
Dear Fellow Shareholders,



Jamie Dimon,
Chairman and
Chief Executive Officer

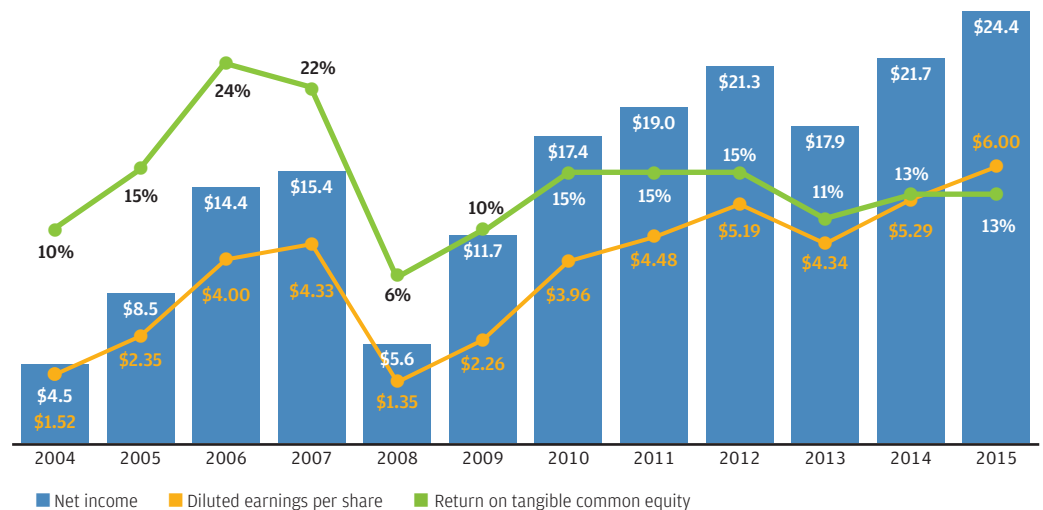
Last year – in fact, the last decade – was an extraordinary time for our company. We managed through the financial crisis and its turbulent aftermath while never losing sight of the reason we are here: to serve our clients, our communities and countries across the globe and, of course, to earn a fair profit for our shareholders. All the while, we have been successfully executing our control and regulatory agenda and continuing to invest in technology, infrastructure and talent – critical to the future of the company. And each year, our company has been getting safer and stronger. We continue to see exciting opportunities to invest for the future and to do more for our clients and our communities – as well as continue to support the growth of economies around the world.

I feel enormously blessed to work for this great company and with such talented employees. Our management team and employees have built an exceptional organization that is one of the most trusted and respected financial institutions in the world. It has been their dedication, fortitude and perseverance that made this possible. And it fills me with tremendous pride.

Our company earned a record \$24.4 billion in net income on revenue of \$96.6 billion in 2015. In fact, we have delivered record results in the last five out of six years, and we hope to continue to deliver in the future. Our financial results reflected strong underlying performance across our businesses, and, importantly, we exceeded all our major financial commitments – balance sheet optimization, capital deployment, global systemically important bank (GSIB) surcharge reduction and expense cuts.

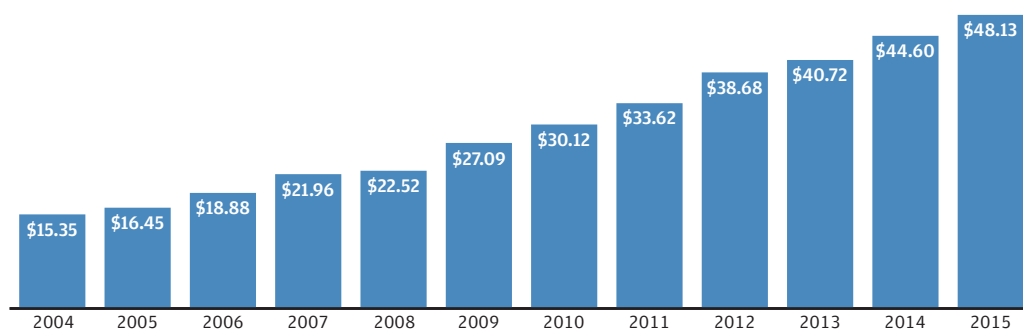
Earnings, Diluted Earnings per Share and Return on Tangible Common Equity 2004–2015

(\$ in billions, except per share and ratio data)



While we did produce record profits last year, our returns on tangible common equity have been coming down, mostly due to higher capital requirements, higher control costs and low interest rates. Our return on tangible common equity was 13% last year, though we still believe that we will be able to achieve, over time, returns of approximately 15%. We still don't know the final capital rules, which could have additional negative effects, but we do believe that the capital requirements eventually will be offset by optimizing our use of capital and other precious resources, by realizing market share gains due to some competitors leaving certain businesses, and by implementing extensive cost efficiencies created by streamlining and digitizing our processes. I will discuss some of these efforts later on in this letter.

Tangible Book Value per Share 2004–2015



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

	Bank One (A)	S&P 500 (B)	Relative Results (A) – (B)
Performance since becoming CEO of Bank One (3/27/2000–12/31/2015)¹			
Compounded annual gain	12.5%	5.0%	7.5%
Overall gain	481.4%	107.9%	373.5%
Performance since the Bank One and JPMorgan Chase & Co. merger (7/1/2004–12/31/2015)			
Compounded annual gain	13.7%	7.4%	6.3%
Overall gain	336.9%	127.6%	209.3%

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

¹ On March 27, 2000, Jamie Dimon was hired as CEO of Bank One.

We continued to deliver for our shareholders in 2015. The table above shows the growth in tangible book value per share, which we believe is a conservative measure of value. You can see that our tangible book value per share has grown far more than that of the Standard & Poor's 500 Index (S&P 500) in both time periods. For Bank One shareholders since March 27, 2000, the stock has performed far better than most financial companies and the S&P 500. We are not proud of the fact that our stock performance has only equaled the S&P 500 since the JPMorgan Chase & Co. merger with Bank One on July 1, 2004 and essentially over the last five to 10 years. On a relative basis, though, JPMorgan Chase stock has far outperformed the S&P Financials Index and, in fact, has been one of the best performers of all banks during this difficult period. The details are shown on the table on the following page.

Stock total return analysis			
	Bank One	S&P 500	S&P Financials Index
Performance since becoming CEO of Bank One (3/27/2000–12/31/2015)¹			
Compounded annual gain	10.2%	3.8%	1.9%
Overall gain	364.1%	81.3%	35.3%
Performance since the Bank One and JPMorgan Chase & Co. merger (7/1/2004–12/31/2015)			
Compounded annual gain	7.6%	7.4%	0.7%
Overall gain	131.1%	127.6%	7.8%
Performance for the period ended December 31, 2015:			
Compounded annual gain/(loss)			
One year	8.4%	1.4%	(1.6)%
Five years	12.1%	12.6%	10.4%
Ten years	7.9%	7.3%	(0.7)%
These charts show actual returns of the stock, with dividends included, for heritage shareholders of Bank One and JPMorgan Chase & Co. vs. the Standard & Poor's 500 Index (S&P 500) and the Standard & Poor's Financials Index (S&P Financials Index).			
¹ On March 27, 2000, Jamie Dimon was hired as CEO of Bank One.			

Many of the legal and regulatory issues that our company and the industry have faced since the Great Recession have been resolved or are receding, which will allow the strength and quality of our underlying business to more fully shine through.

In this letter, I will discuss the issues highlighted below – which describe many of our successes and opportunities, as well as our challenges and responses. The main sections are listed below, and, unlike prior years, we have organized much of this letter around some of the key questions we have received from shareholders and other interested parties.

I. Our franchises are strong – and getting stronger

- How do you compare your franchises with your peers? What makes you believe your businesses are strong? Page 9

II. We must and will protect our company and those we serve

- You say you have a “fortress balance sheet.” What does that mean? Can you handle the extreme stress that seems to happen around the world from time to time? Page 11
- Have you completed your major de-risking initiatives? Page 14
- Do you think you now have “fortress controls” in place? Page 14
- To protect the company and to meet standards of safety and soundness, don’t you have to earn a fair profit? Many banks say that the cost of all the new rules makes this hard to do. Page 16
- What is all this talk of regulatory optimization, and don’t some of these things hurt clients? When will you know the final rules? Page 16
- How do you manage geopolitical and country risks? Page 17
- How do you manage your interest rate exposure? Are you worried about negative interest rates and the growing differences across countries? Page 18
- Are you worried about liquidity in the marketplace? What does it mean for JPMorgan Chase, its clients and the broader economy? Page 19
- Why are you making such a big deal about protecting customers’ data in your bank? Page 21

III. We actively develop and support our employees

- How are you ensuring you have the right conduct and culture? Page 22
- How are you doing in your diversity efforts? Page 24
- With all the new rules, committees and centralization, how can you fight bureaucracy and complacency and keep morale high? Page 26
- How are you doing retaining key people? Page 27

IV. We are here to serve our clients

- How do you view innovation, technology and FinTech? And have banks been good innovators? Do you have economies of scale, and how are they benefiting your clients? Page 28
- How do you intend to win in payments, particularly with so many strong competitors – many from Silicon Valley? Page 31
- You always seem to be segmenting your businesses – how and why are you doing this? Page 32
- How and why do you use big data? Page 33
- Why are you investing in sales and trading, as well as in your Investment Bank, when others seem to be cutting back? Page 34
- Why are you still in the mortgage business? Page 35

V. We have always supported our communities

- You seem to be doing more and more to support your communities – how and why? Page 37

VI. A safe, strong banking industry is absolutely critical to a country's success – banks' roles have changed, but they will never be a utility

- Does the United States really need large banks? Page 40
- Why do you say that banks need to be steadfast and always there for their clients – doesn't that always put you in the middle of the storm? Page 43
- Will banks ever regain a position of trust? How will this be done? Page 46
- Are you and your regulators thinking more comprehensively and in a forward-looking way to play a role in helping to accelerate global growth? Page 46

VII. Good public policy is critically important

- Are you worried about bad public policy? Page 48

I. OUR FRANCHISES ARE STRONG – AND GETTING STRONGER

When I travel around the world, and we do business in over 100 countries, our clients – who are big companies to small businesses, investors and individuals, as well as countries and their sovereign institutions – are almost uniformly pleased with us. In fact, most cities, states and countries want more of JPMorgan Chase. They want us to bring more of our resources – our financial capabilities and technology, as well as our human capital and expertise – to their communities. While we do not know what the next few years may bring, we are confident that the needs of our clients around the world will

continue to grow and that our consistent strategy of building for the future and being there for our clients in good times and bad has put us in very good stead. Whatever the future brings, we will face it from a position of strength and stability.

Because our business leaders do such a good job describing their businesses (and I strongly urge you to read their letters on pages 52–72 in this Annual Report), it is unnecessary for me to cover each in detail here, other than to answer the following critical questions.

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

	Efficiency			Returns		
	JPM 2015 overhead ratios	Best-in-class peer overhead ratios ²	JPM target overhead ratios	JPM 2015 ROE	Best-in-class peer ROTCE ⁵	JPM target ROE
Consumer & Community Banking	57%	54% WFC	~50%	18%	15% WFC	20%
Corporate & Investment Bank	59% ¹	57% Citi	55%-60%	12% ³	12% Citi	13%
Commercial Banking	42%	40% PNC	35%	15%	14% FITB	16%
Asset Management	73%	68% UBS WM & BLK	≤70%	21%	24% BAC & TROW	25%+
JPMorgan Chase	58% ¹	56% ¹	55%+/-	13% ⁴	12%	~15% ⁴

¹ Excludes legal expense.

² Best-in-class overhead ratio represents implied expenses of comparable peer segments weighted by JPMorgan Chase (JPM) revenue: Wells Fargo Community Banking (WFC), Citi Institutional Clients Group (Citi), PNC Corporate and Institutional Banking (PNC), UBS Wealth Management and Wealth Management Americas (UBS WM) and BlackRock (BLK). JPM overhead ratio represents the sum of the implied expenses of all peers and JPM Corporate segment divided by JPM revenue.

³ CIB ROE excluding legal expense was 14%.

⁴ Represents firmwide ROTCE for JPM. Goodwill is primarily related to the Bank One merger and prior acquisitions and is predominantly retained by Corporate.

⁵ Best-in-class ROTCE represents implied net income minus preferred stock dividends (NIAC) for each comparable LOB peer weighted by JPM average tangible common equity: WFC, Citi Institutional Clients Group (Citi), Fifth Third Bank (FITB), Bank of America Global Wealth and Investment Management (BAC), T. Rowe Price (TROW). JPM ROTCE represents the sum of the implied combined NIAC of all peers and JPM Corporate segment divided by JPM average tangible equity.

How do you compare your franchises with your peers? What makes you believe your businesses are strong?

Virtually all of our businesses are close to best in class, in overhead ratios and, more important, in return on equity (ROE), as shown on the chart on page 8. Of even more relevance, we have these strong ratios while making sizable investments for the future (which we have reported on extensively in the past and you can read more about in the CEO letters). It is easy to meet short-term targets by skimping on investments for the future, but that is not our approach for building the business for the long term.

We are deeply aware that our clients choose who they want to do business with each and every day, and we are gratified that we continue to earn our clients' business and their trust. If you are gaining customers and market share, you have to be doing something right. The chart below shows that we have been meeting this goal fairly consistently for 10 years.

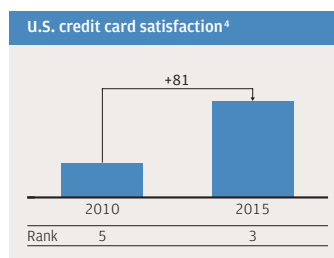
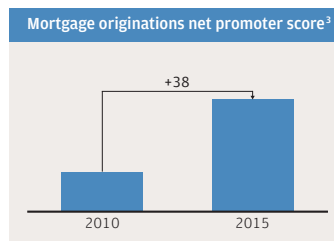
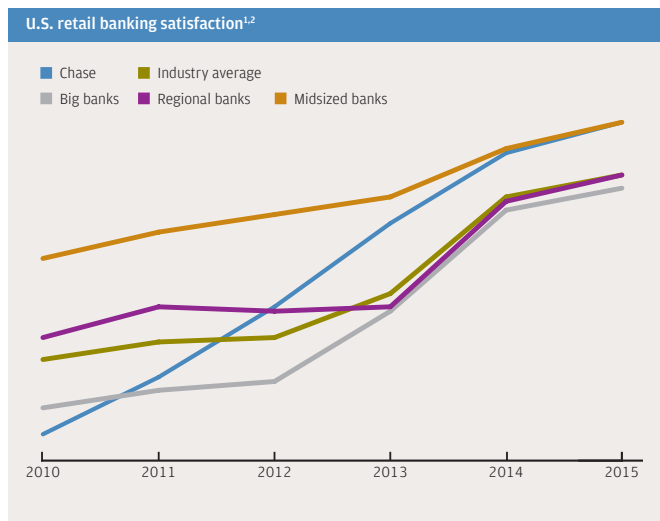
Irreplicable Client Franchises Built Over the Long Term

