2026 COMPANY UPDATE

TRANSCRIPT

February 23, 2026

JPMorganChase

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the stage, Mikael Grubb.

Mikael Grubb
Head of Investor Relations, JPMorganChase

All right, good afternoon. It's my pleasure to welcome you to this event and the new and improved 270 Park. I want to send a special thanks to the extremely dedicated folks who braved the elements and joined us in person. I guess even in the world's dominant ice hockey nation, there is such a thing as too much winter. Please remember to review the disclaimer about forward-looking statements, and before getting started, let me just quickly walk through the agenda and some logistical points for the afternoon.

Jeremy is going to kick us off with a discussion of firmwide topics, and he will also take a few questions at the conclusion of his presentation. After that, we will invite our LOB heads to the stage for their business line-focused Q&A. We will then take a quick break before wrapping the public event with Jamie's Q&A. At that point, at least I will need a stiff cocktail, which will also be served on this floor. No reservation required.

Now let's welcome our first speaker, Chief Financial Officer, Jeremy Barnum.

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

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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

Jeremy Barnum
Chief Financial Officer, JPMorganChase

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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.

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.

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Mikael Grubb
Head of Investor Relations, JPMorganChase

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

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Jeremy Barnum
Chief Financial Officer, JPMorganChase

Max, just give him the mic, yeah.

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Ebrahim H. Poonawala
Analyst, Bank of America Merrill Lynch

Q

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?

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Jeremy Barnum
Chief Financial Officer, JPMorganChase

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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

Jeremy Barnum
Chief Financial Officer, JPMorganChase

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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.

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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.

Q

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.

Chris Kotowski Q
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?

Jeremy Barnum A
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.

Operator: Please welcome to the stage, Marianne Lake, Mary Callahan Erdoes, Doug Petno and Troy Rohrbaugh.

Mikael Grubb Q
Head of Investor Relations, JPMorganChase

So I know you're all very eager to ask questions, but before that, I actually have a question and it is for Troy. And I was wondering if you could take us through the Banking and Markets guidance for Q1.

Troy Rohrbaugh A
Co-CEO of Commercial & Investment Bank

Sure. I feel like this year Mikael wanted to go with guidance before you get to ask questions. This quarter started out for both Banking and Markets very well. So in IB fees year-on-year, we're currently forecasting up mid-teens. And if the quarter remains constructive, that could easily be the high-teens. And then for Markets year-on-year, we're currently forecasting up mid-teens as well. But as all of you know, that is very dependent upon volatility and other factors in the market. And it feels like volatility continues to pick up almost every day. So again, we're hopeful for the quarter, it started well, but there's definitely plenty left of it.

Mikael Grubb
Head of Investor Relations, JPMorganChase

All right. Thank you, Troy. Mike Mayo, go ahead.

Mike Mayo **Q**
Analyst, Wells Fargo Securities LLC

This is a question for everybody on the panel. And we're in the middle of the AI scare trade and some of the views expressed, I think, have some merit, right. You have to adapt to survive. I remember the old JPMorgan in the early 1990s, they didn't quite adapt and now you guys own them. So there is some merit to this. On the other hand, some of the views expressed seem really, really stupid. So when you look at your businesses, are you an AI and tech victim or beneficiary? And in plain English, if you're a beneficiary, why is that the case and what metrics are you monitoring? Thank you.

Mary Callahan Erdoes **A**
Chief Executive Officer of Asset & Wealth Management

I can just start off by saying that JPMorgan will be an end game winner in the AI space. And you heard it from a lot of the sort of more prolific people in the field say that it's really for the incumbents. And so if you have a very high tech spend and you know exactly what you're doing and where you're headed and you're very disciplined about it, you have a higher probability that you're going to have success.

If you also have taken pretty aggressive steps, and we were one of the first companies to have both Lori Beer and Teresa be on the Operating Committee with a dedicated AI specialist to help us to think through how we were going to organize ourselves, how we were going to be disciplined about it, how we were going to be precise about what we were going to do and how we were going to measure it. And each one of us benefits from each other's successes.

We just had a business review this morning at the Operating Committee, and we talked about something that I did in my line of business in Asset & Wealth Management, where we took 200 people, we tried to figure out some of the controls work they have to do, where each one has to read 50-plus pages of something and then compare, contrast and ask the right controls questions. With some very sophisticated AI work that we did, we were able to take that technology, we have now spread it to 3,000 people across the company that have done it and we've identified another 3,000, 4,000 maybe even 5,000 people that will be able to benefit from that technology – the 80 specific prompts that we've put in and make it safer, better, less error prone and frankly take out the “no-joy-work” in our employees daily lives, so that they can get on to higher level added value.

Marianne Lake **A**
Chief Executive Officer of Consumer & Community Banking

Yeah, I'm happy to add to it too. So, I think there's a lot to be said for the fact that you're going to get more efficiency, the competition will become more efficient, but we have some strategic advantages that we've noted over decades. So trust, confidence, value beyond price, our customer relationships, both the scale of them and the scale of everything, quite frankly, the depth of our relationships and our data assets. So we have a bunch of strategic assets that I think are hard to replicate. That will be one of the reasons. And then only the paranoid survive. So we aren't walking around thinking we have the divine right to success. We are walking around thinking about how to optimize the value that we give to our customers, how to perfect our processes and our systems. There will be price competition, but we compete on a lot more than price. So deep senses and healthy paranoia, lots of strategic assets.

Doug Petno **A**
Co-CEO of Commercial & Investment Bank

Maybe just to add on Mary's points, we didn't just start this work in the last couple of years. We are a center of excellence for machine learning and AI over the last decade. And to paint for, with a finer brush, within CIB, just to give you a sense of the categories of opportunity for us, one big standout category is just giving value back to clients, think agentic commerce, better cash flow forecasting and analytics, the team productivity, banker enablement, sales enablement. We see real productivity gains there through AI and advanced analytics.

We obviously have AI in ops and AI in tech. So when you think about these coding assistants, we're essentially a tech company. We're center of the bull's eye for deploying those capabilities. We're using it in risk, fraud, compliance, extensive use cases across those and then pricing optimization, so think loans, deposits, securities and have a higher order of analytics around that. Every one of those categories has multiple use cases, dedicated teams, trackable KPIs, and then there's a whole book of work that's just kind of table stakes and non-measurable and you'll never really know what you need to do. And you actually have to have the modern tech stack, modern data stack and a foundation to be competitive. But I think we're with the categories we were given, one or the other. I think we're in the one you would want us to be in.

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

A

I mean, all I would add is I obviously agree with everyone and I think Marianne's point about the paranoia that we live in around this for every one of our businesses. We don't just think holistically at our level or even the next level down. Like every small piece of our franchise, we have dedicated teams, embedded people that are focused on this every day. And I think one of the main points is the size and scale. Even marginal gains in efficiency that we can get from AI just accrue at levels that other people don't have. If you look at the size and scale of just something as simple as FX, just a quarter of a basis point with our size and scale just gives us a revenue outcome that other people don't have and that's manifested across our whole business. I think that's a huge advantage if we get it right.

Mikael Grubb
Head of Investor Relations, JPMorganChase

All right. Erika Najarian. Go ahead.

Erika Najarian
Analyst, UBS Securities LLC

Q

Hi, thank you for my question. I feel like the dorky student in front of the class. The positive narrative where that started the year has turned very quickly over the past two weeks and maybe wanted to address one for the CIB business and one, Mary, for your business. The first is the investment banking pipeline. I think there are a lot of concerns that given the volatility, the pipeline is not as robust as people would like for it to be for this year. Additionally, would be interesting to see if there are any sort of update in terms of sponsor sentiment, given the market hiccup. And Mary, alternatives within retail has been a big positive theme in terms of growth. And I'm wondering if you could shed some light in terms of how you're seeing the next 6 to 12 months shape up in terms of progress and penetration.

