JPMORGAN CHASE & CO
Form 10-Q
May 05, 2015

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 March 31, 2015	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.

x 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).

x 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 x	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 x No

Number of shares of common stock outstanding as of March 31, 2015: 3,711,087,151

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JPMorgan Chase & Co.
Consolidated financial highlights
(unaudited)

As of or for the period ended, (in millions, except per share, ratio, headcount data and where otherwise noted)		1Q15	4Q14	3Q14	2Q14	1Q14
Selected income statement data						
Total net revenue		$24,066	$22,750	$24,469	$24,678	$23,215
Total noninterest expense		14,883	15,409	15,798	15,431	14,636
Pre-provision profit		9,183	7,341	8,671	9,247	8,579
Provision for credit losses		959	840	757	692	850
Income before income tax expense		8,224	6,501	7,914	8,555	7,729
Income tax expense		2,310	1,570	2,349	2,575	2,460
Net income		$5,914	$4,931	$5,565	$5,980	$5,269
Earnings per share data						
Net income:	Basic	$1.46	$1.20	$1.37	$1.47	$1.29
	Diluted	1.45	1.19	1.35	1.46	1.28
Average shares:	Basic	3,725.3	3,730.9	3,755.4	3,780.6	3,787.2
	Diluted	3,757.5	3,765.2	3,788.7	3,812.5	3,823.6
Market and per common share data						
Market capitalization		224,818	232,472	225,188	216,725	229,770
Common shares at period-end		3,711.1	3,714.8	3,738.2	3,761.3	3,784.7
Share price[a]:						
High		$62.96	$63.49	$61.85	$61.29	$61.48
Low		54.27	54.26	54.96	52.97	54.20
Close		60.58	62.58	60.24	57.62	60.71
Book value per share		57.77	56.98	56.41	55.44	53.97
Tangible book value per share (“TBVPS”)[b]		45.45	44.60	44.04	43.08	41.65
Cash dividends declared per share		0.40	0.40	0.40	0.40	0.38
Selected ratios and metrics						
Return on common equity (“ROE”)		11 %	9 %	10 %	11 %	10 %
Return on tangible common equity (“ROTCE”)[b]		14	11	13	14	13
Return on assets (“ROA”)		0.94	0.78	0.90	0.99	0.89
Overhead ratio		62	68	65	63	63
Loans-to-deposits ratio		56	56	56	57	57
High quality liquid assets (“HQLA”) (in billions)[c]		$614	$600	$572	$576	$538
Common equity Tier 1 (“CET1”) capital ratio[d]		10.7 %	10.2 %	10.2 %	9.8 %	10.9 %
Tier 1 capital ratio[d]		12.1	11.6	11.5	11.0	12.0
Total capital ratio[d]		13.7	13.1	12.8	12.5	14.5
Tier 1 leverage ratio[d]		7.5	7.6	7.6	7.6	7.3
Selected balance sheet data (period-end)						
Trading assets		$398,981	$398,988	$410,657	$392,543	$375,204
Securities[e]		331,136	348,004	366,358	361,918	351,850
Loans		764,185	757,336	743,257	746,983	730,971
Total assets		2,577,148	2,572,773	2,526,655	2,519,995	2,476,650
Deposits		1,367,887	1,363,427	1,334,534	1,319,751	1,282,705
Long-term debt[f]		280,608	276,836	268,721	269,929	274,512

Common stockholders’ equity	214,371	211,664	210,876	208,520	204,246
Total stockholders’ equity	235,864	231,727	230,939	226,983	219,329
Headcount	241,145	241,359	242,388	245,192	246,994
Credit quality metrics					
Allowance for credit losses	$14,658	$14,807	$15,526	$15,974	$16,485
Allowance for loan losses to total retained loans	1.86 %	1.90 %	2.02 %	2.08 %	2.20 %
Allowance for loan losses to retained loans excluding purchased credit-impaired loans(g)	1.52	1.55	1.63	1.69	1.75
Nonperforming assets	$7,714	$7,967	$8,390	$9,017	$9,473
Net charge-offs	1,052	1,218	1,114	1,158	1,269
Net charge-off rate	0.57 %	0.65 %	0.60 %	0.64 %	0.71 %

Note: Effective January 1, 2015, the Firm adopted new accounting guidance for investments in affordable housing projects that qualify for the low-income housing tax credit. The guidance was required to be applied retrospectively and accordingly, certain prior period amounts have been revised to conform with the current period presentation. For additional information, see Explanation and Reconciliation of the Firm's Use of Non-GAAP Financial Measures on pages 13–14, as well as Accounting and Reporting Developments on page 72 and Note 1.

(a) Share prices shown for JPMorgan Chase’s common stock are from the New York Stock Exchange.

(b) TBVPS and ROTCE are non-GAAP financial measures. TBVPS represents the Firm’s tangible common equity divided by common shares at period-end. ROTCE measures the Firm’s annualized earnings as a percentage of tangible common equity. For further discussion of these measures, see Explanation and Reconciliation of the Firm’s Use of Non-GAAP Financial Measures on pages 13–14.

(c) HQLA represents the Firm’s estimate of the amount of assets that qualify for inclusion in the liquidity coverage ratio under the final U.S. rule (“U.S. LCR”) for 1Q15, 4Q14, and 3Q14, and in the Basel III Liquidity Coverage Ratio (“Basel III LCR”) for 2Q14 and 1Q14; for additional information, see HQLA on page 64.

(d) As of March 31, 2015, December 31, 2014, September 30, 2014, and June 30, 2014, the ratios presented are calculated under Basel III Advanced Transitional. As of March 31, 2014, the ratios presented are calculated under Basel III Standardized Transitional. See Regulatory capital on pages 55–61 for additional information on Basel III.

(e) Included held-to-maturity (“HTM”) securities of $49.3, billion, $49.3 billion, $48.8 billion, $47.8 billion and $47.3 billion at March 31, 2015, December 31, 2014, September 30, 2014, June 30, 2014 and March 31, 2014, respectively.

(f) Included unsecured long-term debt of $209.5 billion, $207.5 billion, $204.7 billion, $205.6 billion and $206.1 billion at March 31, 2015, December 31, 2014, September 30, 2014, June 30, 2014 and March 31, 2014, respectively.

(g) Excludes the impact of residential real estate PCI loans. For further discussion, see Allowance for credit losses on pages 46–48.

INTRODUCTION

The following is management's discussion and analysis ("MD&A") of the financial condition and results of operations of JPMorgan Chase & Co. ("JPMorgan Chase" or the "Firm") in this Form 10-Q.

