JPMORGAN CHASE & CO
Form 10-Q
November 08, 2012

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

For the quarterly period ended September 30, 2012	Commission file number 1-5805
JPMorgan Chase & Co. (Exact name of registrant as specified in its charter)	
Delaware (State or other jurisdiction of incorporation or organization)	13-2624428 (I.R.S. employer identification no.)
270 Park Avenue, New York, New York (Address of principal executive offices)	10017 (Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
T Yes o No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer T Accelerated filer o
Non-accelerated filer (Do not check if a smaller reporting company) o Smaller reporting company o

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

Number of shares of common stock outstanding as of October 31, 2012: 3,801,401,625

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JPMorgan Chase & Co.
Consolidated financial highlights
(unaudited)

(in millions, except per share, headcount and ratio data)						Nine months ended September 30,	
As of or for the period ended,	3Q12	2Q12	1Q12	4Q11	3Q11	2012	2011
Selected income statement data							
Total net revenue	$25,146	$22,180	$26,052	$21,471	$23,763	$73,378	$75,763
Total noninterest expense	15,371	14,966	18,345	14,540	15,534	48,682	48,371
Pre-provision profit	9,775	7,214	7,707	6,931	8,229	24,696	27,392
Provision for credit losses	1,789	214	726	2,184	2,411	2,729	5,390
Income before income tax expense	7,986	7,000	6,981	4,747	5,818	21,967	22,002
Income tax expense	2,278	2,040	2,057	1,019	1,556	6,375	6,754
Net income	$5,708	$4,960	$4,924	$3,728	$4,262	$15,592	$15,248
Per common share data							
Net income per share: Basic	$1.41	$1.22	$1.20	$0.90	$1.02	$3.82	$3.60
Diluted	1.40	1.21	1.19	0.90	1.02	3.81	3.57
Cash dividends declared per share[(a)]	0.30	0.30	0.30	0.25	0.25	0.90	0.75
Book value per share	50.17	48.40	47.48	46.59	45.93	50.17	45.93
Tangible book value per share[(b)]	37.53	35.71	34.79	33.69	33.05	37.53	33.05
Common shares outstanding							
Average: Basic	3,803.3	3,808.9	3,818.8	3,801.9	3,859.6	3,810.4	3,933.2
Diluted	3,813.9	3,820.5	3,833.4	3,811.7	3,872.2	3,822.6	3,956.5
Common shares at period-end	3,799.6	3,796.8	3,822.0	3,772.7	3,798.9	3,799.6	3,798.9
Share price[(c)]							
High	$42.09	$46.35	$46.49	$37.54	$42.55	$46.49	$48.36
Low	33.10	30.83	34.01	27.85	28.53	30.83	28.53
Close	40.48	35.73	45.98	33.25	30.12	40.48	30.12
Market capitalization	153,806	135,661	175,737	125,442	114,422	153,806	114,422
Selected ratios							
Return on common equity ("ROE")	12 %	11 %	11 %	8 %	9 %	11 %	11 %
Return on tangible common equity ("ROTCE")[(b)]	16	15	15	11	13	15	16
Return on assets ("ROA")	1.01	0.88	0.88	0.65	0.76	0.92	0.94
Return on risk-weighted assets[(d)]	1.74	1.52	1.57	1.21	1.40	1.61	1.70
Overhead ratio	61	67	70	68	65	66	64
Deposits-to-loans ratio	158	153	157	156	157	158	157
Tier 1 capital ratio	11.9	11.3	11.9	12.3	12.1	11.9	12.1
Total capital ratio	14.7	14.0	14.9	15.4	15.3	14.7	15.3
Tier 1 leverage ratio	7.1	6.7	7.1	6.8	6.8	7.1	6.8
Tier 1 common capital ratio[(e)]	10.4	9.9	9.8	10.1	9.9	10.4	9.9
Selected balance sheet data (period-end)							
Trading assets	$447,053	$417,324	$455,633	$443,963	$461,531	$447,053	$461,531
Securities	365,901	354,595	381,742	364,793	339,349	365,901	339,349

Loans	721,947	727,571	720,967	723,720	696,853	721,947	696,853
Total assets	2,321,284	2,290,146	2,320,164	2,265,792	2,289,240	2,321,284	2,289,240
Deposits	1,139,611	1,115,886	1,128,512	1,127,806	1,092,708	1,139,611	1,092,708
Long-term debt	241,140	239,539	255,831	256,775	273,688	241,140	273,688
Common stockholders’ equity	190,635	183,772	181,469	175,773	174,487	190,635	174,487
Total stockholders’ equity	199,693	191,572	189,269	183,573	182,287	199,693	182,287
Headcount	259,547	262,882	261,453	260,157	256,663	259,547	256,663
Credit quality metrics							
Allowance for credit losses	$23,576	$24,555	$26,621	$28,282	$29,036	$23,576	$29,036
Allowance for loan losses to total retained loans	3.18 %	3.29 %	3.63 %	3.84 %	4.09 %	3.18 %	4.09 %
Allowance for loan losses to retained loans excluding purchased credit-impaired loans[(f)]	2.61	2.74	3.11	3.35	3.74	2.61	3.74
Nonperforming assets	$12,481	$11,397	$11,953	$11,315	$12,468	$12,481	$12,468
Net charge-offs	2,770	2,278	2,387	2,907	2,507	7,435	9,330
Net charge-off rate	1.53 %	1.27 %	1.35 %	1.64 %	1.44 %	1.39 %	1.83 %

(a) On March 13, 2012, the Board of Directors increased the Firm’s quarterly stock dividend from $0.25 to $0.30 per share.

(b) Tangible book value per share and ROTCE are non-GAAP financial ratios. ROTCE measures the Firm’s earnings as a percentage of tangible common equity. Tangible book value per share represents the Firm’s tangible common equity divided by period-end common shares. For further discussion of these ratios, see Explanation and Reconciliation of the Firm’s Use of Non-GAAP Financial Measures on pages 15–16 of this Form 10-Q.

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

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

(e) Basel I Tier 1 common capital ratio (“Tier 1 common ratio”) is Tier 1 common capital (“Tier 1 common”) divided by risk-weighted assets. The Firm uses Tier 1 common capital along with the other capital measures to assess and monitor its capital position. For further discussion of Tier 1 common capital ratio, see Regulatory capital on pages 59–61 of this Form 10-Q.

(f) Excludes the impact of residential real estate purchased credit-impaired (“PCI”) loans. For further discussion, see Allowance for credit losses on pages 93–95 of this Form 10-Q.

INTRODUCTION

This section of the Form 10-Q provides management's discussion and analysis ("MD&A") of the financial condition and results of operations of JPMorgan Chase. See the Glossary of terms on pages 213–216 for definitions of terms used throughout this Form 10-Q.

The MD&A included in this Form 10-Q contains statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on the current beliefs and expectations of JPMorgan Chase's management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. For a discussion of those risks and uncertainties and the factors that could cause JPMorgan Chase's actual results to differ materially from those risks and uncertainties, see Forward-looking Statements on page 111 and Part II, Item 1A: Risk Factors, on pages 220–222 of this Form 10-Q; Part II, Item 1A: Risk Factors, on pages 175–175A of the Firm's Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2012; Part II, Item 1A: Risk Factors, on pages 219–222 of the Firm's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012; and Part I, Item 1A, Risk Factors, on pages 7–17 of JPMorgan Chase's Annual Report on Form 10-K for the year ended December 31, 2011, filed with the U.S. Securities and Exchange Commission ("2011 Annual Report" or "2011 Form 10-K"), to which reference is hereby made.

JPMorgan Chase & Co., a financial holding company incorporated under Delaware law in 1968, is a leading global financial services firm and one of the largest banking institutions in the United States of America ("U.S."), with operations worldwide; the Firm has $2.3 trillion in assets and $199.7 billion in stockholders' equity as of September 30, 2012. The Firm is a leader in investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing, asset management and private equity. Under the J.P. Morgan and Chase brands, the Firm serves millions of customers in the U.S. and many of the world's most prominent corporate, institutional and government clients.

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

JPMorgan Chase's activities at the end of the third quarter 2012 were organized, for management reporting purposes, into six major business segments. In addition, there is a Corporate/Private Equity segment. The Firm's wholesale businesses comprise the Investment Bank, Commercial Banking, Treasury & Securities Services and Asset Management segments. The Firm's consumer businesses comprise the Retail Financial Services and Card Services & Auto segments. A description of the Firm's business segments, and the products and services they provide to their respective client bases, follows.

Investment Bank

J.P. Morgan is one of the world's leading investment banks, with deep client relationships and broad product capabilities. The clients of the Investment Bank ("IB") are corporations, financial institutions, governments and institutional investors. The Firm offers a full range of investment banking products and services in all major capital markets, including advising on corporate strategy and structure, capital-raising in equity and debt markets, sophisticated risk management, market-making in cash securities and derivative instruments, prime brokerage, and research.

Retail Financial Services

Retail Financial Services ("RFS") serves consumers and businesses through personal service at bank branches and through ATMs, online and mobile banking and telephone banking. RFS is organized into Consumer & Business Banking and Mortgage Banking (including Mortgage Production and Servicing, and Real Estate Portfolios). Consumer & Business Banking offers deposit and investment products and services to consumers and lending, deposit and cash management, and payment solutions to small businesses. Mortgage Production and Servicing includes mortgage origination and servicing activities. Real Estate Portfolios comprises residential mortgages and home equity loans, including the PCI portfolio acquired in the Washington Mutual transaction. Customers can use nearly 5,600 bank branches (second largest nationally) and nearly 18,500 ATMs (largest nationally), as well as online and mobile banking around the clock. More than 32,800 branch salespeople assist customers with checking and savings accounts, mortgages, home equity and business loans, and investments across the 23-state footprint from New York and Florida to California. As one of the largest mortgage originators in the U.S., Chase helps customers buy or refinance homes resulting in more than $150 billion of mortgage originations annually. Chase also services approximately 8 million mortgages and home equity loans.

Card Services & Auto

Card Services & Auto ("Card") is one of the nation's largest credit card issuers, with over $124 billion in credit card loans. Customers have nearly 64 million open credit card accounts (excluding the commercial card portfolio), and used Chase credit cards to meet over $279 billion of their spending needs in the nine months ended September 30, 2012. Consumers can obtain loans through more than 17,400 auto dealerships. Chase customers also can obtain student loans for attendance at eligible schools and universities nationwide. Through its Merchant Services business, Chase Paymentech Solutions, Card is a global leader in payment processing and merchant acquiring.

Commercial Banking

Commercial Banking ("CB") delivers extensive industry knowledge, local expertise and dedicated service to U.S. and U.S. multinational clients, including corporations, municipalities, financial institutions and not-for-profit entities with annual revenue generally ranging from $10 million to $2 billion. In addition, CB provides financing to real estate investors and owners. Partnering with the Firm's other businesses, CB provides comprehensive financial solutions, including lending, treasury services, investment banking and asset management to meet its clients' domestic and international financial needs.

Treasury & Securities Services

Treasury & Securities Services ("TSS") is a global leader in transaction, investment and information services. TSS is one of the world's largest cash management providers and a leading global custodian. Treasury Services ("TS") provides cash management, trade, wholesale card and liquidity products and services to small- and mid-sized companies, multinational corporations, financial institutions and government entities. TS partners with IB, CB, RFS and Asset Management businesses to serve clients firmwide. Certain TS revenue is included in other segments' results. Worldwide Securities Services ("WSS") holds, values, clears and services securities, cash and alternative investments for investors and broker-dealers, and manages depositary receipt programs globally.

Asset Management

Asset Management ("AM"), with assets under supervision of $2.0 trillion as of September 30, 2012, is a global leader in investment and wealth management. AM clients include institutions, retail investors and high-net-worth individuals in every major market throughout the world. AM offers global investment management in equities, fixed income, real estate, hedge funds, private equity and liquidity products, including money-market instruments and bank deposits. AM also provides trust and estate, banking and brokerage services to high-net-worth clients, and retirement services for corporations and individuals. The majority of AM's client assets are in actively managed portfolios.

