
2026 COMPANY UPDATE – FIRM OVERVIEW

TRANSCRIPT

February 23, 2026

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the stage, Jeremy Barnum.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

All right. Thank you, Mikael, and welcome, everyone. And let me add also my thanks for everyone who showed up in person. So, before we get started, a health warning, some of the slides you're about to see are, shall we say, a little bit on the dense side. The reason for that is that we want them to serve not only as a guide to today's conversation, but also as an artifact to support follow up conversations with you over the next few months.

So if you don't have time to consume every number on every page, that's okay, I'll tell you the parts that we think are most important. So with that, let's get started. We have branded this event Company Update, but there is no real update on these pages, and that's intentional. Consistency is a hallmark of our operating model. Our strategic framework is not just words on a page, it is deeply woven into our culture and guides our actions every day.

We've highlighted the key elements here. Together, these strengths enable us to serve our clients, customers and communities through any environment and support our relentless focus on generating long-term shareholder value. Our completeness, global presence, diversification and scale are not just attributes. They're our competitive advantages that allow us to serve our clients and customers in unique ways. The composition and connectivity of our business lines creates durability and allows us to generate robust results across a wide range of environments. And our operating model enables us to support our clients and customers through their entire lifecycle and through multiple generations.

The metrics on the right hand side of the page bring this to life, calling out a few of them. We have \$4.8 trillion in AUM. We serve over 86 million U.S. customers. We operate in over 100 markets globally. And we process about \$12 trillion of payments a day. Sorry, I accidentally force quit my notes. Okay. We are also proud of the leadership positions our businesses hold. The market share gains we have achieved are the result of a decade of continued investment and effort. As we look to the future, our focus remains on growing our share and expanding our lead in order to secure the position of the company through many cycles to come, even as competition intensifies. And despite the intensifying competition, our three lines of business delivered exceptional performance and had a number of notable accomplishments in 2025.

Before diving into the specifics, I want to take a step back and frame this page through the lens of scale and investment, which we define here not only as the increase in allocated capital, but also as the cumulative investment spend across technology, people, marketing and more, that each business has deployed over the past five years as shown on the top of the page. And in many cases, the results that you see here are the product of investments made even longer ago.

With that context, let's review some of the results in 2025. In CCB, we delivered 32% ROE, added 10.4 million new Card accounts and reached nearly \$1.3 trillion in client investment assets, which is more than double the level we saw in 2019. The CIB posted an 18% ROE and 12% revenue growth with record revenue in Markets, Payments and Securities Services, and we expanded Global Corporate Banking coverage to over 40 countries. And in AWM, we delivered a 40% ROE and a 36% pre-tax margin, with record total client asset flows of \$553 billion, positive across all channels and regions.

We also had the largest active ETF launch on record. With this backdrop of strong LOB results, let's take a step back and discuss recent performance for the company as a whole. 2025 was another year of outstanding results, both in absolute terms and relative to our peers. We delivered 12% growth in EPS, 11% growth in tangible book value per share, and an ROTCE of 20%. And as we show you on the bottom left, this year's performance represents a continuation of our long-term outperformance over the last decade.

As I just highlighted, our focus remains firmly on long-term growth and performance with the goal of maximizing long-term shareholder value. These ambitions are underpinned by our ongoing investment in bankers, advisors and new markets here in the U.S. and internationally, as well as in our technology platform, which continues to drive innovation and efficiency across the Firm. We are also deeply connected to the communities in which we operate and we are committed to being a responsible corporate citizen. Whether it's our community centers or our recently announced Security and Resiliency Initiative, these efforts are both integral to our mission and deliver significant commercial benefits.

Before we turn to the 2026 outlook, I'd like to briefly touch on the macro environment. We remain cautiously optimistic. The page shows the stack ranking of the factors we feel better or worse about, none of which will be new to you. Currently, the macro backdrop remains supportive and the consumer remains resilient, but the labor market is the key driver there. Business volumes, activity and pipelines all remain very strong. At the same time, our traditional competitors are also benefiting from the supportive backdrop and new challengers continue to emerge, making competition more intense than ever.

