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Exchange Act/Rule 14a-8

January 13, 2020

VIA E-MAIL (*shareholderproposals@sec.gov)*

Office of Chief Counsel
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: JPMorgan Chase & Co.
Shareholder Proposal of John C. Harrington

Dear Ladies and Gentlemen:

We submit this letter on behalf of our client JPMorgan Chase & Co., a Delaware corporation (the "***Company***"), which requests confirmation that the staff (the "***Staff***") of the Division of Corporation Finance of the U.S. Securities and Exchange Commission (the "***Commission***") will not recommend enforcement action to the Commission if, in reliance on Rule 14a-8 under the Securities Exchange Act of 1934 (the "***Exchange Act***"), the Company omits the attached shareholder proposal (the "***Proposal***") submitted by John C. Harrington (the "***Proponent***") from the Company's proxy materials for its 2020 Annual Meeting of Shareholders (the "***2020 Proxy Materials***").

Pursuant to Rule 14a-8(j) under the Exchange Act, we have:

- filed this letter with the Commission no later than eighty (80) calendar days before the Company intends to file its definitive 2020 Proxy Materials with the Commission; and

- concurrently sent copies of this correspondence to the Proponent.

Copies of the Proposal, the Proponent's cover letter submitting the Proposal, and other correspondence relating to the Proposal are attached hereto as Exhibit A.

*** FISMA & OMB Memorandum M-07-16

Pursuant to the guidance provided in Section F of *Staff Legal Bulletin No. 14F* (Oct. 18, 2011), we ask that the Staff provide its response to this request to Martin Dunn, on behalf of the Company, via email at mdunn@mofo.com, and to the Proponent via email at john@harringtoninvestments.com.

I. THE PROPOSAL

On November 22, 2019, the Company received from the Proponent the Proposal for inclusion in the Company's 2020 Proxy Materials.[1] The Proposal reads as follows:

> ***Whereas,*** *since 2000, our Company has paid penalties of over $34 billion for toxic securities abuses, mortgage abuses, investor and consumer protection violations, trading manipulation and other related regulatory abuses;*
>
> ***Whereas,*** *our Company has recently been found to be the world's top funder of fossil fuels between 2016 through 2018 with over $195 billion in lending to fossil fuel companies and those business entities expanding fossil fuels, according to a report, Banking on Climate Change: Fossil Fuel Finance Report Card 2019;*
>
> ***Whereas,*** *our Company* ***has involvement in financing*** *Tar Sands Oil, Arctic Oil and Gas, Ultra-Deep-Water Oil and Gas, Fracking and Liquified Natural Gas;*
>
> ***Whereas,*** *at the same time, however, JPMorgan Chase announced in 2005, its first comprehensive Environmental and Social Risk Policy;*
>
> ***Whereas,*** *our Company's Chairman and Chief Executive Officer and the former Chairman of the Business Roundtable, in August 2019, joined 180 corporate Chief Executive Officers, to acknowledge their own corporate purpose, but, in part, to commit our Company to* ***all*** *stakeholders to "… protect the environment by embracing sustainable practices across our businesses";*
>
> ***Whereas,*** *such public statements may be beneficial to the image of our Company from a marketing and public relations standpoint and enhance our management's standing in many communities, however, the statement, as company policy is confusing, and should raise questions for investors about its alignment with Delaware law and with current Company governance documents, including bylaws, Articles of Incorporation and Committee Charters;*

[1] The Proposal that is the subject of this no-action request is revised from its original version, which was originally received by the Company on November 8, 2019.

Whereas, *it is not clear that our Board of Directors have exercised their duty of care and loyalty to determine what specific actions the Board needs to take to implement the stakeholder theory underlying the statement to promote the best interests of the Corporation;*

Therefore, Be it Resolved *that shareholders request our Board of Directors to exercise their fiduciary duties by reviewing the Statement of the Purpose of a Corporation, and provide oversight and guidance as to how the new statement of stakeholder theory should alter our Company's governance and management system, and publish recommendations regarding implementation.*

Supporting Statement

Our Company is incorporated in Delaware and is required to lawfully comply with state law in which Directors are obligated to adhere to fiduciary standards based upon Delaware law and court rulings. Shareholders need to know how the statement will be implemented, such as the Board's assessment of how to do so in alignment with Delaware law, and how our Company's lending policies supporting expansion of financing fossil fuels may be altered by the new commitment. These incongruities should be fully addressed by our Board of Directors. (emphasis in original)

II. EXCLUSION OF THE PROPOSAL

A. Bases for Excluding the Proposal

As discussed more fully below, the Company believes it may properly omit the Proposal or portions thereof from its 2020 Proxy Materials in reliance on the following bases:

- Rule 14a-8(i)(10), as the Company has substantially implemented the Proposal; and
- Rule 14a-8(i)(7), as the Proposal relates to the Company's ordinary business operations.

B. The Company has Substantially Implemented the Proposal Within the Meaning of Rule 14a-8(i)(10)

The Commission stated in 1976 that the predecessor to Rule 14a-8(i)(10) was "designed to avoid the possibility of shareholders having to consider matters which already have been favorably acted upon by the management." *Exchange Act Release No. 12598* (July 7, 1976). Originally, the Staff narrowly interpreted this predecessor rule and granted no-action relief only when proposals were "'fully' effected" by the company. *See Exchange Act Release No. 19135* (Oct. 14, 1982). By 1983, the Commission recognized that the "previous formalistic application of [the Rule] defeated its purpose" because proponents were successfully convincing the Staff to

deny no-action relief by submitting proposals that differed from existing company policy by only a few words. *Exchange Act Release No. 20091* (Aug. 16, 1983) (the "***1983 Release***"). In the 1983 Release, the Commission expressed a revised interpretation of the rule to permit the omission of proposals that had been "substantially implemented," and then codified this revised interpretation *in Exchange Act Release No. 40018* (May 21, 1998). Thus, when a company can demonstrate that it already has taken actions to address the underlying concerns and essential objective of a shareholder proposal, the Staff has concurred that the proposal has been "substantially implemented" and may be excluded as moot. *See, e.g., Bank of New York Mellon Corp.* (Feb. 15, 2019); *Exelon Corp.* (Feb. 26, 2010); and *Exxon Mobil Corp. (Burt)* (Mar. 23, 2009). Applying this standard, the Staff has noted that "a determination that the company has substantially implemented the proposal depends upon whether [the company's] particular policies, practices and procedures compare favorably with the guidelines of the proposal." *Texaco, Inc.* (Mar. 6, 1991, recon. granted Mar. 28, 1991). *See also, Annaly Capital Management, Inc.* (Feb. 22, 2019).

The Proposal requests that the Board review The Business Roundtable's Statement on the Purpose of a Corporation (the "***BRT Statement***") and "provide oversight and guidance as to how the new statement of stakeholder theory should alter our Company's governance and management system, and publish recommendations regarding implementation." As demonstrated by the Company's publicly available materials, the Company operated in accordance with the principles set forth in the BRT Statement before its publication, and continues to do so after its publication. The Company's operations in accordance with its publicly stated principles and commitments are carried out with the oversight and guidance of the Board. Accordingly, as no alteration of the Company's governance and management systems is necessary, the Company has substantially implemented the Proposal for purposes of Rule 14a-8(i)(10).

1. The BRT Statement

The BRT Statement, which was published on August 19, 2019, states the following:

> *While each of our individual companies serves its own corporate purpose, we share a fundamental commitment to all of our stakeholders. We commit to:*
>
> - *Delivering value to our customers. We will further the tradition of American companies leading the way in meeting or exceeding customer expectations.*
>
> - *Investing in our employees. This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity and respect.*

- *Dealing fairly and ethically with our suppliers. We are dedicated to serving as good partners to the other companies, large and small, that help us meet our missions.*

- *Supporting the communities in which we work. We respect the people in our communities and protect the environment by embracing sustainable practices across our businesses.*

- *Generating long-term value for shareholders, who provide the capital that allows companies to invest, grow and innovate. We are committed to transparency and effective engagement with shareholders.*

Each of our stakeholders is essential. We commit to deliver value to all of them, for the future success of our companies, our communities and our country.

2. Company Actions and Statements Demonstrate Substantial Implementation of the Proposal

a. "How We Do Business" Principles

The Company's actions with regard to the topics addressed in the BRT Statement pre-date the Statement. For example, in 2014, the Firm published its How We Do Business principles (the ***"HWDB Principles")***, which outline its corporate standards.[2] These principles reflect the commitments articulated in the BRT Statement and have consistently appeared on the corporate website and are distributed to all employees. The principles read as follows:

OUR BUSINESS PRINCIPLES

EXCEPTIONAL CLIENT SERVICE

1. We focus on the customer
2. We are field and client driven; we operate at the local level
3. We build world-class franchises, investing for the long term, to serve our clients

OPERATIONAL EXCELLENCE

4. We set the highest standards of performance

[2] *See* https://www.jpmorganchase.com/corporate/About-JPMC/document/our-business-principles.pdf.

5. We demand financial rigor and risk discipline; we will always maintain a fortress balance sheet
6. We strive for the best internal governance and controls
7. We act and think like owners and partners
8. We strive to build and maintain the best, most efficient systems and operations
9. We are disciplined in everything we do
10. We execute with both skill and urgency

A COMMITMENT TO INTEGRITY, FAIRNESS AND RESPONSIBILITY

11. We will not compromise our integrity
12. We face facts
13. We have fortitude
14. We foster an environment of respect, inclusiveness, humanity and humility
15. We help strengthen the communities in which we live and work

A GREAT TEAM AND WINNING CULTURE

16. We hire, train and retain great, diverse employees
17. We build teamwork, loyalty and morale
18. We maintain an open, entrepreneurial meritocracy for all
19. We communicate honestly, clearly and consistently
20. We strive to be good leaders

b. "How We Do Business – The Report"

In 2014, the Company published "How We Do Business – The Report" (the ***"HWDB Report"***). The HWDB Report is a companion piece to the HWDB Principles and states that it "describes our commitment to our customers, as well as our relationships with regulators, shareholders and the communities in which we live and work. Perhaps most important, we talk about our people and our culture. We describe how we've re-articulated and re-emphasized our corporate standards and what we're doing to help ensure that our employees internalize these values and focus on them every day."[3] The introduction to the HWDB Report summarizes its discussion as follows:

The purpose of this report is to offer our shareholders and other interested parties a view into how we are striving to meet that mission both for today and for the future. Specifically, we summarize on the following pages:

[3] *See* https://www.jpmorganchase.com/corporate/investor-relations/document/How_We_Do_Business.pdf.

- *Ways we have sought to strengthen our corporate culture, including improving our employees' understanding of and adherence to our corporate standards and steps we have taken to enhance our corporate structure so that our company's leadership is better positioned to uphold, exemplify and enforce those standards across the enterprise.*

- *Our control environment, which starts with our businesses and is supported by our control functions and Internal Audit, and the investments we have made in people, policies and technology to enhance it.*

- *Ways in which we are strengthening our customer commitment, including offering the products and services our customers need, better coordinating and streamlining our channels, and making it easier for people to do business with us.*

- *Enhancement of our relationships with regulators, shareholders and communities through, among other measures, increased transparency and more regular engagement.*

c. Supplier Code of Conduct

The Company's Supplier Code of Conduct (the "***Supplier Code of Conduct***") sets out the Company's basic principles and expectations for suppliers (third parties that provide a product or service to the Company).[4] The Supplier Code of Conduct states that the HWDB Principles describe the type of culture the Company expects its suppliers to foster. The Supplier Code of Conduct states that the Company is "committed to building and maintaining the best and most respected financial services company in the world." Further, the Supplier Code of Conduct states that suppliers "likewise have a duty to demonstrate the highest standards of business conduct, integrity and adherence to the law. The Summary section of the Supplier Code of Conduct also states that, as business partners of the Company, suppliers must "demonstrate the highest standards of business conduct, integrity and adherence to law." In its Summary, the Supplier Code of Conduct states: "The firm believes certain Business Principles are fundamental to success. These principles include a commitment to exceptional client service, operational excellence, integrity, fairness, responsibility, and a winning culture. They describe how the firm conducts business and the type of culture we expect our Suppliers to foster."

[4] *See* https://www.jpmorganchase.com/corporate/About-JPMC/document/Supplier-Code-of-Conduct.pdf

d. The Company's 2018 "Environmental Social & Governance Report"

The Company's 2018 "Environmental Social & Governance Report" (the "***ESG Report***") addresses the Company's actions with regard to each of the topics addressed in the BRT Statement. The following are topics, among others, that are discussed in the ESG Report:[5]

Serving Our Customers

- *Engagement with retail customers and consumer organizations*
- *Fair and transparent marketing and advertising*
- *Serving a diverse retail customer base*
- *Promoting consumer financial health globally*

Investing in Our Employees

- *Investing in Our Employees*
- *Talent attraction, retention and development*
- *Compensation and benefits for our employees*
- *Diverse and inclusive culture*

Supporting Our Communities

- *Use of investment and philanthropic capital to expand access to economic opportunity in the communities where we do business*

Advancing Sustainability

- *Integration of environmental and social matters into due diligence and analysis*
- *Financing solutions that generate positive environmental and social impacts*
- *Partnerships with organizations to advance sustainable development*
- *Management of the environmental impacts of our buildings and branches, including energy use, greenhouse gas emissions, water and waste.*

e. The Chairman and CEO Letter to Shareholders of April 4, 2019

The Company's current operations in accordance with the BRT Statement are further detailed in an April 4, 2019 Letter to Shareholders (the ***"Letter to Shareholders"***), in which the Company Chairman and CEO discusses the issues addressed in the Proposal, stating:[6]

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[5] The Company's 2018 ESG Report is attached as Exhibit B.

[6] The April 4, 2019 Letter to Shareholders is attached as Exhibit C.

- "As you know, we believe tangible book value per share is a good measure of the value we have created for our shareholders. If our asset and liability values are appropriate — and we believe they are — and if we can continue to deploy this capital profitably, we think we can continue to exceed 15% return on tangible equity for the next several years (and potentially at or above 17% in the near term), assuming there is not a significant downturn. If we can earn these types of returns, our company should ultimately be worth considerably more than tangible book value."

- "While we don't run the company worrying about the stock price in the short run, in the long run our stock price is a measure of the progress we have made over the years. This progress is a function of continual investments, in good and bad times, to build our capabilities — our people, systems and products. These important investments drive the future prospects of our company and position it to grow and prosper for decades."

- "In the first section of this letter, I try to give a comprehensive understanding of how we run our company, including how we think about building shareholder value for the long run. In that section, I highlight our strong belief that building shareholder value can only be done in conjunction with taking care of employees, customers and communities."

- "The third section of this letter is about public policy, specifically American public policy, which is a major concern for our country and, therefore, our company. Again, I try to give a comprehensive, multi-year overview of what I see as some of our problems and suggest a few ways they can be addressed. One consistent theme is completely clear: Businesses, governments and communities need to work as partners, collaboratively and constructively, to analyze and solve problems and help strengthen the economy for everyone's benefit."

- "JPMorgan Chase Principles and Strategies

  1. First and foremost, we look at our business from the point of view of the customer.
  2. We endeavor to be the best at anything and everything we do.
  3. We will maintain a fortress balance sheet — and fortress financial principles.
  4. We lift up our communities.
  5. We take care of our employees.
  6. We always strive to learn more about management and leadership.
  7. We do not worry about some issues."

f. Summary of Comparison Between BRT Statement and the Company's Publicly Available Materials

The Company's key strategic objectives are undertaken with the oversight of, and guidance by, the Board. As demonstrated above, the Company's materials filed with the Commission or otherwise made publicly available, compare favorably with the action requested in the Proposal. The following table provides a comparison of the factors set forth in the BRT Statement and the Company's various statements and commitments, including the identification of the publicly available materials that contain such statements and commitments.

BRT Statement	**Sources**	**Statements and Commitments**
1. Deliver value to customers	ESG Report, Serving Our Customers, pages 12-15 HWDB – The Report, pages 59-72	1. Engage with retail customers and consumer organizations 2. Provide fair and transparent marketing and advertising 3. Invest in enhanced data privacy and security solutions to safeguard customer information 4. Serve diverse retail customer base 5. Promote consumer financial health globally HWDB Principles, Pillar 1: Exceptional client service
2. Invest in employees by providing fair compensation, important benefits and training and fostering diversity, inclusion, dignity and respect	ESG Report, Investing in Our Employees, pages 16-20 HWDB – The Report, pages 19-24	1. Invest in tools and training programs 2. Invest in talent attraction, retention and development programs 3. Provide competitive benefits and compensation for employees 4. Promote diverse and inclusive culture 5. Provide managers with resources to help recruit, hire and advance women, minorities, veterans and people with disabilities HWDB Principles, Pillar 4: A great team and winning culture

BRT Statement	Sources	Statements and Commitments
3. Deal fairly and ethically with suppliers and dedicate to serve as good partners to other companies	ESG Report, Serving Our Customers, page 14 ESG Report, Supporting Our Communities, page 22 ESG Report, Advancing Sustainability, pages 25-26 Letter to Shareholders, dated April 4, 2019 HWDB Principles	1. Provide fair and transparent marketing and advertising 2. Promote and cultivate business relationships with diverse suppliers 3. Create partnerships with organizations to advance sustainable development 4. Partner with stakeholders to advance best practices and new opportunities 5. Work collaboratively and constructively with other businesses to analyze and solve problems that strengthens the economy for everyone's benefit The Firm's Supplier Code of Conduct references the HWDB Principles.
4. Support the surrounding communities, respect the people in those communities and protect the environment by embracing sustainable practices	ESG Report, Supporting Our Communities, page 22 ESG Report, Advancing Sustainability, pages 25-28 HWDB Principle 15; HWDB – The Report, pages 80-82	1. Use investment and philanthropic capital to expand access to economic opportunity 2. Integrate environmental and social matters into due diligence and analysis 3. Finance solutions that generate positive environmental and social impacts 4. Partner with organizations to advance sustainable development 5. Manage the environmental impacts of buildings, including energy use, greenhouse gas emissions, water and waste HWDB Principle 15: We help strengthen the communities in which we live and work
5. Generate long-term value for shareholders and commit to transparency and effective engagement with shareholders	ESG Report, Stakeholder Engagement, page 6 ESG Report, Supporting Our Communities, page 24 ESG Report, Advancing Sustainability, page 25	1. Interact and communicate with shareholders through annual Investor Day, quarterly earnings calls, Commission filings and a formal shareholder outreach program 2. Seed and scale high-impact models that expand access to flexible capital for minority, women and veteran entrepreneurs

BRT Statement	Sources	Statements and Commitments
	Letter to Shareholders, dated April 4, 2019 HWDB Principle 3; HWDB – The Report, pages 78-79	3. Identify, test and bring to scale promising innovations that address financial needs of low- and moderate-income Americans 4. Advance sustainability through research 5. Report approach to and performance on environmental, social and governance matters 6. Focus on long-term progress rather than short-term progress of the value of stocks HWDB Principle 3: Investing for the long term, to serve our clients

3. Conclusion

As described above, the BRT Statement provides a number of commitments of each signatory company, while serving their individual corporate purpose. Those commitments are: (1) "Delivering value to our customers"; (2) "Investing in our employees"; (3) "Dealing fairly and ethically with our suppliers"; (4) "Supporting the communities in which we work"; and (5) "Generating long-term value for shareholders, who provide the capital that allows companies to invest, grow and innovate." Finally, the signatory companies stated "We commit to deliver value to all of them, for the future success of our companies, our communities and our country."

As the Company actions and statements discussed above indicate, the BRT Statement presents commitments that the Company has stated and met for years. Indeed, the Company's Chairman and CEO has stated that "long-term business success depends on community success. . . . I've always made clear that the value our firm generates for our shareholders reflects decisions and investments made . . . in consideration of a broad set of factors. The same holds for creating value for society, which requires thinking and acting on a time horizon of years . . . By putting our capital and expertise to work to support our people, communities and customers, that's exactly what JPMorgan Chase is doing."[7] The BRT Statement "commits" each signatory company to take actions that the Company had undertaken previously, disclosed previously, and continues to satisfy. In this regard, the Company has disclosed its mission and activities with regard to corporate governance, customers, employees, suppliers, communities, and sustainability.

[7] *See* https://reports.jpmorganchase.com/corporate-responsibility/2018/final-jpmc-cr-2019.pdf, at pages 2-3.

The Company has also discussed its long-term efforts to achieve shareholder value, including through its lending activities, in publicly available statements. As such, the Proposal requests actions that the Company has undertaken, including prior to the release of the BRT Statement, and the Company has discussed publicly numerous times. Further, the Board was provided with a full copy of the BRT Statement at the time the BRT Statement was published. As discussed further below, at a meeting held on January 6, 2020, the Corporate Governance & Nominating Committee of the Board again reviewed the BRT Statement and determined that no additional action or assessment is required, as the Company already operates in accordance with the principles set forth in the BRT Statement with oversight and guidance by the Board of Directors, consistent with the Board's fiduciary duties.

As the BRT Statement does not subject the Company to any new commitments, the ongoing actions taken by the Company with oversight of the Board – consistent with its fiduciary duties – are precisely the action sought by the Proposal. As such, the Company's policies, practices, and procedures compare favorably with the action requested in the Proposal and the Proposal may be excluded under Rule 14a-8(i)(10).

C. The Proposal May be Omitted because it Relates to Ordinary Business Matters

Rule 14a-8(i)(7) permits a company to omit from its proxy materials a shareholder proposal that relates to the company's "ordinary business operations." According to the Commission, the underlying policy of the ordinary business exclusion is "to confine the resolution of ordinary business problems to management and the board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting." *Exchange Act Release No. 40018* (May 21, 1998) (the ***"1998 Release"***). In the 1998 Release, the Commission described the two "central considerations" for the ordinary business exclusion. One consideration of the 1998 Release relates to "the degree to which the proposal seeks to 'micro-manage' the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment." (footnote omitted). The other consideration is that certain tasks are "so fundamental to management's ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight" and, as such, may be excluded, unless the proposal raises policy issues that are sufficiently significant to transcend day-to-day business matters.

1. The Company's Determinations Regarding the Offering of Particular Products and Services Are Ordinary Business Matters

It is the Company's view that the Proposal may be properly omitted in reliance on Rule 14a-8(i)(7) because the Staff has repeatedly recognized that a proposal relating to the sale of a

particular product or service is excludable under Rule 14a-8(i)(7) as a component of "ordinary business."

The Proposal requests that the Company undertake an assessment of the implications of the BRT Statement on Company obligations and "how the [BRT Statement] will be implemented, such as the Board's assessment of how to do so in alignment with Delaware law, and how our Company's lending policies supporting expansion of financing fossil fuels may be altered by the new commitment." In this regard, the Proposal includes the following:

- "**Whereas,** our Company has recently been found to be the world's top funder of fossil fuels between 2016 through 2018 with over $195 billion in lending to fossil fuel companies and those business entities expanding fossil fuels, according to a report, Banking on Climate Change: Fossil Fuel Finance Report Card 2019;" and

- "**Whereas,** our Company **has involvement in financing** Tar Sands Oil, Arctic Oil and Gas, Ultra-Deep-Water Oil and Gas, Fracking and Liquified Natural Gas." (emphasis in original)

As the report sought by the Proposal relates to assessments regarding the Company's lending policies relating to specific industries and the operations of the entities with regard to which the Company may make lending decisions, the Proposal relates directly to the ordinary business matter of determining the particular products and services the Company should or should not provide and the Company's standards for selecting the clients to whom it will provide those products and services. We note at the outset that the Commission has long held that proposals requesting a report are evaluated by the Staff by considering the underlying subject matter of the proposal when applying Rule 14a-8(i)(7). *See* the *1983 Release*.

It is well established in Staff precedent that a company's decisions as to whether to offer particular products and services to its clients and the manner in which a company offers those products and services, including related credit policies and loan underwriting and customer relations practices, are precisely the kind of fundamental, day-to-day operational matters meant to be covered by the ordinary business operations exception under Rule l4a-8(i)(7). *See, e.g., JPMorgan Chase & Co. (Rice)* (Feb. 21, 2019) (concurring in the omission of a proposal relating to the Company's overdraft policies and practices because it related to "the products and services offered for sale by the company"); *JPMorgan Chase & Co. (Harangozo)* (Mar. 19, 2019) (concurring in the omission of a proposal relating to the construction of a sea-based canal in Mexico because it related to "the products and services offered for sale by the company"); *Wells Fargo & Co.* (Jan. 28, 2013) (recon. denied Mar. 4, 2013) (concurring in the omission of a proposal "addressing the social and financial impacts of direct deposit advance lending ..." because it related to "the products and services offered for sale by the company." As in those prior situations in which the Staff has expressed the view that a company may omit a proposal in

reliance on Rule 14a-8(i)(7), the Proposal's subject matter regards the Company's decisions concerning the offering of financing to specific clients and projects.

The Proposal requests that the Company publish its assessment of "how the [BRT Statement] will be implemented, such as the Board's assessment of how to do so in alignment with Delaware law, and how our Company's lending policies supporting expansion of financing fossil fuels may be altered by the new commitment." The Company is a global financial services firm that specializes in investment banking, financial services for consumers, small business and commercial banking, financial transaction processing, asset management, and private equity. As the Proposal explicitly cites the Company's "lending to fossil fuel companies and those business entities expanding fossil fuels" generally and the Company's "**involvement in financing** Tar Sands Oil, Arctic Oil and Gas, Ultra-Deep-Water Oil and Gas, Fracking and Liquified Natural Gas" (which the Proponent bolded for emphasis) and addresses "how [the] Company's lending policies supporting expansion of financing fossil fuels may be altered," the Proposal clearly seeks to impact the manner in which the Company evaluates the offer of products and services to potential and existing clients, which is precisely the type of day-to-day determination that management of the Company makes with regard to the ordinary business matters of the Company. Although the Company has implemented enhanced due diligence processes for transactions involving certain industries and activities, including those particular types of industries discussed in the Proposal, the decision-making process relating to the financing of products and services to be offered by the Company is fundamental to management's ability to run the Company on a day-to-day basis; as such, the Proposal relates to the Company's ordinary business.

Omission of the Proposal is further supported by a long line of precedent recognizing that proposals addressing a financial institution's participation in a particular segment of the lending market relate to ordinary business matters and may be omitted under Rule 14a-8(i)(7). In *JPMorgan Chase & Co. (Loyola)* (Mar. 10, 2010), the Proposal sought, among other things, the adoption of a policy barring the company from providing financing to companies engaged in mountain-top removal mining. The Staff concurred that the proposal could be omitted under Rule 14a-8(i)(7) as the proposal related to the company's decisions to extend credit or provide other financial services to particular types of clients. The Proposal similarly relates to the Company's decisions to extend credit to particular types of clients – those engaged in activities that potentially involve "financing fossil fuel[]" projects. As such, and consistent with *JPMorgan Chase & Co. (Loyola)*, the Proposal clearly relates to the Company's decisions to provide financing to certain customers, which is an ordinary business matter. *See also Bank of America Corp. (Trillium)* (Feb. 24, 2010), in which the Staff concurred in the exclusion under Rule 14a-8(i)(7) of a proposal requesting a report on the implementation of the company's policy regarding funding of companies engaged predominantly in mountain top removal, in addition to an assessment of the related impact on greenhouse gas emissions in Appalachia. The Company is a global financial services firm and is a leader in investment banking, financial services for

consumers and small businesses, commercial banking, financial transaction processing and asset management. Accordingly, the Company's criteria for making particular financing decisions is fundamental to its day-to-day business and, as such, is a matter of its ordinary business.

The underlying subject matter of the Proposal clearly seeks to impact the manner in which the Company evaluates how it offers products and services to potential and existing clients, which is precisely the type of day-to-day determination that management of the Company makes with regard to the ordinary business matters of the Company. The decision-making process relating to the financing of products and services to be offered by the Company is fundamental to management's ability to run the Company on a day-to-day basis; as such, the Proposal relates to the Company's ordinary business. As the Proposal directly relates to the Company's decision-making process relating to the specific products and services to be offered by the Company, the Proposal may be excluded under Rule 14a-8(i)(7) because it relates to the Company's ordinary business operations.

2. The Proposal Does Not Focus Solely on a Significant Policy Issue; it Focuses, at least in part, on Ordinary Business Matters

Even if the Proposal touches upon a policy issue that may be of such significance that the matter transcends ordinary business and would be appropriate for a shareholder vote, if the Proposal does not focus solely on a significant policy issue or if it addresses, even in part, matters of ordinary business in addition to a significant policy issue, the Staff has consistently concurred with the exclusion of the proposal. For example, in *McKesson Corp.* (June 1, 2017), the Staff permitted the company's exclusion of a shareholder proposal that requested a report on the company's processes to "safeguard against failure" in its distribution system for restricted medicines despite the fact that the proponent argued that the proposal touched upon a significant policy issue (the impermissible use of medicines to carry out execution by lethal injection). In permitting exclusion under Rule 14a-8(i)(7), the Staff concurred with the company that the proposal related to the sale or distribution of the company's products. Similarly, in *Amazon.com, Inc*. (Feb. 3, 2015), the Staff permitted the company to exclude a proposal requesting that it "disclose to shareholders reputational and financial risks it may face as a result of negative public opinion pertaining to the treatment of animals used to produce products it sells" despite the proponent's argument that the sale of *foie gras* raised a significant policy issue (animal cruelty). The Staff concluded that the proposal related to "the products and services offered for sale by the company." *See also Hewlett-Packard Co*. (Jan. 23, 2015) (concurring with the exclusion of a proposal requesting that the board provide a report on the company's sales of products and services to the military, police, and intelligence agencies of foreign countries, with the Staff noting that the proposal related to ordinary business and "does not focus on a significant policy issue"); and *Dominion Resources, Inc*. (Feb. 14, 2014) (permitting the exclusion of a proposal relating to use of alternative energy because the proposal related, in part, to ordinary business operations (the company's choice of technologies for use in its operations)).

In *Staff Legal Bulletin No. 14C* (January 28, 2005) (***"SLB 14C"***), the Staff stated that "[i]n determining whether the focus of these proposals is a significant social policy issue, we consider both the proposal and the supporting statement as a whole." Accordingly, even if the Proposal addresses a policy issue that may be significant, that will not prevent the Proposal from being excludable under Rule 14a-8(i)(7) if the resolved clause and "Whereas" clauses make clear that the Proposal relates, at least in part, to the Company's ordinary business. Consistent with the Staff's statement in SLB 14C, in *General Electric Co. (St. Joseph Health System)* (Jan. 10, 2005), the Staff permitted exclusion under Rule 14a-8(i)(7) of a proposal raising a general corporate governance matter, with supporting statements regarding the depiction of smoking in movies, noting that "although the proposal mentions executive compensation, the thrust and focus of the proposal is on the ordinary business matter of the nature, presentation and content of programming and film production." The proposal requested that the company's compensation committee "include social responsibility and environmental (as well as financial) criteria" in setting executive compensation, where the proposal was preceded by a number of recitals addressing executive compensation but the supporting statement read, "we believe that it is especially appropriate for our company to adopt social responsibility and environmental criteria for executive compensation" followed by several paragraphs regarding an alleged link between teen smoking and the depiction of smoking in movies. The company argued that the supporting statement evidenced the proponents' intent to "obtain[] a forum for the [p]roponents to set forth their concerns about an alleged risk between teen smoking and the depiction of smoking in movies," a matter involving the company's ordinary business operations. *See also Johnson & Johnson* (*Northstar*) (Feb. 10, 2014) (permitting exclusion under Rule 14a-8(i)(7) of a proposal with a resolution concerning the general political activities of the company where the preamble paragraphs to the proposal demonstrated that the thrust and focus of the proposal was on specific company political expenditures, which are ordinary business matters).

