
Dear Fellow Shareholders,



Jamie Dimon
with employees
in Ohio

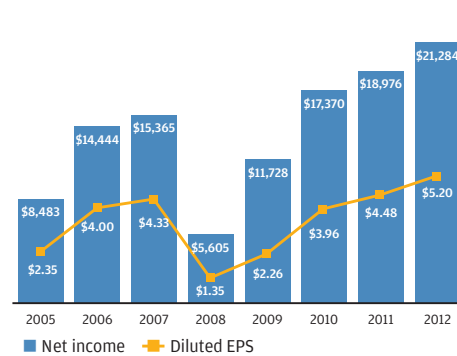
Your company earned a record \$21.3 billion in net income on revenue of \$97.0 billion in 2012. It was our third consecutive year of both record net income and a return on tangible common equity of at least 15%.

Our financial results reflected strong underlying performance across virtually all our businesses, fueled by strong lending and deposit growth. We also maintained our leadership positions and continued to gain market share in key areas of our franchise.

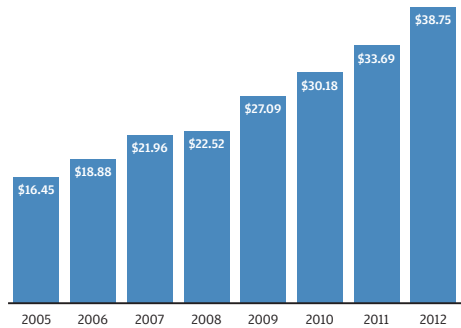
This financial performance has resulted in good stock performance. For Bank One shareholders since March 27, 2000, the stock has performed better than most financial companies and the Standard & Poor's 500 Index (S&P 500). And since the JPMorgan Chase & Co. merger with Bank One on July 1, 2004, we have had good performance vs. other financial companies and slightly worse performance than the S&P 500. The details are shown in the charts on the opposite page. One of the charts also shows the growth in tangible book value per share, which we believe is a conservative measure of value. You can see that it has grown far more than the S&P 500 in both time periods.

Earnings and Diluted Earnings per Share 2005 – 2012

(\$ in millions, except diluted EPS)



Tangible Book Value per Share 2005 – 2012



Stock and Book Value Performance

Stock Total Return Analysis			
	Bank One	S&P 500	S&P Financials Index
Performance since becoming CEO of Bank One (3/26/2000 – 12/31/2012):^(a)			
Compounded Annual Gain (Loss)	8.6%	1.4%	(1.0)%
Overall Gain (Loss)	185.1%	18.8%	(11.5)%
	JPMorgan Chase & Co.	S&P 500	S&P Financials Index
Performance since the Bank One and JPMorgan Chase & Co. merger (7/1/2004 – 12/31/2012):			
Compounded Annual Gain (Loss)	4.2%	4.8%	(4.0)%
Overall Gain (Loss)	42.0%	49.2%	(29.5)%
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).			
^(a) On March 27, 2000, Jamie Dimon was hired as CEO of Bank One.			

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 (12/31/2000 – 12/31/2012):^(a)			
Compounded Annual Gain	13.4%	2.6%	10.8%
Overall Gain	354.1%	36.3%	317.8%
	JPMorgan Chase & Co. (A)	S&P 500 (B)	Relative Results (A) – (B)
Performance since the Bank One and JPMorgan Chase & Co. merger (7/1/2004 – 12/31/2012):			
Compounded Annual Gain	15.4%	4.8%	10.6%
Overall Gain	237.2%	49.2%	188.0%
Tangible book value over time captures the company's use of capital, balance sheet and profitability. In this chart, we are looking at heritage Bank One shareholders and JPMorgan Chase & Co. shareholders. The chart shows the increase in tangible book value per share; it is an after-tax number assuming all dividends were retained vs. the S&P 500 (a pre-tax number with dividends reinvested).			
^(a) On March 27, 2000, Jamie Dimon was hired as CEO of Bank One.			

For the better part of this decade, during a time of tremendous challenges, our company has been doing great things. During this period of economic volatility, social and political change around the world, growing social needs and constrained government resources, our work matters more than ever.

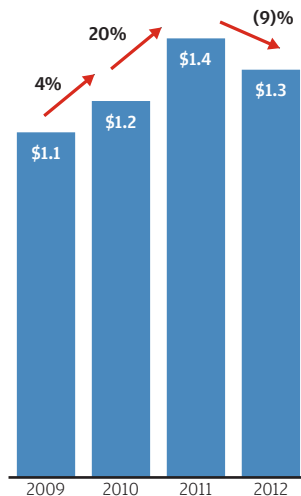
Today's global economy is exciting and dynamic, but it also can be tough and confusing. To survive and succeed, companies small and large need to innovate and learn to do business in markets around the world; big cities are becoming even bigger, as are the challenges they face, with millions of residents needing basic services; workers must continually update their skills and adapt to changing technologies and global competition; and average families require tools and support to navigate a complicated financial landscape and successfully secure a good mortgage, manage a household budget, and invest in their retirement and future.

These issues are critically important. How we all deal with them will define the U.S. and global economies for decades to come. And as much as any other company, JPMorgan Chase is positioned to help individuals, businesses of all sizes, governments, nonprofits and other partners seize the opportunities and respond to the challenges of our times. We can do it because of the strong company we have built – global in reach, with outstanding people, expertise, capabilities, relationships and capital at the scale required to do big things.

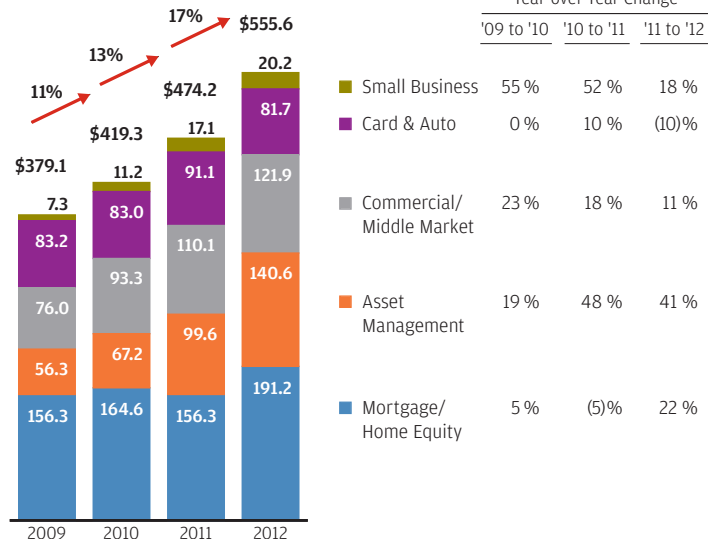
During the course of 2012, JPMorgan Chase provided credit and raised capital of over \$1.8 trillion for our clients. This included \$20 billion for small businesses, up 18%. We also originated more than 920,000 mortgages; provided credit cards to 6.7 million people; and raised capital and provided credit of approximately \$85 billion for nearly 1,500 nonprofit and government entities, including states, municipalities, hospitals and universities. And we continued to stand by our European clients – both corporations and governments – as they were facing economic stress and challenges. As part of the 100,000 Jobs Mission we helped launch in early 2011, we have hired nearly 5,000 U.S. military veterans and members of the National Guard and Reserve; and, through our nonprofit partners, we have provided mortgage-free homes for 386 deserving veterans and their families.

New and Renewed Credit and Capital for Our Clients

Corporate clients
(\$ in trillions)



Consumer and commercial banking
(\$ in billions)



Through the turbulence of recent years, we have consistently earned a fair profit for our shareholders, and we have never stopped serving clients and investing in the future of our franchise – opening new offices and branches, adding bankers in key markets, innovating and gaining market share. Our capital strength and earnings power are as strong as they have ever been. Challenges still exist, and there’s always room for improvement, but as we head into 2013, we remain proud of these accomplishments and are optimistic about the future.

There are a few things, however, that occurred this past year that we are not proud of. The “London Whale” episode not only cost us money – it was extremely embarrassing, opened us up to severe criticism, damaged our reputation and resulted in litigation and investigations that are still ongoing. I will discuss this incident in more detail in the first section of this letter. Additionally, we received regulatory orders requiring improved performance in multiple areas, including mortgage foreclosures, anti-money laundering procedures and others. Unfortunately, we expect we will have more of these in the coming months. We need to and will do all the work necessary to complete the needed improvements identified by our regulators.

In this letter, I will discuss the issues highlighted below. I am not going to cover the updates on our business units as the Chief Executive Officers (CEO) of those businesses have provided individual updates, and I encourage you to read their letters as well.

Your company takes its responsibilities quite seriously. We are doing big things at a time that calls for just that. We will continue to do so. And we will not let the challenges we face today undermine our intention to deliver to the next generation of shareholders, customers, employees and communities a better, stronger JPMorgan Chase capable of doing more good than ever before.

