J.P. MORGAN – 2013 EU COMPENSATION DISCLOSURE

JPMorgan Chase & Co. is the parent company of the J.P. Morgan entities based in the EU (the "Firm"). Despite a challenging regulatory and litigation environment and additional capital requirements, the Firm reported strong performance in 2013. A few highlights were:

- Net income of $17.9 billion, on revenue of $99.8 billion
- Earnings per share of $4.35
- Return on tangible common equity in 2012 of 11%[1]
- Tangible book value per share of $40.81 (up 5%)

1. Compensation Principles and Practice

Compensation determinations are globally guided by the JPMorgan Chase Compensation Principles and Practices. As described in this section and in Appendices A and B, these principles and practices include:

- *Maintaining strong governance:* Independent Board oversight of the Firm's compensation principles and practices and their implementation
- *Attracting and retaining top talent*: A recognition that competitive and reasonable compensation helps attract and retain the high quality people necessary to grow and sustain our businesses
- *Tying compensation to performance*:
  - A focus on the qualitative as well as the quantitative performance of the individual employee, the relevant line of business or function and the Firm as a whole
  - A focus on multi-year, long-term, risk-adjusted performance and rewarding behavior that generates sustained value for the Firm through business cycles
  - Performance assessments that are broad-based and balanced, including an emphasis on teamwork and a "shared success" culture
- *Aligning with shareholder interests*:
  - A significant stock component (with deferred vesting) for shareholder alignment and retention of top talent
  - Very strict limits or prohibitions on executive perquisites, special executive retirement severance plans, and no golden parachutes
- *Integrating risk and compensation*:
  - Input into compensation determinations by risk and control functions
  - Although awards are made with the expectation that they will vest in accordance with their original schedule, and all awards contain strong recovery provisions. Additional risk-related recovery provisions apply to the Operating Committee, the Firm's most senior management group, and to a group of senior employees identified as material risk takers of the Firm under guidance of the Federal Reserve in the US with primary responsibility for risk positions, credit decisions, finance, controls and risk management
  - Shares received by Operating Committee members are subject to robust retention requirements and a prohibition on hedging

2. Pay for Performance

The Compensation & Management Development Committee of the Board of JPMorgan Chase & Co ("CMDC") uses a balanced approach in making compensation-related decisions and considers numerous quantitative and qualitative factors to ensure that variable incentive awards reflect both business and individual performance over

[1] Tangible common equity ("TCE"), a non-GAAP financial measure, represents common stockholders' equity (i.e., total stockholders' equity less preferred stock) less goodwill and identifiable intangible assets (other than MSRs), net of related deferred tax liabilities. ROTCE, a non-GAAP financial ratio, measures the Firm's earnings as a percentage of TCE. In management's view, these measures are meaningful to the Firm, as well as analysts and investors in assessing the Firm's use of equity, and in facilitating comparisons with competitors.

a multi-year time frame, account for risk and control outcomes, and appropriately balance achievement towards short- and long-term objectives. Specifically, the CMDC assesses CEO and other members of the Operating Committee's performance against: (1) business results, (2) client/customer goals, (3) people objectives and (4) risk and control outcomes. Pay is also assessed in the context of the external market, to ensure pay levels are competitive and reasonable.

The diversity of the Firm requires use of a disciplined, non-formulaic approach in setting compensation. Similarly, in determining the compensation of the CEO and approving the compensation of the Operating Committee, the CMDC also exercises sound, business judgment when applying their discretion under this Pay-for-Performance framework.

3. 2013 Business Performance Overview

3.1. Performance continued to support sustained shareholder value. Our businesses exhibited strong performance in 2013, despite a challenging regulatory and litigation environment and additional capital requirements. Key business accomplishments and results for 2013 include:

- Strong and sustained underlying performance across all businesses
- Firmwide results negatively impacted by fines and settlements
- Significant progress enhancing controls and addressing regulatory items
- Execution of strategic priorities that better position the Firm for long-term success

We delivered a 37% total return to shareholders in 2013 and continue to deliver sustained financial performance.

3.2. Strong Underlying Performance. Our businesses achieved strong underlying performance in a challenging environment – whilst maintaining a fortress balance sheet—ending the year with a Basel III Tier 1 common ratio of 9.5%, significantly above 2012 ratio of 8.7%. Highlights of 2013 performance for each major line of business operating in the EU and the Firm are provided below.