If the Staff were to conclude that the Proposal, even in part, relates to a policy issue that transcends ordinary business and would be appropriate for a shareholder vote, as was the case in the letters discussed above, the Proposal may nonetheless be excluded pursuant to Rule 14a-8(i)(7) because it is not focused solely on such policy issue and clearly addresses matters related to the Company's ordinary business. The Company is of the view that the Proposal relates, at least in part, to the ordinary business matter of the Company's decisions to extend credit or provide other financial services to particular types of customers. The Company's view is supported by the language of the Proposal and Supporting Statement, in which the Proponents specifically request that the Company prepare a report assessing "expansion of financing fossil fuels" and "lending to fossil fuel companies and those business entities expanding fossil fuels" and the Company's "involvement in financing Tar Sands Oil, Arctic Oil and Gas, Ultra-Deep-Water Oil and Gas, Fracking and Liquified Natural Gas." Such a request would clearly impact how the Company evaluates potential lending to clients, which is a day-to-day business determination of management and is fundamental to decisions the Company's management makes with regard to whom the Company will provide particular products and services.

Although the Company has existing enhanced due diligence processes for transactions involving certain industries and activities, including fossil fuel activities, the decision to implement those processes was made as part of management's day-to-day determinations on financing practices. The implementation of processes and procedures regarding how the Company evaluates potential borrowers and projects is a day-to-day business determination of management and is fundamental to decisions the Company's management makes with regard to whom the Company will provide particular products and services. As the Proposal relates, at least in part, to the Company's ordinary business operations of making decisions to extend credit or provide other financial services to particular types of clients and projects and the Company's operating procedures with respect thereto, the Company is of the view that it may properly omit the Proposal pursuant to Rule 14a-8(i)(7).

3. The Company's Corporate Governance & Nominating Committee has Considered the Proposal's Request and the Current Actions of the Company and Determined that the Proposal is not Significant to the Company

In *Staff Legal Bulletin No. 14K* (October 16, 2019), the Staff reiterated its earlier views from *Staff Legal Bulletin No. 14I* (November 1, 2017) and *Staff Legal Bulletin No. 14J* (October 23, 2018) (***"SLB 14J"***) regarding the value of a company's inclusion in a no-action request of "a well-developed discussion of the board's analysis of whether the particular policy issue raised by the proposal is sufficiently significant in relation to the company." With regard to the usefulness of such board analyses, the Staff stated:

- "The improvement in the board analyses provided was largely attributable to a greater proportion of requests discussing in detail the specific substantive factors, such as those set forth in SLB 14J, that the board considered in arriving at its conclusion that an issue was not significant in relation to the company's business."

- "[I]n a number of instances, we were unable to agree with exclusion where a board analysis was not provided, which was especially likely where the significance of a particular issue to a particular company and its shareholders may depend on factors that are not self-evident."

With regard to this "significance analysis," the Staff expressed its view that the discussion may focus on any differences between the proposal's specific request and the actions the company has already taken, and an analysis of whether the specific manner in which the proposal addresses the issue presents a significant policy issue for the company. The Staff referred to these differences as the "delta" and referred to the related discussion as a "delta analysis." In this regard, the Staff noted the importance of specificity in a "delta analysis," stating: "[A] delta analysis is most helpful where it clearly identifies the differences between the

manner in which the company has addressed an issue and the manner in which a proposal seeks to address the issue and explains in detail why those differences do not represent a significant policy issue to the company. By contrast, conclusory statements about the differences that fail to explain why the board believes that the issue is no longer significant are less helpful."

The Board was provided with a full copy of the BRT Statement at the time the BRT Statement was published. At a meeting held on January 6, 2020, the Corporate Governance & Nominating Committee of the Board (the "***Governance Committee***") again reviewed the BRT Statement and determined that no additional action or assessment is required as the Company already operates in accordance with the principles set forth in the BRT Statement with oversight and guidance by the Board of Directors, consistent with the Board's fiduciary duties. Accordingly, the Governance Committee determined that the specific actions requested by the Proposal did not differ from the Company's ongoing activities. In reaching this determination, the Governance Committee considered the following:

- The HWDB Principles;
- The HWDB Report;
- The Supplier Code of Conduct;
- The Board's fiduciary duties under Delaware corporate law;
- The BRT Statement and the five commitments expressed in the BRT Statement: (1) "Delivering value to our customers"; (2) "Investing in our employees"; (3) "Dealing fairly and ethically with our suppliers"; (4) "Supporting the communities in which we work"; and (5) "Generating long-term value for shareholders, who provide the capital that allows companies to invest, grow and innovate";
- The principles expressed in the Company's 2018 Environmental Social & Governance Report with regard to the Company's actions concerning: (1) "Serving Our Customers"; (2) "Supporting Our Communities"; (3) and "Advancing Sustainability";
- The April 4, 2019 Letter to Shareholders from the Company's Chairman and CEO discussing the issues addressed in the Proposal; and
- The information presented in the comparison table presented on pp. 10-12 of this no-action request.

After determining that the BRT Statement does not subject the Company or the Board to any new commitments, the Governance Committee determined that the ongoing actions taken by the Company with oversight of the Board – consistent with its fiduciary duties – are not different from the specific action requested by the Proposal. The Governance Committee then determined that, as a result, the Proposal did not present a significant issue to the

Company and, accordingly, the Company was not in a position to take further action to diminish the significance of the Proposal to the Company.

As the Proposal relates to the Company's ordinary business operations and is not focused on a significant policy issue, the Company is of the view that it may properly omit the Proposal in reliance on Rule 14a-8(i)(7).

III. CONCLUSION

For the reasons discussed above, the Company believes that it may properly omit the Proposal from its 2020 Proxy Materials in reliance on Rule 14a-8. As such, we respectfully request that the Staff concur with the Company's view and not recommend enforcement action to the Commission if the Company omits the Proposal from its 2020 Proxy Materials. If we can be of further assistance in this matter, please do not hesitate to contact me at (202) 778-1611.

Sincerely,

Martin P. Dunn
Morrison & Foerster LLP

Attachments

cc: John C. Harrington
Molly Carpenter, Corporate Secretary, JPMorgan Chase & Co.

EXHIBIT A

HARRINGTON
INVESTMENTS, INC.

November 7, 2019

JP Morgan Chase & Company
Office of the Secretary
270 Park Avenue
New York, NY 10017

RE: Shareholder Proposal

Dear Corporate Secretary,

As a shareholder in JP Morgan Chase & Company, I am filing the enclosed shareholder resolution pursuant to Rule 14a-8 of the General Rules and Regulations of the Securities Exchange Act of 1934 for inclusion in the JP Morgan Chase & Company Proxy Statement for the 2020 annual meeting of shareholders.

I am the beneficial owner of at least $2,000 worth of JP Morgan Chase & Company stock. I have held the requisite number of shares for over one year, and plan to hold sufficient shares in JP Morgan Chase & Company through the date of the annual shareholders' meeting. In accordance with Rule 14a-8 of the Securities Exchange Act of 1934, verification of ownership is included. I or a representative will attend the stockholders' meeting to move the resolution as required by SEC rules.

If you have any questions, I can be contacted at (707) 252-6166.

Sincerely,

John C. Harrington

President & C.E.O.
Harrington Investments, Inc.

1001 2ND STREET, SUITE 325 NAPA, CALIFORNIA 94559 707-252-6166 800-788-0154 FAX 707-257-7923
WWW. HARRINGTONINVESTMENTS.COM

Whereas, since 2000, our Company has paid penalties of over $34 billion for toxic securities abuses, mortgage abuses, investor and consumer protection violations, trading manipulation and other related regulatory abuses;

Whereas, our Company has recently been found to be the world's top funder of fossil fuels between 2016 through 2018 with over $195 billion in lending to fossil fuel companies and those business entities expanding fossil fuels, according to a report, Banking on Climate Change: Fossil Fuel Finance Report Card 2019;

Whereas, our Company **has involvement in financing** Tar Sands Oil, Arctic Oil and Gas, Ultra-Deep-Water Oil and Gas, Fracking and Liquified Natural Gas;

Whereas, at the same time, however, JPMorgan Chase announced in 2005, its first comprehensive Environmental and Social Risk Policy;

Whereas, our Company's Chairman and Chief Executive Officer and the former Chairman of the Business Roundtable, in August 2019, joined 180 corporate Chief Executive Officers, to acknowledge their own corporate purpose, but, in part, to commit our Company to ***all*** stakeholders to "... protect the environment by embracing sustainable practices across our businesses";

Whereas, such public statements may be beneficial to the image of our Company from a marketing and public relations standpoint and enhance our management's standing in many communities, however, the statement, as company policy is confusing, and should raise questions for investors about its alignment with Delaware law and with current Company governance documents, including bylaws, Articles of Incorporation and Committee Charters;

Whereas, it is not clear that our Board of Directors have exercised their duty of care and loyalty to determine what specific actions the Board needs to take to implement the stakeholder theory underlying the statement to promote the best interests of the Corporation;

Therefore, Be it Resolved that shareholders request our Board of Directors to exercise their fiduciary duties by reviewing the Statement of the Purpose of a Corporation, and provide oversight and guidance as to whether and how our Company's full implementation of the new statement of stakeholder theory should alter our Company's long term plans, goals, metrics, executive and Board compensation, and representation of stakeholders in governance of our Company, and publish recommendations regarding implementation.

November 7, 2019

John Harrington
1001 2nd Street Suite 325
Napa, CA 94559

Account number ending in:
***

Questions: Contact your advisor or call Schwab Alliance at 1-800-515-2157.

Important information regarding shares in your account.

Dear John Harrington,

We're writing to confirm information about the account listed above, which Charles Schwab & Co., Inc. holds as custodian. This account holds in trust 100 shares of J P Morgan Chase & Co JPM common stock. These shares have been held in the account continuously for at least one year prior to and including November 7, 2019.

These shares are held at Depository Trust Company under the nominee name of Charles Schwab & Co., Inc., which serves as custodian for the registration listed above.

Thank you for choosing Schwab. If you have questions, please contact your advisor or Schwab Alliance at 1-800-515-2157. We appreciate your business and look forward to serving you in the future.

Sincerely,

Vanessa Balma
Associate, Institutional
MID MARKET WESTLAKE SERVICE
4700 Alliance Gateway Freeway
FORT WORTH, TX 76177

Independent investment advisors are not owned by, affiliated with, or supervised by Charles Schwab & Co., Inc. ("Schwab").

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JPMORGAN CHASE & CO.

Molly Carpenter
Corporate Secretary
Office of the Secretary

November 20, 2019

OVERNIGHT DELIVERY

John C. Harrington
President & CEO
Harrington Investments, Inc.
1001 2nd Street, Suite 325
Napa, CA 94559

Dear Mr. Harrington:

I am writing on behalf of JPMorgan Chase & Co. ("JPMC"), which received from you (the "Proponent"), via UPS on November 8, 2019, the shareholder submission regarding the Business Roundtable's Statement of the Purpose of a Corporation (the "Submission") for consideration at JPMC's 2020 Annual Meeting of Shareholders.

The Submission contains a certain procedural deficiency, as set forth below, which Securities and Exchange Commission ("SEC") regulations require us to bring to your attention.

No More Than One Proposal

Rule 14a-8(c) provides that a stockholder may submit no more than one proposal to a company for a particular stockholders' meeting. We believe that the Submission contains more than one stockholder proposal. The Submission requests the Board of Directors to "provide oversight and guidance as to whether and how the new statement of stakeholder theory should alter our Company's long term plans, goals, metrics, executive and Board compensation, and representation of stakeholders in governance of our Company, and publish recommendations regarding implementation." We believe that the Submission constitutes more than one proposal, as the Submission seeks action by JPMC with regard to a number of separate matters, including long-term planning, all JPMC goals, all metrics to be used by JPMC, executive and director compensation, and all corporate governance practices and policies of JPMC. In this regard, we also note that the "Whereas" clauses include a discussion of JPMC's compliance with Delaware law, all JPMC governance documents, "Committee Charters," JPMC's Bylaws, and JPMC's Articles of Incorporation. The Submission must be limited to a single proposal to satisfy the requirements of Rule 14a-8(c). You may correct this procedural deficiency by indicating which proposal you would like to submit and which proposals you would like to withdraw, or by submitting a revised submission in its entirety.

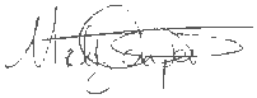
4 New York Plaza, New York, New York 10004
Telephone 212-270-7122 Facsimile 212 270 4240 molly.carpenter@jpmchase.com
JPMorgan Chase & Co.

For your reference, please find enclosed a copy of SEC Rule 14a-8.

For the Proposal to be eligible for inclusion in JPMC's proxy materials for JPMC's 2020 Annual Meeting of Shareholders, the rules of the SEC require that a response to this letter, correcting all procedural deficiencies described in this letter, be postmarked or transmitted electronically no later than 14 calendar days from the date you receive this letter. Please address any response to me at 4 New York Plaza 8th Floor, New York NY 10004 or via email to corporate.secretary@jpmchase.com.

If you have any questions with respect to the foregoing, please contact me.

Sincerely,



Enclosures:

Rule 14a-8 of the Securities Exchange Act of 1934

4 New York Plaza, New York, New York 10004
Telephone 212-270-7122 Facsimile 212 270 4240 molly.carpenter@jpmchase.com
JPMorgan Chase & Co.

Selected Shipment Details

Recipent Details

Search

Shipped To Address:
Harrington Investments, Inc.
John C. Harrington
1001 2nd Street
Suite 325

Napa
CA
94559
US

Billed To Address:

Shipment Details

Order #:
Reference #:
Shipment ID: 25936945
Shipped Date: 11/20/2019
Status: Processed

Shipped Via: FedEx
FedEx Priority Overnight

Shipping Cost:	5.77	**Net:**	5.77
Accessorial:	0.31		0.31
Other:	0.00		0.00
Total Cost:	**6.08**	**Net:**	**6.08**

SID / Nickname:

UserName: ***

Shipment Options

Void Complete Shipment | Reprint Documents

Packages within Shipment

Waybill #	Receiver Phone	Attention To	Status	Package ID
778182360253	7072526166	John C. Harrington	Processed	26347090

HARRINGTON
INVESTMENTS, INC.

November 22, 2019

JP Morgan Chase & Company
Molly Carpenter, Corporate Secretary
Office of the Secretary
270 Park Avenue
New York, NY 10017

RE: Shareholder Proposal

Dear Corporate Secretary,

In response to your letter dated November 20, 2019, please see the amended shareholder resolution (enclosed) I am filing, pursuant to Rule 14a-8 of the General Rules and Regulations of the Securities Exchange Act of 1934 for inclusion in the JP Morgan Chase & Company Proxy Statement for the 2020 annual meeting of shareholders.

I am the beneficial owner of at least $2,000 worth of JP Morgan Chase & Company stock. I have held the requisite number of shares for over one year, and plan to hold sufficient shares in JP Morgan Chase & Company through the date of the annual shareholders' meeting. I or a representative will attend the stockholders' meeting to move the resolution as required by SEC rules. I included verification of ownership with my initial submission, dated November 7, 2019.

If you have any questions, I can be contacted at (707) 252-6166.

Sincerely,

John C. Harrington

President & C.E.O.
Harrington Investments, Inc.

1001 2ND STREET, SUITE 325 NAPA, CALIFORNIA 94559 707-252-6166 800-788-0154 FAX 707-257-7923
WWW. HARRINGTONINVESTMENTS.COM

Whereas, since 2000, our Company has paid penalties of over $34 billion for toxic securities abuses, mortgage abuses, investor and consumer protection violations, trading manipulation and other related regulatory abuses;

Whereas, our Company has recently been found to be the world's top funder of fossil fuels between 2016 through 2018 with over $195 billion in lending to fossil fuel companies and those business entities expanding fossil fuels, according to a report, Banking on Climate Change: Fossil Fuel Finance Report Card 2019;

Whereas, our Company **has involvement in financing** Tar Sands Oil, Arctic Oil and Gas, Ultra-Deep-Water Oil and Gas, Fracking and Liquified Natural Gas;

Whereas, at the same time, however, JPMorgan Chase announced in 2005, its first comprehensive Environmental and Social Risk Policy;

Whereas, our Company's Chairman and Chief Executive Officer and the former Chairman of the Business Roundtable, in August 2019, joined 180 corporate Chief Executive Officers, to acknowledge their own corporate purpose, but, in part, to commit our Company to ***all*** stakeholders to "… protect the environment by embracing sustainable practices across our businesses";

Whereas, such public statements may be beneficial to the image of our Company from a marketing and public relations standpoint and enhance our management's standing in many communities, however, the statement, as company policy is confusing, and should raise questions for investors about its alignment with Delaware law and with current Company governance documents, including bylaws, Articles of Incorporation and Committee Charters;

Whereas, it is not clear that our Board of Directors have exercised their duty of care and loyalty to determine what specific actions the Board needs to take to implement the stakeholder theory underlying the statement to promote the best interests of the Corporation;

Therefore, Be it Resolved that shareholders request our Board of Directors to exercise their fiduciary duties by reviewing the Statement of the Purpose of a Corporation, and provide oversight and guidance as to how the new statement of stakeholder theory should alter our Company's governance and management system, and publish recommendations regarding implementation.

Supporting Statement

Our Company is incorporated in Delaware and is required to lawfully comply with state law in which Directors are obligated to adhere to fiduciary standards based upon Delaware law and court rulings. Shareholders need to know how the statement will be implemented, such as the Board's assessment of how to do so in alignment with Delaware law, and how our Company's lending policies supporting expansion of financing fossil fuels may be altered by the new commitment. These incongruities should be fully addressed by our Board of Directors.

EXHIBIT B

Environmental Social & Governance Report

2018

JPMorgan Chase & Co.

Message from Our Chairman & CEO

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3 Introduction

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16 Investing in Our Employees

21 Supporting Our Communities

25 Advancing Sustainability

Business thrives when communities thrive. At JPMorgan Chase, we are committed to serving our clients, communities and shareholders in good and in difficult times. We know that accountability, transparency and integrity are the cornerstones of doing good business, which includes effectively managing environmental, social and governance matters.

We also recognize that business has a role to play in solving social challenges, and we work to do so by supporting and developing the skills of our employees, offering innovative products that cater to our customers' needs and investing in our communities to help more people share in the benefits of economic growth.

That's why, in addition to opening 400 new Chase branches in new markets across the U.S., we are leveraging all of our Firm's capabilities – our capital, data, talent and philanthropic expertise – to lift up underserved communities. We have raised wages for our U.S. hourly employees by an average of 10% – ranging from between $15 and $18/hour – and have committed to opening 30% of our new branches in low- and moderate-income neighborhoods.

In 2018, as part of our efforts to make sure that the economy works better for more people, we also launched *Advancing*Cities, a $500 million initiative to create economic opportunity for people who have been left behind in cities around the world. These efforts underscore the degree to which our mission to drive inclusive growth has become a core tenant of our culture.

In addition to stepping up for our communities and people, we are stepping up our commitment to sustainability because we believe the private sector plays an important role in creating solutions that help grow the economy and addressing challenges such as climate change. That's why we committed to facilitate $200 billion in clean financing by 2025. And, we are proud to say that by the end of 2018, we had facilitated over $100 billion for companies advancing renewable energy, clean technology, sustainable transportation, waste management and water treatment solutions.

By addressing some of the world's biggest challenges, we are positioning our Firm and communities we serve to be successful today and over the long term. In this report, I invite you to read about these and other ways in which we work every day to create an exceptional company.

Jamie Dimon
Chairman & CEO, JPMorgan Chase & Co.

Introduction

Environmental, social and governance (ESG) considerations are integrated across our business and built into the policies and principles that govern how our Firm operates. Our approach to ESG management includes having robust governance systems, risk management and controls; investing in our employees and cultivating a diverse and inclusive work environment; serving our customers exceptionally and transparently; strengthening the communities in which we live and work; and integrating sustainability into our financing activities and operations.

We view effective management of ESG matters as a business fundamental and seek continuous improvement in these areas because they underpin the long-term success of our Firm and our ability to deliver value for our stakeholders.

About This Report

Our Firm is committed to communicating regularly and transparently with our stakeholders about how we do business. One way we do so is by publishing this annual ESG Report, which provides information on how we are addressing the ESG matters that we and our stakeholders view as among the most important to our business. We also maintain a dedicated ESG Information page on our website to facilitate access to the wide range of information and resources that we publish on these topics.

While we share information about our ESG performance through a number of channels — including various reports and presentations, regulatory filings, press releases and conversations with stakeholders — the annual ESG Report consolidates and summarizes the most important aspects of our work in these areas. It is also designed to guide readers to where they can access more detailed information about specific topics of interest. All data are as of December 31, 2018, unless otherwise noted.

This report is intended to be a companion to our 2018 Annual Report and 2019 Proxy Statement, as well as our annual Corporate Responsibility Report, which focuses on the Firm's initiatives to drive inclusive growth in communities around the world. This report also provides updates on many of the topics covered in How We Do Business — The Report.

This ESG Report, in combination with a separate Index available on our website, has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. The GRI is an international standard commonly used by companies and other organizations to guide sustainability reporting.

Company at a Glance

JPMorgan Chase & Co. is a leading global financial services company with assets of $2.6 trillion and a presence in over 100 markets. The Firm is a leader in investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing and asset management. A component of the Dow Jones Industrial Average, JPMorgan Chase serves millions of consumers in the U.S. as well as many of the world's most prominent corporate, institutional and government clients, under its J.P. Morgan and Chase brands.

JPMorgan Chase's activities are organized, for management reporting purposes, into four major reportable business segments, as well as a Corporate segment. The business segments are referred to as lines of business. For further information on our business segments, refer to Business Segment Results on pages 60-78 of our Annual Report on Form 10-K for the year ended December 31, 2018.

Consumer & Community Banking (CCB)

CCB serves consumers and businesses through bank branches, ATMs and digital (including online and mobile) and telephone banking. CCB offers home and auto loans, deposit and investment products, cash management and payment solutions, and it issues credit cards to consumers and small businesses.

Corporate & Investment Bank (CIB)

The CIB 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 and government and municipal entities.

Commercial Banking (CB)

CB provides comprehensive financial solutions including lending, treasury services, investment banking and asset management across three primary client segments: Middle Market Banking, Corporate Client Banking and Commercial Real Estate Banking.

Asset & Wealth Management (AWM)

AWM serves institutions and individuals, including pension and sovereign wealth funds, central banks, retail investors and many of the world's wealthiest individuals and families. AWM offers investment management across most major asset classes, as well as brokerage and banking services. The majority of AWM's client assets are in actively managed portfolios.

Financial Performance

As of or for the year ended December 31, 2018 (in millions, except per share, ratio data and headcount)

	2018	2017	2016
Reported basis[a]			
Total net revenue	**$ 109,029**	$ 100,705	$ 96,569
Total noninterest expense	**63,394**	59,515	56,672
Pre-provision profit	**45,635**	41,190	39,897
Provision for credit losses	**4,871**	5,290	5,361
Net income	**32,474**	24,441	24,733
Per common share data			
Net income per share:			
Basic	**$ 9.04**	$ 6.35	$ 6.24
Diluted	**9.00**	6.31	6.19
Cash dividends declared	**2.72**	2.12	1.88
Book value	**70.35**	67.04	64.06
Tangible book value (TBVPS)[b]	**56.33**	53.56	51.44
Selected ratios			
Return on common equity	**13%**	10%	10%
Return on tangible common equity (ROTCE)[b]	**17**	12	13
Common equity Tier 1 capital ratio[c]	**12.0**	12.1	12.2
Tier 1 capital ratio[c]	**13.7**	13.8	13.9
Total capital ratio[c]	**15.5**	15.7	15.2
Selected balance sheet data (period-end)			
Loans	**$ 984,554**	$ 930,697	$ 894,765
Total assets	**2,622,532**	2,533,600	2,490,972
Deposits	**1,470,666**	1,443,982	1,375,179
Common stockholders' equity	**230,447**	229,625	228,122
Total stockholders' equity	**256,515**	255,693	254,190
Market data			
Closing share price	**$ 97.62**	$ 106.94	$ 86.29
Market capitalization	**319,780**	366,301	307,295
Common shares at period-end	**3,275.8**	3,425.3	3,561.2
Headcount	**256,105**	**252,539**	**243,355**

a Results are presented in accordance with accounting principles generally accepted in the United States of America, except where otherwise noted.

b TBVPS and ROTCE are each non-GAAP financial measures. For further discussion of these measures, refer to Explanation and Reconciliation of the Firm's Use of Non-GAAP Financial Measures and Key Financial Performance Measures on pages 57-59 of the 2018 Annual Report.

c The ratios presented are calculated under the Basel III Fully Phased-In Approach, and they are key regulatory capital measures. For further discussion, refer to "Capital Risk Management" on pages 85-94 of the 2018 Annual Report.

Our Key Environmental, Social & Governance Topics

As a global financial services company, JPMorgan Chase manages a broad range of ESG matters. This report is designed to focus on those we have identified as among the most relevant to our business and of greatest interest to our stakeholders.

In 2015, we undertook a structured process, which included discussions with subject matter experts from across our business and a range of external stakeholders, to identify the topics covered in this report. Every year, we reassess these areas based on the feedback we receive and insights we gain (see Stakeholder Engagement, p. 6). We also regularly monitor ESG trends, standards and practices related to our industry. We have reaffirmed that the broad categories we had identified remain relevant for our Firm, and have made a small number of adjustments to the key topics to reflect our evolving operating environment and management approach.

The following topics are discussed in this report:	
Promoting Sound Governance	▸ Board leadership and management processes ▸ Ethical culture ▸ Control environment ▸ Cybersecurity ▸ Political engagement and public policy
Serving Our Customers	▸ Engagement with retail customers and consumer organizations ▸ Fair and transparent marketing and advertising ▸ Data security ▸ Serving a diverse retail customer base ▸ Promoting consumer financial health globally
Investing in Our Employees	▸ Talent attraction, retention and development ▸ Compensation and benefits for our employees ▸ Diverse and inclusive culture
Supporting Our Communities	▸ Use of investment and philanthropic capital to expand access to economic opportunity in the communities where we do business
Advancing Sustainability	▸ Integration of environmental and social matters into due diligence and analysis ▸ Financing solutions that generate positive environmental and social impacts ▸ Partnerships with organizations to advance sustainable development ▸ Management of the environmental impacts of our buildings and branches, including energy use, greenhouse gas emissions, water and waste

More information about how these topics align with the GRI Standards reporting framework, including how we define topic boundaries and the GRI topics and disclosures we report, can be found in our GRI Index.

Stakeholder Engagement

Our Firm has a broad range of stakeholders, including shareholders, employees, regulators and policymakers, clients and customers, research analysts, members of the communities where we do business and nongovernmental organizations. Ongoing and proactive engagement with these groups makes our company stronger and better informed. It helps us gain valuable insight into our stakeholders' perspectives and the topics that matter to them. It better enables us to develop products, services and programs that are responsive to their needs. This engagement also allows us to share information about our Firm's strategy, practices and performance.

Responsibility for engaging with stakeholder groups is widely shared across our Firm's lines of business and corporate functions, and we engage through numerous channels. For example:

Shareholders

We interact and communicate with shareholders through our annual Investor Day, quarterly earnings calls, Securities and Exchange Commission filings, Annual Report and Proxy Statement, annual meeting of shareholders, investor conferences, web communications and other forums. We conduct a formal shareholder outreach program twice a year, with fall meetings focused on corporate governance, strategy and financial matters and spring discussions focused on matters related to the Proxy Statement. In these meetings, we solicit shareholders' perspectives and share information about our management of a range of matters, including ESG topics. After each of these outreach programs, we provide investor feedback to the Board. The shareholders who participated in these meetings in 2018 represented over 45% of the Firm's outstanding common stock.

We also engage in dialogue outside these more formal channels with shareholders who have a long-term economic interest in our company. These engagements provide us with useful feedback, which we consider when developing the processes that set the governance practices and strategic direction for the Firm.

Employees

We share information with our employees and gather their input through our biannual global Employee Opinion Survey, regular town hall and small group meetings, blogs and newsletters, online suggestion tools via our intranet and other forums. We also have a variety of mechanisms through which employees can fulfill their obligation to report any known or suspected violation of our Code of Conduct, company policies or laws that govern our business. This includes our toll-free Code Reporting Hotline, which is operated by an independent third-party reporting service and offers translation services. Employees can contact the hotline 24 hours a day, seven days a week, to report concerns.

Regulators & Policymakers

We strive to maintain an open, ongoing dialogue with our global supervisory regulators and a broad array of other policymakers. Our senior leaders and Directors commit a significant amount of their time to meeting with our regulators and policymakers, providing opportunities for us to hear firsthand about their priorities and to keep them informed about developments in our businesses. In addition, our businesses and control functions engage with regulators – for example, through exams and continuous monitoring, regular meetings and ad hoc requests. We share regular reports with regulators on a range of matters. We also seek feedback about whether they are getting the right level, quality and frequency of information.

Customers

We use multiple channels to solicit and respond to customer feedback about our products, services and organization as a whole. Customers may communicate with us directly in our branches, via surveys, through our website and our various social media channels, and by phone or mail.

Research Analysts

We provide a wide range of information to members of the investment community, including both financial and ESG analysts and researchers, through reports, presentations, regulatory filings, conferences and publications on our website, as well as by responding to surveys and specific information requests. We also engage with analysts and researchers through calls and meetings.

Communities

In the U.S., where we have a retail banking presence, we have Community Advisory Boards (CABs) in our major markets. The CABs provide a forum for communication between our Firm and community stakeholders, including leaders from nonprofit organizations. CAB members help identify community development needs and have the opportunity to discuss questions and concerns directly with JPMorgan Chase executives.

Nongovernmental Organizations

We engage with nongovernmental organizations (NGOs) on issues that are important to communities, consumers and our business. For example, through the Chase Advisory Panel program, senior executives engage with national consumer policy groups to discuss issues related to the Firm's products, policies, customer-facing practices and communications and public policy issues. We also engage with NGOs on environmental and social topics, and have philanthropic relationships with a broad range of NGOs that work on issues that are important to our Firm.

Additional Online Resources

Our ESG Information website portal provides links to numerous JPMorgan Chase publications, documents, policies, website pages and other sources of information about various ESG topics, including:

- Annual Report
- Business Principles
- Code of Conduct
- Code of Ethics for Financial Professionals
- Corporate Governance Principles
- Corporate Responsibility Report
- Diversity and Inclusion
- Environmental and Social Policy Framework
- Global Reporting Initiative (GRI) Index
- How We Do Business – The Report
- Human Rights Statement
- Political Engagement and Public Policy
- Proxy Statement
- Supplier Information
- U.K. Modern Slavery Act Group Statement

For additional information, please visit www.jpmorganchase.com/ESG.

Promoting Sound Governance

We are building upon our Firm's over 200-year foundation by continually enhancing the structures, processes and controls in place that support and promote accountability, transparency and ethical behavior. We remain steadfast in our commitment to create and reinforce a strong and healthy culture in which all employees feel respected and empowered to do what is right for our clients, communities and shareholders. Our Board of Directors and senior management take seriously their responsibility to set the tone at the top and to provide effective leadership and rigorous oversight.

Leadership & Governance

Sound governance and effective management are integral to our business. Our senior management team develops the company's strategic direction and oversees its execution, while the Board of Directors is charged with providing oversight of management's performance. Equally important, the senior management team and the Board communicate and reinforce the company's commitment to doing business in accordance with our corporate standards and Business Principles.

