

Management's report on internal control over financial reporting

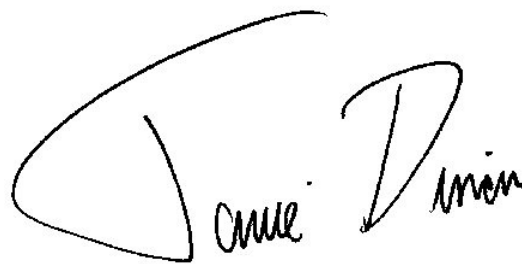
Management of JPMorgan Chase & Co. ("JPMorgan Chase" or the "Firm") is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Firm's principal executive and principal financial officers, or persons performing similar functions, and effected by JPMorgan Chase's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

JPMorgan Chase's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records, that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Firm's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Firm are being made only in accordance with authorizations of JPMorgan Chase's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Firm's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management has completed an assessment of the effectiveness of the Firm's internal control over financial reporting as of December 31, 2017. In making the assessment, management used the "Internal Control – Integrated Framework" ("COSO 2013") promulgated by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Based upon the assessment performed, management concluded that as of December 31, 2017, JPMorgan Chase's internal control over financial reporting was effective based upon the COSO 2013 framework. Additionally, based upon management's assessment, the Firm determined that there were no material weaknesses in its internal control over financial reporting as of December 31, 2017.

The effectiveness of the Firm's internal control over financial reporting as of December 31, 2017, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

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James Dimon
Chairman and Chief Executive Officer

A handwritten signature in black ink that reads "Marianne Lake". The signature is written in a cursive, flowing style.

Marianne Lake
Executive Vice President and Chief Financial Officer

February 27, 2018



To the Board of Directors and Stockholders of JPMorgan Chase & Co.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of JPMorgan Chase & Co. and its subsidiaries (the “Firm”) as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, changes in stockholders’ equity and cash flows for each of the three years in the period ended December 31, 2017, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Firm’s internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Firm as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Firm maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Firm’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s report on internal control over financial reporting. Our responsibility is to express opinions on the Firm’s consolidated financial statements and on the Firm’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Firm in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

February 27, 2018

We have served as the Firm’s auditor since 1965.

Consolidated statements of income

Year ended December 31, (in millions, except per share data)	2017	2016	2015
Revenue			
Investment banking fees	\$ 7,248	\$ 6,448	\$ 6,751
Principal transactions	11,347	11,566	10,408
Lending- and deposit-related fees	5,933	5,774	5,694
Asset management, administration and commissions	15,377	14,591	15,509
Securities gains/(losses)	(66)	141	202
Mortgage fees and related income	1,616	2,491	2,513
Card income	4,433	4,779	5,924
Other income	3,639	3,795	3,032
Noninterest revenue	49,527	49,585	50,033
Interest income	64,372	55,901	50,973
Interest expense	14,275	9,818	7,463
Net interest income	50,097	46,083	43,510
Total net revenue	99,624	95,668	93,543
Provision for credit losses	5,290	5,361	3,827
Noninterest expense			
Compensation expense	31,009	29,979	29,750
Occupancy expense	3,723	3,638	3,768
Technology, communications and equipment expense	7,706	6,846	6,193
Professional and outside services	6,840	6,655	7,002
Marketing	2,900	2,897	2,708
Other expense	6,256	5,756	9,593
Total noninterest expense	58,434	55,771	59,014
Income before income tax expense	35,900	34,536	30,702
Income tax expense	11,459	9,803	6,260
Net income	\$ 24,441	\$ 24,733	\$ 24,442
Net income applicable to common stockholders^(a)	\$ 22,567	\$ 22,834	\$ 22,651
Net income per common share data			
Basic earnings per share	\$ 6.35	\$ 6.24	\$ 6.05
Diluted earnings per share	6.31	6.19	6.00
Weighted-average basic shares^(a)	3,551.6	3,658.8	3,741.2
Weighted-average diluted shares^(a)	3,576.8	3,690.0	3,773.6
Cash dividends declared per common share	\$ 2.12	\$ 1.88	\$ 1.72

(a) The prior period amounts have been revised to conform with the current period presentation. The revision had no impact on the Firm's reported earnings per share.

The Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated statements of comprehensive income

Year ended December 31, (in millions)	2017		2016		2015
Net income	\$	24,441	\$	24,733	\$ 24,442
Other comprehensive income/(loss), after-tax					
Unrealized gains/(losses) on investment securities		640		(1,105)	(2,144)
Translation adjustments, net of hedges		(306)		(2)	(15)
Cash flow hedges		176		(56)	51
Defined benefit pension and OPEB plans		738		(28)	111
DVA on fair value option elected liabilities		(192)		(330)	–
Total other comprehensive income/(loss), after-tax		1,056		(1,521)	(1,997)
Comprehensive income	\$	25,497	\$	23,212	\$ 22,445

The Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated balance sheets

December 31, (in millions, except share data)	2017	2016
Assets		
Cash and due from banks	\$ 25,827	\$ 23,873
Deposits with banks	404,294	365,762
Federal funds sold and securities purchased under resale agreements (included \$14,732 and \$21,506 at fair value)	198,422	229,967
Securities borrowed (included \$3,049 and \$0 at fair value)	105,112	96,409
Trading assets (included assets pledged of \$110,061 and \$115,847)	381,844	372,130
Securities (included \$202,225 and \$238,891 at fair value and assets pledged of \$17,969 and \$16,115)	249,958	289,059
Loans (included \$2,508 and \$2,230 at fair value)	930,697	894,765
Allowance for loan losses	(13,604)	(13,776)
Loans, net of allowance for loan losses	917,093	880,989
Accrued interest and accounts receivable	67,729	52,330
Premises and equipment	14,159	14,131
Goodwill, MSRs and other intangible assets	54,392	54,246
Other assets (included \$16,128 and \$7,557 at fair value and assets pledged of \$1,526 and \$1,603)	114,770	112,076
Total assets^(a)	\$ 2,533,600	\$ 2,490,972
Liabilities		
Deposits (included \$21,321 and \$13,912 at fair value)	\$ 1,443,982	\$ 1,375,179
Federal funds purchased and securities loaned or sold under repurchase agreements (included \$697 and \$687 at fair value)	158,916	165,666
Short-term borrowings (included \$9,191 and \$9,105 at fair value)	51,802	34,443
Trading liabilities	123,663	136,659
Accounts payable and other liabilities (included \$9,208 and \$9,120 at fair value)	189,383	190,543
Beneficial interests issued by consolidated VIEs (included \$45 and \$120 at fair value)	26,081	39,047
Long-term debt (included \$47,519 and \$37,686 at fair value)	284,080	295,245
Total liabilities^(a)	2,277,907	2,236,782
Commitments and contingencies (see Notes 27, 28 and 29)		
Stockholders' equity		
Preferred stock (\$1 par value; authorized 200,000,000 shares; issued 2,606,750 shares)	26,068	26,068
Common stock (\$1 par value; authorized 9,000,000,000 shares; issued 4,104,933,895 shares)	4,105	4,105
Additional paid-in capital	90,579	91,627
Retained earnings	177,676	162,440
Accumulated other comprehensive income	(119)	(1,175)
Shares held in restricted stock units ("RSU") trust, at cost (472,953 shares)	(21)	(21)
Treasury stock, at cost (679,635,064 and 543,744,003 shares)	(42,595)	(28,854)
Total stockholders' equity	255,693	254,190
Total liabilities and stockholders' equity	\$ 2,533,600	\$ 2,490,972

(a) The following table presents information on assets and liabilities related to VIEs that are consolidated by the Firm at December 31, 2017 and 2016. The difference between total VIE assets and liabilities represents the Firm's interests in those entities, which were eliminated in consolidation.

December 31, (in millions)	2017	2016
Assets		
Trading assets	\$ 1,449	\$ 3,185
Loans	68,995	75,614
All other assets	2,674	3,321
Total assets	\$ 73,118	\$ 82,120
Liabilities		
Beneficial interests issued by consolidated VIEs	\$ 26,081	\$ 39,047
All other liabilities	349	490
Total liabilities	\$ 26,430	\$ 39,537

The assets of the consolidated VIEs are used to settle the liabilities of those entities. The holders of the beneficial interests do not have recourse to the general credit of JPMorgan Chase. At December 31, 2017 and 2016, the Firm provided limited program-wide credit enhancement of \$2.7 billion and \$2.4 billion, respectively, related to its Firm-administered multi-seller conduits, which are eliminated in consolidation. For further discussion, see Note 14.

The Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated statements of changes in stockholders' equity

Year ended December 31, (in millions, except per share data)	2017	2016	2015
Preferred stock			
Balance at January 1	\$ 26,068	\$ 26,068	\$ 20,063
Issuance	1,258	–	6,005
Redemption	(1,258)	–	–
Balance at December 31	26,068	26,068	26,068
Common stock			
Balance at January 1 and December 31	4,105	4,105	4,105
Additional paid-in capital			
Balance at January 1	91,627	92,500	93,270
Shares issued and commitments to issue common stock for employee share-based compensation awards	(734)	(334)	(436)
Other	(314)	(539)	(334)
Balance at December 31	90,579	91,627	92,500
Retained earnings			
Balance at January 1	162,440	146,420	129,977
Cumulative effect of change in accounting principle	–	(154)	–
Net income	24,441	24,733	24,442
Dividends declared:			
Preferred stock	(1,663)	(1,647)	(1,515)
Common stock (\$2.12, \$1.88 and \$1.72 per share for 2017, 2016 and 2015, respectively)	(7,542)	(6,912)	(6,484)
Balance at December 31	177,676	162,440	146,420
Accumulated other comprehensive income			
Balance at January 1	(1,175)	192	2,189
Cumulative effect of change in accounting principle	–	154	–
Other comprehensive income/(loss)	1,056	(1,521)	(1,997)
Balance at December 31	(119)	(1,175)	192
Shares held in RSU Trust, at cost			
Balance at January 1 and December 31	(21)	(21)	(21)
Treasury stock, at cost			
Balance at January 1	(28,854)	(21,691)	(17,856)
Repurchase	(15,410)	(9,082)	(5,616)
Reissuance	1,669	1,919	1,781
Balance at December 31	(42,595)	(28,854)	(21,691)
Total stockholders' equity	\$ 255,693	\$ 254,190	\$ 247,573

The Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated statements of cash flows

Year ended December 31, (in millions)	2017	2016	2015
Operating activities			
Net income	\$ 24,441	\$ 24,733	\$ 24,442
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Provision for credit losses	5,290	5,361	3,827
Depreciation and amortization	6,179	5,478	4,940
Deferred tax expense	2,312	4,651	1,333
Other	2,136	1,799	1,785
Originations and purchases of loans held-for-sale	(94,628)	(61,107)	(48,109)
Proceeds from sales, securitizations and paydowns of loans held-for-sale	93,270	60,196	49,363
Net change in:			
Trading assets	5,673	(20,007)	62,212
Securities borrowed	(8,653)	2,313	12,165
Accrued interest and accounts receivable	(15,868)	(5,815)	22,664
Other assets	4,318	(4,517)	(3,701)
Trading liabilities	(26,256)	5,198	(28,972)
Accounts payable and other liabilities	(8,518)	3,740	(23,361)
Other operating adjustments	7,803	(1,827)	(5,122)
Net cash provided by/(used in) operating activities	(2,501)	20,196	73,466
Investing activities			
Net change in:			
Deposits with banks	(38,532)	(25,747)	144,462
Federal funds sold and securities purchased under resale agreements	31,448	(17,468)	3,190
Held-to-maturity securities:			
Proceeds from paydowns and maturities	4,563	6,218	6,099
Purchases	(2,349)	(143)	(6,204)
Available-for-sale securities:			
Proceeds from paydowns and maturities	56,117	65,950	76,448
Proceeds from sales	90,201	48,592	40,444
Purchases	(105,309)	(123,959)	(70,804)
Proceeds from sales and securitizations of loans held-for-investment	15,791	15,429	18,604
Other changes in loans, net	(61,650)	(80,996)	(108,962)
All other investing activities, net	(563)	(2,825)	3,703
Net cash provided by/(used in) investing activities	(10,283)	(114,949)	106,980
Financing activities			
Net change in:			
Deposits	57,022	97,336	(88,678)
Federal funds purchased and securities loaned or sold under repurchase agreements	(6,739)	13,007	(39,415)
Short-term borrowings	16,540	(2,461)	(57,828)
Beneficial interests issued by consolidated VIEs	(1,377)	(5,707)	(5,632)
Proceeds from long-term borrowings	56,271	83,070	79,611
Payments of long-term borrowings	(83,079)	(68,949)	(67,247)
Proceeds from issuance of preferred stock	1,258	–	5,893
Redemption of preferred stock	(1,258)	–	–
Treasury stock repurchased	(15,410)	(9,082)	(5,616)
Dividends paid	(8,993)	(8,476)	(7,873)
All other financing activities, net	407	(467)	(726)
Net cash provided by/(used in) financing activities	14,642	98,271	(187,511)
Effect of exchange rate changes on cash and due from banks	96	(135)	(276)
Net increase/(decrease) in cash and due from banks	1,954	3,383	(7,341)
Cash and due from banks at the beginning of the period	23,873	20,490	27,831
Cash and due from banks at the end of the period	\$ 25,827	\$ 23,873	\$ 20,490
Cash interest paid	\$ 14,153	\$ 9,508	\$ 7,220
Cash income taxes paid, net	4,325	2,405	9,423

The Notes to Consolidated Financial Statements are an integral part of these statements.

Note 1 – Basis of presentation

JPMorgan Chase & Co. (“JPMorgan Chase” or the “Firm”), a financial holding company incorporated under Delaware law in 1968, is a leading global financial services firm and one of the largest banking institutions in the U.S., with operations worldwide. The Firm is a leader in investment banking, financial services for consumers and small business, commercial banking, financial transaction processing and asset management. For a discussion of the Firm’s business segments, see Note 31.

The accounting and financial reporting policies of JPMorgan Chase and its subsidiaries conform to U.S. GAAP. Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by regulatory authorities.

Certain amounts reported in prior periods have been reclassified to conform with the current presentation.

Consolidation

The Consolidated Financial Statements include the accounts of JPMorgan Chase and other entities in which the Firm has a controlling financial interest. All material intercompany balances and transactions have been eliminated.

Assets held for clients in an agency or fiduciary capacity by the Firm are not assets of JPMorgan Chase and are not included on the Consolidated balance sheets.

The Firm determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity.

Voting Interest Entities

Voting interest entities are entities that have sufficient equity and provide the equity investors voting rights that enable them to make significant decisions relating to the entity’s operations. For these types of entities, the Firm’s determination of whether it has a controlling interest is primarily based on the amount of voting equity interests held. Entities in which the Firm has a controlling financial interest, through ownership of the majority of the entities’ voting equity interests, or through other contractual rights that give the Firm control, are consolidated by the Firm.

Investments in companies in which the Firm has significant influence over operating and financing decisions (but does not own a majority of the voting equity interests) are accounted for (i) in accordance with the equity method of accounting (which requires the Firm to recognize its proportionate share of the entity’s net earnings), or (ii) at fair value if the fair value option was elected. These investments are generally included in other assets, with income or loss included in other income.

Certain Firm-sponsored asset management funds are structured as limited partnerships or certain limited liability companies. For many of these entities, the Firm is the general partner or managing member, but the non-affiliated partners or members have the ability to remove the Firm as the general partner or managing member without cause

(i.e., kick-out rights), based on a simple majority vote, or the non-affiliated partners or members have rights to participate in important decisions. Accordingly, the Firm does not consolidate these voting interest entities. However, in the limited cases where the non-managing partners or members do not have substantive kick-out or participating rights, the Firm evaluates the funds as VIEs and consolidates if it is the general partner or managing member and has a potentially significant interest.

The Firm’s investment companies have investments in both publicly-held and privately-held entities, including investments in buyouts, growth equity and venture opportunities. These investments are accounted for under investment company guidelines and accordingly, irrespective of the percentage of equity ownership interests held, are carried on the Consolidated balance sheets at fair value, and are recorded in other assets, with income or loss included in noninterest revenue.

Variable Interest Entities

VIEs are entities that, by design, either (1) lack sufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) have equity investors that do not have the ability to make significant decisions relating to the entity’s operations through voting rights, or do not have the obligation to absorb the expected losses, or do not have the right to receive the residual returns of the entity.

The most common type of VIE is an SPE. SPEs are commonly used in securitization transactions in order to isolate certain assets and distribute the cash flows from those assets to investors. The basic SPE structure involves a company selling assets to the SPE; the SPE funds the purchase of those assets by issuing securities to investors. The legal documents that govern the transaction specify how the cash earned on the assets must be allocated to the SPE’s investors and other parties that have rights to those cash flows. SPEs are generally structured to insulate investors from claims on the SPE’s assets by creditors of other entities, including the creditors of the seller of the assets.

The primary beneficiary of a VIE (i.e., the party that has a controlling financial interest) is required to consolidate the assets and liabilities of the VIE. The primary beneficiary is the party that has both (1) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance; and (2) through its interests in the VIE, the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

To assess whether the Firm has the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance, the Firm considers all the facts and circumstances, including its role in establishing the VIE and its ongoing rights and responsibilities. This assessment includes, first, identifying the activities that most significantly impact the VIE’s economic performance; and

Notes to consolidated financial statements

second, identifying which party, if any, has power over those activities. In general, the parties that make the most significant decisions affecting the VIE (such as asset managers, collateral managers, servicers, or owners of call options or liquidation rights over the VIE's assets) or have the right to unilaterally remove those decision-makers are deemed to have the power to direct the activities of a VIE.

To assess whether the Firm has the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE, the Firm considers all of its economic interests, including debt and equity investments, servicing fees, and derivatives or other arrangements deemed to be variable interests in the VIE. This assessment requires that the Firm apply judgment in determining whether these interests, in the aggregate, are considered potentially significant to the VIE. Factors considered in assessing significance include: the design of the VIE, including its capitalization structure; subordination of interests; payment priority; relative share of interests held across various classes within the VIE's capital structure; and the reasons why the interests are held by the Firm.

The Firm performs on-going reassessments of: (1) whether entities previously evaluated under the majority voting-interest framework have become VIEs, based on certain events, and are therefore subject to the VIE consolidation framework; and (2) whether changes in the facts and circumstances regarding the Firm's involvement with a VIE cause the Firm's consolidation conclusion to change.

Use of estimates in the preparation of consolidated financial statements

The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expense, and disclosures of contingent assets and liabilities. Actual results could be different from these estimates.

Foreign currency translation

JPMorgan Chase revalues assets, liabilities, revenue and expense denominated in non-U.S. currencies into U.S. dollars using applicable exchange rates.

Gains and losses relating to translating functional currency financial statements for U.S. reporting are included in OCI within stockholders' equity. Gains and losses relating to nonfunctional currency transactions, including non-U.S. operations where the functional currency is the U.S. dollar, are reported in the Consolidated statements of income.

Offsetting assets and liabilities

U.S. GAAP permits entities to present derivative receivables and derivative payables with the same counterparty and the related cash collateral receivables and payables on a net basis on the Consolidated balance sheets when a legally enforceable master netting agreement exists. U.S. GAAP also permits securities sold and purchased under repurchase agreements and securities borrowed or loaned

under securities loan agreements to be presented net when specified conditions are met, including the existence of a legally enforceable master netting agreement. The Firm has elected to net such balances when the specified conditions are met.

The Firm uses master netting agreements to mitigate counterparty credit risk in certain transactions, including derivative, securities repurchase and reverse repurchase, and securities loaned and borrow transactions. A master netting agreement is a single agreement with a counterparty that permits multiple transactions governed by that agreement to be terminated or accelerated and settled through a single payment in a single currency in the event of a default (e.g., bankruptcy, failure to make a required payment or securities transfer or deliver collateral or margin when due). Upon the exercise of derivatives termination rights by the non-defaulting party (i) all transactions are terminated, (ii) all transactions are valued and the positive values of "in the money" transactions are netted against the negative values of "out of the money" transactions and (iii) the only remaining payment obligation is of one of the parties to pay the netted termination amount. Upon exercise of default rights under repurchase agreements and securities loan agreements in general (i) all transactions are terminated and accelerated, (ii) all values of securities or cash held or to be delivered are calculated, and all such sums are netted against each other and (iii) the only remaining payment obligation is of one of the parties to pay the netted termination amount.

Typical master netting agreements for these types of transactions also often contain a collateral/margin agreement that provides for a security interest in, or title transfer of, securities or cash collateral/margin to the party that has the right to demand margin (the "demanding party"). The collateral/margin agreement typically requires a party to transfer collateral/margin to the demanding party with a value equal to the amount of the margin deficit on a net basis across all transactions governed by the master netting agreement, less any threshold. The collateral/margin agreement grants to the demanding party, upon default by the counterparty, the right to set-off any amounts payable by the counterparty against any posted collateral or the cash equivalent of any posted collateral/margin. It also grants to the demanding party the right to liquidate collateral/margin and to apply the proceeds to an amount payable by the counterparty.

For further discussion of the Firm's derivative instruments, see Note 5. For further discussion of the Firm's repurchase and reverse repurchase agreements, and securities borrowing and lending agreements, see Note 11.

Statements of cash flows

For JPMorgan Chase's Consolidated statements of cash flows, cash is defined as those amounts included in cash and due from banks.

Significant accounting policies

The following table identifies JPMorgan Chase's other significant accounting policies and the Note and page where a detailed description of each policy can be found.

Fair value measurement	Note 2	Page 155
Fair value option	Note 3	Page 174
Derivative instruments	Note 5	Page 179
Noninterest revenue	Note 6	Page 192
Interest income and interest expense	Note 7	Page 195
Pension and other postretirement employee benefit plans	Note 8	Page 195
Employee share-based incentives	Note 9	Page 201
Securities	Note 10	Page 203
Securities financing activities	Note 11	Page 208
Loans	Note 12	Page 211
Allowance for credit losses	Note 13	Page 231
Variable interest entities	Note 14	Page 236
Goodwill and Mortgage servicing rights	Note 15	page 244
Premises and equipment	Note 16	page 248
Long-term debt	Note 19	page 249
Income taxes	Note 24	page 255
Off-balance sheet lending-related financial instruments, guarantees and other commitments	Note 27	page 261
Litigation	Note 29	page 268

Note 2 – Fair value measurement

JPMorgan Chase carries a portion of its assets and liabilities at fair value. These assets and liabilities are predominantly carried at fair value on a recurring basis (i.e., assets and liabilities that are measured and reported at fair value on the Firm's Consolidated balance sheets). Certain assets (e.g., held-for-sale loans), liabilities and unfunded lending-related commitments are measured at fair value on a nonrecurring basis; that is, they are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment).

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based on quoted market prices or inputs, where available. If prices or quotes are not available, fair value is based on valuation models and other valuation techniques that consider relevant transaction characteristics (such as maturity) and use as inputs observable or unobservable market parameters, including yield curves, interest rates, volatilities, equity or debt prices, foreign exchange rates and credit curves. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value, as described below.

The level of precision in estimating unobservable market inputs or other factors can affect the amount of gain or loss recorded for a particular position. Furthermore, while the Firm believes its valuation methods are appropriate and

consistent with those of other market participants, the methods and assumptions used reflect management judgment and may vary across the Firm's businesses and portfolios.

The Firm uses various methodologies and assumptions in the determination of fair value. The use of different methodologies or assumptions by other market participants compared with those used by the Firm could result in the Firm deriving a different estimate of fair value at the reporting date.

Valuation process

Risk-taking functions are responsible for providing fair value estimates for assets and liabilities carried on the Consolidated balance sheets at fair value. The Firm's VCG, which is part of the Firm's Finance function and independent of the risk-taking functions, is responsible for verifying these estimates and determining any fair value adjustments that may be required to ensure that the Firm's positions are recorded at fair value. The VGF is composed of senior finance and risk executives and is responsible for overseeing the management of risks arising from valuation activities conducted across the Firm. The VGF is chaired by the Firmwide head of the VCG (under the direction of the Firm's Controller), and includes sub-forums covering the CIB, CCB, CB, AWM and certain corporate functions including Treasury and CIO.

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Price verification process

The VCG verifies fair value estimates provided by the risk-taking functions by leveraging independently derived prices, valuation inputs and other market data, where available. Where independent prices or inputs are not available, the VCG performs additional review to ensure the reasonableness of the estimates. The additional review may include evaluating the limited market activity including client unwinds, benchmarking valuation inputs to those used for similar instruments, decomposing the valuation of structured instruments into individual components, comparing expected to actual cash flows, reviewing profit and loss trends, and reviewing trends in collateral valuation. There are also additional levels of management review for more significant or complex positions.

The VCG determines any valuation adjustments that may be required to the estimates provided by the risk-taking functions. No adjustments to quoted prices are applied for instruments classified within level 1 of the fair value hierarchy (see below for further information on the fair value hierarchy). For other positions, judgment is required to assess the need for valuation adjustments to appropriately reflect liquidity considerations, unobservable parameters, and, for certain portfolios that meet specified criteria, the size of the net open risk position. The determination of such adjustments follows a consistent framework across the Firm:

- Liquidity valuation adjustments are considered where an observable external price or valuation parameter exists but is of lower reliability, potentially due to lower market activity. Liquidity valuation adjustments are applied and determined based on current market conditions. Factors that may be considered in determining the liquidity adjustment include analysis of: (1) the estimated bid-offer spread for the instrument being traded; (2) alternative pricing points for similar instruments in active markets; and (3) the range of reasonable values that the price or parameter could take.
- The Firm manages certain portfolios of financial instruments on the basis of net open risk exposure and, as permitted by U.S. GAAP, has elected to estimate the fair value of such portfolios on the basis of a transfer of the entire net open risk position in an orderly transaction. Where this is the case, valuation adjustments may be necessary to reflect the cost of exiting a larger-than-normal market-size net open risk position. Where applied, such adjustments are based on factors that a relevant market participant would consider in the transfer of the net open risk position, including the size of the adverse market move that is likely to occur during the period required to reduce the net open risk position to a normal market-size.
- Unobservable parameter valuation adjustments may be made when positions are valued using prices or input parameters to valuation models that are unobservable due to a lack of market activity or because they cannot be implied from observable market data. Such prices or parameters must be estimated and are, therefore, subject to management judgment. Unobservable

parameter valuation adjustments are applied to reflect the uncertainty inherent in the resulting valuation estimate.

- Where appropriate, the Firm also applies adjustments to its estimates of fair value in order to appropriately reflect counterparty credit quality (CVA), the Firm's own creditworthiness (DVA) and the impact of funding (FVA), using a consistent framework across the Firm. For more information on such adjustments see Credit and funding adjustments on page 171 of this Note.

Valuation model review and approval

If prices or quotes are not available for an instrument or a similar instrument, fair value is generally determined using valuation models that consider relevant transaction data such as maturity and use as inputs market-based or independently sourced parameters. Where this is the case the price verification process described above is applied to the inputs to those models.

Under the Firm's Estimations and Model Risk Management Policy, the Model Risk function reviews and approves new models, as well as material changes to existing models, prior to implementation in the operating environment. In certain circumstances, the head of the Model Risk function may grant exceptions to the Firm's policy to allow a model to be used prior to review or approval. The Model Risk function may also require the user to take appropriate actions to mitigate the model risk if it is to be used in the interim. These actions will depend on the model and may include, for example, limitation of trading activity.

Valuation hierarchy

A three-level valuation hierarchy has been established under U.S. GAAP for disclosure of fair value measurements. The valuation hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows.

- Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - one or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following table describes the valuation methodologies generally used by the Firm to measure its significant products/instruments at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Product/instrument	Valuation methodology	Classifications in the valuation hierarchy
Securities financing agreements	Valuations are based on discounted cash flows, which consider: <ul style="list-style-type: none"> • Derivative features: for further information refer to the discussion of derivatives below. • Market rates for the respective maturity • Collateral characteristics 	Predominantly level 2
Loans and lending-related commitments – wholesale		
Loans carried at fair value (e.g., trading loans and non-trading loans) and associated lending-related commitments	Where observable market data is available, valuations are based on: <ul style="list-style-type: none"> • Observed market prices (circumstances are infrequent) • Relevant broker quotes • Observed market prices for similar instruments Where observable market data is unavailable or limited, valuations are based on discounted cash flows, which consider the following: <ul style="list-style-type: none"> • Credit spreads derived from the cost of CDS; or benchmark credit curves developed by the Firm, by industry and credit rating • Prepayment speed • Collateral characteristics 	Level 2 or 3
Loans held-for-investment and associated lending-related commitments	Valuations are based on discounted cash flows, which consider: <ul style="list-style-type: none"> • Credit spreads, derived from the cost of CDS; or benchmark credit curves developed by the Firm, by industry and credit rating • Prepayment speed Lending-related commitments are valued similarly to loans and reflect the portion of an unused commitment expected, based on the Firm's average portfolio historical experience, to become funded prior to an obligor default. <p>For information regarding the valuation of loans measured at collateral value, see Note 12.</p>	Predominantly level 3
Loans – consumer		
Held-for-investment consumer loans, excluding credit card	Valuations are based on discounted cash flows, which consider: <ul style="list-style-type: none"> • Credit losses - which consider expected and current default rates, and loss severity • Prepayment speed • Discount rates • Servicing costs For information regarding the valuation of loans measured at collateral value, see Note 12.	Predominantly level 2
Held-for-investment credit card receivables	Valuations are based on discounted cash flows, which consider: <ul style="list-style-type: none"> • Credit costs - the allowance for loan losses is considered a reasonable proxy for the credit cost • Projected interest income, late-fee revenue and loan repayment rates • Discount rates • Servicing costs 	Level 3
Trading loans – conforming residential mortgage loans expected to be sold (CCB, CIB)	Fair value is based on observable prices for mortgage-backed securities with similar collateral and incorporates adjustments to these prices to account for differences between the securities and the value of the underlying loans, which include credit characteristics, portfolio composition, and liquidity.	Predominantly level 2

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Product/instrument	Valuation methodology, inputs and assumptions	Classifications in the valuation hierarchy
Investment and trading securities	Quoted market prices are used where available.	Level 1
	<p>In the absence of quoted market prices, securities are valued based on:</p> <ul style="list-style-type: none"> • Observable market prices for similar securities • Relevant broker quotes • Discounted cash flows <p>In addition, the following inputs to discounted cash flows are used for the following products:</p> <p>Mortgage- and asset-backed securities specific inputs:</p> <ul style="list-style-type: none"> • Collateral characteristics • Deal-specific payment and loss allocations • Current market assumptions related to yield, prepayment speed, conditional default rates and loss severity <p>Collateralized loan obligations (“CLOs”) specific inputs:</p> <ul style="list-style-type: none"> • Collateral characteristics • Deal-specific payment and loss allocations • Expected prepayment speed, conditional default rates, loss severity • Credit spreads • Credit rating data 	Level 2 or 3
Physical commodities	Valued using observable market prices or data.	Predominantly level 1 and 2
Derivatives	Exchange-traded derivatives that are actively traded and valued using the exchange price.	Level 1
	<p>Derivatives that are valued using models such as the Black-Scholes option pricing model, simulation models, or a combination of models that may use observable or unobservable valuation inputs as well as considering the contractual terms.</p> <p>The key valuation inputs used will depend on the type of derivative and the nature of the underlying instruments and may include equity prices, commodity prices, interest rate yield curves, foreign exchange rates, volatilities, correlations, CDS spreads and recovery rates. Additionally, the credit quality of the counterparty and of the Firm as well as market funding levels may also be considered.</p> <p>In addition, specific inputs used for derivatives that are valued based on models with significant unobservable inputs are as follows:</p> <p>Structured credit derivatives specific inputs include:</p> <ul style="list-style-type: none"> • CDS spreads and recovery rates • Credit correlation between the underlying debt instruments <p>Equity option specific inputs include:</p> <ul style="list-style-type: none"> • Equity volatilities • Equity correlation • Equity-FX correlation • Equity-IR correlation <p>Interest rate and FX exotic options specific inputs include:</p> <ul style="list-style-type: none"> • Interest rate spread volatility • Interest rate correlation • Foreign exchange correlation • Interest rate-FX correlation <p>Commodity derivatives specific inputs include:</p> <ul style="list-style-type: none"> • Commodity volatility • Forward commodity price <p>Additionally, adjustments are made to reflect counterparty credit quality (CVA) and the impact of funding (FVA). See page 171 of this Note.</p>	Level 2 or 3

Product/instrument	Valuation methodology, inputs and assumptions	Classification in the valuation hierarchy
Mortgage servicing rights	See Mortgage servicing rights in Note 15.	Level 3
Private equity direct investments	Fair value is estimated using all available information; the range of potential inputs include: <ul style="list-style-type: none"> • Transaction prices • Trading multiples of comparable public companies • Operating performance of the underlying portfolio company • Adjustments as required, since comparable public companies are not identical to the company being valued, and for company-specific issues and lack of liquidity. • Additional available inputs relevant to the investment. 	Level 2 or 3
Fund investments (e.g., mutual/collective investment funds, private equity funds, hedge funds, and real estate funds)	Net asset value <ul style="list-style-type: none"> • NAV is supported by the ability to redeem and purchase at the NAV level. • Adjustments to the NAV as required, for restrictions on redemption (e.g., lock-up periods or withdrawal limitations) or where observable activity is limited. 	Level 1 Level 2 or 3 ^(a)
Beneficial interests issued by consolidated VIEs	Valued using observable market information, where available. In the absence of observable market information, valuations are based on the fair value of the underlying assets held by the VIE.	Level 2 or 3
Long-term debt, not carried at fair value	Valuations are based on discounted cash flows, which consider: <ul style="list-style-type: none"> • Market rates for respective maturity 	Predominantly level 2
Structured notes (included in deposits, short-term borrowings and long-term debt)	<ul style="list-style-type: none"> • Valuations are based on discounted cash flow analyses that consider the embedded derivative and the terms and payment structure of the note. • The embedded derivative features are considered using models such as the Black-Scholes option pricing model, simulation models, or a combination of models that may use observable or unobservable valuation inputs, depending on the embedded derivative. The specific inputs used vary according to the nature of the embedded derivative features, as described in the discussion above regarding derivatives valuation. Adjustments are then made to this base valuation to reflect the Firm's own credit risk (DVA). See page 171 of this Note. 	Level 2 or 3

(a) Excludes certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient.

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The following table presents the assets and liabilities reported at fair value as of December 31, 2017 and 2016, by major product category and fair value hierarchy.

Assets and liabilities measured at fair value on a recurring basis

December 31, 2017 (in millions)	Fair value hierarchy			Derivative netting adjustments	Total fair value
	Level 1	Level 2	Level 3		
Federal funds sold and securities purchased under resale agreements	\$ —	\$ 14,732	\$ —	\$ —	\$ 14,732
Securities borrowed	—	3,049	—	—	3,049
Trading assets:					
Debt instruments:					
Mortgage-backed securities:					
U.S. government agencies ^(a)	—	41,515	307	—	41,822
Residential - nonagency	—	1,835	60	—	1,895
Commercial - nonagency	—	1,645	11	—	1,656
Total mortgage-backed securities	—	44,995	378	—	45,373
U.S. Treasury and government agencies ^(a)	30,758	6,475	1	—	37,234
Obligations of U.S. states and municipalities	—	9,067	744	—	9,811
Certificates of deposit, bankers' acceptances and commercial paper	—	226	—	—	226
Non-U.S. government debt securities	28,887	28,831	78	—	57,796
Corporate debt securities	—	24,146	312	—	24,458
Loans ^(b)	—	35,242	2,719	—	37,961
Asset-backed securities	—	3,284	153	—	3,437
Total debt instruments	59,645	152,266	4,385	—	216,296
Equity securities	87,346	197	295	—	87,838
Physical commodities ^(c)	4,924	1,322	—	—	6,246
Other	—	14,197	690	—	14,887
Total debt and equity instruments^(d)	151,915	167,982	5,370	—	325,267
Derivative receivables:					
Interest rate	181	314,107	1,704	(291,319)	24,673
Credit	—	21,995	1,209	(22,335)	869
Foreign exchange	841	158,834	557	(144,081)	16,151
Equity	—	37,722	2,318	(32,158)	7,882
Commodity	—	19,875	210	(13,137)	6,948
Total derivative receivables^{(e)(f)}	1,022	552,533	5,998	(503,030)	56,523
Total trading assets^(g)	152,937	720,515	11,368	(503,030)	381,790
Available-for-sale securities:					
Mortgage-backed securities:					
U.S. government agencies ^(a)	—	70,280	—	—	70,280
Residential - nonagency	—	11,366	1	—	11,367
Commercial - nonagency	—	5,025	—	—	5,025
Total mortgage-backed securities	—	86,671	1	—	86,672
U.S. Treasury and government agencies ^(a)	22,745	—	—	—	22,745
Obligations of U.S. states and municipalities	—	32,338	—	—	32,338
Certificates of deposit	—	59	—	—	59
Non-U.S. government debt securities	18,140	9,154	—	—	27,294
Corporate debt securities	—	2,757	—	—	2,757
Asset-backed securities:					
Collateralized loan obligations	—	20,720	276	—	20,996
Other	—	8,817	—	—	8,817
Equity securities	547	—	—	—	547
Total available-for-sale securities	41,432	160,516	277	—	202,225
Loans	—	2,232	276	—	2,508
Mortgage servicing rights	—	—	6,030	—	6,030
Other assets ^(h)	13,795	343	1,265	—	15,403
Total assets measured at fair value on a recurring basis	\$ 208,164	\$ 901,387	\$ 19,216	\$ (503,030)	\$ 625,737
Deposits	\$ —	\$ 17,179	\$ 4,142	\$ —	\$ 21,321
Federal funds purchased and securities loaned or sold under repurchase agreements	—	697	—	—	697
Short-term borrowings	—	7,526	1,665	—	9,191
Trading liabilities:					
Debt and equity instruments ^(d)	64,664	21,183	39	—	85,886
Derivative payables:					
Interest rate	170	282,825	1,440	(277,306)	7,129
Credit	—	22,009	1,244	(21,954)	1,299
Foreign exchange	794	154,075	953	(143,349)	12,473
Equity	—	39,668	5,727	(36,203)	9,192
Commodity	—	21,017	884	(14,217)	7,684
Total derivative payables^{(e)(f)}	964	519,594	10,248	(493,029)	37,777
Total trading liabilities	65,628	540,777	10,287	(493,029)	123,663
Accounts payable and other liabilities	9,074	121	13	—	9,208
Beneficial interests issued by consolidated VIEs	—	6	39	—	45
Long-term debt	—	31,394	16,125	—	47,519
Total liabilities measured at fair value on a recurring basis	\$ 74,702	\$ 597,700	\$ 32,271	\$ (493,029)	\$ 211,644

December 31, 2016 (in millions)	Fair value hierarchy			Derivative netting adjustments	Total fair value
	Level 1	Level 2	Level 3		
Federal funds sold and securities purchased under resale agreements	\$ —	\$ 21,506	\$ —	\$ —	\$ 21,506
Securities borrowed	—	—	—	—	—
Trading assets:					
Debt instruments:					
Mortgage-backed securities:					
U.S. government agencies ^(a)	13	40,586	392	—	40,991
Residential - nonagency	—	1,552	83	—	1,635
Commercial - nonagency	—	1,321	17	—	1,338
Total mortgage-backed securities	13	43,459	492	—	43,964
U.S. Treasury and government agencies ^(a)	19,554	5,201	—	—	24,755
Obligations of U.S. states and municipalities	—	8,403	649	—	9,052
Certificates of deposit, bankers' acceptances and commercial paper	—	1,649	—	—	1,649
Non-U.S. government debt securities	28,443	23,076	46	—	51,565
Corporate debt securities	—	22,751	576	—	23,327
Loans ^(b)	—	28,965	4,837	—	33,802
Asset-backed securities	—	5,250	302	—	5,552
Total debt instruments	48,010	138,754	6,902	—	193,666
Equity securities	96,759	281	231	—	97,271
Physical commodities ^(c)	5,341	1,620	—	—	6,961
Other	—	9,341	761	—	10,102
Total debt and equity instruments^(d)	150,110	149,996	7,894	—	308,000
Derivative receivables:					
Interest rate	715	602,747	2,501	(577,661)	28,302
Credit	—	28,256	1,389	(28,351)	1,294
Foreign exchange	812	231,743	870	(210,154)	23,271
Equity	—	34,032	908	(30,001)	4,939
Commodity	158	18,360	125	(12,371)	6,272
Total derivative receivables^(e)	1,685	915,138	5,793	(858,538)	64,078
Total trading assets^(f)	151,795	1,065,134	13,687	(858,538)	372,078
Available-for-sale securities:					
Mortgage-backed securities:					
U.S. government agencies ^(a)	—	64,005	—	—	64,005
Residential - nonagency	—	14,442	1	—	14,443
Commercial - nonagency	—	9,104	—	—	9,104
Total mortgage-backed securities	—	87,551	1	—	87,552
U.S. Treasury and government agencies ^(a)	44,072	29	—	—	44,101
Obligations of U.S. states and municipalities	—	31,592	—	—	31,592
Certificates of deposit	—	106	—	—	106
Non-U.S. government debt securities	22,793	12,495	—	—	35,288
Corporate debt securities	—	4,958	—	—	4,958
Asset-backed securities:					
Collateralized loan obligations	—	26,738	663	—	27,401
Other	—	6,967	—	—	6,967
Equity securities	926	—	—	—	926
Total available-for-sale securities	67,791	170,436	664	—	238,891
Loans	—	1,660	570	—	2,230
Mortgage servicing rights	—	—	6,096	—	6,096
Other assets ^(g)	4,357	—	2,223	—	6,580
Total assets measured at fair value on a recurring basis	\$ 223,943	\$ 1,258,736	\$ 23,240	\$ (858,538)	\$ 647,381
Deposits	\$ —	\$ 11,795	\$ 2,117	\$ —	\$ 13,912
Federal funds purchased and securities loaned or sold under repurchase agreements	—	687	—	—	687
Short-term borrowings	—	7,971	1,134	—	9,105
Trading liabilities:					
Debt and equity instruments ^(d)	68,304	19,081	43	—	87,428
Derivative payables:					
Interest rate	539	569,001	1,238	(559,963)	10,815
Credit	—	27,375	1,291	(27,255)	1,411
Foreign exchange	902	231,815	2,254	(214,463)	20,508
Equity	—	35,202	3,160	(30,222)	8,140
Commodity	173	20,079	210	(12,105)	8,357
Total derivative payables^(e)	1,614	883,472	8,153	(844,008)	49,231
Total trading liabilities	69,918	902,553	8,196	(844,008)	136,659
Accounts payable and other liabilities	9,107	—	13	—	9,120
Beneficial interests issued by consolidated VIEs	—	72	48	—	120
Long-term debt	—	24,836 ^(h)	12,850 ^(h)	—	37,686
Total liabilities measured at fair value on a recurring basis	\$ 79,025	\$ 947,914 ^(h)	\$ 24,358 ^(h)	\$ (844,008)	\$ 207,289

- (a) At December 31, 2017 and 2016, included total U.S. government-sponsored enterprise obligations of \$78.0 billion and \$80.6 billion, respectively, which were predominantly mortgage-related.
- (b) At December 31, 2017 and 2016, included within trading loans were \$11.4 billion and \$16.5 billion, respectively, of residential first-lien mortgages, and \$4.2 billion and \$3.3 billion, respectively, of commercial first-lien mortgages. Residential mortgage loans include conforming mortgage loans originated with the intent to sell to U.S. government agencies of \$5.7 billion and \$11.0 billion, respectively, and reverse mortgages of \$836 million and \$2.0 billion, respectively.
- (c) Physical commodities inventories are generally accounted for at the lower of cost or net realizable value. "Net realizable value" is a term defined in U.S. GAAP as not exceeding fair value less costs to sell ("transaction costs"). Transaction costs for the Firm's physical commodities inventories are either not applicable or immaterial to the value of the inventory. Therefore, net realizable value approximates fair value for the Firm's physical commodities inventories. When fair value hedging has been applied (or when net

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realizable value is below cost), the carrying value of physical commodities approximates fair value, because under fair value hedge accounting, the cost basis is adjusted for changes in fair value. For a further discussion of the Firm's hedge accounting relationships, see Note 5. To provide consistent fair value disclosure information, all physical commodities inventories have been included in each period presented.

- (d) Balances reflect the reduction of securities owned (long positions) by the amount of identical securities sold but not yet purchased (short positions).
- (e) As permitted under U.S. GAAP, the Firm has elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists. For purposes of the tables above, the Firm does not reduce derivative receivables and derivative payables balances for this netting adjustment, either within or across the levels of the fair value hierarchy, as such netting is not relevant to a presentation based on the transparency of inputs to the valuation of an asset or liability. The level 3 balances would be reduced if netting were applied, including the netting benefit associated with cash collateral.
- (f) Reflects the Firm's adoption of rulebook changes made by two CCPs that require or allow the Firm to treat certain OTC-cleared derivative transactions as daily settled. For further information, see Note 5.
- (g) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not required to be classified in the fair value hierarchy. At December 31, 2017 and 2016, the fair values of these investments, which include certain hedge funds, private equity funds, real estate and other funds, were \$779 million and \$1.0 billion, respectively. Included in these balances at December 31, 2017 and 2016, were trading assets of \$54 million and \$52 million, respectively, and other assets of \$725 million and \$977 million, respectively.
- (h) The prior period amounts have been revised to conform with the current period presentation.

Transfers between levels for instruments carried at fair value on a recurring basis

For the years ended December 31, 2017 and 2016, there were no significant transfers between levels 1 and 2.

During the year ended December 31, 2017, transfers from level 3 to level 2 included the following:

- \$1.5 billion of trading loans driven by an increase in observability.
- \$1.2 billion of gross equity derivative payables as a result of an increase in observability and a decrease in the significance of unobservable inputs.

During the year ended December 31, 2017, transfers from level 2 to level 3 included the following:

- \$1.0 billion of gross equity derivative receivables and \$2.5 billion of gross equity derivative payables as a result of a decrease in observability and an increase in the significance of unobservable inputs.
- \$1.7 billion of long-term debt driven by a decrease in observability and an increase in the significance of unobservable inputs for certain structured notes.

During the year ended December 31, 2016, transfers from level 3 to level 2 included the following:

- \$1.4 billion of long-term debt driven by an increase in observability and a reduction in the significance of unobservable inputs for certain structured notes.

During the year ended December 31, 2016, transfers from level 2 to level 3 included the following:

- \$1.1 billion of gross equity derivative receivables and \$1.0 billion of gross equity derivative payables as a result of a decrease in observability and an increase in the significance of unobservable inputs.

- \$1.0 billion of trading loans driven by a decrease in observability.

During the year ended December 31, 2015, transfers from level 3 to level 2 included the following:

- \$3.1 billion of long-term debt and \$1.0 billion of deposits driven by an increase in observability on certain structured notes with embedded interest rate and FX derivatives and a reduction in the significance of unobservable inputs for certain structured notes with embedded equity derivatives.
- \$2.1 billion of gross equity derivatives for both receivables and payables as a result of an increase in observability and a decrease in the significance of unobservable inputs; partially offset by transfers into level 3 resulting in net transfers of approximately \$1.2 billion for both receivables and payables.
- \$2.8 billion of trading loans driven by an increase in observability of certain collateralized financing transactions.
- \$2.4 billion of corporate debt driven by a decrease in the significance of unobservable inputs and an increase in observability for certain structured products.

During the year ended December 31, 2015, there were no significant transfers from level 2 to level 3.

All transfers are assumed to occur at the beginning of the quarterly reporting period in which they occur.

Level 3 valuations

The Firm has established well-structured processes for determining fair value, including for instruments where fair value is estimated using significant unobservable inputs (level 3). For further information on the Firm's valuation process and a detailed discussion of the determination of fair value for individual financial instruments, see pages 155-159 of this Note.

Estimating fair value requires the application of judgment. The type and level of judgment required is largely dependent on the amount of observable market information available to the Firm. For instruments valued using internally developed valuation models and other valuation techniques that use significant unobservable inputs and are therefore classified within level 3 of the fair value hierarchy, judgments used to estimate fair value are more significant than those required when estimating the fair value of instruments classified within levels 1 and 2.

In arriving at an estimate of fair value for an instrument within level 3, management must first determine the appropriate valuation model or other valuation technique to use. Second, due to the lack of observability of significant inputs, management must assess all relevant empirical data in deriving valuation inputs including transaction details, yield curves, interest rates, prepayment speed, default rates, volatilities, correlations, equity or debt prices, valuations of comparable instruments, foreign exchange rates and credit curves.

The following table presents the Firm's primary level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, the significant unobservable inputs, the range of values for those inputs and, for certain instruments, the weighted averages of such inputs. While the determination to classify an instrument within level 3 is based on the significance of the unobservable inputs to the overall fair value measurement, level 3 financial instruments typically include observable components (that is, components that are actively quoted and can be validated to external sources) in addition to the unobservable components. The level 1 and/or level 2 inputs are not included in the table. In addition, the Firm manages the risk of the observable components of level 3 financial instruments using securities and derivative positions that are classified within levels 1 or 2 of the fair value hierarchy.

The range of values presented in the table is representative of the highest and lowest level input used to value the significant groups of instruments within a product/instrument classification. Where provided, the weighted averages of the input values presented in the table are calculated based on the fair value of the instruments that the input is being used to value.

In the Firm's view, the input range and the weighted average value do not reflect the degree of input uncertainty or an assessment of the reasonableness of the Firm's estimates and assumptions. Rather, they reflect the characteristics of the various instruments held by the Firm and the relative distribution of instruments within the range of characteristics. For example, two option contracts may have similar levels of market risk exposure and valuation uncertainty, but may have significantly different implied volatility levels because the option contracts have different underlyings, tenors, or strike prices. The input range and weighted average values will therefore vary from period-to-period and parameter-to-parameter based on the characteristics of the instruments held by the Firm at each balance sheet date.

For the Firm's derivatives and structured notes positions classified within level 3 at December 31, 2017, interest rate correlation inputs used in estimating fair value were concentrated towards the upper end of the range; equity correlation, equity-FX and equity-IR correlation inputs were concentrated in the middle of the range; commodity correlation inputs were concentrated in the middle of the range; credit correlation inputs were concentrated towards the lower end of the range; and the interest rate-foreign exchange ("IR-FX") correlation inputs were concentrated towards the lower end of the range. In addition, the interest rate spread volatility inputs used in estimating fair value were distributed across the range; equity volatilities and commodity volatilities were concentrated towards the lower end of the range; and forward commodity prices used in estimating the fair value of commodity derivatives were concentrated towards the lower end of the range. Recovery rate, yield, prepayment speed, conditional default rate, loss severity and price inputs used in estimating the fair value of credit derivatives were distributed across the range; and credit spreads were concentrated towards the lower end of the range.

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Level 3 inputs^(a)

December 31, 2017

Product/Instrument	Fair value (in millions)	Principal valuation technique	Unobservable inputs ^(e)	Range of input values	Weighted average
Residential mortgage-backed securities and loans ^(b)	\$ 1,418	Discounted cash flows	Yield	3% - 16%	6%
			Prepayment speed	0% - 13%	9%
			Conditional default rate	0% - 5%	1%
			Loss severity	0% - 84%	3%
Commercial mortgage-backed securities and loans ^(c)	714	Market comparables	Price	\$ 0 - \$100	\$94
Obligations of U.S. states and municipalities	744	Market comparables	Price	\$ 59 - \$100	\$98
Corporate debt securities	312	Market comparables	Price	\$ 3 - \$111	\$82
Loans ^(d)	1,242	Market comparables	Price	\$ 4 - \$103	\$84
Asset-backed securities	276	Discounted cash flows	Credit spread	204bps - 205bps	205bps
			Prepayment speed	20%	20%
			Conditional default rate	2%	2%
			Loss severity	30%	30%
	153	Market comparables	Price	\$ 2 - \$160	\$79
Net interest rate derivatives	28	Option pricing	Interest rate spread volatility	27bps - 38bps	
			Interest rate correlation	(50)% - 98%	
			IR-FX correlation	60% - 70%	
	236	Discounted cash flows	Prepayment speed	0% - 30%	
Net credit derivatives	(37)	Discounted cash flows	Credit correlation	40 % - 75%	
			Credit spread	6bps - 1,489bps	
			Recovery rate	20% - 70%	
			Yield	1% - 20%	
			Prepayment speed	4% - 21%	
			Conditional default rate	0% - 100%	
	2	Market comparables	Price	\$ 10 - \$98	
Net foreign exchange derivatives	(200)	Option pricing	IR-FX correlation	(50)% - 70%	
	(196)	Discounted cash flows	Prepayment speed	7%	
Net equity derivatives	(3,409)	Option pricing	Equity volatility	20% - 55%	
			Equity correlation	0 % - 85%	
			Equity-FX correlation	(50)% - 30%	
			Equity-IR correlation	10 % - 40%	
Net commodity derivatives	(674)	Option pricing	Forward commodity price	\$ 54 - \$68 per barrel	
			Commodity volatility	5 % - 46%	
			Commodity correlation	(40)% - 70%	
MSRs	6,030	Discounted cash flows	Refer to Note 15		
Other assets	984	Discounted cash flows	Credit spread	40bps - 70bps	55bps
			Yield	8% - 60%	47%
			EBITDA multiple	4.7x - 10.6x	8.9x
Long-term debt, short-term borrowings, and deposits ^(e)	21,932	Option pricing	Interest rate spread volatility	27bps - 38bps	
			Interest rate correlation	(50)% - 98%	
			IR-FX correlation	(50)% - 70%	
			Equity correlation	0% - 85%	
			Equity-FX correlation	(50)% - 30%	
			Equity-IR correlation	10% - 40%	
Other level 3 assets and liabilities, net ^(f)	283				

(a) The categories presented in the table have been aggregated based upon the product type, which may differ from their classification on the Consolidated balance sheets. Furthermore, the inputs presented for each valuation technique in the table are, in some cases, not applicable to every instrument valued using the technique as the characteristics of the instruments can differ.

- (b) Includes U.S. government agency securities of \$297 million, nonagency securities of \$61 million and trading loans of \$1.1 billion.
- (c) Includes U.S. government agency securities of \$10 million, nonagency securities of \$11 million, trading loans of \$417 million and non-trading loans of \$276 million.
- (d) Includes trading loans of \$1.2 billion.
- (e) Long-term debt, short-term borrowings and deposits include structured notes issued by the Firm that are predominantly financial instruments containing embedded derivatives. The estimation of the fair value of structured notes includes the derivative features embedded within the instrument. The significant unobservable inputs are broadly consistent with those presented for derivative receivables.
- (f) Includes level 3 assets and liabilities that are insignificant both individually and in aggregate.
- (g) Price is a significant unobservable input for certain instruments. When quoted market prices are not readily available, reliance is generally placed on price-based internal valuation techniques. The price input is expressed assuming a par value of \$100.

Changes in and ranges of unobservable inputs

The following discussion provides a description of the impact on a fair value measurement of a change in each unobservable input in isolation, and the interrelationship between unobservable inputs, where relevant and significant. The impact of changes in inputs may not be independent, as a change in one unobservable input may give rise to a change in another unobservable input. Where relationships do exist between two unobservable inputs, those relationships are discussed below. Relationships may also exist between observable and unobservable inputs (for example, as observable interest rates rise, unobservable prepayment rates decline); such relationships have not been included in the discussion below. In addition, for each of the individual relationships described below, the inverse relationship would also generally apply.

The following discussion also provides a description of attributes of the underlying instruments and external market factors that affect the range of inputs used in the valuation of the Firm's positions.

Yield – The yield of an asset is the interest rate used to discount future cash flows in a discounted cash flow calculation. An increase in the yield, in isolation, would result in a decrease in a fair value measurement.

Credit spread – The credit spread is the amount of additional annualized return over the market interest rate that a market participant would demand for taking exposure to the credit risk of an instrument. The credit spread for an instrument forms part of the discount rate used in a discounted cash flow calculation. Generally, an increase in the credit spread would result in a decrease in a fair value measurement.

The yield and the credit spread of a particular mortgage-backed security primarily reflect the risk inherent in the instrument. The yield is also impacted by the absolute level of the coupon paid by the instrument (which may not correspond directly to the level of inherent risk). Therefore, the range of yield and credit spreads reflects the range of risk inherent in various instruments owned by the Firm. The risk inherent in mortgage-backed securities is driven by the subordination of the security being valued and the characteristics of the underlying mortgages within the collateralized pool, including borrower FICO scores, LTV ratios for residential mortgages and the nature of the property and/or any tenants for commercial mortgages. For corporate debt securities, obligations of U.S. states and municipalities and other similar instruments, credit spreads reflect the credit quality of the obligor and the tenor of the obligation.

Prepayment speed – The prepayment speed is a measure of the voluntary unscheduled principal repayments of a prepayable obligation in a collateralized pool. Prepayment speeds generally decline as borrower delinquencies rise. An increase in prepayment speeds, in isolation, would result in a decrease in a fair value measurement of assets valued at a premium to par and an increase in a fair value measurement of assets valued at a discount to par.

Prepayment speeds may vary from collateral pool to collateral pool, and are driven by the type and location of the underlying borrower, and the remaining tenor of the obligation as well as the level and type (e.g., fixed or floating) of interest rate being paid by the borrower. Typically collateral pools with higher borrower credit quality have a higher prepayment rate than those with lower borrower credit quality, all other factors being equal.

Conditional default rate – The conditional default rate is a measure of the reduction in the outstanding collateral balance underlying a collateralized obligation as a result of defaults. While there is typically no direct relationship between conditional default rates and prepayment speeds, collateralized obligations for which the underlying collateral has high prepayment speeds will tend to have lower conditional default rates. An increase in conditional default rates would generally be accompanied by an increase in loss severity and an increase in credit spreads. An increase in the conditional default rate, in isolation, would result in a decrease in a fair value measurement. Conditional default rates reflect the quality of the collateral underlying a securitization and the structure of the securitization itself. Based on the types of securities owned in the Firm's market-making portfolios, conditional default rates are most typically at the lower end of the range presented.

Loss severity – The loss severity (the inverse concept is the recovery rate) is the expected amount of future realized losses resulting from the ultimate liquidation of a particular loan, expressed as the net amount of loss relative to the outstanding loan balance. An increase in loss severity is generally accompanied by an increase in conditional default rates. An increase in the loss severity, in isolation, would result in a decrease in a fair value measurement.

The loss severity applied in valuing a mortgage-backed security investment depends on factors relating to the underlying mortgages, including the LTV ratio, the nature of the lender's lien on the property and other instrument-specific factors.

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Correlation – Correlation is a measure of the relationship between the movements of two variables (e.g., how the change in one variable influences the change in the other). Correlation is a pricing input for a derivative product where the payoff is driven by one or more underlying risks. Correlation inputs are related to the type of derivative (e.g., interest rate, credit, equity and foreign exchange) due to the nature of the underlying risks. When parameters are positively correlated, an increase in one parameter will result in an increase in the other parameter. When parameters are negatively correlated, an increase in one parameter will result in a decrease in the other parameter. An increase in correlation can result in an increase or a decrease in a fair value measurement. Given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in a fair value measurement. The range of correlation inputs between risks within the same asset class are generally narrower than those between underlying risks across asset classes. In addition, the ranges of credit correlation inputs tend to be narrower than those affecting other asset classes.

The level of correlation used in the valuation of derivatives with multiple underlying risks depends on a number of factors including the nature of those risks. For example, the correlation between two credit risk exposures would be different than that between two interest rate risk exposures. Similarly, the tenor of the transaction may also impact the correlation input, as the relationship between the underlying risks may be different over different time periods. Furthermore, correlation levels are very much dependent on market conditions and could have a relatively wide range of levels within or across asset classes over time, particularly in volatile market conditions.

Volatility – Volatility is a measure of the variability in possible returns for an instrument, parameter or market index given how much the particular instrument, parameter or index changes in value over time. Volatility is a pricing input for options, including equity options, commodity options, and interest rate options. Generally, the higher the volatility of the underlying, the riskier the instrument. Given a long position in an option, an increase in volatility, in isolation, would generally result in an increase in a fair value measurement.

The level of volatility used in the valuation of a particular option-based derivative depends on a number of factors, including the nature of the risk underlying the option (e.g., the volatility of a particular equity security may be significantly different from that of a particular commodity index), the tenor of the derivative as well as the strike price of the option.

EBITDA multiple – EBITDA multiples refer to the input (often derived from the value of a comparable company) that is multiplied by the historic and/or expected earnings before interest, taxes, depreciation and amortization (“EBITDA”) of a company in order to estimate the company’s value. An increase in the EBITDA multiple, in isolation, net of adjustments, would result in an increase in a fair value measurement.

