FIVE-YEAR SUMMARY OF CONSOLIDATED FINANCIAL HIGHLIGHTS

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

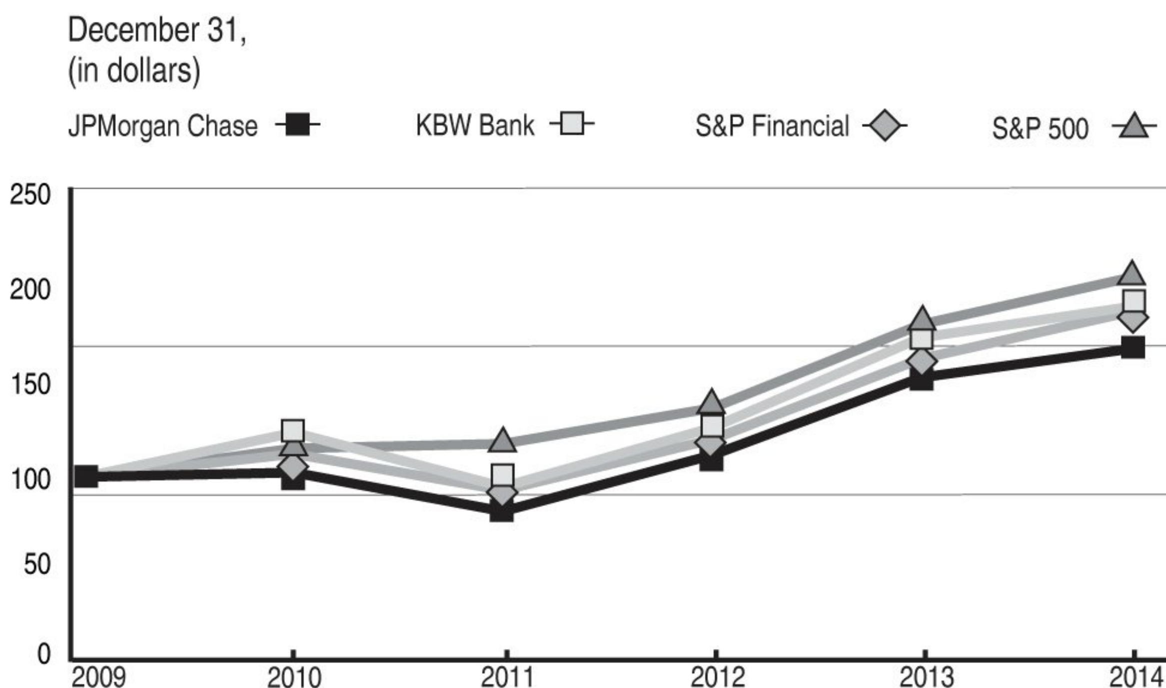
(a) Share prices shown for JPMorgan Chase's common stock are from the New York Stock Exchange. JPMorgan Chase's common stock is also listed and traded on the London Stock Exchange and the Tokyo Stock Exchange.
(b) TBVPS and ROTCE are non-GAAP financial measures. TBVPS represents the Firm's tangible common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

FIVE-YEAR STOCK PERFORMANCE

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

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

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



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

INTRODUCTION

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

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

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

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

Financial performance of JPMorgan Chase

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

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

Summary of 2014 Results

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

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

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

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

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

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

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

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

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

Consumer & Community Banking net income was $9.2 billion, a decrease of 17% compared with the prior year, due to higher provision for credit losses and lower net revenue, partially offset by lower noninterest expense. Net interest income decreased, driven by spread compression and lower mortgage warehouse balances, largely offset by higher deposit balances in Consumer & Business Banking

and higher loan balances in Credit Card. Noninterest revenue decreased, driven by lower mortgage fees and related income. The provision for credit losses was $3.5 billion, compared with $335 million in the prior year. The current-year provision reflected a $1.3 billion reduction in the allowance for loan losses and total net charge-offs of $4.8 billion. Noninterest expense decreased from the prior year, driven by lower Mortgage Banking expense.

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

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

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

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

Business outlook

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

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

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

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

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

rationalizing its use of vendors, and optimizing its real estate location strategy.

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

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

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

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

2015 Business Outlook

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

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

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

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

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

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

CONSOLIDATED RESULTS OF OPERATIONS

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

Revenue

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

(a) Included funding valuation adjustments (("FVA") effective 2013)) and debit valuation adjustments ("DVA") on over-the-counter ("OTC") derivatives and structured notes, measured at fair value. FVA and DVA gains/(losses) were $468 million and $(1.9) billion for the years ended December 31, 2014 and 2013, respectively. DVA losses were ($930) million for the year ended December 31, 2012.
(b) Included operating lease income of $1.7 billion, $1.5 billion and $1.3 billion for the years ended December 31, 2014, 2013 and 2012, respectively.

2014 compared with 2013

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

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

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

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

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

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

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

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

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

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

2013 compared with 2012

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

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

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

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

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

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

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

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

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

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

Provision for credit losses

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

2014 compared with 2013

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

2013 compared with 2012

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

Noninterest expense

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

(a) Included firmwide legal expense of $2.9 billion, $11.1 billion and $5.0 billion for the years ended December 31, 2014, 2013 and 2012, respectively.

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

2014 compared with 2013

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

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

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

2013 compared with 2012

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

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

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

Income tax expense

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

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

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

CONSOLIDATED BALANCE SHEETS ANALYSIS

Selected Consolidated balance sheets data

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

Consolidated balance sheets overview

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL CASH OBLIGATIONS

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

Special-purpose entities

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

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

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

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

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

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

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

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

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

Contractual cash obligations

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

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

Contractual cash obligations

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

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

CONSOLIDATED CASH FLOWS ANALYSIS

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

Operating activities

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

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

Investing activities

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

Financing activities

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

* * *

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

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

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

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

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

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

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

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

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

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

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

Overhead ratio
Total noninterest expense / Total net revenue

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

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

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

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

* Represents net income applicable to common equity

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

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

Tangible common equity

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

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

Core net interest income

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

Core net interest income data

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

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

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

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

2014 compared with 2013

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

2013 compared with 2012

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

BUSINESS SEGMENT RESULTS

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

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

JPMorgan Chase

Consumer Businesses

Consumer & Community Banking

- Consumer & Business Banking
  - Consumer Banking
  - Business Banking
  - Chase Wealth Management
- Mortgage Banking
  - Mortgage Production
  - Mortgage Servicing
  - Real Estate Portfolios
- Card, Merchant Services & Auto
  - Card Services
    - Credit Card
    - Merchant Services
  - Auto & Student

Wholesale Businesses

Corporate & Investment Bank

- Banking
  - Investment Banking
  - Treasury Services
  - Lending
- Markets & Investor Services
  - Fixed Income Markets
  - Equity Markets
  - Securities Services
  - Credit Adjustments & Other

Commercial Banking

- Middle Market Banking
- Corporate Client Banking
- Commercial Term Lending
- Real Estate Banking

Asset Management

- Global Investment Management
- Global Wealth Management

Description of business segment reporting methodology

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

Revenue sharing

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

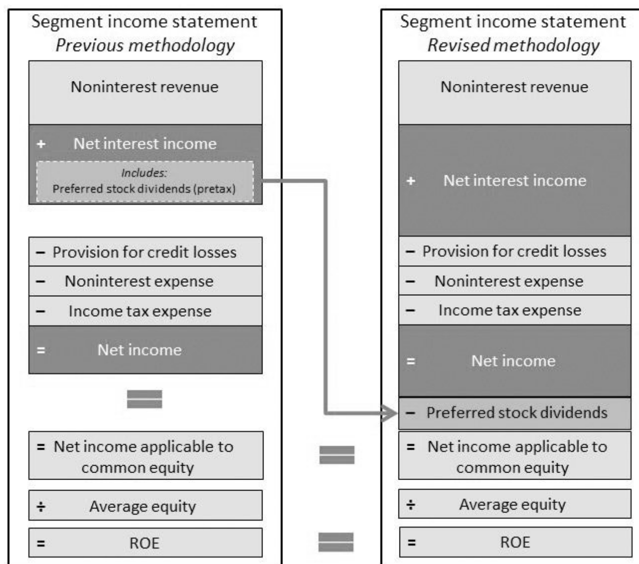
Funds transfer pricing

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

Preferred stock dividend allocation reporting change

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

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



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

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

Segment Results – Managed Basis[(a)]
The following table summarizes the business segment results for the periods indicated.

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

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

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

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

Selected income statement data

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

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

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

2014 compared with 2013

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

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

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

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

2013 compared with 2012

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

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

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

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

Selected metrics

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

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

Selected metrics

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

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

Consumer & Business Banking

Selected income statement data

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

2014 compared with 2013

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

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

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

2013 compared with 2012

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

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

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

Selected metrics

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

Selected metrics

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

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

Mortgage Banking

Selected Financial statement data

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

2014 compared with 2013

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

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

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

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

2013 compared with 2012

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

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

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

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

Functional results

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

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

2014 compared with 2013

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

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

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

2013 compared with 2012

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

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

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

Mortgage Production and Mortgage Servicing

Selected metrics

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

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

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

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

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

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

Selected metrics

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

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

Real Estate Portfolios

Selected metrics

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

Credit data and quality statistics

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

(a) Net charge-offs and the net charge-off rates excluded $533 million and $53 million of write-offs in the PCI portfolio for the years ended December 31, 2014 and 2013, respectively. These write-offs decreased the allowance for loan losses for PCI loans. For further information on PCI write-offs, see Allowance for Credit Losses on pages 128–130.
(b) Net charge-offs and net charge-off rates for the year ended December 31, 2012, included $744 million of charge-offs related to regulatory guidance. Excluding these charges-offs, net charge-offs for the year ended December 31, 2012, would have been $1.8 billion, $410 million and $416 million for the home equity, prime mortgage, including option ARMs, and subprime mortgage portfolios, respectively. Net charge-off rates for the same period, excluding these charge-offs and PCI loans, would have been 2.41%, 0.97% and 4.65% for the home equity, prime mortgage, including option ARMs, and subprime mortgage portfolios, respectively.
(c) The 30+ day delinquency rate for PCI loans was 13.33% 15.31% and 20.14% at December 31, 2014, 2013 and 2012, respectively.
(d) Excludes PCI loans. The Firm is recognizing interest income on each pool of PCI loans as they are all performing.

Mortgage servicing-related matters

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

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

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

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

Card, Merchant Services & Auto

Selected income statement data

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

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

2014 compared with 2013

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

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

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

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

2013 compared with 2012

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

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

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

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

Selected metrics

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

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

Card Services includes the Credit Card and Merchant Services businesses.

Merchant Services processes transactions for merchants.

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

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

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

Open accounts – Cardmember accounts with charging privileges.

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

Selected metrics

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

(a) Net charge-offs and net charge-off rates for the year ended December 31, 2012, included $53 million of charge-offs of Chapter 7 loans. Excluding these incremental charge-offs, net charge-offs for the year ended December 31, 2012 would have been $135 million, and the net charge-off rate would have been 0.28%.
(b) Average credit card loans included loans held-for-sale of $509 million, $95 million and $433 million for the years ended December 31, 2014, 2013 and 2012, respectively. These amounts are excluded when calculating the net charge-off rate.
(c) Period-end credit card loans included loans held-for-sale of $3.0 billion and $326 million at December 31, 2014 and 2013, respectively. There were no loans held-for-sale at December 31, 2012. These amounts are excluded when calculating delinquency rates and the allowance for loan losses to period-end loans.
(d) Excluded student loans insured by U.S. government agencies under the FFELP of $654 million, $737 million and $894 million at December 31, 2014, 2013 and 2012, respectively, that are 30 or more days past due. These amounts have been excluded based upon the government guarantee.
(e) Nonperforming assets excluded student loans insured by U.S. government agencies under the FFELP of $367 million, $428 million and $525 million at December 31, 2014, 2013 and 2012, respectively, that are 90 or more days past due. These amounts have been excluded from nonaccrual loans based upon the government guarantee.

Card Services supplemental information

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

CORPORATE & INVESTMENT BANK

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

Selected income statement data

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

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

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

Selected income statement data

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

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

Prior to January 1, 2014, CIB provided several non-GAAP financial measures excluding the impact of implementing the FVA framework (effective 2013) and DVA on: net revenue, net income, compensation ratio, overhead ratio, and return on equity. Beginning in the first quarter 2014, the Firm did not exclude FVA and DVA from its assessment of business performance; however, the Firm continues to present these non-GAAP measures for the periods prior to January 1, 2014, as they reflected how management assessed the underlying business performance of the CIB in those prior periods. In addition, the ratio for the allowance for loan losses to end-of-period loans, also a non-GAAP financial measure, is

calculated excluding the impact of consolidated Firm-administered multi-seller conduits and trade finance, to provide a more meaningful assessment of CIB's allowance coverage ratio. These measures are used by management to assess the underlying performance of the business and for comparability with peers.

2014 compared with 2013

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

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

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

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

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

2013 compared with 2012

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

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

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

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

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

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

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

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

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

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

Selected metrics

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

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

Selected metrics

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

(a) Loans retained includes credit portfolio loans, trade finance loans, other held-for-investment loans and overdrafts.
(b) Allowance for loan losses of $18 million, $51 million and $153 million were held against these nonaccrual loans at December 31, 2014, 2013 and 2012, respectively.

Business metrics

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

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

League table results – IB Fee Share[a]

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

League table results – volumes[e]

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

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

International metrics

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

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

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

Selected income statement data

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

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

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

2014 compared with 2013

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

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

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

2013 compared with 2012

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

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

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

CB revenue comprises the following:

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

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

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

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

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

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

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

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

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

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

Selected metrics

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

Selected metrics (continued)

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

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

ASSET MANAGEMENT

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

Selected income statement data

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

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

2014 compared with 2013

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

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

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

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

2013 compared with 2012

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

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

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

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

AM's lines of business comprise the following:

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

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

AM's client segments comprise the following:

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

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

Retail clients include financial intermediaries and individual investors.

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

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

Selected metrics

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

(a) Represents the "overall star rating" derived from Morningstar for the U.S., the U.K., Luxembourg, Hong Kong and Taiwan domiciled funds; and Nomura 'star rating' for Japan domiciled funds. Includes only retail open ended mutual funds that have a rating. Excludes money market funds, Undiscovered Managers Fund, and Brazil and India domiciled funds.

(b) Quartile ranking sourced from: Lipper for the U.S. and Taiwan domiciled funds; Morningstar for the U.K., Luxembourg and Hong Kong domiciled funds; Nomura for Japan domiciled funds and FundDoctor for South Korea domiciled funds. Includes only retail open ended mutual funds that are ranked by the aforementioned sources. Excludes money market funds, Undiscovered Managers Fund, and Brazil and India domiciled funds.

(c) Included $22.1 billion, $18.9 billion and $10.9 billion of prime mortgage loans reported in the Consumer, excluding credit card, loan portfolio at December 31, 2014, 2013 and 2012, respectively. For the same periods, excluded $2.7 billion, $3.7 billion and $6.7 billion, respectively, of prime mortgage loans reported in the CIO portfolio within the Corporate segment.

Client assets

2014 compared with 2013

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

2013 compared with 2012

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

Client assets

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

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

Client assets (continued)

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

International metrics

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

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

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

Selected income statement data

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

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

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

(b) Included legal expense of $821 million, $10.2 billion and $3.7 billion for the years ended December 31, 2014, 2013 and 2012, respectively.

2014 compared with 2013

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

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

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

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

2013 compared with 2012

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

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

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

months ended September 30, 2012. Net interest income in 2013 was a loss of $2.7 billion compared with a loss of $1.7 billion in the prior year, primarily due to low interest rates and limited reinvestment opportunities. Net interest income improved in the fourth quarter of 2013 due to higher interest rates and better reinvestment opportunities.

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

Treasury and CIO overview

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

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

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

Selected income statement and balance sheet data

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

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

Private Equity portfolio

Selected income statement and balance sheet data

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

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

Private equity portfolio information[a]

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

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

2014 compared with 2013

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

2013 compared with 2012

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

ENTERPRISE-WIDE RISK MANAGEMENT

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

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

The Firm believes that effective risk management requires:

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

Firmwide Risk Management is overseen and managed on an enterprise-wide basis. The Firm's Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Chief Risk Officer ("CRO") and Chief Operating Officer ("COO") develop and set the risk management framework and governance structure for the Firm, which is intended to provide comprehensive controls and ongoing management of the major risks inherent in the Firm's business activities. The Firm's risk management framework is intended to create a culture of transparency, awareness and personal responsibility through reporting, collaboration, discussion, escalation and sharing of information. The CEO, CFO, CRO and COO are ultimately responsible and accountable to the Firm's Board of Directors.

The Firm's risk culture strives for continual improvement through ongoing employee training and development, as well as talent retention. The Firm also approaches its incentive compensation arrangements through an integrated risk, compensation and financial management framework to encourage a culture of risk awareness and personal accountability.

The following sections outline the key risks that are inherent in the Firm's business activities.

Risk	Definition	Key risk management metrics	Page references
Capital risk	The risk the Firm has an insufficient level and composition of capital to support the Firm's business activities and associated risks during normal economic environments and stressed conditions.	Risk-based capital ratios, Supplementary Leverage ratio	146-155
Compliance risk	The risk of fines or sanctions or of financial damage or loss due to the failure to comply with laws, rules, and regulations.	Not Applicable	144
Country risk	The risk that a sovereign event or action alters the value or terms of contractual obligations of obligors, counterparties and issuers or adversely affects markets related to a particular country.	Default exposure at 0% recovery, Stress	137-138
Credit risk	The risk of loss arising from the default of a customer, client or counterparty.	Total exposure; industry, geographic and customer concentrations; risk ratings; delinquencies; loss experience; stress	110-130
Fiduciary risk	The risk of a failure to exercise the applicable high standard of care, to act in the best interests of clients or to treat clients fairly, as required under applicable law or regulation.	Not Applicable	145
Legal risk	The risk of loss or imposition of damages, fines, penalties or other liability arising from failure to comply with a contractual obligation or to comply with laws or regulations to which the Firm is subject.	Not Applicable	144
Liquidity risk	The risk that the Firm will not have the appropriate amount, composition and tenor of funding and liquidity in support of its assets, and that the Firm will be unable to meet its contractual and contingent obligations through normal economic cycles and market stress events.	LCR; Stress	156-160
Market risk	The risk of loss arising from potential adverse changes in the value of the Firm's assets and liabilities resulting from changes in market variables such as interest rates, foreign exchange rates, equity prices, commodity prices, implied volatilities or credit spreads.	VaR, Stress, Sensitivities	131-136
Model risk	The risk of the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports.	Model Status, Model Tier	139
Non-USD FX risk	The risk arising from capital investments, forecasted expense and revenue, investment securities portfolio or issuing debt in denominations other than the U.S. dollar.	FX Net Open Position ("NOP")	203, 211-213
Operational risk	The risk of loss resulting from inadequate or failed processes or systems or due to external events that are neither market nor credit-related.	Firm-specific loss experience; industry loss experience; business environment and internal control factors ("BEICF")	140-143
Principal risk	The risk of an adverse change in the value of privately-held financial assets and instruments, typically representing an ownership or junior capital position. These positions have unique risks due to their illiquidity or for which there is less observable market or valuation data.	Carrying Value, Stress	140
Reputation risk	The risk that an action, transaction, investment or event will reduce the trust that clients, shareholders, employees or the broader public has in the Firm's integrity or competence.	Not Applicable	145
Structural interest rate risk	The risk resulting from the Firm's traditional banking activities (both on- and off-balance sheet positions) arising from the extension of loans and credit facilities, taking deposits and issuing debt (collectively referred to as "non-trading activities"), and also the impact from the CIO investment securities portfolio and other related CIO, Treasury activities.	Earnings-at-risk	136

Risk organization

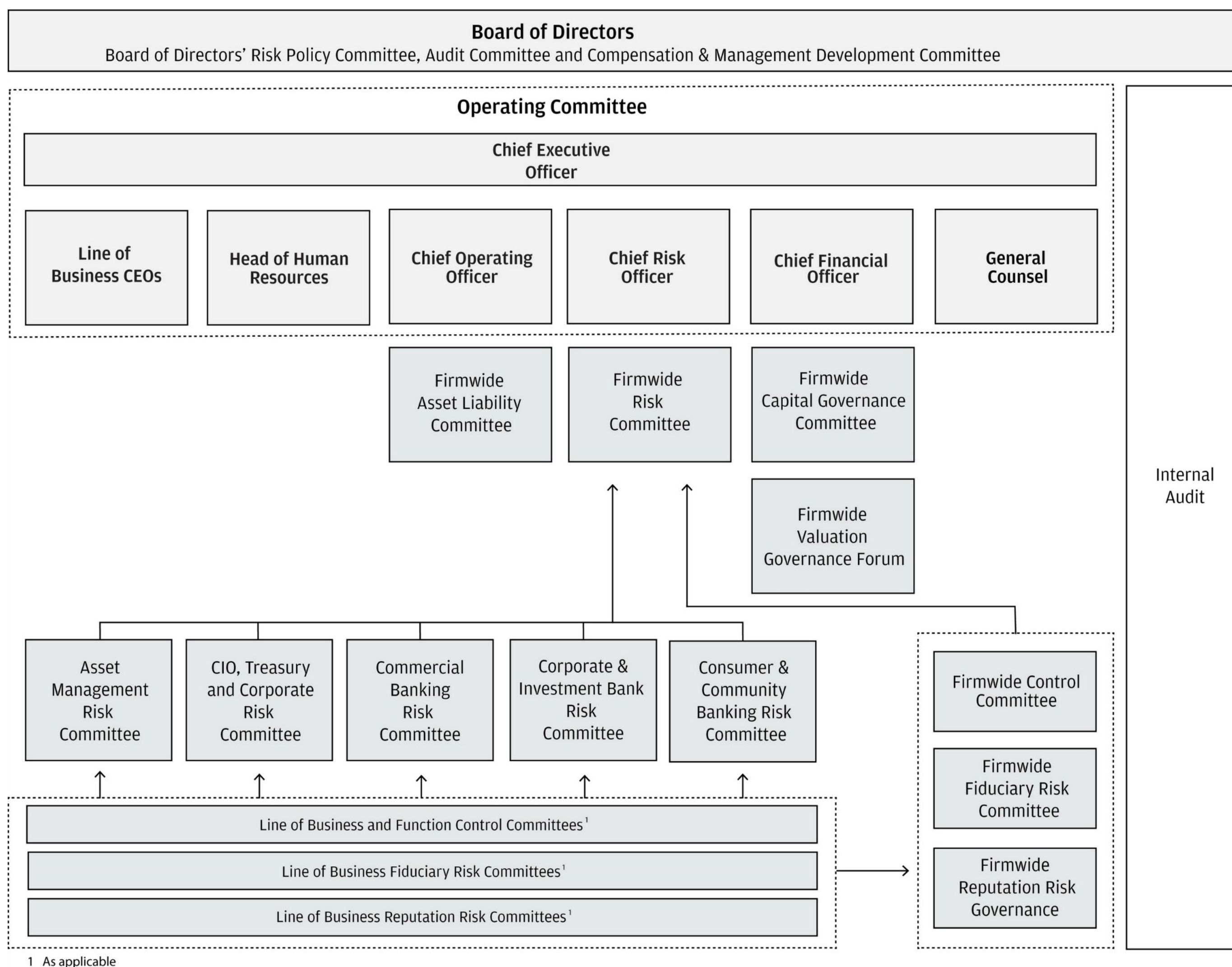
The LOBs are responsible for managing the risks inherent in their respective business activities. The Risk organization operates independently from the revenue-generating businesses, providing a credible challenge to them. The CRO is the head of the Risk organization and is responsible for the overall direction of Risk oversight. The CRO is supported by individuals and organizations that align to lines of business and corporate functions, as well as others that align to specific risk types.

The Firm's Risk Management Organization and other Firmwide functions with risk-related responsibilities (i.e., Regulatory Capital Management Office ("RCMO"), Firmwide Oversight and Control Group, Valuation Control Group ("VCG"), Legal and Compliance) provide independent oversight of the monitoring, evaluation and escalation of risk.

Risk governance

The independent stature of the Risk organization is supported by a governance structure that provides for escalation of risk issues up to senior management and the Board of Directors.

The chart below illustrates the governance structure and certain senior management level committees and forums that are primarily responsible for key risk-related functions. There are additional committees and forums not represented in the chart that are also responsible for management and oversight of risk.



The Board of Directors provides oversight of risk principally through the Board of Directors' Risk Policy Committee ("DRPC"), Audit Committee and, with respect to compensation, Compensation & Management Development Committee. Each committee of the Board oversees reputation risk issues within its scope of responsibility.

The Directors' Risk Policy Committee approves and periodically reviews the primary risk management policies of the Firm's global operations and oversees the operation of the Firm's global risk management framework. The committee's responsibilities include oversight of management's exercise of its responsibility to assess and manage: (i) credit risk, market risk, liquidity risk, model risk, structural interest rate risk, principal risk and country risk; (ii) the governance frameworks or policies for operational, fiduciary, reputational risks and the New Business Initiative Approval ("NBIA") process; and (iii) capital and liquidity planning and analysis. The DRPC reviews the firmwide value-at-risk and market stress tolerances, as well as any other parameter tolerances established by management in accordance with the Firm's Risk Appetite Policy. It reviews reports of significant issues identified by risk management officers, including reports describing the Firm's credit risk profile, and information about concentrations and country risks. The Firm's CRO, LOB CROs, LOB CEOs, heads of risk for Country Risk, Market Risk, Structural Interest Rate Risk, Liquidity Risk, Principal Risk, Wholesale Credit Risk, Consumer Credit Risk, Model Risk, Risk Management Policy, Reputation Risk Governance, Fiduciary Risk Governance, and Operational Risk Governance (all referred to as Firmwide Risk Executives) meet with and provide updates to the DRPC. Additionally, breaches in risk appetite tolerances, liquidity issues that may have a material adverse impact on the Firm and other significant matters as determined by the CRO or Firmwide functions with risk responsibility are escalated to the DRPC.

The Audit Committee has primary responsibility for assisting the Board in its oversight of the system of controls designed to reasonably assure the quality and integrity of the Firm's financial statements and that are relied upon to provide reasonable assurance of the Firm's management of operational risk. The Audit Committee also assists the Board in its oversight of legal and compliance risk. Internal Audit, an independent function within the Firm that provides independent and objective assessments of the control environment, reports directly to the Audit Committee and administratively to the CEO. Internal Audit conducts independent reviews to evaluate the Firm's internal control structure and compliance with applicable regulatory requirements and is responsible for providing the Audit Committee, senior management and regulators with an independent assessment of the Firm's ability to manage and control risk.

The Compensation & Management Development Committee assists the Board in its oversight of the Firm's compensation programs and reviews and approves the Firm's overall compensation philosophy and practices. The Committee reviews the Firm's compensation practices as they relate to risk and risk management in light of the Firm's objectives, including its safety and soundness and the avoidance of practices that encourage excessive risk taking. The Committee reviews and approves the terms of compensation award programs, including recovery provisions, vesting periods, and restrictive covenants, taking into account regulatory requirements. The Committee also reviews and approves the Firm's overall incentive compensation pools and reviews those of each of the Firm's lines of business and the Corporate segment. The Committee reviews the goals relevant to compensation for the Firm's Operating Committee, reviews Operating Committee members' performance against such goals, and approves their compensation awards. The Committee recommends to the full Board's independent directors, for ratification, the CEO's compensation. In addition, the Committee periodically reviews the Firm's management development and succession planning, as well as the Firm's diversity programs.

Among the Firm's senior management level committees that are primarily responsible for key risk-related functions are:

The Firmwide Risk Committee ("FRC") is the Firm's highest management-level Risk Committee. It provides oversight of the risks inherent in the Firm's businesses, including credit risk, market risk, liquidity risk, model risk, structural interest rate risk, principal risk and country risk. It also provides oversight of the governance frameworks for operational, fiduciary and reputational risks. The Committee is co-chaired by the Firm's CEO and CRO. Members of the committee include the Firm's COO, the Firm's CFO, LOB CEOs, LOB CROs, General Counsel, and other senior managers from risk and control functions. This committee serves as an escalation point for risk topics and issues raised by its members, the Line of Business Risk Committees, Firmwide Control Committee, Firmwide Fiduciary Risk Committee, Reputation Risk committees and regional Risk Committees. The committee escalates significant issues to the Board of Directors, as appropriate.

The Firmwide Control Committee ("FCC") is a forum to review and discuss firmwide operational risk, metrics and management, including existing and emerging issues, and execution against the operational risk management framework. The committee is co-chaired by the Firm's Chief Control Officer and the head of Firmwide Operational Risk Governance/Model Risk and Development. It serves as an escalation point for the line of business, function and regional Control Committees and escalates significant issues to the Firmwide Risk Committee, as appropriate.

The Firmwide Fiduciary Risk Committee ("FFRC") is a forum for risk matters related to the Firm's fiduciary activities and oversees the firmwide fiduciary risk governance framework, which supports the consistent identification and escalation of fiduciary risk matters by the relevant lines of business or corporate functions responsible for managing fiduciary activities. The committee escalates significant issues to the Firmwide Risk Committee and any other committee considered appropriate.

The Firmwide Reputation Risk Governance group seeks to promote consistent management of reputational risk across the Firm. Its objectives are to increase visibility of reputation risk governance; promote and maintain a globally consistent governance model for reputation risk across lines of business; promote early self-identification of potential reputation risks to the Firm; and provide thought leadership on cross-line of business reputation risk issues. Each line of business has a separate reputation risk governance structure which includes, in most cases, one or more dedicated reputation risk committees.

Line of business, corporate function, and regional risk and control committees:
Risk committees oversee the inherent risks in the respective line of business, function or region, including the review, assessment and decision making relating to specific risks, risk strategy, policy and controls. These committees escalate issues to the Firmwide Risk Committee, as appropriate.

Control committees oversee the operational risks and control environment of the respective line of business, function or region. These committees escalate operational risk issues to their respective line of business, function or regional Risk committee and also escalate significant risk issues (and/or risk issues with potential firmwide impact) to the Firmwide Control Committee.

The Asset-Liability Committee ("ALCO"), chaired by the Corporate Treasurer under the direction of the COO, monitors the Firm's overall balance sheet, liquidity risk and interest rate risk. ALCO is responsible for reviewing and approving the Firm's funds transfer pricing policy (through which lines of business "transfer" interest rate and foreign exchange risk to Treasury). ALCO is responsible for reviewing the Firm's Liquidity Risk Management and

Oversight Policy and contingency funding plan. ALCO also reviews the Firm's overall structural interest rate risk position, funding requirements and strategy, and the Firm's securitization programs (and any required liquidity support by the Firm of such programs).

The Capital Governance Committee, chaired by the Head of Regulatory Capital Management Office (under the direction of the Firm's CFO) is responsible for reviewing the Firm's Capital Management Policy and the principles underlying capital issuance and distribution alternatives. The Committee is also responsible for governing the capital adequacy assessment process, including overall design, assumptions and risk streams and ensuring that capital stress test programs are designed to adequately capture the idiosyncratic risks across the Firm's businesses.

