Good morning, ladies and gentlemen. Welcome to the JPMorgan Chase's First Quarter 2015 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

Thanks, operator. Good morning everyone. I am going to take you through the earnings presentation, which is available on our website. Please refer to the disclaimer regarding forward-looking statements at the back of the presentation.

So starting on page one, the Firm reported net income of $5.9 billion for the quarter and EPS of $1.45 a share and the return on tangible common equity of 14% on revenue of nearly $25 billion up 4% year-on-year reflecting strong performance.

The quarter was characterized by constructive environment supporting growth trends and underlying performance. We saw higher levels of volatility and client activity on the back of a number of macro events, driving higher market revenues. We also saw strength across IB fees and core loan growth was strong, up 10% year-on-year. Included in the results was Firmwide legal expense of approximately $500 million after tax; outside of legal, other small and notable items on a net basis did not contribute significantly to the results, which means that a more core earnings number would have been well the other side of $6 billion.

Adjusted expense which excludes legal was $14.2 billion, down $100 million from the fourth quarter with adjusted overhead ratio of 57%. And outside of a modest reserve built oil and gas which I'll come back to, credit trends remained benign and Firmwide net charge-offs remained low at $1.1 billion.

We continued to make progress against our capital targets, reaching Fully Phased-In CET1 ratio of 10.6% while returning over $3 billion to shareholders in the quarter. Finally, we're pleased that we did not receive an objection to our capital plan and the Board announced its intention to increase the quarterly dividend by 10% to $0.44 a share and authorized gross share repurchases of $6.4 billion.

Before I move on, you'll notice, we streamlined our earnings press release for the quarter to simplify the format and focusing on key messages.

Skipping over page two, turning to page three on our balance sheet. As I said, the Firm Fully Phased-In CET1 ratio Advanced with 10.6%, up about 45 basis points quarter-on-quarter with earnings model benefit and the combined impact of portfolio run-offs and other RWA reductions being offset by capital distributions. The Fully Phased-In Standardized CET1 ratio was 10.8%, up from 10.5% in the fourth quarter of 2014.

While we made very good progress during the first quarter, the pace of capital accretion during the year would be linear, particularly given the timing of model benefit. We continue to expect our ratio to be 11% plus or minus at the end of this year. The Firm and the Bank SLR improved slightly from last quarter at 5.7% and 6% respectively.

On the next page, on page four, we've added a new page on our balance sheet, given the objectives we outlined at Investors Day on non-operating deposits. So, turn to page four. As you look at the balance sheet, it's important to note both on an average and on a spot basis. You look on the left our average balance sheet is higher by $46 billion which reflects a significant ramp up in deposit in the fourth quarter but if you look next to that, you can see on a spot basis, the March is actually relatively flat to December. And if you move to the right, end of period deposits are also flat quarter-on-quarter but with a relatively significant mix shift towards retail deposits with other deposits down $24 billion, predominantly driven by client actions related to non-operating deposits, reflecting good progress towards our goal and what has effectively been a matter of weeks since Investors Day.

We're actively engaged with our clients and working with them to implement plans to further reduce these deposits and we expect the second quarter to be meaningful in this context. We're still committed to our goal of reducing them by up to $100 billion by the end of the year.

Moving on to NIM and NII, it's the high average cash balances on deposit growth as well as some asset reductions that drove the 7 basis-point compression in NIM. And in terms of NII, day count was a large driver of the decline.

Going to page five on Consumer & Community Banking, the combined consumer business has generated $2.2 billion of net income for the quarter and an ROE of 17%. Revenue of $10.7 billion was up 2% year-on-year, driven by healthy growth in balances and in non-interest revenue, partially offset by spread compression. Revenue declined 2% sequentially reported or 4% if you were to exclude the loss in the fourth quarter associated with portfolio exits in card. And this decline is driven by seasonality in NII as well as fewer days in the quarter.

We remain focused on the customer experience and on our strong customer satisfaction rankings and we continue to grow households and see very low levels of attrition. And with deepening relationships, our average deposits are now over $0.5 trillion, up 9% year-on-year. We have record client investment assets up 12%. Our active mobile customer base is up 22%; part sales volume up 8% and our overall loan book grew for the third consecutive quarter with core loan growth of 15% year-on-year. And across CCB, we remain disciplined on expense management. Year-on-year expenses were lower by nearly $250 million and our headcount is down about 1,900 so far this year.