This environment reinforces the need for vigilance, and, just to manage our expectations, might make us a little bit less eager to share certain valuable competitive information. As we move through the next few slides, you'll see that we have dedicated pages for each of our major revenue categories, starting with NII ex. Markets.

Our outlook for 2026 NII ex. Markets is unchanged from what we shared at earnings last month. We continue to expect about \$95 billion. Breaking down the drivers of the year-on-year growth. We expect a headwind of about \$2 billion from rates. The outlook follows the forward curve, which currently implies 83 basis points lower average IORB year-on-year, resulting in deposit margin compression. This is more than offset by balance sheet growth and mix.

On the loan side, we expect Card to revert closer to long-term trends but still expect strong growth of more than 6%. In both CIB and AWM, we expect modest loan growth as a result of a continuation of last year's trends. Healthy acquisition finance activity, strong infrastructure and AI-related spending, as well as ongoing strength in securities-based lending and subscription finance. For deposits, we anticipate low-to-mid-single digit growth in Banking & Wealth Management, which I'll discuss in more detail on the next page.

We expect Payments and Securities Services in CIB to deliver continued deposit growth, albeit at a less robust pace than last year's exceptionally strong performance. In AWM, as clients continue to optimize their cash and redeploy into investments, we expect deposit balances to remain essentially flat. And we now expect Markets NII to be about \$9.5 billion. I'll cover this in more detail when I discuss the Markets business in a couple of pages.

Now let's take a closer look at the trends we're observing in retail deposits within CCB. As the headline says, we expect retail deposit growth to resume in 2026. But let's take a moment to review how we got here and expand on some of the drivers and dynamics. As a starting point, we saw significant balance growth during the pandemic as government stimulus drove cash balances higher and rates were low. As we emerged from the pandemic and the Fed's hiking cycle began, yield-seeking flows grew. And that, combined with higher spending, drove balances down.

In 2025, our total balances were about flat. We did see an inflection point in our – although total balances were about flat, we did see an inflection point in our checking balances per account, which grew 1% year-on-year. Our checking account acquisition has remained strong and yield-seeking behavior continues to slow. At the same time, yield-seeking flows captured by CCB and in particular by JPMorgan Wealth Management have actually increased during this period. So, while this is a small drag on deposit growth, it is an important long-term tailwind and proof point for our affluent wealth strategy.

As you'll recall, last year we shared what we expected for 2026 deposit growth based on a range of economic scenarios. The central case at the time was about 6% deposit growth and relative to then, rates are higher, yield-seeking flows are higher, and the consumer savings rate is lower. And when you put all those effects together, we expect something more like low-to-mid-single digit growth this year based on the current central economic scenario. But moving beyond the narrow question of our best guess for this year's deposit growth, the more important point is the consistent track record of account growth, which provides the foundation for long-term deposit growth. And in 2025, we originated 1.7 million net new checking accounts.

Now turning to NIR ex. Markets. We gather that many of you have questions about the NIR outlook, particularly in the context of our expense guidance. While we are not providing a formal outlook, we are expecting higher NIR across the board except in Home Lending, where the continued market headwinds are well known. I'll leave you to review the details of this page on your own time, but you can see that we're giving you some directional insights on NIR across the major sub-lines of business. Of course, all of this remains highly market dependent, and it's important to acknowledge that our outlook assumes a constructive macro backdrop.

In other scenarios, particularly in the event of a sustained equity market sell-off, revenue in a number of our capital markets-sensitive businesses would be challenged. In such a scenario, we would, of course, also have some offsets on the expense side. And to round out the revenue story, let's talk about Markets. The performance of our Markets business over the past six years has been truly exceptional. At times during this period, we have asked ourselves whether the performance was sustainable, and if not, whether there was a risk of reverting to 2019 levels. By averaging the 2020 to 2024 period, as we've done on this page, it becomes clear that it is probably time to retire that conversation.