This Form 10-Q should be read in conjunction with JPMorgan Chase's Annual Report on Form 10-K for the year ended December 31, 2014, filed with the U.S. Securities and Exchange Commission ("2014 Annual Report" or "2014 Form 10-K"), to which reference is hereby made. See the Glossary of terms on pages 156–162 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 73 of this Form 10-Q and Part I, Item 1A, Risk Factors, on pages 8–17 of JPMorgan Chase's 2014 Annual Report.

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 had $2.6 trillion in assets and $235.9 billion in stockholders' equity as of March 31, 2015. 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.

JPMorgan Chase's principal bank subsidiaries are JPMorgan Chase Bank, National Association ("JPMorgan Chase Bank, N.A."), a national banking association with U.S. branches in 23 states, and Chase Bank USA, National Association ("Chase Bank USA, N.A."), a national banking association 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, a subsidiary of JPMorgan Chase Bank, N.A.

JPMorgan Chase's activities are organized, for management reporting purposes, 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 Corporate & Investment Bank ("CIB"), Commercial Banking ("CB"), and Asset Management ("AM") segments comprise the Firm's wholesale businesses. For a description of the Firm's business segments, and the products and services they provide to their respective client bases refer to Note 33 of JPMorgan Chase's 2014 Annual Report.

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 the trends and uncertainties, as well as the risks and critical accounting estimates affecting the Firm and its various lines of business, this Form 10-Q should be read in its entirety.

Financial performance of JPMorgan Chase

(unaudited) As of or for the period ended,	Three months ended March 31,					
(in millions, except per share data and ratios)	2015		2014		Change	
Selected income statement data						
Total net revenue	$24,066		$23,215		4	%
Total noninterest expense	14,883		14,636		2	
Pre-provision profit	9,183		8,579		7	
Provision for credit losses	959		850		13	
Net income	5,914		5,269		12	
Diluted earnings per share	$1.45		$1.28		13	
Return on common equity	11	%	10	%		
Capital ratios[(a)]						
CET1	10.7		10.9			
Tier 1 capital	12.1		12.0			

(a) As of March 31, 2015, the ratios presented are calculated under Basel III Advanced Transitional, and as of March 31, 2014, the ratios presented are calculated under Basel III Standardized Transitional. See Regulatory capital on pages 55–61 for additional information on Basel III.

Business Overview

JPMorgan Chase reported first-quarter 2015 net income of $5.9 billion, or $1.45 per share, on net revenue of $24.1 billion. Net income increased by $645 million, to $5.9 billion, in the first quarter of 2015. Return on equity for the quarter was 11%, compared with 10% for the prior-year quarter.

The Firm delivered strong underlying performance for the quarter. The increase in net income from the first quarter of 2014 was predominantly driven by higher net revenue, partially offset by higher noninterest expense and higher provision for credit losses.

Net revenue was $24.1 billion, up $851 million, or 4%, compared with the prior year. Noninterest revenue was $13.4 billion, up $841 million, or 7%, compared with the prior year. Net interest income was $10.7 billion, relatively flat compared with the prior year, reflecting lower interest expense and higher loan and cash balances, largely offset by lower loan yields.

The provision for credit losses in the three months ended March 31, 2015, increased from the same period of the prior year as result of lower reductions in the consumer allowance for loan losses, largely offset by lower net charge-offs. The lower reduction in the allowance for loan losses was due to stabilization of the credit environment compared to the prior year period. The wholesale provision

reflected a continued favorable credit environment.

Consumer net charge-offs were $1.1 billion, compared with $1.3 billion in the prior year, resulting in net charge-off rates, excluding purchased credit-impaired ("PCI") loans, of 1.14% and 1.42%, respectively.

Wholesale net recoveries were $1 million, compared with net charge-offs of $13 million in the prior year.

The Firm's allowance for loan losses to period-end loans retained, excluding PCI loans, was 1.52%, compared with 1.75% in the prior year. The Firm's allowance for loan losses to retained nonaccrual loans, excluding PCI loans, was 156%, compared with 145% in the prior year. The Firm's nonperforming assets totaled $7.7 billion, down from the prior quarter and prior year levels of $8.0 billion and $9.5 billion, respectively.

Noninterest expense was $14.9 billion, up $247 million, or 2%, compared with the prior year, driven by higher firmwide legal expense. The current quarter noninterest expense included $687 million of legal expense; the prior year amount was not material.

Consumer & Business Banking (“CBB”) average deposits were up 9%, client investment assets were a record $219.2 billion, up 12%, and credit card sales volume was $112.8 billion, up 8%, from the prior year. CIB maintained its #1 ranking for Global Investment Banking fees with 8.6% fee share for the first quarter, an increase of 100 basis points over the prior year, and the Markets business reflected an increase in activity in both Fixed Income and Equity Markets. CB period-end loan balances were up 11% from the prior year and up 3% from the prior quarter. Gross investment banking revenue from CB clients was a record, up 68%. AM reported positive net long-term flows for the twenty-fourth consecutive quarter, assets under management were a record, up 7%, and average loan balances were up 8% over the prior year.

The Firm maintained its fortress balance sheet, ending the first quarter with estimated Basel III Advanced Fully Phased-In CET1 capital of $167.2 billion and an estimated CET1 capital ratio of 10.6%. The Firm’s supplementary leverage ratio (“SLR”) was 5.7% and the Bank’s SLR was 6.0%. The Firm also had $614 billion of estimated high quality liquid assets (“HQLA”) as of March 31, 2015. The CET1 and SLR measures under the Basel III Advanced Fully Phased-In rules are each non-GAAP financial measures. These measures are used by management, bank regulators, investors and analysts to assess and monitor the Firm’s capital position. For further discussion of Basel III Advanced Fully Phased-in measures and the SLR under the U.S. final SLR rule, see Regulatory capital on pages 55–61.

JPMorgan Chase continued to support consumers, businesses and communities around the globe. The Firm provided credit and raised capital of $492 billion for commercial and consumer clients during the three months ended March 31, 2015. This included credit provided of $158 billion to corporations, $54 billion to consumers, and $5 billion to U.S. small businesses. The Firm also raised more than $260 billion of capital for clients. In addition, more than $15 billion of credit was provided to, and capital was raised for, nonprofit and government entities, including states, municipalities, hospitals and universities.

For a detailed discussion of results by line of business
refer to the Business Segment Results section beginning on page 15.

2015 Business outlook

These current expectations are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such 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 73 of this Form 10-Q and Risk Factors on pages 8-17 of JPMorgan Chase's 2014 Annual Report. There is no assurance that actual results for the second quarter or full year of 2015 will be in line with the outlook set forth below, and the Firm does not undertake to update any of these forward-looking statements to reflect the impact of circumstances or events that arise after the date hereof.

