Please standby, we are about to begin. Good morning, ladies and gentlemen. Welcome to JPMorgan Chase's First Quarter 2014 Earnings Call. This call is being recorded. Your line will be muted for the duration of the call. We will now go live to the presentation. Please standby.

At this time, I would like to turn the call over to JPMorgan Chase's Chairman and CEO, Jamie Dimon; and Chief Financial Officer, Marianne Lake. Ms. Lake, please go ahead.

Marianne Lake

Thank you, Operator. Good morning, everybody. As I'll go, I'm going to take you through the earnings presentation, which is available on our website. Please refer to the disclaimer regarding forward-looking statements which is at the back of the presentation.

So starting on page one, the firm generated net income of $5.3 billion for the first quarter, a $1.28 a share with the return on tangible common equity of 13% on revenue of $24 billion, down 8% year-on-year driven by lower markets revenue down 17% and continued headwinds in mortgage.

Reported expenses for the firm were basically the same as adjusted expenses this quarter at $14.6 billion, in line with our expectations and our guidance for full year adjusted expenses to be below $59 billion. Firm-wide legal expense for the quarter was immaterial.

Of note, you will see that we didn't disclose any significant items this quarter on the front page of the presentation. There were items in the quarter that we consider non-core or non-recurring, each individually didn't rise to the level of being disclosed on the front page and importantly, the net of all such items across businesses was not significant to the firm's reported results.

To be clear, this means that our reported net income of $5.3 billion is very close to being a core performance number, which we consider a solid result given the challenging environment for those markets and mortgage. Importantly, underlying drivers across most businesses continued among impressive trends.

Finally, we are pleased that our capital plan was approved in the quarter and the Board announced its intention to increase our quarterly common stock dividend to $0.40 a share effective in the second quarter, as well as the authorization to repurchase a gross $6.5 billion of common equity or net a little over $5 billion, that is net of expected employee issuance.

So skipping over page two and turning to page three. Our Basel III Tier 1 common ratio was 9.5% flat to last quarter, being over 40 basis points of capital generate and run-off in the quarter, largely offset by the impact of certain specific risk models that were approved to use in Basel I last year, but which our regulators disapproved for use under Basel III effective at the beginning of this year.

We believe this should largely be timing with past remediation in the second half of 2014 and further remediation in 2015. The impact of these models approval was contemplated in our Investor Day guidance of reaching 10% plus by the year end, but it won't be in a linear fashion and the majority of capital accretion will occur in the second half of the year.

Effective this quarter our regulatory reported ratio moves from a Basel I measure to a Basel III standardized transitional measure. And having been approved to exit Basel parallel effective 1st of April starting in the second quarter, the common floor would apply.

This means there are variety of measures we could talk about but suffice to say there were hundreds of bases points above the minimum to any of them. Therefore our primary ratio will continue to be one we use to manage the place , which also happens to be our lowest, the fully phased in Basel III advanced ratio of 9.5%.

Before we leave the page, I want to spend a minute on leverage. You'll notice that the firm and the bank SLR progressed by 50 and 70 basis points, respectively, and importantly, that the firm is above 5% today.

The firm's ratio benefited from net retained earnings, as well as from preferred issuance of close to $4 billion as we took advantage of market opportunities in the first quarter. The bank's ratio benefited from both retained earnings, as well as the impact of actions taken including down-streaming and restructuring of certain capital to the bank. Additionally, other leverage actions taken across our businesses helped the firm and the bank by 10 basis points.

We also analyzed rule proposed by regulators this past Tuesday. In general, it was relatively consistent with the Basel proposal, which is how we based our estimate. There were a couple of newer technical changes, the net of those changes we estimated to add approximately 15 to 20 basis points to leverage which is included in the ratios reported on the page.

Returning to the business performance, I am moving on page four, the Consumer & Community Banking. The combined consumer businesses generated $1.9 billion of net income for the quarter on $10.5 billion of revenue and an ROE of 15%.

Overall, revenue was down both year-on-year and quarter-on-quarter driven by mortgage banking, which I will talk about later. Despite margin compression across CCB, excluding mortgage, revenue was flat year-on-year as we continue to add new customers and deepen our relationships with them.

Deposits were up $30 billion year-on-year. We had record client investment assets of $196 billion, up 16% and credit cost sales volumes of $105 billion, was up 10% year-on-year being the 24th consecutive quarter that sales outperformed the industry.

Expense was down $350 million year-on-year and close to $900 million quarter-on-quarter despite the ongoing investment in control. Reduction was also driven by mortgage as well as by the timing of certain investments in marketing and costs. And across CCB, we are on track relative to our headcount reduction outlined at Investor Day.

On Page 5, Consumer and Business Banking. Business generated $740 million of net income and ROE of 27%, on $4.4 billion of net revenue, up 5% year-on-year and down 1% from the prior quarter seasonally. Net interest income was up over 5% year-on-year, driven by deposit growth of 9% among the highest in the industry.

We saw strong household growth and the lowest attrition ever this quarter. While the deposit margin flattened quarter-over-quarter, it did decline 9 basis points over last year, driven by lower reinvestment rate.

On the non-interest revenue side, we continue to see strong year-over-year growth in both debit and in investment revenue, driven by the record client investment asset I mentioned. Expense is up 1% year-on-year reflecting the investments we've made in the business, including the cost relating to strengthening the control and compliance infrastructure, partially offset by improving efficiency in our branches. CBB headcount was down around 1500 this quarter.

On Business Banking originations, we're beginning to see stronger lending with production for the quarter of $1.5 billion, up 22% year-over-year and 16% quarter-on-quarter. We have the right team in place and targeted strategies which have proved successful.

We're also seeing improved banking productivity. So although some challenges remain in the environment, pipeline is strong and at the highest levels since 2012 and utilization rates have stabilized. So we are cautiously optimistic that improved lending trends will continue in 2014.

Turning to Page 6, Mortgage Banking. Overall Mortgage Banking net income was $114 million for the quarter. Despite a relatively favorable rate environment, the market got off to a slow start in 2014. We're seeing tight housing inventory in some markets and the purchase market was affected adversely by the severe weather. This led to a challenging quarter to the mortgage business with production of $17 billion, down 27% quarter-over-quarter and 68% over last year.

On the back of this lower volume, reduction pretax excluding repurchases was a loss of $186 million consistent with our guidance. We did, however, continue to make good progress on rightsizing capacity and reducing expenses, with production core expense being lower by over $110 million quarter-on-quarter.

Total Mortgage Banking headcount was down nearly 3000 since the end of the year and about 14,000 since the beginning of last year. Mortgage production also benefited from a repurchase reserve release. Repurchases for the quarter was positive $128 million principally driven by a significant improvement in actual and projected cure rates for the remaining repurchase risks.

