JPMORGAN CHASE & CO
Form 10-Q
August 04, 2014

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 June 30, 2014	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 June 30, 2014: 3,761,280,910

FORM 10-Q
TABLE OF CONTENTS

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)	2Q14	1Q14	4Q13	3Q13	2Q13	Six months ended June 30, 2014	2013
Selected income statement data							
Total net revenue	$24,454	$22,993	$23,156	$23,117	$25,211	$47,447	$50,333
Total noninterest expense	15,431	14,636	15,552	23,626	15,866	30,067	31,289
Pre-provision profit/(loss)	9,023	8,357	7,604	(509)	9,345	17,380	19,044
Provision for credit losses	692	850	104	(543)	47	1,542	664
Income before income tax expense	8,331	7,507	7,500	34	9,298	15,838	18,380
Income tax expense	2,346	2,233	2,222	414	2,802	4,579	5,355
Net income/(loss)	$5,985	$5,274	$5,278	$(380)	$6,496	$11,259	$13,025
Per common share data							
Net income/(loss) per share: Basic	$1.47	$1.29	$1.31	$(0.17)	$1.61	$2.77	$3.22
Diluted	1.46	1.28	1.30	(0.17)	1.60	2.74	3.19
Cash dividends declared per share	0.40	0.38	0.38	0.38	0.38	0.78	0.68
Book value per share	55.53	54.05	53.25	52.01	52.48	55.53	52.48
Tangible book value per share (“TBVPS”)[a]	43.17	41.73	40.81	39.51	39.97	43.17	39.97
Common shares outstanding							
Average: Basic	3,780.6	3,787.2	3,762.1	3,767.0	3,782.4	3,783.9	3,800.3
Diluted	3,812.5	3,823.6	3,797.1	3,767.0	3,814.3	3,818.1	3,830.6
Common shares at period-end	3,761.3	3,784.7	3,756.1	3,759.2	3,769.0	3,761.3	3,769.0
Share price[b]							
High	$61.29	$61.48	$58.55	$56.93	$55.90	$61.48	$55.90
Low	52.97	54.20	50.25	50.06	46.05	52.97	44.20
Close	57.62	60.71	58.48	51.69	52.79	57.62	52.79
Market capitalization	216,725	229,700	219,657	194,312	198,966	216,725	198,966
Selected ratios and metrics							
Return on common equity (“ROE”)	11 %	10 %	10 %	(1)%	13 %	11 %	13 %
Return on tangible common equity (“ROTCE”)[a]	14	13	14	(2)	17	14	17
Return on assets (“ROA”)	0.99	0.89	0.87	(0.06)	1.09	0.94	1.11
Overhead ratio	63	64	67	102	63	63	62
Loans-to-deposits ratio	57	57	57	57	60	57	60
High quality liquid assets (“HQLA”) (in billions)[c]	$576	$538	$522	$538	$454	$576	$454
Common equity tier 1 (“CET1”) capital ratio[d]	9.8 %	10.9 %	10.7%	10.5 %	10.4 %	9.8 %	10.4 %
Tier 1 capital ratio[d]	11.1	12.1	11.9	11.7	11.6	11.1	11.6
Total capital ratio[d]	12.5	14.5	14.4	14.3	14.1	12.5	14.1

Tier 1 leverage ratio(d)	7.6	7.4	7.1	6.9	7.0	7.6	7.0
Selected balance sheet data (period-end)							
Trading assets	$392,543	$375,204	$374,664	$383,348	$401,470	$392,543	$401,470
Securities(e)	361,918	351,850	354,003	356,556	354,725	361,918	354,725
Loans	746,983	730,971	738,418	728,679	725,586	746,983	725,586
Total assets	2,520,336	2,476,986	2,415,689	2,463,309	2,439,494	2,520,336	2,439,494
Deposits	1,319,751	1,282,705	1,287,765	1,281,102	1,202,950	1,319,751	1,202,950
Long-term debt(f)	269,929	274,512	267,889	263,372	266,212	269,929	266,212
Common stockholders' equity	208,851	204,572	200,020	195,512	197,781	208,851	197,781
Total stockholders' equity	227,314	219,655	211,178	206,670	209,239	227,314	209,239
Headcount	245,192	246,994	251,196	255,041	254,063	245,192	254,063
Credit quality metrics							
Allowance for credit losses	$15,974	$16,485	$16,969	$18,248	$20,137	$15,974	$20,137
Allowance for loan losses to total retained loans	2.08 %	2.20 %	2.25%	2.43 %	2.69 %	2.08 %	2.69 %
Allowance for loan losses to retained loans excluding purchased credit-impaired loans(g)	1.69	1.75	1.80	1.89	2.06	1.69	2.06
Nonperforming assets	$9,017	$9,473	$9,706	$10,380	$11,041	$9,017	$11,041
Net charge-offs	1,158	1,269	1,328	1,346	1,403	2,427	3,128
Net charge-off rate	0.64 %	0.71 %	0.73%	0.74 %	0.78 %	0.68 %	0.88 %

(a) TBVPS and ROTCE are non-GAAP financial measures. TBVPS represents the Firm's tangible common equity divided by period-end common shares. 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 17–18.

(b) Share price shown for JPMorgan Chase's common stock is 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.

(c) HQLA is the estimated amount of assets that qualify for inclusion in the Basel III liquidity coverage ratio; see HQLA on page 84.

(d) Basel III Transitional rules became effective on January 1, 2014; all prior period data is based on Basel I rules. As of June 30, 2014, the ratios presented are calculated under the Basel III Advanced Transitional Approach. CET1 capital under Basel III replaced Tier 1 common capital under Basel I. Prior to Basel III becoming effective on January 1, 2014, Tier 1 common capital under Basel I was a non-GAAP financial measure. See Regulatory capital on pages 74–78 for additional information on Basel III and non-GAAP financial measures of regulatory capital.

(e) Included held-to-maturity ("HTM") securities of $47.8 billion, $47.3 billion, $24.0 billion and $4.5 billion at June 30, 2014, March 31, 2014, December 31, 2013 and September 30, 2013, respectively. Held-to-maturity balance at June 30, 2013 was not material.

(f) Included unsecured long-term debt of $205.6 billion, $206.1 billion, $199.4 billion, $199.2 billion and $199.1 billion at June 30, 2014, March 31, 2014, December 31, 2013, September 30, 2013 and June 30, 2013, respectively.

(g) Excludes the impact of residential real estate purchased credit-impaired ("PCI") loans. For further discussion, see Allowance for credit losses on pages 66–68.

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 & Co. ("JPMorgan Chase" or the "Firm"). See the Glossary of terms on pages 186–189 for definitions of terms used throughout 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, 2013, filed with the U.S. Securities and Exchange Commission ("2013 Annual Report" or "2013 Form 10-K"), to which reference is hereby made.

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 89 of this Form 10-Q and Part I, Item 1A, Risk Factors, on pages 9–18 of JPMorgan Chase's 2013 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 $2.5 trillion in assets and $227.3 billion in stockholders' equity as of June 30, 2014. 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 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 , 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/Private Equity segment. The Firm's consumer business is the Consumer & Community Banking segment. The Corporate & Investment Bank, Commercial Banking, and Asset Management segments comprise the Firm's wholesale businesses. A description of the Firm's business segments, and the products and services they provide to their respective client bases, follows.

Consumer & Community Banking

Consumer & Community Banking ("CCB") serves consumers and businesses through personal service at bank branches and through ATMs, online, mobile and telephone banking. CCB is organized into Consumer & Business Banking ("CBB"), Mortgage Banking (including Mortgage Production, Mortgage Servicing and Real Estate Portfolios) and Card, Merchant Services & Auto ("Card"). 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 Banking includes mortgage origination and servicing activities, as well as portfolios comprised of residential mortgages and home equity loans, including the purchased credit-impaired ("PCI") portfolio acquired in the Washington Mutual transaction. Card issues credit cards to consumers and small businesses, provides payment services to corporate and public sector clients through its commercial card products, offers payment processing services to merchants, and provides auto and student loan services.

Corporate & Investment Bank

The Corporate & Investment Bank ("CIB"), comprised of Banking and Markets & Investor Services, offers a broad suite of investment banking, market-making, prime brokerage, and treasury and securities products and services to a global client base of corporations, investors, financial institutions, and government and municipal entities. Within Banking, the CIB 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, as well as loan origination and syndication. Also included in Banking is Treasury Services, which includes transaction services, comprised primarily of cash management and liquidity solutions, and trade finance products. The Markets & Investor Services segment of the CIB is a global market-maker in cash securities and derivative instruments, and also offers sophisticated risk management solutions, prime brokerage, and research. Markets & Investor Services also includes the Securities Services business, a leading global custodian, which includes custody, fund accounting and administration, and securities lending products sold principally to asset managers, insurance companies and public and private investment funds.

Commercial Banking

Commercial Banking ("CB") delivers extensive industry knowledge, local expertise and dedicated service to U.S. and multinational clients, including corporations, municipalities, financial institutions and nonprofit entities with annual revenue generally ranging from $20 million to $2 billion. 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.

Asset Management

Asset Management ("AM"), with client assets of $2.5 trillion as of June 30, 2014, is a global leader in investment and wealth management. AM clients include institutions, high-net-worth individuals and retail investors in every major market throughout the world. AM offers investment management across all major asset classes including equities, fixed income, alternatives and money market funds. AM also offers multi-asset investment management, providing solutions to a broad range of clients' investment needs. For individual investors, AM also provides retirement products and services, brokerage and banking services including trusts and estates, loans, mortgages and deposits. The majority of AM's client assets are in actively managed portfolios.