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

Corporate/Private Equity

The Corporate/Private Equity sector comprises Private Equity, Treasury, Chief Investment Office ("CIO"), and Other Corporate, which includes corporate staff units and expense that is centrally managed. Treasury and CIO manage capital and liquidity of the Firm. The corporate staff units include Central Technology and Operations, Audit, Executive, Finance, Human Resources, Corporate Marketing, Internet & Mobile, Legal & Compliance, Global Real Estate, General Services, Risk Management, and Corporate Responsibility & Public Policy. Other centrally managed expense includes the Firm's occupancy and pension-related expense that are subject to allocation to the businesses.

Business segment changes

On July 27, 2012, the Firm announced that it will be reorganizing its business segments to reflect the manner in which the segments will be managed. The reorganization of the business segments is expected to be effective beginning in the fourth quarter of 2012. As a result, Retail Financial Services and Card Services & Auto businesses will be combined to form the Consumer & Community Banking segment. The Investment Bank and Treasury & Securities Services businesses will be combined to form the Corporate & Investment Bank segment. Asset Management and Commercial Banking will remain unchanged. In addition, Corporate/Private Equity will not be significantly affected.

EXECUTIVE OVERVIEW

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

Economic environment

The global economy continued to expand in the third quarter of 2012, but reflected regional differences.

The U.S. economy grew at a modest pace. The U.S. unemployment rate declined to 7.8% at the end of the third quarter as U.S. labor market conditions continued to improve at a slow pace. The U.S. housing sector continued to show signs of improvement: excess inventories were reduced, prices began to rise and affordability improved in most areas of the country as household incomes stabilized and mortgage rates declined. During the third quarter, homebuilder confidence improved to the highest level in six years and housing starts increased to the highest level in four years. The multifamily and rental sector continued to benefit from robust demand. Business fixed investment remained solid; although slower in recent months as nonresidential construction declined, investments in equipment and software remained strong.

The Board of Governors of the Federal Reserve System (the “Federal Reserve”) maintained the target range for the

federal funds rate at zero to one quarter percent and guided that economic conditions are likely to warrant exceptionally low levels for the federal funds rate, at least through late 2015. Additionally, the Federal Reserve announced a new asset purchase program that would be open-ended and is intended to speed up the pace of the U.S. economic recovery and produce sustained improvement in the labor market.

Asia’s developing economies continued to expand, although growth was significantly slower than earlier in the year, reducing global inflationary pressures.

During the third quarter of 2012, the European Central Bank (“ECB”) announced a new government bond-buying program referred to as the Outright Monetary Transactions (“OMT”) plan. The plan includes the ECB’s conditional pledge to purchase “unlimited” amounts of the government bonds of the region’s troubled nations and is intended shore up confidence in the Euro. With the announcement of the OMT plan and other actions by the ECB, concerns over the European monetary union have recently receded.

The U.S. economy is likely to be affected by the continuing uncertainty about Europe’s financial crisis, the Federal Reserve’s monetary policy, and the fiscal debate over taxes and spending that is expected to occur later in 2012, among other factors.

Financial performance of JPMorgan Chase

(in millions, except per share data and ratios)	Three months ended September 30, 2012	2011	Change	Nine months ended September 30, 2012	2011	Change
Selected income statement data						
Total net revenue	$25,146	$23,763	6%	$73,378	$75,763	(3)%
Total noninterest expense	15,371	15,534	(1)	48,682	48,371	1
Pre-provision profit	9,775	8,229	19	24,696	27,392	(10)
Provision for credit losses	1,789	2,411	(26)	2,729	5,390	(49)
Net income	5,708	4,262	34	15,592	15,248	2
Diluted earnings per share	1.40	1.02	37%	3.81	3.57	7%
Return on common equity	12%	9%		11%	11%	
Capital ratios						
Tier 1 capital	11.9	12.1				
Tier 1 common	10.4	9.9				

Business Overview

JPMorgan Chase reported record third-quarter 2012 net income of $5.7 billion, or a record $1.40 per share, on net revenue of $25.1 billion. Net income increased by $1.4 billion, or 34%, compared with net income of $4.3 billion, or $1.02 per share, in the third quarter of 2011. ROE for the quarter was 12%, compared with 9% for the prior-year quarter. Results in the third quarter of 2012 included the following significant items: $900 million pretax benefit ($0.14 per share after-tax increase in earnings) from a reduction in the allowance for loan losses in Real Estate

Portfolios; $825 million pretax incremental charge-offs ($0.13 per share after-tax decrease in earnings) due to regulatory guidance on certain residential loans in Real Estate Portfolios; $888 million pretax benefit ($0.14 per share after-tax increase in earnings) due to extinguishment gains on redeemed trust preferred capital debt securities in Corporate; $684 million pretax expense ($0.11 per share after-tax decrease in earnings) for additional litigation reserves in Corporate. The tax rate used for each of the above significant items is 38%; for additional information, see the discussion at the end of this section on pages 8–9.

The increase in net income from the third quarter of 2011 was driven by higher net revenue, a lower provision for credit losses and lower noninterest expense. The increase in net revenue as compared with the prior year was due to higher mortgage fees and related income, higher principal transactions revenue, and higher investment banking fees. Net interest income decreased compared with the prior year, reflecting the impact of low interest rates, as well as lower average trading balances, faster prepayment of mortgage-backed securities, limited reinvestment opportunities and the run off of higher-yielding loans, partially offset by lower deposit costs.

Results in the third quarter of 2012 reflected positive credit trends for the consumer real estate and credit card portfolios. The provision for credit losses was $1.8 billion, down $622 million, or 26%, from the prior year. The total consumer provision for credit losses was $1.9 billion, down $432 million from the prior year. The decrease in the consumer provision reflected a $900 million reduction of the allowance for loan losses related to the mortgage portfolio due to improved delinquency trends and lower estimated losses. Consumer net charge-offs were $2.8 billion, compared with $2.7 billion in the prior year, resulting in net charge-off rates of 3.10% and 2.84%, respectively. The increase in consumer net charge-offs was primarily due to incremental charge-offs of $825 million for certain residential real estate loans recorded in accordance with regulatory guidance requiring loans discharged under Chapter 7 bankruptcy and not reaffirmed by the borrower ("Chapter 7 loans") to be charged off to the net realizable value of the collateral and to be considered nonaccrual, regardless of their delinquency status. The wholesale provision for credit losses was a benefit of $63 million compared with an expense of $127 million in the prior year. Wholesale net recoveries were $34 million, compared with net recoveries of $151 million in the prior year, resulting in net recovery rates of 0.05% and 0.24%, respectively. The Firm's allowance for loan losses to end-of-period loans retained was 2.61%, compared with 3.74% in the prior year.

The Firm's nonperforming assets totaled $12.5 billion at September 30, 2012, up from the prior-quarter level of $11.4 billion and flat compared with the prior-year level of $12.5 billion. The current quarter included $1.7 billion of Chapter 7 loans which were reported as nonaccrual as discussed above. The current quarter nonaccrual loans also reflected the effect of regulatory guidance implemented in the first quarter of 2012, as a result of which the Firm began reporting performing junior liens that are subordinate to senior liens that are 90 days or more past due, as nonaccrual loans. Such junior liens were $1.3 billion in the current quarter and $1.5 billion in the prior quarter.

Loans increased $25.1 billion from the third quarter of 2011; this increase was due to a $42.8 billion increase in the wholesale loan portfolio across the lines of business, partially offset by a $17.7 billion decrease in the consumer loan portfolio, reflecting net runoff, primarily in the real estate portfolios.

Noninterest expense was $15.4 billion, down $163 million, or 1%, compared with the prior year. The current quarter included pretax expense of $790 million for additional litigation reserves. The prior year included pretax expense of $1.3 billion for additional litigation reserves.

The Firm's results reflected continued momentum in all of its businesses. The Investment Bank reported favorable Fixed Income Markets results and maintained its #1 ranking for Global Investment Banking fees. Consumer & Business Banking average deposits were up 9% and Business Banking loan balances grew for the eighth consecutive quarter to a record $19 billion, up 8% compared with the prior year. Mortgage Banking originations were $47 billion, up 29%, compared with the prior year. Credit Card sales volume, excluding Commercial Card, was up 11% compared with the prior year. Commercial Banking reported record revenue and grew loan balances for the ninth consecutive quarter to a record $124 billion, up 15% compared with the prior year. Treasury & Securities Services assets under custody rose to a record $18.2 trillion, up 12% compared with the prior year. Asset Management reported positive net long-term product flows for the fourteenth consecutive quarter and record loan balances of $75 billion.

Net income for the first nine months of 2012 was $15.6 billion, or $3.81 per share, compared with $15.2 billion, or $3.57 per share, for the first nine months of 2011. The increase was driven by a lower provision for credit losses, partially offset by lower net revenue. The decline in net revenue for the first nine months of the year was driven by lower principal transactions revenue, reflecting losses from the synthetic credit portfolio, and lower investment banking fees, predominantly offset by higher mortgage fees and related income. The lower provision for credit losses reflected an improved consumer credit environment. Noninterest expense was flat compared with the first nine months of 2011.

The Firm strengthened its balance sheet, ending the third quarter with Basel I Tier 1 common capital of $135 billion, or 10.4%, compared with $120 billion, or 9.9%, in the third quarter of 2011. The Firm estimated that its Basel III Tier 1 common ratio was approximately 8.4% at September 30, 2012, taking into account the impact of final Basel 2.5 rules and the Federal Reserve's Notice of Proposed Rulemaking ("NPR"). (The Basel I and III Tier 1 common ratios are non-GAAP financial measures, which the Firm uses along with the other capital measures, to assess and monitor its capital position. For further discussion of the Tier 1 common capital ratios, see Regulatory capital on pages 59–61 of this Form 10-Q.)

JPMorgan Chase serves clients, consumers, companies, and communities around the globe. The Firm provided credit and raised capital of over $1.3 trillion for commercial and consumer clients during the first nine months of 2012. This included more than $15 billion of credit provided for U.S. small businesses, an increase of 21% compared with the same period last year; and $52 billion of capital raised and credit provided so far this year for more than 1,300 nonprofit and government entities, including states, municipalities, hospitals and universities.

Investment Bank net income decreased from the prior year, reflecting higher noninterest expense and lower net revenue, largely offset by a benefit from the provision for credit losses compared with a provision for credit losses in the prior year. Net revenue included a $211 million loss from debit valuation adjustments ("DVA") on certain structured and derivative liabilities resulting from the tightening of the Firm's credit spreads, compared with a gain of $1.9 billion in the prior year. Excluding the impact of DVA, Fixed Income and Equity Markets combined revenue was up 24% compared with the prior year, driven by solid client revenue and broad-based strength across the Fixed Income businesses. The portion of the synthetic credit portfolio transferred from CIO in Corporate to IB on July 2, 2012, experienced a modest loss, which was included in Fixed Income Markets revenue. Investment banking fees were up 38% compared with the prior year primarily due to stronger results in debt underwriting. Noninterest expense increased compared with the prior year, driven by higher compensation expense, partially offset by lower noncompensation expense.

Retail Financial Services net income increased compared with the prior year, reflecting an increase in net revenue and a lower provision for credit losses, partially offset by increased noninterest expense. Net revenue increased as higher noninterest revenue was driven by higher mortgage fees and related income, partially offset by lower debit card revenue; while net interest income declined driven by lower deposit margins and lower loan balances due to portfolio runoff, largely offset by higher deposit balances. The provision for credit losses declined compared with the prior year. The current-quarter provision reflected a $900 million reduction in the allowance for loan losses. Current-quarter total net charge-offs were $1.5 billion, including $825 million of incremental charge-offs of Chapter 7 loans. Noninterest expense increased from the prior year as a result of higher mortgage production expense and higher servicing expense, as well as investments in sales force and new branch builds.