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

- I. Our control and regulatory agenda is our top priority (and some lessons learned from the “London Whale”)
- II. A frank assessment of where our country and the world are today – the opportunities and challenges
- III. JPMorgan Chase faces the future with a strong hand
- IV. We are using our unique capabilities to do even more for our clients and communities
- V. Our people are our future – how we are developing and retaining our leaders

I. OUR CONTROL AND REGULATORY AGENDA IS OUR TOP PRIORITY (AND SOME LESSONS LEARNED FROM THE “LONDON WHALE”)

I would like to deal with some of our problems right up front. Our biggest problem of the year – the “London Whale” Chief Investment Office (CIO) issue – has been widely chronicled. Unfortunately, we also fell short on multiple control issues highlighted by the regulatory consent orders that we received. (Consent orders may be given to a bank when a regulator determines that the bank fails to meet proper standards – and they demand improved procedures.) Our consent orders came not only from the CIO issue but also around mortgage foreclosures and anti-money laundering practices.

Let me be perfectly clear: These problems were our fault, and it is our job to fix them. In fact, I feel terrible that we let our regulators down. We are devoted to ensuring that our systems, practices, controls, technology and, above all, culture meet the highest standards. We want to be considered one of the best banks – across all measures – by our shareholders, our customers *and* our regulators.

We also must prepare to comply with all the new regulatory requirements. These include not just the several hundred rules coming out of Dodd-Frank but the capital and liquidity rules coming out of Basel and the new rules coming out of Brussels, the United Kingdom’s Financial Services Authority and other regulatory bodies around the world. Additionally, we must meet many new reporting and stress testing requirements. And we must meet all of these requirements in short order.

We absolutely believe that our bank and our regulators share a common goal: to ensure a strong, stable banking system that can help our economy grow.

Satisfying all the regulatory requirements will take diligent, sustained effort and will touch every part of the company

Our shareholders should understand that the mandate to meet all the new regulatory requirements requires extensive changes in our business practices. These new rules will touch almost every system, every legal entity, every product and every service that we have across the company. To give you one example, we are enhancing systems to manage risk-weighted asset and liquidity requirements all the way down to the specific asset and the specific client.

It also is possible that we will need to make changes to our legal entity structure and our capital structure to comply with the new rules relative to subsidiaries, orderly resolution and living wills.

We are committed to making the necessary investments in our risk, credit, finance, legal, compliance, audit, technology and operations staff to change systems, reporting and practices to meet all the regulatory changes.

Our control agenda is now priority #1 – we are organizing and staffing up to meet our regulatory obligations

We are making our control agenda priority #1. To do so, we are re-prioritizing our major projects and initiatives, deploying massive new resources, and dedicating critical managerial time and focus to this effort. We also will be making changes in our organizational structure to ensure we get this done properly and quickly.

For this reason, we have established a new Firmwide Oversight & Control Group that is separately staffed, reporting directly to our Co-Chief Operating Officers (co-COO). The group has the authority to make decisions top down, in command and control fashion, similar to the way we operate when we undertake a major acquisition.

We have asked every line of business in the company to appoint a business control officer to report jointly to the line of business CEO and the Firmwide Oversight & Control Group. In addition, every major enterprise-wide control initiative (we have more than 20 of them) will be staffed with program managers and oversight group managers, including our COOs. Each initiative also will have an Operating Committee member responsible for its success. This structure will enable the control groups to have immediate access to the right people, make decisions quickly and have the resources to get any issues fixed.

Our Operating Committee members also will be meeting regularly with our regulators to share information and hear from them directly about any criticisms they may have. We are approaching this entire effort with the same level of rigor and discipline we bring to everything we do, from major mergers to large-scale re-engineering programs. The goal of this effort – to have a strong, effective control environment across the company – is what makes this huge investment of time and resources worthwhile.

We must and will do a better job at compliance

We are dramatically strengthening how we carry out our compliance mission, including significantly increasing our compliance staff over the last three years. The letter on the opposite page → was sent out in early March to all our employees and shows you how seriously we are taking the effort.

We and our regulators have a common interest to build and sustain a strong and safe financial system

Significant progress has been made in building a safer financial system since the financial crisis. There is far more capital and liquidity in the global banking system. The new stress tests will be instrumental in ensuring that the financial system is sound and that each and every bank has an extremely low chance of failure. This is a good outcome. We all saw how bad a financial crisis can be – and none of us want to see it again. In addition, many of the root causes of the crisis have been addressed. For example, most off-balance sheet vehicles are gone, standards are in place to improve mortgage underwriting, leverage everywhere in the system is lower, and very few risky and exotic derivatives are being used. Additionally, both Board-level and regulatory oversight is more exacting for all financial firms.

We also share a common interest in eliminating “too big to fail,” and we believe the new authorities under Dodd-Frank for orderly liquidation and living wills create the conditions to eliminate too big to fail. Clearly, more work needs to be done, but we are collaborating closely with the regulators to accomplish this goal. Because when it is done, the market, regulators and politicians should have confidence that big banks can be bankrupted in a way that does not damage the economy and is not paid for by taxpayers.

JPMORGAN CHASE & CO.

Message from the Operating Committee

March 5, 2013

Dear colleagues –

When it comes to complying with the rules and regulations that govern our industry and our company, there is no room for compromise. We must always and will always follow not only the letter but the spirit of the law. As many of you have heard Jamie say (on multiple occasions): There is no piece of business, no deal, no revenue stream that is more important than our obligation to act responsibly, ethically and within the rules.

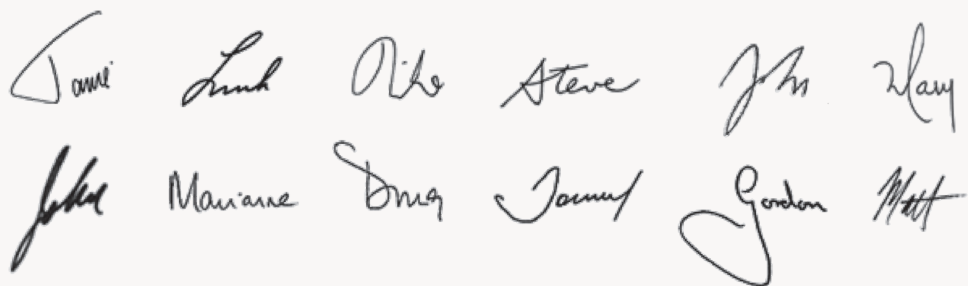
While every company makes mistakes, the hallmark of a great company is to learn from them and to continually grow and improve. And that is precisely what we have committed ourselves to do. We will meet that commitment, and every other commitment we have made to our regulators. We are devoting substantial resources to that effort – in the form of improved systems, new project plans, and good old-fashioned sweat and hard work.

Compliance isn't just the province of our Compliance Department or other control functions; it is everyone's responsibility. ALL of us, from our technologists to our traders, from our loan officers to our tellers, from our security guards to our securities salespeople, from our call center personnel to our portfolio managers, are guardians of the company's reputation and accountable when it comes to following the rules.

There are 260,000 employees of this company working to serve more than 50 million customers – individuals, companies, governments and nonprofits – every day. All of you do remarkable work to help our customers achieve their goals. Remember that in everything we do, all of us must live by the following values:

1. Most important, treat our clients like you would a member of your own family. If you see a product feature you wouldn't feel comfortable selling to a relative, then we shouldn't be selling it to our clients, either.
2. Know the rules that apply to you, your business and your activities. If you don't know or you're unsure what those are, ask.
3. Follow those rules to the letter. But following them to the letter isn't enough. Understand the "why" behind them and live within their spirit as well as their letter.
4. If you have any doubt about something you or someone else is doing, say something – to a colleague, to your manager, to Compliance, to Audit. And you can always call our Employee Hotline – which is staffed 24/7 and is available to our employees everywhere we do business around the globe.
5. Good compliance requires constant vigilance. Sometimes products change, and sometimes standards evolve.
6. Don't assume someone else is taking care of fixing the problem across the company. Follow up, follow up, follow up to ensure your partners in other businesses can benefit from what you've learned.

We are so proud of what we do, day in and day out, for the clients and communities we serve. Thank you for all of your efforts every day to work on this. Together, we can make this company even stronger in the future.



The image shows ten handwritten signatures in cursive script, arranged in two rows. The first row contains six signatures: Jamie, Lark, Rick, Steve, John, and Mary. The second row contains four signatures: John, Marianne, Doug, Jimmy, Gordon, and Matt. The signatures are written in dark ink on a light background.