Other corporate functions and forums with risk management-related responsibilities include:

The Firmwide Oversight and Control Group is comprised of dedicated control officers within each of the lines of business and corporate functional areas, as well as a central oversight team. The group is charged with enhancing the Firm's controls by looking within and across the lines of business and corporate functional areas to identify and control issues. The group enables the Firm to detect control problems more quickly, escalate issues promptly and get the right people involved to understand common themes and interdependencies among the various parts of the Firm. The group works closely with the Firm's other control-related functions, including Compliance, Legal, Internal Audit and Risk Management, to effectively remediate identified control issues across all affected areas of the Firm. As a result, the group facilitates the effective execution of the Firm's control framework and helps support operational risk management across the Firm.

The Firmwide Valuation Governance Forum ("VGF") is composed of senior finance and risk executives and is responsible for overseeing the management of risks arising from valuation activities conducted across the Firm. The VGF is chaired by the firmwide head of the Valuation Control function (under the direction of the Firm's CFO), and also includes sub-forums for the CIB, Consumer & Community Banking, Commercial Banking, Asset Management and certain corporate functions, including Treasury and CIO.

In addition to the committees, forums and groups listed above, the Firm has other management committees and forums at the LOB and regional levels, where risk-related topics are discussed and escalated as necessary. The membership of these committees is composed of senior management of the Firm including representation from the business and various control functions. The committees meet regularly to discuss a broad range of topics.

The JPMorgan Chase Bank N.A. Board of Directors is responsible for the oversight of management on behalf of JPMorgan Chase Bank N.A. The JPMorgan Chase Bank N.A. Board accomplishes this function acting directly and through the principal standing committees of the Firm's Board of Directors. Risk oversight on behalf of JPMorgan Chase Bank N.A. is primarily the responsibility of the Firm's DRPC, Audit Committee and, with respect to compensation-related matters, the Compensation & Management Development Committee.

Risk appetite

The Firm's overall risk appetite is established by management taking into consideration the Firm's capital and liquidity positions, earnings power, and diversified business model. The risk appetite framework is a tool to measure the capacity to take risk and is expressed in loss tolerance parameters at the Firm and/or LOB levels, including net income loss tolerances, liquidity limits and market limits. Performance against these parameters informs management's strategic decisions and is reported to the DRPC.

The Firm-level risk appetite parameters are set and approved by the Firm's CEO, CFO, CRO and COO. LOB-level risk appetite parameters are set by the LOB CEO, CFO, and CRO and are approved by the Firm's functional heads as noted above. Firmwide LOB diversification allows the sum of the LOBs' loss tolerances to be greater than the Firmwide loss tolerance.

Risk identification for large exposures

The Firm has certain potential low-probability but plausible and material, idiosyncratic risks not well captured by its other existing risk analysis and reporting for credit, market, and other risks. These idiosyncratic risks may arise in a number of forms, e.g. changes in legislation, an unusual combination of market events, or specific counterparty events. These identified risks are grouped under the term Risk Identification for Large Exposures ("RIFLEs"). The identified and monitored RIFLEs allow the Firm to monitor earnings vulnerability that is not adequately covered by its other standard risk measurements.

CREDIT RISK MANAGEMENT

Credit risk is the risk of loss arising from the default of a customer, client or counterparty. The Firm provides credit to a variety of customers, ranging from large corporate and institutional clients to individual consumers and small businesses. In its consumer businesses, the Firm is exposed to credit risk primarily through its residential real estate, credit card, auto, business banking and student lending businesses. Originated mortgage loans are retained in the mortgage portfolio, or securitized or sold to U.S. government agencies and U.S. government-sponsored enterprises; other types of consumer loans are typically retained on the balance sheet. In its wholesale businesses, the Firm is exposed to credit risk through its underwriting, lending and derivatives activities with and for clients and counterparties, as well as through its operating services activities, such as cash management and clearing activities. A portion of the loans originated or acquired by the Firm's wholesale businesses are generally retained on the balance sheet; the Firm's syndicated loan business distributes a significant percentage of originations into the market and is an important component of portfolio management.

Credit risk organization

Credit risk management is overseen by the Firm's CRO. The Firm's credit risk management governance consists of the following activities:

- Establishing a comprehensive credit risk policy framework
- Monitoring and managing credit risk across all portfolio segments, including transaction and line approval
- Assigning and managing credit authorities in connection with the approval of all credit exposure
- Managing criticized exposures and delinquent loans
- Determining the allowance for credit losses and ensuring appropriate credit risk-based capital management

Risk identification and measurement

The Credit Risk Management function identifies, measures, limits, manages and monitors credit risk across our businesses. To measure credit risk, the Firm employs several methodologies for estimating the likelihood of obligor or counterparty default. Methodologies for measuring credit risk vary depending on several factors, including type of asset (e.g., consumer versus wholesale), risk measurement parameters (e.g., delinquency status and borrower's credit score versus wholesale risk-rating) and risk management and collection processes (e.g., retail collection center versus centrally managed workout groups). Credit risk measurement is based on the probability of default of an obligor or counterparty, the loss severity given a default event and the exposure at default.

Based on these factors and related market-based inputs, the Firm estimates credit losses for its exposures. Probable credit losses inherent in the consumer and wholesale loan portfolios are reflected in the allowance for loan losses, and probable credit losses inherent in lending-related commitments are reflected in the allowance for lending-related commitments. These losses are estimated using statistical analyses and other factors as described in Note 15. In addition, potential and unexpected credit losses are reflected in the allocation of credit risk capital and represent the potential volatility of actual losses relative to the established allowances for loan losses and lending-related commitments. The analyses for these losses include stress testing (considering alternative economic scenarios) as described in the Stress testing section below.

The methodologies used to estimate credit losses depend on the characteristics of the credit exposure, as described below.

Scored exposure

The scored portfolio is generally held in CCB and predominantly includes residential real estate loans, credit card loans, certain auto and business banking loans, and student loans. For the scored portfolio, credit loss estimates are based on statistical analysis of credit losses over discrete periods of time and are estimated using portfolio modeling, credit scoring, and decision-support tools, which consider loan-level factors such as delinquency status, credit scores, collateral values, and other risk factors. Credit loss analyses also consider, as appropriate, uncertainties and other factors, including those related to current macroeconomic and political conditions, the quality of underwriting standards, and other internal and external factors. The factors and analysis are updated on a quarterly basis or more frequently as market conditions dictate.

Risk-rated exposure

Risk-rated portfolios are generally held in CIB, CB and AM, but also include certain business banking and auto dealer loans held in CCB that are risk-rated because they have characteristics similar to commercial loans. For the risk-rated portfolio, credit loss estimates are based on estimates of the probability of default ("PD") and loss severity given a default. The estimation process begins with risk-ratings that are assigned to each loan facility to differentiate risk within the portfolio. These risk ratings are reviewed regularly by Credit Risk management and revised as needed to reflect the borrower's current financial position, risk profile and related collateral. The probability of default is the likelihood that a loan will default and not be fully repaid by the borrower. The loss given default ("LGD") is the estimated loss on the loan that would be realized upon the default of the borrower and takes into consideration collateral and structural support for each credit facility. The probability of default is estimated for each borrower, and a loss given default is estimated for each credit facility. The calculations and assumptions are based on historic experience and management judgment and are reviewed regularly.

Stress testing

Stress testing is important in measuring and managing credit risk in the Firm's credit portfolio. The process assesses the potential impact of alternative economic and business scenarios on estimated credit losses for the Firm. Economic scenarios, and the parameters underlying those scenarios, are defined centrally, are articulated in terms of macroeconomic factors, and applied across the businesses. The stress test results may indicate credit migration, changes in delinquency trends and potential losses in the credit portfolio. In addition to the periodic stress testing processes, management also considers additional stresses outside these scenarios, as necessary. The Firm uses stress testing to inform decisions on setting risk appetite both at a Firm and LOB level, as well as to assess the impact of stress on industry concentrations.

Risk monitoring and management

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

For consumer credit risk, delinquency and other trends, including any concentrations at the portfolio level, are monitored, as certain of these trends can be modified through changes in underwriting policies and portfolio guidelines. Consumer Risk Management evaluates delinquency and other trends against business expectations, current and forecasted economic conditions, and industry benchmarks. Historical and forecasted trends are incorporated into the modeling of estimated consumer credit losses and are part of the monitoring of the credit risk profile of the portfolio. Under the Firm's model risk policy, new significant risk management models, as well as major changes to such models, are required to be reviewed and approved by the Model Review Group prior to implementation into the operating environment. Internal Audit also periodically tests the internal controls around the modeling process including the integrity of the data utilized. For a discussion of the Model Review Group, see page 139. For further discussion of consumer loans, see Note 14.

Wholesale credit risk is monitored regularly at an aggregate portfolio, industry and individual client and counterparty level with established concentration limits that are reviewed and revised as deemed appropriate by management, typically on an annual basis. Industry and counterparty limits, as measured in terms of exposure and economic credit risk capital, are subject to stress-based loss constraints.

Management of the Firm's wholesale credit risk exposure is accomplished through a number of means, including:

- Loan underwriting and credit approval process
- Loan syndications and participations
- Loan sales and securitizations
- Credit derivatives
- Master netting agreements
- Collateral and other risk-reduction techniques

In addition to Risk Management, Internal Audit performs periodic exams, as well as continuous review, where appropriate, of the Firm's consumer and wholesale portfolios. For risk-rated portfolios, a credit review group within Internal Audit is responsible for:

- Independently assessing and validating the changing risk grades assigned to exposures; and
- Evaluating the effectiveness of business units' risk-ratings, including the accuracy and consistency of risk grades, the timeliness of risk grade changes and the justification of risk grades in credit memoranda

Risk reporting

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

CREDIT PORTFOLIO

2014 Credit Risk Overview

In 2014, the consumer credit environment continued to improve and the wholesale credit environment remained favorable. Over the course of the year, the Firm continued to actively manage its underperforming and nonaccrual loans and reduce such exposures through loan restructurings, loan sales and workouts. The Firm saw decreased downgrade, default and charge-off activity and improved consumer delinquency trends. The Firm increased its overall lending activity in both wholesale and consumer businesses. The combination of these factors resulted in an improvement in the credit quality of the portfolio compared with 2013 and contributed to the Firm's reduction in the allowance for credit losses. For further discussion of the consumer credit environment and consumer loans, see Consumer Credit Portfolio on pages 113–119 and Note 14. For further discussion of wholesale credit environment and wholesale loans, see Wholesale Credit Portfolio on pages 120–127 and Note 14.

In the following tables, reported loans include loans retained (i.e., held-for-investment); loans held-for-sale (which are carried at the lower of cost or fair value, with valuation changes recorded in noninterest revenue); and certain loans accounted for at fair value. In addition, the Firm records certain loans accounted for at fair value in trading assets. For further information regarding these loans, see Note 3 and Note 4. For additional information on the Firm's loans and derivative receivables, including the Firm's accounting policies, see Note 14 and Note 6.

For further information regarding the credit risk inherent in the Firm's investment securities portfolio, see Note 12.

Total credit portfolio

December 31, (in millions)	Credit exposure		Nonperforming[b][c][d]	
	2014	2013	**2014**	2013
Loans retained	**$ 747,508**	$ 724,177	**$ 7,017**	$ 8,317
Loans held-for-sale	**7,217**	12,230	**95**	26
Loans at fair value	**2,611**	2,011	**21**	197
Total loans – reported	**757,336**	738,418	**7,133**	8,540
Derivative receivables	**78,975**	65,759	**275**	415
Receivables from customers and other	**29,080**	26,883	**–**	–
Total credit-related assets	**865,391**	831,060	**7,408**	8,955
Assets acquired in loan satisfactions				
Real estate owned	**NA**	NA	**515**	710
Other	**NA**	NA	**44**	41
Total assets acquired in loan satisfactions	**NA**	NA	**559**	751
Total assets	**865,391**	831,060	**7,967**	9,706
Lending-related commitments	**1,056,172**	1,031,672	**103**	206
Total credit portfolio	**$1,921,563**	$1,862,732	**$ 8,070**	$ 9,912
Credit Portfolio Management derivatives notional, net[a]	**$ (26,703)**	$ (27,996)	**$ –**	$ (5)
Liquid securities and other cash collateral held against derivatives	**(19,604)**	(14,435)	**NA**	NA

Year ended December 31, (in millions, except ratios)	**2014**	2013
Net charge-offs	**$ 4,759**	$ 5,802
Average retained loans		
Loans – reported	**729,876**	720,152
Loans – reported, excluding residential real estate PCI loans	**679,869**	663,629
Net charge-off rates		
Loans – reported	**0.65%**	0.81%
Loans – reported, excluding PCI	**0.70**	0.87

(a) Represents the net notional amount of protection purchased and sold through credit derivatives used to manage both performing and nonperforming wholesale credit exposures; these derivatives do not qualify for hedge accounting under U.S. GAAP. For additional information, see Credit derivatives on page 127 and Note 6.
(b) Excludes PCI loans. The Firm is recognizing interest income on each pool of PCI loans as they are all performing.
(c) At December 31, 2014 and 2013, nonperforming assets excluded: (1) mortgage loans insured by U.S. government agencies of $7.8 billion and $8.4 billion, respectively, that are 90 or more days past due; (2) student loans insured by U.S. government agencies under the FFELP of $367 million and $428 million, respectively, that are 90 or more days past due; and (3) real estate owned ("REO") insured by U.S. government agencies of $462 million and $2.0 billion, respectively. These amounts have been excluded based upon the government guarantee. In addition, the Firm's policy is generally to exempt credit card loans from being placed on nonaccrual status as permitted by regulatory guidance issued by the Federal Financial Institutions Examination Council ("FFIEC").
(d) At December 31, 2014 and 2013, total nonaccrual loans represented 0.94% and 1.16%, respectively, of total loans.

The Firm's consumer portfolio consists primarily of residential real estate loans, credit card loans, auto loans, business banking loans, and student loans. The Firm's focus is on serving the prime segment of the consumer credit market. For further information on consumer loans, see Note 14.

The credit performance of the consumer portfolio continues to benefit from the improvement in the economy and home prices. Both early-stage delinquencies (30–89 days delinquent) and late-stage delinquencies (150+ days delinquent) for residential real estate, excluding government guaranteed loans, declined from December 31, 2013. Although late-stage delinquencies declined, they remain elevated due to loss-mitigation activities and to elongated foreclosure processing timelines. Losses related to these loans continue to be recognized in accordance with the Firm's standard charge-off practices, but some delinquent loans that would otherwise have been foreclosed upon remain in the mortgage and home equity loan portfolios. The Credit Card 30+ day delinquency rate remains near historic lows.

The following table presents consumer credit-related information with respect to the credit portfolio held by CCB, prime mortgage and home equity loans held by AM, and prime mortgage loans held by Corporate. For further information about the Firm's nonaccrual and charge-off accounting policies, see Note 14.

Consumer credit portfolio

As of or for the year ended December 31, (in millions, except ratios)	Credit exposure		Nonaccrual loans[f][g]		Net charge-offs/ (recoveries)[h]		Average annual net charge-off/(recovery) rate[h][i]	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Consumer, excluding credit card								
Loans, excluding PCI loans and loans held-for-sale								
Home equity – senior lien	**$ 16,367**	$ 17,113	**$ 938**	$ 932	**$ 82**	$ 132	**0.50%**	0.72%
Home equity – junior lien	**36,375**	40,750	**1,590**	1,876	**391**	834	**1.03**	1.90
Prime mortgage, including option ARMs	**104,921**	87,162	**2,190**	2,666	**39**	59	**0.04**	0.07
Subprime mortgage	**5,056**	7,104	**1,036**	1,390	**(27)**	90	**(0.43)**	1.17
Auto[a]	**54,536**	52,757	**115**	161	**181**	158	**0.34**	0.31
Business banking	**20,058**	18,951	**279**	385	**305**	337	**1.58**	1.81
Student and other	**10,970**	11,557	**270**	86	**347**	297	**3.07**	2.51
Total loans, excluding PCI loans and loans held-for-sale	**248,283**	235,394	**6,418**	7,496	**1,318**	1,907	**0.55**	0.82
Loans – PCI								
Home equity	**17,095**	18,927	**NA**	NA	**NA**	NA	**NA**	NA
Prime mortgage	**10,220**	12,038	**NA**	NA	**NA**	NA	**NA**	NA
Subprime mortgage	**3,673**	4,175	**NA**	NA	**NA**	NA	**NA**	NA
Option ARMs	**15,708**	17,915	**NA**	NA	**NA**	NA	**NA**	NA
Total loans – PCI	**46,696**	53,055	**NA**	NA	**NA**	NA	**NA**	NA
Total loans – retained	**294,979**	288,449	**6,418**	7,496	**1,318**	1,907	**0.46**	0.66
Loans held-for-sale	**395** [e]	614 [e]	**91**	–	**–**	–	**–**	–
Total consumer, excluding credit card loans	**295,374**	289,063	**6,509**	7,496	**1,318**	1,907	**0.46**	0.66
Lending-related commitments[b]	**58,153**	56,057						
Receivables from customers[c]	**108**	139						
Total consumer exposure, excluding credit card	**353,635**	345,259						
Credit Card								
Loans retained[d]	**128,027**	127,465	**–**	–	**3,429**	3,879	**2.75**	3.14
Loans held-for-sale	**3,021**	326	**–**	–	**–**	–	**–**	–
Total credit card loans	**131,048**	127,791	**–**	–	**3,429**	3,879	**2.75**	3.14
Lending-related commitments[b]	**525,963**	529,383						
Total credit card exposure	**657,011**	657,174						
Total consumer credit portfolio	**$ 1,010,646**	$ 1,002,433	**$ 6,509**	$ 7,496	**$ 4,747**	$ 5,786	**1.15%**	1.40%
Memo: Total consumer credit portfolio, excluding PCI	**$ 963,950**	$ 949,378	**$ 6,509**	$ 7,496	**$ 4,747**	$ 5,786	**1.30%**	1.62%

(a) At December 31, 2014 and 2013, excluded operating lease-related assets of $6.7 billion and $5.5 billion, respectively.
(b) Credit card and home equity lending-related commitments represent the total available lines of credit for these products. The Firm has not experienced, and does not anticipate, that all available lines of credit would be used at the same time. For credit card and home equity commitments (if certain conditions are met), the Firm can reduce or cancel these lines of credit by providing the borrower notice or, in some cases as permitted by law, without notice.
(c) Receivables from customers represent margin loans to retail brokerage customers, and are included in accrued interest and accounts receivable on the Consolidated balance sheets.

(d) Includes accrued interest and fees net of an allowance for the uncollectible portion of accrued interest and fee income.
(e) Predominantly represents prime mortgage loans held-for-sale.
(f) At December 31, 2014 and 2013, nonaccrual loans excluded: (1) mortgage loans insured by U.S. government agencies of $7.8 billion and $8.4 billion, respectively, that are 90 or more days past due; and (2) student loans insured by U.S. government agencies under the FFELP of $367 million and $428 million, respectively, that are 90 or more days past due. These amounts have been excluded from nonaccrual loans based upon the government guarantee. In addition, the Firm's policy is generally to exempt credit card loans from being placed on nonaccrual status as permitted by regulatory guidance.
(g) Excludes PCI loans. The Firm is recognizing interest income on each pool of PCI loans as they are all performing.
(h) Net charge-offs and net charge-off rates excluded $533 million and $53 million of write-offs of prime mortgages in the PCI portfolio for the years ended December 31, 2014 and 2013. These write-offs decreased the allowance for loan losses for PCI loans. See Allowance for Credit Losses on pages 128–130 for further details.
(i) Average consumer loans held-for-sale were $917 million and $209 million, respectively, for the years ended December 31, 2014 and 2013. These amounts were excluded when calculating net charge-off rates.

Consumer, excluding credit card

Portfolio analysis

Consumer loan balances increased during the year ended December 31, 2014, due to prime mortgage, business banking and auto loan originations, partially offset by paydowns and the charge-off or liquidation of delinquent loans. Credit performance has improved across most portfolios but delinquent residential real estate loans and home equity charge-offs remain elevated compared with pre-recessionary levels.

In the following discussion of loan and lending-related categories, PCI loans are excluded from individual loan product discussions and are addressed separately below. For further information about the Firm's consumer portfolio, including information about delinquencies, loan modifications and other credit quality indicators, see Note 14.

Home equity: The home equity portfolio declined from December 31, 2013 primarily reflecting loan paydowns and charge-offs. Early-stage delinquencies showed improvement from December 31, 2013. Late-stage delinquencies continue to be elevated as improvement in the number of loans becoming severely delinquent was offset by a higher number of loans remaining in late-stage delinquency due to higher average carrying values on these delinquent loans, reflecting improving collateral values. Senior lien nonaccrual loans were flat compared with the prior year while junior lien nonaccrual loans decreased in 2014. Net charge-offs for both senior and junior lien home equity loans declined when compared with the prior year as a result of improvement in home prices and delinquencies.

Approximately 15% of the Firm's home equity portfolio consists of home equity loans ("HELOANs") and the remainder consists of home equity lines of credit ("HELOCs"). HELOANs are generally fixed-rate, closed-end, amortizing loans, with terms ranging from 3–30 years. Approximately half of the HELOANs are senior liens and the remainder are junior liens. In general, HELOCs originated by the Firm are revolving loans for a 10-year period, after which time the HELOC recasts into a loan with a 20-year amortization period. At the time of origination, the borrower typically selects one of two minimum payment options that will generally remain in effect during the revolving period: a monthly payment of 1% of the outstanding balance, or interest-only payments based on a variable index (typically Prime). HELOCs originated by Washington Mutual were generally revolving loans for a 10-year period, after which time the HELOC converts to an interest-only loan with a balloon payment at the end of the loan's term.

The unpaid principal balance of non-PCI HELOCs outstanding was $47 billion at December 31, 2014. Of the $47 billion, approximately $29 billion have recently recast or are scheduled to recast from interest-only to fully amortizing payments, with $3 billion having recast in 2014; $6 billion, $7 billion, and $6 billion are scheduled to recast in 2015, 2016, and 2017, respectively; and $7 billion is scheduled to recast after 2017. However, of the total $26 billion still remaining to recast, $18 billion are expected to actually recast; and the remaining $8 billion represents loans to borrowers who are expected either to pre-pay or charge-off prior to recast. In the third quarter of 2014, the Firm refined its approach for estimating the number of HELOCs expected to voluntarily pre-pay prior to recast. Based on the refined methodology, the number of loans expected to pre-pay declined, resulting in an increase in the number of loans expected to recast. The Firm has considered this payment recast risk in its allowance for loan losses based upon the estimated amount of payment shock (i.e., the excess of the fully-amortizing payment over the interest-only payment in effect prior to recast) expected to occur at the payment recast date, along with the corresponding estimated probability of default and loss severity assumptions. Certain factors, such as future developments in both unemployment rates and home prices, could have a significant impact on the performance of these loans.

The Firm manages the risk of HELOCs during their revolving period by closing or reducing the undrawn line to the extent permitted by law when borrowers are exhibiting a material deterioration in their credit risk profile. The Firm will continue to evaluate both the near-term and longer-term repricing and recast risks inherent in its HELOC portfolio to ensure that changes in the Firm's estimate of incurred losses are appropriately considered in the allowance for loan losses and that the Firm's account management practices are appropriate given the portfolio's risk profile.

High-risk seconds are loans where the borrower has a first mortgage loan that is either delinquent or has been modified. Such loans are considered to pose a higher risk of default than junior lien loans for which the senior lien is neither delinquent nor modified. At December 31, 2014, the Firm estimated that its home equity portfolio contained approximately $1.8 billion of current high-risk seconds, compared with $2.3 billion at December 31, 2013. The Firm estimates the balance of its total exposure to high-risk seconds on a quarterly basis using internal data and loan

level credit bureau data (which typically provides the delinquency status of the senior lien). The estimated balance of these high-risk seconds may vary from quarter to quarter for reasons such as the movement of related senior liens into and out of the 30+ day delinquency bucket.

Current high-risk seconds

December 31, (in billions)		2014		2013
Junior liens subordinate to:				
Modified current senior lien	$	**0.7**	$	0.9
Senior lien 30 – 89 days delinquent		**0.5**		0.6
Senior lien 90 days or more delinquent[(a)]		**0.6**		0.8
Total current high-risk seconds	$	**1.8**	$	2.3

(a) Junior liens subordinate to senior liens that are 90 days or more past due are classified as nonaccrual loans. At December 31, 2014 and 2013, excluded approximately $50 million and approximately $100 million, respectively, of junior liens that are performing but not current, which were placed on nonaccrual in accordance with the regulatory guidance.

Of the estimated $1.8 billion of current high-risk seconds at December 31, 2014, the Firm owns approximately 10% and services approximately 25% of the related senior lien loans to the same borrowers. The performance of the Firm's junior lien loans is generally consistent regardless of whether the Firm owns, services or does not own or service the senior lien. The increased probability of default associated with these higher-risk junior lien loans was considered in estimating the allowance for loan losses.

Mortgage: Prime mortgages, including option adjustable-rate mortgages ("ARMs") and loans held-for-sale, increased from December 31, 2013 due to higher retained originations partially offset by paydowns, the run-off of option ARM loans and the charge-off or liquidation of delinquent loans. Excluding loans insured by U.S. government agencies, both early-stage and late-stage delinquencies showed improvement from December 31, 2013. Nonaccrual loans decreased from the prior year but remain elevated primarily due to loss mitigation activities and elongated foreclosure processing timelines. Net charge-offs remain low, reflecting continued improvement in home prices and delinquencies.

At December 31, 2014 and 2013, the Firm's prime mortgage portfolio included $12.4 billion and $14.3 billion, respectively, of mortgage loans insured and/or guaranteed by U.S. government agencies, of which $9.7 billion and $9.6 billion, respectively, were 30 days or more past due (of these past due loans, $7.8 billion and $8.4 billion, respectively, were 90 days or more past due). The Firm has entered into a settlement regarding loans insured under federal mortgage insurance programs overseen by the FHA, HUD, and VA; the Firm will continue to monitor exposure on future claim payments for government insured loans, but any financial impact related to exposure on future claims is not expected to be significant and was considered in estimating the allowance for loan losses. For further discussion of the settlement, see Note 31.

At December 31, 2014 and 2013, the Firm's prime mortgage portfolio included $16.3 billion and $15.6 billion, respectively, of interest-only loans, which represented 15% and 18%, respectively, of the prime mortgage portfolio. These loans have an interest-only payment period generally followed by an adjustable-rate or fixed-rate fully amortizing payment period to maturity and are typically originated as higher-balance loans to higher-income borrowers. To date, losses on this portfolio generally have been consistent with the broader prime mortgage portfolio and the Firm's expectations. The Firm continues to monitor the risks associated with these loans.

Subprime mortgages continued to decrease due to portfolio runoff. Early-stage and late-stage delinquencies have improved from December 31, 2013, but remain at elevated levels. Net charge-offs continued to improve as a result of improvement in home prices and delinquencies.

Auto: Auto loans increased from December 31, 2013 as new originations outpaced paydowns and payoffs. Nonaccrual loans improved compared with December 31, 2013. Net charge-offs for the year ended December 31, 2014 increased compared with the prior year, reflecting higher average loss per default as national used car valuations declined from historically strong levels. The auto loan portfolio reflects a high concentration of prime-quality credits.

Business banking: Business banking loans increased from December 31, 2013 due to an increase in loan originations. Nonaccrual loans improved compared with December 31, 2013. Net charge-offs for the year ended December 31, 2014 decreased from the prior year.

Student and other: Student and other loans decreased from December 31, 2013 due primarily to the run-off of the student loan portfolio. Student nonaccrual loans increased from December 31, 2013 due to a modification program began in May 2014 that extended the deferment period for up to 24 months for certain student loans, which resulted in extending the maturity of these loans at their original contractual interest rates.

Purchased credit-impaired loans: PCI loans acquired in the Washington Mutual transaction decreased as the portfolio continues to run off.

As of December 31, 2014, approximately 16% of the option ARM PCI loans were delinquent and approximately 57% of the portfolio has been modified into fixed-rate, fully amortizing loans. Substantially all of the remaining loans are making amortizing payments, although such payments are not necessarily fully amortizing. This latter group of loans is subject to the risk of payment shock due to future payment recast. Default rates generally increase on option ARM loans when payment recast results in a payment increase. The expected increase in default rates is considered in the Firm's quarterly impairment assessment.

The following table provides a summary of lifetime principal loss estimates included in either the nonaccretable difference or the allowance for loan losses.

Summary of lifetime principal loss estimates

December 31, (in billions)	Lifetime loss estimates[(a)]		LTD liquidation losses[(b)]	
	2014	2013	**2014**	2013
Home equity	**$ 14.6**	$ 14.7	**$ 12.4**	$ 12.1
Prime mortgage	**3.8**	3.8	**3.5**	3.3
Subprime mortgage	**3.3**	3.3	**2.8**	2.6
Option ARMs	**9.9**	10.2	**9.3**	8.8
Total	**$ 31.6**	$ 32.0	**$ 28.0**	$ 26.8

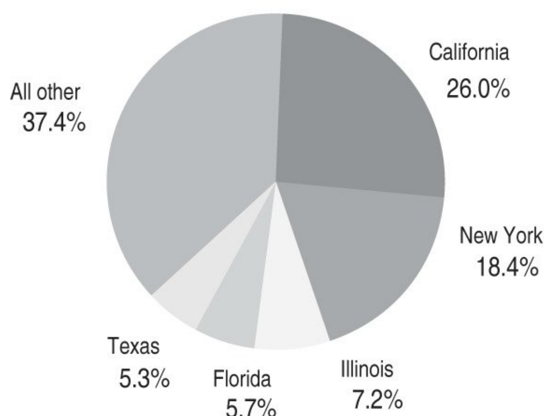
(a) Includes the original nonaccretable difference established in purchase accounting of $30.5 billion for principal losses plus additional principal losses recognized subsequent to acquisition through the provision and allowance for loan losses. The remaining nonaccretable difference for principal losses was $2.3 billion and $3.8 billion at December 31, 2014 and 2013, respectively.

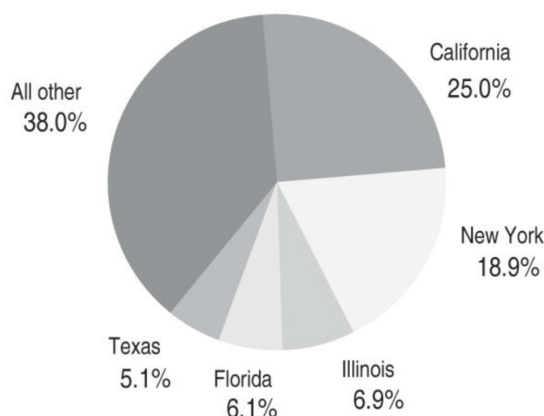
(b) Life-to-date ("LTD") liquidation losses represent both realization of loss upon loan resolution and any principal forgiven upon modification.

Lifetime principal loss estimates declined from December 31, 2013, to December 31, 2014, reflecting improvement in home prices and delinquencies. The decline in lifetime principal loss estimates during the year ended December 31, 2014, resulted in a $300 million reduction of the PCI allowance for loan losses related to option ARM loans. In addition, for the year ended December 31, 2014, PCI write-offs of $533 million were recorded against the prime mortgage allowance for loan losses. For further information on the Firm's PCI loans, including write-offs, see Note 14.

