by management, typically on an annual basis. Industry and counterparty limits, as measured in terms of exposure and economic credit risk capital, are subject to stress-based loss constraints.

Management of the Firm's wholesale credit risk exposure is accomplished through a number of means, including:

- Loan underwriting and credit approval process
- Loan syndications and participations
- Loan sales and securitizations
- Credit derivatives
- Master netting agreements
- Collateral and other risk-reduction techniques

In addition to Risk Management, Internal Audit performs periodic exams, as well as continuous review, where appropriate, of the Firm's consumer and wholesale portfolios. For risk-rated portfolios, a credit review group within Internal Audit is responsible for:

- Independently assessing and validating the changing risk grades assigned to exposures; and
- Evaluating the effectiveness of business units' risk-ratings, including the accuracy and consistency of risk grades, the timeliness of risk grade changes and the justification of risk grades in credit memoranda

Risk reporting
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 Credit Risk Management. Detailed portfolio reporting of industry, customer, product and geographic concentrations occurs monthly, 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, senior management and the Board of Directors as appropriate.

CREDIT PORTFOLIO

2014 Credit Risk Overview

In 2014, the consumer credit environment continued to improve and the wholesale credit environment remained favorable. Over the course of the year, the Firm continued to actively manage its underperforming and nonaccrual loans and reduce such exposures through loan restructurings, loan sales and workouts. The Firm saw decreased downgrade, default and charge-off activity and improved consumer delinquency trends. The Firm increased its overall lending activity in both wholesale and consumer businesses. The combination of these factors resulted in an improvement in the credit quality of the portfolio compared with 2013 and contributed to the Firm's reduction in the allowance for credit losses. For further discussion of the consumer credit environment and consumer loans, see Consumer Credit Portfolio on pages 113–119 and Note 14. For further discussion of wholesale credit environment and wholesale loans, see Wholesale Credit Portfolio on pages 120–127 and Note 14.

In the following tables, reported loans include loans retained (i.e., held-for-investment); loans held-for-sale (which are carried at the lower of cost or fair value, with valuation changes recorded in noninterest revenue); and certain loans accounted for at fair value. In addition, the Firm records certain loans accounted for at fair value in trading assets. For further information regarding these loans, see Note 3 and Note 4. For additional information on the Firm's loans and derivative receivables, including the Firm's accounting policies, see Note 14 and Note 6.

For further information regarding the credit risk inherent in the Firm's investment securities portfolio, see Note 12.

Total credit portfolio

December 31, (in millions)	Credit exposure		Nonperforming[(b)(c)(d)]	
	2014	2013	**2014**	2013
Loans retained	**$ 747,508**	$ 724,177	**$ 7,017**	$ 8,317
Loans held-for-sale	**7,217**	12,230	**95**	26
Loans at fair value	**2,611**	2,011	**21**	197
Total loans – reported	**757,336**	738,418	**7,133**	8,540
Derivative receivables	**78,975**	65,759	**275**	415
Receivables from customers and other	**29,080**	26,883	**–**	–
Total credit-related assets	**865,391**	831,060	**7,408**	8,955
Assets acquired in loan satisfactions				
Real estate owned	**NA**	NA	**515**	710
Other	**NA**	NA	**44**	41
Total assets acquired in loan satisfactions	**NA**	NA	**559**	751
Total assets	**865,391**	831,060	**7,967**	9,706
Lending-related commitments	**1,056,172**	1,031,672	**103**	206
Total credit portfolio	**$1,921,563**	$1,862,732	**$ 8,070**	$ 9,912
Credit Portfolio Management derivatives notional, net[(a)]	**$ (26,703)**	$ (27,996)	**$ –**	$ (5)
Liquid securities and other cash collateral held against derivatives	**(19,604)**	(14,435)	**NA**	NA

Year ended December 31, (in millions, except ratios)	**2014**	2013
Net charge-offs	**$ 4,759**	$ 5,802
Average retained loans		
Loans – reported	**729,876**	720,152
Loans – reported, excluding residential real estate PCI loans	**679,869**	663,629
Net charge-off rates		
Loans – reported	**0.65%**	0.81%
Loans – reported, excluding PCI	**0.70**	0.87

(a) Represents the net notional amount of protection purchased and sold through credit derivatives used to manage both performing and nonperforming wholesale credit exposures; these derivatives do not qualify for hedge accounting under U.S. GAAP. For additional information, see Credit derivatives on page 127 and Note 6.

(b) Excludes PCI loans. The Firm is recognizing interest income on each pool of PCI loans as they are all performing.

(c) At December 31, 2014 and 2013, nonperforming assets excluded: (1) mortgage loans insured by U.S. government agencies of $7.8 billion and $8.4 billion, respectively, that are 90 or more days past due; (2) student loans insured by U.S. government agencies under the FFELP of $367 million and $428 million, respectively, that are 90 or more days past due; and (3) real estate owned ("REO") insured by U.S. government agencies of $462 million and $2.0 billion, respectively. These amounts have been excluded based upon the government guarantee. In addition, the Firm's policy is generally to exempt credit card loans from being placed on nonaccrual status as permitted by regulatory guidance issued by the Federal Financial Institutions Examination Council ("FFIEC").

(d) At December 31, 2014 and 2013, total nonaccrual loans represented 0.94% and 1.16%, respectively, of total loans.

CONSUMER CREDIT PORTFOLIO

The Firm's consumer portfolio consists primarily of residential real estate loans, credit card loans, auto loans, business banking loans, and student loans. The Firm's focus is on serving the prime segment of the consumer credit market. For further information on consumer loans, see Note 14.

The credit performance of the consumer portfolio continues to benefit from the improvement in the economy and home prices. Both early-stage delinquencies (30–89 days delinquent) and late-stage delinquencies (150+ days delinquent) for residential real estate, excluding government guaranteed loans, declined from December 31, 2013. Although late-stage delinquencies declined, they remain elevated due to loss-mitigation activities and to elongated foreclosure processing timelines. Losses related to these loans continue to be recognized in accordance with the Firm's standard charge-off practices, but some delinquent loans that would otherwise have been foreclosed upon remain in the mortgage and home equity loan portfolios. The Credit Card 30+ day delinquency rate remains near historic lows.

The following table presents consumer credit-related information with respect to the credit portfolio held by CCB, prime mortgage and home equity loans held by AM, and prime mortgage loans held by Corporate. For further information about the Firm's nonaccrual and charge-off accounting policies, see Note 14.

Consumer credit portfolio

As of or for the year ended December 31, (in millions, except ratios)	Credit exposure		Nonaccrual loans[f][g]		Net charge-offs/ (recoveries)[h]		Average annual net charge-off/(recovery) rate[h][i]	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Consumer, excluding credit card								
Loans, excluding PCI loans and loans held-for-sale								
Home equity – senior lien	**$ 16,367**	$ 17,113	**$ 938**	$ 932	**$ 82**	$ 132	**0.50%**	0.72%
Home equity – junior lien	**36,375**	40,750	**1,590**	1,876	**391**	834	**1.03**	1.90
Prime mortgage, including option ARMs	**104,921**	87,162	**2,190**	2,666	**39**	59	**0.04**	0.07
Subprime mortgage	**5,056**	7,104	**1,036**	1,390	**(27)**	90	**(0.43)**	1.17
Auto[a]	**54,536**	52,757	**115**	161	**181**	158	**0.34**	0.31
Business banking	**20,058**	18,951	**279**	385	**305**	337	**1.58**	1.81
Student and other	**10,970**	11,557	**270**	86	**347**	297	**3.07**	2.51
Total loans, excluding PCI loans and loans held-for-sale	**248,283**	235,394	**6,418**	7,496	**1,318**	1,907	**0.55**	0.82
Loans – PCI								
Home equity	**17,095**	18,927	**NA**	NA	**NA**	NA	**NA**	NA
Prime mortgage	**10,220**	12,038	**NA**	NA	**NA**	NA	**NA**	NA
Subprime mortgage	**3,673**	4,175	**NA**	NA	**NA**	NA	**NA**	NA
Option ARMs	**15,708**	17,915	**NA**	NA	**NA**	NA	**NA**	NA
Total loans – PCI	**46,696**	53,055	**NA**	NA	**NA**	NA	**NA**	NA
Total loans – retained	**294,979**	288,449	**6,418**	7,496	**1,318**	1,907	**0.46**	0.66
Loans held-for-sale	**395** [e]	614 [e]	**91**	–	**–**	–	**–**	–
Total consumer, excluding credit card loans	**295,374**	289,063	**6,509**	7,496	**1,318**	1,907	**0.46**	0.66
Lending-related commitments[b]	**58,153**	56,057						
Receivables from customers[c]	**108**	139						
Total consumer exposure, excluding credit card	**353,635**	345,259						
Credit Card								
Loans retained[d]	**128,027**	127,465	**–**	–	**3,429**	3,879	**2.75**	3.14
Loans held-for-sale	**3,021**	326	**–**	–	**–**	–	**–**	–
Total credit card loans	**131,048**	127,791	**–**	–	**3,429**	3,879	**2.75**	3.14
Lending-related commitments[b]	**525,963**	529,383						
Total credit card exposure	**657,011**	657,174						
Total consumer credit portfolio	**$ 1,010,646**	$ 1,002,433	**$ 6,509**	$ 7,496	**$ 4,747**	$ 5,786	**1.15%**	1.40%
Memo: Total consumer credit portfolio, excluding PCI	**$ 963,950**	$ 949,378	**$ 6,509**	$ 7,496	**$ 4,747**	$ 5,786	**1.30%**	1.62%

