2023 INVESTOR DAY

TRANSCRIPT

May 22, 2023

JPMorgan Chase & Co.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. Please welcome to the stage, Mikael Grubb, Head of Investor Relations.

Mikael Grubb

Head of Investor Relations, JPMorgan Chase & Co.

All right. Good morning, everyone. For those of you who don't know me, I'm Mikael Grubb, the Head of Investor Relations. On behalf of the Operating Committee and the rest of the firm, it's my great pleasure to welcome you all to our 2023 Investor Day. Similar to last year, we do have a very full agenda and you all know me. So I'll keep my remarks very brief.

First on Q&A. In addition to this afternoon’s session, which is going to be led by Jamie, we will have some time for questions after the individual presentations, starting with Lori's tech discussion. Second, I am not going to pester you with a formal survey this year, but please email me your feedback. We do listen and adjust, as evidenced by the aforementioned Q&A sessions, the printed books on your tables, not to mention the fact that we are not serving red meat for lunch this year. Third, if you're a Fixed Income investor, please note that we have also updated our investor materials under the Fixed Income tab on our website.

And lastly, making predictions is hard, especially if it's about the future and even more so in this environment. So please make sure to check out the disclaimer about forward-looking statements. All right. Please silence your phones, sit back and enjoy the presentations.

And let's welcome to the stage our President and Chief Operating Officer, Daniel Pinto.

Operator: Welcome to the stage Daniel Pinto, President and Chief Operating Officer of JPMorgan Chase and CEO, Corporate & Investment Bank.

Daniel Pinto

President & Chief Operating Officer, JPMorgan Chase & Co. and Chief Executive Officer of the Corporate & Investment Bank

Welcome. Good morning. How are you guys doing this morning? I will start with an overview of the firm and then Jeremy will discuss our financials and our outlook. And then I will return a bit later with a presentation on the Corporate & Investment Bank with my partners.

So you will hear today from senior leaders across the company about our technology agenda and about our businesses and priorities all across. Okay. So you have seen a version of this slide almost every year and it's intentional. We have a proven operating model and this is based essentially in four pillars – it’s to be complete, to be global, to be diversified and operate at scale.

We deliver for our clients in any environment while generating good returns for our shareholders. We have exceptional client franchise and a broad set of products and services. We had built a great culture, a fortress balance sheet and a strong risk management and a strong controls environment. We are constantly invested in the future while we are also being focused on managing our expenses. On the investments in technology that we are powering, we are powering the business to the great customer experience though innovation, talent acquisition, development and retention.

We are also proud to support our communities. And we have incorporated in our operating model our sustainable practices and in the way that we run businesses on a day-to-day basis. So we have leading positions across all four lines of business in a very, very competitive environment. A few highlights to mention: in starting with the Consumer Bank, number one, deposit franchise in the country. Market share has grown around 400 basis points in the last 10 years. We are the top U.S. credit card issuer. And one of our biggest areas of growth is Wealth Management in the United States. You see here our assets have quadrupled over the last 10 years and growing fast.

The Corporate & Investment Bank has four great franchises: Investment Banking, Markets, Payments and Securities Services, all of those increasing market share over the year, and nothing of that would have happened without the collaboration that we have with Doug Petno’s group, the Commercial Bank.

The same for the Commercial Bank, a great business that we have, also benefit from the partnership with the Investment Bank, is clearly the number one multifamily lender in the country, and they have grown IB revenues from $1.6 billion to $3 billion, almost double. And their clients, they are big clients of the Payments organization that the Payments business in the Commercial Bank has gone from $2.7 billion to $5.9 billion. The Asset & Wealth Management division, also very strong, the number one rated Private Bank in the world.

Client assets have grown from $2 trillion to $4 trillion, and 90% of our funds are performing better than the peer median. And they have 18 years (sic) [19 years] of positive net inflows. While each business is successful in itself, there is room for growth and expansion. Our four main businesses do not operate in isolation. There are many opportunities that can be unlocked by collaborating across. I will talk more about that in a minute.

So having in mind, the four pillars of our strategy, this slide shows the depth of our franchise. The benefit of having a diverse business that delivers through cycles. On the left, you can see how revenues continue growing in different market environments. For example, in 2020, while interest rates were low, therefore NII was challenged, revenue generated, fees generated from the mortgage company, to refinancing a new origination, from the Investment Banking fees, from the Asset & Wealth Management and a very strong performance of Markets produced growth despite the situation with NII and exactly the opposite happened in 2022, where essentially the Investment Bank wallet collapsed to 2019 levels, and the mortgage origination and refinancing pretty much stopped, reduced substantially and NII compensated for that.

On the right hand side of the page, you can see the completeness of our offering. And combined with our strong investments in technology, we can deliver a very wide range of product for our clients. Most of our product offerings are in leading market positions, but there are some where we have opportunities, as I mentioned, Wealth Management, Connected Commerce and areas of Payments all across the company, there are areas where we can do better. And we talked last year about our new initiative, that is the retail bank in Europe, in the U.K. and it's going well. It's going according to the plan.

So, deposits have gone from $10 billion to close to $20 billion. Clients, the customers have pretty much tripled to 1.6 million, of which one million are active and we are processing roughly one million transactions a day. And we continue expanding our product offering and regional footprint. We said last year we were going to constrain the cash burn of this business to around $450 million. And we are focused on that while we are investing, so – and this is happening, even this year may come up a bit better than that.

So being global is our core strength. We serve our clients in more than 100 countries around the world (sic) [operate in more than 100 global markets]. At scale is very, very important in these businesses. These businesses are very expensive to run and at scale allow you to be profitable and profitability allow you to invest and investments allow you to grow and provide better services to our clients. So let's talk about how we serve our customers and clients. We have a unique ability to deepen client relationships and build new ones across all lines of business. Our business model is set up to serve clients as they grow and as their needs evolve. We see millions of customers through our Chase branches and digital offering, and we also work with the wealthiest individuals in the country. So we cover the whole footprint.

So we bank millions of small businesses in retail and we bank thousands of middle market companies, and those companies as they become bigger, they get to use the services of the Corporate & Investment Bank. Our people know how to work together and know how not to work in silos. We are proud of our culture that supports partnership across LOB and makes possible to deliver great client experiences to our clients. This integration, experience and institutional knowledge is part of our secret sauce for success. Approximately 30% of our leaders have experience in different businesses or in different functions, and that helps through their careers to have a very good attitude to our collaboration.

We also are very focused on creating a balance of products, being focused on products and clients and regional oversight. In the United States, it's done through the market leadership teams that make sure that all this set of products that goes into the regions, they get the regional flavor and they are delivered in a way that is helpful and effective to our clients. The same role is being performed by the senior country officers and the regional head, internationally. So all this is great. Our technology investment is what is powering all of this, day in and day out.

On the right side of this slide, we can see how our businesses come together to strengthen our value proposition. Regardless of where clients sit, they get the best products and services from our complete offering. So the green marks on the right hand side of the page show where the primary coverage of those clients are and where the primary products that they consume are. And the blue checkmarks, it shows how the company comes together, offering to those clients cross-LOB solutions, regardless of where those clients are primarily covered.

So that gives us a massive competitive advantage. For example, for individuals, talking again about the Wealth Management business, as you can see it's a big priority for us, they get the benefit of a great investment – Wealth Management, Private Bank services and some of the broad organization of the Private Bank is helping to develop products in the Wealth Management division. The same for the small business and middle market companies, depending on the size, they get the benefit of advice, access to capital markets, hedging solutions to clients or payment solutions from Payments.

We are very focused on servicing our clients, but we also focus in the environment that we are operating. We have been very resilient and we are confident that we can continue to deliver for our clients and shareholders regardless of the economic environment of the time. We cannot ignore that there are plenty of challenges at this time and sources of uncertainty. On the macro side, what we are seeing today, the global economy is doing fine. The U.S. economy at the moment is doing fine, as the consumer, but we see signs of the deterioration – slowdown in the economy, some indicators, and also consumers, gradually the buffers that they built in their savings through the pandemic are being eroded.

The very high speed of increase in interest rates, persistent inflation, tight labor markets, and we are going through a process of normalization of monetary policy. That is probably the biggest that we've ever seen with unforeseen consequence. We also see a massive expansion of fiscal deficit in most of our countries and the increase in debt. So that is – it may not be a problem now, but debt sustainability is something that everyone should keep in mind as debt to GDP is growing everywhere around the world. So with all this, it is very unlikely that we are not going to have a recession of some sort. How deep or not it needs to be, time will tell. But coming from Argentina, I have lived inflation and hyperinflation, I can tell you that recession is a good price to pay to put inflation back to the tighter levels. Inflation is terrible for society, particularly the lower segments of that society.

And as a company, obviously, we have our central case, a scenario that we drive the company day in and day out, but we are constantly looking at the details and being prepared in case the scenarios are worse than what we are planning. So, the other challenge is geopolitics. Clearly, geopolitics has been an issue. The terrible war between Ukraine and Russia that we don't know how long it will take and we don't know if there will be an escalation. It's something that is sad and is staying there, and the increasing tension between China and the U.S., that is something that we have to learn to live with because it's not resolvable. But hopefully through dialogue, that tension becomes constructive and it doesn't go beyond that what it has to be.

There is some regulatory uncertainty. In a month, we will get the result of our CCAR submission. We don't have clarity yet about the last implementation, the endgame of Basel III. Most likely it will create some increase in capital for us and all that has happened in the last several weeks in the banking sector here and in Europe is likely to have sound regulatory reaction to it and I'm sure we are not going to be immune to that.

With all the uncertainties out there, we remain focused on protecting and supporting our clients and the firm and contributing to the safe, sound and resilient financial system. Cybersecurity, risk management and technology are critical to those efforts. These things are expensive, but it's a price that we all need to pay and give us for sure a competitive advantage going forward.

As while every employee is responsible, to uphold the control environment standards of the company, we have thousands of people dedicated to these efforts to minimize fraud and cyber risk, to protect client data and assets, and to comply with anti-money laundering laws and know your client protocol. Our strong commitment for this effort was evident during the last several weeks during the disruption that we saw in the banking system. So we onboarded mainly in the Commercial Bank, in the Private Bank, but pretty much all across the company, thousands and thousands of clients coming from some of the banks that failed.

And we have done all that without compromising our risk standards and controls environment. We also executed in the First Republic transaction, and that was very impressive to see how close to 800 people or a 1,000 people across the company came together to be prepared in case we have to incorporate this company, from the economic model, to the assessment of risk, to an implementation plan that is extremely detailed, and we knew exactly what we were going to do in case the company would join us, what we were going to do every single day going forward. I think that this was JPMorgan Chase at its best.

So at the same time, we are committed to advancing a sustainable and inclusive economy and helping our clients to achieve their sustainable goals. We recognize the role we play in advancing this agenda. We believe it's the right thing to do for our communities, for our customers and for the planet. In 2022, we continued to make progress on our $2.5 trillion 10-year sustainable development target. Today, we have financed or facilitated more than $480 billion towards our goal, including $176 billion in support of the $1 trillion green objective, $204 billion in development finance in emerging economies, and $102 billion towards economic inclusion.

And we believe our business is better when the economy is more inclusive. We remain committed to advancing racial equity in the communities we serve at our company. We are reporting nearly $29 billion progress towards a $30 billion racial equity commitment. This progress in 2022 was related to affordable rental housing preservation and home ownership refinancing. We intend to continue this effort beyond the current program.

Before I turn it over to Jeremy, this last slide shows the strong track record of this company. We have a 9% compound annual growth rate in tangible book value per share since 2024 (sic) [2004]. That is 400 basis points ahead of most of our peers. Our success in 2022 include $132 billion of revenues, $38 billion of net income and a return on tangible common equity of 18%. Looking forward, we will maintain our strategy. We will focus on execution in our culture, risk management, expense discipline and innovation. The power of our investments, our diversification and the scale of the business we run will drive the future success of the company.

So, I will pass it over to Jeremy now. Thank you.

Operator: Welcome to the stage Jeremy Barnum, Chief Financial Officer.

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

Okay. Thank you, Daniel. Three months ago, I would have gone through this page fairly quickly, but what's happened since then serves as a reminder of the importance of our fortress principles. Starting with liquidity on the left, while HQLA is what matters for some of our regulatory ratios, we also find it useful to look at a more holistic measure of liquidity resources, including unencumbered marketable securities. That number has increased by $600 billion since 2019. One way to think about the story over the last couple of years is that system-wide deposits increased a lot as a result of QE during COVID and banks had to decide what to do with the money.

In our case, we saw deposit net inflows of about $800 billion split roughly equally between retail and wholesale. When you compare that to the $600 billion increase in total liquidity resources, you can see that our deployment strategy in response to the elevated deposit growth of the pandemic era has been very conservative. And as the evolution of both our NIM and our fair value disclosures highlights, the duration of our deployment was also quite short. On the right, we remind you once again of the staggering amount of capital that we have.

In the middle of the page, you have our first quarter reported numbers. We did, in fact, use some balance sheet resources to do the First Republic deal, 40 basis points of CET1, as well as some usage of LCR capacity. On the LCR front, the combination of liquidity usage for First Republic and normal course liquidity consumption means we expect bank LCR to be in the high-120s at second quarter earnings, still very comfortably above requirements. And let me expand for a second on the use of balance sheet resources I just mentioned.

Jamie always says that excess capital is just future earnings and I think this is a nice example of that. The conservative positioning of the balance sheet allowed us to do the First Republic transaction and deploy that 40 basis points of excess capital and some of our excess liquidity at extremely attractive returns, not only well above what would be implied by share buybacks, but also significantly better than our 17% through the cycle target. So, if at any point in the future, we choose to build up capital a little bit, just keep that in mind.

Now moving on to the outlook. Since we just updated our 2023 NII guidance at first quarter earnings, I'm starting to explain from there. Excluding the impact of First Republic, the $81 billion has not changed meaningfully and the drivers are essentially the same and are listed on the left.

Now turning to the impact of the First Republic transaction, we are expecting a full year NII contribution of approximately $3 billion, and as a result, we are updating the 2023 NII ex markets outlook to approximately $84 billion. In addition, you'll recall that our medium-term expectation for NII ex markets across a range of potential scenarios was around the mid-70s. Jenn and Marianne will touch on this in their section, but we are currently very focused on preserving and rebuilding the core deposit franchise we acquired while we figure out how to incorporate the best elements of the First Republic customer experience cost effectively. In light of that, how much of the $3 billion increase I just mentioned flows into that medium-term run rate remains to be seen. In addition to the deposit franchise, we've acquired a portfolio of assets at attractive yields, which will contribute to NII for some time, but not forever.

Furthermore, as I just mentioned, the net assets are consuming excess liquidity capacity, some of which prior to the transaction was assumed to be deployed in our medium-term outlook. So, for all these reasons, I would caution you against simply adding that $3 billion to the mid-70s number. While we're at it, I know many of you think the $500 million of net income contribution we mentioned when we announced the deal is conservative. We agree and have acknowledged as much. Either way, though, starting today, the First Republic franchise is embedded in our forward guidance and you will see the bottom line impacts flow through our reported results. So if we wind up doing better than we assumed, great.

On the right, we remind you once again of how sensitive our overall NII outlook is to various drivers. Among other considerations is the pace of QT and the size and terms of RRP. So on the next page we have a bit more detail on those points. Everyone is very focused on deposit outflows to money market funds these days and how that interacts with QT and RRP. So let's take a second to review the flows. I'll start by reminding you that if not for RRP, bank deposits flowing into money market funds would not necessarily change system-wide deposits. But to the extent that money fund inflows are invested into RRP, system-wide deposits shrink.

Given the relatively attractive yield of RRP in an environment short of treasury collateral, deposit inflows into money funds that eventually land in RRP have been a significant headwind for system-wide deposits. On a related point, there's recently been an increased use of home loan advances by banks. The issuance of the discount notes to fund those advances will also drain deposits, unless discount note buyers are taking down RRP to make room – which is ultimately a relative value decision and highlights how the pricing of RRP is a key factor in the current deposit dynamics. The rest of the outside boxes make the well-known points that, all else equal, QT shrinks deposits and credit extension increases them.

In the middle of the page, you can see how these dynamics have reduced the balance of commercial bank deposits by about $1 trillion since December of 2021. Looking ahead, we don't claim any unique insights. All else equal, the Fed's balance sheet continues to get smaller. So as long as our RRP remains attractive relative to other short-term investment options, we are not assuming that reductions in RRP will mitigate downward pressure from QT. As a result, we expect system-wide deposits to continue declining. In light of these pressures, it's therefore important to reiterate our deposit strategy. We will fight to keep primary banking relationships, but we are not going to chase every dollar of deposit balances.

Moving on to expenses, excluding First Republic, the $81 billion expense outlook that we reiterated at earnings has not changed, and the overall themes remain consistent with what they were when we originally provided the guidance in our fourth quarter earnings call. In terms of

First Republic, we expect the impact of the transaction to increase expenses by about $3.5 billion this year. As a result, we are updating our 2023 outlook to approximately $84.5 billion.

When comparing this to the increase in our NII guidance, keep in mind that there will also be higher NIR coming mostly from the wealth business. Also, recall that when we announced the deal, we estimated about $2.5 billion of pre-tax integration costs. We're currently assuming that about half of the integration expense will be incurred this year. As we continue integrating the First Republic franchise, we expect to have choices about the service model, which may result in higher expense, all else equal. But if that's the case, the expense will come with additional revenue and be accretive to what we previously announced.

Finally on 2023, our current guidance does not include the FDIC special assessment related to the failures of Silicon Valley and Signature Bank. Based on the methodology and the recently proposed rule from the FDIC, we expect our total cost will be about $3 billion pre-tax, which will likely be accrued in 2023, subject to the finalization of the proposal. It's too early to guide to 2024 expenses today, but we've included several considerations on the page. And as always, if there are opportunities for additional investments that make sense, we will take them and explain them to you.

The next slide has more detail on investments. This page is just meant to serve as an anchor point for the detail you will hear directly from our technology and business leaders today. The themes are broadly consistent with what we've been talking about over the last year, so I won't go through the details. I do, however, following on the comments that Daniel just made, want to highlight International Consumer, which is the gray bar in the New and Expanded Businesses section. The initiative remains broadly on track, with the time to breakeven being consistent with what we said at last year's Investor Day.

Moving on to capital. The events of March have raised new questions about potential changes to capital and liquidity requirements, which might or might not be significant for us, but which in any case, we will process in due course. For today, let's focus on the Basel III endgame proposal, which we expect any day now, as well as the holistic review. Of course, even once we get the release, changes won't be immediate, since it takes time to move from NPR to final rule to implementation as we emphasize in the timelines at the bottom. Elsewhere on the page, we're showing you these dials representing the different pieces of the framework that might change.

Without going through each one, the overall point is that there are at least six distinct moving parts in the interaction between the Basel III endgame and the holistic review. And each of those inputs will require agreement among a different set of regulators. As the rules are released for comment, you can rest assured that we will be advocating forcefully for our points of view. We feel strongly that we have more than enough capital and that the GSIB framework is conceptually flawed, among many other issues. Still, for planning purposes, we have to prepare for the possibility that the end result of this process is an increase in capital requirements. So with this in mind, let's turn to the future on the next page.

What is clear as you take a step back is that some of the outcomes that could emerge on the capital front could render certain of our products fundamentally economically unviable when burdened with even higher capital requirements. And if we have to make those decisions, we will. No one should doubt the real impact of these ever increasing capital requirements on the availability of products and services. But if the better answer is to keep our footprint roughly the same and simply operate with more capital, our organic capital generation gives us a great deal of flexibility to do that.

For the avoidance of doubt, this page is anchored on analyst estimates. You'll see the walk includes the 40 basis point impact of First Republic. It's worth noting that even after that impact, our pro forma CET1 ratio for the first quarter would be very close to our 1Q24 target of 13.5%. So, as we look forward, that means that between now and the first quarter of next year, according to your estimates, we have about $20 billion of excess capital available to address increased FDIC expense, potential changes to requirements, as well as growth. The remainder would be available to retain or distribute. Whether we choose to distribute or retain at any given point in time, will depend on circumstances, keeping in mind that the points I made at the outset that retained capital is future earnings.

Now turning to credit. On credit, there's not much new to say here today. As we said at earnings, we are currently reserved for a weighted average peak unemployment of 5.8%, which is consistent with our somewhat cautious view of the outlook. This is also a good place to remind you that we need to take an allowance against the First Republic portfolio, which we currently estimate at around $1 billion. On net charge offs, the big picture story also hasn't changed. Marianne will give more detail on consumer credit in her section, but broadly, we are still seeing normalization, not deterioration. And in light of the intense focus on CRE, Doug will have some additional detail on that in his section.

Now turning to the outlook for ROTCE. Over the last couple of quarters, the question has come up a couple of times about return expectations in a variety of recessionary scenarios. And Jamie suggested that we would share some of our analysis on Investor Day. So here we go. Of course, every recession is unique, and as recent events have reminded us, we should always expect the unexpected. But here we attempted some simplified analysis of different types of recessionary scenarios, and with all the obvious caveats, what sort of returns might be expected in each of them.

On the right hand side of the page, you can see a chart with different colors and curves. They are generated from a relatively simple, top down model that tries to capture major economic drivers of performance, which we then run through different scenarios of rates, credit losses, growth and market volatility. If we start from 2022 full year results, you can see many of the scenarios go up recognizing the very strong recent sequential performance and the full year NII and expense guidance you already have. But as we look further into the future, starting with the grey scenario, you can see how in a normal recession the expected return would be below the target, but still healthy. And just to be clear, a normal recession is not the Fed's severely adverse scenario, and there's also not the pandemic experience, which was unusual in a variety of ways. But it's also not the very mild recession that the current market consensus reflects.

And then as you move from the grey scenario to some of the shallower and milder scenarios, you can see that many of them produce returns that are slightly better, in some cases consistent with our through the cycle target. Again, take all of this with a grain of salt. On the left hand side of the page, we remind you of the various drivers that will affect performance, each of which interacts differently with the economic scenario. But ultimately, the point is simple, the company is resilient, and we believe we are well positioned for a broad range of environments.

So to wrap up, we continue to believe in our 17% through the cycle target which is well supported by our recent results. And as we go into a more challenging environment, it's important to remember that some years may be better than 17%, while others will be worse. But through all environments, we will remain focused on the core strategic priorities and operating principles that have served us well over a long period of time. We are complete, global, diversified and operate at scale. And as Daniel mentioned, our ongoing focus on investing prudently for the future sets us up well for continued success.

And with that, let's welcome Lori to the stage.

Operator: Welcome to the stage Lori Beer, Global Chief Information Officer.

Lori Beer

Global Chief Information Officer, JPMorgan Chase & Co.

Good morning. I'm Lori Beer, the firm's Global Chief Information Officer. I'm happy to be with you today to provide an update on the progress we have made towards our mission to deliver leading technology at a global scale with speed that enables business growth. Last year, I laid out our technology strategy across four pillars. We remain committed to this strategy and our talented team of more than 57,000 technology employees have executed against it to drive our business forward.

Let me share some more details that highlight our progress, starting with our products. We build products and platforms that provide economies of scale and deliver seamless multi-channel experiences. We rapidly deploy new features to continually improve our offerings and delight our customers. There are many examples of this work across our businesses and my colleagues will cover some of them in their presentations today. Products and platforms need a strong foundation to be successful, and ours are underpinned by our mission to modernize our technology and practices. We are already delivering product features 20% faster than last year, and we continue to modernize our applications, leverage software as a service and retire legacy applications.

We are doing all of this while we continue to make progress on our multi-vendor public cloud strategy, leveraging the benefits of public cloud where it makes sense while also optimizing our data centers. We continue to embed data and insights into everything we do, and we are ahead of our plan on our commitment to drive $1 billion in business value through AI investments by the end of this year. We have increased the number of AI use cases in production 34% year-over-year, with more than 300 in production. And we are actively evaluating opportunities with large language models and see great potential in that space.

Finally, but critically important, we work every day to protect our firm and our customers. We remain steadfast in our commitment to proactively defend against cyber threats both within the firm and by advising our customers, the industry and our communities and governments. And despite ever increasing volumes and more sophisticated capabilities, we have kept our expenses relatively flat to volume increases. Cyber is a differentiator for us and continues to drive value for the company. I'll cover our strategic pillars in more detail later but first, I'll talk about our total spend in technology.

For 2022, we ended the year at $14.3 billion in technology spend. This was a little higher than what we shared with you last year, primarily driven by structural headwinds from labor inflation. These were largely offset by internal efficiencies and incremental investments were in line at $1.1 billion.

For 2023, we expect to end the year at $15.3 billion in spend driven by increased volumes, wage inflation and targeted investments primarily in CCB. We expect to see continued business volume growth, fewer headwinds from attrition and wage inflation, and once again, we expect this to be offset with internal efficiencies and our productivity efforts totaling a half a billion dollars.

On the right, you see total investment of $7.2 billion, consistent with what we discussed last year. $4 billion is in support of delivering customer and client experiences and product development, while the remaining $3.2 billion sits across three of our strategic focus areas and represents in firmwide platforms that give us scale, including development, data, public cloud and cybersecurity.

Through our disciplined investment approach, we have been able to keep technology spend as a percent of revenue relatively consistent over the past several years at around 10%, with the majority of the expense growth since 2019 due to investment spend across our strategic pillars. Lastly, you'll see our run the bank costs have remained relatively flat, despite increasing volumes, demonstrating our ability to scale efficiently.

We have worked to offset increases in business volumes and wage inflation through productivity and efficiency gains. We are delivering a half a billion dollars against the commitment we made last year to realize $1.5 billion in productivity and cost efficiencies over three years.

These gains are tied to investments and actions we've taken in the way we deliver software and our modernization efforts. Specifically, we have driven $300 million in efficiency through modern engineering practices and labor productivity, and we have developed a framework that enables us to identify further opportunities in the future. Our infrastructure modernization efforts have yielded an additional $200 million in productivity, driven by improved utilization and vendor rationalization.

And now I'll walk you through more details behind the modernization efforts and the results we are seeing. Our modernization work covers three areas: applications, infrastructure and engineering practices. Adoption of industry-leading software-as-a-service solutions is an important driver of application modernization. In total, we have more than 560 SaaS solutions across our technology estate, a 14% increase since 2022. One example is our communication and collaboration tools, where we will migrate nearly 60% of our tools to SaaS by the end of 2023, which will allow us to rapidly scale new products to more than 290,000 employees. In addition, we continue to retire legacy applications with more than 2,500 decommissioned since 2017. And finally, we are investing in modernizing the applications we build to allow more rapid delivery, efficiency and scale.

There are two ways we are modernizing our infrastructure. The first is migrating applications to more efficient data centers. To date, we have moved about 60% of our in-scope applications to new data centers, which are 30% more efficient, and this translates to 16,000 fewer hardware assets. We are also migrating applications to utilize the benefit of public and private cloud. 38% of our infrastructure is now in the cloud, which is up 8 percentage points year-over-year. In total, 56% of our infrastructure spend is modern. Over the next three years, we have line of sight to have nearly 80% on modern infrastructure. Of the remainder, half is mainframes, which are highly efficient and already run in our new data centers.

Our cloud journey will ultimately create a faster and more efficient environment for our businesses. By working toward our target state of multi-vendor public cloud and modern strategic data centers, we have been able to keep our infrastructure expenses relatively flat, while our compute and storage volumes have increased 50% since 2019 and tripled since 2015. This strategy will be critical as we continue to scale in new areas such as AI.

The third piece of our modernization strategy is equipping our 43,000 engineers with the capabilities and tools they need to optimize their work and boost productivity. We targeted 80% adoption of our enterprise tool chain by the end of 2022. We are currently at 84% with a plan to reach 100% by the end of this year.

Additionally, engineering excellence is measured through the productivity framework I mentioned earlier and is tracked across speed, agility and stability. Over the past year, we have made steady progress on all three, showing improvements in the number of applications and teams that are adopting the framework, as well as seeing meaningful improvement in outcomes.

On speed, we've achieved 60% framework adoption and 20% year-over-year improvement in the speed to move features from backlog into production. In agility, 60% of our teams have adopted agile practices and measurement frameworks. This has directly influenced business outcomes, a few of which I will highlight on the next slide.

Speed and agility only matter if you have stability. Our change volumes have increased 60% year-over-year, which means we are making many more frequent changes. Despite this increase, we have a 99.9% success rate in executing those changes.