JPMorgan Chase's outlook for the second quarter and for the remainder of 2015 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 inter-related factors will affect the performance of the Firm and its lines of business.

Management expects core loan growth of approximately 10% in 2015. The Firm continues to experience charge-offs at levels lower than its through-the-cycle expectations; if favorable credit trends continue, management expects the Firm's total net charge-offs could remain low, at an amount modestly over $4 billion for full year 2015, and expects there could be a reduction in the consumer allowance for loan losses over the next two years.

The Firm expects the overall impact from its business simplification initiatives will be a reduction of approximately $1.6 billion in revenue and a corresponding reduction of approximately $1.6 billion in expense resulting in no meaningful impact on the Firm's 2015 anticipated net income.

Firmwide adjusted expense in 2015 is expected to be approximately $57 billion, excluding firmwide legal expense.

In Mortgage Banking within CCB, management expects noninterest revenue for 2015 to decline by approximately $1 billion compared with 2014 driven by lower servicing revenue as well as lower repurchase benefits. In Card Services within CCB, management expects the revenue rate in 2015 to remain at the low end of the target range of 12% to 12.5% and the net charge-off rate to be slightly less than 2.5%.

In CIB, Markets revenue in the second quarter of 2015 will be impacted by the Firm's business simplification initiatives completed in 2014, resulting in a decline of approximately $300 million, or 6%, in Markets revenue and an associated decline of approximately $300 million in expense, compared to the prior year second quarter. In Securities Services within CIB, management expects revenue to be in the range of $950 million to $1 billion in each of the remaining quarters of 2015, depending on seasonality.

In CB, management expects noninterest expense to be relatively stable as compared with the first quarter run-rate, as the business completes its build-out of the control environment.

In AM, management expects the 2015 pretax margin and ROE to be at the low end of the business's through-the-cycle targets of 30-35%, and 25% or higher, respectively.

Business events and subsequent events

For a discussion of business events during the three months ended March 31, 2015, and subsequent events, see Note 2.

CONSOLIDATED RESULTS OF OPERATIONS

The following section of the MD&A provides a comparative discussion of JPMorgan Chase's Consolidated Results of Operations on a reported basis for the three months ended March 31, 2015, and 2014. 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 69–71 of this Form 10-Q and pages 161–165 of JPMorgan Chase's 2014 Annual Report.

Revenue

	Three months ended March 31,		
(in millions)	2015	2014	Change
Investment banking fees	$1,794	$1,420	26%
Principal transactions	3,655	3,322	10
Lending- and deposit-related fees	1,363	1,405	(3)
Asset management, administration and commissions	3,807	3,836	(1)
Securities gains	52	30	73
Mortgage fees and related income	705	514	37
Card income	1,431	1,408	2
Other income[(a)]	582	613	(5)
Noninterest revenue	13,389	12,548	7
Net interest income	10,677	10,667	—
Total net revenue	$24,066	$23,215	4%

(a) Included operating lease income of $469 million and $398 million for the three months ended March 31, 2015 and 2014, respectively.

Total net revenue for the three months ended March 31, 2015, was up by $851 million, or 4%, compared with the prior year period, predominantly due to higher investment banking fees, principal transactions revenue, and mortgage fees and related income.

Investment banking fees increased compared with the three months ended March 31, 2014, due to strong performance across products, and increased fee share compared with last year. Debt underwriting fees were up driven by growth in industry-wide acquisition financing fee levels; advisory fees were up driven by the combined impact of a greater share of fees for completed transactions and growth in industry-wide fee levels; and equity underwriting fees were up due to strong gains in fee share primarily in the U.S. Investment banking fee share and industry-wide data are sourced from Dealogic. For additional information on investment banking fees, see CIB segment results on pages 23–26, CB segment results on pages 27–28, and Note 6.

Principal transactions revenue increased in the three months ended March 31, 2015 compared with the prior year period, due to higher fixed income and equity markets revenue in CIB. The results benefited from macroeconomic events and conditions, including actions of various central banks. The higher revenue in CIB was partially offset by the impact of business simplification initiatives. For additional information on principal transactions revenue, see CIB and Corporate segment results on pages 23–26 and page 31, respectively, and Note 6.

Asset management, administration and commissions revenue for the three months ended March 31, 2015, declined slightly compared with the prior year period, with lower commissions and other fees in CIB offset by higher asset management fees reflecting net client inflows and higher market levels in AM and CCB. For additional information on these fees and commissions, see the segment discussions of CCB on pages 16–22, AM on pages 29–30, and Note 6.

Mortgage fees and related income increased compared with the three months ended March 31, 2014, driven by lower mortgage servicing rights ("MSR") risk management losses, partially offset by lower servicing revenue. MSR risk management was a loss of $68 million, compared with a loss of $400 million in the prior year, which included a negative $460 million fair value adjustment primarily related to higher capital allocated to the business. For further information on mortgage fees and related income, see the segment discussion of CCB on pages 16–22 and Note 16.

For additional information on lending- and deposit-related fees, see the segment results for CCB on pages 16–22, CIB on pages 23–26 and CB on pages 27–28; securities gains, see the Corporate segment discussion on page 31 and Note 11; and card income, see CCB segment results on pages 16–22.

Other income for the three months ended March 31, 2015, declined compared with the prior year period, as a result of the accelerated amortization of cash flow hedge losses related to the exit of certain non-operational deposits, and a loss recognized on the early redemption of long-term debt, both in Corporate. These losses were partially offset by higher auto lease income as a result of growth in auto lease volume in CCB and gains on sale of certain businesses.

Net interest income remained relatively flat compared with the three months ended March 31, 2014, predominantly reflecting higher average loan and cash balances and the impact of lower interest expense, offset by lower loan yields due to the run-off of higher-yielding loans and new originations of lower-yielding loans. The Firm's average interest-earning assets were $2.1 trillion in the three months ended March 31, 2015, and the net interest yield on these assets, on a fully taxable-equivalent ("FTE") basis, was 2.07%, a decrease of 13 basis points from the prior year.

Provision for credit losses

	Three months ended March 31,		
(in millions)	2015	2014	Change
Consumer, excluding credit card	$142	$119	19%
Credit card	789	688	15
Total consumer	931	807	15
Wholesale	28	43	(35)
Total provision for credit losses	$959	$850	13

The provision for credit losses in the three months ended March 31, 2015, increased from the prior year period as a result of a lower reduction in the consumer allowance for loan losses, largely offset by lower net charge-offs. The lower reduction in the allowance for loan losses was due to stabilization of the credit environment compared to the prior year period. The wholesale provision reflected a continued favorable credit environment. For a more detailed discussion of the credit portfolio and the allowance for credit losses, see the segment discussions of CCB on pages 16–22, CIB on pages 23–26 and CB on pages 27–28, and the Allowance for credit losses section on pages 46–48.