Geographic composition of residential real estate loans

At December 31, 2014, $94.3 billion, or 63% of total retained residential real estate loan portfolio, excluding mortgage loans insured by U.S. government agencies and PCI loans, were concentrated in California, New York, Illinois, Florida and Texas, compared with $85.9 billion, or 62%, at December 31, 2013. California had the greatest concentration of these loans with 26% at December 31, 2014, compared with 25% at December 31, 2013. The unpaid principal balance of PCI loans concentrated in these five states represented 74% of total PCI loans at both December 31, 2014 and December 31, 2013. For further information on the geographic composition of the Firm's residential real estate loans, see Note 14.





Current estimated LTVs of residential real estate loans

The current estimated average loan-to-value ("LTV") ratio for residential real estate loans retained, excluding mortgage loans insured by U.S. government agencies and PCI loans, was 71% at December 31, 2014, compared with 75% at December 31, 2013.

Although home prices continue to recover, the decline in home prices since 2007 has had a significant impact on the collateral values underlying the Firm's residential real estate loan portfolio. In general, the delinquency rate for loans with high LTV ratios is greater than the delinquency rate for loans in which the borrower has greater equity in the collateral. While a large portion of the loans with current estimated LTV ratios greater than 100% continue to pay and are current, the continued willingness and ability of these borrowers to pay remains a risk.

The following table presents the current estimated LTV ratios for PCI loans, as well as the ratios of the carrying value of the underlying loans to the current estimated collateral value. Because such loans were initially measured at fair value, the ratios of the carrying value to the current estimated collateral value will be lower than the current estimated LTV ratios, which are based on the unpaid principal balances. The estimated collateral values used to calculate these ratios do not represent actual appraised loan-level collateral values; as such, the resulting ratios are necessarily imprecise and should therefore be viewed as estimates.

LTV ratios and ratios of carrying values to current estimated collateral values – PCI loans

December 31, (in millions, except ratios)	2014				2013			
	Unpaid principal balance	Current estimated LTV ratio[a]	Net carrying value[c]	Ratio of net carrying value to current estimated collateral value[c]	Unpaid principal balance	Current estimated LTV ratio[a]	Net carrying value[c]	Ratio of net carrying value to current estimated collateral value[c]
Home equity	**$ 17,740**	**83%** [b]	**$ 15,337**	**72%**	$ 19,830	90% [b]	$ 17,169	78%
Prime mortgage	**10,249**	**76**	**9,027**	**67**	11,876	83	10,312	72
Subprime mortgage	**4,652**	**82**	**3,493**	**62**	5,471	91	3,995	66
Option ARMs	**16,496**	**74**	**15,514**	**70**	19,223	82	17,421	74

(a) Represents the aggregate unpaid principal balance of loans divided by the estimated current property value. Current property values are estimated at least quarterly based on home valuation models that utilize nationally recognized home price index valuation estimates; such models incorporate actual data to the extent available and forecasted data where actual data is not available.

(b) Represents current estimated combined LTV for junior home equity liens, which considers all available lien positions, as well as unused lines, related to the property. All other products are presented without consideration of subordinate liens on the property.

(c) Net carrying value includes the effect of fair value adjustments that were applied to the consumer PCI portfolio at the date of acquisition and is also net of the allowance for loan losses at December 31, 2014 and 2013 of $1.2 billion and $1.7 billion for prime mortgage, $194 million and $494 million for option ARMs, respectively, and $1.8 billion for home equity and $180 million for subprime mortgage for both periods.

The current estimated average LTV ratios were 77% and 88% for California and Florida PCI loans, respectively, at December 31, 2014, compared with 85% and 103%, respectively, at December 31, 2013. Average LTV ratios have declined consistent with recent improvements in home prices. Although home prices have improved, home prices in most areas of California and Florida are still lower than at the peak of the housing market; this continues to negatively contribute to current estimated average LTV ratios and the ratio of net carrying value to current estimated collateral value for loans in the PCI portfolio. Of the total PCI portfolio, 15% had a current estimated LTV ratio greater than 100%, and 3% had a current LTV ratio of greater than 125% at December 31, 2014, compared with 26% and 7%, respectively, at December 31, 2013.

While the current estimated collateral value is greater than the net carrying value of PCI loans, the ultimate performance of this portfolio is highly dependent on borrowers' behavior and ongoing ability and willingness to continue to make payments on homes with negative equity, as well as on the cost of alternative housing.

For further information on current estimated LTVs of residential real estate loans, see Note 14.

Loan modification activities – residential real estate loans

The performance of modified loans generally differs by product type due to differences in both the credit quality and the types of modifications provided. Performance metrics for the residential real estate portfolio, excluding PCI loans, that have been modified and seasoned more than six months show weighted-average redefault rates of 20% for senior lien home equity, 22% for junior lien home equity, 16% for prime mortgages including option ARMs, and 29% for subprime mortgages. The cumulative performance metrics for the PCI residential real estate portfolio modified and seasoned more than six months show weighted average redefault rates of 20% for home equity, 17% for prime mortgages, 15% for option ARMs and 32% for subprime mortgages. The favorable performance of the PCI option ARM modifications is the result of a targeted proactive program which fixed the borrower's payment to the amount at the point of modification. The cumulative redefault rates reflect the performance of modifications completed under both the Home Affordable Modification Program ("HAMP") and the Firm's proprietary modification programs (primarily the Firm's modification program that was modeled after HAMP) from October 1, 2009, through December 31, 2014.

Certain loans that were modified under HAMP and the Firm's proprietary modification programs have interest rate reset provisions ("step-rate modifications"). Interest rates on these loans will generally increase beginning in 2014 by 1% per year until the rate reaches a specified cap, typically at a prevailing market interest rate for a fixed-rate loan as of the modification date. The carrying value of non-PCI loans modified in step-rate modifications was $5 billion at December 31, 2014, with $1 billion scheduled to experience the initial interest rate increase in each of 2015 and 2016. The unpaid principal balance of PCI loans modified in step-rate modifications was $10 billion at December 31, 2014, with $2 billion and $3 billion scheduled to experience the initial interest rate increase in 2015 and 2016, respectively. The impact of these potential interest rate increases is considered in the Firm's allowance for loan losses. The Firm will continue to monitor this risk exposure to ensure that it is appropriately considered in the Firm's allowance for loan losses.

The following table presents information as of December 31, 2014 and 2013, relating to modified retained residential real estate loans for which concessions have been granted to borrowers experiencing financial difficulty. Modifications of PCI loans continue to be accounted for and reported as PCI loans, and the impact of the modification is incorporated into the Firm's quarterly assessment of estimated future cash flows. Modifications of consumer loans other than PCI loans are generally accounted for and reported as troubled debt restructurings ("TDRs"). For further information on modifications for the years ended December 31, 2014 and 2013, see Note 14.

Modified residential real estate loans

December 31, (in millions)	2014 On-balance sheet loans	2014 Nonaccrual on-balance sheet loans[d]	2013 On-balance sheet loans	2013 Nonaccrual on-balance sheet loans[d]
Modified residential real estate loans, excluding PCI loans[a][b]				
Home equity – senior lien	**$ 1,101**	**$ 628**	$ 1,146	$ 641
Home equity – junior lien	**1,304**	**632**	1,319	666
Prime mortgage, including option ARMs	**6,145**	**1,559**	7,004	1,737
Subprime mortgage	**2,878**	**931**	3,698	1,127
Total modified residential real estate loans, excluding PCI loans	**$ 11,428**	**$ 3,750**	$ 13,167	$ 4,171
Modified PCI loans[c]				
Home equity	**$ 2,580**	**NA**	$ 2,619	NA
Prime mortgage	**6,309**	**NA**	6,977	NA
Subprime mortgage	**3,647**	**NA**	4,168	NA
Option ARMs	**11,711**	**NA**	13,131	NA
Total modified PCI loans	**$ 24,247**	**NA**	$ 26,895	NA

(a) Amounts represent the carrying value of modified residential real estate loans.
(b) At December 31, 2014 and 2013, $4.9 billion and $7.6 billion, respectively, of loans modified subsequent to repurchase from Ginnie Mae in accordance with the standards of the appropriate government agency (i.e., FHA, VA, RHS) are not included in the table above. When such loans perform subsequent to modification in accordance with Ginnie Mae guidelines, they are generally sold back into Ginnie Mae loan pools. Modified loans that do not re-perform become subject to foreclosure. For additional information about sales of loans in securitization transactions with Ginnie Mae, see Note 16.
(c) Amounts represent the unpaid principal balance of modified PCI loans.
(d) As of December 31, 2014 and 2013, nonaccrual loans included $2.9 billion and $3.0 billion, respectively, of TDRs for which the borrowers were less than 90 days past due. For additional information about loans modified in a TDR that are on nonaccrual status, see Note 14.

Nonperforming assets

The following table presents information as of December 31, 2014 and 2013, about consumer, excluding credit card, nonperforming assets.

Nonperforming assets[a]

December 31, (in millions)	2014	2013
Nonaccrual loans[b]		
Residential real estate	**$ 5,845**	$ 6,864
Other consumer	**664**	632
Total nonaccrual loans	**6,509**	7,496
Assets acquired in loan satisfactions		
Real estate owned	**437**	614
Other	**36**	41
Total assets acquired in loan satisfactions	**473**	655
Total nonperforming assets	**$ 6,982**	$ 8,151

(a) At December 31, 2014 and 2013, nonperforming assets excluded: (1) mortgage loans insured by U.S. government agencies of $7.8 billion and $8.4 billion, respectively, that are 90 or more days past due; (2) student loans insured by U.S. government agencies under the FFELP of $367 million and $428 million, respectively, that are 90 or more days past due; and (3) real estate owned insured by U.S. government agencies of $462 million and $2.0 billion, respectively. These amounts have been excluded based upon the government guarantee.
(b) Excludes PCI loans that were acquired as part of the Washington Mutual transaction, which are accounted for on a pool basis. Since each pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows, the past-due status of the pools, or that of individual loans within the pools, is not meaningful. Because the Firm is recognizing interest income on each pool of loans, they are all considered to be performing.

Nonaccrual loans in the residential real estate portfolio totaled $5.8 billion and $6.9 billion at December 31, 2014 and December 31, 2013, respectively, of which 32% and 34%, respectively, were greater than 150 days past due. In the aggregate, the unpaid principal balance of residential real estate loans greater than 150 days past due was charged down by approximately 50% to the estimated net realizable value of the collateral at both December 31, 2014 and 2013. The elongated foreclosure processing timelines are expected to continue to result in elevated levels of nonaccrual loans in the residential real estate portfolios.

Active and suspended foreclosure: For information on loans that were in the process of active or suspended foreclosure, see Note 14.

Nonaccrual loans: The following table presents changes in the consumer, excluding credit card, nonaccrual loans for the years ended December 31, 2014 and 2013.

Nonaccrual loans

Year ended December 31, (in millions)	2014	2013
Beginning balance	**$ 7,496**	$ 9,174
Additions	**4,905**	6,618
Reductions:		
Principal payments and other[a]	**1,859**	1,559
Charge-offs	**1,306**	1,869
Returned to performing status	**2,083**	3,793
Foreclosures and other liquidations	**644**	1,075
Total reductions	**5,892**	8,296
Net additions/(reductions)	**(987)**	(1,678)
Ending balance	**$ 6,509**	$ 7,496

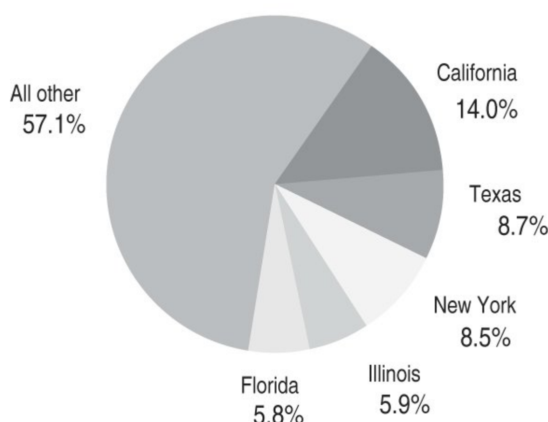
(a) Other reductions includes loan sales.

Credit Card

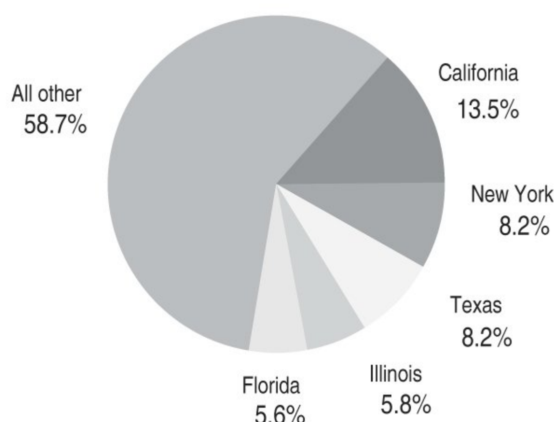
Total credit card loans increased from December 31, 2013 due to higher new account originations and increased credit card sales volume. The 30+ day delinquency rate decreased to 1.44% at December 31, 2014, from 1.67% at December 31, 2013. For the years ended December 31, 2014 and 2013, the net charge-off rates were 2.75% and 3.14%, respectively. Charge-offs have improved compared with a year ago as a result of improvement in delinquent loans. The credit card portfolio continues to reflect a well-seasoned, largely rewards-based portfolio that has good U.S. geographic diversification.

Loans outstanding in the top five states of California, Texas, New York, Illinois and Florida consisted of $54.9 billion in receivables, or 43% of the retained loan portfolio, at December 31, 2014, compared with $52.7 billion, or 41%, at December 31, 2013. The greatest geographic concentration of credit card retained loans is in California, which represented 14% and 13% of total retained loans at December 31, 2014 and 2013, respectively. For further information on the geographic composition of the Firm's credit card loans, see Note 14.

Top 5 States Credit Card - Retained
(at December 31, 2014)



Top 5 States Credit Card - Retained
(at December 31, 2013)



Modifications of credit card loans

At December 31, 2014 and 2013, the Firm had $2.0 billion and $3.1 billion, respectively, of credit card loans outstanding that have been modified in TDRs. These balances included both credit card loans with modified payment terms and credit card loans that reverted back to their pre-modification payment terms because the cardholder did not comply with the modified payment terms. The decrease in modified credit card loans outstanding from December 31, 2013, was attributable to a reduction in new modifications as well as ongoing payments and charge-offs on previously modified credit card loans.

Consistent with the Firm's policy, all credit card loans typically remain on accrual status until charged-off. However, the Firm establishes an allowance, which is offset against loans and charged to interest income, for the estimated uncollectible portion of accrued interest and fee income.

For additional information about loan modification programs to borrowers, see Note 14.

WHOLESALE CREDIT PORTFOLIO

The Firm's wholesale businesses are exposed to credit risk through underwriting, lending and trading activities with and for clients and counterparties, as well as through various operating services such as cash management and clearing activities. A portion of the loans originated or acquired by the Firm's wholesale businesses is generally retained on the balance sheet. The Firm distributes a significant percentage of the loans it originates into the market as part of its syndicated loan business and to manage portfolio concentrations and credit risk.

The wholesale credit environment remained favorable throughout 2014 driving an increase in client activity. Growth in loans retained was driven primarily by activity in Commercial Banking, while growth in lending-related commitments reflected increased activity in both the Corporate & Investment Bank and Commercial Banking. Discipline in underwriting across all areas of lending continues to remain a key point of focus, consistent with evolving market conditions and the Firm's risk management activities. The wholesale portfolio is actively managed, in part by conducting ongoing, in-depth reviews of client credit quality and transaction structure, inclusive of collateral where applicable; and of industry, product and client concentrations. During the year, wholesale criticized assets decreased from 2013, including a reduction in nonaccrual loans by 40%.

Wholesale credit portfolio

December 31,	Credit exposure		Nonperforming[d]	
(in millions)	**2014**	2013	**2014**	2013
Loans retained	**$324,502**	$308,263	**$ 599**	$ 821
Loans held-for-sale	**3,801**	11,290	**4**	26
Loans at fair value	**2,611**	2,011	**21**	197
Loans – reported	**330,914**	321,564	**624**	1,044
Derivative receivables	**78,975**	65,759	**275**	415
Receivables from customers and other[a]	**28,972**	26,744	**–**	–
Total wholesale credit-related assets	**438,861**	414,067	**899**	1,459
Lending-related commitments[b]	**472,056**	446,232	**103**	206
Total wholesale credit exposure	**$910,917**	$860,299	**$ 1,002**	$ 1,665
Credit Portfolio Management derivatives notional, net[c]	**$ (26,703)**	$ (27,996)	**$ –**	$ (5)
Liquid securities and other cash collateral held against derivatives	**(19,604)**	(14,435)	**NA**	NA

(a) Receivables from customers and other include $28.8 billion and $26.5 billion of margin loans at December 31, 2014 and 2013, respectively, to prime and retail brokerage customers; these are classified in accrued interest and accounts receivable on the Consolidated balance sheets.
(b) Includes unused advised lines of credit of $105.2 billion and $102.0 billion as of December 31, 2014 and 2013, respectively. An advised line of credit is a revolving credit line which specifies the maximum amount the Firm may make available to an obligor, on a nonbinding basis. The borrower receives written or oral advice of this facility. The Firm may cancel this facility at any time by providing the borrower notice or, in some cases, without notice as permitted by law.
(c) Represents the net notional amount of protection purchased and sold through credit derivatives used to manage both performing and nonperforming wholesale credit exposures; these derivatives do not qualify for hedge accounting under U.S. GAAP. For additional information, see Credit derivatives on page 127, and Note 6.
(d) Excludes assets acquired in loan satisfactions.

The following tables present the maturity and ratings profiles of the wholesale credit portfolio as of December 31, 2014 and 2013. The ratings scale is based on the Firm's internal risk ratings, which generally correspond to the ratings as defined by S&P and Moody's.

Wholesale credit exposure – maturity and ratings profile

	Maturity profile[e]				Ratings profile			
December 31, 2014					Investment-grade	Noninvestment-grade		
(in millions, except ratios)	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	**Total**	AAA/Aaa to BBB-/Baa3	BB+/Ba1 & below	**Total**	Total % of IG
Loans retained	**$ 112,411**	**$ 134,277**	**$ 77,814**	**$ 324,502**	**$ 241,666**	**$ 82,836**	**$ 324,502**	**74%**
Derivative receivables				**78,975**			**78,975**	
Less: Liquid securities and other cash collateral held against derivatives				**(19,604)**			**(19,604)**	
Total derivative receivables, net of all collateral	**20,032**	**16,130**	**23,209**	**59,371**	**52,150**	**7,221**	**59,371**	**88**
Lending-related commitments	**185,451**	**276,793**	**9,812**	**472,056**	**379,214**	**92,842**	**472,056**	**80**
Subtotal	**317,894**	**427,200**	**110,835**	**855,929**	**673,030**	**182,899**	**855,929**	**79**
Loans held-for-sale and loans at fair value[a]				**6,412**			**6,412**	
Receivables from customers and other				**28,972**			**28,972**	
Total exposure – net of liquid securities and other cash collateral held against derivatives				**$ 891,313**			**$ 891,313**	
Credit Portfolio Management derivatives net notional by reference entity ratings profile[b][c][d]	**$ (2,050)**	**$ (18,653)**	**$ (6,000)**	**$ (26,703)**	**$ (23,571)**	**$ (3,132)**	**$ (26,703)**	**88%**

	Maturity profile[e]				Ratings profile			
December 31, 2013					Investment-grade	Noninvestment-grade		
(in millions, except ratios)	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	**Total**	AAA/Aaa to BBB-/Baa3	BB+/Ba1 & below	**Total**	Total % of IG
Loans retained	$ 108,392	$ 124,111	$ 75,760	$ 308,263	$ 226,070	$ 82,193	$ 308,263	73%
Derivative receivables				65,759			65,759	
Less: Liquid securities and other cash collateral held against derivatives				(14,435)			(14,435)	
Total derivative receivables, net of all collateral	13,550	15,935	21,839	51,324	41,104 [f]	10,220 [f]	51,324	80
Lending-related commitments	179,301	255,426	11,505	446,232	353,974	92,258	446,232	79
Subtotal	301,243	395,472	109,104	805,819	621,148	184,671	805,819	77
Loans held-for-sale and loans at fair value[a]				13,301			13,301	
Receivables from customers and other				26,744			26,744	
Total exposure – net of liquid securities and other cash collateral held against derivatives				$ 845,864			$ 845,864	
Credit Portfolio Management derivatives net notional by reference entity ratings profile[b][c][d]	$ (1,149)	$ (19,516)	$ (7,331)	$ (27,996)	$ (24,649)	$ (3,347)	$ (27,996)	88%

(a) Represents loans held-for-sale, primarily related to syndicated loans and loans transferred from the retained portfolio, and loans at fair value.
(b) These derivatives do not quality for hedge accounting under U.S. GAAP.
(c) The notional amounts are presented on a net basis by underlying reference entity and the ratings profile shown is based on the ratings of the reference entity on which protection has been purchased.
(d) Predominantly all of the credit derivatives entered into by the Firm where it has purchased protection, including Credit Portfolio Management derivatives, are executed with investment grade counterparties.
(e) The maturity profile of retained loans, lending-related commitments and derivative receivables is based on remaining contractual maturity. Derivative contracts that are in a receivable position at December 31, 2014, may become a payable prior to maturity based on their cash flow profile or changes in market conditions.
(f) The prior period amounts have been revised to conform with the current period presentation.

Wholesale credit exposure – selected industry exposures

The Firm focuses on the management and diversification of its industry exposures, paying particular attention to industries with actual or potential credit concerns. Exposures deemed criticized align with the U.S. banking regulators' definition of criticized exposures, which consist of the special mention, substandard and doubtful categories. The total criticized component of the portfolio, excluding loans held-for-sale and loans at fair value, decreased by 16% to $10.2 billion at December 31, 2014, from $12.2 billion at December 31, 2013.

Below are summaries of the top 25 industry exposures as of December 31, 2014 and 2013. For additional information on industry concentrations, see Note 5.

			Noninvestment-grade			Selected metrics			
As of or for the year ended **December 31, 2014** (in millions)	Credit exposure[d]	Investment-grade	Noncriticized	Criticized performing	Criticized nonperforming	30 days or more past due and accruing loans	Net charge-offs/ (recoveries)	Credit derivative hedges[e]	Liquid securities and other cash collateral held against derivative receivables
Top 25 industries[a]									
Real Estate	$ 107,386	$ 80,219	$ 25,558	$ 1,356	$ 253	$ 309	$ (9)	$ (36)	$ (27)
Banks & Finance Cos	68,203	58,360	9,266	508	69	46	(4)	(1,232)	(9,369)
Healthcare	57,707	49,361	7,816	488	42	193	17	(94)	(244)
Oil & Gas	48,315	33,547	14,685	82	1	15	2	(144)	(161)
Consumer Products	37,818	26,070	11,081	650	17	21	–	(20)	(2)
Asset Managers	36,374	31,880	4,436	57	1	38	(12)	(9)	(4,545)
State & Municipal Govt[b]	31,858	30,919	837	102	–	69	24	(148)	(130)
Retail & Consumer Services	28,258	18,233	9,023	971	31	56	4	(47)	(1)
Utilities	28,060	24,058	3,747	255	–	198	(3)	(155)	(193)
Central Govt	21,081	20,868	155	58	–	–	–	(11,297)	(1,071)
Technology	20,977	13,759	6,557	641	20	24	(3)	(225)	–
Machinery & Equipment Mfg	20,573	12,094	8,229	250	–	5	(2)	(157)	(19)
Transportation	16,365	11,444	4,835	86	–	5	(3)	(34)	(107)
Business Services	16,201	8,450	7,512	224	15	10	5	(9)	–
Metals/Mining	15,911	8,845	6,562	504	–	–	18	(377)	(19)
Media	14,534	9,131	5,107	266	30	1	(1)	(69)	(6)
Building Materials/Construction	13,672	6,721	6,271	674	6	12	2	(104)	–
Insurance	13,637	10,790	2,605	80	162	–	–	(52)	(2,372)
Automotive	13,586	8,647	4,778	161	–	1	(1)	(140)	–
Chemicals/Plastics	13,545	9,800	3,716	29	–	1	(2)	(14)	–
Telecom Services	13,136	8,277	4,303	546	10	–	(2)	(813)	(6)
Securities Firms & Exchanges	8,936	6,198	2,726	10	2	20	4	(102)	(216)
Agriculture/Paper Mfg	7,242	4,890	2,224	122	6	36	(1)	(4)	(4)
Aerospace/Defense	6,070	5,088	958	24	–	–	–	(71)	–
Leisure	5,562	2,937	2,023	478	124	6	–	(5)	(23)
All other[c]	210,526	190,135	19,581	622	188	1,235	(21)	(11,345)	(1,089)
Subtotal	$ 875,533	$ 690,721	$ 174,591	$ 9,244	$ 977	$ 2,301	$ 12	$ (26,703)	$ (19,604)
Loans held-for-sale and loans at fair value	6,412								
Receivables from customers and other	28,972								
Total	$ 910,917								

As of or for the year ended December 31, 2013 (in millions)	Credit exposure[d]	Investment-grade	Noninvestment-grade			Selected metrics			
			Noncriticized	Criticized performing	Criticized nonperforming	30 days or more past due and accruing loans	Net charge-offs/ (recoveries)	Credit derivative hedges[e]	Liquid securities and other cash collateral held against derivative receivables
Top 25 industries[a]									
Real Estate	$ 87,102	$ 62,964	$ 21,505	$ 2,286	$ 347	$ 178	$ 6	$ (66)	$ (125)
Banks & Finance Cos	66,881	56,675	9,707	431	68	14	(22)	(2,692)	(6,227)
Healthcare	45,910	37,635	7,952	317	6	49	3	(198)	(195)
Oil & Gas	46,934	34,708	11,779	436	11	34	13	(227)	(67)
Consumer Products	34,145	21,100	12,505	537	3	4	11	(149)	(1)
Asset Managers	33,506	26,991	6,477	38	–	217	(7)	(5)	(3,191)
State & Municipal Govt[b]	35,666	34,563	826	157	120	40	1	(161)	(144)
Retail & Consumer Services	25,068	16,101	8,453	492	22	6	–	(91)	–
Utilities	28,983	25,521	3,045	411	6	2	28	(445)	(306)
Central Govt	21,049	20,633	345	71	–	–	–	(10,088)	(1,541)
Technology	21,403	13,787	6,771	825	20	–	–	(512)	–
Machinery & Equipment Mfg	19,078	11,154	7,549	368	7	20	(18)	(257)	(8)
Transportation	13,975	9,683	4,165	100	27	10	8	(68)	–
Business Services	14,601	7,838	6,447	286	30	9	10	(10)	(2)
Metals/Mining	17,434	9,266	7,508	594	66	1	16	(621)	(36)
Media	13,858	7,783	5,658	315	102	6	36	(26)	(5)
Building Materials/Construction	12,901	5,701	6,354	839	7	15	3	(132)	–
Insurance	13,761	10,681	2,757	84	239	–	(2)	(98)	(1,935)
Automotive	12,532	7,881	4,490	159	2	3	(3)	(472)	–
Chemicals/Plastics	10,637	7,189	3,211	222	15	–	–	(13)	(83)
Telecom Services	13,906	9,130	4,284	482	10	–	7	(272)	(8)
Securities Firms & Exchanges	10,035	4,208 [f]	5,806 [f]	14	7	1	(68)	(4,169)	(175)
Agriculture/Paper Mfg	7,387	4,238	3,064	82	3	31	–	(4)	(4)
Aerospace/Defense	6,873	5,447	1,426	–	–	–	–	(142)	(1)
Leisure	5,331	2,950	1,797	495	89	5	–	(10)	(14)
All other[c]	201,298	180,460	19,911	692	235	1,249	(6)	(7,068)	(367)
Subtotal	$ 820,254	$ 634,287	$ 173,792	$ 10,733	$ 1,442	$ 1,894	$ 16	$ (27,996)	$ (14,435)
Loans held-for-sale and loans at fair value	13,301								
Receivables from customers and other	26,744								
Total	$ 860,299								

(a) The industry rankings presented in the table as of December 31, 2013, are based on the industry rankings of the corresponding exposures at December 31, 2014, not actual rankings of such exposures at December 31, 2013.
(b) In addition to the credit risk exposure to states and municipal governments (both U.S. and non-U.S.) at December 31, 2014 and 2013, noted above, the Firm held: $10.6 billion and $7.9 billion, respectively, of trading securities; $30.1 billion and $29.5 billion, respectively, of AFS securities; and $10.2 billion and $920 million, respectively, of HTM securities, issued by U.S. state and municipal governments. For further information, see Note 3 and Note 12.
(c) All other includes: individuals, private education and civic organizations; SPEs; and holding companies, representing approximately 68%, 21% and 5%, respectively, at December 31, 2014, and 64%, 22% and 5%, respectively, at December 31, 2013.
(d) Credit exposure is net of risk participations and excludes the benefit of “Credit Portfolio Management derivatives net notional” held against derivative receivables or loans and “Liquid securities and other cash collateral held against derivative receivables”.
(e) Represents the net notional amounts of protection purchased and sold through credit derivatives used to manage the credit exposures; these derivatives do not qualify for hedge accounting under U.S. GAAP. The all other category includes purchased credit protection on certain credit indices.
(f) The prior period amounts have been revised to conform with the current period presentation.

Presented below is a discussion of several industries to which the Firm has significant exposure and/or present actual or potential credit concerns. The Firm is actively monitoring these exposures. For additional information, refer to the tables on the previous pages.

- **Real Estate:** Exposure to this industry increased by $20.3 billion or 23%, in 2014 to $107.4 billion. The increase was largely driven by growth in multifamily exposure in the CB. The credit quality of this industry improved as the investment-grade portion of the exposures to this industry increased to 75% in 2014 from 72% in 2013. The ratio of nonaccrual retained loans to total retained loans decreased to 0.32% at December 31, 2014 from 0.50% at December 31, 2013. For further information on commercial real estate loans, see Note 14.
- **Oil & Gas:** Exposure to this industry increased by $1.4 billion in 2014 to $48.3 billion, of which $15.6 billion was drawn at year-end. The portfolio largely consisted of exposure in North America, and was concentrated in the Exploration and Production subsector. The Oil & Gas portfolio was comprised of 69% investment-grade exposure, and was approximately 5% of the Firm's total wholesale credit exposure as of December 31, 2014.

Loans

In the normal course of its wholesale business, the Firm provides loans to a variety of customers, ranging from large corporate and institutional clients to high-net-worth individuals. For further discussion on loans, including information on credit quality indicators, see Note 14.

The Firm actively manages its wholesale credit exposure. One way of managing credit risk is through secondary market sales of loans and lending-related commitments. During the years ended December 31, 2014 and 2013, the Firm sold $22.8 billion and $16.3 billion, respectively, of loans and lending-related commitments.

The following table presents the change in the nonaccrual loan portfolio for the years ended December 31, 2014 and 2013.

Wholesale nonaccrual loan activity

Year ended December 31, (in millions)	2014	2013
Beginning balance	$ 1,044	$ 1,717
Additions	882	1,293
Reductions:		
Paydowns and other	756	1,075
Gross charge-offs	148	241
Returned to performing status	303	279
Sales	95	371
Total reductions	1,302	1,966
Net reductions	(420)	(673)
Ending balance	$ 624	$ 1,044

The following table presents net charge-offs, which are defined as gross charge-offs less recoveries, for the years ended December 31, 2014 and 2013. The amounts in the table below do not include gains or losses from sales of nonaccrual loans.