Let's discuss some real examples of how modernization has created value for the firm. In CCB, our Chase.com ecosystem continues to become more modern and offer more products to our customers. The migration of Chase.com to the public cloud was completed in the fourth quarter of 2022, with all customers now being served through AWS. Leveraging the public cloud, Chase.com delivers an average of 15 releases a week. And as we launch new features for our customers, we have maintained stability despite a 22% increase in change volume.

Also in CCB, we have launched Connected Commerce, an innovative product ecosystem that leverages APIs to offer our customers targeted products and services across their buying journey. You'll hear more about this from Allison Beer later.

In CIB, we have developed a scalable modern transaction engine for processing global JPMorgan payments. We are growing our capabilities, including the expansion of real-time payments, and have been able to reduce our launch time from 18 months down to 3 to 6. This is also our third largest payments platform and soon to be the second largest.

Finally, we have our Markets Regulatory Reporting Platform, a public cloud hosted data warehouse operating in more than 15 locations, which provides global regulatory reporting across cash equities, futures and options. This is a great example of the benefits of our strategy to run modern data platforms on the cloud. The platform is scalable to 2.5 billion trades per day versus 500 million when hosted in our data centers, with monthly running costs decreasing more than 50%.

The third pillar of our strategy is unlocking the power of data and AI. The importance of this effort has never been more clear with artificial intelligence appearing regularly in the headlines. We have made tremendous progress building what we believe is a competitive advantage for JPMorgan Chase. We have over 900 data scientists, 600 machine learning engineers and about 1,000 people involved in data management. We also have a 200-person top notch AI research team looking at the hardest problems in the new frontiers of finance. We were recently ranked number 1 on Evident AI's Index, the first public benchmark of major banks on AI maturity.

Demonstrating the progress these teams have made, last year we committed to delivering $1 billion in business value by the end of 2023. We are close to realizing that goal ahead of schedule and are therefore increasing our target to $1.5 billion by the end of this year.

This value is driven by more than 300 AI use cases in production today for risk, prospecting, marketing, customer experience and fraud prevention. Last year, I highlighted trading and risk use cases, and we continue to see great value from both. But today I'll highlight two other examples, which are generating real revenue for the firm.

In the retail space, AI is helping us offer more personalized products and experiences to our customers, such as credit card upgrades. And collectively, this work has delivered over $220 million in benefit in the last year alone. And we aren't just focused on retail. We are also leveraging AI in sales to generate insights to deepen our relationship with clients across our lines of business, such as in the Commercial Bank, where AI is helping provide growth signals and product suggestions for bankers. These efforts delivered $100 million of benefit in 2022.

Our ability to drive this level of value is driven not only by the sheer volume of data we possess, but also our modernization investments, which have enabled us to migrate large amounts of data to the public cloud and enhance the capabilities in our underlying data platforms. These platforms enable us to develop models faster with embedded governance, demonstrating our investment discipline as we deploy AI across the firm. We are seeing strong returns and have increased our ROI 25% from 2021 to 2022. And we expect this to continue in the future.

We couldn't discuss AI without mentioning GPT and large language models. We recognize the power and opportunity of these tools and are committed to exploring all the ways they can deliver value for the firm. We are actively configuring our environment and capabilities to enable them. In fact, we have a number of use cases leveraging GPT4 and other open-source models currently under testing and evaluation.

We take the responsible use of AI very seriously, and we have an interdisciplinary team, including ethicists, data scientists, engineers, AI researchers and risk and control professionals helping us assess the risk and build appropriate controls to prevent unintended misuse, comply with regulation, and promote trust with our customers and communities. We know the industry is making remarkably fast progress, but we have a strong view that successful AI is responsible AI.

As Daniel mentioned earlier, cybersecurity is paramount to our company and our industry. Everything we do is underpinned by our commitment to protect our customers, clients and the firm, and we believe we are best in class. On the left, you can see we are accomplishing more with our cyber investment, expanding our capabilities and holding expenses relatively flat while the number of attempted attacks continue to increase. We have partnered with suppliers and proactively mitigated more than double the supplier vulnerabilities than the year before. We continue to grow our cybersecurity awareness program for our employees and our clients, sharing best practices and leading preparedness exercises.

Our focus here does have tangible business value. Through automation and efficiency, we are freeing up more of our developer's time to focus on building best-in-class secure products for our clients. We are continually evaluating our ecosystem and looking to leverage technology to improve our overall cybersecurity posture. We are proud of the ongoing partnership with policymakers and the US government as we improve the underlying security of the overall financial services ecosystem. We are leading in security research and continue to actively collaborate with NIST on what security looks like in the future and how we are prepared for quantum safe encryption. Cybersecurity is fundamental across our company and strategic priorities. We are laser focused internally and across the ecosystem in which we operate by securing our systems and protecting our data, our clients and our customers.

We've covered a lot today, so let me summarize the key points for you to take away. Last year, we laid out our technology strategy to deliver business growth on a global scale. We have delivered across all of our pillars, and today we remain committed to our strategy. First, there are a number of examples across our businesses where we're building and deploying innovative new products and services on modern platforms. You will hear more about them throughout the day from our business CEOs.

Second, we have made great progress with our modernization strategy. We are on target to achieve 100% adoption of our enterprise toolchain this year. We also continue to modernize our application portfolio, moving toward our target state of multi-vendor public cloud, backed by modern strategic data centers. Our efforts have already yielded a half a billion dollars in productivity and efficiency gains, and we are on track to deliver against our three-year goal of $1.5 billion.

Third, we continue to lead the industry in data and AI and are ahead of plan on the commitment we made last year to realize $1 billion in business value. With over 300 use cases in production and many more exciting ones in development, I am confident we will hit our new target of delivering $1.5 billion of value by the end of this year, demonstrating our leadership position in AI.

Finally, I cannot overstate the importance we place on protecting the firm and our customers. Across all of our strategic priorities, maintaining the security of the firm has been consideration number one. In doing this, we have discovered new areas of opportunity, new partnerships and principally new value to the firm, the industry and our communities.

Technology is the foundation of current and future growth across all of our lines of business, and you will hear this reiterated by my colleagues throughout the day. Our focus on disciplined investment has allowed us to protect our firm and grow our business, while keeping our technology spend relative to revenue consistent at around 10%. With this proven strategy, JPMorgan Chase is well positioned to continue leading in all of our businesses backed by resilient, scalable and innovative technology for years to come.

Thank you, and I can take a few questions now.

QUESTION AND ANSWER SECTION

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

All right. We have time for a couple of questions. Mike Mayo?

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

You can't laugh until I ask my question. Look, you said you have flat infrastructure costs with double the compute since 2009. You're gaining the tech savings as expected, the $500 million this year. You're ahead on the AI-driven savings. You retired 2,500 apps and you're 38% on the cloud, up 8% year-over-year. But then slide 2 says you're spending $1 billion more on tech. And so, what are the related revenues? I know part of that is simply to keep the lights on, part of that is to modernize, which you don't see for a few years, and some of that's for revenues. So, it'd be nice to equate that $1 billion of additional tech spend to some kind of current revenue figure or future revenue figure. Thank you.

Lori Beer
Global Chief Information Officer, JPMorgan Chase & Co.

A

Yeah. And I think you'll hear a lot of the businesses talk about how their technology investments, it's probably best, Mike, that they share those examples. When you look at the increase in $1 billion, keep in mind there's a couple of things embedded in that. There's definitely investments in CCB, which you'll hear from Marianne and Jenn, they'll cover those in detail. But remember wage inflation. And so, we went through a period of high tech demand, as I mentioned, I think we will absolutely, attrition is very low, we will see that moderate over time.

And remember business growth, now, business growth comes in many forms. First of all, when we grow on modern platforms, we grow a lot more efficiently. I talked about that. The second thing to think about growth is we still need to support the business while we're growing onto the modern platform. So, that will help us grow even more efficiently over time. And third, just think about the technology we need as we build a new building, as we expand branches and we continue to grow our business. So, when you look at business volume growth, those are the ways you can think about it. And again, I think since most of the increase is CCB, Jenn and Marianne can do a better job explaining the value they're seeing for those investments.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

If I can just try one more way. If you think of investing along a J-curve, you invest and it's a headwind, it's a headwind, and then it becomes a tailwind. Where do you see JPMorgan today, or are you always at the bottom of that J-curve?

Lori Beer
Global Chief Information Officer, JPMorgan Chase & Co.

A

Look, I think we're definitely seeing our ability to offset. When you look at the three-year plan that we laid out, I feel very good with our – remember, we're moving to modern data centers. You have duplicate or bubble costs while you're doing that. You have bubble costs while you're moving to the cloud. So, I think I feel really good about the upside and the continued delivery in that $1.5 billion that we laid out. I think

Lori Beer
Global Chief Information Officer, JPMorgan Chase & Co.

A

we're at a great place with our framework around engineering productivity, continue to drive innovation. And I also think there's great opportunities when you think about applying AI to even the software engineering process. So, I think we're in a great spot where we're continuously delivering productivity and we have new tools to continue to do that into the future that we're going to continue to see our ability to create value while our business grows so that we can continue to scale efficiently.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Chris back there.

Chris Kotowski
Analyst, Oppenheimer & Co., Inc.

Q

Hi. I wonder if you could just discuss how you measure that business value? Is that saved cost versus what you would have had or incremental revenues or some combination of that? And I'm sure it's like the holy grail of trying to measure the value of tech spend, right?

Lori Beer
Global Chief Information Officer, JPMorgan Chase & Co.

A

Yeah. I think there's definitely a bucket of, as you've seen, we've continued to drive automation and you can continue to drive automation across a lot of fronts. One is certainly from an operations perspective or even having more intelligent interfaces such as what we've continued – seen as virtual assistants almost a copilot as you go forward. So, one I would think about in the bucket of how do I drive automation around business processes and continued ways to be able to serve our customers in a more technologically advanced way. That's one. I think there's definitely revenue. I think Takis can talk about that, Marianne and Jenn will talk about, and I think all of the business leaders you'll see today as they go through the presentations can talk about how those technology investments are both driving as we add new customers being able to add them more cost effectively or in some cases creating new ways to generate revenue as the examples I shared with you in the AI section. So, it's a combination of both.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Okay. So, maybe one last question. Betsy. Right there.

Betsy L. Graseck
Analyst, Morgan Stanley & Co. LLC

Q

Hi. Thanks. Lori, you mentioned about JPM payments and transaction engine, and you had a couple of comments in there that were interesting, highlighting that I think the volumes are the third largest, but soon to be in the second largest. Could you give us a little more color and context around those statements?

Lori Beer
Global Chief Information Officer, JPMorgan Chase & Co.

A

Yeah. I think it aligns to what Takis laid out last year. It's where we are in the cycle of our payments transformation. And so, it's the third largest because we continue to migrate to that strategic platform. The team has a good plan that goes in through the next year to be able to continue to migrate those workloads. We shut down those legacy applications, and that platform continues to grow. And so, it's a little bit of a statement around where it is in the modernization journey of the underlying ecosystem for payments and is very much aligned to what Takis had laid out last year in terms of how we're delivering.

Okay. All right. Thank you.

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the stage Jenn Piepszak, Co-CEO, Consumer & Community Banking.

Jennifer Piepszak

Co-CEO of Consumer & Community Banking

Okay. Good morning, everyone. Marianne and I are happy to be back to talk to you about the CCB franchise and thrilled to be joined by three members of our leadership team: Jen Roberts, Ben Walter and Allison Beer. A lot of what you'll hear will sound familiar to last year, and that's intentional. There will of course be one exception, First Republic, which we'll come back to at the end. So, just know that everything we're about to go through excludes the impact of the acquisition. We'll start with our strategic priorities and progress against them and review our financial performance and outlook. And then, Jen, Ben and Allison will cover their lines of business in more detail. And Marianne and I will come back at the end and touch on First Republic before Q&A.

Our strategic priorities are consistent from last year. They remain the true north for the business and guide how we make decisions. Everything starts with the customer. We're focused on our strategy to grow, engage and deepen customer relationships by delivering products and services they love and expanding our distribution. We enable this strategy by investing in data and technology, maintaining a strong risk and controls environment and cultivating the best talent. Getting all of this right has allowed us to deliver best-in-class financial performance over time, and we're confident that will continue.

So, let's take a look at how we're doing against our priorities. We made a lot of commitments on this stage last year. We hold ourselves accountable for these, and we're proud to share that we've delivered. So, I'll touch on just a few examples. In 2022, we opened 114 branches and added more than 240 Business Relationship Managers and 300 Wealth Management Advisors. And as we previewed last year, we launched new products in Wealth Management and Card to better serve the needs of our customer segments.

We also continued to make progress on our data and technology agenda. We ended 2022 with nearly 30% of our data in the public cloud, staying on track to meet our commitment of 50% by the end of this year. We leveraged AI and ML models across the organization on initiatives like fraud and personalization that generated more than $500 million in value. And we also delivered strong financial results in 2022, generating a 29% return on equity on net income of nearly $15 billion.

Diving deeper into the numbers, we always start with customer growth, the catalyst for the franchise. Over the last three years, we have grown our customer base by 8%. We now serve nearly 80 million consumers and nearly 6 million small businesses. We remain the number one Consumer Bank, Business Bank and Card franchise in the industry and have extended our leadership positions, including a 60 basis point increase in retail deposit share and over a 70 basis point increase in Card O/S share in just the last year.

What sometimes gets lost in our overall growth story is that customers are also choosing us for more financial products and services. Since 2019, we grew multi line of business relationships by about 20%, more than twice the rate of overall customer growth. And these deeper relationships are stickier and more profitable for the firm.

Part of the reason why we're able to grow and deepen relationships is that we continue to engage customers in the channel of their choice. You're already well aware of the facts on the page. We are the number one digital bank with more than 63 million active users, and we're the first retail bank with branches in all lower 48 states. Our true differentiator is how our channels come together to complement each other, to serve customer needs. It's not a binary choice between branch and digital, and most of our banking customers engage with both.

And we continue to build omnichannel experiences like Wealth Plan, which I talked about last year. Here customers can start a plan in the Chase Mobile app and finish it with an advisor in a branch. And beyond that, our channels cast halo effects on each other as we see higher digital account production in markets where we have a branch presence. We have achieved record high satisfaction across these channels by focusing on delivering experiences our customers love. And while we're proud of this, we're never satisfied and recognize there are always opportunities to do more for our customers.

Part of how we do that is investing in growth businesses. You heard a lot from us last year about our strategy for Wealth Management and Connected Commerce, and we're making real progress. In Wealth, we're continuing to grow relationships by scaling our advisor base and marching towards 6,000 advisors in the next few years. In Commerce, we're continuing to drive more travel volume through our platform, enabled by our acquisitions of cxLoyalty and FROSCH. We didn't spend much time on Business Banking last year and while this is a growth business, it's notable that we're already number one in primary bank share. You'll hear more from Ben about how we're offering solutions to make it easier for our clients to start, run and grow their businesses.

Across these strategies, we are benefiting from our scale and highly engaged customer base. We're uniquely positioned to deliver on this strategy given the tremendous franchise value from operating our lines of business within CCB and the broader firm. We are the stewards of a franchise with competitive moats that have been cultivated for years. Here's how we think about them.

First, our world-class brand. This enables us to drive consideration for prospects when entering new markets, helps us earn and build trust in our communities and keeps our customers loyal. Second, our scale. This creates unmatched capacity to invest through cycles while delivering industry-leading returns. And finally, our distribution. This gives us the unique ability to efficiently grow our customer base and serve more of their needs over time.

And on the right, this franchise value extends across JPMorgan Chase. We leverage the firm's world-class capabilities, including AWM's platform to power our Wealth Management business. And we operate our branch network as a storefront for the entire firm, with about half of Commercial Banking and Private Bank clients visiting our branches.

And lastly, being part of JPMorgan Chase enables us to serve customers wherever they are in their life cycle. Whether you're a business or an individual, as we always say, you just can't outgrow us. And the value of our franchise is clearly greater than the sum of its parts.

So, now, I'll pivot to our financial performance. 2022 was a strong year for CCB with pre-tax income at nearly $21 billion, up 16% year-on-year. When you double-click into the core drivers of our business, average deposits were up 10%, loans were up 1%, and card outstandings were up 16% and are now above 2019 levels. And as you can see on the page, the overall growth of our franchise since 2019 has enabled us to generate the same revenue, $55 billion, on a much lower deposit margin.

So, let's take a look at revenue. Starting with our revenue walk from 2021 to 2022, a positive macro rate impact won't surprise anyone, and I'll come back to this shortly. Volume-related growth of nearly $2 billion allowed us to overcome overdraft changes and margin compression and that, coupled with the macro rate I just mentioned, generated healthy growth from $50 billion to the $55 billion in revenue.

As you can see on the right, our outlook for NII is about $50 billion compared to $40 billion last year. And it's important to note that while we know we're still benefiting from reprice lags, we have assumed some level of savings reprice in our outlook. But if and when we reprice savings, we're confident we can compete on customer experience and convenience, not just on price.

Back to macro rate. For many years, we've shown you big red bars and big green bars, and sometimes that overshadows our core revenue growth. So, we thought it would be instructive to take a longer-term view. This is our revenue walk over 10 years. Within any given year, it's easy to lose the forest through the trees, but it's important to remember we invest for the long term and we see those investments pay off in volume and growth over time. This approach has enabled us to deliver my favorite big green bar, representing $13 billion in volume-driven revenue growth since 2012.

So, let's talk about one of our core revenue drivers, deposits. What we're looking at here is a walk of deposit balances from 1Q 2022 to 1Q 2023, broken out by customer growth, customer activity, and in the last two bars, the net of yield-seeking outflows and those flows that we've captured internally.

Going from left to right, in any given year, customer growth coupled with existing customer activity is a net positive, and 2022 was no exception. As expected, we have observed an increase in yield-seeking behaviors, but we were able to retain 60% of yield-seeking flows internally and generated net new money through our CDs and Wealth Management products. And beyond that, for customers who do outflow to online banks, which are still only about 5% of our customer base, we have observed that they have no change in primary bank behavior. Last year, I told you we had two priorities for deposits in a rising rate environment. One, retaining primary bank relationships. And two, profitably capturing money in motion. And as I stand here today, we've done both.

And now on expenses. Let's start with our 2022 expense base of $31 billion, which was just under what we told you last year, driven by slightly lower investment spend. Going from 2022 to our 2023 outlook, we're up about $2 billion. In that walk, you'll see that volume and revenue-related expenses are roughly flat with the drivers listed here on the page.

Moving to the right, structural expenses are up roughly $1 billion, driven by normalized staffing levels and wage inflation, which we're seeing across expense categories. And investments are up $700 million, which Marianne will cover in a few minutes.

Before we do that, just a couple more points on structural and volume-related expenses. On the left hand side, you can see that, in total, they're growing a modest 3% per year, largely due to productivity and efficiencies across operations, fraud and the branch network. On the right hand side, you can see how we're generating these efficiencies. We're leveraging analytics to reduce fraud rates and improve banker productivity. And we've also focused on optimizing our branch network, extending our reach to 30% more customers and enabling them to do more digitally. And as a result, as you can see on the page, we're overcoming the impacts of wage inflation and reducing the cost per account in both of those categories.

And with that, I'll turn it over to Marianne.

Marianne Lake

Co-CEO of Consumer & Community Banking

Okay. Thanks, Jenn. I'm going to pick up with our third expense category, investments. Starting with 2022, we spent $7.1 billion, but I'll remind you that at Investor Day last year, we guided closer to $7.5 billion. Our investments will always be a function of the market opportunity, and we're disciplined in how we spend every dollar. And so, in any year, we may spend a little more or a little less than we guide to. Before we look forward, on the right hand side of the page is an update on return expectations from last year. We are on track to ahead on all categories.

So, back to the chart. Our outlook for 2023 is a little less than $8 billion. I'll come back to technology and product on the next page. On distribution, we expect to invest more this year in both marketing and our branch network. In marketing, most of the growth is in very profitable Card and Consumer Bank account acquisition and activation, which has been strong through the second half of 2022 and we're off to a great start in 2023.

Allison will review Card marketing later. And in the Consumer Bank, we've been capitalizing on strong ROIs given the interest rate environment. Jen Roberts will review our branch strategy later. We've added 650 new branches since 2017, and we're excited and have complete conviction that this investment meaningfully contributes to deposit share outperformance and creates a halo effect for all of our businesses.

Moving up to our growth businesses. We've added more than 1,400 advisors in Wealth Management since 2017, including an incremental 300 year-over-year, on our journey, as Jenn said, to 6,000 advisors over the next few years. And finally, Connected Commerce, here you can see that our investment expense has actually decreased meaningfully year-on-year as profitable travel-related OpEx rolls into non-investment expense.

Moving on to technology and product. We expect to spend about $3 billion here this year, up $400 million year-on-year. But including run the bank, our total technology spend is a bit under $6 billion. And for context, while that's clearly less than 10% of revenue this year, it's also roughly 10% of revenue normalizing for a through-the-cycle deposit margin. So, overall, while technology investment has been an area of growth over the last few years, we feel well positioned with respect to total tech spend across CCB.

On modernization, we're halfway through the migration of applications out of legacy data centers, and we expect to break the back of these migrations by the end of next year. Moving up on product development, we continue to see significant opportunity to invest across our channels, our products and our platforms with strong business cases and to deliver a better customer experience.

Examples of these investments include the introduction of models that predict why a customer is calling us, freeing up our service specialists to handle more complex needs, launching new products including Wealth Plan, Pay in 4, ChaseTravel.com, all of which we mentioned last year, and many, many more as well as re-platforming our entire card account opening process, concluding a multiyear journey, improving the experience, the page performance and enhancing our ability to experiment. At the top of the bar the final piece here is the infrastructure to ensure that we're maximizing the business value that the engineers can deliver by surrounding them in a quad structure, including design, product and data specialists.

So, bringing this all together, while we have increased our investment spend significantly over the last several years, we feel we've reached an inflection point as our level of investment today feels more right-sized to the opportunity and investments from years past are paying off, driving revenue growth. Looking forward, we expect investment spend growth to be more modest, in-line with normalized revenue growth, consistent with a profitable growing franchise and delivering positive operating leverage and an industry-leading efficiency ratio when normalizing for a through-the-cycle deposit margin.

Moving onto credit, starting with the health of the consumer through the lens of our data. The next two pages analyze deposit balances, spend and borrowing behaviors since the pandemic. And we've looked at this through our total customer base, including new accounts added, as well as looking at a stable cohort – being those customers who were customers at the beginning of the pandemic and still are now.

Truth be told, there's not a lot of new news. Balances and operating cash buffers remain significantly above pre-pandemic levels. And that's true across income segments. Clearly, inflation has been a theme, but given the strength of the labor market, wages have cumulatively kept up in our base – driven by lower income segments.

Spend trends remain solid, true for credit and debit and both discretionary and nondiscretionary spend. And focusing in in the middle chart on credit card spend for a stable cohort. As expected, growth has decelerated back to pre-pandemic levels. People are trading down and getting a little less for their money. Card revolve is a tale of two cities. Those customers who continue to revolve throughout the pandemic have normalized, but do not appear over-levered. However, overall revolve is not yet fully normalized as less people are revolving given excess cash positions. This will be a tailwind for card loan growth into 2024.

In aggregate, our data supports a resilient consumer. Metrics are normalizing, but not deteriorating, and nothing is flashing amber or red at this point, which is a great segue to our credit risk performance.

Throughout 2022, in both Card and Auto, our delinquencies and net credit losses remained below pre-pandemic levels. And in the charts, you can see that we compare favorably to the industry, reflecting our prudent risk appetite.

On the left of this page, across asset classes, you can see the impact of structural de-risking since the Global Financial Crisis. Our balance sheet is materially different today. In Card, yes, the credit quality of our portfolio is a bit better, but more importantly, we've reshaped the nature of our customer relationships to be much more highly spend engaged. And you can see that our outstandings from balance parkers, those are customers who revolve but are not spend active, is only 5% now compared to 20% back in 2012. In Auto, the credit quality of the portfolio is also a little better and we have kept a tight rein on layered risks. And in Home Lending, both average FICOs and CLTVs continue to trend favorably.

On the right side, we focus in on originations during the pandemic. As we've previously articulated, we didn't loosen our credit standards or expand our buy box leaning into artificially low risk metrics and inflated credit scores. So, today, while it is fair to say that we are surgically tightening, it's not yet broad based.

Moving on to our outlook for charge-offs. In Card, we expect losses to come in around 260 basis points for this year, in line with guidance, and we still expect to exit 2023 close to pre-pandemic levels. In 2024 and beyond – obviously, macro-dependent – we would anyway expect loss rates to move incrementally higher year-after-year. You may recall that we underwrite new vintages with normalized loss rates of about 4.5%. So, as those newer vintages season and become a larger percentage of the portfolio, we will see higher loss rates, but with strong risk-adjusted returns.

In Auto, portfolio delinquencies have now fully normalized as of April. We're expecting losses for this year of about 50 basis points. But this reflects a change in portfolio mix away from dealer commercial services and towards retail, and within retail, a change in mix towards used cars that do have higher loss rates, but again, we're getting paid properly for that risk.

In Home Lending, expect net charge-offs to be plus or minus zero as gross charge-offs remain modest offset by continued recoveries. And lastly, in Business Banking, losses at approximately 60 basis points include overdrafts that are a function of the strength of our new account production, but with overdraft per account remaining relatively flat.

So, wrapping up credit with a stress analysis, and starting with Card. Unemployment is the most critical driver of card loss forecasting. In the graph in blue, our house central case is for a mild recession, with unemployment peaking at 5.1% in the third quarter of 2024. And in green, you can see a moderate recession scenario with unemployment peaking at 7.1%. Relative to the central case, which informs our baseline expectations, the moderate recession scenario results in an average loss rate that's about 130 basis points higher or about $3.3 billion in cumulative losses over two years, incrementally.

So, just a comment on reserves. As Jeremy showed, we are already reserved above the central case, given the range of scenarios and associated weightings in our CECL methodology. So, if a moderate recession does play out, it would be reasonable to expect incremental reserve builds of upwards of $2 billion over a few quarters on top of reserves driven by balanced growth that we assume are in your models.

And in Home Lending, changes in HPI are the largest driver of losses, and our portfolio is well positioned to handle HPI shocks with 95% of the portfolio below an 80% CLTV. In the middle of the page, while home prices remain elevated, the central case is already for double-digit declines in HPI in several key markets. And on the right, in that case, we still expect net losses to be relatively modest, less than $100 million over two years. A moderate recession scenario with a corresponding HPI shock of 15% would result in less than $300 million in losses over two years.

So, wrapping up the CCB overview with a couple of final pages. We talk about the business through cycles because that's how we run the business. We invest for the long term, we don't get distracted by the weather or moments in time, which can be volatile, lead to short-term behaviors that ultimately destroy value. So, in a strategy discussion like this one, you will take away an optimistic tone from us, which may feel a bit out of line relative to the elevated level of uncertainty in the near term and macro factors that will likely put some pressure on short-term returns.

We fully recognize that, at this point in the cycle, we are still benefiting from reprice lags. We know that, First Republic aside, the outlook for deposits would be modestly down, and we're expecting there to be a mild recession, but with appreciable downside risks. All of these may cause our ROE over the next couple of years to be below our 25%-plus target, although ever the glass half full, I'll remind you that looking backwards and including this year, we will have made a serious down payment to achieving 25%-plus through the cycle. But most importantly, we're confident in our strategies. We believe we're making good decisions and investing in the right things to deliver great outcomes for our customers and strong financial performance through the cycle. And in almost any scenario, the weather would be unlikely to change much about our strategy or what we're doing.

So, in conclusion, I'd leave you with four key messages. First, while we are not immune to changes in the macro environment in any year, this 10-year trend shows that over time our business performance is strongly correlated to consistent growth in core drivers, notably customers. Jenn shared with you our customer growth metrics and the proof of the pudding is in the eating – we've extended our leadership positions across our core businesses over the last decade.

Second, the strength and diversification of our franchise creates resiliency and consistency of returns through the cycle, and we've delivered a 6% CAGR in pre-tax income for the last decade. Third, we execute with discipline. We prioritize the use of capital to deepen relationships with our core customers and focus on risk-adjusted returns over growth or market share, and we hold ourselves accountable for delivering on our commitments.

