

FINANCIAL INSTITUTION'S ACCOUNTING

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FINANCIAL STATEMENTS DISCLOSED

- To current and future investors: (Through the market regulator, e.g. Securities and Exchange Commission SEC)
- Directly to other supervisors (Federal Deposit Insurance Corporation FDIC)
- Required disclosure varies depending on the business, incorporation, and supervision.

FINANCIAL DISCLOSURES OF PUBLIC (TRADED) COMPANIES AVAILABLE FOR INVESTORS (US)

- Registration Statement (Form S-1): IPO
- Annual Report (Form 10-K)
- Quarter Report (Form 10-Q)
- Major developments between 10-K or 10-Q filings: bankruptcies or receiverships, material impairments, completion of acquisition or disposition of assets, or departures or appointments of executives.
- Salaries: Proxy Statement
- Corporate Insiders (ownership): Forms 3,4, and 5
- Beneficial Ownership Report: Schedule 13D
- Disposition of stock: Form 144 by insiders
- Foreign Investment Disclosures

MUTUAL FUNDS DISCLOSURE

- Registration (Form N-1A for open end and N-2 for closed-end)
- Annual and semi-annual shareholder report (N-CSR)
- Holdings (Forms N-PORT and N-Q)
- Census information (N-CEN)
- Voting proxies for all holdings (Form N-PX)
- Notice of shares issued (Form 24F-2)
- Mergers (Form N-14)
- Liquidity threat (Form N-LIQUID)
- Material Events (money Market funds) (Form N-CR)
- Repurchase by closed-funds (Schedule TO)

WHERE IS ALL THIS INFORMATION?

- EDGAR: Electronic Data Gathering, Analysis, and Retrieval System.
- Used to retrieve all information specified in: Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939, and the Investment Company Act of 1940
- Companies submit information directly to the server in a specific format (XML – Edgar Extensive Markup Language)
- Companies are identified with a unique code (Central Index Key CIK)
- Data available through API

EDGAR | Company Filings

Company and Person Lookup ?

EXAMPLE: JP MORGAN

<https://jpmorganchaseco.gcs-web.com/node/366736/html>

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

Annual report pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the fiscal year ended

December 31, 2020

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)

383 Madison Avenue,

New York, New York

(Address of principal executive offices)

13-2624428

(I.R.S. employer
identification no.)

10179

(Zip Code)

SHARES TRADED

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common stock	JPM	The New York Stock Exchange
Depository Shares, each representing a one-four hundredth interest in a share of 6.10% Non-Cumulative Preferred Stock, Series AA	JPM PR G	The New York Stock Exchange
Depository Shares, each representing a one-four hundredth interest in a share of 6.15% Non-Cumulative Preferred Stock, Series BB	JPM PR H	The New York Stock Exchange
Depository Shares, each representing a one-four hundredth interest in a share of 5.75% Non-Cumulative Preferred Stock, Series DD	JPM PR D	The New York Stock Exchange
Depository Shares, each representing a one-four hundredth interest in a share of 6.00% Non-Cumulative Preferred Stock, Series EE	JPM PR C	The New York Stock Exchange
Depository Shares, each representing a one-four hundredth interest in a share of 4.75% Non-Cumulative Preferred Stock, Series GG	JPM PR J	The New York Stock Exchange
Alerian MLP Index ETNs due May 24, 2024	AMJ	NYSE Arca, Inc.
Guarantee of Callable Step-Up Fixed Rate Notes due April 26, 2028 of JPMorgan Chase Financial Company LLC	JPM/28	The New York Stock Exchange

PART I – BUSINESS

Item 1. Business.

Overview

JPMorgan Chase & Co. (“JPMorgan Chase” or the “Firm”, NYSE: JPM), a financial holding company incorporated under Delaware law in 1968, is a leading financial services firm based in the United States of America (“U.S.”), and has operations worldwide; JPMorgan Chase had \$3.4 trillion in assets and \$279.4 billion in stockholders' equity as of December 31, 2020. The Firm is a leader in investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing and asset management. 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.