(a) At December 31, 2014 and 2013, excluded operating lease-related assets of $6.7 billion and $5.5 billion, respectively.
(b) Credit card and home equity lending-related commitments represent the total available lines of credit for these products. The Firm has not experienced, and does not anticipate, that all available lines of credit would be used at the same time. For credit card and home equity commitments (if certain conditions are met), the Firm can reduce or cancel these lines of credit by providing the borrower notice or, in some cases as permitted by law, without notice.
(c) Receivables from customers represent margin loans to retail brokerage customers, and are included in accrued interest and accounts receivable on the Consolidated balance sheets.

(d) Includes accrued interest and fees net of an allowance for the uncollectible portion of accrued interest and fee income.
(e) Predominantly represents prime mortgage loans held-for-sale.
(f) At December 31, 2014 and 2013, nonaccrual loans excluded: (1) mortgage loans insured by U.S. government agencies of $7.8 billion and $8.4 billion, respectively, that are 90 or more days past due; and (2) student loans insured by U.S. government agencies under the FFELP of $367 million and $428 million, respectively, that are 90 or more days past due. These amounts have been excluded from nonaccrual loans based upon the government guarantee. In addition, the Firm's policy is generally to exempt credit card loans from being placed on nonaccrual status as permitted by regulatory guidance.
(g) Excludes PCI loans. The Firm is recognizing interest income on each pool of PCI loans as they are all performing.
(h) Net charge-offs and net charge-off rates excluded $533 million and $53 million of write-offs of prime mortgages in the PCI portfolio for the years ended December 31, 2014 and 2013. These write-offs decreased the allowance for loan losses for PCI loans. See Allowance for Credit Losses on pages 128–130 for further details.
(i) Average consumer loans held-for-sale were $917 million and $209 million, respectively, for the years ended December 31, 2014 and 2013. These amounts were excluded when calculating net charge-off rates.

Consumer, excluding credit card

Portfolio analysis

Consumer loan balances increased during the year ended December 31, 2014, due to prime mortgage, business banking and auto loan originations, partially offset by paydowns and the charge-off or liquidation of delinquent loans. Credit performance has improved across most portfolios but delinquent residential real estate loans and home equity charge-offs remain elevated compared with pre-recessionary levels.

In the following discussion of loan and lending-related categories, PCI loans are excluded from individual loan product discussions and are addressed separately below. For further information about the Firm's consumer portfolio, including information about delinquencies, loan modifications and other credit quality indicators, see Note 14.

Home equity: The home equity portfolio declined from December 31, 2013 primarily reflecting loan paydowns and charge-offs. Early-stage delinquencies showed improvement from December 31, 2013. Late-stage delinquencies continue to be elevated as improvement in the number of loans becoming severely delinquent was offset by a higher number of loans remaining in late-stage delinquency due to higher average carrying values on these delinquent loans, reflecting improving collateral values. Senior lien nonaccrual loans were flat compared with the prior year while junior lien nonaccrual loans decreased in 2014. Net charge-offs for both senior and junior lien home equity loans declined when compared with the prior year as a result of improvement in home prices and delinquencies.

Approximately 15% of the Firm's home equity portfolio consists of home equity loans ("HELOANs") and the remainder consists of home equity lines of credit ("HELOCs"). HELOANs are generally fixed-rate, closed-end, amortizing loans, with terms ranging from 3–30 years. Approximately half of the HELOANs are senior liens and the remainder are junior liens. In general, HELOCs originated by the Firm are revolving loans for a 10-year period, after which time the HELOC recasts into a loan with a 20-year amortization period. At the time of origination, the borrower typically selects one of two minimum payment options that will generally remain in effect during the revolving period: a monthly payment of 1% of the outstanding balance, or interest-only payments based on a variable index (typically Prime). HELOCs originated by Washington Mutual were generally revolving loans for a 10-year period, after which time the HELOC converts to an interest-only loan with a balloon payment at the end of the loan's term.

The unpaid principal balance of non-PCI HELOCs outstanding was $47 billion at December 31, 2014. Of the $47 billion, approximately $29 billion have recently recast or are scheduled to recast from interest-only to fully amortizing payments, with $3 billion having recast in 2014; $6 billion, $7 billion, and $6 billion are scheduled to recast in 2015, 2016, and 2017, respectively; and $7 billion is scheduled to recast after 2017. However, of the total $26 billion still remaining to recast, $18 billion are expected to actually recast; and the remaining $8 billion represents loans to borrowers who are expected either to pre-pay or charge-off prior to recast. In the third quarter of 2014, the Firm refined its approach for estimating the number of HELOCs expected to voluntarily pre-pay prior to recast. Based on the refined methodology, the number of loans expected to pre-pay declined, resulting in an increase in the number of loans expected to recast. The Firm has considered this payment recast risk in its allowance for loan losses based upon the estimated amount of payment shock (i.e., the excess of the fully-amortizing payment over the interest-only payment in effect prior to recast) expected to occur at the payment recast date, along with the corresponding estimated probability of default and loss severity assumptions. Certain factors, such as future developments in both unemployment rates and home prices, could have a significant impact on the performance of these loans.

The Firm manages the risk of HELOCs during their revolving period by closing or reducing the undrawn line to the extent permitted by law when borrowers are exhibiting a material deterioration in their credit risk profile. The Firm will continue to evaluate both the near-term and longer-term repricing and recast risks inherent in its HELOC portfolio to ensure that changes in the Firm's estimate of incurred losses are appropriately considered in the allowance for loan losses and that the Firm's account management practices are appropriate given the portfolio's risk profile.

High-risk seconds are loans where the borrower has a first mortgage loan that is either delinquent or has been modified. Such loans are considered to pose a higher risk of default than junior lien loans for which the senior lien is neither delinquent nor modified. At December 31, 2014, the Firm estimated that its home equity portfolio contained approximately $1.8 billion of current high-risk seconds, compared with $2.3 billion at December 31, 2013. The Firm estimates the balance of its total exposure to high-risk seconds on a quarterly basis using internal data and loan level credit bureau data (which typically provides the delinquency status of the senior lien). The estimated balance of these high-risk seconds may vary from quarter to quarter for reasons such as the movement of related senior liens into and out of the 30+ day delinquency bucket.

Current high-risk seconds

December 31, (in billions)	2014	2013
Junior liens subordinate to:		
Modified current senior lien	$ **0.7**	$ 0.9
Senior lien 30 – 89 days delinquent	**0.5**	0.6
Senior lien 90 days or more delinquent[(a)]	**0.6**	0.8
Total current high-risk seconds	$ **1.8**	$ 2.3

(a) Junior liens subordinate to senior liens that are 90 days or more past due are classified as nonaccrual loans. At December 31, 2014 and 2013, excluded approximately $50 million and approximately $100 million, respectively, of junior liens that are performing but not current, which were placed on nonaccrual in accordance with the regulatory guidance.

Of the estimated $1.8 billion of current high-risk seconds at December 31, 2014, the Firm owns approximately 10% and services approximately 25% of the related senior lien loans to the same borrowers. The performance of the Firm's junior lien loans is generally consistent regardless of whether the Firm owns, services or does not own or service the senior lien. The increased probability of default associated with these higher-risk junior lien loans was considered in estimating the allowance for loan losses.

Mortgage: Prime mortgages, including option adjustable-rate mortgages ("ARMs") and loans held-for-sale, increased from December 31, 2013 due to higher retained originations partially offset by paydowns, the run-off of option ARM loans and the charge-off or liquidation of delinquent loans. Excluding loans insured by U.S. government agencies, both early-stage and late-stage delinquencies showed improvement from December 31, 2013. Nonaccrual loans decreased from the prior year but remain elevated primarily due to loss mitigation activities and elongated foreclosure processing timelines. Net charge-offs remain low, reflecting continued improvement in home prices and delinquencies.