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

Corporate/Private Equity

The Corporate/Private Equity segment comprises Private Equity, Treasury and Chief Investment Office ("CIO") and Other Corporate, which includes corporate staff units and expense that is centrally managed. Treasury and CIO are predominantly responsible for measuring, monitoring, reporting and managing the Firm's liquidity, funding and structural interest rate and foreign exchange risks, as well as executing the Firm's capital plan. The major Other Corporate units include Real Estate, Enterprise Technology, Legal, Compliance, Finance, Human Resources, Internal Audit, Risk Management, Oversight & Control, Corporate Responsibility and various Other Corporate groups. Other centrally managed expense includes the Firm's occupancy and pension-related expense that are subject to allocation to the businesses.

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 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

	Three months ended June 30,			Six months ended June 30,		
(in millions, except per share data and ratios)	2014	2013	Change	2014	2013	Change
Selected income statement data						
Total net revenue	$24,454	$25,211	(3)%	$47,447	$50,333	(6)%
Total noninterest expense	15,431	15,866	(3)	30,067	31,289	(4)
Pre-provision profit	9,023	9,345	(3)	17,380	19,044	(9)
Provision for credit losses	692	47	NM	1,542	664	132
Net income	5,985	6,496	(8)	11,259	13,025	(14)
Diluted earnings per share	$1.46	1.60	(9)	2.74	3.19	(14)%
Return on common equity	11 %	13 %		11 %	13 %	
Capital ratios[(a)]						
CET1	9.8	10.4		9.8	10.4	
Tier 1 capital	11.1	11.6		11.1	11.6	

(a) Basel III Transitional rules became effective on January 1, 2014; all prior period data is based on Basel I rules. As of June 30, 2014, the ratios presented are calculated under the Basel III Advanced Transitional Approach. CET1 capital under Basel III replaced Tier 1 common capital under Basel I. Prior to Basel III becoming effective on January 1, 2014, Tier 1 common capital under Basel I was a non-GAAP financial measure. See Regulatory capital on pages 74–78 for additional information on Basel III and non-GAAP financial measures of regulatory capital.

Business Overview

JPMorgan Chase reported second-quarter 2014 net income of $6.0 billion, or $1.46 per share, on net revenue of $24.5 billion. Net income decreased by $511 million, compared with net income of $6.5 billion, or $1.60 per share, in the second quarter of 2013. Return on equity for the quarter was 11%, compared with 13% for the prior-year quarter.

The Firm’s results reflected strong underlying performance, notwithstanding industry-wide headwinds in Markets and Mortgage.

The decrease in net income from the second quarter of 2013 was driven by higher provision for credit losses and lower net revenue, partially offset by lower noninterest expense. Net revenue was $24.5 billion, down 3% compared with the prior year. Noninterest revenue was $13.7 billion, down 6% compared with the prior year, primarily driven by a decrease in principal transactions and lower mortgage fees and related income, partially offset by an increase in other income. Net interest income was $10.8 billion, up 1% compared with the prior year, reflecting the impact of higher yields on securities, lower yields on long-term debt and deposits, and higher average loan balances, largely offset by lower yields on loans and lower average interest-earning trading asset balances.

The provision for credit losses for the three and six months ended June 30, 2014 increased from the prior year, reflecting an increase in the consumer provision for credit losses, partially offset by a decline in the wholesale provision for credit losses. The increase in the consumer provision for credit losses was the result of a lower benefit from reductions in the consumer allowance for loan losses, partially offset by lower net charge-offs. The current-quarter consumer allowance release was primarily due to the continued improvement in home prices and delinquencies in the residential real estate portfolio. The current-quarter consumer provision reflected a $354 million reduction in the allowance for credit losses, compared to a $1.5 billion reduction in the prior year. Consumer net charge-offs were $1.2 billion, compared with $1.5 billion in the prior year, resulting in net charge-off rates, excluding PCI loans, of 1.34% and 1.66%, respectively. The wholesale provision reflected a generally favorable credit

environment and stable credit quality trends. The wholesale provision for credit losses was a benefit of $156 million, compared to a provision of $76 million in the prior year. Wholesale net recoveries were $44 million, compared with net recoveries of $67 million in the prior year, resulting in net recovery rate of 0.06% and 0.09%, respectively. The Firm’s allowance for loan losses to period-end loans retained, excluding PCI loans, was 1.69%, compared with 2.06% in the prior year. The Firm’s nonperforming assets totaled $9.0 billion, down from the prior quarter and prior year levels of $9.5 billion and $11.0 billion, respectively.
Noninterest expense was $15.4 billion, down $435 million, or 3%, compared with the prior year, driven by lower expense in mortgage production and servicing and lower performance-related compensation in the Corporate & Investment Bank, predominantly offset by higher control costs.
CBB average deposits were up 9% and Business Banking loan originations, a record, were up 46%. Client investment assets were a record $205.2 billion, up 19%, and credit card sales volume was $118.0 billion, up 12% from the prior year. CIB maintained its #1 ranking for Global Investment Banking fees, and assets under custody were up 14% compared with the prior year. CB period-end loan balances were up 9%, and gross investment banking

revenue with CB clients was up 25%. AM reported positive net long-term product flows for the twenty-first consecutive quarter, total client assets of $2.5 trillion and record period-end loan balances of $100.9 billion.

The Firm maintained its fortress balance sheet, ending the second quarter with estimated Basel III Advanced Fully Phased-in CET1 capital of $161 billion and a CET1 capital ratio of 9.8%. (Basel III Advanced Fully Phased-In measures 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 CET1 capital ratios, see Regulatory capital on pages 74–78.) The Firm's supplementary leverage ratio ("SLR") was 5.4% and the Firm had $576 billion of high quality liquid assets ("HQLA") as of June 30, 2014.

JPMorgan Chase continued to support clients, consumers, companies and communities around the globe. The Firm provided credit and raised capital of over $1.0 trillion for commercial and consumer clients during the six months ended June 30, 2014. This included $10 billion of credit provided for U.S. small businesses and $296 billion of credit provided for corporations. The Firm raised more than $611 billion of capital for clients. In addition, more than $33 billion of credit was provided to, and capital was raised for, nonprofit and government entities, including states, municipalities, hospitals and universities.

Consumer & Community Banking net income was $2.4 billion, a decrease of $646 million, or 21%, compared with the prior year, due to higher provision for credit losses and lower net revenue, partially offset by lower noninterest expense. Net revenue was $11.4 billion, a decrease of $584 million, or 5%, compared with the prior year. Net interest income was $7.0 billion, down $131 million, or 2%, driven by spread compression and lower mortgage warehouse balances, largely offset by higher deposit balances. Noninterest revenue was $4.5 billion, a decrease of $453 million, or 9%, driven by lower mortgage fees and related income. The provision for credit losses was $852 million, compared with a benefit of $19 million in the prior year. The current-quarter provision reflected a $357 million reduction in the allowance for loan losses and total net charge-offs of $1.2 billion. The prior-year provision reflected a $1.5 billion reduction in the allowance for loan losses and total net charge-offs of $1.5 billion. Noninterest expense was $6.5 billion, a decrease of $408 million, or 6%, from the prior year, driven by lower Mortgage Banking expense, partially offset by higher Credit Card expense. Return on equity for the second quarter of 2014 was 19% on $51.0 billion of average allocated capital.

Corporate & Investment Bank net income was $2.0 billion, down 31% compared with $2.8 billion in the prior year, reflecting lower revenue, as well as higher noninterest expense. Net revenue was $9.0 billion compared with $9.9 billion in the prior year. Excluding the impact of a debit valuation adjustment ("DVA") gain of $355 million in the prior year, net revenue was down 6% from $9.5 billion in the prior year, and net income was down 25% from $2.6 billion in the prior year. Noninterest expense was $6.1 billion, up 6% from the prior year, driven by higher

noncompensation expense, partially offset by lower performance-based compensation. Return on equity for the second quarter of 2014 was 13% on $61.0 billion of average allocated capital.

Commercial Banking net income was $658 million, up 6% compared with the prior year, reflecting a lower provision for credit losses, partially offset by higher noninterest expense and lower net revenue. Net revenue was $1.7 billion, a decrease of $27 million, or 2%, compared with the prior year. Net interest income was $1.1 billion, a decrease of $53 million, or 5%, compared with the prior year, reflecting spread compression and lower purchase discounts recognized on loan repayments, partially offset by higher loan balances. Noninterest revenue was $577 million, an increase of $26 million, or 5%, compared with the prior year, driven by higher investment banking revenue. Noninterest expense was $675 million, up 4% compared with the prior year, largely reflecting higher investments in controls. Return on equity for the second quarter of 2014 was 19% on $14.0 billion of average allocated capital.

Asset Management net income was $552 million, an increase of $52 million, or 10%, from the prior year, reflecting higher net revenue, largely offset by higher noninterest expense. Net revenue was $3.0 billion, an increase of $231 million, or 8%, from the prior year. Noninterest revenue was $2.4 billion, up $224 million, or 10%, from the prior year, due to net client inflows and the effect of higher market levels. Net interest income was $576 million, up $7 million, or 1% from the prior year, due to higher loan and deposit balances, largely offset by spread compression. Noninterest expense was $2.1 billion, an increase of $170 million, or 9%, from the prior year, primarily due to continued investment in controls and growth. Return on equity was 25% on $9.0 billion of average allocated capital and pretax margin was 30% for the second quarter of 2014.

Corporate/Private Equity net income was $369 million, compared with a net loss of $552 million in the prior year.
Private Equity reported net income of $7 million, compared with net income of $212 million in the prior year. Net revenue was $36 million, compared with $410 million in the prior year, primarily due to lower net valuation gains on privately held investments.
Treasury and CIO reported a net loss of $46 million, compared with a net loss of $429 million in the prior year. Net revenue was $87 million, compared with a loss of $648 million in the prior year. Current-quarter net interest income was a loss of $10 million, compared with a loss of $558 million in the prior year, reflecting the benefit of higher interest rates and reinvestment opportunities.
Other Corporate reported net income of $408 million, compared with a net loss of $335 million in the prior year. The current quarter included $227 million of legal expense, compared with $604 million of legal expense in the prior year. The current quarter included an after-tax benefit of over $200 million for tax adjustments.