Before I move off of production, just briefly on market share. As we pointed out at Investor Day, the pricing of business reflects the inherent risk. The risk of the default and cost associated with servicing defaulted loans is significantly higher for high LTD loans. As a result of pricing actions taken, we believe we may have lost some share in the first quarter while we've remained discipline with respect to appropriate risk adjusted returns. And this is consistent with our objective to have a smaller higher quality, less volatile mortgage business in the future.

Now onto servicing, excluding MSR risk management, pretax income of $131 million was favorable by over $100 million quarter-on-quarter. That was driven by the absence of an adjustment to compensatory fees which we incurred in the fourth quarter. If we exclude this item servicing, pretax remains relatively flat and we remain on track to deliver servicing expense of $500 million plus or minus by the fourth quarter of this year.

MSR risk management was a net loss for the quarter of about $400 million. The loss was driven by negative $460 million fair value adjustments, principally on higher allocated capital for the business in line with the capital we showed at Investor Day.

Lastly on real estate portfolios, pretax income of $517 million include $174 million of charge-off and an NCI reserve release for the quarter of $200 million in line with guidance. You will see the net charge-off were broadly flat to the fourth quarter on flattening delinquencies at the end of last year and the early part of the first quarter. While we do expect improvement in loss trend to resume in the second quarter as recent delinquency trend have been positive. Lastly on mortgage, the NCI portfolio remains flat. We added $3.5 billion of loans this quarter.

Turning to Page 7, Card, Merchant Services and Auto have net income of $1.1 billion, down 15% year-on-year with an ROE of 23% while 20% if you exclude reserve releases. Revenue of $4.5 billion was down 3% seasonally quarter-on-quarter and 4% year-on-year driven by continued margin compressions from growth in transacted balances and from the paydown of higher yielding run-off loans.

Underlying trends remain robust. Strong sales and merchant processing volumes up 10% and 11% respectively in gaining share. Total outstanding remain approximately flat for us and for the industry and we have strong momentum in new account originations in the quarter, up 24% year-on-year and the quality of our new account origination is very strong.

Expense was down $260 million while 12% quarter-on-quarter due to the timing of marketing spend as well as the absence of remediation payments to customers that was recorded in the fourth quarter. The net charge-off rate has remained very low at 293 basis points picking up slightly quarter-over-quarter just some seasonality of loan balances.

We released $200 million of card loan loss reserve this quarter in line with guidance and $50 million of student lending reserve. And before we move on, a few words on auto, we saw a very strong industry rebound in March with the highest new auto sales since 2007, coming off of the slowest start to the year again on the severe winter. This drove originations up 3% year-on-year and loan balances up 5% gaining share and it was the 10th consecutive quarter of auto loan and lease growth.

Moving onto Slide 8 on the Corporate and Investment Bank, CIB reported net income of $2 billion on revenue of $8.6 billion and an ROE of 13%. You will see on the table on the top right of the slide that we've shown adjusted results for comparable periods excluding DVA and FVA. The net DVA/FVA impact of this quarter was an insignificant loss.

Growth DVA would have been over $200 million negative on 9 basis point tightening of CBS spreads. So I've expected what we saw was a sensitivity to our spread significantly muted given the implementation of FVA. And you should expect the impact of DVA-FVA in our results to continue to be modest going forward all other things equal.

In banking, total revenue was $2.7 billion, down 8% year-on-year. IB fees were $1.4 billion, up 1% year-on-year, driven by higher advisory and equity underwriting fees but with lower debt underwriting fees. And we maintained our number one ranking in global IB fees as per Dealogic.

Going forward, the environment remains compelling to M&A with announced volume up 20%. We have a robust pipeline of IPOs, with the large backlog across sectors and regions and DCM activity is expected to be relatively stable.

Lending revenues was down $200 million year-over-year and down quarter-over-quarter. But mark-to-market gains on securities drove the variance in both prior periods. We also had treasury services revenue of a $1 billion, down 3% year-on-year with higher net interest income on higher deposits, offset by the impacts of business simplification and lower trade loans and spreads.

Moving on to Markets and Investor Services, the challenging environment and lower client volumes we talked about at Investor Day continues through the end of the quarter, ending with overall market revenues, down 17% year-on-year. And there was no discernible single driver of the weakness. It was across product and regions.

In general, it feels like the market consensus at the quarter beginning, which for a growth story didn't transpire. And combined with several other factors, this led to generally lower levels of client activity across the board. We didn't see a meaningful pickup in activity in markets reasonable to expect, but some of its third quarter softness may continue in April.

Security Services revenue of a $1 billion was up 4% year-on-year, primarily driven by higher NII on higher deposit and higher asset-based fees on higher assets under custody. And you see the credit adjustment of other line items show the negative $197 million, which includes the net DVA/FVA loss, together with the impact of changes in CVA.

The credit environment continues to be benign and we believe our exposure to Russia is manageable. We are totally reserved based on what we know today and we are closely monitoring the situation.

Expense came down 8% year-on-year to $5.6 billion, lower compensation given lower revenue driving the decline. The comp-to-revenue ratio for the quarter was 33%, broadly in line with 34% in the same quarter of last year. And finally on drivers, you can see client deposit balances were up 15% year-on-year but down 2% quarter-on-quarter seasonally.

Moving on to Commercial Banking on Page 9, this quarter, we saw net income of about $580 million on revenue of $1.7 billion with an ROE of 17%. Revenue was relatively flat year-over-year and declined by approximately $200 million sequentially.

The sequential decline was about two-thirds NII, driven by a large recovery we reported in the prior quarter together with lower day count. The balance of the decline was lower NII on seasonally lower fees.

A bright spot in the quarter was gross IB revenues of $450 million for the quarter, up over 30% year-on-year, a record for the first quarter and representing nearly 35% of North America IB fees.

Our credit costs continue to show very strong performance with a net recovery rate of 4 basis points and expense was up 7% year-on-year, given the investments we have been making in the business as well as the impact of cost of control and compliance.

Loan balances were up 7% year-on-year and 1% quarter-on-quarter. Consistent with recent trends, real estate growth remains really strong at 15%. Both our Commercial Term Lending and Real Estate Banking portfolios grew in the double digits, outpacing the industry.

In C&I, loan growth remains tepid and the environment remains extremely competitive. There were pockets of growth including the expansion market, which were up 17% and increased activity in healthcare, oil and gas and technology sectors. With respect to pipelines, we saw the pipeline trends up or strengthen a little from the lows of last year, trending in the right direction but still relatively weak versus a year ago.

Moving on to Page 10, Asset Management, the quarter saw net income of about $440 million, down 9% year-on-year, with an ROE of 20%. Revenue was up 5% year-on-year, driven by flows and market performance, primarily Europe and the U.S., off of a very strong first quarter a year ago.