At December 31, 2014 and 2013, the Firm's prime mortgage portfolio included $12.4 billion and $14.3 billion, respectively, of mortgage loans insured and/or guaranteed by U.S. government agencies, of which $9.7 billion and $9.6 billion, respectively, were 30 days or more past due (of these past due loans, $7.8 billion and $8.4 billion, respectively, were 90 days or more past due). The Firm has entered into a settlement regarding loans insured under federal mortgage insurance programs overseen by the FHA, HUD, and VA; the Firm will continue to monitor exposure on future claim payments for government insured loans, but any financial impact related to exposure on future claims is not expected to be significant and was considered in estimating the allowance for loan losses. For further discussion of the settlement, see Note 31.

At December 31, 2014 and 2013, the Firm's prime mortgage portfolio included $16.3 billion and $15.6 billion, respectively, of interest-only loans, which represented 15% and 18%, respectively, of the prime mortgage portfolio. These loans have an interest-only payment period generally followed by an adjustable-rate or fixed-rate fully amortizing payment period to maturity and are typically originated as higher-balance loans to higher-income borrowers. To date, losses on this portfolio generally have been consistent with the broader prime mortgage portfolio and the Firm's expectations. The Firm continues to monitor the risks associated with these loans.

Subprime mortgages continued to decrease due to portfolio runoff. Early-stage and late-stage delinquencies have improved from December 31, 2013, but remain at elevated levels. Net charge-offs continued to improve as a result of improvement in home prices and delinquencies.

Auto: Auto loans increased from December 31, 2013 as new originations outpaced paydowns and payoffs. Nonaccrual loans improved compared with December 31, 2013. Net charge-offs for the year ended December 31, 2014 increased compared with the prior year, reflecting higher average loss per default as national used car valuations declined from historically strong levels. The auto loan portfolio reflects a high concentration of prime-quality credits.

Business banking: Business banking loans increased from December 31, 2013 due to an increase in loan originations. Nonaccrual loans improved compared with December 31, 2013. Net charge-offs for the year ended December 31, 2014 decreased from the prior year.

Student and other: Student and other loans decreased from December 31, 2013 due primarily to the run-off of the student loan portfolio. Student nonaccrual loans increased from December 31, 2013 due to a modification program began in May 2014 that extended the deferment period for up to 24 months for certain student loans, which resulted in extending the maturity of these loans at their original contractual interest rates.

Purchased credit-impaired loans: PCI loans acquired in the Washington Mutual transaction decreased as the portfolio continues to run off.

As of December 31, 2014, approximately 16% of the option ARM PCI loans were delinquent and approximately 57% of the portfolio has been modified into fixed-rate, fully amortizing loans. Substantially all of the remaining loans are making amortizing payments, although such payments are not necessarily fully amortizing. This latter group of loans is subject to the risk of payment shock due to future payment recast. Default rates generally increase on option ARM loans when payment recast results in a payment increase. The expected increase in default rates is considered in the Firm's quarterly impairment assessment.

The following table provides a summary of lifetime principal loss estimates included in either the nonaccretable difference or the allowance for loan losses.

Summary of lifetime principal loss estimates

December 31, (in billions)	Lifetime loss estimates[(a)]		LTD liquidation losses[(b)]	
	2014	2013	**2014**	2013
Home equity	**$ 14.6**	$ 14.7	**$ 12.4**	$ 12.1
Prime mortgage	**3.8**	3.8	**3.5**	3.3
Subprime mortgage	**3.3**	3.3	**2.8**	2.6
Option ARMs	**9.9**	10.2	**9.3**	8.8
Total	**$ 31.6**	$ 32.0	**$ 28.0**	$ 26.8

(a) Includes the original nonaccretable difference established in purchase accounting of $30.5 billion for principal losses plus additional principal losses recognized subsequent to acquisition through the provision and allowance for loan losses. The remaining nonaccretable difference for principal losses was $2.3 billion and $3.8 billion at December 31, 2014 and 2013, respectively.

(b) Life-to-date ("LTD") liquidation losses represent both realization of loss upon loan resolution and any principal forgiven upon modification.

Lifetime principal loss estimates declined from December 31, 2013, to December 31, 2014, reflecting improvement in home prices and delinquencies. The decline in lifetime principal loss estimates during the year ended December 31, 2014, resulted in a $300 million reduction of the PCI allowance for loan losses related to option ARM loans. In addition, for the year ended December 31, 2014, PCI write-offs of $533 million were recorded against the prime mortgage allowance for loan losses. For further information on the Firm's PCI loans, including write-offs, see Note 14.

Geographic composition of residential real estate loans

At December 31, 2014, $94.3 billion, or 63% of total retained residential real estate loan portfolio, excluding mortgage loans insured by U.S. government agencies and PCI loans, were concentrated in California, New York, Illinois, Florida and Texas, compared with $85.9 billion, or 62%, at December 31, 2013. California had the greatest concentration of these loans with 26% at December 31, 2014, compared with 25% at December 31, 2013. The unpaid principal balance of PCI loans concentrated in these five states represented 74% of total PCI loans at both December 31, 2014 and December 31, 2013. For further information on the geographic composition of the Firm's residential real estate loans, see Note 14.

Current estimated LTVs of residential real estate loans

The current estimated average loan-to-value ("LTV") ratio for residential real estate loans retained, excluding mortgage loans insured by U.S. government agencies and PCI loans, was 71% at December 31, 2014, compared with 75% at December 31, 2013.

Although home prices continue to recover, the decline in home prices since 2007 has had a significant impact on the collateral values underlying the Firm's residential real estate loan portfolio. In general, the delinquency rate for loans with high LTV ratios is greater than the delinquency rate for loans in which the borrower has greater equity in the collateral. While a large portion of the loans with current estimated LTV ratios greater than 100% continue to pay and are current, the continued willingness and ability of these borrowers to pay remains a risk.

The following table presents the current estimated LTV ratios for PCI loans, as well as the ratios of the carrying value of the underlying loans to the current estimated collateral value. Because such loans were initially measured at fair value, the ratios of the carrying value to the current estimated collateral value will be lower than the current estimated LTV ratios, which are based on the unpaid principal balances. The estimated collateral values used to calculate these ratios do not represent actual appraised loan-level collateral values; as such, the resulting ratios are necessarily imprecise and should therefore be viewed as estimates.

LTV ratios and ratios of carrying values to current estimated collateral values – PCI loans

	2014				2013			
December 31, (in millions, except ratios)	Unpaid principal balance	Current estimated LTV ratio[(a)]	Net carrying value[(c)]	Ratio of net carrying value to current estimated collateral value[(c)]	Unpaid principal balance	Current estimated LTV ratio[(a)]	Net carrying value[(c)]	Ratio of net carrying value to current estimated collateral value[(c)]
Home equity	**$ 17,740**	**83%** [(b)]	**$ 15,337**	**72%**	$ 19,830	90% [(b)]	$ 17,169	78%
Prime mortgage	**10,249**	**76**	**9,027**	**67**	11,876	83	10,312	72
Subprime mortgage	**4,652**	**82**	**3,493**	**62**	5,471	91	3,995	66
Option ARMs	**16,496**	**74**	**15,514**	**70**	19,223	82	17,421	74

(a) Represents the aggregate unpaid principal balance of loans divided by the estimated current property value. Current property values are estimated at least quarterly based on home valuation models that utilize nationally recognized home price index valuation estimates; such models incorporate actual data to the extent available and forecasted data where actual data is not available.
(b) Represents current estimated combined LTV for junior home equity liens, which considers all available lien positions, as well as unused lines, related to the property. All other products are presented without consideration of subordinate liens on the property.
(c) Net carrying value includes the effect of fair value adjustments that were applied to the consumer PCI portfolio at the date of acquisition and is also net of the allowance for loan losses at December 31, 2014 and 2013 of $1.2 billion and $1.7 billion for prime mortgage, $194 million and $494 million for option ARMs, respectively, and $1.8 billion for home equity and $180 million for subprime mortgage for both periods.

The current estimated average LTV ratios were 77% and 88% for California and Florida PCI loans, respectively, at December 31, 2014, compared with 85% and 103%, respectively, at December 31, 2013. Average LTV ratios have declined consistent with recent improvements in home prices. Although home prices have improved, home prices in most areas of California and Florida are still lower than at the peak of the housing market; this continues to negatively contribute to current estimated average LTV ratios and the ratio of net carrying value to current estimated collateral value for loans in the PCI portfolio. Of the total PCI portfolio, 15% had a current estimated LTV ratio greater than 100%, and 3% had a current LTV ratio of greater than 125% at December 31, 2014, compared with 26% and 7%, respectively, at December 31, 2013.