Wholesale net charge-offs

Year ended December 31, (in millions, except ratios)	2014	2013
Loans – reported		
Average loans retained	$ 316,060	$ 307,340
Gross charge-offs	151	241
Gross recoveries	(139)	(225)
Net charge-offs	12	16
Net charge-off rate	—%	0.01%

Receivables from customers

Receivables from customers primarily represent margin loans to prime and retail brokerage clients that are collateralized through a pledge of assets maintained in clients' brokerage accounts that are subject to daily minimum collateral requirements. In the event that the collateral value decreases, a maintenance margin call is made to the client to provide additional collateral into the account. If additional collateral is not provided by the client, the client's position may be liquidated by the Firm to meet the minimum collateral requirements.

Lending-related commitments

The Firm uses lending-related financial instruments, such as commitments (including revolving credit facilities) and guarantees, to meet the financing needs of its customers. The contractual amounts of these financial instruments represent the maximum possible credit risk should the counterparties draw down on these commitments or the Firm fulfills its obligations under these guarantees, and the counterparties subsequently fail to perform according to the terms of these contracts.

In the Firm's view, the total contractual amount of these wholesale lending-related commitments is not representative of the Firm's actual future credit exposure or funding requirements. In determining the amount of credit risk exposure the Firm has to wholesale lending-related commitments, which is used as the basis for allocating credit risk capital to these commitments, the Firm has established a "loan-equivalent" amount for each commitment; this amount represents the portion of the unused commitment or other contingent exposure that is expected, based on average portfolio historical experience, to become drawn upon in an event of a default by an obligor. The loan-equivalent amount of the Firm's lending-related commitments was $229.6 billion and $218.9 billion as of December 31, 2014 and 2013, respectively.

Clearing services

The Firm provides clearing services for clients entering into securities and derivative transactions. Through the provision of these services the Firm is exposed to the risk of non-performance by its clients and may be required to share in losses incurred by central counterparties ("CCPs"). Where possible, the Firm seeks to mitigate its credit risk to its clients through the collection of adequate margin at inception and throughout the life of the transactions and can also cease provision of clearing services if clients do not adhere to their obligations under the clearing agreement. For further discussion of Clearing services, see Note 29.

Derivative contracts

In the normal course of business, the Firm uses derivative instruments predominantly for market-making activities. Derivatives enable customers to manage exposures to fluctuations in interest rates, currencies and other markets. The Firm also uses derivative instruments to manage its own credit exposure. The nature of the counterparty and the settlement mechanism of the derivative affect the credit risk to which the Firm is exposed. For OTC derivatives the Firm is exposed to the credit risk of the derivative counterparty. For exchange-traded derivatives ("ETD") such as futures and options, and "cleared" over-the-counter ("OTC-cleared") derivatives, the Firm is generally exposed to the credit risk of the relevant CCP. Where possible, the Firm seeks to mitigate its credit risk exposures arising from derivative transactions through the use of legally enforceable master netting arrangements and collateral agreements. For further discussion of derivative contracts, counterparties and settlement types, see Note 6.

The following table summarizes the net derivative receivables for the periods presented.

Derivative receivables

December 31, (in millions)	2014	2013
Interest rate	**$ 33,725**	$ 25,782
Credit derivatives	**1,838**	1,516
Foreign exchange	**21,253**	16,790
Equity	**8,177**	12,227
Commodity	**13,982**	9,444
Total, net of cash collateral	**78,975**	65,759
Liquid securities and other cash collateral held against derivative receivables	**(19,604)**	(14,435)
Total, net of all collateral	**$ 59,371**	$ 51,324

Derivative receivables reported on the Consolidated balance sheets were $79.0 billion and $65.8 billion at December 31, 2014 and 2013, respectively. These amounts represent the fair value of the derivative contracts, after giving effect to legally enforceable master netting agreements and cash collateral held by the Firm. However, in management's view, the appropriate measure of current credit risk should also take into consideration additional liquid securities (primarily U.S. government and agency securities and other G7 government bonds) and other cash collateral held by the Firm aggregating $19.6 billion and $14.4 billion at December 31, 2014 and 2013, respectively, that may be used as security when the fair value of the client's exposure is in the Firm's favor.

In addition to the collateral described in the preceding paragraph, the Firm also holds additional collateral (primarily: cash; G7 government securities; other liquid government-agency and guaranteed securities; and corporate debt and equity securities) delivered by clients at the initiation of transactions, as well as collateral related to contracts that have a non-daily call frequency and collateral that the Firm has agreed to return but has not yet settled as of the reporting date. Although this collateral does not reduce the balances and is not included in the table above, it is available as security against potential exposure that could arise should the fair value of the client's derivative transactions move in the Firm's favor. As of December 31, 2014 and 2013, the Firm held $48.6 billion and $50.8 billion, respectively, of this additional collateral. The prior period amount has been revised to conform with the current period presentation. The derivative receivables fair value, net of all collateral, also does not include other credit enhancements, such as letters of credit. For additional information on the Firm's use of collateral agreements, see Note 6.

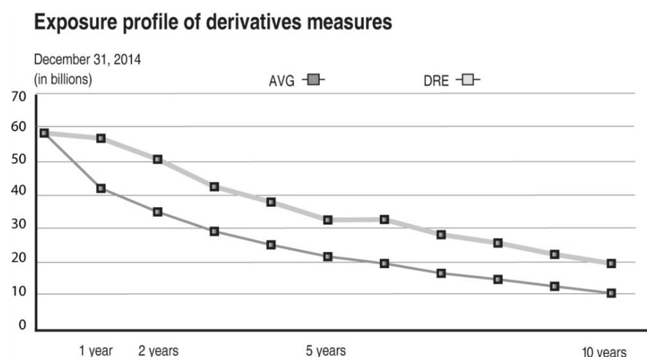
While useful as a current view of credit exposure, the net fair value of the derivative receivables does not capture the potential future variability of that credit exposure. To capture the potential future variability of credit exposure, the Firm calculates, on a client-by-client basis, three measures of potential derivatives-related credit loss: Peak, Derivative Risk Equivalent ("DRE"), and Average exposure ("AVG"). These measures all incorporate netting and collateral benefits, where applicable.

Peak exposure to a counterparty is an extreme measure of exposure calculated at a 97.5% confidence level. DRE exposure is a measure that expresses the risk of derivative exposure on a basis intended to be equivalent to the risk of loan exposures. The measurement is done by equating the unexpected loss in a derivative counterparty exposure (which takes into consideration both the loss volatility and the credit rating of the counterparty) with the unexpected loss in a loan exposure (which takes into consideration only the credit rating of the counterparty). DRE is a less extreme measure of potential credit loss than Peak and is the primary measure used by the Firm for credit approval of derivative transactions.

Finally, AVG is a measure of the expected fair value of the Firm's derivative receivables at future time periods, including the benefit of collateral. AVG exposure over the total life of the derivative contract is used as the primary metric for pricing purposes and is used to calculate credit capital and the CVA, as further described below. The three year AVG exposure was $37.5 billion and $35.4 billion at December 31, 2014 and 2013, respectively, compared with derivative receivables, net of all collateral, of $59.4 billion and $51.3 billion at December 31, 2014 and 2013, respectively.

The fair value of the Firm's derivative receivables incorporates an adjustment, the CVA, to reflect the credit quality of counterparties. The CVA is based on the Firm's AVG to a counterparty and the counterparty's credit spread in the credit derivatives market. The primary components of changes in CVA are credit spreads, new deal activity or unwinds, and changes in the underlying market environment. The Firm believes that active risk management is essential to controlling the dynamic credit risk in the derivatives portfolio. In addition, the Firm's risk management process takes into consideration the potential impact of wrong-way risk, which is broadly defined as the potential for increased correlation between the Firm's exposure to a counterparty (AVG) and the counterparty's credit quality. Many factors may influence the nature and magnitude of these correlations over time. To the extent that these correlations are identified, the Firm may adjust the CVA associated with that counterparty's AVG. The Firm risk manages exposure to changes in CVA by entering into credit derivative transactions, as well as interest rate, foreign exchange, equity and commodity derivative transactions.

The accompanying graph shows exposure profiles to the Firm's current derivatives portfolio over the next 10 years as calculated by the DRE and AVG metrics. The two measures generally show that exposure will decline after the first year, if no new trades are added to the portfolio.



The following table summarizes the ratings profile by derivative counterparty of the Firm's derivative receivables, including credit derivatives, net of other liquid securities collateral, for the dates indicated. The ratings scale is based on the Firm's internal ratings, which generally correspond to the ratings as defined by S&P and Moody's.

Ratings profile of derivative receivables

Rating equivalent	**2014**		2013[(a)]	
December 31, (in millions, except ratios)	Exposure net of all collateral	% of exposure net of all collateral	Exposure net of all collateral	% of exposure net of all collateral
AAA/Aaa to AA-/Aa3	**$ 19,202**	**32%**	$ 12,953	25%
A+/A1 to A-/A3	**13,940**	**24**	12,930	25
BBB+/Baa1 to BBB-/Baa3	**19,008**	**32**	15,220	30
BB+/Ba1 to B-/B3	**6,384**	**11**	6,806	13
CCC+/Caa1 and below	**837**	**1**	3,415	7
Total	**$ 59,371**	**100%**	$ 51,324	100%

(a) The prior period amounts have been revised to conform with the current period presentation.

As previously noted, the Firm uses collateral agreements to mitigate counterparty credit risk. The percentage of the Firm's derivatives transactions subject to collateral agreements – excluding foreign exchange spot trades, which are not typically covered by collateral agreements due to their short maturity – was 88% as of December 31, 2014, largely unchanged compared with 86% as of December 31, 2013.

Credit derivatives

The Firm uses credit derivatives for two primary purposes: first, in its capacity as a market-maker; and second, as an end-user, to manage the Firm's own credit risk associated with various exposures. For a detailed description of credit derivatives, see Credit derivatives in Note 6.

Credit portfolio management activities

Included in the Firm's end-user activities are credit derivatives used to mitigate the credit risk associated with traditional lending activities (loans and unfunded commitments) and derivatives counterparty exposure in the Firm's wholesale businesses (collectively, "credit portfolio management" activities). Information on credit portfolio management activities is provided in the table below. For further information on derivatives used in credit portfolio management activities, see Credit derivatives in Note 6.

The Firm also uses credit derivatives as an end-user to manage other exposures, including credit risk arising from certain securities held in the Firm's market-making businesses. These credit derivatives are not included in credit portfolio management activities; for further information on these credit derivatives as well as credit derivatives used in the Firm's capacity as a market maker in credit derivatives, see Credit derivatives in Note 6.

Credit derivatives used in credit portfolio management activities

	Notional amount of protection purchased and sold [(a)]	
December 31, (in millions)	**2014**	2013
Credit derivatives used to manage:		
Loans and lending-related commitments	**$ 2,047**	$ 2,764
Derivative receivables	**24,656**	25,328
Total net protection purchased	**26,703**	28,092
Total net protection sold	**–**	96
Credit portfolio management derivatives notional, net	**$ 26,703**	$ 27,996

(a) Amounts are presented net, considering the Firm's net protection purchased or sold with respect to each underlying reference entity or index.

The credit derivatives used in credit portfolio management activities do not qualify for hedge accounting under U.S. GAAP; these derivatives are reported at fair value, with gains and losses recognized in principal transactions revenue. In contrast, the loans and lending-related commitments being risk-managed are accounted for on an accrual basis. This asymmetry in accounting treatment, between loans and lending-related commitments and the credit derivatives used in credit portfolio management activities, causes earnings volatility that is not representative, in the Firm's view, of the true changes in value of the Firm's overall credit exposure.

The effectiveness of the Firm's credit default swap ("CDS") protection as a hedge of the Firm's exposures may vary depending on a number of factors, including the named reference entity (i.e., the Firm may experience losses on specific exposures that are different than the named reference entities in the purchased CDS); the contractual terms of the CDS (which may have a defined credit event that does not align with an actual loss realized by the Firm); and the maturity of the Firm's CDS protection (which in some cases may be shorter than the Firm's exposures). However, the Firm generally seeks to purchase credit protection with a maturity date that is the same or similar to the maturity date of the exposure for which the protection was purchased, and remaining differences in maturity are actively monitored and managed by the Firm.

ALLOWANCE FOR CREDIT LOSSES

JPMorgan Chase's allowance for loan losses covers both the consumer (primarily scored) portfolio and wholesale (risk-rated) portfolio. The allowance represents management's estimate of probable credit losses inherent in the Firm's loan portfolio. Management also determines an allowance for wholesale and certain consumer lending-related commitments.

The allowance for loan losses includes an asset-specific component, a formula-based component, and a component related to PCI loans. For a further discussion of the components of the allowance for credit losses and related management judgments, see Critical Accounting Estimates Used by the Firm on pages 161–165 and Note 15.

At least quarterly, the allowance for credit losses is reviewed by the Chief Risk Officer, the Chief Financial Officer and the Controller of the Firm, and discussed with the DRPC and Audit Committees of the Board of Directors of the Firm. As of December 31, 2014, JPMorgan Chase deemed the allowance for credit losses to be appropriate and sufficient to absorb probable credit losses inherent in the portfolio.

The allowance for credit losses was $14.8 billion at December 31, 2014, a decrease of $2.2 billion from $17.0 billion at December 31, 2013.

The consumer, excluding credit card, allowance for loan losses reflected a reduction from December 31, 2013, primarily due to the continued improvement in home prices and delinquencies in the residential real estate portfolio and the run-off of the student loan portfolio. For additional information about delinquencies and nonaccrual loans in the consumer, excluding credit card, loan portfolio, see Consumer Credit Portfolio on pages 113–119 and Note 14.

The credit card allowance for loan losses reflected a reduction from December 31, 2013, primarily related to a decrease in the asset-specific allowance resulting from increased granularity of the impairment estimates and lower balances related to credit card loans modified in TDRs. For additional information about delinquencies in the credit card loan portfolio, see Consumer Credit Portfolio on pages 113–119 and Note 14.

The wholesale allowance for credit losses decreased from December 31, 2013, reflecting a continued favorable credit environment as evidenced by low charge-off rates, and declining nonaccrual balances and other portfolio activity.

Summary of changes in the allowance for credit losses

Year ended December 31, (in millions, except ratios)	2014 Consumer, excluding credit card	2014 Credit card	2014 Wholesale	2014 Total	2013 Consumer, excluding credit card	2013 Credit card	2013 Wholesale	2013 Total
Allowance for loan losses								
Beginning balance at January 1,	**$ 8,456**	**$ 3,795**	**$ 4,013**	**$ 16,264**	$ 12,292	$ 5,501	$ 4,143	$ 21,936
Gross charge-offs	**2,132**	**3,831**	**151**	**6,114**	2,754	4,472	241	7,467
Gross recoveries	**(814)**	**(402)**	**(139)**	**(1,355)**	(847)	(593)	(225)	(1,665)
Net charge-offs	**1,318**	**3,429**	**12**	**4,759**	1,907	3,879	16	5,802
Write-offs of PCI loans[a]	**533**	**–**	**–**	**533**	53	–	–	53
Provision for loan losses	**414**	**3,079**	**(269)**	**3,224**	(1,872)	2,179	(119)	188
Other	**31**	**(6)**	**(36)**	**(11)**	(4)	(6)	5	(5)
Ending balance at December 31,	**$ 7,050**	**$ 3,439**	**$ 3,696**	**$ 14,185**	$ 8,456	$ 3,795	$ 4,013	$ 16,264
Impairment methodology								
Asset-specific[b]	**$ 539**	**$ 500**	**$ 87**	**$ 1,126**	$ 601	$ 971	$ 181	$ 1,753
Formula-based	**3,186**	**2,939**	**3,609**	**9,734**	3,697	2,824	3,832	10,353
PCI	**3,325**	**–**	**–**	**3,325**	4,158	–	–	4,158
Total allowance for loan losses	**$ 7,050**	**$ 3,439**	**$ 3,696**	**$ 14,185**	$ 8,456	$ 3,795	$ 4,013	$ 16,264
Allowance for lending-related commitments								
Beginning balance at January 1,	**$ 8**	**$ –**	**$ 697**	**$ 705**	$ 7	$ –	$ 661	$ 668
Provision for lending-related commitments	**5**	**–**	**(90)**	**(85)**	1	–	36	37
Other	**–**	**–**	**2**	**2**	–	–	–	–
Ending balance at December 31,	**$ 13**	**$ –**	**$ 609**	**$ 622**	$ 8	$ –	$ 697	$ 705
Impairment methodology								
Asset-specific	**$ –**	**$ –**	**$ 60**	**$ 60**	$ –	$ –	$ 60	$ 60
Formula-based	**13**	**–**	**549**	**562**	8	–	637	645
Total allowance for lending-related commitments[c]	**$ 13**	**$ –**	**$ 609**	**$ 622**	$ 8	$ –	$ 697	$ 705
Total allowance for credit losses	**$ 7,063**	**$ 3,439**	**$ 4,305**	**$ 14,807**	$ 8,464	$ 3,795	$ 4,710	$ 16,969
Memo:								
Retained loans, end of period	**$ 294,979**	**$ 128,027**	**$ 324,502**	**$ 747,508**	$ 288,449	$ 127,465	$ 308,263	$ 724,177
Retained loans, average	**289,212**	**124,604**	**316,060**	**729,876**	289,294	123,518	307,340	720,152
PCI loans, end of period	**46,696**	**–**	**4**	**46,700**	53,055	–	6	53,061
Credit ratios								
Allowance for loan losses to retained loans	**2.39%**	**2.69%**	**1.14%**	**1.90%**	2.93%	2.98%	1.30%	2.25%
Allowance for loan losses to retained nonaccrual loans[d]	**110**	**NM**	**617**	**202**	113	NM	489	196
Allowance for loan losses to retained nonaccrual loans excluding credit card	**110**	**NM**	**617**	**153**	113	NM	489	150
Net charge-off rates	**0.46**	**2.75**	**–**	**0.65**	0.66	3.14	0.01	0.81
Credit ratios, excluding residential real estate PCI loans								
Allowance for loan losses to retained loans	**1.50**	**2.69**	**1.14**	**1.55**	1.83	2.98	1.30	1.80
Allowance for loan losses to retained nonaccrual loans[d]	**58**	**NM**	**617**	**155**	57	NM	489	146
Allowance for loan losses to retained nonaccrual loans excluding credit card	**58**	**NM**	**617**	**106**	57	NM	489	100
Net charge-off rates	**0.55%**	**2.75%**	**–%**	**0.70%**	0.82%	3.14%	0.01%	0.87%

Note: In the table above, the financial measures which exclude the impact of PCI loans are non-GAAP financial measures. For additional information, see Explanation and Reconciliation of the Firm's Use of Non-GAAP Financial Measures on pages 77–78.

(a) Write-offs of PCI loans are recorded against the allowance for loan losses when actual losses for a pool exceed estimated losses that were recorded as purchase accounting adjustments at the time of acquisition. A write-off of a PCI loan is recognized when the underlying loan is removed from a pool (e.g., upon liquidation). During the fourth quarter of 2014, the Firm recorded a $291 million adjustment to reduce the PCI allowance and the recorded investment in the Firm's PCI loan portfolio, primarily reflecting the cumulative effect of interest forgiveness modifications. This adjustment had no impact to the Firm's Consolidated statements of income.

(b) Includes risk-rated loans that have been placed on nonaccrual status and loans that have been modified in a TDR.

(c) The allowance for lending-related commitments is reported in other liabilities on the Consolidated balance sheets.

(d) The Firm's policy is generally to exempt credit card loans from being placed on nonaccrual status as permitted by regulatory guidance.

Provision for credit losses

For the year ended December 31, 2014, the provision for credit losses was $3.1 billion, compared with $225 million for the year ended December 31, 2013.

The increase in consumer, excluding credit card, provision for credit losses for the year ended December 31, 2014 reflected a $904 million reduction in the allowance for loan losses, as noted above in the Allowance for Credit Losses discussion, which was lower than the $3.8 billion reduction in the prior year. The lower allowance reduction was partially offset by lower net charge-offs in 2014.

The increase in credit card provision for credit losses for the year ended December 31, 2014 reflected a $350 million reduction in the allowance for loan losses, as noted above in the Allowance for Credit Losses discussion, which was lower than the $1.7 billion reduction in the prior year. The lower allowance reduction was partially offset by lower net charge-offs in 2014.

The wholesale provision for credit losses for the year ended December 31, 2014 reflected a continued favorable credit environment as evidenced by low charge-off rates, and declining nonaccrual balances and other portfolio activity.

For further information on the provision for credit losses, see the Consolidated Results of Operations on pages 68–71.

Year ended December 31,	Provision for loan losses			Provision for lending-related commitments			Total provision for credit losses		
(in millions)	**2014**	2013	2012	**2014**	2013	2012	**2014**	2013	2012
Consumer, excluding credit card	**$ 414**	$ (1,872)	$ 302	**$ 5**	$ 1	$ –	**$ 419**	$ (1,871)	$ 302
Credit card	**3,079**	2,179	3,444	**–**	–	–	**3,079**	2,179	3,444
Total consumer	**3,493**	307	3,746	**5**	1	–	**3,498**	308	3,746
Wholesale	**(269)**	(119)	(359)	**(90)**	36	(2)	**(359)**	(83)	(361)
Total	**$ 3,224**	$ 188	$ 3,387	**$ (85)**	$ 37	$ (2)	**$ 3,139**	$ 225	$ 3,385

Market risk is the potential for adverse changes in the value of the Firm's assets and liabilities resulting from changes in market variables such as interest rates, foreign exchange rates, equity prices, commodity prices, implied volatilities or credit spreads.

Market risk management

Market Risk is an independent risk management function that identifies and monitors market risks throughout the Firm and defines market risk policies and procedures. The Market Risk function reports to the Firm's CRO.

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

- Establishment of a market risk policy framework
- Independent measurement, monitoring and control of line of business and firmwide market risk
- Definition, approval and monitoring of limits
- Performance of stress testing and qualitative risk assessments

Risk identification and classification

Each line of business is responsible for the management of the market risks within its units. The independent risk management group responsible for overseeing each line of business is charged with ensuring that all material market risks are appropriately identified, measured, monitored and managed in accordance with the risk policy framework set out by Market Risk.

Risk measurement

Tools used to measure risk

Because no single measure can reflect all aspects of market risk, the Firm uses various metrics, both statistical and nonstatistical, including:

- VaR
- Economic-value stress testing
- Nonstatistical risk measures
- Loss advisories
- Profit and loss drawdowns
- Earnings-at-risk

Risk monitoring and control

Market risk is controlled primarily through a series of limits set in the context of the market environment and business strategy. In setting limits, the Firm takes into consideration factors such as market volatility, product liquidity and accommodation of client business and management experience. The Firm maintains different levels of limits. Corporate level limits include VaR and stress limits. Similarly, line of business limits include VaR and stress limits and may be supplemented by loss advisories, nonstatistical measurements and profit and loss drawdowns. Limits may also be set within the lines of business, as well at the portfolio or legal entity level.

Limits are set by Market Risk and are regularly reviewed and updated as appropriate, with any changes approved by lines of business management and Market Risk. Senior management, including the Firm's CEO and CRO, are responsible for reviewing and approving certain of these risk limits on an ongoing basis. All limits that have not been reviewed within specified time periods by Market Risk are escalated to senior management. The lines of business are responsible for adhering to established limits against which exposures are monitored and reported.

Limit breaches are required to be reported in a timely manner by Risk Management to limit approvers, Market Risk and senior management. In the event of a breach, Market Risk consults with Firm senior management and lines of business senior management to determine the appropriate course of action required to return to compliance, which may include a reduction in risk in order to remedy the breach. Certain Firm or line of business-level limits that have been breached for three business days or longer, or by more than 30%, are escalated to senior management and the Firmwide Risk Committee.

The following table summarizes by LOB the predominant business activities that give rise to market risk, and the market risk management tools utilized to manage those risks; CB is not presented in the table below as it does not give rise to significant market risk.

Risk identification and classification for business activities

LOB	Predominant business activities and related market risks	Positions included in Risk Management VaR	Positions included in other risk measures *(Not included in Risk Management VaR)*
CIB	• Makes markets and services clients across fixed income, foreign exchange, equities and commodities • Market risk arising from a potential decline in net income as a result of changes in market prices; e.g. rates and credit spreads	• Market risk[(a)] related to: • Trading assets/liabilities - debt and equity instruments, and derivatives, including hedges of the retained loan portfolio and CVA • Certain securities purchased under resale agreements and securities borrowed • Certain securities loaned or sold under repurchase agreements • Structured notes • Derivative CVA	• Principal investing activities • Retained loan portfolio • Deposits • DVA and FVA on derivatives and structured notes
CCB	• Originates and services mortgage loans • Complex, non-linear interest rate and basis risk • Non-linear risk arises primarily from prepayment options embedded in mortgages and changes in the probability of newly originated mortgage commitments actually closing • Basis risk results from differences in the relative movements of the rate indices underlying mortgage exposure and other interest rates	*Mortgage Banking* • Mortgage pipeline loans, classified as derivatives • Warehouse loans, classified as trading assets - debt instruments • MSRs • Hedges of the MSRs and loans, classified as derivatives • Interest-only securities, classified as trading assets and related hedges classified as derivatives	• Retained loan portfolio • Deposits
Corporate	• Manages the Firm's liquidity, funding, structural interest rate and foreign exchange risks arising from activities undertaken by the Firm's four major reportable business segments	*Treasury and CIO* • Primarily derivative positions measured at fair value through earnings, classified as derivatives	• Private equity and other related investments • Investment securities portfolio and related hedges • Deposits • Long-term debt and related hedges
AM	• Market risk arising from the Firm's initial capital investments in products, such as mutual funds, managed by AM	• Initial seed capital investments and related hedges classified as derivatives	• Capital invested alongside third-party investors, typically in privately distributed collective vehicles managed by AM (i.e., co-Investments) • Retained loan portfolio • Deposits

(a) Market risk for derivatives is generally measured after consideration of DVA and FVA on those positions; market risk for structured notes is generally measured without consideration to such adjustments.

Value-at-risk

JPMorgan Chase utilizes VaR, a statistical risk measure, to estimate the potential loss from adverse market moves in a normal market environment. The Firm has a single overarching VaR model framework used for calculating Risk Management VaR and Regulatory VaR.

The framework is employed across the Firm using historical simulation based on data for the previous 12 months. The framework's approach assumes that historical changes in market values are representative of the distribution of potential outcomes in the immediate future. The Firm believes the use of Risk Management VaR provides a stable measure of VaR that closely aligns to the day-to-day risk management decisions made by the lines of business and provides necessary/appropriate information to respond to risk events on a daily basis.

Risk Management VaR is calculated assuming a one-day holding period and an expected tail-loss methodology which approximates a 95% confidence level. This means that, assuming current changes in market values are consistent with the historical changes used in the simulation, the Firm would expect to incur VaR "band breaks," defined as losses greater than that predicted by VaR estimates, not more than five times every 100 trading days. The number of VaR band breaks observed can differ from the statistically expected number of band breaks if the current level of market volatility is materially different from the level of market volatility during the twelve months of historical data used in the VaR calculation.

Underlying the overall VaR model framework are individual VaR models that simulate historical market returns for individual products and/or risk factors. To capture material market risks as part of the Firm's risk management framework, comprehensive VaR model calculations are performed daily for businesses whose activities give rise to market risk. These VaR models are granular and incorporate numerous risk factors and inputs to simulate daily changes in market values over the historical period; inputs are selected based on the risk profile of each portfolio as sensitivities and historical time series used to generate daily market values may be different across product types or risk management systems. The VaR model results across all portfolios are aggregated at the Firm level.

Data sources used in VaR models may be the same as those used for financial statement valuations. However, in cases where market prices are not observable, or where proxies are used in VaR historical time series, the sources may differ. In addition, the daily market data used in VaR models may be different than the independent third-party data collected for VCG price testing in their monthly valuation process (see Valuation process in Note 3 for further information on the Firm's valuation process). VaR model calculations require daily data and a consistent source for valuation and therefore it is not practical to use the data collected in the VCG monthly valuation process.

VaR provides a consistent framework to measure risk profiles and levels of diversification across product types and is used for aggregating risks across businesses and monitoring limits. These VaR results are reported to senior management, the Board of Directors and regulators.

Since VaR is based on historical data, it is an imperfect measure of market risk exposure and potential losses, and it is not used to estimate the impact of stressed market conditions or to manage any impact from potential stress events. In addition, based on their reliance on available historical data, limited time horizons, and other factors, VaR measures are inherently limited in their ability to measure certain risks and to predict losses, particularly those associated with market illiquidity and sudden or severe shifts in market conditions. The Firm therefore considers other measures in addition to VaR, such as stress testing, to capture and manage its market risk positions.

In addition, for certain products, specific risk parameters are not captured in VaR due to the lack of inherent liquidity and availability of appropriate historical data. The Firm uses proxies to estimate the VaR for these and other products when daily time series are not available. It is likely that using an actual price-based time series for these products, if available, would affect the VaR results presented.

The Firm uses alternative methods to capture and measure those risk parameters that are not otherwise captured in VaR, including economic-value stress testing and nonstatistical measures as described further below.

The Firm's VaR model calculations are periodically evaluated and enhanced in response to changes in the composition of the Firm's portfolios, changes in market conditions, improvements in the Firm's modeling techniques and other factors. Such changes will also affect historical comparisons of VaR results. Model changes go through a review and approval process by the Model Review Group prior to implementation into the operating environment. For further information, see Model risk on page 139.

Separately, the Firm calculates a daily aggregated VaR in accordance with regulatory rules ("Regulatory VaR"), which is used to derive the Firm's regulatory VaR-based capital requirements under Basel III. This Regulatory VaR model framework currently assumes a ten business-day holding period and an expected tail loss methodology which approximates a 99% confidence level. Regulatory VaR is applied to "covered" positions as defined by Basel III, which may be different than the positions included in the Firm's Risk Management VaR. For example, credit derivative hedges of accrual loans are included in the Firm's Risk Management VaR, while Regulatory VaR excludes these credit derivative hedges. In addition, in contrast to the Firm's Risk Management VaR, Regulatory VaR currently excludes the diversification benefit for certain VaR models.

For additional information on Regulatory VaR and the other components of market risk regulatory capital (e.g. VaR-based measure, stressed VaR-based measure and the respective backtesting) for the Firm, see JPMorgan Chase's Basel III Pillar 3 Regulatory Capital Disclosures reports, which are available on the Firm's website (http://investor.shareholder.com/jpmorganchase/basel.cfm).

The table below shows the results of the Firm's Risk Management VaR measure using a 95% confidence level.