We learned – or were painfully reminded of – hard lessons from the London Whale problem

It's impossible to look back on the past year and not talk about the London Whale. Let me be direct: The London Whale was the stupidest and most embarrassing situation I have ever been a part of. But it is critical that we learn from the experience – otherwise, it truly was nothing but a loss. I also want our shareholders to know that I take personal responsibility for what happened. I deeply apologize to you, our shareholders, and to others, including our regulators, who were affected by this mistake. Here are some of the lifelong lessons we either learned (or were painfully reminded of) from the CIO problem.

Fight complacency

Complacency sets in when you start assuming that tomorrow will look more or less like today – and when you stop looking at yourself and your colleagues with a tough, honest, critical eye. Avoiding complacency means inviting others to question your logic and decisions in a disciplined way. Even when – and especially when – things have been going well for a long time, rigorous reviews must always take place.

Originally, the synthetic credit CIO portfolio (begun in 2007) was meant to help protect the firm's overall credit exposure by offsetting losses in the event there was a credit crisis. It worked and essentially accomplished its intended objectives for many years. In late 2011, we asked the CIO team to reduce the portfolio for a variety of reasons. It was at this point that a new strategy was devised, which actually added to the risk. This new strategy was flawed, complex, poorly reviewed, poorly executed and poorly monitored. Given the portfolio's success over time, we had become complacent, and we weren't as rigorous and skeptical as we should have been.

Overcome conflict avoidance

Sometimes people don't ask hard questions because they want to avoid conflict. That cannot be the way we operate. Confronting people when necessary or asking hard questions is not an insult. It doesn't mean you lack collegiality or don't trust the individual. In fact, asking hard questions is what we owe one another to protect ourselves from mistakes and self-inflicted wounds.

Risk Management 101: Controls must match risk

Controls, risk limits and authorities should be appropriate to the kind of activity being conducted. We should have had more and very specific rules and requirements around the synthetic credit portfolio – but we didn't. Tighter and more appropriately specific limits could have caught the problem earlier and reduced its impact.

I know we will always make mistakes – that is unavoidable. What we continually strive for is to keep those mistakes small and infrequent. I certainly hope the London Whale is the largest mistake I am ever a part of.

We had a gap in our fortress wall. For a company that prides itself on risk management, this was a real kick in the teeth. You can rest assured we are focused on learning the right lessons, putting the right people and controls in place, and doing everything we can to prevent something like this from happening again.

Trust and verify

That's why we have a risk committee framework within the firm with extremely detailed reporting and many other checks and balances (like reputation committees, underwriting committees and others) to make sure we have a disciplined process in place to question our own thinking so we can spot mistakes before they do real damage. Our employees on risk and other committees are expected to ask questions, raise concerns and ensure that corrective action is taken – that is their job. Verifying does not mean you don't have trust – it's an acknowledgment that we operate in a tough and complex world.

Problems don't age well

To paraphrase some good advice, if you see anything that doesn't look right, raise your hand and say something. We tell our people to escalate problems early so we can bring more resources to bear on solving them. And we don't blame the messenger here. Those who highlight problems are doing this firm a great service.

Continue to share what you know when you know it

On April 13, 2012, when we were announcing our earnings, we made some unfortunate statements, including my "tempest in a teapot" comment. At the time, everyone involved thought we had a small problem – nothing more. Several weeks later, when it became clear that we were dead wrong, we made an unusual and embarrassing public statement disclosing our mounting losses and communicating how wrong we had been just a few weeks earlier. We were right to share that information at that time.

We also said we would give shareholders and investors much more information on July 13, 2012, when we would be announcing 2Q12 earnings. We did just that, and, after reviewing tens of thousands of emails, reports and phone call tapes, we also restated our 1Q12 earnings. In the meantime, the company continued its extensive review, guided by the Board of Directors, and the Board independently conducted its own review as well. Both these reviews were made public in January of this year. All the recommendations from both reports have been or are in the process of being fully implemented.

After finding out about the extent of the CIO problem, we started to actively reduce the risk in the synthetic credit portfolio. We told our shareholders that we hoped it would be a non-issue by the end of 2012, and it basically was. Today, the risk is a fraction of what it was. We have transferred the remaining positions to the Investment Bank, which is well-suited to manage these exposures. We no longer maintain a synthetic credit portfolio in CIO.

Mistakes have consequences

You also should know that we took strong action with those who were directly and indirectly involved. We replaced the management team responsible for the losses, we invoked comprehensive clawbacks of previously granted awards and/or repayment of previously vested awards for those with primary responsibility (more than \$100 million was recaptured), we reduced or eliminated compensation for a group of employees, and your Chief Executive Officer and Chief Financial Officer saw their compensation reduced by the Board as a result of this embarrassing episode.

Never lose sight of the main mission: serving clients

When I realized the severity of the problem, I was completely aware that in addition to the financial loss, the regulatory, media and political pressures would be extreme – on me personally, on the senior management team and on the entire company. Much of this was deserved (and, believe me, we were our own toughest critic). I knew we would solve the CIO problem, but I worried that it would have an impact on our employees throughout the firm, their morale and their ability to stay focused on serving our clients. It would have been a terrible shame if the CIO problem was allowed to damage the rest of the company and detract from all the good things we do. Fortunately, that didn't happen. Our people, to their great credit, continued to do their jobs, serving our clients and keeping the company on track – while those charged with fixing the CIO problem mitigated the impact and managed the exposure down.

When the going got tough, we learned what the people of JPMorgan Chase are made of – and they made us proud

In this time of need, hundreds of our senior employees volunteered to step in and help. They worked around the clock, seven days a week, for many months to try to fix this problem and limit the damage. We can't thank them enough. A company built on individuals like that is built to last.

We will be a port of safety in the next storm

We are fully committed to strengthening our company by working with our regulators and being in full compliance with the spirit and letter of the law. Eventually, when this effort is done, it will make us an even stronger company. We want the public, our regulators and our shareholders to have confidence that we are ***the safest and soundest bank on the planet.***

When the people of JPMorgan Chase put their collective minds and muscle behind something, what we're capable of accomplishing is extraordinary. This is the company that was able to buy Bear Stearns and Washington Mutual and assimilate them – an enormously complex job of managing risk, systems and people – in less than a year.

JPMorgan Chase was a port of safety in the last storm – a source of strength, not weakness, for the global economy. We tried to do things to help – and sometimes took bold actions to do it. In prior Annual Reports, we told you we cannot promise you results but that we do promise you, among other things, consistent effort and integrity. In that spirit – I make this promise: ***We will be a port of safety in the next storm.***

II. A FRANK ASSESSMENT OF WHERE OUR COUNTRY AND THE WORLD ARE TODAY – THE OPPORTUNITIES AND CHALLENGES

The five years since the financial crisis began have been a time of turmoil and rapid change for countries, companies, individuals and your company. Your company survived, and even thrived, as we served our clients. But global economies still are not strong, large regulatory changes are looming and banks have been subjected to extreme criticism. Here is an honest assessment of where we are, both good and bad, and how your company is working to be successful in the future.

The needs of the global economy are large and still growing

All the issues since the financial crisis will not stem the growing needs of countries, companies and individuals over time. That growth will be in global multinationals, in large infrastructure projects and in global cross-border capital flows – all increasingly in the emerging markets. Consider the following:

- World gross domestic product (GDP) is projected to grow an average of 5% per year through 2017, from \$71 trillion in 2012 to \$93 trillion in 2017.
- Keeping pace with global GDP growth will require an estimated \$57 trillion in infrastructure investment between now and 2030 – this is 60% more than the \$36 trillion spent over the past 18 years.
- Emerging economies are likely to account for 40% to 50% of this infrastructure spending.
- The growth in the value of the world's exports – an average rate of 11% per year between 2001 and 2011, from \$7.7 trillion to \$22.4 trillion – will continue, if not accelerate.

- Global cross-border capital flows have grown by over four times in the last two decades, from \$1 trillion in 1992 to \$5 trillion in 2012. While these flows have slowed down recently, they, more likely than not, will continue to increase in the future.
- Foreign direct investment grew as a share of total global capital flows over the last five years, from 22% in 2007 to 38% in 2012. This trend is likely to continue as well.
- In 1990, only 19 of the world's top 500 multinationals were from developing countries, and by 2012, that number had increased to more than 125. Also, by 2012, 32% of global capital flows – vs. 5% in 2000 – went to emerging economies. Among emerging economies, China and India will account for the greatest number of new multinationals over the next 15 years.
- A majority of the world's population now lives in urban areas for the first time in history, and by 2050, that number is expected to grow to 70%. This mass urbanization will create cities on a scale beyond what most of the world has seen. Providing the infrastructure and clean water, schooling, healthcare and social safety nets (to name just a few) to anticipate, accommodate and sustain this growth will be hugely challenging.
- Total global financial assets of consumers and businesses were \$219 trillion in 2011 and are projected to grow at a compound annual growth rate of 6% through 2020 to roughly \$370 trillion.