		2006	2014	2015	
Consumer & Community Banking	Deposits market share ¹	3.6%	7.6%	7.9%	<ul style="list-style-type: none"> ■ Relationships with ~50% of U.S. households ■ #1 primary banking relationship share in Chase footprint¹¹ ■ #1 retail bank in the U.S. for acquiring, developing and retaining customers¹² ■ #1 U.S. credit card issuer based on loans outstanding¹³ ■ #1 U.S. co-brand credit card issuer¹⁴ ■ #1 wholly-owned merchant acquirer¹⁵
	# of top 50 Chase markets where we are #1 (top 3) deposits	11 (25)	13 (40)	12 (40)	
	Average deposits growth rate	7.7%	7.4%	9.0%	
	Active mobile customers growth rate	NM	22.1%	19.5%	
	Card sales market share ²	16%	21%	21%	
	Merchant processing volume ^{3,4}	#3	#1	#1	
Corporate & Investment Bank	Global Investment Banking fees ⁵	#2	#1	#1	<ul style="list-style-type: none"> ■ >80% of Fortune 500 companies do business with us ■ Top 3 in 16 product areas out of 17¹⁶ ■ #1 in both N.A. and EMEA Investment Banking fees¹⁷ ■ #1 in Global Debt, Equity and Equity-related¹⁷ ■ #1 in Global Long-Term Debt and Loan Syndications¹⁷ ■ #1 in FICC productivity¹⁸ ■ Top 3 Custodian globally with AUC of \$19.9 trillion ■ #1 USD clearing house with 18.9% share in 2015¹⁹
	Market share ⁵	8.6%	8.0%	7.9%	
	Total Markets revenue ⁶	#8	#1	#1	
	Market share ⁶	7.9%	15.5%	15.9%	
	FICC ⁶	#7	#1	#1	
	Equities ⁶	#8	#3	#3	
Commercial Banking	# of states with Middle Market banking presence	22	30	32	<ul style="list-style-type: none"> ■ #1 in customer satisfaction²⁰ ■ Leveraging the firm's platform – average ~9 products/client²¹ ■ Top 3 in overall Middle Market, large Middle Market and ABL bookrunner ■ Industry-leading credit performance – 4th straight year of net recoveries or single digit NCO rate
	Multifamily lending ⁷	#28	#1	#1	
	Gross Investment Banking revenue (\$ in billions)	\$0.7	\$2.0	\$2.2	
	% of North America Investment Banking fees	16%	35%	36%	
Asset Management	Mutual funds with a 4/5 star rating ⁸	119	226	231	<ul style="list-style-type: none"> ■ 84% of 10-year long-term mutual fund AUM in top 2 quartiles²² ■ Positive client asset flows every year since 2004 ■ #3 Global Private Bank and #1 LatAm Private Bank²³ ■ Revenue and long-term AUM growth ~80% since 2006 ■ Doubled GWM client assets (2x industry rate) since 2006¹⁰
	Global active long-term open-end mutual fund AUM flows ⁹	#2	#1	#2	
	AUM market share ⁹	1.8%	2.5%	2.6%	
	North America Private Bank (<i>Euromoney</i>)	#1	#1	#1	
	Client assets market share ¹⁰	~3%	~4%	~4%	

For footnoted information, refer to slide 42 in the 2016 Firm Overview Investor Day presentation, which is available on JPMorgan Chase & Co.'s website at (<http://investor.shareholder.com/jpmorganchase/presentations.cfm>), under the heading Investor Relations, Investor Presentations, JPMorgan Chase 2016 Investor Day, Firm Overview, and on Form 8-K as furnished to the SEC on February 24, 2016, which is available on the SEC's website (www.sec.gov).

NM = Not meaningful

Improved Consumer Satisfaction: 2010–2015



¹ Source: J.D. Power U.S. Retail Banking Satisfaction Study.

² Big banks defined as top six U.S. banks.

³ Net promoter score = % promoters minus % detractors.

⁴ Source: J.D. Power U.S. Credit Card Satisfaction Study (8/19/2010 and 8/20/2015).

Good businesses also deeply care about improving customer satisfaction. As shown above, you can see that our Chase customer satisfaction score continues to rise. In addition, our Commercial Banking satisfaction score is among the highest in the industry in terms of customer loyalty. In Asset Management, where customers vote with their wallet, JPMorgan Funds finished second in long-term net flows among all fund complexes.

Later on in this letter, I will describe our fortress balance sheet and controls, as well as the discipline we have around risk management. I will also talk more about our employees, some exciting new opportunities – mostly driven by innovative technologies – and our ongoing support for our communities and our country. It is critical that we do *all* of these things right to maintain the strength of our company.

II. WE MUST AND WILL PROTECT OUR COMPANY AND THOSE WE SERVE

In support of our main mission – to serve our clients and our communities – there is nothing more important than to **protect** our company so that we are strong and can continue to be here for all of those who count on us. We have taken many actions that should give our shareholders, clients and regulators comfort and demonstrate that our company is rock solid.

The actions we have taken to strengthen our company.

In this section, we describe the many actions that we have taken to make our

company stronger and safer: our fortress balance sheet with enhanced capital and liquidity, our ability to survive extreme stress of multiple types, our extensive de-risking and simplification of the business, and the building of fortress controls in meeting far more stringent regulatory standards. Taken together, these actions have enabled us to make extraordinary progress toward reducing and ultimately eliminating the risk of JPMorgan Chase failing and the cost of any failure being borne by the American taxpayer or the U.S. economy.

You say you have a “fortress balance sheet.” What does that mean? Can you handle the extreme stress that seems to happen around the world from time to time?

Nearly every year since the Great Recession, we have improved virtually every measure of financial strength, including many new ones. It’s important to note as a starting point that in the worst years of 2008 and 2009, JPMorgan Chase did absolutely fine – we never lost money, we continued to serve our clients, and we had the wherewithal and capability to buy and integrate Bear Stearns and Washington Mutual. That said, we nonetheless recognize that many Americans did not do fine, and the financial crisis exposed weaknesses in the mortgage market and other areas. Later in this letter, I will also describe what we are doing to strengthen JPMorgan Chase and to help support the entire economy.

The chart on page 12 shows many of the measures of our financial strength – both from the year preceding the crisis and our improvement in the last year alone.

In addition, every year, the Federal Reserve puts all large banks through a very severe and very detailed stress test.

Among other things, last year’s stress test assumed that unemployment would go to 10.1%, housing prices would fall 25%, equity markets would decline by nearly 60%, real gross domestic product (GDP) would decline 4.6%, credit spreads would widen dramatically and oil prices would rise to \$110 per barrel. The stress test also assumed an instantaneous global market shock, effectively far worse than the one that happened in 2009, causing large trading losses. It also assumed the failure of the largest counterparty (this is meant to capture the failure of the global bank that you have the most extensive derivative relationship with; e.g., a Lehman-type event), which would cause additional losses. The stress test assumed that banks would not stop buying back stock – therefore depleting their capital – and would continue to grow dramatically. (Of course, growing dramatically and buying back stock if your bank were under stress would be irresponsible – and is something we would never do.) Under this assumed stress, the Federal Reserve estimates that JPMorgan Chase would lose

* Footnote: Our Chief Operating Officer Matt Zames talks in his letter on pages 52-55 about many important initiatives to protect our company, including our physical security and cybersecurity, so I will not duplicate any of that information.

Our Fortress Balance Sheet

at December 31,

	2007	2014		2015
CET1	7.0% ²	10.2% ³	+140 bps	11.6% ³
TCE/ Total assets ¹	4.9%	6.6%	+110 bps	7.7%
Tangible common equity	\$74B	\$166B	+\$10B	\$176B
Total assets	\$1.6T	\$2.6T	\$(200)B	\$2.4T
RWA	\$1.1T ²	\$1.6T ³	\$(100)B	\$1.5T ³
Level 3 assets	\$83B	\$54B	\$(22)B	\$32B
Liquidity (HQLA)	N/A	\$600B	\$(104)B	\$496B
LCR and NSFR	N/A	>100%	Compliant	>100%
GSIB	N/A	4.5%	(100) bps	3.5% ⁴

¹ Excludes goodwill and intangible assets.

² Reflects Basel I measure; CET1 reflects Tier 1 common.

³ Reflects Basel III Advanced Fully Phased-In measure.

⁴ Estimated

B = billions

T = trillions

bps = basis points

CET1 = Common equity Tier 1 ratio. CET1 ratios reflect the capital rule the firm was subject to at each reporting period

TCE = Tangible common equity

RWA = Risk-weighted assets

Level 3 assets = Assets whose value is estimated using model inputs that are unobservable and significant to the fair value

HQLA = High quality liquid assets predominantly include cash on deposit at central banks, and unencumbered U.S. agency mortgage-backed securities, U.S. Treasuries and sovereign bonds

LCR and NSFR = Liquidity coverage ratio and net stable funding ratio

GSIB = Global systemically important bank. The GSIB surcharge increases the regulatory minimum capital of large banks based on their size, cross-jurisdiction activity, interconnectedness, complexity and short-term wholesale funding

N/A = Not applicable

\$55 billion pre-tax over a nine-quarter period, an amount that we would easily manage because of the strength of our capital base. Remember, the Federal Reserve stress test is not a forecast – it appropriately assumes multiple levels of conservatism and that very little mitigating action can be taken. However, we believe that if the stress scenario actually happened, we would incur minimal losses over a cumulative nine-quarter period because of the extensive mitigating actions that we would take. It bears

repeating that in the actual Great Recession, which was not unlike last year's stress test, JPMorgan Chase never lost money in any quarter and was quite profitable over the nine-quarter period.

The stress test is extremely severe on credit.

The 2015 Comprehensive Capital Analysis and Review (CCAR), or stress test, projected credit losses over a nine-quarter period that totaled approximately \$50 billion for JPMorgan Chase, or 6.4% of all our loans. This is higher than what the actual cumula-

tive credit losses were for all banks during the Great Recession (they were 5.6%), and our credit book today is materially better than what we had at that time. The 2015 CCAR losses were even with the actual losses for banks during the worst two years of the Great Depression in the 1930s (6.4%).

The stress test is extremely severe on trading and counterparty risk.

Our 2015 CCAR trading and counterparty losses were \$24 billion. We have two comparisons that should give comfort that our losses would never be this large.

First, recall what actually happened to us in 2008. In the worst quarter of 2008, we lost \$1.7 billion; for the entire year, we made \$6.3 billion in trading revenue in the Investment Bank, which included some modest losses on the Lehman default (one of our largest counterparties). The trading books are much more conservative today than they were in 2008, and at that time, we were still paying a considerable cost for assimilating and de-risking Bear Stearns.

Second, we run hundreds of stress tests of our own each week, across our global trading operations, to ensure our ability to withstand and survive many bad and extreme scenarios. These scenarios include events such as what happened in 2008, other historically damaging events and also new situations that might occur. We manage our company so that even under the worst market stress test conditions, we would

almost never bear a loss of more than \$5 billion (remember, we earn approximately \$10 billion pre-tax, pre-provision each quarter). We recognize that on rare occasions, we could experience a negative significant event that could lead to our having a poor quarter. But we will be vigilant and will never take such a high degree of risk that it jeopardizes the health of our company and our ability to continue to serve our clients. This is a bedrock principle. Later in this letter, I will also describe how we think about idiosyncratic geopolitical risk.

And the capital we have to bear losses is enormous.

We have an extraordinary amount of capital to sustain us in the event of losses. It is instructive to compare assumed extreme losses against how much capital we have for this purpose.

You can see in the table below that JPMorgan Chase alone has enough loss absorbing resources to bear *all the losses, assumed by CCAR, of the 31 largest banks in the United States*. Because of regulations and higher capital, large banks in the United States are far stronger. And even if any one bank might fail, in my opinion, there is virtually no chance of a domino effect. Our shareholders should understand that while large banks do significant business with each other, they do not directly extend much credit to one other. And when they trade derivatives, they mark-to-market and post collateral to each other every day.

Resilience of JPMorgan Chase through multiple layers of protection			
(\$ in billions)			
Total loss absorbing resources		JPMorgan Chase quarterly estimated pre-tax, pre-provision earnings	
December 31, 2015:			~\$ 10
Eligible long-term debt	\$ 125		
Preferred equity	26	CCAR industry losses²	
CET1	173	JPMorgan Chase losses	\$ 55
Total reserves ¹	25	Losses of 30 other participating banks	167
Total resources	~\$ 350	Total CCAR losses	\$ 222

¹ Includes credit, legal, tax and valuation reserves.
² As estimated for the nine quarters ending December 31, 2016, by the Federal Reserve in the 2015 CCAR severely adverse scenario.
Note: Numbers may not sum due to rounding.

Have you completed your major de-risking initiatives?

Yes, we have completed our major de-risking initiatives, and some were pretty draconian. In the chart below, I show just a few of the

actions that we were willing to take to reduce various forms of risk:

Executed Significant Business Simplification Agenda

Business simplification initiatives	Other meaningful business actions
<ul style="list-style-type: none">✓ Exited Private Equity business✓ Exited Physical Commodities business✓ Exited Special Mezzanine Financing business✓ Exited majority of Broker-Dealer Services business✓ Exited International Commercial Card✓ Sold Retirement Plan Services unit¹✓ Exited government prepaid card	<ul style="list-style-type: none">✓ Simplified Mortgage Banking products from 37 to 15 products✓ Ceased originating student loans✓ De-risking by discontinuing certain businesses with high-risk clients in high-risk geographies:<ul style="list-style-type: none">— Business Banking closed ~9,000 clients— Commercial Banking closed ~4,600 clients— Private Banking closed ~1,700 clients— Consumer Banking closed ~140,000 clients— CIB closed ~2,900 clients(Includes restricted/exited transaction services for ~500 Foreign Correspondent Banking clients)

¹ 401(k) administration business

However, we are going to be extremely vigilant to do more de-risking if we believe that something creates additional legal, regulatory or political risks. We regularly review all our business activities and try to exceed – not just meet – regulatory demands. We also now ask our Legal Department to be on the search for “emerging legal risks.” We try to think differently; for example, we try to look at legal risks not based on how the law is today but based on how the law might be interpreted differently 10 years from now. It is perfectly reasonable for the legal and regula-

tory agencies to want to improve the quality of the businesses they oversee, particularly around important issues such as customer protection. We also expect this refinement frequently will be achieved through enforcement actions as opposed to the adoption of new rules that raise standards. For many years, regulations generally were viewed as being static. As we do everywhere else, we should be striving for constant improvement to stay ahead of the curve.

Do you think you now have “fortress controls” in place?

We are good and are getting better. The intense efforts over the last few years across our operating businesses – Risk, Finance, Compliance, Legal and Audit – are now yielding real results that will protect the company in the future. We have reinforced a culture of accountability for assuming risk and have come a long way in self-identifying and fixing shortcomings. Many new permanent organizational structures have been

put in place to ensure constant review and continuous improvement. For example, we now have a permanent Oversight & Control Group. The group is charged with enhancing the firm’s control environment by looking within and across the lines of business and corporate functions to identify and remediate control issues. This function enables us to detect control problems more quickly, escalate issues promptly and engage other stakeholders to understand

common themes across the firm. We have strengthened the Audit Department and risk assessment throughout the firm, enhanced data quality and controls, and also strengthened permanent standing committees that review new clients, new products and all reputational issues.

The effort is enormous.

Since 2011, our total headcount directly associated with Controls has gone from 24,000 people to 43,000 people, and our total annual Controls spend has gone from \$6 billion to approximately \$9 billion annually over that same time period. We have more work to do, but a strong and permanent foundation is in place. Far more is spent on Controls if you include the time and effort expended by front-office personnel, committees and reviews, as well as certain technology and operations functions.

We have also made a very substantial amount of progress in Anti-Money Laundering/Bank Secrecy Act.

We deployed a new anti-money laundering (AML) system, Mantas, which is a monitoring platform for all global payment transactions. It now is functioning across our company and utilizes sophisticated algorithms that are regularly enhanced based on transactional experience. We review electronically \$105 trillion of gross payments each month, and then, on average, 55,000 transactions are reviewed by humans after algorithms identify any single transaction as a potential issue. Following this effort, we stopped doing business with 18,000 customers in 2015. We also are required to file suspicious activity reports (SAR) with the government on any suspicious activity. Last year, we filed 180,000 SARs, and we estimate that the industry as a whole files millions each year. We understand how important this activity is, not just to protect our company but to help protect our country from criminals and terrorists.

