J.P. MORGAN – 2012 EU COMPENSATION DISCLOSURE

JPMorgan Chase & Co. is the parent company of the J.P. Morgan entities based in the UK. For the third consecutive year, the Firm reported both record net income and a return on tangible common equity of 15%. A few highlights were:

- Record net income of $21 billion, up 12% from 2011
- Earnings per share of $5.20, up 16% from 2011
- Return on tangible common equity in 2012 of 15%[1]

Compensation Principles and Practice

Compensation determinations are guided by the JPMorgan Chase Compensation Principles and Practices. As described in this section and in Appendix A, these principles 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 terms, all awards contain strong recovery provisions, and additional risk-related recovery provisions apply to the Operating Committee, the Firm's most senior management group, and to a group of senior employees we refer to as Tier 1 employees 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

Pay for Performance

The Compensation & Management Development Committee uses its business judgment to determine the compensation of the CEO and approve compensation for other members of the Operating Committee, focusing on multi-year results and a qualitative and quantitative view of their total contribution.

- As Chairman and CEO, Mr. Dimon is responsible for guiding the Firm's financial performance and growth, its strategic and operational priorities, risk and control management, and management development and

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[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.

succession planning. Mr. Dimon reviews the priorities for the Firm with the Board of Directors and, in consultation with the Compensation & Management Development Committee and the Board, establishes the priorities for each line of business ("LOB") CEO annually, which are the priorities of the businesses they lead. Heads of functions also review and establish their priorities with the CEO.

- Mr. Dimon discusses with the Compensation & Management Development Committee his assessment of the performance of each other member of the Operating Committee with respect to individual contributions, risk and control management and business or function performance, as well as overall Firm performance. Mr. Dimon makes compensation recommendations to the Compensation & Management Development Committee for their consideration as part of their approval process.
- Business-specific objectives are evaluated at various points during the year, including during the budget process and monthly business reviews. Each of our businesses reviews its priorities with investors at our annual Investor Day, held most recently on February 26, 2013. Each LOB CEO also reviews 2012 results and the outlook for the future in letters in the Annual Report. We recommend reading those letters and the Chairman's letter for a fuller understanding of the priorities and performance of the Firm and its businesses.

2012 Business Performance Overview

- *Record net income*. For the third consecutive year, the Firm reported both record net income and a return on tangible common equity of 15%. Net income was $21.3 billion (an increase of 12%), or $5.20 per share, on net revenue of $97.0 billion.
- *Strong underlying performance*. The Firm's 2012 results reflected strong underlying performance across virtually all its businesses, with strong lending and deposit growth.
  - Within Consumer & Community Banking:
    - Consumer & Business Banking added 106 net branches and increased average deposits by 9% in 2012.
    - Business Banking loans increased to a record $18.9 billion, up 7% compared with 2011.
    - Mortgage Banking reported strong production revenue driven by strong originations growth.
    - Credit card sales volume on cards issued to consumers and small businesses was up 11% for the year.
  - The Corporate & Investment Bank:
    - Maintained its #1 ranking in Global Investment Banking Fees.
    - Ranked #1 in Fixed Income Markets revenue.
    - Ranked #1 in All American Fixed Income and Equity Research.
    - Ranked #1 USD wire clearer with 20% share of Fed and CHIPS.
    - Reported assets under custody of $18.8 trillion at December 31, 2012.
  - Commercial Banking reported record net revenue of $6.8 billion and record net income of $2.6 billion in 2012. Commercial Banking loans increased to a record $128.2 billion, up 14%.
  - Asset Management reported record revenue in 2012 and achieved its fifteenth consecutive quarter of positive net long-term client flows into assets under management. Asset Management also increased loan balances to a record $80.2 billion at December 31, 2012.
- *Fortress balance sheet*. JPMorgan Chase ended the year with a Basel I Tier 1 common ratio of 11%, compared with 10.1% at year-end 2011. The Firm estimated that its Basel III Tier 1 common ratio was approximately 8.7% at December 31, 2012 (including the estimated impact of final Basel 2.5 rules and the Basel III Advanced Notice of Proposed Rulemaking).
- *Helping customers, clients and communities*. During 2012, the Firm worked to help its customers, corporate clients and the communities in which it does business.
  - The Firm provided credit and raised capital of more than $1.8 trillion for its clients during 2012; this included $20 billion loaned to small businesses and $85 billion for nearly 1,500 nonprofit and government entities, including states, municipalities, hospitals and universities.
  - The Firm also originated more than 920,000 mortgages, and provided credit cards to approximately 6.7 million people. Since the beginning of 2009, the Firm has offered nearly 1.4