Board of Directors

A deeply engaged, experienced Board is vital to our company's success. Our Directors are a diverse group who bring a strong combination of executive experience and skills aligned with our business and strategy. Other than our CEO, all of our Directors are independent, under the standards established by the New York Stock Exchange and the Firm's independence standards. We have a Lead Independent Director who is appointed annually by the independent directors and facilitates independent Board oversight of management.

The Firm's Corporate Governance Principles and the charters of the Board's five principal standing committees establish a framework for the governance of the Board and the management of the Firm. Our annual Proxy Statement includes information about the membership and responsibilities of these committees. Among their responsibilities, the committees oversee a range of matters pertaining to ESG topics, in accordance with the scope of their charters. For example, the Public Responsibility Committee provides oversight of the Firm's positions and practices on matters such as community investment, fair lending, sustainability, consumer practices and other issues that reflect the Firm's values and impact its reputation. The Compensation & Management Development Committee reviews and approves the Firm's compensation and benefit programs, including the avoidance of practices that would encourage excessive or unnecessary risk-taking and related cultural issues.

The Corporate Governance & Nominating Committee provides oversight of the governance of the Board of Directors, including the evaluation and recommendation of director candidates. JPMorgan Chase seeks director candidates who uphold the highest standards, are committed to the Firm's values and are strong, independent stewards of shareholders' long-term interests. In addition to considering candidates who have the combined professional skills, experience, personal qualities, balance of tenure and collegiality needed for an effective and engaged Board, the Board looks for individuals who will contribute diverse viewpoints and perspectives to enhance its independent oversight.

Management

We manage our Firm on a line-of-business basis, while also maintaining strong corporate functions and appropriate governance of our subsidiaries. This structure is designed so that the leadership of our company as a whole, as well as within each of our businesses, is effective, consistent with our corporate standards and promotes a strong corporate culture. The management structure of each line of business mirrors that of the Firm as a whole. Each is led by a CEO and has a Chief Financial Officer, Chief Risk Officer, Chief Compliance Officer, Chief Control Officer, General Counsel, Human Resources Executive and Chief Auditor.

The Firm's senior management body is the Operating Committee, which is responsible for the overall management of the company, including developing and implementing corporate strategy and managing operations. As of May 2019, women represent 50% of the Operating Committee.

Executive Compensation

The long-term success of our Firm depends in large measure on the talents of our employees and alignment of their compensation with performance and sustained shareholder value. Our well-established compensation philosophy is designed to promote an equitable and well-governed approach, which includes pay-for-performance practices that attract and retain top talent, are responsive to and aligned with shareholders' interests and encourage a shared success culture in support of our Business Principles.

The Compensation & Management Development Committee (CMDC) of the Board maintains independent oversight of our compensation programs, including executive compensation. In determining individual compensation for Operating Committee members, the CMDC uses a balanced and discretionary approach to assess performance against each individual's goals associated with four broad categories: (i) Business Results; (ii) Risk, Controls & Conduct, including feedback received from the Firm's risk and control professionals; (iii) Client/Customer/Stakeholder Focus, including our engagement in communities; and (iv) Teamwork & Leadership, including creating a diverse and inclusive environment that encourages employees to speak up. These performance categories consider short-, medium- and long-term goals that drive sustained shareholder value, while accounting for risk, controls and conduct objectives.

Our compensation program is designed to incentivize long-term, sustainable decision-making and to hold individuals accountable, when appropriate, for meaningful actions or issues that negatively impact business performance or the Firm's reputation. We maintain policies and procedures that enable us to take prompt and proportionate actions with respect to accountable individuals, including: (i) reduction of annual incentive compensation; (ii) cancellation of unvested awards; (iii) clawback of previously paid compensation; and (iv) other employment-related actions, including termination of employment.

We regularly review our compensation program and actively seek out and consider shareholder feedback in making potential changes. In 2018, shareholders demonstrated strong support for our program with a 93% vote in favor of our annual resolution to approve executive compensation. Our Proxy Statement contains a Compensation Discussion and Analysis section that includes further details of our executive pay program.

Our Corporate Culture

In 2018, we continued to strengthen and reinforce our culture, with a focus on fostering an environment where all employees adhere to the highest ethical standards and uphold our Business Principles (p. 31) in all of their engagements. Our efforts have been informed by ongoing employee engagement and are aimed at fostering personal accountability among employees. We reinforce these expectations through various communication channels and by encouraging our senior leaders to communicate clearly and frequently with employees.

The Firm endeavors to promote a culture of respect that allows every employee to feel safe and empowered at work. This includes having in place employee training and protocols for preventing, reporting and addressing behavior that is not in line with our Business Principles and standards, including sexual, discriminatory or other misconduct. The Firm prohibits retaliation against any individual who reports a concern or assists with an inquiry or investigation.

At the Board level, the CMDC provides oversight of the governance framework of our firmwide culture, including reviewing updates from management regarding significant conduct issues. In addition, the full Board is briefed annually on culture- and conduct-related matters.

Anti-Money Laundering

Compliance with the laws and regulations governing anti-money laundering (AML) and terrorist financing, economic sanctions and anti-corruption efforts is an important focus of our control agenda. We are firmly committed to participating in international efforts to combat money laundering and the funding of terrorist activities.

Our Firm has made a number of enhancements in recent years to our Know Your Customer (KYC) and AML processes, including implementing a risk-based global AML Compliance Program reasonably designed to comply with all applicable laws and regulations relating to the prevention of money laundering and terrorist financing in the jurisdictions where the Firm operates.

Conduct Risk Management

Conduct risk is the risk that any action or inaction by an employee or employees could lead to unfair client or customer outcomes, impact the integrity of the markets in which the Firm operates or compromise the Firm's reputation. Oversight of conduct risk is shared by multiple Board committees and each line of business and corporate function is accountable for identifying and managing its conduct risk.

With the Business Principles serving as a guide for how employees are expected to conduct themselves, the Firm's Code of Conduct (Code) sets forth the Firm's expectations for each employee. In 2018, the Code was updated to align with the Firm's Equal Opportunity, Anti-discrimination and Anti-harassment Policy and clarifies the Firm's commitment to maintaining a safe, productive, diverse, professional, collegial and secure work environment in which all individuals are treated with humanity, respect and dignity. All employees are required to complete Code training and annually reaffirm their compliance with the Code. Each member of the Board also annually affirms his or her compliance with the Code.

The Firm's Conduct Risk Governance Policy governs the Firm's Conduct Risk Program and establishes the framework for ownership, assessment, management and escalation of conduct risk within the Firm. In 2018, a senior management Conduct Risk Steering Committee (CRSC) was formed. It provides holistic oversight of conduct-related initiatives and risks across the Firm and identifies opportunities and emerging areas of focus. The CRSC may escalate systemic conduct risk issues to the Firmwide Risk Committee, when appropriate.

We continue to engage our regulators around the globe to seek their input and feedback on culture- and conduct-related matters, and we benchmark across the industry to inform ourselves about evolving best practices in this important area.

Our Control Environment

Our control agenda is always a top priority for our Firm and we devote significant resources to adhering and adapting to the substantial number of regulatory expectations and reporting requirements that guide our industry. Our objective is to satisfy the letter and spirit of the law and we underscore that effective controls are an integral part of our day-to-day business practices. We have a culture and infrastructure that emphasize compliance and issue escalation and remediation, as well as effective checks and balances designed to prevent issues and address those identified before they become problems. We regularly engage regulators in constructive dialogue as we develop appropriate remediation plans.

Our Firm continuously seeks ways to enhance governance and oversight of our control environment across the company and to simplify and appropriately mitigate risk in our operations. We dedicate significant financial and human resources to managing and conducting these efforts. Since 2011, our control headcount – which includes compliance, risk, control management, audit and other functions – has grown from 24,000 to around 50,000 people.

Our control environment, which is supported by other functions, including Finance, Human Resources and Legal, is structured as follows:

Lines of Business

The lines of business are each responsible for identifying and addressing the risks presented by their respective businesses and operating within a sound control environment. The Control Management function, which consists of dedicated control managers within each of the lines of business and corporate functions, provides dedicated support to business leaders. Control managers, jointly accountable with business executives, are charged with enhancing the Firm's control environment by promoting early operational risk identification and assessment, effectively designing and evaluating controls and developing solutions to mitigate risk. This structure is designed to enable the Firm to detect control problems quickly, escalate issues promptly and engage other stakeholders to understand common themes and interdependencies among the various parts of the Firm.

Independent Risk Management

The Independent Risk Management function, which consists of the Risk Management and Compliance organizations, sets and oversees the risk management structure for the Firm, including the definition of policies and standards. These organizations operate independently from the lines of business, which enables them to challenge the business as appropriate.

Internal Audit

Internal Audit, a function independent of the lines of business and Risk Management and Compliance, tests and evaluates the Firm's risk governance and management, as well as its internal control processes. This function brings a systematic and disciplined approach to evaluating and improving the effectiveness of the Firm's governance, risk management and internal control processes.

Additional detail about our efforts to strengthen our control environment and our approach to controls, risk management and compliance is available in our Annual Report.

Political Engagement & Public Policy

JPMorgan Chase believes that responsible corporate citizenship demands a strong commitment to a healthy and informed democracy through civic and community involvement. Our business is subject to extensive laws and regulations, and changes to such laws can significantly affect how we operate, our revenues and the costs we incur. Because of the potential impact public policy can have on our businesses, employees, communities and customers, we engage with policymakers on a range of issues, including banking, financial services, cybersecurity workforce development, small business, tax reform, veterans and trade, among others, in order to advance and protect the long-term interests of the Firm.

The Firm belongs to a number of trade associations that advocate on major public policy issues of importance to the Firm and the communities we serve. The Firm's participation as a member of these associations comes with the understanding that we may not always agree with all the positions of an association or its other members, and that we are committed to voicing our concerns as appropriate. The Public Responsibility Committee provides oversight of our positions and practices on public responsibility matters, including significant policies and practices regarding political contributions, major lobbying priorities and principal trade association memberships.

Finally, we aim to operate with high standards of public transparency in political spending. Our efforts have been recognized by the 2018 CPA-Zicklin Index of Corporate Political Disclosure and Accountability, which credited us as a Trendsetter in its 2018 report. In addition, in early 2019 we made enhancements to our disclosures, which are available on our website.

Cybersecurity

Cybersecurity has become one of the most critical issues facing the world today, and our Firm is working relentlessly to address it. We devote significant resources to protecting and continuing to improve the security of our computer systems, software, networks and other assets.

We work in close partnerships with government and law enforcement agencies and other businesses to understand the full spectrum of cybersecurity risks, enhance our defenses and improve resiliency against threats. We have dedicated cybersecurity professionals working across the globe who continuously monitor our systems 24 hours a day, seven days a week. All of our employees receive annual Cybersecurity Awareness education and are expected to be vigilant to cyber risks at all times.

We also continue to take a leadership role on cybersecurity within our industry. For example, JPMorgan Chase was one of the institutions that drove the development of Sheltered Harbor, an industry-led set of standards and processes to increase the resilience of the retail financial sector in the event of a destructive or disruptive cyberattack. Almost 60 firms are participating in the voluntary program, representing nearly 70% of U.S. retail deposit accounts and 55% of U.S. brokerage client assets.

JPMorgan Chase was also part of a consortium of financial services firms that created the Financial Systemic Analysis and Risk Center (FSARC), which aims to identify and address cyber threats that pose systemic risk to the financial system. FSARC is designed to enable operational collaboration, in which industry participants and government agencies utilize their individual capabilities, resources and authorities to collaboratively identify, analyze and mitigate systemic cyber risks.

Additional Online Resources

- Annual Report
- Board Committees
- Business Principles
- Code of Conduct
- Code of Ethics for Financial Professionals
- Corporate Governance Principles
- Corporate Responsibility Report
- Diversity and Inclusion
- Environmental and Social Policy Framework
- How We Do Business — The Report
- Human Rights Statement
- Political Engagement and Public Policy
- Proxy Statement
- Suppliers Information
- U.K. Modern Slavery Act Group Statement

For additional information, please visit www.jpmorganchase.com/ESG.

Serving Our Customers

Our customers and clients entrust our Firm with their financial well-being, and we consider it our highest responsibility to provide exceptional service in everything we do. Through our four lines of business, we serve millions of consumers and small businesses in the U.S., as well as corporations, local and national governments, investors, nonprofit organizations and a range of other institutions around the world.

Who We Serve:

- 62 million households
- 4 million small business customers
- 49 million active digital users, including 33 million active mobile users

2018 — At a Glance:

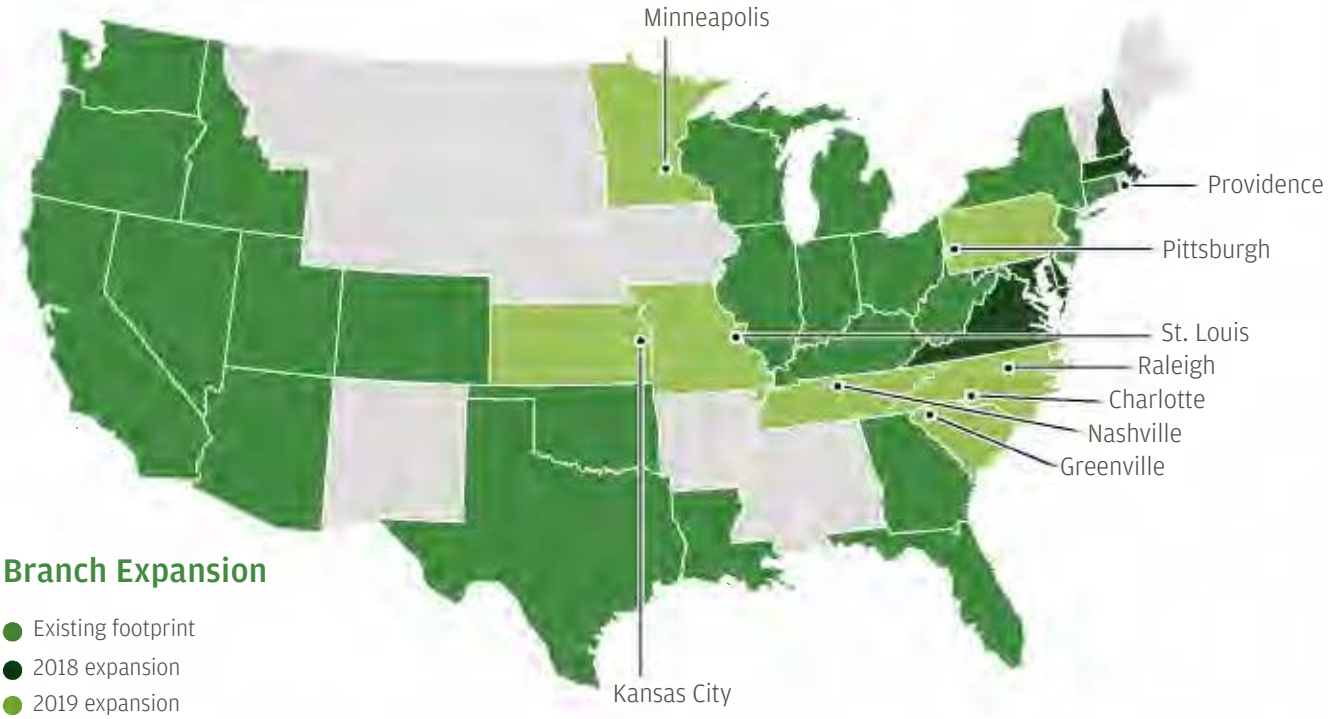
- Originated $79 billion in mortgages
- Opened 7.8 million credit card accounts
- Received 29% of all check deposits through mobile phones
- Processed an average of $2.7 billion in credit and debit payments every day
- Processed over $1.3 trillion for merchants

This section focuses principally on our Consumer & Community Banking business, which serves consumers and small businesses across the U.S. under the Chase brand. Our business helps our customers manage their money, purchase homes and vehicles, save and invest for the future, start and grow their businesses and achieve their other financial goals. In 2018, two key areas of focus included:

- Continuing to develop innovative products and services to enable our customers to bank however they choose — from their mobile phone, on their computer, at an ATM or a Chase branch; and
- Expanding the financial advice and solutions that all consumers need to make the most of their money.

Our efforts are paying off. In 2018, we led the nation in deposit growth for the sixth consecutive year. Our average U.S. deposits — from both consumers and businesses — grew by over 5% in 2018. And the J.D. Power 2018 U.S. National Banking Satisfaction Study℠ ranked Chase No. 1, up from second place the year before.

In 2018, we opened the first 10 of the 400 new Chase branches we are planning in new markets across the U.S. as part of a nationwide market expansion effort that will help us enhance how we serve our customers and communities (see p. 22).



Branch Expansion

- Existing footprint
- 2018 expansion
- 2019 expansion

Helping Customers Make the Most of Their Money

Serving about half of all U.S. households, we embrace our responsibility to create affordable, innovative products and services that help our customers manage their daily finances, withstand emergencies and meet their long-term financial goals.

For example, we help consumers track and manage their credit scores with Credit Journey℠, which allows users to not only check their credit score at any time and get alerts about changes, but also to learn what affects their score and find advice on how to improve it.

We have also launched a variety of products to make it easier for our customers to save and to invest for the future – key foundations of financial health. In 2018, we introduced You Invest℠, a digital investment platform that empowers all types of investors to build on their savings and grow their wealth. In early 2019, we rolled out an Autosave feature that lets customers set up automatic transfers to their savings accounts and monitor progress through a savings dashboard.

Supporting Small Businesses

When small businesses succeed, our communities thrive. In early 2018, we announced plans to increase our small business lending by nearly $4 billion over three years, further expanding our leadership in small business banking. During 2018, we originated over 910,000 small business loans for a total of $15.5 billion in the states where we have a branch presence, an increase of over 45% from the year before.

We have a number of efforts aimed at supporting women, minority, veteran and other underserved entrepreneurs. A key goal of our new Women on the Move global initiative is to help women start and grow businesses (see p. 18). Over the next three years, we expect to lend $10 billion to women-owned businesses.

We are also investing philanthropic capital to unleash the power of small business as a driver of opportunity. In 2018, we expanded our commitment to Small Business Forward, our initiative supporting underserved entrepreneurs, pledging $150 million over five years to help women-, minority- and veteran-owned small businesses get the capital and the technical assistance they need to expand (see p. 24).

Engaging with Customers

We regularly engage with our customers, consumer groups and other stakeholders with a goal of developing products, services and policies that are responsive to their needs and address the issues that matter most to them. We have established forums at local, regional and national levels through which stakeholders can share their perspectives with us, both formally and informally.

Community Advisory Boards, which we have in our major U.S. retail markets, are one of the key forums through which local and regional nonprofit leaders and community partners can share their perspectives on community development needs, public policy and regulatory issues with Chase executives. Similarly, Chase Advisory Panels provide a forum for national consumer policy groups to engage the Firm's senior executives on retail-related policies, products and communications. In addition, we conduct hundreds of meetings annually with community-based organizations.

We also solicit customers' direct feedback on their experiences and needs through a range of channels, including in person at our branches, through our website and via social media and customer satisfaction surveys. In addition, we collect customer feedback through external media and ratings agencies. We take this feedback seriously and use it to further improve our approach and offerings.

Being There When Our Customers Need Us

Immediately after the U.S. government shutdown began in late 2018, we reached out to affected customers to offer help, and we proactively refunded checking account overdraft and service fees. We activated a dedicated customer care line with a team of specialists that extended payments on affected customers' car loans, provided 90-day relief on their mortgages and removed minimum payments on their credit cards, limiting the impact on their credit reports. By the time paychecks resumed, we had helped more than 40,000 customers.

In addition, the Firm gave $1 million to Feeding America and United Way – and also matched employee donations to these organizations – to provide meals, financial services, counseling and other assistance to federal workers and their families. In addition, we collected food and household items in 44 U.S. markets to support the increased demand on food banks.

Treating Customers Fairly

We know that the foundation of our relationships with our customers must be trust, fairness and transparency. We build this by having policies and procedures aimed at simplifying our disclosures, products and services and operations, aligning our sales practices with our customers' interests and taking rigorous measures to safeguard the privacy of customers' information.

Fair & Transparent Marketing

We strive to empower our customers to make informed choices about their finances and banking options by providing clear, concise and transparent information about all of our products and services. For example, a firmwide effort is underway to simplify and standardize our disclosures, helping customers feel confident in their decision to bank with us.

Aligning Employees' Incentives with Customers' Interests

Our bankers' job is to provide our customers with the right products and services to meet their financial needs, and we train, assess and reward our employees accordingly. Every year, we train our bankers on our customer-centered policies, procedures and controls, and we evaluate their performance on these metrics, as well as on revenue and profitability.

We reward bankers for providing customers with a positive overall experience and products and services they need and use. We also review our sales practices, including culture, incentive plans, controls assessments and feedback received from customers and employees through various channels, including our employee Code Reporting Hotline. By merging all of this feedback, we help safeguard our reputation and align employee performance with the best interests of our customers.

Protecting the Elderly & Vulnerable from Financial Abuse

As demographics shift in the U.S., we are working to increase awareness about potential financial abuse affecting the aging population. For example, to better protect our customers, we apply data analytics and have enhanced frontline, job-specific employee training in an effort to better prevent, detect and respond to financial exploitation. We are also working with nonprofit organizations, advocacy groups, regulators and the industry to explore strategies and best practices for combating exploitation of older and vulnerable customers.

Safeguarding Customer Privacy & Data Security

Our customers rely on us to protect their personal and financial information, and we take this responsibility very seriously. We have internal policies and security measures to keep our customers' information safe, and we hold our suppliers and vendors to the same high standards for data security.

We protect customer information through a wide range of technological, procedural and physical security measures. Our Code of Conduct and related policies for ethical business conduct include specific guidelines about how employees should safeguard customers' confidential information. All employees receive annual training on the Code of Conduct. We strive to provide customers with clear, user-friendly explanations of our privacy policies that explain how we collect, share, use and protect their information, and outline steps they can take to limit the sharing of personal information.

We are investing in enhanced data privacy and security solutions to safeguard information shared via our increasing suite of online and mobile banking tools. For example, we are investing in machine learning and intelligent strategies to improve detection and mitigation of fraud across our products and services. This technology allows us to more accurately detect potentially fraudulent activity for our customers and approve more good transactions. In 2019, for example, we anticipate our systems will prevent nearly one million more fraudulent credit card transactions that would have previously been approved, while simultaneously approving nearly one million additional legitimate transactions that would have been incorrectly declined.

Serving Low- & Moderate-Income Customers

Our Firm works to serve all segments of our customer base well, including developing products and services specifically designed to better meet the needs of low- and moderate-income customers. In 2018, we committed to opening 400 new bank branches across the country; 30% of these will be in low- and moderate-income communities. Chase has a higher proportion of its branches and ATMs in low- and moderate-income communities than the industry overall.

Expanding Homeownership

Our Firm is focused on increasing access to affordable and sustainable homeownership for low- and moderate-income customers. In 2018, we committed to expand our mortgage lending in low- and moderate-income communities by 25% – to $50 billion – over the next five years. During 2018, we made more than $11 billion in mortgages in low- and moderate-income communities, putting us right on track to meet this commitment.

We continue to make more mortgages through our DreaMaker program, which allows buyers to make a down payment of as little as 3%. This is crucial for families that can afford the monthly payment but struggle to come up with a down payment. In 2018, we made 20% of our home-purchase mortgages through this program – up from 5% in 2016. DreaMaker complements the suite of affordable loans we have long offered, including Federal Housing Administration and U.S. Department of Veterans Affairs mortgages. Buyers can earn an extra $500 grant toward a DreaMaker loan by completing a financial educational program to prepare them for homeownership.

In 2018, we also expanded our homeownership grant program – which reduces the cash that buyers need for down payment and closing costs – to more low- and moderate-income areas across the U.S. And we increased the grant to $2,500 from $1,500. We are pleased to report that twice as many customers received a grant in 2018 than in the year before.

We are hiring approximately 500 new Home Lending Advisors across the country to help consumers make more informed mortgage choices. We are also working with our nonprofit partners to provide workshops on budgeting, credit and other pre-purchase topics to help customers navigate the path to homeownership.

Recognizing that homeownership is not possible or desirable for some consumers, JPMorgan Chase is dedicated to helping preserve affordable rental housing for low-income communities across the country. We continue to do that by committing to lend over $7 billion in the next five years to commercial and nonprofit housing partners to help maintain, rehabilitate and build affordable units.

Broadening Access to Banking Services

A crucial way we support low- and moderate-income communities is by creating products that provide safe, high-quality and affordable ways to access banking services. For example, in early 2019 we launched Chase Secure Banking℠, a checking account with a flat monthly fee that gives customers all the benefits of banking with Chase without check-cashing fees, minimum balances to open an account or overdraft fees. Chase Secure Banking℠ builds on and replaces our low-fee Chase Liquid® reloadable prepaid card, adding enhancements to provide a full banking experience that we developed based on customer feedback.

We know that small businesses play an essential role in creating jobs and generating economic opportunity – especially in low- and moderate-income areas. In 2018, we made over 176,000 small business loans totaling more than $3.4 billion in low- and moderate-income communities. That is approximately 20% of our total small business lending.

In addition, we support technology-based innovations to improve the financial lives of low- and moderate-income Americans through the Financial Solutions Lab (see p. 24), managed by the Center for Financial Services Innovation with JPMorgan Chase.

Additional Online Resources

- Accessibility at Chase
- Annual Report
- Business Principles
- Chase Privacy Policy
- Corporate Responsibility Report
- JPMorgan Chase Financial Health
- JPMorgan Chase Institute
- JPMorgan Chase Small Business Forward
- Proxy Statement

For additional information, please visit www.jpmorganchase.com/ESG.

Investing in Our Employees

JPMorgan Chase's human capital strategy is aimed at developing and retaining the high-performing global, diverse workforce our Firm needs to be successful today and in the future. This requires attracting and retaining people with strong skills and characters that are consistent with our culture and values, fostering an inclusive work environment where people are respected, trusted and encouraged to bring their whole selves to work and providing our employees with opportunities to learn, develop and advance their careers.

To build and support a workforce that enables us to best serve our customers, clients and communities and deliver value for our shareholders, we invest in our people through all phases of the employee life cycle. This starts with how we recruit and continues through to how we support our employees' development and reward their performance throughout their careers with us. In early 2018, we announced our Firm is stepping up this investment with increases in wages and an enhancement of benefits for employees at the lower end of our pay scale (see p. 20). We are also undertaking a nationwide market expansion effort, which will include hiring 3,000 employees in new U.S. markets.

We measure the success of our investments in employees in multiple ways, including job offer acceptance rates, employee engagement and satisfaction, attrition levels and internal mobility rates, among others. We continue to be widely recognized for our workplace practices. For example, we have been the highest-rated megabank on FORTUNE's list of the World's Most Admired Companies for four years running, and we have a 100% rating on the Human Rights Campaign's Corporate Equality Index.

Who We Are: Key 2018 Statistics

Each of our employees plays an important part in delivering exceptional service to our clients and customers. We have a diverse employee base with a wide range of roles, working in over 60 countries.

- We have more than 256,000 employees worldwide, approximately two-thirds of whom are based in the U.S.
- Women represent almost 49% of our global workforce.
- As of May 2019, women represent 50% of our Operating Committee.
- Ethnically diverse employees make up 50% of our U.S. workforce.

Hiring Great People

Our success as a company depends on attracting the best people. We look for diverse talent from multiple sources, within and outside our organization. We seek to hire people who not only have the skills and expertise we need, but also share our values and are committed to acting with integrity. We hire based on merit, using objective criteria and standard processes for assessing and selecting candidates.

Building a Strong & Diverse Talent Pipeline

We believe that today's students are tomorrow's talent, so in 2018 we kicked off the first phase of an effort to transform our campus recruitment program in order to strengthen the pipeline of diverse leaders into the Firm. This includes creating a new firmwide university relations team and several new recruiting technology platforms to help us better manage relationships with and evaluate candidates. We also continue to enhance our diversity-focused campus recruiting programs by working with organizations that help us connect with diverse candidates for internships and employee recruiting.

We make diversity a priority throughout our hiring process and seek candidates from a wide range of backgrounds and experiences for positions at all levels. Alongside our campus recruiting efforts, we have a number of other programs that foster diverse hiring and advancement, including initiatives focused on ethnic minorities, people with disabilities, women, veterans and others.

Building Skills & Strengthening Communities

Our Firm actively leverages the talent of our people to maximize the impact of our philanthropic investments, while providing our employees with volunteer opportunities that help them develop skills and give back to communities. In 2018, nearly 59,000 employees volunteered more than 389,000 hours to local community organizations. And in early 2019, we implemented a new firmwide policy that provides up to eight hours of paid time off annually for volunteering and community engagement activities.

The field Service Corps, through which employees complete three-week deployments with our nonprofit partners to help them build capacity, is our signature skilled volunteerism program. Through our virtual Service Corps, employees can volunteer their skills to assist nonprofit partners remotely. In 2018, 218 employee volunteers from offices in 15 countries contributed over 18,500 hours of time working with 49 of our nonprofit partners through these two programs.

In 2018, we launched two programs to help employees engage with community organizations at the board level. Our board leadership program encourages and supports our employees to serve on nonprofit boards, helping them turn their expertise and networks into meaningful contributions to their communities. Already, through this program nearly 40 JPMorgan Chase employees have joined nonprofit boards. To amplify the impact of financial contributions employees make as members of nonprofit boards, we also introduced a financial board matching program. The matching contributions made by our Firm recognize the commitments employees make as board members. Within the first three months of the program, 271 employees contributed to the nonprofits on whose boards they serve, which resulted in the Firm matching more than $1.3 million to those organizations. These donations are on top of the over $11 million dollars employees donated through our year-round workplace giving program, which supports nonprofit organizations all over the world.

Best-in-Class Leadership Training

Leadership Edge is our best-in-class leadership development program, which is designed to enable leaders at all levels to grow and succeed throughout their careers. The in-person training sets clear expectations and standards for people management and further embeds our Business Principles into our culture. In 2018, we achieved a record year for participation with global attendance reaching more than 22,500 across Leadership Edge programs, and 60% of all managers have attended since its inception in 2015. During the year we also held a number of virtual leadership and learning events, which connected more than 16,000 of our managers globally.

Training & Career Development

We make substantial investments in tools and training programs to help our employees build their knowledge, skills and experience, as well as to guide their career advancement. Mirroring the digital transformation taking place within adult education and training broadly, in 2018 we introduced several online and virtual learning innovations to provide our employees around the world the opportunity to learn when and where they want. For example, we introduced the Chase Academy, which offers personalized digital learning curriculums and piloted artificial intelligence to advance our adaptive learning approach.

In 2018, we delivered nine million hours of training to employees across the globe on topics including business processes and products, leadership and professional development, risk and compliance and technology, among others. In addition to our internal training efforts, we provide tuition assistance to employees who are seeking to further build their skills.

We also support employees by facilitating career advancement and mobility within the Firm. In 2018, we filled 42% of all positions, and 54% of our most senior-level roles, with internal candidates.

A Workplace for Everyone

We are focused on being the best employer for people from all backgrounds and experiences. By creating an inclusive work environment that supports all heritages, cultures, work styles and lifestyles, we will attract and retain the best people and be positioned to meet the diverse needs of our clients and communities.

A key part of this is working to promote a culture of respect that allows every employee to feel safe and empowered at work. To this end, in 2018 we launched and enhanced a variety of programs to build awareness of unacceptable workplace behavior and harassment and to educate employees on resources available to support them. For example, we introduced an enhanced anti-harassment awareness training, which is required for all employees. We also released an updated Equal Opportunity, Anti-Discrimination and Anti-Harassment Policy and developed guidance for employees on handling uncomfortable situations. In addition, we initiated a company-wide campaign on workplace respect and how employees can speak up.