Quarter-on-quarter, revenue was down 13% despite continued inflows, two thirds of the declines was driven by normal seasonality and performance fees. The remainder of the decline related to the change in the mark-to-market of the seed investments. We did mention a $100 million of both, positive mark-to-market reflected in the fourth quarter's results.

We gave some of that back this quarter, driving the sequential variance impact to be over $150 million. This was the 20th consecutive quarter of long-term inflows, $20 billion for the quarter, driving record AUM of $1.6 trillion, up 11% year-on-year and we've seen a strong start to April.

Expense increased 11% year-on-year, given higher investments and cost of controls and decreased 8% quarter-on-quarter, largely driven by lower comp on the revenue. Lastly in banking, we continue to see strong loan and deposit growth with record balances up 19% and 7% respectively.

Moving on to Page 11 on Corporate and Private Equity, private equity net income of over $200 million included approximately $400 million of gains on investments in the quarter. Treasury and CIO reported a net loss of $94 million.

NII remains relatively flat quarter-on-quarter, had a negative $90 million and we continue to expect NII in Treasury and CIO to breakeven by the year end, driven by higher securities yields as we benefit through higher rates.

Additionally, we deployed $25 billion growth of new investments in the quarter, with the portfolio being relatively flat, less of maturities, pay downs and sales. And before I continue, let me just tell you about NIM and NII for a second.

The page is in the appendix. Total NIM was flat quarter-on-quarter and Core NIM was up 2 basis points, primarily driven by higher investment securities yields, offset by loan spread compressions.

Finally, on this page, other corporate net income of a little over $200 million plus. Included in these results is a $90 million after-tax impact of writing down our deferred tax asset following changes to New York State tax, which was enacted at quarter end. This upfront impact of DVA would be offset over time.

And as I said earlier, no significant legal expense to report for the quarter. It obviously is good to have a quarter with such a small number and perhaps puts such large issues behind us. However, I want to remind you that we still expect legal expenses to be lumpy quarter-over-quarter for the next couple of years as we work through remaining issues.

Now on Page 12, we've covered most of the outlook as we went through the presentation. Just a couple of additional things to cover, first, mortgage production. We told you to expect mortgage production to be negative for the year, we do and we expect it to be negative for the second quarter.

Obviously, the final result would be market dependent. However, at this point, our outlook as per production pre-tax, excluding repurchase to be a loss of between $100 million and $150 million, slightly improved from the first quarter on higher volume seasonally.

Second on releases, expect mortgage reserve releases to be more modest going forward except for potentially PCI, purchase credit-impaired loans where we could see some lumpy releases, if we would have any, and expect card releases to be essentially over.

So to wrap up, we feel good about the simplicity of the quarter and solid core performance given challenging industry conditions. We are also pleased with the progress we've made on key items, including announcing the sale of our physical commodities business and our retirement planning services business, passing C-corp qualitatively and quantitatively, exceeding 5% for the firm and bank leverage ratios, and maintaining strong expense discipline while investing in growth and control, and perhaps most importantly, continuing to deliver outstanding customer service and continuing to grow underlying performance drivers.

With that, operator, you can open up the line please for Q&A.

Question-and-Answer Session

Operator

(Operator Instructions) And our first question comes from Glenn Schorr of ISI.

Glenn Schorr - ISI

Hello there.

Marianne Lake

Hi, Glenn.

Glenn Schorr - ISI

Hello. Maybe with avoiding too much of the detail, say at the high level, and talk about no loan growth on a year-on-year basis and now there is a bunch of mix in there. And I guess I am particularly interested in the C&I bucket because that's the one area where we do see some growth in the industry. So, A, there is a little bit of verbiage in your text on how you define C&I loan growth in the corporate bucket. And, B, are there areas where you just think pricing is getting a little high and you're purposely avoiding that growth?

Marianne Lake

So Glenn, if you just -- so that I can give you the underlying core growth number for the firm. So the quarter was 4% year-on-year, even though obviously as you take into consideration the runoff portfolios and mortgage and cards, we were closer to flat.

In C&I, you're right, the industry was up slightly, we were not. It's a continuation of the things we talked about which is a combination of current selection of being very disciplined on credit, so not chasing growth at the cost of liberal credit structures and overly aggressive pricing, and also the fact that we continue to see some of our criticized and classified loans be refinanced away from us. So, we are just going to hold the line on discipline. We are seeing the ongoing aggressive investing environment on both credit terms and pricing, and we will do every rational and sensible deal we can do but we are not going to chase growth at the expense of discipline.

Glenn Schorr - ISI

I appreciate that. And obviously over time we will see that in both a steadier to up NIM and good delinquency trends I guess.

Marianne Lake

Yes. So a higher quality portfolio, higher quality trends.

Glenn Schorr - ISI

Okay. On the SLR that just came out, you gave us the expected impact, so I appreciate that. In Jamie's annual letter, I think you said 'we began to make significant changes to the rates business and expect to maintain decent profitability'. Could you talk about what you've done in rates? How much through that -- through those changes we've seen and what to expect on the other side?

Jamie Dimon

I think very broadly if you look at the numbers, yes, we pushed down our capital leverage SLR to all the businesses that are all making adjustments as appropriate. In the rates business in particular, we've seen there is very few what I call exotic rates products being done anymore, so it would be a rather large change. A lot of things going electronic which can reduce your expenses too, so we are pretty comfortable what rate business will be -- will be normal profitability going forward. It may take a little bit of time.

Marianne Lake

And Glenn I just want to make sure that it was clear in my remarks that the impact of the new proposal to leverage is included in the reported results.

Glenn Schorr - ISI

Very clear. And normal profitability might mean lower revenues but normal profitability right as things change in that business?

Jamie Dimon

A little bit, yeah. We don't know what's going to happen to spreads going forward, so we are comfortable we want to stay in the business. We do a good job at it with our clients.

Glenn Schorr - ISI

Okay. Last one, Marianne, I guess next on the hit parade is final rules on LCR and OLA, do you feel that's coming this year and do you expect -- how do you feel you are positioned for that?

Marianne Lake

So with LCR and whether you take the Basel or the U.S. proposals, we are compliant at this point with the margin and importantly we will stick with our own internal framework. So we feel good about LCR, we are continuing to manage it as you would expect. Yes, I am expecting us to get long-term debt rules this year, but I don't know when and I can't control it. We feel with over 19% available resources that we're in a good starting position and so we're not really going to be in a business of guessing where that ends up, will just accordingly if it's different from our expectations.

Glenn Schorr - ISI

Okay. Thank you, both.

Marianne Lake

Thank you.

Operator

Our next question comes from the line of Erika Najarian of Bank of America.

Erika Najarian - Bank of America

Good morning.

Marianne Lake

Good morning.

Erika Najarian - Bank of America

Thank you for walking us through the progress on the leverage ratio. I am just wondering should we expect on the bank level that you would be complying to 6% at some point this year or was the quarterly progress at this quarter or last quarter rather unusual?

