JPMORGAN CHASE & CO
Form 10-K
February 20, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
Annual report pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

For the fiscal year ended December 31, 2013	Commission file number 1-5805
JPMorgan Chase & Co. (Exact name of registrant as specified in its charter)	
Delaware (State or other jurisdiction of incorporation or organization)	13-2624428 (I.R.S. employer identification no.)
270 Park Avenue, New York, New York (Address of principal executive offices)	10017 (Zip code)

Registrant's telephone number, including area code: (212) 270-6000
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock	The New York Stock Exchange The London Stock Exchange The Tokyo Stock Exchange
Warrants, each to purchase one share of Common Stock	The New York Stock Exchange
Depositary Shares, each representing a one-four hundredth interest in a share of 5.50% Non-Cumulative Preferred Stock, Series O	The New York Stock Exchange
Depositary Shares, each representing a one-four hundredth interest in a share of 5.45% Non-Cumulative Preferred Stock, Series P	The New York Stock Exchange
Guarantee of 6.70% Capital Securities, Series CC, of JPMorgan Chase Capital XXIX	The New York Stock Exchange
Alerian MLP Index ETNs due May 24, 2024	NYSE Arca, Inc.

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ý Yes o No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. o Yes ý No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ý Yes o No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

x Large accelerated filer	o Accelerated filer	o Non-accelerated filer (Do not check if a smaller reporting company)	o Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes ý No

The aggregate market value of JPMorgan Chase & Co. common stock held by non-affiliates as of June 30, 2013: $197,931,024,385

Number of shares of common stock outstanding as of January 31, 2014: 3,786,825,346

Documents incorporated by reference: Portions of the registrant's Proxy Statement for the annual meeting of stockholders to be held on May 20, 2014, are incorporated by reference in this Form 10-K in response to Items 10, 11, 12, 13 and 14 of Part III.

Form 10-K Index

Part I

ITEM 1: BUSINESS

Overview

JPMorgan Chase & Co. (“JPMorgan Chase” or the “Firm”), 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 United States of America (“U.S.” or “United States”), with operations worldwide; the Firm had $2.4 trillion in assets and $211.2 billion in stockholders’ equity as of December 31, 2013. The Firm is a leader in investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing, asset management and private equity. 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 bank with U.S. branches in 23 states, and Chase Bank USA, National Association (“Chase Bank USA, N.A.”), a national bank 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 United Kingdom (“U.K.”) is J.P. Morgan Securities plc (formerly J.P. Morgan Securities Ltd.), a wholly owned subsidiary of JPMorgan Chase Bank, N.A.

The Firm’s website is www.jpmorganchase.com. JPMorgan Chase makes available free of charge, through its website, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after it electronically files such material with, or furnishes such material to, the U.S. Securities and Exchange Commission (the “SEC”). The Firm has adopted, and posted on its website, a Code of Ethics for its Chairman and Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and other finance professionals of the Firm.

Business segments

JPMorgan Chase’s activities are organized, for management reporting purposes, into four major reportable business segments, as well as a Corporate/Private Equity segment. The Firm’s consumer business is the Consumer & Community Banking segment. The Corporate & Investment Bank, Commercial Banking, and Asset Management segments comprise the Firm’s wholesale businesses.

A description of the Firm’s business segments and the products and services they provide to their respective client bases is provided in the “Business segment results” section of Management’s discussion and analysis of financial condition and results of operations (“MD&A”), beginning on page 64 and in Note 33 on pages 334–337.

Competition

JPMorgan Chase and its subsidiaries and affiliates operate in a highly competitive environment. Competitors include other banks, brokerage firms, investment banking companies, merchant banks, hedge funds, commodity trading companies, private equity firms, insurance companies, mutual fund companies, investment managers, credit card companies, mortgage banking companies, trust companies, securities processing companies, automobile financing companies, leasing companies, e-commerce and other Internet-based companies, and a variety of other financial services and advisory companies. JPMorgan Chase’s businesses generally compete on the basis of the quality and range of their products and services, transaction execution, innovation and price. Competition also varies based on the types of clients, customers, industries and geographies served. With respect to some of its geographies and products, JPMorgan Chase competes globally; with respect to others, the Firm competes on a regional basis. The Firm’s ability to compete also depends on its ability to attract and retain professional and other personnel, and on its reputation.

The financial services industry has experienced consolidation and convergence in recent years, as financial institutions involved in a broad range of financial products and services have merged and, in some cases, failed. This is expected to continue. Consolidation could result in competitors of JPMorgan Chase gaining greater capital and other resources, such as a broader range of products and services and geographic diversity. It is likely that competition will become even more intense as the Firm’s businesses continue to compete with other financial institutions that may have a stronger local presence in certain geographies or that operate under different rules and regulatory regimes than the Firm.

Supervision and regulation

The Firm is subject to regulation under state and federal laws in the United States, as well as the applicable laws of each of the various jurisdictions outside the United States in which the Firm does business.

Regulatory reform: On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), which is intended to make significant structural reforms to the financial services industry. The Dodd-Frank Act instructs U.S. federal banking and other regulatory agencies to conduct approximately 285 rule-makings and 130 studies and reports. These regulatory agencies include the Commodity Futures Trading Commission (the “CFTC”); the Securities and Exchange Commission (the “SEC”); the Board of Governors of the Federal Reserve System (the “Federal

Reserve"); the Office of the Comptroller of the Currency (the "OCC"); the Federal Deposit Insurance Corporation (the "FDIC"); the Bureau of Consumer Financial Protection (the "CFPB"); and the Financial Stability Oversight Council (the "FSOC"). As a result of the Dodd-Frank Act rule-making and other regulatory reforms, the Firm is currently experiencing a period of unprecedented change in regulation and such changes could have a significant impact on how the Firm conducts business. The Firm continues to work diligently in assessing and understanding the implications of the regulatory changes it is facing, and is devoting substantial resources to implementing all the new regulations, while, at the same time, best meeting the needs and expectations of its clients. Given the current status of the regulatory developments, the Firm cannot currently quantify the possible effects on its business and operations of all of the significant changes that are currently underway. For more information, see "Risk Factors" on pages 9–18. Certain of these changes include the following:

Comprehensive Capital Analysis and Review ("CCAR") and stress testing. In December 2011, the Federal Reserve issued final rules regarding the submission of capital plans by bank holding companies with total assets of $50 billion or more. Pursuant to these rules, the Federal Reserve requires the Firm to submit a capital plan on an annual basis. In October 2012, the Federal Reserve and the OCC issued rules requiring the Firm and certain of its bank subsidiaries to perform stress tests under one stress scenario created by the Firm as well as three scenarios (baseline, adverse and severely adverse) mandated by the Federal Reserve. The Firm will be unable to make any capital distributions unless approved by the Federal Reserve if the Federal Reserve objects to the Firm's capital plan. For more information, see "CCAR and stress testing" on pages 5–6.

Resolution plan. In September 2011, the FDIC and the Federal Reserve issued, pursuant to the Dodd-Frank Act, a final rule that requires bank holding companies with assets of $50 billion or more and companies designated as systemically important by the FSOC to submit periodically to the Federal Reserve and the FDIC a plan for resolution under the Bankruptcy Code in the event of material distress or failure (a "resolution plan"). In January 2012, the FDIC also issued a final rule that requires insured depository institutions with assets of $50 billion or more to submit periodically to the FDIC a plan for resolution under the Federal Deposit Insurance Act (the "FDIA") in the event of failure. The Firm's initial resolution plan submissions were filed by July 1, 2012; annual updates to these resolution plan submissions are due by July 1 each year (although the 2013 plans were permitted to be filed in October 2013).

Derivatives. Under the Dodd-Frank Act, the Firm is subject to comprehensive regulation of its derivatives business (including capital and margin requirements,

central clearing of standardized over-the-counter derivatives and the requirement that they be traded on regulated trading platforms) and heightened supervision. Further, some of the rules for derivatives apply extraterritorially to U.S. firms doing business with clients outside of the United States. In addition, commencing July 2015, certain derivatives transactions now executed by JPMorgan Chase Bank, N.A., will be required to be executed through subsidiaries or affiliates of JPMorgan Chase Bank, N.A. The effect of these rules issued under the Dodd-Frank Act will necessitate banking entities, such as the Firm, to significantly restructure their derivatives businesses, including by changing the legal entities through which their derivatives activities are conducted. In the European Union (the "EU"), the implementation of the European Market Infrastructure Regulation ("EMIR") and the revision of the Markets in Financial Instruments Directive ("MiFID II") will result in comparable, but not identical, changes to the European regulatory regime for derivatives. The combined effect of the U.S. and EU requirements, and the conflicts between them, present challenges and risks to the structure and operating model of the Firm's derivatives businesses.

Volcker Rule. The Firm will also be affected by the requirements of Section 619 of the Dodd-Frank Act, and specifically the provisions prohibiting proprietary trading and restricting the activities involving private equity and hedge funds (the "Volcker Rule"). On December 10, 2013, regulators adopted final regulations to implement the Volcker Rule. Under the final rules, "proprietary trading" is defined as the trading of securities, derivatives, or futures (or options on any of the foregoing) as principal, where such trading is principally for the purpose of short-term resale, benefiting from actual or expected short-term price movements and realizing short-term arbitrage profits or hedges of such positions. In order to distinguish permissible from impermissible principal risk taking, the final rules require the establishment of a complex compliance regime that includes the measurement and monitoring of seven metrics. The final rules specifically allow market-making-related activity, certain government-issued securities trading and certain risk management activities. The Firm has ceased all prohibited proprietary trading activities. The Firm must conform its remaining activities and investments to the Volcker Rule by July 21, 2015.

Money Market Fund Reform. In November 2012, the FSOC and the Financial Stability Board (the "FSB") issued separate proposals regarding money market fund reform. Pursuant to Section 120 of the Dodd-Frank Act, the FSOC published proposed recommendations that the SEC proceed with structural reforms of money market funds, including, among other possibilities, requiring that money market funds adopt a floating net asset value, mandating a capital buffer and requiring a hold-back on redemptions for certain shareholders. On June 5, 2013, the SEC approved the publication of proposed structural reforms of money market funds. The proposal considered two reform alternatives that could be adopted either alone or in combination: (i) requiring prime and tax-exempt institutional money market funds to “float” their net asset values or (ii) requiring all non-governmental money market funds to impose liquidity fees of up to 2% and to have the option to temporarily suspend redemptions (or “gate” the money market fund) upon the occurrence of specified events indicating that the fund may be under stress. It is currently anticipated that the SEC will adopt final structural reforms in 2014. The Financial Stability Board (the “FSB”) has endorsed and published for public consultation 15 policy recommendations proposed by the International Organization of Securities Commissions, including requiring money market funds to adopt a floating net asset value. In addition, in September 2013 the European Commission (the “EC”) released a proposal for a new regulation on money market funds in the EU. The EC proposed two options for stable net asset value money market funds: either (i) maintain a capital buffer of at least three percent of assets under management or (ii) float the net asset value of the money market fund. The EC proposal is currently being reviewed by the European Parliament and the Council of Member States as co-legislators, and is expected to be approved in 2014. For further information on international regulatory initiatives, see “Significant international regulatory initiatives” on pages 8–9.

Capital. In October 2013, U.S. federal banking agencies published the interim final rules implementing Basel III in the U.S. Under these rules the treatment of trust preferred securities as Tier 1 capital for regulatory capital purposes will be phased out from inclusion as Tier 1 capital, but included as Tier 2 capital, beginning in 2014 through the end of 2015 and phased out from inclusion as Tier 2 capital beginning in 2016 through the end of 2021. In addition, in June 2011, the Basel Committee and the FSB announced that certain global systemically important banks (“GSIBs”) would be required to maintain additional capital, above the Basel III Tier 1 common equity minimum, in amounts ranging from 1% to 2.5%, depending upon the bank’s systemic importance. In June 2012, the Federal Reserve, the OCC and the FDIC issued final rules for implementing ratings alternatives for the computation of risk-based capital for market risk exposures, which will result in significantly higher capital requirements for many securitization exposures. For more information, see “Capital requirements” on pages 4-5.

FDIC Deposit Insurance Fund Assessments. Effective April 1, 2011, the method for calculating the deposit insurance assessment rate changed. This resulted in a substantial increase in the assessments that the Firm’s bank subsidiaries pay annually to the FDIC. For more information, see “Deposit insurance” on page 6.

Consumer Financial Protection Bureau. The Dodd-Frank Act established the CFPB as a new regulatory agency. The CFPB has authority to regulate providers of credit, payment and other consumer financial products and services. The CFPB has examination authority over large banks, such as JPMorgan Chase Bank, N.A. and Chase Bank USA, N.A., with respect to the banks’ consumer financial products and services. The CFPB issued final regulations regarding mortgages, which became effective on January 10, 2014. For more information, see “CFPB and other consumer regulations” on page 7.

Debit interchange. On October 1, 2011, the Federal Reserve adopted final rules implementing the “Durbin Amendment” provisions of the Dodd-Frank Act, which limit the amount the Firm can charge for each debit card transaction it processes. In July 2013, the U.S. District Court for the District of Columbia ruled that the Federal Reserve exceeded its authority in the manner it set a cap on debit card transaction interchange fees and established network exclusivity prohibitions in its regulation implementing the Durbin Amendment. The Federal Reserve announced in August 2013 that it was appealing the decision, and argument was heard in January 2014. On January 17, 2014, the Court of Appeals for the District of Columbia Circuit heard an appeal by the Federal Reserve of the District Court’s decision. The Federal Reserve’s regulations remain in effect until the appeal is decided.

Systemically important financial institutions: The Dodd-Frank Act creates a structure to regulate systemically important financial institutions, and subjects them to heightened prudential standards, including heightened capital, leverage, liquidity, risk management, resolution plan, single-counterparty credit limits and early remediation requirements. JPMorgan Chase is considered a systemically important financial institution. On December 20, 2011, the Federal Reserve issued proposed rules to implement certain of the heightened prudential standards.

Permissible business activities: JPMorgan Chase elected to become a financial holding company as of March 13, 2000, pursuant to the provisions of the Gramm-Leach-Bliley Act. If a financial holding company or any depository institution controlled by a financial holding company ceases to meet certain capital or management standards, the

Federal Reserve may, pursuant to its bank supervisory authority, impose corrective capital and/or managerial requirements on the financial holding company and place limitations on its ability to conduct the broader financial activities permissible for financial holding companies. In addition, the Federal Reserve may require divestiture of the holding company's depository institutions if the deficiencies persist. Federal regulations also provide that if any depository institution controlled by a financial holding company fails to maintain a satisfactory rating under the Community

Reinvestment Act (the “CRA”), the Federal Reserve must prohibit the financial holding company and its subsidiaries from engaging in any additional activities other than those permissible for bank holding companies that are not financial holding companies.

The Federal Reserve has proposed rules under which the Federal Reserve could impose restrictions on systemically important financial institutions that are experiencing financial weakness, which restrictions could include limits on acquisitions, among other things. For more information on the restrictions, see “Prompt corrective action and early remediation” on page 6.

Financial holding companies and bank holding companies are required to obtain the approval of the Federal Reserve before they may acquire more than 5% of the voting shares of an unaffiliated bank. Pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the “Riegle-Neal Act”), the Federal Reserve may approve an application for such an acquisition without regard to whether the transaction is prohibited under the law of any state, provided that the acquiring bank holding company, before or after the acquisition, does not control more than 10% of the total amount of deposits of insured depository institutions in the United States or more than 30% (or such greater or lesser amounts as permitted under state law) of the total deposits of insured depository institutions in the state in which the acquired bank has its home office or a branch. In addition, the Dodd-Frank Act restricts acquisitions by financial companies if, as a result of the acquisition, the total liabilities of the financial company would exceed 10% of the total liabilities of all financial companies. For non-U.S. financial companies, liabilities are calculated using only the risk-weighted assets of their U.S. operations. U.S. financial companies must include all of their risk-weighted assets (including assets held overseas). This could have the effect of allowing a non-U.S. financial company to grow to hold significantly more than 10% of the U.S. market without exceeding the concentration limit. Under the Dodd-Frank Act, the Firm must provide written notice to the Federal Reserve prior to acquiring direct or indirect ownership or control of any voting shares of any company with over $10 billion in assets that is engaged in “financial in nature” activities.

Dividend restrictions: Federal law imposes limitations on the payment of dividends by national banks. Dividends payable by JPMorgan Chase Bank, N.A. and Chase Bank USA, N.A., as national bank subsidiaries of JPMorgan Chase, are limited to the lesser of the amounts calculated under a “recent earnings” test and an “undivided profits” test. Under the recent earnings test, a dividend may not be paid if the total of all dividends declared by a bank in any calendar year is in excess of the current year’s net income combined with the retained net income of the two preceding years, unless the national bank obtains the approval of the OCC. Under the undivided profits test, a dividend may not be paid in excess of a bank’s “undivided profits.” See Note 27 on page 316 for the amount of dividends that the Firm’s principal bank subsidiaries could pay, at January 1, 2014, to their respective bank holding companies without the approval of their banking regulators.

In addition to the dividend restrictions described above, the OCC, the Federal Reserve and the FDIC have authority to prohibit or limit the payment of dividends by the banking organizations they supervise, including JPMorgan Chase and its bank and bank holding company subsidiaries, if, in the banking regulator’s opinion, payment of a dividend would constitute an unsafe or unsound practice in light of the financial condition of the banking organization. Under proposed rules issued by the Federal Reserve, dividends are restricted once any one of three risk-based capital ratios (tier 1 common, tier 1 capital, or total capital) falls below their respective minimum capital ratio requirement (inclusive of the GSIB surcharge) plus 2.5%.

Moreover, the Federal Reserve has issued rules requiring bank holding companies, such as JPMorgan Chase, to submit to the Federal Reserve a capital plan on an annual basis and receive a notice of non-objection from the Federal Reserve before taking capital actions, such as paying dividends, implementing common equity repurchase programs or redeeming or repurchasing capital instruments. For more information, see “CCAR and stress testing” on pages 5–6.

Capital requirements: Federal banking regulators have adopted risk-based capital and leverage guidelines that require the Firm’s capital-to-assets ratios to meet certain minimum standards.

The risk-based capital ratio is determined by allocating assets and specified off-balance sheet financial instruments into risk-weighted categories, with higher levels of capital being required for the categories perceived as representing greater risk. Under the guidelines, capital is divided into two tiers: Tier 1 capital and Tier 2 capital. The amount of

Tier 2 capital may not exceed the amount of Tier 1 capital. Total capital is the sum of Tier 1 capital and Tier 2 capital. Under the guidelines, banking organizations are required to maintain a total capital ratio (total capital to risk-weighted assets) of 8% and a Tier 1 capital ratio of 4%.

The federal banking regulators also have established minimum leverage ratio guidelines. The leverage ratio is defined as Tier 1 capital divided by adjusted average total assets. The minimum leverage ratio is 4% for bank holding companies. Bank holding companies may be expected to maintain ratios well above the minimum levels, depending upon their particular condition, risk profile and growth plans. The minimum risk-based capital requirements adopted by the federal banking agencies follow the Capital Accord of the Basel Committee on Banking Supervision ("Basel I"). In 2004, the Basel Committee published a revision to the Accord ("Basel II"). The goal of the Basel II Framework is to provide more risk-sensitive regulatory capital calculations and promote enhanced risk management practices among large, internationally active banking operations. In December 2010, the Basel Committee finalized further revisions to the Accord ("Basel

III") which narrowed the definition of capital, increased capital requirements for specific exposures, introduced short-term liquidity coverage and term funding standards, and established an international leverage ratio. In June 2011, the U.S. federal banking agencies issued rules to establish a permanent Basel I floor under Basel II/Basel III calculations.

In October 2013, U.S. federal banking agencies published the interim final rules implementing Basel III in the U.S. The interim final rules narrowed the definition of capital, increased capital requirements for certain exposures, set higher capital ratio requirements and minimum floors with respect to the capital ratio requirements and included a supplementary leverage ratio. U.S. banking regulators and the Basel Committee have, in addition, proposed changes to the leverage ratios applicable to the Firm and its bank subsidiaries.

In connection with the U.S. Government's Supervisory Capital Assessment Program in 2009, U.S. banking regulators developed an additional measure of capital, Tier 1 common, which is defined as Tier 1 capital less elements of Tier 1 capital not in the form of common equity – such as perpetual preferred stock, non-controlling interests in subsidiaries and trust preferred capital debt securities. Tier 1 common, a non-GAAP financial measure, is used by banking regulators, investors and analysts to assess and compare the quality and composition of the Firm's capital with the capital of other financial services companies. The Firm uses Tier 1 common along with the other capital measures to assess and monitor its capital position.In June 2012, the U.S. banking regulators revised, effective January 1, 2013, certain capital requirements for trading positions and securitizations ("Basel 2.5").

GSIBs will be required to maintain additional capital, above the Basel III Tier 1 common equity minimum, in amounts ranging from 1% to 2.5%, depending upon the bank's systemic importance. In November 2012, the FSB indicated that the Firm would be in the category subject to a 2.5% capital surcharge. Furthermore, in order to provide a disincentive for banks facing the highest required level of Tier 1 common equity to "increase materially their global systemic importance in the future," an additional 1% charge could be applied. Currently, no GSIB is required to hold more than the additional 2.5% of Tier 1 common. The Federal Reserve has issued a proposed rule-making that incorporates the concept of a capital surcharge for GSIBs.

The Basel III revisions governing the capital requirements are subject to prolonged observation and transition periods. The phase-in period for banks to meet the revised Tier 1 common equity requirement begins in 2015, with implementation on January 1, 2019. The additional capital requirements for GSIBs will be phased-in starting January 1, 2016, with full implementation on January 1, 2019.

The Basel III rule also includes a requirement for advanced approach banking organizations, including the Firm, to calculate a supplementary leverage ratio ("SLR"). The SLR, a non-GAAP measure, is Tier 1 capital under Basel III

divided by the Firm's total leverage exposure. Total leverage exposure is calculated by taking the Firm's total average on-balance sheet assets, less amounts permitted to be deducted for Tier 1 capital, and adding certain off-balance sheet exposures, such as undrawn commitments and derivatives future exposure.

Following approval of the final Basel III rules, the U.S. banking agencies issued proposed rulemaking relating to SLR that would require U.S. bank holding companies, including the Firm, to have a minimum SLR of at least 5%. Insured depository institutions, including JPMorgan Chase Bank, N.A. and Chase Bank USA, N.A., are required to have a minimum SLR of at least 6%. In addition, the Basel Committee has proposed further refinements to the computation of the SLR.

In addition to capital requirements, the Basel Committee has also proposed two new measures of liquidity risk: the "liquidity coverage ratio" and the "net stable funding ratio," which are intended to measure, over different time spans, the liquidity of the Firm. The observation periods for both these standards began in 2011, with implementation commencing in 2015 and 2018, respectively. On October 24, 2013, the U.S. banking regulators released a proposal to implement a quantitative liquidity requirement consistent with, but more conservative than, the Basel III liquidity coverage ratio ("LCR") for large banks. It also provides for an accelerated transition period compared to what is currently required under the Basel III LCR rules. The Firm believes that it was in compliance with this new U.S. proposal related to LCR at December 31, 2013.

The Dodd-Frank Act prohibits the use of external credit ratings in federal regulations. In June 2012, the Federal Reserve, OCC and FDIC issued final rules implementing ratings alternatives for the computation of risk-based capital for market risk exposures, which will result in significantly higher capital requirements for many securitization exposures.

For additional information regarding the Firm's regulatory capital, see Regulatory capital on pages 161–165.

Risk reporting: In January 2013, the Basel Committee issued new regulations relating to risk aggregation and reporting. Under these regulations, the bank's risk governance framework must encompass risk-data aggregation and reporting, and data aggregation must be highly automated and allow for minimal manual intervention. The regulations also impose higher standards for the accuracy, comprehensiveness, granularity and timely distribution of data reporting, and call for regular supervisory review of bank risk aggregation and reporting. GSIBs will be required to comply with these new standards by January 1, 2016.

CCAR and stress testing: In December 2011, the Federal Reserve issued final rules regarding the submission of capital plans by bank holding companies with total assets of $50 billion or more. Pursuant to these rules, the Federal Reserve requires the Firm to submit a capital plan on an

annual basis. In October 2012, the Federal Reserve issued rules requiring bank holding companies with over $50 billion in total assets to perform an annual stress test and report the results to the Federal Reserve in January. The results of the annual stress test will also be publicly disclosed, and will be used as a factor in determining whether the Federal Reserve will or will not object to the bank holding company's capital plan. On January 6, 2014, the Firm submitted its capital plan to the Federal Reserve under the Federal Reserve's 2014 CCAR process. The Firm expects to receive the Federal Reserve's final response to its plan no later than March 14, 2014. In reviewing the capital plan, the Federal Reserve will consider both quantitative and qualitative factors. Qualitative assessments will include, among other things, the comprehensiveness of the plan, the assumptions and analyses underlying the Firm's capital plan, and any relevant supervisory information. If the Federal Reserve objects to the Firm's capital plan, the Firm will be unable to make any capital distributions unless approved by the Federal Reserve. Bank holding companies must perform an additional stress test in the middle of the year and publicly disclose those results as well. The OCC issued similar regulations that require national banks with over $10 billion in total assets to perform annual stress tests. Accordingly, the Firm submits separate stress tests to the OCC for its national bank subsidiaries that exceed that threshold.
Heightened Expectations: In January 2014, the OCC issued proposed rules and guidelines establishing heightened standards for large banks. The proposed guidelines set forth standards for the design and implementation of the bank's risk governance framework, and minimum standards for oversight of that framework by the board of directors. The proposed guidelines are an extension of the OCC's "heightened expectations" for large banks developed after the financial crisis. The heightened standards are intended to protect the safety and soundness of the bank. The bank may use certain components of the parent company's risk governance framework, but the framework must ensure the bank's risk profile is easily distinguished and separate from parent for risk management purposes. Under the proposed guidelines, the board is required to have two members who are independent of the bank and parent company management. The board is responsible for ensuring the risk governance framework meets the standards in the OCC's guidelines, providing active oversight and credible challenge to management's recommendations and decisions, and ensuring that the parent company decisions do not jeopardize the safety and soundness of the bank.
Prompt corrective action and early remediation: The Federal Deposit Insurance Corporation Improvement Act of 1991 requires the relevant federal banking regulator to take "prompt corrective action" with respect to a depository institution if that institution does not meet certain capital adequacy standards. While these regulations apply only to banks, such as JPMorgan Chase Bank, N.A. and Chase Bank USA, N.A., the Federal Reserve is authorized to take

appropriate action against the parent bank holding company, such as JPMorgan Chase & Co., based on the undercapitalized status of any bank subsidiary. In certain instances, the bank holding company would be required to guarantee the performance of the capital restoration plan for its undercapitalized subsidiary.
In addition, in December 2011, the Federal Reserve issued proposed rules which provide for early remediation of systemically important financial companies that experience financial weakness. These proposed restrictions could include limits on capital distributions, acquisitions, and requirements to raise additional capital.
Deposit Insurance: The FDIC deposit insurance fund provides insurance coverage for certain deposits, which is funded through assessments on banks, such as JPMorgan Chase Bank, N.A. and Chase Bank USA, N.A. Higher levels of bank failures during the financial crisis dramatically increased resolution costs of the FDIC. In addition, the amount of FDIC insurance coverage for insured deposits has been increased from $100,000 per depositor to $250,000 per depositor. In light of the increased stress on the deposit insurance fund caused by these developments, and in order to maintain a strong funding position and restore the reserve ratios of the deposit insurance fund, the FDIC has increased assessment rates of insured institutions generally. As required by the Dodd-Frank Act, the FDIC issued a final rule in February 2011 that changes the assessment base from insured deposits to average consolidated total assets less average tangible equity, and changes the assessment rate calculation. These changes became effective on April 1, 2011, and resulted in a substantial increase in the assessments that the Firm's bank subsidiaries pay annually to the FDIC.
Powers of the FDIC upon insolvency of the Firm or its insured depository institution subsidiaries: Upon the insolvency of an insured depository institution, such as JPMorgan Chase Bank, N.A., the FDIC may be appointed the conservator or receiver under the FDIA. Under the Dodd-Frank Act, where a systemically important financial

institution, such as JPMorgan Chase & Co., is in default or danger of default, the FDIC may be appointed receiver in order to conduct an orderly liquidation. In both cases, the FDIC has broad powers to transfer any assets and liabilities without the approval of the institution’s creditors.

Depositor preference: Under federal law, the claims of a receiver of an insured depository institution for administrative expense and the claims of holders of U.S. deposit liabilities (including the FDIC) have priority over the claims of other unsecured creditors of the institution, including public noteholders and depositors in non-U.S. offices. As a result, such persons could receive substantially less than the depositors in U.S. offices of the depository institution. The U.K. Prudential Regulation Authority (the “PRA”) has issued a proposal that may require the Firm to either obtain equal treatment for U.K. depositors or “subsidiarize” in the U.K. In September 2013, the FDIC issued a final rule, which clarifies that foreign deposits are

considered deposits under the FDIA only if they are also payable in the United States.
Cross-guarantee: An FDIC-insured depository institution can be held liable for any loss incurred or expected to be incurred by the FDIC in connection with another FDIC-insured institution under common control with such institution being "in default" or "in danger of default" (commonly referred to as "cross-guarantee" liability). An FDIC cross-guarantee claim against a depository institution is generally superior in right of payment to claims of the holding company and its affiliates against such depository institution.
The Bank Secrecy Act: The Bank Secrecy Act ("BSA") requires all financial institutions, including banks and securities broker-dealers, to, among other things, establish a risk-based system of internal controls reasonably designed to prevent money laundering and the financing of terrorism. The BSA includes a variety of record-keeping and reporting requirements (such as cash and suspicious activity reporting), as well as due diligence/know-your-customer documentation requirements. The Firm has established a global anti-money laundering program in order to comply with BSA requirements.
Regulation by Federal Reserve: The Federal Reserve acts as an "umbrella regulator" and certain of JPMorgan Chase's subsidiaries are regulated directly by additional authorities based on the particular activities of those subsidiaries. For example, JPMorgan Chase Bank, N.A., and Chase Bank USA, N.A., are regulated by the OCC. See "Other supervision and regulation" on pages 7–8 for a further description of the regulatory supervision to which the Firm's subsidiaries are subject.
Holding company as source of strength for bank subsidiaries: JPMorgan Chase & Co. is required to serve as a source of financial strength for its depository institution subsidiaries and to commit resources to support those subsidiaries.
Restrictions on transactions with affiliates: The bank subsidiaries of JPMorgan Chase are subject to certain restrictions imposed by federal law on extensions of credit to, and certain other transactions with, the Firm and certain other affiliates, and on investments in stock or securities of JPMorgan Chase and those affiliates. These restrictions prevent JPMorgan Chase and other affiliates from borrowing from a bank subsidiary unless the loans are secured in specified amounts and are subject to certain other limits. For more information, see Note 27 on page 316. Effective in 2012, the Dodd-Frank Act extended such restrictions to derivatives and securities lending transactions. In addition, the Dodd-Frank Act's Volcker Rule imposes similar restrictions on transactions between banking entities, such as JPMorgan Chase and its subsidiaries, and hedge funds or private equity funds for which the banking entity serves as the investment manager, investment advisor or sponsor.