Our commitment to diversity and inclusion is embedded throughout our organization at all levels. Recognizing the important role leaders play in fostering an environment where all employees feel that they belong, can grow and contribute, we give managers training and resources to help them attract, hire, develop and retain diverse talent.

Our Business Resource Groups (BRGs) are an essential part of how we foster an inclusive work environment. These groups promote leadership and professional development and provide volunteer opportunities for members, while advancing the Firm's position in the global marketplace and diversity strategies by leveraging the unique perspectives of their members. Our Firm has ten BRGs globally, focused on ethnic communities and other groups, including Hispanic and Latino; black; Asian and Pacific Islander; military and veterans; LGBT+ employees; women; people with disabilities; early career and administrative professionals; and working families. Over 91,000 employees — or approximately 35% of our people — are members of at least one BRG.

Our commitment to advancing diversity and inclusion extends beyond our own walls. For example, in 2018 we signed a statement supporting equal rights for transgender, gender non-binary and intersex people, explicitly opposing any actions to remove legal protections for these groups. And we are regularly recognized for our firmwide commitment to promoting an inclusive environment for our employees, including receiving multiple awards for our diversity efforts.

Assessing Pay Equity

We conduct periodic pay equity reviews at all levels. In 2018, in aggregate women globally and minority employees in the U.S. were paid 99% of what men globally and non-minority employees in the U.S. were paid, taking into account factors such as an employee's role, tenure, seniority and geography. We are proud of the overall diversity of our workforce. However, we also know that women still are not represented in as many senior management positions as men. Despite the significant progress we have made, we are taking a variety of actions focused on hiring, retaining, developing and advancing women and minorities, especially at more senior levels.

Championing Women

Our Firm has long focused on the empowerment and advancement of our women employees, and today women make up nearly half of our global workforce and, as of May 2019, 50% of our Operating Committee. In 2018, we expanded our Women on the Move initiative — which we launched in 2013 to provide women at all levels of our Firm with a platform to exchange ideas and support their career development. Now, the program focuses not only on women inside our Firm but also on women clients and customers. The expanded global initiative will support women-run businesses, provide tools and education to help women increase their financial health and independence and offer resources that empower women to excel in their careers.

We also continue to support women's advancement within the Firm. For example, in 2018 our Firm signed the U.K. Women in Finance Charter and set a public target to have women in 30% of our U.K. Managing and Executive Director roles by June 2023. And we are expanding our efforts to support working parents and families (see p. 20).

Developing Black Talent

In 2019, we launched Advancing Black Pathways (ABP) to help close the gap to economic success for black business owners, families and communities. ABP combines the Firm's business and philanthropic resources to accelerate economic opportunity for black Americans by strengthening education and job training, growing careers and building wealth. As part of this program, we committed to hiring more than 4,000 black students over the next five years into apprenticeships, internships and post-graduation roles.

ABP builds on our Firm's existing efforts to help black Americans achieve economic success. This includes Advancing Black Leaders (ABL), which is our leading strategy to increase representation of black talent across all of our businesses. ABL expands the Firm's recruitment of black Americans while also promoting leadership excellence and retention. While we have more to do, we are seeing encouraging results.

Providing Opportunities to People with Disabilities

Through our global Office of Disability Inclusion (ODI), we work to drive results in four key areas – attitude, accessibility, accommodations and assimilation – to hire and retain individuals with disabilities throughout the Firm. To support this effort, in 2018 ODI instituted global Disability Inclusion Standards to provide managers with resources to help recruit, hire and advance people with disabilities. We also launched the MyAccessibility Hub accommodations team to support timely implementation of assistive technology tools for employees, while also simplifying processes for requesting and receiving technological and physical accommodations. Since its formation, the team has handled hundreds of cases in the U.S. alone.

The Office's work is delivering results. In 2018, the Firm hired people with disabilities in every region and in every line of business, including individuals on the autism spectrum. We were recognized by Disability:IN – a leading nonprofit resource for business disability inclusion – as Employer of the Year.

Hiring & Supporting Veterans

JPMorgan Chase has hired more than 14,000 U.S. veterans since 2011 – including over 1,200 in 2018 alone – with more than 50% coming from self-identified diverse backgrounds. We offer internship and rotational entry programs to support the transition of military personnel and veterans into the financial services industry. Once at the Firm, our Office of Military and Veterans Affairs supports our veteran employees through mentorship programs, acclimation and development initiatives, recognition events and other programs to help bridge the gap between military and corporate cultures. Additionally, we offer paid military leave for all types of military service.

Supporting Our Employees

We take a whole-person approach to supporting employees, including providing competitive compensation and comprehensive benefits, health and wellness programs and policies and programs for working parents.

Employee Compensation & Benefits

Providing competitive benefits and compensation is a key component of our talent development strategy and it is important for attracting and retaining the best employees. Key elements of our compensation philosophy include:

- Providing competitive compensation opportunities to employees based on their roles and responsibilities, experience, performance and other factors
- Tying pay to performance and evaluating performance at the Firm, business unit and individual levels
- Promoting a culture of shared success
- Rewarding behaviors that generate sustained value for the Firm and reinforcing personal accountability
- Encouraging employees to think and act like owners

We have governance mechanisms, systems and controls in place that are intended to provide our employees equitable pay for the work that they do, regardless of who they are.

In an effort to attract and retain great people, for the second time in the past two years we announced a pay increase for employees at the lower end of our pay scale. We increased wages by 10% on average – ranging from between $15 and $18/hour – for overtime-eligible employees in the U.S. This is the right thing to do and puts us well above the average hourly wage for most markets in which we do business.

Alongside compensation, we offer comprehensive benefits packages for our employees and their families, including healthcare coverage, retirement benefits, life and disability insurance, on-site health and wellness centers, employee assistance programs, competitive vacation and leave policies, backup child care arrangements, tuition reimbursement programs and more. In 2018, we took steps to improve access to healthcare for our employees and to help tackle the enormous affordability challenges in the U.S. healthcare system. For employees making less than $60,000 a year, we lowered our medical plan deductible by $750. The value of the Firm's full benefits package, including healthcare, retirement, and other benefits, averages $12,000 for employees in this pay range.

Supporting Working Parents

To better support our employees, we continue to expand support for working parents. Globally, we offer parental and adoption leave programs with a minimum of 16 weeks of fully paid parental leave for employees who are primary caregivers. In early 2019, we increased the amount of paid leave we provide to nonprimary caregivers to a minimum of six weeks, up from two weeks.

We have flexible work options to support parents and others who need alternative work schedules, and we provide backup child care, a return-to-work program and other assistance to working parents. In 2018, we also expanded our parent-to-parent mentoring program to 24 countries; over 14,000 employees have participated in educational and networking events since the program launched in 2016.

Encouraging Health & Wellness

In addition to healthcare and insurance plans for employees, their spouses or domestic partners, we offer a comprehensive wellness program focused on personal and financial health and work-life balance.

For example, we offer on-site health and wellness centers and health assessments to help our employees identify potential or existing health risks. In 2018, 80% of enrolled employees and 64% of spouses/domestic partners completed both a wellness assessment and screening. As an incentive to participate in these wellness activities, in 2018 we contributed approximately $100 million into the Medical Reimbursement Accounts of employees and their spouses/domestic partners.

In 2018, we continued our focus on mental health, expanding our programs to raise awareness and reduce stigmas of mental illness and provide relevant support to employees. We launched a video and web campaign to give employees a forum for discussing how they are dealing with – and overcoming – mental health issues and to educate employees about mental illness and addiction. We also piloted Mental Health First Aid, a six-hour training program for managers and human resources professionals to help them identify, understand and respond to colleagues who may be experiencing mental health and addiction challenges.

Additional Online Resources

- Annual Proxy
- Awards and Recognition
- Business Principles
- Careers at JPMorgan Chase
- Compensation & Management Development Committee
- Diversity and Inclusion
- How We Do Business – The Report

For additional information, please visit www.jpmorganchase.com/ESG.

Supporting Our Communities

JPMorgan Chase believes that companies must help solve today's biggest challenges and create economic opportunity for more people. To do so, they must invest in communities the same way they invest in their own businesses. As announced in early 2018, our Firm has committed $1.75 billion by 2023 to drive inclusive growth in communities around the world. We call this generating 'Return on Community,' and it is one of our core objectives because we know that the future of our company depends on the well-being of the places where our employees and customers live and work.

Our Firm's model for impact focuses on four strategic drivers of inclusive growth, and it reflects what we believe are the essential ingredients for creating a lasting impact in our communities. We are putting this model into action through significant, long-term and data-driven investments that leverage our Firm's expertise, capital, data, technology and global presence.

*Advancing*Cities

Our model for impact has yielded real results, so we are doubling down on our commitment to drive inclusive growth and expanding the number of people and places we reach. *Advancing*Cities is JPMorgan Chase's $500 million, five-year initiative to invest in solutions that bolster the world's cities and the people within them. Through this effort, launched in September 2018, we are combining our philanthropic and business capital to expand opportunity for those who are being left behind in today's economy. *Advancing*Cities will deploy investments and encourage solutions in two ways:

- Signature Cities. Our Firm is making comprehensive, long-term commitments in cities around the world where the conditions are right for success and in which broader, deeper investments are needed to drive inclusive growth.
- *Advancing*Cities Challenge. We are making commitments in up to 30 communities to support innovative, sustainable solutions that help more people benefit from a growing economy. Their ideas must offer unique ways to advance at least two of the pillars that are at the heart of our model for impact. And they must demonstrate a collaborative approach that brings together the public, private and nonprofit sectors — an approach that is essential to solving complex challenges. In April 2019, we announced the first five winning cities: Chicago, Illinois; Louisville, Kentucky; Miami, Florida; San Diego, California; and Syracuse, New York. Each of these cities is receiving $3 million over a period of three years.

As part of *Advancing*Cities, JPMorgan Chase will deploy up to $250 million as low-cost, long-term loan capital — bringing together our Firm's philanthropic efforts with the lending and investing expertise of our Community Development Banking business. Our experience has shown that flexible capital, which can help bridge the gap between philanthropic and market-rate capital, is a powerful tool to attract additional investment and help more people share in the rewards of a growing economy. We expect the investments we make through *Advancing*Cities to attract an additional $1 billion in outside capital.

In December 2018, we committed $10 million in low-cost, long-term capital to the Chicago Community Loan Fund, our first flexible capital commitment as part of *Advancing*Cities. This low-cost loan will support the development and preservation of small business and commercial corridors on Chicago's South and West sides.

Building Branches, Strengthening Communities

In parallel with an expansion of our consumer business, our Firm is increasing lending and philanthropic commitments in our communities. For example, in 2018 we announced plans to open 70 new branches in the Greater Washington region and hire 700 new employees, the first major branch expansion as part of JPMorgan Chase's $20 billion, five-year investment in our business and local economic growth. To fuel the economy of this region, we committed $4 billion in lending for home mortgages and small businesses and $500 million to support affordable housing. We also doubled our investment in underserved neighborhoods across the region with a $25 million philanthropic commitment.

One such philanthropic investment is the $6 million we committed in 2018 to prepare Greater Washington area students for local, in-demand technology jobs. Part of our Firm's global New Skills for Youth initiative, our investment will support five school districts in Washington, D.C., Virginia and Maryland and enable them to partner with local colleges and universities to build career pathways for students that result in well-paying technology jobs.

Using Our Purchasing Power to Advance Economic Opportunity

Our Firm has a long-standing commitment to cultivating business relationships with diverse suppliers, with 2018 marking the 24th year of our Global Supplier Diversity program. Having a diverse supply chain makes our company stronger and it enables us to use our purchasing power to expand economic opportunity in our communities. In 2018, we spent $1.3 billion with minority-owned businesses; $613 million with woman-owned businesses; $77 million with veteran-/service-disabled veteran-owned businesses; $11 million with businesses owned by people with disabilities and $30 million with businesses owned by members of the LGBT+ community.

Investing in Opportunity

Our Firm is generating Return on Community through comprehensive, multi-year commitments in cities around the world. These include:

Greater Paris

In 2018, we marked our 150th anniversary in France with a $30 million, five-year philanthropic commitment to provide underserved residents and local entrepreneurs across Île-de-France access to greater economic opportunity. This doubles the Firm's philanthropic commitment in the Greater Paris area and is the first new commitment as part of *Advancing*Cities.

Detroit

We developed and refined our model in Detroit, where in 2014 we made a $150 million commitment to the city's economic recovery. Five years into this commitment, our impacts include:

1,632	2,067	4,387	13,180	13,573
units of affordable housing were created or preserved	jobs were created or retained	small businesses received capital or technical assistance	people received services to improve their financial health	people participated in workforce programs

Chicago

We extended our model to Chicago in 2017 with a $40 million pledge to expand access to opportunity for residents of the city's South and West sides. One year into this commitment, our impacts include:

176	1,246	1,319	5,341	2,857
units of affordable housing were created or preserved	jobs were created or retained	small businesses received capital or technical assistance	people received services to improve their financial health	people participated in workforce programs

Greater Washington Region

In September 2017, we committed $25 million to drive inclusive economic growth in underserved neighborhoods in Washington, D.C., Virginia and Maryland. One year into this commitment, our impacts include:

590	312	722
units of affordable housing were created or preserved	jobs were created or retained	small businesses received capital or technical assistance

Pillars of Inclusive Growth

Our model for impact focuses on key pillars of opportunity where we can leverage our core business expertise. While we are enormously gratified by the model's success, we are constantly looking for ways to deepen our impact. One way we are doing this is by more extensively and deliberately tapping into our employees' skills to support our efforts to drive inclusive growth. In 2018, nearly 59,000 of our employees volunteered more than 389,000 hours (see p. 17). Other highlights of our work in 2018 include:

Jobs & Skills

Through New Skills at Work, we are supporting efforts to equip adults and youth with the skills needed to get on a solid career path, while strengthening the talent pipeline employers need to grow and compete. Over the past five years, our Firm has helped nearly 150,000 people by partnering with about 740 nonprofits, committing $250 million in job training and career education initiatives in 37 countries, as well as 30 U.S. states and Washington, D.C., to support skill building so that people can gain well-paying jobs in growing industries. In early 2019, we announced the next chapter of New Skills at Work with a new five-year, $350 million investment focused on building the workforce of the future.

Neighborhood Revitalization

Partnerships for Raising Opportunity in Neighborhoods (PRO Neighborhoods) is our Firm's initiative to support innovative approaches that promote thriving, opportunity-rich neighborhoods. In 2018, we hosted our fifth PRO Neighborhoods competition and, over the course of those five competitions, we awarded a total of over $98 million to more than 70 Community Development Financial Institutions across the U.S. Our $68 million commitment to the winners of the first three competitions raised an additional $713 million in outside capital, issued over 21,000 loans to low- and moderate-income customers and created or preserved over 3,000 affordable housing units and 11,000 quality jobs.

Small Business Expansion

A key component to our strategy for breaking down barriers for minority, women and veteran entrepreneurs is seeding and scaling high-impact models that expand access to flexible capital. Building on the success of Detroit's Entrepreneurs of Color Fund — which our Firm helped launch in 2015 to provide minority-owned small businesses with access to capital and technical assistance — we expanded this model to Chicago, the South Bronx and the Bay Area in 2018. Through year-end, JPMorgan Chase has committed $13.6 million to the Entrepreneurs of Color Fund, resulting in 210 loans totaling $9.5 million that created or retained 1,200 jobs. In early 2019, we further expanded the Entrepreneurs of Color Fund to the Greater Washington region.

Financial Health

The Financial Solutions Lab (FinLab), supported by JPMorgan Chase, hosts an annual competition to identify, test and bring to scale promising innovations that address the financial needs of low- and moderate-income Americans. The FinLab announced eight financial services innovators as winners of its 2018 challenge. To date, FinLab has supported more than 30 innovative financial technology companies that have raised over $500 million in capital since joining the program, saving U.S. residents over $1 billion. In 2018, we helped launch the Financial Inclusion Lab in India, applying insights from the Lab in the U.S. to bring to scale early-stage fintech startups in India that are focused on helping India's underserved communities.

Additional Online Resources

- Annual Report
- Corporate Responsibility
- Corporate Responsibility Report
- JPMorgan Chase Institute

For additional information, please visit www.jpmorganchase.com/ESG.

Advancing Sustainability

JPMorgan Chase leverages its core expertise in the financial markets to promote sustainable business practices and help our clients raise the capital they need to invest in projects and initiatives that achieve positive environmental and social outcomes. Our Firm has operations around the world and works with clients in nearly every sector of the economy – including corporations, development finance institutions, governments and investors. This breadth of coverage provides us with insight into the opportunities and risks that the transition to a lower-carbon, more sustainable future presents for our clients and our Firm. Across our business, we aim to put this expertise to work every day to help advance sustainable solutions.

We also promote sustainability within our physical operations, including energy efficiency in our buildings, branches and data centers, and we are working toward our goal to source renewable energy for 100% of our global power needs.

Our Firmwide Sustainability Strategy

Business Opportunities

Advancing financing opportunities and investment strategies, with a commitment to facilitate $200 billion in clean financing by 2025

Operational Sustainability

Managing our buildings and branches sustainably, with a goal of using 100% renewable energy by 2020

Risk Management

Managing environmental and social risks associated with our financing activities

Policy Engagement & Market Development

Partnering with stakeholders to advance best practices and new opportunities

Employee Engagement

Leveraging the skills and passion of our employees to advance sustainability in our business and communities

Transparency & Reporting

Reporting on our approach to and performance on ESG matters

Business Opportunities

We leverage the resources and the expertise of our bankers, risk managers, industry experts and others to help our clients achieve their sustainability and financial objectives.

Corporate & Investment Bank and Commercial Banking

One of the key ways we help our clients achieve their sustainability efforts is through our financing activities. As of year-end 2018, JPMorgan Chase had facilitated more than $100 billion in clean financing, meaning we are more than halfway to our goal of facilitating $200 billion in clean financing through 2025.

This financing activity is principally led by our Corporate & Investment Bank (CIB) and Commercial Banking (CB) businesses, which collectively provide strategic advice, raise capital, extend loans and offer risk management solutions for large- and medium-sized corporations, governments and institutions. This includes:

- **Underwriting debt with a sustainable use of proceeds.** In 2018, JPMorgan Chase underwrote $10.6 billion in green bonds and bonds with a sustainable use of proceeds. For example, we served as joint-bookrunner for €1.25 billion in green bonds raised by the Enel Group, which used the proceeds to finance projects such as the development and construction of renewable energy generation plants.
- **Financing and risk management.** JPMorgan Chase provides financing and risk management solutions to support clients' renewable energy projects and to facilitate new energy, technology, transportation, waste management and water treatment innovations. For example, since 2003, JPMorgan Chase has committed or arranged over $21 billion in tax equity financing for wind, solar and geothermal energy projects in the U.S., including $3.2 billion in JPMorgan Chase investments in 2018.

In 2018, we combined our Firm's focus on sustainability with our commitment to create affordable housing by financing two multi-unit residential developments in New York through our Community Development Banking group. In the City of Kingston, New York, we provided a construction loan for a 57-unit affordable housing building that will use on-site geothermal and solar power to have "net zero" energy demand, meaning the development will generate enough energy on-site to cover at least its own energy needs. In Brooklyn, New York, we partnered with RiseBoro Community Partnership on the financing of a 67-unit affordable housing building that will include community service space and be built to the highly energy efficient "passive house" standard. Both developments set aside units for homeless families.

- **Providing advisory services.** JPMorgan Chase advises clients on strategic transactions and capital raising, including those that relate to sustainable business opportunities. In 2018, the Firm participated as a bookrunner in the over $1 billion initial public offering of NIO, which was the largest electric vehicle company initial public offering in history.
- **Advancing sustainability through research.** The Firm leverages its research capabilities to advance sustainability and ESG investment strategies. In 2018, we launched J.P. Morgan ESG ("JESG"), the first-ever emerging market bond indices that integrate ESG factors into a composite benchmark. We also introduced ESGQ, a quantitative tool to help investors pick stocks that prioritize ESG factors and outperform the broader index. The results have been promising: Since its inception in 2018, ESGQ has provided better annualized returns than the MSCI Europe and the MSCI European Leaders indices. We also published research reports on sustainable investing topics, including "ESG Investing Goes Mainstream" and "Investing in Gender Balance," which analyze the investment implications and opportunities from the burgeoning responsible investment market.

Progress toward Our Sustainability Commitments

In 2017, JPMorgan Chase announced commitments to facilitate $200 billion in clean financing by 2025 and to source renewable energy for 100% of our global power needs by 2020. We have made progress on both of these targets:

- Facilitated over $100 billion in clean financing by year-end 2018, putting us more than halfway toward our commitment
- Sourced renewable energy for 22% of our global power consumption by year-end 2018

Asset & Wealth Management

Our Asset & Wealth Management business, which has $2 trillion in assets under management (AUM), helps individuals, advisors and institutions around the world invest capital to achieve their financial goals. These goals increasingly include a desire to align investments with sustainability objectives.

Our Asset Management business has a long-standing commitment to incorporating ESG factors into its investment practices and this is outlined in its Sustainable Investing Statement. Within Asset Management, the Sustainable Investment Leadership Team, a cross-functional group of senior experts, facilitates a coordinated strategy for sustainable investing across asset classes and investment offerings.

As of December 31, 2018, our Asset Management business had AUM of more than $667 billion in ESG-integrated strategies, which we define as the explicit consideration of material ESG factors into the investment decision-making process, while not limiting the investment universe. We continue to build capabilities across other approaches to sustainable investing and to advance our clients' understanding of sustainable investing topics. In 2018, for example, our Asset Management team published a series of insights exploring climate change and resilience, renewable energy and battery storage, and ESG integration in real estate portfolios, among other topics.

Our Wealth Management business is also helping clients express their preferences for sustainable investing. In 2018, we hired a dedicated Head of Sustainable Investing for Wealth Management who will expand our sustainable investment offerings, enhancing our ability to help clients who want to pursue sustainable and impact investing within their portfolios. We also continued to share insights on sustainability topics to support our clients' interest in responsible investing, including gender lens investing, ocean health and sustainability in the fashion industry.

Across equities, fixed income, alternatives and multi-asset portfolios, Wealth Management has 56 investment strategies geared toward sustainable investing globally, with $4.2 billion in AUM. These strategies span multiple approaches, including ESG integration, negative screening, thematic investing and impact investing. We continue to develop tools to help clients achieve their sustainable investing goals, along with new opportunities for our clients to participate in impact investing funds. For example, in 2018 we offered a new investment opportunity to Wealth Management clients through Elevar, an impact-focused venture capital firm that invests in scalable, entrepreneur-led businesses focused on underserved customers in low-income communities across India and Latin America.

Managing Risk

An important component of the Firm's risk management process is assessing our clients' approach to, and performance on, environmental and social matters. This insight helps us make more informed decisions and in certain circumstances enables us to offer our clients information and guidance on good practices when they are seeking to access capital markets, provide disclosures to investors or improve sustainability practices.

The Firm's publicly available Environmental and Social Policy Framework provides an overview of the Firm's approach to evaluating risks posed by environmental and social matters, including certain activities that we will not finance, and sectors and activities subject to environmental and social due diligence. In 2018, we expanded the application of our approach to cover Consumer and Community Banking and Asset and Wealth Management, in addition to the Corporate and Investment Bank and Commercial Banking.

Our due diligence efforts are coordinated by a dedicated environmental and social risk management group, which reports directly to the Firmwide Risk Executive for Reputation Risk. In cases where significant issues are identified, clients and transactions may be escalated to one of the Firm's Reputation Risk Committees.

In 2018, slightly more than 2,000 transactions were referred for review because a potential environmental or social risk was identified. These included transactions for credit (loans), debt underwriting, equity underwriting and advisory services. Detailed due diligence was undertaken on roughly one-third of the referred transactions.

Periodically, our environmental and social risk management group conducts portfolio-wide reviews, which take an in-depth look at policy trends, market developments and sustainability practices across a particular industry. We use the insights from these reviews to inform transaction-level due diligence and engagement with our clients. JPMorgan Chase also participates in or has adopted various internationally recognized principles that help guide our efforts on environmental and social risk management.

Operational Sustainability

As a financial institution, our direct environmental impacts stem primarily from the operation of our more than 5,500 corporate buildings, retail bank branches and data centers, 85% of which are in the U.S. Integrating sustainable practices within our physical operations is an important part of our global sustainability strategy. It also helps us strengthen the Firm's resilience and reduce costs.

2018 Sustainable Operations Progress

- Reduced greenhouse gas (GHG) emissions by over 50% since 2005
- Sourced renewable energy for 22% of our global power consumption
- Recycled more than 40,000 tons of paper globally through our secure-shred program

Advancing Sustainability in Our Supply Chain

In 2018, we took several steps to better understand potential suppliers' sustainability and ESG practices and to communicate to them our Firm's commitment to sustainability. We enhanced the sustainability and ESG-related questions that we include in our standard Request For Proposals (RFP) template, a central tool our Firm uses to evaluate and choose all our suppliers. And within our Corporate and Investment Bank we developed our first-ever ESG-specific questionnaire, which will be used to further our understanding of the Firm's financial markets infrastructure and agent bank network.

Reducing Our Carbon Footprint

We are continuing to make progress toward our commitment to source renewable energy for 100% of our global power needs by 2020, building on our long-standing efforts to reduce our carbon footprint. We are undertaking a range of actions to drive progress, including:

- **Installing on-site renewable energy** at retail branches and commercial buildings globally;
- **Executing Power Purchase Agreements (PPAs)** to support the development of new renewable energy projects on grids from which we purchase energy;
- **Reducing energy consumption** by implementing energy efficient lighting and other technologies; and
- **Purchasing Renewable Energy Credits (REC) and Verified Emission Reduction (VER) credits** to green our electricity supply and offset emissions from employee air travel, respectively.

As of year-end 2018, we have sourced renewable energy for 22% of our global energy use. Our other key milestones achieved during the year include:

- Secured over 10% of our total firmwide power and over 15% of our electricity needs in India through PPAs that supported the development of wind and solar farms;
- Installed 2,570 U.S.-manufactured solar panels at 23 Chase branches in California and New Jersey, which will power over 30% of the energy consumed on-site; additional installations are underway at 250 branches in Arizona, Michigan and Nevada, and at commercial buildings in Arizona, Delaware, Florida, Ohio and Texas;
- Continued work to retrofit all Chase-owned branches with LED lighting, with more than 700 facilities completed in 2018. This initiative will result in a 50% reduction of lighting energy consumption;
- Installed energy efficient Building Management Systems at 900 Chase branches;
- Offset 100% of emissions from employee air travel through the purchase of VER credits; and
- Named an ENERGY STAR® Partner of the Year, recognized by the U.S. Environmental Protection Agency and the U.S. Department of Energy.

Policy Engagement & Market Development

JPMorgan Chase collaborates with a broad range of organizations and participates in initiatives focused on advancing sustainability within our industry and across the corporate sector broadly. Through these engagements, we share our expertise on issues at the nexus of finance and sustainability, while learning from other companies and organizations.

One of our key areas of focus in recent years has been accelerating the private market for conservation, which we are doing as founding sponsor, strategic advisor and an Advisory Board member to NatureVest, the impact investing arm of The Nature Conservancy. NatureVest seeks to create and execute investable deals in a variety of sectors around the world that deliver conservation results and financial returns for investors.

Transparency & Reporting

We seek to be transparent about our approach to and performance on ESG topics. We do so through this annual ESG Report and numerous other communication channels listed in the Additional Online Resources boxes throughout this report.

In 2019, we will publish a voluntary report on the Firm's approach to managing climate-related risks and opportunities, guided by recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We have served as a member of the TCFD since it was established.

Engaging Employees in Our Sustainability Strategy

Many of our employees care deeply about sustainability, so we integrate sustainability into our employee engagement and volunteerism activities. In 2018, we launched a Sustainability Ambassadors program to recognize internal sustainability champions and enhance the Firm's sustainability initiatives. The Ambassadors, comprised of employees at the Managing and Executive Director levels, are helping to integrate sustainability information into internal communication and planning channels, and also to incorporate sustainability and ESG issues in product development and client advisory services. In addition, they participate in relevant volunteer and philanthropic opportunities and represent the Firm externally on sustainability topics such as financing renewable energy and climate change. For more information on employee engagement activities, see p. 17.

Key Memberships and Commitments

JPMorgan Chase participates in, is a member of or has committed to various initiatives and principles that address business and sustainability matters, including:

- Asian Corporate Governance Association (ACGA)*
- Business and Sustainable Development Commission
- CDP (Investor Signatory)*
- Center for Climate and Energy Solutions (C2ES) Business Environmental Leadership Council
- Ceres
- Equator Principles
- Extractives Industry Transparency Initiative*
- Global Impact Investing Network*
- Global Real Estate Sustainability Benchmark (GRESB)
- Green Bond Principles
- Institutional Investors Group on Climate Change*
- RE100
- Soft Commodities Compact
- U.N. Principles for Responsible Investment*
- World Business Council for Sustainable Development
- World Green Building Council

* Through our Asset & Wealth Management line of business

Additional Online Resources

- Annual Report
- Asset Management – Sustainable Investing
- Environmental and Social Policy Framework
- NatureVest
- Research Library
- Sustainability Fact Sheet
- Sustainability Website
- Wealth Management – Sustainable Investing

For additional information, please visit www.jpmorganchase.com/ESG.

Environmental Data

		2018	2017	2016
Employee headcount		256,105	252,539	243,355
Square footage[1]		57,584,466	58,140,356	59,736,427
Greenhouse Gas (GHG) Emissions[2]	**UNIT**	**2018**	**2017**	**2016**
Scope 1 emissions[3]	$MtCO_2e$	83,101	78,229	79,556
Scope 2 emissions – Location-based	$MtCO_2e$	739,458	770,704	906,093
Scope 2 emissions – Market-based	$MtCO_2e$	572,067	596,843	780,710
Total Scope 1 and Scope 2 – Market-based	**$MtCO_2e$**	**655,167**	**675,073**	**860,267**
Reduction over 2005 baseline[4]	%	53	52	38
GHG Emissions per sq. ft.	$MtCO_2e$/sq. ft.	0.01138	0.01161	0.01440
Scope 3 emissions from employee air travel	$MtCO_2e$	176,356	187,020	130,430
Verified Emission Reduction (VER) credits purchased	$MtCO_2e$	184,769	175,155	160,000
Renewable Power	**UNIT**	**2018**	**2017**	**2016**
Electricity production (on-site solar and fuel cells)	MWh	13,290	6,472	5,328
Contractual instruments[5]	MWh	375,280	370,801	210,000
Proportion of power use from renewable sources (production and instruments)	%	22	21	11
Energy Consumption	**UNIT**	**2018**	**2017**	**2016**
Electricity	MWh	1,787,344	1,823,121	1,942,799
Steam	MWh	36,911	30,423	30,284
Chilled water (indirect emissions)	MWh	232	222	327
Natural gas	MWh	256,623	224,119	221,823
Propane	MWh	1,281	1,081	1,034
Fuel oil	MWh	13,248	12,283	11,161
Jet fuel	MWh	32,172	33,447	32,970
Total	**MWh**	**2,127,812**	**2,124,697**	**2,240,399**
Reduction over 2005 baseline (net)	%	33	31	28
Water Consumption	**UNIT**	**2018**	**2017**	**2016**
U.S. operations[2]	m^3	5,731,976	5,611,797	5,127,749

1 JPMorgan Chase utilizes an operational control approach to establish boundaries for our GHG inventory. This includes owned and leased facilities for which we control energy usage and pay energy/utility bills directly to the respective utility.
2 Scope 1, 2 and 3 emissions were verified for 2016, 2017 and 2018. Water consumption in 2018 has been verified.
3 Scope 1 emissions include emissions from corporate air travel.
4 Emission reduction calculations over the 2005 baseline use the market-based method.
5 Contractual instruments include Renewable Energy Credits (RECs) from the Buckthorn wind farm PPA, Renewable Energy Guarantees of Origin (REGOs) and a solar and wind tariff.