We exited or restricted approximately 500 foreign correspondent banking relationships and tens of thousands of client relationships to simplify our business and to reduce our AML risk. The cost of doing proper AML/KYC (Know Your Customer) diligence on a client increased dramatically, making many of these relationships immediately unprofitable. But we did not exit simply due to profitability – we could have maintained unprofitable client relationships to be supportive of countries around the world that are allies to the United States. The real reason we exited was often because of the extraordinary legal risk if we were to make a mistake. In many of these places, it simply is impossible to meet the new requirements, and if you make just one mistake, the regulatory and legal consequences can be severe and disproportionate.

We also remediated 130,000 accounts for KYC – across the Private Bank, Commercial Bank and the Corporate & Investment Bank. This exercise vastly improved our data, gave us far more information on our clients and also led to our exiting a small number of client relationships. We will be vigilant on onboarding and maintaining files on all new clients in order to stay as far away as we can from any client with unreasonable risk.

In all cases, we carefully tried to get the balance right while treating customers fairly.

You can see that we are doing everything in our power to meet and even exceed the spirit and the letter of the law to avoid making mistakes and the high cost – both monetarily and to our reputation – that comes with that. But we also tried to make sure that in our quest to eliminate risk, we did not ask a lot of good clients to exit. We hope that in the future, the regulatory response to any mistakes – if and when they happen, and they will happen – will take into account the extraordinary effort to get it right.

To protect the company and to meet standards of safety and soundness, don't you have to earn a fair profit? Many banks say that the cost of all the new rules makes this hard to do.

Having enough capital and liquidity, and even the most solid fortress controls, doesn't make you completely safe and sound. Delivering proper profit margins and maintaining profitability through a normal credit cycle also are important. A business does this by having the appropriate business mix, making good loans and managing expenses over time.

Clearly, some of the new rules create expenses and burdens on our company. Some of these expenses will eventually be passed on to clients, but we have many ways to manage our expenses. Simplifying our business, streamlining our procedures, and automating and digitizing processes, some of which previously were being done effectively by hand, all will bring relief. For example,

many of the processes we implemented for CCAR and AML/KYC had to be done quickly, and many were effectively handled outside our normal processes. Eventually, CCAR will be embedded into our normal forecasting and budgeting systems. And we are trying to build the data collection part of KYC into a utility that the entire industry can use – not just for us and our peer group but, equally important, for the client's benefit (the client would essentially only have to fill out one form, which then could be used by all banks). In addition, throughout the company, continually creating straight-through processing, online client service and other initiatives will both improve the client experience and decrease our costs.

What is all this talk of regulatory optimization, and don't some of these things hurt clients? When will you know the final rules?

In the new world, our company has approximately 20 new or significantly enhanced balance sheet and liquidity-related regulatory requirements – the most critical ones are the GSIB capital surcharge, CCAR, the Liquidity Coverage Ratio, the Supplementary Leverage Ratio and Basel III capital. Banks must necessarily optimize across these constraints to be able to meet all their regulatory requirements and, importantly, earn a profit. Every bank has a different binding constraint, and, over time, that constraint may change. Currently, our overriding constraint is the GSIB capital surcharge. Our shareholders should bear in mind that the U.S. government requires a GSIB capital surcharge that is double that of our international competitors. And this additional charge may ultimately put some U.S. banks at a disadvantage vs. international competitors. This is one reason why we worked so hard to reduce the GSIB capital surcharge – we do not want to be an outlier in the long run because of it.

In the last year, we took some dramatic actions to reduce our GSIB capital surcharge, which we now have successfully reduced from 4.5% to an estimate of 3.5%. These steps included reducing non-operating deposits by approximately \$200 billion, level 3 assets by \$22 billion and notional derivatives amounts by \$15 trillion. We did this faster than we, or anyone, thought we could. We still will be working to further reduce the GSIB surcharge, but any reduction from this point will take a few years.

Like us, most banks are modifying their business models and client relationships to accomplish their regulatory objectives. We are doing this by managing our constraints at the most granular level possible – by product, client or business. Clearly, some of these constraints, including GSIB and CCAR, cannot be fully pushed down to the client. Importantly, we are focused on client-friendly execution – and we recognize that these constraints are of no direct concern to clients.

Unfortunately, some of the final rules around capital are still not fully known at this time.

There are still several new rules coming that also could impact our company – probably the most important to us is how the GSIB capital surcharge is incorporated into the CCAR stress test. To date, we have managed to what we do know. We believe that when the final rules are made and known, we can adjust to them in an appropriate way.

As banks change their business models to adapt to the new world, some are exiting certain products or regions. Market shares will change, and both products and product pricing will change over time. Therefore, we think there will be a lot of adjustments to make and tools to deploy so that we can still serve our clients and earn a fair profit.

How do you manage geopolitical and country risks?

We operate in more than 100 countries across the globe – and we are constantly analyzing the geopolitical and country risks that we face. The reason we operate in all these countries is not simply because they represent new markets where we can sell our products. When we operate in a country, we serve not only local institutions (governments and sovereign institutions, banks and corporations in that country) but also some of those institutions and corporations outside their country, along with multinationals when they enter that country. This creates a huge network effect. In all the countries where we operate, approximately 40% of the business is indigenous, 30% is outbound and 30% is inbound. All these institutions need financing and advice (M&A, equity, debt and loans), risk management (foreign exchange and interest rates) and asset management services (financial planning and investment management), as well as operating services (custody and cash management) in their own countries and globally. It takes decades to build these capabilities and relationships – we cannot go in and out of a country on a whim, based on a short-term feeling about risk in that country. Therefore, we need plans for the long term while carefully managing current risk.

We carefully monitor risks – country by country.

For each country, we take a long-term view of its growth potential across all our lines of business. Each country is different, but, for the most part, emerging and developing markets will grow faster than developed countries. And as they grow, the need for

our services grows dramatically. While we have a future growth plan for each country, we obviously can't know with any certainty everything that will happen or the timing of recessions. No matter what the future brings, we make sure that we can easily bear the losses if we are wrong in our assessments. For each material country, we look at what our losses would be under severe stress (not that different from the Fed's CCAR stress test). We manage so that should the extreme situation occur, we might lose money, but we could easily handle the result. Below are a few examples of how we manage risk while continuing to serve clients in specific countries.

China. We believe it likely that, in 20–25 years, China will be a developed nation, probably housing 25% or more of the top 3,000 companies globally. Going forward, we do not expect China to enjoy the smooth, steady growth it has had over the past 20 years. Reforming inefficient state-owned enterprises, developing healthy markets (like we have in the United States) with full transparency and creating a convertible currency where capital can move freely will not be easy. There will be many bumps in the road. We publicly disclose in our Form 10-K that we have approximately \$19 billion of country exposure to China. We run China through a severe stress test (essentially, a major recession with massive defaults and trading losses), and we estimate that our losses in this scenario could be approximately \$4 billion. We do not expect this situation to

happen, but if it did, we could easily handle it. We manage our growth in China to try to capture the long-term value (and, remember, this will help a lot of our businesses outside of China, too) and in a way that would enable us to handle bad, unexpected outcomes. We don't mind having a bad quarter or two, but we will not risk our company on *any* country. This is how we manage in all countries in which we have material activity.

Brazil. Brazil has had a deteriorating economy, shrinking by 3%–4% over the last year. In addition, as I write this letter, Brazil faces political upheaval as its president is being threatened with impeachment and its former president is being indicted. Yet the country has a strong judicial system, many well-run companies, impressive universities, peaceful neighbors and an enormous quantity of natural resources. In Brazil, we have banking relationships with more than 2,000 clients, approximately 450 multinational corporations going into Brazil to do business and approximately 50 Brazilian companies going outbound. Our publicly disclosed exposure to Brazil is approximately \$11 billion, but we think that in extreme stress, we might lose \$2 billion. In each of the last three years, we actually have made money in Brazil. We are not retreating – because the long-term prospects are probably fine – and for decades to come, Brazilians will appreciate our steadfastness when they most needed it.

Argentina. Argentina is now a country with incredible opportunity. In the 1920s, its GDP per person was larger than that of France, whereas today, it is barely one-

third compared with France. Argentina is an example of terrible public policy, often adopted under the auspices of being good for the people, that has resulted in extraordinary damage to the economy. However, the country has a highly educated population, a new president who is making bold and intelligent moves, peaceful neighbors and, like Brazil, an abundance of natural resources. You might be surprised to know that for the past 10 years, in spite of the country's difficulties, JPMorgan Chase has made a modest profit there by consistently serving our clients and the country. This year, we took a little additional risk in Argentina with a special financing to help bring the country some stability and help get it back into the global markets. We are hoping that Argentina can be an example to the world of what can happen when a country has a good leader who adopts good policy.

To give you more comfort, I want to remind you that throughout all the international crises over the last decade, we maintained our businesses in many places that were under stress – such as Spain, Italy, Greece, Egypt, Portugal and Ireland. In almost every case, we did not have any material problems, and we are able to navigate every issue and continue to serve all our clients. Again, we hope this will put us in good stead in these countries for decades. Later in this letter, I will talk about another potentially serious issue – Britain possibly leaving the European Union.

How do you manage your interest rate exposure? Are you worried about negative interest rates and the growing differences across countries?

No, we are not worried about negative interest rates in the United States. For years, this country has had fairly consistent job growth and increasingly strong consumers (home prices are up, and the consumer balance sheet is in the best shape it's ever been in). Housing is in short supply, and

household formation is going up, car sales are at record levels, and we see that consumers are spending the gas dividend. Companies are financially sound – while some segments' profits are down, companies have plenty of cash. Nor are we worried about the diverging interest rate policies around the world. While they are a reasonable cause for concern, it

is also natural that countries with different growth rates and varying monetary and fiscal policies will have different interest rates and currency movements.

I am a little more concerned about the opposite: seeing interest rates rise faster than people expect. We hope rates will rise for a good reason; i.e., strong growth in the United States. Deflationary forces are receding – the deflationary effects of a stronger U.S. dollar plus low commodity and oil prices will disappear. Wages appear to be going up, and China seems to be stabilizing. Finally, on a technical basis, the largest buyers of U.S. Treasuries since the Great Recession have been the U.S. Federal Reserve, countries

adding to their foreign exchange reserve (such as China) and U.S. commercial banks (in order to meet liquidity requirements). These three buyers of U.S. Treasuries will not be there in the future. If we ever get a little more consumer and business confidence, that would increase the demand for credit, as well as reduce the incentive and desire of certain investors to buy U.S. Treasuries because Treasuries are the “safe haven.” If this scenario were to happen with interest rates on 10-year Treasuries on the rise, the result is unlikely to be as smooth as we all might hope for.

Are you worried about liquidity in the marketplace? What does it mean for JPMorgan Chase, its clients and the broader economy?

It is good to have healthy markets – it sounds obvious, but it’s worth repeating. There are markets in virtually everything – from corn, soybeans and wheat to eggs, chicken and pork to cotton, commodities and even the weather. For some reason, the debate about having healthy financial markets has become less civil and rational. Healthy financial markets allow investors to buy cheaper and issuers to issue cheaper. It is important to have liquidity in difficult times in the financial markets because investors and corporations often have a greater and unexpected need for cash.

Liquidity has gotten worse and we have seen extreme volatility and distortions in several markets.

In the last year or two, we have seen extreme volatility in the U.S. Treasury market, the G10 foreign exchange markets and the U.S. equity markets. We have also seen more than normal volatility in global credit markets. These violent market swings are usually an indication of poor liquidity. Another peculiar event in the market is technical but important: U.S. Treasuries have been selling at a discount to their maturity-related interest rate swaps.

One of the surprises is that these markets are some of the most actively traded, liquid and standardized in the world. The good news is that the system is resilient enough to handle the volatility. The bad news is that we don’t completely understand why this is happening.

There are multiple reasons why this volatility may be happening:

- There are fewer market-makers in many markets.
- Market-makers hold less inventory – probably due to the higher capital and liquidity required to be held against trading assets.
- Smaller sizes of trades being offered. It is true that the bid-ask spreads are still narrow but only if you are buying or selling a small amount of securities.
- Lower availability and higher cost of securities financing (securities financing is very short-term borrowing, fully and safely collateralized by Treasuries and agency securities), which often is used for normal money market operations – movement of collateral, short-term money market investing and legitimate hedging activities. This is clearly due to the higher cost of capital and liquidity under the new capital rules.

- Incomplete and sometimes confusing rules around securitizations and mortgages. We still have not finished all the rules around securitizations and in conjunction with far higher capital costs against certain types of securitizations. We have not had a healthy return to the securitization market.
- The requirement to report all trades. This makes it much more difficult to buy securities in quantity, particularly illiquid securities, because the whole world knows your positions. This has led to a greater discount for almost all off-the-run securities (these are the securities of an issuer that are less regularly traded).
- Possible structural issues; e.g., high-frequency trading. High-frequency trading usually takes place in small increments with most high-frequency traders beginning and ending the day with very little inventory. It appears that traders add liquidity during the day in liquid markets, but they mostly disappear in illiquid markets. (I should point out that many dealers also disappear in illiquid markets.)

All trading positions have capital, liquidity, disclosure and Volcker Rule requirements – and they cause high GSIB capital surcharges and CCAR losses. It is virtually impossible to figure out the cumulative effect of all the requirements or what contributes to what.

In our opinion, lower liquidity and higher volatility are here to stay.

One could reasonably argue that lower liquidity and higher volatility are not necessarily a bad thing. We may have had artificially higher liquidity in the past, and we are experiencing a return closer to normal. You certainly could argue that if this is a cost of a stronger financial system, it is a reasonable tradeoff. Remember, the real cost is that purchasers and issuers of securities will, over time, simply pay more to buy or sell. In any event, lower liquidity and higher volatility are probably here to stay, and everyone will just have to learn to live with them.

We really need to be prepared for the effects of illiquidity when we have bad markets.

In bad markets, liquidity normally dries up a bit – the risk is that it will disappear more quickly. Many of the new rules are even more procyclical than they were in the 2008 financial crisis. In addition, psychologically, the Great Recession is still front and center in people’s minds, and the instinct to run for the exit may continue to be strong. The real risk is that high volatility, rapidly dropping prices, and the inability of certain investors and issuers to raise money may not be isolated to the financial markets. These may feed back into the real economy as they did in 2008. The trading markets are adjusting to the new world. There are many non-bank participants that are starting to fill in some of the gaps. Even corporations are holding more cash and liquidity to be more prepared for tough times. So this is something to keep an eye on – but not something to panic about.

In a capitalistic and competitive system, we are completely supportive of competitors trying to fill marketplace needs. One warning, however: Non-bank lenders that borrow from individuals and hedge funds or that rely on asset-backed securities will be unable to get all the funding they need in a crisis. This is not a systemic issue because they are still small in size, but it will affect funding to individuals, small businesses and some middle market companies.

JPMorgan Chase is well-positioned regardless.

It is important for you to know that we are not overly worried about these issues for JPMorgan Chase. We always try to be prepared to handle violent markets. Our actual trading businesses are very strong (and it should give you some comfort to know that in all the trading days over the last three years, we only had losses on fewer than 20 days, which is extraordinary). Sometimes wider spreads actually help market-makers, and some repricing of balance sheet positions, like repo, already have helped the consistency of our results. As usual, we try to be there for our clients – in good times and, more important, in tough times.

Why are you making such a big deal about protecting customers' data in your bank?

We need to protect our customers, their data and our company.

