JPMORGAN CHASE & CO
Form 10-Q
November 01, 2013

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

For the quarterly period ended September 30, 2013	Commission file number 1-5805

JPMorgan Chase & Co.
(Exact name of registrant as specified in its charter)

Delaware	13-2624428
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
270 Park Avenue, New York, New York	10017
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 270-6000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
T Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
T Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer T Accelerated filer o
Non-accelerated filer (Do not check if a smaller reporting company) o Smaller reporting company o

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

Number of shares of common stock outstanding as of September 30, 2013: 3,759,189,280

FORM 10-Q
TABLE OF CONTENTS

JPMorgan Chase & Co.
Consolidated financial highlights (unaudited)

As of or for the period ended, (in millions, except per share, ratio, headcount data and where otherwise noted)	3Q13	2Q13	1Q13	4Q12	3Q12	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Selected income statement data							
Total net revenue	$23,117	$25,211	$25,122	$23,653	$25,146	$73,450	$73,378
Total noninterest expense	23,626	15,866	15,423	16,047	15,371	54,915	48,682
Pre-provision profit/(loss)	(509)	9,345	9,699	7,606	9,775	18,535	24,696
Provision for credit losses	(543)	47	617	656	1,789	121	2,729
Income before income tax expense	34	9,298	9,082	6,950	7,986	18,414	21,967
Income tax expense	414	2,802	2,553	1,258	2,278	5,769	6,375
Net income/(loss)	$(380)	$6,496	$6,529	$5,692	$5,708	$12,645	$15,592
Per common share data							
Net income/(loss) per share: Basic	$(0.17)	$1.61	$1.61	$1.40	$1.41	$3.08	$3.82
Diluted	(0.17)	1.60	1.59	1.39	1.40	3.05	3.81
Cash dividends declared per share[(a)]	0.38	0.38	0.30	0.30	0.30	1.06	0.90
Book value per share	52.01	52.48	52.02	51.27	50.17	52.01	50.17
Tangible book value per share (“TBVS”)[(b)]	39.51	39.97	39.54	38.75	37.53	39.51	37.53
Common shares outstanding							
Average: Basic	3,767.0	3,782.4	3,818.2	3,806.7	3,803.3	3,789.2	3,810.4
Diluted	3,767.0	3,814.3	3,847.0	3,820.9	3,813.9	3,820.9	3,822.6
Common shares at period-end	3,759.2	3,769.0	3,789.8	3,804.0	3,799.6	3,759.2	3,799.6
Share price[(c)]							
High	$56.93	$55.90	$51.00	$44.54	$42.09	$56.93	$46.49
Low	50.06	46.05	44.20	38.83	33.10	44.20	30.83
Close	51.69	52.79	47.46	43.97	40.48	51.69	40.48
Market capitalization	194,312	198,966	179,863	167,260	153,806	194,312	153,806
Selected ratios and metrics							
Return on common equity (“ROE”)	(1)%	13%	13%	11%	12%	8%	11%
Return on tangible common equity (“ROTCE”)[(b)]	(2)	17	17	15	16	11	15
Return on assets (“ROA”)	(0.06)	1.09	1.14	0.98	1.01	0.71	0.92
Return on risk-weighted assets[(d)(e)]	(0.11)	1.85	1.88	1.76	1.74	1.20	1.61
Overhead ratio	102	63	61	68	61	75	66
Loans-to-deposits ratio	57	60	61	61	63	57	63
High Quality Liquid Assets (“HQLA”) (in billions)[(f)]	$538	$454	$413	$341	NA	$538	NA
Tier 1 capital ratio[(e)]	11.7%	11.6%	11.6%	12.6%	11.9%	11.7%	11.9%
Total capital ratio[(e)]	14.3	14.1	14.1	15.3	14.7	14.3	14.7

Tier 1 leverage ratio	6.9	7.0	7.3	7.1	7.1	6.9	7.1
Tier 1 common capital ratio(e)(g)	10.5	10.4	10.2	11.0	10.4	10.5	10.4
Selected balance sheet data (period-end)							
Trading assets	$383,348	$401,470	$430,991	$450,028	$447,053	$383,348	$447,053
Securities	356,556	354,725	365,744	371,152	365,901	356,556	365,901
Loans	728,679	725,586	728,886	733,796	721,947	728,679	721,947
Total assets	2,463,309	2,439,494	2,389,349	2,359,141	2,321,284	2,463,309	2,321,284
Deposits	1,281,102	1,202,950	1,202,507	1,193,593	1,139,611	1,281,102	1,139,611
Long-term debt(h)	263,372	266,212	268,361	249,024	241,140	263,372	241,140
Common stockholders' equity	195,512	197,781	197,128	195,011	190,635	195,512	190,635
Total stockholders' equity	206,670	209,239	207,086	204,069	199,693	206,670	199,693
Headcount(i)	255,041	254,063	255,898	258,753	259,144	255,041	259,547
Credit quality metrics							
Allowance for credit losses	$18,248	$20,137	$21,496	$22,604	$23,576	$18,248	$23,576
Allowance for loan losses to total retained loans	2.43 %	2.69 %	2.88 %	3.02 %	3.18 %	2.43 %	3.18 %
Allowance for loan losses to retained loans excluding purchased credit-impaired loans(j)	1.89	2.06	2.27	2.43	2.61	1.89	2.61
Nonperforming assets	$10,231	$10,896	$11,584	$11,734	$12,481	$10,231	$12,481
Net charge-offs	1,346	1,403	1,725	1,628	2,770	4,474	7,435
Net charge-off rate	0.74 %	0.78 %	0.97 %	0.90 %	1.53 %	0.83 %	1.39 %

(a) On May 21, 2013, the Board of Directors of JPMorgan Chase increased the Firm's quarterly common stock dividend from $0.30 to $0.38 per share.

(b) TBVS and ROTCE are non-GAAP financial measures. TBVS represents the Firm's tangible common equity divided by period-end common shares. ROTCE measures the Firm's annualized earnings as a percentage of tangible common equity. For further discussion of these measures, see Explanation and Reconciliation of the Firm's Use of Non-GAAP Financial Measures on pages 16–18 of this Form 10-Q.

(c) Share price shown for JPMorgan Chase's common stock is from the New York Stock Exchange. JPMorgan Chase's common stock is also listed and traded on the London Stock Exchange and the Tokyo Stock Exchange.

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

(e) Basel 2.5 rules became effective for the Firm on January 1, 2013. The implementation of these rules in the first quarter of 2013 resulted in an increase of approximately $150 billion in RWA compared with the Basel I rules. The implementation of these rules also resulted in decreases of the Firm's Tier 1 capital, Total capital and Tier 1 common capital ratios by 140 basis points, 160 basis points and 120 basis points, respectively, at March 31, 2013. For further discussion of Basel 2.5, see Regulatory capital on pages 61–65 of this Form 10-Q.

(f) The Firm began estimating its total HQLA as of December 31, 2012, based on its current understanding of the Basel III LCR rules, see HQLA on page 71 of this Form 10-Q.

(g) The Tier 1 common capital ratio ("Tier 1 common ratio") under Basel I is Tier 1 common capital ("Tier 1 common") divided by RWA. The Firm uses Tier 1 common capital along with the other capital measures to assess and monitor its capital position. For further discussion of the Tier 1 common ratio, see Regulatory capital on pages 61–65 of this Form 10-Q.

(h) Included unsecured long-term debt of $199.2 billion, $199.1 billion, $206.1 billion, $200.6 billion, $207.3 billion, $199.2 billion and $207.3 billion, for the respective periods above.

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

(j)

Excludes the impact of residential real estate purchased credit-impaired ("PCI") loans. For further discussion, see Allowance for credit losses on pages 94–96 of this Form 10-Q.

3

INTRODUCTION

This section of the Form 10-Q provides management's discussion and analysis ("MD&A") of the financial condition and results of operations of JPMorgan Chase & Co. ("JPMorgan Chase" or the "Firm"). See the Glossary of terms on pages 215–218 for definitions of terms used throughout this Form 10-Q.

The MD&A included in this Form 10-Q contains statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on the current beliefs and expectations of JPMorgan Chase's management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. For a discussion of those risks and uncertainties and the factors that could cause JPMorgan Chase's actual results to differ materially from those risks and uncertainties, see Forward-looking Statements on page 109 and Part II, Item 1A: Risk Factors, on page 221 of this Form 10-Q; and Part I, Item 1A, Risk Factors, on pages 8–21 of JPMorgan Chase's Annual Report on Form 10-K for the year ended December 31, 2012, filed with the U.S. Securities and Exchange Commission ("2012 Annual Report" or "2012 Form 10-K"), to which reference is hereby made.

JPMorgan Chase & Co., a financial holding company incorporated under Delaware law in 1968, is a leading global financial services firm and one of the largest banking institutions in the United States of America ("U.S."), with operations worldwide. The Firm had $2.5 trillion in assets and $206.7 billion in stockholders' equity as of September 30, 2013. The Firm is a leader in investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing, asset management and private equity. Under the J.P. Morgan and Chase brands, the Firm serves millions of customers in the U.S. and many of the world's most prominent corporate, institutional and government clients.

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

JPMorgan Chase's activities are organized, for management reporting purposes, into four major reportable business segments, as well as a Corporate/Private Equity segment. The Firm's consumer business is the Consumer & Community Banking segment. The Corporate & Investment Bank, Commercial Banking, and Asset Management segments comprise the Firm's wholesale businesses. A description of the Firm's business segments, and the products and services they provide to their respective client bases, follows.

Consumer & Community Banking

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

Corporate & Investment Bank

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

Commercial Banking

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

Asset Management

Asset Management ("AM"), with client assets of $2.2 trillion as of September 30, 2013, is a global leader in investment and wealth management. AM clients include institutions, high-net-worth individuals and retail investors in every major market throughout the world. AM offers investment management across all major asset classes including equities, fixed income, alternatives and money market funds. AM also offers multi-asset investment management, providing solutions to a broad range of clients' investment needs. For individual investors, AM also provides retirement products and services, brokerage and banking services, including trust and estate, loans, mortgages and deposits. The majority of AM's client assets are in actively managed portfolios.

In addition to the four major reportable business segments outlined above, the following is a description of the Corporate/Private Equity segment.

Corporate/Private Equity

The Corporate/Private Equity segment comprises Private Equity, Treasury and Chief Investment Office ("CIO"), and Other Corporate, which includes corporate staff units and expense that is centrally managed. Treasury and CIO are predominantly responsible for measuring, monitoring, reporting and managing the Firm's liquidity, funding, capital and structural interest rate and foreign exchange risks. The major corporate staff units include Central Technology and Operations, Internal Audit, Executive, Finance, Human Resources, Legal, Compliance, Global Real Estate, Operational Control, Risk Management, and Corporate Responsibility & Public Policy. Other centrally managed expense includes the Firm's occupancy and pension-related expense that are subject to allocation to the businesses.

EXECUTIVE OVERVIEW

This executive overview of the MD&A highlights selected information and may not contain all of the information that is important to readers of this Form 10-Q. For a complete description of trends and uncertainties, as well as the risks and critical accounting estimates affecting the Firm and its various lines of business, this Form 10-Q should be read in its entirety.

Economic environment

The U.S. economy grew at a moderate pace in the third quarter of 2013. Employment continued to expand, and the U.S. unemployment rate fell to 7.2%, as labor market conditions continued to improve gradually. However, inflation remained below the Federal Reserve’s Open Market Committee’s long-run target of 2%.

The U.S. housing sector continued to recover despite a rise in mortgage rates earlier in the quarter, primarily driven by improving house price indexes. Existing home sales reached the highest level in six-and-a-half years, while the median home price carried its ninth consecutive month of double-digit year-over-year increases in August 2013.

In September 2013, the Federal Reserve’s Open Market Committee decided to delay the tapering of its bond buying program, citing rising mortgage rates and uncertainty regarding the political debate on the federal budget and debt ceiling. A partial government shutdown began on October 1, 2013 which will likely exert a drag on GDP in the fourth quarter of 2013. On October 16, 2013, the U.S. government reached an agreement on the continuing resolution funding the government and suspending the debt ceiling until February 7, 2014, averting default.

Economic activity in the European Union gradually began to strengthen this quarter, but the pace of growth remained slow. Outside the Eurozone, the UK economy continued to recover at a modest pace.

In Asia, the Chinese economy returned to relative stability, as policy makers remain focused on balancing structural reforms, financial stability and growth. In Japan, the Bank of Japan left its economic easing policy unchanged this quarter, and Japanese real GDP grew at a 4% annualized rate in the first half of the year.

Economic growth in Latin America in the third quarter continued to be slow as reflected in the International Monetary Fund cutting the region’s growth forecast for 2013 to 2.7%.

Financial performance of JPMorgan Chase

	Three months ended September 30,			Nine months ended September 30,		
(in millions, except per share data and ratios)	2013	2012	Change	2013	2012	Change
Selected income statement data						
Total net revenue	$23,117	$25,146	(8)%	$73,450	$73,378	—%
Total noninterest expense	23,626	15,371	54	54,915	48,682	13
Pre-provision profit/(loss)	(509)	9,775	NM	18,535	24,696	(25)
Provision for credit losses	(543)	1,789	NM	121	2,729	(96)
Net income/(loss)	(380)	5,708	NM	12,645	15,592	(19)
Diluted earnings per share	(0.17)	1.40	NM	3.05	3.81	(20)%
Return on common equity	(1)%	12%		8%	11%	
Capital ratios						
Tier 1 capital	11.7	11.9				
Tier 1 common[(a)]	10.5	10.4				

(a) The Tier 1 common capital ratio (“Tier 1 common ratio”) under Basel I is Tier 1 common capital (“Tier 1 common”) divided by RWA. The Firm uses Tier 1 common capital along with the other capital measures to assess and monitor its capital position. For further discussion of the Tier 1 common ratio, see Regulatory capital on pages 61–65 of this Form 10-Q.

Business Overview

JPMorgan Chase reported a third-quarter 2013 net loss of $0.4 billion, or $(0.17) per share, on net revenue of $23.1 billion. Net income decreased by $6.1 billion, compared with net income of $5.7 billion, or $1.40 per share, in the third quarter of 2012. Return on equity for the quarter was (1)%, compared with 12% for the prior-year quarter. Results in the third quarter of 2013 included the following significant items: $9.15 billion pretax expense ($7.20 billion after-tax and $1.85 per share after-tax decrease in earnings) for legal expense in Corporate, including reserves for litigation and regulatory proceedings; and $1.60 billion pretax benefit ($992 million after-tax and $0.26 per share after-tax increase in earnings) from a reduction in the

allowance for loan losses in Consumer & Community Banking. Adjusting for these two items, the Firm would have earned $5.8 billion in net income, corresponding to $1.42 earnings per share. Each of these measures are non-GAAP financial measures, for further discussion, see Explanation and Reconciliation of the Firm's Use of Non-GAAP Financial Measures on pages 16–18 of this Form 10-Q.
The decrease in net income from the third quarter of 2012 was driven by higher noninterest expense and lower net revenue, partially offset by lower provision for credit losses. The decrease in net revenue compared with the prior year was mainly driven by lower mortgage fees and related income and lower securities gains, partially offset by higher principal transactions and higher asset management,

administration and commissions revenue. The decrease in mortgage fees and related income reflected lower mortgage production-related revenue, reflecting lower volumes and lower margins, partially offset by lower repurchase losses; and by a decrease in net mortgage servicing-related revenue. Net interest income decreased compared with the prior year, reflecting the impact of lower loan yields due to competitive pressures and replacement of higher yielding loans with lower yielding loans, partially offset by higher investment securities yield and lower net interest expense on long-term debt.