CFPB and other consumer regulations: The activities of JPMorgan Chase Bank, N.A. and Chase Bank USA, N.A. as consumer lenders also are subject to regulation under various U.S. federal laws, including the Truth-in-Lending, Equal Credit Opportunity, Fair Credit Reporting, Fair Debt Collection Practice, Electronic Funds Transfer and CARD acts, as well as various state laws. These statutes impose requirements on consumer loan origination and collection practices.
The CFPB issued final regulations regarding mortgages, which became effective January 10, 2014, and which will prohibit mortgage servicers from beginning foreclosure proceedings until a mortgage loan is 120 days delinquent. During this period, the borrower may apply for a loan modification or other option and the servicer cannot begin foreclosure until the application has been addressed. The CFPB issued another final regulation which became effective January 10, 2014, imposing an "ability to repay" requirement for residential mortgage loans. A creditor (or its assignee) will be liable to the borrower for damages if the creditor fails to make a "good faith and reasonable determination of a borrower's reasonable ability to repay as of consummation." Borrowers can sue the creditor or assignee for up to three years after closing, and can raise an ability to repay claim against the servicer as a set off at any point during the loan's life if in foreclosure. A "Qualified Mortgage" as defined in the regulation is generally protected from such suits.
On April 22, 2013, the OCC issued guidance regarding the obligation of servicers to track loans scheduled for foreclosure sale within 60 days and to confirm certain information prior to proceeding with the scheduled sale. The Firm has adopted procedures designed to effect compliance with this guidance.
On March 21, 2013, the CFPB issued a bulletin regarding "Indirect Auto Lending and Compliance with the Equal Credit Opportunity Act," in which it declared that a purchaser of automobile loans ("indirect lender") from automobile dealers may be liable for Equal Credit Opportunity Act violations based on dealer specific and portfolio wide

disparities, on a prohibited basis, that result from allowing dealers to mark up the interest rate offered to consumers by indirect lenders and allowing the dealers a share of the increased revenue. The bulletin imposes significant dealer education and monitoring requirements on these indirect lenders if they continue allowing discretionary dealer mark-ups. Alternatively, the bulletin indicates that a flat fee arrangement would be acceptable. The Firm has adopted a dealer education and monitoring program to address the concerns raised in the bulletin.

Other supervision and regulation: The Firm's banks and certain of its nonbank subsidiaries are subject to direct supervision and regulation by various other federal and state authorities (some of which are considered "functional regulators" under the Gramm-Leach-Bliley Act). JPMorgan Chase's national bank subsidiaries, such as JPMorgan Chase Bank, N.A., and Chase Bank USA, N.A., are subject to

Part I

supervision and regulation by the OCC and, in certain matters, by the Federal Reserve and the FDIC. Supervision and regulation by the responsible regulatory agency generally includes comprehensive annual reviews of all major aspects of the relevant bank's business and condition, stress tests of banks and imposition of periodic reporting requirements and limitations on investments, among other powers.

The Firm conducts securities underwriting, dealing and brokerage activities in the United States through J.P. Morgan Securities LLC and other broker-dealer subsidiaries, all of which are subject to regulations of the SEC, the Financial Industry Regulatory Authority and the New York Stock Exchange, among others. The Firm conducts similar securities activities outside the United States subject to local regulatory requirements. In the United Kingdom, those activities are conducted by J.P. Morgan Securities plc, which is regulated by the PRA (a subsidiary of the Bank of England which has responsibility for prudential regulation of banks and other systemically important institutions) and the Financial Conduct Authority (which regulates prudential matters for other firms and conduct matters for all participants). JPMorgan Chase mutual funds also are subject to regulation by the SEC. The Firm has subsidiaries that are members of futures exchanges in the United States and abroad and are registered accordingly.

In the United States, two subsidiaries are registered as futures commission merchants, and other subsidiaries are either registered with the CFTC as commodity pool operators and commodity trading advisors or exempt from such registration. These CFTC-registered subsidiaries are also members of the National Futures Association. The Firm's U.S. energy business is subject to regulation by the Federal Energy Regulatory Commission. It is also subject to other extensive and evolving energy, commodities, environmental and other governmental regulation both in the United States and other jurisdictions globally.

Under the Dodd-Frank Act, the CFTC and SEC are the regulators of the Firm's derivatives businesses. JPMorgan Chase Bank, N.A., J.P. Morgan Securities LLC, J.P. Morgan Securities plc and J.P. Morgan Ventures Energy Corporation have registered with the CFTC as swap dealers. The Firm expects that JPMorgan Chase Bank, N.A., J.P. Morgan Securities LLC and J.P. Morgan Securities plc may also need to register with the SEC as security-based swap dealers.

The types of activities in which the non-U.S. branches of JPMorgan Chase Bank, N.A. and the international subsidiaries of JPMorgan Chase may engage are subject to various restrictions imposed by the Federal Reserve. Those non-U.S. branches and international subsidiaries also are subject to the laws and regulatory authorities of the countries in which they operate.

Under the requirements imposed by the Gramm-Leach-Bliley Act, JPMorgan Chase and its subsidiaries are required periodically to disclose to their retail customers the Firm's policies and practices with respect to the sharing of nonpublic customer information with JPMorgan Chase

affiliates and others, and the confidentiality and security of that information. Under the Gramm-Leach-Bliley Act, retail customers also must be given the opportunity to "opt out" of information-sharing arrangements with non-affiliates, subject to certain exceptions set forth in the Gramm-Leach-Bliley Act.

Significant international regulatory initiatives: The EU has created a European Systemic Risk Board which monitors financial stability, together with a framework of European Supervisory Agencies which oversees the regulation of financial institutions. In addition, the Group of Twenty Finance Ministers and Central Bank Governors ("G-20") formed the FSB. At both G-20 and EU levels, various proposals are under consideration to address risks associated with global financial institutions. Some of the initiatives adopted include increased capital requirements for certain trading instruments or exposures and compensation limits on certain employees located in affected countries.

In the EU, there is an extensive and complex program of proposed regulatory enhancement which reflects, in part, the EU's commitments to policies of the G-20 together with other plans specific to the EU. This program includes EMIR, which will require, among other things, the central clearing of standardized derivatives and which will be phased in by 2015; and MiFID II, which gives effect to the G-20 commitment to on-venue trading of derivatives and also includes requirements for pre- and post-trade transparency and a significant reconfiguration of the regulatory supervision of execution venues.

The EU is also currently considering or executing upon significant revisions to laws covering: depositary activities; credit rating activities; resolution of banks, investment firms and market infrastructures; anti-money-laundering controls; data security and privacy; and corporate governance in financial firms, together with implementation in the EU of the Basel III capital standards.

Following the issuance of the Report of the High Level Expert Group on Reforming the Structure of the EU Banking Sector (the “Liikanen Group”), the EU has proposed legislation providing for a proprietary trading ban and mandatory separation of other trading activities within certain banks, while various EU Member States have separately enacted similar measures. In the U.K., the Independent Commission on Banking (the “Vickers Commission”) proposed certain provisions, which have now been enacted by Parliament and upon which detailed implementing requirements are expected during 2014, that mandate the separation (or “ring-fencing”) of deposit-taking activities from securities trading and other analogous activities within banks, subject to certain exemptions. The legislation includes the supplemental recommendation of the Parliamentary Commission on Banking Standards (the “Tyrie Commission”) that such ring-fences should be “electrified” by the imposition of mandatory forced separation on banking institutions that are deemed to test the limits of the safeguards. Parallel but distinct provisions have been enacted by the French and German governments, and others are under consideration in other countries. Further, the EU is in the process of developing a “Banking Union” institutional and legislative framework, comprising central supervision of systemic institutions by the European Central Bank, and a Single Resolution Mechanism for resolving failing banks alongside the recently-agreed Bank Recovery and Resolution Directive. These measures may separately or taken together have significant implications for the Firm's organizational structure in Europe, as well as its permitted activities and capital deployment in the EU.

Item 1A: RISK FACTORS

The following discussion sets forth the material risk factors that could affect JPMorgan Chase’s financial condition and operations. Readers should not consider any descriptions of such factors to be a complete set of all potential risks that could affect the Firm.

Regulatory Risk

JPMorgan Chase operates within a highly regulated industry, and the Firm’s businesses and results are significantly affected by the laws and regulations to which it is subject.

As a global financial services firm, JPMorgan Chase is subject to extensive and comprehensive regulation under federal and state laws in the United States and the laws of the various jurisdictions outside the United States in which the Firm does business. These laws and regulations significantly affect the way that the Firm does business, and can restrict the scope of the Firm’s existing businesses and limit the Firm’s ability to expand its product offerings or to pursue acquisitions, or can make its products and services more expensive for clients and customers.

The Firm is currently experiencing an unprecedented increase in regulations and supervision, and such changes could have a significant impact on how the Firm conducts business. Significant and comprehensive new legislation and regulations affecting the financial services industry have been adopted or proposed in recent years, both in the United States and globally, most notably the Dodd-Frank Act in the United States. Certain key regulations such as the Volcker Rule and the U.S. implementation of the Basel III capital standards have now been adopted, and the Firm continues to make appropriate adjustments to its business and operations, legal entity structure and capital and liquidity management policies, procedures and controls to comply with these and other new laws and regulations. However, U.S. and other regulators continue to develop, propose and adopt rules and propose new regulatory initiatives, so the cumulative effect of all of the new legislation and regulations on the Firm’s business and operations remains uncertain. In addition, there can be significant differences in the ways that similar regulatory initiatives affecting the financial services industry are implemented in different countries and regions in which JPMorgan Chase does business. Non-U.S. regulations and

initiatives may be inconsistent or may conflict with current or proposed regulations in the United States, which could create increased compliance and other costs for the Firm and adversely affect its business, operations or profitability. These recent legislative and regulatory developments, as well as future legislative or regulatory actions in the United States and in the other countries in which the Firm operates, could result in a significant loss of revenue for the Firm, impose additional costs on the Firm or otherwise reduce the Firm’s profitability, limit the Firm’s ability to pursue business opportunities in which it might otherwise consider engaging, require the Firm to dispose of or curtail certain businesses, affect the value of assets that the Firm holds, require the Firm to increase its prices and therefore reduce demand for its products, or otherwise adversely affect the Firm’s businesses.

Expanded regulatory oversight of JPMorgan Chase’s businesses will increase the Firm’s compliance costs and risks and may reduce the profitability of those businesses.

In recent years the Firm has entered into several Consent Orders with its banking regulators and settlements with various governmental agencies, including the Consent Orders entered into in April 2011 relating to the Firm’s residential mortgage servicing, foreclosure and loss mitigation activities; the February 2012 global settlement with federal and state government agencies relating to the servicing and origination of mortgages; the Consent Orders entered into in January 2013 relating to the Firm’s Bank Secrecy Act/Anti-Money Laundering policies, procedures and controls and to Chief Investment Office risk management and control functions as well as trading activities; the Consent Orders entered into September 2013 concerning oversight of third parties, operational processes and control functions related to credit card collections litigation practices and to billing practices for credit monitoring products formerly offered by the Firm; the settlements in November 2013 of certain repurchase representation and warranty claims by a group of institutional investors and with the U.S. Department of Justice, several other federal agencies and several State Attorneys General relating to certain residential mortgage-backed securitization activities of the Firm, Bear Stearns and Washington Mutual; the Deferred Prosecution Agreement entered into in January 2014 with the U.S. Department of Justice and related agreements with the OCC and the Financial Crimes Enforcement Network ("FinCEN") relating to Bernard L. Madoff Investment Securities LLC and the Firm's AML compliance program; and the February 2014 settlement entered into with several federal government agencies relating to the Firm’s participation in certain federal mortgage insurance programs. These Consent Orders and settlements require the Firm, among other things, to remediate specified deficiencies in certain controls and operational processes; in some cases, to engage internal or external personnel to review past transactions or to monitor the extent to which cited lapses have been addressed; and to furnish its regulators with periodic reports concerning the Firm's progress in meeting the requirements of the orders and settlements. The Firm has also paid significant fines and penalties or provided monetary and other relief in connection with many of these actions and settlements.

The Firm is devoting substantial resources to satisfying the requirements of these Consent Orders and settlements, including comprehensive enhancements to its procedures and controls, the expansion of risk and control functions within each line of business, investments in technology and the hiring of significant numbers of additional risk, control and compliance personnel, all of which has increased the Firm's operational and compliance costs. In addition to these enforcement actions, the Firm is experiencing heightened regulatory oversight of its compliance with applicable laws and regulations, particularly with respect to its consumer businesses. The Firm expects that such regulatory scrutiny will continue, and that regulators will continue to take formal enforcement action, rather than taking informal supervisory actions, more frequently than they have done historically.

If the Firm fails to successfully address the requirements of the Consent Orders, the Deferred Prosecution Agreement and the other regulatory settlements and enforcement actions to which it is subject, or more generally, to effectively enhance its risk and control procedures and processes to meet heightened expectations by its regulators, it may continue to face a greater number or wider scope of investigations, enforcement actions and litigation, thereby increasing its costs associated with responding to or defending such actions, and it could be required to enter into further orders and settlements, pay additional fines, penalties or judgments, or accept material regulatory restrictions on its businesses, which could adversely affect the Firm's operations and, in turn, its financial results. In addition, further regulatory inquiries, investigations and actions, as well as any additional legislative or regulatory developments affecting the Firm's businesses, and any required changes to the Firm's business operations resulting from these developments, could result in significant loss of revenue, limit the products or services the Firm offers, require the Firm to increase its prices and therefore reduce demand for its products, impose additional compliance costs on the Firm, cause harm to the Firm's reputation or otherwise adversely affect the Firm's businesses.

Under the Firm's resolution plan required to be submitted by the Dodd-Frank Act resolution provisions, holders of the Firm's debt obligations are at clear risk of loss in any resolution proceedings.

In October 2013, JPMorgan Chase submitted to the Federal Reserve and the FDIC its annual update to its plan for resolution of the Firm. The Firm's resolution plan includes strategies to resolve the Firm under the Bankruptcy Code, and also recommends to the FDIC and the Federal Reserve

the Firm's proposed optimal strategy to resolve the Firm under the special resolution procedure provided in Title II of the Dodd-Frank Act ("Title II").

The Firm's recommendation for its optimal Title II strategy would involve a "single point of entry" recapitalization model in which the FDIC would use its power to create a "bridge entity" for JPMorgan Chase, transfer the systemically important and viable parts of the Firm's business, principally the stock of JPMorgan Chase & Co.'s main operating subsidiaries and any intercompany claims against such subsidiaries, to the bridge entity, recapitalize those businesses by contributing some or all of such intercompany claims to the capital of such subsidiaries, and by exchanging debt claims against JPMorgan Chase & Co. for equity in the bridge entity. If the Firm were to be resolved under this strategy, no assurance can be given that the value of the stock of the bridge entity distributed to the holders of debt obligations of JPMorgan Chase & Co. would be sufficient to repay or satisfy all or part of the principal amount of, and interest on, the debt obligations for which such stock was exchanged.

Market Risk

JPMorgan Chase's results of operations have been, and may continue to be, adversely affected by U.S. and international financial market and economic conditions.

JPMorgan Chase's businesses are materially affected by economic and market conditions, including the liquidity of the global financial markets; the level and volatility of debt and equity prices, interest rates and currency and commodities prices; investor sentiment; events that reduce confidence in the financial markets; inflation and unemployment; the availability and cost of capital and credit; the economic effects of natural disasters, several weather conditions, acts of war or terrorism; monetary policies and actions taken by the Federal Reserve and other central banks and the health of U.S. or international economies.

In the Firm’s wholesale businesses, the above-mentioned factors can affect transactions involving the Firm’s underwriting and advisory businesses; the realization of cash returns from its private equity business; the volume of transactions that the Firm executes for its customers and, therefore, the revenue that the Firm receives from commissions and spreads; and the willingness of financial sponsors or other investors to participate in loan syndications or underwritings managed by the Firm.

The Firm generally maintains extensive market-making positions in the fixed income, currency, commodities and equity markets to facilitate client demand and provide liquidity to clients. The Firm may have market-making positions that lack pricing transparency or liquidity. The revenue derived from these positions is affected by many factors, including the Firm’s success in effectively hedging its market and other risks, volatility in interest rates and equity, debt and commodities markets, credit spreads, and availability of liquidity in the capital markets, all of which are affected by economic and market conditions. The Firm anticipates that revenue relating to its market-making and private equity businesses will continue to experience volatility, which will affect pricing or the ability to realize returns from such activities, and that this could materially adversely affect the Firm’s earnings.

The fees that the Firm earns for managing third-party assets are also dependent upon general economic conditions. For example, a higher level of U.S. or non-U.S. interest rates or a downturn in securities markets could affect the valuations of the third-party assets that the Firm manages or holds in custody, which, in turn, could affect the Firm’s revenue. Macroeconomic or market concerns may also prompt outflows from the Firm’s funds or accounts.

Changes in interest rates will affect the level of assets and liabilities held on the Firm’s balance sheet and the revenue that the Firm earns from net interest income. A low interest rate environment or a flat or inverted yield curve may adversely affect certain of the Firm’s businesses by compressing net interest margins, reducing the amounts that the Firm earns on its investment securities portfolio, or reducing the value of its mortgage servicing rights (“MSR”) asset, thereby reducing the Firm’s net interest income and other revenues.

The Firm’s consumer businesses are particularly affected by domestic economic conditions, including U.S. interest rates; the rate of unemployment; housing prices; the level of consumer confidence; changes in consumer spending; and the number of personal bankruptcies. If the current positive trends in the U.S. economy are not sustained, this could diminish demand for the products and services of the Firm’s consumer businesses, or increase the cost to provide such products and services. In addition, adverse economic conditions, such as declines in home prices or persistent high levels of unemployment, could lead to an increase in mortgage, credit card and other loan delinquencies and higher net charge-offs, which can reduce the Firm’s earnings.

Widening of credit spreads makes it more expensive for the Firm to borrow on both a secured and unsecured basis. Credit spreads widen or narrow not only in response to Firm-specific events and circumstances, but also as a result of general economic and geopolitical events and conditions. Changes in the Firm’s credit spreads will impact, positively or negatively, the Firm’s earnings on liabilities that are recorded at fair value.

Finally, adverse economic and financial market conditions in specific countries or regions can have significant adverse effects on the Firm’s business, results of operations, financial condition and liquidity. For example, during the recent Eurozone debt crisis, concerns about the possibility of one or more sovereign debt defaults, significant bank failures or defaults and/or the exit of one or more countries from the European Monetary Union resulted in, among other things, declines in market liquidity, a contraction of

available credit, and diminished economic growth and business confidence in the Eurozone. There are continuing concerns as to the ultimate financial effectiveness of the assistance measures taken to date, and the extent to which the austerity measures may exacerbate high unemployment and test the social and political stability of weaker economies in the Eurozone. The Firm’s business and results of operations can be adversely affected both by localized economic crises in parts of the world where the Firm does business or when regional economic turmoil causes deterioration of global economic conditions.

Credit Risk

The financial condition of JPMorgan Chase’s customers, clients and counterparties, including other financial institutions, could adversely affect the Firm.

Financial services institutions are interrelated as a result of market-making, trading, clearing, counterparty or other relationships. The Firm routinely executes transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, investment managers and other institutional clients. Many of these transactions expose the Firm to credit risk and, in some cases, disputes and litigation in the event of a default by the counterparty or client.

The Firm is a market leader in providing clearing and custodial services, and also acts as a clearing and custody bank in the securities and repurchase transaction market, including the U.S. tri-party repurchase transaction market. Many of these services expose the Firm to credit risk in the event of a default by the counterparty or client, a central counterparty (“CCP”) or another market participant.

As part of providing clearing services, the Firm is a member of a number of CCPs, and may be required to pay a portion of the losses incurred by such organizations as a result of the default of other members. As a clearing member, the Firm is also exposed to the risk of non-performance by its clients, which it seeks to mitigate through the maintenance of adequate collateral. In its role as custodian bank in the securities and repurchase transaction market, the Firm can be exposed to intra-day credit risk of its clients. If a client to whom the Firm provides such services becomes bankrupt or insolvent, the Firm may become involved in disputes and litigation with various parties, including one or more CCP's, the client's bankruptcy estate and other creditors, or involved in regulatory investigations. All of such events can increase the Firm's operational and litigation costs and may result in losses if any collateral received by the Firm declines in value.

During periods of market stress or illiquidity, the Firm's credit risk also may be further increased when the Firm cannot realize the fair value of the collateral held by it or when collateral is liquidated at prices that are not sufficient to recover the full amount of the loan, derivative or other exposure due to the Firm. Further, disputes with obligors as

to the valuation of collateral significantly increase in times of market stress and illiquidity. Periods of illiquidity could produce losses if the Firm is unable to realize the fair value of collateral or manage declines in the value of collateral.
Concentration of credit and market risk could increase the potential for significant losses.
JPMorgan Chase has exposure to increased levels of risk when customers are engaged in similar business activities or activities in the same geographic region, or when they have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions. As a result, the Firm regularly monitors various segments of its portfolio exposures to assess potential concentration risks. The Firm's efforts to diversify or hedge its credit portfolio against concentration risks may not be successful.
In addition, disruptions in the liquidity or transparency of the financial markets may result in the Firm's inability to sell, syndicate or realize the value of its positions, thereby leading to increased concentrations. The inability to reduce the Firm's positions may not only increase the market and credit risks associated with such positions, but also increase the level of risk-weighted assets on the Firm's balance sheet, thereby increasing its capital requirements and funding costs, all of which could adversely affect the operations and profitability of the Firm's businesses.
Liquidity Risk
If JPMorgan Chase does not effectively manage its liquidity, its business could suffer.
JPMorgan Chase's liquidity is critical to its ability to operate its businesses. Some potential conditions that could impair the Firm's liquidity include markets that become illiquid or are otherwise experiencing disruption, unforeseen cash or capital requirements (including, among others, commitments that may be triggered to special purpose entities ("SPEs") or other entities), difficulty in selling or inability to sell assets, unforeseen outflows of cash or collateral, and lack of market or customer confidence in the Firm or financial markets in general. These conditions may be caused by events over which the Firm has little or no control. The widespread crisis in investor confidence and resulting liquidity crisis experienced in 2008 and into early 2009 increased the Firm's cost of funding and limited its access to some of its traditional sources of liquidity (such as securitized debt offerings backed by mortgages, credit card receivables and other assets) during that time, and there is no assurance that these conditions could not occur in the future.
If the Firm's access to stable and low cost sources of funding, such as bank deposits, are reduced, the Firm may need to raise alternative funding which may be more expensive or of limited availability.
As a holding company, JPMorgan Chase & Co. relies on the earnings of its subsidiaries for its cash flow and,

consequently, its ability to pay dividends and satisfy its debt and other obligations. These payments by subsidiaries may take the form of dividends, loans or other payments. Several of JPMorgan Chase & Co.'s principal subsidiaries are subject to dividend distribution or capital adequacy requirements or other regulatory restrictions on their ability to provide such payments. Limitations in the payments that JPMorgan Chase & Co. receives from its subsidiaries could reduce its liquidity position.
Some regulators have proposed legislation or regulations requiring large banks to incorporate a separate subsidiary in countries in which they operate, and to maintain independent capital and liquidity for such subsidiaries. If adopted, these requirements could hinder the Firm's ability to efficiently manage its funding and liquidity in a centralized manner.
Reductions in the Firm's credit ratings may adversely affect its liquidity and cost of funding, as well as the value of debt obligations issued by the Firm.
JPMorgan Chase & Co. and certain of its subsidiaries, including JPMorgan Chase Bank, N.A., are currently rated by credit rating agencies. In 2013, Moody's downgraded its ratings of JPMorgan Chase & Co. and several other bank holding companies based on Moody's reassessment of its assumptions relating to implicit government support for such companies. In addition, as of year-end 2013, S&P had JPMorgan Chase & Co. on "negative" outlook, indicating the possibility of a downgrade in ratings. Although the Firm closely monitors and manages factors influencing its credit ratings, there is no assurance that such ratings will not be lowered in the future. Furthermore, the rating agencies continue to evaluate economic and geopolitical trends, regulatory developments, rating uplift assumptions surrounding government support, future profitability, risk management practices and legal expenses, all of which could lead to adverse ratings actions. There is no assurance that any such downgrades from rating agencies, if they affected the Firm's credit ratings, would not occur at times of broader market instability when the Firm's options for responding to

events may be more limited and general investor confidence is low.
Further, a reduction in the Firm's credit ratings could reduce the Firm's access to debt markets, materially increase the cost of issuing debt, trigger additional collateral or funding requirements, and decrease the number of investors and counterparties willing or permitted, contractually or otherwise, to do business with or lend to the Firm, thereby curtailing the Firm's business operations and reducing its profitability. In addition, any such reduction in credit ratings may increase the credit spreads charged by the market for taking credit risk on JPMorgan Chase & Co. and its subsidiaries and, as a result, could adversely affect the value of debt obligations that they have issued or may issue in the future.

Legal Risk

JPMorgan Chase faces significant legal risks, both from regulatory investigations and proceedings and from private actions brought against the Firm.

JPMorgan Chase is named as a defendant or is otherwise involved in various legal proceedings, including class actions and other litigation or disputes with third parties. Actions currently pending against the Firm may result in judgments, settlements, fines, penalties or other results adverse to the Firm, which could materially adversely affect the Firm’s business, financial condition or results of operations, or cause serious reputational harm to the Firm. As a participant in the financial services industry, it is likely that the Firm will continue to experience a high level of litigation related to its businesses and operations.

In addition, and as noted above, the Firm’s businesses and operations are also subject to heightened regulatory oversight and scrutiny, which may lead to additional regulatory investigations or enforcement actions. As the regulators and other government agencies continue to examine the operations of the Firm and its bank subsidiaries, there is no assurance that additional consent orders or other enforcement actions will not be issued by them in the future. These and other initiatives from federal and state officials may subject the Firm to further judgments, settlements, fines or penalties, or cause the Firm to be required to restructure its operations and activities, all of which could lead to reputational issues, or higher operational costs, thereby reducing the Firm’s revenue.

Business and Operational Risks

JPMorgan Chase’s operations are subject to risk of loss from unfavorable economic, monetary and political developments in the United States and around the world.

JPMorgan Chase’s businesses and earnings are affected by the fiscal and other policies that are adopted by various U.S. and non-U.S. regulatory authorities and agencies. The Federal Reserve regulates the supply of money and credit in the United States and its policies determine in large part the cost of funds for lending and investing in the United States and the return earned on those loans and investments. Changes in Federal Reserve policies (as well as the fiscal and monetary policies of non-U.S. central banks or regulatory authorities and agencies) are beyond the Firm’s control and, consequently, the impact of changes in these policies on the Firm’s activities and results of operations is difficult to predict.

The Firm’s businesses and revenue are also subject to risks inherent in investing and market-making in securities of companies worldwide. These risks include, among others, risk of loss from unfavorable political, legal or other developments, including social or political instability, in the countries in which such companies operate, as well as the other risks and considerations as described further below.

Several of the Firm’s businesses engage in transactions with, or trade in obligations of, U.S. and non-U.S. governmental entities, including national, state, provincial, municipal and local authorities. These activities can expose the Firm to enhanced sovereign, credit-related, operational and reputational risks, including the risks that a governmental entity may default on or restructure its obligations or may claim that actions taken by government officials were beyond the legal authority of those officials, which could adversely affect the Firm’s financial condition and results of operations.

Further, various countries in which the Firm operates or invests, or in which the Firm may do so in the future, have in the past experienced severe economic disruptions particular to those countries or regions. In some cases, concerns regarding the fiscal condition of one or more countries can lead to “market contagion” to other countries in the same region or beyond the region. Accordingly, it is possible that economic disruptions in certain countries, even in countries in which the Firm does not conduct business or have operations, will adversely affect the Firm.

JPMorgan Chase’s international strategy may be hindered by local political, social and economic factors, and will be subject to additional compliance costs and risks.

JPMorgan Chase has expanded and plans to continue to grow its international wholesale businesses in Europe/Middle East/Africa (“EMEA”), Asia/Pacific and Latin America/Caribbean over time. As part of its international strategy, the Firm seeks to provide a wider range of financial services to its clients that conduct business in those regions.

Some of the countries in which JPMorgan Chase conducts its wholesale businesses have economies or markets that are less developed and more volatile, and may have legal and regulatory regimes that are less established or predictable, than the United States and other developed markets in which the Firm currently operates. Some of these countries have in the past experienced severe economic disruptions, including extreme currency fluctuations, high inflation, or low or negative growth, among other negative conditions, or have imposed restrictive monetary policies such as currency exchange controls and other laws and restrictions that adversely affect the local and regional business environment. In addition, these countries have historically been more susceptible to unfavorable political, social or economic developments which have in the past resulted in, and may in the future lead to, social unrest, general strikes and demonstrations, outbreaks of hostilities, overthrow of incumbent governments, terrorist attacks or other forms of internal discord, all of which can adversely affect the Firm's operations or investments in such countries. Political, social or economic disruption or dislocation in certain countries or regions in which the Firm conducts its wholesale businesses can hinder the growth and profitability of those operations, and there can be no assurance that the Firm will be able to successfully execute its international strategy.

Less developed legal and regulatory systems in certain countries can also have adverse consequences on the Firm's operations in those countries, including, among others, the absence of a statutory or regulatory basis or guidance for engaging in specific types of business or transactions, or the inconsistent application or interpretation of existing laws and regulations; uncertainty as to the enforceability of contractual obligations; difficulty in competing in economies in which the government controls or protects all or a portion of the local economy or specific businesses, or where graft or corruption may be pervasive; and the threat of arbitrary regulatory investigations, civil litigations or criminal prosecutions.

Revenue from international operations and trading in non-U.S. securities and other obligations may be subject to negative fluctuations as a result of the above considerations, as well as due to governmental actions including expropriation, nationalization, confiscation of assets, price controls, capital controls, exchange controls, and changes in laws and regulations. The impact of these fluctuations could be accentuated as some trading markets are smaller, less liquid and more volatile than larger markets. Also, any of the above-mentioned events or circumstances in one country can, and has in the past, affected the Firm's operations and investments in another country or countries, including the Firm's operations in the United States. As a result, any such unfavorable conditions or developments could have an adverse impact on the Firm's business and results of operations.