We necessarily have a huge amount of data about our customers because of underwriting, credit card transactions and other activities, and we use some of this data to help serve our customers better (I'll speak more about big data later in this letter). And we do extensive work to protect our customers and their data – think cybersecurity, fraud protection, etc. We always start from the position that we want to be customer friendly. One item that I think warrants special attention is when our customers want to allow outside parties to have access to their bank accounts and their bank account information. Our customers have done this with payment companies, aggregators, financial planners and others. We want to be helpful, but we have a responsibility to each of our customers, and we are extremely concerned. Let me explain why:

- When we all readily click “I agree” online or on our mobile devices, allowing third-party access to our bank accounts and financial information, it is fairly clear that most of us have no idea what we are agreeing to or how that information might be used by a third party. We have analyzed many of the contracts of these third parties and have come to the following conclusions:
 - Far more information is taken than the third party needs in order to do its job.
 - Many third parties sell or trade information in a way customers may not understand, and the third parties, quite often, are doing it for their own economic benefit – not for the customer's benefit.
 - Often this is being done on a daily basis for years after the customer signed up for the services, which they may no longer be using.

We simply are asking third parties to limit themselves to what they need in order to serve the customer and to let the customer know exactly what information is being used and why and how. In the future, instead of giving a third party unlimited access to information in any bank account, we hope to build systems that allow *us* to “push” information – and only that information agreed to by the customer – to that third party.

- Pushing specific information has another benefit: Customers do not need to provide their bank passcode. When customers give out their bank passcode, they may not realize that if a rogue employee at an aggregator uses this passcode to steal money from the customer's account, the customer, not the bank, is responsible for any loss. You can rest assured that when the bank is responsible for the loss, the customer will be fully reimbursed. That is not quite clear with many third parties. This lack of clarity and transparency isn't fair or right.

Privacy is of the utmost importance. We need to protect our customers and their data. We are now actively working with all third parties who are willing to work with us to set up data sharing the right way.

III. WE ACTIVELY DEVELOP AND SUPPORT OUR EMPLOYEES

If you were able to travel the world with me, to virtually all major cities and countries, you would see firsthand your company in action and the high quality and character of our people. JPMorgan Chase and all its predecessor companies have prided themselves on doing “only first-class business and in a first-class way.” Much of the capability of this company resides in the knowledge, expertise and relationships of our people. And while we always try to bring in fresh talent and new perspectives, we are proud that our senior bankers have an average tenure of 15 years. This is testament to their experience, and it means they know who to call anywhere around the world to bring the full resources of JPMorgan Chase to bear for our clients.

Traveling with me, you would see our senior leadership team’s exceptional character, culture and capability. You also would probably notice that 20% of this leadership group, over 250 teammates who manage our businesses worldwide, is ethnically diverse, and more than 30% are women.

Even though we believe that we have excellent people and a strong, positive corporate culture, we are always examining new ways to improve.

How are you ensuring you have the right conduct and culture?

We reinforce our culture every chance we get.

Our Business Principles are at the forefront of everything we do, and we need to make these principles part of every major conversation at the company – from the hiring, onboarding and training of new recruits to town halls and management meetings to how we reward and incentivize our people. To get better at this, last year we met with more than 16,000 employees in 1,400 focus groups around the world to get their feedback on some of our challenges and what we can do to strengthen and improve our culture.

That said, we acknowledge that we, at times, have fallen short of the standards we have set for ourselves. This year, the company pleaded guilty to a single antitrust violation as part of a settlement with the U.S. Department of Justice related to foreign exchange activities. The conduct underlying the antitrust charge is principally attributable to a single trader (who has since been dismissed) and his coordination with traders at other firms. As we said at the time, one

lesson is that the conduct of a small group of employees, or of even a single employee, can reflect badly on all of us and can have significant ramifications for the entire firm. That’s why we must be ever vigilant in our commitment to fortify our controls and enhance our historically strong culture, continuing to underscore that doing the right thing is the responsibility of every employee at the company. We all have an obligation to treat our customers and clients fairly, to raise our hand when we see something wrong or to speak up about something that we should improve – rather than just complain about it or ignore it.

We have intensified training and development.

We are committed to properly training and developing our people to enable them to grow and succeed throughout their careers. Our intent is to create effective leaders who embody our Business Principles.

WE ARE HELPING OUR EMPLOYEES STAY HEALTHY

For us, having healthy employees is about more than improving the firm's bottom line; it's about improving our employees' lives – and sometimes even saving lives. In 2015, we estimate that our Health & Wellness Centers intervened in more than 100 potentially life-threatening situations (e.g., urgent cardiac or respiratory issues), and many more lives have been positively impacted by our numerous wellness initiatives. We believe that healthy employees are happy employees and that happy employees have more rewarding lives both inside and outside the office.

Our commitment starts with offering comprehensive benefits programs and policies that support our employees and their families. To do this, JPMorgan Chase spent \$1.1 billion in 2015 on medical benefits for employees based in the United States, where our medical plan covers more than 190,000 employees, spouses and partners. We tier our insurance subsidies so our higher earners pay more, and our lower earners pay less – making coverage appropriately affordable for all. We also contributed nearly \$100 million in 2015 for employees' Medical Reimbursement Accounts. And we have structured the plan in a way that preventative care and screenings are paid for by the company.

Our benefits offering is supported by an extensive Wellness Program, which is designed to empower employees to take charge of their health. This includes health and wellness centers, health assessments and screenings, health advocates, employee assistance and emotional well-being programs, and physical activity events. In the first year, only 36% of employees participated in health assessments and wellness screenings, but in 2015, 74% of our employees enrolled in the medical plan completed an assessment and screening. Last year, our on-site wellness screenings helped almost 14,000 employees detect a health risk or potentially serious condition and directed them to see a physician for follow-up. On another subject, we all know the value of eating lots of vegetables, so we've made it a priority to offer an abundance of healthy meal and snack options in our on-site cafeterias and vending machines.

One of the flagships of our Wellness Program is our Health & Wellness Center network. Twenty-seven of our 29 centers in the United States are staffed with at least one doctor. Nearly half of our employees have access to a local center, and 56% of those with access walked in for a visit last year. These facilities are vitally important to our people. In 2015, these centers handled nearly 800 emergencies – including the 100 potentially life-saving interventions, which I mentioned above.

Maintaining a healthy lifestyle shouldn't be a chore – it should be fun. Last year, we held our second StepUp challenge, a global competition that not only kept our employees active, it supported five charities that feed the hungry. More than 11,000 teams – a total of over 83,000 employees – added up their daily steps to take a virtual walk around the world. They began their journey in New York City and made virtual stops at seven of our office locations before finishing in Sydney. Together, they logged a total of 28.2 billion steps, which resulted in the firm donating more than \$2 million to the five designated charities – enough to fund millions of meals around the world.

JPMorgan Chase has 3,000 training programs, but we realized that we lacked a very important one: new manager development. Prior to 2015, when our employees became managers at the firm for the first time, we basically left them on their own to figure out their new responsibilities. In 2015, we launched JPMorgan Chase's Leadership Edge, a firmwide program to train leaders and develop management skills. These training programs inculcate our leadership with our values, teaching from case studies

about business issues we have confronted and mistakes we have made. In its inaugural year, more than 4,500 managers attended programs with 156 sessions held at 20+ global locations. During 2016, over 13,000 managers are expected to attend. I personally take part in many of these sessions, which are now being held next to our New York City headquarters at The Pierpont Leadership Center, a state-of-the-art flagship training center that opened in January 2016.

How are you doing in your diversity efforts?

We are proud of our diversity ... but we have more to do.

Our women leaders represent more than 30% of our company's senior leadership, and they run major businesses – several units on their own would be among Fortune 1000 companies. In addition to having three women on our Operating Committee – who run Asset Management, Finance and Legal – some of our other businesses and functions headed by women include Auto Finance, Business Banking, U.S. Private Bank, U.S. Mergers & Acquisitions, Global Equity Capital Markets, Global Research, Regulatory Affairs, Global Philanthropy, our U.S. branch network and firmwide Marketing. I believe that we have some of the best women leaders in the corporate world globally.

To encourage diversity and inclusion in the workplace, we have a number of Business Resource Groups (BRG) across the company to bring together members around common interests, as well as foster networking and camaraderie. Groups are defined by shared affinities, including race and cultural heritage, generation, gender, sexual orientation, military status and professional role. For example, some of our largest BRGs are Adelante for Hispanic and Latino employees, Access Ability for employees affected by a disability, AsPIRE for Asian and Pacific Islander employees, NextGen for early career professionals and WIN, which focuses on women and their career development. WIN has more than

20,000 members globally, and we have seen a direct correlation between BRG membership and increased promotion, mobility and retention for those participants. On the facing page, you can read more about some of the interesting new programs we have rolled out for employees in specific situations.

But there is one area where we simply have not met the standards that JPMorgan Chase sets for itself – and that is in increasing African-American talent at the firm. While we think our effort to attract and retain African-American talent is as good as at most other companies, it simply is not good enough. Therefore, we set up a devoted effort – as we did for hiring veterans (we've hired 10,000+ veterans) – to dramatically step up our effort. We have launched Advancing Black Leaders – a separately staffed and managed initiative to better attract and hire more African-American talent while retaining, developing and advancing the African-American talent we already have. We are taking definitive steps to ensure a successful outcome, including an incremental \$5 million investment, identifying a full-time senior executive to drive the initiative, tripling the number of scholarships we offer to students in this community, and launching bias-awareness training for all executive directors and managing directors. We hope that, over the years, this concerted action will make a huge difference.

WE HAVE IMPLEMENTED A NUMBER OF POLICIES AND PROGRAMS TO MAKE JPMORGAN CHASE AN EVEN BETTER PLACE TO WORK

We want JPMorgan Chase to be considered the best place to work – period. Below are some meaningful new programs that will help us both attract talent and keep our best people.

Our ReEntry program. Our ReEntry program, now in its third year, has been incredibly successful in helping individuals who have taken a five- to 10-year or longer voluntary break get back into the workforce. These are highly accomplished professionals who have prior financial services experience at or above the vice president level but who may need help re-entering the corporate work environment. We offer participants an 18-week fellowship to refresh their skills and rebuild their network. It is a great way to bring outstanding, experienced workers – who often are women – to JPMorgan Chase to begin the second phase of their career. In three years, 63 fellows have been brought into the program, and 50 of those fellows have been placed in full-time roles.

Maternity mentors. A common reason for taking a prolonged break from work is the birth of a child. Becoming a parent is both joyful and stressful so we want to do everything we can to support our employees through this life-changing event. Last year, we extended primary caregiver parental leave to 16 weeks, up from 12, and, this year, we are introducing a firmwide maternity mentorship program. The program will pair senior employees who have gone through the parental leave process with those who are doing so for the first time. It was piloted last year to overwhelmingly positive feedback, with participants expressing deep appreciation for having a colleague they could turn to for advice on everything from

how to balance work with their new home dynamic to nursing room protocol. Importantly, these senior mentors also provide peace of mind around job security and how to manage the entire transition, from preparing to leave, managing motherhood during the leave and returning to work. In addition, this program not only supports the employee going out on maternity leave, but it also helps educate the employee's manager – on how to stay connected with the employee and ensure that the leave is being handled with flexibility and sensitivity in order to give the employee comfort that her role will be there upon her return.

Work-life balance. We speak consistently about the need for our employees to take care of their minds, their bodies and their souls. This is the responsibility of each and every employee, but there are also ways the firm can help. People frequently think work-life balance refers to working parents; however, having an effective balance is important for everyone's well-being, including our junior investment bankers. In the Investment Bank, we have reduced weekend work to only essential execution work for all employees. And the protected weekend program for analysts and associates will remain in place and now is mandatory for all at this level globally.

With all the new rules, committees and centralization, how can you fight bureaucracy and complacency and keep morale high?

In the reality of our new world, centralization of many critical functions is an absolute requirement so that we can maintain common standards across the company. Of course, extreme centralization can lead to stifling bureaucracy, less innovation and, counterintuitively, sometimes a lack of accountability on the part of those who should have it. Our preference is to decentralize when we can, but when we have to centralize, we need to ensure we set up a process that's efficient, works for the customer and respects the internal colleagues who may have lost some local control.

Processes need to be re-engineered to be efficient. So far, our managers have done a great job adjusting to their new roles and, in effect, getting the best of centralization without its shortcomings. When, on occasion, new procedures have slowed down our response rate to the client, we quickly set about re-engineering the process to make it better. While we are going to meet and exceed all rules and requirements, we need to ensure that the process is not duplicative or that rules are not misapplied. For example, adhering to the new KYC rules took us up to 10 days to onboard a client to our Private Bank. But today, after re-engineering the process, we are back down to three days, incorporating enhanced controls. We all need to recognize that good processes generally are faster, cheaper and *safer* for all involved, including the client.

People should not just accept bureaucracy – they have the right to question processes and the interpretation of rules. We have given all our people the license to question whether what we are doing is the right thing, including the interpretation of rules and regulations. Very often, in our desire to exceed regulatory requirements and to avoid making a mistake,

we have inaccurately interpreted a rule or regulation and created our own excessive bureaucracy. This is no one's fault but our own. Everyone should look to simplify and seek out best practices, including asking our regulators for guidance.

Committees need to be properly run – the chairperson needs to take charge. We have asked all our committees to become more efficient. For example, we should ensure that pre-reading materials are accurate and succinct. The right people need to be in the room and very rarely should the group exceed 12 people. An issue should not be presented to multiple committees when it could be dealt with in just one committee (remember, we have new business initiative approval committees, credit committees, reputational risk committees, capital governance committees, global technology architecture committees and hundreds of others).

We have asked that each chair of every committee take charge – start meetings on time, make sure people arrive prepared and actually have read the pre-read documents, eliminate frivolous conversation, force the right questions to get to a decision, read the riot act to someone behaving badly, maintain a detailed follow-up list specifying who is responsible for what and when, and ensure the committee meets its obligations and time commitments. And last, we encourage each chair to ask the internal customers if he or she is doing a good job for them.

We have maintained high morale. Our people have embraced the new regulations and are working hard to become the gold standard in how we operate. We don't spend any time finger-pointing or scapegoating our own people, looking for someone to blame purely for the sake of doing so when we make a mistake. And importantly, we have maintained a culture that allows for mistakes. Obviously, if someone violates our core principles, that person should not be here. But as you know, there are all types of mistakes.

We don't want to be known as a company that doesn't give people a second chance regardless of the circumstances. I remind all our managers that some of these mistakes will be made by our children, our spouses

or our parents. Having a brutal, uncompromising and unforgiving company will create a terrible culture over time – and it will lead to worse conduct not better.

How are you doing retaining key people?

Quite well, thank you. The Board of Directors and I feel we have one of the best management teams we have ever had. Many of our investors who have spent a considerable amount of time with our leaders – not just with my direct reports but with the layer of management below them – will tell you how impressed they are with the depth and breadth of our management team. Of course, we have lost some people, but we wish them well – we are proud of our alumni. One of the negatives of being a good company is that you do become a breeding ground for talent and a recruiting target for competitors. It is the job of our management team to keep our key talent educated, engaged, motivated and happy. Our people are so good that we should say thank you every day.

Our company has stood the test of time because we are building a strong culture and are embedding our principles in everything we do. Nothing is more important. That is the pillar upon which all things rest – and it is the foundation for a successful future.

IV. WE ARE HERE TO SERVE OUR CLIENTS

Many of the new and exciting things we are doing center on technology, including big data and FinTech. We are continually inno-

vating to serve our clients better, faster and cheaper – year after year.

How do you view innovation, technology and FinTech? And have banks been good innovators? Do you have economies of scale, and how are they benefiting your clients?