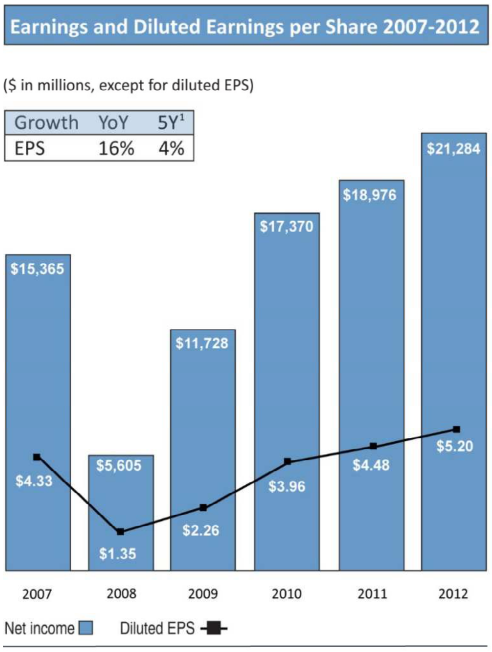
million mortgage modifications and of these approximately 610,000 have achieved permanent modifications.

- Made more than $190 million in philanthropic donations to nonprofit entities in 37 countries around the world to support community development, education, and arts and culture. More than 43,000 of our people provided more than 468,000 hours of volunteer service in local communities around the globe.
- Hired nearly 5,000 U.S. military since the beginning of 2011.

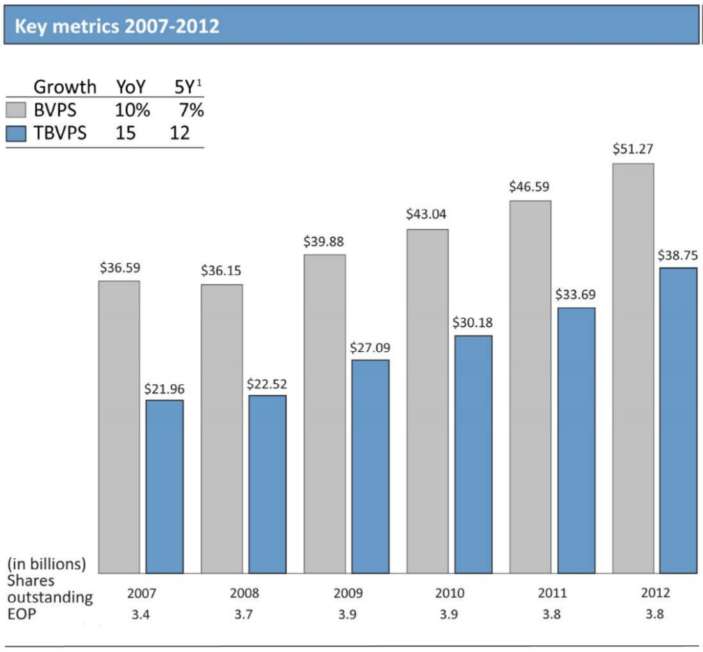
The foregoing results include the effect of significant losses incurred in 2012 in the Synthetic Credit Portfolio within the Corporate Investment Office.

The charts below show the growth in the Firm's earnings, earnings per share ("EPS"), book value per share ("BVPS") and tangible book value per share ("TBVPS") for the period between 2007 and 2012. Over the 5-year period, earnings per share for the Firm grew 4%. Book value per share grew 7% and tangible book value per share grew 12% over the same 5-year period.

Uninterrupted record of delivering annual and quarterly net income throughout the crisis



1 Compound annual growth rate



1 Compound annual growth rate

The chart below shows the Firm's annualized total shareholder return, assuming reinvestment of dividends, over the 5-year period 2007 through 2012, relative to the broad S&P 500 Index, the industry specific KBW Bank Index and the S&P 500 Financial Index.

Performance of the Firm on a through-the-cycle basis[2]

Compensation Framework

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 Compensation & Management Development Committee, oversees our compensation programs, including the overall incentive pools, percentage paid in cash and stock, and the equity award terms and conditions.
- The Compensation & Management Development Committee approves compensation for members of the Operating Committee, and for the CEO makes a recommendation to the Board for its ratification. No member of the Operating Committee other than the CEO has a role in making a recommendation to the Compensation & Management Development Committee as to the compensation of any member of the Operating Committee.
- The Compensation & Management Development Committee also reviews line of business total incentive accruals versus performance throughout the year, approves final aggregate incentive funding, and approves total equity grants under the Firm's long-term incentive plan and the terms and conditions for each type of award.
- The Compensation & Management Development Committee also reviews the compensation of a number of highly compensated individuals globally, such as employees in the U.K. covered by regulations of the Financial Services Authority (which became the Prudential Regulatory Authority and Financial Conduct Authority during 2013), and employees in the U.S. covered by guidance of the Federal Reserve as part of seeking to ensure consistency with applicable regulatory standards in the principal jurisdictions in which we operate.