Banks – large global banks with broad capabilities designed to serve the needs of global clients in particular – will be essential to meeting these large, growing and complex needs.

We must be vigilant – we operate in a challenging and complex part of the global economy

Today, our firm serves clients in more than 100 markets around the world. To support those clients, we move up to \$10 trillion a day and lend or raise capital of nearly \$500 billion a quarter. The markets we operate in cover 5.6 billion people who speak over 100 languages and use close to 50 currencies. Our firm provides support to these clients 24 hours a day, 365 days a year – across all time zones.

The speed of markets and the constant application of new technology are increasing exponentially. While this has provided some positive outcomes, including lower costs and greater ease of use, it also creates additional risks and problems – from cybersecurity to “flash crashes.”

History reminds us that there always have been, and always will be, so-called “black swans.” Some are out in the open – like the turmoil in the Middle East, the Eurozone crisis and the potential for nuclear proliferation in unstable parts of the world. Others – ranging from natural disasters to man-made events – will surprise us, and we must be prepared for those as well. These black swans occur throughout history, from the recent unexpected change in government in Egypt and other spots in the Middle East back to 1914, when the world slipped into World War I due to the domino effect of multiple defense treaties.

Keeping in mind the changing geopolitical and economic events that can render any static analysis irrelevant, I do want to share some thoughts about the situations in Europe and the United States.

Europe is making progress, but it remains a serious issue

Europe has made progress in solving its issues. Italy and Spain have moved forward with their austerity programs, the European Central Bank has made powerful commitments to maintain sovereign debt and bank liquidity, and the Eurozone has taken meaningful steps to advance its banking union. The key European leaders appear devoted to doing whatever they need to do in order to save the Eurozone and the euro.

However, it still is going to be a very complex and prolonged challenge. There will be many months when things seem safe and sound, but we should not be lulled into a false sense of safety. At a minimum, this serenity will be disturbed by elections, disputes, policy shifts and unforecasted events as these 17 nations try to resolve some very complicated issues over several years. It will be a long and winding road.

We all are rooting for them to succeed and are actively trying to help. But we also need to be prepared for potential bad outcomes while continuing to support our clients and the governments and people of Europe.

The U.S. economic situation is getting better

The current economy in the U.S. is fairly healthy. Companies, both large and small, are in increasingly better shape – margins are high, and leverage is low. The banking system has largely recovered, and the capital markets, for the most part, are wide open. Nearly 5 million more people are employed today than four years ago, and the population is still growing by 3 million people a year. Consumers’ debt service ratio; i.e., the amount of income needed to service their debt, which peaked at 14.09% in 2007, now is down to 10.30% – back to its *lowest* level since 1980, when the ratio first was calculated. Housing has turned the corner, and we have been blessed with new discoveries in oil and gas.

Good public policy could create even stronger growth – uncertainty has become the norm. Political gridlock and the inability to craft and pass even a “baby bargain” (although we all would have preferred a “grand bargain”) have left the future fiscal situation untenable and future tax policies unclear. Then you add in a debt ceiling crisis and fiscal cliff scenario – you get my point. Confidence, which usually is the secret sauce for the economy, for both individuals and companies, gets eroded. All this is impeding our ability to grow as fast as we could and should.

The solutions actually are well-known. What we need is good old-fashioned collaboration and compromise. Growth will lead to more jobs and, we hope, more prosperity for all.

The United States still is in an extraordinarily good position

If you look past the immediate economic situation and the recent financial crisis and take stock of the overall picture, the United States is in a great position. Let's look at our outstanding strengths:

- The United States has the world's strongest military, and this will be the case for decades. We also are fortunate to be at peace with our neighbors and to have the protection of two great oceans.
- The U.S. has among the world's best universities and hospitals.
- The U.S. has a reliable rule of law and low corruption.
- The people of the United States have a great work ethic and "can do" attitude.
- Americans are among the most entrepreneurial and innovative people in the world – from those who work on the factory floors to the geniuses like Steve Jobs. Improving "things" and increasing productivity is an American pastime. And America still fosters an entrepreneurial culture where risk taking is allowed – accepting that it can result in success or failure.
- The United States is home to many of the best businesses on the planet – from small and middle sized to large global multinationals.
- The United States also has the widest, deepest, most transparent and best financial markets in the world. And I'm not talking about just Wall Street and banks – I include the whole mosaic: venture capital, private equity, asset managers, individual and corporate investors, and the public and private capital markets. Our financial markets have been an essential part of the great American business machine.

All Americans today benefit from what our forefathers struggled to build – from democracy itself to what is still the best economy in the world. We benefit from the hundreds of trillions of dollars that have been invested over the centuries in research and development, in public infrastructure and in our companies. When my grandfather was born in 1897, there was nothing that resembled the healthcare and technology of today – there were no cars, planes, phones, TVs or computers. Technology and exponentially growing human knowledge are like the energy of "dark matter" – it is everywhere – and it will drive productivity and growth for decades. I have little doubt that a hundred years from now, there will be new technologies that, today, we never could have imagined.

While the wounds of the financial crisis still are healing and too many Americans still are struggling, the country actually may be in *a better position today than it has ever been in*. In fact, Americans born today hold a far better hand than Americans who were born 50 or 100 years ago – we all clearly stand on the shoulders of all those who came before us.

America, however, does not have a divine right to success

Great potential and past glory do not guarantee future success. This is true for companies, and it is true for countries. America does not have a divine right to success – we have some serious issues to address. Our immigration policy is flawed. We have yet to find a way for law-abiding but undocumented immigrants to stay in this country. And it is alarming that approximately 40% of those who receive advanced degrees in science, technology, engineering and math at American universities are foreign nationals with no legal way of staying here even when many of them would choose to do so.

We need five- to 20-year intelligent infrastructure plans (electrical grids, roads, tunnels, bridges, airports, etc.) for our cities, states and federal government. We also need better opportunities for all our citizens, and that can't happen when 50% of our high school students in the inner cities fail to graduate. And without rational, long-term fiscal policy, including cost-effective reform

of our entitlement programs – it will not be possible to establish a proper safety net and to create the incentive for consumers to responsibly take care of their health. It also is time to reform both the individual and corporate tax codes, which are confusing, inefficient and costly. Our corporate tax policies are, at the margin, driving capital overseas, just as, at the margin, our immigration policies are driving brainpower back overseas. The good news is that all these problems are known, and they are solvable. Fixing these issues would greatly increase American prosperity for decades. I also suspect it would improve income equality, a cherished American ideal.

While the U.S. political system appears to be in deep gridlock today, it always has been able to find its way forward. America has exhibited extraordinary resiliency through its darkest moments – and I wouldn't bet against her today. The future is extremely bright, but we are still going to have to *earn it*.

Expansionary global fiscal and monetary policies may create additional potential risky outcomes

Governments around the world, partially but not entirely due to the crisis, generally have been spending more money than they take in. And central banks, mostly as a reaction to the global financial crisis, essentially have been

CYBERSECURITY BECOMES AN ISSUE OF GLOBAL IMPORTANCE AND IS CRITICAL TO OUR COMPANY

Cybersecurity is a critical priority for the entire company, from the CEO on down. Cybersecurity is increasingly becoming more complex and more dangerous. Originally, fairly simplistic computer hackers, often taking over other people's personal computers, would do things like "phish" for personal information, hoping to steal some money or simply try to wreak havoc by slowing down the ability of consumers to get into our sites (these generally are called denial of service attacks).

The new efforts often are state sanctioned and coordinated, using hundreds of programmers and frequently taking over servers and other powerful computers to orchestrate their attacks. The new attacks are more complex, more sophisticated and faster, operating at speeds and volumes thousands of times greater than a few years ago. These attacks are meant to disrupt service to hurt the American economy, steal money or rob intellectual property.

Serving our clients and keeping their information safe is our key priority – we will stand behind our clients, and they will not be responsible for any losses from this malicious activity. We are actively engaged and will devote any and all resources to protect ourselves, our clients and our country – but we must confess that this issue worries us. Each year, JPMorgan Chase spends approximately \$200 million to protect ourselves from cyberwarfare and to make sure our data are safe and secure. This number will grow dramatically over the next three years. More than 600 employees across the firm are dedicated to the task. And this number likely will grow as well.

In addition to protecting our perimeter (people trying to get into our systems from the outside), we are beefing up our processes to monitor and detect internal threats. We increasingly limit access to high-risk systems and monitor activities that could indicate problems. We also are increasingly monitoring related third-party systems (e.g., exchanges, etc.) to make sure their protections are adequate.