We have to be innovating all the time to succeed. Investing in the future is critical to our business and crucial for our growth. Every year we ask, “Are we doing enough? And should we be spending more?” We do not cut back on “good spending” to meet budget or earnings targets. We view this type of cost cutting like an airline scaling back on maintenance – it’s a bad idea. We spent more than \$9 billion last year on technology. Importantly, 30% of this total amount was spent on new investments for the future. Today, we have more than 40,000 technologists, from programmers and analysts to systems engineers and application designers. In addition, our resources include 31 data centers, 67,000 physical servers globally, 27,920 databases and a global network that operates smoothly for all our clients. There are many new technologies that I will not discuss here (think cloud, containerization and virtualization) but which will make every single part of this ecosystem increasingly more efficient over time.

We need to innovate in both big and small ways.

Technology often comes in big waves – such as computerization, the Internet and mobile devices. However, plenty of important innovation involves lots of little things that are additive over time and make a product or a service better or faster; for example, simplifying online applications, improving ATMs to do more (e.g., depositing checks) and speeding up credit underwriting. Many of these improvements were not just the result of technology but the result of teams

of people across Legal, Finance, Technology and Client Coverage & Support working together to understand, simplify and automate processes.

One of our growing teams is our digital group, including more than 400 professionals focused on product and platform design and innovation. In addition, the digital technology organization has over 1,200 technologists that deliver digital solutions, including frameworks, development and architecture. This is an exceptional group, but you can judge for yourself when you read about some of the great projects being rolled out.

We have thousands of such projects, but I just want to give you a sample of some of our current initiatives (I will talk extensively later about investments in payments, in big data and in our Investment Bank):

- **Consumer digital.** We are intently focused on delivering differentiated digital experiences across our consumer businesses. For example, we added new functionality to our mobile app with account preview and check viewing, and we redesigned chase.com with simpler navigation and more personalized experiences, making it easier for our customers to bank and interact with us when and how they want – via smartphones, laptops and other mobile devices. We now have nearly 23 million active Chase Mobile customers, a 20% increase over the prior year.

- **Digital and Global Wealth Management.** We will be investing approximately \$300 million over the next three years in digital initiatives for Asset Management. In Global Wealth Management, we have modernized the online experience for clients, enabled mobile access, and launched a digital portal for access to our research and analysis across all channels. In addition, we are rolling out a user-friendly and powerful planning tool that our advisors can use with clients in real time. We are also working on some great new initiatives around digital wealth management, which we will disclose later this year.

- **Digital Commercial Banking.** In Commercial Banking, J.P. Morgan ACCESS delivers a platform for clients to manage and pull together all their Treasury activities in a single, secure portal, which was ranked as the #1 cash management portal in North America by Greenwich Associates in 2014. We continue to invest in digital enhancements, releasing in 2015 our proprietary and integrated mobile solution for remote check deposits to help clients further streamline their back-office reconciliations. We are also investing in improving the overall user experience around key items such as entitlements (designating who can make payments) and workflow, bringing to our commercial digital platforms some of the same enhancements we've brought to our Consumer Banking sites.

While we make a huge effort to protect our own company in terms of cybersecurity, we try to help protect our clients from cyber threats as well. We have extensive fraud and malware detection capabilities that significantly reduce wire fraud on our customers. We've increased our client cybersecurity education and awareness programs, having communicated with more than 11,000 corporate customers on this topic and hosting nearly 50 cybersecurity client events in 2015.

- **Small business digital.** Small businesses are important to Chase and to the communities we serve. Small businesses have a variety of banking needs, with approximately 60% of our customers using our checking accounts or business credit cards. And like our consumer client base, they depend heavily on the technology that already is offered in our Consumer business. But we are very excited about two new initiatives this year:

- Our new brand “Chase for Business” is not just a brand. Over time, we will simplify forms, speed applications and dramatically improve the customer experience. This year or next, we will roll out an online digital application that allows a Business Banking customer to sign up for the “triple play” with one signature and in one day. “Triple play” stands for a deposit account, a business credit card and Chase merchant processing – all at once. Now that's customer service!
- Chase Business Quick Capital. Working with a FinTech company called OnDeck, we will be piloting a new working capital product. The process will be entirely digital, with approval and funding generally received within one day vs. the current process that can take up to one month or more. The loans will be Chase branded, retained on our balance sheet, and subject to our pricing and risk parameters.

- **Commercial Term Lending.** In our Commercial Term Lending business, our competitive advantage is our process – we strive to close commercial real estate loans faster and more efficiently than the industry average. That has allowed us to drive \$25 billion of loan growth since 2010, representing a five-year compound average growth rate (CAGR) of 11% and outpacing the industry CAGR of 4% while maintaining credit discipline. Technological innovation will continue to improve our process – later in the year, we will be rolling out a proprietary loan origination system that will set a new

industry standard for closure speed and customer service.

Yes, we are always improving our economies of scale (to the ultimate benefit of our clients). And yes, over time, banks have been enormous innovators.

We commonly hear the comment that a bank of our size cannot generate economies of scale that benefit the client. And we often hear people say that banks don't innovate. Neither of these comments is accurate. Below I give a few examples of the large and small innovations that we are working on:

- **Consumer and small business banking accounts.** Many decades ago, bank accounts meant checks and a monthly statement, with few additional benefits provided to customers (other than maybe a toaster). Today, most checking accounts come with many benefits: debit cards, online bill pay, 24-hour access to online account information, fraud alerts, mobile banking, relevant rewards and ATM access.
- **ATMs.** Today, ATMs are ubiquitous (we have almost 18,000 ATMs, and our customers love them). These ATMs have gone from simple cash dispensers to state-of-the-art service centers, allowing customers to receive different denominations of bills, accept deposited checks, pay certain bills and access all their accounts.
- **The cost and ability to raise capital and buy and sell securities.** Thirty years ago, it cost, on average, 15 cents to trade a share of stock, 100 basis points to buy or sell a corporate single-A bond and \$200,000 to do a \$100 million interest rate swap. Today, it costs, on average, 1.5 cents to trade a share of stock, 10 basis points to buy a corporate single-A bond and \$10,000 to do a \$100 million interest rate swap. And much can be done electronically, increasingly on a mobile device and with mostly straight-through processing, which reduces error rates and operational costs –

for both us and our clients. These capabilities have dramatically reduced costs to investors and issuers for capital raising and securities transactions.

- **Cash management capabilities for corporations.** It is impossible to describe in a few sentences what companies had to do to move money around the world 40 years ago. Today, people can move money globally on mobile devices and immediately convert it into almost any currency they want. They have instant access to information, and the cost is a fraction of what it used to be.

FinTech and innovation have been going on my entire career – it's just faster today.

If you look at the banking business over decades, it has always been a huge user of new technologies. This has been going on my entire career, though it does appear to be accelerating and coming at us from many different angles. While many FinTech firms are good at utilizing new technologies, we should recognize that they are very good at analyzing and fixing business problems and improving the customer experience (i.e., reducing pain points). Sometimes they find a way to provide these services more efficiently and in a less costly manner; for example, cloud services. And sometimes these services are not less expensive but provide a faster and simplified experience that customers value and are willing to pay for. You see this in some FinTech lending and payment services.

It is unquestionable that FinTech will force financial institutions to move more quickly, and banks, regulators and government policy will need to keep pace. Services will be rolled out faster, and more of them will be executed on a mobile device. FinTech has been great at making it easier and often less expensive for customers and will likely lead to many more people, including more lower-income people, joining the banking system in the United States and abroad.

You can rest assured that we continually and vigorously analyze the marketplace, including FinTech companies. We want to stay up to date and be extremely informed, and we are always looking for ways to improve what we do. We are perfectly willing to compete by building capabilities (we have large capabilities in-house) or to collaborate by partnering.

Whether we compete or collaborate, we try to do what is in the best interest of the customer. We also partner with more than 100 FinTech companies – just as we have partnered over the past decade with

hundreds of other technology providers. We need to be very technologically competent because we know that some of our competitors will be very good. All businesses have clear weak spots, and those weaknesses will be – and should be – exploited by competitors. This is how competitive markets work. One of the areas we spend a lot of time thinking and worrying about is payments. Part of the payments system is based on archaic, legacy architecture that is often unfriendly to the customer.

How do you intend to win in payments, particularly with so many strong competitors – many from Silicon Valley?

Right now, we are one of the biggest payments companies in the world (across credit and debit cards, merchant payments, global wire transfers, etc.). But that has not lulled us into a false sense of security – and we know we need to continue to innovate aggressively to grow and win in this area. The trifecta of Chase Paymentech, ChaseNet and Chase Pay, supported by significant investment in innovation, has us very excited and gives us a great opportunity to continue to be one of the leading companies in the payments business. Let me explain why.

Chase Paymentech. We already are one of the largest merchant processors in the United States (merchant processors provide those little machines that you swipe your card through at the point of sale in a store or that process online payments). We are quickly signing up large and medium-sized merchants – this year alone, we signed up some names that you all recognize, including Starbucks, Chevron, Marriott, Rite Aid and Cinemark. And I've already described how the partnership with Business Banking makes it easier for small businesses to connect with Chase Paymentech. In all these instances, we have simplified, and, in some cases, offered better pricing, as well as made signup easier – exactly what the merchants want. And very often it comes with ... ChaseNet.

ChaseNet. ChaseNet, through Visa, allows us to offer a merchant different and cheaper pricing, a streamlined contract and rules, and enhanced data sharing, which can facilitate sales and authorization rates. Again, these are all things merchants want. (You can see that we are trying hard to improve the relationship between banks and merchants.) We expect volume in ChaseNet to reach approximately \$50 billion in 2016 (up 100% from 2015), as we have signed up and are starting to onboard clients such as Starbucks, Chevron, Marriott and Rite Aid. In conjunction with Chase Paymentech and ChaseNet, both of which allow us to offer merchants great deals, we also can offer ... Chase Pay.

Chase Pay. Chase Pay, our Chase-branded digital wallet, is the digital equivalent to using your debit or credit card. It will allow you to pay online with a “Chase Pay” button or in-store with your mobile phone. We also hope to get the Chase Pay button inside merchant apps. Chase Pay will offer lower cost of payment, loyalty programs and fraud liability protection to merchants, as well as simple checkout, loyalty rewards and account protection to consumers. As one great example, Chase has signed a payments agreement with Starbucks, which, we hope, will drive Chase Pay adoption. Customers will be able to use the Chase Pay mobile app at more

than 7,500 company-operated Starbucks locations in the United States and to reload a Starbucks Card within the Starbucks mobile app and on starbucks.com. Finally, to make Chase Pay even more attractive, we are building ... real-time person-to-person (P2P) payments.

Real-time P2P payments. In conjunction with six partner banks, Chase is launching a P2P solution with real-time funds availability. The new P2P solution will securely make real-time funds available through a single consumer-facing brand. Chase and the partner banks represent 60% of all U.S. consumers with mobile banking apps. We intend to keep P2P free for consumers, and the network consortium is open for all banks to join.

We are absolutely convinced that the trifecta – Chase Paymentech, ChaseNet and Chase Pay – will be dramatically better, cheaper and safer for our customers and our merchants. We also are convinced that the investments we are making in Chase Paymentech and ChaseNet will pay off handsomely. The

investment in Chase Pay is not as certain. But we think that the investment will be worth it and that it will help drive more merchants wanting to do business with us and more customers wanting to open checking accounts with us and use our credit cards.

I also want to mention one more payment capability, this one for our corporate clients:

Corporate QuickPay. Leveraging tremendous investment in our retail payment capabilities, our wholesale businesses launched Corporate QuickPay in 2015. This mobile and web-based solution provides our clients with a low-cost alternative to expensive paper checks, reducing their expenses by almost two-thirds. In addition, the platform dramatically improves security, increases payment-processing speed, eases reporting and significantly enhances the customer experience.

I hope you can see why we are so excited.

You always seem to be segmenting your businesses – how and why are you doing this?

We will always be segmenting our businesses to become more knowledgeable about and closer to the client. This segmentation allows us to tailor our products and services to better serve their needs. Below are some examples of how and why we do this.

In Consumer Banking, we have the benefit of really knowing our customers. We know about their financial stability, interests, where they live and their families. That data can be a tremendous force in serving them. By understanding customers well beyond a demographic profile, we can better anticipate what they need. Historically, we used demographics and behavior to segment our customers, but we increasingly take attitudes, values and aspirations into consideration to offer each customer more relevant and personalized products, services and rewards. As one important example, we hope to roll

out an “Always On Offers” section for our customers on chase.com, where they can access all the products they qualify for at any given time.

In Commercial Banking, we continue to develop and enhance our Specialized Industries coverage, which now serves a total of 15 distinct industries and approximately 9,000 clients across the United States, with eight industries launched in the last five years. Below are a few service examples taken from these new industries:

- **Agricultural industry group.** Not only do we have specialized underwriting for clients within this group, but we also can help our clients navigate commodity price cycles and seasonality, as well as provide industry-specific credit and risk management tools, such as interest rate and commodity hedging.

- **Healthcare industry group.** In addition to delivering access to capital and other financial services, we can help our healthcare clients manage the constantly changing regulatory environment and adjust their businesses to comply with the Patient Protection and Affordable Care Act and other new regulations. In addition, our web-based tools are making it easier for healthcare providers to migrate payments from expensive paper checks to efficient electronic transactions.
- **Technology industry group.** To serve our technology clients, we have expanded our coverage to include 30 bankers in 11 key markets, all highly aligned with our Investment Banking team. With

this model, we can provide investment banking services, comprehensive payment capabilities and international products to address the needs of technology clients through every stage of growth.

In Asset Management, we have dedicated groups that cover highly specialized segments. Some of these segments are: Defined Benefit Pension Plans, Defined Contribution Pension Plans, Endowments & Foundations, Family Offices and Insurance Companies.

How and why do you use big data?

We have enormous quantities of data, and we have always been data fanatics, using big data responsibly in loan underwriting, market-making, client selection, credit underwriting and risk management, among other areas. But comparing today's big data with yesterday's old-style data is like the difference between a mobile phone and a rotary phone. Big data truly is powerful and can be used extensively to improve our company.

To best utilize our data assets and spur innovation, we have built our own extraordinary in-house big data capabilities – we think as good as any in Silicon Valley – populated with more than 200 analysts and data scientists, which we call Intelligent Solutions. And we are starting to use these capabilities across all our businesses. I want to give you a sample of what we are doing – and it is just the beginning:

- **Commercial Banking.** We are using big data in many ways in Commercial Banking. One area is responsible prospecting. It always was hard to get a proper list of client prospects (i.e., get the prospect's working telephone number or email address, get an accurate description of the business and maybe get an introduction to the decision maker at the company). Using big data, we have uncovered and qualified twice as many high-quality prospects, and we are significantly more effective in assuring that the best banker is calling on the highest-potential prospects. This has given us confidence in knowing that if we hire more bankers, they can be profitably deployed.
- **Consumer Banking.** Within the Consumer Bank, we use big data to improve underwriting, deliver more targeted marketing and analyze the root causes of customer attrition. This will lead to more accounts, higher marketing efficiencies, reduced costs and happy customers.

- **Operational efficiencies.** In the Corporate & Investment Bank, big data is being used to analyze errors, thereby improving operational efficiencies. In one example, in our Custody business, big data is helping identify and explain the breaks and variances in the calculation of net asset values of funds, thereby reducing the operational burden and improving client service.
- **Operational intelligence.** Our technology infrastructure creates an enormous amount of machine data from which we gain valuable operational intelligence. This information helps support the stability and resiliency of our systems – enabling us to identify little problems before they become big problems.
- **Fraud security and surveillance.** Needless to say, these big data capabilities are being used to decrease fraud, reduce risk in the cyber world, and even monitor internal systems to detect employee fraud and bad behavior.