Of course, Markets revenue is volatile and a repeat of the 2025 performance is not guaranteed; but the themes that have supported the recent growth – higher levels of volatility, a healthy corporate wallet and strong primary activity – remain in place.

Now, let me take a second to make a few points about business dynamics and revenue streams. As a reminder, we continue to encourage you to look at the Markets business on a total revenue basis. The core of our long-term value proposition to clients is meeting their evolving needs as a reliable counterparty across the full product suite, supporting them through cycles and different market conditions. We believe this client-centric approach will grow the franchise sustainably, and the composition of the revenue inside that growth is less of a focus.

Nonetheless, let me take a second to discuss financing revenue and a related point, which is Markets NII. We continue to find that competitive financing capabilities are a key enabling product to grow with our most complex clients. Last year we told you that it represents a growing

portion of our revenue and that remained true in 2025. In terms of the Markets NII outlook, we expect it to be around \$9.5 billion this year, up from \$3.3 billion last year and slightly higher than the \$8 billion we indicated at fourth quarter earnings.

It's important to continue reminding you that we expect the majority of this increase to be offset by lower NIR. This is because much of the increase comes from the impact of lower rates on the funding expense for portions of the business that typically involve a derivative offset, which as you know, is accounted for as NIR. The gray bar on the right reflects the expected growth in loans and cash financing driven by client demand. To the extent that demand materializes, the associated NII would likely contribute to the bottom line. But as you can see, that effect is quite a modest portion of the overall increase.

Looking ahead, despite the many leading positions of our various Markets businesses, we feel optimistic about our ability to grow as we execute the priorities you can see listed on the right. With that, let's pivot to the expense outlook. Consistent with what we shared at earnings, we expect 2026 adjusted expense to be about \$105 billion, which is up about \$9 billion year-on-year. Starting with the first bar, you can see the contribution from bankers, advisors and branches, which represents our client-facing employees and spaces that are critical to driving growth for years to come. The details on the top right highlight the continued growth in JPMorgan Wealth Management and Private Bank client advisors as well as senior bankers in the CIB.

You may have seen the announcement we just put out on our branch expansion plans. This year, we're planning to open more than 160 branches in over 30 states and renovate nearly 600 locations. The branch strategy remains core to our growth as it brings us into new markets, including low-to-moderate income and rural communities. The second largest category is volume- and revenue-related expenses. About 30% of this increase is revenue gross-ups. In other words, activities where each dollar of expense is directly linked to at least \$1 of revenue, with auto leases being the most prominent example.

The remainder of this category includes what we also consider "good" expense as it is directly linked with higher revenues, increased activity and greater client engagement with our products. Technology is also a significant driver and I'll cover that in more detail in a moment. The next bar is marketing spend, which is generally highly targeted with predictable payback periods as it drives both demand for card products and results in strong customer engagement across the rest of our consumer franchise. There is a small "other" bucket that is grouped with real estate. On real estate, there is some catch-up on expense as we've needed to add space to accommodate the headcount growth over the past few years, while also bringing employees back to the office. So we're modernizing our older spaces and adjusting seating densities to improve the employee experience.

Finally, while inflation doesn't have its own bar, it's present across all categories, whether it's technology hardware, labor or real estate. And even as inflation moderates, these effects add up. On the next page, we address the question of efficiency. You will recall that last year we talked about "living within our means." This was not a cap on expense growth or a crude hiring freeze. Instead, we were setting a cultural tone to discourage automatically hiring people as the default response to any given problem or opportunity, while still making it clear that the priority was revenue growth.

The left-hand side of the page shows the result of that. We grew in client-facing roles and very modestly in some technology roles, while shrinking in operations and support functions. We've also seen productivity gains. Given our size, no single initiative is likely to be material to the Firm, but our ability to identify and implement a broad range of efficiency opportunities has been critical to our ability to simultaneously show industry leading growth and profitability. Just to highlight one example from the page, in CCB, just in the last year, accounts per operations employee are up 6%.