Card Services & Auto net income increased compared with the prior year as lower noninterest expense and lower provision for credit losses was partially offset by lower net revenue. The provision for credit losses was $1.2 billion, compared with $1.3 billion in the prior year. The current-quarter provision reflected lower net charge-offs and a small reduction in the allowance for loan losses. The prior-year provision included a $370 million reduction in the allowance for loan losses. Noninterest expense declined compared with the prior year, driven by lower marketing expense.

Commercial Banking net income increased compared with the prior year, reflecting an increase in net revenue and lower provision for credit losses, partially offset by higher expense. Net revenue was a record reflecting growth in loan and liability balances and increased investment banking revenue, partially offset by spread compression on loan products. Noninterest expense increased compared with the prior year, reflecting higher headcount-related expense.

Treasury & Securities Services net income increased compared with the prior year, reflecting higher net revenue. Treasury Services net revenue increased compared with the prior year, driven by higher deposit balances and higher trade finance loan volumes. Worldwide Securities Services net revenue increased compared with the prior year, driven by higher deposit balances.

Asset Management net income increased compared with the prior year, reflecting higher net revenue, lower noninterest expense and lower provision for credit losses. Net revenue increased as higher valuations of seed capital investments and the impact of net product inflows were offset by the absence of a prior-year gain on the sale of an investment and lower loan-related revenue. Net interest income increased primarily due to higher deposit and loan balances. Noninterest expense decreased from the prior year, due to the absence of non-client-related litigation expense, partially offset by higher performance-based compensation.

Corporate/Private Equity reported net income, compared with a net loss in the prior year. Private Equity reported a lower net loss, compared with the prior year. Net revenue was a lower loss compared with the prior year, due to lower net valuation losses on both private and public investments. Treasury and CIO reported net income, compared with a net loss in the prior year. Net revenue increased compared with the prior year. The current-quarter revenue reflected $888 million of pretax extinguishment gains related to the redemption of trust preferred capital debt securities. Principal transactions in CIO included $449 million of losses on the index credit derivative positions that had been retained by it following the transfer of the synthetic credit portfolio to IB on July 2, 2012, reflecting credit spread tightening during the quarter. By the end of the third quarter of 2012, CIO effectively closed out these positions. Net interest income was negative, reflecting the impact of lower portfolio yields and higher deposit balances across the Firm. Net revenue also included securities gains of $459 million from sales of available-for-sale (“AFS”) investment securities during the current quarter. Other Corporate reported a lower net loss, compared with the prior year. The third quarter included pretax expense of $684 million for additional litigation reserves. The prior year included pretax expense of $1.0 billion for additional litigation reserves , predominantly for mortgage-related matters.

Note: The Firm uses a single U.S.-based, blended marginal tax rate of 38% (“the marginal rate”) to report the estimated

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

2012 Business outlook

The following forward-looking statements are based on the current beliefs and expectations of JPMorgan Chase's management and are subject to significant risks and uncertainties. These risks and uncertainties could cause the Firm's actual results to differ materially from those set forth in such forward-looking statements. See Forward-Looking Statements on page 111 and Risk Factors on pages 220–222 of this Form 10-Q.

JPMorgan Chase's outlook for the remainder of 2012 should be viewed against the backdrop of the global and U.S. economies, financial markets activity, the geopolitical environment, the competitive environment, client activity levels, and regulatory and legislative developments in the U.S. and other countries where the Firm does business. Each of these linked factors will affect the performance of the Firm and its lines of business.

In the Consumer & Business Banking business within RFS, the Firm estimates that, given the current low interest rate environment, continued deposit spread compression could negatively affect annual net income by over $400 million. It is possible that this decline may be offset by deposit balance growth, although the exact extent of any such deposit growth cannot be determined at this time.

In the Mortgage Production and Servicing business within RFS, management expects to continue to incur elevated default- and foreclosure-related costs, including additional costs associated with the Firm's mortgage servicing processes, particularly its loan modification and foreclosure procedures. (See Mortgage servicing-related matters on pages 89–91 and Note 16 on pages 184–187 of this Form 10-Q.) In addition, management believes that the high production margins experienced in the third quarter of 2012 will not be sustainable over time. Management also expects there will be continued elevated levels of repurchases of mortgages previously sold, predominantly to U.S. government-sponsored entities ("GSEs"). However, based on current trends and estimates, management believes that the existing mortgage repurchase liability is sufficient to cover such losses.

For Real Estate Portfolios within RFS, management believes that total quarterly net charge-offs may be approximately $600 million, subject to economic uncertainty. If positive credit trends in the residential real estate portfolio continue or accelerate and economic uncertainty does not increase, the related allowance for loan losses may be reduced over

time. Given management's current estimate of net portfolio runoff levels, the residential real estate portfolio is expected to decline by approximately 10% to 12% in 2012 from year-end 2011 levels. This reduction in the residential real estate portfolio can be expected to reduce annual net interest income by approximately $500 million. However, over time, the reduction in net interest income should be offset by an improvement in credit costs and lower expenses.

In Card Services & Auto, the Firm expects that further reductions in the allowance for loan losses for the credit card portfolio may be at or near an end, given the current stage of the credit cycle within the credit card business.

The currently anticipated results for RFS and Card described above could be affected by adverse economic conditions, including further declines in U.S. housing prices or increases in the unemployment rate. Management continues to closely monitor the portfolios in these businesses in light of current economic uncertainty.

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

For Treasury and CIO, within the Corporate/Private Equity segment, management currently believes that the segment may generate a net loss of approximately $300 million for the fourth quarter of 2012 (which may vary positively or negatively by approximately $100 million) driven by the implied yield curve and management decisions related to the positioning of the investment securities portfolio.

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

The Firm's net yield on interest-earning assets is expected to be under continued modest pressure in the fourth quarter of 2012, reflecting the continued low interest rate environment. The Firm's total noninterest expense for the second half of 2012, excluding Corporate litigation expense and compensation expense for IB, is expected to be comparable to the level for the first half of 2012. This anticipated level of noninterest expense includes elevated costs in Mortgage Banking as a result of higher production costs associated with strong origination volumes and elevated default-related servicing costs, including costs associated with the Consent Orders entered into with the banking regulators relating to the Firm's residential mortgage servicing and higher costs across the Firm associated with compliance, legal fees and FDIC assessments. See Mortgage servicing-related matters on pages 89–91 of this Form 10-Q for a discussion of the Consent Orders.

CIO synthetic credit portfolio update

On August 9, 2012, the Firm restated its previously-filed interim financial statements for the quarterly period ended March 31, 2012. The restatement related to valuations of certain positions in the synthetic credit portfolio of the Firm's CIO. The restatement had the effect of reducing the Firm's reported net income for the three months ended March 31, 2012, by $459 million. The restatement had no impact on any of the Firm's Consolidated Financial Statements as of June 30, 2012, and December 31, 2011, or for the three and six months ended June 30, 2012 and 2011. For more information about the restatement and the related valuation matter, please see our second quarter report on Form 10-Q filed on August 9, 2012.

Management also determined that a material weakness existed in the Firm's internal control over financial reporting at March 31, 2012. Management has taken steps to remediate the material weakness, including enhancing management supervision of valuation matters. These remedial steps were substantially implemented by June 30, 2012; however, in accordance with the Firm's internal control compliance program, the material weakness designation could not be closed until the remedial processes were operational for a period of time and successfully tested. The testing was successfully completed during the third quarter of 2012 and the control deficiency was closed at September 30, 2012. For additional information concerning the remedial changes in, and related testing of, the Firm's internal control over financial reporting, see Part I, Item 4: Controls and Procedures on page 220 of this Form 10-Q.

On July 2, 2012, the majority of the synthetic credit portfolio was transferred from the CIO to the Firm's IB, which has the expertise, trading platforms and market franchise to manage these positions to maximize their economic value. An aggregate position of approximately $12 billion notional was retained in CIO. Losses incurred by CIO on the portfolio retained by CIO were $449 million (recorded in principal transactions revenue) during the third quarter of 2012, reflecting credit spread tightening. By the end of the third quarter of 2012, CIO effectively closed out the index credit derivative positions that had been retained by it following the transfer. IB continues to actively manage and reduce the risks in the remaining synthetic credit portfolio that was transferred to it on July 2, 2012; this portion of the portfolio experienced a modest loss during the third quarter of 2012, which was included in Fixed Income Markets Revenue for IB (and also recorded in the principal transactions revenue line item of the income statement).

On July 13, 2012, management summarized its observations arising out of its internal review of CIO-related matters. That review, which is being overseen by an independent Review Committee of the Board of Directors, is expected to be concluded early in the first quarter of 2013, along with the Review Committee's own independent work.

The reported trading losses have resulted in litigation

against the Firm, as well as heightened regulatory scrutiny, and may lead to additional regulatory or legal proceedings. Such regulatory and legal proceedings may expose the Firm to fines, penalties, judgments or losses, harm the Firm's reputation or otherwise cause a decline in investor confidence. For a description of the regulatory and legal developments relating to the CIO matters described above, see Note 23 on pages 196–206 of this Form 10-Q.

Regulatory developments

JPMorgan Chase is subject to regulation under state and federal laws in the U.S., as well as the applicable laws of each of the various other jurisdictions outside the U.S. in which the Firm does business. The Firm is currently experiencing a period of unprecedented change in regulation and supervision, and such changes could have a significant impact on how the Firm conducts business. The Firm continues to work diligently in assessing and understanding the implications of the regulatory changes it is facing, and is devoting substantial resources to implementing all the new rules and regulations while meeting the needs and expectations of its clients.

In June 2011, the Basel Committee announced an agreement to require global systemically important banks ("GSIBs") to maintain Tier 1 common requirements above the 7% minimum in amounts ranging from an additional 1% to an additional 2.5%. In November 2012, the Financial Stability Board ("FSB") designated the Firm, as well as three other banks, as GSIBs and indicated that it would require such designated institutions to hold the additional 2.5% of Tier 1 common in accordance with these requirements. For additional information see Regulatory capital on pages 59–61 of this Form 10-Q.

The Firm expects heightened scrutiny by its regulators of its compliance with new and existing regulations, including those issued under the Unfair and Deceptive Acts or Practices laws, the Bank Secrecy Act, the Real Estate Settlement Procedures Act ("RESPA"), The Truth in Lending Act, and the laws administered by the Office of Foreign Assets

Control, among others. The Firm is also under scrutiny by its supervisors with respect to its controls and operational processes, such as those relating to model development, review, governance and approvals. The Firm expects that it will more frequently be the subject of more formal enforcement actions, rather than informal supervisory actions or criticisms. While the Firm has made a preliminary assessment of the likely impact of this heightened regulatory scrutiny and anticipated changes in law, given the current status of regulatory and supervisory developments, the Firm cannot quantify the possible effects on its business and operations of all the significant changes that are currently underway.

Comprehensive Capital Analysis and Review ("CCAR") update

In August 2012, the Firm resubmitted its capital plan to the Federal Reserve under the 2012 CCAR process. The resubmitted capital plan related to the repurchase of up to $3.0 billion of common equity in the first quarter of 2013.

The Firm's resubmission provided for the continued payment of its current quarterly common stock dividend. On November 5, 2012, the Federal Reserve informed the Firm that it had completed its review and that it did not object to the Firm's resubmitted capital plan.

The timing and exact amount of common stock and warrant purchases under the repurchase program will be consistent with the Firm's capital plan and will depend on various factors, including market conditions; the Firm's capital position; internal capital generation; the amount of equity issued under the Firm's employee stock-based plans; organic and other investment opportunities; and legal and regulatory considerations affecting the amount and timing of repurchase activity. The repurchase program does not include specific price targets, may be executed through open market purchases or privately negotiated transactions, including utilizing Rule 10b5-1 programs, and may be suspended at any time.

Management expects to submit its capital plan for the last three quarters of 2013 and the first quarter of 2014 to the Federal Reserve under the Federal Reserve's 2013 CCAR process, pursuant to the Federal Reserve's schedule. Management expects to receive further details from the Federal Reserve related to the 2013 CCAR process by mid-November 2012.