Conducting business in countries with less developed legal and regulatory regimes often requires the Firm to devote significant additional resources to understanding, and monitoring changes in, local laws and regulations, as well as structuring its operations to comply with local laws and regulations and implementing and administering related internal policies and procedures. There can be no assurance that the Firm will always be successful in its efforts to conduct its business in compliance with laws and regulations in countries with less predictable legal and regulatory systems. In addition, the Firm can also incur higher costs, and face greater compliance risks, in structuring its operations outside the United States to comply with U.S. anti-corruption and anti-money laundering laws and regulations.

JPMorgan Chase's commodities activities are subject to extensive regulation, potential catastrophic events and environmental risks and regulation that may expose the Firm to significant cost and liability.

JPMorgan Chase engages in the storage, transportation, marketing or trading of several commodities, including metals, agricultural products, crude oil, oil products, natural gas, electric power, emission credits, coal, freight, and related products and indices. The Firm is also engaged in power generation and has invested in companies engaged in wind energy and in sourcing, developing and trading emission reduction credits. As a result of all of these activities, the Firm is subject to extensive and evolving energy, commodities, environmental, and other governmental laws and regulations. The Firm expects laws and regulations affecting its commodities activities to expand in scope and complexity, and to restrict some of the Firm's activities, which could result in lower revenues from the Firm's commodities activities. In addition, the Firm may incur substantial costs in complying with current or future laws and regulations, and the failure to comply with these laws and regulations may result in substantial civil and criminal fines and penalties. Furthermore, liability may be incurred without regard to fault under certain environmental laws and regulations for remediation of contaminations.

The Firm's commodities activities also further expose the Firm to the risk of unforeseen and catastrophic events, including natural disasters, leaks, spills, explosions, release of toxic substances, fires, accidents on land and at sea, wars, and terrorist attacks that could result in personal injuries, loss of life, property damage, damage to the Firm's reputation and suspension of operations. The Firm's commodities activities are also subject to disruptions, many of which are outside of the Firm's control, from the breakdown or failure of power generation equipment, transmission lines or other equipment or processes, and the contractual failure of performance by third-party suppliers or service providers, including the failure to obtain and deliver raw materials necessary for the operation of power generation facilities. The Firm's actions to mitigate its risks related to the above-mentioned considerations may not prove adequate to address every contingency. In addition, insurance covering some of these risks may not be available, and the proceeds, if any, from insurance recovery may not be adequate to cover liabilities with respect to particular incidents. As a result, the Firm's financial condition and results of operations may be adversely affected by such events.

JPMorgan Chase relies on the integrity of its operating systems and employees, and those of third parties, and certain failures of such systems or misconduct by such employees could materially adversely affect the Firm’s operations. JPMorgan Chase’s businesses are dependent on the Firm’s ability to process, record and monitor a large number of complex transactions. If the Firm’s financial, accounting, or other data processing systems fail or have other significant shortcomings, the Firm could be materially adversely affected. The Firm is similarly dependent on its employees. The Firm could be materially adversely affected if one or more of its employees causes a significant operational breakdown or failure, either as a result of human error or where an individual purposefully sabotages or fraudulently manipulates the Firm’s operations or systems. In addition, as the Firm changes processes or introduces new products and services, the Firm may not fully appreciate or identify new operational risks that may arise from such changes. Any of these occurrences could diminish the Firm’s ability to

operate one or more of its businesses, or result in potential liability to clients, increased operating expenses, higher litigation costs (including fines and sanctions), reputational damage, regulatory intervention or weaker competitive standing, any of which could materially and adversely affect the Firm.
Third parties with which the Firm does business, as well as retailers and other third parties with which the Firm's customers do business, can also be sources of operational risk to the Firm, including with respect to security breaches affecting such parties and breakdowns or failures of the systems or misconduct by the employees of such parties. Incidents of these types may require the Firm to take steps to protect the integrity of its own operational systems or to safeguard confidential information of the Firm or its customers, thereby increasing the Firm's operational costs and potentially diminish customer satisfaction.
If personal, confidential or proprietary information of customers or clients in the Firm's possession were to be mishandled or misused, the Firm could suffer significant regulatory consequences, reputational damage and financial loss. Such mishandling or misuse could include circumstances where, for example, such information was erroneously provided to parties who are not permitted to have the information, either through the fault of the Firm's systems, employees, or counterparties, or where such information was intercepted or otherwise inappropriately taken by third parties.
The Firm may be subject to disruptions of its operating systems arising from events that are wholly or partially beyond the Firm's control, which may include, for example, security breaches (as discussed further below); electrical or telecommunications outages; failures of computer servers or other damage to the Firm's property or assets; natural disasters or severe weather conditions; health emergencies or pandemics; or events arising from local or larger scale political events, including terrorist acts. JPMorgan Chase maintains a global resiliency and crisis management program that is intended to ensure that the Firm has the ability to recover its critical business functions and supporting assets, including staff, technology and facilities, in the event of a business interruption. While the Firm believes that its current resiliency plans are both sufficient and adequate, there can be no assurance that such plans will fully mitigate all potential business continuity risks to the Firm. Any failures or disruptions of the Firm's systems or operations could give rise to losses in service to customers and clients, adversely affect the Firm's business and results of operations by subjecting the Firm to losses or liability, or require the Firm to expend significant resources to correct the failure or disruption, as well as by exposing the Firm to litigation, regulatory fines or penalties or losses not covered by insurance.

A breach in the security of JPMorgan Chase's systems could disrupt its businesses, result in the disclosure of confidential information, damage its reputation and create significant financial and legal exposure for the Firm.
Although JPMorgan Chase devotes significant resources to maintain and regularly upgrade its systems and processes that are designed to protect the security of the Firm's computer systems, software, networks and other technology assets and the confidentiality, integrity and availability of information belonging to the Firm and its customers, there is no assurance that all of the Firm's security measures will provide absolute security. JPMorgan Chase and other financial services institutions and companies engaged in data processing have reported breaches in the security of their websites or other systems, some of which have involved sophisticated and targeted attacks intended to obtain unauthorized access to confidential information, destroy data, disrupt or degrade service, sabotage systems or cause other damage, often through the introduction of computer viruses or malware, cyberattacks and other means. In particular, the Firm has experienced several significant distributed denial-of-service attacks from technically sophisticated and well-resourced third parties which were intended to disrupt online banking services, as well as data breaches due to cyberattacks which, in certain instances, have resulted in unauthorized access to customer data.
Despite the Firm's efforts to ensure the integrity of its systems, it is possible that the Firm may not be able to anticipate or to implement effective preventive measures against all security breaches of these types, especially because the techniques used change frequently or are not recognized until launched, and because cyberattacks can originate from a wide variety of sources, including third parties outside the Firm such as persons who are involved with organized crime or associated with external service providers or who may be linked to terrorist organizations or hostile foreign governments. Those parties may also attempt to fraudulently induce employees, customers or other users of the Firm's systems to disclose sensitive information in order to gain access to the Firm's data or that of its customers or clients.

These risks may increase in the future as the Firm continues to increase its mobile-payment and other internet-based product offerings and expands its internal usage of web-based products and applications.

A successful penetration or circumvention of the security of the Firm's systems could cause serious negative consequences for the Firm, including significant disruption of the Firm's operations, misappropriation of confidential information of the Firm or that of its customers, or damage to computers or systems of the Firm and those of its customers and counterparties, and could result in violations of applicable privacy and other laws, financial loss to the Firm or to its customers, loss of confidence in the Firm's security measures, customer dissatisfaction, significant

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litigation exposure, and harm to the Firm's reputation, all of which could have a material adverse effect on the Firm.

Risk Management

JPMorgan Chase's framework for managing risks and its risk management procedures and practices may not be effective in identifying and mitigating every risk to the Firm, thereby resulting in losses.

JPMorgan Chase's risk management framework seeks to mitigate risk and loss to the Firm. The Firm has established processes and procedures intended to identify, measure, monitor, report and analyze the types of risk to which the Firm is subject. However, as with any risk management framework, there are inherent limitations to the Firm's risk management strategies because there may exist, or develop in the future, risks that the Firm has not appropriately anticipated or identified. Any lapse in the Firm's risk management framework and governance structure or other inadequacies in the design or implementation of the Firm's risk management framework, governance, procedures or practices could, individually or in the aggregate, cause unexpected losses for the Firm, materially and adversely affect the Firm's financial condition and results of operations, require significant resources to remediate any risk management deficiency, attract heightened regulatory scrutiny, expose the Firm to regulatory investigations or legal proceedings, subject the Firm to fines, penalties or judgments, harm the Firm's reputation, or otherwise cause a decline in investor confidence.

The Firm's products, including loans, leases, lending commitments, derivatives, trading account assets and assets held-for-sale, as well as cash management and clearing activities, expose the Firm to credit risk. As one of the nation's largest lenders, the Firm has exposures arising from its many different products and counterparties, and the credit quality of the Firm's exposures can have a significant impact on its earnings. The Firm establishes allowances for probable credit losses inherent in its credit exposure, including unfunded lending commitments. The Firm also employs stress testing and other techniques to determine the capital and liquidity necessary to protect the Firm in the event of adverse economic or market events. These processes are critical to the Firm's financial results and condition, and require difficult, subjective and complex judgments, including forecasts of how economic conditions might impair the ability of the Firm's borrowers and counterparties to repay their loans or other obligations. As is the case with any such assessments, there is always the possibility that the Firm will fail to identify the proper factors or that the Firm will fail to accurately estimate the impact of factors that it identifies.

JPMorgan Chase's market-making businesses may expose the Firm to unexpected market, credit and operational risks that could cause the Firm to suffer unexpected losses. Severe declines in asset values, unanticipated credit events, or unforeseen circumstances that may cause previously uncorrelated factors to become correlated (and vice versa)

may create losses resulting from risks not appropriately taken into account in the development, structuring or pricing of a financial instrument such as a derivative. Certain of the Firm's derivative transactions require the physical settlement by delivery of securities, commodities or obligations that the Firm does not own; if the Firm is unable to obtain such securities, commodities or obligations within the required timeframe for delivery, this could cause the Firm to forfeit payments otherwise due to it and could result in settlement delays, which could damage the Firm's reputation and ability to transact future business. In addition, in situations where trades are not settled or confirmed on a timely basis, the Firm may be subject to heightened credit and operational risk, and in the event of a default, the Firm may be exposed to market and operational losses. In particular, disputes regarding the terms or the settlement procedures of derivative contracts could arise, which could force the Firm to incur unexpected costs, including transaction, legal and litigation costs, and impair the Firm's ability to manage effectively its risk exposure from these products.

In a difficult or less liquid market environment, the Firm's risk management strategies may not be effective because other market participants may be attempting to use the same or similar strategies to deal with the challenging market conditions. In such circumstances, it may be difficult for the Firm to reduce its risk positions due to the activity of such other market participants.

Many of the Firm's risk management strategies or techniques have a basis in historical market behavior, and all such strategies and techniques are based to some degree on management's subjective judgment. For example, many models used by the Firm are based on assumptions regarding correlations among prices of various asset classes or other market indicators. In times of market stress, or in the event of other unforeseen circumstances, previously uncorrelated indicators may become correlated, or conversely, previously correlated indicators may make unrelated movements. These sudden market movements or unanticipated or unidentified market or economic movements have in some circumstances limited and could again limit the effectiveness of the Firm's risk management strategies, causing the Firm to incur losses.

Many of the models used by the Firm are subject to review not only by the Firm's Model Risk function but also by the Firm's regulators in order that the Firm may utilize such models in connection with the Firm's calculations of market risk risk-weighted assets ("RWA") and credit risk RWA under the Advanced Approach of Basel III. The Firm may be subject to higher capital charges, which could adversely affect its financial results or limit its ability to expand its businesses, if such models do not receive approval by its regulators. In addition, there is no assurance that the amount of capital that the Firm holds with respect to operational risk, as derived from its operational risk capital model required under the Basel III capital standards, will

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not be required to increase, which may have the effect of reducing the Firm’s profitability.

In addition, the Firm must comply with enhanced standards for the assessment and management of risks associated with vendors and other third parties that provide services to the Firm. These requirements apply to the Firm both under general guidance issued by the banking regulators and, more specifically, under the Consent Order entered into by the Firm relating to collections litigation practices. The Firm has incurred and expects to incur additional costs and expenses in connection with its initiatives to address the risks associated with oversight of its third party relationships. Failure by the Firm to appropriately assess and manage third party relationships, especially those involving significant banking functions, shared services or other critical activities, could result in potential liability to clients and customers, fines, penalties or judgments imposed by the Firm’s regulators, increased operating expenses and harm to the Firm’s reputation, any of which could materially and adversely affect the Firm.

Lapses in disclosure controls and procedures or internal control over financial reporting could materially and adversely affect the Firm’s operations, profitability or reputation.

There can be no assurance that the Firm’s disclosure controls and procedures will be effective in every circumstance or that a material weakness or significant deficiency in internal control over financial reporting could not occur again. Any such lapses or deficiencies may materially and adversely affect the Firm’s business and results of operations or financial condition, restrict its ability to access the capital markets, require the Firm to expend significant resources to correct the lapses or deficiencies, expose the Firm to regulatory or legal proceedings, subject it to fines, penalties or judgments, harm the Firm’s reputation, or otherwise cause a decline in investor confidence.

Other Risks

The financial services industry is highly competitive, and JPMorgan Chase’s inability to compete successfully may adversely affect its results of operations.

JPMorgan Chase operates in a highly competitive environment and the Firm expects competitive conditions to continue to intensify as the financial services industry produces better-capitalized and more geographically diverse companies that are capable of offering a wider array of financial products and services at more competitive prices. Competitors include other banks, brokerage firms, investment banking companies, merchant banks, hedge funds, commodity trading companies, private equity firms, insurance companies, mutual fund companies, investment managers, credit card companies, mortgage banking companies, trust companies, securities processing companies, automobile financing companies, leasing

companies, e-commerce and other Internet-based companies, and a variety of other financial services and advisory companies. Technological advances and the growth of e-commerce have made it possible for non-depository institutions to offer products and services that traditionally were banking products, and for financial institutions and other companies to provide electronic and Internet-based financial solutions, including electronic securities trading. The Firm’s businesses generally compete on the basis of the quality and variety of the Firm’s products and services, transaction execution, innovation, reputation and price. Ongoing or increased competition in any one or all of these areas may put downward pressure on prices for the Firm’s products and services or may cause the Firm to lose market share. Increased competition also may require the Firm to make additional capital investments in its businesses in order to remain competitive. These investments may increase expense or may require the Firm to extend more of its capital on behalf of clients in order to execute larger, more competitive transactions. The Firm cannot provide assurance that the significant competition in the financial services industry will not materially adversely affect its future results of operations.

Competitors of the Firm’s non-U.S. wholesale businesses are typically subject to different, and in some cases, less stringent, legislative and regulatory regimes. For example, the regulatory objectives underlying several provisions of the Dodd-Frank Act, including the prohibition on proprietary trading under the Volcker Rule and the derivatives “push-out” rules, have not been embraced by governments and regulatory agencies outside the United States and may not be implemented into law in most countries. The more restrictive laws and regulations applicable to U.S. financial services institutions, such as JPMorgan Chase, can put the Firm at a competitive disadvantage to its non-U.S. competitors, including prohibiting the Firm from engaging in certain transactions, making the Firm’s pricing of certain transactions more expensive for clients or adversely affecting the Firm’s cost structure for providing certain products, all of which can reduce the revenue and profitability of the Firm's wholesale businesses.

JPMorgan Chase's ability to attract and retain qualified employees is critical to the success of its business, and failure to do so may materially adversely affect the Firm's performance.

JPMorgan Chase's employees are the Firm's most important resource, and in many areas of the financial services industry, competition for qualified personnel is intense. The imposition on the Firm or its employees of restrictions on executive compensation may adversely affect the Firm's ability to attract and retain qualified senior management and employees. If the Firm is unable to continue to retain and attract qualified employees, the Firm's performance, including its competitive position, could be materially adversely affected.

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JPMorgan Chase's financial statements are based in part on assumptions and estimates which, if incorrect, could cause unexpected losses in the future.

Pursuant to accounting principles generally accepted in the United States, JPMorgan Chase is required to use certain assumptions and estimates in preparing its financial statements, including in determining allowances for credit losses and reserves related to litigation, among other items. Certain of the Firm's financial instruments, including trading assets and liabilities, available-for-sale securities, certain loans, MSRs, private equity investments, structured notes and certain repurchase and resale agreements, among other items, require a determination of their fair value in order to prepare the Firm's financial statements. Where quoted market prices are not available, the Firm may make fair value determinations based on internally developed models or other means which ultimately rely to some degree on management estimation and judgment. In addition, sudden illiquidity in markets or declines in prices of certain loans and securities may make it more difficult to value certain balance sheet items, which may lead to the possibility that such valuations will be subject to further change or adjustment. If assumptions or estimates underlying the Firm's financial statements are incorrect, the Firm may experience material losses.

Damage to JPMorgan Chase's reputation could damage its businesses.

Maintaining trust in JPMorgan Chase is critical to the Firm's ability to attract and maintain customers, investors and employees. Damage to the Firm's reputation can therefore cause significant harm to the Firm's business and prospects. Harm to the Firm's reputation can arise from numerous sources, including, among others, employee misconduct, compliance failures, litigation or regulatory outcomes or governmental investigations. The Firm's reputation could also be harmed by the failure of an affiliate, joint-venturer or merchant banking portfolio company, or a vendor or other third party with which the Firm does business, to comply with laws or regulations. In addition, a failure to deliver appropriate standards of service and quality, or a failure or perceived failure to treat customers and clients fairly, can result in customer dissatisfaction, litigation and heightened regulatory scrutiny, all of which can lead to lost revenue, higher operating costs and harm to the Firm's reputation. Adverse publicity regarding the Firm, whether or not true, may result in harm to the Firm's prospects. Actions by the financial services industry generally or by certain members of or individuals in the industry can also affect the Firm's reputation. For example, the role played by financial services firms in the financial crisis, including concerns that consumers have been treated unfairly by financial institutions, has damaged the reputation of the industry as a whole. Should any of these or other events or factors that can undermine the Firm's reputation occur, there is no assurance that the additional costs and expenses that the Firm may need to incur to address the issues giving

rise to the reputational harm could not adversely affect the Firm's earnings and results of operations.

Management of potential conflicts of interests has become increasingly complex as the Firm continues to expand its business activities through more numerous transactions, obligations and interests with and among the Firm's clients. The failure to adequately address, or the perceived failure to adequately address, conflicts of interest could affect the willingness of clients to deal with the Firm, or give rise to litigation or enforcement actions, as well as cause serious reputational harm to the Firm.

ITEM 1B: UNRESOLVED SEC STAFF COMMENTS

None.

ITEM 2: PROPERTIES

JPMorgan Chase's headquarters is located in New York City at 270 Park Avenue, a 50-story office building owned by JPMorgan Chase. This location contains approximately 1.3 million square feet of space.

In total, JPMorgan Chase owned or leased approximately 11.4 million square feet of commercial office and retail space in New York City at December 31, 2013. JPMorgan Chase and its subsidiaries also own or lease significant administrative and operational facilities in Chicago, Illinois (3.7 million square feet); Houston and Dallas, Texas (3.6 million square feet); Columbus, Ohio (2.8 million square feet); Phoenix, Arizona (1.4 million square feet); Jersey City, New Jersey (1.0 million square feet); as well as owning or leasing 5,630 retail branches in 23 states. At December 31, 2013, the Firm occupied approximately 67.5 million total square feet of space in the United States.

On December 17, 2013, the Firm sold One Chase Manhattan Plaza, a 60-story, 2.2 million square foot office building. Contemporaneously, the Firm entered into a lease back agreement on approximately 1.2 million square feet of space in the building for one year in order to provide time to relocate its employees to other locations, predominantly in New York and New Jersey. Additionally, the Firm entered into long-term lease back agreements ranging from five to ten years for approximately 0.3 million square feet of space, which includes five office floors, portions of the lower level space, and retail branch space on the ground floor.

At December 31, 2013, the Firm also owned or leased approximately 5.4 million square feet of space in Europe, the Middle East and Africa. In the United Kingdom, at December 31, 2013, JPMorgan Chase owned or leased approximately 4.5 million square feet of space, including 1.4 million square feet at 25 Bank Street, the European headquarters of the Corporate & Investment Bank.

In 2008, JPMorgan Chase acquired a 999-year leasehold interest in land at London's Canary Wharf. JPMorgan Chase has a building agreement in place through October 30, 2016, to develop the Canary Wharf site for future use.

JPMorgan Chase and its subsidiaries also occupy offices and other administrative and operational facilities in the Asia/Pacific region, Latin America and Canada under ownership and leasehold agreements aggregating approximately 5.9 million square feet of space at December 31, 2013. This includes leases for administrative and operational facilities in India (2.0 million square feet) and the Philippines (1.0 million square feet).

The properties occupied by JPMorgan Chase are used across all of the Firm's business segments and for corporate purposes. JPMorgan Chase continues to evaluate its current and projected space requirements and may determine from time to time that certain of its premises and facilities are no longer necessary for its operations. There is no assurance that the Firm will be able to dispose of any such excess premises or that it will not incur charges in connection with such dispositions. Such disposition costs may be material to the Firm's results of operations in a given period. For a discussion of occupancy expense, see the Consolidated Results of Operations on pages 71–74.

ITEM 3: LEGAL PROCEEDINGS

For a description of the Firm's material legal proceedings, see Note 31 on pages 326–332.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

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ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for registrant's common equity

The outstanding shares of JPMorgan Chase common stock are listed and traded on the New York Stock Exchange, the London Stock Exchange and the Tokyo Stock Exchange. For the quarterly high and low prices of JPMorgan Chase's common stock for the last two years, see the section entitled "Supplementary information – Selected quarterly financial data (unaudited)" on pages 339–340. For a comparison of the cumulative total return for JPMorgan Chase common stock with the comparable total return of the S&P 500 Index, the KBW Bank Index and the S&P Financial Index over the five-year period ended December 31, 2013, see "Five-year stock performance," on page 63.

JPMorgan Chase declared and paid quarterly cash dividends on its common stock in the amount of $0.38 per share for the second, third and fourth quarters of 2013, $0.30 per share for the first quarter of 2013, $0.30 per share for each quarter of 2012 and $0.25 per share for each quarter of 2011.

The common dividend payout ratio, based on reported net income, was 33% for 2013, 23% for 2012 and 22% for 2011. For a discussion of restrictions on dividend payments, see Note 22 and Note 27 on page 309 and page 316, respectively. At January 31, 2014, there were 207,543 holders of record of JPMorgan Chase common stock. For information regarding securities authorized for issuance under the Firm's employee stock-based compensation plans, see Item 12 on page 24.

Repurchases under the common equity repurchase program

On March 13, 2012, the Board of Directors authorized a $15.0 billion common equity (i.e., common stock and warrants) repurchase program. The amount of equity that may be repurchased is also subject to the amount that is set forth in the Firm's annual capital plan that is submitted to

the Federal Reserve as part of the CCAR process. The following table shows the Firm's repurchases of common equity for the years ended December 31, 2013, 2012 and 2011, on a trade-date basis. As of December 31, 2013, $8.6 billion of authorized repurchase capacity remained under the program.

Year ended December 31, (in millions)	2013	2012	2011
Total number of shares of common stock repurchased	96	31	229
Aggregate purchase price of common stock repurchases	$4,789	$1,329	$8,827
Total number of warrants repurchased	—	18	10
Aggregate purchase price of warrant repurchases	$—	$238	$122

The Firm may, from time to time, enter into written trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934 to facilitate repurchases in accordance with the common equity repurchase program. A Rule 10b5-1 repurchase plan allows the Firm to repurchase its equity during periods when it would not otherwise be repurchasing common equity — for example, during internal trading "black-out periods." All purchases under a Rule 10b5-1 plan must be made according to a predefined plan established when the Firm is not aware of material nonpublic information.

The authorization to repurchase common equity will be utilized at management's discretion, and the timing of purchases and the exact amount of common equity that may be repurchased is subject to various factors, including market conditions; legal and regulatory considerations affecting the amount and timing of repurchase activity; the Firm's capital position (taking into account goodwill and intangibles); internal capital generation; and alternative investment opportunities. The repurchase program does not include specific price targets or timetables; may be executed through open market purchases or privately negotiated transactions, or utilizing Rule 10b5-1 programs; and may be suspended at any time.

Shares repurchased pursuant to the common equity repurchase program during 2013 were as follows.

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Year ended December 31, 2013	Total shares of common stock	Average price paid per share	Aggregate repurchases of common	Dollar value of remaining authorized

	repurchased	of common stock[a]	equity (in millions)[a]	repurchase (in millions)[b]
First quarter	53,536,385	$48.16	$2,578	$10,854
Second quarter	23,433,465	50.01	1,172	9,683
Third quarter	13,622,765	54.30	740	8,943
October	2,070,102	52.57	109	8,834
November	1,849,030	54.02	100	8,734
December	1,583,907	56.77	90	8,644
Fourth quarter	5,503,039	54.27	299	8,644
Year-to-date	96,095,654	$49.83	$4,789	$8,644

(a) Excludes commissions cost.

(b) The amount authorized by the Board of Directors excludes commissions cost.

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Repurchases under the stock-based incentive plans

Participants in the Firm's stock-based incentive plans may have shares of common stock withheld to cover income taxes. Shares withheld to pay income taxes are repurchased pursuant to the terms of the applicable plan and not under the Firm's repurchase program. Shares repurchased pursuant to these plans during 2013 were as follows.

Year ended December 31, 2013	Total shares of common stock repurchased	Average price paid per share of common stock
First quarter	—	$—
Second quarter	789	50.12
Third quarter	33	52.52
October	—	—
November	—	—
December	—	—
Fourth quarter	—	—
Year-to-date	822	$50.22

ITEM 6: SELECTED FINANCIAL DATA

For five-year selected financial data, see "Five-year summary of consolidated financial highlights (unaudited)" on pages 62–63.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis of financial condition and results of operations, entitled "Management's discussion and analysis," appears on pages 64–181. Such information should be read in conjunction with the Consolidated Financial Statements and Notes thereto, which appear on pages 184–338.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a discussion of the quantitative and qualitative disclosures about market risk, see the Market Risk Management section of Management's discussion and analysis on pages 142–148.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements, together with the Notes thereto and the report thereon dated February 19, 2014, of PricewaterhouseCoopers LLP, the Firm's independent registered public accounting firm, appear on pages 183–338.

Supplementary financial data for each full quarter within the two years ended December 31, 2013, are included on pages 339–340 in the table entitled "Selected quarterly financial data (unaudited)." Also included is a "Glossary of terms'' on pages 341–345.

ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A: CONTROLS AND PROCEDURES

As of the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of the Firm's management, including its Chairman and Chief Executive Officer and its Chief Financial Officer, of the effectiveness of its disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based on that evaluation, the Chairman and Chief Executive Officer and the Chief Financial Officer concluded that these disclosure controls and procedures were effective. See Exhibits 31.1 and 31.2 for the Certification statements issued by the Chairman and Chief Executive Officer and Chief Financial Officer.

The Firm is committed to maintaining high standards of internal control over financial reporting. Nevertheless, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, in a firm as large and complex as JPMorgan Chase, lapses or deficiencies in internal controls may occur from time to time, and there can be no assurance that any such deficiencies will not result in significant deficiencies or material weaknesses in internal controls in the future. For further information, see "Management's report on internal control over financial reporting" on page 182. There was no change in the Firm's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) that occurred during the three months ended December 31, 2013, that has materially affected, or is reasonably likely to materially affect, the Firm's internal control over financial reporting.

ITEM 9B: OTHER INFORMATION

Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012, which added Section 13(r) to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), an issuer is required to disclose in its annual or quarterly reports, as applicable, whether it or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with individuals or entities designated pursuant to certain Executive Orders. Disclosure is generally required even where the activities, transactions or dealings were conducted in compliance with applicable law. Except as set forth below, as of the date of this report, the Firm is not aware of any other activity, transaction or dealing by any of its affiliates during the year ended December 31, 2013 that requires disclosure under Section 219.

Carlson Wagonlit Travel ("CWT"), a business travel management firm in which JPMorgan Chase has invested through its merchant banking activities, may be deemed to be an affiliate of the Firm, as that term is defined in Exchange Act Rule 12b-2. CWT has informed the Firm that, during the year ended December 31, 2013, it booked approximately 15 flights (of the approximately 60 million transactions it booked in 2013) to Iran on Iran Air for passengers, including employees of foreign governments and non-governmental organizations. All of such flights originated outside of the United States from countries that permit travel to Iran, and none of such passengers were persons designated under Executive Orders 13224 or 13382 or were employees of foreign governments that are targets of U.S. sanctions. CWT and the Firm believe that this activity is permissible pursuant to certain exemptions from U.S. sanctions for travel-related transactions under the International Emergency Economic Powers Act, as amended. CWT had approximately $10,000 in gross revenues attributable to these transactions. CWT has informed the Firm that it intends to continue to engage in this activity so long as such activity is permitted under U.S. law.

Part III

ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Executive officers of the registrant

Name	Age (at December 31, 2013)	Positions and offices
James Dimon	57	Chairman of the Board, Chief Executive Officer and President.
Ashley Bacon	44	Chief Risk Officer since June 2013. He had been Deputy Chief Risk Officer since June 2012, prior to which he had been Global Head of Market Risk for the Investment Bank (now part of Corporate & Investment Bank).
Michael J. Cavanagh	47	Co-Chief Executive Officer of the Corporate & Investment Bank since July 2012. He had been Chief Executive Officer of Treasury & Securities Services (now part of Corporate & Investment Bank) from June 2010 until July 2012, prior to which he had been Chief Financial Officer.
Stephen M. Cutler	52	General Counsel.
John L. Donnelly	57	Head of Human Resources since January 2009.
Mary Callahan Erdoes	46	Chief Executive Officer of Asset Management since September 2009.
Marianne Lake	44	Chief Financial Officer since January 1, 2013, prior to which she had been Chief Financial Officer of Consumer & Community Banking since 2009. She previously had served as Global Controller of the Investment Bank (now part of Corporate & Investment Bank) from 2007 to 2009.
Douglas B. Petno	48	Chief Executive Officer of Commercial Banking since January 2012. He had been Chief Operating Officer of Commercial Banking since October 2010, prior to which he had been Global Head of Natural Resources in the Investment Bank (now part of Corporate & Investment Bank).
Daniel E. Pinto	51	Co-Chief Executive Officer of the Corporate & Investment Bank since July 2012 and Chief Executive Officer of Europe, the Middle East and Africa since June 2011. He had been head or co-head of the Global Fixed Income business from November 2009 until July 2012. He was Global Head of Emerging Markets from 2006 until 2009, and was also responsible for the Global Credit Trading & Syndicate business from 2008 until 2009.
Gordon A. Smith	55	Chief Executive Officer of Consumer & Community Banking since December 2012 prior to which he had been Co-Chief Executive Officer since July 2012. He had been Chief Executive Officer of Card Services since 2007 and of the Auto Finance and Student Lending businesses since 2011.
Matthew E. Zames	43	Chief Operating Officer since April 2013 and head of Mortgage Banking Capital Markets since January 2012. He had been Co-Chief Operating Officer from July 2012 until April 2013. He had been Chief Investment Officer from May until September 2012, co-head of the Global Fixed Income business from November 2009 until May 2012 and co-head of Mortgage Banking Capital Markets from July 2011 until January 2012, prior to which he had served in a number of senior Investment Banking Fixed Income management roles.