Noninterest expense

	Three months ended March 31,		
(in millions)	2015	2014	Change
Compensation expense	$8,043	$7,859	2%
Noncompensation expense:			
Occupancy	933	952	(2)
Technology, communications and equipment	1,491	1,411	6
Professional and outside services	1,634	1,786	(9)
Marketing	591	564	5
Other expense[(a)(b)]	2,191	2,064	6
Total noncompensation expense	6,840	6,777	1
Total noninterest expense	$14,883	$14,636	2%

(a) Included firmwide legal expense of $687 million for the three months ended March 31, 2015; legal expense for the three months ended March 31, 2014 was not material.

(b) Included Federal Deposit Insurance Corporation-related (“FDIC”) expense of $318 million and $293 million for the three months ended March 31, 2015 and 2014, respectively.

Total noninterest expense for the three months ended March 31, 2015, increased by $247 million, or 2%, from the prior year period, driven by higher compensation and other expense, partially offset by lower professional and outside services.

Compensation expense increased compared with the three months ended March 31, 2014, predominantly driven by higher performance-based compensation expense in CIB, higher postretirement benefit costs and the impact of investments in the businesses, including headcount, for controls. The increase in compensation expense was partially offset by lower headcount in CCB.

Noncompensation expense in the three months ended March 31, 2015, increased slightly compared with the prior year period, due to higher other expense, predominantly reflecting higher legal expense, partially offset by the impact of business simplification in CIB, lower franchise tax expense as a result of a tax settlement, and lower amortization of intangibles. The net increase in other expense was partially offset by lower professional and outside services expense reflecting efficiencies across the businesses. For a further discussion of legal expense, see Note 23. For a discussion of amortization of intangibles, refer to Note 16.

Income tax expense

(in millions, except rate)	Three months ended March 31, 2015	2014	Change
Income before income tax expense	$8,224	$7,729	6%
Income tax expense	2,310	2,460	(6)
Effective tax rate	28.1 %	31.8 %	

The effective tax rate decreased compared with the prior year period predominantly due to tax benefits from 2015 audit settlements, revaluation of deferred tax assets as a result of changes in New York State tax laws, and higher business tax credits.

CONSOLIDATED BALANCE SHEETS ANALYSIS

Selected Consolidated Balance Sheets data

(in millions)	Mar 31, 2015	Dec 31, 2014	Change
Assets			
Cash and due from banks	$22,821	$27,831	(18)%
Deposits with banks	506,383	484,477	5
Federal funds sold and securities purchased under resale agreements	219,344	215,803	2
Securities borrowed	108,376	110,435	(2)
Trading assets:			
Debt and equity instruments	317,407	320,013	(1)
Derivative receivables	81,574	78,975	3
Securities	331,136	348,004	(5)
Loans	764,185	757,336	1
Allowance for loan losses	(14,065)	(14,185)	(1)
Loans, net of allowance for loan losses	750,120	743,151	1
Accrued interest and accounts receivable	70,006	70,079	—
Premises and equipment	14,963	15,133	(1)
Goodwill	47,453	47,647	—
Mortgage servicing rights	6,641	7,436	(11)
Other intangible assets	1,128	1,192	(5)
Other assets	99,796	102,597	(3)
Total assets	$2,577,148	$2,572,773	—
Liabilities			
Deposits	$1,367,887	$1,363,427	—
Federal funds purchased and securities loaned or sold under repurchase agreements	196,578	192,101	2
Commercial paper	55,655	66,344	(16)
Other borrowed funds	29,035	30,222	(4)
Trading liabilities:			
Debt and equity instruments	84,437	81,699	3
Derivative payables	73,836	71,116	4
Accounts payable and other liabilities	202,157	206,939	(2)
Beneficial interests issued by consolidated VIEs	51,091	52,362	(2)
Long-term debt	280,608	276,836	1
Total liabilities	2,341,284	2,341,046	—
Stockholders' equity	235,864	231,727	2
Total liabilities and stockholders' equity	$2,577,148	$2,572,773	—%

Consolidated Balance Sheets overview

JPMorgan Chase's total assets and total liabilities increased by $4.4 billion and $238 million, respectively, from December 31, 2014.

The following is a discussion of the significant changes in the Consolidated balance sheets from December 31, 2014.

Cash and due from banks and deposits with banks

The net increase was attributable to higher levels of cash primarily as a result of maturities and paydowns in the investment securities portfolio. The Firm's cash was placed with various central banks, predominantly Federal Reserve Banks.

Federal funds sold and securities purchased under resale agreements

The increase in federal funds sold and securities purchased under resale agreements was predominantly attributable to the deployment of cash by Treasury offset partially by lower client activity in CIB.

Trading assets and liabilities–debt and equity instruments

The changes in trading assets and liabilities were predominantly related to client-driven market-making activities in CIB. The decrease in trading assets reflected lower levels of debt securities, partially offset by higher levels of equity securities. The increase in trading liabilities reflected higher levels of short positions in debt and equity securities. For additional information, refer to Note 3.

Trading assets and liabilities–derivative receivables and payables

The increase in both receivables and payables was predominantly due to client-driven market-making activities in CIB, specifically in foreign exchange derivatives reflecting the appreciation of the U.S. dollar against certain currencies and in interest rate derivatives as a result of market movements; these increases were partially offset by a decline in commodity derivatives. For additional information, refer to Derivative contracts on pages 44–45, and Notes 3 and 5.

Securities

The decrease was predominantly due to maturities, foreign currency movements and paydowns of non-U.S. residential mortgage-backed securities ("MBS") and non-U.S. government debt securities. For additional information related to securities, refer to the discussion in the Corporate segment on page 31, and Notes 3 and 11.

Loans and allowance for loan losses

The increase in loans reflects higher consumer and wholesale loans. The increase in consumer loans was due to originations of high-quality prime mortgages in Mortgage Banking ("MB") and AM, partially offset by lower credit card loans due to seasonality. The increase in wholesale loans reflected strong originations and an increase in utilization of existing commitments. For a more detailed discussion of the loan portfolio and the allowance for loan losses, refer to Credit Risk Management on pages 33–48, and Notes 3, 4, 13 and 14.

Mortgage servicing rights

For additional information on MSRs, see Note 16.

Other assets

The decrease was predominantly driven by lower private equity investments due to the sales of a portion of the One Equity Partners ("OEP") portfolio and other portfolio sales.