As you will recall that at Investors Day, we committed to reduce expenses by about $2 billion in 2017 relative to 2014. And while it will not be exactly linear, you should assume a meaningful down-payment towards that $2 billion in 2015.

Moving to page six, Consumer & Business Banking, CBB generated net income of $828 million for the quarter, up 10% year-on-year and with an ROE of 28%. We continue to see robust performance across our drivers. Average deposit balance growth was up 9%, up $39 billion from last year. And in Business Banking, the momentum we saw in 2014 carried over into 2015 and supported loan originations of $1.5 billion, up 2% year-on-year but with average loan balances up 6% also driven by higher utilization rates.

These underlying drivers helped offset the impact of the low rate environment. NII was down 5% quarter-on-quarter, in line with our guidance, on lower deposit margin which was down 12 basis points, driven by lower reinvestment rates as well as day counts. NII while down seasonally quarter-on-quarter was up 5% year-on-year due to strong client investment and debit revenues. Expenses were down 3% year-on-year reflecting continued improvements in branch efficiency.

Mortgage Banking on page seven. You will notice we've simplified the reporting for Mortgage Banking here; it's now consistent with the other CCB lines of business. But the additional detail by sub line of business is still available in our earnings supplement. So, overall, net income was $326 million for the quarter. Originations were strong at $25 billion, up 7% quarter-on-quarter as we maintained share in a larger market and realized higher revenue margins. And we added $15 billion of high quality loans in the quarter to our balance sheet, driving slightly higher NII quarter-on-quarter despite fewer days.

Although production was higher, our total revenue declined quarter-on-quarter on lower repurchase benefit and lower servicing revenue. Expense of $1.2 billion was down 6% quarter-on-quarter and down 13% year-on-year.

But excluding legal would have been down 19% year-on-year over a $0.25 billion despite higher volumes as we continue to tightly control our costs.

On credit, we continue to see improvements in home prices and delinquencies and released a $100 million of NCI reserve this quarter. And you can see the net charge-off rate of 30 basis points was down 25 basis points year-on-year.

Moving on to Card, Commerce Solutions & Auto, net income of $1.1 billion down 3% year-on-year with an ROE of 22%; when excluding reserve releases, net income was up 11%. In the quarter, we moved our commercial card loans to the CIB to align with the client relationship. This was a $1.3 billion reduction in card loan balances and relatively modest impact of less than $50 million on each of revenue and expense. Revenue of $4.6 billion was relatively flat year-on-year with the card revenue rate of 12.2% in line with guidance on solid sales growth and reflecting continued investments in acquisition. And in auto, we saw solid loan and lease growth partly offset by spread compression. Expense was up 2% year-on-year predominantly driven by higher auto lease depreciation.

In card, we saw end of period loan growth of $3 billion excluding the commercial card transfer I just mentioned and we saw sales growth of 8%. This sales growth is lower than recent growth rate which has typically been in the double-digit, reflecting the impact of lower gas prices estimated to be about 200 basis points as well as generally competitive environment.

In commerce solutions were gaining share; volume was up 30% year-on-year driven by continued strong spend as well as the addition of new merchants. In auto, results continue to reflect steady growth in new vehicle sales and stable used car value. It was a 14th consecutive quarter of loan and lease growth with average balances up 6% year-on-year. Year-to-date the pipeline remains healthy, reflecting continued strength in the market as well as the strength of our manufacturing partners. Finally on credit card, delinquency rate and net charge-offs remained low.

On page nine, the Corporate & Investment Bank. CIB reported net income of $2.5 billion on revenue of $9.6 billion and an ROE of 16%. Revenue was up 8% year-on-year as market conditions in the quarter benefited, both investment banking and market, and our businesses performed well.

In banking, our IB fees of $1.8 billion were up 22% year-on-year. We continue to rank number one in Global IB fees with 8.6% share, up 100 basis points since last year. Advisory fees were up 42% which was a strong start for both JPMorgan as well as the market with some large transactions. In fact, this is our highest first quarter on record and we saw share gains of

150 basis points. Debt underwriting fees were up 16%, driven by acquisition financing; aside from that, debt issuance was generally lower and equity underwriting fees were up 13% in a market that was up only 4%. Our wallet ranked improved to number one, both globally and in the U.S. Looking forward for IB fees, we have some notable large transaction in the first quarter and so we do expect the second quarter to be lower, although our pipeline remains strong.