Changes in level 3 recurring fair value measurements

The following tables include a rollforward of the Consolidated balance sheets amounts (including changes in fair value) for financial instruments classified by the Firm within level 3 of the fair value hierarchy for the years ended December 31, 2017, 2016 and 2015. When a determination is made to classify a financial instrument within level 3, the determination is based on the significance of the unobservable parameters to the overall fair value measurement. However, level 3 financial instruments typically include, in addition to the unobservable or level 3 components, observable components (that is, components that are actively quoted and can be validated to external sources); accordingly, the gains and losses in the table below include changes in fair value due in part to observable factors that are part of the valuation methodology. Also, the Firm risk-manages the observable components of level 3 financial instruments using securities and derivative positions that are classified within level 1 or 2 of the fair value hierarchy; as these level 1 and level 2 risk management instruments are not included below, the gains or losses in the following tables do not reflect the effect of the Firm’s risk management activities related to such level 3 instruments.

Year ended December 31, 2017 (in millions)	Fair value measurements using significant unobservable inputs								Change in unrealized gains/(losses) related to financial instruments held at Dec. 31, 2017	
	Fair value at January 1, 2017	Total realized/ unrealized gains/ (losses)	Purchases ^(f)	Sales	Settlements ^(g)	Transfers into level 3 ^(h)	Transfers (out of) level 3 ^(h)	Fair value at Dec. 31, 2017		
Assets:										
Trading assets:										
Debt instruments:										
Mortgage-backed securities:										
U.S. government agencies	\$ 392	\$ (11)	\$ 161	\$ (171)	\$ (70)	\$ 49	\$ (43)	\$ 307	\$ (20)	
Residential - nonagency	83	19	53	(30)	(64)	132	(133)	60	11	
Commercial - nonagency	17	9	27	(44)	(13)	64	(49)	11	1	
Total mortgage-backed securities	492	17	241	(245)	(147)	245	(225)	378	(8)	
U.S. Treasury and government agencies	–	–	–	–	–	1	–	1	–	
Obligations of U.S. states and municipalities	649	18	152	(70)	(5)	–	–	744	15	
Non-U.S. government debt securities	46	–	559	(518)	–	62	(71)	78	–	
Corporate debt securities	576	11	872	(612)	(497)	157	(195)	312	18	
Loans	4,837	333	2,389	(2,832)	(1,323)	806	(1,491)	2,719	43	
Asset-backed securities	302	32	354	(356)	(56)	75	(198)	153	–	
Total debt instruments	6,902	411	4,567	(4,633)	(2,028)	1,346	(2,180)	4,385	68	
Equity securities	231	39	176	(148)	(4)	59	(58)	295	21	
Other	761	100	30	(46)	(162)	17	(10)	690	39	
Total trading assets - debt and equity instruments	7,894	550 ^(c)	4,773	(4,827)	(2,194)	1,422	(2,248)	5,370	128 ^(c)	
Net derivative receivables: ^(a)										
Interest rate	1,263	72	60	(82)	(1,040)	(8)	(1)	264	(473)	
Credit	98	(164)	1	(6)	–	77	(41)	(35)	32	
Foreign exchange	(1,384)	43	13	(10)	854	(61)	149	(396)	42	
Equity	(2,252)	(417)	1,116	(551)	(245)	(1,482)	422	(3,409)	(161)	
Commodity	(85)	(149)	–	–	(433)	(6)	(1)	(674)	(718)	
Total net derivative receivables	(2,360)	(615) ^(c)	1,190	(649)	(864)	(1,480)	528	(4,250)	(1,278) ^(c)	
Available-for-sale securities:										
Asset-backed securities	663	15	–	(50)	(352)	–	–	276	14	
Other	1	–	–	–	–	–	–	1	–	
Total available-for-sale securities	664	15 ^(d)	–	(50)	(352)	–	–	277	14 ^(d)	
Loans	570	35	–	(26)	(303)	–	–	276	3	
Mortgage servicing rights	6,096	(232)	1,103	(140)	(797)	–	–	6,030	(232)	
Other assets	2,223	244	66	(177)	(870)	–	(221)	1,265	74	

Year ended December 31, 2017 (in millions)	Fair value measurements using significant unobservable inputs								Change in unrealized (gains)/losses related to financial instruments held at Dec. 31, 2017	
	Fair value at January 1, 2017	Total realized/ unrealized (gains)/ losses	Purchases	Sales	Issuances	Settlements ^(g)	Transfers into level 3 ^(h)	Transfers (out of) level 3 ^(h)		Fair value at Dec. 31, 2017
Liabilities:^(b)										
Deposits	\$ 2,117	\$ 152	\$ –	\$ –	\$ 3,027	\$ (291)	\$ 11	\$ (874)	\$ 4,142	\$ 198
Federal funds purchased and securities loaned or sold under repurchase agreements	–	–	–	–	–	–	–	–	–	–
Short-term borrowings	1,134	42	–	–	3,289	(2,748)	150	(202)	1,665	7
Trading liabilities - debt and equity instruments	43	(3)	(46)	48	–	3	3	(9)	39	–
Accounts payable and other liabilities	13	(2)	(1)	–	–	3	–	–	13	(2)
Beneficial interests issued by consolidated VIEs	48	2	(122)	39	–	(6)	78	–	39	–
Long-term debt	12,850	1,067	–	–	12,458	(10,985)	1,660	(925)	16,125	552

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Year ended December 31, 2016 (in millions)	Fair value measurements using significant unobservable inputs							Fair value at Dec. 31, 2016	Change in unrealized gains/(losses) related to financial instruments held at Dec. 31, 2016	
	Fair value at January 1, 2016	Total realized/ unrealized gains/ (losses)	Purchases ^(f)	Sales	Settlements ^(g)	Transfers into level 3 ^(h)	Transfers (out of) level 3 ^(h)			
Assets:										
Trading assets:										
Debt instruments:										
Mortgage-backed securities:										
U.S. government agencies	\$ 715	\$ (20)	\$ 135	\$ (295)	\$ (115)	\$ 111	\$ (139)	\$ 392	\$ (36)	
Residential - nonagency	194	4	252	(319)	(20)	67	(95)	83	5	
Commercial - nonagency	115	(11)	69	(29)	(3)	173	(297)	17	3	
Total mortgage-backed securities	1,024	(27)	456	(643)	(138)	351	(531)	492	(28)	
Obligations of U.S. states and municipalities	651	19	149	(132)	(38)	—	—	649	—	
Non-U.S. government debt securities	74	(4)	91	(97)	(7)	19	(30)	46	(7)	
Corporate debt securities	736	2	445	(359)	(189)	148	(207)	576	(22)	
Loans	6,604	(343)	2,228	(2,598)	(1,311)	1,044	(787)	4,837	(169)	
Asset-backed securities	1,832	39	655	(712)	(968)	288	(832)	302	19	
Total debt instruments	10,921	(314)	4,024	(4,541)	(2,651)	1,850	(2,387)	6,902	(207)	
Equity securities	265	—	90	(108)	(40)	29	(5)	231	7	
Other	744	79	649	(287)	(360)	26	(90)	761	28	
Total trading assets - debt and equity instruments	11,930	(235) ^(c)	4,763	(4,936)	(3,051)	1,905	(2,482)	7,894	(172) ^(c)	
Net derivative receivables: ^(a)										
Interest rate	876	756	193	(57)	(713)	(14)	222	1,263	(144)	
Credit	549	(742)	10	(2)	211	36	36	98	(622)	
Foreign exchange	(725)	67	64	(124)	(649)	(48)	31	(1,384)	(350)	
Equity	(1,514)	(145)	277	(852)	213	94	(325)	(2,252)	(86)	
Commodity	(935)	194	1	10	645	8	(8)	(85)	(36)	
Total net derivative receivables	(1,749)	130 ^(c)	545	(1,025)	(293)	76	(44)	(2,360)	(1,238) ^(c)	
Available-for-sale securities:										
Asset-backed securities	823	1	—	—	(119)	—	(42)	663	1	
Other	1	—	—	—	—	—	—	1	—	
Total available-for-sale securities	824	1 ^(d)	—	—	(119)	—	(42)	664	1 ^(d)	
Loans	1,518	(49) ^(c)	259	(7)	(838)	—	(313)	570	— ^(c)	
Mortgage servicing rights	6,608	(163) ^(e)	679	(109)	(919)	—	—	6,096	(163) ^(e)	
Other assets	2,401	130 ^(c)	487	(496)	(299)	—	—	2,223	48 ^(c)	

Year ended December 31, 2016 (in millions)	Fair value measurements using significant unobservable inputs							Fair value at Dec. 31, 2016	Change in unrealized (gains)/losses related to financial instruments held at Dec. 31, 2016	
	Fair value at January 1, 2016	Total realized/ unrealized (gains)/ losses	Purchases	Sales	Issuances	Settlements ^(g)	Transfers into level 3 ^(h)			Transfers (out of) level 3 ^(h)
Liabilities:^(b)										
Deposits	\$ 2,950	\$ (56) ^(c)	\$ —	\$ —	\$ 1,375	\$ (1,283)	\$ —	\$ (869)	\$ 2,117	\$ 23 ^(c)
Federal funds purchased and securities loaned or sold under repurchase agreements	—	—	—	—	—	(2)	6	(4)	—	—
Short-term borrowings	639	(230) ^(c)	—	—	1,876	(1,210)	114	(55)	1,134	(70) ^(c)
Trading liabilities - debt and equity instruments	63	(12) ^(c)	(15)	23	—	(22)	13	(7)	43	(18) ^(c)
Accounts payable and other liabilities	19	—	—	—	—	(6)	—	—	13	—
Beneficial interests issued by consolidated VIEs	549	(31) ^(c)	—	—	143	(613)	—	—	48	6 ^(c)
Long-term debt	11,447 ⁽ⁱ⁾	147 ^{(c)(i)}	—	—	8,140 ⁽ⁱ⁾	(5,810)	315	(1,389)	12,850 ⁽ⁱ⁾	639 ^{(c)(i)}

Year ended December 31, 2015 (in millions)	Fair value measurements using significant unobservable inputs								Fair value at Dec. 31, 2015	Change in unrealized gains/(losses) related to financial instruments held at Dec. 31, 2015
	Fair value at January 1, 2015	Total realized/ unrealized gains/ (losses)	Purchases ^(f)	Sales	Settlements ^(g)	Transfers into level 3 ^(h)	Transfers (out of) level 3 ^(h)			
Assets:										
Trading assets:										
Debt instruments:										
Mortgage-backed securities:										
U.S. government agencies	\$ 922	\$ (28)	\$ 327	\$ (303)	\$ (132)	\$ 25	\$ (96)	\$ 715	\$ (27)	
Residential - nonagency	663	130	253	(611)	(23)	180	(398)	194	4	
Commercial - nonagency	306	(14)	246	(262)	(22)	117	(256)	115	(5)	
Total mortgage-backed securities	1,891	88	826	(1,176)	(177)	322	(750)	1,024	(28)	
Obligations of U.S. states and municipalities	1,273	14	352	(133)	(27)	5	(833)	651	(1)	
Non-U.S. government debt securities	302	9	205	(123)	(64)	16	(271)	74	(16)	
Corporate debt securities	2,989	(77)	1,171	(1,038)	(125)	179	(2,363)	736	2	
Loans	13,287	(174)	3,532	(4,661)	(3,112)	509	(2,777)	6,604	(181)	
Asset-backed securities	1,264	(41)	1,920	(1,229)	(35)	205	(252)	1,832	(32)	
Total debt instruments	21,006	(181)	8,006	(8,360)	(3,540)	1,236	(7,246)	10,921	(256)	
Equity securities	431	96	89	(193)	(26)	51	(183)	265	82	
Physical commodities	2	(2)	—	—	—	—	—	—	—	
Other	1,050	119	1,581	(1,313)	192	33	(918)	744	85	
Total trading assets - debt and equity instruments	22,489	32 ^(c)	9,676	(9,866)	(3,374)	1,320	(8,347)	11,930	(89) ^(c)	
Net derivative receivables: ^(a)										
Interest rate	626	962	513	(173)	(732)	6	(326)	876	263	
Credit	189	118	129	(136)	165	29	55	549	260	
Foreign exchange	(526)	657	19	(149)	(296)	36	(466)	(725)	49	
Equity	(1,785)	731	890	(1,262)	(158)	17	53	(1,514)	5	
Commodity	(565)	(856)	1	(24)	512	(30)	27	(935)	(41)	
Total net derivative receivables	(2,061)	1,612 ^(c)	1,552	(1,744)	(509)	58	(657)	(1,749)	536 ^(c)	
Available-for-sale securities:										
Asset-backed securities	908	(32)	51	(43)	(61)	—	—	823	(28)	
Other	129	—	—	—	(29)	—	(99)	1	—	
Total available-for-sale securities	1,037	(32) ^(d)	51	(43)	(90)	—	(99)	824	(28) ^(d)	
Loans	2,541	(133) ^(c)	1,290	(92)	(1,241)	—	(847)	1,518	(32) ^(c)	
Mortgage servicing rights	7,436	(405) ^(e)	985	(486)	(922)	—	—	6,608	(405) ^(e)	
Other assets	3,184	(29) ^(c)	346	(509)	(411)	—	(180)	2,401	(289) ^(c)	

Year ended December 31, 2015 (in millions)	Fair value measurements using significant unobservable inputs								Fair value at Dec. 31, 2015	Change in unrealized (gains)/losses related to financial instruments held at Dec. 31, 2015
	Fair value at January 1, 2015	Total realized/ unrealized (gains)/ losses	Purchases	Sales	Issuances	Settlements ^(g)	Transfers into level 3 ^(h)	Transfers (out of) level 3 ^(h)		
Liabilities:^(b)										
Deposits	\$ 2,859	\$ (39) ^(c)	\$ —	\$ —	\$ 1,993	\$ (850)	\$ —	\$ (1,013)	\$ 2,950	\$ (29) ^(c)
Short-term borrowings	1,453	(697) ^(c)	—	—	3,334	(2,963)	243	(731)	639	(57) ^(c)
Trading liabilities - debt and equity instruments	72	15 ^(c)	(163)	160	—	(17)	12	(16)	63	(4) ^(c)
Accounts payable and other liabilities	26	— ^(c)	—	—	—	(7)	—	—	19	—
Beneficial interests issued by consolidated VIEs	1,146	(82) ^(c)	—	—	286	(574)	—	(227)	549	(63) ^(c)
Long-term debt	11,877	(480) ^(c)	(58)	—	9,359	(6,465) ⁽ⁱ⁾	315	(3,101)	11,447 ⁽ⁱ⁾	385 ^{(c)(i)}

(a) All level 3 derivatives are presented on a net basis, irrespective of underlying counterparty.

Notes to consolidated financial statements

- (b) Level 3 liabilities as a percentage of total Firm liabilities accounted for at fair value (including liabilities measured at fair value on a nonrecurring basis) were 15%, 12% and 13% at December 31, 2017, 2016 and 2015, respectively.
- (c) Predominantly reported in principal transactions revenue, except for changes in fair value for CCB mortgage loans, and lending-related commitments originated with the intent to sell, and mortgage loan purchase commitments, which are reported in mortgage fees and related income.
- (d) Realized gains/(losses) on AFS securities, as well as other-than-temporary impairment (“OTTI”) losses that are recorded in earnings, are reported in securities gains. Unrealized gains/(losses) are reported in OCI. Realized gains/(losses) and foreign exchange hedge accounting adjustments recorded in income on AFS securities were zero, zero, and \$(7) million for the years ended December 31, 2017, 2016 and 2015, respectively. Unrealized gains/(losses) recorded on AFS securities in OCI were \$15 million, \$1 million and \$(25) million for the years ended December 31, 2017, 2016 and 2015, respectively.
- (e) Changes in fair value for CCB MSR are reported in mortgage fees and related income.
- (f) Loan originations are included in purchases
- (g) Includes financial assets and liabilities that have matured, been partially or fully repaid, impacts of modifications, and deconsolidation associated with beneficial interests in VIEs and other items.
- (h) All transfers into and/or out of level 3 are based on changes in the observability of the valuation inputs and are assumed to occur at the beginning of the quarterly reporting period in which they occur.
- (i) Realized (gains)/losses due to DVA for fair value option elected liabilities are reported in principal transactions revenue. Unrealized (gains)/losses are reported in OCI. Unrealized gains were \$48 million for the year ended December 31, 2017. There were no realized gains for the year ended December 31, 2017.
- (j) The prior period amounts have been revised to conform with the current period presentation.

Level 3 analysis

Consolidated balance sheets changes

Level 3 assets (including assets measured at fair value on a nonrecurring basis) were 0.8% of total Firm assets at December 31, 2017. The following describes significant changes to level 3 assets since December 31, 2016, for those items measured at fair value on a recurring basis. For further information on changes impacting items measured at fair value on a nonrecurring basis, see Assets and liabilities measured at fair value on a nonrecurring basis on page 172.

For the year ended December 31, 2017

Level 3 assets were \$19.2 billion at December 31, 2017, reflecting a decrease of \$4.0 billion from December 31, 2016, largely due to the following:

- \$2.5 billion decrease in trading assets – debt and equity instruments was predominantly driven by a decrease of \$2.1 billion in trading loans largely due to settlements, and a \$1.0 billion decrease in other assets due to settlements and transfers from level 3 to level 2 as a result of increased observability in certain valuation inputs

Gains and losses

The following describes significant components of total realized/unrealized gains/(losses) for instruments measured at fair value on a recurring basis for the years ended December 31, 2017, 2016 and 2015. For further information on these instruments, see Changes in level 3 recurring fair value measurements rollforward tables on pages 166-170.

2017

- \$1.3 billion of net losses on liabilities largely driven by market movements in long-term debt

2016

- There were no individually significant movements for the year ended December 31, 2016.

2015

- \$1.6 billion of net gains in interest rate, foreign exchange and equity derivative receivables largely due to market movements; partially offset by losses on commodity derivatives due to market movements
- \$1.3 billion of net gains in liabilities due to market movements

Credit and funding adjustments – derivatives

Derivatives are generally valued using models that use as their basis observable market parameters. These market parameters generally do not consider factors such as counterparty nonperformance risk, the Firm’s own credit quality, and funding costs. Therefore, it is generally necessary to make adjustments to the base estimate of fair value to reflect these factors.

CVA represents the adjustment, relative to the relevant benchmark interest rate, necessary to reflect counterparty nonperformance risk. The Firm estimates CVA using a scenario analysis to estimate the expected positive credit exposure across all of the Firm’s existing positions with each counterparty, and then estimates losses based on the probability of default and estimated recovery rate as a result of a counterparty credit event considering contractual factors designed to mitigate the Firm’s credit exposure, such as collateral and legal rights of offset. The key inputs to this methodology are (i) the probability of a default event occurring for each counterparty, as derived from observed or estimated CDS spreads; and (ii) estimated recovery rates implied by CDS spreads, adjusted to consider the differences in recovery rates as a derivative creditor relative to those reflected in CDS spreads, which generally reflect senior unsecured creditor risk.

FVA represents the adjustment to reflect the impact of funding and is recognized where there is evidence that a market participant in the principal market would incorporate it in a transfer of the instrument. The Firm’s FVA framework, applied to uncollateralized (including partially collateralized) over-the-counter (“OTC”) derivatives incorporates key inputs such as: (i) the expected funding requirements arising from the Firm’s positions with each counterparty and collateral arrangements; and (ii) the estimated market funding cost in the principal market which, for derivative liabilities, considers the Firm’s credit risk (DVA). For collateralized derivatives, the fair value is estimated by discounting expected future cash flows at the relevant overnight indexed swap rate given the underlying collateral agreement with the counterparty, and therefore a separate FVA is not necessary.

The following table provides the impact of credit and funding adjustments on principal transactions revenue in the respective periods, excluding the effect of any associated hedging activities. The FVA reported below include the impact of the Firm’s own credit quality on the inception value of liabilities as well as the impact of changes in the Firm’s own credit quality over time.

Year ended December 31, (in millions)	2017	2016	2015
Credit and funding adjustments:			
Derivatives CVA	\$ 802	\$ (84)	\$ 620
Derivatives FVA	(295)	7	73

Valuation adjustments on fair value option elected liabilities

The valuation of the Firm’s liabilities for which the fair value option has been elected requires consideration of the Firm’s own credit risk. DVA on fair value option elected liabilities reflects changes (subsequent to the issuance of the liability) in the Firm’s probability of default and LGD, which are estimated based on changes in the Firm’s credit spread observed in the bond market. Effective January 1, 2016, the effect of DVA on fair value option elected liabilities is recognized in OCI. See Note 23 for further information.

Notes to consolidated financial statements

Assets and liabilities measured at fair value on a nonrecurring basis

The following tables present the assets reported on a nonrecurring basis at fair value as of December 31, 2017 and 2016, by major product category and fair value hierarchy.

December 31, 2017 (in millions)	Fair value hierarchy			Total fair value
	Level 1	Level 2	Level 3	
Loans	\$ —	\$ 238	\$ 596 ^(a)	\$ 834
Other assets	—	283	183	466
Total assets measured at fair value on a nonrecurring basis	\$ —	\$ 521	\$ 779^(a)	\$ 1,300

December 31, 2016 (in millions)	Fair value hierarchy			Total fair value
	Level 1	Level 2	Level 3	
Loans	\$ —	\$ 730	\$ 590	\$ 1,320
Other assets	—	5	232	237
Total assets measured at fair value on a nonrecurring basis	\$ —	\$ 735	\$ 822	\$ 1,557

(a) Of the \$779 million in level 3 assets measured at fair value on a nonrecurring basis as of December 31, 2017, \$442 million related to residential real estate loans carried at the net realizable value of the underlying collateral (e.g., collateral-dependent loans and other loans charged off in accordance with regulatory guidance). These amounts are classified as level 3 as they are valued using a broker's price opinion and discounted based upon the Firm's experience with actual liquidation values. These discounts to the broker price opinions ranged from 13% to 48% with a weighted average of 27%.

There were no material liabilities measured at fair value on a nonrecurring basis at December 31, 2017 and 2016.

Nonrecurring fair value changes

The following table presents the total change in value of assets and liabilities for which a fair value adjustment has been recognized for the years ended December 31, 2017 2016 and 2015, related to financial instruments held at those dates.

December 31, (in millions)	2017	2016	2015
Loans	\$ (159)	\$ (209)	\$ (226)
Other Assets	(148)	37	(60)
Accounts payable and other liabilities	(1)	—	(8)
Total nonrecurring fair value gains/ (losses)	\$ (308)	\$ (172)	\$ (294)

For further information about the measurement of impaired collateral-dependent loans, and other loans where the carrying value is based on the fair value of the underlying collateral (e.g., residential mortgage loans charged off in accordance with regulatory guidance), see Note 12.

Additional disclosures about the fair value of financial instruments that are not carried on the Consolidated balance sheets at fair value

U.S. GAAP requires disclosure of the estimated fair value of certain financial instruments, and the methods and significant assumptions used to estimate their fair value. Financial instruments within the scope of these disclosure requirements are included in the following table. However, certain financial instruments and all nonfinancial instruments are excluded from the scope of these disclosure requirements. Accordingly, the fair value disclosures provided in the following table include only a partial estimate of the fair value of JPMorgan Chase's assets and liabilities. For example, the Firm has developed long-term relationships with its customers through its deposit base and credit card accounts, commonly referred to as core

deposit intangibles and credit card relationships. In the opinion of management, these items, in the aggregate, add significant value to JPMorgan Chase, but their fair value is not disclosed in this Note.

Financial instruments for which carrying value approximates fair value

Certain financial instruments that are not carried at fair value on the Consolidated balance sheets are carried at amounts that approximate fair value, due to their short-term nature and generally negligible credit risk. These instruments include cash and due from banks, deposits with banks, federal funds sold, securities purchased under resale agreements and securities borrowed, short-term receivables and accrued interest receivable, short-term borrowings, federal funds purchased, securities loaned and sold under repurchase agreements, accounts payable, and accrued liabilities. In addition, U.S. GAAP requires that the fair value of deposit liabilities with no stated maturity (i.e., demand, savings and certain money market deposits) be equal to their carrying value; recognition of the inherent funding value of these instruments is not permitted.

The following table presents by fair value hierarchy classification the carrying values and estimated fair values at December 31, 2017 and 2016, of financial assets and liabilities, excluding financial instruments that are carried at fair value on a recurring basis, and their classification within the fair value hierarchy. For additional information regarding the financial instruments within the scope of this disclosure, and the methods and significant assumptions used to estimate their fair value, see pages 156-159 of this Note.

(in billions)	December 31, 2017					December 31, 2016				
	Carrying value	Estimated fair value hierarchy			Total estimated fair value	Carrying value	Estimated fair value hierarchy			Total estimated fair value
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
Financial assets										
Cash and due from banks	\$ 25.8	\$ 25.8	\$ —	\$ —	\$ 25.8	\$ 23.9	\$ 23.9	\$ —	\$ —	\$ 23.9
Deposits with banks	404.3	401.8	2.5	—	404.3	365.8	362.0	3.8	—	365.8
Accrued interest and accounts receivable	67.0	—	67.0	—	67.0	52.3	—	52.2	0.1	52.3
Federal funds sold and securities purchased under resale agreements	183.7	—	183.7	—	183.7	208.5	—	208.3	0.2	208.5
Securities borrowed	102.1	—	102.1	—	102.1	96.4	—	96.4	—	96.4
Securities, held-to-maturity	47.7	—	48.7	—	48.7	50.2	—	50.9	—	50.9
Loans, net of allowance for loan losses ^{(a)(b)}	914.6	—	213.2	707.1	920.3	878.8	—	24.1	851.0	875.1
Other	62.9	—	52.9	16.5	69.4	71.4	0.1	60.8	14.3	75.2
Financial liabilities										
Deposits	\$ 1,422.7	\$ —	\$ 1,422.7	\$ —	\$ 1,422.7	\$ 1,361.3	\$ —	\$ 1,361.3	\$ —	\$ 1,361.3
Federal funds purchased and securities loaned or sold under repurchase agreements	158.2	—	158.2	—	158.2	165.0	—	165.0	—	165.0
Short-term borrowings	42.6	—	42.4	0.2	42.6	25.3	—	25.3	—	25.3
Accounts payable and other liabilities	152.0	—	148.9	2.9	151.8	148.0	—	144.8	3.4	148.2
Beneficial interests issued by consolidated VIEs	26.0	—	26.0	—	26.0	38.9	—	38.9	—	38.9
Long-term debt and junior subordinated deferrable interest debentures	236.6	—	240.3	3.2	243.5	257.5	—	260.0	2.0	262.0

- (a) Fair value is typically estimated using a discounted cash flow model that incorporates the characteristics of the underlying loans (including principal, contractual interest rate and contractual fees) and other key inputs, including expected lifetime credit losses, interest rates, prepayment rates, and primary origination or secondary market spreads. For certain loans, the fair value is measured based on the value of the underlying collateral. The difference between the estimated fair value and carrying value of a financial asset or liability is the result of the different methodologies used to determine fair value as compared with carrying value. For example, credit losses are estimated for a financial asset's remaining life in a fair value calculation but are estimated for a loss emergence period in the allowance for loan loss calculation; future loan income (interest and fees) is incorporated in a fair value calculation but is generally not considered in the allowance for loan losses. For a further discussion of the Firm's methodologies for estimating the fair value of loans and lending-related commitments, see Valuation hierarchy on pages 156-159.
- (b) For the year ended December 31, 2017, the Firm transferred certain residential mortgage loans from Level 3 to Level 2 as a result of an increase in observability.

The majority of the Firm's lending-related commitments are not carried at fair value on a recurring basis on the Consolidated balance sheets. The carrying value of the wholesale allowance for lending-related commitments and the estimated fair value of these wholesale lending-related commitments were as follows for the periods indicated.

(in billions)	December 31, 2017					December 31, 2016				
	Carrying value ^(a)	Estimated fair value hierarchy			Total estimated fair value	Carrying value ^(a)	Estimated fair value hierarchy			Total estimated fair value
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
Wholesale lending-related commitments	\$ 1.1	\$ —	\$ —	\$ 1.6	\$ 1.6	\$ 1.1	\$ —	\$ —	\$ 2.1	\$ 2.1

- (a) Excludes the current carrying values of the guarantee liability and the offsetting asset, each of which is recognized at fair value at the inception of the guarantees.

The Firm does not estimate the fair value of consumer lending-related commitments. In many cases, the Firm can reduce or cancel these commitments by providing the borrower notice or, in some cases as permitted by law, without notice. For a further discussion of the valuation of lending-related commitments, see page 157 of this Note.

Notes to consolidated financial statements

Note 3 – Fair value option

The fair value option provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments, and written loan commitments.

The Firm has elected to measure certain instruments at fair value for several reasons including to mitigate income statement volatility caused by the differences between the measurement basis of elected instruments (e.g., certain instruments elected were previously accounted for on an accrual basis) and the associated risk management arrangements that are accounted for on a fair value basis, as well as to better reflect those instruments that are managed on a fair value basis.

The Firm's election of fair value includes the following instruments:

- Loans purchased or originated as part of securitization warehousing activity, subject to bifurcation accounting, or managed on a fair value basis, including lending-related commitments
- Certain securities financing arrangements with an embedded derivative and/or a maturity of greater than one year
- Owned beneficial interests in securitized financial assets that contain embedded credit derivatives, which would otherwise be required to be separately accounted for as a derivative instrument
- Structured notes, which are predominantly financial instruments that contain embedded derivatives, that are issued as part of CIB's client-driven activities
- Certain long-term beneficial interests issued by CIB's consolidated securitization trusts where the underlying assets are carried at fair value

Changes in fair value under the fair value option election

The following table presents the changes in fair value included in the Consolidated statements of income for the years ended December 31, 2017, 2016 and 2015, for items for which the fair value option was elected. The profit and loss information presented below only includes the financial instruments that were elected to be measured at fair value; related risk management instruments, which are required to be measured at fair value, are not included in the table.

December 31, (in millions)	2017			2016			2015		
	Principal transactions	All other income	Total changes in fair value recorded	Principal transactions	All other income	Total changes in fair value recorded	Principal transactions	All other income	Total changes in fair value recorded
Federal funds sold and securities purchased under resale agreements	\$ (97)	\$ —	\$ (97)	\$ (76)	\$ —	\$ (76)	\$ (38)	\$ —	\$ (38)
Securities borrowed	50	—	50	1	—	1	(6)	—	(6)
Trading assets:									
Debt and equity instruments, excluding loans	1,943	2 ^(c)	1,945	120	(1) ^(c)	119	756	(10) ^(c)	746
Loans reported as trading assets:									
Changes in instrument-specific credit risk	330	14 ^(c)	344	461	43 ^(c)	504	138	41 ^(c)	179
Other changes in fair value	217	747 ^(c)	964	79	684 ^(c)	763	232	818 ^(c)	1,050
Loans:									
Changes in instrument-specific credit risk	(1)	—	(1)	13	—	13	35	—	35
Other changes in fair value	(12)	3 ^(c)	(9)	(7)	—	(7)	4	—	4
Other assets	11	(55) ^(d)	(44)	20	62 ^(d)	82	79	(1) ^(d)	78
Deposits ^(a)	(533)	—	(533)	(134)	—	(134)	93	—	93
Federal funds purchased and securities loaned or sold under repurchase agreements	11	—	11	19	—	19	8	—	8
Short-term borrowings ^(a)	(747)	—	(747)	(236)	—	(236)	1,996	—	1,996
Trading liabilities	(1)	—	(1)	6	—	6	(20)	—	(20)
Beneficial interests issued by consolidated VIEs	—	—	—	23	—	23	49	—	49
Long-term debt ^{(a)(b)}	(2,022)	—	(2,022)	(773)	—	(773)	1,388	—	1,388

(a) Unrealized gains/(losses) due to instrument-specific credit risk (DVA) for liabilities for which the fair value option has been elected is recorded in OCI, while realized gains/(losses) are recorded in principal transactions revenue. DVA for 2015 was included in principal transactions revenue, and includes the impact of the Firm's own credit quality on the inception value of liabilities as well as the impact of changes in the Firm's own credit quality subsequent to issuance. See Notes 2 and 23 for further information. Realized gains/(losses) due to instrument-specific credit risk recorded in principal transaction revenue were not material for the years ended December 31, 2017 and 2016.

(b) Long-term debt measured at fair value predominantly relates to structured notes. Although the risk associated with the structured notes is actively managed, the gains/(losses) reported in this table do not include the income statement impact of the risk management instruments used to manage such risk.

(c) Reported in mortgage fees and related income.

(d) Reported in other income.

Determination of instrument-specific credit risk for items for which a fair value election was made

The following describes how the gains and losses that are attributable to changes in instrument-specific credit risk, were determined.

- Loans and lending-related commitments: For floating-rate instruments, all changes in value are attributed to instrument-specific credit risk. For fixed-rate instruments, an allocation of the changes in value for the period is made between those changes in value that are interest rate-related and changes in value that are credit-related. Allocations are generally based on an analysis of borrower-specific credit spread and recovery information, where available, or benchmarking to similar entities or industries.

- Long-term debt: Changes in value attributable to instrument-specific credit risk were derived principally from observable changes in the Firm's credit spread.
- Resale and repurchase agreements, securities borrowed agreements and securities lending agreements: Generally, for these types of agreements, there is a requirement that collateral be maintained with a market value equal to or in excess of the principal amount loaned; as a result, there would be no adjustment or an immaterial adjustment for instrument-specific credit risk related to these agreements.

Notes to consolidated financial statements

Difference between aggregate fair value and aggregate remaining contractual principal balance outstanding

The following table reflects the difference between the aggregate fair value and the aggregate remaining contractual principal balance outstanding as of December 31, 2017 and 2016, for loans, long-term debt and long-term beneficial interests for which the fair value option has been elected.

December 31, (in millions)	2017			2016		
	Contractual principal outstanding	Fair value	Fair value over/ (under) contractual principal outstanding	Contractual principal outstanding	Fair value	Fair value over/ (under) contractual principal outstanding
Loans^(a)						
Nonaccrual loans						
Loans reported as trading assets	\$ 4,219	\$ 1,371	\$ (2,848)	\$ 3,338	\$ 748	\$ (2,590)
Loans	39	–	(39)	–	–	–
Subtotal	4,258	1,371	(2,887)	3,338	748	(2,590)
All other performing loans						
Loans reported as trading assets	38,157	36,590	(1,567)	35,477	33,054	(2,423)
Loans	2,539	2,508	(31)	2,259	2,228	(31)
Total loans	\$ 44,954	\$ 40,469	\$ (4,485)	\$ 41,074	\$ 36,030	\$ (5,044)
Long-term debt						
Principal-protected debt	\$ 26,297 ^(c)	\$ 23,848	\$ (2,449)	\$ 21,602 ^(c)	\$ 19,195	\$ (2,407)
Nonprincipal-protected debt ^(b)	NA	23,671	NA	NA	18,491	NA
Total long-term debt	NA	\$ 47,519	NA	NA	\$ 37,686	NA
Long-term beneficial interests						
Nonprincipal-protected debt	NA	\$ 45	NA	NA	\$ 120	NA
Total long-term beneficial interests	NA	\$ 45	NA	NA	\$ 120	NA

(a) There were no performing loans that were ninety days or more past due as of December 31, 2017 and 2016.

(b) Remaining contractual principal is not applicable to nonprincipal-protected notes. Unlike principal-protected structured notes, for which the Firm is obligated to return a stated amount of principal at the maturity of the note, nonprincipal-protected structured notes do not obligate the Firm to return a stated amount of principal at maturity, but to return an amount based on the performance of an underlying variable or derivative feature embedded in the note. However, investors are exposed to the credit risk of the Firm as issuer for both nonprincipal-protected and principal protected notes.

(c) Where the Firm issues principal-protected zero-coupon or discount notes, the balance reflects the contractual principal payment at maturity or, if applicable, the contractual principal payment at the Firm's next call date.

At December 31, 2017 and 2016, the contractual amount of lending-related commitments for which the fair value option was elected was \$7.4 billion and \$4.6 billion respectively, with a corresponding fair value of \$(76) million and \$(118) million, respectively. For further information regarding off-balance sheet lending-related financial instruments, see Note 27.

Structured note products by balance sheet classification and risk component

The following table presents the fair value of the structured notes issued by the Firm, by balance sheet classification and the primary risk type.

(in millions)	December 31, 2017				December 31, 2016			
	Long-term debt	Short-term borrowings	Deposits	Total	Long-term debt	Short-term borrowings	Deposits	Total
Risk exposure								
Interest rate	\$ 22,056	\$ 69	\$ 8,058	\$ 30,183	\$ 16,296	\$ 184	\$ 4,296	\$ 20,776
Credit	4,329	1,312	—	5,641	3,267	225	—	3,492
Foreign exchange	2,841	147	38	3,026	2,365	135	6	2,506
Equity	17,581	7,106	6,548	31,235	14,831	8,234	5,481	28,546
Commodity	230	15	4,468	4,713	488	37	1,811	2,336
Total structured notes	\$ 47,037	\$ 8,649	\$ 19,112	\$ 74,798	\$ 37,247	\$ 8,815	\$ 11,594	\$ 57,656

Note 4 – Credit risk concentrations

Concentrations of credit risk arise when a number of clients, counterparties or customers are engaged in similar business activities or activities in the same geographic region, or when they have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions.

JPMorgan Chase regularly monitors various segments of its credit portfolios to assess potential credit risk concentrations and to obtain additional collateral when deemed necessary and permitted under the Firm's agreements. Senior management is significantly involved in the credit approval and review process, and risk levels are adjusted as needed to reflect the Firm's risk appetite.

In the Firm's consumer portfolio, concentrations are evaluated primarily by product and by U.S. geographic region, with a key focus on trends and concentrations at the portfolio level, where potential credit risk concentrations can be remedied through changes in underwriting policies and portfolio guidelines. In the wholesale portfolio, credit risk concentrations are evaluated primarily by industry and monitored regularly on both an aggregate portfolio level and on an individual client or counterparty basis. The Firm's wholesale exposure is managed through loan syndications and participations, loan sales, securitizations, credit derivatives, master netting agreements, collateral and other risk-reduction techniques. For additional information on loans, see Note 12.

The Firm does not believe that its exposure to any particular loan product (e.g., option ARMs), or industry segment (e.g., real estate), or its exposure to residential real estate loans with high LTV ratios, results in a significant concentration of credit risk.

Terms of loan products and collateral coverage are included in the Firm's assessment when extending credit and establishing its allowance for loan losses.

Notes to consolidated financial statements

The table below presents both on-balance sheet and off-balance sheet consumer and wholesale-related credit exposure by the Firm's three credit portfolio segments as of December 31, 2017 and 2016.

In 2017 the Firm revised its methodology for the assignment of industry classifications, to better monitor and manage concentrations. This largely resulted in the re-assignment of holding companies from Other to the industry of risk category based on the primary business activity of the holding company's underlying entities. In the tables and industry discussions below, the prior period amounts have been revised to conform with the current period presentation.

December 31, (in millions)	2017				2016			
	Credit exposure ^(f)	On-balance sheet		Off-balance sheet ^(g)	Credit exposure	On-balance sheet		Off-balance sheet ^(g)
		Loans	Derivatives			Loans	Derivatives	
Consumer, excluding credit card	\$ 421,234	\$ 372,681	\$ –	\$ 48,553	\$ 417,891	\$ 364,644	\$ –	\$ 53,247 ^(h)
Receivables from customers ^(a)	133	–	–	–	120	–	–	–
Total Consumer, excluding credit card	421,367	372,681	–	48,553	418,011	364,644	–	53,247 ^(h)
Credit Card	722,342	149,511	–	572,831	695,707	141,816	–	553,891
Total consumer-related	1,143,709	522,192	–	621,384	1,113,718	506,460	–	607,138 ^(h)
Wholesale-related^(b)								
Real Estate	139,409	113,648	153	25,608	134,287	105,802	207	28,278
Consumer & Retail	87,679	31,044	1,114	55,521	84,804	29,929	1,082	53,793
Technology, Media & Telecommunications	59,274	13,665	2,265	43,344	63,324	14,063	1,293	47,968
Healthcare	55,997	16,273	2,191	37,533	49,445	15,545	2,280	31,620
Industrials	55,272	18,161	1,163	35,948	55,733	17,295	1,658	36,780
Banks & Finance Cos	49,037	25,879	6,816	16,342	48,393	22,714	12,257	13,422
Oil & Gas	41,317	12,621	1,727	26,969	40,367	13,253	1,878	25,236
Asset Managers	32,531	11,480	7,998	13,053	33,201	10,339	10,820	12,042
Utilities	29,317	6,187	2,084	21,046	29,672	7,208	888	21,576
State & Municipal Govt ^(c)	28,633	12,134	2,888	13,611	28,263	12,416	2,096	13,751
Central Govt	19,182	3,375	13,937	1,870	20,408	3,964	14,235	2,209
Chemicals & Plastics	15,945	5,654	208	10,083	15,043	5,292	271	9,480
Transportation	15,797	6,733	977	8,087	19,096	8,996	751	9,349
Automotive	14,820	4,903	342	9,575	16,736	4,964	1,196	10,576
Metals & Mining	14,171	4,728	702	8,741	13,419	4,350	439	8,630
Insurance	14,089	1,411	2,804	9,874	13,510	1,119	3,382	9,009
Financial Markets Infrastructure	5,036	351	3,499	1,186	8,732	347	3,884	4,501
Securities Firms	4,113	952	1,692	1,469	4,211	1,059	1,913	1,239
All other ^(d)	147,900	113,699	3,963	30,238	137,238	105,135	3,548	28,555
Subtotal	829,519	402,898	56,523	370,098	815,882	383,790	64,078	368,014
Loans held-for-sale and loans at fair value	5,607	5,607	–	–	4,515	4,515	–	–
Receivables from customers and other ^(a)	26,139	–	–	–	17,440	–	–	–
Total wholesale-related	861,265	408,505	56,523	370,098	837,837	388,305	64,078	368,014
Total exposure^{(e)(f)}	\$ 2,004,974	\$ 930,697	\$ 56,523	\$ 991,482	\$ 1,951,555	\$ 894,765	\$ 64,078	\$ 975,152 ^(h)

(a) Receivables from customers primarily represent held-for-investment margin loans to brokerage customers (Prime Services in CIB, AWM and CCB) that are collateralized through assets maintained in the clients' brokerage accounts, as such no allowance is held against these receivables. These receivables are reported within accrued interest and accounts receivable on the Firm's Consolidated balance sheets.

(b) The industry rankings presented in the table as of December 31, 2016, are based on the industry rankings of the corresponding exposures at December 31, 2017, not actual rankings of such exposures at December 31, 2016.

(c) In addition to the credit risk exposure to states and municipal governments (both U.S. and non-U.S.) at December 31, 2017 and 2016, noted above, the Firm held: \$9.8 billion and \$9.1 billion, respectively, of trading securities; \$32.3 billion and \$31.6 billion, respectively, of AFS securities; and \$14.4 billion and \$14.5 billion, respectively, of HTM securities, issued by U.S. state and municipal governments. For further information, see Note 2 and Note 10.

(d) All other includes: individuals; SPEs; and private education and civic organizations. For more information on exposures to SPEs, see Note 14.

(e) Excludes cash placed with banks of \$421.0 billion and \$380.2 billion, at December 31, 2017 and 2016, respectively, which is predominantly placed with various central banks, primarily Federal Reserve Banks.

(f) Credit exposure is net of risk participations and excludes the benefit of credit derivatives used in credit portfolio management activities held against derivative receivables or loans and liquid securities and other cash collateral held against derivative receivables.

(g) Represents lending-related financial instruments.

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

Note 5 – Derivative instruments

Derivative contracts derive their value from underlying asset prices, indices, reference rates, other inputs or a combination of these factors and may expose counterparties to risks and rewards of an underlying asset or liability without having to initially invest in, own or exchange the asset or liability. JPMorgan Chase makes markets in derivatives for clients and also uses derivatives to hedge or manage its own risk exposures. Predominantly all of the Firm's derivatives are entered into for market-making or risk management purposes.

Market-making derivatives

The majority of the Firm's derivatives are entered into for market-making purposes. Clients use derivatives to mitigate or modify interest rate, credit, foreign exchange, equity and commodity risks. The Firm actively manages the risks from its exposure to these derivatives by entering into other derivative transactions or by purchasing or selling other financial instruments that partially or fully offset the exposure from client derivatives.

Risk management derivatives

The Firm manages certain market and credit risk exposures using derivative instruments, including derivatives in hedge accounting relationships and other derivatives that are used to manage risks associated with specified assets and liabilities.

Interest rate contracts are used to minimize fluctuations in earnings that are caused by changes in interest rates. Fixed-rate assets and liabilities appreciate or depreciate in market value as interest rates change. Similarly, interest income and expense increases or decreases as a result of variable-rate assets and liabilities resetting to current market rates, and as a result of the repayment and subsequent origination or issuance of fixed-rate assets and liabilities at current market rates. Gains or losses on the derivative instruments that are related to such assets and liabilities are expected to substantially offset this variability in earnings. The Firm generally uses interest rate swaps, forwards and futures to manage the impact of interest rate fluctuations on earnings.

Foreign currency forward contracts are used to manage the foreign exchange risk associated with certain foreign currency-denominated (i.e., non-U.S. dollar) assets and liabilities and forecasted transactions, as well as the Firm's net investments in certain non-U.S. subsidiaries or branches whose functional currencies are not the U.S. dollar. As a result of fluctuations in foreign currencies, the U.S. dollar-equivalent values of the foreign currency-denominated assets and liabilities or the forecasted revenues or expenses increase or decrease. Gains or losses on the derivative instruments related to these foreign currency-denominated assets or liabilities, or forecasted transactions, are expected to substantially offset this variability.

Commodities contracts are used to manage the price risk of certain commodities inventories. Gains or losses on these derivative instruments are expected to substantially offset the depreciation or appreciation of the related inventory.

Credit derivatives are used to manage the counterparty credit risk associated with loans and lending-related commitments. Credit derivatives compensate the purchaser when the entity referenced in the contract experiences a credit event, such as bankruptcy or a failure to pay an obligation when due. Credit derivatives primarily consist of CDS. For a further discussion of credit derivatives, see the discussion in the Credit derivatives section on pages 189–191 of this Note.

For more information about risk management derivatives, see the risk management derivatives gains and losses table on page 189 of this Note, and the hedge accounting gains and losses tables on pages 187–189 of this Note.

Derivative counterparties and settlement types

The Firm enters into OTC derivatives, which are negotiated and settled bilaterally with the derivative counterparty. The Firm also enters into, as principal, certain ETD such as futures and options, and OTC-cleared derivative contracts with CCPs. ETD contracts are generally standardized contracts traded on an exchange and cleared by the CCP, which is the Firm's counterparty from the inception of the transactions. OTC-cleared derivatives are traded on a bilateral basis and then novated to the CCP for clearing.

Derivative clearing services

The Firm provides clearing services for clients in which the Firm acts as a clearing member at certain derivative exchanges and clearing houses. The Firm does not reflect the clients' derivative contracts in its Consolidated Financial Statements. For further information on the Firm's clearing services, see Note 27.

Accounting for derivatives

All free-standing derivatives that the Firm executes for its own account are required to be recorded on the Consolidated balance sheets at fair value.

As permitted under U.S. GAAP, the Firm nets derivative assets and liabilities, and the related cash collateral receivables and payables, when a legally enforceable master netting agreement exists between the Firm and the derivative counterparty. For further discussion of the offsetting of assets and liabilities, see Note 1. The accounting for changes in value of a derivative depends on whether or not the transaction has been designated and qualifies for hedge accounting. Derivatives that are not designated as hedges are reported and measured at fair value through earnings. The tabular disclosures on pages 183–189 of this Note provide additional information on the amount of, and reporting for, derivative assets, liabilities, gains and losses. For further discussion of derivatives embedded in structured notes, see Notes 2 and 3.

Notes to consolidated financial statements

Derivatives designated as hedges

The Firm applies hedge accounting to certain derivatives executed for risk management purposes – generally interest rate, foreign exchange and commodity derivatives. However, JPMorgan Chase does not seek to apply hedge accounting to all of the derivatives involved in the Firm's risk management activities. For example, the Firm does not apply hedge accounting to purchased CDS used to manage the credit risk of loans and lending-related commitments, because of the difficulties in qualifying such contracts as hedges. For the same reason, the Firm does not apply hedge accounting to certain interest rate, foreign exchange, and commodity derivatives used for risk management purposes.

To qualify for hedge accounting, a derivative must be highly effective at reducing the risk associated with the exposure being hedged. In addition, for a derivative to be designated as a hedge, the risk management objective and strategy must be documented. Hedge documentation must identify the derivative hedging instrument, the asset or liability or forecasted transaction and type of risk to be hedged, and how the effectiveness of the derivative is assessed prospectively and retrospectively. To assess effectiveness, the Firm uses statistical methods such as regression analysis, as well as nonstatistical methods including dollar-value comparisons of the change in the fair value of the derivative to the change in the fair value or cash flows of the hedged item. The extent to which a derivative has been, and is expected to continue to be, effective at offsetting changes in the fair value or cash flows of the hedged item must be assessed and documented at least quarterly. Any hedge ineffectiveness (i.e., the amount by which the gain or loss on the designated derivative instrument does not exactly offset the change in the hedged item attributable to the hedged risk) must be reported in current-period earnings. If it is determined that a derivative is not highly effective at hedging the designated exposure, hedge accounting is discontinued.

There are three types of hedge accounting designations: fair value hedges, cash flow hedges and net investment hedges. JPMorgan Chase uses fair value hedges primarily to hedge fixed-rate long-term debt, AFS securities and certain commodities inventories. For qualifying fair value hedges, the changes in the fair value of the derivative, and in the value of the hedged item for the risk being hedged, are recognized in earnings. If the hedge relationship is terminated, then the adjustment to the hedged item continues to be reported as part of the basis of the hedged item, and for benchmark interest rate hedges, is amortized to earnings as a yield adjustment. Derivative amounts affecting earnings are recognized consistent with the classification of the hedged item – primarily net interest income and principal transactions revenue.

JPMorgan Chase uses cash flow hedges primarily to hedge the exposure to variability in forecasted cash flows from floating-rate assets and liabilities and foreign currency-denominated revenue and expense. For qualifying cash flow hedges, the effective portion of the change in the fair value of the derivative is recorded in OCI and recognized in the Consolidated statements of income when the hedged cash flows affect earnings. Derivative amounts affecting earnings are recognized consistent with the classification of the hedged item – primarily interest income, interest expense, noninterest revenue and compensation expense. The ineffective portions of cash flow hedges are immediately recognized in earnings. If the hedge relationship is terminated, then the value of the derivative recorded in AOCI is recognized in earnings when the cash flows that were hedged affect earnings. For hedge relationships that are discontinued because a forecasted transaction is not expected to occur according to the original hedge forecast, any related derivative values recorded in AOCI are immediately recognized in earnings.

JPMorgan Chase uses net investment hedges to protect the value of the Firm's net investments in certain non-U.S. subsidiaries or branches whose functional currencies are not the U.S. dollar. For foreign currency qualifying net investment hedges, changes in the fair value of the derivatives are recorded in the translation adjustments account within AOCI.

The following table outlines the Firm's primary uses of derivatives and the related hedge accounting designation or disclosure category.

Type of Derivative	Use of Derivative	Designation and disclosure	Affected segment or unit	Page reference
Manage specifically identified risk exposures in qualifying hedge accounting relationships:				
• Interest rate	Hedge fixed rate assets and liabilities	Fair value hedge	Corporate	187
• Interest rate	Hedge floating-rate assets and liabilities	Cash flow hedge	Corporate	188
• Foreign exchange	Hedge foreign currency-denominated assets and liabilities	Fair value hedge	Corporate	187
• Foreign exchange	Hedge foreign currency-denominated forecasted revenue and expense	Cash flow hedge	Corporate	188
• Foreign exchange	Hedge the value of the Firm's investments in non-U.S. dollar functional currency entities	Net investment hedge	Corporate	189
• Commodity	Hedge commodity inventory	Fair value hedge	CIB	187
Manage specifically identified risk exposures not designated in qualifying hedge accounting relationships:				
• Interest rate	Manage the risk of the mortgage pipeline, warehouse loans and MSRs	Specified risk management	CCB	189
• Credit	Manage the credit risk of wholesale lending exposures	Specified risk management	CIB	189
• Commodity	Manage the risk of certain commodities-related contracts and investments	Specified risk management	CIB	189
• Interest rate and foreign exchange	Manage the risk of certain other specified assets and liabilities	Specified risk management	Corporate	189
Market-making derivatives and other activities:				
• Various	Market-making and related risk management	Market-making and other	CIB	189
• Various	Other derivatives	Market-making and other	CIB, Corporate	189

Notes to consolidated financial statements

Notional amount of derivative contracts

The following table summarizes the notional amount of derivative contracts outstanding as of December 31, 2017 and 2016.

December 31, (in billions)	Notional amounts ^(b)	
	2017	2016
Interest rate contracts		
Swaps	\$ 21,043	\$ 22,000
Futures and forwards	4,904	5,289
Written options	3,576	3,091
Purchased options	3,987	3,482
Total interest rate contracts	33,510	33,862
Credit derivatives^(a)	1,522	2,032
Foreign exchange contracts		
Cross-currency swaps	3,953	3,359
Spot, futures and forwards	5,923	5,341
Written options	786	734
Purchased options	776	721
Total foreign exchange contracts	11,438	10,155
Equity contracts		
Swaps	367	258
Futures and forwards	90	59
Written options	531	417
Purchased options	453	345
Total equity contracts	1,441	1,079
Commodity contracts		
Swaps	116	102
Spot, futures and forwards	168	130
Written options	98	83
Purchased options	93	94
Total commodity contracts	475	409
Total derivative notional amounts	\$ 48,386	\$ 47,537

(a) For more information on volumes and types of credit derivative contracts, see the Credit derivatives discussion on pages 189-191.

(b) Represents the sum of gross long and gross short third-party notional derivative contracts.

While the notional amounts disclosed above give an indication of the volume of the Firm's derivatives activity, the notional amounts significantly exceed, in the Firm's view, the possible losses that could arise from such transactions. For most derivative transactions, the notional amount is not exchanged; it is used simply as a reference to calculate payments.

Impact of derivatives on the Consolidated balance sheets

The following table summarizes information on derivative receivables and payables (before and after netting adjustments) that are reflected on the Firm's Consolidated balance sheets as of December 31, 2017 and 2016, by accounting designation (e.g., whether the derivatives were designated in qualifying hedge accounting relationships or not) and contract type.

Gross derivative balances as of December 31, 2017, reflect the Firm's adoption of rulebook changes made by two CCPs, that require or allow the Firm to treat certain OTC-cleared derivative transactions with that CCP as settled each day. If such rulebook changes had been in effect as of December 31, 2016, the impact would have been a reduction in gross derivative receivables and payables of \$227.1 billion and \$224.7 billion, respectively, and a corresponding decrease in amounts netted, with no impact to the Consolidated balance sheets.

Free-standing derivative receivables and payables^(a)

December 31, 2017 (in millions)	Gross derivative receivables			Net derivative receivables ^(b)	Gross derivative payables			Net derivative payables ^(b)
	Not designated as hedges	Designated as hedges	Total derivative receivables		Not designated as hedges	Designated as hedges	Total derivative payables	
Trading assets and liabilities								
Interest rate	\$ 313,276	\$ 2,716	\$ 315,992	\$ 24,673	\$ 283,092	\$ 1,344	\$ 284,436	\$ 7,129
Credit	23,205	–	23,205	869	23,252	–	23,252	1,299
Foreign exchange	159,740	491	160,231	16,151	154,601	1,221	155,822	12,473
Equity	40,040	–	40,040	7,882	45,395	–	45,395	9,192
Commodity	20,066	19	20,085	6,948	21,498	403	21,901	7,684
Total fair value of trading assets and liabilities	\$ 556,327	\$ 3,226	\$ 559,553	\$ 56,523	\$ 527,838	\$ 2,968	\$ 530,806	\$ 37,777

December 31, 2016 (in millions)	Gross derivative receivables			Net derivative receivables ^(b)	Gross derivative payables			Net derivative payables ^(b)
	Not designated as hedges	Designated as hedges	Total derivative receivables		Not designated as hedges	Designated as hedges	Total derivative payables	
Trading assets and liabilities								
Interest rate	\$ 601,557	\$ 4,406	\$ 605,963	\$ 28,302	\$ 567,894	\$ 2,884	\$ 570,778	\$ 10,815
Credit	29,645	–	29,645	1,294	28,666	–	28,666	1,411
Foreign exchange	232,137	1,289	233,426	23,271	233,823	1,148	234,971	20,508
Equity	34,940	–	34,940	4,939	38,362	–	38,362	8,140
Commodity	18,505	137	18,642	6,272	20,283	179	20,462	8,357
Total fair value of trading assets and liabilities	\$ 916,784	\$ 5,832	\$ 922,616	\$ 64,078	\$ 889,028	\$ 4,211	\$ 893,239	\$ 49,231

(a) Balances exclude structured notes for which the fair value option has been elected. See Note 3 for further information.

(b) As permitted under U.S. GAAP, the Firm has elected to net derivative receivables and derivative payables and the related cash collateral receivables and payables when a legally enforceable master netting agreement exists.

Notes to consolidated financial statements

Derivatives netting

The following tables present, as of December 31, 2017 and 2016, gross and net derivative receivables and payables by contract and settlement type. Derivative receivables and payables, as well as the related cash collateral from the same counterparty, have been netted on the Consolidated balance sheets where the Firm has obtained an appropriate legal opinion with respect to the master netting agreement. Where such a legal opinion has not been either sought or obtained, amounts are not eligible for netting on the Consolidated balance sheets, and those derivative receivables and payables are shown separately in the tables below.

In addition to the cash collateral received and transferred that is presented on a net basis with derivative receivables and payables, the Firm receives and transfers additional collateral (financial instruments and cash). These amounts mitigate counterparty credit risk associated with the Firm's derivative instruments, but are not eligible for net presentation:

- collateral that consists of non-cash financial instruments (generally U.S. government and agency securities and other G7 government securities) and cash collateral held at third party custodians, which are shown separately as "Collateral not nettable on the Consolidated balance sheets" in the tables below, up to the fair value exposure amount.
- the amount of collateral held or transferred that exceeds the fair value exposure at the individual counterparty level, as of the date presented, which is excluded from the tables below; and
- collateral held or transferred that relates to derivative receivables or payables where an appropriate legal opinion has not been either sought or obtained with respect to the master netting agreement, which is excluded from the tables below.

December 31, (in millions)	2017			2016		
	Gross derivative receivables	Amounts netted on the Consolidated balance sheets	Net derivative receivables	Gross derivative receivables	Amounts netted on the Consolidated balance sheets	Net derivative receivables
U.S. GAAP nettable derivative receivables						
Interest rate contracts:						
Over-the-counter ("OTC")	\$ 305,569	\$ (284,917)	\$ 20,652	\$ 365,227	\$ (342,173)	\$ 23,054
OTC-cleared	6,531	(6,318)	213	235,399	(235,261)	138
Exchange-traded ^(a)	185	(84)	101	241	(227)	14
Total interest rate contracts	312,285	(291,319)	20,966	600,867	(577,661)	23,206
Credit contracts:						
OTC	15,390	(15,165)	225	23,130	(22,612)	518
OTC-cleared	7,225	(7,170)	55	5,746	(5,739)	7
Total credit contracts	22,615	(22,335)	280	28,876	(28,351)	525
Foreign exchange contracts:						
OTC	155,289	(142,420)	12,869	226,271	(208,962)	17,309
OTC-cleared	1,696	(1,654)	42	1,238	(1,165)	73
Exchange-traded ^(a)	141	(7)	134	104	(27)	77
Total foreign exchange contracts	157,126	(144,081)	13,045	227,613	(210,154)	17,459
Equity contracts:						
OTC	22,024	(19,917)	2,107	20,868	(20,570)	298
Exchange-traded ^(a)	14,188	(12,241)	1,947	11,439	(9,431)	2,008
Total equity contracts	36,212	(32,158)	4,054	32,307	(30,001)	2,306
Commodity contracts:						
OTC	10,903	(4,436)	6,467	11,571	(5,605)	5,966
Exchange-traded ^(a)	8,854	(8,701)	153	6,794	(6,766)	28
Total commodity contracts	19,757	(13,137)	6,620	18,365	(12,371)	5,994
Derivative receivables with appropriate legal opinion	547,995	(503,030)^(b)	44,965	908,028	(858,538)^(b)	49,490
Derivative receivables where an appropriate legal opinion has not been either sought or obtained	11,558		11,558	14,588		14,588
Total derivative receivables recognized on the Consolidated balance sheets	\$ 559,553		\$ 56,523	\$ 922,616		\$ 64,078
Collateral not nettable on the Consolidated balance sheets^{(c)(d)}			(13,363)			(18,638)
Net amounts			\$ 43,160			\$ 45,440

December 31, (in millions)	2017			2016		
	Gross derivative payables	Amounts netted on the Consolidated balance sheets	Net derivative payables	Gross derivative payables	Amounts netted on the Consolidated balance sheets	Net derivative payables
U.S. GAAP nettable derivative payables						
Interest rate contracts:						
OTC	\$ 276,960	\$ (271,294)	\$ 5,666	\$ 338,502	\$ (329,325)	\$ 9,177
OTC-cleared	6,004	(5,928)	76	230,464	(230,463)	1
Exchange-traded ^(a)	127	(84)	43	196	(175)	21
Total interest rate contracts	283,091	(277,306)	5,785	569,162	(559,963)	9,199
Credit contracts:						
OTC	16,194	(15,170)	1,024	22,366	(21,614)	752
OTC-cleared	6,801	(6,784)	17	5,641	(5,641)	–
Total credit contracts	22,995	(21,954)	1,041	28,007	(27,255)	752
Foreign exchange contracts:						
OTC	150,966	(141,789)	9,177	228,300	(213,296)	15,004
OTC-cleared	1,555	(1,553)	2	1,158	(1,158)	–
Exchange-traded ^(a)	98	(7)	91	328	(9)	319
Total foreign exchange contracts	152,619	(143,349)	9,270	229,786	(214,463)	15,323
Equity contracts:						
OTC	28,193	(23,969)	4,224	24,688	(20,808)	3,880
Exchange-traded ^(a)	12,720	(12,234)	486	10,004	(9,414)	590
Total equity contracts	40,913	(36,203)	4,710	34,692	(30,222)	4,470
Commodity contracts:						
OTC	12,645	(5,508)	7,137	12,885	(5,252)	7,633
Exchange-traded ^(a)	8,870	(8,709)	161	7,099	(6,853)	246
Total commodity contracts	21,515	(14,217)	7,298	19,984	(12,105)	7,879
Derivative payables with appropriate legal opinion	521,133	(493,029) ^(b)	28,104	881,631	(844,008) ^(b)	37,623
Derivative payables where an appropriate legal opinion has not been either sought or obtained	9,673		9,673	11,608		11,608
Total derivative payables recognized on the Consolidated balance sheets	\$ 530,806		\$ 37,777	\$ 893,239		\$ 49,231
Collateral not nettable on the Consolidated balance sheets^{(c)(d)}			(4,180)			(8,925)
Net amounts			\$ 33,597			\$ 40,306

(a) Exchange-traded derivative balances that relate to futures contracts are settled daily.