Total VaR

As of or for the year ended December 31,	2014			2013			At December 31,	
(in millions)	Avg.	Min	Max	Avg.	Min	Max	2014	2013
CIB trading VaR by risk type								
Fixed income	$ 34	$ 23	$ 45	$ 43	$ 23	$ 62	$ 34	$ 36
Foreign exchange	8	4	25	7	5	11	8	9
Equities	15	10	23	13	9	21	22	14
Commodities and other	8	5	14	14	11	18	6	13
Diversification benefit to CIB trading VaR	(30) [(a)]	NM [(b)]	NM [(b)]	(34) [(a)]	NM [(b)]	NM [(b)]	(32) [(a)]	(36) [(a)]
CIB trading VaR	35	24	49	43	21	66	38	36
Credit portfolio VaR	13	8	18	13	10	18	16	11
Diversification benefit to CIB VaR	(8) [(a)]	NM [(b)]	NM [(b)]	(9) [(a)]	NM [(b)]	NM [(b)]	(9) [(a)]	(5) [(a)]
CIB VaR	40	29	56	47	25	74	45	42
Mortgage Banking VaR	7	2	28	12	4	24	3	5
Treasury and CIO VaR [(c)]	4	3	6	6	3	14	4	4
Asset Management VaR	3	2	4	4	2	5	2	3
Diversification benefit to other VaR	(4) [(a)]	NM [(b)]	NM [(b)]	(8) [(a)]	NM [(b)]	NM [(b)]	(3) [(a)]	(5) [(a)]
Other VaR	10	5	27	14	6	28	6	7
Diversification benefit to CIB and other VaR	(7) [(a)]	NM [(b)]	NM [(b)]	(9) [(a)]	NM [(b)]	NM [(b)]	(5) [(a)]	(5) [(a)]
Total VaR	$ 43	$ 30	$ 70	$ 52	$ 29	$ 87	$ 46	$ 44

(a) Average portfolio VaR and period-end portfolio VaR were less than the sum of the VaR of the components described above, which is due to portfolio diversification. The diversification effect reflects the fact that risks are not perfectly correlated.
(b) Designated as not meaningful ("NM"), because the minimum and maximum may occur on different days for distinct risk components, and hence it is not meaningful to compute a portfolio-diversification effect.
(c) The Treasury and CIO VaR includes Treasury VaR as of the third quarter of 2013.

As presented in the table above, average Total VaR and average CIB VaR decreased during 2014, compared with 2013. The decrease in Total VaR was primarily due to risk reduction in CIB and Mortgage Banking as well as lower volatility in the historical one-year look-back period during 2014 versus 2013.

Average CIB trading VaR decreased during 2014 primarily due to lower VaR in Fixed Income (driven by unwinding of risk and redemptions in the synthetic credit portfolio, and lower volatility in the historical one-year look-back period) and to reduced risk positions in commodities.

Average Mortgage Banking VaR decreased during 2014 as a result of reduced exposures due to lower loan originations.

Average Treasury and CIO VaR decreased during 2014, compared with 2013. The decrease predominantly reflected the unwind and roll-off of certain marked to market positions, and lower market volatility in the historical one-year look-back period.

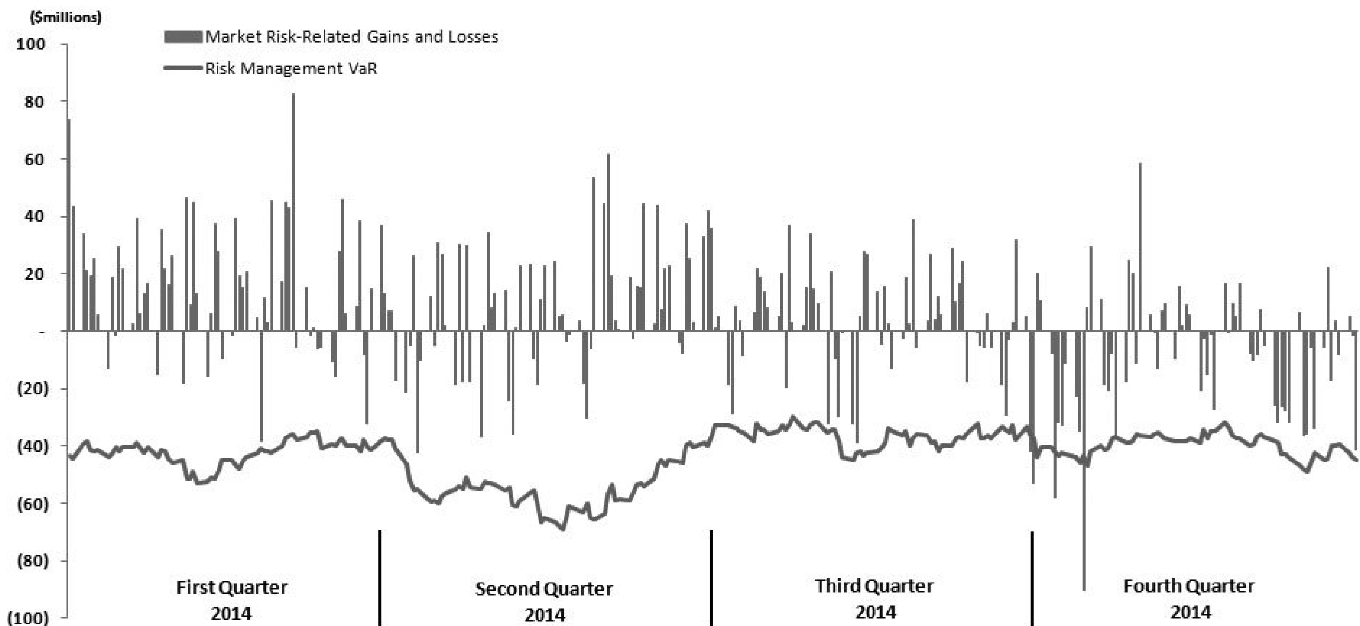
The Firm's average Total VaR diversification benefit was $7 million or 16% of the sum for 2014, compared with $9 million or 17% of the sum for 2013. In general, over the course of the year, VaR exposure can vary significantly as positions change, market volatility fluctuates and diversification benefits change.

VaR back-testing

The Firm evaluates the effectiveness of its VaR methodology by back-testing, which compares the daily Risk Management VaR results with the daily gains and losses recognized on market-risk related revenue.

The Firm's definition of market risk-related gains and losses is consistent with the definition used by the banking regulators under Basel III. Under this definition market risk-related gains and losses are defined as: profits and losses on the Firm's Risk Management positions, excluding fees, commissions, certain valuation adjustments (e.g., liquidity and DVA), net interest income, and gains and losses arising from intraday trading.

The following chart compares the daily market risk-related gains and losses on the Firm's Risk Management positions for the year ended December 31, 2014. As the chart presents market risk-related gains and losses related to those positions included in the Firm's Risk Management VaR, the results in the table below differ from the results of backtesting disclosed in the Market Risk section of the Firm's Basel III Pillar 3 Regulatory Capital Disclosures reports, which are based on Regulatory VaR applied to covered positions. The chart shows that for the year ended December 31, 2014, the Firm observed five VaR band breaks and posted gains on 157 of the 260 days in this period.



Other risk measures

Economic-value stress testing

Along with VaR, stress testing is an important tool in measuring and controlling risk. While VaR reflects the risk of loss due to adverse changes in markets using recent historical market behavior as an indicator of losses, stress testing is intended to capture the Firm's exposure to unlikely but plausible events in abnormal markets. The Firm runs weekly stress tests on market-related risks across the lines of business using multiple scenarios that assume significant changes in risk factors such as credit spreads, equity prices, interest rates, currency rates or commodity prices. The framework uses a grid-based approach, which calculates multiple magnitudes of stress for both market rallies and market sell-offs for each risk factor. Stress-test results, trends and explanations based on current market risk positions are reported to the Firm's senior management and to the lines of business to allow them to better understand the sensitivity of positions to certain defined events and to enable them to manage their risks with more transparency.

Stress scenarios are defined and reviewed by Market Risk, and significant changes are reviewed by the relevant Risk Committees. While most of the scenarios estimate losses based on significant market moves, such as an equity market collapse or credit crisis, the Firm also develops scenarios to quantify risk arising from specific portfolios or concentrations of risks, which attempt to capture certain idiosyncratic market movements. Scenarios may be redefined on an ongoing basis to reflect current market conditions. Ad hoc scenarios are run in response to specific market events or concerns. The Firm's stress testing framework is utilized in calculating results under scenarios mandated by the Federal Reserve's CCAR and ICAAP ("Internal Capital Adequacy Assessment Process") processes.

Nonstatistical risk measures

Nonstatistical risk measures include sensitivities to variables used to value positions, such as credit spread sensitivities, interest rate basis point values and market values. These measures provide granular information on the Firm's market risk exposure. They are aggregated by line-of-business and by risk type, and are used for tactical control and monitoring limits.

Loss advisories and profit and loss drawdowns

Loss advisories and profit and loss drawdowns are tools used to highlight trading losses above certain levels of risk tolerance. Profit and loss drawdowns are defined as the decline in net profit and loss since the year-to-date peak revenue level.

Earnings-at-risk

The VaR and stress-test measures described above illustrate the total economic sensitivity of the Firm's Consolidated balance sheets to changes in market variables. The effect of interest rate exposure on the Firm's reported net income is also important as interest rate risk represents one of the Firm's significant market risks. Interest rate risk arises not only from trading activities but also from the Firm's traditional banking activities, which include extension of loans and credit facilities, taking deposits and issuing debt. The Firm evaluates its structural interest rate risk exposure through earnings-at-risk, which measures the extent to which changes in interest rates will affect the Firm's core net interest income (see page 78 for further discussion of core net interest income) and interest rate-sensitive fees. Earnings-at-risk excludes the impact of trading activities and MSR, as these sensitivities are captured under VaR.

The CIO, Treasury and Corporate ("CTC") Risk Committee establishes the Firm's structural interest rate risk policies and market risk limits, which are subject to approval by the Risk Policy Committee of the Firm's Board of Directors. CIO, working in partnership with the lines of business, calculates the Firm's structural interest rate risk profile and reviews it with senior management including the CTC Risk Committee and the Firm's ALCO. In addition, oversight of structural interest rate risk is managed through a dedicated risk function reporting to the CTC CRO. This risk function is responsible for providing independent oversight and governance around assumptions; and establishing and monitoring limits for structural interest rate risk.

Structural interest rate risk can occur due to a variety of factors, including:

- Differences in the timing among the maturity or repricing of assets, liabilities and off-balance sheet instruments.
- Differences in the amounts of assets, liabilities and off-balance sheet instruments that are repricing at the same time.
- Differences in the amounts by which short-term and long-term market interest rates change (for example, changes in the slope of the yield curve).
- The impact of changes in the maturity of various assets, liabilities or off-balance sheet instruments as interest rates change.

The Firm manages interest rate exposure related to its assets and liabilities on a consolidated, corporate-wide basis. Business units transfer their interest rate risk to Treasury through a transfer-pricing system, which takes into account the elements of interest rate exposure that can be risk-managed in financial markets. These elements include asset and liability balances and contractual rates of interest, contractual principal payment schedules, expected prepayment experience, interest rate reset dates and maturities, rate indices used for repricing, and any interest rate ceilings or floors for adjustable rate products. All transfer-pricing assumptions are dynamically reviewed.

The Firm manages structural interest rate risk generally through its investment securities portfolio and related derivatives.

The Firm conducts simulations of changes in structural interest rate-sensitive revenue under a variety of interest rate scenarios. Earnings-at-risk scenarios estimate the potential change in this revenue, and the corresponding impact to the Firm's pretax core net interest income, over the following 12 months, utilizing multiple assumptions as described below. These scenarios highlight exposures to changes in interest rates, pricing sensitivities on deposits, optionality and changes in product mix. The scenarios include forecasted balance sheet changes, as well as prepayment and reinvestment behavior. Mortgage prepayment assumptions are based on current interest rates compared with underlying contractual rates, the time since origination, and other factors which are updated periodically based on historical experience.

JPMorgan Chase's 12-month pretax core net interest income sensitivity profiles.
(Excludes the impact of trading activities and MSRs)

	Instantaneous change in rates			
(in millions)	+200 bps	+100 bps	-100 bps	-200 bps
December 31, 2014	**$ 4,667**	**$ 2,864**	**NM** [(a)]	**NM** [(a)]

(a) Downward 100- and 200-basis-points parallel shocks result in a federal funds target rate of zero and negative three- and six-month U.S. Treasury rates. The earnings-at-risk results of such a low-probability scenario are not meaningful.

The Firm's benefit to rising rates is largely a result of reinvesting at higher yields and assets re-pricing at a faster pace than deposits.

Additionally, another interest rate scenario used by the Firm – involving a steeper yield curve with long-term rates rising by 100 basis points and short-term rates staying at current levels – results in a 12-month pretax core net interest income benefit of $566 million. The increase in core net interest income under this scenario reflects the Firm reinvesting at the higher long-term rates, with funding costs remaining unchanged.

Country risk is the risk that a sovereign event or action alters the value or terms of contractual obligations of obligors, counterparties and issuers or adversely affects markets related to a particular country. The Firm has a comprehensive country risk management framework for assessing country risks, determining risk tolerance, and measuring and monitoring direct country exposures in the Firm. The Country Risk Management group is responsible for developing guidelines and policies for managing country risk in both emerging and developed countries. The Country Risk Management group actively monitors the various portfolios giving rise to country risk to ensure the Firm's country risk exposures are diversified and that exposure levels are appropriate given the Firm's strategy and risk tolerance relative to a country.

Country risk organization

The Country Risk Management group is an independent risk management function which works in close partnership with other risk functions to identify and monitor country risk within the Firm. The Firmwide Risk Executive for Country Risk reports to the Firm's CRO.

Country Risk Management is responsible for the following functions:

- Developing guidelines and policies consistent with a comprehensive country risk framework
- Assigning sovereign ratings and assessing country risks
- Measuring and monitoring country risk exposure and stress across the Firm
- Managing country limits and reporting trends and limit breaches to senior management
- Developing surveillance tools for early identification of potential country risk concerns
- Providing country risk scenario analysis

Country risk identification and measurement

The Firm is exposed to country risk through its lending, investing, and market-making activities, whether cross-border or locally funded. Country exposure includes activity with both government and private-sector entities in a country. Under the Firm's internal country risk management approach, country exposure is reported based on the country where the majority of the assets of the obligor, counterparty, issuer or guarantor are located or where the majority of its revenue is derived, which may be different than the domicile (legal residence) or country of incorporation of the obligor, counterparty, issuer or guarantor. Country exposures are generally measured by considering the Firm's risk to an immediate default of the counterparty or obligor, with zero recovery. Assumptions are sometimes required in determining the measurement and allocation of country exposure, particularly in the case of certain tranched credit derivatives. Different measurement approaches or assumptions would affect the amount of reported country exposure.

Under the Firm's internal country risk measurement framework:

- Lending exposures are measured at the total committed amount (funded and unfunded), net of the allowance for credit losses and cash and marketable securities collateral received.
- Securities financing exposures are measured at their receivable balance, net of collateral received.
- Debt and equity securities are measured at the fair value of all positions, including both long and short positions.
- Counterparty exposure on derivative receivables is measured at the derivative's fair value, net of the fair value of the related collateral. Counterparty exposure on derivatives can change significantly because of market movements.
- Credit derivatives protection purchased and sold is reported based on the underlying reference entity and is measured at the notional amount of protection purchased or sold, net of the fair value of the recognized derivative receivable or payable. Credit derivatives protection purchased and sold in the Firm's market-making activities is measured on a net basis, as such activities often result in selling and purchasing protection related to the same underlying reference entity; this reflects the manner in which the Firm manages these exposures.

The Firm also has indirect exposures to country risk (for example, related to the collateral received on securities financing receivables or related to client clearing activities). These indirect exposures are managed in the normal course of business through the Firm's credit, market, and operational risk governance, rather than through Country Risk Management.

The Firm's internal country risk reporting differs from the reporting provided under the Federal Financial Institutions Examination Council ("FFIEC") bank regulatory requirements as there are significant differences in reporting methodology. For further information on the FFIEC's reporting methodology, see Cross-border outstandings on page 325.

Country risk stress testing

The country risk stress framework aims to identify potential losses arising from a country crisis by capturing the impact of large asset price movements in a country based on market shocks combined with counterparty specific assumptions. Country Risk Management periodically defines and runs ad hoc stress scenarios for individual countries in response to specific market events and sector performance concerns.

Country risk monitoring and control

The Country Risk Management Group establishes guidelines for sovereign ratings reviews and limit management. Country stress and nominal exposures are measured under a comprehensive country limit framework. Country ratings and limits activity are actively monitored and reported on a regular basis. Country limit requirements are reviewed and approved by senior management as often as necessary, but at least annually. In addition, the Country Risk Management group uses surveillance tools for early identification of potential country risk concerns, such as signaling models and ratings indicators.

Country risk reporting

The following table presents the Firm's top 20 exposures by country (excluding the U.S.) as of December 31, 2014. The selection of countries is based solely on the Firm's largest total exposures by country, based on the Firm's internal country risk management approach, and does not represent the Firm's view of any actual or potentially adverse credit conditions. Country exposures may fluctuate from period-to-period due to normal client activity and market flows.

Top 20 country exposures

	December 31, 2014			
(in billions)	Lending[(a)]	Trading and investing[(b)(c)]	Other[(d)]	Total exposure
United Kingdom	$ 25.8	$ 31.1	$ 1.4	$ 58.3
Germany	23.5	21.6	0.2	45.3
Netherlands	6.1	19.2	2.1	27.4
France	11.4	15.2	0.2	26.8
China	10.8	7.0	0.5	18.3
Japan	11.5	5.5	0.4	17.4
Australia	6.4	10.8	–	17.2
Canada	12.4	4.2	0.3	16.9
Switzerland	9.3	1.7	2.3	13.3
India	5.8	6.2	0.6	12.6
Brazil	6.3	6.3	–	12.6
Korea	5.1	5.2	0.1	10.4
Spain	3.4	3.5	–	6.9
Hong Kong	1.7	4.1	1.0	6.8
Italy	2.4	3.4	0.2	6.0
Belgium	3.1	2.6	0.1	5.8
Taiwan	2.2	3.5	–	5.7
Singapore	3.1	1.9	0.5	5.5
Mexico	2.5	3.0	–	5.5
Luxembourg	3.5	0.3	1.1	4.9

(a) Lending includes loans and accrued interest receivable, net of collateral and the allowance for loan losses, deposits with banks, acceptances, other monetary assets, issued letters of credit net of participations, and undrawn commitments to extend credit. Excludes intra-day and operating exposures, such as from settlement and clearing activities.
(b) Includes market-making inventory, securities held in AFS accounts, counterparty exposure on derivative and securities financings net of collateral and hedging.
(c) Includes single-name and index and tranched credit derivatives for which one or more of the underlying reference entities is in a country listed in the above table.
(d) Includes capital invested in local entities and physical commodity inventory.

The Firm's country exposure to Russia was $4.2 billion at December 31, 2014. The Firm is closely monitoring events in the region, and assessing the impact of falling oil prices, a weakening currency, ongoing sanctions and potential countermeasures such as capital controls. The Firm is also focused on possible contagion effects, via trade, financial or political channels.

Model risk

Model risk is the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports.

The Firm uses models, for many purposes, but primarily for the measurement, monitoring and management of risk positions. Valuation models are employed by the Firm to value certain financial instruments that cannot otherwise be valued using quoted prices. These valuation models may also be employed as inputs to risk management models, including VaR and economic stress models. The Firm also makes use of models for a number of other purposes, including the calculation of regulatory capital requirements and estimating the allowance for credit losses.

Models are owned by various functions within the Firm based on the specific purposes of such models. For example, VaR models and certain regulatory capital models are owned by the line of business-aligned risk management functions. Owners of models are responsible for the development, implementation and testing of their models, as well as referral of models to the Model Risk function (within the Model Risk and Development unit) for review and approval. Once models have been approved, model owners are responsible for the maintenance of a robust operating environment and must monitor and evaluate the performance of the models on an ongoing basis. Model owners may seek to enhance models in response to changes in the portfolios and for changes in product and market developments, as well as to capture improvements in available modeling techniques and systems capabilities.

The Model Risk review and governance functions are independent of the model owners and they review and approve a wide range of models, including risk management, valuation and regulatory capital models used by the Firm. The Model Risk review and governance functions are part of the Firm's Model Risk and Development unit, and the Firmwide Model Risk and Development Executive reports to the Firm's CRO.

Models are tiered based on an internal standard according to their complexity, the exposure associated with the model and the Firm's reliance on the model. This tiering is subject to the approval of the Model Risk function. A model review conducted by the Model Risk function considers the model's suitability for the specific uses to which it will be put. The factors considered in reviewing a model include whether the model accurately reflects the characteristics of the product and its significant risks, the selection and reliability of model inputs, consistency with models for similar products, the appropriateness of any model-related adjustments, and sensitivity to input parameters and assumptions that cannot be observed from the market. When reviewing a model, the Model Risk function analyzes and challenges the model methodology and the reasonableness of model assumptions and may perform or require additional testing, including back-testing of model outcomes. Model reviews are approved by the appropriate level of management within the Model Risk function based on the relevant tier of the model.

Under the Firm's model risk policy, new models, as well as material changes to existing models, are reviewed and approved by the Model Risk function prior to implementation in the operating environment.

In the event that the Model Risk function does not approve a model, the model owner is required to remediate the model within a time period agreed upon with the Model Risk function. The model owner is also required to resubmit the model for review to the Model Risk function and to take appropriate actions to mitigate the model risk if it is to be used in the interim. These actions will depend on the model and may include, for example, limitation of trading activity. The Firm may also implement other appropriate risk measurement tools to augment the model that is subject to remediation. In certain circumstances, exceptions to the Firm's model risk policy may be granted by the head of the Model Risk function to allow a model to be used prior to review or approval.

For a summary of valuations based on models, see Critical Accounting Estimates Used by the Firm and Note 3.

PRINCIPAL RISK MANAGEMENT

Principal investments are predominantly privately-held financial assets and instruments, typically representing an ownership or junior capital position, that have unique risks due to their illiquidity or for which there is less observable market or valuation data. Such investing activities are typically intended to be held over extended investment periods and, accordingly, the Firm has no expectation for short-term gain with respect to these investments. Principal investments cover multiple asset classes and are made either in stand-alone investing businesses or as part of a broader business platform. Asset classes include tax-oriented investments including affordable housing and alternative energy investments, private equity, and mezzanine/junior debt investments.

The Firm's principal investments are managed under various lines of business and are captured within the respective LOB's financial results. The Firm's approach to managing principal risk is consistent with the Firm's general risk governance structure. A Firmwide risk policy framework exists for all principal investing activities. All investments are approved by investment committees that include executives who are independent from the investing businesses. The Firm's independent control functions are responsible for reviewing the appropriateness of the carrying value of principal investments in accordance with relevant policies. Targeted levels for total and annual investments are established in order to manage the overall size of the portfolios. Industry, geographic, and position level concentration limits are in place intended to ensure diversification of the portfolios. The Firm also conducts stress testing on these portfolios using specific scenarios that estimate losses based on significant market moves and/or other risk events.

The Firm has taken steps to reduce its exposure to principal investments, selling portions of Corporate's One Equity Partners private equity portfolio and the CIB's Global Special Opportunities Group equity and mezzanine financing portfolio.

Operational risk is the risk of loss resulting from inadequate or failed processes or systems or due to external events that are neither market nor credit-related. Operational risk is inherent in the Firm's activities and can manifest itself in various ways, including fraudulent acts, business interruptions, inappropriate behavior of employees, failure to comply with applicable laws and regulations or failure of vendors to perform in accordance with their arrangements. These events could result in financial losses, litigation and regulatory fines, as well as other damage to the Firm. The goal is to keep operational risk at appropriate levels, in light of the Firm's financial strength, the characteristics of its businesses, the markets in which it operates, and the competitive and regulatory environment to which it is subject.

Overview

To monitor and control operational risk, the Firm maintains an overall Operational Risk Management Framework ("ORMF") which comprises governance oversight, risk assessment, capital measurement, and reporting and monitoring. The ORMF is intended to enable the Firm to function with a sound and well-controlled operational environment.

Risk Management is responsible for prescribing the ORMF to the lines of business and corporate functions and to provide independent oversight of its implementation. In 2014, Operational Risk Officers ("OROs") were appointed across each line of business and corporate function to provide this independent oversight.

The lines of business and corporate functions are responsible for implementing the ORMF. The Firmwide Oversight and Control Group, comprised of dedicated control officers within each of the lines of business and corporate functional areas, as well as a central oversight team, is responsible for day to day review and monitoring of ORMF execution.

Operational risk management framework

The components of the Operational Risk Management Framework are:

Oversight and governance

Control committees oversee the operational risks and control environment of the respective line of business, function or region. These committees escalate operational risk issues to their respective line of business, function or regional Risk committee and also escalate significant risk issues (and/or risk issues with potential Firmwide impact) to the Firmwide Control Committee ("FCC"). The FCC provides a monthly forum for reviewing and discussing Firmwide operational risk metrics and management, including existing and emerging issues, and reviews execution against the ORMF. It escalates significant issues to the Firmwide Risk Committee, as appropriate. For additional information on the Firmwide Control Committee, see Risk Governance on pages 106–109.

Risk self-assessment

In order to evaluate and monitor operational risk, the lines of business and functions utilize the Firm's standard risk and control self-assessment ("RCSA") process and supporting architecture. The RCSA process requires management to identify material inherent operational risks, assess the design and operating effectiveness of relevant controls in place to mitigate such risks, and evaluate residual risk. Action plans are developed for control issues that are identified, and businesses are held accountable for tracking and resolving issues on a timely basis. Commencing in 2015, Risk Management will perform sample independent challenge of the RCSA program.

Risk reporting and monitoring

Operational risk management and control reports provide information, including actual operational loss levels, self-assessment results and the status of issue resolution to the lines of business and senior management. The purpose of these reports is to enable management to maintain operational risk at appropriate levels within each line of business, to escalate issues and to provide consistent data aggregation across the Firm's businesses and functions.

The Firm has a process for capturing, tracking and monitoring operational risk events. The Firm analyzes errors and losses and identifies trends. Such analysis enables identification of the causes associated with risk events faced by the lines of business.

Capital measurement

Operational risk capital is measured primarily using a statistical model based on the Loss Distribution Approach ("LDA"). The operational risk capital model uses actual losses (internal and external to the Firm), an inventory of material forward-looking potential loss scenarios and adjustments to reflect changes in the quality of the control environment in determining Firmwide operational risk capital. This methodology is designed to comply with the Advanced Measurement rules under the Basel framework.

The Firm's capital methodology incorporates four required elements of the Advanced Measurement Approach ("AMA"):

- Internal losses,
- External losses,
- Scenario analysis, and
- Business environment and internal control factors ("BEICF").

The primary component of the operational risk capital estimate is the result of a statistical model, the LDA, which simulates the frequency and severity of future operational risk losses based on historical data. The LDA model is used to estimate an aggregate operational loss over a one-year time horizon, at a 99.9% confidence level. The LDA model incorporates actual operational losses in the quarter following the period in which those losses were realized,

and the calculation generally continues to reflect such losses even after the issues or business activities giving rise to the losses have been remediated or reduced.

The LDA is supplemented by both management's view of plausible tail risk, which is captured as part of the Scenario Analysis process, and evaluation of key LOB internal control metrics (BEICF). The Firm may further supplement such analysis to incorporate management judgment and feedback from its bank regulators. For information related to operational risk RWA, see Regulatory capital on pages 146–153.

Audit alignment

Internal Audit utilizes a risk-based program of audit coverage to provide an independent assessment of the design and effectiveness of key controls over the Firm's operations, regulatory compliance and reporting. This includes reviewing the operational risk framework, the effectiveness of the RCSA process, and the loss data-collection and reporting activities.

Insurance

One of the ways operational loss is mitigated is through insurance maintained by the Firm. The Firm purchases insurance to be in compliance with local laws and regulations (e.g., workers compensation), as well as to serve other needs (e.g., property loss and public liability). Insurance may also be required by third parties with whom the Firm does business. The insurance purchased is reviewed and approved by senior management.

Cybersecurity

The Firm devotes significant resources to maintain and regularly update its systems and processes that are designed to protect the security of the Firm's computer systems, software, networks and other technology assets against attempts by unauthorized parties to obtain access to confidential information, destroy data, disrupt or degrade service, sabotage systems or cause other damage. In 2014, the Firm spent more than $250 million, and had approximately 1,000 people focused on cybersecurity efforts, and these efforts are expected to grow significantly over the coming years.

Third parties with which the Firm does business or that facilitate the Firm's business activities (e.g., vendors, exchanges, clearing houses, central depositories, and financial intermediaries) could also be sources of cybersecurity risk to the Firm, including with respect to breakdowns or failures of their systems, misconduct by the employees of such parties, or cyberattacks which could affect their ability to deliver a product or service to the Firm or result in lost or compromised information of the Firm or its clients. In addition, customers with which or whom the Firm does business can also be sources of cybersecurity risk to the Firm, particularly when their activities and systems are beyond the Firm's own security and control systems. Customers will generally be responsible for losses incurred due to their own failure to maintain the security of their own systems and processes.

The Firm and several other U.S. financial institutions have experienced significant distributed denial-of-service attacks from technically sophisticated and well-resourced unauthorized parties which are intended to disrupt online banking services. The Firm and its clients are also regularly targeted by unauthorized parties using malicious code and viruses.

On September 10, 2014, the Firm disclosed that a cyberattack against the Firm had occurred. On October 2, 2014, the Firm updated that information and disclosed that, while user contact information (name, address, phone number and email address) and internal JPMorgan Chase information relating to such users had been compromised, there had been no evidence that account information for such affected customers -- account numbers, passwords, user IDs, dates of birth or Social Security numbers -- was compromised during the attack. The Firm continues to vigilantly monitor the situation. In addition, as of the October 2, 2014 announcement, as well as of the date of this Annual Report, the Firm has not seen any unusual customer fraud related to this incident. The Firm is cooperating with government agencies in connection with their investigation of the incident. The Firm also notified its customers that they were not liable for unauthorized transactions in their accounts attributable to this attack that they promptly alerted the Firm about.

The Firm has established, and continues to establish, defenses on an ongoing basis to mitigate this and other possible future attacks. The cyberattacks experienced to date have not resulted in any material disruption to the Firm's operations or had a material adverse effect on the Firm's results of operations. The Board of Directors and the Audit Committee are regularly apprised regarding the cybersecurity policies and practices of the Firm as well as the Firm's efforts regarding this attack and other significant cybersecurity events.

Cybersecurity attacks, like the one experienced by the Firm, highlight the need for continued and increased cooperation among businesses and the government, and the Firm continues to work with the appropriate government and law enforcement agencies and other businesses, including the Firm's third-party service providers, to continue to enhance defenses and improve resiliency to cybersecurity threats.

Business and Technology Resiliency

JPMorgan Chase's global resiliency and crisis management program is intended to ensure that the Firm has the ability to recover its critical business functions and supporting assets (i.e., staff, technology and facilities) in the event of a business interruption, and to remain in compliance with global laws and regulations as they relate to resiliency risk. The program includes corporate governance, awareness and training, as well as strategic and tactical initiatives aimed to ensure that risks are properly identified, assessed, and managed.