Why are you investing in sales and trading, as well as in your Investment Bank, when others seem to be cutting back?

Trading is an absolutely critical function in modern society – for investors large and small and for corporations and governments. As the world grows, the absolute need for trading will increase globally as assets under management, trade, corporate clients and economies grow. We disclosed on Investor Day that we continue to make a fair profit in almost all our trading businesses despite the higher costs and what is probably a permanent reduction in volumes. While the business will always be cyclical, we are convinced that our clients will continue to need broad services in all asset classes and that we have the scale to be profitable through the cycle.

Sales and trading educates the world about companies, securities and economies. Clients will always need advice and the ability to transact. This education also makes it easier for corporations to sell their securities so they can invest and grow. Much of the investment we are making in sales and trading is in technology, both to adjust to new regulations and to make access to trading faster, cheaper and safer than it has been in the past. Across electronic trading, we have seen a doubling of users and significant volume increases of 175% across products in just the last year. Below are a few examples:

Foreign exchange (FX). We continue to make significant investments in FX e-trading and our single-dealer platform. More than 95% of our FX spot transactions are now done electronically as the market has increasingly shifted to electronic execution over the years. We were also first to deliver FX trading on mobile devices through our award-winning eExecute application on the J.P. Morgan Markets platform. Our continued investment in the FX business, in which we process an average of nearly 500,000 trades each day, has propelled us to be a leader in the market.

Equities. In the last five years, on the back of our investments in both technology and people, our U.S. electronic cash equity market share has nearly quadrupled. We have also witnessed an increased straight-through processing rate – going from 70% two years ago to 97% today.

Prime Brokerage. Our Prime Brokerage platform, which was once a predominantly U.S. operation, is now a top-tier global business that continues to grow clients and balances. Our international and DMA (direct market access) electronic footprint has expanded rapidly since 2012. Financing balances are at all-time highs, with international balances up more than 60% and synthetic balances up more than 350%, simultaneously reducing balance sheet consumption and enhancing returns.

Rates trading. With the adoption of new regulations, we anticipate that this market will also continue to see increased volumes of e-trading. As a result, we have developed automated pricing systems that can price swaps in a fraction of a second on electronic platforms. Our SEF (swap execution facility) aggregator allows clients to see the best price available to them across the global market of interest rate swaps and “click to trade” via our platform on an agency basis. This helps our clients execute transactions via any channel they desire, on a principal or agent basis. Today, over 50% of our U.S. dollar swaps volume is traded and processed electronically.

Commodities. Leveraging our FX capabilities, we have developed a complete electronic offering in precious and base metals. We are also extending the same capabilities to energy products, where we have executed our first electronic trade in oil. We plan to further extend our e-trading capabilities across the commodities markets, including agricultural products.

Derivatives processing. The implementation of our strategic over-the-counter derivatives processing platform has promoted a 30% increase in portfolio volume and a more than 50% decrease in cost per trade in four years. The platform now settles \$2.2 trillion of derivative notionals each day and has been instrumental in improving operational

delivery, control and client service, as demonstrated by a more than 60% reduction in cash settlement breaks and a 50% increase in straight-through processing of equity derivatives confirmations.

In all these cases, greater operational efficiencies and higher straight-through processing drive lower costs and lead to happy clients.

We also continue to make investments in research and the coverage of clients. A couple of examples will suffice:

Research platform. We continue our research investments both in the quality of our people and in the number of companies and sectors we cover. In 2015, we expanded our global equity research coverage to more than 3,700 companies, the broadest equity company coverage platform among our competitors. With material increases in the United States – we expanded sector coverage in energy, banks, insurance and industrials – and in China, we doubled our A-share coverage.

Increased Investment Banking coverage. We are actively recruiting and hiring senior bankers in areas where we were either underpenetrated or where there has been incremental secular growth, such as energy, technology, healthcare and Greater China.

Why are you still in the mortgage business?

That is a valid question. The mortgage business can be volatile and has experienced increasingly lower returns as new regulations add both sizable costs and higher capital requirements. In addition, it is not just the cost of the new rules in origination and servicing, it is the enormous complexity of those new requirements that can lead to problems and errors. It is now virtually impossible not to make some mistakes – and as you know, the price for making an error is very high. So why do we want to stay in this business? Here’s why:

- **Mortgages are important to our customers.** For most of our customers, their home is the single largest purchase they will make in their lifetime. More than that, it is an emotional purchase – it is where they are getting their start, raising a family or maybe spending their retirement years. As a bank that wants to build lifelong relationships with its customers, we want to be there for them at life’s most critical junctures. Mortgages are important to our customers, and we still believe that we have the brand and scale to build a higher-quality and less volatile mortgage business.

-
- **Originations.** We reduced our product set from 37 to 15, we will complete the rollout of a new originations system, and we will continue to leverage digital channels to make the application process easier for our customers and more efficient for us. In addition, we have dramatically reduced Federal Housing Administration (FHA) originations. Currently, it simply is too costly and too risky to originate these kinds of mortgages. Part of the risk comes from the penalties that the government charges if you make a mistake – and part of the risk is because these types of mortgages default frequently. And in the new world, the cost of default servicing is extraordinarily high.
 - **Servicing.** If we had our druthers, we would never service a defaulted mortgage again. We do not want to be in the business of foreclosure because it is exceed-

ingly painful for our customers, and it is difficult, costly and painful to us and our reputation. In part, by making fewer FHA loans, we have helped reduce our foreclosure inventory by more than 80%, and we are negotiating arrangements with Fannie Mae and Freddie Mac to have any delinquent mortgages insured by them be serviced by them.

- **Community Reinvestment Act and Fair Lending.** Finally, while making fewer FHA loans can make it more difficult to meet our Community Reinvestment Act and Fair Lending obligations, we believe we have solutions in place to responsibly meet these obligations – both the more subjective requirements and the quantitative components – without unduly jeopardizing our company.

V. WE HAVE ALWAYS SUPPORTED OUR COMMUNITIES

Most large companies are outstanding corporate citizens – and they have been for a long time. They compensate their people fairly, they provide critical medical and retirement plans, and they’re in the forefront of social policy; for example, in staffing a diverse

workforce, hiring veterans and effectively training people for jobs. They, like all institutions, are not perfect, but they try their best to obey the spirit and the letter of the laws of the land in which they operate.

You seem to be doing more and more to support your communities – how and why?

Since our founding in New York more than 200 years ago, JPMorgan Chase and its predecessor banks have been leaders in their communities. This is nothing new. For example, in April 1906, J.P. Morgan & Co. made Wall Street’s largest contribution – \$25,000 – to, as *The New York Times* described it at the time, “extend practical sympathy to the stricken people of San Francisco.” This was two days after the earthquake that destroyed 80% of the city and killed 3,000 people. In February 2016, we played much the same role when the firm and our employees contributed hundreds of thousands of dollars to pay for medical services for children exposed to lead in the Flint, Michigan, water crisis. And over the last several years, we have given more than \$20 million to help in the aftermath of natural disasters, from tsunamis in Asia to Superstorm Sandy in the northeast United States (and it was gratifying to see how employees rallied with their time and with the full resources of the firm to help).

In addition to our annual philanthropic giving – which now totals over \$200 million a year – we are putting our resources, the expertise of our business leaders, our data, relationships and knowledge of global markets into significant efforts aimed at boosting economic growth and expanding opportunity for those being left behind in today’s economy. We have made **long-term global commitments** to workforce readiness, getting small businesses the capital and support they need to grow, improving consumer financial health and supporting strong urban economies. You can read more detail about these programs on pages 71-72. And in the sidebars in this section, you can hear directly from some of our partners about our efforts. We think these initiatives will make a significant contribution to creating more economic opportunity for more people around the world.

In particular, I want to tell you about an exciting new community service program we have developed that is capitalizing on our most important resource – the talent of our people. The Service Corps program recruits top-performing employees from around the world to put their skills and expertise to work on behalf of nonprofit partners that are helping to build stronger communities. This program, combining leadership development with philanthropic purpose, started small in Brazil, grew into the Detroit Service Corps as part of our investment there, and has now spread across the globe, with projects in Africa, Asia, and North and South

America. Service Corps employees work on-site with nonprofits on projects that last three weeks. In total, 64 people have been involved in 22 projects. And this program will continue to grow in the coming years to other domestic and international locations. While supporting our nonprofit partners to deliver on their mission, our employees also gain enormous satisfaction and sense of purpose from the opportunity to help. In addition, as they travel across the globe and interact with their peers, they develop a great, permanent camaraderie that helps unite our employees from around the world in a commitment to make a difference in our communities.

SIDEBAR ON DETROIT BY MAYOR MIKE DUGGAN

Detroit is coming back. After years of challenges, we are seeing signs of real progress in our neighborhoods and business districts.

Two years into our administration, we've brought back fiscal discipline and have balanced the city's budget for the first time in more than a decade. We've installed 61,000 new LED streetlights in our neighborhoods. Buses are running on schedule for the first time in 20 years and are serving 100,000 more riders each week. We've taken down nearly 8,000 blighted homes and, as a result, are seeing double-digit property value increases across the majority of the city. Perhaps most important, 8,000 more Detroiters are working today than two years ago, thanks to efforts to attract new investment and develop our workforce.

None of these positive steps would have been possible without the partnerships we've established in Washington, D.C., in our state capital of Lansing, with the Detroit City Council, and especially with our residents and partners in the business and philanthropic communities.

When our friends at JPMorgan Chase started thinking about making a \$100 million investment in Detroit, they started off by asking about our priorities for the city's recovery – not just mine but those of our community and philanthropic leaders as well. Today, we can see the impact of JPMorgan Chase's commitment to Detroit in many places – in the opening of a new grocery store in the Westside's Harmony Village neighborhood, in the minority-led small businesses that are getting much-needed capital from the new Entrepreneurs of Color Fund and in the map of Detroit's workforce system that is helping us prepare Detroiters for the new jobs coming to the city. JPMorgan Chase is bringing its data, expertise and talent to this town in so many ways – assets that are just as important as money in boosting our recovery.

The partnerships JPMorgan Chase saw at work in Detroit helped give the firm confidence to invest so significantly in our city. And because we have this fine company at the table, we now have other companies coming to our city looking to contribute and invest in Detroit and its residents.

We still have a long way to go. But with great partners like JPMorgan Chase, we are creating a turnaround that is benefiting all Detroiters and can be a model for other large cities facing similar challenges.

**SIDEBAR ON VETS BY STAN McCHRYSTAL,
RETIRED GENERAL, U.S. ARMY**

In early 2011, two employees of JPMorgan Chase came to wintry New Haven, Connecticut, to talk about veterans. Specifically, they told me that Jamie Dimon felt the bank could, and should, do more to help the many veterans returning from service – many who were in Iraq and Afghanistan – take their rightful place in civilian society. Since 9/11, the military had enjoyed tremendous support from the American people, but seemingly intractable problems of reintegration, particularly challenges with meaningful employment, haunted an embarrassingly large number of former warriors and their families.

I listened with interest and no small amount of cautious skepticism. I was aware of countless programs initiated with the best of intentions that soon became more talk than action and was worried this might be the same. The JPMorgan Chase people asked if I thought the bank should create a program to help veterans find employment and if the bank did start such a program, would I join the advisory council for it.

I thought for a moment and then responded: “If Jamie is seriously willing to commit the bank to the effort,” I replied, “it’s the right thing to do, and I’m in. If not, there are other, far less ambitious ways to offer the bank’s help for veterans.” As we talked further, they convinced me that Jamie, and the full energy that JPMorgan Chase could bring, would be behind the effort.

That was almost five years ago, and JPMorgan Chase has surpassed my every hope and expectation. By committing full-time talent and including the personal involvement of senior leadership, **the firm has been the strongest force in veterans’ employment in America.** The Veteran Jobs Mission program has not only implemented truly cutting-edge programs inside the bank to recruit, train, mentor and develop veterans – resulting in an increase of more than 10,000 veterans within the bank since 2011 – but the program also has demonstrated the power of commitment. An impressive number of American businesses have set and met employment goals (to date, over 300,000 veterans have been hired collectively, with a goal of hiring 1 million) that would have been considered unattainable at the start.

**SIDEBAR ON WORKFORCE BY FREEMAN A. HRABOWSKI III,
PRESIDENT OF THE UNIVERSITY OF MARYLAND, BALTIMORE
COUNTY**

Too many people are left out of work or are stuck in low-wage, low-skill jobs without a path to meaningful employment and the chance to get ahead. Among young people, this truly is a national tragedy: More than 5 million young Americans, including one in five African-American and one in six Latino youths, are neither attending school nor working. JPMorgan Chase’s New Skills for Youth initiative is an important example of educators and business leaders partnering to equip young people with the skills and experience to be career ready.

The social and economic hurdles faced by young people of color and those who come from low-income families have been exacerbated by the growing crisis of high inner city unemployment and low high school graduation rates. With too many young people marginalized, economic growth slows, and social challenges increase. The public and private sectors must work together to change this.

Educators need to emphasize both college and career readiness. They need to recognize that there is growing demand for technically trained, middle-skill workers – from robotics technicians to licensed practical nurses – and better align what they teach with the talent needs of employers. At the same time, business leaders need to support the education system as it strives to teach today’s skills and help students develop into critical thinkers.

A bachelor’s degree is as important as ever, and universities must do more to support students of all backgrounds who arrive on our campuses. However, we need to recognize that not all college and career pathways include pursuing a four-year degree immediately, and we need to eliminate the stigma attached to alternate paths. High-quality, rigorous career and technical education programs can connect people to high-skill, well-paying jobs – and they don’t preclude earning a four-year degree down the road. Classes dedicated to robotics, medical science, mechanics and coding build skills that employers desperately need. They also prepare students to land great jobs.

Recent education reforms are making progress, but we still need greater focus on preparing young people, from all income levels, with the skills and experiences to be college and career ready. The public and private sectors need to forge deeper relationships and make greater investments in developing and expanding effective models of career-focused education that are aligned with the needs of emerging industries. This is an investment not only in growing our economy but also in providing more of our young people with a tangible path out of poverty and a real chance at economic success.

VI. A SAFE, STRONG BANKING INDUSTRY IS ABSOLUTELY CRITICAL TO A COUNTRY'S SUCCESS – BANKS' ROLES HAVE CHANGED, BUT THEY WILL NEVER BE A UTILITY

For the people of a country to thrive, you need a successful economy and markets. For an economy to be successful, it is an absolute necessity to have a healthy and successful banking system. The United States has a large, vibrant financial system, from asset managers and private equity sponsors to hedge funds, non-banks, venture capitalists, public and private market participants, small to large investors and banks. Banks are

at the core of the system. They educate the world about companies and markets, they syndicate credit and market risk, they hold and move money and assets, and they necessarily create discipline among borrowers and transparency in the market. To do this well, America needs all different kinds of financial institutions and all different kinds of banks – large and small.

Does the United States really need large banks?

There is a great need for the services of all banks, from large global banks to smaller regional and community banks. That said, our large, global Corporate & Investment Bank does things that regional and community banks simply cannot do. We offer unique capabilities to large corporations, large investors and governments, including federal institutions, states and cities.

Only large banks can bank large institutions.