- **The Corporate & Investment Bank:**
  - Net income of $8.5B on revenue of $34.2B with an ROE of 15%
  - Maintained #1 ranking in Global Investment Banking fees, #1 in Markets revenue and #1 in All-America Fixed Income and Equity Research
  - Investment banking fees of $6.3B (up 10%)
  - Total fixed income and equity markets revenue of $20.2B (up 2%)
  - Ranked top three in 15 of 16 major product categories
- **Commercial Banking:**
  - Net income of $2.6B on revenue of $7.0B with an ROE of 19%
  - End of period loans increased by 7%, with 14 consecutive quarters of loan growth
  - Achieved record gross investment banking revenue from Commercial Banking clients of $1.7B (up 5%)
- **Asset Management :**
  - Record net income of $2.0B on revenue of $11.3B, with 29% pretax margin
  - Record assets under management ("AUM") of $1.6T (up 12%)
  - 80% of 10-year mutual fund AUM in top 2 quartiles
  - 19 consecutive quarters of positive long-term flows
  - Strong growth in international revenue (up 15%)

3.3. Fines and Settlements. Total firmwide legal expense for 2013 was $11.1 billion, as we reached several important resolutions with government agencies and private parties and made significant progress on our control, regulatory and litigation agenda. It was in the best interests of JPMorgan Chase and its shareholders to resolve these issues and move forward. With the progress on these matters, the Firm can focus on continuing to serve its clients and communities around the world. Despite tremendous challenges, the Firm earned $17.9 billion in net income in 2013, compared with $21.3 billion in the previous year.

3.4. Significant Progress in enhancing controls and addressing regulatory issues. A strong and sustainable control environment is integral to delivering our services properly and maintaining the Firm's reputation for integrity and excellence. Mr. Dimon has led the way in this initiative by confronting our legal and regulatory issues and committing the effort and resources necessary to address them. Although many significant settlements were only recently concluded, the Firm did not wait for final resolution before taking responsive measures. Our 2013 enhancements to our risk and control practices, as they relate to compensation, include:

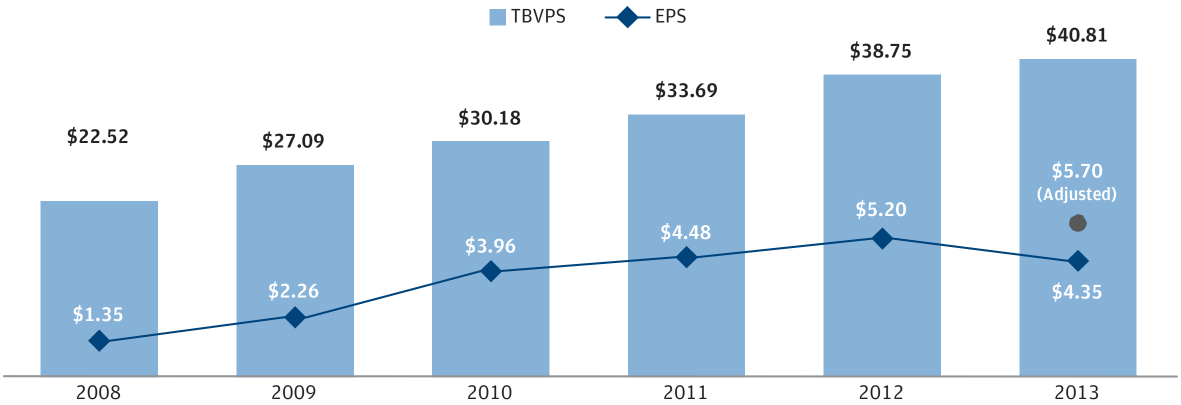
- We implemented an enhanced risk review process in all lines of business and for our corporate functions that identifies and evaluates relevant risk and control issues that surface in various forums (Risk Committee, Business Control, etc.) and, when appropriate, initiates human resources-related remedial actions such as reduction of variable compensation or disciplinary action, up to and including termination of employment.
- Global and Line of Business Incentive Compensation pools are reviewed to ensure that business performance, including the impact of risk and control items, are considered prior to developing preliminary incentive pool guidance. The context for incentive compensation starts with our financial performance. We then take into account other qualitative factors including progress against strategic priorities, risk and control outcomes, staffing changes, people management priorities and competitive market trends.