Results in the third quarter of 2013 reflected lower estimated losses due to improved delinquency trends in the residential real estate and credit card portfolios, as well as the impact of improved home prices on the residential real estate portfolio. The provision for credit losses was a benefit of $543 million, compared with a provision for credit losses of $1.8 billion in the prior year. The total consumer provision for credit losses was a benefit of $273 million, compared with an expense of $1.9 billion in the prior year. The current-quarter consumer provision reflected a $1.6 billion reduction in the allowance for loan losses. Consumer net charge-offs were $1.3 billion, compared with $2.8 billion in the prior year, resulting in net charge-off rates of 1.47% and 3.10%, respectively, excluding in each year the PCI portfolio. The prior-year total net charge-offs included $880 million of incremental charge-offs reported in accordance with regulatory guidance on certain loans discharged under Chapter 7 bankruptcy. The wholesale provision for credit losses was a benefit of $270 million, compared with a benefit of $63 million in the prior year. Wholesale net charge-offs were $26 million, compared with net recoveries of $34 million in the prior year, resulting in a net charge-off rate of 0.03% and a net recovery rate of 0.05%, respectively. The Firm’s allowance for loan losses to period-end loans retained, excluding PCI loans, was 1.89%, compared with 2.61% in the prior year. The Firm’s nonperforming assets totaled $10.2 billion, down from the prior-quarter and prior-year levels of $10.9 billion and $12.5 billion, respectively.

Noninterest expense was $23.6 billion, up $8.3 billion, or 54%, compared with the prior year, driven by higher legal expense. The current quarter included approximately $9.3 billion of legal expense, including reserves for litigation and regulatory proceedings, compared with $790 million of expense for additional litigation reserves in the prior year.

The Firm’s results reflected strong underlying performance across its businesses. CCB average deposits were up 10%. Client investment assets were a record $179.0 billion, up 16%, and credit card sales volume was a record $107.0 billion, up 11% from the prior year. Corporate & Investment Banking reported strong performance across products and maintained its #1 ranking for Global Investment Banking fees. Corporate & Investment Banking assets under custody were a record $19.7 trillion, up 8% compared with the prior year, and average client deposits and other third-party

liabilities were up 10% compared with the prior year. Asset Management reported net long-term product flows of $19 billion, positive for the eighteenth consecutive quarter, total client assets of $2.2 trillion and record loan balances of $90.5 billion.

Net income during the nine months of 2013 was $12.6 billion, or $3.05 per share, compared with $15.6 billion, or $3.81 per share, in the first nine months of 2012. The decrease was driven by an increase in noninterest expense, partially offset by a decrease in provision for credit losses. Noninterest expense was $54.9 billion, up $6.2 billion, or 13%, compared with the prior year, driven by higher legal expense. The lower provision for credit losses reflected an improved credit environment.

The Firm maintained its strong balance sheet, ending the third quarter with Basel I Tier 1 common capital of $145 billion and a Tier 1 common ratio of 10.5%, including the impact of Basel 2.5 rules that became effective at the beginning of this year. The Firm estimated that its Tier 1 common ratio under the Basel III Advanced approach on a fully phased-in basis was approximately 9.3% at September 30, 2013, including the estimated impact of final Basel III rules issued on July 2, 2013. (The Basel I and Basel III Tier 1 common ratios are non-GAAP financial measures, which the Firm uses along with the other capital measures to assess and monitor its capital position. For further discussion of the Tier 1 common capital ratios, see Regulatory capital on pages 61–65 of this Form 10-Q.)

JPMorgan Chase continued to support clients, consumers, companies and communities around the globe. The Firm provided credit and raised capital of $1.6 trillion for commercial and consumer clients during the nine months ended September 30, 2013. This included $14 billion of credit provided for U.S. small businesses and $442 billion of credit provided for corporations. This also included more than $829 billion of capital for clients and more than $59 billion of credit provided to, and capital raised for, nonprofit and government entities, including states, municipalities, hospitals and universities.

Consumer & Community Banking net income increased, compared with the prior year, due to lower provision for credit losses and noninterest expense, predominantly offset by lower net revenue. The decrease in net revenue was driven by lower mortgage fees and related income. Net interest income decreased from the prior year, driven by lower deposit margins, spread compression in Credit Card and Auto and lower loan balances due to portfolio runoff, largely offset by higher deposit balances. The provision for credit losses was a benefit of $267 million, compared with a provision for credit losses of $1.9 billion in the prior year. The current-quarter provision reflected a $1.6 billion reduction in the allowance for loan losses and total net charge-offs of $1.3 billion. The prior-year provision reflected a $955 million reduction in the allowance for loan losses and total net charge-offs of $2.8 billion. Prior-year total net charge-offs included $880 million of incremental charge-offs reported in accordance with regulatory guidance on certain loans discharged under Chapter 7 bankruptcy. Noninterest expense decreased from the prior year, driven by lower mortgage servicing expense, partially offset by continued investments in Chase Private Client expansion, and costs related to the control agenda. Return on equity for the third quarter of 2013 was 23% on $46.0 billion of average allocated capital.

Corporate & Investment Bank net income increased compared with the prior year, reflecting lower noninterest expense and a higher benefit from the provision for credit losses, partially offset by lower net revenue. Net revenue included a $397 million loss from debit valuation adjustments ("DVA"; a non-GAAP financial measure) on structured notes and derivative liabilities; the prior year included a loss from DVA of $211 million, as well as a modest loss from the synthetic credit portfolio. Excluding the impact of DVA, revenue was flat, with higher Banking revenue predominantly offset by lower Markets and Investor Services revenue. Noninterest expense decreased from the prior year, primarily driven by lower compensation expense. Return on equity for the third quarter of 2013 was 16%, or 17% excluding DVA, on $56.5 billion of average allocated capital.

Commercial Banking net income decreased compared with the prior year, reflecting an increase in noninterest expense, partially offset by a lower provision for credit losses. Net revenue was flat compared with the prior year. Net interest income was flat compared with the prior year, reflecting spread compression on loan and liability products and lower purchase discounts recognized on loan repayments, predominantly offset by higher loan balances. Noninterest expense increased by 10% compared with the prior year reflecting higher product- and headcount-related expense. Return on equity for the third quarter of 2013 was 20% on $13.5 billion of average allocated capital.

Asset Management net income increased compared with the prior year, reflecting higher net revenue, predominantly offset by higher noninterest expense. Noninterest revenue increased due to net client inflows, the effect of higher market levels and higher placement fees. Net interest income increased due to higher loan and deposit balances, partially offset by narrower loan and deposit spreads. Noninterest expense increased from the prior year, primarily due to higher headcount-related expense, higher performance-based compensation and costs related to the control agenda. Return on equity was 21% on $9.0 billion of average allocated capital and pretax margin was 28% for the third quarter of 2013.

Corporate/Private Equity net income was a loss of $6.5 billion, compared with net income of $228 million in the prior year.

Private Equity reported net income of $242 million, compared with a net loss of $89 million in the prior year. Net revenue was $398 million, compared with a loss of

$135 million in the prior year, primarily due to net valuation gains on private investments.

Treasury and CIO reported a net loss of $193 million, compared with net income of $369 million in the prior year. Net revenue was a loss of $232 million, compared with net revenue of $713 million in the prior year. The prior-year revenue reflected $888 million extinguishment gains related to the redemption of trust preferred securities. Current-quarter net interest income was a loss of $261 million due to low interest rates and limited reinvestment opportunities.

Other Corporate reported a net loss of $6.5 billion, compared with a net loss of $52 million in the prior year. The current quarter included approximately $9.15 billion of legal expense, including reserves for litigation and regulatory proceedings, compared with $684 million of expense for additional litigation reserves in the prior year.

Note: The Firm uses a single U.S.-based, blended marginal tax rate of 38% ("the marginal rate") to report the estimated after-tax effects of each significant item affecting net income. This rate represents the weighted-average marginal tax rate for the U.S. consolidated tax group. The Firm uses this single marginal rate to reflect the tax effects of all significant items because (a) it simplifies the presentation and analysis for management and investors; (b) it has proved to be a reasonable estimate of the marginal tax effects; and (c) often there is uncertainty at the time a significant item is disclosed regarding its ultimate tax outcome.

2013 Business outlook

The following forward-looking statements are based on the current beliefs and expectations of JPMorgan Chase's management and are subject to significant risks and uncertainties. These risks and uncertainties could cause the Firm's actual results to differ materially from those set forth in such forward-looking statements. See Forward-Looking Statements on page 109 and Risk Factors on page 221 of this Form 10-Q.

JPMorgan Chase's outlook for the remainder of 2013 should be viewed against the backdrop of the global and U.S. economies, financial markets activity, the geopolitical environment, the competitive environment, client activity levels, and regulatory and legislative developments in the U.S. and other countries where the Firm does business. Each of these linked factors will affect the performance of the Firm and its lines of business.

The Firm expects that net interest income for the fourth quarter of 2013 will be relatively flat from third-quarter levels. Firmwide adjusted expense is expected to be $59.5–$60 billion for the full year 2013 (including approximately $1 billion of increase in spending related to the control agenda and approximately $0.5 billion of non-Corporate litigation, but excluding Corporate litigation expense and foreclosure-related matters).

In Mortgage Banking within CCB, management expects to continue to incur elevated default- and foreclosure-related costs, including additional costs associated with the Firm's mortgage servicing processes, particularly its loan modification and foreclosure procedures.

Primary mortgage interest rates increased in the second quarter of 2013 and remained at those higher levels in the third quarter of 2013. Management expects such a market environment to have a negative impact on refinancing volumes and margins, and, accordingly, the pretax income of Mortgage Production is anticipated to be slightly negative in the fourth quarter of 2013.

For Real Estate Portfolios within Mortgage Banking, total net charge-offs for the fourth quarter of 2013 are expected to be approximately $200 million, if current trends continue. If net charge-offs and delinquencies continue to trend down, the related allowance for loan losses could continue to be reduced over time.

In the Card Services business within Card, Merchant Services & Auto, the Firm expects that, if current credit trends in the credit card portfolio continue to improve, including improving delinquency rates and lower balances of restructured loans, it is possible that there could be a further release of approximately $150 million from the related allowance for loan losses in the fourth quarter of 2013.

The currently anticipated results for CCB described above could be adversely affected if economic conditions, including U.S. housing prices or the unemployment rate, do not continue to improve. Management continues to closely monitor the portfolios in these businesses.

In Private Equity, within the Corporate/Private Equity segment, earnings will likely continue to be volatile and influenced by capital markets activity, market levels, the performance of the broader economy and investment-specific factors.

For Treasury and CIO, as the Firm continues to reinvest its investment securities portfolio, net interest income is expected to improve over the next several quarters.

For Other Corporate, within the Corporate/Private Equity segment, management expects quarterly net income, excluding material legal expense and significant items, if any, to be approximately $100 million, but this amount is likely to vary each quarter.

Regulatory developments

JPMorgan Chase is subject to regulation under state and federal laws in the U.S., as well as the applicable laws of each of the various other jurisdictions outside the U.S. in which the Firm does business. In addition, certain affiliates and subsidiaries of the Firm are banks, registered broker-dealers, futures commission merchants, investment advisers or other regulated entities and, in those capacities, are subject to regulation by various U.S., state and foreign securities, banking, commodities futures, consumer protection and other regulators. The Firm is currently experiencing an unprecedented increase in regulation and supervision, and such changes could have a significant impact on how the Firm conducts business.

As previously disclosed, in July 2013, the Board of Governors of the Federal Reserve System (the "Federal Reserve"), the Office of the Comptroller of the Currency (the "OCC"), and the Federal Deposit Insurance Corporation (the "FDIC") approved the interim final rules for implementing Basel III in the U.S. The interim final rules narrowed the definition of capital, increased capital requirements for certain exposures, set higher capital ratio requirements and minimum floors with respect to the capital ratio requirements, and included a supplementary leverage ratio. U.S. banking regulators and the Basel Committee on Banking Supervision ("Basel Committee") have, in addition, proposed changes to the leverage ratios applicable to the Firm and its bank subsidiaries. On October 24, 2013, the U.S. banking regulators released a proposal to implement a quantitative liquidity requirement consistent with, but more conservative than, the Basel III Liquidity Coverage Ratio ("LCR") for large banks. It also provides for an accelerated transition period compared to what is currently required under the Basel III LCR rules. The Firm is currently assessing the impact of this new proposal to its current estimate of LCR. For further information regarding Basel III, including the supplementary leverage ratio, see Regulatory capital on pages 61–65, and for LCR, see Liquidity risk management on pages 68–73 of this Form 10-Q. Also in July 2013, as previously disclosed, the U.S. District Court for the District of Columbia ruled that the Federal Reserve exceeded its authority in the manner it set a cap on debit card transaction interchange fees and established network exclusivity prohibitions in its regulation implementing the Durbin Amendment provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The Federal Reserve announced in August, 2013 that it was appealing the decision and the appellate court has set up an expedited briefing schedule; the Federal Reserve’s current regulations are expected to remain in effect until the appeal is decided. It is too early for the Firm to determine what effects the District Court decision could have on the Firm, as any such effects (and the timing thereof) will depend on numerous factors, including the outcome of the appeal, the substance of any new or revised regulations that may be promulgated as a result thereof and any changes in business practices the Firm may make in response thereto.

Rulemaking under the Dodd-Frank Act, as well as other federal banking laws, by the Federal Reserve, the OCC, and the FDIC, the Commodities Futures Trading Commission (the "CFTC"), the Securities Exchange Commission (the "SEC"), and the Bureau of Consumer Financial Protection (the "CFPB") is continuing. In June, 2013, the CFTC published final rules enacting the Dodd-Frank requirement that swaps that are required to be cleared ("required swaps"), be executed on a "swap execution facility" ("SEF"); until the final rules were issued, the market assumed that only those platforms which offered required swaps would be required to register as a SEF. However, when the final rules were issued, included in a footnote was the requirement that all trading platforms that meet the definition of a SEF register with the CFTC — even if the trading platform does not execute required swaps — thereby mandating that all such platforms register with the CFTC by October 2, 2013. Because many non-U.S. platforms that do not execute required swaps have taken the position that they would not need to register with the CFTC unless they permit U.S. persons to transact on their platform, they have, as a result of the final rules, become unwilling to permit certain U.S. market participants, such as JPMorgan Chase Bank, N.A., access to their platforms. The Firm believes reduced participation by U.S. persons in certain non-U.S. swaps markets will adversely affect the liquidity of such markets. Finally, the responsible agencies have indicated that a final Volcker rule may be forthcoming by or near the end of 2013; depending on how the final rule deals with issues involving market-making, hedging and sponsored funds, it could adversely affect the Firm's investment banking and investment management businesses, and other of the Firm's activities. The Firm continues to work diligently to assess and understand the implications of all the regulatory changes it is facing, and is devoting substantial resources to implementing all the new regulations while, at the same time, endeavoring to meet the needs and expectations of its clients.