Business segments

For management reporting purposes, JPMorgan Chase's activities are organized into four major reportable business segments, as well as a Corporate segment. The Firm's consumer business is the Consumer & Community Banking (“CCB”) segment. The Firm's wholesale business segments are the Corporate & Investment Bank (“CIB”), Commercial Banking (“CB”), and Asset & Wealth Management (“AWM”).

A description of the Firm's business segments and the products and services they provide to their respective client bases is provided in the “Business segment results” section of Management's discussion and analysis of financial condition and results of operations (“Management's discussion and analysis” or “MD&A”), beginning on page 46 and in Note 32.

Competition

JPMorgan Chase and its subsidiaries and affiliates operate in highly competitive environments. Competitors include other banks, brokerage firms, investment banking companies, merchant banks, hedge funds, commodity trading companies, private equity firms, insurance companies, mutual fund companies, investment managers, credit card companies, mortgage banking companies, trust companies, securities processing companies, automobile financing companies, leasing companies, e-commerce and other internet-based companies, financial technology companies, and other companies engaged in providing similar products and services. The Firm's businesses generally compete on the basis of the quality and variety of the Firm's products and services, transaction execution, innovation, reputation and price. Competition also varies based on the types of clients, customers, industries and geographies served. With respect to some of its geographies and products, JPMorgan Chase competes globally; with respect to others, the Firm competes on a national or regional basis. New competitors in the financial services industry continue to emerge, including firms that offer products and services solely through the internet and non-financial companies that offer payment or loan products.

PART – I (HUMAN CAPITAL)

Employee Breakdown by Region	
Region	Employees
North America	162,670
Europe/Middle East/Africa	22,346
Latin America/Caribbean	3,691
Asia-Pacific	66,644
Total Firm	255,351

SUPERVISION (EXAMPLE)

Supervision and regulation

The Firm is subject to extensive and comprehensive regulation under U.S. federal and state laws, as well as the applicable laws of the jurisdictions outside the U.S. in which the Firm does business.

Financial holding company:

Consolidated supervision. JPMorgan Chase & Co. is a bank holding company ("BHC") and a financial holding company ("FHC") under U.S. federal law, and is subject to comprehensive consolidated supervision, regulation and examination by the Board of Governors of the Federal Reserve System (the "Federal Reserve"). The Federal Reserve acts as the supervisor of the consolidated operations of BHCs, and certain of JPMorgan Chase's subsidiaries are also regulated directly by additional authorities based on the activities or licenses of those subsidiaries.

JPMorgan Chase's national bank subsidiary, JPMorgan Chase Bank, N.A., is supervised and regulated by the Office of the Comptroller of the Currency ("OCC") and, with respect to certain matters, by the Federal Deposit Insurance Corporation (the "FDIC").

JPMorgan Chase's U.S. broker-dealers are supervised and regulated by the Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority ("FINRA"), and subsidiaries of the Firm that engage in certain futures-related and swaps-related activities are supervised and regulated by the Commodity Futures Trading Commission ("CFTC"). J.P. Morgan Securities plc is a U.K.-based bank regulated by the U.K. Prudential Regulation Authority (the "PRA") and the U.K. Financial Conduct Authority ("FCA").

The Firm's other non-U.S. subsidiaries are regulated by the banking, securities, prudential and conduct regulatory authorities in the countries in which they operate.

Permissible business activities. The Bank Holding Company Act restricts BHCs from engaging in business activities other than the business of banking and certain closely-related activities. FHCs can engage in a broader range of financial activities. The Federal Reserve has the authority to limit an FHC's ability to conduct otherwise permissible activities if the FHC or any of its depository institution subsidiaries ceases to meet applicable eligibility requirements. The

PART 1 – RISK (EXAMPLE)

Summary

The principal risks that could adversely affect JPMorgan Chase's business, results of operations, financial condition, capital position, liquidity, competitive position or reputation include:

- Risks related to the **COVID-19 pandemic**, including the significant harm that the pandemic has caused and is causing to the global economy and the further negative effects that it could have on certain of JPMorgan Chase's businesses.
- **Regulatory** risks, including the impact that applicable laws, rules and regulations in the highly-regulated financial services industry, as well as changes to or in the interpretation of those laws, rules and regulations, can have on JPMorgan Chase's business and operations; the ways in which differences in financial services regulation in different jurisdictions or with respect to certain competitors can disadvantage JPMorgan Chase's business; the higher compliance costs and potential for operational restrictions due to heightened regulatory scrutiny; risks associated with complying with economic sanctions and anti-corruption and anti-money laundering laws; the ways in which less predictable legal and regulatory frameworks in certain countries can negatively impact JPMorgan Chase's operations and financial results; the losses that security holders will absorb if JPMorgan Chase were to enter into a resolution; and risks related to the regulatory uncertainties associated with the U.K.'s departure from the EU.
- **Political** risks, including the potential negative effects on JPMorgan Chase's businesses due to economic uncertainty or instability caused by political developments.
- **Market** risks, including the effects that economic and market events and conditions, governmental policies concerning taxation, regulation and other matters, changes in interest rates and credit spreads, and market fluctuations can have on JPMorgan Chase's consumer and wholesale businesses and its investment and market-making positions.
- **Credit** risks, including potential negative effects from adverse changes in the financial condition of clients, customers, counterparties, custodians and central

PART I - OTHER

- Properties
- Unresolved Staff Comments
- Legal Proceedings

PART II – COMMON EQUITY

- Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Year ended December 31, 2020	Total number of shares of common stock repurchased	Average price paid per share of common stock ^(a)	Aggregate purchase price of common stock repurchases (in millions) ^(a)	Dollar value of remaining authorized repurchase (in millions) ^(a)
First quarter	50,003,062	\$ 127.92	\$ 6,397	\$ 9,183

- Selected Financial Data
- Management's discussion
- Disclosures about market risk
- Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.
- Controls and Procedures.

PART III

- Directors, Executive Officers and Corporate Governance.
- Executive Compensation
- Security Ownership

PART IV- FINANCIAL STATEMENTS

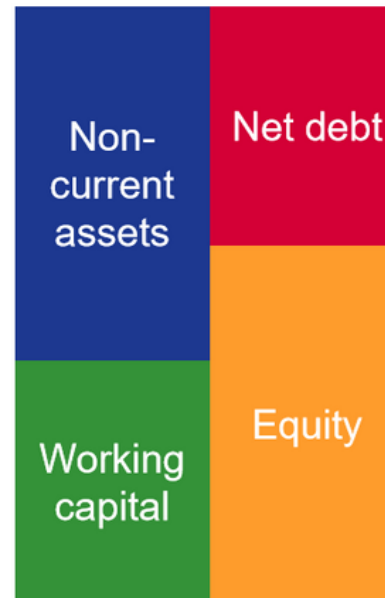
- Financial Statements (Audited and Un-audited)
- Consolidated Financial Statements
- Financial Statements Schedules
- Amendments
- Historical Comparison
- Supplementary Information
- Reconciliation with NON-GAAP measures
- Performance by Business

COMMERCIAL BANKS' ACCOUNTING

COMMERCIAL BANK - ACCOUNTING

- The general structure of their financial statements is similar to many companies.
- Significant differences in the sub-classification of accounts
- Banks use much more leverage

A typical non-bank



A typical bank



EXAMPLE –JP MORGAN CHASE

Selected metrics

As of or for the year ended December 31, (in millions, except headcount)	2020	2019	2018
Selected balance sheet data (period-end)			
Total assets	\$ 228,932	\$ 220,514	\$ 220,229
Loans:			
Loans retained	207,880	207,287	204,219
Loans held-for-sale and loans at fair value	2,245	1,009	1,978
Total loans	\$ 210,125	\$ 208,296	\$ 206,197
Period-end loans by client segment			
Middle Market Banking	\$ 61,115 ^(a)	\$ 54,188	\$ 56,656
Corporate Client Banking	47,420	51,165	48,343
Commercial Real Estate Banking	101,146	101,951	100,088
Other	444	992	1,110
Total Commercial Banking loans	\$ 210,125 ^(a)	\$ 208,296	\$ 206,197