Unless otherwise noted, during the five fiscal years ended December 31, 2013, all of JPMorgan Chase's above-named executive officers have continuously held senior-level positions with JPMorgan Chase. There are no family relationships among the foregoing executive officers. Information to be provided in Items 10, 11, 12, 13 and 14 of Form 10-K and not otherwise included herein is incorporated by reference to the Firm's definitive proxy statement for its 2014 Annual Meeting of Stockholders to be held on May 20, 2014, which will be filed with the SEC within 120 days of the end of the Firm's fiscal year ended December 31, 2013.

Part III

ITEM 11: EXECUTIVE COMPENSATION
See Item 10.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS
For security ownership of certain beneficial owners and management, see Item 10.
The following table details the total number of shares available for issuance under JPMorgan Chase's employee stock-based incentive plans (including shares available for issuance to nonemployee directors). The Firm is not authorized to grant stock-based incentive awards to nonemployees, other than to nonemployee directors.

December 31, 2013	Number of shares to be issued upon exercise of outstanding options/SARs	Weighted-average exercise price of outstanding options/SARs	Number of shares remaining available for future issuance under stock compensation plans
Plan category			
Employee stock-based incentive plans approved by shareholders	86,006,791	$ 44.30	266,462,906 [a]
Employee stock-based incentive plans not approved by shareholders	1,068,572	39.96	—
Total	87,075,363	$ 44.24	266,462,906

(a) Represents future shares available under the shareholder-approved Long-Term Incentive Plan, as amended and restated effective May 17, 2011.

All future shares will be issued under the shareholder-approved Long-Term Incentive Plan, as amended and restated effective May 17, 2011. For further discussion, see Note 10 on pages 247–248.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE
See Item 10.

ITEM 14: PRINCIPAL ACCOUNTING FEES AND SERVICES
See Item 10.

Part IV

ITEM 15: EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibits, financial statement schedules

1	Financial statements The Consolidated Financial Statements, the Notes thereto and the report of the Independent Registered Public Accounting Firm thereon listed in Item 8 are set forth commencing on page 183.
2	Financial statement schedules
3	Exhibits
3.1	Restated Certificate of Incorporation of JPMorgan Chase & Co., effective April 5, 2006 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed April 7, 2006).
3.2	Amendment to the Restated Certificate of Incorporation of JPMorgan Chase & Co., effective June 7, 2013 (incorporated by reference to Appendix F to the Proxy Statement on Schedule 14A of JPMorgan Chase & Co. (File No. 1-5805) filed April 10, 2013).
3.3	Certificate of Designations for Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series I (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed April 24, 2008).
3.4	Certificate of Designations for 5.50% Non-Cumulative Preferred Stock, Series O (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed August 27, 2012).
3.5	Certificate of Designations for 5.45% Non-Cumulative Preferred Stock, Series P (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed February 5, 2013).
3.6	Certificate of Designations for Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series Q (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed April 23, 2013).
3.7	Certificate of Designations for Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series R (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed July 29, 2013).
3.8	Certificate of Designations for Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series S (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed January 22, 2014).
3.9	Certificate of Designations for 6.70% Non-Cumulative Preferred Stock, Series T (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed January 30, 2014).

3.10	By-laws of JPMorgan Chase & Co., effective June 7, 2013 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed June 10, 2013).
4.1	Indenture, dated as of October 21, 2010, between JPMorgan Chase & Co. and Deutsche Bank Trust Company Americas, as Trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No.1-5805) filed October 21, 2010).
4.2	Indenture, dated as of October 21, 2010, between JPMorgan Chase & Co. and U.S. Bank Trust National Association, as Trustee (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No.1-5805) filed October 21, 2010).
4.3	Form of Subordinated Indenture between JPMorgan Chase & Co. and U.S. Bank Trust National Association, as Trustee (incorporated by reference to Exhibit 4.13 to the Registration Statement on Form S-3 of JPMorgan Chase & Co. (File No. 333-191692) filed October 11, 2013).
4.4	Indenture, dated as of May 25, 2001, between JPMorgan Chase & Co. and Bankers Trust Company (succeeded by Deutsche Bank Trust Company Americas), as Trustee (incorporated by reference to Exhibit 4(a)(1) to the Registration Statement on Form S-3 of JPMorgan Chase & Co. (File No. 333-52826) filed June 13, 2001).
4.5	Form of Deposit Agreement (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-3 of JPMorgan Chase & Co. (File No. 333-191692) filed October 11, 2013).
4.6	Form of Warrant to purchase common stock (incorporated by reference to Exhibit 4.2 to the Form 8-A of JPMorgan Chase & Co. (File No. 1-5805) filed December 11, 2009).

Other instruments defining the rights of holders of long-term debt securities of JPMorgan Chase & Co. and its subsidiaries are omitted pursuant to Section (b)(4)(iii)(A) of Item 601 of Regulation S-K. JPMorgan Chase & Co. agrees to furnish copies of these instruments to the SEC upon request.

Part IV

10.1	Deferred Compensation Plan for Non-Employee Directors of JPMorgan Chase & Co., as amended and restated July 2001 and as of December 31, 2004 (incorporated by reference to Exhibit 10.1 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2007).[a]
10.2	2005 Deferred Compensation Plan for Non-Employee Directors of JPMorgan Chase & Co., effective as of January 1, 2005 (incorporated by reference to Exhibit 10.2 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2007).[a]
10.3	Post-Retirement Compensation Plan for Non-Employee Directors of The Chase Manhattan Corporation, as amended and restated, effective May 21, 1996 (incorporated by reference to Exhibit 10.3 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).[a]
10.4	2005 Deferred Compensation Program of JPMorgan Chase & Co., restated effective as of December 31, 2008 (incorporated by reference to Exhibit 10.4 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).[a]
10.5	JPMorgan Chase & Co. Long-Term Incentive Plan as amended and restated effective May 17, 2011 (incorporated by reference to Appendix C of the Schedule 14A of JPMorgan Chase & Co. (File No. 1-5805) filed April 7, 2011).[a]
10.6	Key Executive Performance Plan of JPMorgan Chase & Co., as amended and restated effective January 1, 2009 (incorporated by reference to Appendix D of the Schedule 14A of JPMorgan Chase & Co. (File No. 1-5805) filed March 31, 2008).[a]
10.7	Excess Retirement Plan of JPMorgan Chase & Co., restated and amended as of December 31, 2008, as amended (incorporated by reference to Exhibit 10.7 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2009).[a]
10.8	1995 Stock Incentive Plan of J.P. Morgan & Co. Incorporated and Affiliated Companies, as amended, dated December 11, 1996 (incorporated by reference to Exhibit 10.8 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).[a]
10.9	Executive Retirement Plan of JPMorgan Chase & Co., as amended and restated December 31, 2008 (incorporated by reference to Exhibit 10.9 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).[a]
10.10	Summary of Bank One Corporation Director Deferred Compensation Plan (incorporated by reference to Exhibit 10.19 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2005).[a]
10.11	Bank One Corporation Stock Performance Plan, as amended and restated effective February 20, 2001 (incorporated by reference to Exhibit 10.12 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).[a]

10.12	Bank One Corporation Supplemental Savings and Investment Plan, as amended and restated effective December 31, 2008 (incorporated by reference to Exhibit 10.13 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).[(a)]
10.13	Revised and Restated Banc One Corporation 1989 Stock Incentive Plan, effective January 18, 1989 (incorporated by reference to Exhibit 10.14 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).[(a)]
10.14	Banc One Corporation Revised and Restated 1995 Stock Incentive Plan, effective April 17, 1995 (incorporated by reference to Exhibit 10.15 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).[(a)]
10.15	Form of JPMorgan Chase & Co. Long-Term Incentive Plan Award Agreement of January 22, 2008 stock appreciation rights (incorporated by reference to Exhibit 10.25 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2007).[(a)]
10.16	Form of JPMorgan Chase & Co. Long-Term Incentive Plan Award Agreement of January 22, 2008 stock appreciation rights for James Dimon (incorporated by reference to Exhibit 10.27 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2007).[(a)]
10.17	Form of JPMorgan Chase & Co. Long-Term Incentive Plan Terms and Conditions for stock appreciation rights, dated as of January 20, 2009 (incorporated by reference to Exhibit 10.20 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).[(a)]

10.18	Form of JPMorgan Chase & Co. Long-Term Incentive Plan Terms and Conditions for Operating Committee member stock appreciation rights, dated as of January 20, 2009 (incorporated by reference to Exhibit 10.21 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2008).[a]
10.19	Form of JPMorgan Chase & Co. Long-Term Incentive Plan Terms and Conditions for Operating Committee member stock appreciation rights, dated as of February 3, 2010 (incorporated by reference to Exhibit 10.23 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2009).[a]
10.20	Forms of JPMorgan Chase & Co. Long-Term Incentive Plan Terms and Conditions for stock appreciation rights and restricted stock units, dated as of January 18, 2012 (incorporated by reference to Exhibit 10.25 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2011).[a]
10.21	Forms of JPMorgan Chase & Co. Long-Term Incentive Plan Terms and Conditions for stock appreciation rights and restricted stock units for Operating Committee members, dated as of January 17, 2013 (incorporated by reference to Exhibit 10.23 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2012).[a]
10.22	Form of JPMorgan Chase & Co. Performance-Based Incentive Compensation Plan, effective as of January 1, 2006, as amended (incorporated by reference to Exhibit 10.27 to the Annual Report on Form 10-K of JPMorgan Chase & Co. (File No. 1-5805) for the year ended December 31, 2009).[a]
10.23	Deferred Prosecution Agreement dated January 6, 2014 between the United States Attorney's Office for the Southern District of New York and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K of JPMorgan Chase & Co. (File No. 1-5805) filed January 7, 2014).
12.1	Computation of ratio of earnings to fixed charges.[b]
12.2	Computation of ratio of earnings to fixed charges and preferred stock dividend requirements.[b]
21	List of subsidiaries of JPMorgan Chase & Co.[b]
22.1	Annual Report on Form 11-K of The JPMorgan Chase 401(k) Savings Plan for the year ended December 31, 2013 (to be filed pursuant to Rule 15d-21 under the Securities Exchange Act of 1934).
23	Consent of independent registered public accounting firm.[b]
31.1	Certification.[b]
31.2	Certification.[b]
32	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.[c]

101.INS	XBRL Instance Document.(b)(d)
101.SCH	XBRL Taxonomy Extension Schema Document.(b)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.(b)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.(b)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.(b)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.(b)

(a) This exhibit is a management contract or compensatory plan or arrangement.
(b) Filed herewith.
(c) Furnished herewith. This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that Section. Such exhibit shall not be deemed incorporated into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.
(d) Pursuant to Rule 405 of Regulation S-T, includes the following financial information included in the Firm's Annual Report on Form 10-K for the year ended December 31, 2013, formatted in XBRL (eXtensible Business Reporting Language) interactive data files: (i) the Consolidated statements of income for the years ended December 31, 2013, 2012 and 2011, (ii) the Consolidated statements of comprehensive income for the years ended December 31, 2013, 2012 and 2011, (iii) the Consolidated balance sheets as of December 31, 2013 and 2012, (iv) the Consolidated statements of changes in stockholders' equity for the years ended December 31, 2013, 2012 and 2011, (v) the Consolidated statements of cash flows for the years ended December 31, 2013, 2012 and 2011, and (vi) the Notes to consolidated financial statements.

Pages 28–60 not used

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Financial:

Financial

FIVE-YEAR SUMMARY OF CONSOLIDATED FINANCIAL HIGHLIGHTS
(unaudited)

As of or for the year ended December 31, (in millions, except per share, ratio and headcount data)	2013	2012	2011	2010	2009
Selected income statement data					
Total net revenue	$96,606	$97,031	$97,234	$102,694	$100,434
Total noninterest expense	70,467	64,729	62,911	61,196	52,352
Pre-provision profit	26,139	32,302	34,323	41,498	48,082
Provision for credit losses	225	3,385	7,574	16,639	32,015
Income before income tax expense and extraordinary gain	25,914	28,917	26,749	24,859	16,067
Income tax expense	7,991	7,633	7,773	7,489	4,415
Income before extraordinary gain	17,923	21,284	18,976	17,370	11,652
Extraordinary gain	—	—	—	—	76
Net income	$17,923	$21,284	$18,976	$17,370	$11,728
Per common share data					
Basic earnings					
Income before extraordinary gain	$4.39	$5.22	$4.50	$3.98	$2.25
Net income	4.39	5.22	4.50	3.98	2.27
Diluted earnings					
Income before extraordinary gain	$4.35	$5.20	$4.48	$3.96	$2.24
Net income	4.35	5.20	4.48	3.96	2.26
Cash dividends declared per share	1.44	1.20	1.00	0.20	0.20
Book value per share	53.25	51.27	46.59	43.04	39.88
Tangible book value per share ("TBVS")[a]	40.81	38.75	33.69	30.18	27.09
Common shares outstanding					
Average: Basic	3,782.4	3,809.4	3,900.4	3,956.3	3,862.8
Diluted	3,814.9	3,822.2	3,920.3	3,976.9	3,879.7
Common shares at period-end	3,756.1	3,804.0	3,772.7	3,910.3	3,942.0
Share price[b]					
High	$58.55	$46.49	$48.36	$48.20	$47.47
Low	44.20	30.83	27.85	35.16	14.96
Close	58.48	43.97	33.25	42.42	41.67
Market capitalization	219,657	167,260	125,442	165,875	164,261
Selected ratios					
Return on common equity ("ROE")					
Income before extraordinary gain	9 %	11 %	11 %	10 %	6 %
Net income	9	11	11	10	6
Return on tangible common equity ("ROTCE")[a]					
Income before extraordinary gain	11	15	15	15	10
Net income	11	15	15	15	10
Return on assets ("ROA")					
Income before extraordinary gain	0.75	0.94	0.86	0.85	0.58
Net income	0.75	0.94	0.86	0.85	0.58
Return on risk-weighted assets[c][d]					
Income before extraordinary gain	1.28	1.65	1.58	1.50	0.95
Net income	1.28	1.65	1.58	1.50	0.95
Overhead ratio	73	67	65	60	52
Loans-to-deposits ratio	57	61	64	74	68

High Quality Liquid Assets ("HQLA") (in billions)[e]	$522		$341		NA		NA		NA	
Tier 1 capital ratio [d]	11.9	%	12.6	%	12.3	%	12.1	%	11.1	%
Total capital ratio[d]	14.4		15.3		15.4		15.5		14.8	
Tier 1 leverage ratio	7.1		7.1		6.8		7.0		6.9	
Tier 1 common capital ratio[d][f]	10.7		11.0		10.1		9.8		8.8	
Selected balance sheet data (period-end)										
Trading assets	$374,664		$450,028		$443,963		$489,892		$411,128	
Securities[g]	354,003		371,152		364,793		316,336		360,390	
Loans	738,418		733,796		723,720		692,927		633,458	
Total assets	2,415,689		2,359,141		2,265,792		2,117,605		2,031,989	
Deposits	1,287,765		1,193,593		1,127,806		930,369		938,367	
Long-term debt[h]	267,889		249,024		256,775		270,653		289,165	
Common stockholders' equity	200,020		195,011		175,773		168,306		157,213	
Total stockholders' equity	211,178		204,069		183,573		176,106		165,365	
Headcount[i]	251,196		258,753		259,940		239,515		221,200	
Credit quality metrics										
Allowance for credit losses	$16,969		$22,604		$28,282		$32,983		$32,541	
Allowance for loan losses to total retained loans	2.25	%	3.02	%	3.84	%	4.71	%	5.04	%
Allowance for loan losses to retained loans excluding purchased credit-impaired loans[j]	1.80		2.43		3.35		4.46		5.51	
Nonperforming assets	$9,706		$11,906		$11,315		$16,682		$19,948	
Net charge-offs	5,802		9,063		12,237		23,673		22,965	
Net charge-off rate	0.81	%	1.26	%	1.78	%	3.39	%	3.42	%

(a) TBVS and ROTCE are non-GAAP financial measures. TBVS represents the Firm's tangible common equity divided by period-end common shares. 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 82–83 of this Annual Report.

(b) 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.

(c) Return on Basel I risk-weighted assets is the annualized earnings of the Firm divided by its average risk-weighted assets ("RWA").

(d) Basel 2.5 rules became effective for the Firm on January 1, 2013. The implementation of these rules in the first quarter of 2013 resulted in an increase of approximately $150 billion in RWA compared with the Basel I rules. The implementation of these rules also resulted in decreases of the Firm's Tier 1 capital, Total capital and Tier 1 common capital ratios by 140 basis points, 160 basis points and 120 basis points, respectively, at March 31, 2013. For further discussion of Basel 2.5, see Regulatory capital on pages 160–167 of this Annual Report.

(e) The Firm began estimating its total HQLA as of December 31, 2012, based on its current understanding of the Basel III LCR rules. For further discussion about HQLA, including its components, see Liquidity Risk on page 172 of this Annual Report.

(f) Basel I Tier 1 common capital ratio ("Tier 1 common ratio") is Tier 1 common capital ("Tier 1 common") divided by RWA. The Firm uses Tier 1 common capital along with the other capital measures to assess and monitor its capital position. For further discussion of the Tier 1 common capital ratio, see Regulatory capital on pages 161–165 of this Annual Report.

(g) Included held-to-maturity balances of $24.0 billion at December 31, 2013. Held-to-maturity balances for the other periods were not material.

(h) Included unsecured long-term debt of $199.4 billion, $200.6 billion, $231.3 billion, $238.2 billion and $258.1 billion, respectively, as of December 31, of each year presented.

(i) Effective January 1, 2013, interns are excluded from the firmwide and business segment headcount metrics. Prior periods were revised to conform with this presentation.

(j) Excludes the impact of residential real estate purchased credit-impaired ("PCI") loans. For further discussion, see Allowance for credit losses on pages 139–141 of this Annual Report.

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 81 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, 2008, in JPMorgan Chase common stock and in each of the above indices. The comparison assumes that all dividends are reinvested.

December 31, (in dollars)	2008	2009	2010	2011	2012	2013
JPMorgan Chase	$100.00	$134.36	$137.45	$110.00	$149.79	$204.78
KBW Bank Index	100.00	98.24	121.19	93.08	123.69	170.39
S&P Financial Index	100.00	117.15	131.36	108.95	140.27	190.19
S&P 500 Index	100.00	126.45	145.49	148.55	172.31	228.10

Management's discussion and analysis

This section of JPMorgan Chase's Annual Report for the year ended December 31, 2013 ("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 341–345 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 181 of this Annual Report) and in JPMorgan Chase's Annual Report on Form 10-K for the year ended December 31, 2013 ("2013 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 United States of America ("U.S."), with operations worldwide; the Firm has $2.4 trillion in assets and $211.2 billion in stockholders' equity as of December 31, 2013. The Firm is a leader in investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing, asset management and private equity. 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 bank with U.S. branches in 23 states, and Chase Bank USA, National Association ("Chase Bank USA, N.A."), a national bank 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 United Kingdom ("U.K.") is J.P. Morgan Securities plc (formerly J.P. Morgan Securities Ltd.), 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/Private Equity segment. The Firm's consumer business is the Consumer & Community Banking segment. The Corporate & Investment Bank, Commercial Banking, and Asset Management segments comprise the Firm's wholesale businesses. A description of the Firm's business segments, and the products and services they provide to their respective client bases, follows.

Consumer & Community Banking

Consumer & Community Banking ("CCB") 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 purchased credit-impaired ("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.

Corporate & Investment Bank

The Corporate & Investment Bank ("CIB") 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.

Commercial Banking

Commercial Banking ("CB") 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.

Asset Management

Asset Management ("AM"), with client assets of $2.3 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 to a broad range of clients' investment needs. For individual investors, 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.

Corporate/Private Equity

The Corporate/Private Equity 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, Central 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 expense that are subject to allocation to the businesses.

Management's discussion and analysis

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.

Economic environment

The global economy regained momentum in 2013, led by faster growth in the advanced economies, helped by decisive policy actions in the U.S., European Union, U.K., and Japan. Uncertainties about U.S. fiscal policy were reduced substantially by year-end, as were extreme downside risks to performance in the Eurozone and China that had been concerns earlier in the year. In addition, real consumer spending in the U.S. was supported late in the year by solid job growth, falling gasoline prices, and rising equity and house prices.

The U.S. economic forecast for 2014 looks for a gradual acceleration in real sales growth and for inflation to remain well below the Federal Reserve's Open Market Committee's long-run target of 2%. If the economic forecast for 2014 is realized, the tapering of asset purchases by the Federal Reserve's Open Market Committee will proceed and is expected to be completed before the end of 2014. However, the forecast does not look for a first rate hike by the Federal Reserve's Open Market Committee until sometime in 2015.

The European Central Bank's ("ECB") support in stabilizing European financial markets, along with the constructive steps taken by the European Union to lay the groundwork for a more coherent banking union, helped the region to return to growth during the first half of 2013. However, later in the year, the pace of the Eurozone's recovery remained slow, high unemployment tested the social and political stability of several of Europe's weaker economies, and Cyprus became the fourth country in the Eurozone to receive a full bail-out. While Germany and the northern European economies continued to drive growth, elsewhere in Europe growth was more subdued. More encouraging were signs that the peripheral economies in the region are showing signs of healing.

Economic performance in Asia was mixed in 2013. Japan boomed; in contrast, activity decelerated across much of the rest of the region. Growth outcomes were also mixed across Latin America. Economic activity decelerated in Mexico. Brazil began 2013 with positive momentum but then lost significant steam, with a widening gap between projected growth outcomes and inflation indicators. Policy uncertainties, slowing China demand for commodities, credit overhangs, and elevated inflation all weighed on investment in many emerging countries.

In summary, there is reason to be optimistic about the U.S. economic outlook in 2014. The economy finally appears to have broken out of the 2% range of growth experienced in the first several years of recovery, and the extent of both fiscal policy restraint and fiscal policy uncertainty should be sharply reduced. While growth in emerging markets is expected to remain subdued, economic activity is expected to continue accelerating in Europe.

Financial performance of JPMorgan Chase

Year ended December 31, (in millions, except per share data and ratios)	2013		2012		Change	
Selected income statement data						
Total net revenue	$96,606		$97,031		—	%
Total noninterest expense	70,467		64,729		9	
Pre-provision profit	26,139		32,302		(19	)
Provision for credit losses	225		3,385		(93	)
Net income	17,923		21,284		(16	)
Diluted earnings per share	4.35		5.20		(16	)
Return on common equity	9	%	11	%		
Capital ratios						
Tier 1 capital	11.9		12.6			
Tier 1 common	10.7		11.0			

Summary of 2013 Results

JPMorgan Chase reported full-year 2013 net income of $17.9 billion, or $4.35 per share, on net revenue of $96.6 billion. Net income decreased by $3.3 billion, or 16%, compared with net income of $21.3 billion, or $5.20 per share, in 2012. ROE for the year was 9%, compared with 11% for the prior year.

The decrease in net income in 2013 was driven by a higher noninterest expense, partially offset by lower provision for credit losses. The increase in noninterest expense was driven by higher legal expense. The reduction in the provision for credit losses reflected continued favorable credit trends across the consumer and wholesale portfolios.

The decline in the provision for credit losses reflected lower consumer and wholesale provisions as net charge-offs decreased and the related allowance for credit losses was reduced by $5.6 billion in 2013. The decline in the allowance reflected improved home prices in the residential real estate portfolios, as well as improved delinquency trends in the residential real estate, credit card loan and wholesale portfolios. Firmwide, net charge-offs were $5.8 billion for the year, down $3.3 billion, or 36%, from 2012, which included $800 million of incremental charge-offs related to regulatory guidance. Nonperforming assets at year-end were $9.7 billion, down $2.2 billion, or 18%. Total firmwide allowance for credit losses was $17.0 billion, resulting in a loan loss coverage ratio of 1.80%, excluding the purchased credit-impaired portfolio, compared with 2.43% in 2012.

The Firm’s results reflected strong underlying performance across its four major reportable business segments, with strong lending and deposit growth. Consumer & Business Banking within Consumer & Community Banking was #1 in deposit growth for the second year in a row and #1 in customer satisfaction among the largest banks for the second year in a row as measured by The American Customer Satisfaction Index (“ACSI”). In Card, Merchant Services & Auto, credit card sales volume (excluding Commercial Card) was up 10% for the year. The Corporate & Investment Bank maintained its #1 ranking in Global Investment Banking Fees and reported record assets under custody of $20.5 trillion at December 31, 2013. Commercial Banking loans increased to a record $137.1 billion, a 7% increase compared with the prior year. Asset Management achieved nineteen consecutive quarters of positive net long-term client flows into assets under management. Asset Management also increased loan balances to a record $95.4 billion at December 31, 2013.

JPMorgan Chase ended the year with a Basel I Tier 1 common ratio of 10.7%, compared with 11% at year-end 2012. The Firm estimated that its Tier 1 common ratio under the Basel III Advanced Approach on a fully phased-in basis, based on the interim final rule issued in October 2013, was 9.5% as of December 31, 2013. Total deposits increased to $1.3 trillion, up 8% from the prior year. Total stockholders’ equity at December 31, 2013, was $211.2 billion. (The Basel I and III Tier 1 common ratios are non-GAAP financial measures, which the Firm uses along with the other capital measures, to assess and monitor its capital position. For further discussion of the Tier 1 common capital ratios, see Regulatory capital on pages 161–165 of this Annual Report.)

During 2013, the Firm worked to help its customers, corporate clients and the communities in which it does business. The Firm provided credit to and raised capital of more than $2.1 trillion for its clients during 2013; this included $19 billion lent to small businesses and $79 billion to nonprofit and government entities, including states, municipalities, hospitals and universities. The Firm also originated more than 800,000 mortgages.

The discussion that follows highlights the performance of each business segment compared with the prior year and presents results on a managed basis. Managed basis starts with the reported results under accounting principles generally accepted in the United States of America (“U.S. GAAP”) and, for each line of business and the Firm as a whole, includes certain reclassifications to present total net revenue on a tax-equivalent 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 82–83 of this Annual Report.

Consumer & Community Banking net income increased compared with the prior year due to lower provision for credit losses and lower noninterest expense, predominantly offset by lower net revenue. Net interest income decreased, driven by lower deposit margins, lower loan balances due to net portfolio runoff and spread compression in Credit Card, largely offset by the impact of higher deposit balances. Noninterest revenue decreased, 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. Noninterest expense decreased compared with 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.

Corporate & Investment Bank net income increased by 2% compared with the prior year. Net revenue included a $1.5 billion loss from the implementation of a funding valuation adjustment (“FVA”) framework for over-the-counter (“OTC”) derivatives and structured notes in the fourth quarter, and a $452 million loss from debit valuation adjustments (“DVA”) on structured notes and derivative liabilities. The prior year net revenue included a $930 million loss from DVA. Banking revenue increased compared with the prior year, reflecting higher lending and investment banking fees revenue, partially offset by Treasury Services revenue which was down slightly from the prior year. Lending revenue increased driven by gains on securities received from restructured loans. Investment banking fees revenue increased compared with the prior year driven by higher equity and debt underwriting fees, partially offset by lower advisory fees. Excluding FVA (effective fourth quarter 2013) and DVA, Markets and Investor Services revenue increased compared with the prior year. The provision for credit losses was a lower benefit reflecting lower recoveries compared with the prior year. Noninterest expense was slightly down from the prior year primarily driven by lower compensation expense.

Commercial Banking net income was slightly lower for 2013 compared with the prior year, reflecting higher noninterest expense and an increase in the provision for credit losses, partially offset by higher net revenue. Net interest income increased, driven by growth in loan balances and the proceeds from a lending-related workout, partially offset by lower purchase discounts recognized on loan repayments. Noninterest expense increased, primarily reflecting higher product- and headcount-related expense.

Management's discussion and analysis

Asset Management net income increased in 2013, driven by higher net revenue, largely offset by higher noninterest expense. Net revenue increased, driven by net client inflows, the effect of higher market levels and net interest income resulting from higher loan and deposit balances. Noninterest expense increased, driven by higher headcount related expenses, higher performance-based compensation and costs related to the control agenda.

Corporate/Private Equity reported a higher net loss compared with the prior year driven by higher noninterest expense partially offset by higher net revenue. Noninterest expense for 2013 included $10.2 billion in legal expenses compared with $3.7 billion in the prior year. The current year net revenue included a $1.3 billion gain from the sale of Visa shares and a $493 million gain from the sale of One Chase Manhattan Plaza. The prior year net revenue included losses from the synthetic credit portfolio in the CIO.

Consent Orders and Settlements

During the course of 2013, the Firm continued to make progress on its control, regulatory, and litigation agenda and put some significant issues behind it. In January 2013, the Firm entered into the Consent Orders with its banking regulators relating to the Firm's Bank Secrecy Act/Anti-Money Laundering policies, procedures and controls, and with respect to the risk management and control functions in the CIO, as well as with respect to its other trading activities. Other settlements during the year included the Consent Orders entered into in September 2013 concerning oversight of third parties, operational processes and control functions related to credit card collections litigation practices and to billing practices for credit monitoring products formerly offered by the Firm; the settlements in November 2013 of certain repurchase representation and warranty claims by a group of institutional investors and with the U.S. Department of Justice, several other federal agencies and several State Attorneys General relating to certain residential mortgage-backed securitization activities of the Firm, Bear Stearns and Washington Mutual; the Deferred Prosecution Agreement entered into in January 2014 with the U.S. Department of Justice and related agreements with the OCC and FinCEN relating to Bernard L. Madoff Investment Securities LLC and the Firm's AML compliance programs; and the February 2014 settlement entered into with several federal government agencies relating to the Firm's participation in certain federal mortgage insurance programs.

In addition to the payment of restitution and, in several instances, significant penalties, these Consent Orders and settlements require that the Firm modify or enhance its processes and controls with respect to, among other items, its mortgage foreclosure and servicing procedures, Anti-Money Laundering procedures, oversight of third parties, credit card litigation practices, and risk management, model governance, and other control functions related to the CIO and certain other trading activities at the Firm. The Firm believes it was in the best interest of the company and its shareholders to accept responsibility for these matters, resolve them, and move forward. These settlements will allow the Firm to focus on continuing to serve its clients and communities, and to continue to build the Firm's businesses.

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 181 of this Annual Report and the Risk Factors section on pages 9–18 of the 2013 Form 10-K.