The Firm is also experiencing heightened regulatory scrutiny of its compliance with applicable laws and rules, as well as its controls and operational processes. As previously disclosed, the Firm has entered into several Consent Orders and regulatory settlements (including, in certain instances, with multiple regulators proceeding in respect of the same underlying conduct), some of which have resulted in civil money penalties and payments of restitution or disgorgement. The Firm expects that such regulatory scrutiny will continue, and that regulators will increasingly use formal enforcement actions instead of informal supervisory actions or criticisms. For further discussion of the Consent Orders and other regulatory settlements, see Note 23 on pages 201–209 of this Form 10-Q.

The effect of the changes in law and the heightened scrutiny of its regulators, the increase in threatened and pending litigation facing the Firm, and the escalating demands and penalties being imposed by various governmental agencies,

has resulted in additional legal expense for the Firm in recent periods.

As of September 30, 2013, the Firm had total reserves for litigation and regulatory proceedings of approximately $23 billion. These reserves, which reflect the Firm's estimate of probable and estimable losses from litigation and regulatory proceedings as of September 30, 2013, relate to a broad range of matters, and involve significant management judgment, based upon information available as of the date of such estimate and taking into consideration management's best estimate of such losses for those cases for which such estimates can be made. Accordingly, such reserves will change from time to time.

The Firm cannot, in light of the various factors discussed above, quantify the possible effects on its business and operations or financial condition of all the significant changes that are currently underway. For further discussion of the Firm's litigation matters, see Note 23 on pages 201–209 of this Form 10-Q, and for additional information regarding regulatory developments, see Supervision and Regulation on pages 1–8 and Risk factors on pages 8–21, of JPMorgan Chase's 2012 Form 10-K.

Business events

Changes to preferred stock

On February 5, 2013, the Firm issued $900 million of noncumulative preferred stock. On April 23, 2013, the Firm issued $1.5 billion of noncumulative preferred stock. On July 29, 2013, the Firm issued $1.5 billion of noncumulative preferred stock.

The Firm redeemed all $1.8 billion of its outstanding 8.625% noncumulative preferred stock, Series J on September 1, 2013. For additional information on the Firm's preferred stock, see Note 22 on page 300 of the Firm's 2012 Annual Report.

Redemption of outstanding trust preferred securities

On May 8, 2013, the Firm redeemed approximately $5.0 billion, or 100% of the liquidation amount, of the following eight series of trust preferred securities: JPMorgan Chase Capital X, XI, XII, XIV, XVI, XIX, XXIV, and BANK ONE Capital VI. For a further discussion of trust preferred securities, see Note 21 on pages 297–299 of JPMorgan Chase's 2012 Annual Report.

Increase in common stock dividend

On May 21, 2013, the Board of Directors increased the Firm's quarterly common stock dividend from $0.30 per share to $0.38 per share, effective with the dividend paid on July 31, 2013, to shareholders of record on July 5, 2013.

One Equity Partners

As announced on June 14, 2013, One Equity Partners ("OEP") will raise its next fund from an external group of limited partners and then become independent from JPMorgan Chase. Until it becomes independent from the Firm, OEP will continue to make direct investments for JPMorgan Chase, and thereafter continue to manage the then-existing group of portfolio companies for JPMorgan Chase to maximize value for the Firm.

Physical commodities businesses

On July 26, 2013, the Firm announced that it is pursuing strategic alternatives for its physical commodities businesses, including its remaining holdings of commodities assets and its physical trading operations. The Firm is exploring a full range of options, including but not limited to: a sale, spin off or strategic partnership. During this process, the Firm will continue to run its physical commodities business as a going concern. The Firm remains fully committed to its traditional banking activities in the commodities markets, including financial derivatives and the trading of precious metals, which are not part of these strategic alternatives.

Student loan business

The Firm has announced it intends to exit student loan originations.

Subsequent events

One Chase Manhattan Plaza

On October 17, 2013, the Firm entered into a $725 million agreement for the sale of One Chase Manhattan Plaza, an office building located in New York City. The transaction is anticipated to close in the fourth quarter of 2013.

Mortgage-backed securities settlements with the Federal Housing Finance Agency, Freddie Mac and Fannie Mae

On October 25, 2013, the Firm announced that it had reached an agreement to resolve all of its mortgage-backed securities ("MBS") litigation with the Federal Housing Finance Agency ("FHFA") as conservator for Freddie Mac and Fannie Mae for $4.0 billion. This settlement resolves the Firm's largest MBS case and relates to approximately $33.8 billion of securities purchased by Fannie Mae and Freddie Mac from JPMorgan Chase, Bear Stearns and Washington Mutual. The Firm also simultaneously agreed to resolve, for $1.1 billion, GSE repurchase claims for breaches of representations and warranties on loans sold to the GSEs from 2000 to 2008, except for certain limited types of exposures. The settlement does not release the Firm's liability with respect to its servicing obligations on the covered loans. For additional information see Note 23 on pages 201–209 of this Form 10-Q.

CONSOLIDATED RESULTS OF OPERATIONS

The following section provides a comparative discussion of JPMorgan Chase's Consolidated Results of Operations on a reported basis for the three and nine months ended September 30, 2013 and 2012. Factors that relate primarily to a single business segment are discussed in more detail

within that business segment. For a discussion of the Critical Accounting Estimates Used by the Firm that affect the Consolidated Results of Operations, see pages 106–108 of this Form 10-Q and pages 178–182 of JPMorgan Chase's 2012 Annual Report.

Revenue

	Three months ended September 30,			Nine months ended September 30,		
(in millions)	2013	2012	Change	2013	2012	Change
Investment banking fees	$1,507	$1,443	4 %	$4,669	$4,081	14 %
Principal transactions[a]	2,662	2,047	30	10,183	4,342	135
Lending- and deposit-related fees	1,519	1,562	(3)	4,476	4,625	(3)
Asset management, administration and commissions	3,667	3,336	10	11,131	10,189	9
Securities gains	26	458	(94)	659	2,008	(67)
Mortgage fees and related income	841	2,377	(65)	4,116	6,652	(38)
Card income	1,518	1,428	6	4,440	4,156	7
Other income[b]	602	1,519	(60)	1,364	3,537	(61)
Noninterest revenue	12,342	14,170	(13)	41,038	39,590	4
Net interest income	10,775	10,976	(2)	32,412	33,788	(4)
Total net revenue	$23,117	$25,146	(8)%	$73,450	$73,378	— %

(a) Includes DVA on structured notes and derivative liabilities measured at fair value. DVA gains/(losses) were $(397) million and $(211) million for the three months ended September 30, 2013 and 2012, respectively, and $84 million and $(363) million for the nine months ended September 30, 2013 and 2012, respectively.

(b) Included operating lease income of $376 million and $331 million for the three months ended September 30, 2013 and 2012, respectively, and $1.1 billion and $982 million for the nine months ended September 30, 2013 and 2012, respectively.

Total net revenue for the three months ended September 30, 2013, was $23.1 billion, a decrease of $2.0 billion, or 8%, compared with the three months ended September 30, 2012. For the nine months ended September 30, 2013, total net revenue was $73.5 billion, an increase of $72 million, from the same period of the prior year. For the three months ended September 30, 2013, lower mortgage fees and related income, as well as other income were offset partially by higher principal transactions revenue. For the nine months ended September 30, 2013, higher principal transactions revenue, asset management, administration and commissions revenue, and investment banking fees were offset partially by lower mortgage fees and related income, net interest income, securities gains and other income.

Investment banking fees for both the three and nine months ended September 30, 2013, increased compared with the prior year, due to higher debt and equity underwriting fees, partially offset by lower advisory fees. The increase in debt and equity underwriting fees for the nine months ended September 30, 2013, compared with the prior year was driven by overall industry wallet growth and an increase in the Firm's wallet share. The decrease in advisory fees compared with the prior year was due to the industry-wide M&A wallet decline, partially offset by a higher share of completed transactions. For additional information on investment banking fees, which are primarily recorded in CIB, see CIB segment results pages 36–41 and Note 6 on pages 145–146 of this Form 10-Q.

Principal transactions revenue increased for both the three and nine months ended September 30, 2013, compared with the prior year. The increase for the three months ended September 30, 2013 was primarily due to net valuation gains, compared with net valuation losses in the prior year, in Corporate/Private Equity. In addition, the prior year included a $449 million loss on the index credit derivative positions retained by CIO and a modest loss from the synthetic credit portfolio in CIB. Principal transactions revenue for the nine months ended September 30, 2013 increased significantly compared with the prior year. The prior-year period included the aforementioned loss in CIO, in addition to the $5.8 billion loss on the synthetic credit portfolio incurred by CIO in the first six months of 2012. The current-year period reflected strong equity markets revenue in CIB and a gain related to DVA on structured notes and derivative liabilities, compared with a loss in the prior year; these were partially offset by the absence of a $663 million gain recognized in 2012 in Other Corporate, representing the recovery on a Bear Stearns-related subordinated loan. For additional information on principal transactions revenue, see CIB and Corporate/Private Equity segment results on pages 36–41 and 50–52, respectively, and Note 6 on pages 145–146 of this Form 10-Q.

Lending- and deposit-related fees decreased only slightly compared with both the three and nine months ended September 30, 2012, predominantly due to lower deposit-related fees in CCB resulting from reductions in certain product and transaction fees. For additional information on lending- and deposit-related fees, which are mostly recorded in CCB, CIB and CB, see the segment results for CCB on pages 21–35, CIB on pages 36–41 and CB on pages 42–45 of this Form 10-Q.

Asset management, administration and commissions revenue increased compared with both the three and nine months ended September 30, 2012. The increase from the three months ended September 30, 2012, was driven by higher investment management fees in AM, due to net client inflows, the effect of higher market levels, and higher placement fees, as well as higher investment revenue in CCB. The increase from the nine months ended September 30, 2012, was driven by higher investment management fees in AM, due to net client inflows, the effect of higher market levels, and higher performance fees, as well as higher investment revenue in CCB. For additional information on these fees and commissions, see the segment discussions for CCB on pages 21–35, AM on pages 46–49, and Note 6 on pages 145–146 of this Form 10-Q.

Securities gains decreased compared with both prior-year periods, reflecting the results of repositioning the CIO available-for-sale ("AFS") portfolio. For additional information on securities gains, which are predominantly recorded in the Firm's Corporate/Private Equity segment, see the Corporate/Private Equity segment discussion on pages 50–52, and Note 11 on pages 149–152 of this Form 10-Q.

Mortgage fees and related income decreased compared with prior-year periods. The decrease resulted from lower net mortgage production revenue and net mortgage servicing revenue. The decrease in net mortgage production revenue was due to lower revenue margins and rising rates. The decrease in net mortgage servicing revenue was predominantly due to lower mortgage servicing rights ("MSR") risk management results. For additional information on mortgage fees and related income, which is recorded predominantly in CCB, see CCB's Mortgage Production and Mortgage Servicing discussion on pages 27–30, and Note 16 on pages 186–189 of this Form 10-Q.

Card income increased compared with the three and nine months ended September 30, 2012. The increase was driven by higher net interchange income on credit and debit cards and merchant servicing revenue, due to growth in business volume. For additional information on credit card income, see the CCB segment results on pages 21–35 of this Form 10-Q.

Other income decreased compared with the three and nine months ended September 30, 2012, primarily reflecting the absence of 2012 items recorded in Corporate/Private Equity. The three months ended September 30, 2012 included $888 million of extinguishment gains related to the redemption of trust preferred securities. The nine months ended September 30, 2012 included the aforementioned gain on the trust preferred securities, as well as a $1.1 billion benefit from the Washington Mutual bankruptcy settlement. The 2013 decrease was offset partially by higher revenue from client-driven activity in CIB, as well as higher auto-related operating lease income, in both the three and nine month periods.

Net interest income decreased compared with the three and nine months ended September 30, 2012. The decrease from the three months ended September 30, 2012, primarily reflected the impact of lower loan yields due to competitive pressures and replacement of higher yielding loans with lower yielding loans, partially offset by higher investment securities yield and lower interest expense on long-term debt. The decrease from the nine months ended September 30, 2012, reflected the impact of the aforementioned lower loan yields and the impact of low interest rates on investment securities yield and reinvestment opportunities, partially offset by lower long-term debt costs, primarily due to a change in funding mix, and lower deposit costs. The Firm's average interest-earning assets were $2.0 trillion for the three months ended September 30, 2013, and the net interest yield on those assets, on a fully taxable-equivalent ("FTE") basis, was 2.18%, a decrease of 25 basis points from the prior year. For the nine months ended September 30, 2013, the Firm's average interest-earning assets were $2.0 trillion, and the net interest yield on those assets, on a FTE basis, was 2.25%, a decrease of 26 basis points from the prior year.

Provision for credit losses

	Three months ended September 30,			Nine months ended September 30,		
(in millions)	2013	2012	Change	2013	2012	Change

Consumer, excluding credit card	$(815)	$736	NM	$(1,345)	$313	NM
Credit card	542	1,116	(51)%	1,588	2,347	(32)%
Total consumer	(273)	1,852	NM	243	2,660	(91)
Wholesale	(270)	(63)	(329)%	(122)	69	NM
Total provision for credit losses	$(543)	$1,789	NM	$121	$2,729	(96)%

The provision for credit losses decreased from both the three and nine months ended 2012, largely due to a decline in the provision for total consumer credit losses, and to a lesser extent, the wholesale provision for credit losses, which reflected a higher benefit for the three months ended

September 30, 2013, and a benefit for the nine month period in 2013, compared with an expense in 2012. The decline in the consumer provision was attributable to lower net charge-offs, largely due to the prior-year incremental charge-offs of $880 million recorded in accordance with

13

regulatory guidance on certain loans discharged under Chapter 7 bankruptcy; continued reductions in the allowance for loan losses, reflecting lower estimated losses due to improved delinquency trends; and the impact of improved home prices. The wholesale provision in the current periods reflected a favorable credit environment

and stable credit quality trends. For a more detailed discussion of the credit portfolio and the allowance for credit losses, see the segment discussions for CCB on pages 21–35, CIB on pages 36–41 and CB on pages 42–45, and the Allowance for credit losses section on pages 94–96 of this Form 10-Q.

Noninterest expense

(in millions)	Three months ended September 30, 2013	2012	Change	Nine months ended September 30, 2013	2012	Change
Compensation expense	$7,325	$7,503	(2)%	$23,758	$23,543	1 %
Noncompensation expense:						
Occupancy	947	973	(3)	2,752	3,014	(9)
Technology, communications and equipment	1,356	1,312	3	4,049	3,865	5
Professional and outside services	1,897	1,759	8	5,532	5,411	2
Marketing	588	607	(3)	1,755	1,929	(9)
Other expense[(a)(b)]	11,373	3,035	275	16,625	10,354	61
Amortization of intangibles	140	182	(23)	444	566	(22)
Total noncompensation expense	16,301	7,868	107	31,157	25,139	24
Total noninterest expense	$23,626	$15,371	54 %	$54,915	$48,682	13 %

(a) Included firmwide legal expense of $9.3 billion and $790 million for the three months ended September 30, 2013 and 2012, respectively, and $10.3 billion and $3.8 billion for the nine months ended September 30, 2013 and 2012, respectively.

(b) Included FDIC-related expense of $362 million and $426 million for the three months ended September 30, 2013 and 2012, respectively, and $1.1 billion and $1.2 billion for the nine months ended September 30, 2013 and 2012, respectively.