Subsequent events – Hurricane Sandy

On October 29, 2012, the mid-Atlantic and Northeast regions of the U.S. were affected by Hurricane Sandy, which caused major flooding and wind damage and resulted in major disruptions to individuals and businesses and significant damage to homes and communities in the affected regions. Despite the damage and disruption to many of its branches and facilities, the Firm has been assisting its customers, clients and borrowers in the affected areas. The Firm has continued to dispense cash via ATMs and branches, loan money, provide liquidity to customers, and settle trades, and has waived a number of checking account and loan fees, including late payment fees. The potential financial impact from Hurricane Sandy on the Firm will be dependent upon a number of factors, such as the amount of credit extended to affected persons and businesses, the extent of damage, and the borrower's financial condition, including the amount of insurance proceeds and governmental assistance available to them. The Firm is in the early stages of quantifying the potential impact from Hurricane Sandy on its financial results of operations.

CONSOLIDATED RESULTS OF OPERATIONS

The following section provides a comparative discussion of JPMorgan Chase's Consolidated Results of Operations on a reported basis for the three and nine months ended September 30, 2012 and 2011. Factors that relate primarily to a single business segment are discussed in more detail within that business segment. For a discussion of the Critical Accounting Estimates Used by the Firm that affect the Consolidated Results of Operations, see pages 107–109 of this Form 10-Q and pages 168–172 of JPMorgan Chase's 2011 Annual Report.

Revenue

	Three months ended September 30,			Nine months ended September 30,		
(in millions)	2012	2011	Change	2012	2011	Change
Investment banking fees	$1,443	$1,052	37 %	$4,081	$4,778	(15)%
Principal transactions	2,047	1,370	49	4,342	9,255	(53)
Lending- and deposit-related fees	1,562	1,643	(5)	4,625	4,838	(4)
Asset management, administration and commissions	3,336	3,448	(3)	10,189	10,757	(5)
Securities gains	458	607	(25)	2,008	1,546	30
Mortgage fees and related income	2,377	1,380	72	6,652	1,996	233
Credit card income	1,428	1,666	(14)	4,156	4,799	(13)
Other income	1,519	780	95	3,537	2,236	58
Noninterest revenue	14,170	11,946	19	39,590	40,205	(2)
Net interest income	10,976	11,817	(7)	33,788	35,558	(5)
Total net revenue	$25,146	$23,763	6 %	$73,378	$75,763	(3)%

Total net revenue for the third quarter of 2012 was $25.1 billion, up by $1.4 billion, or 6%, from the third quarter of 2011. The increase in the third quarter of 2012 was due to higher mortgage fees and related income, principal transactions revenue, and other income, partially offset by lower net interest income. For the first nine months of 2012, total net revenue was $73.4 billion, down by $2.4 billion, or 3%, from the first nine months of 2011. The decrease in the first nine months of 2012 was predominantly driven by lower principal transactions revenue and net interest income, partially offset by higher mortgage fees and related income.

Investment banking fees for the third quarter of 2012 increased significantly compared with the prior year, reflecting higher revenue across products, particularly debt underwriting. For the first nine months of 2012, investment banking fees decreased, largely driven by lower revenue across products, primarily due to lower industry-wide volumes. For additional information on investment banking fees, which are primarily recorded in IB, see IB segment results pages 19–23 of this Form 10-Q.

Principal transactions revenue increased in the third quarter of 2012 compared with the prior year. The increase primarily reflected lower net valuation losses on both private and public investments in Corporate/Private Equity. The third quarter of 2012 included a DVA loss on certain structured and derivative liabilities of $211 million, compared with a gain of $1.9 billion in the prior year. Excluding DVA, principal transactions revenue in IB increased significantly, driven by solid client revenue and broad-based strength across the Fixed Income businesses. The third quarter of 2012 also included $449 million of losses recorded in CIO on the index credit derivative positions retained by CIO; the portfolio that was transferred

to IB effective on July 2, 2012, experienced a modest loss.

For the first nine months of 2012, principal transactions revenue decreased, reflecting $5.8 billion of losses incurred by CIO for the six months ended June 30, 2012 and $449 million of losses incurred by CIO for the three months ended September 30, 2012, and an additional modest loss incurred by the IB from the synthetic credit portfolio, and to a lesser extent, lower private equity gains in Corporate/Private Equity. The decrease for the nine-month period was partially offset by a $663 million gain recognized in Other Corporate for the expected recovery on a Bear Stearns-related subordinated loan; and higher market-making revenue in IB, driven by solid client revenue (including a DVA loss of $363 million resulting from the tightening of the Firm's credit spreads, compared with a gain of $2.0 billion in 2011). For additional information on principal transactions revenue, see IB and Corporate/Private Equity segment results on pages 19–23 and 49–51, respectively, and Note 6 on pages 144–145 of this Form 10-Q.

Lending- and deposit-related fees decreased modestly in the third quarter and first nine months of 2012. The decrease was in both lending and deposit fees, and was spread across the wholesale and consumer businesses of the Firm. For additional information on lending- and deposit-related fees, which are mostly recorded in RFS, CB, TSS and IB, see RFS on pages 24–33, CB on pages 38–40, TSS on pages 41–44 and IB segment results on pages 19–23 of this Form 10-Q.
Asset management, administration and commissions revenue decreased in the third quarter and first nine months of 2012. The decrease for both periods was largely driven by lower brokerage commissions in IB. The first nine months of 2012 also reflected lower asset management fees in AM, in particular, performance fees, which were offset by higher investment service fees in RFS, as a result

of growth in branch sales of investment products. For additional information on these fees and commissions, see the segment discussions for IB on pages 19–23, RFS on pages 24–33, AM on pages 45–48 and TSS on pages 41–44 of this Form 10-Q.

Securities gains for both the three and nine months ended September 30, 2012, compared with the prior year periods, reflected the results of repositioning of the CIO AFS portfolio. For additional information on securities gains see the Corporate/Private Equity segment discussion on pages 49–51 of this Form 10-Q.

Mortgage fees and related income increased significantly compared with both the third quarter and first nine months of 2011. The increase resulted from higher production revenue, reflecting wider margins driven by favorable market conditions, and higher volumes due to historically low interest rates and the Home Affordable Refinance Programs ("HARP"), as well as higher net mortgage servicing revenue. The increase in net mortgage servicing revenue for the first nine months of 2012 also included a favorable swing in the mortgage servicing rights ("MSR") risk management results (reflecting a gain of $577 million in 2012 compared with a loss of $1.2 billion in 2011). For additional information on mortgage fees and related income, which is recorded predominantly in RFS, see RFS's Mortgage Production and Servicing discussion on pages 28–30, and Note 16 on pages 184–187 of this Form 10-Q. For additional information on repurchase losses, see the Mortgage repurchase liability discussion on pages 55–58 and Note 21 on pages 192–196 of this Form 10-Q.

Credit card income decreased in both the third quarter and first nine months of 2012. The decrease for both periods was driven by lower debit card revenue, reflecting the impact of the Durbin Amendment, and to a lesser extent, higher amortization of direct loan origination costs. The decrease in credit card income was offset partially by

higher net interchange income associated with growth in credit card transaction volume, and higher merchant servicing revenue. For additional information on credit card income, see the Card and RFS segment results on pages 34–37, and pages 24–33, respectively, of this Form 10-Q.

Other income increased compared with the third quarter of 2011, driven by an $888 million extinguishment gain in Corporate/Private Equity related to the redemption of trust preferred capital debt securities ("TruPS"). The extinguishment gain was related to adjustments applied to the cost basis of the TruPS during the period they were in a qualified hedge accounting relationship. Other income increased in the first nine months of 2012, predominantly due to a $1.1 billion benefit recognized in the first quarter of 2012 from the Washington Mutual bankruptcy settlement and the aforementioned extinguishment gain; these were offset partially by the absence of a prior-year gain on the sale of an investment in AM.

Net interest income decreased in both the third quarter and first nine months of 2012 compared with the prior year. The declines in both periods reflected the impact of lower average trading asset balances, faster prepayment of mortgage-backed securities, limited reinvestment opportunities, the runoff of higher-yielding loans, and the impact of lower interest rates across the Firm's interest-earning assets. The decrease in net interest income was offset partially by lower deposit and other borrowing costs. The Firm's average interest-earning assets were $1.8 trillion for the third quarter of 2012, and the net yield on those assets, on a fully taxable-equivalent ("FTE") basis, was 2.43%, a decrease of 23 basis points from the third quarter of 2011. For the first nine months of 2012, average interest-earning assets were $1.8 trillion, and the net yield on those assets, on a FTE basis, was 2.51%, a decrease of 24 basis points from the first nine months of 2011.

Provision for credit losses

	Three months ended September 30,			Nine months ended September 30,		
(in millions)	2012	2011	Change	2012	2011	Change
Wholesale	$(63)	$127	NM%	$69	$(376)	NM%
Consumer, excluding credit card	736	1,285	(43)	313	3,731	(92)
Credit card	1,116	999	12	2,347	2,035	15
Total consumer	1,852	2,284	(19)	2,660	5,766	(54)
Total provision for credit losses	$1,789	$2,411	(26)%	$2,729	$5,390	(49)%

The provision for credit losses decreased compared with the third quarter and first nine months of 2011. The decrease for both periods was driven by a lower provision for consumer, excluding credit card loans, which reflected a reduction in the allowance for loan losses, due primarily to lower estimated losses in the non-PCI residential real estate portfolio as delinquency trends improved, partially offset by the impact of incremental charge-offs of Chapter 7 loans, including $825 million of residential real estate loans and $55 million of auto loans. The increase in the provision for

credit card loans for both periods was due to a smaller reduction in the allowance for loan losses in 2012 compared with the prior year, partially offset by lower net charge-offs in 2012. The level of the wholesale provision in 2012 reflected stable credit trends. For a more detailed discussion of the loan portfolio and the allowance for credit losses, see the segment discussions for RFS on pages 24–33, Card on pages 34–37, IB on pages 19–23 and CB on pages 38–40, and the Allowance For Credit Losses section on pages 93–95 of this Form 10-Q.

Noninterest expense

(in millions)	Three months ended September 30, 2012	2011	Change	Nine months ended September 30, 2012	2011	Change
Compensation expense	$7,503	$6,908	9 %	$23,543	$22,740	4 %
Noncompensation expense:						
Occupancy	973	935	4	3,014	2,848	6
Technology, communications and equipment	1,312	1,248	5	3,865	3,665	5
Professional and outside services	1,759	1,860	(5)	5,411	5,461	(1)
Marketing	607	926	(34)	1,929	2,329	(17)
Other[(a)]	3,035	3,445	(12)	10,354	10,687	(3)
Amortization of intangibles	182	212	(14)	566	641	(12)
Total noncompensation expense	7,868	8,626	(9)	25,139	25,631	(2)
Total noninterest expense	$15,371	$15,534	(1)%	$48,682	$48,371	1 %

(a) Included litigation expense of $790 million and $1.3 billion for the three months ended September 30, 2012 and 2011, respectively, and $3.8 billion and $4.3 billion for the nine months ended September 30, 2012 and 2011, respectively.

Total noninterest expense for the third quarter of 2012 was $15.4 billion, down by $163 million, or 1%, compared with the third quarter of 2011. The decrease in the third quarter of 2012 was driven by lower noncompensation expense, in particular, litigation and marketing expense, partially offset by higher compensation expense. Total noninterest expense for the first nine months of 2012 was $48.7 billion, up by $311 million, or 1%, compared with the first nine months of 2011. The increase in the first nine months of 2012 was due to higher compensation expense offset partially by lower noncompensation expense.

Compensation expense increased from the third quarter of 2011, predominantly due to investments in the businesses, including the sales force and new branch builds in RFS, and higher compensation expense in IB. The increase for the nine months of 2012 was predominantly due to the aforementioned investments in the businesses, partially offset by lower compensation expense in IB.