Deposits

The increase was attributable to higher consumer deposits, partially offset by lower wholesale deposits. The increase in consumer deposits reflected a continuing positive growth trend, resulting from strong customer retention, maturing of recent branch builds, and net new business. The decrease in wholesale deposits was driven by the normalization of deposit levels from year-end seasonal inflows, as well as planned client actions to reduce non-operational deposit balances. For more information on consumer deposits, refer to the CCB segment discussion on pages 16–22; the Liquidity Risk Management discussion on pages 64–68; and Notes 3 and 17. For more information on wholesale client deposits, refer to the AM, CB and CIB segment discussions on pages 29–30, pages 27–28 and pages 23–26, respectively.

Federal funds purchased and securities loaned or sold under repurchase agreements

The increase in federal funds purchased and securities loaned or sold under repurchase agreements was attributable to an increase in secured financing of the investment securities portfolio, partially offset by lower secured financing of trading assets-debt and equity instruments. For additional information on the Firm's Liquidity Risk Management, see pages 64–68.

Commercial paper

The decrease was largely due to lower commercial paper issuances in the wholesale markets consistent with Treasury's liquidity and short-term funding plans. For additional information on the Firm's other borrowed funds, see Liquidity Risk Management on pages 64–68.

Accounts payable and other liabilities

The decrease was due to lower brokerage payables related to client activity in CIB.

Beneficial interests issued by consolidated VIEs

For further information on Firm-sponsored variable interest entities ("VIEs") and loan securitization trusts, see Off-Balance Sheet Arrangements on page 11 and Note 15.

Long-term debt

For additional information on the Firm's long-term debt activities, see Liquidity Risk Management on pages 64–68.

Stockholders' equity

The increase was due to net income and a preferred stock issuance, partially offset by the declaration of cash dividends on common and preferred stock, and repurchases of common stock. For additional information on accumulated other comprehensive income/(loss) ("AOCI"), see Note 19; for the Firm's capital actions, see Capital actions on page 62.

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of business, the Firm enters into various contractual obligations that may require future cash payments. Certain obligations are recognized on-balance sheet, while others are off-balance sheet under U.S. GAAP. The Firm is involved with several types of off–balance sheet arrangements, including through nonconsolidated special-purpose entities ("SPEs"), which are a type of VIE, and through lending-related financial instruments (e.g., commitments and guarantees). For further discussion, see Note 21 of this Form 10-Q and Off–Balance Sheet Arrangements and Contractual Cash Obligations on pages 74–75 and Note 29 of JPMorgan Chase's 2014 Annual Report.

Special-purpose entities

The most common type of VIE is an SPE. SPEs are commonly used in securitization transactions in order to isolate certain assets and distribute the cash flows from those assets to investors. SPEs are an important part of the financial markets, including the mortgage- and asset-backed securities and commercial paper markets, as they provide market liquidity by facilitating investors' access to specific portfolios of assets and risks. The Firm holds capital, as deemed appropriate, against all SPE-related transactions and related exposures, such as derivative transactions and lending-related commitments and guarantees. For further information on the types of SPEs, see Note 15 of this Form 10-Q, and Note 1 and Note 16 of JPMorgan Chase's 2014 Annual Report.

Implications of a credit rating downgrade to JPMorgan Chase Bank, N.A.

For certain liquidity commitments to SPEs, JPMorgan Chase Bank, N.A., could be required to provide funding if its short-term credit rating were downgraded below specific levels, primarily "P-1," "A-1" and "F1" for Moody's, Standard & Poor's and Fitch, respectively. These liquidity commitments support the issuance of asset-backed commercial paper by Firm-administered consolidated SPEs. In the event of a short-term credit rating downgrade, JPMorgan Chase Bank, N.A., absent other solutions, would be required to provide funding to the SPE, if the commercial paper could not be reissued as it matured. The aggregate amounts of commercial paper outstanding held by third parties as of March 31, 2015, and December 31, 2014, was $11.8 billion and $12.1 billion, respectively. The aggregate amounts of commercial paper outstanding could increase in future periods should clients of the Firm-administered consolidated SPEs draw down on certain unfunded lending-related commitments. These unfunded lending-related commitments were $10.2 billion and $9.9 billion at March 31, 2015, and December 31, 2014, respectively. The Firm could facilitate the refinancing of some of the clients' assets in order to reduce the funding obligation. For further information, see the discussion of Firm-administered multiseller conduits in Note 15.

The Firm also acts as liquidity provider for certain municipal bond vehicles. The Firm's obligation to perform as liquidity provider is conditional and is limited by certain termination events, which include bankruptcy or failure to pay by the municipal bond issuer or credit enhancement provider, an event of taxability on the municipal bonds or the immediate downgrade of the municipal bond to below investment grade. See Note 15 for additional information.

Off–balance sheet lending-related financial instruments, guarantees, and other commitments

JPMorgan Chase provides lending-related financial instruments (e.g., commitments and guarantees) to meet the financing needs of its customers. The contractual amount of these financial instruments represents the maximum possible credit risk to the Firm should the counterparty draw upon the commitment or the Firm be required to fulfill its obligation under the guarantee, and should the counterparty subsequently fail to perform according to the terms of the contract. Most of these commitments and guarantees expire without being drawn or a default occurring. As a result, the total contractual amount of these instruments is not, in the Firm's view, representative of its actual future credit exposure or funding requirements. For further discussion of lending-related financial instruments, guarantees and other commitments, and the Firm's accounting for them, see Lending-related commitments on page 44 and Note 21 (including the table that presents the related amounts by contractual maturity as of March 31, 2015). For a discussion of liabilities associated with loan sales- and securitization-related indemnifications, see Note 21.

CONSOLIDATED CASH FLOWS ANALYSIS

For a discussion of the activities affecting the Firm's cash flows, see page 76 of JPMorgan Chase's 2014 Annual Report and Balance Sheet Analysis of this Form 10-Q.

(in millions)	Three months ended March 31, 2015	2014
Net cash provided by/(used in)		
Operating activities	$14,879	$14,667
Investing activities	(24,150)	(68,410)
Financing activities	4,337	40,318
Effect of exchange rate changes on cash	(76)	(25)
Net decrease in cash and due from banks	$(5,010)	$(13,450)

Operating activities

Operating assets and liabilities can vary significantly in the normal course of business due to the amount and timing of cash flows, which are affected by client-driven and risk management activities and market conditions. The Firm believes cash flows from operations, available cash balances and the Firm's ability to generate cash through short- and long-term borrowings are sufficient to fund the Firm's operating liquidity needs.

