2023 INVESTOR DAY – CORPORATE & INVESTMENT BANK

TRANSCRIPT

May 22, 2023

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 Q
Analyst, Portales Partners LLC

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

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.