Managing cybersecurity threats requires collective action. Hackers always will seek the weakest links in the network chain. So in addition to making sure there are no weak links within the JPMorgan Chase systems, you can rest assured that we are working closely with the appropriate government agencies and with other businesses to continue to enhance our defenses and improve our resiliency to the cybersecurity threats facing many industries. I recently met with President Obama and a small group of CEOs from various companies to discuss the issue of cybersecurity. The government is in the best position to see all the attacks on businesses – not just the ones we see – and to continue to help businesses adjust defenses and enhance their cybersecurity.

creating money (called Quantitative Easing) to keep rates low and foster a stronger recovery. For the most part, these policies have helped the world economy recover – particularly in the United States. But this medicine is untested, and it may have severe aftereffects. This especially is true if fiscal policy makes it increasingly harder for central banks to slowly remove some of the monetary stimulus. Good fiscal policy and any policies that create growth will make the central banks' job easier. Higher interest rates and a little bit of inflation won't matter much if we have strong job growth, good profitability and general prosperity.

We don't know the outcome of all these efforts. While it is entirely possible that we will manage through the process without too much suffering, there also are some fairly coherent arguments that suggest there could be significant negative consequences. We cannot ignore this possibility and must safeguard against unintended and adverse outcomes. One such scenario would be rapidly raising rates without strong growth. In the recent past, in 1994 and 2004, interest rates, both short term and long term, rose about 300 basis points within approximately a one-year period. In 1994, such action was unexpected, and it caused real damage for many who were unprepared (i.e., the failure of Orange County and significant financial losses at several financial and non-financial institutions). In 2004, the increase in rates was more expected – institutions probably had additional tools at their disposal to manage it, and the damage was far more limited.

Although we are not predicting it, we need to be prepared for rapidly rising rates, potentially even worse than we have seen in recent history. One of the ways we do this is to position our company – if all things are equal – so we can benefit from rapidly rising interest rates. As we currently are positioned, if rates went up 300 basis points, our pre-tax profits would increase by approximately \$5 billion over a one-year period. Remember, however, that all things are not equal, and that \$5 billion of improved income should be looked

at as an additional cushion to protect us from other bad outcomes. You should know that it costs us a significant amount of current income to be positioned this way. But we believe it is better to be safe than sorry.

The needs of our clients are substantial and growing

In the years to come, the needs of our clients and customers will not only grow but will become more global and complex. This includes companies' needs for financing – loans, equity, debt and trade – and strategic advice; investors' needs for execution, research and best prices; and individuals' needs for asset management, mortgages, credit and financial advice. Lots of things **will** change – products, pricing, new technologies – but the needs of our clients for our services and advice will be as strong as ever. Our bank is uniquely positioned to help clients benefit from those opportunities and overcome those challenges. The following examples highlight just how large those needs will be:

- Our issuer and investor clients will have large and growing capital and investing needs in the future. McKinsey estimates that corporate equity and debt issuer demand could grow 25%-30% over the next five years, while global investor client demand could grow 20%-25% by 2017. These needs will drive real underlying growth of the corporate and investment banking business. JPMorgan Chase is in the **sweet spot** because much of the growth will be with our clients – large, often multinational companies, government-related entities and large global investors. Our role as an underwriter of securities, as a provider of payment services and as a market maker places us right in the center of key money flows.
- Opportunities for businesses to grow globally never have been greater. More and more companies of all sizes are conducting business cross border. Even in our U.S. Middle Market business, international expertise is becoming an essential service. All these companies need the right partner – and one with global capabilities and perspective – as they enter unfamiliar territory.

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- At the same time, Chinese companies are looking for opportunities in the United States; Brazilian companies are looking at India; Indian companies are looking at Europe; European companies are looking at Africa; and so on. Our global network serves all their needs – inbound, outbound and locally.
 - Outstanding loan balances for small and mid-sized enterprises are projected to grow at 6% a year through 2020, from \$2.2 trillion in 2012 to \$3.5 trillion in 2020. At JPMorgan Chase, loans to middle market companies have grown from \$34.2 billion in 2009 to \$50.7 billion in 2012 – a compound annual growth rate of 14%.
 - Investable assets for high-net-worth individuals globally rose from \$33 trillion in 2008 to \$42 trillion in 2011 – up nearly 9% on a compound annual growth rate. These assets are projected to grow at an average annual growth rate of about 6% through 2020. We serve this market and, over the past few years, have increased our market share by 13%.
 - U.S. consumer financial assets have grown an average of 6% per year over the last decade, from \$27 trillion in 2002 to \$50 trillion in 2012. McKinsey estimates U.S. consumer financial assets will continue to grow at a similar rate through 2020.
 - The ways in which U.S. companies and individual consumers use financial services – beyond traditional products – also are increasing. Examples include depositing a check by taking its picture, moving funds around the world with the push of a button, banking via the smartphone and utilizing person-to-person payment tools.

While the global environment is challenging and complicated, we are fairly confident that the number of clients who need our services, and the services they need, will continue to grow over time.

III. JPMORGAN CHASE FACES THE FUTURE WITH A STRONG HAND

While we do operate in a tough world with huge, growing competitors and rapidly changing regulations and technologies, we enter the arena with a strong hand, built up over hundreds of years. One could not easily replicate the extraordinary reach and capabilities of JPMorgan Chase.

We have extraordinary relationships developed over decades

JPMorgan Chase does business with 5,000 issuer and 16,000 investor client accounts around the world. More than 50 million consumer households rely on Chase for their banking needs as do 2.2 million middle market and small businesses in the United States. They trust us, they are happy to see us, and they value our ideas and assistance. That's why they do a lot of business with us. The average corporate client uses four of our products and services, the average consumer uses eight of our products and services, and the average middle market company uses nine. These numbers have been growing over time, and we expect the trend to continue as our product set expands, our network extends, and the ease and cost of doing business with us improves over time.

Each of our businesses is among the best in its field – and each gains strength from being part of the whole

Every single one of our businesses is growing, is strongly profitable and is a formidable competitor. Each is a leader in its respective field. Our individual businesses also get competitive advantages from being a part of the whole – each business is able to offer more products, at a lower cost, to more clients. The evidence is in the cross selling that takes place across the company – we estimate that approximately \$14 billion of revenue comes from cross selling and synergies across the businesses. Presumably, customers buy additional products from us because they choose to do so, finding it easier and less costly. We are able to deliver that

value at lower costs due to our purchasing power and the highly efficient use of global data networks, data centers and other operating systems. We estimate that this represents a \$3 billion cost efficiency benefit. All our businesses also benefit from our wonderful brand.

There are reasons that our businesses are grouped together, and the proof is in the results. We believe one of the reasons we have strong financial performance is that we can use these cross-selling and efficiency benefits to give the customer more while also earning a reasonable return for our shareholders. If those reasons ever cease to exist – as evidenced by our customers choosing alternative products and services – we obviously would make appropriate adjustments to our business strategies.

At our recent Investor Day on February 26, 2013, we made extensive presentations about each of our businesses and discussed where we think our competitive advantages lie. These presentations are found on our website and at the following link: investor.shareholder.com/jpmorganchase/presentations.cfm.

We have maintained a fortress balance sheet – and we generate plenty of capital to invest

JPMorgan Chase ended the year with a Basel I Tier 1 common ratio of 11.0% compared with 10.1% at year-end 2011. The company estimated that its Basel III Tier 1 common ratio was approximately 8.7% at year-end 2012.

A fortress balance sheet to us is strong capital, liquidity and margins. We also believe in conservative accounting, rapid recognition of problems and strong risk management, including quality clients and good underwriting, among other criteria. Policies and principles like these protect the company in all types of weather.

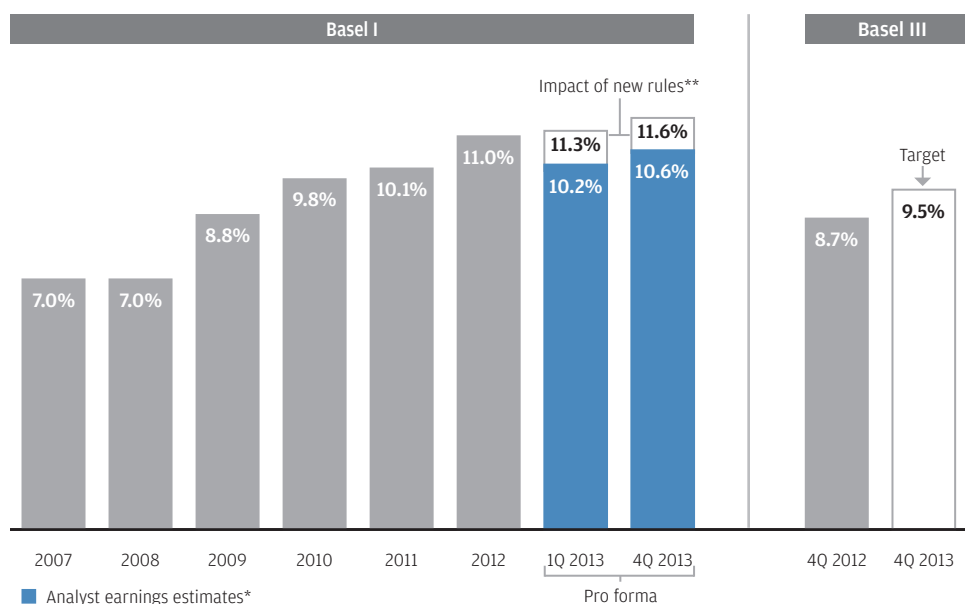
Our fortress balance sheet, including our strong return on capital, provides us with excess capital to invest, and we always are thinking way ahead about the best ways to deploy it. As we have said in the past, after steadily increasing dividends, our favorite deployment is in growing our businesses. After investing in the growth of our businesses, we look at other ways to use the remaining excess capital. One use we consider is buying back stock – but only at a price we think is good for shareholders.