Marianne Lake

So given that we did some restructuring of bank level capital, including downstreaming, that was a fairly sizeable increase in the quarter, so you are not going to see progress be linear, but there are a number of different levers that we have in our toolkit so to speak to get to 6% over time. Whether that this year or whether that into next year we are going to be measured about the progress. So whether that's retaining earnings, potentially additional capital, we've been auctioning leverage actions both deposits as well as derivatives actions.

And then ultimately there is also the good guy when it comes, timing dependent upon maybe a 2015 thing hopefully moving from same to the newly named FACCR calculations, the derivatives central future exposure. We did take a look at the information on FACCR and it hasn't changed our point of view that we would expect that to have a favorable impact for the bank of 40 basis points plus or minus. So when that comes that will be a nice boost not through retaining earnings and the leverage actions we have and potentially more capital optimizations. We have clear path of 6% whether it's this year earnings, 2015.

Erika Najarian - Bank of America

Okay. And the second question, given that you are already compliant in the LCR, is it fair for us to assume that your core margin should continue to improve throughout the year at this measured pace?

Marianne Lake

Yes. I would say it's fair to assume our core margin should be relatively stable throughout the year and I think plus or minus 2 basis points on a -- not balance sheet like us, we would make changes, it's relatively stable. So our expectation is the core NIM to be relatively stable in 2014, to be stable to slightly positive in 2015 assuming that the implied rate cut stays out the way it is.

Erika Najarian - Bank of America

Okay. And just last one for me in terms of your comments on card provision, help us think about sort of the balance in terms of the catalyst for your guidance? Should we start to expect balance growth to come back or is this more of a comment that charge-offs are as well as they will go and should normalize here?

Marianne Lake

So it's a combination of factors, we are seeing delinquency trends and rate charge-offs flatten out. We knew that it would happen one day. That's what we're seeing at the moment. We will continue to what they do through the course of the year. Based up on that, we are not expecting anymore results. In addition, you should know that we thought our outstandings were flat and underneath that our core portfolio is growing. We still do believe we are at our inflection point and that we should see some growth, but it will be relatively modest.

Erika Najarian - Bank of America

Okay. Thank you for taking my questions.

Marianne Lake

Thank you, Erika.

Operator

Our next question comes from the line of Matthew O'Connor of Deutsche Bank.

Matthew O'Connor - Deutsche Bank

Good morning.

Marianne Lake

Good morning.

Matthew O'Connor - Deutsche Bank

If you look at the traditional bank fees, even outside of mortgage that recur year-over-year than I think most might have been expecting and looking like the card fees, service charges. Do you think that's all weather related or just weaker macro back drop than maybe we were looking for?

Marianne Lake

So is it about interchange fees in cards?

Matthew O'Connor - Deutsche Bank

Just the overall credit card fee line that you give us and obviously will include the interchange but probably one of the things as well?

Marianne Lake

Yeah. So the sales volume obviously seasonally goes down quarter-over-quarter. I don't think that we have perceived there's been a significant impact from weather on card sales in the first quarter. For us, our sales were up 10% year-over-year, so pretty strong. No, I wouldn't attribute anything to the weather.

Matthew O'Connor - Deutsche Bank

Okay. And then just separately the expense guidance for this year, I think is unchanged, even though revenues coming a little bit weaker than expected. I realize this is just the first quarter and things could change but is there opportunity to adjust the expense base a bit more if revenues light?

Marianne Lake

Yeah. So you saw -- I mean, obviously you saw in the first quarter on the back of lower revenues in the markets business. We have lower compensation as an absolute matter that the ratio is relatively in line. So you're absolutely right depending upon, excuse me -- how the rest of the year pans out will determine whether the compensation expenses inherit in our outlook for CIB are up or down or flat and that will adjust our ending results. And we're not ready yet to declare a position on the whole year, so less than $59 billion is still our guidance but we intend to be very, very decedent.

Matthew O'Connor - Deutsche Bank

All right. And then just lastly on the buybacks and net of issuance being approved for greater than $5 billions. Any comments just on the timing or up likelihood of all that being used this year?

Marianne Lake

Yeah. So, on the timing, I mentioned the fact that we aren't expecting a capital accretion to 10% plus to be linear. We're expecting it to be much more in the second half of the year, flatter in the first half. So it's reasonable to expect that we will be covering employee issuance plus or minus in the first half of the year with most of our repurchase capacity being available for us in the second half. As to how much of that we will use, it will be a number of factors including obviously our share price at the time. But we do intend to take advantage of the opportunity that we've being given to buyback and we'll see what the absolute level is when we get there.

Matthew O'Connor - Deutsche Bank

Okay. All right. Thank you very much.

Operator

Our next question comes from the line of John McDonald with Sanford Bernstein.

John McDonald - Sanford Bernstein

Hi Marianne. In the mortgage area, the $400 million hit to that, just to qualify that, that was a one-time hit related to your top corporate reallocation of cap related earlier this year?

Marianne Lake

Yeah. That sounds really wise. So when we declared Investor Day that we'd increase target rate, so that business we pushed that down into the valuation of the asset one time.

John McDonald - Sanford Bernstein

Okay. And again the reasons for the negative profit margin we're seeing on the origination side. Is it just the timing of getting expenses adjusted to a new base originations. And it takes that there is a lag or is there also some investment expenses that you're running through that that they're also hurting your mortgage profitability?

Marianne Lake

Three things, there is a little bit of timing in there and so far as we did make continued improvement in expenses and we're going to continue to work on what we would characterize as that is sort of fixed cost base. It's definitely the case that we are building this business for the long run and so we continue to invest in technology and operations that may cause more profitable and efficient through the cycle. But it is also the case that is an incredibly small market. I mean, the market size was sub $250 billion, so annualized sub a trillion dollars, which is not something we've seen in since before 2000.

So the reality is in the market of that size, is very hard to have strong profitability or possibility when you have to have a core level of fixed expenses. And so we're thinking about this business over the longer run to be as efficient and profitable as possible through the cycle in markets that are on average bigger than this.

John McDonald - Sanford Bernstein

Okay. And then on the markets activity in the investment bank, I guess a bit disappointed that activity level didn't pick up in March, though it seem like overall rate volatility picked up as people took different takes in the fed statements. Do you attribute some of the weakness to the lower issuance compared to last year, what seems likes that continue and what do you think is needed to stimulate better activity, particularly in fact this year?

Marianne Lake

Yes, I would say lower issuance was a factor with our M&A. So I wouldn't say that it was a single driving factor, lower on mortgage issuance, lowest debt issuance. There was a whole bunch of different things. And then as to catalyst, more volatility, more growth and we just wait and see.