And finally, as Jenn said, our capacity for investment is unmatched. Our competitors have not and cannot invest at the levels that we do, and these investments represent significant future operating leverage for years to come. And importantly, we invest without sacrificing strong financial performance.

And so, with that, I'm going to hand over to the other Jen to go into more detail about the exciting opportunities in the Consumer Bank.

Jennifer Roberts

Chief Executive Officer of Consumer Banking

Thank you, Marianne. Today, I'll cover Consumer Banking and the branch network. Our strategy is consistent with what we told you last year. This year, I'll focus on the impact of the strategy.

We are the number one retail bank based on deposits and have extended our lead 60 basis points year-over-year and maintained primary bank relationships. Looking ahead, we'll focus on extending our leadership position by strengthening and tailoring our customer value propositions. And on our branch network, we have increased our deposit share year-over-year in 47 of the top 50 deposit markets, and we are now number one in 11 of those, including the three largest; New York, Chicago, and for the first time last year, Los Angeles. Looking ahead here, we'll optimize and extend our network to reach more communities since we know banking is local.

So, starting with Consumer Banking. We now serve over 40 million customers, up 14% since 2019. In 2022, we added 1.6 million net checking accounts. This year, our momentum has accelerated. Through April, we've added over 600,000 net accounts, indicating that our strong value proposition is attractive across economic cycles. Account production is driven by our brand and our omnichannel value proposition. In addition, marketing and branch expansion are helping to drive our acceleration. Our continued focus on customer growth has allowed us to grow Consumer Banking deposits by over $300 billion in the last three years, more than any other bank.

We have significantly outperformed since 2019 with 700 basis points higher deposit growth versus the industry and nearly double other large banks. We've been growing share for a decade, but our share gain has accelerated over the past three years, resulting in over 180 basis points of deposit share capture. We know there are a lot of different ways to look at it. But based on the common industry reading of FDIC data or any approach that is uniformly applied, we are the clear market leader.

And while we closely monitor the competition, we obsess over our customer and we remain focused on capturing primary bank relationships, which means we are our customers day-to-day operating account and at the center of their financial lives.

80% of our customers are primary bank and they are satisfied with record customer experience across both the branch and digital channels, loyal with over a 95% retention rate and they are engaged across channels. Our share gains over time are an outcome of offering products and services our customers love, which drives primary bank relationships. And in a high rate environment, that's an important place to start. We didn't lose primary bank relationships in the last cycle, and as Jenn shared earlier, we aren't losing them this time either.

Our customers show us how much they value our products and services through strong engagement. For example, they're paying with Chase more often with debit remaining the highest share of transactions. At the same time, our customers are shifting away from cash and checks toward digital payments, including Zelle with 26 million active users. 85% of our customers are using our digital channels, and it's not just transactions. Nearly half engage with services that help them meet their financial goals.

Our leading omnichannel value proposition, with the number one digital banking platform and the number one branch network, together with the trust and security we provide, is why customers choose Chase. And that extends to products and services that meet a wide range of needs. Our Consumer Banking customers play a critical role. They represent nearly half of branded credit card customers and the majority of relationships and volumes across other lines of business.

We see multiple benefits when a customer adopts a new product with Chase. It starts with a lower cost to acquire. For example, in Home Lending, a pure prospect costs over 2 times more to acquire versus a Consumer Banking customer. We also see increased relationship value across CCB. It's intuitive, but powerful. For example, we see 2 times higher revenue when a customer banks and invests with us.

And there are benefits back to Consumer Banking. For example, when a customer funds a jumbo purchase mortgage through Chase, we see a 30% increase in balances versus those who fund elsewhere. Our focus on acquiring and deepening Consumer Banking relationships generates tremendous franchise value.

Looking ahead, we'll continue to strengthen our value proposition to meet the needs of customers across segments. We're making great progress. Over the last three years, we've grown the number of low-cost checking accounts geared toward younger and lower income segments by 40%. We've also grown our core mass market accounts, which represent 75% of our total portfolio by 10%. And we have grown the number of affluent relationships who bank and invest with us by 30%.

And we are not resting on our laurels. We see so much opportunity across segments. When we get this right, every customer will be able to say, “Chase is the bank for me”, which we know is critical and becoming the bank for all.

Now, turning to our branch network, which is a critical component of our omnichannel value proposition. Our strategy has been distinctive relative to our peers. We are the only major bank with significant investments in new branches, adding more than 650 over the last five years, including delivering on our commitment to build 400 branches in 25 new states.

At the same time, we have consolidated branches at a similar pace to our peers in response to shifts in customer behavior, and it increased the reach of each mature branch to serve 30% more customers as a result. This strategy is a key driver of the performance you see on the right, with $227 million in deposits per branch, nearly 40% higher than our large bank peers.

To provide some color on these investments, branches that we've built in the last 10 years are already contributing meaningfully to our performance. They've driven nearly $85 billion in deposit growth since 2017 and are breaking even within four years. But this is just a down payment on the future opportunity. We have $160 billion in deposit upside as our younger branches mature. These branches are in our existing run rate, but we see significant upside from here.

We have less than 5% branch share in 19 of the top 50 markets including 3 of the top 10; D.C., Boston and Philadelphia. These investments do create a temporary drag on our overhead ratio, but as Marianne mentioned last year are a coiled spring of operating leverage once mature. They are long term, but predictable.

We have a proven model to execute regardless of where we start. I'll take you through three markets where we've invested in new branches, which drove deposit share gains over time. First, in Los Angeles, where we had significant presence, but were punching below our weight in 2012. We built more than 100 new branches, fueling $86 billion in deposit growth and nearly 9 percentage points of share, which, as I mentioned earlier, earned us the number one spot for the first time last year.

Next, Atlanta, where we've gained almost 5 percentage points of share from a low base. We've accomplished this over a 10-year period because we had the patience to find the right locations to build 35 new branches and reposition our network to a more prominent real estate.

And finally, Boston, an expansion market we entered in late 2018 and have since invested in 42 new builds and are gaining traction. Our recent acquisition of First Republic will help increase our position in this market.

Looking ahead, as our branch investments in Boston and other expansion markets mature, we are confident that we can grow deposit share in line with or better than branch share over time. We have demonstrated our ability to grow organically and we are extending our proven model to introduce new branches and grow deposits across our network, where we start with a strong foundation with a world-class brand and a number one card franchise.

We often talk about the opportunity in Boston, D.C. and Philly because it's huge, but our opportunity extends to many more markets. We are expanding across cities like Minneapolis, Nashville and Charlotte, to name a few. So, how do we do it? Let's let the team tell you.

So you've met some of the leaders representing the hundreds of employees it takes to deliver over 100 branches each year. Our presence across our 48-state network and the opportunity in many markets gives us the privilege of patience to select the right real estate in the right location to serve the community. And while the value of these branches is clear, the role that they play continues to evolve. Customer adoption of self-serve and digital channels drove everyday branch transactions down by 25% and reduced our total head count in our legacy network by 10%, since 2019.

At the same time, about two-thirds of our customers visited a branch last year. This is consistent across generations, as they seek advice or help with more complex transactions. And our bankers now have more capacity and have become more effective in serving our customers' needs, driving a 20% increase in productivity relative to 2019. We have conviction that people need people and our branch team of experts is there to help.

Our team of experts model is distinctive and the results are hard to replicate. As you can see on the page, our bankers and branches drive direct production in each of our businesses. They also drive acquisition across channels and lines of business. For example, 6 times higher digital deposit production in mature markets. Branches also serve as an important talent pipeline across the firm. About 50% of both business relationship managers and wealth management advisors come from other branch roles. And these internal hires hit the ground running, given how well they know our unique culture and operating model. The aggregate value of this ecosystem is tremendous. Last year, our branches directly supported over $30 billion in CCB revenue.

Beyond CCB, as Jenn shared earlier, our branches serve as the storefront for JPMorgan Chase. We have a saying across our company, everybody benefits from the branches. Looking ahead, our goal remains having the right branches in more communities, serving the financial needs of our customers. We've already made great progress toward this goal. Since 2017, we've increased the share of U.S. consumers in our footprint from 60% to 80% at the market level. Banking is local and we have opportunities to serve more communities. So we are targeting covering 70% of the U.S. population within a 10-minute drive of our branches, up from 60% today, which means you will see us build more branches than we close, resulting in a modestly larger branch network over time.

As you saw in the video, our approach to expansion is deeply analytical. We are confident that each incremental branch will positively contribute to our bottom line. Our customers value being able to bank when and where they want, whether with a banker in the branch or in our digital channels. And we have embraced their preferences through significant investments in both. It's a local game and it's a long game and we have a proven model to drive profitable deposit growth over time.

With that, I'll pass it on to Ben to talk about Business Banking.

Ben Walter

Chief Executive Officer of Business Banking

Okay. Thanks, Jen. Good morning, everyone. Music still goes. Everyone loves a good small business story. And here at Chase, we're proud to partner with nearly 6 million small businesses. So, I am pleased to share our part in their stories. But before I get into the details of our own franchise, I'd like to say a few words about the health of the broader small business ecosystem. Now, as you likely know, a combination of government stimulus, changing employment dynamics and a wide range of other factors led to record business formation during the early days of the pandemic. Many thought that growth was temporary, but it's proven to have staying power – with starts today still well above pre-pandemic levels. There are now over 40 million small businesses in America, a new record high.

With respect to their health, the story looks largely like what Marianne shared in Consumer. Optimism is low by historic standards and unsurprisingly, inflation is the top concern among small business owners – it's hit them hard. But we see reason for a balanced view. Our clients' cash buffers remain elevated and they've so far largely been able to absorb the inflationary pressures. As a result, their delinquency rates, while they are normalizing, are still below typical levels. As in Consumer credit, we didn't expand our credit box during this period of benign losses, so we can continue to support our clients through the cycle. And we support those clients with the full breadth of our capabilities as a firm, allowing us to serve them well at any stage of their lifecycle. That often starts with our Consumer franchise, where many of our existing Consumer Banking customers come to us when they decide to start a business.

Now here in CCB, we're optimized to serve them until they hit the lower middle market, or about $20 million in revenue, after which they might transition to the Commercial Bank. For the next few minutes, I'll share how we serve our clients across Chase for Business, which is the umbrella brand for our Business Banking, Small Business Card and Small Business Payments offerings. These businesses are operating at scale and they're growing. We're the market leading primary bank, we're number two in Small Business Card spend and in a fragmented market, we're the number one Payment Services provider for our own Chase Business Banking clients.

Banking, which includes deposits, cash management and lending is the anchor for our small business relationships, so that's where I'll focus. But you'll hear next from Allison about our Card business, and later today from Takis about our broader Payments franchise. In Business Banking, the clients we serve are as diverse as the 40 million and growing small businesses in America. We serve the full range of sizes, industries, geographies and lifecycle stages.

We help these businesses start, run and grow, all under one roof. Two-thirds of our client base comes from the Consumer Bank, often starting from dollar one. Many of these clients grow with us over time. In fact about a third of our larger clients today were small just two years ago. And when these clients grow with us, they become large clients that we don't have to win from competitors. And when they grow past that $20 million revenue threshold, we can help transfer them into the Commercial Bank as their needs become more complex and bespoke. And we're winning across that entire ecosystem – as I said, we're the number one primary bank in the U.S. and we've grown our share of the market by over 300 basis points since 2012. This growth in primary bank share comes alongside tremendous growth in the business overall. Even with elevated business formation, we've captured more than our fair share and we grew our client base by 30% from the end of 2019 to the end of 2022 and nearly doubled deposits over that same time period.

And while many small businesses are beginning to spend down the cash buffers they built up during the pandemic, our deposit balances have stayed relatively stable into the first quarter of this year, driven by both new account growth and deposit inflows from broader market disruption, even before our recent acquisition of First Republic. These small business accounts have strong economics for the firm – they are high margin and they're sticky. Because most small business accounts are used to manage working capital, 80% of balances are held in non-interest bearing checking accounts and many of those deposits stay with us through the rate cycle because clients are using them to run their businesses. That's why that 80% has been fairly consistent over time – small business owners see the value of our operating account. They also drive operating leverage for us: average balances are three times higher for Business accounts than they are for Consumer accounts.

The key to unlocking all this economic value is becoming a business' primary bank. While many small businesses do maintain multiple business banking relationships, roughly two-thirds of our clients use us for their primary operating account. These clients have higher satisfaction, higher retention, higher balances, and they're more likely to deepen into other products. That's why growing primary share is our

North Star, and we have tried and tested strategy to do that. First, we offer a complete set of financial products and services for all small businesses. We build products that are transparent, simple to understand, tailored to our segments and integral to our clients' operations. And second, we engage customers through every available channel, whether digital or human. We work hard to make each channel independently best-in-class then we put them together to create integrated omni-channel experiences that are hard to replicate.

I'll walk you through both components, but I'll start with our products and services. On the banking side, we have a full suite of deposit and cash management products for clients of all sizes, and we continue to improve them. For example, later this year, we'll embed invoicing capabilities directly into our core account functionality so clients can collect revenue right from their banking experience. In credit, we offer a full suite of products to help customers access the capital they need to grow. Access to credit is a core business need that also benefits our deposit relationships. Clients who have both deposits and lending have four times higher balances and are ten points more likely to be primary with us than clients who have deposits alone, so we're innovating to make it even easier. We've modernized our credit engine and rebuilt our small dollar lending origination process to deliver a fast, digital experience that could be completed in as little as five minutes with funds available in as soon as 24 hours.

And finally, we offer financial products that are immediately adjacent to core banking needs. This includes our integrated Merchant Services business, as well as products like Everyday 401(k), which we offer in partnership with Wealth Management to help small business owners and their employees plan for retirement. In addition to these products, we're launching payroll embedded into the banking experience to make it easier for our customers to pay their valuable employees and it ingrains Chase even deeper into our clients' day-to-day operations. In short, our product suite is broad and deep, it evolves as our clients' needs change and our capabilities grow and it's designed to drive customer engagement and in turn, bank primacy.

The products are only half the equation, we also drive bank primacy by how we engage our clients. To be sure, engaging businesses is inherently more complex than engaging consumers, but our channel capabilities are up to the task and they put us at the center of our clients operations. 80% of our clients are digitally active, which has grown rapidly over the past few years and we're capitalizing on the channel through value added capabilities like making Credit Journey work for small business, and by leveraging our Connected Commerce ecosystem to deliver enhanced merchant offers.

Even as digital has grown, 80% of our clients visited a branch last year. Hundreds of thousands of our larger clients are assigned to our 2,300 Relationship Managers, and they have regular meetings to discuss their business goals and performance – proof positive that good advice never goes out of style. We plan to hire nearly 1,000 more Relationship Managers by 2025. Clients covered by a Relationship Manager have better than 95% retention, 10 points higher cross-product ownership and an NPS of over 70, breaking the record high satisfaction we told you about last year.

And while we deliver all of this at scale, we know that small business is ultimately local. That's why our Relationship Managers and our branches operate locally. They're active in their communities, engaging with our clients personally, focused on helping them achieve their business goals. When we combine the strength of our channels with our full service product suite, we earn the right to be our clients' primary bank and we drive attractive value for the firm.

We also drive value for the rest of CCB and indeed for the entire firm. By now, this wheel should look very familiar. Business Banking alone contributes to over 20% of CCB's deposit base, and when you include their personal resources as well, our clients hold nearly 40% of CCB deposits. Our client base is also a strong source of acquisitions for our Card business – we've grown our base of clients with both products by 50% since 2019, 20 points faster than our total client growth.

On the JPMorgan side of the house, our clients drive higher than average wallet share for the Private Bank, and as I highlighted earlier, every year, we transfer hundreds of our largest businesses to Commercial Banking. And similar to what you've heard from my colleagues, we get inbound benefits from the entire ecosystem in the form of lower cost acquisitions and attractive deepening opportunities. So that's Business Banking – a rapidly growing addressable market, industry leading market share, attractive unit economics and a strong right to win that leverages the power of the entire JPMC franchise, but delivers it at a local level. But don't take my word for it, let's hear from some of our own clients about why they choose to partner with Chase to support their businesses.

Products customers love, powerful digital tools and trusted expert advice, all delivered one client at a time – that's our superpower, and that's how we support America's small businesses as they grow. With that, I'll hand it over to my partner, Allison, to cover Card & Connected Commerce.

Allison Beer

Chief Executive Officer of Card Services and Connected Commerce

Thank you, Ben. Good morning, everyone. It's such a pleasure to be here to talk to you about Card and Connected Commerce. In our Card franchise, we continue to see strong momentum. Total active accounts are up 21% since 2019 to 52 million. And that's a result of two things record retention at 98% last year, as well as strong account production, up (sic) [over] 20% since 2019. And then, as you can see on the page, we also drove a 40% increase in card sales during that period. And while average balances for the year were $163 billion, we exited the first quarter of this year at $180 billion, up 18% year-over-year. Card revenue is roughly flat over the period driven by higher contra revenue associated with strong account growth and the pull back of revolve during the pandemic. However, we also continued to see low charge-offs. So risk adjusted revenue was $13.7 billion, up 19% since 2019, and we've grown pre-tax income by roughly 10% over the period. All of this leads to a business that's delivered over 30% ROE ex-LLR in each of the last four years. This year we expect this momentum to continue and our current outlook is double-digit revenue growth on higher balances and revolve normalization.

So turning to the overarching Card strategy, this should look familiar because it's been consistent for several years. We are focused on extending our lead in spend and lend share, delivering best in class products and better serving customer segments. Our goal here is to reach 20% share of outstandings in the medium term. And then once we have customers in our ecosystem, we drive more engagement with experiences that customers love and we'll talk more today about our two-sided platform and how we aim to deliver $30 billion in volume through Connected Commerce.

And then last, we create deeper relationships through best-in-class service across all of our points of interaction and here our goal is a Net Promoter Score of 70 for the business because happier customers lead to better business outcomes now and for the long-term. So let me break down each pillar. We deliver industry-leading credit card products that resonate across segments with spend engaged customers. We've launched or refreshed 24 products since 2019, including Ink Business Premier, which launched last year, three new co-brand partners and most recently our new cards with Amazon.

Keeping our products fresh and relevant enables us to stay ahead of the competition. It's also part of our risk management approach. When customers see the value in their product, they're more likely to pay their bill on time in order to keep using it. So we invest in lifestyle benefits and experiences that differentiate our products. We've already opened three of our proprietary airport lounges, including Boston last week, and have two more openings later this year with five more in the pipeline. Our products resonate across generations and we're doing particularly well with millennials and Gen Z. All of this product investment has led us to grow our market share in sales and outstandings in 2022 and to increase the gap to our nearest competition.

With all this success, you may be wondering, is there any more room for growth? And the answer is yes. There are three key segments where we have a unique competitive advantage and outsized opportunity for growth. In Starter, where there are more than 25 million consumers, here, we're doubling down on our real advantage, our consumer banking franchise and the associated deposit data. Later this year, you'll see that we're launching Freedom Rise, a product specifically targeted to this segment and key to that strategy will be distribution through our branch network. There are more than 40 million small businesses across the U.S. and as you heard from Ben, we're the number two card issuer in this segment. The number one competitor has roughly twice our share. So we have a real opportunity here to go after this segment with new products. Last year, as I said, we launched Ink Business Premier, and so far it's beating expectations by addressing the unique needs of larger small businesses.

Finally, in Affluent, there are more than 40 million consumers and we have relationships with many of them across the firm. But we have an opportunity here to grow wallet share with these high spending customers. We're investing heavily in unique assets across travel, dining and shopping to meet the needs of this segment. So I've just described how we focus on developing a best-in-class product lineup.

Now, I'll turn to card marketing. And here the focus is getting the right products into the right customers' hands and making our marketing dollars work harder for us to fuel our growth. So let's start by looking at how we ended 2022 versus the outlook we provided at last year's Investor Day. Total marketing spend on acquisitions was up $300 million from forecast due to strong customer demand for our products and a healthy market opportunity. 2019 was a strong year, but the investments that we've made in data, model refinement and a new acquisition platform made 2022 even better.

Looking at the bottom right hand side of the page, you can see that last year we generated 23% more new accounts than we did in 2019 compared to our forecast of 14%. We expect the 2022 vintage to perform at or better than prior projections across all key metrics, including revenue, which we expect to be at least 50% higher than the 2019 vintage. And all of this performance wasn't unique to that 2022 vintage. You can see on the top right hand side of the page that our investments in product benefits and rewards are driving increased engagement, spend and fee revenue across the entire portfolio. Looking ahead, we expect new account production to remain strong. And market dependent, we'll invest in strategic opportunities that add shareholder value.

So I've told you about how we've been highly successful at acquiring new accounts, now let me tell you about how we're becoming more efficient at bringing these consumers into the ecosystem and then servicing them once they're here. Owned channels like our branches, Chase.com and our mobile app drove 85% of our newly acquired branded card accounts in 2022 at materially lower cost for acquisition than through third-party channels. And we saw a 4-percentage point increase in accounts acquired with pre-qualified offers, which matters, because it leads to higher approval rates and a better customer experience. As a result of these and other efficiencies, we saw a 21% lift in new accounts and maintained consistent cost for acquisition even as we acquired higher revenue accounts. And we expect to maintain this efficiency going forward.

And once customers are in our ecosystem, we're getting more efficient at servicing them. As we've added more digital servicing features like instant dispute resolution, digital engagement is up 5 percentage points since 2019. And we've improved our fraud loss rates by leveraging AI and machine learning to provide our customers with a more seamless and secure payments experience. And all of this has resulted in a drop in our call-in rate over that same period.

So with all these customers in our ecosystem, now we're focused on driving engagement. And here's where our two-sided Connected Commerce platform comes into play. We're connecting two of our critical assets. On one side, it's our 63 million digitally active customers, and on the other side, relevant brands that our customers love. And we're connecting them in journeys that they're doing with us every day, like shopping and dining and travel.

Customers log into our digital channels more than 15 billion times a year, and we leverage that rich data we have on the customers to target them with personalized offers in those channels. And this rich data allows us to close the loop for our partners, so they can truly measure the performance of their investment on our platform and that's how the flywheel comes to life.

We also have core enablers like payments and lending solutions, so customers can borrow and spend in any way that they want, including through digital wallets and using point of sale installments. And when you add these together with the scale of our base, the breadth of our solutions and the richness of our data, we're connecting brands and customers in a way that no other company can. But don't take my word for it. Let's look at the platform and hear from our partners.

So as you just saw, travel is a big part of our strategy. In terms of performance, 2022 was a strong year. We're a top five leisure travel provider in the U.S., and we have lots of room for growth as one in four leisure travel dollars spent in the U.S. is spent on a Chase card. Last year, we saw roughly 40% more customers transacting on our platform, and this growth led to roughly $8 billion in travel sales. And it puts us on track to deliver $15 billion in 2025. And as we told you last year, our revenue margins in this business are roughly 10%.

Stepping back for a moment, our vision with Chase Travel is to create a high tech, high touch platform that connects our suppliers with our premium traveler base. With our acquisitions of cxLoyalty and Frosch, not only did we acquire the capabilities to win, but we welcomed to Chase world-class leadership teams that give us the knowledge and expertise necessary to succeed. These acquisitions are profitable today, excluding the upfront deal costs and are on track to pay back within six years, as expected.

And so now we're taking this winning travel playbook and we're using it to innovate on other high spend categories like shopping and dining. We leverage our rich data from customer behavior, and we analyze it to improve on customer experiences. Take, for example, shopping. In 2018, we launched Chase Offers, last year, we delivered 9 billion offers and generated $6 billion in spend for our partners. Given the success of this strategy, we made a small acquisition of a card-linked offers platform called Figg, last summer. This allows us to innovate on the customer experience and own the end to end economics, just as we do with travel. In dining, where we already had a strong value proposition on our cards, we took the opportunity to acquire leading restaurant recommendation engines, The Infatuation and Zagat and we're seeing strong momentum here.

We've already integrated direct restaurant booking functionality into The Infatuation, and we're on a path to deliver more for our consumers, including events they love, like eatscon. As we scale the Connected Commerce businesses, we expect to grow revenue to $2 billion in capital light recurring revenue for the firm in 2025. All of this comes together, though, to change the dynamic of what we provide to consumers and brands. And for our partners, we're driving far more value than just the ease, safety and security of the payments we provide.

But creating new ways for our payments (sic) [customers] to pay and borrow is essential to our ecommerce journey. Last year we drove $5.6 trillion in consumer and small business payments. We have more than 67 million payments-active customers, and over one-third of them are making a transaction at least once a day. Across the payments and lending landscape, we're innovating on customer experience from debit and credit to Zelle because at our scale we've learned that one size does not fit all. In order to serve our diverse customer base, we need an array of solutions. And when we launch them, they scale.

Take, for example, our credit card instalment solution, My Chase Plan, which launched during the pandemic. Last year, My Chase Plan originations scaled three times faster than outflows did to competitor buy now pay later solutions with our customers. And now we've started to roll out the ability for customers to split transactions on their debit cards into four equal payments. Its early days, but Chase Pay in 4 is exceeding our expectations. We're on our way to bring our instalment solutions to the point-of-sale, starting with some of our best customers (sic) [partners] and we're partnering with Early Warning Systems to launch Paze, a new online point-of-sale wallet and we will load it with eligible debit and credit cards so our customers can avoid manual card entry. We're so focused on payments because highly engaged payments customers are more satisfied and have deeper relationships.

But all of this ladders up to what's most important, customer satisfaction. Every year, our cards are recognized with dozens of accolades and you can see a few of them on this page. But our most important feedback comes from our customers. We receive millions of survey responses every year and use advanced analytics and machine learning to process that feedback to improve customer experience. That feedback loop has led us to make some meaningful enhancements, including new tools like our digital chatbots and improvements in our servicing policies. This shows in the satisfaction we've made with some of our target segments. So while our NPS for the business today is very strong, every investment we're making will be critical to our ambition of pushing our NPS even higher to 70 for every product in every segment, which matters because more satisfied customers are good for the bottom line. They spend more and they attrite less. And this page is why we're so confident in our investments, because being part of the JPMorgan Chase ecosystem gives us an unmatched advantage over other issuers.

Card brings in roughly 50% of the new-to-Chase customers. And then they quickly learn that Chase is a one stop shop for all their financial needs. They open Consumer Bank accounts. They deepen into the Business Bank. They deepen into Wealth Management. And the flip side is true as well. Those deposit franchises provide essential data to help us approve more customers for our cards, and they're an efficient means of distribution. Card also benefits from our rich client relationships across the firm, particularly as we build out our Connected Commerce platform.

So before I hand it off to Jenn and Marianne to give you an update on First Republic, let me summarize what you've heard today, because I know it's been a lot. First, Jenn told you about the overall strategy for CCB, which should feel familiar as it's been consistent year-over-year, and of our strong financial performance. Marianne took you through our investments, credit outlook and return expectations for CCB, and despite near-term uncertainty, we're well positioned for any weather.

Then you heard from Jenn and Ben on what we're doing to drive primary bank relationships with our consumers and small businesses and the power of our branch network. Ultimately, our strategy is simple and compelling. The scale of our relationships, the strength and diversification of our businesses, our operational excellence and our unmatched investment capacity enables us to be a market leader today. But we don't take our position for granted. Obsessing over customer continues to be the North Star and will enable us to be a market leader for years to come. Thank you.

And with that, I'll hand it over to Jenn and Marianne.

Marianne Lake
Co-CEO of Consumer & Community Banking

Okay. We are in the homestretch, I promise you. As you may imagine, we didn't come into this year with acquisition plans for the business, but given the circumstances we stepped up. And the acquisition of First Republic happened over a weekend. And as prepared as we were, we have learned a lot over the last several weeks, about the many strengths of their model, including their commitment to extraordinary customer service.

No question, First Republic clients love their bankers and they love the model. But it doesn't stop there. The front line producers, which includes Relationship Managers, Business Bankers, Preferred Bankers, as well as the Wealth Managers feel empowered to deliver holistic balance sheet solutions. The majority of their business is self-sourced, delivering deep multi product client relationships that are owned by their banker for life. The service model leverages an integrated team of experts, is high touch and white glove. And now there's even more to love, as First Republic clients will have access to the full power of JPMorgan Chase and the strength of the whole franchise. Our fortress balance sheet, capital and liquidity, access to industry leading research and proprietary investment strategies, our data and AI capabilities, the industry leading digital app as well as the convenience of access – over time – to 4,800 branches and over 15,000 ATMs nationwide.