The decrease in noncompensation expense in the third quarter of 2012 was due to lower litigation expense in Corporate and AM, as well as lower marketing expense in Card. The decrease in noncompensation expense was offset partially by higher foreclosure-related expense in RFS. Noncompensation expense for the first nine months of 2012 decreased due to a net decline in the Firm's overall litigation expense (although Corporate had a higher level of expense) compared with the prior year; lower foreclosure-related expense in RFS; and lower marketing expense in Card. The decrease in noncompensation expense was offset partially by continued investments in the businesses, expense related to a non-core product that is being exited in Card, higher regulatory deposit insurance assessments, and higher servicing expense in RFS (excluding foreclosure-related matters). For a further discussion of litigation expense, see Note 23 on pages 196–206 of this Form 10-Q. For a discussion of amortization of intangibles, refer to the Balance Sheet Analysis on pages 53–54, and Note 16 on pages 184–187 of this Form 10-Q.

Income tax expense

(in millions, except rate)	Three months ended September 30, 2012	2011	Nine months ended September 30, 2012	2011
Income before income tax expense	$7,986	$5,818	$21,967	$22,002
Income tax expense	2,278	1,556	6,375	6,754
Effective tax rate	28.5 %	26.7 %	29.0 %	30.7 %

The increase in the effective tax rate during the third quarter of 2012 was largely the result of higher reported pretax income in combination with changes in the mix of income and expenses subject to U.S. federal and state and local taxes. The third quarter of 2012 included tax benefits associated with the resolution of tax audits; the prior year included tax benefits associated with the disposition of certain investments. The decrease in the effective tax rate during the nine months ended September 30, 2012, was

largely the result of the impact of increased tax-exempt income and business tax credits. The current and prior periods include deferred tax benefits associated with state and local income taxes. For additional information on income taxes, see Critical Accounting Estimates Used by the Firm on pages 107–109 of this Form 10-Q.

EXPLANATION AND RECONCILIATION OF THE FIRM'S USE OF NON-GAAP FINANCIAL MEASURES
The Firm prepares its consolidated financial statements using accounting principles generally accepted in the U.S. ("U.S. GAAP"); these financial statements appear on pages 112–116 of this Form 10-Q. That presentation, which is referred to as "reported" basis, provides the reader with an understanding of the Firm's results that can be tracked consistently from year to year and enables a comparison of the Firm's performance with other companies' U.S. GAAP financial statements.
In addition to analyzing the Firm's results on a reported basis, management reviews the Firm's results and the results of the lines of business on a "managed" basis, which is a non-GAAP financial measure. The Firm's definition of managed basis starts with the reported U.S. GAAP results and includes certain reclassifications to present total net revenue for the Firm (and each of the business segments) on a FTE basis. Accordingly, revenue from investments that receive tax credits and tax-exempt securities is presented in the managed results on a basis comparable to taxable

investments and securities. This non-GAAP financial measure allows management to assess the comparability of revenue arising from both taxable and tax-exempt sources. The corresponding income tax impact related to tax-exempt items is recorded within income tax expense. These adjustments have no impact on net income as reported by the Firm as a whole or by the lines of business.
Management also uses certain non-GAAP financial measures at the business-segment level, because it believes these other non-GAAP financial measures provide information to investors about the underlying operational performance and trends of the particular business segment and, therefore, facilitate a comparison of the business segment with the performance of its competitors. Non-GAAP financial measures used by the Firm may not be comparable to similarly named non-GAAP financial measures used by other companies.

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

	Three months ended September 30,					
	2012			2011		
(in millions, except ratios)	Reported results	Fully taxable-equivalent adjustments[(a)]	Managed basis	Reported results	Fully taxable-equivalent adjustments[(a)]	Managed basis
Other income	$1,519	$ 517	$2,036	$780	$ 472	$1,252
Total noninterest revenue	14,170	517	14,687	11,946	472	12,418
Net interest income	10,976	200	11,176	11,817	133	11,950
Total net revenue	25,146	717	25,863	23,763	605	24,368
Pre-provision profit	9,775	717	10,492	8,229	605	8,834
Income before income tax expense	7,986	717	8,703	5,818	605	6,423
Income tax expense	$2,278	$ 717	$2,995	$1,556	$ 605	$2,161
Overhead ratio	61 %	NM	59 %	65 %	NM	64 %

	Nine months ended September 30,					
	2012			2011		
(in millions, except ratios)	Reported results	Fully taxable-equivalent adjustments[(a)]	Managed basis	Reported results	Fully taxable-equivalent adjustments[(a)]	Managed basis
Other income	$3,537	$ 1,568	$5,105	$2,236	$ 1,433	$3,669
Total noninterest revenue	39,590	1,568	41,158	40,205	1,433	41,638
Net interest income	33,788	566	34,354	35,558	373	35,931
Total net revenue	73,378	2,134	75,512	75,763	1,806	77,569
Pre-provision profit	24,696	2,134	26,830	27,392	1,806	29,198
Income before income tax expense	21,967	2,134	24,101	22,002	1,806	23,808
Income tax expense	$6,375	$ 2,134	$8,509	$6,754	$ 1,806	$8,560
Overhead ratio	66 %	NM	64 %	64 %	NM	62 %

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

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

tangible common equity divided by period-end common shares. Tier 1 common under Basel I and III rules are used by management, along with other capital measures, to assess and monitor the Firm's capital position. TCE, ROTCE, and TBVS are meaningful to the Firm, as well as analysts and investors, in assessing the Firm's use of equity. For additional information on Tier 1 common under Basel I and III, see Regulatory capital on pages 59–61 of this Form

10-Q. In addition, all of the aforementioned measures are useful to the Firm, as well as analysts and investors, in facilitating comparisons with competitors.

Average tangible common equity

	Three months ended September 30,		Nine months ended September 30,	
(in millions)	2012	2011	2012	2011
Common stockholders' equity	$186,590	$174,454	$181,791	$172,667
Less: Goodwill	48,158	48,631	48,178	48,770
Less: Certain identifiable intangible assets	2,729	3,545	2,928	3,736
Add: Deferred tax liabilities[a]	2,765	2,639	2,741	2,617
Tangible common equity	$138,468	$124,917	$133,426	$122,778

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

Core net interest income

In addition to reviewing JPMorgan Chase's net interest income on a managed basis, management also reviews core net interest income to assess the performance of its core lending, investing (including asset-liability management) and deposit-raising activities, excluding the impact of IB's market-based activities. The table below presents an analysis of core net interest income, core average interest-earning assets, and the core net interest yield on core average interest-earning assets, on a managed basis. Each

of these amounts is a non-GAAP financial measure due to the exclusion of IB's market-based net interest income and the related assets. Management believes the exclusion of IB's market-based activities provides investors and analysts a more meaningful measure to analyze non-market-related business trends of the Firm and can be used as a comparable measure to other financial institutions primarily focused on core lending, investing and deposit-raising activities.

Core net interest income data[a]

	Three months ended September 30,			Nine months ended September 30,		
(in millions, except rates)	2012	2011	Change	2012	2011	Change
Net interest income – managed basis[b][c]	$11,176	$11,950	(6)%	$34,354	$35,931	(4)%
Impact of market-based net interest income	1,386	1,866	(26)	4,300	5,529	(22)
Core net interest income[b]	$9,790	$10,084	(3)	$30,054	$30,402	(1)
Average interest-earning assets	$1,829,780	$1,784,395	3	$1,831,633	$1,745,661	5
Impact of market-based earning assets	497,469	512,215	(3)	497,832	525,500	(5)
Core average interest-earning assets	$1,332,311	$1,272,180	5 %	$1,333,801	$1,220,161	9 %
Net interest yield on interest-earning assets – managed basis	2.43 %	2.66 %		2.51 %	2.75 %	
Net interest yield on market-based activity	1.11	1.45		1.15	1.41	
Core net interest yield on core average interest-earning assets	2.92 %	3.14 %		3.01 %	3.33 %	

(a) Includes core lending, investing and deposit-raising activities on a managed basis, across RFS, Card, CB, TSS, AM and Corporate/Private Equity, as well as IB loans.

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

(c) For a reconciliation of net interest income on a reported and managed basis, see reconciliation from the Firm's reported U.S. GAAP results to managed basis on page 15.

Quarterly and year-to-date results

Core net interest income decreased by $294 million to $9.8 billion and by $348 million to $30.1 billion for the three and nine months ended September 30, 2012, respectively. Core average interest-earning assets increased by $60.1

billion to $1,332.3 billion and by $113.6 billion to $1,333.8 billion for the three and nine months ended September 30, 2012, respectively. The decline in net interest income for both periods reflected the impact of faster prepayment of mortgage-backed securities, limited reinvestment opportunities, the runoff of higher-yielding loans, as well as the impact of lower interest rates across the Firm's interest-earning assets. The decrease in net interest income was offset partially by lower deposit and other borrowing costs. The increase in average interest-

earning assets was driven by increased levels of loans, higher deposits with banks and other short-term investments, and an increase in investment securities. The core net interest yield decreased by 22 basis points to 2.92% and by 32 basis points to 3.01% for the three and nine months ended September 30, 2012, respectively. The decrease in yield was primarily driven by higher financing costs associated with mortgage-backed securities, runoff of higher-yielding loans as well as lower customer loan rates, and was slightly offset by lower customer deposit rates.

Other financial measures

The Firm also discloses the allowance for loan losses to total retained loans, excluding residential real estate PCI loans. For a further discussion of this credit metric, see Allowance for Credit Losses on pages 93–95 of this Form 10-Q.

BUSINESS SEGMENT RESULTS

The Firm is managed on a line-of-business basis. The business segment financial results presented reflect the current organization of JPMorgan Chase. There are six major reportable business segments: the Investment Bank, Retail Financial Services, Card Services & Auto, Commercial Banking, Treasury & Securities Services and Asset Management. In addition, there is a Corporate/Private Equity segment.

The business segments are determined based on the products and services provided, or the type of customer served, and reflect the manner in which financial information is currently evaluated by management. Results of the lines of business are presented on a managed basis. For a definition of managed basis, see Explanation and Reconciliation of the Firm's Use of Non-GAAP Financial Measures, on pages 15–16 of this Form 10-Q.

The reorganization of the business segments announced on July 27, 2012 is expected to be effective beginning in the fourth quarter of 2012. For further discussion, see Business segment changes on page 5 of this Form 10-Q.

Description of business segment reporting methodology

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

For a further discussion of those methodologies, see Business Segment Results – Description of business segment reporting methodology on pages 79–80 of JPMorgan Chase's 2011 Annual Report. The Firm continues to assess the assumptions, methodologies and reporting classifications used for segment reporting, and further refinements may be implemented in future periods.

Business segment capital allocation changes

Each business segment is allocated capital by taking into consideration stand-alone peer comparisons, regulatory capital requirements (under Basel III) and economic risk measures. The amount of capital assigned to each business is referred to as equity. Effective January 1, 2012, the Firm revised the capital allocated to certain businesses, reflecting additional refinement of each segment's estimated Basel III Tier 1 common capital requirements and balance sheet trends. For further information about these capital changes, see Line of business equity on page 62 of this Form 10-Q.