2014 Business outlook

JPMorgan Chase's outlook for the third quarter and remainder of 2014 should be viewed against the backdrop of the global and U.S. economies, including the strength of consumers and businesses, U.S. housing prices, the unemployment rate, implied market interest rates, financial market levels and 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, although each of these factors will affect each of the lines of business to a different degree.

Set forth below is a table summarizing management's current expectations with respect to certain specific revenue, expense and credit items, as well as the related drivers, for the third quarter and the remainder of 2014.

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, are made only as of the date hereof, 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 89 of this Form 10-Q and Risk Factors on pages 9-18 of JPMorgan Chase's 2013 Annual Report. There is no assurance that actual results for the third quarter or full year of 2014 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.

Selected outlook items
(in millions, except ratios and where otherwise noted)

LOB	Line item	2Q14	FY13	Current management outlook
Firmwide	Adjusted expense ($ in billions)[(a)]	$14.8	$59.0	Expect $58 billion +/- adjusted expense for FY14; final Firmwide expense will be affected by performance-related compensation for FY14
	CCB, excluding MB, expense	$5,150	$20,240	Expect CCB, excluding MB, expense to increase by approximately 1% for FY14 vs. FY13, in-line with previous guidance
	CB expense	$675	$2,610	Expect expense of a little less than $700 million for 3Q14
	AM expense	$2,062	$8,016	Expect AM expense to increase modestly in 3Q14 vs. 2Q14
CCB	Production-related pretax income, excluding repurchase (losses)/benefits	$(74)	$494	Expect small negative Production pretax income in 3Q14 – market dependent
CCB	Servicing-related net revenue[(b)]	$693	$2,869	Expect Servicing revenue to be $600 million +/- in 3Q14
CCB	Reduction in NCI Real Estate Portfolios allowance for loan losses	$—	$(2,300)	Expect a $500 million to $1 billion reduction in the allowance over the next couple of years, as the credit quality of the portfolio continues to improve
CCB	Card revenue rate	12.15%	12.49%	Expect net revenue rate to be at the lower end of the 12.0-12.5% guidance – with fluctuations by quarter due to seasonality
CCB	Reduction in Card allowance for loan losses	$—	$(1,706)	Do not expect any significant reductions in the Card allowance for loan losses based on the current credit environment
CIB		$4,647	$20,226	

	Fixed Income & Equities revenue (Markets revenue)			Expect current environment to persist into 3Q14 with normal seasonal trends
CIB	Securities Services revenue	$1,137	$4,082	Expect Securities Services revenue to decrease by approximately $100 million in 3Q14 vs. 2Q14 due to seasonality
CIB	Treasury Services (TS) revenue	$1,012	$4,135	Expect TS revenue to be flat vs. 2Q14, at approximately $1 billion in 3Q14 – primarily due to the impact of business simplification and lower trade finance balances and spreads
AM	Pretax margin	30%	29%	Expect FY14 pretax margin and ROE to be lower than 2Q14 – as the business continues to invest in both infrastructure and controls –
AM	Return on equity	25%	23%	as well as select front office hiring – but on track to deliver through-the-cycle targets for FY15

(a) Firmwide adjusted expense, a non-GAAP financial measure, excludes total Firmwide legal expenses and foreclosure-related matters. Management believes this information helps investors understand the effect of these items on reported results and provides an alternate presentation of the Firm's performance.

(b) This line item is net of changes in the MSR asset fair value due to collection/realization of expected cash flows; plus net interest income.

Note: The table above includes abbreviations to denote the following: for the years ended December 31, 2015 ("FY15"), 2014 ("FY14") and 2013 ("FY13"), respectively; for the three months ended September 30, 2014 ("3Q14"), June 30, 2014 ("2Q14") and June 30, 2013 ("2Q13"), respectively; line of business ("LOB"); and Non credit-impaired ("NCI").

8

Business events

Regulatory Update

Effective April 1, 2014, the Firm was approved to calculate capital under the Basel III Advanced Approach, in addition to the Basel III Standardized Approach. For further information on Basel III, refer to Capital management on pages 74–80.

CEO Health Disclosure

On July 1, 2014, Jamie Dimon, Chairman and Chief Executive Officer, announced he had been diagnosed with throat cancer. The prognosis is excellent and his condition is curable. Treatment should take approximately eight weeks. During this time, Mr. Dimon intends to continue to be actively involved in the business and the Firm as usual.

For Business events during the six months ended June 30, 2014, see Note 2.

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 six months ended June 30, 2014 and 2013. 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 86–88 of this Form 10-Q and pages 174–178 of JPMorgan Chase's 2013 Annual Report.

Revenue

	Three months ended June 30,			Six months ended June 30,		
(in millions)	2014	2013	Change	2014	2013	Change
Investment banking fees	$1,751	$1,717	2 %	$3,171	$3,162	—
Principal transactions	2,908	3,760	(23)	6,230	7,521	(17)
Lending- and deposit-related fees	1,463	1,489	(2)	2,868	2,957	(3)
Asset management, administration and commissions	4,007	3,865	4	7,843	7,464	5
Securities gains	12	124	(90)	42	633	(93)
Mortgage fees and related income	1,291	1,823	(29)	1,805	3,275	(45)
Card income	1,549	1,503	3	2,957	2,922	1
Other income[(a)]	675	226	199	1,066	762	40
Noninterest revenue	13,656	14,507	(6)	25,982	28,696	(9)
Net interest income	10,798	10,704	1	21,465	21,637	(1)
Total net revenue	$24,454	$25,211	(3)%	$47,447	$50,333	(6)%

(a) Included operating lease income of $422 million and $363 million for the three months ended June 30, 2014 and 2013, respectively, and $820 million and $712 million for the six months ended June 30, 2014 and 2013, respectively.

Total net revenue for the three months ended June 30, 2014, decreased by $757 million compared with the three months ended June 30, 2013. The decrease was predominantly due to lower principal transactions revenue and lower mortgage fees and related income, partially offset by higher other income. For the six months ended June 30, 2014, total net revenue decreased by $2.9 billion from the same period of the prior year. The decrease was predominantly due to lower mortgage fees and related income, principal transactions revenue, and securities gains, partially offset by higher asset management, administration and commissions income.

Investment banking fees for the three and six months ended June 30, 2014, increased slightly compared with the prior year, due to higher advisory and equity underwriting fees, largely offset by lower debt underwriting fees. The increase in advisory fees was related to stronger wallet share of completed transactions. The increase in equity underwriting fees was driven by stronger industry-wide issuance. The decrease in debt underwriting fees was primarily related to lower loan syndication fees on lower industry-wide wallet levels. For additional information on investment banking fees, see CIB segment results on pages 34–39 and Note 6.

Principal transactions revenue decreased compared with the stronger results of the three and six months ended June 30, 2013, reflecting, in CIB, lower fixed income markets revenue on historically low levels of volatility and lower client activity across products, as well as lower equity markets revenue on lower derivatives revenue. Private equity gains in the three months ended June 30, 2014 decreased from the prior year as a result of lower net valuation gains on privately held investments. For the six months ended June 30, 2014, private equity gains increased due to higher net valuation gains on publicly held

investments and gains on sales. For additional information on principal transactions revenue, see CIB and Corporate/Private Equity segment results on pages 34–39 and pages 47–49, respectively, and Note 6.

Asset management, administration and commissions revenue increased compared with the three and six months ended June 30, 2013, reflecting higher net client inflows and the effect of higher market levels in AM and CCB. The increase was offset partially by lower revenue in CCB related to the exit of a non-core product in the second half of 2013. For

additional information on these fees and commissions, see the segment discussions for CCB on pages 20–33, AM on pages 43–46, and Note 6.
Securities gains in the three and six months ended June 30, 2014, decreased compared with the prior periods, reflecting the repositioning of the investment securities portfolio. For additional information, see the Corporate/Private Equity segment discussion on pages 47–49, and Note 11.
Mortgage fees and related income in the three and six months ended June 30, 2014, decreased compared with the prior periods. For both periods, the decrease was predominantly related to lower net production revenue, driven by lower volumes. The decrease from the three months of the prior year was offset partially by higher mortgage servicing rights ("MSR") risk management results, driven by approximately $220 million of positive model assumption updates on slower prepayments, compared with $79 million in the prior year. MSR risk management results for the six months ended June 30, 2014, were flat compared with the prior year. For additional information, see pages 28–30, and Note 16.

Other income increased in the three and six months ended June 30, 2014 compared with the prior year, reflecting a benefit from a franchise tax settlement, the absence of a modest loss on the redemption of trust preferred securities recorded in the second quarter of 2013, and higher auto operating lease income in CCB, resulting from growth in lease volume. The increase in the six months ended June 30, 2014, was partially offset by lower valuations of seed capital investments in AM.

Net interest income increased in the three months ended June 30, 2014, compared with the prior year; for the six months ended June 30, 2014, net interest income decreased compared with the prior year. The increase from the three months ended June 30, 2013, primarily reflected the impact of higher yields on securities, lower yields on long-term debt and deposits, and higher average loan balances, largely offset by lower yields on loans (due to the

run-off of higher-yielding loans and new originations of lower-yielding loans), and lower average interest-earning trading asset balances. The decrease from the six months ended June 30, 2013, primarily reflected the impact of lower yields on loans (due to the run-off of higher yielding loans and new originations of lower yielding loans), and lower average interest-earning trading asset balances, largely offset by higher yields on securities and lower yields on long-term debt and deposits. The Firm's average interest-earning assets were $2.0 trillion for the three months ended June 30, 2014, and the net interest yield on those assets, on a fully taxable-equivalent ("FTE") basis, was 2.19%, a decrease of 1 basis point from the prior year. For the six months ended June 30, 2014, the Firm's average interest-earning assets were $2.0 trillion, and the net interest yield on those assets, on a FTE basis, was 2.20%, a decrease of 8 basis points from the prior year.