But, stepping back at its core, this operating and service delivery model is more consistent than different to ours. You will have heard us say publicly that we too put the client at the center of everything that we do. We offer a complete set of industry leading products and services, and we strive to serve customers seamlessly with excellence across their whole relationship.

We continue to be very optimistic that this acquisition will help us to accelerate our affluent strategy. But integrations are hard, and it's critical that we do this in a way that feels natural and sustainable and ultimately scalable and we don't have this fully figured out yet. But right now we do have three priority jobs: to treat the nearly 7,000 employees with respect, honesty and transparency, giving them clarity on the path forward, to stabilize the business and earn back clients – and if our First Republic clients are listening, we are open for business and we're very excited to serve you, and to ensure that we're operating with discipline, conforming credit approvals, risk policies and pricing, all of which is well underway.

So just a moment then on the $100 billion mortgage portfolio that we acquired within CCB. Putting the ongoing business opportunity to one side for a moment, these are very high quality assets. Most are straight down our fairway prime consumer jumbo mortgages, well within our risk appetite. You can see the portfolio risk metrics on the page and when taken together with the FDIC's loss sharing agreement and associated capital treatment, this is a profitable and accretive portfolio for the business and for the firm.

So with that, I'm going to hand over to Jenn to pick up on Wealth Management.

Jennifer Piepszak
Co-CEO of Consumer & Community Banking

Thank you. We're definitely breaking records today from the number of times we say Wealth Management. So first, I'll provide some context on our existing Wealth Management franchise so you can better understand where First Republic fits in. I talked to you last year about our strategy in CCB, and we have since continued to scale our full service model while launching a new remote advice channel. Within full service, we have Chase Wealth Management, which is predominantly branch based, along with JPMorgan Advisors who operate in more of a traditional wirehouse model. And as you well know, we have the Private Bank, which Mary will talk about later.
Our complete set of offerings allows us to serve clients across the wealth continuum in their model of choice. First Republic's Private Wealth Management business is most similar to the J.P. Morgan Advisors model. And as you can see, adding about 200 advisors and $200 billion in assets represents a meaningful acceleration of our Wealth Management business in CCB.

Beyond Wealth Management, First Republic's preferred banking offices – or branches – can help scale our branch segmentation strategy. I shared one example of this segmentation last year, which is our community center branches in underserved neighborhoods. Similarly, we're leveraging this playbook to design private client centers to better serve the affluent segment.

On the surface, First Republic's branch network overlaps with ours and is small in scale, but they have premium locations in markets that cover 50% of our wealth balances. We plan to leverage this real estate along with First Republic's unique branch format and operating model to better serve our affluent clients.

And as Marianne told you, we have long admired First Republic's culture of client service, and their model is complementary to ours. So we look forward to incorporating the best of First Republic into our franchise, including their cookies, which will be served at the break, which I'm sure you're all desperate for at this point. So at least you have cookies to look forward to.

Okay. So just to close out, I'll reiterate our overall outlook. We remain optimistic about the long-term, but we're not immune to the near-term challenges. And while our central case is for a mild recession, we are prepared for a range of outcomes. Having said that, in any economic scenario, our diversification will provide support to our relative financial performance and our scale will allow us to continue to invest in opportunities for the long-term. And with that, we'll open it up for Q&A.

QUESTION AND ANSWER SECTION

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

All right. We're running a few minutes behind, but we have time for a couple of questions before we get those cookies. Gerard?

Gerard Cassidy
Analyst, RBC Capital Markets LLC

Q

Thank you, Mikael. Good morning, Jenn, you and Jen Roberts talked about the opportunities of growth from cross-selling. Can you tell us what areas, is it the transaction accounts, is it Wealth Management, credit cards, where do you see the best opportunities for that going forward? And where has been the best success in the past of getting that multi-line connection to your customer?

Jennifer Piepszak
Co-CEO of Consumer & Community Banking

A

Sure. Thanks. So I would say that broadly speaking, it is in the affluent segment and then across our lines of business. But I would also add small business to it and Ben covered that well. But in terms of the affluent segment, we have relationships across Card and the Consumer Bank with nearly half of the affluent households in the U.S., and yet we have a low share of wallet. So frankly, we have an opportunity even within the Consumer Bank, but certainly have an opportunity to deepen from the Consumer Bank into Card and Wealth Management.

Marianne Lake
Co-CEO of Consumer & Community Banking

A

And, Gerard, just the way we think about it is that the Consumer Bank and Card they bring in – approximately each of them bring in half of the net new customers to the franchise. They deepen first and foremost across those businesses, including, as we said, small business. And then Mark O'Donovan is there to help support the D&I by being available to provide mortgages, even in this environment. So it's everything.

Jennifer Piepszak
Co-CEO of Consumer & Community Banking

A

And I would say broadly for the segmentation strategy, we've talked about it in the past – we call it the barbell. We're relatively under-penetrated in starters and low mass. And while we have good penetration with affluent, we have low share of wallet. So those are two real opportunities on segmentation.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Ebrahim Poonawala up here.

Ebrahim H. Poonawala
Analyst, Bank of America Merrill Lynch

Q

Thank you. Just a question. Ben spent a lot of time on small business and there has been a lot of discussion around pressure on regional banks. Big banks may not be able to serve the needs of the small business. Just talk to us in terms of one, do you agree with that, that there are certain things that the big banks can't do? And if not, is that an opportunity, as you think about leaning in over the next few years?

Jennifer Piepszak
Co-CEO of Consumer & Community Banking

A

So I would say that there is absolutely – our economy needs banks of all sizes and there are things that smaller and regional banks can do that we can't necessarily do. They serve the customer base differently. But that doesn't mean that that isn't also a tremendous opportunity for us at the local level, which is how we deliver everything we do for small businesses.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Scott Siefers back there.

Scott Siefers
Analyst, Piper Sandler & Co.

Q

I know it's still pretty early days, but with regard to First Republic, how has the stabilization of the customer base and employee base been? And what are maybe the top one, two or three things that you are doing to stabilize and ultimately grow them?

Jennifer Piepszak
Co-CEO of Consumer & Community Banking

A

Sure. Yeah.

Marianne Lake
Co-CEO of Consumer & Community Banking

A

Yeah. So I will say that while it is early days, I think we are in week three. We have seen stabilization of clients and deposits. In fact, since the acquisition we've actually seen a small net inflow of deposits and that's something we're very focused on both of those two things – stabilizing and winning back the client and their business.

With respect to the employees, this is a big week for us. We're working through the forward-looking operating model and we've committed to the employees that all of them will get clarity on their status and the path forward within 30 days of the acquisition. So we're a week away from that deadline and we intend to meet it and it involves us understanding beyond Wealth Management – we're very excited about that – but I talked about the Relationship Managers, the Business Bankers, the Preferred Bankers, the client service specialists, and all of them serve clients and many of them are the quarterbacks for clients. And so we're working on how to bring them into our businesses in a way that feels natural but preserves the best of what they do, where they do have a teamified group of experts. And so we're in the last throes of putting all of that together. But we think there's an opportunity across the businesses to accelerate our wealth strategy.

Jennifer Piepszak
Co-CEO of Consumer & Community Banking

A

And then I'll just add on the branches, we've already looked at – they have 84 branches. We've looked at every single one of them. There will be some small amount that we think we can close in the shorter term, because of their proximity to other First Republic branches. But it's important to note that then the majority will remain First Republic branches until we're able to convert the back-end. Because we have to wait until we can convert the back-end. And then from there over time, they would be in three cohorts – ones where we think we can close because we have a Chase branch in proximity, others that may be a better location or a better footprint that will become Chase branches and then, as we've talked about we're excited about the opportunity to create private client centers with some of their branches as well.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Mike, go ahead.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

Yeah, in terms of 650 new branches over the last five years, this kind of love affair with branches, I mean that's equal to the total number of branches of almost Zions and Capital One combined. So what – do you have a special secret sauce? Is it your franchise? Do you think you execute better or are you willing to take more investment risk? I mean – because this seems contrary to a lot of the industry? Thanks.

Jennifer Piepszak
Co-CEO of Consumer & Community Banking

A

I think it's all of the above....

Marianne Lake
Co-CEO of Consumer & Community Banking

A

All of the above.

Jennifer Piepszak
Co-CEO of Consumer & Community Banking

A

...Mike for sure. And then I would just note that we have 500 fewer branches than we had in 2017 and yet we are in 25 states that we were not in 2017. So it is a love affair with branches just to be totally clear. But that doesn't mean that we can't optimize the footprint over time. And as Jen said, we do expect that over time given our opportunities that you may see a small increase in the branch footprint, but it's important to note that we don't have to have the same density that we once had to have to be able to reach more customers. That's why this point about our branches reaching 30% more customers is so important, because when you have the complement of digital with our branch network, you don't have to have that same density. And so we can reach more customers over time with the complement of both.

And the way that like we're going to continue to – I mean, retail banking is local. It is still absolutely local. And as Jen said, people need people. And so when you look at the opportunities at the market level, we just have, as Jen already said, tremendous opportunity. We're only number one in 11 of the top 50. In the top 125 markets, there are 59 unique competitors that are number one or number two. And so we do think that we have a special sauce to be able to do what we do at the scale that we do it. But it is a local game, and we respect and compete with a number of different banks that are small and regional and large.

Marianne Lake
Co-CEO of Consumer & Community Banking

A

And then just to add to that, there's a couple of fun facts. I said that we have conviction that it is in part – or in large part – that our branch strategy has contributed to our deposit market share outperformance. And if you look at our outperformance relative to the number two, it happens to be the same as the share that's been delivered by our new branches. And so, you know, there is real like analytical proof that it is driving outperformance. We're also outperforming in our legacy footprint also. And while it may not be unique to us, we have complete conviction about the value that branches deliver to all of our businesses and all of our products. So 50% (sic) [~25%] of our branded cards are delivered through the branches, 75% (sic) [~50%] of mortgage referrals. When we do a mortgage, it lifts D&I. I'm sure that it's not true just for us, but certainly we have complete conviction about it and we measure it. I think Jen said that the branches support $30 billion of our revenue and we believe that.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Okay. We'll take one last question from Betsy Graseck up here..

Betsy L. Graseck
Analyst, Morgan Stanley & Co. LLC

Q

Hi. Thanks. Just to double click on that a little bit, two points. One is I'm sure you've analyzed it. What do you think your organic deposit growth rate is excluding branches? And then could you speak a little bit to deposit pricing strategy? Thanks.

Jennifer Piepszak
Co-CEO of Consumer & Community Banking

A

Sure. So on – over the next few years and Marianne said it that like putting First Republic to one side, we do think between 2023 and 2024 that we'll kind of consider the recent trends and see deposit balances be slightly down. But of course, with First Republic, way too early to call it, but that could be closer to flat or slightly up.

And then in terms of deposit reprice, it's important to remember that like there's two components to it. There's the migration to higher yielding products – CDs, wealth management, just say CDs for now. And then there's the product level reprice or savings reprice. And so when you think about the migration and CD pricing, that is an economic decision and we can capture that money in motion profitably because you don't have a back book that you're repricing and you attract net new money, and so we've been able to do that. And that migration will continue. If you go back to 2007, the last like real rate cycle, we were at north of 30%. In fact, Marianne remembered this from her 2015 Investor Day...

Marianne Lake
Co-CEO of Consumer & Community Banking

A

Morgan Stanley 2015.

Jennifer Piepszak
Co-CEO of Consumer & Community Banking

A

Oh! it was Morgan Stanley, that's right. So 2015 we were at 30% CD mix. Today we're at 6% CD mix. So that migration will continue to happen over time in any rate cycle. And then the savings reprice, as I said, we have a modest savings reprice assumption in our outlook, but it's not clear that that's going to be necessary, given the fact that we have proven that we have the products available for our yield seeking customers. And we've been able to satisfy them between CDs and other wealth management products.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Okay. We'll take a break here. Thank you.

Marianne Lake
Co-CEO of Consumer & Community Banking

Thank you.

Jennifer Piepszak
Co-CEO of Consumer & Community Banking

Thank you.

Operator: We will now take a short break.

MANAGEMENT DISCUSSION SECTION

Operator: Please take your seats. Our program is about to begin. Welcome to the stage, Daniel Pinto.

Daniel Pinto

President & Chief Operating Officer, JPMorgan Chase & Co. and Chief Executive Officer of the Corporate & Investment Bank

So welcome back. So I hope you enjoyed the cookies. You will need the sugar to take the next 90 minutes. So, let's go. So this year, I have three of my colleagues that they're going to join me. So Takis Georgakopoulos, the Head of Global Payments, J.P. Morgan Payments and Vis Raghavan and Jim Casey, who run Investment & Corporate Banking. Jim and Vis have replaced Carlos, the previous person who was in that job – because he retired in March this year.

So I will start with an overview of the Corporate & Investment Bank and with some reference to the four lines of business. And then last year we focused in – in the deep dives in Markets and Payments. We are bringing Payments again because an area where a lot of progress and a lot of cool things happening there. And we are going to get Jim and Vis talking about the Investment Banking business.

So, despite all the challenges, the Corporate & Investment Bank continues to perform very strongly, $48 billion of revenues last year, 10% market share, number one Corporate and Investment Bank in the world. So our four lines of business are performing very strongly over time. So Investment Banking, $6.9 billion of revenues (sic) [fees] last year, 7.9% market share. We will talk a lot more about that but it was a massive compression of the wallet that went all the way from $133 billion, the wallet in the industry to $78 billion that it was the level of 2019. Markets, $29 billion; number one, 11.6% market share. Payments, $7.6 billion in revenues in the Corporate & Investment Bank, and $14 billion in revenues across the company; also ranked number one. And Securities Services, $4.5 billion, so it's the third consecutive year of record reported revenues in Securities Services, 10.5% market share and number three position.

So our strategy is being consistent and aligned with the strategy of the company to be complete, to be global, diversified and operate at scale and is very important in this business that we continue to grow this way.

So since 2017, the performance has been strong. And we have the increase in the wallet, but also increase in capital and a small reduction in the wallet from 2021 to 2022. We were very well positioned to capture the share growth and the wallet growth in 2020 and 2021 where we got the benefit of substantial increase. The wallet went from $375 billion (sic) [$431 billion] in the industry to $431 billion (sic) [$456 billion]. And we not only captured that, we also increased our market share in the following two years, at 120 basis points. Last year, we have a small decline in market share but is still substantially above the levels of 2019. So capital has gone up from $83 billion to $103 billion in 2022 and $108 billion, is not in the page, $108 billion this year. The increase is roughly split between change in regulatory capital, which is essentially the first half, which is essentially to have more capital to do exactly the same that we were doing. And the other half is growth. So that's why it created a lower return on equity of 14%. So the increase of regulatory capital that was half of the increase. So that is more than 200 basis points of return on equity. Clearly, we are very focused and well trained to optimize capital and RWA, and we will do that in – during the years to go back to our target levels of returns.

So this page has the data that is a combination from Coalition and Dealogic and as we showed some version of this in the past. It's the 25 sub-lines of business across the Corporate & Investment Bank. So, in 14 of those, we are number one. In 10, we are top 3 and there is one where we are not in top 3, which is trade finance and that is essentially by design. So there are pieces of trade finance that they are very profitable and we are focused in growing that business and then they are very, very low return-type business. And we have made progress across all the regions. Americas, EMEA, both number ones and number three in Asia Pacific.

So digging down a bit more on market share starting from the left of the page, so Investment Banking, from 2017 to last year, we have for the first time, seen a small reduction in market share and that was driven by the compression of the wallet for sure, but also that wallet was over-indexed on mergers and acquisitions; 47% of the wallet that was M&A, normal is around 30% and very low activities in capital markets. That is our main strength, both equity and debt capital markets.

Markets, 100 basis points increase in market share over this five-year period. Payments, moved market share from 5.6% to 8.4%, 280 basis points increase. And Securities Services, 80 basis points increase. We have made progress in all three regions and increased market shares across all.

On the right-hand side of the page, so you see the – our market share, as it compare with the average of the top four competitors. In 2017, our market share was 8.6%, 340 basis points, ahead of that competitor average and that equivalent number (sic) [in 2022] was 380% (sic) [380 basis points] for a market share of 10%, so the gap has widened.

So now on expenses. We've been very disciplined and the increase in expenses a lot has to do with two things; wages, related to inflation and investments. From 2021 to 2022, expenses grew $1.9 billion, and here are the components. So – volume- and revenue-related has gone down by $200 million and that is a combination of two numbers. So first, higher transaction-related costs has gone up. But then, IC, incentive compensation, has gone down substantially to compensate for lower performance and that brings the number even lower. Structural $1.5

billion, the highest components of that is first is wage increases because of inflation, regulatory surcharges and the normalization of travel and entertainment as we are exiting COVID. So, between 2022 to 2023, expenses will go up around according to this page, about $600 million, of which Structural is about $400 million. The main drivers this year are wage inflation, higher regulatory surcharges, the run rate of recent acquisitions and increased spend on technology investments. Volume- and revenue-related that at the moment is relatively flat to last year. So it will depend on how the markets evolve. So, we will see how it goes.

So, the strength of our franchise is enhanced by our ability to serve clients across businesses. So, first and foremost, we take a client-centric lens on our relationship with our clients with deployed capital to our clients, which is measured primarily at the relationship level. Second, we have a very large range of products that touches our clients everywhere. So essentially that give us a possibility to have a constant dialogue with our clients. So therefore, when an episodic deal happens, our probability to win that deal is a little higher. And third, a complete growth offering that allow us to serve our clients holistically regardless of where they are in the world or what their needs are.

On the right-hand side of the page, we are representing here, how important it is to deepen the relationship with our clients. If you consider the top 500 corporations that are clients of ours, 80% of those, they do business either with three or four of our four LOBs. And in financial institutions and public sector, 75% do that. And what you see right underneath, it shows how the multiplier in revenue effect that you have by deepening those relationships.

And then, when we look at our footprint and if we – and we are constantly working on this, we think that at least a couple of billion dollars of extra revenues that we can achieve by deepening the relationship with our clients. So I will spend a bit of time in Markets and Securities Services, that they are two business that we are not going to deep dive into today. So Markets is the top ranked franchise in the world. So we're number one in FICC, in Equities and in Research, $29 billion of revenues, 11.6% market share, revenues have increased in the last five years by 57%.

When you see in the bottom left of the page, you will see that a substantial portion of our big institutional clients, they are clients of multi-lines of business in the Commercial Bank (sic) [Corporate and Investment Bank]. We've also been expanding over the years in making sure that our offering is global. So therefore, we are number one in the Americas, we are tied number one in EMEA and number one in Asia-Pacific, so we have a very complete global franchise. And then, when you think about how the market is evolving, voice or electronic, they are both growing; but voice is growing at 7%, electronic is growing at 12%, so this is a great business.

And we will deep dive now into a bit more detail. So in Equities, Equities revenue last year was $10.4 billion. The business grew from 2017 by more than 80% and the market share increased by 280% (sic) [280 basis points] in the same period. We have made great strides and we have gained market share in all four equity products and we have closed the gap that we used to have in Cash Equities and in Prime Brokerage. Also, we had regional gaps that we also invested in and now closed. So essentially, now we have a full set of products that they can deliver globally at a scale to our clients.

Fixed Income reported $18.6 billion in income and revenue (sic) [$18.6 billion in revenue]. We remain the number one industry leader in fixed income and we have been for a long period of time. But there was some normalization of market share following the pandemic. This was driven by a variety of factors. So first, last year, there were some structural changes to the wallet in Fixed Income. That means that essentially the market was over-indexed or the wallet was over-indexed in commodities, particularly physical commodities and under-indexed in credit products and SPG. And essentially our business model is exactly the opposite of that. So essentially, we did suffer for this twist in the wallet.

The second thing is, as the wallet increased, some of the European banks came back to the scene and became more competitive. And they also took a bit of market share from us and everyone else. And there are some issues that are a bit more specific to us. It's very important for us when we talk about capital to constantly optimize our capital deployment. And there were – and there are certain clients or certain products where we need to optimize but optimize since we are doing the right thing to produce better returns, but at the same time, we may hit the topline a bit and this happened last year. And alas, and important is we have few areas – a couple of areas of underperformance that we are actively addressing. After all that, there are nine businesses within Fixed Income. We are number one in five of them and we are top three in the other four (sic) [per Coalition]. So this is a very, very strong franchise that has a bit of loss of market share, but we are very focused in recovering it.

So in this page so starting from the left, you see the increase in wallet from the average of 2017 to 2019 to the average of 2020 and 2022. So this year, we are expecting a small slowdown in the wallet, like 4%. On the center of the page, this was our main thesis to invest in Markets, and it was about that the wallet on this industry will consolidate towards the bigger players and it is happening. When you look at the center of the page, the top five players on average from 2017 to 2019, they have 40.4% market share and the same group from 2020 to 2022, they have 44% (sic) [44.1%] market share. So the trend of consolidation of the wallet that we've been discussing over the years still continues and is a profitable business, at our scale. So we comfortably cross the cost of capital on a marginal basis for sure, but also on a fully loaded basis.

So to strengthen our number one position, we remain focused for the whole Markets business in three strategic priorities in order to capture market share and opportunity for the future. The first is we want to be and we are a complete counterparty. As the clients' needs evolve, we are investing to evolve with them by launching new products and assessing opportunities to optimize the utilization of capital and the deployment of capital to them. Second, we want to be differentiated and we are across the trade cycle. So from having best in class execution to pre-trade services, which is essentially a great research organization that provides great content, but Marc and the team they are investing in making that content available in a way that is easy for our clients to use and then post-trade goes all the way from post-trade analytics to middle to back office and all the way to custody, we have best in class services.

So, the third is being at the forefront of the secular changes. So as the clients are consolidating their wallet into the top dealers, the same is happening with our clients. So the big asset managers, our big clients, they are also becoming bigger and bigger. So therefore, we need to constantly adjust our business model to serve the needs of bigger and bigger clients as time goes by. Electrification is a trend that we embraced from the very beginning and we are seeing the benefit of it.

Market structure, this is very important to us. We want a market that is functioning, liquid and we want a market that is competitive. So, we want to incentivize the market– with our views to have a market that doesn't create monopolies anywhere. Private markets, a massive area for growth. These markets are growing two, three times faster than public markets. And the opportunity is not just primary, and it is across both equities and credit. At some point as this asset class becomes bigger and bigger, we will have to find ways to provide liquidity to our clients on that and we see this as an opportunity. So, all this allows us to continue to engage with our clients and continue to grow our business.

Now on to Securities Services. So, the Securities Services business is strategic for us and we've been investing heavily in it and we've been growing it quite well. It provides critical services to our institutional investor clients. The top 100 (sic) [200] clients of Securities Services, they are also clients of Markets and Investment Banking. And it generates predictable stream of revenues and is quite capital light. It provides a stable base of operating deposits to our company. So for 2022, it was the third consecutive year of revenues – record revenues mainly driven by NII offset by headwinds in the valuation of assets under custody that has gone down in 2022, so there has an effect in this business and others and an ongoing competition and fee compression that we're seeing.

Since 2017, revenue for this business has gone up by 17% overall, fees are up by 23% and our market share, as I mentioned, is up by 80 basis points. This is a business where scale does matter and we have it and we've been investing in technology and in improving our operating model to unwind and get those efficiencies.

So we will move to the next page, it will give you a bit of a representation on that on the left hand side. In Custody and this over a period of five years, our market share has gone up and our cost per trade has gone down by 26%. So traditional fund services, we calculate 25 (sic) [25 thousand] NAVs per day. Our market share has gone up by 440 basis points and the cost to calculate those NAVs in the same period has gone down by 16%. Trading Services, market share has gone up by 640 basis points in that period and the cost per trade has gone down by 84%.

So it tells you how important scale is in this business but we're also been investing for growth aligned with our emerging needs of our clients. For example, in ETFs, there were assets under administration that we have in ETFs has quadrupled in the last five years and we are the number two top player. Alternatives, we more than doubled the assets under administration with great capabilities and solutions across private markets and public markets.

In middle office, we have deployed a very scalable platform that is taking advantage and leveraging other parts of CIB technology, that has been great for this business and allow us to win many new mandates to deepen the relationship with existing clients and this business in itself has gone up in revenues (sic) [assets under administration] by 34% in that period and we have a very, very strong pipeline of deals to execute.

Lastly, let's talk for a second of our Fusion. Fusion is our data platform for clients. Essentially, the problem that we are trying to solve is an obvious problem, but very challenging. Which is clients and ourselves, they have data all over the place and all that data that is not standardized, what Fusion is trying to do is bring all that data together and standardize and make it usable to those clients in order to improve their alpha in their investments or drive efficiencies and run better analytics. So the platform – Teresa has been working on this for a period of time. The platform is up and running, still not complete and we have some cases we are working with our clients mainly in ESG related solutions.

Now just a couple of seconds on the last two businesses that we are going to deep dive in a second. So in Investment Banking, last year, as I said, it was a tough year. Their wallet went from $133 billion to $78 billion and with an over-index in M&A. So it's a great franchise that we have. We are the number one investment banking business in the world, we are number one in North America, in EMEA. We are top two in Latin America and number three in Asia Pacific.

Over the long-term, I think that the wallet will normalize and our view is that wallet will normalize in the range between what it was in 2019 and what it was in 2020, that means approximately between $80 billion and $95 billion. This year because of the uncertainty, number one in the economy; and number two, the fact that a lot of M&A transactions are having far higher regulatory scrutiny than we have seen in the past, is very likely. We don't know, but the wallet will contract probably a bit further, so in the neighborhood of probably $70 billion for this year. So Payments you will hear a lot from Takis. This is a great franchise, is growing. We have a great Treasury Services business with top performance all across and we have a lot of opportunities in the Merchant Acquiring part of the business.

We have client areas where we can grow. Corporates outside the United States, there is still more growth. Even though we are the biggest in financial institutions, there is more growth coming there. And in all the e-commerce ecosystem, big and small, there are plenty of opportunities that I am sure you will hear from Takis. So, I will stop here. I will come back at the end to close and to the Q&A. And now please Jim and Vis, it's your time. So thank you.

Operator: Welcome to the stage Vis Raghavan, Co-Head of Global Investment & Corporate Banking, EMEA-CEO.

Vis Raghavan

Co-Head of Global Investment & Corporate Banking and Chief Executive Officer of Europe, Middle East and Africa

As you can see we can choose our music jingle as well. So. Good morning everyone. I'm Vis Raghavan. My partner Jim Casey and I Co-Head Global Investment & Corporate Banking. We're going to cover four topics with you today; the evolution of the Investment Banking wallet and landscape, the continued strong performance of JPMorgan's Investment Banking business, our differentiated strengths that position us for future growth, and finally, our strategic focus areas and how we are progressing in each of them.

A great deal has changed in the market since February 2020, when we last gave an update on Investment Banking to this group. So I'll start there. In 2020 and 2021, when the pandemic was at its peak, you saw a boom in Investment Banking activity, a deluge of money on the back of central bank stimulus, a benign yield curve meant there was action in pretty much every (sic) [action] asset class, SPACs, IPOs, leveraged buyouts, you saw financial sponsors active and mergers and acquisitions, all benefiting from this abundant liquidity. The result, $133 billion in fees in 2021, an all-time record.

Come forward to 2022, the conditions reversed. Geopolitical uncertainty around Russia and China, you saw supply chain concerns feed the market and then above all inflation, return of the yield curve. And basically, more importantly, you saw a cautious tone in investor sentiment that effectively switched from growth to value and crimped risk appetite. So the 2022 wallet dropped to $78 billion, close to the pre-2020 run rate. And a lot of investors and issuers withdrew from the market in the face of pricing uncertainty, a heightened volatility and declining valuations. That shift in investor sentiment effectively saw capital markets activity effectively shrink and you can see that's been kind of almost near instantaneous.

New M&A announcements also slowed. However, the 2022 wallet decline in M&A was less pronounced because of the lag effect in mergers and acquisitions between announcement to closing. So 2022 benefited to an effect from 2021 announcements and as a result, what you saw was a very unusual mix that overweighted M&A at 47% versus 31% or thereabouts historically and underweighted equity capital markets and debt capital markets. The start to 2023 has been sluggish, more like the last quarter of 2022. The 2023 first quarter wallet at $16 billion is down approximately 15% from the 2012 to 2019 first quarter average. The April wallet at $4 billion was the lowest monthly wallet in the last decade.