The Firm has established comprehensive tracking and reporting of resiliency plans in order to proactively anticipate and manage various potential disruptive circumstances such as severe weather, technology and communications outages, flooding, mass transit shutdowns and terrorist threats, among others. The resiliency measures utilized by the Firm include backup infrastructure for data centers, a geographically distributed workforce, dedicated recovery facilities, providing technological capabilities to support remote work capacity for displaced staff and accommodation of employees at alternate locations. JPMorgan Chase continues to coordinate its global resiliency program across the Firm and mitigate business continuity risks by reviewing and testing recovery procedures. The strength and proficiency of the Firm's global resiliency program has played an integral role in maintaining the Firm's business operations during and quickly after various events in 2014 that have resulted in business interruptions, such as severe winter weather in the U.S., tropical storms in the Philippines, and geopolitical events in Brazil and Hong Kong.

LEGAL RISK MANAGEMENT

Legal risk is the risk of loss or imposition of damages, fines, penalties or other liability arising from failure to comply with a contractual obligation or to comply with laws or regulations to which the Firm is subject.

Overview

In addition to providing legal services and advice to the Firm, and communicating and helping the lines business adjust to the legal and regulatory changes they face, including the heightened scrutiny and expectations of the Firm's regulators, the global Legal function is responsible for working with the businesses and corporate functions to fully understand and assess their adherence to laws and regulations, as well as potential exposures on key litigation and transactional matters. In particular, Legal assists Oversight & Control, Risk, Finance, Compliance and Internal Audit in their efforts to ensure compliance with all applicable laws and regulations and the Firm's corporate standards for doing business. The Firm's lawyers also advise the Firm on potential legal exposures on key litigation and transactional matters, and perform a significant defense and advocacy role by defending the Firm against claims and potential claims and, when needed, pursuing claims against others.

Governance and Oversight

The Firm's General Counsel reports to the CEO and is a member of the Operating Committee, the Firmwide Risk Committee and the Firmwide Control Committee. The General Counsel's leadership team includes a General Counsel for each line of business, the heads of the Litigation and Corporate & Regulatory practices, as well as the Firm's Corporate Secretary. Each region (e.g., Latin America, Asia Pacific) has a General Counsel who is responsible for managing legal risk across all lines of business and functions in the region.

Legal works with various committees (including new business initiative and reputation risk committees) and the Firm's businesses to protect the Firm's reputation beyond any particular legal requirements. In addition, the Firm's Conflicts Office examines the Firm's wholesale transactions that may have the potential to create conflicts of interest for the Firm.

COMPLIANCE RISK MANAGEMENT

Compliance risk is the risk fines or sanctions or of financial damage or loss due to the failure to comply with laws, rules, and regulations.

Overview

Global Compliance Risk Management's ("Compliance") role is to identify, measure, monitor, and report on and provide oversight regarding compliance risks arising from business operations, and provide guidance on how the Firm can mitigate these risks.

While each line of business is accountable for managing its compliance risk, the Firm's Compliance teams work closely with the Operating Committee and senior management to provide independent review and oversight of the lines of business operations, with a focus on compliance with applicable global, regional and local laws and regulations. In recent years, the Firm has experienced heightened scrutiny by its regulators of its compliance with regulations, and with respect to its controls and operational processes. The Firm expects such regulatory scrutiny will continue.

Governance and Oversight

Compliance operates independent of the lines of business, and is led by the Chief Compliance Officer ("CCO") who reports directly to the Firm's COO. The Firm maintains oversight and coordination in its Compliance Risk Management practices globally through ongoing dialog and reporting between the lines of business, Regional Chief Compliance Officers and the CCO regarding significant compliance and regulatory management matters, as well as implementation of the Compliance program across the lines of business and Regions.

The Firm has in place a Code of Conduct (the "Code"), and each employee is given annual training in respect of the Code and is required annually to affirm his or her compliance with the Code. The Code sets forth the Firm's core principles and fundamental values, including that no employee should ever sacrifice integrity - or give the impression that he or she has - even if one thinks it would help the Firm's business. The Code requires prompt reporting of any known or suspected violation of the Code, any internal Firm policy, or any law or regulation applicable to the Firm's business. It also requires the reporting of any illegal conduct, or conduct that violates the underlying principles of the Code, by any of the Firm's customers, suppliers, contract workers, business partners, or agents. Specified employees are specially trained and designated as "code specialists" who act as a resource to employees on Code of Conduct matters. In addition, concerns may be reported anonymously and the Firm prohibits retaliation against employees for the good faith reporting of any actual or suspected violations of the Code.

FIDUCIARY RISK MANAGEMENT

Fiduciary risk is the risk of a failure to exercise the applicable high standard of care, to act in the best interests of clients or to treat clients fairly, as required under applicable law or regulation.

Depending on the fiduciary activity and capacity in which the Firm is acting, federal and state statutes and regulations, and common law require the Firm to adhere to specific duties in which the Firm must always place the client's interests above its own.

Fiduciary risk governance

Fiduciary Risk Management is the responsibility of the relevant LOB risk and/or other governance committees. Senior business, legal, risk and compliance managers, who have particular responsibility for fiduciary matters, work with the relevant LOB risk committees with the goal of ensuring that businesses providing investment, trusts and estates, or other fiduciary products or services that give rise to fiduciary duties to clients perform at the appropriate standard relative to their fiduciary relationship with a client. Each LOB and its respective risk and/or other governance committees are responsible for the oversight and management of the fiduciary risks in their businesses. Of particular focus are the policies and practices that address a business's responsibilities to a client, including performance and service requirements and expectations; client suitability determinations; and disclosure obligations and communications. In this way, the relevant LOB risk and/or other governance committees provide oversight of the Firm's efforts to monitor, measure and control the performance and delivery of the products or services to clients that may give rise to such fiduciary duties, as well as the Firm's fiduciary responsibilities with respect to the Firm's employee benefit plans.

The Firmwide Fiduciary Risk Committee ("FFRC") is a forum for risk matters related to the Firm's fiduciary activities and oversees the firmwide fiduciary risk governance framework. It supports the consistent identification and escalation of fiduciary risk matters by the relevant lines of business or corporate functions responsible for managing fiduciary activities. The committee escalates significant issues to the Firmwide Risk Committee and any other committee considered appropriate.

REPUTATION RISK MANAGEMENT

Reputation risk is the risk that an action, transaction, investment or event will reduce the trust that clients, shareholders, employees or the broader public has in the Firm's integrity or competence. Maintaining the Firm's reputation is the responsibility of each individual employee of the Firm. The Firm's Reputation Risk policy explicitly vests each employee with the responsibility to consider the reputation of the Firm when engaging in any activity. Since the types of events that could harm the Firm's reputation are so varied across the Firm's lines of business, each line of business has a separate reputation risk governance infrastructure in place, which comprises three key elements: clear, documented escalation criteria appropriate to the business footprint; a designated primary discussion forum – in most cases, one or more dedicated reputation risk committees; and a list of designated contacts. Line of business reputation risk governance is overseen by a Firmwide Reputation Risk Governance function, which provides oversight of the governance infrastructure and process to support the consistent identification, escalation, management and reporting of reputation risk issues firmwide.

CAPITAL MANAGEMENT

A strong capital position is essential to the Firm's business strategy and competitive position. The Firm's capital strategy focuses on long-term stability, which enables the Firm to build and invest in market-leading businesses, even in a highly stressed environment. Prior to making any decisions on future business activities, senior management considers the implications on the Firm's capital. In addition to considering the Firm's earnings outlook, senior management evaluates all sources and uses of capital with a view to preserving the Firm's capital strength. Maintaining a strong balance sheet to manage through economic volatility is considered a strategic imperative by the Firm's Board of Directors, CEO and Operating Committee. The Firm's balance sheet philosophy focuses on risk-adjusted returns, strong capital and reserves, and robust liquidity.

The Firm's capital management objectives are to hold capital sufficient to:

- Cover all material risks underlying the Firm's business activities;
- Maintain "well-capitalized" status under regulatory requirements;
- Maintain debt ratings that enable the Firm to optimize its funding mix and liquidity sources while minimizing costs;
- Retain flexibility to take advantage of future investment opportunities;
- Maintain sufficient capital in order to continue to build and invest in its businesses through the cycle and in stressed environments; and
- Distribute excess capital to shareholders while balancing other stated objectives.

These objectives are achieved through ongoing monitoring of the Firm's capital position, regular stress testing, and a capital governance framework. Capital management is intended to be flexible in order to react to a range of potential events. JPMorgan Chase has firmwide and LOB processes for ongoing monitoring and active management of its capital position.

Capital strategy and governance

The Firm's CEO, in conjunction with the Board and its subcommittees, establish principles and guidelines for capital planning, capital issuance, usage and distributions, and establish capital targets for the level and composition of capital in both business-as-usual and highly stressed environments.

The Firm's senior management recognizes the importance of a capital management function that supports strategic decision-making. The Firm has established the Capital Governance Committee and the Regulatory Capital Management Office ("RCMO") as key components in support of this objective. The Capital Governance Committee is responsible for reviewing the Firm's Capital Management Policy and the principles underlying capital issuance and distribution alternatives. The Committee is also responsible for governing the capital adequacy assessment process, including overall design, assumptions and risk streams, and ensuring that capital stress test programs are designed to adequately capture the idiosyncratic risks across the Firm's businesses. RCMO, which reports to the Firm's CFO, is responsible for reviewing, approving and monitoring the implementation of the Firm's capital policies and strategies, as well as its capital adequacy assessment process. The DRPC assesses the Firm's capital adequacy process and its components. This review determines the effectiveness of the capital adequacy process, the appropriateness of the risk tolerance levels, and the strength of the control infrastructure. For additional discussion on the DRPC, see Enterprise-wide Risk Management on pages 105–109.

Capital disciplines

In its capital management, the Firm uses three primary disciplines, which are further described below:

- *Regulatory capital*
- *Economic capital*
- *Line of business equity*

Regulatory capital

The Federal Reserve establishes capital requirements, including well-capitalized standards, for the consolidated financial holding company. The Office of the Comptroller of the Currency ("OCC") establishes similar capital requirements and standards for the Firm's national banks, including JPMorgan Chase Bank, N.A. and Chase Bank USA, N.A.

The U.S. capital requirements follow the Capital Accord of the Basel Committee, as amended from time to time. Prior to January 1, 2014, the Firm and its banking subsidiaries were subject to the capital requirements of Basel I and Basel 2.5. Effective January 1, 2014, the Firm became subject to Basel III (which incorporates Basel 2.5).

Basel III overview

Basel III, for U.S. bank holding companies and banks, revises, among other things, the definition of capital and introduces a new common equity Tier 1 capital ("CET1 capital") requirement; presents two comprehensive methodologies for calculating risk-weighted assets ("RWA"), a general (Standardized) approach, which replaces Basel I RWA ("Basel III Standardized") and an advanced approach, which replaces Basel II RWA ("Basel III Advanced"); and sets out minimum capital ratios and overall capital adequacy standards. Certain of the requirements of Basel III are subject to phase-in periods that began January 1, 2014 and continue through the end of 2018 ("Transitional period") as described below. Both Basel III Standardized and Basel III Advanced became effective commencing January 1, 2014 for large and internationally active U.S. bank holding companies and banks, including the Firm and its insured depository institution ("IDI") subsidiaries.

Prior to the implementation of Basel III Advanced, the Firm was required to complete a qualification period ("parallel run") during which it needed to demonstrate that it met the requirements of the rule to the satisfaction of its U.S. banking regulators. On February 21, 2014, the Federal Reserve and the OCC informed the Firm and its national bank subsidiaries that they had satisfactorily completed the parallel run requirements and were approved to calculate capital under Basel III Advanced, in addition to Basel III Standardized, as of April 1, 2014. In conjunction with its exit from the parallel run, the capital adequacy of the Firm and its national bank subsidiaries is evaluated against the Basel III approach (Standardized or Advanced) which results, for each quarter beginning with the second quarter of 2014, in the lower ratio (the "Collins Floor"), as required by the Collins Amendment of the Dodd-Frank Act.

Definition of capital

Basel III revises Basel I and II by narrowing the definition of capital and increasing the capital requirements for specific exposures. Under Basel III, CET1 capital predominantly includes common stockholders' equity (including capital for AOCI related to debt and equity securities classified as AFS as well as for defined benefit pension and other post-retirement employee benefit ("OPEB") plans), less certain deductions for goodwill, MSRs and deferred tax assets that arise from net operating loss ("NOL") and tax credit carryforwards. Tier 1 capital is predominantly comprised of CET1 capital as well as perpetual preferred stock. Tier 2 capital includes long-term debt qualifying as Tier 2 and qualifying allowance for credit losses. Total capital is Tier 1 capital plus Tier 2 capital. The revisions to CET1 capital, Tier 1 capital and Tier 2 capital are subject to phase-in periods that began January 1, 2014, and continue through the end of 2018, and during that period, CET1 capital, Tier 1 capital and Tier 2 capital represent Basel III Transitional capital.

Risk-weighted assets

Basel III establishes two comprehensive methodologies for calculating RWA (a Standardized approach and an Advanced approach) which include capital requirements for credit risk, market risk, and in the case of Basel III Advanced, also operational risk. Key differences in the calculation of credit risk RWA between the Standardized and Advanced approaches are that for Basel III Advanced, credit risk RWA is based on risk-sensitive approaches which largely rely on the use of internal credit models and parameters, whereas for Basel III Standardized, credit risk RWA is generally based on supervisory risk-weightings which vary primarily by counterparty type and asset class. Market risk RWA is calculated on a generally consistent basis between Basel III Standardized and Basel III Advanced, both of which incorporate the requirements set forth in Basel 2.5. In addition to the RWA calculated under these methodologies, the Firm may supplement such amounts to incorporate management judgment and feedback from its bank regulators.

Supplementary leverage ratio ("SLR")

Basel III also includes a requirement for Advanced Approach banking organizations, including the Firm, to calculate a SLR. The SLR, a non-GAAP financial measure, is defined as 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 potential future exposure.

On September 3, 2014, the U.S. banking regulators adopted a final rule for the calculation of the SLR. The U.S. final rule requires public disclosure of the SLR beginning with the first quarter of 2015, and also requires U.S. bank holding companies, including the Firm, to have a minimum SLR of at least 5% and IDI subsidiaries, including JPMorgan Chase Bank, N.A. and Chase Bank USA, N.A., to have a minimum SLR of at least 6%, both beginning January 1, 2018.

Capital ratios

The basis to calculate the Firm's capital ratios (both risk-based and leverage) under Basel III during the transitional period and when fully phased-in are shown in the table below.

		Transitional period			Fully Phased-In
		2014	**2015 – 2017**	**2018**	**2019+**
Capital (Numerator)		Basel III Transitional Capital[(a)]			Basel III Capital
RWA (Denominator)	Standardized Approach	Basel I with 2.5[(b)]	Basel III Standardized		
	Advanced Approach	Basel III Advanced			
Leverage (Denominator)	Tier 1 Leverage	Adjusted average assets[(c)]			
	Supplementary leverage		Adjusted average assets[(c)] + off-balance sheet exposures		

(a) Trust preferred securities ("TruPS") are being phased out from inclusion in Basel III capital commencing January 1, 2014, continuing through the end of 2021.
(b) Defined as Basel III Standardized Transitional for 2014. Beginning January 1, 2015, Basel III Standardized RWA is calculated under the Basel III definition of the Standardized Approach.
(c) Adjusted average assets, for purposes of calculating the leverage ratio and SLR, includes total quarterly average assets adjusted for unrealized gains/(losses) on securities, less deductions for disallowed goodwill and other intangible assets, investments in certain subsidiaries, and the total adjusted carrying value of nonfinancial equity investments that are subject to deductions from Tier 1 capital.

Risk-based capital regulatory minimums

The Basel III rules include minimum capital ratio requirements that are also subject to phase-in periods through January 1, 2019.

In addition to the regulatory minimum capital requirements, certain banking organizations, including the Firm, will be required to hold an additional 2.5% of CET1 capital to serve as a "capital conservation buffer." The capital conservation buffer is intended to be used to absorb potential losses in times of financial or economic stress; if not maintained, the Firm could be limited in the amount of capital that may be distributed, including dividends and common equity repurchases. The capital conservation buffer will be phased-in beginning January 1, 2016.

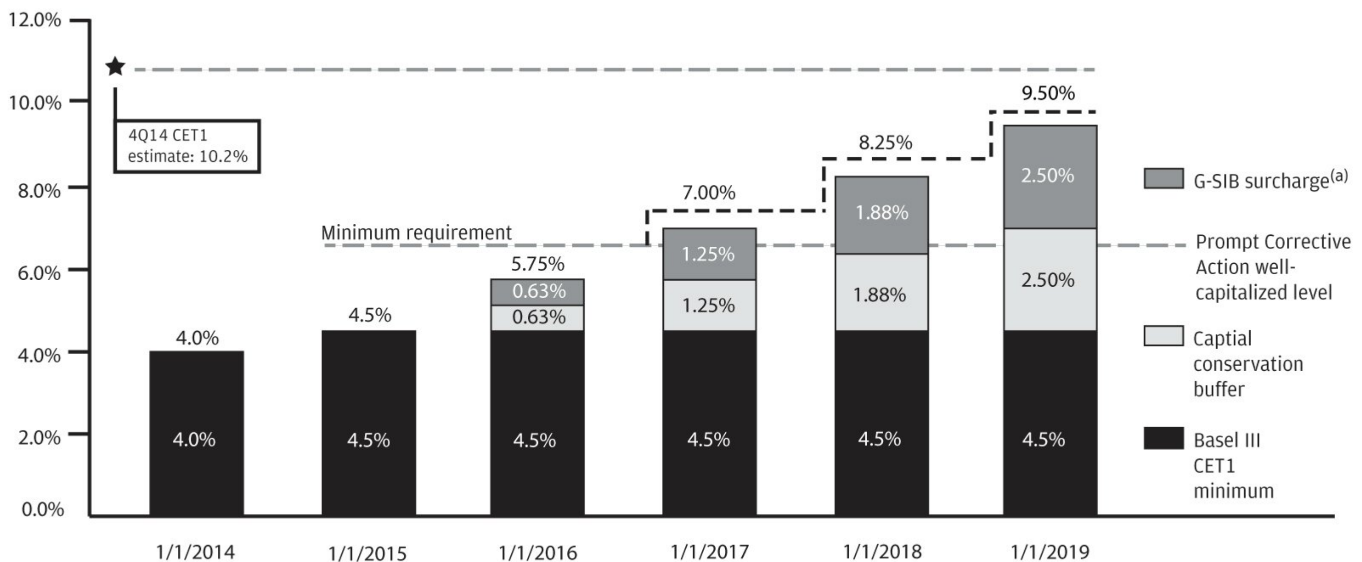
Moreover, G-SIBs will be required to maintain, in addition to the capital conservation buffer, further amounts of capital ranging from 1% to 2.5% across all tiers of regulatory capital. In November 2014, based upon data as of December 31, 2013, the Financial Stability Board ("FSB") indicated that certain G-SIBs, including the Firm, would be required to hold the additional 2.5% of capital; the requirement will be phased-in beginning January 1, 2016.

The Basel Committee has stated that G-SIBs could in the future be required to hold 3.5% or more of additional capital if their relative systemic importance were to increase. Currently, no G-SIB is required to hold more than the additional 2.5% of capital.

Consequently, based upon the final rules currently in effect, the minimum Basel III CET1 capital ratio requirement for the Firm is expected to be 9.5%, comprised of the minimum ratio of 4.5% plus the 2.5% capital conservation buffer and the 2.5% G-SIB requirement both beginning January 1, 2019.

Basel III also establishes a minimum 6.5% CET1 standard for the definition of "well capitalized" under the Prompt Corrective Action ("PCA") requirements of the FDIC Improvement Act ("FDICIA"). The CET1 standard is effective beginning with the first quarter of 2015.

The following chart presents the Basel III minimum CET1 capital ratio during the transitional periods and on a fully phased-in basis under the Basel III rules currently in effect. It is the Firm's current expectation that its Basel III CET1 ratio will exceed the regulatory minimums, both during the transition period and upon full implementation in 2019 and thereafter.



(a) G-SIB surcharge presented does not reflect the December 9, 2014, U.S. NPR.

On December 9, 2014, the Federal Reserve issued a Notice of Proposed Rulemaking ("NPR") that would establish a new capital surcharge across all tiers of regulatory capital for G-SIBs in the U.S., including the Firm. The Firm estimates its fully phased-in G-SIB surcharge (based upon data as of December 31, 2013) would be 4.5% under the NPR, compared to a fully phased-in G-SIB surcharge of 2.5% as estimated under the Basel III rules currently in effect.

Basel III Advanced Fully Phased-In

Based on the U.S. capital rules currently in effect, Basel III capital rules will become fully phased-in on January 1, 2019, at which point the Firm will continue to calculate its capital ratios under both the Basel III Standardized and Advanced Approaches, and the Firm will continue to have its capital adequacy evaluated against the approach that results in the lower ratio. While the Firm has recently imposed Basel III Standardized Fully Phased-In RWA limits on the lines of business in adapting its capital framework, the Firm currently expects to manage each of the businesses (including line of business equity allocations), as well as the corporate functions, primarily on a Basel III Advanced Fully Phased-In basis.

The Firm's capital, RWA and capital ratios that are presented under Basel III Advanced Fully Phased-In (and CET1 under Basel I as of December 31, 2013), are non-GAAP financial measures. However, such measures are used by bank regulators, investors and analysts to assess the Firm's capital position and to compare the Firm's capital to that of other financial services companies.

The Firm's estimates of its Basel III Advanced Fully Phased-In capital, RWA and capital ratios and of the Firm's, JPMorgan Chase Bank, N.A.'s, and Chase Bank USA, N.A.'s SLRs reflect management's current understanding of the U.S. Basel III rules based on the current published rules and on the application of such rules to the Firm's businesses as currently conducted. The actual impact on the Firm's capital ratios and SLR as of the effective date of the rules may differ from the Firm's current estimates depending on changes the Firm may make to its businesses in the future, further implementation guidance from the regulators, and regulatory approval of certain of the Firm's internal risk models (or, alternatively, regulatory disapproval of the Firm's internal risk models that have previously been conditionally approved).

The following table presents the estimated Basel III Advanced Fully Phased-In Capital ratios for JPMorgan Chase at December 31, 2014. Also included in the table are the regulatory minimum ratios currently expected to be in effect beginning January 1, 2019.

	Basel III Advanced Fully Phased-In		
	December 31, 2014	Fully phased-in minimum capital ratios(a)	Fully phased-in well-capitalized ratios(b)
Risk-based capital ratios:			
CET1 capital	**10.2%**	9.5%	6.5%
Tier 1 capital	**11.4**	11.0	8.0
Total capital	**12.8**	13.0	10.0
Leverage ratio:			
Tier 1	**7.5**	4.0	5.0
SLR	**5.6**	3.0	5.0

(a) Represents the minimum capital ratios applicable to the Firm under fully phased-in Basel III rules currently in effect.
(b) Represents the minimum Basel III Fully Phased-In capital ratios applicable to the Firm under the PCA requirements of FDICIA.

A reconciliation of total stockholders' equity to Basel III Advanced Fully Phased-In CET1 capital, Tier 1 capital and Total qualifying capital is presented in the table below.

Risk-based capital components and assets

	Basel III Advanced Fully Phased-In
(in millions)	**December 31, 2014**
Total stockholders' equity	**$ 232,065**
Less: Preferred stock	**20,063**
Common stockholders' equity	**212,002**
Less:	
Goodwill[a]	**44,925**
Other intangible assets[a]	**1,062**
Other CET1 capital adjustments	**1,163**
CET1 capital	**164,852**
Preferred stock	**20,063**
Less:	
Other Tier 1 adjustments	**5**
Total Tier 1 capital	**184,910**
Long-term debt and other instruments qualifying as Tier 2 capital	**17,504**
Qualifying allowance for credit losses	**4,266**
Other	**(86)**
Total Tier 2 capital	**21,684**
Total capital	**$ 206,594**
Credit risk RWA	**$ 1,040,087**
Market risk RWA	**179,200**
Operational risk RWA	**400,000**
Total RWA	**$ 1,619,287**
SLR leverage exposure	**$ 3,320,404**

(a) Goodwill and other intangible assets are net of any associated deferred tax liabilities.

Capital rollforward

The following table presents the changes in CET1 capital, Tier 1 capital and Tier 2 capital for the year ended December 31, 2014. Under Basel I CET1 represents Tier 1 common capital.

Year ended December 31, (in millions)	2014
Basel I CET1 capital at December 31, 2013	**$ 148,887**
Effect of rule changes[a]	**2,315**
Basel III Advanced Fully Phased-In CET1 capital at December 31, 2013	**151,202**
Net income applicable to common equity	**20,637**
Dividends declared on common stock	**(6,078)**
Net purchases of treasury stock	**(3,009)**
Changes in additional paid-in capital	**(558)**
Changes related to AOCI	**1,327**
Adjustment related to FVA/DVA	**580**
Other	**751**
Increase in CET1 capital	**13,650**
Basel III Advanced Fully Phased-In CET1 capital at December 31, 2014	**$ 164,852**
Basel I Tier 1 capital at December 31, 2013	**$ 165,663**
Effect of rule changes[b]	**(3,295)**
Basel III Advanced Fully Phased-In Tier 1 capital at December 31, 2013	**162,368**
Change in CET1 capital	**13,650**
Net issuance of noncumulative perpetual preferred stock	**8,905**
Other	**(13)**
Increase in Tier 1 capital	**22,542**
Basel III Advanced Fully Phased-In Tier 1 capital at December 31, 2014	**$ 184,910**
Basel I Tier 2 capital at December 31, 2013	**$ 33,623**
Effect of rule changes[c]	**(11,644)**
Basel III Advanced Fully Phased-In Tier 2 capital at December 31, 2013	**21,979**
Change in long-term debt and other instruments qualifying as Tier 2	**809**
Change in allowance for credit losses	**(1,063)**
Other	**(41)**
Decrease in Tier 2 capital	**(295)**
Basel III Advanced Fully Phased-In Tier 2 capital at December 31, 2014	**$ 21,684**
Basel III Advanced Fully Phased-In Total capital at December 31, 2014	**$ 206,594**

(a) Predominantly represents: (1) the addition of certain exposures, which were deducted from capital under Basel I, that are risk-weighted under Basel III; (2) adjustments related to AOCI for AFS securities and defined benefit pension and OPEB plans; and (3) a deduction for deferred tax assets related to NOL carryforwards.
(b) Predominantly represents the exclusion of TruPS from Tier 1 capital under Basel III.
(c) Predominantly represents a change in the calculation of qualifying allowance for credit losses under Basel III.

RWA rollforward

The following table presents changes in the components of RWA under Basel III Advanced Fully Phased-In for the year ended December 31, 2014. The amounts in the rollforward categories are estimates, based on the predominant driver of the change.

	Year ended December 31, (in millions)			
(in billions)	Credit risk RWA	Market risk RWA	Operational risk RWA	Total RWA
Basel I RWA at December 31, 2013	$1,223	$ 165	NA	$1,388
Effect of rule changes[a]	(168)	(4)	375	203
Basel III Advanced Fully Phased-In RWA at December 31, 2013	1,055	161	375	1,591
Model & data changes[b]	56	36	25	117
Portfolio runoff[c]	(22)	(22)	–	(44)
Movement in portfolio levels[d]	(49)	4	—	(45)
Changes in RWA	(15)	18	25	28
Basel III Advanced Fully Phased-In RWA at December 31, 2014	**$1,040**	**$ 179**	**$ 400**	**$1,619**

(a) Effect of rule changes refers to movements in levels of RWA as a result of changing to calculating RWA under the Basel III Advanced Fully Phased-In rules. See Risk-weighted assets on page 147 for additional information on the calculation of RWA under Basel III.
(b) Model & data changes refer to movements in levels of RWA as a result of revised methodologies and/or treatment per regulatory guidance (exclusive of rule changes).
(c) Portfolio runoff for credit risk RWA reflects lower loan balances in Mortgage Banking and reduced risk from position rolloffs in legacy portfolios, and for market risk RWA reflects reduced risk from position rolloffs in legacy portfolios.
(d) Movement in portfolio levels for credit risk RWA refers to changes in book size, composition, credit quality, and market movements; and for market risk RWA, refers to changes in position and market movements.

Basel III Transitional

Basel III Transitional capital requirements became effective on January 1, 2014, and will become fully phased-in on January 1, 2019. The following table presents a reconciliation of the Firm's Basel III Advanced Transitional capital and RWA to the Firm's estimated Basel III Advanced Fully Phased-In capital and RWA as of December 31, 2014.

December 31, 2014 (in millions)		
Basel III Advanced Transitional CET1 capital	**$**	**164,764**
AOCI phase-in[a]		2,249
CET1 capital deduction phased-in[b]		(1,212)
Intangibles deduction phase-in[c]		(850)
Other adjustments to CET1 capital[d]		(99)
Basel III Advanced Fully Phased-In CET1 capital	**$**	**164,852**
Basel III Advanced Transitional Additional Tier 1 capital	**$**	**21,868**
Non-qualifying instruments phase-out		(2,670)
Tier 1 capital deduction phased-out[b]		1,212
Other adjustments to Tier 1 capital[d]		(352)
Basel III Advanced Fully Phased-In Additional Tier 1 capital	**$**	**20,058**
Basel III Advanced Fully Phased-In Tier 1 capital	**$**	**184,910**
Basel III Advanced Transitional Tier 2 capital	**$**	**24,390**
Non-qualifying instruments phase-out		(2,670)
Other adjustments to Tier 2 capital[e]		(36)
Basel III Advanced Fully Phased-In Tier 2 capital	**$**	**21,684**
Basel III Advanced Fully Phased-In Total capital	**$**	**206,594**
Basel III Advanced Transitional RWA	**$**	**1,608,240**
Adjustment related to change in risk-weighting[f]		11,047
Basel III Advanced Fully Phased-In RWA	**$**	**1,619,287**

(a) Includes the remaining balance of AOCI related to AFS debt securities and defined benefit pension and OPEB plans that will qualify as Basel III CET1 capital upon full phase-in.
(b) Predominantly includes regulatory adjustments related to changes in FVA/DVA, as well as CET1 deductions for defined benefit pension plan assets and DTA related to net operating loss carryforwards.
(c) Relates to intangible assets, other than goodwill and MSRs, that are required to be deducted from CET1 capital upon full phase-in.
(d) Includes minority interest and the Firm's investments in its own CET1 capital instruments.
(e) Includes the Firm's investments in its own Tier 2 capital instruments and unrealized gains on AFS equity securities.
(f) Primarily relates to the risk-weighting of items not subject to capital deduction thresholds including MSRs.

The following table presents the regulatory capital ratios as of December 31 2014, under Basel III Standardized Transitional and Basel III Advanced Transitional. Also included in the table are the regulatory minimum ratios in effect as of December 31, 2014.

	December 31, 2014			
	Basel III Standardized Transitional	**Basel III Advanced Transitional**	Minimum capital ratios[(b)]	Well-capitalized ratios[(c)]
Risk-based capital ratios[(a)]:				
CET1 capital	**11.2%**	**10.2%**	4.0%	NA[(d)]
Tier 1 capital	**12.7**	**11.6**	5.5	6.0%
Total capital	**15.0**	**13.1**	8.0	10.0
Leverage ratio:				
Tier 1 leverage	**7.6**	**7.6**	4.0	5.0

(a) For each of the risk-based capital ratios the lower of the Standardized Transitional or Advanced Transitional ratio represents the Collins Floor.
(b) Represents the minimum capital ratios for 2014 currently applicable to the Firm under Basel III.
(c) Represents the minimum capital ratios for 2014 currently applicable to the Firm under the PCA requirements of the FDICIA.
(d) The CET1 capital ratio became a relevant measure of capital under the prompt corrective action requirements on January 1, 2015.