Treasury services revenue of $1 billion was down 2% year-on-year, mainly driven by lower deposit NII and lower trade finance revenue. And lending revenue was $353 million, up 9%, given dividend on restructured securities.

Moving on to markets revenue of $5.7 billion was up 9% year-on-year, but if you exclude business simplification, both total markets as well as fixed income market would have been up 20%. A number of macro events occurred in the quarter including central bank actions, the Swiss Bank decoupling, stronger dollar and oil price volatility which supported market performance broadly and currencies, emerging markets, rates, commodities and equity. In fact, equity had one of its strongest quarters, up 22% with strengths in derivatives and cash, in particular across the U.S. and Asia.

The first half of the quarter was particularly strong. The market has absorbed a number of macro events at this point and recent sentiment is that the Fed will act later rather than same as this year. As a result, while we are still seeing good client flow and volatility is also elevated, it is somewhat lower coming into the second quarter.

With respect to business simplification, in the second quarter, it will have an overall neutral impact to our P&L but will have or drive $300 million decline year-on-year in revenue with a $300 million offset in lower expenses.

Securities services revenue, $934 million was down 9% year-on-year, driven by two factors: First, the impact of change in presentation, supply and revenue sharing agreements in our ADR issuance business. Effective this quarter these pass-through payment declines will be treated as a reduction of revenue having formally been treated as an expense but with no P&L impact. Second, at the end of the fourth quarter of last year, there was a significant client exit and the revenue impact of this is reflected in this quarter’s result. For the remainder of 2015, given those two facts, we expect securities services revenue to be in the range of $950 million to $1 billion a quarter, depending on seasonality.

Lastly on expense, total expense was $5.7 billion, up 1% year-on-year, with the comp to revenue ratio of 32% for the quarter, flat year-over-year, and an overhead ratio of 59%. Non-compensation expense declined due to business simplification, partially offset by higher legal expense year-over-year.

Moving on page t 10 on the Commercial Banks, it was a strong quarter with respect to the underlying fundamentals in this business, another record quarter for investment banking revenue with gross revenues of over $750 million. In absolute dollars, it was our strongest quarter ever for loan growth, adding over $5 billion in loans across C&I and CRE and resolved the utilization with asset highest level since 2009. Credit quality remained exceptional with continued low net charge-offs of only 3 basis points.

So overall, financial performance for the quarter was solid; net income was $600 million, on $1.7 billion of revenue and an ROE of 17%. Revenue increased 4% year-on-year driven by record investment banking revenue which was up nearly 70%, on increased equity underwriting and M&A activity was partially offset by continued yield compression.

Expenses increased 3% year-on-year as we continued to invest in controls but our overhead ratio was consistent with the prior year. We're reaching a peak in control cost in this business and you should expect expenses to stabilize from here. Loan balances increased 11% year-on-year and 3% quarter-on-quarter. C&I loans grew 4% sequentially in line with the industry, driven by higher utilization in our corporate client banking book. And in CRE, loan growth was 3% continuing exceed the industry on strong activity in both multi-family lending as well as real estate banking.

Finally on credit and reserve, for the full Firm, we added a little over a $100 million to reserve relating to oil and gas exposure this quarter, majority of which was here in the commercial banking. We review our energy exposure on a name-by-name basis and under a range of commodity price assumptions. This quarter's reserve build was at downgrade in the E&P portfolio and if the current price environment continues, it's reasonable to expect some further reserve builds during 2015 but relatively modest.

However, in the context of a funded portfolio of $15 billion, this is a very modest build and is fully within the range of our expectations at this part of a cycle for energy. And although we're taking reserves, it is not clear that it will translate into credit losses as the industry and our clients are not standing still but actively working to manage liquidity and leverage in the face of lower prices.

Moving to page 11 and asset management: A good quarter in asset management; net income of $500 million and ROE of 22% and 27% pretax margin on $3 billion of revenue. Revenue was up 7% year-on-year driven by flows and higher banking balances. And expense of $2.2 billion was up 5%

year-on-year, primarily driven by investments in infrastructure and controls and including modest legal expenses. This marked the 24th consecutive quarter of long-term net inflows of $16 billion driving record AUM of $1.8 trillion, up 7% year-over-year and client assets of $2.4 trillion. This strengthened multi-asset and equity flows.