Mary Callahan Erdoes
Chief Executive Officer of Asset & Wealth Management

A

I mean, I can start. That's Anton Pil is in the back of the room, that runs the part of the Alternatives business for us, that focuses on making sure that we do – that we find the right investments both inside JPMorgan as well as across the Street for all of our GPs that we invest in. And the most important thing is sizing the risk that's appropriate for clients, and so I can't comment on how the rest of the industry is doing that but as you can imagine, at JPMorgan, risk adjusted returns, right sizing, proper disclosures, liquidity, stress testing for each and every one of our clients all the way down to the first time buyer of something is of utmost importance. And so we think that we have a standard that's pretty high for that and we are watching every one of these little ripples that you see in the market. We have forecasted it. We've been talking about that. You've heard that from Jamie on many earnings calls, talking about when you put less liquid investments into things that people are expecting liquidity in, it needs to have been placed properly in the client's portfolios. And we're hoping that that's the case across what we see out there. And whether those should be in all sorts of accounts or only in the ones that it's properly managed for, that's what the industry is going to quickly find out here.

Doug Petno
Co-CEO of Commercial & Investment Bank

A

Yeah. And so for investment banking, you heard the guidance in the caveat on high-teens was pointing to exactly the market conditions you described. So, and last year showed us it can go hot and cold pretty quickly, but we started the year strong. Pipelines were very good and it was broad based across DCM, ECM and M&A. The one thing I will say on M&A, these are powerful strategic drivers. Companies really see a strategic imperative to be bigger and global and they need growth. And I think that they're seeing through a lot of market disruption, whether it be uncertainty around tariffs, some of this AI disruption, I think a lot of these transactions will survive that volatility and carry on.

Capital markets will be much more subject to whatever the broader fundamentals are. But the pipelines are very strong. And it's not simply a U.S. marketplace, a large majority of the wallet is in the U.S, but we're seeing strength in Europe, seeing tremendous activity in Japan. So it's very much a global opportunity, right this moment.

In terms of private equity, if the markets shut down, if the IPO market slows down, it is the most fickle of the capital markets. It may slow down some of their exits, but they have tremendous dry powder. They're looking for opportunities to invest and they're constantly hunting and market shakeups create disruption for them and they behave opportunistically as well. So the sentiment hasn't really changed. I think they're a little frustrated with the pace at which they're monetizing their investments, but it's still a tremendous opportunity and we're staying very focused on the private equity community.

Mikael Grubb
Head of Investor Relations, JPMorganChase

All right. Let's do a Zoom question. Mr. Cassidy from RBC, go ahead and unmute your line.

Gerard Cassidy
Analyst, RBC Capital Markets LLC

Can you hear me, Mikael?

Mikael Grubb
Head of Investor Relations, JPMorganChase

Yes.

Gerard Cassidy
Analyst, RBC Capital Markets LLC

Q

Thank you. This is directed a little bit of a follow up on Doug's comments, but to Doug and Troy, we've seen some disruption in the private credit markets very recently. What's your guys' read on that, number one? And number two, what are the opportunities or consequences that we should all be looking out for a bank like yours because of what's going on in the private credit markets at this time? Thank you.

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

A

Sure. So I won't comment on any specific player in the market. They're all our clients, and you can read the press just like we do. But I would say, I mean, people should be – I'm shocked that people are shocked. I mean, the reality is, in this environment, as the world gets more volatile, as you get towards the end of a cycle, this outcome should be expected. So we prepare for all of these scenarios. We stress test our book. We're very thoughtful about the risk we take. We feel that in many ways we're quite conservative compared to our peer set. So this is just part of the scenario analysis that we do on a regular basis. So again, I think at this point it feels a bit isolated to a handful of situations, but that could quite easily change and we're prepared for that, both from managing our own portfolio, which we feel quite comfortable about at this point, and also from the opportunity it potentially gives us and others. So, at this point, there's still a lot of capital in the private credit ecosystem. We see lots of deployment; we see lots of people chasing opportunities. So this hasn't changed that overall ecosystem, but we're watching it closely. We're very risk disciplined. We're comfortable with where we are, but I'm just a little surprised that people are so surprised, this is inevitable.

Doug Petno
Co-CEO of Commercial & Investment Bank

A

The only thing I would add is, our strategy is to serve clients, and lending is an outcome, not the strategy. And we went into direct lending products specifically, so we'd have a broader base of debt solutions, credit solutions that could provide an agnostic capital structures, financing alternative. We're not trying to acquire loans, we're building relationships. And we took a sort of [indiscernible] for a model slightly different. And the underwriters that are underwriting those private credit or the direct lending assets for us, are the same underwriters that underwrite our C&I loans generally and bringing all the level of expertise, the industry knowledge, the through-the-cycle judgment, and it's not a loan aggregation business, it's a client business.

Mikael Grubb
Head of Investor Relations, JPMorganChase

All right, John McDonald from Truist. Go ahead.

John McDonald
Analyst, Truist Securities, Inc.

Q

Hi. Thank you. A question for Marianne. Marianne, to what extent are you seeing this revitalization of competitors and increased pressure in, especially in retail banking, in areas you're looking to grow? And then when you think about your embedded growth from all the building you've done at branches, how should we contextualize this 1.7 million net new checking? Is that a hard number to keep up, or is that something you can grow over the next couple of years? Thanks.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

Yeah, so thanks for the question. I would say that, I mean, you've seen that a lot of our competitors have strategies now that are shockingly similar and playbooks that are similar, and I think that imitation is the highest form of flattery, I suppose. And so, what we have been doing and investing in for decades is working. It's working in terms of our customer experience. You saw we have record high customer experiences working in terms of deposit share and profitability. And so, yes, we've seen lots of people announce plans. I will say it is easier said than done. Building branches is one thing, building them in the right places, building them well, hiring the right team, having the right products and services is part of it.

So when you look at our share gains in Consumer Banking, while 40% of it has been on new builds, 60% of it has been in our legacy footprint because we're just continually refreshing and evolving our products and services and just doing it better. So we have a long track record of doing it. So it will take a bit for anyone to be able to build the muscle to catch that up. In terms of customer acquisition, which is the beginning of everything, we've been acquiring customers at a 3% to 4% CAGR pretty much consistently over time, 3% last year; 2-ish million net checking accounts, 1.7 million last year.

So I would say there was there was a phenomenon in 2025, wow. No, I'll stop. No, I'm kidding. There was a phenomenon in 2025. So we saw – it was a little harder last year. The non-resident population was an issue, and so – but we're going to grow over that this year, and we would expect that to continue onwards and upwards. So we feel like we have the right playbook. We know what we're doing. We expect our share gains to continue. We do expect the competition to be there. Everybody is trying. And it's not just Consumer Banking. Somebody asked a question earlier about the competitiveness everywhere. Premium card space is competitive, very competitive right now, and we're still doing quite well. So, yeah.

Mikael Grubb
Head of Investor Relations, JPMorganChase

All right. Ken, go ahead. Ken Usdin.

Ken Usdin
Analyst, Autonomous Research

Q

Thanks Mike. Ken Usdin from Autonomous. Maybe for the wholesale side of the business, a different question on wholesale deposits and just with the advent of tokenization and potential use cases for stablecoin. Just how are you adapting the ecosystem based on the building blocks that you obviously already have well established in scale, as we go forward in terms of just, does it become all embedded parts of the of the environment at JPMorgan? How are you kind of facing that and how do you expect the defensibility of new products and offerings coming up also?

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

A

Sure. I'll take a stab at it first. So first off, I mean, you said it yourself, we have a great starting point in this business. We've been investing in the space for over a decade, Max and Umar are here, and highly recommend at cocktails that you grab them because they are the experts in the space, but they've been investing in Kinexys for over a decade. We have incredible products already in the space, whether that be in our own JPMorgan coin, which is a tokenized deposit, our support and our participation in the stablecoin environment, our tokenization of money market funds and other aspects of the business and other growing products.

So I think we feel really comfortable. From a bank perspective, we are either at or beyond our peer set. We also embedded in each one of our businesses on the wholesale side, whether that be Securities Services, Payments, Banking or Markets at the business level, and we spend quite a bit of time on what the future ecosystem could look like.