In March, we passed the Federal Reserve Board's Comprehensive Capital Analysis and Review (CCAR) stress test, which allows the firm to increase the dividend (the Board of Directors intends to increase the dividend to \$0.38 per share effective in the second quarter of 2013 – where it was before the crisis) and to repurchase an additional \$6 billion of common equity. The equity buyback plan is less than half of what it was last year because we would like to get to our target Basel III Tier 1 common ratio of 9.5% by the end of 2013.

We are strong believers in proper stress testing – we do hundreds of stress tests each week, primarily on our market-sensitive positions and on multiple different scenarios as well. And while we passed the Federal Reserve Board's CCAR stress test (the Federal Reserve Board did not object to our proposed capital distribution plan), we were asked to submit an additional capital plan by the end of the third quarter addressing the weaknesses identified in our capital planning process. Following its review, the Federal Reserve Board may require us to modify our capital distributions. We are dramatically increasing the resources deployed and hope to successfully address all the weaknesses identified. As in everything else, we will strive to be best in class in the CCAR stress test.

In recent years, the company has been able to grow its business, increase its dividend, buy back stock *and* materially increase its capital ratios (which, as you can see in the chart below, are much stronger – particularly if they are applied on a consistent basis).

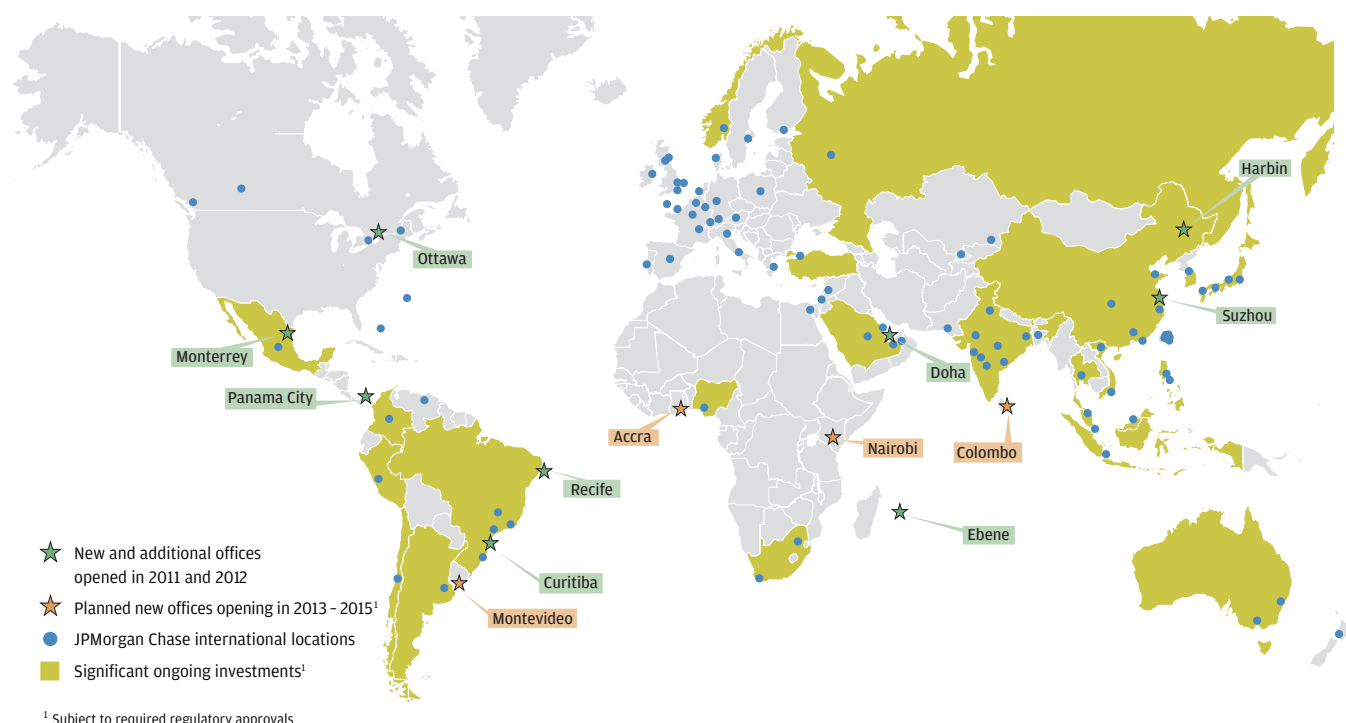
JPMorgan Chase Capital Levels



* Assumes analyst estimates for net income, dividends and share repurchases

** New market risk rules (Basel 2.5) came into effect 1/1/13

We Are Expanding Our Global Platform



The investments we've made in the past few years have and will continue to drive results

The most important thing we can do with our capital is to invest in ways to grow our company, building great, long-term profitable businesses. We work hard to use our capital wisely. We generate enough capital to be able to invest at scale and on a continual basis.

For example, in the last five years, we have built more than 800 new Chase branches, and since 2011, we added 1,200 Chase Private Client locations. We also have added about 770 small business bankers and hired approximately 500 Private Bank client advisors and approximately 300 Investment Management salespeople and investors since the beginning of 2010. And we have hired approximately 400 people in the Global Corporate Bank, which includes about 185 bankers, since the end of 2009.

We continue to grow internationally. In 2012, we opened a new wholesale branch in Russia and our seventh branch in China – bringing our total to 102 wholesale branch and office locations worldwide (non-U.S.) (see map).

We continually roll out new products. For example, this past year, in Consumer & Community Banking, we launched Chase LiquidSM, a great new prepaid product with no hidden fees; one low, flat cost; and unmatched flexibility in giving consumers cost-free access to Chase ATMs and branches, direct deposit and other services traditionally associated with regular bank accounts. We also continue to increase the customers using our new credit card products, including Chase SapphireSM and Chase FreedomSM for consumers and InkSM for small businesses. In Asset Management, we consistently introduce investment products. And in our Corporate & Investment Bank, we finished building Access, a sophisticated new global cash management product for sophisticated corporations.

These investments enable us to extend the benefits of the products and services we provide and to attract new clients and revenue at a fraction of the fixed and overhead costs. And they create a “network effect,” which enables us to serve clients in multiple locations. These investments should drive results for years.

We are efficient and already have a good return on tangible equity

Even after our investments in the future, we delivered a healthy 15% return on tangible common equity. We already have a fairly efficient cost structure – each business is competitive in its field. And we try to maintain good expense discipline; i.e., eliminating bad expenses (that are not productive) but keeping good expenses (e.g., training, new systems, etc.). Just because we don’t announce new major expense reduction initiatives with fancy names does not mean we are not watching expenses like a hawk. We are continuously driving costs down.

We have extraordinary capabilities – technological, risk and credit, and deep knowledge, among others

We have 20,000 programmers, application developers and information technology employees who tirelessly keep our 31 data centers, 56,000 servers, 22,000 databases, 325,000 physical desktops, virtual desktops and laptops, and global networks up and running. We spend over \$8 billion on systems and technology every year.

Additionally, we have nearly 6,500 professionals on approximately 120 trading desks in 25 trading centers around the world; these professionals include more than 800 research analysts who educate investors on over 4,000 companies and provide insight on 40 developed and emerging markets. These professionals provide our investor clients with research expertise, advice and execution capabilities to help them buy and sell securities and other financial instruments. We also rely on approximately 4,000 risk and credit officers to manage our various exposures, including the \$3.4 billion of new lending we extend on average every day and the \$1 trillion we trade and settle every day.

We have deep knowledge about global markets, countries, economies and policies. We know a tremendous amount about our clients and their needs, and you’ll be hearing more in future years as we increasingly use Big Data to manage risk, offer our clients more targeted products and services, and give them additional information to make thoughtful decisions.