Segment Results – Managed Basis

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

Three months ended September 30,	Total net revenue			Noninterest expense			Pre-provision profit/(loss)		
(in millions)	2012	2011	Change	2012	2011	Change	2012	2011	Change
Investment Bank[(a)]	$6,277	$6,369	(1)%	$3,907	$3,799	3%	$2,370	$2,570	(8)%
Retail Financial Services	8,013	7,535	6	5,039	4,565	10	2,974	2,970	—
Card Services & Auto	4,723	4,775	(1)	1,920	2,115	(9)	2,803	2,660	5
Commercial Banking	1,732	1,588	9	601	573	5	1,131	1,015	11
Treasury & Securities Services	2,029	1,908	6	1,443	1,470	(2)	586	438	34
Asset Management	2,459	2,316	6	1,731	1,796	(4)	728	520	40
Corporate/Private Equity[(a)]	630	(123)	NM	730	1,216	(40)	(100)	(1,339)	93
Total	$25,863	$24,368	6%	$15,371	$15,534	(1)%	$10,492	$8,834	19%

Three months ended September 30,	Provision for credit losses			Net income/(loss)		
(in millions)	2012	2011	Change	2012	2011	Change
Investment Bank[(a)]	$(48)	$54	NM%	$1,572	$1,636	(4)%
Retail Financial Services	631	1,027	(39)	1,408	1,161	21
Card Services & Auto	1,231	1,264	(3)	954	849	12
Commercial Banking	(16)	67	NM	690	571	21
Treasury & Securities Services	(12)	(20)	40	420	305	38
Asset Management	14	26	(46)	443	385	15
Corporate/Private Equity[(a)]	(11)	(7)	(57)	221	(645)	NM
Total	$1,789	$2,411	(26)%	$5,708	$4,262	34%

Nine months ended September 30,	Total net revenue			Noninterest expense			Pre-provision profit/(loss)		
(in millions)	2012	2011	Change	2012	2011	Change	2012	2011	Change
Investment Bank[(a)]	$20,364	$21,916	(7)%	$12,447	$13,147	(5)%	$7,917	$8,769	(10)%
Retail Financial Services	23,597	20,143	17	14,774	14,736	—	8,823	5,407	63
Card Services & Auto	13,962	14,327	(3)	6,045	6,020	—	7,917	8,307	(5)
Commercial Banking	5,080	4,731	7	1,790	1,699	5	3,290	3,032	9
Treasury & Securities Services	6,195	5,680	9	4,407	4,300	2	1,788	1,380	30
Asset Management	7,193	7,259	(1)	5,161	5,250	(2)	2,032	2,009	1
Corporate/Private Equity[(a)]	(879)	3,513	NM	4,058	3,219	26	(4,937)	294	NM
Total	$75,512	$77,569	(3)%	$48,682	$48,371	1%	$26,830	$29,198	(8)%

Nine months ended September 30,	Provision for credit losses			Net income/(loss)		
(in millions)	2012	2011	Change	2012	2011	Change
Investment Bank[(a)]	$(32)	$(558)	94%	$5,167	$6,063	(15)%
Retail Financial Services	(20)	3,220	NM	5,428	1,145	374
Card Services & Auto	2,703	2,561	6	3,167	3,493	(9)

Commercial Banking	44	168	(74)	1,954	1,724	13
Treasury & Securities Services	(2)	(18)	89	1,234	954	29
Asset Management	67	43	56	1,220	1,290	(5)
Corporate/Private Equity[(a)]	(31)	(26)	(19)	(2,578)	579	NM
Total	$2,729	$5,390	(49)%	$15,592	$15,248	2%

(a) Corporate/Private Equity includes an adjustment to offset IB's inclusion of a credit allocation income/(expense) to TSS in total net revenue; TSS reports the credit allocation as a separate line item on its income statement (not within total net revenue).

INVESTMENT BANK

For a discussion of the business profile of IB, see pages 81–84 of JPMorgan Chase's 2011 Annual Report and the Introduction on page 4 of this Form 10-Q.

IB provides several non-GAAP financial measures which exclude the impact of DVA: net revenue, net income, compensation ratio, and return on common equity. The ratio for the allowance for loan losses to end-of-period loans is calculated excluding the impact of consolidated Firm-administered multi-seller conduits, to provide a more meaningful assessment of IB's allowance coverage ratio. These measures are used by management to assess the underlying performance of the business and for comparability with peers.

Selected income statement data

	Three months ended September 30,			Nine months ended September 30,		
(in millions, except ratios)	2012	2011	Change	2012	2011	Change
Revenue						
Investment banking fees	$1,429	$1,039	38 %	$4,049	$4,740	(15)%
Principal transactions[(a)]	2,260	2,253	—	8,533	7,960	7
Asset management, administration and commissions	474	563	(16)	1,538	1,730	(11)
All other income[(b)]	307	438	(30)	810	1,272	(36)
Noninterest revenue	4,470	4,293	4	14,930	15,702	(5)
Net interest income	1,807	2,076	(13)	5,434	6,214	(13)
Total net revenue[(c)]	6,277	6,369	(1)	20,364	21,916	(7)
Provision for credit losses	(48)	54	NM	(32)	(558)	94
Noninterest expense						
Compensation expense	2,069	1,850	12	6,981	7,708	(9)
Noncompensation expense	1,838	1,949	(6)	5,466	5,439	—
Total noninterest expense	3,907	3,799	3	12,447	13,147	(5)
Income before income tax expense	2,418	2,516	(4)	7,949	9,327	(15)
Income tax expense	846	880	(4)	2,782	3,264	(15)
Net income	$1,572	$1,636	(4)%	$5,167	$6,063	(15)%
Financial ratios						
Return on common equity[(d)]	16 %	16 %		17 %	20 %	
Return on assets	0.80	0.81		0.88	0.99	
Overhead ratio	62	60		61	60	
Compensation expense as a percentage of total net revenue[(e)]	33	29		34	35	

(a) Principal transactions included DVA related to derivatives and structured liabilities measured at fair value. DVA gains/(losses) were $(211) million and $1.9 billion for the three months ended September 30, 2012 and 2011, and $(363) million and $2.0 billion for the nine months ended September 30, 2012 and 2011, respectively.

(b) All other income included lending- and deposit-related fees. In addition, IB manages traditional credit exposures related to Global Corporate Bank ("GCB") on behalf of IB and TSS, and IB and TSS share the economics related to the Firm's GCB clients. IB recognizes this sharing agreement also within all other income.

(c) Total net revenue included tax-equivalent adjustments, predominantly due to income tax credits related to affordable housing and alternative energy investments as well as tax-exempt income from municipal bond investments of $492 million and $440 million for the three months ended September 30, 2012 and 2011, and $1.5 billion and $1.4 billion for the nine months ended September 30, 2012 and 2011, respectively.

(d) Return on common equity excluding DVA, a non-GAAP financial measure, was 17% and 5% for the three months ended September 30, 2012 and 2011, and 18% and 16% for the nine months ended September 30, 2012 and 2011, respectively.

(e)

Compensation expense as a percentage of total net revenue excluding DVA, a non-GAAP financial measure, was 32% and 41% for the three months ended September 30, 2012 and 2011 respectively, and 34% and 39% for the nine months ended September 30, 2012 and 2011 respectively.

The following table provides IB's total net revenue by business.

(in millions)	Three months ended September 30, 2012	2011	Change	Nine months ended September 30, 2012	2011	Change
Revenue by business						
Investment banking fees:						
Advisory	$389	$365	7 %	$1,026	$1,395	(26)%
Equity underwriting	235	178	32	761	1,012	(25)
Debt underwriting	805	496	62	2,262	2,333	(3)
Total investment banking fees	1,429	1,039	38	4,049	4,740	(15)
Fixed income markets[a]	3,685	3,328	11	12,083	12,846	(6)
Equity markets[b]	1,073	1,424	(25)	3,610	4,053	(11)
Credit portfolio[c][d]	90	578	(84)	622	277	125
Total net revenue	$6,277	$6,369	(1)%	$20,364	$21,916	(7)%

(a) Fixed income markets primarily includes revenue related to market-making across global fixed income markets, including foreign exchange, interest rate, credit and commodities markets. Included DVA gains/(losses) of $(41) million and $529 million for the three months ended September 30, 2012 and 2011, and $(152) million and $688 million for the nine months ended September 30, 2012 and 2011, respectively.

(b) Equity markets primarily includes revenue related to market-making across global equity products, including cash instruments, derivatives, convertibles and Prime Services. Included DVA gains of $29 million and $377 million for the three months ended September 30, 2012 and 2011, and $99 million and $383 million for the nine months ended September 30, 2012 and 2011, respectively.

(c) Credit portfolio revenue includes net interest income, fees and loan sale activity, as well as gains or losses on securities received as part of a loan restructuring, for IB's credit portfolio. Credit portfolio revenue also includes the results of risk management related to the Firm's lending and derivative activities. Included DVA gains/(losses) of $(199) million and $979 million for the three months ended September 30, 2012 and 2011, and $(310) million and $933 million for the nine months ended September 30, 2012 and 2011, respectively. See pages 72–81 of the Credit Risk Management section of this Form 10-Q for further discussion.

(d) IB manages traditional credit exposures related to GCB on behalf of IB and TSS, and IB and TSS share the economics related to the Firm's GCB clients. IB recognizes this sharing agreement also within Credit Portfolio.

Quarterly results

Net income was $1.6 billion, down 4% from the prior year. These results reflected higher noninterest expense and lower net revenue, largely offset by a benefit from the provision for credit losses compared with a provision for credit losses in the prior year.

Net revenue was $6.3 billion, compared with $6.4 billion in the prior year. Net revenue included a $211 million loss from DVA on certain structured and derivative liabilities resulting from the tightening of the Firm's credit spreads compared with a gain of $1.9 billion in the prior year. Excluding the impact of DVA, net income was $1.7 billion, up $1.2 billion from the prior year, and net revenue was $6.5 billion, up $2.0 billion from the prior year.

Investment banking fees were $1.4 billion (up 38%), which consisted of debt underwriting fees of $805 million (up 62%), equity underwriting fees of $235 million (up 32%), and advisory fees of $389 million (up 7%). Combined Fixed Income and Equity Markets revenue was $4.8 billion, flat compared with the prior year. The portion of the synthetic credit portfolio transferred from CIO in Corporate to IB on July 2, 2012, experienced a modest loss, which was included in Fixed Income Markets revenue. Credit Portfolio reported net revenue of $90 million.

Excluding the impact of DVA, Fixed Income and Equity Markets combined revenue was $4.8 billion, up 24% from the prior year, driven by solid client revenue and broad-based strength across the Fixed Income businesses. Excluding the impact of DVA, Credit Portfolio net revenue was $289 million, driven by net interest income on retained

loans and fees on lending-related commitments.

The provision for credit losses was a benefit of $48 million, compared with a provision for credit losses in the prior year of $54 million. The ratio of the allowance for loan losses to end-of-period loans retained was 2.06%, compared with 2.30% in the prior year. Excluding the impact of the consolidation of Firm-administered multi-seller conduits the ratio of the allowance for loan losses to end-of-period loans retained was 3.29%, compared with 3.60% in the prior year.

Noninterest expense was $3.9 billion, up 3% from the prior year, driven by higher compensation expense, partially offset by lower noncompensation expense. The compensation ratio for the current quarter was 32%, excluding the impact of DVA.

Year-to-date results

Net income was $5.2 billion, down 15% from the prior year, reflecting lower net revenue, predominantly offset by lower noninterest expense, and a lower net benefit for credit losses compared to the prior year.

Net revenue was $20.4 billion, compared with $21.9 billion in the prior year. Investment banking fees were $4.0 billion (down 15%), consisting of debt underwriting fees of $2.3 billion (down 3%), advisory fees of $1.0 billion (down 26%), and equity underwriting fees of $761 million (down 25%) . Combined Fixed Income and Equity Markets revenue was $15.7 billion down 7% from the prior year. Credit Portfolio reported revenue of $622 million. Net revenue included a $363 million loss from DVA on certain structured and derivative liabilities resulting from the tightening of the

Firm's credit spreads; this was composed of a loss of $152 million in Fixed Income Markets, a loss of $310 million in Credit Portfolio, partially offset by a gain of $99 million in Equity Markets. Excluding the impact of DVA, net revenue was $20.7 billion and net income was $5.4 billion.
Excluding the impact of DVA, Fixed Income and Equity Markets combined revenue was $15.7 billion, approximately flat from prior year, reflecting solid client revenue. Excluding the impact of DVA, Credit Portfolio net revenue was $932 million primarily reflecting net interest income on retained loans and fees on lending-related commitments.

The provision for credit losses was a benefit of $32 million, compared with a benefit of $558 million in the prior year. Net recoveries were $61 million, compared with net recoveries of $38 million in the prior year.
Noninterest expense was $12.4 billion, down 5% from the prior year, driven primarily by lower compensation expense. The ratio of compensation to net revenue was 34%, excluding DVA. Noncompensation expense remained flat compared to prior year.