At December 31, 2014, JPMorgan Chase maintained Basel III Standardized Transitional and Basel III Advanced Transitional capital ratios in excess of the well-capitalized standards established by the Federal Reserve.

Additional information regarding the Firm's capital ratios and the U.S. federal regulatory capital standards to which the Firm is subject is presented in Note 28. For further information on the Firm's Basel III measures, see the Firm's consolidated Pillar 3 Regulatory Capital Disclosures reports, which are available on the Firm's website (http://investor.shareholder.com/jpmorganchase/basel.cfm).

Supplementary leverage ratio

The Firm estimates that if the U.S. SLR final rule were in effect at December 31, 2014, the Firm's SLR would have been approximately 5.6% and JPMorgan Chase Bank, N.A.'s and Chase Bank USA, N.A.'s SLRs would have been approximately 5.9% and 8.1%, respectively, at that date.

Comprehensive Capital Analysis and Review ("CCAR")

The Federal Reserve requires large bank holding companies, including the Firm, to submit a capital plan on an annual basis. The Federal Reserve uses the CCAR and Dodd-Frank Act stress test processes to ensure that large bank holding companies have sufficient capital during periods of economic and financial stress, and have robust, forward-looking capital assessment and planning processes in place that address each BHC's unique risks to enable them to have the ability to absorb losses under certain stress scenarios. Through the CCAR, the Federal Reserve evaluates each BHC's capital adequacy and internal capital adequacy assessment processes, as well as its plans to make capital distributions, such as dividend payments or stock repurchases.

On March 26, 2014, the Federal Reserve informed the Firm that it did not object, on either a quantitative or qualitative basis, to the Firm's 2014 capital plan. For information on actions taken by the Firm's Board of Directors following the 2014 CCAR results, see Capital actions on page 154.

On January 5, 2015, the Firm submitted its 2015 capital plan to the Federal Reserve under the Federal Reserve's 2015 CCAR process. The Firm expects to receive the Federal Reserve's final response to its plan no later than March 31, 2015.

The Firm's CCAR process is integrated into and employs the same methodologies utilized in the Firm's Internal Capital Adequacy Assessment Process ("ICAAP") process, as discussed below.

Internal Capital Adequacy Assessment Process

Semiannually, the Firm completes the ICAAP, which provides management with a view of the impact of severe and unexpected events on earnings, balance sheet positions, reserves and capital. The Firm's ICAAP integrates stress testing protocols with capital planning.

The process assesses the potential impact of alternative economic and business scenarios on the Firm's earnings and capital. Economic scenarios, and the parameters underlying those scenarios, are defined centrally and applied uniformly across the businesses. These scenarios are articulated in terms of macroeconomic factors, which are key drivers of business results; global market shocks, which generate short-term but severe trading losses; and idiosyncratic operational risk events. The scenarios are intended to capture and stress key vulnerabilities and idiosyncratic risks facing the Firm. However, when defining a broad range of scenarios, realized events can always be worse. Accordingly, management considers additional stresses outside these scenarios, as necessary. ICAAP results are reviewed by management and the Board of Directors.

Minimum Total Loss Absorbing Capacity ("TLAC")

In November 2014, the FSB, in consultation with the Basel Committee on Banking Supervision, issued a consultative document proposing that, in order for G-SIBs to have sufficient loss absorbing and recapitalization capacity to support an orderly resolution, they would be required to have outstanding a sufficient amount and type of debt and capital instruments. This amount and type of debt and capital instruments (or "total loss absorbing capacity" or TLAC) is intended to effectively absorb losses, as necessary, upon a failure of a G-SIB, without imposing such losses on taxpayers of the relevant jurisdiction or causing severe systemic disruptions, and thereby ensuring the continuity of the G-SIBs critical functions. The document identifies specific criteria that must be met for instruments to be considered eligible under TLAC and sets out minimum requirements that include existing Basel III minimum capital requirements, excluding capital buffers. The FSB's proposed range for a common minimum TLAC requirement is 16-20% of the financial institution's RWA and at least twice its Basel III Tier 1 leverage ratio. The Firm estimated that it has approximately 15% minimum TLAC as a percentage of

Basel III Advanced Fully Phased-in RWA, excluding capital buffers currently in effect, at year end 2014 based on its understanding of how the FSB proposal may be implemented in the United States. The FSB is expected to revise its proposal following a period of public consultation and findings from a quantitative impact study and market survey to be conducted in the first quarter of 2015. The final proposal is expected to be submitted to the G-20 in advance of the G-20 Summit scheduled for fourth quarter of 2015. U.S. banking regulators are expected to issue an NPR that would outline TLAC requirements specific to U.S. banks.

Regulatory capital outlook

The Firm expects to continue to accrete capital in the near term and believes its current capital levels enable it to retain market access, continue its strategy to invest in and grow its businesses and maintain flexibility to distribute excess capital. The Firm intends to balance return of capital to shareholders with achieving higher capital ratios over time. Additionally, the Firm expects the capital ratio calculated under the Basel III Standardized Fully Phased-In Approach to become its binding constraint by the end of 2015, or slightly thereafter. As a result, the Firm expects to reach Basel III Advanced and Standardized Fully Phased-In CET1 ratios of approximately 11% by the end of 2015 and is targeting reaching a Basel III CET1 ratio of approximately 12% by the end of 2018.

The Firm's capital targets take into consideration the current U.S. Basel III requirements and contemplate the requirements under the U.S. G-SIB proposal issued on December 9, 2014 and therefore, assume a 4.5% G-SIB capital surcharge. These targets are subject to revision in the future as a result of changes that may be introduced by banking regulators to the required minimum ratios to which the Firm is subject. In particular, if the Firm's G-SIB capital surcharge is determined to be lower than 4.5%, the capital targets would be adjusted accordingly. The Firm intends to manage its capital so that it achieves the required capital levels and composition in line with or in advance of the required timetables of current and proposed rules.

Economic risk capital

Economic risk capital is another of the disciplines the Firm uses to assess the capital required to support its businesses. Economic risk capital is a measure of the capital needed to cover JPMorgan Chase's business activities in the event of unexpected losses. The Firm measures economic risk capital using internal risk-assessment methodologies and models based primarily on four risk factors: credit, market, operational and private equity risk and considers factors, assumptions and inputs that differ from those required to be used for regulatory capital requirements. Accordingly, economic risk capital provides a complementary measure to regulatory capital. As economic risk capital is a separate component of the capital framework for Advanced Approach banking organizations under Basel III, the Firm continues to enhance its economic risk capital framework.

Line of business equity

The Firm's framework for allocating capital to its business segments is based on the following objectives:

- Integrate firmwide and line of business capital management activities;
- Measure performance consistently across all lines of business; and
- Provide comparability with peer firms for each of the lines of business

Equity for a line of business represents the amount the Firm believes the business would require if it were operating independently, considering capital levels for similarly rated peers, regulatory capital requirements (as estimated under Basel III Advanced Fully Phased-In) and economic risk measures. Capital is also allocated to each line of business for, among other things, goodwill and other intangibles associated with acquisitions effected by the line of business. ROE is measured and internal targets for expected returns are established as key measures of a business segment's performance.

Line of business equity	Yearly average		
Year ended December 31, (in billions)	**2014**	2013	2012
Consumer & Community Banking	**$ 51.0**	$ 46.0	$ 43.0
Corporate & Investment Bank	**61.0**	56.5	47.5
Commercial Banking	**14.0**	13.5	9.5
Asset Management	**9.0**	9.0	7.0
Corporate	**72.4**	71.4	77.4
Total common stockholders' equity	**$ 207.4**	$ 196.4	$ 184.4

Effective January 1, 2013, the Firm refined the capital allocation framework to align it with the revised line of business structure that became effective in the fourth quarter of 2012. The change in equity levels for the lines of businesses was largely driven by the evolving regulatory requirements and higher capital targets the Firm had established under the Basel III Advanced Approach.

On at least an annual basis, the Firm assesses the level of capital required for each line of business as well as the assumptions and methodologies used to allocate capital to its lines of business and updates the equity allocations to its lines of business as refinements are implemented.

Line of business equity	**January 1,**	December 31,	
(in billions)	**2015[a]**	2014	2013
Consumer & Community Banking	**$ 51.0**	$ 51.0	$ 46.0
Corporate & Investment Bank	**62.0**	61.0	56.5
Commercial Banking	**14.0**	14.0	13.5
Asset Management	**9.0**	9.0	9.0
Corporate	**76.0**	77.0	75.0
Total common stockholders' equity	**$ 212.0**	$ 212.0	$ 200.0

(a) Reflects refined capital allocations effective January 1, 2015.

Capital actions

Dividends

The Firm's common stock dividend policy reflects JPMorgan Chase's earnings outlook, desired dividend payout ratio, capital objectives, and alternative investment opportunities.

The Firm's current expectation is to continue to target a payout ratio of approximately 30% of normalized earnings over time. Following the Federal Reserve's non-objection to the Firm's 2014 capital plan, the Board of Directors increased the quarterly common stock dividend on May 20, 2014, from $0.38 to $0.40 per share, effective beginning with the dividend paid on July 31, 2014, to stockholders of record on July 3, 2014.

For information regarding dividend restrictions, see Note 22 and Note 27.

The following table shows the common dividend payout ratio based on reported net income.

Year ended December 31,	**2014**	2013	2012
Common dividend payout ratio	**29%**	33%	23%

Preferred stock

During the year ended December 31, 2014, the Firm issued $8.9 billion of noncumulative preferred stock. Preferred stock dividends declared were $1.1 billion for the year ended December 31, 2014. Assuming all preferred stock issuances were outstanding for the entire year and quarterly dividends were declared on such issuances, preferred stock dividends would have been $1.3 billion for the year ended December 31, 2014. For additional information on the Firm's preferred stock, see Note 22.

Redemption of outstanding trust preferred securities

On May 8, 2013, the Firm redeemed approximately $5.0 billion, or 100% of the liquidation amount, of the following eight series of trust preferred securities: JPMorgan Chase Capital X, XI, XII, XIV, XVI, XIX, XXIV, and BANK ONE Capital VI. For a further discussion of trust preferred securities, see Note 21.

Common equity

On March 13, 2012, the Board of Directors authorized a $15.0 billion common equity (i.e., common stock and warrants) repurchase program. As of December 31, 2014, $3.8 billion (on a trade-date basis) of authorized repurchase capacity remained under the program. The amount of equity that may be repurchased by the Firm is also subject to the amount that is set forth in the Firm's annual capital plan submitted to the Federal Reserve as part of the CCAR process. In conjunction with the Federal Reserve's release of its 2014 CCAR results, the Firm's Board of Directors has authorized the Firm to repurchase $6.5 billion of common equity between April 1, 2014, and March 31, 2015. As of December 31, 2014, $2.1 billion (on a trade-date basis) of such repurchase capacity remains. This authorization includes shares repurchased to offset issuances under the Firm's equity-based compensation plans.

The following table sets forth the Firm's repurchases of common equity for the years ended December 31, 2014, 2013 and 2012, on a trade-date basis. There were no warrants repurchased during the years ended December 31, 2014, and 2013.

Year ended December 31, (in millions)	**2014**	2013	2012
Total number of shares of common stock repurchased	**83.4**	96.1	30.9
Aggregate purchase price of common stock repurchases	**$ 4,834**	$ 4,789	$ 1,329
Total number of warrants repurchased	**–**	–	18.5
Aggregate purchase price of warrant repurchases	**$ –**	$ –	$ 238

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 "blackout 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.

For additional information regarding repurchases of the Firm's equity securities, see Part II, Item 5: Market for registrant's common equity, related stockholder matters and issuer purchases of equity securities on pages 18–19.

Broker-dealer regulatory capital

JPMorgan Chase's principal U.S. broker-dealer subsidiaries are J.P. Morgan Securities LLC ("JPMorgan Securities") and J.P. Morgan Clearing Corp. ("JPMorgan Clearing"). JPMorgan Clearing is a subsidiary of JPMorgan Securities and provides clearing and settlement services. JPMorgan Securities and JPMorgan Clearing are each subject to Rule 15c3-1 under the Securities Exchange Act of 1934 (the "Net Capital Rule"). JPMorgan Securities and JPMorgan Clearing are also each registered as futures commission merchants and subject to Rule 1.17 of the Commodity Futures Trading Commission ("CFTC").

JPMorgan Securities and JPMorgan Clearing have elected to compute their minimum net capital requirements in accordance with the "Alternative Net Capital Requirements" of the Net Capital Rule. At December 31, 2014, JPMorgan Securities' net capital, as defined by the Net Capital Rule, was $12.8 billion, exceeding the minimum requirement by $10.6 billion, and JPMorgan Clearing's net capital was $7.5 billion, exceeding the minimum requirement by $5.6 billion.

In addition to its minimum net capital requirement, JPMorgan Securities is required to hold tentative net capital in excess of $1.0 billion and is also required to notify the Securities and Exchange Commission ("SEC") in the event that tentative net capital is less than $5.0 billion, in accordance with the market and credit risk standards of Appendix E of the Net Capital Rule. As of December 31, 2014, JPMorgan Securities had tentative net capital in excess of the minimum and notification requirements.

J.P. Morgan Securities plc is a wholly owned subsidiary of JPMorgan Chase Bank, N.A. and is the Firm's principal operating subsidiary in the U.K. It has authority to engage in banking, investment banking and broker-dealer activities. J.P. Morgan Securities plc is jointly regulated by the U.K. Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA"). Commencing January 1, 2014, J.P. Morgan Securities plc became subject to the U.K. Basel III capital rules.

At December 31, 2014, J.P. Morgan Securities plc had estimated total capital of $30.1 billion; its estimated CET1 capital ratio was 10.7% and its estimated Total capital ratio was 14.1%. Both ratios exceeded the minimum transitional standards (4.0% and 8.0% for the CET1 ratio and Total capital ratio, respectively) as established by the Capital Requirements Directive and Regulation (the European Union ("EU") implementation of Basel III) as well as additional minimum requirements specified by the Prudential Regulatory Authority as Individual Capital Guidance and PRA Buffer requirements.

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that the Firm will be unable to meet its contractual and contingent obligations. Liquidity risk management is intended to ensure that the Firm has the appropriate amount, composition and tenor of funding and liquidity in support of its assets.

Liquidity Risk Oversight

The Firm has an independent liquidity risk oversight function whose primary objective is to provide assessment, measurement, monitoring, and control of liquidity risk across the Firm. Liquidity risk oversight is managed through a dedicated firmwide Liquidity Risk Oversight group reporting into the CIO, Treasury, and Corporate ("CTC") Chief Risk Officer ("CRO"). The CTC CRO has responsibility for firmwide Liquidity Risk Oversight and reports to the Firm's CRO. Liquidity Risk Oversight's responsibilities include but are not limited to:

- Establishing and monitoring limits, indicators, and thresholds, including liquidity appetite tolerances;
- Defining and monitoring internal Firmwide and legal entity stress tests and regulatory defined stress testing;
- Reporting and monitoring liquidity positions, balance sheet variances and funding activities;
- Conducting ad hoc analysis to identify potential emerging liquidity risks.

Risk Governance and Measurement

Specific committees responsible for liquidity governance include firmwide ALCO as well as lines of business and regional ALCOs, and the CTC Risk Committee. For further discussion of the risk and risk-related committees, see Enterprise-wide Risk Management on pages 105–109.

Internal Stress testing

Liquidity stress tests are intended to ensure sufficient liquidity for the Firm under a variety of adverse scenarios. Results of stress tests are therefore considered in the formulation of the Firm's funding plan and assessment of its liquidity position. Liquidity outflow assumptions are modeled across a range of time horizons and contemplate both market and idiosyncratic stress. Standard stress tests are performed on a regular basis and ad hoc stress tests are performed in response to specific market events or concerns. In addition, stress scenarios are produced for the parent holding company and the Firm's major subsidiaries.

Liquidity stress tests assume all of the Firm's contractual obligations are met and then take into consideration varying levels of access to unsecured and secured funding markets. Additionally, assumptions with respect to potential non-contractual and contingent outflows are contemplated.

Liquidity Management

Treasury is responsible for liquidity management. The primary objectives of effective liquidity management are to ensure that the Firm's core businesses are able to operate in support of client needs, meet contractual and contingent obligations through normal economic cycles as well as during stress events, ensure funding mix optimization, and availability of liquidity sources. The Firm manages liquidity and funding using a centralized, global approach in order to optimize liquidity sources and uses.

In the context of the Firm's liquidity management, Treasury is responsible for:

- Analyzing and understanding the liquidity characteristics of the Firm, lines of business and legal entities' assets and liabilities, taking into account legal, regulatory, and operational restrictions;
- Defining and monitoring firmwide and legal entity liquidity strategies, policies, guidelines, and contingency funding plans;
- Managing liquidity within approved liquidity risk appetite tolerances and limits;
- Setting transfer pricing in accordance with underlying liquidity characteristics of balance sheet assets and liabilities as well as certain off-balance sheet items.

Contingency funding plan

The Firm's contingency funding plan ("CFP"), which is reviewed by ALCO and approved by the DRPC, is a compilation of procedures and action plans for managing liquidity through stress events. The CFP incorporates the limits and indicators set by the Liquidity Risk Oversight group. These limits and indicators are reviewed regularly to identify the emergence of risks or vulnerabilities in the Firm's liquidity position. The CFP identifies the alternative contingent liquidity resources available to the Firm in a stress event.

Parent holding company and subsidiary funding

The parent holding company acts as a source of funding to its subsidiaries. The Firm's liquidity management is intended to maintain liquidity at the parent holding company, in addition to funding and liquidity raised at the subsidiary operating level, at levels sufficient to fund the operations of the parent holding company and its subsidiaries for an extended period of time in a stress environment where access to normal funding sources is disrupted. The parent holding company currently holds more than 18 months of pre-funding assuming no access to wholesale funding markets.

LCR and NSFR

In December 2010, the Basel Committee introduced two new measures of liquidity risk: the liquidity coverage ratio ("LCR"), which is intended to measure the amount of "high-quality liquid assets" ("HQLA") held by the Firm in relation to estimated net cash outflows within a 30-day period during an acute stress event; and the net stable funding ratio ("NSFR") which is intended to measure the "available" amount of stable funding relative to the "required" amount of stable funding over a one-year horizon. The standards require that the LCR be no lower than 100% and the NSFR be greater than 100%.

On September 3, 2014, the U.S. banking regulators approved the final LCR rule ("U.S. LCR"), which became effective on January 1, 2015. Under the final rules, the LCR is required to be 80% at January 1, 2015, increasing by 10% each year until reaching 100% at January 1, 2017. At December 31, 2014, the Firm was compliant with the fully phased-in U.S. LCR based on its current understanding of the final rule. The Firm's LCR may fluctuate from period-to-period due to normal flows from client activity.

On October 31, 2014, the Basel Committee issued the final standard for the NSFR which will become a minimum standard by January 1, 2018. At December 31, 2014, the Firm was compliant with the NSFR based on its current understanding of the final Basel rule. The U.S. Banking Regulators are expected to issue a proposal on the NSFR that would outline requirements specific to U.S. banks.

HQLA

HQLA is the estimated amount of assets that qualify for inclusion in the U.S. LCR. HQLA primarily consists of cash and certain unencumbered high quality liquid assets as defined in the rule.

As of December 31, 2014, HQLA was estimated to be approximately $600 billion, as determined under the U.S. LCR final rule, compared with $522 billion as of December 31, 2013, which was calculated using the Basel Committee's definition of HQLA. The increase in HQLA was due to higher cash balances largely driven by higher deposit balances, partially offset by the impact of the application of the U.S. LCR rule which excludes certain types of securities that are permitted under the Basel Rules. HQLA may fluctuate from period-to-period primarily due to normal flows from client activity.

The following table presents the estimated HQLA included in the U.S. LCR broken out by HQLA-eligible cash and HQLA-eligible securities as of December 31, 2014.

(in billions)	December 31, 2014
HQLA	
Eligible cash[(a)]	$ 454
Eligible securities[(b)]	146
Total HQLA	$ 600

(a) Predominantly cash on deposit at central banks.
(b) Predominantly includes U.S. agency mortgage-backed securities, U.S. Treasuries, and sovereign bonds.

In addition to HQLA, as of December 31, 2014, the Firm has approximately $321 billion of unencumbered marketable securities, such as equity securities and fixed income debt securities, available to raise liquidity, if required. Furthermore, the Firm maintains borrowing capacity at various Federal Home Loan Banks ("FHLBs"), the Federal Reserve Bank discount window and various other central banks as a result of collateral pledged by the Firm to such banks. Although available, the Firm does not view the borrowing capacity at the Federal Reserve Bank discount window and the various other central banks as a primary source of liquidity. As of December 31, 2014, the Firm's remaining borrowing capacity at various FHLBs and the Federal Reserve Bank discount window was approximately $143 billion. This borrowing capacity excludes the benefit of securities included above in HQLA or other unencumbered securities held at the Federal Reserve Bank discount window for which the Firm has not drawn liquidity.

Funding

Sources of funds

Management believes that the Firm's unsecured and secured funding capacity is sufficient to meet its on- and off-balance sheet obligations.

The Firm funds its global balance sheet through diverse sources of funding including a stable deposit franchise as well as secured and unsecured funding in the capital markets. The Firm's loan portfolio (aggregating approximately $757.3 billion at December 31, 2014), is funded with a portion of the Firm's deposits (aggregating approximately $1,363.4 billion at December 31, 2014) and through securitizations and, with respect to a portion of the Firm's real estate-related loans, with secured borrowings from the FHLBs. Deposits in excess of the amount utilized to fund loans are primarily invested in the Firm's investment securities portfolio or deployed in cash or other short-term liquid investments based on their interest rate and liquidity risk characteristics. Capital markets secured financing assets and trading assets are primarily funded by the Firm's capital markets secured financing liabilities, trading liabilities and a portion of the Firm's long-term debt and stockholders' equity.

In addition to funding capital markets assets, proceeds from the Firm's debt and equity issuances are used to fund certain loans, and other financial and non-financial assets, or may be invested in the Firm's investment securities portfolio. See the discussion below for additional disclosures relating to Deposits, Short-term funding, and Long-term funding and issuance.

Deposits

A key strength of the Firm is its diversified deposit franchise, through each of its lines of business, which provides a stable source of funding and limits reliance on the wholesale funding markets. As of December 31, 2014, the Firm's loans-to-deposits ratio was 56%, compared with 57% at December 31, 2013.

As of December 31, 2014, total deposits for the Firm were $1,363.4 billion, compared with $1,287.8 billion at December 31, 2013 (58% of total liabilities at both December 31, 2014 and 2013). The increase was due to growth in both wholesale and consumer deposits. For further information, see Balance Sheet Analysis on pages 72–73.

The Firm typically experiences higher customer deposit inflows at period-ends. Therefore, the Firm believes average deposit balances are more representative of deposit trends. The table below summarizes, by line of business, the period-end and average deposit balances as of and for the years ended December 31, 2014 and 2013.

Deposits			Year ended December 31,	
As of or for the period ended December 31,			Average	
(in millions)	**2014**	2013	**2014**	2013
Consumer & Community Banking	**$ 502,520**	$ 464,412	**$ 486,919**	$ 453,304
Corporate & Investment Bank	**468,423**	446,237	**417,517**	384,289
Commercial Banking	**213,682**	206,127	**190,425**	184,409
Asset Management	**155,247**	146,183	**150,121**	139,707
Corporate	**23,555**	24,806	**19,319**	27,433
Total Firm	**$ 1,363,427**	$ 1,287,765	**$ 1,264,301**	$ 1,189,142

A significant portion of the Firm's deposits are consumer deposits (37% and 36% at December 31, 2014 and 2013, respectively), which are considered particularly stable as they are less sensitive to interest rate changes or market volatility. Additionally, the majority of the Firm's institutional deposits are also considered to be stable sources of funding since they are generated from customers that maintain operating service relationships with the Firm. For further discussions of deposit and liability balance trends, see the discussion of the results for the Firm's business segments and the Balance Sheet Analysis on pages 79–104 and pages 72–73, respectively.

The following table summarizes short-term and long-term funding, excluding deposits, as of December 31, 2014 and 2013, and average balances for the years ended December 31, 2014 and 2013. For additional information, see the Balance Sheet Analysis on pages 72–73 and Note 21.

Sources of funds (excluding deposits)				
As of or for the year ended December 31,			Average	
(in millions)	**2014**	2013	**2014**	2013
Commercial paper:				
Wholesale funding	**$ 24,052**	$ 17,249	**$ 19,442**	$ 17,785
Client cash management	**42,292**	40,599	**40,474**	35,932
Total commercial paper	**$ 66,344**	$ 57,848	**$ 59,916**	$ 53,717
Obligations of Firm-administered multi-seller conduits[(a)]	**$ 12,047**	$ 14,892	**$ 10,427**	$ 15,504
Other borrowed funds	**$ 30,222**	$ 27,994	**$ 31,721**	$ 30,449
Securities loaned or sold under agreements to repurchase:				
Securities sold under agreements to repurchase	**$ 167,077**	$ 155,808	**$ 181,186**	$ 207,106
Securities loaned	**21,798**	19,509	**22,586**	26,068
Total securities loaned or sold under agreements to repurchase[(b)(c)(d)]	**$ 188,875**	$ 175,317	**$ 203,772**	$ 233,174
Total senior notes	**$ 142,480**	$ 135,754	**$ 139,707**	$ 137,662
Trust preferred securities	**5,496**	5,445	**5,471**	7,178
Subordinated debt	**29,472**	29,578	**29,082**	27,955
Structured notes	**30,021**	28,603	**30,311**	29,517
Total long-term unsecured funding	**$ 207,469**	$ 199,380	**$ 204,571**	$ 202,312
Credit card securitization	**$ 31,239**	$ 26,580	**$ 28,935**	$ 27,834
Other securitizations[(e)]	**2,008**	3,253	**2,734**	3,501
FHLB advances	**64,994**	61,876	**60,667**	55,487
Other long-term secured funding[(f)]	**4,373**	6,633	**5,031**	6,284
Total long-term secured funding	**$ 102,614**	$ 98,342	**$ 97,367**	$ 93,106
Preferred stock[(g)]	**$ 20,063**	$ 11,158	**17,018**	$ 10,960
Common stockholders' equity[(g)]	**$ 212,002**	$ 200,020	**207,400**	$ 196,409

(a) Included in beneficial interests issued by consolidated variable interest entities on the Firm's Consolidated balance sheets.
(b) Excludes federal funds purchased.
(c) Excluded long-term structured repurchase agreements of $2.7 billion and $4.6 billion as of December 31, 2014 and 2013, respectively, and average balance of $4.2 billion for the years ended December 31, 2014 and 2013.

(d) Excluded long-term securities loaned of $483 million as of December 31, 2013, and average balance of $24 million and $414 million for the years ended December 31, 2014 and 2013, respectively. There were no long-term securities loaned as of December 31, 2014.
(e) Other securitizations includes securitizations of residential mortgages and student loans. The Firm's wholesale businesses also securitize loans for client-driven transactions; those client-driven loan securitizations are not considered to be a source of funding for the Firm and are not included in the table.
(f) Includes long-term structured notes which are secured.
(g) For additional information on preferred stock and common stockholders' equity see Capital Management on pages 146–155, Consolidated statements of changes in stockholders' equity, Note 22 and Note 23.

Short-term funding

A significant portion of the Firm's total commercial paper liabilities, approximately 64% as of December 31, 2014, were not sourced from wholesale funding markets, but were originated from deposits that customers choose to sweep into commercial paper liabilities as a cash management program offered to customers of the Firm.

The Firm's sources of short-term secured funding primarily consist of securities loaned or sold under agreements to repurchase. Securities loaned or sold under agreements to repurchase are secured predominantly by high-quality securities collateral, including government-issued debt, agency debt and agency MBS, and constitute a significant portion of the federal funds purchased and securities loaned or sold under purchase agreements. The amounts of securities loaned or sold under agreements to repurchase at December 31, 2014, increased predominantly due to a change in the mix of the Firm's funding sources. The decrease in average balances for the year ended December 31, 2014, compared with December 31, 2013, was predominantly due to less secured financing of the Firm's investment securities portfolio, and a change in the mix of the Firm's funding sources. The balances associated with securities loaned or sold under agreements to repurchase fluctuate over time due to customers' investment and financing activities; the Firm's demand for financing; the ongoing management of the mix of the Firm's liabilities, including its secured and unsecured financing (for both the investment securities and market-making portfolios); and other market and portfolio factors.

Long-term funding and issuance

Long-term funding provides additional sources of stable funding and liquidity for the Firm. The Firm's long-term funding plan is driven by expected client activity, liquidity considerations, and regulatory requirements. Long-term funding objectives include maintaining diversification, maximizing market access and optimizing funding costs, as well as maintaining a certain level of pre-funding at the parent holding company. The Firm evaluates various funding markets, tenors and currencies in creating its optimal long-term funding plan.

The significant majority of the Firm's long-term unsecured funding is issued by the parent holding company to provide maximum flexibility in support of both bank and nonbank subsidiary funding. The following table summarizes long-term unsecured issuance and maturities or redemptions for the years ended December 31, 2014 and 2013. For additional information, see Note 21.

Long-term unsecured funding

Year ended December 31, (in millions)	2014	2013
Issuance		
Senior notes issued in the U.S. market	$ 16,373	$ 19,835
Senior notes issued in non-U.S. markets	11,221	8,843
Total senior notes	27,594	28,678
Subordinated debt	4,979	3,232
Structured notes	19,806	16,979
Total long-term unsecured funding – issuance	$ 52,379	$ 48,889
Maturities/redemptions		
Total senior notes	$ 21,169	$ 18,418
Trust preferred securities	–	5,052
Subordinated debt	4,487	2,418
Structured notes	18,554	17,785
Total long-term unsecured funding – maturities/redemptions	$ 44,210	$ 43,673

In addition, from January 1, 2015, through February 24, 2015, the Firm issued $10.1 billion of senior notes.

The Firm raises secured long-term funding through securitization of consumer credit card loans and advances from the FHLBs. It may also in the future raise long-term funding through securitization of residential mortgages, auto loans and student loans, which will increase funding and investor diversity.

The following table summarizes the securitization issuance and FHLB advances and their respective maturities or redemption for the years ended December 31, 2014 and 2013.

Long-term secured funding

Year ended December 31,	Issuance		Maturities/Redemptions	
(in millions)	2014	2013	2014	2013
Credit card securitization	$ 8,350	$ 8,434	$ 3,774	$ 11,853
Other securitizations[(a)]	–	–	309	427
FHLB advances	15,200	23,650	12,079	3,815
Other long-term secured funding	$ 802	$ 751	$ 3,076	$ 159
Total long-term secured funding	$ 24,352	$ 32,835	$ 19,238	$ 16,254

(a) Other securitizations includes securitizations of residential mortgages and student loans.

The Firm's wholesale businesses also securitize loans for client-driven transactions; those client-driven loan securitizations are not considered to be a source of funding for the Firm and are not included in the table above. For further description of the client-driven loan securitizations, see Note 16.