We have strong and capable global management

The individuals who manage our global businesses are exceptional. Our senior leadership team – more than 300 strong – is experienced, knowledgeable and capable. These individuals have significant tenure at the company, are based around the world and are globally savvy. And (we are working to increase these statistics) 25% are women, and about 20% are ethnically diverse. These managers are thoughtful and mature, and they focus on getting things done and done right. They work together and share the decision-making process, tapping the group’s collective wisdom to deal with issues. It’s wonderful to watch. It is as good a team of senior leaders as I’ve ever had the privilege to work with.

I truly believe you are an owner of one exceptional company.

IV. WE ARE USING OUR UNIQUE CAPABILITIES TO DO EVEN MORE FOR OUR CLIENTS AND COMMUNITIES

Our global presence and scale enable us to understand what is happening in the world and to use that knowledge and our capabilities to support our clients and communities.

We never will lose focus on the reason we are here: to serve our clients

We at JPMorgan Chase – from your CEO to each and every individual around the world – never will forget that we are here only because we have clients to serve. All our resources, both directly and indirectly, are brought to bear to help our clients achieve their objectives. We want our clients to get the full benefit of our capabilities. When we do that, the outcome benefits our clients, as well as our company. And that contributes to the broad-based, global economic growth that is needed to address the biggest challenges the world faces. This is how JPMorgan Chase does our part – person by person and community by community.

Periodically, all businesses need to reorganize to set themselves up for continued success. As the global environment rapidly changes, we also must evolve and position ourselves to best serve our clients and benefit from emerging trends and opportunities for growth. We always want to see the world from the point of view of the client – that is generally the best way to look at any business.

We reorganized our global wholesale business around our clients to better serve them

Our Investment Bank and Treasury & Securities Services and Global Corporate Bank businesses serve many of the same corporate and investor clients, and we believe our decision to combine these units creates the strongest and most complete institutional client franchise in the industry. The scope includes more than 50,000 employees serving approximately 7,600 clients in over 100 markets globally. Approximately 80% of Fortune 500 companies are our clients.

Our new global coverage teams are more coordinated and comprehensive in how they serve the client. A shared balance sheet can deliver credit to clients where, when and how they want it. The combination also enables our business to manage risk, capital, credit and liquidity on a client-by-client basis, which is a *necessity* in the new regulatory environment.

The scale with which we operate – arranging \$450 billion of syndicated loans for clients, processing up to \$10 trillion a day in transactions around the world, etc. – cannot be met by most banks. Even many of our U.S.-based middle market companies use our services internationally to grow their businesses. In fact, 58% of our middle market clients are active in global markets today, and 26% have operations in foreign countries. These numbers are substantially higher than a decade ago. Governments and government entities deposit huge sums of money with us – again, this cannot be handled by small banks. And our size enables us to invest in new products and services, as well as in infrastructure and technology. It also gives us the resources to accommodate all the new regulatory demands, including new clearing-houses and new reporting requirements.

Ultimately, we expect this new organization to make it easier for clients to do business with us, to increase the revenue and cross selling that we do with each client while reducing the cost of serving each client.

J.P. Morgan brings its breadth to help major clients

Time and again, J.P. Morgan has shown the ability to deliver its scale and broad cross-market capabilities to support clients in carrying out their strategic growth plans. In February 2013, J.P. Morgan advised 3G Capital and Berkshire Hathaway on their acquisition of the iconic H.J. Heinz Company

for \$28 billion. J.P. Morgan was the first call 3G and Berkshire made to secure the necessary financing, knowing we had the wherewithal to quickly commit to a \$12 billion debt transaction. A few months earlier, J.P. Morgan stepped up for Freeport-McMoRan Copper & Gold Inc. As the sole underwriter of a \$9.5 billion financing, Freeport-McMoRan was able to launch its proposed acquisition of Plains Exploration & Production Company and of McMoRan Exploration Co., two complementary transactions totaling \$20 billion. The acquisitions add oil and gas businesses to Freeport-McMoRan's global mining portfolio.

We enable major companies to accomplish their strategic objectives. Not many banks can undertake these types of large and complex transactions.

We invest for the long run, and we manage risk accordingly

JPMorgan Chase plays the long game, and we are not a fair weather friend. Clients, communities and countries want to know that we are going to be there *particularly* when times are tough. It is easy for critics to blame a bank for taking certain risks *after*

the results are known. It is much harder to make those decisions before the outcomes are revealed.

In the height of the financial crisis in 2008, we completed several major syndicated leveraged finance loans, and, in one critical instance, we bought the entire \$1.4 billion bond issue from the state of Illinois when no one else would bid for it, giving Illinois the financing for payroll and other important needs. We also committed \$4 billion to California and \$2 billion to New Jersey when others were not able to do so.

Europe is another example of where we apply this philosophy. When Greece, Ireland, Italy, Portugal and Spain got into trouble, we made the decision to stay the course. We have described to our shareholders that under terrible scenarios, we could lose \$5 billion or more. But we have been doing business with those clients and in those countries, in some cases, for more than a hundred years. We need to help them in their time of trouble – and we can. We hope to be doing business in those countries for decades to come.

JPMORGAN CHASE IS THE LARGEST BANK TO SMALL AND REGIONAL BANKS IN AMERICA

In the ongoing national dialogue about banks, some have tried to pit large global banks such as JPMorgan Chase against community and regional banks – as if the success of one comes at the expense of the other. That simply is false. There is both room for and need for large global banks, as well as smaller banks. Just as we have some unique capabilities – so do they. They are deeply embedded in their communities and are knowledgeable about their local consumers and small businesses.

We are proud to be the largest banker in America to community and regional banks. We help them raise equity in the capital markets, advise on merger and acquisition deals, and provide credit and cash management services to more than 800 bank clients. Since the start of the financial crisis in September 2008 through the end of 2012, we have raised \$22.8 billion in equity, \$43.6 billion in debt and advised on \$37.2 billion in merger and acquisition deals for community and regional banks. And when smaller banks couldn't get funding during the financial crisis so they could lend to their clients, we were there for them – perhaps more than any other bank.

We combined all our consumer businesses into one unit to better serve our consumers

In 2012, we continued the work of unifying the Chase businesses into one franchise by creating Consumer & Community Banking. We did this so we could be organized around the customer. Historically, much of our company was built around products: the mortgage company did mortgages, the credit card company did credit cards, and the bank branches did checking and savings accounts. Instead, we re-imagined our consumer bank from the ground up and reorganized it – not by product but around the customer so we could better select for every person the best of what Chase provides to meet customer needs.

Creating the single unit ultimately will mean that when dealing with Chase, customers will get a consistent and seamless experience, whether they are taking out a credit card, applying for a mortgage or managing a checking account. This will allow us to do a better job of serving our customers at a lower cost. In the end, customers will get more for less – and save themselves some time in the process.

It also allows us to deliver industry-leading innovations. For example, we were among the first to roll out a full range of mobile solutions across different products. This past year, the number of customers using mobile banking jumped 51% to exceed 12 million users – and we're growing at a rate of nearly 350,000 new users each month. We transacted over \$18 billion in mobile payments. Chase.com is the most visited bank portal in America, and more than 17 million customers paid their bills with us online.

Our bank branch model is evolving beyond just a place where customers conduct routine business to a place where customers get advice, new products and direct service. Currently, about 50% of our Chase-branded credit cards and 50% of our retail mortgages are sold in Chase branches. And today, our consumer banking households use, on average, eight Chase products and services.

The results of these efforts have made Chase one of the leading consumer banks in the country. Our customer satisfaction scores never have been higher. We serve over 50 million households, and we are there for them at every stage of life – from their first checking account and first credit card to their long-term investment and retirement needs.

We are making similar efforts serving our small business customers. Consumer & Community Banking is the nation's #1 Small Business Administration lender (based on number of loans) for the third year in a row. And we are one of the largest banks to small businesses in America – we have 2 million small business customers.

One exciting new service – called Chase Merchant Services – will enable us, working with Visa, to tailor customized deals with merchants to help them grow their businesses. This will allow merchants to get more from our products and services, including targeted marketing to our customers. If we do this type of partnership properly, we believe both merchants and our customers will be happier.

Our economies of scale, level of convenience and breadth of activities allow us to be there for our communities in meaningful ways

The same attributes that drive the success of our business also allow our bank to help tackle some of the world's toughest issues.

During Superstorm Sandy, the spirit of our people, combined with the depth of our balance sheet, made a real difference to the affected communities

Perhaps the most dramatic example of your bank in action is our response to disaster. In the face of Superstorm Sandy, our firm responded magnificently. Even though our own employees were in the storm's path, they rallied and did amazing things. We dispensed more than \$1 billion in cash through branches and ATMs to the affected areas at a time when power was down and many people couldn't get access to their money. We even sent mobile branches to the Rockaways and deeply damaged parts of Brooklyn, Staten Island and New Jersey. We drove portable ATMs to storm-ravaged

areas, and we also reconfigured the ATMs so customers could donate to relief efforts. We made \$5 billion in incremental capital available to impacted small and medium-sized businesses. We allowed mortgage holders and credit card holders to delay payments without penalty.