Total noninterest expense for the three months ended September 30, 2013, was $23.6 billion, up by $8.3 billion, or 54%, compared with the prior year. For the nine months ended September 30, 2013, total noninterest expense was $54.9 billion, up by $6.2 billion, or 13%, compared with the prior year. The increase in both periods was predominantly due to higher legal expense in Corporate/Private Equity.

Compensation expense decreased compared with the three months ended September 30, 2012, driven predominantly by CIB, partially offset by the impact of investments across the businesses, including front office sales and support staff, as well as costs related to the Firm’s control agenda. Compensation expense increased compared with the nine months ended September 30, 2012, due to the impact of the aforementioned investments in the businesses and costs related to the Firm’s control agenda, partially offset by lower performance-based compensation expense in CIB and a decline in CCB’s mortgage business, which included the effect of lower servicing headcount.

Noncompensation expense increased in the three months ended September 30, 2013, compared with the prior year, due to higher other expense, reflecting in particular $9.3

billion of firmwide legal expense, predominantly in Corporate/Private Equity, representing reserves for litigation and regulatory proceedings, compared with $790 million of expense for additional litigation reserves in the prior year. Higher legal-related professional services expense and costs related to the Firm’s control agenda also contributed to the increase. For the nine months ended September 30, 2013, noncompensation expense increased reflecting in particular $10.3 billion of firmwide legal expense, predominantly in Corporate/Private Equity, representing reserves for litigation and regulatory proceedings, compared with $3.8 billion of expense for additional litigation reserves in the prior year. Investments in the businesses, higher legal-related professional services expense, and costs related to the Firm’s control agenda also contributed to the increase. The increase was offset partially by lower mortgage servicing and marketing expense in CCB, and lower occupancy expense for the Firm, which predominantly reflected the absence of charges recognized in 2012 related to vacating excess space. For a further discussion of legal expense, see Note 23 on pages 201–209 of this Form 10-Q.

Income tax expense

(in millions, except rate)	Three months ended September 30,			Nine months ended September 30,		
	2013	2012	Change	2013	2012	Change
Income before income tax expense	$34	$7,986	(100)%	$18,414	$21,967	(16)%
Income tax expense	414	2,278	(82)	5,769	6,375	(10)
Effective tax rate	NM	28.5%		31.3%	29.0%	

The effective tax rate for the three months ended September 30, 2013, was impacted by the substantial effect of the increased legal expense, a portion of which is estimated to include nondeductible penalties, on pretax income and income tax expense. The increase in the effective tax rate during the nine months ended September 30, 2013, was largely attributable to the effect of the aforementioned nondeductible penalties, partially offset by lower reported pretax income in combination with changes

in the mix of income and expense subject to U.S. federal, state and local income taxes, the impact of tax-exempt income and business tax credits, prior period tax adjustments and audit resolutions. For additional information on income taxes, see Critical Accounting Estimates Used by the Firm on pages 106–108, of this Form 10-Q.

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

The Firm prepares its consolidated financial statements using accounting principles generally accepted in the U.S. ("U.S. GAAP"); these financial statements appear on pages 110–114 of this Form 10-Q. That presentation, which is referred to as "reported" basis, provides the reader with an understanding of the Firm's results that can be tracked consistently from year-to-year and enables a comparison of the Firm's performance with other companies' U.S. GAAP financial statements.

In addition to analyzing the Firm's results on a reported basis, management reviews the Firm's results and the results of the lines of business on a "managed" basis, which is a non-GAAP financial measure. The Firm's definition of managed basis starts with the reported U.S. GAAP results and includes certain reclassifications to present total net revenue for the Firm (and each of the business segments) on a FTE basis. Accordingly, revenue from investments that receive tax credits and tax-exempt securities is presented in

the managed results on a basis comparable to taxable investments and securities. This non-GAAP financial measure allows management to assess the comparability of revenue arising from both taxable and tax-exempt sources. The corresponding income tax impact related to tax-exempt items is recorded within income tax expense. These adjustments have no impact on net income as reported by the Firm as a whole or by the lines of business.

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

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

	Three months ended September 30,					
	2013			2012		
(in millions, except ratios)	Reported results	Fully taxable-equivalent adjustments[(a)]	Managed basis	Reported results	Fully taxable-equivalent adjustments[(a)]	Managed basis
Other income	$602	$ 582	$1,184	$1,519	$ 517	$2,036
Total noninterest revenue	12,342	582	12,924	14,170	517	14,687
Net interest income	10,775	181	10,956	10,976	200	11,176
Total net revenue	23,117	763	23,880	25,146	717	25,863
Pre-provision profit/(loss)	(509)	763	254	9,775	717	10,492
Income before income tax expense	34	763	797	7,986	717	8,703
Income tax expense	$414	$ 763	$1,177	$2,278	$ 717	$2,995
Overhead ratio	102 %	NM	99 %	61 %	NM	59 %

	Nine months ended September 30,					
	2013			2012		
(in millions, except ratios)	Reported results	Fully taxable-equivalent adjustments[(a)]	Managed basis	Reported results	Fully taxable-equivalent adjustments[(a)]	Managed basis
Other income	$1,364	$ 1,728	$3,092	$3,537	$ 1,568	$5,105
Total noninterest revenue	41,038	1,728	42,766	39,590	1,568	41,158
Net interest income	32,412	508	32,920	33,788	566	34,354
Total net revenue	73,450	2,236	75,686	73,378	2,134	75,512
Pre-provision profit/(loss)	18,535	2,236	20,771	24,696	2,134	26,830
Income before income tax expense	18,414	2,236	20,650	21,967	2,134	24,101
Income tax expense	$5,769	$ 2,236	$8,005	$6,375	$ 2,134	$8,509

Overhead ratio	75 %	NM	73 %	66 %	NM	64 %

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

Tangible common equity ("TCE"), ROTCE, TBVS, Tier 1 common under Basel I and III rules, and the supplementary leverage ratio ("SLR") are each non-GAAP financial measures. TCE represents the Firm's common stockholders' equity (i.e., total stockholders' equity less preferred stock) less goodwill and identifiable intangible assets (other than MSRs), net of related deferred tax liabilities. ROTCE measures the Firm's earnings as a percentage of average TCE. TBVS represents the Firm's tangible common equity divided by period-end common shares. Tier 1 common

under Basel I and III rules, and SLR are used by management, bank regulators, investors and analysts to assess and monitor the Firm's capital position and liquidity. TCE, ROTCE, and TBVS are meaningful to the Firm, as well as analysts and investors, in assessing the Firm's use of equity. For additional information on Tier 1 common under Basel I
and III, see Regulatory capital on pages 61–65 of this Form10-Q. All of the aforementioned measures are useful to the Firm, as well as analysts and investors, in facilitating comparisons of the Firm with competitors.

Average tangible common equity

	Three months ended September 30,		Nine months ended September 30,	
(in millions, except per share and ratio data)	2013	2012	2013	2012
Common stockholders' equity	$197,232	$186,590	$196,425	$181,791
Less: Goodwill	48,073	48,158	48,106	48,178
Less: Certain identifiable intangible assets	1,878	2,729	2,021	2,928
Add: Deferred tax liabilities[(a)]	2,904	2,765	2,867	2,741
Tangible common equity	$150,185	$138,468	$149,165	$133,426
Return on tangible common equity ("ROTCE")	(2)%	16 %	11 %	15 %
Tangible book value per share	$39.51	$37.53	$39.51	$37.53

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

Core net interest income

In addition to reviewing JPMorgan Chase's net interest income on a managed basis, management also reviews core net interest income to assess the performance of its core lending, investing (including asset-liability management) and deposit-raising activities (which excludes the impact of CIB's market-based activities). The core data presented below are non-GAAP financial measures due to the

exclusion of CIB's market-based net interest income and the related assets. Management believes this exclusion provides investors and analysts a more meaningful measure by which to analyze the non-market-related business trends of the Firm and provides a comparable measure to other financial institutions that are primarily focused on core lending, investing and deposit-raising activities.

Core net interest income data[(a)]

	Three months ended September 30,			Nine months ended September 30,		
(in millions, except rates)	2013	2012	Change	2013	2012	Change
Net interest income – managed basis[(b)(c)]	$10,956	$11,176	(2)%	$32,920	$34,354	(4)%
Less: Market-based net interest income	1,109	1,386	(20)	3,886	4,300	(10)
Core net interest income[(b)]	$9,847	$9,790	1	$29,034	$30,054	(3)
Average interest-earning assets	$1,997,413	$1,829,780	9	$1,958,359	$1,831,633	7
Less: Average market-based earning assets	493,780	497,469	(1)	505,062	497,832	1
Core average interest-earning assets	$1,503,633	$1,332,311	13 %	$1,453,297	$1,333,801	9 %
Net interest yield on interest-earning assets – managed basis	2.18 %	2.43 %		2.25 %	2.51 %	

Net interest yield on market-based activities	0.89		1.11		1.03		1.15	
Core net interest yield on core average interest-earning assets	2.60	%	2.92	%	2.67	%	3.01	%

(a) Includes core lending, investing and deposit-raising activities on a managed basis across the Firm's business segments and Corporate/Private Equity; excludes the market-based activities within the CIB.

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

(c) For a reconciliation of net interest income on a reported and managed basis, see reconciliation from the Firm's reported U.S. GAAP results to managed basis on page 16 of this Form 10-Q.

Quarterly and year-to-date results

Core net interest income increased by $57 million to $9.8 billion and decreased by $1.0 billion to $29.0 billion for the three and nine months ended September 30, 2013, respectively, compared with the prior year periods. Core average interest-earning assets increased by $171.3 billion to $1,503.6 billion and by $119.5 billion to $1,453.3 billion for the three and nine months ended September 30, 2013, respectively, compared with the prior year periods. The slight increase in core net interest income from the third quarter of 2012 primarily reflected the impact of higher investment securities yield, lower interest expense on long-term debt and on other liabilities, largely offset by lower loan yields due to competitive pressures and replacement of higher yielding loans with lower yielding loans.

The decrease from the nine months ended September 30, 2012 reflected the impact of the aforementioned lower loan yields, the impact of low interest rates on investment securities yield and reinvestment opportunities, partially offset by lower long-term debt costs, primarily due to a change in funding mix, and lower deposit costs. The increase in average interest-earning assets in both periods was primarily driven by higher deposits with banks. The core net interest yield decreased by 32 basis points to 2.60% for the three months ended September 30, 2013, primarily driven by a significant increase in deposits with banks and lower loan yields, partially offset by higher investment securities yield and lower interest expense on long-term debt. For the nine months ended September 30, 2013, core net interest yield decreased by 34 basis points to 2.67%, primarily driven by a significant increase in deposits with banks and lower loan yields, partially offset by the impact of lower long-term debt costs and deposit rates.

Net income and earnings per share excluding certain items

Presented below are the Firm's net income and earnings per share excluding the aftertax impact of reductions in the allowance for loan losses and litigation expense in Corporate. These measures should be viewed in addition to, and not as a substitute for, the Firm's reported results. Management believes this information helps investors understand the effect of these items on reported results and provides an additional presentation of the Firm's performance. The table below provides a reconciliation of reported results to these non-GAAP measures.

Three months ended September 30, 2013	In millions	Per-share amounts
Reported: Net income	$(380)	$(0.17)
Adjustments:		
Corporate litigation expense	7,200	1.85
Reduction in allowance for loan losses	(992)	(0.26)
As adjusted: Net income	$5,828	$1.42

Other financial measures

The Firm also discloses the allowance for loan losses to total retained loans, excluding residential real estate purchased credit-impaired loans. For a further discussion of this credit metric, see Allowance for credit losses on pages 94–96 of this Form 10-Q.

BUSINESS SEGMENT RESULTS

The Firm is managed on a line of business basis. The business segment financial results presented reflect the current organization of JPMorgan Chase. There are four major reportable business segments – Consumer & Community Banking, Corporate & Investment Bank, Commercial Banking and Asset Management. In addition, there is a Corporate/Private Equity segment.

The business segments are determined based on the products and services provided, or the type of customer served, and they reflect the manner in which financial information is currently evaluated by management. Results of these lines of business are presented on a managed basis. For a definition of managed basis, see Explanation and Reconciliation of the Firm’s use of non-GAAP financial measures, on pages 16–18 of this Form 10-Q.

Description of business segment reporting methodology

Results of the business segments are intended to reflect each segment as if it were essentially a stand-alone business. The management reporting process that derives business segment results allocates income and expense using market-based methodologies.

For a further discussion of those methodologies, see Business Segment Results – Description of business segment reporting methodology on pages 78–79 of JPMorgan Chase’s 2012 Annual Report. The Firm continues to assess the assumptions, methodologies and reporting classifications used for segment reporting, and further refinements may be implemented in future periods.

Business segment capital allocation changes

Each business segment is allocated capital by taking into consideration stand-alone peer comparisons, regulatory capital requirements (as estimated under Basel III) and economic risk measures. The amount of capital assigned to each business is referred to as equity. Effective January 1, 2013, the Firm further refined the capital allocation framework to align it with the line of business structure described above, which had become effective in the fourth quarter of 2012. The increase in equity levels for the lines of businesses is largely driven by regulatory guidance on Basel III requirements, principally for CIB and CIO, and by anticipated business growth. For further information about these capital changes, see Line of business equity on page 65 of this Form 10-Q.

Segment Results – Managed Basis

The following table summarizes the business segment results for the periods indicated.

Three months ended September 30,	Total net revenue[a]			Total Noninterest expense[a]			Pre-provision profit/(loss)[a]		
(in millions)	2013	2012	Change	2013	2012	Change	2013	2012	Change
Consumer & Community Banking	$11,082	$12,720	(13)%	$6,867	$6,956	(1)%	$4,215	$5,764	(27)%
Corporate & Investment Bank	8,189	8,360	(2)	4,999	5,350	(7)	3,190	3,010	6
Commercial Banking	1,725	1,732	—	661	601	10	1,064	1,131	(6)
Asset Management	2,763	2,459	12	2,003	1,731	16	760	728	4
Corporate/Private Equity	121	592	(80)	9,096	733	NM	(8,975)	(141)	NM
Total	$23,880	$25,863	(8)%	$23,626	$15,371	54%	$254	$10,492	(98)%

Three months ended September 30,	Provision for credit losses			Net income/(loss)[a]			Return on common equity	
(in millions, except ratios)	2013	2012	Change	2013	2012	Change	2013	2012
Consumer & Community Banking	$(267)	$1,862	NM	$2,702	$2,355	15%	23%	22%
Corporate & Investment Bank	(218)	(60)	(263)%	2,240	1,992	12	16	17
Commercial Banking	(41)	(16)	(156)	665	690	(4)	20	29
Asset Management	—	14	NM	476	443	7	21	25
Corporate/Private Equity	(17)	(11)	(55)%	(6,463)	228	NM	NM	NM
Total	$(543)	$1,789	NM	$(380)	$5,708	NM	(1)%	12%

Nine months ended September 30,	Total net revenue[a]			Total Noninterest expense[a]			Pre-provision profit/(loss)[a]		
(in millions)	2013	2012	Change	2013	2012	Change	2013	2012	Change
Consumer & Community Banking	$34,712	$37,522	(7)%	$20,521	$20,838	(2)%	$14,191	$16,684	(15)%
Corporate & Investment Bank	28,205	26,684	6	16,852	16,854	—	11,353	9,830	15
Commercial Banking	5,126	5,080	1	1,957	1,790	9	3,169	3,290	(4)
Asset Management	8,141	7,193	13	5,771	5,161	12	2,370	2,032	17
Corporate/Private Equity	(498)	(967)	49	9,814	4,039	143	(10,312)	(5,006)	(106)
Total	$75,686	$75,512	—%	$54,915	$48,682	13%	$20,771	$26,830	(23)%

Nine months ended September 30,	Provision for credit losses			Net income/(loss)[a]			Return on common equity	
(in millions, except ratios)	2013	2012	Change	2013	2012	Change	2013	2012
Consumer & Community Banking	$263	$2,683	(90)%	$8,377	$8,562	(2)%	24%	27%
Corporate & Investment Bank	(213)	(34)	NM	7,688	6,401	20	18	18
Commercial Banking	42	44	(5)	1,882	1,954	(4)	19	27
Asset Management	44	67	(34)	1,463	1,220	20	22	23
Corporate/Private Equity	(15)	(31)	52	(6,765)	(2,545)	(166)	NM	NM
Total	$121	$2,729	(96)%	$12,645	$15,592	(19)%	8%	11%

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

CONSUMER & COMMUNITY BANKING

For a discussion of the business profile on CCB, see pages 80–91 of JPMorgan Chase's 2012 Annual Report and the Introduction on page 4 of this Form 10-Q.