We are seeing some normalization in product mix, though. So capital markets activity is slowly coming back. We've seen a few IPOs globally, pretty much in every region and also, you're seeing leveraged finance deals and high grade bond deals slowly come back with the market emphasizing earnings power and value over growth. New M&A announcements, though, have had the slowest start in over a decade, with volumes down 46% compared to last year.

From a regional perspective, the wallet mix has been pretty consistent over the last decade. North America is the key market, accounting for around 50% of the overall wallet. And then you have EMEA at around a quarter and then the rest of the world at a quarter. Within APAC, China has been a growth engine for ECM and M&A for quite some time and accounts for roughly 50% of the overall Asia-Pacific wallet. While the relevance of this wallet has not diminished, what we have seen with the recent geopolitics around China is more of an inward focus, which means capital raisings, including equity issuance, has shifted towards domestic listings, which are typically executed by the local banks.

Looking ahead, there's plenty of fuel to support transactions once the investor confidence returns. In private markets, financial sponsors have significant dry powder. At the close of 2022, global private equity and venture capital funds had dry powder of approximately $2 trillion, which is 1.4 times more than the average of the prior five years. In private capital, equity private placements have more than tripled since 2017, reaching $700 billion at the end of 2022 and over the same time, private credit markets have doubled in size, reaching $1.4 trillion. So there's plenty of fire power out there.

In parallel, corporates are also positioned to drive activity. Corporate balance sheets are still strong. At the end of last year, cash balances of U.S. corporates were 30% higher than the pre-pandemic three-year average, while leverage levels at corporates have remained relatively flat. This should support corporate M&A and that is discretionary, but there is another aspect which is quite relevant. On the debt side, over the next three years, there's a wall of debt set to mature. And Daniel alluded to it in the – earlier in the presentation. There's approximately $4 trillion of corporate debt and $2 trillion of sovereign debt, which is set to mature between 2024 to 2026, which will necessitate refinancing.

However, for now, geopolitical tensions, inflation and recessionary concerns, rising interest rates, valuation uncertainty continue to stymie activity. Although the markets have been highly volatile, our business is strong. We've maintained our leadership position and we are well positioned to capture growth once the market wallet takes off.

We are the preeminent Investment Bank and have been ranked number one in IB fees globally for the past 14 years. Jim and I were just discussing earlier, next year we too will come with a nice video to kind of showcase our story. But in 2020 and 2021, as the industry wallet rebased higher, we were well positioned to capture the outsized share of growth and in 2021, we achieved an all time share, as you can see, of 9.3%.

In 2022, all global investment banks lost share. This was due to two main reasons. First, the localization of China's ECM wallet, given the shift towards domestic issuance, which I mentioned earlier. And second, market share gains by boutiques. Boutiques have an M&A centric model and benefited from the 2022 structural shift in wallet mix, that over-indexed M&A that I described earlier. That said, the top five boutiques collectively remain smaller than us.

On products, we also have a leadership position. We are the number one in DCM and have consistently held that position for the past decade. In leverage loans, we've also been number one for the decade. In high yield bonds, we've been number one for 14 years and in high grade bonds, we've ranked number one in 11 of those 14 years. In ECM, we've consistently held the number one or number two position. 2022 was a very thin market and we were number two behind China CITIC, which ranked number one. And China CITIC has previously been tenth for the prior five years on an aggregate basis and really was a primary beneficiary of the China domestic wallet shift.

In M&A, we have a strong number two position. In terms of overall wallet in the first quarter of 2023, we saw an 80 basis points gain in IB wallet share driven by the closing of several large M&A deals. And even though the overall wallet has softened, we see several opportunities for continued growth. We are well positioned to capture share as the market slowly rebounds. We are not complacent. We know that beneath the headline number one rank, we have clear organic growth opportunities across regions, products, clients, and sectors.

As Daniel mentioned, at the regional level, we have an extremely strong foundation. We've been number one in North America for a decade. We've been number one in EMEA since 2014. And at the micro-level, we are ranked top three in 67 countries. However, we can continue to gain share as in markets where we do not have a leadership position, including some countries in Asia Pacific, such as Australia and Japan, where we are not currently number one. With products, we've been a leader in DCM for the past decade. We are focused on closing the gap to number one in both M&A and ECM.

In ECM, we are focused on growing share while doing high quality business. This is really important to us. For example, we were selective and prudent in both SPACs and in block trades and we take a deliberate approach to growth and will not chase lower quality marginal business. We have a number one position with both corporates, and financial institutions. However, there is still an opportunity to grow and further deepen relationships, for example, with middle market corporates and sponsors and venture capital firms, where there is more to do. While other banks may need to start from scratch with a new banker and develop new client relationships, we can leverage the power of our world-class Commercial Banking and our Private Banking franchise to access and support these clients through multiple, often existing touchpoints.

And finally, sectors. At the sector level, we have a strong leadership position across all major sectors. However, when you peel the onion, there is room to grow at a sub-sector level, where we have gaps. Looking at the aggregate wallet since 2017, we've been number one in IB fees in all but one (sic) [of the eight] sectors. But within these eight sectors, there are 26 sub-sectors. To drive growth, we take a granular approach by focusing on priority sub-sectors, including those at the center of major secular trends. This strategy has delivered meaningful share gains. For example, in energy and renewables, we're advising clients as they embark on the energy transition journey and we are now ranked number two globally in green investment banking transactions.

Two other examples of areas where we've invested and grown are in fintech and retail, where we've grown by about 200 basis points of share in each. Looking forward, we still have a significant opportunity for further growth by targeting select sub-sectors, including sub-sectors in technology and healthcare, where we have gaps. These sub-sectors collectively make up around 20% of the global wallet, we'll apply the same granular and disciplined approach to grow in these priority areas.

Now I'll move on to how we realize these opportunities. Clients are at the center of everything we do. We have differentiated strengths that enable us to deliver a complete and unmatched client experience. First, people and talent. Our bankers are the best in the business, and they are the glue that underpins our ability to bring world-class content and support our clients. Continuity of people is critical, clients value continuity. Our most senior bankers have been with JPMorgan for 25 years on average. Our Investment Banking Managing Directors have an average tenure of 15 years with the bank. Our global team have been through all market cycles and can bring deep local expertise and broad global knowledge to our clients. Our people are a source of immense pride. Like our talent, our fortress balance sheet has also consistently stood behind our clients as a dependable source of financial support through good times and bad. Amidst all the volatility in recent years, we've been a stable port in the storm. We've approved more than $700 billion of balance sheet support for our clients since 2020. We are disciplined in optimizing our bridge book, which enables us to support our clients both today and in the future.

Our complete industry-leading IB capabilities support clients globally through their growth journey. Our breadth of offering is complemented with an innovation mindset. We operate from a position of strength, which enables us to focus our attention on new opportunities and the emerging threats. We are constantly evaluating how we are covering our clients, their sectors, and are continually adapting and evolving to the needs and demands of the market by developing new products. Jim will speak to more of this in the coming slides.

And finally, franchise integration. This is pretty much the essence of what makes us successful. A characteristic that sets us apart from our peers is our innovative, three-pronged client coverage model, which is a partnership between Global Corporate Banking, Commercial Banking, and Investment Banking. Global Corporate Banking and Commercial Banking ensure that we are meeting our clients' day-to-day banking needs, while Investment Banking supports strategic activity. This client coverage approach safeguards that we not only have regular touch points with our clients, but also ensures that we have a holistic understanding end-to-end of our clients' strategic growth objectives. When you then partner that with a world-class Markets business or world-class Payments business and world-class Private Banking capabilities, there is a symbiotic partnership that is absolutely at the essence of our client relationship. We are fully joined up globally. We operate at scale and offer a differentiated first-class expertise that allows our clients to realize their strategic goals.

I'll now hand over to Jim to speak more about the breadth of our offering across the client cycle. Thank you.

Operator: Welcome to the stage Jim Casey, Co-Head of Global Investment and Corporate Banking.

Jim Casey

Co-Head of Global Investment & Corporate Banking

So thank you, Vis. So – and good morning, everyone. And before I get started, I wanted to just make one point that we all know Jamie Dimon is an incredibly hands-on CEO. He is enormously detail oriented. But I want to clear up one misunderstanding. He does not select the music that gets played when we walk up here. Everything else, maybe we can point to Jamie. Not that one. So we can get started now.

We can, if I could turn to the right page. All right. Here we go. So Vis mentioned that we have unrivaled breadth in offering, an unmatched innovation mindset. So we focus on that at J.P. Morgan, because we strive to provide our clients with best-in-class solutions. So I'll give you an example. For earlier stage companies that are looking to secure private funding and expand before going public. We partner with Commercial Banking to provide industry-leading client coverage and support. This includes growth sectors such as Innovation Economy and VC investors. We also have the scale, capabilities and expertise to proactively deliver innovative solutions at the forefront of client needs. We were an early leader in equity private placements with our proprietary platform, capital connect, we're building a marketplace to match providers of liquidity to clients who need it.

More recently, we launched our multi-billion-dollar direct lending program in collaboration with Markets and Commercial Banking. We're also an industry leader in IB products for later stage companies, many of which further embed us with our clients. For instance, in leverage loans, we're number one and we're selected to play the lead left role in one out of every five transactions in the world. This is a high touch strategic role that positions us to address numerous client topics beyond just underwriting and syndication. Clients reward our expertise in high performance by continuing to do business with us on future transactions. This is evidenced by our high share of investment banking wallet. While we're number one, we hold that position, while maintaining prudent financial discipline. Sometimes what's important are the deals that you don't do.

Additionally, we continue to support our clients to enhance shareholder value. This includes strategic activities such as M&A. Within M&A, we support clients with corporate clarity, where we help them unlock value through activities such as spin-offs. We also support clients with activist defense. And by the way, activist defense has been a key focus area for us, and we've improved our rank to number two. By supporting C-suite and boards in these uniquely challenging situations, we're able to further deepen our trusted advisor relationships. That is really what is at the heart of Investment Banking is developing those trusted advisor relationships.

The depth and breadth of our IB offering is best-in-class. With this in our franchise collaboration model, we provide our clients a seamless one-stop experience that is truly differentiated. Building on the client evolution cycle on this page, let me illustrate how we collaborate across the franchise to support our clients. So we've said repeatedly that we've got a client-centric model. Given that, of course, we don't expect our clients to adapt to our solutions we adapt to them and we offer what they need from infancy to maturity. This is the hallmark of our franchise. For instance, a middle market corporate starts with us through a private capital raise. We can then support them with a sponsor acquisition, followed by an IPO. Once public, we help them with both debt and equity capital markets in addition to strategic advisory. When our investment bankers support clients through these activities, they are not working alone we partner with many other JPMorgan businesses to provide incremental and differentiated value during investment banking transactions.

Commercial Banking partners with us in several ways. This includes identifying M&A targets for our sponsor clients or other strategic buyers and providing direct loans during LBOs. Our number one Markets franchise can provide investor clients with margin or other financing. In an IPO, the Private Bank engages its ultra-high net worth clients to offer investment opportunities that help support our investment bank client's capital raise. After the IPO liquidity event, our Private Bank can help manage the wealth of the Founder and the management team. In debt issuance and follow-ons Markets plays a key role in syndicating and placing the securities. And they are often the most active market maker for the securities post issuance. The corporate derivatives team is also a key partner, providing tailored solutions that minimize deal execution risk.

All of these partnerships make us a one-stop shop for all aspects of an IB deal, which further enhances our differentiated value to our clients. Outside of the IB lifecycle, we support our clients in numerous way. We strive to deepen the holistic JPMorgan relationship with all of our clients, not just a select few like many of our competitors do. Across the franchise, we share a mutual pipeline of clients. For example, many growth stage clients come to us via our Payments or Commercial Banking business. Since 2017, we've generated more than $19 billion of Investment Bank revenue from Commercial Banking clients. And the CB continues to provide a robust pipeline of thousands of potential future clients, who are looking forward to supporting. And it doesn't stop there, our investment bankers introduce clients to the Private Bank to help manage new wealth generated in liquidity events and to Markets to support client flow needs like hedging and FX. And while many of our peers stop at Markets or Private Banking, we keep going far beyond that. The sharing of clients is critical, but equally important is that the ongoing client touchpoints with other JPMorgan businesses establish credibility and reinforce our strong firm wide culture. These touch points also keep our Investment Banking team top of mind when strategic activity occurs.

Clients value our powerful franchise collaboration model and they reward us for it. This is evidenced by our positive business results. For every dollar that we generate with IB corporate clients, we generate another $1.40 in additional franchise revenues. This isn't just for a select few corporate clients. This is what we see across the entire franchise. That is a really powerful multiplier. Furthermore, this is enhanced by the fact that each JPMorgan business on this page is a leader in its class. We are unique in our completeness and scale. It takes decades to build this differentiated collaboration model. It is a unique and exceptional ecosystem. What's more important is that we have an opportunity to realize even more value from it in the future. And as we discussed, clients are at the center of everything that we do. I guarantee you, you're probably sick of hearing that at this point. But it is. It's a fact at JPMorgan. And that's including how we select our strategic focus areas.

We share these themes in previous Investor Days, and the progress we've made in each area is a testament to our focus. These are not static. We take a deliberate data-driven approach to regularly evaluate the opportunities in the market. So the first one is sponsors. They continue to play an important role in IB activity. Over the past five years, approximately 25% of the global wallet has involved sponsors. Looking ahead, we believe that there are $2 trillion of dry powder will continue to drive investment banking activity. With respect to sponsor sell-sides, we've grown our share by 90 basis points by deepening relationships with large- and middle-market sponsors.

Next is private capital. Private capital is another area where we've been innovating to provide value as the market grows for both equity and debt. Our multibillion-dollar direct lending and equity private placements platform have enabled us to build relationships with clients at a pivotal juncture. We support them during this time when they're very young, and this often translates to a relationship for life. People don't forget the bank that raised the first amount of capital for them. They just don't. We also recently acquired Aumni, a leading provider of investment analytics to enhance the value of capital connect. While this is still in its infancy, we believe these capabilities will provide significant value to our clients.

We're also focusing on international expansion opportunities just like everybody else that's going to be an important avenue for our growth in the future. So if you put China aside, the APAC wallet continues to grow over the past two years, we deepened our Investment Bank presence in both India and Australia additionally we focused our Corporate Banking efforts on multi-national corporations doing business in Asia Pacific. Growth in the Middle East is also accelerating which is driven by the huge capital inflows. We are already well established in the Middle East and we're well positioned to capture growth opportunity. The focus on international growth expands well beyond the IB and Doug Petno will spend more time on this in a Commercial Banking session.

The final area of focus is Carbon Transition, which is top of mind for us and also for many of our clients. In 2022, global investment in Carbon Transition equaled fossil fuel financing for the first time ever. It grew 31% year-over-year to a new record of $1.1 trillion. In this area, we are playing an active role and we're at the forefront of our industry. In 2022, we achieved a number two global ranking in green IB transactions, both overall and for each product individually. Part of our success includes facilitating the financing of more than $120 billion in support of green activities over the past two years. This includes the advancement of emerging green economy sectors, which we will believe have a profound impact on the global climate trajectory. We're thrilled to be part of this because it's so important for all of us. These focus areas remain key priorities for us. We continue to be inspired by the opportunities they present and we have and will continue to make progress in each of them.

In closing, we've been the industry-leading Investment Bank for over a decade. Our differentiated strengths position us for continued growth. The power of the JPMorgan franchise is unique and it creates value for our clients across all of their financial needs. We've made progress on our strategic initiatives and continue to stay laser-focused on growth. And we continue to do all of the above with prudent financial discipline.

Thank you. And now I'll hand it over to Takis to talk about Payments.

Operator: Welcome to the stage Takis Georgakopoulos, Global Head of J.P. Morgan Payments.

Takis Georgakopoulos
Global Head of J.P. Morgan Payments

Hi, everyone. I'm very happy to be here again this year to talk about the progress that we've made in our Payments business and for the record I did not know, we could choose our music, otherwise, I would have chosen some sirtaki, something like that. So, let's talk about the Payments business and start with an overview of our business. We showed a similar page last year. Obviously, the numbers are a little bit different and a little bit better now. Revenues of $14 billion up 41% year-over-year. 31,000 clients across the CIB and the commercial bank. Almost $800 billion of deposits and $6 billion in pre-tax income, up 91% year-over-year. In terms of client segments, 50% of our clients are corporates, a third are financial institutions, a little bit more than 10% e-commerce and the balance or 400,000 small businesses which make up the rest, the other 4%. In terms of business segments, the majority of our business 88% Treasury Services, Merchant Services at 9%, and then trade and working capital at 3%. And then in terms of the split of the revenues on the right side of the page, $8 billion in the CIB, and the remaining $6 billion primarily in the Commercial Bank.

Comparing 2021 to 2022, you can see the growth in revenues from $10 billion to $14 billion. Obviously, we were a big beneficiaries of the interest rate increases in 2022, which represent the bulk of the $3.4 billion in liquidity benefit that you see there. At the same time, if you look at our gross payment fees revenue in Treasury Services up more than $400 million, together with Merchant and trade, up by more than $100 million and trade up by another $100 million that represents fee revenue growth of more than $600 million, which compares favorably to a $500 million guidance that we gave last year. And then if you look on the right all of our metrics continued to trend in the right direction.

Our Treasury Services market share Daniel already mentioned it 8.4%, up another 120 basis points compared to 2021 and every other number continues to move in the right direction. We mentioned last year a best-in-class net promotor score from Coalition at 50 and this year we further improved on that number and we remain number one with 54. Someone asked before where are we on the J-curve I think what – this is what the right (sic) [left] side of that J-curve looks like. In Treasury Services, we were number two in 2017, we are number one in 2022 and we continue to increase our gap to number two. In the middle, the left side, the middle of the page, you can see that we were $700 million bigger than the average of our top three global competitors in 2017 that number expanded to $2.4 billion in 2022 so we increased that gap by a factor of $3 billion (sic) [factor of 3].

And while we obviously benefited from liquidity and we are a very strong liquidity bank, if you look on the top left – on the bottom left – I'm sorry, on the page, you can see that we outperformed on every metric that you can look at. Core cash, which is a proxy for fees in that business we grew by 62%, whereas our competitors grew by 30%. Corporates, which is a big area of growth and a big opportunity for us, especially outside the U.S., we grew by 93%, our competitors by 47%. And FIG, where we are number one with a big gap to number two, we still grow at 50%, whereas our competitors grew at 34%. And that's the past, the right side, these are momentum. We do business with 80% of the Fortune 500 Companies, including 17 of the largest 20 and 15 of them added more business with us in 2022. And across our broader universe, our mandates with Corporates are up by 90% and our mandates with FIG clients are up by 60% with no sign of slowing down.

I'm hoping in a couple of years, we'll be able to show that side of the J-curve for Merchant Services. But as we said Merchant Services we said at last year is on a transformation journey. And the challenge of this business, both for us and for our traditional competitors, can be summarized in this graph on the top left. We had healthy volume growth at 13% per year between 2017 and 2021, but margin compression meant that that translated into only a 3% revenue growth. The way to escape this is by embedding value-added services and new capabilities into our offer. And while we know this is not going to be a linear journey, when we look at 2022, we see good signs that our strategy is paying off. In 2022, our volume growth was 17%, and our revenue growth for the first time as far back as we can track was in double-digits.

And on the top – bottom left of the page, you can see how our growth compares to both that of our traditional peers and that of the leading fintechs. And on the fintechs, keep in mind that they are three or four times smaller than what we are. On the right side we list a few of our investments. The New Unified Payment Gateway, the way our clients connect to us and our modern APIs are now live. We truly have an integrated offering across our Treasury and Merchant Services. A lot of our value-added services are now live and I'm going to talk about them in a little bit. Data and insights are live and adding value to clients large and small and then international expansion for the first time we are live beyond the U.S. and the European Union with Brazil and with seven markets in Asia.

On the expense side, as we continue to grow our business and we continue to add more volume, we saw – we are seeing a modest increase in expenses in 2023. It's primarily driven by wage inflation, regulatory surcharges, some acquisition-related expenses, as well as some volume-driven expenses. Beyond 2023 and into the medium-term, we expect that expense growth to slow further down to the low-to-mid single-digits. We continue to invest in our business, our tech teams, our engineering teams, our staff and are largely at scale. And as we add more clients and continue to gain more market share, we do expect some volume-related expenses and some structural expenses, but these are going to offset by ongoing productivity gains.

We talked about modernization last year, and I showed a version of the left side of the page last year, and we continue to make progress in modernizing our major platforms. There was a question, I think, on Graphite, which is now the third largest platform within our ecosystem in terms of payments we launched it in 2020 we started with real-time payments, which was a new payment flow, and we did that from the beginning natively into the Graphite platform. And since then we've started migrating low-value payment flows and whole countries onto Graphite, and we expect Graphite will be the second largest one after our U.S. platform in the very near future

Our liquidity platform is very close to completion and allows us to win a disproportionate share of RFPs and we are widely seen as the best liquidity bank in the industry. And then finally, while merchant acquiring is still work-in-process and we still have a lot of work to do in terms of modernizing our capabilities, our platform is now live for e-commerce in both the U.S. and in Australia and two acquisitions, technology acquisitions that we made last year are helping us accelerate that product development. On the right side, you can see our broader ecosystem, where from a standing start in 2021, we now have more than half of our applications on a modern stack either on the cloud or on-prem and we expect to continue to modernize and improve that picture into the medium term.

I talked about the need for margin expansion in the acquiring business, but this is a theme across everything that we do. We start from our strong foundation. We've spoken many times about the $10 trillion that we move every day, our capabilities, our controls and our global reach. And we work on how to expand that to address evolving customer needs and we do that across four pillars, which you see on the right side of the page.

Starting from the bottom, product innovation. Payment products are not static. On the Treasury Services side, we see real time payments around the world. On the alternative – on the Merchant Acquiring side, you just saw pace and we are going to go live before the end of the year also with pay by bank with our partner MasterCard for particular use cases. And the JPM Coin that we've mentioned before in 2022 was moving $1 billion a day across our Payments and our Markets franchise.

Moving on above, we are also externalizing the capabilities that we have as a service for our clients. We have a couple of use cases that I'm going to talk about FX-as-a-service, data-as-a-service and security-as-a-service. On top of that, we customize and configure those capabilities with specialized software addressing the needs of particular industry verticals. In healthcare with InstaMed, where we've doubled the revenues over the past few years. Mobility through the acquisition of VWPay and e-commerce with a fully proprietary stack among others. And this is what we do for our clients. On top of that, embedded finance solutions allow us access to our clients' clients, both creating margin for us and allowing us to access a whole new customer base. And we are going to talk a little more about what that looks like.

I'm going to take a few examples. As I mentioned, starting from how clients connect to us. JPMorgan Access on the left side of the page is the number one digital platform in the industry, with more than 30,000 profiles and more than 6,000 users. Access has helped us generate hundreds of millions of dollars from data products that we provide to our clients with a 9% growth rate over the past five years. In that, we expect, we'll accelerate going forward as we bring in new capabilities and you can see some of them on the bottom left, better service tools, AI-enabled value-added services and connectivity with leading ERP systems and you may have seen an announcement we made last year with Oracle. But treasurers and finance departments that are using Access are not the only decision makers in our industry. Developers who are heavily involved in solutioning and integration are becoming an important part of decision making, especially for our more tech-savvy clients. And that is a segment that historically was not well-served by banks, where the APIs tend to be subpar and the customer experience and sandboxes tend to not be great. That's why we are launching our new development portal later this year, which we believe will be best-in-class. It will allow developers to quickly discover, test, and deploy our API capabilities in an open and secure sandbox environment. In this way they can get Access to all of our payment rails across Treasury Services and Merchant Services through one global API.

A second set of data products comes from the breadth of what we see in our Payments business. It is a conservative estimate to say that we see (sic) [process] more than 50% of all U.S. bank accounts. We also see (sic) [process] more than a $1 billion cards, and we have internationally the largest correspondent banking network in the world with access to thousands of banks in all countries, large and small. We are also testing biometrics and digital identity, and obviously we have access to a large number of third-party data providers. The way we use that information in the middle of the page is first we embedded into our payments data lake, which is cloud native and which contains all of our information. Number two, we tokenize that information so that we can track both an encrypted version of someone's bank account or someone's credit card, and also the path meaning the past payments, origination and destination that these payments followed. And then number three, obviously strong data governance and controls dependent on use case so that all of the data is appropriately encrypted, depersonalized and aggregated as makes sense.

On the right, you can see four of the use cases that we have today. Number one, validation services, which gives clients the ability to pre-validate a payment before they make it for accuracy. On that product, we went from zero to 200 clients in less than two years in the U.S. and we are expanding the same capabilities internationally by using the linked network from Onyx. Number two, optimization tools for Merchant Acquiring. As you saw, we are the largest merchant acquirer in the U.S. by volume and we use that information to improve authorization rates and reduce fraud rates, which we do for hundreds of large clients. Number three, consumer insights through a great partnership with CCB, bringing together issuing data and acquiring data so that we can help our customers to better understand their own customers once again in an appropriately anonymized way. And this is now available to almost 200,000 small businesses. And then finally instant identity verification, the ability to use face and palm biometrics and the ability to onboard and validate the identity of someone both in the U.S. and internationally.

FX is the third use case that we are going to talk about. We have the best FX franchise in the world in Markets and we have a very strong partnership and joint investment with Markets to continue to improve that. As you can see on the right, we've grown our revenues by double digits over the past five years and we continue to innovate. And we think that there is a new set of opportunities to bring FX as a service to our clients. Think of two use cases, one large corporates, marketplaces and e-commerce companies that need to make millions of low value payments cross-border and are looking for someone to provide them FX embedded as part of that payment transaction with very high STP rates and a transaction that can be confirmed in minutes, that's what Global Mass Pay does.

Second, think about banks. Traditional banks are swift-based and want to compete with fintechs for low value payments and remittances. We provide white label solutions that allow them to deliver that. Fintechs and digital banks have compelling frontends but don't necessarily have access to the last mile system, and we are helping them compete with the traditional banks. We think the combination of those two things will help us continue on that double-digit trajectory and we expect to go above $1 billion across payments and Markets over the next couple of years. Our innovation is particularly relevant for all aspects of multi-party commerce in which buyers and sellers interact on a platform. This is not limited to e-commerce, but it's also relevant for other industries like retail, mobility, and independent software vendors, which are companies that serve specific industries.

The top left chart we showed a similar version of that page last year, and last year's point was that there is a lot to do and we have a lot of work in progress. Now this work is largely done and what we see is what we expected only a little bit better. We see extraordinarily higher client demand and we see much higher take rates than in our traditional B2B business. To give you an example, on the left side of the page, on the payment acceptance side, we see a 3 to 4 times margin expansion (sic) [opportunity] driven by payment optimization and the incorporation of new payment methods, including omni-channel. On the right side of the page the ability to manage payouts and split and deliver payments through our global mass pay infrastructure that I mentioned also helps us see a 3 times to 4 times margin expansion (sic) [opportunity] and then the things that are in the middle, the ability to onboard and offer wallets to the participants of that marketplace opens up embedded finance opportunities and the ability to add new revenue streams not just for ourselves, but for the marketplace operators and our clients as well. Of course, no Payments presentation would be complete without a couple of videos and we are only one in the CIB with videos. So we are going to start with one, it's a short product demo-teaser, that shows how we talk to our clients about embedded finance.

So we have various versions of our value proposition, depending on how much the marketplace wants to do on the financial side or not. We are live with five clients, including a couple of very large ones. We have two dozen in pipeline or in mandates and then more than 100 in ongoing conversations. And our biggest constraint in this part of the business is scaling our infrastructure end-to-end so that we can deliver for the scale and the type of STP that these clients are looking for. So what you saw before was the e-commerce side, but a lot of our clients also have brick and mortar stores. And therefore, the ability to serve omni-channel is very important for our clients. So let me show you another example of how we work with one of our clients to deliver this omni-channel experiences.