John McDonald - Sanford Bernstein

And do you have any sense of what kind of you're planning for there or is it really just a wait-and-see on the environmental faults and you react as it occurs?

Jamie Dimon

I think John, we always have been very consistent on this kind of thing. You guys kind of make your own estimates because they are just as good as ours. Great business with great people, technology, sales, research but we can't predict it going forward.

John McDonald - Sanford Bernstein

Okay.

Marianne Lake

Similar to the mortgage comment, where it's a long-term view, it will affect the business and this is one quarter so.

John McDonald - Sanford Bernstein

Got it. Any impacts on the commodity sale that's planned or did you move that to discontinued ops or did that have any impact on the market, the metric this quarter, Marianne?

Marianne Lake

Yes. We've accounted for held-for-sale and no significant impacts to the results.

John McDonald - Sanford Bernstein

Okay. Great. Thank you.

Operator

Our next question comes from the line of Betsy Graseck of Morgan Stanley.

Betsy Graseck - Morgan Stanley

Hey good morning. Couple of follow-ups, one on commodities business that you are in the process selling, can you give us the sense as to what the impact is likely to be per sale?

Marianne Lake

So we've reflected any of -- obviously we looked at the bid and valuation in any of the difference versus booked in our P&L and is insignificant. And we are engaged in ongoing relationship with the buyer and we'll realize P&L over time but does not expect to see anything significant.

Betsy Graseck - Morgan Stanley

Okay. And then just a couple of clarifications, on OLA, you mentioned 19% available resources, I assume that's against RWA, but I just wanted to clarify?

Marianne Lake

Yeah. Correct.

Betsy Graseck - Morgan Stanley

Okay. And then on SLR, on Page 3, you showed the ratios, I just wanted to confirm the Basel III line says that it's on the fully phased-in bases but we don't see fully phased-in SLR, does that imply as transitional?

Marianne Lake

No, its fully phased-in, that's a fully phased-in, Betsy.

Betsy Graseck - Morgan Stanley

On the SLR as well, right?

Marianne Lake

Yeah. But remember that that was the exception of the fact that we are baking in things that are not yet certain. So we haven't baked in the benefit that we would expect, for example, from SACCR because it hasn't yet been acknowledged?

Betsy Graseck - Morgan Stanley

Okay. In that 40 basis point benefit there is for the bank level and holdco level?

Marianne Lake

The sensitivity is different in the bank and the holding company. So its more like 30 plus or minus at the holding companies, 40 plus or minus at the bank.

Betsy Graseck - Morgan Stanley

Okay. Great. And then lastly on expenses, you highlighted throughout all the areas, we had the headcount reduction. Can you just give us a sense as to whether or not the benefit to the expense dollars is fully in the first quarter or was there a negative things like severance that than the benefit to the expense dollars comes in Q2 and beyond?

Marianne Lake

So with respect to the headcount reduction in the first quarter, the severance wasn't significant and benefit is largely in. Remember we said that overall the firm is expecting that the headcount goes down by about 5000 for the full year and it's down only by 2000. So possibly we have another way to go.

Betsy Graseck - Morgan Stanley

In the pace of that 3000 from here is ratable or front end loaded?

Marianne Lake

So if you think about it gross, mortgage was 6000 of that total gross and its 3000, and so another 3000 ago. I would say in the nearer or longer term. And in the consumer bank that was 2000 with 1500 and remainder will just happen three times.

Betsy Graseck - Morgan Stanley

All right. Thanks.

Operator

Our next question comes from the line of Guy Moszkowski of Autonomous.

Guy Moszkowski - Autonomous

Good morning.

Marianne Lake

Hi.

Guy Moszkowski - Autonomous

Hi. Just wanted to follow-up on the FACCR, thanks for the guidance on the potential benefit? Can you give us a sense of what specifically is driving that to be beneficial? I have gone through the BIS release, but frankly, without understanding what the underlying is, it's really difficult to understand why it's a benefit, just maybe you can help us qualitatively understand that?

Marianne Lake

Yeah. I will give you sort of very short quantitative answer and then if you want to really go dig in, I'll do offline with the Investor Relations, but a very short answer is, as an additional ability to recognize collateral and netting that wasn't in the original fee and calculations, but lots and lots of other complexity to it. We are doing our best estimate though we haven't fully built the models to do it, so we are continuing to work on that but if you want to get into very technical discussion on it we can arrange that for you.

Guy Moszkowski - Autonomous

Okay. I'll probably follow up but that's helpful. Thanks. You mentioned a number of times as you went through and we could see it in the slides that a lot of the expense impacts to the -- that expenses were problematic relative to year ago, a lot of that was because of the control agenda, which obviously, we appreciated, you spoken to? But can we step back and talk about in a holistic firm-wide way where are we with implementing that, how much more impact do we expect to see, at what point do we kind of lap on that?

Marianne Lake

Okay. So a couple of things, first is that, if you remember from Investor Day, notwithstanding that, earlier comment about the volatility potentially in compensation in the market businesses. We said we would be below $59 billion and there were four principal I think driving that. So in our favor, we had efficiencies, in bunch of the efficiencies in CIB and mainly mortgage down about a $1.5 billion year-over-year and against that we had the billion dollars incremental cost of control and some gross principally in asset management.

So the net of all of those meant that we were effectively self-funding through efficiency and reduce mortgage expenses, the incremental cost and control we are seeing come true. It is in the case that we have broken out as a macro matter, how much of that $1 billion is on our run-rate now and maybe we'll do that for you next quarter.

I would say that, we are adding heads and so these things do take some time even though I believe that there will be a chunk in our run-rate through the middle of the year if not all in our run-rate yet.

Guy Moszkowski - Autonomous

That's it. So if I can interpret that that's means after the year we should have a sort fully lapped is that what you are saying?

Marianne Lake

I'll ask to confirm to you in the next quarter, but I would say that we have a majority of it through the mid-year because we are, obviously, trying to hire up to be able to execute on the agenda. So if you think about the impact with, trying to add people to compliance, we are adding people to compliance, to legal, to audit, to finance, to risk and we are doing that largely in the first half of the year but that will be a time.

Guy Moszkowski - Autonomous

Okay. That's also really helpful. In terms of effect and the weakness that we saw? Can you comment at all and if it's possible you can quantify a little bit what the impact was of some of the adoptions of SEF mandates during the quarter, we could certainly see that SEF volumes themselves seem to get disrupted at certain point in the quarter when new mandates went into play, but just if you think about the impact of that regulatory change on the OTC derivatives markets, it would be really helpful to understand, how much of the impact with just regulatory change?

Marianne Lake

Yeah. So, I mean, it's -- as you know it's very, very difficult to decouple everything, but and so it's not clear that there is no impact but it's not our sense that it was a significant driver of the performance in the quarter and there is a limited amount of volume on SEF right now albeit increasing and there has been margin compression but from tight margins start with, so it's not our sense that it was a significant driver enough to say that there was no impact.