As we think about 2026, we're taking a more flexible approach to "living within our means." The discipline remains and we'll continue to be laser-focused on productivity. At the same time, the businesses do see compelling opportunities to develop additional products, features and capabilities for clients and customers. So we've budgeted some additional headcount in technology to deliver that. And while efficiency and productivity are always priorities, we are not managing the Firm for short-term operating leverage.

We feel instead that long-term PPNR growth is a much better lens through which to assess our investments. As we show you on the right-hand side of the page, our PPNR CAGR continues to outpace both revenue and expense growth, demonstrating the power of sustained investment in a scaled franchise.

As I just mentioned, technology remains a major driver of our expense growth, as we expect to spend about \$19.8 billion this year, up 10% year-on-year, reflecting business growth and demand for new products and capabilities.

On the bottom left, you'll see the breakdown across the lines of business. On the right, we've broken out the main drivers. In the first bucket, the contributors of growth are regular-way inflation, and perhaps not surprisingly, higher hardware expense, as AI-related shortages are pushing up memory prices. The second bucket is volume and feature demand, which is driving growth in technology infrastructure costs, including the public cloud, as well as higher software costs associated with higher volumes.

While the absolute spend growth rate has been in the low-single digits, we have continued to see unit cost reductions across a wide range of modern infrastructure products. We continue to invest and are spending about \$1.2 billion more this year on major projects and we've

identified about \$600 million in efficiencies, some of which are AI-related, enabling us to invest more than we otherwise could. Other areas of ongoing investment include AI initiatives, projects to enhance the customer experience and platform build-outs like Apple Card.

As we mentioned before, we are probably past the point of peak modernization. That said, we will always continue to modernize our technology and have shifted focus from infrastructure modernization to modernizing the underlying application code and data. An important reason we need to continue modernizing is to ensure we are positioned to benefit from AI and other cutting-edge innovation.

Unsurprisingly, AI is one of the most frequently discussed topics, both internally and externally. So I want to highlight a few points about our approach. We continue to invest in AI. And we're seeing tangible benefits in multiple areas. Machine learning and analytical AI have been driving improvements in revenue and expense for many years, particularly in marketing and fraud detection.

The share of generative AI continues to grow as a percentage of our total AI activity. And overall, we've doubled the number of use cases in production this year. We're focusing our efforts on the highest-impact areas such as customer service, including call center efficiency and personalized client insights as well as in technology, particularly, for our software engineers.

We're also pleased with the widespread adoption of LLM Suite, our internal generative AI platform, and more importantly, with the evolution of how employees are using it as they move beyond brainstorming and summarization to using our internal APIs to safely integrate Gen AI capabilities into business-aligned applications and daily workflows.

Looking forward, we will continue to challenge ourselves to drive transformation, and while carefully managing the associated risks. We believe these efforts will help us scale and continue to improve products, services and client experiences in this increasingly competitive environment.

Now, turning to Credit, there's not much new to say since earnings. We continue to expect this year's Card net charge-off rate to be about 3.4%. The consumer remains resilient. And as always, the labor market is the critical factor to watch.

I want to take this opportunity to provide a bit more color on a few credit-related topics of interest. Starting with Apple Card, we've received some questions about the relatively higher sub-prime percentage in that portfolio. This segment already makes up about 15% of our current portfolio, and given the relative size of Apple Card, we don't expect that number to increase meaningfully. The more important point is that we are not strangers to sub-prime. So we feel confident that we have the data, experience and capabilities necessary to successfully integrate the portfolio.

Another topic of frequent discussion is the so-called "K-shaped" economy, or to be more precise, economic heterogeneity. Different commentators define this differently and come to different conclusions. Wading into that debate is beyond the scope of this presentation, but from the narrow lens of the impact of this heterogeneity on credit performance, the problematic version for us would be a significant divergence in spend growth between the highest and lowest income segments. What we're seeing in the data is that while there is a difference, the difference is not outside the pre-pandemic range, and lower-income consumers remain resilient.