3.5 Strategic Priorities and Long-Term Success. Our performance in 2013 also reflects our commitment to invest in our businesses, the market leadership of our franchises, and our effectiveness in executing our core business strategies. We believe the following actions we took in 2013 position us to continue to deliver sustained shareholder value:

- Made the regulatory and control agenda the top priority for the Firm through an unprecedented, firmwide, multi-year effort. We have deployed substantial resources to this effort, including increasing the amount spent on the control agenda by approximately $1 billion in 2013. We have dedicated managerial focus, and made changes in our organizational structure, processes and systems to execute this promptly and properly.
- Simplified our business and refocused on our priorities by investing in our core franchises that support our long-term strategy, while working to exit non-core businesses, including physical commodities and student loan origination.
- Resolved a number of outstanding claims with government agencies and private parties, thereby allowing us to focus our energies on serving our clients and building our business.
- Strengthened the Firm's leadership by investing considerable time and resources in a disciplined talent review process and an enhanced executive development program to ensure we have a strong pipeline of talented and diverse business leaders today and the foreseeable for future.
- In 2013, various additional enhancements were made to compensation practices as part of our annual review of the Firm's compensation principles and practices which further align our program to shareholder interests:
    - **Enhanced risk review process** to further strengthen the connection between risks, controls and compensation – described above in more detail.
    - **Eliminated use of stock appreciation rights for 2013,** with new equity awards now 100% in RSUs that generally vest over three years.
    - **Added share ownership requirement for Operating Committee members** to bolster existing share retention guidelines as described under 'Required Share Retention" below. Operating Committee members (including all NEOs) must continuously own a significant amount of our shares, thereby further aligning their interests with those of shareholders.
    - **Enhanced disclosure,** including new Compensation Discussion and Analysis ("CD&A") presentation, in response to shareholder feedback and to improve clarity and transparency.

The Firm has delivered strong financial performance over a sustained period of time, increasing our tangible book value per share ("TBVPS") from $22.52 to $40.81 (from 2008 to 2013)—a 13% compound annual increase over this period. Over the same period, we have also consistently increased diluted earnings per share ("EPS") each year, except for 2013, due to fines and settlements with government agencies and private parties—a compound 26% annual increase. The exhibit below sets forth our TBVPS and EPS over the period.

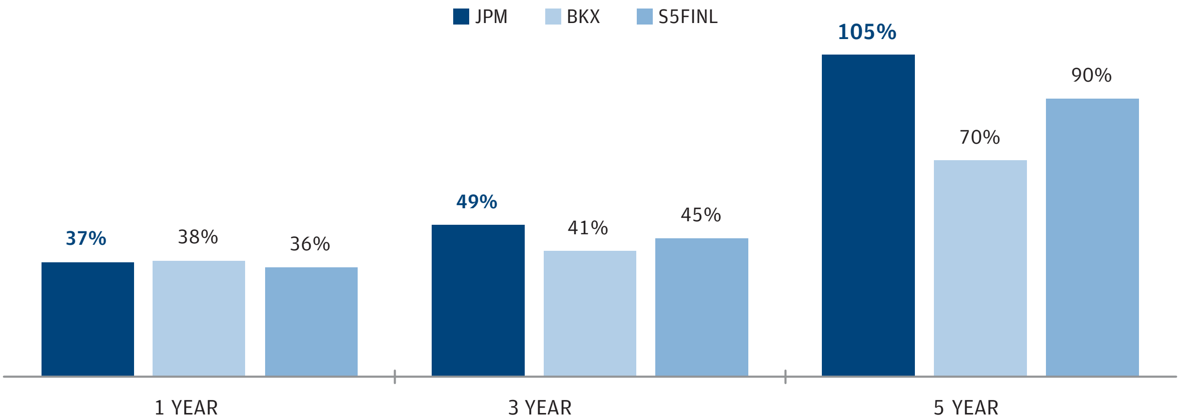
SUSTAINED FINANCIAL PERFORMANCE[1]



[1] Adjusted items in exhibit above, and throughout the CD&A, exclude certain reported significant items, including firmwide legal expenses

We delivered a 37% return to shareholders in 2013, outperforming the S&P 500 Index by five percentage points. The exhibit below shows that our TSR[1] over a one-year, three-year, and five-year period generally outperformed the financial services industry, as measured by the industry-specific KBW Bank Index ("BKx") and S&P Financials Index ("S5FINL").

SUSTAINED SHAREHOLDER VALUE (TSR)



[1] TSR percentages assume reinvestment of dividends.

4. Compensation Framework

4.1 Corporate Governance and Board oversight - JPMorgan Chase's compensation framework is supported by strong corporate governance and board oversight.