Jamie Dimon

So it did come down a little bit, there is kind of back to where it was, due to trading and we wouldn't blame that for that anything.

Guy Moszkowski - Autonomous

So if one were to think that there was -- there were going to be spread compression over time as a result of some of these things that might still lie in the future next to your $1 billion plus or minus revenue impact that you've talked about?

Marianne Lake

That's right. So, I mean, again not to say that there hasn't been any but the volume is relatively low, they are being relatively tight, the $1 billion we talked about which is by the way our best estimate, so it could be better than that is something that we are progressed through times it is not going to be a cliff.

Guy Moszkowski - Autonomous

Great. That's all. Very helpful. I appreciate you are taking my questions.

Marianne Lake

Thank you.

Operator

Our next question comes from Gerard Cassidy of RBC.

Gerard Cassidy - RBC

Thank you. Good morning. Can you guys share with us on your loan loss provision this quarter, obviously last year the provision was greatly affected by the loan loss reserve releases, should we anticipate the provision reaching your net charge-off levels this year to match them out?

Marianne Lake

So the best guidance there I can give you is the guidance that we gave at Investor Day which is expect the firm-wide charge-off to be at around $5 billion plus or minus and then I would point you to the guidance we just gave you on reserve releases which is expect some really mortgage but not it, expect we might have some PTI but it's too early to know and little more in cost, so net those two down.

Gerard Cassidy - RBC

Okay. And just speaking...

Marianne Lake

And there maybe some noise to that but that's our current outlook.

Gerard Cassidy - RBC

Okay. Speaking the TCI loans, year-over-year about 10% to 12%, should we expect that type of run-rate throughout the year, is that portfolio continues to shrink?

Marianne Lake

Yes. Largely speaking. In fact you are talking right 10% but yes.

Gerard Cassidy - RBC

Okay. You talked about in the mortgage business, you are changing the way you are approaching it and the revenue run-rate you had this quarter of about $160 million? Can you size for us where you think under the new approach that you are having with mortgages what kind of revenues we might anticipate because I am assuming this was unusually low at this quarter's number?

Marianne Lake

So our production revenues this quarter and just to make sure, we are talking about the same thing was just about $300 million. I told you that we are expecting second quarter to be negative. You are going to have higher revenues because seasonally you have higher volumes, but obviously its market depends.

So I would say given seasonality, the first quarter was small and volumes were depressed given the whether we will be hopeful that the market would be above the $1 trillion for the full year, maybe not as high as $1.2 trillion, so if you add seasonality back in and gross up the number you probably get quite close. But, of course, it could all change depending upon rates in the market.

Gerard Cassidy - RBC

Great. And then finally...

Marianne Lake

I mean the current outlook for the market size, it was about $1.2 trillion, I suspect that will be revised down slightly on the back of the first quarter. So we are going to have a small market and it's going to be actually linear.

Gerard Cassidy - RBC

Okay. In the institutional asset management business, you pointed out that it declined sequentially in the revenues because of the some of the one-time items in the fourth quarter? The year-over-year declines, even on the inflows were up, any comments on the revenues from the institutional revenue part of that business?

Marianne Lake

Year-over-year revenues for asset management and institutional, no specific, we have some -- March was not strong, the first quarter so institutional was not as strong as the other segments, so no specific issues but there is some lumpiness there obviously.

Gerard Cassidy - RBC

Okay. And then finally, may just be a market conditions or maybe some you can do, when you look at your net interest margin and you look at the interest earning asset yields, the securities borrowed number was a negative 30 basis points and trending more negative each quarter, it was minus 2 basis points a year ago? Can we -- can you point to anything you could do to try to reverse that?

Marianne Lake

Yeah. The securities, that line listen is a some funky features also fact that in our prime services business when we -- our contractual income is LIBOR minus the spreads which drives that to be a negative number. I wouldn't lead too much into the trend and volatility there, the absolute economics of the business is still positive and the offset is in trading liability, so that's not a line item in its own right and alone that is very conservative.

Gerard Cassidy - RBC

Thank you.

Operator

Our next question comes from Derek De Vries of UBS.

Derek De Vries - UBS

Thanks. I had a few question, you had no significant items that you called to our attention but then you said there are few sort of non-core items and that broadly offset? And just, as I am looking on my notes, I see there is like a $400 million negative in MSR, this is $90 million in tax, there is $200 million of DBA, FBA, all negative? And there is like $400 million of private equity gains? I guess I am missing another sort of $300 million of positive, I was just wondering if you can kind of call out what that would be?

Marianne Lake

Reserve releases.

Jamie Dimon

Reserve, yeah.

Derek De Vries - UBS

Okay. The reserve releases, yeah. All right. Understood.

Marianne Lake

And then we don't fill into every $50 million negative non-recurring item but there were some of them too.

Derek De Vries - UBS

Okay. That's fine. And then, just, on the tax rate, I mean, obviously, I'll strip out the $90 million, but it still feels like a high tax rate? Is there anything sort of funny going on there?

Marianne Lake

So, it's not far off the 30% plus or minus, this is our generally expected effective tax rate.

Derek De Vries - UBS

Okay.

Marianne Lake

Nothing else of any noteworthiness, I mean, obviously, it's going to be impacted by the absolute level of pre-tax, the percentage of overseas income, the percentage of tax efficient income, but nothing special.

Derek De Vries - UBS

Okay. And then the guidance on mortgage production it sort of pushed out the losses and we talked about a lot. But just so I am clear that the change in your guidance there is just essentially a change in your market expectations the $1.2 trillion coming to the lower number that's the only real change you've got there.

Jamie Dimon

Yeah.

Derek De Vries - UBS

Okay?

Marianne Lake

I mean, we haven't really changed our guidance, to be fair, our guidance is almost to be negative for the year we are just trying to be very specific about the degree of negative in the second quarter to make sure you have inflation to your model.

Derek De Vries - UBS

Perfect. And we appreciate that. That's all from me. Thanks.

Marianne Lake

Thank you.

Operator

Our next question comes from Paul Miller of FBR.

Paul Miller - FBR

Yeah. Thank you very much. On the, I am sorry for that guys, on the, you guys mentioned, I believe in the report or in comments that you want to get your servicing portfolio down to from $800 billion to $600 billion on loans there, I guess, on just natural decay and selling MSRs? When do you think the timing of those sells of the MSRs and do you think that the -- a lot of people feel that you cannot transfer any MSRs anymore due to some of the headline risk? Can you add some color to that also?

Marianne Lake

So, obviously, the timing of sales is going to be a little bit opportunistic, so the best comment I can make is that $600 million number is two, three years away from now, not necessarily but we will try and manage it the best way we can.

And then with respect to the ability to settled sub-service, I mean, there is still the opportunity to do it. It is just not necessarily the case that you can defeat your risk entirely which I think is understood.