Selected metrics

	As of or for the three months ended September 30,			As of or for the nine months ended September 30,		
(in millions, except headcount)	2012	2011	Change	2012	2011	Change
Selected balance sheet data (period-end)						
Total assets	$838,753	$824,733	2%	$838,753	$824,733	2%
Loans:						
Loans retained[(a)]	67,383	58,163	16	67,383	58,163	16
Loans held-for-sale and loans at fair value	3,803	2,311	65	3,803	2,311	65
Total loans	71,186	60,474	18	71,186	60,474	18
Equity	40,000	40,000	—	40,000	40,000	—
Selected balance sheet data (average)						
Total assets	$778,475	$803,667	(3)	$786,860	$820,239	(4)
Trading assets-debt and equity instruments	295,546	329,984	(10)	304,307	357,735	(15)
Trading assets-derivative receivables	74,818	79,044	(5)	75,334	71,993	5
Loans:						
Loans retained[(a)]	70,569	57,265	23	69,377	55,089	26
Loans held-for-sale and loans at fair value	2,712	2,431	12	2,878	3,468	(17)
Total loans	73,281	59,696	23	72,255	58,557	23
Adjusted assets[(b)]	553,187	597,513	(7)	557,687	612,292	(9)
Equity	40,000	40,000	—	40,000	40,000	—
Headcount	25,884	26,615	(3)%	25,884	26,615	(3)%

(a) Loans retained includes credit portfolio loans, leveraged leases and other held-for-investment loans.
(b) Adjusted assets, a non-GAAP financial measure, equals total assets minus: (1) securities purchased under resale agreements and securities borrowed less securities sold, not yet purchased; (2) assets of consolidated variable interest entities ("VIEs"); (3) cash and securities segregated and on deposit for regulatory and other purposes; (4) goodwill and intangibles; and (5) securities received as collateral. The amount of adjusted assets is presented to assist the reader in comparing IB's asset and capital levels to other investment banks in the securities industry. Asset-to-equity leverage ratios are commonly used as one measure to assess a company's capital adequacy. IB believes an adjusted asset amount that excludes the assets discussed above, which were considered to have a low

risk profile, provides a more meaningful measure of balance sheet leverage in the securities industry.

Selected metrics

(in millions, except ratios)	As of or for the three months ended September 30, 2012	2011	Change	As of or for the nine months ended September 30, 2012	2011	Change
Credit data and quality statistics						
Net (recoveries)/charge-offs	$(16)	$(168)	90 %	$(61)	$(38)	(61)%
Nonperforming assets:						
Nonaccrual loans:						
Nonaccrual loans retained[(a)]	581	1,274	(54)	581	1,274	(54)
Nonaccrual loans held-for-sale and loans at fair value	213	150	42	213	150	42
Total nonaccrual loans	794	1,424	(44)	794	1,424	(44)
Derivative receivables[(b)]	282	281	—	282	281	—
Assets acquired in loan satisfactions	77	77	—	77	77	—
Total nonperforming assets	1,153	1,782	(35)	1,153	1,782	(35)
Allowance for credit losses:						
Allowance for loan losses	1,385	1,337	4	1,385	1,337	4
Allowance for lending-related commitments	535	444	20	535	444	20
Total allowance for credit losses	1,920	1,781	8	1,920	1,781	8
Net (recovery)/charge-off rate	(0.09)%	(1.16)%		(0.12)%	(0.09)%	
Allowance for loan losses to period-end loans retained	2.06	2.30		2.06	2.30	
Allowance for loan losses to nonaccrual loans retained[(a)]	238	105		238	105	
Nonaccrual loans to period-end loans	1.12	2.35		1.12	2.35	
Market risk-average Total IB trading VaR by risk type and Credit portfolio VaR – 95% confidence level						
IB VaR by risk type:						
Fixed income[(c)]	$118	$48	146	$81	$47	72
Foreign exchange	10	10	—	10	10	—
Equities	19	19	—	19	24	(21)
Commodities and other	13	15	(13)	16	15	7
Diversification benefit to IB trading VaR[(d)]	(48)	(39)	(23)	(46)	(38)	(21)
IB trading VaR[(e)]	112	53	111	80	58	38
Credit portfolio VaR[(f)]	22	38	(42)	26	30	(13)
Diversification benefit to IB trading and credit portfolio VaR[(d)]	(12)	(21)	43	(13)	(11)	(18)
Total IB trading and credit portfolio VaR[(c)]	$122	$70	74 %	$93	$77	21 %

(a) Allowance for loan losses of $177 million and $320 million was held against these nonaccrual loans at September 30, 2012 and 2011, respectively.

(b) Prior to the first quarter of 2012, reported amounts had only included defaulted derivatives; effective in the first quarter of 2012, reported amounts in all periods include both defaulted derivatives as well as derivatives that have been risk rated as nonperforming.

(c) On July 2, 2012, CIO transferred its synthetic credit portfolio, other than a portion aggregating to approximately $12 billion of notional, to IB. During the third quarter of 2012, the Firm applied a new value-at-risk ("VaR") model to calculate VaR for the synthetic credit portfolio. The Firm believes this new model, which was applied to both the portion of the synthetic credit portfolio held by IB, as well as the portion that was retained by CIO, more appropriately captures the risk of the portfolio. This new VaR model resulted in a reduction to the average fixed income and average total trading and credit portfolio VaR of $26 million and $28 million, respectively, for the three months ended September 30, 2012.

(d) Average VaR and period-end VaR was less than the sum of the VaR of the components described above, due to portfolio diversification. The diversification effect reflects the fact that the risks were not perfectly correlated.

(e) Trading VaR includes substantially all market-making and client-driven activities as well as certain risk management activities in IB, including the credit spread sensitivities of certain mortgage products and syndicated lending facilities that the Firm intends to distribute; however, particular risk parameters of certain products are not fully captured, for example, correlation risk. Trading VaR does not include the DVA on derivative and structured liabilities to reflect the credit quality of the Firm. See VaR discussion on pages 96–99 and the DVA sensitivity table on page 100 of this Form 10-Q for further details.

(f) Credit portfolio VaR includes the derivative credit valuation adjustments (“CVA”), hedges of the CVA and the fair value of hedges of the retained loan portfolio, which are all reported in principal transactions revenue. This VaR does not include the retained loan portfolio, which is not reported at fair value.

Market shares and rankings[(a)]

	Nine months ended September 30, 2012		Full-year 2011	
	Market Share	Rankings	Market Share	Rankings
Global investment banking fees[(b)]	7.7%	#1	8.1%	#1
Debt, equity and equity-related				
Global	7.2	1	6.7	1
U.S.	11.2	1	11.1	1
Syndicated loans				
Global	9.8	1	10.8	1
U.S.	18.0	1	21.2	1
Long-term debt[(c)]				
Global	7.1	1	6.7	1
U.S.	11.3	1	11.2	1
Equity and equity-related				
Global[(d)]	7.8	4	6.8	3
U.S.	10.5	4	12.5	1
Announced M&A[(e)]				
Global	19.8	2	18.3	2
U.S.	21.0	2	26.7	2

(a) Source: Dealogic. Global Investment Banking fees reflects ranking of fees and market share. Remainder of rankings reflects transaction volume and market share. Global announced M&A is based on transaction value at announcement; because of joint M&A assignments, M&A market share of all participants will add up to more than 100%. All other transaction volume-based rankings are based on proceeds, with full credit to each book manager/equal if joint.

(b) Global Investment Banking fees rankings exclude money market, short-term debt and shelf deals.

(c) Long-term debt rankings include investment-grade, high-yield, supranationals, sovereigns, agencies, covered bonds, asset-backed securities ("ABS") and mortgage-backed securities; and exclude money market, short-term debt, and U.S. municipal securities.

(d) Global Equity and equity-related ranking includes rights offerings and Chinese A-Shares.

(e) Announced M&A reflects the removal of any withdrawn transactions. U.S. announced M&A represents any U.S. involvement ranking.

According to Dealogic, the Firm was ranked #1 in Global Investment Banking Fees generated during the first nine months of 2012, based on revenue; #1 in Global Debt, Equity and Equity-related; #1 in Global Syndicated Loans; #1 in Global Long-Term Debt; #4 in Global Equity and Equity-related; and #2 in Global Announced M&A, based on volume.

International metrics	Three months ended September 30,			Nine months ended September 30,		
(in millions)	2012	2011	Change	2012	2011	Change
Total net revenue[(a)]						
Europe/Middle East/Africa	$1,766	$1,995	(11)%	$6,272	$7,065	(11)%
Asia/Pacific	675	948	(29)	2,095	2,832	(26)
Latin America/Caribbean	313	175	79	956	839	14
North America	3,523	3,251	8	11,041	11,180	(1)
Total net revenue	$6,277	$6,369	(1)	$20,364	$21,916	(7)
Loans retained (period-end)[(b)]						
Europe/Middle East/Africa	$16,656	$15,361	8	$16,656	$15,361	8
Asia/Pacific	8,451	6,892	23	8,451	6,892	23
Latin America/Caribbean	3,970	3,222	23	3,970	3,222	23
North America	38,306	32,688	17	38,306	32,688	17

Total loans	$67,383	$58,163	16 %	$67,383	$58,163	16 %

(a) Regional revenue is based primarily on the domicile of the client and/or location of the trading desk.
(b) Includes retained loans based on the domicile of the client.

RETAIL FINANCIAL SERVICES

For a discussion of the business profile of RFS, see pages 85–93 of JPMorgan Chase's 2011 Annual Report and the Introduction on page 4 of this Form 10-Q.

Selected income statement data	Three months ended September 30,			Nine months ended September 30,		
(in millions, except ratios)	2012	2011	Change	2012	2011	Change
Revenue						
Lending- and deposit-related fees	$791	$833	(5)%	$2,316	$2,382	(3)%
Asset management, administration and commissions	501	513	(2)	1,550	1,497	4
Mortgage fees and related income	2,376	1,380	72	6,649	1,991	234
Credit card income	344	611	(44)	1,003	1,720	(42)
Other income	129	136	(5)	381	378	1
Noninterest revenue	4,141	3,473	19	11,899	7,968	49
Net interest income	3,872	4,062	(5)	11,698	12,175	(4)
Total net revenue	8,013	7,535	6	23,597	20,143	17
Provision for credit losses	631	1,027	(39)	(20)	3,220	NM
Noninterest expense						
Compensation expense	2,324	2,101	11	6,927	5,914	17
Noncompensation expense	2,664	2,404	11	7,695	8,642	(11)
Amortization of intangibles	51	60	(15)	152	180	(16)
Total noninterest expense	5,039	4,565	10	14,774	14,736	—
Income before income tax expense	2,343	1,943	21	8,843	2,187	304
Income tax expense	935	782	20	3,415	1,042	228
Net income	$1,408	$1,161	21%	$5,428	$1,145	374%
Financial ratios						
Return on common equity	21%	18%		27%	6%	
Overhead ratio	63	61		63	73	
Overhead ratio excluding core deposit intangibles[(a)]	62	60		62	72	

(a) RFS uses the overhead ratio (excluding the amortization of core deposit intangibles ("CDI")), a non-GAAP financial measure, to evaluate the underlying expense trends of the business. Including CDI amortization expense in the overhead ratio calculation would result in a higher overhead ratio in the earlier years and a lower overhead ratio in later years; this method would therefore result in an improving overhead ratio over time, all things remaining equal. This non-GAAP ratio excluded Consumer & Business Banking's CDI amortization expense related to prior business combination transactions of $51 million and $60 million for the three months ended September 30, 2012 and 2011, respectively, and $152 million and $180 million for the nine months ended September 30, 2012 and 2011, respectively.

Quarterly results

Retail Financial Services reported net income of $1.4 billion, compared with $1.2 billion in the prior year.