- The Board of Directors, through the CMDC, reviews and approves our compensation and benefits programs, ensures the competitiveness of compensation programs, oversees the Firm's compensation principles and practices and reviews the relationship among risk, risk management controls, requirements of our regulators and compensation in light of the Firm's objectives and advises the Board on talent development, diversity and succession planning for key executives

- Specific CMDC compensation related efforts include:
  - Review and approval of the overall incentive pools, percentage paid in cash and stock, and the equity award terms and conditions.
  - Approval of Operating Committee members' compensation, and recommendation of CEO compensation to the Board of for its ratification. Note that no member of the Operating Committee other than the CEO has a role in making a recommendation to the CMDC as to the compensation of any member of the Operating Committee.
  - Review of line of business total incentive accruals versus performance throughout the year, approval of final aggregate incentive funding, total equity grants under the Firm's long-term incentive plan and the terms and conditions for each type of award.
  - Review of the compensation of a number of highly compensated individuals globally, such as employees identified as material risk takers of the Firm under guidance of the Federal Reserve in the US ("Tier 1 Employees"), and the Prudential Regulation Authority and Financial Conduct Authority in the UK ("UK Code Staff") as part of seeking to ensure consistency with applicable regulatory standards in the principal jurisdictions in which we operate.
  - Annual review and approval of the Firm's compensation principles and practices and together with the Firm's Chief Risk Officer, also review of the Firm's compensation programs in light of the Firm's objectives, including its safety and soundness and the avoidance of practices that would encourage excessive risk.
- The CMDC has delegated authority to the Head of Human Resources Officer to administer and amend the compensation and benefits programs.
- Internal Audit conducts regular, independent audits of the Firm's compliance with its established policies and controls and applicable regulatory requirements regarding incentive compensation management. Audit findings are reported to appropriate levels of management, and all adversely-rated audits are reported to the Audit Committee of the Board of Directors.

4.2 Relevant competitor framework - In order to effectively attract, motivate and retain our executives, the CMDC periodically views benchmarking against comparison groups to compare our compensation to the market, to stay abreast of best practices, to be competitive and to use these market factors to inform, but not override, the focus on pay for performance and internal equity.

- The CMDC reviews and selects peer companies that either directly compete with us for business and/or talent or are global organizations in other industries with scope, size or other business and financial characteristics similar to JPMorgan Chase. Factors considered in determining companies for inclusion in the Firm's peer groups include Financial services industry; significant global presence; global iconic brand; Industry leader; Large size (revenue greater than $50 billion); recruits top talent.
- The CMDC does not target or benchmark compensation at any specific percentile or level paid by other companies, but rather considers compensation, including actual compensation levels typically available from public data provided by Human Resources management, among other factors when making determinations.
- Because we view our executive officers as highly talented executives capable of rotating among the leadership positions of our businesses and key functions, we also place importance on the internal pay relationships among members of our Operating Committee.
- The CMDC and Board of Directors elected not to engage the services of a compensation consultant in 2013. Instead, the Firm's Human Resources department provided the CMDC and the Board with both internal and external compensation data and regular updates in an effort to comply with relevant rules and guidance from our regulators and applicable laws.

As part of benchmarking we consider companies in two different peer frames:

Primary, industry specific, competitor group:	
American Express	Goldman Sachs
Bank of America	Morgan Stanley

Citigroup	Wells Fargo	

General industry global organizations:		
Altria	GE	Pfizer
Boeing	Hewlett-Packard	Procter & Gamble
Chevron	IBM	Time Warner
Cisco	Johnson & Johnson	United Technologies
Comcast	Merck	Walmart
Disney	Oracle	3M
ExxonMobile	Pepsico	

Due to our business model and diverse operations of our various lines of business, other firms considered for comparison by our LOBs are Barclays, BNY Mellon, Capital One Financial, Credit Suisse, Deutsche Bank, HSBC, BlackRock and UBS.

4.3 Integrated risk, compensation and financial management framework –Taking risk is inherent in our business strategy. There are several types of risk in compensation programs that we try to manage including:

- Structural risks (program components or features that encourage unacceptable risk taking)
- Alignment risks (pay does not align with the strategy or performance)
- Retention risks (pay does not adequately attract/retain key employees)

We approach our incentive compensation arrangements through an integrated risk, compensation and financial management framework to encourage a culture of risk awareness and individual accountability.

Our approach to financial measurement is based on two key principles:
- Earnings recognition, where appropriate, reflects the inherent risks of positions taken to generate profits.
- All LOBs are measured with earnings and balance sheets as though they were stand-alone companies. This approach is reflected in arms-length agreements and market-based pricing for revenue sharing among businesses, funds transfer pricing, expense allocations and capital allocations.