Provision for credit losses

	Three months ended June 30,			Six months ended June 30,		
(in millions)	2014	2013	Change	2014	2013	Change
Consumer, excluding credit card	$(37)	$(493)	92 %	$82	$(530)	NM
Credit card	885	464	91	1,573	1,046	50 %
Total consumer	848	(29)	NM	1,655	516	221
Wholesale	(156)	76	NM	(113)	148	NM
Total provision for credit losses	$692	$47	NM	$1,542	$664	132 %

The provision for credit losses for the three and six months ended June 30, 2014 increased from the prior year, reflecting an increase in the consumer provision for credit losses, partially offset by a decline in the wholesale provision for credit losses. The increase in the consumer provision for credit losses was the result of a lower benefit from reductions in the consumer allowance for loan losses, partially offset by lower net charge-offs. The consumer allowance release was primarily due to the continued

improvement in home prices and delinquencies in the residential real estate portfolio. The wholesale provision reflected a generally favorable credit environment and stable credit quality trends. For a more detailed discussion of the credit portfolio and the allowance for credit losses, see the segment discussions for CCB on pages 20–33, CIB on pages 34–39 and CB on pages 40–42, and the Allowance for credit losses section on pages 66–68.

Noninterest expense

	Three months ended June 30,			Six months ended June 30,		
(in millions)	2014	2013	Change	2014	2013	Change
Compensation expense	$7,610	$8,019	(5)%	$15,469	$16,433	(6)%
Noncompensation expense:						
Occupancy	973	904	8	1,925	1,805	7
Technology, communications and equipment	1,433	1,361	5	2,844	2,693	6
Professional and outside services	1,932	1,901	2	3,718	3,635	2
Marketing	650	578	12	1,214	1,167	4
Other expense[(a)(b)]	2,701	2,951	(8)	4,634	5,252	(12)
Amortization of intangibles	132	152	(13)	263	304	(13)

Total noncompensation expense	7,821	7,847	—	14,598	14,856	(2)
Total noninterest expense	$15,431	$15,866	(3)%	$30,067	$31,289	(4)%

(a) Included firmwide legal expense of $669 million and $678 million for the three months ended June 30, 2014 and 2013, respectively, and $707 million and $1.0 billion for the six months ended June 30, 2014 and 2013, respectively.

(b) Included FDIC-related expense of $266 million and $392 million for the three months ended June 30, 2014 and 2013, respectively, and $559 million and $771 million for the six months ended June 30, 2014 and 2013, respectively.

Total noninterest expense for the three months ended June 30, 2014, decreased by $435 million compared with the prior year. For the six months ended June 30, 2014, total noninterest expense decreased by $1.2 billion from the prior year. For both periods, the decrease was driven by lower compensation and other expense.
Compensation expense decreased compared with the three and six months ended June 30, 2013, predominantly driven by lower performance-based compensation expense in CIB, lower headcount-related expense in MB, and lower postretirement benefit costs. The decrease in compensation expense was partially offset by higher headcount related to the Firm's investments in controls.

Noncompensation expense in the three and six months ended June 30, 2014, decreased compared with the prior year. The decrease from the three months of the prior year was largely due to lower other expense, in particular, lower FDIC-related assessments, and lower production and servicing-related expense in Mortgage Banking. For the six months ended June 30, 2014, the decrease from the prior year was largely due to the aforementioned items, as well as lower legal-related expense in Corporate/Private Equity, and lower foreclosed asset expense. The decrease in both periods was offset partially by investments in controls, and the costs related to business simplification initiatives in CIB. For a further discussion of legal expense, see Note 23.

Income tax expense

(in millions, except rate)	Three months ended June 30,			Six months ended June 30,		
	2014	2013	Change	2014	2013	Change
Income before income tax expense	$8,331	$9,298	(10)%	$15,838	$18,380	(14)%
Income tax expense	2,346	2,802	(16)	4,579	5,355	(14)
Effective tax rate	28.2 %	30.1 %		28.9 %	29.1 %	

The decrease in the effective tax rate compared with the prior year was largely attributable to lower reported pre-tax income in combination with changes in the mix of income and expense items subject to U.S. federal, state and local taxes, and the impact of tax-exempt income and business tax credits. The current-year second quarter included tax benefits associated with the settlement of tax audits. In addition, for the six months ended June 30, 2014, the

decrease in the effective tax rate was partially offset by the write-down of deferred tax assets as a result of tax law changes enacted in New York State and lower tax benefits associated with prior year tax adjustments and the settlement of tax audits. For additional information on income taxes, see Critical Accounting Estimates Used by the Firm on pages 86–88.

CONSOLIDATED BALANCE SHEETS ANALYSIS

Selected Consolidated Balance Sheets data

(in millions)	Jun 30, 2014	Dec 31, 2013	Change	
Assets				
Cash and due from banks	$27,523	$39,771	(31	)%
Deposits with banks	393,909	316,051	25	
Federal funds sold and securities purchased under resale agreements	248,149	248,116	—	
Securities borrowed	113,967	111,465	2	
Trading assets:				
Debt and equity instruments	330,165	308,905	7	
Derivative receivables	62,378	65,759	(5	)
Securities	361,918	354,003	2	
Loans	746,983	738,418	1	
Allowance for loan losses	15,326	16,264	(6	)
Loans, net of allowance for loan losses	731,657	722,154	1	
Accrued interest and accounts receivable	77,096	65,160	18	
Premises and equipment	15,216	14,891	2	
Goodwill	48,110	48,081	—	
Mortgage servicing rights	8,347	9,614	(13	)
Other intangible assets	1,339	1,618	(17	)
Other assets	100,562	110,101	(9	)
Total assets	$2,520,336	$2,415,689	4	
Liabilities				
Deposits	$1,319,751	$1,287,765	2	
Federal funds purchased and securities loaned or sold under repurchase agreements	216,561	181,163	20	
Commercial paper	63,804	57,848	10	
Other borrowed funds	34,713	27,994	24	
Trading liabilities:				
Debt and equity instruments	87,861	80,430	9	
Derivative payables	50,795	57,314	(11	)
Accounts payable and other liabilities	203,885	194,491	5	
Beneficial interests issued by consolidated VIEs	45,723	49,617	(8	)
Long-term debt	269,929	267,889	1	
Total liabilities	2,293,022	2,204,511	4	
Stockholders’ equity	227,314	211,178	8	
Total liabilities and stockholders’ equity	$2,520,336	$2,415,689	4	%

Consolidated Balance Sheets overview

JPMorgan Chase’s total assets increased by $104.6 billion, and total liabilities increased by $88.5 billion from December 31, 2013.

The following is a discussion of the significant changes in the specific line item captions on the Consolidated Balance Sheets from December 31, 2013.

Cash and due from banks and deposits with banks

The net increase was attributable to a higher level of excess funds, which the Firm placed with various central banks, predominantly Federal Reserve Banks.

Trading assets and liabilities–debt and equity instruments

The increase in trading assets was related to client-driven market-making activities in CIB, which resulted in a higher level of debt securities, and to a lesser extent, equity securities.

The increase in trading liabilities was related to client-driven market-making activities in CIB, which resulted in a higher level of short positions in debt securities. For additional information, refer to Note 3.

Trading assets and liabilities–derivative receivables and payables

The decrease in both receivables and payables was due to client-driven market-making activity in equity derivatives, and maturities of foreign exchange derivatives. For additional information, refer to Derivative contracts on pages 64–65, and Notes 3 and 5.

Securities

The increase was largely due to higher levels of U.S. mortgage-backed securities and obligations of U.S. states and municipalities, partially offset by a lower level of non-U.S. residential mortgage-backed securities. For additional information related to securities, refer to the discussion in the Corporate/Private Equity segment on pages 47–49, and Notes 3 and 11.

Loans and allowance for loan losses

The increase in loans was attributable to net originations of wholesale loans, which continued to experience a favorable credit environment and stable credit quality trend. The increase in wholesale loans was partially offset by lower consumer loans, predominantly reflecting seasonality in the credit card portfolio.

The decrease in allowance for loan losses was driven by a reduction in the consumer allowance, predominantly as a result of continued improvement in home prices and delinquency trends in the residential real estate portfolio, a reduction in the credit card asset-specific allowance due to increased granularity of impairment estimates for loans modified in troubled debt restructurings (“TDRs”), as well as run-off in the student loan portfolio. The wholesale allowance was relatively unchanged, reflecting a generally favorable credit environment and stable credit quality trend. For a more detailed discussion of the loan portfolio and the allowance for loan losses, refer to Credit Risk Management on pages 51–68, and Notes 3, 4, 13 and 14.

Accrued interest and accounts receivable

The increase was due to higher receivables from security sales that did not settle, and higher client receivables, reflecting client-driven market-making activity in CIB.

Mortgage servicing rights

The decrease was predominantly due to the impact of total changes in valuation due to inputs and assumptions. For additional information on MSRs, see Note 16.

Deposits

The increase was attributable to higher consumer and wholesale deposits. The increase in consumer deposits reflected a continuing positive growth trend, which was the result of strong customer retention, maturing of recent branch builds, and net new business. The increase in wholesale deposits was related to strong client deposit inflows toward the end of June 2014. For more information on consumer deposits, refer to the CCB segment discussion on pages 20–33; the Liquidity Risk Management discussion on pages 81–85; and Notes 3 and 17. For more information on wholesale client deposits, refer to the AM, CB and CIB segment discussions on pages 43–46, pages 40–42 and pages 34–39, respectively.

Federal funds purchased and securities loaned or sold under repurchase agreements

The increase in securities sold under repurchase agreements was predominantly due to higher financing of the Firm's trading assets-debt and equity instruments as well as investment securities portfolio, and a change in the mix of the Firm's funding sources. For additional information on the Firm's Liquidity Risk Management, see pages 81–85.

Accounts payable and other liabilities

The increase was attributable to higher client short positions and higher payables from security purchases that did not settle, both in CIB; and higher payables to merchants pending settlement of sales transactions in Card. The increase was partially offset by a decline in other liabilities in Corporate, largely reflecting the settlement of previously disclosed legal and regulatory matters.