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

A

So I would break it into two parts. In the Market space, there's like tokenized assets or securities. I think in some ways, we may be trying to solve a problem that doesn't exist. But the reality is if we go that way as an industry, we're fully prepared. We're ready to trade it. We're ready to provide custody out of security service for – on a digital ledger for these types of assets. So we would provide the same services that we provide in the traditional securities, and we think we'll be very competitive there.

On the Payments side, Max and Umar are completely ready for the space. It's our view, tokenized deposits is the more likely logical path forward, but that could change. We think that while it may have some effects on our business in terms of people shifting from traditional deposits to tokenized deposits. With our capabilities, we can continue to grow share, and we'll be fine in any of those outcomes and we're prepared for it.

Mary Callahan Erdoes
Chief Executive Officer of Asset & Wealth Management

A

Yeah. And of course, our clients expect that. They expect one-stop shopping from JPMorgan. So we have to have every solution for them, be able to go on a continuum, and things change, and we're there for them, and that's most important.

Mikael Grubb
Head of Investor Relations, JPMorganChase

All right. We'll take a question from the webcast. Saul Martinez, please go ahead.

Mary Callahan Erdoes
Chief Executive Officer of Asset & Wealth Management

Saul, I think that's for you.

Mikael Grubb
Head of Investor Relations, JPMorganChase

Okay. We will park Saul, and we'll go to Steven Chubak.

Steven Chubak
Analyst, Wolfe Research LLC

Q

So I was actually hoping to build on that last question, but really look at tokenization from a retail perspective because, Marianne, one of the key concerns that we've been hearing from folks increasingly is whether it's the emergence of agentic AI tools that people can leverage to optimize their cash balances and the yields that they're earning and the emergence of tokenized money market funds and deposits. Do you see a potential risk that if that's introduced at the retail bank that you are going to see some level of deposit attrition as these customers become more sophisticated and just look to optimize some of their returns. And any perspective you can offer, whether this is real risk in your view, would be very helpful.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

Yeah. So I mean, listen, I think, first of all, I should say that yield optimization is not a new phenomenon. There are plenty of high-yield options that exist today for consumers who are looking for that, including within our own complex, including within the bank and in Asset Management. And we sort of offer that, but you can go elsewhere. And moving money is increasingly easy. And so of course, you'll see a little bit more help in optimization, but this is not something that has been that difficult for people. So I would just say that that risk has been out there. Therefore, when you think about, for example, the sort of advent of – are you thinking...

Steven Chubak
Analyst, Wolfe Research LLC

Q

Yeah. It's really more in the context of immediate settlement versus...

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

Right.

Steven Chubak
Analyst, Wolfe Research LLC

Q

...if I'm a Chase customer, I have to sell a money market position, wait a day, transfer it to a checking account and potentially doing things like bill pay from some sort of tokenized vehicle when we get that immediate settlement.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

Yeah. So in that sense, I would say the answer for retail is similar to the answer for Troy, which is for the vast, vast majority of consumer use cases today to all practical intents and purposes, there's access to 24/7 real-time [indiscernible]. It is true that in real assets, there is some lag. And so, we're similarly going to be investing in making sure using Kinexys for proprietary solutions. You've seen some announcements with AWS on a consortium for Payments. We're going to continue to invest in understanding how we could continue to reduce friction in some of those processes, but we can provide real-time access to funds within our ecosystem already today. I think that digital, I think that blockchain, I think the tokenized assets, I think that stablecoins may be part of the future for retail at some point in time, but I don't think that's going to be in the immediate future. We're building the capabilities right now.

Mikael Grubb
Head of Investor Relations, JPMorganChase

I will try again with the Zoom. Chris McGratty from KBW. Please go ahead.

Christopher McGratty
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Great. Thank you. Moving to slide 11, where you unpack the components of PPNR over the past five years, I think it's really helpful and powerful. I believe in Jeremy's remarks, he talked about perhaps being past peak modernization. So I guess my question is, number one, how should we think about the degree of operating leverage over the medium term? And then, secondarily, if that's the right conclusion, maybe comments by business line would be great. Thank you.

Mikael Grubb
Head of Investor Relations, JPMorganChase

Yeah, yeah.

Jeremy Barnum
Chief Financial Officer, JPMorganChase

A

All right. I'm back. So, look, I don't want to like bore you with the, like, “we don't believe in operating leverage” speech, but I kind of do think that I need to give it. And I think as we were thinking about this – so let me just give it because it's actually interesting.

So number one, in any given year, and we've seen this over the prior cycle, realistically, the operating leverage number is going to be primarily driven by revenue dynamics, not expense dynamics. Number two, as you go from the short-term to the long-term, the question is then, okay, Jamie always talks about how, like, it's not realistic to have, like, the ever-expanding margins that are associated with actually delivering operating leverage year after year after year, it’s just not consistent with capitalism. Now, sure, if you're a company with a serious expense problem that's extremely inefficient, it's reasonable to have your, kind of, near-term plan be, “I'm going to deliver a lot of operating leverage over the next few years, and that's going to return me to reasonable margins, and that is my PPNR growth delivery strategy.”

But a company like us, which is starting at a very efficient place with very healthy margins, operating leverage is just not how we deliver growth fundamentally. Now, obviously, that's not the same as saying, “we don't care about expenses,” and we are very committed to being extremely disciplined about it. We do recognize the market doesn't love years like this year, where I would say, according to the analyst

Jeremy Barnum **A**
Chief Financial Officer, JPMorganChase

consensus, we will have negative operating leverage. But we believe very strongly that when you're in the position that we're in as a company, focusing on those types of metrics is a recipe for underinvesting in the future and for seriously weakening our strategic position.

So, in the context of that, the peak modernization point is that – reaching the peak is not the same as having it go to zero, so we're still spending money on modernization, and we will always modernize our infrastructure. It's just the focus is shifting from, kind of, a particular moment of a lot of focus on cleaning up the data center state to a focus on modernizing applications, rewriting things, modernizing data, et cetera.

Marianne Lake **A**
Chief Executive Officer of Consumer & Community Banking

Yeah. And if I just maybe build on that point slightly, because when you think about our expense base and what we spend on strategic investments, and I'll just use CCB as an example of that, a lot of our investments pay back or sort of breakeven over a few years and pay back over a longer period, but are extremely profitable. And so, when we build branches, when we acquire cards, when we're spending on marketing more broadly, these are investments that are going to drive long-term growth and profitability at strong margins, and we don't want to feel constrained this year because of dynamics that are going on. So we're just looking very much at the long-term and spending every accretive dollar that we can well.

Mikael Grubb
Head of Investor Relations, JPMorganChase

Okay. Glenn Schorr, go ahead.

Glenn Schorr **Q**
Analyst, Evercore Group LLC

Thanks. Glenn Schorr at Evercore. Troy, I wanted to see if we could drill down a little bit more on your shock that people are shocked comment. So I was a little shocked to hear that.

Troy Rohrbaugh **A**
Co-CEO of Commercial & Investment Bank

I think you should save that one for Jamie.

Glenn Schorr **Q**
Analyst, Evercore Group LLC

The implication is – and forgive me for putting words and so put me straight if I get it wrong, but the implication is that this is not liquidity-led volatility on certain products. There were some loans extended that are actually going to have some real loss content. If that's the case, that means the equity is zero. So, I guess, I'm just looking for perspective. I heard your comments about your book, but your perspective overall, what kind of loss content are we looking at? And is it isolated in private markets because it's a wide-ranging investment fill that usually credit cycles aren't isolated to public or private, it's a broader swath of companies.

Troy Rohrbaugh **A**
Co-CEO of Commercial & Investment Bank

Yeah. I mean, I almost think in some ways, you answered your own question. We don't view this, depending on how the economic environment develops, either this year or even into 2027, that it will be isolated to a very small part of private credit. So first of all, when we say private credit, the ecosystem is huge now. It goes from very large investment-grade deals to very small middle-market companies that are below investment-grade. So it's a huge spectrum. Also, the public and private markets are merging together. Some of the largest deals out there are now hybrid deals. There are some very large deals that in some ways are done in the private space, but look like public deals for all intents and purposes.