Net revenue was $8.0 billion, an increase of $478 million, or 6%, compared with the prior year. Net interest income was $3.9 billion, down $190 million, or 5%, driven by lower deposit margins and lower loan balances due to portfolio runoff, largely offset by higher deposit balances. Noninterest revenue was $4.1 billion, an increase of $668 million, or 19%, driven by higher mortgage fees and related income, partially offset by lower debit card revenue.

The provision for credit losses was $631 million, compared with $1.0 billion in the prior year. The current-quarter provision reflected a $900 million reduction in the allowance for loan losses. Current-quarter total net charge-offs were $1.5 billion, including $825 million of incremental charge-offs of Chapter 7 loans. Excluding these incremental charge-offs, net charge-offs during the quarter would have been $706 million compared with $1.0 billion in the prior year. For more information, including net charge-off amounts and rates, see Consumer Credit Portfolio on pages 82–92 of this Form 10-Q.

Noninterest expense was $5.0 billion, an increase of $474 million, or 10%, from the prior year.

Year-to-date results

Retail Financial Services reported net income of $5.4 billion, compared with net income of $1.1 billion in the prior year.

Net revenue was $23.6 billion, an increase of $3.5 billion, or 17%, compared with the prior year. Net interest income was $11.7 billion, down $477 million, or 4%, driven by lower deposit margins and lower loan balances due to portfolio runoff, largely offset by higher deposit balances. Noninterest revenue was $11.9 billion, an increase of $3.9 billion, driven by higher mortgage fees and related income, partially offset by lower debit card revenue.

The provision for credit losses was a benefit of $20 million compared with a provision expense of $3.2 billion in the prior year. The current-year provision reflected a $3.3 billion reduction in the allowance for loan losses due to improved mortgage delinquency trends. Current-year total net charge-offs were $3.2 billion, including $825 million of incremental charge-offs of Chapter 7 loans. Excluding these incremental charge-offs, net charge-offs during the year would have been $2.4 billion compared with $3.3 billion in the prior year. For more information, including net charge-off amounts and rates, see Consumer Credit Portfolio on pages 82–92 of this Form 10-Q.

Noninterest expense was $14.8 billion, flat from the prior year.

Selected metrics	As of or for the three months ended September 30,			As of or for the nine months ended September 30,		
(in millions, except headcount)	2012	2011	Change	2012	2011	Change
Selected balance sheet data (period-end)						
Total assets	$259,238	$276,799	(6)%	$259,238	$276,799	(6)%
Loans:						
Loans retained	217,212	235,572	(8)	217,212	235,572	(8)
Loans held-for-sale and loans at fair value[(a)]	15,250	13,153	16	15,250	13,153	16
Total loans	232,462	248,725	(7)	232,462	248,725	(7)
Deposits	420,075	388,735	8	420,075	388,735	8
Equity	26,500	25,000	6	26,500	25,000	6
Selected balance sheet data (average)						
Total assets	$264,007	$283,443	(7)	$268,147	$289,486	(7)
Loans:						
Loans retained	220,106	238,273	(8)	225,122	244,204	(8)
Loans held-for-sale and loans at fair value[(a)]	17,879	16,608	8	17,068	16,243	5
Total loans	237,985	254,881	(7)	242,190	260,447	(7)
Deposits	414,608	382,202	8	407,833	377,678	8
Equity	26,500	25,000	6	26,500	25,000	6
Headcount	132,067	128,992	2%	132,067	128,992	2%

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

Selected metrics	As of or for the three months ended September 30,			As of or for the nine months ended September 30,		
(in millions, except ratios)	2012	2011	Change	2012	2011	Change
Credit data and quality statistics						
Net charge-offs[(a)]	$1,531	$1,027	49%	$3,230	$3,295	(2)%
Nonaccrual loans:						
Nonaccrual loans retained	9,154	7,579	21	9,154	7,579	21
Nonaccrual loans held-for-sale and loans at fair value	89	132	(33)	89	132	(33)
Total nonaccrual loans [(b)(c)(d)(e)]	9,243	7,711	20	9,243	7,711	20
Nonperforming assets[(b)(c)(d)(e)]	9,901	8,576	15	9,901	8,576	15
Allowance for loan losses	11,997	15,479	(22)%	11,997	15,479	(22)%
Net charge-off rate[(a)(f)]	2.77%	1.71%		1.92%	1.80%	
Net charge-off rate excluding PCI loans[(a)(f)]	3.85	2.39		2.67	2.53	
Allowance for loan losses to ending loans retained	5.52	6.57		5.52	6.57	
Allowance for loan losses to ending loans retained excluding PCI loans[(g)]	4.03	6.26		4.03	6.26	

Allowance for loan losses to nonaccrual loans retained[(b)(e)(g)]	69	139	69	139
Nonaccrual loans to total loans[(e)]	3.98	3.10	3.98	3.10
Nonaccrual loans to total loans excluding PCI loans[(b)(e)]	5.40	4.25	5.40	4.25

(a) Net charge-offs and net charge-off rates for the three and nine months ended September 30, 2012, included $825 million of incremental charge-offs of Chapter 7 loans. Excluding these incremental charge-offs, net charge-offs for the third quarter of 2012 would have been $706 million and the net charge-off rate for the same period excluding these incremental charge-offs and purchased credit-impaired loans would have been 1.77%.

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

(c) Certain of these loans are classified as trading assets on the Consolidated Balance Sheets.

(d) At September 30, 2012 and 2011, nonperforming assets excluded: (1) mortgage loans insured by U.S. government agencies of $11.0 billion and $9.5 billion, respectively, that are 90 or more days past due; and (2) real estate owned insured by U.S. government agencies of $1.5 billion and $2.4 billion, respectively. These amounts were excluded from nonaccrual loans as reimbursement of insured amounts is proceeding normally. For further discussion, see Note 13 on pages 154–175 of this Form 10-Q, which summarizes loan delinquency information.

(e) At September 30, 2012, included $1.7 billion of Chapter 7 loans as well as $1.3 billion of performing junior liens that are subordinate to senior liens that are 90 days or more past due. See Consumer Credit Portfolio on pages 82–92 of this Form 10-Q for further details.

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

(g) An allowance for loan losses of $5.7 billion and $4.9 billion was recorded for PCI loans at September 30, 2012 and 2011, respectively; these amounts were also excluded from the applicable ratios.

Consumer & Business Banking
Selected income statement data

	Three months ended September 30,			Nine months ended September 30,		
(in millions, except ratios)	2012	2011	Change	2012	2011	Change
Noninterest revenue	$1,653	$1,952	(15)%	$4,884	$5,598	(13)%
Net interest income	2,685	2,730	(2)	8,040	8,095	(1)
Total net revenue	4,338	4,682	(7)	12,924	13,693	(6)
Provision for credit losses	107	126	(15)	201	287	(30)
Noninterest expense	2,916	2,842	3	8,524	8,354	2
Income before income tax expense	1,315	1,714	(23)	4,199	5,052	(17)
Net income	$785	$1,023	(23)%	$2,505	$3,014	(17)%
Overhead ratio	67%	61%		66%	61%	
Overhead ratio excluding core deposit intangibles[a]	66	59		65	60	

(a) Consumer & Business Banking uses the overhead ratio (excluding the amortization of CDI), a non-GAAP financial measure, to evaluate the underlying expense trends of the business. See footnote (a) to the selected income statement data table on page 24 of this Form 10-Q for further details.

Quarterly results

Consumer & Business Banking reported net income of $785 million, a decrease of $238 million, or 23%, compared with the prior year.

Net revenue was $4.3 billion, down 7% from the prior year. Net interest income was $2.7 billion, down 2% compared with the prior year, driven by the impact of lower deposit margin, predominantly offset by higher deposit balances. Noninterest revenue was $1.7 billion, a decrease of 15%, driven by lower debit card revenue, reflecting the impact of the Durbin Amendment.

The provision for credit losses was $107 million, compared with $126 million in the prior year. Net charge-offs were $107 million, compared with $126 million in the prior year.

Noninterest expense was $2.9 billion, up 3% from the prior year, driven by investments in sales force and new branch builds.

Year-to-date results

Consumer & Business Banking reported net income of $2.5 billion, a decrease of $509 million, or 17%, compared with the prior year.

Net revenue was $12.9 billion, down 6% from the prior year. Net interest income was $8.0 billion, relatively flat compared with the prior year, driven by the impact of lower deposit margins, predominantly offset by higher deposit balances. Noninterest revenue was $4.9 billion, a decrease of 13%, driven by lower debit card revenue, reflecting the impact of the Durbin Amendment.

The provision for credit losses was $201 million, compared with $287 million in the prior year. Net charge-offs were $301 million, compared with $362 million in the prior year.

Noninterest expense was $8.5 billion, up 2% from the prior year, due to investments in sales force and new branch builds.

Selected metrics

(in millions, except ratios and where otherwise noted)	As of or for the three months ended September 30,			As of or for the nine months ended September 30,		
	2012	2011	Change	2012	2011	Change
Business metrics						
Business banking origination volume	$1,685	$1,440	17 %	$5,012	$4,438	13 %
End-of-period loans	18,568	17,272	8	18,568	17,272	8
End-of-period deposits:						
Checking	159,527	142,064	12	159,527	142,064	12
Savings	208,272	186,733	12	208,272	186,733	12
Time and other	32,781	39,017	(16)	32,781	39,017	(16)
Total end-of-period deposits	400,580	367,814	9	400,580	367,814	9
Average loans	18,279	17,172	6	17,961	17,039	5
Average deposits:						
Checking	153,982	137,033	12	151,067	135,200	12
Savings	206,298	184,590	12	202,076	180,240	12
Time and other	33,470	40,588	(18)	34,891	42,876	(19)
Total average deposits	393,750	362,211	9	388,034	358,316	8
Deposit margin	2.56 %	2.82 %		2.62 %	2.85 %	
Average assets	$30,625	$30,074	2	$30,585	$29,513	4
Credit data and quality statistics						
Net charge-offs	$107	$126	(15)	$301	$362	(17)
Net charge-off rate	2.33 %	2.91 %		2.24 %	2.85 %	
Allowance for loan losses	$698	$800	(13)	$698	$800	(13)
Nonperforming assets	532	773	(31)	532	773	(31)
Retail branch business metrics						
Investment sales volume	$6,280	$5,102	23	$19,049	$18,020	6
Client investment assets	154,637	132,255	17	154,637	132,255	17
% managed accounts	28 %	23 %		28 %	23 %	
Number of:						
Branches	5,596	5,396	4	5,596	5,396	4
Chase Private Client branch locations	960	139	NM	960	139	NM
ATMs	18,485	16,708	11	18,485	16,708	11
Personal bankers	23,622	24,205	(2)	23,622	24,205	(2)
Sales specialists	6,205	5,639	10	6,205	5,639	10
Client advisors	3,034	3,177	(5)	3,034	3,177	(5)
Active online customers (in thousands)	18,225	17,326	5	18,225	17,326	5
Active mobile customers (in thousands)	9,799	7,234	35	9,799	7,234	35
Chase Private Clients	75,766	11,711	NM	75,766	11,711	NM
Checking accounts (in thousands)	27,669	26,541	4 %	27,669	26,541	4 %

Mortgage Production and Servicing
Selected income statement data

	Three months ended September 30,			Nine months ended September 30,		
(in millions, except ratios)	2012	2011	Change	2012	2011	Change
Mortgage fees and related income	$2,376	$1,380	72 %	$6,649	$1,991	234 %
Other noninterest revenue	103	118	(13)	336	328	2
Net interest income	190	204	(7)	561	599	(6)
Total net revenue	2,669	1,702	57	7,546	2,918	159
Provision for credit losses	4	2	100	5	4	25
Noninterest expense	1,737	1,360	28	5,033	5,293	(5)
Income/(loss) before income tax expense/(benefit)	928	340	173	2,508	(2,379)	NM
Net income/(loss)	$563	$205	175	$1,628	$(1,574)	NM
Overhead ratio	65 %	80 %		67 %	181 %	

Functional results