Stockholders' equity

The increase was due to net income, preferred stock issuances, and higher accumulated other comprehensive income. The increase was 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, see Note 19; for the Firm's capital actions, see Capital actions on pages 79-80.

OFF-BALANCE SHEET ARRANGEMENTS

JPMorgan Chase is involved with several types of off–balance sheet arrangements, including through nonconsolidated special-purpose entities ("SPEs"), which are a type of variable interest entity ("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 77–79 and Note 29 of JPMorgan Chase's 2013 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 2013 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 June 30, 2014, and December 31, 2013, was $9.7 billion and $15.5 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 $9.2 billion at both June 30, 2014, and December 31, 2013. The Firm could facilitate the refinancing of some of the clients' assets in order to reduce the funding obligation.

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 64 and Note 21 (including the table that presents the related amounts by contractual maturity as of June 30, 2014). For a discussion of loan repurchase liabilities, see Note 21.

CONSOLIDATED CASH FLOWS ANALYSIS

For a discussion of the activities affecting the Firm's cash flows, see pages 80–81 of JPMorgan Chase's 2013 Annual Report and Balance Sheet Analysis of this Form 10-Q.

(in millions)	Six months ended June 30, 2014	2013
Net cash provided by/(used in)		
Operating activities	$10,296	$88,484
Investing activities	(97,938)	(142,245)
Financing activities	75,436	30,108
Effect of exchange rate changes on cash	(42)	(856)
Net decrease in cash and due from banks	$(12,248)	$(24,509)

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 its 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 predominantly resulted from net income after noncash operating adjustments; a decrease in other assets driven by lower cash margin balances placed with exchanges and clearing houses; and higher net proceeds from loan sales activities. Cash provided during 2013 predominantly resulted from lower trading assets from client-driven market-making activities in CIB, and an increase in accounts payable and other liabilities predominantly due to higher brokerage payables; partially offset by an increase in accounts receivables due to higher brokerage receivables and margin loan balances from client-driven activities predominantly in CIB; and the timing of merchant receivables payments related to CCB's Card Services business.

Investing activities

Cash used in investing activities during 2014 and 2013 predominantly resulted from increases in deposits with banks reflecting the placement of the Firm's excess funds with various central banks, predominantly Federal Reserve banks; and, in 2014, net purchases of investment securities. Additionally in 2014, loans increased due to net originations of wholesale loans, which continued to experience a generally favorable credit environment and stable credit quality trends. Partially offsetting cash outflows in 2013 was a decline in securities purchased under resale agreements due to a shift in the deployment of the Firm's excess cash by Treasury; and a decline in available-for-sale ("AFS") securities from proceeds of net maturities and sales.

Financing activities

Cash provided by financing activities in 2014 predominantly resulted from higher consumer and wholesale deposits — the increase in consumer deposits reflected a continuing positive growth trend, which was the result of strong customer retention, maturing of recent branch builds, and net new business; an increase in securities loaned or sold under repurchase agreements due to higher financing of the Firm's trading assets-debt and equity instruments as well as investment securities portfolio, and a change in the mix of the Firm's funding sources; and proceeds from preferred stock issuances. Further, issuances of long-term borrowings were offset by maturities and redemptions. Cash provided in 2013 was predominantly driven by net proceeds from long-term borrowings; an increase in securities loaned or sold under repurchase agreements predominantly due to higher secured financing of the Firm's assets and higher client financing activity; and proceeds from the issuance of preferred stock. Partially offsetting these cash inflows in 2014 and 2013 were repurchases of common stock and payments of dividends on common and preferred stock.

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 90–94. 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 June 30,					
	2014			2013		
(in millions, except ratios)	Reported results	Fully taxable-equivalent adjustments[(a)]	Managed basis	Reported results	Fully taxable-equivalent adjustments[(a)]	Managed basis
Other income	$675	$ 651	$1,326	$226	$ 582	$808
Total noninterest revenue	13,656	651	14,307	14,507	582	15,089
Net interest income	10,798	244	11,042	10,704	165	10,869
Total net revenue	24,454	895	25,349	25,211	747	25,958
Pre-provision profit/(loss)	9,023	895	9,918	9,345	747	10,092
Income before income tax expense	8,331	895	9,226	9,298	747	10,045
Income tax expense	$2,346	$ 895	$3,241	$2,802	$ 747	$3,549
Overhead ratio	63 %	NM	61 %	63 %	NM	61 %

	Six months ended June 30,					
	2014			2013		
(in millions, except ratios)	Reported results	Fully taxable-equivalent adjustments[(a)]	Managed basis	Reported results	Fully taxable-equivalent adjustments[(a)]	Managed basis
Other income	$1,066	$ 1,295	$2,361	$762	$ 1,146	$1,908
Total noninterest revenue	25,982	1,295	27,277	28,696	1,146	29,842
Net interest income	21,465	470	21,935	21,637	327	21,964
Total net revenue	47,447	1,765	49,212	50,333	1,473	51,806
Pre-provision profit	17,380	1,765	19,145	19,044	1,473	20,517
Income before income tax expense	15,838	1,765	17,603	18,380	1,473	19,853
Income tax expense	$4,579	$ 1,765	$6,344	$5,355	$ 1,473	$6,828
Overhead ratio	63 %	NM	61 %	62 %	NM	60 %

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

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 tangible common equity divided by period-end common shares. TCE, ROTCE, and TBVPS are meaningful to the Firm, as well as investors and analysts, in assessing the Firm’s use of equity.

Average tangible common equity

(in millions, except per share and ratio data)	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Common stockholders' equity	$206,159	$197,283	$203,989	$196,016
Less: Goodwill	48,084	48,078	48,069	48,123
Less: Certain identifiable intangible assets	1,416	2,026	1,482	2,093
Add: Deferred tax liabilities[(a)]	2,952	2,869	2,948	2,849
Tangible common equity	$159,611	$150,048	$157,386	$148,649
Return on tangible common equity	14 %	17 %	14 %	17 %
Tangible book value per share	$43.17	$39.97	$43.17	$39.97

(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.

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 74–78.

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. Core net interest income excludes the impact of

CIB's market-based activities. Because of the exclusion of CIB's market-based net interest income and the related assets, the core data presented below are non-GAAP financial measures. Management believes this data provides investors and analysts a more meaningful 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[(a)]

(in millions, except rates)	Three months ended June 30, 2014	2013	Change	Six months ended June 30, 2014	2013	Change
Net interest income – managed basis[(b)(c)]	$11,042	$10,869	2 %	$21,935	$21,964	—
Less: Market-based net interest income	1,030	1,345	(23)	2,086	2,777	(25)
Core net interest income[(b)]	$10,012	$9,524	5	$19,849	$19,187	3
Average interest-earning assets	$2,023,945	$1,980,466	2	$2,014,846	$1,938,508	4
Less: Average market-based earning assets	502,413	512,631	(2)	504,942	510,796	(1)
Core average interest-earning assets	$1,521,532	$1,467,835	4 %	$1,509,904	$1,427,712	6 %
Net interest yield on interest-earning assets – managed basis	2.19 %	2.20 %		2.20 %	2.28 %	
Net interest yield on market-based activities	0.82	1.05		0.83	1.10	
Core net interest yield on core average interest-earning assets	2.64 %	2.60 %		2.65 %	2.71 %	

(a) Includes core lending, investing and deposit-raising activities on a managed basis across each of the business segments and Corporate/Private Equity; excludes the market-based activities within the CIB.

(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 17.

Quarterly and year-to-date results

Core net interest income increased by $488 million to $10.0 billion and by $662 million to $19.8 billion for the three and six months ended June 30, 2014, respectively, compared with the prior year periods. Core average interest-earning assets increased by $53.7 billion to $1.5 trillion, and by $82.2 billion to $1.5 trillion for the three and six months ended June 30, 2014, respectively, compared with the prior year periods. The increase in net interest income primarily reflected the impact of higher yields on securities, lower yields on long-term debt and

deposits, partially offset by lower yields on loans due to run-off of higher yielding loans and originations of lower yielding loans. The increase in average interest-earning assets primarily reflected the impact of higher average balance of deposits with banks. These changes in net interest income and interest-earning assets resulted in the core net interest yield increasing by 4 basis points to 2.64% for the three months ended June 30, 2014, and decreasing by 6 basis points to 2.65% for the six months ended June 30, 2014.

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/Private Equity 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 17–18.

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 84–85 of JPMorgan Chase's 2013 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. Effective January 1, 2014, the Firm revised the capital allocated to certain businesses. For further information about these capital changes, see Line of business equity on page 79.