As a global financial services firm, JPMorgan Chase is subject to extensive regulation under state and federal laws in the United States, as well as the applicable laws of each of the various other jurisdictions outside the U.S. in which the Firm does business. The Firm is currently experiencing an unprecedented increase in regulations and supervision, and such changes could have a significant impact on how the Firm conducts business. For a summary of the more significant rules and regulations to which it currently is or will shortly be subject, as well as the more noteworthy rules and regulations currently being proposed to be implemented, see Supervision and Regulation on pages 1–9 of the 2013 Form 10-K.

Having reached the minimum capital levels required by the new and proposed rules, the Firm intends to continue to hold excess capital in order to support its businesses. However, the new rules will require the Firm to modify its on- and off-balance sheet assets and liabilities to meet the supplementary leverage ratio requirements, restrict or limit the way the Firm offers products to customers or charges fees for services, exit certain activities and product offerings, and make structural changes with respect to which of its legal entities offer certain products in order to comply with the margin, extraterritoriality and clearing rules promulgated pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act").

The Firm intends to respond to the new financial architecture resulting from this changing landscape in a way that will allow it to grow its revenues over time, manage its expenses, and comply with the new regulatory requirements, while at the same time investing in its businesses and meeting the needs of its customers and clients. Initiatives will include a disciplined approach to capital and liquidity management as well as optimization of the Firm's balance sheet. The Firm intends to continue to meet the higher U.S. and Basel III liquidity requirements and make progress towards meeting all of its capital targets in advance of regulatory deadlines, while at the same time returning capital to its shareholders. For further information, see Liquidity Risk Management and Capital Management on pages 168–173 and 160–167, respectively, of this Annual Report.

The Firm is also devoting substantial resources in order to continue to execute on its control and regulatory agendas. In 2012, it established its Oversight and Control function, which works closely with all control disciplines, including Compliance, Legal, Risk Management, Internal Audit and other functions, to provide a cohesive and centralized view of control functions and issues and to address complex control-related projects that are cross-line of business and that have significant regulatory impact or respond to regulatory actions such as the Consent Orders. See Operational Risk Management on pages 155–157 in this Annual Report for further information on the Oversight and Control function.
The Firm's control agenda is receiving significant senior management and Board of Director attention and oversight, and represents a very high priority for the Firm, with 23 work-streams currently underway involving more than 3,500 employees. In 2013, the Firm increased the amount spent on the control agenda by approximately $1 billion, and expects to spend an incremental amount of slightly more than $1 billion on the control agenda in 2014.
The Firm is also executing a business simplification agenda that will allow it to focus on core activities for its core clients and better manage its operational, regulatory and litigation risks. These initiatives include ceasing student loan originations, ceasing to offer traveler's checks and money orders for non-customers, exiting certain high-complexity arrangements (such as third-party lockbox services), and being more selective about on-boarding certain customers, among other initiatives. These business simplification changes will not fundamentally change the breadth of the Firm's business model. However, they are anticipated to reduce both revenues and expenses over time, although the effect on annualized net income is expected to be modest. In addition, the efforts are also expected to have the benefit of freeing up capital over time.
The Firm expects it will continue to make appropriate adjustments to its business and operations, capital and liquidity management practices, and legal entity structure in the year ahead in response to developments in the legal and regulatory, as well as business and economic, environment in which it operates.

2014 Business Outlook
JPMorgan Chase's outlook for the full year 2014 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.
The Firm expects that net interest margin will be relatively stable in the near term. Firmwide adjusted expense is expected to be below $59 billion for the full year 2014, excluding firmwide (Corporate and non-Corporate) legal expenses and foreclosure-related matters, even as the Firm continues to invest in controls and compliance.
In the Mortgage Banking business within CCB, management expects that higher levels of mortgage interest rates will continue to have a negative impact on refinancing volumes and margins, and, accordingly, the pretax income of Mortgage Production is anticipated to be modestly negative for the first quarter of 2014. For Real Estate Portfolios within Mortgage Banking, if delinquencies continue to trend down and the macro-economic environment remains stable or improves, management expects charge-offs to decline and a further reduction in the allowance for loan losses.
In Card Services within CCB, the Firm expects that spread compression will continue in 2014; the shift from high-rate and low-FICO balances is expected to be replaced by more engaged customers or transactors, which is expected to positively affect card spend and credit performance in 2014. If current positive credit trends continue, the card-related allowance for loan losses could be reduced over the course of 2014.
The currently anticipated results for CCB described above could be adversely affected if economic conditions, including U.S. housing prices or the unemployment rate, do not continue to improve. Management continues to closely monitor the portfolios in these businesses.
In Private Equity, within the Corporate/Private Equity segment, earnings will likely continue to be volatile and influenced by capital markets activity, market levels, the performance of the broader economy and investment-specific factors.
For Treasury and CIO, within the Corporate/Private Equity segment, as the Firm continues to reinvest its investment securities portfolio, net interest income is expected to improve and to reach break-even during the second half of 2014.

Business events

Visa B Shares

In December 2013, the Firm sold 20 million Visa Class B shares, resulting in a net pretax gain of approximately $1.3 billion recorded in Other income. After the sale, the Firm continues to own approximately 40 million Visa Class B shares. For further information, see Note 2 on pages 326–332 of this Annual Report.

One Chase Manhattan Plaza

On December 17, 2013, the Firm sold One Chase Manhattan Plaza, an office building located in New York City, and recognized a pretax gain of $493 million in Other Income.

Other events

For information about the Firm's announcements regarding the physical commodities business, One Equity Partners, and the student loan business, see Note 2 on pages 326–332 of this Annual Report.

Subsequent events

Settlement agreement with The U.S. Departments Of Justice, Housing and Urban Development, and Veterans Affairs, and The Federal Housing Administration

On February 4, 2014, the Firm announced that it had reached a settlement with the U.S. Attorney's Office for the Southern District of New York, Federal Housing Administration ("FHA"), the U.S. Department of Housing and Urban Development ("HUD"), and the U.S. Department of Veterans Affairs ("VA") resolving claims relating to the Firm's participation in federal mortgage insurance programs overseen by FHA, HUD and VA ("FHA Settlement"). Under the FHA Settlement, which relates to FHA and VA insurance claims that have been paid to the Firm from 2002 through the date of the settlement, the Firm will pay $614 million in cash, and agree to enhance its quality control program for loans that are submitted in the future to FHA's Direct Endorsement Lender Program. The Firm is fully reserved for the settlement, and any financial impact related to exposure on future claims is not expected to be significant. For information about the ongoing collectibility of insurance reimbursements on loans sold to Ginnie Mae, see Note 31 on pages 326–332 of this Annual Report.

Madoff Litigation and Investigations

On January 7, 2014, the Firm announced that certain of its bank subsidiaries had entered into settlements with various governmental agencies in resolution of investigations relating to Bernard L. Madoff Investment Securities LLC ("BLMIS"). The Firm and certain of its subsidiaries also entered into settlements with several private parties in resolution of civil litigation relating to BLMIS. At the same time, certain bank subsidiaries of the Firm consented to the assessment of a civil money penalty by the OCC in connection with various Bank Secrecy Act/Anti-Money Laundering deficiencies, including with relation to the BLMIS fraud, and JPMorgan Chase Bank, N.A. additionally agreed to the assessment of a civil money penalty by the Financial Crimes Enforcement Network for failure to detect and adequately report suspicious transactions relating to BLMIS. For further information on these settlements, see Note 31 on pages 326–332 of this Annual Report.

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, 2013. 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 174–178 of this Annual Report.

Revenue

Year ended December 31, (in millions)	2013	2012	2011
Investment banking fees	$6,354	$5,808	$5,911
Principal transactions[(a)]	10,141	5,536	10,005
Lending- and deposit-related fees	5,945	6,196	6,458
Asset management, administration and commissions	15,106	13,868	14,094
Securities gains	667	2,110	1,593
Mortgage fees and related income	5,205	8,687	2,721
Card income	6,022	5,658	6,158
Other income[(b)]	3,847	4,258	2,605
Noninterest revenue	53,287	52,121	49,545
Net interest income	43,319	44,910	47,689
Total net revenue	$96,606	$97,031	$97,234

(a) Included a $(1.5) billion loss in the fourth quarter of 2013 as a result of implementing an FVA framework for OTC derivatives and structured notes. Also included DVA on structured notes and derivative liabilities measured at fair value. DVA gains/(losses) were $(452) million, $(930) million and $1.4 billion for the years ended December 31, 2013, 2012 and 2011, respectively.

(b) Included operating lease income of $1.5 billion, $1.3 billion and $1.2 billion for the years ended December 31, 2013, 2012 and 2011, respectively.

2013 compared with 2012

Total net revenue for 2013 was $96.6 billion, down by $425 million, or less than 1%. The results of 2013 were driven by lower mortgage fees and related income, net interest income, and securities gains. These items were 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 improved wallet share in equity capital markets and loans. Advisory fees decreased, as the industry-wide M&A wallet declined. For additional information on investment banking fees, see CIB segment results on pages 98–102 and Note 7 on pages 234–235 of this Annual Report.

Principal transactions revenue, which consists of revenue primarily from the Firm's market-making and private equity investing activities, increased compared with the prior year. The current-year period reflected CIB's strong equity markets revenue, partially offset by a $1.5 billion loss as a result of implementing a funding valuation adjustment ("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 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 were partially offset by a $665 million gain recognized in 2012 in Other Corporate, representing the recovery on a Bear Stearns-related subordinated loan. For additional information on principal transactions revenue, see CIB and Corporate/Private Equity segment results on pages 98–102 and 109–111, respectively,

and Note 7 on pages 234–235 of this Annual Report.
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. For additional information on lending- and deposit-related fees, see the segment results for CCB on pages 86–97, CIB on pages 98–102 and CB on pages 103–105 of this Annual Report.
Asset management, administration and commissions revenue increased from 2012. The increase was driven by higher investment management fees in AM, due to net client inflows, the effect of higher market levels, and higher performance fees, as well as higher investment sales revenue in CCB. For additional information on these fees and commissions, see the segment discussions for CIB on pages 98–102, CCB on pages 86–97, AM on pages 106–108, and Note 7 on pages 234–235 of this Annual Report.
Securities gains decreased compared with the prior-year period, reflecting the results of repositioning the CIO available-for-sale ("AFS") portfolio. For additional information on securities gains, see the Corporate/Private Equity segment discussion on pages 109–111, and Note 12 on pages 249–254 of this Annual Report.
Mortgage fees and related income decreased in 2013 compared with 2012. The decrease resulted from 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 mortgage servicing rights ("MSR") risk management results. For additional information on mortgage fees and related income, see CCB's Mortgage Banking's discussion on pages 92–93, and Note 17 on pages 299–304 of this Annual Report.

Card income increased compared with the prior year period. The increase was driven by higher net interchange income on credit and debit cards and merchant servicing revenue, due to growth in sales volume. For additional information on credit card income, see the CCB segment results on pages 86–97 of this Annual Report.

Other income decreased in 2013 compared with the prior year, predominantly reflecting lower revenues from significant items recorded in Corporate/Private Equity. 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 trust preferred securities ("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 fully taxable-equivalent ("FTE") basis, was 2.23%, a decrease of 25 basis points from the prior year.

2012 compared with 2011

Total net revenue for 2012 was $97.0 billion, down slightly from 2011. Results for 2012 were driven by lower principal transactions revenue from losses incurred by CIO, and lower net interest income. These items were predominantly offset by higher mortgage fees and related income and higher other income.

Investment banking fees decreased slightly from 2011, reflecting lower advisory fees on lower industry-wide volumes, and to a lesser extent, slightly lower equity underwriting fees on industry-wide volumes that were flat from the prior year. These declines were predominantly offset by record debt underwriting fees, driven by favorable market conditions and the impact of continued low interest rates.

Principal transactions revenue decreased compared with 2011, predominantly due to $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 incurred by CIO from the retained index credit derivative positions for 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.

Principal transaction revenue also included a $930 million loss in 2012, compared with a $1.4 billion gain in 2011, from DVA on structured notes and derivative liabilities, resulting from the tightening of the Firm's credit spreads. These declines were partially offset by higher market-making revenue in CIB, driven by strong client revenue and higher revenue in rates-related products, as well as a $665 million gain recognized in Other Corporate associated with the recovery on a Bear Stearns-related subordinated loan.

Private equity gains decreased in 2012, predominantly due to lower unrealized and realized gains on private investments, partially offset by higher unrealized gains on public securities.

Lending- and deposit-related fees decreased in 2012 compared with the prior year. The decrease predominantly reflected lower lending-related fees in CIB and lower deposit-related fees in CCB.

Asset management, administration and commissions revenue decreased from 2011, largely driven by lower brokerage commissions in CIB. This decrease was largely offset by higher asset management fees in AM driven by net client inflows, the effect of higher market levels, and higher performance fees; and higher investment service fees in CCB, as a result of growth in sales of investment products.

Securities gains increased, compared with the 2011 level, reflecting the results of repositioning the CIO AFS securities portfolio.

Mortgage fees and related income increased significantly in 2012 compared with 2011, due to higher Mortgage Banking net production and servicing revenue. The increase in net production revenue, reflected wider margins driven by favorable market conditions; and higher volumes due to historically low interest rates and the Home Affordable Refinance Programs ("HARP"). The increase in net servicing revenue resulted from a favorable swing in risk management results related to mortgage servicing rights ("MSR"), which was a gain of $619 million in 2012, compared with a loss of $1.6 billion in 2011.

Card income decreased during 2012, driven by lower debit card revenue, reflecting the impact of the Durbin Amendment; and to a lesser extent, higher amortization of loan origination costs. The decrease in credit card income was offset partially by higher net interchange income associated with growth in credit card sales volume, and higher merchant servicing revenue.

Other income increased in 2012 compared with the prior year, largely due to a $1.1 billion benefit from the Washington Mutual bankruptcy settlement, and $888 million of extinguishment gains in Corporate/Private Equity related to the redemption of TruPS. The extinguishment gains were related to adjustments applied to the cost basis of the TruPS during the period they were in a qualified hedge accounting relationship. These items were offset partially by the absence of a prior-year gain on the sale of an investment in AM.

Net interest income decreased in 2012 compared with the prior year, predominantly reflecting the impact of lower average trading asset balances, the runoff of higher-yielding loans, faster prepayment of mortgage-backed securities, limited reinvestment opportunities, as well as the impact of lower interest rates across the Firm's interest-earning assets. The decrease in net interest income was partially offset by lower deposit and other borrowing costs. The Firm's average interest-earning assets were $1.8 trillion for 2012, and the net yield on those assets, on a fully taxable-equivalent ("FTE") basis, was 2.48%, a decrease of 26 basis points from 2011.

Provision for credit losses

Year ended December 31, (in millions)	2013	2012	2011
Consumer, excluding credit card	$(1,871)	$302	$4,672
Credit card	2,179	3,444	2,925
Total consumer	308	3,746	7,597
Wholesale	(83)	(361)	(23)
Total provision for credit losses	$225	$3,385	$7,574

2013 compared with 2012

The provision for credit losses decreased compared with the prior year, due to a decline in the provision for total consumer credit losses. The decrease in the consumer provision was attributable to continued reductions in the allowance for loan losses, resulting from the impact of improved home prices on the residential real estate portfolio, and improved delinquency trends in the residential real estate and credit card portfolios, as well as lower net charge-offs partially due to the prior-year incremental charge-offs recorded in accordance with regulatory guidance on certain loans discharged under Chapter 7 bankruptcy. The wholesale provision in the current period reflected a favorable credit environment and stable credit quality trends. For a more detailed discussion of the loan portfolio and the allowance for credit losses, see the segment discussions for CCB on pages 86–97, CIB on pages 98–102, CB on pages 103–105, and Allowance For Credit Losses on pages 139–141 of this Annual Report.

2012 compared with 2011

The provision for credit losses decreased by $4.2 billion from 2011. The decrease was driven by a lower provision for consumer, excluding credit card loans, which reflected a reduction in the allowance for loan losses, due primarily to lower estimated losses in the non-PCI residential real estate portfolio as delinquency trends improved, partially offset by the impact of charge-offs of Chapter 7 loans. A higher level of recoveries and lower charge-offs in the wholesale provision also contributed to the decrease. These items were partially offset by a higher provision for credit card loans, largely due to a smaller reduction in the allowance for loan losses in 2012 compared with the prior year.

Noninterest expense

Year ended December 31, (in millions)	2013	2012	2011
Compensation expense	$30,810	$30,585	$29,037
Noncompensation expense:			
Occupancy	3,693	3,925	3,895
Technology, communications and equipment	5,425	5,224	4,947
Professional and outside services	7,641	7,429	7,482
Marketing	2,500	2,577	3,143
Other[(a)(b)]	19,761	14,032	13,559
Amortization of intangibles	637	957	848
Total noncompensation expense	39,657	34,144	33,874
Total noninterest expense	$70,467	$64,729	$62,911

(a) Included firmwide legal expense of $11.1 billion, $5.0 billion and $4.9 billion for the years ended December 31, 2013, 2012 and 2011, respectively.

(b) Included FDIC-related expense of $1.5 billion, $1.7 billion and $1.5 billion for the years ended December 31, 2013, 2012 and 2011, respectively.

2013 compared with 2012

Total noninterest expense for 2013 was $70.5 billion, up by $5.7 billion, or 9%, compared with the prior year. The increase was 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, as well as costs related to the Firm's control agenda; partially offset by lower compensation expense in CIB and a decline in CCB's mortgage business, which included 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/Private Equity, 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. For a further discussion of legal expense, see Note 31 on pages 326–332 of this Annual Report. For a discussion of amortization of intangibles, refer to Note 17 on pages 299–304 of this Annual Report.

2012 compared with 2011

Total noninterest expense for 2012 was $64.7 billion , up by $1.8 billion, or 3%, from 2011. Compensation expense drove the increase from the prior year.

Compensation expense increased from the prior year, predominantly due to investments in the businesses, including the sales force in CCB and bankers in the other businesses, partially offset by lower compensation expense in CIB.

Noncompensation expense for 2012 increased from the prior year, reflecting continued investments in the businesses, including branch builds in CCB; higher expense related to growth in business volume in CIB and CCB; higher regulatory deposit insurance assessments; expenses related to exiting a non-core product and writing-off intangible assets in CCB; and higher legal expense in Corporate/Private Equity. These increases were partially offset by lower legal expense in AM and CCB (including the Independent Foreclosure Review settlement) and lower marketing expense in CCB.

Income tax expense

Year ended December 31, (in millions, except rate)	2013		2012		2011	
Income before income tax expense	$25,914		28,917		26,749	
Income tax expense	7,991		7,633		7,773	
Effective tax rate	30.8	%	26.4	%	29.1	%

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 expense related to litigation and regulatory proceedings in 2013. This was largely offset by the impact of lower reported pre-tax 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. For additional information on income taxes, see Critical Accounting Estimates Used by the Firm on pages 174–178 and Note 26 on pages 313–315 of this Annual Report.

2012 compared with 2011

The decrease in the effective tax rate compared with the prior year was largely the result of changes in the proportion of income subject to U.S. federal and state and local taxes, as well as higher tax benefits associated with tax audits and tax-advantaged investments. This was partially offset by higher reported pretax income and lower benefits associated with the disposition of certain investments. The current and prior periods include deferred tax benefits associated with state and local income taxes.

BALANCE SHEET ANALYSIS

Selected Consolidated Balance Sheets data

December 31, (in millions)	2013	2012	Change
Assets			
Cash and due from banks	$39,771	$53,723	(26)%
Deposits with banks	316,051	121,814	159
Federal funds sold and securities purchased under resale agreements	248,116	296,296	(16)
Securities borrowed	111,465	119,017	(6)
Trading assets:			
Debt and equity instruments	308,905	375,045	(18)
Derivative receivables	65,759	74,983	(12)
Securities	354,003	371,152	(5)
Loans	738,418	733,796	1
Allowance for loan losses	(16,264)	(21,936)	(26)
Loans, net of allowance for loan losses	722,154	711,860	1
Accrued interest and accounts receivable	65,160	60,933	7
Premises and equipment	14,891	14,519	3
Goodwill	48,081	48,175	—
Mortgage servicing rights	9,614	7,614	26
Other intangible assets	1,618	2,235	(28)
Other assets	110,101	101,775	8
Total assets	$2,415,689	$2,359,141	2
Liabilities			
Deposits	$1,287,765	$1,193,593	8
Federal funds purchased and securities loaned or sold under repurchase agreements	181,163	240,103	(25)
Commercial paper	57,848	55,367	4
Other borrowed funds	27,994	26,636	5
Trading liabilities:			
Debt and equity instruments	80,430	61,262	31
Derivative payables	57,314	70,656	(19)
Accounts payable and other liabilities	194,491	195,240	—
Beneficial interests issued by consolidated VIEs	49,617	63,191	(21)
Long-term debt	267,889	249,024	8
Total liabilities	2,204,511	2,155,072	2
Stockholders' equity	211,178	204,069	3
Total liabilities and stockholders' equity	$2,415,689	$2,359,141	2%

Consolidated Balance Sheets overview

Total assets increased by $56.5 billion or 2%, and total liabilities increased by $49.4 billion or 2%, from December 31, 2012. The following is a discussion of the significant changes in the specific line item captions on the Consolidated Balance Sheets during 2013.

Cash and due from banks and deposits with banks

The net increase reflected the placement of the Firm's excess funds with various central banks, predominantly Federal Reserve Banks. For additional information, refer to the Liquidity Risk Management discussion on pages 168–173 of this Annual Report.

Federal funds sold and securities purchased under resale agreements; and securities borrowed

The decrease in securities purchased under resale agreements and securities borrowed was predominantly due to a shift in the deployment of the Firm's excess cash by Treasury.

Trading assets and liabilities – debt and equity instruments

The decrease in trading assets was driven by client-driven market-making activity in CIB, which resulted in lower levels of debt securities. For additional information, refer to Note 3 on pages 195–215 of this Annual Report.

The increase in trading liabilities was driven by client-driven market-making activity in CIB, which resulted in higher levels of short positions in debt and equity securities.

Trading assets and liabilities – derivative receivables and payables

Derivative receivables and payables decreased predominantly due to reductions in interest rate derivatives driven by an increase in interest rates and reductions in commodity derivatives due to market movements. The decreases were partially offset by an increase in equity derivatives driven by a rise in equity markets.

For additional information, refer to Derivative contracts on pages 135–136, and Note 3 and Note 6 on pages 195–215 and 220–233, respectively, of this Annual Report.

Securities

The decrease in securities was largely due to repositioning which resulted in lower levels of corporate debt, non-U.S. government securities and non-U.S. residential MBS. The decrease was partially offset by higher levels of U.S. Treasury and government agency obligations and obligations of U.S. states and municipalities. For additional information related to securities, refer to the discussion in the Corporate/Private Equity segment on pages 109–111, and Note 3 and Note 12 on pages 195–215 and 249–254, respectively, of this Annual Report.

Loans and allowance for loan losses

Loans increased predominantly due to continued growth in wholesale loans partially offset by a decrease in consumer, excluding credit card loans, predominantly due to paydowns and the charge-off or liquidation of delinquent loans, partially offset by new mortgage and auto originations.

The allowance for loan losses decreased as a result of a $5.5 billion reduction in the consumer allowance, reflecting the impact of improved home prices on the residential real estate portfolio and improved delinquency trends in the residential real estate and credit card portfolios. For a more detailed discussion of the loan portfolio and the allowance for loan losses, refer to Credit Risk Management on pages 119–141, and Notes 3, 4, 14 and 15 on pages 195–215, 215–218, 258–283 and 284–287, respectively, of this Annual Report.

Premises and Equipment

The increase in premises and equipment was largely due to investments in CBB in the U.S. and other investments in facilities globally.

Mortgage servicing rights

The increase was predominantly due to originations and changes in market interest rates, partially offset by collection/realization of expected cash flows, dispositions, and changes in valuation due to model inputs and assumptions. For additional information on MSRs, see Note 17 on pages 299–304 of this Annual Report.

Other assets

The increase is primarily driven by the implementation of gross initial margin requirements for certain U.S. counterparties for exchange-traded derivatives ("ETD"), higher ETD margin balances, and mandatory clearing for certain over-the-counter derivative contracts in the U.S.

Deposits

The increase was due to growth in both wholesale and consumer deposits. The increase in wholesale client balances was due to higher short-term deposits as well as growth in client operating balances. Consumer deposit balances increased from the effect of continued strong growth in business volumes and strong customer retention. For more information on consumer deposits, refer to the CCB segment discussion on pages 86–97; the Liquidity Risk Management discussion on pages 168–173; and Notes 3 and 19 on pages 195–215 and 305, respectively, of this Annual Report. For more information on wholesale client deposits, refer to the AM, CB and CIB segment discussions on pages 106–108, 103–105 and 98–102, respectively, of this Annual Report.

Federal funds purchased and securities loaned or sold under repurchase agreements

The decrease was predominantly due to a change in the mix of the Firm's funding sources. For additional information on the Firm's Liquidity Risk Management, see pages 168–173 of this Annual Report.

Commercial paper and other borrowed funds

Commercial paper increased slightly due to higher commercial paper issuance from wholesale funding markets and an increase in the volume of liability balances related to CIB's liquidity management product, whereby clients choose to sweep their deposits into commercial paper. Other borrowed funds increased slightly due to higher secured short-term borrowings to meet short-term funding needs. For additional information on the Firm's Liquidity Risk Management and other borrowed funds, see pages 168–173 of this Annual Report.

Accounts payable and other liabilities

Accounts payable and other liabilities remained relatively flat compared with the prior year. For additional information on the Firm's accounts payable and other liabilities, see Note 20 on page 305 of this Annual Report.

Beneficial interests issued by consolidated VIEs

Beneficial interests issued by consolidated VIEs decreased primarily due to unwinds of municipal bond vehicles, net credit card maturities and a reduction in outstanding conduit commercial paper held by third parties. For additional information on Firm-sponsored VIEs and loan securitization trusts, see Note 16 on pages 288–299 of this Annual Report.

Long-term debt

The increase was primarily due to net issuances, which also reflected the redemption of trust preferred securities in the second quarter of 2013. For additional information on the Firm's long-term debt activities, see the Liquidity Risk Management discussion on pages 168–173 of this Annual Report.

Stockholders' equity

Total stockholders' equity increased, predominantly due to net income; net issuance of preferred stock; and the issuances and commitments to issue under the Firm's employee stock-based compensation plans. The increase was partially offset by the declaration of cash dividends on common and preferred stock, repurchases of common stock and a net decrease in accumulated other comprehensive income. The net decrease in accumulated other comprehensive income was primarily related to the decline in fair value of U.S. government agency issued MBS and obligations of U.S. states and municipalities due to market changes, as well as net realized gains. For additional information on the Firm's capital actions, see Capital actions on pages 166–167 of this Annual Report.

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 on pages 288–299 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 both Firm-administered consolidated and third-party

sponsored nonconsolidated SPEs. In the event of such 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 commer-cial paper outstanding, issued by both Firm-administered and third-party sponsored SPEs, that are held by third parties as of December 31, 2013 and 2012, was $15.5 billion and $18.1 billion, respectively. The aggregate amounts of commercial paper outstanding could increase in future periods should clients of the Firm-administered consolidated or third-party sponsored nonconsolidated SPEs draw down on certain unfunded lending-related commitments. These unfunded lending-related commit-ments were $9.2 billion and $10.9 billion at December 31, 2013 and 2012, 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 on pages 292–293 of this Annual Report.

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 on pages 288–299 of this Annual Report 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 135, and Note 29 (including the table that presents the related amounts by contractual maturity as of December 31, 2013) on pages 318–324 of this Annual Report. For a discussion of loan repurchase liabilities, see Mortgage repurchase liability on pages 78–79 and Note 29 on pages 318–324, respectively, of this Annual Report.

Contractual cash obligations

The accompanying table summarizes, by remaining maturity, JPMorgan Chase's significant contractual cash obligations at December 31, 2013. 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 contractual 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 loan repurchase liabilities, see Mortgage repurchase liability on pages 78–79 of this Annual Report. For further discussion of other obligations, see the Notes to Consolidated Financial Statements in this Annual Report.

Contractual cash obligations

By remaining maturity at December 31,	2013					2012
(in millions)	2014	2015-2016	2017-2018	After 2018	Total	Total
On-balance sheet obligations						
Deposits[a]	$1,269,092	$11,382	$2,143	$3,970	$1,286,587	$1,191,776
Federal funds purchased and securities loaned or sold under repurchase agreements	177,109	2,097	608	1,349	181,163	240,103
Commercial paper	57,848	—	—	—	57,848	55,367
Other borrowed funds[a]	15,655	—	—	—	15,655	15,357
Beneficial interests issued by consolidated VIEs[a]	21,578	12,567	7,986	5,490	47,621	62,021
Long-term debt[a]	41,966	74,900	64,354	75,519	256,739	231,223
Other[b]	2,864	1,214	973	2,669	7,720	7,012
Total on-balance sheet obligations	1,586,112	102,160	76,064	88,997	1,853,333	1,802,859
Off-balance sheet obligations						
Unsettled reverse repurchase and securities borrowing agreements[c]	38,211	—	—	—	38,211	34,871
Contractual interest payments[d]	7,230	10,363	6,778	23,650	48,021	56,280
Operating leases[e]	1,936	3,532	2,796	6,002	14,266	14,915
Equity investment commitments[f]	516	82	28	1,493	2,119	1,909
Contractual purchases and capital expenditures[g]	1,227	1,042	615	541	3,425	3,052
Obligations under affinity and co-brand programs	921	1,861	447	54	3,283	4,306
Other	11	—	—	—	11	34
Total off-balance sheet obligations	50,052	16,880	10,664	31,740	109,336	115,367
Total contractual cash obligations	$1,636,164	$119,040	$86,728	$120,737	$1,962,669	$1,918,226

(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 on pages 321–322 of this Annual Report.

(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 $2.6 billion and $1.9 billion at December 31, 2013 and 2012, respectively. Prior periods were revised to conform with the current presentation.

(f) At December 31, 2013 and 2012, included unfunded commitments of $215 million and $370 million, respectively, to third-party private equity funds that are generally fair valued at net asset value as discussed in Note 3 on pages 195–215 of this Annual Report; and $1.9 billion and $1.5 billion of unfunded commitments, respectively, to other equity investments.

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

Mortgage repurchase liability

In connection with the Firm's mortgage loan sale and securitization activities with Fannie Mae and Freddie Mac (the "GSEs") and other mortgage loan sale and private-label securitization transactions, the Firm has made representations and warranties that the loans sold meet certain requirements. The Firm has been, and may be, required to repurchase loans and/or indemnify the GSEs (e.g., with "make-whole" payments to reimburse the GSEs for realized losses on liquidated loans) and other investors for losses due to material breaches of these representations

and warranties. To the extent that repurchase demands that are received relate to loans that the Firm purchased from third parties that remain viable, the Firm typically will have the right to seek a recovery of related repurchase losses from the third party.