While the current estimated collateral value is greater than the net carrying value of PCI loans, the ultimate performance of this portfolio is highly dependent on borrowers' behavior and ongoing ability and willingness to continue to make payments on homes with negative equity, as well as on the cost of alternative housing.

For further information on current estimated LTVs of residential real estate loans, see Note 14.

Loan modification activities – residential real estate loans

The performance of modified loans generally differs by product type due to differences in both the credit quality and the types of modifications provided. Performance metrics for the residential real estate portfolio, excluding PCI loans, that have been modified and seasoned more than six months show weighted-average redefault rates of 20% for senior lien home equity, 22% for junior lien home equity, 16% for prime mortgages including option ARMs, and 29% for subprime mortgages. The cumulative performance metrics for the PCI residential real estate portfolio modified and seasoned more than six months show weighted average redefault rates of 20% for home equity, 17% for prime mortgages, 15% for option ARMs and 32% for subprime mortgages. The favorable performance of the PCI option ARM modifications is the result of a targeted proactive program which fixed the borrower's payment to the amount at the point of modification. The cumulative redefault rates reflect the performance of modifications completed under both the Home Affordable Modification Program ("HAMP") and the Firm's proprietary modification programs (primarily the Firm's modification program that was modeled after HAMP) from October 1, 2009, through December 31, 2014.

Certain loans that were modified under HAMP and the Firm's proprietary modification programs have interest rate reset provisions ("step-rate modifications"). Interest rates on these loans will generally increase beginning in 2014 by 1% per year until the rate reaches a specified cap, typically at a prevailing market interest rate for a fixed-rate loan as of the modification date. The carrying value of non-PCI loans modified in step-rate modifications was $5 billion at December 31, 2014, with $1 billion scheduled to experience the initial interest rate increase in each of 2015 and 2016. The unpaid principal balance of PCI loans modified in step-rate modifications was $10 billion at December 31, 2014, with $2 billion and $3 billion scheduled to experience the initial interest rate increase in 2015 and 2016, respectively. The impact of these potential interest rate increases is considered in the Firm's allowance for loan losses. The Firm will continue to monitor this risk exposure to ensure that it is appropriately considered in the Firm's allowance for loan losses.

The following table presents information as of December 31, 2014 and 2013, relating to modified retained residential real estate loans for which concessions have been granted to borrowers experiencing financial difficulty. Modifications of PCI loans continue to be accounted for and reported as PCI loans, and the impact of the modification is incorporated into the Firm's quarterly assessment of estimated future cash flows. Modifications of consumer loans other than PCI loans are generally accounted for and reported as troubled debt restructurings ("TDRs"). For further information on modifications for the years ended December 31, 2014 and 2013, see Note 14.

Modified residential real estate loans

	2014		2013	
December 31, (in millions)	On-balance sheet loans	Nonaccrual on-balance sheet loans[(d)]	On-balance sheet loans	Nonaccrual on-balance sheet loans[(d)]
Modified residential real estate loans, excluding PCI loans[(a)(b)]				
Home equity – senior lien	**$ 1,101**	**$ 628**	$ 1,146	$ 641
Home equity – junior lien	**1,304**	**632**	1,319	666
Prime mortgage, including option ARMs	**6,145**	**1,559**	7,004	1,737
Subprime mortgage	**2,878**	**931**	3,698	1,127
Total modified residential real estate loans, excluding PCI loans	**$ 11,428**	**$ 3,750**	$ 13,167	$ 4,171
Modified PCI loans[(c)]				
Home equity	**$ 2,580**	**NA**	$ 2,619	NA
Prime mortgage	**6,309**	**NA**	6,977	NA
Subprime mortgage	**3,647**	**NA**	4,168	NA
Option ARMs	**11,711**	**NA**	13,131	NA
Total modified PCI loans	**$ 24,247**	**NA**	$ 26,895	NA

(a) Amounts represent the carrying value of modified residential real estate loans.
(b) At December 31, 2014 and 2013, $4.9 billion and $7.6 billion, respectively, of loans modified subsequent to repurchase from Ginnie Mae in accordance with the standards of the appropriate government agency (i.e., FHA, VA, RHS) are not included in the table above. When such loans perform subsequent to modification in accordance with Ginnie Mae guidelines, they are generally sold back into Ginnie Mae loan pools. Modified loans that do not re-perform become subject to foreclosure. For additional information about sales of loans in securitization transactions with Ginnie Mae, see Note 16.
(c) Amounts represent the unpaid principal balance of modified PCI loans.
(d) As of December 31, 2014 and 2013, nonaccrual loans included $2.9 billion and $3.0 billion, respectively, of TDRs for which the borrowers were less than 90 days past due. For additional information about loans modified in a TDR that are on nonaccrual status, see Note 14.

Nonperforming assets

The following table presents information as of December 31, 2014 and 2013, about consumer, excluding credit card, nonperforming assets.

Nonperforming assets[(a)]

December 31, (in millions)	2014	2013
Nonaccrual loans[(b)]		
Residential real estate	**$ 5,845**	$ 6,864
Other consumer	**664**	632
Total nonaccrual loans	**6,509**	7,496
Assets acquired in loan satisfactions		
Real estate owned	**437**	614
Other	**36**	41
Total assets acquired in loan satisfactions	**473**	655
Total nonperforming assets	**$ 6,982**	$ 8,151

(a) At December 31, 2014 and 2013, nonperforming assets excluded: (1) mortgage loans insured by U.S. government agencies of $7.8 billion and $8.4 billion, respectively, that are 90 or more days past due; (2) student loans insured by U.S. government agencies under the FFELP of $367 million and $428 million, respectively, that are 90 or more days past due; and (3) real estate owned insured by U.S. government agencies of $462 million and $2.0 billion, respectively. These amounts have been excluded based upon the government guarantee.
(b) Excludes PCI loans that were acquired as part of the Washington Mutual transaction, which are accounted for on a pool basis. Since each pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows, the past-due status of the pools, or that of individual loans within the pools, is not meaningful. Because the Firm is recognizing interest income on each pool of loans, they are all considered to be performing.

Nonaccrual loans in the residential real estate portfolio totaled $5.8 billion and $6.9 billion at December 31, 2014 and December 31, 2013, respectively, of which 32% and 34%, respectively, were greater than 150 days past due. In the aggregate, the unpaid principal balance of residential real estate loans greater than 150 days past due was charged down by approximately 50% to the estimated net realizable value of the collateral at both December 31, 2014 and 2013. The elongated foreclosure processing timelines are expected to continue to result in elevated levels of nonaccrual loans in the residential real estate portfolios.

Active and suspended foreclosure: For information on loans that were in the process of active or suspended foreclosure, see Note 14.

Nonaccrual loans: The following table presents changes in the consumer, excluding credit card, nonaccrual loans for the years ended December 31, 2014 and 2013.

Nonaccrual loans

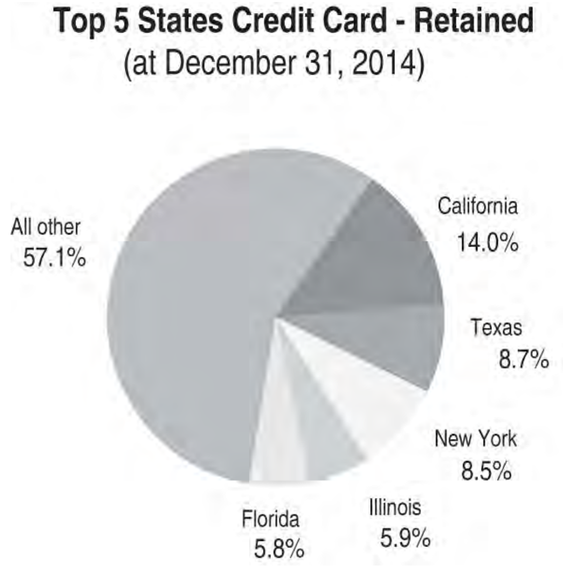
Year ended December 31, (in millions)	2014	2013
Beginning balance	**$ 7,496**	$ 9,174
Additions	**4,905**	6,618
Reductions:		
Principal payments and other[(a)]	**1,859**	1,559
Charge-offs	**1,306**	1,869
Returned to performing status	**2,083**	3,793
Foreclosures and other liquidations	**644**	1,075
Total reductions	**5,892**	8,296
Net additions/(reductions)	**(987)**	(1,678)
Ending balance	**$ 6,509**	$ 7,496

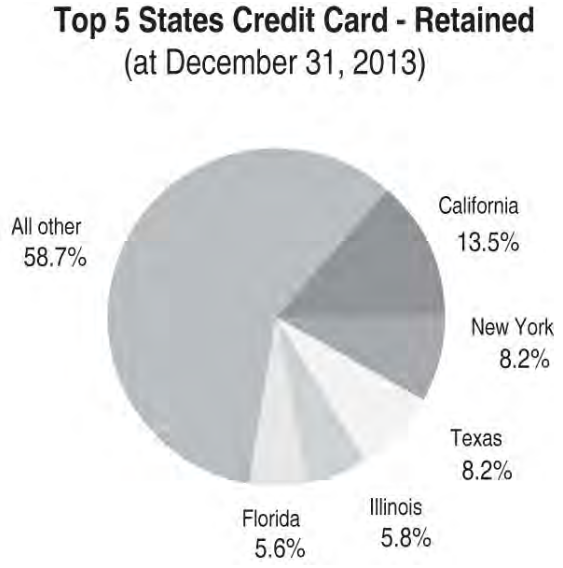
(a) Other reductions includes loan sales.