Segment Results – Managed Basis

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

Three months ended June 30,	Total net revenue			Total Noninterest expense			Pre-provision profit/(loss)		
(in millions)	2014	2013	Change	2014	2013	Change	2014	2013	Change
Consumer & Community Banking	$11,431	$12,015	(5)%	$6,456	$6,864	(6)%	$4,975	$5,151	(3)%
Corporate & Investment Bank	8,991	9,876	(9)	6,058	5,742	6	2,933	4,134	(29)
Commercial Banking	1,701	1,728	(2)	675	652	4	1,026	1,076	(5)
Asset Management	2,956	2,725	8	2,062	1,892	9	894	833	7
Corporate/Private Equity	270	(386)	NM	180	716	(75)	90	(1,102)	NM
Total	$25,349	$25,958	(2)%	$15,431	$15,866	(3)%	$9,918	$10,092	(2)%

Three months ended June 30,	Provision for credit losses			Net income/(loss)			Return on common equity	
(in millions, except ratios)	2014	2013	Change	2014	2013	Change	2014	2013
Consumer & Community Banking	$852	$(19)	NM	$2,443	$3,089	(21)%	19%	27%
Corporate & Investment Bank	(84)	(6)	NM	1,963	2,838	(31)	13	20
Commercial Banking	(67)	44	NM	658	621	6	19	18
Asset Management	1	23	(96)%	552	500	10	25	22
Corporate/Private Equity	(10)	5	NM	369	(552)	NM	NM	NM
Total	$692	$47	NM	$5,985	$6,496	(8)%	11%	13%

Six months ended June 30,	Total net revenue			Total Noninterest expense			Pre-provision profit/(loss)		
(in millions)	2014	2013	Change	2014	2013	Change	2014	2013	Change
Consumer & Community Banking	$21,891	$23,630	(7)%	$12,893	$13,654	(6)%	$8,998	$9,976	(10)%
Corporate & Investment Bank	17,597	20,016	(12)	11,662	11,853	(2)	5,935	8,163	(27)
Commercial Banking	3,352	3,401	(1)	1,361	1,296	5	1,991	2,105	(5)
Asset Management	5,734	5,378	7	4,137	3,768	10	1,597	1,610	(1)
Corporate/Private Equity	638	(619)	NM	14	718	(98)	624	(1,337)	NM
Total	$49,212	$51,806	(5)%	$30,067	$31,289	(4)%	$19,145	$20,517	(7)%

Six months ended June 30,	Provision for credit losses			Net income/(loss)			Return on common equity	
(in millions, except ratios)	2014	2013	Change	2014	2013	Change	2014	2013
Consumer & Community Banking	$1,668	$530	215 %	$4,379	$5,675	(23)%	17 %	25 %
Corporate & Investment Bank	(35)	5	NM	3,942	5,448	(28)	13	19
Commercial Banking	(62)	83	NM	1,236	1,217	2	18	18
Asset Management	(8)	44	NM	993	987	1	22	22
Corporate/Private Equity	(21)	2	NM	709	(302)	NM	NM	NM
Total	$1,542	$664	132 %	$11,259	$13,025	(14)%	11 %	13 %

CONSUMER & COMMUNITY BANKING

For a discussion of the business profile of CCB, see pages 86–97 of JPMorgan Chase's 2013 Annual Report and the Introduction on page 4 of this Form 10-Q.

Selected income statement data

	Three months ended June 30,			Six months ended June 30,		
(in millions, except ratios)	2014	2013	Change	2014	2013	Change
Revenue						
Lending- and deposit-related fees	$750	$727	3 %	$1,453	$1,450	—
Asset management, administration and commissions	521	561	(7)	1,024	1,094	(6)
Mortgage fees and related income	1,290	1,819	(29)	1,804	3,269	(45)
Card income	1,486	1,445	3	2,834	2,807	1
All other income	421	369	14	787	707	11
Noninterest revenue	4,468	4,921	(9)	7,902	9,327	(15)
Net interest income	6,963	7,094	(2)	13,989	14,303	(2)
Total net revenue	11,431	12,015	(5)	21,891	23,630	(7)
Provision for credit losses	852	(19)	NM	1,668	530	215
Noninterest expense						
Compensation expense	2,637	2,966	(11)	5,376	5,972	(10)
Noncompensation expense	3,725	3,789	(2)	7,329	7,465	(2)
Amortization of intangibles	94	109	(14)	188	217	(13)
Total noninterest expense	6,456	6,864	(6)	12,893	13,654	(6)
Income before income tax expense	4,123	5,170	(20)	7,330	9,446	(22)
Income tax expense	1,680	2,081	(19)	2,951	3,771	(22)
Net income	$2,443	$3,089	(21)%	$4,379	$5,675	(23)%
Financial ratios						
Return on common equity	19 %	27 %		17 %	25 %	
Overhead ratio	56	57		59	58	

Quarterly results

Consumer & Community Banking net income was $2.4 billion, a decrease of $646 million, or 21%, compared with the prior year, due to higher provision for credit losses and lower net revenue, partially offset by lower noninterest expense.

Net revenue was $11.4 billion, a decrease of $584 million, or 5%, compared with the prior year. Net interest income was $7.0 billion, down $131 million, or 2%, driven by spread compression and lower mortgage warehouse balances, largely offset by higher deposit balances. Noninterest revenue was $4.5 billion, a decrease of $453 million, or 9%, driven by lower mortgage fees and related income.

The provision for credit losses was $852 million, compared with a benefit of $19 million in the prior year. The current-quarter provision reflected a $357 million reduction in the allowance for loan losses and total net charge-offs of $1.2 billion. The prior-year provision reflected a $1.5 billion reduction in the allowance for loan losses and total net charge-offs of $1.5 billion. For more information, including net charge-off amounts and rates, see Consumer Credit Portfolio on pages 52–59.

Noninterest expense was $6.5 billion, a decrease of $408 million, or 6%, from the prior year, driven by lower Mortgage Banking expense, partially offset by higher Credit Card expense.

Year-to-date results

Consumer & Community Banking net income was $4.4 billion, a decrease of $1.3 billion, or 23%, compared with the prior year, due to lower net revenue and higher provision for credit losses, partially offset by lower noninterest expense.
Net revenue was $21.9 billion, a decrease of $1.7 billion, or 7%, compared with the prior year. Net interest income was $14.0 billion, down $314 million, or 2%, driven by spread compression in Credit Card, Auto and Consumer & Business Banking and by lower mortgage warehouse balances, largely offset by higher deposit balances. Noninterest revenue was $7.9 billion, a decrease of $1.4 billion, or 15%, driven by lower mortgage fees and related income.
The provision for credit losses was $1.7 billion, compared with $530 million in the prior year. The current-year provision reflected a $807 million reduction in the allowance for loan losses and total net charge-offs of $2.5 billion. The prior-year provision reflected a $2.7 billion

reduction in the allowance for loan losses and total net charge-offs of $3.2 billion. For more information, including net charge-off amounts and rates, see Consumer Credit Portfolio on pages 52–59.

Noninterest expense was $12.9 billion, a decrease of $761 million, or 6%, from the prior year, driven by lower Mortgage Banking expense, partially offset by higher Credit Card expense.

Selected metrics

	As of or for the three months ended June 30,			As of or for the six months ended June 30,		
(in millions, except headcount)	2014	2013	Change	2014	2013	Change
Selected balance sheet data (period-end)						
Total assets	$447,277	$460,642	(3)%	$447,277	$460,642	(3)%
Loans:						
Loans retained	390,211	392,067	—	390,211	392,067	—
Loans held-for-sale and loans at fair value[(a)]	8,881	15,274	(42)	8,881	15,274	(42)
Total loans	399,092	407,341	(2)	399,092	407,341	(2)
Deposits	488,681	456,814	7	488,681	456,814	7
Equity[(b)]	51,000	46,000	11	51,000	46,000	11
Selected balance sheet data (average)						
Total assets	$443,204	$457,644	(3)	$446,794	$460,569	(3)
Loans:						
Loans retained	388,252	392,935	(1)	388,464	395,014	(2)
Loans held-for-sale and loans at fair value[(a)]	7,303	18,199	(60)	7,700	19,682	(61)
Total loans	395,555	411,134	(4)	396,164	414,696	(4)
Deposits	486,064	453,586	7	478,862	447,494	7
Equity[(b)]	51,000	46,000	11	51,000	46,000	11
Headcount	141,688	157,886	(10)%	141,688	157,886	(10)%

(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.

(b) 2014 includes $3.0 billion of capital held at the CCB level related to legacy mortgage servicing matters.

21

Selected metrics

(in millions, except ratios and where otherwise noted)	As of or for the three months ended June 30, 2014	2013	Change	As of or for the six months ended June 30, 2014	2013	Change
Credit data and quality statistics						
Net charge-offs[(a)]	$1,208	$1,481	(18)%	$2,474	$3,180	(22)%
Nonaccrual loans:						
Nonaccrual loans retained	6,840	8,540	(20)	6,840	8,540	(20)
Nonaccrual loans held-for-sale and loans at fair value	202	41	393	202	41	393
Total nonaccrual loans[(b)(c)(d)]	7,042	8,581	(18)	7,042	8,581	(18)
Nonperforming assets[(b)(c)(d)]	7,594	9,212	(18)	7,594	9,212	(18)
Allowance for loan losses[(a)]	11,284	15,095	(25)	11,284	15,095	(25)
Net charge-off rate[(a)(e)]	1.25 %	1.51 %		1.28 %	1.62 %	
Net charge-off rate, excluding PCI loans[(e)]	1.44	1.77		1.48	1.90	
Allowance for loan losses to period-end loans retained	2.89	3.85		2.89	3.85	
Allowance for loan losses to period-end loans retained, excluding PCI loans[(f)]	2.22	2.80		2.22	2.80	
Allowance for loan losses to nonaccrual loans retained, excluding credit card[(b)(f)]	58	58		58	58	
Nonaccrual loans to total period-end loans, excluding credit card	2.58	3.03		2.58	3.03	
Nonaccrual loans to total period-end loans, excluding credit card and PCI loans[(b)]	3.16	3.79		3.16	3.79	
Business metrics						
Number of:						
Branches	5,636	5,657	—	5,636	5,657	—
ATMs[(g)]	20,394	19,852	3	20,394	19,852	3
Active online customers (in thousands)	35,105	32,245	9	35,105	32,245	9
Active mobile customers (in thousands)	17,201	14,013	23 %	17,201	14,013	23 %

(a) Net charge-offs and the net charge-off rates excluded $48 million and $109 million of write-offs in the PCI portfolio for the three and six months ended June 30, 2014, respectively. These write-offs decreased the allowance for loan losses for PCI loans. For further information, see Consumer Credit Portfolio on pages 120–129 of JPMorgan Chase’s 2013 Annual Report.

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

(c) Certain mortgage loans originated with the intent to sell are classified as trading assets on the Consolidated Balance Sheets.