So, our view is that this isn't going to be isolated to just private credit. As you move forward, get near the end of a cycle, if it were to get more of a significant downturn, we'd expect this to be a little bit more broad-based and not be isolated to just private credit. So, the boss may have a

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

A

slightly different view, I don't think so, but more broadly, like we don't think about it as just private credit. We think about it as the whole credit ecosystem. As Doug mentioned, we use the same underwriting standards. Yes, we understand each space is different. They all have their own characteristics, but, ultimately, it's credit and it's going to be across the whole spectrum if we get a more significant downturn. It won't be isolated there.

In terms of your question of where are we specifically right now, it appears to be isolated, much like the things we announced in the third quarter, were isolated from our perspective. It doesn't mean they're good or we're proud of them. But ultimately, more and more of these things happen as you get, like, late cycle. At this point, they're arguably isolated, but that could change.

....

Mikael Grubb
Head of Investor Relations, JPMorganChase

Alright. Ebrahim Poonawala, go ahead.

....

Ebrahim H. Poonawala
Analyst, Bank of America Merrill Lynch

Q

Troy, just talk to us in terms of – Jeremy talked about all the changes in regulations. When we think about banks versus non-banks, regulatory arbitrage, there have been many areas where banks have lost market share over the last decade. When you look at the playing field today, do you think you're – you've run the Markets business for a long time, are you better positioned to compete with the non-banks. So when we think about market makers trying to get into high-touch trading, gain share there, just when you look through all of that, do you think you're better positioned to defend and even gain share relative to some of these players?

....

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

A

Sure. You mean specifically to Markets or do you mean broadly to the CIB, because we compete with non-banks and...

....

Ebrahim H. Poonawala
Analyst, Bank of America Merrill Lynch

Q

I mean, yes, one just the likes of Citadel Securities leaning into high touch. Can you defend that share, one? And then, just more broadly, as we think about even lending, you heard Scott Bessent talked about lending moved to private credit. He wants it into banks. Is that happening?

....

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

A

Sure. That's sort of what I was getting at. I'll separate the two. So in Markets, I mean, everyone mentioned Citadel Securities and Jane Street because they've been incredibly successful. They've done an amazing job. They've grown significantly. I mean, from the very beginning, we know them very well. We compete with them in some parts of our business very aggressively with each other; other parts, we partner; and other parts, they're a real client. And we have like a long track record of having relationships like that. They happen to be very good. We've always assumed that they would be successful.

But without talking about them specifically, I don't think their success or non-bank market makers are really because of regulation. I think it's electronification of the market, overall change in market structure, the fact that they've done a very good job, the advent of quant trading. So, we're going to absolutely compete in the space. I feel very comfortable that we can hold our own and gain share. They may gain share as well, but it will arguably, in our view, be at the expense of someone else. And we're prepared to go to toe-to-toe, not specifically with the two of them, but with everyone in the space, including them.

I think it's going to be hard for some of the players that are more traditional because they're not going to have the resources to invest in the space. I don't think it's because of regulation. Just because there's a change in capital rules, it's not going to change our ability or what we have to do to compete with them in that space. We're going to compete, but regulation won't be the driver of that.

When it comes to non-bank lenders, again, I don't think the regulation is going to change enough to dramatically change the playing field. But again, we're competing there. We've been competing. But as Doug said, like, we have a very different business model there, whereas in

Troy Rohrbaugh
Co-CEO of Commercial & Investment Bank

A

market making, we have the same business model. We are market makers. We're competing for the same trades, particularly as these non-banks go to higher touch parts of the business.

But in the lending space, they're lending to get assets, like that's their goal. That isn't our goal. As Doug mentioned, our goal is to have a holistic relationship with our clients, and we feel like we're doing a really good job there. We have our own direct lending solution. I mentioned previously in the month that we have deployed almost $14 billion of capital right now there. At the end of last year, that's about where we were. We have over $25 billion of partner capital available. We're in the heart of the ecosystem.

We're doing a lot of financing. We're doing a lot of lending. We're not doing it to develop assets, like that's not what we do. We're doing it to be in the ecosystem to create a halo effect with our clients and create velocity in our portfolios. And we really have a competitive advantage because we have all these ancillary products that we want to do with these clients. The people that are just lending don't. So we think both can grow. I know everyone likes to write the article about us fighting with each other. But I think in the most part, there's opportunity for both sides, and we will compete there.

Mary Callahan Erdoes
Chief Executive Officer of Asset & Wealth Management

A

It's exactly why the last question that was just asked about expense management and why you would take a break, like we would never take a break for the areas that we're fiercely competing against. We're going to win. We're all focused on the long-term shareholder value up here. No one has a short-term measure at all for wanting to hit a profit target of any kind. We could if we want it to. You could just shut things off in a short term. But that's not how this place is driven. And so, you shouldn't expect it to happen, which is exactly why Jeremy's point about how the whole thing works is so important.

Mikael Grubb
Head of Investor Relations, JPMorganChase

All right. Gerard Cassidy on the Zoom. Please go ahead.

Gerard Cassidy
Analyst, RBC Capital Markets LLC

Can you hear me, Mikael?

Mikael Grubb
Head of Investor Relations, JPMorganChase

Yes, sir.

Gerard Cassidy
Analyst, RBC Capital Markets LLC

Q

This is for Mary. Obviously, 2025 was another spectacular year for Wealth Management, Asset Management at JPMorgan. Two-part question. First, with all the excess capital, does it ever make sense – you've had great organic growth, of course. Does it ever make sense to do an acquisition in your space, in your specific area?

And then, second, can you parse out for us how much of the bull market or the asset inflation we've all seen over the last two or three years, how has that contributed to the success that you guys have had? Thank you.

Mary Callahan Erdoes
Chief Executive Officer of Asset & Wealth Management

A

Sure. In Asset & Wealth Management, we had a tremendous year last year, over $550 billion of flows like Jeremy had mentioned. And very importantly, thanks to Ben and his obsession with the ROE number, we hit a 40% ROE target, and we're well above our targets that we laid out for you of 25% margin, 25% ROE, 4% flows and 5% revenue growth. And we will continue to grow on those. The markets have been very

Mary Callahan Erdoes
Chief Executive Officer of Asset & Wealth Management

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healthy, so that has, obviously, helped. But our investment performance is the thing that is our North Star, as you always know. And so, our investment performance garners new clients as well as more assets in.

On the M&A front, it's something we think about every single day. I think Ben signed a different NDA once every two weeks last year. And so, there are about 25 of them. Most of the big deals, except for one big one last year, we had seen and turned down for a variety of reasons. It didn't fit either culturally or otherwise. But it is something that we are always in the game on. We are always looking. We are always learning. It's a very important part of the muscles that we have here, not just in Asset & Wealth Management, but in each of our businesses. We need to know what's going on. We need to know if it's better to buy or to build, organic or acquisition. And so, that's what you would expect us to be doing, and that's what we're doing each and every day.

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Mikael Grubb
Head of Investor Relations, JPMorganChase

Erika, go ahead.

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Erika Najarian
Analyst, UBS Securities LLC

Q

This question is for both Marianne and Mary, and follow-up to Mike's question on AI. Another part of the market disruption is this concept that AI will disrupt financial advisors, that there'd be no need for financial advisors. And I guess I would love your just raw response to that, Mary.

And Marianne, as you think about acquiring client assets through the branch network, is there a role for AI in terms of helping customers in the beginning of their investment journey and tax planning journey?

....

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

So – yes. So AI for our bankers in the branches and for our advisors to whom they refer the clients, their sort of advisor tools and wealth planning tools are a critical part of our strategy and have been. It's one of the reasons why we're seeing advisor productivity go up so much, but also while we're seeing record levels of client satisfaction, too. And so, using what we know about our customers from the deep relationships they have with us, being able to deploy that with AI to the desktop of advisors and the desktop of bankers has meant that we've been able to deliver twice as many net flows per advisor over the last five years. So it's definitely a big part of it, and we're just at the beginning, honestly.