On October 25, 2013, the Firm announced it had reached a $1.1 billion agreement with the Federal Housing Finance Agency ("FHFA") to resolve, other than certain limited types of exposures, outstanding and future mortgage repurchase demands associated with loans sold to the GSEs from 2000 to 2008 ("FHFA Settlement Agreement"). The majority of the mortgage repurchase demands that the Firm had received from the GSEs related to loans originated from 2005 to 2008.

The Firm has recognized a mortgage repurchase liability of $681 million and $2.8 billion as of December 31, 2013 and 2012, respectively. The amount of the mortgage repurchase liability at December 31, 2013, relates to repurchase losses associated with loans sold in connection with loan sale and securitization transactions with the GSEs that are not covered by the FHFA Settlement Agreement (e.g., post-2008 loan sale and securitization transactions, mortgage insurance rescissions and certain mortgage insurance settlement-related exposures, as well as certain other specific exclusions). At December 31, 2013, the Firm had outstanding repurchase demands of $330 million and unresolved mortgage insurance rescission notices of $263 million (excluding mortgage insurance rescission notices on loans for which a repurchase demand also has been received).

The following table summarizes the change in the mortgage repurchase liability for each of the periods presented.

Summary of changes in mortgage repurchase liability

Year ended December 31, (in millions)	2013	2012	2011
Repurchase liability at beginning of period	$2,811	$3,557	$3,285
Net realized losses[(a)(b)]	(1,561)	(1,158)	(1,263)
Reclassification to litigation reserve[(c)]	(179)	—	—
Provision for repurchase losses[(d)]	(390)	412	1,535
Repurchase liability at end of period	$681	$2,811	3,557

(a) Presented net of third-party recoveries and includes principal losses and accrued interest on repurchased loans, "make-whole" settlements, settlements with claimants, and certain related expense. Make-whole settlements were $414 million, $524 million and $640 million, for the years ended December 31, 2013, 2012 and 2011, respectively.

(b) The 2013 amount includes $1.1 billion for the FHFA Settlement Agreement.

(c) Prior to December 31, 2013, in the absence of a repurchase demand by a party to the relevant contracts, the Firm's decision to repurchase loans from private-label securitization trusts when it determined it had an obligation to do so was recognized in the mortgage repurchase liability. Pursuant to the terms of the RMBS Trust Settlement, all repurchase obligations relating to the subject private-label securitization trusts, whether resulting from a repurchase demand or otherwise, are now recognized in the Firm's litigation reserves for this settlement. The RMBS Trust Settlement is fully accrued as of December 31, 2013.

(d) Included a provision related to new loan sales of $20 million, $112 million and $52 million, for the years ended December 31, 2013, 2012 and 2011, respectively.

Private label securitizations

The liability related to repurchase demands associated with private label securitizations is separately evaluated by the Firm in establishing its litigation reserves.

On November 15, 2013, the Firm announced it had reached a $4.5 billion agreement with 21 major institutional investors to make a binding offer to the trustees of 330 residential mortgage-backed securities trusts issued by J.P.Morgan, Chase and Bear Stearns ("RMBS Trust Settlement") to resolve all representation and warranty claims, as well as all servicing claims, on all trusts issued by J.P.Morgan, Chase and Bear Stearns between 2005 and 2008. The RMBS Trust Settlement may be subject to court approval. For further information about the RMBS Trust Settlement, see Note 31 on pages 326–332 of this Annual Report.

In addition, from 2005 to 2008, Washington Mutual made certain loan level representations and warranties in connection with approximately $165 billion of residential mortgage loans that were originally sold or deposited into private-label securitizations by Washington Mutual. Of the $165 billion, approximately $75 billion has been repaid. In addition, approximately $47 billion of the principal amount of such loans has liquidated with an average loss severity of 59%. Accordingly, the remaining outstanding principal balance of these loans as of December 31, 2013, was approximately $43 billion, of which $10 billion was 60 days or more past due. The Firm believes that any repurchase obligations related to these loans remain with the FDIC receivership.

For additional information regarding the mortgage repurchase liability, see Note 29 on pages 318–324 of this Annual Report.

Management's discussion and analysis

CASH FLOWS ANALYSIS

For the years ended December 31, 2013, 2012 and 2011, cash and due from banks decreased $14.0 billion and $5.9 billion, and increased $32.0 billion, respectively. The following discussion highlights the major activities and transactions that affected JPMorgan Chase's cash flows during 2013, 2012 and 2011, respectively.

Cash flows from 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. Management 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.

For the year ended December 31, 2013, net cash provided by operating activities was $108.0 billion, and it was significantly higher than net income. This resulted from a decrease in trading assets - debt and equity instruments driven by client-driven market-making activity in CIB, which resulted in lower levels of debt securities; and an increase in trading liabilities – debt and equity instruments driven by client-driven market-making activity in CIB, which resulted in higher levels of short positions in debt and equity securities. Net cash generated from operating activities also reflected adjustments for noncash items such as deferred taxes, depreciation and amortization, and stock-based compensation. Partially offsetting these cash inflows was cash used for loans originated and purchased with an initial intent to sell, which was slightly higher than the cash proceeds received from sales and paydowns of the loans, and also reflected significantly higher levels of activities over the prior-year period.

For the year ended December 31, 2012, net cash provided by operating activities was $25.1 billion. This 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, and lower trading assets - derivative receivables, primarily related to the decline in the U.S. dollar and tightening of credit spreads. Partially offsetting these cash inflows was a decrease in accounts payable and other liabilities predominantly due to lower CIB client balances, and an increase in trading assets - debt and equity instruments driven by client-driven market-making activity in CIB. Net cash generated from operating activities was higher than net income largely as a result of adjustments for noncash items such as depreciation and amortization, provision for credit losses, and stock-based compensation. Cash used to acquire loans was slightly higher than cash proceeds received from sales and paydowns of such loans originated and purchased with an initial intent to sell, and also reflected a lower level of activity compared with the prior-year period.

For the year ended December 31, 2011, net cash provided by operating activities was $95.9 billion, and it was significantly higher than net income. This resulted from a net decrease in trading assets and liabilities – debt and equity instruments, driven by client-driven market-making activity in CIB; an increase in accounts payable and other liabilities predominantly due to higher CIB client balances, and a decrease in accrued interest and accounts receivables, primarily in CIB, driven by a large reduction in customer margin receivables due to changes in client activity. Net cash generated from operating activities also reflected adjustments for noncash items such as the provision for credit losses, depreciation and amortization, and stock-based compensation. Additionally, cash provided from sales and paydowns of loans originated or purchased with an initial intent to sell was higher than cash used to acquire such loans. Partially offsetting these cash proceeds was an increase in securities borrowed, predominantly in Corporate due to higher excess cash positions at year-end.

Cash flows from 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. For the year ended December 31, 2013, net cash of $150.5 billion was used in investing activities. This resulted from an increase in deposits with banks reflecting the placement of the Firm's excess funds with various central banks, predominantly Federal Reserve banks; and continued growth of wholesale loans. Partially offsetting this cash outflow was a decrease in securities purchased under resale agreements predominantly due to a shift in the deployment of the Firm's excess cash by Treasury; a decrease in consumer loans excluding credit card loans, predominantly due to paydowns and liquidation of delinquent loans, partially offset by new mortgage and auto originations; and proceeds from maturities and sales of investment securities which were higher than the cash used to acquire new investment securities.

For the year ended December 31, 2012, net cash of $119.8 billion was used in investing activities. This resulted from an increase in securities purchased under resale agreements due to deployment of the Firm’s excess cash by Treasury; higher deposits with banks reflecting placements of the Firm’s excess cash with various central banks, primarily Federal Reserve Banks; and higher levels of wholesale loans, primarily in CB and AM, driven by higher wholesale activity across most of the Firm’s regions and businesses. Partially offsetting these cash outflows were a decline in consumer, excluding credit card, loans predominantly due to mortgage-related paydowns and portfolio runoff, and a decline in credit card loans due to higher repayment rates; and proceeds from maturities and sales of AFS securities, which were higher than the cash used to acquire new AFS securities.

For the year ended December 31, 2011, net cash of $170.8 billion was used in investing activities. This resulted from a significant increase in deposits with banks reflecting the placement of funds with various central banks, including Federal Reserve Banks, predominantly resulting from the overall growth in wholesale client deposits; an increase in loans reflecting continued growth in client activity across all of the Firm’s wholesale businesses and regions; net purchases of AFS securities, largely due to repositioning of the portfolio in Corporate in response to changes in the market environment; and an increase in securities purchased under resale agreements, predominantly in Corporate due to higher excess cash positions at year-end. Partially offsetting these cash outflows were a decline in consumer, excluding credit card, loan balances due to paydowns and portfolio runoff, and in credit card loans, due to higher repayment rates, runoff of the Washington Mutual portfolio and the Firm’s sale of the Kohl’s portfolio.

Cash flows from financing activities

The Firm’s financing activities predominantly include taking customer deposits, and issuing long-term debt as well as preferred and common stock. For the year ended December 31, 2013, net cash provided by financing activities was $28.3 billion. This increase was driven by growth in both wholesale and consumer deposits; net issuances of long-term borrowings, which also reflected the redemption of trust preferred securities in the second quarter of 2013; and proceeds from the net issuance of preferred stock. The increase in wholesale client deposit balances was due to higher short-term deposits as well as growth in client operating balances. Consumer deposit balances increased from the effect of continued strong growth in business volumes and strong customer retention. Partially offsetting these cash inflows was a decrease in securities loaned or sold under repurchase agreements, predominantly due to a change in the mix of the Firm’s funding sources; repurchases of common stock; and payments of cash dividends on common and preferred stock.

For the year ended December 31, 2012, net cash provided by financing activities was $87.7 billion. This was driven by proceeds from long-term borrowings and a higher level of securitized credit cards; an increase in deposits due to growth in both consumer and wholesale deposits; an increase in federal funds purchased and securities loaned or sold under repurchase agreements due to higher secured financings of the Firm’s assets; an increase in commercial paper issuance in the wholesale funding markets to meet short-term funding needs, partially offset by a decline in the volume of client deposits and other third-party liability balances related to CIB’s liquidity management product; an increase in other borrowed funds due to higher secured and unsecured short-term borrowings to meet short-term funding needs; and proceeds from the issuance of preferred stock. Partially offsetting these cash inflows were

redemptions and maturities of long-term borrowings, including trust preferred securities, and securitized credit cards; and payments of cash dividends on common and preferred stock and repurchases of common stock and warrants.

For the year ended December 31, 2011, net cash provided by financing activities was $107.7 billion. This was largely driven by a significant increase in deposits, predominantly due to an overall growth in wholesale client balances and, to a lesser extent, consumer deposit balances. The increase in wholesale client balances, particularly in CIB and CB, was primarily driven by lower returns on other available alternative investments and low interest rates during 2011, and in AM, driven by growth in the number of clients and level of deposits. In addition, there was an increase in commercial paper due to growth in the volume of liability balances in sweep accounts related to CIB’s cash management program. Cash was used to reduce securities sold under repurchase agreements, predominantly in CIB, reflecting the lower funding requirements of the Firm based on lower trading inventory levels, and change in the mix of funding sources; for net repayments of long-term borrowings, including a decrease in long-term debt, predominantly due to net redemptions and maturities, as well as a decline in long-term beneficial interests issued by consolidated VIEs due to maturities of Firm-sponsored credit card securitization transactions; to reduce other borrowed funds, predominantly driven by maturities of short-term secured borrowings, unsecured bank notes and short-term Federal Home Loan Banks ("FHLB") advances; and for repurchases of common stock and warrants, and payments of cash dividends on common and preferred stock.

Management's discussion and analysis

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

The Firm prepares its consolidated financial statements using accounting principles generally accepted in the U.S.("U.S. GAAP"); these financial statements appear on pages 184–188 of this Annual Report. 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 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.

	2013			2012			2011		
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	$3,847	$ 2,495	$6,342	$4,258	$ 2,116	$6,374	$2,605	$ 2,003	$4,608
Total noninterest revenue	53,287	2,495	55,782	52,121	2,116	54,237	49,545	2,003	51,548
Net interest income	43,319	697	44,016	44,910	743	45,653	47,689	530	48,219
Total net revenue	96,606	3,192	99,798	97,031	2,859	99,890	97,234	2,533	99,767
Pre-provision profit	26,139	3,192	29,331	32,302	2,859	35,161	34,323	2,533	36,856
Income before income tax expense	25,914	3,192	29,106	28,917	2,859	31,776	26,749	2,533	29,282
Income tax expense	7,991	3,192	11,183	7,633	2,859	10,492	7,773	2,533	10,306
Overhead ratio	73 %	NM	71 %	67 %	NM	65 %	65 %	NM	63 %

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

Tangible common equity ("TCE"), ROTCE, tangible book value per share ("TBVS"), and Tier 1 common under Basel I and III rules 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 TCE. TBVS represents the Firm's tangible common equity divided by period-end common shares. Tier 1 common under Basel I and III rules are used by management, along with other capital measures, to assess and monitor the Firm's capital position. TCE, ROTCE, and TBVS are meaningful to the Firm, as well as investors and analysts, in assessing the Firm's use of equity. The Firm uses ROTCE, a non-GAAP financial measure, to evaluate its use of equity and to facilitate comparisons with competitors. For additional information on Tier 1 common under Basel I and III, see Regulatory capital on pages 161–165 of this Annual Report.

Calculation of certain U.S. GAAP and non-GAAP metrics

The following U.S. GAAP and non-GAAP measures, we calculated as follows:

Return on common equity

Net income* / Average common stockholders' equity

Return on tangible common equity

Net income* / Average tangible common equity

Return on assets

Reported net income / Total average assets

Return on risk-weighted assets

Annualized earnings / Average risk-weighted assets

Overhead ratio

Total noninterest expense / Total net revenue

* Represents net income applicable to common equity

Average tangible common equity

Year ended December 31, (in millions)	2013	2012	2011
Common stockholders' equity	$196,409	$184,352	$173,266
Less: Goodwill	48,102	48,176	48,632
Less: Certain identifiable intangible assets	1,950	2,833	3,632
Add: Deferred tax liabilities[(a)]	2,885	2,754	2,635
Tangible common equity	$149,242	$136,097	$123,637

(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 (which excludes 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 the related assets. Management believes this exclusion provides investors and analysts a more meaningful 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)	2013	2012	2011
Net interest income - managed basis[(a)(b)]	$44,016	$45,653	$48,219
Less: Market-based net interest income	4,979	5,787	7,329
Core net interest income[(a)]	$39,037	$39,866	$40,890
Average interest-earning assets	$1,970,231	$1,842,417	$1,761,355
Less: Average market-based earning assets	504,218	499,339	519,655
Core average interest-earning assets	$1,466,013	$1,343,078	$1,241,700
Net interest yield on interest-earning assets - managed basis	2.23%	2.48%	2.74%
Net interest yield on market-based activities	0.99	1.16	1.41
Core net interest yield on core average interest-earning assets	2.66%	2.97%	3.29%

(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 82 of this Annual Report.

2013 compared with 2012

Core net interest income decreased by $829 million to $39.0 billion for 2013, and core average interest-earning assets increased by $122.9 billion in 2013 to $1,466.0 billion. 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 2.66% 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.

2012 compared with 2011

Core net interest income decreased by $1.0 billion to $39.9 billion for 2012, and core average interest-earning assets increased by $101.4 billion in 2012 to $1,343.1 billion. The decline in net interest income in 2012 reflected the impact of the runoff of higher-yielding loans, faster prepayment of mortgage-backed securities, and limited reinvestment opportunities, as well as the impact of lower interest rates across the Firm's interest-earning assets. The decrease in net interest income was partially offset by lower deposit and other borrowing costs. The increase in average interest-earning assets was driven by higher deposits with banks and other short-term investments, increased levels of loans, and an increase in investment securities. The core net interest yield decreased by 32 basis points to 2.97% in 2012, primarily driven by the runoff of higher-yielding loans, lower customer loan rates, higher financing costs associated with mortgage-backed securities, and limited reinvestment opportunities, slightly offset by lower customer 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/Private Equity 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 82–83 of this Annual Report.

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/Private Equity. 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").

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) and economic risk measures. The amount of capital assigned to each business is referred to as equity. Effective January 1, 2013, the Firm refined the capital allocation framework to align it with the line of business structure described above. The increase in equity levels for the lines of businesses is largely driven by evolving regulatory requirements and the higher capital targets the Firm has established under the Basel III Advanced Approach. For further information about these capital changes, see Line of business equity on pages 165–166 of this Annual Report.

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

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)	2013	2012	2011	2013	2012	2011	2013	2012	2011
Consumer & Community Banking[(a)]	$46,026	$49,884	$45,619	$27,842	$28,827	$27,637	$18,184	$21,057	$17,982
Corporate & Investment Bank	34,225	34,326	33,984	21,744	21,850	21,979	12,481	12,476	12,005
Commercial Banking	6,973	6,825	6,418	2,610	2,389	2,278	4,363	4,436	4,140
Asset Management	11,320	9,946	9,543	8,016	7,104	7,002	3,304	2,842	2,541
Corporate/Private Equity[(a)]	1,254	(1,091)	4,203	10,255	4,559	4,015	(9,001)	(5,650)	188
Total	$99,798	$99,890	$99,767	$70,467	$64,729	$62,911	$29,331	$35,161	$36,856

Year ended December 31,	Provision for credit losses			Net income/(loss)			Return on equity		
(in millions, except ratios)	2013	2012	2011	2013	2012	2011	2013	2012	2011
Consumer & Community Banking[(a)]	$335	$3,774	$7,620	$10,749	$10,551	$6,105	23%	25%	15%
Corporate & Investment Bank	(232)	(479)	(285)	8,546	8,406	7,993	15	18	17
Commercial Banking	85	41	208	2,575	2,646	2,367	19	28	30
Asset Management	65	86	67	2,031	1,703	1,592	23	24	25
Corporate/Private Equity[(a)]	(28)	(37)	(36)	(5,978)	(2,022)	919	NM	NM	NM
Total	$225	$3,385	$7,574	$17,923	$21,284	$18,976	9%	11%	11%

(a) The 2012 and 2011 data for certain income statement line items (predominantly net interest income, compensation and noncompensation expense) were revised to reflect the transfer of certain technology and operations, as well as real estate-related functions and staff, from Corporate/Private Equity to CCB, effective January 1, 2013.

Management's discussion and analysis

CONSUMER & COMMUNITY BANKING

Consumer & Community Banking ("CCB") 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[(a)]

Year ended December 31, (in millions, except ratios)	2013	2012	2011
Revenue			
Lending- and deposit-related fees	$2,983	$3,121	$3,219
Asset management, administration and commissions	2,116	2,093	2,046
Mortgage fees and related income	5,195	8,680	2,714
Card income	5,785	5,446	6,152
All other income	1,473	1,473	1,183
Noninterest revenue	17,552	20,813	15,314
Net interest income	28,474	29,071	30,305
Total net revenue	46,026	49,884	45,619
Provision for credit losses	335	3,774	7,620
Noninterest expense			
Compensation expense	11,686	11,632	10,329
Noncompensation expense	15,740	16,420	16,669
Amortization of intangibles	416	775	639
Total noninterest expense	27,842	28,827	27,637
Income before income tax expense	17,849	17,283	10,362
Income tax expense	7,100	6,732	4,257
Net income	$10,749	$10,551	$6,105
Financial ratios			
Return on common equity	23 %	25 %	15 %
Overhead ratio	60	58	61

(a) The 2012 and 2011 data for certain income statement line items (predominantly net interest income, compensation and noncompensation expense) were revised to reflect the transfer of certain technology and operations, as well as real estate-related functions and staff, from Corporate/Private Equity to CCB, effective January 1, 2013.

2013 compared with 2012

Consumer & Community Banking net income was $10.7 billion, an increase of $198 million, or 2%, 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 $46.0 billion, a decrease of $3.9 billion, or 8%, compared with the prior year. Net interest income was $28.5 billion, down $597 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 120–129 of this Annual Report.
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.
2012 compared with 2011
Consumer & Community Banking net income was $10.6 billion, up 73% when compared with the prior year. The increase was driven by higher net revenue and lower provision for credit losses, partially offset by higher noninterest expense.
Net revenue was $49.9 billion, up $4.3 billion, or 9%, compared with the prior year. Net interest income was $29.1 billion, down $1.2 billion, or 4%, driven by lower deposit margins and lower loan balances due to portfolio runoff, largely offset by higher deposit balances. Noninterest revenue was $20.8 billion, up $5.5 billion, or 36%, driven by higher mortgage fees and related income, partially offset by lower debit card revenue, reflecting the impact of the Durbin Amendment.
The provision for credit losses was $3.8 billion compared with $7.6 billion in the prior year. The current-year provision reflected a $5.5 billion reduction in the allowance for loan losses due to improved delinquency trends and reduced estimated losses in the real estate and credit card loan portfolios. Current-year total net charge-offs were $9.3 billion, including $800 million of incremental charge-offs

related to regulatory guidance. Excluding these charge-offs, net charge-offs during the year would have been $8.5 billion compared with $11.8 billion in the prior year. For more information, including net charge-off amounts and rates, see Consumer Credit Portfolio on pages 120–129 of this Annual Report.

Noninterest expense was $28.8 billion, an increase of $1.2 billion, or 4%, compared with the prior year, driven by higher production expense reflecting higher volumes, and investments in sales force, partially offset by lower costs related to mortgage-related matters and lower marketing expense in Card.

Selected metrics

As of or for the year ended December 31, (in millions, except headcount)	2013	2012	2011
Selected balance sheet data (period-end)[a]			
Total assets	$452,929	$467,282	$486,697
Loans:			
Loans retained	393,351	$402,963	$425,581
Loans held-for-sale and loans at fair value[b]	7,772	$18,801	$12,796
Total loans	401,123	421,764	438,377
Deposits	464,412	$438,517	397,868
Equity	46,000	43,000	41,000
Selected balance sheet data (average)[a]			
Total assets	$456,468	467,641	491,035
Loans:			
Loans retained	392,797	408,559	429,975
Loans held-for-sale and loans at fair value[b]	15,812	18,006	17,187
Total loans	408,609	426,565	447,162
Deposits	453,304	413,948	382,702
Equity	46,000	43,000	41,000
Headcount[a]	151,333	164,391	166,053

(a) The 2012 and 2011 data for certain balance sheet line items (predominantly total assets) as well as headcount were revised to reflect the transfer of certain technology and operations, as well as real estate-related functions and staff, from Corporate/Private Equity to CCB, effective January 1, 2013.

(b) Predominantly consists of prime mortgages originated with the intent to sell that are accounted for at fair value and classified as trading assets on the Consolidated Balance Sheets.

Selected metrics

As of or for the year ended December 31, (in millions, except ratios and where otherwise noted)	2013	2012	2011
Credit data and quality statistics			
Net charge-offs[a][b]	$5,826	$9,280	$11,815
Nonaccrual loans:			
Nonaccrual loans retained	7,455	9,114	7,354
Nonaccrual loans held-for-sale and loans at fair value	40	39	103
Total nonaccrual loans[c][d][e][f]	7,495	9,153	7,457
Nonperforming assets[c][d][e][f]	8,149	9,830	8,292
Allowance for loan losses[a]	12,201	17,752	23,256
Net charge-off rate[b][g]	1.48 %	2.27 %	2.75 %
Net charge-off rate, excluding PCI loans[a][b][g]	1.73	2.68	3.27

Allowance for loan losses to period-end loans retained	3.10	4.41	5.46
Allowance for loan losses to period-end loans retained, excluding PCI loans[h]	2.36	3.51	4.87
Allowance for loan losses to nonaccrual loans retained, excluding credit card[c][f][h]	57	72	143
Nonaccrual loans to total period-end loans, excluding credit card[f]	2.74	3.12	2.44
Nonaccrual loans to total period-end loans, excluding credit card and PCI loans[c][f]	3.40	3.91	3.10
Business metrics			
Number of:			
Branches	5,630	5,614	5,508
ATMs	19,211	18,699	17,235
Active online customers (in thousands)	33,742	31,114	29,749
Active mobile customers (in thousands)	15,629	12,359	8,203

(a) Net charge-offs and net charge-off rates for the year ended December 31, 2013 excluded $53 million of write-offs in the PCI portfolio. These write-offs decreased the allowance for loan losses for PCI loans. For further information, see Consumer Credit Portfolio on pages 120–129 of this Annual Report.

(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%. For further information, see Consumer Credit Portfolio on pages 120–129 of this Annual Report.

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

(d) Certain mortgages originated with the intent to sell are classified as trading assets on the Consolidated Balance Sheets.

(e) At December 31, 2013, 2012 and 2011, nonperforming assets excluded: (1) mortgage loans insured by U.S. government agencies of $8.4 billion, $10.6 billion, and $11.5 billion, respectively, that are 90 or more days past due; (2) real estate owned insured by U.S. government agencies of $2.0 billion, $1.6 billion, and $954 million, respectively; and (3) student loans insured by U.S. government agencies under the Federal Family Education Loan Program (“FFELP”) of $428 million, $525 million, and $551 million, respectively, that are 90 or more days past due. These amounts have been excluded from nonaccrual loans based upon the government guarantee.

(f) Nonaccrual loans included $3.0 billion of loans at December 31, 2012, based upon regulatory guidance. For further information, see Consumer Credit Portfolio on pages 120–129 of this Annual Report.

(g) Loans held-for-sale and loans accounted for at fair value were excluded when calculating the net charge-off rate.

(h) An allowance for loan losses of $4.2 billion at December 31, 2013, and $5.7 billion at December 31, 2012 and 2011 was recorded for PCI loans; these amounts were also excluded from the applicable ratios.

Management’s discussion and analysis

Consumer & Business Banking
Selected income statement data[(a)]

Year ended December 31, (in millions, except ratios)	2013	2012	2011
Revenue			
Lending- and deposit-related fees	$2,942	$3,068	$3,160
Asset management, administration and commissions	1,815	1,638	1,561
Card income	1,495	1,353	2,024
All other income	492	498	473
Noninterest revenue	6,744	6,557	7,218
Net interest income	10,566	10,594	10,732
Total net revenue	17,310	17,151	17,950
Provision for credit losses	347	311	419
Noninterest expense	12,162	11,490	11,336
Income before income tax expense	4,801	5,350	6,195
Net income	$2,881	$3,203	$3,699
Return on common equity	26 %	36 %	39 %
Overhead ratio	70	67	63
Overhead ratio, excluding core deposit intangibles[(b)]	69	66	62
Equity (period-end and average)	$11,000	$9,000	$9,500

(a) The 2012 and 2011 data for certain income statement line items were revised to reflect the transfer of certain functions and staff from Corporate/Private Equity to CCB, effective January 1, 2013.

(b) Consumer & Business Banking (“CBB”) uses the overhead ratio (excluding the amortization of core deposit intangibles (“CDI”)), a non-GAAP financial measure, to evaluate the underlying expense trends of the business. Including CDI amortization expense in the overhead ratio calculation would result in a higher overhead ratio in the earlier years and a lower overhead ratio in later years; this method would therefore result in an improving overhead ratio over time, all things remaining equal. This non-GAAP ratio excluded CBB’s CDI amortization expense related to prior business combination transactions of $163 million, $200 million, and $238 million for the years ended December 31, 2013, 2012 and 2011, respectively.

2013 compared with 2012

Consumer & Business Banking net income was $2.9 billion, a decrease of $322 million, or 10%, compared with the prior year, due to higher noninterest expense, partially offset by higher noninterest revenue.

Net revenue was $17.3 billion, up 1% compared with the prior year. Net interest income was $10.6 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.

The provision for credit losses was $347 million, compared with $311 million in the prior year.

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.

2012 compared with 2011

Consumer & Business Banking net income was $3.2 billion, a decrease of $496 million, or 13%, compared with the prior year. The decrease was driven by lower net revenue and higher noninterest expense, partially offset by lower provision for credit losses.

Net revenue was $17.2 billion, down 4% from the prior year. Net interest income was $10.6 billion, down 1% from the prior year, driven by the impact of lower deposit margins, predominantly offset by higher deposit balances. Noninterest revenue was $6.6 billion, down 9% from the prior year, driven by lower debit card revenue, reflecting the impact of the Durbin Amendment.

The provision for credit losses was $311 million, compared with $419 million in the prior year. The current-year provision reflected a $100 million reduction in the allowance for loan losses. Net charge-offs were $411 million compared with $494 million in the prior year.

Noninterest expense was $11.5 billion, up 1% from the prior year, resulting from investment in the sales force and new branch builds.

Selected metrics

As of or for the year ended December 31, (in millions, except ratios)	2013	2012	2011
Business metrics			
Business banking origination volume	$5,148	$6,542	$5,827
Period-end loans	19,416	18,883	17,652
Period-end deposits:[a]			
Checking	187,182	170,354	147,821
Savings	238,223	216,422	191,891
Time and other	26,022	31,753	36,746
Total period-end deposits	451,427	418,529	376,458
Average loans	18,844	18,104	17,121
Average deposits:[a]			
Checking	176,005	153,422	136,602
Savings	229,341	204,449	182,587
Time and other	29,227	34,224	41,577
Total average deposits	434,573	392,095	360,766
Deposit margin	2.32 %	2.57 %	2.82 %
Average assets[a]	$37,174	$34,431	$32,886

(a) The 2012 and 2011 data for certain balance sheet line items were revised to reflect the transfer of certain functions and staff from Corporate/Private Equity to CCB, effective January 1, 2013.

Selected metrics As of or for the year ended December 31, (in millions, except ratios and where otherwise noted)	2013	2012	2011
Credit data and quality statistics			
Net charge-offs	$337	$411	$494
Net charge-off rate	1.79 %	2.27 %	2.89 %
Allowance for loan losses	$707	$698	$798
Nonperforming assets	391	488	710
Retail branch business metrics			
Investment sales volume	$35,050	$26,036	$22,716
Client investment assets	188,840	158,502	137,853
% managed accounts	36 %	29 %	24 %
Number of:			
Chase Private Client locations	2,149	1,218	262
Personal bankers	23,588	23,674	24,308
Sales specialists	5,740	6,076	6,017
Client advisors	3,044	2,963	3,201
Chase Private Clients	215,888	105,700	21,723
Accounts (in thousands)[(a)]	29,437	28,073	26,626

(a) Includes checking accounts and Chase Liquid[SM] cards (launched in the second quarter of 2012).