In partnership with the 12.12.12 Concert for Sandy Relief, we helped raise millions, and we directly donated \$10 million to charities and individuals in need. And we guaranteed “certainty of execution” pricing on a \$2.6 billion bond issue for the state of New Jersey to ensure that it had access to desperately needed funds.

JPMorgan Chase provides huge capital and knowledge to global cities

The future of humanity is a tale of cities. That is where the majority of the world’s population now lives and the source from which almost all economic growth will come.

That is why JPMorgan Chase continues to focus on ways to help metropolitan communities operate and grow. We offer cities and states our best advice and considerable financial support. Last year, the firm provided more than \$85 billion in capital or credit to nearly 1,500 government entities, including states, municipalities, hospitals, universities and nonprofits.

This past year, we also partnered with The Brookings Institution to launch the Global Cities Initiative. We made a \$10 million financial commitment and leveraged it by tapping our network of relationships around the world to convene an extraordinary series of events in cities from Los Angeles to São Paulo. These sessions bring together policymakers, business leaders

and non-governmental organizations to share best practices and develop strategies for improved competitiveness. As a result of these meetings, participants are developing locally driven, actionable strategies to strengthen their respective region’s trade and investment practices. More such events are planned for 2013 – both in the U.S. and around the world.

JPMorgan Chase also is using its capabilities in conjunction with philanthropy to help alleviate poverty

JPMorgan Chase contributes approximately \$200 million a year – much of it to help the poor and disadvantaged – and our people dedicated over 465,000 hours of volunteer service in local communities around the globe. In addition, we use our knowledge and financing capabilities to develop new and innovative ways to attack problems. For example, JPMorgan Chase continued to invest millions of dollars through our social finance business to address the needs of vulnerable populations worldwide. As of the end of 2012, our impact investments have *improved the livelihoods of 14 million people*, including, for example, affordable housing for 10,000 poor living in Mexico. In another example, through our investment in AllLife, the only dedicated insurance company in the world to provide coverage for people living with HIV, tens of thousands of lives in South Africa have been made more stable and financially secure.

V. OUR PEOPLE ARE OUR FUTURE – HOW WE ARE DEVELOPING AND RETAINING OUR LEADERS

To be a great company, we need to institutionalize and perpetuate a great culture and excellent leaders. To do this, we must do many things well, including the training, the retention of talent and the creation of a company that is continually learning. One also must have a culture of character and integrity. This comes from fostering an open environment, where people speak their minds freely, to treating people with respect – at all levels, from the CEO to clerks in the mailroom – to setting the highest standards combined with recognizing and admitting mistakes.

We continually train our next-generation management

At JPMorgan Chase, we hire thousands of employees each year across all our global businesses, and we train them to understand our products, services and customers and to know how to do their jobs well. For example, last year, our Corporate & Investment Bank programs alone hired and trained more than 1,000 full-time analysts and associates and nearly 1,700 summer analysts and associates. This training program has long been considered one of the best in the world, and we continue to receive industry awards and top honors for formal training and as the best investment bank for which to work. Similar training programs hire and develop more than 400 analysts, associates and summer interns in Asset Management and over 1,000 full-time analysts in our Corporate Development Program within Technology, Operations, Finance and Human Resources. We recently developed an enterprise-wide general management program with global rotations across our wholesale, consumer and corporate functions.

Most employees receive ongoing training and development to ensure they are fully prepared to manage complex jobs, systems and client relationships. Some others are prepared to take on management roles and leadership responsibilities. Four years ago, we relaunched an executive leadership program, called Leaders Morgan Chase (which was started by my predecessor Bill Harrison), for our senior leaders who have been identified to take on even bigger management roles in the future. We have held 10 sessions to date for about 250 participants – and roughly 50% already have moved on to new challenging roles.

We work hard to reassign our employees when changes require cutbacks

Businesses must continuously adjust to changing conditions – sometimes volume related and sometimes related to technology and productivity enhancements. Unfortunately, that may mean job reductions. At JPMorgan Chase, we developed a new firm-wide program, called Talent Reassignment, where we work earnestly and extensively to find employees new job opportunities inside our company and minimize the number of employee layoffs. In 2012, we placed more than 4,000 employees in new roles at the firm through this program. It has successfully retained strong talent and saved \$80 million in severance costs. It is the right thing to do, it shows a huge commitment to our employees, and it's great for morale throughout the firm because it shows we treat our people with respect and humanity.

We love hiring veterans – and we’ve gotten good at it

There is no group that we hold in higher regard than the service members and veterans in our country – we can’t thank them enough for their service. The 100,000 Jobs Mission, which our firm helped launch in early 2011, includes 91 companies that collectively hired 51,835 returning service members by the end of 2012. That means we are more than halfway to the goal in just over one year – and we have no intention of stopping even after we hit the 100,000 job target.

At JPMorgan Chase, we have hired close to 5,000 former members of the armed services in all areas of the firm since the beginning of 2011. We work hard to leverage the valuable skills veterans bring to our company and to provide them with training and the unique support that might be required as they transition from the military to the corporate world.

These veterans whom we have hired are great employees and team members (they were taught by the U.S. military to be great team players, to stay focused on the mission and to win), and they have lifted up our entire company. Everyone at JPMorgan Chase is proud of our efforts to hire veterans – at many of our company-wide events, you see a lot of tears in the room when our employees see the efforts we are making to help those who were willing to put their lives on the line for our country.

We had too much turnover in the senior management team this year, but today’s team is exceptional and highly experienced

While it is normal to expect some turnover of the senior management team (as people age, want to change jobs or retire), this year we had more than our normal share. Three new members were added to the senior management team, replacing five former members (the Operating Committee now totals 12 members). Some turnover was due to the reorganization of our businesses that I mentioned in the previous section, some was due to succession planning, some was due to a desire to do something different and, of course, some was due to our CIO problem.

However, the change was not as pronounced as it may have looked. All the new members of our Operating Committee were promoted from within the firm and already were responsible for a large part of the job they were promoted to do. They are experienced and deeply respected by the people within the company. Their average tenure is 13 years at the firm and approximately 25 years in the industry. They are mature and tested, and they confront tough issues with a smile.

We could have delayed the reorganization within the company. Many times in my career, people have suggested we should not do something because it might add additional negative press coverage when the company really doesn’t need more. But companies have to change and move forward. Not doing the right thing for the wrong reasons usually is a bad idea.

We have and must continue to successfully attract high-quality people

Our company eventually would fail if we no longer were able to attract high-quality people at all levels. Fortunately, we continue to attract great people, in part because of the culture of our firm. Our employees like the fact that we care about our clients, encourage our people to speak their minds and share their ideas and like the fact that we are successful and want to win. They also like to know their managers are smart, decent and honest and can admit their mistakes – both large and small (you can't fix problems if you don't admit them).

We also believe that our compensation programs have been consistent and fair. Our principles of compensation are: We need to be competitive; we look at multi-year performance; we have no formulas; senior management receives much of its compensation in common stock; we have no multi-year guarantees; and we do not have change-of-control agreements, special retirement plans, golden parachutes or special severance packages. Performance to us has never been just about financial outcomes – it includes broader contributions such as developing leadership skills, maintaining integrity and a strong character, recruiting and coaching a diverse workforce, building quality systems, strengthening our controls and fostering innovation, to name a few key qualities.

We also work hard to both empower our front lines while maintaining tight controls. We do not unfairly scapegoat people for making an honest mistake. It is hard to build strong morale or continuity when people feel they may be the next casualty if senior management is looking for someone unfairly to blame.

Finally, we try to make sure work is fulfilling. While we always try to focus on what we could do better, we do take time to celebrate our successes and do fun things, like take bus trips around the country where we can both learn from our employees and clients and show our deep appreciation to them.

One of my favorite things to do each year is travel to our annual event where we recognize and thank our top branch tellers and personal bankers for the great job they are doing of serving our customers. We give out awards on stage for hours to the winners – and we all find it inspiring. It always motivates me to do a better job for all of them.

CLOSING

I want to say again how proud I am of this company and its people. These past five years have been a period of turmoil, crisis and stress. What your company accomplished during these difficult circumstances has been extraordinary.

We've created a video titled "We Are JPMorgan Chase." It is 11 minutes long, and it is worthwhile to watch (you can view it on jpmorganchase.com/we-are-jpmorganchase). This video is not the typical thing a bank would do, but it explains on a human level what we do as a bank and what we are all about. It reflects the diversity of our people, the common bond they share, and the many wonderful ways – large and small – in which they make life better for each other, our clients and our communities. It will show you why I am so proud to work at JPMorgan Chase.

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 10, 2013