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Mary Callahan Erdoes
Chief Executive Officer of Asset & Wealth Management

A

Yeah. I would just say – I actually think about it very differently. I think that the companies that invest the most in AI, particularly in this space where you need an advisor, not just on the Wealth Management front, but when you think about our investment bankers, you think about our asset management advisors, when you're talking to the CIOs of different sovereign wealth funds, et cetera. The more you invest, the more the ecosystem creates a moat for you in the company because you know more about the client and you know more about the advisor so that each and every day – when the sell-off happened today, you can know immediately who you should be calling, what you should be – we talked about it at our Operating Committee today, what you should be gratting if your stock drops 5% while you're sitting in a meeting, like how'd you be thinking about that? That stuff starts to be highly fine-tuned, but not just AI alone.

And so, we had a deep dive on an AI question that I had with Dave Frame and his team last week, who runs the Global Private Bank. And one of the things that AI will do is it will take what you say to it and it will take it seriously. And so, if a client says, “I don't like fixed income,” or, “I don't like bonds,” and you find that their portfolio just continues to morph into things without fixed income of any kind or any ballast to their portfolio, that's not the right answer, but that's where AI will go. And so, you need the combination of really smart AI and then really smart advisors to say, “you need to counteract what you're feeding the AI in order to give the right advice.” It'd be the same thing on whether you stay private longer or you go public or all these things like – so there's a very intentional way that we are creating our AI systems here in JPMorgan, where we take the best of the models outside and, over cocktails, I think it's really important you talk to Teresa and Lori and Derek and the whole team, because embedding it in what we do takes the decades of experience that we have, fine tunes it to help our people get smarter, better, faster, cheaper, quicker, all that stuff, and then creates the thought that as a client, “the more you know about me, the more you see what my questions are, how could I ever not be with you because somebody else doesn't have all that information and all that history.”

Mary Callahan Erdoes
Chief Executive Officer of Asset & Wealth Management

A

So I think, again, it just goes to the original question that Mike asked, which is you're an endgame winner if you are heavily invested in these areas and you obsess about it every single day, which is like what you would feel if you walked any of the floors right now.

....

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

And there was a thing in that paper that said, "a relationship business might be dead if the relationship is just a human-faced friction." That's not what this is, right? So when our customers come in for advice, whether at the beginning of their journey, whether it's later on, whether it's a company, they're coming in to get, like, real advisory and real help and the human in the loop is definitely is sort of part of that.

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Mikael Grubb
Head of Investor Relations, JPMorganChase

Manan Gosalia, go ahead.

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Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

Q

Manan Gosalia, Morgan Stanley. Marianne, can you talk about the international opportunity in your business, and how do you size that on both the deposit side and the lending side?

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Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

Yeah. So, I mean, we're at the relatively early stages of the international consumer expansion, although very excited about it. So remember, we really only launched in the UK in 2021, so we're an infant in that context and we aim for a multi-country digital bank at the intersection of banking and investing that sort of differentiates on service and value. We have seen really great momentum in the UK, and so, in the UK, we have 2.8 million customers and $35 billion deposits.

Obviously, there are some limitations to how much you can grow in the UK if you don't want to become a ring-fenced bank. And so, we're not at that stage yet. What we're doing is expanding our product offering and deepening into primary relationships and looking for primacy. And we're entering Germany in the second quarter of this year with a savings-led proposition. And so, we're in the early stages. So we're not declaring this as a goal of some number of deposits. We're looking for primary relationships. We're looking for value for our customers and value for us.

J.P. Morgan Personal Investing is also a really important part of that. So we bought an asset, we've integrated it, rebranded it, J.P. Morgan Personal Investing. That's also scaling really nicely at $12.5 billion of assets under management and integrating that with banking, delivering on self-directed, delivering on pensions is a big part of it. So we're early, early days right now. Very, very, very good momentum. We're super excited. There's no one in this company, including Jamie, that is more excited than me about the proposition of having tens of millions of engaged European or international consumers. Hundreds of millions, not tens of millions. We'll get to hundreds of millions.

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Mikael Grubb
Head of Investor Relations, JPMorganChase

All right. We'll take one last question before the break. Ken?

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Ken Usdin
Analyst, Autonomous Research

Q

Thanks. Marianne, can you talk a little bit – Jeremy mentioned that credit is in good shape...

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Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

Yeah.

Ken Usdin
Analyst, Autonomous Research

Q

...and expectations are fine, but remain alert. And can you talk about both sides of the K? I think there's more questions today about the top end of the K, than there's even been about the bottom end of the K of late. So just what might you be looking for in the data that could be at least different than just unemployment rate? And how do you see the trends on the top and the bottom evolving? Thanks.

Marianne Lake
Chief Executive Officer of Consumer & Community Banking

A

Yeah. So we have – I mean, I don't actually have the risk team here, but we have an entire pack of leading indicators across the board that we look at, but some obvious ones like payment rate in Card still look in line with expectations. Typically, when subprime auto was a debate – auto is at the top of the payment hierarchy for consumers. People need their cars. And so, when they default on their cars, you usually see that they've already started defaulting on unsecured credit. We're not seeing any of that. And so, early – like roll rates – early roll rates are steady. Year-over-year delinquencies are down. Everything looks pretty solid, as she goes right now. I can't see any wood. And so, we're not seeing any new trends.

Now, on the K-shape, if we look at the bottom end, and I think this is what Jeremy was talking about earlier, we are seeing a continued separation between the sort of higher earners and lower earners, but we're not seeing deterioration at the lower end. So we're still seeing everything is solid, and nothing is so out of track from pre-pandemic trends as to be concerning. So as we sit here today and remember in Card, which is the elephant in the room for us, the first six months of next year is already baked. We shifted our guidance down at the end of last year to losses of between 3.3% and 3.6%, and we're going to come in at the lower end of that range so far, all things being equal.

Mikael Grubb
Head of Investor Relations, JPMorganChase

All right. Thank you.

Operator: Welcome to the stage, Jamie Dimon.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

Hello. I can see a bunch of people down here. I didn't realize that. I'm going to go right to Q&A, folks. Just so I don't have to describe it many times over cocktails, it's arthritis, bone spurs, old injuries I had to get fixed because it was killing me. I hope it worked.

Mikael Grubb
Head of Investor Relations, JPMorganChase

Okay, Mike, you've been very quiet so far. So why don't you go ahead?

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

We were thinking it was a curling injury. Let's just go right to the big. You have so much excess capital. This is a unique window for you to do a deal, do something different. I know the theme of this conference – Company Update is, push the gas for what you've been doing all along, we get it. But sometimes you get opportunities, you have the capital, and there's liquidity in the market. You're at the number one position, you're expanding in Europe. So, what about buying a payments firm, or non-U.S. bank, or when you think about your pool of possibilities, what's in that pool?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Yeah. Look, that's a great question, because obviously inorganic is very important. I think the most important thing, you guys are shareholders and represent shareholders, we can grow organically in every business we're in. Organic growth is hard, but it's your way, your culture, your people, your technology, any merger you do, any one of them, you are talking about consolidating systems and people and back offices and comp schemes and cultures. And so they're hard.

I like the fact organic works. And I will make a prediction, we can deploy all that $40 billion, $50 billion organically over the next five years. That's what I believe now. And I believe that to be true because of SRI. So Todd Combs is sitting over here. I hope you guys talk to him over cocktails, but we said, $10 billion of investment, well, we could do $20 billion. And the deployment of capital, I think, could be much faster in SRI. I think the opportunities in Markets and Investment Banking globally are pretty large.

It's very hard when we look at – and Mary mentioned that she looks at a lot of stuff. I'd love Mary to buy something if it made sense. But if it doesn't make sense, I see George here, and Anton Pil back there. These guys have the ability to just to grow and hire people. David Frame can hire people and Martin Marron. And we like that. So, yeah, we'd love to do something that. Payments, I would look at all the time. We've done several, some did not work, as you know, but that doesn't mean we wouldn't try again.