Cash provided by operating activities in 2015 and 2014 resulted from net income after noncash operating adjustments. Additionally, in 2015 and 2014, cash proceeds from sales and securitizations of loans originated with the intent to sell were higher than the cash used to acquire such loans, but activity was lower in 2015; and trading liabilities increased due to client-driven market making activities in CIB. In 2015, cash proceeds were partially offset by an increase in other assets resulting from higher cash margin balances placed with exchanges and clearing houses, while cash provided during 2014 reflected a decrease in cash margin balances placed with exchanges and clearing houses.

Investing activities

Cash used in investing activities during 2015 and 2014 resulted from increases in deposits with banks, reflecting higher levels of excess funds. Partially offsetting these cash outflows in both periods was proceeds from net maturities and sales of investment securities. In 2015, cash used was also attributable to increases in consumer and wholesale loans. In 2014, cash used also reflected higher securities purchased under resale agreements, due to increased requirements for collateral to cover trading activities in CIB.

Financing activities

Cash provided by financing activities in 2015 resulted from higher consumer deposits partially offset by lower wholesale deposits and lower commercial paper issuances. The increase in consumer deposits reflected a continuing positive growth trend resulting from strong customer retention, maturing of recent branch builds, and net new business. Cash provided by financing activities in 2014 resulted predominantly from an increase in securities loaned or sold under repurchase agreements due to higher financing of the Firm's trading assets-debt and equity instruments and a change in the mix of the Firms' funding sources. For both periods, cash was provided by net proceeds from long-term borrowings and net issuance of preferred stock, partially offset by repurchases of common stock and cash dividends on common and preferred stock.

* * *

For a further discussion of the activities affecting the Firm's cash flows, see Balance Sheet Analysis on pages 9–10.

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 74–78. 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, including the overhead ratio, 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 reportable 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.

Effective January 1, 2015, the Firm adopted new accounting guidance for investments in affordable housing projects that qualify for the low-income housing tax credit, which impacted the CIB. As a result of the adoption of this new guidance, the Firm made an accounting policy election to amortize the initial cost of qualifying investments in proportion to the tax credits and other benefits received, and to present the amortization as a component of income tax expense (previously such amounts were predominantly presented in other income). The guidance was required to be applied retrospectively and, accordingly, certain prior period amounts have been revised to conform with the current period presentation. The adoption of the guidance did not materially change the Firm's results of operations on a managed basis as the Firm had previously presented and will continue to present the revenue from such investments on a FTE basis for the purposes of managed basis reporting.
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 March 31,					
	2015			2014		
(in millions, except ratios)	Reported results	Fully taxable-equivalent adjustments[(a)]	Managed basis	Reported results	Fully taxable-equivalent adjustments[(a)]	Managed basis
Other income	$582	$ 481	$1,063	$613	$ 412	$1,025
Total noninterest revenue	13,389	481	13,870	12,548	412	12,960
Net interest income	10,677	273	10,950	10,667	226	10,893
Total net revenue	24,066	754	24,820	23,215	638	23,853
Pre-provision profit	9,183	754	9,937	8,579	638	9,217
Income before income tax expense	8,224	754	8,978	7,729	638	8,367
Income tax expense	$2,310	$ 754	$3,064	$2,460	$ 638	$3,098
Overhead ratio	62 %	NM	60 %	63 %	NM	61 %

(a) Predominantly recognized in CIB and CB business segments and Corporate.
Tangible common equity ("TCE"), ROTCE and TBVPS 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 average TCE. TBVPS represents the Firm's TCE

at period-end divided by common shares at period-end. TCE, ROTCE, and TBVPS are meaningful to the Firm, as well as investors and analysts, in assessing the Firm’s use of equity. Additionally, certain capital ratios disclosed by the Firm are non-GAAP measures. For additional information on these non-GAAP measures, see Regulatory capital on pages 55–61.

Tangible common equity

	Period-end		Average Three months ended March 31,	
(in millions, except per share and ratio data)	Mar 31, 2015	Dec 31, 2014	2015	2014
Common stockholders' equity	$214,371	$211,664	$212,352	$201,797
Less: Goodwill	47,453	47,647	47,491	48,054
Less: Certain identifiable intangible assets	1,128	1,192	1,162	1,548
Add: Deferred tax liabilities[(a)]	2,870	2,853	2,862	2,944
Tangible common equity	$168,660	$165,678	$166,561	$155,139
Return on tangible common equity	NA	NA	14 %	13 %
Tangible book value per share	$45.45	$44.60	NA	NA

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

Core net interest income

In addition to reviewing 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. These activities exclude the impact of CIB's market-based activities. The core data presented below are non-GAAP financial measures due to the exclusion of CIB's market-based net interest income and related assets. Management believes this exclusion provides investors and analysts another measure by which to analyze the non-market-related business trends of the Firm and provides a comparable measure to other financial institutions that are primarily focused on core lending, investing and deposit-raising activities.

Core net interest income data

	Three months ended March 31,		
(in millions, except rates)	2015	2014	Change
Net interest income – managed basis[(a)(b)]	$10,950	$10,893	1 %
Less: Market-based net interest income	1,259	1,269	(1)
Core net interest income[(a)]	$9,691	$9,624	1
Average interest-earning assets	$2,148,801	$2,005,646	7
Less: Average market-based earning assets	509,714	507,499	—
Core average interest-earning assets	$1,639,087	$1,498,147	9 %
Net interest yield on interest-earning assets – managed basis	2.07 %	2.20 %	
Net interest yield on market-based activities	1.00	1.01	
Core net interest yield on core average interest-earning assets	2.40 %	2.61 %	

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

(b) 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 13.

Quarterly results

Core net interest income increased slightly by $67 million to $9.7 billion for the three months ended March 31, 2015, when compared with the prior year period, and core average interest-earning assets increased by $140.9 billion to $1.6 trillion for the three months ended March 31, 2015, when compared with the prior year period. The increase in net interest income from the prior year primarily reflected higher loan and cash balances and the impact of lower interest expense, largely offset by lower yields in loans due to the run-off of higher yielding loans and new originations of lower yielding loans. The increase in average interest-earning assets primarily reflected the impact of higher average deposits with banks. These changes in net interest income and interest-earning assets resulted in the core net interest yield decreasing by 21 basis points to 2.40% for the three months ended March 31, 2015.

BUSINESS SEGMENT RESULTS

The Firm is managed on a line of business basis. There are four major reportable business segments – Consumer & Community Banking, Corporate & Investment Bank, Commercial Banking and Asset Management. In addition, there is a Corporate segment.

The business segments are determined based on the products and services provided, or the type of customer served, and they reflect the manner in which financial information is currently evaluated by management. Results of these 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 13–14.

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. The Firm continues to assess the assumptions, methodologies and reporting classifications used for segment reporting, and further refinements may be implemented in future periods.