Credit Card

Total credit card loans increased from December 31, 2013 due to higher new account originations and increased credit card sales volume. The 30+ day delinquency rate decreased to 1.44% at December 31, 2014, from 1.67% at December 31, 2013. For the years ended December 31, 2014 and 2013, the net charge-off rates were 2.75% and 3.14%, respectively. Charge-offs have improved compared with a year ago as a result of improvement in delinquent loans. The credit card portfolio continues to reflect a well-seasoned, largely rewards-based portfolio that has good U.S. geographic diversification.

Loans outstanding in the top five states of California, Texas, New York, Illinois and Florida consisted of $54.9 billion in receivables, or 43% of the retained loan portfolio, at December 31, 2014, compared with $52.7 billion, or 41%, at December 31, 2013. The greatest geographic concentration of credit card retained loans is in California, which represented 14% and 13% of total retained loans at December 31, 2014 and 2013, respectively. For further information on the geographic composition of the Firm's credit card loans, see Note 14.





Modifications of credit card loans

At December 31, 2014 and 2013, the Firm had $2.0 billion and $3.1 billion, respectively, of credit card loans outstanding that have been modified in TDRs. These balances included both credit card loans with modified payment terms and credit card loans that reverted back to their pre-modification payment terms because the cardholder did not comply with the modified payment terms. The decrease in modified credit card loans outstanding from December 31, 2013, was attributable to a reduction in new modifications as well as ongoing payments and charge-offs on previously modified credit card loans.

Consistent with the Firm's policy, all credit card loans typically remain on accrual status until charged-off. However, the Firm establishes an allowance, which is offset against loans and charged to interest income, for the estimated uncollectible portion of accrued interest and fee income.

For additional information about loan modification programs to borrowers, see Note 14.

WHOLESALE CREDIT PORTFOLIO

The Firm's wholesale businesses are exposed to credit risk through underwriting, lending and trading activities with and for clients and counterparties, as well as through various operating services such as cash management and clearing activities. A portion of the loans originated or acquired by the Firm's wholesale businesses is generally retained on the balance sheet. The Firm distributes a significant percentage of the loans it originates into the market as part of its syndicated loan business and to manage portfolio concentrations and credit risk.

The wholesale credit environment remained favorable throughout 2014 driving an increase in client activity. Growth in loans retained was driven primarily by activity in Commercial Banking, while growth in lending-related commitments reflected increased activity in both the Corporate & Investment Bank and Commercial Banking. Discipline in underwriting across all areas of lending continues to remain a key point of focus, consistent with evolving market conditions and the Firm's risk management activities. The wholesale portfolio is actively managed, in part by conducting ongoing, in-depth reviews of client credit quality and transaction structure, inclusive of collateral where applicable; and of industry, product and client concentrations. During the year, wholesale criticized assets decreased from 2013, including a reduction in nonaccrual loans by 40%.

Wholesale credit portfolio

December 31,	Credit exposure		Nonperforming[d]	
(in millions)	**2014**	2013	**2014**	2013
Loans retained	**$ 324,502**	$ 308,263	**$ 599**	$ 821
Loans held-for-sale	**3,801**	11,290	**4**	26
Loans at fair value	**2,611**	2,011	**21**	197
Loans – reported	**330,914**	321,564	**624**	1,044
Derivative receivables	**78,975**	65,759	**275**	415
Receivables from customers and other[a]	**28,972**	26,744	**—**	—
Total wholesale credit-related assets	**438,861**	414,067	**899**	1,459
Lending-related commitments[b]	**472,056**	446,232	**103**	206
Total wholesale credit exposure	**$ 910,917**	$ 860,299	**$ 1,002**	$ 1,665
Credit Portfolio Management derivatives notional, net[c]	**$ (26,703)**	$ (27,996)	**$ —**	$ (5)
Liquid securities and other cash collateral held against derivatives	**(19,604)**	(14,435)	**NA**	NA

(a) Receivables from customers and other include $28.8 billion and $26.5 billion of margin loans at December 31, 2014 and 2013, respectively, to prime and retail brokerage customers; these are classified in accrued interest and accounts receivable on the Consolidated balance sheets.
(b) Includes unused advised lines of credit of $105.2 billion and $102.0 billion as of December 31, 2014 and 2013, respectively. An advised line of credit is a revolving credit line which specifies the maximum amount the Firm may make available to an obligor, on a nonbinding basis. The borrower receives written or oral advice of this facility. The Firm may cancel this facility at any time by providing the borrower notice or, in some cases, without notice as permitted by law.
(c) Represents the net notional amount of protection purchased and sold through credit derivatives used to manage both performing and nonperforming wholesale credit exposures; these derivatives do not qualify for hedge accounting under U.S. GAAP. For additional information, see Credit derivatives on page 127, and Note 6.
(d) Excludes assets acquired in loan satisfactions.

The following tables present the maturity and ratings profiles of the wholesale credit portfolio as of December 31, 2014 and 2013. The ratings scale is based on the Firm's internal risk ratings, which generally correspond to the ratings as defined by S&P and Moody's.

Wholesale credit exposure – maturity and ratings profile

	Maturity profile[e]				Ratings profile			
December 31, 2014					Investment-grade	Noninvestment-grade		
(in millions, except ratios)	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	**Total**	AAA/Aaa to BBB-/Baa3	BB+/Ba1 & below	**Total**	Total % of IG
Loans retained	**$ 112,411**	**$ 134,277**	**$ 77,814**	**$ 324,502**	**$ 241,666**	**$ 82,836**	**$ 324,502**	**74%**
Derivative receivables				**78,975**			**78,975**	
Less: Liquid securities and other cash collateral held against derivatives				**(19,604)**			**(19,604)**	
Total derivative receivables, net of all collateral	**20,032**	**16,130**	**23,209**	**59,371**	**52,150**	**7,221**	**59,371**	**88**
Lending-related commitments	**185,451**	**276,793**	**9,812**	**472,056**	**379,214**	**92,842**	**472,056**	**80**
Subtotal	**317,894**	**427,200**	**110,835**	**855,929**	**673,030**	**182,899**	**855,929**	**79**
Loans held-for-sale and loans at fair value[a]				**6,412**			**6,412**	
Receivables from customers and other				**28,972**			**28,972**	
Total exposure – net of liquid securities and other cash collateral held against derivatives				**$ 891,313**			**$ 891,313**	
Credit Portfolio Management derivatives net notional by reference entity ratings profile[b][c][d]	**$ (2,050)**	**$ (18,653)**	**$ (6,000)**	**$ (26,703)**	**$ (23,571)**	**$ (3,132)**	**$ (26,703)**	**88%**

	Maturity profile[e]				Ratings profile			
December 31, 2013					Investment-grade	Noninvestment-grade		
(in millions, except ratios)	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	**Total**	AAA/Aaa to BBB-/Baa3	BB+/Ba1 & below	**Total**	Total % of IG
Loans retained	$ 108,392	$ 124,111	$ 75,760	$ 308,263	$ 226,070	$ 82,193	$ 308,263	73%
Derivative receivables				65,759			65,759	
Less: Liquid securities and other cash collateral held against derivatives				(14,435)			(14,435)	
Total derivative receivables, net of all collateral	13,550	15,935	21,839	51,324	41,104 [f]	10,220 [f]	51,324	80
Lending-related commitments	179,301	255,426	11,505	446,232	353,974	92,258	446,232	79
Subtotal	301,243	395,472	109,104	805,819	621,148	184,671	805,819	77
Loans held-for-sale and loans at fair value[a]				13,301			13,301	
Receivables from customers and other				26,744			26,744	
Total exposure – net of liquid securities and other cash collateral held against derivatives				$ 845,864			$ 845,864	
Credit Portfolio Management derivatives net notional by reference entity ratings profile[b][c][d]	$ (1,149)	$ (19,516)	$ (7,331)	$ (27,996)	$ (24,649)	$ (3,347)	$ (27,996)	88%

(a) Represents loans held-for-sale, primarily related to syndicated loans and loans transferred from the retained portfolio, and loans at fair value.
(b) These derivatives do not quality for hedge accounting under U.S. GAAP.
(c) The notional amounts are presented on a net basis by underlying reference entity and the ratings profile shown is based on the ratings of the reference entity on which protection has been purchased.
(d) Predominantly all of the credit derivatives entered into by the Firm where it has purchased protection, including Credit Portfolio Management derivatives, are executed with investment grade counterparties.
(e) The maturity profile of retained loans, lending-related commitments and derivative receivables is based on remaining contractual maturity. Derivative contracts that are in a receivable position at December 31, 2014, may become a payable prior to maturity based on their cash flow profile or changes in market conditions.
(f) The prior period amounts have been revised to conform with the current period presentation.