In Commercial Banking and Investment Banking, it seems very hard to me that growing ourselves organically wouldn't be better. And you're hiring, you're taking on other people's books and other people's systems, and other people's credit, and their loans, and stuff like that. And then, they didn't mention it, but technology, there are some examples. We're putting, you know, $30 million into payments technology, can create incremental revenues of $60 million or $70 million perpetually. And we're doing that. And that's in those numbers you saw.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

So organic growth, I get it.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Yeah.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

So what's your scorecard to measure your company's success using AI or technology? Is it revenues per employee should go up 10%, 20%, 30%? What metrics can we see on the outside other than just the end result market share to know that you're spending that $20 billion this year wisely?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Of the $20 billion or AI?

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

Both. I mean, just generally, what's your scorecard?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

So AI, I think, they all spoke about it. We run 6,000 applications and we've never come to you guys and said, well, here, we're spending another $10 million on the global FX system to create this amount of revenue to justify it. And we simply can't do that. Every single thing we do in AI and technology – like in AI, there are NPVs, some are revenue enhancements, some are cost avoidance, some are risk and fraud. Some – there are some things in GenAI, we do not – we can measure it, but we don't give it credit in terms of that, because it's too vague. Like we

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

have an LLM Like we have an LLM model (sic) [platform], 150,000 people use it every week. They think they're saving four hours a day (sic) [week]. That's not in an NPV. We don't see the four hours a day (sic) [week] in terms of reduced headcount like that.

So we look at all of it. And it's deeply embedded with what we do. And that's true for all tech projects. I think the hardest thing to measure has always been tech projects. That's been true my whole life. It's also been true my whole life – that tech is what changes everything, like everything – going to mainframes, going to servers, going to speed, going to – when I – used to take five days to do a trade in equities in $0.25, and now it's seconds, and not even pennies anymore. So that's tech, it is all tech.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

So just one last one. The AI scare trade, some people think that JPMorgan is going to be a victim. Very cocktail napkin explanation, why is JPMorgan an AI winner and so many in the market today, this week, last couple of weeks, thinks that you and the banking industry will be a loser? Thank you.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Yeah, look, in my view, we will be a winner. But at the end of the day, if you look at 100 areas, we'll be a winner in 75, and maybe a loser in 25. There are some very smart people out there who are cherry-picking very narrow parts of the ecosystem. And that could be your rent payments, that could be lower income accounts, that could be cross-border payments. And they may very well succeed. Doesn't mean we can't do it. And we will try to do it.

But I think you might lose in some. But in other areas, we've always had the strategy to use technology, do a better job for customers. And we're quite good at it – use our technology to do a better job for our customers. If you look, Marianne spoke about it, but she made a list of new products and services in the last 10 years. It's extensive, from wealth management, to self-directed investing, to early direct deposit, to better use of debit cards, Zelle. Zelle didn't exist like seven or eight years ago. Paze, in which we're putting a lot of money into today. So very specific stuff. We're investing a lot of money that's solving a lot of the problems people talk about. And we're completely prepared to pivot on some of these issues.

Mikael Grubb
Head of Investor Relations, JPMorganChase

All right. Glenn Schorr, go ahead.

Glenn Schorr
Analyst, Evercore Group LLC

Q

Yeah, I want to maybe just a quick follow-up on that one. So in part of the last handful of weeks, I would say, there'd be a release, and then everyone runs and says who has that type of exposure and tries to pull it back. My question is broader than that, and I'll just keep it to JPMorgan. But if you want to opine on the rest of industry, great.

So as technology comes, as it changes people's opinions in certain markets, how do you specifically re-underwrite the loans you have, the assets you own for new risks that get presented into the market? I mean, you're doing that all the time, but I'm curious in this age of AI. And then, what can you do about it? You have loans on your books, you have customers. I'm just curious on how you adapt your exposure.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Yeah. I should point out, if you take credit, that's been true for most credit cycles. There's always a surprise in a credit cycle. And even when a credit cycle is normal, so when you have a recession, you have rising credit losses. The surprise has often been which industry – you didn't expect newspapers in 2000, Warren Buffett businesses, you didn't expect utilities and phone companies in 2008 and 2009. And this time around, it might be software, because of AI. And that, we've always talked about there's a moving tectonic plates underneath that cause the industry to be challenged.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

You'd be shocked about what these guys have already been through on software – loan by loan, name by name, customer by customer, to look at what it means for us, what happens if they were downgraded, what happens to their ecosystems, and things like that, trying to forecast it forward.

So we are completely comfortable. We may get caught a little bit in that, too. We're not immune from this in the industry. But it wouldn't be enough to change our credit losses that much. I mean, it will be part of that curve.

And I agree with what Troy and Doug said about the credit cycle. I'll just add one other thing. You're going to look at the credit cycle as if – when it turns, and it will turn. That's when people will be surprised more about what industry, what types of credits. And also, in my experience, it's always been people who do a bad job at it and people who do a good job at it. And that's what people are trying to guess today. And I'm not sure you can actually see it in today's numbers.

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Mikael Grubb
Head of Investor Relations, JPMorganChase

Ebrahim, go ahead.

....

Ebrahim H. Poonawala
Analyst, Bank of America Merrill Lynch

Q

Just sticking with AI, I think, at Davos, you talked about maybe – policymakers to think about banning layoffs due to AI. Given just your sort of lens with which you're seeing the adoption of AI, just talk about if you – we think about two or three years from now, do you see the risk of high job losses that the governments of the United States, the rest of the world need to be prepared for and address? Or do you think the risk is overstated?

....

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

I didn't – I wasn't talking about banning layoffs. It's going to be – first of all, for us, we are going to deploy AI as best we can to do a better job for our customers. That's what we are going to do. We're not going to put our head in the sand. And we're going to do it at a very detailed level. We're going to do it bottoms-up, we're going to do it top-down. It's really incremental type of things.

We already have huge redeployment plans for own people – in fact, we spoke about it today, then we have to up that a little bit. So we can take people who are displaced – and we have displaced people from AI. And we offered them other jobs. They're usually well-trained and highly talented, and very good at things.

And so we're going to do it ourselves. What I was mentioning when I was asked that question in Davos, this is now public policy. This is not JPMorgan I'm talking about, this is what do you – I gave you a specific example. What if – I think there are 2 million commercial truckers in the United States. And there are lots of other examples you can give as a thought exercise and you could push a button, eliminate all them, and they make $120,000 on average, save fuel, save lives, save time, a more efficient system, less destructive highways, all that beautiful stuff. Would you do it if you put 2 million people on the street with the next– even if there are jobs available, that next job at $25,000 a year, stocking shelves.

And I was saying that's kind of like, really bad, kind of like civilly, that should we as a society agree to that? I don't think so. I was talking about the business and government, and they should start thinking today, not like when it happens, what will we do to deal with that issue? It's got to be business and government. I would give an example in that case, maybe you would phase it in over five years. And during that five years, you have time to retire people, income assistance, relocate, retrain, but you have to have systems that actually work.

We actually had a thing called Trade Adjustment Assistance that was put in place, I think when Clinton was President, and it didn't work. But society has got to think through what it wants to do if this becomes that kind of problem. I'm not predicting this is going to be a problem, I'm simply saying, now is the time to start thinking about what you'd do if it does.

....

Ebrahim H. Poonawala
Analyst, Bank of America Merrill Lynch

Q

And I ask that just because from a banks perspective, even today, the concern was if there are mass layoffs due to AI, does it become credit card defaults, auto defaults as white collar job losses? And I'm wondering if that conversation is happening today or not between businesses and policymakers.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

No, the conversation is not really happening today, it's just more fear and things like that. And I do think ultimately AI will create more productivity, but it could create other derivative effects, like you just said. Absolutely. Laying those people off will cause a problem, even if we create more productivity in society. And that's why, society has got to think this through a little bit. It may happen faster than we can adjust to it. Like, it took years for farms to adopt tractors and fertilizers. It took years for electricity to be put into cities. This may happen faster, and therefore, we should be prepared. But you guys – you're all smart, write what do you think the policy should be. Don't just ask.