Credit ratings

The cost and availability of financing are influenced by credit ratings. Reductions in these ratings could have an adverse effect on the Firm's access to liquidity sources, increase the cost of funds, trigger additional collateral or funding requirements and decrease the number of investors and counterparties willing to lend to the Firm. Additionally, the Firm's funding requirements for VIEs and other third party commitments may be adversely affected by a decline in credit ratings. For additional information on the impact of a credit ratings downgrade on the funding requirements for VIEs, and on derivatives and collateral agreements, see Special-purpose entities on page 74, and Credit risk, liquidity risk and credit-related contingent features in Note 6.

The credit ratings of the parent holding company and the Firm's principal bank and nonbank subsidiaries as of December 31, 2014, were as follows.

	JPMorgan Chase & Co.			JPMorgan Chase Bank, N.A. Chase Bank USA, N.A.			J.P. Morgan Securities LLC		
December 31, 2014	Long-term issuer	Short-term issuer	Outlook	Long-term issuer	Short-term issuer	Outlook	Long-term issuer	Short-term issuer	Outlook
Moody's Investor Services	A3	P-2	Stable	Aa3	P-1	Stable	Aa3	P-1	Stable
Standard & Poor's	A	A-1	Negative	A+	A-1	Stable	A+	A-1	Stable
Fitch Ratings	A+	F1	Stable	A+	F1	Stable	A+	F1	Stable

Downgrades of the Firm's long-term ratings by one or two notches could result in a downgrade of the Firm's short-term ratings. If this were to occur, the Firm believes its cost of funds could increase and access to certain funding markets could be reduced as noted above. The nature and magnitude of the impact of ratings downgrades depends on numerous contractual and behavioral factors (which the Firm believes are incorporated in its liquidity risk and stress testing metrics). The Firm believes it maintains sufficient liquidity to withstand a potential decrease in funding capacity due to ratings downgrades.

JPMorgan Chase's unsecured debt does not contain requirements that would call for an acceleration of payments, maturities or changes in the structure of the existing debt, provide any limitations on future borrowings or require additional collateral, based on unfavorable changes in the Firm's credit ratings, financial ratios, earnings, or stock price.

Critical factors in maintaining high credit ratings include a stable and diverse earnings stream, strong capital ratios, strong credit quality and risk management controls, diverse funding sources, and disciplined liquidity monitoring procedures. Rating agencies continue to evaluate economic and geopolitical trends, regulatory developments, rating uplift assumptions surrounding government support, future profitability, risk management practices, and litigation matters, as well as their broader ratings methodologies. Changes in any of these factors could lead to changes in the Firm's credit ratings.

On September 18, 2014, S&P revised its ratings methodology for hybrid capital securities issued by financial institutions, and on September 29, 2014, the ratings of the Firm's hybrid capital securities (including trust preferred securities and preferred stock) were lowered by 1 notch from BBB to BBB-, reflecting the new methodology. Furthermore, S&P has announced a Request for Comment on a proposed change to rating criteria related to additional loss absorbing capacity. In addition, Moody's and Fitch are in the process of reviewing their ratings methodologies: Moody's has announced a Request for Comment on the revision to its Bank Rating Methodology and Fitch has announced a review of the ratings differential that it applies between bank holding companies and their bank subsidiaries.

Although the Firm closely monitors and endeavors to manage, to the extent it is able, factors influencing its credit ratings, there is no assurance that its credit ratings will not be changed in the future.

JPMorgan Chase's accounting policies and use of estimates are integral to understanding its reported results. The Firm's most complex accounting estimates require management's judgment to ascertain the appropriate carrying value of assets and liabilities. The Firm has established policies and control procedures intended to ensure that estimation methods, including any judgments made as part of such methods, are well-controlled, independently reviewed and applied consistently from period to period. The methods used and judgments made reflect, among other factors, the nature of the assets or liabilities and the related business and risk management strategies, which may vary across the Firm's businesses and portfolios. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. The Firm believes its estimates for determining the carrying value of its assets and liabilities are appropriate. The following is a brief description of the Firm's critical accounting estimates involving significant judgments.

Allowance for credit losses

JPMorgan Chase's allowance for credit losses covers the retained consumer and wholesale loan portfolios, as well as the Firm's consumer and wholesale lending-related commitments. The allowance for loan losses is intended to adjust the carrying value of the Firm's loan assets to reflect probable credit losses inherent in the loan portfolio as of the balance sheet date. Similarly, the allowance for lending-related commitments is established to cover probable credit losses inherent in the lending-related commitments portfolio as of the balance sheet date.

The allowance for loan losses includes an asset-specific component, a formula-based component, and a component related to PCI loans. The determination of each of these components involves significant judgment on a number of matters, as discussed below. For further discussion of the methodologies used in establishing the Firm's allowance for credit losses, see Note 15.

Asset-specific component

The asset-specific allowance for loan losses for each of the Firm's portfolio segments is generally measured as the difference between the recorded investment in the impaired loan and the present value of the cash flows expected to be collected, discounted at the loan's original effective interest rate. Estimating the timing and amounts of future cash flows is highly judgmental as these cash flow projections rely upon estimates such as redefault rates, loss severities, the amounts and timing of prepayments and other factors that are reflective of current and expected future market conditions. These estimates are, in turn, dependent on factors such as the level of future home prices, the duration of current overall economic conditions, and other macroeconomic and portfolio-specific factors. All of these estimates and assumptions require significant management judgment and certain assumptions are highly subjective.

Formula-based component - Consumer loans and lending-related commitments, excluding PCI loans

The formula-based allowance for credit losses for the consumer portfolio, including credit card, is calculated by applying statistical credit loss factors to outstanding principal balances over an estimated loss emergence period to arrive at an estimate of incurred credit losses in the portfolio. The loss emergence period represents the time period between the date at which the loss is estimated to have been incurred and the ultimate realization of that loss (through a charge-off). Estimated loss emergence periods may vary by product and may change over time; management applies judgment in estimating loss emergence periods, using available credit information and trends. In addition, management applies judgment to the statistical loss estimates for each loan portfolio category, using delinquency trends and other risk characteristics to estimate the total incurred credit losses in the portfolio. Management uses additional statistical methods and considers portfolio and collateral valuation trends to review the appropriateness of the primary statistical loss estimate.

The statistical calculation is then adjusted to take into consideration model imprecision, external factors and current economic events that have occurred but that are not yet reflected in the factors used to derive the statistical calculation; these adjustments are accomplished in part by analyzing the historical loss experience for each major product segment. However, it is difficult to predict whether historical loss experience is indicative of future loss levels. Management applies judgment in making this adjustment, taking into account uncertainties associated with current macroeconomic and political conditions, quality of underwriting standards, borrower behavior, the potential impact of payment recasts within the HELOC portfolio, and other relevant internal and external factors affecting the credit quality of the portfolio. In certain instances, the interrelationships between these factors create further uncertainties. For example, the performance of a HELOC that experiences a payment recast may be affected by both the quality of underwriting standards applied in originating the loan and the general economic conditions in effect at the time of the payment recast. For junior lien products, management considers the delinquency and/or modification status of any senior liens in determining the adjustment. The application of different inputs into the statistical calculation, and the assumptions used by management to adjust the statistical calculation, are subject to management judgment, and emphasizing one input or assumption over another, or considering other inputs or assumptions, could affect the estimate of the allowance for loan losses for the consumer credit portfolio.

Overall, the allowance for credit losses for the consumer portfolio, including credit card, is sensitive to changes in the economic environment (e.g., unemployment rates), delinquency rates, the realizable value of collateral (e.g.,

housing prices), FICO scores, borrower behavior and other risk factors. While all of these factors are important determinants of overall allowance levels, changes in the various factors may not occur at the same time or at the same rate, or changes may be directionally inconsistent such that improvement in one factor may offset deterioration in the other. In addition, changes in these factors would not necessarily be consistent across all geographies or product types. Finally, it is difficult to predict the extent to which changes in these factors would ultimately affect the frequency of losses, the severity of losses or both.

PCI loans

In connection with the Washington Mutual transaction, JPMorgan Chase acquired certain PCI loans, which are accounted for as described in Note 14. The allowance for loan losses for the PCI portfolio is based on quarterly estimates of the amount of principal and interest cash flows expected to be collected over the estimated remaining lives of the loans.

These cash flow projections are based on estimates regarding default rates (including redefault rates on modified loans), loss severities, the amounts and timing of prepayments and other factors that are reflective of current and expected future market conditions. These estimates are dependent on assumptions regarding the level of future home price declines, and the duration of current overall economic conditions, among other factors. These estimates and assumptions require significant management judgment and certain assumptions are highly subjective.

Formula-based component - Wholesale loans and lending-related commitments

The Firm's methodology for determining the allowance for loan losses and the allowance for lending-related commitments requires the early identification of credits that are deteriorating. The formula-based component of the allowance calculation for wholesale loans and lending-related components is the product of an estimated PD and estimated LGD. These factors are determined based on the credit quality and specific attributes of the Firm's loans and lending-related commitments to each obligor.

The Firm uses a risk rating system to determine the credit quality of its wholesale loans and lending-related commitments. In assessing the risk rating of a particular loan or lending-related commitment, among the factors considered are the obligor's debt capacity and financial flexibility, the level of the obligor's earnings, the amount and sources for repayment, the level and nature of contingencies, management strength, and the industry and geography in which the obligor operates. These factors are based on an evaluation of historical and current information and involve subjective assessment and interpretation. Emphasizing one factor over another or considering additional factors could affect the risk rating assigned by the Firm to that loan.

PD estimates are based on observable external through-the-cycle data, using credit rating agency default statistics. A LGD estimate is assigned to each loan or lending-related commitment. The estimate represents the amount of economic loss if the obligor were to default. The type of obligor, quality of collateral, and the seniority of the Firm's loans in the obligor's capital structure affect LGD. LGD estimates are based on the Firm's history of actual credit losses over more than one credit cycle. Changes to the time period used for PD and LGD estimates (for example, point-in-time loss versus longer views of the credit cycle) could also affect the allowance for credit losses.

The Firm applies judgment in estimating PD and LGD used in calculating the allowances. Wherever possible, the Firm uses independent, verifiable data or the Firm's own historical loss experience in its models for estimating the allowances, but differences in loan characteristics between the Firm's specific loan portfolio and those reflected in external and Firm-specific historical data could affect loss estimates. Estimates of PD and LGD are subject to periodic refinement based on any changes to underlying external and Firm-specific historical data. The use of different inputs would change the amount of the allowance for credit losses determined appropriate by the Firm.

Management also applies its judgment to adjust the modeled loss estimates, taking into consideration model imprecision, external factors and economic events that have occurred but are not yet reflected in the loss factors. Historical experience of both LGD and PD are considered when estimating these adjustments. Factors related to concentrated and deteriorating industries also are incorporated where relevant. These estimates are based on management's view of uncertainties that relate to current macroeconomic and political conditions, quality of underwriting standards and other relevant internal and external factors affecting the credit quality of the current portfolio.

Allowance for credit losses sensitivity

As noted above, the Firm's allowance for credit losses is sensitive to numerous factors, depending on the portfolio. Changes in economic conditions or in the Firm's assumptions could affect its estimate of probable credit losses inherent in the portfolio at the balance sheet date. For example, changes in the inputs below would have the following effects on the Firm's modeled loss estimates as of December 31, 2014, without consideration of any offsetting or correlated effects of other inputs in the Firm's allowance for loan losses:

- For PCI loans, a combined 5% decline in housing prices and a 1% increase in unemployment from current levels could imply an increase to modeled credit loss estimates of approximately $1.2 billion.
- For the residential real estate portfolio, excluding PCI loans, a combined 5% decline in housing prices and a 1% increase in unemployment from current levels could

imply an increase to modeled annual loss estimates of approximately $100 million.

- A 50 basis point deterioration in forecasted credit card loss rates could imply an increase to modeled annualized credit card loan loss estimates of approximately $600 million.
- A one-notch downgrade in the Firm's internal risk ratings for its entire wholesale loan portfolio could imply an increase in the Firm's modeled loss estimates of approximately $1.8 billion.
- A 100 basis point increase in estimated loss given default for the Firm's entire wholesale loan portfolio could imply an increase in the Firm's modeled loss estimates of approximately $140 million.

The purpose of these sensitivity analyses is to provide an indication of the isolated impacts of hypothetical alternative assumptions on modeled loss estimates. The changes in the inputs presented above are not intended to imply management's expectation of future deterioration of those risk factors. In addition, these analyses are not intended to estimate changes in the overall allowance for loan losses, which would also be influenced by the judgment management applies to the modeled loss estimates to reflect the uncertainty and imprecision of these modeled loss estimates based on then current circumstances and conditions.

It is difficult to estimate how potential changes in specific factors might affect the overall allowance for credit losses because management considers a variety of factors and inputs in estimating the allowance for credit losses. Changes in these factors and inputs may not occur at the same rate and may not be consistent across all geographies or product types, and changes in factors may be directionally inconsistent, such that improvement in one factor may offset deterioration in other factors. In addition, it is difficult to predict how changes in specific economic conditions or assumptions could affect borrower behavior or other factors considered by management in estimating the allowance for credit losses. Given the process the Firm follows and the judgments made in evaluating the risk factors related to its loans and credit card loss estimates, management believes that its current estimate of the allowance for credit loss is appropriate.

Fair value of financial instruments, MSRs and commodities inventory

JPMorgan Chase carries a portion of its assets and liabilities at fair value. The majority of such assets and liabilities are measured at fair value on a recurring basis. Certain assets and liabilities are measured at fair value on a nonrecurring basis, including certain mortgage, home equity and other loans, where the carrying value is based on the fair value of the underlying collateral.

Assets measured at fair value

The following table includes the Firm's assets measured at fair value and the portion of such assets that are classified within level 3 of the valuation hierarchy. For further information, see Note 3.

December 31, 2014 (in billions, except ratio data)	Total assets at fair value	Total level 3 assets
Trading debt and equity instruments	$ 320.0	$ 22.5
Derivative receivables	79.0	12.6
Trading assets	399.0	35.1
AFS securities	298.8	1.0
Loans	2.6	2.5
MSRs	7.4	7.4
Private equity investments[(a)]	5.7	2.5
Other	36.2	2.4
Total assets measured at fair value on a recurring basis	749.7	50.9
Total assets measured at fair value on a nonrecurring basis	4.5	3.2
Total assets measured at fair value	$ 754.2	$ 54.1
Total Firm assets	$ 2,573.1	
Level 3 assets as a percentage of total Firm assets		2.1%
Level 3 assets as a percentage of total Firm assets at fair value		7.2%

(a) Private equity instruments represent investments within the Corporate line of business.

Valuation

Details of the Firm's processes for determining fair value are set out in Note 3. Estimating fair value requires the application of judgment. The type and level of judgment required is largely dependent on the amount of observable market information available to the Firm. For instruments valued using internally developed models that use significant unobservable inputs and are therefore classified within level 3 of the valuation hierarchy, judgments used to estimate fair value are more significant than those required when estimating the fair value of instruments classified within levels 1 and 2.

In arriving at an estimate of fair value for an instrument within level 3, management must first determine the appropriate model to use. Second, the lack of observability of certain significant inputs requires management to assess all relevant empirical data in deriving valuation inputs — including, for example, transaction details, yield curves, interest rates, prepayment rates, default rates, volatilities, correlations, equity or debt prices, valuations of comparable instruments, foreign exchange rates and credit curves. For further discussion of the valuation of level 3 instruments, including unobservable inputs used, see Note 3.

For instruments classified in levels 2 and 3, management judgment must be applied to assess the appropriate level of valuation adjustments to reflect counterparty credit quality, the Firm's credit-worthiness, market funding rates, liquidity considerations, unobservable parameters, and for portfolios that meet specified criteria, the size of the net open risk

position. The judgments made are typically affected by the type of product and its specific contractual terms, and the level of liquidity for the product or within the market as a whole. For further discussion of valuation adjustments applied by the Firm see Note 3.

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

The Firm uses various methodologies and assumptions in the determination of fair value. The use of methodologies or assumptions different than those used by the Firm could result in a different estimate of fair value at the reporting date. For a detailed discussion of the Firm's valuation process and hierarchy, and its determination of fair value for individual financial instruments, see Note 3.

Goodwill impairment

Under U.S. GAAP, goodwill must be allocated to reporting units and tested for impairment at least annually. The Firm's process and methodology used to conduct goodwill impairment testing is described in Note 17.

Management applies significant judgment when estimating the fair value of its reporting units. Estimates of fair value are dependent upon estimates of (a) the future earnings potential of the Firm's reporting units, including the estimated effects of regulatory and legislative changes, such as the Dodd-Frank Act, (b) long-term growth rates and (c) the relevant cost of equity. Imprecision in estimating these factors can affect the estimated fair value of the reporting units.

During 2014, the Firm recognized an impairment of the Private Equity business' goodwill totaling $276 million. Remaining goodwill of $101 million at December 31, 2014 associated with the Private Equity business was disposed of as part of the Private Equity sale completed in January 2015. For further information on the Private Equity sale, see Note 2.

Based upon the updated valuations for all of its reporting units, the Firm concluded that the goodwill allocated to its other reporting units was not impaired at December 31, 2014. The fair values of these reporting units exceeded their carrying values. Except for the Firm's mortgage banking business, the excess fair value as a percentage of carrying value ranged from approximately 20-210% for the other reporting units and did not indicate a significant risk of goodwill impairment based on current projections and valuations. The fair value of the Firm's Mortgage Banking business exceeded its carrying value by less than 5% and accordingly, the associated goodwill of approximately $2 billion remains at an elevated risk for goodwill impairment.

The projections for all of the Firm's reporting units are consistent with the short-term assumptions discussed in the Business outlook on pages 66–67, and in the longer term, incorporate a set of macroeconomic assumptions and the Firm's best estimates of long-term growth and returns of its businesses. Where possible, the Firm uses third-party and peer data to benchmark its assumptions and estimates.

Deterioration in economic market conditions, increased estimates of the effects of recent regulatory or legislative changes, or additional regulatory or legislative changes may result in declines in projected business performance beyond management's current expectations. For example, in the Firm's Mortgage Banking business, such declines could result from increases in primary mortgage interest rates, lower mortgage origination volume, higher costs to resolve foreclosure-related matters or from deterioration in economic conditions, including decreases in home prices that result in increased credit losses. Declines in business performance, increases in equity capital requirements, or increases in the estimated cost of equity, could cause the estimated fair values of the Firm's reporting units or their associated goodwill to decline in the future, which could result in a material impairment charge to earnings in a future period related to some portion of the associated goodwill.

For additional information on goodwill, see Note 17.

Income taxes

JPMorgan Chase is subject to the income tax laws of the various jurisdictions in which it operates, including U.S. federal, state and local and non-U.S. jurisdictions. These laws are often complex and may be subject to different interpretations. To determine the financial statement impact of accounting for income taxes, including the provision for income tax expense and unrecognized tax benefits, JPMorgan Chase must make assumptions and judgments about how to interpret and apply these complex tax laws to numerous transactions and business events, as well as make judgments regarding the timing of when certain items may affect taxable income in the U.S. and non-U.S. tax jurisdictions.

JPMorgan Chase's interpretations of tax laws around the world are subject to review and examination by the various taxing authorities in the jurisdictions where the Firm operates, and disputes may occur regarding its view on a tax position. These disputes over interpretations with the various taxing authorities may be settled by audit, administrative appeals or adjudication in the court systems of the tax jurisdictions in which the Firm operates. JPMorgan Chase regularly reviews whether it may be assessed additional income taxes as a result of the resolution of these matters, and the Firm records additional reserves as appropriate. In addition, the Firm may revise its estimate of income taxes due to changes in income tax laws, legal interpretations and tax planning strategies. It is possible that revisions in the Firm's estimate of income

taxes may materially affect the Firm's results of operations in any reporting period.

The Firm's provision for income taxes is composed of current and deferred taxes. Deferred taxes arise from differences between assets and liabilities measured for financial reporting versus income tax return purposes. Deferred tax assets are recognized if, in management's judgment, their realizability is determined to be more likely than not. The Firm has also recognized deferred tax assets in connection with certain NOLs. The Firm performs regular reviews to ascertain whether deferred tax assets are realizable. These reviews include management's estimates and assumptions regarding future taxable income, which also incorporates various tax planning strategies, including strategies that may be available to utilize NOLs before they expire. In connection with these reviews, if it is determined that a deferred tax asset is not realizable, a valuation allowance is established. The valuation allowance may be reversed in a subsequent reporting period if the Firm determines that, based on revised estimates of future taxable income or changes in tax planning strategies, it is more likely than not that all or part of the deferred tax asset will become realizable. As of December 31, 2014, management has determined it is more likely than not that the Firm will realize its deferred tax assets, net of the existing valuation allowance.

JPMorgan Chase does not record U.S. federal income taxes on the undistributed earnings of certain non-U.S. subsidiaries, to the extent that such earnings have been reinvested abroad for an indefinite period of time. Changes to the income tax rates applicable to these non-U.S. subsidiaries may have a material impact on the effective tax rate in a future period if such changes were to occur.

The Firm adjusts its unrecognized tax benefits as necessary when additional information becomes available. Uncertain tax positions that meet the more-likely-than-not recognition threshold are measured to determine the amount of benefit to recognize. An uncertain tax position is measured at the largest amount of benefit that management believes is more likely than not to be realized upon settlement. It is possible that the reassessment of JPMorgan Chase's unrecognized tax benefits may have a material impact on its effective tax rate in the period in which the reassessment occurs.

For additional information on income taxes, see Note 26.

Litigation reserves

For a description of the significant estimates and judgments associated with establishing litigation reserves, see Note 31.

ACCOUNTING AND REPORTING DEVELOPMENTS

Amendments to the consolidation analysis
In February 2015, the Financial Accounting Standards Board ("FASB") issued guidance regarding consolidation of legal entities such as limited partnerships, limited liability corporations, and securitization structures. The guidance eliminates the deferral issued by the FASB in February 2010 of the accounting guidance for VIEs for certain investment funds, including mutual funds, private equity funds and hedge funds. In addition, the guidance amends the evaluation of fees paid to a decision maker or a service provider, and exempts certain money market funds from consolidation. The guidance will be effective in the first quarter of 2016 with early adoption permitted. The Firm is currently evaluating the potential impact on the Consolidated Financial Statements.

Reclassification of residential real estate collateralized consumer mortgage loans upon foreclosure and classification of certain government-guaranteed mortgage loans upon foreclosure
In January 2014, the FASB issued guidance which clarified the timing of when a creditor is considered to have taken physical possession of residential real estate collateral for a consumer mortgage loan, resulting in the reclassification of the loan receivable to real estate owned. The final standard also requires disclosure of outstanding foreclosed residential real estate and the amount of the recorded investment in residential real estate mortgage loans in the process of foreclosure. In August 2014, the FASB issued separate guidance clarifying the classification and measurement of certain foreclosed government-guaranteed mortgage loans. Under the final standard, certain foreclosed government-insured mortgage loan amounts were reclassified on the balance sheet as a receivable from the guarantor at the guaranteed amount. The Firm early adopted both of these new standards in the third quarter of 2014 with a cumulative-effect adjustment as of January 1, 2014; the adoption of these standards (and related reclassification adjustment) had no material impact on the Firm's Consolidated Financial Statements.

Measuring the financial assets and financial liabilities of a consolidated collateralized financing entity
In August 2014, the FASB issued guidance to address diversity in the accounting for differences in the measurement of the fair values of financial assets and liabilities of consolidated financing VIEs. The new guidance provides an alternative for consolidated financing VIEs to elect: (1) to measure their financial assets and liabilities separately under existing U.S. GAAP for fair value measurement with any differences in such fair values reflected in earnings; or (2) to measure both their financial assets and liabilities using the more observable of the fair value of the financial assets or the fair value of the financial liabilities. The guidance will become effective in the first quarter of 2016, with early adoption permitted. The adoption of this guidance is not expected to have a material impact on the Firm's Consolidated Financial Statements.

Repurchase agreements and similar transactions
In June 2014, the FASB issued guidance that amends the accounting for certain secured financing transactions, and requires enhanced disclosures with respect to transactions recognized as sales in which exposure to the derecognized asset is retained through a separate agreement with the counterparty. In addition, the guidance requires enhanced disclosures with respect to the types and quality of financial assets pledged in secured financing transactions. The guidance will become effective in the first quarter of 2015, except for the disclosures regarding the types and quality of financial assets pledged, which will become effective in the second quarter of 2015. The adoption of this guidance is not expected to have a material impact on the Firm's Consolidated Financial Statements.

Revenue recognition – revenue from contracts with customers
In May 2014, the FASB issued revenue recognition guidance that is intended to create greater consistency with respect to how and when revenue from contracts with customers is shown in the statements of income. The guidance requires that revenue from contracts with customers be recognized upon delivery of a good or service based on the amount of consideration expected to be received, and requires additional disclosures about revenue. The guidance will be effective in the first quarter of 2017 and early adoption is prohibited. The Firm is currently evaluating the potential impact on the Consolidated Financial Statements.

Reporting discontinued operations and disclosures of disposals of components of an entity
In April 2014, the FASB issued guidance regarding the reporting of discontinued operations. The guidance changes the criteria for determining whether a disposition qualifies for discontinued operations presentation. It also requires enhanced disclosures about discontinued operations and significant dispositions that do not qualify to be presented as discontinued operations. The guidance will become effective in the first quarter of 2015. The adoption of this guidance is not expected to have a material impact on the Firm's Consolidated Financial Statements.

Investments in qualified affordable housing projects

In January 2014, the FASB issued guidance regarding the accounting for investments in affordable housing projects that qualify for the low-income housing tax credit. The guidance replaces the effective yield method and allows companies to make an accounting policy election to amortize the initial cost of its investments in proportion to the tax credits and other benefits received if certain criteria are met, and to present the amortization as a component of income tax expense. The guidance will become effective in the first quarter of 2015 and is required to be applied retrospectively, such that the Firm's results of operations for prior periods will be revised to reflect the guidance.

The Firm intends to adopt the guidance for all qualifying investments. The adoption of this guidance is estimated to reduce retained earnings by approximately $230 million. The Firm expects that reported other income and income tax expense will each increase as a result of presenting the amortization of the initial cost of its investments as component of income tax expense. The amount of this increase in each period depends on the size and characteristics of the Firm's portfolio of affordable housing investments; the estimated increase for 2014 is approximately $900 million. The effect of this guidance on the Firm's net income is not expected to be material.

NONEXCHANGE-TRADED COMMODITY DERIVATIVE CONTRACTS AT FAIR VALUE

In the normal course of business, JPMorgan Chase trades nonexchange-traded commodity derivative contracts. To determine the fair value of these contracts, the Firm uses various fair value estimation techniques, primarily based on internal models with significant observable market parameters. The Firm's nonexchange-traded commodity derivative contracts are primarily energy-related.

The following table summarizes the changes in fair value for nonexchange-traded commodity derivative contracts for the year ended December 31, 2014.

Year ended December 31, 2014 (in millions)	Asset position	Liability position
Net fair value of contracts outstanding at January 1, 2014	$ 8,128	$ 9,929
Effect of legally enforceable master netting agreements	15,082	15,318
Gross fair value of contracts outstanding at January 1, 2014	23,210	25,247
Contracts realized or otherwise settled	(14,451)	(15,557)
Fair value of new contracts	13,954	15,664
Changes in fair values attributable to changes in valuation techniques and assumptions	–	–
Other changes in fair value	1,440	1,783
Gross fair value of contracts outstanding at December 31, 2014	24,153	27,137
Effect of legally enforceable master netting agreements	(14,327)	(13,211)
Net fair value of contracts outstanding at December 31, 2014	$ 9,826	$ 13,926

The following table indicates the maturities of nonexchange-traded commodity derivative contracts at December 31, 2014.

December 31, 2014 (in millions)	Asset position	Liability position
Maturity less than 1 year	$ 15,635	$ 16,376
Maturity 1-3 years	6,561	8,459
Maturity 4-5 years	1,230	1,790
Maturity in excess of 5 years	727	512
Gross fair value of contracts outstanding at December 31, 2014	24,153	27,137
Effect of legally enforceable master netting agreements	(14,327)	(13,211)
Net fair value of contracts outstanding at December 31, 2014	$ 9,826	$ 13,926

FORWARD-LOOKING STATEMENTS

From time to time, the Firm has made and will make forward-looking statements. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as "anticipate," "target," "expect," "estimate," "intend," "plan," "goal," "believe," or other words of similar meaning. Forward-looking statements provide JPMorgan Chase's current expectations or forecasts of future events, circumstances, results or aspirations. JPMorgan Chase's disclosures in this Annual Report contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The Firm also may make forward-looking statements in its other documents filed or furnished with the Securities and Exchange Commission. In addition, the Firm's senior management may make forward-looking statements orally to investors, analysts, representatives of the media and others.

All forward-looking statements are, by their nature, subject to risks and uncertainties, many of which are beyond the Firm's control. JPMorgan Chase's actual future results may differ materially from those set forth in its forward-looking statements. While there is no assurance that any list of risks and uncertainties or risk factors is complete, below are certain factors which could cause actual results to differ from those in the forward-looking statements:

- Local, regional and international business, economic and political conditions and geopolitical events;
- Changes in laws and regulatory requirements;
- Changes in trade, monetary and fiscal policies and laws;
- Securities and capital markets behavior, including changes in market liquidity and volatility;
- Changes in investor sentiment or consumer spending or savings behavior;
- Ability of the Firm to manage effectively its capital and liquidity, including approval of its capital plans by banking regulators;
- Changes in credit ratings assigned to the Firm or its subsidiaries;
- Damage to the Firm's reputation;
- Ability of the Firm to deal effectively with an economic slowdown or other economic or market disruption;
- Technology changes instituted by the Firm, its counterparties or competitors;
- The success of the Firm's business simplification initiatives and the effectiveness of its control agenda;
- Ability of the Firm to develop new products and services, and the extent to which products or services previously sold by the Firm (including but not limited to mortgages and asset-backed securities) require the Firm to incur liabilities or absorb losses not contemplated at their initiation or origination;
- Ability of the Firm to address enhanced regulatory requirements affecting its consumer businesses;
- Acceptance of the Firm's new and existing products and services by the marketplace and the ability of the Firm to increase market share;
- Ability of the Firm to attract and retain qualified employees;
- Ability of the Firm to control expense;
- Competitive pressures;
- Changes in the credit quality of the Firm's customers and counterparties;
- Adequacy of the Firm's risk management framework, disclosure controls and procedures and internal control over financial reporting;
- Adverse judicial or regulatory proceedings;
- Changes in applicable accounting policies;
- Ability of the Firm to determine accurate values of certain assets and liabilities;
- Occurrence of natural or man-made disasters or calamities or conflicts;
- Ability of the Firm to maintain the security of its financial, accounting, technology, data processing and other operating systems and facilities;
- The other risks and uncertainties detailed in Part I, Item 1A: Risk Factors in the Firm's Annual Report on Form 10-K for the year ended December 31, 2014.

Any forward-looking statements made by or on behalf of the Firm speak only as of the date they are made, and JPMorgan Chase does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statements were made. The reader should, however, consult any further disclosures of a forward-looking nature the Firm may make in any subsequent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, or Current Reports on Form 8-K.