In banking, we reported strong balances in both lending and deposits. Average loan balances were up 8% year-on-year and average deposits up 6%. And we reported strong investment performance with 79% of mutual fund AUM ranked in the first or second cortiles over five years.

Turning to Corporate and turning to page 12, Treasury & CIO reported a net loss of $221 million, but the result included a loss in the quarter of $173 million pre-tax primarily due to a timing impact of cost associated with certain non-operating deposits we planned to exit.

On Other Corporate, as we've completed the spin-off of OEP and other portfolio sales during the first quarter, the remaining private equity business is not expected to be a significant contributor to the Firm's earnings. Therefore beginning this quarter and going forward, we will be disclosing our corporate private equity results as a part of Other Corporate. This quarter private equity contributed a modest positive to the results. Also including the results for Other Corporate was $300 million pretax of legal expense which is largely offset by a $177 million of net income on tax items.

Moving to page 13 and the outlook, I've addressed most of this guidance through the presentation; I just want to highlight a couple of items: First, in CCB and the consumer businesses a couple of geography points relative to analyst models. We guided in the fourth quarter to expect the first quarter's consumer bank revenues to be down on deposit margin compression; we saw that this quarter as expected and we expect deposit margins to remain impressive as rates remain low.

In the mortgage bank at Investor Day, we guided for revenues to be down approximately $1 billion for the year on lower servicing revenues as well as lower repurchase benefit. We saw some of that this quarter and that guidance remains. Against that, as I said earlier, across CCB, we do expect to deliver a meaningful portion of the $2 billion expense reduction guidance in 2015. Finally on this page asset management for the full year, expect the pretax margin and ROE to be at the low end of through the cycle target range.

So, wrapping up, a strong result for the quarter in a consecutive environment, we saw strong market and transaction activity despite continued margin compression. The performance continues to reflect the strength of each of our franchises; strong market revenue and IB fees; 9% growth in retail deposit; 10% core loan growth and good progress against our capital, our balance sheet and our expense commitment.

With that operator, please can you open up the line to questions?

Question-and-Answer Session

Operator

And your first question is from the line of Glenn Schorr with Evercore ISI.

Glenn Schorr

Just one quick clarification question on the performance and actually, this was great. You mentioned pretty much across the board. Do you think there is any seasonality; any one-time events; block trades, anything like that that would lift such good performance in the quarter?

Marianne Lake

It wasn't anything particularly noteworthy in terms of one-time events; it was really quite broad, particularly in derivatives and cash. The performance was I would say solid year-over-year because we saw strength in the America this year but we had strength in Europe last year. And I think the first quarter 2014 wasn't particularly strong, so I think we were flatten a little bit with a relative comparison but it was a really strong absolute and we think strong relative performance.

Glenn Schorr

And maybe just a related question but I'm not sure which line it would flow through. For my understanding, you guys and others have been pushing or talking with prime brokerage clients to help improve our ROEs in the business. Is part of that following through and just better equity performance, more business with clients?

Marianne Lake

Yes, this is where it would be. I wouldn't say, it's a driver but we are as we said and the whole industry is looking to work with clients to optimize the use of balance sheet and improve return. So we think some of that, but I wouldn't say it was a key driver.

Glenn Schorr

Okay. Switching gears, in Jamie's letter, you talked about -- mentioned the need to push the new G-SIB rules to the product and the client level. And it piqued my curiosity. And I am just curious, how different is that from what you have already done? In other words, each step of the way you have been early and adapting and pushing out to the desk level. How your capital charge is? Is this just meaning more of the same, meaning higher capital charge, higher capital charge or is this something different there that you need to do?

Marianne Lake

No, I mean, it is more of the same. Obviously G-SIB took on a slightly heightened focus when we had some doubling happen in the proposal in December. So, we've always been measuring and monitoring and tracking G-SIB at a very granular level but we are obviously on a path now to aggressively manage it, which means that we are going to be just a little bit more focused on that constraint and uniquely also with advanced capital standardized limit balance sheet caps; the like. So, it's more of the same honestly than just a heightened focus on this, given the U.S. proposal and given the impact of at least at this point, FX translation.

Jamie Dimon

And different than RWA, it affects certain products more than others and we pointed non-operating deposits, stuff like that; certain businesses more knows, we've pointed out clearing and certain clients more than others, we've pointed out financial institutions. So, just kind of a multivariant theme; it's not mystical. And we are actually already planning to re-price some of these businesses to get an adequate return on use of capital and we're seeing other people do that.