Paul Miller - FBR

Could you add more color, I mean, you can't get any of the risk, can you add more color around that?

Marianne Lake

Well, I mean, in so far, as I think that, as we move loan to sub-services, obviously, we retained the risk and have to have third-party advise to the degree we sell them, I think, regulators are potentially looking at originators to continue to there from the origination of other risk.

Jamie Dimon

So and then we -- and we are going to run the MSR for returns and quality. So it's also question will we put into it to reach high expected to see less FHA and anything like that and then you see some run-off overtime?

Paul Miller - FBR

And then, Jamie, on the credit boxes, not really extending, what do you think, what kind of impact you think there is happening on the overall mortgage market, especially the purchase market as we are seeing almost 14-year lows on origination side?

Jamie Dimon

No. It's almost impossible to tell, but there are, if you are jumbo you get loan, if you are GSE you get loans, but almost all the other stuff in between, anything with any hereon it like you had a credit problem, if you are earning self-report income. So a lot of people have overlaid, it being tougher than it required the FHA, GSE or the own rules because the reps and warranties, et cetera, and I don't know when that's going to go away. It's not getting worse. It's just kind of sitting there and probably holding back a little bit the purchase market.

Marianne Lake

And I think, you think about credit is available across the LTV spectrum but the bars to be able to document income and improve ability to repay and to amortize.

Paul Miller - FBR

Okay. Hey guys thank you very much.

Operator

Our next question comes from the line of Steven Chubak of Nomura.

Steven Chubak - Nomura

Hi. Good morning.

Marianne Lake

Good morning.

Steven Chubak - Nomura

You had alluded to some of the drivers of RWA growth earlier and I was just hoping you had frame that in a context of your $40 billion targeted RWA decline from Investor Day and whether that's potentially a risk or is the $1.5 trillion RWA level is still achievable?

Marianne Lake

So, it's still understood that we were going to have certain of our models that need this additional work to be acceptable by the regulator of Basel III when we gave the guidance at Investor Day. So as a large matter as you say here today that's still our best understanding of how things will workout absent there being any news or issues during the year.

Jamie Dimon

It's a timing difference as oppose we target difference.

Marianne Lake

Yeah. I mean, the whole industry submitted a huge number of models under Basel 2.5 the regulators to review at the beginning of 2013 and we had an approval to use and for the year while they were being reviewed and pending after the review, we've got some feedback and we are going to remediate the models and resubmit those approval, it will take us time but it is timing.

Steven Chubak - Nomura

Okay. I understood. And then, transitioning to OLA for a second, long-term debt outstanding did increase modestly about 2% in the quarter? I just wanted to confirm how we should be thinking about issuance plans over the course of the year, are you managing it to a 90% bail in buffer, so we saw the modest increase in RWA and saw commensurate increase in long-term debt or should we be thinking about entirely differently?

Jamie Dimon

Entirely, just soon as can be take out too.

Steven Chubak - Nomura

Okay.

Jamie Dimon

Then we know the real rules we made to modify that.

Marianne Lake

Yeah. That's right. We are not managing to an OLA, we don't know yet.

Steven Chubak - Nomura

Okay. Fair enough. And then last one from me, the high-frequency trading review and market structure, potential market structure overall continues to be an area of increasing focus. And I was hoping you could speak to the equities business and whether the anticipated SEC review and potential broader equity market structure form will compel any adjustments and how you are thinking about that this juncture?

Jamie Dimon

We are firmly supportive of having profit and good markets for everybody. And we think we have pretty good policies and protocols in place so. But I don't know what it will do to our issues in market structure with some pools, et cetera. We will just have to look at that review take place. I should point out in Michael Lewis' book which I did not read, on Page 231, they talk us as one of the good guys

Steven Chubak - Nomura

Okay. Fair enough. Thank you for taking my questions.

Marianne Lake

Thank you.

Operator

Our next question comes from Jeff Harte of Sandler O'Neill

Jeff Harte - Sandler O'Neill

Hi. Good morning. A couple left for me. One, looking at Consumer Business Banking such as the deposits business, the overhead of the efficiency ratio there has really turned it up for a few years straight. I know there has been some investment as well. But how should we think of that going from kind of a 70 plus, that's been now back to some kind of a bit, kind of 60 like it historical was?

Marianne Lake

From the sense, as you know, we have been investing and building our branch to the place it is know where we are happy with the distribution capability we have, because that was driving a lot of the investment. In 2014, we continue to invest in quarterly and the cost to serve an efficiency, so that we can driven the ratios down. We guided at Investor Day to expect expenses in the business to be up 1%, so a little but not kind of increase that we can say lot of which you should expect to start to come down and we said that the overall CCB fees including mortgage would be down $3 billion by 2015 over 2014 and the chunk of that is in CBB. So we're very focused on it and investing in fact in the technology and processes to be able to be efficient. We've started to see the increased term as we stopped having to invest in branches because we are happy with the distribution and it will start to come down next year.

Jeff Harte - Sandler O'Neill

So that's getting better. To some extent, this expense is going down, to what extent is the revenue is getting better? Do you mean it is the WaMu footprint factor into that or we're kind of waiting for interest rate up?

Marianne Lake

So everything that I spoke about in terms of the expenses going down is dollar on a dollar basis and not an efficiency ratio basis. So we're absolutely expecting dollars to come down after 2014 in the business. With respect to the new branches, I mean, we said that a third of our branches are less than 10 years and about 11% less than three years. Also we had a lot of branches in the deposit gathering base and deposit margins are relatively flat. So at the moment we reached the point where the volume is out is providing support to NII but not strong growth until we start to see rate continue to rise and be able to reinvest up the curve as deposit investments mature.

Jamie Dimon

The underlying numbers are terrific, customer satisfaction, deposits, households, mobile, Chase Wealth Management, small business et cetera but they are being squeezed by NII interest rates. And we've always told you we are going to go for the one run which is that we will cover one day and you will see spreads grow up in this business and we are not happy if that happens. We are not going to -- not grow deposits because of that. And that will also affect obviously efficiency ratio.

Jeff Harte - Sandler O'Neill

Okay. And on the litigation side, nice to have a quarter where there aren't big charges, who knows what the market does but in theory that's a good thing for the share price. Is there a potential for that to be a good thing for the underlying businesses too? I mean, if all the headline risk been negative on some of the business lines from a consumer -- customer perspective?

Marianne Lake

Yes. So as much as I would love to be able to take a quarter, that looks like this and say we could expect more of the same. The reality is we still have issues open in front of us. We still have large reserve and we still are working through them. So we've been cleared of what we can't predict. Legal expenses, we do expect them to be lumpy and for every zero or close to zero a quarter we could have a quarter that has several hundred million dollars or more albeit that it should trend down on a basis something much lower at the time. So I don't think you can read into it. That we've done with working through issues which we obviously glad to have some of them behind us and some of them bigger and most difficult ones.