JPMorgan Chase Business Principles

Exceptional client service

1. Focus on the customer
2. Be field and client driven and operate at the local level
3. Build world-class franchises, investing for the long term, to serve our clients

Operational excellence

4. Set the highest standards of performance
5. Demand financial rigor and risk discipline: We will always maintain a fortress balance sheet
6. Strive for the best internal governance and controls
7. Act and think like owners and partners
8. Strive to build and maintain the best, most efficient systems and operations
9. Be disciplined in everything we do
10. Execute with both skill and urgency

A commitment to integrity, fairness & responsibility

11. Do not compromise our integrity
12. Face facts
13. Have fortitude
14. Foster an environment of respect, inclusiveness, humanity and humility
15. Help strengthen the communities in which we live and work

A great team & winning culture

16. Hire, train and retain great, diverse employees
17. Build teamwork, loyalty and morale
18. Maintain an open, entrepreneurial meritocracy for all
19. Communicate honestly, clearly and consistently
20. Strive to be good leaders

Contact Us

To contact Corporate Responsibility, email corporate.responsibility@jpmchase.com.
To contact Investor Relations, email JPMCinvestorrelations@jpmchase.com.

JPMorgan Chase & Co. (NYSE: JPM) is a leading global financial services firm with assets of $2.6 trillion and operations worldwide. The Firm is a leader in investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing and asset management. A component of the Dow Jones Industrial Average, JPMorgan Chase & Co. serves millions of customers in the United States and many of the world's most prominent corporate, institutional and government clients under its J.P. Morgan and Chase brands.

Information about J.P. Morgan's capabilities can be found at jpmorgan.com and about Chase's capabilities at chase.com. Information about JPMorgan Chase & Co. is available at jpmorganchase.com.

"JPMorgan Chase," "J.P. Morgan," "Chase," the Octagon symbol and other words or symbols in this report that identify JPMorgan Chase services are service marks of JPMorgan Chase & Co. Other words or symbols in this report that identify other parties' goods or services may be trademarks or service marks of those other parties.

JPMorgan Chase & Co.

EXHIBIT C

Dear Fellow Shareholders,

Jamie Dimon,
Chairman and
Chief Executive Officer

Once again, I begin this annual letter to shareholders with a sense of pride about our company and our hundreds of thousands of employees around the world. As I look back on the last decade – a period of profound political and economic change – it is remarkable how much we have accomplished, not only in terms of financial performance but in our steadfast dedication to help clients, communities and countries all around the world.

In 2018, we continued to accelerate investments in products, services and technology. For example, for the first time in nearly a decade, we extended our presence in several states with new Chase branches (we plan to open another 400 new branches in the next few years). In addition, we started a new digital investing platform: You Invest; we launched our partnership with Amazon and Berkshire Hathaway in healthcare; we broadened our commitment to create opportunities for jobs and prosperity and reduce the wealth gap for black Americans with Advancing Black Pathways (announced in February 2019); and we launched our

*Advancing*Cities initiative to support job and wage growth in communities most in need of capital. While it is too soon to assess the impact of these efforts, we're seeing terrific results so far.

2018 was another strong year for JPMorgan Chase, with the firm generating record revenue and net income, even without the impact of tax reform. We earned $32.5 billion in net income on revenue[1] of $111.5 billion, reflecting strong underlying performance across our businesses. Adjusting for the enactment of the Tax Cuts and Jobs Act, we now have delivered record results in eight of the last nine years, and we have confidence that we will continue to deliver in the future. Each line of business grew revenue and net income for the year while continuing to make significant investments in products, people and technology. We grew core loans by 7%, increased deposits in total by 3% and generally grew market share across our businesses, all while maintaining credit discipline and a fortress balance sheet. In total, we extended credit and raised capital of $2.5 trillion for businesses, institutional clients and U.S. customers.

In last year's letter, we emphasized how important a competitive global tax system is for America. Over the last 20 years, as the world reduced its tax rates, America did not. Our previous tax code was increasingly uncompetitive, overly complex, and loaded with special interest provisions that created winners and losers. This drove down capital investment in the United States, which reduced domestic productivity and wage growth. The new tax code establishes a business tax rate that will make the United States competitive around the world and frees U.S. companies to bring back profits earned overseas. The cumulative effect of capital retained and reinvested over many years in the United States will help cultivate strong businesses and ultimately create jobs and increase wages.

For JPMorgan Chase, all things being equal (which they are not), the new lower tax rates added $3.7 billion to net income. For the long term, we expect that some or eventually most of that increase will be erased as companies compete for customers on products, capabilities and prices. However, we did take this opportunity in the short term to massively increase our investments in technology, new branches and bankers, salaries (we now pay a minimum of $31,000 a year for full time entry-level jobs in the United States), philanthropy and lending (specifically in lower income neighborhoods).

[1] Represents managed revenue.

Earnings, Diluted Earnings per Share and Return on Tangible Common Equity 2004–2018

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

[1] Adjusted results, a non-GAAP financial measure, exclude a $2.4 billion decrease to net income, for 2017, as a result of the enactment of the Tax Cuts and Jobs Act.

Tangible Book Value and Average Stock Price per Share 2004–2018

As you know, we believe tangible book value per share is a good measure of the value we have created for our shareholders. If our asset and liability values are appropriate — and we believe they are — and if we can continue to deploy this capital profitably, we think we can continue to exceed 15% return on tangible equity for the next several years (and potentially at or above 17% in the near term), assuming there is not a significant downturn. If we can earn these types of returns, our company should ultimately be worth considerably more than tangible book value. The chart on the bottom of the opposite page shows that tangible book value "anchors" the stock price.

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

	Bank One (A)	S&P 500 Index (B)	Relative Results (A) – (B)
Performance since becoming CEO of Bank One (3/27/2000–12/31/2018)[1]			
Compounded annual gain	11.6%	4.7%	6.9%
Overall gain	615.8%	136.4%	479.4%

	JPMorgan Chase & Co. (A)	S&P 500 Index (B)	Relative Results (A) – (B)
Performance since the Bank One and JPMorgan Chase & Co. merger (7/1/2004–12/31/2018)			
Compounded annual gain	12.4%	7.8%	4.6%
Overall gain	442.3%	196.8%	245.5%

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

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

In the last five years, we have bought back almost $55 billion in stock or approximately 660 million shares, which is nearly 20% of the company's common shares outstanding. In prior letters, I explained why buying back our stock at tangible book value per share was a no-brainer. Seven years ago, we offered an example of this: If we bought back a large block of stock at tangible book value, earnings and tangible book value per share would be substantially higher just four years later than without the buyback. While we prefer buying back our stock at tangible book value, we think it makes sense to do so even at or above two times tangible book value for reasons similar to those we've expressed in the past. If we buy back a big block of stock this year, we would expect (using analysts' earnings

estimates) earnings per share in five years to be 2%–3% higher and tangible book value to be virtually unchanged. We want to remind our shareholders that we much prefer to use our capital to grow than to buy back stock. I discuss stock buybacks later in this letter.

Stock total return analysis

	Bank One	S&P 500 Index	S&P Financials Index
Performance since becoming CEO of Bank One (3/27/2000–12/31/2018)[1]			
Compounded annual gain	11.2%	4.7%	3.1%
Overall gain	638.9%	136.4%	76.3%

	JPMorgan Chase & Co.	S&P 500 Index	S&P Financials Index
Performance since the Bank One and JPMorgan Chase & Co. merger (7/1/2004–12/31/2018)			
Compounded annual gain	9.4%	7.8%	2.4%
Overall gain	268.0%	196.8%	40.5%
Performance for the period ended December 31, 2018			
Compounded annual gain/(loss)			
One year	(6.6)%	(4.4)%	(13.0)%
Five years	13.6%	8.5%	8.1%
Ten years	14.5%	13.1%	10.9%

These charts show actual returns of the stock, with dividends reinvested, for heritage shareholders of Bank One and JPMorgan Chase & Co. vs. the Standard & Poor's 500 Index (S&P 500 Index) and the Standard & Poor's Financials Index (S&P Financials Index).

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

While we don't run the company worrying about the stock price in the short run, in the **long run** our stock price is a measure of the progress we have made over the years. This progress is a function of *continual* investments, in good and bad times, to build our capabilities – our people, systems and products. These important investments drive the future prospects of our company and position it to grow and prosper for decades. Whether looking back over five years, 10 years or since the JPMorgan Chase/Bank One merger (approximately 14 years ago), our stock has significantly outperformed the Standard & Poor's 500 Index and the Standard & Poor's Financials Index. And this growth came during a time of unprecedented challenges for banks – both the Great Recession and the extraordinarily difficult legal, regulatory and political environment that followed.

JPMorgan Chase stock is owned by large institutions, pension plans, mutual funds and directly by individual investors. However, it is important to remember that in almost all cases, the ultimate beneficiaries are individuals in our communities. Well over 100 million people in the United States own stock, and a large percentage of these individuals, in one way or another, own JPMorgan Chase stock. Many of these people are veterans, teachers, police officers, firefighters, retirees, or those saving for a home, school or retirement. Your management team goes to work every day recognizing the enormous responsibility that we have to perform for our shareholders.

In the first section of this letter, I try to give a **comprehensive** understanding of how we run our company, including how we think about building shareholder value for the long run. In that section, I highlight our strong belief that building shareholder value can only be done in conjunction with taking care of employees, customers and communities. This is ***completely*** different from the commentary often expressed about the sweeping ills of naked capitalism and institutions only caring about shareholder value.

In the second section of this letter, I comment on important forward-looking issues. While we remain optimistic about the long-term growth of the United States and the world, the near-term economic and political backdrop is increasingly complex and fraught with risks — both known and unknown. And we face a future with less overall confidence in virtually all institutions, from corporations to governments to the media. The extremely volatile global markets in the fourth quarter of 2018 might be a harbinger of things to come — creating both risks for our company and opportunities to serve our clients.

The third section of this letter is about public policy, specifically American public policy, which is a major concern for our country and, therefore, our company. Again, I try to give a ***comprehensive***, multi-year overview of what I see as some of our problems and suggest a few ways they can be addressed. One consistent theme is completely clear: Businesses, governments and communities need to work as partners, collaboratively and constructively, to analyze and solve problems and help strengthen the economy for everyone's benefit.

I. JPMorgan Chase Principles and Strategies — Page 10

1. First and foremost, we look at our business from the point of view of the customer. — Page 10
2. We endeavor to be the best at anything and everything we do. — Page 15
3. We will maintain a fortress balance sheet — and fortress financial principles. — Page 16
4. We lift up our communities. — Page 18
5. We take care of our employees. — Page 22
6. We always strive to learn more about management and leadership. — Page 24
7. We do not worry about some issues. — Page 25

II. Comments on Current Critical Issues — Page 26

1. We need to continue to restore trust in the strength of the U.S. banking system and global systemically important financial institutions. — Page 26
2. We have to remind ourselves that responsible banking is good and safe banking. — Page 29
3. We believe in good regulation — both to help America grow and improve financial stability. — Page 31
4. We believe stock buybacks are an essential part of proper capital allocation but secondary to long-term investing. — Page 33
5. On the importance of the cloud and artificial intelligence, we are all in. — Page 34
6. We remain devoted and diligent to protect privacy and stay cyber safe — we will do what it takes. — Page 35
7. We know there are risks on the horizon that will eventually demand our attention. — Page 36
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III. Public Policy Page 41

1. The American Dream is alive — but fraying for many. Page 41
2. We must have a proper diagnosis of our problems — the issues are real and serious — if we want to have the proper prescription that leads to workable solutions. Page 42
3. All these issues are fixable, but that will happen only if we set aside partisan politics and narrow self-interest — our country must come first. Page 46
4. Governments must be better and more effective — we cannot succeed without their help. The rest of us could do a better job, too. Page 47
5. CEOs: Your country needs you! Page 50
6. America's global role and engagement are indispensable. Page 51

I. JPMORGAN CHASE PRINCIPLES AND STRATEGIES

In this section, I want to give the reader a ***comprehensive view of how we run the company***. We manage the company consistently with these principles in mind – and they have stood the test of time. We also strive to satisfy, and even exceed, the requirements of our regulators and governments around the globe – and we think these principles are a critical component of that.

1. First and foremost, we look at our business from the point of view of the customer.

Customer needs are what gets our attention. We believe that in a hyper-competitive world (from competitors known and unknown), the best strategy – both offensive and defensive – is to give the customer more: something better, faster or more efficiently. We are always on a quest to improve our products and services, and, for the most part, this is done with enhancements in technology and through the continual training of our people. Most fundamental of all is doing the right thing for our customers – in all cases.

We energetically drive organic growth.

We continue to drive good and healthy organic growth (meaning good customers, products and services they need and want at fair and reasonable prices), and while we are happy with our progress, we recognize that we won't meet every goal we set for ourselves and can always do better. In past letters, we have identified many areas of organic growth. Our achievements with these initiatives are detailed in the CEO letters in this Annual Report, but a few of the critical strategies are highlighted in the sidebar below.

ORGANIC GROWTH OPPORTUNITIES ACROSS OUR LINES OF BUSINESS

Consumer & Community Banking

- By 2022, we expect 93% of the U.S. population to be in our Chase footprint as we expand our branch network to new markets with an integrated physical and digital approach. In addition to entering the Washington, D.C., Philadelphia and Boston markets in 2018, we recently announced nine new markets for 2019, including Charlotte, Minneapolis, Nashville and St. Louis.
- The onboarding experience for new customers is being simplified. Customers can open a new deposit account digitally in three to five minutes, functionality that added approximately 1.5 million new accounts since its February 2018 launch; we're expanding this functionality inside our branches as well. We also recently announced Chase MyHome, our new digitally enabled mortgage fulfillment process that prefills applications for our existing customers. It's 20% faster than our paper-based process, allowing us to close a mortgage within three weeks. Our confidence in our enhanced approach is reflected in our money-back guarantee.

- Customers recently began receiving personalized merchant offers and discounts from ChaseOffers℠. This program ramped up rapidly, with customers activating 25+ million offers across 7 million cards in the initiative's first three months. CreditJourney℠, with more than 15 million users enrolled, has also been a tremendously successful way to engage customers through access to credit score information and identity protection.

- And later this year, we'll make it easier for our credit card customers to borrow on their existing lines through two new products — My Chase Plan℠, allowing customers to finance a specific purchase at a reasonable cost at the point of sale; and My Chase Loan℠, letting customers borrow against their unused credit limit and pay back their debt in fixed amounts at a competitive rate. These products enable us to compete for the approximately $250 billion in card loans that our existing customers have with competitors.

Corporate & Investment Bank

- We have been #1 in investment banking for the past decade and finished 2018 with 8.7% of global wallet share, the industry's best. Still, we believe we can increase our share over time as we continue to add bankers selectively and leverage technology to provide better data and insights to our clients.

- Our Treasury Services business grew revenue by 13% last year. As we further implement our wholesale payments model, which includes merchant services, we will be able to deliver a unique value proposition to our clients. We see opportunities in every customer segment from middle market and small businesses to large corporate clients and their business outside of the United States.

- We have consistently grown share in Markets — including in businesses where the wallet has shrunk. We are prioritizing investments in products and technology to stay ahead of our clients' needs. As companies expand their businesses and acquire assets — increasingly across borders — our global expertise in hedging risks and protecting capital can be as important to them as the actual acquisition.

- Our Securities Services business has transformed itself into an industry powerhouse, and it sits alongside the world's leading trading businesses. As asset managers face ongoing pressures from passive investing and margin compression in the coming years, we think we have a unique opportunity to help them become more efficient by outsourcing support functions and using our innovative technology platforms.

- Our Corporate & Investment Bank is one of the few truly global businesses in the financial services industry. As emerging countries take their place on the global stage, we will be there to support them. The investments we are making in China and in other emerging markets today will result in our international growth for years to come.

Commercial Banking

- Being able to deliver the broad-based capabilities of JPMorgan Chase at a very local level is a key competitive advantage. Since launching our Middle Market expansion efforts, we are now local in 39 new markets and have added 2,800 clients, resulting in 22% compounded revenue growth over the last three years. Our growth potential for Middle Market business isn't just limited to our expansion markets. Through data-driven analysis, we've identified nearly 38,000 prospective clients nationally. Some of our most exciting opportunities are within our legacy markets like New York, Chicago, Dallas and Houston, where we have been for over a century.
- Chase's retail branch expansion amplifies our opportunity to deepen relationships with clients who already are in those markets by giving them access to branches and the additional resources that come with that access. In addition, the expansion opens the opportunity to serve more public sector customers in new U.S. markets through our Government Banking business, deepening community engagement and broadening our work with cities, states, public universities and other municipal clients.
- Commercial Banking's partnership with the Corporate & Investment Bank continues to be highly successful and is a key growth driver for both businesses. Being able to deliver the #1 investment bank locally enhances our strategic dialogue with our clients and separates us from our competitors. In 2018, 39% of the firm's North America investment banking fees came from Commercial Banking clients, totaling $2.5 billion in revenue, up from $1 billion 10 years ago. We expect that number to continue to grow.

Asset & Wealth Management

- We are using data and technology to transform how we interact with clients. By integrating our human expertise with distinctive digital offerings like You Invest, we have been able to attract new clients, 89% of whom are first-time investors with Chase.
- We are expanding our footprint to capture more of the opportunity across the U.S. wealth management spectrum — from mass affluent ($500,000 to $3 million) to high-net-worth ($3 million to $10 million) to ultra-high-net-worth ($10 million or greater). By the end of 2019, we expect to have 6,500 advisors globally on the ground where our clients need us most.
- We have continued to innovate our product lineup by adding 47 index funds and exchange-traded funds (ETF) over the last three years.

The charts below show JPMorgan Chase's fairly consistent growth over the years. This kind of growth only comes from happy, repeat customers. They have plenty of other choices.

Client Franchises Built Over the Long Term

		2006	2017	2018	
Consumer & Community Banking	Deposits market share[5]	3.6%	8.7%	9.0%	■ Serve 62 million U.S. households, including 4 million small businesses
	# of top 50 Chase markets where we are #1 (top 3)	11 (25)	16 (40)	16 (42)	■ 49 million active digital customers[1], including 33 million active mobile customers[2]
	Average deposits growth rate	8%	9%	5%	■ 99 million debit and credit card accounts[3]
	Active mobile customers growth rate	NM	13%	11%	■ #1 in new primary bank relationships nationally[4]
	Credit card sales market share[7]	15.9%	22.0%	22.3%	■ #1 U.S. credit card issuer based on sales and outstandings[6]
	Merchant processing volume[20] ($B)	$661	$1,192	$1,366	■ #2 jumbo mortgage originator[9]
	# of branches	3,079	5,130	5,036	
	Client investment assets ($B)	~$80	$273	$282	
	Business Banking primary market share[21]	5.1%	8.7%	8.8%	
Corporate & Investment Bank	Global investment banking fees[10]	#2	#1	#1	■ >80% of Fortune 500 companies do business with us
	Market share[10]	8.7%	8.1%	8.7%	■ Presence in over 100 markets globally
	Total Markets revenue[11]	#8	#1	#1	■ #1 in 16 businesses – compared to 8 in 2014[22]
	Market share[11]	6.3%	10.7%	11.6%	■ #1 in global investment banking fees for the 10th consecutive year[10]
	FICC[11]	#7	#1	#1	■ Consistently ranked #1 in Markets revenue since 2012[11]
	Market share[11]	7.0%	11.1%	11.9%	■ J.P. Morgan Research ranked as the #1 Global Research Firm[12]
	Equities[11]	#8	co-#1	co-#1	■ #1 in USD payments volume[13]
	Market share[11]	5.0%	9.9%	11.2%	■ Top 3 custodian globally[14]
	Assets under custody ($T)	$13.9	$23.5	$23.2	
Commercial Banking	# of top 50 MSAs with dedicated teams	26	50	50	■ 133 locations across the U.S.
	Bankers	1,203	1,766	1,922	■ 26 international locations
	New relationships (gross)	NA	1,062	1,232	■ 17 specialized industry coverage teams
	Average loans ($B)	$53.6	$198.1	$205.5	■ #1 traditional Middle Market Bookrunner[17]
	Average deposits ($B)	$73.6	$177.0	$170.9	■ 20,000 affordable housing units financed in 2018
	Gross investment banking revenue ($B)[16]	$0.7	$2.4	$2.5	
	Multifamily lending[15]	#28	#1	#1	
Asset & Wealth Management	Ranking of 5-year cumulative net client asset flows[23]	NA	#2	#2	■ Serve clients across the entire wealth spectrum
	North America Private Bank *(Euromoney)*[18]	#1	#1	#1	■ Business with 55% of the world's largest pension funds, sovereign wealth funds and central banks
	Client assets ($T)	$1.3	$2.8	$2.7	■ Fiduciaries across all asset classes
	Active AUM market share[24]	1.8%	2.5%	2.5%	■ 83% of 10-year long-term mutual fund assets under management (AUM) performed above peer median[19]
	North America Private Bank client assets market share[25]	3%	4%	4%	■ Revenue and long-term AUM balance growth ~90% since 2006
	Average loans ($B)	$26.5	$123.5	$138.6	
	# of Wealth Management client advisors	1,506	2,605	2,865	

For information on footnotes 1-19, refer to slides 32-33 in the JPMorgan Chase 2019 Investor Day – Firm Overview presentation, which is available on JPMorgan Chase & Co.'s website (https://www.jpmorganchase.com/corporate/investor-relations/document/2019_firm_overview_ba56d0e8.pdf), under the heading Investor Relations, Events & Presentations, JPMorgan Chase 2019 Investor Day, and on Form 8-K as furnished to the U.S. Securities and Exchange Commission (SEC) on February 26, 2019, which is available on the SEC's website (www.sec.gov).

[20] 2006 reflects First Data joint venture.

[21] Source: Barlow Research Associates, Primary Bank Market Share Database as of 4Q18. Rolling eight quarter average of small businesses with revenue of $100,000 - <$25 million.

[22] Source: Ranks for Banking - Dealogic as of January 1, 2019, and ranks for Markets, Treasury Services and Securities Services - Coalition, preliminary 2018 rank analysis based on JPMorgan Chase's business structure.

[23] Source: Company filings and JPMorgan Chase estimates. Rankings reflect competitors in the peer group with publicly reported financials and 2018 client assets of at least $500B as follows: Allianz Group, Bank of America Corporation, Bank of New York Mellon Corporation, BlackRock, Inc., Credit Suisse Group AG, Franklin Resources, Inc., The Goldman Sachs Group, Inc., Invesco Ltd., Morgan Stanley, T. Rowe Price Group, Inc. and UBS Group AG. JPMorgan Chase's ranking reflects AWM client assets, Chase Wealth Management investments and new-to-firm Chase Private Client deposits.

[24] Source: Strategic Insight as of February 2019. Reflects active long-term mutual funds and exchange-traded funds only. Excludes fund of funds and money market funds.

[25] Source: Capgemini World Wealth Report 2018. Market share estimated based on 2017 data (latest available).

NM = Not meaningful
NA = Not available
FICC = Fixed Income, Currencies and Commodities
MSAs = Metropolitan statistical areas
USD = U.S. dollar
B = Billions
T = Trillions

New and Renewed Credit and Capital for Our Clients

2008–2018

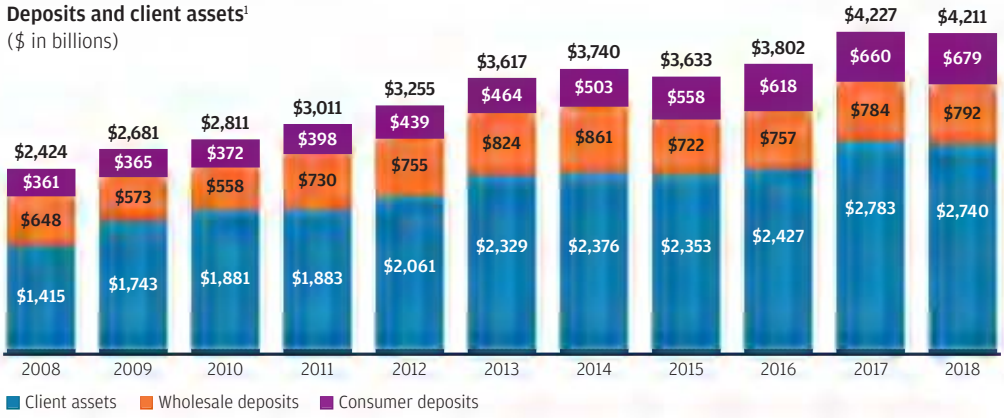
($ in billions)

Assets Entrusted to Us by Our Clients

at December 31,

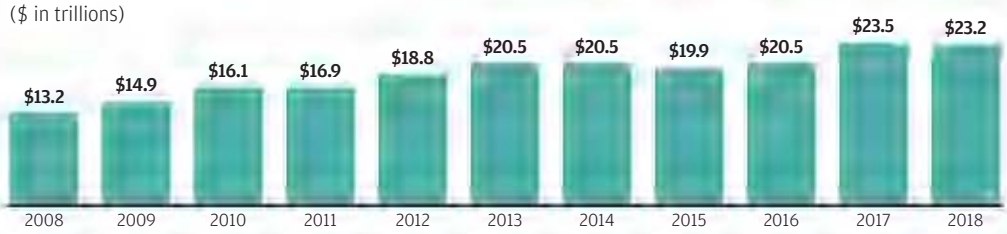
Deposits and client assets[1]

($ in billions)



Assets under custody[2]

($ in trillions)



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

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

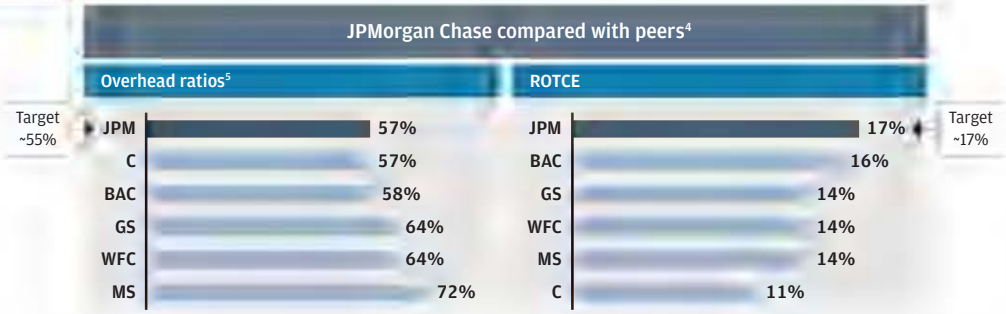
2. We endeavor to be the best at anything and everything we do.

While we never expect to be best-in-class every year in every business, we normally compare well with our best-in-class peers.

The chart below shows our performance generally, by business, versus our competitors in terms of efficiency and returns.

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

	Efficiency			Returns		
	JPM 2018 overhead ratios	Best-in-class peer overhead ratios[1]	JPM medium-term target overhead ratio	JPM 2018 ROTCE	Best-in-class peer ROTCE[2, 3]	JPM medium-term target ROTCE
Consumer & Community Banking	53%	47% BAC-CB	50%+/-	28%	33% BAC-CB	25%+
Corporate & Investment Bank	57%	54% BAC-GB & GM	54%+/-	16%	16% BAC-GB & GM	~16%
Commercial Banking	37%	42% USB-C&CB	35%+/-	20%	17% FITB	~18%
Asset & Wealth Management	74%	60% CS-PB & TROW	70%+/-	31%	37% MS-WM & TROW	25%+



[1] Best-in-class overhead ratio represents comparable JPMorgan Chase (JPM) peer business segments: Bank of America Consumer Banking (BAC-CB), Bank of America Global Banking and Global Markets (BAC-GB & GM), U.S. Bancorp Corporate and Commercial Banking (USB-C&CB), Credit Suisse Private Banking (CS-PB) and T. Rowe Price Group, Inc. (TROW).

[2] Best-in-class ROTCE represents implied net income minus preferred stock dividends of comparable JPM peers and peer business segments when available: BAC-CB, BAC-GB & GM, Fifth Third Bancorp (FITB), Morgan Stanley Wealth Management (MS-WM) and TROW.

[3] Given comparisons are at the business segment level, where available, allocation methodologies across peers may be inconsistent with JPM's.

[4] Bank of America Corporation (BAC), Citigroup Inc. (C), The Goldman Sachs Group, Inc. (GS), Morgan Stanley (MS), Wells Fargo & Company (WFC).

[5] Managed overhead ratio = total noninterest expense/managed revenue; revenue for GS and MS is reflected on a reported basis.

ROTCE = Return on tangible common equity

On an ongoing basis, we analyze and compare ourselves with our competitors at a very detailed level. The analysis we do is on more than 50 sub-lines of business and hundreds of products, incorporating not just financial data but also operational data, customer satisfaction and many other measures. Our management will always be very critical of its own performance: Acknowledging our shortcomings and mistakes and studying them intensely and learning from them make for a stronger company.

We also never lose sight of the fact that we have an extraordinary number of strong competitors – we cannot be complacent. There are many capable financial technology (fintech) companies in the United States and around the world – technology always creates opportunities for disruption. We have acknowledged that companies like Square and PayPal have done things that we could have done but did not. They looked at clients' problems, improved straight through processing, added data and analytics to products, and moved quickly. We recently sent one of our senior teams to China to study what's being achieved there with artificial intelligence (AI) and fintech, and it's hard not to be both impressed and a little worried about the progress China has made – it made our management team even more motivated to move quickly. Suffice it to say, no matter what our current performance is, we cannot rest on our laurels.

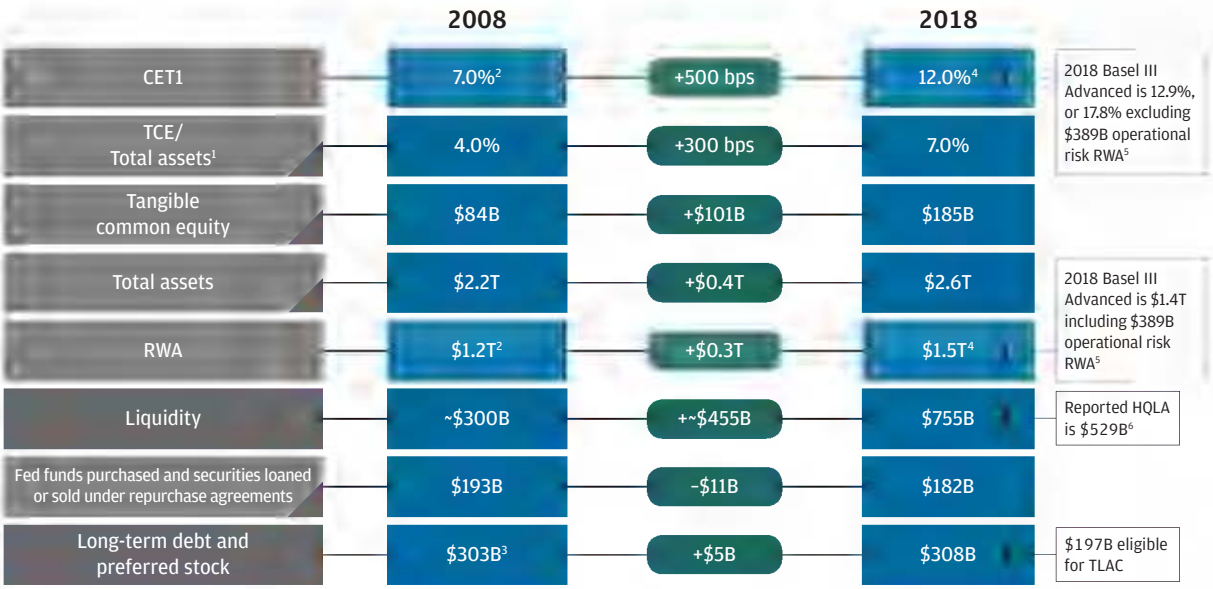
3. We will maintain a fortress balance sheet – and fortress financial principles.