Wholesale credit exposure – selected industry exposures

The Firm focuses on the management and diversification of its industry exposures, paying particular attention to industries with actual or potential credit concerns. Exposures deemed criticized align with the U.S. banking regulators' definition of criticized exposures, which consist of the special mention, substandard and doubtful categories. The total criticized component of the portfolio, excluding loans held-for-sale and loans at fair value, decreased by 16% to $10.2 billion at December 31, 2014, from $12.2 billion at December 31, 2013.

Below are summaries of the top 25 industry exposures as of December 31, 2014 and 2013. For additional information on industry concentrations, see Note 5.

			Noninvestment-grade			Selected metrics			
As of or for the year ended **December 31, 2014** (in millions)	Credit exposure[(d)]	Investment-grade	Noncriticized	Criticized performing	Criticized nonperforming	30 days or more past due and accruing loans	Net charge-offs/ (recoveries)	Credit derivative hedges[(e)]	Liquid securities and other cash collateral held against derivative receivables
Top 25 industries[(a)]									
Real Estate	$ 107,386	$ 80,219	$ 25,558	$ 1,356	$ 253	$ 309	$ (9)	$ (36)	$ (27)
Banks & Finance Cos	68,203	58,360	9,266	508	69	46	(4)	(1,232)	(9,369)
Healthcare	57,707	49,361	7,816	488	42	193	17	(94)	(244)
Oil & Gas	48,315	33,547	14,685	82	1	15	2	(144)	(161)
Consumer Products	37,818	26,070	11,081	650	17	21	–	(20)	(2)
Asset Managers	36,374	31,880	4,436	57	1	38	(12)	(9)	(4,545)
State & Municipal Govt[(b)]	31,858	30,919	837	102	–	69	24	(148)	(130)
Retail & Consumer Services	28,258	18,233	9,023	971	31	56	4	(47)	(1)
Utilities	28,060	24,058	3,747	255	–	198	(3)	(155)	(193)
Central Govt	21,081	20,868	155	58	–	–	–	(11,297)	(1,071)
Technology	20,977	13,759	6,557	641	20	24	(3)	(225)	–
Machinery & Equipment Mfg	20,573	12,094	8,229	250	–	5	(2)	(157)	(19)
Transportation	16,365	11,444	4,835	86	–	5	(3)	(34)	(107)
Business Services	16,201	8,450	7,512	224	15	10	5	(9)	–
Metals/Mining	15,911	8,845	6,562	504	–	–	18	(377)	(19)
Media	14,534	9,131	5,107	266	30	1	(1)	(69)	(6)
Building Materials/Construction	13,672	6,721	6,271	674	6	12	2	(104)	–
Insurance	13,637	10,790	2,605	80	162	–	–	(52)	(2,372)
Automotive	13,586	8,647	4,778	161	–	1	(1)	(140)	–
Chemicals/Plastics	13,545	9,800	3,716	29	–	1	(2)	(14)	–
Telecom Services	13,136	8,277	4,303	546	10	–	(2)	(813)	(6)
Securities Firms & Exchanges	8,936	6,198	2,726	10	2	20	4	(102)	(216)
Agriculture/Paper Mfg	7,242	4,890	2,224	122	6	36	(1)	(4)	(4)
Aerospace/Defense	6,070	5,088	958	24	–	–	–	(71)	–
Leisure	5,562	2,937	2,023	478	124	6	–	(5)	(23)
All other[(c)]	210,526	190,135	19,581	622	188	1,235	(21)	(11,345)	(1,089)
Subtotal	$ 875,533	$ 690,721	$ 174,591	$ 9,244	$ 977	$ 2,301	$ 12	$ (26,703)	$ (19,604)
Loans held-for-sale and loans at fair value	6,412								
Receivables from customers and other	28,972								
Total	$ 910,917								

As of or for the year ended December 31, 2013 (in millions)	Credit exposure[d]	Investment-grade	Noninvestment-grade			Selected metrics			
			Noncriticized	Criticized performing	Criticized nonperforming	30 days or more past due and accruing loans	Net charge-offs/ (recoveries)	Credit derivative hedges[e]	Liquid securities and other cash collateral held against derivative receivables
Top 25 industries[a]									
Real Estate	$ 87,102	$ 62,964	$ 21,505	$ 2,286	$ 347	$ 178	$ 6	$ (66)	$ (125)
Banks & Finance Cos	66,881	56,675	9,707	431	68	14	(22)	(2,692)	(6,227)
Healthcare	45,910	37,635	7,952	317	6	49	3	(198)	(195)
Oil & Gas	46,934	34,708	11,779	436	11	34	13	(227)	(67)
Consumer Products	34,145	21,100	12,505	537	3	4	11	(149)	(1)
Asset Managers	33,506	26,991	6,477	38	–	217	(7)	(5)	(3,191)
State & Municipal Govt[b]	35,666	34,563	826	157	120	40	1	(161)	(144)
Retail & Consumer Services	25,068	16,101	8,453	492	22	6	–	(91)	–
Utilities	28,983	25,521	3,045	411	6	2	28	(445)	(306)
Central Govt	21,049	20,633	345	71	–	–	–	(10,088)	(1,541)
Technology	21,403	13,787	6,771	825	20	–	–	(512)	–
Machinery & Equipment Mfg	19,078	11,154	7,549	368	7	20	(18)	(257)	(8)
Transportation	13,975	9,683	4,165	100	27	10	8	(68)	–
Business Services	14,601	7,838	6,447	286	30	9	10	(10)	(2)
Metals/Mining	17,434	9,266	7,508	594	66	1	16	(621)	(36)
Media	13,858	7,783	5,658	315	102	6	36	(26)	(5)
Building Materials/Construction	12,901	5,701	6,354	839	7	15	3	(132)	–
Insurance	13,761	10,681	2,757	84	239	–	(2)	(98)	(1,935)
Automotive	12,532	7,881	4,490	159	2	3	(3)	(472)	–
Chemicals/Plastics	10,637	7,189	3,211	222	15	–	–	(13)	(83)
Telecom Services	13,906	9,130	4,284	482	10	–	7	(272)	(8)
Securities Firms & Exchanges	10,035	4,208 [f]	5,806 [f]	14	7	1	(68)	(4,169)	(175)
Agriculture/Paper Mfg	7,387	4,238	3,064	82	3	31	–	(4)	(4)
Aerospace/Defense	6,873	5,447	1,426	–	–	–	–	(142)	(1)
Leisure	5,331	2,950	1,797	495	89	5	–	(10)	(14)
All other[c]	201,298	180,460	19,911	692	235	1,249	(6)	(7,068)	(367)
Subtotal	$ 820,254	$ 634,287	$ 173,792	$ 10,733	$ 1,442	$ 1,894	$ 16	$ (27,996)	$ (14,435)
Loans held-for-sale and loans at fair value	13,301								
Receivables from customers and other	26,744								
Total	$ 860,299								

(a) The industry rankings presented in the table as of December 31, 2013, are based on the industry rankings of the corresponding exposures at December 31, 2014, not actual rankings of such exposures at December 31, 2013.
(b) In addition to the credit risk exposure to states and municipal governments (both U.S. and non-U.S.) at December 31, 2014 and 2013, noted above, the Firm held: $10.6 billion and $7.9 billion, respectively, of trading securities; $30.1 billion and $29.5 billion, respectively, of AFS securities; and $10.2 billion and $920 million, respectively, of HTM securities, issued by U.S. state and municipal governments. For further information, see Note 3 and Note 12.
(c) All other includes: individuals, private education and civic organizations; SPEs; and holding companies, representing approximately 68%, 21% and 5%, respectively, at December 31, 2014, and 64%, 22% and 5%, respectively, at December 31, 2013.
(d) Credit exposure is net of risk participations and excludes the benefit of “Credit Portfolio Management derivatives net notional” held against derivative receivables or loans and “Liquid securities and other cash collateral held against derivative receivables”.
(e) Represents the net notional amounts of protection purchased and sold through credit derivatives used to manage the credit exposures; these derivatives do not qualify for hedge accounting under U.S. GAAP. The all other category includes purchased credit protection on certain credit indices.
(f) The prior period amounts have been revised to conform with the current period presentation.