4.4 Integrating risk with the compensation framework – We integrate risk management into individual employee evaluations and compensation decisions and use balancing mechanisms, such as risk-adjusted metrics, deferrals, clawbacks and multi-year year vesting on long-term incentives to seek to ensure that compensation considers the relationship of near-term rewards to longer-term risks.
- The Firm has always incorporated risk management in its employee evaluation and compensation decisions. In 2013, this was further enhanced by use of a consistent performance checklist for employees identified as Tier 1 Employees and / UK Code Staff material risk takers of the firm under guidance of the Federal Reserve in US (Tier 1), European Banking Authority and Prudential Regulation Authority in the UK (Code Staff). The checklist considers four categories of performance: Business Results, Client Focus, People Leadership, and Risk and Control. The three expectations specific to Risk and Control and regulatory performance are: (1) Drives a robust risk/control environment (2)Demonstrates expected risk/control behaviours and (3) Identifies, escalates and remediates issues
- The use of risk-adjusted financial results in compensation arrangements seeks to ensure that longer-term risks are first quantified and then applied in current-year incentives. Therefore for certain risk, credit and other senior employees, incentive compensation in the current year would be appropriately affected by a number of factors, such as capital charges, valuation adjustments, reserving, and other factors resulting from the consideration of long-term risks.

- Stringent recovery provisions are in place for incentive awards (cash and equity incentive compensation).

As part of our control processes, compensation of risk and control professionals is not based on the performance of the business they oversee.

4.5 Pay mix – Our compensation structure is designed to contribute to the achievement of the Firm's short-term and long-term strategic and operational objectives, while avoiding excessive risk-taking inconsistent with the Firm's risk management strategy. This is accomplished in part through a balanced total compensation program comprised of a mix of fixed pay (base salary) and variable pay in the form of cash incentives and long-term, equity-based incentives that vest over time. Incentives are split between cash and deferred equity. Employees identified as Code Staff are subject to more prescriptive rules in respect of their variable compensation; those rules result at a minimum in the following Incentive Compensation (IC) structure (for an award of £500,000 or more):

- Immediate cash – 20% of IC
- Retained Stock (immediately vested, subject to a 6 month holding period) – 20%
- RSUs – 30%
- Deferred cash – 30%

The percentage of equity being deferred and awarded is higher for more highly compensated employees, thus increasing the aggregate value subject to the continued performance of the Firm's stock.

- We also believe that providing the appropriate level of fixed income and annual cash incentive is important balancing mechanism to ensure that our senior officers are not overly focused on the short-term performance of our stock.
- The majority of compensation plans at JPMorgan Chase address potential timing conflicts by including payment deferral features. Awards that are deferred into equity have multi-year vesting. By staggering the vesting of equity awards over time, the interests of employees to build long-term, sustainable performance (i.e., quality earnings) are better aligned with the long-term interests of both customers and shareholders.

4.6. Equity grant practices – Equity grants are awarded as part of the annual compensation process and as part of employment offers for new hires.

- For 2013, equity-based incentives for the majority of senior managers were granted in the form of RSUs.
- RSU grants generally vest over three years, 50% after two years and 50% after three years or in accordance with applicable U.K. standards. RSUs carry no voting rights; however, dividend equivalents are paid on the RSUs at the time actual dividends are paid on shares of JPMorgan Chase common stock.
- The grant price is not less than the average of the high and the low prices of JPMorgan Chase common stock on the grant date.
- Grants made as part of the annual compensation process are generally awarded in January after earnings are released.

4.7. Required share retention – Share retention policies apply to our directors and members of the Operating Committee. Directors pledge to retain all shares of JPMorgan Chase while they serve as a director. Operating Committee members are expected to establish and maintain a significant level of direct ownership.

4.8. No hedging –

- Operating Committee members and Directors: No hedging of the economic risk of their ownership of our shares is permitted, even for shares owned outright. No short sales, no hedging of unvested RSUs or unexercised options or SARs, and no hedging of deferred compensation.
- Other employees: No short sales, no hedging of unvested RSUs or unexercised options or SARs, and no hedging of deferred compensation. If they own shares outright and can sell them, they are permitted to hedge them, subject to compliance with window period policies that restrict transactions in JPMorgan Chase's shares pending the release of earnings and applicable preclearance rules.

4.9. Long-standing recovery provisions – Incentive awards are intended and expected to vest in accordance with their terms but we have strong recovery provisions that would permit recovery of incentive compensation awards inappropriate circumstances. We retain the right to reduce current year incentives to redress any prior imbalance that we have subsequently determined to have existed, and a clawback review or other recovery mechanism may be initiated as a result of a material restatement of earnings or by acts or omissions of employees as outlined below, including a failure to supervise in appropriate circumstances. Beyond the recovery provisions below that apply to all employees, additional provisions apply to the Operating Committee, Code Staff and to other Tier 1 employees.