And with respect to the AI ecosystem, nothing has really changed since we talked about it in the fourth quarter. There's a lot of demand for financing and we expect to continue participating in it. But we are not going to compromise on terms to chase share.

Another recent topic of market interest is the potential risk to the software industry from the advances in AI. Our exposure to that industry is small relative to the size of the wholesale portfolio and is concentrated in the enterprise software space. And the exposure to the more vulnerable players in the broader software industry is quite small. Beyond that, the potential impact of AI disruption is obviously not limited to the software industry. So we continue to look across the whole portfolio to identify emerging risks. And, of course, one of the reasons for our large excess capital position is to protect us from these types of potential disruptions.

So now let's turn to the question of the excess capital. We kept our excess relatively flat by taking what you might call an all of the above approach, while deploying in line with our capital hierarchy. We put more capital to work for organic growth and RWA expansion, invested in unique assets with attractive return profiles like the Apple Card and increased the dividend and bought back shares, all the while we maintained a significant buffer given our cautious macro outlook and the belief that even more compelling opportunities could emerge.

On the right-hand side of the page, we've attempted to account for our aggregate deployment of capital over the last few years. Notice that, in this view, we have characterized investments that are expensed through the income statement as a use of capital. On this basis, you can see that our deployment has been in line with our hierarchy and we would expect this to continue going forward.

Looking ahead, it appears that Basel III Endgame probably won't change capital requirements significantly in either direction relative to the current rules. That said, we're still awaiting the re-proposal, so there's some uncertainty; and importantly, GSIB remains a significant pending item.

Now, let's spend a few minutes on liquidity. Over the last few years, we've talked a lot about capital regulation, but less about liquidity. We think now is a good time to shift our focus to bank liquidity regulation and what we believe needs to change. Before starting, though, I want to briefly direct your attention to the left-hand side of the page, where we summarize some of the key attributes of our fortress balance sheet – \$1.5 trillion of cash and marketable securities, as well as nearly \$0.5 trillion of additional available borrowing capacity, and a number of other metrics we show you every quarter.

Now, turning to regulation. It's important to say that all of the post-2008 changes did, in fact, make the system safer, but it was at the cost of an incredibly complicated framework that has not always succeeded in its stated goals. Specifically, in the case of liquidity, you can see from the graph on the left, the increase in the percentage of highly liquid assets on bank balance sheets.

Narrowly, that increase means that the typical balance sheet is less risky. But it also means that less credit is being extended into the real economy. More importantly, despite this apparent reduction in risk, over the last decade, we've seen a number of instances of regulators taking ad-hoc actions in response to liquidity challenges in the system, most prominently in the spring of 2023.

On the top of the page, you can see how our levels of CET1 excess (the shaded area) and Bank LCR excess (the line) have evolved since 2018, and you can see how we've moved from a period where we were closer to our capital requirements to a period now where we are closer to our liquidity requirements. And to a significant extent, this is true about the banking system as a whole as well.

And as we stay on the bottom right, the current strength of both the banking system and the macro environment makes it a good time to consider changes, so the system is more resilient the next time it is challenged.

Unfortunately, I don't have time now to take you through all the dimensions of our analysis as well as our proposed solutions, but some of the key principles are on the page. And yes, the alphabet soup of regulatory liquidity acronyms was generated by AI and by our Treasurer, no less. In any case, the overarching theme is we believe the link between real world liquidity management and regulatory requirements, including recovery and resolution planning should be stronger in order to enable banks to manage through various stresses without the need for ad hoc interventions by the government.

A second ago, I talked about our nearly \$2 trillion in liquidity resources, but in LCR only about \$1 trillion of the cash and marketable securities were counted and none of the available borrowing capacity is counted. Aligning the definition of liquidity resources more closely with the collateral value of the assets on the balance sheet, as defined by central bank facility haircuts, would help to shrink the gap.