(b) Net derivatives receivable included cash collateral netted of \$55.5 billion and \$71.9 billion at December 31, 2017 and 2016, respectively. Net derivatives payable included cash collateral netted of \$45.5 billion and \$57.3 billion related to OTC and OTC-cleared derivatives at December 31, 2017 and 2016, respectively.

(c) Represents liquid security collateral as well as cash collateral held at third-party custodians related to derivative instruments where an appropriate legal opinion has been obtained. For some counterparties, the collateral amounts of financial instruments may exceed the derivative receivables and derivative payables balances. Where this is the case, the total amount reported is limited to the net derivative receivables and net derivative payables balances with that counterparty.

(d) Derivative collateral relates only to OTC and OTC-cleared derivative instruments.

Notes to consolidated financial statements

Liquidity risk and credit-related contingent features

In addition to the specific market risks introduced by each derivative contract type, derivatives expose JPMorgan Chase to credit risk – the risk that derivative counterparties may fail to meet their payment obligations under the derivative contracts and the collateral, if any, held by the Firm proves to be of insufficient value to cover the payment obligation. It is the policy of JPMorgan Chase to actively pursue, where possible, the use of legally enforceable master netting arrangements and collateral agreements to mitigate derivative counterparty credit risk. The amount of derivative receivables reported on the Consolidated balance sheets is the fair value of the derivative contracts after giving effect to legally enforceable master netting agreements and cash collateral held by the Firm.

While derivative receivables expose the Firm to credit risk, derivative payables expose the Firm to liquidity risk, as the derivative contracts typically require the Firm to post cash or securities collateral with counterparties as the fair value

of the contracts moves in the counterparties' favor or upon specified downgrades in the Firm's and its subsidiaries' respective credit ratings. Certain derivative contracts also provide for termination of the contract, generally upon a downgrade of either the Firm or the counterparty, at the fair value of the derivative contracts. The following table shows the aggregate fair value of net derivative payables related to OTC and OTC-cleared derivatives that contain contingent collateral or termination features that may be triggered upon a ratings downgrade, and the associated collateral the Firm has posted in the normal course of business, at December 31, 2017 and 2016.

OTC and OTC-cleared derivative payables containing downgrade triggers

December 31, (in millions)	2017	2016
Aggregate fair value of net derivative payables	\$ 11,916	\$ 21,550
Collateral posted	9,973	19,383

The following table shows the impact of a single-notch and two-notch downgrade of the long-term issuer ratings of JPMorgan Chase & Co. and its subsidiaries, predominantly JPMorgan Chase Bank, National Association ("JPMorgan Chase Bank, N.A."), at December 31, 2017 and 2016, related to OTC and OTC-cleared derivative contracts with contingent collateral or termination features that may be triggered upon a ratings downgrade. Derivatives contracts generally require additional collateral to be posted or terminations to be triggered when the predefined threshold rating is breached. A downgrade by a single rating agency that does not result in a rating lower than a preexisting corresponding rating provided by another major rating agency will generally not result in additional collateral (except in certain instances in which additional initial margin may be required upon a ratings downgrade), nor in termination payments requirements. The liquidity impact in the table is calculated based upon a downgrade below the lowest current rating of the rating agencies referred to in the derivative contract.

Liquidity impact of downgrade triggers on OTC and OTC-cleared derivatives

December 31, (in millions)	2017		2016	
	Single-notch downgrade	Two-notch downgrade	Single-notch downgrade	Two-notch downgrade
Amount of additional collateral to be posted upon downgrade ^(a)	\$ 79	\$ 1,989	\$ 560	\$ 2,497
Amount required to settle contracts with termination triggers upon downgrade ^(b)	320	650	606	1,049

(a) Includes the additional collateral to be posted for initial margin.

(b) Amounts represent fair values of derivative payables, and do not reflect collateral posted.

Derivatives executed in contemplation of a sale of the underlying financial asset

In certain instances the Firm enters into transactions in which it transfers financial assets but maintains the economic exposure to the transferred assets by entering into a derivative with the same counterparty in contemplation of the initial transfer. The Firm generally accounts for such transfers as collateralized financing transactions as described in Note 11, but in limited circumstances they may qualify to be accounted for as a sale and a derivative under U.S. GAAP. There were no such transfers accounted for as a sale where the associated derivative was outstanding at December 31, 2017, and such transfers at December 31, 2016 were not material.

Impact of derivatives on the Consolidated statements of income

The following tables provide information related to gains and losses recorded on derivatives based on their hedge accounting designation or purpose.

Fair value hedge gains and losses

The following tables present derivative instruments, by contract type, used in fair value hedge accounting relationships, as well as pre-tax gains/(losses) recorded on such derivatives and the related hedged items for the years ended December 31, 2017, 2016 and 2015, respectively. The Firm includes gains/(losses) on the hedging derivative and the related hedged item in the same line item in the Consolidated statements of income.

Year ended December 31, 2017 (in millions)	Gains/(losses) recorded in income			Income statement impact due to:	
	Derivatives	Hedged items	Total income statement impact	Hedge ineffectiveness ^(e)	Excluded components ^(f)
Contract type					
Interest rate ^{(a)(b)}	\$ (481)	\$ 1,359	\$ 878	\$ (18)	\$ 896
Foreign exchange ^(c)	(3,509)	3,507	(2)	—	(2)
Commodity ^(d)	(1,275)	1,348	73	29	44
Total	\$ (5,265)	\$ 6,214	\$ 949	\$ 11	\$ 938

Year ended December 31, 2016 (in millions)	Gains/(losses) recorded in income			Income statement impact due to:	
	Derivatives	Hedged items	Total income statement impact	Hedge ineffectiveness ^(e)	Excluded components ^(f)
Contract type					
Interest rate ^{(a)(b)}	\$ (482)	\$ 1,338	\$ 856	\$ 6	\$ 850
Foreign exchange ^(c)	2,435	(2,261)	174	—	174
Commodity ^(d)	(536)	586	50	(9)	59
Total	\$ 1,417	\$ (337)	\$ 1,080	\$ (3)	\$ 1,083

Year ended December 31, 2015 (in millions)	Gains/(losses) recorded in income			Income statement impact due to:	
	Derivatives	Hedged items	Total income statement impact	Hedge ineffectiveness ^(e)	Excluded components ^(f)
Contract type					
Interest rate ^{(a)(b)}	\$ 38	\$ 911	\$ 949	\$ 3	\$ 946
Foreign exchange ^(c)	6,030	(6,006)	24	—	24
Commodity ^(d)	1,153	(1,142)	11	(13)	24
Total	\$ 7,221	\$ (6,237)	\$ 984	\$ (10)	\$ 994

(a) Primarily consists of hedges of the benchmark (e.g., London Interbank Offered Rate (“LIBOR”)) interest rate risk of fixed-rate long-term debt and AFS securities. Gains and losses were recorded in net interest income.

(b) Excludes the amortization expense associated with the inception hedge accounting adjustment applied to the hedged item. This expense is recorded in net interest income and substantially offsets the income statement impact of the excluded components.

(c) Primarily consists of hedges of the foreign currency risk of long-term debt and AFS securities for changes in spot foreign currency rates. Gains and losses related to the derivatives and the hedged items, due to changes in foreign currency rates, were recorded primarily in principal transactions revenue and net interest income.

(d) Consists of overall fair value hedges of physical commodities inventories that are generally carried at the lower of cost or net realizable value (net realizable value approximates fair value). Gains and losses were recorded in principal transactions revenue.

(e) Hedge ineffectiveness is the amount by which the gain or loss on the designated derivative instrument does not exactly offset the gain or loss on the hedged item attributable to the hedged risk.

(f) The assessment of hedge effectiveness excludes certain components of the changes in fair values of the derivatives and hedged items such as forward points on foreign exchange forward contracts and time values.

Notes to consolidated financial statements

Cash flow hedge gains and losses

The following tables present derivative instruments, by contract type, used in cash flow hedge accounting relationships, and the pre-tax gains/(losses) recorded on such derivatives, for the years ended December 31, 2017, 2016 and 2015, respectively. The Firm includes the gain/(loss) on the hedging derivative and the change in cash flows on the hedged item in the same line item in the Consolidated statements of income.

Year ended December 31, 2017 (in millions)	Gains/(losses) recorded in income and other comprehensive income/(loss)				
	Derivatives - effective portion reclassified from AOCI to income	Hedge ineffectiveness recorded directly in income ^(c)	Total income statement impact	Derivatives - effective portion recorded in OCI	Total change in OCI for period
Contract type					
Interest rate ^(a)	\$ (17)	\$ –	\$ (17)	\$ 12	\$ 29
Foreign exchange ^(b)	(117)	–	(117)	135	252
Total	\$ (134)	\$ –	\$ (134)	\$ 147	\$ 281

Year ended December 31, 2016 (in millions)	Gains/(losses) recorded in income and other comprehensive income/(loss)				
	Derivatives - effective portion reclassified from AOCI to income	Hedge ineffectiveness recorded directly in income ^(c)	Total income statement impact	Derivatives - effective portion recorded in OCI	Total change in OCI for period
Contract type					
Interest rate ^(a)	\$ (74)	\$ –	\$ (74)	\$ (55)	\$ 19
Foreign exchange ^(b)	(286)	–	(286)	(395)	(109)
Total	\$ (360)	\$ –	\$ (360)	\$ (450)	\$ (90)

Year ended December 31, 2015 (in millions)	Gains/(losses) recorded in income and other comprehensive income/(loss)				
	Derivatives - effective portion reclassified from AOCI to income	Hedge ineffectiveness recorded directly in income ^(c)	Total income statement impact	Derivatives - effective portion recorded in OCI	Total change in OCI for period
Contract type					
Interest rate ^(a)	\$ (99)	\$ –	\$ (99)	\$ (44)	\$ 55
Foreign exchange ^(b)	(81)	–	(81)	(53)	28
Total	\$ (180)	\$ –	\$ (180)	\$ (97)	\$ 83

(a) Primarily consists of benchmark interest rate hedges of LIBOR-indexed floating-rate assets and floating-rate liabilities. Gains and losses were recorded in net interest income.

(b) Primarily consists of hedges of the foreign currency risk of non-U.S. dollar-denominated revenue and expense. The income statement classification of gains and losses follows the hedged item - primarily noninterest revenue and compensation expense.

(c) Hedge ineffectiveness is the amount by which the cumulative gain or loss on the designated derivative instrument exceeds the present value of the cumulative expected change in cash flows on the hedged item attributable to the hedged risk.

The Firm did not experience any forecasted transactions that failed to occur for the years ended 2017 and 2016. In 2015, the Firm reclassified approximately \$150 million of net losses from AOCI to other income because the Firm determined that it was probable that the forecasted interest payment cash flows would not occur as a result of the planned reduction in wholesale non-operating deposits.

Over the next 12 months, the Firm expects that approximately \$96 million (after-tax) of net gains recorded in AOCI at December 31, 2017, related to cash flow hedges will be recognized in income. For terminated cash flow hedges, the maximum length of time over which forecasted transactions are remaining is approximately five years. For open cash flow hedges, the maximum length of time over which forecasted transactions are hedged is approximately seven years. The Firm's longer-dated forecasted transactions relate to core lending and borrowing activities.

Net investment hedge gains and losses

The following table presents hedging instruments, by contract type, that were used in net investment hedge accounting relationships, and the pre-tax gains/(losses) recorded on such instruments for the years ended December 31, 2017, 2016 and 2015.

Year ended December 31, (in millions)	Gains/(losses) recorded in income and other comprehensive income/(loss)					
	2017		2016		2015	
	Excluded components recorded directly in income ^(a)	Effective portion recorded in OCI	Excluded components recorded directly in income ^(a)	Effective portion recorded in OCI	Excluded components recorded directly in income ^(a)	Effective portion recorded in OCI
Foreign exchange derivatives	\$(172)	\$(1,294)	\$(282)	\$262	\$(379)	\$1,885

(a) Certain components of hedging derivatives are permitted to be excluded from the assessment of hedge effectiveness, such as forward points on foreign exchange forward contracts. Amounts related to excluded components are recorded in other income. The Firm measures the ineffectiveness of net investment hedge accounting relationships based on changes in spot foreign currency rates and, therefore, there was no significant ineffectiveness for net investment hedge accounting relationships during 2017, 2016 and 2015.

Gains and losses on derivatives used for specified risk management purposes

The following table presents pre-tax gains/(losses) recorded on a limited number of derivatives, not designated in hedge accounting relationships, that are used to manage risks associated with certain specified assets and liabilities, including certain risks arising from the mortgage pipeline, warehouse loans, MSRs, wholesale lending exposures, foreign currency denominated assets and liabilities, and commodities-related contracts and investments.

Year ended December 31, (in millions)	Derivatives gains/(losses) recorded in income		
	2017	2016	2015
Contract type			
Interest rate ^(a)	\$ 331	\$ 1,174	\$ 853
Credit ^(b)	(74)	(282)	70
Foreign exchange ^(c)	(33)	27	25
Commodity ^(d)	—	—	(12)
Total	\$ 224	\$ 919	\$ 936

(a) Primarily represents interest rate derivatives used to hedge the interest rate risk inherent in the mortgage pipeline, warehouse loans and MSRs, as well as written commitments to originate warehouse loans. Gains and losses were recorded predominantly in mortgage fees and related income.

(b) Relates to credit derivatives used to mitigate credit risk associated with lending exposures in the Firm's wholesale businesses. These derivatives do not include credit derivatives used to mitigate counterparty credit risk arising from derivative receivables, which is included in gains and losses on derivatives related to market-making activities and other derivatives. Gains and losses were recorded in principal transactions revenue.

(c) Primarily relates to derivatives used to mitigate foreign exchange risk of specified foreign currency-denominated assets and liabilities. Gains and losses were recorded in principal transactions revenue.

(d) Primarily relates to commodity derivatives used to mitigate energy price risk associated with energy-related contracts and investments. Gains and losses were recorded in principal transactions revenue.

Gains and losses on derivatives related to market-making activities and other derivatives

The Firm makes markets in derivatives in order to meet the needs of customers and uses derivatives to manage certain risks associated with net open risk positions from its market-making activities, including the counterparty credit risk arising from derivative receivables. All derivatives not included in the hedge accounting or specified risk management categories above are included in this category. Gains and losses on these derivatives are primarily recorded in principal transactions revenue. See Note 6 for information on principal transactions revenue.

Credit derivatives

Credit derivatives are financial instruments whose value is derived from the credit risk associated with the debt of a third-party issuer (the reference entity) and which allow one party (the protection purchaser) to transfer that risk to another party (the protection seller). Credit derivatives expose the protection purchaser to the creditworthiness of the protection seller, as the protection seller is required to make payments under the contract when the reference entity experiences a credit event, such as a bankruptcy, a failure to pay its obligation or a restructuring. The seller of credit protection receives a premium for providing protection but has the risk that the underlying instrument referenced in the contract will be subject to a credit event.

The Firm is both a purchaser and seller of protection in the credit derivatives market and uses these derivatives for two primary purposes. First, in its capacity as a market-maker, the Firm actively manages a portfolio of credit derivatives by purchasing and selling credit protection, predominantly on corporate debt obligations, to meet the needs of customers. Second, as an end-user, the Firm uses credit derivatives to manage credit risk associated with lending exposures (loans and unfunded commitments) and derivatives counterparty exposures in the Firm's wholesale businesses, and to manage the credit risk arising from certain financial instruments in the Firm's market-making businesses. Following is a summary of various types of credit derivatives.

Notes to consolidated financial statements

Credit default swaps

Credit derivatives may reference the credit of either a single reference entity (“single-name”) or a broad-based index. The Firm purchases and sells protection on both single-name and index-reference obligations. Single-name CDS and index CDS contracts are either OTC or OTC-cleared derivative contracts. Single-name CDS are used to manage the default risk of a single reference entity, while index CDS contracts are used to manage the credit risk associated with the broader credit markets or credit market segments. Like the S&P 500 and other market indices, a CDS index consists of a portfolio of CDS across many reference entities. New series of CDS indices are periodically established with a new underlying portfolio of reference entities to reflect changes in the credit markets. If one of the reference entities in the index experiences a credit event, then the reference entity that defaulted is removed from the index. CDS can also be referenced against specific portfolios of reference names or against customized exposure levels based on specific client demands: for example, to provide protection against the first \$1 million of realized credit losses in a \$10 million portfolio of exposure. Such structures are commonly known as tranche CDS.

For both single-name CDS contracts and index CDS contracts, upon the occurrence of a credit event, under the terms of a CDS contract neither party to the CDS contract has recourse to the reference entity. The protection purchaser has recourse to the protection seller for the difference between the face value of the CDS contract and the fair value of the reference obligation at settlement of the credit derivative contract, also known as the recovery value. The protection purchaser does not need to hold the debt instrument of the underlying reference entity in order to receive amounts due under the CDS contract when a credit event occurs.

Credit-related notes

A credit-related note is a funded credit derivative where the issuer of the credit-related note purchases from the note investor credit protection on a reference entity or an index. Under the contract, the investor pays the issuer the par value of the note at the inception of the transaction, and in return, the issuer pays periodic payments to the investor, based on the credit risk of the referenced entity. The issuer also repays the investor the par value of the note at maturity unless the reference entity (or one of the entities that makes up a reference index) experiences a specified credit event. If a credit event occurs, the issuer is not obligated to repay the par value of the note, but rather, the issuer pays the investor the difference between the par value of the note and the fair value of the defaulted reference obligation at the time of settlement. Neither party to the credit-related note has recourse to the defaulting reference entity.

The following tables present a summary of the notional amounts of credit derivatives and credit-related notes the Firm sold and purchased as of December 31, 2017 and 2016. Upon a credit event, the Firm as a seller of protection would typically pay out only a percentage of the full notional amount of net protection sold, as the amount actually required to be paid on the contracts takes into account the recovery value of the reference obligation at the time of settlement. The Firm manages the credit risk on contracts to sell protection by purchasing protection with identical or similar underlying reference entities. Other purchased protection referenced in the following tables includes credit derivatives bought on related, but not identical, reference positions (including indices, portfolio coverage and other reference points) as well as protection purchased through credit-related notes.

The Firm does not use notional amounts of credit derivatives as the primary measure of risk management for such derivatives, because the notional amount does not take into account the probability of the occurrence of a credit event, the recovery value of the reference obligation, or related cash instruments and economic hedges, each of which reduces, in the Firm's view, the risks associated with such derivatives.

Total credit derivatives and credit-related notes

December 31, 2017 (in millions)	Maximum payout/Notional amount			
	Protection sold	Protection purchased with identical underlyings ^(b)	Net protection (sold)/purchased ^(c)	Other protection purchased ^(d)
Credit derivatives				
Credit default swaps	\$ (690,224)	\$ 702,098	\$ 11,874	\$ 5,045
Other credit derivatives ^(a)	(54,157)	59,158	5,001	11,747
Total credit derivatives	(744,381)	761,256	16,875	16,792
Credit-related notes	(18)	—	(18)	7,915
Total	\$ (744,399)	\$ 761,256	\$ 16,857	\$ 24,707

December 31, 2016 (in millions)	Maximum payout/Notional amount			
	Protection sold	Protection purchased with identical underlyings ^(b)	Net protection (sold)/purchased ^(c)	Other protection purchased ^(d)
Credit derivatives				
Credit default swaps	\$ (961,003)	\$ 974,252	\$ 13,249	\$ 7,935
Other credit derivatives ^(a)	(36,829)	31,859	(4,970)	19,991
Total credit derivatives	(997,832)	1,006,111	8,279	27,926
Credit-related notes	(41)	—	(41)	4,505
Total	\$ (997,873)	\$ 1,006,111	\$ 8,238	\$ 32,431

(a) Other credit derivatives largely consists of credit swap options.

(b) Represents the total notional amount of protection purchased where the underlying reference instrument is identical to the reference instrument on protection sold; the notional amount of protection purchased for each individual identical underlying reference instrument may be greater or lower than the notional amount of protection sold.

(c) Does not take into account the fair value of the reference obligation at the time of settlement, which would generally reduce the amount the seller of protection pays to the buyer of protection in determining settlement value.

(d) Represents protection purchased by the Firm on referenced instruments (single-name, portfolio or index) where the Firm has not sold any protection on the identical reference instrument.

The following tables summarize the notional amounts by the ratings, maturity profile, and total fair value, of credit derivatives and credit-related notes as of December 31, 2017 and 2016, where JPMorgan Chase is the seller of protection. The maturity profile is based on the remaining contractual maturity of the credit derivative contracts. The ratings profile is based on the rating of the reference entity on which the credit derivative contract is based. The ratings and maturity profile of credit derivatives and credit-related notes where JPMorgan Chase is the purchaser of protection are comparable to the profile reflected below.

Protection sold – credit derivatives and credit-related notes ratings^(a)/maturity profile

December 31, 2017 (in millions)	<1 year	1-5 years	>5 years	Total notional amount	Fair value of receivables ^(b)	Fair value of payables ^(b)	Net fair value
Risk rating of reference entity							
Investment-grade	\$ (159,286)	\$ (319,726)	\$ (39,429)	\$ (518,441)	\$ 8,516	\$ (1,134)	\$ 7,382
Noninvestment-grade	(73,394)	(134,125)	(18,439)	(225,958)	7,407	(5,313)	2,094
Total	\$ (232,680)	\$ (453,851)	\$ (57,868)	\$ (744,399)	\$ 15,923	\$ (6,447)	\$ 9,476

December 31, 2016 (in millions)	<1 year	1-5 years	>5 years	Total notional amount	Fair value of receivables ^(b)	Fair value of payables ^(b)	Net fair value
Risk rating of reference entity							
Investment-grade	\$ (273,688)	\$ (383,586)	\$ (39,281)	\$ (696,555)	\$ 7,841	\$ (3,055)	\$ 4,786
Noninvestment-grade	(107,955)	(170,046)	(23,317)	(301,318)	8,184	(8,570)	(386)
Total	\$ (381,643)	\$ (553,632)	\$ (62,598)	\$ (997,873)	\$ 16,025	\$ (11,625)	\$ 4,400

(a) The ratings scale is primarily based on external credit ratings defined by S&P and Moody's.

(b) Amounts are shown on a gross basis, before the benefit of legally enforceable master netting agreements and cash collateral received by the Firm.

Notes to consolidated financial statements

Note 6 – Noninterest revenue and noninterest expense

Investment banking fees

This revenue category includes debt and equity underwriting and advisory fees. As an underwriter, the Firm helps clients raise capital via public offering and private placement of various types of debt instruments and equity securities. Underwriting fees are primarily based on the issuance price and quantity of the underlying instruments, and are recognized as revenue typically upon execution of the client's transaction. The Firm also manages and syndicates loan arrangements. Credit arrangement and syndication fees, included within debt underwriting fees, are recorded as revenue after satisfying certain retention, timing and yield criteria.

The Firm also provides advisory services, assisting its clients with mergers and acquisitions, divestitures, restructuring and other complex transactions. Advisory fees are recognized as revenue typically upon execution of the client's transaction.

Year ended December 31, (in millions)	2017	2016	2015
Underwriting			
Equity	\$ 1,394	\$ 1,146	\$ 1,408
Debt	3,710	3,207	3,232
Total underwriting	5,104	4,353	4,640
Advisory	2,144	2,095	2,111
Total investment banking fees	\$ 7,248	\$ 6,448	\$ 6,751

Investment banking fees are earned primarily by CIB. See Note 31 for segment results.

Principal transactions

Principal transactions revenue is driven by many factors, including the bid-offer spread, which is the difference between the price at which the Firm is willing to buy a financial or other instrument and the price at which the Firm is willing to sell that instrument. It also consists of the realized (as a result of the sale of instruments, closing out or termination of transactions, or interim cash payments) and unrealized (as a result of changes in valuation) gains and losses on financial and other instruments (including those accounted for under the fair value option) primarily used in client-driven market-making activities and on private equity investments. In connection with its client-driven market-making activities, the Firm transacts in debt and equity instruments, derivatives and commodities (including physical commodities inventories and financial instruments that reference commodities).

Principal transactions revenue also includes certain realized and unrealized gains and losses related to hedge accounting and specified risk-management activities, including: (a) certain derivatives designated in qualifying hedge accounting relationships (primarily fair value hedges of commodity and foreign exchange risk), (b) certain derivatives used for specific risk management purposes, primarily to mitigate credit risk, foreign exchange risk and commodity risk, and (c) other derivatives. For further information on the income statement classification of gains and losses from derivatives activities, see Note 5.

In the financial commodity markets, the Firm transacts in OTC derivatives (e.g., swaps, forwards, options) and ETD that reference a wide range of underlying commodities. In the physical commodity markets, the Firm primarily purchases and sells precious and base metals and may hold other commodities inventories under financing and other arrangements with clients.

The following table presents all realized and unrealized gains and losses recorded in principal transactions revenue. This table excludes interest income and interest expense on trading assets and liabilities, which are an integral part of the overall performance of the Firm's client-driven market-making activities. See Note 7 for further information on interest income and interest expense. Trading revenue is presented primarily by instrument type. The Firm's client-driven market-making businesses generally utilize a variety of instrument types in connection with their market-making and related risk-management activities; accordingly, the trading revenue presented in the table below is not representative of the total revenue of any individual line of business.

Year ended December 31, (in millions)	2017	2016	2015
Trading revenue by instrument type			
Interest rate	\$ 2,479	\$ 2,325	\$ 1,933
Credit	1,329	2,096	1,735
Foreign exchange	2,746	2,827	2,557
Equity	3,873	2,994	2,990
Commodity	661	1,067	842
Total trading revenue	11,088	11,309	10,057
Private equity gains	259	257	351
Principal transactions	\$ 11,347	\$ 11,566	\$ 10,408

Principal transactions revenue is earned primarily by CIB. See Note 31 for segment results.

Lending- and deposit-related fees

Lending-related fees include fees earned from loan commitments, standby letters of credit, financial guarantees, and other loan-servicing activities. Deposit-related fees include fees earned in lieu of compensating balances, and fees earned from performing cash management activities and other deposit account services. Lending- and deposit-related fees in this revenue category are recognized over the period in which the related service is provided.

Year ended December 31, (in millions)	2017	2016	2015
Lending-related fees	\$ 1,110	\$ 1,114	\$ 1,148
Deposit-related fees	4,823	4,660	4,546
Total lending- and deposit-related fees	\$ 5,933	\$ 5,774	\$ 5,694

Lending- and deposit-related fees are earned by CCB, CIB, CB, and AWM. See Note 31 for segment results.

Asset management, administration and commissions

This revenue category includes fees from investment management and related services, custody, brokerage services and other products. The Firm manages assets on behalf of its clients, including investors in Firm-sponsored funds and owners of separately managed investment accounts. Management fees are typically based on the value of assets under management and are collected and recognized at the end of each period over which the management services are provided and the value of the managed assets is known. The Firm also receives performance-based management fees, which are earned based on exceeding certain benchmarks or other performance targets and are accrued and recognized when the probability of reversal is remote, typically at the end of the related billing period. The Firm has contractual arrangements with third parties to provide distribution and other services in connection with its asset management activities. Amounts paid to third-party service providers are recorded in professional and outside services expense.

Year ended December 31, (in millions)	2017	2016	2015
Asset management fees			
Investment management fees	\$ 9,526	\$ 8,865	\$ 9,403
All other asset management fees ^(a)	294	336	352
Total asset management fees	9,820	9,201	9,755
Total administration fees ^(b)	2,029	1,915	2,015
Commissions and other fees			
Brokerage commissions ^(c)	2,239	2,151	2,304
All other commissions and fees	1,289	1,324	1,435
Total commissions and fees	3,528	3,475	3,739
Total asset management, administration and commissions	\$ 15,377	\$ 14,591	\$ 15,509

- (a) The Firm receives other asset management fees for services that are ancillary to investment management services, including commissions earned on sales or distribution of mutual funds to clients. These fees are recorded as revenue at the time the service is rendered or, in the case of certain distribution fees based on the underlying fund's asset value and/or investor redemption, recorded over time as the investor remains in the fund or upon investor redemption.
- (b) The Firm receives administrative fees predominantly from custody, securities lending, fund services and securities clearance fees. These fees are recorded as revenue over the period in which the related service is provided.
- (c) The Firm acts as a broker, facilitating its clients' purchase and sale of securities and other financial instruments. It collects and recognizes brokerage commissions as revenue upon occurrence of the client transaction. The Firm reports certain costs paid to third-party clearing houses and exchanges net against commission revenue.

Asset management, administration and commissions are earned primarily by AWM, CIB, CCB, and CB. See Note 31 for segment results.

Mortgage fees and related income

This revenue category primarily reflects CCB's Home Lending production and servicing revenue, including fees and income derived from mortgages originated with the intent to sell; mortgage sales and servicing including losses related to the repurchase of previously sold loans; the impact of risk-management activities associated with the mortgage pipeline, warehouse loans and MSR; and revenue related to any residual interests held from mortgage securitizations. This revenue category also includes gains and losses on sales and lower of cost or fair value adjustments for mortgage loans held-for-sale, as well as changes in fair value for mortgage loans originated with the intent to sell and measured at fair value under the fair value option. Changes in the fair value of MSR are reported in mortgage fees and related income. For a further discussion of MSR, see Note 15. Net interest income from mortgage loans is recorded in interest income.

Card income

This revenue category includes interchange income from credit and debit cards and fees earned from processing card transactions for merchants, both of which are recognized when purchases are made by a cardholder. Card income also includes annual and other lending fees and costs, which are deferred and recognized on a straight-line basis over a 12-month period.

Certain Chase credit card products offer the cardholder the ability to earn points based on account activity, which the cardholder can choose to redeem for cash and non-cash rewards. The cost to the Firm related to these proprietary rewards programs varies based on multiple factors including the terms and conditions of the rewards programs, cardholder activity, cardholder reward redemption rates and cardholder reward selections. The Firm maintains a liability for its obligations under its rewards programs and reports the current-period cost as a reduction of card income.

Credit card revenue sharing agreements

The Firm has contractual agreements with numerous co-brand partners that grant the Firm exclusive rights to issue co-branded credit card products and market them to the customers of such partners. These partners endorse the co-brand credit card programs and provide their customer or member lists to the Firm. The partners may also conduct marketing activities and provide rewards redeemable under their own loyalty programs that the Firm will grant to co-brand credit cardholders based on account activity. The terms of these agreements generally range from five to ten years.

Notes to consolidated financial statements

The Firm typically makes payments to the co-brand credit card partners based on the cost of partners' marketing activities and loyalty program rewards provided to credit cardholders, new account originations and sales volumes. Payments to partners based on marketing efforts undertaken by the partners are expensed by the Firm as incurred and reported as noninterest expense. Payments for partner rewards are reported as a reduction of card income when incurred. Payments to partners based on new credit card account originations are accounted for as direct loan origination costs and are deferred and recognized as a reduction of card income on a straight-line basis over a 12-month period. Payments to partners based on sales volumes are reported as a reduction of card income when the related interchange income is earned.

Card income is earned primarily by CCB and CB. See Note 31 for segment results.

Other income

Other income on the Firm's Consolidated statements of income included the following:

Year ended December 31, (in millions)	2017	2016	2015
Operating lease income	\$ 3,613	\$ 2,724	\$ 2,081

Operating lease income is recognized on a straight-line basis over the lease term.

Noninterest expense

Other expense

Other expense on the Firm's Consolidated statements of income included the following:

Year ended December 31, (in millions)	2017	2016	2015
Legal expense/(benefit)	\$ (35)	\$ (317)	\$ 2,969
FDIC-related expense	1,492	1,296	1,227

Note 7 – Interest income and Interest expense

Interest income and interest expense are recorded in the Consolidated statements of income and classified based on the nature of the underlying asset or liability.

The following table presents the components of interest income and interest expense:

Year ended December 31, (in millions)	2017	2016	2015
Interest Income			
Loans	\$ 41,008	\$ 36,634	\$ 33,134
Taxable securities	5,535	5,538	6,550
Non-taxable securities ^(a)	1,847	1,766	1,706
Total securities	7,382	7,304	8,256
Trading assets	7,610	7,292	6,621
Federal funds sold and securities purchased under resale agreements	2,327	2,265	1,592
Securities borrowed ^(b)	(37)	(332)	(532)
Deposits with banks	4,219	1,863	1,250
All other interest-earning assets ^(c)	1,863	875	652
Total interest income	\$ 64,372	\$ 55,901	\$ 50,973
Interest expense			
Interest bearing deposits	\$ 2,857	\$ 1,356	\$ 1,252
Federal funds purchased and securities loaned or sold under repurchase agreements	1,611	1,089	609
Short-term borrowings ^(d)	481	203	175
Trading liabilities - debt and all other interest-bearing liabilities ^(e)	2,070	1,102	557
Long-term debt	6,753	5,564	4,435
Beneficial interest issued by consolidated VIEs	503	504	435
Total interest expense	\$ 14,275	\$ 9,818	\$ 7,463
Net interest income	\$ 50,097	\$ 46,083	\$ 43,510
Provision for credit losses	5,290	5,361	3,827
Net interest income after provision for credit losses	\$ 44,807	\$ 40,722	\$ 39,683

- (a) Represents securities that are tax-exempt for U.S. federal income tax purposes.
- (b) Negative interest income is related to client-driven demand for certain securities combined with the impact of low interest rates. This is matched book activity and the negative interest expense on the corresponding securities loaned is recognized in interest expense.
- (c) Includes held-for-investment margin loans, which are classified in accrued interest and accounts receivable, and all other interest-earning assets included in other assets.
- (d) Includes commercial paper.
- (e) Other interest-bearing liabilities include brokerage customer payables.

Interest income and interest expense includes the current-period interest accruals for financial instruments measured at fair value, except for derivatives and financial instruments containing embedded derivatives that would be separately accounted for in accordance with U.S. GAAP, absent the fair value option election; for those instruments, all changes in fair value including any interest elements, are reported in principal transactions revenue. For financial instruments that are not measured at fair value, the related interest is included within interest income or interest expense, as applicable. For further information on

accounting for interest income and interest expense related to loans, securities, securities financing (i.e. securities purchased or sold under resale or repurchase agreements; securities borrowed; and securities loaned) and long-term debt, see Notes 12, 10, 11 and 19, respectively.

Note 8 – Pension and other postretirement employee benefit plans

The Firm has various defined benefit pension plans and OPEB plans that provide benefits to its employees. The Firm has a qualified noncontributory U.S. defined benefit pension plan that provides benefits to substantially all U.S. employees. The Firm also has defined benefit pension plans that are offered in certain non-U.S. locations based on factors such as eligible compensation, age and/or years of service. It is the Firm's policy to fund the pension plans in amounts sufficient to meet the requirements under applicable laws. The Firm does not anticipate at this time any contribution to the U.S. defined benefit pension plan in 2018. The 2018 contributions to the non-U.S. defined benefit pension plans are expected to be \$46 million of which \$30 million are contractually required.

The Firm also has a number of nonqualified noncontributory defined benefit pension plans that are unfunded. These plans provide supplemental defined pension benefits to certain employees.

The Firm currently provides two qualified defined contribution plans in the U.S. and maintains other similar arrangements in certain non-U.S. locations.

The Firm offers postretirement medical and life insurance benefits to certain U.S. retirees and postretirement medical benefits to qualifying U.S. and U.K. employees.

The Firm defrays the cost of its U.S. OPEB obligation through corporate-owned life insurance ("COLI") purchased on the lives of eligible employees and retirees. While the Firm owns the COLI policies, COLI proceeds (death benefits, withdrawals and other distributions) may be used only to reimburse the Firm for its net postretirement benefit claim payments and related administrative expense. The Firm has generally funded its postretirement benefit obligations through contributions to the relevant trust on a pay-as-you-go basis. On December 21, 2017, the Firm contributed \$600 million of cash to the trust as a prefunding of a portion of its postretirement benefit obligations. The U.K. OPEB plan is unfunded.

Pension and OPEB accounting generally requires that the difference between plan assets at fair value and the benefit obligation be measured and recorded on the balance sheet. Plans that are overfunded (excess of plan assets over benefit obligation) are recorded in other assets and plans that are underfunded (excess benefit obligation over plan assets) are recorded within other liabilities. Gains or losses resulting from changes in the benefit obligation and the value of plan assets are recorded in other comprehensive income ("OCI") and recognized as part of the net periodic

Notes to consolidated financial statements

benefit cost over subsequent periods as discussed in the Gains and losses section of this Note. Additionally, service cost, interest cost, and investment returns that would

otherwise be classified separately are aggregated and reported net within compensation expense.

The following table presents the changes in benefit obligations, plan assets, the net funded status, and the pretax pension and OPEB amounts recorded in AOCI on the Consolidated balance sheets for the Firm's defined benefit pension and OPEB plans, and the weighted-average actuarial annualized assumptions for the projected and accumulated postretirement benefit obligations.

As of or for the year ended December 31, (in millions)	Defined benefit pension plans		OPEB plans ^(f)	
	2017	2016	2017	2016
Change in benefit obligation				
Benefit obligation, beginning of year	\$ (15,594)	\$ (15,259)	\$ (708)	\$ (744)
Benefits earned during the year	(330)	(332)	–	–
Interest cost on benefit obligations	(598)	(629)	(28)	(31)
Employee contributions	(7)	(7)	(16)	(19)
Net gain/(loss)	(721)	(743)	(4)	4
Benefits paid	841	851	76	76
Plan settlements	30	21	–	–
Expected Medicare Part D subsidy receipts	NA	NA	(1)	–
Foreign exchange impact and other	(321)	504	(3)	6
Benefit obligation, end of year^(a)	\$ (16,700)	\$ (15,594)	\$ (684)	\$ (708)
Change in plan assets				
Fair value of plan assets, beginning of year	\$ 17,703	\$ 17,636	\$ 1,956	\$ 1,855
Actual return on plan assets	2,356	1,375	233	131
Firm contributions	78	86	602	2
Employee contributions	7	7	–	–
Benefits paid	(841)	(851)	(34)	(32)
Plan settlements	(30)	(21)	–	–
Foreign exchange impact and other	330	(529)	–	–
Fair value of plan assets, end of year^{(a)(b)(c)}	\$ 19,603	\$ 17,703	\$ 2,757	\$ 1,956
Net funded status ^(d)	\$ 2,903	\$ 2,109	\$ 2,073	\$ 1,248
Accumulated benefit obligation, end of year	\$ (16,530)	\$ (15,421)	NA	NA
Pretax pension and OPEB amounts recorded in AOCI				
Net gain/(loss)	\$ (2,800)	\$ (3,667)	\$ 271	\$ 138
Prior service credit/(loss)	6	42	–	–
Accumulated other comprehensive income/(loss), pretax, end of year	\$ (2,794)	\$ (3,625)	\$ 271	\$ 138
Weighted-average actuarial assumptions used to determine benefit obligations				
Discount Rate ^(e)	0.60 - 3.70%	0.60 - 4.30%	3.70%	4.20%
Rate of compensation increase ^(e)	2.25 - 3.00	2.25 - 3.00	NA	NA
Health care cost trend rate:				
Assumed for next year	NA	NA	5.00	5.00
Ultimate	NA	NA	5.00	5.00
Year when rate will reach ultimate	NA	NA	2018	2017

- (a) At December 31, 2017 and 2016, included non-U.S. benefit obligations of \$(3.8) billion and \$(3.4) billion, and plan assets of \$3.9 billion and \$3.4 billion, respectively, predominantly in the U.K.
- (b) At December 31, 2017 and 2016, approximately \$302 million and \$390 million, respectively, of U.S. defined benefit pension plan assets included participation rights under participating annuity contracts.
- (c) At December 31, 2017 and 2016, defined benefit pension plan amounts that were not measured at fair value included \$377 million and \$130 million, respectively, of accrued receivables, and \$587 million and \$224 million, respectively, of accrued liabilities, for U.S. plans.
- (d) Represents plans with an aggregate overfunded balance of \$5.6 billion and \$4.0 billion at December 31, 2017 and 2016, respectively, and plans with an aggregate underfunded balance of \$612 million and \$639 million at December 31, 2017 and 2016, respectively.
- (e) For the U.S. defined benefit pension plans, the discount rate assumption is 3.70% and 4.30%, and the rate of compensation increase is 2.30% and 2.30%, for 2017 and 2016 respectively.
- (f) Includes an unfunded postretirement benefit obligation of \$32 million and \$35 million at December 31, 2017 and 2016, respectively, for the U.K. plan.

Gains and losses

For the Firm's defined benefit pension plans, fair value is used to determine the expected return on plan assets. Amortization of net gains and losses is included in annual net periodic benefit cost if, as of the beginning of the year, the net gain or loss exceeds 10% of the greater of the PBO or the fair value of the plan assets. Any excess is amortized over the average future service period of defined benefit pension plan participants, which for the U.S. defined benefit pension plan is currently eight years and for the non-U.S. defined benefit pension plans is the period appropriate for the affected plan. In addition, prior service costs are amortized over the average remaining service period of active employees expected to receive benefits under the plan when the prior service cost is first recognized. The average remaining amortization period for the U.S. defined benefit pension plan for current prior service costs is three years.

For the Firm's OPEB plans, a calculated value that recognizes changes in fair value over a five-year period is used to determine the expected return on plan assets. This value is referred to as the market-related value of assets. Amortization of net gains and losses, adjusted for gains and losses not yet recognized, is included in annual net periodic benefit cost if, as of the beginning of the year, the net gain or loss exceeds 10% of the greater of the accumulated postretirement benefit obligation or the market-related value of assets. Any excess net gain or loss is amortized over the average expected lifetime of retired participants, which is currently eleven years; however, prior service costs resulting from plan changes are amortized over the average years of service remaining to full eligibility age, which is currently two years.

The following table presents the components of net periodic benefit costs reported in the Consolidated statements of income for the Firm's defined benefit pension, defined contribution and OPEB plans, and in other comprehensive income for the defined benefit pension and OPEB plans, and the weighted-average annualized actuarial assumptions for the net periodic benefit cost.

Year ended December 31, (in millions)	Pension plans			OPEB plans		
	2017	2016	2015	2017	2016	2015
Components of net periodic benefit cost						
Benefits earned during the year	\$ 330	\$ 332	\$ 377	\$ –	\$ –	\$ 1
Interest cost on benefit obligations	598	629	610	28	31	31
Expected return on plan assets	(968)	(1,030)	(1,079)	(97)	(105)	(106)
Amortization:						
Net (gain)/loss	250	257	282	–	–	–
Prior service cost/(credit)	(36)	(36)	(36)	–	–	–
Special termination benefits	–	–	1	–	–	–
Settlement loss	2	4	–	–	–	–
Net periodic defined benefit cost	\$ 176	\$ 156	\$ 155	\$ (69)	\$ (74)	\$ (74)
Other defined benefit pension plans ^(a)	24	25	24	NA	NA	NA
Total defined benefit plans	\$ 200	\$ 181	\$ 179	\$ (69)	\$ (74)	\$ (74)
Total defined contribution plans	814	789	769	NA	NA	NA
Total pension and OPEB cost included in compensation expense	\$ 1,014	\$ 970	\$ 948	\$ (69)	\$ (74)	\$ (74)
Changes in plan assets and benefit obligations recognized in other comprehensive income						
Net (gain)/loss arising during the year	\$ (669)	\$ 395	\$ (50)	\$ (133)	\$ (29)	\$ 21
Amortization of net loss	(250)	(257)	(282)	–	–	–
Amortization of prior service (cost)/credit	36	36	36	–	–	–
Settlement loss	(2)	(4)	–	–	–	–
Foreign exchange impact and other	54	(77)	(33)	–	–	–
Total recognized in other comprehensive income	\$ (831)	\$ 93	\$ (329)	\$ (133)	\$ (29)	\$ 21
Total recognized in net periodic benefit cost and other comprehensive income	\$ (655)	\$ 249	\$ (174)	\$ (202)	\$ (103)	\$ (53)
Weighted-average assumptions used to determine net periodic benefit costs						
Discount rate ^(b)	0.60 - 4.30 %	0.90 - 4.50%	1.00 - 4.00%	4.20%	4.40%	4.10%
Expected long-term rate of return on plan assets ^(b)	0.70 - 6.00	0.80 - 6.50	0.90 - 6.50	5.00	5.75	6.00
Rate of compensation increase ^(b)	2.25 - 3.00	2.25 - 4.30	2.75 - 4.20	NA	NA	NA
Health care cost trend rate						
Assumed for next year	NA	NA	NA	5.00	5.50	6.00
Ultimate	NA	NA	NA	5.00	5.00	5.00
Year when rate will reach ultimate	NA	NA	NA	2017	2017	2017

(a) Includes various defined benefit pension plans which are individually immaterial.

(b) The rate assumptions for the U.S. defined benefit pension plans are at the upper end of the range, except for the rate of compensation increase, which is 2.30% for 2017 and 3.50% for 2016 and 2015, respectively.

Notes to consolidated financial statements

The estimated pretax amounts that will be amortized from AOCI into net periodic benefit cost in 2018 are as follows.

(in millions)	Defined benefit pension plans	
Net loss/(gain)	\$	106
Prior service cost/(credit)	\$	(25)
Total	\$	81

Plan assumptions

JPMorgan Chase's expected long-term rate of return for defined benefit pension and OPEB plan assets is a blended weighted average, by asset allocation of the projected long-term returns for the various asset classes, taking into consideration local market conditions and the specific allocation of plan assets. Returns on asset classes are developed using a forward-looking approach and are not strictly based on historical returns. Consideration is also given to current market conditions and the short-term portfolio mix of each plan.

The discount rate used in determining the benefit obligation under the U.S. defined benefit pension and OPEB plans was provided by the Firm's actuaries. This rate was selected by reference to the yields on portfolios of bonds with maturity dates and coupons that closely match each of the plan's projected cash flows. The discount rate for the U.K. defined benefit pension plan represents a rate of appropriate duration from the analysis of yield curves provided by the Firm's actuaries.

At December 31, 2017, the Firm decreased the discount rates used to determine its benefit obligations for the U.S. defined benefit pension and OPEB plans in light of current market interest rates, which will increase expense by approximately \$66 million in 2018. The 2018 expected long-term rate of return on U.S. defined benefit pension plan assets and U.S. OPEB plan assets are 5.50% and 4.00%, respectively. As of December 31, 2017, the interest crediting rate assumption remained at 5.00%.

As of December 31, 2017, the effect of a one-percentage-point increase or decrease in the assumed health care cost trend rate is not material to the accumulated postretirement benefit obligation or total service and interest cost.

The following table represents the effect of a 25-basis point decline in the three listed rates below on estimated 2018 defined benefit pension and OPEB plan expense, as well as the effect on the postretirement benefit obligations.

(in millions)	Defined benefit pension and OPEB plan expense		Benefit obligation
Expected long-term rate of return	\$	54	NA
Discount rate	\$	59	\$ 583
Interest crediting rate for U.S. plans	\$	(41)	\$ (193)

Investment strategy and asset allocation

The assets of the Firm's defined benefit pension plans are held in various trusts and are invested in well-diversified portfolios of equity and fixed income securities, cash and cash equivalents, and alternative investments (e.g., hedge funds, private equity, real estate and real assets). The trust-owned assets of the Firm's U.S. OPEB plan are invested in cash and cash equivalents. COLI policies used to defray the cost of the Firm's U.S. OPEB plan are invested in separate accounts of an insurance company and are allocated to investments intended to replicate equity and fixed income indices.

The investment policies for the assets of the Firm's defined benefit pension plans are to optimize the risk-return relationship as appropriate to the needs and goals of each plan using a global portfolio of various asset classes diversified by market segment, economic sector, and issuer. Assets are managed by a combination of internal and external investment managers. The Firm regularly reviews the asset allocations and asset managers, as well as other factors that impact the portfolios, which are rebalanced when deemed necessary.

Investments held by the plans include financial instruments which are exposed to various risks such as interest rate, market and credit risks. Exposure to a concentration of credit risk is mitigated by the broad diversification of both U.S. and non-U.S. investment instruments. Additionally, the investments in each of the common/collective trust funds and/or registered investment companies are further diversified into various financial instruments. As of December 31, 2017, assets held by the Firm's defined benefit pension and OPEB plans do not include JPMorgan Chase common stock, except through indirect exposures through investments in third-party stock-index funds. The plans hold investments in funds that are sponsored or managed by affiliates of JPMorgan Chase in the amount of \$6.0 billion and \$4.6 billion, as of December 31, 2017 and 2016, respectively.

The following table presents the weighted-average asset allocation of the fair values of total plan assets at December 31 for the years indicated, as well as the respective approved asset allocation ranges by asset class.

December 31,	Defined benefit pension plans			OPEB plan ^(c)		
	Asset Allocation	% of plan assets		Asset Allocation	% of plan assets	
		2017	2016		2017 ^(d)	2016
Asset class						
Debt securities ^(a)	0-80%	42%	35%	30-70%	61%	50%
Equity securities	0-85	42	47	30-70	39	50
Real estate	0-10	3	4	–	–	–
Alternatives ^(b)	0-35	13	14	–	–	–
Total	100%	100%	100%	100%	100%	100%

(a) Debt securities primarily include cash, corporate debt, U.S. federal, state, local and non-U.S. government, and mortgage-backed securities.

(b) Alternatives primarily include limited partnerships.

(c) Represents the U.S. OPEB plan only, as the U.K. OPEB plan is unfunded.

(d) Change in percentage of plan assets due to the contribution to the U.S. OPEB plan.

Fair value measurement of the plans' assets and liabilities

For information on fair value measurements, including descriptions of level 1, 2, and 3 of the fair value hierarchy and the valuation methods employed by the Firm, see Note 2.

Pension and OPEB plan assets and liabilities measured at fair value

December 31, (in millions)	Defined benefit pension plans							
	2017				2016			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Cash and cash equivalents	\$ 173	\$ 1	\$ –	\$ 174	\$ 196	\$ 2	\$ –	\$ 198
Equity securities	6,407	194	2	6,603	6,158	166	2	6,326
Mutual funds	325	–	–	325	–	–	–	–
Common/collective trust funds ^(a)	778	–	–	778	384	–	–	384
Limited partnerships ^(b)	60	–	–	60	62	–	–	62
Corporate debt securities ^(c)	–	2,644	4	2,648	–	2,506	4	2,510
U.S. federal, state, local and non-U.S. government debt securities	1,096	784	–	1,880	1,139	804	–	1,943
Mortgage-backed securities	92	100	2	194	42	75	–	117
Derivative receivables	–	203	–	203	–	243	–	243
Other ^(d)	2,353	60	302	2,715	1,497	53	390	1,940
Total assets measured at fair value^(e)	\$ 11,284	\$ 3,986	\$ 310	\$ 15,580	\$ 9,478	\$ 3,849	\$ 396	\$ 13,723
Derivative payables	\$ –	\$ (141)	\$ –	\$ (141)	\$ –	\$ (208)	\$ –	\$ (208)
Total liabilities measured at fair value^(e)	\$ –	\$ (141)	\$ –	\$ (141)	\$ –	\$ (208)	\$ –	\$ (208)

(a) At December 31, 2017 and 2016, common/collective trust funds primarily included a mix of short-term investment funds, domestic and international equity investments (including index) and real estate funds.

(b) Unfunded commitments to purchase limited partnership investments for the plans were \$605 million and \$735 million for 2017 and 2016, respectively.

(c) Corporate debt securities include debt securities of U.S. and non-U.S. corporations.

(d) Other consists primarily of money market funds and participating and non-participating annuity contracts. Money market funds are primarily classified within level 1 of the fair value hierarchy given they are valued using market observable prices. Participating and non-participating annuity contracts are classified within level 3 of the fair value hierarchy due to a lack of market mechanisms for transferring each policy and surrender restrictions.

(e) At December 31, 2017 and 2016, excludes \$4.4 billion and \$4.2 billion of certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient, which are not required to be classified in the fair value hierarchy, \$377 million and \$130 million of defined benefit pension plan receivables for investments sold and dividends and interest receivables, \$561 million and \$203 million of defined benefit pension plan payables for investments purchased, and \$26 million and \$21 million of other liabilities, respectively.

The assets of the U.S. OPEB plan consisted of \$600 million and \$0 million in cash and cash equivalents classified in level 1 of the valuation hierarchy and \$2.2 billion and \$2.0 billion of COLI policies classified in level 3 of the valuation hierarchy at December 31, 2017 and 2016, respectively.

Notes to consolidated financial statements

Changes in level 3 fair value measurements using significant unobservable inputs

(in millions)	Fair value, Beginning balance	Actual return on plan assets		Purchases, sales and settlements, net	Transfers in and/or out of level 3	Fair value, Ending balance
		Realized gains/(losses)	Unrealized gains/(losses)			
Year ended December 31, 2017						
U.S. defined benefit pension plan Annuity contracts and other ^(a)	\$ 396	\$ —	\$ 1	\$ (87)	\$ —	\$ 310
U.S. OPEB plan COLI policies	\$ 1,957	\$ —	\$ 200	\$ —	\$ —	\$ 2,157
Year ended December 31, 2016						
U.S. defined benefit pension plan Annuity contracts and other ^(a)	\$ 539	\$ —	\$ (157)	\$ —	\$ 14	\$ 396
U.S. OPEB plan COLI policies	\$ 1,855	\$ —	\$ 102	\$ —	\$ —	\$ 1,957

(a) Substantially all are participating and non-participating annuity contracts.

Estimated future benefit payments

The following table presents benefit payments expected to be paid, which include the effect of expected future service, for the years indicated. The OPEB medical and life insurance payments are net of expected retiree contributions.

Year ended December 31, (in millions)	Defined benefit pension plans	OPEB before Medicare Part D subsidy	Medicare Part D subsidy
2018	\$ 926	\$ 65	\$ 1
2019	922	63	1
2020	927	60	1
2021	944	57	—
2022	960	55	—
Years 2023-2027	4,925	235	2

Note 9 – Employee share-based incentives

Employee share-based awards

In 2017, 2016 and 2015, JPMorgan Chase granted long-term share-based awards to certain employees under its LTIP, as amended and restated effective May 19, 2015. Under the terms of the LTIP, as of December 31, 2017, 67 million shares of common stock were available for issuance through May 2019. The LTIP is the only active plan under which the Firm is currently granting share-based incentive awards. In the following discussion, the LTIP, plus prior Firm plans and plans assumed as the result of acquisitions, are referred to collectively as the “LTI Plans,” and such plans constitute the Firm’s share-based incentive plans.

RSUs are awarded at no cost to the recipient upon their grant. Generally, RSUs are granted annually and vest at a rate of 50% after two years and 50% after three years and are converted into shares of common stock as of the vesting date. In addition, RSUs typically include full-career eligibility provisions, which allow employees to continue to vest upon voluntary termination based on age or service-related requirements, subject to post-employment and other restrictions. All RSU awards are subject to forfeiture until vested and contain clawback provisions that may result in cancellation under certain specified circumstances. Generally, RSUs entitle the recipient to receive cash payments equivalent to any dividends paid on the underlying common stock during the period the RSUs are outstanding and, as such, are considered participating securities as discussed in Note 22.

In January 2017 and 2016, the Firm’s Board of Directors approved the grant of performance share units (“PSUs”) to members of the Firm’s Operating Committee under the variable compensation program for performance years 2016 and 2015. PSUs are subject to the Firm’s achievement of specified performance criteria over a three-year period. The number of awards that vest can range from zero to 150% of the grant amount. The awards vest and are converted into shares of common stock in the quarter after the end of the performance period, which is generally three years. In addition, dividends are notionally reinvested in the Firm’s common stock and will be delivered only in respect of any earned shares.

Once the PSUs have vested, the shares of common stock that are delivered, after applicable tax withholding, must be held for an additional two-year period, typically for a total combined vesting and holding period of five years from the grant date.

Under the LTI Plans, stock options and stock appreciation rights (“SARs”) have generally been granted with an exercise price equal to the fair value of JPMorgan Chase’s common stock on the grant date. The Firm periodically grants employee stock options to individual employees. There were no material grants of stock options or SARs in 2017, 2016 and 2015. SARs generally expire ten years after the grant date.

The Firm separately recognizes compensation expense for each tranche of each award, net of estimated forfeitures, as if it were a separate award with its own vesting date. Generally, for each tranche granted, compensation expense is recognized on a straight-line basis from the grant date until the vesting date of the respective tranche, provided that the employees will not become full-career eligible during the vesting period. For awards with full-career eligibility provisions and awards granted with no future substantive service requirement, the Firm accrues the estimated value of awards expected to be awarded to employees as of the grant date without giving consideration to the impact of post-employment restrictions. For each tranche granted to employees who will become full-career eligible during the vesting period, compensation expense is recognized on a straight-line basis from the grant date until the earlier of the employee’s full-career eligibility date or the vesting date of the respective tranche.

The Firm’s policy for issuing shares upon settlement of employee share-based incentive awards is to issue either new shares of common stock or treasury shares. During 2017, 2016 and 2015, the Firm settled all of its employee share-based awards by issuing treasury shares.

In January 2008, the Firm awarded to its Chairman and Chief Executive Officer up to 2 million SARs. The terms of this award are distinct from, and more restrictive than, other equity grants regularly awarded by the Firm. On July 15, 2014, the Compensation & Management Development Committee and Board of Directors determined that all requirements for the vesting of the 2 million SAR awards had been met and thus, the awards became exercisable. The SARs, which had an expiration date of January 2018, were exercised by Mr. Dimon in October 2017 at the exercise price of \$39.83 per share (the price of JPMorgan Chase common stock on the date of grant).

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RSUs, PSUs, employee stock options and SARs activity

Generally, compensation expense for RSUs and PSUs is measured based on the number of units granted multiplied by the stock price at the grant date, and for employee stock options and SARs, is measured at the grant date using the Black-Scholes valuation model. Compensation expense for these awards is recognized in net income as described previously. The following table summarizes JPMorgan Chase's RSUs, PSUs, employee stock options and SARs activity for 2017.

Year ended December 31, 2017 (in thousands, except weighted-average data, and where otherwise stated)	RSUs/PSUs		Options/SARs			
	Number of units	Weighted-average grant date fair value	Number of awards	Weighted-average exercise price	Weighted-average remaining contractual life (in years)	Aggregate intrinsic value
Outstanding, January 1	81,707	\$ 57.15	30,267	\$ 40.65		
Granted	26,017	84.30	109	90.94		
Exercised or vested	(32,961)	57.80	(12,816)	40.50		
Forfeited	(2,030)	63.34	(54)	55.82		
Canceled	NA	NA	(13)	405.47		
Outstanding, December 31	72,733	\$ 66.36	17,493	\$ 40.76	3.4	\$ 1,169,470
Exercisable, December 31	NA	NA	15,828	40.00	3.3	1,070,212

The total fair value of RSUs that vested during the years ended December 31, 2017, 2016 and 2015, was \$2.9 billion, \$2.2 billion and \$2.8 billion, respectively. The total intrinsic value of options exercised during the years ended December 31, 2017, 2016 and 2015, was \$651 million, \$338 million and \$335 million, respectively.