OTHER ASSETS

As of or for the year ended December 31, (in millions, except ratios)	2020	2019	2018
Credit data and quality statistics			
Net charge-offs/(recoveries)	\$ 401	\$ 160	\$ 53
Nonperforming assets			
Nonaccrual loans:			
Nonaccrual loans retained ^(a)	1,286	498	511
Nonaccrual loans held-for-sale and loans at fair value	120	—	—
Total nonaccrual loans	1,406	498	511
Assets acquired in loan satisfactions	24	25	2
Total nonperforming assets	1,430	523	513
Allowance for credit losses:			
Allowance for loan losses	3,335	2,780	2,682
Allowance for lending-related commitments	651	293	254
Total allowance for credit losses	3,986	3,073	2,936
Net charge-off/(recovery) rate ^(a)	0.18 %	0.08 %	0.03 %
Allowance for loan losses to period-end loans retained	1.60	1.34	1.31
Allowance for loan losses to nonaccrual loans retained ^(a)	259	558	525
Nonaccrual loans to period-end total loans	0.67	0.24	0.25

INCOME STATEMENT

- Revenue is derived differently from regular companies

NON-INTEREST REVENUE

- Broker fees
- Commissions and fees from products
- Underwriting fees
- Other fees

INTEREST REVENUE

- Interest payments the bank receives on the loans it issues.
- If expressed in net terms, it deducts interests

CREDIT LOSS - PROVISIONS

- Just like with accounts receivables, and bad debt expenses, banks must prepare in the event that borrowers are not able to pay off their loans. These bad pieces of credit are written off in the income statement.

EXAMPLE - JP MORGAN CHASE

Year ended December 31, (in millions)	2020	2019	2018
Revenue			
Lending- and deposit-related fees ^(a)	\$ 1,187	\$ 941	\$ 896
All other income ^(a)	1,880	1,769	1,724
Noninterest revenue	3,067	2,710	2,620
Net interest income	6,246	6,554	6,716
Total net revenue^(a)	9,313	9,264	9,336
Provision for credit losses	2,113	296	129
Noninterest expense			
Compensation expense	1,854	1,785	1,694
Noncompensation expense	1,944	1,950	1,933
Total noninterest expense	3,798	3,735	3,627
Income before income tax expense	3,402	5,233	5,580
Income tax expense	824	1,275	1,316
Net income	\$ 2,578	\$ 3,958	\$ 4,264

EXERCISE – COMPUTE FINANCIAL STATEMENTS

- You have received an inheritance of 10 million dollars after taxes, and you have decided to open a digital bank in your home country.
- Although most operations will be performed digital, since you will finance part of the business with deposits you will be considered and therefore supervised as a commercial bank.
- The regulator and potential investors have asked you to create a forecast of your financial statements for the next years.

INITIAL SETUP

- For tax purposes you have decided to incorporate your company in an island in the Caribbean, this will entitle you to pay 0% taxes in the following years.
- Once the company has been registered, expenses of 1 million USD are necessary to obtain all the required permits to operate, these expenses are paid during the first year.
- In order to attract depositors, you invest in state-of-the-art technology including a full-functional mobile and web application, database management, payment technology, as well as an aggressive marketing strategy. All of this required 7 million dollars in investments which will be depreciated linearly over 5 years.
- To properly operate your business, you hire a team of developers, IT specialists, customer service professionals, and accountants. You must pay them salaries of 1 million USD in total per year.
- Other expenses add up to 2 million USD per year.

BUSINESS

- You expect to start with 200 millions in deposits and this amount to increase by 50 Million USD per year.
- You promise an annual rate of 1% on these deposits.
- Loans are expected to be 70% of deposits per year, both interests (10 %) and principals will be paid at the end of each year, 1% of these loans will default.