A fortress company starts with a fortress balance sheet.

You can see in the chart below that our balance sheet is extraordinarily strong.

Our Fortress Balance Sheet

at December 31,



[1] Excludes goodwill and intangible assets.
[2] CET1 reflects Tier 1 common; reflects Basel I measure.
[3] Includes trust preferred securities.
[4] Reflects Basel III Standardized measure which is the firm's current binding constraint.
[5] Operational risk RWA is a component of RWA under Basel III Advanced measure.
[6] Represents the amount of HQLA included in the liquidity coverage ratio.
For additional information, refer to LCR and HQLA on page 96.

B = Billions
T = Trillions
bps = basis points

CET1 = Common equity Tier 1 ratio. For additional information, refer to Regulatory capital on pages 86-91
TCE = Tangible common equity
RWA = Risk-weighted assets
Liquidity = HQLA plus unencumbered marketable securities, which includes excess liquidity at JPMorgan Chase Bank, N.A.
HQLA = High quality liquid assets. Predominantly includes cash on deposit at central banks and highly liquid securities including U.S. agency mortgage-backed securities, U.S. Treasuries and sovereign bonds
LCR = Liquidity coverage ratio
TLAC = Total loss absorbing capacity

We have an incredibly well-capitalized bank with enormous liquidity.

But a fortress balance sheet isn't enough.

To be a fortress company, we believe that you also need to have strong, properly diversified earnings and margins. It is capital and liquidity combined with strong earnings and margins that provide the ability to withstand extreme stress. I want to remind shareholders that we run hundreds of stress tests internally each month, some of which are far more severe than the Federal Reserve's (the Fed) annual stress test. We also believe that we should have strong earnings ***after*** making investments for the future – which may reduce earnings in the short run. We are cost- and capital-efficient; we rigorously allocate our capital; and we continually analyze our businesses, both to maximize their individual performance and to make sure they are contributing to the health of the whole company.

We like to use our capital to grow.

We ***much*** prefer to use our capital to grow than to buy back stock. We believe buying back stock should be considered only when either we cannot invest (sometimes as a result of regulatory policies) or we are generating excess capital that we do not expect to use in the next few years. Buybacks should not be done at the expense of investing appropriately in our company. Investing for the future should come first, and at JPMorgan Chase, it does.

However, when you cannot see a clear use for your excess capital over the short term, buying back stock is an important capital tool – as long as you are buying it back at a reasonable price. And when companies buy back stock (which we only do when it is at a price that we think adds value to our **remaining** shareholders), the capital is redistributed to investors who can put it to good use elsewhere. It does not disappear. We currently have excess capital, but we hope in the future to be able to invest more of it to grow our businesses.

Good financial management is also critical.

We have always believed that a deep and detailed understanding of a company's financial and operational statements, including all assets and liabilities and all revenue and expenses (without netting and regardless of whether they are on- or off-balance sheet), is critical to running a safe and sound organization. However, accounting, and therefore earnings, is not a perfect measure of performance or economics. I would like to discuss a few reasons why:

- **Accounting rules can be counterintuitive, but you can't make business decisions based on them.** While we are rigorous about proper accounting and disclosure, sometimes accounting can distort the actual economics of a business. A few examples will suffice. In credit card accounting, for instance, new card customer costs are expensed over the course of a year and inexplicably as a contra-revenue item (i.e., as a reduction of revenue rather than an expense). In addition, under upcoming accounting rules, losses that are expected over the life of the card balance are accounted for upfront. Meanwhile, the earnings from the card are booked over the life of the card, which averages approximately seven years. In connection with mortgage loans we don't own but instead service (i.e., by sending statements and receiving payments on behalf of the mortgagor), the accounting standard requires that we present-value expected revenue and expenses and book everything upfront. But in cash management, asset management and many other products that have a similar, somewhat predictable annuity-like revenue stream, the practice is different. The reason I am making this point is that you need to understand the ***economics*** of decisions. Accounting can easily make people do silly things.

- **Conservative accounting is better.** While we always try to make intelligent economic decisions, I do believe that appropriately conservative accounting is a better way to manage your business. For example, recognize problems early, write off software that is not valuable, don't book revenue that is uncertain and so on. Aggressive accounting leads to trouble, and while it may help increase performance measures in the short run, it will most certainly be uncovered and reversed at precisely the wrong time.
- **Earnings guidance can be very damaging.** Let's be very clear: Transparency with shareholders, proper disclosures and guidance on certain revenue, expense and balance sheet items all are good. However, earnings themselves in any one quarter are a function of decisions made over many, many years. Quarterly earnings are dependent upon many factors, like cost of goods sold and market prices, which often change, as well as unexpected events, the weather, and wage and gross domestic product (GDP) growth. No CEO can predict all of those things, and any analyst with an earnings estimate has made his or her own specific assumptions around them.

  The real damage to an organization comes from the ***cumulative corrosiveness*** of trying to "make" its numbers. This can be exacerbated by compensation deals and models that can be manipulated to change quarterly results. It's easy to change earnings in a quarter by doing stupid things that help earnings in the short term but are bad in the long term. Examples include asking customers to inappropriately buy more products before the end of the quarter so you can show revenue growth, reducing marketing, not opening that new branch or not investing in technology that won't have a payback for a year or two. I could go on and on. And this could spiral within a company, as loyal, well-meaning employees do what they can to help a company meet its "earnings goal."

Importantly, in the next section, I speak in detail about responsible banking, client selection and intensive risk management. Proper management is as critical as anything else we do, but I did not want to repeat the messages here.

4. We lift up our communities.

We will never forget that the most important thing we do is to run a healthy and vibrant company that is here to constantly serve our clients with responsible banking. But we want our shareholders and all of our constituents to understand the tremendous amount we do, in addition to traditional banking, to help the communities in which we operate.

Our effort is substantial, permanent and supported by the whole company.

One of the reasons for JPMorgan Chase's enduring success is we have always recognized that long-term business success depends on community success. When everyone has a fair shot at participating in and sharing in the rewards of growth, the economy will be stronger and our society will be better. We are making significant, long-term, data-driven business and philanthropic investments aimed at opening doors to opportunity for those being left behind.

Most people consider corporate responsibility to be enhanced philanthropy. While we are devoted to philanthropy (we are on our way to spending $350 million a year on these efforts), corporate responsibility is far more than just that. We finance more than $2 billion in affordable housing each

year; we do extensive lending in low- and moderate-income neighborhoods; we lend to and finance small businesses around the country; and we design products and services in financial education for lower income individuals. And importantly, these efforts are supported by senior leadership, managed by some of our best people (these efforts are not an afterthought) and are sustainable. We try to be creative, but we analyze everything, including philanthropy, based on expected results.

We are huge supporters of regional and community banks, which are critical to many cities and small towns around the country.

In an op-ed published by *The Wall Street Journal* in 2016, I wrote: "In this system, regional and smaller community banks play an indispensable role. They sit close to the communities they serve; their highest-ranking corporate officers live in the same neighborhoods as their clients. They are able to forge deep and long-standing relationships and bring a keen knowledge of the local economy and culture. They frequently are able to provide high-touch and specialized banking services." JPMorgan Chase, as a traditional "money center bank" and "bankers' bank," in fact, is the largest banker in America to regional and community banks. We bank approximately 530 of America's 5,200 regional and community banks. In 2018, we made loans to them or raised capital for them totaling $4 billion. In addition, we process payments for them, we finance some of their mortgage activities, we advise them on acquisitions, and we buy and sell securities for them. We also provide them with interest rate swaps and foreign exchange both for themselves – to help them hedge some of their exposures – and for their clients.

Over the past five years, we have developed and refined a model that may be a blueprint for urban revitalization and inclusive growth. Our head of Corporate Responsibility describes our significant measures in more detail in his letter, but I highlight a few examples here, including the sidebar on page 20 that describes our focused effort to support black advancement in a number of the communities we serve:

- **Detroit exemplifies the challenges many cities wrestle with, as well as the strategies for solving them.** Since 2014, JPMorgan Chase has been combining its philanthropy and business expertise to address some of Detroit's biggest economic hurdles, ranging from catalyzing development, building infrastructure and affordable housing, and boosting small business growth to revitalizing education and preparing Detroiters with the skills to secure well-paying jobs. We are deeply proud of our $150 million commitment and the impact we have made to date – the city has been the proving ground for our model for driving inclusive growth, which has made a real difference in Detroit's comeback and the lives of its citizens. Over the past five years, we have taken lessons learned and applied them to other cities facing similar challenges.

- **The Entrepreneurs of Color Fund (EOCF) is another example of how we are turning our insights into action.** In 2015, JPMorgan Chase helped launch the Entrepreneurs of Color Fund in Detroit to provide underserved entrepreneurs with access to capital and assistance needed to grow and thrive. From 2015 to 2018, the fund made or approved loans totaling $6.6 million to 79 minority small businesses, resulting in over 830 new or preserved jobs. Since then, the Detroit fund has more than tripled in size to over $22 million. Building on the success of Detroit's EOCF, we expanded this model to San Francisco, the South Bronx, the Greater Washington region and Chicago, where it is also making a real impact. In total, these funds are now approximately $40 million and growing.

MELLODY HOBSON

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Mellody Hobson and Jamie Dimon:

Black Americans are still worse off financially. Businesses can help.

For all the positive economic trends in America, the racial wealth gap continues to prevent growth from benefiting everyone. While this is not a new crisis, it is one we must urgently address so that economic opportunity is equally extended to black Americans.

Racism, intolerance, and poverty strangle economic opportunity. The racial wealth gap is stark: For single black Americans, the median wealth is $200 to $300, compared to $15,000 to $28,000 for single white Americans. This divide undermines financial stability for many black Americans.

Closing the racial wealth gap is good for Americans, and it makes good business sense. We know employees from diverse backgrounds offering different perspectives drive better corporate outcomes. A recent study showed that businesses with diverse leadership generate 19% more revenue than non-diverse companies.

Diversity can also reduce turnover. Nearly seven in 10 millennials reported they would continue to work at a company for five or more years if it is diverse.

As leaders in business as well as the broader community, we know we have a responsibility to society. Not to mention, as financial services executives, we can help to foster widespread prosperity.

To this end, we have both worked to empower black Americans to achieve personal and professional success. For example, After School Matters, a nonprofit founded in 2000, provides enrichment programs to thousands of inner-city high school students in Chicago. Meanwhile, JPMorgan Chase's Fellowship Initiative, founded in 2010, offers hands-on college access and academic support to young men of color in Los Angeles, New York, Chicago and Dallas. The scale and success of these efforts are impressive — but not enough. There is much more work to be done.

Recently, we announced Advancing Black Pathways — a new program at JPMorgan Chase that seeks to build on existing efforts to bridge the racial wealth divide and ultimately help black families build wealth. We urge more businesses to join us as we attempt to close this divide.

Our current initiative, Advancing Black Leaders, seeks to hire and promote more black senior executives and junior-level employees at JPMorgan Chase. We know investing in our employees is key to our company's future. In addition to recruiting more African-American leaders, we also need to focus on retaining them. Since 2016, the firm has increased the number of black managing directors by 41% and black executive directors by 53%. A good start — but just the beginning.

Advancing Black Pathways will create a dedicated talent pipeline that will start young black professionals on an early career path and foster a corporate culture that further encourages diversity at all levels. We plan to hire more than 4,000 black students in full-time positions, apprenticeships, and internships over the next five years. JPMorgan Chase will also help create job training programs that are aligned with growing industries in the broader communities we serve.

We are also investing in the financial success of black Americans through a focus on savings, homeownership, and entrepreneurship. For example, the largest wealth gaps lie in racial disparities among entrepreneurs. If people of color owned businesses at the same rates as whites, 9 million more jobs and $300 billion in income would be created.

As part of this effort, we are helping to create a $6.65 million Entrepreneurs of Color Fund with local partners in the Washington, D.C. region to expand access to capital, improve business services, and streamline supplier diversity programs for small, minority-owned businesses. To date, we have launched similar low-cost loan funds in four other U.S. cities, bringing other investors to the table, and leveraging nearly $40 million to support underserved entrepreneurs. Thus far, Entrepreneurs of Color Funds have created or saved more than 1,200 jobs in critical neighborhoods lacking needed resources to grow.

Businesses of every size have an important role to play in expanding opportunity. By working together, we can give people a fair and equal chance to succeed, no matter their zip code or skin color.

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- **In 2018, we launched *Advancing*Cities, JPMorgan Chase's $500 million, five-year initiative to drive inclusive growth in cities around the world.** Through this effort, we are combining our business and philanthropic resources and expertise to expand opportunity for those being left behind in today's economy. This is a global program. Marking our firm's 150th anniversary in France last year, we announced a $30 million, five-year commitment – the first ***Advancing*Cities** investment – to support underserved small businesses and provide skills training to residents in Seine-Saint-Denis and other areas in Greater Paris with high levels of poverty and unemployment.

- **Our recent $350 million New Skills at Work commitment is focused on how we prepare people to succeed in our transformed workplaces and changing global economy.** Over the past five years, we have supported worker education and training around the world – collaborating with nearly 750 partners and nonprofits in 37 countries and 30 U.S. states, affecting 150,000 individuals. We are now bolstering our strategy by promoting better ways for business and education to collaborate, scaling the best education and job training programs.

While we know a fundamental disconnect still remains between business and the average citizen, we also believe that the only solution is to remain relentless in our efforts to earn trust from every customer in every community. We believe that is the best we can do. As the largest financial institution in the country, JPMorgan Chase understands our responsibility to earn public trust with everyone, every day.

When disaster strikes, we give special care to our customers.

When disaster strikes – we are there for our customers. After Hurricane Florence and Hurricane Michael devastated the Carolinas and the Gulf Coast, respectively, after wildfires destroyed large parts of California and after a number of other tragic events, we stepped up for our communities and our customers. We also provided relief to customers affected by the recent government shutdown – and kept at it until they received their back pay. Here's a list of the kinds of things we did when disaster struck:

- Re-entered damaged areas, often as the first bank, filling our ATMs and quickly reopening our branches to give customers access to cash, as well as crucial documents in their safe deposit box.
- Activated our special-care line with specialists to quickly help customers.
- Refunded customers' overdraft fees.
- Extended and deferred payments on customers' car loans.
- Provided necessary relief on customers' mortgage loans.
- Removed minimum payments on credit cards, reducing cash payments and limiting the impact on customer credit reports.
- In addition, in 2018, donated more than $4 million to emergency assistance agencies around the world, which included immediate help following the earthquake and tsunami in Indonesia, wildfires in Greece, and devastating floods and landslides in western Japan.
- Over the past five years, contributed more than $22 million to support immediate and long-term recovery from disasters.

5. We take care of our employees.

Our employees are fundamental to the vibrancy and success of our company. At the end of the day, everything we do – from operations and technology to service and reputation – is completely based upon the abilities and character of our employees.

Inclusion and diversity

- We have more than 256,000 employees globally, with over 170,000 in the United States. Our commitment to creating an inclusive organization is not only about doing the right thing; it's about doing what makes our company stronger. In 2016, we introduced Advancing Black Leaders, an expanded diversity strategy focused on increased hiring, retention and development of talent from within the black community. We magnified that effort in 2019 with our Advancing Black Pathways initiative (which is outlined in the sidebar on page 20). Now, in the United States, 50% of our firm's workforce is ethnically diverse. That said, we know we have work to do to increase the representation of ethnically diverse employees at senior levels of the company.
- On gender diversity, women represent 30% of our firm's senior leadership globally. These are women who run major businesses and functions – several units on their own would be among Fortune 1000 companies. Investing in the advancement of women is a key focus for our company, and we have established a global firmwide initiative called Women on the Move that empowers female employees, clients and consumers to build their career, grow their businesses and improve their financial health.
- To encourage diversity and inclusion in the workplace, we have 10 Business Resource Groups (BRG) across the company to connect approximately 100,000 participating employees around common interests, as well as foster networking and camaraderie. Groups are defined by shared affinities, including race and cultural heritage, generation, gender, sexual orientation, disability and military status. For example, some of our largest BRGs are Adelante for Hispanic and Latino employees, Access Ability for employees who have a disability, AsPIRE for Asian and Pacific Islander employees, NextGen for early career professionals, PRIDE for our LGBT+ employees, BOLD for black employees and Women on the Move, our largest group, which has more than 30,000 members globally.

Wages

- We have been raising wages for our 22,000 employees at the lower end of the pay range. For those earning between $12 and $16.50 an hour in the United States, we have been increasing hourly wages to between $15 and $18, depending on the local cost of living. For employees making $40,000 a year or less in the United States, our average pay increases are around $4,800. This is the right thing to do, and we now offer well above the average hourly wage for most markets. Remember, these jobs are often the first rung on the ladder, and many of these employees soon move on to higher paying positions.
- These increases are on top of the firm's comprehensive benefits package, with an average value of $12,000 for employees in the lower wage tier.

401(k) – Retirement

- We provide comprehensive retirement benefits, including a competitive 401(k) plan and dollar-for-dollar match on 5% of pay. For 2018, the 401(k) plan match, totaling approximately $482 million, enhanced the retirement savings of 135,000 employees.
- We recognize that many employees who earn under $60,000 a year often do not invest in a 401(k) plan because they cannot afford the lost cash flow and, therefore, do not receive the match. For these employees, we make a discretionary $750 Special Award to them. This provided 56,000 U.S. employees with $40 million in additional retirement funds – and this money is granted whether or not they make their own contribution to a 401(k) plan.

Health benefits and wellness programs

- We offer a comprehensive health benefits package in the United States, including a medical plan that covers over 296,000 individuals (138,000 employees, 106,000 children and 52,000 spouses/domestic partners). In 2018, we covered $1.3 billion in medical costs (net of employee payroll contributions). We care very much about our employees' health.
- We subsidize the health benefit costs of lower wage earners up to 90% of the total cost – for higher paid employees, we subsidize approximately 60%. In addition, recognizing the hardship that deductibles cause for lower paid employees, effective January 1, 2018, we lowered the deductible in the medical plan by $750 for employees earning less than $60,000. For these employees, if they do their wellness screenings, their effective deductible could be zero.
- Enrolled employees and spouses/domestic partners earned collectively about $100 million toward their Medical Reimbursement Accounts in 2018, funded by JPMorgan Chase, for completing wellness activities.
- Outside the United States, we provide medical coverage to 80,000 employees and their families under local medical insurance plans.
- 62% of employees around the globe have access to our 54 on-site Health & Wellness Centers, which are staffed with doctors, nurses, nurse practitioners and other health professionals. These centers are extensively visited – in excess of 600,000 encounters a year. And over 100 visits were potentially life-saving interventions (involving, for example, urgent cardiac or respiratory issues).

Training

- We extensively invest in employee benefits and training opportunities so that our workers can continue to increase their skills and advance their career. Our total direct investment in training and development is approximately $250 million a year. What's more important and hard to measure is the on-the-job training that just about every employee gets from their manager – education that leads to deep knowledge and promotion opportunities (and, unfortunately, lots of recruiting from our competitors). In 2018, we delivered 9 million hours of training to our employees worldwide, augmented by several new digital learning innovations.
- Since inception of the program in 2015, 26,500 managers (approximately 60% of all managers) have attended one or more Leadership Edge programs. These offer critical training in leadership and management. While this initiative is costly, we are starting to see results in terms of reduced attrition, higher satisfaction from employees and better management.

Volunteer and Employee Engagement Paid Time Off policy

- Effective January 1, 2019, we implemented a new Volunteer and Employee Engagement Paid Time Off policy, which provides up to eight hours of paid time off each calendar year for volunteer and other firm-sponsored activities.

- The new policy increases opportunities for employees to participate in volunteer activities and give back to our communities.

Parental Leave policy

- In 2017, we increased paid parental leave for the primary caregiver to 16 weeks, up from 12 weeks, for eligible employees in the United States. In 2018, we extended the leave for non-primary parental caregivers to six weeks of paid time off (up from two weeks).

Supporting veterans

- Our veteran-focused efforts are centered on facilitating success in veterans' post-service lives primarily through employment and retention. In 2011, JPMorgan Chase and 10 other companies launched the 100,000 Jobs Mission, setting a goal of collectively hiring 100,000 veterans. The initiative has resulted in the hiring of more than **500,000 veterans** by over 200 member companies of the Veteran Jobs Mission, with the ultimate goal of employing 1 million veterans.
- JPMorgan Chase has hired more than 14,000 U.S. veterans since 2011 – including over 1,100 in 2018 alone – with more than 50% coming from diverse backgrounds.
- We offer internship and rotational entry programs to ease the transition from military service to the financial services industry. Once at our firm, veterans can count on the support of our Office of Military and Veterans Affairs, which sponsors mentorship programs, acclimation and development initiatives, recognition events and other programs to help bridge the gap between military and corporate cultures.
- **More than 1,000 mortgage-free homes** have been awarded to military families through nonprofit partners as part of our firm's Military Home Awards Program.
- We completely support the U.S. military. We cannot understand how any U.S. citizen does not support the extraordinary sacrifice and hardship borne by the military to help protect this great nation.

Needless to say, our success is impossible without our employees, and we strive mightily to help them in both their professional and personal lives.

6. We always strive to learn more about management and leadership.

At the end of the day, everything we do is done by human beings. In my annual letter to shareholders, I always enjoy sharing what we have learned about management, leadership and organizations over time.

Great management is critical, though true leadership requires more.

For any large organization, great management is critical to its long-term success. Great management is disciplined and rigorous. Facts, analysis, detail … facts, analysis, detail … repeat. You can never do enough, and it does not end. Complex activity requires hard work and not guessing. Test, test, test and learn, learn, learn. And accept failure as a "normal" recurring outcome. Develop great models but know that they are not the answer – judgment has to be involved in matters related to human beings. You need to have good decision-making processes, with the right people in the room, the proper dissemination of information and the appropriate follow-up – all to get to the right decision. Force urgency and kill complacency. Know that there is competition everywhere, all the time. But even if you do all of this well, it is not enough.

Real leadership requires heart and humility.

It's possible to be very good at the type of management described above, but as managers rise in an organization, they depend on others more and more. The team is increasingly important – many team members know more than their managers do about certain issues – a team working together can get to a better outcome. I have seen many senior managers ascend into big new roles with a bad reaction to their increasing dependence on other people – by hoarding information, never allowing themselves to be embarrassed and demanding personal loyalty versus loyalty to the organization and its principles. They don't grow into the new job – they swell into it. I have often felt that dependency on their teams makes these folks feel paranoid or insecure – leading to this bad behavior.

Good leaders have the humility to know that they don't know everything. They foster an environment of openness and sharing. They earn trust and respect. There are no "friends of the boss" – everyone gets equal treatment. The door is universally open to everybody. Everyone knows that these leaders are only trying to do the right thing for customers and clients. They share the credit when things go well and take the blame when it does not.

And true leaders don't just show they care – they actually do care. While they demand hard work and effort, they work as hard as anyone, and they have deep empathy for their employees under any type of stress. They are patriots not mercenaries; they have the heart to wear the jersey every day.

You need to stay hungry and scrappy.

Competition is everywhere, but, often, very successful companies are lulled into a false sense of security. Having worked at a number of companies not nearly as successful as ours (I have to confess that I kind of liked being the underdog), we fought every day to even try to get to the major leagues. All companies are subject to inertia, insipid bureaucracy and other flaws, which must be eradicated. If a company isn't staying on edge, maintaining a fire in its belly and pushing forward, it will eventually fail.

7. We do not worry about some issues.

Since we shared issues that are high priorities, it is almost as important to describe the issues we don't worry about daily – and why. A few are listed below:

- We do not worry about the stock price in the short run. If you continue to build a great company, the stock price will take care of itself.
- We do not worry about quarterly earnings. Build the company for the future, and you will maximize earnings over the long run.
- While we worry extensively about all of the risks we bear, we essentially do not worry about things like fluctuating markets and short-term economic reports. We simply manage through them.
- We do not worry about loan growth. It is most definitely an outcome of how we manage credit and client decisions. We will not stretch, ever, to show growth in loans.
- While we fanatically manage our company, we do not worry about missing revenue or expense budgets for good reasons. This is not a mixed message. We want our leaders to do the right thing for the long term and explain it if they have good reasons to diverge from prior plans.
- We do not worry about charge-offs increasing in a recession – we fully expect it, and we manage our business knowing there will be good times and bad times.

Suffice it to say, we stay devoted to these principles.

II. COMMENTS ON CURRENT CRITICAL ISSUES

In this section, I review and analyze some of the current critical issues that affect our company.

1. We need to continue to restore trust in the strength of the U.S. banking system and global systemically important financial institutions.

An enormous amount has been accomplished in the last decade.

The strength, stability and resiliency of the financial system have been fundamentally improved over the course of the last 10 years. While I don't agree with all of the Wall Street Reform and Consumer Protection Act (Dodd-Frank) regulations, the bill did give regulators needed authority to fix our financial system's most critical flaws. These post-crisis reforms have made banks much safer and sounder in the three most important areas: capital, liquidity, and resolution and recovery.

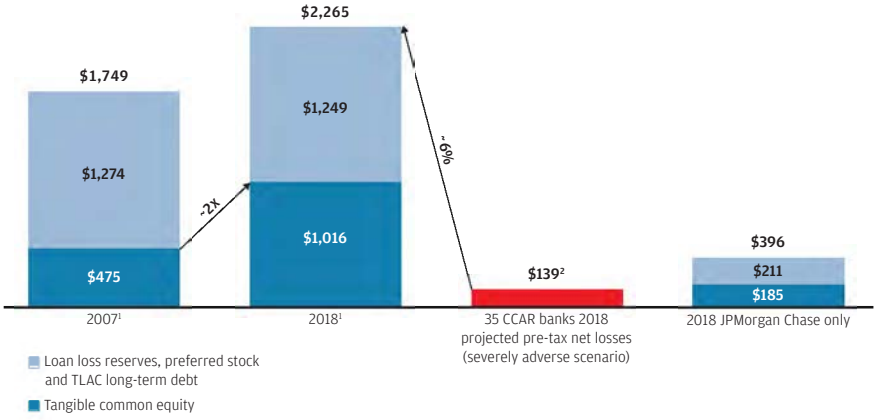
Large banks, defined as global systemically important financial institutions, have more than doubled their highest quality capital to protect against losses, and they have tripled their liquid assets to total assets ratio to protect against unexpected net cash outflows. This allows healthy banks to weather extreme stress while continuing to provide credit and support to their clients (see message to employees on pages 27-28 that describes many of the lessons learned from the crisis and the extensive steps we took to help our clients).

Here's an eye-opening example of how much capital is now in the system: Under the Fed's most extreme stress-testing scenario, where 35 of the largest American banks bear extreme losses (as if each were the worst bank in the system), the combined losses are about 6% of the total loss absorbing resources of those 35 banks. JPMorgan Chase alone has nearly three times the loss absorbing resources to cover the projected losses of ***all of these 35 banks*** (see chart below).

In addition, resolution and recovery regulations have given regulators both the legal authority and the tools to manage a failing or failed institution (see my comments in the sidebar on page 29 about how Lehman Brothers would have played out under today's new rules). This allows regulators to minimize the impact of a major failed institution on both taxpayers and the system.

Loss Absorbing Resources of U.S. SIFI Banks Combined

($ in billions)



[1] Includes only the 18 banks participating in CCAR in 2013, as well as Bear Stearns, Countrywide, Merrill Lynch, National City, Wachovia and Washington Mutual.

[2] Federal Reserve Dodd-Frank Act Stress Test 2018: Supervisory Stress Test Methodology and Results, June 2018.

Source: SNL Financial; Federal Reserve Bank, February 2019
SIFI = Systemically important financial institution
CCAR = Comprehensive Capital Analysis and Review
TLAC = Total loss absorbing capacity

Looking back on the financial crisis

September 2018 message to employees 10 years after the financial crisis

Dear Colleagues,

A decade has passed since the collapse of Lehman Brothers so now is a good time to reflect on the financial crisis that was raging 10 years ago this month. A lot has been written – and far more is still to be written – on this crisis, but I would like to share a few thoughts with you on that extraordinary period of time and everything that all of you at JPMorgan Chase did to try to help.

The gathering storm hit with a vengeance.

While the collapse of Lehman in September 2008 was the epicenter of the crisis, it was actually far more complex than that – the roots go back to before 2006. By late 2006, we already saw problems in subprime mortgages, leveraged lending and quantitative investing. With the onset of Basel II, leverage at investment banks (not commercial banks) more than doubled, as did shadow banking (think structured investment vehicles, collateralized debt obligations, money market funds and so on). This was often funded by unsecured, undependable short-term wholesale borrowing. Then the biggest problem of all presented itself: It was not just subprime mortgages that were flawed – but all mortgages. This happened, in hindsight, by bad underwriting, government policy that fueled and fostered inappropriate mortgage lending (higher and higher loan-to-values, less and less cash down, weaker appraisals and insufficient income certification), unscrupulous brokers and cavalier investors. The banks, though not the worst actors in mortgages, joined the party, too. When the world realized that $1 trillion would ultimately be lost in mortgages, panic ensued. There were multiple failures – mortgage brokers, savings and loans (S&L), including Washington Mutual (WaMu) and IndyMac, as well as Fannie Mae and Freddie Mac (which were the largest financial failures of all time) – culminating in the dramatic failure of Lehman, followed by the extraordinary bailouts of AIG and other major financial institutions.

JPMorgan Chase did everything it possibly could do to help during this time.

On March 16, 2008, we announced our acquisition of Bear Stearns, a company with $300 billion of assets, which had collapsed and had fatal problems (we were essentially buying a house … but it was a house on fire). And we did this at the request of the U.S. government (thinking at the time that this could help head off a terrible crisis). On September 25, 2008, ***10 days after*** the collapse of Lehman Brothers, we bought the largest S&L – WaMu – another company that had $300 billion of assets. We took other extraordinary actions – often at calculated but great risk to JPMorgan Chase – to support clients, including governments, and to support the markets in general. We loaned $70 billion in the global interbank market when it was needed most. With markets in complete turmoil, we were the only bank willing to single-handedly lend $4 billion to the state of California, $2 billion to the state of New Jersey and $1 billion to the state of Illinois. Additionally – and frequently – we loaned or raised for our clients $1.3 trillion at consistent and fair rates, in many cases far below what the market would have demanded, and we provided more than $100 billion to local governments, municipalities, schools, hospitals and not-for-profits over the course of 2009. Many other banks did the same. You probably will be surprised to find out that we lent a tremendous amount of money to Lehman before the crisis – and even more after the crisis. In fact, at the request of the Federal Reserve, we took extraordinary risk to lend more than $80 billion (on a secured basis) to Lehman after its bankruptcy to help facilitate sales of assets in as orderly a way as possible to minimize disruption in the markets.