Selected income statement data[(a)]

	Three months ended September 30,			Nine months ended September 30,		
(in millions, except ratios)	2013	2012	Change	2013	2012	Change
Revenue						
Lending- and deposit-related fees	$780	$797	(2)%	$2,230	$2,332	(4)%
Asset management, administration and commissions	515	523	(2)	1,609	1,598	1
Mortgage fees and related income	839	2,376	(65)	4,108	6,649	(38)
Card income	1,460	1,376	6	4,267	3,998	7
All other income	367	353	4	1,074	1,123	(4)
Noninterest revenue	3,961	5,425	(27)	13,288	15,700	(15)
Net interest income	7,121	7,295	(2)	21,424	21,822	(2)
Total net revenue	11,082	12,720	(13)	34,712	37,522	(7)
Provision for credit losses	(267)	1,862	NM	263	2,683	(90)
Noninterest expense						
Compensation expense	2,949	2,947	—	8,921	8,780	2
Noncompensation expense	3,817	3,872	(1)	11,282	11,630	(3)
Amortization of intangibles	101	137	(26)	318	428	(26)
Total noninterest expense	6,867	6,956	(1)	20,521	20,838	(2)
Income before income tax expense	4,482	3,902	15	13,928	14,001	(1)
Income tax expense	1,780	1,547	15	5,551	5,439	2
Net income	$2,702	$2,355	15 %	$8,377	$8,562	(2)%
Financial ratios						
Return on common equity	23 %	22 %		24 %	27 %	
Overhead ratio	62	55		59	56	

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

Quarterly results

Consumer & Community Banking net income was $2.7 billion, an increase of $347 million, or 15%, compared with the prior year, due to lower provision for credit losses and noninterest expense, predominantly offset by lower net revenue.

Net revenue was $11.1 billion, a decrease of $1.6 billion, or 13%, compared with the prior year. Net interest income was $7.1 billion, down $174 million, or 2%, driven by lower deposit margins, spread compression in Credit Card and Auto and lower loan balances due to portfolio runoff in Mortgage Banking, largely offset by higher deposit balances. Noninterest revenue was $4.0 billion, a decrease of $1.5 billion, or 27%, driven by lower mortgage fees and related income.

The provision for credit losses was a benefit of $267 million, compared with a provision for credit losses of $1.9 billion in the prior year. The current-quarter provision reflected a $1.6 billion reduction in the allowance for loan losses and total net charge-offs of $1.3 billion. The prior-year provision reflected a $955 million reduction in the allowance for loan losses and total net charge-offs of $2.8

billion. Prior-year total net charge-offs included $880 million of incremental charge-offs reported in accordance with regulatory guidance on certain loans discharged under Chapter 7 bankruptcy. For more information, including net charge-off amounts and rates, see Consumer Credit Portfolio on pages 75–85 of this Form 10-Q.
Noninterest expense was $6.9 billion, a decrease of $89 million, or 1%, from the prior year, driven by lower mortgage servicing expense, partially offset by continued investments in Chase Private Client expansion, and costs related to the control agenda.
Year-to-date results
Consumer & Community Banking net income was $8.4 billion, a decrease of $185 million, or 2%, compared with the prior year, due to lower net revenue, offset by lower provision for credit losses and lower noninterest expense.
Net revenue was $34.7 billion, a decrease of $2.8 billion, or 7%, compared with the prior year. Net interest income was $21.4 billion, down $398 million, or 2%, driven by lower deposit margins, lower loan balances due to portfolio runoff in Mortgage Banking, spread compression in Credit Card and Auto and lower average credit card loan balances,

largely offset by higher deposit balances and the impact of lower revenue reversals associated with lower net charge-offs in Credit Card. Noninterest revenue was $13.3 billion, a decrease of $2.4 billion, or 15%, driven by lower mortgage fees and related income.
The provision for credit losses was $263 million, compared with $2.7 billion in the prior year. The current-year provision reflected a $4.2 billion reduction in the allowance for loan losses and total net charge-offs of $4.5 billion. The prior-year provision reflected a $4.8 billion reduction in the allowance for loan losses and total net charge-offs of $7.5 billion. Prior-year total net charge-offs included

$880 million of incremental charge-offs reported in accordance with regulatory guidance on certain loans discharged under Chapter 7 bankruptcy.
Noninterest expense was $20.5 billion, a decrease of $317 million, or 2%, from the prior year, driven by lower mortgage servicing expense and lower remediation expense, inclusive of a current-period charge, related to an exited non-core product, largely offset by continued investments in the business, and costs related to the control agenda.

Selected metrics

	As of or for the three months ended September 30,			As of or for the nine months ended September 30,		
(in millions, except headcount)	2013	2012	Change	2013	2012	Change
Selected balance sheet data (period-end)[a]						
Total assets	$451,166	$463,602	(3)%	$451,166	$463,602	(3)%
Loans:						
Loans retained	390,345	402,431	(3)	390,345	402,431	(3)
Loans held-for-sale and loans at fair value[b]	10,758	15,356	(30)	10,758	15,356	(30)
Total loans	401,103	417,787	(4)	401,103	417,787	(4)
Deposits	458,867	422,101	9	458,867	422,101	9
Equity	46,000	43,000	7	46,000	43,000	7
Selected balance sheet data (average)[a]						
Total assets	$453,881	$463,812	(2)	$458,315	$469,303	(2)
Loans:						
Loans retained	390,865	404,772	(3)	393,616	411,165	(4)
Loans held-for-sale and loans at fair value[b]	14,127	17,988	(21)	17,810	17,637	1
Total loans	404,992	422,760	(4)	411,426	428,802	(4)
Deposits	456,940	416,686	10	450,677	409,889	10
Equity	46,000	43,000	7	46,000	43,000	7
Headcount[a]	156,064	165,179	(6)%	156,064	165,179	(6)%

(a) In the second quarter of 2013, the 2012 data for certain balance sheet line items (predominantly total assets) as well as headcount were revised to reflect the transfer of certain technology and operations, as well as real estate-related functions and staff, from Corporate/Private Equity to CCB, effective January 1, 2013.
(b) Predominantly consists of prime mortgages originated with the intent to sell that are accounted for at fair value and classified as trading assets on the Consolidated Balance Sheets and Condensed Average Balance Sheets.

Selected metrics

(in millions, except ratios and where otherwise noted)	As of or for the three months ended September 30, 2013	2012	Change	As of or for the nine months ended September 30, 2013	2012	Change
Credit data and quality statistics						
Net charge-offs[a]	$1,330	$2,817	(53)%	$4,510	$7,489	(40)%
Nonaccrual loans:						
Nonaccrual loans retained	8,029	9,398	(15)	8,029	9,398	(15)
Nonaccrual loans held-for-sale and loans at fair value	40	89	(55)	40	89	(55)
Total nonaccrual loans[b][c][d]	8,069	9,487	(15)	8,069	9,487	(15)
Nonperforming assets[b][c][d]	8,713	10,185	(14)	8,713	10,185	(14)
Allowance for loan losses	13,500	18,454	(27)	13,500	18,454	(27)
Net charge-off rate[a][e]	1.35%	2.77%		1.53%	2.43%	
Net charge-off rate, excluding PCI loans[a][e]	1.57	3.27		1.79	2.88	
Allowance for loan losses to period-end loans retained	3.46	4.59		3.46	4.59	
Allowance for loan losses to period-end loans retained, excluding PCI loans[f]	2.54	3.73		2.54	3.73	
Allowance for loan losses to nonaccrual loans retained, excluding credit card[b][f]	55	77		55	77	
Nonaccrual loans to total period-end loans, excluding credit card	2.91	3.23		2.91	3.23	
Nonaccrual loans to total period-end loans, excluding credit card and PCI loans[b]	3.63	4.09		3.63	4.09	
Business metrics						
Number of:						
Branches	5,652	5,596	1	5,652	5,596	1
ATMs	19,171	18,485	4	19,171	18,485	4
Active online customers (in thousands)	32,916	30,765	7	32,916	30,765	7
Active mobile customers (in thousands)	14,993	11,573	30%	14,993	11,573	30%

(a) Net charge-offs and the net charge-off rate for the three months ended September 30, 2012 included $880 million of charge-offs recorded in accordance with regulatory guidance on certain loans discharged under Chapter 7 bankruptcy ("Chapter 7 loans"). Excluding these charge-offs, net charge-offs for the three months ended September 30, 2012 would have been $1.9 billion, and excluding these charge-offs and PCI loans for the same periods, the net charge-off rate would have been 2.25%. For further information, see Consumer Credit Portfolio on pages 140–142 of JPMorgan Chase's 2012 Annual Report.

(b) Excludes PCI loans. Because the Firm is recognizing interest income on each pool of PCI loans, they are all considered to be performing.

(c) Certain mortgage loans originated with the intent to sell are classified as trading assets on the Consolidated Balance Sheets.

(d)

At September 30, 2013 and 2012 nonperforming assets excluded: (1) mortgage loans insured by U.S. government agencies of $8.9 billion and $11.0 billion, respectively, that are 90 or more days past due; (2) real estate owned insured by U.S. government agencies of $1.9 billion and $1.5 billion, respectively; and (3) student loans insured by U.S. government agencies under the Federal Family Education Loan Program ("FFELP") of $456 million and $536 million, respectively, that are 90 or more days past due. These amounts were excluded as reimbursement of insured amounts is proceeding normally.

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

(f) The allowance for loan losses for PCI loans was $5.0 billion and $5.7 billion at September 30, 2013 and 2012, respectively; these amounts were also excluded from the applicable ratios.

23

Consumer & Business Banking

Selected financial statement data[(a)]

	As of or for the three months ended September 30,				As of or for the nine months ended September 30,			
(in millions, except ratios)	2013	2012	Change		2013	2012	Change	
Revenue								
Lending- and deposit-related fees	$770	$785	(2	)%	$2,198	$2,297	(4	)%
Asset management, administration and commissions	465	407	14		1,345	1,234	9	
Card income	384	343	12		1,111	1,002	11	
All other income	127	122	4		370	375	(1	)
Noninterest revenue	1,746	1,657	5		5,024	4,908	2	
Net interest income	2,684	2,665	1		7,870	7,979	(1	)
Total net revenue	4,430	4,322	2		12,894	12,887	—	
Provision for credit losses	104	107	(3	)	239	201	19	
Noninterest expense	3,050	2,913	5		9,133	8,543	7	
Income before income tax expense	1,276	1,302	(2	)	3,522	4,143	(15	)
Net income	$762	$778	(2	)	$2,101	$2,472	(15	)
Return on common equity	27%	34 %			26%	37 %		
Overhead ratio	69	67			71	66		
Overhead ratio, excluding core deposit intangibles[(b)]	68	66			70	65		
Equity (period-end and average)	$11,000	$9,000	22	%	$11,000	$9,000	22	%

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

(b) Consumer & Business Banking ("CBB") uses the overhead ratio (excluding the amortization of core deposit intangibles ("CDI")), a non-GAAP financial measure, to evaluate the underlying expense trends of the business. Including CDI amortization expense in the overhead ratio calculation would result in a higher overhead ratio in the earlier years and a lower overhead ratio in later years; this method would therefore result in an improving overhead ratio over time, all things remaining equal. This non-GAAP ratio excluded CBB's CDI amortization expense related to prior business combination transactions of $41 million and $51 million for the three months ended September 30, 2013 and 2012, respectively, and $123 million and $152 million for the nine months ended September 30, 2013 and 2012, respectively.

Quarterly results

Consumer & Business Banking net income was $762 million, a decrease of $16 million, or 2%, compared with the prior year, due to higher noninterest expense, predominantly offset by higher net revenue.

Net revenue was $4.4 billion, up 2% compared with the prior year. Net interest income was $2.7 billion, up 1% compared with the prior year, driven by higher deposit balances, predominantly offset by lower deposit margins. Noninterest revenue was $1.7 billion, an increase of 5%, driven by higher investment revenue and debit card revenue.

The provision for credit losses was $104 million, compared with $107 million in the prior year. The net charge-offs were $100 million, compared with $107 million in the prior year. The net charge-off rate was 2.10%, down from 2.33% in the prior year.

Noninterest expense was $3.1 billion, up 5% from the prior year, reflecting continued investments in Chase Private Client expansion, and costs related to the control agenda.

Year-to-date results

Consumer & Business Banking net income was $2.1 billion a decrease of $371 million, or 15%, compared with the prior year, due to higher noninterest expense.

Net revenue was $12.9 billion, flat compared with the prior year. Net interest income was $7.9 billion, down 1% compared with the prior year, driven by lower deposit margins, predominantly offset by higher deposit balances. Noninterest revenue was $5.0 billion, an increase of 2%, driven by higher debit card revenue and investment revenue, partially offset by lower deposit-related fees.

The provision for credit losses was $239 million, compared with $201 million in the prior year. The net charge-offs were $235 million, compared with $301 million in the prior year. The net charge-off rate was 1.67%, down from 2.24% in the prior year.

Noninterest expense was $9.1 billion, up 7% from the prior year, reflecting continued investments in the business, and costs related to the control agenda.