Okay. So, this is one version of our omni-channel value proposition, I saw a lot of you tried outside. We also have the biometrics version where you use face recognition to do exactly the same thing. So, you don't need to use neither a credit card nor your phone. Now, to be fair, some of the things that you saw in this customer journey are things that some of our competitors, I would say handful actually can do. But keep in mind that these are just the leading fintechs and they have a much higher take rate than ours. So, at a minimum, this allows us to compete head to head for that higher margin business. But if you look more closely, there are a number of areas in which we are differentiated from them number one, we are among the first, at least in the U.S., to launch, tap-on-phone and biometrics.

Number two, we offer shopper recognition across channels, but also across brands that are part of the same family. We offer the ability for personalization on the back of the incredible amount of data and information that we have. And then number four, we offer lower fraud and higher authorization rates because of our optimization capabilities and because of ChaseNet. We have more to do but we think we are in a very, very good place already. And the biggest differentiator of all for us is, of course, being part of JPMorgan.

I'm not going to repeat what Jim already covered really well, I'm just going to talk about three things that are especially important for Payments. Number one, being part of that one client strategy with the Investment Bank, with the Corporate Bank and with the Commercial Bank allows us to think strategically about the client needs and also innovate and deliver solutions that addresses their future and their pain points. Number two, because payments is a day-to-day activity that allows us to stay engaged with the client on a day-to-day basis. Help them optimize, help them grow, help them expand internationally and maintain a profitable relationship with a firm until the next episodic transaction comes. And then number three, we are fortunate to be part of a number of partnerships across the firm. I already mentioned Markets and I mentioned that data and analytics partnership with CCB. We also have many others, including small business with Ben and how we work with the payment networks.

Let me now summarize where we are and talk about our revenues going forward. On the left side of the page, you can see a mark to market on what we talked about last year and partly through the rapid rate rises. We outperformed on all of them, with the exception of a couple of things that we said we will achieve over time and where we are on the right trajectory. But we still need more time, like the 10%, TS market share and the 15% Merchant Services year over year growth. But we are on track to achieve all of those.

On the right side of the page is a revenue walk. We start with $14 billion for 2022 and then on top of that we have the annualization of the impact of rates, which is a significant tailwind for 2023. And then the organic growth, which we have no reason to believe will be any different or any less than what we achieved in 2022. That takes us to a 2023 outlook, which is well above the $15 billion that we talked about last year.

Going forward and looking into the medium-term, there are two components. One component is the impact of rates going forward you heard it from Jeremy it's uncertain. But given the expectations of a slower economy and lower interest rates over time, that's going to be a headwind for the business. Conversely, we expect our organic growth to continue to accelerate from that $600-plus-million of 2022. As we are hoping that we will monetize our investments in merchant services and continue to grow our treasury services and monetize our multiparty e-commerce capabilities and in a normalized environment with balance growth resuming we believe that that number can reach a $1 billion per year.

So overall a lot more upside and a lot more opportunities in this business. Normally at this point I would talk about – I would have a page on Onyx, but this year as you've heard a lot of what Onyx does is already embedded in our business. It remains the leading blockchain franchise, you heard about the JPM Coin at a $1 billion a day. Programmable money is the next frontier on how to use digital currencies. Partior, the only multi-currency clearing network in the world live in Singapore uses the Onyx technology and we continue to make progress in a number of those use cases.

Finally, just to summarize, the Payments business, record revenue growth, great client momentum and the expectation of continued growth going forward. Number two, our scale, security and controls have earned the trust of our clients. We are there for them in good times and bad times and we will continue to do that. Number three, I hope you will agree with me that we build and innovate like a leading tech company, but we do it with the scale and with the controls that you would expect from JPMorgan. Number four, the innovation that we are bringing to the market in both Treasury and Merchant Services, we believe will really drive margin expansion across our businesses. And then number five, we are of course, blessed to be part of JPMorgan and benefit from that incredible franchise.

With that, I'll pass it over to Daniel to close the CIB presentation. Thank you.

Daniel Pinto

President & Chief Operating Officer, JPMorgan Chase & Co. and Chief Executive Officer of the Corporate & Investment Bank

So before we go to closing, let me give you a bit of color and guidance on the second quarter. So IB fees as you heard from Vis and Jim, the markets continue evolving, continue being a challenge. So what we are seeing at the moment, we are expecting IB fees in the second quarter to be down around 15%. And in Markets we saw increased volatility by the end of March, that volatility has come down and also we are comparing this quarter with a very, very strong second quarter of 2022. So also in Markets at this stage we expect our forecast for the quarter is also around 15% down year-on-year.

So to close out, I want to mention a couple of things. So when you hear the power of this franchise, you should agree that we are very well positioned, as we were in the past, to outperform on a relative basis going forward. We have a great relationship with our clients and we have everything we need to succeed. We have great talent, financial resources, product offering that is very, very complete. There are some challenges ahead on the economic front and geopolitical front, but normally we do well in those environments. There are opportunities as well, digitalization, A.I., carbon transition, evolvement of market structure – are opportunities. And the competition is strong and that forces us, and we’ve always been, to be very focused in retaining our talent and not being complacent and really fighting bureaucracy. So our strategy works and we are not going to change it. And in the way that we think about our business, essentially using three pillars. So how we maintain the discipline, how we manage our day to day, that means how we manage expenses, risk, both credit, markets and other risks, so how do we have the best possible talent, how we interact with our clients so our day-to-day business is core and the discipline around that is very important.

Second one, more in the next couple of years, is all about how even if we don't change anything at all, how much opportunities exist within the existing business model that we are running. So there are plenty of areas for growth and plenty of areas, where we are not as good as we should be so a lot of opportunities in there. And we're always looking at investment, investing for the future. We are modernizing our technology platform, we are investing in new technologies, we are testing new things all the time for the future. So we feel very good about where we are in terms of return on equity, 2022 was 14%, but we feel that through optimization and growth we will be able to deliver through the cycle our 16% that was our guidance last year.

So I will stop here and we have a couple of minutes for Q&A.

QUESTION AND ANSWER SECTION

Unidentified Participant

Q

One follow-up and then one kind of a longer-term question. Just first on the guidance of trading down 15% year-over-year, any additional color in terms of what's happening in FICC versus Equity and any key themes that you feel like investors are trying to play now that they weren't few months ago?

Daniel Pinto
President & Chief Operating Officer, JPMorgan Chase & Co. and Chief Executive Officer of the Corporate & Investment Bank

A

All right. So, Troy, do you want to take that one?

Troy Rohrbaugh
Head of Global Markets, JPMorgan Chase & Co.

A

Sure.

Daniel Pinto
President & Chief Operating Officer, JPMorgan Chase & Co. and Chief Executive Officer of the Corporate & Investment Bank

A

It's working.

Troy Rohrbaugh
Head of Global Markets, JPMorgan Chase & Co.

A

Yeah. So in FICC versus Equities, it was extremely strong Q2 last year in both. So we're seeing a similar performance. We'll see how the quarter finishes out. It's a little too early to predict because there's a lot going on. In terms of themes, it's really debt ceiling is the short-term. And when you get past that ceiling, because I think most market participants expect some form of resolution, but we'll see. It's predominantly where's the Fed going? Where is inflation and what is the upcoming recession going to potentially look like? I think that's the major theme driving risk assets now.

Unidentified Participant

Q

That makes sense. And then, Daniel, you mentioned in your prepared remarks that, you lost a little share of FICC last year part of it was mix, part of it's just having a flowing, but that there were a couple of areas that you underperformed and that you're addressing that, what were those areas and anything specific to call out, why you underperformed and what you're doing to fix that? Thank you.

Daniel Pinto
President & Chief Operating Officer, JPMorgan Chase & Co. and Chief Executive Officer of the Corporate & Investment Bank

A

Troy again.

Troy Rohrbaugh
Head of Global Markets, JPMorgan Chase & Co.

A

Sure. So, look, our franchise is incredibly strong and Daniel mentioned the more market structure ones. One of them is Commodities. So we sold our physical business in 2014. We have no plans to re-enter into physical oil or physical energy, but the natural gas business we have been reinvesting in and we think that's a place that we'll continue to see growth as we continue to see our investments play out in the next couple of years. So while we do expect it to normalize, we don't think it will go back to where we were in previous years, pre-Ukraine.

Other areas are Rates. We feel we had some underperformance there, particularly around some one-off transactions in inflation and other places. But overall, the franchise is very strong. So these pockets of underperformance are quite small. They're client by client combat. We're very happy with where our overall client franchise is, that continues to be extremely strong and that's really the bedrock to our business. So we'll attack these small underperformance areas individually, either by client or by specific opportunities.

Daniel Pinto
President & Chief Operating Officer, JPMorgan Chase & Co. and Chief Executive Officer of the Corporate & Investment Bank

A

We have an investor down there, in the blue shirt.

Unidentified Participant

Q

Daniel, can I pick up on the comment you made earlier in terms of FICC share headwinds coming from European Bank resurgence, if I heard you right. Can you talk about whether that will continue to be a headwind? And maybe as a follow-up question more broadly across the CIB, what opportunities do you think might come up as UBS integrates Credit Suisse?

Daniel Pinto

President & Chief Operating Officer, JPMorgan Chase & Co. and Chief Executive Officer of the Corporate & Investment Bank

A

Yeah, so I mentioned in my presentation that in my view, the trend of wallet consolidation that we see into the bigger players is, it may that have a bit of a detour but is not a change in trend. And the reason why I think that is the following. When you look at these businesses, they are very, very expensive to run. Obviously, the wallet has increased and then when the wallet increase, you get some of their competitors, some in the U.S. and some here investing a bit more heavily. But as in my view, as their market share at their scale, they are still not crossing the cost of capital. So I think that these trends, unless the wallet really continue to grow which is not our belief we think that the wallet from here will grow more or less in line with GDP. So, it's very likely that in the long-term or in the medium term these competitors will not be able to maintain the level of investment and the trend of consolidation will continue. And the second part of the question was?

Unidentified Participant

Q

On Credit Suisse and UBS, do you think there are opportunities for market share gain?

Daniel Pinto

President & Chief Operating Officer, JPMorgan Chase & Co. and Chief Executive Officer of the Corporate & Investment Bank

A

I think that probably whatever was going to happen has already happened. So, I don't – I can see this is unusually the past, more unusual in future.

Mikael Grubb

Head of Investor Relations, JPMorgan Chase & Co.

Okay Ebrahim Poonawala down there.

Ebrahim H. Poonawala

Analyst, Bank of America Merrill Lynch

Q

My question, I think, Vis mentioned that this $6 trillion of debt coming up for refi over the next three years, four into one, just talk to us about the health of the customer, the sovereigns or the corporates, how worried are you in terms of as the role of maturity comes? We see significant credit issues over the next year or two?

Daniel Pinto

President & Chief Operating Officer, JPMorgan Chase & Co. and Chief Executive Officer of the Corporate & Investment Bank

A

I think the following. One of the areas of concern more in the medium term is debt sustainability of countries. When you look at in the last several years, I say in the last 30 years debt to GDP has increased by 40 points or something like that. So, just to normalize the increase, to move the debt level – to not grow anymore, you have to move around – to move to a level that it was in 2019. It requires a contraction of fiscal deficit of almost 5 points in the developed world, which is not going to happen. So essentially, when you think about the amount of debt that exists, the geopolitical tension that will change the demand function of who is going to buy or not that debt. So I think that is an area of concerns.

I think that corporates, at the moment, there are certain areas where there is a bit of a challenge, as Vis mentioned and Jim mentioned, because they have a lot of refinancing going on. But I don't think that they are elevated levels of leverage that considering normal market conditions, will not allow these companies to refinance in normal condition. I think that I'm more concerned about the sovereign side than the corporate side.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Okay. Our last question will be from Charlie Peabody right there.

Charles W. Peabody
Analyst, Portales Partners LLC

Q

Just trying to reconcile your full-year forecast. I'm talking about Markets revenues. The full revenue wallet, dropping like 4% I think is what you've put in your slide. And yet, here, in the second quarter, you're going to be down 15%. So are you expecting a back half pickup in trading? And if so, why? Because it seems to me that the MOVE index is starting to normalize. Central banks are starting to get towards their terminal rates so, less volatility is expected, certainly in FICC trading?

Daniel Pinto
President & Chief Operating Officer, JPMorgan Chase & Co. and Chief Executive Officer of the Corporate & Investment Bank

A

I – well, I strongly disagree with that. So obviously central banks are normalizing. But when I look at markets today and look at valuation both in credit and equities, they are not aligned with the environment that we are in, both asset classes. So we have a period now of low volatility, but I don't think that situation will stay for the rest of the year. So therefore, we are expecting and obviously, we're expecting higher volatility as central banks get to the tail end of this, inflation hasn't gone down enough or valuations considering the outlook of interest rates in the medium term. They are not what it should be. So essentially, in our view, we will have more volatility going forward.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

All right. So that's it for Q&A. Those of you who are having lunch with us, you should have received an email. It says, "Dear blank" – don't worry, it's not a Dear John email, but it does have your seat assignment on it, so if you make a way to the 42nd and 43rd floor you'll find your table.

Daniel Pinto
President & Chief Operating Officer, JPMorgan Chase & Co. and Chief Executive Officer of the Corporate & Investment Bank

Thank you.

Operator: We will now break for lunch. With presentations expected to resume at 01:30 PM. Please make your way out of the presentation room and up to the 42nd and 43rd floors. Our event staff will be happy to help direct you.

MANAGEMENT DISCUSSION SECTION

Operator: Please welcome to the stage, Doug Petno, CEO of Commercial Banking.

Doug Petno
Chief Executive Officer of Commercial Banking

Haven't even said anything yet. Welcome back good afternoon. I want to definitely add my thanks to all of you for joining us today. 2023 has certainly been a dynamic year so far, and through all of it, Commercial Banking has continued to execute against our strategic priorities. The business is performing extremely well. There are tremendous growth opportunities ahead for us, and perhaps most importantly, we are well positioned to manage through the evolving market backdrop, so there's a lot to talk about, it's great to be here to update all of you.

As you know our strategy is anchored on being the most important financial partner to our clients and to that end, we have kept our focus on acquiring great clients and building deep, enduring relationships and though market fundamentals have continued to shift, our strategic priorities remained exactly the same. We are investing across our franchise to create powerful client solutions and to build operating processes to deliver the best client experience. We're harnessing our tremendous data assets, empowering and enabling our teams. And we're driving organic growth. As this year unfolds, the disruption in Commercial Banking has changed our competitive landscape, and it's highlighted the relative value of our franchise.

Complex markets play to our strengths, and as you'll see today, momentum is building across our business. I want to take a moment to share why we're so excited about First Republic Bank in Commercial Banking. And so for us, this is an opportunity to deepen our presence in several high growth markets. And it lets us now deliver our entire firm across their tremendous client franchise. In addition, we expect to benefit from their exceptional client service model and tract record of strong credit performance. First Republic's credit portfolio has a sizeable overlap with our multifamily term lending business and it's operating in a lot of the same markets. And while we still have much work to do, our integration is going as planned and we're confident in the synergies between our two businesses.

So for Commercial Banking overall, being a part of JPMorgan Chase gives us a tremendous competitive advantage. We face our clients as one institution with unmatched global capabilities and real economies of scale. In each of our presentations today, you will have seen the strong connectivity and adjacencies that exist across each of our lines of business. For example, last year, there were significant client referrals between Commercial Banking and Private Banking. Over 90% of our C&I clients use our payment solutions. Over a third executed in investment banking transaction and almost half visited a local branch, and moreover, Commercial Banking has benefited by following right behind our consumer branch expansion, getting a lot of value out of their small business franchise as well as their physical presence in our communities.

Across our firm, we are knit tightly together and it is this alignment that offers an unmatched value proposition for our clients and supports our strong financial performance. So we've organized the business to ensure a dedicated focus on important segments of the economy. In C&I, we have two distinct teams. Our middle market business covers companies from early-stage, high-growth startups to traditional mid-sized companies. Our Corporate Client Banking business serves both U.S. and non-U.S. headquartered corporates, generally with revenues in excess of $500 million. Overall, we have 18 specialized industry teams focused on important sectors like technology, healthcare, and government. Across these two businesses, we have over 1,700 bankers in almost 160 cities spanning 27 countries and together they are actively calling on about 25,000 clients. Perhaps what's most exciting is the significant organic growth opportunity that remains ahead for us. We are executing a data-driven strategy with our teams calling on almost 50,000 perspective clients across our footprint. Last year, we entered into seven new, high-potential markets and hired over 100 bankers. Our client acquisition is accelerating and in 2022 we added a record number of new C&I clients.

In Commercial Real Estate, our franchise is designed to perform through the cycle. All three of our Commercial Real Estate teams have deep, sector expertise and we are very disciplined in our market, client, and asset selection. In commercial term lending, we're the number one multifamily lender in the United States with nearly 30,000 clients. This gives us a huge scale advantage with the business built around exceptional credit and a highly efficient operating model. In Community Development Banking, we deliver capital to support affordable housing projects in some of the critical neighborhoods across the country. And last year we were a top three affordable housing lender in the United States. And finally Real Estate Banking – here we serve the best investors and developers of larger scale, commercial properties in very targeted markets and asset class. Our growth across Commercial Real Estate has been highly selective, deliberate and disciplined. And we believe this positions us well for any potential stress in the sector.

In both C&I and Commercial Real Estate we seek the best clients in industries and markets that we know and understand, and our performance has been excellent. As you saw in our Q1 results, revenues were up 46% year-over-year and while we did benefit from a more favorable rate environment, we also had meaningful growth in payments fee revenues and investment banking year-over-year, as well as strong revenue growth from newly acquired clients. With ongoing expense discipline we maintained high operating efficiency with a 37% overhead ratio, even while making significant investments in our franchise and we delivered strong returns within 18% return on equity.

But since we never measure our success in quarterly increments, let's look back over the last decade. And if you do that, you can clearly see the impact of our strategy and the absolute strength of our franchise. We have gained share across our business. We have delivered core operating deposit and high-quality loan growth. We have significantly increased our payments fee revenues, reaching a record of almost $6 billion last year, and we have steadily increased our investment banking revenues. Overall, Commercial Banking continues to perform well in a complex competitive environment. But for as proud as we are of these results, we're taking nothing for granted. We have a tremendous and growing addressable market. We're making the strategic investments to best serve our clients and to further differentiate our franchise. We are on offense, and we believe we are well placed for out-sized share gains over the near, medium, and long-term.

A standout example of our organic growth potential is our successful strategy to build a national middle market business. We started the expansion effort back in 2010 and since then we've added 63 new locations. We are now local in 78 of the top 100 MSAs. Nationally, we're calling on over 45,000 prospects with over half of these potential new clients sitting in our new expansion markets. At last year's Investor Day, we doubled our revenue target for our expansion effort from $1 billion to $2 billion. Momentum is continuing to accelerate and so while it took us 12 years to hit this first target. We expect to hit this next target in the very near-term. And what's really exciting is that we're just getting started. Achieving a top three share in each of our markets is a multibillion-dollar opportunity for us. And with the foundational investments we've made largely in place, as we grow, we'll achieve significant operating leverage over time.

In addition to our domestic growth efforts, we continue to invest in our cross-border capabilities and expand our international presence in several key markets. The globalization of financial services across our client franchise is a powerful secular trend and has been accelerated by digital payments, increased cross-border investment, and growth in global trade. Many of our clients transact in markets outside their home countries or have locations or strategic partnerships in other locations. But unlike other commercial banks, we can offer clients of all sizes, streamline global solutions across every stage of their international growth journey. In addition, as you know in 2019, we launched our efforts to cover mid-corporate companies headquartered outside of the United States. We're taking a long-term view, focused on only the best companies and we now have bankers covering over 500 clients, 2,000 prospects across 24 countries. We're excited about the significant expansion of our global capabilities and platform and given the powerful trends underway, we expect this to be a significant growth driver for us.

Okay, so with the recent and dramatic changes to the banking landscapes, serving the innovation economy, I want to update you on our strategy to be the most important financial partner across the entire venture capital ecosystem. And recognizing that innovation is a critical economic growth driver, we have been steadily building upon our innovation economy Commercial Banking business, and while there was longstanding incumbent competitor, we believe that our platform and our capabilities positioned us to take high quality share over time. And as you can see on the bottom left, we have made real progress over the past several years. With the market disruption since March, we have seen a tremendous influx of new clients, onboarding thousands of innovation economy companies over the last two months. And along with these new clients and their substantial deposits, we now have the opportunity to provide them with our full suite of capabilities.

Looking forward, we have a real opportunity to support this sector and fill a real market need. And to do that, we are going to accelerate our growth strategy and step up our investment. Significantly expanding our support teams and bankers focused on startup banking, venture capital coverage, risk, and early-stage lending. This opportunity is quite exciting and our focus on founders and innovation across JPMorgan Chase positions us to be the leader in this important sector.

Similar to venture capital, private equity continues to be a large market opportunity in Commercial Banking. Globally there is over $1.2 trillion of dry powder and the number of private equity-led transactions within the middle market remains quite high. So along with our partners in the investment bank we are well placed to serve this sector. We have an extensive reach across 22,000 terrific middle market companies and we have dedicated teams focused on private equity coverage, direct lending solutions, regional investment banking, and middle market M&A.

Delivering the number one investment bank to commercial banking clients is a powerful part of our value proposition. Our investment bank deepens the strategic dialogue that we have with our clients, and it completely separates us from our traditional Commercial Banking competitors. This partnership continues to be highly successful and if you look back over the last 10 years, you can see both our steady growth as well as the unbelievable upside potential that exists when markets are active and vibrant. Going forward, we see several significant opportunities to build upon our success together. As our commercial banking client franchise expands, the addressable market for the investment bank grows, especially across the middle market and internationally. We are going to continue to invest in our regional investment banking capability to better serve middle market companies. And we're expanding our teams focused on high potential sectors like private capital, healthcare, and the green economy.

So just like investment banking, our comprehensive payment solutions are also a key competitive advantage. The investments Takis is making in our platform and capabilities support our goal to be our clients' primary operating bank. This allows us to build deep, enduring relationships which are foundational for gathering and retaining core, stable operating deposits. Last year, I spoke to the substantial payments opportunity and our significant near-term revenue potential. So as you saw in our first quarter, Commercial Banking's payments revenues hit $2 billion, up almost a 100% year-over-year. And as I mentioned, this isn't solely driven by rates or elevated market liquidity. In fact almost 30% of our 2022 middle market deposit balances were generated by clients we've acquired in the last five years. And we're also seeing substantial growth in payments fee revenues across core cash, cross-border payments and commercial card. With deposits, there are a number of forces at work, including rising rates, clients that are seeking higher-yielding alternatives, questions about uninsured deposits, and the impact of quantitative tightening. However we've not seeing anything atypical in our deposit flows and we believe that the stability of our core operating deposits and the market’s overall flight to quality should insulate our deposit balances.

Let's now look at our lending activities. So in C&I, I want to highlight that we don't grow loans just to grow loans. We deploy capital strategically to support our clients and in fact only 25% of our middle market clients actively borrow from us. And while competition for high quality assets remains high including from direct lenders, we are finding attractive opportunities to lend, and we continue to price and structure with discipline and for underlying risk.

In commercial real estate we are watching market fundamentals carefully and maintaining our strict underwriting criteria. So as this year unfolds, we are seeing a significant reduction in purchase activity and overall loan demand with Q1 Commercial Real Estate originations down almost 70% year-over-year. As always credit discipline remains core to our strategy and our C&I and Commercial Real Estate loan portfolios remain strong, with C&Cs of less than 5% and a net charge-off rate of just 6 basis points in the first quarter and while our credit metrics are stable we are actively monitoring our portfolio to identify any emerging risks or potential signs of stress.

So in C&I, notwithstanding the broader market uncertainty, we feel very good about our current exposure. It's diversified across geography and industry, well-structured with 88% of our non-investment grade risk being secured. And it's been underwritten with through-the-cycle discipline. While credit fundamentals across our C&I portfolio are strong, we are carefully monitoring market conditions and have prepared a detailed downturn readiness playbook and we're working very closely with all of our clients that have been impacted by signs of consumer weakness, higher interest rates, and higher input costs.

Likewise in Commercial Real Estate, we remain confident in the quality of our underwriting and our portfolio overall. As I mentioned, we've been very intentional about lending against assets and in markets that have strong through-the-cycle performance. We have a very seasoned team of risk professionals and appraisers who understand our markets and fundamentals at a very granular level. And separate from other commercial banking peers, the majority of our portfolio is in our multifamily commercial term lending business, where we work with high quality investors with proven track records, the rents on the assets that we are financing are meaningfully below overall market average rents. This provides us a buffer and an economic downturn. The loans are secured by stabilized properties and highly granular with the average loan size of about $2 million.

Outside multifamily, we are closely monitoring our office exposure. But for us, office remains less than 9% of our total commercial real estate portfolio and less than 5% of our total loan portfolio. And importantly, it is predominantly against Class A buildings and supported by top sponsors in the industry. So as we consider rising rates, the prospect of more stress amongst the regional banks and the overall economic outlook, we are well prepared and believe we are appropriately reserved for a range of sector outcomes.

Looking forward, as strong as our franchise is, we are not standing still. We're making the long-term strategic investments to best serve our clients and compete in the future. As you can see on this slide, our 2022 expenses increased 17% as we made significant investments in our organic expansion, as well as our platform and capabilities. If you look at our volume- and revenue-related and structural costs, both are in line with the strong revenue growth and momentum that we're seeing across the business. As this year plays out, with market disruption and the shift in our competitive landscape, we have substantially heightened our new client acquisition. And so to accommodate this growth and rebalance the business and to accelerate our innovation economy banking efforts, we're adding incrementally higher front and middle office support than we have in prior years. But given the near-term revenues associated with this effort, we expect to maintain our overall overhead ratio target.

In addition to expanding client coverage, another high confidence investment is our strategy to become a truly data-driven commercial bank. We're making great progress and have combined our existing data with multiple third-part data sources into a single, scalable data asset that provides an extensive 360-degree view of both our clients and our prospects. And moreover, we're maintaining our data in a manner foundational for the application of large language models and scalable AI. This work is quite exciting and we're leveraging our data at scale to provide clients with unique insights and predictive analytics to enhance our risk decisioning and portfolio management, and to enable our bankers to better understand our client's needs and preferences.

A key for us to developing deep, enduring relationships is having our bankers cover our clients in a highly differentiated manner. And we do this by ensuring that our teams have the data and analytics, training, content, and tools they need to best serve their clients. So investing to both empower and enable our bankers is driving real benefits. We have smaller client teams, shorter sales cycles and improved banker productivity and breakeven. And in fact, middle market banker productivity has increased almost 15% just since 2019.

We also continue to make excellent progress with our work to optimize our client's journey across every single touchpoint with us. We're investing in our operations and platforms to drive simpler, more efficient, more intuitive, digital-first experiences. And to do this, we have dedicated teams focused on KYC, client service, client onboarding, billing and pricing, as well as credit and delivery. And beyond a meaningful improvement to client experience, our work is freeing up banker capacity. It's increasing our competitiveness and it's reducing risk and expense. And a significant factor in our strong operating efficiency is our relentless focus on the unit cost of these activities. And since 2021, we have decreased client service enquiry volume by 10%. Implementation cycle times have come down by almost 15%, and we've reduced the cost of a service enquiry by about 7%.

So, looking forward, we are clearly seeing the compounding results from our sustained investments and continue to make steady progress against all of our financial targets. In middle market expansion, we are keeping our $2 billion revenue target for now, but as I highlighted, we have that target in our sights and see several billion dollars of upside potential across our new markets. For our international platform, which remains a key differentiator, we are working towards our $1 billion revenue target, this too is well within reach. And for Investment Banking, with the growth of our client franchise and our focus on several high potential sectors, we're keeping our $4 billion revenue target. Finally, for Commercial Banking overall, we expect an 18% return on equity and a 40% overhead ratio through-the-cycle, even while making significant investments in our franchise.

So, to wrap up, I hope it is clear why we're so incredibly proud of Commercial Banking. We have an outstanding and growing client franchise with actionable opportunities across our entire business. We have real competitive advantages being a part of JPMorgan Chase. We continue to deliver strong financial results with diversified recurring revenues. We are prepared for a wide range of economic scenarios, and most importantly, we have an incredible team. And I want to take a moment to acknowledge and thank everyone in Commercial Banking. Since March, they have poured their heart and soul into supporting thousands of new clients, and they've been absolutely tremendous. And this is the team that is executing our proven strategy, working hard together every day to help our clients succeed, to extend our market leadership positions, to drive high-quality growth, and to take a long-term disciplined view.