This was a traumatic, historic period of time not just for the financial system but for the world as a whole. We endured a once-in-a-generation economic, political and social storm, and because of you, we have emerged 10 years after this crisis as a company of which we can all be proud.

The aftermath and lessons learned.

Many people still ask me about the Troubled Asset Relief Program (TARP), a government program that provided funding to banks in the midst of the crisis. JPMorgan Chase did not want or need TARP money, but we recognized that if the healthy banks did not take it, no one else could — out of fear that the market would lose confidence in them. And while it helped create the false rallying cry that all the banks needed support, the government, both the Federal Reserve and the Treasury, was trying everything it could in addition to TARP. And the Federal Reserve and the Treasury should be congratulated for the extraordinary actions they took to stave off a far worse crisis. In hindsight, it is easy to criticize any specific action, but, in total, the government succeeded in avoiding a calamity.

There were many lessons learned from the crisis: the need for plenty of capital and liquidity, proper underwriting and regulations that are constantly refined, fair and appropriate. In fact, regulators should take a victory lap because Lehman, Bear Stearns, AIG and multiple other failures effectively could not happen today because of the new rules and requirements.

We entered the crisis with the capital, liquidity, earnings, diversity of businesses, people and a risk management culture that enabled us to avoid most — but, unfortunately, not all — of the issues exposed by the crisis. These strengths also helped us to weather the economic crisis and to continue to play a central role in supporting our clients and our communities and rebuilding the U.S. economy. Counter to what most people think, many of the extreme actions we took were not done to make a profit: They were done to support our country and the financial system.

What stood out most was our character and capabilities — which make JPMorgan Chase what it is today.

When the global financial crisis unfolded in 2008, the people of JPMorgan Chase understood the vital role our firm needed to play and felt a deep responsibility to those who rely on us. It was this sense of responsibility that enabled us to move beyond the challenges we were facing at that time and maintain a focus on what really matters: Taking care of our clients, helping the communities in which we operate — all while under extreme pressure from both the markets and the body politic — and protecting our company.

How we managed through the crisis is a testimony to the collective strength of character and commitment of our people. During those chaotic days throughout the crisis and its aftermath, many of our people had to work around the clock, seven days a week, for months on end. And they did it without complaint. The biggest lesson of the crisis: The quality, character, culture and capabilities of your partners are paramount.

Looking back and then looking around at the company we are today, I am filled with awe and admiration. For JPMorgan Chase, these past 10 years have been part of a challenging, yet defining, decade. Today, JPMorgan Chase is among the leaders in most of our businesses. I can't tell you how proud I am to be your partner and to witness your extraordinary performance. I can't thank our current and former employees enough for helping us get through those turbulent times and for the company we have become.

LEHMAN REDUX – IT SIMPLY WOULD NOT HAVE FAILED, BUT IT WOULD HAVE BEEN EASILY MANAGEABLE IF IT DID FAIL

As I mentioned in my shareholder letter in 2016, it is instructive to look at what would happen if Lehman were to fail in today's regulatory regime. First of all, it is highly unlikely the firm would fail because under today's capital rules, Lehman's equity capital would be approximately $45 billion instead of $23 billion, which it was in 2007. In addition, Lehman would have far stronger liquidity and "bail-inable" debt. And finally, the firm would be forced to raise capital much earlier in the process. Lehman simply would not have failed.

However, if by the remotest, shooting-star possibility Lehman failed anyway, regulators would now have the legal authority to put the firm in receivership (they did not have that ability back in 2007-2008). At the moment of failure, unsecured debt of approximately $120 billion would be immediately converted to equity. "New Lehman" would be the best-capitalized bank in the world. In addition, derivatives contracts would not be triggered, and cash would continue to move through the pipes of the financial system. Legislators and regulators should be applauded for what they have done to solve the Too Big to Fail problem, though I should point out that this was accomplished by putting some basic rules in place – not the thousands of other rules layered atop them.

2. We have to remind ourselves that responsible banking is good and safe banking.

One of the critical responsibilities of banks is to take a rigorous and disciplined approach to allocating capital in the financial system – whether they do it directly through loans or through public and private capital markets. Banks need to do this knowing there will be recessions and that they should plan to support their clients through their most difficult times. We did exactly that throughout the 2008 crisis (again, see message to employees on pages 27-28). While many people focus on market making, which of course entails risk (we buy and sell about $2 trillion a day of various securities around the world), this risk taking is carefully monitored and largely hedged. To put risk taking and market making a little bit in perspective – in the last five years, we have lost money trading on only 11 days, and the loss was usually small and never more than about two times the average normal trading day revenue. Overall, loans are still the biggest risk that banks take. Our loan losses last year were $5 billion, and in the worst year of the Great Recession, our loan losses were approximately $24 billion.

Responsible banks cannot always give customers what they want.

Making bad and unworthy loans ultimately is bad for both the bank and the customer. Being a responsible bank means you can't always give customers what they want, and, therefore, it is unlikely that all of your customers are going to like you. We are fundamentally not in the same position as most businesses. If a customer has the money, most businesses will sell their goods and services to that customer. Banks can't do that. Sometimes we have to say no or enforce

rules that may be unpopular. I have always believed that this necessary discipline with customers is one of the reasons that, historically, banks have not been popular.

Banks are under constant pressure, including political pressure, to make loans (remember subprime mortgages?) even when they should not. But when and if something goes wrong with loans, even when proper and responsible underwriting is done, banks will come under a lot of legal, regulatory and political scrutiny and should expect to be blamed for potentially causing the problem. These conflicting pressures – to make or not make loans – will always exist and need to be properly navigated by a good bank.

Client selection is critical.

Client selection is one of the most important things we do. If one bank builds a book of business with clients of high character and another bank builds its business with clients of low character (who are usually pushing sound banking practices to the limit), it's clear which bank will succeed over time. Therefore, turning down clients, which can sometimes be hard to do, is often the only way to be a responsible bank.

Risk taking is a detailed, analytical process and includes extensive risk mitigation.

Shareholders may be surprised to find out that, fundamentally, we are not a **risk-*taking*** but rather a **risk-*mitigating*** institution. Risk mitigation is not guessing – it is a thoughtful, detailed analytical process that leads to measured decision making. Participants in our risk meetings can attest that while we are adamant about serving clients, we are also fanatic about understanding and mitigating some of the associated risks. So, in addition to proper client selection, risks are mitigated through simplification, diversification, hedging, syndication, covenants, hard limits, continuous monitoring and fast reaction to problems. We deeply analyze everything so we can shoulder appropriate risk ***for and with*** our clients. We are their financial partner.

A recent example in the oil and gas sector shows how we balance risk while serving clients in tough times.

From 2014 to 2016, oil prices collapsed from a high of $108 per barrel to a low of $26 per barrel. We were carrying approximately 250 loans to smaller oil and gas companies (mostly based in Houston), referred to in the industry as "reserve-based loans," or RBLs. The proven oil and gas reserves in the ground served as the collateral for these loans, as reviewed by both J.P. Morgan's petroleum engineers and third-party engineering consultants. We had $3 billion in outstanding loans under the RBL structure (and more to the oil industry as a whole). While we made these loans conservatively, we knew that low oil prices at the bottom of the cycle put us at great risk of loan losses – maybe even as high as $500 million. Our view was that we were going to work with these borrowers; i.e., extend the loans and try to help the companies survive this rough patch. (Of course, we put up additional loan loss reserves to account for possible losses.) At one point, surprisingly, some regulators made it clear that they did not want banks to extend these loans because they were too risky. But we thought it was important, even at the risk of losing hundreds of millions of dollars (something that we were positioned to be able to do), to help our clients get through this tough time rather than desert them when they needed us most. And sticking with our clients is exactly what we did. We thought regulators were overreacting – and, indeed, our losses, ultimately, were miniscule. Because of these actions, we are still welcome in Houston.

3. We believe in good regulation — both to help America grow and improve financial stability.

I want to be very clear that we do not advocate for the repeal of Dodd-Frank. We believe that the strength and resilience of the U.S. financial system have benefited from the law. Ten years out from the crisis, however, it is appropriate for policymakers to examine areas of our regulatory framework that are excessive, overlapping, inefficient or duplicative. At the same time, they should identify areas where banks can promote economic growth without impacting the very important progress we have made on safety and soundness. In fact, a stronger economy, by definition, is a safer economy. Our goal should be to achieve a rational, calibrated approach to regulation that strikes the right balance. This should be an ongoing and rigorous process that does not require any significant piece of legislation and should not be politicized.

Here are a few areas where we think recalibration would be good not only for banks, but for consumers and the economy as a whole:

- **Carefully monitor the growing shadow bank system.** While we do not believe that the rise in non-banks and shadow banking has reached the point of systemic risk, the growth in non-bank mortgage lending, student lending, leveraged lending and some consumer lending is accelerating and needs to be assiduously monitored. (We do this monitoring regularly as part of our own business.) Growth in shadow banking has been possible because rules and regulations imposed upon banks are not necessarily imposed upon these non-bank lenders, which exemplifies the risk of not having the new rules properly calibrated. An additional risk is that many of these non-bank lenders will not be able to continue lending in difficult economic times – their borrowers will become stranded. Banks traditionally try to continue lending to their customers in tough times.

- **The country desperately needs mortgage reform — it would add to America's economic growth.** Reducing onerous and unnecessary origination and servicing requirements (there are 3,000 federal and state requirements today) and opening up the securitization markets for safe loans would dramatically improve the cost and availability of mortgages to consumers – particularly the young, the self-employed and those with prior defaults. And these would not be subprime mortgages but mortgages that we should be making. By taking this step, our economists believe that homeownership and economic growth would increase by up to 0.2% a year.

In the early 2000s, bad mortgage laws helped create the Great Recession of 2008. Today, bad mortgage rules are hindering the healthy growth of the U.S. economy. Because there are so many regulators involved in crafting the new rules, coupled with political intervention that isn't always helpful, it is hard to achieve the much-needed mortgage reform. This has become a critical issue and one reason why banks have been moving away from significant parts of the mortgage business. That business, in particular, highlights one of the flaws of our complicated capital allocation regime. The best way to risk manage a bank is to use risk weights that are actually based on risk. However, since most banks are also constrained by standardized capital (a capital measure that does not risk-adjust for the lower risk of having a properly underwritten prime mortgage), owning mortgages becomes hugely unprofitable.

Because of these significant issues, we are intensely reviewing our role in originating, servicing and holding mortgages. The odds are increasing that we will need to materially change our mortgage strategy going forward.

We also need to get the recalibration of other regulatory requirements right, particularly around operational risk capital, the Fed's Comprehensive Capital Analysis and Review (CCAR) stress test and the additional allocation of capital to global systemically important banks (GSIB). If we don't do so, certain products and services will continue to be pushed outside the banking system (where they are, fundamentally, not regulated), distorting markets and raising the cost of credit for clients.

- **Operational risk capital.** We now hold nearly $400 billion of operational risk-weighted assets, which means we hold more than $40 billion of equity for assets that don't exist. This was a new calculation added after the crisis to recognize that banks also bear serious operational risk (stemming from lawsuits, processing errors and other issues). I agree that all banks bear operational risk, yet this is also true for all companies. Most companies, including banks, have earnings to pay for operational risk. And the calculation that gets us to $400 billion is questionable and so complex that I am not going to explain it here. Finally, most of our operational risk assets stem from Bear Stearns and WaMu subprime mortgage products that we don't even offer anymore. Tying up capital in perpetuity – looking for shadows on the wall – is probably not the best idea for fostering growth in America.

- **Comprehensive Capital Analysis Review.** I deeply believe in stress testing, but I do have issues with CCAR. First, it consists of only a single test (there are many things that can go wrong that should be stress tested) – which is unlikely to prepare anyone (banks or regulators) adequately. There is an arbitrariness to a single test. Moreover, I don't think CCAR accurately represents what a loss would look like in the nine quarters after a Lehman-type event (remember that in the nine quarters following the actual Lehman collapse, JPMorgan Chase earned $30 billion). One of the refrains that we hear about CCAR results is they show that most banks at the worst part of the stress cycle can barely cover their required capital. This is fundamentally inaccurate. The CCAR test can give this false impression because it requires banks to do unnatural things (such as continuing all stock buybacks – even when it is completely obvious that banks wouldn't or ***couldn't*** do this). As a result, we don't rely solely on CCAR, and we stress test hundreds of scenarios a month, preparing ourselves for circumstances far worse than CCAR stress.

  While CCAR losses may exceed what banks are likely to experience, they do appropriately include benefits that banks receive from being diversified and from having healthy profit margins. And CCAR is an effective built-in countercyclical buffer because its whole purpose is to ensure adequate capital at the worst point of a major stress event. Capital requirements for GSIBs, however, are completely different.

- **GSIB capital requirements.** My biggest issue is with GSIB capital requirements, and since they may be added to the CCAR stress test, they become even more important. Most of the factors used in GSIB requirements are not risk-adjusted – and many of the calculations have no fundamental underpinning or logical justification. Their methodology irrationally multiplies certain factors over and over, and many of the facts are simply unjustified on any basis. For example, one of the risks is called "substitutability," which is supposed to measure the risk that we won't be able to replace certain services of a large bank that fails or retrenches during a crisis. The specific factors used to calculate this risk are market share of equity and debt underwriting and market making. But when

Lehman failed, no one had a problem in replacing any of these activities. For another example, American regulators simply doubled thresholds for American banks (versus international competition) and have never adjusted them, as they were supposed to do, for economic growth, for other new regulations like total loss absorbing capacity and liquidity or for the fact that GSIB banks have become a smaller part of the financial system. Now regulators are talking about adding GSIB requirements to CCAR, which is only logical if the GSIB charge itself makes sense in the first place. If GSIB regulation is to become this important, it needs thorough justification.

Later in this letter I discuss some possible adverse consequences to the U.S. financial system because of the interplay between these factors in a downturn. One comment that we continue to hear is that U.S. banks are now doing quite well despite evidence that GSIB requirements are tougher on U.S. banks than on foreign banks. But that outperformance is not ordained from above and may not always be the case. We should calculate data the right way, and U.S. banks, their employees, shareholders and the communities they serve should not be put at a permanent disadvantage.

Proper calibration of financial regulation can enhance the growth and resiliency of the U.S. economy, which actually reduces systemic risk and helps banks safely serve more clients.

4. We believe stock buybacks are an essential part of proper capital allocation but secondary to long-term investing.

I have already noted that stock buybacks, though sometimes misused, are an important tool that businesses must have to reallocate excess capital. To reiterate, this should be done only after proper investments for the future have been considered.

A recent complaint is that companies, partially due to tax reform, have used their excess capital to buy back more stock instead of investing in their business. While this is true, you should keep in mind three things. First, as stock buybacks increased in 2018, so did corporate capital expenditures and research and development (R&D). In fact, contrary to popular belief, capital expenditures as a percentage of GDP are higher today than in the "good old days" of the 1950s and 1960s. Second, companies tend to buy back stock when they don't see a good use for capital in the next year or two. We believe that as companies adjust to the new higher cash flows, they will begin to reinvest more of that money in the United States. ***The benefit of tax reform is the long-term (multi-year) cumulative effect of capital retained and reinvested in the United States.*** And third, the capital that was used to buy back stock did not disappear – it was given to shareholders who then put it to a better and higher use of their own choosing.

Here is one concluding comment on long-term investing: Many investors legitimately demand that companies think long term and explain their strategies and policies. Meanwhile, these same investors, who demand long-term thinking from companies, often invest in funds that are paid a lot of money for how a stock performs in one year. I hope these investors appreciate the disconnect and hope they will consider the pressures for short-term performance they may have helped to create.

5. On the importance of the cloud and artificial intelligence, we are all in.

The power of the cloud is real.

We were a little slow in adopting the cloud, for which I am partially responsible. My early thinking about the cloud was that it was just another term for outsourcing. I held firm to the view, which is somewhat still true, that we can run our own data centers, networks and applications as efficiently as anyone. But here's the critical point: Cloud capabilities are far more extensive, and we are now full speed ahead. Let me cite a couple of examples:

- The cloud gives us the ability to achieve rapid scale and elasticity of computing power ***exponentially*** beyond our own capacity. This will be especially relevant as we scale up our artificial intelligence efforts.
- The cloud platform is agile and flexible. It offers access to data sets, advanced analytics and machine learning capabilities beyond our own. It increases developers' effectiveness by multiples – you can almost "click and drop" new elements into existing programs as opposed to writing extensive new code. For instance, adding databases and/or machine learning to an application can be done almost instantaneously. And certain tasks, such as testing code and provisioning compute power, are automated.
- The cloud provides a software development experience that is frictionless and allows our engineers to prototype quickly and learn fast, as well as increase the speed of delivering new capabilities to our customers and clients.

It is important to note that the cloud has matured to the point where it can meet the high expectations that are set by large enterprises that have fairly intense demands around security, audit procedures, access to systems, cyber security and business resiliency.

We will be rapidly "refactoring" most of our applications to take full advantage of cloud computing. We then can decide whether it is more advantageous to run our applications on the external cloud or the internal cloud (the internal cloud will have many of the benefits of the external cloud's scalable and efficient platforms).

One final but key issue: Agile platforms and cloud capabilities not only allow you to do things much faster but also enable you to organize teams differently. You can create smaller teams of five to 20 people who can be continually reimagining, reinventing and rolling out new products and services in a few days instead of months.

The power of artificial intelligence and machine learning is real.

These technologies already are helping us reduce risk and fraud, upgrade customer service, improve underwriting and enhance marketing across the firm. And this is just the beginning. As our management teams get better at understanding the power of AI and machine learning, these tools are rapidly being deployed across virtually everything we do. We can also use artificial intelligence to try to achieve certain desired outcomes, such as making mortgages even more available to minorities. A few examples will suffice:

- In the Corporate & Investment Bank, DeepX leverages machine learning to assist our equities algorithms globally to execute transactions across 1,300 stocks a day, and this total is rising as we roll out DeepX to new countries.
- Across our company, we will be deploying virtual assistants (robots driven by artificial intelligence) to handle tasks such as maintaining internal help desks, tracking down errors and routing inquiries.
- In Consumer Marketing, we are better able to customize insights and offerings for individual customers, based on, for example, their ability to save or invest, their travel preferences or the availability of discounts on brands they like.
- Technological solutions help us do better underwriting, expediting the mortgage or automobile loan approval process, letting

the customer accept the loan in a couple of clicks and then start shopping for a home or car.

- In our Consumer Operations, we are using AI and machine learning techniques for ATM cash management to optimize cash in devices, reduce the cost of reloads and schedule ATM maintenance.
- And our initial results from machine learning fraud applications are expected to drive approximately $150 million of annual benefits and countless efficiencies. For example, machine learning is helping to deliver a better customer experience while also prioritizing safety at the point of sale, where fraud losses have been reduced significantly, with automated decisions on transactions made in milliseconds. We are now able to approve 1 million additional good customers (who would have been declined for potential fraud) and also decline approximately 1 million additional fraudsters (who would have been approved). Machine learning will also curtail check fraud losses by analyzing signatures, payee names and check features in real time.
- Over time, AI will also dramatically improve Anti-Money Laundering/Bank Secrecy Act protocols and processes as well as other complex compliance requirements.

We will try to retrain and redeploy our workforce as AI reduces certain types of jobs.

We are evaluating all of our jobs to determine which are most susceptible to being lost through AI. We will plan ahead so we can retrain or deploy our employees both for other roles inside the company and, if necessary, outside the company.

The combined power of virtually unlimited computing strength, AI applied to almost anything and the ability to use vast sets of data and rapidly change applications is extraordinary – we have only begun to take advantage of the opportunities for the company and for our customers.

6. We remain devoted and diligent to protect privacy and stay cyber safe — we will do what it takes.

The threat of cyber security may very well be the biggest threat to the U.S. financial system.

I have written in previous letters about the enormous effort and resources we dedicate to protect ourselves and our clients – we spend nearly $600 million a year on these efforts and have more than 3,000 employees deployed to this mission in some way. Indirectly, we also spend a lot of time and effort trying to protect our company in different ways as part of the ordinary course of running the business. But the financial system is interconnected, and adversaries are smart and relentless – so we must continue to be vigilant. The good news is that the industry (plus many other industries), along with the full power of the federal government, is increasingly being mobilized to combat this threat.

The issues around privacy are real.

We have spoken frequently in the past about the importance of safeguarding the privacy of our customers. We already do this extensively, and, in fact, we are inventing new products to make it easier for our customers to understand where we send their data (with their permission), as well as how to change or restrict what we do with that data.

New laws in Europe stipulate that consumers should be able to see what data companies have on file about them and to correct or delete this information if they choose. These are the right principles, but they are very complex to execute. It is imperative that the U.S. government thoughtfully design policies to protect its consumers and that these policies be national versus state-specific. Different

state laws around privacy rules would create a virtually impossible legal, compliance and regulatory-monitoring situation.

But maybe the most crucial privacy issue of all relates to protecting our democracy. Our First Amendment rights do not extend to foreign governments, entities or individuals. The openness of the internet means that trolls, foreign governments and others are aggressively using social media and other platforms to confuse and distort information. They should not be allowed to secretly or dishonestly advertise or even promote ideas on media and social networks. We believe there are ways to address this, and we will be talking more about this issue in the future.

7. We know there are risks on the horizon that will eventually demand our attention.

In spite of all the uncertainty, the U.S. economy continues to grow in 2019, albeit more slowly than in 2018. Employment and wages are going up, inflation is moderate, financial markets are healthy, and consumer and business confidence remains strong, although down from all-time highs. The consumer balance sheet and credit are in rather good shape, and housing, though not particularly strong, is in short supply in many U.S. cities, which should eventually be a tailwind. Before I review some of the serious and possibly increasing risks that we may confront in the years ahead, I do want to review what happened in the fourth quarter of 2018.

The fourth quarter of 2018 might be a harbinger of things to come.

Going into the final months of last year, optimism about the global economy prevailed, and this was reflected in the stock and bond markets. But in the fourth quarter, growth slowed in Germany; Italy repudiated European Union rules; Brexit uncertainty remained; and fear spiked around America's trade issues with China. Among other geopolitical tensions, the U.S. government shutdown began. In addition, more questions arose about interest rate increases in the United States and the effect of the reversal of unprecedented quantitative easing, particularly in this country. These issues, which reduced growth forecasts and increased uncertainty, should legitimately cause stock prices to drop and bond spreads to increase. However, stock markets fell 20%, investment grade bond spreads gapped out by 36% and certain markets (like initial public offerings and high yield) virtually closed down. Even at the time, these large swings seemed to be an overreaction, but they highlight two critical issues. One, which we never forget, is that investor sentiment can veer widely from optimism to pessimism based on little fundamental change. And second, for the fourth or fifth time in this recovery, there were excessive moves in the market with rapidly increasing volatility accompanied by steep drops in liquidity.

Market reactions do not always accurately reflect the real economy, and, therefore, policymakers and even companies should not overreact to them. But they do reflect market participant views of changing probabilities and possibilities of economic outcomes. Thus, policymakers (and banks), particularly the Fed, must necessarily (because they need to think forward) take an assessment of these issues into account. With this backdrop, I will discuss some of the serious issues on people's minds (with more on liquidity later).

There are legitimate concerns around China's economy (in addition to trade), but they are manageable.

To fully understand China, you have to do a fair assessment of all of its strengths and weaknesses. Over the last 40 years, China has done a highly effective job of getting itself to this point of economic development, but in the next 40 years, the country will have to confront serious issues. The Chinese lack enough food, water and energy; corruption continues to be a problem; state-owned

enterprises are often inefficient; corporate and government debt levels are growing rapidly; financial markets lack depth, transparency and adequate rule of law; and Asia is a very complex part of the world geopolitically speaking. Just as important, not enough people participate in the nation's political system. Chinese leadership is well aware of these issues and talks about many of them quite openly. I say none of this to be negative about China (indeed, I have enormous respect for what the Chinese have accomplished in the economic realm) but just to give a balanced view. And in spite of these difficulties, we believe that China is well on its way to becoming a fully developed nation, though the future will probably entail more uncertainty and moments of slower growth (like the rest of us) than in the past.

Disruption of trade is another risk for China. The United States' trade issues with China are substantial and real. They include the theft or forced transfer of intellectual property; lack of bilateral investment rights, giving ownership or control of investments; onerous non-tariff barriers; unfair subsidies or benefits for state-owned enterprises; and the lack of rapid enforcement of any disagreements. The U.S. position is supported, though in an uncoordinated way, by our Japanese and European allies. We should only expect China to do what is in its own self-interest, but we believe that it should and will agree to some of the United States' trade demands because, ultimately, the changes will create a stronger Chinese economy. We should also point out that over the last 30 years, the Chinese have been on a high-speed path that includes increasing transparency and economic reform, and while the momentum slows down periodically, they have continued relentlessly on that path. We believe the odds are high that a fair trade deal will eventually be worked out – but if not, there could be serious repercussions.

China can deal with many serious situations because, unlike developed democratic nations, it can both macromanage and micromanage its economy and move very fast. Government officials can pull, in a coordinated way, fiscal, monetary and industrial policy levers to maintain the growth and employment they want, and they have the control and wherewithal to do it. That being said, the American public should understand that China does not have a straight road to becoming the dominant economic power. The nation simply has too much to overcome in the foreseeable future. If China and the United States can maintain a healthy strategic and economic relationship (and that should be our goal), it could greatly benefit both countries – as well as the rest of the world.

Debt levels are increasing around the world — although this debt is mitigated because much of it is sovereign debt, which is different from corporate and consumer debt.

If countries essentially owe debt to themselves, not to creditors outside their country, they can generally manage their debt (America's total debt to GDP is just about 80%, while Japan's is approaching 200%). Such debt is not necessarily a good thing because it can be politically destabilizing and overcomplicate policymaking; however, it is generally manageable because if a nation owes money to itself, it is essentially reallocating its income across various interest groups within the country. If the country can continue to grow, it can still create more income for its citizens.

America's debt level is rapidly increasing but is not at the danger level. While America does owe in excess of $6 trillion (essentially 40% of its publicly held debt) to creditors outside the country, U.S. companies and investors hold more than $25 trillion in total claims on foreigners, including more than $12 trillion of foreign portfolio holdings, and the U.S. economy is worth more than $100 trillion. So we earn more on foreign assets than we pay to foreign creditors. This is not a major issue. However, our country's debt level over the next 30 years will start to increase exponentially, and at a certain point, this could cause concern in global capital markets. We have time to address this problem, but we should start to deal with the issue well ***before*** it becomes a crisis.

People also point to emerging market debt – both corporate and sovereign – as a potential issue, but the emerging markets, both countries and companies, are much bigger and stronger than they were in the past. They have more foreign exchange reserves and generally more effective risk management of currency and interest rate mismatches.

Leveraged lending is increasing, particularly through shadow banks.

Total leveraged lending in the United States is approximately $2.3 trillion. About 25% of the loans are owned by banks, the majority in more senior positions, and the remaining 75% are owned by shadow banks or non-banks. Deconstructing that number a bit, about $1.8 trillion is in U.S. institutional leverage term loans – approximately 30% of which are owned by banks. We estimate that approximately $500 billion of direct loans are owned exclusively by non-banks. While leveraged lending is a growing issue and one that we are monitoring, we don't think this is yet of the size or quality to cause systemic issues in the financial system. This does not mean it won't create some issues. When things get bad, invariably prices drop dramatically, certain types of high-yield debt cannot be refinanced, etc. – but at this level, it is still a manageable issue.

There are growing geopolitical tensions — with less certainty around American global leadership.

Geopolitical tensions are always there – just reading the newspaper in any week in any year since World War II would make anyone pretty worried. But it does appear that geopolitical tensions are growing. Let me mention a few: Russian aggression, Middle East conflicts, Venezuela, North Korea, Iran, Turkey, Brexit and European politics generally.

It's always difficult to understand the effect of geopolitical uncertainty. But it is now heightened due to uncertainty around how the United States intends to exercise global leadership. This uncertainty may very well be the biggest new unknown factor affecting critical geopolitical and economic issues.

The chance of bad policy errors is increasing.

In this risk section and in the next section on public policy, I feel compelled to emphasize an obvious point: Bad public policy is a major risk. It could be central banks and monetary policy, trade snafus or simply deep political gridlock in an increasingly complex world – but bad policymaking is definitely an increasing risk for the global economy.

The confusion and uncertainty around liquidity are causing some legitimate concerns.

Several times in the last few years, including in the fourth quarter of 2018, markets exhibited rapid losses of liquidity, although fortunately, and importantly, the markets recovered in all cases – but that was in the context of a good environment. The ongoing debate around liquidity and short-term losses of liquidity in the market is an important one. We consider it in two ways: traditional liquidity and macro liquidity.

- **Traditional liquidity.** I call it **micro** liquidity here, and it generally refers to the width of the bid-ask spread, as well as the size and speed with which securities can be bought or sold without dramatically affecting their price. There is no question that some micro liquidity is more constrained than in the past due to bank capital, liquidity and Volcker Rule requirements. In addition, high-frequency traders generally create some intraday liquidity (within a day), though even this is unreliable in a downturn. Because they rarely take positions interday (day to day), traders do not create real liquidity, but my view is that they increase the volatility of liquidity over time. There is no question that rules and regulations also cause unwanted and unnecessary distortions in money market vehicles, such as repos and swaps, particularly at quarter-end.

  If you look at liquidity – from before the financial crisis to today – in fairly liquid markets like Treasuries, swaps and equities, there is a noticeable difference. In good markets, liquidity is essentially high and is almost at the same level today as it

was before the crisis. But when markets became volatile in the last several years, liquidity dropped much further and faster than it did before the crisis. It is important to remember that this happened in good times. Therefore, it is reasonable to expect that what we have been experiencing is now the ***new normal of liquidity*** – and that we should be prepared for it to be even worse in truly difficult times.

- **Macro liquidity.** This describes a broader view of financial conditions. For example, is it easy to borrow and lend? Are banks able to increase their lending? Is the cost of borrowing going up? Is the Fed adding or reducing liquidity in the system (essentially by buying or selling Treasuries)? There is no doubt that new regulations, particularly bank liquidity requirements, dramatically reduce the ability of the Fed to increase bank lending today by shoring up bank reserves. In the old days, the central bank could effectively create excess reserves by buying Treasuries. These excess reserves were lendable by the bank. Today, such reserves are often not lendable due to new liquidity rules. So bank lending as a function of deposits is, in effect, permanently reduced. The notion of "money velocity" and in fact the transmission of monetary policy are, therefore, different from the past, and it is hard to calculate the full effect of all these changes. It is extremely difficult for us, and probably even for the Fed, to know when and at what level the removal of cash (liquidity) from the system starts to significantly affect macro or micro liquidity. We will, however, probably know it when we see it.

There may be too much certainty that growth will be slow and inflation subdued.

There is still global growth, and employment and wages continue to go up. However, this has been a very slow recovery, and it is possible that the "normal" increase of inflation late in the cycle, due to wage demands and limited supply, can still happen. We don't see it today, but I would not rule it out. In addition, 10-year bond spreads have been suppressed in some way by the extreme quantitative easing around the world. If that ever reverses in a material way, how could it not have an effect on the 10-year bond? Finally, I would not look at the yield curve and its potential inversion as giving the same signals as in the past. There has simply been too much interference in the global markets by central banks and regulators to understand its full effect on the yield curve.

Expect banks to be far more constrained going into the next real downturn.

Today is nothing like 2008. There are fewer leveraged financial assets in the system now than a decade ago. In 2008, huge losses in the mortgage market forced consumers and companies to sell assets acquired by borrowing. Fundamentally, market panic ensued. Now there is far less borrowing against assets, and it is unlikely that there will be a lot of forced selling as a result. However, keep in mind that it is still possible for investors to sell lots of assets if any form of market panic takes place.