Marianne Lake

That's right. I mean we maybe in a different position with G-SIB but others are leverage constraint. And just generally speaking, we are starting to see a lot more discipline around balance sheet and pricing is following somewhat generally.

Operator

Your next question is from the line of John McDonald with Bernstein.

John McDonald

I was wondering on net interest income, given outlook for how the net interest income dollars could trend from here, assuming that you don't get much help from higher rates, what are the key drivers and what's kind of your outlook for NIM and NII dollars for the year?

Marianne Lake

So, again assuming for a second that rates don't rise into the backend -- at the end of the year, I mean come back to that if you look, we would expect our NII dollars to be stable to slightly up because we're still seeing growth in our interest earning assets. Obviously this quarter, we were down some on day count; it was a big chunk of the quarter-on-quarter reduction. So, we're really going to see the biggest lift in NII when we do see rates rise, we see when that is. And similarly on our NIM, we would expect NIM to be stable, particularly given as we talked about what we're seeing early on NIM, more particularly over the course of the last year or two have been this significant increase in cash and we're going to see some of that, at least stabilizing term as we start to reduce our non-operating deposits and we should see our NIM relatively stable and again start to rise when rates rise.

Operator

[Operator Instructions]. And your next question; it comes from the line of Erika Najarian with Bank of America.

Erika Najarian

Good morning. On the CCAR, do you expect any potential surcharges on the CCAR to come out when the U.S. final rules on SIFI buffers come out? And in addition to that, have you learned anything from the CCAR in terms of the transparency of the process; is there progression in terms of the back and forth of the regulators as either through the CCAR process and their expectations?

Marianne Lake

So taking your first point Erika, obviously I don't know the next time we're going to and will likely get CCAR instructions including the rules and the minimums is likely to be sometime towards the end of this year for the next CCAR cycle as we get prepared to deliver that. So all I can say is what you know which is clearly the door was left opened for the minimum to be increased or potentially to include some element of the surcharge. We are hopeful that that won't be the case because we would say the surcharge should be carried in baseline times to be used in stress and to have all firms to end up well capitalized afterwards but have no more insights than that for you.

With respect to the dialogue with the Fed, it's definitely much, much further progressed than it was two years and three years ago and every year it gets better in terms of the bilateral conversations and it's constructive. I don't think however you could today or will likely ever be able to characterize it as transparent and clear, maybe potentially by designs in terms of understanding or being able to reconcile exactly what their models do and what theirs results are driven by. So, I won't be able to clarify for you what changed in there is also what this is between us and theirs but the dialogue itself is definitely more constructive and more bilateral and more continuous.

Operator

Your next question is from the line of Matt O'Connor with Deutsche Bank.

Matt O'Connor

The drop in the adjusted expense is I think about 3% year-over-year, came in little bit better than we were thinking while revenues were also little bit better. Obviously you've got a lot of cost saving programs underway that you mentioned earlier on the call and at Investor Day. But should we think that maybe you are running ahead of schedule or that the cost saves could be more or is it just lumpiness as we go quarter-over-quarter?

Marianne Lake

I think the best way to answer that is that we are still firmly with our guidance of adjusted expenses being $57 billion plus or minus by the end of the year or for the year, sorry. Obviously we will always try and outperform that but I wouldn't characterize one quarter as a change in our guidance at this point.

Matt O'Connor

And then just separately, obviously a big company out there announced its exiting most of its banking assets and just wondering if there is any interest or appetite within your commercial bank to bulk up the acquisition there in terms of the asset purchases versus the complete company?

Marianne Lake

I mean the most important thing obviously in all of that is that we were delighted to be able to partner with the large company on their strategic transformation and that's the most important thing about that transaction for us. I am not going to comment specifically on whether or what JPMorgan will be interested in terms of asset purchases. We are much more focused on partnering strategically with the company.

Operator

Your next question is from the line of Mike Mayo with CLSA. Please go ahead.

Chris Spahr

Hi, this is Chris Spahr on behalf of Mike Mayo. I just had a question relating to your CET1 ratio guidance. Do you give any kind of guidance on the Tier 1 leverage by -- ratio by the end of this year given your CET1 of 11%?

Marianne Lake

No, we haven't given any specific guidance Chris.

Chris Spahr

Do you think there is any way you will be able to manage that ratio higher in the context of this year's CCAR?