Compensation expense

The Firm recognized the following noncash compensation expense related to its various employee share-based incentive plans in its Consolidated statements of income.

Year ended December 31, (in millions)	2017	2016	2015
Cost of prior grants of RSUs, PSUs and SARs that are amortized over their applicable vesting periods	\$ 1,125	\$ 1,046	\$ 1,109
Accrual of estimated costs of share-based awards to be granted in future periods including those to full-career eligible employees	945	894	878
Total noncash compensation expense related to employee share-based incentive plans	\$ 2,070	\$ 1,940	\$ 1,987

At December 31, 2017, approximately \$704 million (pretax) of compensation expense related to unvested awards had not yet been charged to net income. That cost is expected to be amortized into compensation expense over a weighted-average period of 1 year. The Firm does not capitalize any compensation expense related to share-based compensation awards to employees.

Cash flows and tax benefits

Effective January 1, 2016, the Firm adopted new accounting guidance related to employee share-based payments. As a result of the adoption of this new guidance, all excess tax benefits (including tax benefits from dividends or dividend equivalents) on share-based payment awards are recognized within income tax expense in the Consolidated statements of income. In prior years these tax benefits were recorded as increases to additional paid-in capital. Income tax benefits related to share-based incentive arrangements recognized in the Firm's Consolidated statements of income for the years ended December 31, 2017, 2016 and 2015, were \$1.0 billion, \$916 million and \$746 million, respectively.

The following table sets forth the cash received from the exercise of stock options under all share-based incentive arrangements, and the actual income tax benefit related to tax deductions from the exercise of the stock options.

Year ended December 31, (in millions)	2017	2016	2015
Cash received for options exercised	\$ 18	\$ 26	\$ 20
Tax benefit	190	70	64

Note 10 – Securities

Securities are classified as trading, AFS or HTM. Securities classified as trading assets are discussed in Note 2. Predominantly all of the Firm's AFS and HTM securities are held by Treasury and CIO in connection with its asset-liability management activities. At December 31, 2017, the investment securities portfolio consisted of debt securities with an average credit rating of AA+ (based upon external ratings where available, and where not available, based primarily upon internal ratings which correspond to ratings as defined by S&P and Moody's). AFS securities are carried at fair value on the Consolidated balance sheets. Unrealized

gains and losses, after any applicable hedge accounting adjustments, are reported as net increases or decreases to AOCI. The specific identification method is used to determine realized gains and losses on AFS securities, which are included in securities gains/(losses) on the Consolidated statements of income. HTM debt securities, which management has the intent and ability to hold until maturity, are carried at amortized cost on the Consolidated balance sheets. For both AFS and HTM debt securities, purchase discounts or premiums are generally amortized into interest income over the contractual life of the security.

The amortized cost and estimated fair value of the investment securities portfolio were as follows for the dates indicated.

December 31, (in millions)	2017				2016			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale debt securities								
Mortgage-backed securities:								
U.S. government agencies ^(a)	\$ 69,879	\$ 736	\$ 335	\$ 70,280	\$ 63,367	\$ 1,112	\$ 474	\$ 64,005
Residential:								
U.S. ^(b)	8,193	185	14	8,364	8,171	100	28	8,243
Non-U.S.	2,882	122	1	3,003	6,049	158	7	6,200
Commercial	4,932	98	5	5,025	9,002	122	20	9,104
Total mortgage-backed securities	85,886	1,141	355	86,672	86,589	1,492	529	87,552
U.S. Treasury and government agencies ^(a)	22,510	266	31	22,745	44,822	75	796	44,101
Obligations of U.S. states and municipalities	30,490	1,881	33	32,338	30,284	1,492	184	31,592
Certificates of deposit	59	–	–	59	106	–	–	106
Non-U.S. government debt securities	26,900	426	32	27,294	34,497	836	45	35,288
Corporate debt securities	2,657	101	1	2,757	4,916	64	22	4,958
Asset-backed securities:								
Collateralized loan obligations	20,928	69	1	20,996	27,352	75	26	27,401
Other	8,764	77	24	8,817	6,950	62	45	6,967
Total available-for-sale debt securities	198,194	3,961	477	201,678	235,516	4,096	1,647	237,965
Available-for-sale equity securities	547	–	–	547	914	12	–	926
Total available-for-sale securities	198,741	3,961	477	202,225	236,430	4,108	1,647	238,891
Held-to-maturity debt securities								
Mortgage-backed securities								
U.S. government agencies ^(c)	27,577	558	40	28,095	29,910	638	37	30,511
Commercial	5,783	1	74	5,710	5,783	–	129	5,654
Total mortgage-backed securities	33,360	559	114	33,805	35,693	638	166	36,165
Obligations of U.S. states and municipalities	14,373	554	80	14,847	14,475	374	125	14,724
Total held-to-maturity debt securities	47,733	1,113	194	48,652	50,168	1,012	291	50,889
Total securities	\$ 246,474	\$ 5,074	\$ 671	\$ 250,877	\$ 286,598	\$ 5,120	\$ 1,938	\$ 289,780

(a) Includes total U.S. government-sponsored enterprise obligations with a fair value of \$45.8 billion for the years ended December 31, 2017 and 2016, which were predominantly mortgage-related.

(b) Prior period amounts have been revised to conform with the current period presentation.

(c) Included total U.S. government-sponsored enterprise obligations with amortized cost of \$22.0 billion and \$25.6 billion at December 31, 2017 and 2016, respectively, which were mortgage-related.

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Securities impairment

The following tables present the fair value and gross unrealized losses for the investment securities portfolio by aging category at December 31, 2017 and 2016.

December 31, 2017 (in millions)	Securities with gross unrealized losses					
	Less than 12 months		12 months or more		Total fair value	Total gross unrealized losses
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses		
Available-for-sale debt securities						
Mortgage-backed securities:						
U.S. government agencies	\$ 36,037	\$ 139	\$ 7,711	\$ 196	\$ 43,748	\$ 335
Residential:						
U.S.	1,112	5	596	9	1,708	14
Non-U.S.	—	—	266	1	266	1
Commercial	528	4	335	1	863	5
Total mortgage-backed securities	37,677	148	8,908	207	46,585	355
U.S. Treasury and government agencies	1,834	11	373	20	2,207	31
Obligations of U.S. states and municipalities	949	7	1,652	26	2,601	33
Certificates of deposit	—	—	—	—	—	—
Non-U.S. government debt securities	6,500	15	811	17	7,311	32
Corporate debt securities	—	—	52	1	52	1
Asset-backed securities:						
Collateralized loan obligations	—	—	276	1	276	1
Other	3,521	20	720	4	4,241	24
Total available-for-sale debt securities	50,481	201	12,792	276	63,273	477
Available-for-sale equity securities	—	—	—	—	—	—
Held-to-maturity securities						
Mortgage-backed securities						
U.S. government securities	4,070	38	205	2	4,275	40
Commercial	3,706	41	1,882	33	5,588	74
Total mortgage-backed securities	7,776	79	2,087	35	9,863	114
Obligations of U.S. states and municipalities	584	9	2,131	71	2,715	80
Total held-to-maturity securities	8,360	88	4,218	106	12,578	194
Total securities with gross unrealized losses	\$ 58,841	\$ 289	\$ 17,010	\$ 382	\$ 75,851	\$ 671

December 31, 2016 (in millions)	Securities with gross unrealized losses					
	Less than 12 months		12 months or more		Total fair value	Total gross unrealized losses
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses		
Available-for-sale debt securities						
Mortgage-backed securities:						
U.S. government agencies	\$ 29,856	\$ 463	\$ 506	\$ 11	\$ 30,362	\$ 474
Residential:						
U.S. ^(a)	1,373	6	1,073	22	2,446	28
Non-U.S.	—	—	886	7	886	7
Commercial	2,328	17	1,078	3	3,406	20
Total mortgage-backed securities	33,557	486	3,543	43	37,100	529
U.S. Treasury and government agencies	23,543	796	—	—	23,543	796
Obligations of U.S. states and municipalities	7,215	181	55	3	7,270	184
Certificates of deposit	—	—	—	—	—	—
Non-U.S. government debt securities	4,436	36	421	9	4,857	45
Corporate debt securities	797	2	829	20	1,626	22
Asset-backed securities:						
Collateralized loan obligations	766	2	5,263	24	6,029	26
Other	739	6	1,992	39	2,731	45
Total available-for-sale debt securities	71,053	1,509	12,103	138	83,156	1,647
Available-for-sale equity securities	—	—	—	—	—	—
Held-to-maturity debt securities						
Mortgage-backed securities						
U.S. government agencies	3,129	37	—	—	3,129	37
Commercial	5,163	114	441	15	5,604	129
Total mortgage-backed securities	8,292	151	441	15	8,733	166
Obligations of U.S. states and municipalities	4,702	125	—	—	4,702	125
Total held-to-maturity securities	12,994	276	441	15	13,435	291
Total securities with gross unrealized losses	\$ 84,047	\$ 1,785	\$ 12,544	\$ 153	\$ 96,591	\$ 1,938

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

Gross unrealized losses

The Firm has recognized unrealized losses on securities that it intends to sell as OTTI. The Firm does not intend to sell any of the remaining securities with an unrealized loss in AOCI as of December 31, 2017, and it is not likely that the Firm will be required to sell these securities before recovery of their amortized cost basis. Except for the securities for which credit losses have been recognized in income, the Firm believes that the securities with an unrealized loss in AOCI are not other-than-temporarily impaired as of December 31, 2017.

Other-than-temporary impairment

AFS debt and equity securities and HTM debt securities in unrealized loss positions are analyzed as part of the Firm's ongoing assessment of OTTI. For most types of debt securities, the Firm considers a decline in fair value to be other-than-temporary when the Firm does not expect to recover the entire amortized cost basis of the security. For beneficial interests in securitizations that are rated below "AA" at their acquisition, or that can be contractually prepaid or otherwise settled in such a way that the Firm would not recover substantially all of its recorded investment, the Firm considers an impairment to be other-

than-temporary when there is an adverse change in expected cash flows. For AFS equity securities, the Firm considers a decline in fair value to be other-than-temporary if it is probable that the Firm will not recover its cost basis.

Potential OTTI is considered using a variety of factors, including the length of time and extent to which the market value has been less than cost; adverse conditions specifically related to the industry, geographic area or financial condition of the issuer or underlying collateral of a security; payment structure of the security; changes to the rating of the security by a rating agency; the volatility of the fair value changes; and the Firm's intent and ability to hold the security until recovery.

For AFS debt securities, the Firm recognizes OTTI losses in earnings if the Firm has the intent to sell the debt security, or if it is more likely than not that the Firm will be required to sell the debt security before recovery of its amortized cost basis. In these circumstances the impairment loss is equal to the full difference between the amortized cost basis and the fair value of the securities. For debt securities in an unrealized loss position that the Firm has the intent and ability to hold, the expected cash flows to be received

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from the securities are evaluated to determine if a credit loss exists. In the event of a credit loss, only the amount of impairment associated with the credit loss is recognized in income. Amounts relating to factors other than credit losses are recorded in OCI.

The Firm's cash flow evaluations take into account the factors noted above and expectations of relevant market and economic data as of the end of the reporting period. For securities issued in a securitization, the Firm estimates cash flows considering underlying loan-level data and structural features of the securitization, such as subordination, excess spread, overcollateralization or other forms of credit enhancement, and compares the losses projected for the underlying collateral ("pool losses") against the level of credit enhancement in the securitization structure to determine whether these features are sufficient to absorb the pool losses, or whether a credit loss exists. The Firm also performs other analyses to support its cash flow projections, such as first-loss analyses or stress scenarios.

For equity securities, OTTI losses are recognized in earnings if the Firm intends to sell the security. In other cases the Firm considers the relevant factors noted above, as well as the Firm's intent and ability to retain its investment for a period of time sufficient to allow for any anticipated recovery in market value, and whether evidence exists to support a realizable value equal to or greater than the cost basis. Any impairment loss on an equity security is equal to the full difference between the cost basis and the fair value of the security.

Securities gains and losses

The following table presents realized gains and losses and OTTI from AFS securities that were recognized in income.

Year ended December 31, (in millions)	2017	2016	2015
Realized gains	\$ 1,013	\$ 401	\$ 351
Realized losses	(1,072)	(232)	(127)
OTTI losses ^(a)	(7)	(28)	(22)
Net securities gains/(losses)	(66)	141	202
OTTI losses			
Credit losses recognized in income	–	(1)	(1)
Securities the Firm intends to sell ^(a)	(7)	(27)	(21)
Total OTTI losses recognized in income	\$ (7)	\$ (28)	\$ (22)

(a) Excludes realized losses on securities sold of \$6 million, \$24 million and \$5 million for the years ended December 31, 2017, 2016 and 2015, respectively that had been previously reported as an OTTI loss due to the intention to sell the securities.

Changes in the credit loss component of credit-impaired debt securities

The cumulative credit loss component, including any changes therein, of OTTI losses that have been recognized in income related to AFS debt securities was not material as of and during the years ended December 31, 2017, 2016 and 2015.

Contractual maturities and yields

The following table presents the amortized cost and estimated fair value at December 31, 2017, of JPMorgan Chase's investment securities portfolio by contractual maturity.

By remaining maturity December 31, 2017 (in millions)	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years ^(c)	Total
Available-for-sale debt securities					
Mortgage-backed securities ^(a)					
Amortized cost	\$ 3	\$ 698	\$ 6,134	\$ 79,051	\$ 85,886
Fair value	3	708	6,294	79,667	86,672
Average yield ^(b)	4.76%	2.10%	3.10%	3.35%	3.32%
U.S. Treasury and government agencies					
Amortized cost	\$ 60	\$ —	\$ 17,437	\$ 5,013	\$ 22,510
Fair value	60	—	17,542	5,143	22,745
Average yield ^(b)	1.72%	—%	1.96%	1.76%	1.91%
Obligations of U.S. states and municipalities					
Amortized cost	\$ 73	\$ 750	\$ 1,265	\$ 28,402	\$ 30,490
Fair value	72	765	1,324	30,177	32,338
Average yield ^(b)	1.78%	3.28%	5.40%	5.50%	5.43%
Certificates of deposit					
Amortized cost	\$ 59	\$ —	\$ —	\$ —	\$ 59
Fair value	59	—	—	—	59
Average yield ^(b)	0.50%	—%	—%	—%	0.50%
Non-U.S. government debt securities					
Amortized cost	\$ 5,020	\$ 13,665	\$ 8,215	\$ —	\$ 26,900
Fair value	5,022	13,845	8,427	—	27,294
Average yield ^(b)	3.09%	1.55%	1.19%	—%	1.73%
Corporate debt securities					
Amortized cost	\$ 150	\$ 1,159	\$ 1,203	\$ 145	\$ 2,657
Fair value	151	1,197	1,255	154	2,757
Average yield ^(b)	3.07%	3.60%	3.58%	3.22%	3.54%
Asset-backed securities					
Amortized cost	\$ —	\$ 3,372	\$ 13,046	\$ 13,274	\$ 29,692
Fair value	—	3,353	13,080	13,380	29,813
Average yield ^(b)	—%	2.14%	2.58%	2.36%	2.43%
Total available-for-sale debt securities					
Amortized cost	\$ 5,365	\$ 19,644	\$ 47,300	\$ 125,885	\$ 198,194
Fair value	5,367	19,868	47,922	128,521	201,678
Average yield ^(b)	3.03%	1.86%	2.28%	3.66%	3.14%
Available-for-sale equity securities					
Amortized cost	\$ —	\$ —	\$ —	\$ 547	\$ 547
Fair value	—	—	—	547	547
Average yield ^(b)	—%	—%	—%	0.71%	0.71%
Total available-for-sale securities					
Amortized cost	\$ 5,365	\$ 19,644	\$ 47,300	\$ 126,432	\$ 198,741
Fair value	5,367	19,868	47,922	129,068	202,225
Average yield ^(b)	3.03%	1.86%	2.28%	3.65%	3.13%
Held-to-maturity debt securities					
Mortgage-backed securities ^(a)					
Amortized Cost	\$ —	\$ —	\$ 49	\$ 33,311	\$ 33,360
Fair value	—	—	49	33,756	33,805
Average yield ^(b)	—%	—%	2.88%	3.27%	3.27%
Obligations of U.S. states and municipalities					
Amortized cost	\$ —	\$ 66	\$ 2,019	\$ 12,288	\$ 14,373
Fair value	—	65	2,067	12,715	14,847
Average yield ^(b)	—%	4.74%	4.30%	4.72%	4.66%
Total held-to-maturity securities					
Amortized cost	\$ —	\$ 66	\$ 2,068	\$ 45,599	\$ 47,733
Fair value	—	65	2,116	46,471	48,652
Average yield ^(b)	—%	4.75%	4.26%	3.66%	3.69%

(a) As of December 31, 2017, mortgage-backed securities issued by Fannie Mae exceeded 10% of JPMorgan Chase's total stockholders' equity; the amortized cost and fair value of such securities was \$55.1 billion and \$56.0 billion, respectively.

(b) Average yield is computed using the effective yield of each security owned at the end of the period, weighted based on the amortized cost of each security. The effective yield considers the contractual coupon, amortization of premiums and accretion of discounts, and the effect of related hedging derivatives. Taxable-equivalent amounts are used

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where applicable and reflect the estimated impact of the enactment of the Tax Cuts and Jobs Act (“TCJA”). The effective yield excludes unscheduled principal prepayments; and accordingly, actual maturities of securities may differ from their contractual or expected maturities as certain securities may be prepaid.

- (c) Includes securities with no stated maturity. Substantially all of the Firm’s U.S. residential MBS and collateralized mortgage obligations are due in 10 years or more, based on contractual maturity. The estimated weighted-average life, which reflects anticipated future prepayments, is approximately six years for agency residential MBS, three years for agency residential collateralized mortgage obligations and three years for nonagency residential collateralized mortgage obligations.

Note 11 – Securities financing activities

JPMorgan Chase enters into resale agreements, repurchase agreements, securities borrowed transactions and securities loaned transactions (collectively, “securities financing agreements”) primarily to finance the Firm’s inventory positions, acquire securities to cover short positions, accommodate customers’ financing needs, and settle other securities obligations.

Securities financing agreements are treated as collateralized financings on the Firm’s Consolidated balance sheets. Resale and repurchase agreements are generally carried at the amounts at which the securities will be subsequently sold or repurchased. Securities borrowed and securities loaned transactions are generally carried at the amount of cash collateral advanced or received. Where appropriate under applicable accounting guidance, resale and repurchase agreements with the same counterparty are reported on a net basis. For further discussion of the offsetting of assets and liabilities, see Note 1. Fees received and paid in connection with securities financing agreements are recorded in interest income and interest expense on the Consolidated statements of income.

The Firm has elected the fair value option for certain securities financing agreements. For further information regarding the fair value option, see Note 3. The securities financing agreements for which the fair value option has been elected are reported within securities purchased under resale agreements, securities loaned or sold under repurchase agreements, and securities borrowed on the Consolidated balance sheets. Generally, for agreements carried at fair value, current-period interest accruals are recorded within interest income and interest expense, with changes in fair value reported in principal transactions revenue. However, for financial instruments containing embedded derivatives that would be separately accounted for in accordance with accounting guidance for hybrid instruments, all changes in fair value, including any interest elements, are reported in principal transactions revenue.

Securities financing transactions expose the Firm primarily to credit and liquidity risk. To manage these risks, the Firm monitors the value of the underlying securities (predominantly high-quality securities collateral, including government-issued debt and agency MBS) that it has received from or provided to its counterparties compared to the value of cash proceeds and exchanged collateral, and either requests additional collateral or returns securities or collateral when appropriate. Margin levels are initially established based upon the counterparty, the type of underlying securities, and the permissible collateral, and are monitored on an ongoing basis.

In resale agreements and securities borrowed transactions, the Firm is exposed to credit risk to the extent that the value of the securities received is less than initial cash principal advanced and any collateral amounts exchanged. In repurchase agreements and securities loaned transactions, credit risk exposure arises to the extent that the value of underlying securities exceeds the value of the initial cash principal advanced, and any collateral amounts exchanged.

Additionally, the Firm typically enters into master netting agreements and other similar arrangements with its counterparties, which provide for the right to liquidate the underlying securities and any collateral amounts exchanged in the event of a counterparty default. It is also the Firm’s policy to take possession, where possible, of the securities underlying resale agreements and securities borrowed transactions. For further information regarding assets pledged and collateral received in securities financing agreements, see Note 28.

As a result of the Firm’s credit risk mitigation practices with respect to resale and securities borrowed agreements as described above, the Firm did not hold any reserves for credit impairment with respect to these agreements as of December 31, 2017 and 2016.

The table below summarizes the gross and net amounts of the Firm's securities financing agreements, as of December 31, 2017, and 2016. When the Firm has obtained an appropriate legal opinion with respect to the master netting agreement with a counterparty and where other relevant netting criteria under U.S. GAAP are met, the Firm nets, on the Consolidated balance sheets, the balances outstanding under its securities financing agreements with the same counterparty. In addition, the Firm exchanges securities and/or cash collateral with its counterparties; this collateral also reduces the economic exposure with the counterparty. Such collateral, along with securities financing balances that do not meet all these relevant netting criteria under U.S. GAAP, is presented as "Amounts not nettable on the Consolidated balance sheets," and reduces the "Net amounts" presented below, if the Firm has an appropriate legal opinion with respect to the master netting agreement with the counterparty. Where a legal opinion has not been either sought or obtained, the securities financing balances are presented gross in the "Net amounts" below, and related collateral does not reduce the amounts presented.

December 31, (in millions)	2017				
	Gross amounts	Amounts netted on the Consolidated balance sheets	Amounts presented on the Consolidated balance sheets ^(b)	Amounts not nettable on the Consolidated balance sheets ^(c)	Net amounts ^(d)
Assets					
Securities purchased under resale agreements	\$ 448,608	\$ (250,505)	\$ 198,103	\$ (188,502)	\$ 9,601
Securities borrowed	113,926	(8,814)	105,112	(76,805)	28,307
Liabilities					
Securities sold under repurchase agreements	\$ 398,218	\$ (250,505)	\$ 147,713	\$ (129,178)	\$ 18,535
Securities loaned and other ^(a)	27,228	(8,814)	18,414	(18,151)	263
December 31, (in millions)	2016				
	Gross amounts	Amounts netted on the Consolidated balance sheets	Amounts presented on the Consolidated balance sheets ^(b)	Amounts not nettable on the Consolidated balance sheets ^(c)	Net amounts ^(d)
Assets					
Securities purchased under resale agreements	\$ 480,735	\$ (250,832)	\$ 229,903	\$ (222,413)	\$ 7,490
Securities borrowed	96,409	–	96,409	(66,822)	29,587
Liabilities					
Securities sold under repurchase agreements	\$ 402,465	\$ (250,832)	\$ 151,633	\$ (133,300)	\$ 18,333
Securities loaned and other ^(a)	22,451	–	22,451	(22,177)	274

- (a) Includes securities-for-securities lending transactions of \$9.2 billion and \$9.1 billion at December 31, 2017 and 2016, respectively, accounted for at fair value, where the Firm is acting as lender. These amounts are presented within accounts payable and other liabilities in the Consolidated balance sheets.
- (b) Includes securities financing agreements accounted for at fair value. At December 31, 2017 and 2016, included securities purchased under resale agreements of \$14.7 billion and \$21.5 billion, respectively, and securities sold under agreements to repurchase of \$697 million and \$687 million, respectively. There were \$3.0 billion of securities borrowed at December 31, 2017 and there were no securities borrowed at December 31, 2016. There were no securities loaned accounted for at fair value in either period.
- (c) In some cases, collateral exchanged with a counterparty exceeds the net asset or liability balance with that counterparty. In such cases, the amounts reported in this column are limited to the related asset or liability with that counterparty.
- (d) Includes securities financing agreements that provide collateral rights, but where an appropriate legal opinion with respect to the master netting agreement has not been either sought or obtained. At December 31, 2017 and 2016, included \$7.5 billion and \$4.8 billion, respectively, of securities purchased under resale agreements; \$25.5 billion and \$27.1 billion, respectively, of securities borrowed; \$16.5 billion and \$15.9 billion, respectively, of securities sold under agreements to repurchase; and \$29 million and \$90 million, respectively, of securities loaned and other.

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The tables below present as of December 31, 2017 and 2016 the types of financial assets pledged in securities financing agreements and the remaining contractual maturity of the securities financing agreements.

December 31, (in millions)	Gross liability balance			
	2017		2016	
	Securities sold under repurchase agreements	Securities loaned and other ^(b)	Securities sold under repurchase agreements	Securities loaned and other ^(b)
Mortgage-backed securities:				
U.S. government agencies ^(a)	\$ 13,100	\$ —	\$ 14,034	\$ —
Residential - nonagency	2,972	—	6,224	—
Commercial - nonagency	1,594	—	4,173	—
U.S. Treasury and government agencies ^(a)	177,581	14	185,145	—
Obligations of U.S. states and municipalities	1,557	—	2,491	—
Non-U.S. government debt	170,196	2,485	149,008	1,279
Corporate debt securities	14,231	287	18,140	108
Asset-backed securities	3,508	—	7,721	—
Equity securities	13,479	24,442	15,529	21,064
Total	\$ 398,218	\$ 27,228	\$ 402,465	\$ 22,451

2017 (in millions)	Remaining contractual maturity of the agreements				
	Overnight and continuous	Up to 30 days	30 - 90 days	Greater than 90 days	Total
Total securities sold under repurchase agreements	\$ 166,425	\$ 156,434	\$ 41,611	\$ 33,748	\$ 398,218
Total securities loaned and other ^(b)	22,876	375	2,328	1,649	27,228

2016 (in millions)	Remaining contractual maturity of the agreements				
	Overnight and continuous	Up to 30 days	30 - 90 days	Greater than 90 days	Total
Total securities sold under repurchase agreements	\$ 140,318	\$ 157,860	\$ 55,621	\$ 48,666	\$ 402,465
Total securities loaned and other ^(b)	13,586	1,371	2,877	4,617	22,451

(a) Prior period amounts were revised to conform with the current period presentation.

(b) Includes securities-for-securities lending transactions of \$9.2 billion and \$9.1 billion at December 31, 2017 and 2016, respectively, accounted for at fair value, where the Firm is acting as lender. These amounts are presented within accounts payable and other liabilities on the Consolidated balance sheets.

Transfers not qualifying for sale accounting

At December 31, 2017 and 2016, the Firm held \$1.5 billion and \$5.9 billion, respectively, of financial assets for which the rights have been transferred to third parties; however, the transfers did not qualify as a sale in accordance with U.S. GAAP. These transfers have been recognized as collateralized financing transactions. The transferred assets are recorded in trading assets and loans, and the corresponding liabilities are recorded predominantly in short-term borrowings on the Consolidated balance sheets.

Note 12 – Loans

Loan accounting framework

The accounting for a loan depends on management's strategy for the loan, and on whether the loan was credit-impaired at the date of acquisition. The Firm accounts for loans based on the following categories:

- Originated or purchased loans held-for-investment (i.e., "retained"), other than PCI loans
- Loans held-for-sale
- Loans at fair value
- PCI loans held-for-investment

The following provides a detailed accounting discussion of these loan categories:

Loans held-for-investment (other than PCI loans)

Originated or purchased loans held-for-investment, other than PCI loans, are recorded at the principal amount outstanding, net of the following: charge-offs; interest applied to principal (for loans accounted for on the cost recovery method); unamortized discounts and premiums; and net deferred loan fees or costs. Credit card loans also include billed finance charges and fees net of an allowance for uncollectible amounts.

Interest income

Interest income on performing loans held-for-investment, other than PCI loans, is accrued and recognized as interest income at the contractual rate of interest. Purchase price discounts or premiums, as well as net deferred loan fees or costs, are amortized into interest income over the contractual life of the loan to produce a level rate of return.

Nonaccrual loans

Nonaccrual loans are those on which the accrual of interest has been suspended. Loans (other than credit card loans and certain consumer loans insured by U.S. government agencies) are placed on nonaccrual status and considered nonperforming when full payment of principal and interest is not expected, regardless of delinquency status, or when principal and interest has been in default for a period of 90 days or more, unless the loan is both well-secured and in the process of collection. A loan is determined to be past due when the minimum payment is not received from the borrower by the contractually specified due date or for certain loans (e.g., residential real estate loans), when a monthly payment is due and unpaid for 30 days or more. Finally, collateral-dependent loans are typically maintained on nonaccrual status.

On the date a loan is placed on nonaccrual status, all interest accrued but not collected is reversed against interest income. In addition, the amortization of deferred amounts is suspended. Interest income on nonaccrual loans may be recognized as cash interest payments are received (i.e., on a cash basis) if the recorded loan balance is deemed fully collectible; however, if there is doubt regarding the ultimate collectibility of the recorded loan balance, all interest cash receipts are applied to reduce the

carrying value of the loan (the cost recovery method). For consumer loans, application of this policy typically results in the Firm recognizing interest income on nonaccrual consumer loans on a cash basis.

A loan may be returned to accrual status when repayment is reasonably assured and there has been demonstrated performance under the terms of the loan or, if applicable, the terms of the restructured loan.

As permitted by regulatory guidance, credit card loans are generally exempt from being placed on nonaccrual status; accordingly, interest and fees related to credit card loans continue to accrue until the loan is charged off or paid in full. However, the Firm separately establishes an allowance, which is offset against loans and charged to interest income, for the estimated uncollectible portion of accrued and billed interest and fee income on credit card loans. The allowance is established with a charge to interest income and is reported as an offset to loans.

Allowance for loan losses

The allowance for loan losses represents the estimated probable credit losses inherent in the held-for-investment loan portfolio at the balance sheet date and is recognized on the balance sheet as a contra asset, which brings the recorded investment to the net carrying value. Changes in the allowance for loan losses are recorded in the provision for credit losses on the Firm's Consolidated statements of income. See Note 13 for further information on the Firm's accounting policies for the allowance for loan losses.

Charge-offs

Consumer loans, other than risk-rated business banking and auto loans, and PCI loans, are generally charged off or charged down to the net realizable value of the underlying collateral (i.e., fair value less costs to sell), with an offset to the allowance for loan losses, upon reaching specified stages of delinquency in accordance with standards established by the FFIEC. Residential real estate loans and non-modified credit card loans are generally charged off no later than 180 days past due. Scored auto, student and modified credit card loans are charged off no later than 120 days past due.

Certain consumer loans will be charged off or charged down to their net realizable value earlier than the FFIEC charge-off standards in certain circumstances as follows:

- Loans modified in a TDR that are determined to be collateral-dependent.
- Loans to borrowers who have experienced an event that suggests a loss is either known or highly certain are subject to accelerated charge-off standards (e.g., residential real estate and auto loans are charged off within 60 days of receiving notification of a bankruptcy filing).
- Auto loans upon repossession of the automobile.

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Other than in certain limited circumstances, the Firm typically does not recognize charge-offs on government-guaranteed loans.

Wholesale loans, risk-rated business banking loans and risk-rated auto loans are charged off when it is highly certain that a loss has been realized, including situations where a loan is determined to be both impaired and collateral-dependent. The determination of whether to recognize a charge-off includes many factors, including the prioritization of the Firm's claim in bankruptcy, expectations of the workout/restructuring of the loan and valuation of the borrower's equity or the loan collateral.

When a loan is charged down to the estimated net realizable value, the determination of the fair value of the collateral depends on the type of collateral (e.g., securities, real estate). In cases where the collateral is in the form of liquid securities, the fair value is based on quoted market prices or broker quotes. For illiquid securities or other financial assets, the fair value of the collateral is estimated using a discounted cash flow model.

For residential real estate loans, collateral values are based upon external valuation sources. When it becomes likely that a borrower is either unable or unwilling to pay, the Firm obtains a broker's price opinion of the home based on an exterior-only valuation ("exterior opinions"), which is then updated at least every six months thereafter. As soon as practicable after the Firm receives the property in satisfaction of a debt (e.g., by taking legal title or physical possession), the Firm generally obtains an appraisal based on an inspection that includes the interior of the home ("interior appraisals"). Exterior opinions and interior appraisals are discounted based upon the Firm's experience with actual liquidation values as compared with the estimated values provided by exterior opinions and interior appraisals, considering state-specific factors.

For commercial real estate loans, collateral values are generally based on appraisals from internal and external valuation sources. Collateral values are typically updated every six to twelve months, either by obtaining a new appraisal or by performing an internal analysis, in accordance with the Firm's policies. The Firm also considers both borrower- and market-specific factors, which may result in obtaining appraisal updates or broker price opinions at more frequent intervals.

Loans held-for-sale

Held-for-sale loans are measured at the lower of cost or fair value, with valuation changes recorded in noninterest revenue. For consumer loans, the valuation is performed on a portfolio basis. For wholesale loans, the valuation is performed on an individual loan basis.

Interest income on loans held-for-sale is accrued and recognized based on the contractual rate of interest.

Loan origination fees or costs and purchase price discounts or premiums are deferred in a contra loan account until the related loan is sold. The deferred fees or costs and discounts or premiums are an adjustment to the basis of the loan and therefore are included in the periodic determination of the lower of cost or fair value adjustments and/or the gain or loss recognized at the time of sale.

Held-for-sale loans are subject to the nonaccrual policies described above.

Because held-for-sale loans are recognized at the lower of cost or fair value, the Firm's allowance for loan losses and charge-off policies do not apply to these loans.

Loans at fair value

Loans used in a market-making strategy or risk managed on a fair value basis are measured at fair value, with changes in fair value recorded in noninterest revenue.

Interest income on these loans is accrued and recognized based on the contractual rate of interest. Changes in fair value are recognized in noninterest revenue. Loan origination fees are recognized upfront in noninterest revenue. Loan origination costs are recognized in the associated expense category as incurred.

Because these loans are recognized at fair value, the Firm's allowance for loan losses and charge-off policies do not apply to these loans.

See Note 3 for further information on the Firm's elections of fair value accounting under the fair value option. See Note 2 and Note 3 for further information on loans carried at fair value and classified as trading assets.

PCI loans

PCI loans held-for-investment are initially measured at fair value. PCI loans have evidence of credit deterioration since the loan's origination date and therefore it is probable, at acquisition, that all contractually required payments will not be collected. Because PCI loans are initially measured at fair value, which includes an estimate of future credit losses, no allowance for loan losses related to PCI loans is recorded at the acquisition date. See page 223 of this Note for information on accounting for PCI loans subsequent to their acquisition.

Loan classification changes

Loans in the held-for-investment portfolio that management decides to sell are transferred to the held-for-sale portfolio at the lower of cost or fair value on the date of transfer. Credit-related losses are charged against the allowance for loan losses; non-credit related losses such as those due to changes in interest rates or foreign currency exchange rates are recognized in noninterest revenue.

In the event that management decides to retain a loan in the held-for-sale portfolio, the loan is transferred to the held-for-investment portfolio at the lower of cost or fair value on the date of transfer. These loans are subsequently assessed for impairment based on the Firm's allowance methodology. For a further discussion of the methodologies used in establishing the Firm's allowance for loan losses, see Note 13.

Loan modifications

The Firm seeks to modify certain loans in conjunction with its loss-mitigation activities. Through the modification, JPMorgan Chase grants one or more concessions to a borrower who is experiencing financial difficulty in order to minimize the Firm's economic loss and avoid foreclosure or repossession of the collateral, and to ultimately maximize payments received by the Firm from the borrower. The concessions granted vary by program and by borrower-specific characteristics, and may include interest rate reductions, term extensions, payment deferrals, principal forgiveness, or the acceptance of equity or other assets in lieu of payments.

Such modifications are accounted for and reported as TDRs. A loan that has been modified in a TDR is generally considered to be impaired until it matures, is repaid, or is otherwise liquidated, regardless of whether the borrower performs under the modified terms. In certain limited cases, the effective interest rate applicable to the modified loan is at or above the current market rate at the time of the restructuring. In such circumstances, and assuming that the loan subsequently performs under its modified terms and the Firm expects to collect all contractual principal and interest cash flows, the loan is disclosed as impaired and as a TDR only during the year of the modification; in subsequent years, the loan is not disclosed as an impaired loan or as a TDR so long as repayment of the restructured loan under its modified terms is reasonably assured.

Loans, except for credit card loans, modified in a TDR are generally placed on nonaccrual status, although in many cases such loans were already on nonaccrual status prior to modification. These loans may be returned to performing status (the accrual of interest is resumed) if the following criteria are met: (i) the borrower has performed under the modified terms for a minimum of six months and/or six payments, and (ii) the Firm has an expectation that repayment of the modified loan is reasonably assured based on, for example, the borrower's debt capacity and level of future earnings, collateral values, LTV ratios, and other current market considerations. In certain limited and well-defined circumstances in which the loan is current at the modification date, such loans are not placed on nonaccrual status at the time of modification.

Because loans modified in TDRs are considered to be impaired, these loans are measured for impairment using the Firm's established asset-specific allowance methodology, which considers the expected re-default rates for the modified loans. A loan modified in a TDR generally remains subject to the asset-specific allowance methodology throughout its remaining life, regardless of whether the loan is performing and has been returned to accrual status and/or the loan has been removed from the impaired loans disclosures (i.e., loans restructured at market rates). For further discussion of the methodology used to estimate the Firm's asset-specific allowance, see Note 13.

Foreclosed property

The Firm acquires property from borrowers through loan restructurings, workouts, and foreclosures. Property acquired may include real property (e.g., residential real estate, land, and buildings) and commercial and personal property (e.g., automobiles, aircraft, railcars, and ships).

The Firm recognizes foreclosed property upon receiving assets in satisfaction of a loan (e.g., by taking legal title or physical possession). For loans collateralized by real property, the Firm generally recognizes the asset received at foreclosure sale or upon the execution of a deed in lieu of foreclosure transaction with the borrower. Foreclosed assets are reported in other assets on the Consolidated balance sheets and initially recognized at fair value less costs to sell. Each quarter the fair value of the acquired property is reviewed and adjusted, if necessary, to the lower of cost or fair value. Subsequent adjustments to fair value are charged/credited to noninterest revenue. Operating expense, such as real estate taxes and maintenance, are charged to other expense.

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Loan portfolio

The Firm's loan portfolio is divided into three portfolio segments, which are the same segments used by the Firm to determine the allowance for loan losses: Consumer, excluding credit card; Credit card; and Wholesale. Within each portfolio segment the Firm monitors and assesses the credit risk in the following classes of loans, based on the risk characteristics of each loan class.

Consumer, excluding credit card ^(a)	Credit card	Wholesale ^(f)
<u>Residential real estate - excluding PCI</u> <ul style="list-style-type: none"> • Residential mortgage^(b) • Home equity^(c) <u>Other consumer loans</u> <ul style="list-style-type: none"> • Auto^(d) • Consumer & Business Banking^{(d)(e)} • Student <u>Residential real estate - PCI</u> <ul style="list-style-type: none"> • Home equity • Prime mortgage • Subprime mortgage • Option ARMs 	<ul style="list-style-type: none"> • Credit card loans 	<ul style="list-style-type: none"> • Commercial and industrial • Real estate • Financial institutions • Government agencies • Other^(g)

(a) Includes loans held in CCB, prime mortgage and home equity loans held in AWM and prime mortgage loans held in Corporate.

(b) Predominantly includes prime (including option ARMs) and subprime loans.

(c) Includes senior and junior lien home equity loans.

(d) Includes certain business banking and auto dealer risk-rated loans that apply the wholesale methodology for determining the allowance for loan losses; these loans are managed by CCB, and therefore, for consistency in presentation, are included with the other consumer loan classes.

(e) Predominantly includes Business Banking loans.

(f) Includes loans held in CIB, CB, AWM and Corporate. Excludes prime mortgage and home equity loans held in AWM and prime mortgage loans held in Corporate. Classes are internally defined and may not align with regulatory definitions.

(g) Includes loans to: individuals; SPEs; and private education and civic organizations. For more information on SPEs, see Note 14.

The following tables summarize the Firm's loan balances by portfolio segment.

December 31, 2017				
(in millions)	Consumer, excluding credit card	Credit card ^(a)	Wholesale	Total
Retained	\$ 372,553	\$ 149,387	\$ 402,898	\$ 924,838 ^(b)
Held-for-sale	128	124	3,099	3,351
At fair value	—	—	2,508	2,508
Total	\$ 372,681	\$ 149,511	\$ 408,505	\$ 930,697

December 31, 2016				
(in millions)	Consumer, excluding credit card	Credit card ^(a)	Wholesale	Total
Retained	\$ 364,406	\$ 141,711	\$ 383,790	\$ 889,907 ^(b)
Held-for-sale	238	105	2,285	2,628
At fair value	—	—	2,230	2,230
Total	\$ 364,644	\$ 141,816	\$ 388,305	\$ 894,765

(a) Includes accrued interest and fees net of an allowance for the uncollectible portion of accrued interest and fee income.

(b) Loans (other than PCI loans and those for which the fair value option has been elected) are presented net of unamortized discounts and premiums and net deferred loan fees or costs. These amounts were not material as of December 31, 2017 and 2016.

The following table provides information about the carrying value of retained loans purchased, sold and reclassified to held-for-sale during the periods indicated. This table excludes loans recorded at fair value. The Firm manages its exposure to credit risk on an ongoing basis. Selling loans is one way that the Firm reduces its credit exposures.

Year ended December 31, (in millions)	2017			
	Consumer, excluding credit card	Credit card	Wholesale	Total
Purchases	\$ 3,461 ^{(a)(b)}	\$ –	\$ 1,799	\$ 5,260
Sales	3,405	–	11,063	14,468
Retained loans reclassified to held-for-sale	6,340 ^(c)	–	1,229	7,569

Year ended December 31, (in millions)	2016			
	Consumer, excluding credit card	Credit card	Wholesale	Total
Purchases	\$ 4,116 ^{(a)(b)}	\$ –	\$ 1,448	\$ 5,564
Sales	6,368	–	8,739	15,107
Retained loans reclassified to held-for-sale	321	–	2,381	2,702

Year ended December 31, (in millions)	2015			
	Consumer, excluding credit card	Credit card	Wholesale	Total
Purchases	\$ 5,279 ^{(a)(b)}	\$ –	\$ 2,154	\$ 7,433
Sales	5,099	–	9,188	14,287
Retained loans reclassified to held-for-sale	1,514	79	642	2,235

- (a) Purchases predominantly represent the Firm's voluntary repurchase of certain delinquent loans from loan pools as permitted by Government National Mortgage Association ("Ginnie Mae") guidelines. The Firm typically elects to repurchase these delinquent loans as it continues to service them and/or manage the foreclosure process in accordance with applicable requirements of Ginnie Mae, FHA, RHS, and/or VA.
- (b) Excludes purchases of retained loans sourced through the correspondent origination channel and underwritten in accordance with the Firm's standards. Such purchases were \$23.5 billion, \$30.4 billion and \$50.3 billion for the years ended December 31, 2017, 2016 and 2015, respectively.
- (c) Includes the Firm's student loan portfolio which was sold in 2017.

The following table provides information about gains and losses on loan sales, including lower of cost or fair value adjustments, on loan sales by portfolio segment.

Year ended December 31, (in millions)	2017	2016	2015
Net gains/(losses) on sales of loans (including lower of cost or fair value adjustments)^(a)			
Consumer, excluding credit card ^(b)	\$ (126)	\$ 231	\$ 305
Credit card	(8)	(12)	1
Wholesale	41	26	34
Total net gains/(losses) on sales of loans (including lower of cost or fair value adjustments)	\$ (93)	\$ 245	\$ 340

- (a) Excludes sales related to loans accounted for at fair value.
- (b) Includes amounts related to the Firm's student loan portfolio which was sold in 2017.

Consumer, excluding credit card, loan portfolio

Consumer loans, excluding credit card loans, consist primarily of residential mortgages, home equity loans and lines of credit, auto loans, consumer and business banking loans and student loans, with a focus on serving the prime consumer credit market. The portfolio also includes home equity loans secured by junior liens, prime mortgage loans with an interest-only payment period, and certain payment-option loans that may result in negative amortization.

The table below provides information about retained consumer loans, excluding credit card, by class. In 2017, the Firm sold its student loan portfolio.

December 31, (in millions)	2017	2016
Residential real estate - excluding PCI		
Residential mortgage ^(a)	\$ 216,496	\$ 192,486
Home equity	33,450	39,063
Other consumer loans		
Auto	66,242	65,814
Consumer & Business Banking ^(a)	25,789	24,307
Student ^(a)	—	7,057
Residential real estate - PCI		
Home equity	10,799	12,902
Prime mortgage	6,479	7,602
Subprime mortgage	2,609	2,941
Option ARMs	10,689	12,234
Total retained loans	\$ 372,553	\$ 364,406

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

Delinquency rates are a primary credit quality indicator for consumer loans. Loans that are more than 30 days past due provide an early warning of borrowers who may be experiencing financial difficulties and/or who may be unable or unwilling to repay the loan. As the loan continues to age, it becomes more clear whether the borrower is likely either unable or unwilling to pay. In the case of residential real estate loans, late-stage delinquencies (greater than 150 days past due) are a strong indicator of loans that will ultimately result in a foreclosure or similar liquidation transaction. In addition to delinquency rates, other credit quality indicators for consumer loans vary based on the class of loan, as follows:

- For residential real estate loans, including both non-PCI and PCI portfolios, the current estimated LTV ratio, or the combined LTV ratio in the case of junior lien loans, is an indicator of the potential loss severity in the event of default. Additionally, LTV or combined LTV ratios can provide insight into a borrower’s continued willingness to pay, as the delinquency rate of high-LTV loans tends to be greater than that for loans where the borrower has equity in the collateral. The geographic distribution of the loan collateral also provides insight as to the credit quality of the portfolio, as factors such as the regional economy, home price changes and specific events such as natural disasters, will affect credit quality. The borrower’s current or “refreshed” FICO score is a secondary credit-quality indicator for certain loans, as FICO scores are an indication of the borrower’s credit payment history. Thus, a loan to a borrower with a low FICO score (less than 660) is considered to be of higher risk than a loan to a borrower with a higher FICO score. Further, a loan to a borrower with a high LTV ratio and a low FICO score is at greater risk of default than a loan to a borrower that has both a high LTV ratio and a high FICO score.
- For scored auto and scored business banking loans, geographic distribution is an indicator of the credit performance of the portfolio. Similar to residential real estate loans, geographic distribution provides insights into the portfolio performance based on regional economic activity and events.
- Risk-rated business banking and auto loans are similar to wholesale loans in that the primary credit quality indicators are the risk rating that is assigned to the loan and whether the loans are considered to be criticized and/or nonaccrual. Risk ratings are reviewed on a regular and ongoing basis by Credit Risk Management and are adjusted as necessary for updated information about borrowers’ ability to fulfill their obligations. For further information about risk-rated wholesale loan credit quality indicators, see page 228 of this Note.

Residential real estate – excluding PCI loans

The following table provides information by class for residential real estate – excluding retained PCI loans.

Residential real estate – excluding PCI loans

December 31, (in millions, except ratios)	Residential mortgage ^(g)		Home equity		Total residential real estate - excluding PCI	
	2017	2016	2017	2016	2017	2016
Loan delinquency^(a)						
Current	\$ 208,713	\$ 184,133	\$ 32,391	\$ 37,941	\$ 241,104	\$ 222,074
30-149 days past due	4,234	3,828	671	646	4,905	4,474
150 or more days past due	3,549	4,525	388	476	3,937	5,001
Total retained loans	\$ 216,496	\$ 192,486	\$ 33,450	\$ 39,063	\$ 249,946	\$ 231,549
% of 30+ days past due to total retained loans ^(b)	0.77%	0.75%	3.17%	2.87%	1.09%	1.11%
90 or more days past due and government guaranteed ^(c)	\$ 4,172	\$ 4,858	—	—	\$ 4,172	\$ 4,858
Nonaccrual loans	2,175	2,256	1,610	1,845	3,785	4,101
Current estimated LTV ratios^{(d)(e)}						
Greater than 125% and refreshed FICO scores:						
Equal to or greater than 660	\$ 37	\$ 30	\$ 10	\$ 70	\$ 47	\$ 100
Less than 660	19	48	3	15	22	63
101% to 125% and refreshed FICO scores:						
Equal to or greater than 660	36	135	296	668	332	803
Less than 660	88	177	95	221	183	398
80% to 100% and refreshed FICO scores:						
Equal to or greater than 660	4,369	4,026	1,676	2,961	6,045	6,987
Less than 660	483	718	569	945	1,052	1,663
Less than 80% and refreshed FICO scores:						
Equal to or greater than 660	194,758	169,579	25,262	27,317	220,020	196,896
Less than 660	6,952	6,759	3,850	4,380	10,802	11,139
No FICO/LTV available	1,259	1,650	1,689	2,486	2,948	4,136
U.S. government-guaranteed	8,495	9,364	—	—	8,495	9,364
Total retained loans	\$ 216,496	\$ 192,486	\$ 33,450	\$ 39,063	\$ 249,946	\$ 231,549
Geographic region						
California	\$ 68,855	\$ 59,802	\$ 6,582	\$ 7,644	\$ 75,437	\$ 67,446
New York	27,473	24,916	6,866	7,978	34,339	32,894
Illinois	14,501	13,126	2,521	2,947	17,022	16,073
Texas	12,508	10,772	2,021	2,225	14,529	12,997
Florida	9,598	8,395	1,847	2,133	11,445	10,528
New Jersey	7,142	6,374	1,957	2,253	9,099	8,627
Washington	6,962	5,451	1,026	1,229	7,988	6,680
Colorado	7,335	6,306	632	677	7,967	6,983
Massachusetts	6,323	5,834	295	371	6,618	6,205
Arizona	4,109	3,595	1,439	1,772	5,548	5,367
All other ^(f)	51,690	47,915	8,264	9,834	59,954	57,749
Total retained loans	\$ 216,496	\$ 192,486	\$ 33,450	\$ 39,063	\$ 249,946	\$ 231,549

(a) Individual delinquency classifications include mortgage loans insured by U.S. government agencies as follows: current included \$2.4 billion and \$2.5 billion; 30-149 days past due included \$3.2 billion and \$3.1 billion; and 150 or more days past due included \$2.9 billion and \$3.8 billion at December 31, 2017 and 2016, respectively.

(b) At December 31, 2017 and 2016, residential mortgage loans excluded mortgage loans insured by U.S. government agencies of \$6.1 billion and \$6.9 billion, respectively, that are 30 or more days past due. These amounts have been excluded based upon the government guarantee.

(c) These balances, which are 90 days or more past due, were excluded from nonaccrual loans as the loans are guaranteed by U.S. government agencies. Typically the principal balance of the loans is insured and interest is guaranteed at a specified reimbursement rate subject to meeting agreed-upon servicing guidelines. At December 31, 2017 and 2016, these balances included \$1.5 billion and \$2.2 billion, respectively, of loans that are no longer accruing interest based on the agreed-upon servicing guidelines. For the remaining balance, interest is being accrued at the guaranteed reimbursement rate. There were no loans that were not guaranteed by U.S. government agencies that are 90 or more days past due and still accruing interest at December 31, 2017 and 2016.

(d) Represents the aggregate unpaid principal balance of loans divided by the estimated current property value. Current property values are estimated, at a minimum, quarterly, based on home valuation models using nationally recognized home price index valuation estimates incorporating actual data to the extent available and forecasted data where actual data is not available. These property values do not represent actual appraised loan level collateral values; as such, the resulting ratios are necessarily imprecise and should be viewed as estimates. Current estimated combined LTV for junior lien home equity loans considers all available lien positions, as well as unused lines, related to the property.

(e) Refreshed FICO scores represent each borrower's most recent credit score, which is obtained by the Firm on at least a quarterly basis.

(f) At December 31, 2017 and 2016, included mortgage loans insured by U.S. government agencies of \$8.5 billion and \$9.4 billion, respectively.

(g) Certain loan portfolios have been reclassified. The prior period amounts have been revised to conform with the current period presentation.

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The following table represents the Firm's delinquency statistics for junior lien home equity loans and lines as of December 31, 2017 and 2016.

December 31, (in millions except ratios)	Total loans		Total 30+ day delinquency rate	
	2017	2016	2017	2016
HELOCs: ^(a)				
Within the revolving period ^(b)	\$ 6,363	\$ 10,304	0.50%	1.27%
Beyond the revolving period	13,532	13,272	3.56	3.05
HELOANs	1,371	1,861	3.50	2.85
Total	\$ 21,266	\$ 25,437	2.64%	2.32%

(a) These HELOCs are predominantly revolving loans for a 10-year period, after which time the HELOC converts to a loan with a 20-year amortization period, but also include HELOCs that allow interest-only payments beyond the revolving period.

(b) The Firm manages the risk of HELOCs during their revolving period by closing or reducing the undrawn line to the extent permitted by law when borrowers are experiencing financial difficulty.

HELOCs beyond the revolving period and HELOANs have higher delinquency rates than HELOCs within the revolving period. That is primarily because the fully-amortizing payment that is generally required for those products is higher than the minimum payment options available for HELOCs within the revolving period. The higher delinquency rates associated with amortizing HELOCs and HELOANs are factored into the Firm's allowance for loan losses.

Impaired loans

The table below sets forth information about the Firm's residential real estate impaired loans, excluding PCI loans. These loans are considered to be impaired as they have been modified in a TDR. All impaired loans are evaluated for an asset-specific allowance as described in Note 13.

December 31, (in millions)	Residential mortgage		Home equity		Total residential real estate - excluding PCI	
	2017	2016	2017	2016	2017	2016
Impaired loans						
With an allowance	\$ 4,407	\$ 4,689	\$ 1,236	\$ 1,266	\$ 5,643	\$ 5,955
Without an allowance ^(a)	1,213	1,343	882	998	2,095	2,341
Total impaired loans^{(b)(c)}	\$ 5,620	\$ 6,032	\$ 2,118	\$ 2,264	\$ 7,738	\$ 8,296
Allowance for loan losses related to impaired loans	\$ 62	\$ 68	\$ 111	\$ 121	\$ 173	\$ 189
Unpaid principal balance of impaired loans ^(d)	7,741	8,285	3,701	3,847	11,442	12,132
Impaired loans on nonaccrual status ^(e)	1,743	1,755	1,032	1,116	2,775	2,871

(a) Represents collateral-dependent residential real estate loans that are charged off to the fair value of the underlying collateral less costs to sell. The Firm reports, in accordance with regulatory guidance, residential real estate loans that have been discharged under Chapter 7 bankruptcy and not reaffirmed by the borrower ("Chapter 7 loans") as collateral-dependent nonaccrual TDRs, regardless of their delinquency status. At December 31, 2017, Chapter 7 residential real estate loans included approximately 12% of home equity and 15% of residential mortgages that were 30 days or more past due.

(b) At December 31, 2017 and 2016, \$3.8 billion and \$3.4 billion, respectively, of loans modified subsequent to repurchase from Ginnie Mae in accordance with the standards of the appropriate government agency (i.e., FHA, VA, RHS) are not included in the table above. When such loans perform subsequent to modification in accordance with Ginnie Mae guidelines, they are generally sold back into Ginnie Mae loan pools. Modified loans that do not re-perform become subject to foreclosure.

(c) Predominantly all residential real estate impaired loans, excluding PCI loans, are in the U.S.

(d) Represents the contractual amount of principal owed at December 31, 2017 and 2016. The unpaid principal balance differs from the impaired loan balances due to various factors including charge-offs, net deferred loan fees or costs, and unamortized discounts or premiums on purchased loans.

(e) As of December 31, 2017 and 2016, nonaccrual loans included \$2.2 billion and \$2.3 billion, respectively, of TDRs for which the borrowers were less than 90 days past due. For additional information about loans modified in a TDR that are on nonaccrual status refer to the Loan accounting framework on pages 211-213 of this Note.

The following table presents average impaired loans and the related interest income reported by the Firm.

Year ended December 31, (in millions)	Average impaired loans			Interest income on impaired loans ^(a)			Interest income on impaired loans on a cash basis ^(a)		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Residential mortgage	\$ 5,797	\$ 6,376	\$ 7,697	\$ 287	\$ 305	\$ 348	\$ 75	\$ 77	\$ 87
Home equity	2,189	2,311	2,369	127	125	128	80	80	85
Total residential real estate - excluding PCI	\$ 7,986	\$ 8,687	\$ 10,066	\$ 414	\$ 430	\$ 476	\$ 155	\$ 157	\$ 172

(a) Generally, interest income on loans modified in TDRs is recognized on a cash basis until such time as the borrower has made a minimum of six payments under the new terms, unless the loan is deemed to be collateral-dependent.

Loan modifications

Modifications of residential real estate loans, excluding PCI loans, are generally accounted for and reported as TDRs.

There were no additional commitments to lend to borrowers whose residential real estate loans, excluding PCI loans, have been modified in TDRs.

The following table presents new TDRs reported by the Firm.

Year ended December 31, (in millions)	2017	2016	2015
Residential mortgage	\$ 373	\$ 254	\$ 267
Home equity	321	385	401
Total residential real estate - excluding PCI	\$ 694	\$ 639	\$ 668

Nature and extent of modifications

The U.S. Treasury's Making Home Affordable programs, as well as the Firm's proprietary modification programs, generally provide various concessions to financially troubled borrowers including, but not limited to, interest rate reductions, term or payment extensions and deferral of principal and/or interest payments that would otherwise have been required under the terms of the original agreement.

The following table provides information about how residential real estate loans, excluding PCI loans, were modified under the Firm's loss mitigation programs described above during the periods presented. This table excludes Chapter 7 loans where the sole concession granted is the discharge of debt.

Year ended December 31,	Residential mortgage			Home equity			Total residential real estate - excluding PCI		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Number of loans approved for a trial modification	1,283	1,945	2,711	2,321	3,760	3,933	3,604	5,705	6,644
Number of loans permanently modified	2,628	3,338	3,145	5,624	4,824	4,296	8,252	8,162	7,441
Concession granted:^(a)									
Interest rate reduction	63%	76%	71%	59%	75%	66%	60%	76%	68%
Term or payment extension	72	90	81	69	83	89	70	86	86
Principal and/or interest deferred	15	16	27	10	19	23	12	18	24
Principal forgiveness	16	26	28	13	9	7	14	16	16
Other ^(b)	33	25	11	31	6	—	32	14	5

(a) Represents concessions granted in permanent modifications as a percentage of the number of loans permanently modified. The sum of the percentages exceeds 100% because predominantly all of the modifications include more than one type of concession. A significant portion of trial modifications include interest rate reductions and/or term or payment extensions.

(b) Predominantly represents variable interest rate to fixed interest rate modifications.

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Financial effects of modifications and redefaults

The following table provides information about the financial effects of the various concessions granted in modifications of residential real estate loans, excluding PCI, under the loss mitigation programs described above and about redefaults of certain loans modified in TDRs for the periods presented. The following table presents only the final financial effects of permanent modifications and does not include temporary concessions offered through trial modifications. This table also excludes Chapter 7 loans where the sole concession granted is the discharge of debt.

Year ended December 31, (in millions, except weighted-average data and number of loans)	Residential mortgage			Home equity			Total residential real estate - excluding PCI		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Weighted-average interest rate of loans with interest rate reductions - before TDR	5.15%	5.59%	5.67%	4.94%	4.99%	5.20%	5.06%	5.36%	5.51%
Weighted-average interest rate of loans with interest rate reductions - after TDR	2.99	2.93	2.79	2.64	2.34	2.35	2.83	2.70	2.64
Weighted-average remaining contractual term (in years) of loans with term or payment extensions - before TDR	24	24	25	21	18	18	23	22	22
Weighted-average remaining contractual term (in years) of loans with term or payment extensions - after TDR	38	38	37	39	38	35	38	38	36
Charge-offs recognized upon permanent modification	\$ 2	\$ 4	\$ 11	\$ 1	\$ 1	\$ 4	\$ 3	\$ 5	\$ 15
Principal deferred	12	30	58	10	23	27	22	53	85
Principal forgiven	20	44	66	13	7	6	33	51	72
Balance of loans that redefaulted within one year of permanent modification ^(a)	\$ 124	\$ 98	\$ 133	\$ 56	\$ 40	\$ 21	\$ 180	\$ 138	\$ 154

(a) Represents loans permanently modified in TDRs that experienced a payment default in the periods presented, and for which the payment default occurred within one year of the modification. The dollar amounts presented represent the balance of such loans at the end of the reporting period in which such loans defaulted. For residential real estate loans modified in TDRs, payment default is deemed to occur when the loan becomes two contractual payments past due. In the event that a modified loan redefaults, it is probable that the loan will ultimately be liquidated through foreclosure or another similar type of liquidation transaction. Redefaults of loans modified within the last 12 months may not be representative of ultimate redefault levels.