Mikael Grubb
Head of Investor Relations, JPMorganChase

Alright. Well, you can ask questions today.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

That's it?

Mikael Grubb
Head of Investor Relations, JPMorganChase

Mike Mayo, go ahead.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

What do you think about the competitive environment today versus other periods? I mean, you highlighted, or Jeremy's slide has – this is the most competitive period since before the Global Financial Crisis. And you know as well as anybody this is when stupid things are done, right? You have foreign banks that are back. You have all the regional banks are back after problems in 2023. Everybody's front footed, everyone's playing offense. And now, you have to compete against the same players just by spending more, hopefully, in your mind getting more market share. I mean, how do you think about this competitive world?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Unfortunately, we did see this in 2005 and 2006 and 2007, almost the same thing. The rising tide lifting all boats. Everyone was making a lot of money. People were leveraging to the hilt. The sky was the limit. Yeah, I think you're absolutely correct. And I think today, the rising tide is lifting all boats. My own view is people getting a little comfortable that this is real, these high asset prices and high volumes, and we won't have any kind of problem, whatsoever.

So we're quite cautious about that. We stick to our own rules. We have to – these guys lose business, because we don't want to underwrite a leverage loan, so be it. We're not chasing anything. We will not do stuff the wrong way for the wrong reason. But I would say, competition today is tougher than that. So all of our main competitors are back in the United States and Europe, the Japanese are back here. I mean, everyone's back.

I think that's good. That's good for the world, et cetera. I don't know how long it's going to be great for everybody. I see a couple of people doing some dumb things. They're just doing dumb things to create NII or say they're winning in the markets business, something like that.

But the competition is much more than that today. I mean, it is all – it is tons of payments companies. It's Chime, and Revolut, and PayPal, and Stripe, and Bilt and Ramp and it's automated companies, it's everywhere. And even the tech side from all the other – the traditional banks,

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

some are doing a great job in tech. We've got our asses kicked in certain parts. So I won't go through, I won't give names. So we got beat, beat badly.

So we should be very cautious of that. This doesn't mean – we're still going to win in the big time, we're going to every now and then strike out. But it's a lot. And then, when we do a lot of this investing we're talking about, we have to do something to put $30 million into a tech thing to do a better job on a client – starters or somebody, we're going to do it. And then, we try to be very disciplined about it, but we have to compete at that level, too. We can't just put our heads in the sand and say, well, it that doesn't affect us. That's what we said with Stripe when it came out, that's what we said with PayPal, that's what we said with Cash. Okay? So we're not going to do that.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

And then one follow-up. Just philosophically, I mean, this had been described as a commoditized industry for decades. And I thought the three most important words I heard today, you're just reiterating, it's not just price.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Yeah.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

I think, Mary, you said that. But I think that's your theme throughout the Firm. So when you say it's not just price and this goes back to the AI argument like the excess profits, the intermediation fees will all be going down to zero. And why should people pay that and JPMorgan make money from that? So describe what you guys mean when you say it's not just price in ways that I could explain to somebody who's not in the business. Thank you.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

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Yeah. There are certain things which are completely commoditized, but it's not just price, we just take an FX trade. If you don't kind of give the best price at that split second, you will lose the trade. But we have to build the system to do a better job for you. We can create more global flows and actually create the better price. We have research and all these other things that we do that make our – and we'll spend the money in the technology just for that trading desk to create it.

But Marianne said it, like take trusted advice. We treat your data well. We don't – we want to charge you fairly. If you're just sending your data outside, there's been a big point of ours about open banking, we want them to use your data properly. We don't think you will – how many of you use some outside services for your payments that take in all your transaction data, all your card data, all your – and there's a liability shift. We want you to know about it. And I want you to be able to go on the screen and decide what you give them, how you give them, when you give them, what the duration is you give them. So, we are a trusted adviser to people.

If you're a private – I'm sure some of you might be private bank clients. You trust our adviser to do the right thing in the right way. If we make an error, we're the first people to say, we're sorry and we owe you. We build the best fraud system, the best scam system, the best – all the things there and we want to be paid for it. One of the things about banking and I've told you for years, the cost of – just giving you a checking account is like $200 fixed a year. So, when I hear people say deposits are free, deposits aren't free. That's how you get paid for the $200 a year but fixed cost.

There's the same dynamics in credit card, it's called APR. But just to give you the account, to do the credit, to give you access to daily payment systems, to balance out your payments has a cost. So, building the best – and then take in our businesses, this is a generalization. In the wholesale businesses, you were generally paid by the task or the product or the service, okay? And you have to compete at that level.

But at the end of the day, these clients, when they call us up on a Friday night and they want a $20 billion bridge loan to do something like EA, they get hundreds of people working around the clock for them. That's what they want. It wasn't just the best price. In fact, we had a client on stage at our senior leaders thing saying about, what they learned about how we should treat at JPMorgan, it's not the basis points. It's what

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

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you do for us day in and day out, year in, year out. And we were also there for them in good times and bad times. Remember, we did not fail in 2008 and 2009.

We bailed out a lot of companies, in fact, almost a few countries, if you look at it. So, we're really good, we're trustworthy, we're honest, we're decent, we're great citizens in communities and people like that, too. Oh, and I could just say in the Wholesale, so you know you get paid by the trade or by the ticket or by the M&A fee or something like that. It was very episodic, but it's not necessarily bad. But in the Consumer business, it's actually a packaged product. So, when you have a consumer account, you get the debit card for free, you get this for free, you get ATMs for free, you get branches for free, you get wealth management for free, you get SDI for free. You get all these things for free as part of that. It's a bucket of beautiful things we're giving you.

And then we're going to – and then we all are going to do a – we're going to do a better job, so take SDI, I don't know if Chris is in the room. We're going to give you order flow. So, when you pay – when you use our Self-Directed Investing, we're going to run it through JPMorgan's institutional systems and give you the best price probably in the world with no markup, which is not what payment order flow is. It's not the best price in the world and you get a markup. And so, we're going to give you the best and we're going to put it up on a screen and we're going to show you the execution, the cost, the speed, and that may mean something to people. It means something to me because we're treating you forthright.

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Mikael Grubb
Head of Investor Relations, JPMorganChase

All right. Manan, go ahead.

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Manan Gosalia
Analyst, Morgan Stanley & Co. LLC

Q

Jamie, with changes coming at the head of the Fed, there's talk about another round of QT. How do you expect QT will impact JPM and maybe also the broader banking system?

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Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Yeah, in fact, I loved Al and Jeremy's alphabet soup. Very good complement to my spaghetti chart and that they were brave enough to do it, okay? They're out of Stockholm, they're out of jail at this point. In fact, I'm surprised that they're calling it not QE, they're doing another $40 billion a month. They're doing that because they recognize and Jeremy mentioned that when we have to hold $1 trillion of cash and marketable securities unencumbered, which cannot be used to facilitate transaction in the marketplace, which are basically risk free, that they don't provide the reserves in the marketplace, there will be a problem like we had in February of 2023 and February 2019 and February 2018. It's just so predictable and it will happen again. So, I think they recognize that.

QE does affect – it's sometimes hard to exactly measure how it affects. Like, if you do a lot of QE does it show up in wholesale, does it show up in consumer, does it show up – and all our analysis shows, it first shows up in wholesale, then it leaks into consumer. It takes over time and things like that. Whatever it is, we'll deal with. So, when – JPMorgan is not sitting here saying, will they do it or don't do it or whatever they're in the Fed is going to change how we serve a client. We will serve a client and get a return and will be okay. That to me is adjusting the financial architecture of the company, so we can serve you properly. It may change how we price certain things and stuff like that.