(d) At June 30, 2014 and 2013, nonperforming assets excluded: (1) mortgage loans insured by U.S. government agencies of $8.1 billion and $10.1 billion, respectively, that are 90 or more days past due; (2) real estate owned insured by U.S. government agencies of $2.1 billion and $1.8 billion, respectively; and (3) student loans insured by U.S. government agencies under the Federal Family Education Loan Program (“FFELP”) of $316 million and $488 million, respectively, that are 90 or more days past due. These amounts have been excluded from nonaccrual loans based upon the government guarantee.

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

(f) The allowance for loan losses for PCI loans was $3.7 billion and $5.7 billion at June 30, 2014 and 2013, respectively; these amounts were also excluded from the applicable ratios.

(g) Includes Express Banking Kiosks ("EBK"). Prior periods were revised to conform with the current presentation.

Consumer & Business Banking

Selected financial statement data

(in millions, except ratios)	As of or for the three months ended June 30, 2014	2013	Change	As of or for the six months ended June 30, 2014	2013	Change
Revenue						
Lending- and deposit-related fees	$747	$717	4 %	$1,438	$1,428	1 %
Asset management, administration and commissions	507	454	12	990	880	13
Card income	406	378	7	782	727	8
All other income	162	124	31	284	243	17
Noninterest revenue	1,822	1,673	9	3,494	3,278	7
Net interest income	2,770	2,614	6	5,478	5,186	6
Total net revenue	4,592	4,287	7	8,972	8,464	6
Provision for credit losses	66	74	(11)	142	135	5
Noninterest expense	3,026	3,042	(1)	6,091	6,083	—
Income before income tax expense	1,500	1,171	28	2,739	2,246	22
Net income	$894	$698	28	$1,634	$1,339	22
Return on common equity	33 %	25 %		30%	25 %	
Overhead ratio	66	71		68	72	
Equity (period-end and average)	$11,000	$11,000	— %	$11,000	$11,000	—

Quarterly results

Consumer & Business Banking net income was $894 million, an increase of $196 million, or 28%, compared with the prior year, predominantly due to higher net revenue.

Net revenue was $4.6 billion, up 7% compared with the prior year. Net interest income was $2.8 billion, up 6% compared with the prior year, driven by higher deposit balances, partially offset by deposit spread compression. Noninterest revenue was $1.8 billion, an increase of 9%, driven by higher investment revenue, reflecting record client investment assets, higher deposit-related fees and debit card revenue.

Noninterest expense was $3.0 billion, approximately flat from the prior year, driven by investments in controls, partially offset by efficiency gains in the branches.

Year-to-date results

Consumer & Business Banking net income was $1.6 billion, an increase of $295 million, or 22%, compared with the prior year, due to higher net revenue, partially offset by higher noninterest expense and higher provision for credit losses.

Net revenue was $9.0 billion, up 6% compared with the prior year. Net interest income was $5.5 billion, up 6% compared with the prior year, driven by higher deposit balances, partially offset by deposit spread compression. Noninterest revenue was $3.5 billion, an increase of 7%, driven by higher investment revenue, reflecting record client investment assets and higher debit card revenue.

Noninterest expense was $6.1 billion, an increase of $8 million from prior year, driven by investments in controls, predominantly offset by efficiency gains in the branches and lower professional fees.

23

Selected metrics

(in millions, except ratios and where otherwise noted)	As of or for the three months ended June 30, 2014	2013	Change	As of or for the six months ended June 30, 2014	2013	Change
Business metrics						
Business banking origination volume	$1,917	$1,317	46 %	$3,421	$2,551	34 %
Period-end loans	20,276	18,950	7	20,276	18,950	7
Period-end deposits:						
Checking	200,560	179,801	12	200,560	179,801	12
Savings	249,175	228,879	9	249,175	228,879	9
Time and other	24,421	29,255	(17)	24,421	29,255	(17)
Total period-end deposits	474,156	437,935	8	474,156	437,935	8
Average loans	19,928	18,758	6	19,691	18,734	5
Average deposits:						
Checking	197,490	175,496	13	193,511	172,115	12
Savings	249,240	227,453	10	246,386	224,440	10
Time and other	24,832	29,840	(17)	25,153	30,432	(17)
Total average deposits	471,562	432,789	9	465,050	426,987	9
Deposit margin	2.23 %	2.31 %		2.25 %	2.34 %	
Average assets	$37,810	$37,250	2	$37,964	$36,779	3
Credit data and quality statistics						
Net charge-offs	$69	$74	(7)	$145	$135	7
Net charge-off rate	1.39 %	1.58 %		1.48 %	1.45 %	
Allowance for loan losses	$703	$697	1	$703	$697	1
Nonperforming assets	335	461	(27)	335	461	(27)
Retail branch business metrics						
Net new investment assets	$4,324	$4,269	1	$8,565	$9,201	(7)
Client investment assets	205,206	171,925	19	205,206	171,925	19
% managed accounts	38 %	33 %		38 %	33 %	
Number of:						
Chase Private Client locations	2,408	1,691	42	2,408	1,691	42
Personal bankers	21,728	22,825	(5)	21,728	22,825	(5)
Sales specialists	4,405	6,326	(30)	4,405	6,326	(30)
Client advisors	3,075	3,024	2	3,075	3,024	2
Chase Private Clients	262,965	165,331	59	262,965	165,331	59
Accounts (in thousands)(a)	30,144	28,937	4	30,144	28,937	4
Households (in millions)	25.5	24.7	3 %	25.5	24.7	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 June 30, 2014	2013	Change	As of or for the six months ended June 30, 2014	2013	Change
Revenue						
Mortgage fees and related income	$1,290	$1,819	(29)%	$1,804	$3,269	(45)%
All other income	(17)	101	NM	(20)	194	NM
Noninterest revenue	1,273	1,920	(34)	1,784	3,463	(48)
Net interest income	1,013	1,138	(11)	2,071	2,313	(10)
Total net revenue	2,286	3,058	(25)	3,855	5,776	(33)
Provision for credit losses	(188)	(657)	71	(211)	(855)	75
Noninterest expense	1,306	1,834	(29)	2,709	3,640	(26)
Income before income tax expense	1,168	1,881	(38)	1,357	2,991	(55)
Net income	$709	$1,142	(38)	$823	$1,815	(55)
Return on common equity	16%	23%		9%	19%	
Overhead ratio	57	60		70	63	
Equity (period-end and average)	$18,000	$19,500	(8)%	$18,000	$19,500	(8)%

Quarterly results
Mortgage Banking net income was $709 million, a decrease of $433 million from the prior year, driven by lower net revenue and a lower benefit from the provision for credit losses, partially offset by lower noninterest expense.
Net revenue was $2.3 billion, a decrease of $772 million compared with the prior year. Net interest income was $1.0 billion, a decrease of $125 million, or 11%, driven by lower warehouse loans balances as well as lower loan balances due to portfolio runoff. Noninterest revenue was $1.3 billion, a decrease of $647 million, driven by lower mortgage fees and related income.
The provision for credit losses was a benefit of $188 million, compared with a benefit of $657 million in the prior year. The current quarter reflected a $300 million reduction in the purchased credit-impaired allowance for loan losses, reflecting continued improvement in home prices and delinquencies. The prior year included a $950 million reduction in the non credit-impaired allowance for loan losses. Net charge-offs were $112 million, compared with $293 million in the prior year.
Noninterest expense was $1.3 billion, a decrease of $528 million, or 29%, from the prior year, due to lower expense in production and servicing.

Year-to-date results
Mortgage Banking net income was $823 million, a decrease of $992 million from the prior year, driven by lower net revenue and lower benefit from the provision for credit losses, partially offset by lower noninterest expense.
Net revenue was $3.9 billion, a decrease of $1.9 billion compared with the prior year. Net interest income was $2.1 billion, a decrease of $242 million, or 10%, driven by lower warehouse loans balances as well as lower loan balances, partially offset by higher yield on Ginnie Mae loans. Noninterest revenue was $1.8 billion, a decrease of $1.7 billion, driven by lower mortgage fees and related income.
The provision for credit losses was a benefit of $211 million, compared with a benefit of $855 million in the prior year. The current year reflected a $500 million reduction in the allowance for loan losses, reflecting continued improvement in home prices and delinquencies. The prior year included a $1.6 billion reduction in the allowance for loan losses. Net charge-offs were $289 million, compared with $745 million in the prior year.
Noninterest expense was $2.7 billion, a decrease of $931 million, or 26%, from the prior year, due to lower expense in production and servicing.

Functional results

(in millions, except ratios)	Three months ended June 30, 2014	2013	Change	Six months ended June 30, 2014	2013	Change
Mortgage Production						
Production revenue and other income[(a)]	$251	$1,120	(78)%	$453	$2,152	(79)%
Production-related net interest income[(a)]	88	166	(47)	178	352	(49)
Production-related revenue, excluding repurchase (losses)/benefits	339	1,286	(74)	631	2,504	(75)
Production expense[(b)]	413	720	(43)	891	1,430	(38)
Income, excluding repurchase (losses)/benefits	(74)	566	NM	(260)	1,074	NM
Repurchase (losses)/benefits	137	16	NM	265	(65)	NM
Income before income tax expense	63	582	(89)	5	1,009	(100)
Mortgage Servicing						
Loan servicing revenue and other income[(a)]	864	1,024	(16)	1,735	2,033	(15)
Servicing-related net interest income[(a)]	66	31	113	153	58	164
Servicing-related revenue	930	1,055	(12)	1,888	2,091	(10)
Changes in MSR asset fair value due to collection/realization of expected cash flows	(237)	(285)	17	(482)	(543)	11
Default servicing expense	340	475	(28)	704	972	(28)
Core servicing expense[(b)]	212	240	(12)	430	480	(10)
Income, excluding MSR risk management	141	55	156	272	96	183
MSR risk management, including related net interest income/(expense)	338	78	333	(63)	(64)	2
Income before income tax expense	479	133	260	209	32	NM
Real Estate Portfolios						
Noninterest revenue	(79)	(34)	(132)	(124)	(51)	(143)
Net interest income	858	942	(9)	1,740	1,904	(9)
Total net revenue	779	908	(14)	1,616	1,853	(13)
Provision for credit losses	(189)	(662)	71	(215)	(864)	75
Noninterest expense	342	404	(15)	688	767	(10)
Income before income tax expense	626	1,166	(46)	1,143	1,950	(41)
Mortgage Banking income before income tax expense	$1,168	$1,881	(38)	$1,357	$2,991	(55)
Mortgage Banking net income	$709	$1,142	(38)%	$823	$1,815	(55)%
Overhead ratios						
Mortgage Production	87%	55%		99%	58%	
Mortgage Servicing	53	84		84	98	
Real Estate Portfolios	44	44		43	41	

(a) Prior periods were revised to conform with the current presentation.
(b) Includes provision for credit losses.