Presented below is a discussion of several industries to which the Firm has significant exposure and/or present actual or potential credit concerns. The Firm is actively monitoring these exposures. For additional information, refer to the tables on the previous pages.

- **Real Estate:** Exposure to this industry increased by $20.3 billion or 23%, in 2014 to $107.4 billion. The increase was largely driven by growth in multifamily exposure in the CB. The credit quality of this industry improved as the investment-grade portion of the exposures to this industry increased to 75% in 2014 from 72% in 2013. The ratio of nonaccrual retained loans to total retained loans decreased to 0.32% at December 31, 2014 from 0.50% at December 31, 2013. For further information on commercial real estate loans, see Note 14.
- **Oil & Gas:** Exposure to this industry increased by $1.4 billion in 2014 to $48.3 billion, of which $15.6 billion was drawn at year-end. The portfolio largely consisted of exposure in North America, and was concentrated in the Exploration and Production subsector. The Oil & Gas portfolio was comprised of 69% investment-grade exposure, and was approximately 5% of the Firm's total wholesale credit exposure as of December 31, 2014.

Loans

In the normal course of its wholesale business, the Firm provides loans to a variety of customers, ranging from large corporate and institutional clients to high-net-worth individuals. For further discussion on loans, including information on credit quality indicators, see Note 14.

The Firm actively manages its wholesale credit exposure. One way of managing credit risk is through secondary market sales of loans and lending-related commitments. During the years ended December 31, 2014 and 2013, the Firm sold $22.8 billion and $16.3 billion, respectively, of loans and lending-related commitments.

The following table presents the change in the nonaccrual loan portfolio for the years ended December 31, 2014 and 2013.

Wholesale nonaccrual loan activity

Year ended December 31, (in millions)	2014	2013
Beginning balance	$ 1,044	$ 1,717
Additions	882	1,293
Reductions:		
Paydowns and other	756	1,075
Gross charge-offs	148	241
Returned to performing status	303	279
Sales	95	371
Total reductions	1,302	1,966
Net reductions	(420)	(673)
Ending balance	$ 624	$ 1,044

The following table presents net charge-offs, which are defined as gross charge-offs less recoveries, for the years ended December 31, 2014 and 2013. The amounts in the table below do not include gains or losses from sales of nonaccrual loans.

Wholesale net charge-offs

Year ended December 31, (in millions, except ratios)	2014	2013
Loans – reported		
Average loans retained	$ 316,060	$ 307,340
Gross charge-offs	151	241
Gross recoveries	(139)	(225)
Net charge-offs	12	16
Net charge-off rate	—%	0.01%

Receivables from customers

Receivables from customers primarily represent margin loans to prime and retail brokerage clients that are collateralized through a pledge of assets maintained in clients' brokerage accounts that are subject to daily minimum collateral requirements. In the event that the collateral value decreases, a maintenance margin call is made to the client to provide additional collateral into the account. If additional collateral is not provided by the client, the client's position may be liquidated by the Firm to meet the minimum collateral requirements.

Lending-related commitments
The Firm uses lending-related financial instruments, such as commitments (including revolving credit facilities) and guarantees, to meet the financing needs of its customers. The contractual amounts of these financial instruments represent the maximum possible credit risk should the counterparties draw down on these commitments or the Firm fulfills its obligations under these guarantees, and the counterparties subsequently fail to perform according to the terms of these contracts.

In the Firm's view, the total contractual amount of these wholesale lending-related commitments is not representative of the Firm's actual future credit exposure or funding requirements. In determining the amount of credit risk exposure the Firm has to wholesale lending-related commitments, which is used as the basis for allocating credit risk capital to these commitments, the Firm has established a "loan-equivalent" amount for each commitment; this amount represents the portion of the unused commitment or other contingent exposure that is expected, based on average portfolio historical experience, to become drawn upon in an event of a default by an obligor. The loan-equivalent amount of the Firm's lending-related commitments was $229.6 billion and $218.9 billion as of December 31, 2014 and 2013, respectively.

Clearing services
The Firm provides clearing services for clients entering into securities and derivative transactions. Through the provision of these services the Firm is exposed to the risk of non-performance by its clients and may be required to share in losses incurred by central counterparties ("CCPs"). Where possible, the Firm seeks to mitigate its credit risk to its clients through the collection of adequate margin at inception and throughout the life of the transactions and can also cease provision of clearing services if clients do not adhere to their obligations under the clearing agreement. For further discussion of Clearing services, see Note 29.

Derivative contracts
In the normal course of business, the Firm uses derivative instruments predominantly for market-making activities. Derivatives enable customers to manage exposures to fluctuations in interest rates, currencies and other markets. The Firm also uses derivative instruments to manage its own credit exposure. The nature of the counterparty and the settlement mechanism of the derivative affect the credit risk to which the Firm is exposed. For OTC derivatives the Firm is exposed to the credit risk of the derivative counterparty. For exchange-traded derivatives ("ETD") such as futures and options, and "cleared" over-the-counter ("OTC-cleared") derivatives, the Firm is generally exposed to the credit risk of the relevant CCP. Where possible, the Firm seeks to mitigate its credit risk exposures arising from derivative transactions through the use of legally enforceable master netting arrangements and collateral agreements. For further discussion of derivative contracts, counterparties and settlement types, see Note 6.

The following table summarizes the net derivative receivables for the periods presented.

Derivative receivables

December 31, (in millions)	2014	2013
Interest rate	**$ 33,725**	$ 25,782
Credit derivatives	**1,838**	1,516
Foreign exchange	**21,253**	16,790
Equity	**8,177**	12,227
Commodity	**13,982**	9,444
Total, net of cash collateral	**78,975**	65,759
Liquid securities and other cash collateral held against derivative receivables	**(19,604)**	(14,435)
Total, net of all collateral	**$ 59,371**	$ 51,324

Derivative receivables reported on the Consolidated balance sheets were $79.0 billion and $65.8 billion at December 31, 2014 and 2013, respectively. These amounts represent the fair value of the derivative contracts, after giving effect to legally enforceable master netting agreements and cash collateral held by the Firm. However, in management's view, the appropriate measure of current credit risk should also take into consideration additional liquid securities (primarily U.S. government and agency securities and other G7 government bonds) and other cash collateral held by the Firm aggregating $19.6 billion and $14.4 billion at December 31, 2014 and 2013, respectively, that may be used as security when the fair value of the client's exposure is in the Firm's favor.

In addition to the collateral described in the preceding paragraph, the Firm also holds additional collateral (primarily: cash; G7 government securities; other liquid government-agency and guaranteed securities; and corporate debt and equity securities) delivered by clients at the initiation of transactions, as well as collateral related to contracts that have a non-daily call frequency and collateral that the Firm has agreed to return but has not yet settled as of the reporting date. Although this collateral does not reduce the balances and is not included in the table above, it is available as security against potential exposure that could arise should the fair value of the client's derivative transactions move in the Firm's favor. As of December 31, 2014 and 2013, the Firm held $48.6 billion and $50.8 billion, respectively, of this additional collateral. The prior period amount has been revised to conform with the current period presentation. The derivative receivables fair value, net of all collateral, also does not include other credit enhancements, such as letters of credit. For additional information on the Firm's use of collateral agreements, see Note 6.

While useful as a current view of credit exposure, the net fair value of the derivative receivables does not capture the potential future variability of that credit exposure. To capture the potential future variability of credit exposure, the Firm calculates, on a client-by-client basis, three measures of potential derivatives-related credit loss: Peak, Derivative Risk Equivalent ("DRE"), and Average exposure ("AVG"). These measures all incorporate netting and collateral benefits, where applicable.