Marianne Lake

In the context of the CCAR we just had?

Chris Spahr

Yes.

Marianne Lake

We expect our -- it's little complicated this year and we sort of articulated at Investor Day because we're going to move at some point whether it's a third or fourth quarter to have standardized the RWA be our binding constraint. So, 11% plus or minus is our target on CET1 and that's what we said.

Operator

Your next question is from the line of Gerard Cassidy with RBC.

Gerard Cassidy

Marianne, you mentioned that treasury service revenues were down due to the trade finance revenue area. And I noticed on the balance sheet that trade finance outstandings have dropped meaningfully on a year-over-year basis. Can you share with us what's going on in that line of business?

Marianne Lake

There is a couple of different things, one was a little specific. We had a portfolio of loans that we held for sale and subsequently exit from the balance sheet which drive some of it, but in addition to generally a competitive environment and lower demand particularly in Asia.

Gerard Cassidy

And then second, you mentioned that you obviously had a very strong advisory business in the quarter and you gained market share of 150 basis points. Do you have any sense of who you took the market share from; was it European investment banks or U.S.?

Marianne Lake

Not specifically; I will tell you that while we're obviously delighted with the performance, it was a relatively strong market and there were some larger transactions. So, we're happy with the gains but I can't specifically comment on where it came from.

Operator

Your next question is from the line of Eric Wasserstrom with Guggenheim.

Eric Wasserstrom

I just wanted to follow-up on your energy comments. Could you help us understand what events it was that led to reserve building; was it company specific events in the form of bankruptcies or just something else in your internal ratings migration?

Marianne Lake

Yes, it's definitely moving assets. So basically, if you think about the E&P portfolio in particular when we think about the redetermination somewhat semiannually of the borrowing base and look those companies on a client specific name-by-name basis and with some contraction in the borrowing base networks and downgrades that drive our reserving methodology; it doesn't mean that we feel that those companies are necessarily in significant difficulty, but that's the way the reserving methodology works. And as I said, we do this on a client-by-client basis. We're comfortable with our exposures and clients looking to manage their own defensive position. So, it's not clear that they will necessarily be realized in losses, in fact it's implied curve rather than flat to long order prices is in fact how things play out, it's possible that there will be very little in a way of credit loss we'd assume.

Eric Wasserstrom0

And just on the last point, your view on that is because of recovery in prices rather than restructuring actions or things that your clients are undertaking; is that fair or is it bit of a …?

Marianne Lake

Both.

Operator

Your next question is from the line of Ken Usdin with Jefferies.

Ken Usdin

I just wanted to see if I could just follow-up on the energy point. Obviously you have the reserving and then you mentioned the 200 basis-point impact on spend. I am wondering if you just expand the discussion of energy; are there positive offsets that you're starting to see in the businesses elsewhere either in terms of whether it's credit or borrowing or investment banking opportunities that maybe popping up? How do you -- can you summarize the benefit if at this point you can see any positive offsets?

Marianne Lake

First of all just on the contraction in spend given volatile prices, it's pretty typical in this part of the cycle that you would see lower energy prices in the first instance drive savings rates up and you see consumer spend for the energy dividend so to speak lag back. So it's the fact that we saw that happen in the first quarter; it's not atypical and it doesn't mean that we don't expect the spend to grow and for that energy dividend to ultimately translate into high spend also; it's more of a normal timing phenomenon is our expectation. But with respect to other activity -- yes, we saw active equity capital markets with defensive -- some defensive issuance and generally I think it's a positive overall for the businesses and for the economy.

Ken Usdin

And my follow-up question is just with respect to the security services business, you mentioned the change in presentation and then there was the client loss. Is there a way you can help us understand just what the organic growth rate of the businesses adjusted for the reclassification, just whether it's on a sequential quarter or year-over-year basis?

Marianne Lake

Not readily, but we can get back to you.

Operator

Your next question is from the line of Jim Mitchell with Buckingham Research.

Jim Mitchell

Maybe just talk, go back to the capital ratio issue for a second. You noted that standardized your 10.8 and then you still feel that will be your constraining factor by the end of this year. So if you're already at 10.8, your target is 11; I know it's plus or minus, but it does seem like maybe you got three quarters and 20 basis points. So, is there anything unusual you're expecting in the coming quarters or is it just, hey, you can never know quarter-to-quarter, but all else being equal, looks like you can probably hit 11 if not better; is that a fair way to think about it?