Quarterly results
Mortgage Production pretax income was $63 million, a decrease of $519 million from the prior year, reflecting lower revenue, partially offset by lower expense and lower repurchase losses. Mortgage production-related revenue, excluding repurchase losses, was $339 million, a decrease of $947 million, from the prior year, primarily on lower market volumes. Production expense was $413 million, a decrease of $307 million from the prior year, predominantly due to lower headcount-related expense.
Mortgage Servicing pretax income was $479 million, compared with $133 million in the prior year, reflecting higher MSR risk management income and lower expenses, partially offset by lower revenue. Mortgage net servicing-related revenue was $693 million, a decrease of $77 million from the prior year. MSR risk management income was $338 million, driven by approximately $220 million of positive model assumption updates on slower prepayments, compared with $78 million in the prior year. See Note 16 for further information regarding changes in value of the MSR asset and related hedges. Servicing expense was $552 million, a decrease of $163 million from the prior year, reflecting lower headcount-related expense.
Real Estate Portfolios pretax income was $626 million, down $540 million from the prior year, due to a lower benefit from the provision for credit losses and lower net revenue, partially offset by lower expense. Net revenue was $779 million, a decrease of $129 million, or 14%, from the prior year. This decrease was largely due to lower net interest income resulting from lower loan balances due to portfolio runoff. The provision for credit losses was a benefit of $189 million, compared with a benefit of $662 million in the prior year. The current-quarter provision reflected a $300 million reduction in the purchased credit-impaired allowance for loan losses, reflecting continued improvement in home prices and delinquencies. The prior-year provision included a $950 million reduction in the non credit-impaired allowance for loan losses. Net charge-offs were $111 million, compared with $288 million in the prior year. See Consumer Credit Portfolio on pages 52–59 for the net charge-off amounts and rates. Noninterest expense was $342 million, a decrease of $62 million, or 15%, compared with the prior year, driven by lower foreclosed asset expense.

Year-to-date results
Mortgage Production pretax income was $5 million, a decrease of $1.0 billion from the prior year, reflecting lower revenue, partially offset by lower expense and lower repurchase losses. Mortgage production-related revenue, excluding repurchase losses, was $631 million, a decrease of $1.9 billion, from the prior year, driven by lower market volumes due to higher levels of mortgage interest rates. Production expense was $891 million, a decrease of $539 million from the prior year, driven by lower headcount-related expense.
Mortgage Servicing pretax income was $209 million, compared with $32 million in the prior year, reflecting lower expenses, partially offset by lower revenue. Mortgage net servicing-related revenue was $1.4 billion, a decrease of $142 million from the prior year. MSR risk management was a loss of $63 million, compared with a MSR risk management loss of $64 million in the prior year. See Note 16 for further information regarding changes in value of the MSR asset and related hedges. Servicing expense was $1.1 billion, a decrease of $318 million from the prior year, reflecting lower headcount-related expense.
Real Estate Portfolios pretax income was $1.1 billion, down $807 million from the prior year, due to a lower benefit from the provision for credit losses and lower net revenue, partially offset by lower expense. Net revenue was $1.6 billion, a decrease of $237 million, or 13%, from the prior year. This decrease was largely due to lower net interest income resulting from lower loan balances due to portfolio runoff. The provision for credit losses was a benefit of $215 million, compared with a benefit of $864 million in the prior year. The current-year provision reflected a $300 million reduction in the purchased credit-impaired allowance for loan losses and $200 million in the non credit-impaired allowance for loan losses, reflecting continued improvement in home prices and delinquencies. The prior-year provision included a $1.6 billion reduction in the allowance for loan losses from the non credit-impaired allowance. Net charge-offs were $285 million, compared with $736 million in the prior year. See Consumer Credit Portfolio on pages 52–59 for the net charge-off amounts and rates. Noninterest expense was $688 million, a decrease of $79 million, or 10%, compared with the prior year, driven by lower foreclosed asset expense.

Mortgage Production and Mortgage Servicing
Selected metrics

	As of or for the three months ended June 30,			As of or for the six months ended June 30,		
(in millions, except ratios)	2014	2013	Change	2014	2013	Change
Selected balance sheet data						
Period-end loans:						
Prime mortgage, including option ARMs[(a)]	$14,964	$15,567	(4)%	$14,964	$15,567	(4)%
Loans held-for-sale and loans at fair value[(b)]	8,231	15,274	(46)	8,231	15,274	(46)
Average loans:						
Prime mortgage, including option ARMs[(a)]	15,489	16,933	(9)	15,440	17,242	(10)
Loans held-for-sale and loans at fair value[(b)]	6,894	18,199	(62)	7,338	19,682	(63)
Average assets	41,101	59,880	(31)	43,482	62,037	(30)
Repurchase liability (period-end)	406	2,245	(82)	406	2,245	(82)
Credit data and quality statistics						
Net charge-offs:						
Prime mortgage, including option ARMs	1	5	(80)	4	9	(56)
Net charge-off rate:						
Prime mortgage, including option ARMs	0.03%	0.12%		0.05%	0.11%	
30+ day delinquency rate[(c)]	2.16	3.46		2.16	3.46	
Nonperforming assets[(d)]	$513	$707	(27)%	$513	$707	(27)%

(a) Predominantly represents prime mortgage loans repurchased from Government National Mortgage Association ("Ginnie Mae") pools, which are insured by U.S. government agencies.
(b) 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.
(c) At June 30, 2014 and 2013, excluded mortgage loans insured by U.S. government agencies of $9.6 billion and $11.2 billion, respectively, that are 30 or more days past due. These amounts have been excluded based upon the government guarantee. For further discussion, see Note 13 which summarizes loan delinquency information.
(d) At June 30, 2014 and 2013, nonperforming assets excluded: (1) mortgage loans insured by U.S. government agencies of $8.1 billion and $10.1 billion, respectively, that are 90 or more days past due; and (2) real estate owned insured by U.S. government agencies of $2.1 billion and $1.8 billion, respectively. These amounts have been excluded from nonaccrual loans based upon the government guarantee. For further discussion, see Note 13 which summarizes loan delinquency information.

Selected metrics

	As of or for the three months ended June 30,			As of or for the six months ended June 30,		
(in billions, except ratios)	2014	2013	Change	2014	2013	Change
Business metrics						
Mortgage origination volume by channel						
Retail	$7.2	$23.3	(69)%	$13.9	$49.5	(72)%
Correspondent[(a)]	9.6	25.7	(63)	19.9	52.2	(62)
Total mortgage origination volume[(b)]	$16.8	$49.0	(66)	$33.8	$101.7	(67)

Mortgage application volume by channel						
Retail	$15.7	$36.8	(57)	$30.3	$71.5	(58)
Correspondent[(a)]	14.4	28.2	(49)	25.9	54.0	(52)
Total mortgage application volume	$30.1	$65.0	(54)	$56.2	$125.5	(55)
Third-party mortgage loans serviced (period-end)	$786.2	$832.0	(6)	$786.2	$832.0	(6)
Third-party mortgage loans serviced (average)	794.7	840.6	(5)	802.0	847.4	(5)
MSR carrying value (period-end)	8.3	9.3	(11)%	8.3	9.3	(11)%
Ratio of MSR carrying value (period-end) to third-party mortgage loans serviced (period-end)	1.06 %	1.12 %		1.06 %	1.12 %	
Ratio of annualized loan servicing-related revenue to third-party mortgage loans serviced (average)	0.35	0.41		0.36	0.42	
MSR revenue multiple[(c)]	3.03 x	2.73 x		2.94 x	2.67 x	

(a) Includes rural housing loans sourced through correspondents, and prior to November 2013, through both brokers and correspondents, which are underwritten and closed with pre-funding loan approval from the U.S. Department of Agriculture Rural Development, which acts as the guarantor in the transaction.

(b) Firmwide mortgage origination volume was $18.0 billion and $52.0 billion for the three months ended June 30, 2014 and 2013, respectively, and $36.2 billion and $107.1 billion for the six months ended June 30, 2014 and 2013, respectively.

(c) Represents the ratio of MSR carrying value (period-end) to third-party mortgage loans serviced (period-end) divided by the ratio of annualized loan servicing-related revenue to third-party mortgage loans serviced (average).

28

Real Estate Portfolios
Selected metrics

	As of or for the three months ended June 30,				As of or for the six months ended June 30,			
(in millions)	2014	2013	Change		2014	2013	Change	
Loans, excluding PCI								
Period-end loans owned:								
Home equity	$54,485	$62,326	(13	)%	$54,485	$62,326	(13	)%
Prime mortgage, including option ARMs	54,709	44,003	24		54,709	44,003	24	
Subprime mortgage	6,636	7,703	(14	)	6,636	7,703	(14	)
Other	510	589	(13	)	510	589	(13	)
Total period-end loans owned	$116,340	$114,621	1		$116,340	$114,621	1	
Average loans owned:								
Home equity	$55,329	$63,593	(13	)	$56,167	$64,856	(13	)
Prime mortgage, including option ARMs	53,132	43,007	24		51,940	42,411	22	
Subprime mortgage	6,754	7,840	(14	)	6,880	7,989	(14	)
Other	520	597	(13	)	530	608	(13	)
Total average loans owned	$115,735							