In the end, the goal is to finish delivering on the promise of the post-2008 changes: a resilient system, where bank failures are rare, but when they happen, they are orderly, do not require extraordinary government actions and, at the same time, the banking system as a whole is actively contributing to robust economic growth.

All right, starting to wrap this up now. Each year, we update the stylized returns view to reflect relevant economic scenarios for the current environment. Using our internal outlook and estimated sensitivities to key variables, we show the range of ROTCE outcomes across these scenarios over a medium-term period. The scenarios cover a broad range of economic conditions from benign to recessionary, but importantly, we do not include a full-blown GFC-style crisis.

Over the years, we've come to colloquially refer to this page as the "scarves" page. So running with that, the scarves you see here illustrate a few important points. First, it's generally consistent with what our realized performance has looked like over the last 10 years – a range of returns above 17%, when the economy is generally healthy and stable, and lower, but still solid, returns above our cost of equity when the economy is less robust, but not in a severe recession.

Second, it demonstrates why we continue to feel that 17% is a reasonable expectation of our through-the-cycle returns. The dotted line represents the target. Some scenarios end up below it and some above it. In that context, we do periodically get asked whether we should raise the target, given the launch point is 20% and many scenarios produced returns above 17%. In short, the answer is no, and let me explain why.

This page will look somewhat familiar to you, as I presented a similar one last year. But this year, we want to emphasize some different points. Over the years, you've heard us say that ROTCE is an output, not an input. What we mean by that is that we do not make decisions in order to achieve a particular outcome on ROTCE. Our focus is on growing long-term shareholder value, which we believe is best approximated by our ability to deploy capital at returns in excess of our cost of equity, which is correlated to, but not the same thing as achieving high ROTCE in isolation.

Last year, I showed you that in practice, this means that much of our capital deployment will be in businesses that generate returns below 17% as we respond to the opportunity set and optimize across resource constraints. This year, we wanted to illustrate what that looks like firm-wide level, which we've done on the right.

Let me take a moment to explain this chart. The width of each bar is the capital of the Firm, represented here by tangible book value, which has grown over time. So the bars have become wider. The y-axis is ROTCE, and the height of each bar is the ROTCE in that year. The amount of SVA we deliver is a function of both the width of the bar and the portion of it that is above the indicative cost of equity line shown as the dark brown rectangles; in other words, the area in each quadrilateral above the line. As you can see at the bottom, our ability to generate returns in excess of our cost of equity is unrivaled by peers.

Some of these concepts may seem self-explanatory, but it's worth illustrating in the context of thinking about our target. For us, the 17% through-the-cycle target is not aspirational; rather, it serves as a helpful backstop measure to think about the trade-offs between investing in every single SVA positive business and focusing on maximizing returns. For now, we believe this is the right number and we remain committed to generating long-term shareholder value through investments in growth as well as expense discipline.

And talking about the long term, last year at Investor Day, each of our lines of business shared their long-term ambitions. While I won't go through every item on the page, I want to emphasize that we are making progress towards these goals, though, given the longer time horizon, you shouldn't expect progress to be linear. Our line of business CEOs will be on stage shortly to answer your questions about their businesses, and will gladly provide additional perspective.

In closing, as the slide shows, we believe the company's prospects are bright and we are optimistic about the future. With that, I'm happy to take a few questions about what I've just discussed, and I would remind you that my colleagues will be on stage shortly. So while I'm happy to answer questions about the lines of business, you'll likely get higher-quality answers from them.

So Mikael, over to you.

QUESTION AND ANSWER SECTION

Mikael Grubb

Head of Investor Relations, JPMorganChase

If you have any questions, raise your hand. We will go first to Manan Gosalia from Morgan Stanley.