Marianne Lake

Yes, nothing specific to call out in the second half of the year and we should hit 11 if not a little better, yes.

Jim Mitchell

And as you look at the surcharge, the G-SIB surcharge more, the proposals, do you feel better or worse; you feel -- is there any areas where you think you can pull the lever more significantly to improve that ratio or lower the charge?

Marianne Lake

I would say seven weeks or six weeks whatever it is, after Investor Day that the messaging hasn't really change which is we have every intention of aggressively managing the score, doing as we talked about earlier in a very granular way. And we're already working on that. And you see that in the most obvious state which is in reduction already to-date in non-operating deposit. But we continue to work on all of the things, so derivative notional compression, level three assets, financing and obviously we're still thinking about what the response should be in terms of risk intermediation or clearing. And so I think six weeks on from Investor Day, the story is the same. We feel we are fully committed to ensuring that we are closely within the 4.5% bucket and we may not stop that but we're only a few months into this.

Operator

You have a question from the line of Gerard Cassidy with RBC.

Gerard Cassidy

Marianne, going back to the reserve build which obviously was done for the oil and gas as you mentioned, can you share with us, in the corporate and investment bank, I know on a total dollar amount relative to the corporation, it's not significant, but there is a big increase in the non-accrual loans from 110 to 251 in the quarter. Can you give us some color on what drove that?

Marianne Lake

Yes, I would -- obviously, you noted it's from a small base, so that's notable. There are two specific exposures that were moved for non-accrual. One of them was moved on a somewhat of a technicality, sovereign downgrade which we fully expect to recover on but that's just the way we have to present it; and other smaller piece was one other isolated exposure. So, I wouldn't over think it right now; it's two exposures and it's $200 million.

Gerard Cassidy

And that was not oil and gas related obviously, it's in the CIB area that was in the commercial bank?

Marianne Lake

The first, the sovereign downgrade was -- did have oil and gas underlying exposure but again it was on a technicality rather than on the fundamentals of the company. And we fully expect to recover on that.

Jamie Dimon

But focus on the very, very smaller number.

Operator

Your next question is from line of Brennan Hawken with UBS.

Brennan Hawken

You highlighted the Swiss franc as a tailwind for FICC. Could you maybe size that for us?

Marianne Lake

No, I will just say overall our sense is that the market is neutral relative to the event we happened to be able to benefit from it; some others will be neutral and some may have lost that. So these things happen regular way in trading businesses and it just happens to be the case that that event and the volatility it drove is good for us and our franchise. And I think it's fair to show you that we're in a business where expertise matters and risk decision matters and we were able to capitalize on both of those, not just for the Swiss franc but also for the other macro events in the quarter.

Brennan Hawken

Sure, I know that the higher volatility of course would drive higher volume. I was just talking about the event specifically and if there was some one-time gains involved in that so that we can kind of adjust for a core figure here?

Marianne Lake

No I wouldn't characterize in this one-time gain; I would categorize in this one of a number of items that drove our performance in the business.

Brennan Hawken

And then on the energy front, a lot of the focus was on the CB and the energy exposure there but you all mentioned that there is exposures in CIB too. Can you give us maybe an update if there was any changes in any of those exposures or loans this quarter?

Marianne Lake

I mean overall in the total Firm, the reserve built that we took was a little over $100 billion four-fifth of which was in the commercial bank. So, we did experience; we do all of this on a name by name basis, so we did across our portfolios but the majority was in the CB E&P portfolio.

Operator

Your next question is from the line of Paul Miller with FBR Capital Markets.

Paul Miller

On your deposit discussion about pushing out, I think you said during your Investors Day that you'd like to get about $3 billion of the non-core deposits off the balance sheet. And I know you said that you hope to make progress in the second quarter. How should we model that out and what type of benefit have you modeled out to the NIM with that $3 billion of deposits?

Jamie Dimon

It was $100.

Paul Miller

$100 billion, I am sorry.

Marianne Lake

No worries, $100 billion. I mean look at the end of the day you can see that over the course of the last -- since over the third quarter of 2012, our cash balances grew by couple of hundred billion dollars and that has been a very large contributor for the compression in our NIM, not the only one. So as we push out the non-operating deposits, we would expect to see that help but remember we're still growing retail deposits. So if you look at this quarter in particular, even though we reduced our non-op deposits related to client actions by about $20 billion and the majority of that $24 billion, we have flat deposit. So, we're continuing to grow the good retail deposit. So I would say it would be a tailwind but it will be a tailwind for stabilizing and slightly improving NIM outside of rate rises.