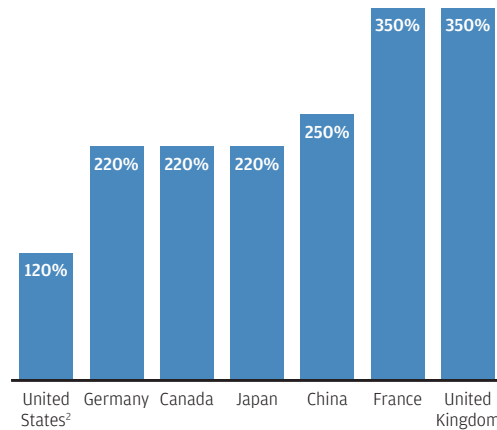
Of the 26 million businesses in the United States, only 4,000 are public companies. While accounting for less than 0.02% of all firms, these companies represent one-third of private sector employment and almost half of the total \$2.3 trillion of business capital expenditures. And most are multinationals doing business in many countries around the world. In addition to corporations, governments and government institutions – such as central banks and sovereign wealth funds – need financial services. The financial needs of all these institutions are extraordinary. We provide many of the services they require. For example, we essentially maintain checking accounts for these institutions in many countries and currencies. We provide extensive credit lines or raise capital for these clients, often in multiple jurisdictions and in multiple currencies. On an average day, JPMorgan Chase

moves approximately \$5 trillion for these types of institutions, raises or lends \$6 billion of capital for these institutions, and buys or sells approximately \$1.5 trillion of securities to serve investors and issuers. We do all this efficiently and safely for our clients. In addition, as a firm, we spend approximately \$700 million a year on research so that we can educate investors, institutions and governments about economies, markets and companies. For countries, we raised \$60 billion of capital in 2015. We help these nations develop their capital markets, get ratings from ratings agencies and, in general, expand their knowledge. The fact is that almost everything we do is because clients want and need our various services.

Put “large” in context.

While we are a large bank, it might surprise you to know two facts: (1) The assets of all banks in the United States are a much smaller part of the country's economy, relatively, than in most other large, developed countries; and (2) America's top five banks by assets are smaller, relatively, to total banking assets in America than in most other large, developed countries. As shown in the following charts, this framework means banks in the United States are less consolidated.

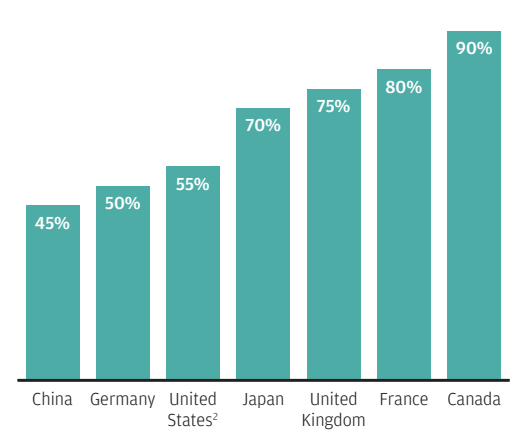
Total Bank Assets as a % of GDP by Country¹



¹ Approximate percentages based on 2014 data.

² Excludes the estimated impact of certain derivatives netting.

Top 5 Bank Assets as a % of Total Bank Assets by Country¹



Our size and our diversification make us stronger.

Our large and diversified earnings streams and good margins create a strong base of earnings that can withstand many different crises. Stock analysts have pointed out that *JPMorgan Chase has among the lowest earnings volatility and revenue volatility among all banks*. This strength is what allows us to invest in countries to support our clients and to have the staying power to survive tough times. We are a port of safety in almost any storm.

Finally, our size gives us the ability to make large and innovative investments that are often needed to create new products and services or to improve our efficiency. The ultimate beneficiary of all this is our clients.

Community banks are critical to the country – large banks provide essential services to them. (I prepared this section initially as an op-ed article, but I'd like you to see it in total.)

Not long ago, I read some commentary excoriating big banks written by the CEO of a regional bank. The grievances weren't new or surprising – in the current climate, one doesn't have to look far to find someone attacking large financial institutions. But I recognized this particular bank as a client of ours. So I did some digging. It turns out that our firms have a relationship that goes back many years and spans a broad range of services. And it struck me how powerful the

incentive is, in today's heated public dialogue, to frame issues as a winner-take-all fight between opposing interests: big vs. small. Main Street vs. Wall Street. It is a simple narrative, and while banks of all sizes make mistakes, certainly a key lesson of the crisis is that mistakes at the largest institutions can impact the broader financial system.

But, as is often the case, reality tells a deeper story, and the U.S. financial services industry does not conform to simple narratives. It is a complex ecosystem that depends on diverse business models co-existing because there is no other way to effectively serve America's vast array of customers and clients. A healthy banking system depends on institutions of all sizes to drive innovation, build and support our financial infrastructure, and provide the essential services that support the U.S. economy and allow it to thrive.

In our system, smaller regional and community banks play an indispensable role. These institutions sit close to the communities they serve. Their highest-ranking corporate officers live in the same neighborhoods as their clients. They are able to forge deep and long-standing relationships and bring a keen knowledge of the local economy and culture. They frequently are able to provide high-touch and specialized banking services, given their unique connection to their communities.

Large banks such as JPMorgan Chase also have a strong local presence. We are proud to have branches and offices all across the country and to have the privilege of being woven into communities large and small. But we respect the fact that for some customers, there is no substitute for a locally based bank and that in some markets, a locally based lender is the best fit for the needs of the community.

Having said that, these very same regional and community banks depend on large banks such as ours to make their service offerings possible. First, large banks offer vital correspondent banking services for smaller institutions. These services include distributing and collecting physical cash, processing checks and clearing international payments. JPMorgan Chase alone extends such services to 339 small banks and 10 corporate credit unions across the country. Last year, we provided these institutions with \$4.7 billion in intraday credit to facilitate cash management activities and processed \$7.6 trillion in payments/receivables.

Large banks also enable community banks to provide traditional mortgages by purchasing the mortgages that smaller banks originate, selling the loans to the agencies (e.g., Fannie Mae) or capital markets and continuing to service the borrower. In 2015, JPMorgan Chase purchased \$10.4 billion in such residential loans from 165 banks nationwide.

In addition to these correspondent banking services, large banks deliver mission-critical investment banking services. This includes helping smaller banks access debt and equity capital, supporting them through strategic combinations, enabling them to manage their securities portfolios, providing valuable risk management tools (such as interest rate swaps and foreign exchange), creating syndicated credit facilities that smaller banks' clients can participate in and offering direct financing. JPMorgan Chase has raised \$16.2 billion in growth equity capital for smaller banks since 2014; advised on strategic combinations among regional and community banks valued at \$52 billion; and, last

year, provided \$5.3 billion in secured repo financing, extended \$1.4 billion in trading line financing and provided \$7 billion in other unsecured financing to hundreds of banks nationwide.

This is a story of symbiosis among our banks rather than a binary choice between big and small. Yes, all banks are competitors in the marketplace. But marketplace competition is not zero-sum. In banking, your competitor can also be your customer. Large banks ultimately would be diminished if regional and community banks were weakened, and, just as surely, those smaller institutions would lose out if America's large banks were hobbled. We require a system that serves the needs of all Americans, from customers getting their first mortgage to farmers and small business owners to our largest multinational companies.

America faces enough real challenges without inventing conflict where none need exist. Rather, banks of all sizes do themselves and their stakeholders better service by acknowledging the specific value different types of institutions offer. Then we all can get on with the business of serving our distinctive roles in strengthening the economy, our communities and our country.

Banks cannot be utilities.

Utilities are monopolies; i.e., generally only one company is operating in a market. And because of that, prices and returns are regulated. Banks do not have the same relationship with their clients as most other companies do. When a customer walks into a store and wants to buy an item, the store sells it. By contrast, very often a bank needs to turn a customer down; for example, in connection with a credit card or a loan. Responsible lending is good, but irresponsible lending is bad for the economy and for the client (we clearly experienced this in the Great Recession). Banks are more like partners with their clients – and they are often active participants in their clients' financial affairs. They frequently are in the position where they have to insist that clients operate with discipline – by asking for collateral, putting

covenants in place or forcing the sale of assets. This does not always create friends, but it is critical for appropriate lending and the proper functioning of markets. Banks have to continuously make judgments on risk, and appropriately price for it, and they have to do this while competing for a client's business. There is nothing about banking that remotely resembles a utility.

America's financial system is the finest the world has ever seen – let's ensure it stays that way.

The position of America's leading banks is like many other U.S. industries – they are among the global leaders. If we are not allowed to compete, we will become less diversified and less efficient. I do not want any American to look back in 20 years and try to figure out how and why America's banks lost the leadership position in financial services. If not us, it will be someone

else and likely a Chinese bank. Today, many Chinese banks already are larger than we are, and they continue to grow rapidly. They are ambitious, they are supported by their government and they have a competitive reason to go global – the Chinese banks are following and supporting their Chinese companies with the financial services that are required to expand abroad.

Not only are America's largest banks global leaders, but they help set global standards for financial markets, companies, and even countries and controls (such as anti-money laundering). Finally, banks bring huge resources – financial and knowledge – to America's major flagship companies and investors, thereby helping them maintain their global leadership positions.

Why do you say that banks need to be steadfast and always there for their clients – doesn't that always put you in the middle of the storm?

Yes, to an extent. When an economy weakens, banks will see it in lower business volumes and higher credit losses. Of course, we want to manage this carefully, but it is part of the cost of doing business. Building a banking business takes decades of training bankers, nurturing relationships, opening branches and developing the proper technology. It is not like buying or selling a stock. Clients, from consumers to countries, expect you to be there in both good times and the toughest of times. Banks and their services are often the essential lifeblood to their clients. Therefore, it is part of the cost of doing business to *manage* through the cycles.

JPMorgan Chase consistently supports consumers, businesses and communities in both good times and the toughest of times. In 2015, the firm provided \$22 billion of credit to U.S. small businesses, which allowed them to develop new products, expand operations and hire more workers; \$168 billion of credit to Commercial and Middle Market clients;

\$233 billion of credit to consumers; more than \$68 billion of credit or capital raised for nonprofit and government entities, including states, municipalities, hospitals and universities; and \$1.4 trillion of credit or capital raised for corporations. In total, we extended credit and raised capital of more than \$2 trillion for our clients.

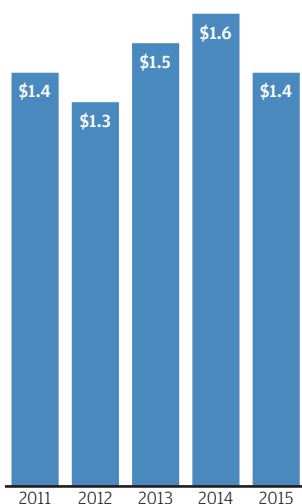
Banks were there for their clients, particularly when the capital markets were not – we need this to continue.

The public markets, even though they are populated with a lot of very bright and talented people, are surprisingly fickle. The psychology and wisdom of crowds are not always rational, and they are very impersonal. People who buy and sell securities do not have a moral obligation to provide credit to clients. This is when banks' long-term relationships and fairly consistent

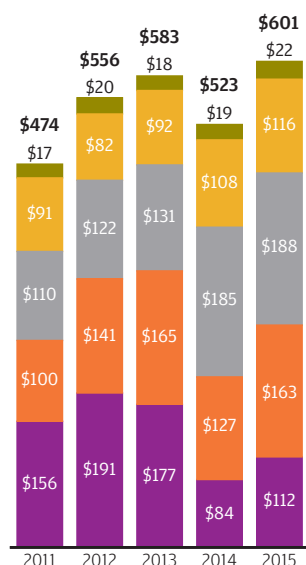
New and Renewed Credit and Capital for Our Clients

at December 31,

Corporate clients
(\$ in trillions)



Consumer and Commercial Banking
(\$ in billions)

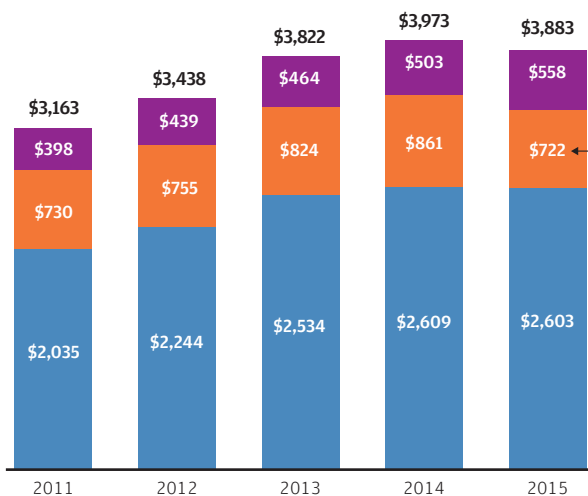


	Year-over-year change			
	'11 to '12	'12 to '13	'13 to '14	'14 to '15
Corporate clients	(9)%	20%	7%	(11)%
Small business	18%	(8)%	5%	11%
Card & Auto	(10)%	12%	18%	7%
Commercial/ Middle market	11%	8%	41%	1%
Asset management	41%	17%	(23)%	29%
Mortgage/ Home equity	22%	(7)%	(53)%	34%
Total Consumer and Commercial Banking	17%	5%	(10)%	15%

Assets Entrusted to Us by Our Clients

at December 31,

Deposits and client assets
(\$ in billions)



	Year-over-year change			
	'11 to '12	'12 to '13	'13 to '14	'14 to '15

Deposits				
Consumer	10%	6%	8%	11%
Wholesale	3%	9%	4%	(16)%
<hr/>				
Client assets ¹	10%	13%	3%	— %

Including non-operating deposits
reduction of ~ \$200 billion

Assets under custody²
(\$ in billions)

\$16,870	\$18,835	\$20,485	\$20,549	\$19,943
----------	----------	----------	----------	----------

¹ Represents assets under management, as well as custody, brokerage, administration and deposit accounts.

² Represents activities associated with the safekeeping and servicing of assets.

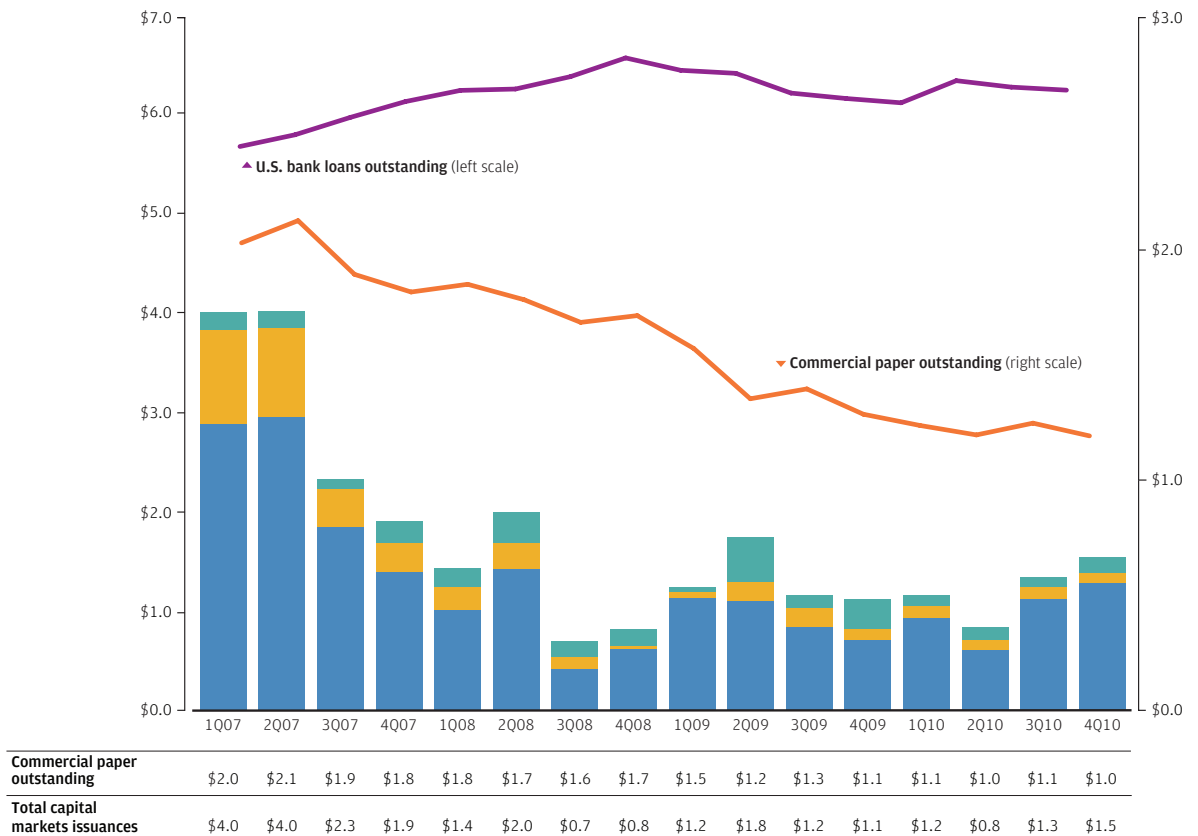
pricing and credit offerings are needed the most. The chart below shows how banks continued to be there for their clients as the markets were not.