[2] The S&P 500 Index is a commonly referenced U.S. equity benchmark consisting of leading companies from different economic sectors. The KBW Bank Index seeks to reflect the performance of banks and thrifts that are publicly-traded in the U.S. and is composed of 24 leading national money center and regional banks and thrifts. The S&P Financial Index is an index of 80 financial companies, all of which are components of the S&P 500. The Firm is a component of all three industry indices.

- The Compensation & Management Development Committee each year reviews the Firm's compensation programs with the Chief Risk Officer with the objective of ensuring that such compensation programs do not encourage unnecessary or excessive risk-taking. The Compensation & Management Development Committee also meets at least annually with one or more members of the Risk Policy Committee.
- The Compensation & Management Development Committee 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.

Relevant competitor framework - The Compensation & Management Development Committee 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 Compensation & Management Development Committee 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.
- The Compensation & Management Development Committee 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 Compensation & Management Development Committee and Board of Directors did not engage the services of a compensation consultant in 2012; rather, the Firm's Human Resources department provides the Compensation & Management Development Committee with both internal and external compensation data publicly available and from outside consultants, and updates throughout the year.

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.

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

Integrating risk with the compensation framework – We 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 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 predominantly based on the performance of the business they oversee.

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. 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 salary and annual cash incentive is important in ensuring 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.

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

- For 2012, equity-based incentives for the majority of senior managers were granted in the form of RSUs and SARs.
- 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.
- SARs become exercisable 20% per year over five years and any shares received upon exercise must be held for not less than five years from the grant date.
- 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.
- The Firm does not grant options with restoration rights and prohibits repricing of stock options and SARs.

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. In 2012, for Mr. Dimon and other members of the Operating Committee, after-tax shares they receive from equity-based awards, including options, were subject to a 75% retention requirement during the first 10 years from grant of the award and 50% thereafter. Half of unvested RSUs (the approximate after tax-equivalent) are included as part of both the ownership and the retention calculation.
- Executives are subject to these retention requirements during their service on the Operating Committee; any exceptions are subject to approval by the General Counsel.
- The Firm's percentage retention requirements result in Named Executive Officers being required to hold shares that have a value equal to a substantial multiple of their salaries. For Mr. Dimon, his share ownership was substantially in excess of his required retention as of that date and his required retention was more than 20 times his base salary.

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.

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 and to other Tier 1 employees.

- The Firm may seek repayment of cash and equity incentive compensation 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 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 Compensation & Management Development Committee 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.

Protection-based vesting – In 2012, the Firm added provisions in our equity awards for the Operating Committee and other Tier 1 employees 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 RSUs granted in 2013 ("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[3]

(ii) To the extent not cancelled pursuant to the above circumstances, then any remaining at risk RSUs scheduled to vest on January 13, 2016 will be cancelled, absent extraordinary circumstances, if the Firm does not meet a 15% Cumulative Return on Tangible Common Equity over the period 2013, 2014 and 2015 (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).

For SARs granted in 2013, unexercisable SARs may be cancelled or deferred if the CEO determines that such action is appropriate under the above performance determination condition. Any determination with respect to these RSU and SAR provisions is subject to ratification by (and for an award to the CEO would be made by) the Compensation and Management Development Committee.

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.

There are no golden parachutes or special severance plans –
- No golden parachutes for any executives.
- No change-in-control agreements.

[3] 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

- 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.

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.

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<tr><td>A significant stock component (with deferred vesting) should create a meaningful ownership stake in the Firm, shareholder alignment and retention of top talent.</td><td> 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.</td></tr>
<tr><td>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.</td><td>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.</td></tr>
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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

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 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. SAR awards become exercisable ratably on each of the first five anniversaries of the grant date and shares received upon exercise must be held for at least five years after the grant date. Shares received upon vesting or exercise are subject to the retention policy applicable to senior management described at page 7. Equity-related compensation for Operating Committee members is subject to further restriction and

		recovery as described at pages 7-8.
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.	