Jeff Harte - Sandler O'Neill

To the extent, you are not working hopefully a multibillion dollar quarterly settlements any more, I mean does that help on the volume side of the businesses. Did that have a negative impact on kind of customer interactions with you?

Jamie Dimon

If you look at the customer flows, in every single business, they are very good and customers stats scores are up, investments are up, assets under management are up. Our market shares are up in credit card, consumer, deposits, that sounds very good. So I would completely separate out this litigation stuff. And Marianne, you all have averaged your own estimate for litigation I think are $500 million a quarter.

Marianne Lake

On average, close to about 500, yes.

Jamie Dimon

Make believe I'm going to use your number, nobody else's. It's not going to be 500, consistent, it is going to be zero, something else, zero to 50, that's what it is until it goes away. It's not going to affect the underlying business. And as you know, we also have one-time benefits from stuff we don't anticipate to.

Jeff Harte - Sandler O'Neill

So you haven't noticed kind of a negative reputational impact of customers. It's been okay obviously. Looking at the values, I guess, it must be okay?

Marianne Lake

We're growing share, so I mean…

Jamie Dimon

Clients go with their feet and they seem to be coming to our branches and our bankers.

Jeff Harte - Sandler O'Neill

Okay. Thank you.

Marianne Lake

Thank you.

Operator

Our next question comes from Jim Mitchell of Buckingham Research.

Jim Mitchell - Buckingham Research

Yes. Hey, good morning. Two follow-ups, first on the expense side. I think if you look at the run rate this quarter, you were at around $58.4 billion, so well below, if you analyze that than your $59 billion target. And seasonally this would be the higher expense quarter given capital markets revenue. Is there something we should be thinking about in the out quarters whether it's higher regulatory compliance spending, marketing spending or is this just some conservative because we don't where capital markets revenues go?

Marianne Lake

So it's a little bit -- we don't where half the market's revenues will go obviously and if they stay low or we expect to pass that down to the bottom line. It's also a little bit of there are some times positive and some times negative surprises and issues in expenses and this time, it would be another quarter. So there is a little bit of cautiousness in that. We are going to obviously do everything we can to outperform that.

Jim Mitchell - Buckingham Research

Okay. Fair enough. And then maybe a quick question back on the SLR. You guys I think last quarter, I think before the changes by Basel, noted that the Basel Committees' calculation would be a net drag of 10 basis points. This quarter, it's 15 to 20 basis points benefit rate. Is that simply the change in the credit conversion factors on the op balance sheet, credit lines or is there anything else driving that improvement this quarter?

Marianne Lake

So most of the improvement in this quarter was associated with the ability for us to net variation margin on derivatives across currencies as allowed by contracts rather than having to only net in the currency of the underlying transaction, so that was obviously sensible that you should be allowed from a margin across allowable currencies but that was not the provision of the Basel Committees'. The U.S. proposal changed that and that's favorable, that's driving most of it. There are other things up-down, competitive, technical things but not big numbers.

Jim Mitchell - Buckingham Research

Okay. And that doesn't include the benefit of moving to, say the non-internal model methodology which could be another 40 basis points?

Marianne Lake

That's correct, but that's -- I'm not expecting that in the very near future.

Jim Mitchell - Buckingham Research

Right. Okay. Great. Thank you.

Operator

Our next question comes from Chris Kotowski of Oppenheimer.

Chris Kotowski - Oppenheimer

Yes. Good morning. As you mentioned, I'm looking at Page 17 of your supplement on the credit card business. And as you mentioned, like all the volume metrics, all look great, sales volume up 10% and merchant processing up 11%. But then when you look at the fees, it's down 4% and I would have thought we've kind of anniversaried all the regulatory changes and so on. So, I guess the big question for me is on this business in particular, why aren't the favorable volume metrics translating into revenues?

Jamie Dimon

We will have to get back to you.

Marianne Lake

We will get back to you. I apologize. But we will get back to you.

Chris Kotowski - Oppenheimer

Okay.

Jamie Dimon

Probably as soon, but we will get back to you.

Chris Kotowski - Oppenheimer

Okay. And then just secondly on a broader philosophical level, Jamie, a couple of years ago at Investor Day, you rhetorically asked the question about capital markets income. Is it cyclical or is it secular? And you said believe me, it's cyclical and now, you look industry wide by my numbers, we are down on a year-over-year basis, 13 out of the last 17 quarters and it's sure as heck feeling secular.

And I'm curious , one, have you adjusted your point of view? Two, do you think there is some irreducible level of transaction volume business for the industry? And three, how do we gauge how far we are on that glide path from where we used to be to where we have stabilized?

Jamie Dimon

So there are certain things which were secular. People gotten out of -- I'm not talking about as per se, but people gotten out of or reduced dramatically credit hybrids, certain exotic derivatives, et cetera. I think there maybe additional secular change but it's not the whole business. So the way I look at the whole business is we have a 120 trading desks around the world, we have 16,000 clients.

And if you look at the fuel of the business, the fuel of the business is investable assets in need of people to invest those, whether it is corporations, individual, et cetera, those numbers will double over 10 years. They are going to triple in the emerging and developing markets and spreads themselves have been coming down fairly consistently for 20 years and that's called capitalism that you are officially using capital.

And so I look at as a long-term business. It will be a good business. Shares are going to change. There will be a whole bunch of adjustments. As you know, it can change at a dime. And so I don't look at the $5 billion in markets revenue and cry in my soup, I think it's pretty good business. And we've been very consistent in performance. The number is driven by technology, research, scales, ideas, of course, order flows and last year, we didn't even have one trading day loss, which I consider truly spectacular.

So it's a good business, it will grow over time and it will have some secular adjustment. So, I don't know why your number being right, the 13 or 17 quarters. And I also wouldn't go back and look at the peak, the really peak markets of '07 or something and I think you had something at '09 and so that was a standard. I think that was a little higher than normal.

Chris Kotowski - Oppenheimer

Well, my numbers were -- industry from '09 on or '10 on so but anyway, but thanks. Maybe, it's probably an unanswerable question. That's it.

Marianne Lake

I have an answer to your other question, I apologize for not having it off of my head. In the first quarter of last year in non-interest revenue and costs, we had a one-time exit over non-core products. So, I think if you go back and dig out that transcript or have a look at the supplement there that was actually a one-time item. So if we adjust for that, we would have been up most only.

Chris Kotowski - Oppenheimer

Okay. All right. Thank you.

Jamie Dimon

I want to mention on the credit card business, we have beta tests going of our Chase net and you are not going to see the numbers this year, but we think it's a pretty exciting thing that we can do for merchants and customers over time.

Operator

We have no further questions at this time.