At December 31, 2017, the weighted-average estimated remaining lives of residential real estate loans, excluding PCI loans, permanently modified in TDRs were 14 years for residential mortgage and 10 years for home equity. The estimated remaining lives of these loans reflect estimated prepayments, both voluntary and involuntary (i.e., foreclosures and other forced liquidations).

Active and suspended foreclosure

At December 31, 2017 and 2016, the Firm had non-PCI residential real estate loans, excluding those insured by U.S. government agencies, with a carrying value of \$787 million and \$932 million, respectively, that were not included in REO, but were in the process of active or suspended foreclosure.

Other consumer loans

The table below provides information for other consumer retained loan classes, including auto and business banking loans. This table excludes student loans that were sold in 2017.

December 31, (in millions, except ratios)	Auto		Consumer & Business Banking ^(c)	
	2017	2016	2017	2016
Loan delinquency				
Current	\$ 65,651	\$ 65,029	\$ 25,454	\$ 23,920
30-119 days past due	584	773	213	247
120 or more days past due	7	12	122	140
Total retained loans	\$ 66,242	\$ 65,814	\$ 25,789	\$ 24,307
% of 30+ days past due to total retained loans	0.89%	1.19%	1.30%	1.59%
Nonaccrual loans ^(a)	141	214	283	287
Geographic region				
California	\$ 8,445	\$ 7,975	\$ 5,032	\$ 4,426
Texas	7,013	7,041	2,916	2,954
New York	4,023	4,078	4,195	3,979
Illinois	3,916	3,984	2,017	1,758
Florida	3,350	3,374	1,424	1,195
Arizona	2,221	2,209	1,383	1,307
Ohio	2,105	2,194	1,380	1,402
Michigan	1,418	1,567	1,357	1,343
New Jersey	2,044	2,031	721	623
Louisiana	1,656	1,814	849	979
All other	30,051	29,547	4,515	4,341
Total retained loans	\$ 66,242	\$ 65,814	\$ 25,789	\$ 24,307
Loans by risk ratings^(b)				
Noncriticized	\$ 15,604	\$ 13,899	\$ 17,938	\$ 16,858
Criticized performing	93	201	791	816
Criticized nonaccrual	9	94	213	217

(a) There were no loans that were 90 or more days past due and still accruing interest at December 31, 2017, and December 31, 2016.

(b) For risk-rated business banking and auto loans, the primary credit quality indicator is the risk rating of the loan, including whether the loans are considered to be criticized and/or nonaccrual.

(c) Certain loan portfolios have been reclassified. The prior period amounts have been revised to conform with the current period presentation.

Notes to consolidated financial statements

Other consumer impaired loans and loan modifications

The following table sets forth information about the Firm's other consumer impaired loans, including risk-rated business banking and auto loans that have been placed on nonaccrual status, and loans that have been modified in TDRs.

December 31, (in millions)	2017	2016
Impaired loans		
With an allowance	\$ 272	\$ 614
Without an allowance ^(a)	26	30
Total impaired loans^{(b)(c)}	\$ 298	\$ 644
Allowance for loan losses related to impaired loans	\$ 73	\$ 119
Unpaid principal balance of impaired loans ^(d)	402	753
Impaired loans on nonaccrual status	268	508

- (a) When discounted cash flows, collateral value or market price equals or exceeds the recorded investment in the loan, the loan does not require an allowance. This typically occurs when the impaired loans have been partially charged off and/or there have been interest payments received and applied to the loan balance.
- (b) Predominantly all other consumer impaired loans are in the U.S.
- (c) Other consumer average impaired loans were \$427 million, \$635 million and \$566 million for the years ended December 31, 2017, 2016 and 2015, respectively. The related interest income on impaired loans, including those on a cash basis, was not material for the years ended December 31, 2017, 2016 and 2015.
- (d) Represents the contractual amount of principal owed at December 31, 2017 and 2016. The unpaid principal balance differs from the impaired loan balances due to various factors, including charge-offs, interest payments received and applied to the principal balance, net deferred loan fees or costs and unamortized discounts or premiums on purchased loans.

Loan modifications

Certain other consumer loan modifications are considered to be TDRs as they provide various concessions to borrowers who are experiencing financial difficulty. All of these TDRs are reported as impaired loans. The following table provides information about the Firm's other consumer loans modified in TDRs. New TDRs were not material for the years ended December 31, 2017 and 2016.

December 31, (in millions)	2017	2016
Loans modified in TDRs ^{(a)(b)}	\$ 102	\$ 362
TDRs on nonaccrual status	72	226

- (a) The impact of these modifications was not material to the Firm for the years ended December 31, 2017 and 2016.
- (b) Additional commitments to lend to borrowers whose loans have been modified in TDRs as of December 31, 2017 and 2016 were immaterial.

Purchased credit-impaired loans

PCI loans are initially recorded at fair value at acquisition. PCI loans acquired in the same fiscal quarter may be aggregated into one or more pools, provided that the loans have common risk characteristics. A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. With respect to the Washington Mutual transaction, all of the consumer PCI loans were aggregated into pools of loans with common risk characteristics.

On a quarterly basis, the Firm estimates the total cash flows (both principal and interest) expected to be collected over the remaining life of each pool. These estimates incorporate assumptions regarding default rates, loss severities, the amounts and timing of prepayments and other factors that reflect then-current market conditions. Probable decreases in expected cash flows (i.e., increased credit losses) trigger the recognition of impairment, which is then measured as the present value of the expected principal loss plus any related forgone interest cash flows, discounted at the pool's effective interest rate. Impairments are recognized through the provision for credit losses and an increase in the allowance for loan losses. Probable and significant increases in expected cash flows (e.g., decreased credit losses, the net benefit of modifications) would first reverse any previously recorded allowance for loan losses with any remaining increases recognized prospectively as a yield adjustment over the remaining estimated lives of the underlying loans. The impacts of (i) prepayments, (ii) changes in variable interest rates, and (iii) any other changes in the timing of expected cash flows are generally recognized prospectively as adjustments to interest income.

The Firm continues to modify certain PCI loans. The impact of these modifications is incorporated into the Firm's quarterly assessment of whether a probable and significant change in expected cash flows has occurred, and the loans continue to be accounted for and reported as PCI loans. In evaluating the effect of modifications on expected cash flows, the Firm incorporates the effect of any forgone interest and also considers the potential for redefault. The Firm develops product-specific probability of default estimates, which are used to compute expected credit losses. In developing these probabilities of default, the Firm considers the relationship between the credit quality characteristics of the underlying loans and certain assumptions about home prices and unemployment based upon industry-wide data. The Firm also considers its own historical loss experience to-date based on actual redefaulted modified PCI loans.

The excess of cash flows expected to be collected over the carrying value of the underlying loans is referred to as the accretable yield. This amount is not reported on the Firm's Consolidated balance sheets but is accreted into interest income at a level rate of return over the remaining estimated lives of the underlying pools of loans.

If the timing and/or amounts of expected cash flows on PCI loan pools were determined not to be reasonably estimable, no interest would be accreted and the loan pools would be reported as nonaccrual loans; however, since the timing and amounts of expected cash flows for the Firm's PCI consumer loan pools are reasonably estimable, interest is being accreted and the loan pools are being reported as performing loans.

The liquidation of PCI loans, which may include sales of loans, receipt of payment in full from the borrower, or foreclosure, results in removal of the loans from the underlying PCI pool. When the amount of the liquidation proceeds (e.g., cash, real estate), if any, is less than the unpaid principal balance of the loan, the difference is first applied against the PCI pool's nonaccretable difference for principal losses (i.e., the lifetime credit loss estimate established as a purchase accounting adjustment at the acquisition date). When the nonaccretable difference for a particular loan pool has been fully depleted, any excess of the unpaid principal balance of the loan over the liquidation proceeds is written off against the PCI pool's allowance for loan losses. Write-offs of PCI loans also include other adjustments, primarily related to interest forgiveness modifications. Because the Firm's PCI loans are accounted for at a pool level, the Firm does not recognize charge-offs of PCI loans when they reach specified stages of delinquency (i.e., unlike non-PCI consumer loans, these loans are not charged off based on FFIEC standards).

The PCI portfolio affects the Firm's results of operations primarily through: (i) contribution to net interest margin; (ii) expense related to defaults and servicing resulting from the liquidation of the loans; and (iii) any provision for loan losses. The PCI loans acquired in the Washington Mutual transaction were funded based on the interest rate characteristics of the loans. For example, variable-rate loans were funded with variable-rate liabilities and fixed-rate loans were funded with fixed-rate liabilities with a similar maturity profile. A net spread will be earned on the declining balance of the portfolio, which is estimated as of December 31, 2017, to have a remaining weighted-average life of 9 years.

Notes to consolidated financial statements

Residential real estate - PCI loans

The table below sets forth information about the Firm's consumer, excluding credit card, PCI loans.

December 31, (in millions, except ratios)	Home equity		Prime mortgage		Subprime mortgage		Option ARMs		Total PCI	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Carrying value ^(a)	\$10,799	\$12,902	\$6,479	\$7,602	\$2,609	\$2,941	\$10,689	\$12,234	\$30,576	\$35,679
Related allowance for loan losses ^(b)	1,133	1,433	863	829	150	—	79	49	2,225	2,311
Loan delinquency (based on unpaid principal balance)										
Current	\$10,272	\$12,423	\$5,839	\$6,840	\$2,640	\$3,005	\$9,662	\$11,074	\$28,413	\$33,342
30-149 days past due	356	291	336	336	381	361	547	555	1,620	1,543
150 or more days past due	392	478	327	451	176	240	689	917	1,584	2,086
Total loans	\$11,020	\$13,192	\$6,502	\$7,627	\$3,197	\$3,606	\$10,898	\$12,546	\$31,617	\$36,971
% of 30+ days past due to total loans	6.79%	5.83%	10.20%	10.32%	17.42%	16.67%	11.34%	11.73%	10.13%	9.82%
Current estimated LTV ratios (based on unpaid principal balance)^{(c)(d)}										
Greater than 125% and refreshed FICO scores:										
Equal to or greater than 660	\$33	\$69	\$4	\$6	\$2	\$7	\$6	\$12	\$45	\$94
Less than 660	21	39	16	17	20	31	9	18	66	105
101% to 125% and refreshed FICO scores:										
Equal to or greater than 660	274	555	16	52	20	39	43	83	353	729
Less than 660	132	256	42	84	75	135	71	144	320	619
80% to 100% and refreshed FICO scores:										
Equal to or greater than 660	1,195	1,860	221	442	119	214	316	558	1,851	3,074
Less than 660	559	804	230	381	309	439	371	609	1,469	2,233
Lower than 80% and refreshed FICO scores:										
Equal to or greater than 660	6,134	6,676	3,551	3,967	895	919	6,113	6,754	16,693	18,316
Less than 660	2,095	2,183	2,103	2,287	1,608	1,645	3,499	3,783	9,305	9,898
No FICO/LTV available	577	750	319	391	149	177	470	585	1,515	1,903
Total unpaid principal balance	\$11,020	\$13,192	\$6,502	\$7,627	\$3,197	\$3,606	\$10,898	\$12,546	\$31,617	\$36,971
Geographic region (based on unpaid principal balance)										
California	\$6,555	\$7,899	\$3,716	\$4,396	\$797	\$899	\$6,225	\$7,128	\$17,293	\$20,322
Florida	1,137	1,306	428	501	296	332	878	1,026	2,739	3,165
New York	607	697	457	515	330	363	628	711	2,022	2,286
Washington	532	673	135	167	61	68	238	290	966	1,198
Illinois	273	314	200	226	161	178	249	282	883	1,000
New Jersey	242	280	178	210	110	125	336	401	866	1,016
Massachusetts	79	94	149	173	98	110	307	346	633	723
Maryland	57	64	129	144	132	145	232	267	550	620
Arizona	203	241	106	124	60	68	156	181	525	614
Virginia	66	77	123	142	51	56	280	314	520	589
All other	1,269	1,547	881	1,029	1,101	1,262	1,369	1,600	4,620	5,438
Total unpaid principal balance	\$11,020	\$13,192	\$6,502	\$7,627	\$3,197	\$3,606	\$10,898	\$12,546	\$31,617	\$36,971

- (a) Carrying value includes the effect of fair value adjustments that were applied to the consumer PCI portfolio at the date of acquisition.
- (b) Management concluded, as part of the Firm's regular assessment of the PCI loan pools, that it was probable that higher expected credit losses would result in a decrease in expected cash flows. As a result, an allowance for loan losses for impairment of these pools has been recognized.
- (c) Represents the aggregate unpaid principal balance of loans divided by the estimated current property value. Current property values are estimated, at a minimum, quarterly, based on home valuation models using nationally recognized home price index valuation estimates incorporating actual data to the extent available and forecasted data where actual data is not available. These property values do not represent actual appraised loan level collateral values; as such, the resulting ratios are necessarily imprecise and should be viewed as estimates. Current estimated combined LTV for junior lien home equity loans considers all available lien positions, as well as unused lines, related to the property.
- (d) Refreshed FICO scores represent each borrower's most recent credit score, which is obtained by the Firm on at least a quarterly basis.

Approximately 25% of the PCI home equity portfolio are senior lien loans; the remaining balance are junior lien HELOANS or HELOCs. The following table sets forth delinquency statistics for PCI junior lien home equity loans and lines of credit based on the unpaid principal balance as of December 31, 2017 and 2016.

December 31, (in millions, except ratios)	Total loans		Total 30+ day delinquency rate	
	2017	2016	2017	2016
HELOCs: ^(a)				
Within the revolving period ^(b)	\$ 51	\$ 2,126	1.96%	3.67%
Beyond the revolving period ^(c)	7,875	7,452	4.63	4.03
HELOANS	360	465	5.28	5.38
Total	\$ 8,286	\$ 10,043	4.65%	4.01%

(a) In general, these HELOCs are revolving loans for a 10-year period, after which time the HELOC converts to an interest-only loan with a balloon payment at the end of the loan's term.

(b) Substantially all undrawn HELOCs within the revolving period have been closed.

(c) Includes loans modified into fixed rate amortizing loans.

The table below sets forth the accretable yield activity for the Firm's PCI consumer loans for the years ended December 31, 2017, 2016 and 2015, and represents the Firm's estimate of gross interest income expected to be earned over the remaining life of the PCI loan portfolios. The table excludes the cost to fund the PCI portfolios, and therefore the accretable yield does not represent net interest income expected to be earned on these portfolios.

Year ended December 31, (in millions, except ratios)	Total PCI		
	2017	2016	2015
Beginning balance	\$ 11,768	\$ 13,491	\$ 14,592
Accretion into interest income	(1,396)	(1,555)	(1,700)
Changes in interest rates on variable-rate loans	503	260	279
Other changes in expected cash flows ^(a)	284	(428)	230
Reclassification from nonaccretable difference ^(b)	—	—	90
Balance at December 31	\$ 11,159	\$ 11,768	\$ 13,491
Accretable yield percentage	4.53%	4.35%	4.20%

(a) Other changes in expected cash flows may vary from period to period as the Firm continues to refine its cash flow model, for example cash flows expected to be collected due to the impact of modifications and changes in prepayment assumptions.

(b) Reclassifications from the nonaccretable difference in the year ended December 31, 2015 were driven by continued improvement in home prices and delinquencies, as well as increased granularity in the impairment estimates.

Active and suspended foreclosure

At December 31, 2017 and 2016, the Firm had PCI residential real estate loans with an unpaid principal balance of \$1.3 billion and \$1.7 billion, respectively, that were not included in REO, but were in the process of active or suspended foreclosure.

Notes to consolidated financial statements

Credit card loan portfolio

The credit card portfolio segment includes credit card loans originated and purchased by the Firm. Delinquency rates are the primary credit quality indicator for credit card loans as they provide an early warning that borrowers may be experiencing difficulties (30 days past due); information on those borrowers that have been delinquent for a longer period of time (90 days past due) is also considered. In addition to delinquency rates, the geographic distribution of the loans provides insight as to the credit quality of the portfolio based on the regional economy.

While the borrower's credit score is another general indicator of credit quality, the Firm does not view credit scores as a primary indicator of credit quality because the borrower's credit score tends to be a lagging indicator. The distribution of such scores provides a general indicator of credit quality trends within the portfolio; however, the score does not capture all factors that would be predictive of future credit performance. Refreshed FICO score information, which is obtained at least quarterly, for a statistically significant random sample of the credit card portfolio is indicated in the following table. FICO is considered to be the industry benchmark for credit scores.

The Firm generally originates new card accounts to prime consumer borrowers. However, certain cardholders' FICO scores may decrease over time, depending on the performance of the cardholder and changes in credit score calculation.

The table below sets forth information about the Firm's credit card loans.

As of or for the year ended December 31, (in millions, except ratios)	2017	2016
Net charge-offs	\$ 4,123	\$ 3,442
% of net charge-offs to retained loans	2.95%	2.63%
Loan delinquency		
Current and less than 30 days past due and still accruing	\$ 146,704	\$ 139,434
30-89 days past due and still accruing	1,305	1,134
90 or more days past due and still accruing	1,378	1,143
Total retained credit card loans	\$ 149,387	\$ 141,711
Loan delinquency ratios		
% of 30+ days past due to total retained loans	1.80%	1.61%
% of 90+ days past due to total retained loans	0.92	0.81
Credit card loans by geographic region		
California	\$ 22,245	\$ 20,571
Texas	14,200	13,220
New York	13,021	12,249
Florida	9,138	8,585
Illinois	8,585	8,189
New Jersey	6,506	6,271
Ohio	4,997	4,906
Pennsylvania	4,883	4,787
Colorado	4,006	3,699
Michigan	3,826	3,741
All other	57,980	55,493
Total retained credit card loans	\$ 149,387	\$ 141,711
Percentage of portfolio based on carrying value with estimated refreshed FICO scores		
Equal to or greater than 660	84.0%	84.4%
Less than 660	14.6	14.2
No FICO available	1.4	1.4

Credit card impaired loans and loan modifications

The table below sets forth information about the Firm's impaired credit card loans. All of these loans are considered to be impaired as they have been modified in TDRs.

December 31, (in millions)	2017	2016
Impaired credit card loans with an allowance^{(a)(b)}		
Credit card loans with modified payment terms ^(c)	\$ 1,135	\$ 1,098
Modified credit card loans that have reverted to pre-modification payment terms ^(d)	80	142
Total impaired credit card loans^(e)	\$ 1,215	\$ 1,240
Allowance for loan losses related to impaired credit card loans	\$ 383	\$ 358

- (a) The carrying value and the unpaid principal balance are the same for credit card impaired loans.
- (b) There were no impaired loans without an allowance.
- (c) Represents credit card loans outstanding to borrowers enrolled in a credit card modification program as of the date presented.
- (d) Represents credit card loans that were modified in TDRs but that have subsequently reverted back to the loans' pre-modification payment terms. At December 31, 2017 and 2016, \$43 million and \$94 million, respectively, of loans have reverted back to the pre-modification payment terms of the loans due to noncompliance with the terms of the modified loans. The remaining \$37 million and \$48 million at December 31, 2017 and 2016, respectively, of these loans are to borrowers who have successfully completed a short-term modification program. The Firm continues to report these loans as TDRs since the borrowers' credit lines remain closed.
- (e) Predominantly all impaired credit card loans are in the U.S.

The following table presents average balances of impaired credit card loans and interest income recognized on those loans.

Year ended December 31, (in millions)	2017	2016	2015
Average impaired credit card loans	\$ 1,214	\$ 1,325	\$ 1,710
Interest income on impaired credit card loans	59	63	82

Loan modifications

JPMorgan Chase may offer one of a number of loan modification programs to credit card borrowers who are experiencing financial difficulty. Most of the credit card loans have been modified under long-term programs for borrowers who are experiencing financial difficulties. Modifications under long-term programs involve placing the customer on a fixed payment plan, generally for 60 months. The Firm may also offer short-term programs for borrowers who may be in need of temporary relief; however, none are currently being offered. Modifications under all short- and long-term programs typically include reducing the interest rate on the credit card. Substantially all modifications are considered to be TDRs.

If the cardholder does not comply with the modified payment terms, then the credit card loan continues to age and will ultimately be charged-off in accordance with the Firm's standard charge-off policy. In most cases, the Firm does not reinstate the borrower's line of credit.

New enrollments in these loan modification programs for the years ended December 31, 2017, 2016 and 2015, were \$756 million, \$636 million and \$638 million, respectively.

Financial effects of modifications and redefaults

The following table provides information about the financial effects of the concessions granted on credit card loans modified in TDRs and redefaults for the periods presented.

Year ended December 31, (in millions, except weighted-average data)	2017	2016	2015
Weighted-average interest rate of loans - before TDR	16.58%	15.56%	15.08%
Weighted-average interest rate of loans - after TDR	4.88	4.76	4.40
Loans that redefaulted within one year of modification ^(a)	\$ 75	\$ 79	\$ 85

- (a) Represents loans modified in TDRs that experienced a payment default in the periods presented, and for which the payment default occurred within one year of the modification. The amounts presented represent the balance of such loans as of the end of the quarter in which they defaulted.

For credit card loans modified in TDRs, a substantial portion of these loans are expected to be charged-off in accordance with the Firm's standard charge-off policy. Based on historical experience, the estimated weighted-average default rate for modified credit card loans was expected to be 31.54%, 28.87% and 25.61% as of December 31, 2017, 2016 and 2015, respectively.

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Wholesale loan portfolio

Wholesale loans include loans made to a variety of clients, ranging from large corporate and institutional clients to high-net-worth individuals.

The primary credit quality indicator for wholesale loans is the risk rating assigned to each loan. Risk ratings are used to identify the credit quality of loans and differentiate risk within the portfolio. Risk ratings on loans consider the PD and the LGD. The PD is the likelihood that a loan will default. The LGD is the estimated loss on the loan that would be realized upon the default of the borrower and takes into consideration collateral and structural support for each credit facility.

Management considers several factors to determine an appropriate risk rating, including the obligor's debt capacity and financial flexibility, the level of the obligor's earnings, the amount and sources for repayment, the level and nature of contingencies, management strength, and the industry and geography in which the obligor operates. The Firm's definition of criticized aligns with the banking regulatory definition of criticized exposures, which consist of special mention, substandard and doubtful categories. Risk ratings generally represent ratings profiles similar to those defined by S&P and Moody's. Investment-grade ratings range from "AAA/Aaa" to "BBB-/Baa3." Noninvestment-grade ratings are classified as noncriticized ("BB+/Ba1 and B-/B3") and criticized ("CCC+"/"Caa1 and below"), and the criticized portion is further subdivided into performing and nonaccrual loans, representing management's assessment of the collectibility of principal and interest. Criticized loans have a higher probability of default than noncriticized loans.

Risk ratings are reviewed on a regular and ongoing basis by Credit Risk Management and are adjusted as necessary for updated information affecting the obligor's ability to fulfill its obligations.

As noted above, the risk rating of a loan considers the industry in which the obligor conducts its operations. As part of the overall credit risk management framework, the Firm focuses on the management and diversification of its industry and client exposures, with particular attention paid to industries with actual or potential credit concern. See Note 4 for further detail on industry concentrations.

The table below provides information by class of receivable for the retained loans in the Wholesale portfolio segment.

In 2017 the Firm revised its methodology for the assignment of industry classifications, to better monitor and manage concentrations. This largely resulted in the re-assignment of holding companies from Other to the industry of risk category based on the primary business activity of the holding company's underlying entities. In the tables and industry discussions below, the prior period amounts have been revised to conform with the current period presentation.

Below are summaries of the Firm's exposures as of December 31, 2017 and 2016. For additional information on industry concentrations, see Note 4.

As of or for the year ended December 31, (in millions, except ratios)	Commercial and industrial		Real estate		Financial institutions		Government agencies		Other ^(d)		Total retained loans	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Loans by risk ratings												
Investment-grade	\$ 68,071	\$ 65,687	\$ 98,467	\$ 88,649	\$ 26,791	\$ 24,294	\$ 15,140	\$ 15,935	\$ 103,212	\$ 95,358	\$ 311,681	\$ 289,923
Noninvestment-grade:												
Noncriticized	46,558	47,531	14,335	16,155	13,071	11,075	369	439	9,988	9,360	84,321	84,560
Criticized performing	3,983	6,186	710	798	210	200	—	6	259	163	5,162	7,353
Criticized nonaccrual	1,357	1,491	136	200	2	9	—	—	239	254	1,734	1,954
Total noninvestment-grade	51,898	55,208	15,181	17,153	13,283	11,284	369	445	10,486	9,777	91,217	93,867
Total retained loans	\$119,969	\$120,895	\$ 113,648	\$105,802	\$ 40,074	\$35,578	\$ 15,509	\$ 16,380	\$113,698	\$105,135	\$402,898	\$ 383,790
% of total criticized to total retained loans	4.45%	6.35%	0.74%	0.94%	0.53%	0.59%	—%	0.04%	0.44%	0.40%	1.71%	2.43%
% of nonaccrual loans to total retained loans	1.13	1.23	0.12	0.19	—	0.03	—	—	0.21	0.24	0.43	0.51
Loans by geographic distribution^(a)												
Total non-U.S.	\$ 28,470	\$ 30,563	\$ 3,101	\$ 3,302	\$ 16,790	\$ 15,147	\$ 2,906	\$ 3,726	\$ 44,112	\$ 38,776	\$ 95,379	\$ 91,514
Total U.S.	91,499	90,332	110,547	102,500	23,284	20,431	12,603	12,654	69,586	66,359	307,519	292,276
Total retained loans	\$119,969	\$120,895	\$ 113,648	\$105,802	\$ 40,074	\$35,578	\$ 15,509	\$ 16,380	\$113,698	\$105,135	\$402,898	\$ 383,790
Net charge-offs/(recoveries)	\$ 117	\$ 345	\$ (4)	\$ (7)	\$ 6	\$ (1)	\$ 5	\$ (1)	\$ (5)	\$ 5	\$ 119	\$ 341
% of net charge-offs/(recoveries) to end-of-period retained loans	0.10%	0.28%	—%	(0.01)%	0.01%	(0.01)%	0.03%	(0.01)%	—%	0.01%	0.03%	0.09%
Loan delinquency^(b)												
Current and less than 30 days past due and still accruing	\$118,288	\$119,050	\$ 113,258	\$105,396	\$ 40,042	\$35,523	\$ 15,493	\$ 16,269	\$112,559	\$104,280	\$399,640	\$380,518
30-89 days past due and still accruing	216	268	242	204	15	25	12	107	898	582	1,383	1,186
90 or more days past due and still accruing ^(c)	108	86	12	2	15	21	4	4	2	19	141	132
Criticized nonaccrual	1,357	1,491	136	200	2	9	—	—	239	254	1,734	1,954
Total retained loans	\$119,969	\$120,895	\$ 113,648	\$105,802	\$ 40,074	\$35,578	\$ 15,509	\$ 16,380	\$113,698	\$105,135	\$402,898	\$ 383,790

(a) The U.S. and non-U.S. distribution is determined based predominantly on the domicile of the borrower.

(b) The credit quality of wholesale loans is assessed primarily through ongoing review and monitoring of an obligor's ability to meet contractual obligations rather than relying on the past due status, which is generally a lagging indicator of credit quality.

(c) Represents loans that are considered well-collateralized and therefore still accruing interest.

(d) Other includes individuals, SPEs, holding companies, and private education and civic organizations. For more information on exposures to SPEs, see Note 14.

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The following table presents additional information on the real estate class of loans within the Wholesale portfolio for the periods indicated. Exposure consists primarily of secured commercial loans, of which multifamily is the largest segment. Multifamily lending finances acquisition, leasing and construction of apartment buildings, and includes exposure to real estate investment trusts (“REITs”). Other commercial lending largely includes financing for acquisition, leasing and construction, largely for office, retail and industrial real estate, and includes exposure to REITs. Included in real estate loans is \$10.8 billion and \$9.2 billion as of December 31, 2017 and 2016, respectively, of construction and development exposure consisting of loans originally purposed for construction and development, general purpose loans for builders, as well as loans for land subdivision and pre-development.

December 31, (in millions, except ratios)	Multifamily		Other Commercial		Total real estate loans	
	2017	2016	2017	2016	2017	2016
Real estate retained loans	\$ 77,597	\$ 72,143	\$ 36,051	\$ 33,659	\$ 113,648	\$ 105,802
Criticized	491	539	355	459	846	998
% of criticized to total real estate retained loans	0.63%	0.75%	0.98%	1.36%	0.74%	0.94%
Criticized nonaccrual	\$ 44	\$ 57	\$ 92	\$ 143	\$ 136	\$ 200
% of criticized nonaccrual to total real estate retained loans	0.06%	0.08%	0.26%	0.42%	0.12%	0.19%

Wholesale impaired loans and loan modifications

Wholesale impaired loans consist of loans that have been placed on nonaccrual status and/or that have been modified in a TDR. All impaired loans are evaluated for an asset-specific allowance as described in Note 13.

The table below sets forth information about the Firm’s wholesale impaired loans.

December 31, (in millions)	Commercial and industrial		Real estate		Financial institutions		Government agencies		Other		Total retained loans	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Impaired loans												
With an allowance	\$ 1,170	\$ 1,127	\$ 78	\$ 124	\$ 93	\$ 9	\$ –	\$ –	\$ 168	\$ 180	\$ 1,509	\$ 1,440
Without an allowance ^(a)	228	414	60	87	–	–	–	–	70	76	358	577
Total impaired loans	\$ 1,398	\$ 1,541	\$ 138	\$ 211	\$ 93	\$ 9	\$ –	\$ –	\$ 238	\$ 256	\$ 1,867 ^(c)	\$ 2,017 ^(c)
Allowance for loan losses related to impaired loans	\$ 404	\$ 258	\$ 11	\$ 18	\$ 4	\$ 3	\$ –	\$ –	\$ 42	\$ 63	\$ 461	\$ 342
Unpaid principal balance of impaired loans ^(b)	1,604	1,754	201	295	94	12	–	–	255	284	2,154	2,345

(a) When the discounted cash flows, collateral value or market price equals or exceeds the recorded investment in the loan, the loan does not require an allowance. This typically occurs when the impaired loans have been partially charged-off and/or there have been interest payments received and applied to the loan balance.

(b) Represents the contractual amount of principal owed at December 31, 2017 and 2016. The unpaid principal balance differs from the impaired loan balances due to various factors, including charge-offs; interest payments received and applied to the carrying value; net deferred loan fees or costs; and unamortized discount or premiums on purchased loans.

(c) Based upon the domicile of the borrower, largely consists of loans in the U.S.

The following table presents the Firm’s average impaired loans for the years ended 2017, 2016 and 2015.

Year ended December 31, (in millions)	2017	2016	2015
Commercial and industrial	\$ 1,145	\$ 1,480	\$ 453
Real estate	164	217	250
Financial institutions	20	13	13
Government agencies	–	–	–
Other	231	213	129
Total^(a)	\$ 1,560	\$ 1,923	\$ 845

(a) The related interest income on accruing impaired loans and interest income recognized on a cash basis were not material for the years ended December 31, 2017, 2016 and 2015.

Certain loan modifications are considered to be TDRs as they provide various concessions to borrowers who are experiencing financial difficulty. All TDRs are reported as impaired loans in the tables above. TDRs were \$614 million and \$733 million as of December 31, 2017 and 2016.

Note 13 – Allowance for credit losses

JPMorgan Chase's allowance for loan losses represents management's estimate of probable credit losses inherent in the Firm's retained loan portfolio, which consists of the two consumer portfolio segments (primarily scored) and the wholesale portfolio segment (risk-rated). The allowance for loan losses includes a formula-based component, an asset-specific component, and a component related to PCI loans, as described below. Management also estimates an allowance for wholesale and certain consumer lending-related commitments using methodologies similar to those used to estimate the allowance on the underlying loans.

During the second quarter of 2017, the Firm refined its credit loss estimates relating to the wholesale portfolio by incorporating the use of internal historical data versus external credit rating agency default statistics to estimate PD. In addition, an adjustment to the statistical calculation for wholesale lending-related commitments was incorporated similar to the adjustment applied for wholesale loans. The impacts of these refinements were not material to the allowance for credit losses.

The Firm's policies used to determine its allowance for credit losses are described in the following paragraphs.

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the loan portfolio, in light of the factors then prevailing, may result in significant changes in the allowances for loan losses and lending-related commitments in future periods. At least quarterly, the allowance for credit losses is reviewed by the CRO, the CFO and the Controller of the Firm and discussed with the DRPC and the Audit Committee. As of December 31, 2017, JPMorgan Chase deemed the allowance for credit losses to be appropriate (i.e., sufficient to absorb probable credit losses inherent in the portfolio).

Formula-based component

The formula-based component is based on a statistical calculation to provide for incurred credit losses in all consumer loans and performing risk-rated loans. All loans restructured in TDRs as well as any impaired risk-rated loans have an allowance assessed as part of the asset-specific component, while PCI loans have an allowance assessed as part of the PCI component. See Note 12 for more information on TDRs, Impaired loans and PCI loans.

Formula-based component - Consumer loans and certain lending-related commitments

The formula-based allowance for credit losses for the consumer portfolio segments is calculated by applying statistical credit loss factors (estimated PD and loss severities) to the recorded investment balances or loan-equivalent amounts of pools of loan exposures with similar risk characteristics over a loss emergence period to arrive at an estimate of incurred credit losses. Estimated loss emergence periods may vary by product and may change

over time; management applies judgment in estimating loss emergence periods, using available credit information and trends. In addition, management applies judgment to the statistical loss estimates for each loan portfolio category, using delinquency trends and other risk characteristics to estimate the total incurred credit losses in the portfolio. Management uses additional statistical methods and considers actual portfolio performance, including actual losses recognized on defaulted loans and collateral valuation trends, to review the appropriateness of the primary statistical loss estimate. The economic impact of potential modifications of residential real estate loans is not included in the statistical calculation because of the uncertainty regarding the type and results of such modifications.

The statistical calculation is then adjusted to take into consideration model imprecision, external factors and current economic events that have occurred but that are not yet reflected in the factors used to derive the statistical calculation; these adjustments are accomplished in part by analyzing the historical loss experience for each major product segment. However, it is difficult to predict whether historical loss experience is indicative of future loss levels. Management applies judgment in making this adjustment, taking into account uncertainties associated with current macroeconomic and political conditions, quality of underwriting standards, borrower behavior, and other relevant internal and external factors affecting the credit quality of the portfolio. In certain instances, the interrelationships between these factors create further uncertainties. The application of different inputs into the statistical calculation, and the assumptions used by management to adjust the statistical calculation, are subject to management judgment, and emphasizing one input or assumption over another, or considering other inputs or assumptions, could affect the estimate of the allowance for credit losses for the consumer credit portfolio.

Overall, the allowance for credit losses for consumer portfolios is sensitive to changes in the economic environment (e.g., unemployment rates), delinquency rates, the realizable value of collateral (e.g., housing prices), FICO scores, borrower behavior and other risk factors. While all of these factors are important determinants of overall allowance levels, changes in the various factors may not occur at the same time or at the same rate, or changes may be directionally inconsistent such that improvement in one factor may offset deterioration in another. In addition, changes in these factors would not necessarily be consistent across all geographies or product types. Finally, it is difficult to predict the extent to which changes in these factors would ultimately affect the frequency of losses, the severity of losses or both.

Notes to consolidated financial statements

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

The Firm's methodology for determining the allowance for loan losses and the allowance for lending-related commitments involves the early identification of credits that are deteriorating. The formula-based component of the allowance for wholesale loans and lending-related commitments is calculated by applying statistical credit loss factors (estimated PD and LGD) to the recorded investment balances or loan-equivalent over a loss emergence period to arrive at an estimate of incurred credit losses in the portfolio. Estimated loss emergence periods may vary by funded versus unfunded status of the instrument and may change over time.

The Firm assesses the credit quality of its borrower or counterparty and assigns a risk rating. Risk ratings are assigned at origination or acquisition, and if necessary, adjusted for changes in credit quality over the life of the exposure. In assessing the risk rating of a particular loan or lending-related commitment, among the factors considered are the obligor's debt capacity and financial flexibility, the level of the obligor's earnings, the amount and sources for repayment, the level and nature of contingencies, management strength, and the industry and geography in which the obligor operates. These factors are based on an evaluation of historical and current information and involve subjective assessment and interpretation. Determining risk ratings involves significant judgment; emphasizing one factor over another or considering additional factors could affect the risk rating assigned by the Firm.

A PD estimate is determined based on the Firm's history of defaults over more than one credit cycle.

LGD estimate is a judgment-based estimate assigned to each loan or lending-related commitment. The estimate represents the amount of economic loss if the obligor were to default. The type of obligor, quality of collateral, and the seniority of the Firm's lending exposure in the obligor's capital structure affect LGD.

The Firm applies judgment in estimating PD, LGD, loss emergence period and loan-equivalent used in calculating the allowance for credit losses. Estimates of PD, LGD, loss emergence period and loan-equivalent used are subject to periodic refinement based on any changes to underlying external or Firm-specific historical data. Changes to the time period used for PD and LGD estimates could also affect the allowance for credit losses. The use of different inputs, estimates or methodologies could change the amount of the allowance for credit losses determined appropriate by the Firm.

In addition to the statistical credit loss estimates applied to the wholesale portfolio, management applies its judgment to adjust the statistical estimates for wholesale loans and lending-related commitments, taking into consideration model imprecision, external factors and economic events that have occurred but are not yet reflected in the loss factors. Historical experience of both LGD and PD are

considered when estimating these adjustments. Factors related to concentrated and deteriorating industries also are incorporated where relevant. These estimates are based on management's view of uncertainties that relate to current macroeconomic conditions, quality of underwriting standards and other relevant internal and external factors affecting the credit quality of the current portfolio.

Asset-specific component

The asset-specific component of the allowance relates to loans considered to be impaired, which includes loans that have been modified in TDRs as well as risk-rated loans that have been placed on nonaccrual status. To determine the asset-specific component of the allowance, larger risk-rated loans (primarily loans in the wholesale portfolio segment) are evaluated individually, while smaller loans (both risk-rated and scored) are evaluated as pools using historical loss experience for the respective class of assets.

The Firm generally measures the asset-specific allowance as the difference between the recorded investment in the loan and the present value of the cash flows expected to be collected, discounted at the loan's original effective interest rate. Subsequent changes in impairment are reported as an adjustment to the allowance for loan losses. In certain cases, the asset-specific allowance is determined using an observable market price, and the allowance is measured as the difference between the recorded investment in the loan and the loan's fair value. Collateral-dependent loans are charged down to the fair value of collateral less costs to sell. For any of these impaired loans, the amount of the asset-specific allowance required to be recorded, if any, is dependent upon the recorded investment in the loan (including prior charge-offs), and either the expected cash flows or fair value of collateral. See Note 12 for more information about charge-offs and collateral-dependent loans.

The asset-specific component of the allowance for impaired loans that have been modified in TDRs (including forgone interest, principal forgiveness, as well as other concessions) incorporates the effect of the modification on the loan's expected cash flows, which considers the potential for redefault. For residential real estate loans modified in TDRs, the Firm develops product-specific probability of default estimates, which are applied at a loan level to compute expected losses. In developing these probabilities of default, the Firm considers the relationship between the credit quality characteristics of the underlying loans and certain assumptions about home prices and unemployment, based upon industry-wide data. The Firm also considers its own historical loss experience to-date based on actual redefaulted modified loans. For credit card loans modified in TDRs, expected losses incorporate projected redefaults based on the Firm's historical experience by type of modification program. For wholesale loans modified in TDRs, expected losses incorporate management's expectation of the borrower's ability to repay under the modified terms.

Estimating the timing and amounts of future cash flows is highly judgmental as these cash flow projections rely upon estimates such as loss severities, asset valuations, default rates (including redefault rates on modified loans), the amounts and timing of interest or principal payments (including any expected prepayments) or other factors that are reflective of current and expected market conditions. These estimates are, in turn, dependent on factors such as the duration of current overall economic conditions, industry-, portfolio-, or borrower-specific factors, the expected outcome of insolvency proceedings as well as, in certain circumstances, other economic factors, including the level of future home prices. All of these estimates and assumptions require significant management judgment and certain assumptions are highly subjective.

PCI loans

In connection with the acquisition of certain PCI loans, which are accounted for as described in Note 12, the allowance for loan losses for the PCI portfolio is based on quarterly estimates of the amount of principal and interest cash flows expected to be collected over the estimated remaining lives of the loans.

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

Notes to consolidated financial statements

Allowance for credit losses and related information

The table below summarizes information about the allowances for loan losses and lending-related commitments, and includes a breakdown of loans and lending-related commitments by impairment methodology.

Year ended December 31, (in millions)	2017			
	Consumer, excluding credit card	Credit card	Wholesale	Total
Allowance for loan losses				
Beginning balance at January 1,	\$ 5,198	\$ 4,034	\$ 4,544	\$ 13,776
Gross charge-offs	1,779	4,521	212	6,512
Gross recoveries	(634)	(398)	(93)	(1,125)
Net charge-offs	1,145	4,123	119	5,387
Write-offs of PCI loans ^(a)	86	—	—	86
Provision for loan losses	613	4,973	(286)	5,300
Other	(1)	—	2	1
Ending balance at December 31,	\$ 4,579	\$ 4,884	\$ 4,141	\$ 13,604
Allowance for loan losses by impairment methodology				
Asset-specific ^(b)	\$ 246	\$ 383 ^(c)	\$ 461	\$ 1,090
Formula-based	2,108	4,501	3,680	10,289
PCI	2,225	—	—	2,225
Total allowance for loan losses	\$ 4,579	\$ 4,884	\$ 4,141	\$ 13,604
Loans by impairment methodology				
Asset-specific	\$ 8,036	\$ 1,215	\$ 1,867	\$ 11,118
Formula-based	333,941	148,172	401,028	883,141
PCI	30,576	—	3	30,579
Total retained loans	\$ 372,553	\$ 149,387	\$ 402,898	\$ 924,838
Impaired collateral-dependent loans				
Net charge-offs	\$ 64	\$ —	\$ 31	\$ 95
Loans measured at fair value of collateral less cost to sell	2,133	—	233	2,366
Allowance for lending-related commitments				
Beginning balance at January 1,	\$ 26	\$ —	\$ 1,052	\$ 1,078
Provision for lending-related commitments	7	—	(17)	(10)
Other	—	—	—	—
Ending balance at December 31,	\$ 33	\$ —	\$ 1,035	\$ 1,068
Allowance for lending-related commitments by impairment methodology				
Asset-specific	\$ —	\$ —	\$ 187	\$ 187
Formula-based	33	—	848	881
Total allowance for lending-related commitments	\$ 33	\$ —	\$ 1,035	\$ 1,068
Lending-related commitments by impairment methodology				
Asset-specific	\$ —	\$ —	\$ 731	\$ 731
Formula-based	48,553	572,831	369,367	990,751
Total lending-related commitments	\$ 48,553	\$ 572,831	\$ 370,098	\$ 991,482

(a) Write-offs of PCI loans are recorded against the allowance for loan losses when actual losses for a pool exceed estimated losses that were recorded as purchase accounting adjustments at the time of acquisition. A write-off of a PCI loan is recognized when the underlying loan is removed from a pool.

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

(c) The asset-specific credit card allowance for loan losses is related to loans that have been modified in a TDR; such allowance is calculated based on the loans' original contractual interest rates and does not consider any incremental penalty rates.

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

(table continued from previous page)

2016				2015			
Consumer, excluding credit card	Credit card	Wholesale	Total	Consumer, excluding credit card	Credit card	Wholesale	Total
\$ 5,806	\$ 3,434	\$ 4,315	\$ 13,555	\$ 7,050	\$ 3,439	\$ 3,696	\$ 14,185
1,500	3,799	398	5,697	1,658	3,488	95	5,241
(591)	(357)	(57)	(1,005)	(704)	(366)	(85)	(1,155)
909	3,442	341	4,692	954	3,122	10	4,086
156	–	–	156	208	–	–	208
467	4,042	571	5,080	(82)	3,122	623	3,663
(10)	–	(1)	(11)	–	(5)	6	1
\$ 5,198	\$ 4,034	\$ 4,544	\$ 13,776	\$ 5,806	\$ 3,434	\$ 4,315	\$ 13,555
\$ 308	\$ 358 ^(c)	\$ 342	\$ 1,008	\$ 364	\$ 460 ^(c)	\$ 274	\$ 1,098
2,579	3,676	4,202	10,457	2,700	2,974	4,041	9,715
2,311	–	–	2,311	2,742	–	–	2,742
\$ 5,198	\$ 4,034	\$ 4,544	\$ 13,776	\$ 5,806	\$ 3,434	\$ 4,315	\$ 13,555
\$ 8,940	\$ 1,240	\$ 2,017	\$ 12,197	\$ 9,606	\$ 1,465	\$ 1,024	\$ 12,095
319,787	140,471	381,770	842,028	293,751	129,922	356,022	779,695
35,679	–	3	35,682	40,998	–	4	41,002
\$ 364,406	\$ 141,711	\$ 383,790	\$ 889,907	\$ 344,355	\$ 131,387	\$ 357,050	\$ 832,792
\$ 98	\$ –	\$ 7	\$ 105	\$ 104	\$ –	\$ 16	\$ 120
2,391	–	300	2,691	2,566	–	283	2,849
\$ 14	\$ –	\$ 772	\$ 786	\$ 13	\$ –	\$ 609	\$ 622
–	–	281	281	1	–	163	164
12	–	(1)	11	–	–	–	–
\$ 26	\$ –	\$ 1,052	\$ 1,078	\$ 14	\$ –	\$ 772	\$ 786
\$ –	\$ –	\$ 169	\$ 169	\$ –	\$ –	\$ 73	\$ 73
26	–	883	909	14	–	699	713
\$ 26	\$ –	\$ 1,052	\$ 1,078	\$ 14	\$ –	\$ 772	\$ 786
\$ –	\$ –	\$ 506	\$ 506	\$ –	\$ –	\$ 193	\$ 193
53,247 ^(d)	553,891	367,508	974,646 ^(d)	56,865 ^(d)	515,518	366,206	938,589 ^(d)
\$ 53,247 ^(d)	\$ 553,891	\$ 368,014	\$ 975,152 ^(d)	\$ 56,865 ^(d)	\$ 515,518	\$ 366,399	\$ 938,782 ^(d)

Notes to consolidated financial statements

Note 14 – Variable interest entities

For a further description of JPMorgan Chase's accounting policies regarding consolidation of VIEs, see Note 1.

The following table summarizes the most significant types of Firm-sponsored VIEs by business segment. The Firm considers a "sponsored" VIE to include any entity where: (1) JPMorgan Chase is the primary beneficiary of the structure; (2) the VIE is used by JPMorgan Chase to securitize Firm assets; (3) the VIE issues financial instruments with the JPMorgan Chase name; or (4) the entity is a JPMorgan Chase-administered asset-backed commercial paper conduit.

Line of Business	Transaction Type	Activity	Annual Report page references
CCB	Credit card securitization trusts	Securitization of originated credit card receivables	236-237
	Mortgage securitization trusts	Servicing and securitization of both originated and purchased residential mortgages	237-239
	Mortgage and other securitization trusts	Securitization of both originated and purchased residential and commercial mortgages and other consumer loans	237-239
CIB	Multi-seller conduits	Assist clients in accessing the financial markets in a cost-efficient manner and structures transactions to meet investor needs	239
	Municipal bond vehicles	Financing of municipal bond investments	239-240

The Firm's other business segments are also involved with VIEs (both third-party and Firm-sponsored), but to a lesser extent, as follows:

- **Asset & Wealth Management:** AWM sponsors and manages certain funds that are deemed VIEs. As asset manager of the funds, AWM earns a fee based on assets managed; the fee varies with each fund's investment objective and is competitively priced. For fund entities that qualify as VIEs, AWM's interests are, in certain cases, considered to be significant variable interests that result in consolidation of the financial results of these entities.
- **Commercial Banking:** CB provides financing and lending-related services to a wide spectrum of clients, including certain third party-sponsored entities that may meet the definition of a VIE. CB does not control the activities of these entities and does not consolidate these entities. CB's maximum loss exposure, regardless of whether the entity is a VIE, is generally limited to loans and lending-related commitments which are reported and disclosed in the same manner as any other third-party transaction.
- **Corporate:** Corporate is involved with entities that may meet the definition of VIEs; however these entities are generally subject to specialized investment company accounting, which does not require the consolidation of investments, including VIEs. In addition, Treasury and CIO invest in securities generally issued by third parties which may meet the definition of VIEs (e.g., issuers of asset-backed securities). In general, the Firm does not have the power to direct the significant activities of these entities and therefore does not consolidate these entities. See Note 10 for further information on the Firm's investment securities portfolio.

In addition, CIB also invests in and provides financing and other services to VIEs sponsored by third parties. See pages 241-242 of this Note for more information on the VIEs sponsored by third parties.

Significant Firm-sponsored variable interest entities

Credit card securitizations

CCB's Card business securitizes originated credit card loans, primarily through the Chase Issuance Trust (the "Trust"). The Firm's continuing involvement in credit card securitizations includes servicing the receivables, retaining an undivided seller's interest in the receivables, retaining certain senior and subordinated securities and maintaining escrow accounts.

The Firm is considered to be the primary beneficiary of these Firm-sponsored credit card securitization trusts based on the Firm's ability to direct the activities of these VIEs through its servicing responsibilities and other duties, including making decisions as to the receivables that are transferred into those trusts and as to any related modifications and workouts. Additionally, the nature and extent of the Firm's other continuing involvement with the trusts, as indicated above, obligates the Firm to absorb

losses and gives the Firm the right to receive certain benefits from these VIEs that could potentially be significant.

The underlying securitized credit card receivables and other assets of the securitization trusts are available only for payment of the beneficial interests issued by the securitization trusts; they are not available to pay the Firm's other obligations or the claims of the Firm's creditors.

The agreements with the credit card securitization trusts require the Firm to maintain a minimum undivided interest in the credit card trusts (generally 5%). As of December 31, 2017 and 2016, the Firm held undivided interests in Firm-sponsored credit card securitization trusts of \$15.8 billion and \$8.9 billion, respectively. The Firm maintained an average undivided interest in principal receivables owned by those trusts of approximately 26% and 16% for the years ended December 31, 2017 and 2016. As of both

December 31, 2017 and 2016, the Firm did not retain any senior securities and retained \$4.5 billion and \$5.3 billion of subordinated securities in certain of its credit card securitization trusts as of December 31, 2017 and 2016, respectively. The Firm's undivided interests in the credit card trusts and securities retained are eliminated in consolidation.

The Firm securitizes (or has securitized) originated and purchased residential mortgages, commercial mortgages and other consumer loans primarily in its CCB and CIB businesses. Depending on the particular transaction, as well as the respective business involved, the Firm may act as the servicer of the loans and/or retain certain beneficial interests in the securitization trusts.

Firm-sponsored mortgage and other securitization trusts

The following table presents the total unpaid principal amount of assets held in Firm-sponsored private-label securitization entities, including those in which the Firm has continuing involvement, and those that are consolidated by the Firm. Continuing involvement includes servicing the loans, holding senior interests or subordinated interests (including amounts required to be held pursuant to credit risk retention rules), recourse or guarantee arrangements, and derivative transactions. In certain instances, the Firm's only continuing involvement is servicing the loans. See Securitization activity on page 242 of this Note for further information regarding the Firm's cash flows with and interests retained in nonconsolidated VIEs, and page 243 of this Note for information on the Firm's loan sales to U.S. government agencies.

December 31, 2017 (in millions)	Principal amount outstanding			JPMorgan Chase interest in securitized assets in nonconsolidated VIEs ^{(c)(d)(e)}			
	Total assets held by securitization VIEs	Assets held in consolidated securitization VIEs	Assets held in nonconsolidated securitization VIEs with continuing involvement	Trading assets	Securities	Other financial assets	Total interests held by JPMorgan Chase
Securitization-related^(a)							
Residential mortgage:							
Prime/Alt-A and option ARMs	\$ 68,874	\$ 3,615	\$ 52,280	\$ 410	\$ 943	\$ —	\$ 1,353
Subprime	18,984	7	17,612	93	—	—	93
Commercial and other ^(b)	94,905	63	63,411	745	1,133	157	2,035
Total	\$ 182,763	\$ 3,685	\$ 133,303	\$ 1,248	\$ 2,076	\$ 157	\$ 3,481

December 31, 2016 (in millions)	Principal amount outstanding			JPMorgan Chase interest in securitized assets in nonconsolidated VIEs ^{(c)(d)(e)}			
	Total assets held by securitization VIEs	Assets held in consolidated securitization VIEs	Assets held in nonconsolidated securitization VIEs with continuing involvement	Trading assets	Securities	Other financial assets	Total interests held by JPMorgan Chase
Securitization-related^(a)							
Residential mortgage:							
Prime/Alt-A and option ARMs	\$ 76,789	\$ 4,209	\$ 57,543	\$ 226	\$ 1,334	\$ —	\$ 1,560
Subprime	21,542	—	19,903	76	—	—	76
Commercial and other ^(b)	101,265	107	71,464	509	2,064	—	2,573
Total	\$ 199,596	\$ 4,316	\$ 148,910	\$ 811	\$ 3,398	\$ —	\$ 4,209

(a) Excludes U.S. government agency securitizations and re-securitizations, which are not Firm-sponsored. See page 243 of this Note for information on the Firm's loan sales to U.S. government agencies.

(b) Consists of securities backed by commercial loans (predominantly real estate) and non-mortgage-related consumer receivables purchased from third parties.

(c) Excludes the following: retained servicing (see Note 15 for a discussion of MSRs); securities retained from loan sales to U.S. government agencies; interest rate and foreign exchange derivatives primarily used to manage interest rate and foreign exchange risks of securitization entities (See Note 5 for further information on derivatives); senior and subordinated securities of \$88 million and \$48 million, respectively, at December 31, 2017, and \$180 million and \$49 million, respectively, at December 31, 2016, which the Firm purchased in connection with CIB's secondary market-making activities.

(d) Includes interests held in re-securitization transactions.

(e) As of December 31, 2017 and 2016, 61% and 61%, respectively, of the Firm's retained securitization interests, which are predominantly carried at fair value and include amounts required to be held pursuant to credit risk retention rules, were risk-rated "A" or better, on an S&P-equivalent basis. The retained interests in prime residential mortgages consisted of \$1.3 billion and \$1.5 billion of investment-grade and \$48 million and \$77 million of noninvestment-grade retained interests at December 31, 2017 and 2016, respectively. The retained interests in commercial and other securitizations trusts consisted of \$1.6 billion and \$2.4 billion of investment-grade and \$412 million and \$210 million of noninvestment-grade retained interests at December 31, 2017 and 2016, respectively.

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Residential mortgage

The Firm securitizes residential mortgage loans originated by CCB, as well as residential mortgage loans purchased from third parties by either CCB or CIB. CCB generally retains servicing for all residential mortgage loans it originated or purchased, and for certain mortgage loans purchased by CIB. For securitizations of loans serviced by CCB, the Firm has the power to direct the significant activities of the VIE because it is responsible for decisions related to loan modifications and workouts. CCB may also retain an interest upon securitization.

In addition, CIB engages in underwriting and trading activities involving securities issued by Firm-sponsored securitization trusts. As a result, CIB at times retains senior and/or subordinated interests (including residual interests and amounts required to be held pursuant to credit risk retention rules) in residential mortgage securitizations at the time of securitization, and/or reacquires positions in the secondary market in the normal course of business. In certain instances, as a result of the positions retained or reacquired by CIB or held by CCB, when considered together with the servicing arrangements entered into by CCB, the Firm is deemed to be the primary beneficiary of certain securitization trusts. See the table on page 241 of this Note for more information on consolidated residential mortgage securitizations.

The Firm does not consolidate a residential mortgage securitization (Firm-sponsored or third-party-sponsored) when it is not the servicer (and therefore does not have the power to direct the most significant activities of the trust) or does not hold a beneficial interest in the trust that could potentially be significant to the trust. See the table on page 241 of this Note for more information on the consolidated residential mortgage securitizations, and the table on the previous page of this Note for further information on interests held in nonconsolidated residential mortgage securitizations.

Commercial mortgages and other consumer securitizations

CIB originates and securitizes commercial mortgage loans, and engages in underwriting and trading activities involving the securities issued by securitization trusts. CIB may retain unsold senior and/or subordinated interests (including amounts required to be held pursuant to credit risk retention rules) in commercial mortgage securitizations at the time of securitization but, generally, the Firm does not service commercial loan securitizations. For commercial mortgage securitizations the power to direct the significant activities of the VIE generally is held by the servicer or investors in a specified class of securities (“controlling class”). The Firm generally does not retain an interest in the controlling class in its sponsored commercial mortgage securitization transactions. See the table on page 241 of this Note for more information on the consolidated commercial mortgage securitizations, and the table on the previous page of this Note for further information on interests held in nonconsolidated securitizations.

Re-securitizations

The Firm engages in certain re-securitization transactions in which debt securities are transferred to a VIE in exchange for new beneficial interests. These transfers occur in connection with both agency (Federal National Mortgage Association (“Fannie Mae”), Federal Home Loan Mortgage Corporation (“Freddie Mac”) and Government National Mortgage Association (“Ginnie Mae”)) and nonagency (private-label) sponsored VIEs, which may be backed by either residential or commercial mortgages. The Firm’s consolidation analysis is largely dependent on the Firm’s role and interest in the re-securitization trusts.

The following table presents the principal amount of securities transferred to re-securitization VIEs.

Year ended December 31, (in millions)	2017	2016	2015
Transfers of securities to VIEs			
Firm-sponsored private-label	\$ —	\$ 647	\$ 777
Agency	\$ 12,617	\$ 11,241	\$ 21,908

Most re-securitizations with which the Firm is involved are client-driven transactions in which a specific client or group of clients is seeking a specific return or risk profile. For these transactions, the Firm has concluded that the decision-making power of the entity is shared between the Firm and its clients, considering the joint effort and decisions in establishing the re-securitization trust and its assets, as well as the significant economic interest the client holds in the re-securitization trust; therefore the Firm does not consolidate the re-securitization VIE.

In more limited circumstances, the Firm creates a nonagency re-securitization trust independently and not in conjunction with specific clients. In these circumstances, the Firm is deemed to have the unilateral ability to direct the most significant activities of the re-securitization trust because of the decisions made during the establishment and design of the trust; therefore, the Firm consolidates the re-securitization VIE if the Firm holds an interest that could potentially be significant.

Additionally, the Firm may invest in beneficial interests of third-party re-securitizations and generally purchases these interests in the secondary market. In these circumstances, the Firm does not have the unilateral ability to direct the most significant activities of the re-securitization trust, either because it was not involved in the initial design of the trust, or the Firm is involved with an independent third-party sponsor and demonstrates shared power over the creation of the trust; therefore, the Firm does not consolidate the re-securitization VIE.

The following table presents information on nonconsolidated re-securitization VIEs.

Year ended December 31, (in millions)	2017	2016
Firm-sponsored private-label		
Assets held in VIEs with continuing involvement ^(a)	783	875
Interest in VIEs	29	43
Agency		
Interest in VIEs	2,250	1,986

(a) Represents the principal amount and includes the notional amount of interest-only securities.

As of December 31, 2017 and 2016, the Firm did not consolidate any agency re-securitizations or any Firm-sponsored private-label re-securitizations.

Multi-seller conduits

Multi-seller conduit entities are separate bankruptcy remote entities that provide secured financing, collateralized by pools of receivables and other financial assets, to customers of the Firm. The conduits fund their financing facilities through the issuance of highly rated commercial paper. The primary source of repayment of the commercial paper is the cash flows from the pools of assets. In most instances, the assets are structured with deal-specific credit enhancements provided to the conduits by the customers (i.e., sellers) or other third parties. Deal-specific credit enhancements are generally structured to cover a multiple of historical losses expected on the pool of assets, and are typically in the form of overcollateralization provided by the seller. The deal-specific credit enhancements mitigate the Firm's potential losses on its agreements with the conduits.

To ensure timely repayment of the commercial paper, and to provide the conduits with funding to provide financing to customers in the event that the conduits do not obtain funding in the commercial paper market, each asset pool financed by the conduits has a minimum 100% deal-specific liquidity facility associated with it provided by JPMorgan Chase Bank, N.A. JPMorgan Chase Bank, N.A. also provides the multi-seller conduit vehicles with uncommitted program-wide liquidity facilities and program-wide credit enhancement in the form of standby letters of credit. The amount of program-wide credit enhancement required is based upon commercial paper issuance and approximates 10% of the outstanding balance of commercial paper.

The Firm consolidates its Firm-administered multi-seller conduits, as the Firm has both the power to direct the significant activities of the conduits and a potentially significant economic interest in the conduits. As administrative agent and in its role in structuring transactions, the Firm makes decisions regarding asset types and credit quality, and manages the commercial paper funding needs of the conduits. The Firm's interests that could potentially be significant to the VIEs include the fees received as administrative agent and liquidity and program-wide credit enhancement provider, as well as the potential exposure created by the liquidity and credit

enhancement facilities provided to the conduits. See page 241 of this Note for further information on consolidated VIE assets and liabilities.