I think they're right to talk about more narrow banking. I think that the balance sheet of the Fed is too big. They've lost $1 trillion. They did err into DEI, climate, social policy. I think they took their eye off the ball on interest rate exposure, which is what happened to Silicon Valley Bank and First Republic. It was interest rate exposure and it was too much HTM securities and he mentioned we have almost $500 billion that we have collateral posted to Fed every day that we can go if we had to do it. We do that so we're a sound, secure bank that you would never have to question this. A lot of those banks didn't do it because it cost money.

And I would question whether obviously it was the wrong decision on their part. So, I think we'll be okay. And I think – and if I remember correctly, Kevin Warsh came out and said that it'll take a year for them to do the work and the study to tell us how they're going to change those policies. I don't think they're going to do anything that's like unwise and too quick that's going to cause a lot of commotion. If they reduce the size of the balance sheet of the Fed, they have to change those rules. They cannot reduce the balance sheet of the Fed and not change LCR and liquidity rules. And I can show you numbers. They cannot do it without changing those rules.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

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To me, and I'm writing about this in my Chairman's letter, I believe that we can create a safer system, the capital is not an issue almost anywhere that creates more capital to be used, more loans deployed, more liquidity deployed that's actually safer than we have today. By changing post failure – rules pre failure, at point of failure and after failure, in a way that you don't have to worry about if a bank fails. I think that could be done. And I hope they put their best brains to work because that's what they come up with. And I can come up with a lot of ways to do it right now. In fact, I wish the banks would just fund all these problems because we end up paying in a really bad way when it goes to the FDIC.

Mikael Grubb
Head of Investor Relations, JPMorganChase

Okay. We have a question on the Zoom, Gerard Cassidy. Please go ahead and unmute yourself.

Gerard Cassidy
Analyst, RBC Capital Markets LLC

Q

Thank you, Mikael. Jamie, the outlook that you have described today and your colleagues is quite positive for JPMorgan as well as the industry. At the risk of sounding like a curmudgeon, can you tell us – when you look around corners, what are you looking for in terms of risks that could be out there that are not apparent to us today? Thank you.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Yeah. Well, I'm not – I think if you listen close to what they said, pipelines are like accordions, everything, the rising tide lifting all boats. I'm not quite that optimistic about the year, okay? We know and Jeremy had the chart up there that there are all these tailwinds, the One Big Beautiful Bill, bank deregulation, other deregulation, animal spirits, faster permitting. I think some of the stuff that's being spent. I think it's all going to drive growth this year.

Our economists say it, we all say it. It may have slight inflationary effect. At the bottom of this chart, geopolitics, our global deficits, trade issues, remilitarization in the world. Those are longer-term things that may affect the economy, but they could be harsh. And if you read history books, there are a lot of examples where you get surprised. So, we don't run the company hoping for good times.

We don't run the company just thinking there are bad times. We run the company with a full range of possible outcomes, so that regardless of the outcome, we can serve our clients day in and day out.

We are adults. If our ROE goes to 10% next year, I mean one of those scenarios, we are completely fine. It will make no difference to the future of JPMorganChase. In fact, I would tell our people, I've said before, if and when that happens, our opportunity will be bigger. As Mike says, to buy something or deploy capital that other people can't or something like that. So, there will be a cycle one day. I don't know when there's going to be a cycle. I don't know what confluence of events will cause that cycle.

My anxiety is high over it. I'm not assuaged by the fact that asset prices are high. In fact, I think that adds to the risk. And that was on your chart, too. And I'd say you feel stupid when everyone's coining money and everything's great, how wonderful things going to be, it feels stupid to not – I feel the same way. It does feel really good. And then when I think about all the factors taking place, I'd like to take a deep breath and say, watch out.

Mikael Grubb
Head of Investor Relations, JPMorganChase

All right, John McDonald, go ahead.

John McDonald
Analyst, Truist Securities, Inc.

Q

Hi. Yeah. Hi, Jamie. Just wanted to ask a general question and then a specific one. Just generally, two of the other large banks or a few of the other large banks are considering combining the Chairman and CEO role. And just to get your perspective on why that's a good arrangement

John McDonald
Analyst, Truist Securities, Inc.

Q

at a large financial institution. And then second, if you could comment a little bit on succession planning, your timeline, obviously, you continue to come in with a lot of energy and enjoy the job and how that lines up with the succession plan.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Yeah, so I'll do that first because it's the easiest. I think I was told to say this very specifically. I forgot. But I'm here for a few years as CEO and maybe few after that as Executive Chairman and Chairman, depending on whatever the board wants me to do, whatever makes sense for the company. That's what it is, okay? Did I say that right? I've never been for or against Chairman and CEO. That's why you have a board to decide how you properly structure a company.

There are times they should be separate. There are times they should be combined. It is almost a non-issue. Is Steve Burke here, who's our Lead Director, or maybe he's in the Zoom, if you look at the authorities in the proxy of the Lead Director, okay, they have all the authority of what you would call a Chairman, say in the agenda, calling meetings. But I think the most important thing which I've been trying to tell the FT, who can never get this straight, they're obsessed with this issue in the UK. That isn't the important thing.

The important thing is, does the board have an open, honest conversation? And not just with the CEO, with the management team every time they meet. So, Dodd-Frank mandated that the board has to meet without the CEO once a year. When I got to Bank One, I asked my board, when I was Chairman and CEO, to meet with me every meeting – without me every meeting. Every meeting – so every single meeting since the year 2000, my board meets without me in the room. Sometimes it's for 15 minutes, sometimes it's for 2 hours. Very often they call me up afterwards with a little bit of help, advice, coaching, things they were worried about, things they want to think about. Because I'm just trying to do the right job and I know that if I'm in the room, it may be harder for them to have their conversation.

So, I think things like that, which are not structural in Chairman and CEO split, but are so much more important. Like, that is the type of stuff you should be asking about, how does the place function? They also have total and complete access to – they know – I mean, all the management team in this room, they know all of them, but they really know the people up on stage and a bunch of other folks in this room like that you just saw presenting. And Jenn, who's here and Robin and Jeremy and they know all of them. They have lunch with them, they see them, they present.

I have never made a presentation that I can remember at the JPMorgan Board of Directors ever. And these folks do it and I usually let them do it and I may every now and then raise my hand and add, particularly when Jeremy says something which – when he starts digging those rabbit holes, I'm like, okay, let's – you're going to scare them, Jeremy. And I think those are the most important things. Total access, total openness, so they feel like they're totally briefed. They know what's going on. And most of us are just trying to do the best we can.

Mikael Grubb
Head of Investor Relations, JPMorganChase

All right. Do we have a last question? Yes, we have one from Steven Chubak.

Steven Chubak
Analyst, Wolfe Research LLC

Q

So, Jamie, you proposed some recommendations on the regulatory side? GSIB surcharge was not one of those areas that was covered, and was hoping to get your perspective on what you think the Fed should consider in terms of changes to ensure that U.S. banks are, in fact, on a level playing field.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

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They should do it the same way the Europeans do it. What they allowed was unethical and wrong. They were supposed to address GSIB from the beginning to the size of the global system and inflation, all stuff like that. And they did not. They should just go back to that. They shouldn't have American gold plating. They should get rid of all that crap and just do it. And even if they did all that, I mean, it would change the numbers and I forgot how much, 2% or something, they should do the numbers the right way. That's all we've been telling them for years. Do the numbers the right way.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

A

Stop playing games with artificial targets and we're just about right, show it. I mean, I spoke for years that CCAR is not right. It is a dishonest disclosure of what our laws would be under things – under a scenario like that. And I have to then go tell the shareholders it's wrong, and they should say it that it doesn't remotely resemble reality. So, that's what they should do. And if they wanted to add and say, we want to be more conservative with the rest of the world, then add something. But they should do the numbers the right way. And I think they might. We'll see.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

Folks, thanks for taking time with us. We have cocktails...

Mikael Grubb
Head of Investor Relations, JPMorganChase

That way, this floor.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorganChase

...this floor. On this floor, that way. Folks, thank you very much. Appreciate it.