Mortgage Banking

Selected income statement data Year ended December 31, (in millions, except ratios)	2013	2012	2011
Revenue			
Mortgage fees and related income	$5,195	$8,680	$2,714
All other income	283	475	490
Noninterest revenue	5,478	9,155	3,204
Net interest income	4,548	4,808	5,324
Total net revenue	10,026	13,963	8,528
Provision for credit losses	(2,681)	(490)	3,580
Noninterest expense	7,602	9,121	8,256
Income/(loss) before income tax expense/(benefit)	5,105	5,332	(3,308)
Net income/(loss)	$3,082	$3,341	$(2,138)
Return on equity	16 %	19 %	(14)%
Overhead ratio	76	65	97
Equity (period-end and average)	$19,500	$17,500	$15,500

2013 compared with 2012

Mortgage Banking net income was $3.1 billion, a decrease of $259 million, or 8%, 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 $10.0 billion, a decrease of $3.9 billion compared with the prior year. Net interest income was $4.5 billion, a decrease of $260 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.
2012 compared with 2011
Mortgage Banking net income was $3.3 billion, compared with a net loss of $2.1 billion in the prior year. The increase was driven by higher net revenue and lower provision for credit losses, partially offset by higher noninterest expense.
Net revenue was $14.0 billion, up $5.4 billion, or 64%, compared with the prior year. Net interest income was $4.8 billion, down $516 million, or 10%, resulting from lower loan balances due to net portfolio runoff. Noninterest revenue was $9.2 billion, up $6.0 billion compared with the prior year, driven by higher mortgage fees and related income.
The provision for credit losses was a benefit of $490 million, compared with a provision expense of $3.6 billion in the prior year. The current year reflected a $3.85 billion reduction in the allowance for loan losses due to improved delinquency trends and lower estimated losses.
Noninterest expense was $9.1 billion, an increase of $865 million, or 10%, compared with the prior year, driven by higher production expense reflecting higher volumes, partially offset by lower costs related to mortgage-related matters.

Management's discussion and analysis

Functional results

Year ended December 31, (in millions, except ratios)	2013	2012	2011
Mortgage Production			
Production revenue	$2,673	$5,783	$3,395
Production-related net interest & other income	909	787	840
Production-related revenue, excluding repurchase (losses)/benefits	3,582	6,570	4,235
Production expense[a]	3,088	2,747	1,895
Income, excluding repurchase (losses)/benefits	494	3,823	2,340
Repurchase (losses)/benefits	331	(272)	(1,347)
Income before income tax expense	825	3,551	993
Mortgage Servicing			
Loan servicing revenue	3,552	3,772	4,134
Servicing-related net interest & other income	411	407	390
Servicing-related revenue	3,963	4,179	4,524
Changes in MSR asset fair value due to collection/realization of expected cash flows	(1,094)	(1,222)	(1,904)
Default servicing expense	2,069	3,707	3,814
Core servicing expense	904	1,033	1,031
Income/(loss), excluding MSR risk management	(104)	(1,783)	(2,225)
MSR risk management, including related net interest income/(expense)	(268)	616	(1,572)
Income/(loss) before income tax expense/(benefit)	(372)	(1,167)	(3,797)
Real Estate Portfolios			
Noninterest revenue	(209)	43	38
Net interest income	3,721	4,049	4,554
Total net revenue	3,512	4,092	4,592
Provision for credit losses	(2,693)	(509)	3,575
Noninterest expense	1,553	1,653	1,521
Income/(loss) before income tax expense/(benefit)	4,652	2,948	(504)
Mortgage Banking income/(loss) before income tax expense/(benefit)	$5,105	$5,332	$(3,308)
Mortgage Banking net income/(loss)	$3,082	$3,341	$(2,138)
Overhead ratios			
Mortgage Production	79%	43%	65%
Mortgage Servicing	114	133	462
Real Estate Portfolios	44	40	33

(a) Includes provision for credit losses associated with Mortgage Production.

Selected income statement data

Year ended December 31, (in millions)	2013	2012	2011

Supplemental mortgage fees and related income details			
Net production revenue:			
Production revenue	$2,673	$5,783	$3,395
Repurchase (losses)/benefits	331	(272)	(1,347)
Net production revenue	3,004	5,511	2,048
Net mortgage servicing revenue:			
Operating revenue:			
Loan servicing revenue	3,552	3,772	4,134
Changes in MSR asset fair value due to collection/realization of expected cash flows	(1,094)	(1,222)	(1,904)
Total operating revenue	2,458	2,550	2,230
Risk management:			
Changes in MSR asset fair value due to market interest rates and other(a)	2,119	(587)	(5,390)
Other changes in MSR asset fair value due to other inputs and assumptions in model(b)	(511)	(46)	(1,727)
Changes in derivative fair value and other	(1,875)	1,252	5,553
Total risk management	(267)	619	(1,564)
Total net mortgage servicing revenue	2,191	3,169	666
Mortgage fees and related income	$5,195	$8,680	$2,714

(a) Represents both the impact of changes in estimated future prepayments due to changes in market interest rates, and the difference between actual and expected prepayments.

(b) Represents the aggregate impact of changes in model inputs and assumptions such as projected cash flows (e.g. cost to service), discount rates and changes in prepayments other than those attributable to changes in market interest rates (e.g. changes in prepayments due to changes in home prices).

Net production revenue includes net gains or losses on originations and sales of mortgage loans, other production-related fees and losses related to the repurchase of previously-sold loans.
Net mortgage servicing revenue includes the following components:
(a) Operating revenue predominantly represents the return on Mortgage Servicing's MSR asset and includes:
– Actual gross income earned from servicing third-party mortgage loans, such as contractually specified servicing fees and ancillary income; and
– The change in the fair value of the MSR asset due to the collection or realization of expected cash flows.
(b) Risk management represents the components of
Mortgage Servicing's MSR asset that are subject to ongoing risk management activities, together with derivatives and other instruments used in those risk management activities
Mortgage origination channels comprise the following:
Retail – Borrowers who buy or refinance a home through direct contact with a mortgage banker employed by the Firm using a branch office, the Internet or by phone. Borrowers are frequently referred to a mortgage banker by a banker in a Chase branch, real estate brokers, home builders or other third parties.
Wholesale – Includes loans guaranteed by the U.S. Department of Agriculture under its Section 502 Guaranteed Loan program that serves low-and-moderate income families in small rural communities.
Correspondent – Banks, thrifts, other mortgage banks and other financial institutions that sell closed loans to the Firm.
2013 compared with 2012
Mortgage Production pretax income was $825 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 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 repurchase liability largely as a result of the settlement with the GSEs. For further information, see Mortgage repurchase liability on pages 78–79 of this Annual Report.
Mortgage Servicing pretax loss was $372 million, compared with a pretax loss of $1.2 billion in the prior year, driven by lower expense, partially offset by mortgage servicing rights ("MSR") risk management loss. Mortgage net servicing-related revenue was $2.9 billion, a decrease of $88 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 on pages 299–304 of this Annual Report 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 from the prior year, reflecting lower costs associated with the Independent Foreclosure Review and lower servicing headcount.
Real Estate Portfolios pretax income was $4.7 billion, up $1.7 billion from the prior year, due to a higher benefit from the provision for credit losses, partially offset by lower net revenue. Net revenue was $3.5 billion, a decrease of $580 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. See Consumer Credit Portfolio on pages 120–129 of this Annual Report for the net charge-off amounts and rates. 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.

2012 compared with 2011

Mortgage Production pretax income was $3.6 billion, an increase of $2.6 billion compared with the prior year. Mortgage production-related revenue, excluding repurchase losses, was $6.6 billion, an increase of $2.3 billion, or 55%, from the prior year. These results reflected wider margins, driven by favorable market conditions, and higher volumes due to historically low interest rates and the Home Affordable Refinance Programs ("HARP"). Production expense, including credit costs, was $2.7 billion, an increase of $852 million, or 45%, reflecting higher volumes and additional litigation costs. Repurchase losses were $272 million, compared with $1.3 billion in the prior year. The current-year reflected a reduction in the repurchase liability of $683 million compared with a build of $213 million in the prior year, primarily driven by improved cure rates on Agency repurchase demands and lower outstanding repurchase demand pipeline. For further information, see Mortgage repurchase liability on pages 78–79 of this Annual Report.

Mortgage Servicing reported a pretax loss of $1.2 billion, compared with a pretax loss of $3.8 billion in the prior year. Mortgage servicing revenue, including amortization, was $3.0 billion, an increase of $337 million, or 13%, from the prior year, driven by lower mortgage servicing rights ("MSR") asset amortization expense as a result of lower MSR asset value, partially offset by lower loan servicing revenue due to the decline in the third-party loans serviced. MSR risk management income was $616 million, compared with a loss of $1.6 billion in the prior year. The prior year MSR risk management loss was driven by refinements to the valuation model and related inputs. See Note 17 on pages 299–304 of this Annual Report for further information regarding changes in value of the MSR asset and related hedges. Servicing expense was $4.7 billion, down 2% from the prior year, but elevated in both the current and prior year primarily due to higher default servicing costs.

Real Estate Portfolios pretax income was $2.9 billion, compared with a pretax loss of $504 million in the prior year. The improvement was driven by a benefit from the provision for credit losses, reflecting the continued improvement in credit trends, partially offset by lower net revenue. Net revenue was $4.1 billion, down $500 million, or 11%, from the prior year. The decrease was driven by a decline in net interest income as a result of lower loan balances due to net portfolio runoff. The provision for credit losses reflected a benefit of $509 million, compared with a provision expense of $3.6 billion in the prior year. The current-year provision reflected a $3.9 billion reduction in the non credit-impaired allowance for loan losses due to improved delinquency trends and lower estimated losses. Current-year net charge-offs totaled $3.3 billion, including $744 million of incremental charge-offs reported in accordance with regulatory guidance on certain loans discharged under Chapter 7 bankruptcy, compared with $3.8 billion in the prior year. See Consumer Credit Portfolio on pages 120–129 of this Annual Report for the net charge-off amounts and rates. Nonaccrual loans were $7.9 billion, compared with $5.9 billion in the prior year. Excluding the impact of certain regulatory guidance, nonaccrual loans would have been $4.9 billion at December 31, 2012. For more information on the reporting of Chapter 7 loans and performing junior liens that are subordinate to senior liens that are 90 days or more past due as nonaccrual, see Consumer Credit Portfolio on pages 120–129 of this Annual Report. Noninterest expense was $1.7 billion, up $132 million, or 9%, compared with the prior year due to an increase in servicing costs.

PCI Loans

Included within Real Estate Portfolios are PCI loans that the Firm acquired in the Washington Mutual transaction. For PCI loans, the excess of the undiscounted gross cash flows expected to be collected over the carrying value of the loans (the "accretable yield") is accreted into interest income at a level rate of return over the expected life of the loans. The net spread between the PCI loans and the related liabilities are expected to be relatively constant over time, except for any basis risk or other residual interest rate risk that remains and for certain changes in the accretable yield percentage (e.g., from extended loan liquidation periods

and from prepayments). As of December 31, 2013, the remaining weighted-average life of the PCI loan portfolio is expected to be 8 years. The loan balances are expected to decline more rapidly over the next three years as the most troubled loans are liquidated, and more slowly thereafter as the remaining troubled borrowers have limited refinancing opportunities. Similarly, default and servicing expense are expected to be higher in the earlier years and decline over time as liquidations slow down.

For further information, see Note 14, PCI loans, on pages 274–276 of this Annual Report.

Mortgage Production and Servicing

Selected metrics

As of or for the year ended December 31, (in millions, except ratios)	2013	2012	2011
Selected balance sheet data			
Period-end loans:			
Prime mortgage, including option ARMs[a]	$15,136	$17,290	$16,891
Loans held-for-sale and loans at fair value[b]	7,446	18,801	12,694
Average loans:			
Prime mortgage, including option ARMs[a]	16,495	17,335	14,580
Loans held-for-sale and loans at fair value[b]	15,717	17,573	16,354
Average assets	57,131	59,837	59,891

Repurchase liability (period-end)[c]	651	2,530	3,213
Credit data and quality statistics			
Net charge-offs:			
Prime mortgage, including option ARMs	12	19	5
Net charge-off rate:			
Prime mortgage, including option ARMs	0.07 %	0.11 %	0.03 %
30+ day delinquency rate[d]	2.75	3.05	3.15
Nonperforming assets[e]	$559	$638	$716

(a) Predominantly represents prime loans repurchased from Government National Mortgage Association (“Ginnie Mae”) pools, which are insured by U.S. government agencies. See further discussion of loans repurchased from Ginnie Mae pools in Mortgage repurchase liability on pages 78–79 of this Annual Report.

(b) Predominantly consists of prime mortgages originated with the intent to sell that are accounted for at fair value and classified as trading assets on the Consolidated Balance Sheets.

(c) For more information on the Firm’s mortgage repurchase liability, see Mortgage repurchase liability on pages 78–79 of this Annual Report.

(d) At December 31, 2013, 2012 and 2011, excluded mortgage loans insured by U.S. government agencies of $9.6 billion, $11.8 billion, and $12.6 billion, respectively, that are 30 or more days past due. These amounts have been excluded from nonaccrual loans based upon the government guarantee. For further discussion, see Note 14 on pages 258–283 of this Annual Report which summarizes loan delinquency information.

(e) At December 31, 2013, 2012 and 2011, nonperforming assets excluded: (1) mortgage loans insured by U.S. government agencies of $8.4 billion, $10.6 billion, and $11.5 billion, respectively, that are 90 or more days past due; and (2) real estate owned insured by U.S. government agencies of $2.0 billion, $1.6 billion, and $954 million, respectively. These amounts have been excluded from nonaccrual loans based upon the government guarantee. For further discussion, see Note 14 on pages 258–283 of this Annual Report which summarizes loan delinquency information.

Selected metrics

As of or for the year ended December 31, (in millions, except ratios and where otherwise noted)	2013	2012	2011
Business metrics (in billions)			
Mortgage origination volume by channel			
Retail	$77.0	$101.4	$87.2
Wholesale[a]	0.2	0.3	0.5
Correspondent[a]	88.3	79.1	57.9
Total mortgage origination volume[b]	$165.5	$180.8	$145.6
Mortgage application volume by channel			
Retail	$108.0	$164.5	$137.2
Wholesale[a]	0.2	0.7	1.0
Correspondent[a]	89.0	100.5	66.5
Total mortgage application volume	$197.2	$265.7	$204.7
Third-party mortgage loans serviced (period-end)	$815.5	$859.4	$902.2
Third-party mortgage loans serviced (average)	837.3	847.0	937.6
MSR carrying value (period-end)	9.6	7.6	7.2
Ratio of MSR carrying value (period-end) to third-party mortgage loans serviced (period-end)	1.18 %	0.88 %	0.80 %
Ratio of loan servicing-related revenue to third-party mortgage loans serviced (average)	0.40	0.46	0.44
MSR revenue multiple[c]	2.95 x	1.91x	1.82x

(a) Includes rural housing loans sourced through 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 $176.4 billion, $189.9 billion, and $154.2 billion for the years ended December 31, 2013, 2012 and 2011, 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)	2013	2012	2011
Loans, excluding PCI			
Period-end loans owned:			
Home equity	$57,863	$67,385	$77,800
Prime mortgage, including option ARMs	49,463	41,316	44,284
Subprime mortgage	7,104	8,255	9,664
Other	551	633	718
Total period-end loans owned	$114,981	$117,589	$132,466
Average loans owned:			
Home equity	$62,369	$72,674	$82,886
Prime mortgage, including option ARMs	44,988	42,311	46,971
Subprime mortgage	7,687	8,947	10,471

Other	588	675	773
Total average loans owned	$115,632	$124,607	$141,101
PCI loans			
Period-end loans owned:			
Home equity	$18,927	$20,971	$22,697
Prime mortgage	12,038	13,674	15,180
Subprime mortgage	4,175	4,626	4,976
Option ARMs	17,915	20,466	22,693
Total period-end loans owned	$53,055	$59,737	$65,546
Average loans owned:			
Home equity	$19,950	$21,840	$23,514
Prime mortgage	12,909	14,400	16,181
Subprime mortgage	4,416	4,777	5,170
Option ARMs	19,236	21,545	24,045
Total average loans owned	$56,511	$62,562	$68,910
Total Real Estate Portfolios			
Period-end loans owned:			
Home equity	$76,790	$88,356	$100,497
Prime mortgage, including option ARMs	79,416	75,456	82,157
Subprime mortgage	11,279	12,881	14,640
Other	551	633	718
Total period-end loans owned	$168,036	$177,326	$198,012
Average loans owned:			
Home equity	$82,319	$94,514	$106,400
Prime mortgage, including option ARMs	77,133	78,256	87,197
Subprime mortgage	12,103	13,724	15,641
Other	588	675	773
Total average loans owned	$172,143	$187,169	$210,011
Average assets	$163,898	$175,712	$197,096
Home equity origination volume	2,124	1,420	1,127

Management's discussion and analysis

Credit data and quality statistics

As of or for the year ended December 31, (in millions, except ratios)	2013		2012		2011	
Net charge-offs, excluding PCI loans:[a][b]						
Home equity	$966		$2,385		$2,472	
Prime mortgage, including option ARMs	41		454		682	
Subprime mortgage	90		486		626	
Other	10		16		25	
Total net charge-offs, excluding PCI loans	$1,107		$3,341		$3,805	
Net charge-off rate, excluding PCI loans:[b]						
Home equity	1.55	%	3.28	%	2.98	%
Prime mortgage, including option ARMs	0.09		1.07		1.45	
Subprime mortgage	1.17		5.43		5.98	
Other	1.70		2.37		3.23	
Total net charge-off rate, excluding PCI loans	0.96		2.68		2.70	
Net charge-off rate – reported:[a][b]						
Home equity	1.17	%	2.52	%	2.32	%
Prime mortgage, including option ARMs	0.05		0.58		0.78	
Subprime mortgage	0.74		3.54		4.00	
Other	1.70		2.37		3.23	
Total net charge-off rate – reported	0.64		1.79		1.81	
30+ day delinquency rate, excluding PCI loans[c]	3.66	%	5.03	%	5.69	%
Allowance for loan losses, excluding PCI loans	$2,568		$4,868		$8,718	
Allowance for PCI loans[a]	4,158		5,711		5,711	
Allowance for loan losses	$6,726		$10,579		$14,429	
Nonperforming assets[d][e]	6,919		8,439		6,638	
Allowance for loan losses to period-end loans retained	4.00	%	5.97	%	7.29	%
Allowance for loan losses to period-end loans retained, excluding PCI loans	2.23		4.14		6.58	

(a) Net charge-offs and net charge-off rates for the year ended December 31, 2013 excluded $53 million of write-offs in the PCI portfolio. These write-offs decreased the allowance for loan losses for PCI loans. For further information, see Consumer Credit Portfolio on pages 120–129 of this Annual Report.

(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. For further information, see Consumer Credit Portfolio on pages 120–129 of this Annual Report.

(c) The 30+ day delinquency rate for PCI loans was 15.31%, 20.14%, and 23.30% at December 31, 2013, 2012 and 2011, respectively.

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

(e) Nonperforming assets at December 31, 2012, included loans based upon regulatory guidance. For further information, see Consumer Credit Portfolio on pages 120–129 of this Annual Report.

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 a well-defined foreclosure prevention process when a borrower fails to pay on his or her loan. The Firm makes multiple attempts, in various ways, to contact the borrower in an effort to pursue home retention or options other than foreclosure. If the Firm is unable to contact a borrower, the Firm completes various reviews of the borrower's facts and circumstances before a foreclosure sale is completed. Over the last year, the average delinquency period for the borrower at the time of foreclosure was approximately 28 months.

The high volume of delinquent and defaulted mortgages experienced during the financial crisis placed a significant amount of stress on servicing operations in the industry. The GSEs impose compensatory fees on mortgage servicers, including the Firm, if such servicers are unable to comply with the foreclosure timetables mandated by the GSEs. The Firm has incurred, and continues to incur, compensatory fees, which are reported in default servicing expense. The Firm has made, and will continue to make changes to and refine its mortgage operations to address mortgage servicing, loss mitigation, and foreclosure issues.

Since 2011, the Firm has entered into 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 terms of these Consent Orders and settlements vary, but in general, required cash compensatory payments or fines and/or "borrower relief," including principal reductions, refinancing, short sale assistance, and other specified types of borrower relief. The Firm has satisfied or is committed to satisfying these obligations within the mandated timeframes.

Other obligations required under Consent Orders and settlements, as well as under new regulatory requirements, include enhanced mortgage servicing and foreclosure standards and processes. Among other initiatives, the Firm has implemented a new Customer Assistance Specialist organization to serve as a single point of contact for borrowers requiring assistance in the foreclosure or loss mitigation process; implemented specific controls on "dual tracking" of foreclosure and loss mitigation activities; strengthened its compliance program to ensure mortgage servicing and foreclosure operations comply with applicable legal requirements; and made technological enhancements to automate and streamline processes for document management, payment processing, training, and skills assessment. For further information on these settlements and Consent Orders, see Note 2 and Note 31 on pages 192–

194 and pages 326–332, respectively, of this Annual Report.
The mortgage servicing consent order is subject to ongoing oversight by the Mortgage Compliance Committee of the Board, and certain Consent Orders and settlements are the subject of ongoing reporting to various regulators, and the Office of Mortgage Settlement Oversight (“OMSO”).

Card, Merchant Services & Auto
Selected income statement data

Year ended December 31, (in millions, except ratios)	2013		2012		2011	
Revenue						
Card income	$4,289		$4,092		$4,127	
All other income	1,041		1,009		765	
Noninterest revenue	5,330		5,101		4,892	
Net interest income	13,360		13,669		14,249	
Total net revenue	18,690		18,770		19,141	
Provision for credit losses	2,669		3,953		3,621	
Noninterest expense	8,078		8,216		8,045	
Income before income tax expense	7,943		6,601		7,475	
Net income	$4,786		$4,007		$4,544	
ROE	31	%	24	%	28	%
Overhead ratio	43		44		42	
Equity (period-end and average)	$15,500		$16,500		$16,000	

2013 compared with 2012
Card, Merchant Services & Auto net income was $4.8 billion, an increase of $779 million, or 19%, compared with the prior year, driven by lower provision for credit losses.
Net revenue was $18.7 billion, flat compared with the prior year. Net interest income was $13.4 billion, down $309 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.

Management's discussion and analysis

Noninterest expense was $8.1 billion, a decrease of $138 million, or 2%, from the prior year. This decrease is 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.

2012 compared with 2011

Card, Merchant Services & Auto net income was $4.0 billion, a decrease of $537 million, or 12%, compared with the prior year. The decrease was driven by lower net revenue and higher provision for credit losses.

Net revenue was $18.8 billion, a decrease of $371 million, or 2%, from the prior year. Net interest income was $13.7 billion, down $580 million, or 4%, from the prior year. The decrease was driven by narrower loan spreads and lower average loan balances, partially offset by lower revenue reversals associated with lower net charge-offs.

Noninterest revenue was $5.1 billion, an increase of $209 million, or 4%, from the prior year. The increase was driven by higher net interchange income, including lower partner revenue-sharing due to the impact of the Kohl's portfolio sale on April 1, 2011, and higher merchant servicing revenue, partially offset by higher amortization of loan origination costs.

The provision for credit losses was $4.0 billion, compared with $3.6 billion in the prior year. The current-year provision reflected lower net charge-offs and a $1.6 billion reduction in the allowance for loan losses due to lower estimated losses. The prior-year provision included a $3.9 billion reduction in the allowance for loan losses. The Credit Card net charge-off rate was 3.95%, down from 5.44% in the prior year; and the 30+ day delinquency rate was 2.10%, down from 2.81% in the prior year. The net charge-off rate would have been 3.88% absent a policy change on restructured loans that do not comply with their modified payment terms. The Auto net charge-off rate was 0.39%, up from 0.32% in the prior year, including $53 million of charge-offs related to regulatory guidance. Excluding these charge-offs, the net charge-off rate would have been 0.28%.

Noninterest expense was $8.2 billion, an increase of $171 million, or 2%, from the prior year, driven by expenses related to a non-core product that is being exited and the write-off of intangible assets associated with a non-strategic relationship, partially offset by lower marketing expense.

Selected metrics

As of or for the year ended December 31, (in millions, except ratios and where otherwise noted)	2013	2012	2011
Selected balance sheet data (period-end)			
Loans:			
Credit Card	$127,791	$127,993	$132,277
Auto	52,757	49,913	47,426
Student	10,541	11,558	13,425
Total loans	$191,089	$189,464	$193,128
Selected balance sheet data (average)			
Total assets	$198,265	$197,661	$201,162
Loans:			
Credit Card	123,613	125,464	128,167
Auto	50,748	48,413	47,034
Student	11,049	12,507	13,986
Total loans	$185,410	$186,384	$189,187
Business metrics			
Credit Card, excluding Commercial Card			
Sales volume (in billions)	$419.5	$381.1	$343.7
New accounts opened	7.3	6.7	8.8
Open accounts	65.3	64.5	65.2
Accounts with sales activity	32.3	30.6	30.7

% of accounts acquired online	55 %	51 %	32 %
Merchant Services (Chase Paymentech Solutions)			
Merchant processing volume (in billions)	$750.1	$655.2	$553.7
Total transactions (in billions)	35.6	29.5	24.4
Auto & Student			
Origination volume (in billions)			
Auto	$26.1	$23.4	$21.0
Student	0.1	0.2	0.3

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 is a business that 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)	2013		2012		2011	
Credit data and quality statistics						
Net charge-offs:						
Credit Card	$3,879		$4,944		6,925	
Auto[(a)]	158		188		152	
Student	333		377		434	
Total net charge-offs	$4,370		$5,509		$7,511	
Net charge-off rate:						
Credit Card[(b)]	3.14	%	3.95	%	5.44	%
Auto[(a)]	0.31		0.39		0.32	
Student	3.01		3.01		3.10	
Total net charge-off rate	2.36		2.96		3.99	
Delinquency rates						
30+ day delinquency rate:						
Credit Card[(c)]	1.67		2.10		2.81	
Auto	1.15		1.25		1.13	
Student[(d)]	2.56		2.13		1.78	
Total 30+ day delinquency rate	1.58		1.87		2.32	
90+ day delinquency rate – Credit Card[(c)]	0.80		1.02		1.44	
Nonperforming assets[(e)]	$280		$265		$228	
Allowance for loan losses:						
Credit Card	$3,795		$5,501		$6,999	
Auto & Student	953		954		1,010	
Total allowance for loan losses	$4,748		$6,455		$8,009	
Allowance for loan losses to period-end loans:						
Credit Card[(c)]	2.98	%	4.30	%	5.30	%
Auto & Student	1.51		1.55		1.66	
Total allowance for loan losses to period-end loans	2.49		3.41		4.15	

(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%. For further information, see Consumer Credit Portfolio on pages 120–129 of this Annual Report.

(b)

Average credit card loans included loans held-for-sale of $95 million, $433 million, and $833 million for the years ended December 31, 2013, 2012 and 2011, respectively. These amounts are excluded when calculating the net charge-off rate.

(c) Period-end credit card loans included loans held-for-sale of $326 million and $102 million at December 31, 2013 and 2011, 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 $737 million, $894 million and $989 million at December 31, 2013, 2012 and 2011, respectively, that are 30 or more days past due. These amounts are excluded as reimbursement of insured amounts is proceeding normally.

(e) Nonperforming assets excluded student loans insured by U.S. government agencies under the FFELP of $428 million, $525 million and $551 million at December 31, 2013, 2012 and 2011, respectively, that are 90 or more days past due. These amounts are excluded as reimbursement of insured amounts is proceeding normally.

Card Services supplemental information

Year ended December 31, (in millions, except ratios)	2013		2012		2011	
Revenue						
Noninterest revenue	$3,977		$3,887		$3,740	
Net interest income	11,466		11,611		12,084	
Total net revenue	15,443		15,498		15,824	
Provision for credit losses	2,179		3,444		2,925	
Noninterest expense	6,245		6,566		6,544	
Income before income tax expense	7,019		5,488		6,355	
Net income	$4,235		$3,344		$3,876	
Percentage of average loans:						
Noninterest revenue	3.22	%	3.10	%	2.92	%
Net interest income	9.28		9.25		9.43	
Total net revenue	12.49		12.35		12.35	

Management's discussion and analysis

CORPORATE & INVESTMENT BANK

The Corporate & Investment Bank ("CIB") 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 holds, values, clears and services securities, cash and alternative investments for investors and broker-dealers, and manages depositary receipt programs globally.

Selected income statement data

Year ended December 31, (in millions)	2013	2012	2011
Revenue			
Investment banking fees	$6,331	$5,769	$5,859
Principal transactions[(a)]	9,289	9,510	8,347
Lending- and deposit-related fees	1,884	1,948	2,098
Asset management, administration and commissions	4,713	4,693	4,955
All other income	1,593	1,184	1,264
Noninterest revenue	23,810	23,104	22,523
Net interest income	10,415	11,222	11,461
Total net revenue[(b)]	34,225	34,326	33,984
Provision for credit losses	(232)	(479)	(285)
Noninterest expense			
Compensation expense	10,835	11,313	11,654
Noncompensation expense	10,909	10,537	10,325
Total noninterest expense	21,744	21,850	21,979
Income before income tax expense	12,713	12,955	12,290
Income tax expense	4,167	4,549	4,297
Net income	$8,546	$8,406	$7,993

(a) Included a $(1.5) billion loss in the fourth quarter of 2013 as a result of implementing a FVA framework for OTC derivatives and structured notes. Also included DVA on structured notes and derivative liabilities. DVA gains/(losses) were $(452) million, $(930) million and $1.4 billion for the years ended December 31, 2013, 2012 and 2011, respectively.

(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 $2.3 billion, $2.0 billion and $1.9 billion for the years ended December 31, 2013, 2012 and 2011, respectively.

Selected income statement data

Year ended December 31, (in millions, except ratios)	2013	2012	2011
Financial ratios			
Return on common equity[(a)]	15%	18%	17%
Overhead ratio[(B)]	64	64	65

Compensation expense as percentage of total net revenue(c)	32	33	34
Revenue by business			
Advisory	$1,315	$1,491	$1,792
Equity underwriting	1,499	1,026	1,181
Debt underwriting	3,517	3,252	2,886
Total investment banking fees	6,331	5,769	5,859
Treasury Services	4,135	4,249	3,841
Lending	1,595	1,331	1,054
Total Banking	12,061	11,349	10,754
Fixed Income Markets(d)	15,468	15,412	14,784
Equity Markets	4,758	4,406	4,476
Securities Services	4,082	4,000	3,861
Credit Adjustments & Other(e)	(2,144)	(841)	109
Total Markets & Investor Services	22,164	22,977	23,230
Total net revenue	$34,225	$34,326	$33,984

(a) Return on equity excluding FVA (effective fourth quarter 2013) and DVA, a non-GAAP financial measure, was 17%, 19% and 15% for the years ended December 31, 2013, 2012 and 2011, respectively.

(b) Overhead ratio excluding FVA (effective fourth quarter 2013) and DVA, a non-GAAP financial measure, was 60%, 62% and 68% for the years ended December 31, 2013, 2012 and 2011, respectively.

(c) Compensation expense as a percentage of total net revenue excluding FVA (effective fourth quarter 2013) and DVA, a non-GAAP financial measure, was 30%, 32% and 36% for the years ended December 31, 2013, 2012 and 2011, respectively.