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 2014 Annual Report.

Business segment capital allocation changes

Each business segment is allocated capital by taking into consideration stand-alone peer comparisons, regulatory capital requirements (as estimated under Basel III Advanced Fully Phased-In) and economic risk measures. The amount of capital assigned to each business is referred to as equity. On at least an annual basis, the Firm assesses the level of capital required for each line of business as well as the assumptions and methodologies used to allocate capital to its lines of business and updates the equity allocations to its lines of business as refinements are implemented. For further information about these capital changes, see Line of business equity on page 61.

Segment Results – Managed basis

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

Three months ended March 31,	Total net revenue			Total Noninterest expense			Pre-provision profit/(loss)		
(in millions)	2015	2014	Change	2015	2014	Change	2015	2014	Change
Consumer & Community Banking	$10,704	$10,534	2 %	$6,190	$6,437	(4)%	$4,514	$4,097	10 %
Corporate & Investment Bank	9,582	8,842	8	5,657	5,604	1	3,925	3,238	21
Commercial Banking	1,742	1,678	4	709	686	3	1,033	992	4
Asset Management	3,005	2,800	7	2,175	2,075	5	830	725	14
Corporate	(213)	(1)	NM	152	(166)	NM	(365)	165	NM
Total	$24,820	$23,853	4 %	$14,883	$14,636	2 %	$9,937	$9,217	8 %

Three months ended March 31,	Provision for credit losses			Net income			Return on common equity	
(in millions, except ratios)	2015	2014	Change	2015	2014	Change	2015	2014
Consumer & Community Banking	$930	$816	14%	$2,219	$1,981	12 %	17 %	15 %
Corporate & Investment Bank	(31)	49	NM	2,537	2,125	19	16	13
Commercial Banking	61	5	NM	598	594	1	17	17
Asset Management	4	(9)	NM	502	454	11	22	20
Corporate	(5)	(11)	55	58	115	(50)	NM	NM
Total	$959	$850	13%	$5,914	$5,269	12 %	11 %	10 %

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CONSUMER & COMMUNITY BANKING

For a discussion of the business profile of CCB, see pages 81–91 of JPMorgan Chase's 2014 Annual Report.

Selected income statement data

	Three months ended March 31,		
(in millions, except ratios)	2015	2014	Change
Revenue			
Lending- and deposit-related fees	$718	$703	2 %
Asset management, administration and commissions	530	503	5
Mortgage fees and related income	704	514	37
Card income	1,324	1,348	(2)
All other income	460	366	26
Noninterest revenue	3,736	3,434	9
Net interest income	6,968	7,100	(2)
Total net revenue	10,704	10,534	2
Provision for credit losses	930	816	14
Noninterest expense			
Compensation expense	2,530	2,739	(8)
Noncompensation expense	3,660	3,698	(1)
Total noninterest expense	6,190	6,437	(4)
Income before income tax expense	3,584	3,281	9
Income tax expense	1,365	1,300	5
Net income	$2,219	$1,981	12 %
Financial ratios			
Return on common equity	17 %	15 %	
Overhead ratio	58	61	

Note: In the discussion and the tables which follow, CCB presents certain financial measures which exclude the impact of PCI loans; these are non-GAAP financial measures. For additional information, see Explanation and Reconciliation of the Firm's Use of Non-GAAP Financial Measures on pages 13–14.

Quarterly results

Consumer & Community Banking net income was $2.2 billion, an increase of $238 million compared with the prior year, driven by both improved net revenue and lower noninterest expense.

Net revenue was $10.7 billion, an increase of $170 million compared with the prior year, driven by higher noninterest revenue across businesses, up $302 million. Net interest income was $7.0 billion, down $132 million, driven by spread compression, largely offset by higher deposit balances in Consumer & Business Banking and higher credit card loans.

The provision for credit losses was $930 million, approximately $100 million higher than the prior year, despite lower net charge-offs, reflecting a lower reduction in the allowance for loan losses. For more information, including net charge-off amounts and rates, see Consumer Credit Portfolio on pages 34–39.

Noninterest expense was $6.2 billion, a decrease of $247 million from the prior year, driven by lower Mortgage Banking and Consumer & Business Banking expense.

Selected metrics

	As of or for the three months ended March 31,		
(in millions, except headcount)	2015	2014	Change

Selected balance sheet data (period-end)			
Total assets	$455,624	$441,502	3 %
Trading assets – loans[a]	6,756	6,869	(2)
Loans:			
Loans retained	398,314	386,314	3
Loans held-for-sale[b]	2,720	542	402
Total loans	401,034	386,856	4
Deposits	531,027	487,674	9
Equity[c]	51,000	51,000	—
Selected balance sheet data (average)			
Total assets	$454,763	$450,424	1
Trading assets – loans[a]	7,992	7,446	7
Loans:			
Loans retained	395,084	388,678	2
Loans held-for-sale[d]	2,984	656	355
Total loans	398,068	389,334	2
Deposits	512,157	471,581	9
Equity[c]	51,000	51,000	—
Headcount	135,908	145,651	(7)%

(a) Predominantly consists of prime mortgages originated with the intent to sell that are accounted for at fair value.

(b) Included period-end credit card loans held-for-sale of $2.4 billion and $304 million at March 31, 2015, and 2014, respectively.

(c) 2015 and 2014 includes $5.0 billion and $3.0 billion, respectively, of capital held at the CCB level related to legacy mortgage servicing matters.

(d) Included average credit card loans held-for-sale of $2.7 billion and $315 million for the three months ended March 31, 2015 and 2014, respectively.

Selected metrics

(in millions, except ratios and where otherwise noted)	As of or for the three months ended March 31, 2015	2014	Change
Credit data and quality statistics			
Net charge-offs[a]	$1,054	$1,266	(17)%
Nonaccrual loans[b][c]	6,143	7,301	(16)
Nonperforming assets[b][c]	6,569	7,932	(17)
Allowance for loan losses[a]	10,219	11,686	(13)
Net charge-off rate[a]	1.08%	1.32%	
Net charge-off rate, excluding PCI loans	1.22	1.53	
Allowance for loan losses to period-end loans retained	2.57	3.03	
Allowance for loan losses to period-end loans retained, excluding PCI loans[d]	1.97	2.27	
Allowance for loan losses to nonaccrual loans retained, excluding credit card[b][d]	57	55	
Nonaccrual loans to total period-end loans, excluding credit card	2.21	2.75	
Nonaccrual loans to total period-end loans, excluding credit card and PCI loans [b]	2.64	3.42	
Business metrics			
Number of:			
Branches	5,570	5,632	(1)
ATMs	18,298	20,370	(10)
Active online customers (in thousands)	37,696	35,038	8
Active mobile customers (in thousands)	19,962	16,405	22
CCB households (in millions)	57.4	57.0	1%

(a) Net charge-offs and the net charge-off rates excluded $55 million and $61 million of write-offs in the PCI portfolio for the three months ended March 31, 2015, and 2014, respectively. These write-offs decreased the allowance for loan losses for PCI loans. For further information on PCI write-offs, see Allowance for Credit Losses on pages 46–48.