- The Firm may seek repayment of cash and equity incentive compensation (vested and unvested) in the event of a material restatement of the Firm's financial results for the relevant period under our recoupment policy adopted in 2006.
- Equity awards are subject to the Firm's right to cancel an unvested or unexercised award, and to require repayment of the value of certain shares distributed under awards already vested if:
  - The employee is terminated for cause or could have been terminated for cause,
  - The employee engages in conduct that causes material financial or reputational harm,
  - The Firm determines that the award was based on materially inaccurate performance metrics,
  - The award was based on a material misrepresentation by the employee, or
  - For members of the Operating Committee, Code Staff and Tier 1 employees, such employees improperly or with gross negligence fail to identify, raise, or assess, in a timely manner and as reasonably expected, risks and/or concerns with respect to risks material to the Firm or its business activities.

Issues that may give rise to recovery determinations may be raised at any time, including in meetings of the Firm's risk committees, annual assessments of employee performance and when Tier I employees resign or their employment is terminated by the Firm. A formal, discretionary compensation review would occur following a determination that the cause and materiality of a risk related loss, issue or other facts and circumstances warranted such a review, and in the circumstances set forth under the protection-based vesting provisions described below. The CMDC is responsible for determinations with respect to Operating Committee members (subject to ratification by the Board of Directors for determinations with respect to the CEO) and has delegated authority for determinations with respect to other employees to the Director of Human Resources. The Director of Human Resources would make such determinations based on reviews and recommendations made by a committee generally composed of the Firm's senior Risk, Human Resources, Legal and Financial officers and the chief executive officer of the line of business for which the review was undertaken.

4.10. Protection-based vesting – Equity awards for the Operating Committee, Code Staff and other Tier 1 employees include provisions that we call protection-based vesting. These provisions were designed to meet requirements of our regulators and to be effective in the event of material losses or earnings substantially below the Firm's potential that could create substantial financial risk. In 2013, the Firm increased the applicability of the protection-based vesting based on Cumulative Return on Tangible Common Equity, as described below, from 50% to 100% of the RSUs that are scheduled to vest at the end of three years for members of the Operating Committee.

For members of the Operating Committee, up to a combined total of 50% of each grant of RSUs granted in 2012 and after ("at risk RSUs") may be cancelled if:

(i) The CEO determines that cancellation of all or portion of at risk RSUs is appropriate in light of any one or a combination of the following factors:
   - The executive's performance in relation to the priorities for the executive's position, or the Firm's performance in relation to the priorities for which the executive shares responsibility as a member of the Operating Committee, have been unsatisfactory for a sustained period of time (the "performance determination condition")
   - Annual pre-provision net income reported at the Firm level is negative for any calendar year ending during the vesting period
   - Awards granted to participants in a Line of Business, for which the executive exercises, or during the vesting period exercised direct or indirect responsibility, were in whole or in part

cancelled because the Line of Business did not meet its annual Line of Business Financial Threshold[2]

(ii) To the extent not cancelled pursuant to the above circumstances, then any remaining at risk RSUs scheduled to vest on January 13, 2017 will be cancelled, absent extraordinary circumstances, if the Firm does not meet a 15% Cumulative Return on Tangible Common Equity over the period 2014, 2015 and 2016 (the sum of the Firm's reported net income for all three years, divided by reported year-end tangible equity averaged over the three years).

In addition to formal recovery provisions and protection-based vesting, the Compensation & Management Development Committee believes that inappropriate risk-taking is also discouraged by management and compensation practices we have long employed. Employee performance is subject to frequent assessment, and we retain the flexibility to reduce current year incentives. Where warranted, individuals may be terminated for cause and may be required to forfeit unvested awards, with certain previously distributed shares also subject to recovery.

4.11. There are no golden parachutes or special severance plans –

- No golden parachutes for any executives.
- No change-in-control agreements.
- No special severance programs for Operating Committee members; the Firm's policy limits severance to a maximum of 52 weeks salary based on years of service.
- Equity award terms provide that awards continue to vest on the original schedule, without acceleration and subject to additional restrictions, for employees who have resigned and meet the Firm's full-career eligibility requirements.