Selected metrics

(in millions, except ratios and where otherwise noted)	As of or for the three months ended September 30, 2013	2012	Change	As of or for the nine months ended September 30, 2013	2012	Change
Business metrics						
Business banking origination volume	$1,299	$1,685	(23)%	$3,850	$5,012	(23)%
Period-end loans	19,029	18,568	2	19,029	18,568	2
Period-end deposits:[a]						
Checking	180,858	159,560	13	180,858	159,560	13
Savings	234,315	208,272	13	234,315	208,272	13
Time and other	28,277	32,783	(14)	28,277	32,783	(14)
Total period-end deposits	443,450	400,615	11	443,450	400,615	11
Average loans	18,884	18,279	3	18,785	17,961	5
Average deposits:[a]						
Checking	177,392	154,015	15	173,894	151,104	15
Savings	231,982	206,298	12	226,982	202,077	12
Time and other	28,728	33,472	(14)	29,856	34,890	(14)
Total average deposits	438,102	393,785	11	430,732	388,071	11
Deposit margin	2.32%	2.56%		2.33%	2.62%	
Average assets[a]	$37,308	$34,128	9	$36,956	$34,062	8
Credit data and quality statistics						
Net charge-offs	$100	$107	(7)	$235	$301	(22)
Net charge-off rate	2.10%	2.33%		1.67%	2.24%	
Allowance for loan losses	$701	$698	—	$701	$698	—
Nonperforming assets	419	532	(21)	419	532	(21)
Retail branch business metrics						
Investment sales volume	$8,172	$6,280	30	$26,855	$19,049	41
Client investment assets	178,989	154,637	16	178,989	154,637	16
% managed accounts	34%	28%		34%	28%	
Number of:						
Chase Private Client locations	1,948	960	103	1,948	960	103
Personal bankers	22,961	23,622	(3)	22,961	23,622	(3)
Sales specialists	6,269	6,205	1	6,269	6,205	1
Client advisors	3,028	3,034	—	3,028	3,034	—
Chase Private Clients	192,358	75,766	154	192,358	75,766	154
Accounts (in thousands)[b]	29,301	27,840	5%	29,301	27,840	5%

(a) In the second quarter of 2013, the 2012 data for certain balance sheet line items were revised to reflect the transfer of certain functions and staff from Corporate/Private Equity to CCB, effective January 1, 2013.
(b) Includes checking accounts and Chase Liquid^{SM} cards.

25

Mortgage Banking
Selected financial statement data

	As of or for the three months ended September 30,			As of or for the nine months ended September 30,		
(in millions, except ratios)	2013	2012	Change	2013	2012	Change
Revenue						
Mortgage fees and related income	$839	$2,376	(65)%	$4,108	$6,649	(38)%
All other income	38	112	(66)	232	366	(37)
Noninterest revenue	877	2,488	(65)	4,340	7,015	(38)
Net interest income	1,143	1,187	(4)	3,456	3,658	(6)
Total net revenue	2,020	3,675	(45)	7,796	10,673	(27)
Provision for credit losses	(1,044)	524	NM	(1,899)	(221)	NM
Noninterest expense	1,900	2,123	(11)	5,540	6,250	(11)
Income before income tax expense	1,164	1,028	13	4,155	4,644	(11)
Net income	$705	$623	13	$2,520	$2,923	(14)
Return on common equity	14%	14%		17%	22%	
Overhead ratio	94	58		71	59	
Equity (period-end and average)	$19,500	$17,500	11%	$19,500	$17,500	11%

Quarterly results
Mortgage Banking net income was $705 million, an increase of $82 million, or 13%, compared with the prior year, driven by lower provision for credit losses and noninterest expense, predominantly offset by lower net revenue.
Net revenue was $2.0 billion, a decrease of $1.7 billion compared with the prior year. Net interest income was $1.1 billion, a decrease of $44 million, or 4%, driven by lower loan balances due to portfolio runoff. Noninterest revenue was $877 million, a decrease of $1.6 billion, driven by lower mortgage fees and related income.
The provision for credit losses was a benefit of $1.0 billion, compared with a provision for credit losses of $524 million in the prior year. The current quarter reflected a $1.25 billion reduction in the allowance for loan losses due to lower estimated losses reflecting continued home price improvement and favorable delinquency trends. The prior year included a $900 million reduction in the allowance for loan losses. Net charge-offs were $206 million, compared with $1.4 billion in the prior year. Prior-year total net charge-offs included $825 million of incremental charge-offs reported in accordance with regulatory guidance on certain loans discharged under Chapter 7 bankruptcy.
Noninterest expense was $1.9 billion, a decrease of $223 million, or 11%, from the prior year, due to lower servicing expense.

Year-to-date results
Mortgage Banking net income was $2.5 billion, a decrease of $403 million, or 14%, compared with the prior year, driven by lower net revenue, predominantly offset by lower provision for credit losses and lower noninterest expense.
Net revenue was $7.8 billion, a decrease of $2.9 billion compared with the prior year. Net interest income was $3.5 billion, a decrease of $202 million, or 6%, driven by lower loan balances due to portfolio runoff. Noninterest revenue was $4.3 billion, a decrease of $2.7 billion, driven by lower mortgage fees and related income.
The provision for credit losses was a benefit of $1.9 billion, compared with a benefit of $221 million in the prior year. The current year reflected a $2.9 billion reduction in the allowance for loan losses due to lower estimated losses reflecting continued home price improvement and favorable delinquency trends. The prior year included a $3.15 billion reduction in the allowance for loan losses. Net charge-offs were $951 million, compared with $2.9 billion in the prior year. Prior-year total net charge-offs included $825 million of incremental charge-offs reported in accordance with regulatory guidance on certain loans discharged under Chapter 7 bankruptcy.
Noninterest expense was $5.5 billion, a decrease of $710 million, or 11%, from the prior year, due to lower servicing expenses, including lower costs associated with the Independent Foreclosure Review, partially offset by higher

headcount-related expenses as Mortgage Production built origination capacity.

Functional results

	Three months ended September 30,			Nine months ended September 30,		
(in millions, except ratios)	2013	2012	Change	2013	2012	Change
Mortgage Production						
Production revenue	$311	$1,582	(80)%	$2,370	$4,376	(46)%
Production-related net interest & other income	273	196	39	718	582	23
Production-related revenue, excluding repurchase losses	584	1,778	(67)	3,088	4,958	(38)
Production expense[(a)]	669	678	(1)	2,099	1,871	12
Income, excluding repurchase losses	(85)	1,100	NM	989	3,087	(68)
Repurchase losses	175	(13)	NM	110	(325)	NM
Income before income tax expense	90	1,087	(92)	1,099	2,762	(60)
Mortgage Servicing						
Loan servicing revenue	817	946	(14)	2,698	2,989	(10)
Servicing-related net interest & other income	99	98	1	309	318	(3)
Servicing-related revenue	916	1,044	(12)	3,007	3,307	(9)
Changes in MSR asset fair value due to collection/realization of expected cash flows	(284)	(290)	2	(827)	(968)	15
Default servicing expense	623	819	(24)	1,595	2,414	(34)
Core servicing expense	235	244	(4)	715	753	(5)
Income/(loss), excluding MSR risk management	(226)	(309)	27	(130)	(828)	84
MSR risk management, including related net interest income/(expense)	(180)	150	NM	(244)	574	NM
Income/(loss) before income tax expense/(benefit)	(406)	(159)	(155)	(374)	(254)	(47)
Real Estate Portfolios						
Noninterest revenue	(113)	9	NM	(164)	30	NM
Net interest income	922	997	(8)	2,826	3,097	(9)
Total net revenue	809	1,006	(20)	2,662	3,127	(15)
Provision for credit losses	(1,046)	520	NM	(1,910)	(226)	NM
Noninterest expense	375	386	(3)	1,142	1,217	(6)
Income before income tax expense	1,480	100	NM	3,430	2,136	61
Mortgage Banking income before income tax expense	$1,164	$1,028	13	$4,155	$4,644	(11)
Mortgage Banking net income	$705	$623	13 %	$2,520	$2,923	(14)%
Overhead ratios						
Mortgage Production	88 %	38 %		65 %	40 %	
Mortgage Servicing	190	118		119	109	
Real Estate Portfolios	46	38		43	39	

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

Selected income statement data

	Three months ended September 30,			Nine months ended September 30,		
(in millions)	2013	2012	Change	2013	2012	Change
Supplemental mortgage fees and related income details						
Net production revenue:						
Production revenue	$311	$1,582	(80)%	$2,370	$4,376	(46)%
Repurchase losses	175	(13)	NM	110	(325)	NM
Net production revenue	486	1,569	(69)	2,480	4,051	(39)
Net mortgage servicing revenue:						
Operating revenue:						
Loan servicing revenue	817	946	(14)	2,698	2,989	(10)
Changes in MSR asset fair value due to collection/realization of expected cash flows	(284)	(290)	2	(827)	(968)	15
Total operating revenue	533	656	(19)	1,871	2,021	(7)
Risk management:						
Changes in MSR asset fair value due to market interest rates and other[(a)]	80	(323)	NM	1,698	(872)	NM
Other changes in MSR asset fair value due to other inputs and assumptions in model[(b)]	(173)	(5)	NM	(446)	23	NM
Changes in derivative fair value and other	(87)	479	NM	(1,495)	1,426	NM
Total risk management	(180)	151	NM	(243)	577	NM
Total net mortgage servicing revenue	353	807	(56)	1,628	2,598	(37)
Mortgage fees and related income	$839	$2,376	(65)%	$4,108	$6,649	(38)%

(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).

Quarterly results

Mortgage Production pretax income was $90 million, a decrease of $997 million from the prior year, reflecting lower volumes and lower margins, partially offset by lower repurchase losses. Mortgage production-related revenue, excluding repurchase losses, was $584 million, a decrease of $1.2 billion, or 67%, from the prior year, reflecting lower volumes from rising rates and lower revenue margins. Production expense was $669 million, a decrease of $9 million from the prior year. Repurchase losses for the current quarter reflected a benefit of $175 million, compared with losses of $13 million in the prior year. The current quarter reflected a $300 million reduction in repurchase liability and lower realized repurchase losses, compared with a $218 million reduction in repurchase liability in the prior year. For further information, see Mortgage repurchase liability on pages 56–60 of this Form 10-Q.

Mortgage Servicing pretax loss was $406 million, a decrease of $247 million from the prior year. Mortgage net servicing-related revenue was $632 million, a decrease of $122 million, or 16%, from the prior year, driven by lower revenue from an exited non-core product and lower gains on Government National Mortgage Association ("Ginnie Mae") buy-outs. MSR risk management was a loss of
$180 million, compared with income of $150 million in the prior year. See Note 16 on pages 186–189 of this Form 10-Q for further information regarding changes in value of the MSR asset and related hedges. Servicing expense was

$858 million, a decrease of $205 million from the prior year, reflecting lower costs associated with the Independent Foreclosure Review and lower servicing headcount, partially offset by higher expense for foreclosure-related matters.

The current quarter included approximately $200 million of expense related to refined estimates of servicing liabilities resulting from foreclosure delays.

Real Estate Portfolios pretax income was $1.5 billion, up $1.4 billion from the prior year. Net revenue was $809 million, a decrease of $197 million, or 20%, from the prior year. The decrease was due to higher loan retention driving lower noninterest revenue and a decline in net interest income, resulting from lower loan balances due to portfolio runoff. The provision for credit losses was a benefit of $1.0 billion, compared with a provision for credit losses of $520 million in the prior year. The current-quarter provision reflected a $1.25 billion reduction in the allowance for loan losses, $750 million from the purchased credit-impaired allowance and $500 million from the non credit-impaired allowance, due to lower estimated losses reflecting continued home price improvement and favorable delinquency trends. The prior year provision included a $900 million reduction in the non credit-impaired allowance for loan losses. Net charge-offs were $204 million, compared with $1.4 billion in the prior year. Prior-year total net charge-offs included $825 million of incremental charge-offs reported in accordance with regulatory guidance on certain loans discharged under Chapter 7 bankruptcy. See Consumer Credit Portfolio on pages 75–85 of this Form 10-Q for the net charge-off amounts and rates. Noninterest expense was $375 million, a decrease of $11 million, or 3%, compared with the prior year.

Year-to-date results

Mortgage Production pretax income was $1.1 billion, a decrease of $1.7 billion from the prior year, reflecting lower revenue margins, partially offset by lower repurchase losses. Mortgage production-related revenue, excluding repurchase losses, was $3.1 billion, a decrease of $1.9 billion, or 38%, from the prior year, reflecting lower revenue margins. Production expense was $2.1 billion, an increase of $228 million from the prior year, driven by higher headcount-related expense as the business built origination capacity. Repurchase losses for the current year reflected a benefit of $110 million, compared with losses of $325 million in the prior year. The current year reflected a $585 million reduction in repurchase liability and lower realized repurchase losses, compared with a $434 million reduction in repurchase liability in the prior year. For further information, see Mortgage repurchase liability on pages 56–60 of this Form 10-Q.

Mortgage Servicing pretax loss was $374 million, compared with a pretax loss of $254 million in the prior year. Mortgage net servicing-related revenue was $2.2 billion, a decrease of $159 million, or 7%, from the prior year, driven by lower revenue from an exited non-core product. MSR risk management was a loss of $244 million, compared with income of $574 million in the prior year, driven by the net impact of various changes in model inputs and assumptions. See Note 16 on pages 186–189 of this Form 10-Q for further information regarding changes in value of the MSR asset and related hedges. Servicing expense was $2.3 billion, a decrease of $857 million from the prior year, reflecting lower costs associated with the Independent Foreclosure Review and lower servicing headcount.

Real Estate Portfolios pretax income was $3.4 billion, up $1.3 billion from the prior year. Net revenue was $2.7 billion, a decrease of $465 million, or 15%, from the prior year. The decrease was driven by a decline in net interest income, resulting from lower loan balances due to portfolio run off and higher loan retention driving lower noninterest revenue. The provision for credit losses was a benefit of $1.9 billion, compared with a benefit of $226 million in the prior year. The current-year provision reflected a $2.9 billion reduction in the allowance for loan losses, $2.1 billion from the non credit-impaired allowance and $750 million from the purchased credit-impaired allowance, due to lower estimated losses reflecting continued home price improvement and favorable delinquency trends. The prior year provision included a $3.15 billion reduction in the non credit-impaired allowance for loan losses. Net charge-offs were $940 million, compared with $2.9 billion in the prior year. Prior-year total net charge-offs included $825 million of incremental charge-offs reported in accordance with regulatory guidance on certain loans discharged under Chapter 7 bankruptcy. Noninterest expense was $1.1 billion, a decrease of $75 million, or 6%, compared with the prior year, driven by lower foreclosed asset expense due to lower foreclosure inventory.

PCI Loans

Included within Real Estate Portfolios are PCI loans that the Firm acquired in the Washington Mutual transaction. For PCI loans, the excess of the undiscounted gross cash flows expected to be collected over the carrying value of the loans (the “accretable yield”) is accreted into interest income at a level rate of return over the expected life of the loans. The net spread between the PCI loans and the related liabilities are expected to be relatively constant over time, except for any basis risk or other residual interest rate risk that remains and for certain changes in the accretable yield percentage (e.g., from extended loan liquidation periods and from prepayments). As of September 30, 2013, the remaining weighted-average life of the PCI loan portfolio is expected to be 9 years. The loan balances are expected to decline more rapidly over the next three years as the most troubled loans are liquidated, and more slowly thereafter as the remaining troubled borrowers have limited refinancing opportunities. Similarly, default and servicing expense are expected to be higher in the earlier years and decline over time as liquidations slow down.

For further information, see Note 13, PCI loans, on pages 170–171 of this Form 10-Q.