(b) Excludes PCI loans. The Firm is recognizing interest income on each pool of PCI loans as they are all performing.

(c) At March 31, 2015 and 2014, nonperforming assets excluded: (1) mortgage loans insured by U.S. government agencies of $7.5 billion and $7.7 billion, respectively, that are 90 or more days past due; (2) student loans insured by U.S. government agencies under the Federal Family Education Loan Program ("FFELP") of $346 million and $387 million, respectively, that are 90 or more days past due; (3) real estate owned ("REO") insured by U.S. government agencies of $469 million and $618 million, respectively. These amounts have been excluded based upon the government guarantee.

(d) The allowance for loan losses for PCI loans was $3.3 billion and $4.1 billion at March 31, 2015 and 2014, respectively; these amounts were also excluded from the applicable ratios.

Consumer & Business Banking

Selected financial statement data

(in millions, except ratios)	As of or for the three months ended March 31, 2015	2014	Change

Revenue			
Lending- and deposit-related fees	$711	$691	3 %
Asset management, administration and commissions	512	483	6
Card income	404	376	7
All other income	122	122	—
Noninterest revenue	1,749	1,672	5
Net interest income	2,609	2,726	(4)
Total net revenue	4,358	4,398	(1)
Provision for credit losses	60	76	(21)
Noninterest expense	2,958	3,065	(3)
Income before income tax expense	1,340	1,257	7
Net income	$828	$751	10
Return on common equity	28 %	27 %	
Overhead ratio	68	70	
Equity (period-end and average)	$11,500	$11,000	5 %

Quarterly results

Consumer & Business Banking net income was $828 million, an increase of $77 million compared with the prior year, driven by lower noninterest expense.

Net revenue was $4.4 billion, relatively flat compared with the prior year. Net interest income was down $117 million due to deposit spread compression, largely offset by higher deposit balances. Noninterest revenue was up $77 million, driven by higher investment revenue, reflecting record client investment assets, and higher debit card revenue, reflecting an increase in transaction volume.

Noninterest expense was $3.0 billion, a decrease of $107 million from the prior year, primarily driven by branch efficiencies.

Selected metrics

(in millions, except ratios and where otherwise noted)	As of or for the three months ended March 31, 2015		2014		Change	
Business metrics						
Business banking origination volume	$1,540		$1,504		2	%
Period-end loans	21,608		19,589		10	
Period-end deposits:						
Checking	227,382		199,717		14	
Savings	267,696		250,292		7	
Time and other	20,329		25,092		(19	)
Total period-end deposits	515,407		475,101		8	
Average loans	21,317		19,450		10	
Average deposits:						
Checking	216,312		189,487		14	
Savings	260,461		243,500		7	
Time and other	20,837		25,478		(18	)
Total average deposits	497,610		458,465		9	
Deposit margin	1.99	%	2.27	%		
Average assets	$41,774		$38,121		10	
Credit data and quality statistics						
Net charge-offs	$59		$76		(22	)
Net charge-off rate	1.12	%	1.58	%		
Allowance for loan losses	$703		$707		(1	)
Nonperforming assets	274		365		(25	)
Retail branch business metrics						
Net new investment assets	$3,821		$4,241		(10	)
Client investment assets	219,192		195,706		12	
% managed accounts	40	%	37	%		
Number of:						
Chase Private Client locations	2,573		2,244		15	
Personal bankers	20,503		22,654		(9	)
Sales specialists	3,842		4,817		(20	)
Client advisors	3,065		3,062		—	
Chase Private Clients	358,115		239,665		49	
Accounts (in thousands)[(a)]	30,755		29,819		3	%

(a) Includes checking accounts and Chase Liquid® cards.

Mortgage Banking

Selected financial statement data

(in millions, except ratios)	As of or for the three months ended March 31, 2015	2014	Change	
Revenue				
Mortgage fees and related income[(a)]	$704	$514	37	%

All other income	(11)	(3)	(267)
Noninterest revenue	693	511	36
Net interest income	1,056	1,087	(3)
Total net revenue	1,749	1,598	9
Provision for credit losses	4	(23)	NM
Noninterest expense	1,219	1,403	(13)
Income before income tax expense	526	218	141
Net income	$326	$132	147
Return on common equity	7%	3%	
Overhead ratio	70	88	
Equity (period-end and average)	$16,000	$18,000	(11)%

(a) For further information on mortgage fees and related income, see Note 16.

Quarterly results

Mortgage Banking net income was $326 million, an increase of $194 million from the prior year.

Net revenue was $1.7 billion, an increase of $151 million compared with the prior year, driven by lower MSR risk management losses, partially offset by lower servicing revenue.

MSR risk management was a loss of $68 million, compared with a loss of $400 million in the prior year, which included a negative $460 million fair value adjustment primarily related to higher capital allocated to the business. See Note 16 for further information regarding changes in value of the MSR asset and related hedges.

The provision for credit losses was $4 million, compared with a benefit of $23 million in the prior year, despite lower net charge-offs of $104 million, offset by a reduction in the non credit-impaired allowance for loan losses of $100 million as home prices and delinquency trends continued to improve. See Consumer Credit Portfolio on pages 34–39 for the net charge-off amounts and rates.

Noninterest expense was $1.2 billion, a decrease of $184 million from the prior year, reflecting lower headcount-related expense.

Supplemental information

(in millions)	For the three months ended March 31, 2015	2014	Change	
Net interest income:				
Mortgage Production and Mortgage Servicing	$158	$189	(16	)%
Real Estate Portfolios	898	898	—	
Total net interest income	$1,056	$1,087	(3	)
Noninterest expense:				
Mortgage Production	$421	$476	(12	)
Mortgage Servicing	582	581	—	
Real Estate Portfolios	216	346	(38	)
Total noninterest expense	$1,219	$1,403	(13	)%

Selected balance sheet data

(in millions)	As of or for the three months ended March 31, 2015	2014	Change	
Trading assets – loans (period-end)[(a)]	$6,756	$6,869	(2	)%
Trading assets – loans (average)[(a)]	7,992	7,446	7	
Loans, excluding PCI loans				
Period-end loans owned				
Home equity	49,067	56,131	(13	)
Prime mortgage, including option ARMs	91,956	67,048		