In the normal course of business, JPMorgan Chase makes markets in and invests in commercial paper issued by the Firm-administered multi-seller conduits. The Firm held \$20.4 billion and \$21.2 billion of the commercial paper issued by the Firm-administered multi-seller conduits at December 31, 2017 and 2016, respectively, which have been eliminated in consolidation. The Firm's investments reflect the Firm's funding needs and capacity and were not driven by market illiquidity. Other than the amounts required to be held pursuant to credit risk retention rules, the Firm is not obligated under any agreement to purchase the commercial paper issued by the Firm-administered multi-seller conduits.

Deal-specific liquidity facilities, program-wide liquidity and credit enhancement provided by the Firm have been eliminated in consolidation. The Firm or the Firm-administered multi-seller conduits provide lending-related commitments to certain clients of the Firm-administered multi-seller conduits. The unfunded commitments were \$8.8 billion and \$7.4 billion at December 31, 2017 and 2016, respectively, and are reported as off-balance sheet lending-related commitments. For more information on off-balance sheet lending-related commitments, see Note 27.

Municipal bond vehicles

Municipal bond vehicles or tender option bond ("TOB") trusts allow institutions to finance their municipal bond investments at short-term rates. In a typical TOB transaction, the trust purchases highly rated municipal bond(s) of a single issuer and funds the purchase by issuing two types of securities: (1) puttable floating-rate certificates ("Floaters") and (2) inverse floating-rate residual interests ("Residuals"). The Floaters are typically purchased by money market funds or other short-term investors and may be tendered, with requisite notice, to the TOB trust. The Residuals are retained by the investor seeking to finance its municipal bond investment. TOB transactions where the Residual is held by a third party investor are typically known as Customer TOB trusts, and Non-Customer TOB trusts are transactions where the Residual is retained by the Firm. Customer TOB trusts are sponsored by a third party; see page 242 on this Note for further information. The Firm serves as sponsor for all Non-Customer TOB transactions. The Firm may provide various services to a TOB trust, including remarketing agent, liquidity or tender option provider, and/or sponsor.

J.P. Morgan Securities LLC may serve as a remarketing agent on the Floaters for TOB trusts. The remarketing agent is responsible for establishing the periodic variable rate on the Floaters, conducting the initial placement and remarketing tendered Floaters. The remarketing agent may, but is not obligated to, make markets in Floaters. The Firm held an insignificant amount of Floaters during 2017 and 2016.

Notes to consolidated financial statements

JPMorgan Chase Bank, N.A. or J.P. Morgan Securities LLC often serves as the sole liquidity or tender option provider for the TOB trusts. The liquidity provider's obligation to perform is conditional and is limited by certain events ("Termination Events"), which include bankruptcy or failure to pay by the municipal bond issuer or credit enhancement provider, an event of taxability on the municipal bonds or the immediate downgrade of the municipal bond to below investment grade. In addition, the liquidity provider's exposure is typically further limited by the high credit quality of the underlying municipal bonds, the excess collateralization in the vehicle, or, in certain transactions, the reimbursement agreements with the Residual holders.

Holders of the Floaters may "put," or tender, their Floaters to the TOB trust. If the remarketing agent cannot successfully remarket the Floaters to another investor, the liquidity provider either provides a loan to the TOB trust for the TOB trust's purchase of the Floaters, or it directly purchases the tendered Floaters.

TOB trusts are considered to be variable interest entities. The Firm consolidates Non-Customer TOB trusts because as the Residual holder, the Firm has the right to make decisions that significantly impact the economic performance of the municipal bond vehicle, and it has the right to receive benefits and bear losses that could potentially be significant to the municipal bond vehicle. See page 241 of this Note for further information on consolidated municipal bond vehicles.

Consolidated VIE assets and liabilities

The following table presents information on assets and liabilities related to VIEs consolidated by the Firm as of December 31, 2017 and 2016.

December 31, 2017 (in millions)	Assets				Liabilities		
	Trading assets	Loans	Other ^(d)	Total assets ^(e)	Beneficial interests in VIE assets ^(f)	Other ^(g)	Total liabilities
VIE program type^(a)							
Firm-sponsored credit card trusts	\$ —	\$ 41,923	\$ 652	\$ 42,575	\$ 21,278	\$ 16	\$ 21,294
Firm-administered multi-seller conduits	—	23,411	48	23,459	3,045	28	3,073
Municipal bond vehicles	1,278	—	3	1,281	1,265	2	1,267
Mortgage securitization entities ^(b)	66	3,661	55	3,782	359	199	558
Student loan securitization entities ^(c)	—	—	—	—	—	—	—
Other	105	—	1,916	2,021	134	104	238
Total	\$ 1,449	\$ 68,995	\$ 2,674	\$ 73,118	\$ 26,081	\$ 349	\$ 26,430

December 31, 2016 (in millions)	Assets				Liabilities		
	Trading assets	Loans	Other ^(d)	Total assets ^(e)	Beneficial interests in VIE assets ^(f)	Other ^(g)	Total liabilities
VIE program type^(a)							
Firm-sponsored credit card trusts	\$ —	\$ 45,919	\$ 790	\$ 46,709	\$ 31,181	\$ 18	\$ 31,199
Firm-administered multi-seller conduits	—	23,760	43	23,803	2,719	33	2,752
Municipal bond vehicles	2,897	—	8	2,905	2,969	2	2,971
Mortgage securitization entities ^(b)	143	4,246	103	4,492	468	313	781
Student loan securitization entities ^(c)	—	1,689	59	1,748	1,527	4	1,531
Other	145	—	2,318	2,463	183	120	303
Total	\$ 3,185	\$ 75,614	\$ 3,321	\$ 82,120	\$ 39,047	\$ 490	\$ 39,537

(a) Excludes intercompany transactions, which are eliminated in consolidation.

(b) Includes residential and commercial mortgage securitizations.

(c) The Firm deconsolidated the student loan securitization entities in the second quarter of 2017 as it no longer had a controlling financial interest in these entities as a result of the sale of the student loan portfolio.

(d) Includes assets classified as cash and other assets on the Consolidated balance sheets.

(e) The assets of the consolidated VIEs included in the program types above are used to settle the liabilities of those entities. The difference between total assets and total liabilities recognized for consolidated VIEs represents the Firm's interest in the consolidated VIEs for each program type.

(f) The interest-bearing beneficial interest liabilities issued by consolidated VIEs are classified in the line item on the Consolidated balance sheets titled, "Beneficial interests issued by consolidated variable interest entities." The holders of these beneficial interests do not have recourse to the general credit of JPMorgan Chase. Included in beneficial interests in VIE assets are long-term beneficial interests of \$21.8 billion and \$33.4 billion at December 31, 2017 and 2016, respectively. For additional information on interest bearing long-term beneficial interest, see Note 19.

(g) Includes liabilities classified as accounts payable and other liabilities on the Consolidated balance sheets.

VIEs sponsored by third parties

The Firm enters into transactions with VIEs structured by other parties. These include, for example, acting as a derivative counterparty, liquidity provider, investor, underwriter, placement agent, remarketing agent, trustee or custodian. These transactions are conducted at arm's-length, and individual credit decisions are based on the analysis of the specific VIE, taking into consideration the quality of the underlying assets. Where the Firm does not have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, or a variable interest that could potentially be significant, the Firm generally does not consolidate the VIE, but it records and reports these positions on its Consolidated balance sheets in the same manner it would record and report positions in respect of any other third-party transaction.

Tax credit vehicles

The Firm holds investments in unconsolidated tax credit vehicles, which are limited partnerships and similar entities that construct, own and operate affordable housing, wind, solar and other alternative energy projects. These entities are primarily considered VIEs. A third party is typically the general partner or managing member and has control over the significant activities of the tax credit vehicles, and accordingly the Firm does not consolidate tax credit vehicles. The Firm generally invests in these partnerships as a limited partner and earns a return primarily through the receipt of tax credits allocated to the projects. The maximum loss exposure, represented by equity investments and funding commitments, was \$13.4 billion and \$14.8 billion, of which \$3.2 billion and \$3.8 billion was unfunded at December 31, 2017 and 2016 respectively. In order to reduce the risk of loss, the Firm assesses each project and withholds varying amounts of its capital investment until qualification of the project for tax credits. See Note 24 for

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further information on affordable housing tax credits. For more information on off-balance sheet lending-related commitments, see Note 27.

Customer municipal bond vehicles (TOB trusts)

The Firm may provide various services to Customer TOB trusts, including remarketing agent, liquidity or tender option provider. In certain Customer TOB transactions, the Firm, as liquidity provider, has entered into a reimbursement agreement with the Residual holder. In those transactions, upon the termination of the vehicle, the Firm has recourse to the third party Residual holders for any shortfall. The Firm does not have any intent to protect Residual holders from potential losses on any of the underlying municipal bonds. The Firm does not consolidate Customer TOB trusts, since the Firm does not have the power to make decisions that significantly impact the economic performance of the municipal bond vehicle. The Firm's maximum exposure as a liquidity provider to Customer TOB trusts at December 31, 2017 and 2016, was \$5.3 billion and \$5.0 billion, respectively. The fair value of assets held by such VIEs at December 31, 2017 and 2016 was \$9.2 billion and \$8.9 billion, respectively. For more information on off-balance sheet lending-related commitments, see Note 27.

Securitization activity

The following table provides information related to the Firm's securitization activities for the years ended December 31, 2017, 2016 and 2015, related to assets held in Firm-sponsored securitization entities that were not consolidated by the Firm, and where sale accounting was achieved at the time of the securitization.

Year ended December 31, (in millions, except rates)	2017		2016		2015	
	Residential mortgage ^(d)	Commercial and other ^(e)	Residential mortgage ^(d)	Commercial and other ^(e)	Residential mortgage ^(d)	Commercial and other ^(e)
Principal securitized	\$ 5,532	\$ 10,252	\$ 1,817	\$ 8,964	\$ 3,008	\$ 11,933
All cash flows during the period:^(a)						
Proceeds received from loan sales as financial instruments ^(b)	\$ 5,661	\$ 10,340	\$ 1,831	\$ 9,094	\$ 3,022	\$ 12,011
Servicing fees collected	525	3	477	3	528	3
Purchases of previously transferred financial assets (or the underlying collateral) ^(c)	1	—	37	—	3	—
Cash flows received on interests	463	918	482	1,441	407	597

(a) Excludes re-securitization transactions.

(b) Predominantly includes Level 2 assets.

(c) Includes cash paid by the Firm to reacquire assets from off-balance sheet, nonconsolidated entities - for example, loan repurchases due to representation and warranties and servicer "clean-up" calls.

(d) Includes prime/Alt-A, subprime, and option ARMs. Excludes certain loan securitization transactions entered into with Ginnie Mae, Fannie Mae and Freddie Mac.

(e) Includes commercial mortgage and other consumer loans.

Key assumptions used to value retained interests originated during the year are shown in the table below.

Year ended December 31,	2017	2016	2015
Residential mortgage retained interest:			
Weighted-average life (in years)	4.8	4.5	4.2
Weighted-average discount rate	2.9%	4.2%	2.9%
Commercial mortgage retained interest:			
Weighted-average life (in years)	7.1	6.2	6.2
Weighted-average discount rate	4.4%	5.8%	4.1%

Loan securitizations

The Firm has securitized and sold a variety of loans, including residential mortgage, credit card, student and commercial (primarily related to real estate) loans, as well as debt securities. The purposes of these securitization transactions were to satisfy investor demand and to generate liquidity for the Firm.

For loan securitizations in which the Firm is not required to consolidate the trust, the Firm records the transfer of the loan receivable to the trust as a sale when all of the following accounting criteria for a sale are met: (1) the transferred financial assets are legally isolated from the Firm's creditors; (2) the transferee or beneficial interest holder can pledge or exchange the transferred financial assets; and (3) the Firm does not maintain effective control over the transferred financial assets (e.g., the Firm cannot repurchase the transferred assets before their maturity and it does not have the ability to unilaterally cause the holder to return the transferred assets).

For loan securitizations accounted for as a sale, the Firm recognizes a gain or loss based on the difference between the value of proceeds received (including cash, beneficial interests, or servicing assets received) and the carrying value of the assets sold. Gains and losses on securitizations are reported in noninterest revenue.

Loans and excess MSR sold to U.S. government-sponsored enterprises, loans in securitization transactions pursuant to Ginnie Mae guidelines, and other third-party-sponsored securitization entities

In addition to the amounts reported in the securitization activity tables above, the Firm, in the normal course of business, sells originated and purchased mortgage loans and certain originated excess MSRs on a nonrecourse basis, predominantly to U.S. government sponsored enterprises (“U.S. GSEs”). These loans and excess MSRs are sold primarily for the purpose of securitization by the U.S. GSEs, who provide certain guarantee provisions (e.g., credit enhancement of the loans). The Firm also sells loans into securitization transactions pursuant to Ginnie Mae guidelines; these loans are typically insured or guaranteed by another U.S. government agency. The Firm does not consolidate the securitization vehicles underlying these transactions as it is not the primary beneficiary. For a limited number of loan sales, the Firm is obligated to share a portion of the credit risk associated with the sold loans with the purchaser. See Note 27 for additional information about the Firm’s loan sales- and securitization-related indemnifications.

See Note 15 for additional information about the impact of the Firm’s sale of certain excess MSRs.

The following table summarizes the activities related to loans sold to the U.S. GSEs, loans in securitization transactions pursuant to Ginnie Mae guidelines, and other third-party-sponsored securitization entities.

Year ended December 31, (in millions)	2017	2016	2015
Carrying value of loans sold	\$ 64,542	\$ 52,869	\$ 42,161
Proceeds received from loan sales as cash	\$ 117	\$ 592	\$ 313
Proceeds from loans sales as securities ^(a)	63,542	51,852	41,615
Total proceeds received from loan sales^(b)	\$ 63,659	\$ 52,444	\$ 41,928
Gains on loan sales ^{(c)(d)}	\$ 163	\$ 222	\$ 299

(a) Predominantly includes securities from U.S. GSEs and Ginnie Mae that are generally sold shortly after receipt.

Loan delinquencies and liquidation losses

The table below includes information about components of nonconsolidated securitized financial assets held in Firm-sponsored private-label securitization entities, in which the Firm has continuing involvement, and delinquencies as of December 31, 2017 and 2016.

As of or for the year ended December 31, (in millions)	Securitized assets		90 days past due		Liquidation losses	
	2017	2016	2017	2016	2017	2016
Securitized loans						
Residential mortgage:						
Prime/ Alt-A & option ARMs	\$ 52,280	\$ 57,543	\$ 4,870	\$ 6,169	\$ 790	\$ 1,160
Subprime	17,612	19,903	3,276	4,186	719	1,087
Commercial and other	63,411	71,464	957	1,755	114	643
Total loans securitized	\$ 133,303	\$ 148,910	\$ 9,103	\$ 12,110	\$ 1,623	\$ 2,890

- (b) Excludes the value of MSRs retained upon the sale of loans.
- (c) Gains on loan sales include the value of MSRs.
- (d) The carrying value of the loans accounted for at fair value approximated the proceeds received upon loan sale.

Options to repurchase delinquent loans

In addition to the Firm’s obligation to repurchase certain loans due to material breaches of representations and warranties as discussed in Note 27, the Firm also has the option to repurchase delinquent loans that it services for Ginnie Mae loan pools, as well as for other U.S. government agencies under certain arrangements. The Firm typically elects to repurchase delinquent loans from Ginnie Mae loan pools as it continues to service them and/or manage the foreclosure process in accordance with the applicable requirements, and such loans continue to be insured or guaranteed. When the Firm’s repurchase option becomes exercisable, such loans must be reported on the Consolidated balance sheets as a loan with a corresponding liability.

The following table presents loans the Firm repurchased or had an option to repurchase, real estate owned, and foreclosed government-guaranteed residential mortgage loans recognized on the Firm’s Consolidated balance sheets as of December 31, 2017 and 2016. Substantially all of these loans and real estate are insured or guaranteed by U.S. government agencies. For additional information, refer to Note 12.

December 31, (in millions)	2017	2016
Loans repurchased or option to repurchase ^(a)	\$ 8,629	\$ 9,556
Real estate owned	95	142
Foreclosed government-guaranteed residential mortgage loans ^(b)	527	1,007

- (a) Predominantly all of these amounts relate to loans that have been repurchased from Ginnie Mae loan pools.
- (b) Relates to voluntary repurchases of loans, which are included in accrued interest and accounts receivable.

Note 15 – Goodwill and Mortgage servicing rights

Goodwill

Goodwill is recorded upon completion of a business combination as the difference between the purchase price and the fair value of the net assets acquired. Subsequent to initial recognition, goodwill is not amortized but is tested for impairment during the fourth quarter of each fiscal year, or more often if events or circumstances, such as adverse changes in the business climate, indicate there may be impairment.

The goodwill associated with each business combination is allocated to the related reporting units, which are determined based on how the Firm’s businesses are managed and how they are reviewed by the Firm’s Operating Committee. The following table presents goodwill attributed to the business segments.

December 31, (in millions)	2017	2016	2015
Consumer & Community Banking	\$ 31,013	\$ 30,797	\$ 30,769
Corporate & Investment Bank	6,776	6,772	6,772
Commercial Banking	2,860	2,861	2,861
Asset & Wealth Management	6,858	6,858	6,923
Total goodwill	\$ 47,507	\$ 47,288	\$ 47,325

The following table presents changes in the carrying amount of goodwill.

Year ended December 31, (in millions)	2017	2016	2015
Balance at beginning of period	\$ 47,288	\$ 47,325	\$ 47,647
Changes during the period from:			
Business combinations ^(a)	199	–	28
Dispositions ^(b)	–	(72)	(160)
Other ^(c)	20	35	(190)
Balance at December 31,	\$ 47,507	\$ 47,288	\$ 47,325

- (a) For 2017, represents CCB goodwill in connection with an acquisition.
- (b) For 2016, represents AWM goodwill, which was disposed of as part of an AWM sales transaction. For 2015 includes \$101 million of Private Equity goodwill, which was disposed of as part of the Private Equity sale.
- (c) Includes foreign currency translation adjustments and other tax-related adjustments.

Impairment testing

The Firm’s goodwill was not impaired at December 31, 2017, 2016, and 2015.

The goodwill impairment test is performed in two steps. In the first step, the current fair value of each reporting unit is compared with its carrying value, including goodwill and other intangible assets. If the fair value is in excess of the carrying value, then the reporting unit’s goodwill is considered to be not impaired. If the fair value is less than the carrying value, then a second step is performed. In the second step, the implied current fair value of the reporting unit’s goodwill is determined by comparing the fair value of the reporting unit (as determined in step one) to the fair value of the net assets of the reporting unit, as if the reporting unit were being acquired in a business combination. The resulting implied current fair value of goodwill is then compared with the carrying value of the reporting unit’s goodwill. If the carrying value of the goodwill exceeds its implied current fair value, then an impairment charge is recognized for the excess. If the carrying value of goodwill is less than its implied current fair value, then no goodwill impairment is recognized.

The Firm uses the reporting units’ allocated capital plus goodwill and other intangible assets capital as a proxy for the carrying values of equity for the reporting units in the goodwill impairment testing. Reporting unit equity is determined on a similar basis as the allocation of capital to the Firm’s lines of business, which takes into consideration the capital the business segment would require if it were operating independently, incorporating sufficient capital to address regulatory capital requirements (including Basel III) and capital levels for similarly rated peers. Proposed line of business equity levels are incorporated into the Firm’s annual budget process, which is reviewed by the Firm’s Board of Directors. Allocated capital is further reviewed on a periodic basis and updated as needed.

The primary method the Firm uses to estimate the fair value of its reporting units is the income approach. This approach projects cash flows for the forecast period and uses the perpetuity growth method to calculate terminal values. These cash flows and terminal values are then discounted using an appropriate discount rate. Projections of cash flows are based on the reporting units' earnings forecasts which are reviewed with senior management of the Firm. The discount rate used for each reporting unit represents an estimate of the cost of equity for that reporting unit and is determined considering the Firm's overall estimated cost of equity (estimated using the Capital Asset Pricing Model), as adjusted for the risk characteristics specific to each reporting unit (for example, for higher levels of risk or uncertainty associated with the business or management's forecasts and assumptions). To assess the reasonableness of the discount rates used for each reporting unit management compares the discount rate to the estimated cost of equity for publicly traded institutions with similar businesses and risk characteristics. In addition, the weighted average cost of equity (aggregating the various reporting units) is compared with the Firm's overall estimated cost of equity to ensure reasonableness.

The valuations derived from the discounted cash flow analysis are then compared with market-based trading and transaction multiples for relevant competitors. Trading and transaction comparables are used as general indicators to assess the general reasonableness of the estimated fair values, although precise conclusions generally cannot be drawn due to the differences that naturally exist between the Firm's businesses and competitor institutions.

Management also takes into consideration a comparison between the aggregate fair values of the Firm's reporting units and JPMorgan Chase's market capitalization. In evaluating this comparison, management considers several factors, including (i) a control premium that would exist in a market transaction, (ii) factors related to the level of execution risk that would exist at the firmwide level that do not exist at the reporting unit level and (iii) short-term market volatility and other factors that do not directly affect the value of individual reporting units.

Declines in business performance, increases in credit losses, increases in capital requirements, as well as deterioration in economic or market conditions, estimates of adverse regulatory or legislative changes or increases in the estimated market cost of equity, could cause the estimated fair values of the Firm's reporting units or their associated goodwill to decline in the future, which could result in a material impairment charge to earnings in a future period related to some portion of the associated goodwill.

Mortgage servicing rights

MSRs represent the fair value of expected future cash flows for performing servicing activities for others. The fair value considers estimated future servicing fees and ancillary revenue, offset by estimated costs to service the loans, and generally declines over time as net servicing cash flows are received, effectively amortizing the MSR asset against contractual servicing and ancillary fee income. MSRs are either purchased from third parties or recognized upon sale or securitization of mortgage loans if servicing is retained.

As permitted by U.S. GAAP, the Firm has elected to account for its MSRs at fair value. The Firm treats its MSRs as a single class of servicing assets based on the availability of market inputs used to measure the fair value of its MSR asset and its treatment of MSRs as one aggregate pool for risk management purposes. The Firm estimates the fair value of MSRs using an option-adjusted spread ("OAS") model, which projects MSR cash flows over multiple interest rate scenarios in conjunction with the Firm's prepayment model, and then discounts these cash flows at risk-adjusted rates. The model considers portfolio characteristics, contractually specified servicing fees, prepayment assumptions, delinquency rates, costs to service, late charges and other ancillary revenue, and other economic factors. The Firm compares fair value estimates and assumptions to observable market data where available, and also considers recent market activity and actual portfolio experience.

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The fair value of MSRs is sensitive to changes in interest rates, including their effect on prepayment speeds. MSRs typically decrease in value when interest rates decline because declining interest rates tend to increase prepayments and therefore reduce the expected life of the net servicing cash flows that comprise the MSR asset. Conversely, securities (e.g., mortgage-backed securities), principal-only certificates and certain derivatives (i.e.,

those for which the Firm receives fixed-rate interest payments) increase in value when interest rates decline. JPMorgan Chase uses combinations of derivatives and securities to manage the risk of changes in the fair value of MSRs. The intent is to offset any interest-rate related changes in the fair value of MSRs with changes in the fair value of the related risk management instruments.

The following table summarizes MSR activity for the years ended December 31, 2017, 2016 and 2015.

As of or for the year ended December 31, (in millions, except where otherwise noted)	2017	2016	2015
Fair value at beginning of period	\$ 6,096	\$ 6,608	\$ 7,436
MSR activity:			
Originations of MSRs	1,103	679	550
Purchase of MSRs	—	—	435
Disposition of MSRs ^(a)	(140)	(109)	(486)
Net additions	963	570	499
Changes due to collection/realization of expected cash flows	(797)	(919)	(922)
Changes in valuation due to inputs and assumptions:			
Changes due to market interest rates and other ^(b)	(202)	(72)	(160)
Changes in valuation due to other inputs and assumptions:			
Projected cash flows (e.g., cost to service)	(102)	(35)	(112)
Discount rates	(19)	7	(10)
Prepayment model changes and other ^(c)	91	(63)	(123)
Total changes in valuation due to other inputs and assumptions	(30)	(91)	(245)
Total changes in valuation due to inputs and assumptions	(232)	(163)	(405)
Fair value at December 31,	\$ 6,030	\$ 6,096	\$ 6,608
Change in unrealized gains/(losses) included in income related to MSRs held at December 31,	\$ (232)	\$ (163)	\$ (405)
Contractual service fees, late fees and other ancillary fees included in income	1,886	2,124	2,533
Third-party mortgage loans serviced at December 31, (in billions)	555.0	593.3	677.0
Servicer advances, net of an allowance for uncollectible amounts, at December 31, (in billions) ^(d)	4.0	4.7	6.5

- (a) Includes excess MSRs transferred to agency-sponsored trusts in exchange for stripped mortgage backed securities ("SMBS"). In each transaction, a portion of the SMBS was acquired by third parties at the transaction date; the Firm acquired the remaining balance of those SMBS as trading securities.
- (b) Represents both the impact of changes in estimated future prepayments due to changes in market interest rates, and the difference between actual and expected prepayments.
- (c) Represents changes in prepayments other than those attributable to changes in market interest rates.
- (d) Represents amounts the Firm pays as the servicer (e.g., scheduled principal and interest, taxes and insurance), which will generally be reimbursed within a short period of time after the advance from future cash flows from the trust or the underlying loans. The Firm's credit risk associated with these servicer advances is minimal because reimbursement of the advances is typically senior to all cash payments to investors. In addition, the Firm maintains the right to stop payment to investors if the collateral is insufficient to cover the advance. However, certain of these servicer advances may not be recoverable if they were not made in accordance with applicable rules and agreements.

The following table presents the components of mortgage fees and related income (including the impact of MSR risk management activities) for the years ended December 31, 2017, 2016 and 2015.

Year ended December 31, (in millions)	2017	2016	2015
CCB mortgage fees and related income			
Net production revenue	\$ 636	\$ 853	\$ 769
Net mortgage servicing revenue:			
Operating revenue:			
Loan servicing revenue	2,014	2,336	2,776
Changes in MSR asset fair value due to collection/realization of expected cash flows	(795)	(916)	(917)
Total operating revenue	1,219	1,420	1,859
Risk management:			
Changes in MSR asset fair value due to market interest rates and other ^(a)	(202)	(72)	(160)
Other changes in MSR asset fair value due to other inputs and assumptions in model ^(b)	(30)	(91)	(245)
Change in derivative fair value and other	(10)	380	288
Total risk management	(242)	217	(117)
Total net mortgage servicing revenue	977	1,637	1,742
Total CCB mortgage fees and related income	1,613	2,490	2,511
All other	3	1	2
Mortgage fees and related income	\$ 1,616	\$ 2,491	\$ 2,513

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

The table below outlines the key economic assumptions used to determine the fair value of the Firm's MSRs at December 31, 2017 and 2016, and outlines the sensitivities of those fair values to immediate adverse changes in those assumptions, as defined below.

December 31, (in millions, except rates)	2017	2016
Weighted-average prepayment speed assumption ("CPR")	9.35%	9.41%
Impact on fair value of 10% adverse change	\$ (221)	\$ (231)
Impact on fair value of 20% adverse change	(427)	(445)
Weighted-average option adjusted spread	9.04%	8.55%
Impact on fair value of 100 basis points adverse change	\$ (250)	\$ (248)
Impact on fair value of 200 basis points adverse change	(481)	(477)

CPR: Constant prepayment rate.

Changes in fair value based on variation in assumptions generally cannot be easily extrapolated, because the relationship of the change in the assumptions to the change in fair value are often highly interrelated and may not be linear. In this table, the effect that a change in a particular assumption may have on the fair value is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which would either magnify or counteract the impact of the initial change.

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Note 16 – Premises and equipment

Premises and equipment, including leasehold improvements, are carried at cost less accumulated depreciation and amortization. JPMorgan Chase computes depreciation using the straight-line method over the estimated useful life of an asset. For leasehold improvements, the Firm uses the straight-line method computed over the lesser of the remaining term of the leased facility or the estimated useful life of the leased asset.

JPMorgan Chase capitalizes certain costs associated with the acquisition or development of internal-use software. Once the software is ready for its intended use, these costs are amortized on a straight-line basis over the software's expected useful life and reviewed for impairment on an ongoing basis.

Note 17 – Deposits

At December 31, 2017 and 2016, noninterest-bearing and interest-bearing deposits were as follows.

December 31, (in millions)	2017	2016
U.S. offices		
Noninterest-bearing	\$ 393,645	\$ 400,831
Interest-bearing (included \$14,947, and \$12,245 at fair value) ^(a)	793,618	737,949
Total deposits in U.S. offices	1,187,263	1,138,780
Non-U.S. offices		
Noninterest-bearing	15,576	14,764
Interest-bearing (included \$6,374 and \$1,667 at fair value) ^(a)	241,143	221,635
Total deposits in non-U.S. offices	256,719	236,399
Total deposits	\$ 1,443,982	\$ 1,375,179

(a) Includes structured notes classified as deposits for which the fair value option has been elected. For further discussion, see Note 3.

At December 31, 2017 and 2016, time deposits in denominations of \$250,000 or more were as follows.

December 31, (in millions)	2017	2016
U.S. offices	\$ 30,671	\$ 26,180
Non-U.S. offices ^(a)	29,049	29,652
Total^(a)	\$ 59,720	\$ 55,832

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

At December 31, 2017, the maturities of interest-bearing time deposits were as follows.

December 31, 2017 (in millions)	U.S.	Non-U.S.	Total
2018	\$ 37,645	\$ 27,621	\$ 65,266
2019	3,487	349	3,836
2020	2,332	22	2,354
2021	4,275	26	4,301
2022	2,297	443	2,740
After 5 years	3,391	1,697	5,088
Total	\$ 53,427	\$ 30,158	\$ 83,585

Note 18 – Accounts payable and other liabilities

Accounts payable and other liabilities consist of brokerage payables, which includes payables to customers, dealers and clearing organizations, and payables from security purchases that did not settle; accrued expenses, including income tax payables and credit card rewards liability; and all other liabilities, including obligations to return securities received as collateral and litigation reserves.

The following table details the components of accounts payable and other liabilities.

December 31, (in millions)	2017	2016
Brokerage payables	\$ 102,727	\$ 109,842
Other payables and liabilities ^(a)	86,656	80,701
Total accounts payable and other liabilities	\$ 189,383	\$ 190,543

(a) Includes credit card rewards liability of \$4.9 billion and \$3.8 billion at December 31, 2017 and 2016, respectively.

Note 19 – Long-term debt

JPMorgan Chase issues long-term debt denominated in various currencies, predominantly U.S. dollars, with both fixed and variable interest rates. Included in senior and subordinated debt below are various equity-linked or other indexed instruments, which the Firm has elected to measure at fair value. Changes in fair value are recorded in principal transactions revenue in the Consolidated statements of income, except for unrealized gains/(losses) due to DVA which are recorded in OCI. The following table is a summary of long-term debt carrying values (including unamortized premiums and discounts, issuance costs, valuation adjustments and fair value adjustments, where applicable) by remaining contractual maturity as of December 31, 2017.

By remaining maturity at December 31, (in millions, except rates)	2017				2016	
	Under 1 year	1-5 years	After 5 years	Total	Total	
Parent company						
Senior debt:	Fixed rate	\$ 15,084	\$ 53,939	\$ 72,528	\$ 141,551	\$ 128,967
	Variable rate	5,547	12,802	8,112	26,461	34,766
	Interest rates ^(a)	0.38-7.25%	0.16-6.30%	0.45-6.40%	0.16-7.25%	0.09-7.25%
Subordinated debt:	Fixed rate	\$ –	\$ 149	\$ 14,497	\$ 14,646	\$ 16,811
	Variable rate	–	–	9	9	1,245
	Interest rates ^(a)	–%	8.53%	3.38-8.00%	3.38-8.53%	0.82-8.53%
	Subtotal	\$ 20,631	\$ 66,890	\$ 95,146	\$ 182,667	\$ 181,789
Subsidiaries						
Federal Home Loan Banks advances:	Fixed rate	\$ 4	\$ 34	\$ 129	\$ 167	\$ 179
	Variable rate	12,450	37,000	11,000	60,450	79,340
	Interest rates ^(a)	1.58-1.75%	1.46-2.00%	1.18-1.47%	1.18-2.00%	0.41-1.21%
Senior debt:	Fixed rate	\$ 1,122	\$ 3,970	\$ 6,898	\$ 11,990	\$ 8,329
	Variable rate	8,967	13,287	3,964	26,218	19,379
	Interest rates ^(a)	0.22-7.50%	1.65-7.50%	1.00-7.50%	0.22-7.50%	0.00-7.50%
Subordinated debt:	Fixed rate	\$ –	\$ –	\$ 313	\$ 313	\$ 3,884
	Variable rate	–	–	–	–	–
	Interest rates ^(a)	–%	–%	8.25%	8.25%	6.00-8.25%
	Subtotal	\$ 22,543	\$ 54,291	\$ 22,304	\$ 99,138	\$ 111,111
Junior subordinated debt^(b):	Fixed rate	\$ –	\$ –	\$ 690	\$ 690	\$ 706
	Variable rate	–	–	1,585	1,585	1,639
	Interest rates ^(a)	–%	–%	1.88-8.75%	1.88-8.75%	1.39-8.75%
	Subtotal	\$ –	\$ –	\$ 2,275	\$ 2,275	\$ 2,345
Total long-term debt^{(c)(d)(e)}		\$ 43,174	\$ 121,181	\$ 119,725	\$ 284,080	\$ 295,245
Long-term beneficial interests:	Fixed rate	\$ 5,927	\$ 7,652	\$ –	\$ 13,579	\$ 18,678
	Variable rate	3,399	4,472	321	8,192	14,681
	Interest rates	1.10-2.50%	1.27-6.54%	0.00-3.75%	0.00-6.54%	0.39-7.87%
Total long-term beneficial interests^(f)		\$ 9,326	\$ 12,124	\$ 321	\$ 21,771	\$ 33,359

- (a) The interest rates shown are the range of contractual rates in effect at December 31, 2017 and 2016, respectively, including non-U.S. dollar fixed- and variable-rate issuances, which excludes the effects of the associated derivative instruments used in hedge accounting relationships, if applicable. The use of these derivative instruments modifies the Firm's exposure to the contractual interest rates disclosed in the table above. Including the effects of the hedge accounting derivatives, the range of modified rates in effect at December 31, 2017, for total long-term debt was (0.19)% to 8.88%, versus the contractual range of 0.16% to 8.75% presented in the table above. The interest rate ranges shown exclude structured notes accounted for at fair value.
- (b) As of December 31, 2017, includes \$0.7 billion of fixed rate junior subordinated debentures issued to an issuer trust and \$1.6 billion of variable rate junior subordinated debentures distributed pro rata to the holders of the \$1.6 billion of trust preferred securities which were cancelled on December 18, 2017.
- (c) Included long-term debt of \$63.5 billion and \$82.2 billion secured by assets totaling \$208.4 billion and \$205.6 billion at December 31, 2017 and 2016, respectively. The amount of long-term debt secured by assets does not include amounts related to hybrid instruments.
- (d) Included \$47.5 billion and \$37.7 billion of long-term debt accounted for at fair value at December 31, 2017 and 2016, respectively.
- (e) Included \$10.3 billion and \$7.5 billion of outstanding zero-coupon notes at December 31, 2017 and 2016, respectively. The aggregate principal amount of these notes at their respective maturities is \$33.5 billion and \$25.1 billion, respectively. The aggregate principal amount reflects the contractual principal payment at maturity, which may exceed the contractual principal payment at the Firm's next call date, if applicable.
- (f) Included on the Consolidated balance sheets in beneficial interests issued by consolidated VIEs. Also included \$45 million and \$120 million accounted for at fair value at December 31, 2017 and 2016, respectively. Excluded short-term commercial paper and other short-term beneficial interests of \$4.3 billion and \$5.7 billion at December 31, 2017 and 2016, respectively.
- (g) At December 31, 2017, long-term debt in the aggregate of \$111.2 billion was redeemable at the option of JPMorgan Chase, in whole or in part, prior to maturity, based on the terms specified in the respective instruments.
- (h) The aggregate carrying values of debt that matures in each of the five years subsequent to 2017 is \$43.2 billion in 2018, \$34.7 billion in 2019, \$39.3 billion in 2020, \$33.8 billion in 2021 and \$13.4 billion in 2022.

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The weighted-average contractual interest rates for total long-term debt excluding structured notes accounted for at fair value were 2.87% and 2.49% as of December 31, 2017 and 2016, respectively. In order to modify exposure to interest rate and currency exchange rate movements, JPMorgan Chase utilizes derivative instruments, primarily interest rate and cross-currency interest rate swaps, in conjunction with some of its debt issuances. The use of these instruments modifies the Firm's interest expense on the associated debt. The modified weighted-average interest rates for total long-term debt, including the effects of related derivative instruments, were 2.56% and 2.01% as of December 31, 2017 and 2016, respectively.

JPMorgan Chase & Co. has guaranteed certain long-term debt of its subsidiaries, including both long-term debt and structured notes. These guarantees rank on parity with the Firm's other unsecured and unsubordinated indebtedness. The amount of such guaranteed long-term debt and structured notes was \$7.9 billion and \$3.9 billion at December 31, 2017 and 2016, respectively.

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

Junior subordinated deferrable interest debentures

At December 31, 2016, the Firm had outstanding eight wholly-owned Delaware statutory business trusts ("issuer trusts") that had issued trust preferred securities. On December 18, 2017, seven of the eight issuer trusts were liquidated, \$1.6 billion of trust preferred and \$56 million of common securities originally issued by those trusts were cancelled, and the junior subordinated debentures previously held by each trust issuer were distributed pro rata to the holders of the corresponding series of trust preferred and common securities.

Beginning in 2014, the junior subordinated debentures issued to the issuer trusts by the Firm, less the common capital securities of the issuer trusts, began being phased out from inclusion as Tier 1 capital under Basel III and they were fully phased out as of December 31, 2016. As of December 31, 2017 and 2016, \$300 million and \$1.4 billion, respectively, qualified as Tier 2 capital.

The Firm redeemed \$1.6 billion of trust preferred securities in the year ended December 31, 2016.

Note 20 – Preferred stock

At December 31, 2017 and 2016, JPMorgan Chase was authorized to issue 200 million shares of preferred stock, in one or more series, with a par value of \$1 per share.

In the event of a liquidation or dissolution of the Firm, JPMorgan Chase's preferred stock then outstanding takes precedence over the Firm's common stock with respect to the payment of dividends and the distribution of assets.

The following is a summary of JPMorgan Chase's non-cumulative preferred stock outstanding as of December 31, 2017 and 2016.

	Shares at December 31, ^(a)		Carrying value (in millions) at December 31,		Issue date	Contractual rate in effect at December 31, 2017	Earliest redemption date	Date at which dividend rate becomes floating	Floating annual rate of three-month LIBOR plus:
	2017	2016	2017	2016					
Fixed-rate:									
Series O	–	125,750	\$ –	\$ 1,258	8/27/2012	N/A	9/1/2017	NA	NA
Series P	90,000	90,000	900	900	2/5/2013	5.450%	3/1/2018	NA	NA
Series T	92,500	92,500	925	925	1/30/2014	6.700	3/1/2019	NA	NA
Series W	88,000	88,000	880	880	6/23/2014	6.300	9/1/2019	NA	NA
Series Y	143,000	143,000	1,430	1,430	2/12/2015	6.125	3/1/2020	NA	NA
Series AA	142,500	142,500	1,425	1,425	6/4/2015	6.100	9/1/2020	NA	NA
Series BB	115,000	115,000	1,150	1,150	7/29/2015	6.150	9/1/2020	NA	NA
Fixed-to-floating-rate:									
Series I	600,000	600,000	6,000	6,000	4/23/2008	7.900%	4/30/2018	4/30/2018	LIBOR + 3.47%
Series Q	150,000	150,000	1,500	1,500	4/23/2013	5.150	5/1/2023	5/1/2023	LIBOR + 3.25
Series R	150,000	150,000	1,500	1,500	7/29/2013	6.000	8/1/2023	8/1/2023	LIBOR + 3.30
Series S	200,000	200,000	2,000	2,000	1/22/2014	6.750	2/1/2024	2/1/2024	LIBOR + 3.78
Series U	100,000	100,000	1,000	1,000	3/10/2014	6.125	4/30/2024	4/30/2024	LIBOR + 3.33
Series V	250,000	250,000	2,500	2,500	6/9/2014	5.000	7/1/2019	7/1/2019	LIBOR + 3.32
Series X	160,000	160,000	1,600	1,600	9/23/2014	6.100	10/1/2024	10/1/2024	LIBOR + 3.33
Series Z	200,000	200,000	2,000	2,000	4/21/2015	5.300	5/1/2020	5/1/2020	LIBOR + 3.80
Series CC	125,750	–	1,258	–	10/20/2017	4.625	11/1/2022	11/1/2022	LIBOR + 2.58
Total preferred stock	2,606,750	2,606,750	\$ 26,068	\$ 26,068					

(a) Represented by depositary shares.

Each series of preferred stock has a liquidation value and redemption price per share of \$10,000, plus accrued but unpaid dividends.

Dividends on fixed-rate preferred stock are payable quarterly. Dividends on fixed-to-floating-rate preferred stock are payable semiannually while at a fixed rate, and become payable quarterly after converting to a floating rate.

On October 20, 2017, the Firm issued \$1.3 billion of fixed to-floating rate non-cumulative preferred stock, Series CC, with an initial dividend rate of 4.625%. On December 1, 2017, The Firm redeemed all \$1.3 billion of its outstanding 5.50% non-cumulative preferred stock, Series O.

Redemption rights

Each series of the Firm's preferred stock may be redeemed on any dividend payment date on or after the earliest redemption date for that series. All outstanding preferred stock series except Series I may also be redeemed following a "capital treatment event," as described in the terms of each series. Any redemption of the Firm's preferred stock is subject to non-objection from the Board of Governors of the Federal Reserve System (the "Federal Reserve").

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Note 21 – Common stock

At December 31, 2017 and 2016, JPMorgan Chase was authorized to issue 9.0 billion shares of common stock with a par value of \$1 per share.

Common shares issued (newly issued or reissuance from treasury) by JPMorgan Chase during the years ended December 31, 2017, 2016 and 2015 were as follows.

Year ended December 31, (in millions)	2017	2016	2015
Total issued - balance at January 1	4,104.9	4,104.9	4,104.9
Treasury - balance at January 1	(543.7)	(441.4)	(390.1)
Repurchase	(166.6)	(140.4)	(89.8)
Reissuance:			
Employee benefits and compensation plans	24.5	26.0	32.8
Warrant exercise	5.4	11.1	4.7
Employee stock purchase plans	0.8	1.0	1.0
Total reissuance	30.7	38.1	38.5
Total treasury - balance at December 31	(679.6)	(543.7)	(441.4)
Outstanding at December 31	3,425.3	3,561.2	3,663.5

At December 31, 2017, 2016, and 2015, respectively, the Firm had 15.0 million, 24.9 million and 47.4 million warrants outstanding to purchase shares of common stock (the “Warrants”). The Warrants are currently traded on the New York Stock Exchange, and they are exercisable, in whole or in part, at any time and from time to time until October 28, 2018. The original warrant exercise price was \$42.42 per share. The number of shares issuable upon the exercise of each warrant and the warrant exercise price is subject to adjustment upon the occurrence of certain events, including, but not limited to, the extent to which regular quarterly cash dividends exceed \$0.38 per share. As of December 31, 2017 the exercise price was \$41.834 and the Warrant share number was 1.01.

On June 28, 2017, in conjunction with the Federal Reserve’s release of its 2017 CCAR results, the Firm’s Board of Directors authorized a \$19.4 billion common equity (i.e., common stock and warrants) repurchase program. As of December 31, 2017, \$9.8 billion of authorized repurchase capacity remained under the program. This authorization includes shares repurchased to offset issuances under the Firm’s share-based compensation plans.

The following table sets forth the Firm’s repurchases of common equity for the years ended December 31, 2017, 2016 and 2015. There were no warrants repurchased during the years ended December 31, 2017, 2016 and 2015.

Year ended December 31, (in millions)	2017	2016	2015
Total number of shares of common stock repurchased	166.6	140.4	89.8
Aggregate purchase price of common stock repurchases	\$15,410	\$ 9,082	\$ 5,616

The Firm may, from time to time, enter into written trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934 to facilitate repurchases in accordance with the common equity repurchase program. A Rule 10b5-1 repurchase plan allows the Firm to repurchase its equity during periods when it would not otherwise be repurchasing common equity – for example, during internal trading “blackout periods.” All purchases under a Rule 10b5-1 plan must be made according to a predefined plan established when the Firm is not aware of material nonpublic information. For additional information regarding repurchases of the Firm’s equity securities, see Part II, Item 5: Market for registrant’s common equity, related stockholder matters and issuer purchases of equity securities, on page 28.

As of December 31, 2017, approximately 120 million shares of common stock were reserved for issuance under various employee incentive, compensation, option and stock purchase plans, director compensation plans, and the Warrants.

Note 22 – Earnings per share

Earnings per share (“EPS”) is calculated under the two-class method under which all earnings (distributed and undistributed) are allocated to each class of common stock and participating securities based on their respective rights to receive dividends. JPMorgan Chase grants RSUs to certain employees under its share-based compensation programs, which entitle recipients to receive nonforfeitable dividends during the vesting period on a basis equivalent to the dividends paid to holders of common stock; these unvested awards meet the definition of participating securities.

The following table presents the calculation of basic and diluted EPS for the years ended December 31, 2017, 2016 and 2015.

Year ended December 31, (in millions, except per share amounts)	2017	2016	2015
Basic earnings per share			
Net income	\$ 24,441	\$ 24,733	\$ 24,442
Less: Preferred stock dividends	1,663	1,647	1,515
Net income applicable to common equity	22,778	23,086	22,927
Less: Dividends and undistributed earnings allocated to participating securities ^(a)	211	252	276
Net income applicable to common stockholders^(a)	\$ 22,567	\$ 22,834	\$ 22,651
Total weighted-average basic shares outstanding^(a)	3,551.6	3,658.8	3,741.2
Net income per share	\$ 6.35	\$ 6.24	\$ 6.05
Diluted earnings per share			
Net income applicable to common stockholders^(a)	\$ 22,567	\$ 22,834	\$ 22,651
Total weighted-average basic shares outstanding ^(a)	3,551.6	3,658.8	3,741.2
Add: Employee stock options, SARs, warrants and PSUs ^(a)	25.2	31.2	32.4
Total weighted-average diluted shares outstanding^{(a)(b)}	3,576.8	3,690.0	3,773.6
Net income per share	\$ 6.31	\$ 6.19	\$ 6.00

- (a) The prior period amounts have been revised to conform with the current period presentation. The revision had no impact on the Firm's reported earnings per share.
- (b) Participating securities were included in the calculation of diluted EPS using the two-class method, as this computation was more dilutive than the calculation using the treasury stock method.

Notes to consolidated financial statements

Note 23 – Accumulated other comprehensive income/(loss)

AOCI includes the after-tax change in unrealized gains and losses on investment securities, foreign currency translation adjustments (including the impact of related derivatives), cash flow hedging activities, and net loss and prior service costs/(credit) related to the Firm's defined benefit pension and OPEB plans.

Year ended December 31, (in millions)	Unrealized gains/(losses) on investment securities ^(b)	Translation adjustments, net of hedges	Cash flow hedges	Defined benefit pension and OPEB plans	DVA on fair value option elected liabilities	Accumulated other comprehensive income/(loss)
Balance at December 31, 2014	\$ 4,773	\$ (147)	\$ (95)	\$ (2,342)	\$ –	\$ 2,189
Net change	(2,144)	(15)	51	111	–	(1,997)
Balance at December 31, 2015	\$ 2,629	\$ (162)	\$ (44)	\$ (2,231)	\$ –	\$ 192
Cumulative effect of change in accounting principle ^(a)	–	–	–	–	154	154
Net change	(1,105)	(2)	(56)	(28)	(330)	(1,521)
Balance at December 31, 2016	\$ 1,524	\$ (164)	\$ (100)	\$ (2,259)	\$ (176)	\$ (1,175)
Net change	640	(306)	176	738	(192)	1,056
Balance at December 31, 2017	\$ 2,164	\$ (470)	\$ 76	\$ (1,521)	(368)	\$ (119)

(a) Effective January 1, 2016, the Firm adopted new accounting guidance related to the recognition and measurement of financial liabilities where the fair value option has been elected. This guidance requires the portion of the total change in fair value caused by changes in the Firm's own credit risk (DVA) to be presented separately in OCI; previously these amounts were recognized in net income.

(b) Represents the after-tax difference between the fair value and amortized cost of securities accounted for as AFS, including net unamortized unrealized gains and losses related to AFS securities transferred to HTM.

The following table presents the pre-tax and after-tax changes in the components of OCI.

Year ended December 31, (in millions)	2017			2016			2015		
	Pre-tax	Tax effect	After-tax	Pre-tax	Tax effect	After-tax	Pre-tax	Tax effect	After-tax
Unrealized gains/(losses) on investment securities:									
Net unrealized gains/(losses) arising during the period	\$ 944	\$ (346)	\$ 598	\$ (1,628)	\$ 611	\$ (1,017)	\$ (3,315)	\$ 1,297	\$ (2,018)
Reclassification adjustment for realized (gains)/losses included in net income ^(a)	66	(24)	42	(141)	53	(88)	(202)	76	(126)
Net change	1,010	(370)	640	(1,769)	664	(1,105)	(3,517)	1,373	(2,144)
Translation adjustments^(b):									
Translation	1,313	(801)	512	(261)	99	(162)	(1,876)	682	(1,194)
Hedges	(1,294)	476	(818)	262	(102)	160	1,885	(706)	1,179
Net change	19	(325)	(306)	1	(3)	(2)	9	(24)	(15)
Cash flow hedges:									
Net unrealized gains/(losses) arising during the period	147	(55)	92	(450)	168	(282)	(97)	35	(62)
Reclassification adjustment for realized (gains)/losses included in net income ^{(c)(d)}	134	(50)	84	360	(134)	226	180	(67)	113
Net change	281	(105)	176	(90)	34	(56)	83	(32)	51
Defined benefit pension and OPEB plans:									
Net gains/(losses) arising during the period	802	(160)	642	(366)	145	(221)	29	(47)	(18)
Reclassification adjustments included in net income ^(e) :									
Amortization of net loss	250	(90)	160	257	(97)	160	282	(106)	176
Prior service costs/(credits)	(36)	13	(23)	(36)	14	(22)	(36)	14	(22)
Settlement loss/(gain)	2	(1)	1	4	(1)	3	–	–	–
Foreign exchange and other	(54)	12	(42)	77	(25)	52	33	(58)	(25)
Net change	964	(226)	738	(64)	36	(28)	308	(197)	111
DVA on fair value option elected liabilities, net change:	\$ (303)	\$ 111	\$ (192)	\$ (529)	\$ 199	\$ (330)	\$ –	\$ –	\$ –
Total other comprehensive income/(loss)	\$ 1,971	\$ (915)	\$ 1,056	\$ (2,451)	\$ 930	\$ (1,521)	\$ (3,117)	\$ 1,120	\$ (1,997)

(a) The pre-tax amount is reported in securities gains/(losses) in the Consolidated statements of income.

(b) Reclassifications of pre-tax realized gains/(losses) on translation adjustments and related hedges are reported in other income/expense in the Consolidated statements of income. The amounts were not material for the periods presented.

(c) The pre-tax amounts are primarily recorded in noninterest revenue, net interest income and compensation expense in the Consolidated statements of income.

(d) In 2015, the Firm reclassified approximately \$150 million of net losses from AOCI to other income because the Firm determined that it is probable that the forecasted interest payment cash flows would not occur. For additional information, see Note 5.

(e) The pre-tax amount is reported in compensation expense in the Consolidated statements of income.

Note 24 – Income taxes

JPMorgan Chase and its eligible subsidiaries file a consolidated U.S. federal income tax return. JPMorgan Chase uses the asset and liability method to provide income taxes on all transactions recorded in the Consolidated Financial Statements. This method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets or liabilities for book and tax purposes. Accordingly, a deferred tax asset or liability for each temporary difference is determined based on the tax rates that the Firm expects to be in effect when the underlying items of income and expense are realized. JPMorgan Chase's expense for income taxes includes the current and deferred portions of that expense. A valuation allowance is established to reduce deferred tax assets to the amount the Firm expects to realize.

Due to the inherent complexities arising from the nature of the Firm's businesses, and from conducting business and being taxed in a substantial number of jurisdictions, significant judgments and estimates are required to be made. Agreement of tax liabilities between JPMorgan Chase and the many tax jurisdictions in which the Firm files tax returns may not be finalized for several years. Thus, the Firm's final tax-related assets and liabilities may ultimately be different from those currently reported.

Effective tax rate and expense

A reconciliation of the applicable statutory U.S. federal income tax rate to the effective tax rate for each of the years ended December 31, 2017, 2016 and 2015, is presented in the following table.

Year ended December 31,	2017	2016	2015
Statutory U.S. federal tax rate	35.0%	35.0%	35.0%
Increase/(decrease) in tax rate resulting from:			
U.S. state and local income taxes, net of U.S. federal income tax benefit	2.2	2.4	1.5
Tax-exempt income	(3.3)	(3.1)	(3.3)
Non-U.S. subsidiary earnings ^(a)	(3.1)	(1.7)	(3.9)
Business tax credits	(4.2)	(3.9)	(3.7)
Nondeductible legal expense	–	0.3	0.8
Tax audit resolutions	–	–	(5.7)
Impact of the TCJA	5.4	–	–
Other, net	(0.1)	(0.6)	(0.3)
Effective tax rate	31.9%	28.4%	20.4%

(a) Predominantly includes earnings of U.K. subsidiaries that were deemed to be reinvested indefinitely through December 31, 2017.

Impact of the TCJA

On December 22, 2017, the TCJA was signed into law. The Firm's effective tax rate increased in 2017 driven by a \$1.9 billion income tax expense representing the estimated impact of the enactment of the TCJA. The \$1.9 billion tax expense was predominantly driven by a deemed repatriation of the Firm's unremitted non-U.S. earnings and adjustments to the value of certain tax-oriented investments partially offset by a benefit from the revaluation of the Firm's net deferred tax liability.

The deemed repatriation of the Firm's unremitted non-U.S. earnings is based on the post-1986 earnings and profits of each controlled foreign corporation. The calculation resulted in an estimated income tax expense of \$3.7 billion. Furthermore, accounting for income taxes requires the remeasurement of certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future. The Firm remeasured its deferred tax asset and liability balances in the fourth quarter of 2017 to the new statutory U.S. federal income tax rate of 21% as well as any federal benefit associated with state and local deferred income taxes. The remeasurement resulted in an estimated income tax benefit of \$2.1 billion.

The deemed repatriation and remeasurement of deferred taxes were calculated based on all available information and published legislative guidance. These amounts are considered to be estimates under SEC Staff Accounting Bulletin No. 118 as the Firm anticipates refinements to both calculations. Anticipated refinements will result from the issuance of future legislative and accounting guidance as well as those in the normal course of business, including true-ups to the tax liability on the tax return as filed and the resolution of tax audits.

Adjustments were also recorded to income tax expense for certain tax-oriented investments. These adjustments were driven by changes to affordable housing proportional amortization resulting from the reduction of the federal income tax rate under the TCJA. SEC Staff Accounting Bulletin No. 118 does not apply to these adjustments.

The components of income tax expense/(benefit) included in the Consolidated statements of income were as follows for each of the years ended December 31, 2017, 2016, and 2015.

Income tax expense/(benefit)

Year ended December 31, (in millions)	2017	2016	2015
Current income tax expense/(benefit)			
U.S. federal	\$ 5,718	\$ 2,488	\$ 3,160
Non-U.S.	2,400	1,760	1,220
U.S. state and local	1,029	904	547
Total current income tax expense/ (benefit)	9,147	5,152	4,927
Deferred income tax expense/(benefit)			
U.S. federal	2,174	4,364	1,213
Non-U.S.	(144)	(73)	(95)
U.S. state and local	282	360	215
Total deferred income tax expense/(benefit)	2,312	4,651	1,333
Total income tax expense	\$ 11,459	\$ 9,803	\$ 6,260

Total income tax expense includes \$252 million, \$55 million and \$2.4 billion of tax benefits recorded in 2017, 2016, and 2015, respectively, as a result of tax audit resolutions.

Tax effect of items recorded in stockholders' equity

The preceding table does not reflect the tax effect of certain items that are recorded each period directly in stockholders' equity. The tax effect of all items recorded directly to stockholders' equity resulted in a decrease of \$915 million in 2017, an increase of \$925 million in 2016, and an increase of \$1.5 billion in 2015. Effective January 1, 2016, the Firm adopted new accounting guidance related to employee share-based payments. As a result of the adoption of this new guidance, all excess tax benefits (including tax benefits from dividends or dividend equivalents) on share-based payment awards are recognized within income tax expense in the Consolidated statements of income. In prior years these tax benefits were recorded as increases to additional paid-in capital.

Results from Non-U.S. earnings

The following table presents the U.S. and non-U.S. components of income before income tax expense for the years ended December 31, 2017, 2016 and 2015.

Year ended December 31, (in millions)	2017	2016	2015
U.S.	\$ 27,103	\$ 26,651	\$ 23,191
Non-U.S. ^(a)	8,797	7,885	7,511
Income before income tax expense	\$ 35,900	\$ 34,536	\$ 30,702

(a) For purposes of this table, non-U.S. income is defined as income generated from operations located outside the U.S.

Prior to December 31, 2017, U.S. federal income taxes had not been provided on the undistributed earnings of certain non-U.S. subsidiaries, to the extent that such earnings had been reinvested abroad for an indefinite period of time. The Firm will no longer maintain the indefinite reinvestment assertion on the undistributed earnings of those non-U.S. subsidiaries in light of the enactment of the TCJA. The U.S. federal and state and local income taxes associated with the undistributed and previously untaxed earnings of those non-U.S. subsidiaries was included in the deemed repatriation charge recorded as of December 31, 2017.

JPMC will treat any tax it may incur on global intangible low tax income as a period cost to tax expense when the tax is incurred.

Affordable housing tax credits

The Firm recognized \$1.7 billion, \$1.7 billion and \$1.6 billion of tax credits and other tax benefits associated with investments in affordable housing projects within income tax expense for the years 2017, 2016 and 2015, respectively. The amount of amortization of such investments reported in income tax expense under the current period presentation during these years was \$1.7 billion, \$1.2 billion and \$1.1 billion, respectively. The carrying value of these investments, which are reported in other assets on the Firm's Consolidated balance sheets, was \$7.8 billion and \$8.8 billion at December 31, 2017 and 2016, respectively. The amount of commitments related to these investments, which are reported in accounts payable and other liabilities on the Firm's Consolidated balance sheets, was \$2.4 billion and \$2.8 billion at December 31, 2017 and 2016, respectively. The results are inclusive of any impacts from the TCJA.

Deferred taxes

Deferred income tax expense/(benefit) results from differences between assets and liabilities measured for financial reporting purposes versus income tax return purposes. Deferred tax assets are recognized if, in management's judgment, their realizability is determined to be more likely than not. If a deferred tax asset is determined to be unrealizable, a valuation allowance is established. The significant components of deferred tax assets and liabilities are reflected in the following table as of December 31, 2017 and 2016.

December 31, (in millions)	2017	2016
Deferred tax assets		
Allowance for loan losses	\$ 3,395	\$ 5,534
Employee benefits	688	2,911
Accrued expenses and other	3,528	6,831
Non-U.S. operations	327	5,368
Tax attribute carryforwards	219	2,155
Gross deferred tax assets	8,157	22,799
Valuation allowance	(46)	(785)
Deferred tax assets, net of valuation allowance	\$ 8,111	\$ 22,014
Deferred tax liabilities		
Depreciation and amortization	\$ 2,299	\$ 3,294
Mortgage servicing rights, net of hedges	2,757	4,807
Leasing transactions	3,483	4,053
Non-U.S. operations	200	4,572
Other, net	3,502	5,493
Gross deferred tax liabilities	12,241	22,219
Net deferred tax (liabilities)/assets	\$ (4,130)	\$ (205)

JPMorgan Chase has recorded deferred tax assets of \$219 million at December 31, 2017, in connection with U.S. federal and non-U.S. net operating loss ("NOL") carryforwards and state and local capital loss carryforwards. At December 31, 2017, total U.S. federal NOL carryforwards were approximately \$769 million, non-U.S. NOL carryforwards were approximately \$142 million and state and local capital loss carryforwards were \$660 million. If not utilized, the U.S. federal NOL carryforwards will expire between 2025 and 2036 and the state and local capital loss carryforwards will expire between 2020 and 2021. Certain non-U.S. NOL carryforwards will expire between 2028 and 2034 whereas others have an unlimited carryforward period.