Mortgage Production and Mortgage Servicing

Selected metrics

	As of or for the three months ended September 30,			As of or for the nine months ended September 30,		
(in millions, except ratios)	2013	2012	Change	2013	2012	Change
Selected balance sheet data						
Period-end loans:						
Prime mortgage, including option ARMs[a]	$15,571	$17,153	(9)%	$15,571	$17,153	(9)%
Loans held-for-sale and loans at fair value[b]	10,447	15,250	(31)	10,447	15,250	(31)
Average loans:						
Prime mortgage, including option ARMs[a]	15,878	17,381	(9)	16,782	17,366	(3)
Loans held-for-sale and loans at fair value[b]	14,060	17,879	(21)	17,787	17,068	4
Average assets	54,870	59,769	(8)	59,622	59,722	—
Repurchase liability (period-end)	1,945	2,779	(30)	1,945	2,779	(30)
Credit data and quality statistics						
Net charge-offs:						
Prime mortgage, including option ARMs	2	4	(50)	11	5	120
Net charge-off rate:						
Prime mortgage, including option ARMs	0.05 %	0.09 %		0.09 %	0.04 %	
30+ day delinquency rate[c]	3.16	3.10		3.16	3.10	
Nonperforming assets[d]	$670	$700	(4)%	$670	$700	(4)%

(a) Predominantly represents prime mortgage loans repurchased from Government National Mortgage Association ("Ginnie Mae") pools, which are insured by U.S. government agencies. See further discussion of loans repurchased from Ginnie Mae pools in Mortgage repurchase liability on pages 56–60 and Note 21 on pages 195–199 of this Form 10-Q.

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

(c) At September 30, 2013 and 2012, excluded mortgage loans insured by U.S. government agencies of $10.0 billion and $12.1 billion, respectively, that are 30 or more days past due. These amounts were excluded as reimbursement of insured amounts is proceeding normally. For further discussion, see Note 13 on pages 155–177 of this Form 10-Q which summarizes loan delinquency information.

(d) At September 30, 2013 and 2012, nonperforming assets excluded: (1) mortgage loans insured by U.S. government agencies of $8.9 billion and $11.0 billion, respectively, that are 90 or more days past due; and (2) real estate owned insured by U.S. government agencies of $1.9 billion and $1.5 billion, respectively. These amounts were excluded as reimbursement of insured amounts is proceeding normally. For further discussion, see Note 13 on pages 155–177 of this Form 10-Q which summarizes loan delinquency information.

Selected metrics

	As of or for the three months ended September 30,			As of or for the nine months ended September 30,		
(in billions, except ratios)	2013	2012	Change	2013	2012	Change
Business metrics						
Mortgage origination volume by channel						
Retail	$17.7	$25.5	(31)%	$67.2	$75.0	(10)%

Wholesale[a]	—		—		—		0.2		0.2		—	
Correspondent[a]	22.8		21.8		5		74.8		54.4		38	
Total mortgage origination volume[b]	$40.5		$47.3		(14	)	$142.2		$129.6		10	
Mortgage application volume by channel												
Retail	$20.7		$44.7		(54	)	$92.2		$127.8		(28	)
Wholesale[a]	—		0.2		NM		0.2		0.5		(60	)
Correspondent[a]	19.7		28.3		(30	)	73.5		71.7		3	
Total mortgage application volume	$40.4		$73.2		(45	)	$165.9		$200.0		(17	)
Third-party mortgage loans serviced (period-end)	$831.1		$811.4		2		$831.1		$811.4		2	
Third-party mortgage loans serviced (average)	831.5		825.7		1		842.0		861.7		(2	)
MSR carrying value (period-end)	9.5		7.1		34	%	9.5		7.1		34	%
Ratio of MSR carrying value (period-end) to third-party mortgage loans serviced (period-end)	1.14	%	0.88	%			1.14	%	0.88	%		
Ratio of annualized loan servicing-related revenue to third-party mortgage loans serviced (average)	0.38		0.46				0.40		0.46			
MSR revenue multiple[c]	3.00	x	1.91x				2.85	x	1.91x			

(a) Includes rural housing loans sourced through brokers and correspondents, which are underwritten and closed with pre-funding loan approval from the U.S. Department of Agriculture Rural Development, which acts as the guarantor in the transaction.

(b) Firmwide mortgage origination volume was $44.2 billion and $49.6 billion for the three months ended September 30, 2013 and 2012, respectively, and $151.3 billion and $136.1 billion for the nine months ended September 30, 2013 and 2012, respectively.

(c) Represents the ratio of MSR carrying value (period-end) to third-party mortgage loans serviced (period-end) divided by the ratio of annualized loan servicing-related revenue to third-party mortgage loans serviced (average).

Real Estate Portfolios
Selected metrics

(in millions)	As of or for the three months ended September 30, 2013	2012	Change	As of or for the nine months ended September 30, 2013	2012	Change
Loans, excluding PCI						
Period-end loans owned:						
Home equity	$59,825	$69,686	(14)%	$59,825	$69,686	(14)%
Prime mortgage, including option ARMs	47,958	41,404	16	47,958	41,404	16
Subprime mortgage	7,376	8,552	(14)	7,376	8,552	(14)
Other	568	653	(13)	568	653	(13)
Total period-end loans owned	$115,727	$120,295	(4)	$115,727	$120,295	(4)
Average loans owned:						
Home equity	$61,005	$71,620	(15)	$63,558	$74,087	(14)
Prime mortgage, including option ARMs	46,177	41,628	11	43,680	42,620	2
Subprime mortgage	7,529	8,774	(14)	7,834	9,126	(14)
Other	579	665	(13)	598	686	(13)
Total average loans owned	$115,290	$122,687	(6)	$115,670	$126,519	(9)
PCI loans						
Period-end loans owned:						
Home equity	$19,411	$21,432	(9)	$19,411	$21,432	(9)
Prime mortgage	12,487	14,038	(11)	12,487	14,038	(11)
Subprime mortgage	4,297	4,702	(9)	4,297	4,702	(9)
Option ARMs	18,564	21,024	(12)	18,564	21,024	(12)
Total period-end loans owned	$54,759	$61,196	(11)	$54,759	$61,196	(11)
Average loans owned:						
Home equity	$19,677	$21,620	(9)	$20,218	$22,060	(8)
Prime mortgage	12,705	14,185	(10)	13,124	14,582	(10)
Subprime mortgage	4,357	4,717	(8)	4,478	4,818	(7)
Option ARMs	18,890	21,237	(11)	19,573	21,816	(10)
Total average loans owned	$55,629	$61,759	(10)	$57,393	$63,276	(9)
Total Real Estate Portfolios						
Period-end loans owned:						
Home equity	$79,236	$91,118	(13)	$79,236	$91,118	(13)
Prime mortgage, including option ARMs	79,009	76,466	3	79,009	76,466	3
Subprime mortgage	11,673	13,254	(12)	11,673	13,254	(12)
Other	568	653	(13)	568	653	(13)
Total period-end loans owned	$170,486	$181,491	(6)	$170,486	$181,491	(6)
Average loans owned:						
Home equity	$80,682	$93,240	(13)	$83,776	$96,147	(13)
Prime mortgage, including option ARMs	77,772	77,050	1	76,377	79,018	(3)
Subprime mortgage	11,886	13,491	(12)	12,312	13,944	(12)
Other	579	665	(13)	598	686	(13)
Total average loans owned	$170,919	$184,446	(7)	$173,063	$189,795	(9)
Average assets	$163,001	$173,613	(6)	$164,310	$177,840	(8)
Home equity origination volume	580	375	55%	1,481	1,047	41%

Credit data and quality statistics

	As of or for the three months ended September 30,			As of or for the nine months ended September 30,		
(in millions, except ratios)	2013	2012	Change	2013	2012	Change
Net charge-offs/(recoveries), excluding PCI loans[a]						
Home equity	$218	$1,120	(81)%	$787	$2,128	(63)%
Prime mortgage, including option ARMs	(11)	143	NM	49	388	(87)
Subprime mortgage	(4)	152	NM	96	394	(76)
Other	1	5	(80)	8	14	(43)
Total net charge-offs/(recoveries), excluding PCI loans	$204	$1,420	(86)	$940	$2,924	(68)
Net charge-off/(recovery) rate, excluding PCI loans[a]:						
Home equity	1.42%	6.22%		1.66%	3.84%	
Prime mortgage, including option ARMs	(0.09)	1.37		0.15	1.22	
Subprime mortgage	(0.21)	6.89		1.64	5.77	
Other	0.69	2.99		1.79	2.73	
Total net charge-off/(recovery) rate, excluding PCI loans	0.70	4.60		1.09	3.09	
Net charge-off/(recovery) rate – reported[a]:						
Home equity	1.07%	4.78%		1.26%	2.96%	
Prime mortgage, including option ARMs	(0.06)	0.74		0.09	0.66	
Subprime mortgage	(0.13)	4.48		1.04	3.77	
Other	0.69	2.99		1.79	2.73	
Total net charge-off/(recovery) rate – reported	0.47	3.06		0.73	2.06	
30+ day delinquency rate, excluding PCI loans[b]	3.81%	5.12%		3.81%	5.12%	
Allowance for loan losses, excluding PCI loans	$2,768	$5,568	(50)	$2,768	$5,568	(50)
Allowance for PCI loans	4,961	5,711	(13)	4,961	5,711	(13)
Allowance for loan losses	$7,729	$11,279	(31)	$7,729	$11,279	(31)
Nonperforming assets[c]	7,385	8,669	(15)%	7,385	8,669	(15)%
Allowance for loan losses to period-end loans retained	4.53%	6.21%		4.53%	6.21%	
Allowance for loan losses to period-end loans retained, excluding PCI loans	2.39	4.63		2.39	4.63	

(a) Net charge-offs and net charge-off rates for the three months ended September 30, 2012 included $825 million of charge-offs of Chapter 7 loans. Excluding these charges-offs, net charge-offs for the three months ended September 30, 2012 would have been $402 million, $97 million and $91 million for the home equity, prime mortgage, including option ARMs, and subprime mortgage portfolios, respectively. Net charge-off rates for the same period, excluding these charge-offs and PCI loans, would have been 2.23%, 0.93% and 4.13% for the home equity, prime mortgage, including option ARMs, and subprime mortgage portfolios, respectively. For further information, see Consumer Credit Portfolio on pages 140–142 of JPMorgan Chase’s 2012 Annual Report.

(b) The 30+ day delinquency rate for PCI loans was 16.19% and 20.65% at September 30, 2013 and 2012, respectively.

(c) Excludes PCI loans. Because the Firm is recognizing interest income on each pool of PCI loans, they are all considered to be performing.

Card, Merchant Services & Auto
Selected financial statement data

(in millions, except ratios)	As of or for the three months ended September 30, 2013	2012	Change	As of or for the nine months ended September 30, 2013	2012	Change
Revenue						
Card income	$1,075	$1,032	4 %	$3,155	$2,995	5 %
All other income	263	248	6	769	782	(2)
Noninterest revenue	1,338	1,280	5	3,924	3,777	4
Net interest income	3,294	3,443	(4)	10,098	10,185	(1)
Total net revenue	4,632	4,723	(2)	14,022	13,962	—
Provision for credit losses	673	1,231	(45)	1,923	2,703	(29)
Noninterest expense	1,917	1,920	—	5,848	6,045	(3)
Income before income tax expense	2,042	1,572	30	6,251	5,214	20
Net income	$1,235	$954	29	$3,756	$3,167	19
Return on common equity	32 %	23 %		32 %	26 %	
Overhead ratio	41	41		42	43	
Equity (period-end and average)	$15,500	$16,500	(6)%	$15,500	$16,500	(6)%

Quarterly results
Card, Merchant Services & Auto net income was $1.2 billion, an increase of $281 million, or 29%, compared with the prior year, driven by lower provision for credit losses, partially offset by lower net revenue.
Net revenue was $4.6 billion, down $91 million, or 2%, compared with the prior year. Net interest income was $3.3 billion, down $149 million compared with the prior year, primarily driven by spread compression in Credit Card and Auto. Noninterest revenue was $1.3 billion, up $58 million compared with the prior year, primarily driven by higher net interchange income, auto lease income and merchant servicing revenue, largely offset by lower revenue from an exited non-core product.
The provision for credit losses was $673 million, compared with $1.2 billion in the prior year. The current-quarter provision reflected lower net charge-offs and a $351 million reduction in the allowance for loan losses due to lower estimated losses reflecting improved delinquency trends and restructured loan performance. The prior-year provision included a $55 million reduction in the allowance for loan losses. The Credit Card net charge-off rate[1] was 2.86%, down from 3.57% in the prior year; and the 30+ day delinquency rate[1] was 1.68%, down from 2.15% in the prior year. The Auto net charge-off rate was 0.35%, down from 0.74% in the prior year.
Noninterest expense was $1.9 billion, flat from the prior year.

Year-to-date results
Card, Merchant Services & Auto net income was $3.8 billion, an increase of $589 million, or 19%, compared with the prior year, driven by lower provision for credit losses and lower noninterest expense.
Net revenue was $14.0 billion, flat compared with the prior year. Net interest income was $10.1 billion, down $87 million compared with the prior year, primarily driven by spread compression in Credit Card and Auto and lower average credit card loan balances, offset by the impact of lower revenue reversals associated with lower net charge-offs in Credit Card. Noninterest revenue was $3.9 billion, up $147 million compared with the prior year, primarily driven by higher net interchange income, auto lease income and merchant servicing revenue, largely offset by lower revenue from an exited non-core product and a gain on an investment security in the prior year.
The provision for credit losses was $1.9 billion, compared with $2.7 billion in the prior year. The current-year provision reflected lower net charge-offs and a $1.4 billion reduction in the allowance for loan losses due to lower estimated losses reflecting improved delinquency trends and restructured loan performance. The prior-year provision included a $1.6 billion reduction in the allowance for loan losses. The Credit Card net charge-off rate[1] was 3.24%,

down from 4.09% in the prior year. The Auto net charge-off rate was 0.28%, down from 0.40% in the prior year. Noninterest expense was $5.8 billion, a decrease of $197 million, or 3%, from the prior year, primarily driven by lower remediation expense, inclusive of current-period charges, related to an exited non-core product.

[1] The net charge-off and 30+ day delinquency rates presented for credit card loans, which include loans held-for-sale, are non-GAAP financial measures. Management uses this as an additional measure to assess the performance of the portfolio.