(d) Includes results of the synthetic credit portfolio that was transferred from the CIO effective July 2, 2012.

(e) Primarily credit portfolio credit valuation adjustments ("CVA") net of associated hedging activities; DVA gains/(losses) on structured notes and derivative liabilities of $(452) million, $(930) million and $1.4 billion for the years ended December 31, 2013, 2012 and 2011, respectively; a $(1.5) billion loss in the fourth quarter of 2013 as a result of implementing an FVA framework for OTC derivatives and structured notes, and nonperforming derivative receivable results.

CIB provides several non-GAAP financial measures which exclude the impact of FVA (effective fourth quarter 2013) and DVA on: net revenue, net income, compensation ratio, overhead ratio, and return on equity. The ratio for the allowance for loan losses to end-of-period loans 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.

2013 compared with 2012

Net income was $8.6 billion, up 2% compared with the prior year.

Net revenue was $34.2 billion compared with $34.3 billion in the prior year. Net revenue in the current year's fourth quarter included a $1.5 billion loss as a result of implementing a funding valuation adjustment ("FVA") framework for over-the-counter ("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 the fourth quarter of 2013 is a one-time adjustment arising on implementation of the new FVA framework. In future periods the Firm will incorporate FVA in its estimates of fair value for OTC derivatives and structured notes from the date of initial recognition.

Net revenue also included a $452 million loss from debit valuation adjustments ("DVA") on structured notes and derivative liabilities, compared with a loss of $930 million in the prior year. Excluding the impact of FVA (effective fourth quarter of 2013) and DVA, net revenue was $36.1 billion and net income was $9.7 billion, compared with $35.3 billion and $9.0 billion in the prior year, respectively.

Banking revenues were $12.1 billion, compared with $11.3 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 the Firm's wallet share compared with the prior year, according to Dealogic. Industry-wide loan syndication volumes and wallet increased as the low rate environment continued to fuel refinancing activity. The Firm also ranked #1 in wallet and volumes shares across high grade, high yield and loan products. Advisory fees were lower compared with the prior year as industry-wide completed M&A wallet declined 13%. The Firm maintained its #2 ranking and improved share for both announced and completed volumes during the period.

Treasury Services revenue was $4.1 billion, down 3% 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

$1.6 billion, up from $1.3 billion, in the prior year reflecting net interest income on retained loans, fees on lending related commitments, as well as gains on securities received from restructured loans.

Markets and Investor Services revenue was $22.2 billion compared to $23.0 billion in the prior year. Combined Fixed Income and Equity Markets revenue was $20.2 billion, up from $19.8 billion the prior year. Fixed Income Markets revenue of $15.5 billion was 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 of $4.8 billion was up 8% compared with the prior year driven by higher revenue in derivatives and cash equities products as well as 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 record assets under custody of $20.5 trillion. Credit Adjustments & Other was a loss of $2.1 billion predominantly driven by FVA (effective the fourth quarter of 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 current year benefit reflected lower recoveries as compared to 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 of $21.7 billion was slightly down compared with the prior year, driven by lower compensation expense, offset by higher non compensation expense related to higher litigation expense as compared to the prior year. The compensation ratio, excluding the impact of DVA and FVA which was effective for the fourth quarter of 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 fourth quarter of 2013) and DVA.
2012 compared with 2011
Net income was $8.4 billion, up 5% compared with the prior year. These results primarily reflected slightly higher net revenue compared with 2011, lower noninterest expense and a larger benefit from the provision for credit losses. Net revenue was $34.3 billion, compared with $34.0 billion in the prior year. Net revenue included a $930 million loss from DVA on structured notes and derivative liabilities resulting from the tightening of the Firm’s credit spreads. Excluding the impact of DVA, net revenue was $35.3 billion and net income was $9.0 billion, compared with $32.5 billion and $7.1 billion in the prior year, respectively.
Banking revenues were $11.3 billion, compared with $10.8 billion in the prior year. Investment banking fees were

$5.8 billion, down 2% from the prior year; these consisted of record debt underwriting fees of $3.3 billion (up 13%), advisory fees of $1.5 billion (down 17%) and equity underwriting fees of $1.0 billion (down 13%). Industry-wide debt capital markets volumes were at their second highest annual level since 2006, as the low rate environment continued to fuel issuance and refinancing activity. In contrast there was lower industry-wide announced mergers and acquisitions activity, while industry-wide equity underwriting volumes remained steady. Treasury Services revenue was a record $4.2 billion compared with $3.8 billion in the prior year driven by continued deposit balance growth and higher average trade loans outstanding during the year. Lending revenue was $1.3 billion, compared with $1.1 billion in the prior year due to higher net interest income on increased average retained loans as well as higher fees on lending-related commitments. This was partially offset by higher fair value losses on credit risk-related hedges of the retained loan portfolio.

Markets and Investor Services revenue was $23.0 billion compared to $23.2 billion in the prior year. Combined Fixed Income and Equity Markets revenue was $19.8 billion, up from $19.3 billion the prior year as client revenue remained strong across most products, with particular strength in rates-related products, which improved from the prior year. 2012 generally saw credit spread tightening and lower volatility in both the credit and equity markets compared with the prior year, during which macroeconomic concerns, including those in the Eurozone, caused credit spread widening and generally more volatile market conditions, particularly in the second half of the year. Securities Services revenue was $4.0 billion compared with $3.9 billion the prior year primarily driven by higher deposit balances. Assets under custody grew to a record $18.8 trillion by the end of 2012, driven by both market appreciation as well as net inflows. Credit Adjustments & Other was a loss of $841 million, driven predominantly by DVA, which was a loss of $930 million due to the tightening of the Firm's credit spreads.

The provision for credit losses was a benefit of $479 million, compared with a benefit of $285 million in the prior year, as credit trends remained stable. The 2012 benefit reflected recoveries and a net reduction in the allowance for credit losses, both related to the restructuring of certain nonperforming loans, credit trends and other portfolio activities. Net recoveries were $284 million, compared with net charge-offs of $161 million in the prior year. Nonperforming loans were down 35% from the prior year.

Noninterest expense was $21.9 billion, down 1%, driven primarily by lower compensation expense.

Return on equity was 18% on $47.5 billion of average allocated capital.

Selected metrics

As of or for the year ended December 31, (in millions, except headcount)	2013	2012	2011
Selected balance sheet data (period-end)			
Assets	$843,577	$876,107	$845,095
Loans:			
Loans retained[(a)]	95,627	109,501	111,099
Loans held-for-sale and loans at fair value	11,913	5,749	3,016
Total loans	107,540	115,250	114,115
Equity	56,500	47,500	47,000
Selected balance sheet data (average)			
Assets	$859,071	$854,670	$868,930
Trading assets-debt and equity instruments	321,585	312,944	348,234
Trading assets-derivative receivables	70,353	74,874	73,200
Loans:			
Loans retained[(a)]	104,864	110,100	91,173
Loans held-for-sale and loans at fair value	5,158	3,502	3,221
Total loans	110,022	113,602	94,394
Equity	56,500	47,500	47,000
Headcount	52,250	52,022	53,557

(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)	2013	2012	2011
Credit data and quality statistics			
Net charge-offs/(recoveries)	$(78)	$(284)	$161
Nonperforming assets:			
Nonaccrual loans:			
Nonaccrual loans retained[(a)(b)]	163	535	1,039
Nonaccrual loans held-for-sale and loans at fair value[(c)]	180	254	166
Total nonaccrual loans	343	789	1,205
Derivative receivables	415	239	293
Assets acquired in loan satisfactions	80	64	79
Total nonperforming assets	838	1,092	1,577
Allowance for credit losses:			
Allowance for loan losses	1,096	1,300	1,501
Allowance for lending-related commitments	525	473	467
Total allowance for credit losses	1,621	1,773	1,968
Net charge-off/(recovery) rate[(a)]	(0.07)	(0.26)	0.18 %
Allowance for loan losses to period-end loans retained[(a)]	1.15	1.19	1.35
Allowance for loan losses to period-end loans retained, excluding trade finance and conduits	2.02	2.52	3.06
Allowance for loan losses to nonaccrual loans retained[(a)(b)]	672	243	144
Nonaccrual loans to total period-end loans[(c)]	0.32	0.68	1.06
Business metrics			
Assets under custody (“AUC”) by asset class (period-end) in billions:			
Fixed Income	$11,903	$11,745	$10,926
Equity	6,913	5,637	4,878
Other[(d)]	1,669	1,453	1,066
Total AUC	$20,485	$18,835	$16,870
Client deposits and other third party liabilities (average)[(e)]	$383,667	$355,766	$318,802
Trade finance loans (period-end)	30,752	35,783	36,696

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

(b) Allowance for loan losses of $51 million, $153 million and $263 million were held against these nonaccrual loans at December 31, 2013, 2012 and 2011, respectively.

(c) In 2013 certain loans that resulted from restructurings that were previously classified as performing were reclassified as nonperforming loans. Prior periods were revised to conform with the current presentation.

(d) Consists of mutual funds, unit investment trusts, currencies, annuities, insurance contracts, options and other contracts.

(e)

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.

Market shares and rankings[(a)]

Year ended December 31,	2013 Market Share	Rankings	2012 Market Share	Rankings	2011 Market Share	Rankings
Global investment banking fees[(b)]	8.6%	#1	7.5%	#1	8.1%	#1
Debt, equity and equity-related						
Global	7.3	1	7.2	1	6.7	1
U.S.	11.8	1	11.5	1	11.1	1
Syndicated loans						
Global	10.0	1	9.5	1	10.8	1
U.S.	17.5	1	17.6	1	21.2	1
Long-term debt[(c)]						
Global	7.2	1	7.1	1	6.7	1
U.S.	11.7	1	11.6	1	11.2	1
Equity and equity-related						
Global[(d)]	8.2	2	7.8	4	6.8	3
U.S.	12.1	2	10.4	5	12.5	1
Announced M&A[(e)]						
Global	23.0	2	19.9	2	18.3	2
U.S.	36.1	1	24.3	2	26.7	2

(a) Source: Dealogic. Global Investment Banking fees reflects the ranking of fees and market share. The remaining rankings 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.
(b) Global investment banking fees rankings exclude money market, short-term debt and shelf deals.
(c) 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.
(d) Global equity and equity-related ranking includes rights offerings and Chinese A-Shares.
(e) Announced M&A reflects the removal of any withdrawn transactions. U.S. announced M&A represents any U.S. involvement ranking.

Management's discussion and analysis

International metrics

Year ended December 31, (in millions)	2013	2012	2011
Total net revenue[(a)]			
Europe/Middle East/Africa	$10,509	$10,639	$11,102
Asia/Pacific	4,698	4,100	4,589
Latin America/Caribbean	1,329	1,524	1,409
Total international net revenue	16,536	16,263	17,100
North America	17,689	18,063	16,884
Total net revenue	$34,225	$34,326	$33,984
Loans (period-end)[(a)]			
Europe/Middle East/Africa	$29,392	$30,266	$29,484
Asia/Pacific	22,151	27,193	27,803
Latin America/Caribbean	8,362	10,220	9,692
Total international loans	59,905	67,679	66,979
North America	35,722	41,822	44,120
Total loans	$95,627	$109,501	$111,099
Client deposits and other third-party liabilities (average)[(a)]			
Europe/Middle East/Africa	$143,807	$127,326	$123,920
Asia/Pacific	54,428	51,180	43,524
Latin America/Caribbean	15,301	11,052	12,625
Total international	$213,536	$189,558	$180,069
North America	170,131	166,208	138,733
Total client deposits and other third-party liabilities	$383,667	$355,766	$318,802
AUC (period-end) (in billions)[(a)]			
North America	$11,299	$10,504	$9,735
All other regions	9,186	8,331	7,135
Total AUC	$20,485	$18,835	$16,870

(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)	2013	2012	2011
Revenue			
Lending- and deposit-related fees	$1,033	$1,072	$1,081
Asset management, administration and commissions	116	130	136
All other income[(a)]	1,149	1,081	978
Noninterest revenue	2,298	2,283	2,195
Net interest income	4,675	4,542	4,223
Total net revenue[(b)]	6,973	6,825	6,418
Provision for credit losses	85	41	208
Noninterest expense			
Compensation expense[(c)]	1,115	1,014	936
Noncompensation expense[(c)]	1,472	1,348	1,311
Amortization of intangibles	23	27	31
Total noninterest expense	2,610	2,389	2,278
Income before income tax expense	4,278	4,395	3,932
Income tax expense	1,703	1,749	1,565
Net income	$2,575	$2,646	$2,367
Revenue by product			
Lending	$3,826	$3,675	$3,455
Treasury services	2,429	2,428	2,270
Investment banking	575	545	498
Other	143	177	195
Total Commercial Banking revenue	$6,973	$6,825	$6,418
Investment banking revenue, gross	$1,676	$1,597	$1,421
Revenue by client segment			
Middle Market Banking[(d)]	$3,019	$2,971	$2,803
Corporate Client Banking[(d)]	1,824	1,819	1,603
Commercial Term Lending	1,215	1,194	1,168
Real Estate Banking	549	438	416
Other	366	403	428
Total Commercial Banking revenue	$6,973	$6,825	$6,418
Financial ratios			
Return on common equity	19 %	28 %	30 %
Overhead ratio	37	35	35

(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 $407 million, $381 million, and $345 million for the years ended December 31, 2013, 2012 and 2011, respectively.

(c) Effective July 1, 2012, certain Treasury Services product sales staff supporting CB were transferred from CIB to CB. As a result, compensation expense for these sales staff is now reflected in CB's compensation expense rather than as an allocation from CIB in noncompensation expense. CB's and CIB's previously reported headcount, compensation expense and noncompensation expense have been revised to reflect this transfer.

(d) Effective January 1, 2013, the financial results of financial institution clients were transferred to Corporate Client Banking from Middle Market Banking. Prior periods were revised to conform with this presentation.

CB revenue comprises the following:

Lending includes a variety of financing alternatives, which are predominantly provided on a basis 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 providing 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 available to 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 activity and certain income derived from principal transactions.

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

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

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

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.

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

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

2013 compared with 2012

Net income was $2.6 billion, a decrease of $71 million, or 3%, 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 $7.0 billion, an increase of $148 million, or 2%, from the prior year. Net interest income was $4.7 billion, up by $133 million, or 3%, driven by higher loan balances and the 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.

Revenue from Middle Market Banking was $3.0 billion, an increase of $48 million, or 2%, from the prior year. Revenue from Commercial Term Lending was $1.2 billion, an increase of $21 million, or 2%, from the prior year. Revenue from Corporate Client Banking was $1.8 billion, flat compared with the prior year. Revenue from Real Estate Banking was $549 million, an increase of $111 million, or 25%, driven by the proceeds from a lending related-workout.

The provision for credit losses was $85 million, compared with $41 million in the prior year. Net charge-offs were $43 million (0.03% net charge-off rate) compared with net charge-offs of $35 million (0.03% net charge-off rate) in 2012. Nonaccrual loans were $514 million, down by $159 million, or 24%, due to repayments. The allowance for loan losses to period-end retained loans was 1.97%, down slightly from 2.06%.

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

2012 compared with 2011

Record net income was $2.6 billion, an increase of $279 million, or 12%, from the prior year. The improvement was driven by an increase in net revenue and a decrease in the provision for credit losses, partially offset by higher noninterest expense.

Net revenue was a record $6.8 billion, an increase of $407 million, or 6%, from the prior year. Net interest income was $4.5 billion, up by $319 million, or 8%, driven by growth in loans and client deposits, partially offset by spread compression. Loan growth was strong across all client segments and industries. Noninterest revenue was $2.3 billion, up by $88 million, or 4%, compared with the prior year, largely driven by increased investment banking revenue.

Revenue from Middle Market Banking was $3.0 billion, an increase of $168 million, or 6%, from the prior year driven by higher loans and client deposits, partially offset by lower spreads from lending and deposit products. Revenue from Commercial Term Lending was $1.2 billion, an increase of $26 million, or 2%. Revenue from Corporate Client Banking was $1.8 billion, an increase of $216 million, or 13%, driven by growth in loans and client deposits and higher revenue from investment banking products, partially offset by lower lending spreads. Revenue from Real Estate Banking was $438 million, an increase of $22 million, or 5%, partially driven by higher loan balances.

The provision for credit losses was $41 million, compared with $208 million in the prior year. Net charge-offs were $35 million (0.03% net charge-off rate) compared with net charge-offs of $187 million (0.18% net charge-off rate) in 2011. The decrease in the provision and net charge-offs was largely driven by improving trends in the credit quality of the portfolio. Nonaccrual loans were $673 million, down by $380 million, or 36%, due to repayments and loan sales. The allowance for loan losses to period-end retained loans was 2.06%, down from 2.34%.

Noninterest expense was $2.4 billion, an increase of $111 million, or 5%, from the prior year, reflecting higher compensation expense driven by expansion, portfolio growth and increased regulatory requirements.

Selected metrics			
As of or for the year ended December 31, (in millions, except headcount and ratios)	2013	2012	2011
Selected balance sheet data (period-end)			
Total assets	$190,782	$181,502	$158,040
Loans:			
Loans retained[(a)]	135,750	126,996	111,162
Loans held-for-sale and loans at fair value	1,388	1,212	840
Total loans	$137,138	$128,208	$112,002
Equity	13,500	9,500	8,000
Period-end loans by client segment			
Middle Market Banking[(b)]	$52,289	$50,552	$44,224
Corporate Client Banking[(b)]	20,925	21,707	16,960
Commercial Term Lending	48,925	43,512	38,583
Real Estate Banking	11,024	8,552	8,211
Other	3,975	3,885	4,024
Total Commercial Banking loans	$137,138	$128,208	$112,002
Selected balance sheet data (average)			
Total assets	$185,776	$165,111	$146,230
Loans:			
Loans retained[(a)]	131,100	119,218	103,462
Loans held-for-sale and loans at fair value	930	882	745
Total loans	$132,030	$120,100	$104,207
Client deposits and other third-party liabilities[(c)]	198,356	195,912	174,729
Equity	13,500	9,500	8,000
Average loans by client segment			
Middle Market Banking[(b)]	$51,830	$47,009	$40,497
Corporate Client Banking[(b)]	20,918	19,572	14,255
Commercial Term Lending	45,989	40,872	38,107
Real Estate Banking	9,582	8,562	7,619
Other	3,711	4,085	3,729
Total Commercial Banking loans	$132,030	$120,100	$104,207
Headcount[(d)(e)]	6,848	6,117	5,782

(a) Effective January 1, 2013, whole loan financing agreements, previously reported as other assets, were reclassified as loans. For the year ended December 31, 2013, the impact on period-end and average loans was $1.6 billion.

(b) Effective January 1, 2013, the financial results of financial institution clients were transferred to Corporate Client Banking from Middle Market Banking. Prior periods were revised to conform with this presentation.

(c) Client deposits and other third-party liabilities 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 client cash management programs.

(d) Effective January 1, 2013, headcount includes transfers from other business segments largely related to operations, technology and other support staff.

(e) Effective July 1, 2012, certain Treasury Services product sales staff supporting CB were transferred from CIB to CB. For further discussion of this transfer, see footnote (c) on page 103 of this Annual Report.

2013	2012	2011

As of or for the year ended December 31, (in millions, except headcount and ratios)						
Credit data and quality statistics						
Net charge-offs	$43		$35		$187	
Nonperforming assets						
Nonaccrual loans:						
Nonaccrual loans retained[a]	471		644		1,036	
Nonaccrual loans held-for-sale and loans at fair value	43		29		17	
Total nonaccrual loans	514		673		1,053	
Assets acquired in loan satisfactions	15		14		85	
Total nonperforming assets	529		687		1,138	
Allowance for credit losses:						
Allowance for loan losses	2,669		2,610		2,603	
Allowance for lending-related commitments	142		183		189	
Total allowance for credit losses	2,811		2,793		2,792	
Net charge-off rate[b]	0.03	%	0.03	%	0.18	%
Allowance for loan losses to period-end loans retained	1.97		2.06		2.34	
Allowance for loan losses to nonaccrual loans retained[a]	567		405		251	
Nonaccrual loans to total period-end loans	0.37		0.52		0.94	

(a) Allowance for loan losses of $81 million, $107 million and $176 million was held against nonaccrual loans retained at December 31, 2013, 2012 and 2011, respectively.
(b) Loans held-for-sale and loans at fair value were excluded when calculating the net charge-off rate.

ASSET MANAGEMENT

Asset Management, with client assets of $2.3 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 to a broad range of clients' investment needs. For individual investors, 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)	2013		2012		2011	
Revenue						
Asset management, administration and commissions	$8,232		$7,041		$6,748	
All other income	797		806		1,147	
Noninterest revenue	9,029		7,847		7,895	
Net interest income	2,291		2,099		1,648	
Total net revenue	11,320		9,946		9,543	
Provision for credit losses	65		86		67	
Noninterest expense						
Compensation expense	4,875		4,405		4,152	
Noncompensation expense	3,002		2,608		2,752	
Amortization of intangibles	139		91		98	
Total noninterest expense	8,016		7,104		7,002	
Income before income tax expense	3,239		2,756		2,474	
Income tax expense	1,208		1,053		882	
Net income	$2,031		$1,703		$1,592	
Revenue by client segment						
Private Banking	$6,020		$5,426		$5,116	
Institutional	2,536		2,386		2,273	
Retail	2,764		2,134		2,154	
Total net revenue	$11,320		$9,946		$9,543	
Financial ratios						
Return on common equity	23	%	24	%	25	%
Overhead ratio	71		71		73	
Pretax margin ratio	29		28		26	

2013 compared with 2012

Net income was $2.0 billion, an increase of $328 million, or 19%, from the prior year, reflecting higher net revenue, largely offset by higher noninterest expense.

Net revenue was $11.3 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 $2.3

billion, up $192 million, or 9%, from the prior year, due to higher loan and deposit balances, partially offset by narrower loan and deposit spreads.

Revenue from Private Banking was $6.0 billion, up 11% from the prior year due to higher net interest income from loan and deposit balances and higher brokerage revenue. Revenue from Retail was $2.8 billion, up 30% due to net client inflows and the effect of higher market levels. Revenue from Institutional was $2.5 billion, up 6% due to higher valuations of seed capital investments, the effect of higher market levels and higher performance fees.

The provision for credit losses was $65 million, compared with $86 million in the prior year.

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.

2012 compared with 2011

Net income was $1.7 billion, an increase of $111 million, or 7%, from the prior year. These results reflected higher net revenue, partially offset by higher noninterest expense and a higher provision for credit losses.

Net revenue was $9.9 billion, an increase of $403 million, or 4%, from the prior year. Noninterest revenue was $7.8 billion, down $48 million, or 1%, due to lower loan-related revenue and the absence of a prior-year gain on the sale of an investment. These decreases were predominantly offset by net client inflows, higher valuations of seed capital investments, the effect of higher market levels, higher brokerage revenue and higher performance fees. Net interest income was $2.1 billion, up $451 million, or 27%, due to higher loan and deposit balances.

Revenue from Private Banking was $5.4 billion, up 6% from the prior year due to higher net interest income from loan and deposit balances and higher brokerage revenue, partially offset by lower loan-related fee revenue. Revenue from Institutional was $2.4 billion, up 5% due to net client inflows and the effect of higher market levels. Revenue from Retail was $2.1 billion, down 1% due to the absence of a prior-year gain on the sale of an investment, predominantly offset by higher valuations of seed capital investments and higher performance fees.

The provision for credit losses was $86 million, compared with $67 million in the prior year.

Noninterest expense was $7.1 billion, an increase of $102 million, or 1%, from the prior year, due to higher performance-based compensation and higher headcount-related expense, partially offset by the absence of non-client-related litigation expense.

Selected metrics

Business metrics			
As of or for the year ended December 31, (in millions, except headcount, ranking data, ratios and where otherwise noted)	2013	2012	2011
Number of:			
Client advisors	2,962	2,821	2,883
% of customer assets in 4 & 5 Star Funds[(a)]	49 %	47 %	43 %
% of AUM in 1st and 2nd quartiles:[(b)]			
1 year	68	67	48
3 years	68	74	72
5 years	69	76	78
Selected balance sheet data (period-end)			
Total assets	$122,414	$108,999	$86,242
Loans[(c)]	95,445	80,216	57,573
Deposits	146,183	144,579	127,464
Equity	9,000	7,000	6,500
Selected balance sheet data (average)			
Total assets	$113,198	$97,447	$76,141
Loans	86,066	68,719	50,315
Deposits	139,707	129,208	106,421
Equity	9,000	7,000	6,500
Headcount	20,048	18,465	18,036
Credit data and quality statistics			
Net charge-offs	$40	$64	$92
Nonaccrual loans	167	250	317
Allowance for credit losses:			
Allowance for loan losses	278	248	209
Allowance for lending-related commitments	5	5	10
Total allowance for credit losses	283	253	219
Net charge-off rate	0.05 %	0.09 %	0.18 %
Allowance for loan losses to period-end loans	0.29	0.31	0.36
Allowance for loan losses to nonaccrual loans	166	99	66
Nonaccrual loans to period-end loans	0.17	0.31	0.55
AM firmwide disclosures[(d)]			
Total net revenue	13,391	11,443	10,715
Client assets (in billions)[(e)]	2,534	2,244	2,035
Number of client advisors	6,006	5,784	6,084

(a) Derived from Morningstar for the U.S., the U.K., Luxembourg, France, Hong Kong and Taiwan; and Nomura for Japan.

(b) Quartile ranking sourced from: Lipper for the U.S. and Taiwan; Morningstar for the U.K., Luxembourg, France and Hong Kong; and Nomura for Japan.

(c) Included $18.9 billion, $10.9 billion and $2.1 billion of prime mortgage loans reported in the Consumer, excluding credit card, loan portfolio at December 31, 2013, 2012 and 2011, respectively. For the same periods, excluded $3.7 billion, $6.7 billion and $13.0 billion of

prime mortgage loans reported in the CIO portfolio within the Corporate/Private Equity segment, respectively.

(d) Includes Chase Wealth Management ("CWM"), which is a unit of Consumer & Business Banking. The firmwide metrics are presented in order to capture AM's partnership with CWM. Management reviews firmwide metrics in assessing the financial performance of AM's client asset management business.
(e) Excludes CWM client assets that are managed by AM.

AM's client segments comprise the following:
Private Banking offers investment advice and wealth management services to high- and ultra-high-net-worth individuals, families, money managers, business owners and small corporations worldwide, including investment management, capital markets and risk management, tax and estate planning, banking, capital raising and specialty-wealth advisory services.
Institutional brings comprehensive global investment services – including asset management, pension analytics, asset-liability management and active risk-budgeting strategies – to corporate and public institutions, endowments, foundations, non-profit organizations and governments worldwide.
Retail provides worldwide investment management services and retirement planning and administration, through financial intermediaries and direct distribution of a full range of investment products.
J.P. Morgan Asset Management has two high-level measures of its overall fund performance.
• Percentage of assets under management in funds rated 4- and 5-stars (three years). Mutual fund rating services rank funds based on their risk-adjusted performance over various periods. A 5-star rating is the best and represents the top 10% of industry-wide ranked funds. A 4-star rating represents the next 22% of industry wide ranked funds. The worst rating is a 1-star rating.
• Percentage of assets under management in first- or second- quartile funds (one, three and five years). Mutual fund rating services rank funds according to a peer-based performance system, which measures returns according to specific time and fund classification (small-, mid-, multi- and large-cap).

Management's discussion and analysis

Client assets

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.

2012 compared with 2011

Client assets were $2.1 trillion at December 31, 2012, an increase of $174 billion, or 9%, from the prior year. Assets under management were $1.4 trillion, an increase of $90 billion, or 7%, due to the effect of higher market levels and net inflows to long-term products, partially offset by net outflows from liquidity products. Custody, brokerage, administration and deposit balances were $669 billion, up $84 billion, or 14%, due to the effect of higher market levels and custody and brokerage inflows.

Client assets

December 31, (in billions)	2013	2012	2011
Assets by asset class			
Liquidity	$451	$458	$501
Fixed income	330	330	287
Equity	370	277	236
Multi-asset and alternatives	447	361	312
Total assets under management	1,598	1,426	1,336
Custody/brokerage/administration/deposits	745	669	585
Total client assets	$2,343	$2,095	$1,921
Alternatives client assets	158	142	134
Assets by client segment			
Private Banking	$361	$318	$291
Institutional	777	741	722
Retail	460	367	323
Total assets under management	$1,598	$1,426	$1,336
Private Banking	$977	$877	$781
Institutional	777	741	723
Retail	589	477	417
Total client assets	$2,343	$2,095	$1,921
Mutual fund assets by asset class			
Liquidity	$392	$410	$458
Fixed income	137	136	107
Equity	198	139	116
Multi-asset and alternatives	77	46	39
Total mutual fund assets	$804	$731	$720

Year ended December 31, (in billions)	2013	2012	2011
Assets under management rollforward			
Beginning balance	$1,426	$1,336	$1,298
Net asset flows:			

Liquidity	(4)	(41)	20
Fixed income	8	27	36
Equity	34	8	—
Multi-asset and alternatives	48	23	15
Market/performance/other impacts	86	73	(33)
Ending balance, December 31	$1,598	$1,426	$1,336
Client assets rollforward			
Beginning balance	$2,095	$1,921	$1,840
Net asset flows	80	60	123
Market/performance/other impacts	168	114	(42)
Ending balance, December 31	$2,343	$2,095	$1,921

International metrics

Year ended December 31, (in billions, except where otherwise noted)	2013	2012	2011
Total net revenue (in millions)[(a)]			
Europe/Middle East/Africa	$1,852	$1,641	$1,704
Asia/Pacific	1,175	967	971
Latin America/Caribbean	867	772	808
North America	7,426	6,566	6,060
Total net revenue	$11,320	$9,946	$9,543
Assets under management			
Europe/Middle East/Africa	$305	$258	$278
Asia/Pacific	132	114	105
Latin America/Caribbean	47	45	34
North America	1,114	1,009	919
Total assets under management	$1,598	$1,426	$1,336
Client assets			
Europe/Middle East/Africa	$367	$317	$329
Asia/Pacific	180	160	139
Latin America/Caribbean	117	110	89
North America	1,679	1,508	1,364
Total client assets	$2,343	$2,095	$1,921

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

CORPORATE/PRIVATE EQUITY

The Corporate/Private Equity 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, Central 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 expense that are subject to allocation to the businesses.

Selected income statement data[(a)]

Year ended December 31, (in millions, except headcount)	2013	2012	2011
Revenue			
Principal transactions	$563	$(4,268)	$1,434
Securities gains	666	2,024	1,600
All other income	1,864	2,434	587
Noninterest revenue	3,093	190	3,621
Net interest income	(1,839)	(1,281)	582
Total net revenue[(b)]	1,254	(1,091)	4,203
Provision for credit losses	(28)	(37)	(36)
Noninterest expense			
Compensation expense	2,299	2,221	1,966