When the next real downturn begins, banks will be constrained – both psychologically and by new regulations – from lending freely into the marketplace, as many of us did in 2008 and 2009. New regulations mean that banks will have to maintain more liquidity going into a downturn, be prepared for the impacts of even tougher stress tests and hold more capital because capital requirements are even more procyclical than in the past. Effectively, some new rules will force capital to the sidelines just when it might be needed most by clients and the markets. For example, in the next financial crisis, JPMorgan Chase will simply be unable to take some of the actions we took in 2008, as described in the sidebar on pages 27-28.

The Fed is still quite powerful and retains numerous tools to deal with many of the issues described above.

There is excessive focus on what the Fed says and does in the short term. The Fed appropriately, and by necessity, needs to be data dependent – how could it be otherwise? And, of course, while proper policy requires Fed

officials to constantly think about the future (though it does not require them to make specific forecasts public), they can't know what the future holds with any certainty. But they are deeply knowledgeable, flexible and appropriately willing to change their minds. And, counter to what you often hear today, they retain a large number of tools at their disposal. They can change short-term rates at will and, in fact, can effect change on longer term rates if they want. With a few simple words, they can change the future expectations of the interest rate curve. They can buy or finance an extraordinary amount of assets, and they can revise regulations, if necessary, to improve liquidity or enhance lending. They can often, simply by asking, get banks to take certain actions that they want. It is a mistake to think that they don't have significant tools at their disposal.

Of course, we hyper-focus on today's problems, and they often overshadow the progress we are making across the globe. We should not overlook the positive signs. In addition to the strong U.S. economy, the world is still growing, trade issues may be properly resolved and Brazil, among others, has turned the corner economically.

If a downturn starts and leads to darker scenarios, we will be prepared, and we also believe the U.S. government will eventually respond adequately.

8. We are prepared for — though we are not predicting — a recession.

The key point here is that a fairly healthy U.S. economy will be confronting a wide variety of issues in 2020 and 2021. It's hard to look at all the issues facing the world and not think that the range of possible outcomes is broader and that the odds of bad outcomes might be increasing. And certain factors, like confidence, which we know is important, can be easily damaged by bad policy, unexpected events or even high market volatility. The next recession may not resemble prior recessions. Next time, the cause may be just the cumulative effect of negative factors – the proverbial last straw on the camel's back.

We are always prepared to deal with the next recession.

We generally do not spend a lot of time guessing about when the next recession will be – we manage our business knowing that there will be cycles.

First and foremost, we will continue to serve our clients. From the prior parts of this letter, you can see that we continued to make responsible loans to our clients during and after the Great Recession when they needed us most – and we will do that again. We will not stop investing in our future, investing in technology or building new branches. We will continue to make markets for our clients. We will not overreact to the credit cycle.

We will mitigate risk. We may reduce risk by taking on fewer new clients or by syndicating or hedging risk. And we may reduce risk by managing our portfolio of securities and loans unrelated to clients. We will exercise more of our muscle in terms of managing expenses, monitoring headcount and creating more efficiencies. We will have special credit teams, created in advance, to deal with any problematic credits.

Finally, we will be seeking out new ways to grow and compete. Our experience is that recessions do create opportunities for healthy companies to enhance their franchises generally by serving clients where other companies cannot.

III. PUBLIC POLICY

There are many critical issues roiling the United States and other countries around the world today – just to name a few: capitalism versus other economic systems, the role of business in our society, how the United States intends to exercise global leadership, income inequality, equal opportunity, access to healthcare, immigration and diversity. Many people have lost faith in government's ability to solve these and other problems. In fact, almost all institutions – governments, schools, unions, media and businesses – have lost credibility in the eyes of the public. In the meantime, many of these problems have been around for a long time and are not aging well. Politics is increasingly divisive, and a number of policies are not working. This state of affairs is unlikely to get better without thorough diagnosis, thoughtful policy solutions and a commitment to a common purpose.

In this section, I attempt to analyze and offer some views on what has caused this situation and then suggest some solutions. Neither the diagnoses nor the proposed cures are purely my own. These issues have been studied intensively by many people with deep knowledge. And given the space and other constraints of this letter, I may be about to violate the Einstein maxim, which I love: "Everything should be made as simple as possible, but not simpler." One of the main points I am trying to make is that when you step back and take a ***comprehensive multi-year view*, looking at the situation in its *totality,* it is the *cumulative* effect** of many of our policies that has created many of our problems. And whatever the solutions, I think they are unlikely to be achieved by government alone – civil society and business need to be part of the equation. To start, we must understand our problems.

1. The American Dream is alive — but fraying for many.

Before I talk about our problems, I think it's important to put any negatives in context, so first a paean to our nation. America is still the most prosperous nation the world has ever seen. We are blessed with the natural gifts of land; all the food, water and energy we need; the Atlantic and Pacific oceans as natural borders; and wonderful neighbors in Canada and Mexico. And we are blessed with the extraordinary gifts from our Founding Fathers, which are still unequaled: freedom of speech, freedom of religion, freedom of enterprise, and the promise of equality and opportunity. These gifts have led to the most dynamic economy the world has ever seen, nurturing vibrant businesses large and small, exceptional universities, and a welcoming environment for innovation, science and technology. America was an idea borne on principles, not based upon historical relationships and tribal politics. It has and will continue to be a beacon of hope for the world and a magnet for the world's best and brightest.

Of course, America has always had its flaws. Some of its more recent issues center on income inequality, stagnant wages, lack of equal opportunity, immigration and lack of access to healthcare. I make it a practice when hearing complaints to strive to understand where people might be right or partially right instead of rejecting or accepting their views reflexively.

Middle class incomes have been stagnant for years. Income inequality has gotten worse. Forty percent of American workers earn less than $15 an hour, and about 5% of full-time American workers earn the minimum wage or less, which is certainly not a living wage. In addition, 40% of Americans don't have $400 to deal with unexpected expenses, such as medical bills or car repairs. More than 28 million Americans don't have medical insurance at all. And, surprisingly, 25% of those eligible for various types of federal assistance programs don't get any help. No one can claim that the promise of equal opportunity is being offered to ***all*** Americans through our education systems, nor are those who have run afoul of our justice system getting the second chance that many of them deserve. And we have been debating immigration reform for 30 years. Simply put, the social needs of far too many of our citizens are not being met.

Over the last 10 years, the U.S. economy has grown cumulatively about 20%. While this may sound impressive, it must be put into context: After a sharp downturn, economic growth would have been 40% over 10 years in a normal recovery. Twenty percent more growth would have added $4 trillion to GDP, which certainly would have driven wages higher and given us the wherewithal to broadly build a better country. Key questions that keep arising – and remain unanswered are: Why have productivity and economic growth been so anemic? And why have income inequality and so many other things gotten worse? Included among the common explanations is that "secular stagnation" is the new normal. I've also heard blame placed on institutional greed and "short-termism," bad corporate governance, job displacement from new technologies, immigration or trade and a lack of new productivity-enhancing technology. Another common refrain is that capitalism and free enterprise have failed. As you'll see, I think some of these arguments miss the mark.

2. We must have a proper diagnosis of our problems — the issues are real and serious — if we want to have the proper prescription that leads to workable solutions.

Slogans are not policy, and, though simple and sometimes virtuous-sounding, they often lead to policies that fail. Well-intentioned but poorly designed policies generally have large and unintended negative consequences. Policy should always be extremely well-designed.

In my view, too often we don't perform the deep analysis required to fully understand our problems. One of the reasons is that we often have too short term an orientation; i.e., looking at how things have changed year-over-year or even quarter-over-quarter. We frequently fail to look at trends over a multi-year period or over decades – we miss the forest for the trees. It's also important to point out that many economic models that are used to design policy have a hard time incorporating or accounting for the effect of certain factors that can be pivotal but are too complex or qualitative to model.

I have tried to come up with a list of critical factors that greatly affect the health of an economy over many years (such as education, infrastructure, healthcare, etc.). The list is below, and when you look at how we have performed in these areas, it's rather condemning. Our shortcomings in these areas clearly have impeded the prosperity of the U.S. economy and have failed many of our fellow citizens over the past two decades or so.

Our problems: What's holding back our nation's productivity and economic growth and reducing opportunity

INEFFECTIVE AND OUT-OF-TOUCH EDUCATION SYSTEMS

Many of our high schools, vocational schools and community colleges do not properly prepare today's younger generation for available professional-level jobs, many of which pay a multiple of the minimum wage. We used to be among the best in the world at training our workforce for good jobs, but now we are falling short. This is a huge reason for both inequality and lack of opportunity. Our inner-city high schools are failing their communities and are leaving too many behind. In some inner-city schools, fewer than 60% of students graduate, and of those who do, a significant number are not prepared for employment and are often relegated to a life of poverty. Proper training and retraining would also help in our rapidly changing technological world. Finally, skills training has become increasingly important over time, and the negligence of our education systems to be responsive to employers' current needs has to have reduced GDP growth.

SOARING HEALTHCARE COSTS

These now represent almost 20% of GDP — more than twice the cost per person compared with most developed nations. While we have some of the best healthcare in the world, our outcomes are not twice as good as those of the rest of the world. Some studies say that gains in life expectancy in the last 50 years were a significant contributor to U.S. national wealth (and health), possibly equal to half of GDP growth, as people were healthier and lived longer, which generally improved the quality of the labor force and productivity. This may no longer be true. Obesity costs our country $1.4 trillion a year because it drives so many illnesses (i.e., heart disease, diabetes, cancer, stroke and depression). Even worse, 70% of today's youth (ages 17–24) are not eligible for military service, essentially due to poor academic skills (basic reading and writing) or health issues (often obesity or diabetes). And out-of-pocket healthcare expenses for the average American have skyrocketed over the last 20 years, causing huge anxiety, particularly for low-income families who have been hit with the highest increases in healthcare costs.

EXCESSIVE REGULATION AND BUREAUCRACY

Excessive regulation for both large and small companies has reduced growth and business formation without making the economic system safer or better. The ease of starting a business in the United States has worsened, and both small business formation and employment growth have dropped to the lowest rates in 30 years. By some estimates, approximately $2 trillion is spent on federal regulations annually, which is about $15,000 per household. We need good regulations, and we have to get better at effectively implementing them — accomplishing the desired good outcomes — while minimizing unnecessary costs and bad unintended consequences.

INABILITY TO PLAN AND BUILD INFRASTRUCTURE

It took eight years to get a man to the moon (from idea to completion), but it now can take a decade to simply get the permits to build a bridge or a new solar field. The country that used to have the best infrastructure on the planet by most measures is now not even ranked among the top 20 developed nations, according to the World Economic Forum's Basic Requirement Index, which reflects infrastructure along with other criteria. We are falling behind on airports, bridges, water, highways, aviation and more. One study examined the effect of poor infrastructure on efficiency (for example, poorly constructed highways, congested airports with antiquated air traffic control systems, aging electrical grids and old water pipes) and concluded this could all be costing us more than $200 billion a year. Philip K. Howard, who does some of the best academic work on America's infrastructure, estimates it would cost $4 trillion to fix our aging infrastructure — and this is less than it would cost not to fix it. In fact, a recent study by Business Roundtable found that every dollar spent restoring our infrastructure system to good repair and expanding its capacity would produce nearly $4 in economic benefits. What happened to that "can-do" nation of ours?

PREVIOUSLY UNCOMPETITIVE TAX SYSTEM FOR BUSINESS

Over the last 20 years, as the world reduced its tax rates, America did not. Our previous tax code was increasingly uncompetitive, overly complex and loaded with special-interest provisions that created winners and losers. This was driving down capital investment in the United States and giving an advantage to foreign companies, thereby reducing productivity and causing wages to remain stagnant. The good news is the recent changes in the U.S. tax system include many of the key ingredients to fuel economic expansion: a business tax rate that will make the United States competitive around the world along with provisions to free U.S. companies to bring back profits earned overseas.

CAPRICIOUS AND WASTEFUL LITIGATION SYSTEM

Our litigation system now costs 1.6% of GDP, 1% more than what it costs in the average OECD (Organisation for Economic Co-operation and Development) nation.

FRUSTRATING IMMIGRATION POLICIES AND REFORM

Forty percent of foreign students who receive advanced degrees in science, technology and math (300,000 students annually) have no legal way of staying here, although many would choose to do so. Most students from countries outside the United States pay full freight to attend our universities, but many are forced to take the skills they learned here back home. From my vantage point, that means one of our largest exports is brainpower. We need more thoughtful, merit-based immigration policies. In addition, most Americans would like a permanent solution to DACA (Deferred Action for Childhood Arrivals) and a path to legal status for law-abiding, tax-paying undocumented immigrants — this is tearing the body politic apart. The Congressional Budget Office estimates the failure to pass immigration reform earlier this decade is costing us 0.3% of GDP a year.

INEFFICIENT MORTGAGE MARKETS

The inability to reform mortgage markets has dramatically reduced mortgage availability. In fact, our analysis shows that, conservatively, more than $1 trillion in additional mortgage loans might have been made over a five-year period had we reformed our mortgage system. J.P. Morgan analysis indicates that the cost of not reforming the mortgage markets could be as high as 0.2% of GDP a year.

DRAMATIC REDUCTION IN LABOR FORCE PARTICIPATION

Wages for low-skilled work are no longer a living wage — the incentives to start work have been declining over time. Add to this the education issues already mentioned above. Two other contributing factors are that many former felons have a hard time getting jobs, and an estimated 2 million Americans are currently addicted to opioids (in 2017, a staggering 48,000 Americans died because of opioid overdoses). Some studies show that addiction is one of the major reasons why many men ages 25–54 are permanently out of work.

STUDENT LENDING (AND DEBT)

Irrational student lending, soaring college costs and the burden of student loans have become a significant issue. The impact of student debt is now affecting mortgage credit and household formation — a $1,000 increase in student debt reduces subsequent homeownership rates by 1.8%. Recent research shows that the burdens of student debt are now starting to affect the economy.

LACK OF PROPER FEDERAL GOVERNMENT BUDGETING AND PLANNING

This inevitably leads to waste, inefficiency and constraints on multi-year planning. One striking example: It may cost the military at least 20% of its spending power when budgets are not approved on time and continuous spending resolutions are imposed. And we don't do some basic things well, like account for loans and guarantees properly and demand appropriate funding of public pension plans.

It is hard to look at these issues in their ***totality*** and not conclude that they have a significant negative effect on the great American economic engine. My view is if you add it all up, this dysfunction could easily have been a 1% drag on our growth rate. Before I talk about some ideas to address these issues, I would like to discuss one major debate currently in the echo chamber.

Is capitalism to blame? Is socialism better?

There is no question that capitalism has been the most successful economic system the world has ever seen. It has helped lift billions of people out of poverty, and it has helped enhance the wealth, health and education of people around the world. Capitalism enables competition, innovation and choice.

This is not to say that capitalism does not have flaws, that it isn't leaving people behind and that it shouldn't be improved. It's essential to have a strong social safety net – and all countries should be striving for continuous improvement in regulations as well as social and welfare conditions.

Many countries are called ***social democracies,*** and they successfully combine market economies with strong social safety nets. This is completely different from traditional socialism. In a ***traditional socialist system,*** the government controls the means of production and decides what to produce and in what quantities, and, often, how and where the citizens work rather than leaving those decisions in the hands of the private sector.

When governments control companies, economic assets (companies, lenders and so on) over time are used to further political interests – leading to inefficient companies and markets, enormous favoritism and corruption. As Margaret Thatcher said, "The problem with socialism is that eventually you run out of other people's money." Socialism inevitably produces stagnation, corruption and often worse – such as authoritarian government officials who often have an increasing ability to interfere with both the economy and individual lives – which they frequently do to maintain power. This would be as much a disaster for our country as it has been in the other places it's been tried.

I am not an advocate for unregulated, unvarnished, free-for-all capitalism. (Few people I know are.) But we shouldn't forget that true freedom and free enterprise (capitalism) are, at some point, inexorably linked.

Successful economies will create large, successful companies.

Show me a country without any large, successful companies, and I will show you an unsuccessful country – with too few jobs and not enough opportunity as an outcome. And no country would be better off without its large, successful companies in addition to its midsized and small companies. Private enterprise is the true engine of growth in any country. Approximately 150 million people work in the United States: 130 million work in private enterprise and only 20 million people in government. As I pointed out earlier in this letter, large, successful companies generally provide good wages, even at the starting level, as well as insurance for employees and their families, retirement plans, training and other benefits. Companies in a free enterprise system drive innovation through capital investments and R&D; they are huge supporters of communities; and they often are at the forefront of social policy. Are they the reason for all of society's ills? Absolutely not. However, in many ways and without ill intent, many companies were able to avoid – almost literally drive by – many of society's problems. Now they are being called upon to do more – and they should.

3. All these issues are fixable, but that will happen only if we set aside partisan politics and narrow self-interest – our country must come first.

We need to set aside partisan politics.

None of these issues is exclusively owned by Democrats or Republicans. To the contrary, it is clear that partisan politics is stopping collaborative policy from being implemented, particularly at the federal level. This is not some special economic malaise we are in. This is about our society. We are unwilling to compromise. We are unwilling or unable to create good policy based on deep analytics. And our government is unable to reorganize and keep pace in the new world. Plain and simple, this is a collective failure to put the needs of society ahead of our personal, parochial and partisan interests. If we do not fix these problems, America's moral, economic and military dominance may cease to exist.

In my view, we need a Marshall Plan for America. To do this, Democrats have to acknowledge that many of the things that have been done as a nation – often in the name of good – have sometimes not worked and need to be modified. Throwing money at problems does not always work. Recently, a report showed that the federal government wasted nearly $1 billion on charter schools due to mismanagement and lack of adequate oversight – this was money intended to help children. Democrats should acknowledge Republicans' legitimate concerns that sending money to Washington tends to be simply seen as waste, ultimately offering little value to local communities. Republicans need to acknowledge that America should and can afford to provide a proper safety net for our elderly, our sick and our poor, as well as help create an environment that generates more opportunities and more income for more Americans. And if we can demonstrate that we are spending money wisely, we should spend more – think infrastructure and education funding. And that may very well mean taxing the wealthy more. If that happens, the wealthy should remember that if we improve our society and our economy, then they, in effect, are among the main winners.

Our nation requires strong political leaders to develop good, thoughtful policies, use their political skills to determine what is doable and exercise their leadership skills to lead people toward commonsense solutions.

We need to set aside our narrow self-interest.

We live in an increasingly complex world where companies, governments, unions and special interest groups vie for time, attention and favorable circumstances for their respective institutions. While it is a constitutional right to petition our government, and many organizations legitimately fight for the interests of their constituents, we all may have become too self-interested. I fear that this self-interest is part of what is destroying the glue that holds our society together. We all share a collective responsibility to improve our country.

I would like to give a few examples, which represent the tip of the iceberg (it would be easy to come up with thousands more).

- Governments, both federal and state, fight to keep military bases open that we don't need and Veterans Affairs hospitals that are broken – making the military more costly and less effective. Our shortcomings are not just about inefficiencies; they border on immoral. In an incredibly depressing story, former Secretary of Defense Bob Gates describes how Congress took years longer than it should have to approve the building of U.S. Army personnel

carriers that we needed in Iraq and Afghanistan to protect our soldiers from improvised explosive devices. While we dallied, many of our soldiers died or received terrible lifelong injuries.

Five states (California, Connecticut, Illinois, New Jersey and New York) fight for unlimited state and local tax deductions because those five states reap 46% of the benefit – even worse, knowing that over 80% of the benefits from these deductions go to people who earn more than $320,000 a year.

- Businesses are equally guilty here. Just start digging through the tax code – buried in there are an extraordinary number of loopholes, credits and exemptions that aren't about competitiveness or good tax policy. Suffice it to say, industry gets its share of tax breaks and forms of protection from legitimate competition. I could add hospitals, schools and unions to this list – none of our institutions is blameless.

While leaders obviously fight for their institutions, we all need to be able to advocate for policies that are good for our organizations without being bad for our country. And as a general matter, we, as citizens, should support policies that are good for our country even if they may not be good for us individually. For too long, too many have fought to use regulation and legislation to further their interests without appropriate regard for the needs of the country.

4. Governments must be better and more effective – we cannot succeed without their help. The rest of us could do a better job, too.

The U.S. federal government is becoming less relevant to what is going on in people's lives. People have generally lost faith in the ability of institutions to deliver on their mission and meet societal needs. They are demanding change, and we must recognize that change is needed. We need dramatic reform of our global and federal institutions and how we attack our biggest societal challenges. There are signs of progress, particularly in how local governments are starting to attack pressing problems – the ones that directly affect people's lives, like education, housing and employment. Look at Detroit and see how excellent leadership is fixing a once failing city. We should continue to empower local governments to address the needs of our society, but we should be asking our federal government to do the same.

I have already commented about needing real policies that include thoughtful plans to increase growth and create more opportunity for everyone. Faster growth will raise incomes, generate opportunities and create the wherewithal to fund improvements in our social welfare programs. (On pages 48-49, I describe some possible solutions to the problems previously highlighted on pages 43-44.) These solutions are not my own but are a synthesis of some of the best thoughts that we have seen. Some of these solutions are simple, and some are more complex. And obviously, if they were politically easy to put into practice, that would have been done by now. However, I am convinced that if we could get ideas like these implemented, economic growth and opportunity for all would be greatly enhanced.

Some solutions to how we might drive growth, incomes and opportunity

EDUCATION

We know what to do. High schools and community colleges should work with local businesses to create specific skills training programs, internships and apprenticeships that prepare graduating students to be job-ready — whether they go on to earn a credential, to work or to attend college. With 7 million job openings and 6 million unemployed workers in the United States, there is an opportunity for companies to work with local institutions, including community colleges and local apprenticeship programs. Business must be involved in this process, and it needs to be done locally because that is where the actual jobs are. Germany does an exceptional job at apprenticeships. Germany has one of the strongest education and training systems in the world, with about 1.5 million young people annually participating in apprenticeship programs that are paid opportunities to gain in-demand skills along with an education. The vocational schools and apprenticeship programs work directly with local businesses to ensure students are connected to available jobs upon graduation. Germany's youth unemployment rate is one of the lowest in the world.

Some countries are now implementing mandatory preschool for children at three years of age. This is a wonderful policy. It makes childcare less expensive and has proved to be extraordinarily good for student education short and long term. Parents like it, too. Of course, the benefits may not be seen for many years, but this is precisely the type of long-term thinking in policymaking that we need.

HEALTHCARE

This may be our toughest, most complicated problem, but we know there are some things we can do to make the system work better. Some of the solutions may include aligning incentives better; trying to eliminate the extraordinary amount of money wasted on bureaucracy, administration and fraud; empowering employees to make better choices, with upfront transparency in employer plan pricing and options and the actual cost of medical procedures; developing better corporate wellness programs, focusing particularly on obesity and smoking; creating better tools to shop around for non-emergency care and manage healthcare expenses; and reducing the extraordinary expense for unwanted end-of-life care. Another obvious thing to do is to start teaching wellness, nutrition, health and exercise in K-12 classrooms nationwide.

REGULATORY REFORM

Starting a small business today generally requires multiple licenses, which take precious months to get. But it doesn't end there. Talk with any small business owner and that person will describe the mountains of red tape, inefficient systems and a huge amount of documentation involved to operate the business. We need to reduce the number of licenses that are required to open and run a small business. In addition, we should look at the excessive state and local rules affecting small businesses, consolidating and eliminating unnecessary rules and regulations where possible. And all regulations should have a thorough cost-benefit analysis and be periodically reviewed for current relevancy.

INFRASTRUCTURE INVESTMENT

The 2015 transportation spending bill, Fixing America's Surface Transportation Act (FAST Act), is intended to fund surface transportation programs — including highways — at over $305 billion through 2020. Its aim is to improve mobility on America's highways; create jobs and support economic growth; decrease bureaucracy in getting projects approved and completed — and we need to finish its implementation. Again, experience from other countries may help. We could learn from Germany and Canada, for example, whose officials endorsed large infrastructure projects and sped through permitting in two to three years by forcing federal, state and local approvers to simultaneously work through a single vetting process. Significantly reducing the time of permitting also dramatically reduces the cost and uncertainty around making major capital investments.

TAX CREDITS AND BENEFITS

The business tax changes in the 2017 tax law made the United States more competitive, benefiting American workers today and strengthening our economy for the long term. In 2018, nominal wages increased 3.3% — the fastest rate of growth since 2008 — and job openings exceeded the number of unemployed workers for the first time since the federal government started tracking these data in 2000. Beyond this important progress, there is still more that policymakers could do to help working Americans. Of the 150 million Americans working today, approximately 21 million earn between $7.25 an hour (the prevailing federal minimum wage) and $10.10 an hour. It is hard to live on $7-$10 an hour, particularly for families (even if two household members are working). While it would be acceptable to increase minimum wages, this should be done locally

and carefully so it does not increase unemployment. Perhaps a more effective step would be to expand the Earned Income Tax Credit (EITC). Today, the EITC supplements low- to moderate-income working individuals and couples, particularly with children. For example, a single mother with two children earning $9 an hour (approximately $20,000 a year) could receive a tax credit of more than $5,000 at year's end. Last year, the EITC program cost the United States about $63 billion, and 25 million individuals received the credit. We should convert the EITC to make it more like a negative income payroll tax, which would spread the benefit, reduce fraudulent and improper payments, and get it into more people's hands. Workers without children receive a very small tax credit — this should be dramatically expanded, too.

LITIGATION

While the rule of law and the right of plaintiffs to get their day in court are sacrosanct, there have to be ways to improve this system. One example, which works in many other countries, is to have the loser pay in some circumstances. Clearly, this would have to be done in such a way as to ensure that aggrieved parties are not denied appropriate access to our justice system. But we need a way to reduce frivolous litigation designed principally to extract fees for lawyers. We also need to reduce the time and the cost necessary to achieve justice by adding more judges and creating more specialty courts to deal with complex issues.

IMMIGRATION

There has been support for bipartisan comprehensive legislation that provides substantial money for border security, creates more merit-based immigration, makes DACA permanent and gives a path to legal status or citizenship for law-abiding, hard-working, undocumented immigrants. We know this is no easy feat, but we should pass and enact legislation to resolve immigration.

MORTGAGE LENDING

Things can be done to reform mortgage markets, which would increase mortgage availability — as I mentioned in the previous sidebar on pages 43-44.

LABOR FORCE PARTICIPATION

We have already mentioned two critical solutions that would help improve labor force participation — make work pay more by expanding the EITC and provide graduating students with work skills that will lead to better paying jobs. Remember, jobs bring dignity. That first job is often the first rung on the ladder. People like working, and studies show that once people start working, they continue working. Jobs and living wages lead to better social outcomes — more household formation, more marriages and children, and less crime, as well as better health and overall well-being.

Reducing recidivism of those who have been incarcerated is not only important to citizens with a criminal record and their families — but it can also have profound positive implications for public safety. Last year, we welcomed the Federal Deposit Insurance Corporation's proposed changes to allow banks more flexibility in hiring citizens convicted of a crime. Our responsibility to recruit, hire, retain and train talented workers extends to this population, and we will support re-entry programs and give convicted and/or formerly incarcerated Americans a path to well-paying jobs. Finally, we should all be gratified that the government now seems to be taking the opioid problem very seriously.

STUDENT LENDING

We should have programs to ameliorate the burden of student loans on some former students. We would be well-advised to have more properly designed underwriting standards around the creation of student loans. Direct government lending to students has grown almost 500% over the last 10 years — and it has not all been responsible lending. It would also be helpful for the government to disclose student lending programs as if they were accountable on the same basis as a bank. Addressing these factors would lead to far better, and healthier, student lending.

PROPER BUDGETING AND PLANNING

All levels of government should do proper budgeting and planning — and on a multi-year basis. It is particularly important that most federal programs — think military, infrastructure and education — have good long-term plans and be held accountable to execute them. When the government says it is going to spend money, it should tell the American people what the expected outcome is and report on it. It should account for loans the same way the private sector does, and it should be required to do cost-benefit analysis.

Somehow we need to help reinvent government to make it more efficient and nimble in the new world. While the federal government remains somewhat in a stalemate, we have seen governors and mayors at the state and local levels taking active control and framing effective solutions. They are helping to create a laboratory of what works and are often at the forefront with initiatives that restore confidence in the ability of government to deliver. We also call upon CEOs and other leaders to step up and offer non-parochial solutions.

One final thought: If I were king for a day, I would always have a competitive business tax system and invest in infrastructure and education as a *sine qua non* to maximize the long-term health and growth of our economy and our citizens. I would not trade these issues off – I would figure out a way to properly pay for them.

5. CEOs: Your country needs you!

Despite the fact that CEOs are not generally viewed with high levels of trust, surprisingly, the 2019 Edelman Trust Barometer global report – encompassing a general global population of more than 33,000 respondents – shows that 76% think CEOs should take a stand on challenging issues and that 75% actually trust their employer.

We believe CEOs can and should get involved – particularly when they or their companies can uniquely help design policies that are good for America. At JPMorgan Chase, we are strengthening our public policy teams to take our advocacy and ideas to the next level. We believe the best way to scale programs that we have seen work in cities, states and countries around the globe is to develop actionable public policies that allow more people to benefit from economic growth.

We can use our unique capabilities, data and resources to help inform infrastructure policies, corporate governance policies, affordable housing policies, financial education policies and inclusion policies, as well as small business financing and formation, community and economic development, and others. In addition, while almost all companies can help further job skills, training, and diversity and inclusion efforts, each company can also add value where it has distinct capabilities, like expertise around healthcare, infrastructure or technology.

It's not enough just for companies to meet the letter and the spirit of the law. They can also aggressively work to improve society. They can take positions on public policy that they think are good for the country. And they can decide, with proper policies and regulatory oversight, with whom and how they will do business.

However, this does get complex. What companies cannot do is abridge the law of the land or abrogate the rights of voters and their representatives to set the law of the land. There are circumstances in which JPMorgan Chase is called upon to do things and/or set policies that should have been set by the federal government – in effect, these are decisions that the voter must decide. We work very hard to try to stay on the right side of all these issues.

In any event, things have changed. In the past, boards and advisors to boards advised company CEOs to keep their head down and stay out of the line of fire. Now the opposite may be true. If companies and CEOs do not get involved in public policy issues, making progress on all these problems may be more difficult.

6. America's global role and engagement are indispensable.

One of the biggest uncertainties in the world today is America's role on the world stage. A more secure and more prosperous world is also good for the long-term security and prosperity of the United States. And America's role in building that more secure world has been and will likely continue to be indispensable.

While there are many legitimate complaints about international organizations (the North Atlantic Treaty Organization, the World Trade Organization and the United Nations), the world is better off with these institutions. America should engage and exercise its power and influence cautiously and judiciously. We should all understand that global laws, standards and norms will be established whether or not our nation participates in setting them. It is certain that we will be happier with the evolution of global standards if we help craft and implement them. We should not abdicate this role. To the contrary, it is critical that America help develop the best global standards in trade, immigration, corporate governance and many other important issues.

IN CLOSING

While I have a deep and abiding faith in the United States of America and its extraordinary resiliency and capabilities, we do not have a divine right to success. Our challenges are significant, and we should not assume they will take care of themselves. Let us all do what we can to strengthen our exceptional union.

I would like to express my deep gratitude and appreciation for the employees of JPMorgan Chase. From this letter, I hope shareholders and all readers gain an appreciation for the tremendous character and capabilities of our people and how they have helped communities around the world. I hope you are as proud of them as I am.

Jamie Dimon
Chairman and Chief Executive Officer

April 4, 2019