The valuation allowance at December 31, 2017, was due to the state and local capital loss carryforwards and certain non-U.S. NOL carryforwards.

Unrecognized tax benefits

At December 31, 2017, 2016 and 2015, JPMorgan Chase's unrecognized tax benefits, excluding related interest expense and penalties, were \$4.7 billion, \$3.5 billion and \$3.5 billion, respectively, of which \$3.5 billion, \$2.6 billion and \$2.1 billion, respectively, if recognized, would reduce the annual effective tax rate. Included in the amount of unrecognized tax benefits are certain items that would not affect the effective tax rate if they were recognized in the Consolidated statements of income. These unrecognized items include the tax effect of certain temporary differences, the portion of gross state and local unrecognized tax benefits that would be offset by the benefit from associated U.S. federal income tax deductions, and the portion of gross non-U.S. unrecognized tax benefits that would have offsets in other jurisdictions. JPMorgan Chase is presently under audit by a number of taxing authorities, most notably by the Internal Revenue Service as summarized in the Tax examination status table below. As JPMorgan Chase is presently under audit by a number of taxing authorities, it is reasonably possible that over the next 12 months the resolution of these examinations may increase or decrease the gross balance of unrecognized tax benefits by as much as \$1.3 billion. Upon settlement of an audit, the change in the unrecognized tax benefit would result from payment or income statement recognition.

The following table presents a reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31, 2017, 2016 and 2015.

Year ended December 31, (in millions)	2017	2016	2015
Balance at January 1,	\$ 3,450	\$ 3,497	\$ 4,911
Increases based on tax positions related to the current period	1,355	262	408
Increases based on tax positions related to prior periods	626	583	1,028
Decreases based on tax positions related to prior periods	(350)	(785)	(2,646)
Decreases related to cash settlements with taxing authorities	(334)	(56)	(204)
Decreases related to a lapse of applicable statute of limitations	—	(51)	—
Balance at December 31,	\$ 4,747	\$ 3,450	\$ 3,497

After-tax interest expense/(benefit) and penalties related to income tax liabilities recognized in income tax expense were \$102 million, \$86 million and \$(156) million in 2017, 2016 and 2015, respectively.

At December 31, 2017 and 2016, in addition to the liability for unrecognized tax benefits, the Firm had accrued \$639 million and \$687 million, respectively, for income tax-related interest and penalties.

Tax examination status

JPMorgan Chase is continually under examination by the Internal Revenue Service, by taxing authorities throughout the world, and by many state and local jurisdictions throughout the U.S. The following table summarizes the status of significant income tax examinations of JPMorgan Chase and its consolidated subsidiaries as of December 31, 2017.

December 31, 2017	Periods under examination	Status
JPMorgan Chase - U.S.	2003 - 2005	At Appellate level
JPMorgan Chase - U.S.	2006 - 2010	Field examination of amended returns; certain matters at Appellate level
JPMorgan Chase - U.S.	2011 - 2013	Field Examination
JPMorgan Chase - California	2011 - 2012	Field Examination
JPMorgan Chase - U.K.	2006 - 2015	Field examination of certain select entities

Note 25 - Restrictions on cash and intercompany funds transfers

The business of JPMorgan Chase Bank, National Association (“JPMorgan Chase Bank, N.A.”) is subject to examination and regulation by the OCC. The Bank is a member of the U.S. Federal Reserve System, and its deposits in the U.S. are insured by the FDIC, subject to applicable limits.

The Federal Reserve requires depository institutions to maintain cash reserves with a Federal Reserve Bank. The average required amount of reserve balances deposited by the Firm’s bank subsidiaries with various Federal Reserve Banks was approximately \$24.9 billion and \$19.3 billion in 2017 and 2016, respectively.

Restrictions imposed by U.S. federal law prohibit JPMorgan Chase & Co. (“Parent Company”) and certain of its affiliates from borrowing from banking subsidiaries unless the loans are secured in specified amounts. Such secured loans provided by any banking subsidiary to the Parent Company or to any particular affiliate, together with certain other transactions with such affiliate (collectively referred to as “covered transactions”), are generally limited to 10% of the banking subsidiary’s total capital, as determined by the risk-based capital guidelines; the aggregate amount of covered transactions between any banking subsidiary and all of its affiliates is limited to 20% of the banking subsidiary’s total capital.

The Parent Company’s two principal subsidiaries are JPMorgan Chase Bank, N.A. and JPMorgan Chase Holdings LLC, an intermediate holding company (the “IHC”). The IHC holds the stock of substantially all of JPMorgan Chase’s subsidiaries other than JPMorgan Chase Bank, N.A. and its subsidiaries. The IHC also owns other assets and intercompany indebtedness owing to the holding company. The Parent Company is obligated to contribute to the IHC substantially all the net proceeds received from securities issuances (including issuances of senior and subordinated debt securities and of preferred and common stock).

The principal sources of income and funding for the Parent Company are dividends from JPMorgan Chase Bank, N.A. and dividends and extensions of credit from the IHC. In addition to dividend restrictions set forth in statutes and regulations, the Federal Reserve, the OCC and the FDIC have authority under the Financial Institutions Supervisory Act to prohibit or to limit the payment of dividends by the banking organizations they supervise, including JPMorgan Chase and its subsidiaries that are banks or bank holding companies, if, in the banking regulator’s opinion, payment of a dividend would constitute an unsafe or unsound practice in light of the financial condition of the banking organization. The IHC is prohibited from paying dividends or extending credit to the Parent Company if certain capital or liquidity “thresholds” are breached or if limits are otherwise imposed by JPMorgan Chase’s management or Board of Directors.

At January 1, 2018, JPMorgan Chase’s banking subsidiaries could pay, in the aggregate, approximately \$17 billion in dividends to their respective bank holding companies without the prior approval of their relevant banking regulators. The capacity to pay dividends in 2018 will be supplemented by the banking subsidiaries’ earnings during the year.

In compliance with rules and regulations established by U.S. and non-U.S. regulators, as of December 31, 2017 and 2016, cash in the amount of \$16.8 billion and \$13.4 billion, respectively, were segregated in special bank accounts for the benefit of securities and futures brokerage customers. Also, as of December 31, 2017 and 2016, the Firm had:

- Receivables and securities of \$18.0 billion and \$18.2 billion, respectively, consisting of cash and securities pledged with clearing organizations for the benefit of customers.
- Securities with a fair value of \$3.5 billion and \$19.3 billion, respectively, were also restricted in relation to customer activity.

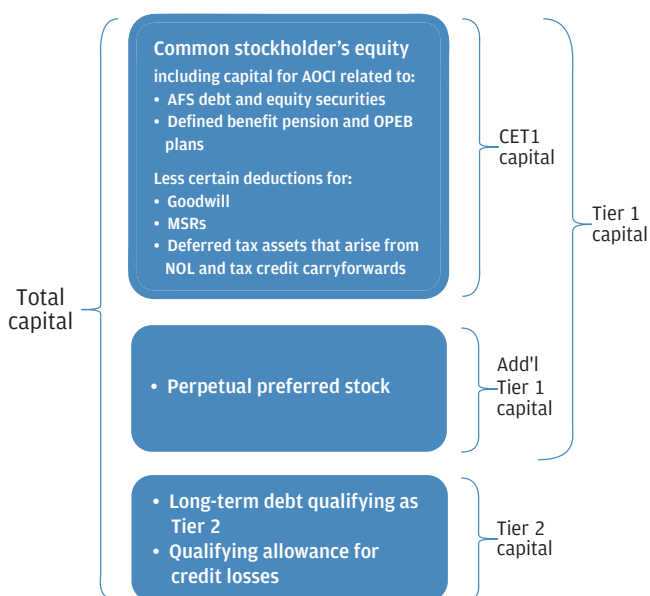
In addition, as of December 31, 2017 and 2016, the Firm had other restricted cash of \$3.3 billion and \$3.6 billion, respectively, primarily representing cash reserves held at non-U.S. central banks and held for other general purposes.

Note 26 - Regulatory capital

The Federal Reserve establishes capital requirements, including well-capitalized standards, for the consolidated financial holding company. The OCC establishes similar minimum capital requirements and standards for the Firm's IDI, including JPMorgan Chase Bank, N.A. and Chase Bank USA, N.A.

Capital rules under Basel III establish minimum capital ratios and overall capital adequacy standards for large and internationally active U.S. bank holding companies and banks, including the Firm and its IDI subsidiaries. Basel III set forth two comprehensive approaches for calculating RWA: a standardized approach ("Basel III Standardized") and an advanced approach ("Basel III Advanced"). Certain of the requirements of Basel III are subject to phase-in periods that began on January 1, 2014 and continue through the end of 2018 ("transitional period").

The three categories of risk-based capital and their predominant components under the Basel III Transitional rules are illustrated below:



The following tables present the regulatory capital, assets and risk-based capital ratios for JPMorgan Chase and its significant IDI subsidiaries under both Basel III Standardized Transitional and Basel III Advanced Transitional at December 31, 2017 and 2016.

JPMorgan Chase & Co.				
(in millions, except ratios)	Basel III Standardized Transitional		Basel III Advanced Transitional	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Regulatory capital				
CET1 capital	\$ 183,300	\$ 182,967	\$ 183,300	\$ 182,967
Tier 1 capital ^(a)	208,644	208,112	208,644	208,112
Total capital	238,395	239,553	227,933	228,592
Assets				
Risk-weighted	1,499,506	1,483,132 ^(e)	1,435,825	1,476,915
Adjusted average ^(b)	2,514,270	2,484,631	2,514,270	2,484,631
Capital ratios^(c)				
CET1	12.2%	12.3% ^(e)	12.8%	12.4%
Tier 1 ^(a)	13.9	14.0 ^(e)	14.5	14.1
Total	15.9	16.2 ^(e)	15.9	15.5
Tier 1 leverage ^(d)	8.3	8.4	8.3	8.4

JPMorgan Chase Bank, N.A.				
(in millions, except ratios)	Basel III Standardized Transitional		Basel III Advanced Transitional	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Regulatory capital				
CET1 capital	\$ 184,375	\$ 179,319	\$ 184,375	\$ 179,319
Tier 1 capital ^(a)	184,375	179,341	184,375	179,341
Total capital	195,839	191,662	189,419	184,637
Assets				
Risk-weighted	1,335,809	1,311,240 ^(e)	1,226,534	1,262,613
Adjusted average ^(b)	2,116,031	2,088,851	2,116,031	2,088,851
Capital ratios^(c)				
CET1	13.8%	13.7% ^(e)	15.0%	14.2%
Tier 1 ^(a)	13.8	13.7 ^(e)	15.0	14.2
Total	14.7	14.6 ^(e)	15.4	14.6
Tier 1 leverage ^(d)	8.7	8.6	8.7	8.6

Notes to consolidated financial statements

	Chase Bank USA, N.A.			
	Basel III Standardized Transitional		Basel III Advanced Transitional	
(in millions, except ratios)	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Regulatory capital				
CET1 capital	\$ 21,600	\$ 16,784	\$ 21,600	\$ 16,784
Tier 1 capital	21,600	16,784	21,600	16,784
Total capital	27,691	22,862	26,250	21,434
Assets				
Risk-weighted	113,108	112,297	190,523	186,378
Adjusted average ^(b)	126,517	120,304	126,517	120,304
Capital ratios^(c)				
CET1	19.1%	14.9%	11.3%	9.0%
Tier 1	19.1	14.9	11.3	9.0
Total	24.5	20.4	13.8	11.5
Tier 1 leverage ^(d)	17.1	14.0	17.1	14.0

- (a) Includes the deduction associated with the permissible holdings of covered funds (as defined by the Volcker Rule). The deduction was not material as of December 31, 2017 and 2016.
- (b) Adjusted average assets, for purposes of calculating the Tier 1 leverage ratio, includes total quarterly average assets adjusted for unrealized gains/(losses) on AFS securities, less deductions for goodwill and other intangible assets, defined benefit pension plan assets, and deferred tax assets related to tax attributes, including NOLs.
- (c) For each of the risk-based capital ratios, the capital adequacy of the Firm and its IDI subsidiaries is evaluated against the lower of the two ratios as calculated under Basel III approaches (Standardized or Advanced) as required by the Collins Amendment of the Dodd-Frank Act (the "Collins Floor")
- (d) The Tier 1 leverage ratio is not a risk-based measure of capital. This ratio is calculated by dividing Tier 1 capital by adjusted average assets.
- (e) The prior period amounts have been revised to conform with the current period presentation.

Under the risk-based capital guidelines of the Federal Reserve, JPMorgan Chase is required to maintain minimum ratios of CET1, Tier 1 and Total capital to RWA, as well as a minimum leverage ratio (which is defined as Tier 1 capital divided by adjusted quarterly average assets). Failure to meet these minimum requirements could cause the Federal Reserve to take action. IDI subsidiaries also are subject to these capital requirements by their respective primary regulators.

The following table presents the minimum ratios to which the Firm and its IDI subsidiaries are subject as of December 31, 2017.

	Minimum capital ratios		Well-capitalized ratios	
	BHC ^{(a)(e)}	IDI ^{(b)(e)}	BHC ^(c)	IDI ^(d)
Capital ratios				
CET1	7.50%	5.75%	—%	6.50%
Tier 1	9.00	7.25	6.00	8.00
Total	11.00	9.25	10.00	10.00
Tier 1 leverage	4.00	4.00	—	5.00

Note: The table above is as defined by the regulations issued by the Federal Reserve, OCC and FDIC and to which the Firm and its IDI subsidiaries are subject.

- (a) Represents the Transitional minimum capital ratios applicable to the Firm under Basel III at December 31, 2017. At December 31, 2017, the CET1 minimum capital ratio includes 1.25% resulting from the phase-in of the Firm's 2.5% capital conservation buffer, and 1.75% resulting from the phase-in of the Firm's 3.5% GSIB surcharge.
- (b) Represents requirements for JPMorgan Chase's IDI subsidiaries. The CET1 minimum capital ratio includes 1.25% resulting from the phase-in of the 2.5% capital conservation buffer that is applicable to the IDI subsidiaries. The IDI subsidiaries are not subject to the GSIB surcharge.
- (c) Represents requirements for bank holding companies pursuant to regulations issued by the Federal Reserve.
- (d) Represents requirements for IDI subsidiaries pursuant to regulations issued under the FDIC Improvement Act.
- (e) For the period ended December 31, 2016 the CET1, Tier 1, Total and Tier 1 leverage minimum capital ratios applicable to the Firm were 6.25%, 7.75%, 9.75% and 4.0% and the CET1, Tier 1, Total and Tier 1 leverage minimum capital ratios applicable to the Firm's IDI subsidiaries were 5.125%, 6.625%, 8.625% and 4.0% respectively.

As of December 31, 2017 and 2016, JPMorgan Chase and all of its IDI subsidiaries were well-capitalized and met all capital requirements to which each was subject.

Note 27 – Off-balance sheet lending-related financial instruments, guarantees, and other commitments

JPMorgan Chase provides lending-related financial instruments (e.g., commitments and guarantees) to meet the financing needs of its clients or customers. The contractual amount of these financial instruments represents the maximum possible credit risk to the Firm should the counterparty draw upon the commitment or the Firm be required to fulfill its obligation under the guarantee, and should the counterparty subsequently fail to perform according to the terms of the contract. Most of these commitments and guarantees are refinanced, extended, cancelled, or expire without being drawn or a default occurring. As a result, the total contractual amount of these instruments is not, in the Firm's view, representative of its expected future credit exposure or funding requirements.

To provide for probable credit losses inherent in wholesale and certain consumer lending-commitments, an allowance for credit losses on lending-related commitments is maintained. See Note 13 for further information regarding the allowance for credit losses on lending-related commitments. The following table summarizes the contractual amounts and carrying values of off-balance sheet lending-related financial instruments, guarantees and other commitments at December 31, 2017 and 2016. The amounts in the table below for credit card and home equity lending-related commitments represent the total available credit for these products. The Firm has not experienced, and does not anticipate, that all available lines of credit for these products will be utilized at the same time. The Firm can reduce or cancel credit card lines of credit by providing the borrower notice or, in some cases as permitted by law, without notice. In addition, the Firm typically closes credit card lines when the borrower is 60 days or more past due. The Firm may reduce or close HELOCs when there are significant decreases in the value of the underlying property, or when there has been a demonstrable decline in the creditworthiness of the borrower.

Notes to consolidated financial statements

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

By remaining maturity at December 31, (in millions)	Contractual amount						Carrying value ⁽ⁱ⁾	
	2017					2016	2017	2016
	Expires in 1 year or less	Expires after 1 year through 3 years	Expires after 3 years through 5 years	Expires after 5 years	Total	Total		
Lending-related								
Consumer, excluding credit card:								
Home equity	\$ 2,165	\$ 1,370	\$ 1,379	\$ 15,446	\$ 20,360	\$ 21,714	\$ 12	\$ 12
Residential mortgage ^{(a)(b)}	5,723	–	–	13	5,736	10,332	–	–
Auto	8,007	872	292	84	9,255	8,468	2	2
Consumer & Business Banking ^(b)	11,642	926	112	522	13,202	12,733	19	12
Total consumer, excluding credit card	27,537	3,168	1,783	16,065	48,553	53,247 ^(h)	33	26
Credit card	572,831	–	–	–	572,831	553,891	–	–
Total consumer^(c)	600,368	3,168	1,783	16,065	621,384	607,138 ^(h)	33	26
Wholesale:								
Other unfunded commitments to extend credit ^(d)	61,536	118,907	138,289	12,428	331,160	328,497	840	905
Standby letters of credit and other financial guarantees ^(d)	15,278	9,905	7,963	2,080	35,226	35,947	636	586
Other letters of credit ^(d)	3,459	114	139	–	3,712	3,570	3	2
Total wholesale^(e)	80,273	128,926	146,391	14,508	370,098	368,014	1,479	1,493
Total lending-related	\$ 680,641	\$ 132,094	\$ 148,174	\$ 30,573	\$ 991,482	\$ 975,152 ^(h)	\$ 1,512	\$ 1,519
Other guarantees and commitments								
Securities lending indemnification agreements and guarantees ^(f)	\$ 179,490	\$ –	\$ –	\$ –	\$ 179,490	\$ 137,209	\$ –	\$ –
Derivatives qualifying as guarantees	4,529	101	12,479	40,065	57,174	51,966	304	80
Unsettled reverse repurchase and securities borrowing agreements	76,859	–	–	–	76,859	50,722	–	–
Unsettled repurchase and securities lending agreements	44,205	–	–	–	44,205	26,948	–	–
Loan sale and securitization-related indemnifications:								
Mortgage repurchase liability	NA	NA	NA	NA	NA	NA	111	133
Loans sold with recourse	NA	NA	NA	NA	1,169	2,730	38	64
Other guarantees and commitments^(g)	7,668	1,084	434	2,681	11,867	5,715	(76)	(118)

(a) Includes certain commitments to purchase loans from correspondents.

(b) Certain loan portfolios have been reclassified. The prior period amounts have been revised to conform with the current period presentation.

(c) Predominantly all consumer lending-related commitments are in the U.S.

(d) At December 31, 2017 and 2016, reflected the contractual amount net of risk participations totaling \$334 million and \$328 million, respectively, for other unfunded commitments to extend credit; \$10.4 billion and \$11.1 billion, respectively, for standby letters of credit and other financial guarantees; and \$405 million and \$265 million, respectively, for other letters of credit. In regulatory filings with the Federal Reserve these commitments are shown gross of risk participations.

(e) At December 31, 2017 and 2016, the U.S. portion of the contractual amount of total wholesale lending-related commitments was 77% and 79%, respectively.

(f) At December 31, 2017 and 2016, collateral held by the Firm in support of securities lending indemnification agreements was \$188.7 billion and \$143.2 billion, respectively. Securities lending collateral consist of primarily cash and securities issued by governments that are members of G7 and U.S. government agencies.

(g) At December 31, 2017, primarily includes letters of credit hedged by derivative transactions and managed on a market risk basis, unfunded commitments related to institutional lending and commitments associated with the Firm's membership in certain clearing houses. Additionally, includes unfunded commitments predominantly related to certain tax-oriented equity investments.

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

(i) For lending-related products, the carrying value represents the allowance for lending-related commitments and the guarantee liability; for derivative-related products, the carrying value represents the fair value.

Other unfunded commitments to extend credit

Other unfunded commitments to extend credit generally consist of commitments for working capital and general corporate purposes, extensions of credit to support commercial paper facilities and bond financings in the event that those obligations cannot be remarketed to new investors, as well as committed liquidity facilities to clearing organizations. The Firm also issues commitments under multipurpose facilities which could be drawn upon in several forms, including the issuance of a standby letter of credit.

The Firm acts as a settlement and custody bank in the U.S. tri-party repurchase transaction market. In its role as settlement and custody bank, the Firm is exposed to the intra-day credit risk of its cash borrower clients, usually broker-dealers. This exposure arises under secured clearance advance facilities that the Firm extends to its clients (i.e. cash borrowers); these facilities contractually limit the Firm's intra-day credit risk to the facility amount and must be repaid by the end of the day. As of December 31, 2017 and 2016, the secured clearance advance facility maximum outstanding commitment amount was \$1.5 billion and \$2.4 billion, respectively.

Guarantees

U.S. GAAP requires that a guarantor recognize, at the inception of a guarantee, a liability in an amount equal to the fair value of the obligation undertaken in issuing the guarantee. U.S. GAAP defines a guarantee as a contract that contingently requires the guarantor to pay a guaranteed party based upon: (a) changes in an underlying asset, liability or equity security of the guaranteed party; or (b) a third party's failure to perform under a specified agreement. The Firm considers the following off-balance sheet lending-related arrangements to be guarantees under U.S. GAAP: standby letters of credit and other financial guarantees, securities lending indemnifications, certain indemnification agreements included within third-party contractual arrangements and certain derivative contracts.

As required by U.S. GAAP, the Firm initially records guarantees at the inception date fair value of the obligation assumed (e.g., the amount of consideration received or the

net present value of the premium receivable). For certain types of guarantees, the Firm records this fair value amount in other liabilities with an offsetting entry recorded in cash (for premiums received), or other assets (for premiums receivable). Any premium receivable recorded in other assets is reduced as cash is received under the contract, and the fair value of the liability recorded at inception is amortized into income as lending and deposit-related fees over the life of the guarantee contract. For indemnifications provided in sales agreements, a portion of the sale proceeds is allocated to the guarantee, which adjusts the gain or loss that would otherwise result from the transaction. For these indemnifications, the initial liability is amortized to income as the Firm's risk is reduced (i.e., over time or when the indemnification expires). Any contingent liability that exists as a result of issuing the guarantee or indemnification is recognized when it becomes probable and reasonably estimable. The contingent portion of the liability is not recognized if the estimated amount is less than the carrying amount of the liability recognized at inception (adjusted for any amortization). The recorded amounts of the liabilities related to guarantees and indemnifications at December 31, 2017 and 2016, excluding the allowance for credit losses on lending-related commitments, are discussed below.

Standby letters of credit and other financial guarantees

Standby letters of credit and other financial guarantees are conditional lending commitments issued by the Firm to guarantee the performance of a client or customer to a third party under certain arrangements, such as commercial paper facilities, bond financings, acquisition financings, trade and similar transactions. The carrying values of standby and other letters of credit were \$639 million and \$588 million at December 31, 2017 and 2016, respectively, which were classified in accounts payable and other liabilities on the Consolidated balance sheets; these carrying values included \$195 million and \$147 million, respectively, for the allowance for lending-related commitments, and \$444 million and \$441 million, respectively, for the guarantee liability and corresponding asset.

The following table summarizes the types of facilities under which standby letters of credit and other letters of credit arrangements are outstanding by the ratings profiles of the Firm's clients, as of December 31, 2017 and 2016.

Standby letters of credit, other financial guarantees and other letters of credit

December 31, (in millions)	2017		2016	
	Standby letters of credit and other financial guarantees	Other letters of credit	Standby letters of credit and other financial guarantees	Other letters of credit
Investment-grade ^(a)	\$ 28,492	\$ 2,646	\$ 28,245	\$ 2,781
Noninvestment-grade ^(a)	6,734	1,066	7,702	789
Total contractual amount	\$ 35,226	\$ 3,712	\$ 35,947	\$ 3,570
Allowance for lending-related commitments	\$ 192	\$ 3	\$ 145	\$ 2
Guarantee liability	444	—	441	—
Total carrying value	\$ 636	\$ 3	\$ 586	\$ 2
Commitments with collateral	\$ 17,421	\$ 878	\$ 19,346	\$ 940

(a) The ratings scale is based on the Firm's internal ratings, which generally correspond to ratings as defined by S&P and Moody's.

Notes to consolidated financial statements

Securities lending indemnifications

Through the Firm's securities lending program, counterparties' securities, via custodial and non-custodial arrangements, may be lent to third parties. As part of this program, the Firm provides an indemnification in the lending agreements which protects the lender against the failure of the borrower to return the lent securities. To minimize its liability under these indemnification agreements, the Firm obtains cash or other highly liquid collateral with a market value exceeding 100% of the value of the securities on loan from the borrower. Collateral is marked to market daily to help assure that collateralization is adequate. Additional collateral is called from the borrower if a shortfall exists, or collateral may be released to the borrower in the event of overcollateralization. If a borrower defaults, the Firm would use the collateral held to purchase replacement securities in the market or to credit the lending client or counterparty with the cash equivalent thereof.

Derivatives qualifying as guarantees

The Firm transacts certain derivative contracts that have the characteristics of a guarantee under U.S. GAAP. These contracts include written put options that require the Firm to purchase assets upon exercise by the option holder at a specified price by a specified date in the future. The Firm may enter into written put option contracts in order to meet client needs, or for other trading purposes. The terms of written put options are typically five years or less.

Derivatives deemed to be guarantees also includes stable value contracts, commonly referred to as "stable value products", that require the Firm to make a payment of the difference between the market value and the book value of a counterparty's reference portfolio of assets in the event that market value is less than book value and certain other conditions have been met. Stable value products are transacted in order to allow investors to realize investment returns with less volatility than an unprotected portfolio. These contracts are typically longer-term or may have no stated maturity, but allow the Firm to elect to terminate the contract under certain conditions.

The notional value of derivatives guarantees generally represents the Firm's maximum exposure. However, exposure to certain stable value products is contractually limited to a substantially lower percentage of the notional amount.

The fair value of derivative guarantees reflects the probability, in the Firm's view, of whether the Firm will be required to perform under the contract. The Firm reduces exposures to these contracts by entering into offsetting transactions, or by entering into contracts that hedge the market risk related to the derivative guarantees.

The following table summarizes the derivatives qualifying as guarantees as of December 31, 2017, and 2016.

(in millions)	December 31, 2017	December 31, 2016
Notional amounts		
Derivative guarantees	57,174	51,966
Stable value contracts with contractually limited exposure	29,104	28,665
Maximum exposure of stable value contracts with contractually limited exposure	3,053	3,012
Fair value		
Derivative payables	304	96
Derivative receivables	—	16

In addition to derivative contracts that meet the characteristics of a guarantee, the Firm is both a purchaser and seller of credit protection in the credit derivatives market. For a further discussion of credit derivatives, see Note 5.

Unsettled reverse repurchase and securities borrowing agreements, and unsettled repurchase and securities lending agreements

In the normal course of business, the Firm enters into reverse repurchase agreements and securities borrowing agreements, which are secured financing agreements. Such agreements settle at a future date. At settlement, these commitments result in the Firm advancing cash to and receiving securities collateral from the counterparty. The Firm also enters into repurchase agreements and securities lending agreements. At settlement, these commitments result in the Firm receiving cash from and providing securities collateral to the counterparty. These agreements generally do not meet the definition of a derivative, and therefore, are not recorded on the Consolidated balance sheets until settlement date. These agreements predominantly consist of agreements with regular-way settlement periods. For a further discussion of securities purchased under resale agreements and securities borrowed, and securities sold under repurchase agreements and securities loaned, see Note 11.

Loan sales- and securitization-related indemnifications

Mortgage repurchase liability

In connection with the Firm's mortgage loan sale and securitization activities with GSEs, as described in Note 14, the Firm has made representations and warranties that the loans sold meet certain requirements that may require the Firm to repurchase mortgage loans and/or indemnify the loan purchaser. Further, although the Firm's securitizations are predominantly nonrecourse, the Firm does provide recourse servicing in certain limited cases where it agrees to share credit risk with the owner of the mortgage loans. To the extent that repurchase demands that are received relate to loans that the Firm purchased from third parties that remain viable, the Firm typically will have the right to seek a recovery of related repurchase losses from the third party. Generally, the maximum amount of future payments the Firm would be required to make for breaches of these representations and warranties would be equal to the unpaid principal balance of such loans that are deemed to have defects that were sold to purchasers (including securitization-related SPEs) plus, in certain circumstances, accrued interest on such loans and certain expenses.

Private label securitizations

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

For additional information regarding litigation, see Note 29.

Loans sold with recourse

The Firm provides servicing for mortgages and certain commercial lending products on both a recourse and nonrecourse basis. In nonrecourse servicing, the principal credit risk to the Firm is the cost of temporary servicing advances of funds (i.e., normal servicing advances). In recourse servicing, the servicer agrees to share credit risk with the owner of the mortgage loans, such as Fannie Mae or Freddie Mac or a private investor, insurer or guarantor. Losses on recourse servicing predominantly occur when foreclosure sales proceeds of the property underlying a defaulted loan are less than the sum of the outstanding principal balance, plus accrued interest on the loan and the cost of holding and disposing of the underlying property. The Firm's securitizations are predominantly nonrecourse, thereby effectively transferring the risk of future credit losses to the purchaser of the mortgage-backed securities issued by the trust. At December 31, 2017 and 2016, the unpaid principal balance of loans sold with recourse totaled \$1.2 billion and \$2.7 billion, respectively. The carrying value of the related liability that the Firm has recorded, which is representative of the Firm's view of the likelihood it will have to perform under its recourse obligations, was \$38 million and \$64 million at December 31, 2017 and 2016, respectively.

Other off-balance sheet arrangements

Indemnification agreements - general

In connection with issuing securities to investors outside the U.S., the Firm may agree to pay additional amounts to the holders of the securities in the event that, due to a change in tax law, certain types of withholding taxes are imposed

on payments on the securities. The terms of the securities may also give the Firm the right to redeem the securities if such additional amounts are payable. The enactment of the TCJA will not cause the Firm to become obligated to pay any such additional amounts. The Firm may also enter into indemnification clauses in connection with the licensing of software to clients ("software licensees") or when it sells a business or assets to a third party ("third-party purchasers"), pursuant to which it indemnifies software licensees for claims of liability or damages that may occur subsequent to the licensing of the software, or third-party purchasers for losses they may incur due to actions taken by the Firm prior to the sale of the business or assets. It is difficult to estimate the Firm's maximum exposure under these indemnification arrangements, since this would require an assessment of future changes in tax law and future claims that may be made against the Firm that have not yet occurred. However, based on historical experience, management expects the risk of loss to be remote.

Card charge-backs

Under the rules of Visa USA, Inc., and MasterCard International, JPMorgan Chase Bank, N.A., is primarily liable for the amount of each processed card sales transaction that is the subject of a dispute between a cardmember and a merchant. If a dispute is resolved in the cardmember's favor, Merchant Services will (through the cardmember's issuing bank) credit or refund the amount to the cardmember and will charge back the transaction to the merchant. If Merchant Services is unable to collect the amount from the merchant, Merchant Services will bear the loss for the amount credited or refunded to the cardmember. Merchant Services mitigates this risk by withholding future settlements, retaining cash reserve accounts or by obtaining other security. However, in the unlikely event that: (1) a merchant ceases operations and is unable to deliver products, services or a refund; (2) Merchant Services does not have sufficient collateral from the merchant to provide cardmember refunds; and (3) Merchant Services does not have sufficient financial resources to provide cardmember refunds, JPMorgan Chase Bank, N.A., would recognize the loss.

Merchant Services incurred aggregate losses of \$28 million, \$85 million, and \$12 million on \$1,191.7 billion, \$1,063.4 billion, and \$949.3 billion of aggregate volume processed for the years ended December 31, 2017, 2016 and 2015, respectively. Incurred losses from merchant charge-backs are charged to other expense, with the offset recorded in a valuation allowance against accrued interest and accounts receivable on the Consolidated balance sheets. The carrying value of the valuation allowance was \$7 million and \$45 million at December 31, 2017 and 2016, respectively, which the Firm believes, based on historical experience and the collateral held by Merchant Services of \$141 million and \$125 million at December 31, 2017 and 2016, respectively, is representative of the payment or performance risk to the Firm related to charge-backs.

Notes to consolidated financial statements

Clearing Services – Client Credit Risk

The Firm provides clearing services for clients by entering into securities purchases and sales and derivative transactions with CCPs, including ETDs such as futures and options, as well as OTC-cleared derivative contracts. As a clearing member, the Firm stands behind the performance of its clients, collects cash and securities collateral (margin) as well as any settlement amounts due from or to clients, and remits them to the relevant CCP or client in whole or part. There are two types of margin: variation margin is posted on a daily basis based on the value of clients' derivative contracts and initial margin is posted at inception of a derivative contract, generally on the basis of the potential changes in the variation margin requirement for the contract.

As a clearing member, the Firm is exposed to the risk of nonperformance by its clients, but is not liable to clients for the performance of the CCPs. Where possible, the Firm seeks to mitigate its risk to the client through the collection of appropriate amounts of margin at inception and throughout the life of the transactions. The Firm can also cease providing clearing services if clients do not adhere to their obligations under the clearing agreement. In the event of nonperformance by a client, the Firm would close out the client's positions and access available margin. The CCP would utilize any margin it holds to make itself whole, with any remaining shortfalls required to be paid by the Firm as a clearing member.

The Firm reflects its exposure to nonperformance risk of the client through the recognition of margin receivables from clients and margin payables to CCPs; the clients' underlying securities or derivative contracts are not reflected in the Firm's Consolidated Financial Statements.

It is difficult to estimate the Firm's maximum possible exposure through its role as a clearing member, as this would require an assessment of transactions that clients may execute in the future. However, based upon historical experience, and the credit risk mitigants available to the Firm, management believes it is unlikely that the Firm will have to make any material payments under these arrangements and the risk of loss is expected to be remote.

For information on the derivatives that the Firm executes for its own account and records in its Consolidated Financial Statements, see Note 5.

Exchange & Clearing House Memberships

The Firm is a member of several securities and derivative exchanges and clearing houses, both in the U.S. and other countries, and it provides clearing services. Membership in some of these organizations requires the Firm to pay a pro rata share of the losses incurred by the organization as a result of the default of another member. Such obligations vary with different organizations. These obligations may be limited to members who dealt with the defaulting member or to the amount (or a multiple of the amount) of the Firm's contribution to the guarantee fund maintained by a clearing house or exchange as part of the resources available to cover any losses in the event of a member default. Alternatively, these obligations may include a pro rata share

of the residual losses after applying the guarantee fund. Additionally, certain clearing houses require the Firm as a member to pay a pro rata share of losses that may result from the clearing house's investment of guarantee fund contributions and initial margin, unrelated to and independent of the default of another member. Generally a payment would only be required should such losses exceed the resources of the clearing house or exchange that are contractually required to absorb the losses in the first instance. It is difficult to estimate the Firm's maximum possible exposure under these membership agreements, since this would require an assessment of future claims that may be made against the Firm that have not yet occurred. However, based on historical experience, management expects the risk of loss to be remote.

Guarantees of subsidiaries

In the normal course of business, the Parent Company may provide counterparties with guarantees of certain of the trading and other obligations of its subsidiaries on a contract-by-contract basis, as negotiated with the Firm's counterparties. The obligations of the subsidiaries are included on the Firm's Consolidated balance sheets or are reflected as off-balance sheet commitments; therefore, the Parent Company has not recognized a separate liability for these guarantees. The Firm believes that the occurrence of any event that would trigger payments by the Parent Company under these guarantees is remote.

The Parent Company has guaranteed certain long-term debt and structured notes of its subsidiaries, including JPMorgan Chase Financial Company LLC ("JPMFC"), a 100%-owned finance subsidiary. All securities issued by JPMFC are fully and unconditionally guaranteed by the Parent Company. These guarantees, which rank on a parity with the Firm's unsecured and unsubordinated indebtedness, are not included in the table on page 262 of this Note. For additional information, see Note 19.

Note 28 – Commitments, pledged assets and collateral

Lease commitments

At December 31, 2017, JPMorgan Chase and its subsidiaries were obligated under a number of noncancelable operating leases for premises and equipment used primarily for banking purposes. Certain leases contain renewal options or escalation clauses providing for increased rental payments based on maintenance, utility and tax increases, or they require the Firm to perform restoration work on leased premises. No lease agreement imposes restrictions on the Firm's ability to pay dividends, engage in debt or equity financing transactions or enter into further lease agreements.

The following table presents required future minimum rental payments under operating leases with noncancelable lease terms that expire after December 31, 2017.

Year ended December 31, (in millions)	
2018	1,526
2019	1,450
2020	1,300
2021	1,029
2022	815
After 2022	3,757
Total minimum payments required	9,877
Less: Sublease rentals under noncancelable subleases	(1,034)
Net minimum payment required	\$ 8,843

Total rental expense was as follows.

Year ended December 31, (in millions)	2017	2016	2015
Gross rental expense	\$ 1,853	\$ 1,860	\$ 2,015
Sublease rental income	(251)	(241)	(411)
Net rental expense	\$ 1,602	\$ 1,619	\$ 1,604

Pledged assets

The Firm may pledge financial assets that it owns to maintain potential borrowing capacity with central banks and for other purposes, including to secure borrowings and public deposits, collateralize repurchase and other securities financing agreements, and cover customer short sales. Certain of these pledged assets may be sold or repledged or otherwise used by the secured parties and are identified as financial instruments owned (pledged to various parties) on the Consolidated balance sheets.

The following table presents the Firm's pledged assets.

December 31, (in billions)	2017	2016
Assets that may be sold or repledged or otherwise used by secured parties	\$ 129.6	\$ 133.6
Assets that may not be sold or repledged or otherwise used by secured parties	67.9	53.5
Assets pledged at Federal Reserve banks and FHLBs	493.7	441.9
Total assets pledged	\$ 691.2	\$ 629.0

Total assets pledged do not include assets of consolidated VIEs; these assets are used to settle the liabilities of those entities. See Note 14 for additional information on assets and liabilities of consolidated VIEs. For additional information on the Firm's securities financing activities, see Note 11. For additional information on the Firm's long-term debt, see Note 19. The significant components of the Firm's pledged assets were as follows.

December 31, (in billions)	2017	2016
Securities	\$ 86.2	\$ 101.1
Loans	437.7	374.9
Trading assets and other	167.3	153.0
Total assets pledged	\$ 691.2	\$ 629.0

Collateral

The Firm accepts financial assets as collateral that it is permitted to sell or repledge, deliver or otherwise use. This collateral is generally obtained under resale agreements, securities borrowing agreements, customer margin loans and derivative agreements. Collateral is generally used under repurchase agreements, securities lending agreements or to cover customer short sales and to collateralize deposits and derivative agreements.

The following table presents the fair value of collateral accepted.

December 31, (in billions)	2017	2016
Collateral permitted to be sold or repledged, delivered, or otherwise used	\$ 968.8	\$ 914.1
Collateral sold, repledged, delivered or otherwise used	775.3	746.6

Note 29 – Litigation

Contingencies

As of December 31, 2017, the Firm and its subsidiaries and affiliates are defendants or putative defendants in numerous legal proceedings, including private, civil litigations and regulatory/government investigations. The litigations range from individual actions involving a single plaintiff to class action lawsuits with potentially millions of class members. Investigations involve both formal and informal proceedings, by both governmental agencies and self-regulatory organizations. These legal proceedings are at varying stages of adjudication, arbitration or investigation, and involve each of the Firm's lines of business and geographies and a wide variety of claims (including common law tort and contract claims and statutory antitrust, securities and consumer protection claims), some of which present novel legal theories.

The Firm believes the estimate of the aggregate range of reasonably possible losses, in excess of reserves established, for its legal proceedings is from \$0 to approximately \$1.7 billion at December 31, 2017. This estimated aggregate range of reasonably possible losses was based upon currently available information for those proceedings in which the Firm believes that an estimate of reasonably possible loss can be made. For certain matters, the Firm does not believe that such an estimate can be made, as of that date. The Firm's estimate of the aggregate range of reasonably possible losses involves significant judgment, given the number, variety and varying stages of the proceedings (including the fact that many are in preliminary stages), the existence in many such proceedings of multiple defendants (including the Firm) whose share of liability has yet to be determined, the numerous yet-unresolved issues in many of the proceedings (including issues regarding class certification and the scope of many of the claims) and the attendant uncertainty of the various potential outcomes of such proceedings, including where the Firm has made assumptions concerning future rulings by the court or other adjudicator, or about the behavior or incentives of adverse parties or regulatory authorities, and those assumptions prove to be incorrect. In addition, the outcome of a particular proceeding may be a result which the Firm did not take into account in its estimate because the Firm had deemed the likelihood of that outcome to be remote. Accordingly, the Firm's estimate of the aggregate range of reasonably possible losses will change from time to time, and actual losses may vary significantly.

Set forth below are descriptions of the Firm's material legal proceedings.

Foreign Exchange Investigations and Litigation. The Firm previously reported settlements with certain government authorities relating to its foreign exchange ("FX") sales and trading activities and controls related to those activities. FX-related investigations and inquiries by government authorities, including competition authorities, are ongoing,

and the Firm is cooperating with and working to resolve those matters. In May 2015, the Firm pleaded guilty to a single violation of federal antitrust law. In January 2017, the Firm was sentenced, with judgment entered thereafter. The Department of Labor has granted the Firm a five-year exemption of disqualification, effective upon expiration of a temporary one-year exemption previously granted, that allows the Firm and its affiliates to continue to rely on the Qualified Professional Asset Manager exemption under the Employee Retirement Income Security Act ("ERISA"). The Firm will need to reapply in due course for a further exemption to cover the remainder of the ten-year disqualification period. Separately, in February 2017 the South Africa Competition Commission referred its FX investigation of the Firm and other banks to the South Africa Competition Tribunal, which is conducting civil proceedings concerning that matter.

The Firm is also one of a number of foreign exchange dealers defending a class action filed in the United States District Court for the Southern District of New York by U.S.-based plaintiffs, principally alleging violations of federal antitrust laws based on an alleged conspiracy to manipulate foreign exchange rates (the "U.S. class action"). In January 2015, the Firm entered into a settlement agreement in the U.S. class action. Following this settlement, a number of additional putative class actions were filed seeking damages for persons who transacted FX futures and options on futures (the "exchanged-based actions"), consumers who purchased foreign currencies at allegedly inflated rates (the "consumer action"), participants or beneficiaries of qualified ERISA plans (the "ERISA actions"), and purported indirect purchasers of FX instruments (the "indirect purchaser action"). Since then, the Firm has entered into a revised settlement agreement to resolve the consolidated U.S. class action, including the exchange-based actions, and that agreement has been preliminarily approved by the Court. The District Court has dismissed one of the ERISA actions, and the plaintiffs have filed an appeal. The consumer action, a second ERISA action and the indirect purchaser action remain pending in the District Court.

General Motors Litigation. JPMorgan Chase Bank, N.A. participated in, and was the Administrative Agent on behalf of a syndicate of lenders on, a \$1.5 billion syndicated Term Loan facility ("Term Loan") for General Motors Corporation ("GM"). In July 2009, in connection with the GM bankruptcy proceedings, the Official Committee of Unsecured Creditors of Motors Liquidation Company ("Creditors Committee") filed a lawsuit against JPMorgan Chase Bank, N.A., in its individual capacity and as Administrative Agent for other lenders on the Term Loan, seeking to hold the underlying lien invalid based on the filing of a UCC-3 termination statement relating to the Term Loan. In January 2015, following several court proceedings, the United States Court of Appeals for the Second Circuit reversed the Bankruptcy Court's dismissal of the Creditors Committee's claim and

remanded the case to the Bankruptcy Court with instructions to enter partial summary judgment for the Creditors Committee as to the termination statement. The proceedings in the Bankruptcy Court continue with respect to, among other things, additional defenses asserted by JPMorgan Chase Bank, N.A. and the value of additional collateral on the Term Loan that was unaffected by the filing of the termination statement at issue. In connection with that additional collateral, a trial in the Bankruptcy Court regarding the value of certain representative assets concluded in May 2017, and a ruling was issued in September 2017. The Bankruptcy Court found that 33 of the 40 representative assets are fixtures and that these fixtures generally should be valued on a “going concern” basis. The Creditors Committee is seeking leave to appeal the Bankruptcy Court’s ruling that the fixtures should be valued on a “going concern” basis rather than on a liquidation basis. In addition, certain Term Loan lenders filed cross-claims in the Bankruptcy Court against JPMorgan Chase Bank, N.A. seeking indemnification and asserting various claims. The parties are engaged in mediation concerning, among other things, the characterization and value of the remaining additional collateral, in light of the Bankruptcy Court’s ruling regarding the representative assets, as well as other issues, including the cross-claims.

Hopper Estate Litigation. The Firm is a defendant in an action in connection with its role as an independent administrator of an estate. The plaintiffs sought in excess of \$7 million in compensatory damages, primarily relating to attorneys’ fees incurred by the plaintiffs. After a trial in probate court in Dallas, Texas that ended in September 2017, the jury returned a verdict against the Firm, awarding plaintiffs their full compensatory damages and multiple billions in punitive damages. Notwithstanding the jury verdict, in light of legal limitations on the availability of damages, certain of the plaintiffs moved for entry of judgment in the total amount of approximately \$71 million, including punitive damages, while another plaintiff has not yet moved for judgment. The court has not yet entered a judgment in this matter. The parties are engaged in post-trial briefing.

Interchange Litigation. A group of merchants and retail associations filed a series of class action complaints alleging that Visa and MasterCard, as well as certain banks, conspired to set the price of credit and debit card interchange fees and enacted respective rules in violation of antitrust laws. The parties settled the cases for a cash payment of \$6.1 billion to the class plaintiffs (of which the Firm’s share is approximately 20%) and an amount equal to ten basis points of credit card interchange for a period of 8 months to be measured from a date within 60 days of the end of the opt-out period. The settlement also provided for modifications to each credit card network’s rules, including those that prohibit surcharging credit card transactions. In December 2013, the District Court granted final approval of the settlement.

A number of merchants appealed to the United States Court of Appeals for the Second Circuit, which, in June 2016, vacated the District Court’s certification of the class action and reversed the approval of the class settlement. In March 2017, the U.S. Supreme Court declined petitions seeking review of the decision of the Court of Appeals. The case has been remanded to the District Court for further proceedings consistent with the appellate decision.

In addition, certain merchants have filed individual actions raising similar allegations against Visa and MasterCard, as well as against the Firm and other banks, and those actions are proceeding.

LIBOR and Other Benchmark Rate Investigations and Litigation. JPMorgan Chase has received subpoenas and requests for documents and, in some cases, interviews, from federal and state agencies and entities, including the U.S. Commodity Futures Trading Commission (“CFTC”) and various state attorneys general, as well as the European Commission (“EC”), the Swiss Competition Commission (“ComCo”) and other regulatory authorities and banking associations around the world relating primarily to the process by which interest rates were submitted to the British Bankers Association (“BBA”) in connection with the setting of the BBA’s London Interbank Offered Rate (“LIBOR”) for various currencies, principally in 2007 and 2008. Some of the inquiries also relate to similar processes by which information on rates was submitted to the European Banking Federation (“EBF”) in connection with the setting of the EBF’s Euro Interbank Offered Rates (“EURIBOR”) and to the Japanese Bankers’ Association for the setting of Tokyo Interbank Offered Rates (“TIBOR”) during similar time periods, as well as processes for the setting of U.S. dollar ISDAFIX rates and other reference rates in various parts of the world during similar time periods, including through 2012. The Firm continues to cooperate with these ongoing investigations, and is currently engaged in discussions with the CFTC about resolving its U.S. dollar ISDAFIX-related investigation with respect to the Firm. There is no assurance that such discussions will result in a settlement. As previously reported, the Firm has resolved EC inquiries relating to Yen LIBOR and Swiss Franc LIBOR. In December 2016, the Firm resolved ComCo inquiries relating to these same rates. ComCo’s investigation relating to EURIBOR, to which the Firm and other banks are subject, continues. In December 2016, the EC issued a decision against the Firm and other banks finding an infringement of European antitrust rules relating to EURIBOR. The Firm has filed an appeal with the European General Court.

In addition, the Firm has been named as a defendant along with other banks in a series of individual and putative class actions filed in various United States District Courts. These actions have been filed, or consolidated for pre-trial purposes, in the United States District Court for the Southern District of New York. In these actions, plaintiffs make varying allegations that in various periods, starting in 2000 or later, defendants either individually or collectively

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manipulated various benchmark rates by submitting rates that were artificially low or high. Plaintiffs allege that they transacted in loans, derivatives or other financial instruments whose values are affected by changes in these rates and assert a variety of claims including antitrust claims seeking treble damages. These matters are in various stages of litigation.

The Firm has agreed to settle a putative class action related to Swiss franc LIBOR, and that settlement remains subject to final court approval.

In an action related to EURIBOR, the District Court dismissed all claims except a single antitrust claim and two common law claims, and dismissed all defendants except the Firm and Citibank.

In actions related to U.S. dollar LIBOR, the District Court dismissed certain claims, including antitrust claims brought by some plaintiffs whom the District Court found did not have standing to assert such claims, and permitted antitrust claims, claims under the Commodity Exchange Act and common law claims to proceed. The plaintiffs whose antitrust claims were dismissed for lack of standing have filed an appeal. In May 2017, plaintiffs in three putative class actions moved in the District Court for class certification, and the Firm and other defendants have opposed that motion. In January 2018, the District Court heard oral arguments on the class certification motions and reserved decision.

In an action related to the Singapore Interbank Offered Rate and the Singapore Swap Offer Rate, the District Court dismissed without prejudice all claims except a single antitrust claim, and dismissed without prejudice all defendants except the Firm, Bank of America and Citibank. The plaintiffs filed an amended complaint in September 2017, which the Firm and other defendants have moved to dismiss.

The Firm is one of the defendants in a number of putative class actions alleging that defendant banks and ICAP conspired to manipulate the U.S. dollar ISDAFIX rates. In April 2016, the Firm settled this litigation, along with certain other banks. Those settlements have been preliminarily approved by the Court.

Mortgage-Backed Securities and Repurchase Litigation and Related Regulatory Investigations. The Firm and affiliates (together, "JPMC"), Bear Stearns and affiliates (together, "Bear Stearns") and certain Washington Mutual affiliates (together, "Washington Mutual") have been named as defendants in a number of cases in their various roles in offerings of MBS. The remaining civil cases include one investor action and actions for repurchase of mortgage loans. The Firm and certain of its current and former officers and Board members have also been sued in a shareholder derivative action relating to the Firm's MBS activities, which remains pending.

Issuer Litigation – Individual Purchaser Actions. With the exception of one remaining action, the Firm has resolved all of the individual actions brought against JPMC, Bear Stearns and Washington Mutual as MBS issuers (and, in some cases, also as underwriters of their own MBS offerings).

Repurchase Litigation. The Firm is defending a few actions brought by trustees and/or securities administrators of various MBS trusts on behalf of purchasers of securities issued by those trusts. These cases generally allege breaches of various representations and warranties regarding securitized loans and seek repurchase of those loans or equivalent monetary relief, as well as indemnification of attorneys' fees and costs and other remedies. The trustees and/or securities administrators have accepted settlement offers on these MBS transactions, and these settlements are subject to court approval.

In addition, the Firm and a group of 21 institutional MBS investors made a binding offer to the trustees of MBS issued by JPMC and Bear Stearns providing for the payment of \$4.5 billion and the implementation of certain servicing changes by JPMC, to resolve all repurchase and servicing claims that have been asserted or could have been asserted with respect to 330 MBS trusts created between 2005 and 2008. The offer does not resolve claims relating to Washington Mutual MBS. The trustees (or separate and successor trustees) for this group of 330 trusts have accepted the settlement for 319 trusts in whole or in part and excluded from the settlement 16 trusts in whole or in part. The trustees' acceptance received final approval from the court and the Firm paid the settlement in December 2017.

Additional actions have been filed against third-party trustees that relate to loan repurchase and servicing claims involving trusts sponsored by JPMC, Bear Stearns and Washington Mutual.

In actions against the Firm involving offerings of MBS issued by the Firm, the Firm has contractual rights to indemnification from sellers of mortgage loans that were securitized in such offerings. However, certain of those indemnity rights may prove effectively unenforceable in various situations, such as where the loan sellers are now defunct.

The Firm has entered into agreements with a number of MBS trustees or entities that purchased MBS that toll applicable statute of limitations periods with respect to their claims, and has settled, and in the future may settle, tolled claims. There is no assurance that the Firm will not be named as a defendant in additional MBS-related litigation.

Derivative Action. A shareholder derivative action against the Firm, as nominal defendant, and certain of its current and former officers and members of its Board of Directors relating to the Firm's MBS activities was filed in California federal court in 2013. In June 2017, the court granted defendants' motion to dismiss the cause of action that alleged material misrepresentations and omissions in the

Firm's proxy statement, found that the court did not have personal jurisdiction over the individual defendants with respect to the remaining causes of action, and transferred that remaining portion of the case to the United States District Court for the Southern District of New York without ruling on the merits. The motion by the defendants to dismiss is pending.

Municipal Derivatives Litigation. Several civil actions were commenced in New York and Alabama courts against the Firm relating to certain Jefferson County, Alabama (the "County") warrant underwritings and swap transactions. The claims in the civil actions generally alleged that the Firm made payments to certain third parties in exchange for being chosen to underwrite more than \$3.0 billion in warrants issued by the County and to act as the counterparty for certain swaps executed by the County. The County filed for bankruptcy in November 2011. In June 2013, the County filed a Chapter 9 Plan of Adjustment, as amended (the "Plan of Adjustment"), which provided that all the above-described actions against the Firm would be released and dismissed with prejudice. In November 2013, the Bankruptcy Court confirmed the Plan of Adjustment, and in December 2013, certain sewer rate payers filed an appeal challenging the confirmation of the Plan of Adjustment. All conditions to the Plan of Adjustment's effectiveness, including the dismissal of the actions against the Firm, were satisfied or waived and the transactions contemplated by the Plan of Adjustment occurred in December 2013. Accordingly, all the above-described actions against the Firm have been dismissed pursuant to the terms of the Plan of Adjustment. The appeal of the Bankruptcy Court's order confirming the Plan of Adjustment remains pending.

Petters Bankruptcy and Related Matters. JPMorgan Chase and certain of its affiliates, including One Equity Partners ("OEP"), were named as defendants in several actions filed in connection with the receivership and bankruptcy proceedings pertaining to Thomas J. Petters and certain affiliated entities (collectively, "Petters") and the Polaroid Corporation. The principal actions against JPMorgan Chase and its affiliates were brought by a court-appointed receiver for Petters and the trustees in bankruptcy proceedings for three Petters entities. These actions generally sought to avoid certain putative transfers in connection with (i) the 2005 acquisition by Petters of Polaroid, which at the time was majority-owned by OEP; (ii) two credit facilities that JPMorgan Chase and other financial institutions entered into with Polaroid; and (iii) a credit line and investment accounts held by Petters. In January 2017, the Court substantially denied the defendants' motion to dismiss an amended complaint filed by the plaintiffs. In October 2017, JPMorgan Chase and its affiliates reached an agreement in principle to settle the litigation brought by the Petters bankruptcy trustees, or their successors, and the receiver for Thomas J. Petters. The settlement is subject to final documentation and Court approval.

Wendel. Since 2012, the French criminal authorities have been investigating a series of transactions entered into by senior managers of Wendel Investissement ("Wendel") during the period from 2004 through 2007 to restructure their shareholdings in Wendel. JPMorgan Chase Bank, N.A., Paris branch provided financing for the transactions to a number of managers of Wendel in 2007. JPMorgan Chase has cooperated with the investigation. The investigating judges issued an *ordonnance de renvoi* in November 2016, referring JPMorgan Chase Bank, N.A. to the French *tribunal correctionnel* for alleged complicity in tax fraud. No date for trial has been set by the court. The Firm has been successful in legal challenges made to the Court of Cassation, France's highest court, with respect to the criminal proceedings. In January 2018, the Paris Court of Appeal issued a decision cancelling the *mise en examen* of JPMorgan Chase Bank, N.A. The Firm is requesting clarification from the Court of Cassation concerning the Court of Appeal's decision before seeking direction on next steps in the criminal proceedings. In addition, a number of the managers have commenced civil proceedings against JPMorgan Chase Bank, N.A. The claims are separate, involve different allegations and are at various stages of proceedings.

* * *

In addition to the various legal proceedings discussed above, JPMorgan Chase and its subsidiaries are named as defendants or are otherwise involved in a substantial number of other legal proceedings. The Firm believes it has meritorious defenses to the claims asserted against it in its currently outstanding legal proceedings and it intends to defend itself vigorously. Additional legal proceedings may be initiated from time to time in the future.

The Firm has established reserves for several hundred of its currently outstanding legal proceedings. In accordance with the provisions of U.S. GAAP for contingencies, the Firm accrues for a litigation-related liability when it is probable that such a liability has been incurred and the amount of the loss can be reasonably estimated. The Firm evaluates its outstanding legal proceedings each quarter to assess its litigation reserves, and makes adjustments in such reserves, upwards or downward, as appropriate, based on management's best judgment after consultation with counsel. During the years ended December 31, 2017, 2016 and 2015, the Firm's legal expense was a benefit of \$(35) million, a benefit of \$(317) million, and an expense of \$3.0 billion, respectively. There is no assurance that the Firm's litigation reserves will not need to be adjusted in the future.

In view of the inherent difficulty of predicting the outcome of legal proceedings, particularly where the claimants seek very large or indeterminate damages, or where the matters present novel legal theories, involve a large number of parties or are in early stages of discovery, the Firm cannot state with confidence what will be the eventual outcomes of the currently pending matters, the timing of their ultimate resolution or the eventual losses, fines, penalties or

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consequences related to those matters. JPMorgan Chase believes, based upon its current knowledge, after consultation with counsel and after taking into account its current litigation reserves, that the legal proceedings currently pending against it should not have a material adverse effect on the Firm's consolidated financial condition. The Firm notes, however, that in light of the uncertainties involved in such proceedings, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves it has currently accrued or that a matter will not have material reputational consequences. As a result, the outcome of a particular matter may be material to JPMorgan Chase's operating results for a particular period, depending on, among other factors, the size of the loss or liability imposed and the level of JPMorgan Chase's income for that period.

Note 30 – International operations

The following table presents income statement- and balance sheet-related information for JPMorgan Chase by major international geographic area. The Firm defines international activities for purposes of this footnote presentation as business transactions that involve clients residing outside of the U.S., and the information presented below is based predominantly on the domicile of the client, the location from which the client relationship is managed, or the location of the trading desk. However, many of the Firm's U.S. operations serve international businesses.

As the Firm's operations are highly integrated, estimates and subjective assumptions have been made to apportion revenue and expense between U.S. and international operations. These estimates and assumptions are consistent with the allocations used for the Firm's segment reporting as set forth in Note 31.

The Firm's long-lived assets for the periods presented are not considered by management to be significant in relation to total assets. The majority of the Firm's long-lived assets are located in the U.S.

As of or for the year ended December 31, (in millions)	Revenue ^(b)	Expense ^(c)	Income before income tax expense	Net income	Total assets
2017					
Europe/Middle East/Africa	\$ 14,426	\$ 8,653	\$ 5,773	\$ 4,007	\$ 407,145 ^(d)
Asia/Pacific	5,805	4,277	1,528	852	163,718
Latin America/Caribbean	1,994	1,523	471	299	44,569
Total international	22,225	14,453	7,772	5,158	615,432
North America ^(a)	77,399	49,271	28,128	19,283	1,918,168
Total	\$ 99,624	\$ 63,724	\$ 35,900	\$ 24,441	\$ 2,533,600
2016					
Europe/Middle East/Africa	\$ 13,842	\$ 8,550	\$ 5,292	\$ 3,783	\$ 394,134 ^(d)
Asia/Pacific	6,112	4,213	1,899	1,212	156,946
Latin America/Caribbean	1,959	1,632	327	208	42,971
Total international	21,913	14,395	7,518	5,203	594,051
North America ^(a)	73,755	46,737	27,018	19,530	1,896,921
Total	\$ 95,668	\$ 61,132	\$ 34,536	\$ 24,733	\$ 2,490,972
2015					
Europe/Middle East/Africa	\$ 14,206	\$ 8,871	\$ 5,335	\$ 4,158	\$ 347,647 ^(d)
Asia/Pacific	6,151	4,241	1,910	1,285	138,747
Latin America/Caribbean	1,923	1,508	415	253	48,185
Total international	22,280	14,620	7,660	5,696	534,579
North America ^(a)	71,263	48,221	23,042	18,746	1,817,119
Total	\$ 93,543	\$ 62,841	\$ 30,702	\$ 24,442	\$ 2,351,698

(a) Substantially reflects the U.S.