Manan Gosalia

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thank you. Manan Gosalia, Morgan Stanley. Thanks, Jeremy. In terms of Basel III Endgame, you mentioned that there is some uncertainty associated with what the rules might be. GSIB surcharges also, there is some uncertainty associated with that. But I guess once you have more certainty, how quickly can you deploy that excess capital? It sounds like with the liquidity slide that you also need some changes to come through on the liquidity side. Is that correct, and what is the timeframe to deploy that capital?

Jeremy Barnum

Chief Financial Officer, JPMorganChase

A

Yeah. Sure. So that's approximately correct. And you've made some relevant points there, so let me just add a little bit of nuance there. First of all, I would re-emphasize the point that you also made that, yes everyone's assuming at this point that the RWA outcome under Basel III Endgame is approximately neutral at this point. And part of the reason for that is that the regulators have been quite transparent, including Vice Chair Bowman and the speech recently on what she is thinking about mortgage RWA, risk weights and so on. So the information has been out there, and I think that the consensus outcome is sort of converging to a relatively narrow one. But it's not over. And so, until the rule actually comes out, I think we should just not jump yet. That's point one.

And point two, people kind of forget about GSIB sometimes. They don't realize that those are two separate rulemakings. And GSIB is a very important thing that we continue to feel very strongly about the need to fix that in order to, among other things, ensure that the American banking system can remain globally competitive. The way that the GSIB surcharge punishes success is a real problem, as you obviously know, especially a problem for us. So that's a big focus. But fine, setting that aside, assuming that things come out roughly in line with consensus, the reality is that's been clear for some time, I would say, and we have had excess capital relative to any plausible range of outcome for some time.

So, I guess, I would slightly challenge your implied mental model that we're kind of at the starting gate, ready for the starting gun to go off to start deploying. In reality, as I think my pages showed, we've done a bunch of deploying this year already and that's just going to continue, again, in line with the all-of-the-above approach. We're going to deploy, we're going to grow RWA, we've done buybacks, we've done dividends, and all the other organic and inorganic opportunities are always on the table.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

And on the final point, yes, like, we can certainly deploy it in its current form without changes to liquidity. But at the margin, the stuff I showed on the page kind of highlights how – what it winds up meaning is that the capital deployment will be disproportionately focused in relatively higher risk density instruments. And that's fine, there are many opportunities there. But what the system as a whole needs is the broadest possible set of deployment to be unlocked so that we can do our part to drive economic growth. And to achieve that, you need to address some of the liquidity things that I also put on the page.

Mikael Grubb

Head of Investor Relations, JPMorganChase

Thank you. All right. Ebrahim Poonawala from Bank of America. There should be one there.

Jeremy Barnum

Chief Financial Officer, JPMorganChase

Max, just give him the mic, yeah.

Ebrahim H. Poonawala

Analyst, Bank of America Merrill Lynch

Just a question on ROTCE. I think on the earnings call, you talked about incrementally when capital is deployed, the return on equity could be below the 17% target. I'm just wondering, as you see mature customer relationships across businesses, are those return on equity, the return profile of those north of maybe 17% or even 20%, and it's because you keep growing the bank and the incremental growth is below. I'm just trying to understand as we think about the maturation of the new clients that are coming in, structurally, is this becoming a more profitable bank?

Jeremy Barnum

Chief Financial Officer, JPMorganChase

Right. Okay. I mean, that's an interesting question. I guess, I think the answer, unfortunately, is quite nuanced, right. Because I think there's a couple of at least off the top of my head, three or four different dynamics that sometimes compete with each other, shall we say. On the one hand, as you know, we're doing a ton of investment. We're growing. We're onboarding new clients. In many cases I'm looking at some of my colleagues on the Corporate & Investment Bank, the growth in new clients comes with lending. That lending is relatively low returning than you eventually get other business.

So yeah, that's an example of an investment today that as it matures has higher returns. Similarly, CCB, there's Marianne, branch expansion strategy obviously has the same types of characteristics, right? So yeah, sure. If you want to, you can persuade yourself that the maturation of many of the investments that we've made are a source of a significant tailwind going forward.