And with that, I'd be happy to take any questions. Thank you all very much again for being here.

QUESTION AND ANSWER SECTION

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Chris Kotowski back there.

Chris Kotowski
Analyst, Oppenheimer & Co., Inc.

Q

You mentioned in the prior one, the topic of direct lending came up and you touched on it kind of tangentially. But if you look at corporate finance generally over the last decade, that's probably been one of the biggest changes in that alternative asset managers are bringing hundreds of billions of dollars to market. So, I'm just curious if you can talk about what is JPMorgan's approach to alternative credit, direct lending, private credit, whatever you want to call it? How do you raise those fund vehicles? And how do you integrate that offering into an Investment Banking platform?

Doug Petno
Chief Executive Officer of Commercial Banking

A

There was a lot in that. So, better late than never. It's half the C&I loan market. You're right, it's really taken off. Kind of came out of the last decade of having low rates and having investors seeking floating rate and yield exposure. We have, as you just heard, an incredible middle market client franchise. It gives us a window into a tremendous volume of high-quality lending opportunities.

What we noticed when we looked at the direct lending active competitors and their book of business is a lot of those loans we would have made. And so, we put a dedicated team of risk professionals, bankers, and debt capital markets together, focused on a select group of private equity sponsors and we have a several billion-dollar direct lending portfolio that we built all on balance sheet. We are working on ways to create a pool of capital with third-party money, but that's – we haven't completed that work yet, but right now we're active in the markets supporting our targeted private equity clients. And I'd also like to underscore that our credit box is very finite, very focused on longstanding clients, companies, and industries that we know well, not deep cyclical companies that won't tolerate those types of loans.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

We have a question down there from Ken Usdin.

Ken Usdin
Analyst, Jefferies LLC

Q

Thanks. Hey, Doug, you mentioned the concern about uninsured deposits. And I'm just wondering, inside your franchise, since March, how'd that discussion go? How far down does that go into the client base? And then, what's the solution set that you brought to your own clients in terms of that? And I guess, also, if you could also answer what kind of inflows did you see as a result as well?

Doug Petno
Chief Executive Officer of Commercial Banking

A

I don't know Jeremy if we've disclosed the total inflows. I think...

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

Only on an aggregate basis.

Doug Petno
Chief Executive Officer of Commercial Banking

A

Yeah. A lot. I think we've had clients whose boards and CEOs have sort of said, hey, where are deposits. And often times, the question sort of dies when the answer is they are at JPMorgan Chase. No question that people want to make sure they have diversified operating accounts at other banks just given what many companies lived through in the last several weeks. But we have liquidity sweep capabilities that allow clients to sweep into Mary's business. In fact, the biggest outflow out of our deposit portfolio is Mary's money market complex. And so, I think when

Doug Petno
Chief Executive Officer of Commercial Banking

A

our clients realize that they're at JPMorgan and they need their core operating deposits with us and that that they have sweep capability into higher yielding alternatives, most of which land with Mary, it's not an issue that's – it's not a drumbeat that's not loud for us, just I think given the combination of all those factors.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Okay. We have a question down here.

Unidentified Participant

Q

You mentioned office lending is an area you're monitoring closely. But outside that, across both CRE and C&I, what are you monitoring most closely for signs of potential stress?

Doug Petno
Chief Executive Officer of Commercial Banking

A

I mean, I touched on it. There's no real sort of standout part of the economy that's really suffering a lot of stress right now. Anything that's with higher input costs, higher labor costs, healthcare is a standout example. If you look at the unit cost of nursing, it's gone up exponentially since the pandemic. So, some of our healthcare clients are facing margin pressures, not to the point where– maybe it affects their overall credit standing or margins overall, but not to the point of distress. So, as you heard from my comments, there's not a lot of stress in C&I. And honestly, for us not a lot of stress in CRE, but it really revolves around higher input costs, higher labor costs, higher interest rates and some emerging signs of consumer shifting of their preferences more than it is weakness.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Okay. One last question from Scott Siefers down there.

Scott Siefers
Analyst, Piper Sandler & Co.

Q

Maybe just a little bit of expansion, I guess on Ken's question. When you onboard these new clients that have come particularly over the last couple of months or so, what are you finding that they're becoming, there's sort of a range of outcomes from just they're diversifying their options to you could become their primary account. What are they manifesting themselves into?

Doug Petno
Chief Executive Officer of Commercial Banking

A

Well, the obvious objective is to be their primary operating bank. It's all kind of playing out. I mean, I think the early data would suggest that's in fact the way it's going to play out. I mean, I think that those companies were desperate to move their money and being at JPMorgan is a relief for them. And the more we work with – the thousands of new clients – the more we expect that we'll be able to sort of fully develop the relationship and bring our broad-based capabilities to bear. But it's still kind of playing out. Not all of them are going to stay. I think Jeremy said it well in the moments after that, they're flighty, I think, was the word you used. I mean, there's going to be a little bit of that. But I think that the large majority we expect will be our clients for a long time.

Scott Siefers
Analyst, Piper Sandler & Co.

Q

All right.

Doug Petno
Chief Executive Officer of Commercial Banking

Thank you.

MANAGEMENT DISCUSSION SECTION

Operator: Please welcome to the stage, Mary Callahan Erdoes, CEO of Asset & Wealth Management.

Mary Callahan Erdoes
Chief Executive Officer of Asset & Wealth Management

I definitely didn't pick it. Whoever did, there's probably some deeper meaning to it. And he's requesting Rocky before he comes up. So, we can work on that. So, how did I get so lucky to get the last slot of the day. If you're sitting in a room full of stock pickers and people who do deep research, you would of course save the Asset & Wealth Management business for the last part of the day, a business that's near and dear to everyone of your hearts. Since that's where we do this for the firm.

I'm Mary Erdoes for those of you who I have not met. And I'm so proud to be up here. I'm so thankful that you've all given us your entire day to be with us. It is just as special for us as hopefully it is for you. We spent an inordinate amount of time preparing for this and hopefully each and every slide and statistic and sound bite is meaningful so you get the whole sense of JPMorgan. But in this business, it's really a microcosm of the whole firm, I think. It's the place where we give the investment advice for all of the wholesale CEOs and CFOs that everybody talked about, all the way through to the person that walks first time into the branch and to think about their first investment.

So, with that as our role, we've been very busy as you can imagine at the beginning of this year, and we want to talk about what has happened and where we're headed. And so, I'm going to take you to the first slide.

So, who are we? We are the $4.3 trillion fiduciary business of the firm. We have a very healthy and market-leading 25% ROE and 25% margin. Not all of our competitors have both. And the basis of every single thing we do is that last number on the left side, which is that we deliver alpha, each and every day. And the 90% of what we do has outperformed our peer competitors and that's a result of decades of continuous investment in this business. That number is captured in the top of the second column. That $400 million in research, we believe, is also industry leading. We invest in our research analysts, that's just on the analysts, in good times and in bad; and very importantly, when the markets are rewarding it, and even when the markets aren't. And that is an ecosystem that we have with our research analysts. They know we have their back, and it makes it a very, very important culture for them to work in.

We also differ in the comments about risk and controls that Doug had made. Ashley Bacon and Stacey Friedman run our legal, risk, and controls operations and compliance. And they are not something that sits off on the side. They sit side by side with every single front office person, trader, research analyst in Asset & Wealth Management. They are challenging them, they are prodding them, and they are saying are you applying the same fortress principles that we use for the JPMorgan balance sheet to our clients' balance sheet. And I believe that makes all the difference.

And we never stop innovating. If you look on that third column, you've talked – we've talked a lot about the M&A that we've done and we've successfully completed five transactions, we've been very innovative on the active ETF front. I'm very proud to say we now manage the top two active ETFs in the entire industry. And thankfully, one of them is in equities and one of them is in fixed income, so we are covered in any scenario that will face us. But maybe the most important is this last column and this is about the talent. I believe I work with some of the best and most diverse people in the industry. Many of them are here, I can see them in the back of the room. And it makes it a very, very special place to work. Most of them, over 95% don't leave, they stay here until they retire. We invest in them, and they invest in us, and that's what makes it such a special equation. And the same thing is true with our clients. Those 73% of our recurring revenues that comes from us investing constantly in what to do better for our clients. And because of that they stay, and that's what makes this whole thing very hard to replicate.

So, let's look at the financials. Daniel talked about, at the beginning of the day, laying out the fact that we want to be complete, global, diversified, and at scale, and that's exactly what Asset & Wealth management is. This is a very consistent and growth part of our business. We have diversified sources of revenues and we do have a few red circles. We don't like to have them, but thankfully they're relatively small in the scheme of things. And we have a relentless focus on our expense controls to get operating leverage in this business. You see 6% revenue growth compounded over the last decade, but 8% operating income growth. And that's what we want to deliver to you and the shareholders of this firm.

And with that north star focused on alpha generation, which I talked about, you see that clients continue to vote with their feet and with their assets. And so, I'm happy to say that the red $4 trillion is now back over $4.3 trillion as of today (sic) [the end of the first quarter]. And thankfully, it's not coming from any one product or region, it's coming from a very diversified business, and so let's look at this. Our business is split pretty evenly between the left-hand side, which is the Global Private Bank and that's run by Dave Frame and Martin Marron who runs our international business. As well as the Asset Management on the right – it's the fifth largest asset manager in the world, but it is the third largest active asset manager run by George Gatch here in the front row.

In the middle section, you can see just a smattering of everything, from loans and deposits to on the right-hand side equities et cetera, every area and every region is a driver of growth for us. And that diversification is what makes this power of this business work in good times and in bad. I want to just point out one number on the left side. It says clients with a $100 million. Last year in the Private Bank we were running at about one a day in new clients that were $100 million and up with us in Assets. And that generally accelerates during times of crisis, but at this point year to date that's running at 4, $100 million clients a day into the Global Private Bank. I don't think it'll last but it shows you the amount of money in motion that's happening in the private banking space.

And maybe what's even more impressive are those two bottom lines that talk about advisor productivity, whether it's on the private banking side at the $3 million in revenue per producer or the $13 million near number on the Asset Management side, those are some of the highest numbers in the industry and that's with very significant hiring. So, we're quite impressed with those numbers, and we continue to hold those as a focus for us.

But with all this growth, comes the need to make sure that we are also just as focused and religious about waste cutting and expenses. So, I want to go through our expense walk in this business. And there's three things I want to point out on this page. Number one, we did better than we told you we were going to do last May. We said it was going to be $11.9 billion in the 2022 column. And it ended up six months later being at a $11.8 billion in no small part to Craig Sullivan and his team who work religiously on each and every dollar spent, and the ROI associated with it and making sure that we bring that to the bottom line.

The second is we told you that the rate of growth is of expenses was not going to accelerate; and in fact, it's slowing. And the third thing that's very important to note is you see that $10 billion which is volume and structural related, it's relatively flat. And that's in spite of enormous volume increases. I credit that to both Mike Urciuoli and Julie Harris who run our technology and operations, and they're focused on operational excellence at every turn, the modernization of our platform, and as Lori talked about the decommissioning of a bunch of these legacy platforms, which is really helping give us a lift. And all of that allows us to take that top number, that $2.2 billion and invest exactly where you would want us investing – technology, advisors for new growth and capabilities.

So, first, let's just look at tech. It is the underlying of everything that we do. This is Lori's page. I took Lori's page and I tried to make it with an example of a line of business, so I could bring it to life for you a little bit. In the first column, we talk about how we're delivering better customer experience. There is a great example of what just happened in the first quarter. We had been building something called Morgan Money. It's a portal for trading money market funds, not just ours everyone's in the industry. And we were creating a UI that we thought was going to be better for the Street basically to use and for people, not knowing we were going to hit a crisis. And in fact during those several weeks of lot of fearfulness in the market, we became the actual go-to place for everyone in the industry. We traded more than $1 trillion, double the volume of what we were ever going to expect (sic) [double the volume of what we did in the same time period a year ago].

The second column, Lori talked about all of the DNA of the technology people. And I just want to bring this to life in a different way. For us, the technologists are already doing a great job. We need the rest of the business to think like technologists, and you will see that number 5,400 Python-trained people, non-technologists trained. Why? We don't want them to be technologists. We want them to be thinking like technologists, and as a matter of fact that 5,400 is going to go to 6,000 pretty soon, because every single new analyst and associate, of which we have 400 of them starting this summer, are going to be trained in Python. So, when you come to JPMorgan, we are going to ensure that you are trained for work that will exist over the next 50 years and the way you need to think. Whether you like it or not, you are going to understand technology, so that someday you can run the technologists if you aren't going to be one.

And all of that we talked about is going to be unlocked with this third column, which is AI. The proprietary systems – Lori mentioned we have some that run off of GPT. We have our own inside of the Asset Management business and it's run on our Spectrum portfolio management system. We have loaded up 30 years of our own proprietary data on all of the companies that we follow. We then match that with the millions of data points we get every single day. And what we have already seen is such a tremendous uplift. We have only begun to scratch the surface just on that as well as the other (sic) [over] 50 pilots that we have in place. So, I think it is going to do – Mike asked the question about how do you measure some of these technology numbers, they are really immeasurable. We are only beginning this journey with what AI can do in a business like ours.

And, of course, the last one, there is a dark side to all of this AI, and that's that the fraudsters will grow just as fast. And that's happening. We had a record year of cyberattacks on our business where we move high amounts of money around and that has already grown in the first quarter. And so, what we do, and Lori had mentioned in hers, we spend a lot of time educating family offices, individuals around the world, 11,000 people turned to us last year to get those teach-ins. Those same growth drivers that we've talked about for the last several years, they're right here, they don't change, this is exactly what we want to continue to invest in.

One, scaling asset management, that's what George does every day. We are only number three in the active (sic) [assets under] management space, but we are number one in flows. We are gaining market share and we're going to keep going to scale that business. Two, alts, it's everyone's new focus, it happens to be our focus for the last 60 years. We'll talk about a little bit of that. And then, three, the M&A that we have talked about for the last couple of years. Ben Hesse has really been the driver of that, not just for Asset & Wealth Management, but really helping all of us think about it across the firm. I'm proud to say, we've also added CFO responsibilities to Ben across the Asset & Wealth Management business, so we're really excited about that.

But four and five are what we've talked about a number of times today across Jenn and Marianne's business, and that's the Wealth Management continuum. So that's a $50 trillion marketplace, okay? And that space is covered both by Kristin Lemkau, who's here also in the front row, who runs this wonderful business across the Chase platform and then in the U.S. her partner Dave Frame, who runs it across the Global Private Banking business. Together, those are 8,000 advisors. Those 8,000 advisors' asset and wealth management powers all of the investments and opportunities that they invest in. And you know what that has delivered already? Each and every day there are 500 new people in the branches who start to invest with JPMorgan Chase. And every single day, the Private Bank brings in $1 billion in net new money into the investment space. So, this is something that – those numbers may not last, it may be the zone that we're in right now where people are reassessing their European banking situation or their U.S. regional banking situation, but we're certainly the beneficiary of those. So, let's look a little bit into a couple of these.

First, scaling Asset Management, just very quickly. 95% of equities are outperforming peer median. That is like not a normal number. Paul Quinsee is in the back of this room. He has been doing this for 31 years and he never relents on investing in these people to make sure that they know when the markets aren't flooded with liquidity and actual alpha shows, he will shine. Bob Michael if he is not on TV, he is usually out talking to a sovereign wealth fund about the fact that bonds are back, and his portfolio of fixed income has done just that, and it's been tremendous.

Each one of those asset classes, in the dark blue bubble, are growing faster than the market (sic) [industry]. That just means they're gaining market share and that's exactly what we want to continue to do. We need that alpha generation because the right-hand side is where the future growth is going to come from in the Asset Management business. Those are active ETFs as well as SMAs and model portfolios. Jed Laskowitz is overseeing those two areas for us, and they are of tremendous growth, our formula is working on the active ETF business. You see rapid growth there and we continue to gain market share. And SMA and models, we were like number 16th, I don't know only a couple of years ago, we are now in the top 5 and we continue to gain market share, we already have 200,000 external financial advisors being able to access those models. So, as that continues to grow, that will be tremendous for us. And with our sales force across George's business, run across the Americas, EMEA, Asia, they are already one of the largest salesforces, but they also happen to be one of the most aggressive, and I think you would expect those numbers to continue to grow.

Two, alts. Anton Pil overseas this. We've had a very longstanding core of real estate infrastructure, fund of funds, but the exciting places that we're growing, are places where JPMorgan is growing. So, think about what JPMorgan is doing on the fintech side, JPMorgan should also allow investors to co-invest in areas of companies that we see the companies, we use the technology and wouldn't it be great for them to also be investing at an early stage. So, we have a number of those funds and opportunities that I think that 50% growth that you have seen on the right-hand side there over the past three years should be readily repeatable.

Page 3 (sic) [Three], executing M&A. I will not go through each of these. You know about the five that we have completed. 55ip, nine times the assets that we have expected since acquisition. Campbell Global, it might be the most requested management team to come to meet to talk about how you can own your own forest. And then, OpenInvest. OpenInvest, just one second on this. OpenInvest is to be able to choose your values or your preferences in your portfolio. I personally don't believe it's up to an asset management firm to tell you or me how we should care about our assets and what asset classes we should like or not or what thing we should divest from our portfolio or not. I think it's an individual's choice and OpenInvest allows us to have individuals making those decisions, not an asset manager telling you what sector or industry you should exclude.

On the well – sorry, let me just make one point on CIFM. That's the last one, because it is new in this quarter. We just closed this transaction. We've been in China for 100 years. It's taken us eight years to close this transaction and we couldn't be more excited. George took the whole team over there to do the rebranding a couple of weeks ago. Desiree Wang is actually one of the leaders responsible for the Shanghai business. She's in the back if you want to ask questions about what's happening in China. But this 100% ownership gives us two things that are really important. 64 million brand new clients of JPMorgan where now they're ours, we get that data, we get the insights. And very importantly, researchers on the ground who cover a – have had (sic) [over] 1,000 client meetings last year. When you take that research and infuse it into all of the analysts that we have around the world, it's priceless. And so, having that on the ground research, whether you're investing in China or not, doesn't matter. You need to infuse that in your models to think about what's happening with the companies that you're investing in around the world. And so, it's those acquisitions that I think are what power the future of this business.

So, before I talk about the powering, let me just reground this one more time. We're the part of the company that powers all the great things that Kristin does, that Dave Frame, Martin et cetera. And they are run by Mike Camacho, who is also here in the front row. And he runs this full continuum of whether you want to do brokerage investments, mortgages, et cetera. When we just acquired First Republic, you see these last three boxes, insurance and annuities, trusts and estates, and fund finance, they are excellent in this space, and it will drastically help how we do those businesses. So, there's some very exciting things that we're adding to the capabilities here. But I think it's those acquisitions when you make them and you combine them with what JPMorgan does is where the real power comes, not just in an ROI, but in what you're delivering to clients. And I would tell you that there's two really big game changers coming for our business. The first is on the left. It's called JPMorgan ConnectWealth. It's our old SMA platform, which we do quite well for all the clients that want individually managed accounts. But we put two pieces with it, 55ip, which helps us to do the tax optimization in a much more efficient way. OpenInvest, I told you; you can now personalize your values. I'm not going to tell you whether you should like oil or not. And then, you add to it the AI of being able to tell you your stock went up, forget about the selling. Why don't you think about doing a GRAT or CRAT or taking it and putting in your DAF to be able to get it out into the philanthropic space? All of these things, not just on an S&P 500 portfolio, on your entire wealth, including assets held away. It will be the Holy Grail of how people think about managing their assets. And we're well on our way.

The second is workplace. Finally, we can compete in this space. We bought Global Shares and we are going to win in this workplace space. Why? Because we also have branches. Okay? We also have some of the pieces that we talked about in the Investment Bank, Capital Connect which Sanoke is overseeing for us. And Michael Elanjian has just been tremendous in thinking about that plus the Aumni transaction, we have the branches that Jenn runs so fabulously, we have the 401(k), Ben mentioned the Everyday 401(k) product for retirement products and then we happen to also ourselves manage 300,000 employees. We know what it takes to provide financial wellness to employees. So, when we can package that for other people, you put all of that together and we have JPMorgan Workplace, which I think is just going to be a game changer. And Vince La Padula, who couldn't be here with us today, is going to help lead us. And that feeds leads not just in the Asset & Wealth Management business, but to the Commercial Bank, the Investment Bank, CCB, all day long is really exciting.

And so, what I want to then talk about is how do we do that? You need talent to be able to deal with this. And we have to continue to grow. I would just make one note here. There's a lot of people – we are very fortunate in the company that we work for. There's a lot of people that want to work for JPMorgan. We had 47,000 resumes for those 400 slots for the analysts and associates to come in this summer. So, it's harder than college. But that's because Lauren Tyler and her team do a really good job of not just going out to the regular colleges, but to a very diverse group of schools all across the country and the world to be able to get us that excellent talent and to do what we need to do it's an apprenticeship model. It's not a cookie cutter training. We have a woman named Anne Devlin, who we took off the frontlines, who runs our entire training system, (sic) [designing it] as if (sic) [how] she would like to learn. And then, we have people like Jeremy Geller and others who come off the frontlines and sit in those rooms and train and teach and coach until they're JPMorganized. That's our goal. We want you JPMorganized and that's our secret sauce, and then we will allow you to go on the frontlines and it's working, and those productivity numbers on the right-hand side show just that. So, if you have any first-class talent or graduates in your family or coming, please send them our way. And so that's the exciting part about training.

Now, what do you think the most important thing is that we teach them on the first day of training after they've been Python trained, of course. Banking is not a commodity. That's what we teach them. And their eyes gaze over as they don't live in crisis. And then when they hit a crisis, they pay attention to this. And so, this is the basis of everything we do. We talk about the fact it is not a commodity, it is part of everything we do, the holistic advice that we give to clients, and it's the most important basis of what we talk about. And so, there are two things to note on this page. One, those lending numbers, all that net charge-offs at the bottom, they look very strong. They should. Why? Because we never changed our lending standards. Everybody else had different rates, covenants, relaxed terms, and still we stuck with what we know how to do best. 97% of what we do is fully collateralized. And our goal, when we deal with very big, large, sophisticated clients, is we want two ways out. Why? For them and for the bank. Because when you hit an air pocket, you don't want to be the person who's forcing them out of something. And so, we spend a lot of time making sure that we are going to be a lender through cycles for those clients.

And the second, which was just touched upon by Doug in the presentation, I also think one of the reasons that we become a net gainer in almost every one of these crisis is that JPMorgan Chase is both a fabulous place to put your deposits, but it is an equally great place to put your money market funds. And every crisis is different, and you never know where people want to put their money. And so, once we get it in-house and it has to move around, if we can keep it in-house, all the better.

And John Donohue, who is here somewhere, he runs the world's largest institutional money market fund business. He could teach a Ph.D. course in how to deal with these crises. He's been working with me on this since what I call the first Lehman crisis back in the 1990s, for those of you who remember that, all the way through the Great Financial Crisis, the European crisis, and now, of course, our regional crisis. And you can see that in each one of these, we tend to gain market share, we become the flight to quality beneficiary. We get institutionally smarter with each one of these and we know what to do. We know what to do when we run our war rooms inside. We know how to stay in front of clients. And the only thing I want to show you on this page is there's a staggering number here in the middle. It's 3.8 million. That's the number of times financial advisors at other firms chose to use a Guide to the Market page that's created by JPMorgan to help their clients, irrespective of the firm they work for. It's pretty astonishing. And all of that resulted in the second – sorry last number I want to show you. This is the 40,000. Okay. So, on Friday at 7:25 PM, that was the timestamp of the 40,000th account being opened since March 10. And I had to get Mikael – where did Mikael just go, he was sitting right there. You moved – to approve to be able to print the document after I changed the number, because we made it to 40,000. And that was because we spent so much time figuring out how are we doing to deal properly with this crisis. Of course, we had war rooms and the like. But we took people from the mortgage business, we took people from the first-year analyst classes. We didn't – it didn't matter where you were from. If you are smart, and you are driven, we flew you to another city, we put you up in a hotel for the last 4, 6 weeks and you helped us to get through this and we hit that 40,000 number, that's just in Asset & Wealth Management. So, we're quite proud of it and we're very thankful for all the people that helped us with it. And we basically, just on the institutional side, we did two years' worth of account opening in basically two months. So, it was quite stunning. And that's really the example of the firm.

I just have two more pages really to go through here. You've seen the wheel many times. I don't need to take you through it again, except for to tell you, you know that 800 people that were working on the thing (sic) [FRC deal]. What you probably don't know is that that happens all the time. They're the MLTs. These are the local leadership team. The San Francisco local leadership team, they oversee 3,500 people in the Bay Area. Okay? They had to pull themselves together during the early days of March 10 to figure out what to do and then Doug and I sent teams, John Simmons I saw, Melissa, we sent the teams of – of the Commercial Bank out with Madhu and Noah and others from the Investment Bank, along with our Private Banking teams. We went, we educated CFOs, we helped venture capital firms, and we really pulled the firm together as one firm. And that's why those numbers are what they are. And, of course, all the other pieces, whether it's the 23 Wall group that sits between the Investment Bank and the Private Bank run by Andy Cohen. I said last year, there aren't any investment bankers that want to take a private banker to a meeting except for inside JPMorgan Chase. And every one of our new hires says, you know, this is like not normal. This is not really how it happens. And the reason that it happens here is we don't allow people to say, my client. It's our client. And that is just a really important part of the ecosystem here inside of this firm. Which leads me to how does this happen? We continue to grow assets. I can't actually tell you what's going to be the green bubble versus the red bubble next year, which is why I have to invest in each and every one of those areas. And I am going to tell you that that's why we were able to deliver 19 years of consecutive net new inflows into this business. And so that gives me the confidence to tell you. And we were number three, by the way, in asset flows over the last five years amongst a number of very strong competitors.

We continue to gain market share and we have great growth ahead of us. I'm going to reiterate my targets on the last page here, which I have laid out for you in the past. The first is long-term flows at 4% of our base, revenue growth of 5%, margin and ROE both at 25% and above. And while all of those we consider through the cycle targets, we want to deliver those and aspire to do them each and every day. And so that's very important to me.

Now, I know you want to ask lots of questions and answers about the Asset (sic) [and Wealth] Management business, but we're going to bring Jamie up instead, who can incorporate them all in there now. And before I do, I just want to end with one page, which is basically exactly where Daniel started, and that is, this business has unparalleled strength across these four lines of business. And I hope you got a sense of that today.

Everyone in this room and on the line work so hard for clients all around the world, each and every day. And we are enormously proud of the fact that we finally made it onto the Fortune Top 5 list of Admired Companies in the World. The only small problem is that those companies all have a higher multiple than us, and three of those companies are in the trillion dollar and up club. So, with any luck, both Mike and Betsy's predictions will come true and number 5 on the list will also end up in that trillion-dollar club. Jamie, why don't you come up and close this up?

QUESTION AND ANSWER SECTION

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

Okay. There you go. Very good. I like that. So, I'm going to go right to questions. I have a bunch of things I do want to say to follow up. I figure mostly we try to answer what's on your mind first and I'll make sure I cover what I think are some other points. Are you going to do the Q&A or do you want me to?

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Okay. Questions? We have a question right down here.

Unidentified Participant
Q

Hi. Real quickly on the dividend. What do you think is a good recommendation for an increase in the cash dividend this year?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.
A

Yeah. The Board makes that decision. And I think we've already told the world that we're going to decide after we see CCAR or something like that. So, it will be later this year. We obviously have the wherewithal to pay a bit more of a dividend.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Right, Mr. Mayo. Right there.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

Well, how does it feel to be the largest bank growing share in your industry?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

It feels great.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

Okay. Now, how does it feel to be in an industry that's becoming more marginalized than almost any other industry? So, I set you up there. But your CEO letter for the last few years has highlighted the diminished role of banks relative to private capital, relative to tech, relative to so many other players. So, what message do you think Washington D.C. is not getting when you go down there and say, stop increasing capital? And also, you've seen a lot of regional banks they're going – they're shrinking their balance sheets or passing that corporate business to, I guess you or outside the industry. So, what do you think happens to the banking industry post-Silicon Valley?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Okay. So, bunch of questions there. So, first of all, the regional banks reported. When they reported their first quarter and they showed you some of their March numbers, they did okay. Their results were quite good. Their ROTCEs were quite good. The deposits were down just a couple of percent. They're paying a little bit more. So they're all talking about their betas been higher. I think people mis-underestimated what that beta would be. That's why we're quite concerned about it. We show you all the reason for being very conservative about beta, particularly down the road. But you're asking a bunch of questions. So, here is kind of answer – I think kind of answers right. I wanted to say a little bit.