Paul Miller

And then real quick on your professional services, professional services was down like from $2 billion to $1.6 billion. Is that mainly due to some of that legal cost maybe starting to go away from the crisis?

Marianne Lake

I am sorry, off the top of my head, I can't remember the number you are saying. But no, our legal expenses; forget the legal expense that relates to reserves that we've taken and the settlements that we reached. Regular way, expense for third parties in legal isn't down substantially quarter-on-quarter or year-on-year just although at some point it will be.

Operator

Your next question is from the line of Steven Chubak with Nomura.

Steven Chubak

Marianne, I was hoping that we could dig into the RWA progress that we saw in the quarter. And specifically I was hoping that you could just aggregate how much of the sequential decline that we saw was a function of the planned mitigation actions and model benefits that you've cited versus actual FX driven declines? Because assuming that the U.S. dollar strength persists all else equal, one could surmise that we should expect RWAs in a long-term context actually coming out below that $1.5 trillion target that you've cited in the past?

Marianne Lake

So, specifically with respect to the quarter, I would say that the wholesale parameter update -- our wholesale credit parameter update model benefit is up about a half of the RWA reduction with the other half coming from regular way portfolio run-off as well as some reductions in market risk associated with market risk positions; reductions in private equity; reductions in commitment systems, some position in reductions rather than driven specifically by FX. We're running above $1.5 trillion now. And we said we're going to manage both the advance and standardize to that number over the course of next couple of years. So, its FX -- its currency translation is at tailwinds and we would hope to do better but at this point, let's get there.

Steven Chubak

And another question on capital but relating to CCAR, Marianne you've noted on this call and in the past that you don't expect CCAR to be JPMorgan's binding constraint longer term. But just given the reduction that we saw and that ask [ph] or the need use the mulligan in the last exam; I was just hoping you could cite some of the plan mitigation actions that you expect to pick so that we could see you guys get on the path towards delivering on that 55% to 75% net pay out target.

Marianne Lake

At the moment, CET1 ratio launching into CCAR was 10% or below 10%, not the 12% that we expect to run out when once we build our capital to our target level. So you are right that right now on the CCAR, Tier 1 leverage was our binding constrain, both last year and this year. So a combination of our capital strategy around how we think about the issuance of preferred together with balance sheet actions will be how we think about mitigating that limitation in medium term. But ultimately it doesn't change the fact that once we get to our target assuming that is the 12% that we articulated at Investor Day, but again we don't think we should be leveraged constrained. So we're going to work on that obviously and we're continuing to build capital but when we launched into CCAR, we won at that level.

Operator

Your next question is from the line of Nancy Bush with NAB Research, LLC.

Nancy Bush

Jamie, you warned in your annual letter about the possibility of another flash crash. Yesterday, I think Simon Potter at the Fed warned about it and cited HFT is one of the issues. Larry Summers warned about it about a week ago. Are these warnings going anywhere; I mean are they being translated into action anywhere in the system?

Jamie Dimon

To give it a little perspective, I also spoke in that the banking system is much stronger to start with and every bank in the system is much stronger. So just trying to think through what are the effects of some of these things. And we look at that kind of a warning shot across the bow. What I would worry about more is what happens in a stressed environment. I think people are paying attention to what's going on in the markets and there has to be changes down the road; there might be some changes that are relevant to that.

Nancy Bush

Secondly Marianne, a question about commercial banking; the returns in commercial banking have remained in sort of the high teens over the last number of quarters then it's certainly respectable sort of 17% to 19%. Is there anyway those returns improve materially or as rates go up or does that get offset by competitive factors? And are we at sort of a normalized level for that business?

Marianne Lake

The best way to think about that is through the cycle target that those that we Doug Petno put out at Investor Day which is 18%. So that doesn't mean to say that we won't benefit when rates rise in this business; it's very competitive and spreads are compressing and there is a lot of factors going on but through this cycle 18%, so with some years below and some above. The question on core growth and security services outside of presentation changes and client exists is currently in the low single-digit. So obviously a little bit muted because we're working on balance sheet optimization but certainly growing and in the low single-digit. But in terms of looking at advisory and who we are gaining share from, principally European banks. No more questions?