On the other hand, like there's a bunch of excess capital and we generate a bunch of organic capital every year. And as I think, we tried to emphasize this year and we emphasized last year too, it is simply value destructive to return capital to shareholders just because the opportunity does not return 17% when the alternative is buying back stock at whatever 2.8 times or 3 times tangible book. So we're – and that's also not the same thing as being a sort of dumb SVA maximizing machine. Jamie is not a fan of the SVA acronym, which is why we talk about it as long-term shareholder value generation. Buying generic par assets and adding bank leverage to them is fake SVA. That's not what we're going to do. But organic good customer business at a 14% return is obviously better for us than buying back stock. And so that's how you get the mix of push and pull in terms of the evolution of the ROTCE.

Mikael Grubb

Head of Investor Relations, JPMorganChase

All right. We'll take our last question for Jeremy from the Zoom. Matt O'Connor from Deutsche Bank. Please unmute your line.



Matt O'Connor

Analyst, Deutsche Bank Securities, Inc.

Hi. I just want to clarify on the Markets NII. I guess first...

Jeremy Barnum

Chief Financial Officer, JPMorganChase

We're having some audio problems, Matt.

Matt O'Connor

Analyst, Deutsche Bank Securities, Inc.

Am I echoing bad?

Jeremy Barnum

Chief Financial Officer, JPMorganChase

It sounds like a specific audio issue. The image looks good, actually. Your bandwidth is probably okay.

Matt O'Connor

Analyst, Deutsche Bank Securities, Inc.

Maybe I'll email my question and it can be addressed later then.

Mikael Grubb

Head of Investor Relations, JPMorganChase

Matt, we'll probably have to...

Jeremy Barnum

Chief Financial Officer, JPMorganChase

Okay, try trying off your – Mary thinks you should turn your camera off.

Matt O'Connor

Analyst, Deutsche Bank Securities, Inc.

How about now?

Jeremy Barnum

Chief Financial Officer, JPMorganChase

No, Sorry, Matt.

Mikael Grubb

Head of Investor Relations, JPMorganChase

Matt we'll go to next question sorry, maybe we'll take one from the room. There's one. Yes, Chris Kotowski. Go ahead.

Q

Chris Kotowski

Analyst, Oppenheimer & Co., Inc.

Chris Kotowski from Oppenheimer. Just all of us listen to an awful lot of bank earnings calls. And just two or three years ago, it was like everybody was on an RWA diet. Everybody was getting their returns higher. And now I feel like every earnings call you are on, every bank management feels like they've earned the right to grow and to spend more. And you can hear it from the European banks. And even Citi kind of raised their little expense numbers. And I'm, I think, wondering, have you noticed that have an impact on the effectiveness of your spending? Has the competition increased? And how would you measure that?

A

Jeremy Barnum

Chief Financial Officer, JPMorganChase

Now look, I think there's absolutely no question that the competition has gotten stronger and we've been talking about that for a while. Right. I mean, the rest of the system has been repairing itself for a long time. The U.S. system and even the European system. And at this point, there was a while where there were some significant tailwinds from the weaknesses of our competitors. I just don't think that's true anymore. And you see that in a bunch of different ways. And I think my colleagues can probably give you examples in a second. So that's fine, right? I mean, that's healthy. We never shy away from competition.

So it's there, it's real and it's hard. And we talk a lot about the nature of the competition is different too, like it's not just the large traditional banks, it's also other types of competitors. So it's everywhere. And that's why, obviously we're going to do it judiciously. We're going to do it with discipline. We're going to do it in an economically rational way. But this is not the environment in which to be penny wise and pound foolish. And so in some fundamental sense, yeah, I agree with you. I don't know how we measure it, but I agree with you.

Mikael Grubb

Head of Investor Relations, JPMorganChase

All right. Thank you, Jeremy. And we'll now let the LOB heads take the stage.

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