Selected metrics

(in millions, except ratios and where otherwise noted)	As of or for the three months ended September 30, 2013	2012	Change	As of or for the nine months ended September 30, 2013	2012	Change
Selected balance sheet data (period-end)						
Loans:						
Credit Card	$123,982	$124,537	— %	$123,982	$124,537	— %
Auto	50,810	48,920	4	50,810	48,920	4
Student	10,777	11,868	(9)	10,777	11,868	(9)
Total loans	$185,569	$185,325	—	$185,569	$185,325	—
Selected balance sheet data (average)						
Total assets	$198,702	$196,302	1	$197,427	$197,679	—
Loans:						
Credit Card	123,912	124,339	—	123,445	125,712	(2)
Auto	50,432	48,399	4	50,386	48,126	5
Student	10,907	12,037	(9)	11,178	12,774	(12)
Total loans	$185,251	$184,775	—	$185,009	$186,612	(1)
Business metrics						
Credit Card, excluding Commercial Card						
Sales volume (in billions)	$107.0	$96.6	11	$306.9	$279.5	10
New accounts opened	1.7	1.6	6	4.9	4.9	—
Open accounts	65.0	63.9	2	65.0	63.9	2
Accounts with sales activity	30.0	29.1	3	30.0	29.1	3
% of accounts acquired online	53 %	52 %		53 %	49 %	
Merchant Services (Chase Paymentech Solutions)						
Merchant processing volume (in billions)	$185.9	$163.6	14	$546.7	$476.6	15
Total transactions (in billions)	8.9	7.4	20	26.0	21.3	22
Auto & Student						
Origination volume (in billions)						
Auto	$6.4	$6.3	2 %	$19.7	$17.9	10
Student	—	0.1	NM	0.1	0.2	(50)%

Selected metrics

(in millions, except ratios)	As of or for the three months ended September 30, 2013	2012	Change	As of or for the nine months ended September 30, 2013	2012	Change
Credit data and quality statistics						
Net charge-offs:						
Credit Card	$892	$1,116	(20)%	$2,988	$3,847	(22)%
Auto[(a)]	44	90	(51)	107	144	(26)
Student	88	80	10	229	268	(15)
Total net charge-offs	$1,024	$1,286	(20)	$3,324	$4,259	(22)
Net charge-off rate:						
Credit Card[(b)]	2.86 %	3.57 %		3.24 %	4.11 %	
Auto[(a)]	0.35	0.74		0.28	0.40	
Student	3.20	2.64		2.74	2.80	
Total net charge-off rate	2.19	2.77		2.40	3.06	
Delinquency rates						
30+ day delinquency rate:						
Credit Card[(c)]	1.69	2.15		1.69	2.15	
Auto	0.93	1.11		0.93	1.11	
Student[(d)]	2.60	2.38		2.60	2.38	
Total 30+ day delinquency rate	1.53	1.89		1.53	1.89	
90+ day delinquency rate – Credit Card[(c)]	0.79	0.99		0.79	0.99	
Nonperforming assets[(e)]	$239	$284	(16)	$239	$284	(16)
Allowance for loan losses:						
Credit Card	$4,097	$5,503	(26)	$4,097	$5,503	(26)
Auto & Student	953	954	—	953	954	—
Total allowance for loan losses	$5,050	$6,457	(22)%	$5,050	$6,457	(22)%
Allowance for loan losses to period-end loans:						
Credit Card[(c)]	3.31 %	4.42 %		3.31 %	4.42 %	
Auto & Student	1.55	1.57		1.55	1.57	
Total allowance for loan losses to period-end loans	2.73	3.49		2.73	3.49	

(a) Net charge-offs and the net charge-off rate for the three months ended September 30, 2012 included $55 million of charge-offs of Chapter 7 loans. Excluding these charge-offs, net charge-offs for the three months ended September 30, 2012 would have been $35 million, and the net charge-off rate would have been 0.29%.

(b) Average credit card loans included loans held-for-sale of $67 million and $109 million for the three months ended September 30, 2013 and 2012, respectively, and $23 million and $569 million for the nine months ended September 30, 2013 and 2012, respectively. These amounts are excluded when calculating the net charge-off rate.

(c) Period-end credit card loans included loans held-for-sale of $310 million and $106 million at September 30, 2013 and 2012, respectively. These amounts are excluded when calculating delinquency rates and the allowance for loan losses to period-end loans.

(d) Excluded student loans insured by U.S. government agencies under the FFELP of $769 million and $910 million at September 30, 2013 and 2012, respectively, that are 30 or more days past due. These amounts are excluded as reimbursement of insured amounts is proceeding normally.

(e) Nonperforming assets excluded student loans insured by U.S. government agencies under the FFELP of $456 million and $536 million at September 30, 2013 and 2012, respectively, that are 90 or more days past due. These amounts are excluded as reimbursement of insured amounts is proceeding normally.

Card Services supplemental information

(in millions, except ratios)	Three months ended September 30, 2013	2012	Change	Nine months ended September 30, 2013	2012	Change
Revenue						
Noninterest revenue	$994	$971	2%	$2,926	$2,873	2%
Net interest income	2,824	2,923	(3)	8,657	8,606	1
Total net revenue	3,818	3,894	(2)	11,583	11,479	1
Provision for credit losses	542	1,116	(51)	1,588	2,347	(32)
Noninterest expense	1,458	1,517	(4)	4,496	4,856	(7)
Income before income tax expense	1,818	1,261	44	5,499	4,276	29
Net income	$1,102	$769	43%	$3,308	$2,608	27%
Percentage of average loans:						
Noninterest revenue	3.18%	3.11%		3.17%	3.05%	
Net interest income	9.04	9.35		9.38	9.14	
Total net revenue	12.22	12.46		12.55	12.20	

CORPORATE & INVESTMENT BANK

For a discussion of the business profile on CIB, see pages 92–95 of JPMorgan Chase's 2012 Annual Report and the Introduction on page 4 of this Form 10-Q.
CIB provides several non-GAAP financial measures which exclude the impact of DVA on: net revenue, net income, compensation ratio, and return on equity. The ratio for the allowance for loan losses to end-of-period loans is calculated excluding the impact of trade finance and consolidated Firm-administered multi-seller conduits, to provide a more meaningful assessment of CIB's allowance coverage ratio. These measures are used by management to assess the underlying performance of the business and for comparability with peers.
Selected income statement data

	Three months ended September 30,			Nine months ended September 30,		
(in millions, except ratios)	2013	2012	Change	2013	2012	Change
Revenue						
Investment banking fees	$1,510	$1,429	6 %	$4,660	$4,049	15 %
Principal transactions[a]	2,202	2,263	(3)	9,451	8,544	11
Lending- and deposit-related fees	471	486	(3)	1,430	1,449	(1)
Asset management, administration and commissions	1,128	1,104	2	3,584	3,530	2
All other income	392	290	35	1,106	749	48
Noninterest revenue	5,703	5,572	2	20,231	18,321	10
Net interest income	2,486	2,788	(11)	7,974	8,363	(5)
Total net revenue[b]	8,189	8,360	(2)	28,205	26,684	6
Provision for credit losses	(218)	(60)	(263)	(213)	(34)	NM
Noninterest expense						
Compensation expense	2,330	2,755	(15)	8,694	9,096	(4)
Noncompensation expense	2,669	2,595	3	8,158	7,758	5
Total noninterest expense	4,999	5,350	(7)	16,852	16,854	—
Income before income tax expense	3,408	3,070	11	11,566	9,864	17
Income tax expense	1,168	1,078	8	3,878	3,463	12
Net income	$2,240	$1,992	12 %	$7,688	$6,401	20 %
Financial ratios						
Return on common equity[c]	16 %	17 %		18 %	18 %	
Overhead ratio	61	64		60	63	
Compensation expense as a percentage of total net revenue[d]	28	33		31	34	

(a) Includes DVA on structured notes and derivative liabilities measured at fair value. DVA gains/(losses) were $(397) million and $(211) million for the three months ended September 30, 2013 and 2012, and $84 million and $(363) million for the nine months ended September 30, 2013 and 2012, respectively.

(b) Included tax-equivalent adjustments, predominantly due to income tax credits related to affordable housing and alternative energy investments, as well as tax-exempt income from municipal bond investments of $537 million and $492 million for the three months ended September 30, 2013 and 2012, and $1.6 billion and $1.5 billion for the nine months ended September 30, 2013 and 2012, respectively.

(c) Return on equity excluding DVA, a non-GAAP financial measure, was 17% and 18% for the three months ended September 30, 2013 and 2012, and 18% and 19% for the nine months ended September 30, 2013 and 2012, respectively.

(d) Compensation expense as a percentage of total net revenue excluding DVA, a non-GAAP financial measure, was 27% and 32% for the three months ended September 30, 2013 and 2012, and 31% and 34% for the nine months ended September 30, 2013 and 2012, respectively.

Selected income statement data

(in millions)	Three months ended September 30, 2013	2012	Change	Nine months ended September 30, 2013	2012	Change
Revenue by business						
Advisory	$322	$389	(17)%	$881	$1,026	(14)%
Equity underwriting	333	235	42	1,063	761	40
Debt underwriting	855	805	6	2,716	2,262	20
Total investment banking fees	1,510	1,429	6	4,660	4,049	15
Treasury Services	1,053	1,064	(1)	3,148	3,190	(1)
Lending	351	357	(2)	1,222	949	29
Total Banking	2,914	2,850	2	9,030	8,188	10
Fixed Income Markets[a]	3,439	3,726	(8)	12,269	12,235	—
Equity Markets	1,249	1,044	20	3,885	3,511	11
Securities Services	996	965	3	3,057	3,005	2
Credit Adjustments & Other[b][c]	(409)	(225)	(82)	(36)	(255)	86
Total Markets & Investor Services	5,275	5,510	(4)	19,175	18,496	4
Total net revenue	$8,189	$8,360	(2)%	$28,205	$26,684	6%

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

(b) Primarily includes credit portfolio credit valuation adjustments ("CVA") net of associated hedging activities; DVA on structured notes and derivative liabilities; and nonperforming derivative receivable results.

(c) Includes DVA on structured notes and derivative liabilities measured at fair value. DVA gains/(losses) were $(397) million and $(211) million for the three months ended September 30, 2013 and 2012, and $84 million and $(363) million for the nine months ended September 30, 2013 and 2012, respectively.

Quarterly results

Net income was $2.2 billion, up 12% compared with the prior year. These results primarily reflected lower noninterest expense and a higher benefit from the provision for credit losses, partially offset by lower net revenue. Net revenue was $8.2 billion, compared with $8.4 billion in the prior year. Net revenue included a $397 million loss from debit valuation adjustments ("DVA") on structured notes and derivative liabilities; the prior year included a loss from DVA of $211 million. Excluding the impact of DVA, net income was $2.5 billion, up 17% from the prior year, and net revenue was $8.6 billion, flat compared with the prior year.

Banking revenue was $2.9 billion, up 2% from the prior year. Investment banking fees were $1.5 billion, up 6% from the prior year, driven by higher equity underwriting fees of $333 million, up 42% from the prior year, and higher debt underwriting fees of $855 million, up 6% from the prior year, partially offset by lower advisory fees of $322 million, down 17% from the prior year. While the industry wide wallet declined 6% compared with the prior year, the Firm maintained #1 ranking in Global Investment Banking Fees with lead roles in a majority of large fee transactions. Treasury Services revenue was $1.1 billion, flat compared with the prior year due to tighter trade finance spreads which were predominantly offset by higher net interest income on higher deposit balances. Lending revenue was $351 million, primarily reflecting net interest income on retained loans and fees on lending-related commitments.

Markets & Investor Services revenue was $5.3 billion, down 4% from the prior year. Fixed Income Markets revenue was

$3.4 billion, down 8% compared with a strong prior year. The prior year included a modest loss from the synthetic credit portfolio. Equity Markets revenue was $1.2 billion, up 20% from the prior year, driven by broad-based strength across products and regions. Securities Services revenue was $1.0 billion, up 3% from the prior year due to higher custody and fund services revenue, partially offset by lower revenue in agent lending, due to lower spreads. Credit Adjustments & Other revenue was a loss of $409 million, compared with a loss of $225 million in the prior year; both periods were predominantly driven by the impact of DVA.

The provision for credit losses was a benefit of $218 million, compared with a benefit of $60 million in the prior year. The ratio of the allowance for loan losses to period-end loans retained was 1.09%, compared with 1.35% in the prior year. Excluding the impact of the consolidation of Firm-administered multi-seller conduits and trade finance loans, the ratio of the allowance for loan losses to period-end loans retained was 2.01%, compared with 2.92% in the prior year. Noninterest expense was $5.0 billion, down 7% from the prior year, primarily driven by lower compensation expense. The compensation ratio for the current quarter was 28% (27% excluding DVA).

Year-to-date results

Net income was $7.7 billion, up 20% compared with the prior year. These results reflected higher net revenue as well as a higher benefit from the provision for credit losses. Net revenue was $28.2 billion, compared with $26.7 billion in the prior year. Net revenue included an $84 million gain from DVA on structured notes and derivative liabilities; the prior year included a loss from DVA of $363 million.

Excluding the impact of DVA, net income was $7.6 billion, up 15% from the prior year and net revenue was $28.1 billion up 4% from prior year.
Banking revenue was $9.0 billion, compared with $8.2 billion in the prior year. The Firm continues to rank #1 in Global Investment Banking fees and increased its wallet share to 8.8% for year-to-date September 30, 2013, up from 7.5% for full year 2012 with roles in all ten of the largest wallet transactions year to date, according to Dealogic. Investment banking fees were $4.7 billion (up 15% compared with the prior year), driven by higher debt underwriting fees of $2.7 billion (up 20%) and equity underwriting fees of $1.1 billion (up 40%) partially offset by lower advisory fees of $881 million (down 14%). Debt underwriting fees were higher driven by overall industry loan wallet growth of 40% and an increase in the Firm’s loan wallet share compared with the prior year, as the Firm had lead roles in a majority of large fee transactions. Bond underwriting revenues also increased from the prior year, as the Firm increased share despite slightly lower industry-wide long-term debt volumes. Equity underwriting fee growth was driven by a 20% increase in overall industry wallet as well as increased wallet share. Advisory fees were lower compared with the prior year, as the industry-wide M&A wallet declined 17%, partially offset by increased share of completed transactions. Treasury Services revenue was $3.1 billion, down slightly compared with the prior year primarily due to lower trade finance spreads, which was partially offset by higher net interest income on increased deposit balances. Lending revenue was $1.2 billion, compared with $949 million in the prior year; the current period primarily reflected net interest income on retained loans and fees on lending-related commitments, as well as gains on securities received from restructured loans.

Markets & Investor Services revenue was $19.2 billion, up 4% from the prior year. Fixed Income and Equity Markets combined revenue was $16.2 billion, up 3% from the prior year. Fixed Income Markets of $12.3 billion was flat compared with the prior period, driven by solid revenue and the absence of a modest loss from the synthetic credit portfolio in the prior year. These were predominantly offset by lower results in rates-related products compared with more favorable conditions and higher liquidity resulting from European Central Bank and Federal Reserve actions in the prior year. Equity Markets of $3.9 billion was up 11% compared with the prior year, primarily driven by strong revenue in derivatives and cash equity products. Additionally, prime brokerage remained a solid revenue contributor with higher balances, as the Firm continues to build out the platform in support of its global client base. Securities Services revenue was $3.1 billion, up 2% from the prior year. Growth in custody fees was consistent with higher assets under custody, up 8% compared with the prior year, and net interest income on higher custody deposit balances also increased compared with the prior year. These were partially offset by lower revenue in agent lending, due to lower balances and spreads. Credit Adjustments & Other revenue was a loss of $36 million driven primarily by credit portfolio CVA losses, net of hedges, compared with a loss of $255 million in the prior year driven primarily by DVA. The provision for credit losses was a benefit of $213 million, compared with a benefit of $34 million in the prior year. Net recoveries were $67 million, flat compared with the prior year.
Noninterest expense was $16.9 billion, flat compared with the prior year, as lower compensation expense was offset by higher noncompensation expense, which included higher litigation expense. The compensation ratio, excluding the impact of DVA, was 31% and 34% for the nine months ended September 30, 2013 and 2012, respectively.

Selected metrics

(in millions, except headcount)	As of or for the three months ended September 30, 2013	2012	Change	As of or for the nine months ended September 30, 2013	2012	Change
Selected balance sheet data (period-end)						
Assets	$867,474	$904,090	(4)%	$867,474	$904,090	(4)%
Loans:						
Loans retained[(a)]	104,269	107,903	(3)	104,269	107,903	(3)
Loans held-for-sale and loans at fair value	3,687	3,899	(5)	3,687	3,899	(5)
Total loans	107,956	111,802	(3)			