Corporations get the vital credit they need by issuing securities, including commercial paper, or by borrowing from banks. You can see in the chart below the dramatic drop in the issuance of securities and commercial paper once the financial crisis hit. Commercial paper outstanding alone dropped by \$1 trillion, starving companies in desperate need of cash. You can see that bank loans outstanding, for the most part, were steady and consistent. This means that banks

continued to renew or roll over credit to their clients – small, medium and large – when it was needed the most.

This will be a little bit harder to do in the future because capital, liquidity and accounting rules are essentially more procyclical than they were in the past. We estimate that if we were to enter a very difficult market, such as 2008, our capital needs could increase by 10%. Despite the market need for credit, banks would be in a position where, all things being equal, they would *need to reduce* the credit extended to maintain their own strong capital positions.

Quarterly Capital Markets Issuances and U.S. Bank Loans Outstanding 2007–2010 (\$ in trillions)



Capital markets issuances (left scale)
 ■ Corporate bonds¹ ■ ABS² ■ Equity³

¹ Includes high-yield and investment-grade bonds.

² Includes collateralized loan obligations and excludes mortgage-backed issuances.

³ Includes initial public offerings (IPOs) and secondary market offerings.

Will banks ever regain a position of trust? How will this be done?

Most banks actually are trusted by their clients, but generically, they are not. This dichotomy also is true with politicians, lawyers and the media – people trust the individuals they know, but when it comes to whether people trust them as a group, they do not. We believe that the only way to be restored to a position of trust is to earn it every day in every community and with every client.

The reality is that banks, because of the disciplined role they sometimes have to play and the need to say no in some instances, will not always be the best of friends with some of their clients. But banks still need to discharge that responsibility while continuing to regain a position of trust in society. There is no easy, simple answer other than:

- Maintain steadfast, consistent and transparent behavior wherever they operate.
- Communicate honestly, clearly and consistently.
- Deliver great products and services.
- Admitting to mistakes is good, fixing them is better and learning from them is essential.
- Make it easy for customers to deal with you – particularly when they have problems.
- Work with customers who are struggling – both individuals and companies.

- Focus on the customer and treat all clients the way you would want to be treated.
- Be great citizens in the community. Establish strong relationships with governments and civic society.
- Treat regulators like full partners – and accept that you will not always agree. When they make a change in regulations, even ones you don't like, accept them and move on.
- As an industry, make fewer mistakes and behave better – the bad behavior of one individual reverberates and affects the entire industry.

Finally, strong regulators and stronger standards for banks must ultimately mean that banks are meeting more rigorous standards. Every bank is doing everything in its power to meet regulatory standards. It has been eight years since the financial crisis and six years since Dodd-Frank. Regulators should take more credit for the extraordinary amount that has been accomplished and should state this clearly to the American public. This should help improve consumer confidence in the banking system – and in the economy in general. Consumer and business confidence is the secret sauce for a healthy economy. It is free, and it would be good to sprinkle a bit more of it around.

Are you and your regulators thinking more comprehensively and in a forward-looking way to play a role in helping to accelerate global growth?

By any reasonable measure, the financial system is unquestionably stronger, and regulators deserve a lot of credit for this. But it also is true that thousands of rules, regulations and requirements were made – and needed to be made – quickly. The political and regulatory side wanted it done swiftly to ensure that events that happened in the Great Recession would never happen again.

But now is the time when we can and should look at everything more deliberately and assess whether recent reforms have generated unintended consequences that merit attention.

Some people speak of regulation like it is a simple, binary tradeoff – a stronger system or slower growth or vice versa. We believe that many times you can come up with regulations that do both – create a stronger system and enhance growth.

There will be a time to comprehensively review, coordinate and modify regulations to ensure maximum safety, create more efficiency and accelerate economic growth.

Every major piece of legislation in the United States that was large and complex has been revisited at some point with the intention of making it better. The political time for this is not now, but we should do so for banking regulations someday. We are not looking to rewrite or to start over at all – just some modifications that make sense. Here are a few specific examples:

- **Liquidity.** Regulators could give themselves more tools for adjusting liquidity to accommodate market needs. This could be done with modest changes that could actually ameliorate the procyclical nature of the current rules and, in my opinion, enhance safety and soundness and improve the economy.
- **Mortgages.** Finishing and simplifying mortgage rules around origination, servicing, capital requirements and securitizations would help create a more active mortgage market at a lower cost to customers and, again, at no risk to safety and soundness if done right. This, too, would be a plus to consumers and the economy.
- **Capital rules.** Without reducing total capital levels, capital rules could be modified to be less procyclical, which could serve to both dampen a bubble and soften a bust. This alone could boost the economy and reduce overall economic risk. There are also some rules – for example, requiring that capital be held against a deposit at the Federal Reserve – that distort the normal functioning of the market. These could be eliminated with no risk to safety and soundness unless you think the Fed is a risky investment.

Finally, finishing the capital rules for banks will remove one additional drag on the banks and allow for more consistent capital planning. This would also help to improve confidence in the banks and, by extension, investor confidence.

- **Increased coordination among regulators.** Having five, six or seven regulators involved in every issue does make things more complicated, expensive and inefficient, not just for banks but for regulators, too. This slows policymaking and rulemaking and is one reason why many of the rules still have not been completed. One of the lessons we have all learned is that policymakers need to move quickly in a crisis. While everyone has worked hard to be more coordinated, far more can be done.
- **Be more forward looking.** This is already happening. As banks are catching up on regulatory demands, the pace of change, while still rapid, is slowing. This sets the stage for both banks and regulators to be able to devote more resources to increasingly critical issues, including cybersecurity, digital services, data protection, FinTech and emerging risks.

As the financial system reaches the level of strength that regulations require, we hope banks can begin to expand slightly more rapidly (and, of course, responsibly) – both geographically and in terms of products and services – with the support and confidence of their regulators. This will also foster healthy economic growth, which we all so desperately want.

VII. GOOD PUBLIC POLICY IS CRITICALLY IMPORTANT

Are you worried about bad public policy?

Yes, bad public policy, and I'm not looking at this in a partisan way, creates risk for the economies of the world and the living standards of the people on this planet – and, therefore, for the future of JPMorgan Chase – more so than credit or market risks. We have many real-life examples that demonstrate how essential good public policy is to the health and welfare of a country.

East Germany vs. West Germany. After World War II, East Germany and West Germany were in equal positions, both having been devastated by the war. After the war, West Germany flourished, creating a vibrant and healthy country for its citizens. East Germany (and, in fact, most of Eastern Europe), operating under different governance and policies, was a complete disaster. This did not have to be the case. East Germany could have been just as successful as West Germany. This is a perfect example of how important policy is and also of how economics is not a zero-sum game.

Argentina, Venezuela, Cuba, North Korea vs. Singapore, South Korea, Mexico. These countries also provide us with some pretty strong contrasts. The first four countries mentioned above have performed poorly economically. The last three mentioned above have done rather well in the last several decades. You cannot credit this failure or success to the existence of great natural resources because, on both sides, some had these resources, and some did not. It would take too long to articulate it fully here, but strong public policy – fiscal, monetary, social, etc. – made all the difference. The countries that did not perform well had many reasons to be successful, but they were not. In almost all these cases, their government took ineffective actions in the name of the people.

Detroit. Detroit is an example of failure at the city level. In the last 20 years, most American cities had a renaissance – Detroit did not. Detroit was a train wreck in slow motion for 20 years. The city had unsustainable

finances, corrupt government and a declining population that went from 2 million residents to just over 750,000. It is tragic that this catastrophe had to happen before government started to rectify the situation.

We have reported that we are making a huge investment in Detroit, and we are doing this because the leadership – the Democratic mayor and the Republican governor, working with business and nonprofit organizations – is taking rational and practical action in Detroit to fix the city's problems. These leaders talk about strengthening the police, improving schools, bringing jobs back, creating affordable housing, fixing streetlights and rehabilitating neighborhoods – real things that actually matter and will help the people of Detroit. They do not couch their agenda in sanctimonious ideology.

Fannie Mae and Freddie Mac. These are examples of poor policy at the industry and company level. Under government auspices and with federal government urging, Fannie and Freddie became the largest, most leveraged and most speculative vehicles that the world had ever seen. And when they finally collapsed, they cost the U.S. government \$189 billion. Their actions were a critical part of the failure of the mortgage market, which was at the heart of the Great Recession. Many people spent time trying to figure out who was to blame more – the banks and mortgage brokers involved or Fannie and Freddie. Here is a better course – each should have acknowledged its mistakes and determined what could have been done better.

So yes, public policy is critical to a healthy and functioning economy. Now I'd like to turn my attention to a more forward-looking view of some of the potential risks out there today that are driven by public policy:

Our current inability to work together in addressing important, long-term issues. We have spoken many times about the extraordinarily positive and resilient American economy. Today, it is growing stronger, and it is far better than you hear in the current political discourse. But we have serious issues that we need to address – even the United States does not have a divine right to success. I won't go into a lot of detail but will list only some key concerns: the long-term fiscal and tax issues (driven mostly by healthcare and Social Security costs, as well as complex and poorly designed corporate and individual taxes), immigration, education (especially in inner city schools) and the need for good, long-term infrastructure plans. I am not pointing fingers at the government in particular for our inability to act because it is all of us, as U.S. citizens, who need to face these problems.

I do not believe that these issues will cause a crisis in the next five to 10 years, and, unfortunately, this may lull us into a false sense of security. But after 10 years, it will become clear that action will need to be taken. The problem is not that the U.S. economy won't be able to take care of its citizens – it is that taking away benefits, creating intergenerational warfare and scapegoating will make for very difficult and bad politics. This is a tragedy that we can see coming. Early action would be relatively painless.

The potential exit of Britain from the European Union (Brexit). One can reasonably argue that Britain is better untethered to the bureaucratic and sometimes dysfunctional European Union. This may be true in the long run, but let's analyze the risks. We mostly know what it looks like if Britain stays in the European Union – effectively, a continuation of a more predictable environment. But the range of outcomes of a Brexit is large and potentially unknown. The best case is that Britain can quickly renegotiate hundreds of trade and other contracts with countries around the world including the European Union. Even this scenario will result in years of uncertainty, and this uncertainty will hurt the economies of both Britain and the European Union. In a bad scenario, and this is not the worst-case scenario, trade retaliation against

Britain by countries in the European Union is possible, even though this would not be in their own self-interest. Retaliation would make things even worse for the British and European economies. And it is hard to determine if the long-run impact would strengthen the European Union or cause it to break apart. The European Union began with a collective resolve to establish a political union and peace after centuries of devastating wars and to create a common market that would result in a better economy and greater prosperity for its citizens. These two goals still exist, and they are still worth striving for.

We need a proper public policy response to technology, trade and globalization. Technology and globalization are the best things that ever happened to mankind, but we need to help those left behind. Technology is what has driven progress for all mankind. Without it, we all would be living in tents, hunting buffalo and hoping to live to age 40. From printing, which resulted in the dissemination of information, to agriculture and to today's computers and healthcare – it's an astounding phenomenon – and the next 100 years will be just as astounding.

The world and most people benefit enormously from innovative ideas; however, some people, some communities and some sectors in our economy do not. As we embrace progress, we need to recognize that technology and globalization can impact labor markets negatively, create job displacement, and contribute to the pay disparity between the skilled and unskilled. Political and business leaders have fallen short in not only acknowledging these challenges but in dealing with them head on. We need to support solutions that address the displacement of workers and communities through better job training, relocation support and income assistance. Some have suggested that dramatically expanding the earned income tax credit (effectively, paying people to work) may create a healthy and more egalitarian society. Also, we must address an education system that fails millions of young people who live in poor communities throughout the United States.

The answer to these challenges is not to hold back progress and the magic of technology; the answer is to deal with the facts and ensure that public policy and public and private enterprise contribute to a healthy, functioning and inclusive economy.

At JPMorgan Chase, we are trying to contribute to the debate on public policy. One new way we are doing this is through the development of our JPMorgan Chase Institute, which aims to support sounder economic and public policy through better facts, timely data and thoughtful analysis. Our work at the Institute, whether analyzing income and consumption volatility, small businesses, local spending by consumers or the impact of low gas prices, aims to inform policymakers, businesses and nonprofit leaders and help them make smarter decisions to advance global prosperity.

What works and what doesn't work.

In my job, I am fortunate to be able to travel around the world and to meet presidents, prime ministers, chief executive officers, nonprofit directors and other influential civic leaders. All of them want a better future for their country and their people. What I have learned from them is that while politics is hard (in my view, much harder than business), breeding mistrust and misunderstanding makes the political environment far worse. Nearly always, collaboration, rational thinking and analysis make the situation better. Solutions are not always easy to find, but they almost always are there.

What doesn't work:

- Treating every decision like it is binary – my way or your way. Most decisions are not binary, and there are usually better answers waiting to be found if you do the analysis and involve the right people.
- Drawing straw men or creating scapegoats. These generally are subtle attempts to oversimplify someone's position in order to attack it, resulting in anger, misunderstanding and mistrust.

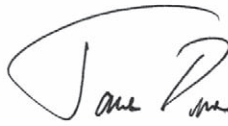
- Denigrating a whole class of people or society. This is always wrong and just another form of prejudice. One of the greatest men in America's history, President Abraham Lincoln, never drew straw men, never scapegoated and never denigrated any class of society – even though he probably had more reason to do so than many. In the same breath, some of our politicians can extol his virtues while violating them.
- Equating perception with reality. This is a tough one because you have to deal with both perceptions and reality. However, perceptions that are real are completely different from perceptions that are false. And how you deal with each of them probably should differ.
- Treating someone's comments as if they were complaints. When someone's response to an issue raised is "here they go complaining again," that reaction diminishes the point of view and also diminishes the person. When a person complains, you need to ask the question: "Are they right or are they wrong?" (If you don't like the person's attitude, that is a different matter.)

What does work:

- Collaborating and compromising. They are a *necessity* in a democracy. Also, you can compromise without violating your principles, but it is nearly impossible to compromise when you turn principles into ideology.
- Listening carefully to each other. Make an effort to understand when someone is right and acknowledge it. Each of us should read and listen to great thinkers who have an alternative point of view.
- Constantly, openly and thoroughly reviewing institutions, programs and policies. Analyze what is working and what is not working, and then figure out – together – how we can make it better.

IN CLOSING

I am honored to work at this company and with its outstanding people. What they have accomplished during these often difficult circumstances has been extraordinary. I know that if you could see our people up close in action, you would join me in expressing deep gratitude to them. I am proud to be their partner.

A handwritten signature in black ink, appearing to read "Jamie Dimon". The signature is stylized with a large, sweeping initial "J" and "D".

Jamie Dimon
Chairman and Chief Executive Officer

April 6, 2016