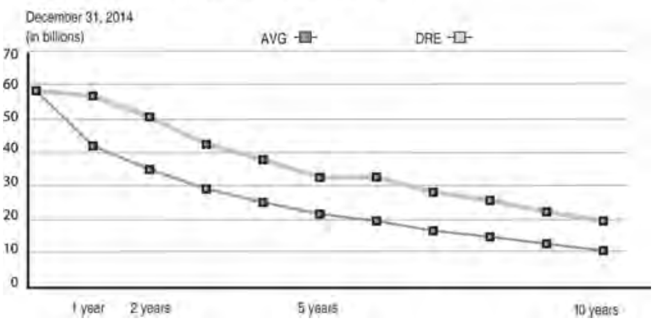
Peak exposure to a counterparty is an extreme measure of exposure calculated at a 97.5% confidence level. DRE exposure is a measure that expresses the risk of derivative exposure on a basis intended to be equivalent to the risk of loan exposures. The measurement is done by equating the unexpected loss in a derivative counterparty exposure (which takes into consideration both the loss volatility and the credit rating of the counterparty) with the unexpected loss in a loan exposure (which takes into consideration only the credit rating of the counterparty). DRE is a less extreme measure of potential credit loss than Peak and is the primary measure used by the Firm for credit approval of derivative transactions.

Finally, AVG is a measure of the expected fair value of the Firm's derivative receivables at future time periods, including the benefit of collateral. AVG exposure over the total life of the derivative contract is used as the primary metric for pricing purposes and is used to calculate credit capital and the CVA, as further described below. The three year AVG exposure was $37.5 billion and $35.4 billion at December 31, 2014 and 2013, respectively, compared with derivative receivables, net of all collateral, of $59.4 billion and $51.3 billion at December 31, 2014 and 2013, respectively.

The fair value of the Firm's derivative receivables incorporates an adjustment, the CVA, to reflect the credit quality of counterparties. The CVA is based on the Firm's AVG to a counterparty and the counterparty's credit spread in the credit derivatives market. The primary components of changes in CVA are credit spreads, new deal activity or unwinds, and changes in the underlying market environment. The Firm believes that active risk management is essential to controlling the dynamic credit risk in the derivatives portfolio. In addition, the Firm's risk management process takes into consideration the potential impact of wrong-way risk, which is broadly defined as the potential for increased correlation between the Firm's exposure to a counterparty (AVG) and the counterparty's credit quality. Many factors may influence the nature and magnitude of these correlations over time. To the extent that these correlations are identified, the Firm may adjust the CVA associated with that counterparty's AVG. The Firm risk manages exposure to changes in CVA by entering into credit derivative transactions, as well as interest rate, foreign exchange, equity and commodity derivative transactions.

The accompanying graph shows exposure profiles to the Firm's current derivatives portfolio over the next 10 years as calculated by the DRE and AVG metrics. The two measures generally show that exposure will decline after the first year, if no new trades are added to the portfolio.

Exposure profile of derivatives measures



The following table summarizes the ratings profile by derivative counterparty of the Firm's derivative receivables, including credit derivatives, net of other liquid securities collateral, for the dates indicated. The ratings scale is based on the Firm's internal ratings, which generally correspond to the ratings as defined by S&P and Moody's.

Ratings profile of derivative receivables

Rating equivalent	**2014**		2013[a]	
December 31, (in millions, except ratios)	Exposure net of all collateral	% of exposure net of all collateral	Exposure net of all collateral	% of exposure net of all collateral
AAA/Aaa to AA-/Aa3	**$ 19,202**	**32%**	$ 12,953	25%
A+/A1 to A-/A3	**13,940**	**24**	12,930	25
BBB+/Baa1 to BBB-/Baa3	**19,008**	**32**	15,220	30
BB+/Ba1 to B-/B3	**6,384**	**11**	6,806	13
CCC+/Caa1 and below	**837**	**1**	3,415	7
Total	**$ 59,371**	**100%**	$ 51,324	100%

(a) The prior period amounts have been revised to conform with the current period presentation.

As previously noted, the Firm uses collateral agreements to mitigate counterparty credit risk. The percentage of the Firm's derivatives transactions subject to collateral agreements – excluding foreign exchange spot trades, which are not typically covered by collateral agreements due to their short maturity – was 88% as of December 31, 2014, largely unchanged compared with 86% as of December 31, 2013.

Credit derivatives

The Firm uses credit derivatives for two primary purposes: first, in its capacity as a market-maker; and second, as an end-user, to manage the Firm's own credit risk associated with various exposures. For a detailed description of credit derivatives, see Credit derivatives in Note 6.

Credit portfolio management activities

Included in the Firm's end-user activities are credit derivatives used to mitigate the credit risk associated with traditional lending activities (loans and unfunded commitments) and derivatives counterparty exposure in the Firm's wholesale businesses (collectively, "credit portfolio management" activities). Information on credit portfolio management activities is provided in the table below. For further information on derivatives used in credit portfolio management activities, see Credit derivatives in Note 6.

The Firm also uses credit derivatives as an end-user to manage other exposures, including credit risk arising from certain securities held in the Firm's market-making businesses. These credit derivatives are not included in credit portfolio management activities; for further information on these credit derivatives as well as credit derivatives used in the Firm's capacity as a market maker in credit derivatives, see Credit derivatives in Note 6.

Credit derivatives used in credit portfolio management activities

	Notional amount of protection purchased and sold [(a)]	
December 31, (in millions)	**2014**	2013
Credit derivatives used to manage:		
Loans and lending-related commitments	**$ 2,047**	$ 2,764
Derivative receivables	**24,656**	25,328
Total net protection purchased	**26,703**	28,092
Total net protection sold	**–**	96
Credit portfolio management derivatives notional, net	**$ 26,703**	$ 27,996

(a) Amounts are presented net, considering the Firm's net protection purchased or sold with respect to each underlying reference entity or index.

The credit derivatives used in credit portfolio management activities do not qualify for hedge accounting under U.S. GAAP; these derivatives are reported at fair value, with gains and losses recognized in principal transactions revenue. In contrast, the loans and lending-related commitments being risk-managed are accounted for on an accrual basis. This asymmetry in accounting treatment, between loans and lending-related commitments and the credit derivatives used in credit portfolio management activities, causes earnings volatility that is not representative, in the Firm's view, of the true changes in value of the Firm's overall credit exposure.

The effectiveness of the Firm's credit default swap ("CDS") protection as a hedge of the Firm's exposures may vary depending on a number of factors, including the named reference entity (i.e., the Firm may experience losses on specific exposures that are different than the named reference entities in the purchased CDS); the contractual terms of the CDS (which may have a defined credit event that does not align with an actual loss realized by the Firm); and the maturity of the Firm's CDS protection (which in some cases may be shorter than the Firm's exposures). However, the Firm generally seeks to purchase credit protection with a maturity date that is the same or similar to the maturity date of the exposure for which the protection was purchased, and remaining differences in maturity are actively monitored and managed by the Firm.

ALLOWANCE FOR CREDIT LOSSES

JPMorgan Chase's allowance for loan losses covers both the consumer (primarily scored) portfolio and wholesale (risk-rated) portfolio. The allowance represents management's estimate of probable credit losses inherent in the Firm's loan portfolio. Management also determines an allowance for wholesale and certain consumer lending-related commitments.

The allowance for loan losses includes an asset-specific component, a formula-based component, and a component related to PCI loans. For a further discussion of the components of the allowance for credit losses and related management judgments, see Critical Accounting Estimates Used by the Firm on pages 161–165 and Note 15.

At least quarterly, the allowance for credit losses is reviewed by the Chief Risk Officer, the Chief Financial Officer and the Controller of the Firm, and discussed with the DRPC and Audit Committees of the Board of Directors of the Firm. As of December 31, 2014, JPMorgan Chase deemed the allowance for credit losses to be appropriate and sufficient to absorb probable credit losses inherent in the portfolio.

The allowance for credit losses was $14.8 billion at December 31, 2014, a decrease of $2.2 billion from $17.0 billion at December 31, 2013.

The consumer, excluding credit card, allowance for loan losses reflected a reduction from December 31, 2013, primarily due to the continued improvement in home prices and delinquencies in the residential real estate portfolio and the run-off of the student loan portfolio. For additional information about delinquencies and nonaccrual loans in the consumer, excluding credit card, loan portfolio, see Consumer Credit Portfolio on pages 113–119 and Note 14.

The credit card allowance for loan losses reflected a reduction from December 31, 2013, primarily related to a decrease in the asset-specific allowance resulting from increased granularity of the impairment estimates and lower balances related to credit card loans modified in TDRs. For additional information about delinquencies in the credit card loan portfolio, see Consumer Credit Portfolio on pages 113–119 and Note 14.

The wholesale allowance for credit losses decreased from December 31, 2013, reflecting a continued favorable credit environment as evidenced by low charge-off rates, and declining nonaccrual balances and other portfolio activity.