[2] For the Named Executive Officers, failure to meet the annual Line of Business Financial Thresholds would be as follows:
Asset Management - annual negative pre-provision net income;
Corporate & Investment Bank ("CIB") - annual negative pre-provision net income for CIB overall and/or annual negative revenues, excluding DVA, for any of seven specified businesses within CIB, as set forth in the executive's award agreement;
Chief Investment Office ("CIO") - annual trading loss in the mark-to-market portfolios in excess of $1.5 billion; and in
Corporate Functions (other than CIO) - annual negative pre-provision net income of the Firm

Appendix A - JPMorgan Chase Compensation Principles & Practices

A focus on multi-year, long-term, risk-adjusted performance and rewarding behavior that generates sustained value for the Firm through business cycles means compensation should not be overly rigid, formulaic or short-term oriented.	Compensation programs should be designed as much as possible to allow for the Firm to exercise discretion and retain flexibility in compensation decisions. Multi-year guarantees should be kept to an absolute minimum. More generally, the assessment of performance should not be overly formulaic and should not overemphasize any single financial measure or single year, as that can result in unhealthy incentives and lead to unintended, undesirable results. Performance should be considered using a broad-based evaluation of people and their contributions to ensure that the right results are being encouraged. Factors such as integrity, compliance, institutionalizing customer relationships, recruiting and training a diverse, outstanding workforce, building better systems, innovation, and other outcomes should be included. Performance feedback should be obtained from multiple sources across the Firm to ensure it is both balanced and comprehensive. Commission-based incentives generally should be limited. In a fiduciary business, certain roles are evaluated solely on individual and business unit results. In addition, some of these roles are paid long-term compensation with incentives linked directly to their investment strategies in order to more fully align their interests with those of the clients.
An emphasis on teamwork and a “shared success” culture should be encouraged and rewarded.	Contributions should be considered across the Firm, within business units, and at an individual level when evaluating an employee’s performance. Performance should be based on realized profits and risk-adjusted returns that add to the long-term value of the franchise, rather than just revenues. We adjust financial performance for risk and use of the Firm’s capital.

A significant stock component (with deferred vesting) should create a meaningful ownership stake in the Firm, shareholder alignment and retention of top talent.	A significant percentage of incentive compensation should be in stock that vests over multiple years. As the decision-making authority, importance, and impact of an employee's role increases, a greater portion of total compensation should be awarded in stock. A proper balance between annual compensation and longer-term incentives should clearly delineate the importance of sustainable, realizable value. At JPMorgan Chase: • Our Board of Directors is paid a majority of their compensation in stock and our directors have agreed not to sell any shares of stock (including any open market purchases) for as long as they serve on the Board. • Senior executives receive at least 50% (and in some cases, substantially more) of their incentive compensation in stock. • The officers who make up our Operating Committee are generally required to hold 75% of compensation-related stock awards until retirement, subject to the Firm's share retention policy. • Executives cannot short or hedge our stock, and even after retirement, executives typically continue to have substantial holdings of company stock.
Disciplined risk management, compensation recovery, and recovery policies should be robust enough to deter excessive risk-taking and strike balance in the delivery of compensation.	Recoupment policies should go beyond the Sarbanes-Oxley Act of 2002 and other minimum requirements and include recovery of compensation paid for earnings that were never ultimately realized, or if it is determined that compensation was based on materially inaccurate performance metrics or a misrepresentation by an employee. We have in place recovery provisions for "cause" terminations, misconduct, detrimental behavior, and actions causing financial or reputational harm to the Firm or its business activities. For members of the Operating Committee and senior employees with primary responsibility for risk positions and risk management, the Firm may cancel or require repayment of shares if employees failed to properly identify, raise, or assess risks material to the Firm or its business activities.

Competitive and reasonable compensation should help attract and retain the best talent necessary to grow and sustain our business.	Our long-term success depends in very large measure on the talents of our employees. Our compensation system plays a significant role in our ability to attract, motivate, and retain the highest quality management team and diverse workforce. Compensation should have an acute focus on meritocracy, shareholder alignment, sensitivity to the relevant market place, and disciplined processes to ensure it remains above reproach and can help build lasting value for our clients. For employees in good standing who have resigned and meet "full-career eligibility" or other acceptable criteria, awards generally should continue to vest over time on their original schedule and be subject to continuing post-employment obligations to the Firm during this period.
Strict limits and prohibitions eliminate executive perquisites, special executive retirement benefits, special severance plans and golden parachutes.	An executive's compensation should be straightforward and consist primarily of cash and equity. We do not maintain special supplemental retirement or other special benefits just for executives. The Firm generally has not had any change in control agreements, golden parachutes, merger bonuses, or other special severance benefit arrangements for executives.
Independent Board oversight of the Firm's compensation practices and principles and their implementation should ensure proper governance and regulatory compliance.	Our Compensation & Management Development Committee, which includes only independent directors, reviews and approves the Firm's overall compensation philosophy, principles, and practices. The Committee reviews the Firm's compensation practices as they relate to risk and risk management in light of the Firm's objectives, including its safety and soundness and the avoidance of excessive risk. The Committee reviews and approves the terms of our compensation award programs, including recovery provisions, restrictive covenants and vesting periods. The Committee reviews and approves the Firm's overall incentive compensation pools and reviews those of each of the Firm's Lines of Businesses and of the Corporate Sector. The Committee reviews the performance and approves all compensation awards for the Firm's Operating Committee on a name-by-name basis. The full Board's independent directors review the performance and approve the compensation of our CEO.