(b) Revenue is composed of net interest income and noninterest revenue.

(c) Expense is composed of noninterest expense and the provision for credit losses.

(d) Total assets for the U.K. were approximately \$310 billion, \$310 billion, and \$306 billion at December 31, 2017, 2016 and 2015, respectively.

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Note 31 – Business segments

The Firm is managed on a line of business basis. There are four major reportable business segments – Consumer & Community Banking, Corporate & Investment Bank, Commercial Banking and Asset & Wealth Management. In addition, there is a Corporate segment. The business segments are determined based on the products and services provided, or the type of customer served, and they reflect the manner in which financial information is currently evaluated by management. Results of these lines of business are presented on a managed basis. For a further discussion concerning JPMorgan Chase's business segments, see Segment results of this footnote.

The following is a description of each of the Firm's business segments, and the products and services they provide to their respective client bases.

Consumer & Community Banking

CCB offers services to consumers and businesses through bank branches, ATMs, online, mobile and telephone banking. CCB is organized into Consumer & Business Banking (including Consumer Banking/Chase Wealth Management and Business Banking), Home Lending (including Home Lending Production, Home Lending Servicing and Real Estate Portfolios) and Card, Merchant Services & Auto. Consumer & Business Banking offers deposit and investment products and services to consumers, and lending, deposit, and cash management and payment solutions to small businesses. Home Lending includes mortgage origination and servicing activities, as well as portfolios consisting of residential mortgages and home equity loans. Card, Merchant Services & Auto issues credit cards to consumers and small businesses, offers payment processing services to merchants, and originates and services auto loans and leases.

Corporate & Investment Bank

The CIB, which consists of Banking and Markets & Investor Services, offers a broad suite of investment banking, market-making, prime brokerage, and treasury and securities products and services to a global client base of corporations, investors, financial institutions, government and municipal entities. Banking offers a full range of investment banking products and services in all major capital markets, including advising on corporate strategy and structure, capital-raising in equity and debt markets, as well as loan origination and syndication. Banking also includes Treasury Services, which provides transaction services, consisting of cash management and liquidity solutions. Markets & Investor Services is a global market-

maker in cash securities and derivative instruments, and also offers sophisticated risk management solutions, prime brokerage, and research. Markets & Investor Services also includes Securities Services, a leading global custodian which provides custody, fund accounting and administration, and securities lending products principally for asset managers, insurance companies and public and private investment funds.

Commercial Banking

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

Asset & Wealth Management

AWM, with client assets of \$2.8 trillion, is a global leader in investment and wealth management. AWM clients include institutions, high-net-worth individuals and retail investors in many major markets throughout the world. AWM offers investment management across most major asset classes including equities, fixed income, alternatives and money market funds. AWM also offers multi-asset investment management, providing solutions for a broad range of clients' investment needs. For Wealth Management clients, AWM also provides retirement products and services, brokerage and banking services including trusts and estates, loans, mortgages and deposits. The majority of AWM's client assets are in actively managed portfolios.

Corporate

The Corporate segment consists of Treasury and CIO and Other Corporate, which includes corporate staff units and expense that is centrally managed. Treasury and CIO are predominantly responsible for measuring, monitoring, reporting and managing the Firm's liquidity, funding and structural interest rate and foreign exchange risks, as well as executing the Firm's capital plan. The major Other Corporate units include Real Estate, Enterprise Technology, Legal, Compliance, Finance, Human Resources, Internal Audit, Risk Management, Oversight & Control, Corporate Responsibility and various Other Corporate groups.

Segment results

The following tables provide a summary of the Firm's segment results as of or for the years ended December 31, 2017, 2016 and 2015 on a managed basis. The Firm's definition of managed basis starts with the reported U.S. GAAP results and includes certain reclassifications to present total net revenue (noninterest revenue and net interest income) for each of the reportable business segments on a FTE basis. Accordingly, revenue from investments receiving tax credits and tax-exempt securities is presented in the managed results on a basis comparable to taxable investments and securities. This allows management to assess the comparability of revenue from year-to-year arising from both taxable and tax-exempt

sources. The corresponding income tax impact related to tax-exempt items is recorded within income tax expense/(benefit).

Effective January 1, 2017, the Firm's methodology used to allocate capital to the Firm's business segments was updated. The new methodology incorporates Basel III Standardized Fully Phased-In RWA (as well as Basel III Advanced Fully Phased-In RWA), leverage, the GSIB surcharge, and a simulation of capital in a severe stress environment. The methodology will continue to be weighted towards Basel III Advanced Fully Phased-In RWA because the Firm believes it to be the best proxy for economic risk.

Segment results and reconciliation

As of or for the year ended December 31, (in millions, except ratios)	Consumer & Community Banking			Corporate & Investment Bank			Commercial Banking			Asset & Wealth Management		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
Noninterest revenue	\$ 14,710	\$ 15,255	\$ 15,592	\$ 24,375	\$ 24,325	\$ 23,693	\$ 2,522	\$ 2,320	\$ 2,365	\$ 9,539	\$ 9,012	\$ 9,563
Net interest income	31,775	29,660	28,228	10,118	10,891	9,849	6,083	5,133	4,520	3,379	3,033	2,556
Total net revenue	46,485	44,915	43,820	34,493	35,216	33,542	8,605	7,453	6,885	12,918	12,045	12,119
Provision for credit losses	5,572	4,494	3,059	(45)	563	332	(276)	282	442	39	26	4
Noninterest expense	26,062	24,905	24,909	19,243	18,992	21,361	3,327	2,934	2,881	9,301	8,478	8,886
Income/(loss) before income tax expense/(benefit)	14,851	15,516	15,852	15,295	15,661	11,849	5,554	4,237	3,562	3,578	3,541	3,229
Income tax expense/(benefit)	5,456	5,802	6,063	4,482	4,846	3,759	2,015	1,580	1,371	1,241	1,290	1,294
Net income/(loss)	\$ 9,395	\$ 9,714	\$ 9,789	\$ 10,813	\$ 10,815	\$ 8,090	\$ 3,539	\$ 2,657	\$ 2,191	\$ 2,337	\$ 2,251	\$ 1,935
Average equity	\$ 51,000	\$ 51,000	\$ 51,000	\$ 70,000	\$ 64,000	\$ 62,000	\$ 20,000	\$ 16,000	\$ 14,000	\$ 9,000	\$ 9,000	\$ 9,000
Total assets	552,601	535,310	502,652	826,384	803,511	748,691	221,228	214,341	200,700	151,909	138,384	131,451
Return on equity	17%	18%	18%	14%	16%	12%	17%	16%	15%	25%	24%	21%
Overhead ratio	56	55	57	56	54	64	39	39	42	72	70	73

(table continued from above)

As of or for the year ended December 31, (in millions, except ratios)	Corporate			Reconciling Items ^(a)			Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Noninterest revenue	\$ 1,085	\$ 938	\$ 800	\$ (2,704) ^(b)	\$ (2,265)	\$ (1,980)	\$ 49,527	\$ 49,585	\$ 50,033
Net interest income	55	(1,425)	(533)	(1,313)	(1,209)	(1,110)	50,097	46,083	43,510
Total net revenue	1,140	(487)	267	(4,017)	(3,474)	(3,090)	99,624	95,668	93,543
Provision for credit losses	—	(4)	(10)	—	—	—	5,290	5,361	3,827
Noninterest expense	501	462	977	—	—	—	58,434	55,771	59,014
Income/(loss) before income tax expense/(benefit)	639	(945)	(700)	(4,017)	(3,474)	(3,090)	35,900	34,536	30,702
Income tax expense/(benefit)	2,282	(241)	(3,137)	(4,017) ^(b)	(3,474)	(3,090)	11,459	9,803	6,260
Net income/(loss)	\$ (1,643)	\$ (704)	\$ 2,437	\$ —	\$ —	\$ —	\$ 24,441	\$ 24,733	\$ 24,442
Average equity	\$ 80,350	\$ 84,631	\$ 79,690	\$ —	\$ —	\$ —	\$ 230,350	\$ 224,631	\$ 215,690
Total assets	781,478	799,426	768,204	NA	NA	NA	2,533,600	2,490,972	2,351,698
Return on equity	NM	NM	NM	NM	NM	NM	10%	10%	11%
Overhead ratio	NM	NM	NM	NM	NM	NM	59	58	63

(a) Segment results on a managed basis reflect revenue on a FTE basis with the corresponding income tax impact recorded within income tax expense/(benefit). These adjustments are eliminated in reconciling items to arrive at the Firm's reported U.S. GAAP results.

(b) Included \$375 million related to tax-oriented investments as a result of the enactment of the TCJA.

Note 32 – Parent Company

The following tables present Parent Company-only financial statements.

Statements of income and comprehensive income^(a)

Year ended December 31, (in millions)	2017	2016	2015
Income			
Dividends from subsidiaries and affiliates:			
Bank and bank holding company	\$ 13,000	\$ 10,000	\$ 10,653
Non-bank ^(b)	540	3,873	8,172
Interest income from subsidiaries	72	794	443
Other interest income	41	207	234
Other income from subsidiaries, primarily fees:			
Bank and bank holding company	1,553	852	1,438
Non-bank	(88)	1,165	(1,402)
Other income	(623)	(846)	1,773
Total income	14,495	16,045	21,311
Expense			
Interest expense to subsidiaries and affiliates ^(b)	400	105	98
Other interest expense	5,202	4,413	3,720
Noninterest expense	(1,897)	1,643	2,611
Total expense	3,705	6,161	6,429
Income before income tax benefit and undistributed net income of subsidiaries	10,790	9,884	14,882
Income tax benefit	1,007	876	1,640
Equity in undistributed net income of subsidiaries	12,644	13,973	7,920
Net income	\$ 24,441	\$ 24,733	\$ 24,442
Other comprehensive income, net	1,056	(1,521)	(1,997)
Comprehensive income	\$ 25,497	\$ 23,212	\$ 22,445

Balance sheets^(a)

December 31, (in millions)	2017	2016
Assets		
Cash and due from banks	\$ 163	\$ 113
Deposits with banking subsidiaries	5,306	5,450
Trading assets	4,773	10,326
Available-for-sale securities	–	2,694
Loans	–	77
Advances to, and receivables from, subsidiaries:		
Bank and bank holding company	2,106	524
Non-bank	82	46
Investments (at equity) in subsidiaries and affiliates:		
Bank and bank holding company	451,713	422,028
Non-bank ^(b)	422	13,103
Other assets	10,458	10,257
Total assets	\$ 475,023	\$ 464,618
Liabilities and stockholders' equity		
Borrowings from, and payables to, subsidiaries and affiliates ^(b)	\$ 23,426	\$ 13,584
Short-term borrowings	3,350	3,831
Other liabilities	8,302	11,224
Long-term debt ^{(c)(d)}	184,252	181,789
Total liabilities^(d)	219,330	210,428
Total stockholders' equity	255,693	254,190
Total liabilities and stockholders' equity	\$ 475,023	\$ 464,618

Statements of cash flows^(a)

Year ended December 31, (in millions)	2017	2016	2015
Operating activities			
Net income	\$ 24,441	\$ 24,733	\$ 24,442
Less: Net income of subsidiaries and affiliates ^(b)	26,185	27,846	26,745
Parent company net loss	(1,744)	(3,113)	(2,303)
Cash dividends from subsidiaries and affiliates ^(b)	13,540	13,873	17,023
Other operating adjustments	4,635	(18,166)	2,483
Net cash provided by/(used in) operating activities	16,431	(7,406)	17,203
Investing activities			
Net change in:			
Deposits with banking subsidiaries	144	60,349	30,085
Available-for-sale securities:			
Proceeds from paydowns and maturities	–	353	120
Other changes in loans, net	78	1,793	321
Advances to and investments in subsidiaries and affiliates, net	(280)	(51,967)	(81)
All other investing activities, net	17	114	153
Net cash provided by/(used in) investing activities	(41)	10,642	30,598
Financing activities			
Net change in:			
Borrowings from subsidiaries and affiliates ^(b)	13,862	2,957	(4,062)
Short-term borrowings	(481)	109	(47,483)
Proceeds from long-term borrowings	25,855	41,498	42,121
Payments of long-term borrowings	(29,812)	(29,298)	(30,077)
Proceeds from issuance of preferred stock	1,258	–	5,893
Redemption of preferred stock	(1,258)	–	–
Treasury stock repurchased	(15,410)	(9,082)	(5,616)
Dividends paid	(8,993)	(8,476)	(7,873)
All other financing activities, net	(1,361)	(905)	(840)
Net cash used in financing activities	(16,340)	(3,197)	(47,937)
Net increase/(decrease) in cash and due from banks	50	39	(137)
Cash and due from banks at the beginning of the year	113	74	211
Cash and due from banks at the end of the year	\$ 163	\$ 113	\$ 74
Cash interest paid	\$ 5,426	\$ 4,550	\$ 3,873
Cash income taxes paid, net	1,775	1,053	8,251

(a) In 2016, in connection with the Firm's 2016 Resolution Submission, the Parent Company established the IHC, and contributed substantially all of its direct subsidiaries (totaling \$55.4 billion) other than JPMorgan Chase Bank, N.A., as well as most of its other assets (totaling \$160.5 billion) and intercompany indebtedness to the IHC. Total noncash assets contributed were \$62.3 billion. In 2017, the Parent Company transferred \$16.2 billion of noncash assets to the IHC to complete the contributions to the IHC.

(b) Affiliates include trusts that issued guaranteed capital debt securities ("issuer trusts"). For further discussion on these issuer trusts, see Note 19.

(c) At December 31, 2017, long-term debt that contractually matures in 2018 through 2022 totaled \$20.6 billion, \$13.3 billion, \$22.4 billion, \$20.6 billion and \$10.5 billion, respectively.

(d) For information regarding the Parent Company's guarantees of its subsidiaries' obligations, see Notes 19 and 27.

Supplementary information

Selected quarterly financial data (unaudited)

As of or for the period ended (in millions, except per share, ratio, headcount data and where otherwise)	2017				2016			
	4th quarter	3rd quarter	2nd quarter	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter
Selected income statement data								
Total net revenue	\$ 24,153	\$ 25,326	\$ 25,470	\$ 24,675	\$ 23,376	\$ 24,673	\$ 24,380	\$ 23,239
Total noninterest expense	14,591	14,318	14,506	15,019	13,833	14,463	13,638	13,837
Pre-provision profit	9,562	11,008	10,964	9,656	9,543	10,210	10,742	9,402
Provision for credit losses	1,308	1,452	1,215	1,315	864	1,271	1,402	1,824
Income before income tax expense	8,254	9,556	9,749	8,341	8,679	8,939	9,340	7,578
Income tax expense	4,022	2,824	2,720	1,893	1,952	2,653	3,140	2,058
Net income^(a)	\$ 4,232	\$ 6,732	\$ 7,029	\$ 6,448	\$ 6,727	\$ 6,286	\$ 6,200	\$ 5,520
Per common share data								
Net income: Basic	\$ 1.08	\$ 1.77	\$ 1.83	\$ 1.66	\$ 1.73	\$ 1.60	\$ 1.56	\$ 1.36
Diluted	1.07	1.76	1.82	1.65	1.71	1.58	1.55	1.35
Average shares: Basic	3,489.7	3,534.7	3,574.1	3,601.7	3,611.3	3,637.7	3,675.5	3,710.6
Diluted	3,512.2	3,559.6	3,599.0	3,630.4	3,646.6	3,669.8	3,706.2	3,737.6
Market and per common share data								
Market capitalization	\$ 366,301	\$ 331,393	\$ 321,633	\$ 312,078	\$ 307,295	\$ 238,277	\$ 224,449	\$ 216,547
Common shares at period-end	3,425.3	3,469.7	3,519.0	3,552.8	3,561.2	3,578.3	3,612.0	3,656.7
Share price^(b)								
High	\$ 108.46	\$ 95.88	\$ 92.65	\$ 93.98	\$ 87.39	\$ 67.90	\$ 66.20	\$ 64.13
Low	94.96	88.08	81.64	83.03	66.10	58.76	57.05	52.50
Close	106.94	95.51	91.40	87.84	86.29	66.59	62.14	59.22
Book value per share	67.04	66.95	66.05	64.68	64.06	63.79	62.67	61.28
TBVPS ^(c)	53.56	54.03	53.29	52.04	51.44	51.23	50.21	48.96
Cash dividends declared per share	0.56	0.56	0.50	0.50	0.48	0.48	0.48	0.44
Selected ratios and metrics								
ROE	7%	11%	12%	11%	11%	10%	10%	9%
ROTCE ^(c)	8	13	14	13	14	13	13	12
ROA	0.66	1.04	1.10	1.03	1.06	1.01	1.02	0.93
Overhead ratio	60	57	57	61	59	59	56	60
Loans-to-deposits ratio	64	63	63	63	65	65	66	64
HQLA (in billions) ^(d)	\$ 560	\$ 568	\$ 541	\$ 528	\$ 524	\$ 539	\$ 516	\$ 505
LCR (average)	119%	120%	115%	NA%	NA%	NA%	NA%	NA%
CET1 capital ratio ^(e)	12.2	12.5	12.5	12.4	12.3	12.0	12.0	11.9
Tier 1 capital ratio ^(e)	13.9	14.1	14.2	14.1	14.0	13.6	13.6	13.5
Total capital ratio ^(e)	15.9	16.1	16.0	15.6	15.5	15.1	15.2	15.1
Tier 1 leverage ratio ^(e)	8.3	8.4	8.5	8.4	8.4	8.5	8.5	8.6
Selected balance sheet data (period-end)								
Trading assets	\$ 381,844	\$ 420,418	\$ 407,064	\$ 402,513	\$ 372,130	\$ 374,837	\$ 380,793	\$ 366,153
Securities	249,958	263,288	263,458	281,850	289,059	272,401	278,610	285,323
Loans	930,697	913,761	908,767	895,974	894,765	888,054	872,804	847,313
Core loans	863,683	843,432	834,935	812,119	806,152	795,077	775,813	746,196
Average core loans	850,166	837,522	824,583	805,382	799,698	779,383	760,721	737,297
Total assets	2,533,600	2,563,074	2,563,174	2,546,290	2,490,972	2,521,029	2,466,096	2,423,808
Deposits	1,443,982	1,439,027	1,439,473	1,422,999	1,375,179	1,376,138	1,330,958	1,321,816
Long-term debt ^(f)	284,080	288,582	292,973	289,492	295,245	309,418	295,627	290,754
Common stockholders' equity	229,625	232,314	232,415	229,795	228,122	228,263	226,355	224,089
Total stockholders' equity	255,693	258,382	258,483	255,863	254,190	254,331	252,423	250,157
Headcount	252,539	251,503	249,257	246,345	243,355	242,315	240,046	237,420
Credit quality metrics								
Allowance for credit losses	\$ 14,672	\$ 14,648	\$ 14,480	\$ 14,490	\$ 14,854	\$ 15,304	\$ 15,187	\$ 15,008
Allowance for loan losses to total retained loans	1.47%	1.49%	1.49%	1.52%	1.55%	1.61%	1.64%	1.66%
Allowance for loan losses to retained loans excluding purchased credit-impaired loans ^(g)	1.27	1.29	1.28	1.31	1.34	1.37	1.40	1.40
Nonperforming assets	\$ 6,426	\$ 6,154	\$ 6,432	\$ 6,826	\$ 7,535	\$ 7,779	\$ 7,757	\$ 8,023
Net charge-offs ^(h)	1,264	1,265	1,204	1,654	1,280	1,121	1,181	1,110
Net charge-off rate ^(h)	0.55%	0.56%	0.54%	0.76%	0.58%	0.51%	0.56%	0.53%

- (a) The Firm's results for the three months ended December 31, 2017, included a \$2.4 billion decrease to net income as a result of the enactment of the TCJA. For additional information related to the impact of the TCJA, see Note 24.
- (b) Based on daily prices reported by the New York Stock Exchange.
- (c) TBVPS and ROTCE are non-GAAP financial measures. For further discussion of these measures, see Explanation and Reconciliation of the Firm's Use of Non-GAAP Financial Measures and Key Financial Performance Measures on pages 52-54.
- (d) HQLA represents the amount of assets that qualify for inclusion in the liquidity coverage ratio. For December 31, 2017, September 30, 2017 and June 30, 2017 the balance represents the average of quarterly reported results per the U.S. LCR public disclosure requirements effective April 1, 2017 and period-end balances for the remaining periods. For additional information, see HQLA on page 93.
- (e) Ratios presented are calculated under the Basel III Transitional rules and for the capital ratios represent the Collins Floor. See Capital Risk Management on pages 82-91 for additional information on Basel III.
- (f) Included unsecured long-term debt of \$218.8 billion, \$221.7 billion, \$221.0 billion, \$212.0 billion, \$212.6 billion, \$226.8 billion, \$220.6 billion, \$216.1 billion respectively, for the periods presented.
- (g) Excludes the impact of residential real estate PCI loans, a non-GAAP financial measure. For further discussion of these measures, see Explanation and Reconciliation of the Firm's Use of Non-GAAP Financial Measures and Key Performance Measures on pages 52-54, and the Allowance for credit losses on pages 117-119.
- (h) Excluding net charge-offs of \$467 million related to the student loan portfolio sale, the net charge-off rates for the three months ended March 31, 2017 would have been 0.54%.
- (i) The prior period ratios have been revised to conform with the current period presentation.

Distribution of assets, liabilities and stockholders' equity; interest rates and interest differentials

Consolidated average balance sheet, interest and rates

Provided below is a summary of JPMorgan Chase's consolidated average balances, interest rates and interest differentials on a taxable-equivalent basis for the years 2015 through 2017. Income computed on a taxable-equivalent basis is the income reported in the Consolidated

statements of income, adjusted to present interest income and average rates earned on assets exempt from income taxes (i.e. federal taxes) on a basis comparable with other taxable investments. The incremental tax rate used for calculating the taxable-equivalent adjustment was approximately 37% in 2017, and 38% in 2016 and 2015.

(Table continued on next page)

Year ended December 31, (Taxable-equivalent interest and rates; in millions, except rates)	2017		
	Average balance	Interest ^(a)	Average rate
Assets			
Deposits with banks	\$ 438,240	\$ 4,219	0.96%
Federal funds sold and securities purchased under resale agreements	191,819	2,327	1.21
Securities borrowed	95,324	(37) ^(b)	(0.04)
Trading assets - debt instruments	237,206	7,714	3.25
Taxable securities	223,592	5,534	2.48
Non-taxable securities ^(a)	45,086	2,769	6.14
Total securities	268,678	8,303	3.09 ⁽ⁱ⁾
Loans	906,397	41,296 ⁽ⁱ⁾	4.56
All other interest-earning assets ^(b)	42,928	1,863	4.34
Total interest-earning assets	2,180,592	65,685	3.01
Allowance for loan losses	(13,453)		
Cash and due from banks	20,364		
Trading assets - equity instruments	115,913		
Trading assets - derivative receivables	59,588		
Goodwill, MSRs and other intangible assets	53,999		
Other assets	139,059		
Total assets	\$ 2,556,062		
Liabilities			
Interest-bearing deposits	\$ 1,013,221	\$ 2,857	0.28%
Federal funds purchased and securities loaned or sold under repurchase agreements	187,386	1,611	0.86
Short-term borrowings ^(c)	46,532	481	1.03
Trading liabilities - debt and other interest-bearing liabilities ^{(d)(e)}	171,814	2,070	1.21
Beneficial interests issued by consolidated VIEs	32,457	503	1.55
Long-term debt	291,489	6,753	2.32
Total interest-bearing liabilities	1,742,899	14,275	0.82
Noninterest-bearing deposits	404,165		
Trading liabilities - equity instruments ^(e)	21,022		
Trading liabilities - derivative payables	44,122		
All other liabilities, including the allowance for lending-related commitments	87,292		
Total liabilities	2,299,500		
Stockholders' equity			
Preferred stock	26,212		
Common stockholders' equity	230,350		
Total stockholders' equity	256,562^(f)		
Total liabilities and stockholders' equity	\$ 2,556,062		
Interest rate spread			2.19%
Net interest income and net yield on interest-earning assets		\$ 51,410	2.36

(a) Represents securities that are tax-exempt for U.S. federal income tax purposes.

(b) Includes held-for-investment margin loans, which are classified in accrued interest and accounts receivable, and all other interest-earning assets included in other assets.

(c) Includes commercial paper.

(d) Other interest-bearing liabilities include brokerage customer payables.

(e) Included trading liabilities - debt and equity instruments of \$90.7 billion, \$92.8 billion and \$81.4 billion for the twelve months ended December 31, 2017, 2016 and 2015, respectively.

(f) The ratio of average stockholders' equity to average assets was 10.0% for 2017, 10.2% for 2016, and 9.7% for 2015. The return on average stockholders' equity, based on net income, was 9.5% for 2017, 9.9% for 2016, and 10.2% for 2015.

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

(h) Negative interest income and yield is related to client-driven demand for certain securities combined with the impact of low interest rates; this is matched book activity and the negative interest expense on the corresponding securities loaned is recognized in interest expense and reported within trading liabilities - debt, short-term and other liabilities.

(i) Fees and commissions on loans included in loan interest amounted to \$1.0 billion in 2017, \$808 million in 2016, and \$936 million in 2015.

(j) The annualized rate for securities based on amortized cost was 3.13% in 2017, 2.99% in 2016, and 2.94% in 2015, and does not give effect to changes in fair value that are reflected in AOCI.

Within the Consolidated average balance sheets, interest and rates summary, the principal amounts of nonaccrual loans have been included in the average loan balances used to determine the average interest rate earned on loans. For additional information on nonaccrual loans, including interest accrued, see Note 12.

(Table continued from previous page)

2016			2015		
Average balance	Interest ^(a)	Average rate	Average balance	Interest ^(a)	Average rate
\$ 392,160	\$ 1,863	0.48%	\$ 427,963	\$ 1,250	0.29%
205,368	2,265	1.10	206,637	1,592	0.77
102,964	(332) ^(b)	(0.32)	105,273	(532) ^(b)	(0.50)
215,565	7,373	3.42	206,385	6,694	3.24
235,211	5,538	2.35	273,730	6,550	2.39
44,176	2,662	6.03	42,125	2,556	6.07
279,387	8,200	2.94 ^(c)	315,855	9,106	2.88 ^(c)
866,378	36,866 ^(d)	4.26	787,318	33,321 ^(d)	4.23
39,782	875	2.20	38,811	652	1.68
2,101,604	57,110	2.72	2,088,242	52,083	2.49
(13,965)			(13,885)		
18,660			22,042		
95,528			105,489		
70,897			73,290		
53,752			55,439		
135,143			138,792		
\$ 2,461,619			\$ 2,469,409		
\$ 925,270	\$ 1,356	0.15%	\$ 876,840	\$ 1,252	0.14%
178,720	1,089	0.61	192,510	609	0.32
36,140	203	0.56	66,956	175	0.26
177,765	1,102	0.62	178,994	557	0.31
40,180	504	1.25	49,200	435	0.88
295,573	5,564	1.88	284,940	4,435	1.56
1,653,648	9,818	0.59	1,649,440	7,463	0.45
402,698			418,948		
20,737			17,282		
55,927			64,716		
77,910			79,293		
2,210,920			2,229,679		
26,068			24,040		
224,631			215,690		
250,699 ^(f)			239,730 ^(f)		
\$ 2,461,619			\$ 2,469,409		
		2.13%			2.04%
	\$ 47,292	2.25		\$ 44,620	2.14

Interest rates and interest differential analysis of net interest income – U.S. and non-U.S.

Presented below is a summary of interest rates and interest differentials segregated between U.S. and non-U.S. operations for the years 2015 through 2017. The segregation of U.S. and non-U.S. components is based on

the location of the office recording the transaction. Intercompany funding generally consists of dollar-denominated deposits originated in various locations that are centrally managed by Treasury and CIO.

(Table continued on next page)

Year ended December 31, (Taxable-equivalent interest and rates; in millions, except rates)	2017		
	Average balance	Interest	Average rate
Interest-earning assets			
Deposits with banks:			
U.S.	\$ 366,177	\$ 4,091	1.12%
Non-U.S.	72,063	128	0.18
Federal funds sold and securities purchased under resale agreements:			
U.S.	90,878	1,360	1.50
Non-U.S.	100,941	967	0.96
Securities borrowed:			
U.S.	68,110	(66) ^(c)	(0.10)
Non-U.S.	27,214	29	0.11
Trading assets – debt instruments:			
U.S.	128,293	4,186	3.26
Non-U.S.	108,913	3,528	3.24
Securities:			
U.S.	223,140	7,490	3.36
Non-U.S.	45,538	813	1.79
Loans:			
U.S.	832,608	39,439	4.74
Non-U.S.	73,789	1,857	2.52
All other interest-earning assets, predominantly U.S.	42,928	1,863	4.34
Total interest-earning assets	2,180,592	65,685	3.01
Interest-bearing liabilities			
Interest-bearing deposits:			
U.S.	776,049	2,223	0.29
Non-U.S.	237,172	634	0.27
Federal funds purchased and securities loaned or sold under repurchase agreements:			
U.S.	115,574	1,349	1.17
Non-U.S.	71,812	262	0.37
Trading liabilities – debt, short-term and all other interest-bearing liabilities: ^(a)			
U.S.	138,470	1,271	0.92
Non-U.S.	79,876	1,280	1.60
Beneficial interests issued by consolidated VIEs, predominantly U.S.	32,457	503	1.55
Long-term debt:			
U.S.	276,750	6,745	2.44
Non-U.S.	14,739	8	0.05
Intercompany funding:			
U.S.	(2,874)	(25)	–
Non-U.S.	2,874	25	–
Total interest-bearing liabilities	1,742,899	14,275	0.82
Noninterest-bearing liabilities ^(b)	437,693		
Total investable funds	\$ 2,180,592	\$ 14,275	0.65%
Net interest income and net yield:		\$	
U.S.		51,410	2.36%
Non-U.S.		46,059	2.68
Non-U.S.		5,351	1.15
Percentage of total assets and liabilities attributable to non-U.S. operations:			
Assets			22.5
Liabilities			21.1

(a) Includes commercial paper.

(b) Represents the amount of noninterest-bearing liabilities funding interest-earning assets.

(c) Negative interest income and yield is related to client-driven demand for certain securities combined with the impact of low interest rates; this is matched book activity and the negative interest expense on the corresponding securities loaned is recognized in interest expense and reported within trading liabilities – debt, short-term and other liabilities.

For further information, see the “Net interest income” discussion in Consolidated Results of Operations on pages 44-46.

(Table continued from previous page)

2016			2015		
Average balance	Interest	Average rate	Average balance	Interest	Average rate
\$ 328,831	\$ 1,708	0.52%	\$ 388,833	\$ 1,021	0.26%
63,329	155	0.25	39,130	229	0.59
112,902	1,166	1.03	118,945	900	0.76
92,466	1,099	1.19	87,692	692	0.79
73,297	(341) ^(c)	(0.46)	78,815	(562) ^(c)	(0.71)
29,667	9	0.03	26,458	30	0.11
116,211	3,825	3.29	106,465	3,572	3.35
99,354	3,548	3.57	99,920	3,122	3.12
216,726	6,971	3.22	200,240	6,676	3.33
62,661	1,229	1.97	115,615	2,430	2.10
788,213	35,110	4.45	699,664	31,468	4.50
78,165	1,756	2.25	87,654	1,853	2.11
39,782	875	2.20	38,811	652	1.68
2,101,604	57,110	2.72	2,088,242	52,083	2.49
703,738	1,029	0.15	638,756	761	0.12
221,532	327	0.15	238,084	491	0.21
121,945	773	0.63	140,609	366	0.26
56,775	316	0.56	51,901	243	0.47
133,788	86	0.06	166,838	(394) ^(c)	(0.24)
80,117	1,219	1.52	79,112	1,126	1.42
40,180	504	1.25	49,200	435	0.88
283,169	5,533	1.95	273,033	4,386	1.61
12,404	31	0.25	11,907	49	0.41
(20,405)	10	—	(50,517)	7	—
20,405	(10)	—	50,517	(7)	—
1,653,648	9,818	0.59	1,649,440	7,463	0.45
447,956			438,802		
\$ 2,101,604	\$ 9,818	0.47%	\$ 2,088,242	\$ 7,463	0.36%
	\$ 47,292	2.25%		\$ 44,620	2.14%
	40,705	2.49		38,033	2.34
	6,587	1.42		6,587	1.42
		23.1			24.7
		20.7			21.1

Changes in net interest income, volume and rate analysis

The table below presents an attribution of net interest income between volume and rate. The attribution between volume and rate is calculated using annual average balances for each category of assets and liabilities shown in the table and the corresponding annual average rates (see pages 278-282 for more information on average balances and rates). In this analysis, when the change cannot be isolated to either volume or rate, it has been allocated to volume. The average annual rates include the impact of changes in market rates as well as the impact of any change in composition of the various products within each category of asset or liability. This analysis is calculated separately for each category without consideration of the relationship between categories (for example, the net spread between the rates earned on assets and the rates paid on liabilities that fund those assets). As a result, changes in the granularity or groupings considered in this analysis would produce a different attribution result, and due to the complexities involved, precise allocation of changes in interest rates between volume and rates is inherently complex and judgmental.

Year ended December 31, (On a taxable-equivalent basis; in millions)	2017 versus 2016			2016 versus 2015		
	Increase/(decrease) due to change in:		Net change	Increase/(decrease) due to change in:		Net change
	Volume	Rate		Volume	Rate	
Interest-earning assets						
Deposits with banks:						
U.S.	\$ 410	\$ 1,973	\$ 2,383	\$ (324)	\$ 1,011	\$ 687
Non-U.S.	17	(44)	(27)	59	(133)	(74)
Federal funds sold and securities purchased under resale agreements:						
U.S.	(337)	531	194	(55)	321	266
Non-U.S.	81	(213)	(132)	56	351	407
Securities borrowed:						
U.S.	11	264	275	24	197	221
Non-U.S.	(4)	24	20	–	(21)	(21)
Trading assets - debt instruments:						
U.S.	396	(35)	361	317	(64)	253
Non-U.S.	308	(328)	(20)	(24)	450	426
Securities:						
U.S.	216	303	519	515	(220)	295
Non-U.S.	(303)	(113)	(416)	(1,051)	(150)	(1,201)
Loans:						
U.S.	2,043	2,286	4,329	3,992	(350)	3,642
Non-U.S.	(110)	211	101	(220)	123	(97)
All other interest-earning assets, predominantly U.S.	137	851	988	21	202	223
Change in interest income	2,865	5,710	8,575	3,310	1,717	5,027
Interest-bearing liabilities						
Interest-bearing deposits:						
U.S.	209	985	1,194	76	192	268
Non-U.S.	41	266	307	(21)	(143)	(164)
Federal funds purchased and securities loaned or sold under repurchase agreements:						
U.S.	(83)	659	576	(113)	520	407
Non-U.S.	54	(108)	(54)	26	47	73
Trading liabilities - debt, short-term and other interest-bearing liabilities: ^(a)						
U.S.	45	1,140	1,185	(24)	504	480
Non-U.S.	(3)	64	61	14	79	93
Beneficial interests issued by consolidated VIEs, predominantly U.S.						
U.S.	(122)	121	(1)	(113)	182	69
Long-term debt:						
U.S.	(176)	1,388	1,212	219	928	1,147
Non-U.S.	2	(25)	(23)	1	(19)	(18)
Intercompany funding:						
U.S.	151	(186)	(35)	(17)	20	3
Non-U.S.	(151)	186	35	17	(20)	(3)
Change in interest expense	(33)	4,490	4,457	65	2,290	2,355
Change in net interest income	\$ 2,898	\$ 1,220	\$ 4,118	\$ 3,245	\$ (573)	\$ 2,672

(a) Includes commercial paper.

Glossary of Terms and Acronyms

2017 Annual Report or 2017 Form 10-K: Annual report on Form 10-K for year ended December 31, 2017, filed with the U.S. Securities and Exchange Commission.

ABS: Asset-backed securities

Active foreclosures: Loans referred to foreclosure where formal foreclosure proceedings are ongoing. Includes both judicial and non-judicial states.

AFS: Available-for-sale

ALCO: Asset Liability Committee

Allowance for loan losses to total loans: Represents period-end allowance for loan losses divided by retained loans.

Alternative assets: The following types of assets constitute alternative investments - hedge funds, currency, real estate, private equity and other investment funds designed to focus on nontraditional strategies.

AWM: Asset & Wealth Management

AOI: Accumulated other comprehensive income/(loss)

ARM: Adjustable rate mortgage(s)

AUC: Assets under custody

AUM: “Assets under management”: Represent assets managed by AWM on behalf of its Private Banking, Institutional and Retail clients. Includes “Committed capital not Called.”

Auto loan and lease origination volume: Dollar amount of auto loans and leases originated.

Beneficial interests issued by consolidated VIEs: Represents the interest of third-party holders of debt, equity securities, or other obligations, issued by VIEs that JPMorgan Chase consolidates.

Benefit obligation: Refers to the projected benefit obligation for pension plans and the accumulated postretirement benefit obligation for OPEB plans.

BHC: Bank holding company

Card Services includes the Credit Card and Merchant Services businesses.

CB: Commercial Banking

CBB: Consumer & Business Banking

CCAR: Comprehensive Capital Analysis and Review

CCB: Consumer & Community Banking

CCO: Chief Compliance Officer

CCP: “Central counterparty” is a clearing house that interposes itself between counterparties to contracts traded in one or more financial markets, becoming the buyer to every seller and the seller to every buyer and thereby ensuring the future performance of open contracts. A CCP becomes counterparty to trades with market participants

through novation, an open offer system, or another legally binding arrangement.

CDS: Credit default swaps

CEO: Chief Executive Officer

CET1 Capital: Common equity Tier 1 Capital

CFTC: Commodity Futures Trading Commission

CFO: Chief Financial Officer

Chase Bank USA, N.A.: Chase Bank USA, National Association

CIB: Corporate & Investment Bank

CIO: Chief Investment Office

Client assets: Represent assets under management as well as custody, brokerage, administration and deposit accounts.

Client deposits and other third-party liabilities: Deposits, as well as deposits that are swept to on-balance sheet liabilities (e.g., commercial paper, federal funds purchased and securities loaned or sold under repurchase agreements) as part of client cash management programs.

CLO: Collateralized loan obligations

CLTV: Combined loan-to-value

Collateral-dependent: A loan is considered to be collateral-dependent when repayment of the loan is expected to be provided solely by the underlying collateral, rather than by cash flows from the borrower’s operations, income or other resources.

Merchant Services: is a business that primarily processes transactions for merchants.

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

COO: Chief Operating Officer

Core loans: Represents loans considered central to the Firm’s ongoing businesses; core loans exclude loans classified as trading assets, runoff portfolios, discontinued portfolios and portfolios the Firm has an intent to exit.

Credit cycle: A period of time over which credit quality improves, deteriorates and then improves again (or vice versa). The duration of a credit cycle can vary from a couple of years to several years.

Credit derivatives: Financial instruments whose value is derived from the credit risk associated with the debt of a third-party issuer (the reference entity) which allow one party (the protection purchaser) to transfer that risk to another party (the protection seller). Upon the occurrence of a credit event by the reference entity, which may include, among other events, the bankruptcy or failure to pay its

Glossary of Terms and Acronyms

obligations, or certain restructurings of the debt of the reference entity, neither party has recourse to the reference entity. The protection purchaser has recourse to the protection seller for the difference between the face value of the CDS contract and the fair value at the time of settling the credit derivative contract. The determination as to whether a credit event has occurred is generally made by the relevant International Swaps and Derivatives Association (“ISDA”) Determinations Committee.

Criticized: Criticized loans, lending-related commitments and derivative receivables that are classified as special mention, substandard and doubtful categories for regulatory purposes and are generally consistent with a rating of CCC+/Caa1 and below, as defined by S&P and Moody’s.

CRO: Chief Risk Officer

CTC: CIO, Treasury and Corporate

CVA: Credit valuation adjustments

Debit and credit card sales volume: Dollar amount of card member purchases, net of returns.

Deposit margin/deposit spread: Represents net interest income expressed as a percentage of average deposits.

Distributed denial-of-service attack: The use of a large number of remote computer systems to electronically send a high volume of traffic to a target website to create a service outage at the target. This is a form of cyberattack.

DFAST: Dodd-Frank Act Stress Test

Dodd-Frank Act: Wall Street Reform and Consumer Protection Act

DOJ: U.S. Department of Justice

DOL: U.S. Department of Labor

DRPC: Board of Directors’ Risk Policy Committee

DVA: Debit valuation adjustment

E&P: Exploration & Production

EC: European Commission

Eligible LTD: Long-term debt satisfying certain eligibility criteria

Embedded derivatives: are implicit or explicit terms or features of a financial instrument that affect some or all of the cash flows or the value of the instrument in a manner similar to a derivative. An instrument containing such terms or features is referred to as a “hybrid.” The component of the hybrid that is the non-derivative instrument is referred to as the “host.” For example, callable debt is a hybrid instrument that contains a plain vanilla debt instrument (i.e., the host) and an embedded option that allows the issuer to redeem the debt issue at a specified date for a specified amount (i.e., the embedded derivative). However, a floating rate instrument is not a hybrid composed of a fixed-rate instrument and an interest rate swap.

ERISA: Employee Retirement Income Security Act of 1974

EPS: Earnings per share

ETD: “Exchange-traded derivatives”: Derivative contracts that are executed on an exchange and settled via a central clearing house.

EU: European Union

Fannie Mae: Federal National Mortgage Association

FASB: Financial Accounting Standards Board

FCA: Financial Conduct Authority

FCC: Firmwide Control Committee

FDIA: Federal Depository Insurance Act

FDIC: Federal Deposit Insurance Corporation

Federal Reserve: The Board of the Governors of the Federal Reserve System

Fee share: Proportion of fee revenue based on estimates of investment banking fees generated across the industry from investment banking transactions in M&A, equity and debt underwriting, and loan syndications. Source: Dealogic, a third-party provider of investment banking fee competitive analysis and volume-based league tables for the above noted industry products.

FFELP: Federal Family Education Loan Program

FFIEC: Federal Financial Institutions Examination Council

FHA: Federal Housing Administration

FHLB: Federal Home Loan Bank

FICO score: A measure of consumer credit risk provided by credit bureaus, typically produced from statistical models by Fair Isaac Corporation utilizing data collected by the credit bureaus.

Firm: JPMorgan Chase & Co.

Forward points: Represents the interest rate differential between two currencies, which is either added to or subtracted from the current exchange rate (i.e., “spot rate”) to determine the forward exchange rate.

FRC: Firmwide Risk Committee

Freddie Mac: Federal Home Loan Mortgage Corporation

Free standing derivatives: a derivative contract entered into either separate and apart from any of the Firm’s other financial instruments or equity transactions. Or, in conjunction with some other transaction and is legally detachable and separately exercisable.

FSB: Financial Stability Board

FTE: Fully taxable equivalent

FVA: Funding valuation adjustment

FX: Foreign exchange

Glossary of Terms and Acronyms

G7: Group of Seven nations: Countries in the G7 are Canada, France, Germany, Italy, Japan, the U.K. and the U.S.

G7 government bonds: Bonds issued by the government of one of the G7 nations.

Ginnie Mae: Government National Mortgage Association

GSE: Fannie Mae and Freddie Mac

GSIB: Global systemically important banks

HAMP: Home affordable modification program

Headcount-related expense: Includes salary and benefits (excluding performance-based incentives), and other noncompensation costs related to employees.

HELOAN: Home equity loan

HELOC: Home equity line of credit

Home equity – senior lien: Represents loans and commitments where JPMorgan Chase holds the first security interest on the property.

Home equity – junior lien: Represents loans and commitments where JPMorgan Chase holds a security interest that is subordinate in rank to other liens.

Households: A household is a collection of individuals or entities aggregated together by name, address, tax identifier and phone. Reported on a one-month lag.

HQLA: High quality liquid assets

HTM: Held-to-maturity

ICAAP: Internal capital adequacy assessment process

IDI: Insured depository institutions

IHC: JPMorgan Chase Holdings LLC, an intermediate holding company

Impaired loan: Impaired loans are loans measured at amortized cost, for which it is probable that the Firm will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the agreement. Impaired loans include the following:

- All wholesale nonaccrual loans
- All TDRs (both wholesale and consumer), including ones that have returned to accrual status

Interchange income: A fee paid to a credit card issuer in the clearing and settlement of a sales or cash advance transaction.

Investment-grade: An indication of credit quality based on JPMorgan Chase's internal risk assessment system. "Investment grade" generally represents a risk profile similar to a rating of a "BBB-"/"Baa3" or better, as defined by independent rating agencies.

ISDA: International Swaps and Derivatives Association

JPMorgan Chase: JPMorgan Chase & Co.

JPMorgan Chase Bank, N.A.: JPMorgan Chase Bank, National Association

JPMorgan Clearing: J.P. Morgan Clearing Corp.

JPMorgan Securities: J.P. Morgan Securities LLC

Loan-equivalent: Represents the portion of the unused commitment or other contingent exposure that is expected, based on historical portfolio experience, to become drawn prior to an event of a default by an obligor.

LCR: Liquidity coverage ratio

LDA: Loss Distribution Approach

LGD: Loss given default

LIBOR: London Interbank Offered Rate

LLC: Limited Liability Company

LOB: Line of business

Loss emergence period: Represents the time period between the date at which the loss is estimated to have been incurred and the ultimate realization of that loss.

LTIP: Long-term incentive plan

LTV: "Loan-to-value": For residential real estate loans, the relationship, expressed as a percentage, between the principal amount of a loan and the appraised value of the collateral (i.e., residential real estate) securing the loan.

Origination date LTV ratio

The LTV ratio at the origination date of the loan. Origination date LTV ratios are calculated based on the actual appraised values of collateral (i.e., loan-level data) at the origination date.

Current estimated LTV ratio

An estimate of the LTV as of a certain date. The current estimated LTV ratios are calculated using estimated collateral values derived from a nationally recognized home price index measured at the metropolitan statistical area ("MSA") level. These MSA-level home price indices consist of actual data to the extent available and forecasted data where actual data is not available. As a result, the estimated collateral values used to calculate these ratios do not represent actual appraised loan-level collateral values; as such, the resulting LTV ratios are necessarily imprecise and should therefore be viewed as estimates.

Combined LTV ratio

The LTV ratio considering all available lien positions, as well as unused lines, related to the property. Combined LTV ratios are used for junior lien home equity products.

Managed basis: A non-GAAP presentation of financial results that includes reclassifications to present revenue on a fully taxable-equivalent basis. Management uses this non-GAAP financial measure at the segment level, because it believes this provides information to enable investors to understand the underlying operational performance and

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trends of the particular business segment and facilitates a comparison of the business segment with the performance of competitors.

Master netting agreement: A single agreement with a counterparty that permits multiple transactions governed by that agreement to be terminated or accelerated and settled through a single payment in a single currency in the event of a default (e.g., bankruptcy, failure to make a required payment or securities transfer or deliver collateral or margin when due).

MBS: Mortgage-backed securities

MD&A: Management's discussion and analysis

MMDA: Money Market Deposit Accounts

Moody's: Moody's Investor Services

Mortgage origination channels:

Retail - Borrowers who buy or refinance a home through direct contact with a mortgage banker employed by the Firm using a branch office, the Internet or by phone. Borrowers are frequently referred to a mortgage banker by a banker in a Chase branch, real estate brokers, home builders or other third parties.

Correspondent - Banks, thrifts, other mortgage banks and other financial institutions that sell closed loans to the Firm.

Mortgage product types:

Alt-A

Alt-A loans are generally higher in credit quality than subprime loans but have characteristics that would disqualify the borrower from a traditional prime loan. Alt-A lending characteristics may include one or more of the following: (i) limited documentation; (ii) a high CLTV ratio; (iii) loans secured by non-owner occupied properties; or (iv) a debt-to-income ratio above normal limits. A substantial proportion of the Firm's Alt-A loans are those where a borrower does not provide complete documentation of his or her assets or the amount or source of his or her income.

Option ARMs

The option ARM real estate loan product is an adjustable-rate mortgage loan that provides the borrower with the option each month to make a fully amortizing, interest-only or minimum payment. The minimum payment on an option ARM loan is based on the interest rate charged during the introductory period. This introductory rate is usually significantly below the fully indexed rate. The fully indexed rate is calculated using an index rate plus a margin. Once the introductory period ends, the contractual interest rate charged on the loan increases to the fully indexed rate and adjusts monthly to reflect movements in the index. The minimum payment is typically insufficient to cover interest accrued in the prior month, and any unpaid interest is deferred and added to the principal balance of the loan. Option ARM loans are subject to payment recast, which converts the loan to a variable-rate fully amortizing loan

upon meeting specified loan balance and anniversary date triggers.

Prime

Prime mortgage loans are made to borrowers with good credit records who meet specific underwriting requirements, including prescriptive requirements related to income and overall debt levels. New prime mortgage borrowers provide full documentation and generally have reliable payment histories.

Subprime

Subprime loans are loans that, prior to mid-2008, were offered to certain customers with one or more high risk characteristics, including but not limited to: (i) unreliable or poor payment histories; (ii) a high LTV ratio of greater than 80% (without borrower-paid mortgage insurance); (iii) a high debt-to-income ratio; (iv) an occupancy type for the loan is other than the borrower's primary residence; or (v) a history of delinquencies or late payments on the loan.

MSA: Metropolitan statistical areas

MSR: Mortgage servicing rights

Multi-asset: Any fund or account that allocates assets under management to more than one asset class.

NA: Data is not applicable or available for the period presented.

NAV: Net Asset Value

Net Capital Rule: Rule 15c3-1 under the Securities Exchange Act of 1934.

Net charge-off/(recovery) rate: Represents net charge-offs/(recoveries) (annualized) divided by average retained loans for the reporting period.

Net mortgage servicing revenue includes the following components:

Operating revenue predominantly represents the return on Home Lending Servicing's MSR asset and includes:

- Actual gross income earned from servicing third-party mortgage loans, such as contractually specified servicing fees and ancillary income; and
- The change in the fair value of the MSR asset due to the collection or realization of expected cash flows.

Risk management represents the components of

Home Lending Servicing's MSR asset that are subject to ongoing risk management activities, together with derivatives and other instruments used in those risk management activities.

Net production revenue: Includes net gains or losses on originations and sales of mortgage loans, other production-related fees and losses related to the repurchase of previously sold loans.

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Net revenue rate: Represents Card Services net revenue (annualized) expressed as a percentage of average loans for the period.

Net yield on interest-earning assets: The average rate for interest-earning assets less the average rate paid for all sources of funds.

NM: Not meaningful

NOL: Net operating loss

Nonaccrual loans: Loans for which interest income is not recognized on an accrual basis. Loans (other than credit card loans and certain consumer loans insured by U.S. government agencies) are placed on nonaccrual status when full payment of principal and interest is not expected, regardless of delinquency status, or when principal and interest have been in default for a period of 90 days or more unless the loan is both well-secured and in the process of collection. Collateral-dependent loans are typically maintained on nonaccrual status.

Nonperforming assets: Nonperforming assets include nonaccrual loans, nonperforming derivatives and certain assets acquired in loan satisfaction, predominantly real estate owned and other commercial and personal property.

NOW: Negotiable Order of Withdrawal

NSFR: Net stable funding ratio

OAS: Option-adjusted spread

OCC: Office of the Comptroller of the Currency

OCI: Other comprehensive income/(loss)

OEP: One Equity Partners

OIS: Overnight index swap

OPEB: Other postretirement employee benefit

ORMF: Operational Risk Management Framework

OTTI: Other-than-temporary impairment

Over-the-counter (“OTC”) derivatives: Derivative contracts that are negotiated, executed and settled bilaterally between two derivative counterparties, where one or both counterparties is a derivatives dealer.

Over-the-counter cleared (“OTC-cleared”) derivatives: Derivative contracts that are negotiated and executed bilaterally, but subsequently settled via a central clearing house, such that each derivative counterparty is only exposed to the default of that clearing house.

Overhead ratio: Noninterest expense as a percentage of total net revenue.

Parent Company: JPMorgan Chase & Co.

Participating securities: Represents unvested share-based compensation awards containing nonforfeitable rights to dividends or dividend equivalents (collectively, “dividends”), which are included in the earnings per share calculation

using the two-class method. JPMorgan Chase grants RSUs to certain employees under its share-based compensation programs, which entitle the recipients to receive nonforfeitable dividends during the vesting period on a basis equivalent to the dividends paid to holders of common stock. These unvested awards meet the definition of participating securities. Under the two-class method, all earnings (distributed and undistributed) are allocated to each class of common stock and participating securities, based on their respective rights to receive dividends.

PCA: Prompt corrective action

PCI: “Purchased credit-impaired” loans represents certain loans that were acquired and deemed to be credit-impaired on the acquisition date in accordance with the guidance of the FASB. The guidance allows purchasers to aggregate credit-impaired loans acquired in the same fiscal quarter into one or more pools, provided that the loans have common risk characteristics (e.g., product type, LTV ratios, FICO scores, past due status, geographic location). A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

PD: Probability of default

PRA: Prudential Regulatory Authority

Pre-provision profit/(loss): Represents total net revenue less noninterest expense. The Firm believes that this financial measure is useful in assessing the ability of a lending institution to generate income in excess of its provision for credit losses.

Pretax margin: Represents income before income tax expense divided by total net revenue, which is, in management’s view, a comprehensive measure of pretax performance derived by measuring earnings after all costs are taken into consideration. It is one basis upon which management evaluates the performance of AWM against the performance of their respective competitors.

Principal transactions revenue: Principal transactions revenue is driven by many factors, including the bid-offer spread, which is the difference between the price at which the Firm is willing to buy a financial or other instrument and the price at which the Firm is willing to sell that instrument. It also consists of realized (as a result of closing out or termination of transactions, or interim cash payments) and unrealized (as a result of changes in valuation) gains and losses on financial and other instruments (including those accounted for under the fair value option) primarily used in client-driven market-making activities and on private equity investments. In connection with its client-driven market-making activities, the Firm transacts in debt and equity instruments, derivatives and commodities (including physical commodities inventories and financial instruments that reference commodities).

Principal transactions revenue also includes certain realized and unrealized gains and losses related to hedge accounting and specified risk-management activities, including: (a)

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certain derivatives designated in qualifying hedge accounting relationships (primarily fair value hedges of commodity and foreign exchange risk), (b) certain derivatives used for specific risk management purposes, primarily to mitigate credit risk, foreign exchange risk and commodity risk, and (c) other derivatives.

PSU(s): Performance share units

RCSA: Risk and Control Self-Assessment

Real assets: Real assets include investments in productive assets such as agriculture, energy rights, mining and timber properties and exclude raw land to be developed for real estate purposes.

REIT: “Real estate investment trust”: A special purpose investment vehicle that provides investors with the ability to participate directly in the ownership or financing of real-estate related assets by pooling their capital to purchase and manage income property (i.e., equity REIT) and/or mortgage loans (i.e., mortgage REIT). REITs can be publicly or privately held and they also qualify for certain favorable tax considerations.

Receivables from customers: Primarily represents margin loans to brokerage customers that are collateralized through assets maintained in the clients’ brokerage accounts, as such no allowance is held against these receivables. These receivables are reported within accrued interest and accounts receivable on the Firm’s Consolidated balance sheets.

Regulatory VaR: Daily aggregated VaR calculated in accordance with regulatory rules.

REO: Real estate owned

Reported basis: Financial statements prepared under U.S. GAAP, which excludes the impact of taxable-equivalent adjustments.

Retained loans: Loans that are held-for-investment (i.e., excludes loans held-for-sale and loans at fair value).

Revenue wallet: Proportion of fee revenue based on estimates of investment banking fees generated across the industry (i.e., the revenue wallet) from investment banking transactions in M&A, equity and debt underwriting, and loan syndications. Source: Dealogic, a third-party provider of investment banking competitive analysis and volume-based league tables for the above noted industry products.

RHS: Rural Housing Service of the U.S. Department of Agriculture

Risk-rated portfolio: Credit loss estimates are based on estimates of the probability of default (“PD”) and loss severity given a default. The probability of default is the likelihood that a borrower will default on its obligation; the loss given default (“LGD”) is the estimated loss on the loan that would be realized upon the default and takes into consideration collateral and structural support for each credit facility.

ROA: Return on assets

ROE: Return on equity

ROTCE: Return on tangible common equity

RSU(s): Restricted stock units

RWA: “Risk-weighted assets”: Basel III establishes two comprehensive methodologies for calculating RWA (a Standardized approach and an Advanced approach) which include capital requirements for credit risk, market risk, and in the case of Basel III Advanced, also operational risk. Key differences in the calculation of credit risk RWA between the Standardized and Advanced approaches are that for Basel III Advanced, credit risk RWA is based on risk-sensitive approaches which largely rely on the use of internal credit models and parameters, whereas for Basel III Standardized, credit risk RWA is generally based on supervisory risk-weightings which vary primarily by counterparty type and asset class. Market risk RWA is calculated on a generally consistent basis between Basel III Standardized and Basel III Advanced.

S&P: Standard and Poor’s 500 Index

SAR(s): Stock appreciation rights

SCCL: single-counterparty credit limits

Scored portfolio: The scored portfolio predominantly includes residential real estate loans, credit card loans and certain auto and business banking loans where credit loss estimates are based on statistical analysis of credit losses over discrete periods of time. The statistical analysis uses portfolio modeling, credit scoring and decision-support tools.

SEC: Securities and Exchange Commission

Seed capital: Initial JPMorgan capital invested in products, such as mutual funds, with the intention of ensuring the fund is of sufficient size to represent a viable offering to clients, enabling pricing of its shares, and allowing the manager to develop a track record. After these goals are achieved, the intent is to remove the Firm’s capital from the investment.

Short sale: A short sale is a sale of real estate in which proceeds from selling the underlying property are less than the amount owed the Firm under the terms of the related mortgage, and the related lien is released upon receipt of such proceeds.

Single-name: Single reference-entities

SLR: Supplementary leverage ratio

SMBS: Stripped mortgage-backed securities

SOA: Society of Actuaries

SPEs: Special purpose entities

Structural interest rate risk: Represents interest rate risk of the non-trading assets and liabilities of the Firm.

Glossary of Terms and Acronyms

Structured notes: Structured notes are predominantly financial instruments containing embedded derivatives.

Suspended foreclosures: Loans referred to foreclosure where formal foreclosure proceedings have started but are currently on hold, which could be due to bankruptcy or loss mitigation. Includes both judicial and non-judicial states.

Taxable-equivalent basis: In presenting results on a managed basis, the total net revenue for each of the business segments and the Firm is presented on a tax-equivalent basis. Accordingly, revenue from investments that receive tax credits and tax-exempt securities is presented in managed basis results on a level comparable to taxable investments and securities; the corresponding income tax impact related to tax-exempt items is recorded within income tax expense.

TBVPS: Tangible book value per share

TCE: Tangible common equity

TDR: “Troubled debt restructuring” is deemed to occur when the Firm modifies the original terms of a loan agreement by granting a concession to a borrower that is experiencing financial difficulty.

TLAC: Total Loss Absorbing Capacity

U.K.: United Kingdom

Unaudited: Financial statements and information that have not been subjected to auditing procedures sufficient to permit an independent certified public accountant to express an opinion.

U.S.: United States of America

U.S. GAAP: Accounting principles generally accepted in the U.S.

U.S. government-sponsored enterprises (“U.S. GSEs”) and U.S. GSE obligations: In the U.S., GSEs are quasi-governmental, privately held entities established by Congress to improve the flow of credit to specific sectors of the economy and provide certain essential services to the public. U.S. GSEs include Fannie Mae and Freddie Mac, but do not include Ginnie Mae, which is directly owned by the U.S. Department of Housing and Urban Development. U.S. GSE obligations are not explicitly guaranteed as to the timely payment of principal and interest by the full faith and credit of the U.S. government.

U.S. LCR: Liquidity coverage ratio under the final U.S. rule.

U.S. Treasury: U.S. Department of the Treasury

VA: U.S. Department of Veterans Affairs

VaR: “Value-at-risk” is a measure of the dollar amount of potential loss from adverse market moves in an ordinary market environment.

VCG: Valuation Control Group

VGF: Valuation Governance Forum

VIes: Variable interest entities

Warehouse loans: Consist of prime mortgages originated with the intent to sell that are accounted for at fair value and classified as trading assets.

Washington Mutual transaction: On September 25, 2008, JPMorgan Chase acquired certain of the assets of the banking operations of Washington Mutual Bank (“Washington Mutual”) from the FDIC.