We are doing really well. We have for a long period of time. I am comfortable that will be true going in the future. I do think we've got tough competition and we showed you a lot of number ones. I think one of the things I like when you – when people talk about our weaknesses. We didn't build Square. We didn't build Stripe. We have markets where we're not doing particularly well. We have plenty of growth areas. We're going to focus on what we have at hand. We think we can – we have a lot of things to build, a lot of things to succeed. And we have new competitors. Private, you've heard the private credit. You have Apple, you have the neobanks, Chime and SoFi and Dave and Marcus and all of that. So, we have our hands full, but we're comfortable we can deal with that.

Daniel mentioned one of things about capital and I do think capital is an important thing is that: we will manage capital. So, if capital goes up and up, things can leave the banking system. But the way I look at it, we're really smart. We're going to figure it out.

For example, for every dollar that Mary loans or that Daniel loans, or that Doug loans, we just have to do more NIR. You heard Allison talk about it and she said 10% margins on $15 billion of businesses, that's $1.5 billion of profit that's got no capital, no G-SIFI. And so, we are quite focused. All these acquisitions, 55ip, OpenInvest, Global Shares, you heard Doug talk about it. A database as Takis has talked about, adding data verification, identification. Revenues, no capital, no G-SIFI. So, we know we have to do that. I think that capital is going to continue to go up, stuff will continue use the banking system. We can – I think we can manage through it.

I've also noticed, when we look at our numbers, our ROTCEs have gone up with our higher capital. I think there's a possibility that higher capital charges will hurt smaller banks and not bigger banks. So, I think the regulators will be very, very careful about how they want to go about allocating capital in the system.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

And then just a short follow-up.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

But I also think, we – what I'd like too is the management team is very honest about what we do well and some of the areas we don't. Because that is the opportunity to focus on those things, and so, yeah.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

A short follow up. Your pricing, like it seems like the private capital market gets more when they lend out money. And are you seeing any pricing-power willingness? You want to pass on your cost of goods sold. Are you able to do so? Are you doing so?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

So, the amazing thing about private credit for a long time: they got paid more per dollar of credit than the bank did. Okay? So, when we – and this changes by the way. So, what I'm about to say isn't what it is today but we build flex in the bridge loans. They base this, let's call it 2% or 1.5%, that we can go higher, they charge the full amount. What they did that the people really liked, it was unitranche. So they can lend all $800 million. It was fast. It was lower covenant. I want to point out that lower covenant often has nothing to do with credit losses. So, if you go analyze covenants in the past, that wasn't necessarily the thing that made the difference. So, they got paid more per dollar of credit.

We get paid more for the relationship. So, you've heard up here, every person up here spoke about like, I'll use Petno's business as an example, where we're getting paid NII, but he's also getting an equal amount of NIR, usually payments from investment banking or FX or something like that. So, we're actually being paid more for the relationship. So, when we go do the private credit, we're doing both. So, we know we can compete in private credit. We just have to do it carefully and wisely within our own credit standards.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

We have a question right down there.

Unidentified Participant

Q

Building up on what you mentioned that we've done well, I mean, if you just take a step back, it's been a remarkable 10 years for JPMorgan. And when it's...

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

It's been a pretty good 20 years by the way.

Unidentified Participant

Q

Pretty good 20 years. But in the past 10, I mean, net income has basically doubled in 10 years.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Yeah. Doubled in the first 10, too, but go ahead.

Unidentified Participant

Q

And I'm wondering, I mean, and we looked at a lot of things today and last Investor Day, which of them excites you big picture more for the next 10 years? And please don't say retirement.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Which? What?

Unidentified Participant

Q

Which one – which of the big picture...

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

I got the part about retirement.

Unidentified Participant

Q

Please don't say that what excites you more is retirement.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Okay. So, there's not one area, not one of those businesses you saw that can't have organic growth. And I've said this for years: It's good to be able to win with organic growth. And we could do organic growth with every business for the next 10 years, maybe 20. So, on the Consumer side, there's 48 states. Are we in Hawaii now from First Republic? You were going to tell me that. They have an ATM in Hawaii. Okay. And they have a high-net worth Consumer office. Okay, now we're in 49 states. But anyone from JPMorgan who wants to go to Hawaii needs my personal permission to go visit that branch. Otherwise, that branch is going to cost like $50 million. So, in Consumer and high-net-worth, credit card, Ink, small business, I think we can grow Travel. I think offers will be bigger than travel when all is said and done personally. I think in the Consumer Bank, you saw, it's amazing, the vibrancy of the American middle market businesses, this whole international expansion, the private credit and doing more private equity we weren't doing before.

In the Investment Bank, here, it's harder. I mean, you're eking out gains in Fixed Income and Equities and trying to trade. And Investment Banking. But it's doable. And these guys visited – Jim didn't show you all the detail, but there are a lot of areas where we are low on share and we're going to get up on share. So, I actually think – generally, I used to think we couldn't go much higher than a certain percent in trading. We now think it's probably 30% or 40% higher than that. So, 10 would, could be 13 or 14. These are very expensive businesses to run, highly regulated, highly global. And we get advantages from other parts of the company.

And in Asset and Wealth Management, I mean I think it's just the wealth of the world is growing like this. It's not going to stop. Is Martin in this room, by the way? Because he's done one hell of a job and the toughest part, the International, David Frame, the single-client group, they're all fabulous growth areas. They're hard work. They're just – they're work. You've got to do branches and people and training and ops and tech and systems and it'll work. And each one of them has data. Each one of them has non-capital, non G-SIFI benefits. Every single one of them. And so, you've saw it all through the themes here, which we've been doing for years over time.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Gerard Cassidy, down there.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

I also loved the chart that Jeremy put up and I don't know if you really paid attention to it. But you should go back to it, because I'm just going to talk about the one example of the deep to moderate recession. And I think you had two real things, deep to moderate recession with high interest rates. Think of stagflation, 7% interest, etc. And deep to moderate recession with low interest rates. Total different effect on us. The worst case is the low interest rates, one. Those are really – generated numbers. We're not just guessing at them. But we can earn pretty good returns, that's 7% unemployment, right? So it's not as severely adverse. But we can even with the severely adverse, we would probably earn quite a bit of money and be proud of the results. We always look at that. That we can – we're here in good times and bad. We're not running in

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

and out of businesses. We're not – we have long-tenured people. Our research is – I don't know if Joyce Chang is in the room. And I mean, that's how you build a business. Just all the time, not stopping and starting.

Gerard Cassidy
Analyst, RBC Capital Markets LLC

Q

Thank you, Jamie. Your comments tie into my question. Credit's been great for the industry for a number of years. Clearly, over the next two or three years, your team has pointed out the normalization of credit that's coming. So, two questions. First is: what are the risks that you see for JPMorgan over the next couple of years if we go through some sort of credit cycle? And the second, have you given much thought to the second derivative risk of the non-bank lenders who have really never been through a credit cycle? They've really grown, as you know, since the financial crisis. What on the second-derivative risks to the industry and to JPMorgan, if there are any?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Yeah. And so, there will be a credit cycle. It will be – I would – my view is it would be very normal. I'm going to give you an exception though, okay? A normal is a credit card losses one. She showed you the numbers. If it's really, really bad, they can go to 6% or 7%. Remember in 2008 and 2009, it hit 10%. But the underlying credit is much better now. So, every business will have its own little credit cycle. And they'll be fairly normal and what you would expect for us. Okay? There's always an offsides. The offsides in this case will probably be real estate. It will be certain locations, certain office properties, certain construction loans. It could be very isolated. So, it won't be every bank. It'll be just – it'll be some may have an issue in real estate.

Private credit, if you ask me, there may be similar offsides there. I think you have a lot of top professionals in that. These are very smart people. They've got long-term capital buckets, so they're not going to have a run, but they may have, not a run, but where they can't lend money anymore, okay? They'll have to stop lending money. So, I think there's a risk that some will lose control of the credit. Some won't do that well. It will cause problems and they'll leave stranded borrowers. Stranded borrowers may be a benefit for us. Like we were very clear in this crisis, we told our people and we were categorical, do not take advantage of any bank that's having a tough time. At all. Not their people, not their loans, not their credit. No winks and nods and no whispers and stuff like that. And we would punish people who did that. But on the private credit side, if they're stranded borrowers, what's going to happen? If they can't make a loan to you, who are you going to call? And this time, I'm going to remind them that they left for two basis points. So, I think we'll be okay. I don't think it's systemic, but I do think it may cause some issues away from banks.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Okay. Ken Usdin, right here.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

You know, a little lesson about SVB. Because after SVB failed, when we did a deep-dive analysis on SVB and we looked at how detailed the work was that they did and how they covered both the venture capital companies and how they covered the corporate accounts. Think of the companies not the venture capital company, but the companies they invested in. I'd say it's 35,000. And how they covered the venture capitalists and the management of those companies. And it was really – they did a lot of really neat, great things. And we did the work. You know what my first response was: why didn't we do this work before? We didn't realize how deeply embedded they were in the system. So, we always complained about our inability to get involved in venture capital. They did a great job that way.

Ken Usdin
Analyst, Jefferies LLC

Q

Jamie, today's presentation and the last few months shows that there still is obviously a lot of market share opportunities that you can get domestically. But you pointed to the things that Doug pointed out about the international expansion in Commercial Banking over the last couple of years. You guys have made investments in digital banks abroad. Just wondering how you think about market share opportunities still in the U.S. and kind of put that against just where the international opportunity is when you think about the business holistically?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Yeah. So, we have – if you – if we could, we could show you country-by-country: India, China, Australia, Japan. Companies we cover. Companies that are in our bailiwick. Where our market share is lower. Where our market share is high. What the Private Bank can do, what they can't do. Onshore, offshore. Every country has got a plan. In almost any country, we can grow. We don't always succeed, but in almost any country we can grow. And if you look at places like India and China, obviously, China's been tough recently, but in India, we've been gaining share pretty much for years and we'll continue to do that. Remember – and when we are in a country – we also bank Indian companies in the U.K., in Singapore, in the United States and we bank all the multinationals going into India. So, we actually try to measure that and grow that. It was kind of little bit embedded in what Doug was showing you, because he does that country-by-country, too.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

All right. We have a question right down here.

Unidentified Participant

Q

Hello. With rates going up as high as they've gone up, did you see any falloff, not necessarily for JPMorgan from interest rate swaps when they roll off maybe for other companies?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

I don't understand the question. Am I worried about other companies' interest rate exposures?

Unidentified Participant

Q

No. You have a lot of interest rate derivatives, right, that swaps that occurred, two or three years ago when rates were very low. So, when those swaps roll off...

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

For us, you're talking about?

Unidentified Participant

Q

No, no, not necessarily for JPMorgan, for other companies. Do you see any fallout from that possibly?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Not really. I mean, most – we've tried to do this before. We look, when we look at our exposure to our own clients, like what their interest rate exposure was, I think Daniel mentioned something that's in the back of my mind. There are countries that have issues with the dollar being stronger, not recently, but being stronger. Interest rate exposure. How much they earn in dollars and stuff like that. So, I do think I'd put that on the list of geopolitical risk. When interest rates go up or down, there's always someone offsides. There's embedded interest rate exposure in almost everything. So, you guys have a heightened sense about it when it comes to banks. It's in real estate. You have to refinance your real estate loan, that's interest rate exposure. And you have it in companies, you have in some leveraged lenders. Most of them are pretty responsible, but some will be offsides.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Glenn Schorr, down there.

Glenn Schorr

Analyst, Evercore ISI

Q

Thank you. So, not all the deposit models held up the way they were originally designed in the last couple of months. And I'm curious, if there's a lot of banks out there that don't necessarily know the duration of their deposits, the rate paid on their deposits, how that impacts in their mind, what to do with their balance sheet, what to lend out, what duration they have on their asset side. So, do you think we have a credit-availability building issue? And is that something that you think the regulators will take into consideration as they go about Basel III endgame?

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

So, let's see, first of all, on deposits. Betas, we haven't been through quantitative tightening, so we really don't know what's going to happen to deposits at all. And that's why I've been quite concerned about that. I'm probably more concerned by quantitative tightening than almost anybody in this room. We've never had QE before. We've never had QT before. It just started. Okay? And you see huge distortions in the marketplace already. We've never had the Fed in the market like this with that RRP program that Jeremy mentioned, ever. They have $2.3 trillion basically lent out to money funds. And I don't know the full effect of that. And obviously that's a direct deduction from deposits that early on it made sense to do so.

So, I think people should build into their mindset that they may have to move deposit beta more than they think and manage that. So, if I was any bank or any company, I'd be saying, can you handle higher interest rates and surprise in deposits, etc.? If you go back, I know some people looked at 2018, or something, for deposit beta. I think if you go back to 2000, even the 1900s, when we look at when rates were very high and they moved around a lot. What happened? What happened with most deposits is that once you were keeping 2.5% or 3%, your beta was 100 after that. And which means you have to be short in your portfolio of stuff to make up that kind of beta at very short rates. So, I think some people will be offsides with that. I think smaller banks – I think the smaller they get, the more they may have a little bit of an issue with that.

But, whether the regulators have taken this into consideration, I don't know. They seem completely unconcerned about RRP. I would be more concerned if I were them. And I don't think that you could take it into consideration for capital year after year after year for SCB, for G-SIB, for all these various things. So, capital – there's so much capital in the system. And this crisis actually proved it wasn't capital. It was more about liquidity, vulnerable deposits, etc.

The other thing I want you to do is, I had written this down. I think we made a mistake to talk about insured deposits and uninsured deposits. That is disclosed. You see that number. That isn't the problem. And in fact, the way SVB was handled isolated this whole uninsured deposit thing. Until then, you didn't really think about uninsured deposits. It's really what's runnable. And I give you very specific examples. And Takis mentioned, it's about payments. Doug mentioned it, we've talked about his deposits. Even in Custody, I think I have my numbers right. You have $30 trillion, some number like that. How much are your deposits? I heard that deposits are $200 billion, but we settle $1 trillion a day. Those are like operational-type deposits. And so, it has different betas and different run-ability. And so, if you have checking accounts, business accounts for someone, and $5 million is going through a day or going through a week, you're going to keep a couple million – a couple, $5 million, $10 million, $15 million in deposits. So, you really have to have this more of kind of runnable accounts where the beta is very different. A lot of checking accounts, small business accounts, middle market accounts, cash-type of management accounts: they aren't going to leave their main bank. And you didn't see them leave their main bank in this crisis. Maybe people had excess over their amount. They moved it to someone they felt safe with.

So – but you're already seeing credit tightening up. Because the easiest way for a bank to retain capital is not to make the next loan. So, I think you are going to see that. And I think everyone should be prepared for rates going higher from here. If 5% is not enough from Fed Funds, if I – and I've been advising this to clients and banks, you should be prepared for 6%, 7%. You should be prepared for on the 10-year bond. And I also feel this way: the Fed doesn't control the five- or 10-year rate, they control the overnight rate. So, while they've been raising the overnight rate, there's still too much liquidity in the system, which is why stocks are high, bond spreads are still – you're all talking about recession: it's not reflected in bond spreads. So, I think the chance is that you can have rates ticking up and not to 3.78%. I'm talking about 4.25%, 4.5%, 5%, 6% hell, maybe even 7%. I would be prepared for higher rates if I were someone. Whether it happens or not we don't know, but you should be prepared for it.

And I think people will tighten up credit. And I think people are going to retain capital to make sure they're not caught off-guard. The worst thing a bank could be is to be caught off-guard. And so, I'm hoping – and I do think that the regulators will be very thoughtful how they talk about AFS. They've made it clear that they may make a change, but it won't be made for years and it will be phased in over five years after that. I think there'll be some limits on HTM that would make it more of a rational how much you can do, the duration, what you can put there, the size of HTM versus your AFS portfolio. And I'm sure they're going to change certain things about liquidity. And I do think that stuff will lead to tighter credit for smaller banks.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Okay. Betsy Graseck down the middle here.

Betsy L. Graseck Q
Analyst, Morgan Stanley & Co. LLC

Hey, Jamie, thanks very much for today. A lot of very clear signals here that the organization is working super hard to get that operating leverage going and moving in the right direction. And I think that's the path to your $1 trillion here in market cap over time. The question I have is on...

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

Did you say operating leverage? You think that means that our margins are going to go up down the road?

Betsy L. Graseck Q
Analyst, Morgan Stanley & Co. LLC

Your revenue growth will be faster than your expense growth.

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

Not possible.

Betsy L. Graseck Q
Analyst, Morgan Stanley & Co. LLC

Why?

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

I've been telling you guys this for years. It's – we already have very high margins. We want to grow profits and revenues and have high returns. Jeff Bezos says that, "Your margin is my opportunity." No business in the world can continue increasing margins. It is not possible. We already have very high margins.

Betsy L. Graseck Q
Analyst, Morgan Stanley & Co. LLC

Okay. So, I take back what I said then.

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

Thank you. Okay.

Betsy L. Graseck Q
Analyst, Morgan Stanley & Co. LLC

My question is on your capital and your capital buffer.

Jamie Dimon A
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

Yeah.

Betsy L. Graseck
Analyst, Morgan Stanley & Co. LLC

Q

And we know the regulators are coming out soon with the Basel endgame in the next few weeks or so. FRTB, etc., we can triangulate to what that might mean for you. But what I can't triangulate to is what – how you're going to interpret that with regard to how much capital buffer you need on top of that? I know you say you have enough capital, but when they raise the bar, do you have to raise the bar for buffer being that you are the biggest bank in the country?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Right now we have a – we talked about a 50 basis point buffer. I think buffers on top of buffers are absurd. I think we've gone through the looking glass with this kind of stuff. But yes, we will have a buffer, but the higher the number is, the less we think we need it. I think the less we can have a smaller buffer and then be very direct with our shareholders about what that means for dividends, capitals, stock buyback. So, obviously, it may make it a little bit more erratic. We can do those things. And so, we have plenty of capital. Like, we're retaining capital today. Our target is 13.5%. Even after sucking up 40 basis points with First Republic, we're still going to be over the 13.5% this quarter. We're going to see what they do and then we'll give you more information.

I think this constant capital confusion is a bad idea. As you know, I didn't like it when the SCB changed dramatically last time that we had to all change our plans overnight. I think that they should simplify stuff. Once the rule's X: I really would do this if I were them. If our required was 12%, and once you go below 12% to like 11.5%, you can't raise your dividend. Below 11.5%, you have to cut your dividend. I mean, below 11.5% you can't buy back stock. Below 11% you have to cut your dividend. Below 10%, you have to cut it to zero. That's what I would do. I would have a very disciplined process, but I wouldn't have the capital number swinging all over the place. And you've heard me talk about stress tests. It's very – I mean, I blame the banks for what happened. But this having one test, I do think lulled a lot of people into a false sense of security that things are going to be okay on interest rates. And that was a mistake too.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Any more questions? Mike Mayo, go ahead.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

Well, how many more years as the CEO is the question. And...

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

3.5 years. But we are on the same plan we had before. So...

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

Okay. And I got just why? You have fame, you have fortune, you've had success. And why do you want to still be as intense as you were before? You were counted black cars when you got here, you got to Bank One, you were like basically counting paperclips. And I think it's...

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

I never counted paperclips.

Mike Mayo
Analyst, Wells Fargo Securities LLC

Q

But there's a concern here. And the concern is when you're away, the sense is, the intensity is not as strong as when you're here. That's a perception that I've heard from some ex-employees, outside investors. So, is your intensity as strong as it's always been? Do you still get fired up every day you come to work? And do you really think your team has that same intensity that you have?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

So, all human beings are different. And I'm kind of like I was when I was 8. And I'm not going to change. I'm not going to play golf. I love my country. I love my company. I love my family. I'm going to do something. I can't do this forever. I know that. But my intensity is the same. I think when I don't have that kind of intensity, I should leave. I don't think CEOs should retire in place and just cut back and take it easy for a while. I think that erodes the whole company over time. I think that's a mistake. I think the management team has tons of intensity. I think the difference is that when I leave, I think there's a deep sigh of relief that they can go do their jobs, as opposed to having me walk in and out and bugging them about something and stuff like that. So, I think it's good for management teams when the CEO is away. I think it's good for the CEO to be away sometimes. I think it's good for like both parties, like, spending – take a little bit of vacation from your family sometimes. And so, I still love what I do.

I think I hope you feel – like when you watch the management team, you got to see some of them. But there are a lot of other great ones in this room. They're pretty damn good. I mean, handing this company over to the next generation, I will feel great about it. I mean, literally great. They will take this to the next level with a whole other set of problems and issues with their grit and courage that you need to do these jobs. And it takes grit and courage, it takes grit and courage to do their jobs today. There are big jobs today. And so, they don't sleep as well as you think they do and just to make sure they're doing the right thing. There's a great Wall Street Journal article on First Republic. I mean, these – Marianne and Jenn, I went to see them and I said, they were really like on the way to the airport on that Sunday night, I guess, or something like that, to go see the people and they've already been out and about, And the teams that we had 800 people working on the due diligence over those couple of weekends or something like that. But I would guess there's 10,000 people working at our ops, Risk, Legal, systems, credit, Commercial Bank, Retail Bank, Chase Wealth Management, comp plans to get that thing done. So, a lot of work, a lot of very capable people doing that kind of work.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Richard Ramsden, down there.

Richard Ramsden
Analyst, Goldman Sachs & Co. LLC

Q

So, maybe I can ask a slightly different question on succession which is, when the Board looks for your successor, what do you think the most important attributes are they're going to look for?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Yeah. So, here's an important governance thing. And I think it's like one of the most important governance things. And Dodd-Frank mandates it that once a year the Board meet without the CEO. When I got to Bank One, I told the Board they should meet every time – I was the Chairman and CEO – but I told the Board they should meet without me every time. If you want to give a Board discretion and the ability to talk to each other, it's not to have me in the room when they're doing it. So, I have these strong opinions and so that – and that's number one.

The second is: they know all the senior management people here. All of them. They can take them for lunch. They can go play golf with them. They – no one has to ask permission from me. They get to meet, there are a bunch – almost all of them have been to dinner with the Board a couple of times. And so those two things create a very healthy environment. I tell the Board I'm just trying to do the best I can. I don't spend a lot of time wining and dining my Board, because I'm really busy. But that's what they do. And they – the succession, it is up to them.

Now, obviously, I speak to them every meeting, and then I leave and I'm sure they speak about it. Things like that. I think it's a huge mistake in my view, when a company says that: What are you looking for CEO in the next generation? Is it a marketing person? Is it a risk person? Is it a tech-oriented person? That isn't what leadership is about. And I think you're almost guaranteed to fail if you think having a strength, one important strength is the most important strength. I think the most important strength is you're trusted and respected by people, that you work your ass off, that you give a shit, that you know you don't know everything. They have curiosity. They have grit. They have courage. Are you willing to change direction? You're willing to go in front of your shareholders and say, we screwed up, we made a mistake, we were wrong about that. Those are the things that I think are the most important things, not one particular thing is something like that.

And so, all the – even all those things you're talking about – you were talking about Python and you were talking about tech. It's like, yeah, they have to know enough to do the job. But if you're smart, you can figure that stuff out. But if you don't have grit, you don't have it. If you don't have courage, you don't have it. If you're the kind of person who defends every decision you made….I mean, my management team knows, I don't think I've ever, ever defended a decision. Just want to do the right thing going forward. That's it. Just do the right thing going forward. I don't really care what we did yesterday. And so I'm very much of that mindset. I also get over bad shit really quickly. And literally

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

sometimes it would happen to me it's like it happened 10 years ago even though it happened this morning, because that's how you can kind of move on in life. So, I think the Board is very comfortable that we've got really top choices here.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Charlie Peabody.

Charles W. Peabody
Analyst, Portales Partners LLC

Q

Yeah. And Jeremy talked about the high levels of HQLA and more importantly, the unencumbered marketable securities. And I applaud you guys for taking the security losses you did last year to keep your balance sheet liquid and current. And then you mean...

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

That wasn't the big deal. The big deal was the amount of money we've kept in cash.

Charles W. Peabody
Analyst, Portales Partners LLC

Q

Yes. When you look at your mix of HQLA...

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

We have, I mean, it's amazing numbers: $1.5 trillion of cash and marketable securities (sic) [$1.4 trillion of HQLA and marketable securities]. Total loans are $1 trillion. Bailable debt and equity $400 or $500 billion. Those are extraordinary numbers. That $400 billion or $500 billion is more than the total losses of all the G-SIFIs combined in the real great stress test of 2008 and 2009.

Charles W. Peabody
Analyst, Portales Partners LLC

Q

So that's where I was going with my question is: You said your LCR ratio will be high-120s by the end of the quarter and you would operate normally 110%, 115%, let's say. Should we draw – is that something that's structurally different about how you're running the company or is it cyclical? And if you start to use...

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

All the – we always ran it like 110% or 120%. And then during COVID, the deposits came rolling in and that number just went up to 140%, 150%. And I – what is the total outflow number again? The total outflow numbers?

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

What? You mean, like the LCR denominator?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

What's the HQLA today?

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

It's like $700 billion.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

So, $700 billion. So that just number kept on going up because the deposits came in and now it's just returning to, what I'd call, a more normal number. And that is part of it because the securities don't count, other things don't count. And so...

Charles W. Peabody
Analyst, Portales Partners LLC

Q

I guess what I'm trying to get at is will you start to deploy some of that liquidity? And...

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

Not yet.

Charles W. Peabody
Analyst, Portales Partners LLC

Q

No, I know not yet. But when you do, is that a signal that you are beginning to see things all clear, or are you running at a strictly higher LCR ratio for other reasons?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

No, no. We are required to run at the 100% number. We're way above that, yes, but we're always going to keep a cushion. Some of those are buffers. I would say, our policy buffer is 110% or 120%.

Jeremy Barnum
Chief Financial Officer, JPMorgan Chase & Co.

A

Yeah. I mean, we move it around, depending.

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

A

I mean, we move around, but there's a policy buffer. And of course, we're all afraid to tell the regulators your buffer is 10% more than 100%, and you go below that and they are going to punish you anyway. So, once we set that buffer, we will have that buffer. If it goes above that, we have discretion. But that doesn't cover how much discretion we have to go longer and reinvest. It's not that number. It's a different number than that. So, we can invest hundreds of billion dollars long if we wanted to. Of course, if we did that, today we'd be making less money. Remember, we're getting 5% overnight and you're getting…Okay, so you can buy mortgages at 5.5%.

Mikael Grubb
Head of Investor Relations, JPMorgan Chase & Co.

Any more questions?

Jamie Dimon
Chairman & Chief Executive Officer, JPMorgan Chase & Co.

So, can I just add, I appreciate everyone coming here today. I was in this room about maybe nine months ago or something like that and somebody asked me a question that I had never been asked. And, in fact, we invited Jason Sudeikis to one of our CEO meetings, he's going to go to it, because some of us we were watching Ted Lasso. Anyway, the question I got asked was, which I loved by the way, was how do

Jamie Dimon

Chairman & Chief Executive Officer, JPMorgan Chase & Co.

you show gratitude to your direct reports? And a couple of my direct reports were in the room they burst out laughing, because I don't really on a regular basis show gratitude to my direct reports.

Now, as a young man, it was partially because I was running investment banks, I was always worried that if I ever show gratitude, at the end of the year, they would just ask for more money. And which, by the way, isn't true. People like gratitude, you know. And so, I learned that lesson over many years. And I answered the question by saying, I'm not particularly good at showing gratitude. But, I hope my management team and I think all the JPMorgan people here know how much gratitude I do feel for the job they do for this company, for their clients, their communities, for our countries around the world. It is extraordinary. And they do know that. They do know I'd break my back for them, that I give a shit to do the best I can. That I adore them. And I just look at these sessions here and I'm kind of beaming half the time, just watching our people in action talking about what they do and how they do it. And they're getting better, folks. And I just think that's a wonderful thing. So, my gratitude to all of the JPMorgan people here. Thank you very much. And to long-term shareholders, thank you. We'll see you – see you all soon. Thank you.

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