Appendix B - J.P. Morgan's Pay Practices: - We design our executive compensation program to be performance driven, competitive with the market and responsibly governed with direct oversight by the Board, as set forth in the table below.

STRONG ALIGNMENT WITH SHAREHOLDERS (WHAT WE DO)	
Compensation principles We believe our compensation principles promote a best practice approach to compensation, including: (1) aligning with shareholder interests; (2) attracting and retaining top talent; (3) integrating risk with compensation; (4) maintaining strong governance; and (5) tying pay to performance.	**Hedging/pledging policy** Operating Committee members and Directors are prohibited from any hedging of our shares, including short sales; hedging/pledging of unvested RSUs, unexercised options or SARs; and hedging of any shares personally owned outright or through deferred compensation.
Pay at risk Majority of Operating Committee compensation is "at-risk" and contingent on achievement of business goals that are integrally linked to shareholder value and safety and soundness.	**Strong clawback policy** Comprehensive recovery provisions enable us to cancel or reduce unvested awards, or require repayment of cash or equity compensation already paid.
Pay for sustained performance The majority of NEOs' variable compensation is in JPMorgan Chase common stock, and is subject to mandatory three-year deferral. A substantial portion of awards is subject to cancellation if thresholds are not met over this period, with final payout levels based on our stock price at time of vesting (i.e., if our stock price goes down, award value goes down and vice-versa).	**Competitive benchmarking** To make fully informed decisions on pay levels and pay practices, we benchmark ourselves against Board-designated peer groups. We believe external market data is an important component of attracting and retaining top talent, while driving shareholder value.
Risk events impact pay In making pay decisions, we consider material risk and control issues, at both the Firm and line-of-business levels, and make adjustments to compensation, when appropriate.	**Responsible use of equity** We manage our equity program responsibly, using only approximately 1.5% of common shares outstanding in 2013. In addition, our share buyback program significantly reduces shareholder dilution.
Strong share ownership guidelines Operating Committee members, including NEOs, are required to own a minimum of 200,000 to 400,000 shares of our common stock; CEO must own a minimum of 1,000,000 shares.	**Shareholder outreach** Each year, we solicit from our investors feedback on our compensation programs and practices. We consider this feedback when making compensation decisions.

SOUND GOVERNANCE PRACTICES (WHAT WE DON'T DO)	
No golden parachute agreements *We do not provide additional payments or benefits in connection with a change-in-control event.*	***No guaranteed bonuses*** *We do not provide guaranteed bonuses, except for select individuals at hire for one year.*
No special severance *We do not provide special severance. All employees, including NEOs, participate at the same level of severance, based on years of service, capped at 52 weeks up to a maximum salary limit*	***No special executive benefits*** • *No Special executive benefits*

Appendix C - Elements of Compensation

Compensation element	Description	Other features
Base salary	The fixed portion of total compensation that provides a measure of certainty and predictability to meet certain living and other financial commitments.	Reviewed periodically and subject to increase if, among other reasons, the executive acquires material additional responsibilities, or the market changes substantially.
Annual variable compensation	Performance based incentives which can vary significantly from year to year. JPMorgan Chase's principal discretionary incentive arrangement, which covers the majority of employees across virtually all of our LOBs.	The Firm views incentive compensation in the context of total compensation and does not establish target levels of incentive compensation as a percentage of the relevant employees' annual base compensation.
- Short-term incentives	The cash portion of total incentive paid shortly following the performance year, generally in January.	Subject to fixed percentage based on total incentive amount.
- Long-term incentives	Deferred compensation is awarded in the form of Restricted Stock Units ("RSUs") and, for Code Staff, deferred cash, determined by a mandatory deferral percentage representing a portion of the entire incentive award.	The vesting schedule of deferred compensation for the majority of employees is generally 50% after two years and 50% after three years. No awards vest sooner than on a pro rata basis over a three year period. Shares received upon vesting or exercise are subject to the retention policy applicable to senior management described at page 7 and / or a 6 month holding period for EU Code Staff Equity-related compensation for Operating Committee members is subject to further restriction and recovery as described at pages 8 to 9

Pension & retirement	Pension provisions vary by country.	
Health & welfare benefits	Firm-wide benefits such as life insurance, medical coverage and disability insurance.	No special programmes for senior executives.
Severance plan	Severance plans vary by country according to legal obligations and market practice.	