2023 INVESTOR DAY – CONSUMER & COMMUNITY BANKING

TRANSCRIPT

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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 repricing lags, we have assumed some level of savings repricing 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.
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. In context, 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 over 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 28 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 customers.
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
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 competitor.

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 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*

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*

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*

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*

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

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

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.

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

Sure. Yeah.

Marianne Lake
Co-CEO of Consumer & Community Banking

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

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

us, but certainly we have complete conviction about it and we measure it. I think Jen said that 75% (sic) [~50%] of mortgage referrals are delivered through the branches, 75% (sic) [~25%] of our revenue is driven 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.

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.

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

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.

...Mike for sure. 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.
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.

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...

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.
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